

Small Cap Growth Intra-Quarter Commentary—February 2021



The S&P 500 produced solid returns in February despite a late-month rally in interest rates that saw the yield on 10-year Treasury notes briefly surge above 1.5%. However, bond yields have been steadily rising since the October lows, driven by strong corporate earnings, fiscal and monetary stimulus, and the availability of new coronavirus vaccines. We are not surprised by the higher move in rates, especially considering that higher rates are reflecting a pickup in growth, earnings expectations, and a healthy recovery in the U.S. economy. Interestingly, the quick surge in bond yields in late February also shifted the focus to the upward pressure on real rates, with investors reassessing their expectations for future growth and inflation. Unsurprisingly, shares in many popular high growth technology and internet stocks underperformed in this environment, given that concerns about stretched valuations have been building for a while. Meanwhile, it was encouraging to see early cycle stocks that typically lead in a traditional recovery continue to outperform the overall market.

The S&P 500 gained 2.8, while the Russell 2000 Growth Index gained 3.3% in February. Smaller-cap stocks outperformed larger-cap stocks, and Value outperformed Growth. These trends have continued over the past several months, likely driven by expectations that Democrats will ramp up infrastructure spending and resume more generous stimulus checks to households.

Our Small Cap Growth portfolios gained in February and underperformed the Russell 2000 Growth Index. The top performing sectors in the Index during the month were the more cyclical

SECTOR WEIGHTS & PORTFOLIO CHANGES⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 1/31/2021	Small Cap Growth Additions & (Small Cap Growth Deletions) ⁽³⁾
Information Technology	28.3%	+1.8%	II-VI
Consumer Discretionary	23.2%	-0.2%	
Health Care	18.0%	-0.8%	
Industrials	15.7%	+2.9%	UFP Industries
Financials	7.2%	+2.0%	Artisan Partners Asset Management
Consumer Staples	3.1%	0.0%	
Communication Services	1.7%	-0.3%	
Real Estate	1.7%	-3.4%	(eXp World Holdings, Four Corners Property Trust)
Cash	0.9%	-2.2%	
Energy	0.0%	0.0%	
Materials	0.0%	0.0%	
Utilities	0.0%	0.0%	

⁽¹⁾Based on a representative account of the strategy discussed. 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. Cumulative total weighting may not add up to 100% due to rounding of percentages 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.

Source: Renaissance Research, FactSet

Small Cap Growth Intra-Quarter Commentary—February 2021



CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
--------	--------------	-------------------------------	------------------------

TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH

EXPI	eXp World Holdings	1.08%	0.75%
GNRC	Generac Holdings	2.23%	0.57%
MEDP	Medpace Holdings	1.98%	0.37%
NVEE	NV5 Global	2.18%	0.34%
LAD	Lithia Motors	2.16%	0.33%

BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH

QLYS	Qualys	1.78%	-0.60%
QDEL	Quidel	1.53%	-0.59%
STMP	Stamps.com	1.91%	-0.35%
ENV	Envestnet	1.80%	-0.28%
AMED	Amedisys	1.74%	-0.19%

⁽¹⁾Based on a representative account of the strategy discussed. 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.

⁽²⁾The securities listed should not be considered a recommendation to purchase or sell a particular security. These securities represent the top five and bottom five contributors by weight to the performance of a representative account in this strategy, excluding spinoffs, as of the date stated and are intended for informational purposes only. 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 a 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.

⁽³⁾Average weights over the presentation period.

Source: Renaissance Research, FactSet

sectors, led by Energy and Materials. The more defensive sectors performed the worst, with the Utilities sector declining during the month and Consumer Staples lagging as well. The underperformance of the Small Cap Growth Strategy was driven by stock selection in the Consumer Discretionary and Information Technology sectors. Stock selection in the Industrials and Real Estate sectors added the most to performance during the month.

eXp World Holdings (EXPI) was the top contributor to performance for the second month in a row. The cloud solutions provider for real estate brokers remains in a solid fundamental position with an expanding base of agents and a dynamic housing market. However, we felt that the valuation became excessive and exited our position during the month.

Qualys (QLYS) detracted the most from performance in February. The company reported solid earnings for the fourth quarter, but its outlook disappointed investors. The security software provider is seeing good demand for its suite of solutions, and it is focused on expanding the opportunity for its products. As a result, the company has decided to increase spending in sales and marketing to accelerate its growth rate in the future. This higher spending level will cause earnings to decline modestly in 2021, but we expect the elevated spending levels to benefit the company in the future, and we are maintaining our holdings in the company.

During February, we added new positions in **Artisan Partners Asset Management** (APAM), **II-VI** (IIVI), and **UFP Industries** (UFPI) and exited our positions in eXp World Holdings (EXPI) and **Four Corners Property Trust** (FCPT). UFP Industries is a leading supplier of wood and wood composite products to diversified end markets including retail, commercial, and residential

Small Cap Growth

Intra-Quarter Commentary—February 2021



construction. The company should benefit from an expanding new home construction market and continued strength in home renovations. In addition, the company recently completed an acquisition of an industrial packaging and pressure-treated lumber company which expands its presence in these markets. UFP strives to grow revenue at a rate of 4% to 6% above GDP and looks to grow earnings at a faster clip. The company plans to accomplish this by expanding its value-added product offerings and introducing new higher margin products. We exited our position in Four Corners Property Trust as we see diminished growth opportunities for the company.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of 2/28/2021 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. Nonperformance-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.

PERFORMANCE

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.

RUSSELL DATA

FTSE Russell is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell[®] is a trademark of FTSE Russell. This presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Renaissance Investment Management. FTSE Russell is not responsible for the formatting or configuration of this material or for any inaccuracy in Renaissance's presentation thereof.

S&P DATA

S&P Dow Jones is the source and owner of the trademarks, service marks and copyrights related to the S&P Indexes. S&P[®] is a trademark of S&P Dow Jones. This presentation may contain proprietary S&P data and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Renaissance Investment Management. S&P Dow Jones is not responsible for the formatting or configuration of this material or for any inaccuracy in Renaissance's presentation thereof. This data is to be used for the recipient's internal use only.

Continued

Small Cap Growth Intra-Quarter Commentary—February 2021



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

Sector Listing according to MSCI and S&P Dow Jones data: MSCI and S&P Dow Jones do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.