Renaissance Investment Management

Quarter Ending 06/30/2025

Large Cap Growth
Quarter-End Review—2Q2025

Stock prices were highly volatile during the second quarter, but the S&P 500 ended higher at the end of the period, posting an all-time high by the end of June. The announcement of unexpectedly large tariffs by President Trump on April 2 (“Liberation Day”) set off havoc in the market, causing stock prices to drop 7% from April 2 to April 7. In anticipation of the tariff announcement, the S&P 500 had already dropped over 7% from its February 19 high through April 2. The total decline in the S&P from February 19 through April 7 was over 17%, one of the sharpest declines ever recorded in such a short period of time.

Nevertheless, the market experienced a recovery that was just as dramatic, as it gained over 22% from its April 7 low through the end of June. The Trump Administration backed away from some of its more extreme tariff proposals, which led to a recovery in investor confidence. Even the outbreak of an actual shooting war between Iran and Israel on June 13 was not enough to derail the market recovery. The Communications Services, Information Technology and Industrials sectors were the strongest performers for the quarter, while the Energy, Health Care and Real Estate sectors were laggards. Mega-cap technology stocks reversed much of their losses from the first quarter, as the cap-weighted S&P 500 return of 10.9% was significantly above the index’s equal-weighted return of 5.5%.

At its meeting in mid-June, the Federal Reserve again elected to hold interest rates steady, marking the fourth consecutive meeting in which the Fed has held the Fed Funds rate unchanged at 4.25%-4.50%. Uncertainty over the volatile changes in proposed tariffs undoubtedly contributed to the Fed’s decision to hold interest rates steady.

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 3/31/2025	Large Cap Growth Additions & (Large Cap Growth Deletions)[3]
Information Technology	38.2%	+7.8%	Applied Materials, Dynatrace, Intuit, Nutanix
Financials	16.0%	-2.1%	(Qualcomm)
Industrials	13.2%	-0.2%	(KKR)
Health Care	9.5%	-2.5%	
Communication Services	9.0%	+0.6%	(Thermo Fisher Scientific)
Consumer Discretionary	7.9%	-1.4%	
Materials	1.8%	-1.5%	
Real Estate	1.6%	-0.1%	(Eagle Materials)
Consumer Staples	1.5%	-0.7%	
Cash	1.3%	+0.2%	
Energy	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			
AVGO	Broadcom	2.09%	1.18%
FIX	Comfort Systems USA	1.86%	1.08%
APH	Amphenol	2.20%	1.01%
JBL	Jabil	1.93%	1.01%
MSFT	Microsoft	2.99%	0.92%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
FI	Fiserv	1.66%	-0.44%
TMO	Thermo Fisher Scientific	1.25%	-0.38%
AAPL	Apple	3.05%	-0.30%
ABBV	AbbVie	1.54%	-0.24%
BRO	Brown & Brown	1.62%	-0.24%

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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

Beyond the uncertainty and concerns around tariffs, sound corporate earnings levels and solid economic data suggest that economic growth remains positive. While the Fed's preferred measure of inflation, the core PCE (Personal Consumption Expenditures) Index, is still above the Fed's 2.0% target, its current level of 2.7% is still far below its peak of over 7% back in 2022.

The full impact of tariffs on the real economy has yet to be seen, and further market volatility is possible in the months ahead. We continue to believe that a broadly diversified portfolio of high quality reasonably priced growth stocks will provide the best opportunity to achieve favorable risk-adjusted returns going forward.

In the second quarter, the Russell 1000 Growth returned 17.8% and the S&P 500 returned 10.9%. Larger cap stocks significantly outperformed smaller cap stocks and Growth materially outperformed Value. For the quarter, our portfolio underperformed our Russell 1000 Growth benchmark but outperformed the S&P 500 Index.

Broadcom (AVGO) was the largest contributor to our portfolio performance in the second quarter after reporting strong operating results and guidance. The stock benefited from continued investor enthusiasm for high growth momentum stocks, as well as from companies with exposure to artificial intelligence. Importantly, Broadcom has been growing its hyperscale and connectivity product portfolios, resulting in increasing revenue exposure to faster growing artificial intelligence applications and offsetting a slowdown in its legacy semiconductor business. **Comfort Systems USA** (FIX) was another large contributor. The company reported solid quarterly operating results, indicating an acceleration in organic revenue growth and highlighting the company's incremental margin opportunities. Importantly, growth appears sustainable, with backlog growth accelerating.

Management also highlighted their new business pipeline, addressing recent industry-wide concerns that demand for data center construction, service, and maintenance is slowing down. Lastly, **Amphenol** (AAPL) was a notable contributor, driven by strong momentum for its AI and data center connector products. In addition, the recent acquisition of Andrew was more accretive to earnings than initially expected, leaving the possibility of future positive earnings revisions if management continues its strong record in execution of large acquisitions.

On the negative side, **Fiserv** (FI) was the largest detractor from portfolio performance in the second quarter. Despite reporting operating results that saw organic revenue growth exceed expectations, the stock underperformed on slowing growth in its merchant acceptance segment, primarily driven by a slowdown in Clover, the company's cloud-based point-of-sale product. Nevertheless, we are encouraged by the stability in its core merchant segment and believe that Clover can show reaccelerating growth in the second half of this year. **Thermo Fisher Scientific** (TMO) was another underperformer, declining 18.5% despite reporting solid operating results. In addition, the company lowered full-year guidance on tariff-related macro weakness and introduced uncertainty related to National Institute of Health (NIH) funding delays that have negatively impacted its academic and government customers. Lastly, **Apple** (AAPL) declined in the quarter. Despite reporting solid operating results, the stock came under pressure over concerns about decelerating iPhone sales, China growth headwinds, and underwhelming details for Apple's long-awaited AI strategy. Tariffs were also an unexpected negative surprise, with Apple quantifying a sizable $900M cost impact. Moreover, the latest development in the Apple vs. Epic Games lawsuit resulted in a ruling that Apple had violated an earlier injunction, questioning Apple's absolute control over its App Store.

