



Q1 2026 CHARTBOOK

From the Wealth Management Chief
Investment Office: A guide to
interpreting the economy & markets



A photograph of a modern office lobby. It features large floor-to-ceiling windows that look out onto a city street. In the foreground, there are several black, modern-style lounge chairs arranged in a semi-circle. A large, round, silver-colored planter with a green plant sits on the floor to the left. The floor is made of light-colored tiles. The overall atmosphere is professional and contemporary.

WEALTH CHIEF INVESTMENT OFFICE

The Wealth Chief Investment Office is dedicated to helping our clients achieve financial wellness through the delivery of insightful thought leadership, disciplined management of high quality, diversified portfolios tailored to each client's needs and objectives, and differentiated Wealth Planning services.



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CIO Overview

Q4 2025 closed on a constructive note, capping a resilient year. Despite a record 43-day U.S. government shutdown that distorted economic data, and a volatile November largely attributed to artificial intelligence (AI) bubble fears, markets rallied as major asset classes ended at or near all-time highs.

U.S. large-cap equities, as measured by the S&P 500, delivered a total return for the year of 17.9%, driven by tech names and AI enthusiasm. Metals were standout performers, with gold and silver surging 65% and 146%, respectively. Gold peaked as investors sought a safe haven amid trade-war jitters and central banks continued stockpiling bullion. For the year, international equities outpaced U.S. markets with returns exceeding 30%, while U.S. fixed income posted a solid 7% gain.

The consumer landscape remains K-shaped: affluent households continue to drive spending, while lower-income consumers remain cautious. Against this backdrop, the Federal Reserve (Fed) delivered two 25-basis-point cuts in October and December—three reductions in total for the year, marking the first time since 2024. Minutes from the December Federal Open Market committee (FOMC) meeting highlighted growing internal divisions, with a still-hawkish minority voicing concerns over lingering inflation risks.

Investors were reminded once again of the tried-and-true first principles of remaining disciplined and avoiding the typical behavioral mistakes that come with attempting to time the markets. Having a diversified portfolio in sync with one's financial plan is the best way to weather market storms, while staying invested through market cycles over time.

The U.S. economy continues its careful balancing act in early 2026—maintaining growth while remaining agile enough to respond to changing conditions. As AI and disruptive technologies continue to gain traction across industries, we are witnessing an innovation wave that demands similar agility from investors and businesses alike. Just as a skater must look ahead while remaining acutely aware of their positioning and the ice's ever-changing texture, today's investment landscape requires a blend of confidence in the trajectory of transformative technologies and the nimbleness to adapt as market dynamics evolve.

The AI revolution isn't simply propelling us forward—it's reshaping the very surface we're gliding across, creating both opportunities for growth and moments that test our ability to maintain composure through transitions. In this environment, investors are seeking to harness this momentum without sacrificing the precision and balance that separate a graceful performance from a stumble.

2026 should bring its own set of surprises and lessons. The U.S. economy may continue to benefit from the AI infrastructure build-out, but face challenges from a slowing labor market and weaker fundamentals for low-income consumers. Market volatility may pick up, given a higher bar from elevated valuations and potential for firmer inflation. Overall, our view is that we are transitioning into a new era of prolific and accelerating innovation and disruption, bringing opportunities and risks for the economy, markets, and society at large.



