

Flexible Income

Marketing communication | As of 31 Dec 2025

Effective 25 Mar 2025, James Stephenson joined Susi Budiman, Thomas Ray and Stephen Pena as portfolio managers of the strategy. Effective 01 Oct 2025, Thomas Ray retired from the strategy. These updates are not expected to impact the overall investment strategy.

- **In the fourth quarter, the Flexible Income strategy outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, on a gross- and net-of-fees basis.**
- **Amid the risk-on rally, all major asset class exposures delivered positive returns during the period. The strategy's allocation to convertibles was the largest contributor to performance, with high yield corporate bonds and preferreds also adding to results.**
- **Although the strategy's allocation to convertibles provided a lift, holdings in structured notes for FiServ and Builders FirstSource detracted. An investment grade bond issued by Charter Communications also hindered relative returns.**

Market review

Continued easing by the Federal Reserve (Fed) provided support for markets facing headwinds during the fourth quarter, including the extended U.S. government shutdown, weakening job market and geopolitical concerns. U.S. markets were flying blind for much of the quarter because of delayed economic data releases due to the closure, with the most recent figures likely still reflecting the effects of incomplete data collection. At the headline level, inflation improved, with the core Consumer Price Index (CPI) rising 2.6% year-over-year in November, while U.S. unemployment ticked up slightly, to 4.6%. Resilient U.S. consumer spending led to a modest improvement in the Fed's gross domestic product (GDP) growth projection of 1.7% for full-year 2025 and a stronger growth outlook of 2.3% in 2026.

Monetary policy worldwide continued to diverge. The Fed cut rates by 25 basis points in both October and December, lowering the target federal funds rate to a range of 3.50%-3.75%. The dovish pivot was driven by mounting evidence of labor market softening and inflation data that remained surprisingly benign. However, the Fed's accompanying statement in December telegraphed a more patient approach going forward, with potentially only one rate cut in the coming year.

The U.S. Treasury yield curve steepened during the quarter as longer-term rates rose modestly, the 10-year Treasury yield ended nearly flat at 4.18% and rates at the shorter end fell. Lower rates across the short-to-intermediate portion of the yield curve and tightening credit spreads continued to fuel broadly positive returns across fixed income asset classes. Most spread sectors outperformed Treasuries, led by emerging markets debt with a 2.40% return for the quarter, followed by two securitized sectors—agency mortgage-backed securities at 1.71% and commercial mortgage-backed securities at 1.34%. High yield bonds were close behind with a 1.31% quarterly return. The preferred securities asset class was one of the few spread sectors to underperform Treasuries, gaining only 0.28%.



Susi Budiman, CFA, FRM
Portfolio Manager



Stephen T. Pena
Portfolio Manager



James T. Stephenson, CFA
Portfolio Manager, Equity Analyst

Flexible Income

The broad-based Bloomberg U.S. Aggregate Bond Index posted a 1.10% total return for the quarter. Global bond markets underperformed the U.S. Aggregate as rates rose across most non-U.S. markets and the U.S. dollar appreciated slightly.

Investment grade

In the investment grade corporate sector, concerns about artificial intelligence (AI) adoption and its substantial required capital expenditures pushed spreads to a five-month high of 85 basis points in mid-November. However, this widening proved temporary as spreads subsequently retraced after the Fed delivered another rate cut in December and fourth-quarter GDP growth estimates exceeded expectations. Investment grade corporate yields ended the quarter unchanged at 4.81%.

Strong demand was met with record-setting issuance, resulting in the busiest fourth quarter ever recorded, bolstered by substantial primary issuance from hyperscalers. New-issue activity continued the year's earlier momentum, with full-year 2025 volume totaling \$1.6 trillion — a 7% year-over-year increase and the second-highest annual amount on record, trailing only 2020's \$1.7 trillion level. Investment grade corporates ended the quarter with a total return of 0.84%, slightly underperforming Treasuries.

