Renaissance Investment Management

Quarter Ending 3/31/2024

Small Cap Growth

Quarter-End Review—1Q2024

Stocks 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%. 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, which measures the overall number of stocks rising and falling, has closely tracked the Index's

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 12/31/2023	Small Cap Growth Additions & (Small Cap Growth Deletions)[3]
Information Technology	24.3%	-3.1%	Q2 Holdings, Squarespace (Box, Monolithic Power Systems)
Industrials	23.2%	-1.2%	Huron Consulting Group, Verra Mobility (NV5 Global, Paycom Software, UFP Industries)
Health Care	17.1%	+0.6%	The Ensign Group (AMN Healthcare Services)
Consumer Discretionary	13.5%	+0.6%	Green Brick Partners, Stride (Fox Factory, XPEL)
Financials	7.7%	+3.5%	Palomar Holdings
Consumer Staples	6.7%	-0.2%	
Energy	3.9%	+0.8%	Weatherford International (Patterson-UTI Energy)
Real Estate	1.9%	0.0%	
Communication Services	1.2%	+1.2%	Integral Ad Science
Cash	0.5%	-0.4%	
Utilities	0.0%	0.0%	
Materials	0.0%	-1.6%	(Arcadium Lithium)

(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			
KNSL	Kinsale Capital	3.07%	1.43%
SWAV	Shockwave Medical	2.17%	1.28%
EME	EMCOR Group	2.52%	1.27%
FIX	Comfort Systems USA	2.59%	1.18%
DECK	Deckers Outdoor	2.71%	1.03%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
AMPH	Amphastar Pharmaceuticals	2.33%	-0.87%
IAS	Integral Ad Science	0.62%	-0.77%
SHLS	Shoals Technologies	1.32%	-0.47%
QLYS	Qualys	2.42%	-0.46%
INST	Instructure Holdings	1.74%	-0.45%

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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

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.

The Russell 2000 Growth Index performed well in the first quarter, continuing the rally that started in November last year. In fact, the index closed at a 2-year high in late March. The Information Technology sector contributed the most to index performance, driven almost entirely by two stocks, Super Micro Computer and MicroStrategy. The Industrials sector was the second largest contributor led by the construction and engineering industry. Utilities was the worst performing sector for the quarter, followed by Communication Services. Our Small Cap Growth Strategy outperformed the index in the first quarter, led by stock selection in Financials and Health Care. Stock selection in Information Technology detracted the most from our relative performance, as we did not own Super Micro Computer or MicroStrategy. Stock selection in Communication Services also detracted from portfolio performance.

Kinsale Capital (KNSL) contributed the most to our performance, as the provider of specialty property and casualty insurance reported strong results for 2023, boasting 44% premium growth

for the year. Growth should remain solid in 2024 as the company's technology advantage allows it to continue to gain market share through superior underwriting while it also maintains industry leading margins. We see a long runway for growth, as the company's market share remains close to 1% and we believe that their competitive advantage in technology is sustainable.

Amphastar Pharmaceuticals (AMPH) detracted the most from performance, as sales of their hypoglycemia nasal spray were modestly below expectations and their introduction of a generic version for osteoporosis therapy was delayed by a quarter. The stock is attractively valued, and we see a number of new generic products to be introduced this year that should enhance their growth.

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

Palomar Holdings (PLMR), an insurance holding company that provides property and casualty insurance to residential and commercial markets in the United States, was a new position added during the first quarter. The company has a proven market niche in earthquake insurance in which its ability to assess risk is a significant differentiation relative to its competitors. The company is expanding into the inland marine and casualty markets, and management believes that their underwriting expertise will allow them to gain market share. In addition, the company has exited more volatile product offerings, leading to more consistent earnings growth. We consider the combination of long-term revenue growth, steady to improving margins, and an attractive valuation as a solid foundation, prompting us to add the company to the portfolio.

We exited our position in **Box** (BOX), a provider of enterprise content management software, as revenue growth has struggled to reaccelerate after a slowdown, and we see no catalyst to push revenue higher in the foreseeable future.

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%.

Based on forward P/E ratios, the S&P 500 and the Russell 1000 Growth indices seem expensive, while our Small Cap Growth portfolio comparatively offers compelling valuation. In fact, the valuation of our portfolio looks even more appealing given the overall characteristics of the holdings. While large cap growth stocks have become somewhat expensive, small cap growth stocks remain reasonably priced. As of 3/31/2024, the valuation of our small cap growth portfolio is at 19.5x fiscal year two expected EPS versus 24.8x for the Russell 1000 Growth Index. The five-year annualized EPS growth rate of 28.7% is attractive in absolute terms and stands out compared with the Russell 1000 Growth Index at 17.6%. Moreover, among our small cap growth holdings, 84% reported a positive earnings surprise last quarter, while 64% have experienced upward revisions in expected earnings for fiscal year two, lending support to our expectation that historical growth should continue through 2024 and into 2025.

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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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.

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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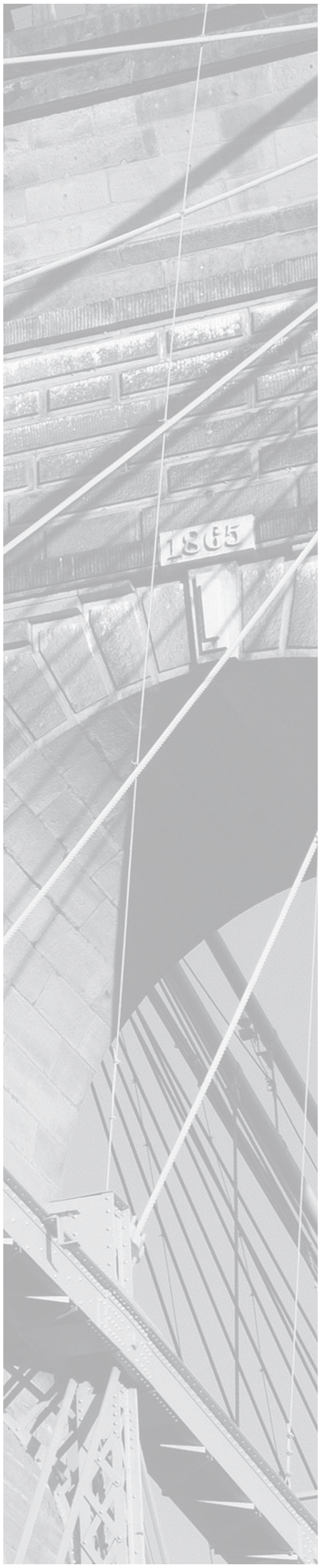

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