

TimesSquare

Global Small Cap

Representative Commentary

Performance	3Q	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception (01/01/2018)
Composite (Gross)	-5.98	2.71	3.46	14.51	3.73	-	6.45
Composite (Net)	-6.17	2.10	2.64	13.60	2.86	-	5.54
MSCI World Small Cap (Net)	-3.70	12.31	15.48	17.86	6.96	-	8.23

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.

Market Overview

Global small caps navigated a quarter shaped by a renewed energy shock, rising global bond yields and a broad shift toward tighter monetary policies. Middle East military escalation and supply disruptions pushed oil sharply higher, the European Central Bank responded with a 25-basis point hike that took its deposit rate to 2.50%, the Bank of Japan raised its policy rate by 25-basis points to 1.25% (its highest level since 1995). Meanwhile, the U.S. Federal Reserve unanimously raised its target range a quarter point to 3.75%-4.00% in September (its first increase since July 2023) while the Bank of England held at 3.75%. The global economy was resilient, with manufacturing and service activity levels increasing further into expansion territory. Against this backdrop, the MSCI World Small Cap Index fell -4%, vs. the 2% gain for the MSCI World Index (underlying that, non-U.S. small caps led large caps, while in the U.S. small caps meaningfully trailed large caps). Leadership was decidedly value-oriented across the globe. That was confirmed by the strength in the global Value factor, negligible returns to Growth or Profitability, and the outperformance of individual low P/E stocks within the various small cap indexes.

Performance Commentary

During this quarter, the Global Small Cap strategy underperformed the MSCI World Small Cap Index. We benefited most from our holdings in the Emerging and Europe regions, though were hurt by positioning in the Americas, Japan, and Middle East offset those gains.

Performance Summary by Region for the Strategy versus the MSCI World Small Cap Index

Region	Strategy Avg. Weight	Benchmark Avg. Weight	Portfolio Return	Benchmark Return	Allocation Effect	Stock Effect	Active Contribution
Emerging	2.0	0.0	+10.9	+0.0	+0.29	+0.00	+0.29
Europe	18.9	14.8	+2.2	+2.3	+0.21	-0.01	+0.20
Asia/Pacific Ex Japan	1.3	4.9	+1.1	+1.6	-0.19	+0.04	-0.14
Middle East	1.2	1.5	-11.5	-1.5	-0.02	-0.13	-0.15
Japan	13.8	12.5	+1.3	+4.7	+0.06	-0.42	-0.36
Americas	57.6	66.4	-11.4	-6.8	+0.29	-2.73	-2.44
Total (including Cash effect)	100.0	100.0	-6.0	-3.7	+1.00	-3.25	-2.26

Source: FactSet

Notable Performance Trends this Period

While our focus is on bottom-up stock selection, there were some common trends across the strategy this quarter. Most of the shortfall came from stock selection among our U.S. holdings, which fell further than the U.S. portion of the index during a difficult quarter for U.S. small caps. Among detractors, a common thread was input-cost inflation tied to the energy shock that outpaced companies' ability to raise prices, squeezing near-term margins in automotive services and industrial components. On the positive side, our strongest contributors were driven by company-specific catalysts: an accretive acquisition, results that eased concerns about bioprocessing demand, and a regional bank positioned to benefit from rising Japanese interest rates.

Most Significant Contributors

Repligen Corporation (U.S.)

Return: **+40%** · Avg. Weight: 1% · Total Effect: **+48 bps**

Repligen provides essential precursors and reagents, often as the sole source, for manufacturing biological medicines. Shares rose after Repligen agreed to acquire BioLife Solutions, adding depth in cell therapy, and reported organic revenue growth at the upper end of its guidance, easing concerns raised by a large peer's weaker bioprocessing results, while raising its full-year organic growth outlook. At an industry conference in September, management pointed to an improving environment, recent wins of sizable customer orders and an expectation that customers will invest more over the coming quarters.

Fukuoka Financial (Japan)

Return: **+22%** · Avg. Weight: 2% · Total Effect: **+37 bps**

Fukuoka Financial provides commercial banking services, primarily in the Kyushu region. Shares rose as earnings exceeded expectations, with profits up 27% year over year. When we met with management this quarter, they estimated that each 25-bp rate increase adds ¥10-15 billion of net profit. With both a rising rate environment in Japan, and Fukuoka's exposure to the growth in Kyushu (Japan's "silicon island") we added to our position throughout the quarter.

