CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Laying the groundwork for a less bumpy ride

Bottom line up top

Tariffs and the courts: permanent road closure or temporary detour? Market optimism following last Wednesday's tariff-toppling decision by the U.S. Court of International Trade proved fleeting. Although the court blocked most of the Trump administration's Liberation Day levies on the grounds that the president lacked authority to impose them, the tariffs were reinstated by the U.S. Court of Appeals for the Federal Circuit. This potentially sets the stage for a showdown and definitive ruling at the U.S. Supreme Court.

Tempering the tariff trauma. This latest turn in the ongoing saga of "now you see them, now you don't" tariffs could disrupt what has been a nearly V-shaped recovery for the S&P 500 Index since it tumbled nearly 19% from its all-time high in February. Fortunately, last week's Conference Board's Consumer Confidence Index brought some encouraging news. This index rebounded dramatically by more than 12 points in May, to 98.0, after falling for five months in a row. While consumers are still concerned about the inflationary impact of tariffs, their inflation expectations for the coming year declined (Figure 1). And last Friday's release of the Personal Consumption Expenditures (PCE) Price Index for April showed consumer inflation remaining tame. Thanks in part to falling gasoline prices, headline PCE came in at 2.1% on a year-over-year basis, down from 2.3% in March and at its lowest since September 2024. Core PCE, which excludes the volatile food and energy components and is the U.S. Federal Reserve's preferred inflation barometer, was also slightly cooler at 2.5% year-over-year in April, versus 2.7% in March.

Looking ahead, continued economic, geopolitical and trade

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On behalf of Nuveen's Global Investment Committee

As Head of Equities and Fixed Income, Nuveen's CIO 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 chairs Nuveen's Equities Investment Council and is a portfolio manager for several key investment strategies.

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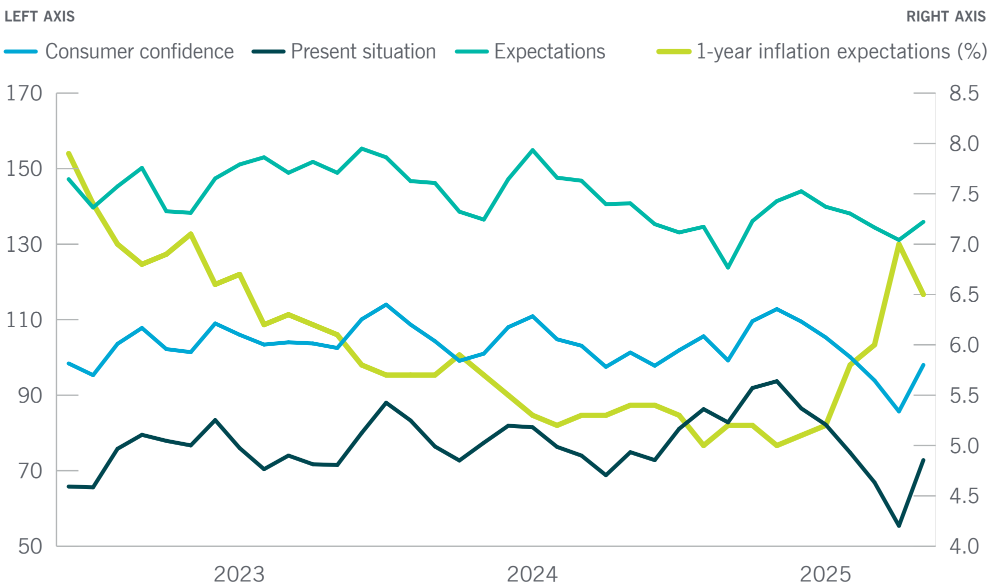
uncertainty will likely mean that any rally in equity markets will be punctuated by periods of heightened volatility. Investors may be able to smooth the bumpy ride by diversifying their portfolios with investments like global infrastructure assets, which historically have offered a compelling combination of downside risk mitigation, inflation protection and income.

Investors may be able to smooth the bumpy ride by diversifying their portfolios with global infrastructure.

FIGURE 1: CONSUMER CONFIDENCE IMPROVES AFTER FIVE MONTHS OF FALLING

Confidence and expectation surveys



Data source: Bloomberg, L.P., 27 May 2025. **Representative indexes: Consumer confidence**: Conference Board Consumer Confidence Index; **Present situation**: Conference Board Consumer Confidence Present Situation Index; **Expectations**: Conference Board Consumer Confidence Expectations Index; **1-year inflation expectations**: Conference Board Consumer Confidence Inflation Rate Expectation 12- Month Index.

