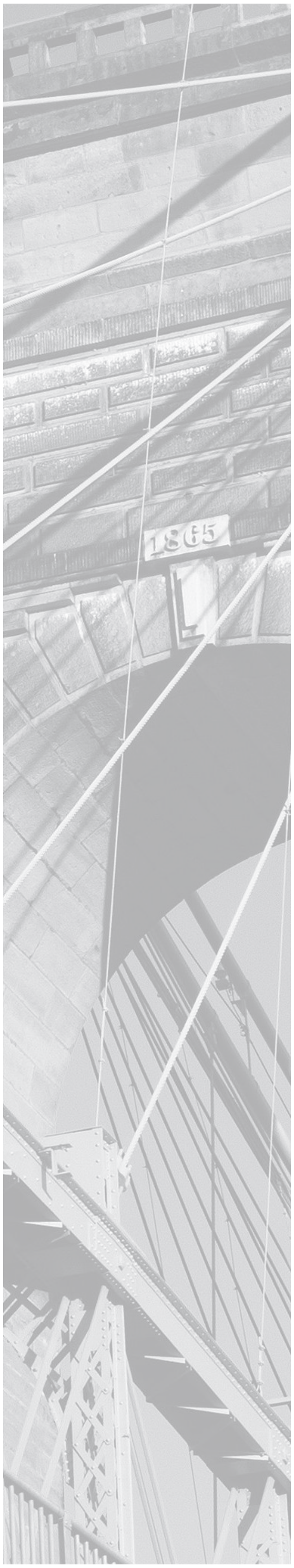
Renaissance® Investment Management

Month Ending 10/31/2022

Large Cap Growth
Intra-Quarter Commentary—October 2022



The stock market saw robust returns in October, rebounding off the September lows, as investors embraced renewed hope that the Federal Reserve will "pivot" from its current accelerated monetary tightening policy to a slower pace of tightening in December, followed by a pause early next year. However, we have learned through years of experience that "hope" is not the best investment strategy, and it is often unwise to attempt to predict what the Fed's next moves will be. Instead, we will continue to listen to what the Federal Reserve Chairman is communicating, and Chairman Powell has repeatedly stated that the Federal Reserve will continue to tighten monetary policy until it feels that inflation has been brought under control, especially with unemployment near historic lows. Until the Federal Reserve actually acts on a pivot toward lower rates, we believe that monetary policy will remain a headwind to stock market returns.

For much of this year, deceleration in earnings growth has been a headwind to market performance. Through the end of October, with 52% of S&P 500 companies having reported third-quarter earnings, it has not been surprising to see that the frequency of companies reporting better-than-expected operating results was only 71%, below the 5-year average of 77% (Source: FactSet). Meanwhile, the reported earnings growth ***rate*** declined to 2.2%, from the 2.8% that was expected at the beginning of the month. According to FactSet, this marks the lowest earnings growth rate since the third quarter of 2020 (-5.7%). In addition, a number of companies cited macroeconomic uncertainty, weakness in international markets, tightening monetary policy, and heightened inflation as the biggest areas of concern for the remainder of this year. Nevertheless, there have been some positive takeaways, with relatively broad-based earnings growth seen in the

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 9/30/2022	Large Cap Growth Additions & (Large Cap Growth Deletions)[3]
Information Technology	37.3%	+0.4%	No Large Cap Growth portfolio additions or deletions during the period.
Health Care	22.3%	+0.1%	
Industrials	11.0%	+0.4%	
Consumer Discretionary	10.4%	-0.2%	
Consumer Staples	5.2%	+0.2%	
Communication Services	4.9%	-0.9%	
Financials	3.9%	+0.4%	
Energy	1.9%	+0.2%	
Real Estate	1.7%	-0.1%	
Cash	1.2%	-0.5%	
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. All accounts in the strategy are invested identically in the same securities unless a client has imposed restrictions. Characteristics and/or holdings on a given date may vary due to pending trades.

