Renaissance®
Investment Management

Quarter Ending 12/31/2024

Midcap Growth
Quarter-End Review—4Q2024

In the fourth quarter, U.S. stocks produced solid returns, with the S&P 500 seeing positive results for the fifth consecutive quarter. Stocks experienced a strong rally following the election of President Trump on expectations of a more favorable environment for corporate earnings growth. However, the enthusiasm was tempered in December following hawkish commentary from the Federal Reserve, which curtailed rate cut expectations for 2025.

The past two years have been among the strongest back-to-back periods of stock market gains in the past quarter-century. However, the breadth of the market has been unusually narrow, as only 26.0% of the stocks in the S&P 500 outperformed the overall index in 2024, even lower than 2023's figure of 27.0%. The S&P 500 on an equal-weighted basis posted a return of 13.0% for 2024, far below the cap-weighted return of 25.0%.

The last time the market experienced two back-to-back years of such poor breadth was in 1998–1999, a period similar to today, when technology stocks significantly outperformed the rest of the market. The 1998–1999 period was followed by wider market breadth over the following years. We believe that the current investment environment presents similar potential for wider market breadth going forward. While technology stocks remain the largest portion in our portfolio, we continue to find good investment opportunities in other areas of the market as well.

In the fourth quarter, the S&P 500 increased 2.4%, while the Russell Midcap Growth Index increased 8.1%. The strength in cyclical and AI-themed stocks that began in September accelerated following the presidential election, supported by elevated expectations of an incoming

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 9/30/2024	Midcap Growth Additions & (Midcap Growth Deletions)[3]
Industrials	27.6%	+5.1%	Comfort Systems USA, EMCOR Group, Lennox International, Quanta Services
Information Technology	22.8%	-2.3%	Jabil (CDW, Synopsys, VeriSign)
Financials	16.6%	+5.6%	Brown & Brown, Corpay, Houlihan Lokey, Kinsale Capital Group
Health Care	13.1%	-4.7%	(IDEXX Laboratories, Mettler-Toledo International, Molina Healthcare)
Consumer Discretionary	7.6%	-3.8%	(Domino's Pizza, Tractor Supply Company)
Consumer Staples	4.0%	-1.5%	(Church & Dwight)
Cash	2.6%	-0.7%	
Energy	2.1%	-1.4%	(Diamondback Energy)
Communication Services	1.8%	+1.8%	Pinterest
Real Estate	1.8%	+1.8%	
Utilities	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

CONTRIBUTORS TO RETURN[(1)(2)]

Ticker	Company Name	Average Weight[(3)]	Contribution to Return
TOP FIVE CONTRIBUTORS—MIDCAP GROWTH			
RCL	Royal Caribbean Group	2.44%	0.73%
LNG	Cheniere Energy	1.95%	0.35%
JBL	Jabil	1.68%	0.29%
NBIX	Neurocrine Biosciences	1.56%	0.26%
MCK	McKesson	1.76%	0.24%
BOTTOM FIVE CONTRIBUTORS—MIDCAP GROWTH			
KLAC	KLA	2.07%	-0.42%
ICLR	ICON	1.25%	-0.41%
MTD	Mettler-Toledo	0.95%	-0.38%
BAH	Booz Allen Hamilton	1.89%	-0.37%
CSL	Carlisle Companies	2.16%	-0.34%

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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

pro-business administration. Our portfolio underperformed the Russell Midcap Growth Index during the quarter. Unfavorable stock selection in Information Technology, Industrials, Financials, and Health Care sectors was the most significant driver of underperformance, while unfavorable sector allocation also contributed, due mostly to our overweight positions in Health Care and Industrials, two sectors that underperformed the benchmark.

Royal Caribbean Group (RCL) was one of our top contributors in the fourth quarter. The company reported solid operating results, driven by better pricing power with no slowdown in demand. In addition, Royal Caribbean noted that demand from new demographics, such as millennials and families, is driving higher on-board spending. Looking ahead, with the macro environment for travel remaining strong, we believe the company can continue to leverage its solid booking trends into incremental price increases, resulting in additional positive earnings revisions.

Cheniere Energy (LNG) was another meaningful contributor to performance. Third-quarter operating results and guidance were better than expected, while higher natural gas prices and the change in presidential administration, expected to be more supportive of energy production, have boosted sentiment. The company's Corpus Stage 3 project is on schedule and should contribute meaningfully to earnings next year.

Finally, our new portfolio addition, **Jabil** (JBL), started out on a strong note. Operating results and guidance exceeded expectations, driven by AI-related demand for capital equipment and data centers. The company is a leading provider of manufacturing services serving a broad range

of end markets, including technology, transportation, health care, and energy. The company's strategy has evolved in recent years, with a shift in focus on margins and free cash flow, increased customer diversification, and larger contribution from value-added services. The company has exposure to favorable secular themes such as AI, automation/robotics, renewables, and GLP/biologics. Increased outsourcing tied to the increase in onshoring, geopolitical turmoil, and design-engineering and supply-chain complexities will likely remain a tailwind. We are also encouraged by the capital return policy that favors buybacks. The company has reduced share count by more than 40% over the last decade, with another $1 billion (or ~7% of the market cap) expected to be completed this year.

Mettler-Toledo (MTD) was one of the largest detractors to our performance, declining as demand remains tepid with particular weakness in food retail and industrial markets. China also remains a headwind, as stimulus has not lifted activity yet. Management's initial 2025 outlook was disappointing, as soft end markets and logistic problems in Europe will be headwinds. We exited the position during the quarter due to our expectations of below-market earnings growth given the likelihood of a slow recovery in demand and a high valuation of 30x EPS.

