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Separately Managed Accounts

Global Fixed Income

Investment Grade Corporate

Marketing communication | As of 31 Mar 2025

- **The Investment Grade Corporate strategy underperformed on a gross and net of fees basis.**
- **Duration positioning was the primary detractor from performance.**
- **Security selection was the primary contributor to performance.**

Market review

Economic activity remained strong in the first quarter but showed more signs of a potential slowdown ahead. As the quarter progressed, uncertainty surrounding pending U.S. tariffs caused increasing angst as countries and investors wrestled with the wide range of possible policy outcomes and disparate economic impacts. Depending on the magnitude, breadth and duration of tariffs, the drag on growth could range from 0% to 2% or more of gross domestic product (GDP), with a move of similar scope to inflation in the opposite direction. This uncertainty affected surveys of U.S. consumer and business sentiment, which softened in March, while consumer inflation expectations moved higher. Nevertheless, actual data regarding U.S. job creation, personal income, retail sales and industrial production remained resilient during the quarter.

The Federal Reserve (Fed) kept rates unchanged throughout the quarter as policymakers paused to assess the impact of the Trump administration's aggressive economic agenda. Following their March meeting, policymakers lowered their growth outlook and raised inflation forecasts, while reiterating the likelihood of two 25-basis-point rate cuts in 2025. Other global central banks, including the European Central Bank (ECB), Bank of England (BoE) and Bank of Canada, cut rates during the quarter, while the Bank of Japan (BoJ) hiked rates in January to their highest level since 2008. U.S. Treasury yields trended downward over the quarter and the yield curve slightly steepened. The 10-year Treasury yield ended the quarter 35 basis points lower at 4.23%, reversing about half of the fourth quarter's rise.

In the investment grade corporate sector, spreads narrowed to 77 basis points in the first half of the period but then widened to 94 basis points by quarter-end as still-elevated inflation, increasing tariff and growth concerns, and weakening survey-based economic data sparked a broader risk-off tone. A busier-than-expected final week of March lifted new issue volume to $534 billion for the first quarter, roughly one-third of this year's expected total issuance and on pace with the record-setting first quarter of 2024. Despite this heavy supply, demand for investment grade remained steady with all-in yields remaining attractive at 5.15%, supported by low historical default rates. Investment grade corporates ended the quarter with a total return of 2.31%, underperforming Treasuries. (Source: Bloomberg corporate index returns except where noted.)

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Investment Grade Corporate

Portfolio review

The Investment Grade Corporate strategy underperformed its benchmark, the Bloomberg U.S. Intermediate Investment Grade Corporate Index, on a gross and net of fees basis.

The strategy's duration underweight was the largest detractor to performance as Treasury yields fell over the quarter. The strategy's up-in-quality positioning contributed positively to performance. Most of the accounts in the composite do not have exposure to BBB rated securities, which comprises ~48% of the index and underperformed vs. A's and AA's over the quarter. At the index level, BBB rated corporates returned 2.22%, while A returned 2.34%, AA -2.24% and AAA 1.95%. The strategy's slight underweight to the consumer cyclicals sector contributed positively to performance, while its allocation in consumer non-cyclicals hurt performance. The strategy saw positive security selection from energy, insurance and banking, while selection was negative in communications and consumer non-cyclicals.

Over the course of the quarter, we extended duration within a Disney exposure while also reinvesting maturities and cash into Wells Fargo and AbbVie.

Heavy supply of corporate bond issuance continued in the first quarter, keeping pace with last year's record-setting pace. Soft economic data continued to weaken, though it hasn't yet been followed by similar weakness in the hard data. While yields declined over the quarter, spreads widened on the back of policy uncertainty and growth concerns. Plenty of warning signs suggest spreads may move wider still as consumer weakness, delayed investment from policy uncertainty, stickier inflation and a weaker macro environment move to the forefront of the market's concerns. Volatility will likely persist as long as policy uncertainty remains.

We continue to favor positioning that emphasizes higher credit quality and liquidity. We prefer defensive sectors such as utilities and consumer non-cyclicals because they generate consistent cash flows, even during periods of economic uncertainty. We also prefer U.S. money center banks as they remain well-capitalized. Conversely, we intend to maintain the strategy's underweight to economically sensitive sectors such as basic industry and transportation.

Investment Grade Corporate

For more information contact: 800.752.8700 or visit nuveen.com

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Debt or fixed income securities are subject to credit risk and interest rates risk. The value of and income generated by debt securities will decrease or increase based on changes in market interest rates. Credit risk refers to an issuer's ability to make interest and principal payments when due.

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Glossary

The **Bloomberg U.S. Intermediate Investment Grade Corporate Index** is a broad based benchmark that measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity. **It is not possible to invest directly in an index.** Clients should consult their financial professional regarding unknown financial terms and concepts.

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