

Stable Growth

Marketing communication | As of 30 Sep 2025

- **During the third quarter, the Stable Growth SMA underperformed the benchmark Russell 1000® Growth Index.**
- **Stock selection detracted overall for the quarter, particularly in the health care, communication services and information technology sectors. While an emphasis on large capitalization stocks contributed favorably, the positive impact was more than offset by an underweight to more volatile stocks, which detracted.**
- **The U.S. stock market continued to advance in the third quarter driven by artificial intelligence (AI) enthusiasm, better-than-expected earnings growth and expectations for easier monetary policy in the coming quarters.**

Market review

While uncertainty continued to overhang the markets during the third quarter, worst-case scenario fears regarding the impact of tariffs on economic growth and inflation were avoided. The U.S. economy continued to steadily slow, and the labor market softened, but overall growth continued to hold up well. Real consumption accelerated to above a 2% annualized pace, despite a sharp slowdown in job creation. The U.S. unemployment rate ticked up to a new cyclical high of 4.3% in August, while other measures of labor market slack pointed to more stability. However, the partial government shutdown prevented the Bureau of Labor Statistics from releasing September's jobs report on the first Friday of October. Inflation increased as the impact from tariffs steadily fed through to consumer prices, with the core personal consumption expenditures (PCE) index reaching 2.9% year-on-year, up from its recent low of 2.6% in April.

Monetary policy worldwide continued to diverge, with central banks balancing still-sticky inflation and economic growth concerns amid ongoing tariff uncertainty. After holding rates steady at its July meeting, the Federal Reserve (Fed) cut rates for the first time this year in September, bringing the target federal funds rate to a range of 4.00%-4.25%. Chair Powell noted the Fed's challenging backdrop of rising inflation due to the impact of tariffs combined with a cooling U.S. job market. While the Fed's updated economic projections in September showed few changes, the heavily scrutinized dot plot indicated two more rate cuts this year and one in 2026. The Bank of England (BOE) also cut rates once by 25 basis points in August, while the European Central Bank (ECB) and Bank of Japan (BoJ) held policy steady throughout the quarter. Gold prices soared more than 17% during the period to a new record high of \$3,800 per ounce as investors continued to flock to this safe-haven asset, while oil prices fell around 4% due to increased production.

The U.S. stock market overcame the prevailing economic, trade and fiscal policy uncertainties and the so-called "September effect" to hit new record highs near quarter end. Technology stocks and the AI theme continued to propel the advance, joined by



Scott M. Tonneson, CFA
Portfolio Manager, Senior Research Analyst



David A. Chalupnik, CFA
Head of U.S. Equities Portfolio Management



David S. Park, CFA, CPA
Portfolio Manager

Stable Growth

the more economically and interest-rate sensitive small-cap segment, which was boosted by September's rate cut. All major U.S. stock market indexes posted gains for the quarter, led by the small-cap focused Russell 2000® Index, which surged 12.39%. The tech-heavy Nasdaq Composite was not far behind with an 11.41% advance, bolstered again by the strong performance of several "Magnificent Seven" stocks such as Apple, Alphabet and Nvidia.

The benchmark Russell 1000® Growth Index notched its fifth straight monthly advance and ended the quarter just shy of its September 22 all-time high. Strong corporate earnings helped drive the quarter's advance. The index returned 10.51% for the quarter fueled by double-digit gains in the information technology, communication services and consumer discretionary sectors. Real estate, consumer staples, energy and financial stocks lagged, producing negative returns at the sector level during the quarter. While value stocks rallied and outpaced growth stocks in the smaller capitalization ranges, they still lagged in the large cap space, which was dominated by more growth-oriented technology stocks.

On the heels of the year's strong first-half rally, non-U.S. developed markets experienced more muted gains in the third quarter. As measured by the MSCI EAFE Index, developed markets advanced 4.77% in U.S. dollar terms for the quarter. European stocks lagged despite the onset of Germany's fiscal boost with a 4.43% return for the MSCI EMU Index, while returns in Japanese and Canadian stock markets were stronger. Meanwhile, emerging market (EM) equities were the period's star performers, outpacing both the United States and other developed markets with an 10.64% quarterly return as measured by the MSCI Emerging Markets Index. Chinese stocks, which now account for just over 30% of the market capitalization of the EM index, were buoyed by AI-related momentum, government stimulus measures and a strong IPO market in Hong Kong. China's large-cap focused CSI 300 Index advanced 19.78%.

