

# nuveen

A TIAA Company

## Kick Start

*Cross-asset analytics, themes and insights from Nuveen's investment leaders to power you for the week ahead.*



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Week of May 5<sup>th</sup>, 2025

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May 2025

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Portfolio Strategy Group

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# U.S. macro dashboard

Despite headline risk and poor sentiment, hard data remains solid on balance

Category	Avg. Percentile (lower = better)	Gauge	Percentile Rank (lower = better)	Current Value	Units of Measure	Change since Year End '24	Comments
Inflation	43	WTI Crude Oil	34	58.21	USD/barrel	-13.51	Pressure has eased, but much lower inflation in '25 may be overly optimistic given strong wage gains and tariffs.
		Market implied long-term inflation	34	2.19	Percent	-0.08	
		Core Goods Inflation	41	-0.10	Percent	0.40	
		Core Services ex Housing Inflation	63	2.86	Percent	-1.19	
Rates	56	Market Expected Fed Action Over 1 Year	9	-1.41	Percent	-0.82	The long end of the yield curve remains elevated; a headwind for new borrowers, but opportunity for investors. Expect yields to remain elevated and volatile.
		Fed Funds Rate Market Implied 1 Year Out	49	3.09	Percent	-0.82	
		US Treasury 10-Yr Rate	77	4.15	Percent	-0.42	
		US Home Mortgage 30-Yr Fixed	90	6.85	Percent	-0.43	
Activity	58	Housing Starts	42	1324.00	Thousands	-191.00	Despite uncertainty, U.S. economic activity remains healthy on aggregate, particularly hard data metrics. A positive environment for credit investors.
		Manufacturing Activity	57	50.70	Survey	1.30	
		U.S. Eco Surprises	64	-8.60	Value	-6.90	
		Services Activity	69	51.40	Survey	-5.40	
Consumer	43	Household Debt Service Ratio	23	11.28	Percent	--	Consumer continues to be buoyed by a robust labor market. Real wage gains remain elevated and household balance sheets healthy.
		Job Openings	23	7.19	Millions	-0.41	
		Unemployment Rate	26	4.20	Percent	0.10	
		Consumer Expectations	99	47.20	Survey	-26.10	
Non-U.S.	43	China Eco Surprises	17	43.90	Value	21.60	Global economic prospects remain a mixed picture, given global trade uncertainty.
		UK Eco Surprises	43	17.20	Value	48.30	
		Japan Eco Surprises	46	3.50	Value	16.50	
		Eurozone Eco Surprises	64	-15.70	Value	-3.60	

Source: Bloomberg as of May 01, 2025

Lower percentile rank  
less concerning



Higher percentile rank  
more concerning

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# Economic release calendar

Monday, May 5, 2025	Tuesday, May 6, 2025	Wednesday, May 7, 2025	Thursday, May 8, 2025	Friday, May 9, 2025
S&P Global US Services PMI (Apr F), Est = -, Prior = 51.4	Trade Balance (Mar), Est = -119, Prior = -122.662	MBA Mortgage Applications (05/02), Est = -, Prior = -4.2	Initial Jobless Claims (05/03), Est = -, Prior = -	-
S&P Global US Composite PMI (Apr F), Est = -, Prior = 51.2		<b>FOMC Rate Decision (Upper Bound) (05/07), Est = 4.5, Prior = 4.5</b>	Continuing Claims (04/26), Est = -, Prior = -	-
ISM Services Index (Apr), Est = 50.2, Prior = 50.8		<b>FOMC Rate Decision (Lower Bound) (05/07), Est = 4.25, Prior = 4.25</b>	Wholesale Inventories MoM (Mar F), Est = -, Prior = 0.5	-

Source: Bloomberg as of May 01, 2025

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# Macro views

## Tariff policy continues to drive macroeconomic uncertainty

### Macro and Rate Forecasts (as of April 9th tariff rates)

	Current tariffs rest of the year (prob. = 60%)	...if tariffs decrease by half (prob. = 30%)	...if tariffs increase by 10% (prob. = 10%)	<b>Nuveen's Forecast*</b>
2025 GDP growth	0.5%	1.3%	0.4%	<b>0.7%</b>
2025 core PCE inflation	3.5%	3.0%	3.6%	<b>3.4%</b>
12m recession probability	40%	35%	45%	<b>39%</b>
2025 Fed cuts	2	2	4	<b>2</b>
2026 Fed cuts	4	2	4	<b>3</b>
End-2025 10y Treasury yield	4.00%	4.25%	3.00%	<b>4.0%</b>

Source: Nuveen as of April 17<sup>th</sup>, 2025. Estimates subject to change.

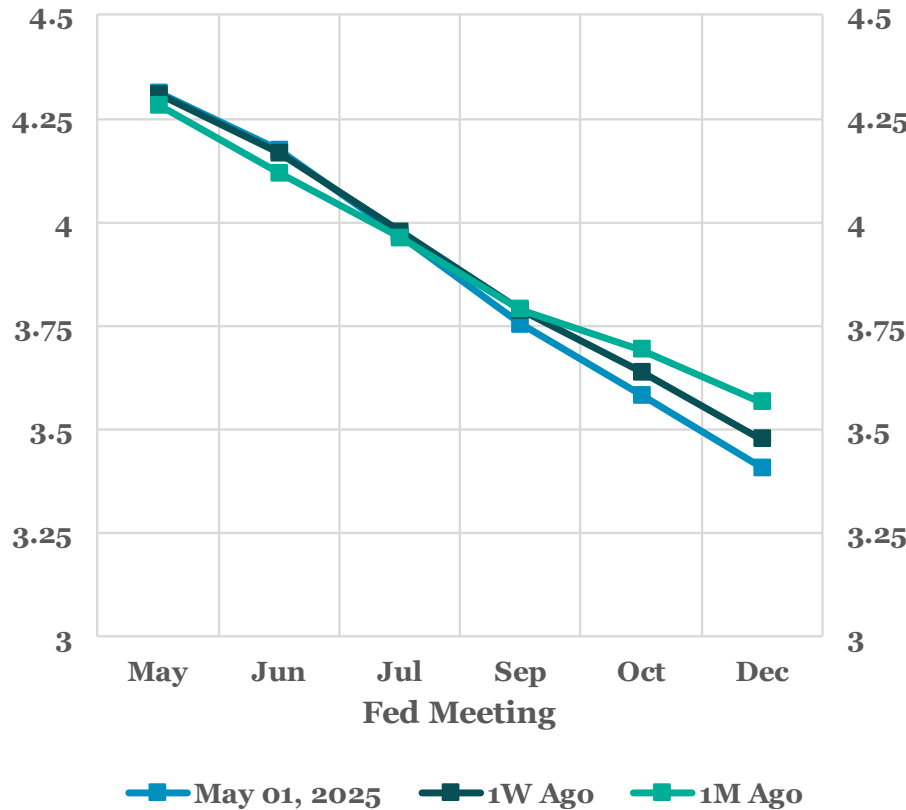
\*A probability-weighted estimate using the three scenarios outlined to the left

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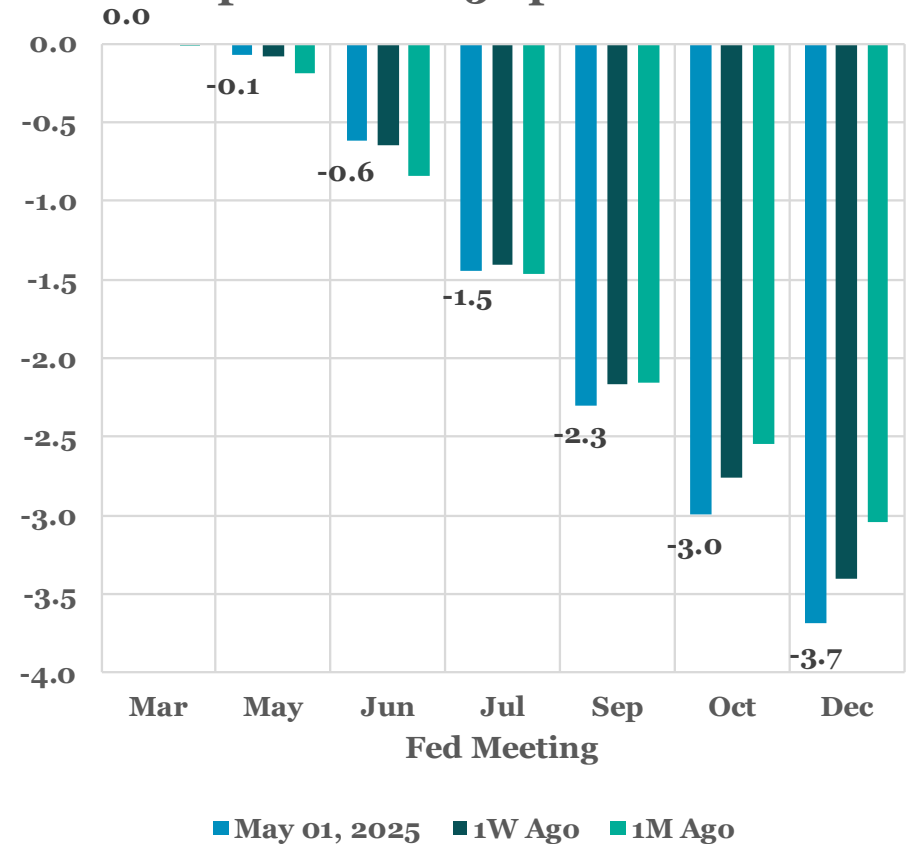
# “Fed watch”

Tariff policy has shifted the likelihood of more rate cuts in 2025 and 2026.

