

U.S. Mid Cap Growth Strategy

Representative Commentary — 3Q25

Performance	Annualized					
	3Q25	1YR	3YR	5YR	7YR	10YR
U.S. Mid Cap Growth Composite (Gross)	5.49%	15.03%	19.26%	12.02%	13.10%	14.04%
U.S. Mid Cap Growth Composite (Net)	5.28%	14.12%	18.33%	11.14%	12.21%	13.14%
Russell Midcap® Growth Index	2.78%	22.02%	22.82%	11.25%	11.99%	13.36%

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 third quarter, except for fixed income outside the U.S., all major assets classes had positive returns.

- Global economic activity measures lifted into expansion territory and solidly remained there (though U.S. metrics lagged the rest of the world).
- As widely expected, the U.S. Federal Reserve reduced its rates by 25 basis points in September while the Bank of England did so in August.
- Following Japanese Prime Minister Ishiba’s resignation in September, the new PM appears poised to resurrect the past Abenomics of boosting investment and demand through stronger public-private partnerships.
 - That change may delay the Bank of Japan’s prior intention to increase its rates.
- The global game of “tariff tit for tat” continued, adding greater-than-usual uncertainty and weighing on levels of consumer sentiment or confidence.

Equities continued their upward march with the U.S.’s Russell 3000® Index climbing 8%, ahead of the 5% return for the MSCI EAFE Index though lagging the 11% gain for the MSCI Emerging Markets Indexes.

- Risk was in favor this quarter with the highest factor returns from Beta and Residual Volatility in the U.S. and globally. There were also strong showings from Momentum in the U.S. and Earnings Variability ex-U.S.
 - Earnings Quality and Profitability were ignored or panned, indicating that companies with low accruals, stable fundamentals, and operating efficiencies were penalized.
 - That also was seen by the 17% return for the Russell Microcap Index, the best performance this quarter among the major indices.
- Within U.S. small and mid capitalization growth indexes, better returns came from stocks with zero or negative earnings.
 - That was especially pronounced for small cap growth where over 20% of the Russell 2000® Growth Index lacks positive earnings.
- There was also a broader preference for stocks with high beta or low returns on equity.

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

- **AI remains a dominant theme**, though some cracks are beginning to appear. Industry participants questioned the pace of infrastructure spending to support AI – from semiconductors to industrial coolants – and how sustainable that would be. Some of the spending appeared circular, such as NVIDIA committing billions of dollars to OpenAI only for the latter to reinvest a significant portion of that on the newest NVIDIA chips. With debt levels increasing for the biggest AI spenders, measures of capital spending-to-sales are approaching dot-com peak levels.

- In the near term, the AI fervor continued to **dampen enthusiasm for software** on perceptions that many application software uses will evaporate (from our recent visits to various user conferences, we saw continued strong demand for application software).
- Helped by a more accommodative Federal Reserve, **capital markets activities picked up**. There have been meaningful recoveries in the levels of M&A and IPOs in recent months.
- With the Federal Reserve poised to continue monetary easing, **Industrial segments rotated** away from secular areas, such as aerospace or HVAC, toward the cyclical areas of home builders or mining companies.

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

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.** is engaged in the development, publishing, and marketing of interactive software games. Their franchise of games includes *Grand Theft Auto*, *BioShock*, *Red Dead Redemption*, *Max Payne*, *NBA2K*, *LA Noire*, *Civilization*, *Midnight Club*, and *Borderlands*. Its shares rose 6% after reporting solid fiscal first quarter results with impressive net bookings growth. **Pinterest Inc.**, an image-based social media company, pulled back by -10%. Second quarter results were good, as was forward guidance. Overall revenues accelerated during the quarter, as international growth offset a slight decline in the domestic business. A key metric for Pinterest's business, monthly active users, grew by 11% over the last year.

