nuveen
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2024 GLOBAL INSTITUTIONAL INVESTOR SURVEY

EQuilibrium

Divergent paths in an uncertain world

Exploring institutional investors' different strategies
to strengthen portfolios against the unknown

Welcome to Nuveen's fourth annual EQuilibrium survey

Institutional investors are responding to elevated macroeconomic and geopolitical uncertainty in a variety of ways. While some are choosing to stay the course, others are significantly reformulating their approaches to risk management, asset allocation and investment decision-making.

This year's global research survey unpacks their different strategies for strengthening portfolios against the unknown.

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Diverging paths in an uncertain world

Most investors agree that we are in a new and more uncertain market regime, driving a greater need to enhance portfolio resiliency. How to go about achieving that, however, is where views diverge.

Nuveen Institutional Investor Uncertainty Barometer reading

69

indicating a heightened level of uncertainty*

Jump to section >>

Reallocating for a new regime

This backdrop is altering perceptions of relative risk and return across asset classes. The normalization of interest rates has created new opportunities for many investors to de-risk, reallocating assets from equities to fixed income. Institutions are also continuing to allocate to private market assets.

40%

are planning to reduce equity exposure

48%

are planning to increase investment-grade fixed income

Jump to section >>

Positioning for energy transition

Investors are adapting their portfolios to unfolding developments in the energy complex, and many believe their investments can influence the trajectory of the transition to a low-carbon economy.

7 out of 10

are going above and beyond regulatory requirements on the energy transition

Jump to section >>

*See page 7 for more information about the Nuveen Uncertainty Barometer reading.

Survey demographics overview

800 global institutional investors

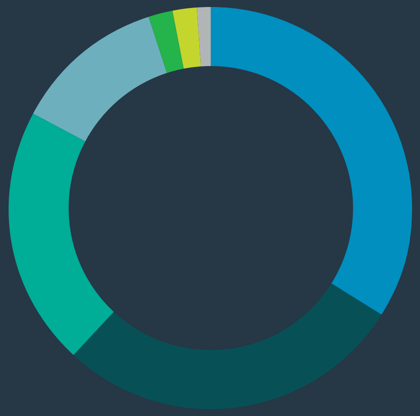
Asset levels $500 million+

Investment decision-makers only

Fielded by CoreData October through November 2023

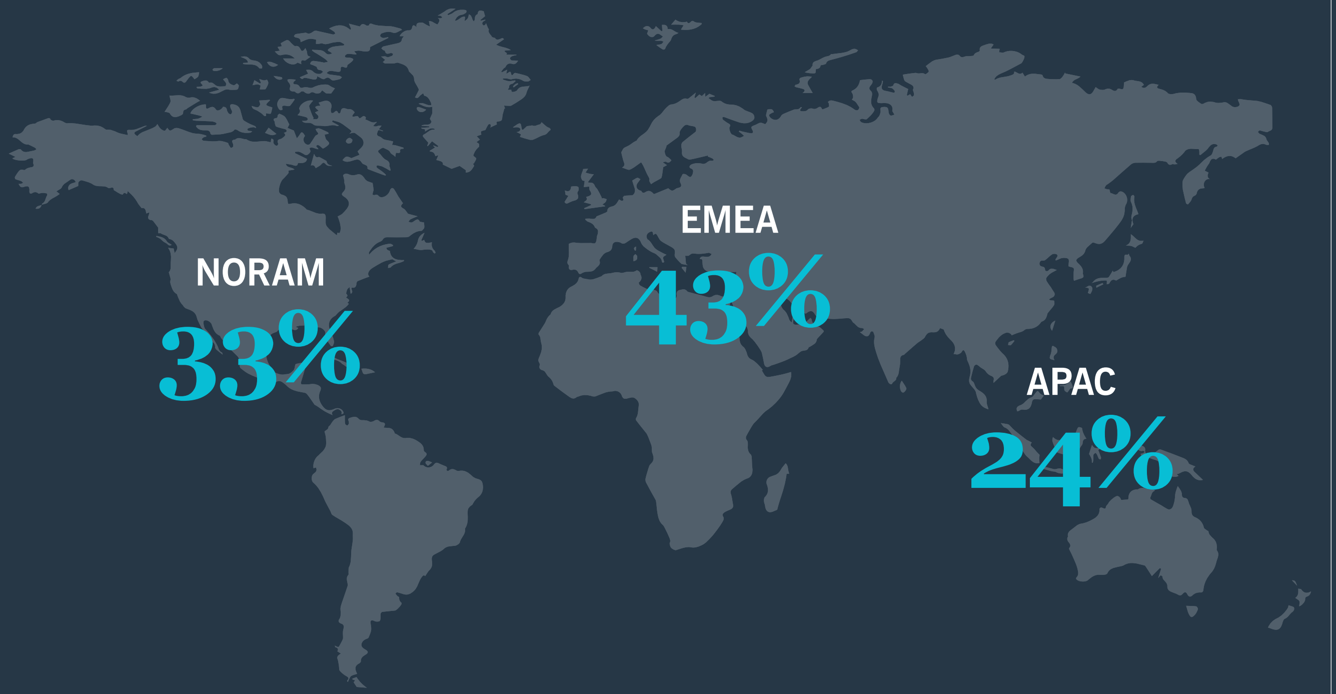
Survey has a margin of error of +/-3.5% at a 95% confidence level

Institution type



- 34% Corp/private pension
- 28% Insurance company
- 21% Public/gov't pension
- 12% Endowment/foundation
- 2% Sovereign wealth/future fund
- 2% Superannuation fund
- 1% Central bank

Region



AUM

53%

$10 billion and above

47%

below $10 billion

Diverging paths in an uncertain world

The vast majority of investors believe we've entered a period of greater-than-normal macroeconomic uncertainty.

Higher interest rates, rising geopolitical tensions and a lack of clarity around the fiscal and monetary policy response to more volatile growth and inflation have upended long-held assumptions about primary risk factors, diversification and expected returns.

In response to the new environment, investors are embracing a variety of strategies to navigate the uncharted waters that lie ahead and focusing on building more resilient portfolios.

