

FT Wilshire US Large NxtGen Index Quarterly Report

January 2026

Weaker predictive strength and low beta orientation impact performance in 2025

In Q4 Low risk and Profitability most influential drivers of expected return for the Large Cap universe

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NxtGen Index gained 0.5% in Q4 2025 vs 2.4% for the US Large Cap benchmark. Relative underperformance was driven by stock selection effects.

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Low Beta orientation of the NxtGen Index contributes negatively to performance in Q4 and YTD 2025. Stock specific returns are negative in Q4 and approximately zero for the whole year.

08 Model Performance, Predictive Stability & Feature Importance

In 2025, the model's predictive fidelity remained positive but declined from the earlier highs of 2024. In Q4 greater weight was assigned to Low Risk and Profitability characteristics - led by Semi-Variance, Gross Profits to Assets Ratio, and Return Volatility.

Research > NxtGen

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Performance - Q4 2025 versus Longer Horizons

Overview

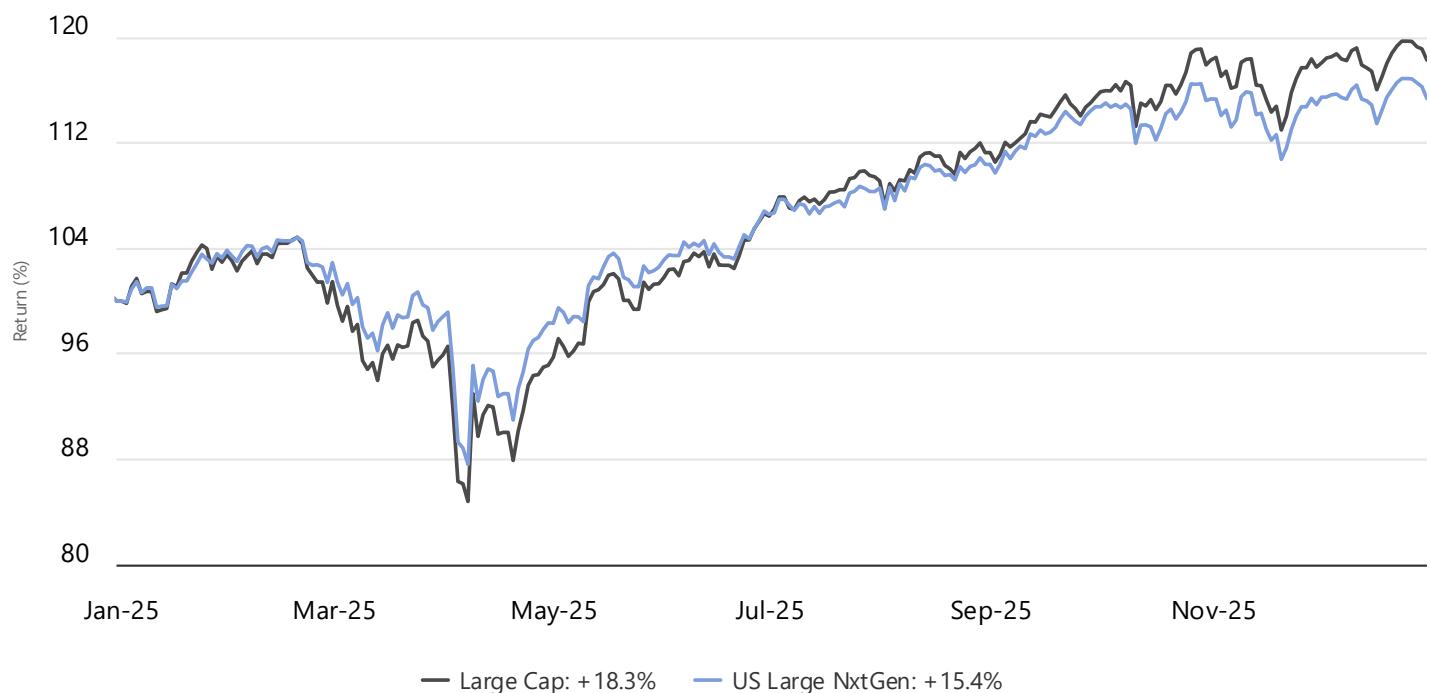
The FT Wilshire US Large NxtGen Index returned 0.5% in Q4 2025, trailing the US Large Index's 2.4% gain.