Implied Fed Funds Rate



Implied # of 25 bps rate cuts

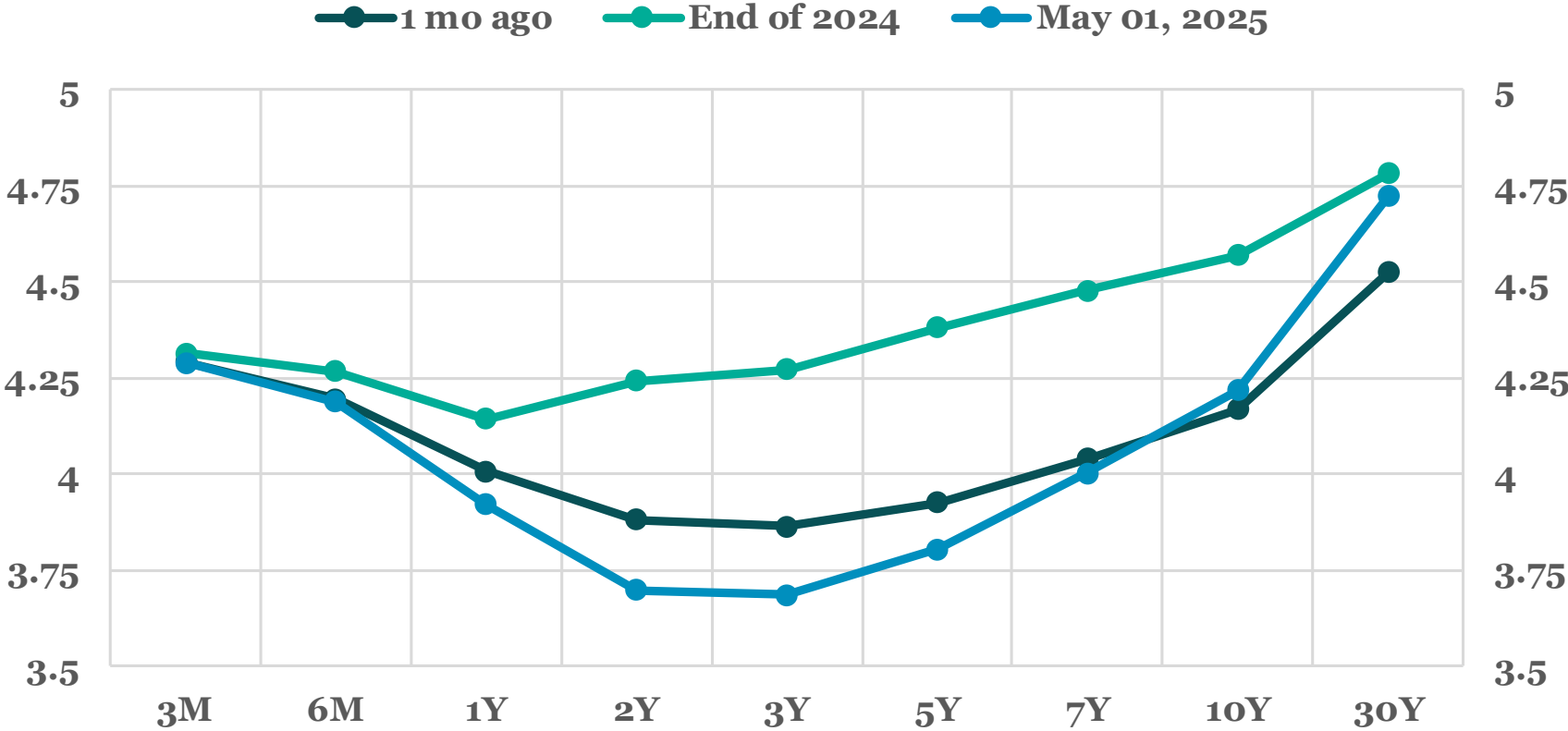


Source: Bloomberg as of May 01, 2025

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# U.S. Treasury Yield Curve

Tariff policy continues to drive volatility along the curve



Source: Bloomberg as of May 01, 2025

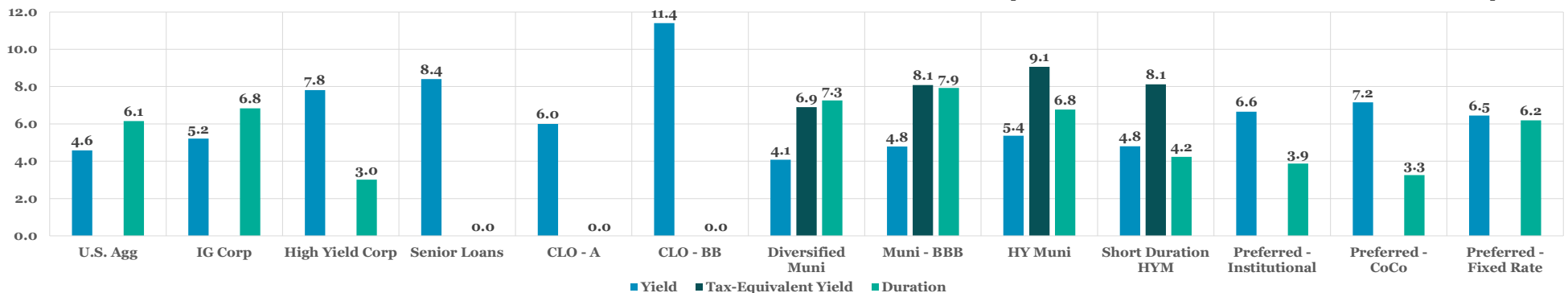
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# Fixed income markets

## Spread widening and higher Muni/Treasury Ratios creating relative value opportunities

Sector	Yield	Duration	Total Return					Spread Chg				Current Yield Percentile vs History			Current Spread Percentile vs History		
			1Mo	YTD	3Mo	6Mo	1Yr	Sprd	YTD	6Mo	1Yr	3Y	5Y	10Y	3Y	5Y	10Y
U.S. Agg	4.6	6.1	-0.22	2.84	2.22	2.69	7.27	40	6	4	0	37%	62%	81%	34%	41%	28%
IG Corp	5.2	6.8	-0.65	1.90	1.25	1.77	6.85	106	26	23	17	43%	66%	82%	43%	49%	34%
High Yield Corp	7.8	3.0	0.04	1.19	0.01	1.85	8.81	369	82	94	63	40%	60%	75%	47%	51%	44%
Senior Loans	8.4	-	0.08	0.65	-0.04	2.09	6.33	503	28	31	-2	9%	42%	70%	32%	44%	55%
CLO - A	6.0	-	0.12	1.30	0.60	2.47	6.87	223	65	60	-10	19%	51%	75%	29%	39%	32%
CLO - BB	11.4	-	-0.41	0.50	-0.93	3.05	10.95	769	178	119	13	26%	51%	74%	37%	47%	64%
Diversified Muni	4.1	7.3	-0.92	-1.04	-1.36	-0.70	1.85	13	-2	0	-3	91%	94%	97%	41%	28%	31%
Muni - BBB	4.8	7.9	-1.29	-1.13	-1.63	-0.88	2.86	60	-5	2	-12	85%	91%	95%	16%	26%	14%
HY Muni	5.4	6.8	-1.40	-0.82	-1.56	-0.67	4.69	119	10	23	-28	73%	84%	67%	28%	23%	12%
Short Duration HYM	4.8	4.2	-0.58	0.48	-0.29	0.82	4.10	139	24	27	6	79%	87%	83%	70%	66%	58%
Preferred - Institutional	6.6	3.9	-0.94	0.47	-0.12	1.07	7.92	243	62	65	36	41%	65%	82%	42%	44%	44%
Preferred - CoCo	7.2	3.3	-0.46	1.67	0.53	2.43	10.00	308	64	74	19	31%	58%	78%	42%	46%	33%
Preferred - Fixed Rate	6.5	6.2	-1.47	-1.37	-1.83	-2.89	3.27	168	91	117	71	62%	77%	88%	59%	64%	67%

Higher yield / wider spread pct. vs column  Lower yield / narrower spread pct. vs column