January 16, 2026

Niladri 'Neel' Mukherjee

Chief Investment Officer, TIAA Wealth Management

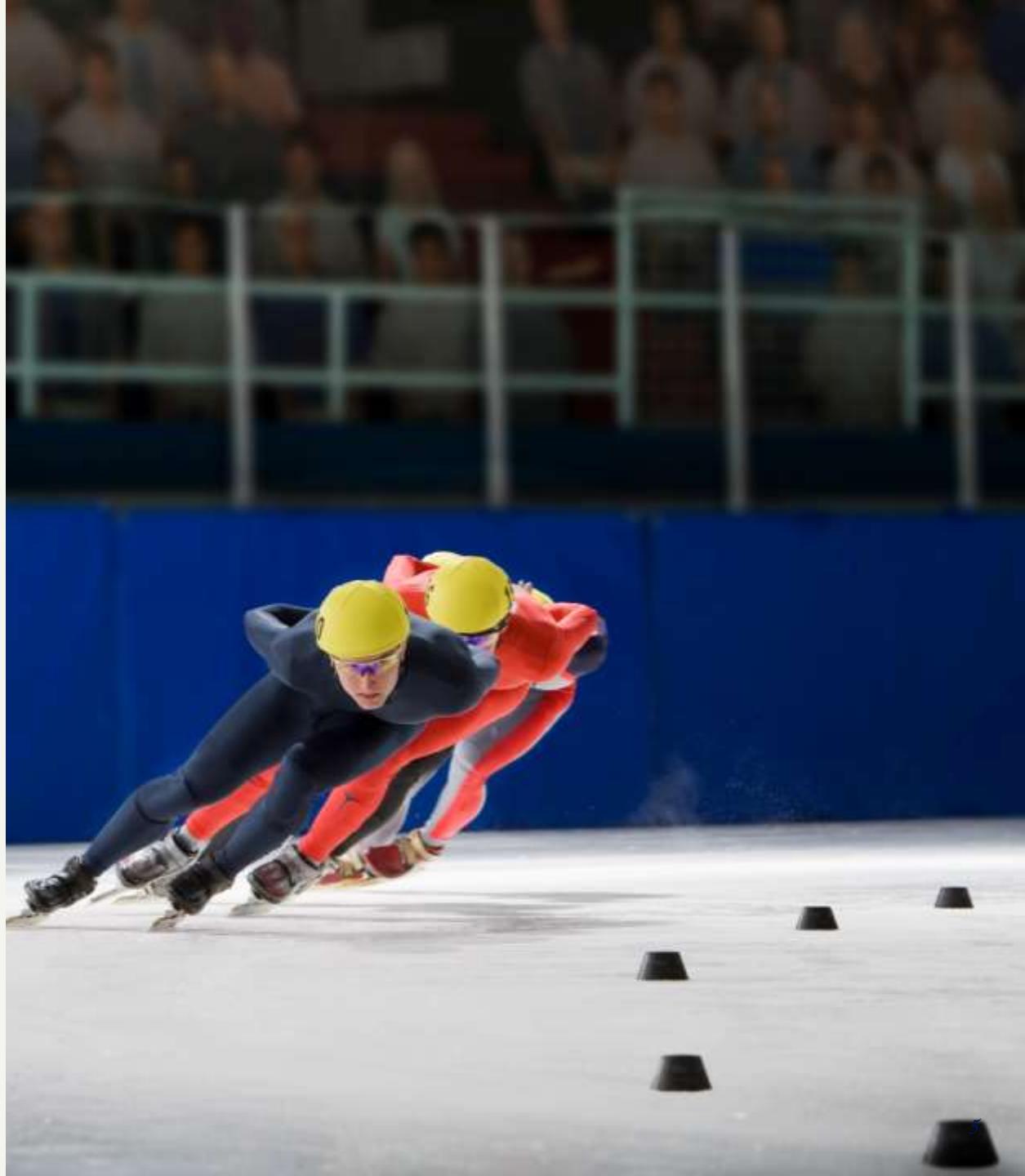


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Market Recap

Q4 2025 closed on a constructive note, capping a resilient year.

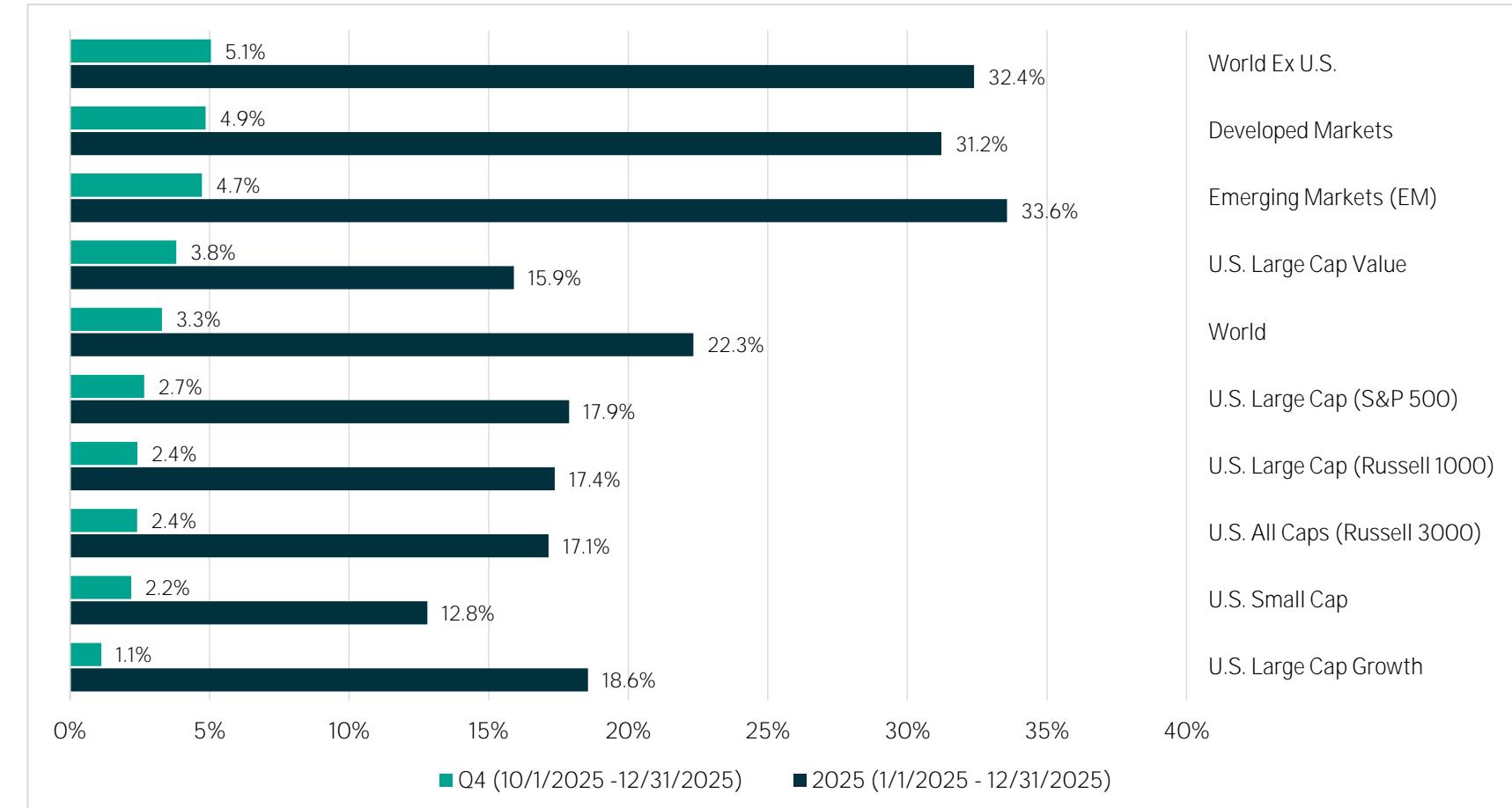
! NOTE: The 43-day government shutdown in Q4 2025 resulted in the delay of several key economic datasets. The Wealth CIO team compiled this issue of the chartbook with the most current market and economic datasets available, though some data gaps may be wider than normal.



