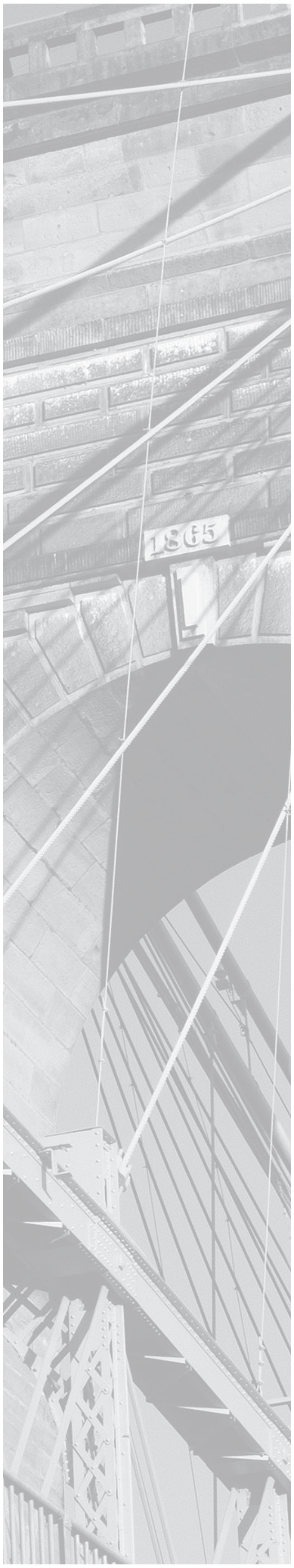
Renaissance®
Investment Management
Month Ending 5/31/2022

# Small Cap Growth
## Intra-Quarter Commentary—May 2022



The S&P 500 was able to squeeze out only slightly positive returns for May despite a strong stock market rally at the end of the month. In what has historically been a positive month for stocks, the mediocre performance follows several months of weak stock market returns, resulting in the worst start of the year since 1970 (Source: FactSet). Despite a relatively strong U.S. economy and tight labor markets, negative investor sentiment continues to revolve around uncertainty from Russia's invasion of Ukraine, supply chain disruptions from China lockdowns, and elevated inflation levels that are forcing the Federal Reserve to accelerate a monetary tightening cycle. More recently, we are beginning to see early signs of consumer spending weakness as another potential risk, as consumers face stiff headwinds from higher prices for everyday essentials like food and energy. Despite a resilient job market and higher wages, retailers are reporting that consumers are pulling back spending in order to adjust for higher prices. The risk is that consumer spending is slowing while companies are still adjusting to higher operating costs, potentially leading to negative earnings revisions and tipping the economy into a recession.

As expected, the Federal Reserve raised the Fed Funds rate by 50 basis points at the beginning of the month and guided to additional rate hikes at each of their next two meetings in June and July. The Fed also remains committed to quantitative tightening beginning in mid-June, whereby $47.5 billion of Treasuries and mortgage-backed securities will run off the Fed's $9 trillion balance sheet on a monthly basis, with the amount increasing to $95 billion per month by September. This should result in additional tightening and higher interest rates, leaving the Fed in an

### SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

| Sector | Ending Weight[2] | Change from 4/30/2022 | Small Cap Growth Additions & (Small Cap Growth Deletions)[3] |
|---|---|---|---|
| Information Technology | 32.2% | -0.2% | EPAM Systems, Paycom Software, Paylocity (ChannelAdvisor, MAXIMUS, Onto Innovation) |
| Industrials | 20.3% | +0.4% | Axon Enterprise, Generac Holdings (McGrath RentCorp, The Shyft Group) |
| Health Care | 15.8% | +1.7% | Shockwave Medical |
| Consumer Discretionary | 13.3% | -0.1% | |
| Financials | 9.4% | -2.0% | (Cohen & Steers) |
| Energy | 5.3% | +2.6% | Matador Resources |
| Consumer Staples | 2.1% | -0.1% | |
| Cash | 0.8% | -0.1% | |
| Real Estate | 0.8% | 0.0% | |
| Utilities | 0.0% | 0.0% | |
| Materials | 0.0% | 0.0% | |
| Communication Services | 0.0% | -2.1% | (CarGurus) |

