

U.S. Small Cap Growth Strategy

Representative Commentary — 2Q25

Performance	Annualized					
	2Q25	1YR	3YR	5YR	7YR	10YR
U.S. Small Cap Growth Composite (Gross)	11.28%	12.31%	14.35%	8.24%	7.85%	8.93%
U.S. Small Cap Growth Composite (Net)	11.02%	11.20%	13.23%	7.17%	6.79%	7.86%
Russell 2000® Growth Index	11.97%	9.73%	12.37%	7.41%	5.68%	7.13%

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.

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 for now seem 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 on 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 CEO predicting that “artificial intelligence is going to replace literally half of all white-collar workers in the U.S.”

In the market’s rapid rise, the portfolio lagged the Russell 2000® Growth Index in the second quarter. However, the portfolio remains ahead of the benchmark year-to-date.

Our preferences in the Consumer-oriented sectors lean toward value-oriented or specialty retailers, franchise models, or premium brands. Leading the charge was western and work boot retailer **Boot Barn Holdings Inc.** While they reported a slight miss to fiscal fourth quarter estimates, forward guidance was in line with consensus projections as tariff headwinds are more manageable than feared. Its shares responded positively, jumping 42% and prompting us to trim the position. **Warby Parker Inc.** is a retailer of eyewear to consumers through its brick-and-mortar stores and its online platform. During the quarter, the company announced a partnership with Google to develop AI-powered glasses. The partnership combines Warby Parker’s approach to eyewear design with Google’s technology ecosystem. That served to lift the stock by 22%. **BJ’s Wholesale Club Holdings Inc.** operates membership warehouse clubs. First quarter profits and earnings outpaced Street estimates. Strong momentum in consumables offset a slight decline in seasonal big-ticket categories. Investors appear to have been disappointed by management’s decision to maintain full-year guidance, though we view this as a conservative approach. We added to the BJ’s position on its -6% pullback. **Wyndham Hotels & Resorts Inc.** franchises and operates hotels. As we have seen with other hotel operators, Wyndham lowered its forward guidance to reflect softening trends in consumer travel. That triggered a -10% slide and we added to the position on that weakness. New to the sector this quarter was **Ollie’s Bargain Outlet Holdings Inc.** They are engaged in the retail of closeouts, excess inventory, and salvage merchandise. They subsequently reported results that were better than expected. Same store sales comparisons were quite favorable. Ollie’s acquired numerous locations that were formerly Big Lots stores, and they are opening ahead of plan.

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. **Excelerate Energy Inc.** supplies liquefied natural gas solutions. The stock edged forward 3% as profits outpaced expectations for the first quarter and management increased full-year guidance. **Magnolia Oil & Gas Corp.**, an exploration and production company with operations in Texas, dropped -10%. First quarter results included higher total production volumes that were offset by higher expenses. Of note, full-year production guidance was raised due to better productivity from well operations. **Cactus Inc.**, a manufacturer of highly engineered wellhead systems and pressure control equipment, slipped -5%. Their first quarter results were above the consensus, aided by higher sales content in pressure control equipment. In June, the company acquired a majority stake in Surface Pressure Control, which enables them to accelerate international expansion. Management’s outlook anticipates further declines in U.S. land activity over the balance of the year. New to the sector this quarter was **Chart Industries Inc.**, a global manufacturer of cryogenic processing equipment primarily serving the industrial gas and energy markets. We began buying shares during early May, and in June the company announced plans to merge with Flowserve in an all-stock deal. After meeting with the future management team, we were impressed with the new combination and continued adding to our investment.

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. **Paymentus Holdings Inc.**, a provider of cloud-based bill payment technology and solutions, advanced 25%. The company reported a strong quarter and raised guidance. They have been able to leverage their platform for a diverse set of industries and customers. New business bookings, backlog and pipeline all remain solid. During the quarter, we opportunistically added to the position. **Victory Capital Holdings Inc.**, an asset management firm, gained 11%. Its first quarter earnings were in line with sell-side projections as expense controls served to