Non-U.S stocks outperformed in Q4¹

Equities

- After a sharp ~5% pullback in November, driven by a sell-off in technology and AI-focused names, equities rebounded strongly to finish the year near record highs, with the S&P 500 returning 2.7% for the quarter. Non-U.S. equities extended their outperformance over U.S. equities, posting a 5.1% gain for the quarter.
- U.S. large cap equities, as measured by the S&P 500, delivered a total return for the year of 17.9%, driven by technology names and AI enthusiasm.
- Small caps kept pace with large caps in Q4 but underperformed large caps in 2025, returning 12.8% for the year.
- For the year, non-U.S. equities outpaced U.S. equities, with all three index returns exceeding 30%: World Ex U.S. up 32.4%; emerging markets (EM) up 33.6%; developed markets up 31.2%.
- A weaker U.S. dollar, easing trade tensions, and strong performance in key regions like Asia benefitted non-U.S. equities in 2025.

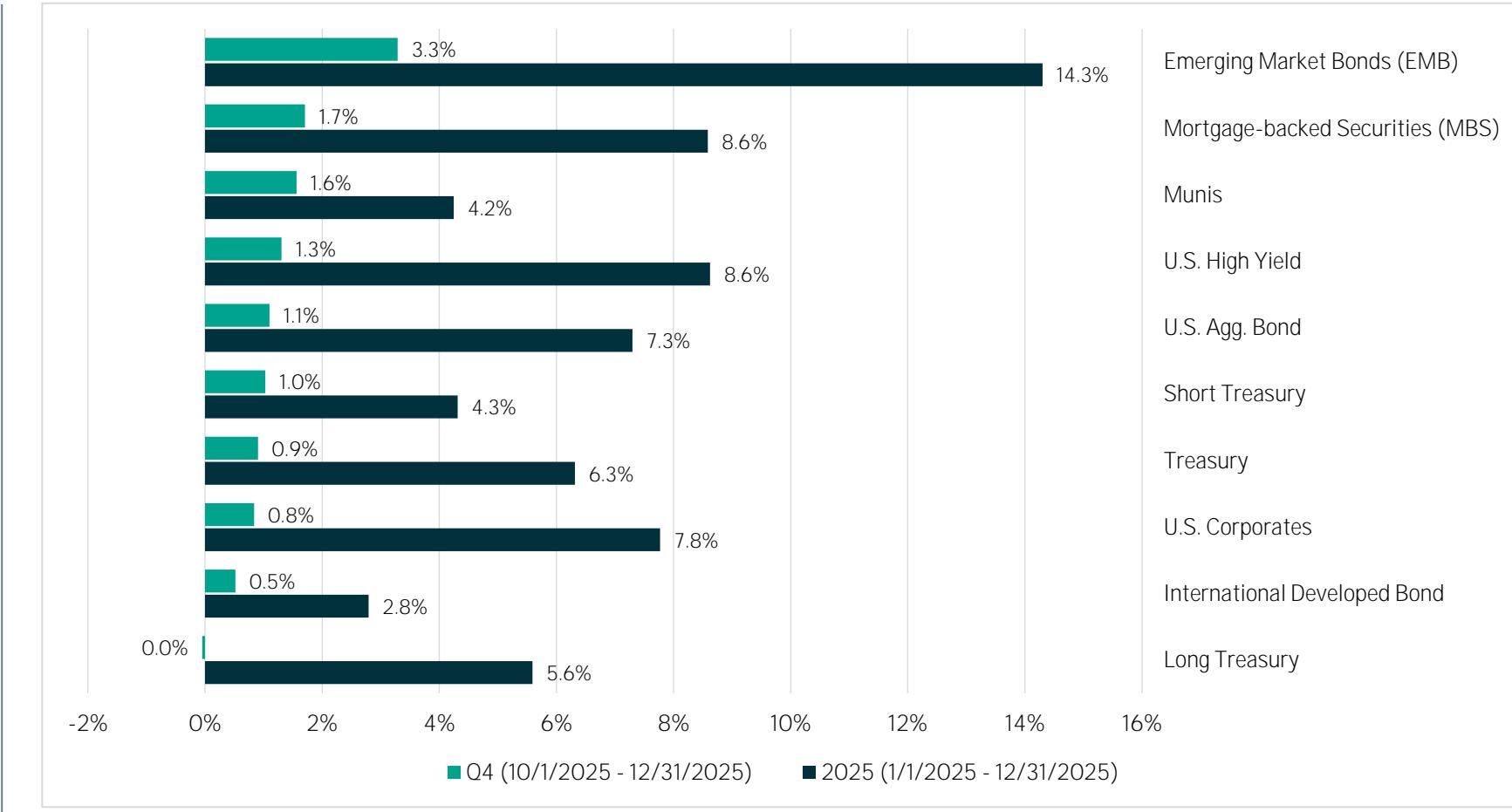


¹Chart is sorted on most recent full quarter total return data. Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Falling yields lifted bond returns in Q4 and rewarded patient investors¹

Fixed income

- Fixed income markets staged a broad rally during Q4 as Treasury yields moved lower across the curve, driven by cooling inflation trends and a shift in Fed messaging.
- Bonds delivered their strongest quarterly performance of the year, reaffirming their role as both a source of income and portfolio diversification. The 10-year Treasury yield fell more than 60 basis points (bps) from its May peak, closing near 4.2%, near the lowest levels of the year.
- Munis, which struggled in the first half of 2025 amid fears that the One Big Beautiful Bill Act (OBBA) would impact their tax-exempt status, performed well in the second half of the year, outpacing taxable bonds.
- After a 25 bps cut in September, the Fed signaled openness to further easing and followed through with two additional cuts in October and December, as widely anticipated.
- The U.S. Aggregate Bond Index ended the quarter up 1.1%, supported by these rate cuts. Emerging market bonds (EMB) was the best performer, up 3.3%, driven by a weakening U.S. dollar and market expectations of interest rate cuts by the Fed.
- Overall, bonds had a decent year in 2025, continuing their rebound after a difficult 2021 and 2022.

