Renaissance Investment Management

Quarter Ending 3/31/2024

Large Cap Growth

Quarter-End Review—1Q2024

The U.S. stock market posted strong gains during the first quarter, as the S&P 500 achieved an all-time high, gaining 10.6%. Information Technology, Communication Services, and Industrials were the strongest performing sectors in the S&P 500, while the Real Estate, Energy, and Materials sectors lagged. Size was again a significant factor associated with strong stock performance, as the 10 largest stocks in the S&P 500 at the beginning of the quarter averaged a gain of 18.8%. Artificial Intelligence (AI) beneficiary Nvidia was the best performing of these large stocks, gaining 82.5%, but it is worth noting that Tesla, a big winner in 2023 and also one of the 10 largest stocks, declined 29.3%. Bond prices declined slightly, as the yield on 10- year Treasury bonds rose to 4.20%, compared to 3.89% at the beginning of the quarter.

Comments from the Federal Reserve after their March 20 meeting were more dovish than many had expected. While the Fed did not act to reduce interest rates at its March meeting, its forecast of economic projections still implied that there may be three 25-bp cuts in the fed funds rate expected later this year. The forecast was delivered despite measures of inflation that are still above the Fed's 2% target. In addition, the Fed's projections for GDP growth over the 2024-2026 period were revised modestly higher from its estimates made just in December. Moreover, the Fed's forecast of the Fed Funds rate for 2025 and 2026 was also revised slightly higher than its December estimate. Overall, the Fed's statements seemed to signal a continued willingness to gradually lower interest rates even as inflation remains slightly above their long-term target.

While mega-cap stocks continued to lead the market during the first quarter, there are signs of broadening participation in the market rally. The S&P 500's cumulative advance-decline line,

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 12/31/2023	Large Cap Growth Additions & (Large Cap Growth Deletions)[3]
Information Technology	34.2%	-2.8%	(Fortinet)
Health Care	16.8%	-3.0%	ICON (Abbott Laboratories, Humana, Johnson & Johnson)
Financials	11.6%	+0.4%	
Consumer Discretionary	11.4%	+3.9%	lululemon athletica, Royal Caribbean Group
Industrials	10.3%	-1.7%	(Lockheed Martin)
Communication Services	6.3%	-0.1%	
Materials	3.7%	+3.7%	Ecolab, The Sherwin-Williams Company
Consumer Staples	3.4%	+0.3%	Target (Procter & Gamble)
Energy	1.5%	-0.1%	
Cash	0.8%	-0.8%	
Real Estate	0.0%	0.0%	
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—LARGE CAP GROWTH			
META	Meta Platforms	2.13%	0.70%
AMAT	Applied Materials	1.94%	0.50%
NFLX	Netflix	1.96%	0.49%
AMZN	Amazon.com	2.61%	0.47%
LRCX	Lam Research	1.96%	0.44%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
AAPL	Apple	2.95%	-0.35%
HUM	Humana	0.74%	-0.31%
ADBE	Adobe	1.65%	-0.26%
LULU	lululemon athletica	1.12%	-0.23%
ANSS	ANSYS	1.62%	-0.10%

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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

which measures the overall number of stocks rising and falling, has closely tracked the Index's rise since the lows of last October. This suggests that a broader number of stocks are participating in the market advance, as opposed to the extremely narrow leadership that was seen last year.

We continue to focus our efforts on identifying high-quality companies with good growth opportunities that are selling at reasonable valuations. Given geopolitical challenges as well as uncertainty surrounding the upcoming Presidential election, the recent trend of subdued market volatility may be unlikely to continue. However, we believe that our disciplined investment approach will continue to reward patient investors with favorable long-term returns.

In terms of large-cap stocks, the S&P 500 returned 10.6% and the Russell 1000 Growth Index returned 11.4%. Performance was broad based, with most sectors producing positive results. Real Estate was the only sector that saw negative returns. Mid-cap and small-cap stock indices also produced solid returns, with Growth outperforming Value across all market caps. For the quarter, our Large Cap Growth portfolio outperformed the S&P 500 and approximately matched the Russell 1000 Growth Index. Favorable stock selection in the Consumer Discretionary, Financials, and Consumer Staples sectors was the main driver of our outperformance.

Meta Platforms (META) was our top contributor in the first quarter, gaining 37.3%. The company reported solid operating results with accelerating growth in both advertising revenues and user engagement. Importantly, management remains committed to focusing on operating efficiency, while recent investments in artificial intelligence should drive an increase in the engagement of advertisers. **Applied Materials** (AMAT) was another strong performer, returning 27.5%. The company reported solid operating results that showed resilient demand and

broad-based growth across all segments and financial metrics. We believe that strong demand for artificial intelligence semiconductor chipsets, coupled with secular technology transitions and federal stimulus from the CHIPS Act, should continue to provide a favorable backdrop for the company. Lastly, **Netflix** (NFLX) gained 24.7% after reporting operating results that saw new service subscriptions come in much higher than expected. The company continues to benefit from the password sharing crackdowns that it initiated last year. Importantly, subscriber growth was seen across all regions, demonstrating the power of the company's platform despite a slowing global macro environment. Management continues to focus on profit growth with expectations of continued margin expansion into 2024.

