



Nasdaq for Asset Owners

# Asset Owner CIO Quarterly: Active U.S. Large Cap Equity Portfolio Review

Q2 2025



## Introduction

2025 has been marked by uncertainty emanating from multiple fronts with investors having to navigate trade, economic, and fiscal policy uncertainties, the potential impact to economic activity, and a shifting global construct. However, equity markets have largely looked through the uncertainty and recovered meaningfully from the April 8th lows. The S&P 500 has gained 10.4% YTD through August 25th and the Nasdaq-100 Index 12.0% YTD, both on total return bases. Despite elevated valuations, U.S. equities have been underpinned by favorable earnings trends and the AI revolution, supportive financial conditions and the expected Fed easing, fiscal stimulus filtering via the recent tax cut legislation, and a slowing but still steady economic backdrop.

Despite the subsequent rally, the market correction and relative outperformance of ex-U.S. markets in Q2 have refocused investors on the relative sizing of U.S. equities in institutional portfolios. The nods toward a multi-polar world coupled with fiscal deficit and debt concerns had significant impacts on asset flows with the U.S. dollar depreciating -9.5% YTD on a trade-weighted basis. However, the possibility for a more mercantilist environment is juxtaposed against AI's potential to increase efficiency and productivity for corporates which, at present, is a U.S.-driven theme—though clearly a global secular trend.

With many allocators re-underwriting their U.S. exposure vis-à-vis international equities, and against other asset classes, we analyze how active U.S. large cap portfolios have evolved and how they are currently positioned utilizing Nasdaq eVestment's dataset of over 900 of these institutional-quality managers.

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## Top-Down Sector Positioning

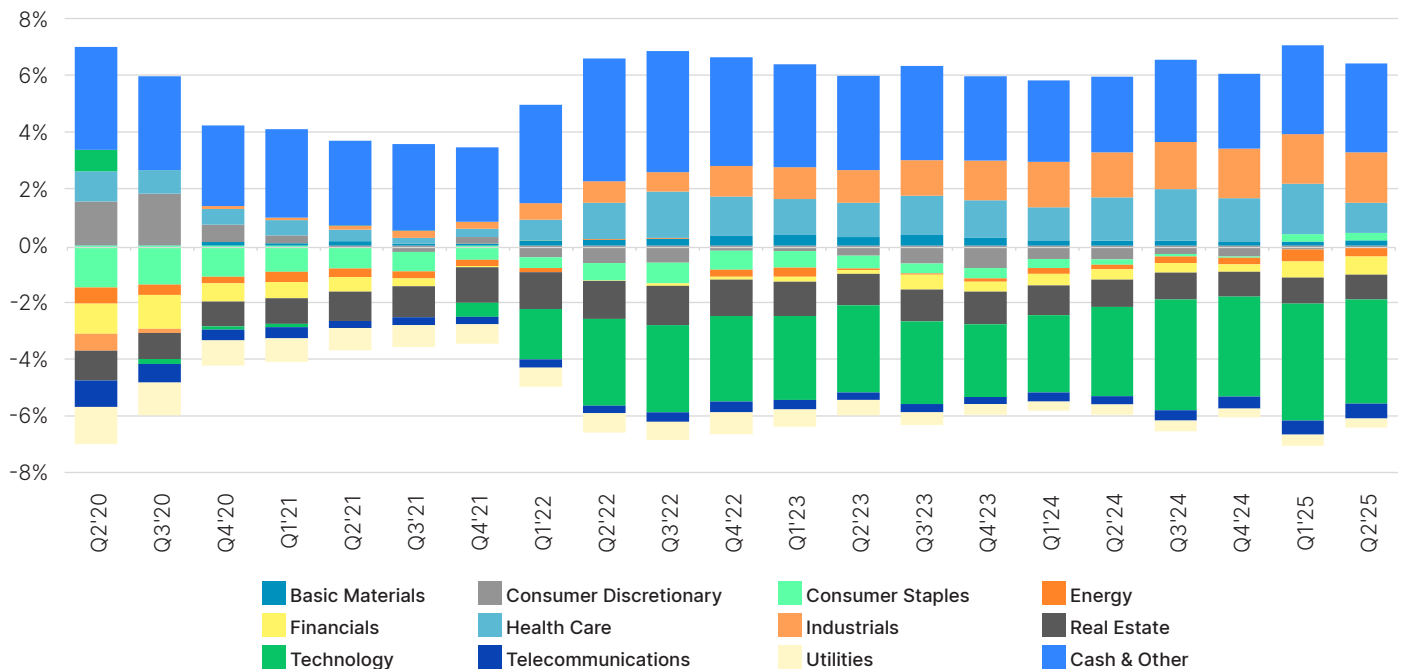
Over the past five years, active U.S. large cap managers have persistently been overweight the health care and industrials sectors relative to the S&P 500, driven primarily by positions in health care providers, pharmaceuticals and biotechnology, aerospace and defense, and industrial support services. This five-year stretch covers the Covid-19 period and the development of mRNA vaccines, followed by the widespread adoption of GLP-1 use for general weight loss. The higher exposure to industrials keyed in on two themes, firstly, all-weather defense names continued to grow in weight through Q2, and secondly, the durability of earnings from payments processors like Visa and Mastercard.

