

TimesSquare

International Small Cap

Representative Commentary

Performance	3Q	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception (04/01/2012)
Composite (Gross)	-0.17	6.24	4.50	16.22	2.80	6.08	8.31
Composite (Net)	-0.38	5.57	3.62	15.18	1.83	5.06	7.26
MSCI EAFE® Small Cap (Net)	2.89	10.76	13.73	18.20	5.76	8.05	8.37

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

International 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 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), 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 EAFE Small Cap Index returned 3%, ahead of the 1% gain for the MSCI EAFE Index, while emerging market indices were essentially flat. Leadership was decidedly value-oriented: the EAFE Small Cap Value Index gained 6% while growth was flat. 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 EAFE Small Cap Index.

Performance Commentary

During this quarter, the International Small Cap strategy underperformed the MSCI EAFE Small Cap Index. We benefited from our holdings in the Emerging and Americas regions, while positioning in Japan, Europe, and Asia/Pacific Ex Japan offset that gain.

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

Region	Strategy Avg. Weight	Benchmark Avg. Weight	Portfolio Return	Benchmark Return	Allocation Effect	Stock Effect	Active Contribution
Emerging	2.9	0.0	+19.5	+0.0	+0.47	+0.00	+0.47
Americas	1.6	0.0	+10.8	+0.0	+0.11	+0.00	+0.11
Middle East	2.1	4.4	-23.1	-1.2	+0.10	-0.53	-0.44
Asia/Pacific Ex Japan	10.0	14.6	-4.3	+1.6	+0.06	-0.58	-0.52
Europe	48.1	44.0	+0.8	+2.3	-0.01	-0.59	-0.60
Japan	31.8	37.1	-1.2	+4.7	-0.09	-1.86	-1.95
Total (including Cash effect)	100.0	100.0	-0.1	+2.9	+0.65	-3.57	-2.92

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. Takeover activity was an important source of return, as several of our European industrial holdings received cash offers from strategic and private equity buyers. Our Japanese bank holdings also benefited as the Bank of Japan continued to raise interest rates. On the negative side, the summer's sharp rotation away from AI- and semiconductor-linked beneficiaries, a crowded trade that unwound quickly, weighed on holdings tied to semiconductor manufacturing and data-center demand across Japan, Israel and Europe. Another headwind was the Energy sector, where we typically focus on service-oriented businesses, and this quarter the benchmark's commodity-linked exploration & production companies had returns commensurate with the spike in oil prices.

Most Significant Contributors

Rotork plc (U.K.)

Return: **+69%** · Avg. Weight: 1% · Total Effect: **+86 bps**

Rotork manufactures valves and flow control components for energy, utility and industrial markets. Shares jumped in mid-July after ABB announced an all-cash offer for the company, with completion expected in the first half of 2027. We exited the full position during the quarter as the takeover progressed.

Fukuoka Financial (Japan)

Return: **+22%** · Avg. Weight: 3% · Total Effect: **+40 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.

Bodycote plc (U.K.)

Return: **+40%** · Avg. Weight: 1% · Total Effect: **+33 bps**

Bodycote is a provider of thermal processing services globally. Shares rose as the company drew competing takeover interest from private equity firms CVC and Veritas Capital, which culminated in a recommended cash offer from Veritas. We exited the full position during the quarter.

Most Significant Detractors

Rigaku Holdings (Japan)

Return: **-28%** · Avg. Weight: 1% · Total Effect: **-49 bps**

Rigaku Holdings manufactures scientific and analytical instruments, specializing in advanced X-ray technologies. Shares fell after results came in below expectations for both revenue and operating income, at a time when a strong run earlier in the year had lifted the stock's valuation closer to that of larger semiconductor-equipment peers. The stock was also caught in the summer's rotation away from AI- and semiconductor-linked beneficiaries in Japan. We trimmed the position, though we continue to see Rigaku as one of the globally leading Japanese exporters serving structurally growing end markets that we favor.

MERLIN Properties (Spain)

Return: **-22%** · Avg. Weight: 2% · Total Effect: **-44 bps**

MERLIN Properties is a real estate investment company owning office buildings, shopping centers, logistics assets and data centers. Shares declined as the stock corrected along with the broader AI theme after a strong run earlier in the year; while data centers are a small portion of MERLIN's current revenues, they are the fastest growing segment. Also, rising European bond yields weighed on long-duration real estate. We reduced the position during the quarter and are reconsidering its place in the strategy.

Nova Ltd. (Israel)

Return: **-29%** · Avg. Weight: 1% · Total Effect: **-44 bps**

Nova provides precision metrology solutions for semiconductor manufacturing. Shares fell sharply as semiconductor and AI-linked stocks sold off and crowded positioning in the group unwound over the summer, even though results exceeded expectations. At an industry conference in September, management noted that its growth was not showing its usual degree of outperformance because 2026 equipment spending has been skewed to areas outside of Nova's expertise, while framing 2027 as a better setup.

Portfolio Changes**New Positions****Hill & Smith (U.K.)**

Hill & Smith designs, manufactures and supplies infrastructure products and galvanizing services. This is a high-quality industrial with returns on invested capital above 20%, that generates more than 60% of revenue and 80% of operating profit in the U.S., where it benefits from a multi-year investment cycle in power demand, grid upgrades and electrical distribution. Hill & Smith has additional potential from acquisitions as it consolidates the U.S. market.

Sojitz Corporation (Japan)

Sojitz is one of Japan's major sogo shosha (general trading companies), with a diversified global portfolio. With its balance sheet repair largely complete, management is shifting toward higher-return businesses while its stock remains the cheapest major trading house.

Exited Positions**Rotork plc (U.K.)**

Rotork manufactures valves and flow control components for energy, utility and industrial markets. We sold the full position during the quarter after ABB agreed to a recommended cash offer for the company (see Most Significant Contributors).

Ipsos SA (France)

Ipsos is a generalist market research and opinion survey company. In July during our reunderwriting of the position, we concluded that growth in its revenues, elusive for a few quarters, was not apparent in the near term. With the additional headwinds of subdued industry-wide research spending and concern that AI could disrupt the business, we exited the position.

Positioning & Outlook

Across both Europe and Asia, 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). 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 non-US stocks with market capitalizations at time of purchase generally within the range of capitalizations of stocks in the MSCI EAFE Small Cap Net Index. Portfolios will hold approximately 65-85 securities. The process is fundamental research driven. Primary selection criteria include quality management, distinct competitive advantage, and strong, sustainable growth. Historical turnover has averaged 37% per year. Composite inclusion threshold \$500,000. Fee basis is 100 points. The composite creation and inception date is April 1, 2012.

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.

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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 EAFE Small Cap (Net) Index. MSCI EAFE Small Cap (Net) Index is a trade or service mark of MSCI Inc. The MSCI EAFE Small Cap (Net) Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada. 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 EAFE 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 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. 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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