

Large Cap Core

Marketing communication | As of 31 Mar 2026

Key takeaways

- **During the first quarter, the Large Cap Core SMA outperformed the benchmark Russell 1000[®] Index.**
- **Stock selection drove the outperformance for the quarter, most notably in the consumer staples and consumer discretionary sectors, while sector allocation effects also modestly contributed, led by an industrials overweight.**
- **Security selection in financials and materials detracted most notably from performance for the quarter.**

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. 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. Early estimates indicate U.S. gross domestic product (GDP) grew roughly 2.5% 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 in March's report, with unemployment edging down to 4.3%. Inflation data — still affected by reporting delays following last quarter's government shutdown — showed the core Personal Consumption Expenditures (PCE) Price Index, the preferred measure used by the Federal Reserve (Fed), slightly above 3.0% year over year through January.

The Fed held rates steady at its January and March meetings due to elevated uncertainty and renewed inflation concerns. 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. The Reserve Bank of Australia began to tighten amid healthy economic activity, raising rates twice by 25 basis points. Messaging broadly shifted more cautious overall, with the Fed adopting a wait-and-see approach to additional cuts this year. The ECB and BoE highlighted upside inflation risks and signaled that rate hikes remain possible this year, while the BoJ maintained a hawkish stance, emphasizing inflation control over growth risks.

Equity markets were choppy as investors rotated toward more defensive exposures. Many major U.S. indexes ended lower despite a last-minute rally, pressured by renewed inflation



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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 38%, 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, which each fell more than 9%. The benchmark Russell 1000® Index experienced similar sector themes, with the index declining -4.18% for the quarter.

Portfolio review

The Large Cap Core SMA outperformed its benchmark, the Russell 1000® Index, on a gross and net of fees basis for the quarter. Stock selection drove the outperformance for the quarter, most notably in the consumer staples and consumer discretionary sectors, while sector allocation effects also modestly contributed, led by an industrials overweight. Security selection in financials and materials detracted most notably from performance for the quarter.

Contributors

Convenience store chain Casey's General Stores contributed, driven by the company's exceptional fiscal third-quarter 2026 report. Earnings per share far surpassed consensus estimates, leading management to raise its full-year fiscal 2026 EBITDA growth guidance to a range of 18% to 20%. This upward revision was fueled by robust inside-store sales momentum and highly profitable fuel margins that strongly outperformed broader industry volume declines. Although volatile crude oil prices caused some near-term wholesale fuel cost fluctuations, Casey's differentiated rural footprint and strong food-led convenience model shielded it from broader macroeconomic consumer spending pressures.

Cheniere Energy, the largest U.S. producer of liquefied natural gas (LNG), contributed following the company's strong fourth-quarter 2025 earnings beat. Investors also cheered a \$9-billion increase to its existing share repurchase program through 2030, which more than offset concerns over slightly conservative initial 2026 earnings guidance. Share gains further accelerated in March as the unprecedented closure of the Strait of Hormuz knocked an estimated 17% of Qatar's LNG export capacity offline, sending global spot prices surging. This geopolitical shock reinforced the strategic premium of Cheniere's highly contracted U.S. export capacity.

Semiconductor equipment manufacturer Lam Research was another top contributor to performance during the quarter. The company delivered strong quarterly financial results for fourth quarter 2025, capping a record year in which both revenue and earnings exceeded expectations. Despite some normalization in demand from China, Lam demonstrated robust growth in non-China markets, fueled by accelerating AI infrastructure demand and advancements in 3D chip architectures. AI tailwinds continue to build, customer support revenues remain stable and high margin, and the company's innovation in etch and deposition tools is gaining market share. As a result, Lam remains well positioned to benefit from what appears to be a multi-year expansion cycle in the semiconductor industry.

Detractors

In health care, medical device company Boston Scientific detracted. Although fourth-quarter results beat expectations with 15.9% revenue growth, the company's U.S. electrophysiology unit reported a sales miss. As a result, management issued conservative full-year 2026 organic growth guidance of 10%-11%, prompting a negative reaction from investors. Shares were further pressured as severe winter weather and a heavy flu season caused widespread procedure deferrals. Late in the quarter, investors also reacted negatively to an unexpected slight increase in ischemic stroke risk during the company's Watchman FLX trial.

Within financials, alternative asset manager KKR & Company detracted. Shares faced headwinds from industry-wide concerns about exposure to riskier private credit portfolios, particularly those with meaningful allocations to software companies perceived to be vulnerable to AI disruption. Compounding this, the company reported fourth-quarter adjusted net income that

fell short of consensus estimates, driven by below-plan portfolio realizations and reduced transaction fees, both of which weighed on fee-related earnings. We sold the strategy's KKR position in February.

