

U.S. FOCUS Growth Strategy

Representative Commentary — 2Q25

Performance	Annualized					
	2Q25	1YR	3YR	5YR	7YR	10YR
FOCUS Growth Equity Composite (Gross)	11.79%	17.35%	21.81%	17.07%	16.70%	14.19%
FOCUS Growth Equity Composite (Net)	11.56%	16.38%	20.71%	15.98%	15.59%	13.10%
Russell Midcap® Growth Index	18.20%	26.49%	21.44%	12.65%	12.72%	12.11%

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.

In the second quarter, there were double-digit returns for equities as global economic activity measures lifted into expansion territory. However, there were many tremors across the economic landscape, with Washington DC at the epicenter.

- At the start of April, the U.S.'s proposed tariff regime led to significant economic fallout. Global markets whipsawed in the ensuing tariff tantrum and subsequent de-escalations to the point that later tariff announcements were often discounted quickly.
- There were further disruptions later in the quarter as the Trump administration's budget bill weaved through Congress (approved just after the quarter ended). Most notable were permanent and expanded tax cuts, along with net reductions in fiscal spending—especially Medicaid.
- Markets showed their concerns as U.S. treasury yields rose, and the dollar fell against other major currencies.

Equities seemed unfazed as the U.S.'s Russell 3000® Index rose 11%, keeping pace with the 12% returns for the MSCI EAFE and MSCI Emerging Markets Indexes.

- Growth indexes outpaced value indexes in all regions and size ranges.
- Among global risk factors, Beta, Momentum, and Residual Volatility were highly rewarded, while Earnings Quality, Value, and Growth were punished or ignored.
- Within U.S. small and mid capitalization growth indexes, better returns came from stocks with either high valuations, negative earnings, or low returns on equity.

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

- We saw companies across most areas either scrap or significantly reduced forward guidance. As they wait to see how near-term results fare in this environment, we believe some have lowered expectations to levels that can be surpassed in future quarters.
- **Consumer** – With so many consumer goods potentially subject to tariffs, measures of confidence and sentiment remained at trough levels. Some customers advanced their purchases ahead of expected price hikes. Companies with better balance sheets increased their inventories during tariff pauses, which should provide them with opportunities for greater market share later in 2025.
- **Financials** – Although M&A activity began unexpectedly slowly this year, there were early signs it was accelerating. As equity market levels climbed following initial recession fears, capital markets and trading firms recovered sharply with continued growth in fundamentals.

- **Health Care** – Reduced Medicaid spending weighed on volume levels and growth across the sector. Changes at the FDA slowed regulatory approvals, which combined with the Trump administration’s rhetoric for lower drug prices and onshore production, have dampened enthusiasm for the biopharma industry.
- **Industrials** – Many companies are understandably conservative with their outlooks as tariff levies are quickly announced and rescinded. That favored longer-cycle secular end markets—such as aerospace & defense, datacenter-related, and infrastructure—compared to the short-cycle cyclical areas of transportation or consumer-related. Though if the Federal Reserve becomes more dovish, the recent industrial laggards could return to favor later in 2025.
- **Information Technology** – As with other segments, anticipation of higher prices from tariffs led to a short-term surge of orders across the semiconductor industry. Offsetting that was the rebound in spending for all things AI-related, which had been weak in the first quarter following *DeepSeek*’s emergence. One notable confirming data point for the AI megatrend was Ford Motor’s CEO predicting that “artificial intelligence is going to replace literally half of all white-collar workers in the U.S.”

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

For the final time, the impact of not owning Palantir was a notable detractor. Until it left the mid cap growth benchmark at the end of June, Palantir had a market capitalization of over \$300 billion, was an 8% index weight, and rose 55% return during the quarter.

Among our holdings, we trimmed **CrowdStrike Holdings** as it gained 44%. A cloud-based endpoint security provider that secures a range of devices, endpoints, and cloud environments, CrowdStrike benefited early in the quarter as cybersecurity was one of the most resilient areas in an uncertain macroeconomic environment. In June, its results were higher than anticipated, especially with gains in net new annual recurring revenues, which are also expected to double in the next fiscal year. There were some lingering impacts from last year's outage, but with the resulting customer retention rebates about to expire, we expect CrowdStrike’s revenues will continue reaccelerating.

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. In these areas, there was market rotation away from two of our defensive positions, though both provided strong contributions year to date despite these retrenchments. The specialty auto parts retailer **O'Reilly Automotive** saw its shares slip by -6%. Elsewhere, the warehouse club operator **BJ's Wholesale Club** pulled back -6%. In the case of BJ’s, its earnings surpassed expectations with improving gross margins and higher levels of membership fee income. Though with consumer sentiment and confidence remaining at low levels, BJ’s management was conservative in only reaffirming its guidance for the fiscal year, and we added to our position.

The strategy received a 24% boost from **Veeva Systems**, which offers cloud-based systems for the life sciences industries, from R&D to commercialization. Veeva’s revenues and earnings bested expectations with some of the strongest dollar-value results in the company’s history. Commercial subscription revenue growth accelerated, driven by Veeva’s Crossix platform that provides anonymized data analytics for health care marketing. Veeva also recently announced new AI-embedded features for its Vault suite of customer relationship management applications.

Contributing a 45% return 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. EMCOR reported revenues and earnings that bested expectations with a record high level of remaining performance obligations (outstanding and unbilled work for existing customers) along with a healthy pipeline of new projects.

Detracting -2% from the strategy was **HubSpot, Inc.**, which provides a cloud-based marketing, sales, and client service platform for businesses. The company’s revenues and earnings edged ahead of expectations, though not by as large a margin as typical. Management did lift its guidance for 2025, though noted it was driven by better foreign exchange than by better fundamentals.

Climbing by 51% was **Amphenol Corporation**, which produces electrical, electronic and fiber optic cables, and connectors. Amphenol reported higher-than-anticipated revenues and earnings. There was strength across all its end markets, especially the third of its overall revenues coming from data centers.

One of our strategy's purchase rules is based on the range of market capitalizations in the Russell Midcap® Growth Index following its reconstitution. After that occurred recently, the largest stock in the index had a market capitalization of \$85 billion (after excluding an outlier). The strategy's guideline limits new positions outside the benchmark at the time of initial purchase to less than 75% of the largest name in the benchmark—or \$64 billion based on the new benchmark—so we will raise our limit to \$64 billion from the current level of \$44 billion. The lower end of the purchase range moves from a market capitalization of \$2.0 billion to \$1.7 billion, which matches the smallest stock in the benchmark (after excluding an outlier).

Markets and economies swung wildly in the first half of 2025, generally propelled by geopolitical drivers—most of those emanating from the U.S. Many companies downplayed their outlooks either in response or in advance of tariff-induced cost increases. Yet markets have a remarkable way of absorbing those concerns, pricing them in, and forecasting improvements. For example, most Federal Reserve watchers anticipate rate reductions later this year. However, many investors are cautious regarding the intended and unintended consequences of the newly enacted massive tax and spending bill. We seek to balance our holdings between companies that should be resilient to potential headwinds and those poised to catch any accelerating tailwinds in their sails. Either way, our focus remains on the bottom line, seeking companies that are better equipped to maintain their fundamentals when peers are deteriorating, or to lead others with faster growth. 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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