In 2025, NxtGen rose 15.4% versus 18.3% for the benchmark, reflecting modest underperformance during a period of broad market strength.

The return profile provides essential context for the attribution results that follow, underscoring the quarter's relative positioning within an otherwise consistent multi-year record of excess performance.

Performance (TR, %)

	3-Month	YTD	1-Year	3-Year (p.a.)	5-Year (p.a.)	10-Year (p.a.)
NxtGen	0.53%	15.36%	15.36%	23.32%	16.29%	16.45%
US Large	2.42%	18.28%	18.28%	23.56%	14.26%	15.03%
Excess	-1.89%	-2.92%	-2.92%	-0.23%	2.03%	1.41%



Brinson Attribution - Q4 versus YTD 2025

In Q4, underperformance was driven by negative selection effects in **Digital Information & Services** and **Consumer Goods and Services**. Modest positive contributions arose in **Industrials** and **Transportation**.

Year-to-date results show selection effects dominated in most industries, the most significant seen in **Technology** and **Digital Information & Services**.

Q4 2025 (TR, %)

Industry	Large Cap Weights	NxtGen Rel Wghts	LC Return	Allocation (A)	Selection (B)	Contribution (A) + (B)
Energy	5.1	-1.8	-0.20	0.05	-0.02	0.03
Resources and Materials	2.2	-0.8	0.39	0.02	-0.02	0.00
Industrials	6.4	0.1	0.92	-0.01	0.18	0.16
Transportation	3.4	-1.3	1.53	0.03	0.21	0.24
Agriculture Food and Beverage	2.1	1.8	0.89	-0.02	-0.23	-0.26
Consumer Goods and Services	10.5	1.8	-0.18	-0.05	-0.69	-0.74
Health Care	8.5	2.1	13.07	0.23	-0.36	-0.13
Financials	14.4	-2.0	1.25	0.03	-0.33	-0.30
Technology	23.0	0.5	5.86	0.01	-0.32	-0.31
Digital Inform and Services	22.7	1.3	-0.83	-0.04	-0.62	-0.66
Real Estate	1.7	-1.5	-1.72	0.07	0.01	0.07
		Index Return	2.42	0.30	-2.20	-1.89

2025 (TR, %)

Industry	Large Cap Weights	NxtGen Rel Wghts	LC Return	Allocation (A)	Selection (B)	Contribution (A) + (B)
Energy	5.3	-1.9	10.47	0.19	-0.37	-0.18
Resources and Materials	2.4	-0.4	13.96	0.11	0.00	0.11
Industrials	6.7	0.7	19.21	0.03	0.47	0.50
Transportation	3.5	-1.5	12.54	0.20	0.40	0.59
Agriculture Food and Beverage	2.3	1.3	9.96	-0.68	0.23	-0.46
Consumer Goods and Services	11.4	1.5	3.44	-0.21	0.36	0.16
Health Care	8.8	2.1	21.74	0.11	0.21	0.32
Financials	15.0	-1.9	12.00	0.10	-0.14	-0.04
Technology	20.6	0.1	31.55	-0.10	-1.62	-1.72
Digital Inform and Services	22.3	1.5	21.81	0.11	-2.45	-2.34
Real Estate	1.8	-1.4	5.25	0.20	-0.06	0.14
		Index Return	18.28	0.05	-2.97	-2.92

Source: Wilshire Indexes. Data as of December 31, 2025.