ENERGY

ALLOCATIONS

UNCERTAINTY

New rate environment reshaping risk and return

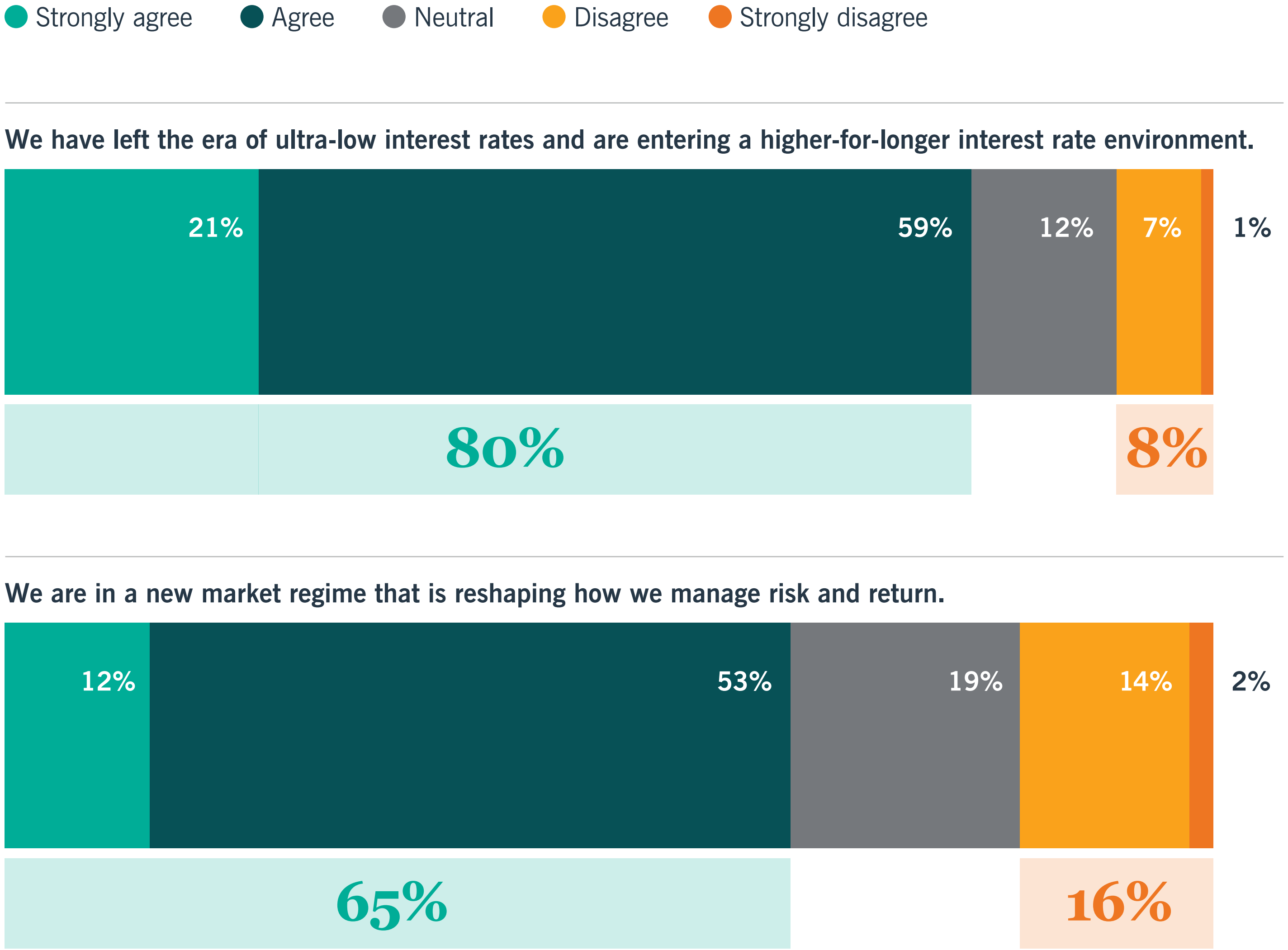
While the near-term direction of interest rates remains a key source of uncertainty and volatility, over three-quarters of respondents agree the ultra-low interest rate environment that created a rising tide for nearly all asset classes is unlikely to return.

With the era of easy money over in many major economies, most institutional investors say we are in a new market regime that is reshaping how they manage risk and return.

> “We don’t have this massive tailwind of quantitative easing to hit our total return. The regime shifted. We are a very mature and seasoned fund with robust bills to pay every month. We’re being more income-focused than we ever have been.”
>
> *— US public pension, head of investments*

How do investors view the changing macro environment?

To what extent do you agree or disagree with the following statements? (800 respondents)



Higher-than-normal uncertainty weighs on investors...

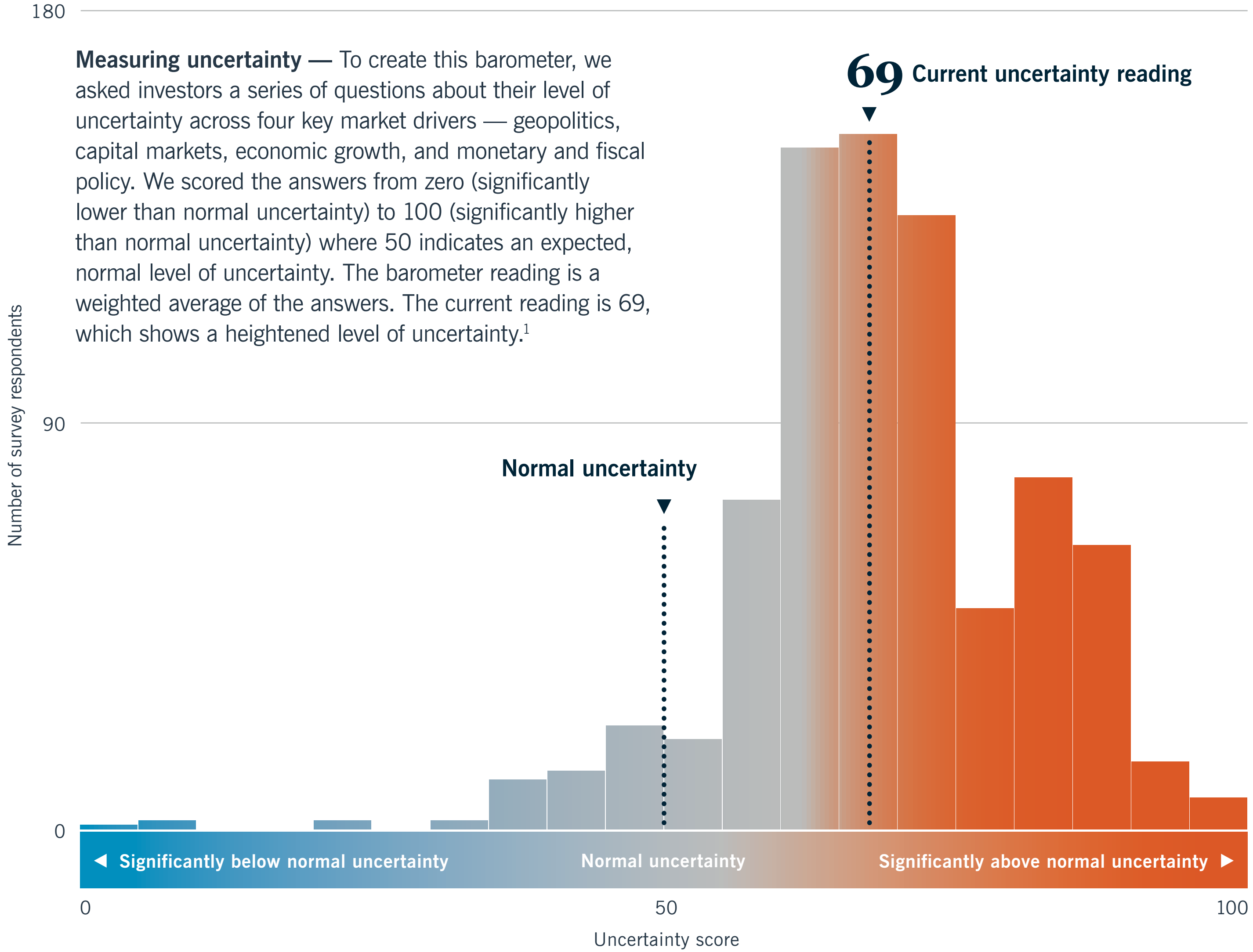
Uncertainty is a normal and expected variable to manage, but today's dramatically altered landscape is uncharted territory for many institutional investors. The vast majority of investors feel we are in a period of elevated macroeconomic and geopolitical uncertainty with 93% receiving an Uncertainty Score above the normal level of 50.

