

nuveen

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Global equities forge ahead

Equities market update

As of 31 Dec 2025

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Both earnings expectations and economic strain increase

Mitigating risks and volatility is critical to navigating equity markets

Macroeconomic factors

- The final impact of tariffs, trade policy and immigration controls on inflation and labor markets are yet to be determined
- Fed policy is tied to the dual mandate (full employment and price stability), and the intermediate term direction remains uncertain
- The economy continues to remain resilient and is forecast to have moderate growth of 2.0% in 2026

Market implications

- Despite the uncertain backdrop, mid double-digit earnings growth and strong revenue growth are expected
- Defending strong corporate margins remains critical to equity markets
- Select opportunities in high quality equities (including AI), dividend payers and global infrastructure
- Active management opportunities due to increased risks in various areas of equity markets (i.e. small caps and international)

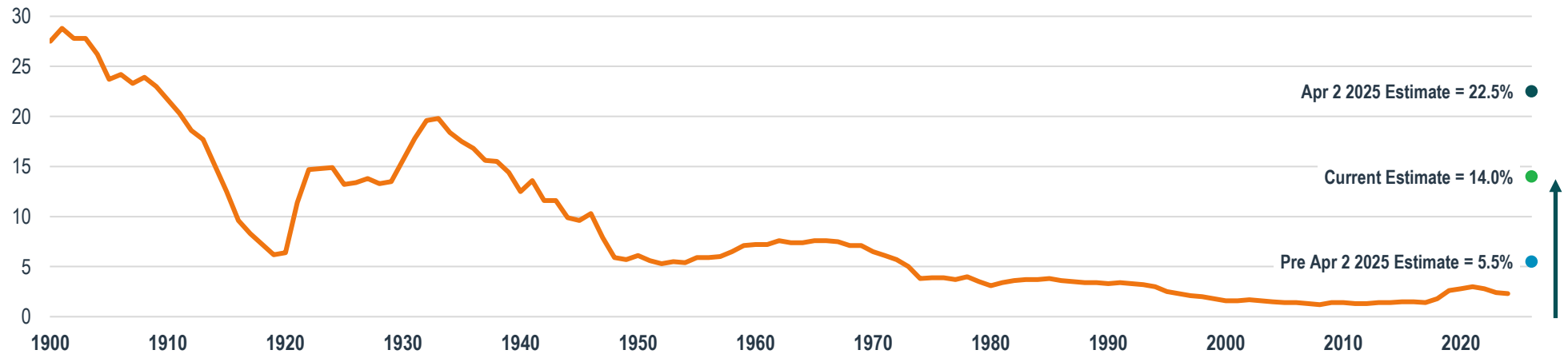
Risks to expectations

- Central bank policy error and/or concerns over Fed independence
- Downward earnings revisions driven by margin contraction and/or demand destruction
- Subsequent wave of global inflationary pressures
- Further labor market weakening and consumer deteriorates
- Trade and geopolitical conflicts intensify and create additional economic instability

U.S. trade policy continues to weigh on the global economy

On trade, we anticipate no fresh tariffs this year, but given 2025's surprises, we would not rule out fresh shocks in 2026

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



2026 estimates

U.S. GDP growth (%)

Ongoing policy shifts

2.0

Core PCE inflation (%)

2.5

12M recession probability (%)

30

Data source: Bloomberg, L.P., Nuveen Macro Research, 31 Dec 1900 – 31 Dec 2025.

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Macro factors

Federal Reserve (Fed) continues to be supportive, but mandates face pressures

Fed continues to cut rates

- 1 – Slowdown in labor market
- 2 – Housing market slowdown
- 3 – K-shaped economy affects consumers

Fed pauses rate cuts

- 1 – Pricing pressures for due to tariffs
- 2 – Upward wage pressure
- 3 – Loose financial conditions



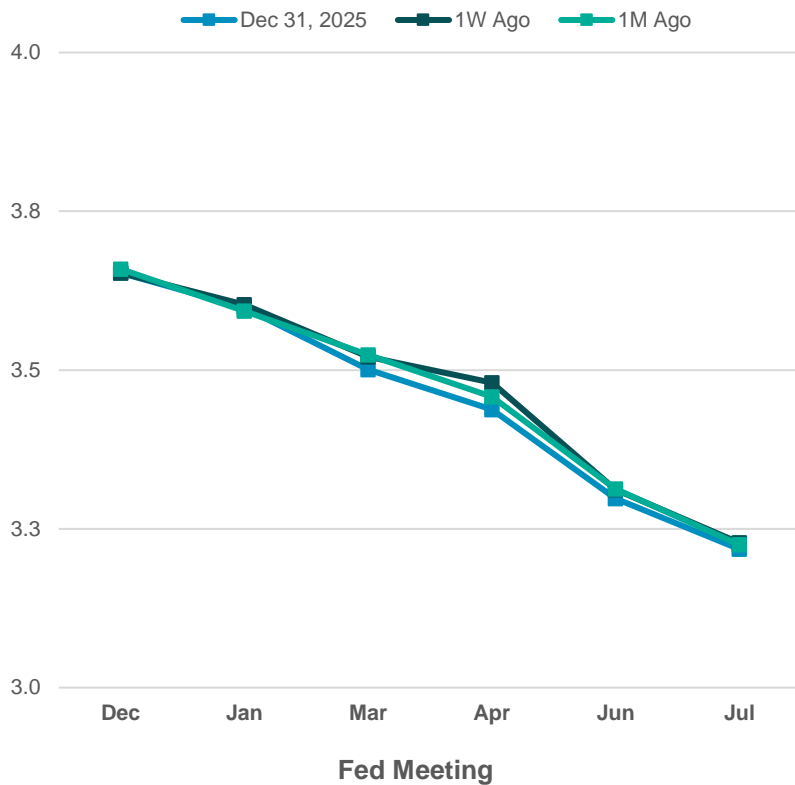
Opinions of Nuveen, January 2026.

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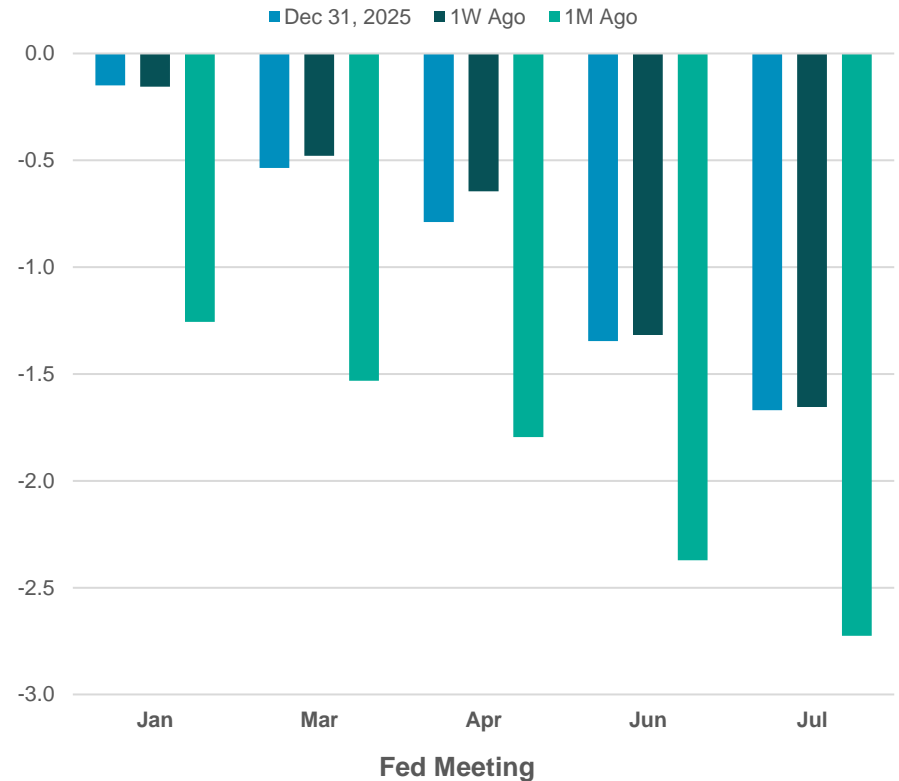
The Federal Reserve and interest rates

Fed funds futures are likely to remain as volatile as the data that they are dependent on