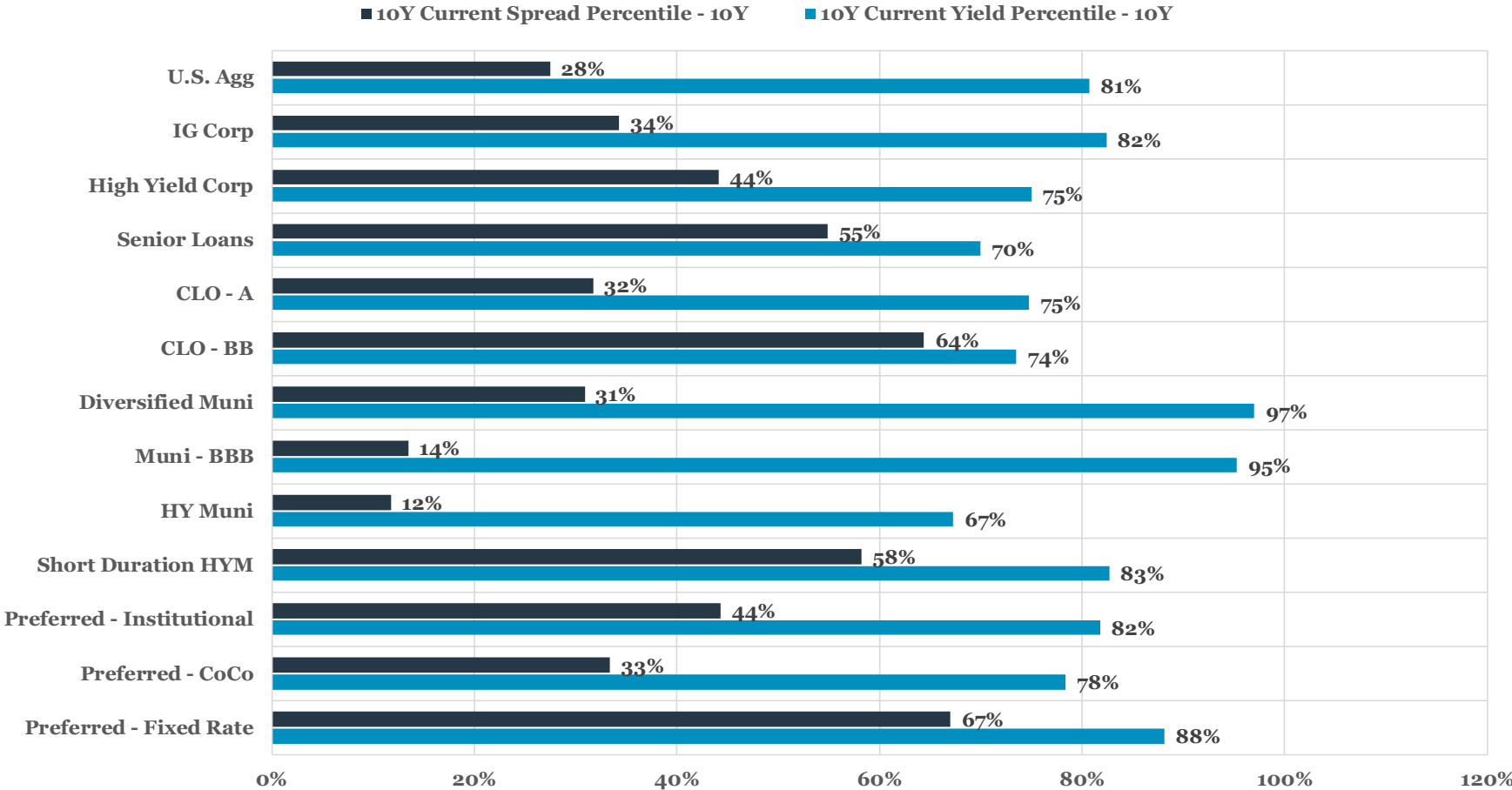
Source: Bloomberg as of May 01, 2025. U.S. Agg = Bloomberg US Agg Total Return Value Unhedged USD; IG Corp = Bloomberg US Corporate Total Return Value Unhedged USD; High Yield Corp = Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD; Senior Loans = S&P UBS Leveraged Loan Index Total Ret Index Level Unhedged USD; CLO - A = JPM US CLO IE ACLO - BB = JPM US CLO IE BBD; Diversified Muni = ICE BofA US Municipal Securities Index; Muni - BBB = ICE BofA BBB US Municipal Securities Index; HY Muni = ICE BofA US Municipal High Yield Securities Index; Short Duration HYM = ICE 1-12 Year Broad High Yield Crossover Municipal Index; Preferred - Institutional = ICE US Institutional Capital Securities Index; Preferred - CoCo = ICE USD Contingent Capital Index; Preferred - Fixed Rate = ICE BofA Fixed Rate Preferred Securities Index.

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# Current yields and spreads vs history

Elevated yields present an attractive entry point, but attention to spreads warranted

Current Yield and Spread vs History (10Y Period)



Source: Bloomberg as of May 01, 2025. U.S. Agg = Bloomberg US Agg Total Return Value Unhedged USD; IG Corp = Bloomberg US Corporate Total Return Value Unhedged USD; High Yield Corp = Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD; Senior Loans = S&P UBS Leveraged Loan Index Total Return Index Level Unhedged USD; CLO - A = JPM US CLO IE ACLO - A; CLO - BB = JPM US CLO IE BBD; Diversified Muni = ICE BofA US Municipal Securities Index; Muni - BBB = ICE BofA BBB US Municipal Securities Index; HY Muni = ICE BofA US Municipal High Yield Securities Index; Short Duration HYM = ICE 1-12 Year Broad High Yield Crossover Municipal Index; Preferred - Institutional = ICE US Institutional Capital Securities Index; Preferred - CoCo = ICE USD Contingent Capital Index; Preferred - Fixed Rate = ICE BofA Fixed Rate Preferred Securities Index

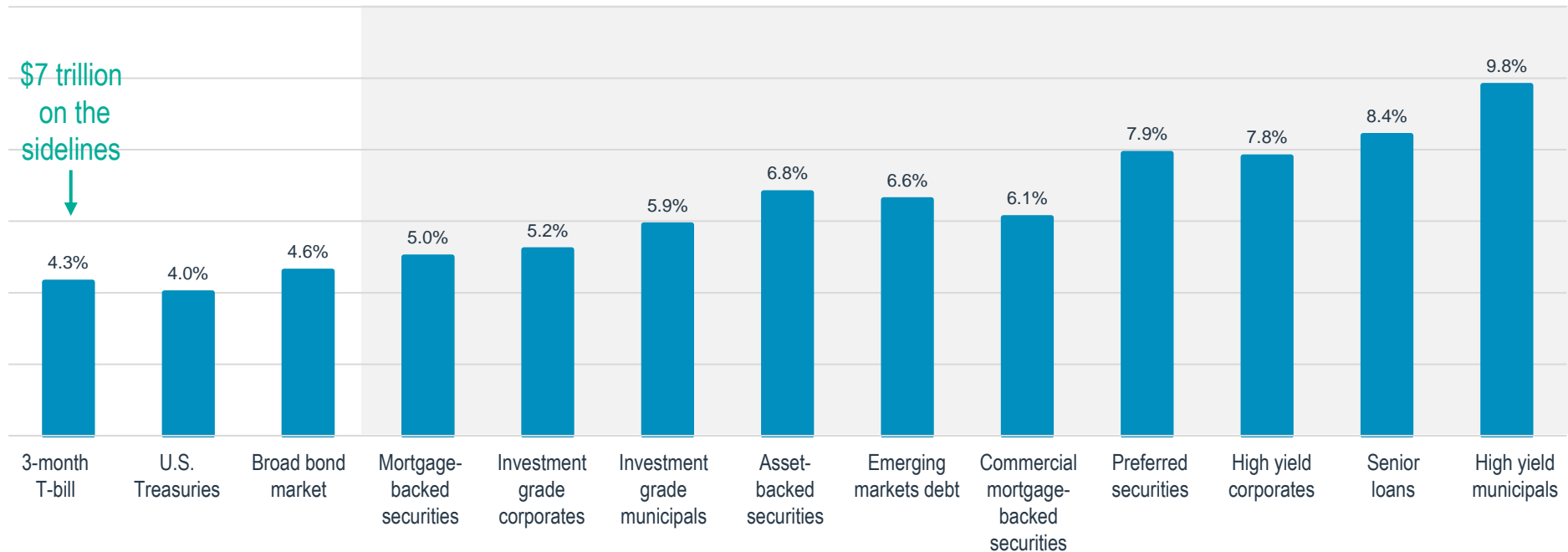
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Global Investment Committee Theme

# Relative spreads and credit selection, not risk-free rates, will drive returns in public and private debt markets

Focus on attractive credit sectors

## Taxable-equivalent yields (%)



Data source: Bloomberg, L.P., 01 May 2025. Performance data shown represents past performance and does not predict or guarantee future results. Representative yields and indexes: 3 month T-Bill reflects the Bloomberg 0-3M T-Bill Index; U.S. Treasuries: Bloomberg U.S. Treasury Index; broad bond market: Bloomberg U.S. Aggregate Index; mortgage-backed securities: Bloomberg U.S. Mortgage-Backed Securities Index; investment grade corporates: Bloomberg U.S. Corporate Investment Grade Index; investment grade municipals: Bloomberg Municipal Bond Index; asset-backed securities: ICE BofA Fixed Rate ABS AA-BBB Index; emerging markets debt: Bloomberg Emerging Market USD Aggregate Index; commercial mortgage-backed securities: ICE BofA Fixed Rate CMBS AA-BBB Index; preferred securities: ICE BofA U.S. All Capital Securities Index; high yield corporates: Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index; senior loans: Credit Suisse Leveraged Loan Index; high yield municipals: Bloomberg High Yield Muni Bond Index. Taxable-equivalent yield (TEY) is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income. Individual tax rates may vary. They do not take into account the effects of the federal alternative minimum tax (AMT) or capital gains taxes. You cannot invest directly in an index. Index returns do not reflect a deduction for fees and expenses.

