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Views from the
TIAA General Account
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# 2024 investment outlook: Selectivity remains the key

## What are your expectations for growth, inflation and interest rates in 2024?

Crystal balls are often unreliable (particularly so in a U.S. Presidential election year). With that caveat, my view is that growth will likely slow in 2024 as the full effects of the rapid rise in rates fully works through the system. Inflation should moderate and move toward the U.S. Federal Reserve's policy target, but I do not anticipate a slowdown or even a mild recession would pave the way for a pivot by the Fed to lower rates. The Fed will want to see more evidence that inflation is sustainably at (or at least approaching) its target before changing course on rates, and I think this evidence will prove elusive in 2024.

## What changes have you made to asset allocation given your outlook?

The General Account (GA) is a long-horizon investor, reflecting the nature of the liabilities it supports. Our asset allocation preferences mirror this long-term approach, although we adjust to capture changing relative value dynamics and to proactively manage risk within our prescribed risk tolerances.

We have moved more toward private credit over public credit during the past several years, and have further diversified risks and sources of returns through more investments in alternative asset classes. These tilts are likely to continue in 2024.

## And now that rates have been consistently higher for almost two years, how has that affected your asset allocation views?

With rates higher for longer, we see value in private, fixed-rate, investment-grade assets where we are able to capture both liquidity and complexity risk premiums. In particular, tighter lending restrictions from banks combined with our illiquid liability profile translates into attractive opportunities to capture the additional spread associated with private credit.

Elsewhere, we see selective opportunities in commercial real estate and private equity, and are seeing some interesting opportunities in private high yield where only the most sturdy business models are being financed.

## How do you model for unexpected shocks? Have the current geopolitical conflicts altered your investment theses?

The geopolitical backdrop has certainly gotten dicier and it is a factor in how we think about risk. We regularly model and examine stress scenarios in our portfolio and work to ensure our geographic, individual and sector exposures are well within prescribed risk appetite limits, especially during unexpected events.

**Emilia Wiener**
*CIO, TIAA General Account*

As part of her participation in Nuveen's Global Investment Committee, Emilia Wiener offers her perspective as an institutional investor and asset allocator. Neither Emilia nor any other member of the TIAA General Account team are involved in portfolio management decisions for any third-party Nuveen strategies.

The prolonged war in Ukraine and now the conflict in the Middle East are a focus for us because of the potential for spillover effects (such as rising U.S. tensions with China over Taiwan). That said, our risk modeling suggests our exposure is manageable within the context of our risk metrics, which are meant to ensure appropriate diversification such that idiosyncratic shocks remain just that — idiosyncratic and isolated.

Looking ahead, in light of global geopolitical risks that do not seem to be fully priced into the markets, we are also being selective in our allocations to emerging market investments.

*Only the stronger business models with staying power are likely to get financed in this market.*

## How has exposure to private assets helped the portfolio? What are your expectations for private assets in 2024?

Performance of private asset strategies, particularly in private credit (both investment grade and below investment grade), has been tested through many cycles and tends to be defensive in a downturn. By defensive I mean the asset class, if well underwritten, structured and documented, has typically produced relatively higher recovery rates given default than other comparable quality credit strategies. So, in addition to providing issuer and sector diversification relative to public markets, we think the risk-adjusted return measured over a full cycle is compelling.

For 2024, I expect to see increased selectivity in our investing and an improved quality flow of transactions to choose from, especially in the private high yield space, given the pressure of rates remaining higher for longer. Only the stronger business models with staying power are likely to get financed in this market.

## TIAA's 2023 climate report will be coming out soon. How are the GA's efforts progressing toward the goal of carbon neutrality by 2050?

Working closely with Nuveen and our climate risk team, we have made measurable progress in reducing carbon intensity as outlined in our initial five-year interim target. This is detailed in our upcoming report. As more data, disclosure and sophisticated tools become available, our plan is to expand our scope by capturing a larger component of our General Account within this initiative.

## For more information, visit us at nuveen.com



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