At the other end of the spectrum, financials, real estate, telecommunications, and utilities, have been held consistently underweight relative to the benchmark. Financials have generally performed well over the past five years with an annualized total return for the S&P 500 Financials Index of 20% over the period versus the S&P 500's 16.6%. However, the other sectors sensitive to financing costs have been natural targets for underperformance in a rising rate environment. Whether that is subject to change following projected rate cuts (a 25 basis point cut in September is expected at time of writing), remains to be seen.

Last, aggregate technology positioning has been an all-together different story from the rest. Technology issues were held in roughly the same proportion as the benchmark through Q3 2021, but has since become a persistent underweight as Nvidia and the AI "hyperscalers" (e.g., Amazon, Google, Meta, Microsoft) came to dominate the index owing with performance-related gains.

"Cash and other", which include preferreds, derivatives, and fund investments now sit at 3.1%, only slightly below the five-year average of 3.2%.

### Active U.S. Large Cap Manager vs. S&P 500 Sector Weights



Source: Nasdaq eVestment Analytics, S&P Global

Note: ICB sector classifications; active managers' sector positioning shown on an asset-weighted basis



Through Q2 2025, active U.S. large cap managers are most overweight industrials (176 bps) relative to the S&P 500. Aerospace and defense continues to be the primary driver of industrials exposure led by positions in GE, Boeing, Raytheon, and Northrop Grumman. Each of these names count over 100 managers as shareholders (which is high for our universe of roughly 900 managers reporting holdings-level data) and their asset-weighted exposure exceeds the S&P 500's by over 15 bps each. Health care positioning, overweight 105 bps, is driven primarily by Eli Lilly, Vertex Pharmaceutical, Astrazeneca, Novo Nordisk, and Alnylam Pharmaceuticals – all in the pharmaceuticals and biotechnology sector. Notably, Johnson & Johnson, Abbvie, and Merck are disfavored with aggregate positioning -36 bps versus the S&P 500. Other sector longs include tobacco, travel and leisure, and media.

Active long-only managers are underweight the technology industry by 364 bps, unsurprisingly, the most across all sectors as of Q2 2025. The gains made by tech names writ large have been the primary pain point for most active managers with the S&P 500 Information Technology Index rallying 95% on a total return basis since Q3 2021 versus 52% for the S&P 500. Some of the most underweight names, Nvidia, Microsoft, Alphabet, IBM, Qualcomm, AMD, and Intel, are a who's who of the AI trade. Tech sector contributors to performance largely include out-of-benchmark names such as Taiwan Semiconductor Manufacturing Company, Marvell Technology, SK Hynix, and ASML in semiconductors, and Shopify and Cloudflare outside of semis. Other sector underweights include REITs, telecommunications, investment banking and brokerage services, automobiles and parts, and retailers. The former two converging on the aforementioned rates regime theme and the latter two likely premised on the ramifications of trade tariffs and flow through effects for the U.S. consumer.

