TIMESSQUARE CAPITAL MANAGEMENT, LLC

U.S. FOCUS Growth Strategy

Representative Commentary — 4Q24

Performance

			Annualized			
	4Q24	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
FOCUS Growth Equity Composite (Gross)	-1.35%	14.61%	7.35%	14.99%	15.32%	13.04%
FOCUS Growth Equity Composite (Net)	-1.56%	13.65%	6.35%	13.90%	14.22%	11.95%
Russell Midcap® Growth Index	8.14%	22.10%	4.04%	11.46%	12.07%	11.53%

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.

Entering 2024, expectations were that elections and central banks dramatically would affect prices and sentiment in global markets. Each did, especially in the fourth quarter.

Government lending rates eased:
- Notably that began with the European Central Bank in the spring, and two cuts this quarter.
- The Bank of England followed suit in the late summer, with another cut in the fall.
- After reaching post-pandemic peaks over a year ago, the U.S. Federal Reserve cut rates three times this quarter.
- The one major exception was the Bank of Japan. After increasing from negative levels earlier in 2024, the BoJ left interest rates unchanged in the quarter, which hurt the Yen.

Elections dominated the news, especially Trump in the U.S.
- Incumbents and their policies fared poorly. In addition to the U.S., that was seen in the U.K., Japan, France, India, and South Korea where either leadership changed, or incumbents saw meaningful setbacks.
- Incoming administrations generally promoted populist and domestically focused agendas.

In the U.S., the sweep by Trump's Republican party created expectations for a pro-business, lower regulatory environment with protectionist tariffs.
- Sentiment across consumers, CEOs, CFOs, and small businesses spiked after the election.

Across equity markets, the U.S. climbed sharply in November, offsetting weaker returns in October and December.
- The Russell 1000 Index's 3% performance in the fourth quarter added to significant prior gains, capping a 25% calendar year showing (large caps bested small and mid caps for the quarter and year).
- Non-U.S. markets retreated in the fourth quarter—in part on concerns of adverse future U.S. trade policies. The MSCI EAFE and MSCI Emerging Markets indexes each pulled back by -8%, with emerging markets ending the year up 8% vs. non-U.S. developed markets up 4% (ex-U.S., large and small caps were similar for the quarter, though large cap had the edge for the year).

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:
- While **Consumer** sentiment improved and spending was stable, inflation seems to have bottomed out with some companies concerned about it accelerating. That and the threat of future tariffs led to higher near-term purchasing.
- This was also evident in the **Industrial** sector, with increased levels of new orders for manufacturers. However, concerns about high prices and potential retaliatory tariffs from trading partners have weighed on some areas. A

continued bright spot was the construction segment, either in advance of reshoring activities or plans to build more data centers.

- The apparent insatiable appetite for all things AI continues to bolster the **Technology** sector broadly. Global spending on related infrastructure benefited an ecosystem of semiconductors, capital equipment, construction, and power companies. More importantly, we began to see wider adoption and use cases for AI across a variety of industries including retail, advertising, and financial services.
- A more accommodating regulatory environment should benefit the **Financials** sector and capital markets firms, especially if the new Federal Trade Commission shows greater deference when reviewing proposed mergers. At the other end of the spectrum, the IPO pipeline appears well populated for new public companies in 2025.
- Uncertainty increased, however, across parts of the **Health Care** sector. Proposed regulators have very mixed views on health care, and the market is concerned about the near term (globally, the Health Care sector fell -11% within the MSCI World Index this quarter).

Among U.S. small to mid cap growth stocks in the fourth quarter, the best returns were found among those with the highest risk (beta or volatility), lowest quality (return on equity), or highest valuation (P/E). Amidst this environment, the portfolio underperformed the Russell Midcap® Growth Index in the fourth quarter, which led to underperformance for the year.

Our preferences in the Consumer-oriented sectors lean toward value-oriented or specialty retailers, franchise models, or premium brands. **O'Reilly Automotive Inc.** is a specialty retailer of aftermarket auto parts and accessories. While professional repair shop sales continue to be strong, broad-based consumer pressures resulted in a soft demand environment for the do-it-yourself category. Its 3% return lagged the index return of 8%. We trimmed the position over the quarter. Membership warehouse club operator **BJ's Wholesale Club Holdings Inc.** rose 8%. They reported a solid quarter handily beating earnings estimates on the strength of better same store sales comparisons, increased customer traffic, and higher membership fees; those fees will be raised in January for the first time in seven years.

We often see the ebb and flow of the Energy sector tied to underlying commodity prices. In this area, we seek low-cost exploration & production companies with high-yielding acreage or specialized service providers. **Cheniere Energy Inc.**, an operator of liquefied natural gas terminals in New Orleans and Corpus Christi, gushed by 20%. Solid third quarter results included a beat to profit projections and increased forward guidance. Higher production and optimization efforts were drivers of the upside. We added to the position as our conviction level increased.

