

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Stocking up on defensive positioning

Bottom line up top

An end to the hiking cycle? In sight. Financial conditions?

Still tight. One of the biggest surprises of 2023 has been the resilience of U.S. equities. From their bottom in October 2022 until the July 2023 peak, the S&P 500 Index recovered a whopping 28%. Even after a down third quarter, the index today stands nearly 20% above its 2022 trough, having weathered a fresh burst of headwinds this year — including a regional banking crisis and a Fed that continues to insist that tight makes right. And investors continue to fret about improving economic data, fearing it will prolong restrictive monetary policy and ultimately result in a more severe recession down the road. We expect this reactionary market behavior to continue. Just last week, equity markets recoiled and U.S. Treasury yields jumped in part on news that retail sales grew for the sixth consecutive month. That said, the healthy consumer landscape is beginning to show some fault lines, such as rising credit card delinquencies (Figure 1).

Equity investors worried about macro tremors have options for seeking steadier ground. Higher-for-longer rates and sticky inflation aren't the only reasons investors may feel compelled to shun risk assets these days, with geopolitical tensions and hostilities reaching new heights and a U.S. election on the horizon. As always, we advise against market timing and maintain our mantra, "stay invested." Of course, staying invested isn't the same thing as standing still. Equity market participants have opportunities to adjust allocation positions to seek to mitigate volatility, generate income and — perhaps most importantly — capture potential returns that a recovering market may provide.



Saira Malik, CFA
Chief Investment Officer

On behalf of Nuveen's Global Investment Committee

As Nuveen's CIO 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 chairs Nuveen's Equities Investment Council and is a portfolio manager for several key investment strategies.

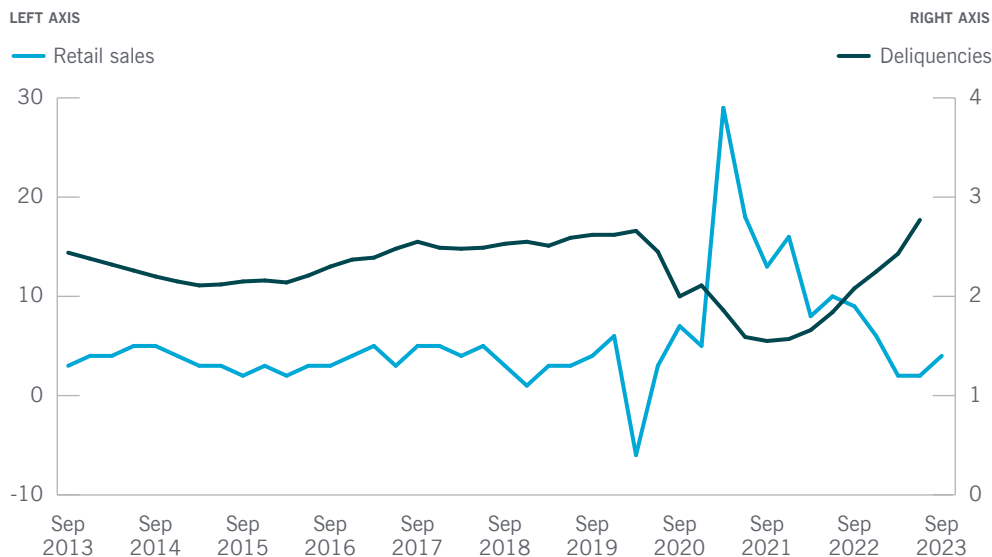
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Staying invested doesn't mean the same thing as standing still.

FIGURE 1: THE CONSUMER SECTOR REMAINS STRONG, BUT IS SHOWING SOME CRACKS

U.S. year-over-year retail sales growth and credit card delinquency rates (%)



Data source: Bloomberg, L.P. as of 30 Sep, 2023. Monthly readings for retail sales; quarterly readings for delinquencies (as of 30 Jun, 2023, most recent available).

Portfolio considerations

Global equity markets have produced healthy returns across most regions year-to-date, with particularly strong results in the first half of 2023. Given the risks of a global economic slowdown and concerns around consumer balance sheets, we believe a defensive equity allocation — designed to withstand still-elevated inflation, interest rates and market volatility — may serve investors well. Such a posture would focus on high quality, cash flow generation and dividend growth.

