

Global Small Cap Strategy

Representative Commentary — 3Q25

Performance	Annualized					
	3Q25	1YR	3YR	5YR	7YR	Since Inception (1/1/2018)
Global Small Cap Composite (Gross)	3.75%	19.65%	19.20%	8.61%	6.90%	6.85%
Global Small Cap Composite (Net)	3.54%	18.71%	18.22%	7.68%	5.97%	5.92%
MSCI World Small Cap (Net) Index	8.53%	13.57%	17.35%	11.19%	7.43%	7.33%

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.
- 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. Among global risk factors, Beta, Residual Volatility, and Earnings Variability were highly rewarded, while Profitability and Growth were punished or ignored.

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:

- **In the U.S.:**
 - **AI remains a dominant theme**, though some cracks are beginning to appear. Industry participants questioned the pace and sustainability of infrastructure spending to support AI. Some of the spending appeared circular, such as the NVIDIA/OpenAI relationship. 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.
- **In Europe:**
 - **ECB:** The ECB held interest rates steady in September, with inflation near its 2% target. Economic growth in the region remains subdued, potentially facilitating further ECB rate cuts.
 - **European “Sit-Rep”:** Europe has traditionally been more “reactive” than “proactive”. However, we are starting to see a softening of European regulation, which may signal a shift towards a more “pro-growth” stance.

- **Infrastructure Revival Spending on the Horizon:** Supported by its landmark spending plan, Germany is expected to invest over €126 billion in 2026, with significant allocations for transportation and broadband. We are closely monitoring corporate Germany's readiness to capitalize on this economic boost.
- **Intraregional and Extra-regional Geopolitics:** These remain meaningful influences for Europe.
- **In Japan:**
 - **Next Prime Minister:** With Prime Minister Ishiba's resignation in September, Sanae Takaichi is set to become Japan's first female prime minister after winning the presidency of the ruling party. A protégé of the late former Prime Minister Abe, Takaichi's "high-pressure economy" policy stance emphasizes boosting investment and demand through stronger public-private partnerships.
 - **Continued Impact from Corporate Reforms:** Strong corporate results and the lower-than-expected impact of U.S. tariffs drove the Nikkei 225 to a historic high in August 2025, surpassing its 1989 bubble-era peak.
 - **Inflation, Interest Rates, and Trade:** Amid elevated inflation and lingering trade uncertainties, the BOJ signaled its intent to further pursue interest-rate hikes. The election of Takaichi could potentially further delay such rate hikes.
 - **Continued focus on domestic upgrading and investment:** Japan continues to heavily invest in digital transformation, infrastructure upgrades, and workforce productivity. These investments are particularly incentivized by challenges related to labor recruitment and talent shortages.

The Global Small Cap Portfolio underperformed the MSCI World Small Cap benchmark in the third quarter of 2025. The portfolio's biggest headwinds came from its negative factor exposures, primarily Book-to-Price and Earnings Variability. Regionally, the Americas, Japan, and Asia/Pacific ex Japan were the largest detractors.

Regional Performance: The Americas

The Americas was the portfolio's largest regional detractor due to negative stock selection.

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. One beneficiary this quarter was **Lattice Semiconductor**, the leading provider of low-power, programmable integrated circuits. Lattice's stock went through a period of choppiness in late June and early July, and we added to our position. Mid-quarter, Lattice reported inline results with better-than-anticipated guidance for the next fiscal quarter. The company saw a record number of design wins and its healthiest combination of bookings & backlog in over three years, driven by data center needs. That lifted Lattice's shares by 48%. Rebounding from weakness earlier in the year, **Workiva** was rewarded with a 27% return following better-than-expected revenues and earnings. A leading cloud-based compliance and regulatory reporting platform, Workiva's subscription revenues and net revenue retention increased, as did its customer base (adding a record number in that period). Almost as important, Workiva's margins improved, indicating to us that the company will enter a period of further growth and margin expansion, so we added to our position. **OneStream** 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 -36% 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. **MACOM Technology Solutions**, an analog semiconductor solutions provider, reported an inline fiscal third quarter results and provided a modestly better fiscal fourth quarter guidance. However, shares of MACOM were sold off -14% because of concerns about the company's near-term gross margin. The near-term margin pressure was linked to the company taking control of a recently acquired fab earlier than expected and we believe the operational improvement plan for this facility is achievable over the next 2-3 quarters. We added to the position on price weakness. **Astera Labs**, which designs semiconductor components for data centers that provide greater connectivity bandwidth at faster speeds, faced significant headwinds in the first quarter during the unwinding of the global AI trade. Shares of Astera Labs bounced back after the company reported strong second quarter results with a consistent positive commentary around AI capex spending. We exited our position after its share price soared 156% in the quarter and the market capitalization was no longer appropriate for a small-cap strategy.

