20/20 vision:
a clearer path for growth
Our 2020 market and investment theme, “20/20 vision: a clearer path for growth,” was thrown for a loop in March. But we think this theme is starting to reemerge as the world recovers from the deepest (and perhaps shortest) recession in history. In the months ahead, we expect market volatility to remain elevated and portfolio construction to be more challenging, but Nuveen’s Global Investment Committee still sees value across asset classes. We remain committed to offering investors of all types and outcomes goals and ideas for how to navigate today’s — and tomorrow’s — markets.

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From partners to clients and back again: the TIAA/Nuveen relationship

When I spend time with clients of TIAA and Nuveen, I am often asked about the relationship between the two organizations. As the Chief Investment Officer of the TIAA General Account (GA), I have the unique privilege of being a TIAA employee while working as a client directly with portfolio managers throughout Nuveen, because the GA invests its assets in funds and accounts managed by Nuveen. In my role to oversee the investments and asset allocation of the GA, I sit in on Nuveen's Global Investment Committee to discuss key issues such as income generation in a low yield environment directly with the investment leaders who manage the underlying GA assets.

In the coming quarters, we'll dive deeper into topics such as asset allocation strategies, risk/return tradeoffs to meet income targets and the role of specific asset classes in the GA. But for now, I'd like to offer some perspective on the Nuveen/TIAA relationship. In short, Nuveen is the asset manager for TIAA, one of the world's most highly rated and financially stable insurance companies that provides retirement solutions for employees in the education, research, health care and other service industries in the U.S. That means Nuveen is responsible for managing investment portfolios for a wide variety of individual and institutional investors around the world — including the TIAA General Account and its participants.

From my perspective as the GA CIO, I effectively “outsource” the underlying portfolio management of individual asset classes to the talented portfolio teams across Nuveen. My team and I set the overall asset allocation strategy, help manage TIAA's balance sheet and look after the needs of our participants, while Nuveen's investment teams manage our diverse portfolio of public assets (mostly fixed income instruments) and private assets (real estate, agriculture, timber and farmland equity, as well as private equity and credit). It's a truly symbiotic relationship: The GA and I benefit from Nuveen's deep and diverse investment insights and portfolio expertise; Nuveen, by being closely aligned with a large and financially diverse asset owner, sits on the same side of the table as clients, serving them as a like-minded partner that truly understands their goals and needs.

The underlying day-to-day nuances of how this actually works can be quite complex — and I look forward to discussing those specifics in future “Views from the GA.” At our midyear meeting, I was struck by how our clients and Nuveen's portfolio teams were all grappling with reassessing portfolio risks, generating income in a low yield environment and the increasing need to incorporate environmental, social and governance factors into portfolios, as a way to generate alpha and manage risks. As a large institutional investor, we are dealing with the same issues.

The TIAA General Account and Nuveen have forged a connection that combines partnership and client relationship to benefit both organizations and also, critically, TIAA's plan participants and Nuveen's clients.
Just how clear is the path ahead?

- The world is already emerging from the deepest and possibly shortest recession in modern history. But investing is likely to become more — not less — challenging.

- Massive monetary policy stimulus has helped restore order and confidence. At the same time, lower yields mean investors have to take on more risk to generate income.

- We are seeing seismic shifts across financial markets and within key sectors and industries, creating more challenges and more opportunities.

The bounce has begun; how high can we go?

Back in March, we were as stunned as anyone to be marching into an economic recession and an unprecedented global health crisis. We’re nearly as surprised to find, only three months later, that the global economy is once again expanding and financial asset prices are staging one of their strongest quarters in history. While health experts are quick to caution that the coronavirus remains a serious threat, high-frequency data — and our own eyes — tell us that commerce is returning as virus fears abate (wisely or not) and businesses reopen.
And so, it seems, passes the 2020 recession, the deepest and the shortest downturn the world has experienced since World War II. The National Board of Economic Research has pegged February as the end of the longest uninterrupted period of growth in U.S. history, but it also acknowledged that a new expansion may have begun as early as May. Asia, especially China, has been expanding for a few months now given its earlier and generally more successful experience with the virus. And Europe, which has experienced the worst of the fatalities per capita, is being supported economically by its strong social safety net and aggressive economic stimulus. In the wake of this severe global downturn, we find a recovery of highly uncertain trajectory.

