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A TIAA Company

Viewpoints from the Global Investment Committee

2021 MIDYEAR OUTLOOK

Growth is peaking. What comes next?

Bill Huffman HEAD OF NUVEEN EQUITIES AND FIXED INCOME

Nick Liolis CIO, TIAA GENERAL ACCOUNT

Saira Malik EQUITIES

John Miller MUNICIPALS

Brian Nick CHIEF INVESTMENT STRATEGIST

Amy O'Brien RESPONSIBLE INVESTING

Justin Ourso PRIVATE REAL ASSETS

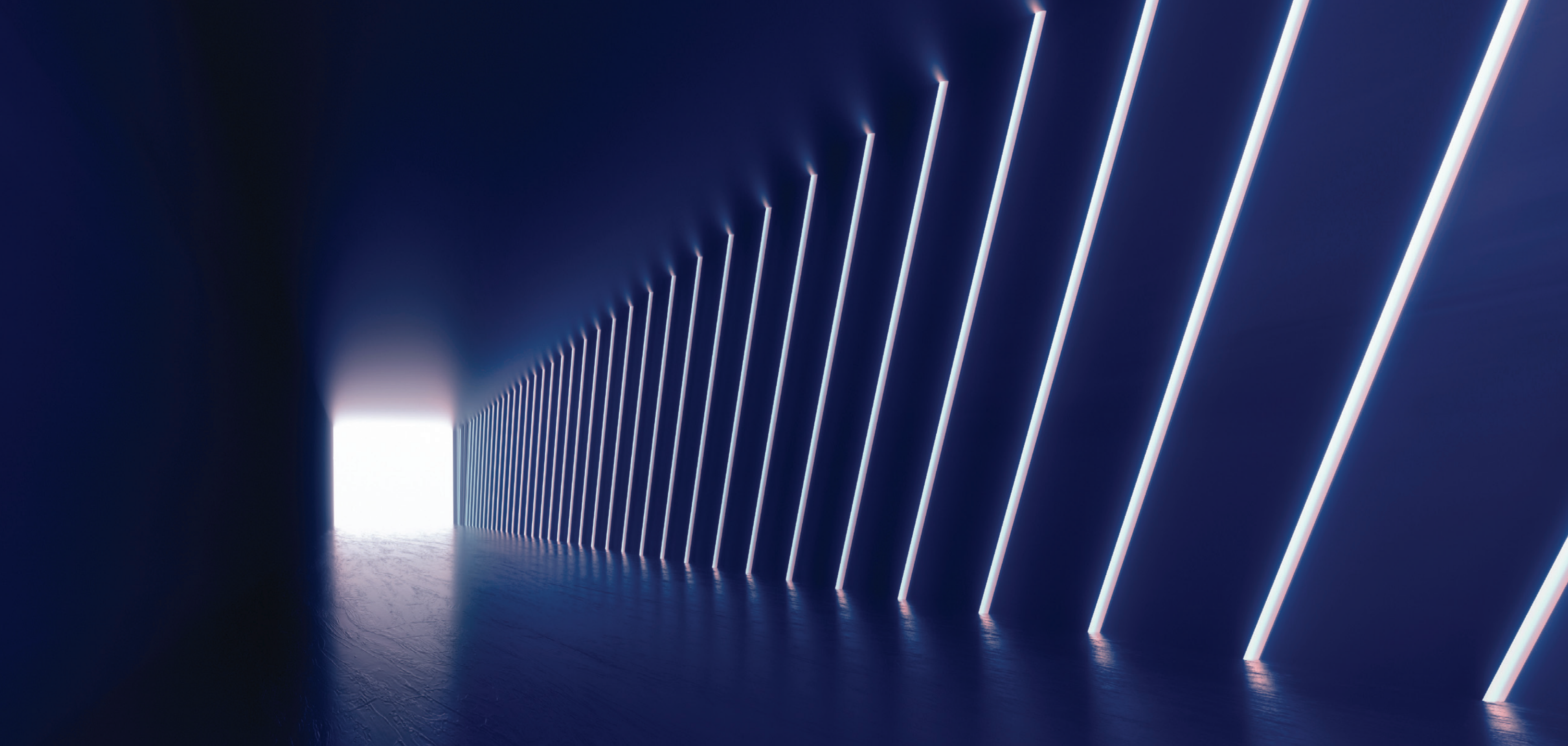
Anders Persson GLOBAL FIXED INCOME

Jay Rosenberg PUBLIC REAL ASSETS

Mike Sales CEO OF NUVEEN REAL ESTATE AND REAL ASSETS

Carly Tripp REAL ESTATE

Our 2021 outlook released in December, “Dark Tunnel. Bright Light,” reflected the likelihood that the massive macro risks associated with the devastating coronavirus pandemic would dominate the first several months of the year. From an economic and markets perspective at least, the tunnel wound up being shorter than we expected. At this point, we think the world is at or approaching peak economic and earnings growth for the current cycle. That brings with it new concerns about inflation, rising rates and fuller valuations. Navigating these markets is likely to remain tricky, but the good news is that Nuveen’s Global Investment Committee still sees opportunities across asset classes and remains committed to offering our clients ideas for how to navigate financial markets — for today and tomorrow.



OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Views from the TIAA General Account

Nick Liolis
CIO, TIAA General Account

As part of his participation in Nuveen's Global Investment Committee, Nick Liolis offers his perspective as an institutional investor and asset allocator. Neither Nick nor any other member of the TIAA General Account team are involved in portfolio management decisions for any third-party Nuveen strategies.

