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Separately Managed Accounts

Value

Large Cap Value Balanced

Marketing communication | As of 30 Jun 2025

- **The Large Cap Value Balanced portfolio outperformed its Russell 1000 Value/Bloomberg US Gov/Credit Aggregate Index benchmark 2Q.**
- **The quarter started with a sharp sell-off as a result of President Trump's "Liberation Day" announcement of high tariffs. As the quarter progressed, positive earnings news along with a less hardened tariff stance drove markets higher.**
- **Technology stocks rebounded sharply as fears of lower spending (China Deepseek fear) and high tariffs dissipated. Growth outperformed value.**

Market review

Global equities delivered strong results in the second quarter. Non-U.S. benchmarks generated double-digit gains, led by emerging markets (EM), with returns amplified by a weakening U.S. dollar. U.S. equities overcame a steep decline in early April following the Trump administration's "Liberation Day" announcement of high tariffs on U.S. trading partners. Monetary policy worldwide diverged considerably, as central banks continued to fight inflation amid concerns of disruptions to global trade. While the Federal Reserve and Bank of Japan (BoJ) stood pat, the European Central Bank (ECB) and Reserve Bank of India cut rates, and the Central Bank of Brazil (CBoB) hiked.

The **Fed** kept its target federal funds rate steady (a range of 4.25%-4.50%) in the second quarter of 2025. At its June meeting, Chair Jerome Powell stated that although conditions were "highly uncertain" due to the Trump administration's trade and immigration policy, the current environment is nonetheless "a solid economy with decent growth." But given that uncertainty, Powell emphasized that "the appropriate thing to do is hold where we are." Inflation rates have declined with the holdback on further interest rate cuts being the Fed's concern over the inflationary impact of potential tariffs.

In its updated Summary of Economic Projections, the Fed lowered its 2025 forecast for annualized GDP growth from +1.7% in March to +1.4%, while raising expectations for core inflation from 2.8% to 3.1% by year-end. As to the central bank's next move, its dot plot suggests two rate cuts (of 25 basis points apiece) over the next four meetings in 2025, in line with our outlook. This would take the policy rate range to 3.75%-4.00%.

In contrast to the Fed, the **ECB** continued to ease policy, reducing its benchmark deposit rate by an additional 50 bps during the quarter, to 2.0%, but refusing to commit to further cuts or a particular rate path. At the same time, ECB President Christine Lagarde noted the ECB is "in a good position," suggesting a pause in cutting rates is forthcoming. The ECB's economic forecasts were little changed from March. Inflation is expected to register 2% by year-end, while annualized GDP growth is anticipated to hit 0.9%.

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Large Cap Value Balanced

The S&P 500 kicked off a volatile quarter by plunging more than 11% — and almost 19% from its 19 February peak— while ten yield Treasury rates rose during the first six trading days through April 8 as the Trump administration unexpectedly unveiled "Liberation Day" broad increases to U.S. tariffs on its trading partners. U.S. stocks recouped most of those losses on April 9, with the index posting its highest one-day return (+9.5%) since 2008 following the president's decision to pause his reciprocal tariffs on most countries for 90 days and exempt certain sectors (such as steel and aluminum) from the levies. Returns for April ended modestly negative.

After April's sluggish start, the S&P 500 clawed back into positive territory for the year to date thanks to its best calendar May in 35 years. The advance was concentrated on May 2, after a better-than-expected U.S. payroll report that helped alleviate concerns of an economic slowdown, and on May 12 in the wake of news that the U.S. and China had agreed to dial back tariffs and continue negotiations on a long-term deal.

U.S. shares completed their sharp shaped recovery in June, with the S&P 500 hitting all-time highs. Investors overlooked fresh hostilities in the Middle East, focusing instead on resilient economic data, progress on trade deals moderating inflation, and hopes for Fed interest-rate cuts later this year. Outsized gains from the technology sector (+23.7% for the period), which made up 33% of the index as of 30 June, also drove stocks higher. The S&P 500 returned +10.9% in the second quarter, a major turnaround from its -4.3% first-quarter loss.

Other major U.S. equity benchmarks also enjoyed healthy rebounds, led by the tech-heavy Nasdaq Composite (+18%), which was bolstered by the stellar performance of stocks like Microsoft (+32.7%), Nvidia (+45.8%) and Meta (+28.2%). These three stocks propelled the Magnificent Seven +18.6% following a 16% downdraft in the first quarter. Based on respective Russell indexes, more economically sensitive small caps (+8.5%) matched mid-caps (+8.5%) but lagged large cap stocks (+11.1%).

Non-U.S. equity market returns were significantly amplified by a plunging dollar. The greenback, as measured by the U.S. Dollar Index, fell -10.7% against a basket of currencies — its worst first half of the year since 1973, when the U.S. stopped linking the dollar to the price of gold. The dollar's decline reflected investors' concerns over projections for ballooning U.S. deficits, geopolitical tensions due to President Trump's trade policies, and reduced confidence in continued outperformance by U.S. assets. Based on non-U.S. MSCI benchmark indexes in U.S. dollar terms, EM (+12%) and developed markets (+11.8%) both topped the S&P 500 for the quarter, with the MSCI EAFE outpacing U.S. stocks for the year to date by 13.3 percentage points — the widest margin of outperformance over the first half of the year since 1993.

