



Marketing communication | As of 30 Sep 2025

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- The S&P 500® Index continued to reach new all-time highs in the period as major companies delivered strong earnings results despite continued uncertainty surrounding trade policy. Importantly, markets continue to focus on the strength of the AI theme and mega-cap tech names resumed their leadership.
- U.S. large cap growth stocks led in the quarter with the Russell 1000® Growth Index posting double digit returns of 10.5%, nearly double that of its value counterpart, with the Russell 1000® Value Index up 5.3%. Mega-cap tech dominated U.S. large cap growth stock returns; the extremely narrow market was a significant headwind in the period only 21% of large cap funds beat the benchmark, the worst quarterly hit rate in nearly a decade.

Market review

The S&P 500® Index continued to reach new all-time highs in the period as major companies delivered strong earnings results despite continued uncertainty surrounding trade policy. Importantly, markets continue to focus on the strength of the AI theme and mega-cap tech names resumed their leadership. Notably, NVIDIA became the world's first public company to cross the \$4 trillion market cap threshold, with Microsoft quick to follow. Weaker payroll numbers provided the catalyst for the Fed to cut interest rates for the first time this year, and investors widely anticipate additional easing in the fourth quarter.

U.S. large cap growth stocks led in the quarter with the Russell 1000 $^{\circ}$ Growth Index posting double digit returns of 10.5%, nearly double that of its value counterpart, with the Russell 1000 $^{\circ}$ Value Index up 5.3%. Mega-cap tech dominated U.S. large cap growth stock returns; the extremely narrow market was a significant headwind in the period – only 21% of large cap funds beat the benchmark, the worst quarterly hit rate in nearly a decade.

Justin H. Kelly, CFAPortfolio manager

Patrick M. Burton, CFA
Portfolio manager

Peter A. Dlugosch Portfolio manager

Steven M. Hamill, CFA *Portfolio manager*

Portfolio review

The portfolio underperformed the benchmark for the quarter. Our voids of the underperforming Consumer Staples, Real Estate and Energy sectors contributed the most to relative performance. Stock selection in the Information Technology, Communication Services and Consumer Discretionary sectors were the main drivers of relative underperformance.

The 'Magnificent 8', now nearly 60% of the Index, drove 85% of the Index return in the quarter. This is a stunning amount of concentration only possible because of the poorly constructed Russell 1000[®] Growth Index.

Contributors

Shopify Inc, a global cloud-based e-commerce platform, was the largest relative contributor to performance after reporting stellar quarterly results – its largest revenue beat since 2021 and a reacceleration of growth. Past investments in their international business have paid off and we model further growth and expansion in those markets. We continue to anticipate outsized market share gains and disciplined expense management.

Alnylam Pharmaceuticals Inc, a biotech company and leader in drug development based on RNA interference, beat recent quarterly expectations and raised its guidance following strength from their drug Amvuttra, for the treatment of a rare cardiovascular disease. The drug has the potential to generate multi-billion dollars in revenue and enable the company to become sustainably profitable. The position was sold due to valuation and to fund new opportunities.

Amphenol Corp, a leading provider of high-performance interconnect systems and components as well as fiber optics, released results well ahead of lofty expectations and raised guidance. Every end market grew more than management's expectations and was led by IT datacom (AI applications/datacenters). The company serves diversified end markets globally but has increasing exposure to datacenters. AI datacenters require far more connection content versus legacy centers, which is driving strong organic growth. We model this growth, coupled with robust M&A and an expansion into fiber, to continue and anticipate higher margins going forward.

GE Aerospace, a global leader in commercial and defense engines, also beat expectations and raised their near- and long-term guidance in its most recent quarter. Its commercial services and engines segment continues to drive

results, led by higher output, work scope and price. We are constructive on the long-term fundamentals of the aerospace market coupled with management's ability to execute on pricing and productivity initiatives to lift margins over the next few years. The company has an enviable moat in commercial jet engines and given new aircraft production is constrained and the out-of-warranty aircraft fleet has greatly expanded, the size and growth rate of the aftermarket has increased.

Detractors

The largest relative detractor from relative performance was **Alphabet Inc Cl A/C** due to our underweight position; however, we exited the quarter equal weight. The company's recent advances in artificial intelligence have substantially increased its competitive position in both public cloud computing and in consumer AI chat. We see their public cloud computing business continuing to take market share while the success with their Gemini consumer service looks to be able to defend their existing search position for the time being. In addition, we believe that OpenAI will not be launching a competitive online advertising business in the near term. Further, regulatory risk has been dramatically reduced with the recent court decision.

