Renaissance Investment Management

Quarter Ending 6/30/2021

Small Cap Growth

Quarter-End Review—2Q2021

The stock market gained further ground during the second quarter with every economic sector posting positive returns. The S&P 500 Index closed the quarter at an all-time high, with the Energy, Real Estate, and Information Technology sectors outperforming, while the Consumer Discretionary, Consumer Staples, and Utilities sectors were relative laggards. Bond yields drifted lower, as 10-year Treasury yields fell 0.27% to 1.47% by the end of the quarter. The drop in bond yields occurred despite a sharp rise in the reported inflation rate, as the trailing 12-month change in the Consumer Price Index (CPI) reached +5.0% through the end of May.

The Russell 2000 Growth Index continued to march higher during the second quarter of 2021 due to the reopening of the U.S. economy along with continued fiscal stimulus and a supportive monetary policy. For the quarter, the best performing sectors in the index were the Energy and Consumer Staples sectors. The Energy sector was the top performer for the second quarter in a row, as oil prices have surged more than 50% from the start of the year. The worst performing sectors were the Industrials and Utilities sectors. While the Energy sector benefited from rising oil prices, the transportation-related groups within the Industrials sector were negatively impacted, dragging the sector lower. Our Small Cap Growth Strategy outperformed both the Russell 2000 Growth Index and the S&P/Barra Small Cap 600 Index in the second quarter. Portfolio outperformance versus the Russell 2000 Growth benchmark was led by stock selection

SECTOR WEIGHTS & PORTFOLIO CHANGES[1]

Sector	Ending Weight[2]	Change from 3/31/2021	Small Cap Growth Additions & (Small Cap Growth Deletions)[3]
Information Technology	30.3%	+4.5%	ChannelAdvisor, SiTime (Envestnet)
Consumer Discretionary	21.3%	-2.7%	1-800-Flowers.com (Helen of Troy, Johnson Outdoors)
Health Care	17.1%	+0.9%	Amphastar Pharmaceuticals, OptimizeRx (Emergent Biosolutions, Encompass Health, PRA Health Sciences)
Industrials	16.6%	-1.6%	CAI International, TTEC (CAI International)
Financials	9.1%	+1.7%	Houlihan Lokey, Kinsale Capital (PennyMac Financial Services)
Real Estate	1.6%	-0.1%	
Consumer Staples	1.6%	-1.9%	(BJ's Wholesale Club)
Communication Services	1.6%	+0.1%	
Cash	0.8%	-0.8%	
Energy	0.0%	0.0%	
Materials	0.0%	0.0%	
Utilities	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. Characteristics and/or holdings may not be the same for all accounts invested in the strategy due to factors such as pending trades or account restrictions. Additions/Deletions reflect security transactions completed by the date stated on this presentation, and the securities mentioned may not be held by all accounts invested in the strategy.

[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 may represent a portion or all of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. Non-performance based criteria have been used to select the securities listed. 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. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell any security, and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology, or a list showing the contribution of every holding to the representative account's performance 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			
EVRI	Everi Holdings	2.18%	1.30%
PRFT	Perficient	2.19%	0.71%
CAI	CAI International	1.25%	0.71%
EPAM	EPAM Systems	2.28%	0.61%
MIME	Mimecast	1.99%	0.58%
BOTTOM FIVE CONTRIBUTORS—SMALL CAP GROWTH			
IRBT	iRobot	1.49%	-0.42%
SAM	Boston Beer Company	1.86%	-0.32%
LAD	Lithia Motors	2.08%	-0.29%
ADUS	Addus HomeCare	1.51%	-0.26%
EBS	Emergent BioSolutions	0.21%	-0.26%

(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. Characteristics and/or holdings may not be the same for all accounts invested in the strategy due to factors such as pending trades or account restrictions.
(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 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. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell a security and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology, or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.
(3) Average weights over the presentation period.

Source: Renaissance Research, FactSet

in the Industrials and Information Technology sectors. Stock selection in the Financials and Consumer Staples sectors detracted the most from our portfolio performance.

