

U.S. Mid Cap Growth Strategy

Representative Commentary — 4Q24

Performance	Annualized					
	4Q24	1YR	3YR	5YR	7YR	10YR
U.S. Mid Cap Growth Composite (Gross)	-0.34%	11.84%	3.40%	11.74%	12.84%	12.27%
U.S. Mid Cap Growth Composite (Net)	-0.54%	10.96%	2.58%	10.86%	11.95%	11.38%
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.

Within the Communication Services sector, we generally prefer to invest in media and services companies that are either well placed from an advertising perspective with a target audience or provide differentiated services. **Pinterest Inc.** is an image-based social media company. Fiscal fourth quarter results included inline revenues along with profits that surpassed projections. Despite seeing continued industry-wide weakness in the food & beverage vertical, their fiscal fourth quarter report indicates continued progress in other areas such as retail, technology, automotive, and financial services. North America and Europe exhibited growth in monthly active users. The company's new product offering has been receiving positive feedback in beta testing. Shares of Pinterest pulled back by -10% and we added to the position on this weakness. **IAC Inc.** is a media and Internet conglomerate that includes Dotdash Meredith (DDM) and Angi HomeServices. DDM provides digital and print publishing services. Angi offers referrals for repairs, remodels, cleaning, and landscaping. Third quarter results were solid for DDM, and forward guidance was in line with Street estimates. Angi's results met consensus estimates, however, forward guidance was weaker-than-expected. Management announced they are exploring a spinoff of Angi. We decided to exit the position which dropped by -21% while held in the quarter. More positive was the 20% gain by **Take-Two Interactive Software Inc.**, a developer of interactive software games. Fiscal second quarter results were solid, and bookings guidance was reaffirmed. New business bookings came in at the high end of expectations. Outperformance was driven by strong contributions from their *Grand Theft Auto* and *Borderlands* franchises.

Our preferences in the Consumer-oriented sectors lean toward value-oriented or specialty retailers, franchise models, or premium brands. **Brunswick Corp.**, a manufacturer of recreational marine products including boats and engines, sold off by -22%. Continued weakness in the marine market was reflected in soft third quarter results. The company cut boat production to lower inventory levels in the channel. We reduced the Brunswick position. **Floor & Decor Holdings Inc.**, a specialty retailer of hard surface flooring and accessories, receded by -20%. Third quarter earnings outpaced estimates on better gross margins and operational expense control. Same store sales comparisons, while declining over the quarter, were in line with expectations. The overall flooring market has been down on lackluster demand. Consumer sentiment post-election has improved. In the event tariffs are imposed, Floor & Decor is better positioned than peers as their scale and direct sourcing model provide meaningful advantages. **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 was edged out by the index sector average of 4%. We trimmed the position over the quarter. Farm and ranch products retailer **Tractor Supply Co.** fell -8%. Third quarter results included in line revenues and earnings along with a slight decrease in same store sales due to a softer average ticket. Early commentary by management on the 2025 outlook implies the first half could be choppy. Tractor Supply continues to gain share, aided by strategic initiatives and competitive advantages. Better was the 18% rally by **DoorDash Inc.**, an online food delivery platform and logistics provider. Third quarter revenues and profits surpassed sell-side projections. User growth and engagement metrics are hitting all-time highs. Growth prospects across grocery, new verticals, international, and advertising represent powerful tailwinds. The company announced a new partnership with Lyft whereby DashPass loyalty customers will unlock monthly rideshare benefits at no additional cost. Lyft riders will receive a free trial of DashPass. 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. Another strong contribution came from **Permian Resources Corp.** with its 7% surge. This exploration and production company with operations in the Delaware Basin of West Texas rose 7%. Third quarter results were solid, and management raised production guidance while maintaining its capital budget.

