TIMESSQUARE
CAPITAL MANAGEMENT, LLC

U.S. Small Cap Growth Strategy

Representative Commentary — 4Q22

Performance

			Annualized			
	4Q22	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
U.S. Small Cap Growth Composite (Gross)	5.27%	-25.38%	3.06%	6.65%	9.23%	10.75%
U.S. Small Cap Growth Composite (Net)	5.01%	-26.09%	2.06%	5.61%	8.16%	9.67%
Russell 2000® Growth Index	4.13%	-26.36%	0.65%	3.50%	7.09%	9.19%

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.

In 2022, global equity markets retreated sharply after three consecutive years of double-digit gains. For example, the MSCI World Index declined by -18% after average calendar year gains of 22% from 2019 to 2021. Though there were many economic challenges for the markets last year, weakness among global equities did not arise from poor company fundamentals—realized and projected earnings per share for the average MSCI World stock were either stable or increased in 2022 while their price/earnings ratios contracted. Weighing on the markets during the year was a combination of higher inflation rates, climbing commodity prices, tighter monetary policies, and slowing measures of business activities that moved into the range of economic contraction.

Though down for the year, in the fourth quarter equities rose from troughs earlier in 2022. That initial rebound was strongest for non-U.S. developed markets with a 17% quarterly gain, followed by emerging markets at 10%, and then 7% for the U.S. Across all geographies, value stocks remained favored above growth stocks. Positive returns were more evenly distributed among the global economic sectors this quarter, although for the year Energy remained the lone positive—and significantly so. As inflation rates remained above the goals for most major central banks, many of them raised interest rates at least once during the quarter. The quarter ended on some positive notes as China abandoned its zero-COVID policy and commodity prices began to ebb.

Focusing on the U.S., the year began with highs and lows that moved to opposite ends of their respective spectrums. In January, economic activities were well into the range of expansion, but by year-end they fell into contraction levels. Consumer expectations eroded, in part matching the progressive climb of inflation, though the latter began to recede in the fourth quarter. Perhaps the most notable and steady ascent in 2022 was driven by the Federal Reserve's pace of rate increases—seven raises lifted federal funds from a zero-interest rate policy to a range of 4.25% to 4.50% in December. In the fourth quarter among small-to-mid cap growth stocks, there was a pronounced preference for quality and valuation as stocks with higher returns on equity or lower price/earnings ratios outperformed. Stocks that lacked earnings or were projected to have negative earnings growth were punished.

Amidst this environment, the portfolio outperformed the Russell 2000® Growth Index in the fourth quarter, leading to its outperformance of the benchmark for the full year. There was relative weakness in the Energy, Financials, and Information Technology sectors that was more than offset by strength from our positions in the Industrials, Consumer Discretionary, and Health Care sectors.

The strongest sector during the fourth quarter was Energy. Because we believe many of these companies lack unique competitive aspects, we tend to underweight this sector and that was detrimental to relative returns this quarter. Offsetting

that effect somewhat was the 17% return for **Matador Resources**, an oil and natural gas exploration and production company with acreage in major Texas fields and the neighboring states. Matador's revenues and earnings exceeded expectations following better-than-expected well production that was accompanied by lower levels of capital expenditures. During the quarter we initiated a position in **Magnolia Oil & Gas**, an exploration and production firm developing acreage in southeastern Texas. A relatively new public company, Magnolia's operations are nearly evenly split between oil and natural gas and its management has shown a very disciplined approach to capital expenditures and production growth.

There were notable challenges in the Financials sector this quarter. That included the strategy's greatest detractor—**Silvergate Capital**, which provides financial infrastructure solutions and services to the digital currency industry. The troubles of high-profile cryptocurrencies and their exchanges reverberated throughout that ecosystem and all service providers, such as Silvergate. While we initially believed Silvergate's financial position was stable and valuation was attractive, the market punished its shares and sentiment was unrelentingly negative. Lacking the conviction to rebuild the position, we sold our remaining shares, which were down -79% while we owned them this quarter. More to the strategy's credit was the 16% gain from **Victory Capital**, a global asset manager comprising several autonomous boutiques with centralized operations and distribution. Assets under management steadily increased across its subsidiaries and Victory's revenues and earnings bested expectations. With its strong free cash flow, Victory also repurchased 1.8mn of its shares in the prior quarter.