### Largest Overweight & Underweight Positions (Q2 2025)

Company	Active U.S. Large Cap Manager Weight	S&P 500 Index Weight	Manager Less Benchmark Weight
Meta Platforms Inc	4.00%	3.05%	+0.95%
Taiwan Semiconductor Mfg.	0.75%	0.00%	+0.75%
Broadcom Inc.	3.12%	2.47%	+0.65%
Philip Morris International Inc.	0.97%	0.54%	+0.43%
Netflix Inc.	1.48%	1.09%	+0.40%
Shopify Inc.	0.36%	0.00%	+0.36%
Royal Caribbean Group	0.48%	0.15%	+0.33%
Eli Lilly And Company	1.47%	1.17%	+0.31%
MercadoLibre Inc.	0.30%	0.00%	+0.30%
British American Tobacco	0.28%	0.00%	+0.28%

Company	Active U.S. Large Cap Manager Weight	S&P 500 Index Weight	Manager Less Benchmark Weight
Apple Inc.	2.79%	5.84%	-3.05%
Nvidia Corporation	5.56%	7.34%	-1.78%
Berkshire Hathaway Inc.	0.60%	1.70%	-1.10%
Tesla Inc.	0.75%	1.70%	-0.95%
Microsoft Corp	6.37%	7.04%	-0.67%
Alphabet Inc.	2.88%	3.54%	-0.66%
Palantir Technologies Inc.	0.07%	0.55%	-0.48%
Amazon.com Inc.	3.46%	3.95%	-0.48%
JPMorgan Chase & Co.	1.06%	1.53%	-0.47%
Costco Wholesale Corporation	0.37%	0.84%	-0.47%

Source: Nasdaq eVestment Analytics, S&P Global

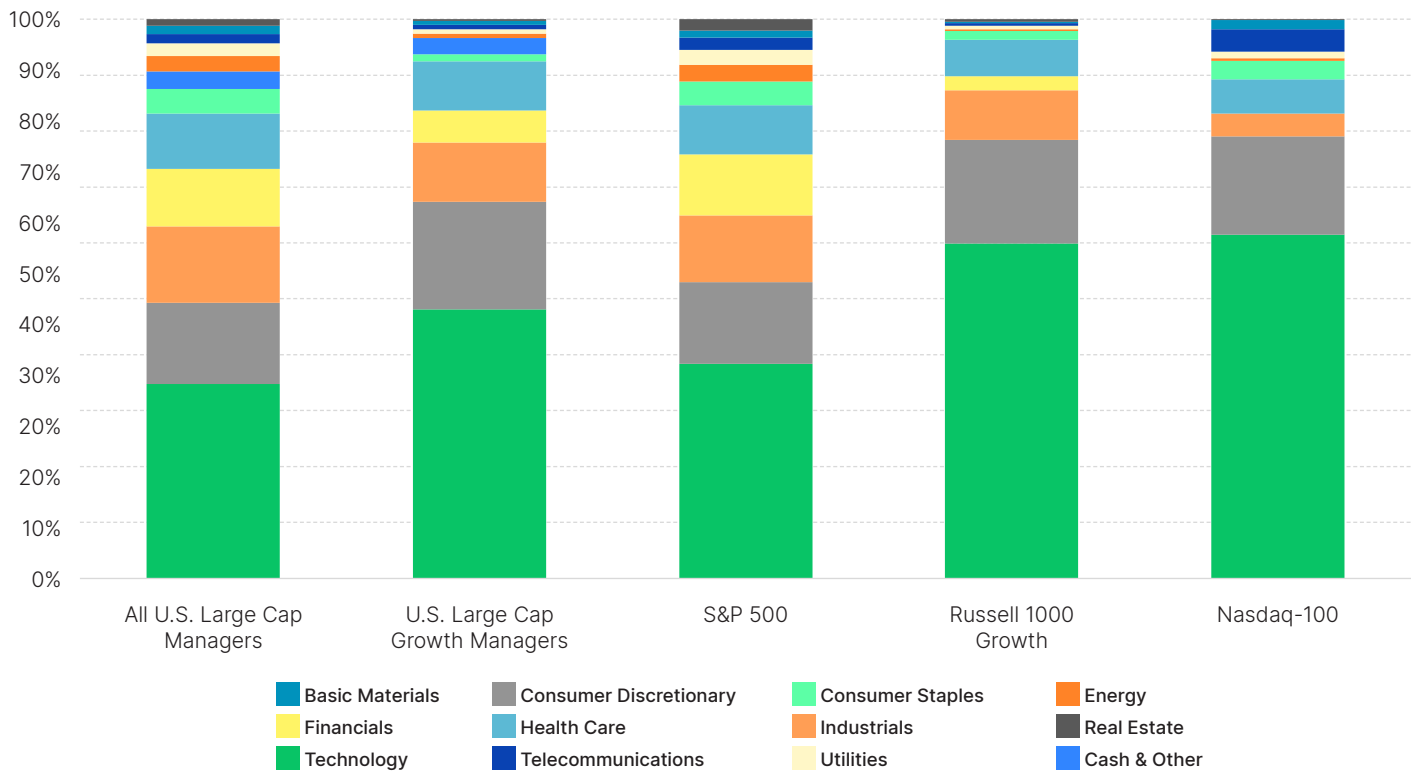
Note: Active manager positioning shown on an asset-weighted basis