Implied Fed Funds Rate



Implied # of 25 bps rate cuts



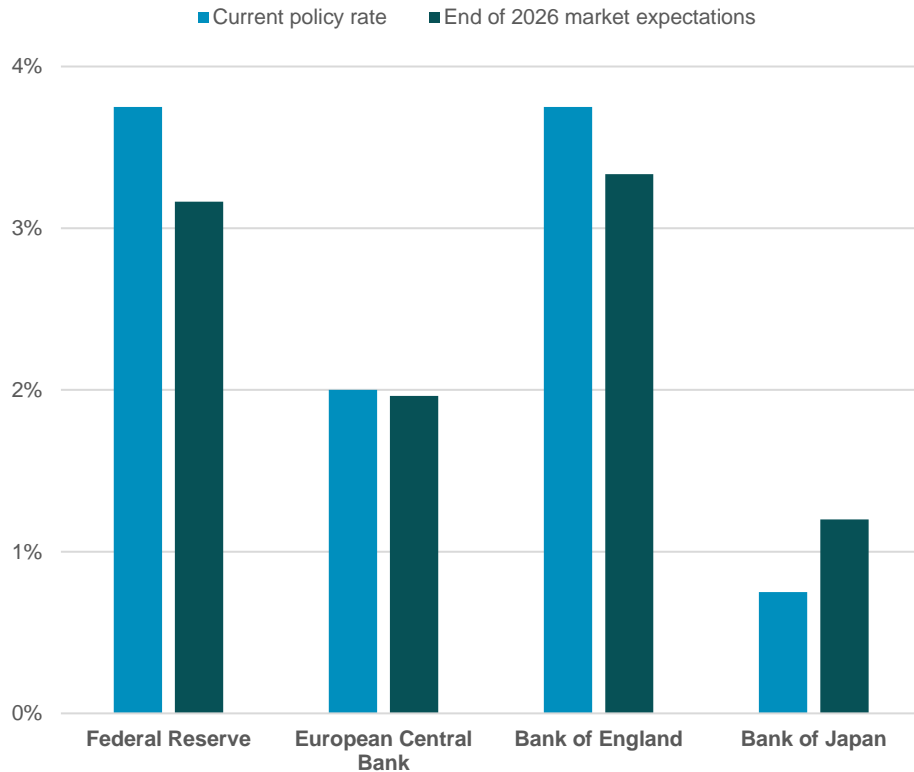
Data sources: Bloomberg as of 31 Dec 2025.

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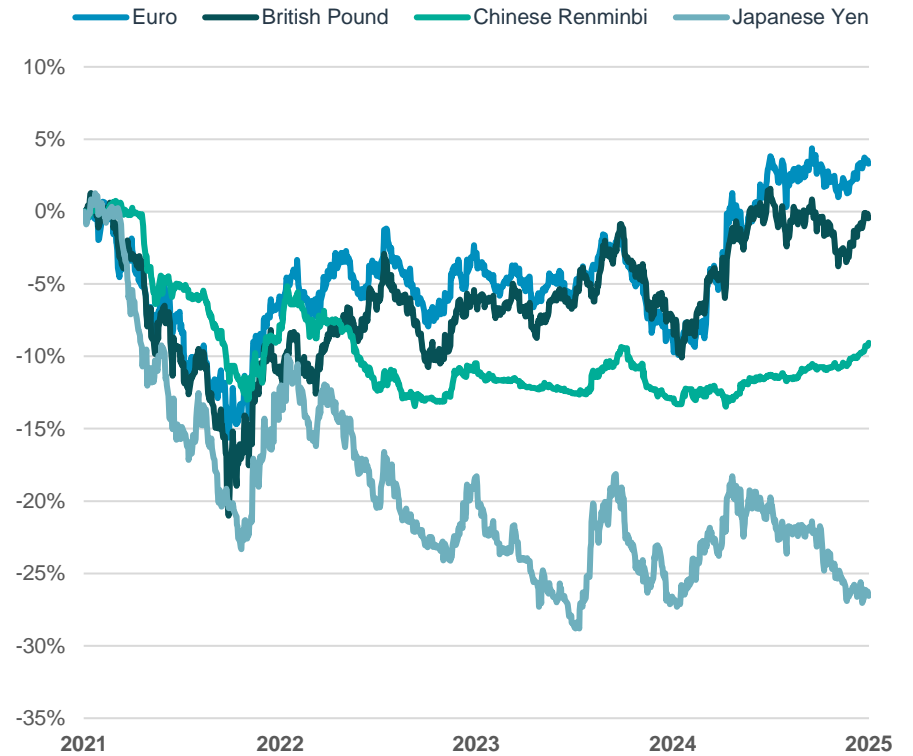
High degree of uncertainty for the near-term direction of the U.S. dollar

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

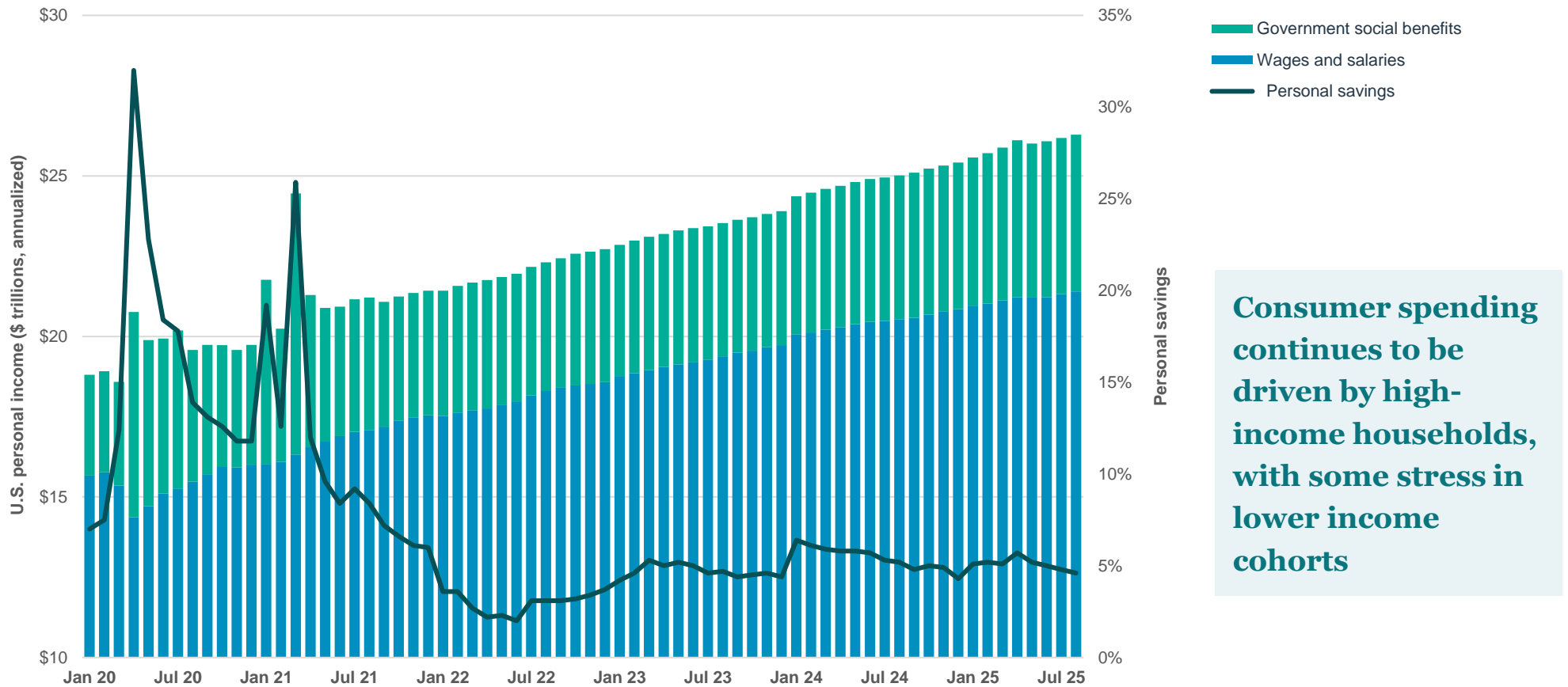


Source: Bloomberg, Nuveen Portfolio Strategy & Solutions, 31 Dec 2021 – 31 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results.

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Assessing consumer income and savings dynamics

“K” shaped consumer spending data continues to support overall consumption



Data source: Bureau of Economic Analysis, 31 Aug 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 recap: Valuations remain stretched, however EPS expectations are robust

Category/Index	Total return					Forward 12M		Current forward P/E vs history (lower = better)			Current expected EPS growth Percentile vs history		
	1Mo	3Mo	YTD	6Mo	1Yr	Forward P/E	Exp. EPS growth %	3Y	5Y	10Y	3Y	5Y	10Y
S&P 500 Index	0.58	2.65	17.86	10.98	17.86	23.5	16.7%	66%	80%	81%	100%	84%	91%
Russell 1000 Growth Index	-0.23	1.12	18.55	11.75	18.55	30.2	23.7%	56%	74%	67%	100%	100%	99%
Russell 1000 Value Index	1.37	3.80	15.88	9.32	15.88	18.5	12.5%	70%	82%	78%	82%	69%	76%
Russell 2000 Index	0.66	2.19	12.79	14.85	12.79	17.8	20.3%	71%	83%	71%	100%	90%	94%
MSCI EAFE Index	3.17	4.91	32.03	10.04	32.03	16.3	9.3%	98%	99%	81%	87%	70%	73%
MSCI Emerging Markets Index	2.90	4.76	34.29	16.21	34.29	13.3	16.6%	87%	92%	81%	100%	87%	92%
MSCI Europe Index	2.89	6.32	20.20	10.12	20.20	16.0	10.5%	100%	100%	78%	98%	76%	72%
MSCI Japan Index	2.28	9.55	24.70	21.20	24.70	16.9	5.3%	84%	90%	82%	99%	77%	76%
MSCI United Kingdom Index	2.42	7.09	25.81	15.42	25.81	14.4	14.8%	99%	99%	85%	95%	76%	70%
MSCI China Index	-2.21	-7.30	31.70	10.94	31.70	12.5	8.5%	81%	89%	72%	57%	55%	34%
S&P Global Infrastructure Index	-0.06	2.32	22.51	6.06	22.51	17.5	9.9%	82%	88%	53%	67%	45%	58%

Forward P/E and Expected EPS Growth based on the blended forward 12M earnings estimates, excluding negative values.