Wilshire Indexes - Quarterly NxtGen Report (January 2026)

Stock Performance Contribution - Q4 2025

Q4 2025 - Top 10 Contributors to Excess Return (-1.89%)

Of the top 10 return contributors, 8 were the result of overweighting stocks. In particular significant increase of relative weight from Q3 to Q4 for **Kla Corp** further boosted performance in Q4. Two stocks, **Oracle** and **Microsoft Corp.** performed very poorly in Q4 but contributed positively as they were underweight in the NxtGen index.

Rank	Company Name	LC Weight	Relative Weight	LC Stock Return	Relative Contribution	Chg in rel weight (Q3 vs Q4)
1	General Motors Co.	0.12%	1.08%	33.64%	0.29%	0.00%
2	Oracle Corp.	0.69%	-0.69%	-30.58%	0.27%	-0.09%
3	Kla Corp	0.27%	2.05%	12.84%	0.20%	0.38%
4	Cardinal Health Inc.	0.08%	0.72%	31.35%	0.17%	-0.05%
5	Microsoft Corp.	6.45%	-1.82%	-6.45%	0.17%	0.14%
6	Gilead Sciences Inc.	0.26%	2.04%	11.31%	0.16%	0.17%
7	Vertex Pharmaceuticals Inc.	0.19%	1.18%	15.76%	0.14%	-0.18%
8	Seagate Technology Hldngs Pl	0.10%	0.86%	16.96%	0.12%	0.23%
9	Lam Research Corp.	0.34%	0.44%	28.05%	0.09%	0.59%
10	Johnson & Johnson	0.83%	0.92%	12.31%	0.09%	0.11%

Q4 2025 - Bottom 10 Contributors to Excess Return (-1.89%)

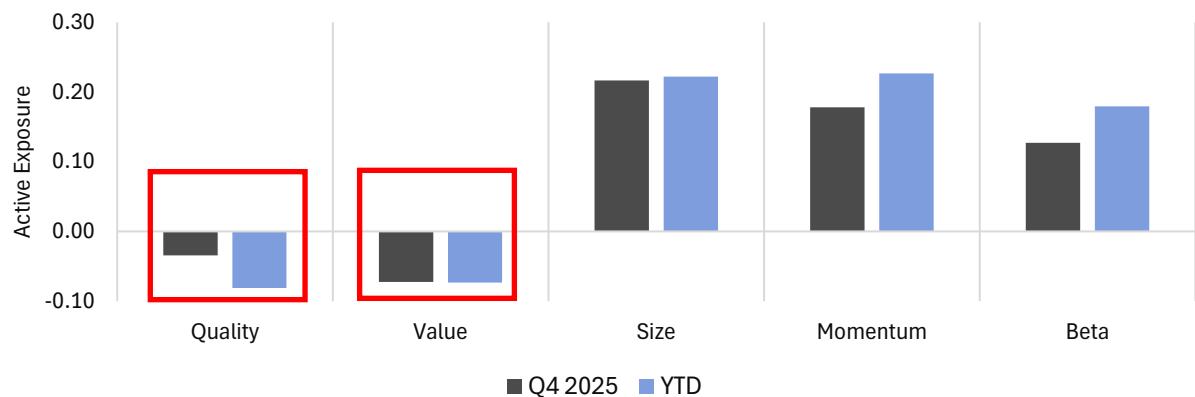
7 of the bottom 10 contributors arose from overweighting stocks. **Alphabet Inc**'s positive performance yielded a negative contribution because of its underweighting, further compounded by its weight decrease from Q3 to Q4. The single biggest detractor was **Roblox Corp** whose poor performance combined with a excess weight of +1.0% caused almost -60bp contribution.

