# Large Cap Growth
## Quarter-End Review—4Q2025

In the fourth quarter, stocks posted their third consecutive quarter of gains as the S&P 500 rose 2.7%. The strongest sectors in the market included Health Care, Communication Servies, and Materials, while the Real Estate, Utilities, and Energy lagged. On December 10, the Federal Reserve cut its targeted Fed Funds rate for the third time this year, reducing it by 0.25% to 3.50–3.75%. The Federal government shutdown in October and early November denied official access to recent economic data, and the Fed's decision was not unanimous. However, softening hiring statistics in the labor market seemed to weigh heavily on the Fed's rate cut decision. Even with the reduction in the Fed Funds rate, yields on 10-year Treasury bonds ended the quarter unchanged at 4.11%.

The latest readings on inflation were encouraging, as data for November showed a year-over-year rate of 2.7% for the Consumer Price Index (CPI) and only 2.6% for the index excluding food and energy components. The government shutdown had an impact on the collection of some key measures of inflation, resulting in uncertainty around the most recent figures, and admittedly even the figures as reported are still well above the Fed's 2% inflation target. Nevertheless, inflation is dramatically better than the levels of a few years ago.

The beginning of 2025 through April 8 (the first sixty-six trading days of the year) saw the S&P 500 decline 15.3%, the fourth worst start to a year over a similar period since 1926. Thereafter the index gained a remarkable 37.4% through the end of the year, one of the greatest market comebacks in history. Shifting economic policies by the Federal government and ongoing concerns about "affordability" on the part of consumers still present challenges for the market as we

### 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 | 39.9% | 1.5% | Lam Research, Pegasystems |
| Health Care | 12.9% | 3.0% | Boston Scientific |
| Financials | 12.2% | -0.6% | Charles Schwab<br>(Brown & Brown, Fiserv) |
| Industrials | 9.9% | -2.4% | (Waste Management) |
| Consumer Discretionary | 9.9% | -1.5% | (Royal Caribbean) |
| Communication Services | 8.3% | -0.5% | |
| Real Estate | 2.0% | 0.2% | |
| Utilities | 1.8% | 0.0% | |
| Materials | 1.6% | -0.1% | |
| Cash | 1.4% | 0.3% | |
| 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*

## CONTRIBUTORS TO RETURN[1][2]

| Ticker | Company Name | Average Weight[3] | Contribution to Return |
|---|---|---|---|
| **TOP FIVE CONTRIBUTORS—LARGE CAP GROWTH** | | | |
| GOOGL | Alphabet | 3.26% | 0.83% |
| CAH | Cardinal Health | 1.92% | 0.54% |
| AMAT | Applied Materials | 2.05% | 0.49% |
| FIX | Comfort Systems USA | 2.22% | 0.30% |
| TPR | Tapestry | 1.95% | 0.27% |
| **BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH** | | | |
| FISV | Fiserv | 0.41% | -0.58% |
| NTNX | Nutanix | 1.41% | -0.53% |
| NFLX | Netflix | 1.83% | -0.45% |
| UBER | Uber Technologies | 1.65% | -0.31% |
| MSI | Motorola Solutions | 1.60% | -0.29% |

(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) 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*

enter 2026. However, history suggests that the market is remarkably resilient even in the face of such challenges. We continue to favor reasonably priced growth companies, particularly those whose stock prices have lagged the narrow group of mega-cap stocks that have led the market in recent years.

While we were encouraged to see the market start to broaden in November and December, the fourth quarter remained a narrow market overall, with returns largely driven by a handful of mega-cap technology stocks with direct exposure to AI. In contrast, the broader market was much weaker, with almost 60% of the Russell 1000 Growth constituents posting negative returns, while the equally weighted average for the index declined 1.3% in the fourth quarter. For the fourth quarter our portfolio underperformed both the Russell 1000 Growth and the S&P 500.

