Renaissance® Investment Management

Quarter Ending 6/30/2026

Large Cap Growth
Quarter-End Review—2Q2026

Stocks posted strong returns during the second quarter, bouncing back from their decline in the first quarter. The market advance in April and May was led by a small group of mega-cap technology stocks, but many of those stocks faltered in June. Even so, Information Technology was the best performing sector for the quarter, along with Industrials and Financials, while the Energy, Utilities, and Consumer Staples sectors underperformed. Bond yields crept up slightly, as the 10-year Treasury yield finished at 4.44% in June, compared to 4.32% at the end of March.

For the second quarter, the Russell 1000 Growth returned 16.7% and the S&P 500 returned 15.2%. Small cap stocks outperformed large cap stocks and Growth materially outperformed Value. From a factor perspective, the second quarter was a risk-on, high-beta, low-quality, high-P/E, AI infrastructure-led market. With semiconductor stocks largely contributing to performance in the quarter, overall market returns were unsurprisingly narrow, as can be seen in the equal-weighted S&P 500 returns of 11.4% as compared to the cap-weighted S&P 500 gains of 15.2%. The performance difference between the equal-weighted and the cap-weighted S&P 500 remains one of the largest divergences seen since 1990. However, the stock market began to broaden in June, with the equal-weighted S&P 500 returning 2.4%, while the cap-weighted S&P 500 declined -1.0%. Encouragingly, as the market broadened, the Large Cap Growth portfolio also generated solid relative performance. For the second quarter, we underperformed both the Russell 1000 Growth and the S&P 500, primarily as a result of the narrow market dynamics. For the first half of the year, we remained ahead of the Russell 1000 Growth and behind the S&P 500.

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 3/31/2026	Large Cap Growth Additions & (Large Cap Growth Deletions)[3]
Information Technology	36.0%	3.7%	CDW, Nvidia (Dynatrace, ServiceNow)
Industrials	16.9%	4.9%	GE Vernova, Trane Technologies, Union Pacific
Consumer Discretionary	11.9%	-1.1%	
Health Care	10.9%	-3.2%	(Boston Scientific, Zoetis)
Financials	9.6%	-2.3%	(Houlihan Lokey)
Communication Services	6.7%	-0.6%	
Consumer Staples	3.3%	-0.9%	
Real Estate	1.7%	-0.2%	
Utilities	1.5%	-0.2%	
Cash	1.5%	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—LARGE CAP GROWTH			
AMAT	Applied Materials	2.40%	1.97%
KLAC	KLA	2.44%	1.89%
LRCX	Lam Research	2.16%	1.63%
FIX	Comfort Systems USA	2.67%	1.07%
JBL	Jabil	2.36%	0.93%
BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH			
ZTS	Zoetis	0.87%	-0.61%
INTU	Intuit	0.98%	-0.51%
NFLX	Netflix	1.61%	-0.43%
PEGA	Pegasystems	1.08%	-0.39%
HSY	The Hershey Company	1.88%	-0.32%

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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

In the second quarter, **Applied Materials** (AMAT) was the largest contributor to portfolio performance after reporting solid operating results with broad-based growth across all segments and financial metrics. Importantly, the company offered an upbeat outlook for wafer fabrication equipment growth in 2026, driven by AI tailwinds. We believe that demand trends will continue, and combined with market share gains, we expect upward earnings revisions for the company. **KLA** (KLAC) was another large contributor. Similar to other semiconductor equipment companies, KLA continues to see broad-based growth across all segments and financial metrics. We believe that 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. Lastly, **Lam Research** (LRCX) was also a large contributor. The company reported solid first quarter operating results while offering an upbeat outlook for wafer fab equipment growth in 2026, driven by AI tailwinds. Semiconductor equipment stocks, in general, benefited from investor enthusiasm for high-growth, momentum stocks with direct exposure to AI. In addition, the company's most recent operating results saw an increase in its growth forecast driven by AI tailwinds, increasing chip complexity, and a continued shortage of memory chips.

On the negative side, **Zoetis** (ZTS) was our largest detractor in terms of performance in the second quarter after reporting disappointing quarterly results. The company continues to see pet owners reduce expenditures in the face of macroeconomic headwinds, negatively impacting veterinary visits and resulting in lower demand for the company's premium products. In addition, competition continues to weigh on the company's largest dermatology segment, with lower-priced alternatives taking incremental market share. Meanwhile, new product introductions are

being delayed, an unwelcome surprise, as new products were expected to help Zoetis regain market share. **Intuit** (INTU) was also an underperformer despite reporting solid operating results. Investor focus has been on weaker-than-expected tax segment results, especially since expectations were high following positive management comments during the quarter. Software stocks, in general, underperformed in the second quarter as AI is increasingly viewed as an existential threat to the sector. We think that the sell-off is an overreaction, given that any increase in the magnitude and complexity of code creation could make incumbent software providers more critical, as code quality, interoperability, compliance, and security are essential infrastructure elements. Lastly, **Netflix** (NFLX) declined in the quarter. Despite reporting solid operating results, the stock came under pressure over concerns over decelerating revenue growth and margin compression. We believe that there was some confusion surrounding the pace of price increases, and we view margin compression as transitory, given the content amortization timing for live sports is front-end loaded in 2026.

During the second quarter, we added a new position in the Industrials sector with **Trane Technologies** (TT), a leading provider of heating and cooling systems, building controls, and energy-related services. In the near term, we believe that Trane will benefit from the pent-up demand after refrigerant regulations are resolved, technical, legal, and supply-chain complications are worked through, and residential inventory levels normalize. We like that Trane is a direct beneficiary of AI data center growth, which is highlighted by its inclusion in Nvidia's reference designs for data centers. The company's vertical product infrastructure gives it the ability to deliver system-level solutions, helping to reinforce Trane's dominant position in the data center market. We also believe that Trane's service revenue growth remains underappreciated, especially as the installed base of data center customers grows. Service already represents one-third of the company's total revenue, with a faster growth, higher-margin profile.