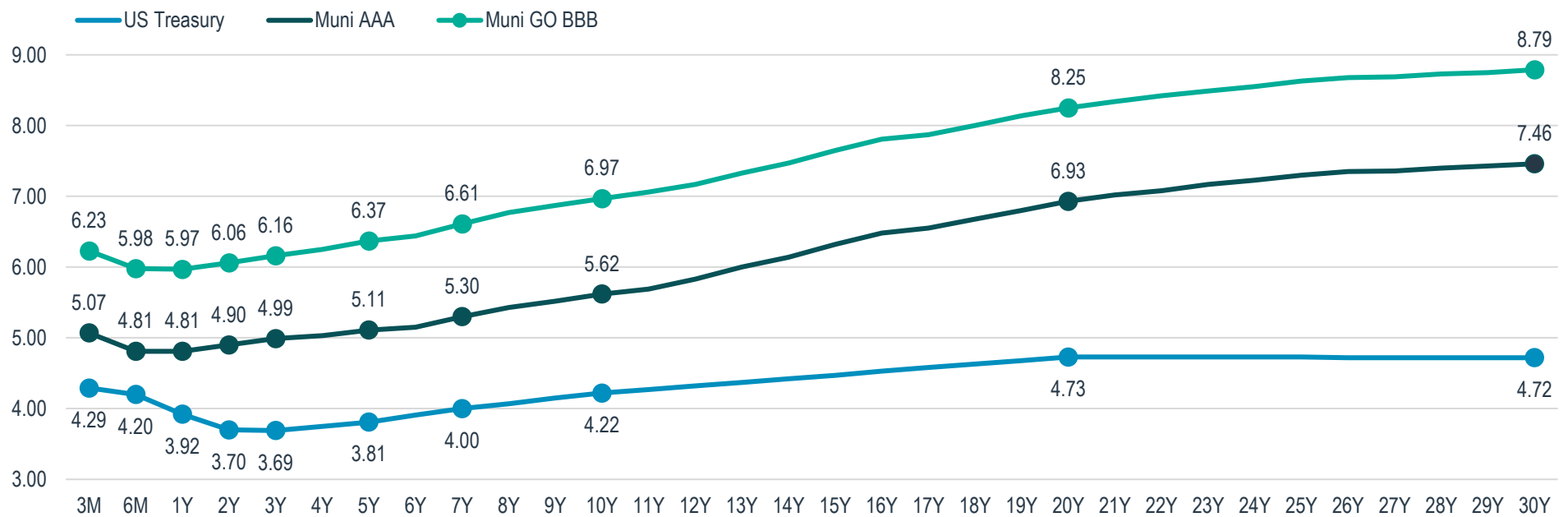
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Global Investment Committee Theme

# Municipals are still the borrower of choice for investors in it for the duration

By extending duration, municipal investors can achieve higher tax-efficient yields

U.S. Treasuries vs. AAA and BBB municipal yield curves (taxable equivalent yield) (%)



Data source: Bloomberg; Nuveen Portfolio Strategy Group, as of 01 May 2025. Taxable-equivalent yield (TEY) is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income. Individual tax rates may vary. They do not take into account the effects of the federal alternative minimum tax (AMT) or capital gains taxes.

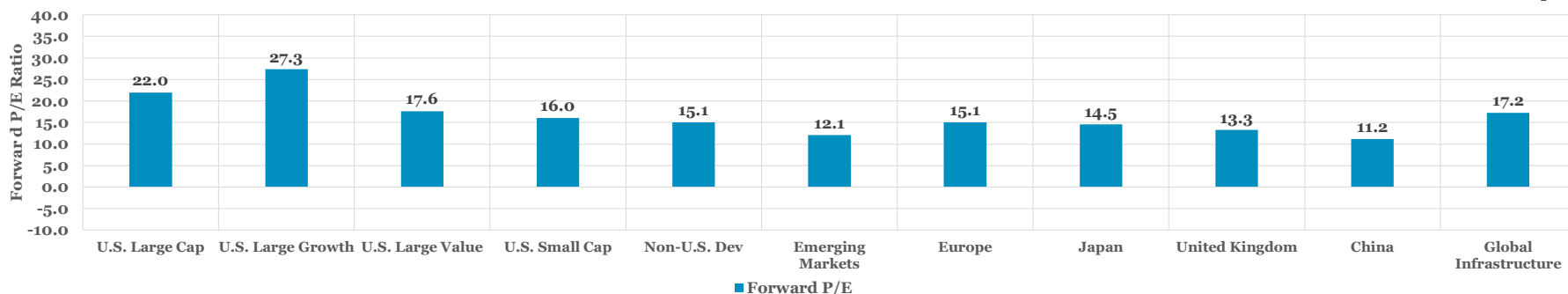
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# Equity markets

## YTD volatility creating relative value across regions and styles

Category	Total Return					Forward 12M		Current Forward P/E vs History (lower = better)			Current Expected EPS Growth Percentile vs History		
	1Mo	YTD	3Mo	6Mo	1Yr	Forward P/E	Exp. EPS growth %	3Y	5Y	10Y	3Y	5Y	10Y
U.S. Large Cap	-0.43	-4.33	-6.21	-1.54	13.17	22.0	10.4%	53%	65%	63%	48%	48%	52%
U.S. Large Growth	2.13	-7.26	-8.10	-1.09	16.32	27.3	15.9%	29%	46%	53%	81%	73%	81%
U.S. Large Value	-3.11	-1.11	-5.09	-2.04	8.57	17.6	6.7%	72%	80%	72%	43%	41%	32%
U.S. Small Cap	-1.75	-11.05	-12.20	-10.00	1.13	16.0	7.1%	48%	61%	34%	70%	51%	29%
Non-U.S. Dev	3.63	12.05	8.46	8.78	13.66	15.1	9.5%	77%	77%	63%	95%	76%	76%
Emerging Markets	0.49	4.37	4.40	0.29	9.58	12.1	9.5%	60%	69%	59%	58%	53%	58%
Europe	-1.72	5.35	-0.24	4.83	7.73	15.1	5.4%	94%	86%	69%	77%	59%	35%
Japan	0.83	-3.38	-0.90	2.01	-0.42	14.5	-0.9%	24%	50%	50%	27%	25%	18%
United Kingdom	-1.48	5.51	0.49	5.92	8.22	13.3	11.5%	100%	100%	61%	87%	66%	63%
China	-5.18	10.00	8.92	6.72	25.34	11.2	3.5%	91%	78%	49%	6%	4%	2%
Global Infrastructure	3.07	8.51	6.23	8.23	23.66	17.2	5.4%	97%	79%	50%	31%	28%	32%

Lower PE higher exp growth pct. vs column  Higher PE lower exp growth pct. vs column