Portfolio review

The Stable Growth SMA underperformed the Russell 1000® Growth Index on a gross and net of fees basis for the quarter. Stock selection detracted overall for the quarter, particularly in the health care, communication services and information technology sectors. While an emphasis on large capitalization stocks in the strategy contributed favorably, the positive impact was more than offset by an underweight to more volatile stocks, which detracted.

Contributors

Within the information technology sector, semiconductor equipment manufacturer Lam Research contributed to the strategy's performance. The company delivered record financial results for its fiscal fourth quarter, exceeding 50% gross margins for the first time since its merger with Novellus Systems. Management provided forward guidance well above consensus buoyed by a continued recovery in NAND flash memory and a record quarter for its foundry business. Better-than-expected sales in China, which represent nearly 35% of the company's revenue, led management to raise its wafer fabrication equipment (WFE) estimates for the year.

Also in technology, a position in cloud networking solutions provider Arista Networks contributed favorably to results. The company benefited from the market's broader AI-related trend, particularly the ongoing demand for buildout of AI data center infrastructure by leading cloud service providers. Shares advanced strongly after second quarter's earnings exceeded consensus expectations with revenue of \$2.2 billion growing 30.4% year-over-year. Management also raised the company's full-year revenue growth guidance from 17% to 25%. Arista Networks continues to take market share from other competitors in the high-speed data center switching market and is positioned to benefit from the increasing demands of generative AI.

In the consumer discretionary sector, auto parts retailer O'Reilly Automotive posted another strong quarter and raised its full-year 2025 guidance for same-store sales growth as incremental pricing from tariffs helped boost top-line comparisons while supporting margins. The company continues to benefit from the trend of more aging vehicles on the road, leading to consumer do-it-yourself (DIY) repairs. The auto parts aftermarket business has historically demonstrated strong pricing power with both DIY customers and professional installers, making O'Reilly an attractive way to hedge tariff risks or a potential economic downturn.

Detractors

In the health care sector, the strategy saw weak results from Intuitive Surgical, the manufacturer of robotic-assisted surgical systems for minimally invasive procedures. The company's quarterly results were mostly in line with a modest beat and raise on most financial metrics; however, international placements for its most recently launched Da Vinci 5 platform were somewhat weaker than expected. The

Stable Growth

company's profit margins are also getting squeezed by U.S. tariffs and China's restrictions on rare earth mineral exports. Intuitive recently initiated a share buyback for the first time since 2023 and has a history of significant buybacks.

Software company ServiceNow also detracted from relative performance, lagging during the quarter due to concerns about a slowdown in corporate technology spending on non-AI related projects. While ServiceNow is seeing improved demand for its AI capabilities, investors remain concerned that AI could continue to disrupt service and software companies. Despite the stock price weakness, the company reported strong quarterly results above expectations and raised its full-year subscription revenue guidance in July. We continue to view ServiceNow as a high-quality company with attractive growth at scale and strong execution.

Also in the technology sector, tax and accounting software maker Intuit saw its shares trade down as a strong quarterly report was offset by slightly underwhelming fiscal-year 2026 guidance. The company experienced a decline in average revenue from TurboTax users and some weakness in its MailChimp marketing platform. However, management has historically issued conservative initial fiscal-year guidance, and this year was no exception. We continue to see upside to the near-term and longer-term numbers given the backdrop of management's conservative track record and the company's ongoing operating momentum, combined with an attractive starting point of mid-teens bottom line growth.

Portfolio positioning

The Stable Growth portfolio management team remains intently focused on identifying companies with dependable fundamentals, attractive earnings growth potential and upcoming catalysts while being mindful of current valuations. The team continues to favor companies supported by strong free cash flow generation, balance sheet strength and the ability to maintain and improve profit margins.

During the third quarter, we established a new position in Oracle, while fully eliminating the portfolio's positions in Take-Two Interactive Software, Salesforce and Fiserv. As of quarter end, the portfolio's largest relative sector overweights were in the consumer staples and information technology sectors. The portfolio's largest relative sector underweights were in the financials and communication services sectors.