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Scenario analysis for the U.S. equity market

Potential 2026 outcomes for the S&P 500 Index¹

<p>Base case</p>	<p>Resilient economic growth, controlled inflation, solid AI results drive corporate earnings</p> <ul style="list-style-type: none"> • Probability = 55% • S&P 500 year-end close: 7,500 • 10-year U.S. Treasury yield: 4.50% • S&P 500 EPS growth: 14.5% in 2026, 8.0% in 2027; P/E holds steady at 22.5x • Fed reduces interest rates, remains cautious amid sticky inflation 	<p>Bull case</p>	<p>Dovish Fed achieves soft economic landing; AI trade accelerates</p> <ul style="list-style-type: none"> • Probability = 20% • S&P 500 year-end close: 8,600 • 10-year U.S. Treasury yield: 4.00% • S&P 500 EPS growth: 18.0% in 2026, 13.0% in 2027; P/E expands to 24.0x • Fed continues to reduce interest rates, no tariff shocks, AI earnings outperform, capex increases
<p>Bear case</p>	<p>Growth reaccelerates due to fiscal expansion; inflation rises</p> <ul style="list-style-type: none"> • Probability = 10% • S&P 500 year-end close: 6,450 • 10-year U.S. Treasury yield: 5.00% • S&P 500 EPS growth: 8.0% in 2026, 6.0% in 2027; P/E contracts to 21.0x • Fed pauses as inflation rises from already high levels 	<p>Bear case</p>	<p>“Magnificent 7” equities correct due to AI disappointment</p> <ul style="list-style-type: none"> • Probability = 15% • S&P 500 year-end close: 5,000 • 10-year U.S. Treasury yield: 3.50% • S&P 500 EPS contraction: 2.0% in 2026, 5.0% in 2027; P/E falls to 20.0x • Fed cuts aggressively, but investors stay on sidelines and equity market does not re-rate

¹ S&P 500 targets are not guaranteed. The targets above are derived from both quantitative and qualitative factors, including historical returns and market conditions and assumptions. The targets are presented to establish a benchmark for future evaluation of performance and to provide a measure to assist in assessing anticipated risk and reward characteristics. Any target data or other forecasts contained herein are based upon subjective estimates and assumptions; if any of the assumptions used do not prove to be true, results may vary substantially.

² Views expressed are a combination of quantitative and qualitative analysis from the Equities Investment Council, based on a combination of earnings, valuations, and S&P 500 data. Scenario probabilities are opinions of Nuveen, and subject to change.

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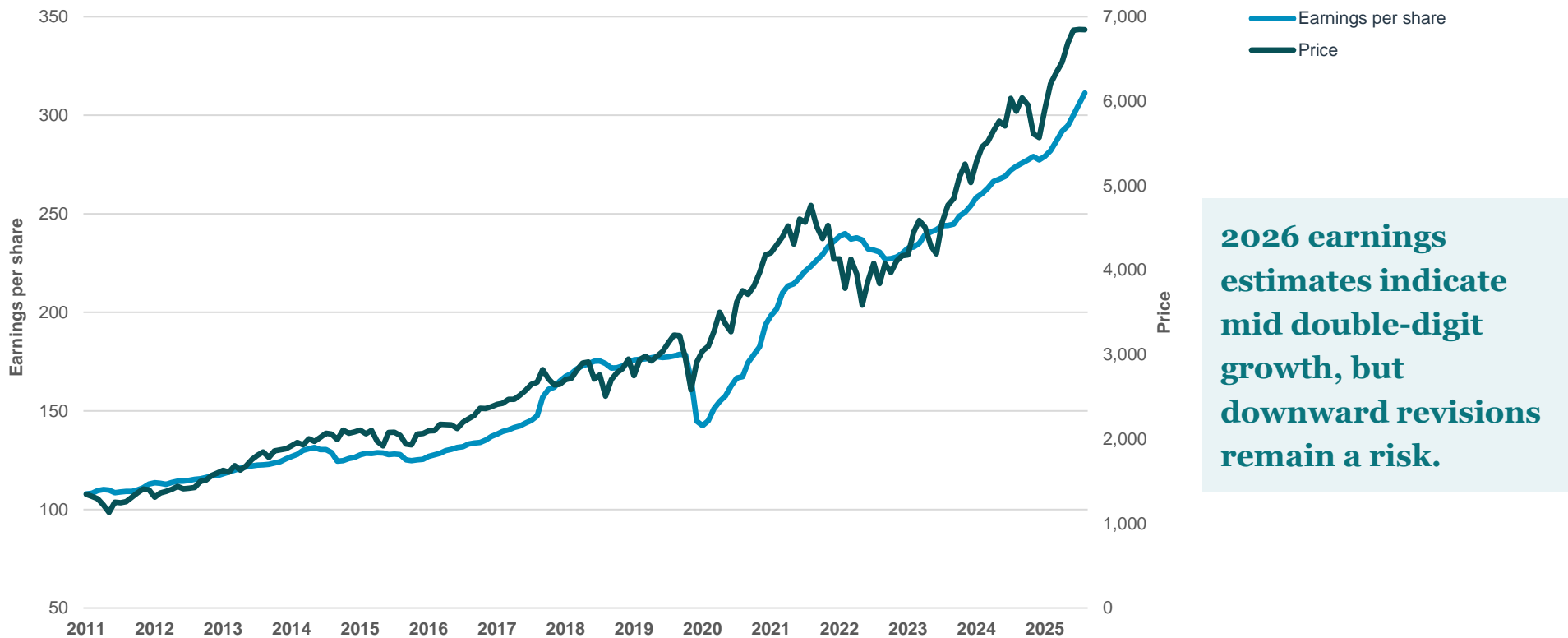
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Market implications

U.S. equities remain increasingly dependent on earnings growth given elevated valuations

Earnings growth expectations held up well in 2025, and upside expectations for 2026 also remain high

S&P 500 Index



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

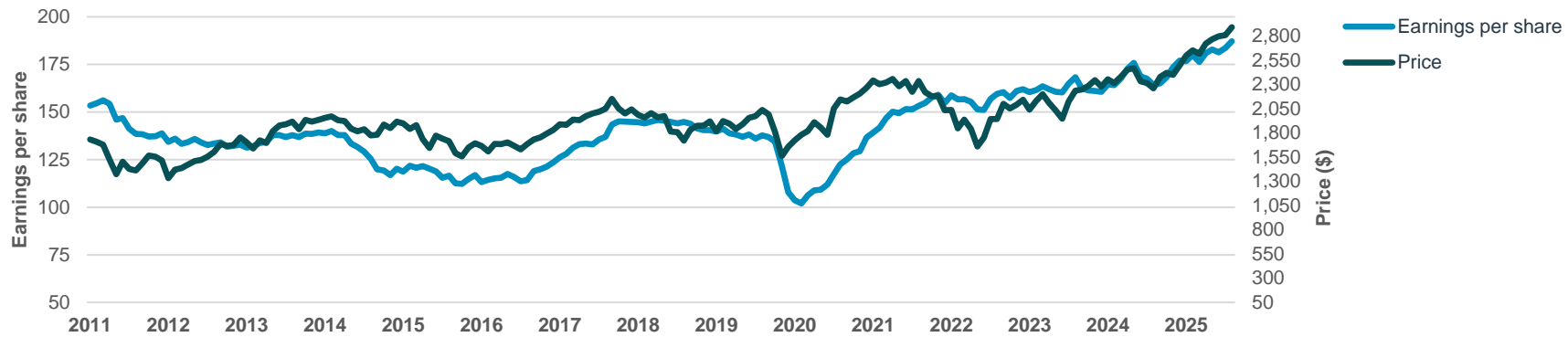
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Market implications

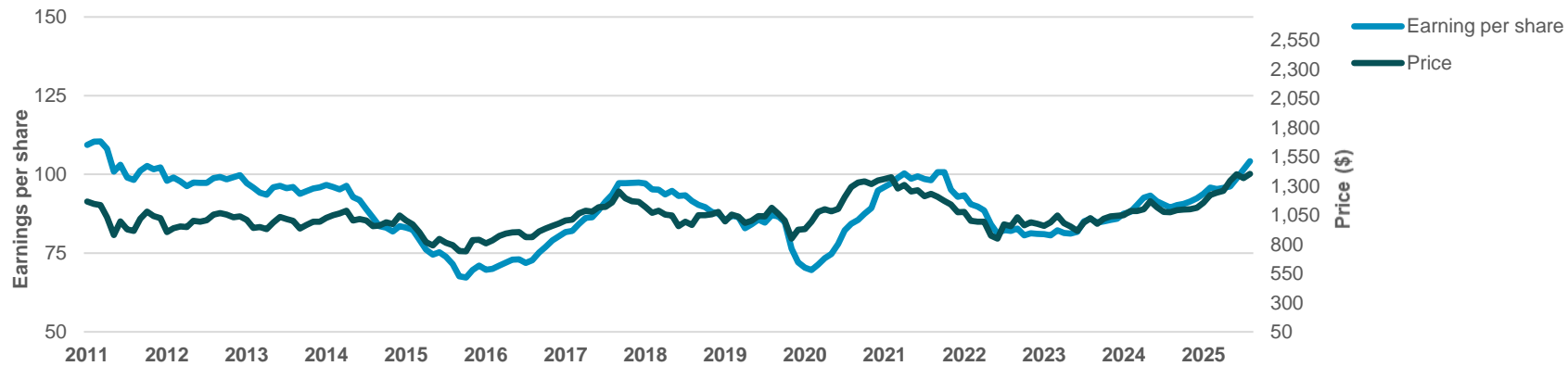
Non-U.S. developed and EM bested the S&P 500 — the first calendar year that’s happened since 2006

