U.S. Large Cap Growth

Marketing communication | As of 30 Jun 2026

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Key takeaways

- U.S. large cap growth stocks saw a meaningful reversal from the first quarter with the Russell 1000® Growth Index surging nearly 17% in the period.
- AI infrastructure buildout continued unabated with surging capital expenditures from the hyperscalers which lifted stocks tied to the datacenter ecosystem. Corporate earnings growth shattered expectations in the face of lingering geopolitical concerns and consumer spending proved resilient despite elevated interest rates and inflation data.
- Our strong relative performance was driven by two factors. First, AI disruption risk is causing a dispersion in stock prices that is providing a better backdrop for active management. Second, after the first quarter correction we purchased a number of stocks in the Datacenter sector that we believed would benefit from accelerated adoption of generative AI (AI) technology. AI remains the primary growth engine of our economy.

Market review

Equity markets staged a powerful rebound in the second quarter. The AI infrastructure buildout continued unabated with surging capital expenditures from the hyperscalers which lifted stocks tied to the datacenter ecosystem. Corporate earnings growth shattered expectations in the face of lingering geopolitical concerns and consumer spending proved resilient despite elevated interest rates and inflation data. Market leadership and performance dispersion also widened.

U.S. large cap growth stocks saw a meaningful reversal from the first quarter with the Russell 1000® Growth Index ('RLG') surging nearly 17% in the period. Across all major equity classes, only U.S. small caps and emerging markets fared better.

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Portfolio review

Winslow Capital had a solid quarter of both relative and absolute performance. Strong absolute performance was expected after the first quarter sell-off as growth in earnings remained very solid and tensions in the Middle East eased, driving oil prices lower. First, AI disruption risk is causing a dispersion in stock prices that is providing a better backdrop for active management. This is most evident in the Mag 8 dispersion. Second, after the first quarter correction we purchased a number of stocks in the Datacenter sector that we believed would benefit from accelerated adoption of generative AI (AI) technology. The signal for this was accelerating demand for Anthropic's frontier models. Anthropic's annual revenue run rate has risen dramatically – from $9 billion at the beginning of the year to approximately $60 billion at quarter end. AI remains the primary growth engine of our economy.

The portfolio outperformed the benchmark for the quarter with nine of eleven sectors contributing to relative performance. The Information Technology sector contributed the most due to strong stock selection. Our overweight of the Industrials sector and void of the Consumer Staples sector also contributed. Stock selection and allocation within the Healthcare and Materials sectors detracted from relative performance.

Contributors

Micron Technology Inc is one of the three largest memory producers and AI models are dependent on high bandwidth to function. The company reported quarterly metrics well ahead of expectations, signed over a dozen strategic customer agreements and raised guidance in the period. The rapid growth of AI infrastructure is materially shifting memory buyer dynamics from consumer-oriented to datacenter led, which is leading to product shortages and a repricing of the value of memory from which the company will benefit. We also remain bullish on hyperscaler revenue acceleration and continued capex growth.

Advanced Micro Devices Inc, a provider of semiconductors for a broad range of businesses, delivered another solid quarter and issued guidance ahead of consensus. The company is benefiting from increased CPU demand in the data center and is well positioned to raise prices and expand margins. We also expect recently announced partnerships with Meta and OpenAI to provide a significant boost to revenue and profitability in the next few years.

Space Exploration Technologies Corp is a vertically integrated space, connectivity and AI company. The foundational thesis rests on its vertically integrated, fully reusable rockets by launching payloads at a fraction of legacy costs, the company has established an unparalleled moat. Starlink satellites account for roughly 75% of all mass in orbit. The connectivity business is seeing rapid growth driven by consumer, enterprise and government adoption. xAI has begun monetizing its terrestrial datacenter compute through recent deals with Google and Anthropic.

