TimesSquare Capital Management, LLC

Emerging Markets Small Cap Strategy

Representative Commentary — 1Q23

Performance

	1Q23	1YR	Annualized 3YR	5YR	Since Inception (1/1/2017)
Emerging Markets Small Cap Composite (Gross)	5.09%	-7.57%	17.79%	3.37%	8.00%
Emerging Markets Small Cap Composite (Net)	4.80%	-8.58%	16.52%	2.24%	6.83%
MSCI Emerging Small Cap (Net) Index	3.87%	-10.99%	20.68%	1.79%	6.31%

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.

It was a rollercoaster ride for global equity markets for the quarter, featuring considerable volatility. Most indexes ended positively in the mid-to-high single digits. The year began with optimism fueled by China's reopening of its borders to tourists. A mild winter drove down energy prices and lowered energy demand, bringing welcomed relief to Europe. These signs of vigor have been recognized by central banks, which may need to take action for longer than previously anticipated in order to bring inflation under control, though the degree of monetary tightening slowed. Global manufacturing activity decelerated, though it appears the supply chain challenges are fading. Geopolitical uncertainty remains a prominent consideration, with the war in Ukraine passing the one-year mark. In March, the collapse of SVB in the U.S. led to concerns over the broader global banking industry.

China's reversal of its zero-COVID policy at the end of last year led to a rebound in its economy while inflation has remained low. The low inflation, combined with the below-expected CPI print in February, led the People's Bank of China to announce a 25bps cut to its reserve requirement ratio for banks in March.

Within the emerging markets universe, smaller companies slightly underperformed their larger cap peers, while Value performed in line with Growth. Among emerging markets small cap stocks, positive performance was seen across all regions with the Americas leading the way. Among sectors, Information Technology significantly outperformed other sectors while Energy and Consumer Discretionary stumbled.

Amidst this environment, the portfolio outperformed MSCI Emerging Markets Small Cap Index for the quarter with relative strength across all regions.

Regional Performance: Asia

The portfolio's holdings in Taiwan, Indonesia, and Korea contributed to the relative performance while holdings in Thailand and Malaysia detracted.

Many of the portfolio's Taiwanese holdings rebounded from previous quarters with most of the strong returns coming from the Information Technology companies. During the 4th quarter, we added to **eCloudvalley Digital Technology** on its price weakness. As the largest Amazon Web Services (AWS) Managed Service provider in Greater China, the company continues to drive expansion through cloud growth, AWS growth, and the addition of new markets and competencies. Shares of eCloudvalley rebounded 58% this quarter. Surging 73% was **WinWay Technology**, a leading Taiwanese provider of semiconductor testing interfaces, with a particular focus on higher-end interfaces. The company's strong position in the TSMC ecosystem has allowed it to benefit from more complex chipsets which require increasingly customized solutions, particularly for AI, high performance computing (HPC), and graphic processing applications. These higher complexity orders are more resilient than consumer / smartphone chipsets, which have allowed the company to charge higher prices (and achieve greater margins). Winway will become more self-sufficient in probe pins beginning in mid-2023, further supporting gross margin expansion. Manufacturing application specific IC (ASIC) as well as system on a chip (SoC) for complex, high-growth applications such as artificial intelligence and higher performance computing, **Alchip** rose 58%. The company's 4Q22 earnings came in below estimates but their 2023 guidance indicated strong growth from AI and auto ICs. We trimmed our exposure in all three companies into respective price strengths.

Performance was mixed across the strait in mainland China. During the quarter we initiated positions in dental clinics operator **Arrail Group** and China's largest private assisted reproduction service (ARS) provider, **Jinxin Fertility Group**. As a leader in the ARS market and with China's current demographics situation, Jinxin stands to benefit from the long-term structural growth of China's assisted reproductive market. Arrail Group is a leading premium dental chain in China that operates under the Arrail and Rytime brands across several major Tier 1 and Tier 2 cities in China. The company is seeing a major rebound in patient visitations due to the end of Zero COVID policies that had impacted patient traffic, in addition to benefiting from the secular trend of Chinese customers upgrading to premium dental services from well-recognized quality service providers. After several years of being EBITDA and operating cash flow positive, the company is expected to become highly profitable on a net income basis for the first time in the coming fiscal year ended March 2024. Shares of Arrail gained 48% while Jinxin lost -32% since each was added to the portfolio this quarter. **Chinasoft International** is one of the largest information technology services providers in China. Amid macroeconomic challenges, a slowdown in its Huawei business, and COVID impact in the 4th quarter, the company's 2H22 results came in below expectations and its shares traded down -27%.

Korea is another country with strong performance. Gaining 34%, **Intellian Technologies** is a leading provider of satellite antennas, with the largest global market share in maritime VSAT (very small aperture terminal). The company's entry into the LEO (low earth orbit) satellite communication market brings additional growth opportunities. **COWINTECH** has been supplying automation systems to various industries since 1998. In recent years, the company has become a leader in automation equipment used in the production of batteries. We pared our exposure with shares of COWINTECH rising 28%.

