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CIO Weekly Commentary
20 January 2026

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Sow and reap: Farmland investing's strategic role

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As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

Bottom line up top

Rate cuts or rutabaga — which is in season this January? Seasonal winter produce like kale and kumquats should be abundant this month, which may be of limited interest to investors unless they've resolved to eat healthier in 2026. A rate reduction at the U.S. Federal Reserve's January meeting, however, probably isn't even on the menu. Recent economic reports have delivered mixed inflation data and stronger-than-forecast economic growth signals, while showing the U.S. labor market to be softening but not crumbling.

- **Is inflation higher or lower? Yes.** December's headline Consumer Price Index came in at 0.3%, in line with forecasts, while its 2.7% year-over-year print matched its average throughout 2025. Core CPI, which excludes volatile food and energy costs, was lighter than expected at 0.2% in December and held at 2.6% year over year — below its 2.9% average for 2025, and a continuation of the disinflationary trend that began mid-2024 (Figure 1).

  Also reported last week was wholesale inflation, measured by the Producer Price Index, which rose 0.2% in November (data delayed by the government shutdown). This was slightly below consensus, despite a surge in gasoline prices (+10.5%) that accounted for more than half the increase. Year-over-year, PPI was up 3.0% in November, while PPI less food, energy and trade services hit 3.5%, representing the largest 12-month gain since February 2025.

- November retail sales data surprised to the upside (+0.6% versus +0.4% consensus), driven by rebounding motor vehicle purchases and broad-based consumer spending. Two caveats: (1) The delayed

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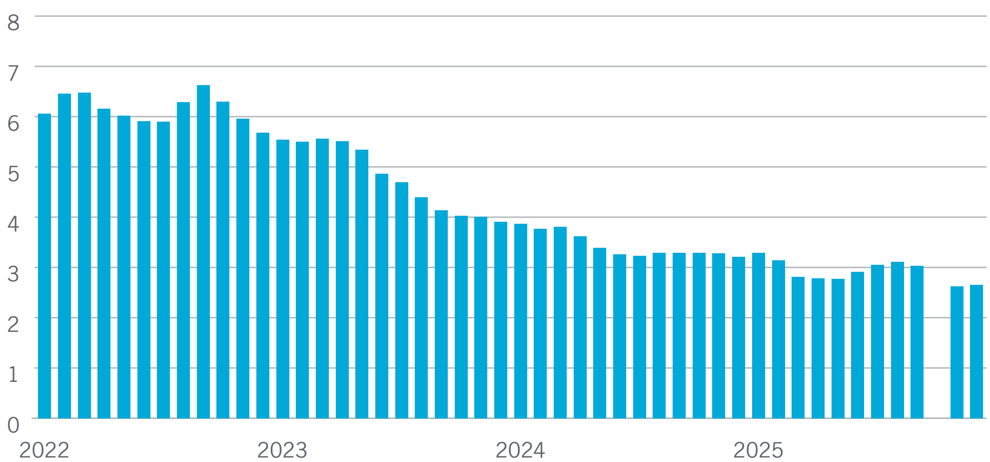
November data doesn't reflect the full holiday shopping season and (2) Consumption patterns are bifurcated, with higher-income households leading the growth and lower-income consumers struggling due to elevated food prices and labor market softness.

On balance, today's economic and market environment doesn't warrant near-term Fed easing. The markets agree, pricing in just a 5% likelihood of a rate cut this month. In the meantime, long-term investors seeking to diversify portfolios beyond public equity and fixed income may want to choose less familiar fare for potentially more satisfying risk-adjusted returns.

FIGURE 1: CORE INFLATION HAS DECLINED, BUT REMAINS STICKY

Core CPI, YoY % change



Data source: Federal Reserve Bank of St. Louis, 14 Jan 2026. Consumer Price Index for all urban consumers: All items less food and energy in U.S. city average, percent change from year ago, monthly, seasonally adjusted. Missing data due to 2025 government shutdown.

Portfolio considerations

Down on the farm, up with portfolio potential. For long-term investors, understanding the historical advantages of farmland may plant the seeds for a strategic allocation to the asset class. Adding farmland to a traditional stock/bond portfolio can improve its risk-adjusted performance (Figure 2). Specifically, farmland reduced portfolio risk (standard deviation) and modestly increased returns, resulting in a higher Sharpe ratio — a widely used metric that measures excess return relative to risk taken.

