

TimesSquare

U.S. Small Cap Growth

Representative Commentary

Performance	2Q	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception (10/01/2000)
Composite (Gross)	24.21	16.17	23.19	15.10	5.04	11.99	9.96
Composite (Net)	23.92	15.61	21.99	13.97	4.00	10.89	8.87
Russell 2000® Growth	25.71	22.18	38.74	18.42	5.56	11.96	7.10

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.

In the U.S., the market bounced back strongly from a very challenging first quarter. Until recently, a ceasefire had been holding between the U.S. and Iran. Falling energy prices eased consumer inflation fears. April and May nonfarm payroll reports were both above the consensus, with expectations that June will continue the solid growth trend. AI remained the predominant market narrative for the quarter, with all signs pointing to sustained compute demand and robust capital expenditures.

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 U.S. risk factors, Beta, Momentum, and Residual Volatility were the strongest performers, while Mid-Capitalization and Size lagged.

The Small Cap Growth Portfolio returned 24%, trailing the Russell 2000® Growth Index return of 26%. Relative performance was hindered by the benchmark's strength in higher-beta, and AI-infrastructure-linked names. At the factor level, the portfolio's positive exposure to Earnings Quality and Prospect were the primary contributors to relative return, while its underweight to Residual Volatility and Momentum, together with a tilt toward Mid-Capitalization, were the largest detractors. On a sector basis, Information Technology and Materials were the largest positive contributors to relative return, while Health Care, Financials, and Energy lagged.

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. Conversely, we reduced our position in **BJ's Wholesale Club**, which operates membership warehouse clubs in the eastern half of the U.S. Shares of BJ's fell -11% as persistent tariff-related cost uncertainty and record-low consumer sentiment weighed on the sector, though membership growth continued to prove resilient among bargain-conscious shoppers. **Ollie's Bargain Outlet**, a specialty retailer for closeouts, excess inventory, and salvage merchandise, declined -17%. The company reported better-than-feared first-quarter revenue, but near-term macroeconomic uncertainty continued to weigh on its stock, prompting us to trim our position as a result. During the quarter, we exited **Planet Fitness**, a franchisor and operator of fitness clubs, which fell -38% while held within the portfolio. Although the company reported a beat in its first-quarter results, management withdrew its three-year outlook and paused the planned national Black Card price increase slated for June to focus on raw member acquisition, reducing near-term growth visibility.

Often, the Energy sector moves in lockstep with the underlying commodity prices. Here, we aim to find companies that are either low-cost exploration and production companies with high-yielding fields, or specialized service providers. Energy was a detractor for the quarter as crude and natural gas prices, which spiked on the Iran conflict early in the period, retreated sharply toward quarter-end. **Matador Resources**, an exploration and production company with operations in Southeast New Mexico and West Texas, was the sector's largest detractor, falling -21% as prices reversed from intra-quarter highs.

In the Financials sector, we tend to avoid banks experiencing credit deterioration or rising deposit costs, preferring asset managers, specialized insurance companies, or financial technology providers. Financials detracted from relative performance, largely on stock selection. **Hamilton Lane**, a provider of private markets investment solutions, was the sector's largest detractor, falling -21% as the space contended with ongoing concerns around private credit redemptions and optimistic marks on software investments; our granular analysis of the company's exposures continues to suggest the decline is overdone, and we trimmed the position modestly.

Our preferences among Health Care stocks are those companies providing novel therapies for unmet needs that command premium pricing, or specialized service providers. Health Care was the largest detractor from relative performance, as the portfolio's holdings trailed the benchmark's strong sector return. **Tarsus Pharmaceuticals**, a commercial-stage company focused on eye care, declined -10% despite continued commercial progress for its demodex blepharitis treatment, XDEMZY. While actual script volume continues to track well above consensus, the stock contracted during the period as the market prematurely priced in a potential competitor that is years away and gated by an untested ocular-tolerability profile. **Krystal Biotech**, a commercial-stage biotechnology company whose lead gene therapy Vyjuvek treats the rare skin disorder dystrophic epidermolysis bullosa, was a standout contributor, rising 44% on continued Vyjuvek uptake and UK regulatory approval. With the latest Russell reconstitution, the benchmark's Health Care weight — particularly in Biopharma — grew significantly. As a result, we have taken steps to increase our Biopharma exposure. One of the new positions we initiated this quarter is **Dianthus Therapeutics**, a clinical-stage biotechnology company developing novel complement-pathway antibodies for severe autoimmune and neuromuscular diseases, led by its lead candidate DNTH103.

Many of our Industrials positions provide necessary business-to-business operational services, highly technical components, equipment enabling automation and efficiency improvements, or essential infrastructure services. Demand tied to data center and power infrastructure buildouts was a powerful tailwind for the portfolio's holdings. **Bloom Energy**, a manufacturer of solid-oxide fuel cell power platforms, surged 133% on accelerating demand for on-site and data center power generation, and we trimmed into that strength. With Bloom leaving the benchmark and its market capitalization significantly expanding, we have begun exiting the position. **Legence**, a provider of energy infrastructure and commercial HVAC services, climbed 55% on accelerating demand for building electrification and energy-efficiency projects. Conversely, **Karman Holdings**, a supplier of defense and space systems components serving tactical missile, missile defense, hypersonic, space launch and submarine applications, was the sector'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.

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. Information Technology was the portfolio's largest positive contributor to relative return, led by a powerful rally across semiconductor and connectivity holdings tied to AI infrastructure demand. **Credo Technology**, a provider of high-speed connectivity solutions for data centers, soared 190% on surging hyperscaler demand for its active electrical cable products. As Credo's market capitalization has outgrown the benchmark following its removal from the index, we have begun exiting the position. **SiTime**, a designer of precision silicon timing semiconductors, rose 116% after strong results and raised guidance driven by AI data center buildouts. **JFrog**, a developer of software supply chain and DevOps platform solutions, gained 94% as cloud revenue grew more than 50% and now accounts for over half of total sales. **Onto Innovation**, a provider of semiconductor process control, inspection, and metrology equipment, advanced 85% on strong advanced-packaging demand. **MACOM Technology Solutions**, a provider of analog and mixed-signal semiconductor solutions for industrial and communications markets, rose 71% on continued strength across its defense and data center end markets. We trimmed the latter four names into strength. On the negative side, **Workiva**, a cloud platform for financial reporting and compliance, fell -18%. We reduced our position on persistent weakness due to a combination of multiple compression and weak sentiment regarding AI monetization.

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, the largest stock in the index had a market capitalization of \$14 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 \$12.5 billion based on the new benchmark—so we will raise our limit from \$8 billion

to \$10 billion. The lower end of the purchase range moves from \$36 million to \$53 million in market capitalization, matching the smallest stock in the benchmark (after excluding an outlier).

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 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 75-100 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@tsqmlc.com.

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**TIMESQUARE**
CAPITAL MANAGEMENT, LLC

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

☎ 800-541-5156

✉ tsqmlc.com

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