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VIEWPOINTS FROM THE GLOBAL INVESTMENT COMMITTEE
2025 MIDYEAR OUTLOOK

Filter the noise, find the opportunity

Five themes for 2025 (and beyond)

Key takeaways

- Higher volatility is unnerving investors, but we continue to see **value and compelling fundamentals** across markets.
- Fixed income **credit sectors** (especially **municipal bonds**) offer attractive yields and compelling risk/return characteristics.
- Additionally, we suggest overweights in **real estate, infrastructure and U.S. large cap stocks.**

What's inside

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Filter the noise, find the opportunity

"Noise," wrote 19th century philosopher Arthur Schopenhauer, "is the most impertinent of all interruptions." Describing noises as "abominable" and "thought-murdering" was consistent with his dour world view. Yet his pessimism appears to have paid off: Anticipating the worst from speculative investments, he put his money into conservative government bonds and stayed financially independent for life.

Investing has changed a lot since Schopenhauer railed against noise, but economies and markets are as noisy as ever. So far, 2025 has unleashed a crashing wave of tariff tumult, propelling equity markets roaring to bullish highs and skidding to bearish lows. Fiscal and monetary policy uncertainty drones on. Wars and geopolitical tensions add discordant notes.

Success in this environment requires filtering out the noise to identify the most compelling investment opportunities. To help cut through the clamor, we offer the following five portfolio themes. Some are unchanged from our previous outlook; others provide new perspective on evolving market dynamics.

1. **Relative spreads and credit selection, not risk-free rates, will drive returns in public and private debt markets.** Markets are dialing back expectations for U.S. Federal Reserve rate cuts and shifting to a later timeline. Meanwhile, long-term yields — though volatile amid tariff uncertainty — should end the year modestly lower. We're therefore slightly less negative toward government bonds, even as we advocate focusing on relative spreads and careful selectivity among credit sectors.
2. **Municipals are still the borrower of choice for investors in it for the duration.** Solid finances for state and local governments, elevated yields (due in part to increased new issuance) and lagging year-to-date returns suggest municipal bonds offer excellent value. Municipal bonds' steeper yield curve relative to U.S. Treasuries provides attractive opportunities for investors willing to extend duration.
3. **Real estate reality: the trends are favorable.** After a two-year downturn, real estate has begun to rebound. Values have likely bottomed, and post-pandemic oversupply is fading as construction starts drop. Demand uncertainty lingers overall, but we see healthy appetites for medical office, grocery-anchored retail and affordable housing.
4. **The world may be decoupling; markets are not.** Is globalization a distant memory? Extreme trade policy and geopolitical turmoil may hint at this, but economic growth and monetary policy trends are generally moving in tandem. A burgeoning "sell the U.S." trade may be misguided. In fact, we've upgraded our stance on U.S. large cap equities based on resilient earnings growth momentum and sound market fundamentals.
5. **Energy demand charges ahead of capacity, creating opportunities amid political changes.** Surging demand for power to support data centers, artificial intelligence (AI) expansion and electricity generation bodes well not only for large technology companies investing billions in these efforts, but also for power-related infrastructure assets.

Ultimately, the ability to distinguish sound investment strategies from market noise lies in our hands. The flip side of any challenge is the opportunity it represents — and investors who take time to identify those opportunities may realize better outcomes than those who let pessimism get the best of them. As Oscar Wilde, a prominent near-contemporary of Schopenhauer, reportedly quipped, "A pessimist is somebody who complains about the noise when opportunity knocks."

SAIRA MALIK
Chief Investment Officer, Head of Equities and Fixed Income

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.

The economy and markets

Key points to know

Economic growth is slowing, not stalling.

Although first quarter U.S. GDP growth printed negative for the first time since 2022, underlying growth still remains strong at a 2.5% annualized rate. That level is slightly lower than last year's pace. Nevertheless, we expect growth to slow over the balance of the year to around 1.0% as tariffs bite more sharply. Although consumption and business investment are weakening, the U.S. economy is entering this period of uncertainty on strong footing. Consumption, growing at a real pace of 2.9% over the last year, has been running stronger than the pre-Covid average. Investment in information processing equipment, needed to support the AI revolution, is running almost 20% higher than last year, vastly eclipsing its more pedestrian pace of the preceding decade. Outside the U.S., we expect similar full-year expansions of around 1.0% in both Europe and Japan.

Tariffs remain the biggest driver of the outlook, as well as the biggest risk to both the upside and downside.

