

# nuveen

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# Global equities rally despite macro headwinds

*Equities market update*

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As of 30 Jun 2025

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# Ongoing trade policy uncertainty has led to downward earnings revisions

## Mitigating risks and volatility is critical to navigating equity markets

### Macroeconomic factors

- The impact of tariffs and trade policy uncertainty have potential to affect inflation and labor markets
- Future Fed policy is tied to the dual mandate, the direction of which remains in wait-and-see mode
- The economy has showed signs of weakening as we progress through the tariff announcements, however it continues to remain surprisingly resilient

### Market implications

- Once double-digit earnings growth expectations have been revised lower due to tariffs
- Defending corporate margins and return on invested capital (ROIC) will remain a challenge
- Select opportunities in high quality equities, dividend payers and infrastructure
- Active management opportunities due to increased risks in various areas of equity markets

### Risks to expectations

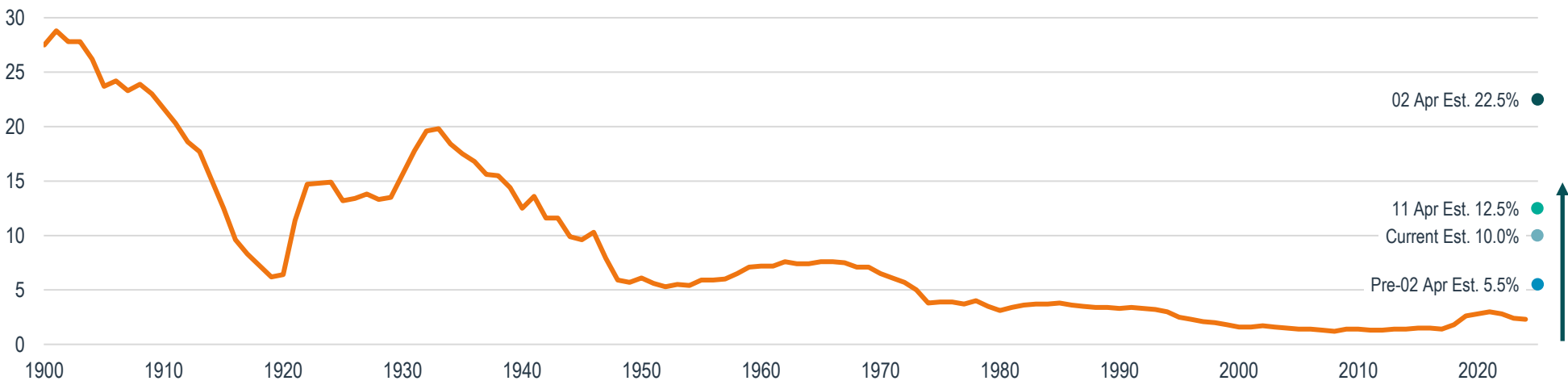
- Further downward earnings revisions driven by tariffs, margin contraction and demand destruction
- Central bank policy error
- Subsequent wave of global inflationary pressures
- Labor market weakens and consumer deteriorates
- Trade and geopolitical conflicts intensify and create additional economic instability

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# U.S. trade policy reverberates through the economy and equity markets

Tariffs are one of the main drivers for the future market outlook and volatility

Average effective U.S. tariff rate on imports (%)



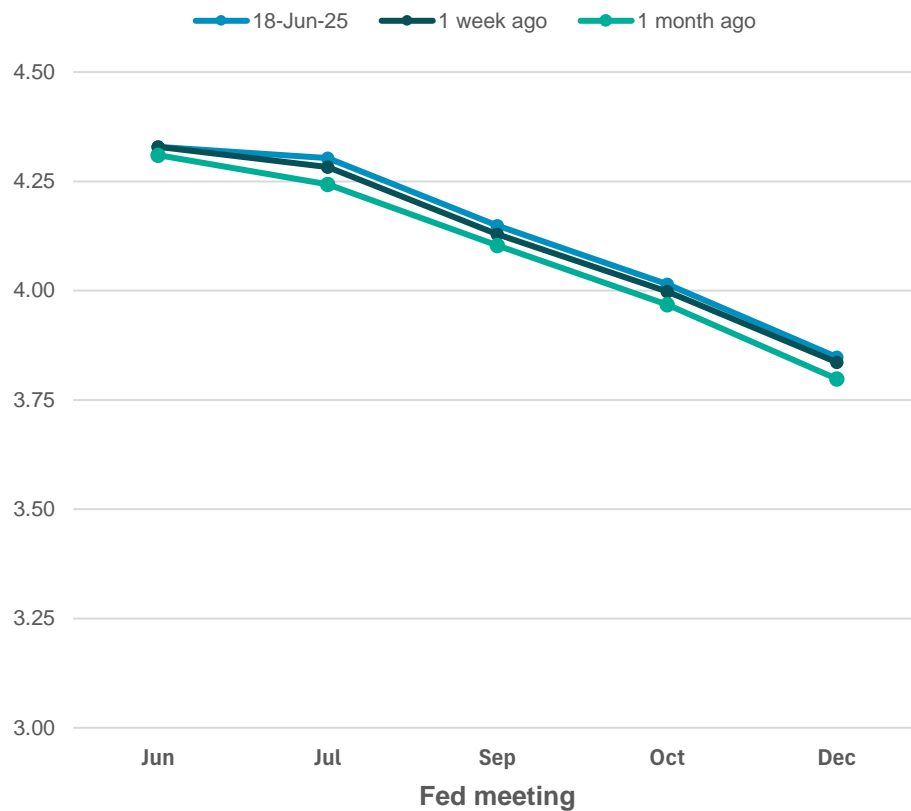
2025 estimates	Pre-02 Apr Expectation	02 Apr "Liberation Day"	11 Apr 90-day pause, sector exemptions	Current Ongoing policy shifts
U.S. GDP growth (%)	2.0	0.4	0.8	1.0
Core PCE inflation (%)	2.5	4.2	3.2	3.0
12M recession probability (%)	35	70	40	35

Data source: Bloomberg, L.P., Nuveen Macro Research, 31 Dec 1900 – 13 Jun 2025.  
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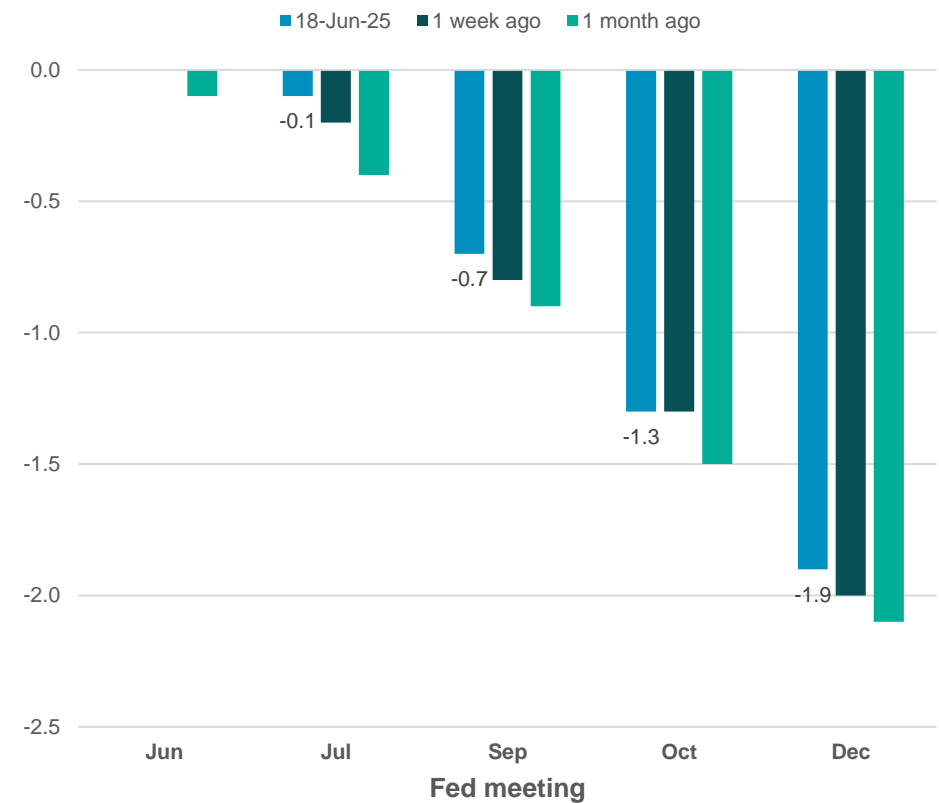
# The Federal Reserve and interest rates

Fed Funds Futures are likely to remain as volatile as the data that they are dependent on

