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Nuveen's Fourth Annual EQuilibrium Global Institutional Investor Survey:

Institutional Investors Prioritize Private Alternatives, Energy Innovations and Infrastructure In New Market Regime

Key Findings:

- **Majority of investors (55% Global/40% NORAM/62% EMEA/63% APAC) believe that they can significantly influence the progress of energy transition through investments; alternative energy and new infrastructure projects top the list**
- **More than half (55% Global/60% NORAM/49% EMEA/59% APAC) plan to increase exposure to private alternatives, with private credit and private equity allocations as leading choices**
- **Corporate debt is the top pick across the fixed income spectrum; almost half of investors (48%) plan to increase allocations to investment-grade fixed income; 40% plan to reduce equities**

March 21, 2024 – Many investors are significantly reformulating their approach to risk management and asset allocation as they diversify their portfolios in response to heightened geopolitical tensions, higher rates, ongoing market volatility and upcoming elections.

"In our regular client engagements and in our recent survey of more than 800 institutional investors, we took a pulse on how $18 trillion of assets will be put to work and managed in the next one-to-two years," **said Mike Perry, Head of Nuveen's Global Client Group**.

"Three clear themes are dominating investors' focus as they position portfolios in the new regime. First is the huge appetite for exposure to energy innovations and infrastructure projects as the energy transition plays out. The second is private credit and private equity being prioritized among growing allocations to alternatives," Perry said. "Lastly, as a way to position themselves to take advantage of these timely opportunities, investors are holding portions of their portfolios in higher-quality, liquid fixed income instruments."

Investors See Their Influence in the Energy Transition

More than half (55%) of global investors responding to Nuveen's annual EQuilibrium Global Institutional Investor Survey feel they can significantly influence the energy transition through their investments, with 57% indicating that they have or are seeking exposure to alternative energy (renewable, nuclear, hydrogen). In addition, 51% are interested in allocating to new infrastructure projects, including new energy storage/grids and battery storage.

Across the Asia Pacific region (APAC), interest in nature-based solutions among corporate pension funds was above average and, in Germany, pension funds showed higher than average interest in carbon credit markets. North American public pensions showed higher than average interest in legacy infrastructure upgrades.

Almost 90% of investors (88% Global/81% NORAM/93% EMEA/89% APAC) are focused on the energy transition in some way. The smallest group, representing 9%, are first movers in the transition. The largest cohort (37%) is "keeping pace," structuring portfolios to reflect the current energy mix in the economy, while 23% are "getting started" and 19% are doing what is needed to meet regulatory requirements.

"Investors clearly understand their influence, and see government policy and technical innovation as the biggest tailwinds for investments in the energy transition for the year ahead," **said Perry**. "Thirty-nine percent consider politicization to be the biggest headwind, highlighting the importance of partnering with active managers who have robust experience sourcing and navigating the most attractive opportunities."

Private Markets Deemed Attractive

Investors are continuing to allocate to private markets, with 55% (60% NORAM/49% EMEA/59% APAC) planning to increase allocations over the next five years with private credit and private equity allocations as leading choices. The trend, however, is less pronounced than in last year's survey, when 72% (73% NORAM/67% EMEA/79% APAC) planned to increase to privates.

Some investors also are planning to increase allocations to private real estate (24%), commodities (22%), hedge funds (21%), private placements (19%), timberland and farmland (both 12%).

Public pensions in APAC are leading the way, with 72% planning to increase private investments over the next five years. North American insurers and endowments/foundations are not far behind, at 68% and 71%, respectively

Private credit and private equity were deemed the most attractive asset classes among investors looking to lean into alternatives, led by North American public pensions (57% plan to increase private credit) and Japanese investors (59% plan to increase private equity). While interest in private credit and private equity is generally strong across all regions, it was not the top pick everywhere: private infrastructure was the top pick for German investors (53%).

Many Investors Looking to De-Risk

Nearly two thirds (65%) of investors (62% NORAM/68% EMEA/63% APAC) surveyed say we are in a new market regime that is reshaping how they manage risk and return. Eight of 10 (81% NORAM/81% EMEA/78% APAC) say we have left the era of ultra-low interest rates and are entering a higher-for-longer interest rate environment.

Half of investors (50% Global/53% NORAM/48% EMEA/50% APAC) plan to increase portfolio duration in 2024; in last year's survey, just 39% of investors were planning to increase duration. At the same time, the percentages of investors planning to increase "inflation risk mitigation" and "cash" have decreased compared with last year's survey (from 64% to 41% and from 41% to 37% respectively).

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

The normalization of interest rates has created new opportunities for many investors to de-risk, moving away from equity markets toward high-quality public and private fixed income. Compared with last year's survey, significantly more investors are decreasing equity exposure (40% Global/33% NORAM/44% EMEA/44% APAC) than increasing (28% Global/25% NORAM/26% EMEA/37% APAC).

Almost half of investors (48% Global/49% NORAM/49% EMEA/44% APAC) say they plan to increase allocations to investment-grade fixed income, likely reflecting investor expectations regarding a coming economic slowdown. Thirty-eight percent plan to increase allocations to private fixed income, where investment grade credit is the top pick.

About one in five investors also indicated that, over the next two years, they planned to increase allocations to public securitized debt (CLOs, MBSs, etc.; 22%) and below investment grade fixed income (high yield, broadly syndicated loans, etc.; 21%).

"Across all fixed income segments, corporate debt is attracting interest from investors. Corporates were the top choice for investors allocating to investment-grade and below investment-grade fixed income markets as well as private fixed income markets. Investors are seeing greater value than before in these fixed-rate debt instruments. And for liability-driven investors, high-yielding fixed coupon bonds have become an attractive way to enhance their liability matching," **said Perry.**

While investment-grade corporate credit was the top choice overall for planned private fixed income allocations, there was dispersion across investor types. Insurance companies show a stronger preference for private infrastructure debt while endowments and foundations picked private opportunistic and North American public pensions strongly preferred senior middle market loans.

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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 Dec 2023 and operations in 27 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 www.nuveen.com.

About Nuveen's EQuilibrium Global Institutional Investor Survey
Nuveen and CoreData surveyed 800 global institutional investors spanning North America (NORAM), 33% of total; Europe, Middle East and Africa (EMEA), 43% of total; and Asia Pacific (APAC), 24% of total, 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. Asset owner survey respondents represented organizations with assets of more than $10B (53%) and

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less than $10B (47%), with a minimum asset level of $500M. The survey has a margin of error of +/-3.5% at a 95% confidence level.

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