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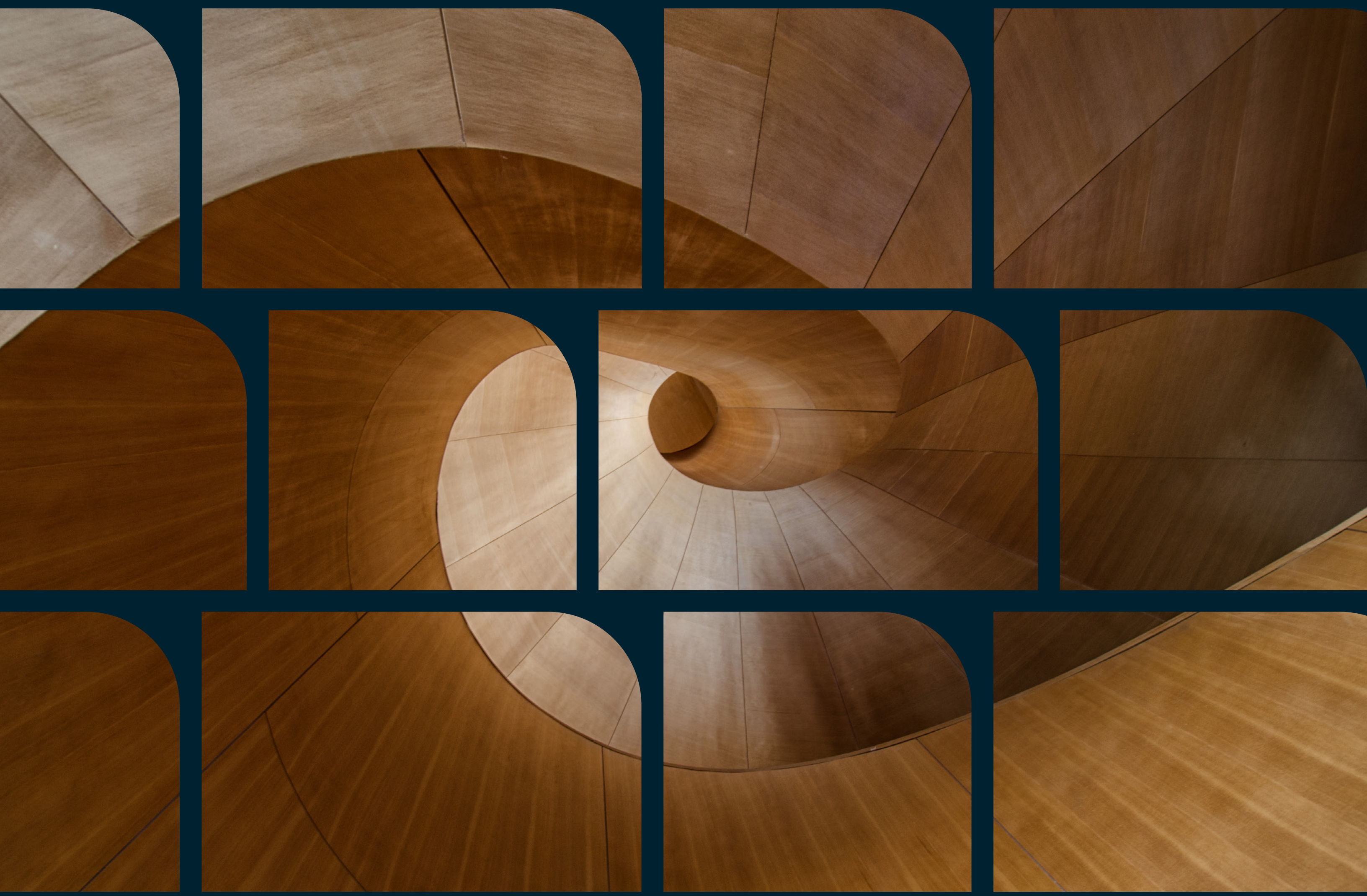