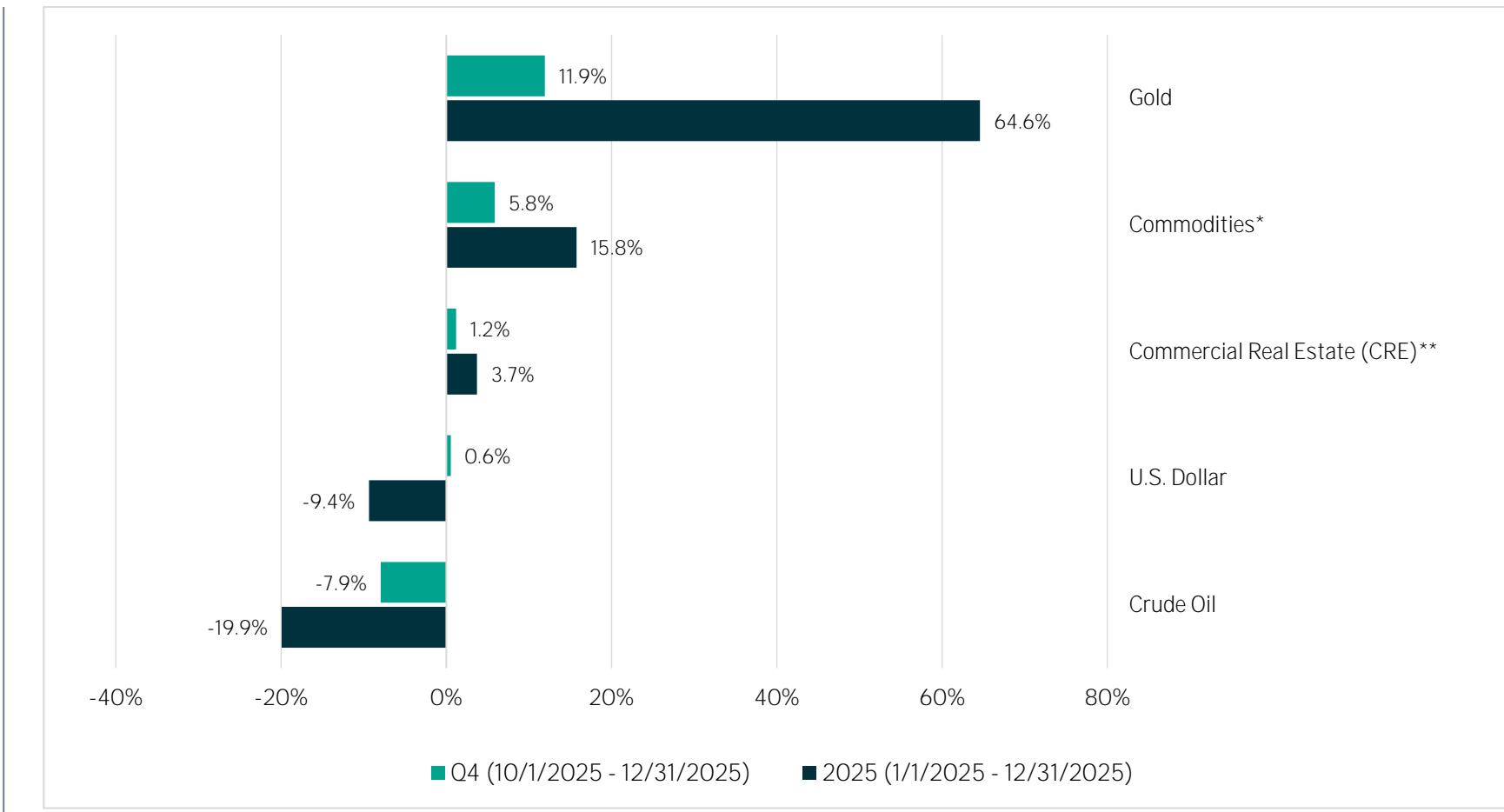


¹Chart is sorted on most recent full quarter total return data. Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Gold's standout performance, U.S. dollar stabilizes¹

Other asset classes

- Precious metals were standout performers in Q4, with gold and silver surging as investors sought a safe haven amid trade-war jitters and central banks continued stockpiling bullion. Gold was up 64.6% and silver was up 146% in 2025.
- Broader commodities were the next best performer, with the precious metals sector (gold, silver, etc.) soaring while others in the basket, like energy, declined.
- The U.S. dollar eked out a 0.6% return in Q4 but was down 9.4% in 2025. The dollar was down 10.7% in the first half of 2025, largely as a result of investors' decisions to hedge their risks against the currency, rather than a choice to sell U.S. assets.
- Crude oil returns were negative again in Q4 (-7.9%) and down 19.9% in 2025. Although geopolitical tensions persisted, they did not significantly disrupt supply, with the overall market balancing weak demand signals against production changes from OPEC+.



¹Chart is sorted on most recent full quarter total return data. Source: Morningstar Direct, Bloomberg, TIAA Wealth Chief Investment Office.

* Commodities are raw materials used to create the products consumers buy, from food to gasoline or petrol, to electronics and various consumer staples. Commodities include agricultural products such as wheat and cattle, energy products such as oil and natural gas, and metals such as gold, silver, and aluminum.

** YTD is from 1/1/2025 – 9/31/2025; Qtly return is from 3Q (7/1/2025 - 9/30/2025); Q4 2025 data not yet available.

03

2026 Outlook & Key Themes

Central ideas, priorities, and areas of focus that are poised to drive markets in 2026.

2026 Outlook FIVE KEY THEMES



AI drives economic and market outcomes

The K-shaped nature of the U.S. economy becomes increasingly reliant on AI, inflation, and financial market performance.



Innovation accelerates and expands

Productivity gains become more evident as AI adoption broadens.



Supply chain shifts and tax incentives continue to drive faster capital deployment by businesses

Capital expenditures remain a crucial driver of economic growth.



The U.S. government gets active

Government policy focuses on deregulation and private-sector activism.