(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 represent a portion of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. 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. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at compliance@reninv.com.

Source: Renaissance Research, FactSet

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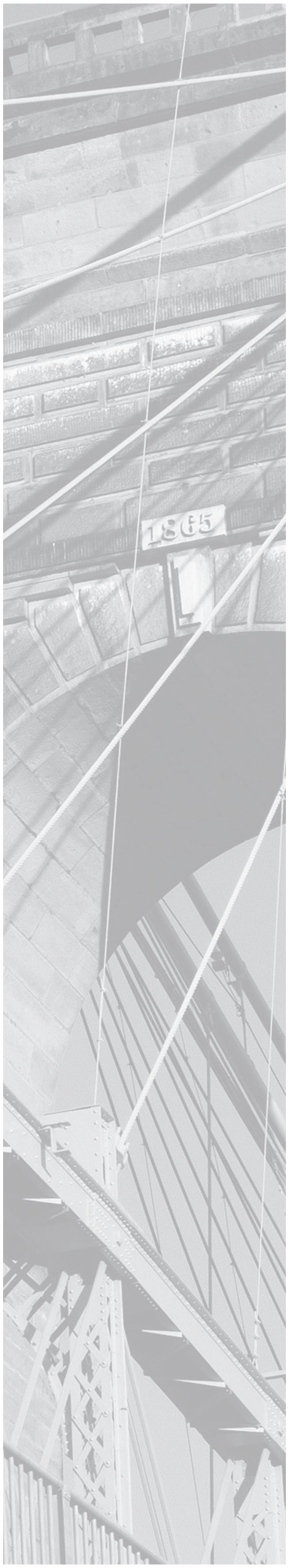

CONTRIBUTORS TO RETURN[1][2]

Ticker	Company Name	Average Weight[3]	Contribution to Return
TOP FIVE CONTRIBUTORS—LARGE CAP GROWTH			
ACGL	Arch Capital Group	1.85%	0.46%
LMT	Lockheed Martin	1.81%	0.44%
EOG	EOG Resources	1.86%	0.39%
AAPL	Apple	3.32%	0.36%
ORLY	O'Reilly Automotive	1.85%	0.34%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
META	Meta Platforms	1.64%	-0.53%
AMZN	Amazon.com	1.95%	-0.17%
CDNS	Cadence Design Systems	1.54%	-0.12%
PYPL	PayPal Holdings	1.81%	-0.05%
DHR	Danaher	1.58%	-0.04%

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(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 as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. 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. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at compliance@reninv.com.

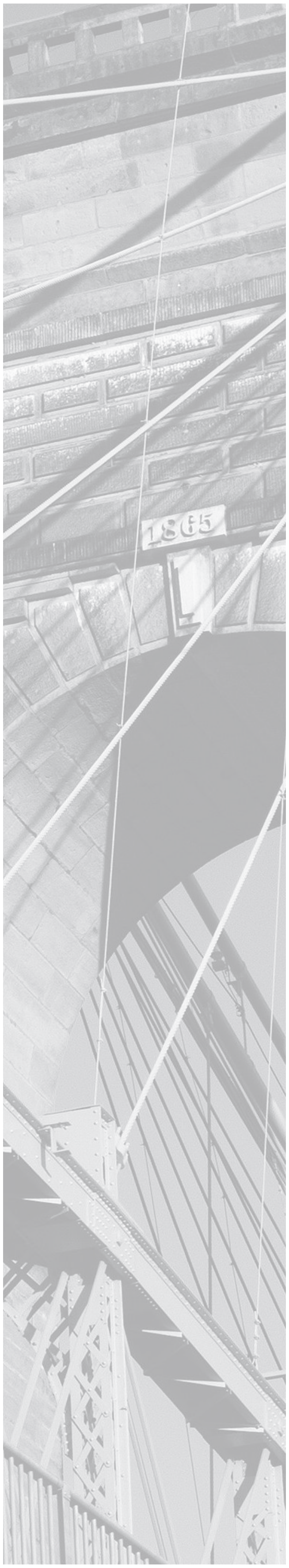
(3) Average weights over the presentation period.