Many of our Industrial positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation & efficiency improvements, or essential infrastructure services. This quarter the sector saw several challenges, including the -23% return from **WillScot Holdings**. Providing modular and portable

buildings for temporary offices and storage at nonresidential construction sites, WillScot reported fiscal quarterly revenues and earnings that were generally in line with expectations, though management reduced the midpoint of its annual earnings outlook. Previously, an increase in April of monthly orders linked to large project activity was expected to continue into the summer months, but this plateaued after a few months due to persistent softness in smaller project activity. **Casella Waste Systems** declined by -18%. The solid waste handler's revenues were better than expected, but earnings were hampered by a slower than expected systems integration at its acquired Mid-Atlantic platform. This acquisition was a unique corporate carve-out involving a transition services agreement where the company is now looking to replace legacy systems with sub-par pricing and route optimization capabilities with Casella's own upgraded in-house system. Additionally, a 6-month delay in automated truck deliveries pushed out cost synergy realization for this acquired territory. We see both issues as transitory, and we added to our position on weakness. Pulling back by -35% while held in the portfolio this quarter was **ACV Auctions**, the leading commercial digital marketplace for buying or selling used vehicles. Revenues and earnings were less than anticipated, stemming from a lower rate of listings converting to transactions. That seemed tied to broader macroeconomic concerns—which ACV previously highlighted—and temporary in nature. However, management erred on the side of caution by reducing its guidance for the rest of 2025, and we exited the position. **EMCOR Group** provides electrical, mechanical, construction, and facilities services. Strong data center growth was the key driver for their U.S. Electrical segment and lifted the stock by 20%. 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.

Elsewhere, there was a -38% partial quarter loss from **Inspire Medical Systems**, which develops medical equipment to treat obstructive sleep apnea. We had been optimistic about the rollout of its newest generation device but Inspire had difficulty executing that earlier this year. Those problems persisted, so we exited the position. More positive was the 18% gain from **Performance Food Group (PFGC)**, a food products distributor operating through Foodservice and Vistar (snack & beverage) segments, reported a strong end to their fiscal year, highlighted by accelerating Food Service case growth and new account wins. The company continues to aggressively grow its sales force to drive future growth.

Regional Performance: Europe

Positive stock selection was offset by a negative allocation impact due to the portfolio's underweight position in the region.

Political uncertainty in France weighted on stocks in the country. Case in point is **Sopra Steria**, which lost -22% during the quarter. **Sopra Steria**, a leader in digital transformation and IT services, benefits from high recurring revenues and exposure to structural growth areas like European defense. However, the company's 40% revenue exposure to France has increased our short-term concern. Reduced visibility, stemming from difficulties in passing the French state budget and exacerbated by the unplanned CEO departure, has led us to adopt a more prudent stance for the near term, despite liking the company's strategy of moving up the value chain toward consulting.

A growing awareness in Europe points towards the need to decouple from foreign influences across various sectors. Following past discussions on energy independence and more recently on defense, concerns about tariffs are now highlighting the need for trade decoupling. Looking ahead, we anticipate a medium-term objective of greater European technology self-determination, viewing infrastructure the cloud as strategic assets. The portfolio's top contributor for three consecutive quarters, **Renk Group**, delivered another strong quarter with its 29% leap. This German company is a global leader in mission-critical drive technology for land and naval defense applications, with civilian products used in marine, industrial, and energy transition sectors. We trimmed our position on this price strength.

New to the sector this quarter was **James Hardie Industries Plc**, a provider of fiber cement and fiber gypsum building solutions. The stock was acquired as equity consideration related to James Hardie's acquisition of our previous holding, Azek.

Regional Performance: Japan

Our Japanese holdings underperformed the benchmark's country return due to stock selection. We maintain a balanced portfolio of leading businesses across diverse sectors, making it less sensitive, though not immune, to macroeconomic factors like FX, interest rates, and tariffs.

Timee is a Japanese job platform specializing in short-term job postings, offering a unique and flexible solution to both job seekers and employers. Timee's core operations revolve around its digital platform, which connects job seekers with employers looking for short-term and gig workers. The company reported operating profit above the upper end of its guidance range but lowered its full-year net sales outlook, citing delayed revenue from logistics projects and ongoing cost pressures in the food and retail sectors. We trimmed our position in August on price strength and are actively seeking more clarity from management with its share price down -30%. **Rakuten Bank**, Japan's leading digital bank, delivered another strong quarter and saw its share price ascend 22%. We trimmed our position amid the price strength.

Regional Performance: Middle East

Israeli company **CyberArk Software** offers access security solutions. The company announced they are being acquired by Palo Alto in a cash-and-stock transaction. Its share price rose 19% on this development.

Conclusion

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 budget spending flush. Equity markets keep shrugging off negative news and searching 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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This composite generally invests in stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the MSCI World Small Cap 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 110 stocks. Composite inclusion threshold \$500,000. Fee basis is 90 basis points. The composite creation and inception date is January 1, 2018.

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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 MSCI World Small Cap (Net) Index. MSCI World Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI World Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in developed markets. Its returns include net reinvested dividends but, unlike the Composite returns shown, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the Index. All indexes, including the MSCI World Small Cap (Net) Index, are based on gross-of-fee returns, including net reinvested dividends.

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. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. TimesSquare's fee schedule is available upon request and may also be found in Part 2A of our Form ADV.

Investment advisory fees generally charged by TimesSquare are described in Part 2A of its Form ADV. 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 0.90% 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. Net of fee performance is available upon request.

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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