"I've been in the investment industry for 18 years so I've seen a number of ruptures during that time when market confidence has been disrupted. I feel like it's palpable at the moment. There are just so many issues and geopolitical areas all with the potential, by themselves, to cause some significant global disruption."

— UK insurance, senior investment officer

Nuveen Institutional Investor Uncertainty Barometer (800 respondents)

Measuring uncertainty — To create this barometer, we asked investors a series of questions about their level of uncertainty across four key market drivers — geopolitics, capital markets, economic growth, and monetary and fiscal policy. We scored the answers from zero (significantly lower than normal uncertainty) to 100 (significantly higher than normal uncertainty) where 50 indicates an expected, normal level of uncertainty. The barometer reading is a weighted average of the answers. The current reading is 69, which shows a heightened level of uncertainty.[1]



[1]Uncertainty Barometer calculated by taking the mean of all 800 survey participants' Uncertainty Scores. Uncertainty Scores are an average of the answers to four survey questions weighted according to a Principal Components Factor Analysis.

… and influences the pace of portfolio changes

Facing uncertainty, investors are adapting the way they approach changes to their asset allocation.

More than a third (37%) are accelerating the pace of asset allocation changes, yet even more (45%) are doing the opposite, slowing change or putting on the brakes.

> "If you decide that it is time to de-risk, you really want to execute that decision more quickly. So we're moving towards this increased pressure on rapid execution of dynamic trades."
>
> — *Australia public pension, senior investment analyst*

How is uncertainty influencing the pace of change with your asset allocation?
(800 respondents)

More/quicker change	Less/slower change
37%	36%
Analysis paralysis	**Business as usual**
8%	18%

Resiliency is a priority

For over a decade following the global financial crisis — against a backdrop of near-zero interest rates — the greatest challenge for most institutional investors was generating sufficient returns to meet their investment objectives.

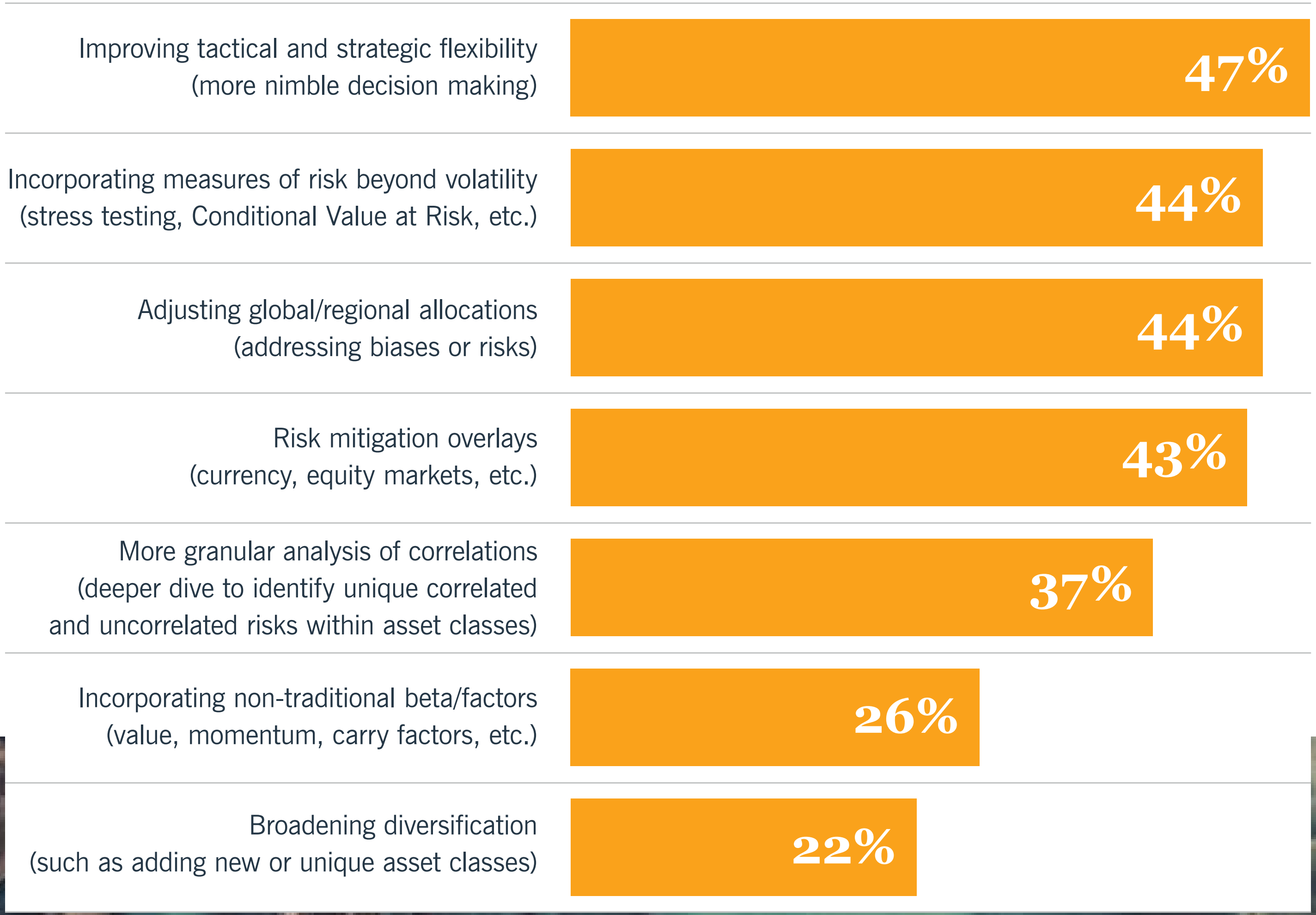
With surging inflation in 2022, the subsequent monetary policy tightening and the escalation of geopolitical turmoil, investors are shifting their attention from return generation to risk management and portfolio resiliency.

