

## Large Cap Value Balanced

Marketing communication | As of 30 Sep 2025

- **The Large Cap Value Balanced portfolio outperformed its blended benchmark; year to date performance strongly ahead.**
- **Driven by a cooling labor market, the Fed made its first interest rate cut in September, lowering bond yields and supporting risk assets. Two more cuts expected by year-end.**
- **The market experienced a broadening of leadership beyond mega-cap tech stocks with strong performance from small cap and value stocks.**

### 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 continued to expand at around a 2% 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 with resilient global growth despite 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.



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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 artificial intelligence (AI) theme continued to propel the advance, joined by 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 S&P 500 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, with nine of 11 S&P 500 sectors beating consensus expectations for second-quarter earnings per share (EPS). The index returned 8.12% for the quarter fueled by double-digit gains in the information technology and communication services sectors, followed by solid advances in consumer discretionary and utilities. Consumer staples stocks lagged, producing the only negative return 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 tech 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%.

The Bloomberg Aggregate Index returned +2.03% and U.S. Treasury rates again declined across the yield curve, with the 10-year Treasury yield ending the quarter 8 bps lower at 4.16%. Lower rates and tightening credit spreads fueled broadly positive returns across fixed income asset classes.

Investment grade corporates posted a total return of +2.60%, as spreads tightened to 25-year low levels in late September ending the month at 74 bps. New-issue volume continued to exceed 2024's pace and now stands at \$1.3 trillion year to date. Issuance slowed as August concluded but surged in September with a record \$200+ billion of total gross issuance.

## Portfolio review

The Nuveen Large Cap Value Balanced portfolio outperformed its blended 60% Russell 1000 Value/40% Bloomberg Gov/Credit Agg Index on a gross of fees and net of fees basis during the 3rd quarter of 2025, with both the benchmark and portfolio delivering positive returns. Year-to-date returns through September 30th are well ahead of the benchmark. For equities, the quarter started off relatively slowly with the index gaining 0.6% in July, accelerated with a 3.2% return in August, and posted additional gains in September (+1.5%), finishing the quarter up 5.3%. The best performing sectors leading the index were communications services (+11.4%), utilities (+8.3%) and consumer discretionary (+6.7%). The largest underperformers occurred in consumer staples (-2.0%), followed by real estate (+4.6%) and financials (+4.8%). Overall allocation decisions modestly detracted from relative performance during the quarter. The portfolio's underweight in the consumer staples sector proved positive while modest cash was a drag as the index registered gains.

For the fixed income portion of the balanced portfolio, we added some duration to the portfolio which narrowed our underweight duration posture vs. the Gov/Credit Index. We remain overweight in the belly of the curve (5-10yr) and underweight in the long end. We maintain a 50/50 corporate/Treasury exposure blend and would look to increase our corporate exposure should credit spreads widen out.

The main driver of equity outperformance for the portfolio during the quarter was our stock selection, particularly in technology, industrials, and consumer discretionary names. Offsetting part of the outperformance several underperforming investments in health care, financials, and materials. Our top stock contributors in the third quarter were **Seagate**, **ViaSat**, and **nVent Electric**, while leading detractors included **Fiserv**, **UnitedHealth Group**, and **Kenvue**.

## Contributors

The portfolio's stake in **Seagate** was a top contributor to performance during the quarter. The company reported a

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31% year-over-year revenue increase fueled by strong demand for mass capacity storage, especially nearline cloud solutions, and advanced technology ramp-up such as HAMR. Their operational improvements and supply-demand balance led to margin expansion and earnings beat.

Our position in **ViaSat** was a top contributor to the portfolio after reporting an earnings beat and multiple positive developments during the quarter. Sentiment was already improving heading into the quarter with a better-than-expected settlement with Ligado in June, which will pay \$568 million to ViaSat in fiscal 2026 along with additional quarterly payments lasting through the year 2107. In late July, shares rose as an activist published a letter urging ViaSat to spin-off or IPO its Defense and Advanced Technologies business and outlined an investment case supporting a valuation of \$50-100 per share for VSAT. Finally, VSAT outlined progress, and an accelerated timeframe for its upcoming satellite launch, and provided a path to free cash flow generation.

**nVent Electric** delivered record sales and backlog growth in Q2 2025 with strong double-digit rise in organic sales, driven by acquisitions and growth in infrastructure verticals like power utilities, data centers, and renewables, which boosted investor confidence for Q3, sending shares of the stock higher.

### Detractors

**Fiserv's** stock was pressured during the quarter by cautious investor expectations due to stiff competition and transitional costs in scaling blockchain and digital payment innovations, despite a history of earnings beats. Market skepticism about growth sustainability limited stock gains, which we believe are partly due to some non-recurring tailwinds boosting last year's results.

**UnitedHealth Group** faced challenges from medical cost trends and pricing pressures in Medicare Advantage, with operational earnings declining despite revenue growth. Strategic shifts in benefits and settlements created uncertainty among investors, and the company had utilized questionable practices regarding assets included in operating results. We decided to exit our position during the quarter.

**Kenvue**, though showing earnings beats recently, has experienced ongoing EPS declines year-over-year in key quarters, reflecting pricing pressures and competitive challenges in consumer health products, negatively affecting

longer-term investor confidence. The main story behind the stock's decline during the quarter was the U.S. Health and Human Services Secretary RFK's September announced initiative to address autism, including a warning about taking Tylenol (a Kenvue portfolio brand) during pregnancy. Tylenol packaging has carried a warning for pregnant women to discuss usage with their doctor.

