Renaissance®
Investment Management
Quarter Ending 12/31/2023

Midcap Growth
Quarter-End Review—4Q2023

Stock market investors enjoyed a strong rally over the last two months of the quarter, as the S&P 500 posted a return of 11.7% for the quarter as a whole. Information Technology, Real Estate, and Financials were the strongest performing sectors in the S&P 500, while Energy was the only sector that posted negative returns. Bond prices also exhibited strong gains during the quarter, as the yield on 10-year Treasury bonds declined to 3.89% at quarter-end, compared to 4.57% at the beginning of the quarter. The 10-year Treasury yield ended the quarter at roughly the same level where it started the year, despite rising as high as 5.0% in October.

For the fourth quarter, the S&P 500 returned 11.7% and the Russell Midcap Growth Index returned 14.5%. Both large-cap and small-cap stock indices produced solid double-digit returns for the quarter, with Growth outperforming Value. Returns in the quarter were driven by lower interest rates, with rate-sensitive sectors such as Utilities and Real Estate outperforming, while Energy was the only sector that produced negative returns. For the fourth quarter, our portfolio underperformed the Russell Midcap Growth Index. Our underweight of Consumer Discretionary stocks and other high-multiple growth stocks continued to drag down our relative performance as we saw a consistent and broad-based rotation into sectors that benefit from a lower-interest-rate environment.

In the fourth quarter, **Gartner** (IT), was our strongest performing stock. Gartner is a leading research and advisory company that provides objective research on technology, supply chain and digital marketing. The company reported solid operating results driven by its research and consulting segments, as customers continue to view Gartner as a strategic partner in their evaluation

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 9/30/2023	Midcap Growth Additions & (Midcap Growth Deletions)[3]
Information Technology	27.6%	+1.4%	Gartner (Microchip Technology)
Industrials	23.0%	+2.4%	Lincoln Electric Holdings
Health Care	18.1%	+1.8%	Cardinal Health
Financials	10.4%	-0.7%	
Consumer Discretionary	7.2%	-0.3%	
Consumer Staples	6.3%	-2.4%	(Darling Ingredients)
Energy	3.6%	-0.3%	
Cash	2.4%	-0.1%	
Communication Services	1.4%	-0.3%	
Materials	0.0%	0.0%	
Real Estate	0.0%	-1.5%	(Extra Space Storage)
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

CONTRIBUTORS TO RETURN[1][2]

Ticker	Company Name	Average Weight[3]	Contribution to Return
TOP FIVE CONTRIBUTORS—MIDCAP GROWTH			
IT	Gartner	1.41%	0.69%
TDG	TransDigm	2.20%	0.53%
KLAC	KLA	1.93%	0.50%
CTAS	Cintas	1.99%	0.48%
PANW	Palo Alto Networks	1.94%	0.46%
BOTTOM FIVE CONTRIBUTORS—MIDCAP GROWTH			
DAR	Darling Ingredients	0.47%	-0.27%
EXR	Extra Space Storage	0.48%	-0.24%
MCHP	Microchip Technology	0.57%	-0.18%
MTCH	Match Group	1.41%	-0.18%
BJ	BJ's Wholesale Club	1.89%	-0.15%

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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

of next-generation network decisions. Despite a challenging macroeconomic environment, the stock also reacted positively to the resilience of Gartner's operating model. **TransDigm Group** (TDG) was another large contributor to portfolio performance after reporting solid operating results and guidance. The company is benefiting from the recovery in commercial aviation parts for both their aftermarket and original equipment segments, driven by favorable secular growth trends. In addition, a substantial special dividend shows management's commitment to returning capital to shareholders. Finally, **KLA** (KLAC) outperformed the broader market. Despite an uncertain macro environment, the company is seeing broad-based demand for semiconductor inspection equipment, driven by growth in several end markets, including data centers, artificial intelligence, and cloud infrastructure, which boast favorable secular growth trends.

On the negative side, **Darling Ingredients** (DAR) was the weakest performer in the portfolio. The company reported weak quarterly results and lowered its full year outlook due to an unexpected hedging loss and unplanned downtime at a manufacturing facility. Another underperformer in the quarter was **Extra Space Storage** (EXR), as weak operating results in the second quarter carried over into the third quarter. The high interest rate environment is negatively impacting the returns for future storage facilities, creating future revenue growth headwinds. In addition, excess supply is resulting in pricing pressures in certain markets. Lastly, **Microchip Technology** (MCHP) declined after recent operating results confirmed that a weakening macroeconomic environment is affecting consumer demand, resulting in a reduction in order lead times. With few identifiable growth catalysts in the near-to-medium term, investors are waiting for order lead times to stabilize before moving back into the stock.

During the fourth quarter, we made several changes to the portfolio where we saw better opportunities for future growth. At the end of October, we added a new position in the Industrials sector with **Lincoln Electric Holdings** (**LECO**), the global leader in arc welding and cutting products. We believe Lincoln will benefit from several favorable secular themes including the electrification of the automotive fleet, industrial automation, the reshoring of U.S. manufacturing, and government stimulus programs such as the CHIPS Act and the Inflation Reduction Act. We also like management's focus on long-term, sustainable growth, resulting in consistent investments throughout the economic cycle and acquisitions of companies that accelerate their move into higher-growth end markets. Conversely, we sold our position in **Extra Space Storage** (**EXR**) following a deterioration in fundamental factors. We believe that current earnings estimates will need to come down as the company faces headwinds from the lagging effects of a higher-for-longer interest rate environment and banks tightening credit exposure. This could result in a prolonged decline in real estate demand, which is one of the drivers of the company's growth as homeowners seek additional storage. In addition, pricing has been negatively impacted by excess inventory of storage facilities in certain markets.