Managing climate change risk as investment risk

How do you manage climate change risk embedded in a large institutional portfolio? The General Account (GA) investment committee has been thinking about this long before we committed, in May, to the GA becoming net zero carbon by 2050. With governments and regulators continuing to pursue their commitments to the Paris Agreement, we, as investors, need to stay ahead of the issue. It is part of our fiduciary duty, so the internal discussions were focused less on the why and more on the how.

Currently, climate change isn't definitively priced in capital markets. We are dealing with a complex and relatively unknown set of risks without much historical precedent. Add to that the idea that managing for climate change is adding an additional constraint on the portfolio, and our task of sourcing the best risk-adjusted returns to meet our long-term investment objectives becomes even more demanding.

Our strategic, dynamic and tactical asset allocation process is built around allowing us to adapt and manage through different market environments over time. Setting a long-term carbon target, aligned with the current science and the global Paris Agreement, with flexible interim targets will allow us to do the same. As the world acts and reacts to climate change, we want to create resilient portfolios that deliver risk-adjusted returns over many different scenarios.

For the GA's investment committee, this is a huge financial projections exercise. It requires an enormous amount of data, much of which isn't comparable across asset classes or in some cases doesn't yet exist. Take sovereign bonds as an example. There is no standardized way to measure the greenhouse gas emissions of a U.S. Treasury bond. Also, as governments and private entities transition away from carbon, the physical risks associated with climate change diminish. Ultimately a chief benefit of making a net zero carbon commitment is that it rallies the organization and directs resources to solving these problems. And as the quantity and quality of the data improve, markets can price climate risk more efficiently, allowing investors like us to make better-informed decisions.

We also realize that we can't completely reduce all of our financed emissions to zero. So part of our task is to allocate capital to profitable enterprises that can provide negative emissions, such as carbon removal or sinks, to complement our main reduction efforts. This could involve strategies such as investing in agriculture, timber or bioenergy with carbon capture and storage technology. Additionally, we have to consider protecting against the physical effects of climate risk, especially if we consider the possibility of the world failing to meet the Paris Agreement. It's an unfortunate but possible scenario, and one of the many that a resilient, long-term portfolio should be positioned for.

This is a challenge of known and unknown variables. For the GA, our solution is to try to stay ahead of the problem in order to properly meet our long-term investment goals in a rapidly changing environment.

Growth is peaking. What comes next?

Brian Nick
Chief Investment Strategist

- The global economy is growing at its fastest pace in decades as COVID-19 vaccinations allow consumers and businesses in an expanding list of countries to return to normal.
- Markets spent the first half of 2021 pricing in better-than-expected economic data, but investors must now grapple with decelerating growth, albeit from a very high peak.
- Supply has struggled to keep up with explosive demand growth, but we do not expect labor or materials shortages to trigger a lasting inflationary spiral.
- The path of interest rates over the balance of 2021 could hold the key to how asset class correlations behave and whether diversified portfolio returns remain solidly positive.
- This is a sequenced — rather than synchronous — global recovery, which should make the descent from peak growth less bumpy.

> **A booming economy brings with it new opportunities — and risks.**

The global economy is booming, but that's no surprise

At the start of the year, we described our outlook for 2021 as a bright light at the end of a dark tunnel. Six months in, we're nearly through that tunnel, and the light is already brighter than we expected. Our upside scenario coming into this year has become our base case: The global economy is booming as COVID-19 cases plummet. Financial markets have priced in this surprising and welcome news in (mostly) orderly fashion, to the benefit of diversified investors. But, while the global recovery is still running ahead of schedule, expectations for the U.S., in particular, have caught up to reality (Figure 1). What happens now that the world's largest economy has lost its ability to surprise us?

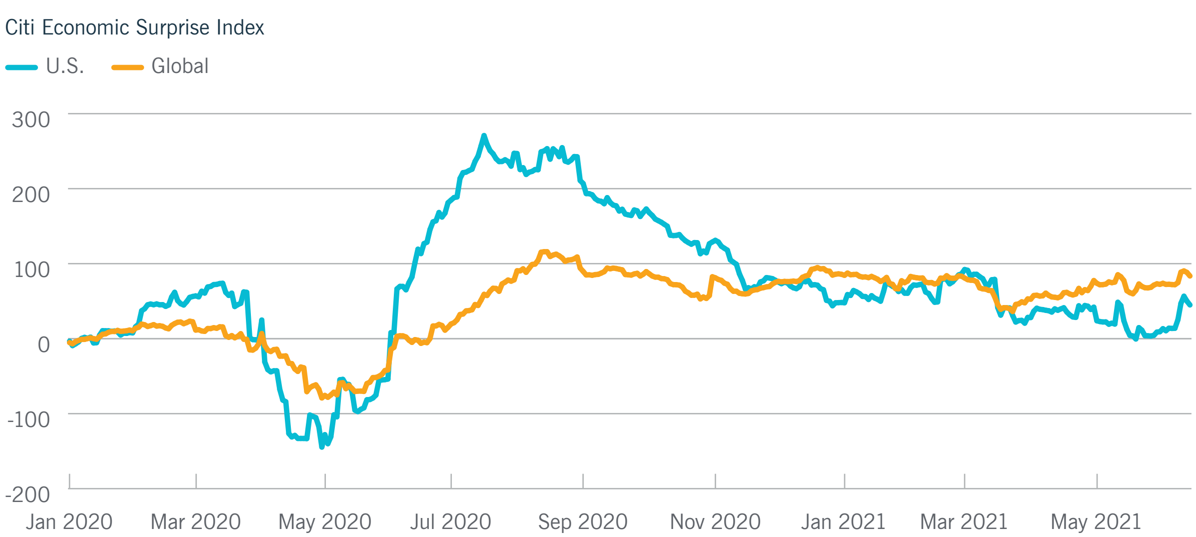
That sets the stage for our view that we are at or near peak growth. What do we mean by "peak growth," you may ask? The answer comes with a note of warning for anyone still traumatized by their high school calculus courses: Both the level of output and its first derivative (growth) remain quite strong. It's the second derivative — the change in the rate of growth — that has started to fall, presenting a challenge for investors and policymakers alike (not to mention those charged with making economic forecasts). This doesn't mean that growth will actually be negative from here. We think it will be quite strong. But it does mean that the rate of growth is slowing. Economic stimulus policies are largely tapped out in the U.S., though the effects of income support provisions in the American Rescue Plan endure in the form of higher savings rates and increased household net worth. The eurozone is set to unleash its own coordinated fiscal stimulus shortly, just as the continent pulls back on economic restrictions.