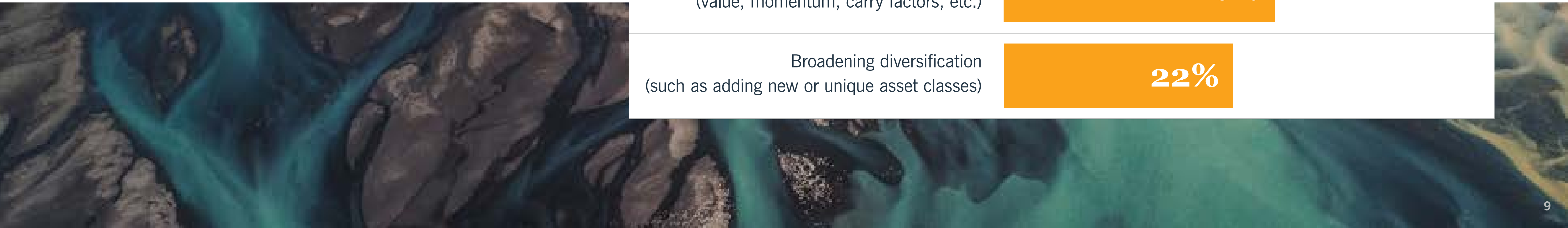
Although 46% of investors agree that improving portfolio resiliency is growing in importance, there is no consensus around the best approach.

Institutions are targeting different paths to strengthen their portfolios, led by more flexible decision making, incorporating more sophisticated measures of risk and adjusting geographic exposures.

In what ways are you addressing resiliency in your portfolio?

(Select all that apply, 800 respondents)





> "It's about how best to de-risk because de-risking just doesn't mean going into bonds or hedging inflation risk away completely. It's being nimble. We are being ready for multiple paths that the world could take — almost taking six months at a time and adapting and reacting.
>
> When I talk to my fellow CIOs, that seems to be more and more in favor. Let's not lock ourselves into one corner, find we've taken a wrong decision, and then it becomes too expensive to unwind."

— UK public pension, CIO

Reallocating for a new regime

The end of the zero-interest rate environment and the broader shift in monetary policy have recast the relationships between asset classes, causing investors to explore multiple ways to build more resilient portfolios and capitalize on opportunities presented by the new regime. Investors are making foundational adjustments to strategic asset allocations driven by significant changes in economic conditions and resulting capital market expectations.

Leaning into duration and lightening up on equities

50%

of investors plan to increase portfolio duration in 2024

For liability-driven investors, higher interest rates and the resultant improvements in funded statuses represent an opportunity to de-risk portfolios by adding duration.

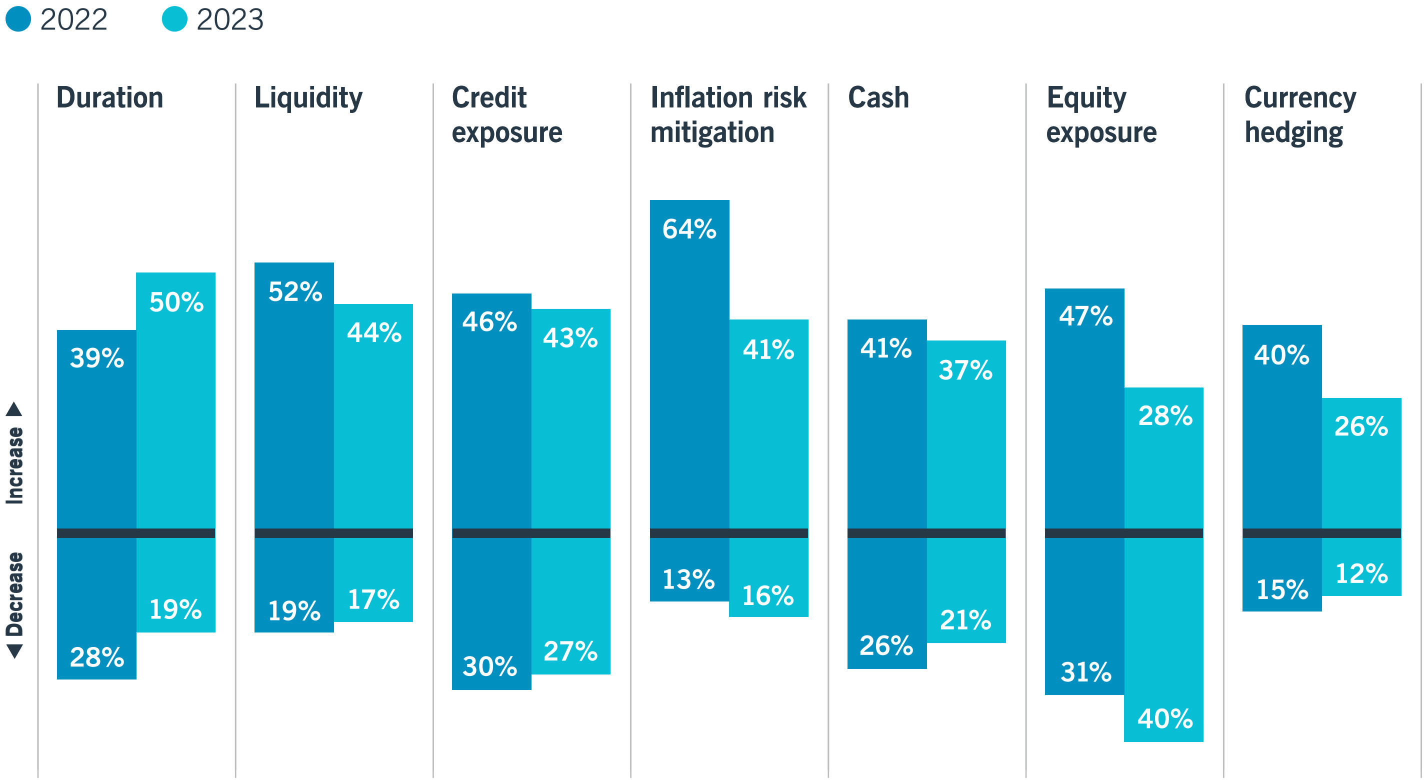
55%

of investors think it is unlikely that public equity returns will be on a growth trajectory over the next year

Many investors are planning to decrease their equity exposure this year, a reversal of what investors reported heading into 2023. Endowments and foundations in APAC and NORAM, however, are bucking the equity reduction trend; a significantly higher portion in these regions plan to continue to increase equity allocations given the perpetual nature of their investment goals.

