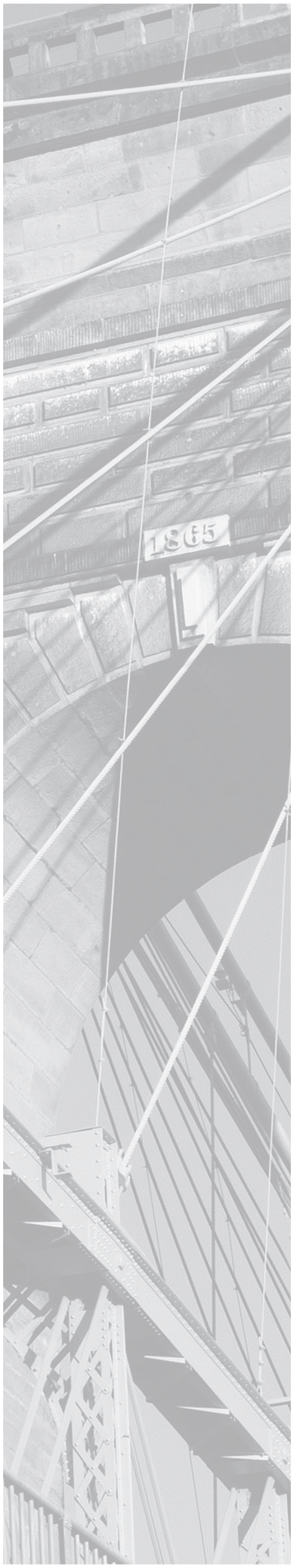
# Small Cap Growth
## Intra-Quarter Commentary—November 2022



November saw the major stock market indices continue to rally off their October lows, driven by better-than-expected inflation data. The October Consumer Price Index (CPI) came in at 7.7%, the second straight month of deceleration from peak inflation readings reported in August. Deceleration was largely driven by an easier base-effect comparison along with recent declines in commodity prices. Although decelerating inflation was positive for investor sentiment, the global macroeconomic outlook continues to deteriorate, with inflation lingering at high levels, global growth continuing to slow, and the monetary environment remaining tight. Even as the Federal Reserve is expected to slow down the pace of its rate hikes, it still wants to see a series of monthly inflation data closer to its 2% target before pivoting to lower rates. In the meantime, current expectations are that the Fed will keep the Fed Funds rate higher for a longer period to ensure that inflation doesn't return. One notable challenge for the Fed is that demand destruction is difficult to achieve when strong wage growth continues to be driven by a tight labor market and U.S. households are still sitting on excess savings.

The improving inflation scenario has unquestionably helped recent market sentiment, allowing investors to re-evaluate future economic growth. Nevertheless, there's an old saying that "you should be careful what you wish for, because you might get it." The fact is, heightened inflation has quietly been a major driver of revenue growth, especially for companies with pricing power. This inflation-driven revenue growth has allowed companies to offset rising operating costs and wage growth while keeping operating margins intact and, more importantly, delivering positive earnings growth. With inflation set to decelerate, there is a risk that inflation-driven revenue growth will also slow just as consumer demand weakens and inventories climb, causing

### SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

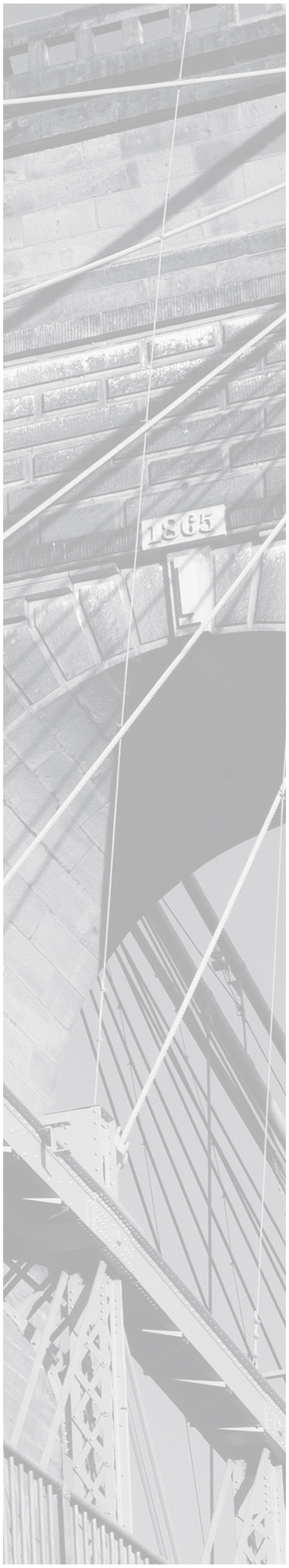
| Sector | Ending Weight[2] | Change from 10/31/2022 | Small Cap Growth Additions & (Small Cap Growth Deletions)[3] |
|---|---|---|---|
| Information Technology | 32.2% | +0.6% | |
| Industrials | 21.3% | +1.4% | |
| Health Care | 16.7% | -1.8% | |
| Consumer Discretionary | 11.8% | +0.4% | |
| Financials | 8.5% | -0.2% | |
| Energy | 5.1% | -0.1% | No Small Cap Growth portfolio additions or deletions during the period. |
| Consumer Staples | 2.1% | +0.1% | |
| Communication Services | 1.3% | -0.6% | |
| Cash | 1.0% | +0.1% | |
| Real Estate | 0.0% | 0.0% | |
| Utilities | 0.0% | 0.0% | |
| Materials | 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*



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

| Ticker | Company Name | Average Weight[(3)] | Contribution to Return |
|---|---|---|---|
| **TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH** | | | |
| LSCC | Lattice Semiconductor | 2.29% | 0.93% |
| AXON | Axon Enterprise | 3.47% | 0.83% |
| STRL | Sterling Infrastructure | 2.72% | 0.52% |
| UFPI | UFP Industries, | 1.99% | 0.30% |
| FOXF | Fox Factory Holding | 1.51% | 0.30% |
| **BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH** | | | |
| TTGT | TechTarget | 1.51% | -0.60% |
| SWAV | Shockwave Medical | 2.78% | -0.44% |
| STAA | STAAR Surgical | 1.79% | -0.43% |
| OMCL | Omnicell | 0.84% | -0.42% |
| QLYS | Qualys | 1.99% | -0.34% |

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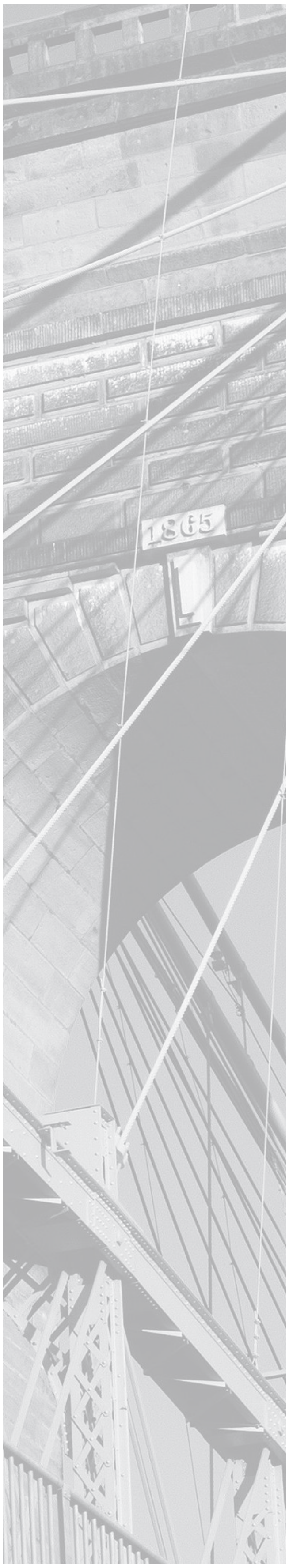
(3) Average weights over the presentation period.

*Sources: Renaissance Research, FactSet*

profitability margin compression that could force companies to lay off workers and drive up unemployment.

We would be remiss if we did not comment on the recent demise of FTX, the second largest crypto-currency exchange in the world. To be clear, we are not experts in the crypto markets, but it is surprising that there have been very few spillover effects into the broader financial markets. At this point, any negative impact has been contained within the crypto markets, likely due to the fact that crypto markets are unregulated and have little government oversight. It is likely, however, that government regulators are trying to ascertain if there are any peripheral risks to the financial markets. If they begin to talk more about potential risks, we should all start to worry. Until then, we are not surprised that tightening monetary policy that results in higher interest rates proves that a positive cost of capital can be deadly to unprofitable business models that can only survive in a zero interest rate environment with free money. As Warren Buffett once famously said, “A rising tide floats all boats. Only when the tide goes out do you discover who’s been swimming naked.”