Sandisk Corp engages in the development, manufacture, and provision of storage devices and solutions based on NAND flash technology. The company released better-than-anticipated results and guidance as, like Micron, the company is benefiting from increasing demand for memory as part of AI infrastructure buildouts. Margins have dramatically improved driven by both a favorable product mix and pricing power.

ASML Holding NV enjoys a monopoly position in extreme ultraviolet (EUV) lithography, a foundational building block for advanced semiconductor manufacturing. Quarterly results were ahead of expectations, and we believe the market is under-appreciating the extent to which the company will be a beneficiary of the accelerating demand for semi-cap equipment and the continued progression to smaller transistor sizes.

Detractors

Snowflake Inc, a cloud-based data platform that enables organizations to manage and analyze large volumes of data with high performance, scalability and flexibility, has not been immune to the broad software stock sell-off. Despite the negative market sentiment, the company beat expectations in its most recent quarter driven by 30% revenue growth and continued operating efficiencies and guided ahead of consensus; however, we exited the position as new features from Anthropic may encroach on the company's core business.

Shopify Inc, a global cloud-based e-commerce platform, is investing in preparation for agentic commerce and signed a partnership with OpenAI which will allow merchants to sell directly in ChatGPT. The company beat estimates this quarter on the back of strong revenue growth, yet guidance

appeared muted largely due to currency and difficult comparisons.

Global leader in audio streaming and media services **Spotify Technology SA** reported a solid quarter that was ahead of expectations. However, accelerating operating expenditures related to cloud and AI costs tempered investor enthusiasm.

Palantir Technologies Inc detracted due to a combination of perceived increasing competition from AI deployment companies backed by OpenAI and Anthropic and retail investors seeking capital sources to participate in upcoming mega IPOs. Despite the sentiment, the company blew past quarterly estimates and raised guidance across the board. We continue to view the company as a leader in data ontology with best-in-class compounding growth.

McKesson Corp is one of three leading distributors of branded, generic and specialty pharmaceuticals in the United States. The company posted a mixed quarter, and the stock was a source of funds for the managed care space. We expect the company to post double-digit revenue growth and mid-teens earnings growth for the next few years, driven by continued strong utilization of pharmaceuticals as well as growth in its oncology and data analytics franchises.

Portfolio positioning

With AI infrastructure spending set to soon exceed $2 trillion, the portfolio is focused on companies supporting the AI buildout and deployment. Consistent with this view, our largest overweight is in the Industrials sector (15% versus 9% in the benchmark). We are also overweight the Financials sector (6% versus 4%) as select names benefit from capital markets strength or idiosyncratic growth drivers. Our largest relative underweights are in the Information Technology (49% versus 54%) and Communication Services (14% versus 16%) sectors largely stemming from our underweight in the Mag 8 stocks. The remaining sectors are within 1% of the benchmark and we are void the small Consumer Staples, Energy, Real Estate and Utilities sectors.

From a Growth Type perspective, the Cyclical Growth sector is the largest overweight at 53% versus 51% in the benchmark. Consistent Growth at 19% versus 22% is the largest underweight. Dynamic Growth is slightly underweight at 28% versus 28%.*

*The three types of earnings growth framework is determined by internal Winslow Capital estimates. Winslow Capital weights and characteristics are based on a U.S. Large Cap Growth representative account as of 6/30/2026. All accounts are modeled in line with Winslow Capital's representative account. The benchmark against which the portfolios are managed is the Russell 1000® Growth Index. Account holdings and weights may differ from this representative account. The representative account holdings are subject to change without notice. Percents may not sum to totals due to rounding and cash position in the portfolio.

Outlook

From the observables today, we conclude the economic outlook is strong. Historically, the U.S. economy rested squarely on consumer spending, but the growth engine of our economy has shifted from consumer spending to capital spending. Capital spending has inflected materially higher, driven by investments in AI infrastructure. This is evident in capital spending's increasing share of overall GDP growth.