Rank	Company Name	LC Weight	Relative Weight	LC StockReturn	Relative Contribution	Chg in rel weight (Q3 vs Q4)
1	Roblox Corp	0.11%	1.00%	-41.50%	-0.58%	0.12%
2	Alphabet Inc	2.89%	-1.40%	28.84%	-0.32%	-0.28%
3	Eli Lilly & Co.	1.42%	-0.94%	41.06%	-0.30%	-0.23%
4	AutoZone Inc.	0.11%	1.01%	-20.95%	-0.27%	0.04%
5	O'Reilly Automotive Inc.	0.13%	1.21%	-15.40%	-0.24%	-0.10%
6	Altria Group Inc.	0.18%	1.63%	-11.11%	-0.24%	0.11%
7	Micron Technology Inc.	0.45%	-0.45%	70.75%	-0.23%	-0.16%
8	Servicenow Inc	0.31%	1.05%	-16.77%	-0.22%	-0.13%
9	Motorola Solutions	0.12%	0.99%	-15.90%	-0.21%	0.01%
10	Veeva Sys Inc	0.07%	0.63%	-25.07%	-0.19%	-0.03%

Factor Attribution - Q4 versus YTD 2025

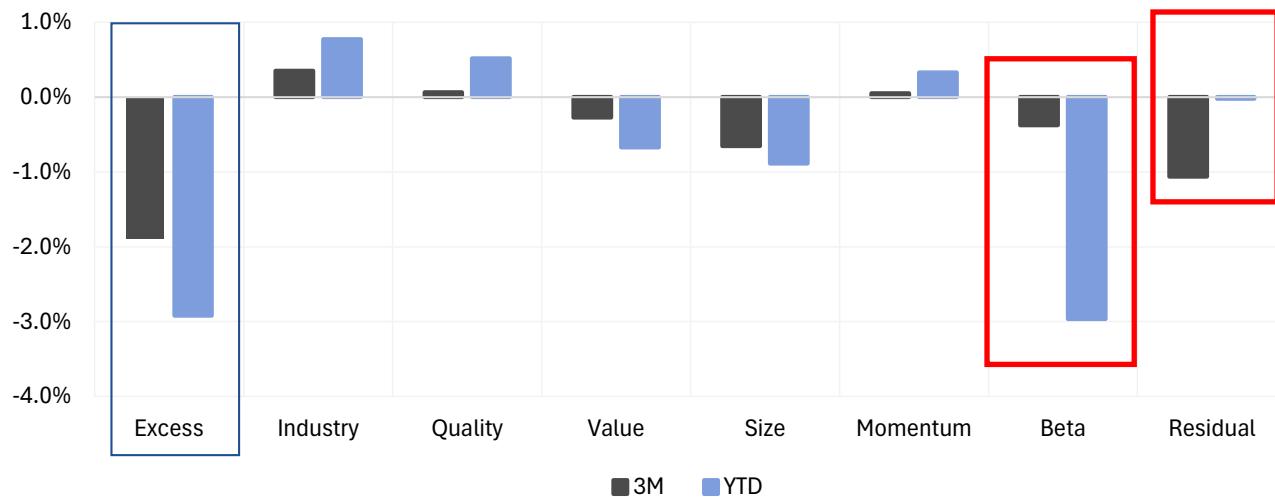
The exposure chart shows consistent factor themes for Q4 and YTD, indicating that any factor rotation in 2025 has been muted. Active exposures have been positive for all factors with the exception of a small negative exposure to **Quality** and **Value**.

Factor Exposure - Q4 2025 vs YTD



Factor attribution indicates that YTD underperformance of the NxtGen Index vs US Large Cap Index was primarily driven by consistent **Low Beta** orientation of the NxtGen Index. The negative stock specific component represents that part of excess return unexplained by factors.

