U.S. FOCUS Growth Strategy

Representative Commentary — 1Q25

Performance

			Annualized			
	1Q25	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
FOCUS Growth Equity Composite (Gross)	2.42%	5.07%	10.98%	18.80%	15.14%	12.71%
FOCUS Growth Equity Composite (Net)	2.20%	4.19%	9.96%	17.68%	14.04%	11.62%
Russell Midcap® Growth Index	-7.12%	3.57%	6.16%	14.86%	10.55%	10.13%

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.

Expectations for businesses and markets were broadly positive as 2025 began. Hopes for a pro-business, lighter regulatory environment lifted global markets in January. However, delays and uncertainties regarding U.S. policies tempered markets in February and the U.S. pulled back sharply in March (to say nothing about the early part of April).

- In the first quarter, broad-based weakness of U.S. equities (-5% return for the Russell 3000 Index) lagged overseas markets (7% for the MSCI EAFE Index and 3% for the MSCI Emerging Markets Index).
- Even before the market's tariff tantrum at the start of April, there were inflationary pressures. Global Purchasing Manager Indices (PMIs) showed moderating New Order rates and higher Prices Paid/Output for manufacturing and service activities.
- While value indices outperformed growth, both Growth and Value had positive returns among global risk factors. It was the negative showing from Beta that overwhelmed everything else.

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

- In **Information Technology**, reverberations remained from January's announcement that China's *DeepSeek* AI model could produce competitive results at a lower cost. That led to concerns about reductions in the massive spending rates on AI-related infrastructure (e.g., data centers), which weighed on semiconductors and related industries. Among corporate IT buyers, budget surveys pointed to more moderate spending (though with resilience expected for AI and cybersecurity).
- Spending also slowed for **Consumers**, initially from creeping inflation and then March's level of U.S. Consumer Confidence fell to a four-year low.
- The new regulatory environment in the U.S. was expected to support more activity among **Financial Services** companies. Instead, we have seen corporate America delay M&A activity or other large financing projects until there is more clarity regarding the fiscal budget, interest rates, and (most recently) trade policies.
- The earlier noted weakness in PMIs led to pullbacks within the **Industrials** sector. Some longer-cycle areas or those with high degrees of recurring revenues have held up better. Companies that previously expected demand to recover in the second half of 2025, saw their hopes fade.

Amidst this negative market environment, the portfolio outperformed the Russell Midcap® Growth Index in the first quarter.

Our preferences in the Consumer-oriented sectors lean toward value-oriented or specialty retailers, franchise models, premium brands, or support services for other consumer companies. One benefit was the specialty retailer and supplier of auto parts, tools, supplies, and accessories, **O'Reilly Automotive**. A steady increase in same-store sales led O'Reilly's revenues above expectations. The company's management tempered its 2025 guidance, which seemed well-telegraphed given broader consumer caution, and its shares climbed by 21%. Warehouse club operator **BJ's Wholesale** bested expectations for revenues and growth with better same-store sales growth. BJ's forward guidance was in line with projections and the company plans an accelerated pace of new store openings over the next two years. As its shares climbed by 28%, we trimmed our position.

Offsetting gains was a -24% showing from private equity manager **TPG Inc**. While distributable earnings were above expectations, the underlying fee-related revenues were below. Some of that disconnect came from the consolidation of recently acquired Angelo Gordon in TPG's numbers, which will be measured on an apples-to-apples basis going forward.

We benefited from **Cencora, Inc.**, which distributes pharmaceutical and medical products to pharmacies, hospitals, and other health care providers. Cencora's revenues and earnings each exceeded expectations, and management further increased forward guidance to reflect its business momentum. Later in the quarter, Cencora again lifted its outlook though that did not include future benefits from a recent acquisition. As its price improved by 24%, we trimmed our position.

Many of our Industrials positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. Case in point was **Waste Connections**, which collects, transfers, recycles, and disposes of waste for municipalities and businesses in the U.S. and Canada. Revenues exceeded expectations though earnings fell shy of them given the impacts of foreign exchange and lower prices for recycled cardboard. The resilience of Waste Connections' business within the current economic landscape contributed to a 14% increase in its stock price.

Another contributor was **Verisk Analytics**, the property/casualty insurance risk information and analysis provider. The company reported revenues and earnings that exceeded expectations with steady organic growth. Management was upbeat regarding strategic initiatives that should improve sales momentum and pricing, though was conservative with its initial guidance for 2025. Combined, that gave Verisk's shares an 8% lift.

In a volatile quarter, **CrowdStrike Holdings** ended with a 3% gain. A cloud-based endpoint security provider that secures a range of devices, endpoints, and cloud environments, CrowdStrike climbed in the first half of the quarter on a wave of optimism for software companies as beneficiaries of lower cost to implement AI, which could lead to broader AI adoption among organizations. We trimmed our position during that period. CrowdStrike's shares then retreated following its report of better-than-anticipated results coupled with a less-optimistic outlook as some one-time costs remain related to last year's outage. Given the transitional nature of that, and our view that annual recuring revenues should reaccelerate later this year, we began to add back to our holdings.

Slipping by -14% was **Gartner, Inc**., which offers independent and objective research and analysis on information technology, computer hardware, software, and communications. While revenues and earnings were better than expected thanks to accelerating growth in contract values, Gartner's outlook for the year was less than anticipated. From our experience, we have seen Gartner begin its fiscal years conservatively only to steadily improve its results, so we added to our position. There was weakness in Gartner's shares later in the quarter when federal government cost cutting was projected to affect about 4% of Gartner's revenues (though we believe that was a price overreaction).

At the start of the year, we initiated a position in **EMCOR Group**, which provides construction and operational services for mechanical and electrical systems to a broad range of commercial, industrial, utility, and institutional customers. Its underlying business trends remained strong, though there were some market concerns that EMCOR's activities tied to data center construction would slow. As EMCOR's price retreated, we continued building the position given the strong demand the company saw.

To note that the global trade outlook and its ramifications across economies are "fluid" (the operative term for many current evaluations), seems an understatement. We see companies girding for greater turbulence before the waters calm. The incorporation of a weak first quarter and the Trump administration's "shock and awe" tariff policy unveiled in early April led the U.S. Federal Reserve and the OECD to reduce their U.S. and global GDP growth forecasts. All of this has created significant price swings recently. In a few instances, we may find stocks that have so dramatically oversold that they warrant us adding to those positions. At the same time, we recognize the potential for additional rapid changes in government policies, so we are cautious about overreacting. As long-term investors, our portfolios have historically been more resilient to these types of market upheavals, and that investment approach has not changed. 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@tscmllc.com.

TimesSquare Capital Management, LLC

75 Rockefeller Plaza, 30th Floor New York, NY 10019
www.TSCMLLC.com