

Seeking the Growth Potential and Stability of Large Caps

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Strategy overview

Actively managed large cap growth strategy that relies on fundamental research and analysis to identify companies with strong and accelerating business momentum, increasing market acceptance and attractive valuations.

Key takeaways

- In the fourth quarter of 2024, the equity markets experienced mixed returns. Domestic large- and small-cap stocks delivered positive returns, while value indices and international markets saw declines. Cyclical sectors, such as consumer discretionary, financials and technology, outperformed defensive sectors. Growth factors led performance, while value factors declined.
- For the quarter, the Fund outperformed its benchmark, the Russell 1000 Growth Index (the Index), on a net asset value (NAV) basis due to favorable stock selection.
- The outlook for equities in 2025 is cautiously optimistic as the U.S. economy remains strong and the Trump administration is expected to implement favorable policies in terms of deregulation and taxes. However, risks such as tariffs, inflation and geopolitics may result in volatility.

Portfolio review

U.S. stocks continued their upward trajectory during the fourth quarter following Donald Trump's presidential victory, with the S&P 500 Index rising by 2.41% and the Nasdaq Composite advancing by 6.17%. The consumer discretionary and communication services sectors led, while materials and healthcare lagged. Large cap stocks outperformed small caps, and growth stocks significantly beat value stocks.

The U.S. bond market struggled during the quarter on concerns about sticky inflation and the U.S. Federal Reserve's more conservative rate-cut path. The Bloomberg U.S. Aggregate Bond Index declined by -3.06% and the 10-year U.S. Treasury yield rose by more than 80 basis points (bp), ending the quarter at 4.58%. The Fed cut rates by 25 bp in November and December. However, the central bank now projects just two rate cuts in 2025, reflecting a more cautious stance in response to strong economic data.

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For the quarter, the Fund outperformed the Index on a NAV basis due to favorable stock selection.

The outperformance was driven by positive stock selection, most notably within information technology, communication services and financials sectors. Alternatively, stock selection within consumer staples, health care and consumer discretionary sectors detracted from performance.

Key contributors to performance were AppLovin Corp., Axon Enterprise Inc. and Broadcom Inc.

An overweight position in AppLovin Corp. (APP) contributed to performance. The stock surged in November following a strong earnings report, with revenue significantly surpassing expectations. Additionally, future guidance exceeded analysts' estimates, driven by optimism around the growth of the company's artificial intelligence (AI) software.

An overweight position in Axon Enterprise Inc. (AXON) contributed to performance, stock appreciated following a strong earnings report, which included raised fourth-quarter revenue predictions. Additionally, their cloud AI business experienced significant growth.

An overweight position in Broadcom Inc. (AVGO) contributed to performance this quarter. Fourth-quarter results drove strong performance in December, with a strong year-over-year revenue increase.

Key detractors from performance were Micron Technology, Elevance Health and Tesla, Inc.

A non-benchmark position in Micron Technology, Inc. (MU) detracted from performance this quarter. While sales increased in the most recent quarter, weakness in the NAND flash memory chip segment weighed on the stock's performance.

Holding an overweight position in Elevance Health, Inc. (ELV) detracted from performance. The stock declined after missing third-quarter earnings expectations, driven by challenges in their Medicaid business due to rising costs putting upward pressure on the company's margins.

Having an underweight position in Tesla, Inc. (TSLA) detracted from performance. The stock rose significantly following 3Q24 earnings, driven by strong margins and profitability metrics, despite lower-than-expected revenue. Positive sentiment was further boosted by Tesla's plans for

new vehicle launches, projected 20–30% delivery growth in fiscal year 2025 and the unveiling of its robotaxi product.

Current strategy and outlook

After months of noise surrounding the U.S. presidential election, markets have now refocused on macroeconomic data, which offer mixed signals. Key concerns include global geopolitical tensions, especially around tariffs, and deteriorating sentiment tied to mega-cap positioning and broader market weakness. Despite these challenges, U.S. equities should continue to benefit from robust consumer spending, optimism around AI and solid corporate earnings. U.S. inflation is projected at 2.5% for 2025, but the new administration's policies could reverse the disinflation trend.

Holdings detail

Companies mentioned in this report—percentage of Strategy investments, as of 12/31/24: AppLovin Corp. 0.93%, Axon Enterprise Inc. 1.00%, Broadcom Inc. 4.66%, Micron Technology, Inc. 1.10%, Elevance Health, Inc. 0.00% and Tesla, Inc. 3.05%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to daily change.

Read our [Fund Fact Sheet](#)

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the 1000 largest companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. You could lose money on your investment and any of the following risks, among others, could affect investment performance. The following principal risks are presented in alphabetical order which does not imply order of importance or likelihood: Company; Currency; Derivative Instruments; Environmental, Social, and Governance (Equity); Foreign (Non-U.S.) Investments; Growth Investing; Investment Model; Issuer Non-Diversification; Liquidity; Market; Market Capitalization; Market Disruption and Geopolitical; Other Investment Companies; Real Estate Companies and Real Estate Investment Trusts; Securities Lending. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.

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