Implied Fed Funds Rate



Implied number of 25 bps rate cuts



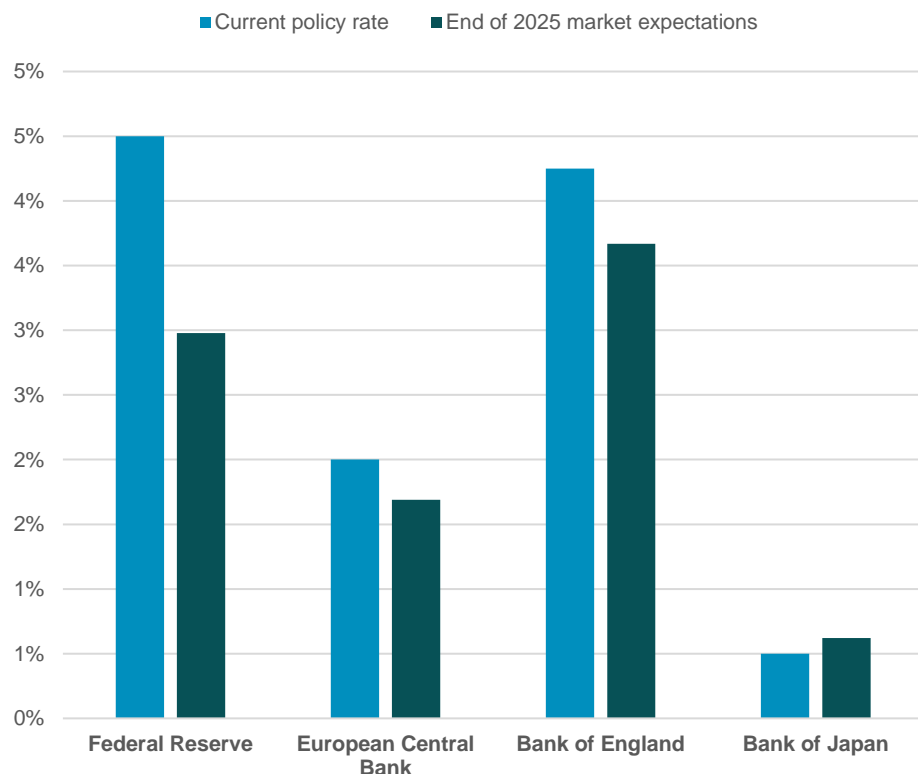
Data sources: Bloomberg as of 18 Jun 2025.

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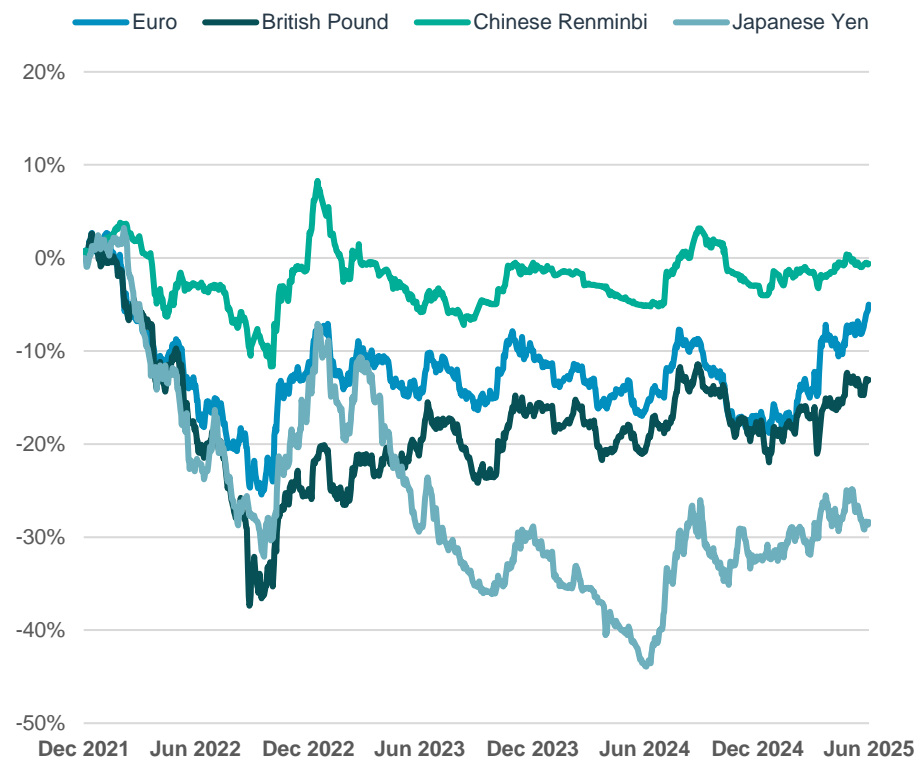
# U.S. dollar direction is increasingly dependent on the administration's policy changes

Global central banks continue to exhibit caution on the timing and pace of policy decisions

## Central bank policy rates and expectations



## Currency returns versus U.S. dollar



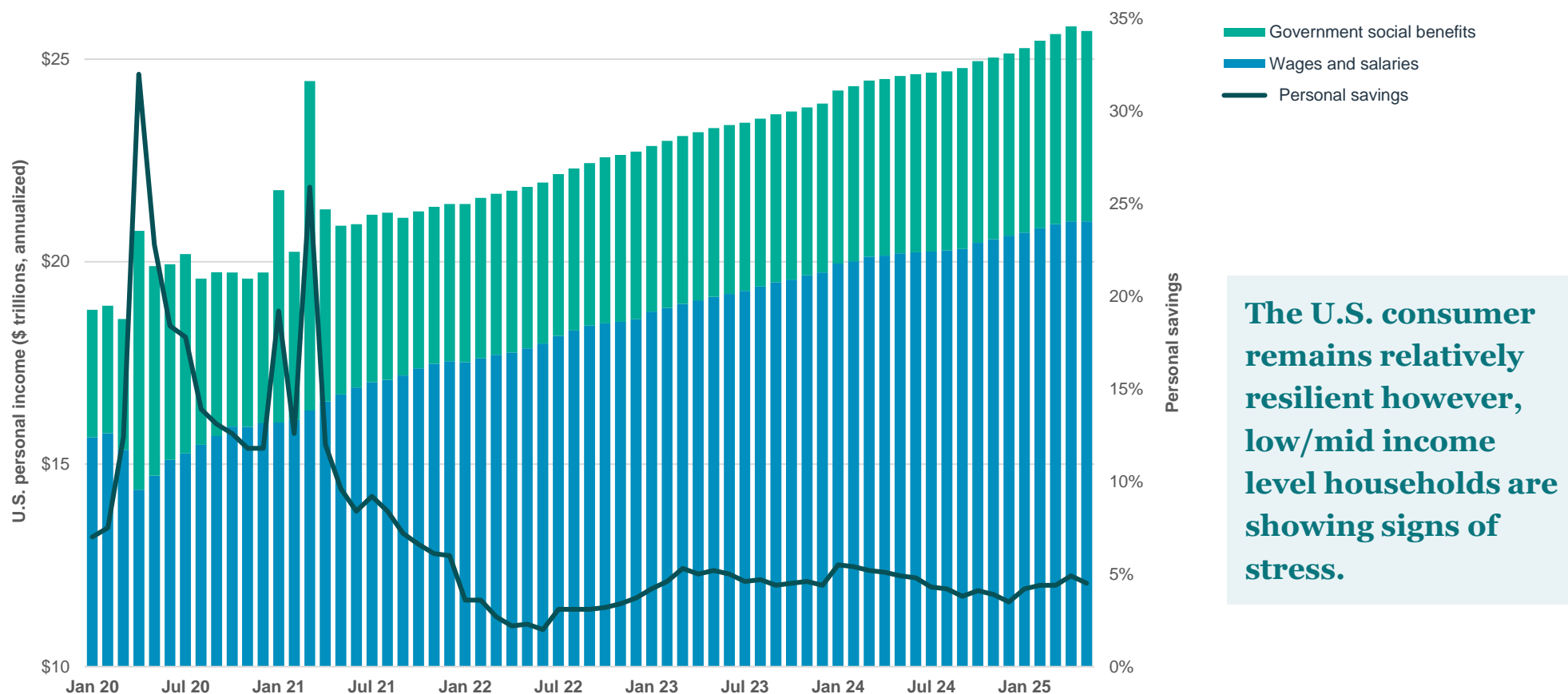
Source: Bloomberg, Nuveen Portfolio Strategy & Solutions, 31 Dec 2021 – 30 Jun 2025. Performance data shown represents past performance and does not predict or guarantee future results.

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Macro factors

# Spending has softened, but is holding up as savings rates normalize relative to 20-year averages

Job security and real wage growth will be key variables to monitor



Data source: Bureau of Economic Analysis, 31 May 2025. Wages and salaries include typical government social benefits such as Social Security, Medicare, Medicaid, unemployment insurance and veterans' benefits. Personal savings represent a percentage of disposable personal income.