**Alphabet** (GOOGL) was our largest contributor. The company reported solid operating results driven by broad-based, double-digit growth across all segments. In November, Alphabet released Gemini 3, with performance and AI features that far exceeded expectations, making it the top-performing AI model. Shortly after, Alphabet unveiled its newest generation of Tensor Processing Units (TPUs), or application-specific processors that can perform AI computations at much lower costs, with hyper-scalers such as Meta already looking at utilizing Alphabet's new AI platform. **Cardinal Health** (CAH) was another large contributor. The company reported solid operating results driven by its core pharmaceutical distribution business. Looking ahead, we expect to see continued margin expansion as Cardinal builds out its oncology services, offering faster revenue growth and higher operating margins. Lastly, **Applied Materials** (AMAT), gained in the fourth quarter. The company reported solid operating results that showed resilient

demand along with broad-based growth across all segments and financial metrics. We believe strong demand for AI semiconductor chipsets, coupled with secular technological transitions and federal stimulus from the CHIPS Act, should continue to provide a favorable backdrop for the company.

On the negative side, **Fiserv** (FI) was the largest detractor from our performance. The company lowered its full-year guidance after several quarters in which a proliferation of multiple small factors created growth headwinds. Unfortunately, the new management team disclosed that potential revenue recognition irregularities had been masking the true growth of the company, implying that the underlying growth was much lower. The Chief Financial Officer was dismissed, and we sold the stock in November. Another underperformer was **Nutanix** (NTNX). The company reported solid operating results but was weaker following revenue recognition delays. Nutanix is taking market share from VMWare, but new customers require flexible license start dates that align with their migration onto Nutanix's platform, resulting in a natural timing delay on software revenue recognition from the hardware OEMs. Demand remains solid, and the company continues to seek new partnerships, potentially resulting in larger contracts. Lastly, **Netflix** (NFLX) declined in the fourth quarter. Netflix reported solid third quarter operating results and guidance, but the stock traded lower on an unexpected Brazilian tax ruling that negatively impacted operating income. The stock took another leg down in early December after management disclosed that it was making an $83 billion bid for Warner Bros. Discovery's studio and streaming assets. While the price is high, we believe that Netflix is well positioned to monetize Warner Bros.' licensed content and streaming assets and will use the acquired assets to partially reduce its $20 billion annual spend on content creation.

In the fourth quarter, a new position was added in Information Technology with **Lam Research** (LRCX), one of the largest manufacturers of semiconductor equipment. With market leadership in several categories, the company is benefiting from several industry-wide secular tailwinds such as the transition to larger chip sizes and increased complexity in chip manufacturing to accommodate AI applications. We like the company's resilient business model which generates consistent free cash flow, a solid balance sheet, and pricing power, reducing operational risk. Conversely, we sold **Royal Caribbean Group** (RCL) following a deterioration in our quantitative factor models. Much of our original investment thesis has come to fruition, with the company having benefited from a recovery in pricing power, strong bookings driven by demand for its new ships, and increased on-board spending, while its focus on cost controls has driven operating margin expansion. Looking ahead, after several years of accelerating revenue growth, we expect to see growth decelerate in 2026, while margin expansion has likely peaked. Consequently, we believe the risk-reward is no longer advantageous with valuation multiples at all-time highs.

As measured by Price to Earnings (P/E) ratio, the valuation of the stock market rose over the course of 2025, continuing a trend of rising valuation that began at the end of 2022. While the P/E of the S&P 500 calculated on an equal-weighted basis rose over 30% over the past three years, the P/E of the capitalization-weighted S&P rose almost 60%. This reflects the high valuations of many mega-cap stocks in the index, which skews the valuation of the index overall. While P/Es of the equal-weighted and cap-weighted S&P indices have tended to be similar over time, presently, the equal-weighted index is almost 24% below that of the cap-weighted S&P.

The rising valuations of mega cap stocks has resulted in significant performance differences between equal-weighted and cap-weighted indices as well, particularly those of growth stocks. Over the past three years the performance of the Russell 1000 Growth Index on an equal-weighted basis is more than 14% (annualized) lower than the index calculated on a cap-weighted basis, marking the largest difference over a three-year period in the past 25 years. This extreme difference, along with the better valuations among equal-weighted indices, suggests much better relative performance going forward from an equal-weighted portfolio strategy.

