

Large Cap Value Balanced

Marketing communication | As of 31 Mar 2026

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.

Key takeaways

- **The Large Cap Balanced portfolio outperformed its blended 60% Russell 1000 Value/ 40% Bloomberg Govt/Credit benchmark.**
- **Value stocks notably outpaced their growth counterparts during the quarter (R1000V +2.1%, S&P500 -4.3%).**
- **Major uncertainties: 1) Hostilities with Iran and surging oil prices may lead to higher inflation, economic disruption, 2) Private Credit concerns regarding software company loan losses, 3) Artificial intelligence (AI) fears of disintermediation for software companies, financial services, other industries.**

Market review

Geopolitical conflict in the Middle East dominated the first quarter of 2026, lifting oil prices and driving broad market volatility. With the Strait of Hormuz effectively closed, Brent crude prices swung sharply above and modestly below the \$100-per-barrel level from approximately \$60 at year end. Asia was most exposed, as more than 80% of oil and gas transiting the narrow waterway is destined for the region. The turmoil drove the average price of U.S. gasoline above \$4 per gallon for the first time since 2022. The U.S. dollar strengthened for a third consecutive quarter on safe-haven demand and higher inflation expectations tied to the energy shock.

Economic growth remained solid, although the outlook was clouded by geopolitical uncertainty. U.S. gross domestic product (GDP) grew roughly 2.5%–3.0% year over year in the first quarter, a slight acceleration from 2025's pace. Following earlier signs of softening, the U.S. labor market surprised to the upside, with March's report showing 178,000 jobs added and unemployment edging down to 4.3%. Inflation data—still affected by reporting delays following last quarter's government shutdown—showed core Personal Consumption Expenditures (PCE), the preferred measure used by the Federal Reserve (Fed), slightly above 3.0% year over year through January.

The Bloomberg Aggregate Index was flat for the quarter (-5 bps performance) with rates trading in a defined range before the Iran conflict triggered a sharp bear flattening. The 10-year Treasury yield rose 15 bps, the 2-year finished 32 bps higher at 3.79%, and the 30-year rose 4 bps. Corporate spreads widened by 11 bps. The Fed held rates steady at 3.50%-3.75% at its January and March meetings, with its March statement little changed beyond acknowledging Iran-related inflation/economic uncertainty.



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Three other major developed-market central banks—the European Central Bank (ECB), Bank of Japan (BoJ) and Bank of England (BoE)—also left policy unchanged during the quarter, while the Reserve Bank of Australia raised rates by 50 basis points. Messaging broadly shifted more cautious with the Fed and BoE adopting a wait-and-see approach for additional cuts this year. Meanwhile, the ECB signaled rate hikes may be coming due to upside inflation risks, and the BoJ maintained its hawkish outlook, noting a preference for raising rates to combat inflation over protecting against growth risks.

Equity markets were choppy as investors rotated toward more defensive exposures. The Dow, S&P500, and Nasdaq indexes ended the quarter lower, pressured by renewed inflation concerns, higher energy costs and a pullback in mega-cap technology amid broader artificial intelligence (AI) uncertainty. As investors moved away from the "Magnificent Seven" and other high-growth tech-focused stocks, market leadership broadened toward areas that have lagged in recent years, including value, dividend payers and small caps. Value stocks outpaced growth for a second consecutive quarter, and small caps outperformed large caps, supported by improving earnings momentum, more attractive valuations and sensitivity to earlier rate cuts. The small-cap focused Russell 2000® Index returned 0.89% for the quarter.

The bellwether S&P 500 returned -4.33%, its weakest first quarter since 2022 and approximately 7% below its January peak. Leadership shifted with the energy sector surging 34%, supported by supply concerns and geopolitical risk. Other more defensive sectors, including utilities and consumer staples, also held up well. Meanwhile, persistent inflation reignited a higher-for-longer interest rate narrative, challenging rate-sensitive sectors such as financials, information technology and consumer discretionary.

Non-U.S. equities also weakened amid the March pullback. Higher oil prices weighed on European and Asian economies that are more dependent on energy imports, while a stronger U.S. dollar also reduced returns for U.S.-based investors. Offsetting some of these negatives, many non-U.S. market indexes were less impacted by the selloff in software and technology due to their lower concentration in these stocks. Developed markets (MSCI EAFE Index) fell -1.24%, led lower by Europe, which was down -4.19% as measured by the MSCI EMU Index. Japan's

Nikkei 225 Index fared better, rising 0.46% on yen weakness and the Liberal Democratic Party's snap-election victory, which increased expectations for additional stimulus.

Emerging markets modestly outperformed developed markets, with the MSCI Emerging Markets Index returning -0.17%. South Korea and Taiwan, which together represent more than one-third of the index by market capitalization, were supported by constructive AI sentiment. Despite the Chinese economy's strong start to 2026, its market ended the quarter lower amid heightened geopolitical pressure.