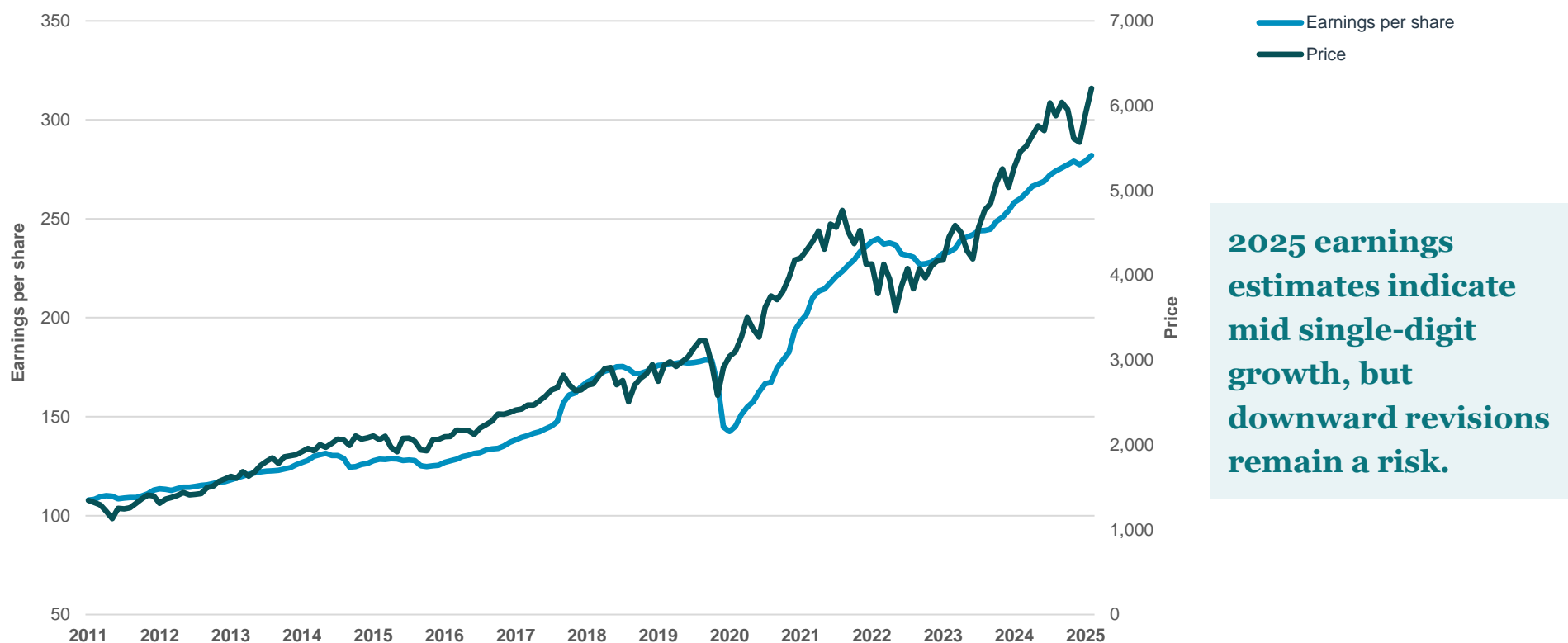
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Market implications

# U.S. equity markets remain extremely dependent on earnings growth this year

Despite ongoing modest downward revisions, earnings growth expectations remain positive, although additional tariff announcements may put that at risk

## S&P 500 Index



Data source: FactSet, 31 May 2011 – 30 Jun 2025. Performance data shown represents past performance and does not predict or guarantee future results.

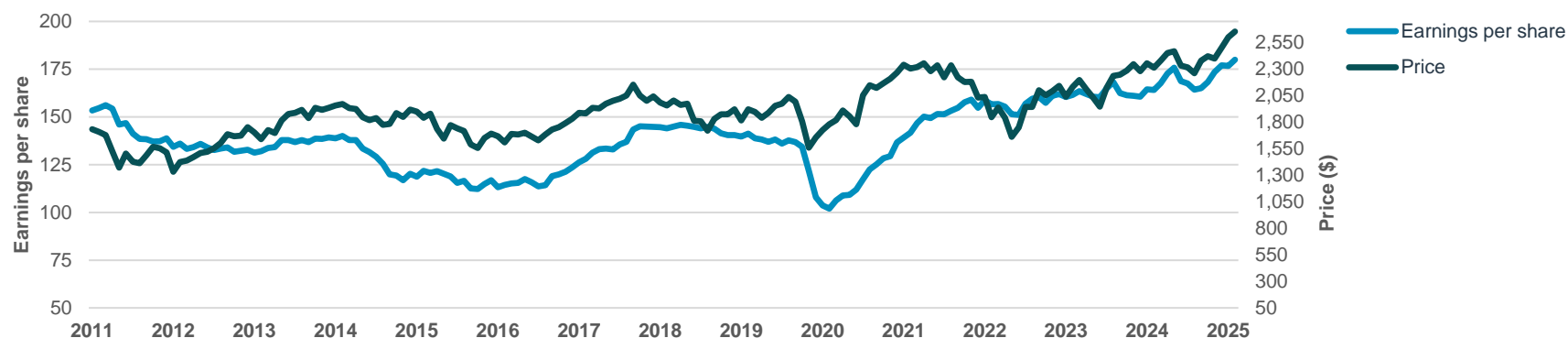
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Market implications

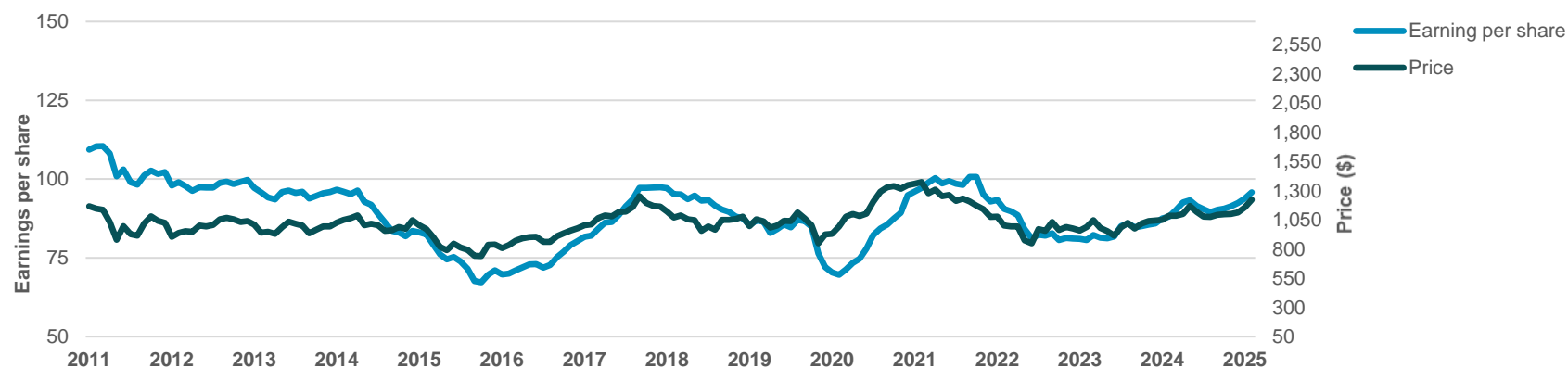
# Non-U.S. equity markets outpaced the U.S. in the first half of 2025

These markets are relatively cheaper and are benefitting from a shift to U.S. dollar depreciation

## MSCI EAFE



## MSCI Emerging Markets



Data source: FactSet, 31 May 2011 – 30 Jun 2025. Performance data shown represents past performance and does not predict or guarantee future results.