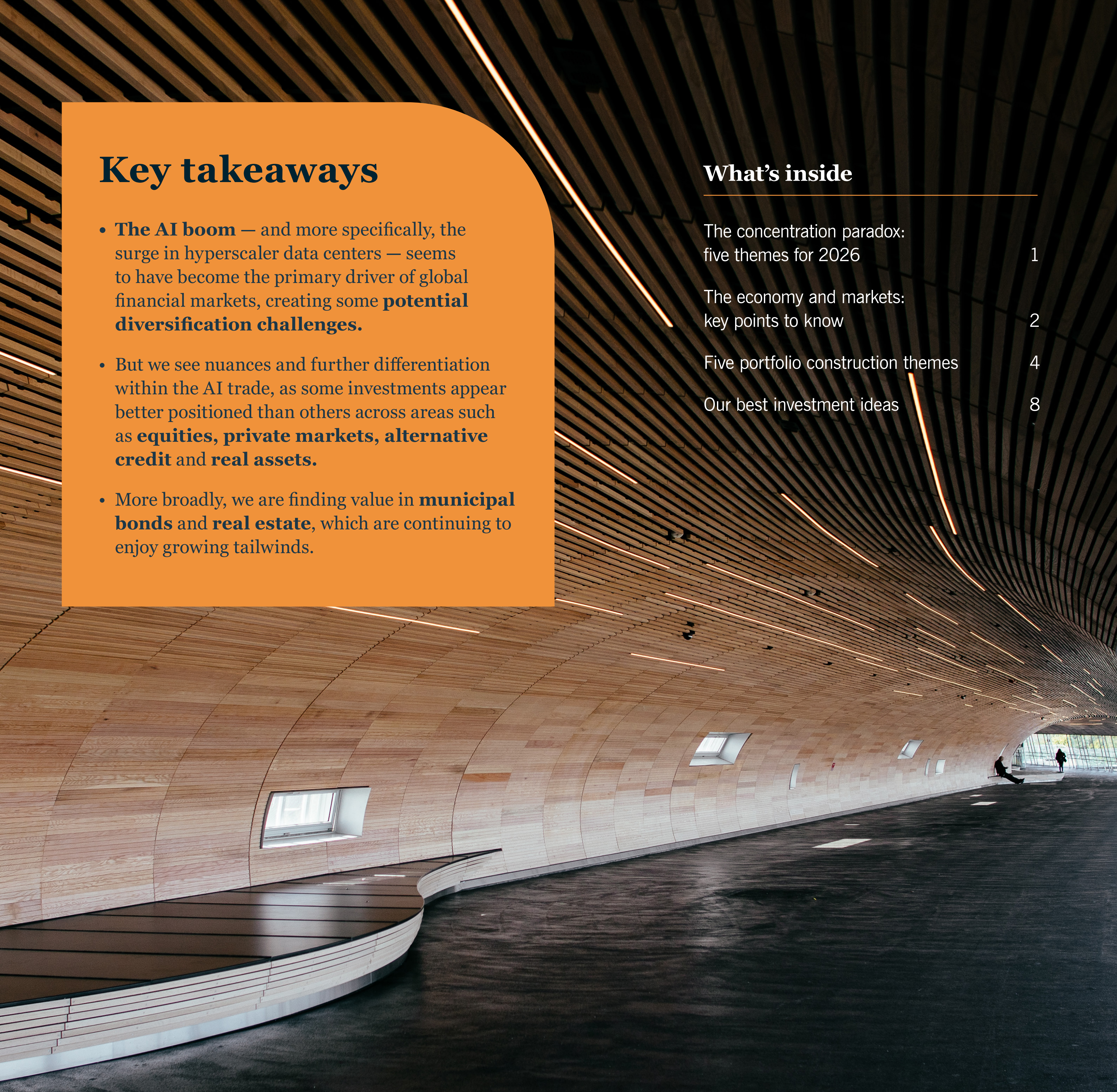
VIEWPOINTS FROM THE GLOBAL INVESTMENT COMMITTEE

