Multi Cap Value

Marketing communication | As of 30 Jun 2026

Effective 23 Jan 2026, Jim Stephenson joins Jon Bosse as a portfolio manger on the strategy, replacing Jujhar Sohi. This update is not expected to impact the overall investment strategy.

Key takeaways

- **The Multi Cap Value portfolio generated strong absolute returns, but lagged its Russell 3000 Value benchmark for the period. Returns in line with the index for the but remained slightly ahead for the first half.**
- **Growth stocks outpaced their value counterparts during the quarter (growth remains substantially behind year to date). Small cap stock indices posted the highest returns.**
- **The overall equity market was heavily driven by the tech sector, led by improving confidence that tech earnings recovery was broadening.**



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Market review

The U.S. stock market (S&P500) mounted an impressive rebound during the second quarter of 2026, delivering its strongest quarterly performance in six years. Market participants looked past concerns surrounding the disruptions caused by the Iran conflict and shifting expectations about the potential for Federal Reserve (Fed) rate hikes. Easing tensions in the Middle East helped West Texas Intermediate (WTI) oil prices retreat from above $110 per barrel to below $70 by quarter end, relieving worst-case scenario inflation fears. However, inflation still moved materially higher during the quarter, with the most recent Consumer Price Index (CPI) figure running above 4% year-over-year. Meanwhile, U.S. economic growth remained healthy with the backdrop of a steady labor market, including slightly lower unemployment, and booming investment led by AI spending. Although rising inflation weighed on consumer purchasing power, real consumer spending rebounded from around 0.5% annualized in the first quarter to approximately 2.0% in the second quarter.

Responding to the heightened inflationary pressures, global central banks generally adopted a more hawkish stance during the quarter. Fed policymakers continued to hold rates steady in the 3.50%-3.75% range at Kevin Warsh's first meeting as chair in June, but upgraded their median core inflation forecast for the year to 3.3%. Half of the 18 Federal Open Market Committee members also conveyed expectations of a rate hike before year-end. The European Central Bank (ECB) and Bank of Japan (BoJ) both increased rates by 25 basis points in June, with Japan's key short-term rate reaching its highest level since 1995. Other major central banks also signaled hawkish intentions. Following a historic rally in precious metals prices, the potential for rising rates caused gold to post its biggest quarterly decline since 2013.

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The Bloomberg Aggregate Index returned +0.67% for the quarter and +0.62% year-to-date. Treasury yields rose in 2Q, led by the front end as markets priced in additional Fed tightening. The 2-year yield increased 35 bps to 4.14%, while the 30-year rose just 3 bps to 4.91%. The 10-year yield finished the quarter 14 bps higher, though it declined about 20 bps from its May peak. Investment grade corporate spreads tightened 15bps during the quarter given a strong equity market, strong earnings, and a resilient economy.

Despite ongoing concerns about inflation, rates and one of the biggest oil shocks in history, investor appetite for equities remained robust as the market concluded one of its strongest corporate earnings seasons in recent memory. According to FactSet, aggregate S&P 500 earnings grew by more than 25% year-over-year last quarter and are expected to record a similar trend in the second quarter.

The second-quarter rally was led by a resurgence in the artificial intelligence (AI) trade and technology stocks; however, this time the advance was led by semiconductor and hardware-related stocks. The upswing helped the market reverse all of first quarter's losses, and more, with the bellwether S&P 500 gaining 15.20% for the period. Information technology was by far the strongest performing sector in the index, advancing nearly 32%, while energy stocks gave back some of first quarter's gains, falling more than 13%. The tech-heavy Nasdaq Composite Index performed even better during the quarter with a gain of 21.60%, while the blue-chip Dow Jones Industrials Average advanced 13.38%, ending the period at a record high.

Small cap stocks, as represented by the Russell 2000® Index, outpaced their large-cap counterparts by a wide margin, advancing 21.49% for the quarter and notching their best first-half performance since 1991. The segment benefited from both a valuation catch-up trade as investors rotated out of mega-cap technology stocks, as well as the flow-through of massive spending related to AI infrastructure. Many of the top performers in the small-cap index were semiconductor-related companies. The period also represented the fifth consecutive quarter of gains for the small cap segment, its longest winning streak since the post-pandemic rally.

