U.S. Large Cap Growth

Marketing communication | As of 31 Dec 2025

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- **U.S. large cap growth stocks led again in 2025 with the Russell 1000® Growth Index ('RLG') posting double digit returns of 18.6%, ahead of its value counterpart, with the Russell 1000® Value Index ('RLV') up 15.9%. However, value stocks led in the quarter with the RLV up 3.8% versus the RLG up 1.1%.**
- **The portfolio trailed the benchmark for the quarter. Stock selection within the Information Technology and Healthcare sectors contributed the most to relative performance. The Communication Services sector was the main driver of relative underperformance, primarily due to stock selection. The 'Magnificent 8', nearly 60% of the Index, accounted for the entirety of the Index's overall gain in the quarter.**

Market review

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In 2025, large cap active funds had their worst hit rate versus their benchmarks since 2019. Mega-cap tech dominated U.S. large cap growth stock returns for the year; the extremely narrow market was a significant headwind in the period and only 20% of growth funds beat the benchmark.

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Portfolio review

The portfolio trailed the benchmark for the quarter. Stock selection within the Information Technology and Healthcare sectors contributed the most to relative performance. Our void of the underperforming Consumer Staples sector also contributed. The Communication Services sector was the main driver of relative underperformance, due to stock selection. The Consumer Discretionary and Materials sectors also detracted.

The 'Magnificent 8', nearly 60% of the Index, accounted for the entirety of the Index's overall gain in the quarter. This is a stunning amount of concentration only possible because of the poorly constructed Russell 1000® Growth Index.

Contributors

Advanced Micro Devices Inc, a provider of semiconductors for a broad range of businesses, announced a multi-year strategic partnership with OpenAI to deploy 6 gigawatts of AMD chips, which will provide a significant boost to revenue and profitability in the next few years. The deal provides a strong endorsement for the company's products, possibly driving broader customer adoption of its AI capabilities.

Surgical robotics company **Intuitive Surgical Inc** reported strong quarterly results which beat expectations across every metric and alleviated recent investor growth concerns. We continue to expect the company to deliver solid growth due to the benefits to patients and surgeons, expansion to new surgical categories and an inflection in international adoption. Further, we expect capital sales to accelerate during the full launch phase for their Da Vinci 5 robot.

Shopify Inc, a global cloud-based e-commerce platform, printed an exceptional quarter showing accelerating growth for the second straight quarter. The company is also investing in preparation for agentic commerce and signed a partnership with OpenAI which will allow merchants to sell directly in ChatGPT.

GE Vernova Inc is a leader in industrial gas turbines for power generation, grid technologies and wind power. The company is nearly sold out of gas turbines through the end of the decade given the economy is structurally short power generation. Amidst this backdrop, the company is adding capacity and selling additional slot reservations at much higher prices which is driving significantly higher margins.

Hilton Worldwide Holdings Inc, a global hospitality leader with an asset-light business model, contributed to relative results as renewed optimism around its robust quarterly results and strong development pipeline. We expect long-term growth due to sustained unit growth momentum and global expansion.

Detractors

Spotify Technology SA, a global leader in audio streaming and media services, was the largest relative detractor in the period after announcing a CEO transition. The company's co-Presidents will be elevated to co-CEOs and have worked closely over the last few years, expanding Spotify's audience and product offerings. We continue to expect a focus on profitability metrics and anticipate future growth opportunities from audio books, podcasts and higher priced subscription tiers.

Global food delivery and logistics platform **DoorDash Inc** surprised the market by stating 2026 was going to be an investment year. While the impact caused us to temper our margin expectations, the investments will create a common global operating platform poised to bring new capabilities to market more quickly and we anticipate growth to accelerate this year and beyond.

ServiceNow Inc, a leader in IT service management software, posted a solid quarter as its AI business is tracking ahead of goals and the outlook was raised as business momentum is accelerating. While concerns surrounding per-seat pricing structures have weighed on shares, we believe that the company's best-in-class retention rate combined with a more conservative guide create a more compelling setup for next year.

Global public safety technology company **Axon Enterprise Inc** reported over 30% revenue growth in the most recent quarter yet missed lofty investor expectations. The company reiterated its bookings growth trajectory of high-30's percent remains intact for the year, and potentially for many years to come due to AI-related use cases and other technological advancements.

Social media company **Meta Platforms Inc** reported revenue and operating income ahead of consensus and raised guidance yet detracted as capital expenditures are now expected to grow at a faster rate and investors questioned a return on that investment. The company's AI investments have spurred an acceleration in user growth across its platforms, and we expect those efforts to continue to drive engagement.

Portfolio positioning

Consistent with our views on innovation and AI opportunities, our largest relative overweights are found in the Industrials (8% versus 6% in the benchmark) and Communication Services sectors (13% versus 12%). Our largest relative underweights are in the Consumer Discretionary (11% versus 13%) and Consumer Staples sectors (0% versus 2%) given the bifurcation of the consumer and our preference of higher growth opportunities. The remaining sectors are within 1% of the benchmark and we are void the small Energy, Materials, Real Estate and Utilities sectors.

