

Large Cap Growth

Intra-Quarter Commentary—October 2025



October saw solid returns across most major stock indices, with the S&P 500 returning 2.3%. Dovish actions from the Federal Reserve were a catalyst, as the Fed delivered a second consecutive 25 bps cut, taking the Fed Funds Rate to 3.75%-4.0% and officially ending quantitative tightening. Even with Chairman Powell casting some doubt on another cut in December, stable inflation data and signs of labor softness continue to point to another cut in December. In addition, the U.S. economy remained on solid footing with upside in economic indicators, strong corporate earnings, and a resilient U.S. consumer, benefiting market strength.

However, with market gains predominantly driven by thematic, high-profile stocks that are benefiting from the proliferation and adoption of generative artificial intelligence, the S&P 500 remains very narrow under the surface. In fact, the equal-weighted S&P 500 posted a 0.9% decline in October, meaning that the median stock in the S&P fell. Historically, extremely narrow breadth in the stock market has foreshadowed heightened future volatility, as we saw preceding the dot-com bubble. However, despite mounting fears of an AI bubble, stocks such as Alphabet, Meta, Microsoft and NVIDIA, now the largest companies in the world with a combined \$5 trillion market capitalization, have captured the majority of investors' attention and enthusiasm. Interestingly, we are starting to see performance divergences *within* the Magnificent 7 companies, where relative performance is driven by the ability of management to show how they will continue to benefit from artificial intelligence.

For much of this year, earnings growth has been a tailwind to market sentiment. At the end of October, with two-thirds of S&P 500 having reported third quarter earnings, it has been encouraging

SECTOR WEIGHTS & PORTFOLIO CHANGES ⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 9/30/2025	Large Cap Growth Additions & (Large Cap Growth Deletions) ⁽³⁾
Information Technology	38.4%	0.0%	
Health Care	12.8%	3.0%	Boston Scientific
Industrials	12.2%	-0.1%	
Consumer Discretionary	11.1%	-0.4%	
Financials	10.6%	-2.1%	(Brown & Brown)
Communication Services	8.9%	0.0%	
Utilities	1.9%	0.1%	
Real Estate	1.8%	0.0%	
Materials	1.6%	-0.1%	
[Cash]	0.7%	-0.4%	
Consumer Staples	0.0%	0.0%	
Energy	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
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TOP FIVE CONTRIBUTORS—LARGE CAP GROWTH

GOOGL	Alphabet	2.93%	0.44%
CAH	Cardinal Health	1.81%	0.40%
FIX	Comfort Systems USA	2.45%	0.37%
AVGO	Broadcom	3.03%	0.34%
AMAT	Applied Materials	2.23%	0.28%

BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH

FI	Fiserv	1.13%	-0.57%
META	Meta Platforms	2.64%	-0.32%
APP	AppLovin	1.81%	-0.27%
HLI	Houlihan Lokey	1.78%	-0.24%
ORLY	O'Reilly Automotive	1.69%	-0.22%

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⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

to see companies report better-than-expected operating results. So far, the blended earnings growth rate is 10.7%, better than expectations and accelerating from the second quarter (*Source: FactSet*). As we enter the final quarter of 2025, it is prudent to remember that earnings growth has historically been correlated to stock market returns. Consequently, solid year-to-date stock market returns should not be surprising in light of the better-than-expected earnings growth we have seen thus far. Looking ahead, we remain optimistic about the trajectory of earnings growth, with current expectations of 13.9% earnings growth in 2026. While this could prove to be an aggressive projection, our focus on high-quality growth companies that can generate organic growth and free cash flow should continue to provide portfolio stability.

In October, the Russell 1000 Growth returned 3.6% and the S&P 500 returned 2.3%, with Growth outperforming Value. Both large cap and small cap stocks produced solid returns, with large cap stocks benefiting from investors' gravitation toward mega-cap technology stocks and small cap stocks benefiting from the incrementally dovish monetary policy. Meanwhile, mid-caps were negative, which is indicative of the aforementioned narrowness of the market. The Information Technology sector provided the largest contribution to returns, led by the Magnificent 7 stocks, collectively up 4.9%. Conversely, the Financials sector was the largest detractor from performance. We underperformed our Russell 1000 Growth benchmark and outperformed the S&P 500 Index for the month.

We made one change to the portfolio in October, adding a new position in the Health Care sector with **Boston Scientific** (BSX), a leading global medical device company. The company's market leadership position in medical devices and cardiovascular specialties positions BSX to

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benefit from a favorable demographic tailwind, as the baby boom cohort will continue to drive consistent healthcare demand for the foreseeable future. We like how management has diversified revenues from more commoditized markets into faster growing markets such as electrophysiology, neuromodulation, and endoscopy, which now make up a material percentage of revenues. Conversely, we sold our position in **Brown & Brown** (BRO), following a deterioration in fundamental factors. We believe the company will face multiple headwinds in the foreseeable future. Growth is moderating at a faster-than-expected pace as interest rates decline and pricing softens, while operating costs are increasing and inhibiting margin expansion. Moreover, the property and casualty insurance industry is facing headwinds, as multiple years of price increases are starting to lead customers to forgo or reassess their insurance needs.

Alphabet (GOOGL) was the largest contributor to portfolio performance in October, driven by strong operating results. The company saw broad-based, double-digit growth across all segments, with AI features pulling Google Search demand forward and driving a profitability inflection in its cloud business. We believe Alphabet will be a winner in artificial intelligence, with revenue acceleration and ownership of its entire AI stack. Another strong performer in October was **Cardinal Health** (CAH). The company reported solid operating results, driven by its core pharmaceutical distribution business, which benefits from strong pharmaceutical drug utilization. The resulting higher incremental margins drove earnings upside. Looking ahead, we expect to see continued margin expansion as Cardinal builds out its oncology services. **Comfort Systems** (FIX) was another top performer, reporting a string of strong operating results. The company's underlying business continues to see solid, sustainable growth, driven by the buildout of new data centers that run AI applications. Looking ahead, we believe that the company is well-positioned to provide ongoing service and maintenance for the cooling needs of existing and new data centers.

Conversely, **Fiserv** (FI) was our worst performer of the month. The company lowered its full-year guidance following several quarters in which a proliferation of multiple small factors created growth headwinds. Unfortunately, Fiserv's new management team also disclosed during their earnings call that potential revenue recognition irregularities had been masking the true growth of the company, suggesting that underlying growth was much lower. The Chief Financial Officer was dismissed, and the stock is currently under a fundamental review. Another underperformer was **Meta Platforms** (META). While the company reported operating results, management's outlook suggested near-term revenue deceleration and elevated capital investments into 2026, a potential sign of increasing competition in the AI space. Looking ahead, with operating expenses already growing faster than revenue, there is a risk that earnings estimates will face pressure from prior capital expenditures as they begin to roll into depreciation expense. Lastly, **AppLovin** (APP) underperformed in October following a short-seller research report that the SEC is investigating the company over its data collection practices. With the Federal government currently shut down, there is little information to either confirm or dispute this. However, it would not be the first time the company has faced such accusations, and management has already stated they would disclose publicly any material developments.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of October 31, 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 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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