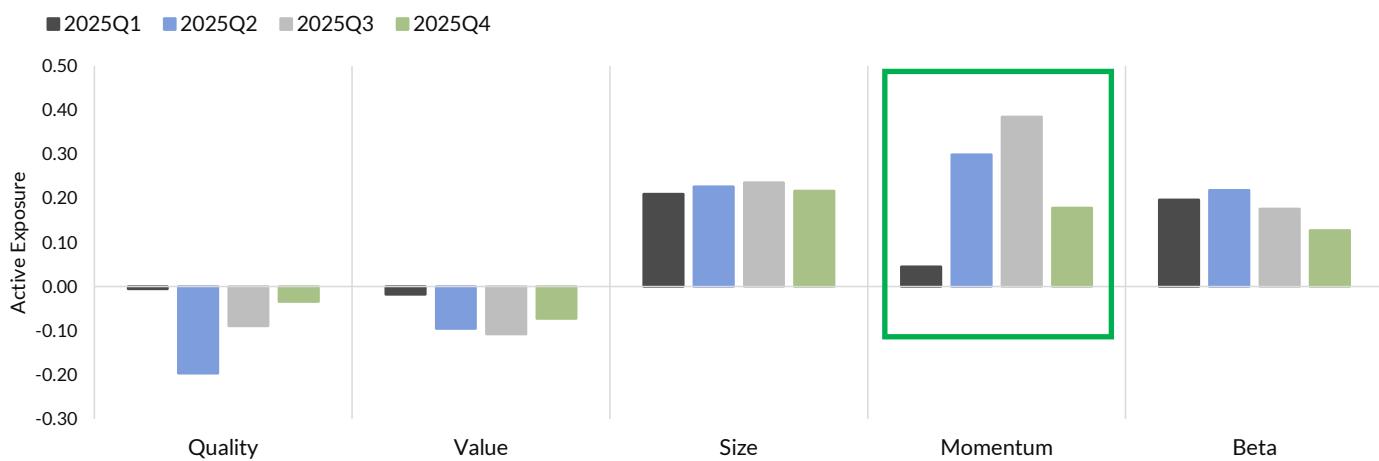
Performance Attribution - Q4 2025 vs YTD



Quarterly Changes in Factor and Industry Exposure

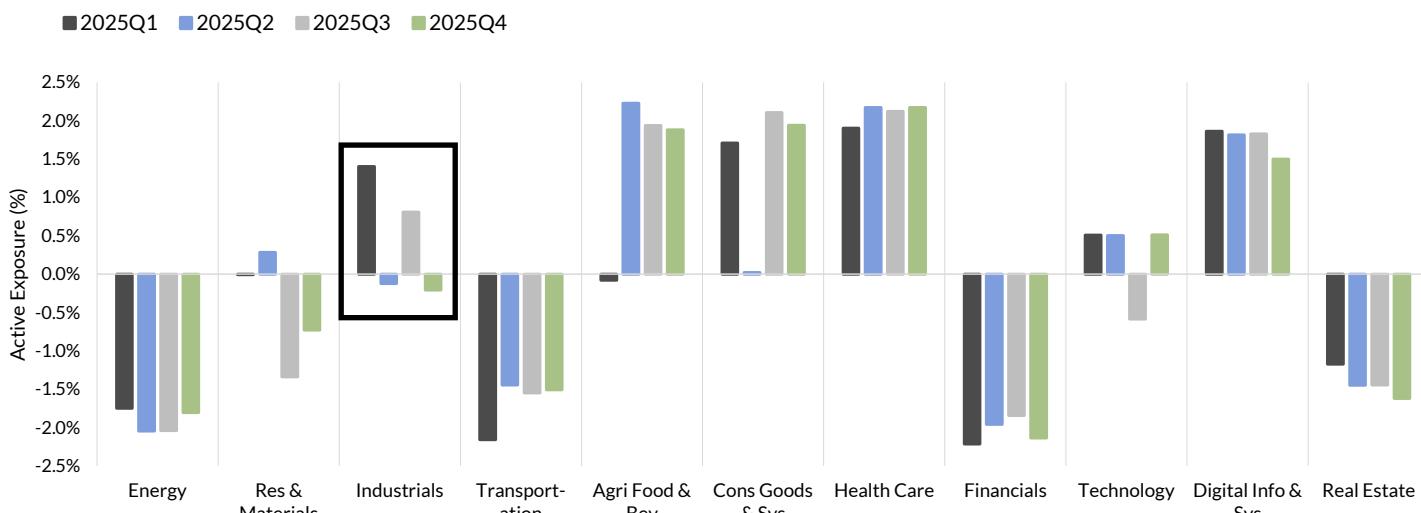
Factor Exposures (Last Four Rebalances)

