

Small Cap Growth Quarter-End Review—1Q2026



Stocks tumbled during the first quarter, with virtually all of the decline occurring in March due to the Iran conflict. Within the S&P 500, the Energy and Materials sectors were notable outperformers, while the Financials and Consumer Discretionary sectors were significant underperformers. Even the Mag 7 stocks that led the market last year dropped an average of 12.2% during the quarter. Bond yields edged up, with 10-year Treasury yields ending March at 4.32% compared to 4.11% at the end of 2025.

Oil prices surged over 50% during the quarter because of the Iran war. The ripple effects of the oil-price spike included higher bond yields, rising costs for other petroleum-related materials, rising inflation expectations, and falling consumer confidence. As of March 31, the situation remained incredibly fluid, with daily news headlines leading to sharp movements in the market, both up and down. However, oil traders seem to believe that the spike in oil prices will be short-lived. Oil futures prices for nine months ahead are well below current prices and are also below their levels of only two years ago. If these expectations play out, they imply a significant drop in oil prices over the next several quarters.

Value stocks outperformed Growth stocks during the quarter, continuing a trend that began late last year. The extraordinary developments relating to artificial intelligence (AI) and technology along with increasing adherence to momentum strategies on the part of some investors helped propel many growth stocks to exceptionally high valuations over the past several years. As investors have focused more on valuation in recent months, Value stocks have staged a comeback. We continue to believe that consideration of valuation in addition to growth metrics is

SECTOR WEIGHTS & PORTFOLIO CHANGES ⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 12/31/2025	Small Cap Growth Additions & (Small Cap Growth Deletions) ⁽³⁾
Industrials	28.6%	3.1%	AeroVironment, AAR, Dycom Industries (Paylocity, McGrath RentCorp, Verra Mobility)
Health Care	24.3%	-3.8%	(Hims & Hers Health)
Information Technology	17.6%	-4.5%	Advanced Energy Industries, Fabrinet, Sanmina (Alkami, Clearwater Analytics, Freshworks, Impinj)
Consumer Discretionary	10.8%	2.4%	Boot Barn
Financials	8.8%	0.2%	
Consumer Staples	4.2%	-0.4%	
Communication Services	2.6%	2.6%	IMAX
Real Estate	2.5%	0.3%	
Cash	0.7%	0.1%	
Utilities	0.0%	0.0%	
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.

⁽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
TOP FIVE CONTRIBUTORS—SMALL CAP GROWTH			
MOD	Modine Manufacturing	2.43%	1.05%
STRL	Sterling Infrastructure	2.90%	0.71%
NXT	Nextpower	2.31%	0.66%
ENSG	Ensign	2.95%	0.39%
LRN	Stride	1.50%	0.36%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
ADMA	ADMA Biologics	2.19%	-1.28%
VITL	Vital Farms	1.49%	-1.03%
WGS	GeneDx	1.30%	-0.82%
CRDO	Credo Technology	1.97%	-0.75%
HIMS	Hims & Hers Health	0.71%	-0.72%

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⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

key to achieving good, risk-adjusted returns over the long term and is likely to be particularly effective today.

The Russell 2000 Growth Index declined in the first quarter after posting gains in each of the last three quarters. The Renaissance Small Cap Growth Strategy also declined and underperformed the index during the period. Performance within the index was led by more cyclical sectors, including Energy, Materials, and Industrials. Energy was the top-performing sector, driven by a sharp rise in oil prices following the onset of the Iran conflict, while the Information Technology sector was the worst performer, as hardware stocks declined amid weakness in quantum computing and software stocks were pressured by concerns around increasing AI competition.

Our portfolio's relative underperformance was primarily driven by stock selection in Information Technology and Health Care. This was partially offset by positive contributions from stock selection in Communication Services and Consumer Discretionary. Within Information Technology, both our overweight exposure and stock selection in software, along with stock selection in semiconductors, detracted from results. During the quarter, we reduced our software exposure and ended the period underweight the group. Communication Services benefited from the addition of IMAX in January.

Modine Manufacturing (MOD), a provider of climate solutions for data centers and other end markets, was the top contributor to our performance. The company raised its fiscal 2026 revenue growth guidance to 20%–25%, up from 15%–20%, supported by strong demand from data center customers. Data center-related revenue grew 75% year-over-year in the December quarter, and management expects growth of 50%–70% annually over the next two years. The

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company is also spinning off its performance technologies segment to focus on its core climate solutions business.

