Intermediate Government/Credit

Marketing communication | As of 30 Sep 2025

- **During the third quarter, the Intermediate Government/Credit strategy performed in line with its benchmark, the Bloomberg Intermediate U.S. Government/Credit Index.**
- **The strategy's overweight in the investment grade corporate sector contributed the most to performance.**
- **The strategy's security selection within the corporate bond sector detracted the most from performance.**

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Market review

While uncertainty continued to overhang the markets during the third quarter, worst-case scenario fears regarding the impact of tariffs on economic growth and inflation were avoided. The U.S. economy continued to steadily slow, and the labor market softened, but overall growth continued to hold up well. Real consumption accelerated to above a 2% annualized pace, despite a sharp slowdown in job creation. The unemployment rate ticked up to a new cyclical high of 4.3% in August, while other measures of labor market slack pointed to more stability. However, the partial government shutdown prevented the Bureau of Labor Statistics from releasing September's jobs report on the first Friday of October. Inflation increased as the impact from tariffs steadily fed through to consumer prices, while leading indicators pointed to further upside ahead. Core personal consumption expenditures (PCE) inflation increased to 2.9% year-on-year, up from its recent low of 2.6% in April.

After holding rates steady at its July meeting, the Federal Reserve (Fed) cut rates for the first time this year in September, bringing the target federal funds rate to a range of 4.00%-4.25%. While the Fed's updated economic projections in September showed few changes, the heavily scrutinized dot plot indicated two more rate cuts this year and one in 2026. The Bank of England (BOE) also cut rates once by 25 basis points in August, while the European Central Bank (ECB) and Bank of Japan (BoJ) held policy steady throughout the quarter.

U.S. Treasury rates declined across the yield curve, with the 10-year Treasury yield ending eight basis points lower at 4.16%. Shorter rates fell more due to expectations for further cuts, while the long end remained pressured by concerns over long-term inflation and fiscal deficits, resulting in a steeper yield curve. Lower rates and tightening credit spreads fueled positive returns across fixed income asset classes with spread sectors broadly outperforming Treasuries.

The investment grade corporate sector remained quite stable during the third quarter, buoyed by strong technical factors and still-attractive yields. Spreads remained in a narrow range throughout the quarter, hitting a 25-year tight of 72 basis points in late September before ending the quarter at 74 basis points. Yields jumped approximately

20 basis points at the quarter's outset before beginning a steady decline to the year's low of 4.70% in mid-September, ending the quarter at 4.81%. Issuance slowed toward the end of August but surged in a record September, with more than $200 billion of total gross issuance that month. Year to date, new-issue volume has continued to surpass 2024's pace with issuance in the sector now standing at $1.3 trillion. The broader investment grade corporate segment outperformed Treasuries, ending the quarter with a total return of 2.60% (Bloomberg U.S. Corporate Bond Index). Continuing the theme from last quarter, BBB rated bonds outperformed higher-quality credits within the index. The strategy's benchmark, the Bloomberg Intermediate U.S. Government/Credit Index, returned 1.51% during the quarter.

Portfolio review

During the quarter, the Intermediate Government/Credit strategy outperformed its benchmark, the Bloomberg Intermediate U.S. Government/Credit Index, on a gross of fees basis but underperformed on a net of fees basis.

The primary contributor to performance was the strategy's overweight allocation in investment grade corporate bonds as the segment outperformed Treasuries. The strategy also benefited from its overweight allocation in the bank sector. Additionally, the strategy's duration and yield curve positioning contributed positively to performance. Duration was slightly longer than the benchmark, particularly within Treasuries, which was beneficial as rates declined during the quarter.

The primary detractor from performance was security selection within the corporate bond sector, which was offset slightly by positive security selection within U.S. Treasuries. The strategy also experienced a headwind from its higher credit quality bias within corporates. Most of the accounts in the composite do not have exposure to BBB rated securities, which comprise a significant part of the index and outperformed A, AA and AAA rated securities during the quarter. Therefore, the lack of exposure to BBB rated securities in most accounts detracted from performance. In the Bloomberg U.S. Intermediate Investment Grade Corporate Index, BBB rated corporates returned 2.17%, while As returned 1.96%, AAs 1.63% and AAAs 1.61%.

During the quarter, we extended duration in the corporate portion of the portfolio by purchasing a Morgan Stanley bond. Within the government portion of the portfolio, we shortened duration by purchasing two-year Treasuries in July.

Outlook

With the holiday season approaching and issuance winding down as we move into November and December, we think spreads can remain firm even in the face of macro uncertainty. We expect the uptick in merger and acquisition activity to continue to gain momentum as rating agencies give corporates plenty of leeway to lever up balance sheets for large or transformative deals.

In the corporate bond portfolio, 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.

In the government portion of the portfolio, we are maintaining a modestly short duration versus the benchmark. We will wait for a backup in yields before lengthening duration. This portion of the portfolio also no longer owns any government-sponsored enterprise (GSE) bonds.

Intermediate Government/Credit

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is $250,000.

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. Fixed income investments emphasize U.S. government agency debt securities. Debt or fixed income securities are subject to credit risk and interest rate 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 Government Index** measures the non-securitized component of the U.S. Aggregate Index with maturities of 1 to 9.999 years. 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 U.S. dollar-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. The **Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. **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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