counter lower management fees. Investment advisory firm **PJT Partners Inc.** climbed 21%. First quarter earnings edged the consensus. Management struck a constructive tone on the revenue outlook and highlighted their positioning. They have a strong business backlog and upside potential from restructuring activity.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that deserve premium pricing, or specialized service providers. **Insmed Inc.**, a biopharmaceutical company engaged in developing therapies for patients with rare diseases, jumped 31%. During the quarter, the company reported impressive safety and efficacy data from its Phase 2 trial of Treprostinil Palmitil inhalation powder for treating arterial hypertension. **Verona Pharma plc** is a biopharmaceutical company focused on developing therapies to treat respiratory diseases. Ohtuvayre, a prescription medication used to treat chronic obstructive pulmonary disease, generated higher sales and led to a solid first quarter. Thus far, the drug launch is exceeding expectations. That served to boost the share price by 49%. **Addus HomeCare Corp.**, a provider of in-home personal care services, rose 16% due to solid first quarter results. The personal care segment remains a bright spot, driven by stable volumes and the continued benefit from favorable rate increases in recent quarters. **Stevanato Group SpA** supplies drug containment, drug delivery, and diagnostic solutions to the biopharmaceutical industry. Its stock gained 20% on the heels of a beat to first quarter projections, driven by the Biopharmaceutical and Diagnostic Solutions segment. Vial demand is stabilizing and destocking is subsiding. New to the sector this quarter was cardiac monitoring company **iRhythm Technologies Inc.** They subsequently reported results that exceeded the consensus and that lifted the stock by 52%. Strength in the quarter came from continued momentum in mobile cardiac telemetry. **Inspire Medical Systems Inc.**, a medical technology company focused on the development and commercialization of innovative solutions for treating obstructive sleep apnea, pulled back by -18%. First quarter revenues exceeded consensus estimates. That report was overshadowed by second quarter guidance, which was viewed as disappointing. Management explained the second quarter will be a transitional period as centers work through their Inspire IV system inventory ahead of ordering the recently launched Inspire V systems. **Krystal Biotech Inc.** is a biotechnology company developing and commercializing genetic medicines for patients with rare diseases. First quarter results missed the mark with declining levels of new patient starts and sales. While the quarterly results are disappointing, Vyjuvek is viewed as a durable and high-margin business. That therapy is a topical gel that promotes wound healing for patients with a rare and serious skin disorder called dystrophic epidermolysis. Krystal Biotech currently has seventeen sales reps and plans to add eight more. We reduced the position, which declined by -24% during the quarter. **Vericel Corp.** engages in the development of cellular therapies and specialty biologic products for sports medicine and severe burn care. Its MACI portfolio is an FDA-approved product that applies the process of tissue engineering to grow cells on scaffolds using healthy cartilage tissue from the patient's own knee. The Epicel portfolio provides skin replacement for patients who have deep dermal or full thickness burns. While the overall first quarter was in line with Street estimates, burn care results came in below the guidance range and that caused its shares to fall by -5%. **Vaxcyte Inc.** is engaged in the development of vaccines for infectious diseases. Data from a recent infant trial was less than compelling and we decided to exit. The stock dropped -14% while held during the month. New to the sector this quarter was **Guardian Pharmacy Services Inc.**, a pharmacy services company that provides technology-enabled services designed to help long-term care facilities adhere to appropriate drug regimens.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. **Comfort Systems USA Inc.** provides mechanical and electrical installation, renovation, maintenance, repair, and replacement services. Blowout results led to a 67% surge in the stock price. While management has done well to temper expectations on earnings calls, they have continued to exceed expectations every quarter. **Regal Rexnord Corp.** manufactures automation sub-systems, industrial powertrain solutions, power transmission components, and air moving products. Its share price rose 28% on the heels of its first quarter, which stood in stark contrast to the market's lowered expectations and a reduced outlook. Most of the revenue upside came from the Power Efficiency Solutions segment. Management reiterated forward guidance as they have not seen any evidence of a demand slowdown and believe they are well positioned to navigate the impact of tariffs. **Construction Partners Inc.** is a civil infrastructure company that builds and maintains roadways and highways. Solid first quarter results led to a 48% gain. Underlying fundamentals remain strong across their end markets, and tariffs are not having any impact. Construction Partners' new business backlog hit record levels. **Kratos Defense & Security Solutions Inc.** supplies technology products, systems, and software for defense, national security, and commercial markets. Their fiscal second quarter exceeded expectations for earnings and profit margins. While investors were initially cautious on the potential impact of DOGE on the defense budget, we are now seeing augmented defense spending with a major shift towards next-generation priorities such as hypersonic, missile defense, UAVs, and space. As such, Kratos is well placed. We trimmed Kratos on the strength of its 62% ascent. **Pursuit Attractions & Hospitality Inc.** owns and operates hospitality destinations in the U.S., Canada, and Iceland. Its stock fell -18% after they reported a modest miss to first quarter estimates due to unfavorable foreign currency exchange rates and fewer available rooms during the offseason.

remodel of a Jasper property. We are however encouraged by positive forward bookings data. **Exponent Inc.**, a science and engineering consulting company, receded by -7%. While first quarter results were solid, guidance for the second quarter fell short of estimates.