Entering this year, the overall U.S. effective tariff rate was slightly below 3%. The trade war intensified significantly with the "Liberation Day" declarations on 2 April, which imposed a minimum 10% tariff and country-specific duties up to 50%. This marked a major escalation from President Trump's earlier trade salvos, which had targeted Canada, China and Mexico with industry-specific tariffs on steel, aluminum and automobiles. While some of the more extreme measures are paused, trade volatility has continued. We have seen specific escalations in the bilateral tariff on China, threats of increases on the EU, and potential additional sector tariffs on copper, lumber, pharmaceuticals, semiconductors, seafood and aircraft. In sum, we expect a new effective U.S. tariff rate of around 10% — almost 4x higher than last year, but notably less aggressive than the peak of above 20% implied by the 2 April announcements (Figure 1). The escalating tensions between Israel and Iran, as well as broader geopolitical turmoil, also add to the uncertainty.

Fiscal risks are back.

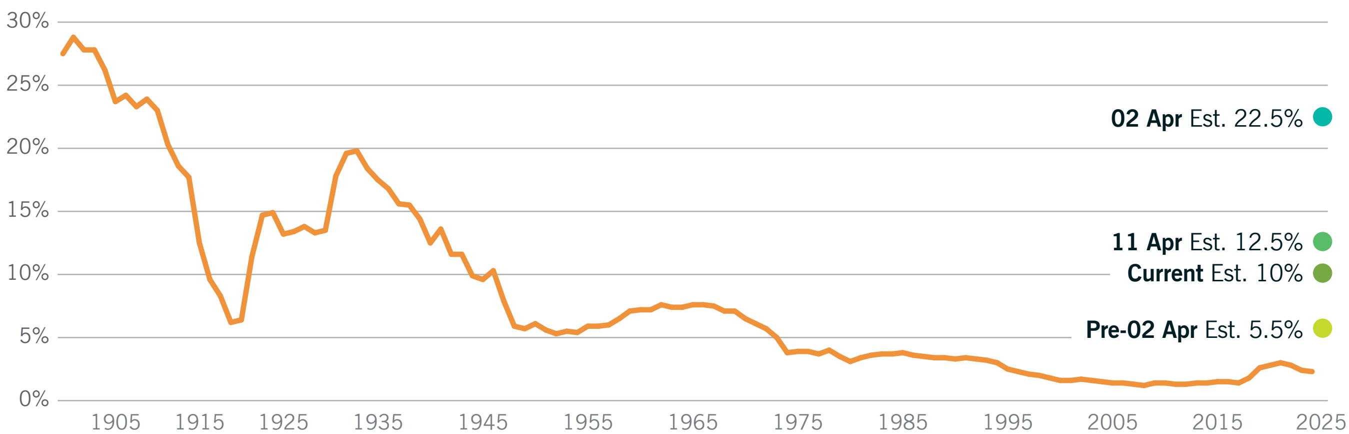
After a decade of near-zero term premium, where investors demanded no extra compensation for holding longer-duration government debt, global term premia have energetically returned this year. Depending on the measure and the country, term premia are up around 100 basis points versus 2024 lows. The biggest driver is growing concern about the fiscal outlooks across developed market economies. Although the current budget bill moving through Congress remains subject to change, we expect it to result in wider deficits than the current baseline. That widening is due to renewed and expanded tax cuts, which are partially but not fully offset by spending cuts, tariff revenue and faster growth. Similar fiscal loosening is occurring in Europe, highlighted by the changes to Germany's "debt brake" to allow more defense spending. On the positive side, near-term growth will likely be better supported, but the risks have intensified of further rate increases, higher interest expenses and ultimately lower growth.

U.S. rates to moderate and global divergences to narrow.

With U.S. and global growth set to slow, we believe most global central banks will remain in easing mode. That said, uncertainty remains high around tariffs, fiscal policy and the associated economic impact. Businesses, consumers and investors are all facing some degree of paralysis, awaiting further clarity before making big decisions. We think central banks will mirror that dynamic. We expect two more Fed rate cuts this year, likely in September and December, pending the incoming data. Tariffs are likely to push near-term inflation higher, adding another reason for policymakers to remain patient. In Europe, we expect the ECB to hold for now following earlier cuts, and anticipate one rate hike in Japan. We anticipate a global economic slowdown, while growth rates across major economies become more aligned. This convergence should be reflected in a narrowing of long-term sovereign bond yields. We forecast a modest rally in 10-year yields for the U.S. and UK, while we expect small increases in Germany and Japan.