These markets remain relatively cheaper on a valuation basis and are forecast to deliver strong earnings growth this year

MSCI EAFE



MSCI Emerging Markets



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

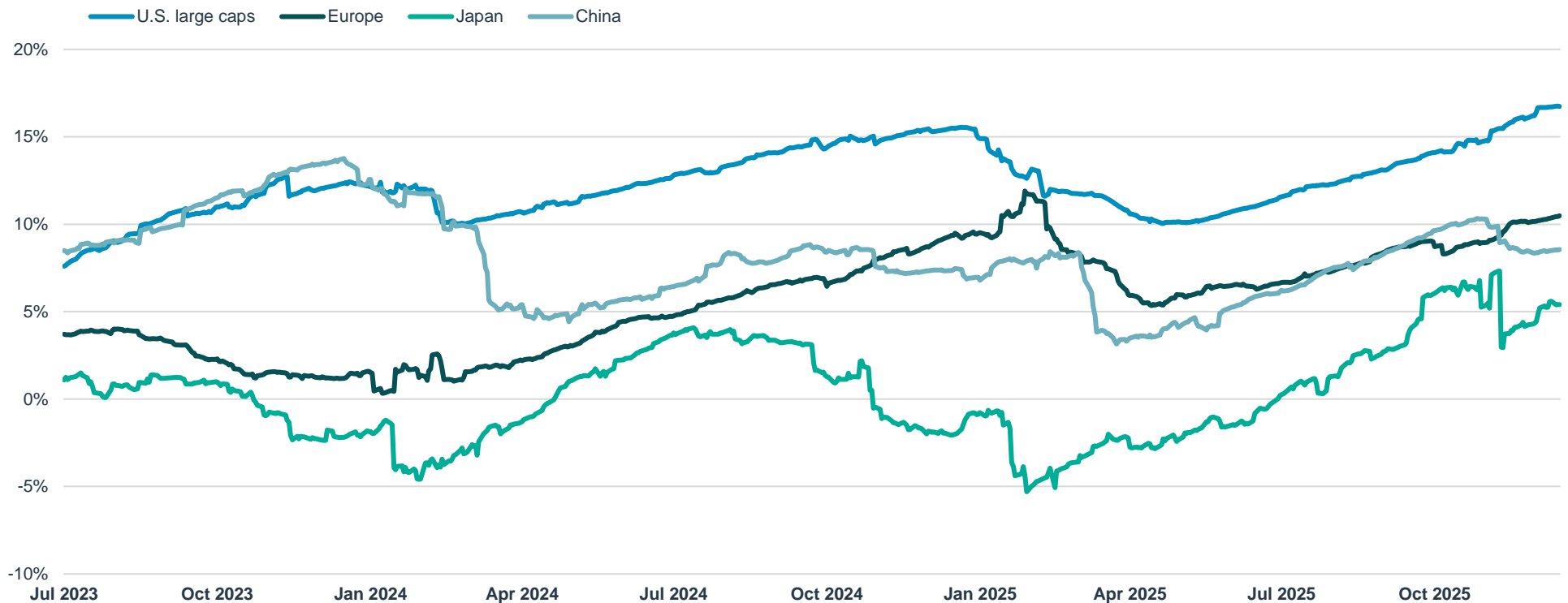
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Market implications

The world may be decoupling; markets are not

Non-U.S. investments offer the opportunity to capture sector and business cycle diversification

Forward 12-month expected earnings-per-share growth



Data source: Bloomberg, L.P., 17 Jul 2023 – 31 Dec 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 management and may offer attractive risk-adjusted returns

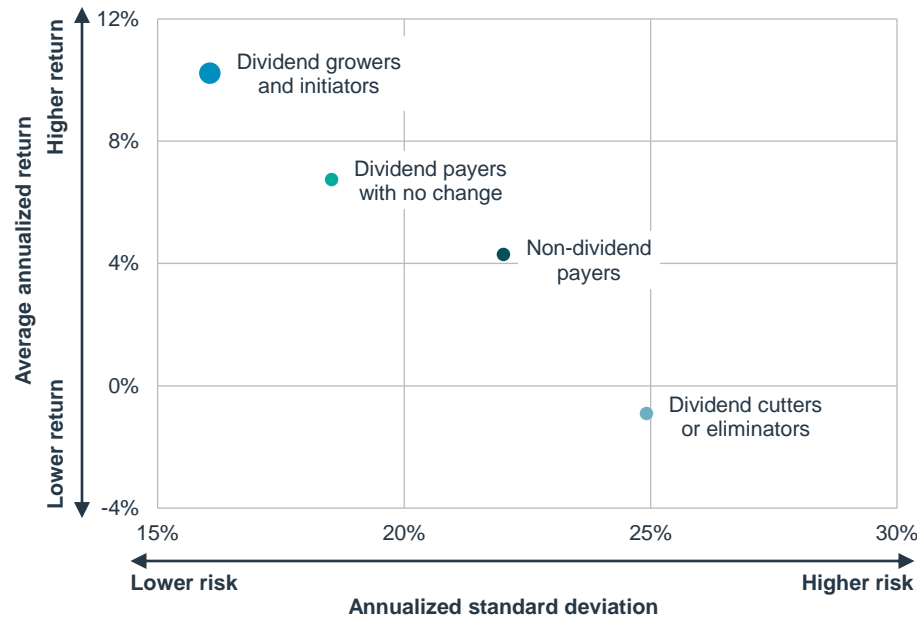
31 Jan 1973 – 31 Dec 2025

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

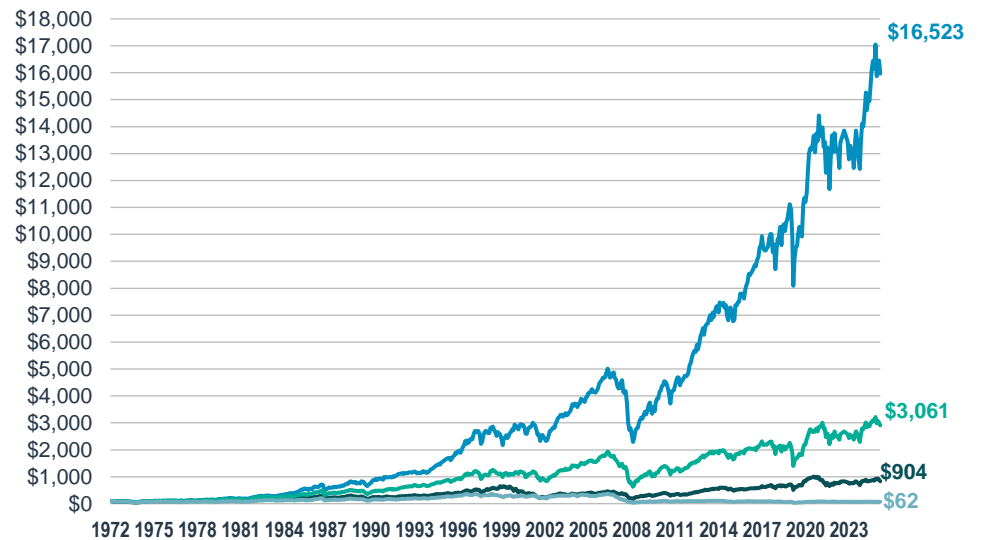
Risk vs. return

S&P 500® Cohorts:

■ Dividend growers and initiators
 ■ Non-dividend payers
 ■ Dividend payers with no change
 ■ Dividend cutters or eliminators