MIDYEAR 2026 GIC OUTLOOK

The concentration paradox: Why fewer drivers demand a broader perspective





Key takeaways

- **The AI boom** — and more specifically, the surge in hyperscaler data centers — seems to have become the primary driver of global financial markets, creating some **potential diversification challenges.**
- But we see nuances and further differentiation within the AI trade, as some investments appear better positioned than others across areas such as **equities, private markets, alternative credit** and **real assets.**
- More broadly, we are finding value in **municipal bonds** and **real estate**, which are continuing to enjoy growing tailwinds.

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The concentration paradox: Why fewer drivers demand a broader perspective

"To focus is to ignore." — South African writer Mokokoma Mokhonoana (1985–2023)

Raise your hand if you instinctively lower the volume on your car stereo when trying to spot street signs or landmarks as you drive through unfamiliar surroundings.

You're not alone. Noise and other sensory intrusions make it harder to concentrate, and brain science confirms that quieting down to see better can be, well, a sound strategy.

Today's investment environment is noisy, too. Geopolitical gyrations, volatile short-term economic data and the incessant thrum of prediction markets all contribute to the cacophony, to the point that many investors would rather forego navigating the complex soundscape and instead feel compelled to favor a one note song — the artificial intelligence (AI) trade.

The result is concentration of a different sort: U.S. equity market leadership, earnings growth and benchmark index composition are increasingly concentrated in a small number of AI-related names. Just 28 companies in the S&P 500 Index (less than 6% of the total), including the Magnificent Seven, accounted for roughly 50% of the index's market capitalization at the start of the year, according to JPMorgan. In Q1 earnings season, which wrapped last month, year-over-year growth for the information technology sector came in at +54% — nearly double the S&P 500's overall rate — while the Mag7's +63% growth dwarfed results for the remaining 493 companies, according to FactSet. Beyond equities, AI is also a powerful force in fixed income and real assets markets, further complicating the case for diversification.

Going with the AI flow may be the path of least resistance, but unlike tuning out distractions while driving, concentrating on a single theme might not get you to your destination. The narrower the focus, the greater the likelihood that other compelling ideas will be overlooked. Limiting potential sources of diversified risk and return in this way isn't a sound strategy.

That's not to say AI no longer presents attractive investment opportunities. But the trade has become more nuanced as investors shift their gaze from which companies are spending the most on AI to which ones are actually generating a meaningful return on their investment. This distinction, along with specific tailwinds and headwinds in various AI-related subsectors and industries, is a topic we explore in our "Five portfolio construction themes."

We also discuss the broader mix of asset classes we favor beyond the well-trodden AI trail. These include alternative credit and private markets (equity, debt and real estate), where selectivity and deal structure are paramount, and which offer a degree of insulation from AI disruption and geopolitical noise. We also make the case for municipal bonds (both investment grade and high yield), a category that continues to benefit from steep yield curves and strong fundamentals.

Our updated heat map and senior investment leaders' best ideas in their respective asset classes provide further details and travel tips for broadening the scope of your portfolio horizons. May the road rise to meet you, and may you lose your concentration along the way — but only in the best sense of the word, of course.

SAIRA MALIK
Chief Investment Officer

As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

The economy and markets

Key points to know

The AI boom. Tech sector dominance has made AI spending the biggest driver of the global macroeconomic outlook. Since 2024, 64 cents of every dollar of U.S. GDP growth has been attributable to tech spending, across software and hardware. Hardware has been particularly strong, rising from nearly 2% of U.S. GDP to more than 3% — a substantial increase representing hundreds of billions of dollars annually (Figure 1). This has kept the global economy on stronger footing than it would otherwise be, and growth should continue through the coming year. Surging chip demand has also pushed certain inflation categories higher, with the software and accessories subindex in the U.S. rising at an annualized pace of around 50% so far this year, per Bloomberg.

Oil overhang. The global economy continues to grapple with persistently elevated oil prices. Though prices have retreated from their conflict-driven highs, we expect them to remain higher for longer. This reflects: a) continued uncertainty about the ongoing conflicts in the Middle East, b) renewed concern over how quickly affected producers can restart, and c) a relatively slow ramp-up in production elsewhere, including in the U.S. Headline inflation has already moved sharply higher across most major economies. As the lagged impact of higher energy prices filters through to broader prices, core inflation will remain pressured in the coming quarters.

Resilient consumer. Inflationary headwinds are putting the U.S. and global consumer under increasing strain. Nominal spending remains firm, but much of that strength reflects higher inflation rather than stronger fundamentals. With labor markets loosening and wage inflation slowing, rising inflation is now compressing real income growth. In the near term, consumers will likely look through the volatility and maintain spending. The U.S. outlook should remain positive if the labor market stabilizes around current levels, as we expect. But a further rise in oil prices would likely weigh more meaningfully on spending, with energy-exposed economies in Europe and Asia most at risk.

Broad, but not universal, shift toward tightening. With growth supported by AI spending and a still-resilient consumer, most major central banks have refocused on price stability in the face of a global energy shock. Both the European Central Bank and Bank of Japan have hiked rates this year to address upside inflation risks. The U.S. economy is somewhat more insulated, but we have adjusted our outlook to reflect higher near-term inflation. We now anticipate a longer policy pause through the end of 2026, with the Fed likely cutting rates again in early 2027 as disinflationary forces re-emerge.