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. **Credo Technology Group Holding Ltd.** provides high-speed connectivity solutions for optical and electrical Ethernet applications. Fiscal fourth quarter revenues and earnings were well above estimates, as was fiscal first quarter guidance. Credo has experienced strong momentum in their core active electrical cable business. We trimmed the position as the stock jumped 130%. Analog semiconductor solutions provider **MACOM Technology Solutions Holdings Inc.** climbed 43% on the heels of a strong quarter that was driven by the datacenter and telecommunications. **ServiceTitan Inc.** provides an end-to-end cloud-based software platform that connects and manages a range of business workflows such as advertising, job scheduling, and management. Solid fiscal first quarter results led to a 12% share price gain and were driven by better subscription revenues as the company continues to execute well with commercial product adoption. **Clearwater Analytics Holdings Inc.** provides software-as-a-service solutions for automated investment data aggregation, reconciliation, accounting, and reporting. The company delivered strong results, including revenue growth. They recently acquired Enfusion, Beacon, and Bistro assets that serve to broaden the product offering. The integration of these assets is the company's focus in support of their vision of a front-to-back asset management platform. In the near term, there will be a dilutive impact on Clearwater's financial profile and that caused its shares to drop by -18%. **Workiva Inc.** offers cloud-based compliance and regulatory reporting solutions. Results for the latest quarter edged estimates and the company maintained full year revenue guidance, thereby reflecting continued momentum in multi-solution platform deals. Management did however indicate that new business bookings could be impacted by a less favorable buying environment. These cautionary comments served to pressure the stock price by -10%. **Onto Innovation Inc.** designs, develops, and produces high-performance control metrology, defect inspection, lithography, and data analysis systems that are used by microelectronic device manufacturers. While first quarter results were in line with the Street, second quarter projections fell short. That triggered a -16% tumble in its share price. **Intapp Inc.**, a provider of AI-powered solutions including deal and relationship management, fell -12%. Revenues for the latest quarter were in line with consensus expectations, along with better profitability and free cash flow. Cloud net revenue retention was stable and Intapp's expanded AI offerings are receiving positive reception from clients. **Kulicke & Soffa Industries Inc.** designs and manufactures electronics assembly solutions. The combination of a disappointing second quarter and lower third quarter guidance led us to exit the position. Its shares were down -4% while held in the quarter. New to the sector this quarter is **Braze Inc.**, a customer relationship management platform for mobile applications. Its application combines messaging, audience segmentation, analytics, and user support in a single integrated solution.

One of our strategy's purchase rules is based on the range of market capitalizations in the Russell 2000® Growth Index following its reconstitution. After that occurred recently, the largest stock in the index had a market capitalization of \$11.1 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 \$8.4 billion based on the new benchmark—so we will raise our limit to \$8.0 billion from the current level of \$7.5 billion. The lower end of the purchase range moves from a market capitalization of \$18 million to \$36 million, 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 a rate reduction 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. From October 1, 2000 to November 18, 2004, the performance is that of the TimesSquare Inc. small cap composite. From November 19, 2004, the performance is that of the TimesSquare small cap composite which consists of all small cap accounts managed by the team at TimesSquare and TimesSquare Inc. There has been no change in the investment management responsibility or strategy from the prior firm.

This composite invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the Russell 2000 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 90-120 stocks. Historical turnover has averaged 54% per year. Composite inclusion threshold \$5mm. Fee basis is 100 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 small cap market as represented by the Russell 2000® 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 June 2012, TimesSquare had modified its purchase capitalization range to match the changes in the small cap market as represented by the Russell 2000® Growth Index at that time, with a change from \$50 million to \$1.5 billion at time of purchase to \$50 million to \$2 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 2000® Growth – a market capitalization-weighted index that measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell 2000® 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 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.

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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