

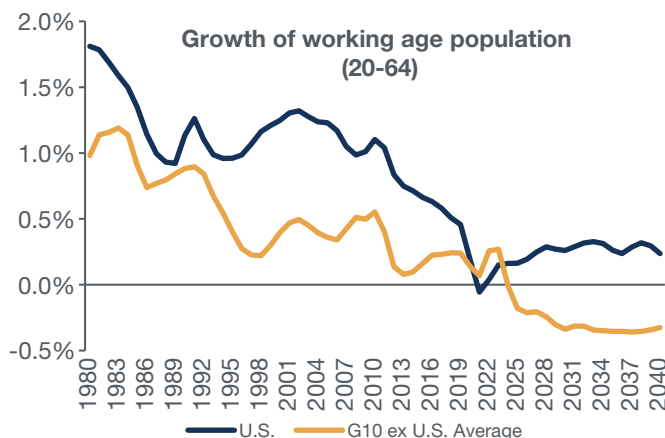


A responsible path to U.S. large cap growth

From Winslow Capital

The U.S. large cap growth market stands out above all other equity categories for the strongest price performance over the last decade. The differentiator has been vastly superior fundamental performance driven by advantaged U.S. demographics, superior free cash flow margins and powerful innovation. With all three drivers likely to remain firmly in place, we believe the advantages for the U.S. large cap growth category may further compound.

Figure 1: Advantaged demographics in U.S.



Source: United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024, Online Edition. G10 is defined as Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, U.K. and U.S. Data shown for the period 12/31/1980 (start of available data) to 12/31/2024 (most recently available data). Data includes projected periods. Different assumptions could result in materially different results.

Figure 2: Advantaged profitability for U.S. large cap stocks



Source: Empirical Research Partners Analysis. Measured in aggregate; data smoothed on a trailing three-month basis. Data for the period January 1987 to September 2025.

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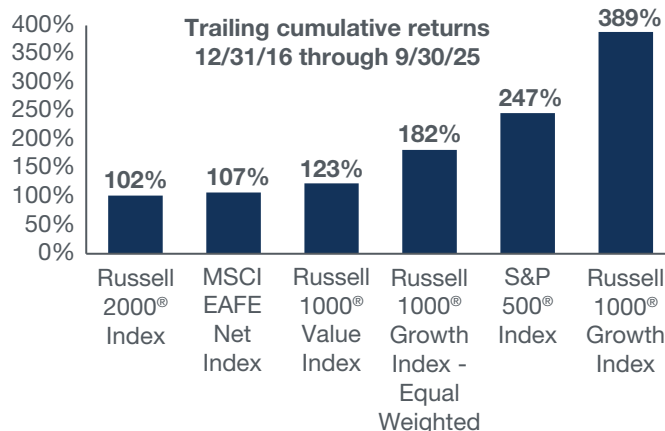
While stronger U.S. demographics will help all U.S. companies, the large expansion in free cash flow margins has been primarily driven by asset light large cap growth companies. The substantial margin gap that developed between large growth and large value companies marked the end of the value cycle and until the lines start moving back toward each other, we believe that it is unlikely value can outperform growth on a sustained basis. The small cap market is even more disadvantaged with the free cash flow margin of 3% on average and nearly 40% of small cap companies losing money.

Figure 3: Earnings performance of major equity indices



Source: FactSet as of 9/30/2025. Graph shows the linear growth rate utilizing two data points (12/31/2014, first growth period; 9/30/2025, final growth period) to represent cumulative earnings growth over the 10.75-year period.