As Figure 1 shows, we expect U.S. economic activity to return to its Q4 2019 peak in the second half of 2021, clocking this recovery at twice the speed of the one that began in mid-2009. While that forecast might appear optimistic, we also see unemployment remaining between 8% and 10% through much of 2021. That’s because restrictions on how certain businesses may operate in the phased reopening could cause job creation to lag even as the economy grows.

As we wrote in March, the speed and trajectory of this recovery will be largely determined by economic policy. Global fiscal policy has been effective so far at replacing lost income and helping businesses of all sizes stay afloat. With reopening underway, policymakers will need to do more to a) ensure financial conditions don’t tighten; and b) cushion the demand shock by assisting distressed industries and unemployed workers.

Proceed with caution after a fabulous recovery rally

It would have been nice to know with certainty in our last quarterly outlook how close we already were to “the bottom” in global financial markets, particularly equities. Stocks have staged arguably the most impressive and unexpected rally on record since their bottom in late March. The first stage of that rally was marked by subsiding panic about basic market functionality, thanks to a hefty dose of liquidity from the Federal Reserve and its global peers. The second stage was dominated by a relatively small number of high-growth companies, mainly in the U.S., that became more attractive for their abilities to generate profits during the economic shutdown. The latest stage since mid-May has been driven by evidence that the coronavirus is being contained and the global economy is getting back to work. Its leaders include non-U.S. markets and more cyclical companies with lower valuations.

Despite rising equity market volatility in June, stocks are not likely to retest their March bottoms because a return to that level of panic remains unlikely. However, risk assets have undoubtedly priced in an optimistic scenario for the next 18 months: no serious second virus wave, a strong recovery in corporate profits and near-zero interest rates across the developed world. Only the last of the three assumptions seems solid to us.

Figure 1 – The U.S. economy can recover from this downturn faster than the last one

![U.S. GDP during recessions, indexed to prior peak](image)
Even so, valuation has become a concern (Figure 2), as it was heading into this year. Interest rates have plunged and credit spreads have narrowed, even on lower-rated securities with elevated risks of default. And global equity markets are at their most expensive levels relative to expected earnings since the bursting of the technology bubble in the early 2000s. Even if stimulative economic policy helps markets continue to post impressive returns in the coming quarters, the long-term prospects for holders of diversified portfolios of publicly traded assets looks precarious.

**What comes next?**

While the outlook for the balance of 2020 is clouded by uncertainty, the GIC devoted time at its last meeting to discussing how the longer-term outlook might influence — or already be influencing — our investment processes. Many industries face existential risk as fears of the virus affect consumer behavior and business investment. Assets tied to travel and leisure continue to trade at distressed levels. We think leisure travel will rebound before business travel, as families look to take vacations while companies continue to cut travel-related costs and reduce risks.

The long-term prospects for holders of diversified portfolios of publicly traded assets look precarious.
Figure 3 – The trend toward less space per office worker is likely ending

Office floor space per worker, indexed to 100


Speaking of companies, what will become of all the office space leased to global firms, especially in densely populated cities, that were disproportionately affected by the coronavirus? While we don’t think 2020 will be the beginning of the “end of the office” by any means, we see the potential for significant changes in how offices are designed. Figure 3 shows that more employees have been pushed into less office space over the past 25 years. That trend may be primed to reverse as social distancing and employee safety take on greater importance. The average worker may commute less often to work, but once there will need more room to operate and a design built for greater flexibility, learning and collaboration.

Health care is another industry likely to reinvent itself on the fly given its experience during this crisis. As the coronavirus became the primary focus for patients and providers alike, spending on other health care services fell precipitously. The industry will likely make greater use of telemedicine and ambulatory surgical centers. More countries may also incentivize domestic pharmaceutical production to exert greater control over drug manufacturing and avoid supply chain bottlenecks.