The Russell 2000 Growth Index posted another positive return in November after October’s rebound. While the Renaissance Small Cap Growth Strategy gained as well, our portfolio underperformed the index. The top performing sectors in the index were Consumer Staples and Real Estate, while Health Care and Communication Services were the worst performers. The relative underperformance of our Small Cap Growth Strategy was driven by stock selection in the



Health Care and Communication Services sectors. Stock selection in Industrials and Information Technology added the most to relative performance.

**Lattice Semiconductor** (LSCC) was the top contributor to our portfolio performance in November, as the maker of programmable semiconductors has not been impacted by the macro weakness that has affected many of its peers. The company continues to announce new design wins and is seeing share gains in computing, industrial automation, and autos. In addition, the company introduced a new product family aimed toward the mid-range of the market, doubling its target market. Lattice should begin to see revenues from this area in late 2023 or early 2024, creating another leg of growth for the company.

**Axon Enterprise** (AXON) was also a solid contributor during the month as the company reported another strong quarter, beating revenue and earnings expectations. The company continues to see revenue momentum in its core products, such as TASER, along with its new products that include cameras and sensors. Meanwhile, the company is seeing expanded opportunities internationally and is beginning to penetrate the Federal end market as well. We view Axon as uniquely positioned in the marketplace and expect that the company will see continued secular growth in the future.

**TechTarget** (TTGT) detracted the most from our performance as the company's technology clients reduced spending on sales and marketing. The slowdown began in September and continued through October and November, leading the company to reduce its sales guidance for 2022 and 2023. We believe the company has a unique marketing model that enables IT vendors to better identify, influence, and reach corporate IT buyers. Once IT spending rebounds, the company should be well positioned to achieve better revenue growth.

**Shockwave Medical** (SWAV) was also a negative contributor during the month, even though the company reported excellent results in November. The stock has been a strong performer since we purchased it in May, and it has recently consolidated some of its gains. We believe that we remain in the early innings of potential market share gains, as the company's growth prospects remain unchanged for treatment of calcified cardiovascular disease.

There were no changes to our holdings during the month.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of November 30, 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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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.

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Renaissance® Investment Management

Month Ending 11/30/2022

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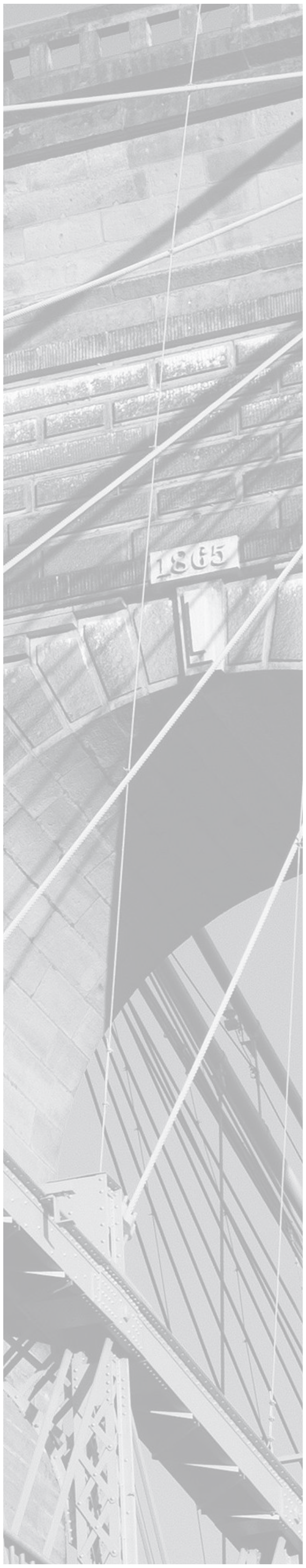

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be appropriate or profitable for a client or prospective client's investment portfolio. Investor 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.

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

**Consumer Price Index—**The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item.

**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.

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