Directional portfolio changes over next 12 months

In the next 12 months, indicate the directional changes you will be making in your portfolio(s) in the following areas. (800 respondents)



> "By next year we will be at the lowest level of equity risk [in our portfolio] in the last 20 years. It makes sense because you can earn higher all-in coupons within fixed income, with much lower volatility."
>
> — *US public pension, head of investments*

Lower-risk fixed income is growing in appeal

For managers looking to take advantage of higher rates and increase their fixed income allocations, high quality public and private debt have become the most attractive segments of the market. Investors are capitalizing on opportunities to take on less risk to achieve their required returns.

Across all segments of the fixed income spectrum, corporate debt is attracting the most interest from investors. They are seeing greater value in these fixed-rate debt instruments. And for liability-driven investors who want to de-risk, high-yielding fixed-rate bonds have become an attractive way to enhance their liability matching.

Where investors are increasing fixed income allocations over the next two years
(800 respondents, multiple answers allowed)

48%
investment-grade fixed income

38%
private fixed income

22%
public securitized debt

21%
below-investment grade fixed income

How are you shifting fixed income allocations over the next two years?

For investors increasing allocations to the categories below, please indicate which of the following assets you plan to increase. Select all that apply.

Investment-grade fixed income

(385 respondents)

Corporate bonds	72%
Government bonds	61%
Investment-grade emerging market debt	31%
Investment-grade municipal bonds	29%
Green bonds	29%
Inflation-linked bonds	24%

Private fixed income

(305 respondents)

Private investment-grade corporate credit	52%
Private infrastructure debt	49%
Private real estate debt	41%
Private opportunistic	37%
Senior middle market debt	35%
Private asset-backed securities	25%
Junior/mezzanine middle market debt	24%
Private impact debt	21%

Public securitized debt

(175 respondents)

Mortgage-backed securities (MBS)	54%
Collateralized loan obligations (CLOs)	47%
Public asset-backed securities (ABS)	43%
Commercial mortgage-backed securities (CMBS)	26%

Below-investment grade fixed income

(166 respondents)

High-yield corporate bonds	82%
Broadly syndicated loans	30%
High-yield municipal bonds	28%
Preferred securities	24%
Non-investment grade emerging market debt	21%

Momentum towards private assets continues

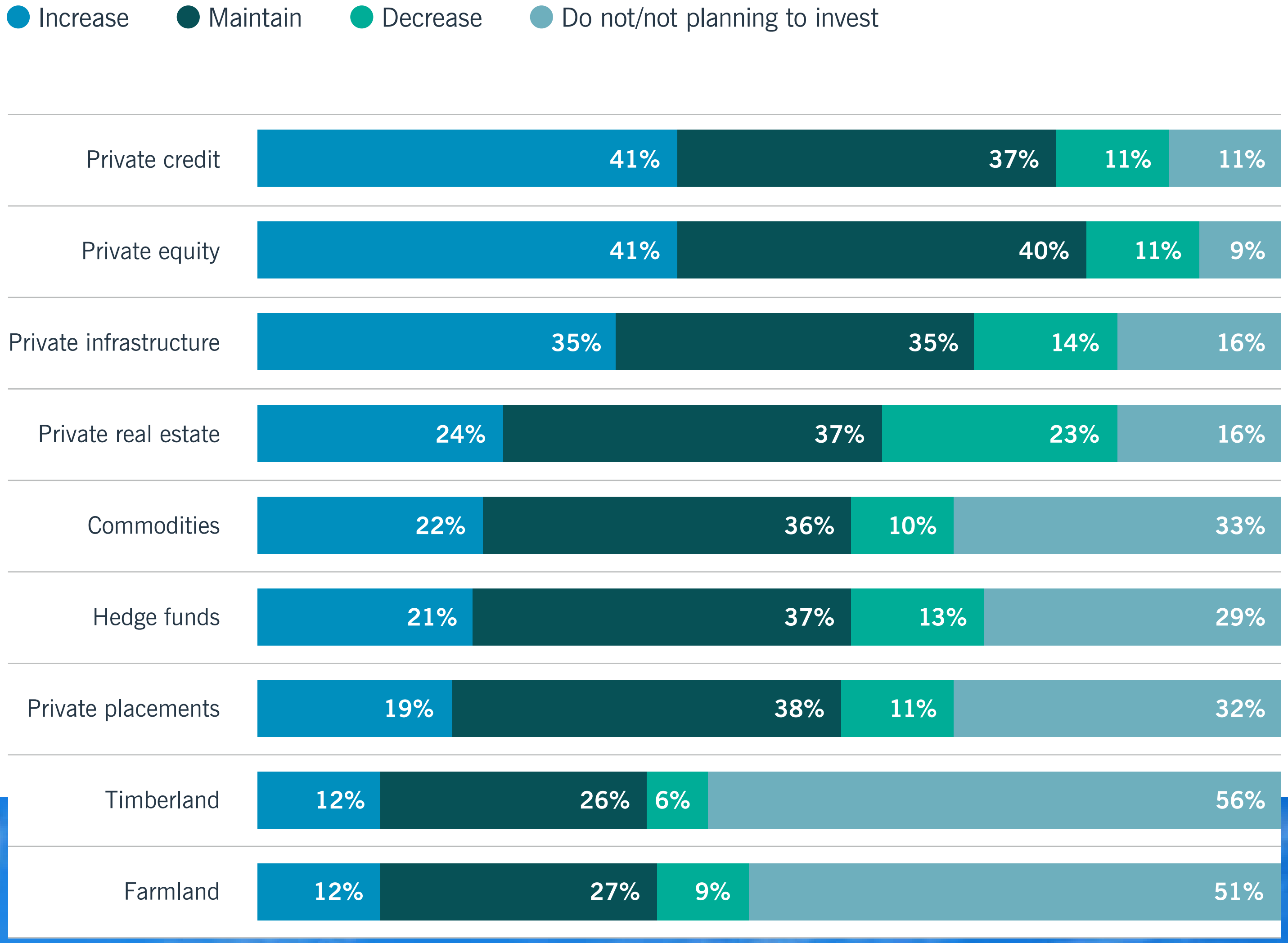
The multi-year industry-wide trend of reallocating towards private investments continues. More than half (55%) of respondents to this year's survey plan to increase their private allocations over the next five years.

This is a softening compared to last year's surge, where 72% of respondents planned on increasing their private market allocations.

Unlike previous years when private equity stood alone at the top, private credit matched private equity in this year's survey as the most attractive alternative investment.

Allocation plans across alternative asset classes

Please select the alternative investments you are currently allocated to and how you plan to adjust allocations over the next two years. (800 respondents)



Figures may not sum to 100% due to rounding.

