Renaissance®
Investment Management
Quarter Ending 6/30/2023

Midcap 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	Midcap Growth Additions & (Midcap Growth Deletions)[3]
Information Technology	28.8%	-0.6%	(EPAM Systems)
Industrials	21.2%	+1.2%	
Health Care	17.3%	-3.9%	(Horizon Therapeutics)
Consumer Staples	9.2%	+0.3%	
Financials	8.7%	+2.6%	Tradeweb Markets, WEX
Consumer Discretionary	7.5%	0.0%	
Energy	3.4%	-0.1%	Cheniere Energy (Pioneer Natural Resources)
Cash	2.1%	+0.7%	
Real Estate	1.8%	0.0%	
Utilities	0.0%	0.0%	
Materials	0.0%	0.0%	
Communication Services	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—MIDCAP GROWTH			
PANW	Palo Alto Networks	1.93%	0.55%
CPRT	Copart	2.17%	0.46%
KLAC	KLA	1.94%	0.44%
TDG	TransDigm Group	2.24%	0.43%
ABC	AmerisourceBergen	2.02%	0.40%
BOTTOM FIVE CONTRIBUTORS—MIDCAP GROWTH			
EPAM	EPAM Systems	0.89%	-0.47%
MSCI	MSCI	1.87%	-0.36%
G	Genpact	1.62%	-0.36%
BJ	BJ's Wholesale Club	1.77%	-0.34%
MTD	Mettler-Toledo International	1.79%	-0.30%

[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 S&P 500 returned 8.7% and the Russell Midcap Growth returned 6.2%. Industrials was the best performing sector, benefiting from U.S. economic growth that exceeded investor expectations and early indications that the Federal Reserve is close to pausing its tightening cycle. Meanwhile, the Energy sector was the largest detractor from performance, driven by weaker commodity prices. Our Midcap Growth Strategy underperformed the Russell Midcap Growth benchmark for the period.

Palo Alto Networks (PANW) was our largest contributor to performance in the second quarter. The company reported another solid quarter of broad-based growth, demonstrating resilient demand for network security products despite a weakening macro environment. We continue to believe that strong demand for network security products, coupled with a complex geopolitical threat environment, will provide a favorable backdrop for the company. **Copart** (CPRT) was another large contributor. The company reported strong operating results driven by auto insurance companies that are increasingly sending their damaged cars to salvage auctions, as the increasing complexity of late model cars and the price of replacement auto parts are resulting in prohibitively costly repairs. Lastly, **KLA** (KLAC) gained after reporting solid operating results. Investors anticipate that demand deceleration has bottomed at current levels with the industry poised for a prolonged recovery, driven by several end markets, including

data centers, artificial intelligence (AI), and cloud infrastructure, which have favorable secular growth trends.

On the negative side, **EPAM Systems** (EPAM) was our largest detractor to performance in the second quarter after preannouncing second quarter results and updated guidance that were below expectations. The company experienced a notable slowdown in demand for digital engineering services that was driven by increasing macroeconomic uncertainty. In addition, project deferrals and cancellations are increasing faster than initially expected. **MSCI** (MSCI) lost ground in the quarter after reporting disappointing revenue growth and a deceleration in new recurring sales which led management to become uncharacteristically more cautious. MSCI's newer offerings in the ESG and Climate segments were the biggest drag to growth, and we would not be surprised to see this continue, given macro headwinds, regulatory uncertainty, and the political pushback against these investment policies. Lastly, **Genpact** (G) declined despite reporting relatively solid operating results, with earnings exceeding expectations. However, revenue growth was disappointing, 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. We initiated a new position in the Financial sector with **WEX** (WEX), the market leader in U.S. commercial fleet payment processing. We are attracted to WEX's solid balance sheet and a business model that generates high free-cash-flow yields and produces returns comparable to large software companies. The management team has also done a good job leveraging its core virtual card payment technology and diversifying into the higher-growth, less-cyclical corporate payments markets. This puts the company in a position to benefit from market share gains with secular drivers that provide favorable future growth opportunities. Conversely, we sold our position in **EPAM Systems** (EPAM) following a deterioration in fundamental factors. We believe that current estimates for revenue growth are too high as the company faces a challenging IT spending environment over the next twelve months. This partly reflects our incrementally negative view on U.S. enterprises, which are facing a plethora of macroeconomic headwinds. Already, we are seeing U.S. companies report softening demand trends across multiple industries and sectors.

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, which 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.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of June 30, 2023 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 Midcap Growth Index—The Russell Midcap® Growth Index measures the performance of the Russell Midcap 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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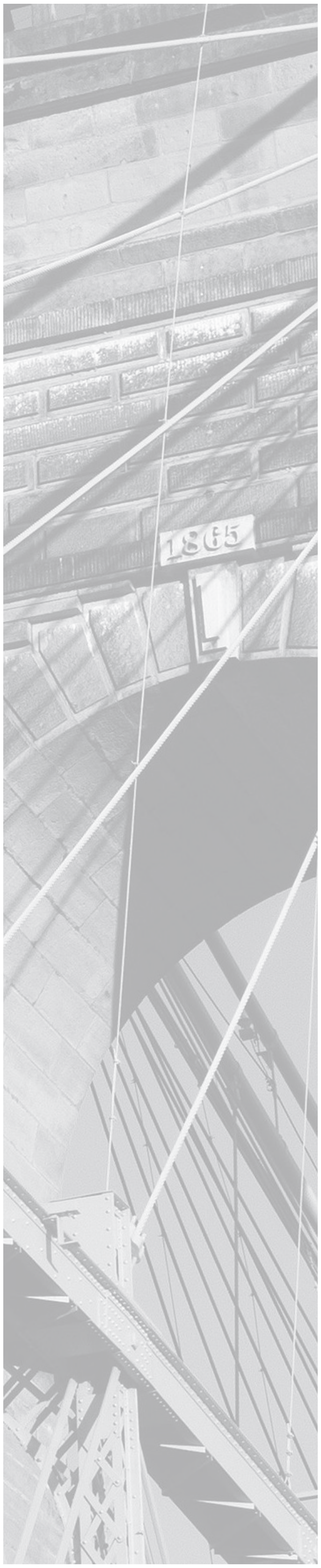

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