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Separately Managed Accounts

Global Fixed Income

Intermediate Government

Marketing communication | As of 30 Sep 2025

- **During the third quarter, the Intermediate Government strategy performed in line with its benchmark, the Bloomberg U.S. Intermediate Government Index.**
- **Duration and yield curve positioning contributed to performance.**
- **The strategy had no meaningful detractors during the quarter.**

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 also cut rates once by 25 basis points in August, while the European Central Bank (ECB) and Bank of Japan 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 outperforming Treasuries. The strategy's benchmark, the Bloomberg U.S. Intermediate Government Index, returned 1.26% during the quarter.

Chad W. Kemper
Portfolio manager

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Portfolio Manager, Head of Custom Taxable Fixed Income SMA Team

Intermediate Government

Portfolio review

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

Both duration and yield curve positioning contributed to performance relative to the benchmark. The strategy was overweight duration versus the benchmark for much of the quarter, which benefited performance as interest rates declined.

During the quarter, we extended the strategy's duration by purchasing five-year Treasuries in July.

Outlook

We have increased our 2025 forecasts for U.S. real GDP growth and core PCE inflation to 1.5% and 3.2%, respectively, largely reflecting the slower pass-through of tariffs to the broader economy than previously expected. To date, the boost to inflation has been slightly lower than feared, which has accordingly weighed less on consumer spending. We still expect tariff-induced costs to ultimately pass through almost completely to consumer prices; therefore, our outlook for 2026 remains largely unchanged.

We expect the Fed to continue lowering interest rates but at a slower pace. We forecast one more 25 basis point cut this year and two cuts next year, although the potential remains for one of the 2026 cuts to get pulled forward into 2025. We expect the ECB to remain on hold for the rest of this year. Fiscal policy is turning more supportive in both economies, which will likely reduce the pressure on central banks to cut rates beyond our current expectations in 2026. In China, policymakers are likely to continue with their fiscal policy support, although substantial monetary easing is unlikely. We expect U.S. Treasury yields to stay rangebound during the fourth quarter but anticipate eventual steepening of the yield curve from current levels.

Going forward, we are maintaining a modestly short duration profile versus the benchmark. We will wait for a backup in yields before lengthening duration. In terms of yield curve positioning, we are overweighting the five-year segment of the curve in the strategy. The portfolio no longer owns any government agencies.

Intermediate Government

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. **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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