The global geopolitical order continues to evolve

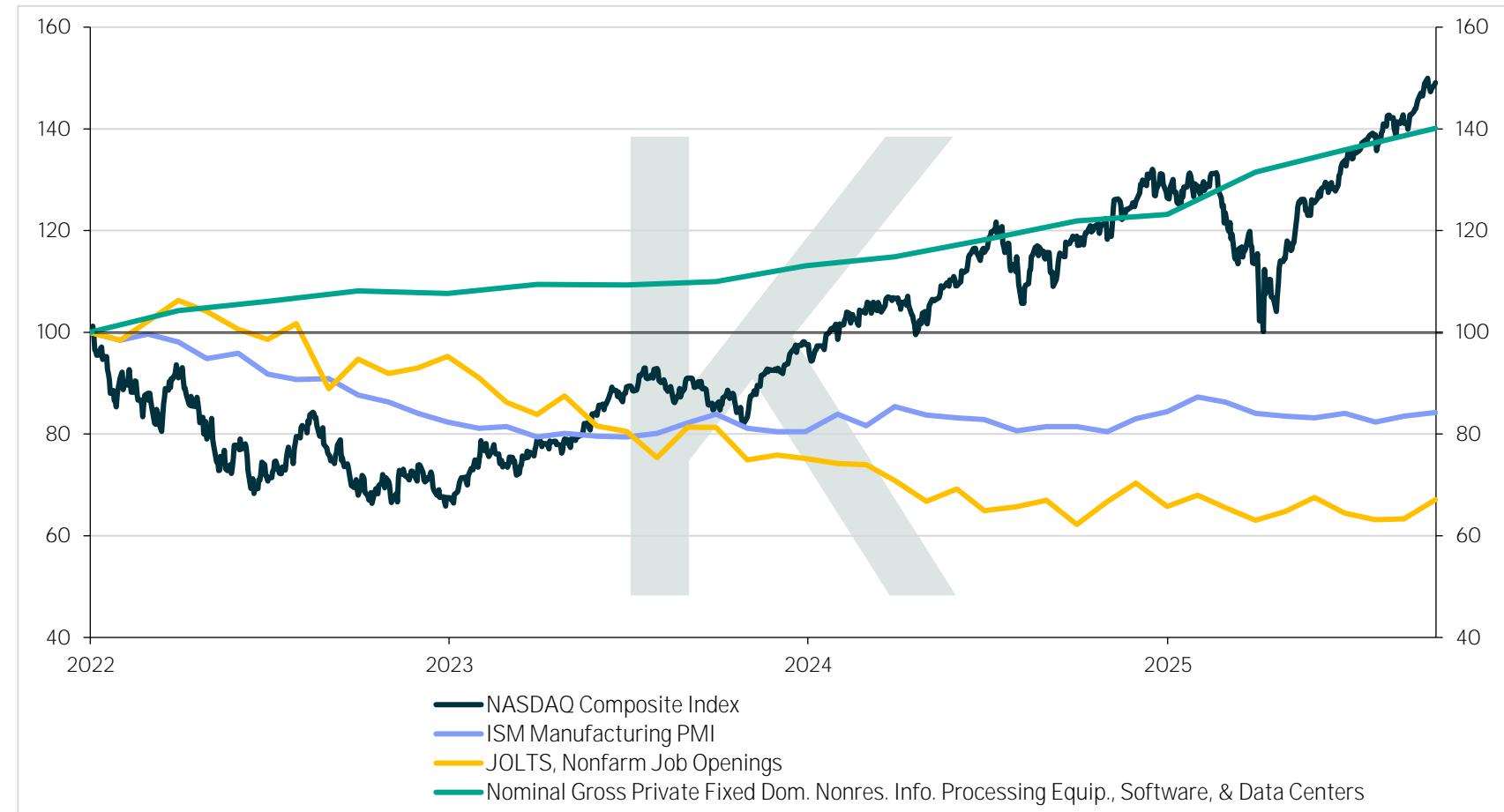
U.S. and China stabilize their relationship, but strategic decoupling persists, and Europe's geopolitical vulnerability drives increased infrastructure and defense spending.

AI drives economic and market outcomes

The K-shaped economy

- A K-shaped economy refers to an economic recovery where different segments of the economy grow at **markedly different rates, creating a "K"** shape: one arm rising (high-income individuals and sectors like technology), while the other declines (low-income individuals and sectors like traditional services).
- As the chart shows, the upward-sloping lines for NASDAQ and spending on technology represent the fortunes of high-income earners, the wealthy, and industries like technology, which are thriving.
- On the other hand, the downward-sloping lines for JOLTS and Manufacturing PMI represent the fortunes of manufacturing firms and low- and middle-income individuals, which are struggling.
- In 2026, this divergence will hinge on AI beginning to transition from the buildout phase to the adoption phase, on how inflationary pressures evolve, and on durable stock performance continuing to support consumer spending by higher-income households.

