

Large Cap Growth Quarter-End Review—3Q2025



Stock prices continued to rise during the third quarter as the S&P 500 climbed to all-time highs during the month of September. Gains were concentrated in the Information Technology, Communications Services, and Utilities sectors, while the Consumer Staples, Real Estate, and Health Care sectors were relative laggards. Bond yields experienced slight declines during the quarter, and, in a widely expected move, the Federal Reserve reduced its target for the Fed Funds rate to 4.0-4.25% in late September. For the third quarter, the Russell 1000 Growth returned 10.5% and the S&P 500 returned 8.1%. Growth materially outperformed Value and smaller cap stocks outperformed larger cap stocks, driven by expectations that the Federal Reserve will begin to meaningfully cut interest rates this year. For the quarter, we underperformed both our Russell 1000 Growth benchmark and the S&P 500.

In the third quarter, **AppLovin (APP)** was the largest contributor to portfolio performance. The stock reacted positively to solid operating results that were driven by strong mobile gaming trends. AppLovin also demonstrated solid momentum in growing its e-commerce platform, with strong demand from advertisers who want to join the platform. Importantly, data-driven improvements are powering an exponential increase in the amount of data accumulation that is integral to the development and refinement of the company's artificial intelligence models. **Comfort Systems USA (FIX)** was another large contributor. The company reported strong operating results, showing an acceleration in organic revenue growth while also highlighting the company's incremental margin opportunities. Importantly, growth appears sustainable with an expanding business pipeline, driven by the buildout of new data centers that run AI applications. Looking ahead, we believe the company is well-positioned to provide ongoing service and maintenance for the cooling needs

SECTOR WEIGHTS & PORTFOLIO CHANGES⁽¹⁾

Sector	Ending Weight ⁽²⁾	Change from 6/30/2025	Large Cap Growth Additions & (Large Cap Growth Deletions) ⁽³⁾
Information Technology	38.4%	0.2%	Autodesk (Roper Technologies)
Financials	12.8%	-3.3%	(Arch Capital Group)
Industrials	12.4%	-0.9%	Rockwell Automation (Booz Allen Hamilton, Cintas)
Consumer Discretionary	11.4%	3.5%	Tapestry, Ulta Beauty
Health Care	9.9%	0.4%	Halozyme Therapeutics (HCA Healthcare)
Communication Services	8.9%	-0.1%	
Real Estate	1.8%	0.2%	
Utilities	1.8%	1.8%	NRG Energy
Materials	1.7%	-0.1%	
Cash	1.1%	-0.2%	
Consumer Staples	0.0%	-1.5%	(BJ's Wholesale Club)
Energy	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
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TOP FIVE CONTRIBUTORS—LARGE CAP GROWTH

APP	AppLovin	2.12%	1.71%
FIX	Comfort Systems USA	2.11%	0.97%
GOOGL	Alphabet	2.50%	0.84%
ANET	Arista Networks	2.21%	0.79%
AAPL	Apple	2.62%	0.58%

BOTTOM FIVE CONTRIBUTORS—LARGE CAP GROWTH

IT	Gartner	0.93%	-0.48%
FI	Fiserv	1.40%	-0.45%
TW	Tradeweb Markets	1.38%	-0.39%
INTU	Intuit	1.80%	-0.28%
NFLX	Netflix	2.12%	-0.26%

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⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

of both existing and new data centers. Lastly, **Alphabet** (GOOGL) also contributed after reporting solid operating results with broad-based momentum across all its operating segments. Improving user engagement has driven an acceleration in digital advertising growth with no signs that AI is negatively impacting the company's search business. Despite increasing investments in artificial intelligence, Alphabet has been one of the few companies that has demonstrated the ability to monetize AI applications. Also helping sentiment is a favorable court ruling that will not require the company to divest its Chrome and Android businesses.

On the negative side, **Gartner** (IT) was the largest detractor from portfolio performance in the third quarter. The company reported third quarter results that exceeded expectations. However, Contract Value (CV) revenue growth moderated more than expected, as the sales environment for tech vendors experienced a slowdown due to tariffs and delays in federal government expenditures. In addition, there are increasing concerns surrounding the impact of Generative AI and whether it can disintermediate the value of Gartner's proprietary technology research. Another detractor was **Fiserv** (FI), declining in the quarter after the company lowered its organic growth and operating margin targets for the year. A proliferation of multiple small factors culminated in headwinds that required the guidance reset. While the company will face near-term headwinds, it has a strong management team, and we continue to believe that its merchant solutions segment will see growth reaccelerate after working through tough growth comparisons from the last few years. Lastly, **Tradeweb Markets** (TW) declined on potential signs that organic growth is decelerating amid stagnating market share gains, making the company more cyclical and susceptible to swings in industry trading volumes. However, we see its ongoing growth in clients and strong momentum in its international business as signs that growth metrics remain favorable.

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During the third quarter, we made several changes to the portfolio where we saw better opportunities for future growth. In September, we added a new position in the Consumer Discretionary sector with **Tapestry** (TPR), a luxury retailer best known for the luxury brands Coach and Kate Spade. We like how management successfully revitalized the Coach brand into a credible luxury contender by building brand connections with Gen Z and Millennials. Looking ahead, we believe the sale of Stuart Weitzman will allow Tapestry to focus on its core growth driver, Coach, and also rejuvenate a sluggish Kate Spade brand, with new leadership that will follow the Coach turnaround playbook. In addition, Coach remains under-penetrated in the European luxury market, suggesting ample room for further organic growth.