We also see this recovery leading to even lower interest rates around the world. Central banks have all but sworn an oath not to raise interest rates until well after the economy has healed, and the bond market seems to have gotten the message.

During the previous recovery, long-term interest rates initially rose quickly in anticipation of higher short-term rates. But this time rates in the most of the developed world remain at historical lows close to zero out to 10 years or more. Central bank balance sheets have ballooned as policymakers commit to quantitative easing policies as a means to reinforce their verbal commitments (Figure 4).

Where does that leave investors looking for income? That question dominated the discussion at our June GIC meeting and serves as the foundation for our major investment theme for the balance of the year.
What to do about “even lower for even longer”

To state the obvious: It’s a lot harder to generate income than it used to be (Figure 5). The long-term effects of the global financial crisis and aging global demographics created a heightened demand for “risk-free” income and — ballooning fiscal deficits notwithstanding — too few securities to supply it. And the coronavirus crisis has pushed rates down even further. Before 2008, a foundation could almost meet its distribution requirement using U.S. Treasuries alone, and a retired couple could sustain a reasonably comfortable lifestyle with a nest egg subject to relatively little market risk. Today that is no longer the case, requiring us as managers to consider not only how to meet and beat a benchmark, but also how to remain responsive to the persistent and growing demand for income.

In 2020, any solution for targeting higher income comes with increased portfolio risk. Diversifying the sources of those risks is key to an income strategy. Fixed income is the place to start, where investors are paid for credit, interest rate and liquidity risk. With yield curves flat in most of the world, it doesn’t really pay to focus on duration risk. But credit spreads remain well off their early-2020 lows, and even high-quality corporate and municipal bonds still trade at significant discounts due to lower levels of liquidity. Given the currently high corporate debt burden, however, managing risks in a bond portfolio requires careful research, especially in high yield. Investors can also consider allocating to emerging markets debt, which tends to provide more income than U.S. high yield corporate debt for a given level of quality.

With rates so low, however, investors must look beyond a fixed income-only solution. Even at the index level, global stocks provide a dividend yield to rival, if not exceed, high-quality bonds. We favor a more targeted

![Figure 4](image-url)
approach to a dedicated equity income strategy, including dividend growers and publicly traded real assets like REITs and infrastructure. These dividend payers are also less correlated than the bond market to day-to-day moves in interest rates.

Perhaps the most fertile ground for income-seeking investors is in alternative asset classes. Direct ownership of real assets — real estate, farmland, timber — provides income diversification not only by source, but also by time horizon. These assets are often backed by long-term leases to tenants, making their income streams less volatile and the overall investment experience smoother.

Private credit has many properties in common with high yield corporate bonds and leveraged loans, but is typically only available through less liquid limited partnership investments. Backed by skilled management and investment selection, it’s another source of income that can perform in an economic recovery.

**Figure 5 – Higher income now entails higher risks**

In sum, growth is improving, but the investment horizon remains cloudy. The coronavirus and ensuing economic and market upheaval have rattled investors, challenged income generation and called into question the long-term health of key global sectors and industries. Navigating markets from here looks to be extra tricky. In the coming sections, we’ll share some of our best investment ideas from individual GIC members. We’ll wrap up with selective ideas for portfolio construction for the second half of the year.

Opportunities and positioning

• Our key focus is on finding quality across geographies, sectors and industries. We have a strong bias toward companies with high levels of free cash flow that have the ability to reinvest in their businesses and return value to shareholders.

• Since the market low in March, stocks have experienced a significant recovery, led by large caps and growth styles (in particular, mega cap technology companies). We think growth will continue to benefit over the long term, given a persistent environment of relatively slow economic growth. But value, cyclical sectors and small caps enjoy better relative valuations and could be due for a near-term bounce, especially if global economic reopening accelerates. We also favor companies with the ability to grow dividends that should remain well positioned as global yields remain extremely low.

• ESG-focused companies have been outperforming, and we expect this trend to continue. ESG companies tend to be higher quality, and we have a particular focus on those able to withstand regulatory scrutiny.