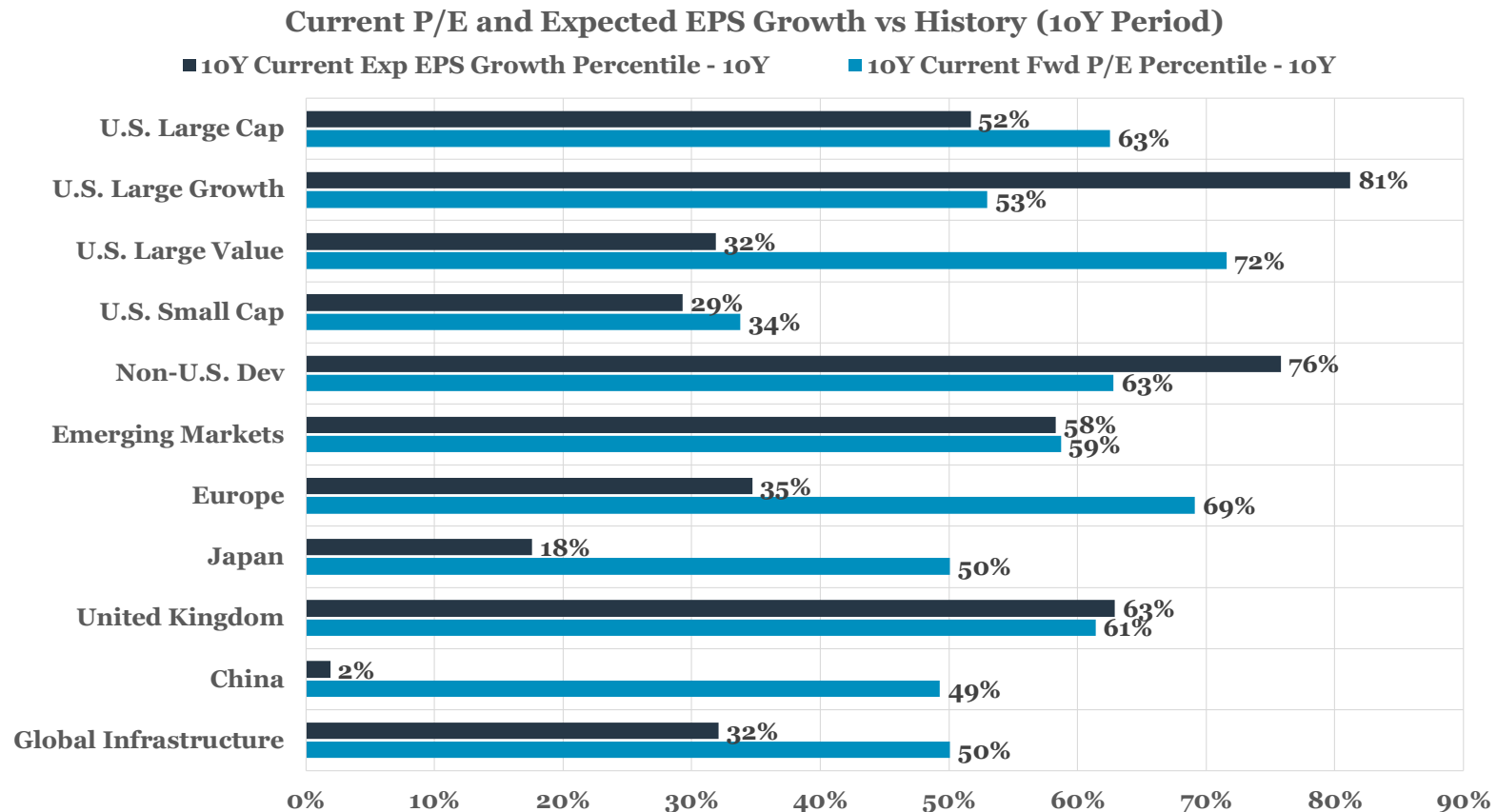


Source: Bloomberg as of May 01, 2025. U.S. Large Cap = S&P 500 INDEX; U.S. Large Growth = Russell 1000 Growth Index; U.S. Large Value = Russell 1000 Value Index; U.S. Small Cap = Russell 2000 Index; Non-U.S. Dev = MSCI EAFE Index; Emerging Markets = MSCI Emerging Markets Index; Europe = MSCI Europe Index; Japan = MSCI Japan Index; United Kingdom = MSCI United Kingdom Index; China = MSCI China Index; Global Infrastructure = S&P Global Infrastructure Index. Forward P/E and Expected EPS Growth based on the blended forward 12M earnings estimates, excluding negative values.

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# Valuations and growth expectations vs history

Optimistic earnings growth at home, but the gap between the rest of the world is closing



Source: Bloomberg as of May 01, 2025. U.S. Large Cap = S&P 500 INDEX; U.S. Large Growth = Russell 1000 Growth Index; U.S. Large Value = Russell 1000 Value Index; U.S. Small Cap = Russell 2000 Index; Non-U.S. Dev = MSCI EAFE Index; Emerging Markets = MSCI Emerging Markets Index; Europe = MSCI Europe Index; Japan = MSCI Japan Index; United Kingdom = MSCI United Kingdom Index; China = MSCI China Index; Global Infrastructure = S&P Global Infrastructure Index. Forward P/E and Expected EPS Growth based on the blended forward 12M earnings estimates, excluding negative values.

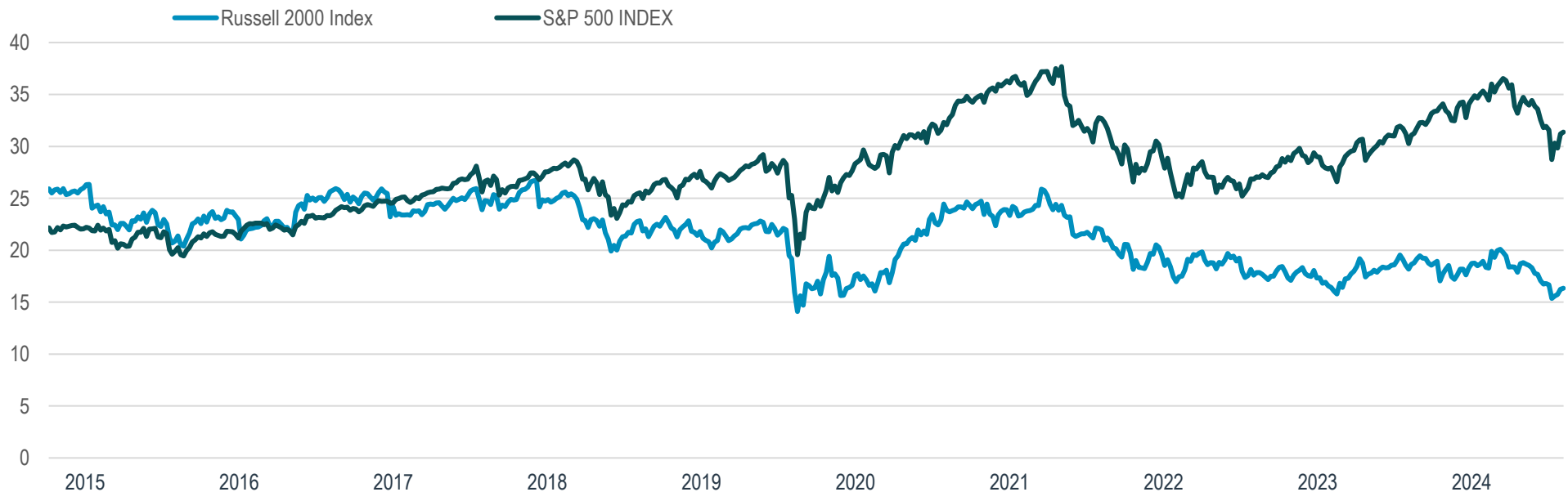
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Global Investment Committee Theme

# Small caps are suiting up for the big leagues

A small cap valuation multiple expansion could boost prices

## Long-term price-to-earnings ratio



Data source: Bloomberg, L.P., weekly data, 1 Jan 2015 – 02 May 2025. Long-term price to earnings ratio using the company's Last Price and 10-year average real earnings per share (EPS). Real EPS is computed by adjusting earnings per share for ratios by the company's country's Consumer Price Index (CPI). 10-year average real EPS is computed using 40 quarters, or 20 semi-annual periods or 10 annual figures.

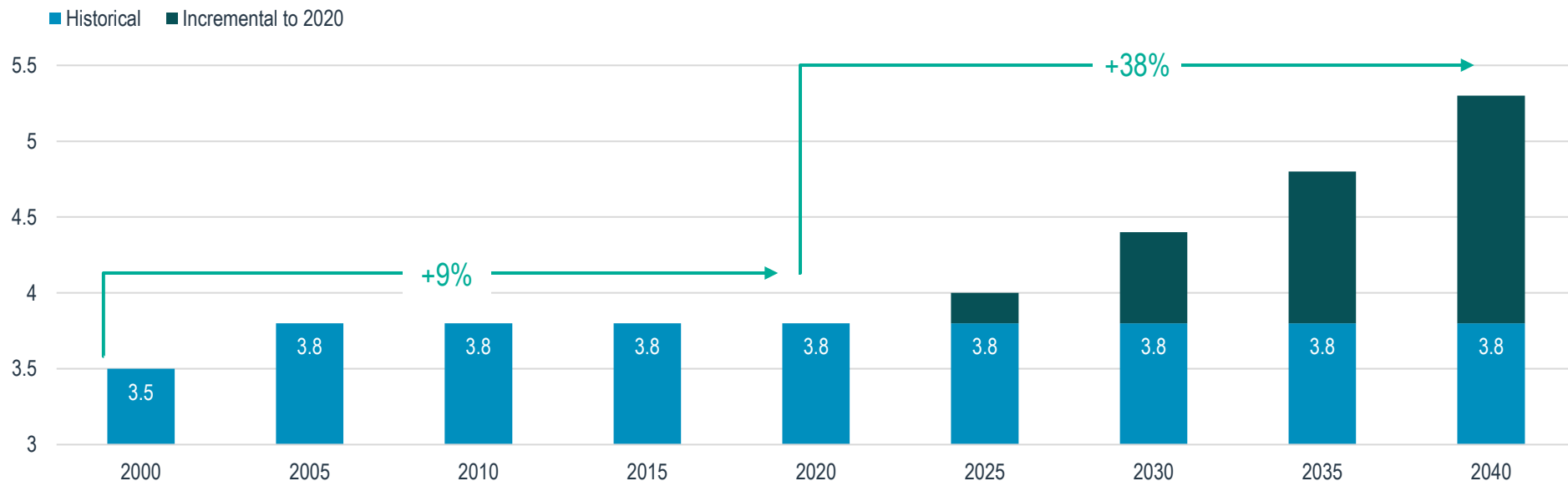
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Global Investment Committee Theme

# Energy demand charges ahead of capacity, creating opportunity across the portfolio

Energy demand is growing exponentially, thanks in part to the AI boom

## U.S. power demand (thousand TWh)



Data source: McKinsey Energy Solutions Global Energy Perspective 2024; EIA AEO 2023.

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Global Investment Committee Theme (cont.)

# Artificial Intelligence: investment implications beyond just U.S. technology stocks

## Listed Infrastructure

- Essential infrastructure such as electric and gas transmission will be required to support new electricity demand tied to AI and the growing need for data centers.

## Private Energy Infrastructure Credit

- To meet the power demands of decarbonization and digitalization, a wide spectrum of capital-intensive solutions will be required, such as renewable electricity generation projects (wind and solar), energy storage and energy efficiency, requiring flexible financing solutions to augment traditional sources of capital

## Commercial Real Estate

- The global data surge has spurred a near insatiable demand for data center space. Supply growth is increasing, but power constraints across regions are likely to prevent it from catching up to demand near-term.