ADMA Biologics (ADMA), a provider of plasma-based biologics, was the largest detractor from our performance during the quarter. The stock came under pressure following a short report alleging revenue inflation through channel inventory build. While accounts receivable increased, management attributed this to a new distribution relationship requiring higher initial inventory levels. The company also provided data indicating continued growth in demand, with inventory levels beginning to normalize.

Portfolio activity during the quarter resulted in increased exposure to Industrials, Communication Services, and Consumer Discretionary, while weights in Information Technology, Health Care, and Consumer Staples declined. We initiated a position in **Fabrinet** (FN), a leading manufacturer of optical components. Demand for optical systems is driven by AI-related infrastructure needs, particularly in support of increased bandwidth within and between data centers. Approximately 80% of Fabrinet's revenue is tied to optical products, with NVIDIA as its largest customer. The company is also ramping up a high-performance computing program with Amazon that is expected to scale significantly in the coming quarters. Conversely, we exited our position in **Clearwater Analytics** (CWAN) following its agreement to be acquired by private equity in an all-cash transaction.

Historically, the performance of the Small Cap Growth strategy relative to the Russell 2000 Growth Index can be evaluated through two lenses: the market environment for high-quality growth stocks and our execution. With regard to the latter, execution during the quarter was below our standards, as has occurred periodically. Over time, however, execution has been one of our strengths, and we expect this to normalize going forward. Meanwhile, high-quality growth stocks remain out of favor. While many companies in our portfolio continue to deliver strong earnings growth, valuations have compressed due to broader market sentiment. Notably, many holdings are trading at their lowest price-to-earnings multiples in the past five years, despite the absence of a broader bear market.

Our portfolio currently trades at 17.9x expected earnings for the current year and 15.5x for fiscal year two. Over the past decade, the fiscal year two P/E multiple has ranged from 12.8x (June 2022 market trough) to 22.1x (end of 2019), with a median of 18.2x. Since the end of 2024, the portfolio's forward P/E has declined approximately 17%.

Throughout the history of the Small Cap Growth Strategy, we have consistently emphasized higher-quality companies with stronger balance sheets, superior margins, and more durable earnings growth relative to the Russell 2000 Growth Index, while maintaining reasonable valuations. We remain committed to this disciplined approach.

Elevated oil prices are clearly not positive for economic growth, as higher energy costs can negatively impact consumer spending and corporate profitability. Nevertheless, the United States has become markedly more efficient in its energy use over the past several decades. As the country has moved from a manufacturing-oriented economic base to a more service-related economy, the relative amount of energy consumed has steeply declined from the levels of the 1970s and early 1980s. Efforts toward energy efficiency and conservation have also reduced energy consumption. As a result, a surge in oil prices similar to the surge we experienced in the 1970s and 1980s is unlikely to result in the same level of negative economic effect as it did then.

Inflation expectations have risen as the surge in oil prices have led to higher gas prices and transportation costs. Trailing 12-month inflation through February was only 2.4%, but expectations for the 12 months ending March 31 are currently above 3%. Fed Chairman Powell stated in late March that he sees inflation expectations as "still grounded" despite rising energy prices, and therefore the central bank did not need to respond with higher interest rates. However, market

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expectations at the beginning of the year were for the Fed's targeted Fed Funds rate to decline meaningfully. Tracking those same expectations as of the end of March suggests that market participants no longer expect a significant decline in the rate this year.

Earnings expectations for S&P 500 companies have been in a strong uptrend for calendar years 2026, 2027, and 2028, and have continued to rise even after the onset of the Iran War. Some estimates suggest that if oil prices continue near current levels over the next year, there might be a roughly 5% negative impact on overall S&P 500 earnings (Source: Jefferies). We expect that the upward momentum in earnings forecasts may falter over the next several months given recent events but underlying earnings remain strong.

While we remain cognizant of the possible market risks in the current environment, we also remain alert to investment opportunities emerging from the first meaningful market decline of the past several years.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of March 31, 2026 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 2000 Growth Index—The Russell 2000 Growth Index is composed of the smallest 2,000 of the 3,000 largest U.S. companies based on total market capitalization with higher price-to-book ratios and higher forecast 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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