

TimesSquare

Global Small Cap

Representative Commentary

Performance	2Q	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception (01/01/2018)
Composite (Gross)	14.49	9.24	14.16	15.18	5.30	-	7.43
Composite (Net)	14.27	8.81	13.26	14.25	4.42	-	6.50
MSCI World Small Cap (Net)	15.06	16.63	30.15	17.58	7.46	-	8.97

Annualized for periods greater than one year. 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 markets navigated a turbulent second quarter amid shifting geopolitical and macro crosscurrents. Early in the period, Middle East tensions and disruption around the Strait of Hormuz triggered a spike in energy prices and elevated inflation expectations, pivoting global central banks to raise interest rates, contrary to earlier expectations. As those tensions eased into quarter-end, energy prices retreated toward pre-crisis ranges and the inflationary impulse faded. Against that improving backdrop, corporate earnings and equity markets showed resilience, driven by an insatiable, secular wave of AI infrastructure capital expenditure and strong nominal growth.

Global equities rallied broadly in the second quarter. The Russell 3000 returned 15%, outpacing the MSCI EAFE (11%) but trailing a resurgent MSCI Emerging Markets (24%). Growth outperformed Value in both developed and emerging markets. Among global risk factors, Beta, Momentum, and Liquidity were the strongest performers, while Mid-Capitalization, Earnings Variability, and Investment Quality lagged.

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:

- **United States:**

- The U.S. market rebounded sharply from a challenging first quarter. A holding ceasefire with Iran and falling energy prices eased consumer inflation fears, while April and May nonfarm payrolls came in above consensus, pointing to continued solid growth.
- AI remained the predominant market narrative, underpinned by sustained compute demand and robust capital expenditure. This buildout continues to radiate beyond semiconductors into the power, cooling, electrification, specialty contractors, and the broader infrastructure supply chain, where much of our domestic exposure is concentrated.

- **Europe:**

- Lower input costs driven by a significant comedown in energy prices closer to pre-crisis ranges are offering tangible macro relief, particularly in industrial hubs such as Germany. However, underlying domestic-end demand remains fragile, and a full-scale economic recovery is not yet visible.
- Despite near-term geopolitical de-escalation, Europe's focus on long-term decoupling and economic self-reliance seems irreversible. As a result, the region is entering a multi-year phase of significant capital deployment across core structural vectors: energy transition infrastructure, defense budgets, and localized technology advancement.

- **Japan:**

- Despite a modest increase in interest rates, loan growth remains strong, particularly among larger corporations. We are closely monitoring SME lending as a critical barometer. A sustained pick-up in this segment would be a strong signal that the administration's fiscal support for Prime Minister Takaichi's priority sectors—defense, energy, and technology—is beginning to flow through to the broader economy, though we are not there yet.

- The economy remains in the early stages of a multi-year infrastructure-led growth cycle, with valuations still supportive. Near-term market sentiment has improved as immediate concerns over the Iran crisis appear to be easing for now.
- The 10-year Japanese Government Bond (JGB) yield climbed to multi-decade highs near 2.9%, reflecting growing investor concern that the Bank of Japan, despite hiking its benchmark rate to a 31-year high of 1.0% in June, remains behind the curve.

The Global Small Cap Portfolio modestly trailed the MSCI World Small Cap benchmark in the second quarter of 2026. At the factor level, the portfolio's positive exposure to Beta was by far the largest contributor to active return, with positive exposure to Profitability and a below-benchmark tilt to Earnings Variability also additive; these gains were more than offset by negative exposures to Liquidity, Dividend Yield, Long-Term Reversal, and Momentum. The single largest detractor from relative performance was a stock we did not own: SanDisk, a large benchmark constituent that sits outside our market-capitalization range, rallied sharply over the quarter, and our lack of exposure weighed on results. On a regional basis, holdings in the Americas and Asia/Pacific ex-Japan contributed to relative performance, while Europe, Japan, and our cash position detracted.

Regional Performance: The Americas

The Americas were the portfolio's largest source of relative strength this quarter, as strong stock selection more than overcame our structural underweight to the region. Our holdings there returned 22% against the benchmark's 18%, led by a powerful rally across our semiconductor, connectivity, and power-infrastructure names tied to AI-driven capital expenditure.

Information Technology drove the bulk of the gains, led by a powerful rally across semiconductors and connectivity holdings tied to AI infrastructure demand. **Onto Innovation**, a provider of semiconductor process-control, inspection, and metrology equipment, advanced 85% on strong advanced-packaging demand, while **JFrog**, a software supply-chain and DevOps platform, gained 94% as cloud revenue grew more than 50% and now accounts for over half of total sales. **MACOM Technology Solutions**, a provider of analog and mixed-signal semiconductors, rose 70% on strength across its defense and data-center end markets, and **Lattice Semiconductor**, a maker of low-power programmable logic devices, climbed 65%. We trimmed these names into strength. Elsewhere, **MYR Group**, an electrical-construction services provider levered to grid and data-center power buildouts, rose 77%. **Legence**, a provider of energy-infrastructure and commercial HVAC services, climbed 48% on accelerating building-electrification and energy-efficiency demand. We trimmed all six positions on price strength.