Overseas, emerging markets substantially outpaced the United States and other developed stock markets, with the MSCI Emerging Markets Index gaining 24.05% for the quarter. However, the quarter was marked by significant performance divergence as Asian markets like Taiwan and South Korea, which together now represent more than half of the EM index by market capitalization, experienced huge AI-related rallies. Meanwhile, China, which accounts for around one-fifth the index, delivered another negative quarter after the country posted a recent slew of weak economic data.

Developed markets outside the United States benefited from the welcome pullback in energy prices during the quarter, which helped lower input costs for many of the energy-importing nations. The MSCI EAFE Index returned 10.82% in U.S. dollar terms, led by Japanese stocks, which also surged based on the massive rally in semiconductor and AI-related stocks. The Nikkei 225 Index advanced 34.42% for the quarter, reaching an all-time high in June. However, the U.S. dollar strengthened versus most major currencies, weighing on non-U.S. stock market returns when translated into dollars. Japan illustrated this point most vividly as the yen depreciated to a 40-year low versus the dollar despite Tokyo's attempts to shore up the struggling currency. As a result, U.S. dollar-denominated investors captured meaningfully less of Japan's outsized local returns than the headline Nikkei number would suggest.

Portfolio review

The Nuveen Multi Cap Value portfolio delivered strong absolute returns during the second quarter of 2026, though it did trail its benchmark (gross and net of fees): year to date returns (gross of fees) remain in line to slightly ahead. The Russell 3000 Value index posted an impressive 14.0% gain for the quarter, while the building momentum throughout the period with an 8.2% surge in April, followed by an additional 2.9% in May, and a final 2.4% advance to close out June.

While absolute returns were exceptional for equities during the quarter, the rally was notably narrow, with technology standing out as the only sector to meaningfully outperform the broader benchmark. Within the index, technology led all sectors by a substantial margin, returning a stunning +80.5%, followed at a considerable distance by industrials (+12.5%), real estate (+10.3%), financials (+9.5%), healthcare (+8.3%), consumer discretionary (+7.4%), communication services (+1.7%), materials (+1.2%), and consumer staples (+0.7%). Energy (-13.7%) and utilities (-0.5%) were the only two sectors to finish the quarter in negative territory.

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Strong stock selection across nearly all sectors was ultimately overshadowed by sector allocation decisions, which proved to be the primary drag on relative performance. Within sectors, our investments outperformed in most areas, with financials and consumer staples leading the way, while healthcare was the only sector where returns meaningfully lagged. Our energy investments slightly underperformed the benchmark, although an overweight to the sector led to giving back some of our outsized appreciation from Q1. While our technology stock returns were below the Russell 3000 Value tech sector (80.49%) by roughly 400bps, our sector allocation remains meaningfully less given high overall valuation and expectations. Among individual holdings, **Intel, ViaSat, and Power Integrations** were the portfolio's top contributors for the quarter (all of which we trimmed multiple times given appreciation in Q2), while **AT&T, Cheniere Energy, and Chevron** were the leading detractors.

Contributors

Intel was our highest appreciating as well as contributing investment (share price +216%) during the quarter as investors grew more optimistic that the company's multi-year turnaround strategy was gaining traction. Management continued to demonstrate progress in improving manufacturing execution, reducing costs, and advancing its foundry business, while expectations increased that Intel would benefit from the recovery in PC demand and expanding AI infrastructure investment. Investors also responded positively to signs that the company's next-generation processors were becoming more competitive and that substantial restructuring efforts would improve long-term profitability. Additionally, speculation surrounding strategic partnerships, government support for domestic semiconductor manufacturing, and the potential value of Intel's foundry assets helped improve sentiment. Together, improving fundamentals and a more favorable outlook for semiconductor capital spending drove a significant re-rating of Intel shares during the quarter. We trimmed our investment three times after substantial appreciation.

ViaSat shares benefited from improving operating execution and growing investor confidence in its long-term satellite communications strategy. The company demonstrated better cash flow generation, improving EBITDA, and continued progress integrating the Inmarsat acquisition while reducing capital intensity. Investors were encouraged by expanding defense demand, improving aviation connectivity trends, and expectations surrounding additional ViaSat-3 satellite deployments after the company announced the successful deployment of its most launch, which should significantly expand network capacity. The company also showed meaningful progress reducing leverage and improving liquidity, easing concerns that had weighed on the shares following prior satellite delays. Combined with renewed investor interest in space and satellite-related companies, these operational improvements helped drive strong stock performance throughout the quarter despite only modest revenue and cash flow growth. ViaSat continues to evaluate strategic alternatives, and it holds a wealth of valuable spectrum. We have trimmed our position multiple times since adding in June 2025 (at extremely depressed prices).

