

U.S. FOCUS Growth Strategy

Representative Commentary — 3Q22

Performance	Annualized					
	3Q22	1YR	3YR	5YR	7YR	10YR
FOCUS Growth Equity Composite (Gross)	-2.54%	-18.16%	10.26%	12.78%	11.68%	12.36%
FOCUS Growth Equity Composite (Net)	-2.78%	-18.99%	9.18%	11.67%	10.58%	11.25%
Russell Midcap® Growth Index	-0.65%	-29.50%	4.26%	7.62%	9.53%	10.85%

Please see the important performance and other related disclosures at the end of this Commentary, which are an integral part of this quarterly Commentary Newsletter.

Global markets—using the MSCI World Index as a proxy—began the third quarter in fine fashion (up 8% in July) but stumbled (down -4% in August) and then fell further (-9% in September). For the full quarter, the greatest discomfort was in emerging markets with a -12% return, followed by relative improvements in developed non-U.S. markets with its -9% showing, and -4% for the U.S. Measures of global economic activities fell to the demarcation line between expansion and contraction—with manufacturing showing greater weakness than services though both noting slower rates of new orders. That ebbing tide contributed to falling prices among commodities, especially oil and natural gas.

Central banks commanded investor focus during the quarter as they continued constricting their respective monetary supplies. Setting the pace, the U.S. Federal Reserve increased rates twice during the third quarter at 75-basis-point increments to a new range of 3.00% to 3.25%. There also were a pair of hikes from the European Central Bank, which made its first increase since 2011 in July and followed that with another in September, swinging European interest rates from negative territory to the current 0.75%. Other money centers shadowing those moves included Switzerland, which lifted its interest rates above 0% for the first time since 2014. The one notable holdout remained Japan, which was steadfast in maintaining its negative interest rate policy, though the Bank of Japan bought yen for the first time in over 20 years to buoy its falling currency. Currency woes also knocked the U.K. late in the quarter—bringing its pound to all-time lows vs. the U.S. dollar—as new Prime Minister Truss

unveiled an economic stimulus plan that included significant tax cuts (in response to the market reaction, that portion of the plan was withdrawn). Despite all those actions, global inflation rates remained at elevated levels.

Across the U.S. equity landscape, investors backed either prior winners or potential hyper-growth areas. On the surface, the Russell value indexes were punished more than growth and there were steadily worsening returns as size increased (from the microcap to the megacap indexes). Underlying that, the influence of the growth style was neutral while value was negative; stocks with high exposures to market sensitivity or momentum reaped relative benefits. Among small and mid cap growth stocks, there were positive returns for stocks with high valuations and higher growth rates for sales. Despite falling commodity prices, the Energy sector remained relatively strong while Real Estate and Consumer Staples especially lagged. Also notable was that Health Care had positive returns for small caps, led by the Biotechnology industry, but both were below average in mid cap, where stocks in that industry and sector tend to be more mature in their growth profiles.

Amidst this environment, the portfolio underperformed the Russell Midcap® Growth Index in the third quarter. There was relative weakness from Catalent, Veeva Systems, SBA Communications, RenaissanceRe, and Signature Bank. That was partially offset by the relative strength of our positions in Gartner, Waste Connections, O'Reilly Automotive, Cintas, and Martin Marietta.

Catalent Inc. is an outsourced contract manufacturer supporting the biopharmaceutical industry. The company reported a slight fiscal fourth quarter revenue miss, partly due to foreign currency translations. Catalent's latest results were indicative of a significant deceleration from prior periods as COVID-19 work declines. Its shares declined by -32% and we reduced the position. **Veeva Systems Inc.** supplies cloud solutions to the global life sciences industry. The company reported an inline fiscal second quarter but lowered fiscal year guidance. We decided to liquidate the position, which had a -17% return for the time it was held in the quarter. Veeva's reduced outlook came from a combination of foreign currency translations, with the remaining tied to anticipated macroeconomic headwinds.

SBA Communications Corp., an owner and operator of wireless communications infrastructure. They reported a slight beat to estimates for the second quarter and raised full year guidance. One notable blemish on the quarter was higher international churn. This came from carrier consolidation and liquidation events in Panama and Guatemala. Management is very positive on tower leasing activity and development services. The company entered into an agreement to acquire 2,600 additional towers in Brazil. Nevertheless, its shares descended by -11%.