Figure 1: Charting tariffs' impact on the U.S. economy

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
12-month recession probability (%)	35	70	40	35

Data source: Bloomberg, L.P., Nuveen Macro Research, 31 Dec 1900 – 13 Jun 2025.

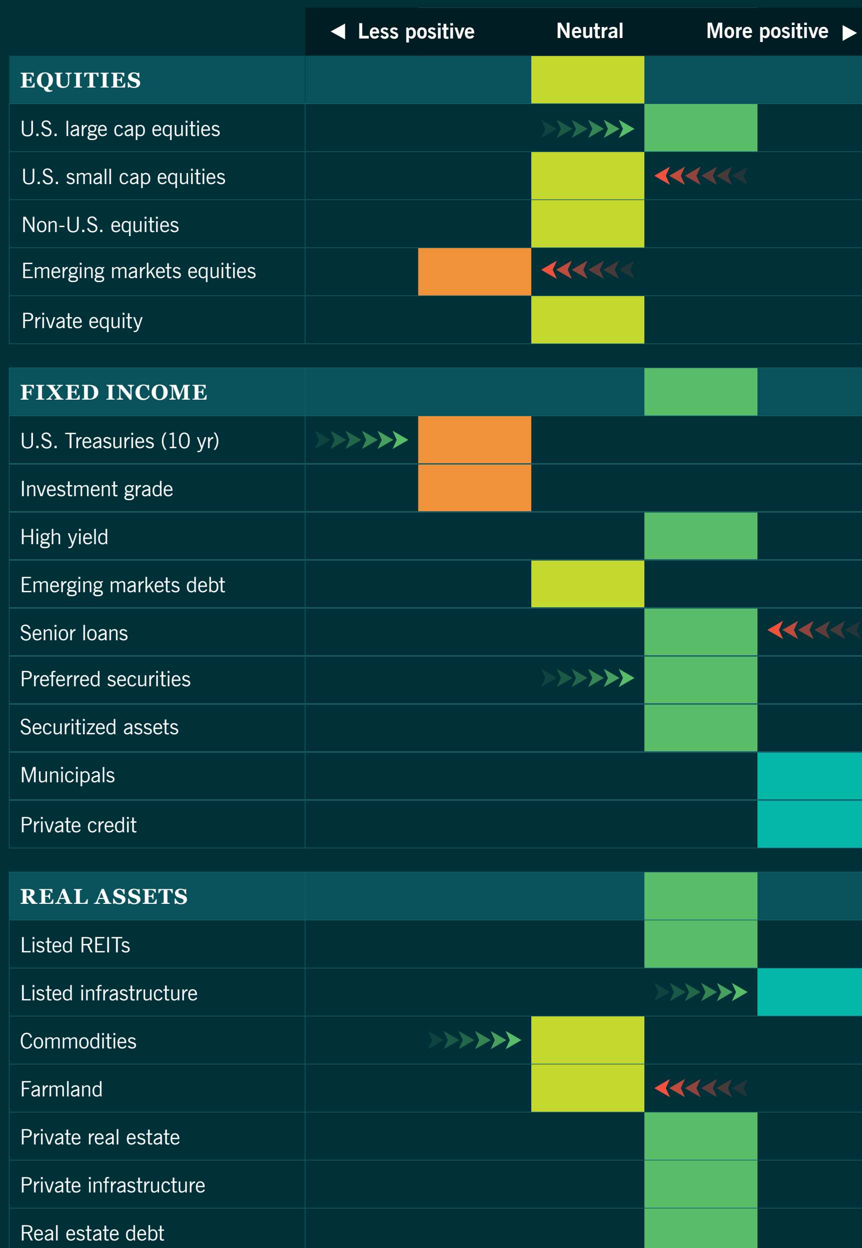
Portfolio construction themes

To put it mildly, the first half of 2025 has been noisy. Signs of slowing economic growth, uneven inflation data, shifting expectations for U.S. Federal Reserve rate cuts and, above all, the on-again, off-again tariff announcements from the U.S. have made it difficult for investors to know where to look — and what signals to listen to.

Evolving market dynamics have sparked several portfolio construction questions for investors. We focus on a couple of our themes to help answer those questions and offer our best investment ideas in the following section of our outlook.

