

Large Cap Growth Intra-Quarter Commentary—February 2026



February saw mixed returns across major U.S. stock indices as investor sentiment notably shifted to risk reduction due to increased volatility. The S&P 500 was down for the second time in the last three months and the Nasdaq saw its worst returns in almost a year. While the declines were modest, there was significant movement below the surface, with a rotation away from the mega-cap technology companies that have carried the markets for much of the past three years. Investors are becoming more selective about how much they are willing to pay for growth, particularly in crowded, high-profile, artificial intelligence stocks. A rotation towards cyclical stocks and stocks that are trading at more reasonable valuations has led to a broadening of the market, which is healthy for the overall stock market and typically favors active management and stock selection.

From a macroeconomic perspective, the backdrop in February continued to improve. GDP projections rose to 2.5%, ISM orders were in expansionary territory, unemployment remained subdued at 4.3%, and inflation was contained, with annualized Core CPI declining to 2.4%. Yet there has been a palpable sense of worry setting in as workers have contemplated how AI could eventually displace jobs. In addition, geopolitical uncertainty ramped up at the end of the month when President Trump threatened to attack Iran, backed by a significant buildup of U.S. warships in the Middle East. Looking ahead, we are encouraged by the stock market's resilience amid growing macroeconomic and geopolitical challenges.

With fourth quarter earnings reports nearly completed, aggregate blended earnings growth rates for S&P 500 companies came in at a healthy 14.0%, the fifth straight quarter of double-digit growth.

SECTOR WEIGHTS & PORTFOLIO CHANGES ⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 1/31/2026	Large Cap Growth Additions & (Large Cap Growth Deletions) ⁽³⁾
Information Technology	31.6%	-3.8%	(Cadence Design Systems, Gartner)
Consumer Discretionary	13.9%	2.2%	Marriott International, The TJX Companies (O'Reilly Automotive)
Health Care	13.3%	0.4%	
Industrials	12.9%	2.0%	Illinois Tool Works
Financials	11.6%	-0.8%	
Communication Services	7.1%	-0.3%	
Consumer Staples	4.3%	0.5%	
Utilities	1.9%	0.3%	
Real Estate	1.9%	-0.3%	
Cash	1.4%	-0.1%	
Energy	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.

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Source: Renaissance Research, FactSet

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CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
TOP FIVE CONTRIBUTORS—LARGE CAP GROWTH			
FIX	Comfort Systems USA	2.69%	0.59%
HSY	The Hershey Company	2.22%	0.44%
TPR	Tapestry	2.03%	0.40%
MCK	McKesson	2.10%	0.37%
MSI	Motorola Solutions	1.74%	0.32%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
AMZN	Amazon.com	2.51%	-0.36%
BSX	Boston Scientific	1.39%	-0.31%
GOOGL	Alphabet	3.58%	-0.30%
APO	Apollo Global Management	1.28%	-0.30%
JLL	Jones Lang LaSalle	1.94%	-0.25%

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⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

However, there has been a slight reduction in earnings estimates of 1.5% for the first quarter of 2026 despite the solid earnings trends (*Source: FactSet*). While the trajectory of earnings growth is positively correlated to stock market returns historically, we acknowledge that the recent rise in geopolitical and macroeconomic uncertainty may result in reductions in expected earnings growth in the near term. We remain positive about the continued market broadening, which could lead to potential alpha generating opportunities through the identification of high-quality growth companies that are capable of producing strong earnings growth in the current environment.

The Russell 1000 Growth declined 3.4% and the S&P 500 declined 0.8% in February. Value outperformed Growth, with the Industrials and Health Care sectors contributing the most to returns. Conversely, the Information Technology and Consumer Discretionary sectors were the largest detractors. Software stocks, in particular, were a significant drag on performance amid ongoing fears over AI's impact on the terminal value of many software companies. Large-cap stocks underperformed small-cap stocks, with investors gravitating toward small cap stocks given their better earnings growth profile. Our portfolio outperformed both the Russell 1000 Growth benchmark and the S&P 500 index for the month.

We added a new position in the Consumer Discretionary sector in February with **Marriott** (MAR), the largest hotel operator worldwide. In the current environment, we like the company's asset-light franchise and management fee model, which provide a high degree of stability and visibility without a high level of capital requirements. Looking forward, we believe that a conservative U.S. RevPAR guidance combined with easier comparisons from last year's government shutdown should lead to upside if travel demand holds. In addition, Marriott rebuilt its development pipeline, facilitating continued re-acceleration of unit growth in coming years. Conversely, we sold our position in **O'Reilly Automotive** (ORLY) following a deterioration in fundamental factors.

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Our original investment thesis has come to fruition, with the company producing the highest same-store-sales metrics in the industry after gaining market share in its Professional segment. More recently, however, revenue growth has decelerated and margins have compressed due to higher unexpected operating costs. With valuation multiples at all-time highs in a deteriorating profitability environment, we believe that the risk/reward is no longer advantageous. Moreover, until O'Reilly's Retail segment reaccelerates, estimates for earnings growth may be limited as the company potentially faces higher operating costs in the near-to-intermediate term.

Comfort Systems (FIX) was our best-performing stock in the month. The company reported broad-based upside to quarterly results, with backlog acceleration supporting further upside to 2026 estimates. Importantly, management noted that the current demand trends are actually building off hyperscale capex announcements from over 1-2 years ago, therefore growth should remain solid, driven by the continued buildout of new data centers that run AI applications. Another strong performer in February was **The Hershey Company** (HSY). The company reported solid quarterly results with accelerating organic growth trends, driven by strong demand for confectionary and salty snack items. Management gave upbeat guidance for the rest of the year, confirming solid pricing power, new product innovations, and higher advertising, leading to further upside to revenue growth expectations. Lastly, **Tapestry** (TPR) reported material upside to earnings expectations, driven by solid unit growth and pricing power. Tapestry continues to execute its strategy of driving customer engagement at Coach, giving us confidence they can turn around Kate Spade by the end of this year.

Conversely, **Amazon** (AMZN) was our weakest performer in February. The stock underperformed after missing earnings expectations to end the year and guiding to significantly higher capital expenditures for 2026, resulting in potentially negative operating cash flow. Fears that the big increase in capex was caused by potential AI market-share losses to Microsoft and Alphabet were even more worrying. Nevertheless, we are encouraged by the acceleration in Amazon Web Services (AWS), despite supply constraints. **Boston Scientific** (BSX) underperformed despite reporting solid operating results. The stock declined after initial 2026 guidance was below expectations, driven by decelerating revenue growth in its electrophysiology segment. This segment has contributed recently to significant revenue growth, and the decline in growth suggests that its main competitor, Medtronic, may be gaining market share. Lastly, **Alphabet** (GOOGL) also underperformed despite reporting solid operating results. Similar to other companies that are leveraged to AI, the stock underperformed as investors questioned if growth rates have peaked and pondered whether huge amounts of capital investment will ever generate an appropriate rate of return. We remain encouraged by Alphabet's leadership in AI and stability in its core advertising segment.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of February 28, 2026 and are subject to change at any time due to changes in market or economic conditions.

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Large Cap Growth Intra-Quarter Commentary—February 2026



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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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