

Flexible approach is designed to deliver competitive performance

Nuveen's Symphony CLOs benefit from teams who are active across a range of credit and bond funds

Although the name "Nuveen Leveraged Finance" may be relatively new to CLOs, it has a long and distinctive tradition. The story stretches back to the early 2000s when Symphony Asset Management was bought by Nuveen, which itself was acquired in 2014 by TIAA (Teachers Insurance and Annuity Association of America), the #1 not-for-profit retirement market provider with nearly \$1.4 trillion in assets under management*.

In 2020, Symphony Asset Management and Nuveen's leveraged finance team were combined under the Nuveen brand to create one of the industry's largest leveraged finance platforms, while retaining a culture

akin to a diversified alternative credit boutique.

While bringing the teams together added a wealth of resources, resulting in deeper sector coverage and enhancements to special situations, workout and trading capabilities, the move did not change Symphony's core investment process, which remains at the heart of the CLO business.

Nuveen's long heritage in the CLO space can be clearly seen in the firm's Head of Structured Credit, Himani Trivedi, who has been managing the Symphony CLO platform since its inception in 2005. While new issue CLOs retain the Symphony moniker, the leveraged finance team's go-to market brand is now Nuveen. Trivedi is lead portfolio

manager for Nuveen's own CLOs as well as its investments in third-party managed CLOs.

Cycle-tested track record

According to Trivedi it is the combination of old and new capabilities that sets Nuveen apart as a CLO manager.

"We believe we are differentiated by our cycle-tested track record of good performance, commitment to the CLO platform, active par building, and consistent liabilities management while actively managing tail risk," she says. "These qualities have enabled Nuveen to consistently achieve some of the best new issue cost of liabilities compared to our peers including the tightest AAA print on a five-year deal (Symphony

XXV) during 2021."

The Nuveen leveraged finance platform uses an integrated investment process, with constant, real-time dialogue and information flow across its portfolio managers and credit research analysts, as well as its dedicated distressed debt and credit trading teams.

As such, the teams managing investments in loans, high yield bonds, long/short credit funds, CLOs and structured credit operate as a cohesive group under Nuveen's investment committee-driven process.

"We have a unique pod-based approach for each sector and sub-sector, with four to five analysts in each pod. They come up with ideas that are asset class agnostic, and our portfolio management teams then apply them in our CLOs, our hedge funds, or our managed accounts," says Trivedi. "Another interesting difference is the way we've set up our distressed team. We don't move names from the performing credit team to a separate workout team, instead the teams are integrated and work in conjunction to cover the requirements across our various strategies."

Another example of the integrated model is in Nuveen's approach to ESG. The firm (and its parent, TIAA) has been a leader in responsible investing for five decades, and it is a foundational pillar of expertise of the firm. In turn, the leveraged finance team has access to a



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Himani Trivedi, Head of Structured Credit, Nuveen

Himani Trivedi manages loans and investments in structured credit across Nuveen managed CLOs and fixed income strategies.

Previously, she served as a co-head of investments and head of structured credit at Nuveen affiliate Symphony Asset Management. She started at Symphony in 2004 on the

convertibles desk, launched the CLO platform in 2005 and became co-portfolio manager for all CLOs in 2008.

Prior to joining Nuveen, Trivedi worked on model validation for securitised products at Washington Mutual Bank and started her career in finance at ICICI Bank in India.

* As of Dec. 31, 2020. Based on data in PLANSPONSORS 403(b) Market Survey, published in August 2021. As of December 31, 2021 assets under management across Nuveen investment affiliates and TIAA investment management teams were \$1,375 trillion.

wealth of ESG knowledge from Nuveen's central responsible investing team.

Proprietary ESG ratings

Recently, this has led to the development of proprietary ESG ratings that are factored into the position the leveraged finance investment committee reviews. Applying ESG ratings is most challenging for the private loans going into CLOs, but progress there is also rapid.

Trivedi says: "While we don't have ESG scores for all the loans on our platform today, we anticipate improving our coverage significantly in the coming quarters."

The work on ESG ratings for loans also applies to all areas of Nuveen leveraged finance, including investments in structured credit, which enables the firm to look through into CLOs managed by third-parties and compare their ESG ratings with Nuveen's own internal ratings.