High yield

The high yield bond sector returned 1.31% during the quarter, outpacing Treasuries. Yield-to-worst for the index ended the period at 6.53%, while the option-adjusted spread (OAS) was 268 basis points over Treasuries. Within the asset class, BB rated bonds outperformed their B and CCC counterparts for the quarter, with BB spreads tightening while B and CCC spreads widened. While gross high yield issuance over the full calendar year totaled \$332 billion, the vast majority was driven by refinancing activity. Net supply for the year totaled \$98.3 billion, with \$21.8 billion of this volume coming in the month of December.

On the demand side, mutual funds, actively managed funds and ETFs collectively saw positive flows totaling \$3.8 billion for the quarter. JPMorgan's 12-month par-weighted default rate, including distressed exchanges, increased slightly to 1.88% by quarter-end, still significantly below its long-term average of 3.3%.

Preferred securities

Fourth-quarter total returns were mixed across preferred markets, with \$1000 par preferreds (+1.1%) topping \$25 par preferreds (-1.4%).

At quarter-end, average dollar prices for \$1000 par preferreds were at slight premiums to par. In contrast, \$25 par preferred prices remained at a meaningful discount to par, on average, the result of modestly higher rates at the long end of the curve and the segment's longer duration relative to \$1000 par preferreds.

OAS increased for \$25 par preferreds and \$1000 par preferreds by 34 bps and 6 bps, respectively. OAS for \$1000 par preferreds are trading below longer-term median levels. And while OAS for \$25 par preferreds is above its longer-term average, previous extended periods of negative OAS for this segment distort perceived relative value between its current OAS and its median.

Equities

The quarter started on a strong note for U.S. equities. Investors accentuated the positive in October, focusing on advancements in AI and strong third-quarter corporate earnings, rather than on the U.S. government shutdown, elevated valuations and the relative lack of market breadth as the biggest gains remained concentrated in high-flying tech shares.

But risk appetite receded in early November as markets downgraded the odds of a near-term Fed rate cut given sticky inflation and as worries of corporate overspending on AI mounted. By month-end, however, U.S. stocks had erased their losses, supported by continued healthy earnings and renewed confidence in the prospect of Fed easing as the U.S. labor market softened.

In December, the S&P 500's performance was a study in contrasts: the index both hit its 38th record high of the year and suffered a downturn between Christmas and New Year's Eve, missing out on a hoped-for "Santa Claus" rally and barely eking out a +0.1% return for the month. For the fourth quarter as a whole, the S&P 500 gained +2.7%, lifting its full-year return to 17.9%. Although AI-focused tech stocks garnered most of the headlines in 2025, communication services was the S&P 500's top performer for the year (+33.6% vs. 24% for tech, the second-best performer). In terms of investment styles, value stocks (+3.8%) bested their growth counterparts (+1.1%), led by large caps (+3.8%).

Flexible Income

Other major U.S. equity benchmarks also performed well in Q4, led by the Dow Jones Industrial Average (+4.0%) and tech-heavy Nasdaq (+2.7%).

Portfolio review

The Nuveen Flexible Income strategy returned +1.67% (gross of fees) and +1.36% (net of fees) in the fourth quarter, outperforming the Bloomberg U.S. Aggregate Bond Index (+1.10%) Fixed income and equity markets gained from solid U.S. economic growth, healthy corporate earnings, and Federal Reserve rate cuts. At quarter-end, current yield and yield-to-worst for the institutional representative account were 4.98% and 4.44%, respectively.

Amid the risk-on rally, all major asset class exposures in the strategy delivered positive returns during the period. The strategy's allocation to common stocks was the largest contributor to performance, most notably from favorable stock selection in the technology sector, particularly companies that were related to the AI trade, as well as select names in the industrials and health care sectors.

Preferreds were another strong contributor, benefiting from an overweight in \$1000 par preferreds, which outperformed the \$25 par segment. In addition, investment grade and high yield corporate bonds added to results on strong carry and tighter credit spreads. In terms of security selection, the overweight in BBB-rated bonds outperformed.

Portfolio positioning

The portfolio maintained balanced exposure across asset classes, with an up-in-quality posture in security selection that leaned toward companies with strong balance sheets, sound capital structures and durable free-cash-flow generation. Yields across credit markets stayed relatively high, enabling the investment team to find opportunities to bolster the portfolio's income.

