

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Farmland focus: lining up for row crops

Bottom line up top

Unexpected the expected: The Supreme Court's tariff takedown. By a vote of 6-3, the court ruled against the Trump administration's tariffs on Friday, declaring they were not authorized by the International Emergency Economic Powers Act as the White House had argued. The majority opinion removes tariffs — for now — as an embedded assumption in economic, inflation and corporate earnings forecasts, although the president has pledged to continue pursuing tariffs using other legal justifications.

While the court's finding was widely anticipated, the timing of its announcement had remained a wildcard. Investors now head into this week digesting both the tariff news and a deluge of data released last week, overlaid with policy uncertainty and ongoing geopolitical tensions.

Inflation up, GDP down, rate cut expectations steady. Among the high-profile data was Friday's delayed release of the Personal Consumption Expenditures (PCE) Price Index for December. Core PCE, which excludes more volatile food and energy costs, is the U.S. Federal Reserve's preferred inflation gauge. Reading 3.0% year over year, it was a touch hotter than expectations and November's 2.8%. This shows inflation remaining stubbornly higher than the Fed's 2% target, validating the Fed's cautious approach. This could lead markets to reprice the rate policy path, putting pressure on longer-duration assets.

Other recent economic data give the Fed additional food for thought in its policy calculus. The advance estimate of fourth quarter U.S. GDP growth showed the economy expanding at an annualized +1.4% rate,



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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.

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Prospects for more volatility argue for broader diversification outside of traditional equity and fixed income.

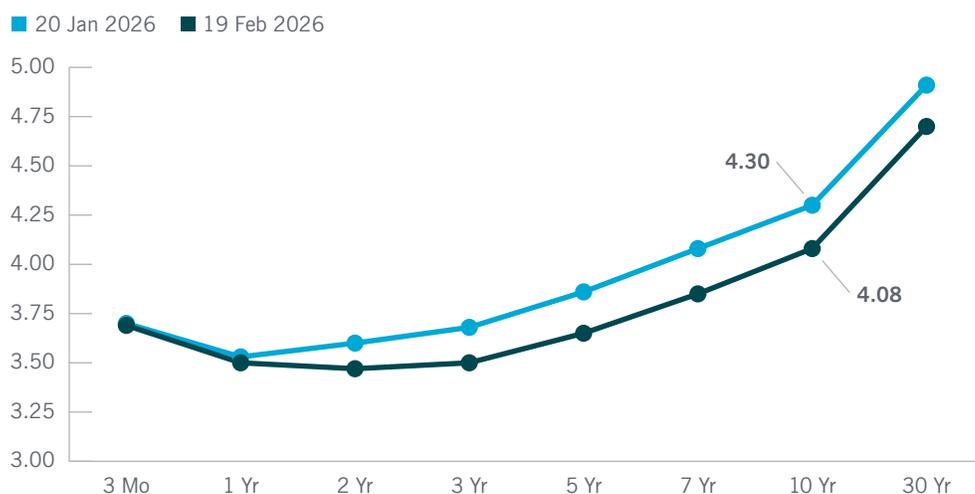
below consensus forecasts of +2.5% and significantly weaker than the third quarter's +4.4% pace. The disappointing result reflects a contraction in government spending (likely exacerbated by last fall's government shutdown) and lower net exports. Timelier indicators reported last week, such as benign weekly first-time jobless claims and a modest increase in the University of Michigan consumer sentiment index, could temper the perceived need for nearer-term policy easing. As of Friday, markets were still pricing in about 50 basis points (bps) of cuts by the end of 2026.

Choppier markets may prompt choosier allocations. U.S. equities have wavered in February, with the S&P 500 and Nasdaq Composite indexes alternating between slight gains and losses. Volatility stems from AI-driven disruption, particularly in software, to weakness in segments of financials exposed to capital markets activity and credit. Meanwhile, global equity benchmarks have advanced year-to-date as leadership has rotated away from the U.S. market given its heavy concentration in mega cap growth and technology stocks.

The U.S. Treasury yield curve has shifted lower in recent weeks, but without a pronounced steepening. This suggests markets are modestly tempering rate expectations rather than pricing in imminent cuts (Figure 1). While a lower curve can support equity multiples and help ease financial conditions, the absence of a decisive steepening implies growth expectations remain measured. Such a backdrop looks favorable for investors seeking to diversify a traditional stock/bond portfolio with private real assets, including select farmland investments.