During the second quarter, we made several changes to the portfolio where we saw better opportunities for future growth. At the end of June, we added a new position in the Information Technology sector with **Dynatrace** (DT), a leading computer network infrastructure observability company focused on application performance and monitoring. We believe Dynatrace will benefit from the shift to cloud computing and growth in artificial intelligence. These technologies add vast quantities of data and increased complexity, driving a growing need for network observability solutions. Furthermore, Dynatrace has been utilizing AI in observability for over a decade, which we believe puts it in a good position to benefit from the growth of agentic AI, which will require functionality that can head off potential problems with actionable and automatic resolution while eliminating uncertainty from AI-powered systems that use correlations.

Conversely, we sold our position in **Thermo Fisher Scientific** (TMO) following a deterioration in fundamental factors. We believe that current estimates for the company leave little room for positive earnings revisions. While the company's life sciences segment has returned to positive organic growth, the company's largest segment, lab products, is only beginning to face growth headwinds as large Contract Research Organization (CRO) customers are negatively impacted by DOGE-related spending cuts. In addition, an increase in budgetary uncertainty has pressured government and academic customers, resulting in an abrupt slowdown in orders from what had historically been a stable customer base.

Stock market leadership in the second quarter was concentrated among the higher beta segments of the market. Using the returns of the S&P 500 High Beta and Low Beta ETFs as an example, the high beta ETF posted a return of 24.6% for the quarter, compared to a loss of -2.5% for the low beta ETF. However, these figures were a marked reversal of the first quarter results, where high beta experienced a loss of -11.7% while low beta gained 6.7%. The recovery of higher beta stocks suggests a recovery in investor confidence as well.

The initial selloff in the stock market during the quarter was accompanied by a decline in the U.S. dollar. While it is not unusual to see a decline in a nation's currency along with its stock market, it is notable thus far that the recovery in U.S. stocks has not been accompanied by a

recovery in the dollar. In fact, the U.S. dollar has experienced its worst decline over the first half-year since 1973, leading to concerns about the dollar maintaining its position as the world's de facto reserve currency. On a positive note, a declining dollar means that exports to overseas markets will translate into stronger corporate earnings for U.S. exporters, which is significant as roughly 40% of overall S&P 500 earnings come from overseas markets.

After notable declines earlier this this year, the consensus earnings estimate for S&P 500 companies for calendar year 2025 and 2026 seems to have stabilized in recent weeks. As more extreme tariff proposals have been delayed or eliminated entirely, it appears that analysts have become more bullish on earnings forecasts. At quarter-end the consensus growth projection for 2026 earnings vs. 2025 was for a 12.3% gain.

Even as Fed Chairman Powell has resisted reducing interest rates over the past four Federal Reserve Open Market Committee (FOMC) meetings, the implied Overnight Fed Funds rate as derived from futures pricing suggest that rates will decline significantly through 2026. Powell's term as Fed Chairman will expire in mid-2026, and his successor will be nominated by President Trump. It's highly likely that the new appointee will share President Trump's dovish views on interest rates and will favor a lower Fed Funds rate target. Lower short-term rates may not translate immediately into lower bond yields or mortgage rates, but they should add a level of stimulus to the economy.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of June 30, 2025 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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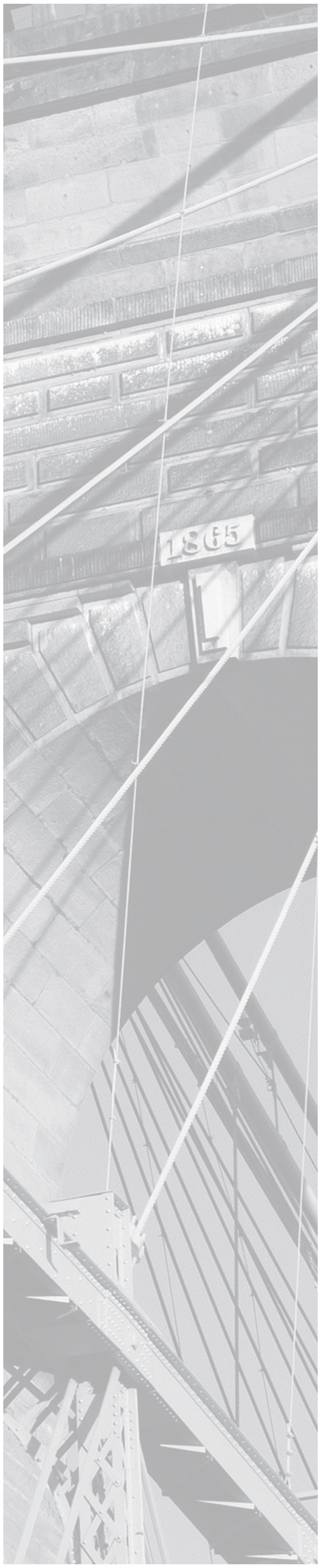

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REFERENCED INDICES

(Indices are unmanaged and are not available for direct investment.)

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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