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Separately Managed Accounts

Global Fixed Income

Intermediate Government

Marketing communication | As of 30 Sep 2024

- **During the third quarter, the Intermediate Government strategy underperformed the benchmark on a gross and net of fees basis.**
- **Duration positioning was the primary contributor to performance.**
- **Curve positioning was the primary detractor from performance.**

Chad W. Kemper
Portfolio manager

Marie A. Newcome, CFA
Portfolio Manager, Head of Custom Taxable Fixed Income SMA Team

Market review

U.S. and global economies continued to expand during the third quarter, although more signs of a slowdown emerged. Second-quarter U.S. gross domestic product (GDP) growth came in stronger than expected at a solid 3.0% pace versus the prior year, while full-year growth is tracking just slightly below that rate. Monthly U.S. job creation moderated significantly during the quarter versus the first half of the year, causing unemployment to rise above 4%; however, layoffs and outright job losses remained rare. At the same time, U.S. consumption continued to expand at a healthy pace as illustrated by robust retail sales, while the housing market showed early signs of rebounding. In Europe, overall growth continued to improve versus 2023's sluggishness, with consumption and net exports improving modestly. However, China's economic growth remained weak causing the government to unleash a broad package of stimulus measures in September.

Amid further signs of moderating U.S. inflation and the weakening labor market, Fed policymakers made a supersized 50-basis-point rate cut at their September meeting. Following the meeting, however, Chair Powell asserted that a more aggressive pace shouldn't be expected going forward. U.S. Treasury yields dropped significantly across the yield curve, after rising in the first half of the year. The bellwether 10-year Treasury yield ended the quarter 55 basis points lower at 3.81%, while two-year rates fell by nearly twice as much. As a result, the two-to-10-year segment of the yield curve returned to an upward slope following an extended period of inversion, easing recession fears.

Intermediate Government

Portfolio review

The Intermediate Government strategy experienced positive total returns in the third quarter but underperformed the benchmark, the Bloomberg U.S. Intermediate Government Index, on a gross and net of fees basis.

Duration positioning was the primary contributor to performance as the portfolio was modestly overweight duration for much of the quarter and interest rates declined. However, our curve positioning offset this contributor. The portfolio was positioned with an overweight to the 5-10 year area of the yield curve and an underweight to the shorter end of the yield curve. Yields on the shorter end of the yield declined by the most so this positioning detracted from performance. Our modest overweight to agencies also contributed to performance.

During the quarter we maintained our slightly longer duration profile by purchasing 7-year Treasuries in July and September.

Going forward, we continue to expect economic growth to moderate to a below-trend pace. U.S. job growth is likely to moderate further in the months ahead and presents upside risks to the unemployment outlook. We believe inflation has peaked but will remain too high relative to central banks' targets this year. Nevertheless, we expect the policy focus will remain on downside risks to growth, rather than upside risks to inflation moving forward.

We expect the Fed to continue cutting interest rates at a pace of 25 basis points per meeting through the middle of 2025, which would bring policy rates to our estimate of neutral (3.25%-3.50%) by June.

Looking ahead, we will continue to maintain a modestly longer duration profile with a bias to position for a steepening yield curve. We continue to hold more agency debt than the benchmark. However, we expect this overweight to dwindle given the lack of agency issuance which results in less attractive relative value.

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 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. Aggregate Bond Index** tracks the performance of U.S. investment-gradebonds. The **Bloomberg U.S. Intermediate Government Index** covers tmeasures thenon-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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