Outlook

We expect U.S. economic growth to moderate further through year-end 2025 before rebounding next year as tariff headwinds diminish while easier fiscal and monetary policy provide support. We also believe U.S. unemployment should stabilize near 4.5% through this period. Inflation presents a mixed picture, with less upside pressure than feared but ongoing acceleration driven by tariff effects. We anticipate core PCE inflation will peak slightly above 3.0% year-over-year by year-end. We expect the Fed to continue lowering interest rates with one more 25 basis point cut this year and two more next year, with the potential for one of the 2026 cuts to get pulled forward into 2025.

The third quarter 2025 earnings season is arriving with a mix of optimism and caution. According to FactSet, S&P 500 companies are projected to report 8% year-over-year earnings growth, marking the ninth straight quarter of expansion. Deviating from the norm, analysts have increased earnings estimates during the quarter for the first time since late 2021, underscoring a shift toward greater confidence in underlying companies despite geopolitical and policy uncertainty. Importantly, corporate sentiment has also improved, with 56 companies issuing positive earnings guidance, marking the highest number in four years, but matching the number issuing negative guidance.

As earnings season gets into full swing, several macro factors are likely to shape this cycle. Deregulation efforts under the Trump administration may continue to reduce compliance costs, particularly in financials, and stimulate merger and acquisition activity. AI-driven capital expenditures, now comprising approximately one-third of total S&P 500 capex, continue to grow, but investors are looking for evidence of productivity benefits. Meanwhile, the consumer outlook remains critical because spending has softened recently alongside labor market weakness but could rebound with policy stimulus. Finally, increasing electricity costs linked to AI and data center expansion are influencing both corporate margins and household budgets, placing utilities at the center of this major structural shift.

While the S&P 500's forward P/E of 22.8x remains above historical norms, consistent earnings growth and an improving macro backdrop support a cautiously optimistic view on equities heading into late 2025. Although the market has notched a strong year-to-date advance, we still see potential for the S&P 500 to reach 7000 or higher by year end. Catalysts that could provide further upside include continued earnings growth and upside surprises, expanded

Stable Growth

market breadth, diminished inflation risks, additional Fed rate cuts and further clarification regarding tariff policy and rates, to name a few.

That said, equity market volatility could also increase heading into year end, driven by a slowing U.S. economy. Ongoing trade tensions and lack of clarity around tariffs also remain key risks. Recent moves by the Trump administration, including new taxes on metals and technology imports, have added stress to supply chains and weighed on business confidence. These developments could push prices higher on select goods, complicating the Fed's efforts to manage inflation. Other headwinds facing equity markets include concerns about rising federal deficits and

the ability of the United States to pay its debt; a weak U.S. housing market as evidenced by declining home construction and slower mortgage activity; and potential disruptions from the partial U.S. government shutdown.

While volatility and uncertainty may prove challenging for investors in the short term, we continue to believe equity investors are best served by staying in the market. We will continue to monitor events as they unfold and remain nimble, emphasizing our flexible investment approach supported by rigorous bottom-up research, careful stock selection and thoughtful portfolio construction.

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is \$100,000.

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Growth stocks or growth investing may fall out of favor and underperform value stocks and other investing styles over any period of time. Certain sectors or growth stocks may shift characteristics over a long market cycle and may not perform in line with stated benchmarks. This strategy may invest in American Depositary Receipts (ADRs). ADRs do not eliminate the currency and economic risks for the underlying shares in another country.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professional.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and

uncertainties and may not come to pass. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

Glossary

The **S&P 500® Index** measures the performance of large capitalization U.S. stocks. The S&P 500® Index is a market weighted index of 500 stocks traded on the NYSE, AMEX and NASDAQ. The **Russell 1000® Growth Index** measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of dividends, but do not reflect any applicable sales charges or management fees. **Volatility** is the fluctuations in market value of a portfolio or other security. The greater a portfolio's volatility, the wider the fluctuations between its high and low prices. **It is not possible to invest directly in an index.** Clients should consult their financial professionals regarding unknown financial terms and concepts.

Nuveen Asset Management, LLC is a registered investment adviser and an affiliate of Nuveen, LLC. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.