



# The artificial intelligence (AI) disruption phase has dawned

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## A new transition phase: AI disruption

Over the history of the stock market there have been many transition phases. A transition phase is defined by a new, largely unforeseen, event that changes company fundamentals. A good example of this is the internet excitement and subsequent bubble in 2000. The insatiable demand for fiber became a headwind of overcapacity and business slowed for most technology companies. Nearly a decade went by before the next transition, which was The Great Recession. Another decade went by and the market was forced to grapple with the COVID-19 pandemic (2020-2021), which created completely unanticipated winners and losers. Just two years later another major transition was born upon exiting zero-interest rate policy (2022).

A decade-long period of sustained low discount rates left long-term growth companies particularly vulnerable during this phase despite decent fundamentals. Then, only one year later, the market entered a completely unimagined new age of Generative Artificial Intelligence (AI). The first three years (2023-2025) were dominated by the build-out phase. In this phase, NVIDIA's revenue increased 8x and the stock went from 2.1% of the Russell 1000® Growth Index (RLG) to 12.2% as the price soared 1,177%. The S&P 500® Index rose 86% and was dwarfed by the RLG return of 126%. Now, starting in 2026, we believe we are entering a new transition phase: AI disruption. This phase is the inverse of the AI build-

out phase as it is more focused on the losers rather than winners from AI. As in all transitions, liquidity will be central to investors' ability to adapt and profit.

The AI disruption phase has already caused substantial volatility as the market begins to understand the advances in AI are accelerating and this will hurt the future growth prospects of many public and private companies. In addition, a new AI oligopoly seems to have emerged with Google, Anthropic and OpenAI. Anthropic's recent improvements in Claude Cwork/Agents have dramatically reduced the cost of coding, analysis and reporting and the customer response speaks for itself. In the last nine months of 2025, Anthropic was adding \$1 billion in annual revenue per month. Thus far in 2026, they are adding \$1 billion per week. Anthropic just revised its base case revenue estimate for 2028 to \$100 billion from essentially no revenue only two years ago. Similarly, OpenAI has just raised its 2030 revenue forecast to \$284 billion from their \$125 billion 2029 forecast one year ago. We believe AI leaders will drive a large amount of economic productivity, but it is also true that many existing public and private companies will be losers.

The market today is focused on "digital-based" losers in software, information services, legal, brokerage, distribution, payments and other service industries. We estimate this group represents 12% of the S&P 500® Index and 19% of the RLG as of February 2026. Software is the largest piece of this potentially disruptive cohort and the average software stock has declined 25% year-to-date. It is clear that the cost of developing software

is plummeting, and the technology stack of enterprises is evolving where the AI layer will deliver the value. With competition rising and a business model change ahead for incumbent software companies (collecting revenue on a per-seat to consumption basis), we agree with the market's concerns around the terminal value of certain equities.

Looking ahead a few years, we may transition from the digital phase to analog/physical disruption. As AI progresses in autonomous vehicles and robots, this phase could be even more disruptive. The labor market impact could be substantial as robots are employed to build more robots to displace human tasks. There are many business models that are dependent on selling their services per employee, not to mention the consumer spending implications and increased demand for energy.

## AI disruption: Cross-asset implications

The cross-asset implications of this transition phase are substantial. This is a new dawn, and the historical Sharpe ratios of private credit and private equity may no longer be relevant or predictive. In a time of disruption there will be a premium placed on liquidity and a potential severe penalty for illiquidity. We are confident many existing private credit and private equity portfolios did not anticipate this accelerating disruption and are holding on to some "melting ice cubes." For example, some private credit portfolios have 30% exposure to software. Investors are beginning to catch on and, where withdrawals are possible, they are accelerating. Alternative asset manager Blue Owl has put up a gate limiting redemptions in one fund. Our view is this could be the beginning of an illiquidity crisis and a major rethink of forward Sharpe ratios in private credit and private equity.

We believe investor attention will remain squarely on AI for the foreseeable future. It has been widely reported that over the next twelve months Anthropic, OpenAI, Databricks and SpaceX will go public. The collective amount of capital raised in these IPOs will dwarf anything in the past and will most certainly crowd out the liquidity available for traditional private equity exits via public offering. Further, the comparison effect may be more damaging given investors will be comparing a new generation of AI platform companies with unprecedented growth rates to private equity "fixer-uppers."