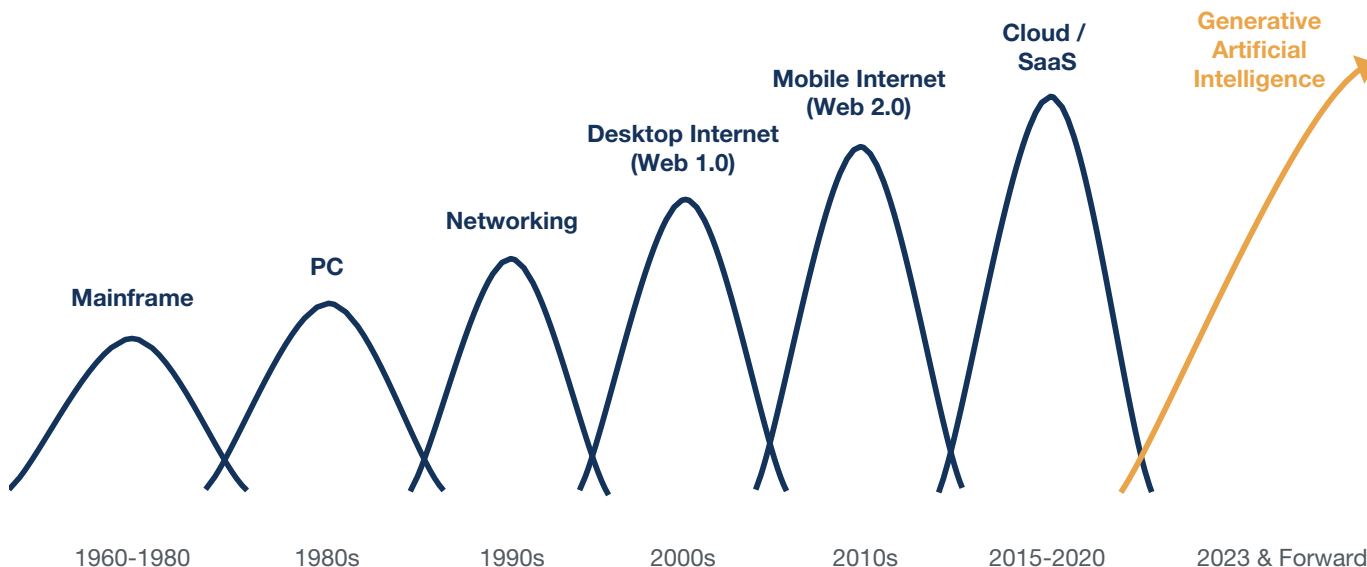
Figure 4: Major equity index returns



Source: FactSet. Cumulative returns for the 8.75 years ended 9/30/2025, indicating performance results since the previous sustained market dislocation in 2016. The Russell 1000® Growth Index Equal Weighted Return presented herein is provided solely for informational purposes.

We believe that Generative AI (“AI”) is just getting started and with high cost barriers to entry, it seems large cap growth companies are likely to be favored rather than disrupted by this fast-changing technology. And as we see more second and third order winners from AI, we believe large companies with expansive customer datasets and skilled IT staffs may see the strongest productivity gains.

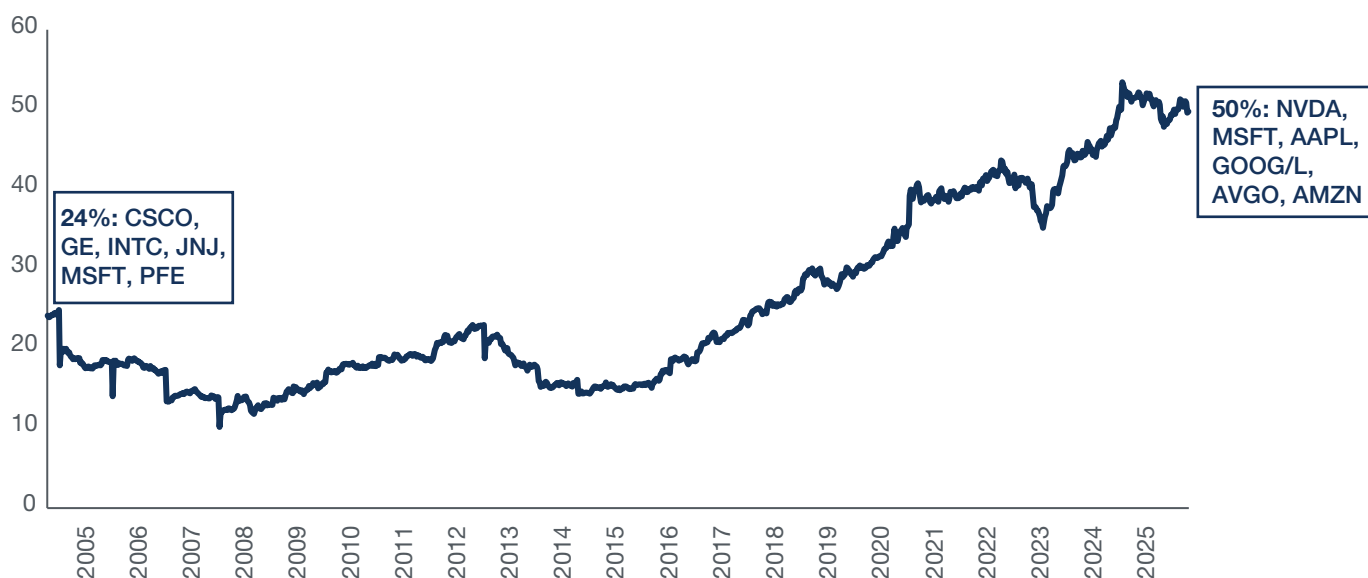
Figure 5: Large technological breakthroughs continue to be driven by U.S. innovation