Another underperformer was **KLA** (KLAC), which declined due to reduced expectations for a recovery in non-AI end markets and the potential for subdued demand to extend into 2025, as customers are cautious. Management downgraded its China outlook, expecting a decline in sales following a strong 2024. Positively, management continues to expect overall end-market growth in 2025 driven by AI-related demand for memory and leading-edge investments in logic/foundry.

Lastly, **ICON** (ICLR) declined following disappointing third-quarter operating results with revenue growth headwinds compounding. The company is seeing COVID vaccine revenues decelerating faster than expected, a few large pharmaceutical customers tightening capex spending, and smaller biotech customers pulling back funding for new drug discoveries that ultimately drive demand for clinical research services. At this point, we continue to believe that ICON will benefit from late-stage clinical research trials, as biotech and large biopharmaceutical companies reengage R&D dollars to rebuild their drug pipelines.

We updated our portfolio holdings this quarter with several additions that have better growth profiles, more attractive valuations, and superior momentum compared with the companies we sold. One addition, **Pinterest** (PINS), is a leading visual search and discovery platform with a unique curation function that enables users to find and display new ideas and creations that focus on interests such as fashion and home décor, among other consumer goods. Since 2022, a new management team has transformed Pinterest into a shopping platform, providing more value and capabilities to advertisers, including direct connection with users, resulting in higher profits. In addition, the company was an early adopter of AI to increase personalization, advertising relevance options, and automated processes to increase ease-of-use for smaller advertisers. In the near term, we expect Pinterest to see monetization improvements with upside to Average Revenue Per User (ARPU) and traction in new categories and international markets.

Conversely, we sold **IDEXX Laboratories** (IDXX) following a deterioration in fundamental factors. The company faced a hangover following Covid-stimulated demand for pet services and now faces an additional headwind tied to more selective consumer spending. With estimates trending lower against a high valuation of 36x EPS, we moved to the sidelines until we are more confident that demand has reaccelerated.

The Federal Reserve's decision to reduce interest rates on September 18 marked its first reduction in interest rates since 2020 and a reversal from the Fed's previous policy of raising rates. While in past periods, bond yields have subsequently declined following Fed rate reductions, since the rate cut in September, the yield on 10-year Treasuries has soared over 90 bps (0.9%).

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Concerns about rising Federal deficits and debt are likely a contributing factor to the rising bond yields, which could ultimately lead to a headwind to higher stock prices and a hurdle for the U.S. economy in terms of their effect on mortgage and other financing rates.

Offsetting the impact of rising bond yields to some extent is optimism over corporate earnings. Consensus earnings estimates for the S&P 500 call for a 14.6% gain in 2025, and initial estimates for 2026 earnings suggest a further gain of 13.5%. However, consensus estimates for 2025 have declined in recent months, reflecting the potential impact of higher bond yields and a slower policy of interest rate reductions by the Fed on economic growth.

After sharp contractions in 2022, measures of stock market index concentration have soared over the past two years, reaching historically unprecedented levels. As the weight of the largest and most expensive stocks has expanded, the impact of the largest stocks on overall market valuation has expanded as well. The ten largest stocks in the S&P 500 sell at an average P/E multiple using estimated 2025 earnings of 30.8x but excluding the ten largest stocks the other 490 sell at a multiple of only 18.5x.

We continue to seek high-quality, reasonably priced companies with good fundamentals across a range of economic sectors for our portfolio. While there will undoubtably be periods of market volatility over the next year, we believe that disciplined long term investors will be well rewarded.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of December 31, 2024 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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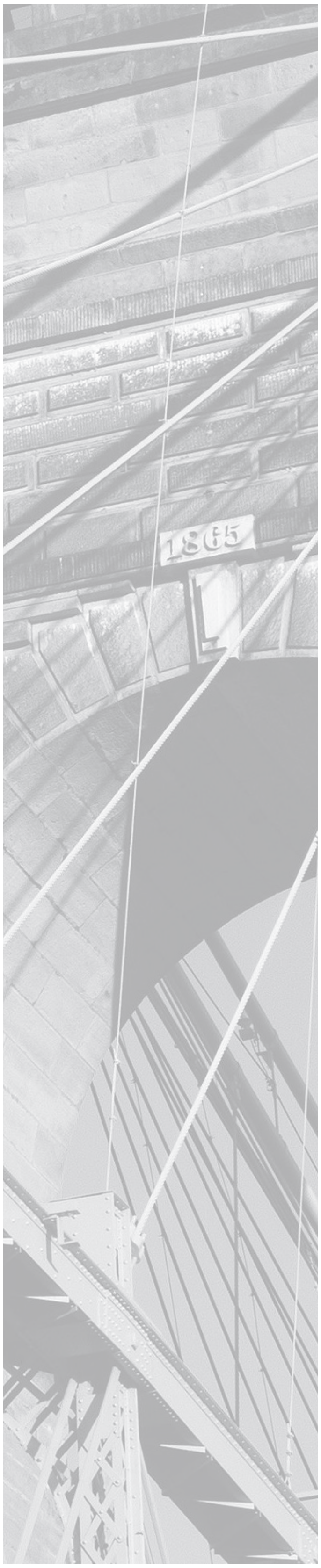

REFERENCED INDICES

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

Russell Midcap Growth Index—The Russell Midcap® Growth Index measures the performance of the Russell Midcap 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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