(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*

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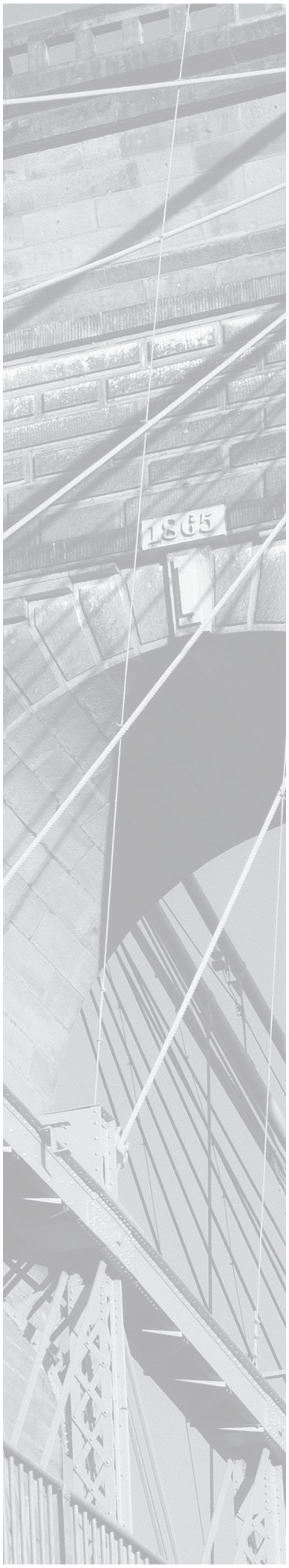


### CONTRIBUTORS TO RETURN[1][2]

| Ticker | Company Name | Average Weight[3] | Contribution to Return |
|---|---|---|---|
| **TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH** | | | |
| OAS | Oasis Petroleum | 2.87% | 0.60% |
| GDYN | Grid Dynamics | 2.41% | 0.58% |
| SITM | SiTime | 2.25% | 0.55% |
| AXON | Axon Enterprise | 1.26% | 0.38% |
| GNRC | Generac Holdings | 1.16% | 0.38% |
| **BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH** | | | |
| CARG | CarGurus | 0.79% | -0.75% |
| BOX | Box | 2.51% | -0.42% |
| BOOT | Boot Barn | 2.16% | -0.27% |
| MMS | MAXIMUS | 0.70% | -0.24% |
| APPS | Digital Turbine | 0.92% | -0.22% |

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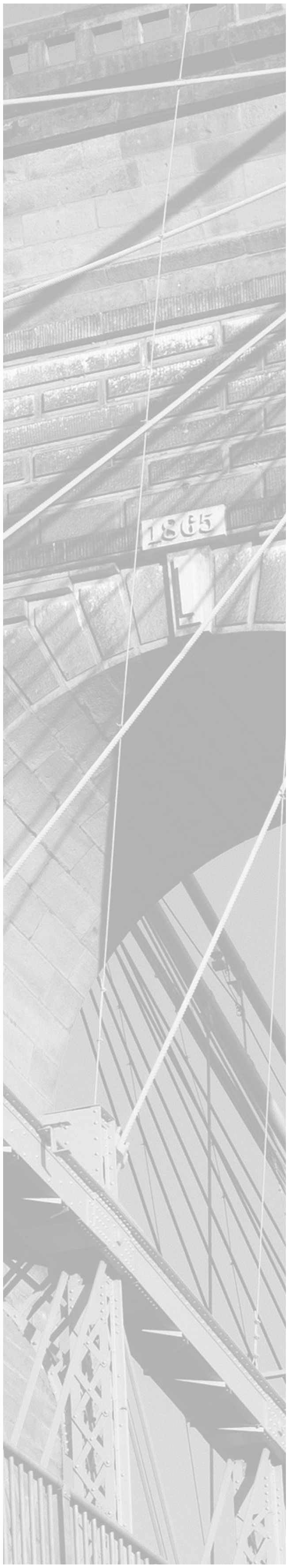
(2) Average weights over the presentation period.

*Source: Renaissance Research, FactSet*

unenviable position as it fights the highest inflation rates in over 50 years in the face of slowing economic growth. We will stay in our lane and avoid making predictions on the future intentions of the Federal Reserve. Instead, we will take the Fed at their word when they state that their goal is to raise interest rates until they create a level of demand destruction that will lower the inflation rate. Unfortunately, no one knows what that level is, not even the Fed.