Source: Coatue and Winslow Capital opinion and analysis; data largely publicly available. For illustrative purposes only.

We believe that all of this supports continued large cap growth equity leadership. But a passive investment in large cap growth is not passive at all given the implied active decision of buying the Russell 1000® Growth Index (“Index”) with near unprecedented concentration. Active management may offer a lower risk way to participate in U.S. large cap growth, given the ability of active managers to diversify portfolios and discern among the top six Index constituents, which represented ~50% of the Index as of 9/30/2025. We do not believe that it is in an investor’s best interest to invest nearly half of a portfolio in six stocks without any monitoring or specific intent to sell. Though dwarfed by current concentration levels, previous peaks may prove prescient. The top six names in the Index from twenty-plus years ago have performed poorly with only one of them outperforming the Index.

Figure 6: Russell 1000® growth index – concentration of top 6 holdings



Source: FactSet weighting of Russell 1000® Growth Index top 6 holdings over time from 4/2/2004 to 9/30/2025 based on weekly data.

We believe accomplished active managers have well-resourced and experienced teams, time-tested investment processes and the flexibility to adapt to an ever-changing world. But assessing a manager in large cap growth brings additional complexity when comparing the manager to the concentrated Index and below we offer some insights.

Index awareness

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.

Predictive analytical tools

Some measurements that work in assessing active managers in most index categories simply are less effective in large cap growth. Active share and tracking error are two measurements that have lost predictive value during the last ten years. Active share is just a point in time measurement but if a manager decides not to own just two stocks in large cap growth, it can change their active share by 20 points. Tracking error is perhaps more misleading. The problem with tracking error in a concentrated index is that implied in the calculation is the probability of many stocks making large, short-term moves is low but one stock making a large move is normal. However, when one stock is such a large part of an index, tracking error can lose its insight.

In large cap growth, our work suggests measuring manager skill beyond peer ranking is still possible using information ratios. The market is always changing and we believe that the best managers are able to understand the changes in fundamentals and the changes in the Index; if married together successfully over time, a manager should have a very strong long-term information ratio.

The last three-plus years have provided many challenges to large cap growth managers and should provide plenty of insight into the level of skill, paired with index awareness, a manager is demonstrating.

Decision-making framework

Over more than two decades, Winslow Capital has fostered a culture of making the client the center of investment and business decision-making. It would have been easy to emphasize short-term growth, but long-term profit optimization is all about doing what is right for the client. Our decision to moderate our asset growth, in order to maintain the flexibility to make changes in our portfolio without material price (or decision) impacts, remains the one of which we are most proud. As the next decade unfolds, we believe that we are positioned to deliver positive outcomes for our clients with the resources of the largest active managers but with the asset flexibility to implement our portfolio efficiently.

Conclusion

We believe that large cap growth is poised to remain a great category but view the manner in which the Russell 1000® Growth Index is constructed as outdated and rigid and has left investors with a paradox that passive investing may be a higher risk than active investing. The Nasdaq recently used human judgement to cap the weight in certain stocks to keep their index diversified and representative of the overall economy and market. We believe that this backdrop is near ideal for fundamentally focused active management.

IMPORTANT INFORMATION

Past performance is no guarantee of future results. Therefore, it should not be assumed that the future performance will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Please refer to the applicable GIPS® Report in the presentation material for Winslow Capital's U.S. Large Cap Growth Composite performance, AUM and disclosures.

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A word on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. It is important to review investment objectives, risk tolerance, tax liability and liquidity needs before choosing an investment style or manager. 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.

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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