This track record, along with portfolio allocation modeling results, reinforces the thesis that private real assets like farmland can improve the efficiency of traditional portfolios in multiple ways:

- **Diversification.** Real assets have proven to be powerful diversifiers thanks to low or negative correlations to traditional stocks and bonds. Because they're relatively illiquid and not publicly traded, they rarely move in lockstep with conventional markets. The longer-term, more insular nature of private investments can be a benefit when public markets ignore fundamentals and react disproportionately or irrationally to short-term macro headlines.

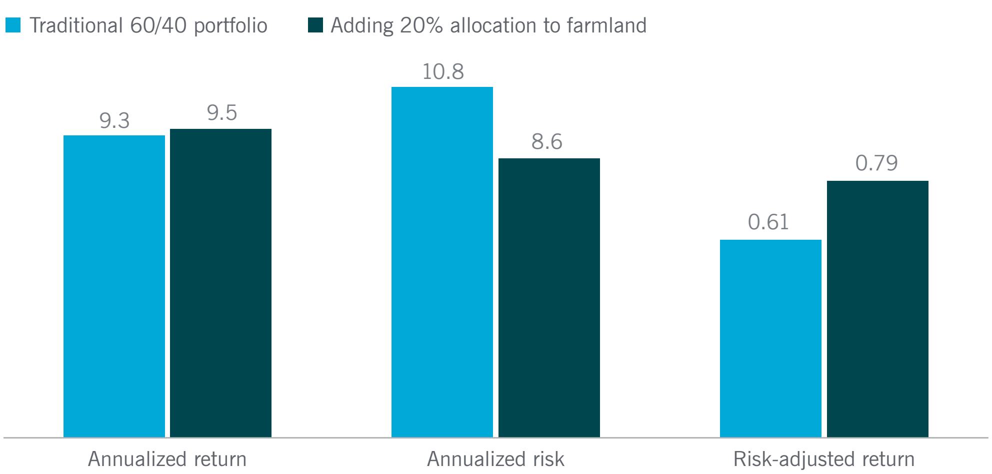
- **Cash flow and liability-matching characteristics.** Farmland may provide bond-like current income from contractual lease obligations, including user revenues and the sale of agricultural commodities. Additionally, long-term capital appreciation from rising land values or infrastructure development may help meet future liabilities.
- **Inflation hedging.** Real assets are known for being an effective inflation hedge, evidenced by their consistently positive correlation between their returns and rising prices. In inflationary environments, returns often rise in tandem with higher prices for raw materials and output from real assets, and with long-term contracts that may include inflation adjustments. In fact, since 1970, according to data from the TIAA Center for Farmland Research at the University of Illinois, the rolling three-year average correlation of U.S. farmland returns to the Consumer Price Index (CPI) is a strong +0.73. (Statistical correlations range from fully negative, at -1.0, to perfectly positive, at +1.0.)

Beyond these advantages, some real asset strategies provide additional thematic benefits. Sustainably managed farmland, for example, may be particularly appealing to investors with climate goals.

Exposure to farmland may improve risk-adjusted performance for traditional portfolios.

FIGURE 2: FARMLAND COULD ENHANCE A 60/40 PORTFOLIO

Adding farmland can increase returns while reducing risk within a portfolio



Data source: NCREIF; Bloomberg, L.P.; FactSet; Nuveen, LLC. Rolling one-year total returns calculated on a quarterly basis for periods ended 31 Mar 1991 through 31 Dec 2025 unless noted otherwise. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: equity:** Russell 3000 Index; **fixed income:** Bloomberg U.S. Corporate Total Return Index Value Unhedged USD; **farmland:** privately held U.S. farmland, NCREIF Farmland Index (through 30 Sep 2025); **60/40 portfolio:** 60% equity/40% fixed income; **20% allocation to farmland:** 48% equity/32% fixed income/20% farmland; **risk-adjusted return:** Sharpe ratio. Index performance does not reflect investment fees or transactions costs. Allocations may not sum to 100% due to rounding. Mean-variance optimization based on historical returns is intended for illustration purposes only and should not be considered investment recommendations. **It is not possible to invest directly in an index.**

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Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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