

Small Cap Growth Month-End Performance Review

There was no shortage of excitement in October. From trade wars, immigration, financial market turmoil and the customary incendiary rhetoric ahead of mid-term elections, it was easy to lose sight of the continued strength in the U.S. economy as U.S. GDP grew a solid 3.5% in the third quarter. Consumer spending added 2.7% and a buildup in inventories added 2.1%, offsetting a 1.8% trade deficit. More encouragingly, there is now evidence that the strong economy is finally benefitting lower-skilled workers. According to the Labor Department, weekly earnings for the lowest-paid Americans grew over 5% versus the median wage growth of 1.7%, with the biggest beneficiaries being those with less than a high school education, as labor shortages are most acute in blue-collar and low-paying service jobs. Wage inflation has been around 3% recently despite an unemployment rate of 3.7%, a 50-year low. However, Amazon recently made news when it increased its minimum wage to \$15 per hour for its 250,000 employees. True to form, this likely

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	Month Ending 10/31/18	Year-to-Date 10/31/18
Institutional Composite (gross)	-12.19%	4.17%
(net)	-12.21%	4.04%
Russell 2000 Growth ⁽⁴⁾	-12.65%	1.11%

Source: Renaissance Research, Bloomberg, FTSE Russell

SECTOR WEIGHTS & PORTFOLIO CHANGES ⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 9/30/18	Small Cap Growth Additions & (Small Cap Growth Deletions) ⁽³⁾
Information Technology	28.6%	-1.5%	(Blackbaud)
Health Care	20.3%	+0.1%	BioTelemetry (LeMaitre Vascular)
Consumer Discretionary	19.9%	+2.3%	American Eagle Outfitters, iRobot, Turtle Beach (KB Homes, Movado Group)
Industrials	14.9%	-0.4%	
Financials	11.5%	+0.1%	
Communication Services	1.8%	+1.8%	Yelp
Energy	1.5%	-2.3%	(Penn Virginia)
Consumer Staples	1.5%	-0.2%	
Real Estate	0.0%	0.0%	
Materials	0.0%	0.0%	
Utilities	0.0%	0.0%	

Source: Renaissance Research, FactSet

⁽¹⁾Based on a representative account of the strategy discussed and shown as supplemental information to the GIPS compliant presentation. Portfolio characteristics (e.g., sector weights, valuation, growth rate) are based on a representative account that we believe is illustrative of the strategy. Characteristics and/or holdings may not be the same for all accounts invested in the strategy due to factors such as pending trades or account restrictions. Additions/Deletions reflect security transactions completed by the date stated on this presentation, and the securities mentioned may not be held by all accounts invested in the strategy.

⁽²⁾Weights as of the end of the presentation period, which only include the equity portion of the portfolio. Cumulative total weighting may not add up to 100% due to weights being rounded to the nearest decimal place.

⁽³⁾Any securities referenced should not be considered a recommendation to purchase or sell a particular security. These securities may represent a portion or all of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. Non-performance based criteria have been used to select the securities listed. The past performance of these securities is no guarantee of future results. The specific securities identified and described may not represent all of the securities purchased, sold or recommended for this strategy. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell any security, and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology, or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.

⁽⁴⁾Primary benchmark.

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CONTRIBUTORS TO RETURN⁽¹⁾⁽³⁾

Company Name	Average Weight ⁽²⁾	Contribution to Return	Comments
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TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH

Children's Place	2.00%	0.36%	After reporting strong second-quarter earnings, the company continued to see positive sales growth for every month of Q3.
iRobot	0.15%	0.24%	iRobot announced a collaboration with Google to integrate their robotic and smart home technologies, respectively.
BioTelemetry	1.06%	0.21%	The company reported better-than-expected earnings and saw accelerating organic growth.
Grand Canyon Education	2.10%	0.20%	Grand Canyon restructured their business and saw strong enrollment growth with improving margins.
Euronet Worldwide	2.09%	0.15%	The company announced that Visa will allow currency conversions globally, which could add 10% to 2019 earnings.

BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH

Ligand Pharmaceuticals	1.56%	-0.77%	There has been no change in the company's fundamentals, but the extended valuation contracted more than expected during the market's retreat.
Proto Labs	1.93%	-0.56%	The stock was trading near peak multiples and corrected more than average when the market fell during the month.
Carrizo Oil & Gas	1.76%	-0.55%	Oil prices declined during October, dragging this oil producer down with them.
LeMaitre Vascular	0.67%	-0.51%	The company announced disappointing earnings and lower-than-expected sales. We sold our holdings as fundamentals have deteriorated.
Blackbaud	0.67%	-0.51%	Increased levels of competition have slowed the company's growth and forced them to spend more, as well. We exited our position due to these dynamics.