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. We added to our position in **Pursuit Attractions and Hospitality**, an operator of experiential travel attractions and hospitality assets. The stock climbed 53% on strong visitation trends and accretive capacity additions. **Warby Parker**, the eyewear brand and retailer, rose 44% following their press release highlighting the design of its first intelligent eyewear frame and confirming a Fall 2026 launch.

On the negative side, **Karman Holdings**, a supplier of defense and space-systems components serving tactical missile, missile defense, hypersonic, space launch and submarine applications, was the region's largest detractor, falling -38%. Despite a heightened need to replenish US missile stockpiles following the Iran conflict, a deteriorating probability of lawmakers supporting the administration's \$1.5T defense budget, alongside a secondary offering, weighed on the shares. **Hamilton Lane**, a provider of private-markets investment solutions, declined -20% amid concerns around private-credit redemptions and optimistic marks on software investments; our analysis suggests the decline is overdone, and we trimmed the position modestly. **Weatherford International**, an oilfield-services provider, fell -21% as crude and natural-gas prices, which had spiked on the Iran conflict early in the period, retreated sharply toward quarter-end.

Regional Performance: Europe

Europe is on a multi-year journey to redefine its strategic priorities, and we believe our local, fundamental approach uniquely positions us to capitalize on this transition. European markets are currently rich with sectors experiencing meaningful dislocation (most notably energy) as well as companies that we believe will prove far more resilient than top-down thematic trends might imply. Our European holdings underperformed the benchmark's regional return, with weakness concentrated in the United Kingdom and Germany.

Weir Group, the UK mining-technology and equipment supplier, was the region's largest detractor, falling -13% as investors grew cautious on the pace of global mining capital expenditure. **KION Group**, the German forklift and warehouse-automation manufacturer, declined -13% amid soft near-term demand for material-handling and automation equipment across European industry.

Shares of **Greencore**, the UK convenience-food producer, fell -17% after reporting subdued revenue growth and a cautious tone around the UK consumer; we reduced our position to reflect persistent inflationary pressure in the UK consumer space.

Regional Performance: Japan

Our Japanese holdings lagged the benchmark's country return. Our portfolio is positioned to benefit from increased structural investments in infrastructure, electrification, and technology. We see a natural extension into renewable energy and, as a second derivative, battery storage. Concurrently, we are keeping a close watch on Japanese domestic fixed-income markets, where the 10-year Japanese Government Bond (JGB) yield has drifted up significantly. Driven by persistent yen weakness and sticky import inflation from early-quarter energy shocks, the central bank faces market pressure to accelerate its tightening cycle, despite political resistance to higher borrowing costs.

Our strongest contributor in the region was **Sumitomo Bakelite**, a specialty-plastics manufacturer, which rose 51% as the company achieved strong margin expansion on robust demand for advanced semiconductor-packaging materials. We used that strength to trim the position. More broadly, our portfolio remains positioned to benefit from Japan's multi-year, infrastructure-led investment cycle across electrification, automation, and technology.

On the negative side, drugstore operator **Sugi Holdings** faced temporary headwinds from rising labor costs and intense price competition in the domestic drugstore space, which led its stock price down -11%. **Integral**, Japan's only listed independent private equity firm, declined -14%. The company experienced short-term volatility tied to the timing of corporate realizations and portfolio exits. However, their underlying private equity strategy and corporate restructuring pipeline remain robust. Shares of waste-management operator **Daiei Kankyo** fell -5% on slight margin compression from upfront temporary outsourcing/labor costs tied to large demolition projects. We added to our position on this price weakness.

Conclusion

We are operating in an environment where capital allocation is increasingly driven by strategic necessity rather than purely optimized economic returns, effectively recasting energy, defense, and technology supply chains as instruments of national policy. While the easing of tensions around the Strait of Hormuz provided a period of relief, the structural shift toward regional self-reliance and the relentless pace of AI-driven capital expenditure remain the dominant forces shaping the global landscape. These macro crosscurrents create a complex tapestry of risks and opportunities, yet they consistently produce the pricing dislocations where our fundamental, bottom-up approach thrives. We remain steadfast in our focus: identifying disciplined management teams capable of compounding intrinsic value by navigating this new era of complexity. 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 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.

The opinions and information expressed and provided are for general information only and are not intended to provide specific advice or recommendations but rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. All material has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

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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