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CIO Weekly Commentary
24 March 2025

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

Better to temper the storm than abandon ship

Bottom line up top

U.S. equities: gyrations, frustrations and shrinking allocations. The S&P 500 Index snapped a four-week losing streak, posting a +0.45% gain, only its fourth positive week in 2025. For the year as a whole, the index has returned -3.42%. U.S. equities got a mid-week lift following the U.S. Federal Reserve's 19 March meeting. Investors were heartened by the Fed's projections of two rate cuts this year (plus two in 2026).

In fact, buffeted by tariff uncertainty and recession fears, the S&P 500 is in the midst of its rockiest stretch in two years, with the CBOE Volatility Index (VIX) exceeding 20 for 12 straight trading sessions. Persistent volatility has driven many U.S. equity investors into cash and non-U.S. stocks. According to a widely cited survey of global fund managers, U.S. equity allocations now sit at 23% underweight, the lowest exposure in nearly two years.

Why stay invested? The timeless mantra "stay invested" can seem especially challenging during periods of volatility. But history overwhelmingly favors remaining in the market, particularly for investors with long-term objectives.

Between 1937 and 2024, U.S. stocks delivered positive calendar-year returns 76% of the time, averaging nearly 20% per annum in those years. In the 24% of years in which returns were negative, losses averaged -12.5%. Statistically speaking, being out of the market for just 10 or 20 of the best trading days out of thousands puts investors at risk of missing out on meaningful long-term appreciation (Figure 1).

Saira Malik, CFA
Head of Nuveen Equities and Fixed Income, Chief Investment Officer

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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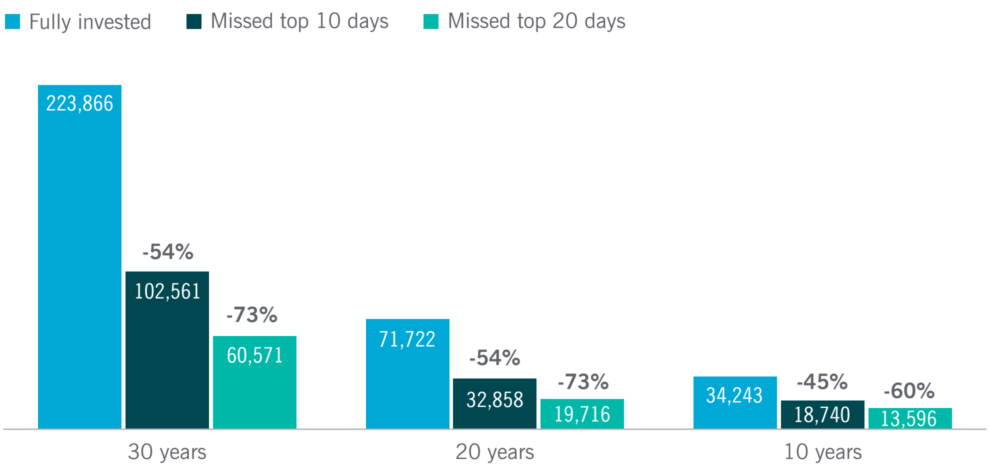
How to stay invested. Admittedly, there's no one-size-fits-all approach to "staying invested," as individual preferences, long-term financial goals and risk appetites differ widely. Investors seeking the potential upside of remaining in the markets but wishing to cushion downside risk can consider a range of specific portfolio allocations.

FIGURE 1: THE DOWNSIDE RISK OF NOT STAYING INVESTED

Value of a hypothetical $10,000 investment ($)



Data source: FactSet, 31 Dec 2024. **Performance data shown represents past performance and does not predict or guarantee future results.** Data represent the hypothetical investment of $10,000 in the S&P 500 Index held for 10-, 20- and 30-year periods beginning 02 Jan 2015, 03 Jan 2005 and 03 Jan 1995, respectively. Index returns include reinvestment of income and do not reflect investment advisory and/or other fees that would reduce performance in an actual client account. They do not reflect the experience of any Nuveen product or service.