Growth of \$100



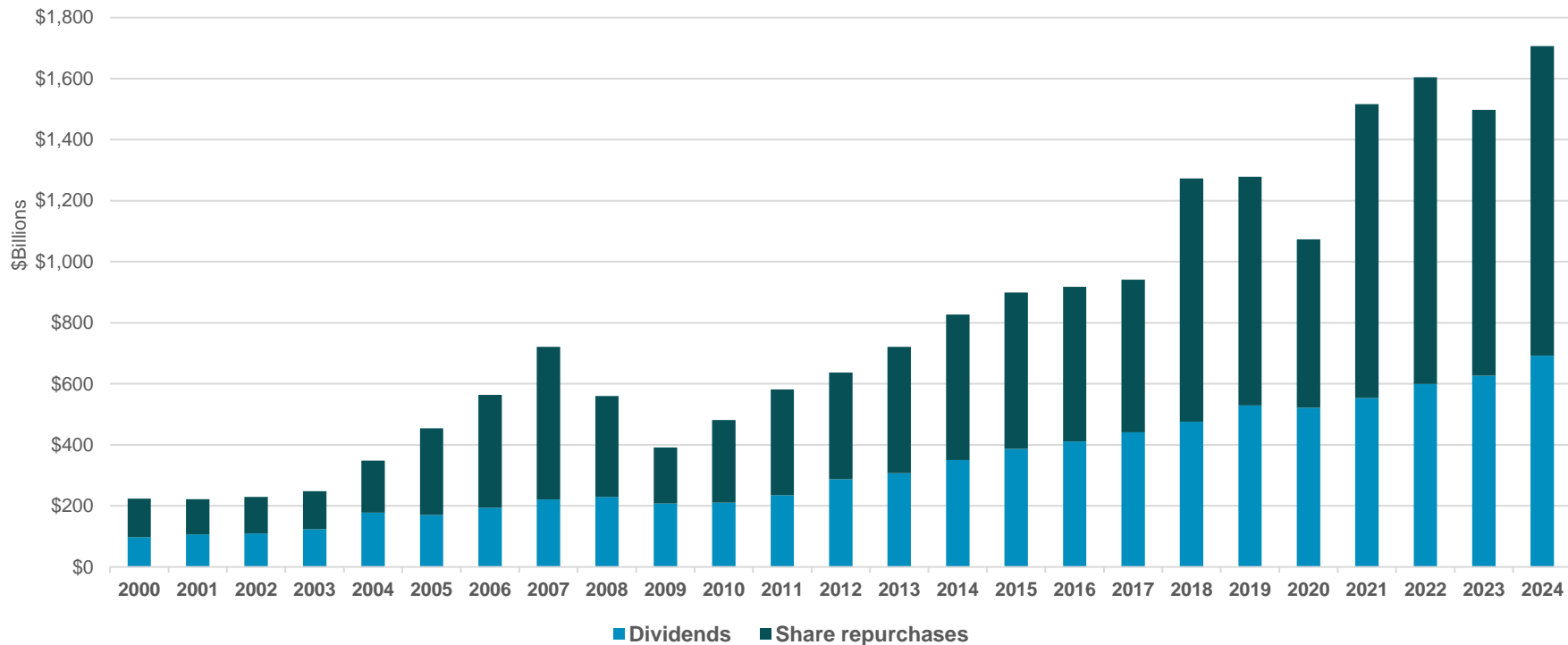
Data source: Ned Davis Research and Refinitiv. Copyright 2025 © Ned Davis Research, Inc. All rights reserved. Performance data shown represents past performance and does not predict or guarantee future results. Dividends are not guaranteed and will fluctuate. Dividend yield is one component of performance 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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Corporate returns of capital to shareholders continue to grow

Share repurchases have outpaced dividends in recent years, but dividend payments have grown consistently, and dividend policies have shown greater stability over time

S&P 500: Annual spending on dividends and share repurchases



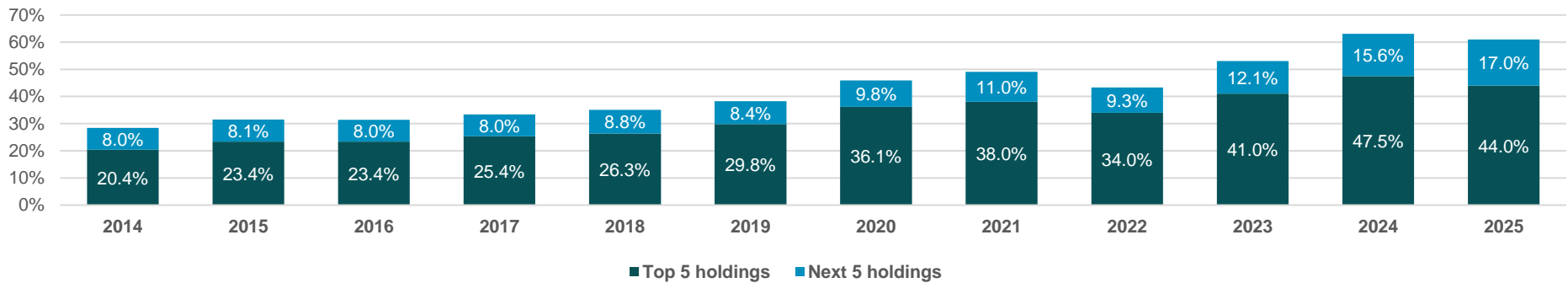
*Data source: Bloomberg as of 31 Dec 2024. Performance data shown represents past performance and does not predict or guarantee future results. The years shown represent the last trading day of the year.

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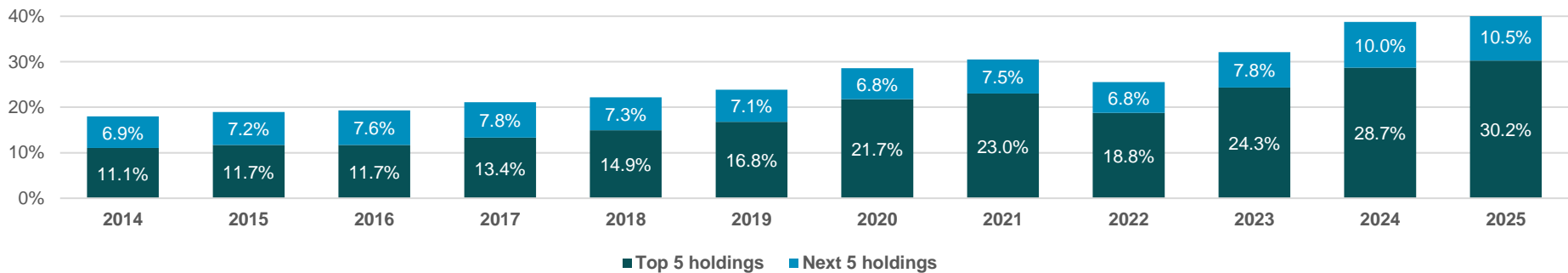
The overall composition of U.S. large cap indices continues to remain increasingly concentrated

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



Data source: Nuveen as of 31 Dec 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.

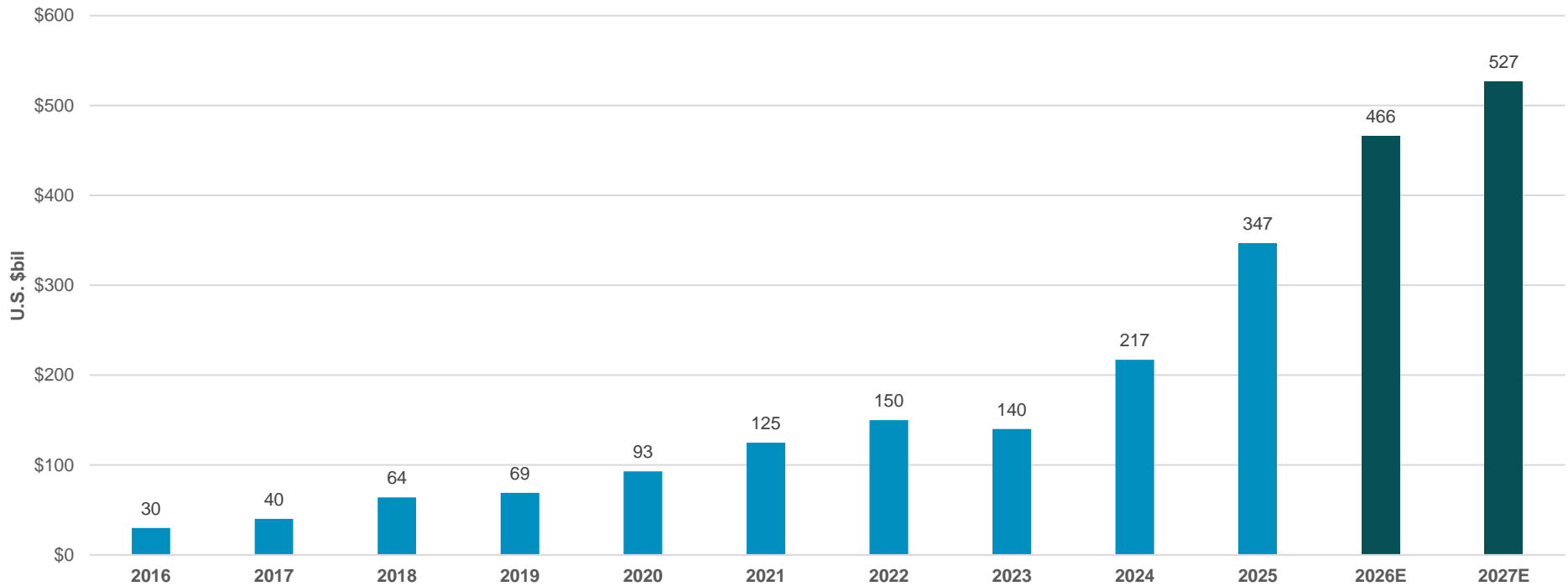
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Market implications

Despite 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



Data source: Bernstein, data as of 31 Dec 2025. For illustrative purposes only. References to specific company stocks should not be construed as recommendations or investment advice.