Cash holdings increase amid uncertainty

Given fully valued markets and heightened crisis risk, institutional investors have increased cash holding for the second year in a row, ready to take advantage of opportunities when they emerge. This trend is even more pronounced among endowments and foundations, 68% of which are holding more cash than usual.

> "If you're one of the people who thinks markets are more likely to go down than up, then you're not as penalized today to hold cash as you were three years ago. Why not hold the option value of having cash and be able to redeploy when markets are down 10%, 15%, 20%, 25%?"
>
> — *US endowment, investment director*

55%

of global investors are holding more cash than they were two years ago (800 respondents).

Positioning for the energy transition

Last year, investors cited energy supply disruptions as the biggest megatrend they expect to impact their portfolios. This year, investors have turned their attention to adapting portfolios for the energy transition and the new set of risk considerations it presents. Given the size and scale of the investments needed to fund the transition, investors are finding ample opportunities to mitigate risk and generate returns via alternative energy and new infrastructure projects.

Institutions believe their investments can drive change

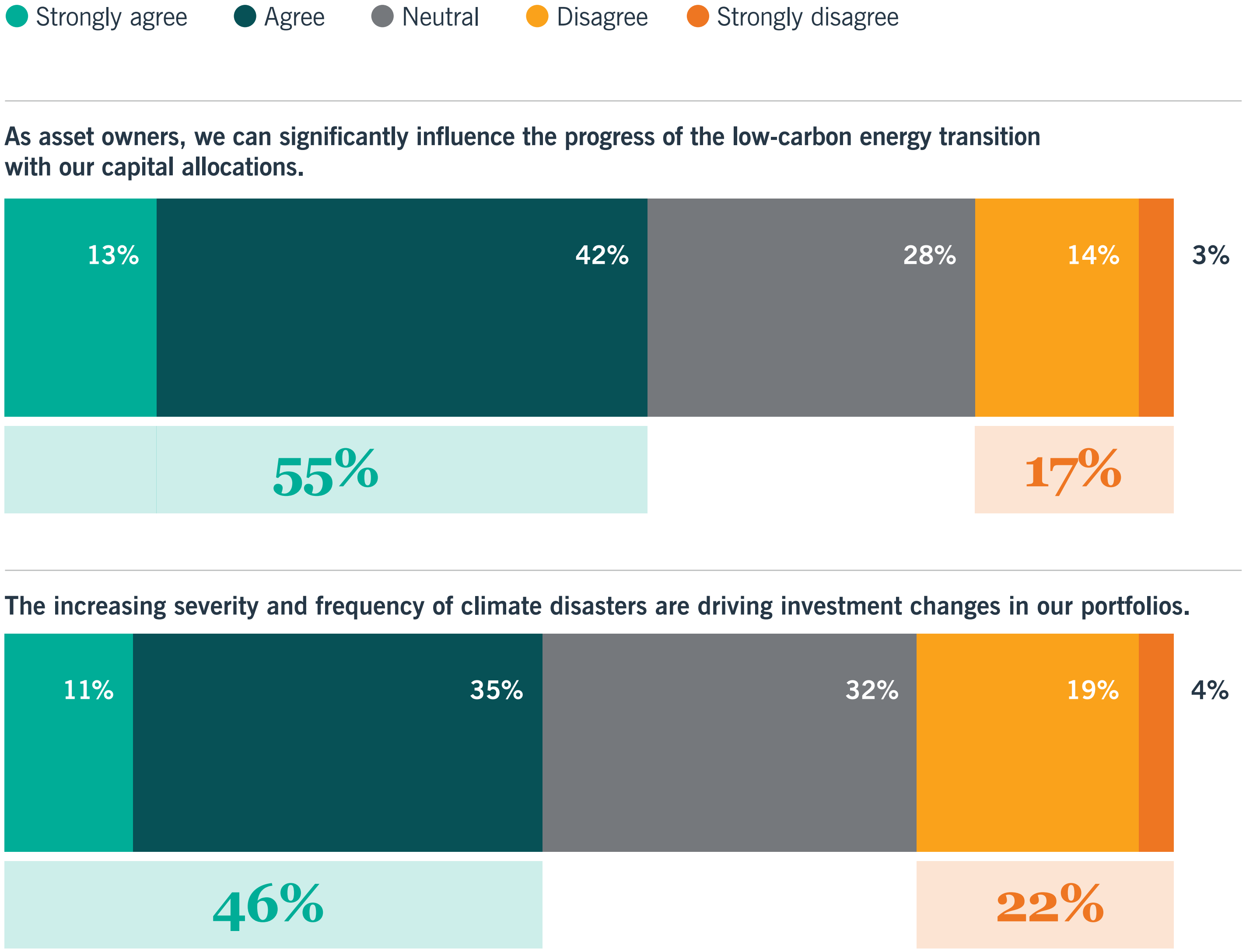
Many investors recognize the impact that climate disasters can have on portfolios, and the majority of institutions believe that their capital allocations can significantly influence the progress of energy transition.

But investors also agree that capital can only go so far in affecting change. Across all regions, investors agree that government policy and technological innovation will be the biggest drivers of the transition, while politicization will be the greatest challenge.

> “The headwind is definitely a lack of political consistency. We’ve got the technology, we’ve got the funding, we just need consistent political will to do it. And then, tailwinds are the fact that it’s never been cheaper. It’s never been more understood.”
>
> — *UK insurance, senior investment team member*

How is the energy transition driving portfolio strategy?

To what extent do you agree or disagree with the following statements? (800 respondents)



Figures may not sum to 100% due to rounding.