Some industry influences in the Information Technology sector weighed on our relative performance, such as the market preference for hardware over software last quarter. In part that led to a -17% showing for **Paycor HCM, Inc**., a leading software-as-a-service provider of human capital management solutions for small and medium-sized businesses. The company bested expectations for its revenues, earnings, and forward guidance by showing accelerating sales growth. Paycor continued expanding into new major metropolitan areas on each coast, growing beyond its base in the upper Midwest. Paycor demonstrated steady progress on its strategic growth plan, and we added to our holdings as its price weakened. There was a positive stock reaction to **Allegro MicroSystems**; a semiconductor developer of magnetic sensors and power management chips, which rose by 37%. Allegro reported revenues, earnings, and forward guidance that outpaced expectations as the demand environment remained strong in its automotive and industrial end markets. New to the strategy this quarter is **Flywire Corp**., a global payments platform focused on education, health care, and travel industries. The company operates in targeted vertical markets providing both payment software and handling cross-border payments. Flywire's management team has met its strategic targets since the company's IPO in 2021 and we believe they are well-positioned to continue growing the business from current operations and future adjacent areas.

Turning to areas of strength, the Industrials sector bolstered performance this quarter. That included the strategy's greatest contributor, the global welding company **ESAB Corporation**. Despite a challenging economic environment for its end markets, ESAB reported revenues and earnings that exceeded expectations thanks to growth in volumes and pricing. That growth continued unabated, despite the exclusion of its divested operations in Russia, and lifted its shares by 42%. We continued to build this position—first added to the strategy in the spring—including during its secondary offering in November. Another boost was the 28% gain from **EMCOR Group**, which provides construction and operational services for mechanical and electrical systems to a broad range of commercial, industrial, utility, and institutional customers. EMCOR's revenues and earnings bested expectations, as did the increased guidance for the rest of 2022. Notable growth was generated from its service groups for construction and building services, along with a higher backlog of activities. As its price climbed, we trimmed our position. A blemish in this sector was **Chart Industries**, a global manufacturer of cryogenic processing equipment primarily serving the industrial gas and energy markets. Mid-quarter, Chart announced the acquisition of an industrial manufacturer of compressors and related equipment. While there may be some synergies from this deal, it dilutes many of the core aspects of Chart that we appreciate, significantly increases the company's leverage levels, and may require an equity offering that would add additional pressure to the stock price. Thus, we exited the position, which was down -31% in the quarter while we held it.

Another bright spot for performance was the Consumer Discretionary sector. This quarter **PowerSchool Holdings** turned in a 38% return. At the start of the quarter, we added to our position in this cloud-based platform and collaboration software provider for K-12 educational settings. Later, the company reported revenues that were in line with expectations and earnings that exceeded them. Customer retention was over 100% during the recent renewal period (meaning on a net basis customers renewed for a higher dollar level of services) and PowerSchool signed new contracts with a major city's school system and an online education provider. Elsewhere there was a 37% gain from the fitness center franchisor **Planet**

Fitness. The company's revenues and earnings each bested expectations as its recent sales focus on increasing membership among those in their early 20s showed early successes.