Source: Renaissance Research, FactSet

hurts their competitors even more as Amazon further automates, while Walmart now faces wage pressures for its 1.5 million employees.

On the downside, interest rates accelerated upwards due to solid economic data with the 10-year Treasury yield now approaching 3.25%. The rise in yields has resulted in 10-year Treasuries underperforming stocks this year, as the prices of bonds move inversely to rising yields. The rise in yields also affects highly leveraged and unprofitable companies, who depend on low rates to finance operations. In October, Sears Holdings filed for bankruptcy protection, which should not come as a surprise given that Sears is highly levered and has been unprofitable for almost seven years. What does matter is that Sears is symptomatic of the large number of zombie companies that have survived by borrowing at artificially low interest rates. That game changes with rising interest rates, as companies actually have to earn a return on capital to survive.

The S&P 500 declined 6.84% in October, marking the biggest monthly decline in seven years. This correction occurred despite a solid earnings season where 78% of the companies in the S&P 500

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⁽²⁾Average weights over the presentation period, which only include the equity portion of the portfolio.

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that have reported thus far have reported stronger-than-expected earnings (*Source: Factset*). While rising bond yields following the September Fed rate hike initially drove the market sell-off, traditionally defensive, low beta sectors (e.g., Utilities, Real Estate and Consumer Staples) have outperformed. This is indicative of a defensive, risk-off move and suggests that rising interest rates were the likely trigger. Furthermore, the FANG stocks, which have driven the stock market for the better part of two years, have uncharacteristically started to show chinks in the armor over the last two quarters. While Netflix (NFLX) beat investor expectations following last quarter's disappointment, Facebook (FB) continues to show decelerating user growth and Amazon (AMZN) missed growth expectations for the second straight quarter with nearly every business segment decelerating. Alphabet (GOOGL) also reported revenues that missed expectations as ad sales growth (the majority of revenues) slowed.

The Small Cap Growth portfolio declined during the month of October but outperformed the Russell 2000 Growth Index. All sectors of the Index declined during the month with the largest declines coming from the Energy and Materials sectors. The two best-performing sectors were Utilities and Consumer Staples, which are traditionally more defensive. The relative performance of the Small Cap Growth portfolio was led by the stock selection in the Consumer Discretionary and Health Care sectors. Stock selection in the Information Technology and Consumer Staples sectors detracted the most from performance.

There were a number of changes to the Small Cap Growth strategy holdings during October. New positions were initiated in the following companies: **American Eagle Outfitters (AEO)**, **Turtle Beach (HEAR)**, **BioTelemetry (BEAT)**, **Yelp (YELP)**, and **iRobot (IRBT)**. The offset of these purchases were sales of the following: **KB Home (KBH)**, **Movado Group (MOV)**, **LeMaitre Vascular (LMAT)**, **Blackbaud (BLKB)**, and **Penn Virginia (PVAC)**.

American Eagle Outfitters is a mall-based retailer operating the American Eagle and Aerie brands. The company has seen improving trends in its core American Eagle stores by offering a strong value proposition along with product innovation, which is being aided by healthy consumer spending. Moreover, the Aerie brand is accelerating new store openings, which has led to a turnaround in total corporate earnings. We believe these trends will continue and added the company to the portfolio.

BioTelemetry is a leading provider of remote and wireless medical technology devices focused on cardiac- and blood-glucose monitoring. The company has reported 25 consecutive quarters of year-over-year revenue growth. Moreover, organic revenue growth has accelerated during the last three quarters as well. The company's introduction of new products is fueling this improvement and allowing the company to expand its margins. We expect these new products to continue to drive its revenue growth for a number of quarters.

KB Homes was sold as the fundamentals for the housing market continue to deteriorate. Rising mortgage rates and higher home prices have pressured affordability. Penn Virginia was also sold during the month as the company announced it was being acquired after conducting a strategic review.

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DISCLOSURES

The opinions stated in this presentation are those of the authors as of the date listed on this presentation and are subject to change at any time due to changes in market or economic conditions.

STOCK REFERENCES

If securities are referenced, they should not be considered a recommendation to purchase or sell a particular security. These securities may represent a portion or all of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. Non-performance based criteria have been used to select the securities listed. The past performance of these securities is no guarantee of future results. The specific securities identified and described may not represent all of the securities purchased, sold or recommended for this strategy. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell any security, and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.