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. **WEX Inc.** is engaged in payment processing and information management solutions. They reported revenues that fell short of estimates across all three business segments and that caused its stock to pull back by -14%. Earnings guidance was reduced to reflect lower fuel prices and a weaker macroeconomic backdrop. Management did well to cut expenses and repurchased \$370 million worth of shares on weakness during the quarter. Nevertheless, we decided to liquidate the position. **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. **TPG Inc.** is an alternative asset management firm. While third quarter results were mixed, the positives outweighed the negatives as the stock rose by 10%. There was better fee-related earnings, fundraising, and capital deployment, however, performance fees came in lower than anticipated. The company guided a softer near-term outlook for base management fees. Nevertheless, TPG is well positioned to benefit from growing investor demand for illiquid alternative investments. **Interactive Brokers Group Inc.** was a credit to the sector with its 27% gain. They supply custody and account services for hedge funds, mutual funds, exchange-traded funds, registered investment advisors, and individual investors. Earnings for the third quarter were below consensus projections stemming from lower net interest income and higher fees stemming from a one-time charge related to the consolidation of European subsidiaries. Management looks to continue rolling out new features to bring more financial advisors on their platform. New to the sector this quarter was **Robinhood Markets Inc.**, a financial services platform operator that enables users to invest in stocks, ETFs, ADRs, options, gold, and cryptocurrencies.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that deserve premium pricing, or specialized service providers. **Legend Biotech Corp.**, a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapies for oncology and other indications, declined by -34%. On a positive note, revenues for their Carvykti therapeutic increased 54% from the previous quarter as more countries are approving this therapy for treating multiple myeloma. There are, however, three overhanging considerations for the stock. The BioSecure Act, which is working its way through Congress would force drug companies to sever ties with selected Chinese businesses. Thus far Genscript, a part owner of Legend, has not been included in the restricted list. Management confirmed that no materials are sourced from China and the company does not anticipate any impact from proposed tariffs by the incoming Trump administration. Secondly, there is a debate about the competitive dynamics regarding a new, competing drug coming to market. Lastly, Carvykti appears to have a level of delayed neurotoxicity that is being studied. For these reasons, we moved to sell the Legend position. **Ascendis Pharma** is a biopharmaceutical company focused on developing therapies for unmet medical needs. Revenues for the latest quarter fell short of consensus estimates and forward guidance was reduced. We decided to exit the position which fell -8% while held in the quarter. **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% and we added to the position on weakness. New product launches should help offset volume uncertainty. **ICON Plc** is a clinical research organization offering outsourced development services to the biopharmaceutical and medical device industries. There continues to be poor visibility as the funding environment for biotech remains choppy. Since it is unclear when those spending patterns will get back to normal, we liquidated the position which was down -26% while held in the quarter. **Chemed Corp.** 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% while held in the quarter. Moving in the other direction was **argenx SE** with its 13% advance. We added to the position of this global immunology company which is focused on improving the lives of people suffering from severe autoimmune diseases. Their latest quarter topped estimates. Its Vyvgart therapeutic is used to treat adults with myasthenia gravis. In June, the FDA also approved that same therapy to treat a nerve disorder called chronic inflammatory demyelinating polyneuropathy (CIPD). The new launch has gone better than expected and management is working to expand payer coverage.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. **Equifax Inc.** is a credit bureau supplying data and analytics. Third quarter results were modestly better than the consensus with higher mortgage revenue growth. The stock fell -13% after management lowered expectations for 2025 due to a weaker projected hiring environment which impacts employer services business. New mortgage and refinance volumes have been challenged by high mortgage rates. That factored into our decision to trim back the position. **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. **EMCOR Group Inc.** provides electrical, mechanical, construction, and facilities services. Its shares rose 5% on the heels of third quarter earnings, which came in above expectations and were driven by operating margin improvement stemming from better execution and a more favorable sales mix. **GFL Environmental Inc.** is in the business of transporting, processing, and recycling solid and liquid waste. Profits for the third quarter were broadly in line with expectations and management reiterated forward guidance. While solid waste pricing was a bright spot, volumes were down. The company noted it had received several expressions of interest for its environmental services business that is up for sale. These developments served to lift the stock by 12%. New to the sector this quarter was **Loar Holdings Inc.**, a designer and manufacturer of components for aircraft, aerospace, and defense systems.

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. **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, tumbling by -36% 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. **Microchip Technology Inc.** develops and produces smart, connected, and secure embedded control solutions. While reporting an in-line quarter, its forward guidance came in weaker-than-expected as the industrial and automotive markets continue to be soft. That resulted in a -25% pull back in their stock and we decided to exit the position. **OneStream Inc.** supplies corporate performance management software solutions primarily to perform financial statement consolidation, planning, and budgeting. Revenues outpaced estimates with a healthy upside to both subscriptions and licenses. The company is seeing momentum in international as well as notable demand for its AI offering. OneStream is well positioned for continued growth as they displace legacy solutions. A secondary offering from KKR post the OneStream earnings report pressured the stock as the share price decreased -16%. **Universal Display Corp.** develops and commercializes organic light emitting diode technologies and materials for use in display and solid-state lighting applications. Results for the latest quarter were mixed as revenues came in below estimates while earnings were above, aided by an upside gross margins and operating expense control. Its shares sold off by -24% on a reduction to revenue guidance as display manufacturers lowered their materials demand. We decided to exit the position and redeploy the proceeds into more favorable growth prospects. **HubSpot Inc.**, a cloud-based customer relationship management platform provider, surged 31%. 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 this quarter. **Marvell Technology Inc.** designs and develops integrated circuits. Third quarter results were solid with beats to revenues and earnings projections. Datacenter and AI custom computing demand continue to be important drivers for their business. Forward guidance calls for sequential growth across all business segments. We trimmed the position on the strength of its 53% share price rally. **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. New additions to the sector this quarter were Service Titan and AppLovin. **Service Titan Inc.** has a cloud-based platform that serves as the operating system to support trade service businesses such as plumbing, electrical, HVAC, and construction. This mission-critical software is used for marketing, scheduling, dispatching, and invoicing. **AppLovin Corp.** offers a software-based platform for advertisers to enhance the marketing and monetization of their content. The company holds a dominant market share in the mobile game advertising market.

Global markets likely will 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.

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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 75 stocks. Historical turnover has averaged 51% per year. Composite inclusion threshold \$5mm. Fee basis is 80 basis points. The composite creation and inception date is October 1, 2000.

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.

In July 2014, TimesSquare modified its purchase capitalization range to match the changes in the mid cap market as represented by the Russell Midcap[®] Growth Index. The purchase range was amended to reflect a range bounded by the approximate value of the smallest security in the index (in most cases) and the approximate value of 75% of the largest security's capitalization. These targets will be maintained for the subsequent 12 months, and may be adjusted based on the above rules each July following the reconstitution. In that manner, the targets would be responsive to higher or lower capitalization profiles of the indexes over time. Previously, in August 2007, TimesSquare had modified its purchase capitalization range to match the mid cap market as represented by the Russell Midcap[®] Growth Index at that time, with a change from \$1.5 billion to \$10 billion at time of purchase to \$2.5 billion to \$15 billion.

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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. Investment advisory fees generally charged by TimesSquare are described in Part 2A of its Form ADV. This composite may contain some accounts that have used performance based fees. 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 0.80% of average assets under management is charged per year, for each year of the ten-year period, the resulting annual net return would be 9.2%. The ending dollar value of the account would be \$48,223,239, 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. 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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