# Large Cap Growth
## Quarter-End Review—4Q2025

The Fed's latest reduction in the Fed Funds rate in December was intended to provide support for further economic growth, and consensus expectations are for the Fed Funds rate to continue to move lower in 2026 to about 3% by the end of the year. However, longer term bond yields have actually moved higher since the Fed began cutting rates in September 2024, reflecting investor concerns about sticky inflation rates and continued government budget deficits. Financing activity and mortgage rates are sensitive to long-term bond yields, and further declines in bond yields would be constructive toward continued economic growth next year.

Consensus projections for corporate earnings have continued to recover in the face of the Trump Administration's controversial tariff policies. While expectations for S&P 500 earnings for 2025 are projected to show a gain of 8.3% over 2024 levels, expectations for 2026 and 2027 are for annual gains of 15.7% and 12.0%, respectively. As always, achieving these gains is not guaranteed. Nevertheless, it is worth noting that despite the calamities of the Global Financial Crisis and the COVID Pandemic, U.S. companies have posted a remarkably consistent record of rising profits over time. We believe that long-term investors will continue to be rewarded with favorable returns from stocks going forward.

## DISCLOSURES

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

### PERFORMANCE

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.

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be appropriate or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. Consultants supplied with these performance results are advised to use this data in accordance with SEC guidelines. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation as a RIM client, and a client portfolio's risk tolerance, investment objectives, and investment time horizon. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.

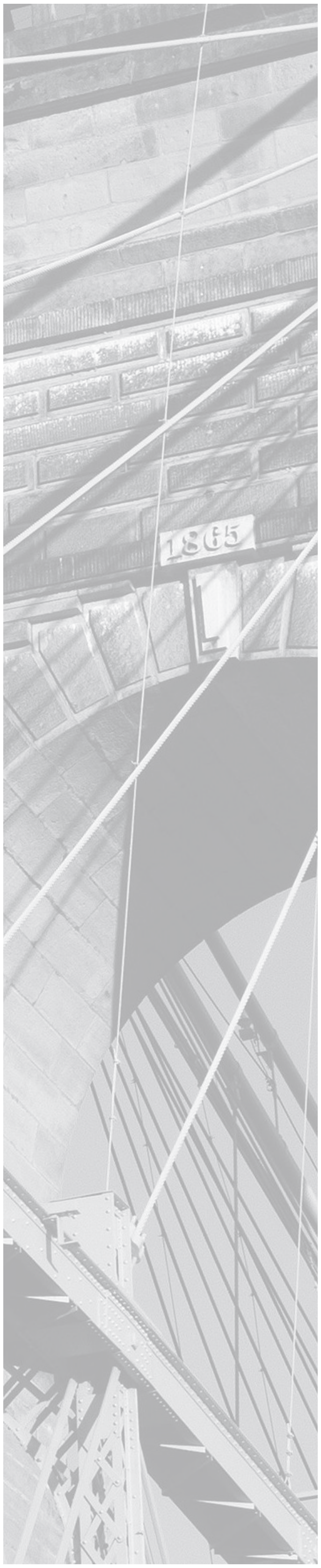
### REFERENCED INDICES

*(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.

*Continued*

# Large Cap Growth
## Quarter-End Review—4Q2025




**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.

## RUSSELL DATA

FTSE Russell is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of FTSE Russell. This presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Renaissance Investment Management. FTSE Russell is not responsible for the formatting or configuration of this material or for any inaccuracy in Renaissance's presentation thereof.

## S&P DATA

S&P Dow Jones is the source and owner of the trademarks, service marks and copyrights related to the S&P Indexes. S&P® is a trademark of S&P Dow Jones. This presentation may contain proprietary S&P data and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Renaissance Investment Management. S&P Dow Jones is not responsible for the formatting or configuration of this material or for any inaccuracy in Renaissance's presentation thereof. This data is to be used for the recipient's internal use only.

## STOCK REFERENCES

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. Nonperformance-based criteria have been used to select the securities listed unless otherwise stated. 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.