With oil prices declining, household wealth increasing and monetary policy remaining stable, we see a strong backdrop for the Main Street (consumer) economy. This is good news for many stocks that have not performed well this year. Stocks outside of the AI winners' circle have suffered from comparison bias and/or AI disruption fears. With a strong economic backdrop, cheap valuations and well-discussed AI disruption fears, a select group of non-AI stocks could perform very well in the second half of the year. We are optimistic on a number of them, including companies in the payments, travel and aerospace industries.

The capital spending economy continues at full throttle with AI infrastructure spending set to soon exceed $2 trillion. AI adoption is accelerating and token (compute) demand continues its rapid ascent. With the average U.S. company barely spending $100 per employee per year on AI technology, it appears that AI adoption is in the first inning. The AI buildout is likely beyond the first inning. And AI stocks have already experienced massive wealth creation. We remain optimistic on AI stocks but we are keeping a light grip on our views in this nascent area.

The good news is that even after the portfolio posted a near 20% return in the quarter, valuations are still at or below recent averages. In our bottom-up research, many portfolio

holdings screen with above-average upside. What is most surprising is that the market has not placed a valuation premium on our portfolio, which is growing much faster than it has historically.

Index Thoughts

Over the last twelve months, turnover in the RLG reached a staggering 28%. There is nothing passive about the RLG; its turnover has been driven by antiquated rules for determining value, unintended concentration requiring quarterly rebalancing and a shift in the growth market from a consumer-led to a capital spending-led economy. We have written extensively about how the RLG is not the U.S. large cap growth market. It is an ACTIVE index run by quants at Russell.

The recently reconstituted RLG reflects the Index methodology shortcomings, but it also represents a substantial change in our economy. The growth engine of corporate America has shifted from consumer spending to capital investment spending. The capital spending boom is the result of the substantial advances in AI. The resulting economic boom has made the RLG a faster-growing, more volatile and more concentrated index than ever before. The AI spending boom has accelerated the average growth rate of the Index and our portfolio. As of June 30, 2026, our portfolio had the fastest earnings growth rate ever, at 30% based on consensus estimates.

With higher growth comes higher volatility. We expect the volatility of the reconstituted Index to increase substantially for two reasons. First, a higher growth rate implies a wider range of outcomes. Second, the Index is less diversified than in the past with 40% of the Index now just one sector we call AI Datacenter (Datacenter)—companies whose primary growth driver is selling their wares and services to AI datacenters.

From a risk perspective, one may not observe many changes to the Index, since the GICS® sector weightings have not changed meaningfully. For example, during the recent RLG reconstitution, the Information Technology sector increased only 2.6%. But the real story is beneath the surface. A year ago, we coined a new sector called Datacenter, whose constituents include not only technology and semiconductor companies but also the entire AI supply chain. The Datacenter weight increased 13% during the recent RLG reconstitution. Many of the Datacenter companies show up under GICS® classification as Industrials. In our view, that is not a proper classification of future correlations or risk.

Another area where investors may be misunderstanding risk is the level of concentration of the RLG, which on the surface is declining. During the recent reconstitution, Russell has intentionally manipulated the weights of large stocks such as Microsoft Corp, Amazon.com Inc and Apple Inc to decrease the concentration that was causing quarterly rebalances in order to be in compliance with the 5/50 RIC rule. But in reality, the RLG is continuing on its ever-increasing concentration path as evidenced by the dramatic concentration in the Datacenter sector and continued decline in the number of Index stocks.

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For more information contact: 800.752.8700 or visit nuveen.com

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Glossary

Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value. Without cash, it's tough to develop new products, make acquisitions, pay dividends and reduce debt. **Inflation** is a rise in the prices of goods and services, often equated with loss of purchasing power. **Valuation** is the process of determining the current worth of an asset or a company; there are many techniques used to determine value. An analyst placing a value on a company looks at the company's management, the composition of its capital structure, the prospect of future earnings and market value of assets. 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 1000® Growth Index** measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. 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.

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