On the negative side, **Apple** (AAPL) was the largest detractor in the first quarter, declining 10.8%. Despite reporting solid operating results as iPhone sales surprisingly exceeded expectations, investors were more focused on a continued deceleration in revenue growth, which is extending to a slowdown in the company's services segment as well. In addition, initial guidance for 2024 was below expectations, as a continued slowdown in sales in both its iPhone and China businesses is anticipated. Another underperformer in the quarter was **Humana** (HUM), down 19.6%. The company is focused exclusively on the Medicare Advantage market, which recently experienced an industry-wide acceleration in medical usage and costs, offsetting any benefits from growth in membership. The elevated medical usage levels amongst Humana's members are expected to have a significantly negative impact on earnings in both 2024 and 2025, as it will take several quarters before the company can begin repricing medical policies. Lastly, **Adobe** (ADBE) declined 15.4% despite reporting solid operating results and maintaining guidance for the year. Investors are concerned over the recent deceleration in digital marketing growth and fear that generative artificial intelligence, such as ChatGPT's Sora image creator, will negatively impact traditional digital creation business models.

During the first quarter, we made several changes to the portfolio with opportunities to improve its overall growth profile. One of the additions, **ICON** (ICLR), is a leading contract research organization that serves biotech, pharmaceutical, and medical technology companies with services that support phase I-IV clinical development. The company is well positioned among large and mid-sized customers to capture an increasing amount of their outsourced business. Management has done an excellent job of executing its strategy, including making acquisitions that have expanded its site network and adding skills and technology that we believe will enable the company to continue outgrowing the market. In addition, the funding environment for biotech clients has improved over the last six months, increasing our confidence in the near-term prospects of the company. Conversely, we sold our position in **Lockheed Martin** (LMT) following a fundamental review of our investment thesis. We believe that growth will remain tepid for the foreseeable future, driven predominantly by a material deceleration in Department of Defense budget authorizations. With growth slowing and the stock trading near the high-end of its historical valuation range, we believe there are more compelling growth opportunities available.

After dropping sharply from its 2023 high of almost 9%, the inflation rate has essentially remained constant for most of the past six months. While the Fed has indicated that its target for inflation is 2%, the most recent annualized change in the Consumer Price Index (CPI) is 3.1%. The Fed's preferred measure, the Personal Consumption Expenditures Index (PCE), rose 2.8% over the past year. The cost of shelter and gasoline are among several factors contributing to the most recent rise in prices. The net effect of plateauing inflation may be to defer a significant cut in interest rates by the Fed until inflation makes more progress toward 2%.

Since the end of last October, the S&P 500 Index has risen 25.3%, one of its strongest 5-month gains in its history. Most of the gain can be attributed to an increase in its price/earnings (P/E) multiple, as its P/E ratio increased from 17.5x to 21.1x, a 20.4% increase. The S&P's current P/E ranks in the highest 13% of observations since 1999, suggesting that further expansion of

the multiple may be difficult and that an increase in earnings is more likely to be the driver of further market gains.

After declining from mid-year 2022 through early 2023, estimates for S&P 500 earnings on a 12-month forward basis have been in a steady uptrend. While earnings estimates for technology companies have experienced the sharpest upward revisions, estimates across a number of other economic sectors have also been increasing. A sustained increase in corporate earnings is the most likely catalyst for further gains in stocks.

The yield curve has been inverted (meaning shorter-term bonds are at higher yields than longer-term bonds) for a remarkable 21 months, the longest such period in history. Every previous period of an inverted yield curve has been associated with an economic recession, although the timing and magnitude of the ultimate recession has varied. Either a significant drop in short-term bond yields or an increase in long-term bond yields (or some combination) is necessary to see the yield curve return to a more normal shape. Until then, the inverted yield curve is one factor that continues to suggest caution with regard to the economic outlook.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of March 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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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.)

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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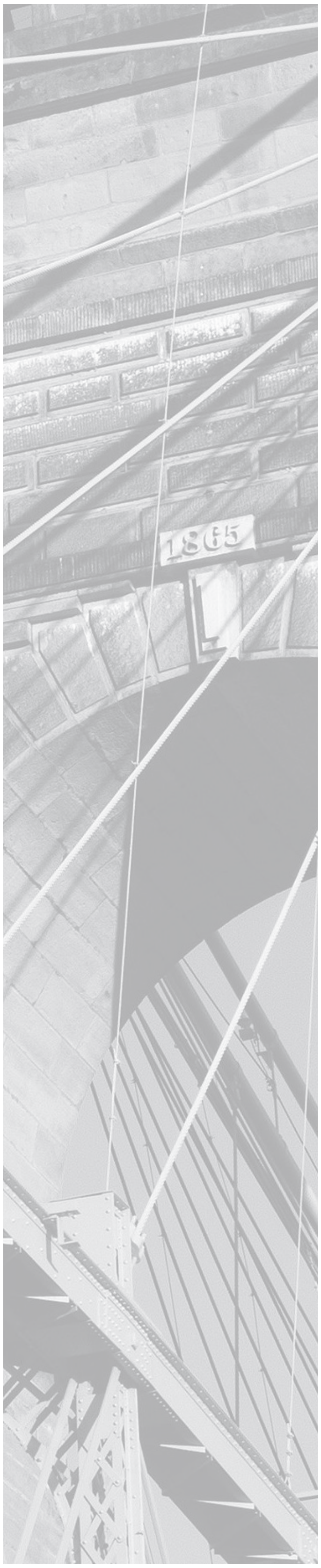

Russell 1000 Growth Index—The Russell 1000® Growth Index is a market capitalization weighted index that measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

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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