Conversely, we sold our long-term position in **Cintas** (CTAS) following a deterioration in fundamental factors. Our original investment thesis has come to fruition, with Cintas growing both their Fire and First Aid segments into material contributors to revenue growth and operating margin expansion. However, more recently, revenue growth has decelerated, and margin expansion has peaked. Consequently, despite its history as a high-quality compounder since we purchased the stock in April 2019, we believe that the risk-reward is no longer advantageous, with valuation multiples near all-time highs along with a deteriorating employment environment. Until the employment environment reaccelerates, we believe that estimates for revenue growth may be too high as the company potentially faces weaker demand in the near-to-intermediate term.

Real GDP (i.e., inflation adjusted) grew at an annualized rate of 3.8% in the second quarter, according to an estimate by the Bureau of Economic Analysis released in September, marking a sharp recovery from the 0.6% decline in the first quarter. Consumer spending rose significantly during the second quarter, making the most positive contribution to overall growth. Much of the market concerns about tariff policies unveiled by the Trump administration in early April appear to have abated, although it is still too early to clearly discern their ultimate economic effects.

The stock market recovery since its initial selloff in April has been dramatic. The S&P 500 has gained in each of the last five months, and from the end of April through the end of September the index has risen 20.1%. From its lowest level in April, the index gained 32.1% through September. While it is true that the market has been led by a relatively small group of highly priced technology stocks, this has still been a remarkable accomplishment.

The strong gains over the past five months might suggest a pullback in prices in the near future, but a look at history suggests otherwise. We examined every five month period since 1980 in which the S&P 500 gained at least 15% and measured how the index did over the next twelve months. On average, the index gained a further 11% over the following twelve months and posted positive returns 85% of the time. Both figures are slightly above average for all 12-month periods.

On September 9, the Bureau of Labor Statistics reported that the U.S. added approximately 911,000 fewer jobs than originally thought over the twelve months ending March 31. This implied much slower job growth in late 2024 and early 2025 and undoubtedly contributed to the Fed's decision to reduce interest rates in September. Projections for the Fed Funds rate in the future now predict a significant decline through next year, which could provide support for the stock market. However, it is worth noting that inflation remains well above the Fed's 2% target, which may inhibit a more significant reduction in rates over the near term.

Estimates of earnings growth have risen for the remainder of this year and next after declining in the immediate wake of the Trump Administration's tariff announcements in April. Currently, expectations are for S&P 500 Index earnings growth of 11.0% this year and 13.6% in 2026. The last year of negative earnings growth was in the COVID year of 2020. In the almost five years since then, earnings have grown over 91%, or 16% on an annualized basis, one of the stronger periods of growth in recent history.

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Valuation concerns have also grown as the stock market posts new highs. While valuation metrics for the S&P 500 are well above historical averages, metrics for the S&P 500 are significantly affected by the high valuations of several mega-cap stocks, which account for an unprecedented percentage of the cap-weighted S&P 500 Index. The largest ten stocks in the S&P 500 account for 39% of the weight of the entire index, the highest figure in history. Current valuations of the Equal-Weighted S&P 500 (in which stocks are equal-weighted rather than weighted by size) are much closer to historical norms. Moving away from the S&P 500 and looking at the S&P Midcap and Small Cap indices, data suggests that their valuations are quite comparable to historical averages.

Concerns about market valuation should not be completely disregarded, but it is important to look beyond the headline valuation data for popular indices. Focusing on a more equal-weighted portfolio approach and considering other high-quality companies aside from the most popular mega-cap stocks is one way of addressing the relatively high valuation metrics of the cap-weighted S&P 500.

As always, market movements are impossible to predict with absolute certainty, but we continue to believe that a broadly diversified portfolio of high quality, reasonably priced growth stocks offers good long-term investment opportunity.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of September 30, 2025 and are subject to change at any time due to changes in market or economic conditions.

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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.

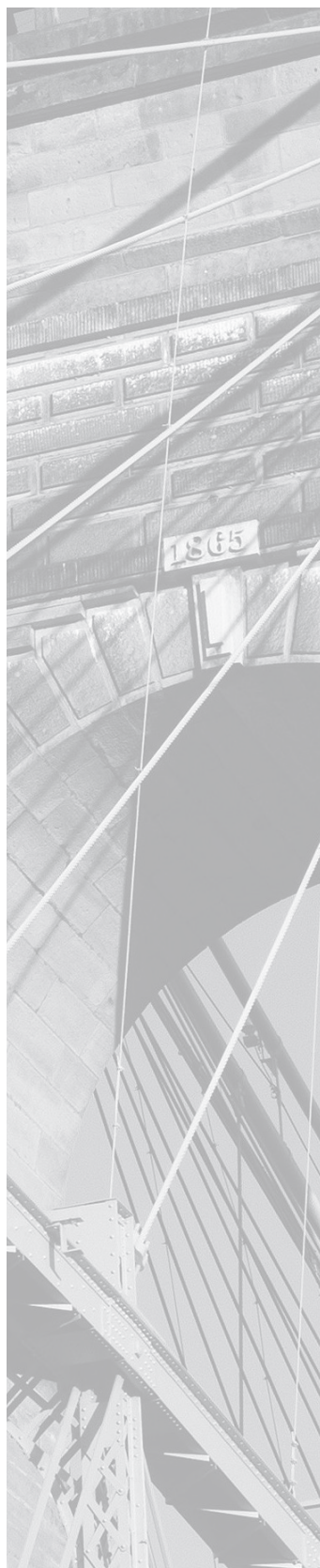
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REFERENCED INDICES

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

Russell 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.

S&P Midcap Index—The S&P Midcap Index (S&P Midcap 400) tracks the stock performance of approximately 400 mid-sized publicly traded companies in the United States.

S&P Small Cap Index—The S&P Small Cap Index (S&P 600) tracks the stock performance of approximately 600 smaller sized publicly traded companies in the United States.

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