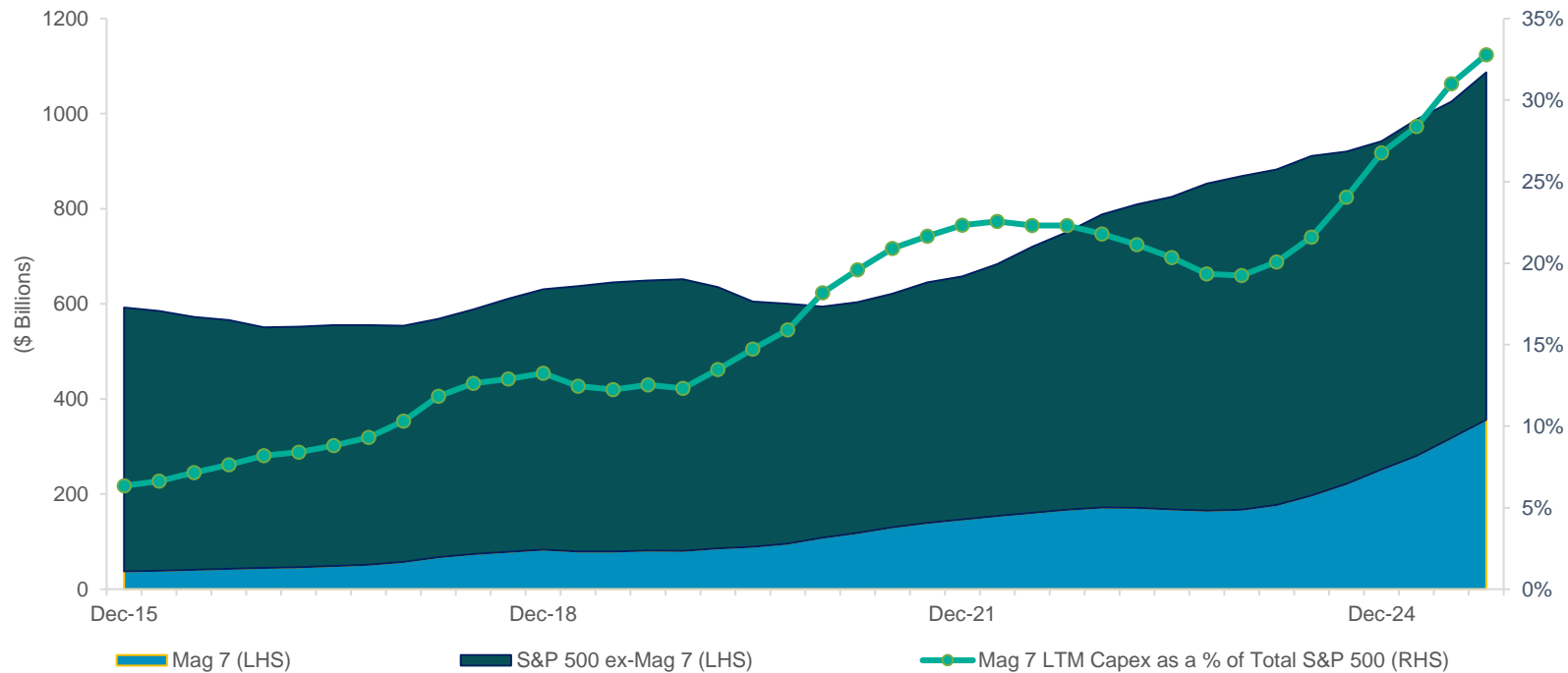
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Market implications

Hyperscalers capex now greater than 30% of S&P 500 total capex

Management commentary gives no indication of capex spending slowing down

LTM Capex: Mag 7 vs. S&P 500



Data source: Strategas, FactSet, data as of 30 Sep 2025. For illustrative purposes only. References to specific company stocks should not be construed as recommendations or investment advice.

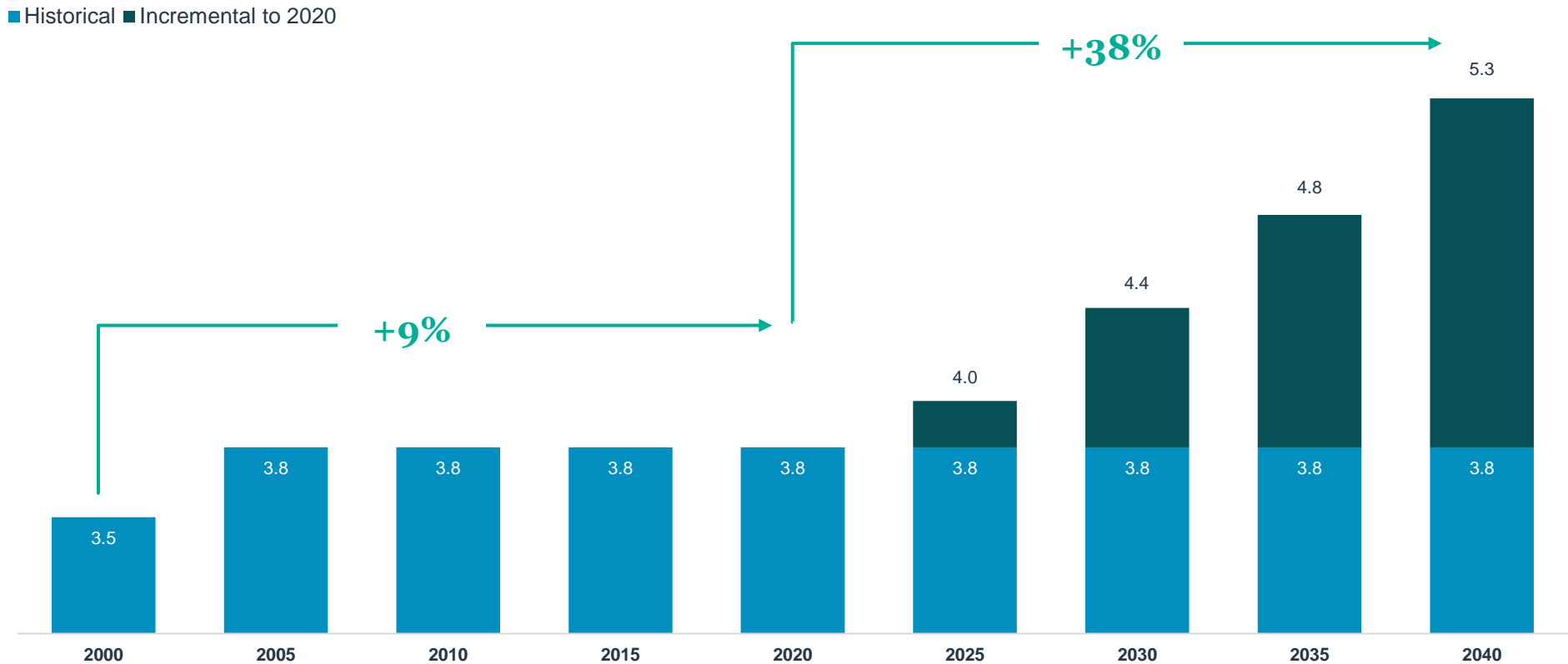
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Market implications

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.

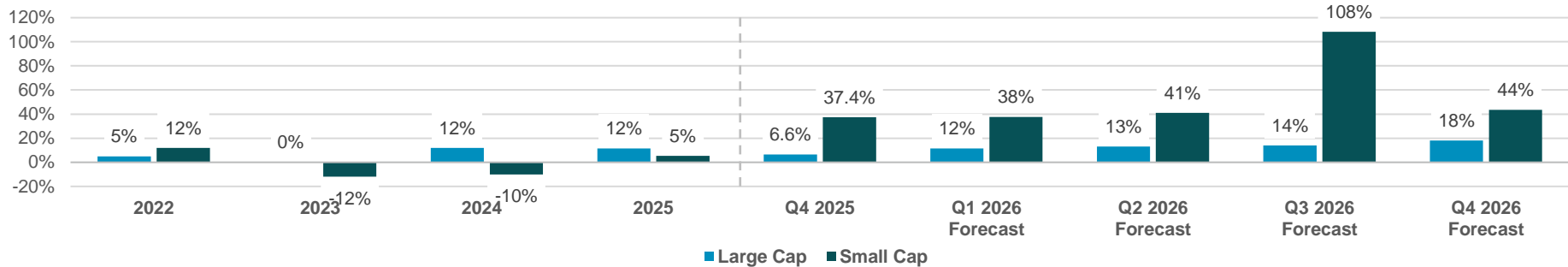
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Market implications

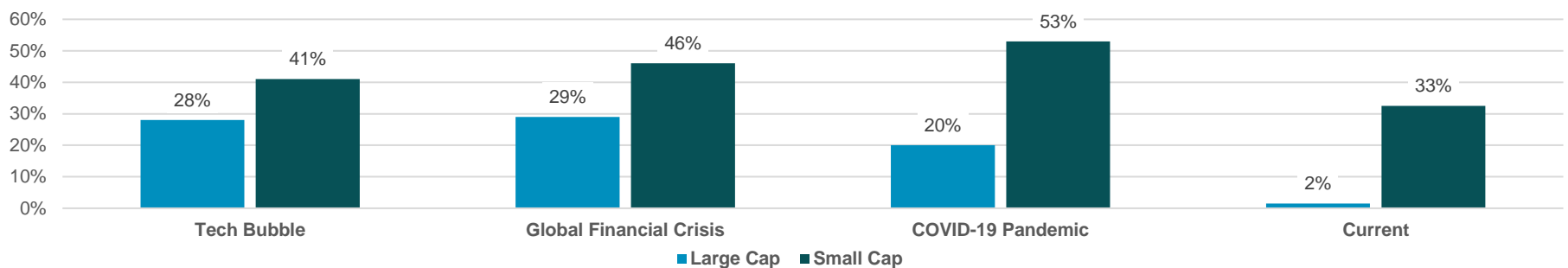
Economic growth and monetary policy could further support renewed strength in small caps

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 source: FactSet as of 31 Dec 2025. 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.