Momentum exposure increased until Q3 2025 but then reversed this trend in Q4 2025. **Value** was negative over all quarters. **Quality** trended upwards for last three quarters but still remained negative. Exposure to **Low Beta** and **Size** remained positive and relatively constant.



Industry Exposures (Last Four Rebalances)

Relative industry exposures have remained broadly stable in **Energy**, **Transportation**, **Health Care**, **Financials**, **Digital Info & Services** and **Real Estate**. Positions in other industry groupings show more significant variation. Notably, the NxtGen Index has flipped its view on **Industrials** from quarter to quarter over 2025.



Change in Performance & Risk Attribution

Performance Attribution (Last Four Rebalances)

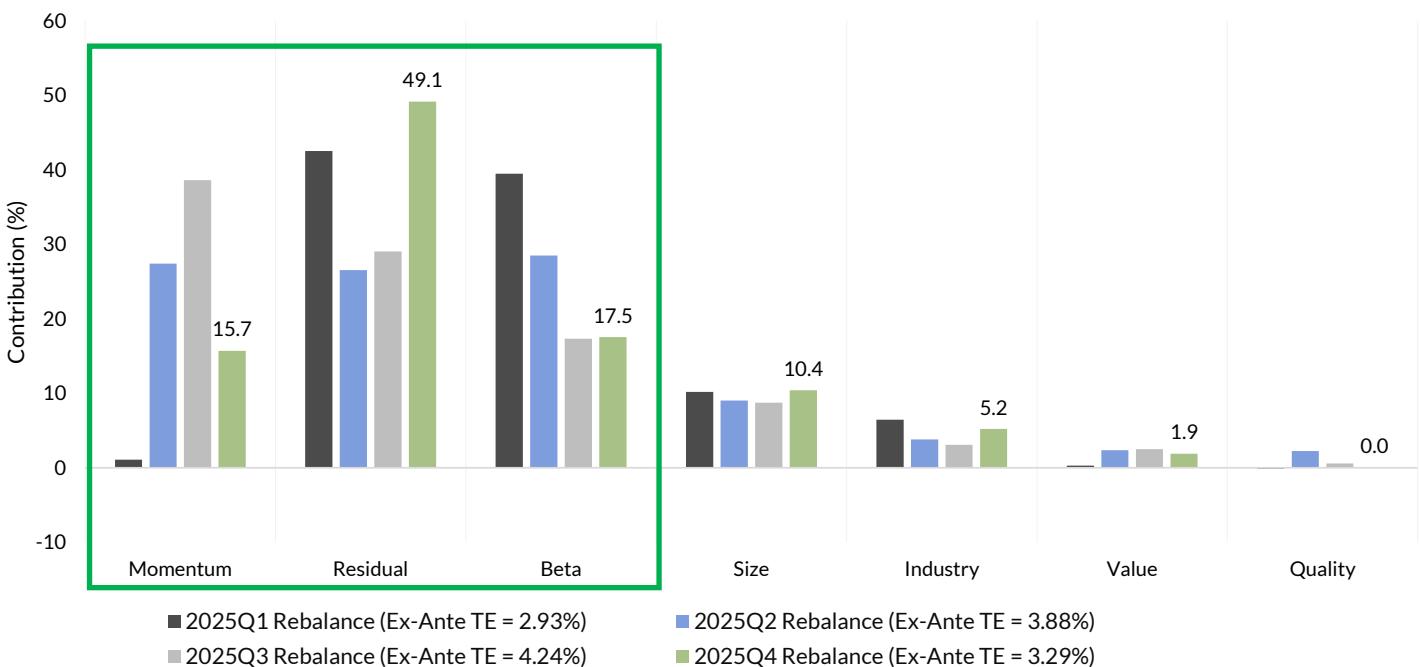
Factor contribution to excess return has been inconsistent over the last four quarters. For the most part it has been dominated by Low Beta and Stock Specific components.