K-shaped economy implies an economy where wealth and economic growth diverge significantly between high-income and low-income groups



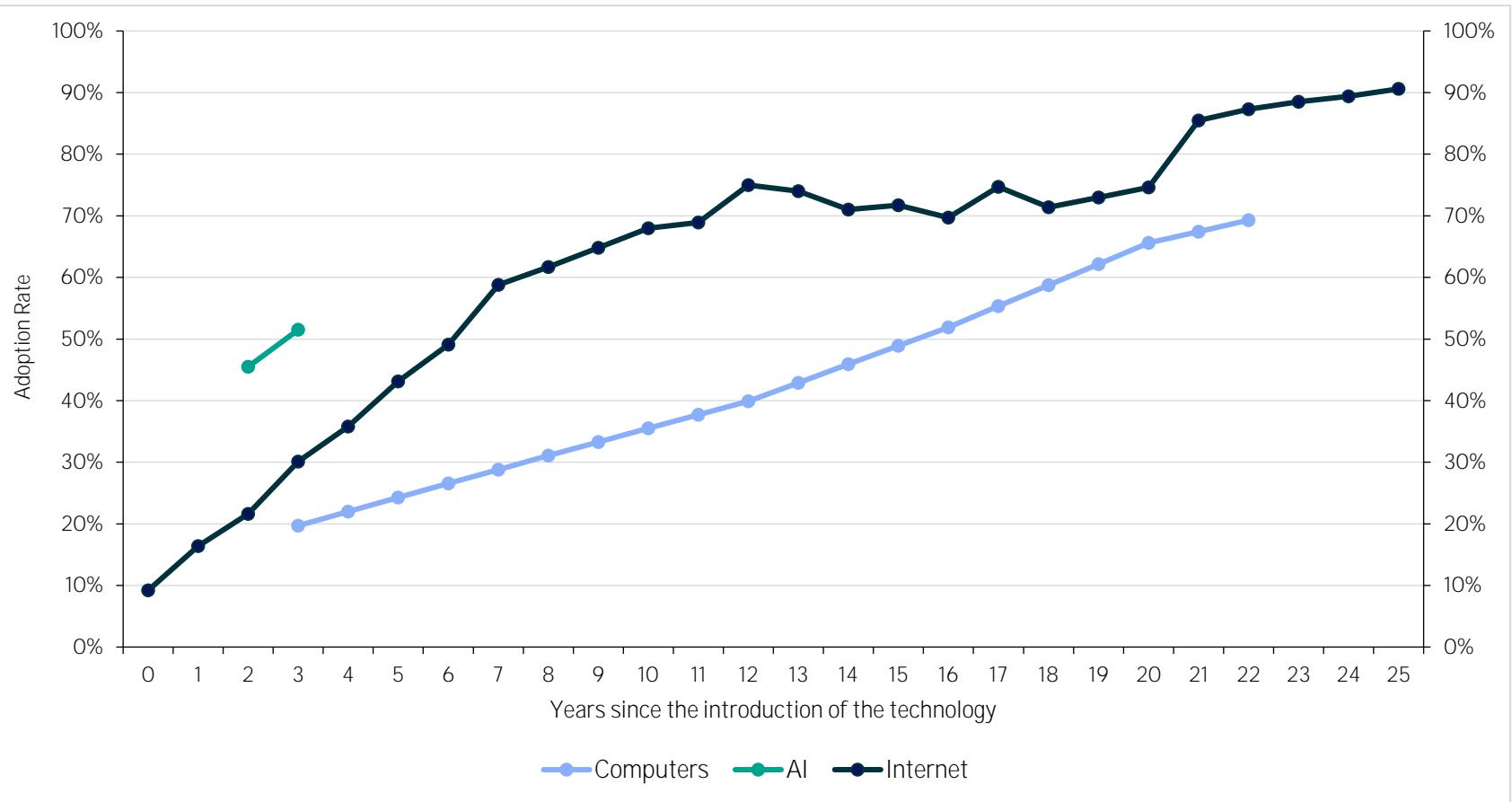
Source: FactSet Financial Data Analytics, TIAA Wealth Chief Investment Office. Data from 1/1/2022; frequency: NASDAQ: daily through 9/30/2025 ; JOLTS: & Manufacturing PMI: monthly through 9/30/2025; Tech. spending: quarterly through 9/30/2025.

Innovation accelerates and expands

Innovation expands

- The figure shows overall usage rates for three technologies: gen AI, computers, and the internet. The horizontal axis represents years since the introduction of the first mass-market product for each technology.
- Even at this early stage in AI's development (~3 years), adoption rates have far outpaced those for both PCs and the internet.
- AI productivity gains will become more evident as innovation accelerates and AI adoption broadens. We expect to see continued uptake of AI by businesses and better integration within corporate operations.
- This should drive improved productivity growth, with important ramifications for economic and earnings growth.
- That said, AI could also continue to weigh on the labor market—especially on jobs that are easier to substitute—and create additional datacenter demand that boosts electricity prices.

Adoption rates for AI have so far outpaced rates for other significant digital technologies¹



¹ We use 1981 as the introduction year for computers, which was the year the IBM PC was released. We use 1995 as the introduction year for the internet, which was the year that the National Science Foundation allowed the internet to carry commercial traffic. We use 2022 as the introduction year for genAI, which was the year ChatGPT was released. The data source for computers is 1984-2003, and the data source for the internet is 1995-2021.

