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CIO Weekly Commentary
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CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

HALO effect shines light on real assets

Bottom line up top

Market anxious as Middle East conflict escalates. U.S. and global equities declined as investors digested developments in the U.S.-Israeli military operation against Iran, with incidents involving multiple Persian Gulf states, Lebanon, Cyprus, Azerbaijan and Sri Lanka, among other nations. The CBOE Volatility Index (VIX), a gauge of implied volatility of the S&P 500 Index, hit its highest levels of the year amid the headlines, and U.S. Treasury yields jumped as oil prices spiked.

Negative shock from U.S. jobs report amplifies downbeat tone. In employment, Friday's release of February's much worse-than-expected nonfarm payrolls report more than offset generally benign U.S. economic data earlier in the week. Job losses were broad-based and steep at -92,000, versus consensus forecasts for a +65,000 gain, while January and December totals were revised downward by a combined -69,000. In contrast, wage growth was up a slightly hotter-than-expected +3.8% year over year, raising the prospect of potential upside risk to broader inflation. The unemployment rate inched higher, to 4.4%.

Meanwhile, retail sales ticked down -0.2% for January after a flat December. The retail sales control group number, however, which excludes some volatile categories and feeds directly into GDP calculations, rose +0.35%, slightly higher than consensus and an increase over the prior month. Gauges of broader economic activity surprised to the upside, with February Purchasing Managers Indexes (PMIs) for both manufacturing (52.4 versus 51.8 consensus) and services (56.1 versus 53.9) staying solidly in expansion territory (>50).

Saira Malik, CFA
Chief Investment Officer

On behalf of Nuveen's Global Investment Committee

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.

We see opportunities to diversify into areas like publicly listed real assets.

The services reading was the strongest since November 2022, while the manufacturing PMI improved despite a surge in the prices paid component, which hit its highest level in four years — a sign that inflationary pressures may be building.

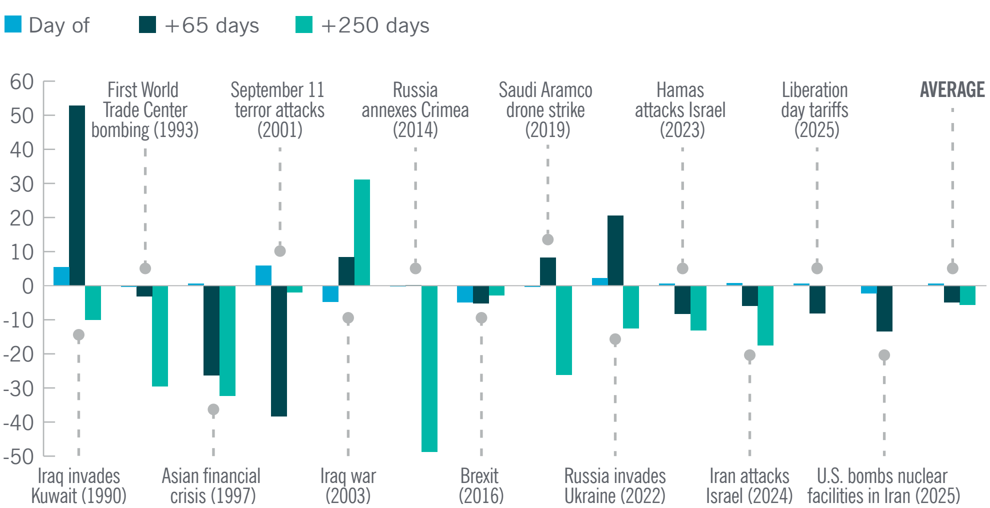
On balance, markets now believe deteriorating employment conditions will outweigh inflation concerns in the U.S. Federal Reserve's policy calculations, likely accelerating the rate cut timeline: 60% chance in June, 90% in July, with two cuts still projected by year-end.

Staying invested through turbulent times has been a sound strategy, as the market impacts of geopolitical disruptions may not last long. Oil prices often surge initially during such events but are lower, on average, 65 and 250 days after day one (Figure 1). Additionally, the Consumer Price Index (CPI) historically has declined by an average of 25 basis points (bps) one year after similar conflicts, based on Bloomberg data. And an analysis cited by *The New York Times* found that the S&P 500 rose +12.5%, on average, one year after U.S. military actions lasting more than one day, beginning with Operation Desert Storm (1991) through seven more campaigns prior to the current conflict in Iran.

While history makes a strong case for staying invested in traditional equities, we also see opportunities to diversify portfolios with strategic allocations to publicly listed real assets like U.S. commercial real estate and global infrastructure.

FIGURE 1: OIL PRICES OFTEN REVERT TO NORMAL AFTER PRICE SHOCKS

Percent change



Data source: Strategas Securities, LLC, Daily macro brief, 02 Mar 2026. **Performance data shown represents past performance and does not predict or guarantee future results.** Average includes all 24 events in the full dataset, including those not shown.

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Listed real estate and infrastructure may be insulated from AI disruption.