From a Growth Type perspective, the Dynamic Growth sector is the largest overweight at 35% versus 32% in the benchmark. Cyclical Growth at 37% versus 42% remains the largest underweight. Consistent Growth is also overweight at 28% versus 26%.

Outlook

2025 ended quietly for U.S. Large Cap Growth stocks with our portfolio and the RLG both modestly positive in the fourth quarter. Market breadth returned to normal in the fourth quarter after three quarters where the Mag 8 outperformed the average stock in the Index by 15%. Winslow Capital has had a strong run of performance over the last three years. But in the second half of 2025 we trailed the deeply flawed RLG (see Index Thoughts below) which, we believe, sets up 2026 exceptionally well for relative performance. Further, our absolute portfolio performance over the last six months has notably trailed the earnings growth of the holdings which has served to lower the overall valuation starting point for 2026. We are exceptionally energized by this pause.

Our optimistic outlook for 2026 is grounded by valuations, secular transformation and cyclical tailwinds. We have price targets for all of the important large cap growth companies, including our holdings. The price targets are a product of future year earnings and free cash flow estimates and our view of the future valuation multiples. There are times when the return prospects are more and less favorable. Excluding times of severe market stress, this is an above average starting point which makes sense after a recent pause in returns. Based on our estimates, the bottom-up picture looks good.

We believe the economic top-down picture also looks good both cyclically and secularly. From a cyclical perspective there is an estimated 1.6% GDP tailwind to economic growth based on tax cuts, accelerated depreciation expense and easing tariff burden. We call this the "Skittles economy" – a one-time sugar high. There is also some pent-up stimulus from the Fed lowering interest rates toward neutral last year. And of course, the President would like to add some Mountain Dew to the Skittles by forcing the Fed to lower rates further and faster.

The protein of our innovative economy is the application of AI technologies. This is the secular growth driver for the foreseeable future. The use cases are expanding and more companies are seeing the benefits. We believe AI will be the primary driver of the continued profit productivity cycle that has propelled the stock market to far outpace the mainstream economy.

In summary, we believe the valuations are attractive and the economic backdrop is constructive. We are optimistic of a fourth year of double-digit returns for the market. That said, there is always the potential for a macro surprise. But history has shown that macro shocks are typically followed by higher highs for large cap growth companies.

AI Bubble?

Perhaps the most important trait a growth investor can have is humility, as a view with a grip too tight has been the death of many investors. At Winslow Capital, we invest with conviction but then are relentlessly searching for how we could be wrong. Since growth stocks tend to trade at a premium, being early to recognize thesis deterioration is paramount. The humble and flexible mind can adapt quickly. Which brings us to our thoughts on the AI bubble.

It is our belief that AI is not a bubble technology. It has amazing ROI in many applications which is impressive for its nascent stage. But there could be a mini bubble in AI spending since certain spenders such as Meta, xAI and Tesla are not seeing substantial evidence of returns on their spending. Those returns may or may not develop. If they do not develop it may mean certain data center providers are overearning or are in a mini bubble. We are keeping a close eye on this and managing our risk exposure accordingly.

That said, some of the largest spenders on data centers such as Google, Microsoft, Amazon, OpenAI and Anthropic are clearly getting a return on their spending which is seen in their accelerating growth rates. And while much has been made of the debt and vendor-based financing, the big three

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cloud providers are still projected to generate a staggering $190 billion in total free cash flow in 2026 after making substantial investments in AI data centers.

Index Thoughts

Our benchmark, the Russell 1000® Growth Index, continues its quarterly rebalances to remain in compliance with the 25/5/50 U.S. Regulated Investment Company IRS capping thresholds. The rebalancing methodology is incredibly complex and has caught investors by surprise. The fourth quarter rebalance resulted in a 2.3% reduction in the weight of the largest five stocks.

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. 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. 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

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. This strategy may invest in American Depositary Receipts (ADRs). ADRs do not eliminate the currency and economic risks for the underlying shares in another country. The strategy's potential investment in non-U.S. stocks presents risks such as political risk, exchange rate risk and inflationary risk, which includes the risk of economic change, social unrest, changes in government relations and different accounting standards. In addition, growth stocks or growth investing may fall out of favor and underperform value stocks and other investing styles over any period of time. Certain sectors or growth stocks may shift characteristics over a long market cycle and may not perform in line with stated benchmarks.

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The statements contained herein reflect opinions of Winslow Capital Management, LLC and data available at party sources, which we believe to be reliable but not guaranteed for accuracy or completeness. **It is not possible to invest directly in an index.** Clients should consult their financial professionals regarding any unknown terms or concepts.

Glossary

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 future 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® Growth Index** measures the performance of those 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.

Winslow Capital Management, LLC is a registered investment adviser and an affiliate of Nuveen, LLC.