Asset class "heat map"

Our cross-asset class views indicate where we see the best relative opportunities within global financial markets. These are not intended to represent a specific portfolio, but rather to answer the question: "What are our highest conviction views when it comes to putting new money to work?" These views assume a U.S. dollar-based investor seeking long-term growth and represent a one-year time horizon.



Upgrade from last quarter

Downgrade from last quarter

The views above are for informational purposes only, and compare the relative merits of each asset class based on the collective assessment of Nuveen's Global Investment Committee. They do not reflect the experience of any Nuveen product or service. Upgrades and downgrades reflect quarterly shifts in these views.

Portfolio construction themes for 2025

Five themes for 2025

1

Relative spreads and credit selection, not risk-free rates, will drive returns in public and private debt markets.

2

Municipals are still the borrower of choice for investors in it for the duration.

3

Real estate reality: the trends are favorable.

4

The world may be decoupling; markets are not.

5

Energy demand charges ahead of capacity, creating opportunities amid political changes.

If someone had ignored markets for the last six months, they may be asking, “What did I miss?” As of mid-June, the S&P 500 Index is only slightly higher from the start of the year and the 10-year Treasury yield only slightly lower. But beyond those benchmarks, it’s clear for global, multi-asset investors that the path has unfolded quite differently from initial 2025 expectations. Consider:

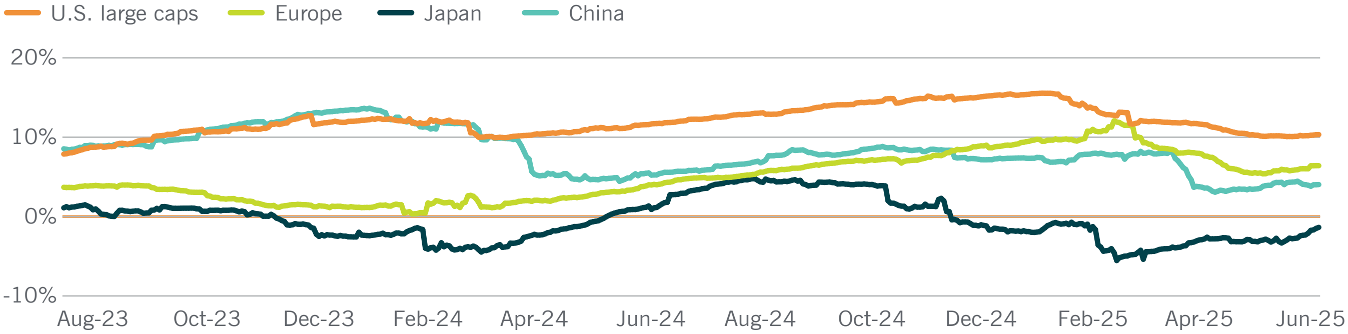
- The U.S. dollar (DXY Index) saw the largest decline to start the year since 1973, when the OPEC oil embargo caused a 9% inflation surge. While the greenback came into this year overvalued, its rapid depreciation is causing investors to rethink their allocations. **Is trade policy uncertainty and the U.S. fiscal trajectory causing global investors to lose faith in U.S. dollar assets?**
- Developed non-U.S. equities are outperforming U.S. large cap equities by the largest margin since 1993 on a U.S. dollar basis and are also performing well in local currency terms for non-U.S. investors. **Are U.S. equities headed for a prolonged period of underperformance?**
- Municipal bonds have underperformed the core bond market by their second largest margin in history (behind only 2020) and have struggled to regain their footing after April’s spike in interest rate volatility. **Do these lower prices reflect fundamental weakness, or are municipal bonds undervalued?**

To answer questions 1 and 2, we direct readers to **theme 4**. Despite 2025’s headwinds and Moody’s recent downgrade of U.S. credit, the U.S. dollar is still the leading reserve currency due to high marks across several metrics, including share of foreign exchange volume, size and liquidity of capital markets, and depth and openness of markets. While 2025 highlights the importance of global diversification, investors should resist the urge to dramatically change U.S. vs non-U.S. allocation splits.

We upgraded U.S. large cap equities this quarter to reflect this view. While index-level valuations are far from “cheap,” expected earnings growth has been revised down from a peak of 15% earlier this year to a more achievable 10% (Figure 2). This earnings growth expectation still exceeds that of Europe and China, despite their growth rates moving more positive this year.