Surgical robotics company **Intuitive Surgical Inc** was impacted following concerns that remanufactured instruments could create headwinds to new equipment growth. While these reprocessed pieces are cleared by the FDA, research suggests that surgeon support for these devices could be low and historical uptake for other remanufactured products has remained a small percentage of the market. Despite the fears, the company reported results ahead of expectations, driven by da Vinci procedure growth, and raised guidance due to a better outlook for procedure volume and margin growth.

The portfolio's significant underweight in **Apple Inc** also detracted in the quarter. The company reported a solid quarter on the back of strong growth in Services and iPhone demand is now positive in China. We added to the position in the quarter as our research points to continued strong levels of iPhone sales and anticipated new iPhone 17 price points.

Intuit Inc, a leading provider of small business, consumer services and tax preparation software, beat quarterly expectations due to broad-based strength and QuickBooks growth. The company is beginning to see its new AI-driven agents gain traction with consumers and monetization potential is significant but not yet factored into the

company's guidance. Investors were disappointed by the muted guide and the position detracted.

Fast-casual restaurant **Chipotle Mexican Grill Inc** reported a mixed quarter which was impacted by slower customer traffic and ticket size. In response, the company launched several initiatives which helped return those trends to positive territory, yet full year guidance was lowered. Our confidence in management faltered and the stock was sold.

Portfolio positioning

Consistent with our views on innovation and AI application opportunities, our largest absolute and relative overweights are found in the Information Technology and Communication Services sectors. Our largest relative underweight is the Healthcare sector as policy-related headwinds continue to weigh on the group. Holdings here are focused on innovation where companies are launching new products that are changing the standard of care in large markets. We are underweight the Consumer Staples sector as the growth profiles and valuations of these companies do not meet our investment criteria. The Industrials sector is now underweight and holdings are concentrated in AI/electrical and aerospace themes. The remaining sectors are within 1% of the benchmark and we are void the small Energy, Real Estate and Utilities sectors.

From a Growth Type perspective, the Dynamic Growth sector is the largest overweight at 39% versus 33% in the benchmark. Cyclical Growth at 35% versus 40% remains the largest underweight. Consistent Growth is also underweight at 25% versus 27%.

Outlook

The macro picture continues to confound many because it is so influenced by the micro inputs of the artificial intelligence economy. Without the dramatic capital spending in the AI economy, the U.S. would likely be in a recession. The weak underlying economy is driving softness in the labor market but the AI economy is not offsetting this because it is asset-heavy but employee-light. Overall, we expect the macro picture to be benign as monetary policy eases and the AI economy continues to strengthen.

The micro picture on the artificial intelligence economy was further strengthened by two major developments this quarter. First, OpenAI revised its 2029 revenue projection from \$125 billion to \$145 billion. Most market watchers

couldn't believe the original projection; thus, the revised projection was a major signal that the economics of AI spending may indeed be justified. OpenAI now has a private market value of \$500 billion, and we continue to believe it will be a multi-trillion company. Second, NVIDIA's CEO Jensen Huang projected that global AI infrastructure spending could reach \$3 trillion to \$4 trillion by 2030. The infrastructure build-out may still have a long way to go, adding to economic growth.

Finally, many stocks outside of the AI economy declined over the summer as investors raised cash to fund purchases of more direct winners from AI. We believe this temporary dislocation has presented attractive opportunities to add to existing positions where our fundamental conviction remains high.

Index Thoughts

Our benchmark, the Russell 1000® Growth Index, continues its quarterly rebalances to remain in compliance with the U.S. Regulated Investment Company IRS 25/5/50 Rule capping thresholds. The rebalancing methodology is incredibly complex and has caught investors by surprise. The rebalancing oddly takes the approach of reducing the smaller weighted mega-cap stocks over 4.5% weight rather than the larger mega-cap stocks in order to have fewer names being close to the 5% weight for aggregation purposes. This has led to a more dramatic reduction in weighting to Meta and Amazon than much larger weighted Microsoft, NVIDIA and Apple. This rebalance resulted in a 1.8% reduction in the weight of the 'Magnificent 8'.

The quarterly rebalances have caused an unwelcome increase in portfolio turnover among active and passive investors. Based on our consultation with Russell, we believe they are likely to change their quarterly rebalance methodology yet again. We also believe Russell will change their definition of value which will have a dramatic effect on the weightings of the style indexes. In other words, while the goal posts have been moving at an accelerating rate for this Index, perhaps the acceleration has only begun. We believe that investors should be wary of accepting the premise that the Russell 1000® Growth Index is the large cap growth market. It is not. It is an output of an antiquated and rigid rules-based methodology that has led to a litany of issues, including its efficacy in assessing manager skill.

For more information contact: 800.752.8700 or visit nuveen.com

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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 fruture 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® 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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800.752.8700 | nuveen.com 4878247