### Portfolio positioning

In terms of new investments, we initiated positions in (HVAC equipment manufacturer) **Carrier Global**, (railroad) **Union Pacific**, (biotech pharma) **Regeneron**, and (online retailer) **Amazon**. We eliminated holdings in (agriculture) **Corteva**, (memory and storage maker) **Micron**, (pharmaceuticals) **Pfizer**, and (managed care) **UnitedHealth Group**.

### New Investments:

We initiated a position in residential and commercial HVAC manufacturer **Carrier** during the period. Shares have de-rated sharply year-to-date as weaker demand for residential systems has impacted results. While the consumer remains pressured, we see trends improving in '26 as lower rates driving housing activity and uncertainty related to the mandated refrigerate transition subsidies. With transportation refrigeration, and European heat pump demand also exiting trough levels, we see 2026 marking an inflection point, and want to be in front of it, particularly given the extent of destocking on the U.S. residential side.

We invested in **Union Pacific** post the announcement of its strategic merger with Norfolk Southern, and subsequent stock decline. We believe that the merger synergies will justify the deal premium, particularly after the modest decline in UNP shares and attractive entry point, and the structural cost reductions from the acquisition. The changes in the regulatory environment presented this unique opportunity.

**Regeneron** is a pharmaceutical company we believe possesses a combination of great science and management, attractive valuation, and underestimated duration for both its Eylea and Dupixant franchises. The company should be on the verge of becoming a major oncology player with Libtayo (PD-1). Regeneron stock had fallen roughly 50% from its August 2024 levels, providing an attractive entry point given our view of fundamentals going forward.

We made an initial investment in **Amazon** after the stock sold off post second quarter earnings on concerns that AWS

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(cloud services) was subpar, and they may be ceding share to competitors. Metrics other than AWS growth continue strong, and CEO Andy Jassy reiterated that they remain capacity constrained, with robust demand for their services.

## Eliminations:

We eliminated our position in seed and crop protection company **Corteva** based on its appreciation to full value. Our initial investment was very opportunistic, and we felt their recent announcement to split their highly valued seed business from their crop protection segment did not add additional value.

We exited our profitable investment in DRAM maker **Micron** as we wanted to moderate our commodity technology investments amidst the boom in demand for datacenter (AI) investments.

Our purchase of Regeneron provided the opportunity to eliminate our **Pfizer** holding.

**UnitedHealth Group** was clearly an unprofitable investment, as the company had multiple negative earnings and business announcements, and was utilizing non-recurring gains in its operating numbers to make numbers. Our exit wasn't timed well, but we question the ability of the stock to sustainably regain its prior multiple and quality status.

On weakness, we added to positions Smurfit Westrock, ADMA, and Sanofi. We trimmed positions in Seagate, Oracle, nVent Electric, and ViaSat after all of them experienced significant gains since April.

## Outlook

The portfolio continues to be reasonably diversified, though as we've discussed consistently, not indexed. Allocation to equities within the overall portfolio hasn't increased meaningfully notwithstanding the positive stock returns. We currently carry overweight equity positions in the Industrial and Energy sectors, with a modest overweight in Financials (particularly the major banks). The set up for energy looks interesting into 2027 as the current excess supply of oil is shrinking meaningfully. As we've mentioned in previous letters, quite a bit of our energy is focused on

liquefied natural gas (LNG) which has contributed well to results (Shell, Baker Hughes, Cheniere). Conditions may certainly arise that provide opportunities to both change the mix as well as increase our investments.

Amidst all the macro concerns, we highlight that our investment philosophy/process is bottom up, catalyst driven. We've highlighted our expectation of significant merger and acquisition activity, and believe that will benefit results amongst a number of our investments. The major banks (JP Morgan, Wells Fargo, Citigroup-all focused holdings) had another strong quarterly performance, and continued to outperform the large regional banks. We have increased conviction that President Trump's trade strategy is to get better agreements and increased onshoring of manufacturing domestically, with the risk of significant disruptions continuing to ease.

Valuations aren't cheap, and volatility (fear) is low; that certainly makes us cautious and nervous- seemingly our constant state of being. The increasing size of the national debt, growing deficits, and a rapidly increasing interest burden from refunding maturing debt at higher interest rates as well as financing the current deficit are real risk factor. While the productivity impact of Artificial Intelligence spending is likely real, the employment impact is uncertain and poses a risk.

We have been disciplined on taking profits/reducing exposure to holdings that are benefitting from the artificial intelligence (AI) boom when valuations become stretched/excessive, both in the industrial and technology sectors. The political environment between Democrats and Republicans remains hostile, but our focus is on identifying and investing in companies undergoing positive change. We believe the current market environment for our approach is positive given the recent broadening of the market, focus on companies with attractive valuations and catalysts, domestic onshoring, and a deregulatory environment with accelerating mergers and acquisition activity

Once again, we greatly appreciate the opportunity to be stewards of your capital.



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**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. Equity investments are subject to market risk or the risk that stocks will decline in response to such factors as adverse company news or industry developments or a general economic decline. Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other style investing during given periods. Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, and income risk. As interest rates rise, bond prices fall. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Investments in mortgage-backed and asset-backed securities are subject to prepayment risks. There is no assurance that the private guarantors or insurers will meet their obligations.

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## Glossary

The **Blended Index** is comprised of 60% Russell 1000® Value Index and 40% Bloomberg U.S. Aggregate Bond Index. The **MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The **Russell 1000® Value Index** measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000® Index** measures the performance of the small cap segment of the U.S. equity universe which includes approximately 2000 of the largest securities based on a contribution of their market cap and current index measurement. The **Russell 2000® Value Index** measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000® Growth Index** measures the performance of those Russell 2000® companies with a greater-than-average growth orientation. The **S&P 500® Index** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. **It is not possible to invest directly in an index.** Clients should consult their financial professionals regarding unknown financial terms and concepts.

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