

Small Cap Growth Intra-Quarter Commentary—January 2024



The U.S. stock market started the year on a high note, with the S&P 500 continuing the positive momentum we've seen since the August lows. After a shaky first week, the pace of the rebound accelerated through the rest of the month, driven by increasing certainty that the Federal Reserve has navigated the U.S. economy to a soft landing. The improving inflation data and record high employment, propelled by robust jobs growth and wage increases, alleviated many of the recessionary fears that have been prevalent over the last two years. Meanwhile, the end of the Fed's monetary tightening cycle reduces the risk that rising rates will eventually choke off economic growth. We believe the Fed is following a prudent course given the slowdown in manufacturing, an increase in layoff announcements, and weakness in interest rate-sensitive sectors such as commercial real estate.

Looking ahead, the Federal Reserve has signaled a desire to cut the Fed Funds rate three times in 2024 on expectations that inflation will continue to trend lower toward the Fed's target rate of 2%. What is unknown is the impact of the Fed's prior interest rate hikes which began almost two years ago. We are also unsure if investors are factoring in the potential impact of quantitative tightening and the impact this may have on market liquidity as the Fed continues to reduce its balance sheet.

Overall, the U.S. economy grew a very healthy 3.3% in the fourth quarter of 2023, with job and wage growth remaining strong. Through January, with 35% of S&P 500 companies having reported fourth-quarter earnings thus far, 70% have exceeded revenue expectations and 75% have exceeded earnings expectations. This is mostly in line with 5-year historical averages of 69% and 77% respectively (*Source: FactSet*). Currently, S&P 500 corporate earnings are expected to

SECTOR WEIGHTS & PORTFOLIO CHANGES⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 12/31/2023	Small Cap Growth Additions & (Small Cap Growth Deletions) ⁽³⁾
Industrials	26.5%	+2.1%	Huron Consulting Group, Verra Mobility (Paycom Software)
Information Technology	26.3%	-1.1%	Squarespace (Monolithic Power Systems)
Health Care	15.0%	-1.5%	(AMN Healthcare Services)
Consumer Discretionary	13.0%	+0.1%	Green Brick Partners, Stride (Fox Factory, XPEL)
Financials	6.9%	+2.6%	Palomar Holdings
Consumer Staples	6.5%	-0.4%	
Energy	3.2%	0.0%	
Real Estate	1.9%	-0.1%	
Cash	0.8%	-0.2%	
Utilities	0.0%	0.0%	
Materials	0.0%	-1.6%	(Arcadium Lithium)
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

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CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH			
KNSL	Kinsale Capital Group	2.72%	0.45%
DECK	Deckers Outdoor	3.11%	0.40%
SWAV	Shockwave Medical	1.99%	0.34%
ELF	e.l.f. Beauty	2.73%	0.30%
HQY	HealthEquity	2.00%	0.26%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
AMPH	Amphastar Pharmaceuticals	2.66%	-0.40%
STRL	Sterling Infrastructure	2.28%	-0.38%
ALTM	Arcadium Lithium	1.01%	-0.37%
UFPI	UFP Industries	2.45%	-0.26%
SHLS	Shoals Technologies Group	1.30%	-0.23%

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⁽³⁾ Average weights over the presentation period.

Sources: Renaissance Research, FactSet

grow 11% in 2024. With valuation at the upper end of historical ranges, the S&P 500 is currently trading at a forward 12-month price to earnings ratio of 19.9x, above the 10-year average of 17.2x. As such, additional P/E multiples expansion would likely require a line of sight on much better GDP growth in the near to intermediate future.

While the S&P returned 1.7% during the month, the Russell 2000 Growth Index declined 3.2% in January after posting sharp gains in November and December, as investors continued to gravitate toward mega-cap technology and internet stocks. Our Small Cap Growth Strategy outperformed the Russell 2000 Growth Index for the month. Stock selection contributed the most to our performance, helped by our sector positioning. The best performing sector in the index was Information Technology, which was the only sector to achieve a positive return. The Consumer Staples sector, the next best performer, was down slightly for the month. The Materials and Utilities sectors declined the most in January. The relative outperformance of our portfolio was led by stock selection in Consumer Discretionary and Financials, while stock selection in Information Technology and Real Estate detracted the most from performance.

Kinsale Capital (KNSL) was our largest contributor to performance for the month, as earnings results from peers suggest that pricing remains strong industrywide while property damage claims in the fourth quarter were lower than expected. We believe that the company will continue to gain market share in the excess and surplus insurance market. In addition, the company's proprietary technology gives it a cost advantage over its peers, allowing Kinsale to price its products more competitively while achieving higher margins.

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Amphastar Pharmaceuticals (AMPH) detracted the most from our performance in January, as news reports of insider selling weighed on the stock. However, two of the founders who sold stock still own a meaningful number of shares, and we see no changes in the fundamentals of the company.

During January we added a new position in **Squarespace** (SQSP), a company that offers a platform for creating websites with commercial functionality. Squarespace allows entrepreneurs and small business to create and manage their own websites without needing to hire a professional web designer, resulting in lower costs and greater control over content. The company has seen steady growth in users of its design platform as it has added advanced functions, such as scheduling and payments, while the company also offers domain hosting. The increased capabilities have allowed the company to raise prices, contributing to revenue growth. We believe the company will continue to show steady growth through market share gains and new business formations, while improved pricing should benefit margins.

We exited our position **Monolithic Power Systems** (MPWR), a long-time holding, as its market cap exceeded our upper limit for inclusion in the Small Cap Growth portfolio.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of January 31, 2024 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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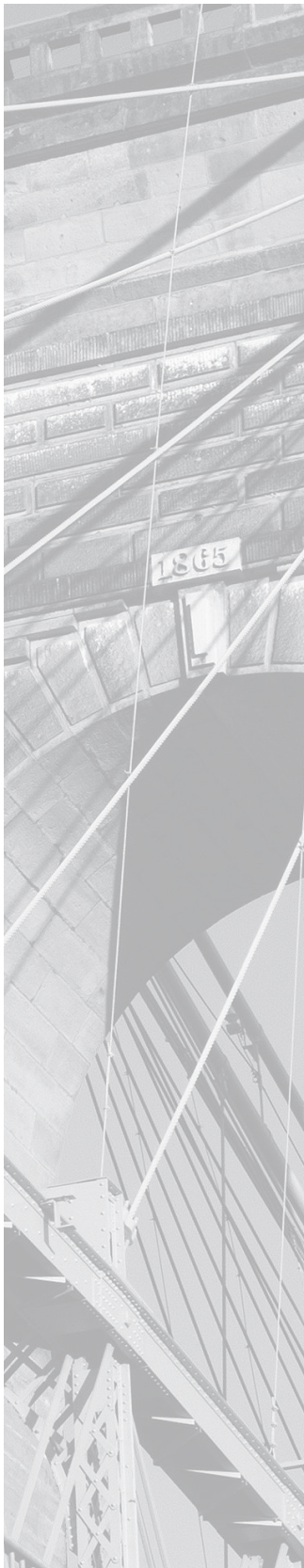
REFERENCED INDICES

(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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