Renaissance®
Investment Management
Quarter Ending 6/30/2023

Small 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	Small Cap Growth Additions & (Small Cap Growth Deletions)[3]
Information Technology	30.0%	-1.9%	BlackLine, PagerDuty
Industrials	24.3%	+0.6%	(Kforce, TREX)
Health Care	17.5%	+1.2%	
Consumer Discretionary	14.0%	+0.5%	
Financials	4.5%	-1.6%	(Houlihan Lokey)
Consumer Staples	3.7%	+1.7%	Sprouts Farmers Market
Energy	3.3%	+0.1%	
Real Estate	1.8%	-0.1%	
Cash	1.1%	-0.3%	
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—SMALL CAP GROWTH			
AMPH	Amphastar Pharmaceuticals	2.49%	1.18%
STRL	Sterling Infrastructure	2.64%	1.15%
SWAV	Shockwave Medical	2.84%	0.77%
KNSL	Kinsale Capital	2.91%	0.67%
AMN	AMN Healthcare Services	2.17%	0.66%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
EPAM	EPAM Systems	1.39%	-0.45%
GDYN	Grid Dynamics	1.39%	-0.35%
AXON	Axon Enterprise	1.86%	-0.30%
ADUS	Addus HomeCare	1.87%	-0.30%
EVRI	Everi Holdings	1.40%	-0.26%

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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

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.

The Russell 2000 Growth Index followed up the first quarter's positive performance with another solid gain. The Renaissance Small Cap Growth Strategy also did well, outperforming the index for the second quarter in a row. The best performing sectors in the index were Health Care and Industrials, while Utilities and Materials were the weakest performers. The relative outperformance of our Small Cap Growth portfolio was driven by stock selection in the Consumer Discretionary and Financials sectors. Stock selection in the Information Technology and Industrials sectors detracted the most from relative performance.

Amphastar Pharmaceuticals (AMPH) contributed the most to our performance during the second quarter, as its generic drugs, notably glucagon and epinephrine, continued to gain market share. Due to the strong demand for glucagon, the company is investing in its manufacturing facilities and expects to double its production capacity for the drug. While near-term demand remains strong, the company expects to have two to four high value new product launches within the next 12 months. We see the company's focus on complex, difficult-to-manufacture generic drugs as creating high barriers to entry in addition to strong profitability.

EPAM Systems (EPAM), a provider of IT consulting and outsourcing services, detracted the most from our performance, as the company guided down second-quarter expectations at mid quarter.

The company's pipeline has not developed as expected, as clients have slowed their decision making which has led to program delays and even cancellations. Management is not certain whether programs will begin in 2023 or remain delayed until 2024. However, we believe that clients will eventually need the services either to continue their digital transformations or to engage in new AI-related programs.

Trading and stock movements during the quarter led to several changes in sector weights. The Consumer Staples, Health Care, Industrials, and Consumer Discretionary sectors all saw their weights increase during the quarter, while the Information Technology and Financials sector weights decreased.

PagerDuty (PD) is a new position that was added during the quarter. PagerDuty is a cloud software platform that collects data and digital signals from virtually any software-enabled system and identifies incidents that require action. This can be useful in many areas including software code writing and enterprise application testing, as well as in identifying system security and compliance issues. The company's platform integrates with over 700 software products including AWS, ServiceNow, and Salesforce. Management states that the 3-year return on investment for its customers is 795% with a 2-month payback, which is achieved through an 85% reduction in time spent on identifying issues, a 77% reduction in time spent troubleshooting issues, and a 74% reduction in unplanned downtime. PagerDuty's competitive position is favorable, as the company has enhanced its technology lead and improved its customer support. Moreover, two of its main competitors are retiring their monitoring products, creating additional opportunities for PagerDuty. The company's valuation has become materially more attractive this year as profitability has dramatically improved, leading us to add it to the portfolio.

We exited our position in **Houlihan Lokey** (HLI), as revenue and earnings growth have declined due to the negative impact that the macroeconomic slowdown has had on demand for investment banking services.

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 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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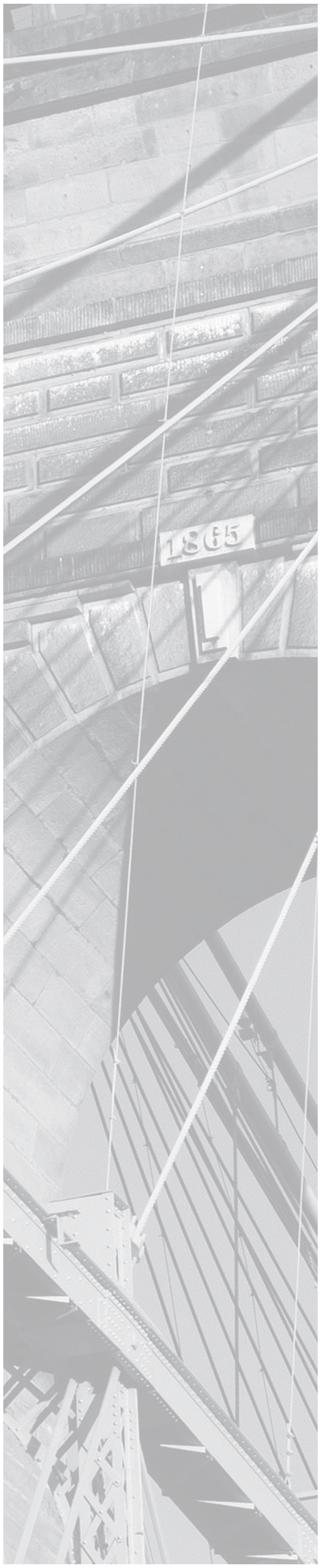

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