TimesSquare
CAPITAL MANAGEMENT, LLC

U.S. Mid Cap Growth Strategy

Representative Commentary — 1Q25

Performance

			Annualized			
	1Q25	**1YR**	**3YR**	**5YR**	**7YR**	**10YR**
U.S. Mid Cap Growth Composite (Gross)	-3.29%	-1.81%	5.68%	15.76%	11.85%	11.16%
U.S. Mid Cap Growth Composite (Net)	-3.48%	-2.60%	4.84%	14.85%	10.97%	10.29%
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%. While recent results were in line with expectations, **Ross Stores** provided forward guidance that was less than anticipated. The operator of discount apparel and home fashion outlets anticipates a slow start to the year attributable in part to the new CEO's understandable caution amidst present economic conditions. That marked down Ross's shares by -15%. 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. Leaving the strategy this quarter was **Brunswick Corporation**, which manufactures recreational marine equipment under the Mercury and Boston Whaler brands. We began to trim the position in late 2024 when it seemed that Brunswick's demand recovery was delayed. Brunswick showed better-than-expected revenues and earnings against low expectations, however provided a 2025 outlook well below expectations because boat dealers remained hesitant to resume normal order levels. With a recovery in demand further delayed and financing costs still high, we sold our remaining holdings.

In the Financials sector we tend to avoid banks that face credit deterioration or rising deposit costs, preferring either asset managers, specialized insurance companies, or financial technology providers. On the plus side there was an 8% gain from **Allstate Corporation,** which provides personal property and casualty insurance, life insurance, as well as retirement and investment products. Revenues and earnings were higher than anticipated, propelled by underlying loss ratio beats across Homeowners and Auto insurance as well as lower than expected catastrophe losses. Notably, the company highlighted that it expects policies-in-force to grow in 2025. As its shares climbed, we trimmed our position. Offsetting that 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. Elsewhere, we benefited from a 12% gain from the online brokerage platform **Robinhood Markets**. At the start of the year, increased monthly trading volumes for options, significant gains in equity trading, and both were eclipsed by the growth of customers trading cryptocurrencies. Mid-quarter, Robinhood reported surging revenue and earnings by exceeding $1 billion of quarterly revenues for the first time, and its premium Robinhood Gold membership ranks swelled. We trimmed the position as its shares climbed. Later in March, as the broader market sell-off dampened Robinhood's assets under custody, we began to add back to our holdings.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that deserve premium pricing, or specialized service providers. We were rewarded with a 52% return from **Intra-Cellular Therapies**. A developer of small molecule treatments for neurological disorders, we added Intra-Cellular to the strategy in December. In January, the company agreed to an acquisition offer from Johnson & Johnson, and we sold our shares in February. Another benefit came 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. New to the strategy was **Insmed Incorporated**, a biopharma developer of treatments for various pulmonary diseases. Insmed has one commercially approved treatment for lung infections, however, we see its developing product Brensocatib as driving future price appreciation. In 2024, Insmed reported positive data for Brensocatib in bronchiectasis, paving the way for a 2025 FDA approval and commercial launch. This February, the FDA announced it was giving Brensocatib's priority review with an expected action date in August.

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. Pulling back by -19% was **EMCOR Group**, which provides construction and operational services for mechanical and electrical systems to a broad range of commercial, industrial, utility, and institutional customers. Although revenues were less than expected, earnings were better, and the company increased earnings guidance along with its share repurchase authorization for 2025. The underlying business trends remained strong, though there were some market concerns that EMCOR's activities tied to data center construction

would slow. Previously, we had trimmed our position somewhat, seeing early signals of that sentiment shift. As EMCOR's price fell, we began adding back given the strong demand the company saw. On a positive note, there 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. During the quarter, we began buying shares in **Hexcel Corporation**, a manufacturer of composite materials for aerospace, commercial and industrial uses worldwide. The initial recovery in aircraft production should provide original equipment manufacturer (OEM) suppliers with a secular tailwind. As the largest OEM of aerospace-grade carbon fiber used in the newer Airbus and Boeing planes, we expect Hexcel to benefit as production levels rise.

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. Jumping ahead by 9% was **JFrog Ltd**., which provides systems to manage and speed up the release of software updates from developers to users. We added to our position in February with the view that the wider creation or adoption of GenAI applications for businesses would generate greater activity volumes for JFrog. That outlook was supported by the company's subsequent report. Revenues, earnings, and forward guidance were all higher than anticipated as JFrog closed several multi-million-dollar deals along with higher rates of mid and smaller sized contracts. After that report, we met with JFrog's management and discussed its initial successes cross selling additional security services. Thus, when its price retreated in March, we bought additional shares in JFrog. Slipping by -13% 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). We had a different view on **Teradyne, Inc**., a leading producer of testing and measurement equipment for semiconductors and other complex electronic systems. Although its revenues and earnings were higher than forecasted, Teradyne's management lowered its guidance for the full year. The company had presented an optimistic picture of the broad industry outlook, but was unable to translate that to its own sales expectations. On a later analyst day, Teradyne again tempered its outlook, and we exited the position as it declined by -29% for the partial quarter. Lastly, we initiated a position in **Fair Isaac Corporation,** which provides its FICO credit score and related software to lenders including all major U.S. banks, credit card issuers, mortgage lenders, and auto loan originators. FICO's operations are evenly divided between scores and software. In the former, FICO has a near monopoly because the scores are used in over 90% of lending decisions. Its software offerings provide tools for customer development, fraud detection, and communication. We have a positive outlook as the mortgage market begins to recover—both purchases and refinancings—and FICO's pricing power remains firmly intact.

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 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@tscmllc.com.

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