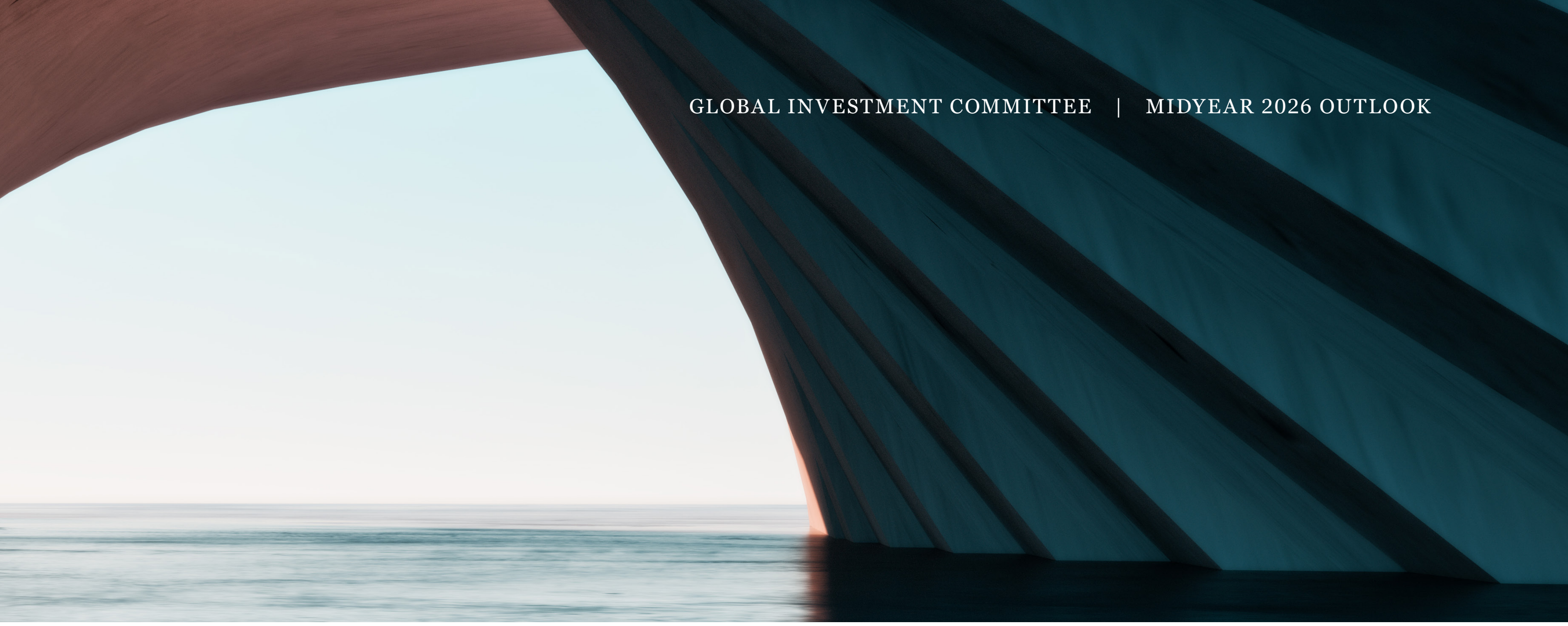
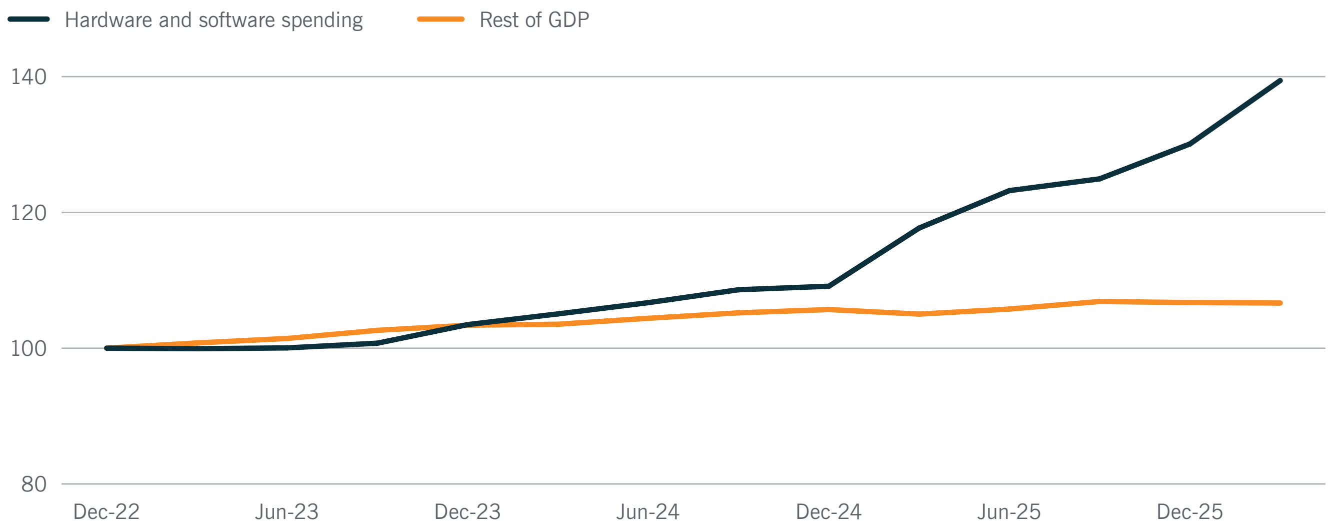
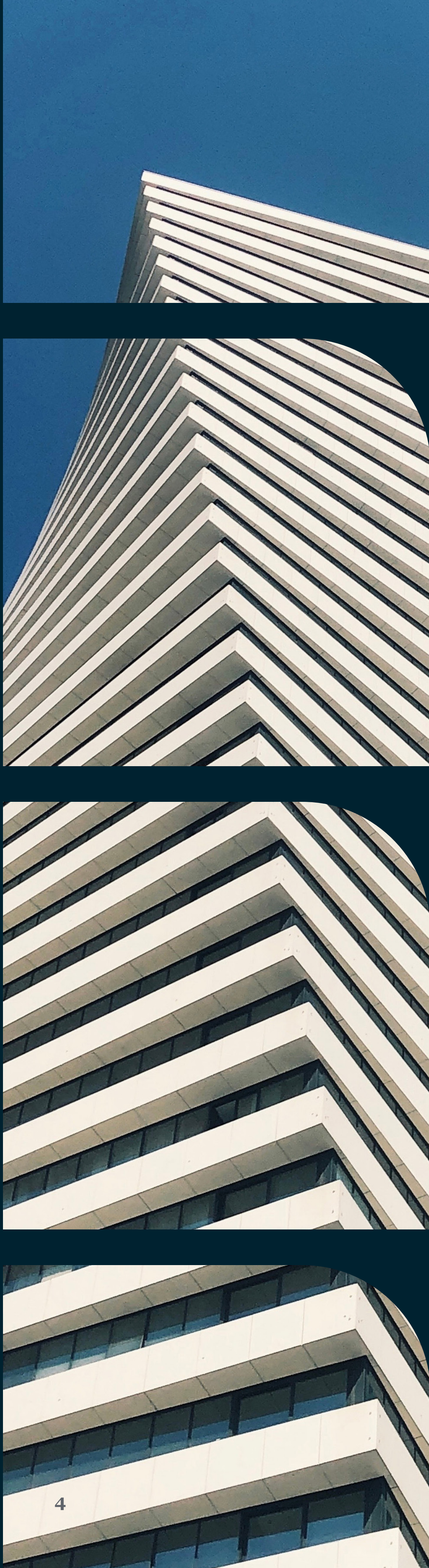