Investors take different approaches to the energy transition

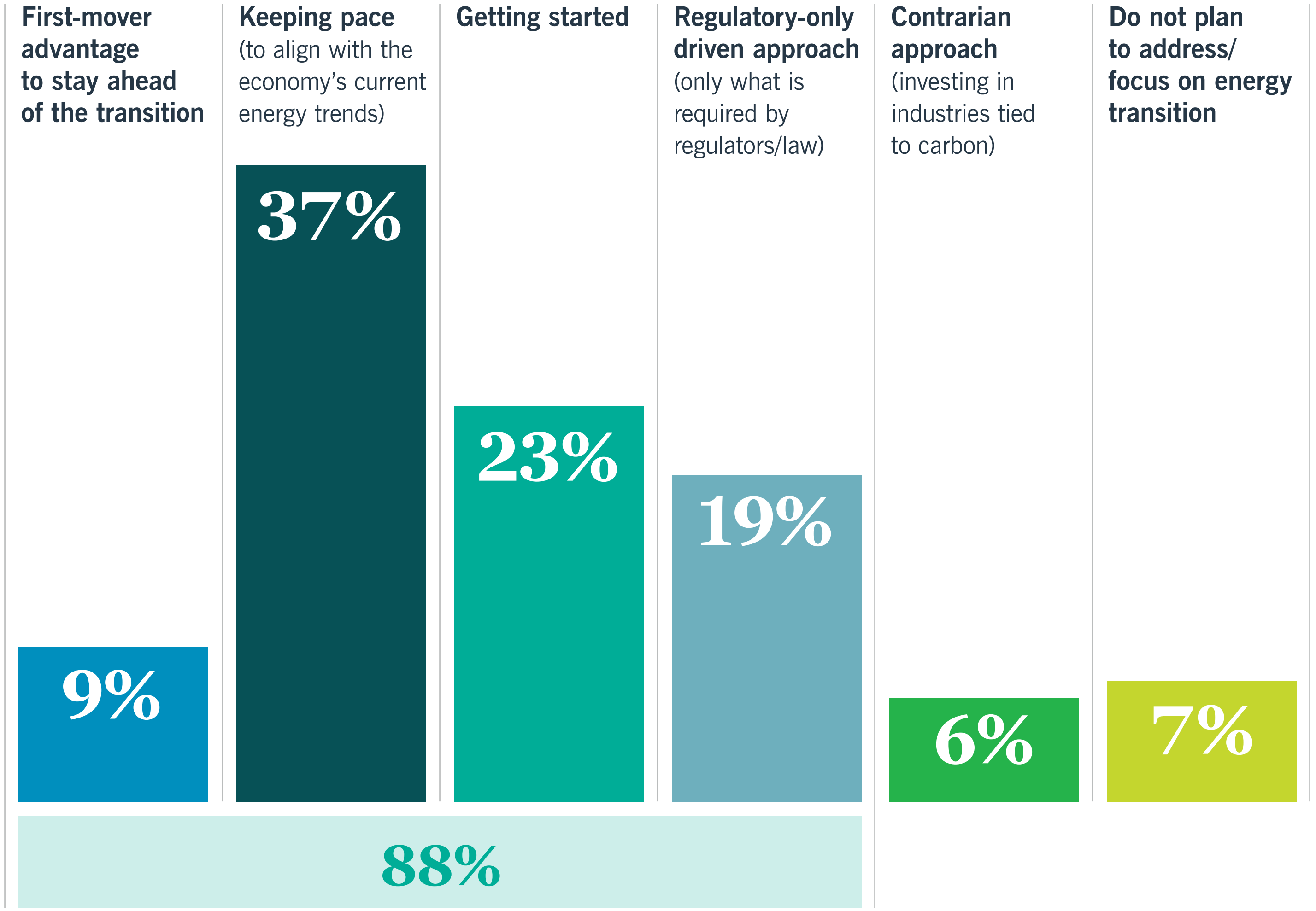
Most investors are focusing on the energy transition in some way. Only 7% don't plan on addressing it, and another 6% are taking a contrarian approach by expanding their exposure to fossil fuel investments. The largest segment of investors (37%) are structuring their portfolios to reflect the current energy mix in the economy and keep pace with its changes.

For the 88% who are getting behind the energy transition, it is clear that they are at different phases or taking different approaches to the shifts in supply and demand of natural resources, consumer demand and flow of capital to lower carbon energy alternatives.

The most important reason for investing in energy transition varied by region. NORAM investors cited enhancing investment returns as the top reason; APAC investors cited regulatory requirements; and for EMEA investors, making an impact and enhancing investment returns tied for first.

What is your current approach to the energy transition?

When considering the energy transition, please indicate which statement below best describes your organization's current approach. (800 respondents)



Figures may not sum to 100% due to rounding.

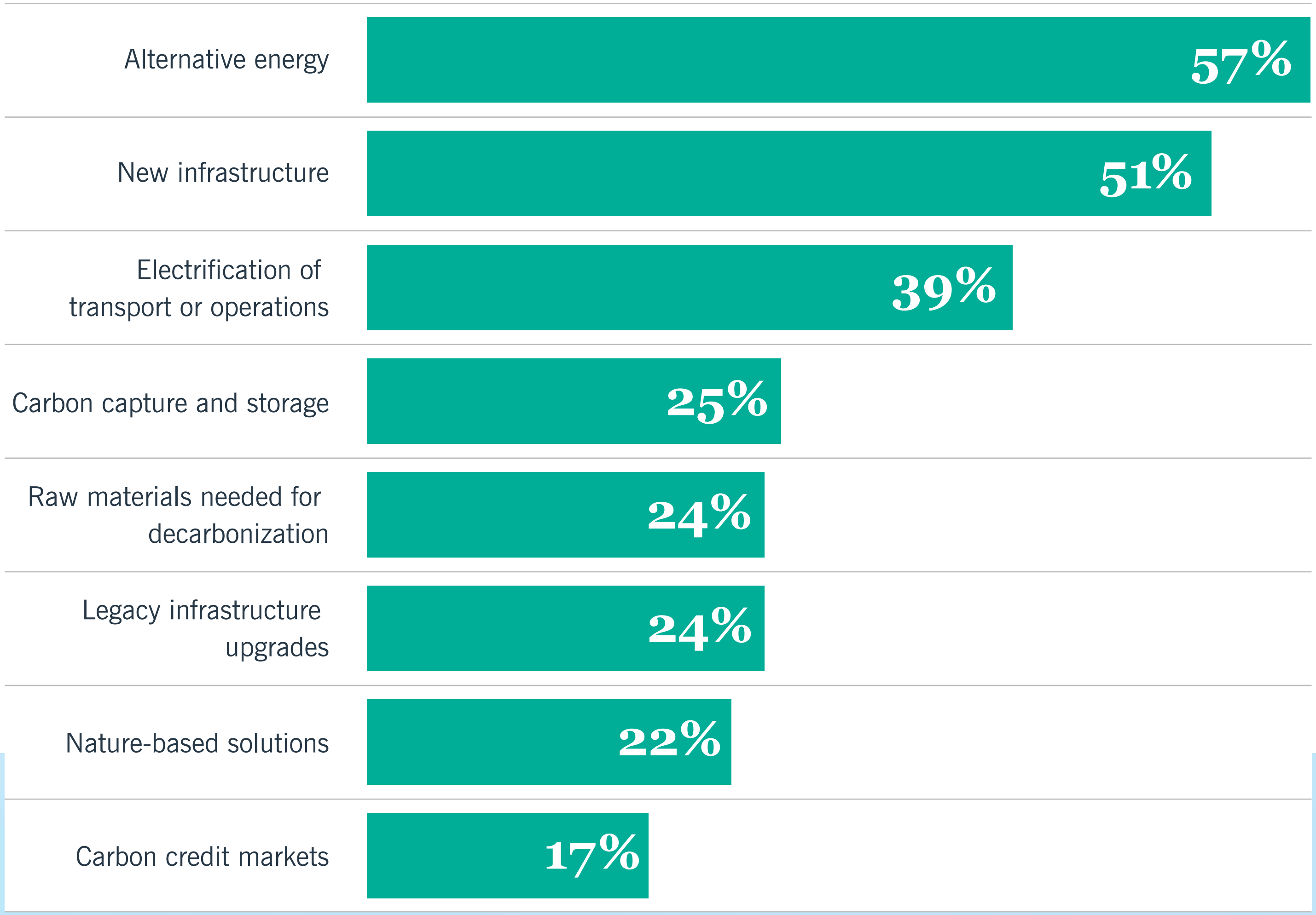
Alternative energy and new infrastructure projects top the list for new investment

This marks a continuation of what was expressed in last year's survey, where respondents cited energy innovations and infrastructure projects as the top choice for impact investments. Electrification of transport or operations also garnered meaningful interest from investors.

