

Small Cap Growth Intra-Quarter Commentary—February 2024



February saw strong stock returns across most major stock indices, with the S&P 500 returning more than 5%. Remarkably, the favorable returns came in despite hawkish comments from the Federal Reserve, as it signaled that the start of interest rate cuts likely won't occur until mid-2024. Market strength was driven by better U.S. macro-economic data, strong corporate earnings, solid employment growth, and better-than-expected GDP growth. Despite broadly positive performance across most sectors, the S&P 500 remains relatively narrow, with market gains predominantly driven by thematic, high-profile stocks that are benefiting from the proliferation and adoption of generative artificial intelligence (AI). Stocks such as Meta, Microsoft, and specifically NVIDIA, which is set to become the third-largest company in the world behind only Apple and Microsoft and is up almost 60% year-to-date, have captured the majority of investors' attention and enthusiasm. Interestingly, we are beginning to see performance divergences within the mega-cap technology and internet companies referred to as the "Magnificent Seven". This theme, in which a company's relative stock performance is driven by its ability to execute and benefit from AI, has been similarly noticed across all stock market capitalizations.

With fourth quarter earnings nearly complete, aggregate blended earnings growth rates for S&P 500 companies are coming in at 4.1% for the quarter and 1.9% for full year 2023. Current expectations predict earnings growth of 11.0% for 2024 (*Source: FactSet*). Historically, positive earnings growth is correlated with positive stock returns, and we remain constructive on the market. However, we also acknowledge that the narrowness of the market may lead to potential alpha-generating opportunities through the identification of companies that are capable of producing robust earnings growth in the current environment.

SECTOR WEIGHTS & PORTFOLIO CHANGES⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 1/31/2024	Small Cap Growth Additions & (Small Cap Growth Deletions) ⁽³⁾
Information Technology	24.6%	-1.7%	
Industrials	23.1%	-3.4%	(NV5 Global, UFP Industries)
Health Care	17.1%	+2.1%	The Ensign Group
Consumer Discretionary	13.1%	+0.1%	
Financials	7.6%	+0.6%	
Consumer Staples	7.0%	+0.6%	
Energy	3.7%	+0.6%	Weatherford International (Patterson-UTI Energy)
Real Estate	1.9%	0.0%	
Communication Services	1.2%	+1.2%	Integral Ad Science
Cash	0.6%	-0.1%	
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

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CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH			
MEDP	Medpace Holdings	2.93%	0.94%
STRL	Sterling Infrastructure	2.36%	0.89%
FIX	Comfort Systems USA	2.46%	0.88%
KNSL	Kinsale Capital Group	3.08%	0.83%
EME	EMCOR Group	2.30%	0.77%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
IAS	Integral Ad Science	0.76%	-0.69%
AMPH	Amphastar Pharmaceuticals	2.41%	-0.29%
QLYS	Qualys	2.34%	-0.27%
PWSC	PowerSchool Holding	2.18%	-0.23%
VRRM	Verra Mobility	1.94%	-0.21%

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⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

The Russell 2000 Growth Index snapped back in February to post a solid gain after declining in January, and our Small Cap Growth portfolios outperformed the index. The index saw gains in most sectors, led by performance in Information Technology and Materials. Utilities was the only sector that declined during the month, and Communications Services was the second worst performer. The relative outperformance of our Small Cap Growth Strategy was led by stock selection in the Industrials and Financials sectors, while stock selection in Information Technology and Communication Services detracted the most.

Medpace (MEDP) contributed the most to performance, as the management team guided full year earnings for 2024 above expectations when they reported results for the fourth quarter of 2023. The company has seen the spending environment from biotechnology customers improve over the last few quarters, with increasing requests for proposals and continued procurements of new business. In addition, lower employee turnover is driving cost savings and improved productivity which should lead to better profitability this year.

Integrated Ad Science (IAS), a provider of digital ad monitoring services, detracted the most from performance in February, as the company issued disappointing guidance for 2024. Moreover, management revealed that they had to give pricing concessions to less than a dozen customers in exchange for guaranteed volumes and exclusivity. The company signed a new agreement with Meta that should ramp throughout the year, but the fear of future pricing concessions outweighed the positive impact of new business. Growth for the company should improve as the year progresses, and we will continue to monitor the industry for any other signs of price competition.

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We added a new position in **The Ensign Group** (ENSG), a provider of nursing, senior living, and rehabilitative services. The company's services include therapy for patients with chronic conditions and prolonged illness, specialty care such as on-site dialysis, ventilator care, cardiac care, and pulmonary management. Services also include non-skilled, standard offerings such as room and board, special nutrition programs, social services, recreational activities, and entertainment. The company is known for providing high-quality care, and part of its growth strategy involves the acquisition of other facilities that are either distressed or underperforming. Management is able to improve the level of care, which in turn drives better operating efficiency. The company has shown consistent growth over the last 20 years, and we believe that the growth will continue.

We exited our position in **UFP Industries** (UFPI), a supplier of manufactured wood products for construction and packaging, as earnings continue to be under pressure due to weak end demand and falling lumber prices.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of February 29, 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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If Renaissance or benchmark performance is shown, it represents historically achieved results, and is no guarantee of future performance. All performance is shown in U.S. dollars unless otherwise stated. Future investments may be made under materially different economic conditions, in different securities and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Therefore, there may be sharp differences between the benchmark or Renaissance performance shown and the actual performance results achieved by any particular client. Benchmark results are shown for comparison purposes only. The benchmark presented represents unmanaged portfolios whose characteristics differ from the composite portfolios; however, they tend to represent the investment environment existing during the time periods shown. The benchmark cannot be invested in directly. The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings of the client portfolios in our composites may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected to represent what Renaissance believes is an appropriate benchmark with which to compare the composite performance.

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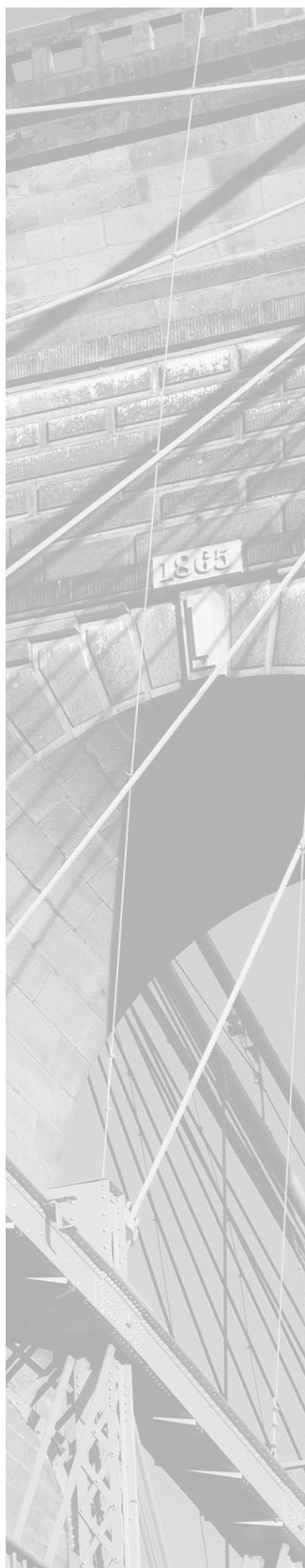
REFERENCED INDICES

(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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