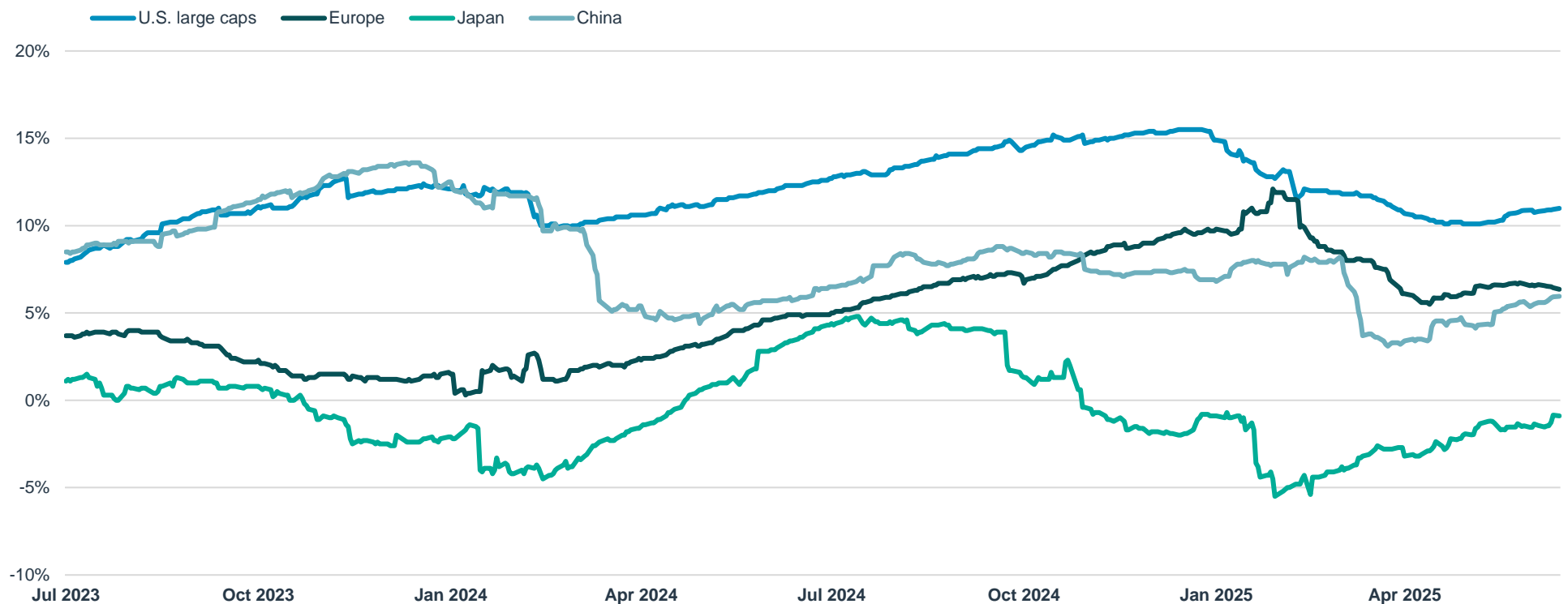
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# The world may be decoupling; markets are not

U.S. corporate earnings expectations appear more achievable

**Forward 12-month expected earnings-per-share growth**



Data source: Bloomberg, L.P., 17 Jul 2023 – 30 Jun 2025. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S. large caps: S&P 500 Index; Europe: MSCI Europe Index; Japan: MSCI Japan Index; China: MSCI China Index.

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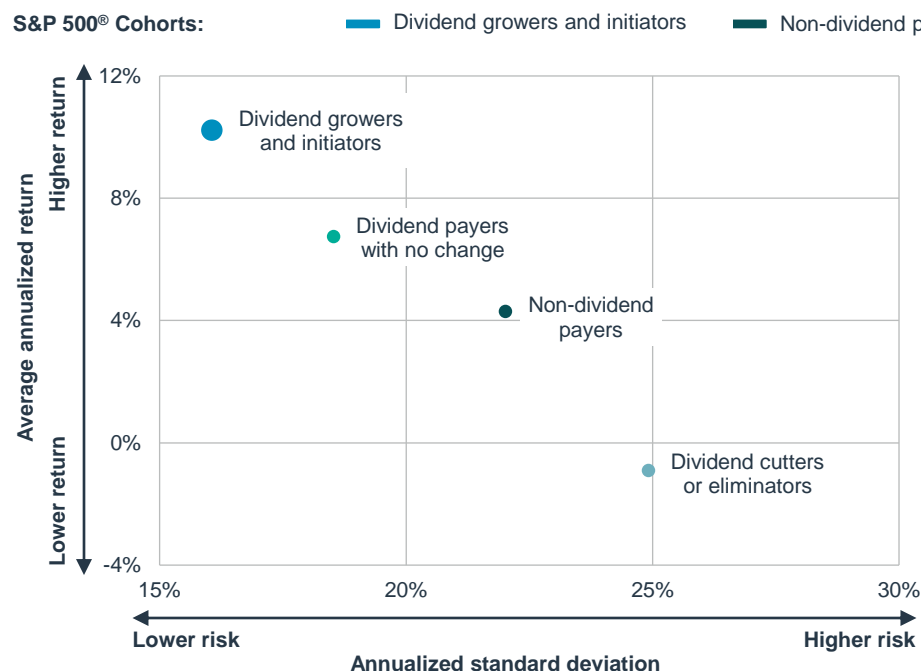
# Dividend growers can provide downside protection and may offer attractive risk-adjusted returns

31 Jan 1973 – 30 Jun 2025

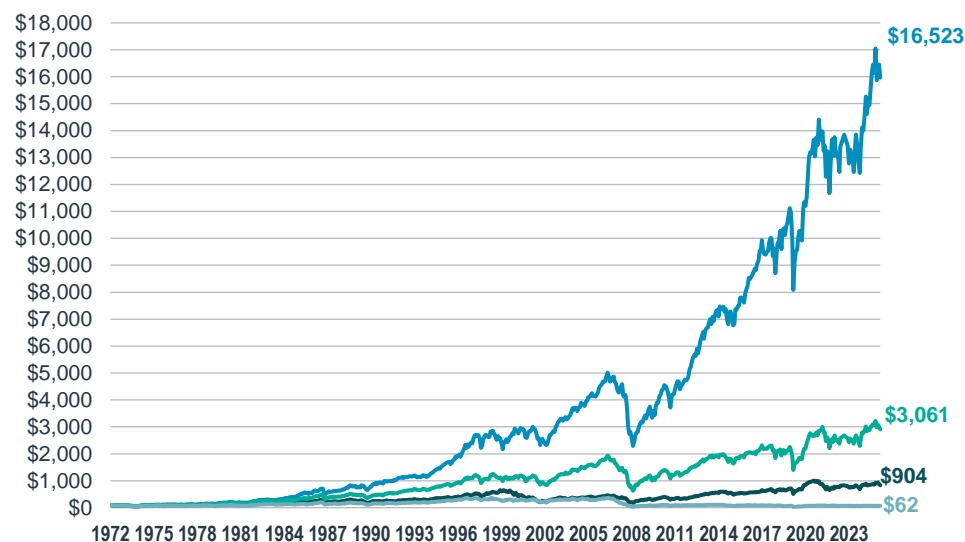
Since 1973, dividend growers have provided higher returns with less risk

## Risk vs. return

S&P 500® Cohorts:



## Growth of \$100



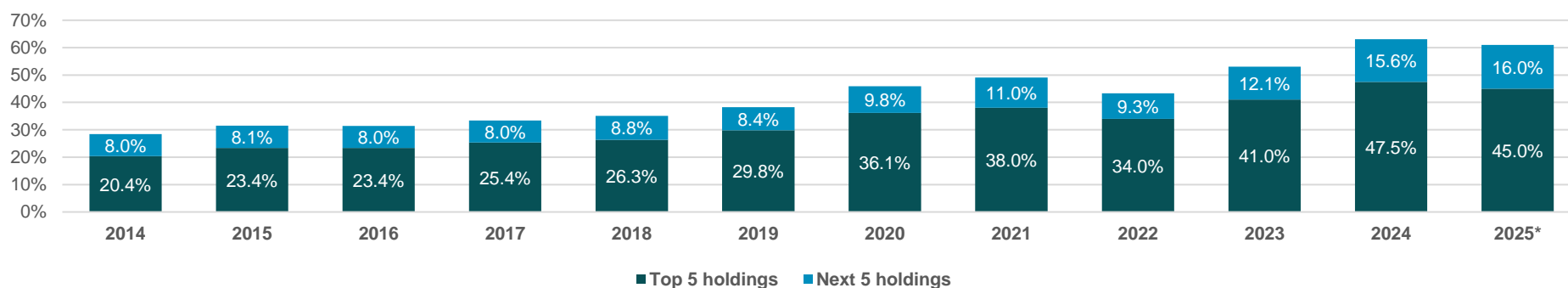
Data source: Ned Davis Research and Refinitiv. Copyright 2025 © Ned Davis Research, Inc. All rights reserved. Performance data shown represents past performance and does not predict or guarantee future results. Dividends are not guaranteed and will fluctuate. Dividend yield is one component of performance and should not be the only consideration for investment. The performance shown is for illustrative purposes only and does not predict the future performance of these groups or replicate any of Nuveen's investment strategies. It is not possible to invest directly in an index. Index performance is not illustrative of any specific investment. For the Dividend Growth Strategy, the composite performance is provided in the appendix of this document. Returns assume reinvestment of dividends and capital gains but does not include any costs associated with investing. Different benchmarks and economic periods will produce different results. Other methods and market conditions may result in significantly different outcomes. For a description of how each stock is grouped by dividend policy, please refer to the Disclosures, located at the end of the presentation.