## Preferred Securities

- Booming capex needs from the utility sector, fueled by the needs from AI, should support a healthy preferred new issue calendar. But we expect this new supply to be met with robust investor demand, thus muting the impact on overall valuations.

## Municipals

- Potentially broad impact across various sectors of the municipal market, such as electric utilities, water utilities, and state and local governments whose tax bases could be positively impacted by new data center construction. Anticipated increased bond issuance in the electric and water utilities sectors to meet capital requirements to expand capacity to meet data center resource needs.

Source: Nuveen Portfolio Strategy Group, Feb 2025

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# Private markets

## Private credit continues to shine compared to the broader private capital space

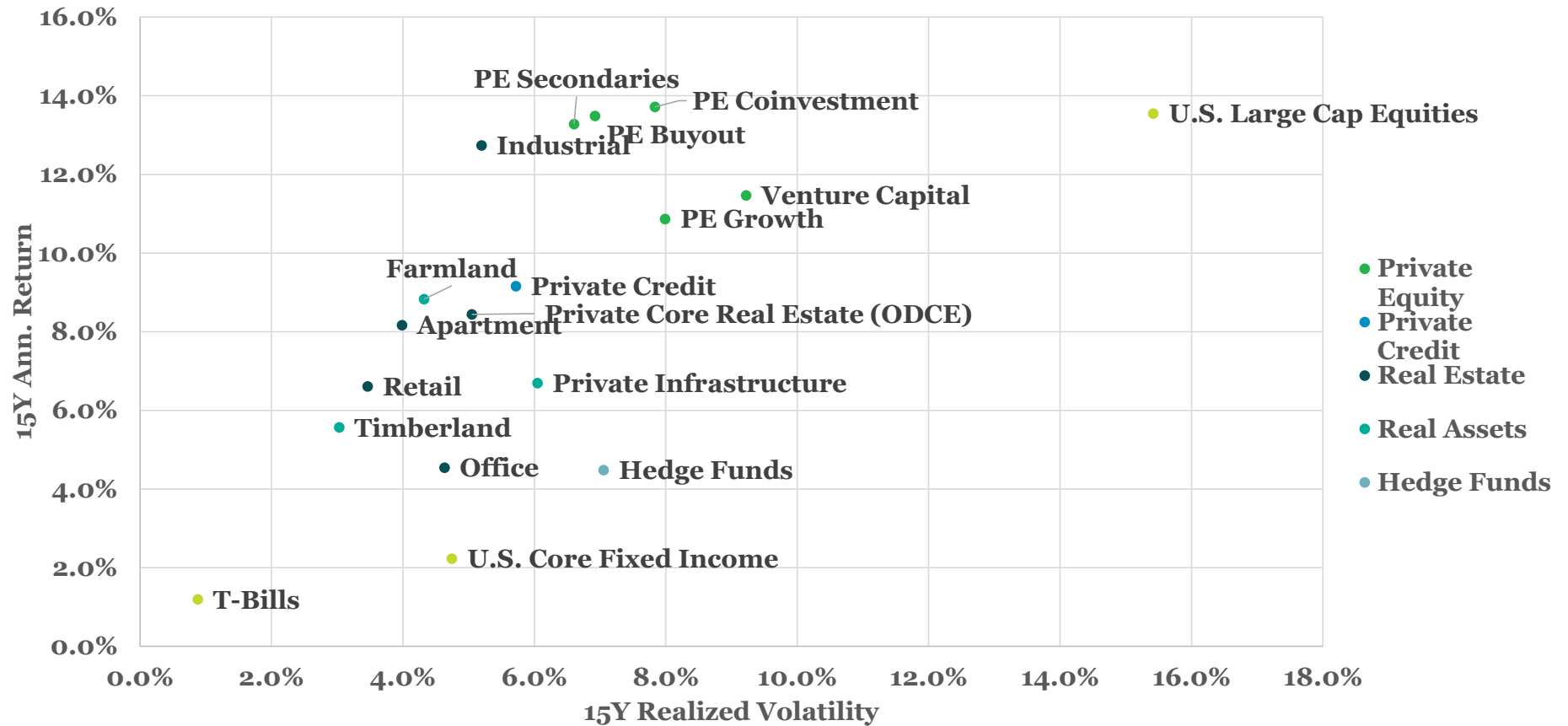
Category	Total Return (ann.)					15Y Volatility	15Y Sharpe
	1 Year	3 Year	5 Year	10 Year	15 Year		
PE Buyout	7.5%	5.1%	13.7%	13.6%	13.5%	6.9%	1.8
PE Secondaries	2.7%	2.6%	12.8%	11.8%	13.3%	6.6%	1.8
PE Coinvestment	4.1%	-1.8%	10.3%	12.3%	13.7%	7.8%	1.6
PE Growth	7.0%	-3.1%	8.0%	9.8%	10.9%	8.0%	1.2
Venture Capital	1.9%	-6.9%	10.4%	10.7%	11.5%	9.2%	1.1
Private Credit	9.7%	6.5%	8.0%	7.4%	9.2%	5.7%	1.4
Private Core Real Estate (ODCE)	1.0%	-4.6%	2.7%	5.5%	8.4%	5.0%	1.4
Apartment	1.5%	0.2%	4.2%	5.8%	8.2%	4.0%	1.7
Industrial	2.6%	4.1%	12.6%	13.1%	12.7%	5.2%	2.2
Office	-7.7%	-9.8%	-4.6%	1.3%	4.5%	4.6%	0.7
Retail	5.3%	2.3%	0.7%	3.6%	6.6%	3.5%	1.6
Private Infrastructure	7.3%	7.4%	6.1%	4.5%	6.7%	6.0%	0.9
Farmland	-1.8%	3.5%	4.9%	5.7%	8.8%	4.3%	1.8
Timberland	4.8%	8.6%	7.8%	5.3%	5.6%	3.0%	1.4
Hedge Funds	11.1%	3.7%	6.0%	4.5%	4.5%	7.1%	0.4
U.S. Large Cap Equities	26.9%	9.7%	14.4%	12.8%	13.5%	15.4%	0.8
U.S. Core Fixed Income	2.5%	-1.8%	-0.6%	1.3%	2.2%	4.7%	0.2
T-Bills	5.2%	4.0%	2.5%	1.8%	1.2%	0.9%	

Source: Bloomberg, NCREIF. Private Capital indexes represented by Bloomberg Private Equity Indices, as of Dec 31, 2024. Real Estate, Farmland and Timberland represented by NCREIF Indices, as of Dec 31, 2024.

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# Private markets

## Long-term return and volatility profiles



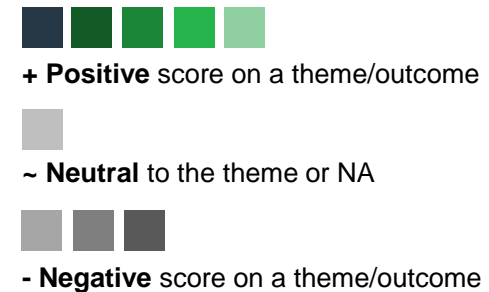
Source: Bloomberg, NCREIF. Private Capital indexes represented by Bloomberg Private Equity Indices, as of Dec 31, 2024. Real Estate, Farmland and Timberland represented by NCREIF Indices, as of Dec 31, 2024.

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# What outcomes could private markets solve for?

A tool to enhance portfolios with targeted characteristics

	Private credit	Private real estate	Private real assets	Private equity
<b>Return Profile (%)</b>	8 - 10	6 - 10	7 - 9	10 - 14
<b>Stability (low std dev)</b>	Positive	Positive	Positive	Positive
<b>Alpha Potential (dispersion)</b>	Positive	Positive	Positive	Positive
<b>Economically Defensive</b>	Neutral	Neutral	Positive	Negative
<b>Inflation Protection</b>	Positive	Positive	Positive	Positive
<b>Interest Rate Hedging</b>	Positive	Negative	Neutral	Neutral
<b>Tax Efficiency</b>	Negative	Positive	Neutral	Positive