Figure 1: Tech spending has dominated U.S. GDP growth
U.S. GDP since year-end 2022



Data source: Bloomberg, L.P., 31 Dec 2022 – 31 Mar 2026. GDP is indexed to 100 as of 31 Dec 2022.



Portfolio construction themes

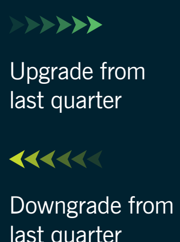
While investors grapple with high energy prices, uneven economic growth and a shifting inflation and interest rate environment, one factor has come to dominate financial markets: the AI boom — and more specifically, the surge in hyperscaler data centers.

This growth is most visible in public equities, but has also been a driving force in credit issuance, real estate trends and infrastructure and real assets more broadly. The result is meaningful concentration risk, with many investors concerned that a faltering AI boom and/or a broader social pushback on AI trends could trigger a widespread and interconnected global market downturn.

This is the **concentration paradox:** How might investors continue to capitalize on the benefits of AI while also building broader diversification? To help address this question, we offer **five portfolio construction themes** along with our **best investment ideas** across asset classes — exploring differentiated areas of financial markets, identifying undervalued or recovering sectors and highlighting potentially overlooked opportunities.

Asset class “heat map”

Our cross-asset class views indicate where we see the best relative opportunities within global financial markets. These are not intended to represent a specific portfolio, but rather to answer the question: “What are our highest conviction views when it comes to putting new money to work?” These views assume a U.S. dollar-based investor seeking long-term growth and represent a one-year time horizon.



The views above are for informational purposes only, and compare the relative merits of each asset class based on the collective assessment of Nuveen’s Global Investment Committee. They do not reflect the experience of any Nuveen product or service. Upgrades and downgrades reflect quarterly shifts in these views.