FIGURE 1: TREASURY CURVE SHIFT IMPLIES TEMPERED GROWTH

U.S. Treasury yields (%)



Data source: U.S. Treasury Department, 19 Feb 2026. Performance data shown represents past performance and does not predict or guarantee future results.

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Row crops serve as essential inputs for a range of supply chains and consumer product goods.

Portfolio considerations

Healthy fields, healthy yields. This pithy rule of thumb for agriculture is also a nod to the potential benefits of investing in **farmland**. While farming is a familiar economic and cultural theme — from the iconic Depression-era painting “American Gothic” to the ironic 1960s sitcom “Green Acres” — farmland as a strategic portfolio allocation often gets overlooked. Yet closer examination shows farmland is not far afield from many investors’ long-term objectives and risk preferences.

Within farmland, we see particular appeal in U.S. **row crops**. These include agricultural commodities such as corn, cotton, rice, soybeans and wheat, along with fresh produce like potatoes, tomatoes and berries. Basic yet versatile, row crops serve as essential inputs for a range of food supply chains, consumer product goods and renewable energy markets.

How does the garden grow? Pretty, made all in a row. Row crop investors typically purchase land and lease it to local farmers. Investment returns therefore have two sources: (1) income from lease payments and (2) capital appreciation potential based on the value of the underlying land.

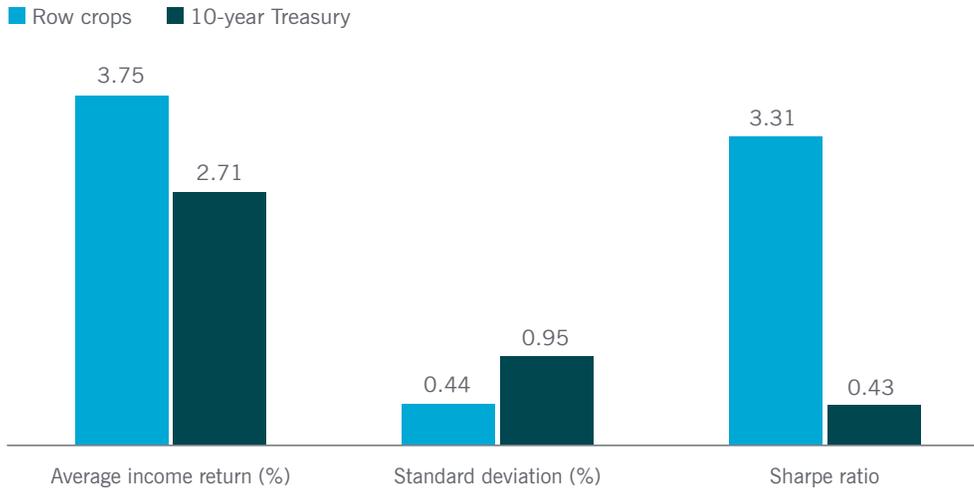
Income returns from leased row crops have been remarkably consistent, averaging 3.75% (Figure 2), far exceeding 10-year U.S. Treasury yields. Complementing this income return is the capital appreciation component, which may offer equity-like upside.

Moreover, thanks to their higher Sharpe ratio — a measure of excess return relative per unit of risk — adding row crops to a traditional stock/bond portfolio can improve the overall portfolio’s risk-adjusted performance. From 2008 to 2025, the Sharpe ratio for row crops was 3.31 (ratios >1 are considered desirable, and >3 are compelling).

In addition, real assets such as farmland have low or negative correlations to traditional stocks and bonds, providing potential diversification. Lastly, farmland can be an effective hedge against inflation, evidenced by the positive correlation of its returns to rising prices. In inflationary environments, returns often rise (1) in tandem with prices for raw materials and output from real assets, and (2) because long-term contracts may include inflation adjustments.

FIGURE 2: ROW CROPS HAVE DELIVERED HIGHER RETURNS, LOWER VOLATILITY RELATIVE TO TREASURIES

Historical annual returns of row crops versus 10-year U.S. Treasuries



Data source: Nuveen, Bloomberg, L.P., NCREIF, 2008-2025. Row crop data is as of 30 Sep 2025 due to data availability. **Performance data shown represents past performance and does not predict or guarantee future results.** Representative indexes: **Row crops:** NCREIF Row Crop Index; **10-year Treasury:** Bloomberg U.S. Treasury Bellwethers 10 Year TR Index. Standard deviation is based on quarterly returns.

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- macro and asset class views that gain consensus among our investors
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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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