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CAPITAL MANAGEMENT, LLC

International Micro Cap Strategy

Representative Commentary — 4Q22

Performance	4Q22	1YR	Since Inception (1/1/2021)
International Micro Cap Composite (Gross)	13.25%	-26.22%	-10.47%
International Micro Cap Composite (Net)	12.94%	-27.09%	-11.50%
MSCI AC World Ex USA Small Cap (Net) Index	13.31%	-19.97%	-4.94%

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 amid recent optimism of peaking inflation, supply chain disruptions easing, and China re-opening. 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.

Focusing on the non-U.S., warmer-than-expected winter weather in Europe put energy transition worries on the back burner. As a result, Europe was the strongest within the benchmark during the quarter. Asian markets also rallied as China abandoned its zero-COVID policy and commodity prices began to ebb. Within the benchmark, early cyclicals within Financials and Industrials showed strength while the Health Care, Energy, and Real Estate sectors lagged.

Portfolio Performance Attribution

Amidst this environment, the International Micro Cap Portfolio performed in-line with the MSCI AC World ex USA Small Cap benchmark during the fourth quarter of 2022. Our stock selection in the Americas, Japan, and Europe had a positive impact on performance while relative weakness was seen in Asia/Pacific Ex Japan and the Emerging Markets. Holdings in Health Care and Information Technology detracted from performance while Communication Services, Real Estate, and Industrials helped.

Regional Performance: Europe

Our relative outperformance in Europe was attributed to stock selection. Holdings in the United Kingdom detracted while our names in Sweden, Italy and France helped.

Within Germany, **JOST Werke** is a Tier-1 manufacturer and supplier of mission-critical safety systems for the commercial truck industry. They were able to offset the weaker market in Europe through growth in North America and

Asia-Pacific-Africa. In addition to delivering strong results, JOST raised their forecasts for sales and operating profit for the current fiscal year. Shares climbed 61% for the quarter.

In France, multinational market research and consulting firm **Ipsos SA** finished up 39% during the quarter. Unlike its larger peers, the company derives a significant portion of their revenue through custom research, a more value-added and higher margin service. Sales growth continued to trend well and the company also benefitted from a strong currency effect. The 2022 sales guidance was revised up slightly and they are confident in achieving their 2023-25 strategic plan. We continue to appreciate the group's solid fundamentals, leadership positions, diverse client base, and low leverage.

Italy-based **doValue SpA (DOV)** manages non-performing loans on behalf of banks and investors in Italy and Greece. They reported strong quarterly results driven by the Hellenic region and reiterated full year 2022 guidance. DOV reiterated that its near term pipeline is rich, although some deals have been postponed to 2023. They also noted their interest in assessing acquisition opportunities, including in Spain where the market needs consolidation. Its shares climbed 44% this quarter.

Less positive with its -7% share price decline was Finnish software developer **Qt Group Plc**, a new purchase for the strategy. The firm's customers include industrial companies using Qt's software platform for their vehicle hardware, industrial automation applications, and business critical systems. Continued lockdowns in China have delayed finalization of some agreements. In Japan, the strong US dollar has also been a headwind. Lastly, more customers are opting for 1-year licenses over 3-year licenses, wanting to secure their cash position, despite that decision ultimately leading to higher spending on a 3-year basis.

Regional Performance: Japan

Japan housed some of the portfolio's top contributors. The top contributor from the country with its 56% share price rise was **Organo**, a provider of water recycling services. In October, the company raised guidance above expectations, mainly from customers in the overseas electronics industry. It made solid progress passing through higher raw material costs to its customers and the yen depreciation was also beneficial. In addition, an advisory panel to Prime Minister Kishida approved a plan to extend the useful lives of nuclear reactors and to build new units; Organo is an important key player in that value chain.

Another contributor was semiconductor materials supplier **Toyo Tanso** where shares rose 28%. The company has a 40% global market share in isotropic graphite crucibles used for monocrystal silicon ingots for the semiconductor, solar cell, mechanical, and electronic industries. SiC semiconductor is a compound semiconductor composed of silicon (Si) and carbon (C). Compared with silicon, SiC has superior features such as pressure resistance, heat resistance, and miniaturization. We expect expansion of the SiC power semiconductor market to further drive earnings growth.