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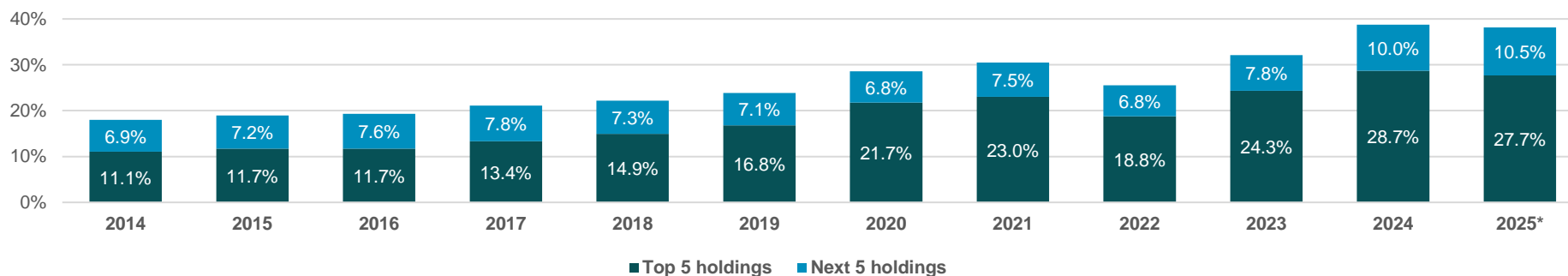
# The overall composition of U.S. large cap indices has grown increasingly concentrated

This is commensurate with the growing valuation disparity between market cap and equal weight

## Weight of top 10 companies in the Russell 1000 Growth Index



## Weight of top 10 companies in the S&P 500 Index



\*2025 is as of 30 Jun 2025.

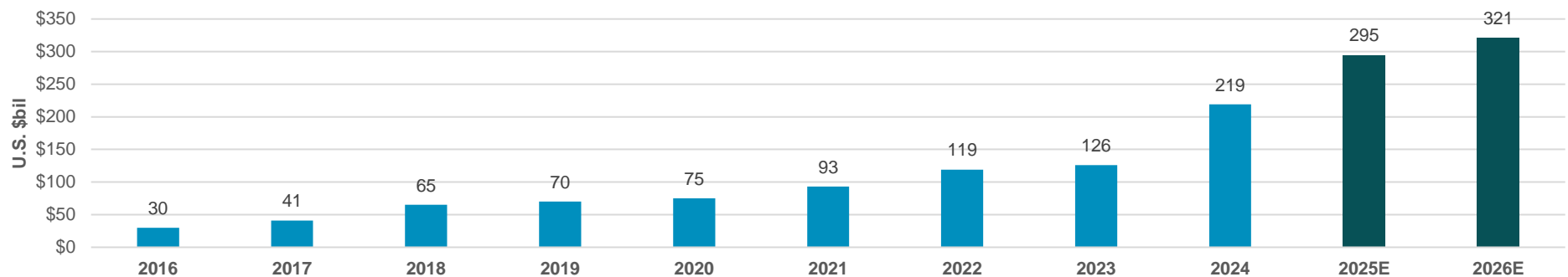
Data source: Nuveen as of 30 Jun 2025. Performance data shown represents past performance and does not predict or guarantee future results. The years shown represent the last trading day of the year.

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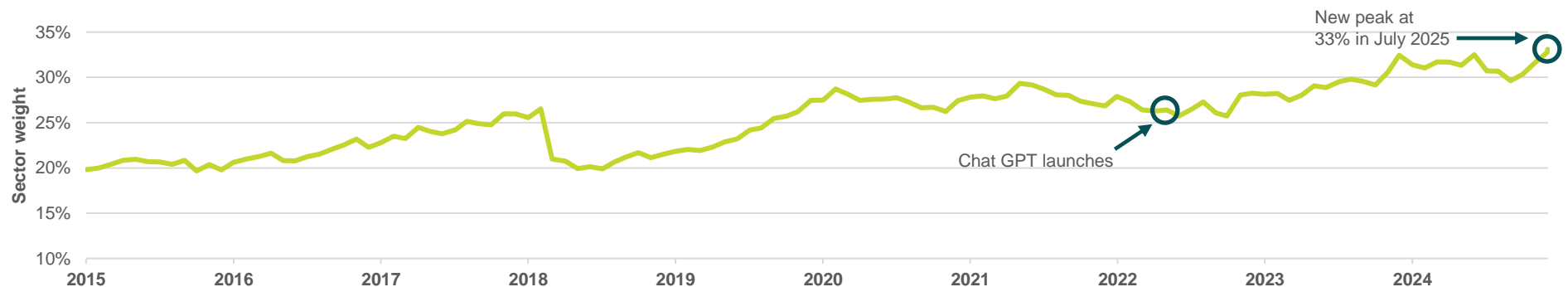
# Despite recent market highs, AI barriers to entry remain significant to competition

Technology as a percentage of U.S. market capitalization has more than doubled in the last decade

## Hyperscale Capex: Alphabet, Meta, Microsoft, AWS



## Technology as a % of U.S. market capitalization has significantly increased in the last decade



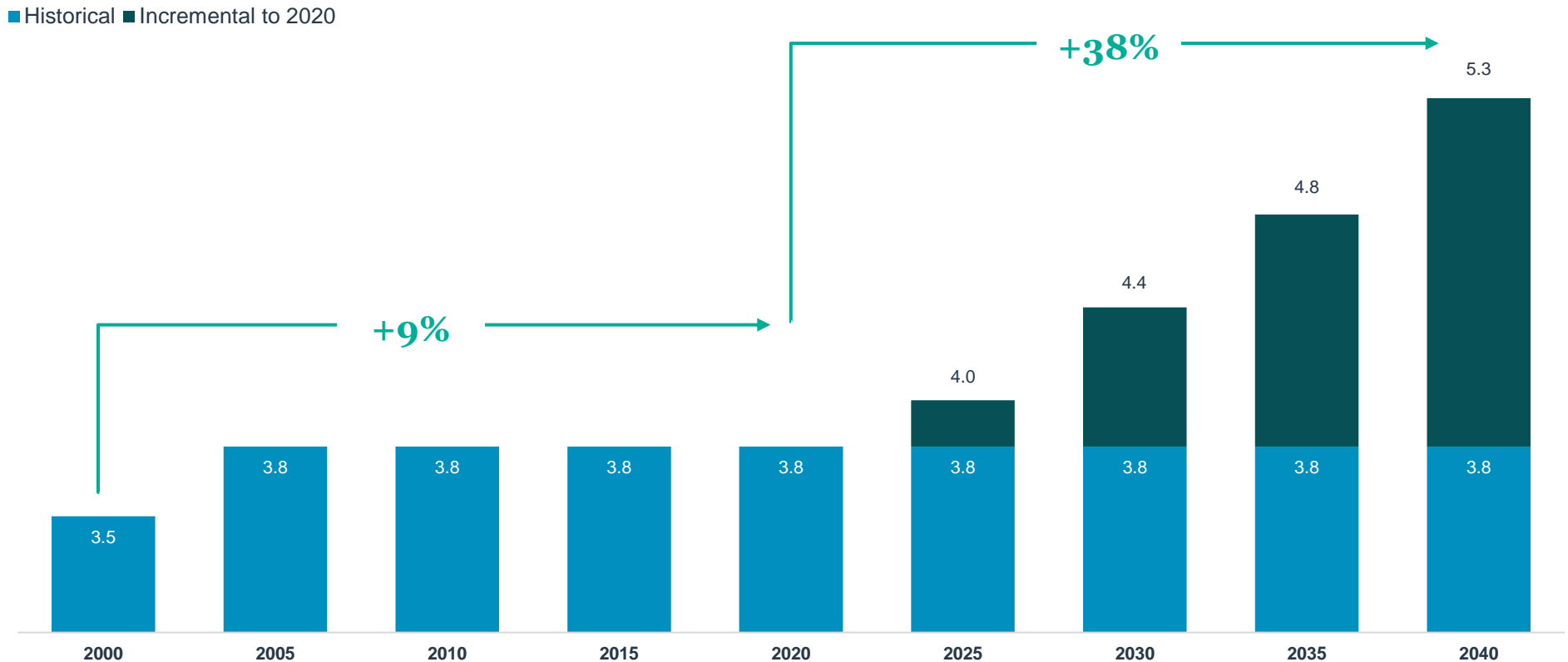
Data source: Bernstein, data as of 22 Mar 2025. For illustrative purposes only. References to specific company stocks should not be construed as recommendations or investment advice.

