

TimesSquare

U.S. Mid Cap Growth

Representative Commentary

Performance	3Q	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception (10/01/2000)
Composite (Gross)	-5.51	3.48	-1.17	13.17	5.82	12.73	10.01
Composite (Net)	-5.70	2.86	-1.95	12.28	4.99	11.85	9.14
Russell Mid Cap® Growth	-5.84	1.01	-2.73	15.34	4.91	11.85	7.06

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

U.S. equity markets were mixed in the third quarter of 2026, as the start of a Federal Reserve tightening cycle, a sharp rise in Treasury yields and a renewed oil shock weighed most heavily on smaller and more growth-oriented companies. The S&P 500 Index gained 2%, but breadth was narrow (its equal-weighted index was negative), and the Russell 2000® Index fell -7%. Growth trailed value across the market cap spectrum. After holding rates steady in July, when three members dissented in favor of a hike, the Federal Reserve unanimously raised its target range a quarter point to 3.75%-4.00% in September, its first increase since July 2023. Meanwhile, oil prices climbed sharply as hopes for a resolution of the U.S.-Iran conflict faded. The economy was resilient, with manufacturing and service activities remaining in expansion territory, although consumer confidence and sentiment weakened. Beneath the surface, investors favored quality and lower risk, both broadly and among small and mid cap stocks: companies with lower leverage and higher profitability outperformed, while high-momentum stocks were shunned.

Performance Commentary

During this quarter, the U.S. Mid Cap Growth strategy outperformed the Russell Midcap® Growth Index. We benefited most from our holdings in the Consumer Discretionary, Health Care, and Communication Services sectors, while positioning in the Industrials, Financials, and Energy sectors offset part of the gain.

Performance Summary by Sector for the Strategy versus the Russell Midcap® Growth Index

Sector	Strategy Avg. Weight	Benchmark Avg. Weight	Portfolio Return	Benchmark Return	Allocation Effect	Stock Effect	Active Contribution
Consumer Discretionary	6.2	11.7	-1.3	-12.8	+0.41	+0.74	+1.15
Health Care	13.0	13.7	+9.4	+5.1	-0.08	+0.48	+0.40
Communication Services	2.6	5.0	-13.5	-14.8	+0.23	+0.04	+0.28
Real Estate	1.4	2.3	-4.6	-8.8	+0.02	+0.07	+0.08
Utilities	1.4	2.4	-34.3	-20.2	+0.15	-0.24	-0.08
Information Technology	30.5	31.2	+0.9	+1.6	+0.13	-0.29	-0.16
Materials	1.6	1.8	-10.5	+1.8	-0.02	-0.21	-0.22
Consumer Staples	3.9	2.1	-15.6	-12.0	-0.11	-0.15	-0.26
Energy	5.5	4.2	+1.9	+13.9	+0.30	-0.62	-0.33
Financials	6.3	5.2	-3.1	+5.3	+0.17	-0.52	-0.36
Industrials	24.3	20.6	-19.9	-20.1	-0.61	+0.25	-0.37
Total (including Cash effect)	100.0	100.0	-5.4	-5.8	+0.88	-0.46	+0.42

Source: FactSet

Notable Performance Trends this Period

While our focus is on bottom-up stock selection, there were some common trends across the strategy in the third quarter. Our leading contributors were software and health care technology companies that exceeded expectations, with each pointing to AI as an expanding source of demand. Our largest detractors, by contrast, generally reported solid results but were caught in sharp sector de-ratings: semiconductor stocks sold off even on strong earnings as multiples and sentiment reset, while aerospace and defense names fell on budget, policy and competitive concerns. Our overweight in Industrials, one of the benchmark's weakest sectors, also weighed on allocation.

Most Significant Contributors

Veeva Systems

Return: **+61%** · Avg. Weight: 2% · Total Effect: **+84 bps**

VEEV provides cloud-based software for the life sciences industries, spanning R&D through front office workflows. The stock jumped after the company reported strong results, with revenue up 18% year-over-year and billings growth ahead of expectations. Management also pointed to growing momentum winning business from legacy providers across R&D and front-office, with several large biopharma clients committing to its Vault CRM platform during the quarter. We trimmed our position on the strength of the price move.

Dynatrace, Inc.

Return: **+32%** · Avg. Weight: 1% · Total Effect: **+40 bps**

DT provides an observability software platform that enables organizations to analyze, automate and innovate faster across their digital operations. Shares climbed after DT delivered one of its strongest quarters in recent memory, with net new annual recurring revenue well ahead of expectations, organic growth in that metric accelerating to 41% from 9% the prior quarter, record new-customer momentum and margins above guidance. DT also agreed to acquire Arize, the leader in AI observability, which we expect to accelerate its AI capabilities by 18 to 24 months.

Elastic NV

Return: **+61%** · Avg. Weight: 1% · Total Effect: **+38 bps**

ESTC develops enterprise-wide search and analytical services for a diverse set of uses. Shares rose after the company reported results that were higher than anticipated: revenue grew 15% year-over-year, sales-led subscription revenue accelerated to 18% growth, and the company posted a record net add of \$100k+ customers, with the share of those customers using AI features nearly doubling.

Most Significant Detractors

MKS Inc.