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If Renaissance or benchmark performance is shown, it represents historically achieved results, and is no guarantee of future performance. All performance is shown in U.S. dollars unless otherwise stated. Future investments may be made under materially different economic conditions, in different securities and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Therefore, there may be sharp differences between the benchmark or Renaissance performance shown and the actual performance results achieved by any particular client. Benchmark results are shown for comparison purposes only. The benchmark presented represents unmanaged portfolios whose characteristics differ from the composite portfolios; however, they tend to represent the investment environment existing during the time periods shown. The benchmark cannot be invested in directly. The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings of the client portfolios in our composites may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected to represent what Renaissance believes is an appropriate benchmark with which to compare the composite performance.

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. Consultants supplied with these performance results are advised to use this data in accordance with SEC guidelines. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation as a RIM client, and a client portfolio's risk tolerance, investment objectives, and investment time horizon. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.

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REFERENCED INDICES

(Indices are unmanaged and are not available for direct investment.)

Russell 2000 Growth Index—The Russell 2000 Growth Index is composed of the smallest 2,000 of the 3,000 largest U.S. companies based on total market capitalization with higher price-to-book ratios and higher forecast growth values.

S&P 500 Index—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

GICS[®] SECTOR INFORMATION

The S&P Dow Jones and MSCI Indices have updated their Global Industry Classification Standard (GICS) sector scheme. Under the changes, certain companies from Consumer Discretionary and Information Technology sectors were combined with the existing Telecommunication Services companies to form the new Communication Services sector. For Renaissance reporting purposes, all strategies reflect the new sector classifications. The historical sector weights were not retroactively adjusted to reflect the new scheme.

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GIPS Compliant Presentation Small Cap Growth Institutional Composite

Year	As of Year End or Current Quarter									
	Small Cap Growth Institutional Composite		Small Cap Growth Institutional Composite	Russell 2000 Growth Benchmark	Net Composite 3 Year Annualized Standard Deviation	Benchmark 3 Year Annualized Standard Deviation	Annual Asset Weighted Composite Dispersion	Number of Portfolios in Composite	Market Value of Composite (Millions)	Market Value of Firm's Assets (Millions) **
	Gross-of-Fee Return	Net-of-Fee Return	Net-of-Fee Return	Return	Deviation	Deviation				
1996	27.01%		26.26%	11.28%			NMF*	2	\$1.2	\$1,525.4
1997	27.68%		26.88%	12.95%			2.13	7	\$3.6	\$1,373.3
1998	-12.41%		-13.02%	1.23%			3.37	8	\$5.2	\$1,390.0
1999	2.49%		1.85%	43.09%			1.67	6	\$4.7	\$1,211.9
2000	9.81%		9.19%	-22.43%			NMF*	5	\$4.3	\$736.7
2001	15.86%		15.26%	-9.23%			NMF*	4	\$6.6	\$526.7
2002	-12.75%		-13.24%	-30.26%			1.21	16	\$8.7	\$415.7
2003	56.14%		55.37%	48.54%			2.04	13	\$53.7	\$575.2
2004	17.29%		16.35%	14.31%			1.03	24	\$77.1	\$908.2
2005	6.31%		5.46%	4.15%			0.74	28	\$215.9	\$2,796.6
2006	7.96%		7.15%	13.35%			0.50	28	\$318.6	\$5,450.2
2007	-1.12%		-1.89%	7.05%			1.13	19	\$275.2	\$7,661.8
2008	-42.52%		-43.06%	-38.54%			0.08	8	\$39.9	\$4,358.6
2009	19.76%		18.72%	34.47%			NMF*	2	\$1.1	\$4,403.0
2010	30.12%		29.16%	29.09%			NMF*	2	\$1.2	\$3,800.2
2011	0.03%		-0.72%	-2.91%	22.86%	24.31%	NMF*	2	\$1.0	\$2,862.3
2012	15.38%		14.48%	14.59%	21.15%	20.72%	NMF*	1	\$1.1	\$2,409.8
2013	57.63%		56.42%	43.30%	17.61%	17.27%	NMF*	1	\$1.5	\$2,767.7
2014	7.78%		6.96%	5.60%	13.98%	13.82%	NMF*	3	\$1.5	\$2,986.2
2015	5.10%		4.47%	-1.38%	14.56%	14.95%	NMF*	5	\$1.7	\$2,703.8
2016	13.04%		12.66%	11.32%	14.44%	16.67%	NMF*	7	\$0.7	\$1,762.0
2017	28.25%		27.91%	22.17%	12.74%	14.59%	NMF*	3	\$0.9	\$2,202.4
FINAL 12/31/2017										

* Not meaningful figure due to five or fewer accounts invested for the entire year.
** Firm Assets do not include UMA program assets for GIPS purposes.
As of 12/31/2017, Renaissance managed an additional \$3,281.7 million in UMA programs, totaling \$5,484.1 in assets under management and shown as supplemental information to the GIPS compliant presentation.