Sources: Renaissance Research, FactSet

Financials, Health Care, Communication Services, Information Technology, and Energy sectors. In addition, we have seen elevated inventory levels, especially among semiconductor manufacturers, indicating that supply chain issues are improving, which should help ease future inflation pressures.

As 2022 draws to a conclusion, it is prudent to remember that earnings growth has historically been correlated with stock market returns. Consequently, weak year-to-date stock market returns should not be surprising, especially in light of the deceleration in earnings growth we have seen thus far. Looking towards next year, we remain concerned about the trajectory of earnings growth. While the fourth quarter earnings growth estimates of 0.5% appear to be achievable, expectations for 6.4% growth in 2023 may be too optimistic. In this uncertain environment, our focus on high quality growth companies that can generate organic growth and free cash flow has been a source of stability. Through the end of October, our portfolio has had another relatively strong earnings season. In fact, 75% of the portfolio companies exceeded revenue expectations, and 89% met or exceeded earnings expectations.

In October, the Russell 1000 Growth returned 5.8% and the S&P 500 returned 8.1%. Market internals were solid, with broad-based strength seen across a large swath of the stock market. Strong returns in October were all the more remarkable in light of the earnings-driven weakness in a handful of mega-cap internet and technology stocks that comprise a large percentage of many commonly used market indices. In a trend that we have seen throughout this year, Value outperformed Growth and smaller-cap stocks outperformed larger-cap stocks. Our Large Cap Growth Strategy outperformed both the Russell 1000 Growth and the S&P 500 as a result of



positive contribution from both stock selection and sector allocation. From a sector perspective, the Information Technology and Health Care sectors were the largest contributors to our performance, while the Consumer Discretionary and Real Estate sectors detracted from performance. We did not make any changes to the portfolio during the month.

Arch Capital Group (ACGL) was our best performing stock in October. Despite heightened catastrophic losses stemming from Hurricane Ian, the company reported good underlying performance in both its property casualty insurance and mortgage segments. Importantly, significant weather events, such as hurricanes, have historically helped to support the future pricing for new policies and upcoming policy renewals. Arch Capital was also added to the S&P 500 Index at the end of the month. Another strong performer in October was **Lockheed Martin** (LMT). The company reported solid third-quarter results driven by increasing revenue recognition from its F-35 fighter jet program and higher volumes in its integrated air and missile defense programs, with the latter benefiting from military aid provided to the Ukrainian government. We believe that the company is well positioned to see growth accelerate in 2023, along with increasing capital returns to shareholders, given the improving free cash flow outlook since recent F-35 revenue recognition issues are mostly behind it.

Conversely, **Meta Platforms** (META) was our worst performer in October. The company reported disappointing third-quarter results with tepid sales growth in its core digital advertising business. This is a common theme that we have seen during this earnings season as companies have pulled back on advertising expenses in response to heightened macroeconomic uncertainty. Despite the economic uncertainty and slowing growth, Meta also guided to increased operating expenses and higher capital expenditures for future initiatives that won't pay off for many years to come, if ever. Another underperformer in October was **Amazon.com** (AMZN). Amazon is finally seeing the consumer and enterprise weakness that other companies saw earlier in the year. In addition, AWS growth decelerated in the third quarter with management citing new pricing pressures, as competitors look to gain market share. We found Amazon's comments on cost controls, its hiring freeze, and the slowing of its capital investments slightly unusual given the company's historical propensity to invest in all macroeconomic environments. Management's comments that the macroeconomic slowdown was more sudden than they expected are concerning, especially since they do not expect an improvement in consumer trends anytime soon.

DISCLOSURES

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

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.

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REFERENCED INDICES

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

Russell 1000 Growth Index—The Russell 1000® Growth Index is a market capitalization weighted index that measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted 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.

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