Renaissance®
Investment Management
Quarter Ending 6/30/2023

Large Cap Growth
Quarter-End Review—2Q2023

The stock market rose in the second quarter, posting a gain of 8.7%. Of the eleven economic sectors in the S&P 500, eight saw positive returns for the quarter while three declined. The Information Technology, Consumer Discretionary, and Communications Services sectors were by far the strongest performers in the index, while the Energy, Utilities and Consumer Staples sectors posted negative returns.

Similar to the first quarter of the year, stock market performance in the second quarter was led by a small number of very large capitalization companies, mainly within the Technology sector. While the S&P 500 posted an 8.7% gain for the second quarter as calculated on a standard market-cap basis, the S&P 500 calculated on an equal-weighted basis gained only 4.0%. In the first quarter, the cap-weighted S&P 500 gained 7.5%, while the equal-weighted index gained 2.9%. A significant rise in investor interest in companies with perceived exposure to Artificial Intelligence (AI) products and applications helped drive the continued surge in mega-cap tech stocks as the second quarter progressed. While the economic impact of AI may be vast, the market reaction toward some of the stocks perceived to be AI-related "winners" may be approaching the definition of a "mania".

Corporate earnings have been surprisingly resilient year to date in the face of rising interest rates. Expectations for earnings forecasted over the next 12 months generally fell throughout 2022 and over the first quarter of 2023. However, over the second quarter, consensus expectations for forward earnings actually rose slightly (+2.5%), an encouraging sign. Still, consensus expectations for S&P 500 earnings for this calendar year are less than 2% above 2022's results.

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 3/31/2023	Large Cap Growth Additions & (Large Cap Growth Deletions)[3]
Information Technology	35.0%	+2.1%	Keysight Technologies, Lam Research (Texas Instruments)
Health Care	20.8%	-0.1%	The Cigna Group (Horizon Therapeutics)
Industrials	11.4%	-0.7%	
Financials	10.4%	-1.4%	(Raymond James Financial)
Consumer Discretionary	7.2%	+0.5%	Marriott International (Ulta Beauty)
Consumer Staples	6.0%	-1.0%	
Communication Services	4.1%	+0.2%	
Cash	2.0%	+0.5%	
Energy	1.7%	-0.1%	
Real Estate	1.3%	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—LARGE CAP GROWTH			
META	Meta Platforms	1.95%	0.65%
AVGO	Broadcom	1.81%	0.65%
AAPL	Apple	3.15%	0.55%
ADBE	Adobe	1.91%	0.53%
AMZN	Amazon.com	2.00%	0.51%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
DG	Dollar General	1.58%	-0.35%
G	Genpact	1.43%	-0.33%
BJ	BJ's Wholesale Club	1.60%	-0.32%
ULTA	Ulta Beauty	1.24%	-0.30%
PYPL	PayPal Holdings	1.56%	-0.23%

[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] 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

It is likely that we will continue to see mixed economic reports over the next several quarters, as there tends to be a lag between rising interest rates and their effect on the economy. Meanwhile, we continue to find that shares of high-quality, financially strong companies with good growth characteristics are very attractively priced for long term investors.

In the second quarter, the Russell 1000 Growth returned 12.8% and the S&P 500 returned 8.7%. Larger-cap stocks outperformed smaller-cap stocks, and Growth materially outperformed Value. Our portfolio underperformed both the Russell 1000 Growth benchmark and the S&P 500 for the period.

Meta Platforms (META) was our largest contributor in the second quarter. The company reported solid operating results driven by a re-acceleration in digital advertising growth. Meta also benefited from market share gains and monetization efforts, as evidenced by improving engagement metrics. We are encouraged by management's renewed focus on operating efficiency, potentially setting up the stock for further positive earnings revisions in the second half of this year. **Broadcom** (AVGO) was another large contributor, after reporting strong operating results and guidance. The company is benefiting from its leading position in several end markets, such as data centers, AI, and cloud infrastructure, which all have favorable secular growth trends. Broadcom is also benefiting from margin expansion and improved visibility as the mix of software revenues increases, resulting in a higher valuation multiple.

On the negative side, **Dollar General** (DG) was the largest detractor to our portfolio in the second quarter, after reporting quarterly results that were below expectations and lowering full-year guidance. The company experienced a notable slowdown in customer traffic, as lower-income

consumers grappled with broad-based inflation pressures, lower tax refunds, and an end to the additional assistance provided during the pandemic through the Supplemental Nutrition Assistance Program. **Genpact** (G) lost ground in the quarter despite reporting relatively solid operating results, with earnings that exceeded expectations. Revenue growth was disappointing, however, driven by macro headwinds that caused a slowdown in overall corporate IT discretionary spending. Meanwhile, investors were also trying to discern whether or not new use cases for AI could ultimately disrupt the entire IT services sector.