Power Integrations shares posted strong performance during Q2 as investors increasingly recognized improving demand across industrial, consumer electronics, and data center power applications. The company's energy-efficient power conversion products are well positioned to benefit from secular growth trends including artificial intelligence, electric vehicles, renewable energy, and increasing electrification. Investors also became more optimistic that inventory corrections across many semiconductor end markets were ending, setting the stage for stronger order growth. Improving margins, disciplined operating execution, and expectations for a cyclical recovery in analog semiconductor demand further supported the stock. With customers resuming purchasing activity and AI-related power management opportunities expanding, investors rewarded Power Integrations with a higher valuation multiple during the quarter.

Detractors

AT&T shares fell as investors rotated away from defensive, income-oriented sectors and toward higher-growth technology and AI-related companies. The excitement regarding the Space Exploration's June IPO and potential fear of potential wireless competition led to broad weakness in telecom and broadband stocks. Although AT&T continued to generate stable wireless subscriber growth and healthy free cash flow, concerns remained regarding the pace of revenue growth in a highly competitive wireless market.

Cheniere Energy stock declined, giving back some of its Q1 gains, despite maintaining strong operating performance, as investors took profits following an extended period of outperformance and shifted away from energy infrastructure names. While global demand for liquefied natural gas remained healthy and Cheniere continued generating substantial free cash flow through its long-term contracted business model, weaker natural gas prices and uncertainty surrounding global energy demand tempered investor enthusiasm. The company remains fundamentally well positioned, with expanding export capacity and predictable cash flows.

Chevron shares retreated during the second quarter as oil prices declined, and the energy sector lagged the broader equity market after posting 38% gains in Q1. Investors became concerned about the outlook for global oil demand as well driven by higher oil prices earlier in the year.

Portfolio positioning

In terms of new investments, we initiated positions in **Novo Nordisk, Boston Scientific**, **Microsoft, and Docusign.** We also exited our holdings in **Sanofi**, **ADMA, and Ford Motor.**

New Investments:

Novo Nordisk: We initiated a position in pharmaceutical company Novo Nordisk at a compelling price approximately 70% below its 2024 high. The maker of Ozempic and Wegovy has lost share to competitor Eli Lilly, although we believed that expectations had become excessively pessimistic (12x earnings), and Novo's oral drug could exceed expectations. We eliminated/swapped our investment in Sanofi to fund our Novo purchase (Novo offering better catalysts, fundamentals, and growth at a similar valuation). The swap thus far has worked well.

Boston Scientific: In the midst of med-tech stocks broadly declining, we started a position in Boston Scientific roughly 50% below its September 2025 high. The company is a leader in the cardiovascular (interventional cardiology, electrophysiology, cardiac rhythm management) and medical surgery (including endoscopy, urology) segments. There has been heightened concern over competition and its market share for its Watchman product. We believe stock is attractive at depressed levels, vulnerable to meaningful upside with any stability or positive news, but our investment was a bit premature and has declined since our investment after CEO Mike Mahoney at the Bernstein Strategic Decisions Conference on May 27th provided a weak update on standalone Watchman heart implant usage and softer urology demand.

Microsoft: We purchased Microsoft stock at the end of the second quarter in the midst of both year to date as well as end of quarter stock weakness (the latter partially driven by Russell index changes). Microsoft is trading at the lowest absolute earnings multiple in years, driven by broad sector fears of both Artificial Intelligence (AI) displacing software, and the massively changing capital intensity of software/internet companies including Microsoft, Alphabet, Amazon, Meta, and Oracle. Given fears/stock declines in the software sector and the parabolic increases in the stock prices on semiconductor companies, our investment in Microsoft is in the context of reducing our holdings of technology stocks in general, and semiconductor stocks in particular.

Docusign: We also initiated a position in the electronic signature solutions company after it declined almost 50% from December 2024 highs and 35+% from its September 2025 levels. Docusign has a $10 billion market cap, with net cash (above debt) above $600 million, and a free cash flow yield approaching 9%. The market fear is that AI is going to displace/disintermediate all software companies (the rampant long AI and semiconductor companies/short software trade) and the fear and imbalances became so large that we increased our modest software company investments in that fear (Microsoft as well). The company provides an excellent, efficient product/service, and has an opportunity to continue to be a strategic partner rather than AI roadkill.

