

## Large Cap Value Balanced

Marketing communication | As of 31 Dec 2025

*Effective 23 Jan 2026, Jim Stephenson joins Jon Bosse and Susi Budiman as a portfolio manager on the strategy, replacing Jujhar Sohi. Effective 01 Oct 2025, Thomas Ray retired from the strategy. These updates did not impact the overall investment strategy.*

- **The Large Cap Value Balanced portfolio outperformed its blended benchmark; rounding out strong outperformance for calendar year 2025 against both our Russell 1000 Value benchmark as well as the S&P500 (Bloomberg Govt/Credit index (for the fixed income portion)).**
- **The portfolio produced positive returns for the quarter and year for both equities and fixed income. Value stocks notably outpaced their growth counterparts during the quarter, driven largely by investor sentiment that growth valuations had become overextended.**
- **The long U.S. government shutdown disrupted economic data releases, heightened market volatility, and obscured labor market trends, challenging investors' decision making during the quarter.**

### Market review

Global equities capped a stellar year with healthy fourth-quarter gains, led by non-U.S. developed markets, with emerging markets (EM) performing nearly as well. Both topped the S&P 500 Index by double digits in 2025, the first calendar year that's happened since 2006. Despite rich valuations and concerns about narrow market leadership by a small group of mega cap technology names tied to artificial intelligence (AI), the S&P 500 Index posted its eighth consecutive positive month on hopes for continued U.S. Federal Reserve easing and strong corporate earnings. Monetary policy worldwide continued to diverge as central banks sought to nurture economic growth while remaining alert to a possible resurgence of inflation.

With two 25 basis points (bps) rate reductions from the Fed in November and December, following one in September, the target federal funds rate ended 2025 in a range of 3.50%-3.75%. Despite the easier policy, rhetoric accompanying the final decision of the year leaned hawkish, and the Fed's heavily scrutinized "dot plot" projected just one 25 bps cut in 2026 — which would put the rate at about 3.4% by year-end. Chair Jerome Powell, whose tenure as Fed chair ends in May, described the prevailing monetary backdrop as "very challenging," adding that the central bank will continue to "wait and see how the economy evolves." Across the Atlantic, the Bank of England (BoE) also trimmed rates by 25 bps in December, to 3.75%. The BoE struck a cautious tone regarding further cuts, however, warning that future decisions would be a "closer call," even as data pointed to cooling inflation, softer economic growth and a weakening U.K. labor market. Meanwhile, the more hawkish BoJ increased its benchmark interest rate to 0.75% in December as Japanese core inflation stayed above its 2% target for the 44<sup>th</sup> consecutive month. And though borrowing costs in Japan are at a 30-year high, they remain far below those in other major economies, reflecting the BoJ's decades-long use of near-zero rates to battle deflation.



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The quarter started on a strong note for U.S. equities. Investors accentuated the positive in October, focusing on advancements in AI and strong third-quarter corporate earnings, rather than on the U.S. government shutdown, elevated valuations and the relative lack of market breadth as the biggest gains remained concentrated in high-flying tech shares.

Risk appetite receded in early November as markets downgraded the odds of a near-term Fed rate cut given sticky inflation and as worries of corporate overspending on AI mounted. By month-end, however, U.S. stocks had erased their losses, supported by continued healthy earnings and renewed confidence in the prospect of Fed easing as the U.S. labor market softened. The S&P 500's performance in December was a study in contrasts: the index both hit its 38<sup>th</sup> record high of the year and suffered a downturn between Christmas and New Year's Eve, missing out on a hoped-for "Santa Claus" rally and barely eking out a +0.1% return for the month. For the fourth quarter as a whole, the S&P 500 index gained +2.7%, lifting its 2025 total return to 17.9%.

Based on MSCI benchmark indexes in U.S. dollar terms, non-U.S. developed equity markets were the fourth quarter's star performers, edging their EM counterparts, 4.9% to 4.7% (Figure 3). For the 12 months ended 31 December, non-U.S. developed and EM shares bested the S&P 500 by more than 1,000 basis points apiece — the first calendar year that's happened since 2006.