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## Energy demand charges ahead of capacity

The exponential growth in U.S. power demand within the next several years projected to increase, expectations for infrastructure growth to correspond to meet that demand

### U.S. power demand (thousand TWh)



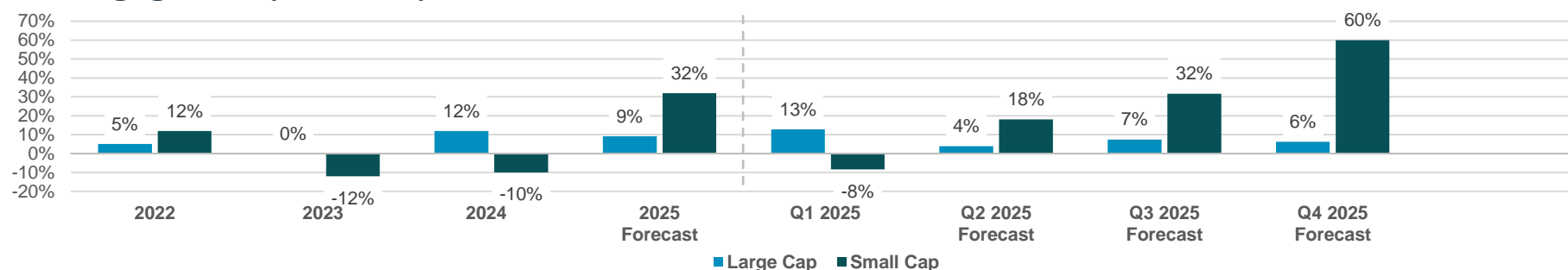
Data source: McKinsey Energy Solutions Global Energy Perspective 2024; EIA AEO 2023.

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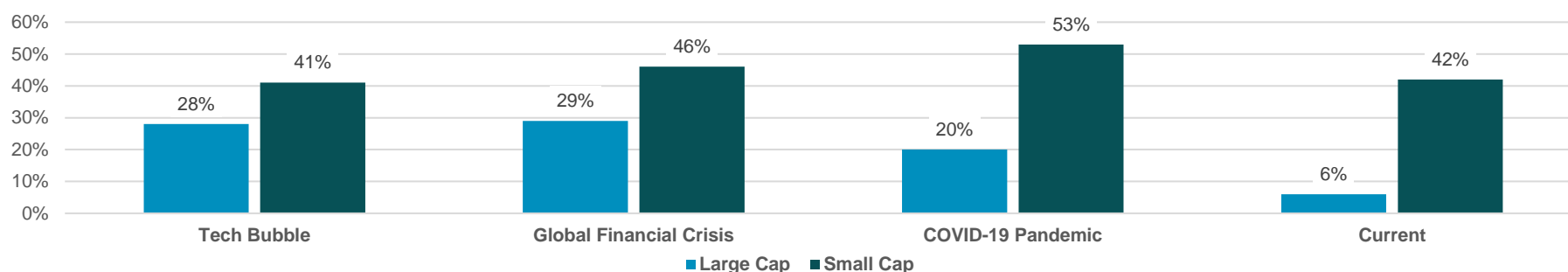
# Despite a challenging start to 2025, small cap earnings expect to rebound in the second half

Selectivity through active management is warranted due to a growing number of unprofitable publicly traded small cap companies

## Earnings growth (year-over-year)



## Percent of unprofitable companies\*



\*Data represented for the percentage of unprofitable companies are from the following quarters: Tech Bubble: Fourth quarter 2001; Global Financial Crisis: Fourth quarter 2008; Covid-19 Pandemic: First quarter 2020; Current: Second quarter 2025.

Data source: FactSet. Performance data shown represents past performance and does not predict or guarantee future results. Representative Indexes: Large Cap: S&P 500 Index; Small Cap: Russell 2000 Index.

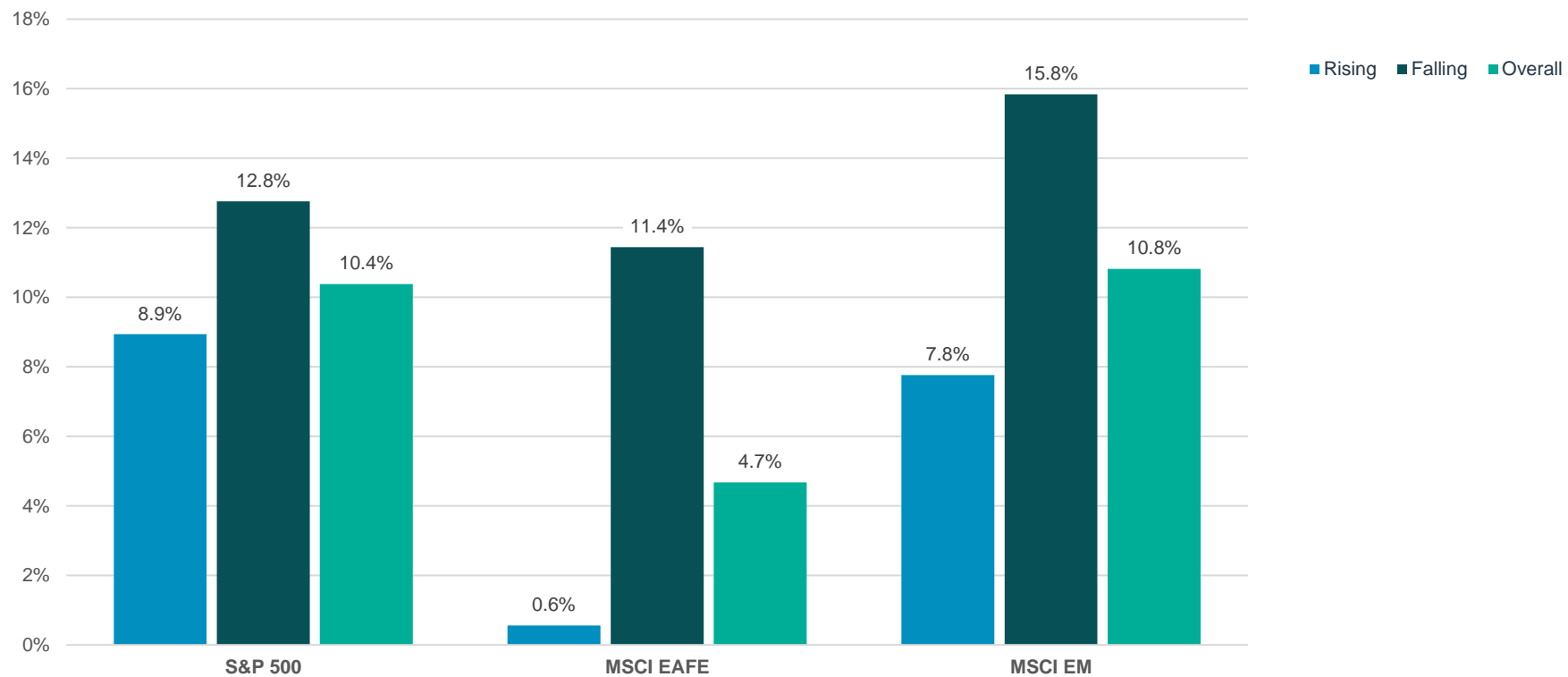
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Market implications

# History shows that a depreciating U.S. dollar has led to solid returns for non-U.S. equity markets

Despite depreciation in 2025 thus far, the direction of the U.S. dollar remains uncertain pending the administration's policy decisions

Average annual performance when the Dollar Index is rising or falling



Data source: Strategas Securities, 1988 – 2024. Performance data shown represents past performance and does not predict or guarantee future results.

