U.S. FOCUS Growth Strategy

Representative Commentary — 1Q24

Performance

			Annualized			
	1Q24	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
FOCUS Growth Equity Composite (Gross)	11.72%	39.08%	14.40%	18.76%	17.37%	13.39%
FOCUS Growth Equity Composite (Net)	11.49%	37.79%	13.29%	17.61%	16.23%	12.28%
Russell Midcap® Growth Index	9.50%	26.28%	4.61%	11.81%	12.86%	11.34%

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.

Although many equity markets slipped in January, they recovered over the next two months for a strong first quarter of 2024.

- Large Cap Growth stocks in the U.S. led other styles and geographies, though the Magnificent Seven accounted for half of that gain (even among those seven, the returns were driven by NVIDIA Corporation's 82% gain as technology capital expenditures to fuel GenAI fever remained a market focus).
- Global economic activity measures for manufacturing and services each climbed into expansion territory for the first time in over a year.
- While growth equity indexes outshone value, Growth and Profitability had negative returns among global risk factors. Momentum was the dominant factor this quarter.

As our investment team meets with companies, reviews recent earnings reports, and surveys the global landscape, they note several investment dynamics that inform our positioning:

- Across **Technology** and related services, only GenAI seemed to matter. Equity markets rewarded those stocks associated with the boom in capital expenditures supporting GenAI.
    - Though the capital expenditures for technology infrastructure (hardware and tools) should continue through 2024, we expect a gradual shift toward preparing corporate data for GenAI applications (data warehousing, real time streaming, cybersecurity, and search).
    - In addition, GenAI's insatiable energy needs drive greater interest surrounding energy production, procurement, and transmission for power-hungry data centers. According to industry experts, those data centers could account for as much as 20% to 25% of U.S. power demand, up from 4% or less today.
- Current limitations on existing electrical grids should drive more activity among **Industrials**, especially equipment suppliers and engineering contractors.
    - Also propelling that activity will be moves toward regional or local energy self-sufficiency.
- Thus far in 2024, **Health Care** utilization rates have been strong, broadening interest in this sector beyond last year's GLP-1 obesity drug theme.
    - That should benefit commercial drug companies and device manufacturers.
- The outlook for **Consumer** spending is mixed.
    - Overall spending levels have been firm, though we have seen the effects of consumers being more value conscious and selective.
    - A range of consumer companies recently highlighted lower spending trends despite stable employment data.

Specific to U.S. small to mid cap stocks in the first quarter, performance was barbelled. There were leading rewards for stocks with the highest quality (return on equity) or low valuations (price/earnings). Though also leading were higher risk (beta) or stocks with hyper growth expectations. Amidst this environment, the portfolio outperformed the Russell Midcap® Growth Index in the first quarter.

Contributing to performance was **O'Reilly Automotive**, a specialty retailer and supplier of auto parts, tools, supplies, and accessories. There were positive indications early in the quarter for sales growth within O'Reilly's professional segment (do-it-for-me or DIFM). Mid-quarter concerns that the DIFM business might be weaker than expected because of poor weather, later cleared. O'Reilly's shares gained 19% and made it the strategy's top contributor.

The strategy's top detractor was the -5% retrenchment from **Cheniere Energy**, which operates liquid natural gas (LNG) liquefaction facilities for the global transportation of LNG. While revenues and earnings were as expected, management's initial guidance for the new fiscal year was lower than anticipated. Cheniere was conservative—appropriately so in our view—regarding plant volumes as election-year noise surrounding the regulatory environment could dampen LNG exploration and export activities.

Earnings for **RenaissanceRe Holdings** outstripped expectations as RenRe showed better rates of underwriting, higher fee income, and increased investment income—all of which also exceeded levels of industry peers. Pricing also appeared to remain strong for this year and into 2025, and the result lifted RenRe's shares by 20%.

We also benefited from the 19% gain from **Cencora, Inc**., which distributes pharmaceutical and medical products to pharmacies, hospitals, and other health care providers. The company's revenues and earnings bested expectations, and guidance for the current fiscal year was raised. Cencora enjoyed significant revenue growth from the U.S. Health segment—exclusive of any COVID therapies. Sales volumes increased, with notable contributions from GLP-1 sales.

Also, among our Health Care positions there was a 20% return from **Veeva Systems**, which provides cloud-based systems for the life sciences industries, from R&D to commercialization. The pace of bookings and new deals was very strong with significant new business from the Top 20 biopharma companies across Veeva's suite of offerings. The company has been very thoughtful about building new products for its customers, which gives us confidence in the long-term durability of Veeva's growth. Veeva also materially increased its margin targets.

We began buying shares in **Legend Biotech**, a biotechnology developer of cell therapies to treat blood cancers such as multiple myeloma and leukemia. The European Union approved the use of Legend's Carvykti treatment of multiple myeloma and later the FDA followed suit. Some investors may have been concerned about possible delays as Legend ramps up production, and its price declined. Though with a long-standing agreement with Johnson & Johnson and a new partnership with Novartis, we see a long runway of growth ahead, so we initiated a position.

We had been trimming **Synopsys, Inc**. as its market capitalization grew and it approached our price target. This quarter, Synopsys confirmed its plans to acquire ANSYS, Inc. Though the deal has long-term strategic benefits, in the near term we believe that will weigh on overall growth for Synopsys, add notable leverage to its balance sheet, and create more volatility for its shares. As a result, we sold our position.

There was some price weakness for **Verisk Analytics**, which provides risk information and analysis for the property/casualty insurance industry. Its revenues and earnings were in line with expectations, though its guidance was more conservative. More notable from our perspective, pricing for auto insurance was strong, which bodes well for Verisk's near-term growth prospects, so as its shares pulled back by -1% this quarter we added to our holdings.

The high demand for cybersecurity systems is unlikely to abate, which benefited **CrowdStrike Holdings**. The company's expansion beyond endpoint security to offering security on all cloud workloads, along with its growing product suite in areas such as identity and security information & event management, is driving strong demand for its platform among customers amidst a very active cyberthreat environment. That lifted its shares by 25% this quarter, and we trimmed our position.

Looking further into 2024, markets will keep a close eye on central banks and the election booths. Many central banks telegraphed plans for easing rates—with the notable exception of Japan where the BOJ recently ended its negative interest rate policy, though remained dovish by continuing to buy government bonds. As bottom-up investors, we seek underpinnings to near-term valuations in the form of expected earnings growth and other business fundamentals. We continuously review the business models and management teams of current and potential holdings, and fine tune our own valuation models on an ongoing basis, as we endeavor to protect the assets you have entrusted with us. As always, we are available for any questions you might have.

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 invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the Russell Mid Cap 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 15 stocks. Historical turnover has averaged 73% per year. Composite inclusion threshold $500,000. From January 1, 2007 to April 30, 2010 the fee is 150 basis points. From May 1, 2010 the fee is 100 basis points. The composite creation and inception date is September 1, 2005.

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 Midcap® Growth – a market capitalization-weighted index that measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell Midcap® 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. From January 1, 2007 to April 30, 2010 the applied standard fee was 150 basis points. From May 1, 2010 through present the applied standard fee is 100 basis points. 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. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV.

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. To receive additional information regarding TimesSquare Capital Management, LLC, including a GIPS Composite Report for the strategy presented in this commentary, contact TimesSquare at info@tscmllc.com.

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