Within non-U.S. developed markets, the MSCI Euro Index (+5.2%) benefited from healthy gains for European banks and insurers, while Japan's Nikkei 225 Index (+5.7%) got a lift from technology stocks.

Tech also drove the +27.3% surge of South Korea's equity market (representing 13% of the MSCI EM index by market capitalization). At the other end of the EM performance spectrum were Chinese stocks (-7.4%, 28% of the EM Index), which struggled amid falling business optimism, stagnant manufacturing activity and sluggish domestic demand.

U.S. fixed income markets posted modest gains during the quarter, with the Bloomberg U.S. Aggregate Bond Index returning 1.1%. The yield curve steepened significantly as the Federal Reserve executed 25 basis point rate cuts in both October and December, totaling 75 basis points of easing for the year. This drove shorter-term yields lower while the 10-year Treasury yield edged up slightly from 4.11% to

4.18%, widening the 2-year to 10-year spread to approximately 69 basis points by year-end. The uptick in longer-dated yields reflected investor concerns about fiscal deficits and potential inflation from tariffs, even as a softening labor market supported the Fed's accommodative stance. High starting yields, particularly at shorter maturities, provided favorable income tailwinds where rallies were most pronounced.

### Portfolio review

The Nuveen Large Cap Value Balanced portfolio outperformed the Russell 1000 Value/Bloomberg Aggregate Index on both a gross and net of fees basis during the fourth quarter of 2025, with both the portfolio and benchmark delivering positive returns. For the full year, the equity portfolio achieved meaningful outperformance relative to the benchmark's +15.9% return and the S&P500 index return of 17.9%. Fixed income returns were roughly in line for the quarter and year (+1% and +7%). As usual, asset allocation between equities and fixed income didn't change materially.

The equity markets unfolded with a modest index gain in October of approximately 0.4%, followed by a stronger November advance of 2.7%, and concluded with a 0.7% gain in December. Within the benchmark, technology led sector performance with an +11.0% return, followed by communication services (+8.3%) and health care (+8.2%). Real estate (-2.4%), and utilities (-0.6%) posted slightly negative returns, followed by flat performance in the consumer discretionary and consumer staples.

The portfolio's quarterly outperformance in equities was driven primarily by superior stock selection in industrials, consumer discretionary, and communications services investments. Our sector outperformance was most significant in consumer discretionary, financials, and consumer staples. Offsetting part of the outperformance were several underperforming investments in health care, financials, and materials. For calendar year 2025, our top outperforming sectors were technology and consumer discretionary, followed by industrials, while we lagged very slightly in utilities and health care. Our top stock contributors in the fourth quarter were **Flowserve**, **General Motors**, and **Alphabet**, while leading detractors included **Fiserv**, **Oracle**, and **Cheniere Energy**.

We maintained our positioning with approximately 95-96% duration relative to the Gov/Credit Index, remaining overweight in the belly of the curve (5-10 year) and underweight at the long end. We continue to hold a balanced

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corporate/Treasury exposure blend. Resilient economic growth, cooling inflation and solid corporate earnings should provide a supportive backdrop for IG corporates in 2026. However, we anticipate modest spread widening from multi-decade tight levels as a result of rising M&A activity, corporate balance sheet re-levering and increasing supply. As such, we would look to selectively increase corporate exposure should spreads widen further from current levels.

### Contributors

**Flower**'s shares climbed in Q4 2025 following standout Q3 earnings released in late October, with a positive earnings surprise and a 23% surge in power generation bookings led by nuclear projects. Aftermarket bookings also rose, enhancing margins, while strategic divestiture of asbestos liabilities freed resources for growth investments. Management also raised full-year 2025 EPS guidance, alongside cost-saving initiatives, sustained the rally despite modest sales growth forecasts.