The lineage of the team can be seen in Nuveen's CLO management style, which features the key historical Symphony tenets of actively managing a CLO portfolio to maximize risk-adjusted returns.

"Although we do a lot of work up front in the initial asset selection, we also want to have the ability to course-correct

when the market changes," says Trivedi. "Our approach is to be predictive, not reactive, and the analysts are always looking to have a proactive approach to positioning. We keep our portfolios highly liquid, which allows us to adapt nimbly amidst changing market conditions."

One example of this approach was during the most volatile periods of 2020, when Nuveen traded around 35% of its loan portfolio in six months. It both rotated to better performing industries and built par, bolstering CLO equity returns. The firm didn't simply aim to reduce risk because that approach increases volatility. Instead, Nuveen takes an exchange "swap" approach, so if an asset is to be sold at 70, the central credit team needs to find ideas to make up the par loss. This allows risk to be mitigated while par is maintained.

Nuveen's willingness to take risks to build par also colours the firm's approach to stressed and distressed situations, another long-standing strength of the team. "Our hands-on approach to stressed situations is in our DNA," notes Trivedi. "We roll up our sleeves and get on the steering committees to get the best recovery values for distressed assets, and that's one

of the reasons why our equity performs so well."

Introduction of Nuveen CLO Equity Issuance strategy

One area where things have changed recently is in Nuveen's approach to its own CLO equity, whereby it allows clients to invest alongside it. The old model of having only third-party equity investors has been replaced with a new private-placement, captive equity CLO strategy that is expected to take majority equity positions in most Nuveen new-issue CLOs going forward. Trivedi says: "This new construct creates an important alignment."

The new strategy also represents some fundamental changes in the way real-money investors approach the space. Nuveen looked into the question of how LPs approach CLO equity investments in a recent white-paper, which saw a real mix of allocations across alternative investments, opportunistic credit and even fixed income.

Trivedi herself likes to think of CLO equity as something unique. "It's a hybrid — you have an equity structure, but underlying that is a diversified pool of senior loans. When you compare it to private equity, it provides a similar mid-teens return profile,

but with less of a J-curve effect since cash flows are distributed every quarter."

This new availability of capital also means that Nuveen can take a longer-term approach to warehousing, although the firm intends to retain ample dry-powder to enable an opportunistic approach. Trivedi is also quick to assure investors that this doesn't mean the end of the Symphony print-and-sprint model that the team has employed successfully in the past. "We did one last November!" she says. "But now through warehousing, we can more easily buy loans when they look cheap and be opportunistic on both the assets and the liabilities."

Options in Europe

Nuveen's CLO platform is always searching for opportunities. Currently, it is looking at European CLOs and public credit, as well as bond-flex structures. Although Nuveen has been managing bonds for many years, to date its CLOs have always been loan-only deals.

Beyond CLOs, Nuveen continues to add resources as its leveraged finance business continues to expand via existing strategies and new offerings. It expects another year of strong growth in 2022.

ABOUT NUVEEN LEVERAGED FINANCE

Nuveen's leveraged finance platform is one of the industry's largest and best resourced providers of high yield credit, broadly syndicated loans, CLOs and alternative credit strategies.

With \$38 billion in assets under management, including \$11 billion in CLO products, the firm's 50+ investment professionals provide enhanced access to an asset class where scale, research depth and a focus on active management are critical to producing strong results.

As part of the broader Nuveen global fixed income platform, the leveraged finance team has access to substantially additive resources across various asset

classes, which gives the team a holistic view of global fixed-income markets.

Nuveen is the investment manager of TIAA. It offers a comprehensive range of outcome-focused investment solutions designed to secure the long-term financial goals of institutional and individual investors. It has \$1.3 trillion in assets under management as of 31 December 2021, with operations in 27 countries.

Nuveen's investment specialists offer deep expertise across a comprehensive range of traditional and alternative investments through a wide array of vehicles and customized strategies.

Additionally, the organization's long

history of investing materially alongside its clients ensures strong alignment with their interests.

nuveen

A TIAA Company

Headquarters: New York, with a meaningful presence in both San Francisco and Charlotte, North Carolina

Total leveraged finance AUM: \$38 billion
CLO AUM: \$11 billion

CLOs under management: 22

Figures are as of 31 December 2021

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