The Bloomberg Aggregate Index returned +1.21% for the quarter led by lower Treasury yields. The rally was led by the front end of the yield curve, while longer-tenor yields increased. The 2-year/10-year and 5-year/30-year segments finished the quarter 19 bps and 36 bps steeper, respectively. While the 10-year Treasury yield peaked in May at nearly 4.60%, it finished the quarter at 4.24%, only 1 bp higher than where it started.

Portfolio review

The Nuveen Large Cap Value Balanced portfolio outperformed its benchmark Index during the 2nd quarter of 2025, with both the benchmark and portfolio delivering positive returns. Year-to-date returns through June 30th were ahead of the benchmark as well. The quarter started off with major volatility and declines driven by high tariff policy threats on "Liberation Day", with the equity benchmark (Russell 1000 Value) falling 3.1% in April, but May ushered in a period of positive sentiment with large value stocks gaining 3.5% in May and another 3.4% in June, finishing the quarter up 3.8%. The best performing sectors leading the index were tech (+15.7%), industrials (+13.5%) and financials (+6.9%). The largest declines occurred in health care (-8.7%), followed by energy (-7.6%) and real estate (-1.3%). While we are overweight energy stocks in the portfolio, the negative impact was offset by our stock selection focus on liquified natural gas.

Our overall portfolio duration remains defensive versus the U.S. Gov/Credit Index, and we remain underweight in the long end segment of the yield curve. We believe that credit spread may remain volatile in the coming months, which could present more attractive points if credit spreads widen. Corporate yields reached a year-to-date high in the quarter shortly after the "Liberation Day" tariff scare but settled down during the quarter (both interest rates and spreads) after President Trump postponed tariff implementation and his desire seemed to shift to better trade deals rather than high tariff barriers.

The portfolio's equity outperformance came almost entirely from stock selection, particularly from our investments in technology, as well financials, industrials, and communications. Offsetting only a small part of the outperformance were our underperforming investments in utilities and real estate. Our top stock contributors in the first quarter were **Oracle, Seagate,** and **nVent Electric**, while leading detractors included **UnitedHealth Group, Fiserv,** and **Hess.**

Contributors

Oracle stock rose during the quarter along with technology stocks in general and then shot up another 20% with its fiscal Q4 2025 results announced in June when CEO Safra Catz stated that she anticipated accelerated revenue and profit growth. The cost of this growth in the short term is additional capital expenditures and limited near term free cash flow, but Oracle has become exceptionally well positioned in the cloud/AI spending boom. We trimmed our positions several times during the quarter.

Shares of hard disk drive maker **Seagate Technologies** delivered exceptional appreciation as both confirmation of continued AI spending and a robust product set with industry leading HAMR hard disk drive technology adoption by leading cloud customers will generate sustainable growth in revenues, margins, and profitability. Earnings revisions have been extremely positive.

nVent stock rose sharply, ending 2Q modestly higher than year-end 2024 after its sharp 1q decline. Fundamental demand for its high growth liquid cooling (for data center) segment remained robust, after the Chinese Deepseek fear/sell-off in 1Q proved unfounded. AI and datacenter capital spending continue at robust levels while utility/electrification demand continued to be strong as well. nVent continues to execute extremely well, while its return and growth profile have been enhanced by the $1.6 billion sale of its lower growth businesses. The company reported strong Q1 revenues, profits, free cash flow, and growth in early May, leading to a resumption in confidence for the company's compelling investment case.

Detractors

UnitedHealth (UNH) stock again fell sharply as poor results driven by higher utilization in its Medicare advantage programs led to dramatic earnings shortfalls. The entire managed care group, while delivering consistently strong results historically, has been impacted severely. Once considered a beacon of consistency and growth, UNH has missed the mark badly, seeing pressures from medical denial rates and higher utilization. Margins have fallen to extremely low levels, well below history. About the only positive thing we can mention at this time is that we haven't compounded our losses by chasing the stock down with additional purchases, nor added to other managed care stocks during the decline. But we've lost money here.

Fiserv stock performed poorly in Q2 2025, as Clover volume growth, a key driver within the Merchant Solutions segment, slowed more than expected. Although full year expectations for revenue and earnings currently remained unchanged (a risk going forward), the weaker reported Clover numbers brought significant concerns on market share dynamics for merchant acquiring. At the same time, the company is transitioning to new CEO Mike Lyons, a well-respected PNC bank veteran. We believe volume growth will accelerate in H2 2025 on several company specific product and geographic launches to help drive improved sentiment, while the Financial Solutions segment will show continued robust growth. With several years of mid-teens plus earnings growth, we find the valuation compelling with reward-risk asymmetrically positive.

