Renaissance Investment Management

Quarter Ending 06/30/2025

Midcap 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	Midcap Growth Additions & (Midcap Growth Deletions)[3]
Information Technology	27.3%	+3.8%	Dynatrace
Industrials	25.4%	-1.0%	(Booz Allen Hamilton)
Financials	16.1%	-1.1%	
Health Care	12.0%	-0.1%	
Consumer Discretionary	6.3%	-1.6%	(Skechers)
Consumer Staples	4.5%	-0.3%	
Cash	2.5%	+0.2%	
Energy	2.1%	-0.1%	
Communication Services	2.0%	+0.1%	
Real Estate	1.9%	+0.2%	
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

CONTRIBUTORS TO RETURN[1][2]

Ticker	Company Name	Average Weight[3]	Contribution to Return
TOP FIVE CONTRIBUTORS—MIDCAP GROWTH			
JBL	Jabil	2.38%	1.30%
APH	Amphenol	2.81%	1.28%
FIX	Comfort Systems USA	1.93%	1.07%
SOFI	SoFi Technologies	1.84%	0.97%
RCL	Royal Caribbean	1.93%	0.94%
BOTTOM FIVE CONTRIBUTORS—MIDCAP GROWTH			
BRO	Brown & Brown	2.05%	-0.30%
CPRT	Copart	1.83%	-0.21%
ICLR	ICON	0.77%	-0.20%
ORLY	O'Reilly Automotive	2.25%	-0.17%
BJ	BJ's Wholesale Club	2.63%	-0.16%

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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 Midcap Growth Index increased 18.2%, rebounding strongly off the lows in April as concerns over trade policy eased. The market experienced a reversal of the safety trade from the first quarter, with high beta, cyclical, and AI-themed companies driving stocks higher. Palantir (PLTR), the largest index component, was the poster child of this high beta AI enthusiasm, increasing more than 60%. Our portfolio underperformed the Russell Midcap Growth Index during the quarter, with PLTR contributing nearly 40% of the underperformance. Stock selection detracted from performance, led by Financials, Information Technology, and Industrials. Sector allocation also contributed to our shortfall due mostly to an underweight in Utilities, Information Technology, and Communication Services, which all outperformed the benchmark.

Our largest contributors to performance were led by AI-themed companies that reported favorable quarterly results. **Jabil** (JBL) was our top contributor, with the company reporting a strong beat-and-raise quarter. Sales and operating earnings grew and exceeded expectations, benefiting from

an acceleration in demand for AI-related capital equipment, cloud, and data center products. The outlook continues to look promising, as the company increased its expectation of AI-related sales this year. **Amphenol** (APH) was another large contributor. The company reported strong results, with upside across sales, margins, and earnings. The Communications Solutions segment which houses AI-related products grew markedly with robust orders. Moreover, it is promising that non-AI markets also showed strength, which was reflected in a book to bill greater than one across end markets, while the Andrew acquisition that closed in February is already generating better-than-expected earnings accretion. Lastly, **Comfort Systems USA** (FIX) was a meaningful contributor. The company produced another compelling report as it continues to benefit from the infrastructure build-out to support AI. Backlog grew significantly, and the pipeline of projects remains strong, boding well for future growth.

Our largest detractors from performance were led by **Brown & Brown** (BRO), reflecting a mixed earnings report in which sales fell slightly short of expectations and management commentary was a bit more conservative. Growth is moderating back to traditional levels, customers are increasingly cautious, and catastrophic property rates are under pressure. With that said, growth was generally solid across product lines, and the company did not change its outlook for the year, as sales remain consistent with the company's long-term target. **Copart** (CPRT) was another large detractor, reflecting quarterly results that disappointed. The company experienced a shortfall in its salvaged vehicle auction volumes which were impacted by fewer drivers choosing to insure their cars—likely the result of significant price increases for car insurance over the past few years. In addition, car insurers are also choosing not to renew certain auto policies, as elevated repair costs continue to exceed historical actuarial estimates. These trends have reduced the number of insured salvage vehicles, and volumes may remain under pressure until insurance dynamics normalize. **ICON** (ICLR) remained a drag on performance, as quarterly results were mixed, with sales missing expectations and EPS beating expectations, while guidance was cut. Drug trial activity remains subdued due to customer caution, reflected in delayed decision-making and elevated cancelations. Valuation is at a trough level, while the cut to guidance likely de-risks the rest of the year, which improves the setup for potential upside if the environment improves.

During the quarter, we upgraded the portfolio with the purchase of **Dynatrace** (DT), which provides observability services that help customers identify problems within their networks. The company places an emphasis on R&D, which has enabled it to establish a leadership position in the industry by adding capabilities, including security and a leading AI-powered platform, with the goal of having a complete end-to-end solution. There are several tailwinds that support attractive growth, including the shift to cloud and growth in AI which add huge quantities of data and complexity that are driving increased demand for observability solutions. At the same time, customers are looking to consolidate onto one platform, which positions the company favorably to take share.

We sold **Booz Allen Hamilton** (BAH) following a deterioration in fundamental factors. Our outlook for the company's growth prospects has soured due to headwinds related to government austerity around consulting services, which will likely persist for some time.

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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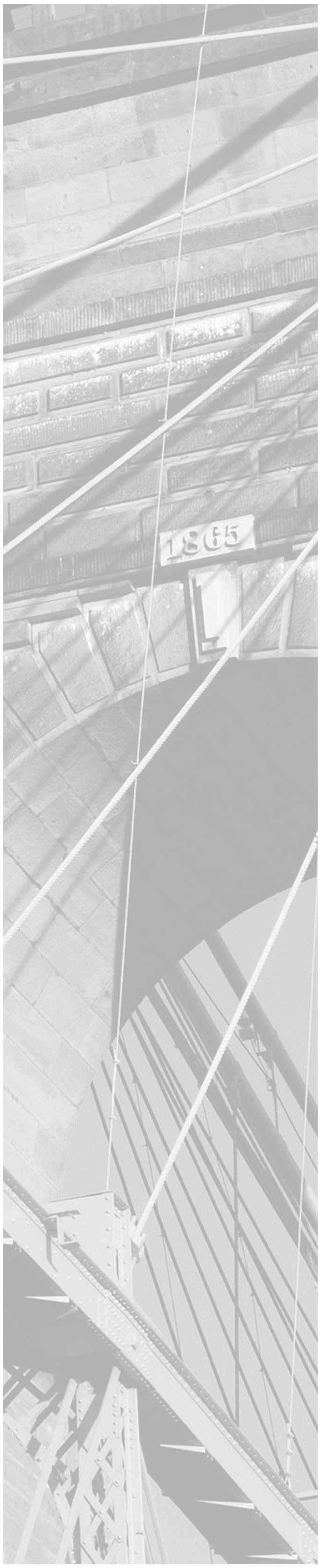

REFERENCED INDICES

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

Russell Midcap Growth Index—The Russell Midcap® Growth Index measures the performance of the Russell Midcap 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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