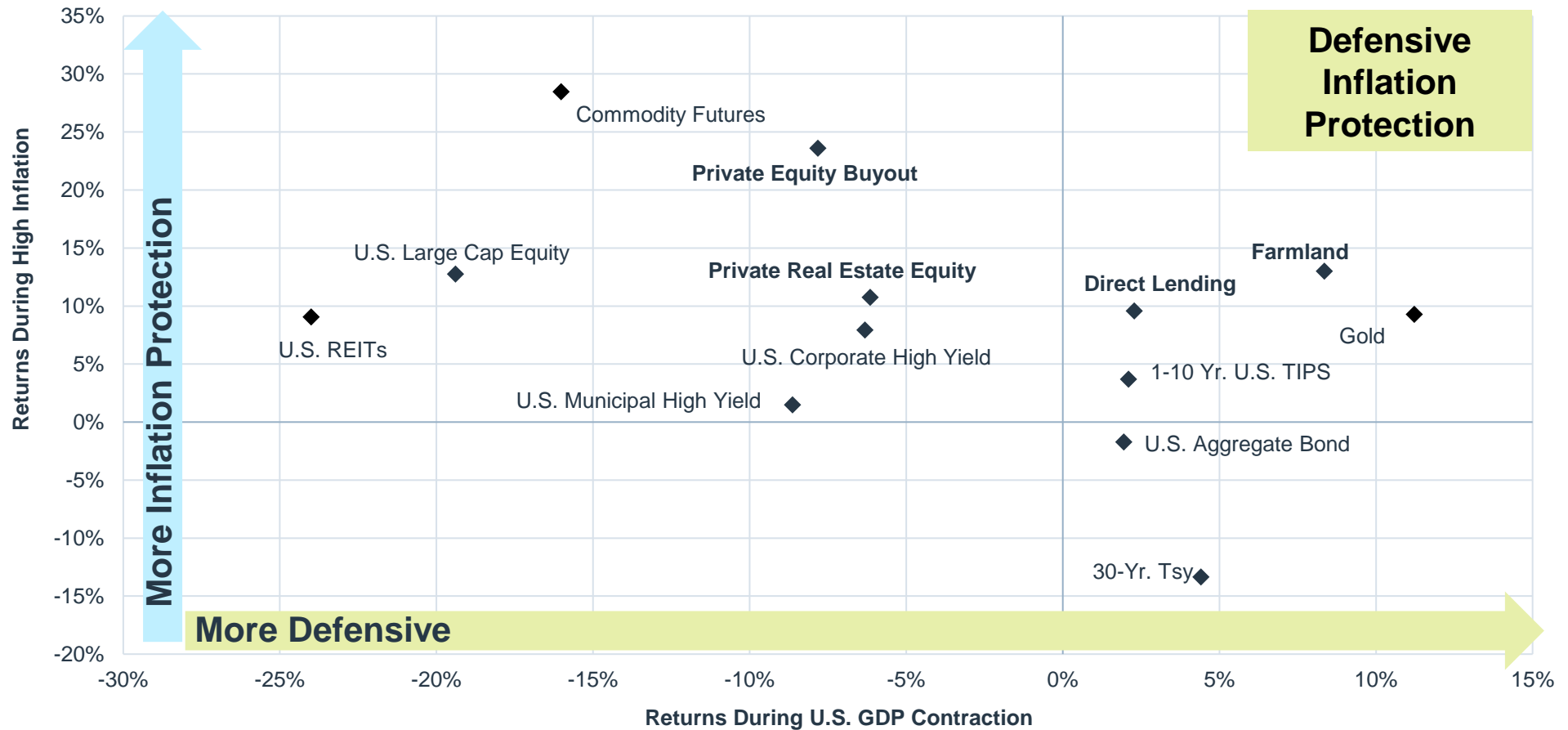


*Focusing on desired outcomes and features can help align strategy with intent*

Source: Nuveen Portfolio Strategy & Solutions; Based long-term average asset class behavior and qualitative judgements. For illustrative and conceptual purposes only. The targeted characteristics are not guaranteed. The information above is derived from both quantitative and qualitative factors, including historical returns and market conditions and assumptions. The information is presented to establish a benchmark for future evaluation of performance, to provide a measure to assist in assessing anticipated risk and reward characteristics and to facilitate comparisons with other investments. Any target data or other forecasts contained herein are based upon subjective estimates and assumptions; if any of the assumptions used do not prove to be true, results may vary substantially. In any given year, there may be significant variation from these targets, and there is no guarantee that the strategy will be able to achieve the targets in the long term.

# Private assets may help hedge inflation

## Asset Class Behavior in Growth & Inflation Regimes



Performance data shown represents past performance and does not predict or guarantee future results. Data source: Bloomberg, L.P., Cambridge, 31 Dec 2004 – 31 Dec. 2023. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: commodities: Bloomberg Commodity Total Return Index; corporate high yield: Bloomberg U.S. Corporate High Yield Total Return Index; farmland: NCREIF Farmland Index; gold: Bloomberg Gold Subindex Total Return; large cap equity: Russell 1000 Index; listed REITs: FTSE NAREIT All Equity REITs Total Return Index; municipal high yield: Bloomberg Municipal Bond High Yield Total Return Index Unhedged; senior loans: Credit Suisse Leveraged Loan Total Return Index; private credit: Cliffwater Direct Lending Index; private

equity: Cambridge Private Equity Index; private real estate: NCREIF Fund Open End Diversified Core (ODCE) Index; U.S. bond market: Bloomberg U.S. Aggregate Total Return Index; 1-10 year U.S. TIPS: Bloomberg U.S. Treasury Inflation Notes 1-10 Yr. Total Return Index; 30-year U.S. Treasuries: Bloomberg U.S. Treasury Bellwethers 30-year Total Return Index. High Inflation is defined as the calendar quarters in the top quartile of inflation as defined by the Consumer Price Index. U.S. recession is defined as the calendar quarters in which change in real GDP was negative.

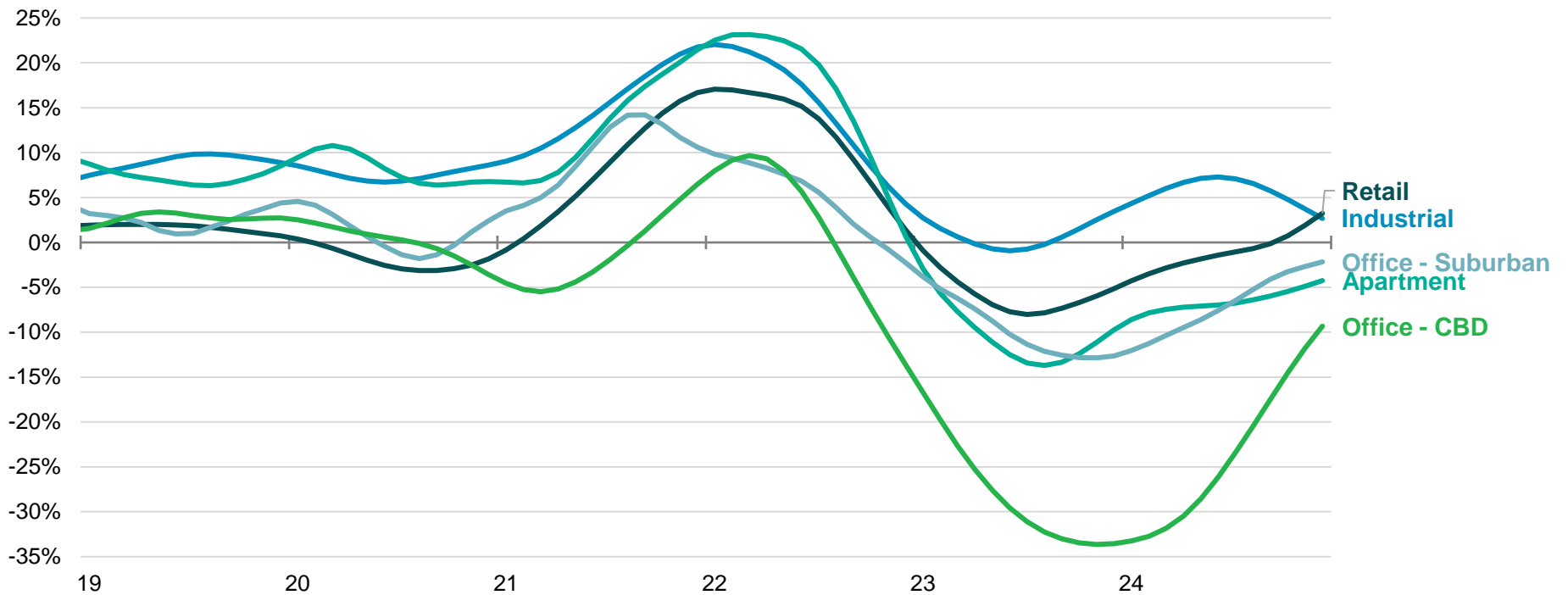
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Global Investment Committee Theme

# Real estate reality: prices at a turning point

## Commercial property prices stabilized in 2024

### U.S. commercial property index (year-over-year)



Data Source: Real Capital Analytics; Nuveen Real Estate Research (data through December 2024 as of 23 January 2025 data release)