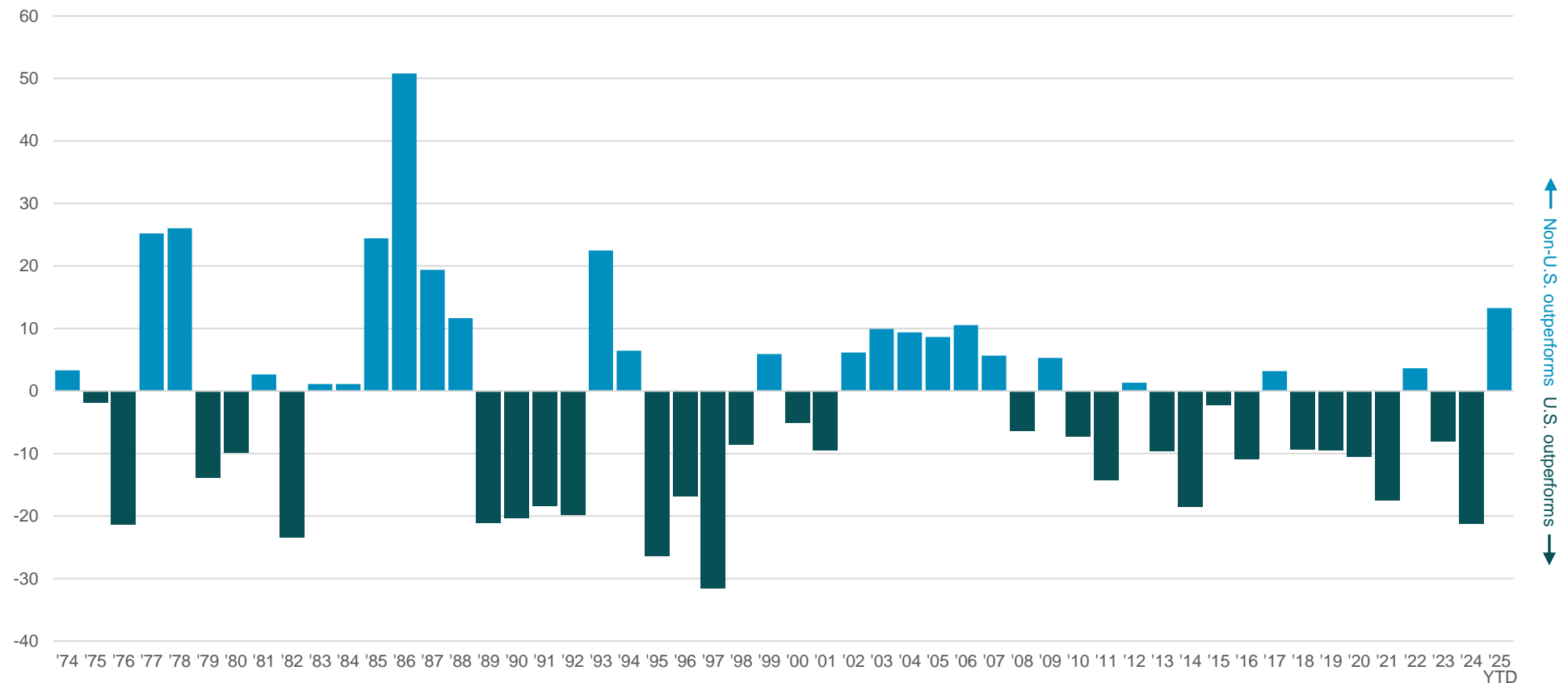
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Market implications

# The U.S. has dominated of late, but market leadership changes hands over time

Non-U.S. equities returned to the forefront more recently than is commonly perceived

*Total return difference (%), non-U.S. stocks (MSCI EAFE) minus U.S. stocks (S&P 500), calendar years 1974-2023*



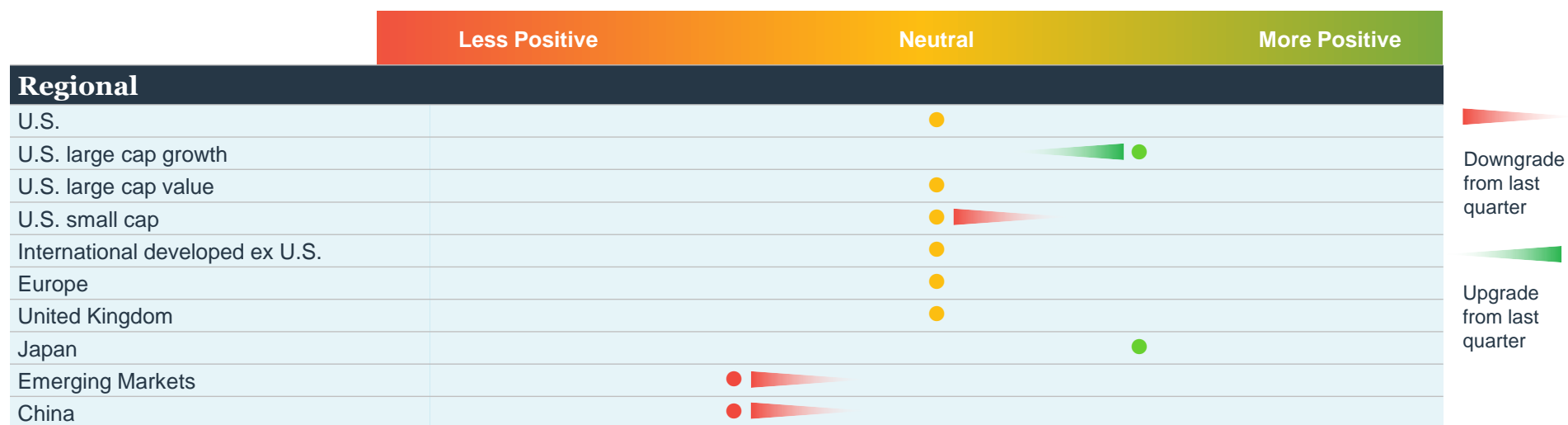
Data source: FactSet. Performance data shown represents past performance and does not predict or guarantee future results. It is not possible to invest directly in an index.

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# What are our highest conviction equity views?

Our views on the best relative equity opportunities as third quarter 2025 begins despite a disappointing start to the year, small cap earnings are expected to rebound in the second half of 2025



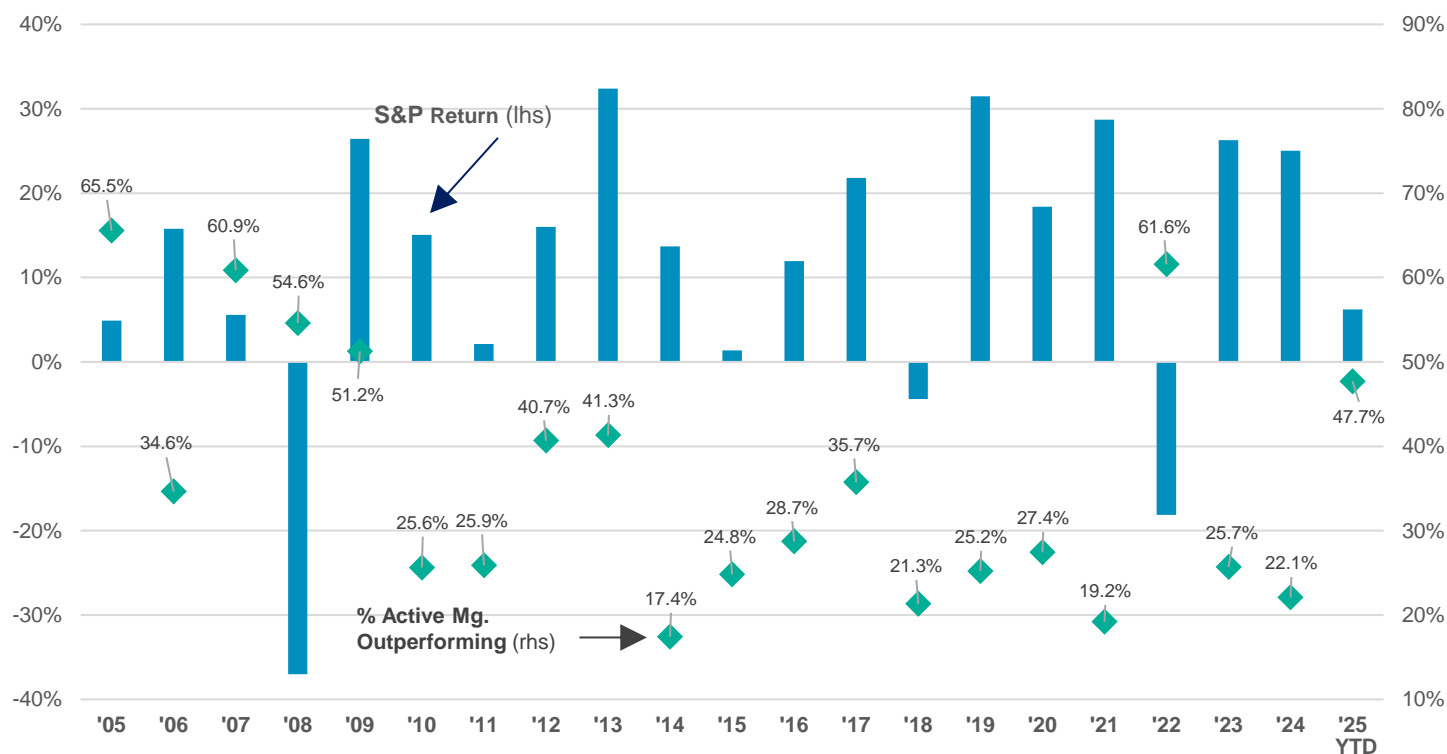
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# Uncertainty was beneficial for U.S. large cap active management in the first half of 2025

The strong showing can be partially attributed to broader market participation

## Annual S&P 500 performance vs. % of active managers outperforming



This marks the highest percentage of outperformance in an up market since 2009, when ~51% of managers outperformed over the full year.