	Excess	Industry	Quality	Value	Size	Momentum	Low Beta	Stock Specific
Q1 2025	3.0%	0.2%	-0.1%	0.0%	0.3%	0.1%	1.8%	0.8%
Q2 2025	-3.0%	0.6%	0.5%	-0.1%	0.2%	0.3%	-3.5%	-1.0%
Q3 2025	-0.8%	-0.3%	0.1%	-0.3%	-0.7%	-0.1%	-0.8%	1.4%
Q4 2025	-2.0%	0.4%	0.1%	-0.3%	-0.7%	0.1%	-0.4%	-1.1%

Risk Attribution (Last Four Rebalances)

Low Beta and **Stock Specific** have been large contributors to tracking error (squared) in each of the last four quarters. **Momentum** trended upwards to become the largest contributor in Q3 2025 but then fell back in Q4 2025. **Size** and **Industry** have contributed consistently less than about 10% to tracking error. **Value** and **Quality** have had little or no impact.

Risk Attribution (TR, %)



Model Performance and Predictive Stability

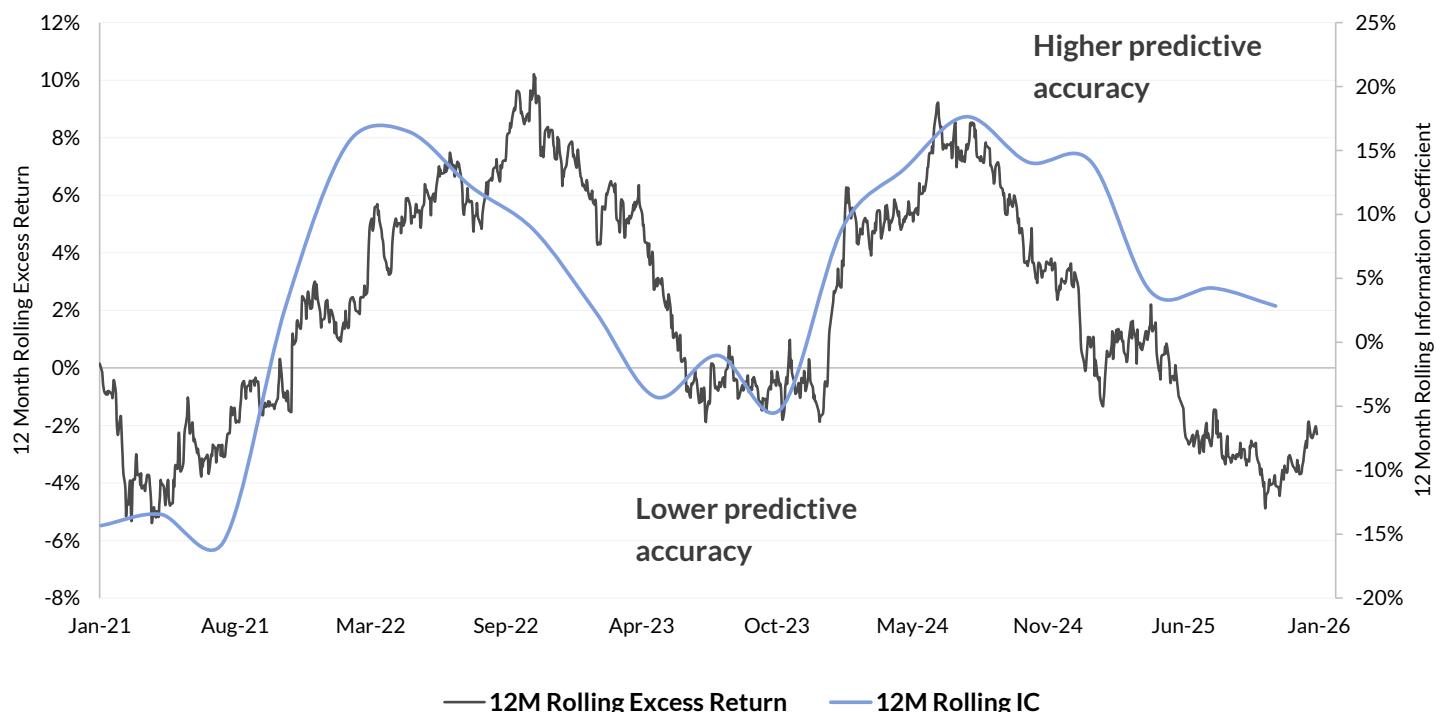
Return Estimation of Machine Learning Models