Five themes for 2026

1

From AI boom to AI disruption: The opportunity is in knowing the difference

The surge in AI-related capital expenditures has been a massive market driver, but it is important to remember that capital deployment on its own is a means to an end, not a guarantee of success (Figure 2). The AI boom is evolving into something broader, where some investments will benefit from powerful tailwinds while others face meaningful headwinds. In the latter category, we would include certain equity and debt investments tied to software-related and IT services sectors, where valuations are stretched and defaults are elevated. Risks are also mounting for companies that cannot demonstrate a credible path to monetizing AI. Increased spending on AI infrastructure puts pressure on margins and returns on invested capital if that spending doesn't translate into meaningful revenue growth.

In contrast, we see a number of potential winners. Companies with proprietary data advantages and those able to deliver customized client solutions should be better positioned to navigate AI disruption. We also see opportunity in infrastructure investments such as utilities, battery storage and energy transmission, as well as in asset-backed securities, real estate and municipal bonds tied to infrastructure buildouts.

Regarding direct investments in hyperscalers, we prefer a focus on facilities that rely more on sustainable power, avoid water stress issues and are meaningfully engaged in community feedback — all factors associated with longevity and profitability.

2

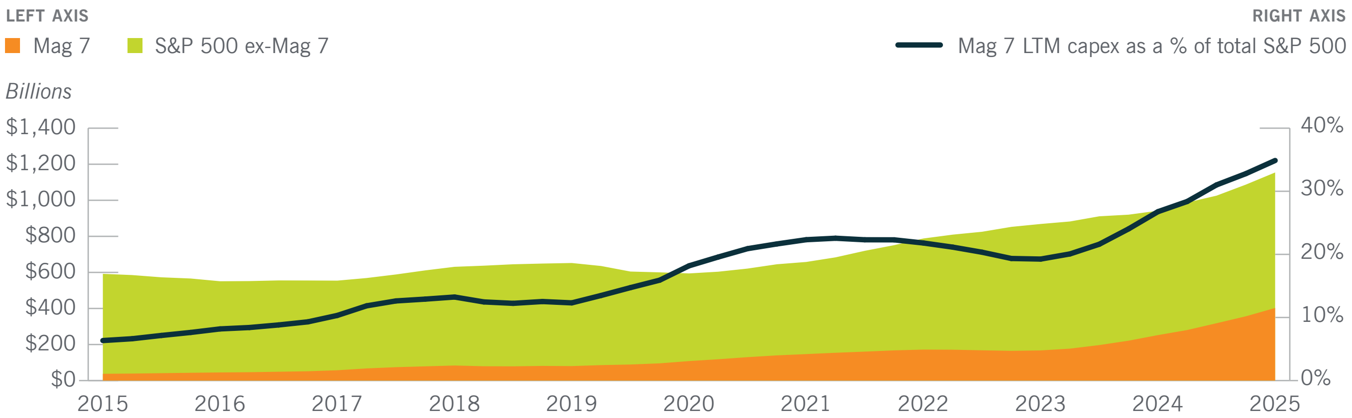
Don't bet against the U.S. in a bid for diversification

U.S. dominance in AI growth has left some investors feeling unintentionally overweight U.S. assets. While we certainly encourage regular portfolio rebalancing to align with long-term asset allocation goals, we also believe some investors may be moving too far away from compelling U.S.-centered opportunities.

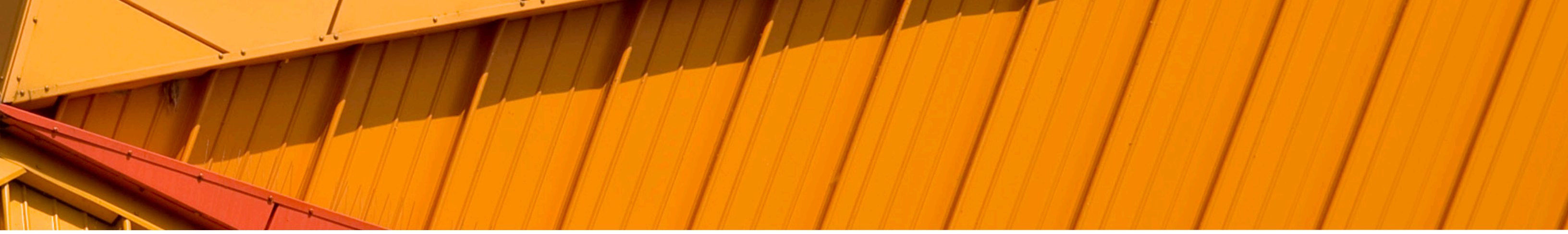
The U.S. investment case remains strong given high productivity, solid corporate earnings growth, investor-friendly tax and regulatory conditions and relatively robust economic growth. U.S. large cap valuations are elevated, but we believe investors will continue to reward properly-deployed AI-related capital spending. Beyond equities, areas such as preferred securities, senior loans, real estate, middle-market direct lending, Commercial Property Assessed Clean Energy (C-PACE) lending and infrastructure debt all appear compelling.