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. **O'Reilly Automotive Inc.**, a specialty retailer of aftermarket auto parts and accessories, surged ahead by 20%. The company reported a strong second quarter with growth in same store sales driven by positive momentum in both do-it-for-me professional mechanic and do-it-yourself consumer. Management raised its full-year outlook for sales, same store comparisons, and earnings. Margin projections were maintained to account for the potential impact of tariffs. **Ross Stores Inc.** is an off-price retailer of apparel and home fashion. Its share price received a 20% markup after they exceeded expectations for the latest quarter due to improved same-store sales with rising levels of traffic and average customer basket size. **DoorDash Inc.** operates a commerce platform that connects merchants, consumers, and independent contractors. Their second quarter results were well above consensus estimates as demand for delivery remains robust, and that lifted the stock by 10%. DoorDash has continued to generate robust growth in its core restaurant business, while making inroads to new verticals including advertising, grocery, and international. Membership warehouse operator **BJ's Wholesale Club Holdings Inc.** dropped by -14%. Second quarter profits and earnings outpaced the consensus; however, revenues and same store sales fell short. Early in the quarter, their Northeast and Mid-Atlantic stores were impacted by unseasonable wet and chilly weather. While groceries and sundries performed well, general merchandise was down. Notably, membership rolls continue to grow. New to the sector this quarter was **Norwegian Cruise Line Holdings Ltd.**, an operator of thirty-four cruise ships across Norwegian Cruise Line, Oceania Cruises, and Regent Seven Seas Cruises. The company is focused on enhancing its core offering by adding shorter, "fun and sun" itineraries and by adding amenities for families, investing in technology such as the AI-powered "Nora" agent to streamline booking, and planning a major overhaul of their loyalty program.

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. **Robinhood Markets Inc.**, a financial services platform provider, rose 53% during the quarter. They facilitate trading in U.S. stocks, exchange traded funds, options, American Depository Receipts, and cryptocurrencies. Earnings for the second quarter beat the Street on higher revenues and lower expenses. Underlying metrics were strong with impressive account growth and elevated options and equities trading. **Interactive Brokers Group Inc.** is a leading global electronic broker providing low-cost execution, clearing, and settlement for retail and institutional customers. Its shares jumped 24% after they reported solid second quarter results, with beats to both revenue and earnings estimates. Management remains optimistic around robust account growth, highlighted by a strong pipeline working with financial intermediaries. **Brown & Brown Inc.** offers brokerage and casualty insurance. While second quarter earnings surpassed the consensus on higher interest income, organic growth decelerated, and that caused its shares to retreat by -15%. Management commented on softer property catastrophe insurance pricing. **RenaissanceRe Holdings Ltd.** provides reinsurance and insurance services. After a mixed quarter, we decided to redeploy the proceeds into stocks with better growth outlooks. Its share price was flat while held in 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. Results for the second quarter were above expectations and

boosted its stock by 34%. A significant driver was sales growth for Vyvgart, a therapy used to treat myasthenia gravis in adult patients. Patient volumes were aided by the pre-filled syringe formulation of Vyvgart, which was approved by the FDA in April, for at-home self-injection. **IDEXX Laboratories Inc.** develops, manufactures, and distributes products and services for animal veterinary, livestock, poultry, and water testing markets. A solid second quarter resulted in a 19% share price appreciation, with innovative tests and consoles driving the upside. **Insmed Inc.**, a biopharmaceutical company focused on developing and commercializing therapies for patients with rare diseases, rallied 43%. Their Brinsupri received FDA approval as the first and only available treatment for non-cystic fibrosis bronchiectasis, a chronic lung disease. Offsetting that was a -39% partial quarter loss from **Inspire Medical Systems Inc.**, which develops medical equipment to treat obstructive sleep apnea. We had been optimistic about the rollout of its newest generation device, however Inspire had difficulty executing that earlier this year. Those problems persisted, so we exited the position. **Encompass Health Corp.** provides post-acute healthcare services including specialized rehabilitation treatment. Its share price edged forward by 4%, though fell short of the average index sector return of 8%. Encompass continues to benefit from an aging population and a shortage of beds for inpatient rehabilitation.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. **EMCOR Group Inc.** provides electrical, mechanical, construction, and facilities services. Strong data center growth was the key driver for their US Electrical segment and lifted the stock by 21%. Management increased full year earnings guidance. EMCOR is well positioned to win an outsized portion of large data center and manufacturing projects, given its scale, leading virtual design, and construction capabilities, as well as pre-fabrication assets. **Saia Inc.** operates as a transportation company providing less-than-truckload services. Management did well to optimize variable costs and network efficiency to drive a beat over second quarter estimates, which led to a 17% return. Overall shipment trends continue to reflect a cautious approach by customers and that caused us to exit the position. **Curtis-Wright Corp.**, a provider of engineered products, solutions, and services to the aerospace and defense markets advanced by 11%. Second quarter revenues and earnings outpaced street projections, with meaningful growth in their naval & power as well as defense electronics segments. **Axon Enterprise Inc.** develops and produces Taser weapons and body cameras for law enforcement agencies. The company posted a stellar second quarter earnings report with revenues and earnings well above sell-side forecasts and raised full-year guidance. There was strength across their product lineup. Bookings were up nicely and there is a robust new business pipeline. The stock declined by -13% on late September news they had acquired Prepared, an AI-powered 911/emergency communications platform. News of the potential price tag caused investor concerns. **Cintas Corp.** supplies corporate identity uniforms and facilities services. Cintas reported better fiscal first quarter results against subdued expectations. The stock pulled back -8% due to concerns around employment, industry pricing, and cost pressures. **Carpenter Technology Corp.** manufactures, fabricates, and distributes specialty metals. Its fiscal fourth quarter results were mixed. Revenues came in lighter than the Street, lower taxes aided earnings, while operating margins held steady. The combination of a solid market position and a robust order backlog prompted us to add our position, which was down -11% for the quarter. New to the sector this quarter was **Karman Holdings Inc.**, a specialist in the upfront design, testing, and manufacturing of mission-critical systems for existing and emerging missile, defense, and space programs. Its integrated payload protection, propulsion and interstage systems are deployed across a vast array of existing and emerging programs.