Portfolio review

The Nuveen Large Cap Balanced portfolio delivered positive returns during the first quarter of 2026, outperforming the blended Russell 1000 Value/Bloomberg Aggregate Index on both a gross and net of fees basis. While the S&P 500 is not the portfolio's designated benchmark for equities, it is worth noting that the equity portion of the portfolio also meaningfully outperformed that index during the quarter, as widening dispersion between value and growth stocks provided a favorable backdrop for the strategy.

Large cap value stocks, as measured by the Russell 1000 Value Index, entered 2026 on strong footing, surging 4.6% in January before extending those gains with an additional 2.6% return in February. March brought a reversal, however, as investor sentiment soured amid U.S. and Israeli air strikes against Iran, resulting in a 4.8% decline for the month. Despite that late-quarter pullback, the asset class finished the period with a positive return of 2.1%. Within the benchmark, energy blew away all other sector performance with a +38.0% return, followed by materials (+10.6%), utilities (+9.0%), consumer staples (+6.7%), industrials (+5.9%), tech (+4.6%), and real estate (+2.8%). All other sectors finished the quarter in red with the hardest hit to financials (-8.0%) followed by moderate declines in consumer discretionary, communications services, and health care.

Regarding the fixed income portion of the portfolio, as mentioned previously, returns were effectively flat. Yields on 2-, 10-, and 30-year Treasuries rose 32, 15, and 4 basis points respectively. Investment grade corporate credit spreads widened 11 basis points, while single A vs BBB corporate spreads widened as well. The picture for future Fed interest rate cuts (none during Q1), is a bit more uncertain given the expected short-term inflationary impact

of higher oil prices. Portfolio duration remains slightly less than benchmark.

The portfolio's quarterly equity outperformance was driven by a mixture of superior stock selection in tech, healthcare, and industrials coupled with an overweight position in the energy sector. Offsetting part of the outperformance were underperforming investments in financials, communication services, and consumer discretionary. Our top stock contributors in the first quarter were **Cheniere Energy**, **Permian Resources**, and **Seagate Technology** while leading detractors included **Capital One Financial**, **Gen Digital**, and **Wells Fargo**.

Contributors

Cheniere stock's Q1 strength was driven by optionality and greater profitability given the energy disruption with spreads for LNG delivered in Europe and Asia widening significantly relative to U.S. natural gas prices. Iran's missile and drone strikes against neighboring countries damaged 17% of Qatar's LNG capacity (20% of global supply). Although Cheniere facilities are 95%+ contracted, there is some positive impact on cash flows and the company can operate temporarily above 100% capacity to generate some additional cargoes. Investors also appreciated the company's large buyback authorization and the move toward a more cash-generative phase after a long buildout cycle. High contract coverage, new long-dated agreements, and strong EBITDA guidance helped support the stock's rerating. We substantially increased our position in late 2025 on weakness, making the company one of our larger investments prior to its appreciation.

Permian Resources investors benefited from higher oil prices with a clean operating story: record production, lower costs, and strong free cash flow. The company's 2026 plan showed more production with less capital, which is exactly the kind of discipline the market rewarded in early 2026. Investors also responded well to its balance sheet strength, disciplined acquisition activity, and rising dividend, all of which signaled that growth was being converted into cash returns.

Seagate's, a leading manufacturer of hard disk drives, stock rally was powered by the AI storage theme. Demand for nearline HDDs has been running ahead of supply, and Seagate has been able to push pricing while selling essentially all the exabytes it can produce. The market also

responded to improving margins, strong revenue growth, and the company's progress on HAMR technology, which should support higher-capacity drives and better economics over time. Seagate has been a tremendous performer over the past year, and we have continued to trim our position.

Detractors

Capital One stock's weak Q1 2026 showing was driven by fears of a tougher credit backdrop and investor concern that consumer stress would start to emerge. The market also worried about elevated expenses tied to major integrations, including the Discover deal, which raised uncertainty around near-term earnings power. On top of that, Capital One serves more credit-sensitive borrowers than many peers, so recession fears and softer consumer sentiment hit the stock harder. We believe the company's fundamentals are strong, the valuation is extremely attractive, and the integration of the Discover network will drive improved growth and profitability.

Gen Digital stock declined notwithstanding good fundamentals as investors focused less on near-term revenue beats and more on structural concerns (AI fears, disintermediation). The stock fell to a 52-week low even though earnings and revenue were broadly fine. While the stability of the business remained intact, sentiment was poor and the stock was priced like a defensive, ex-growth name. We had trimmed our position at attractive prices early in the quarter.

