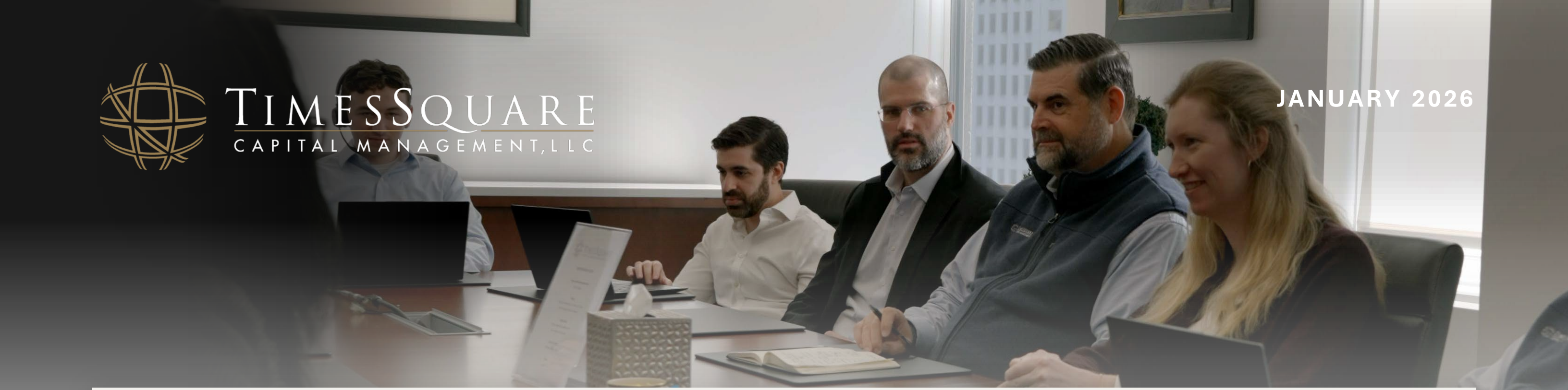

JANUARY 2026

TSCM: Inside the Investment Room

TSCM: Inside the Investment Room is a bulletin offering the Firm's perspectives on current market developments.

Sector Macro Sensitivities & Cross-Currents

Bottom-Up Investing in a Macro-Aware World

While stock selection through fundamental bottom-up research is at the core of our investment process, macro dynamics increasingly shape **capital allocation, valuation discipline, earnings durability, and risk perception**. The discussion focused on how each sector is exposed to macro-economic forces, how this may impact any fundamental thesis, explore potential areas of opportunity and ensure a risk management framework is in place.

Sector Perspectives — Takeaways

- **Industrials:** The industrial cycle remains subdued after nearly three years of contraction, with growth narrowly concentrated in **AI-related capex, defense, and commercial aerospace;** a sustained PMI move above 50 and improving durable orders are critical signals for broader cyclical recovery and market breadth.
- **Healthcare / Biopharma:** Healthcare is most sensitive to **interest rates and regulatory execution**, with lower rates supporting capital flows but FDA operational uncertainty and drug pricing reform remaining key risks; AI is attracting attention but has yet to deliver material productivity or discovery breakthroughs.
- **Technology: AI continues to dominate capital formation,** drawing funding away from non-AI tech while raising valuation scrutiny; an expected wave of large AI-related IPOs and accelerating merger & acquisition activity in 2026 may restore greater focus on fundamentals over narrative.
- **Energy & Materials:** Power demand is structurally improving due **to AI and electrification**, supporting long-term opportunities in nuclear and grid infrastructure, while oil markets remain well supplied and require a macro shock to reprice meaningfully; precious metals remain levered to rates and the dollar.
- **Financials:** Financials show **divergent macro sensitivity**, with retail brokers and exchanges favored amid resilient credit data, while traditional credit-sensitive areas remain less compelling; consumer credit metrics, including buy now pay later and subprime auto, remain stable with no signs of deterioration.
- **Consumer:** Consumer sectors remain constrained by **sticky inflation and high effective borrowing costs**, even as headline rates fall; labor market signals are mixed, with affordability, not employment, acting as the primary brake on discretionary spending.

22

AVERAGE YEARS OF EXPERIENCE

18

INVESTMENT PROFESSIONALS

Key Macro Cross-Currents

- **Rates matter most at the margin,** influencing valuations, deal activity, and capital availability, particularly for long-duration assets, yet there is limited conviction around deep or sustained rate cuts without material growth deterioration.
- **Inflation remains sticky,** especially in housing and services, limiting real consumer relief and constraining central bank flexibility.
- **AI is a unifying theme across all sectors,** driving capex, power demand, and investment narratives. It's economic benefits remain uneven and early outside of select areas.
- **Market breadth is improving slowly,** with early rotation from purely secular winners toward selective cyclicals, though confirmation requires clearer macro inflection points.
- **Credit conditions are stable,** supporting risk assets for now, but vigilance is warranted given the lagged effects of higher rates and political uncertainty around policy direction.

The Bottom Line

Macro factors do not dictate stock selection, but they increasingly shape how risks are priced and how durable growth is perceived. Clear, sector-specific articulation of these sensitivities remains essential, while preserving a disciplined, bottom-up, quality growth, investment approach.

Disclosures

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (888) ETF-TSCM. Read the prospectus or summary prospectus carefully before investing.

Investing involves risk. Principal loss is possible.

The securities of mid-capitalization companies may be more vulnerable to adverse issuer, market, political, or economic developments than securities of large-capitalization companies. The securities of mid-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than large-capitalization stocks or the stock market as a whole.

The Fund will invest in companies that appear to be growth-oriented. Growth companies are those that the Adviser believes will have revenue and earnings that grow faster than the economy as a whole, offering above-average prospects for capital appreciation and little or no emphasis on dividend income.

TimesSquare Capital Management is a boutique investment manager with a 25-year history of managing small to mid cap quality growth portfolios with competitive risk-adjusted returns across market cycles. This new Fund leverages that investment experience, which is expressed in a concentrated offering through a tax-efficient, exchange-traded fund. Prospective investors do not currently have a track record or history on which to base their investment decisions for this exchange-traded fund.

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