

## U.S. Mid Cap Growth Strategy

### Representative Commentary — 4Q25

Performance	Annualized						
	4Q25	YTD	1YR	3YR	5YR	7YR	10YR
U.S. Mid Cap Growth Composite (Gross)	-4.49%	10.23%	10.23%	15.78%	7.40%	15.00%	13.19%
U.S. Mid Cap Growth Composite (Net)	-4.68%	9.36%	9.36%	14.87%	6.55%	14.09%	12.30%
Russell Midcap® Growth Index	-3.70%	8.66%	8.66%	18.62%	6.64%	14.19%	12.48%

*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.*

Global equity markets ended the fourth quarter in positive territory, with Europe as a standout performer, followed by Emerging Markets. Large caps outperformed small in most markets. The U.S. and China extended their trade truce for another year, though geopolitical issues—tariffs or otherwise—continued to simmer worldwide. In Europe, the U.K. and France signed a declaration of intent to deploy troops to Ukraine if a peace deal is reached with Russia; territory remains a key outstanding issue in negotiations. Within the Western Hemisphere, the Trump administration launched a strike in Venezuela to seize Maduro. This signals a tougher approach toward Latin America, with additional ramifications for the Energy sector. Across major central banks, the U.S. Federal Reserve and the Bank of England eased further, while the ECB held steady and the Bank of Japan tightened. Manufacturing activity decreased, while service industries fared better.

Third-quarter GDP was better than expected; however, consumers remain cautious amid continued signs of labor-market softening. That proved to be the key consideration for the Fed's further interest rate cuts. There was a low-quality bias in the market across small- to mid-cap stocks, with strong results for companies with low Returns on Equity. Among small cap growth stocks, where companies without earnings were far more common, those stocks were highly rewarded.

Amidst this market environment, the portfolio underperformed the Russell Midcap® Growth Index in the fourth quarter, though ended the year ahead of the benchmark.

For the Communication Services sector, we 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. **Take-Two Interactive Software Inc.** develops, publishes, and markets interactive software games. Their game franchise includes Grand Theft Auto, BioShock, Red Dead Redemption, Max Payne, NBA 2 K, *LA Noire*, *Civilization*, *Midnight Club*, and *Borderlands*. The company delivered solid fiscal second-quarter results, with 20% year-over-year growth in recurring consumer spending. Net bookings projections were therefore increased. Overshadowing earnings was an announcement that its subsidiary, Rockstar Games, will delay the launch of Grand Theft Auto 6 from May to November 2026 to allow for a higher level of polish. GTA6 is the most anticipated game launch in the company's history. Shares of Take-Two fell sharply following that report and we added to our position on weakness. Take-Two's price subsequently rebounded and ended the quarter down on -1%, which far exceeded the benchmark sector average of -20%. **Pinterest Inc.**, an image-based social media company, pulled back by -20%. The company reported an inline quarter, however, guidance for fourth quarter revenue and profits was slightly below Street expectations. Pinterest has been pleased with the adoption of new functionality by advertisers as they strive to gain higher returns on advertising spend. User engagement trends have also been solid with monthly active user growth increasing solidly, notably in international markets.

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. **Ross Stores Inc.**, an off-price retailer of apparel and home fashion, continued to outperform peers with stronger holiday traffic. Ross reported a solid third quarter, with traffic driving same-store sales comparisons. Sales growth combined with better gross margins resulted in improving profits. The marketing refresh under its new CEO is resonating with value-focused customers and showing early signs of sustainable momentum, driving an 18% increase in share price for the quarter. **DoorDash Inc.** operates a commerce platform that connects merchants, consumers, and independent contractors. reported better-than-expected quarterly results. However, management announced a significant increase in planned investments for 2026, which led to a -17% decline in its share price. **O'Reilly Automotive Inc.**, a specialty retailer of aftermarket auto parts and accessories, lost -15%. Third quarter results featured better-than-expected revenues, same-store sales, and earnings; however operating expenses were higher. Do-it-for-me professional mechanic sales trends were positive while do-it-yourself (DIY) saw lower transaction levels. Management commented on tariff-driven price increases taking effect and affecting DIY demand. **Pool Corp.** distributes swimming pool supplies, equipment, and accessories. The industry remains range-bound, with limited catalysts and sluggish trends in new-home sales and construction. We liquidated the position and redeployed the proceeds into other areas with better growth prospects. Pool sank by -25% while held in the quarter. New to the sector this quarter was **Casey's General Stores Inc.**, a Midwest convenience store operator with 2,900 stores in small Midwest and Southern markets.