Wells Fargo's Q1 2026 weakness came from a mixed report that failed to clear a high expectation bar. Revenue and net interest income came in somewhat below lofty expectations, and operating expenses were higher than investors wanted to see, which hurt the bank's efficiency story. Even though earnings per share beat slightly, the market focused on the softer top line and margin pressure. Given Wells Fargo stock's recent appreciation, that combination limited enthusiasm because investors wanted evidence of improving leverage and faster loan growth from its asset cap removal, not just an EPS beat from cost discipline.

In terms of new investments, we initiated positions in **Fifth Third Bancorp**, **Mondelez**, and **Texas Instruments**. We also exited our holdings in **Oracle**.

Portfolio positioning

New Investments:

Fifth Third Bank: We initiated a position in regional bank Fifth Third Bancorp (\$42 billion market cap) on weakness in bank stocks due to general credit, AI displacement concerns, and modest declines in net interest margins. The company recently completed its acquisition of Comerica. FITB offers better growth prospects and efficiency gains than most super regional banks, having diversified from their historic Ohio base to the Southeast and Texas market over a number of years. Our financials exposure has been below the Russell 1000 Value index, with FITB now the only pure regional bank in the portfolio.

Mondelez: Mondelez stock fell to extremely attractive levels given that a sharp rise in cocoa prices had pressured its profitability. Consumer food companies broadly performed poorly given lackluster results and fears on demand impacts from GLP-1 drugs. We made our investment after cocoa prices had fallen sharply. Given hedging timelines, this improvement will show up in better profitability with a lag of several quarters. We also note, most of the company's profits are earned outside the U.S. which is less subject to the GLP-1 impact.

Texas Instruments: Texas Instruments (TXN) is a leader in analog processors, which we believe will start to show dramatic growth going forward. Margins, profitability, and free cash flow should show substantial improvement as well, given that TXN has completed a significant capital expenditure program to expand capacity.

Eliminations:

Oracle: We eliminated our long-term, successful investment in software company Oracle as its substantial capital investment program to fund massive growth, on an already levered balance sheet, has altered the financial risk/reward profile for the stock, and eliminated free cash flow for the next 3-5 years. We trimmed our position meaningfully, numerous times last year during its rapid appreciation, holding only a small position into January 2026 (for several accounts that could utilize options, we sold calls against our small position at extremely high volatility/attractive price). Oracle founder Larry Ellison's personal backing of the Paramount Skydance bid for Warner Discovery gave us incremental concern about financial

discipline.

Walmart: We also exited our position in Walmart, purely on valuation. The company has done an outstanding job positioning itself for higher margins, profitability, and growth, successfully competing with Amazon in product delivery and offering over the past several years. Margins improved, and the stock has massively rerated. We trimmed our position numerous times given valuation, and finally felt that it no longer represented attractive risk/reward on either a short or intermediate term basis.

In terms of other portfolio activity, during the quarter we added to existing positions in Akamai, Amazon, Carrier, Disney, Intel, and Regal Rexnord. We trimmed positions in many holdings including Baker Hughes, Cheniere, Flowserve, Freeport-McMoran, Gen Digital, Gilead Sciences, Nvent, Seagate Tech, and Shell.

Outlook

We're pleased that our strong performance, both absolute and relative, continued through the first quarter. Given our substantial overweight in energy stocks, we took advantage of the sector's 38% Q1 appreciation (Russell 1000 Value index) to reduce our weightings in several positions on strength including Baker Hughes, Cheniere, and Shell, but still maintain above index weightings. As we've discussed recently, we have repositioned several of our investments in technology to take advantage of better fundamentals in analog, AI to the edge (edge computing), and an expected positive turn in Intel's demand and profitability.

The impact and duration of the conflict with Iran is unknown, but certainly not positive for lower inflation, and consumer wealth and sentiment. It also put a very short-term pause on merger and acquisition activity, but we don't expect that to be long lasting.

Spending on Artificial Intelligence continues at an unprecedented rate, with a number of participating suppliers reaping shocking profitability increases. The shockwaves from AI have been sudden and severe in some areas. The perceived benefit to software and financial stocks, among others, went from utilizing AI to reduce costs and enhance profitability to instead having AI disintermediate and displace those companies/industries altogether. While much is still uncertain, uncertainty creates dislocation and opportunity, which is a primary

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ingredient behind our investment philosophy and process.

We are heartened to see that the market has broadened so far this year beyond mega-cap technology, with value and small cap substantially outperforming. The stock market and investors have been so exceptionally skewed to growth and technology stocks the past number of years, but as we've stated continually, we remain focused on our magic three: attractive valuation, good risk/reward and downside management, and finally change/inflection points/catalysts/recognition of hidden assets or free options.

We employ our philosophy and process within a market that

is still broadly expensive. The worrisome issues remain; our national debt, deficit, the significant inflection increase in interest expense on the national debt, the strain on consumers from higher gasoline prices, and inflation caused by the impact higher energy prices have throughout the economy. We are close to the June primary elections and the mid-term elections that follow in November, where control of either the House or Senate, or both may move to the Democrats.

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

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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