Broadly speaking, relatively few investors plan to invest in carbon credit markets amid the recent wave of scrutiny. In Germany, however, 39% of pensions noted carbon credit markets as an area of interest.

In which thematic areas of the energy transition do you plan to invest?

Please indicate the thematic areas your organization already invests in or plans to invest in over the next five years. (800 respondents, multiple answers allowed)



Carbon reduction sees a continued push

Investors are favoring fossil fuel companies pursuing low carbon solutions.

More than half do not plan to invest, or plan on decreasing, their investments in fossil fuel companies that aren't diversifying into non-carbon energy resources.

Three out of 10 are increasing investment in fossil fuel companies that invest in low or zero carbon solutions alongside their legacy energy businesses.

> "We are investing in fossil fuel companies because there's no way we cannot have gas as a transition fuel for at least the next decade. What we're not owning is other extractive-only companies where, as we speak, they're still drilling."
>
> — *UK public pension, chief investment officer*

Plans for investment in fossil fuel companies

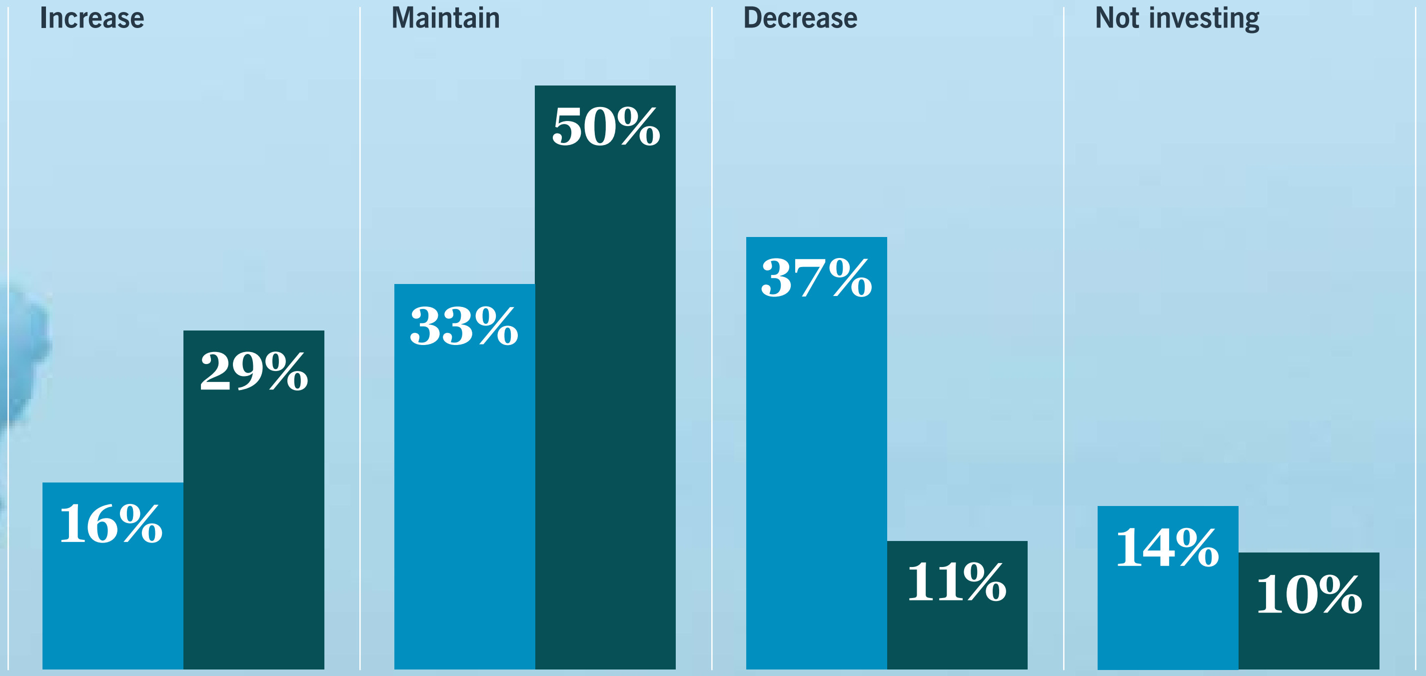
Over the next five years, please indicate, directionally, your organization's investment plans in the following areas. (800 respondents)

Traditional fossil fuel companies

Investment in fossil fuel companies focused **ONLY** on expansion such as exploration, production, generation, distribution of oil, natural gas or coal.

Fossil fuel + carbon solutions

Investment in fossil fuel companies who are maintaining legacy businesses while **ALSO** investing in low or zero carbon energy solutions.



Learn more

As Nuveen celebrates its 125th anniversary, we are focused on resiliency — of our clients' portfolios, our investment strategies and our employees. Whether building portfolios, advising clients or shaping our business strategy, we are guided by the understanding that the decisions we make today will affect future generations of investors, society and the world at large.

Explore the data to see how the survey results vary by investor type, visit **Nuveen.com/equilibriumsurvey**

Dive deeper into trends with Nuveen's insight into investment themes from the EQuilibium surveys, visit **Nuveen.com/equilibrium**

About the survey

Nuveen and CoreData surveyed 800 institutions globally spanning North America (NORAM); Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC) in October and November 2023. Respondents were decision-makers at corporate pensions, public/governmental pensions, insurance companies, endowments and foundations, superannuation funds, sovereign wealth funds, and central banks. Survey respondents represented organizations with assets of more than $10B (53%) and less than $10B (47%), with a minimum asset level of $500 million. The survey has a margin of error of ± 3.5% at a 95% confidence level.

About Nuveen

Nuveen, the investment manager of TIAA, offers a comprehensive range of outcome-focused investment solutions designed to secure the long-term financial goals of institutional and individual investors. Nuveen has $1.2 trillion in assets under management as of 31 December 2023 and operations in 32 countries. Its investment specialists offer deep expertise across a comprehensive range of traditional and alternative investments through a wide array of vehicles and customized strategies. For more information, please visit Nuveen.com.

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