# Active U.S. Large Cap Growth & the Role of Benchmarking

Up to this point, we have been discussing active U.S. large cap managers without regard to their underlying investment styles and in comparison to one specific benchmark, the S&P 500 Index. In order to dig into these strategies further, we isolate active U.S. large cap growth portfolios and compare them to various benchmarks with this latter choice having broad implications for analysis. To table set, the active U.S. large cap growth segment manages assets worth \$2.8 trillion through Q2 2025, or 39% of the actively managed U.S. large cap universe, according to the Nasdaq eVestment manager database. Below is a comparison between the sector weightings of the U.S. large cap segment in aggregate inclusive of growth managers, the U.S. large cap growth segment in isolation, and three benchmarks, the S&P 500 Index, the Russell 1000 Growth Index, and the Nasdaq-100 Index.

Aggregate Active U.S. Large Cap Manager vs. Various Index Sector Weights (Q2 2025)



Source: Nasdaq eVestment Analytics, Nasdaq Global Indexes, S&P Global, London Stock Exchange Group  
 Note: ICB sector classifications; active managers' sector positioning shown on an asset-weighted basis

Relative to the broader active U.S. large cap manager segment, growth portfolios are overweight technology and consumer discretionary names and underweight the remaining sectors; growth managers also hold slightly less cash than their core- and value-oriented counterparts. The style bias has translated into serious performance differences with the median growth manager returning 24.4% annualized over the past three years through Q2 2025 versus 18.6% for core and 14.0% for value.