**General Motors** stock advanced in Q4 2025, capping a large annual gain, supported by full-year U.S. sales leadership with 5.5% growth to top the market despite a dip early in Q4. Strong demand across brands for SUVs, pickups, and entry-level models like Buick Envista, plus a 48% EV sales increase earlier in the year, bolstered sentiment. Aggressive share buybacks exceeding \$3.5 billion through Q3, robust liquidity, and a China market recovery sustained momentum aiding the stock's return of over 30% for the quarter.

**Alphabet** shares soared throughout the 4th quarter, capping off the best year the stock has experienced since 2009, driven by AI momentum with Gemini app surpassing ChatGPT in downloads and generating billions of interactions. Heavy investments in AI infrastructure, raising 2025 capex to \$91-93 billion, alongside cloud computing gains and Waymo leadership, excited investors. Strong search revenue acceleration, AI-enhanced monetization, and analyst buy ratings amid positive Q4 growth projections propelled the rally.

### Detractors

**Fiserv** endured a catastrophic Q4 2025, with shares tanking 40+% in late October on its worst day ever after the company announced a Q3 revenue miss, an EPS disappointment, and slashing 2025 organic growth expectations to 3.5-4% from ~10%. Argentina's stabilizing economy erased prior tailwinds, deferred investments hampered growth, and Clover fee eliminations hit margins, alongside leadership shakeups and higher capex. A

cumulative 65% annual decline reflected eroded confidence, with 2026 guidance signaling low single-digit revenue. Prior management, previously viewed incredibly favorably, had pushed for pricing and had several non-recurring items push profitability and growth above normal levels. Fiserv has a real business and franchise, but we missed the extent of the issues during the year. We decided to maintain the small weight in the shares.

**Oracle** shares slid after the company's Q4 earnings announcement in December, as revenue of \$16.06 billion missed \$16.19 billion estimates despite 14.2% growth and an EPS beat. Gloomy forecasts amid massive AI data center spending—over \$100 billion debt and potentially \$38 billion more—fueled bubble fears, high valuations, and margin erosion doubts. Remaining performance obligations also underwhelmed, sparking a tech selloff. The BIG issue: Oracle is GOING for exceptional growth, straining the balance sheet with no free cash flow for the next few years. The company did not provide an acceptable framework to comfort investors on either the margins or return on investment from this strategy. We had consistently trimmed our Oracle position aggressively since June, including several opportunistic trims above \$300/share leaving us with a very small holding at year end.

**Cheniere Energy** stock fell nearly 20% in Q4 start, hitting 52-week lows amid falling global LNG spot prices and narrowing U.S. export spreads due to surging supply from new facilities. Shares faced pressure from European/Japan natural gas convergence and margin compression forecasts. Despite strong fundamentals and a positive analyst following, oversupply overshadowed the company's Q3 EPS beat. Cheniere has protected margins for 95% of its business for the next ten years. We increased our investment meaningfully during this weakness.

### Portfolio positioning

In terms of new investments, we initiated positions in (internet content delivery) **Akamai Technologies** and (retailer) **Target**. We eliminated our holdings in (media & entertainment) **Warner Brothers Discovery**.

### New Equity Investments:

**Akamai Technologies:** We initiated an investment in Akamai as we believe AI will move to the edge and inference replaces training. The conventional media content business at the company has been reduced from 2/3 of revenue to 1/3, thereby allowing growth in earnings, revenues, and free cash flow to emerge more easily.

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**Target:** It's hard to find a more disliked stock/company than Target. A stock price down 65% from 2021 year highs, disappointing results, increased capital expenditures, and a new CEO picked internally while the market wanted an outsider to replace the disastrous performance of departing CEO Brian Cornell in the position. Here's what we saw: an important company, owns many of its stores, a good balance sheet, and an improving cyclical environment for the consumer. Higher tax refunds for this tax rebate season (2025 year) and lower withholding starting January, 2026 given no tax on tips and overtime and other benefits from the "big beautiful" tax bill create a favorable backdrop. Kohl's and Abercrombie & Fitch stocks each appreciated 50+% within several days after posting better than expected results/outlooks in late November. We believe risk/reward for Target shares are asymmetrically positive.