Our Small Cap Growth portfolio posted a positive return during the month of May and outperformed the Russell 2000 Growth Index, which declined. The top performing sector in the index for the month was Energy, as oil prices reached $115, and the Materials sector was the second best. The Real Estate sector was the worst performer during May, followed by the Health Care sector. The relative outperformance of our Small Cap Growth Strategy was driven by stock selection in the Information Technology and Health Care sectors. Detracting the most from relative performance was stock selection in Communication Services and our zero-weight in Materials.

Our top contributor during the month was **Oasis Petroleum** (OAS), an oil and gas producer with assets in the Williston Basin in North Dakota and Montana. The company continues to benefit from rising oil and natural gas prices which have enabled the company to return additional cash to shareholders through dividends and share repurchases. In addition, the company announced a merger with Whiting Petroleum, another significant oil and gas producer in the Williston Basin. This should allow the company to achieve cost synergies and return additional capital to shareholders.



**CarGurus** (CARG) detracted the most from performance, as the company reported mixed results for the first quarter. While the company continues to add car dealers to its network, declining used car prices hurt its dealer-to-dealer sales, as dealers have been reluctant to take on additional inventory. Moreover, the company's operating income guidance for the second quarter was below expectations, as the company is increasing its marketing spending to drive future revenue growth. As fundamentals have appeared to deteriorate rapidly since the company's last earnings report in February, we exited our position.

We added a number of new holdings during the month. **Matador Resources** (MTDR), **Axon Enterprise** (AXON), **EPAM Systems** (EPAM), **Generac Holdings** (GNRC), **Paycom Software** (PAYC), and **Paylocity** (PCTY) were all added in May. Most are companies that we have owned in the past, and the recent drawdown in the market gave us an opportunity to add back these high-quality growth stocks at a reasonable valuation. (Matador Resources was the only position we added that we had not previously owned.) We exited **Shyft Group** (SHYF), **CarGurus** (CARG), **ChannelAdvisor** (ECOM), **McGrath RentCorp** (MGRC), **MAXIMUS** (MMS), **Onto Innovation** (ONTO), and **Cohen & Steers** (CNS) to make room for the additions.

Matador Resources is an oil and gas producer with 94% of its production coming from the highly prolific Delaware Basin in west Texas and New Mexico. Matador is one of the few oil producers that is increasing production—volumes increased 14.6% in 2021 and are forecast to grow 19% this year. At the current pace, the company has over 20 years of drilling inventory. Additionally, the company should generate in excess of $900 million in free cash flow that can be used to pay down debt and return cash to shareholders through dividends or share repurchases. The energy sector continues to be attractive to us, as oil and natural gas prices look to remain higher for the foreseeable future and valuations remain attractive.

We exited our position in MAXIMUS as the company is seeing a decline in its COVID-related revenues and new programs are delayed due to the timing of Federal government decisions.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of May 31, 2022 and are subject to change at any time due to changes in market or economic conditions.

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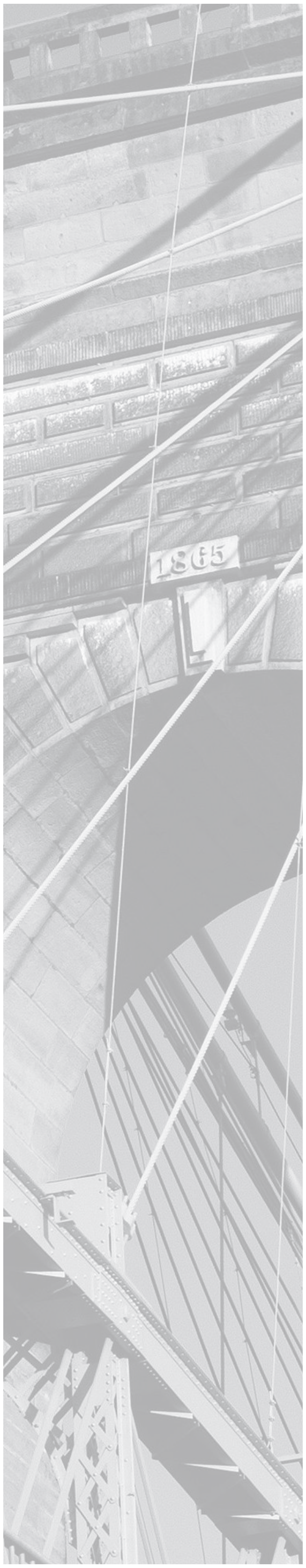

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*(Indices are unmanaged and are not available for direct investment.)*

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**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.

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