Hess stock fell along with energy stocks given lower oil prices, slightly outperforming Chevron with whom it has agreed to an all-stock merger. The current merger status is pending the outcome of an arbitration process as Exxon has claimed a right of first refusal based on its view of the Guyana partnership agreement. The results of the arbitration claim will be decided shortly (3rd quarter). If Chevron prevails in the arbitration claim, the merger will close immediately thereafter, and we expect Chevron to perform well. If Exxon's right of refusal claim is awarded, then the merger won't go through, albeit we believe Hess stock wouldn't have meaningful downside as it will be the premiere growth energy company given the value, growth, and profitability of its 30% stake in the Guyana (Staebroek concession). Recall that the Chevron merger agreement provided a very low premium to Hess's then outstanding share price.

Portfolio positioning

We feel positive about our portfolio positioning, and the investment attributes of our holdings. The benefits of deregulation and increasing merger and acquisition activity have contributed to performance in the financial sector. The major banks (JP Morgan, Wells Fargo, Citigroup-all focused holdings) have continued to outperform the large regional banks. Reducing pharmaceutical investments based on our concerns of significant pricing disparities between the United States vs other developed markets has been the right decision thus far. While the biggest unknown are the trade/tariff issues and disruptions, it appears that the majority of the effort by President Trump is negotiating better/more fair-trading deals and domestic reshoring, not striving for economic self-sufficiency. We expect merger and acquisition activity to continue its acceleration as the Justice Department and Federal Trade Commission will stop challenging and delaying deals, and the overall appreciation of equities may make it easier to settle on a fair deal price (sellers wanting large premiums bases on depressed share prices). We have maintained a defensive fixed income position both with duration and government/credit.

In terms of new investments, we initiated positions in (class A mall operator) **Simon Properties**, (consumer health company) **Kenvue**, and (beer company) **Molson Coors.** We eliminated holdings in (pharmaceutical and biotechnology research facilities) **Alexandria Real Estate** and **Molson Coors** (missed our expectations badly, poor execution), swapping to Kenvue. We previously owned Kenvue from its initial public offering from JNJ.

New Investments:

Kenvue: Strong consumer health brands selling at discount valuations given under investment in marketing and poor management. Pressures to get it fixed. Purchased on disappointment in early June as company reduced guidance. Activist shareholder now with substantial investment in the company. (eliminated Molson Coors in favor of Kenvue investment)

Molson Coors (also eliminated during the quarter): attractive valuation with an expectation of stabilizing fundamentals. We were wrong and limited losses by quickly exiting.

Simon Property Group: Best class A mall operator with a well-respected management team, strong balance sheet, good execution history, attractive valuation, and portfolio optionality.

Eliminations:

Molson Coors (also entered during the quarter): rationale above

Alexandria Real Estate Equities: Notwithstanding the potential for onshoring demand, excess supply of newly constructed, unleased research facilities continue to hamper any turnaround or meaningful improvement.

On weakness, we added to positions in Fiserv, Flowserve, Smurfit Westrock, Teradata, and ViaSat. We trimmed positions in AstraZeneca, Boeing, Corteva, Gilead Sciences, Oracle, Philip Morris, Sanofi, and Warner Brothers Discovery.

Outlook

We certainly won't argue that the market is cheap here, but we still can find companies possessing attractive valuation, favorable risk/reward, and emerging catalysts. We believe that President Trump's tariff policy is much more negotiating to achieve better "fair" trading deals rather than everything should be made in the United States. If correct, that certainly lessens the tail risk of a dramatic decline in the economy and stock market. The Federal Reserve has been reticent thus far to lower the funds rate even with inflation at lower levels, partly citing uncertainty over trade policy and its potential inflationary impact. As trade deals are announced, the likelihood of the Fed cutting rates increases. The market is still pricing in two rate cuts this year. We'd note that yields on long-term government bonds haven't fallen meaningfully; if so, that would be an additional sign to the Fed that the markets aren't worried about inflation being an issue and increase the likelihood of rate cuts. The political divide in Washington remains wide, but that isn't a determinant of equity prices.

As mentioned previously, we see a continued acceleration of merger and acquisition activity as we're in a deregulatory environment; a caveat being more scrutiny in certain sectors such as health care. The portfolio is positively exposed to this, and we are looking for additional investments where the investment case is already attractive and any mergers and acquisitions activity can provide a free option. We also believe that the market is likely to broaden rather than returns remaining concentrated among mainly mega-cap technology stocks. Our consistent search for unrecognized and unrealized catalyst rich companies remains at the heart of our process.

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

Large Cap Value Balanced

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 freefloat-adjusted market capitalization indexthat is designed to measure the equity market performance of developed markets, excluding the US & Canada. **Russell 1000® Value Index** measures the performance of those Russell 1000 companies with lower price-to-bookratios and lower forecasted growth values. **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. **Russell 2000® Value Index** measures the performanceof those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **Russell 2000® Growth Index** measures the performance of those Russell 2000 companies with a greater-than-average growth orientation. **S&P 500® Index** is widelyregarded 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. I**t 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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