• New private equity deals have been virtually nonexistent in recent months. For existing entities, we favor those that have been highly defensive—shoring up liquidity and strengthening balance sheets.

• Looking ahead, we think certain industries will experience notable long-term changes, both for the better (increased spending on health care and online shopping) and for the worse (companies in the “sharing economy,” such as rideshare and office sharing companies) that will have significant investment implications.

Risks to our outlook

• The current valuation premium of growth styles over value presents some near-term risks for investor positioning. When value styles pop, they tend to do so quickly and dramatically. We think investors should continue to hold quality value investments within their portfolios.

• We are also concerned about unknown outcomes from the 2020 U.S. elections that could result in higher taxes or a more stringent regulatory backdrop, which would be a negative for stocks.

BEST IDEAS: While we have an overall bias to growth, we are focusing on select high-quality value investments across geographies, industries and market capitalizations that would benefit from improving economic conditions. We are also focusing on companies that could achieve long-term advantages from an increasing shift to digital and online consumption.
Opportunities and positioning

- Aggressive central bank action has successfully improved market liquidity and supported credit sectors. But by moving interest rates to zero, the Fed and others have also complicated what was already a difficult proposition: finding yield and income.

- We advocate a generally neutral position when it comes to duration, and think investors are better served finding income opportunities by selectively taking on credit risk. We are looking for credits with durable free cash flow and solid balance sheets across a variety of areas, including investment grade corporate credit, mortgage- and asset-backed securities, preferred securities and emerging markets with a tilt toward dollar-denominated debt.

- We have a more cautious view toward more levered issuers and sectors more directly affected by the pandemic, such as high yield and leveraged loans as broad asset classes. But we are finding idiosyncratic opportunities here, especially in select non-energy and higher-quality areas of the high yield market.

- For the most part, we believe valuations in sectors most impacted by the virus, including the energy, travel, leisure, retail or restaurant industries still face a tough road ahead.

- Focusing on ESG factors remains important, especially when it comes to the “S.” We are seeing good performance in companies with stronger employment stability and more robust issuance in social bonds domestically and abroad.

- Private credit markets have held up relatively well, with negative coronavirus-related pressures mostly confined to travel, trade and leisure industries such as aircraft leasing, ports, airports and stadiums.

- Looking ahead, we expect more fiscal and monetary stimulus across the globe. The Fed is set to maintain rates at zero for years. We also think inflation will remain contained for now and expect the U.S. dollar to weaken only modestly as we emerge from this recession.

Risks to our outlook

- Given our focus on leaning modestly into higher-income areas of the market, the main risks to our outlook would be a resurgence in coronavirus cases that cause further economic disruption, a real or perceived policy mistake or a worsening in geopolitical conditions, such as flare-ups in the U.S./China relationship.

- We expect volatility will remain high across global fixed income markets, which means tactical opportunities must be captured quickly.

BEST IDEAS: We are focusing on quick-moving, idiosyncratic opportunities. These include select high yield investments that could still experience spread compression and emerging markets that have larger and more diversified local investment bases. We are also favorable toward the U.S. financial sector and preferred and asset-backed securities.

MUNICIPALS

Municipal market healing should persist

John Miller

Opportunities and positioning

- It’s not an exaggeration to say that March 2020 was the worst month in history for the municipal bond market. We saw massive outflows as returns plummeted. And municipal-to-Treasury yield ratios rose to levels far exceeding the 2008 financial crisis.

- We felt the dislocations reflected more investor fear and panic than reality, as municipal fundamentals remained relatively healthy. Since March, the municipal markets have started to heal as investors have broadly come around to this view as well.

- Technical conditions have improved significantly since March, as demand has risen, liquidity has stabilized and municipal markets have benefited from Federal Reserve policies and fiscal stimulus. As a result, returns on higher-quality munis have turned positive and AAA-municipal bond yields are lower than when the coronavirus crisis began. In our view, these trends are likely to continue, and we expect future stimulus measures to provide more direct financial support for state and local governments.