The NxtGen framework relies on its ability to capture persistent relationships between signals and realized returns.

The **Information Coefficient (IC)** measures this via correlation between the model's **predicted alpha** subsequent **realized alpha** - higher positive values indicate stronger predictive accuracy. It provides a direct gauge of the model's ability to rank securities correctly by expected performance over time.

The graph below overlays the 12-month rolling excess return of NxtGen versus the benchmark against the 12-month rolling Information Coefficient.

Consistent with the rolling relative performance, the model shows weaker predictive strength through early 2023, a marked recovery during 2024, and decline in 2025 as relationships between inputs and realized returns became less consistent.



Feature Importance

Low Risk and Profitability most influential in Q4 expected return

In Q4 2025, the model placed greater emphasis on **Low Risk** characteristics, led by Semi-Variance, Return Volatility, and Idiosyncratic Volatility.

Profitability and **Productivity**, such as Gross Profits to Assets and Firm Age, also ranked highly.

Compared with Q3, importance shifted away from Momentum dropping from 2nd to 9th, and Size saw a significant change in ranking from 28th to 7th.

Average Feature Importance

Signal	Category	2025Q4		2025Q3		Whole Period	
		Importance	Rank	Importance	Rank	Importance	Rank
Semi-Variance	Low Risk	2.82%	1	4.26%	1	1.94%	4
Gross Profits to Assets Ratio	Profitability	2.32%	2	1.87%	5	1.15%	17
Return Volatility	Low Risk	2.16%	3	1.79%	6	1.85%	5
Idiosyncratic Volatility	Low Risk	1.77%	4	1.91%	4	2.06%	3
Firm Age	Productivity	1.70%	5	1.29%	14	1.23%	15
60-Day Beta	Low Risk	1.63%	6	1.92%	3	1.81%	6
Size	Size	1.59%	7	1.00%	28	1.38%	11
Goodwill to Assets	Investment Conservatism	1.57%	8	1.65%	7	0.81%	76
Momentum	Momentum	1.52%	9	2.15%	2	2.49%	1
Net Operating Assets	Accounting Conservatism	1.48%	10	1.18%	18	1.27%	13
Log Price	Low Risk	1.48%	11	1.63%	8	1.58%	8
Traded Value to Market Value of Equity	Liquidity	1.41%	12	1.26%	16	1.36%	12
Market Beta	Low Risk	1.39%	13	1.27%	15	2.16%	2
R&D Capital to Assets	Productivity	1.34%	14	1.09%	22	0.88%	57
Earnings to Price	Value	1.33%	15	1.03%	26	1.08%	22
Return on Assets	Profitability	1.24%	16	0.70%	86	0.89%	47
Book to Market Equity	Value	1.24%	17	1.49%	10	1.24%	14
Asset Growth	Investment Conservatism	1.22%	18	0.99%	33	0.91%	42
Return on Capital Employed	Profitability	1.19%	19	0.99%	30	0.85%	62
12-Month Lottery	Low Risk	1.19%	20	1.29%	13	1.61%	7

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