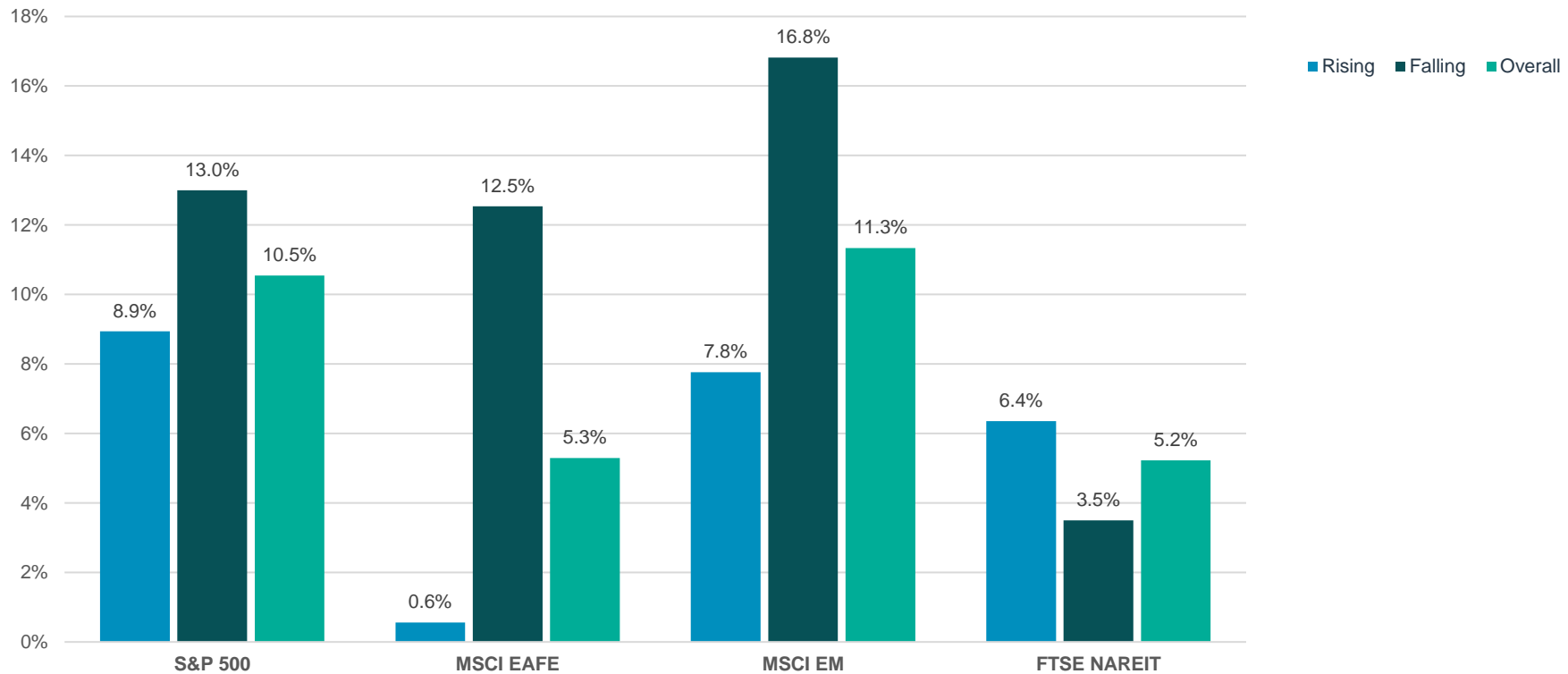
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Market implications

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

Despite depreciation in 2025, the direction of the U.S. dollar remains uncertain as risks are roughly balanced

Average annual performance when the Dollar Index is rising or falling



Data source: Strategas Securities, 1988 – 2025. Performance data shown represents past performance and does not predict or guarantee future results.

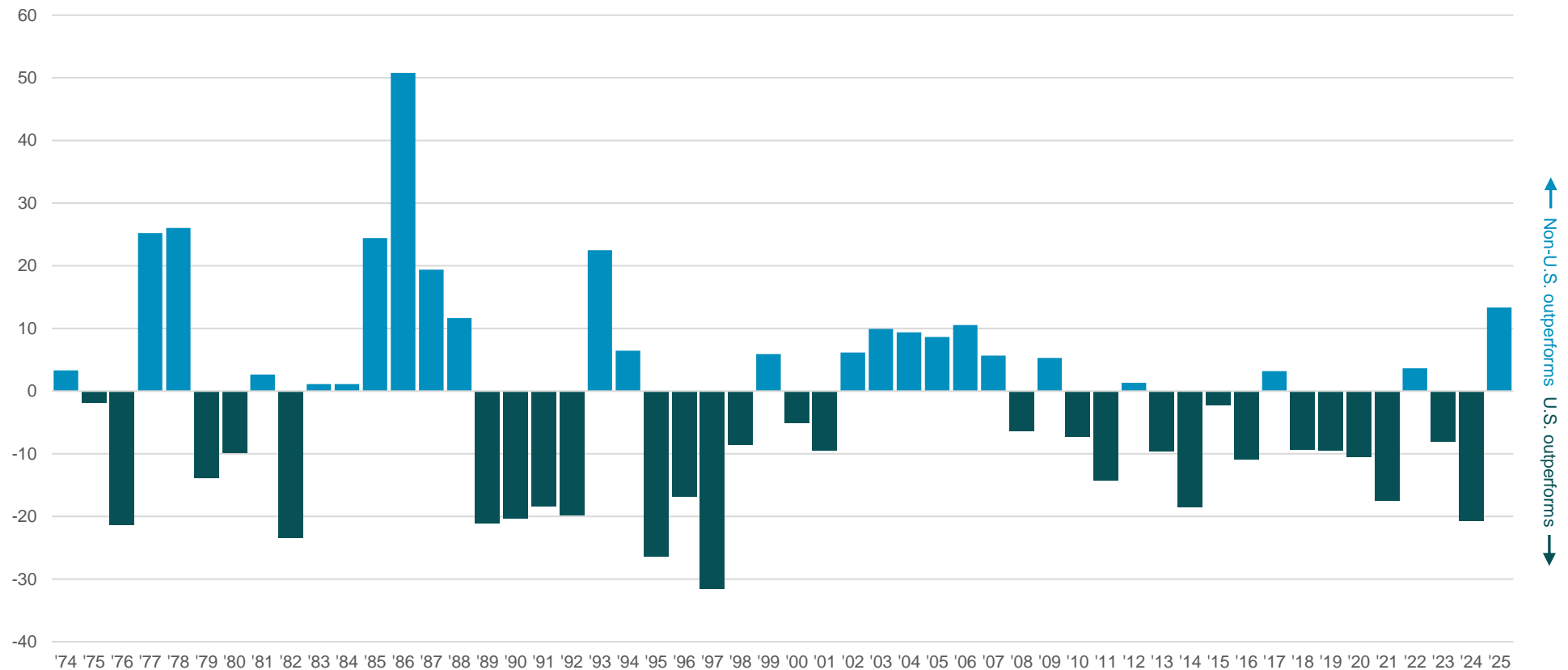
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Market implications

Despite ongoing uncertainty, non-U.S. equities appear well positioned to add to their 2025 gains

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 1974-2025

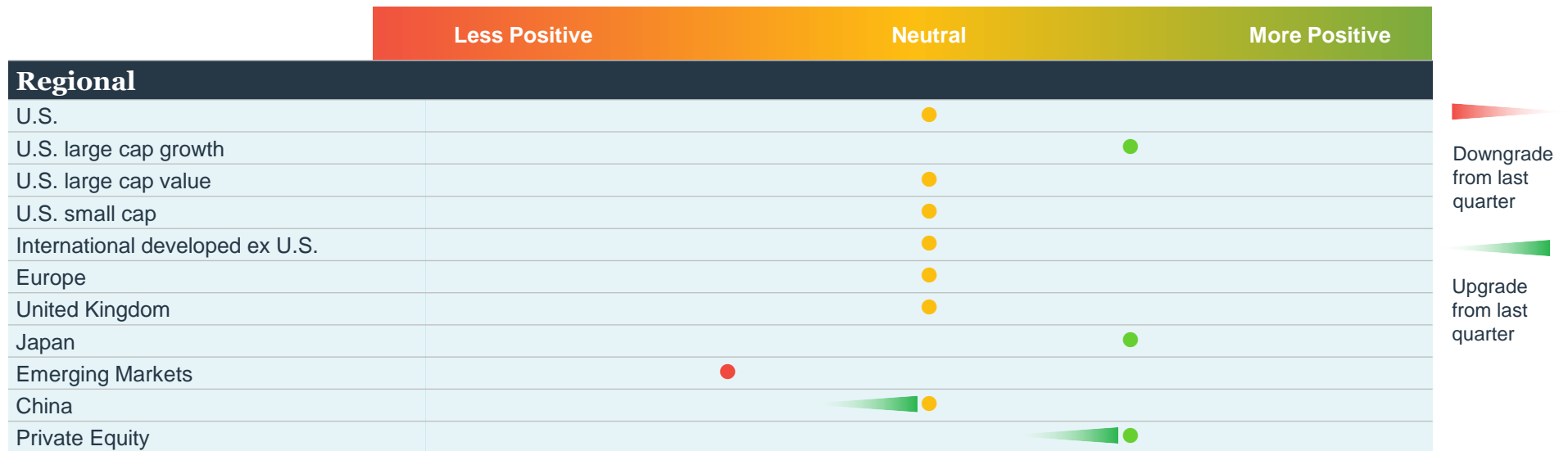


Data source: FactSet as of 31 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. It is not possible to invest directly in an index.