- In particular, we expect better conditions for high yield munis. High yield credit spreads remain wider than the start of the year, reflecting an ongoing liquidity premium. And default rates should be relatively well contained. That means prices should catch up to fundamentals, in keeping with the municipal market’s long history of resilience.

- The land-secured and charter school sectors contain selective opportunities, but we are less positive on areas such as continuing care retirement communities and nursing homes.
We are also seeing value in higher-quality municipalities and projects focused on clean water, recycling and food resourcing, reflecting our ongoing commitment to responsible investing practices.

Risks to our outlook

- Inflation is always a risk to municipal bond investors, and the massive monetary easing plus fiscal stimulus and deficits would normally be of great concern as they lead to inflationary risks. However, given the current crisis and economic challenges, we believe inflation will be well contained for at least the next few years.

- We are also closely watching for signs of a resurgence in coronavirus cases that could cause economic and market dislocations. The good news, though, is that there is a growing differentiation between coronavirus cases, which could occur, and new economic shutdowns, which appear much less likely. In addition, policy support should keep market liquidity functioning smoothly in most scenarios.

BEST IDEAS: Land-secured bonds remain an area of focus. We also see value in high yield municipals, especially those that could benefit from a more risk-on stance that favors leverage and credit exposure as markets continue to recover.

REAL ESTATE
Coronavirus is accelerating existing trends
Mike Sales

Opportunities and positioning

- Massive global fiscal and monetary stimulus is helping investor sentiment to recover, but we expect the economic recovery to be slow, uneven and highly different among regions, cities, property types and sectors. In particular, we believe technology, health care and housing look attractive compared to traditional office and retail, as these property types rely less on economic growth to generate net operating income.

- We do not believe the coronavirus pandemic is resulting in a paradigm shift. Rather, it is causing existing trends to accelerate: Online shopping is growing faster at the expense of traditional brick-and-mortar retailers, financially weak properties and business operations are being pushed into default and bankruptcy at a quicker pace and households are accelerating their migration to suburbs and Sunbelt cities.

- ESG-focused investing has also grown in importance. We are increasingly less favorable toward areas such as the fossil fuel industry in favor of real estate investments focusing on tenant health (e.g., better air quality) and environmental factors (low carbon footprint). More broadly, we are also focusing on city-specific risks around climate change and income inequality.

- Tactically, we are looking to take advantage of near-term price dislocations. For example, we would not typically consider mortgages and preferred equity in the lodging sector due to its volatility, but that area could represent attractive value.

- Finally, we continue to focus on “global cities” that are benefiting from demographic and technology advantages, and we also like the long-term case for housing, industrial, technology and health care properties.

Risks to our outlook

- While we don’t expect it will happen, economic conditions could deteriorate, driving a wave of bankruptcies among small businesses and higher-yield companies. We are also concerned about possible supply chain disruptions and increased protectionism around the world that could hurt trade-related properties such as warehouses.

- We are also focused on the future of office space and expect many office tenants will look to cut costs by reducing their real estate footprints.

BEST IDEAS: At present, we see good value in multifamily housing, industrial properties and alternative real estate. Over the long-term, our focus remains on the global cities theme and alternative real estate opportunities, such as health care, single family rental, life sciences and medical office.
Private and Public Real Assets

Investing with a defensive tilt

Opportunities and positioning

- Across public and private real assets, we are focusing on more defensive investments. Although the global economy appears to be recovering, we expect growth to be slow and uneven. This could benefit investments with reliable cash flows that may be more insulated from short-term economic trends.

- In general, an environment of lower interest rates remains a plus for most real assets. Additionally, while we are not expecting near-term inflationary pressures, real assets can also provide a valuable inflation hedge.

- In public real assets, assets less exposed to social distancing and companies with healthier balance sheets and better liquidity have been outperforming. We expect this trend will continue.

- In public real estate, we prefer the logistics, data centers, retail with essential anchors such as grocery or drugstores, single-family rental and lab space. We also like properties that have long-term leases with financially sound tenants (e.g., government employees). We are less positive on lodging, enclosed malls and office and residential properties in high-priced urban centers.