Lastly, the Health Care sector benefited the strategy in the fourth quarter. At the top of the chart was the 43% gain from **Inspire Medical Systems**, which develops medical equipment to treat obstructive sleep apnea. The company combined higher revenues and earnings with increased forward guidance, driven by the 59 new centers for Inspire therapies in the last quarter—more than expected. We trimmed our holdings as the price climbed. Undercutting that contribution were poor showings from Pulmonx and STAAR, each of which we sold during the quarter. **Pulmonx Corp**. is the medical technology developer of Zephyr, a minimally invasive system for patients with severe emphysema, though this quarter the air was let out of its shares. In October, we began trimming our position out of caution that Pulmonx might see greater-than-expected weakness with volumes. Then the company reported a shortfall in revenues and earnings that was more than we expected, and management reduced its guidance for the balance of the year. In addition to lower volumes at existing treatment centers, Pulmonx added fewer new centers than projected. Its shares declined by -66% while we owned it this quarter. **STAAR Surgical** develops implantable contact lens to treat nearsightedness or farsightedness as an alternative to alterations by laser. Its sales volumes in China were adversely affected by that country's lockdowns. Then toward the end of the quarter, the company announced the sudden departure of its CEO and preannounced lower sales volumes in the U.S. We became concerned that the new CEO might further reduce guidance, which seemed more likely as STAAR's newest U.S. product launch seemed underwhelming during our channel checks. Hence, we exited the name, which was down -31% while we owned it in the fourth quarter. The strategy was better served by **Azenta, Inc**., which designs cryogenic solutions for the life science industry. The company's revenues and earnings outstripped expectations as did its revenue guidance for the new fiscal year. Azenta now seems well past the prior confusion some investors had stemming from the company's split from Brooks Automation at the end of 2021. In addition, Azenta announced plans to repurchase $1.5 billion of its shares over the next year. In the meanwhile, its shares gained 36% and we trimmed our position on that strength.

Elsewhere in the Health Care sector, we added two new positions. At the start of the quarter, we began buying shares in a biotechnology developer of treatments for epileptic disorders, **Xenon Pharmaceuticals**. Several of Xenon's treatments are nearing the completion of clinical trials with strong prospects for final approval. In addition, our discussions with physicians indicate a strong demand for these new therapies to treat the unmet needs within the varied population of their epilepsy patients. Similarly, the biotechnology firm **IVERIC bio** is developing new treatments that delay vision loss from retinal diseases. Its Zimura therapy was recently granted "breakthrough" status by the FDA, meaning that the preliminary data showed substantial treatment improvements, and its new drug application is anticipated to be approved in 2023.

Looking forward into 2023, many investors remain fixated on the macroeconomic environment. Which central bank will blink first by pausing—or even reversing—its quantitative tightening? Will those actions effectively reduce global inflation? How shallow or deep will 2023's widely anticipated recession be? As bottom-up investors, our attention zeroes in on a company's fundamentals and capital structure. While the contraction of P/E multiples weighed on nearly all stocks last year, many continued to increase their earnings and have stronger balance sheets than they did before the last recession. Stocks with that combination have a larger place in our strategy because we believe they will be well-positioned no matter what 2023 holds. 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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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 10/01/2000 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. Small Cap Growth composite has been examined for the periods January 1, 2018 to December 31,2021. The verification and performance examination reports are available upon request.

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, Inc. ("TimesSquare Inc.") and Affiliated Managers Group, Inc. TimesSquare was formed to manage TimesSquare Inc.'s growth equity investment advisory business which was sold to TimesSquare in a transaction that closed on November 19, 2004. From October 1, 2000 to November 18, 2004, the performance is that of the TimesSquare Inc. small cap composite. From November 19, 2004, the performance is that of the TimesSquare small cap composite which consists of all small cap accounts managed by the team at TimesSquare and TimesSquare Inc. There has been no change in the investment management responsibility or strategy from the prior firm.

This composite invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the Russell 2000 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 90-120 stocks. Historical turnover has averaged 54% per year. Composite inclusion threshold $5mm. Fee basis is 100 basis points. The composite creation and inception date is October 1, 2000.

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.

In July 2014, TimesSquare modified its purchase capitalization range to match the changes in the small cap market as represented by the Russell 2000® Growth Index. The purchase range was amended to reflect a range bounded by the approximate value of the smallest security in the index (in most cases) and the approximate value of 75% of the largest security's capitalization. These targets will be maintained for the subsequent 12 months, and may be adjusted based on the above rules each July following the reconstitution. In that manner, the targets would be responsive to higher or lower capitalization profiles of the indexes over time. Previously, in June 2012, TimesSquare had modified its purchase capitalization range to match the changes in the small cap market as represented by the Russell 2000® Growth Index at that time, with a change from $50 million to $1.5 billion at time of purchase to $50 million to $2 billion.

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 2000® Growth – a market capitalization-weighted index that measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell 2000® Growth Index, are based on gross-of-fee returns. FTSE Russell 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. This composite may contain some accounts that have used performance based fees. 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.

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. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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