

Earnings Estimates Surge

Forecasts for S&P 500 earnings over the next year have surged in recent months, with the consensus forecast rising 15.4% from December through the end of April. This marks a sharp contrast to last year, when the consensus forecast dropped 18.6% in the first four months as a result of the COVID-19 pandemic, and the first four months of 2019, which featured a flattish trend in estimates.

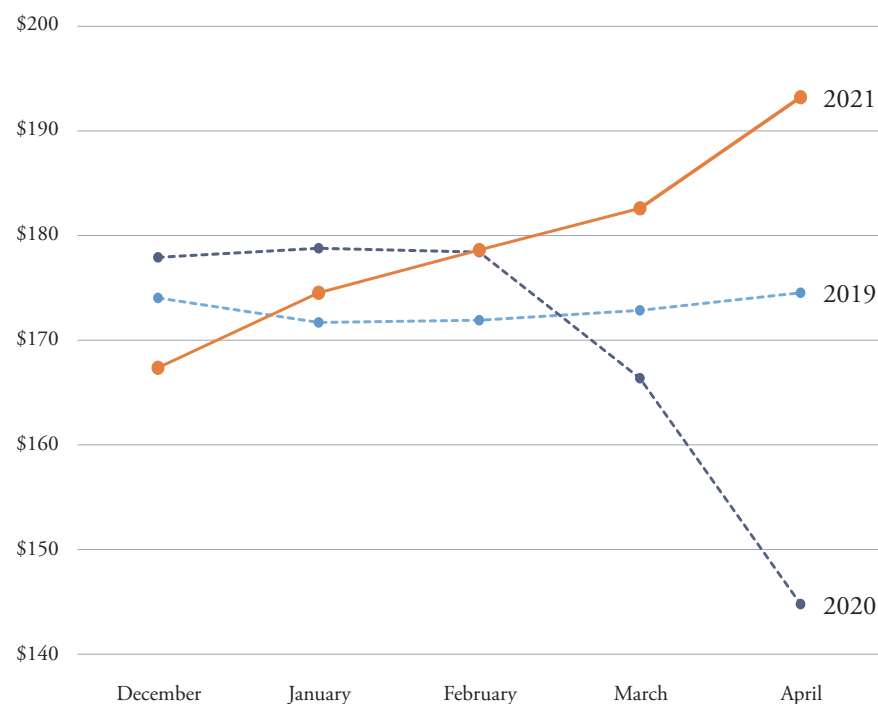
The rising trend in estimates is due in part to actual earnings reports coming in well-above expectations. Through the end of April, 87% of companies reporting quarterly earnings posted figures that were better than expected compared to a historical average of about 65% that beat expectations in prior quarters. Since 1994, companies that have reported a positive quarterly earnings surprise have exceeded expectations by an average of 3.6%. In April, those that reported a positive quarterly earnings surprise exceeded expectations by an average of 22.8%.

While last year's market advance was marked by expanding P/E ratios, it appears that this year's market has been driven more by strong corporate earnings. If the earnings surge continues,

the stock market P/E may contract, as earnings grow even faster than stock prices. If this unfolds, ongoing concerns about market valuation may prove to be unfounded.

CONSENSUS S&P 500 12-MONTH FORWARD EPS ESTIMATES

FIRST FOUR MONTHS OF LAST THREE YEARS



Data from 12/31 through 4/30 of each year shown.
Source: FactSet Aggregates

DISCLOSURES

This Market Update reflects the thoughts of Renaissance as of May 3, 2021. This information has been provided by Renaissance Investment Management. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision, nor should it be considered a recommendation. The views and opinions expressed are those of the Chief Investment Officer at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing.

PERFORMANCE

If Renaissance or benchmark performance is shown, it 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 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

Continued

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.

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.

REFERENCED INDEX

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

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.