## Equity Eliminations:

**Warner Brothers Discovery:** We eliminated our remaining investment in Warner Discovery. Given competing bids from Paramount Skydance and Netflix, and expectations of enhanced offers, we thought WDB stock had little upside given ultimately a risk arb discount and eight to eighteen months to close the deal depending on the winning bid/bidder.

In terms of other equity portfolio activity, during the quarter we added to existing positions in Regeneron, Disney, Carrier, Cheniere, Disney, Dupont, Eversource, Fiserv, Intel, Kenvue, Regeneron, and TripAdvisor. We trimmed positions in General Motors, JP Morgan, Nvent, Oracle, Seagate Tech, Shell, State Street Bank, and Walmart.

## Outlook

The portfolio delivered strong performance in 2025 and throughout the past several years. The question is what happens next. We expect merger and acquisition activity to continue at robust levels, and that should benefit a number of our investments in the financial sector. In addition, we expect to participate in a fair share of m&a takeouts (warner discovery, kenvue in 2025). The consumer should have some positive momentum entering 2026 through high tax refunds and lower withholding going forward. We anticipate further migrating our technology investments further as AI spending moves from training to inference, analog companies should see better demand, and AI at the edge creates opportunities where a number of stocks are attractively priced. Our technology weighting continues to be less than the benchmark, as expectations and valuations are extremely high.

We continue to be optimistic on energy stocks and we believe supply/demand will tighten over the course of 2026, although there is currently excess supply. Our industrial investments have performed exceptional well, and we have been disciplined in terms of trimming/eliminating holdings where we felt valuations and risk/reward were no longer attractive. We've found attractive opportunities in other industrials where we see fundamental improvement in the near term that the market hasn't fully appreciated. Otherwise, the portfolio is reasonably diversified, but as we've emphasized continually, not indexed or index oriented.

The stock market and investors have been exceptionally skewed to growth and technology stocks the past number of years, but we remain focused on our magic three: attractive valuation, good risk/reward and downside protection, and finally change/inflection points/catalysts/recognition of hidden assets or free options. However long momentum investing works for some investors, don't expect to see us chasing stocks that have already worked where valuations are high and the news and investor enthusiasm is already reflected.

The overall market remains expensive, volatility/fear is low, and many investors are bullish because they've already made a lot of money. Powerful deregulatory policies have benefitted a number of sectors, most notably the major banks, and the outlook for merger and acquisition activity continues strong, both from the time it takes to complete deals, and the expanded nature of what can actually get done. However, we're mindful that every sector doesn't get a free pass and there are certainly losers as well as winners.

Regarding interest rates and the macro, there's always so much to be concerned about, which as of yet, hasn't impacted the ability of the economy to continue its growth or the markets to appreciate. We certainly worry that interest on the national debt is rising at alarming rate through refinancing maturing debt at higher interest rates and financing ongoing deficits. The absolute debt continues to increase as well. While President Trump will likely push the Fed for aggressive cuts to the fed funds rate, the path for further reductions in medium to long term interest and mortgage rates is unclear. Mid-term elections in November may change either the House or Senate (or both), eliminating the ability to push through deregulation/pro-business policies. It's unclear how or when markets may start to discount this, or even further think through the implications of a democrat President

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several years down the road. Artificial Intelligence (AI) promises great efficiency gains, while the implications if it leads to significant unemployment and job losses remains unknown.

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](http://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<sup>®</sup> 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<sup>®</sup> Value Index** measures the performance of those Russell 1000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000<sup>®</sup> 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<sup>®</sup> Value Index** measures the performance of those Russell 2000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000<sup>®</sup> Growth Index** measures the performance of those Russell 2000<sup>®</sup> companies with a greater-than-average growth orientation. The **S&P 500<sup>®</sup> 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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