U.S. dividend growers are supported by positive fundamentals, sustainable growth potential, sound balance sheets and ample free cash flows, which together enhance their capital flexibility to return more cash to shareholders via increasing dividend payments. This income may help investors mitigate the impact of inflation and higher-for-longer rates on their portfolios. Additionally, dividend growing companies have historically demonstrated resilience amid heightened volatility and market drawdowns, as well as during periods following Fed rate-hiking cycles.

Additionally, we believe the **global infrastructure** sector benefits from consistent demand for the basic necessary services these companies provide, offering a possible buffer during an economic slowdown. This part of the equity market tends to be relatively well-insulated from higher debt costs (i.e., interest rates) and persistent inflation, thanks to inflation escalators built into underlying contracts.

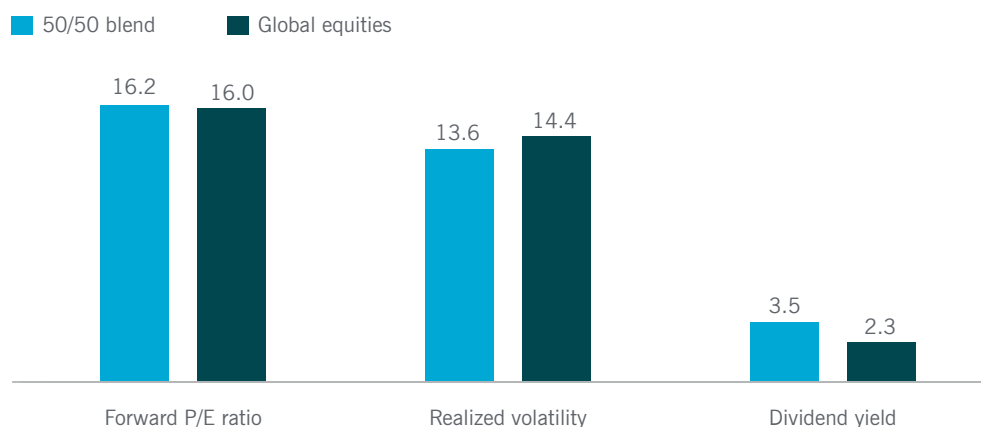
OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Dividend-growing and global infrastructure companies could represent a sweet spot for equities amid economic uncertainty.

We compared a 50/50 blended portfolio of dividend growth and global infrastructure stocks to the broader global equity market (Figure 2). While the portfolios offer similar valuations (forward P/E ratios), the 50/50 blend offers a sizable current dividend yield advantage (3.5% vs 2.3%) and has been less volatile over the past decade. For investors focused on risks to the macroeconomic environment and who are looking to potentially temper the effects of volatility while still generating income in their equity allocations, we believe a tilt toward dividend growers and global infrastructure could be a compelling approach.

FIGURE 2: INFRASTRUCTURE AND DIVIDEND GROWING EQUITIES APPEAR ATTRACTIVE

50/50 blend of infrastructure and dividend growers vs. broad equities market (%)



Data sources: Bloomberg L.P., as of 16 Oct, 2023. Performance data shown represents past performance and does not predict or guarantee future results. Realized volatility is calculated using monthly returns from May 2013 to September 2023. Representative indexes: global infrastructure: S&P Global Infrastructure Total Return Index; dividend growers: WisdomTree US Quality Dividend Growth Index; global equities: MSCI ACWI Total Return Index. (May 2013 is the common inception date of the two indexes used for the 50/50 blended portfolio.)

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.

Regular 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

Sources

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

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professionals.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain “forward-looking” information that is not purely historical in nature.

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

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investing involves risk. Investments are also subject to political, currency and regulatory risks. These risks may be magnified in emerging markets. A focus on dividend-paying securities presents the risks of greater exposure to certain economic sectors rather than the broad equity market, sector or concentration risk. Concentration in infrastructure-related securities involves sector risk and concentration risk, particularly greater exposure to adverse economic, regulatory, political, legal, liquidity, and tax risks associated with MLPs and REITs.

Nuveen, LLC provides investment services through its investment specialists.

This information does not constitute investment research as defined under MiFID.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

845686

GWP-3186480CG-E1023P