Figure 2: U.S. corporate earnings expectations appear more achievable

Forward 12-month expected earnings-per-share growth

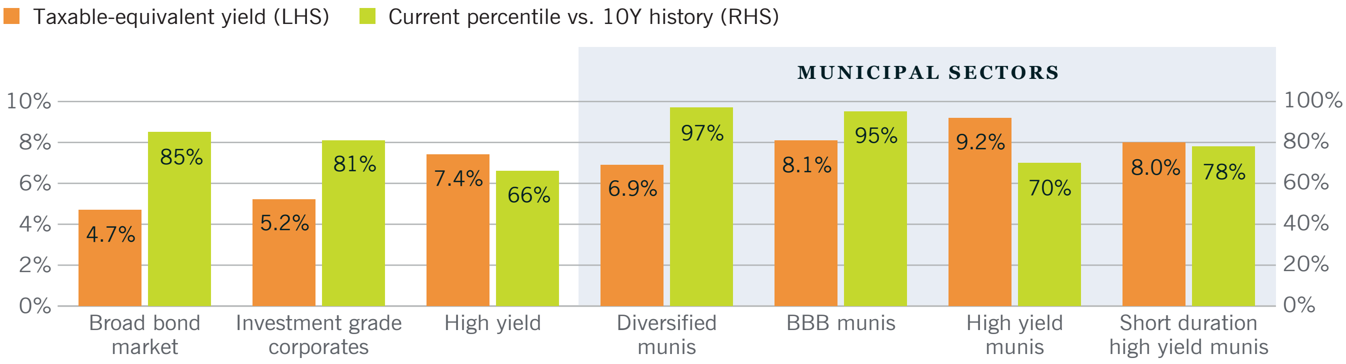


Data source: Bloomberg, L.P., 05 Jun 2025. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S. large caps:** S&P 500 Index; **Europe:** MSCI Europe Index; **Japan:** MSCI Japan Index; **China:** MSCI China Index.

As for the third question, our conviction in **theme 2** remains strong. We attribute municipal market's performance weakness primarily to increased new issuance compared to history, as well as shifting tax policy discussions. This creates an opportunity for long-term municipal investors: Starting yields are in the 97% percentile versus their 10-year history (Figure 3). While we still believe allocations should balance interest rate risk versus credit risk in their overall fixed income portfolios, municipals are adequately compensating investors for extending duration exposure. With that said, current and potential federal policy changes are impacting certain sectors (higher education, for example), meaning credit research and active management are critical to capitalize on these yield opportunities.

Figure 3: Municipal bond yields are at historic highs

Current yields and percentile compared to 10-year history



Data source: Bloomberg, L.P., 05 Jun 2025. **Performance data shown represents past performance and does not predict or guarantee future results. Representative yields: broad bond market:** Bloomberg U.S. Aggregate Index; **investment grade corporates:** Bloomberg U.S. Corporate Investment Grade Index; **high yield corporates:** Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index; **diversified munis:** ICE BofA U.S. Municipal Securities Index; **high yield munis:** ICE BofA U.S. Municipal Securities High Yield Index; **short duration high yield munis:** ICE BofA 1-12 year Broad High Yield Crossover Municipal Index. **Taxable-equivalent yield (TEY)** is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income. Individual tax rates may vary. They do not take into account the effects of the federal alternative minimum tax (AMT) or capital gains taxes. **For index descriptions, please access the glossary on nuveen.com.**

Our best investment ideas

EQUITIES
Saira Malik

Best ideas: Our two most-favored areas are dividend growers and listed infrastructure. Both offer attractive fundamentals, compelling income levels and the potential for lower volatility and resilience in the event of slowing economic growth.

Investment positioning

- The quickly shifting U.S. tariff and trade policy backdrop drove equity market volatility higher and made it harder for companies (and investors) to forecast future earnings. We expect markets will continue to be affected by ongoing headline risk, but we continue to see areas of value and opportunity.
- Geopolitical headline volatility will likely persist, but the worst of the tariff volatility seems to be behind us. And, more importantly, the shakeup may have created opportunity. As mentioned previously, we are more positive toward U.S. large cap stocks. This shift is based on a positive view of megacap technology (strong earnings growth and high barriers to entry), expected tax cut extensions and a more favorable regulatory backdrop. We think European equities could represent a long-term value opportunity. In contrast, emerging markets equities look less attractive due to global trade policy risks. We had been positive toward U.S. small caps for the last couple of quarters, but concede we may have made that call too early, especially as economic growth remains under pressure.
- From a sector perspective, in additional to tech, we favor financials (especially banks), which offer strong fundamentals. We are also focused on more defensive areas — including utilities, real estate and infrastructure — which should be resilient in the event of slowing growth.
- Private equity markets remain under pressure, especially given a lack of fund distributions. But we continue to see select opportunities in private equity secondaries markets.