Moving to India, **RailTel** is an Information and Communications Technology services provider that has the exclusive right of way in laying optical fiber cable throughout India Railway's rail network. The company's Q3FY23 results disappointed, and management reduced forward margin guidance. RailTel's share price traded down -19% as a result. Delivering better results was **PB Fintech**, a position we began building at the end of 2022. Shares of PB Fintech ascended 43% as pressure from pre-IPO lock-in investors eased. This online insurance and lending product platform has demonstrated a path to profitability and continues to gain market share. We continued adding to the position in January, though reduced it in March on the back of its strong performance.

Within Southeast Asia, Malaysia was an area of weakness this quarter. **My E.G. Services** provides electronic government solutions and services. In February, the Malaysian government announced that come 2025, all immigration-related affairs will revert to the Immigration Department when the National Integrated Immigration System is rolled out. As immigration is the largest piece of My E.G.'s business, we exited our position with the stock tumbling -27% while it was held during the quarter.

Regional Performance: The Americas

The Americas housed some of the largest detractors in the portfolio.

Locaweb Servicos de Internet is one of Brazil's leading web hosting platforms with a growing e-commerce and software-as-a-service platform. The company reported weaker-than-expected 4Q22 results and led its shares down -29%. Despite the short-term uncertainty, we believe Locaweb is well positioned into Brazil's e-commerce growth and added to our position on this price weakness. In Brazil, the new administration has triggered mounting concerns for potential regulatory changes. Among the areas in question is medical education. **Afya**, the country's largest private medical education company, reported in line fourth quarter results and full year guidance. In addition, controlling shareholder Bertelsmann continued to buy shares in the open market during the quarter, per its previously disclosed plan. Despite these positives, the stock traded down by -28%. We decided to reduce the position with this uncertainty.

Regional Performance: EMEA

EMEA housed some of the largest contributors and detractors this quarter – though in aggregate, holdings in EMEA outperformed the benchmark's regional return this quarter. South Africa based **Transaction Capital** operates through three major segments: SA Taxi, Transaction Capital Risk Services (TCRS), and WeBuyCars (WBC). SA Taxi specializes in financial vehicles in the minibus taxi industry, TCRS provides debt collection services, and WBC is a platform for buying or selling used vehicles. The company's Webuycars platform is facing tough margin pressure while management indicated that its SA Taxi business is "unlikely to return to pre-COVID levels in the short to medium term". As a result, we liquidated our position with the stock falling -68% while it was held in the quarter. On the positive side was **Jumbo S.A.**, a specialty store chain that sells toys, giftware, household products, and stationery with headquarters in Greece and operates in three other countries: Romania, Cyprus, and Bulgaria. The company reported impressive sales growth in the first two months of 2023 following a strong 2022 and its share price jumped 31%.

Conclusion

While recession concerns persist, employment data has remained stable. Earnings reports include cautious guidance amid macroeconomic uncertainty. As bottom-up investors, we remain focused on business fundamentals. While quality can be in and out of favor by the market at certain points, we believe these types of businesses are well positioned to perform well over time. As always, we are available for any questions you may have as we endeavor to protect the assets you have entrusted to 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.

This document, which is being provided on a confidential basis, shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified offeree receives a confidential private offering memorandum ("CPOM"), which contains important information (including investment objective, policies, risk factors, fees, tax implications and relevant qualifications), and only in those jurisdictions where permitted by law. In the case of any inconsistency between the descriptions or terms in this document and the CPOM, the CPOM shall control. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, TimesSquare Capital Management, LLC, makes no express warranty as to the completeness or accuracy, nor can it accept responsibility for errors, appearing in the document.

TimesSquare Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®).

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.

This composite generally invests in Emerging Market stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the MSCI Emerging Markets Small Cap Net Index. Portfolios will hold approximately 70-75 securities. Frontier securities may be included in holdings. The process is fundamental research driven. Primary selection criteria include quality management, distinct competitive advantage, and strong, sustainable growth. Composite inclusion threshold $500,000. Fee basis is 110 points. The composite creation and inception date is January 1, 2017.

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.

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

Benchmark
Performance is measured against the MSCI Emerging Markets Small Cap (Net) Index. MSCI Emerging Markets Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI Emerging Markets Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in emerging markets. Its returns include net reinvested dividends but, unlike the Composite returns shown, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the Index. All indexes, including the MSCI Emerging Markets Small Cap (Net) Index, are based on gross-of-fee returns, including net reinvested dividends.

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. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV.

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 sustaining 10% compound gross total return. If an advisory fee of 1.10% 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 8.9%. The ending dollar value of the account would be $46,914,683.76 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. 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.