Global integrated payments company American Express also detracted during the quarter. Revenue met estimates, but quarterly earnings fell modestly short, owing to higher-than-expected expenses — specifically within card-member services and compensation costs. New account growth also fell below prior-quarter levels; however, management noted a deliberate reallocation of marketing spend away from lower-fee cashback cards and toward the premium Platinum card refresh campaign. The stock faced additional pressure amid broader concerns that AI-driven automation could lead to substantial white-collar job losses, which could weigh on discretionary spending. On the positive side, delinquencies have remained stable over the past five quarters, while management also announced a 16% dividend increase.

Portfolio positioning

The Large Cap Core portfolio management team remains intently focused on identifying companies supported by dependable fundamentals, attractive earnings growth potential and upcoming catalysts. In light of the various crosscurrents currently impacting capital markets, the team continues to favor companies with strong free cash flow generation, balance sheet strength and the ability to maintain and improve profit margins. In light of concerns regarding AI overspend, rising geopolitical tensions and elevated valuations to name a few, we believe it is particularly important to maintain a balance between companies with compelling earnings growth potential and defendable competitive advantages, while maintaining broad diversification.

During the first quarter, the portfolio management team implemented adjustments at the company level, which we believe upgraded the portfolio's exposures. We established new positions in AbbVie, Amphenol, BlackRock, ConocoPhillips, Entergy, FedEx, Johnson & Johnson, nVent Electric, T-Mobile and Thermo Fisher Scientific. We fully eliminated the portfolio's positions in Cigna Group, Coca-Cola Company, Corpay, KKR & Company, Philip Morris International, Republic Services, S&P Global, Stryker, Veralto and Vistra.

Overall, our bottom-up security selection process has resulted in modest tilts toward cyclical stocks and companies with higher profit margins and attractive growth metrics. From a risk mitigation standpoint, we've focused on maintaining lower exposure to more volatile and highly leveraged companies compared to the index. As of quarter-end, the portfolio's largest relative sector overweights were in the industrials and health care sectors. The portfolio's largest relative sector underweights were in the financials and real estate sectors.

Outlook

The U.S. economy grew a healthy 2.1% in 2025, but we now expect a slightly lower pace of around 1.8% this year, primarily reflecting a likely drag on consumption from higher fuel prices. However, we expect the overall growth impact to be limited for two reasons: households spend less on energy than in prior decades, and the U.S. energy-producing sector should benefit from higher prices, offsetting part of the drag. The labor market has stabilized, and we anticipate unemployment will remain near current levels. Business investment — particularly in technology — remains a meaningful tailwind, and productivity growth is running at its strongest pace since the global financial crisis. The outlook is also improving abroad. Higher government spending supports our forecast for faster growth in Europe this year, with the United Kingdom, Japan and China also contributing. Overall, global recession risks have receded, and the growth outlook has improved.

Heading into the second quarter, the key risk is the ongoing conflict in the Middle East. While conditions remain fluid, we have begun to estimate the likely macroeconomic effects. Heightened uncertainty could weigh on business investment, though we expect any slowdown to be modest. The more significant risk is that oil prices remain elevated or rise further. Although core inflation data excludes energy directly, oil is a pervasive input across the economy. Therefore, we estimate U.S. core inflation could increase around 0.3% this year to 2.8%, reflecting the pass-through from higher oil prices along with some disinflationary pressure as tariff effects fade.

From a monetary policy perspective, the supply shock is unwelcome for central banks, but underlying growth remains solid enough to keep the focus on domestic conditions. We expect the Fed to remain on pause longer than previously anticipated, with its first 25-basis-point cut

in the second half of the year, and the second cut likely shifting into 2027. That would bring the policy rate to a target range of 3.00%–3.25%, near our estimate of neutral. The BoJ is likely to hike at least once in 2026, while the ECB may pivot toward a rate increase by year-end.

Overall, we remain constructive on global equities as solid growth, gradually declining rates and positive earnings momentum remain supportive. Valuations look increasingly full, but markets have continued to look past that concern. The AI boom remains a powerful long-term tailwind, and increased scrutiny of mega-cap technology companies may

help broaden market leadership. In our view, the emphasis should remain on high-quality companies and security selection rather than the macro backdrop.

While elevated volatility may be challenging in the short term, we believe equity investors are best served by staying invested. We will continue to monitor developments and remain nimble, emphasizing a flexible investment approach grounded in rigorous bottom-up research, disciplined stock selection and thoughtful portfolio construction.

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is \$100,000.

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Glossary

The **S&P 500® Index** measures the performance of large capitalization U.S. stocks. The S&P 500® is a market weighted index of 500 stocks traded on the NYSE, AMEX and NASDAQ. The **Russell 1000® Index**, a subset of the Russell 3000® Index, represents the 1000 top companies by market capitalization in the United States. Index returns assume reinvestment of dividends, but do not reflect any applicable sales charges or management fees. **Volatility** is the fluctuation in market value of a portfolio or other security. The greater a portfolio's volatility, the wider the fluctuations between its high and low prices. **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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