During the quarter, we selectively added across the capital structure given fuller valuations, finding opportunities in corporate hybrid debt and common stocks. We looked for investment candidates that possess impending catalysts to drive free-cash-flow higher, while offering attractive coupons and spreads.

We maintained our overweight in BBB-and BB-rated corporates given attractive all-in yields and positive technicals but are cognizant of tighter spreads and current interest rates at fair value. Within high yield, we favored shorter-maturity, higher-coupon names to help limit spread duration and looked to opportunistically add to single-Bs

upon attractive risk/reward.

We remained defensively positioned in preferreds, focusing on higher quality G-SIB banks and fixed-to-float structures that offered lower spread duration. Relative value in preferreds have richened as preferred spreads versus their senior debt counterparts have compressed to historical tightness. Convertibles were a source of attractive equity-like returns with embedded downside protection.

Equity valuations at the index level have expanded to stretched levels relative to historical averages, but this has been mainly driven by sectors such as technology and communication services. We are focused on finding opportunities in areas that have a more favorable risk/reward profile and in defensive sectors where valuations have not fully participated in the market rally and can offer protection if the economy softens further.

Outlook

We expect U.S. real GDP growth to improve to +2.0% in 2026, modestly higher than 2025's anticipated pace. With stronger growth, we also expect the labor market to stabilize and unemployment to remain near its current level. On the inflation front, while there may still be some near-term upside from pending tariffs, we ultimately believe core inflation will moderate to around 2.5% by year-end.

We project the Fed will slow its pace of rate cuts in 2026 but deliver a total of 50 basis points of cuts over the course of the year. That would take the policy rate to a target range of 3.00% - 3.25%, near our estimate of "neutral." We think the yield curve will trade directionally with incoming data and market expectations of monetary policy, likely maintaining a steepening bias early in the year. Large-scale government borrowing risks can push longer-term rates higher, particularly given already elevated debt levels.

Strong corporate fundamentals are poised to continue to be supported by healthy balance sheets. On the credit side, while valuations are rich by historical standards, spreads often remain tight for years at a time. We favor taking risk in segments that combine strong fundamentals with reasonable credit spreads. Security selection remains critical, as dispersion among fundamentals remains especially within the lower quality cohorts.

On the equity side, valuations in some areas particularly those tied to AI give us pause. We are focused on high quality stocks and individual selection rather than basing decisions on the macroeconomic backdrop. We think it

Flexible Income

makes sense to balance AI/technology exposure with sectors that are relatively cheap and offer potential resilience to market downturns. Ongoing U.S. dominance in tech, combined with favorable tax and regulatory policies supports our preference for U.S. large caps over small caps and other developed markets. Across credit and equities, we

believe pockets of opportunity still exist and active managers with flexible, value-oriented approaches can take advantage of evolving relative value across asset classes to generate alpha.

For more information contact: 800.752.8700 or visit nuveen.com

Important information on risk

All investments carry a certain degree of risk of loss and there is no assurance that an investment will provide positive performance over any period of time. Debt and fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, and income risk. As interest rates rise, bond prices fall. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Preferred securities are subordinate to bonds and other debt instruments in a company's capital structure and therefore are subject to greater credit risk. Foreign investments involve additional risks, including currency fluctuation, political and economic instability, lack of liquidity and differing legal and accounting standards. Asset-backed and mortgage-backed securities are subject to additional risks such as prepayment risk, liquidity risk and adverse economic developments. Concentration in the financial services sector may involve greater exposure to adverse economic or regulatory occurrences. Equity investments are subject to market risk, common stock risk, covered call risk, short sale risk, and derivatives risk. Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other style investing during given periods.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary

capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professional.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

Glossary

The **Bloomberg U.S. Aggregate Bond Index** tracks the performance of U.S. investment-grade bonds. **It is not possible to invest directly in an index.** Clients should consult their financial professional regarding unknown financial terms and concepts.

Nuveen Asset Management, LLC is a registered investment adviser and an affiliate of Nuveen, LLC. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.