In the Financials sector we tend to avoid banks that face credit deterioration or rising deposit costs, preferring either asset managers or specialized insurance companies. **RenaissanceRe Holdings Ltd.**, a provider of reinsurance and insurance services, lost -8%. Third quarter earnings were well above Street projections, driven by higher Property segment reserve releases and a lower catastrophe loss ratio. The Casualty & Specialty side of the business experienced an elevated loss ratio and deteriorating reserve releases. Net investment income and share buybacks were better than expected. We trimmed the position during the quarter. New to the strategy this quarter is **TPG Inc.**, an alternative asset management firm. Their acquisition of Angelo Gordon adds diversified credit and real estate to TPG's private equity platform. They are well positioned to benefit from growing investor demand for illiquid alternative investments.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that deserve premium pricing, or specialized service providers. **IDEXX Laboratories Inc.** develops and distributes products for the veterinary, livestock, poultry, dairy, and water testing markets. Revenues for the third quarter were below expectations due to lower veterinarian visits and stemming from hurricanes Helen and Milton. That caused its share price to descend by -18%. We decided to sell out of the position, which fell -18% while held in the quarter. We also exited **Chemed Corp.**, which operates through the VITAS and Roto-Rooter segments. VITAS offers hospice and palliative care services. Roto-Rooter includes plumbing, drain cleaning, and water restoration. While results from VITAS were in line with expectations, Roto-Rooter missed due to lower call volumes. Although the company's VITAS business is well positioned for future growth, their Roto-Rooter business has poor visibility and that led us to sell out of stock, which retreated by -13% during the time it was held in the quarter. **Veeva Systems Inc.** offers cloud-based software solutions to the global life sciences industry. Its latest quarter outstripped expectations, notably with total revenue and subscription revenue growth. This was driven by strong execution across commercial as well as research and development. Veeva reported several new business wins and encouraging adoption momentum across its emerging solutions. Management raised fourth quarter guidance for total revenue, operating income, and billings. Despite having a positive report, the stock price was flat for the quarter. We used this weakness as an opportunity to increase our position.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. **Cintas Corp.**, a supplier of corporate identity uniforms and facilities services, dropped -11%. We trimmed the position ahead of their fiscal second earnings report. While earnings were above estimates and revenues were in line, there was a pullback in organic growth. Uniforms were steady, however, First Aid and Fire product sales slowed. **Verisk Analytics Inc**. provides data analytics and technology services to the insurance market. These include predictive and decision support solutions. Their third quarter surpassed projections for revenue, profits, and earnings. Notable areas of revenue growth were in Underwriting and Claims. This company continues to make headway on its customer-centric approach to new product development. Some examples include its Future Reforms product a data visualization tool for managing major policy updates) and an expanded Executive Insights report (adding commercial auto coverage to current personal auto and general liability insurance in the first half of 2025). We added to the position over the quarter, which gained only 3%.

Among the wide variety of Information Technology companies, we prefer critical system providers, specialized component designers, systems that improve productivity or efficiency for their clients, and others that are growing their shares of corporate IT budgets. **CrowdStrike Holdings Inc.** provides cybersecurity solutions. Its unified platform offers cloud-delivered protection of endpoints, cloud workloads, identity, and data. The company delivered solid fiscal third quarter results that exceeded the high end of guidance and boosted its share price by 22%. Notably, there was resilient gross revenue retention that highlights CrowdStrike's best in class product offering. New business win rates remained consistent and trending upwards. Following its mid-July outage, many customers have upgraded to the Falcon Flex program, which enables them to adopt a broader product offering. We trimmed the position on strength. **Monolithic Power Systems Inc.** designs and develops integrated semiconductor solutions for power delivery architectures in computing, storage, automotive, industrial, communications, and consumer applications. Their stock came under pressure during the quarter due to a research report alleging technical issues with Monolithic's products on Nvidia's Blackwell AI platform and that it was in danger of completely losing that business. Our research indicated there is little merit to this claim and while Nvidia is going to multi-source, it is unlikely that Monolithic will be fully displaced. That gave us an opportunity to add this stock to the portfolio. Another addition to the sector was **HubSpot Inc.**, a cloud-based customer relationship management platform provider. Its execution has been stellar, with a best-in-class software product driven by a robust innovation engine, a unified underlying data architecture platform, and a focus on the small-to-mid business market where we see high potential for productivity improvements from Generative AI innovation, They subsequently reported a strong third quarter earnings report was highlighted by billings growth and the new business backlog has accelerated. HubSpot added 10,000 net new customers in the quarter.

Global markets will likely begin 2025 finding their footings when adapting to new governments, rate environments, and other geopolitical turbulence. While the U.S. Federal Reserve recently indicated it was finished easing for the near term, the new administration's activities may change that in either direction. Meanwhile, Canada and Germany will have elections, which may alter the policies of two other G7 countries. While much remains uncertain (though when are the markets ever certain?), we are steadfast on the fundamentals: finding well-run business models with improving economics, long runways of growth, and attractive valuations. For the New Year, we remain dedicated to adding value to the assets you have entrusted to us and look forward to working with you throughout 2025. As always, please feel free to contact us if you have any questions.

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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