Portfolio considerations

What's big tech got to do with it? Mega cap technology companies have staged a notable recovery of late, with the Magnificent Seven stocks collectively gaining more than 26% from their post-Liberation Day trough in April. This rally has been underpinned by earnings resilience and continued outsized capital commitments to artificial intelligence (AI). Some of the world's largest tech names — Meta, Amazon, Alphabet and Microsoft — have announced plans to spend in excess of $300 billion in 2025 on AI and the data centers necessary to support its expansion. Data center construction alone may have contributed a full percentage point to U.S. GDP growth in the first quarter of 2025, according to some estimates.

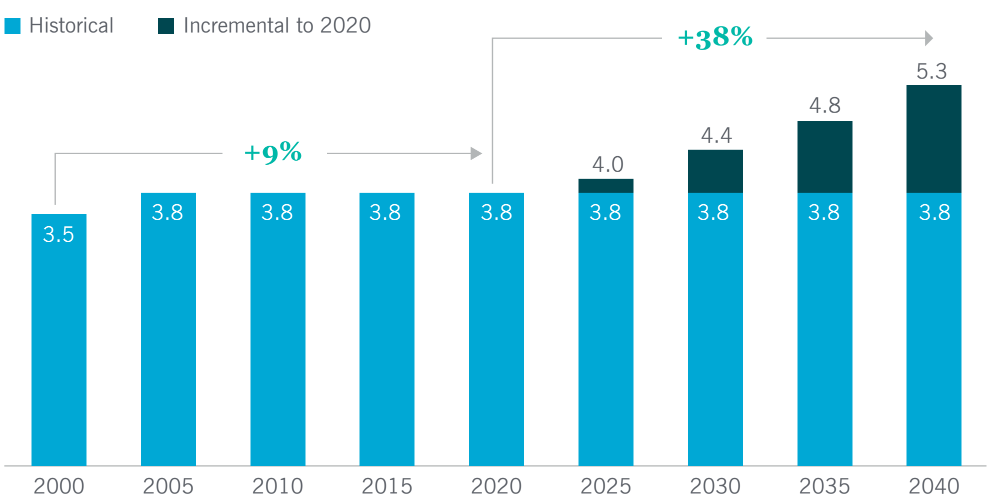
Owning shares in the global leaders of AI development remains a high-conviction idea for many equity investors, resulting in premium valuations. But there are ways to build exposure to the AI growth story at more attractive prices while limiting sector concentration risks. Investing in publicly listed **global infrastructure** offers a particularly compelling opportunity. Infrastructure is an asset class long known for its defensive characteristics, such as its ability to potentially outperform broader equities during periods of negative returns. It is also uniquely positioned to benefit from the AI boom and the continued electrification of the global economy. In addition to data centers, areas of infrastructure such as midstream pipelines, gas and electric utilities, and electricity transmission are critical to generating and sustaining the energy necessary to power rapidly evolving technologies and to meet the needs of communities in which these systems and facilities are located.

We anticipate power demand to surge as the global appetite for energy becomes an increasignly dominant theme.

Some historical context is helpful in understanding where demand for power may be headed. Over the past 25 years, the U.S. has seen only tepid growth in power demand, largely due to substantial investments in energy efficiency. But we anticipate demand to surge relative to recent history as the global appetite for energy becomes an increasingly dominant mega theme (Figure 2). In our view, listed infrastructure stands to benefit greatly from this theme, reflecting the essential role of the asset class at this historic inflection point in the demand for energy.

FIGURE 2: ENERGY DEMAND CHARGES AHEAD OF CAPACITY

U.S. power demand (thousand TWh)



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

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Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

For more information, please visit nuveen.com.

Endnotes

Sources

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

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All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investing involves risk. Investments are also subject to political, currency and regulatory risks. These risks may be magnified in emerging markets. Concentration in infrastructure-related securities involves sector risk and concentration risk, particularly greater exposure to adverse economic, regulatory, political, legal, liquidity, and tax risks associated with MLPs and REITs. Because infrastructure portfolios concentrate their investments in infrastructure-related securities, portfolios have greater exposure to adverse economic, regulatory, political, legal, and other changes affecting the issuers of such securities. Infrastructure-related businesses are subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the effects of economic slowdown and surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Additionally, infrastructure-related entities may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption and/or legal challenges due to environmental, operational or other mishaps and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. There is also the risk that corruption may negatively affect publicly funded infrastructure projects, especially in emerging markets, resulting in delays and cost overruns. In addition, investing internationally presents certain risks not associated with investing solely in the U.S., such as currency fluctuation, political and economic change, social unrest, changes in government relations, differences in accounting and the lesser degree of accurate public information available, foreign company risk, market risk and correlation risk. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager.

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