Trading and stock movements during the quarter led to several changes in sector weights. The Information Technology, Financials, and Health Care sectors all saw their weights increase during the quarter. Conversely, the Consumer Discretionary, Consumer Staples, and Industrial sectors saw their weights decline.

A new addition in the Information Technology sector during the quarter was **SiTime** (SITM). SiTime is a leading provider of silicon timing system solutions that are driving a market transition from crystal-based systems to silicon. The company's timing products are at the center of customers' electronic systems, supplying clock signals to a variety of semiconductors and other key components within electronic systems so that they work together properly. SiTime's silicon-based solutions offer key performance improvements over incumbent crystal-based devices, including improved precision, reliability, form factor, robustness, and other key timing parameters. Their products are also low-powered, smaller in size, and programmable versus traditional solutions. In addition, the company has a 90% market share in products that use silicon to replace traditional quartz. We see the clear secular growth drivers and commanding market share leading to robust demand for SiTime's timing chips for years to come. We exited our position in **CAI International** (CAI) as the company agreed to be acquired by Mitsubishi HC Capital for a 47% premium at the time of the announcement.

Everi Holdings (EVRI) was the top contributor to performance in the second quarter as the company reported meaningful upside to consensus estimates during the period. The company is seeing strength across its portfolio of products which includes slot machines and cash access terminals. In addition, the company announced it would be restructuring its balance sheet which should boost free cash flow this year. We expect that the reopening of the economy will continue to drive solid traffic at casinos, and Everi is positioned to benefit from this trend. **Perficient** (PRFT) was another contributor during the quarter as the consulting company is seeing strong demand for its services and expertise. Enterprises are increasing their spending on consulting services as they look to digitally transform operations. Perficient has been expanding its workforce organically and through acquisitions to satisfy demand from its customers. An increasing headcount, higher billings rates, and minimal wage inflation has led to strong operating results from Perficient, and a building pipeline suggests a continuation of favorable results in the future.

iRobot (IRBT) detracted the most from performance during the quarter as rising input costs are likely to pressure gross margins in the future. While higher semiconductor and freight costs are a negative, demand for the company's products remains strong. The stock looks attractively priced to us, and we are maintaining our position. **Boston Beer Company** (SAM) was another detractor from performance in the second quarter, despite reporting excellent results in the first quarter. Slowing trends in the hard seltzer category have weighed on the stock recently, but the category is still expected to grow 60-90% for the year. Valuation has become more attractive, and growth trends remain intact in our view.

Much of the credit for the economic recovery can be directed toward the effective national rollout and distribution of COVID vaccines. As of the end of June, the percentage of Americans who are fully vaccinated against COVID reached just under 50%. This figure is among the highest of any major country worldwide.

While the economic and market news has been good, we would not be surprised by short-term market volatility over the next several quarters. The stock market has not experienced even as much as a 5% correction since last October, marking the longest period since 2017 without such a decline. Growing concerns about inflation and the Federal Reserve's interest rate policies are likely to continue to be a focus of investor attention, which may result in higher levels of stock market volatility. However, we continue to believe that a disciplined approach to identifying reasonably priced growth companies will continue to result in good long-term investment returns over time.

Inflation has surged in recent months with the trailing 12-month change in the Consumer Price Index reaching 5.0% as of the end of May. Meanwhile, the bond market has been remarkably indifferent to the recent increase in inflation—the 10-year Treasury bond yield ended the quarter at 1.47% and has actually declined over the past several months. As a result, the real yield on 10-year Treasuries (defined as yield minus the trailing inflation rate) has fallen to -3.6%, its lowest in over 20 years.

Many economists believe that the recent increase in inflation is being driven by temporary mismatches in the economy as consumer demand is surging faster than producers can provide goods. If those mismatches are only temporary, they will slowly work themselves out as the economy more fully reopens. Yet, the recent surge in prices along with elevated levels of government deficits have clearly raised concerns about future inflation rates among investors.