The immediate impetus for the stock and bond market rallies during the quarter was dovish commentary by the Federal Reserve, which suggested that interest rates are likely to be reduced over the course of 2024 and beyond. However, it is doubtful that the Fed would suggest future cuts in interest rates if it weren't for the significant improvement in inflation that occurred over the past year and a half. After peaking at close to 9% in mid-year 2022, the annualized change in the Consumer Price Index (CPI) declined to 3.1% through November—a remarkable drop over such a short period—and continues to move closer to the Fed's stated 2% inflation target. The Fed's preferred measure of inflation, the Personal Consumption Expenditures (PCE) Index, has declined to 2.6%, with the annualized rate over the past six months ending November falling even further to 1.9%.

In December 2022, a story in The Economist stated that 85% of economists polled said that they expected a recession to occur over the next 12 months (i.e., 2023). The fact that the majority of economists proved to be wrong should serve as a cautionary tale to anyone who makes economic projections. In 2023, the financial markets weathered the Federal Reserve's raising of interest rates 11 times over the preceding 18 months to their highest level in over 20 years, weakness in regional banks and a significant bank failure (Silicon Valley Bank), the ongoing war in Ukraine, and the renewed war in the Middle East. Few would have expected that these events would be associated with a 20%+ gain in the stock market, but these results have nonetheless occurred, lending credence to the adage that "the stock market tends to climb a wall of worry".

After the Federal Reserve's Open Market Committee (FOMC) meeting in early November, Fed Chairman Powell stated, "The fact is, the Committee is not thinking about rate cuts right now at all." However, just six weeks later in mid-December, Fed officials forecast a series of interest rate cuts in 2024, with the majority of FOMC officials expecting the Fed Funds rate to fall to 4.6% by the end of 2024. The "real" Fed Funds rate (the Fed Funds rate minus inflation) is at the high end of its range over the past 20 years, which suggests room for rate declines, especially if inflation continues to recede.

The price-to-earnings (P/E) ratio of the S&P 500 based on estimated earnings over the next 12 months rose from 17.9x at the beginning of 2023 to 22.1x by the end of December. This 24% increase, which accounted for virtually all of the S&P 500's gain in 2023, was an unusual occurrence given the increases in short-term interest rates over the year. The median P/E over the past 30 years was 17.9x, and current readings rank in the highest 18% of past periods, suggesting that further increases in the P/E are less likely.

While the market P/E is relatively high, earnings growth for the S&P 500 appears to be transitioning to growth. The fourth quarter of 2023 is estimated to see positive growth after several

quarters of negative year-over-year comparisons. Consensus forecasts now suggest double-digit growth in earnings for 2024, which, if achieved, may support further price gains in the market.

The fourth quarter return for the equal-weighted S&P 500 was virtually the same as the cap-weighted index, but the equal-weighted index lagged the cap-weighted S&P by -12.4% for the year 2023 as a whole, marking the worst relative performance by the equal-weighted index since 1998. The poor performance was a direct result of the outperformance of a relatively small group of mega-cap stocks over the past year. The largest 10 stocks in the S&P 500 accounted for 86% of the overall index return in 2023 and accounted for a record 32.1% weight in the index at year-end, according to JP Morgan. Notably, a similar period of outperformance by mega-cap companies occurred in the late 1990s, followed by strong outperformance by the equal-weighted index over subsequent periods extending out from 3 to 20 years. We continue to believe that a willingness to look beyond the recent mega cap market leaders will result in good relative returns going forward.

We continue to focus our efforts on identifying high-quality companies with good growth opportunities that are selling at reasonable valuations. While the market outlook for 2024 is just as difficult to predict as it was in 2023, we believe that our disciplined investment approach will continue to reward patient investors with good long-term returns.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of December 31, 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.)

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.

Personal Consumption Expenditures Index—The Personal Consumption Expenditures (or "PCE") Index Personal Consumption Expenditures (PCE) includes a measure of consumer spending on goods and services among households in the U.S.

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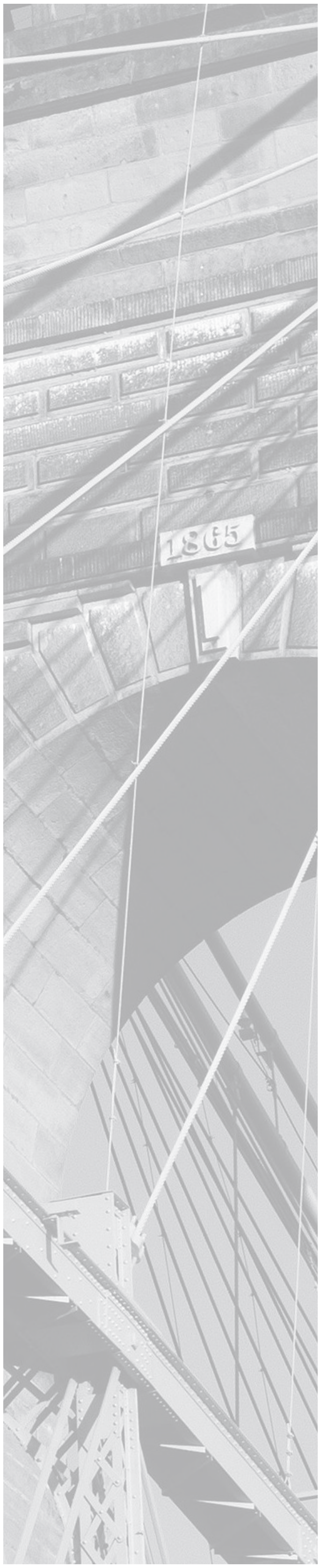

Russell Midcap Growth Index—The Russell Midcap® Growth Index measures the performance of the Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

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.

RUSSELL DATA

S&P DATA

STOCK REFERENCES

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