Renaissance Investment Management (RIM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Renaissance has been independently verified for the periods January 1, 2006 through June 30, 2017. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Growth Institutional Composite has been examined for the periods January 1, 2006 through June 30, 2017. The verification and performance examination reports are available upon request.

Firm Definition: The Renaissance Group LLC, which does business as Renaissance Investment Management (RIM), is a registered investment advisor established in 1978, with an office in Covington, KY. RIM is an affiliate of Affiliated Managers Group based in West Palm Beach, FL. RIM manages equity, tactical, balanced and fixed income assets for a variety of clients including high net worth, institutional and sub-advisory relationships. A complete list and description of the Firm's composites is available upon request.

Composite Composition: The Small Cap Growth Institutional Composite portfolios consist of approximately 50-60 mainly small cap domestic equities, which focus on companies demonstrating financial strength, attractive growth potential, rising earnings expectations and attractive valuation. The Small Cap Growth Institutional Composite was created on January 31, 2001 and includes all fee paying, fully discretionary, non-tax managed, non-wrap Small Cap Growth accounts. RIM does not have non-fee paying portfolios. RIM will add new fully discretionary portfolios to the composite at the first full month under management. RIM will exclude terminated portfolios from the composite after the last full month they were under management. Composite dispersion is measured using an asset-weighted standard deviation of returns of the portfolios.

Calculation of Performance Returns: Performance is calculated using total returns. Monthly composite performance is asset-weighted using beginning-of-period values. Rates of return are time-weighted with geometric linking of monthly returns. Valuations and returns are computed and stated in U.S. dollars. Account performance is based on total assets in the account, including cash and cash equivalents. Performance is actual performance.

RIM has chosen to present performance for gross- and net-of-fees. The gross-of-fees performance returns are presented before deductions of management and custodial fees but after the deduction of all trading expenses. Net performance is reported after the deduction of all trading costs and actual RIM management fees. These gross- and net-of-fee investment results for the Renaissance Small Cap Growth Institutional Composite include reinvestment of dividends and other earnings. Clients' returns will be reduced by the advisory fee and any other expenses that may be incurred in the management of the client's investment advisory account. For example, if the gross annualized return of an account over a five-year period were 5.0%, deducting one twelfth of an annual advisory fee of 90 basis points each month on the ending monthly account balance would produce a cumulative net return of 22.7%. The cumulative gross return at 5.0% per annum over a five-year period would be 28.3%. A \$1 million starting portfolio would thus have an ending net market value of \$1,227,096, \$56,262 less than the gross return ending value of \$1,283,359. There is no minimum asset size for inclusion in the composite. RIM uses trade date accounting and income is accrued. Actual performance may differ from composite returns, depending on the size of the account, brokerage commissions, investment guidelines and/or restrictions, inception date and other factors. After-tax results will vary from the returns presented herein for those accounts that are subject to taxation. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Standard Deviation: The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. According to the GIPS Standards, this is not required for periods prior to 2011.

Investment Management Fees: RIM's fees are based on account size. The standard RIM fee schedule for the Small Cap Growth Strategy for direct-managed accounts is as follows: All amounts - 1.00%. Investment advisory fees are described in Part 2A of RIM's Form ADV.

Benchmark: The Russell 2000 Growth Index is composed of the smallest 2,000 of the 3,000 largest U.S. companies based on total market capitalization with higher price-to-book ratios and higher forecast growth values. The Russell index names are registered trademarks of FTSE Russell. RIM compares its composite returns to a variety of market indices such as the Russell 2000 Growth. This index is shown for comparison purposes only. We are not trying to explicitly manage to this benchmark. This index represents unmanaged portfolios whose characteristics differ from the composite portfolios; however, they tend to represent the investment environment existing during the time periods shown. The index cannot be invested in directly. The returns of the index do not include any transaction costs, management fees or other costs. The holdings of the client portfolios in our composites may differ significantly from the securities that comprise the index shown. The index has been selected to represent what RIM believes is an appropriate benchmark with which to compare the composite performance.

Other: Performance data quoted in any Renaissance presentation represents historically achieved results, and is no guarantee of future performance. Future investments may be made under materially different economic conditions, in different securities and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Therefore, there may be sharp differences between the performance shown and the actual performance results achieved by any particular client. The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. Consultants supplied with these performance results are advised to use this data in accordance with SEC guidelines. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a RIM client, and a client portfolio's risk tolerance, investment objectives, and investment time horizon. All investments carry a certain degree of risk, including loss of principal and are not guaranteed by the U.S. government.

Risks of Small Cap Growth Strategy: Small Cap Growth Institutional Composite returns may show a high level of variability. In addition to market risk, the majority of any additional risk in these portfolios is related to specific stock selection, and RIM will have significant exposure to individual securities.

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