In addition to rising inflation, investors are also concerned about the direction and timing of future changes in interest rates on the part of the Federal Reserve. The Fed concluded its meeting in mid-June with higher expectations for inflation in 2021, along with an earlier timeframe for interest rate hikes. The Fed now sees core inflation (defined as CPI less Food and Energy)

rising to 3.4% this year, above its previous estimate of 2.4%, and they boosted their full year estimate for GDP growth to 7%--a rate that has not been seen since the 1980s. The Fed also indicated that there could be two interest rate increases by 2023, whereas previously their forecast indicated that there would not be any rate hikes until 2024.

Initial interest rate increases (after a period of falling or stable rates) by the Fed have generally not been damaging to the stock market, however. With the exception of 1987, when the stock market crash occurred seven months after the initial rate increase, the market has generally climbed higher after the Fed's first move on rates. Given the historically low interest rates today, we believe that a sustained and meaningful move upward in rates would be necessary to significantly impact the stock market.

Looking back at the first four quarters of the new bull market from April 1, 2020 through March 31, 2021, Value was the most important attribute in identifying the stocks that performed best. Out of the four sub-models that we use for stock evaluation (Growth, Quality, Momentum, and Value), Value performed the best, while Quality was the worst performer during the period. This behavior is typical of the first leg up in a new bull market.

Moving into the second quarter of 2021, we expected to see Quality perform better as the bull market started to mature, and in fact, the Quality sub-model was the best performer of the four sub-models. The first four quarters of a bull market are often led by the lowest quality stocks. Investors realize that the worst-case scenario for the economy is not going to become a reality, and stocks of the companies that are most vulnerable to recession experience a sharp relief rally. Once this phase is over, investors often start to become more discriminating based upon the fundamentals of each company.

Our Small Cap Growth portfolios continued to benefit from a strong focus on fundamentals during the second quarter, just as they did in the first quarter.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of June 30, 2021 and are subject to change at any time due to changes in market or economic conditions.

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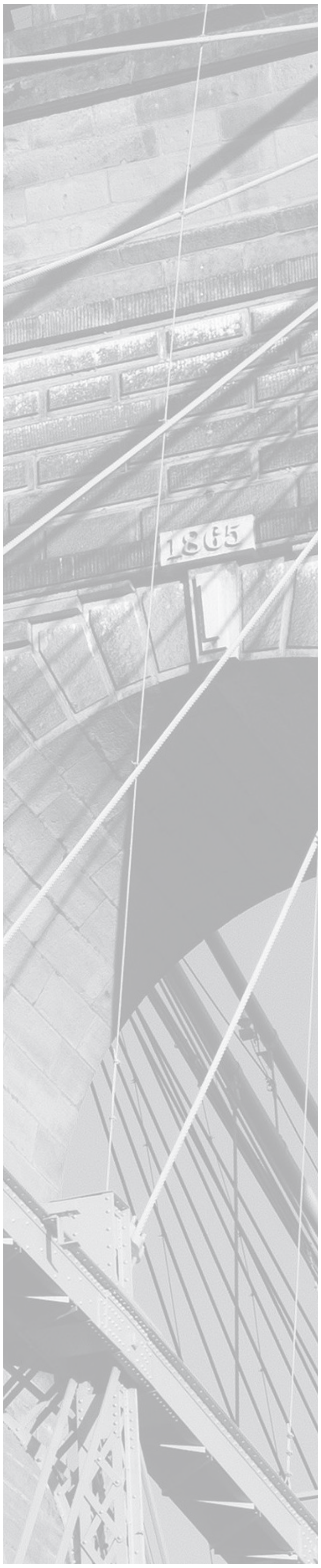

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REFERENCED INDICES

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

Consumer Price Index—The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item.

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.

S&P/Barra Small Cap 600 Growth Index—The S&P/Barra Small Cap 600 Growth Index is composed of the 300 companies within the overall S&P Small Cap 600 Index that have the highest price-to-book ratios.

GICS SECTOR INFORMATION

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