Figure 2: Surging AI capex is a means, not an end

Magnificent 7 capex versus the S&P 500



Data source: Strategas, FactSet, 31 Dec 2015 – 31 Dec 2025. The **Magnificent 7** companies refer to Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta Platforms and Tesla. **LTM capex** refers to aggregate capital expenditures reported over the previous 12 months. For illustrative purposes only. References to specific company stocks should not be construed as recommendations or investment advice.



3

Alternative credit and private markets remain core — but selectivity and structure matter more than ever

Increasing headline noise suggests we may be in the midst of a private credit bubble, or that poorly structured deals could trigger broader financial contagion. We agree risky segments exist and that some transactions have been structured with excess leverage or weak cash flows. But that only reinforces the critical importance of deal structure, manager selection, proper covenants and careful selectivity. We anticipate dispersion in manager performance will drive future success in fundraising.

We continue to see ample opportunity in core U.S. and European middle-market direct lending. The software sector remains in flux, but we see no signs of middle-market systemic risk. We also see opportunities to diversify away from AI-centered investments by focusing on “old economy” businesses — such as distribution, waste and stormwater management, commercial landscaping and pest control. On the investment grade side of private credit, rising energy demand creates opportunities through utility operating companies, new power plants and expanding transmission infrastructure. And we also see opportunities in other alternative credit segments, including senior loans, collateralized loan obligations, real estate and infrastructure debt and C-PACE financing.

For private equity, similar concerns apply in the software sector, but other areas of opportunity exist. We are wary toward fund managers who appear to be targeting stretched valuations without corresponding growth prospects. Here too, selectivity and rigorous scrutiny of potential deal partners are essential. Within private equity, we see the best opportunities in the equity secondary market with a focus on single-asset opportunities.

4

Municipals continue to offer compelling, durable opportunity

Six months in, this theme remains firmly on track. Municipal bonds have outperformed the broader fixed income market this year, and credit spreads have tightened — suggesting room for further upside. In our view, demand remains robust, yields are relatively high and fundamentals are strong, with state and local government finances looking healthy. Municipal yield curves are steeper than Treasuries, making this one area where taking on some duration risk makes sense. We see compelling opportunities across both high grade and high yield municipals.

5

The private real estate rebound is just getting started

2025 marked the beginning of a trend toward contracting real estate supply and rising values. Those trends have taken firmer hold, and demand and transaction activity are accelerating as investors recognize growing opportunity sets. As detailed in our real estate outlook, we are primarily focused on sectors that benefit from supply constraints — such as medical office and senior housing — as well as more defensive areas like grocery-anchored retail. We also see select opportunities in retail and housing markets where demand is growing.

Our best investment ideas

EQUITIES
Willis Tsai

Best ideas: Dividend-growing stocks look compelling alongside second-order AI beneficiaries. This segment offers strong free cash flow, balance sheet discipline and stable earnings growth — qualities increasingly valuable in a more volatile market.

Investment positioning

- Market leadership has narrowed, with global equities still driven disproportionately by the AI investment cycle. AI remains a powerful structural tailwind, but the market is becoming more discerning about where spending translates into durable shareholder value.
- In this environment, we favor a global, flexible approach emphasizing high-quality companies, durable cash flow and resilient earnings. We continue to favor U.S. large caps given their scale, liquidity and innovation leadership across the core AI ecosystem, while recognizing that selectivity now matters more than simple benchmark exposure.
- We have grown less enthusiastic on U.S. small caps. While the full-cycle opportunity remains attractive, elevated financing costs, tighter liquidity and greater macro sensitivity leave smaller companies with less room for error relative to large caps.
- We remain neutral on non-U.S. developed and emerging markets broadly, but see both as increasingly fertile ground for selective opportunity. In developed markets, we find attractive businesses in banks, defense and select industrials. In emerging markets, we are constructive where AI-linked supply chain exposure, improving governance or favorable domestic fundamentals create a differentiated earnings path.
- Even with AI dominance, we see meaningful ways to diversify by favoring second-order beneficiaries — electrification, industrials, robotics and select software and networking businesses — where demand is improving but expectations are less extreme. The next phase of the AI cycle is likely to reward breadth of application and monetization discipline, not just participation in the initial infrastructure buildout.

