TimesSquare Capital Management, LLC

U.S. Concentrated Growth Strategy

Representative Commentary — 1Q23

Performance						
			Annualized			
	1Q23	1YR	3YR	5YR	7YR	10YR
U.S. Concentrated Growth Composite (Gross)	9.92%	-9.63%	19.85%	13.95%	16.21%	14.42%
U.S. Concentrated Growth Composite (Net)	9.73%	-10.31%	18.97%	13.11%	15.35%	13.58%
Russell 3000® Growth Index	13.85%	-10.88%	18.23%	13.01%	14.59%	14.16%

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 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 were punished.

Amidst this environment, the portfolio underperformed the Russell 3000® Growth Index for the fourth quarter. There was strength from our positions in Novo Nordisk, Mastercard, EMCOR Group, Legend Biotech, ESAB Corporation, Costco Wholesale, and CoStar Group. That was offset by relative weakness in CrowdStrike Holdings, Paylocity, Palo Alto Networks, Marvell Technology, HealthEquity, Estee Lauder, and Waste Connections.

In Consumer Staples, **Estee Lauder Companies Inc.** manufactures skin care, makeup, fragrances, and hair care products. We liquidated the position early in the quarter due to limited sales visibility in recognition of China's lockdowns and macroeconomic headwinds both in its European and North American markets. Its shares were down -9% for the time we held it in the quarter. Better was the 10% return from **Costco Wholesale Corp.**, an operator of membership warehouses in the U.S., Puerto Rico, Canada, and other international markets. We sold out of the position due to weak November sales data and challenging near-term trends.

Within Information Technology, **CrowdStrike Holdings Inc.** provides cybersecurity products and services to stop network breaches. Its stock sold off by -36% on the heels of a mixed third quarter with macroeconomic headwinds causing management to lower forward guidance. **Palo Alto Networks Inc.** offers network security solutions to enterprises, services providers, and government entities. The company delivered another strong quarter with revenues, billings, and earnings all above the consensus. Management recognizes a challenging macro environment that is altering customer behavior such as increased deal scrutiny and elongating sales cycles. Their shares pulled back by -16% during the quarter. **Paylocity Holding Corp.** is a provider of cloud-based human capital management and payroll software solutions. Its fiscal first quarter results exceeded expectations and guidance was raised. The company continued to see a strong demand environment and its sales team has been executing at a high level. Employment among its customer base increased during the quarter, however, the rate of growth has tapered off and management is not anticipating an increase going forward. Concerns about continued rate increases by the Federal Reserve and the likelihood of higher unemployment contributed to its -20% share price decline. **Marvell Technology Inc.** develops analog, mixed-signal, digital signal processing, and embedded integrated circuits. Third quarter results came in slightly below expectations, causing the stock to drop by -14%. Despite seeing strength in 5G and cloud-optimized products, guidance for the fourth quarter was also reduced due to order cancellations and pushouts. This is similar to other semiconductor companies. Weakness is most pronounced for storage and Chinese networking customers. Turning to positives, **Mastercard Inc.** offers transaction processing as well as other payment-related products and services. Its shares rallied 23% after reporting strong fiscal second quarter results which included beats to revenues and earnings estimates. This was driven by cross-border travel and resilient consumer spending. Mastercard benefits from its massive scale and global reach. There is an ongoing secular shift toward electronic forms of payments. **Synopsys Inc.**, a provider of electronic automation software products used to design and test integrated circuits, rose 4%. The company reported another beat to sell-side projections in its fiscal fourth quarter. That exemplified the resilience of its business model despite a clear slowdown in the semiconductor industry. Management highlighted robust customer engagements and demand for semiconductor design activity continues to grow.

In Health Care, **Novo Nordisk A/S** is engaged in the research and development of pharmaceutical products worldwide. They are focused on diabetes, obesity, and other chronic diseases. The company has several drugs that are commercially available including Ozempic and Wegovy for type 2 diabetes, plus Saxenda as an injectable weight loss medication. All three remain in high demand and contributed to a solid third quarter which resulted in a 36% surge in their stock price. We trimmed the position on this strength. **Legend Biotech,** a biotechnology developer of cell therapies to treat blood cancers such as multiple myeloma and leukemia, gained 22%. Early in the quarter, Legend announced that the preliminary sales rates of Carvykti—co-developed with Johnson & Johnson—were progressing as expected in the U.S. That bodes well for the treatment's launch early next year in Japan and Europe. **HealthEquity Inc.** is a provider of technology-enabled service platforms to consumers and employers in the U.S. The company reported a solid beat for their fiscal third quarter across all metrics. Management also raised forward revenue guidance beyond Street estimates. Despite these positive developments, its shares traded down -8% and we added to the position.

Within Industrials, **CoStar Group Inc.** provides information, analytics, and online marketplace services to the commercial real estate market. Third quarter results exceeded Street estimates and management increased fourth quarter guidance. Demand has remained resilient across its diverse customer base and its sales force is driving bookings growth. Their stock rose 12% over the quarter. Another boost was the 28% improvement 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. **Waste Connections Inc.** provides non-hazardous waste collection, transfer, disposal, and resource recovery services. The company delivered a strong beat to third quarter projections as higher pricing and acquisitions offset headwinds from lower recycled cardboard pricing. Although their earnings report was mostly positive, its shares pulled back by -2%.

We had some new additions to the portfolio this quarter. **ESAB Corp.** is a manufacturer of consumable products and equipment for use in cutting, joining, and welding. Despite a challenging economic environment for its end markets, ESAB has been able to generate growth in volumes and pricing. We also added **Driven Brands Holdings Inc.**, which offers automotive services including paint, collision, glass repair, vehicle repair, car wash, oil change, and maintenance.

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.

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®).

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.

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.

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.