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. Alternative asset manager **TPG** highlighted stronger-than-expected fundraising in the third quarter. The company continues to see healthy LP demand for its flagship Private Equity strategies while building momentum in cross-selling Credit strategies and showing early success in the Wealth channel. As a result, TPG's share price rose 12%. **Robinhood Markets Inc.** operates a financial services platform allowing users to invest in stocks, ETFs, ADRs, options, gold, and cryptocurrencies. Ahead of the earnings print, we took advantage of the stock's upward momentum to reduce our position. Their latest quarter was softer than expected, notably for cryptocurrency revenues. Robinhood's stock dropped by -21% in the quarter. **Allstate Corp.** provides property and casualty, and other insurance products. Personal lines insurance pricing continues to steadily deteriorate (following years of outsized increases), at the same time that we believe two of the largest players, State Farm and Geico are increasingly leaning into growth; this will pressure growth, margins, and ROE for the rest of the industry, and we believe these headwinds have not yet been fully reflected in consensus estimates. For these reasons, we decided to exit the position, with its shares falling by -11% during the quarter.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that command premium pricing, or specialized service providers. **argenx SE** is a global immunology company focused on improving the lives of patients suffering from severe autoimmune diseases. Their stock jumped 14% due to strong progress in its Vyvgart franchise, driven by higher pre-filled syringe sales volumes for both the myasthenia gravis and chronic inflammatory demyelinating polyneuropathy indications. There are multiple catalysts over the next 12 months that could drive additional growth. **Insmed Inc.**, a biopharmaceutical company focused on developing and commercializing therapies for patients with rare diseases, advanced 21% over the quarter. We have been pleased with the launch of Brensocatib, a first-in-class oral medication that treats non-cystic fibrosis bronchiectasis. The reception has been positive from physicians, patients, and payers. **Cencora Inc.**, a pharmaceutical sourcing and distribution company, gained 8%. Fiscal fourth quarter earnings outpaced the consensus as strength in the U.S. offset a miss in their international business. Management also announced that it is considering strategic alternatives for the animal health and non-core parts of its PharmaLex business. **Repligen Corp.** offers bioprocessing technologies and solutions for use in the manufacture of biological drugs. Double-digit growth across its business and geographies resulted in a beat to third quarter projections and boosted the stock price by 23%. Consumable demand remains healthy, while equipment sales continue to outperform peers. **Veeva Systems Inc.** provides industry cloud solutions to the global life sciences industry. The company delivered solid fiscal third-quarter results and issued guidance above the Street. Veeva management reiterated confidence in achieving its 2030 financial targets, maintaining that the current focus on competitive dynamics with Salesforce.com in the customer relationship management (CRM) market (20% of Veeva's total revenues) does not undermine its long-term trajectory. Despite these positives, the stock sold off by -25% on competitive concerns in the CRM market as Veeva projected lower Vault CRM customer versus its initial expectations.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. **Carpenter**

**Technology Corp.** manufactures, fabricates, and distributes specialty metals. They are a key supplier to the aerospace, defense, medical, transportation, energy, and industrial markets. The combination of strong fiscal first quarter results and higher than expected forward guidance lifted the stock by 28%. Electronic instruments and electromechanical device manufacturer **AMETEK Inc.** rose 9%. Third quarter results came in ahead of sell-side expectations, with new orders leading to a record backlog. **Axon Enterprise Inc.** develops and produces Taser weapons and body cameras for law enforcement agencies. Investors have grown accustomed to big beats and raises from Axon. A slight beat to third-quarter projections and mixed fourth-quarter guidance triggered a -21% decline. We added to the position due to solid customer growth and retention. There are also numerous growth drivers for their business including Taser 10, bodycam 4, and their artificial intelligence software bundle. **EMCOR Group Inc.** provides electrical, mechanical, construction, and facilities services. Although the company's third-quarter revenues and earnings outpaced sell-side projections, the results were overshadowed by very strong performance from a key competitor during the same quarter, which led to a -6% pullback. **Carlisle Companies Inc.** operates as a manufacturer and supplier of building envelope products and solutions. Overall third quarter results were positive as earnings surpassed the consensus. Growth in commercial re-roofing was offset by weakness in commercial new construction and soft residential demand. We decided to exit the Carlisle position because the housing market requires either improved affordability through increased supply or a more dramatic exogenous shock to rates before a sustained recovery can take hold. Carlisle's shares slipped by -2% while held in the quarter. **Waste Connections Inc.** provides non-hazardous waste collection, transfer, disposal, and resource recovery services. Solid waste results for the third quarter were in line with expectations; however, recycled commodity prices were a slight drag and its shares ended the quarter flat. We decided to trim back the position. New to the sector this quarter was **Comfort Systems USA Inc.**, a provider of mechanical and electrical installation, renovation, maintenance, repair, and replacement services.