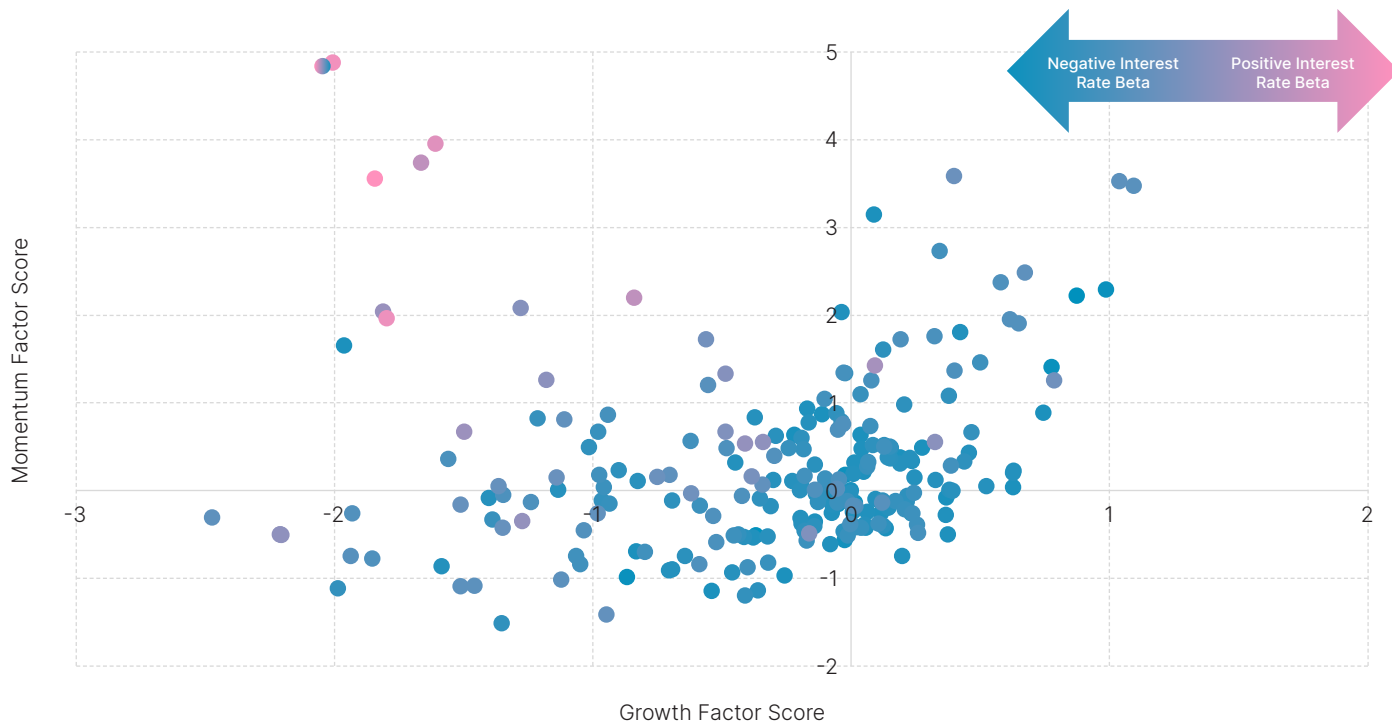
Growth portfolios are overweight tech and consumer discretionary versus the S&P 500, as expected, but are overweight consumer discretionary and underweight tech relative to both the Russell 1000 Growth and Nasdaq-100 indexes. Against the latter two indexes, active U.S. large cap growth managers are most underweight Costco and Tesla and, as of Q2, overweight Amazon



and Netflix. This narrow manager segment is also overweight financials, by design against the Nasdaq-100 which holds no financial services companies, and by 312 bps against the Russell 1000 Growth. Growth portfolios favored investment services, diversified financial services, and banks – insurance and asset managers are largely held at benchmark weight.

While sector-level data is a rich environment for equity portfolio analysis, there may be other underlying economic forces which are driving investment results (“factors”). Below we show portfolio exposure to a few of these factors, powered by Nasdaq eVestment’s Factor Analysis tool, centered against the factor exposures of the Russell 1000 Growth.

### Active U.S. Large Cap Growth Manager Factor Exposures, Q2 2025



Source: Nasdaq eVestment Factor Analysis

We find that active U.S. large cap growth managers’ exposure to “growth” factors, measured on company-level revenue, earnings, and operating cash flow growth, are roughly uniformly distributed – keeping in mind that we “center” around the Russell 1000 Growth’s factor exposure. Similarly, these portfolios’ momentum factor scores, based on both short-term and long-term momentum, are also uniformly distributed. However, we find a correlation between the growth and momentum factors which is likely to drive manager returns on a go-forward basis. Lastly, with Fed rate cuts priced in by markets at time of writing, we overlay interest rate exposure. As expected, “growthier” portfolios are negatively geared to rate changes, i.e., as rates decline these “long duration cash flow” portfolios should appreciate in value, all else being equal. However, a number of managers, situated in the top-left, are offering differentiated exposures with a low growth factor, high momentum factor, and positive gearing to rate hikes. Investors in these strategies may be well off in investigating whether these are contrarian investments that may provide diversification value while hewing to the agreed upon investment mandate or if these managers are exhibiting strategy drift.



## Get in touch

Reach out to learn more about how Nasdaq eVestment can help you pinpoint which managers are adding value and thinking independently versus peers. Analyze their sector, geographic, and style allocations to validate that they're following their stated investment philosophy or to uncover potential style drift.

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