Conversely, we sold our position in **ServiceNow** (NOW) following a deterioration in fundamental factors. We believe that current estimates for the company leave little room for positive earnings revisions, as short-term revenue momentum has clearly decelerated as customers reevaluate their investments in AI, pressuring operating margins. The headwinds have been compounded by management's decision to accelerate its shift to a consumption-based model from a subscription-based model in order to better monetize and accommodate its customer shifts to AI workflows. Historically, software revenue recognition transitions take years, and this latest move by the company gives investors a reason to move away from software stocks, as large language models like ChatGPT and AI coding models like Claude become key disruptors in the software development market.

The clear impetus for the market rally was the agreement between Iran and U.S. to end the Iran/U.S. war which led to the subsequent sharp decline in oil prices. As of this writing, the details of the understanding between Iran and the U.S. remain uncertain, with negotiations still ongoing. While oil prices have tumbled as oil shipments have resumed, prices for gasoline, fertilizer, chemicals, and other oil-related products will likely remain higher than normal for some time. Still, the decline in energy costs is clearly positive for both the stock market and the economy.

The most recent reading of the core personal consumption price index, the Fed's primary inflation gauge, showed an annual rate of inflation of 4.1%, the highest since April 2023, well above the Fed's stated 2% target. On the positive side, consumer spending rose 0.7% in May, which was higher than expected. In addition, GDP growth for the first quarter was revised up to 2.1%, 0.5% higher than prior estimates.

We are encouraged by the apparent resolution of the war, as well as by the increasing number of stocks participating in the stock market advance recently. We remain focused on identifying high-quality stocks that exhibit both good growth characteristics and attractive valuations, and we believe that our portfolio represents very good investment opportunities at current levels.

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At the beginning of the year, consensus expectations were for the Federal Reserve to reduce interest rates through 2026, particularly as President Trump had an opportunity to replace Fed Chairman Powell with a more dovish nominee at mid-year. However, these expectations have not been met, largely due to the surge in inflation caused by the war in Iran. In addition, the new Fed Chairman, Kevin Warsh, has made unexpectedly hawkish comments, emphasizing an "unambiguous" commitment to 2% inflation (currently at 4.1%), and repeatedly stating that the Fed will "deliver" on that objective. As a result, consensus expectations for the Fed Funds rate are flat to slightly higher over the next twelve months.

Earnings expectations for S&P 500 companies have continued to be revised upward in recent months. Compared to estimates as of the beginning of the year, consensus estimates for earnings in calendar years 2026, 2027, and 2028 have all been revised upward by double-digit percentages. Much of the increase in estimates is due to strong profit trends among Technology and Energy companies, but the overall breadth of estimate revisions has been strong as well.

While the most recent data on inflation is concerning, market expectations for future inflation have tumbled, largely due to falling oil prices. The five-year breakeven inflation rate is the average annual inflation rate that the bond market expects over the next five years, and recent figures indicate growing confidence in an inflation rate decline. This may give the Fed more confidence in interest rate reduction in the future, even if the current level of inflation remains above the Fed's target.

While the stock market is at all-time highs, within the market, high momentum stocks (stocks with strong past price performance) have significantly outperformed, while high quality stocks (stocks with steady profits and strong balance sheets) have lagged. Investors who have focused on stocks with strong price momentum have enjoyed a bonanza of excess returns since President Trump's "Liberation Day" announcement of sweeping global import tariff policies on April 2 last year, while those who have focused on high-quality stocks have suffered in terms of relative return.

Quality factors may tend to lead to mediocre performance during periods of market exuberance, but we believe that they contribute to good risk-adjusted returns over time when employed along with other measures, including Momentum. Markets are cyclical, and we would caution investors not to ignore measures of financial strength and quality in their portfolios, even as the market has surged in recent months.

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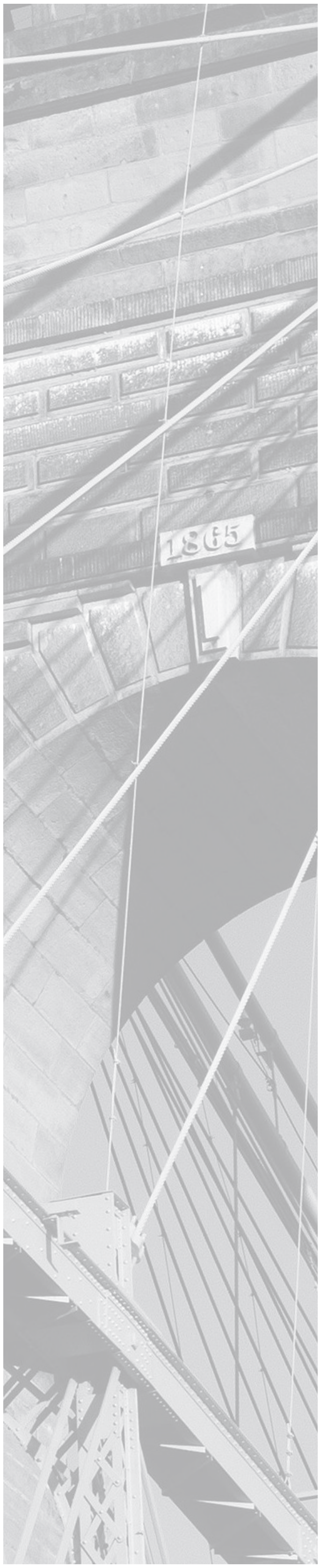

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REFERENCED INDICES

(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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