- In public infrastructure, we are focusing on regulated, less cyclical exposure such as utilities and opportunities in technology-driven industries like cell towers and data centers over areas such as transportation.

- Private real asset investments such as agriculture, timberland and certain infrastructure sectors (particularly digital) have been relatively well insulated from economic upheaval given the essential nature of food, fiber and services. U.S. farmland rents and values, as an example, have been relatively stable and seasonal conditions, including rainfall, in Australia have been a positive following a multiyear drought.

- Across private real assets, we are increasingly focused on the resiliency of supply chains, customer bases and the possibility of increased trade disruptions. For instance, we prefer U.S.-based agribusinesses with a domestic consumer focus.

- Finally, ESG themes offer value across real assets, including food sustainability, carbon sequestration and investments focused on employee/customer well-being. Additionally, solid opportunities exist across impact investing themes, with a focus on affordable housing, inclusive growth and resource efficiency.

Risks to our outlook

- Rising interest rates would work against defensive positioning in the public real asset space. Likewise, stronger-than-expected growth would be a risk.

- In contrast, a prolonged worse-than-expected economic environment could be a negative for global demand in areas such as solid wood product demand, commodities and energy-related infrastructure.

Best Ideas:

We like investments benefiting from workforce flexibility and decentralization, which leads to a focus on suburban and Sunbelt real estate and technology-driven infrastructure. Additionally, we think it makes sense to focus on agricultural investments centered on sustainability and healthier diets, as well as purpose-driven private equity investments in financial services, affordable housing, education and health care focused on underserved consumers.
Five portfolio construction themes

Market volatility will likely remain elevated, yields are at historic lows and uncertainty about the future direction of the pandemic and global economy remains high. This makes for a challenging investment environment, yet investors’ long-term plans, goals and needs have not changed. With that in mind, Nuveen’s Global Investment Committee offers a set of five portfolio construction themes for our clients to consider.

1 Stay invested, keep rebalancing

While it is important for institutions and individual investors to hold some cash for current spending needs (and opportunistic buying), we think most should still be fully invested. We know that many investors remain on the sidelines with large amounts of cash as they await more clarity, but this is generally not a good way to meet long-term goals. Rather, we think investors should slowly bring their portfolios back to their long-term strategic allocations, relying on the ideas offered previously and below.

For those who are fully invested, we advise rebalancing in line with Investment Policy Statements or long-term plans. Note that three months ago, this probably meant adding to risk positions since public equities and credit markets had collapsed. Today, this could mean the opposite if investors held assets that appreciated strongly in the second quarter.

2 Cast a wider net for income

As we detailed earlier, the “lower for longer” world of rates and yields is here for the long haul. Income generation will be challenging for some time, meaning investors should consider different areas of the fixed income landscape, dividend-paying equities and alternatives such as real estate, real assets and private credit.

In casting this wider net, however, investors should understand which risks are entailed to generate more income and how these risks work together. Among a number of tools and options, we broadly categorize possible asset classes into buckets of interest rate risk, credit risk and equity risk. Each offers different yield and volatility profiles (see Figure 6), and we suggest investors diversify across different income opportunities and risks.

3 Be deliberate about risk-taking

Continuing our previous theme, we think investing is as much (or more) about managing and balancing risks as it is about finding specific opportunities. Yet many investors are not fully considering which risks they are taking and how they fit together. A couple of examples:

- Related to our income discussion, we don’t think investors are being adequately compensated for duration risk. Rather, this may be a time to take on more credit risk within fixed income markets.
- We also think investors should take on additional liquidity risk. Some areas of public markets are still experiencing a liquidity premium, such as
smaller credit issues not widely covered by analysts. Likewise, we believe most investors are under-allocated to private illiquid investments. Long-term investments in private equity and private credit — as well as private real assets such as farmland and agriculture — can play a role in most portfolios, particularly during times of market turmoil.

**4 Focus on high quality and relative value**

Within our asset class discussions, we relayed a consistent theme of focusing on higher-quality investments, by which we mean generally higher credit qualities, asset classes that can generate sustainable and reliable cash flows and investments focused on positive environmental, social and governance factors.

A second theme across asset classes is a focus on relative value. In equities, for example, a widening dispersion in cyclical and value areas could represent solid near-term tactical opportunities. In fixed income, emerging markets debt, structured finance and municipal bonds are offering value. And we’re seeing compelling investments in data-related infrastructure products, sustainable agriculture and alternative real estate sectors.

**5 Harness the advantages of active management**

This final theme may be the most important. Volatility is likely to remain high, and sudden shifts in market sentiment can happen without notice. Across asset classes, all members of our Global Investment Committee and portfolio management teams are finding investment ideas that are highly idiosyncratic and fast-moving.

Selectivity, research, nimbleness and confidence all matter.

**Figure 6 — A broader reach can help achieve income goals**

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 1) macro and asset class views that gain consensus among our investors 2) insights from thematic “deep dive” discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.) 3) 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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Glossary

Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated in real-time on a price-return basis (AAP) and on a total-return basis (AMZD). Bloomberg Barclays High Yield Municipal Bond Index is an unmanaged index consisting of noninvestment-grade, unrated or below Ba1 bonds. Bloomberg Barclays Corporate High Yield 2% Issuer Capped Index measures the USD-denominated, high-yield, fixed-rate corporate bond market and limits each issuer to 2% of the index. Bloomberg Barclays Municipal Bond Index covers the USD denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage-backed pass-through securities. Bloomberg Barclays U.S. TIPS Index is an unmanaged index that includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value. Clifford Water Direct Lending Index (CDLI) seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies. Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S.-denominated leveraged loan market. Both Merrill Lynch Preferred Stock Fixed Rate Index is designed to replicate the total return of a diversified group of investment-grade preferred securities. S&P Global Infrastructure Index is designed to track 75 companies from around the world that represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. JPMorgan Emerging Market Bond Index tracks the performance of emerging market bonds issued by developing countries. MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of developed and emerging markets. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of Equity REIT securities. The MSCI US REIT Index includes securities with exposure to core real estate (e.g. residential and retail properties) as well as securities with exposure to other types of real estate (e.g. casinos, theaters). MSCI World High Dividend Yield Index targets companies with high dividend income and quality characteristics and includes companies that have at least five years of dividend payments. S&P/ISG North American Intermediate Property Index is a market capitalization weighted index that tracks the performance of U.S. intermediate property REITs. S&P/ISG North Asian Intermediate Property Index is a market capitalization weighted index that tracks the performance of APAC intermediate property REITs. S&P/ISG U.S. Intermediate Property Index is a market capitalization weighted index that tracks the performance of U.S. intermediate property REITs. S&P/ISG APAC Intermediate Property Index is a market capitalization weighted index that tracks the performance of APAC intermediate property REITs. S&P/ISG U.S. Multi-Asset Index is a market capitalization weighted index that tracks the performance of U.S. multi-asset REITs. S&P/ISG APAC Multi-Asset Index is a market capitalization weighted index that tracks the performance of APAC multi-asset REITs. S&P/ISG Global Intermediate Property Index is a market capitalization weighted index that tracks the performance of global intermediate property REITs. Bloomberg Barclays U.S. Mortgage-Backed Capitalization-weighted Index is an unmanaged index that includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

A word 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. An asset class, real assets are less developed, more illiquid, and less transparent compared to traditional asset classes. Investments will be subject to risks generally associated with the ownership of real estate-related assets and foreign investing, including changes in economic conditions, currency values, environmental risks, the risk of delays in the use of leverage, and risks related to leasing of properties. Socially Responsible Investments are subject to Social Criteria Risk, namely the risk that because social criteria exclude securities of certain issuers for non-financial reasons, investors may forgo some market opportunities available to those that don’t use these criteria. 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, therefore 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 suitable 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.

Nuveen provides investment advisory services through its investment specialists.

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