Equity and credit markets have undoubtedly been supported over the past year by the recovery's reliably better-than-expected trajectory, even before vaccines came online. Now that consensus expectations have caught up to reality, that key driver — the element of surprise — may be missing. We're already seeing the effects: Global interest rates have surrendered some of their first quarter advance and equity market valuations have begun to descend from very high levels.

Will the bright light become blinding as the U.S. economy overheats?

As the world makes a relatively quick economic comeback from the pandemic and appears set for strong growth well into 2022, most investors have identified U.S. inflation as the next serious risk on the horizon. The high monthly U.S. inflation readings

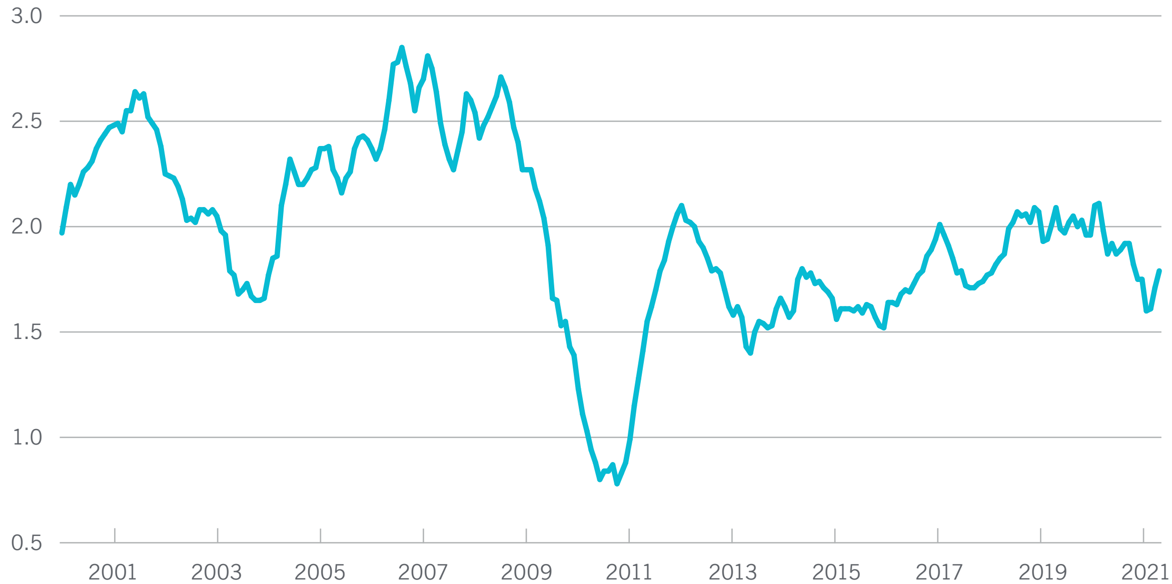
Figure 1 — The U.S. economy is delivering fewer positive surprises in contrast to the rest of the world



Data Source: Citi, Bloomberg, January 2020 to June 2021.

Figure 2 — Outliers excepted, core inflation is actually well contained in the U.S.

Dallas Fed Trimmed Mean PCE Inflation, %



Data source: Federal Reserve Bank of Dallas, Bloomberg, January 2000 to April 2021.

for April and May have validated their concerns. But, while the dual demand shocks of fiscal stimulus and post-pandemic reopening have created acute price pressures in a handful of industries, inflation for most goods and services is up only modestly over the past year (Figure 2).

A period of persistent inflation driven by higher wages feeding into higher prices could lead to tighter financial conditions and put this young expansion in jeopardy. But we remain in the camp that expects inflation to moderate from here, for several key reasons:

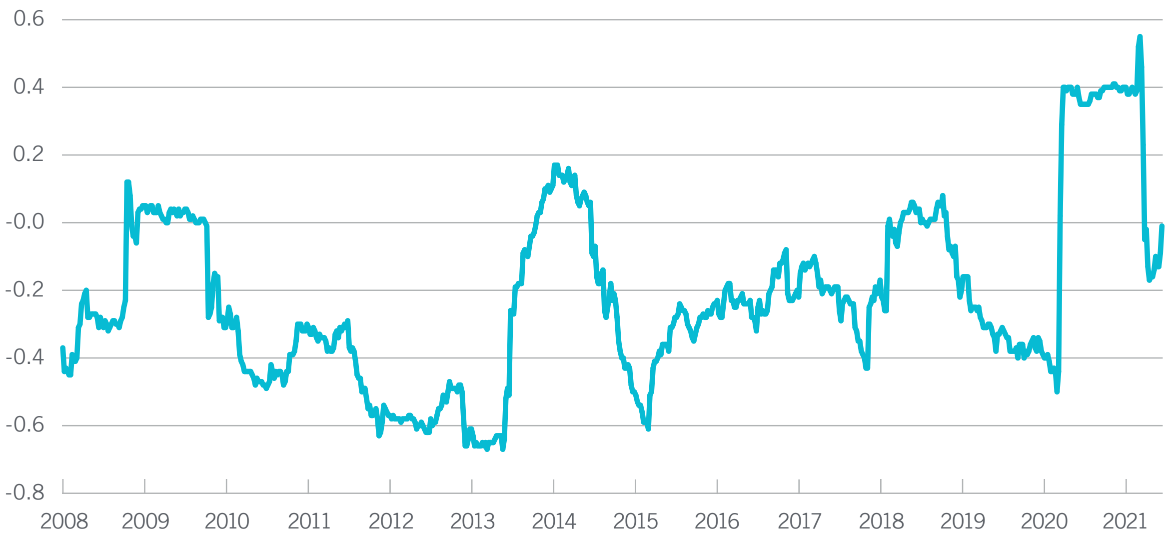
- U.S. labor supply should increase as virus-related obstacles diminish and unemployment aid becomes less broad and less generous; this should ease upward pressure on wages.
- Investment-driven improvements in worker productivity will help companies avoid passing along costs of higher wages to customers.
- The demand shock that has led to supply shortages for certain goods should wear off as accumulated savings and stimulus payments are spent over the summer and companies restock their shelves.

We've likely already seen the highest monthly inflation readings of 2021. Year-over-year inflation may remain elevated over the balance of the year before dropping quickly in 2022.

We expect inflation to remain elevated over the coming quarters without rising to levels that will hamper growth.

Figure 3 — Tapering could break down asset class correlations and invite high volatility…for a time

Rolling one-year stock and bond correlations



Data source: Bloomberg, January 2008 to June 2021. **Past performance is no guarantee of future results.** Data depicts the correlation between the S&P 500 Index and Bloomberg Barclays U.S. Aggregate Bond Index.

The puzzle for the second half of the year: What happens to rates?

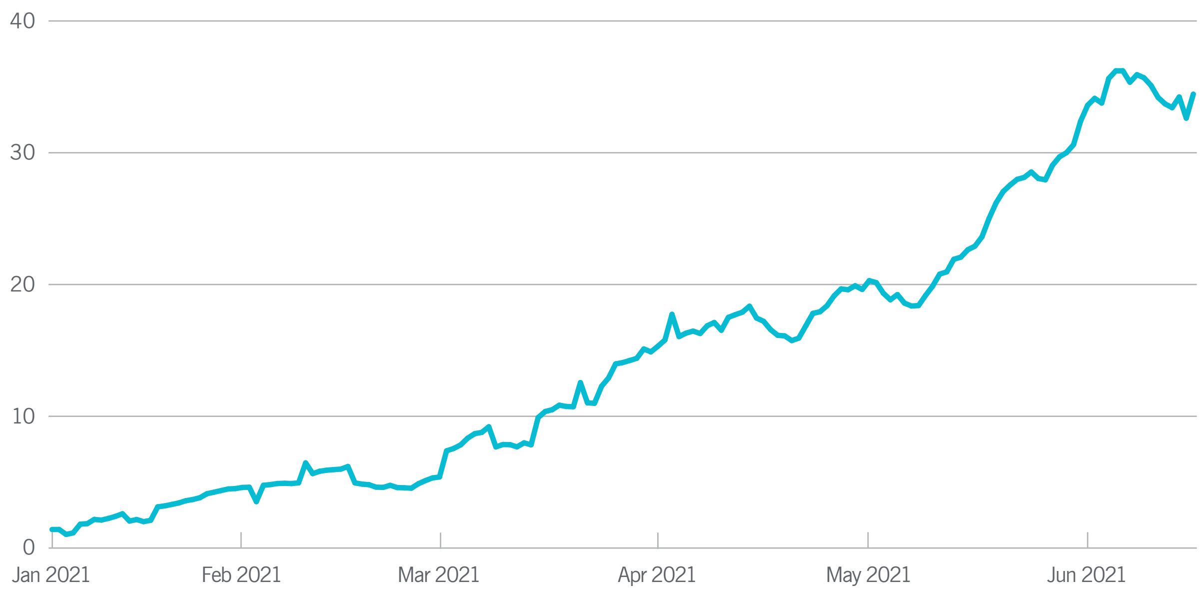
Of course, investors' inflation concerns are not just about inflation itself, but about policymakers' responses to it. How the Federal Reserve reacts (or doesn't) to elevated inflation is a key risk to markets in the second half of the year. Judging by the very low volatility in interest rates — indeed, long-term rates are lower than they were three months ago — the bond market trusts the Fed not to end its asset purchases or raise interest rates until the economy has made what it calls "considerable further progress." While we share the markets' assessment, we also believe it to be consistent with the Fed's and other central banks' likely plans to taper their quantitative easing programs beginning in 2022 and signaling their intentions to do so before the end of this year.

History rarely repeats itself, but it often rhymes. Recent periods of monetary tightening — including the now infamous 2013 "taper tantrum" that occurred the last time the Fed drew down its asset purchases — have been challenging for diversified investors as correlations between stocks and bonds have turned positive while their prices have dropped simultaneously (Figure 3).

The best lesson to draw from this experience is to maintain composure. Any tapering announcement would likely bring a lurch higher in real interest rates. But history tells us that a variety of asset classes can perform well over all but the very shortest time horizons in this environment including, significantly, the equity market. Beyond stocks, parts of the bond market like senior loans that are less susceptible to rising interest rates could represent an attractive opportunity. Real assets can also often be challenged during periods of rising rates, but in the context of elevated inflation and a booming economy, we continue to regard them as key components of diversified portfolios.

Figure 4 — The world is getting vaccinated, which should broaden the base of global growth

Global vaccinations per day (7-day average, millions)



Data source: Bloomberg, Johns Hopkins University, January 2021 to June 2021.

The "peak growth" baton will travel east during 2021

The pace of vaccinations may have peaked in the U.S., but it's still ramping up impressively in the rest of the world (Figure 4). This suggests that economic momentum will shift from the U.S. to the rest of the world. But what, if any, implications does this have for financial markets?

First, we think the U.S. dollar is likely to continue weakening. As the center of global growth moves from the U.S. to other major economies, the dollar may lose further support, particularly if emerging economies succeed in vaccinating their populations.

We also see the sequential nature of the recovery contributing lower market volatility, especially compared to a hypothetical synchronous boom. With demand gaining steam in various parts of the world, the recent rise in commodity prices could prove sticky, as could the drop in financial market volatility since the early days of this year.

Investors trying to tactically time markets have had a tough time of it this year. Growth and value have treated market leadership like a hot potato. And while cyclical stocks have generally benefited from the acceleration in the global economy, the dispersion among individual country returns has been quite narrow.

We still prefer a bottom-up approach to portfolio construction rather than one that uses top-down factors to hopscotch from one country to the next chasing a winner. In fact, the recent outperformance of European stocks may reflect a general belief that the continent will be the next beneficiary of vaccinations and reopening. Europe's best chance to continue its outperformance would be for the global economy to outperform expectations, providing cyclical stocks with a longer runway to outperform.

Expect a solid second half with fewer upside surprises

The global pandemic has produced a unique economic pattern that renders traditional economic models obsolete. This is why we've spent the bulk of the recovery to this point noting that things are going "better than expected." Now that those expectations have caught up to reality, we expect market returns to be somewhat harder to come by. Global growth will decelerate into the end of this year as stimulus wears off and economies return to normal. It will do so from an extremely high rate, giving us confidence that holders of diversified portfolios across public and private assets will continue to be rewarded in the second half of the year and beyond.

Climate change: no longer an optional consideration for investment processes

Amy O'Brien,
Responsible Investing

Climate change is no longer a niche theme — in fact it has solidly emerged as both an investment opportunity *and* risk that must be managed across all asset classes to generate performance for our clients.

We are incorporating climate change considerations across portfolios in a number of ways, including traditional approaches such as focusing on stocks and corporate bonds of clean and renewable energy generation or including climate elements such as hurricane risks when selecting municipal bonds. We are also looking for ways to enhance the environmental profiles of real estate and real assets through efforts such as improving farmland irrigation, focusing on water sustainability for agribusiness and prioritizing other ways to reduce carbon emissions.

We also see other opportunities, such as private equity investments in solar, wind and bioenergy electric generation; engaging in public/private lending programs to fund metropolitan clean energy initiatives; and investments in the local circular economy to reduce methane-producing food waste.

Across these investments, we note one important caveat: We must not only analyze where these investments are today, but also where they are heading. In other words, today's ESG leaders are not necessarily tomorrow's. We acknowledge the risk attached to investing too early in certain climate-related trends, but strongly believe the "too early" phase of climate change is likely behind us. In fact, we may be getting dangerously close to "too late."

For our clients, we think climate risks should increasingly be part of their managers' holistic investment process. And the time is now to seek out investment strategies that focus on climate solutions, as these will be critical to reducing changes to the climate that may hamper economic growth and investment performance in the future.

EQUITIES

Anticipating shifts in economic momentum

Saira Malik

Opportunities and positioning

- The global macro environment for equities looks favorable. Interest rates remain relatively low, inflation is volatile but not extreme, corporate earnings are solid, and global economic growth is climbing.
- These factors have been present for several months, but the difference now is that earnings growth appears to be peaking in the U.S., and equity valuations look full in some sectors and geographies. This creates a complex backdrop for investing.
- The tailwinds that buoyed high-multiple growth stocks are starting to fade. This argues for a focus on select value sectors and more reasonably priced growth stocks. Likewise, as momentum slows in the U.S., we are increasingly focused on opportunities in Europe and the emerging markets — areas where recoveries have lagged but could pick up steam as vaccinations rise.
- One factor we are paying closer attention to is inflation. While we don't expect a disruptive increase, we see value in emphasizing select areas of the global equity market that could benefit from a reflationary environment, such as U.S. small caps and, again, emerging markets.
- We see signs that capital expenditures could start to pick up soon. We believe corporations that can increase their spending levels will be rewarded, as will the direct beneficiaries of their spending, such as suppliers of components, raw materials or other inputs.
- Firms prioritizing ESG considerations should continue to do well amid the structural shift in investor preferences for ESG-conscious businesses. These companies tend to be higher quality and have effective risk management policies and procedures in place.
- Conditions are improving in the private equity marketplace. We are seeing high quality deal flow as interest rates stay low, consumer balance sheets continue to strengthen, and business conditions and lending quality remain solid.

Risks to our outlook

- Uneven inflation data may rattle investors, with potential ripple effects leading to broader market volatility. Unexpectedly hawkish rhetoric or policy from the Federal Reserve could tighten financial conditions, creating headwinds for earnings and valuations. Uncertainty surrounding federal spending and tax policies is unlikely to be resolved any time soon, which might keep some investors on the sidelines.

- We're cognizant of stretched valuations in some parts of the market, particularly where earnings growth may be peaking.

BEST IDEAS: *We like U.S. small caps, which are poised to benefit from higher inflation, an eventual increase in interest rates and the continuing return of the U.S. economy to pre-coronavirus normalcy. Additionally, we have a long-term preference for emerging markets equities. Like small caps, they will likely benefit from stronger inflation, with an additional boost from improving economic growth when vaccination rates accelerate globally.*

FIXED INCOME

Risk on amid rising rates

Anders Persson

Opportunities and positioning

- The on-again, off-again advance in interest rates has been the main story for the first half of 2021, and we expect that to continue as the year progresses. We expect rates to increase as global growth climbs.
- Rising rates are likely to be a headwind for the broad global fixed income market. At the same time, most spread markets look fully valued, and we see little room for spread compression over the next few months.
- These factors lead us to focus on shorter-duration and higher-yielding (thereby higher risk) areas of the market. We largely prefer corporate credit risk over sovereign bond risk and lower-quality credits over higher-quality as we expect defaults will remain contained. We are focused on carry trades, taking advantage of higher coupons in these sectors even if spreads do not tighten any further.
- We are focusing on specific sectors that performed well in the first half of the year. TIPS should do well as inflation advances, leveraged loans should benefit from higher rates and low defaults, high yield should hold up well due to its short duration profile and low default risk, and emerging markets debt should be aided by consistent demand for higher-yielding securities.
- ESG factors have long been incorporated into our investment selection process and remain an important theme. As we assess individual credits, we believe investments that score highly on our internal ratings are relatively advantaged.
- Private credit markets continue to generate tremendous interest and look attractive. Deal activity appears solid for investment grade and middle market loan issuers, and underwriting standards remain high.

Risks to our outlook

- Our views are based on expectations of continued economic growth, healthy corporate balance sheets, strong fundamentals and low defaults. If we see the opposite (sparked by, perhaps, a reversal in economic reopening), that would work against our positioning.
- Likewise, we expect higher interest rates, modest increases in inflation and accommodative central banks for at least the next couple of quarters. Should any of that not come to pass, we would expect a more difficult environment.

BEST IDEAS: *We think single-B corporate credits across both bonds and loans represent a sweet spot for the risk/reward trade-off, as they appear attractively valued, have decent yields and are less exposed to higher rates than other areas of the market. We also see strong opportunities in preferred securities, where issuers have strong balance sheets and bonds offer compelling yields.*

MUNICIPALS

Fundamentals and technicals look strong

John Miller

Opportunities and positioning

- We expect the U.S. economy to be fully reopened by midsummer. This, combined with strong monetary and fiscal stimulus, has been propelling growth. On top of that, the Fed is expected to maintain its zero-interest-rate policy into 2022 and will likely maintain its quantitative easing program. This will contain longer-term rates and support liquidity conditions across fixed income markets. All of these factors create tailwinds for municipal bonds.
- Credit conditions have been favorable, and defaults have been rare and isolated, thanks in part to massive spending by state and local governments. Technical factors have also benefited municipal bonds as supply has not kept pace with extremely high demand.
- We are closely watching interest rate volatility. Municipal yields have advanced over the course of 2021, but have

lagged Treasuries. We expect further upward pressure on yields across fixed income markets, which could create obstacles.

- Outside of fundamental and technical factors, the U.S. political environment offers potential tailwinds. Higher tax rates are likely coming, which could further increase demand for tax-exempt municipals. Should an infrastructure program win passage, it would likely include a municipal bond subsidy program with similarities to the Obama-era Build America Bond Program. This could provide additional tailwinds for municipals.

Risks to our outlook

- Inflation is always a risk to municipal bond investors, but we expect inflation pressures to remain modest enough to allow the Fed to maintain its interest rate positioning. We are watching for signals that the Fed might begin winding down its quantitative easing programs (i.e., another "taper tantrum") that may spark volatility.
- Municipal valuations are looking rich (more so for high grade than high yield) and we think fundamentals warrant current pricing.

BEST IDEAS: *We see solid opportunities in investments leveraged to further economic reopening. This includes bonds related to convention centers, hotels, gaming, malls, airlines and airports, as well as mass transit projects. We also favor lower-rated general obligation bonds, an area of the market that has been helped by the American Rescue Plan Act, and would further benefit from a new infrastructure package.*

REAL ESTATE

Leaning into the ESG evolution

Carly Tripp

Opportunities and positioning

- We expect still-easy global central bank policies and strong capital flows to remain supportive for real estate. Monetary conditions should remain extremely loose for years, which should provide a tailwind for real estate investments.
- In contrast, rising interest rates present a potential risk, but broad real estate values have been on the rise in 2021 despite rate increases. Furthermore, net operating income forecasts have been climbing after taking a hit in 2020.
- We continue to favor alternative real estate sectors, specifically single-family rentals, self-storage facilities, medical buildings and life science investments. We also see continued strong activity across the industrial real estate sector.
- Across all geographies and sectors, we see tremendous potential in ESG-focused investments, especially environmental impact. By our assessment, buildings represent between 30% and 40% of global energy usage, which presents opportunities for energy reduction investments and technologies.
- We are looking at a number of ways to invest in on-site energy efficiency and conversions to renewable energy and are considering costs and return potential to transform buildings to net carbon zero standards. In our view, making these changes can generate long-term value and increase the attractiveness of properties to tenants who are increasingly placing higher value on sustainable spaces.

Risks to our outlook

- Full asset pricing persists in certain markets and sectors, making selection criteria and discerning underwriting key. In well-bid sectors such as housing and industrial, competition continues to increase. While we feel the fundamentals make them worth the increasing costs, value is becoming scarcer and active management is key.
- Similarly, these same investment opportunities can be difficult to source, so scarcity could eventually become a risk.

BEST IDEAS: *Single-family rental properties are experiencing high demand and limited supply due to housing shortages and rising construction costs. We also see ample investment opportunities in retrofitting or developing net zero carbon properties. From a geographic perspective, we continue to focus on "global cities" that are benefiting from demographic and technology advantages.*

PRIVATE AND PUBLIC REAL ASSETS

Economic reopening creates opportunities


Justin Ourso


Jay Rosenberg

Opportunities and positioning

- We are continuing to see demand for investments that provide diversification versus traditional asset classes and that may be resilient during periods of economic uncertainty. We expect this to help keep interest in public and private real assets high.
- From a macroeconomic perspective, an environment of lower interest rates remains advantageous for most real assets. As inflation becomes a growing concern, real assets can act as a valuable hedge.
- As economic reopening speed varies by sector, we have seen a corresponding relative performance shift in the public real assets space. As consumers return to in-person retail shopping and leisure travel, real estate and infrastructure investments associated with these trends are becoming more attractive. Conversely, pandemic-related trends of suburbanization and remote work continue growing, which makes some urban residential and office investments challenging.
- Private real asset investments have generally been cushioned from the coronavirus-fueled economic upheaval given the essential-service nature of many investments. In addition, reopening economies, a focus on carbon-neutral investing, and supply/demand imbalances continue to make sectors such as renewables and sustainable infrastructure, agribusiness, farmland, timberland and commodities appear attractive.
- In both public and private real assets, the importance of ESG continues to grow. In public investments, we believe ESG factors are an important marker of quality. Since investors are increasingly seeking out ESG investments, companies with favorable ESG profiles tend to trade at a higher premium compared to those with unfavorable profiles. Keeping this information in mind, we are pursuing ESG transition stories across real estate and public infrastructure that have yet to be recognized by the broader market.
- ESG considerations are a critical part of asset acquisition and ownership for private investments. Themes such as clean energy and energy transition, carbon, water-use improvements and sustainability are at the forefront of our minds. Similar to public investments, investors are increasingly "chasing" ESG investments, which highlights the importance of deal selectivity and the need to improve assets over time.

Risks to our outlook

- Any combination of slower economic growth, rapidly rising interest rates or a significant tightening of credit conditions would be a negative for real assets.
- While real assets are generally less susceptible to inflation pressures, a higher-than-anticipated move and corresponding increase in discount rates would pose a headwind for more defensive areas of the market.
- We are increasingly focusing on political and regulatory risks related to higher tax levels or increased protectionism that could reduce returns or result in investment hurdles for cross-border assets and investments.

BEST IDEAS: *On the private investment side, we favor investments that align with climate transition themes such as carbon sequestration in natural resources, clean energy and storage, renewable fuel sources and sustainable infrastructure. In public markets, we see particular opportunities in transport infrastructure benefiting from the reopening of global economies. We also favor single-family rental properties in U.S. suburbs.*

Five portfolio construction themes

Economic conditions have steadily improved over the first half of 2021. But that brings with it rising concerns about valuations and inflation. Despite better growth, yields remain frustratingly low, making it difficult to generate income. The bottom line: Returns may be tougher to come by in the months ahead. However, investors' long-term plans, goals and needs remain unchanged. So how to build portfolios? Nuveen's Global Investment Committee offers a set of portfolio construction themes for our clients to consider.

1 Differentiate between short- and long-term inflation risks

As discussed in our outlook, there is a difference between short-term inflation risks that are sparking ongoing volatility and prospects for long-term persistent inflation. For the former, we encourage investors to stick with their long-term portfolio allocations. We expect monthly readings to soften in the months ahead. For the longer-term risks, we do not expect inflation to rise to a level that could cause a shift in central bank policies or drag on growth any time soon.

We believe investors should explore the advantages of ongoing reflation trade as global economic growth improves and yields experience upward pressure. A focus on high yield, bank loans, preferred securities and emerging markets makes sense in fixed income markets. We also see value in high yield municipals. Regarding public equity markets, we suggest focusing on areas such as U.S. small caps and emerging markets. Additionally, we see potential in public and private real estate and real assets as a natural hedge should inflation start to rise.

2 Continue casting that wider net for income

We've been hitting this point for a long time and the basic message holds true: With ultra-low yields across traditional fixed income asset classes, investors need to expand their universe. As such, we suggest exploring different areas of the fixed income landscape, dividend-paying equities and alternatives such as real estate, real assets and private credit.

In doing so, it is critical to understand the types of risks this entails and to be deliberate in choosing those risks. To aid this process, we broadly categorize asset classes into buckets of interest rate risk, credit risk and equity risk. Each offers different yield and volatility profiles, and we suggest investors diversify across income opportunities and risks (Figure 5).

3 Harness the benefits of ESG investing

Investors have been increasingly focused on environmental, social and governance factors in recent years. And for good reason. At Nuveen, ESG investing is not about excluding certain types of investments, but rather a tool to help examine opportunities to enhance our return generation and risk management processes.

The pandemic exhibited how strong corporate governance, business continuity, human capital and supply chain management are critical to driving performance across asset classes. We do not see that changing. We are increasingly focusing on climate change-related risks and opportunities across portfolios. In the process, we are uncovering a variety of ideas in areas such as renewable energy, clean technology, food sustainability and investments that focus on diversity, inclusion and employee well-being across public and private markets.

4 Consider relative value across asset classes

At our most recent Global Investment Committee session, we discussed how investing during a period of peak growth creates unique challenges and whether opportunities are drying up. Our answer is no, but we acknowledge returns are getting tougher to come by. While some areas appear fully valued, we think investors should focus on relative opportunities across and within asset classes.

Within equities, the growth vs. value debate has taken a backseat to finding attractively valued individual securities with favorable earnings prospects across industries, styles and geographies. In regard to fixed income, we are emphasizing credit risks above duration risks. We are also focusing on careful selectivity in an environment where spreads are unlikely to compress much further. We also see opportunities across high grade and high yield municipal bonds, especially those centered on the reopening trade.

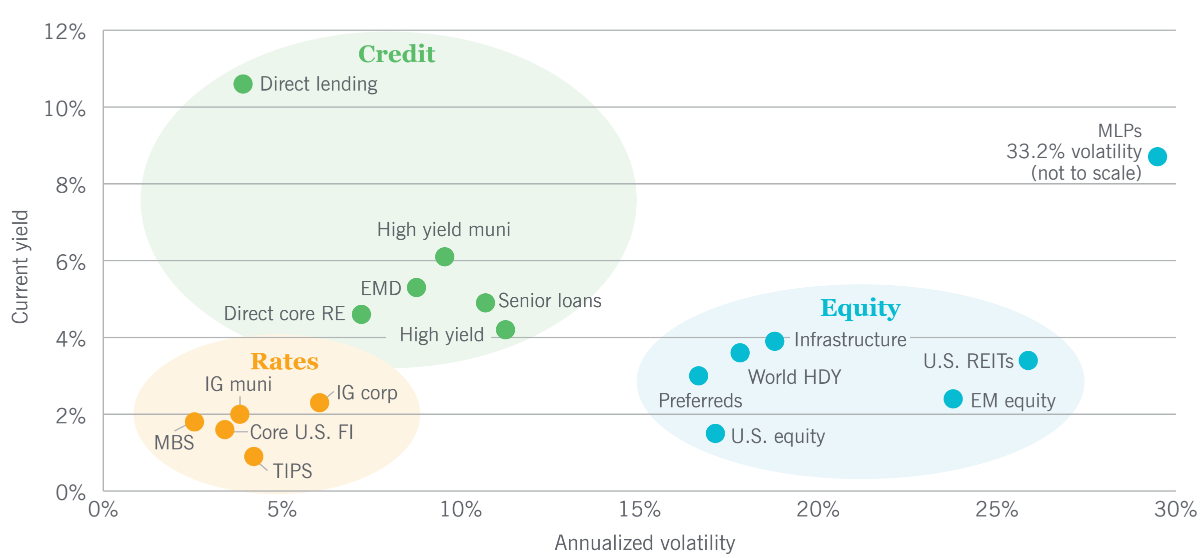
We are focusing on alternative and niche real estate such as single-family rentals, medical offices and lab space, as well as public and private industrial real estate benefiting from the shift to e-commerce. We see many opportunities across public and private real assets, including farmland, renewables and infrastructure.

5 A broader reach can help achieve income goals

This final theme is a continuation of the one prior. Given current valuations, long-term returns across asset classes may face headwinds. Without exception, 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 can make all the difference.

Figure 5 — A broader reach can help achieve income goals



Source Bloomberg, L.P., 31 Mar 2021. **Past performance is no guarantee of future results.** Desmoothed refers to desmoothed volatility. **Representative indexes: core U.S. fixed income:** Bloomberg Barclays U.S. Aggregate Bond Index; **U.S. TIPS:** Bloomberg Barclays U.S. TIP 1-10 year Index; **mortgage-backed securities:** Bloomberg Barclays U.S. Mortgage-Backed Securities Index; **investment grade municipals:** Bloomberg Barclays U.S. Municipal Bond Index; **U.S. equity:** S&P 500 Index; **world high dividend (HDY):** MSCI World High Dividend Yield Index; **U.S. REITs:** MSCI US REIT Index; **emerging markets equity:** MSCI Emerging Market Index; **direct core real estate:** NCREIF Property Index; **emerging markets debt:** JPMorgan Monthly EMBI Index; **high yield municipals:** Bloomberg Barclays High Yield Municipal Index; **preferred securities:** BofA Merrill Lynch Preferred Stock Fixed Rate Index; **senior loans:** Credit Suisse Leveraged Loan Index; **high yield corporates:** Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index; **infrastructure:** S&P Global Infrastructure Index; **direct lending:** CDLI Total Return Index. MLPs: Alerian MLP Total Return Index. Municipal bond yields are taxable equivalent at 37% + 3.8% ACA tax rates. **It is not possible to invest directly in an 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. 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

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Endnotes

Sources

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

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