Portfolio considerations

Our analysis of inflation suggests that the implementation of tariffs could keep the core Personal Consumption Expenditures (PCE) Price Index — the Fed's preferred inflation barometer — from declining to the Fed's 2% annual target until the second half of 2026. In this environment, we favor equity segments such as U.S. dividend growth and global listed infrastructure stocks, both of which can help cushion downside risk and may be more resilient if tariffs deliver an upside shock to prices (Figure 2).

U.S. dividend growers benefit from capital flexibility and balance sheet strength that should help them mitigate inflationary cost pressures. The S&P 500 Dividend Aristocrats Index has produced strong relative returns (+1.90%) year to date. Historically, companies that initiate or continue to raise dividends have generated higher annualized returns with lower annualized risk (standard deviation) — making these stocks well-suited to the current environment. Lastly, with many portfolios overweight U.S. large cap growth stocks, dividend growers provide potential diversification. Dividend growers have proven less correlated to the S&P 500 than large cap growth stocks.

Investors underweight non-U.S. equities may want to tiptoe into the asset class, but with an eye on cushioning downside risk. For this purpose we prefer publicly listed global infrastructure equities. These companies own or operate assets that facilitate the movement of people, energy, goods and commodities — in short, the backbone of global economic activity.

Their revenues are derived from long-term contracts or concessions for the use of their underlying portfolios of vital hard assets. This translates into a high degree of transparency and predictability of cash flows compared to more traditional investments. Global infrastructure companies are also bolstered by inelastic demand, which tends to make them less vulnerable to economic slowing. And because regulatory frameworks allow these companies to pass through higher costs resulting from inflation, the asset class can also be an effective hedge against inflation.

Given these characteristics, it's not surprising that the S&P Global Infrastructure Index has posted a healthy +4.69% return year to date. What's more, with its critical role in expanding the production and transmission of energy to meet exponential demand growth driven by artificial intelligence (AI), listed global infrastructure has become an attractively valued derivative of the AI trade.

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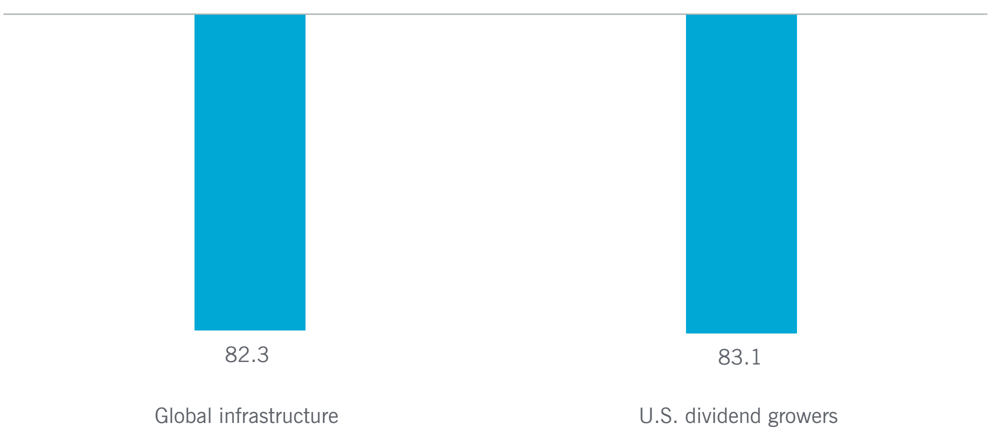
FIGURE 2: IN UNCERTAIN TIMES, SEGMENTS WITH LOWER DOWNSIDE CAPTURE (<100) MAY HELP

Downside capture ratio (%)



Data source: Bloomberg, L.P., 30 Nov 2001 to 28 Feb 2025, which is the longest common time period. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: global infrastructure:** S&P Global Infrastructure Total Return Index. Downside capture for this index is calculated using monthly returns relative to the MSCI ACWI Total Return Index; **U.S. dividend growers:** S&P 500 Dividend Aristocrats Total Return Index. Downside capture for this index is calculated using monthly returns relative to the S&P 500 Total Return Index.

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets.

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 information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

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.

A focus on dividend-paying securities presents the risks of greater exposure to certain economic sectors rather than the broad equity market, sector or concentration risk.

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.

Nuveen, LLC provides investment services through its investment specialists.

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