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. **AppLovin Corp.** offers a software-based platform for advertisers to enhance the marketing and monetization of their content. The combination of a solid second quarter and forward guidance as well as the inclusion of the stock in S&P 500 index boosted the stock by 105%. We trimmed the position on this strength. **Monolithic Power Systems Inc.** designs and develops integrated power semiconductor solutions and power delivery architectures for computing, storage, automotive, industrial, communications, and consumer applications. Their stock climbed 25% after posting a solid second quarter with revenues at the high end of the guidance range and above the Street; earnings were also better. Upside to the quarter came from non-enterprise data center segments where the company is benefiting from a cyclical recovery as well as significant content growth. **Lattice Semiconductor Corp.** develops technologies that are monetized through differentiated programmable logic semiconductor products, system solutions, design services, and licenses. Its share price climbed 50% on the heels of solid second quarter results that were in line with guidance and Street projections. Management noted record design wins as well as strong bookings and backlog. In terms of end markets, there was notable strength in communications and computing although industrial and automotive are still declining. **Amphenol Corp.** designs and produces electrical, electronic, and fiber optic connectors. The company reported a strong beat to second quarter estimates, resulting in a 25% gain. Despite macroeconomic and tariff noise,

Amphenol continues to execute well. Third quarter guidance represents an upside to Street projections. **Gartner Inc.** is an information technology research and advisory company. Despite reporting upside to estimates on revenues and earnings, its key contract value metric fell short. That resulted in a -35% tumble to its shares. We reduced our exposure as we further evaluate our investment. **HubSpot Inc.** offers a cloud-based customer relationship management platform. Second quarter results exceeded the consensus. Growth was driven on its platform by AI adoption, seat growth, and more multi-hub deals. Despite the solid results, management maintained forward guidance excluding tailwinds from currency translation which caused a -16% slide in their shares. In our view, management is erring on the side of conservatism. **OneStream Inc.** is engaged in the development of an artificial intelligence-based enterprise finance platform. Second quarter revenues and earnings were slightly higher than expected. However, third quarter revenue projections factor in potential headwinds for its public sector business given DOGE concerns, resulting in a -35% selloff. The company is seeing strong momentum across its business, particularly in Europe and Asia, with a solid pipeline in the U.S. The company's new AI products, especially Sensible AI Forecasting, are gaining traction.

Within Materials, we seek well positioned companies that are less susceptible to swings in commodity prices. **Martin Marietta Materials Inc.** supplies aggregates to the building industry. Management announced an asset swap in which a private company called Quikrete will receive cement and ready-mix assets. As part of this exchange, Martin Marietta will obtain aggregates operations across Virginia, Missouri, Kansas, and Vancouver. This deal was well received by the market with its shares rising 15% over the quarter. **RPM International Inc.** supplies specialty chemicals for the construction, industrial, specialty, and consumer markets. While the company managed to execute well in their latest quarter, the forward outlook was lowered. We exited the position, which gained 11% during the time it was held in the quarter.

The preliminary indications from quarterly earnings reports show broader growth across economic sectors and size segments, with an additional tailwind of the typical end-of-year corporate spending flush. In the U.S. expectations remain high for an additional rate cut at the late-October FOMC meeting, but countering that optimism are the effects (as of this writing) of the Federal government shutdown over its budget impasse. Meanwhile, equity markets keep shrugging off negative news and search for the next shiny new thing—recent hype surrounding quantum computing indicates that might be it. However, economic realities typically intrude on such halcyon views. Hence, 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 for any questions you might have.

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Firm and Composite Information

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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@tscmlc.com.

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75 Rockefeller Plaza, 30th Floor New York, NY 10019
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