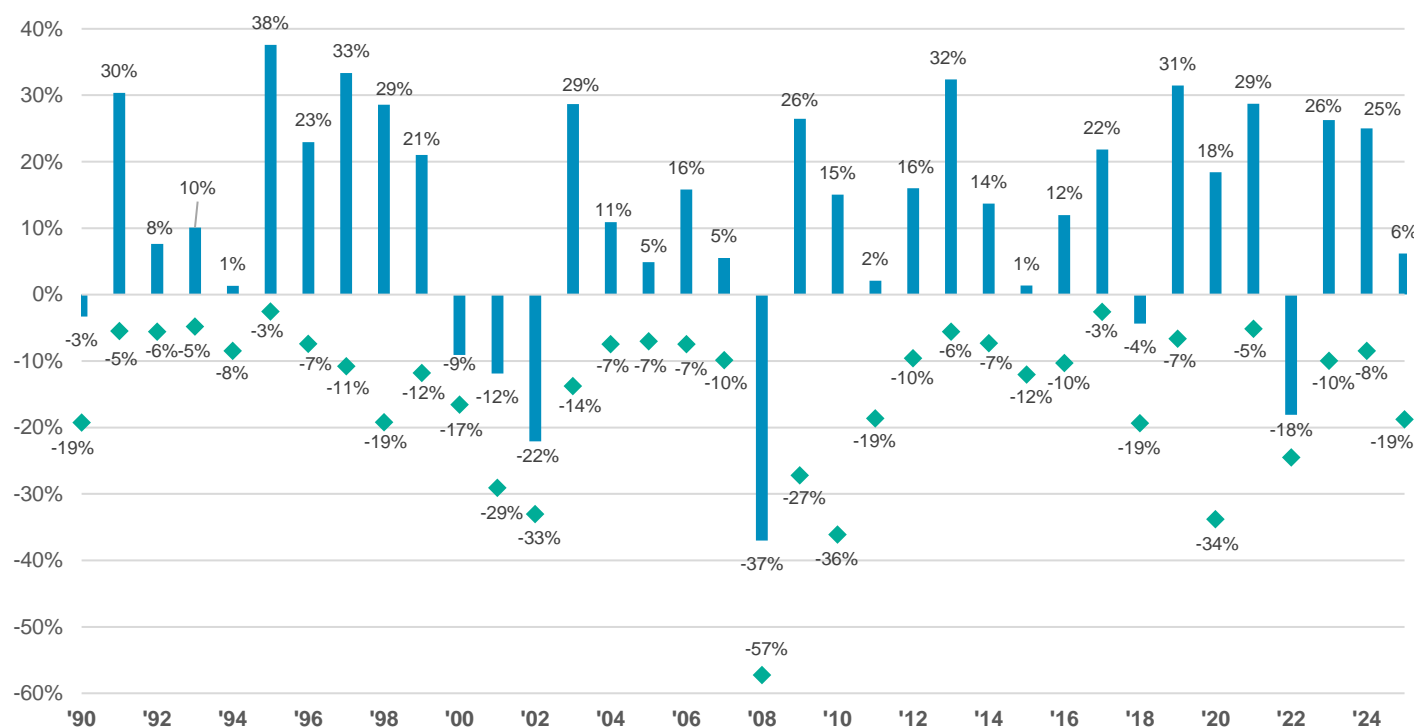
Source: Strategas, FactSet, total return data as of 30 Jun 2025.

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## Market implications

**Since 1990, in any given year, the average intra-year decline is -14.7%**

### S&P 500 calendar year return vs. largest intra-year decline



*“Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves.”*  
**Peter Lynch,**  
Investor and Author

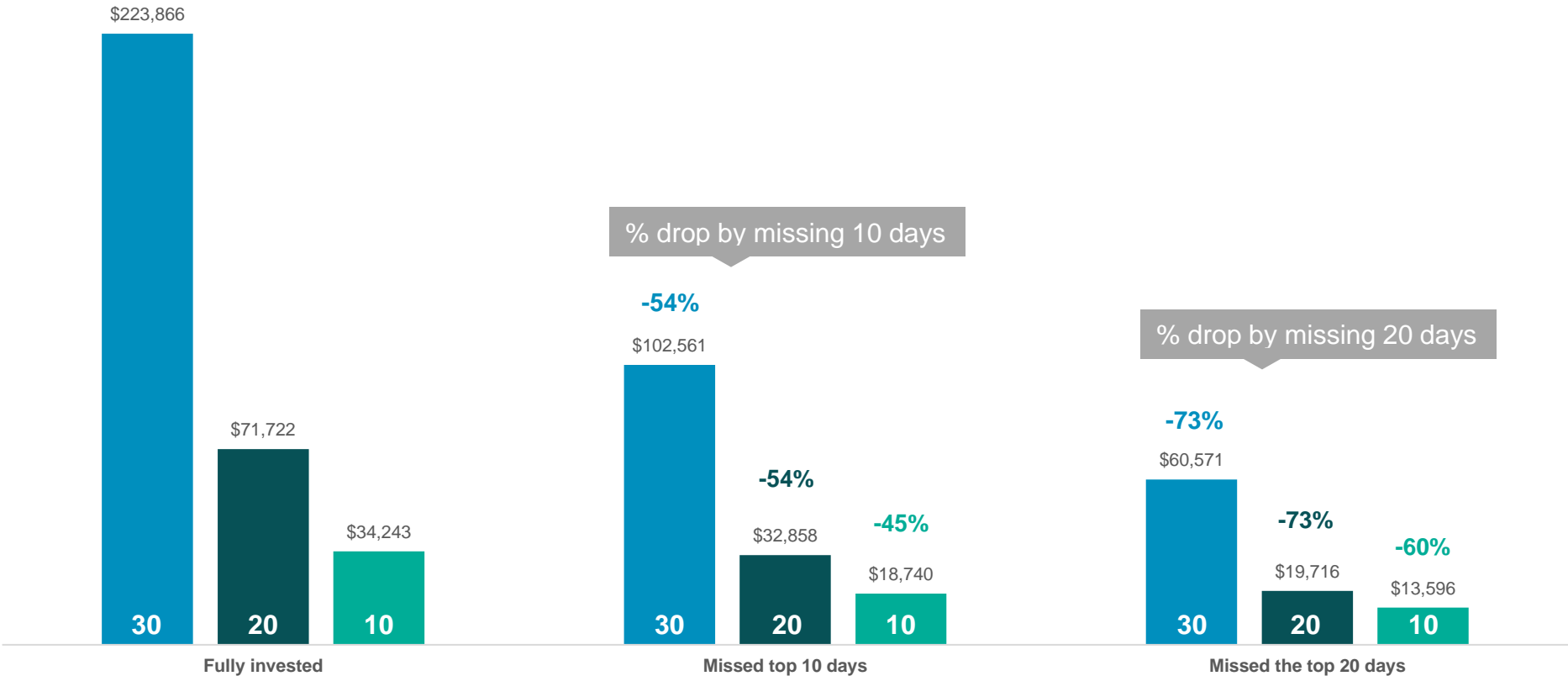
Source: Strategas, FactSet, total return data as of 30 Jun 2025.

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# Staying invested has paid off

## The pain of missing out

Growth of \$10,000 in the S&P 500 Index (10, 20 and 30 years)



Data source: Factset, 31 Dec 2024. Most recent data available. Performance data shown represents past performance and does not predict or guarantee future results. Data do not represent the past performance of any Nuveen product or service.  
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# Markets recover with time

In 84 of 91 market declines, the recovery was less than one year.

## Historical equity market drawdowns and subsequent recoveries (1937 – 2024)

Drawdown			Occurrences	Average recovery time (months)
-5%	to	-10%	58	1.4
-10%	to	-20%	21	3.4
-20%	to	-30%	5	12.1
-30%	to	-40%	3	11.2
-40%	to	-50%	2	35.3
-50%	+		2	56.2

Data source: Factset, 31 Dec 2024. Most recent data available Performance data shown represents past performance and does not predict or guarantee future results. Average recovery time portrays the market trough until it reaches the previous market peak.  
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# Outlook

## Best ideas

- We continue to find select opportunities with companies that exhibit strong fundamentals, including pricing power, that can help overcome inflation and defend free cash flow margins.
- We prefer U.S. large cap, particularly dividend growers, along with global infrastructure and high-quality across all styles.
- Outside of the U.S., we continue to see select opportunities within Europe and Japan, but are increasingly cautious towards other developed and emerging markets until we see economic and investment conditions improve.

## Risks to consider

- Tariffs and the threat of an escalating trade war.
- Central banks around the world continue to respond to volatile economic data, leading to increased risks about market outcomes.
- Increasing margin pressure, combined with tight financial conditions, is increasing the potential for earnings contraction.
- Intermediate- and long-term risks include armed conflicts and a new Cold War emerging between Russia/China and the West, leading to increased defense spending and deglobalization.

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