FIXED INCOME
Anders Persson

Best ideas: Preferred securities should benefit from strong fundamentals and limited new issuance. Senior loans offer attractive yields and good relative value. In municipal bonds, we favor select opportunities in health care and higher education and see value in the 16-to-21 year maturity range.

Investment positioning

- We believe that U.S. Treasuries continue to offer poor relative value given the wide range of alternatives across global fixed income markets. With prospects for rate cuts repeatedly pushed back and long-term rates expected to remain range-bound, we advocate maintaining neutral duration and employing a barbell approach to credit risk.
- Across credit sectors, we generally favor higher-quality segments, while also seeking to preserve income in "plus" fixed income areas such as preferreds and senior loans. Preferreds offer attractive yields relative to other areas of the market, and fundamentals and technicals remain supportive. Senior loans should benefit as short-term rates stay relatively elevated, though lower-quality segments face risk from higher debt servicing costs — making bottom-up analysis and careful attention to underwriting standards essential.
- That same analytical discipline applies to both investment grade and below investment grade private credit. We continue to monitor private credit markets for signs of stress while also identifying ongoing opportunities. Recent negative headlines and isolated credit events underscore the importance of selectivity, focused on deal structure and strong covenants.
- Elsewhere, investment grade public credit faces potential headwinds from tight credit spreads and extended duration. High yield fundamentals remain solid, and emerging markets debt looks compelling, given strong demand, relatively low default rates and attractive yields.
- As discussed in our portfolio construction themes, municipal bonds stand out as one of our most favored sectors across global fixed income, supported by strong fundamentals and robust demand.

REAL ESTATE

Chad Phillips

Best ideas: *Across both private and public real estate, we are focused on sectors with compelling income and supply/demand characteristics, including senior housing, medical office and data centers.*

Investment positioning

- As outlined in our investment themes, we remain bullish on the ongoing private real estate recovery. On balance, we prefer more defensive areas of the market and believe a focus on income generation and income resilience makes sense — though we anticipate greater capital appreciation across real estate sectors in the coming quarters.
- One minor shift from previous quarters involves the real estate equity vs. debt debate. At the margins we had expected the pendulum to swing toward equity investments, but that has not materialized en masse. At present, a combination of still-elevated interest rates, better relative return prospects and our focus on defensive positioning lead us to modestly favor real estate debt.
- From a sector perspective, we favor resilient segments such as health care — specifically outpatient medical and senior housing in the U.S., which benefit from limited new supply, demographic tailwinds and solid fundamentals — and grocery-anchored retail, which have been delivering strong returns. The retail thesis is strongest in the U.S., but we see opportunities in Europe and Asia as well.
- Other areas of opportunity include self storage and affordable housing in the U.S. and student housing in Europe and Australia — all of which benefit from solid demand dynamics.
- For public REITs, we view net asset values as fairly valued. This remains a stock-pickers' market, with our current focus on senior housing, data centers and industrial real estate.

INFRASTRUCTURE & REAL ASSETS

Jessica Bailey

Best ideas: *In public markets, we are focused on electric utilities delivering accelerating earnings growth. In private markets, we favor investments such as clean energy generation, energy storage and data centers.*

Investment positioning

- The growth of AI, surging energy demand and the rapid expansion of data center construction are all significant tailwinds for infrastructure investments across equity and debt, in both public and private markets. Infrastructure and real assets also offer strong fundamentals, robust demand, meaningful resilience and inflation-hedging potential given the essential-service nature of much of the underlying assets.
- We continue to see ample opportunities in equity investments, particularly in public markets where listed infrastructure is trading at a discount to the broader equity market. In private markets, we have a moderate preference for infrastructure debt given relative valuations.
- On the equity side, we are focused on transportation, power transmission, regulated utilities and sustainable hyperscaler data center platforms. Our debt themes are similar, spanning diverse energy and power infrastructure including natural gas turbine financing, solar development and energy efficiency investments. We also see structural opportunities in the growth of non-bank capital given the demand for flexible financing, such as delayed-draw and covenant packages tailored to specific asset cash flows that traditional banks cannot provide.
- We are also seeing solid demand growth for Commercial Property Assessed Clean Energy (C-PACE) financing, which offers attractive yields and long-dated amortization that provides predictability and potential resilience to interest rate volatility.
- Farmland remains a compelling long-term allocation for differentiated return potential and inflation hedging. However, row crop margins continue to moderate, particularly in the U.S., and remain below the elevated levels of prior years.

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets. Quarterly meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications.

For more information, please visit nuveen.com.

Endnotes

All market and economic data from Bloomberg, FactSet and Morningstar.

Performance data shown represents past performance and does not predict or guarantee future results. Investing involves risk; principal loss is possible.

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Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example.

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