There is also a declining number of active managers with capacity to buy new public stocks that are not destined to be added to the S&P 500® Index. Passive investors have not been private equity's friend for some time, but the AI headwind just adds to concerns. Deteriorating Distributions to Paid-In Capital (DPI) metrics have already confirmed this industry trend. Other asset classes could also see massive implications, including real estate. Cryptocurrencies are certainly no longer the 'new new' thing and may be a primary source of capital for large AI public offerings. A major rethink of risk is required in this brave new world.

## U.S. large cap growth: Sustained leadership

U.S. large cap growth seems to be in the pole position again after some early digestion. While there are AI losers in large cap growth, many of these stocks have already declined substantially. In sharp contrast, we believe there have not been similar adjustments in the private markets. Importantly, the AI winners far outweigh the AI losers. In fact, the biggest winners may be the U.S. large cap growth companies, and they will come in three forms:

1. Companies benefiting from the continued buildout of AI compute. The Russell 1000® Growth Index has twice the exposure to datacenters as the Russell 1000® Value Index (25% versus 13%, respectively) and NVIDIA and Broadcom are exclusively in the growth index;
2. Companies offering AI services such as Google, Anthropic and OpenAI;
3. Companies applying AI technologies to drive efficiency in their business. We believe these efficiencies will accrue disproportionately to U.S. large growth companies versus value companies because value companies tend to participate in more commodity-type industries, like banking and energy, where efficiency gains are often competed away. This has been less true for growth companies.

A good way to observe how the U.S. large growth companies are seeing the AI tailwinds is through the Mag 8<sup>1</sup>, which represent 56% of the RLG as of 12/31/2025. As a cohort, their revenue growth looks set to accelerate at incredible scale and recent revenue revisions have been positive.

# Exhibit: Revenue growth of the mag 8<sup>1</sup>

	Revenue Growth				EPS Growth				P/E		
	CY'27 REVISION	2026	2027	2028	CY '27 REVISION	2026	2027	2028	2026	2027	2028
Google	6%	17%	15%	14%	5%	6%	17%	16%	27.2	23.2	20.0
Apple	3%	10%	6%	6%	2%	12%	10%	11%	30.7	27.9	25.2
Broadcom	19%	50%	35%	N/A	16%	48%	36%	N/A	30.1	22.0	NM
NVIDIA	8%	57%	30%	8%	9%	67%	31%	11%	25.2	19.2	17.2
Meta	9%	25%	18%	16%	3%	27%	16%	16%	21.4	18.5	15.9
Amazon.com	2%	12%	12%	12%	-2%	8%	21%	27%	26.4	21.8	17.2
Tesla	-7%	10%	16%	18%	-15%	20%	32%	39%	201.1	152.4	109.7
Microsoft	1%	16%	16%	18%	1%	18%	17%	19%	21.6	18.5	15.5
Average		24%	19%	13%		26%	23%	20%	26.0*	21.6*	18.8*

\*Excluding Tesla. Source: FactSet as of 2/23/2026. Please see at the end of this page for full disclosures.

One big caveat to the enthusiasm for the Mag 8 is whether their newfound revenue growth is merely empty calories. Meaning, is the spending by Microsoft and Amazon coming at lower returns than in the past? It is too early to definitively answer this question, but the market has already embedded this concern in the valuations to some degree. There will be winners and losers amongst the Mag 8 and the case for active management has never been stronger. Should just one or two of the Mag 8 become AI casualties, the loss avoidance/alpha opportunity could be immense given the substantial benchmark weights.

## AI disruption: Flexibility & adaptability are key

Transitions make or break investment firms. Winslow Capital first made its reputation by outperforming into and out of The Great Recession.<sup>2</sup> We managed well during the pandemic<sup>3</sup> and protected capital better than many competitors during the zero-interest rate policy exit in 2022.<sup>4</sup> We repositioned for the AI buildout in early 2023 and have seen strong absolute returns through 2025. In transitions, we generally underperformed in the first month or two because we did not anticipate the pandemic or the meteoric ascent of AI, but we used our flexibility and experience to reposition rapidly to get in sync with the new path forward. Liquidity has been our friend each time and we believe liquidity may be an undervalued asset as these transitions are happening faster and faster.