Portfolio considerations

Getting real in a virtual world. Video gamers in 2001 went all-in for Halo, a new Xbox title that proved to be transformative in online multiplayer gaming. Within its science-fiction universe, human characters face powerful AI antagonists. Fast-forward 25 years to a similar tableau: today's global financial markets.

In investment terms, HALO refers to "Heavy Assets, Low Obsolescence," a theme gaining traction that focuses on companies whose value is rooted in large, capital-intensive physical assets that cannot be easily displaced by rapid technological change. In a market largely preoccupied with identifying industries vulnerable to AI, HALO offers an alternative. The economic relevance of these businesses comes from moving energy, goods and people, rather than processing information. Prominent HALO categories include publicly listed **U.S. commercial real estate** and **global infrastructure** equities. These asset classes, known for cash flows that extend many years into the future and long appreciated by investors for their stable income and inflation-linked revenues, fell out of favor during the Fed's aggressive 2022-2023 tightening cycle and the higher-for-longer rate environment that followed.

But markets rarely stick with a single narrative indefinitely. The shift to HALO shines a light on opportunities to diversify amid the dominant — and crowded — AI trade.

For commercial real estate, the HALO lens reinforces the appeal of property types tied to the physical economy: logistics facilities, apartments, senior housing and retail centers, among others. These assets support the framework of commerce, benefiting from both productive life cycles and embedded supply constraints.

The HALO thesis may be even more resonant for global infrastructure. Electric grids, pipelines, railways, toll roads, ports, airports and waste and water systems are heavy assets with an exceptionally low risk of obsolescence (unless AI somehow manages to crack the code on teleportation). Their longevity is anchored in indispensable networks and high structural barriers to entry.

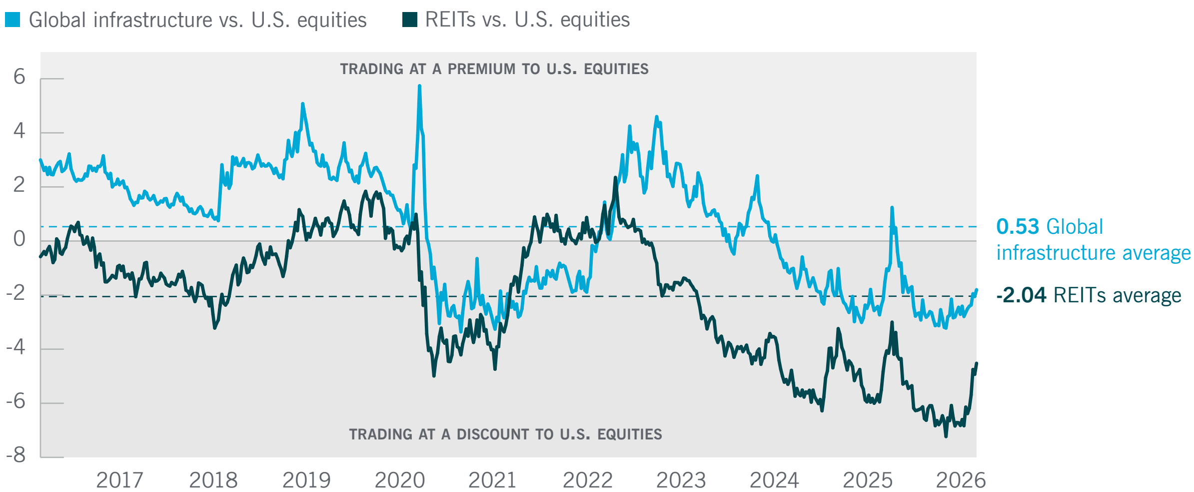
Additionally, the rapid buildout of hyperscale data centers is expected to drive a sharp increase in electricity demand over the coming decade, putting renewed emphasis on power generation, transmission and broader energy infrastructure needs. In this sense, infrastructure stands to benefit not despite the AI revolution but because of it, as the physical backbone required to power the digital economy continues to expand.

Furthermore, equity valuations for publicly listed U.S. real estate and global infrastructure are compelling. Both asset classes currently trade at notable discounts to the broader U.S. equity market and to their own long-term historical valuation relationships with the S&P 500 Index (Figure 2). For investors drawn to the durability of HALO, these attractive entry points suggest significant investment potential remains before "game over" flashes on the screen.

Current valuations for REITs and infrastructure are attractive.

FIGURE 2: RELATIVE VALUE MAY BE A REAL ASSET FOR INVESTORS

Relative valuations for global infrastructure and REITs vs. U.S. equities



Data source: FactSet. Weekly data. 27 Feb 2026. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S. equities:** S&P 500 Index; **Global infrastructure:** S&P Global Infrastructure Index; **REITs:** FTSE Nareit All Equity REITs Index. Valuations for U.S. equities and global infrastructure are represented by their next-twelve-month price-to-earnings (NTM P/E) ratios, and next-twelve-month price-to-fund-from-operations (NTM P/FFO) for REITs.

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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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