TIMESSQUARE
CAPITAL MANAGEMENT, LLC

U.S. Concentrated Growth Strategy

Representative Commentary — 3Q22

Performance

			Annualized			
	3Q22	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
U.S. Concentrated Growth Composite (Gross)	-0.53%	-18.81%	13.39%	14.55%	14.64%	14.41%
U.S. Concentrated Growth Composite (Net)	-0.72%	-19.43%	12.56%	13.71%	13.80%	13.56%
Russell 3000® Growth Index	-3.37%	-23.01%	10.16%	11.56%	13.27%	13.35%

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stimulus plan that included significant tax cuts (in response to the market reaction, that portion of the plan was withdrawn).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 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 large and mid cap, where stocks in that industry and sector tend to be more mature in their growth profiles.

Amidst this environment, the portfolio outperformed the Russell 3000® Growth Index for the third quarter. There was relative weakness from Microsoft, Tyler Technologies, and SBA Communications. That was offset by strength from our positions in Paylocity, Apple, Avalara, Floor & Decor, and Nasdaq.

Microsoft Corp. develops, licenses, and supports software solutions worldwide. Fiscal fourth quarter results were generally in line with consensus estimates, though profits missed slightly. While its Azure cloud business continues to perform well, the personal computer market has declined with inflation having an impact. Its shares experienced a -9% selloff.

New to the portfolio this quarter is **Tyler Technologies Inc**, a provider of integrated information management solutions and services for the public sector. Management has indicated that demand is back to pre-pandemic levels and a transition to the cloud is accelerating. Tyler provides mission-critical applications that replace outdated technology at many state and local governments. Despite providing resiliency in an uncertain market, the shares pulled back by -12% and we added to the position.

Bill.com Holdings Inc. offers cloud-based software that simplifies, digitizes, and automates back-office functions for small and mid-sized businesses. The company has indicated that customer spending softened a bit in recent months and that has been factored into forward guidance. We decided to sell out of the position, which had declined by -20% while it was held in the quarter.

SBA Communications Corp. is 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%.

Paylocity Holding Corp., a provider of cloud-based human capital management and payroll software solutions, surged ahead by 39% and we trimmed our position on that strength. Strong results and management's initial fiscal 2023 guidance were both above expectations. Despite an increasingly uncertain macroeconomic outlook, Paylocity has not seen a slowdown in demand and will benefit from higher rates on their sizable float balances.

Apple Inc. designs and manufactures smartphones, personal computers, tablets, and wearable devices. The company reported better than expected revenues, though that came from a lower-than-expected supply chain impact. Apple called out pockets of weakness in wearables as well as home & accessories. Management referenced macroeconomic uncertainty and sounded somewhat guarded when commenting on fourth quarter expectations. In September, Apple introduced four new iPhones with retail prices kept at last year's levels. Its shares edged forward by 1% in consideration of these developments. We trimmed the position after evaluating the channel which highlighted some consumer demand choppiness.

Avalara Inc., an outsourced provider of end-to-end tax compliance services for small to mid-sized businesses, rallied 30% on news that a private equity fund announced its intention to acquire the company. The position was sold from the portfolio.

Floor & Decor Holdings Inc. operates as a multi-channel retailers and commercial flooring distributor. Second quarter results included a modest earnings beat, however, forward guidance was lowered in recognition of macroeconomic pressures and a slowdown in the housing market. As borrowing rates continued to shoot higher, we felt it appropriate to liquidate the position and book the 33% gain.

A boost to the portfolio came from **Nasdaq Inc.** and its 12% advance. They serve capital markets and other industries worldwide, while continuing to make strategic moves towards more recurring revenues. Second quarter earnings exceeded Street projections due to the combination of higher revenues and lower expenses. Areas of strength were Investment Intelligence, their Corporate Platforms segment, and Market Technology.

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.

The opinions and information expressed and provided are for general information only and are not intended to provide specific advice or recommendations but rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. All material has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

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TimesSquare Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TimesSquare has been independently verified for the periods 10/1/2000 to 12/31/2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The U.S. Concentrated Growth composite has had a performance examination for the periods January 1, 2008 to December 31, 2016, and from January 1, 2020 to December 31, 2021. The verification and performance examination reports are available upon request.

Effective January 1, 2022 the U.S. All-Cap Growth Composite was renamed U.S. Concentrated Growth.

Firm and Composite Information

TimesSquare Capital Management, LLC ("TimesSquare") is a registered investment adviser that is owned by the former equity management team of TimesSquare Capital Management, ("TimesSquare ") and Affiliated Managers Group, TimesSquare was formed to manage TimesSquare's growth equity investment advisory business which was sold to TimesSquare in a transaction that closed on November 19, 2004.

This composite invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the Russell 3000 Growth Index. Portfolios will hold approximately 30 securities. The process is fundamental research driven. The investment style is growth. Primary selection criteria include quality management, distinct competitive advantage, and strong, sustainable growth. Historical turnover has averaged 68% per year. Composite inclusion threshold $200,000. Fee basis is 75 basis points. Composite creation and inception date is January 2, 2008.

From 04/01/2015 until 12/31/16, accounts are removed from the composites 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 January 1, 2017 this composite does not have a significant cash flow policy.

The opinions and information expressed and provided are for general information only and are not intended to provide specific advice or recommendations but rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. All material has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

TimesSquare's list of composites is available upon request. Past performance does not guarantee future results. The firm's list of limited distributed pooled funds are available upon request.

Benchmark

Performance is measured against the Russell 3000® Growth – a market capitalization-weighted index that measures the performance of those Russell 3000® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell 3000® 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.

Benchmark returns are not covered by the report of independent verifiers.

Performance Calculations
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 highest fee level from the standard fee schedule listed for this strategy during the period presented. Investment advisory fees generally charged by TimesSquare are described in Part 2A of its Form ADV. To illustrate performance net of fees, assume $20,000,000 is placed under management for ten years and sustains 10% annual gross return for each year during this period. If an advisory fee of 0.75% of average assets under management is charged per year, for each year of the ten-year period, the resulting annual net return would be 9.25%. The ending dollar value of the account would be $48,444,497, as compared to $51,874,849 if the advisory fees had not been deducted.

Internal dispersion is calculated using the equal-weighted standard deviation of all accounts included in the composite on a gross basis for the entire year; it is not presented for periods less than one year or when there were five or fewer portfolios in the composite for the entire year.

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns on a gross basis over the preceding 36-month period. The three-year annualized standard deviation calculation is not presented for the composite and/or benchmark for years when 36 monthly returns are not available. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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The rate of return attributable to IPOs for the year ending December 31, 2021, was 13.75% (Gross) and 13.46% (Net). For all prior years, the contributions from IPOs were immaterial.