Return: **-40%** · Avg. Weight: 2% · Total Effect: **-89 bps**

MKSI manufactures subsystems for the semiconductor capital equipment industry. Shares fell sharply even though MKSI's results and guidance exceeded expectations, like other semiconductor stocks that sold off even on strong earnings. We saw this as a resetting of multiples and sentiment rather than a change in fundamentals. Near-term margins in MKSI's materials business are being held back by faster growth in lower-margin equipment, but management reported its high-margin business was booked through 2027 with 30% deposits, and that bookings continue to strengthen.

Carpenter Technology

Return: **-37%** · Avg. Weight: 3% · Total Effect: **-82 bps**

CRS manufactures engineered metals primarily for aerospace, with some for medical devices and other specialty markets. CRS reported a record quarter and guided higher operating income for the coming year, a target management called a floor. Sadly, this quarter also brought the sudden death of its newly appointed CEO, with the former CEO returning and succession unresolved. Shares then fell in sympathy with aerospace castings suppliers after large industry participants announced moves into castings, even though CRS sells specialty alloys to casting companies rather than competing against them.

Curtiss-Wright Corporation

Return: **-28%** · Avg. Weight: 2% · Total Effect: **-44 bps**

CW provides highly engineered products for the aerospace, defense, and industrial markets. The company's results exceeded expectations, with orders up 8% year-over-year and defense electronics orders reaching record levels, but shares came under pressure alongside a broader de-rating of higher-multiple industrial and growth names during the quarter.

Portfolio Changes

New Positions

Lumentum Holdings

LITE manufactures optical and photonic products. We initiated the position when indiscriminate selling in semiconductor and optical stocks pressured its share price. LITE's leadership in lasers for AI data center interconnects, links between data centers, co-packaged optics, and optical circuit switches should provide a multi-year growth trajectory.

Credo Technology

CRDO develops high-speed connectivity components for data infrastructure. As CRDO's market capitalization grew, we began initiating a mid cap position in this stock we've owned in our small cap strategy for years. We continue to see CRDO as a key beneficiary of the AI build-out, driven by its active electrical cable business through future upgrade cycles and its emerging optical products.

Exited Positions

Regal Rexnord

RRX specializes in motion control systems, climate solutions and similar mechanical components for a variety of end markets. We exited the position and used the proceeds to establish a new position in RBC Bearings, a designer and manufacturer of precision bearings and engineered components for the industrial, aerospace, and defense end markets. The swap reflected our view that RBC was better situated for this environment.

Ionis Pharmaceuticals

IONS discovers and develops antisense treatments, which are precision genetic medicines targeting messenger RNA. We exited the position after two partnered late-stage (Phase 3) programs failed this summer, removing important opportunities underpinning our thesis. With competition looming for its newest launch and a high-risk readout ahead for a wholly-owned program, we chose not to fight negative sentiment.

Positioning & Outlook

The team enters the fourth quarter committed to its quality-growth discipline. Through the year, the portfolio has behaved in line with its quality orientation, holding up well on down days and lagging on momentum-driven up days. We view this profile as an intended feature of the strategy that stands out in volatile markets.

September was a difficult month for relative performance: heavily weighted, higher-beta benchmark constituents advanced while several of the portfolio's larger positions declined, giving back much of the strength earned in July and August. The team does not view one month as a reason to reposition aggressively. Instead, it is using the period to examine whether the largest benchmark weights reflect secular themes the portfolio underrepresents, while remaining unwilling to pay valuations it cannot justify.

Across sectors, the team's views are selective rather than uniformly bullish. In technology, it continues to see opportunity where AI adoption is still early, such as optical networking within and between server racks, while expecting the next phase of semiconductor gains to be narrower. In software, it distinguishes between business models, favoring cybersecurity and infrastructure software over application software, where seat-based models may face AI-driven disruption. In industrials, data-center demand remains a secular support, though rising input costs could pressure margins. Elsewhere, the team favors experience-based consumer spending over large-ticket purchases, takes a positive but valuation-sensitive view of healthcare, sees selective opportunity in financials where concerns about AI disintermediation appear overstated, and remains cautious on energy after a strong rally in refiners.

The central cross-sector question is whether AI spending continues to drive earnings revisions upward. The team remains interested in areas where adoption is early, but is monitoring higher financing costs, crowded valuations, and signs that the spending cycle may reward a narrower set of companies.

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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 Mid Cap 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 60-80 stocks. Historical turnover has averaged 51% per year. Composite inclusion threshold \$5mm. Fee basis is 80 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 mid cap market as represented by the Russell Midcap® 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 August 2007, TimesSquare had modified its purchase capitalization range to match the mid cap market as represented by the Russell Midcap® Growth Index at that time, with a change from \$1.5 billion to \$10 billion at time of purchase to \$2.5 billion to \$15 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 Midcap® Growth – a market capitalization-weighted index that measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth rates. All indexes, including the Russell Midcap® 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 and sustains 10% annual gross return for each year during this period. If an advisory fee of 0.80% of average assets under management is charged per year, for each year of the ten-year period, the resulting annual net return would be 9.2%. The ending dollar value of the account would be \$48,223,239, as compared to \$51,874,849 if the advisory fees had not been deducted.

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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