Less positive was **Zuken**, a computer-aided design (CAD) software design firm for Printed Circuit Boards. Shares declined -5% when they reported a softer quarter with sales/orders growing at single-digit growth versus double-digit growth early in the year. However, demand is still strong for CAD software with its backlog increasing.

Regional Performance: Asia Pacific Ex-Japan, Middle East, and Americas

The portfolio's Asia Pacific Ex-Japan holdings lagged in performance. **APM Human Services** is a provider of recruitment services for disabled individuals. Shares dropped -26% when they warned that profitability for this coming year was going to be second-half loaded. One of the major government programs requires some upfront investment and is also more outcome-based, so initial profitability will be lower. In addition, the lockup period for APM's major shareholder expired creating an overhang on the stock. Finally, the market had concerns on rising personnel costs, although its competitors are likely facing even more severe issues. We believe these near-term factors do not change our thesis. Moving in a similar direction was pathology provider **Australian Clinical Labs.** Its Medlab Pathology business fell victim to a data breach that affected the personal information of about 223,000 individuals and shares dropped -11%. To date, there is no evidence of misuse of any of the information or any demand made of Medlab.

Our holdings in the Americas fared better. **Ag Growth International** is a Canadian manufacturer of agricultural equipment. The company's strategy places it in the center of the global food infrastructure buildout, which has become increasingly critical given the growing global population, increased grain demand, shifting geopolitical uncertainties and supply chain disruptions. The company continues to fire on all cylinders. They reported a record third quarter and increased guidance. AGI's sales pipeline remains 'robust' with strong customer interest emerging from all segments and regions. Organic growth continues to be driven by new businesses, margins benefit from operational improvements, and leverage continues to fall. Net-net, AGI's shares climbed 37% this quarter.

Another contributor was **Magnet Forensics** which rose 71%. They are involved in digital forensics--the science of finding evidence from digital devices used for crimes or cyber-attacks. The rapid increase in digital evidence and growing complexity are overwhelming agencies, who are increasingly shifting to digital tools to improve their productivity and throughput. This is driving demand for Magnet's offerings. Magnet has a strong sales pipeline, given resilient budgets for digital forensics in the public sector and for cybersecurity solutions in the private sector.

Regional Performance: Emerging Markets
Our holdings within the Emerging Markets lagged in performance. Taiwan and Brazil detracted while India helped.

Due to increasing short-term concerns on the political situation in Brazil post presidential election, the market was generally volatile. Within the health care industry, **Blau Farmacêutica** is a Brazilian-based company with a portfolio of complex pharmaceutical products focused on biological, specialty, and oncology. The market was expecting a much better second half, predicated on the acceleration of the company's product launches and increased sales of immunoglobulin, which have been at depressed levels since the pandemic. However, Blau reported weak third quarter results where its immunoglobulin business saw a competitive environment and temporary oversupply, specialty sales came in weaker than anticipated, and expenses were higher than expected. Though the company anticipates a recovery in the fourth quarter, shares none-the-less dropped -17% for the quarter. Another detractor was its -22% decline was **Locaweb**, the country's leading web hosting platform with a growing e-commerce and software-as-a-service solutions portfolio. Shares sold off despite the company providing a positive update and guidance for 2023 margin expansion. Other performance metrics such as the number of subscribers and TPV were also healthy.

Flying across the world to Taiwan, **eCloudvalley Digital Technology** is the largest Amazon Web Services (AWS) Managed Service provider in Greater China. Cloud growth, AWS growth, and the addition of geographies and competencies are driving its growth. They reported lower-than-expected third quarter sales due to weak demand in China. Further, worries that future Chinese server demand may face negative growth given U.S. bans drove ECV's shares down by -32%.

Conclusion
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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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 non-US stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the MSCI EAFE Small Cap Net Index. Portfolios will hold approximately 70-75 securities. The process is fundamental research driven. Primary selection criteria include quality management, distinct competitive advantage, and strong, sustainable growth. Historical turnover has averaged 37% per year. Composite inclusion threshold $500,000. Fee basis is 100 points. The composite creation and inception date is April 1, 2012.

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 MSCI EAFE Small Cap (Net) Index. MSCI EAFE Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI EAFE Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada. 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 EAFE 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 1.00% 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. Net of fee performance is available upon request.

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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