During the second quarter, we made several changes to the portfolio where we saw better opportunities for future growth. At the end of June, we added a new position in the Consumer Discretionary sector with **Marriott International** (MAR), the largest hotel operator in the world, with over 30 brands in 138 countries. We believe Marriott has strong scale advantages, offering hotel owners access to both the largest hotel network and the largest hotel loyalty program. We like the company's asset-light model in which Marriott provides hotel management services to franchised hotel owners, leading to high returns on invested capital and free-cash-flow generation. We believe that the recent strength in travel demand will continue, driven by a resumption of growth in business travel as well as an increase in domestic and international leisure travel bookings.

Conversely, we sold our position in **Ulta Beauty** (ULTA) following a deterioration in fundamental factors. We believe that current estimates for store-level revenue growth are too high, as the company faces tough growth comparisons for the remainder of this year. This partly reflects our incrementally negative view on U.S. consumers, who are facing a plethora of macroeconomic headwinds. Already, we are seeing U.S. retailers report softening demand trends, as high inflation forces consumers to reallocate their reduced purchasing power to essentials and staples.

Thus far in 2023, the pattern of performance from various asset classes and market segments has been virtually the opposite of that seen in 2022. While 2022 was marked by dismal performance from more speculative asset classes such as Bitcoin. This asset and other cryptocurrencies have seen a remarkable comeback in 2023. Conversely, energy stocks were the best performing sector of the market last year, but they have been poor performers thus far in 2023.

The performance of the equal-weighted S&P 500 versus its cap-weighted index has also reversed from last year's pattern. The relative return of the equal-weighted index over the first six months of 2023 ranks in the lowest 1% of all six-month periods since the equal-weighted index was created in 1990. The only other six-month periods with similar underperformance occurred during the Tech bubble of 1999 – 2000 and during the Covid-related market selloff in 2020.

The equal-weighted index has outperformed the cap-weighted index since inception, as well as over all 6-month and 12-month periods on average. However, after periods of underperformance by 9% or more, the equal-weighted index outperformed even more strongly over subsequent 6-month and 12-month periods. We believe that the rationale supporting equal-weighted investing is soon to become even more clear going forward.

The Federal Reserve opted to keep interest rates unchanged at its June meeting, breaking a streak of rate hikes over ten consecutive meetings going back to March 2022. Despite the June pause, the Fed indicated the likelihood of another half-percentage point in rate increases through the end of 2023. Central to the Fed's decision-making is the awareness that the prior ten straight rate hikes haven't had time to work their way through the economy, and therefore, the Fed can't be certain that its policy meets the "sufficiently restrictive" standard to bring inflation down to its 2% target. While further rate increases may be in the offing, it is worth noting that the "real" Fed Funds rate (the Fed Funds nominal rate minus current inflation) has moved above zero for the first time since 2019, and the current real rate of 1.0% is above the average of the past 20 years. Even if rates increase further, the bulk of the overall increase in interest rates since early last year is probably behind us.

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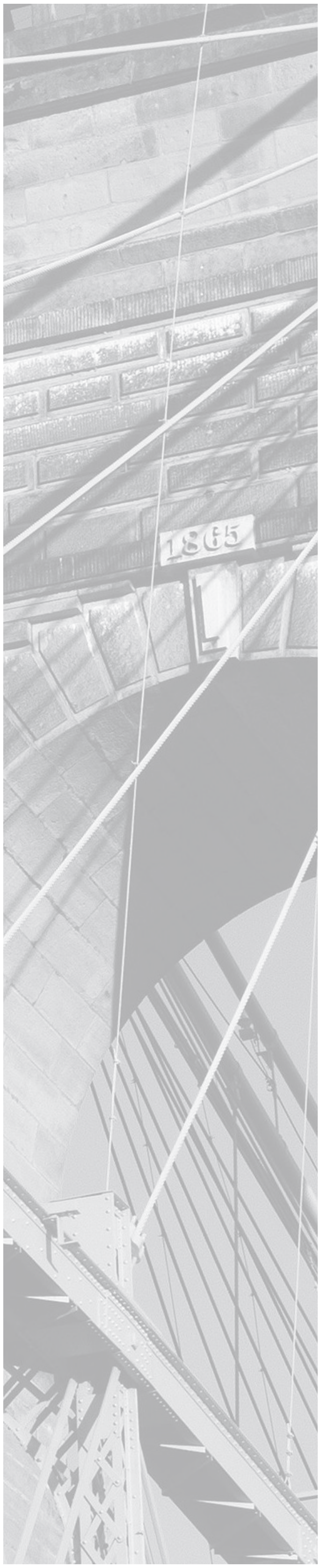

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REFERENCED INDICES

(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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