<sup>1</sup> The Mag 8 includes the securities coined the Mag 7 (Microsoft, Apple, NVIDIA, Amazon.com, Alphabet, Tesla and Meta) plus Broadcom, as Broadcom's weight in the Russell 1000® Growth Index exceeds the quarterly rebalance threshold of 4.5% as of 12/31/2025.

<sup>2</sup> Referencing gross and net performance of the U.S. Large Cap Growth Composite for the calendar year 2007 and calendar years 2009 - 2010. These time periods were selected as the calendar years prior to and after the Great Recession (12/1/2007 - 6/1/2009).

<sup>3</sup> Referencing gross and net performance of the U.S. Large Cap Growth Composite for the calendar year 2020. This time period was selected as the calendar in which the COVID-19 Global Pandemic began (3/11/2020).

<sup>4</sup> Source: eVestment based on U.S. Large Cap Growth Equity universe using manager preferred benchmark for the time period of 4/1/2022-3/31/2023 based on Winslow Capital's U.S. Large Cap Growth Composite, rating ran on 2/26/2026. Winslow U.S. Large Cap Growth peer ranking of 54. Compensation has been provided by Winslow Capital for access to the rating.

## ENDNOTES

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### Winslow Capital Management, LLC

U.S. Large Cap Growth Composite GIPS Report (Page One of Two)

**Winslow Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Winslow Capital Management, LLC has been independently verified for the periods January 1, 1998 through December 31, 2024. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The U.S. Large Cap Growth Composite has had a performance examination for the periods January 1, 1998 to December 31, 2024. The verification and performance examination reports are available upon request.**

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The U.S. Large Cap Growth Composite ("Composite") includes all fully discretionary portfolios not subject to the diversification requirements under section 5(b)(1) of the Investment Company Act of 1940 (the "Diversification Rule"), invested primarily in U.S.-based large cap growth equity securities with a market cap generally above \$4 billion, and according to a strategy that identifies stocks with above-average earnings growth, with additional consideration for valuation relative to the estimated earnings growth rate. Composite has no minimum portfolio size. Prior to June 30, 2014, the minimum account size was \$5 million. Portfolios with significant client-imposed investment restrictions are not included. The Composite was created October 1, 1992. Inception date for the Composite is July 1, 1992. From July 1, 1992, to September 30, 1992, the Composite consisted of two representative taxable accounts, the only accounts managed for the complete quarter. Effective October 1, 2020, the U.S. Large Cap Growth Taxable Commingled Composite was merged into this Composite. Effective October 1, 2024, portfolios subject to the Diversification Rule were removed from this Composite. The benchmark is the Russell 1000® Growth Index ("Index"). Index returns include reinvestment of income but do not reflect taxes, transaction costs, advisory fees or other expenses that would reduce the performance of an actual account. A complete list of all the Firm's composite and limited distribution pooled fund descriptions is available upon request.

Performance statistics reflect the total return of all Composite accounts on a dollar-weighted basis and are calculated in U.S. dollars. Performance results for the full historical period are time weighted. Performance statistics reflect the reinvestment of dividends and other earnings. Dividends on non-U.S. holdings are recorded net of reclaimable and non-reclaimable withholding taxes. Reclaimable withholding taxes are not accrued. Composite dispersion is calculated as the asset-weighted standard deviation of gross returns for all accounts in the Composite for the full period. Standard deviation is calculated on a three-year annualized ex-post basis, using gross monthly returns.

Gross performance statistics are presented before investment advisory fees but after all direct trading expenses. Net performance has been calculated by deducting 1/12th of the highest annual fee payable by any account in this Composite from the monthly gross composite return, as follows: 0.75% of assets, annually, from July 1992 to December 2001; 0.65% of assets, annually, from January 2002 to June 2004; 0.70% of assets, annually, from July 2004 to December 2004; and 0.60%