FIXED INCOME
Anders Persson

Best ideas: Securitized assets and preferred securities offer a compelling combination of attractive yields and value. For municipal bonds, we favor water/sewer bonds and select opportunities in health care and higher education.

Investment positioning

- As with all parts of the global financial markets, bonds have experienced increased volatility in 2025 amid rising policy uncertainty. Nevertheless, we think yields overall offer a compelling entry point and believe the fundamental credit picture remains positive for fixed income investments.
- Long-term rates will likely remain volatile over the next few quarters, then slowly decline amid weaker economic growth and potential Fed rate cuts later in the year. We encourage investors to take advantage of bouts of volatility amid policy shifts and a slowing economy using broad diversification and active management. Also, we continue to find attractive opportunities within credit and expect duration will reassume its role as a growth hedge going forward.
- We remain positive toward senior loans, which offer compelling yields, but the likelihood of slowly moderating rates does warrant more caution when considering floating rate instruments. In contrast, we are more positive on preferred securities, which benefit from a strong issuer base and appear attractively valued. We also are constructive on securitized assets (especially mortgage-related investments that offer attractive yields and solid credit risks) and high yield (spreads are tighter but yields and fundamentals remain solid). We are less positive on investment grade corporate bonds (relatively tight spreads and a longer duration profile than we prefer).
- Municipal bonds remain one of most-preferred areas of the market, and we believe prices have become dislocated from fundamentals. State and local governments remain resilient, and the market features attractive supply/demand dynamics. Given that municipal bonds have been lagging the broader fixed income market this year, we think munis are essentially on sale.
- Private credit markets remain constructive, and we generally prefer more defensive and higher-quality areas. Market growth has slowed but remains positive.

REAL ESTATE

Donald Hall

Best ideas: We remain focused on "global cities" experiencing growing, educated and diverse populations with a particular focus on the health care, industrial and housing sectors.

Investment positioning

- We believe the previous headwinds challenging private real estate have diminished. Real estate started its recovery toward the end of 2024, and that trend has continued through the first half of 2025. Broader market volatility could dampen flows into real estate, but a combination of attractive prices, solid fundamentals and the likelihood for slightly lower interest rates should be tailwinds.
- The office sector remains challenged. Values may be troughing and vacancies may have peaked, but it will take time for a recovery to materialize. However, we see a number of opportunities outside of this sector. Outpatient medical buildings and senior housing benefit from shifting demographics and limited new supply; neighborhood retail features low vacancy rates and attractive pricing, and we expect industrial real estate to hold up well.
- We have a slight bias toward real estate debt over equity, given valuations and relatively wider spreads, but the difference is narrowing.

REAL ASSETS

Justin Ourso

Best ideas: In public markets, our best ideas include North American senior housing (demographic trends, plus opportunities for industry consolidation) and AI-related infrastructure, especially areas like electric utilities that have yet to fully realize potential benefits. Across private markets, we continue to focus on investments that align with climate and digital transformations, such as clean energy generation and data centers, as well as strong global demand for protein and healthy foods.

Investment positioning

- Both public and private infrastructure investments remain preferred areas, and public infrastructure offers compelling value. Private infrastructure has seen softening deal volume, but tailwinds remain. The massive growth in power demand shows no sign of stopping. This leads us to favor investments across public and private equity and fixed income markets, such as data centers, power-generating utilities, electric transmission owners, independent power producers, energy pipeline owners and battery and storage investments. For utilities, we are focused on geographies with the largest increase in power demand and are less positive toward jurisdictions experiencing regulatory scrutiny.
- Public real estate markets offer solid fundamentals and earnings prospects. They should perform relatively well amid a more stable interest rate environment and could weather a limited economic deceleration. We have a particularly favorable view toward senior housing, where supply is limited and demand is growing.
- We favor long-term farmland allocations as a source of differentiated returns and an inflation hedge. But we expect the strong performance over the last few years to moderate in 2025 (especially for row crops) and anticipate tariff-related headwinds for areas such as U.S. soybeans.

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. Quarterly 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

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

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