RenaissanceRe Holdings Ltd., a provider of reinsurance and insurance services, lost -10%. They reported solid second quarter results due to higher net premium growth and net investment income. The stock's weakness was attributable to the uncertainty associated with the hurricane season. **Signature Bank**, retreated by -16%. Second quarter earnings topped estimates, driven by net interest margin expansion and loan growth. However, deposit outflows and higher expenses, caused management to reduced forward guidance.

Gartner Inc. operates as a research and advisory company. Their stock price jumped 14% after they reported a beat to Street expectations due to strong performance from its research and conference businesses. New to the strategy this quarter was **Synopsys Inc.**, a provider of electronic design automation software products used to design and

test integrated circuits. The electronic design automation market is essentially a duopoly with one other major player in the space. As such, the barriers to entry are very high and will likely remain that way due to rising chip complexity.

Waste Connections Inc. provides non-hazardous waste collection, transfer, and resource recovery services in the U.S. and Canada. Their shares rose 9% after topping second quarter estimates and raising forward guidance. This was driven by better-than-expected solid waste pricing and robust growth in the E&P waste business for oil exploration companies. **Cintas Corp.**, a supplier of corporate identity uniforms and facility services, gained 4%. Fiscal first quarter results featured beats to revenue and earnings estimates. The company is successfully winning new business and cross-selling into existing customers.

In keeping with our previously announced transition plan, Sonu Chawla now leads this strategy's portfolio team. Tony Rosenthal continues his active involvement as a portfolio manager until his retirement next spring and Grant Babyak's portfolio manager role remains unchanged.

Surveying the remainder of 2022, there seem to be many uncertain balances ready to tip either way. With nearly all central banks well on the quantitative tightening path, there are concerns whether they might raise rates too high too fast, as well as worries that they may pivot and begin easing too soon. Many economies across the globe teeter on the edge between expansion and contraction with the determining factor appearing to be new order demand, which has not yet fully recovered. Across our investment universe, companies are concerned about a future recession, and many have taken precautionary steps for a more challenging future business environment. Our bottom-up analysis and discussions with company management teams aim to find holdings that can be resilient whichever way the scales tilt. As always, we are available for any questions you might have as we endeavor to protect the assets you have entrusted with us.

General Disclosure:

The holdings discussed represent a particular point in time. It should not be assumed that the securities continue to be held, and/or continue to be held in the same percentage, and/or were held continuously throughout the period. In addition, the holdings of a particular client account may differ from the information provided. Securities discussed do not represent the entire portfolio and, in aggregate, may represent only a small percentage of a portfolio's holdings. Information is subject to change without notice. It should not be assumed that any of the securities discussed were or will prove to be profitable. Past performance does not guarantee future results.

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Composite & Performance Disclosure:

Performance is measured against the Russell Midcap® Growth – a market capitalization-weighted index that measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell Midcap® Growth Index, are based on gross-of-fee returns. Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto.

This composite invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the Russell Mid Cap Growth Index. The process is fundamental research driven. The investment style is growth. Primary selection criteria include quality management, distinct competitive advantage, and strong, sustainable growth. Portfolios will hold approximately 15 stocks. Historical turnover has averaged 73% per year. Composite inclusion threshold \$500,000. From January 1, 2007 to April 30, 2010 the fee is 150 basis points. From May 1, 2010 the fee is 100 basis points. The composite creation and inception date is September 1, 2005.

Effective 04/01/2015, TimesSquare removes accounts from this composite when significant cash flows occur. A significant cash flow is defined as an external flow that exceeds 10% of the composite's market value on the day of the cash flow. Effective 01/01/2017, the significant cash flow policy has been removed.

The performance figures shown are calculated in U.S. dollars on a size-weighted basis and reflect the reinvestment of dividends and other earnings, and the deduction of brokerage commissions and other transaction costs. Performance is provided on a gross basis (before the deduction of management fees) as well as net of the standard fee schedule listed for this strategy during the period presented. The applied standard fee [basis] was 100 basis points from inception to December 31, 2006. From January 1, 2007 to April 30, 2010 the applied standard fee was 150 basis points. From May 1, 2010 through present the applied standard fee is 100 basis points. To illustrate performance net of fees, assume \$20,000,000 is placed under management for ten years sustaining 10% compound gross total return. If an advisory fee of 1.00% of average assets under management is charged per year, for each year of the ten-year period, the resulting compound annual return would be reduced to 9.0%. The ending dollar value of the account would be \$47,347,274 compared with the unreduced account value of \$51,874,849. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV.