

January 2026

Why not cash?

Many wary investors are sitting on high levels of cash and cash equivalents, preferring to earn what looks like a decent yield in today’s higher interest rate environment rather than take on additional credit risk. But when does an abundance of caution turn into missed opportunity? How long is too long to wait for a return to “normal”?

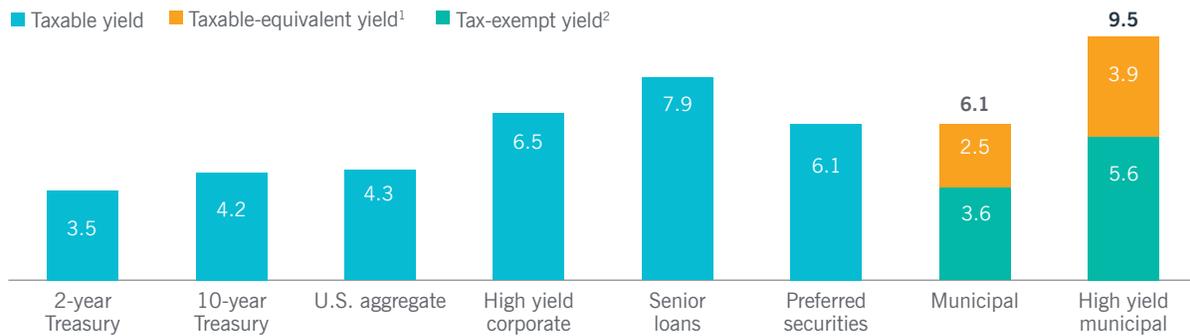
FIXED INCOME CAN OFFER ATTRACTIVE STARTING YIELDS

Bond yields are much more compelling with the substantial increase in interest rates over the U.S. Federal Reserve’s recent hiking cycle. The Bloomberg U.S. Aggregate Bond Index ended 2025 at a yield of 4.3%, near the highest level since before the 2008 financial crisis.

Over the long-term, 100% of bond market returns have been driven by income returns rather than changes in price. And given today’s high starting yields, we believe investors should focus on bonds as a source of income returns in portfolios going forward.¹ And bonds continue to anchor portfolios through their naturally low-to-negative correlation to equities,² helping to stabilize portfolio returns and lower volatility.

Figure 1: Higher yields are a bright spot

Current yields (%)



¹ The taxable-equivalent yield is based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income (the Net Investment Income Tax). Individual tax rates may vary.

² Some income may be subject to state and local taxes and the federal alternative minimum tax.

Data source: Bloomberg, L.P., 31 Dec 2025. **Performance data shown represents past performance and does not predict or guarantee future results.** Taxable-equivalent yield 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. **Representative indexes:** **U.S. Treasuries:** U.S. Treasury 2-year and 10-year yield; **U.S. aggregate:** Bloomberg U.S. Aggregate Bond Index; **high yield corporate:** Bloomberg U.S. High Yield 2% Issuer Capped Index; **senior loans:** Credit Suisse Leveraged Loan Index; **preferred securities:** ICE BofA U.S. All Capital Securities Index; **municipal:** Bloomberg Municipal Index; **high yield municipal:** Bloomberg High Yield Municipal Index.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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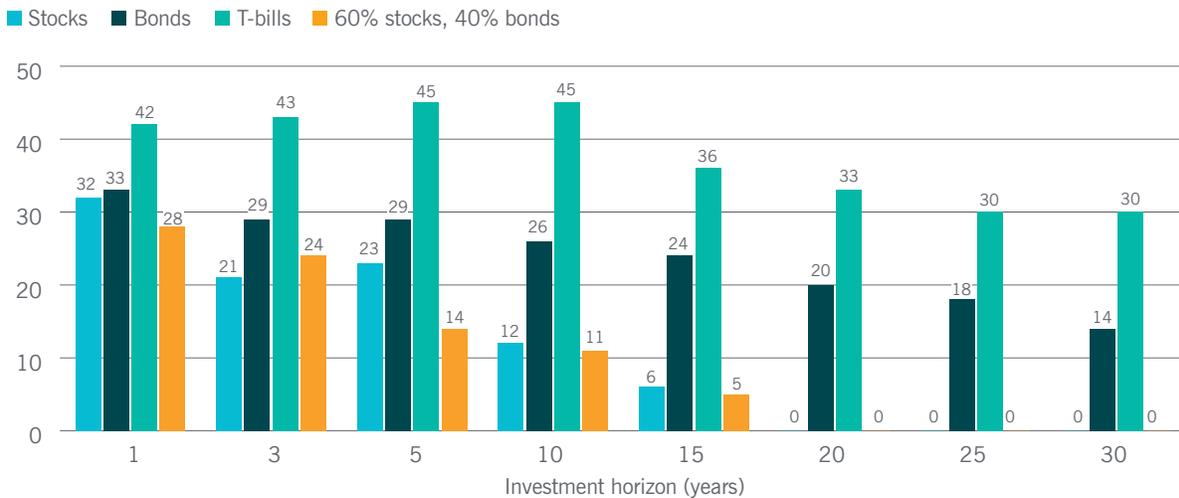
INFLATION SHRINKS THE VALUE OF SAVINGS

When overall prices increase due to inflation, the purchasing power of cash erodes over time. \$1,000 today doesn't buy what it did 10 years ago.

Investments like stocks and bonds can better keep pace with inflation over time. In fact, from 1928 to 2025, a portfolio of 60% stocks and 40% bonds held for 20 years or longer has produced a positive real return (adjusted for inflation) during all rolling time periods.

Figure 2: Cash risks losing value after inflation over time

% of times losing money after inflation



Data source: Bloomberg, L.P., annual total returns from 1928 to 2025. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: stocks: S&P 500 Index; bonds: 50% 10-year U.S. Treasury Index/50% Bloomberg Baa Corporate Index; T-bills: 3-month government bill.



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BROAD DIVERSIFICATION CAN OFFER EVEN MORE STABILITY

Whenever there is market uncertainty, investors may feel compelled to hold cash until the conditions appear more favorable. However, this

market timing strategy has not been conducive to successful investing. While asset class leadership changes from year to year, a diversified portfolio provided competitive returns in most of the last 10 years and cash typically underperformed.

Figure 3: No asset class consistently outperforms (or underperforms) the diversified portfolio

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
U.S. LC Value, 17.3%	U.S. LC Growth, 30.2%	Non-U.S. Stocks, 10.7%	U.S. LC Growth, 36.4%	U.S. LC Growth, 38.5%	U.S. LC Growth, 27.6%	HY Bonds, 8.2%	U.S. LC Growth, 42.7%	U.S. LC Growth, 33.4%	Non-U.S. Stocks, 32.4%
Private Credit, 11.2%	Non-U.S. Stocks, 21.5%	Private Credit, 8.1%	U.S. LC Value, 26.5%	Private RE, 7.5%	U.S. LC Value, 25.2%	Private Credit, 6.3%	Non-U.S. Stocks, 32.4%	U.S. LC Value, 14.4%	U.S. LC Growth, 18.6%
Private RE, 8.4%	Diversified Portfolio, 14.6%	Core Bonds, 7.5%	Private RE, 22.2%	Diversified Portfolio, 7%	Non-U.S. Stocks, 15.6%	Non-U.S. Stocks, 5.5%	Diversified Portfolio, 17.6%	Diversified Portfolio, 11.8%	U.S. LC Value, 15.9%
U.S. LC Growth, 7.1%	HY Bonds, 14.3%	HY Bonds, 7.1%	Diversified Portfolio, 17.6%	Private Credit, 5.5%	Diversified Portfolio, 13.6%	Cash, 5.3%	Private Credit, 12.1%	Private Credit, 11.3%	Diversified Portfolio, 13.4%
Diversified Portfolio, 5.4%	U.S. LC Value, 13.7%	Munis, 1.3%	Private Credit, 9%	Munis, 5.2%	HY Bonds, 13.5%	Core Bonds, 1.3%	U.S. LC Value, 11.5%	HY Bonds, 8.2%	Private Credit, 11.0%
Cash, 1.8%	Core Bonds, 8.7%	Diversified Portfolio, 1.3%	Non-U.S. Stocks, 7.8%	U.S. LC Value, 2.8%	Private Credit, 12.8%	Private RE, -1.4%	HY Bonds, 8.6%	Non-U.S. Stocks, 5.5%	HY Bonds, 8.6%
Munis, 0.2%	Private Credit, 8.6%	Private RE, 1.2%	Munis, 7.5%	Cash, 1.5%	Core Bonds, 5.5%	Diversified Portfolio, -6.9%	Core Bonds, 7.3%	Cash, 5.3%	Core Bonds, 7.3%
Core Bonds, 0%	Munis, 5.4%	Cash, 0.5%	HY Bonds, 5.3%	HY Bonds, -11.2%	Cash, 5.1%	U.S. LC Value, -7.5%	Munis, 6.4%	Core Bonds, 1.3%	Cash, 4.3%
HY Bonds, -2.1%	Private RE, 5.3%	U.S. LC Growth, -1.5%	Cash, 0%	Core Bonds, -13%	Munis, 1.5%	Munis, -8.5%	Cash, 4.3%	Munis, 1.1%	Munis, 4.2%
Non-U.S. Stocks, -14.2%	Cash, 2.2%	U.S. LC Value, -8.3%	Core Bonds, -1.5%	Non-U.S. Stocks, -16%	Private RE, -12.1%	U.S. LC Growth, -29.1%	Private RE, 2.8%	Private RE, -1.4%	Private RE, 3.8%