Among the wide variety of Information Technology companies, we prefer critical systems providers, specialized component designers, systems that improve client productivity or efficiency, and others that are growing their share of corporate IT budgets. **JFrog Ltd.** was the portfolio's strongest performer this quarter. This company manages the software supply chain and enables organizations to securely deliver software updates across their enterprise. Demand for security increased following the recent NPM supply chain attack. JFrog's security add-on—which secures open-source packages before organizations onboard them—has seen significant pipeline growth, driving a 32% rally in their shares. **Fair Isaac Corp.** furnishes decision management solutions. While earnings outpaced the consensus for the fiscal fourth quarter, the more important development was a shift in how credit scores are distributed. Fair Isaac announced that it will license its FICO scores directly to mortgage originators, rather than through credit bureaus. This news was well received by the market as its shares surged 13%. **Amphenol Corp.** designs and manufactures electrical, electronic, and fiber-optic connectors. Its stock price climbed 9% on the heels of a strong quarter, with revenues and earnings well above both company guidance and Street estimates. Management noted their production cycle times have shortened after adding capacity to service demand. Defense, commercial aerospace, and data communications were highlighted for solid sales. **Marvell Technology Inc.** provides data infrastructure semiconductor solutions, spanning the data center core to network edge. We trimmed the position out of an abundance of caution ahead of fiscal third quarter results as its price ran up sharply. While revenues came in higher than expected on strong datacenter demand, the news received a muted investor response, and its shares ended the quarter with a 1% share price gain. **HubSpot Inc.**, a cloud-based customer relationship management platform provider, dropped by -14%. The company delivered a beat-and-raise quarter, but elevated expectations following its September Analyst Day—where it disclosed 25% year-on-year growth in net new annualized recurring revenues for the first half of 2025—led investors to anticipate near-term revenue acceleration. This improvement is expected to materialize gradually rather than immediately. In our subsequent meeting with the company, their CEO expressed confidence in sustained core growth levers, including platform consolidation, multi-hub adoption, and strong upmarket momentum. **Bentley Systems Inc.** offers infrastructure engineering software solutions. The company posted a solid quarter with upside to revenue estimates. Despite these positive, their stock retreated -26% due to difficult comparisons versus the prior year. Bentley is well positioned to benefit from several supporting themes, including increased application usage driven by AI adoption in civil engineering, global investment in mining and electric grids, and large regional infrastructure projects. **AppLovin Corp.** offers a software platform that helps advertisers enhance the marketing and monetization of their content. Its third-quarter results were stellar, and its fourth-quarter guidance exceeded expectations. We exited the position due to its elevated market capitalization. **Snowflake Inc.** provides a cloud-based data platform that includes an artificial intelligence data cloud, thereby enabling customers to consolidate data to drive business insights. Although they beat analyst estimates, the stock fell -3% as results failed to reach high investor expectations. We added to the position, recognizing that the underlying fundamentals remain strong, supported by robust revenue retention, new customer growth, and positive fourth-quarter guidance.

As we enter 2026, the global landscape continues to evolve, shaped by trends toward national economic resilience and shifting trade dynamics. We are currently awaiting a Supreme Court decision on the Trump Administration's tariffs; should the court rule against the current measures, we expect the administration to pivot toward alternative trade enforcement frameworks. The implementation of the "One Big Beautiful Bill" is projected to drive higher consumer tax refunds and catalyze corporate capital spending. Furthermore, we anticipate a significant acceleration in AI adoption as the year unfolds. Regional frictions—from Venezuela to maritime tensions in the Pacific—continue to elevate geopolitical uncertainty. Through this complexity, we remain focused on the fundamentals, seeking those steady management teams capable of creating economic growth at their companies, which we believe will be rewarded over time by the markets. As always, we are available to answer any questions you may 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> Growth – a market capitalization-weighted index that measures the performance of those Russell Midcap<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell Midcap<sup>®</sup> 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](mailto:info@tscmlc.com).

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