Eliminations:

Sanofi: We exited our investment in Sanofi as the company has not had the success we expected with regards to new pipeline approvals. Sanofi stock fell only modestly in 2025 prior to our elimination. As mentioned above (new investments), we swapped our position in Sanofi for Novo Nordisk as we saw better fundamentals, catalysts, and growth at a similar valuation.

ADMA Biologics: We have written about ADMA being one of our top performing investments several times over our long ownership. The company became an important

plasma therapeutics provider, particularly with its FDA approved ASCENIV product used to successfully treat patients with primary humoral immunodeficiency. We eliminated our position, after the company reported results showing high inventory and working capital levels (negative free cash flow) despite the company denying that would be the case after a short report was published. While the stock decline hurt our 2nd quarter performance, it was a meaningful positive contributor during our investment.

Ford Motor: We also eliminated our position in Ford following a 40% stock price increase after the company officially announced the launch of Ford Energy, its stationary battery storage subsidiary in May. We thought there was considerable uncertainty over the timing and profitability of their venture, while the stock market value appreciation approached $20 billion.

In terms of other portfolio activity, during the quarter we added to existing positions in Amazon, Capital One, Cheniere Energy, Fiserv, Gilead Sciences, Genworth, Haleon, Perella Weinberg, Regeneron, Smurfit Westrock, Timken, TripAdvisor, and Wells Fargo. We trimmed positions in Citigroup, Hubbell, Intel, JP Morgan, Morgan Stanley, nVent Electric, Qinity Electronics, Shell, Target, ViaSat, and Western Alliance Bancorp.

Outlook

Let's start with the fact that we're pleased that the equity markets appreciated substantially in the quarter (Russell 3000 Value +14%), providing our clients with meaningful absolute returns for the quarter and year to date. Although our returns were below the index in Q2, results for the year to date, before fees, through June remain in line to slightly ahead.

Maintaining a value discipline in the midst of the Russell 3000 Value technology sector appreciating 80.50% in the quarter (our results trailed by 400-500bps, driven by Intel-highlighted in last quarter's letter, ViaSat, and new investment Power Integrations) meant that we were selling/reducing positions while the index weight continued to increase (AND WE ARE FINE WITH THAT). Micron Technology became the largest component of the Russell 3000 Value at 3.5%, after appreciating 300% in 2026: that's just stunning; and then it was removed from the value index during the Russell index reconstitution. The Russell 3000 Value index underwent major changes at quarter end, with Apple, Microsoft, and Amazon now constituting nearly 17%, up from 2.5% prior to the June 26 index reconstitution. We are not closet indexers, and remain dedicated to our investment philosophy of finding companies possessing 1) attractive valuation, 2) favorable risk/reward, and 3) change/catalysts/inflection.

We are surprised by the continued strength or the economy/unemployment numbers, which is being aided partially driven by the unprecedented spending on AI/data centers. Earnings growth broadly has continued better than expected as well. We are still at the front end of seeing the magnitude and impact of productivity improvements driven by AI, and the unknown implication for job losses. Continued uncertainty remains over elevated inflation, with the Federal Reserve, led by new chairman Kevin Warsh, focused on potential tightening rather than easing. Market volatility remains low.

Investors might expect that in the midst of the AI boom, growth would be substantially outperforming Value, but the absolute opposite is happening: the Russell 3000 Value index has outperformed the Russell 3000 Growth index by nearly 1,100 basis points for the six months ended June 30. Part of that may be due to the Russell index constitution, but earnings have been robust in a number of sectors. Market breadth has improved, merger and acquisition activity remains robust, earnings broadly are beating expectations, and both small cap indices have led the way.

As we've repeated often, we continue to employ our philosophy and process within a market that is still broadly expensive: **prudently selling and opportunistically buying.** It's difficult to get the housing market, a driver of economic growth, going with interest rates/inflation at these levels, but robust capital spending overall driven not only by spectacular increases in AI investment but also re-domiciling, shortening supply chains, and tax incentives have been an offset. All the worrisome issues remain; our national debt, deficits, the significant inflection (increases) in interest expense on the national debt, the strain on consumers from higher gasoline prices, sticky inflation broadly, and inflation caused by the impact higher energy prices have throughout the economy.

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

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Glossary

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 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 3000® Value Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market with lower price-to-book ratios and lower 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. **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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