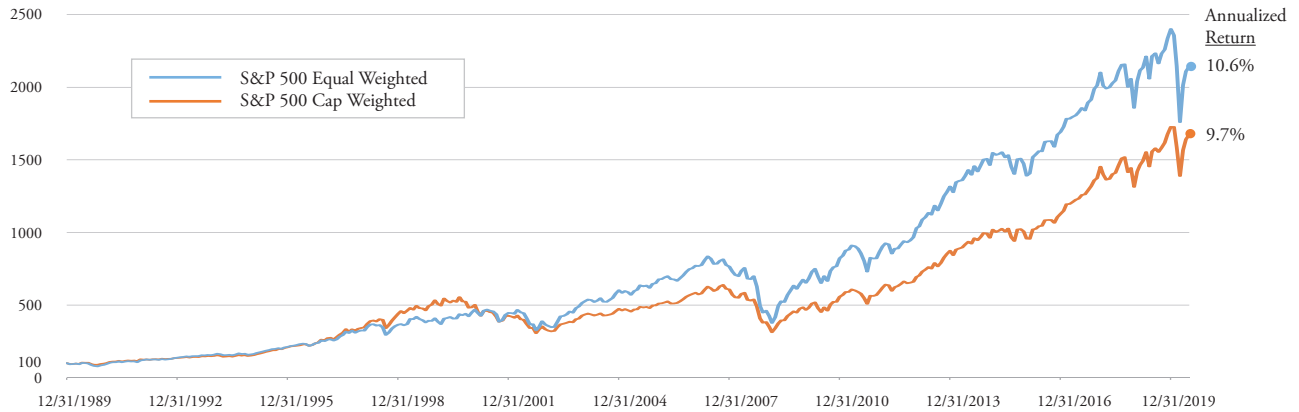


A consistent factor impacting individual stock performance over the past several years has been company size (market capitalization). One way to measure this effect is to compare the performance of the equal-weighted S&P 500 Index, in which each company has the same weight, with the capitalization-weighted version. While it has outperformed the capitalization-weighted version by 89 BP (.89%) per year since its inception in 1990, relative returns for the equal-weighted index have experienced a high degree of variability over shorter periods. Over the first half of this year, for example, the equal-weighted S&P 500 has underperformed the cap-weighted version by 770 BP (7.7%).

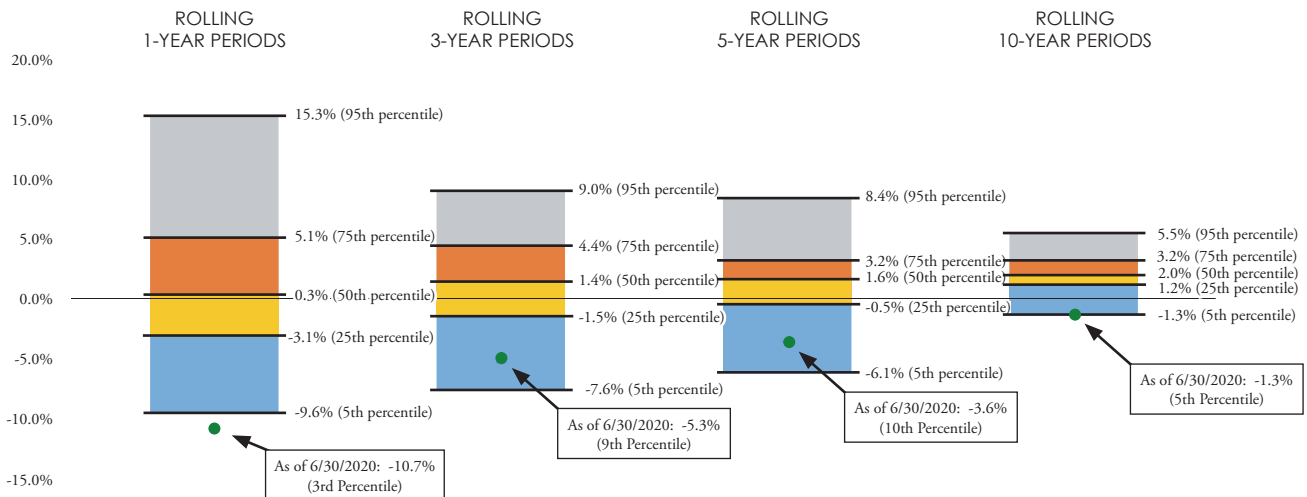
S&P 500 STOCK INDEX CAP WEIGHTED vs EQUAL WEIGHTED, 1989–2020



Data from 12/31/1989–6/30/2020
 (1) Percentage may not match the actual difference due to rounding of percentages to the nearest decimal place.
 Sources: FactSet, S&P Dow Jones

The chart below shows the range of relative returns of the equal-weighted index versus the cap-weighted version over rolling 1, 3, 5 and 10-year annualized periods since 1990. In each comparison, the median (50th percentile) difference in return is positive, meaning that the equal-weighted index has tended to outperform over each of the periods. However, we have marked where these comparisons stand as of June 30, and clearly, the equal-weighted index has significantly underperformed in each most-recent time frame. In each case, the differential between the equal-weighted and cap-weighted index ranks in the lowest 10% (or worse) of any similar period in its history.

S&P 500 EQUAL WEIGHTED VS CAP WEIGHTED INDEX—Trailing Relative Returns⁽¹⁾



(1) Total returns from 6/30/1990–6/30/2020. Past performance is not indicative of future results. Periods longer than 1 year are annualized. All returns are shown in U.S. dollars.
 Source: Renaissance Research, Bloomberg, S&P Dow Jones

Mega-sized stocks have been clear winners in recent years, and some of the giant tech-related companies that have been leading the market this year remain good investment opportunities. However we believe that significant investment opportunities exist

in other large- and medium-sized stocks in the market as well. We feel that our equal-weighted portfolio construction process is well suited to capture these kinds of investment opportunities over the next several years. We continue to find good opportunities in reasonably priced growth companies and believe that a disciplined investment process will likely be rewarded with good long-term returns.

DISCLOSURES

This Market Update reflects the thoughts of Renaissance as of July 15, 2020. This information has been provided by Renaissance Investment Management. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision, nor should it be considered a recommendation. The views and opinions expressed are those of the Chief Investment Officer at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing.

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S & P DATA

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REFERENCED INDEX

(Indices are unmanaged and are not available for direct investment.)

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.