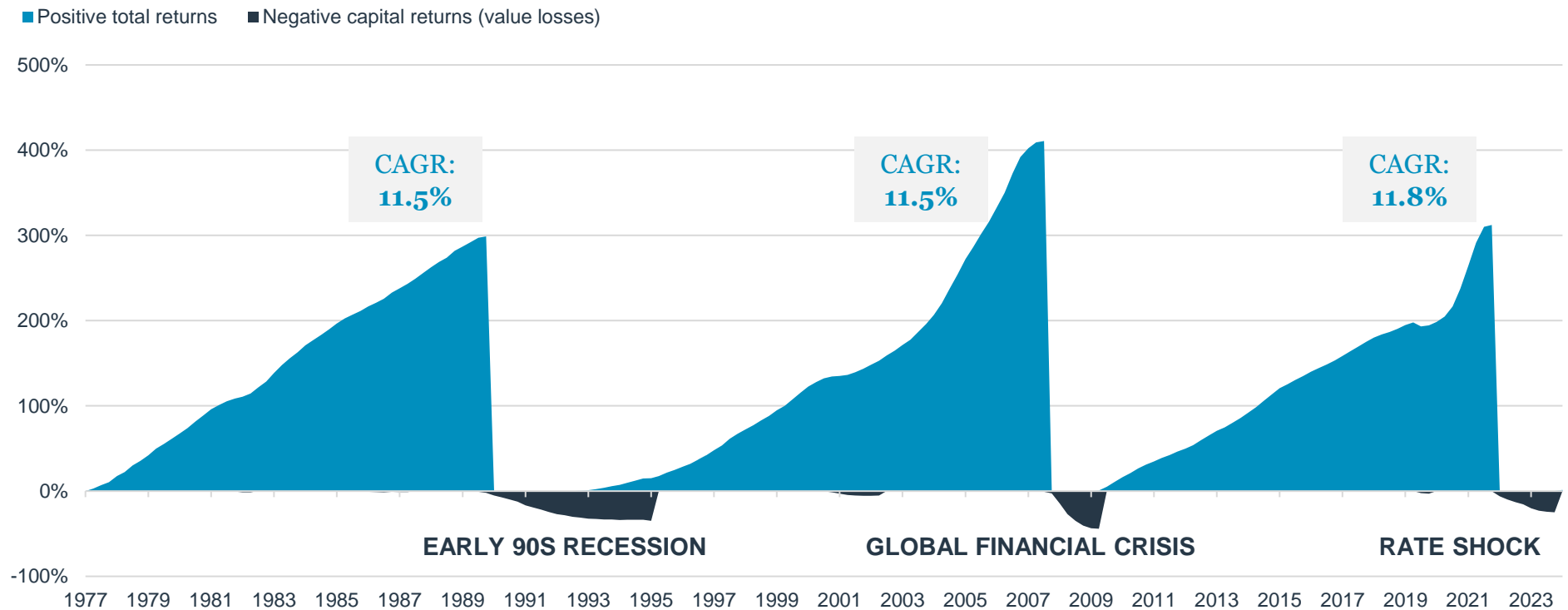
. Performance data shown represents past performance and does not predict or guarantee future results. Data represented by the RCA CPPI U.S. National Indexes.

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Global Investment Committee Theme

# Real estate reality: it's at a turning point

Core U.S. real estate has produced two consecutive quarters of positive total returns



Data source: NCREIF ODCE; Nuveen Real Estate Research, 31 Dec 2024. Performance data shown represents past performance and does not predict or guarantee future results. This chart shows cumulative positive total returns until each cycle ended, identified by at least two quarters of negative total returns (ex: negative total return in Q2 2020 did not indicate the end of the cycle). Similarly, cumulative value-losses identify periods of sustained negative capital returns until values increased for at least two consecutive quarters. The most recent quarter of data (Q424) was the first quarter of positive capital returns this cycle (following nine quarters of value losses) and the second quarter of positive total returns. Total returns are comprised of capital returns (change in values) and income returns (i.e., rent and other income as a percent of asset value). Because income returns are generally positive and stable, total returns can be positive even in periods when values are moderately negative (ex: 1994-1995; "Tech-wreck" of 2001-2022; Q3 2024). Cycle 1: 01 Jan 1978 – 30 Sep 1990; Cycle 2: 30 Jun 1993 – 30 Jun 2008; Cycle 3: 01 Jan 2010 – 30 Jun 2022. CAGR: compound annual growth rate.

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# What's in style when equity market volatility rises?

Dividend growers have provided competitive returns in uncertain environments

VIX monthly increase 01 April 2005 - 31 March 2025	Dividend Growers average excess return (%)
>20%	1.0
10 - 20%	0.9
< 10%	0.4
<b>Average</b> (across all months when VIX increased)	<b>0.8</b>

**Dividend growers have the potential to deliver attractive risk-adjusted returns with reduced volatility, making them a compelling choice for a core allocation.**

Data sources: FactSet, Ned Davis Research Inc., and Refinitiv, 01 Apr 2005 – 31 Mar 2025. Copyright 2025 © Ned Davis Research, Inc. All rights reserved. Performance data shown represents past performance and does not predict or guarantee future results. Periods greater than one year have been annualized. For more information, see the Dividend Policy Description.

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# Why it matters

Equity markets have been volatile this year, as the effects of tariffs have raised concerns about the underlying strength of the U.S. economy. The CBOE Volatility Index (VIX) – a measure of implied volatility of the S&P 500 Index – reached 52.3 in early April, well above its long-term average of 19.6. The VIX currently stands at 26.4 – elevated by historical standards – and equity volatility may remain under upward pressure due to slowing growth, the prospect of rising inflation and potential labor market disruptions.

The S&P 500 is down -5.1% year-to-date through 29 April, while dividend growers (S&P 500 Dividend Aristocrats Total Return Index) are down only -1.2%. Dividend growers have tended to outperform non-dividend payers in months with rising equity volatility. Given the current economic backdrop, we expect this trend to continue.

Historically, companies that have initiated or continued to raise

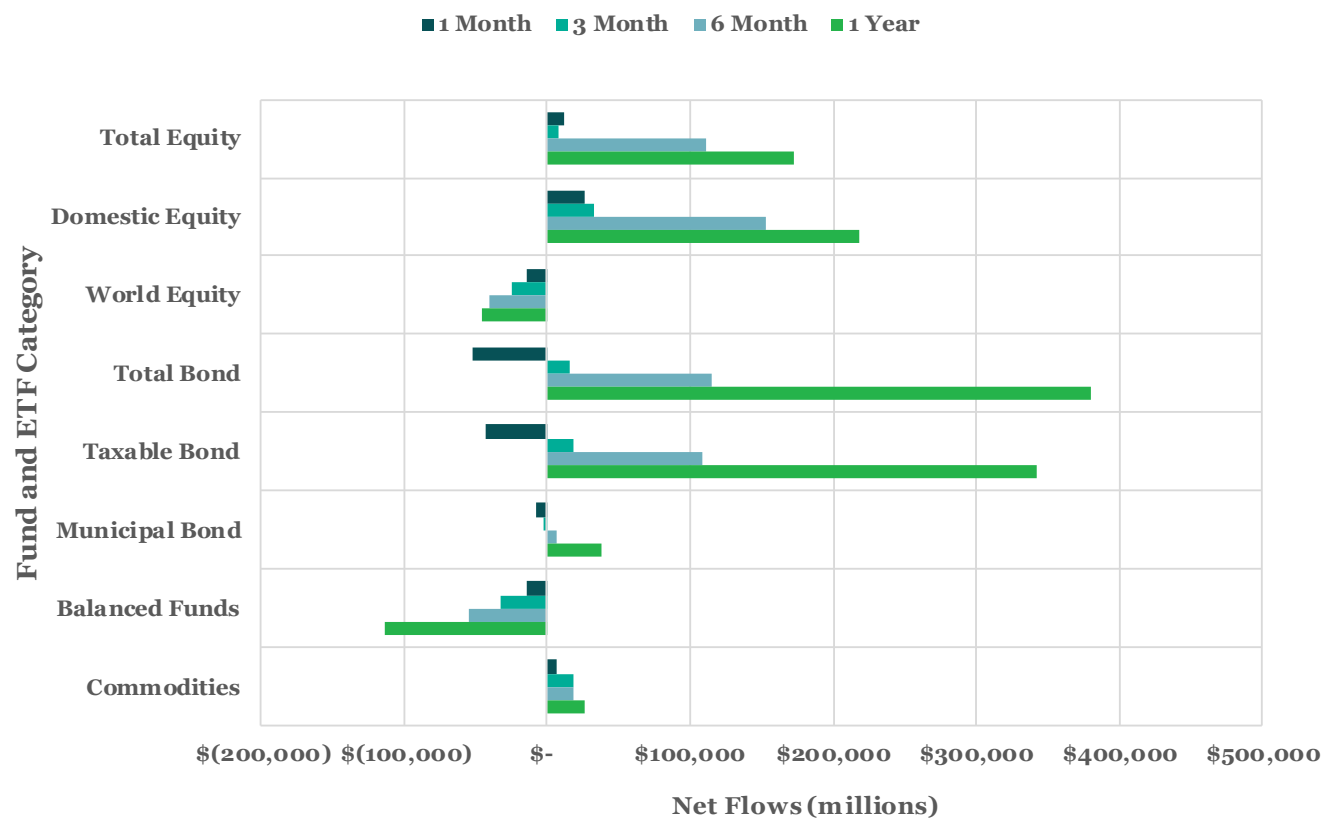
dividends have generated higher annualized returns with lower annualized standard deviation versus the broader market. Companies are typically reluctant to cut their dividends, since that can signal stress to investors. On the other hand, companies that continually increase dividends appear to bear the fruit of robust business models and cash flows.

**Takeaway:** We believe dividend growers merit a strategic allocation within the U.S. large cap portion of a portfolio. Their potential to deliver attractive risk-adjusted returns with reduced volatility makes them a compelling choice for a core allocation.

# Fund Flows

Investors continue to rebalance in to fixed income

Estimated Long-Term Mutual Fund and ETF Flows



Source: Bloomberg, Investment Company Institute as of Apr 23, 2025.

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Senior loans are subject to loan settlement risk due to the lack of established settlement standards or remedies for failure to settle. These investments are subject to credit risk and potentially limited liquidity, as well as interest rate risk, currency risk, prepayment and extension risk, and inflation risk.

Asset-backed and mortgage-backed securities are subject to additional risks such as prepayment risk, liquidity risk,

default risk and adverse economic developments. The value of convertible securities may decline in response to such factors as rising interest rates and fluctuations in the market price of the underlying securities.

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