Data source: Bloomberg, L.P., 31 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S. large cap growth: Russell 1000 Growth Index; U.S. large cap value: Russell 1000 Value Index; non-U.S. stocks: MSCI ACWI Index; private credit: CliffwaterDirect Lending Index; private real estate: NCREIF ODCE Index; cash: Bloomberg U.S. Treasury Bill 1-3 Months Index; core bonds: Bloomberg U.S. Agg Index; high yield bonds: Bloomberg U.S. Corporate High Yield Index; municipal bonds: Bloomberg Municipal Bond Index; diversified portfolio: 20% U.S. large cap growth, 20% U.S. large cap value, 10% non-U.S. stocks, 10% private credit, 10% private RE, 2% cash, 10% core bonds, 4% high yield bonds, 14% municipal bonds. Private credit and private real estate returns are through 30 Sep 2025 and annualized to reflect an estimated annual return.

For more information, please visit nuveen.com.

Endnotes

Sources

1 Bloomberg, L.P., 31 Jan 1976 – 31 Dec 2025, 100% of the annualized total return of the Bloomberg U.S. Aggregate Bond Index was derived from coupon return as opposed to price appreciation. Index inception is 01 Jan 1976.

2 Bloomberg, L.P., 10-year period ending 31 Dec 2025. Correlation between the Bloomberg U.S. Aggregate Index and S&P 500 Index was 0.39.

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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. Diversification is a technique to help reduce risk. There is no guarantee that diversification will protect against a loss of income. Investing in municipal bonds involves risks such as interest rate risk, credit risk and market risk, including the possible loss of principal. The value of the portfolio will fluctuate based on the value of the underlying securities. There are special risks associated with investments in high yield bonds, hedging activities and the potential use of leverage. Portfolios that include lower rated municipal bonds, commonly referred to as "high yield" or "junk" bonds, which are considered to be speculative, the credit and investment risk is heightened for the portfolio. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. Investors should be aware that alternative investments including private equity and private debt are speculative, subject to substantial risks including the risks associated with limited liquidity, the use of leverage, short sales and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits. Alternative investments are not appropriate for all investors and should not constitute an entire investment program. Investors may lose all or substantially all of the capital invested. The historical returns achieved by alternative asset vehicles is not a prediction of future performance or a guarantee of future results, and there can be no assurance that comparable returns will be achieved by any strategy.

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