

U.S. FOCUS Growth Strategy

Representative Commentary — 3Q24

Performance	Annualized					
	3Q24	1YR	3YR	5YR	7YR	10YR
FOCUS Growth Equity Composite (Gross)	3.90%	33.45%	10.35%	17.09%	16.96%	13.73%
FOCUS Growth Equity Composite (Net)	3.69%	32.30%	9.31%	15.97%	15.84%	12.62%
Russell Midcap® Growth Index	6.54%	29.33%	2.31%	11.47%	11.87%	11.29%

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.

The third quarter was even handed for global markets, with most equity or credit markets posting mid-to-high single digit returns. Measures of economic activity were stable, and energy prices receded, although heightened tensions in the Middle East began reversing that recently. Most central banks either began (U.S., U.K., Switzerland) or continued (EU) cutting their policy rates, with the notable exception of Japan—though rates there remain a rounding error away from zero.

Within equities, developed markets showered greater rewards on smaller or value-oriented stocks, while the reverse was true in emerging markets. After a weak first half in 2024, beta was one of the strongest factors in global equities 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:

- As the U.S. Federal Reserve began to ease rates, companies gained greater clarity about the future costs of capital.
 - This could affect next year's **Information Technology** budget setting cycle, which is getting underway as we approach the year end. With more certainty around the cost of capital, companies may feel more confident about their spending plans for 2025. In addition, AI investments by large public cloud providers continues unabated as they see greater risks of underspending and being left behind by rivals.
 - We do not see that happening widely yet for **Industrials**, where many companies also want to see the results of the presidential election before planning increased spending on capacity or automation. For instance, short-cycle industrial markets showed recent deterioration while longer-cycle markets linked to public infrastructure spending or various secular trends remained strong.
- The investment exodus from **China** continues, driven by economic or political considerations. We witness:
 - Companies and investors shift more of their focus to other Asian markets with better forecasted growth or stability.
 - Corporations move more production capacity closer to home.
 - China's domestic stimulus plans aiming to counteract some of that, though it is focused on internal activities.
- The stabilizing U.S. economy with rising home prices and wage growth and low unemployment claims, coupled with lower inflation, bolstered **Consumer spending**.
 - Although activity remains choppy and selective across sub-categories.

Amidst this environment, the portfolio underperformed the Russell Midcap® Growth Index in the third quarter.

The portfolio's largest detractor this quarter was **CrowdStrike Holdings Inc.**, a provider of cybersecurity solutions. Its unified platform offers cloud-delivered protection of endpoints, cloud workloads, identity, and data. We trimmed the

position as a risk reduction measure in mid-July due to the customer outage caused by a faulty content configuration update for the Windows sensor. The company subsequently delivered solid results that exceeded the high end of guidance across all metrics. While some new business negotiations slipped due to the outage, those are expected to wrap up in subsequent quarters. While CrowdStrike tumbled by -25%, we are encouraged to learn they have closed several large deals since the outage. Management is offering customers and prospects discounted modules and credits via its Flex program.

Teradyne Inc. develops and manufactures automated test systems and robotics products worldwide. Solid second quarter results were driven by higher spending levels in computer and memory. Mobile, auto, and industrial spending remained soft. Management's forward guidance was weaker-than-expected and that caused their stock to sell off by -10%.

Membership warehouse operator **BJ's Wholesale Club Holdings Inc.** sold off by -9%. The company posted a high quality second quarter beat on merchandise sales and higher same store sales. Member metrics continue to impress. However, the market reacted negatively to disappointing forward guidance. In our view, management is making near-term investments to generate future growth.

Verisk Analytics Inc. supplies risk information and analysis for the property/casualty insurance industry. Second quarter overall revenues missed Street estimates. While subscription revenues grew nicely, transactional revenues declined in comparison to their last quarter. Part of this is explained by Verisk's ongoing efforts to convert more of their transaction-based business to subscriptions. Nevertheless, its shares were flat over the quarter thereby underperforming the index sector average of 13%.

Amphenol Corp. produces electrical, electronic, and fiber optic connectors. Second quarter results surpassed consensus expectations on strong demand from data centers and AI-related products as well as defense. It appears some investors were disappointed that guidance was only in line with Street projections as the stock pulled back by -2%. Based on our experience with the company, our sense that management is opting for conservatism.

RenaissanceRe Holdings Ltd., a provider of reinsurance and insurance services, surged ahead by 22%. Solid second quarter results were generated by favorable reserve releases in the Catastrophe, Casualty, and Specialty segments. There were also lower than anticipated losses in their Total Property business. Net investment income and share buybacks also exceeded projections.

Cintas Corp. offers corporate identity uniforms and facilities services. Its shares climbed 18% after the company posted solid results and raised full year guidance. Despite seeing a modest pickup in unemployment over the past few months, that hasn't impacted customer behavior or the sales pipeline.

Chemed Corp., a provider of healthcare and maintenance services, gained 11%. It operates Vitas and Roto-Rooter business segments. Vitas offers hospice and palliative care services through a network of physicians and registered nurses. Roto-Rooter includes plumbing, drain cleaning, and water restoration. Vitas continues to perform well as the pandemic-related pressures appear to have fully abated. The acquisition of Covenant, which occurred earlier in the year, also boosted revenue growth for Vitas. Conversely, Roto-Rooter has seen its revenues decline as demand continues to be impacted by lower spending by consumers on home services.

O'Reilly Automotive Inc., a specialty retailer of aftermarket auto parts and accessories, rose 9%. The company reported weaker-than-expected second quarter results, which management attributed to a soft demand environment. Wet spring weather and budget-conscious consumers impacted the do-it-yourself segment. However, their professional mechanic/do-it-for-me business was stable and in line with Street estimates. O'Reilly has reduced variable costs without sacrificing service levels.

Veeva Systems Inc. supplies industry cloud solutions for the global life sciences industry. Its stock price was boosted 15% after they reported solid fiscal second quarter results and raised the mid-point of fiscal 2025 revenue guidance in recognition of greater pipeline visibility and improved sales cycle progression.

Heading into the last quarter of 2024, with most central banks easing the lending rates the next questions are "how far?" and "how fast?". Equally front of mind is the outcome of November's U.S. presidential election, which will reverberate

across domestic and non-U.S. economies. With that dynamic economic backdrop, our focus remains on projecting growth potential for our investments relative to their valuations and finding where those meaningfully differ from market expectations while managing risks. As always, we are available for any questions you might have.

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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.

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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@tscmlc.com.

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