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What are our highest conviction equity views?

Our equity heat map provides perspective and detail on specific areas of the markets that we like on a relative basis



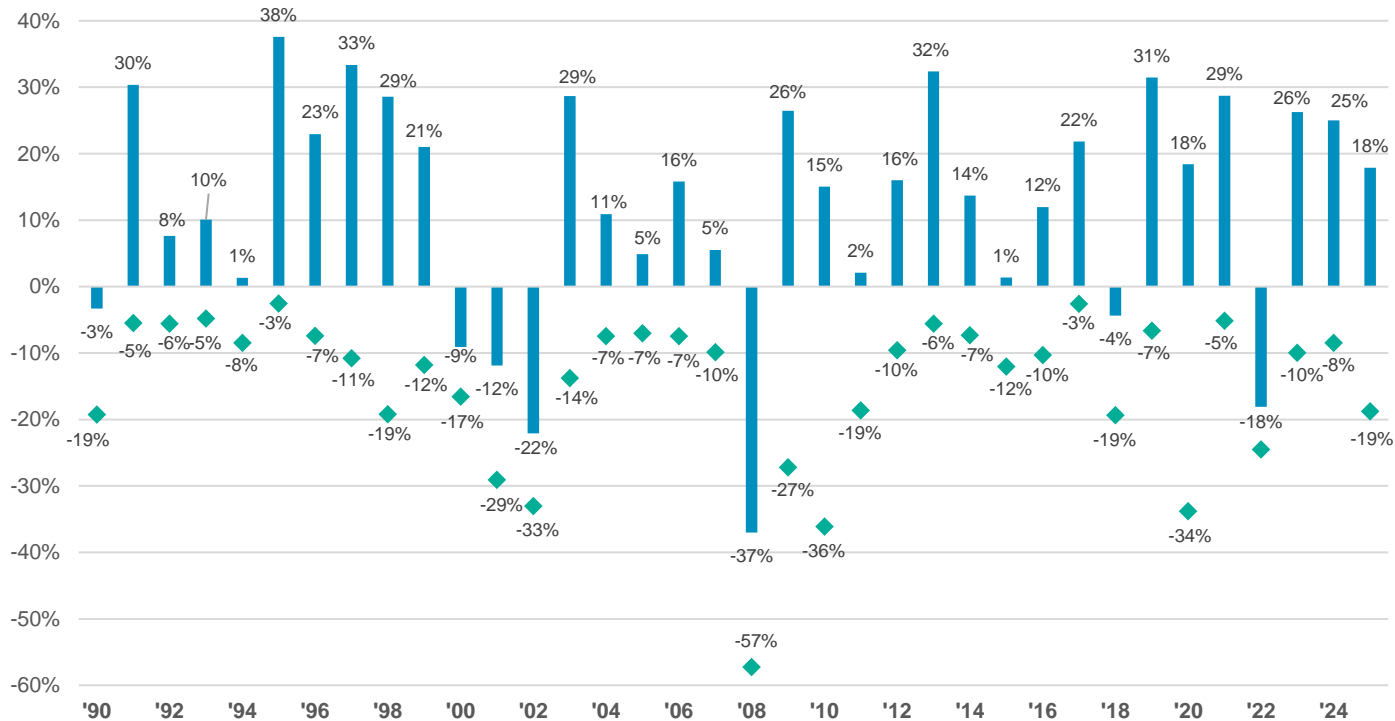
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Market implications

Since 1990, in any given year, the average intra-year decline is -14.8%

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

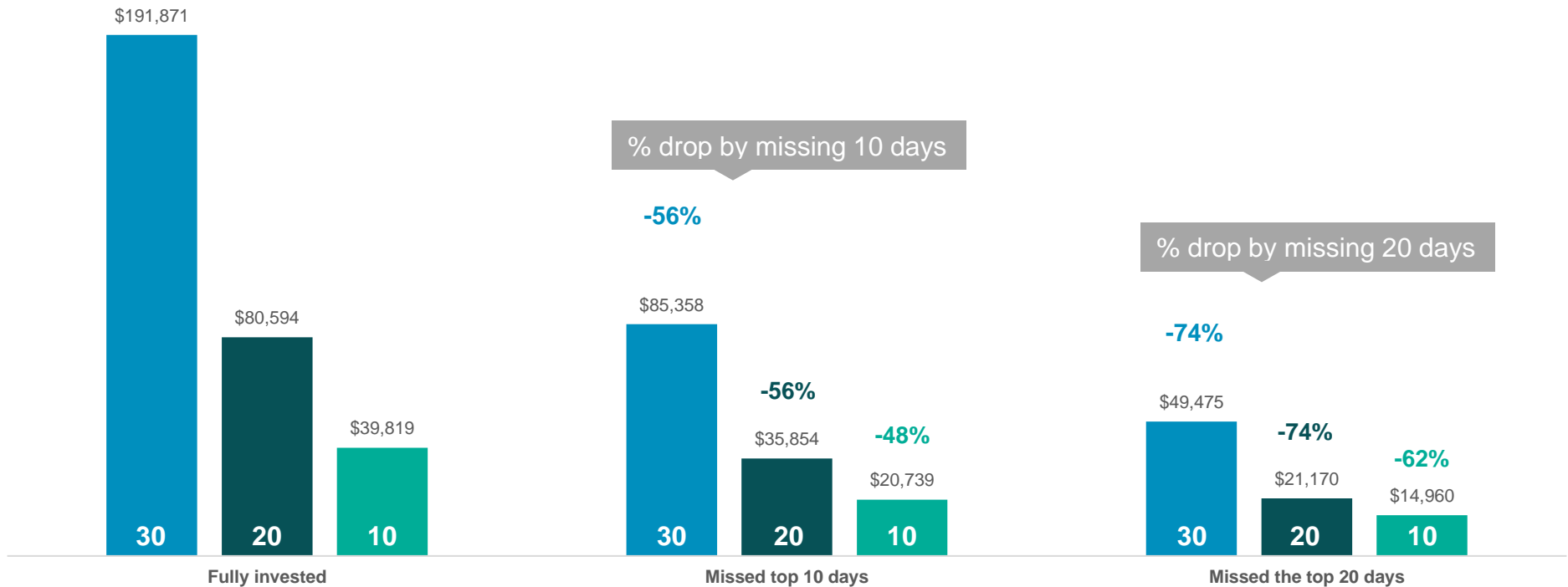
Source: Strategas, FactSet, total return data as of 31 Dec 2025.

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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 2025. 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 85 of 92 market declines, the recovery was less than one year.

Historical equity market drawdowns and subsequent recoveries (1937 – 2025)

Drawdown			Occurrences	Average recovery time (months)
-5%	to	-10%	58	1.3
-10%	to	-20%	22	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 2025. 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 favor a barbell approach combining growth-oriented U.S. technology/AI investments with defensive dividend growers and global infrastructure.
- Outside of the U.S., we continue to see select opportunities within Europe and Japan, but remain cautious towards other developed and emerging markets due to the potential vulnerabilities to evolving trade policy risks.

Risks to consider

- Trade and geopolitical conflicts intensify and create additional economic instability.
- 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 geopolitical risks include conflicts and a new Cold War emerging between Russia/China and the West, leading to increased defense spending and deglobalization.

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Important disclosures

Dividend policy description: The performance of each group is based on the equal-weighted geometric average of dividend-paying and non-dividend paying historical S&P 500® stocks, rebalanced monthly. Each stock's dividend policy is determined on a rolling 12-month basis. For example, a stock is classified as dividend-paying if it paid a cash dividend at any time during the previous 12 months. A stock is reclassified only if its dividend payments change. Dividend growers and initiators include stocks that raised their existing dividend or initiated a new dividend during the preceding 12 months. Dividend cutters or eliminators include stocks that lowered their existing dividend or stopped paying regular dividends during the preceding 12 months. The returns do not reflect the deduction of any fees, expenses or taxes that would reduce performance in an actual client portfolio. Returns for stocks that paid dividends assume reinvestment of all income. It is not possible to invest in an index. These groups have been determined by Ned Davis Research, Inc. Further distribution of this information is prohibited without prior permission. Copyright 2023® Ned Davis Research, Inc. All rights reserved.

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Important information on risk

Equity investments are subject to market risk, active management risk, and growth stock risk; dividends are not guaranteed. Foreign investments involve additional risks, including currency fluctuation, political and economic instability, lack of liquidity and differing legal and accounting standards. These risks are magnified in emerging markets. The use of derivatives involves additional risk and transaction costs.

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