Victory Capital (U.S.)

Return: **+32%** · Avg. Weight: 1% · Total Effect: **+32 bps**

Victory is a global asset manager comprising several autonomous boutiques with centralized operations and distribution. Shares rose on strong net inflows, which management said had continued into this quarter, and Victory later agreed to acquire First Eagle Investments, which we saw as a positive transaction. However, we trimmed the position into strength because we felt much of the good news was reflected in the prevailing valuation.

Most Significant Detractors

Regal Rexnord (U.S.)

Return: **-35%** · Avg. Weight: 2% · Total Effect: **-69 bps**

Regal Rexnord specializes in motion control systems, climate solutions, and similar mechanical components for a variety of end markets. While Regal's results exceeded consensus expectations, that was all due to IEEPA tariff refunds. Excluding that, both revenues and earnings were about 1% shy. Residential HVAC & pool pump sales were soft while margins in two of the company's three segments faced greater-than-expected inflationary cost pressures. The latter led management to reduce forward guidance, though Regal's order growth accelerated. We had reduced the position early in the quarter, though an overly punitive stock price reaction led us to modestly add back to our position.

Valvoline Inc. (U.S.)

Return: **-24%** · Avg. Weight: 2% · Total Effect: **-50 bps**

Valvoline is an automotive aftermarket product producer and service provider. Comparable sales grew 8%, ahead of expectations, but management guided profitability for the upcoming quarter below consensus, citing cost pressures amid constrained oil supplies tied to the Strait of Hormuz. Valvoline expects this market dynamic to persist for four to six months even after the strait reopens, though noted any cost pressure would be temporary and likely to have a greater negative impact on Valvoline's smaller scale competitors. As a result, we added to the position on the pullback.

MYR Group (U.S.)

Return: **-42%** · Avg. Weight: 1% · Total Effect: **-45 bps**

MYR Group is a leading specialty contractor serving the electric utility infrastructure, commercial, and industrial construction markets. Despite recent results exceeding expectations and the company posting record revenue and backlog, shares fell over the course of the quarter on fears of growing political opposition to data center construction across the U.S. We added to the position during the quarter.

Portfolio Changes**New Positions****Construction Partners (U.S.)**

Construction Partners engages in public and private infrastructure projects, with an emphasis on highways, roads, bridges, airports, and commercial and residential sites. Following a September meeting with management, we appreciated the company's continued consolidation and vertical integration, which should structurally lift margins over time, and noted that about 80% of its contracts cover liquid asphalt inflation, with contracts fully repricing over a six-to-nine-month period.

Eastern Bankshares (U.S.)

Eastern Bankshares is a regional bank based in Boston with branches across New England. The bank's significant excess capital should support continued elevated share repurchases, along with healthy returns and clean credit.

Exited Positions**Webster Financial (U.S.)**

Webster Financial is a regional bank based in Connecticut with branches also in New York, Rhode Island, and Massachusetts. The position left the portfolio when Banco Santander completed its previously announced acquisition.

Integral Group Corporation (Japan)

Integral Group Corporation is the only listed private equity company in Japan. We exited the position after being a persistent detractor over the trailing year.

Positioning & Outlook

Across the globe, macroeconomic recovery remains constrained by persistent energy costs and restrictive monetary conditions. In all areas, high energy prices and sticky inflation continue to pressure domestic consumers and threaten further rate hikes. Though in Europe, growth is stabilizing as German fiscal spending offsets lackluster activity elsewhere while we expect the various domestic sovereignty agendas to support a multi-year investment cycle across the region. In Japan, the single biggest focus point remains the weakness of the Yen and how BOJ continuing to hike is the only solution (and what that does on the margin to our position weights). For the U.S., AI remains a powerful structural growth driver, though attention is increasingly shifting toward the economic returns needed to sustain elevated investment. Another wildcard will be the outcome of the midterm elections, and the degree shifting political sentiment may influence different economic areas. Collectively, this reinforces our preference for high-quality businesses with durable demand. 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.

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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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**TIMESQUARE**
CAPITAL MANAGEMENT, LLC

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

☎ 800-541-5156

✉ tscmlc.com

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