

Intermediate Government

Marketing communication | As of 31 Mar 2026

Key takeaways

- During the first quarter, the Intermediate Government strategy performed in line with its benchmark, the Bloomberg U.S. Intermediate Government Index.
- Yield curve positioning contributed to performance.
- The strategy had no meaningful performance detractors during the quarter.

Market review

Economic growth remained solid, although the outlook was clouded by the conflict in the Middle East. Early estimates indicate U.S. gross domestic product (GDP) grew roughly 2.5% year over year in the first quarter, a slight acceleration from 2025's pace. Following earlier signs of softening, the U.S. labor market surprised to the upside in March's report, with unemployment edging down to 4.3%. With the Strait of Hormuz effectively closed amid the Iran conflict, West Texas Intermediate (WTI) oil prices surged in March and ended the quarter above \$100 per barrel, after averaging around \$60 over the prior three months. While it is too early for this move to materially affect economic activity or reported data, it will likely add upward pressure to global inflation in coming months. Inflation releases — still affected by reporting delays after last quarter's government shutdown — showed the core Personal Consumption Expenditures (PCE) Price Index, the preferred measure used by the Federal Reserve (Fed), at 3.0% year over year through February.

Global central banks generally struck a more hawkish tone at their March meetings, reflecting the risk of higher near-term inflation from rising oil prices. The Fed held rates steady at 3.50%-3.75% in January and March, though some participants revised inflation and rate projections higher. Three other major developed-market central banks — the European Central Bank (ECB), Bank of Japan (BoJ) and Bank of England (BoE) — also left policy unchanged during the quarter. The Reserve Bank of Australia began to tighten amid healthy economic activity, raising rates twice by 25 basis points. Messaging shifted more cautious overall, with the Fed adopting a wait-and-see approach to additional cuts this year. The ECB and BoE highlighted upside inflation risks and signaled that rate hikes remain possible this year, while the BoJ maintained a hawkish stance, emphasizing inflation control over growth risks.

U.S. Treasury yields traded in well-defined range until the Iran conflict escalated, sending rates sharply higher — particularly at the front end of the curve — as expectations for Fed rate cuts were pushed out. The curve flattened as two-year Treasury yields rose 32 basis points over the quarter, while 30-year yields finished only 4 basis points higher. Ten-year Treasury yields increased 12 basis points to 4.30%, as the March selloff reversed an earlier rally. Credit spreads widened as well, contributing to flat-to-negative total returns across most fixed income asset classes. The strategy's benchmark, the Bloomberg U.S. Intermediate Government Index, returned 0.05% during the quarter.



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Portfolio review

During the first quarter, the Intermediate Government strategy outperformed its benchmark, the Bloomberg U.S. Intermediate Government Index, on a gross of fees basis but underperformed net of fees.

The strategy's relative yield curve positioning contributed modestly to results versus the benchmark.

The strategy had no meaningful performance detractors during the quarter.

During the quarter, we purchased 2-3 year Treasuries in February and 10-year Treasuries in mid-March, reducing the portfolio's 10-year Treasury underweight versus the benchmark.

Overall portfolio duration remained close to neutral throughout the quarter, ending the period slightly longer than the benchmark.

Outlook

We have updated our macroeconomic and market forecasts to reflect the likely effects of the war in the Middle East, though uncertainty remains high. We now expect U.S. real GDP growth of 1.8%, 0.2% below our prior forecast, primarily reflecting a likely drag on consumption as higher fuel prices weigh on households. That headwind should be

partly offset by a modest lift in business fixed investment from the oil-extraction sector. We have also raised our core inflation forecast by 0.3% to 2.8%, reflecting the pass-through from higher oil prices along with some disinflationary pressure as tariff effects fade. We continue to expect the labor market to remain broadly stable.

In light of these revisions, we now expect the Fed to remain on pause longer than previously anticipated. Instead of a rate cut around mid-year, we now expect the first cut in the second half of the year. Accordingly, the second cut in our forecast will likely shift to 2027. Outside the United States, we continue to expect at least one rate hike from the ECB this year and two hikes from the Bank of Japan. We expect Treasury yields to rally modestly and the yield curve to steepen over the course of 2026. We continue to forecast the 10-year Treasury yield will remain around the 4.00%-4.25% level, likely ending the year near the bottom of that range.

We are currently positioning the portfolio with a modestly long duration and a yield curve steepening bias. The strategy no longer owns any government-sponsored enterprise (GSE) bonds given the limited supply and lack of relative value versus similar duration Treasuries, while the benchmark has around 1.4% exposure to that segment.

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is \$250,000.

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Fixed income investments emphasize U.S. government agency debt securities. Debt or fixed income securities are subject to credit risk and interest rate risk. The value of and income generated by debt securities will decrease or increase based on changes in market interest rates. Credit risk refers to an issuer's ability to make interest and principal payments when due.

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Glossary

The **Bloomberg U.S. Intermediate Government Index** measures the non-securitized component of the U.S. Aggregate Index with maturities of 1 to 9.999 years. **It is not possible to invest directly in an index.** Clients should consult their financial professional regarding unknown financial terms and concepts.

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