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Historical Performance												
Period	Russell 1000® Growth				Composite				Firm			
	Gross (%) YTD	Net (%) YTD	YTD (%)	3yr Std. Dev. (%)	# of Portfolios	Assets (\$mm)	Dispersion (%)	3yr Std. Dev. (%)	Total Assets (\$mm)	Uncalled Committed Capital (\$mm)	Advisory Only Assets (\$mm)	Combined Assets (\$mm)
2025	15.10	14.41	18.56	14.71	20	10,160	0.25	15.90	28,612	44	5,638	34,294
2024	31.35	30.58	33.36	20.33	23	8,108	0.19	21.70	27,022	148	5,149	32,319
2023	44.05	43.21	42.68	20.51	26	20,711	0.09	21.78	23,198	225	4,137	27,560
2022	(30.65)	(31.08)	(29.14)	23.47	25	15,343	0.06	23.79	17,299	66	3,258	20,623
2021	25.51	24.77	27.60	18.17	25	22,928	0.31	17.78	25,771	107	5,212	31,090
2020	38.29	37.48	38.49	19.64	23	20,710	0.29	19.39	23,233	135	4,538	27,906
2019	34.66	33.87	36.39	13.07	22	4,419	0.09	13.93	18,693			
2018	4.42	3.80	(1.51)	12.13	28	3,688	0.10	13.85	15,587			
2017	33.49	32.71	30.21	10.54	31	4,079	0.22	12.12	17,466			
2016	(1.60)	(2.19)	7.08	11.15	46	6,377	0.19	12.78	21,760			
2015	7.01	6.38	5.67	10.70	47	7,574	0.17	12.12	27,979			
2014	11.28	10.63	13.05	9.59	51	8,654	0.32	11.97	32,086			
2013	37.70	36.94	33.48	12.18	53	9,653	0.29	14.72	33,779			
2012	14.17	13.50	15.26	15.66	64	9,702	0.23	18.13	31,567			
2011	0.58	(0.02)	2.64	17.76	63	8,175	0.24	18.73	26,597			
2010	17.22	16.55	16.71	22.11	44	4,527	0.22	22.80	16,995			
2009	41.04	40.26	37.21	19.73	33	2,721	0.30	20.20	8,724			
2008	(38.61)	(39.02)	(38.44)	16.40	31	1,646	0.74	17.94	4,542			
2007	22.29	21.60	11.81	8.54	24	1,956	0.10	9.95	3,678			
2006	8.06	7.41	9.07	8.31	10	664	0.09	9.98	1,658			
2005	10.92	10.27	5.26	9.53	6	348	0.08	10.53	777			
2004	14.88	14.13	6.30	15.45	≤ 5	58	N/M	14.97	895			
2003	30.02	29.23	29.75	22.66	≤ 5	26	N/M	21.24	760			
2002	(27.74)	(28.25)	(27.88)	25.22	≤ 5	75	N/M	23.58	682			
2001	(14.67)	(15.34)	(20.42)	25.21	≤ 5	106	N/M	24.16	901			
2000	(9.56)	(10.26)	(22.42)	22.79	≤ 5	234	N/M	25.11	730			
1999	22.46	21.58	33.16	19.00	9	920	0.85	23.07	1,289			
1998	31.60	30.68	38.71	17.90	13	1,148	0.14	21.79	1,472			
1997	29.63	28.75	30.49	12.62	≤ 5	475	N/M	14.84	1,198			
1996	18.68	17.85	23.12	10.34	7	498	0.21	13.24	1,037			
1995	24.13	23.25	37.18	9.13	7	340	0.20	12.87	761			
1994	3.03	2.26	2.62	8.89	7	299	0.23	N/A	445			
1993	11.47	10.69	2.87	12.62	≤ 5	168	N/M	N/A	230			
1992	15.29*	14.89*	11.64*	16.17	≤ 5	86	N/M	N/A	167			

N/M - Not meaningful. Dispersion calculations for periods of less than one year or periods reflecting two or fewer portfolios are not presented, as they are not considered meaningful.

N/A - Not applicable. Standard deviation calculations for the composite begin 36 months after inception.

\*Performance for the period July 1, 1992 (inception) to December 31, 1992.

Returns as of 12/31/2025								
	YTD	1 Year	3 Year	5 Year	Annualized (%)		Cumulative (%)	
					7 Year	10 Year	Since Inception <sup>5</sup>	Since Inception <sup>5</sup>
Winslow Capital LCG - Gross	15.10	15.10	29.61	13.65	19.74	17.08	12.11	4,503.62
Winslow Capital LCG - Net	14.41	14.41	28.84	12.97	19.02	16.38	11.39	3,607.86
Russell 1000 <sup>®</sup> Growth	18.56	18.56	31.14	15.32	21.25	18.12	11.40	3,620.89

<sup>5</sup>Inception date is 7/1/92.

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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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