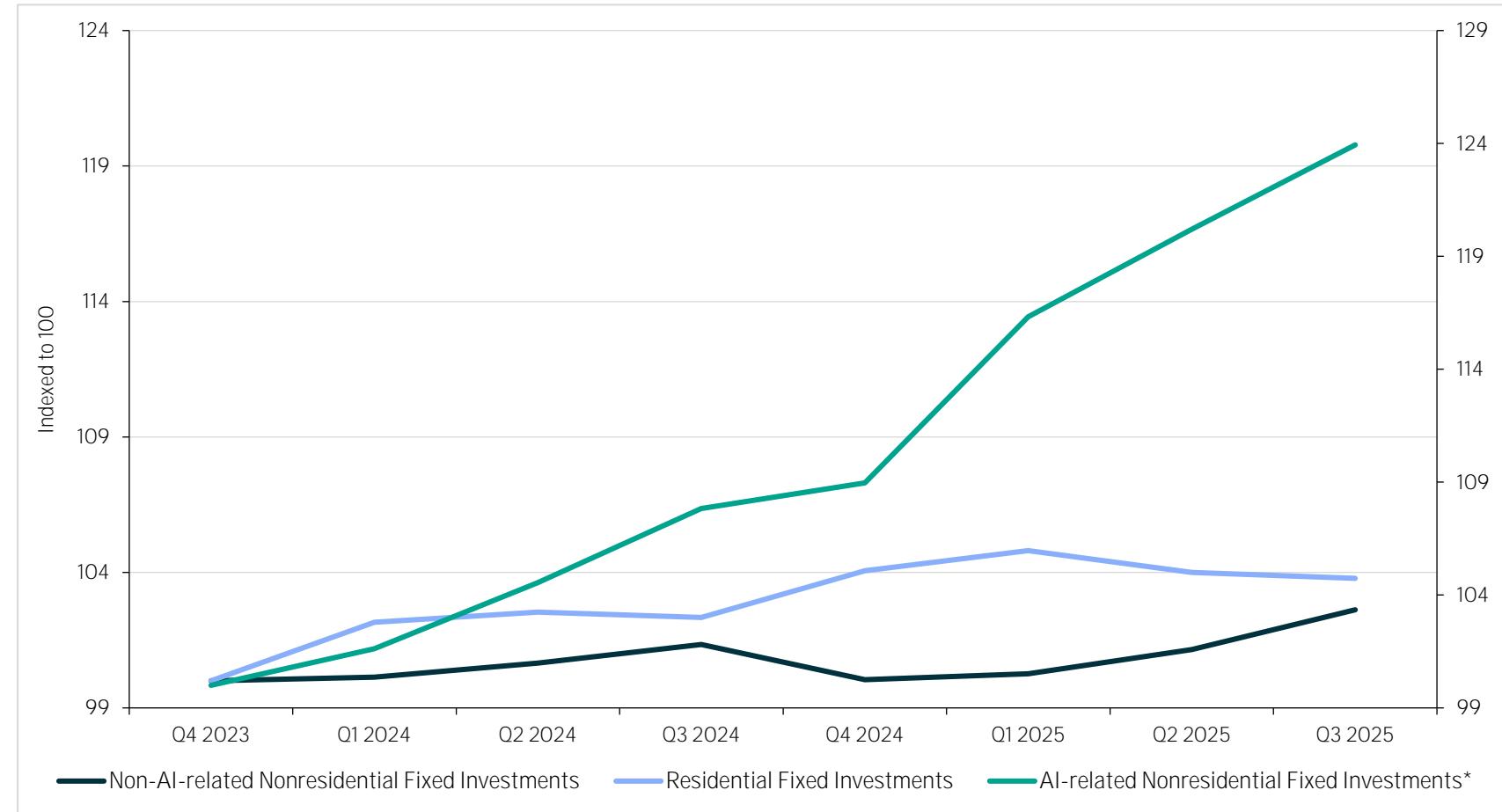
Sources: St. Louis Fed, TIAA Wealth Chief Investment Office. Data through 8/31/2025.

Tax incentives continue to drive faster capital deployment by businesses

Capex

- Capital expenditures (capex) remain a crucial driver of economic growth. In our base-case scenario, investment growth improves in non-AI manufacturing as well, thanks to the OBBBA and waning tariff-related uncertainty.
- Since the end of 2023, AI-related fixed investments (light green line) have risen by 20%, while non-AI related fixed investments (dark green line) and residential investments (light blue line) have increased by 1% and 4%, respectively.
- However, capex may drive sizable debt issuance. Since Q1 2020, global debt has grown at an average quarterly pace of \$3.8 trillion, up from \$1.8 trillion per quarter in the 2010s.
- We expect this trend to continue in 2026, keeping the neutral rate of interest higher and limiting the ability of bond yields to fall materially without a recession.

AI-related fixed investments have far outpaced other categories since the end of 2023



*Software, Information Processing Equipment, and Data Centers Fixed Investments.

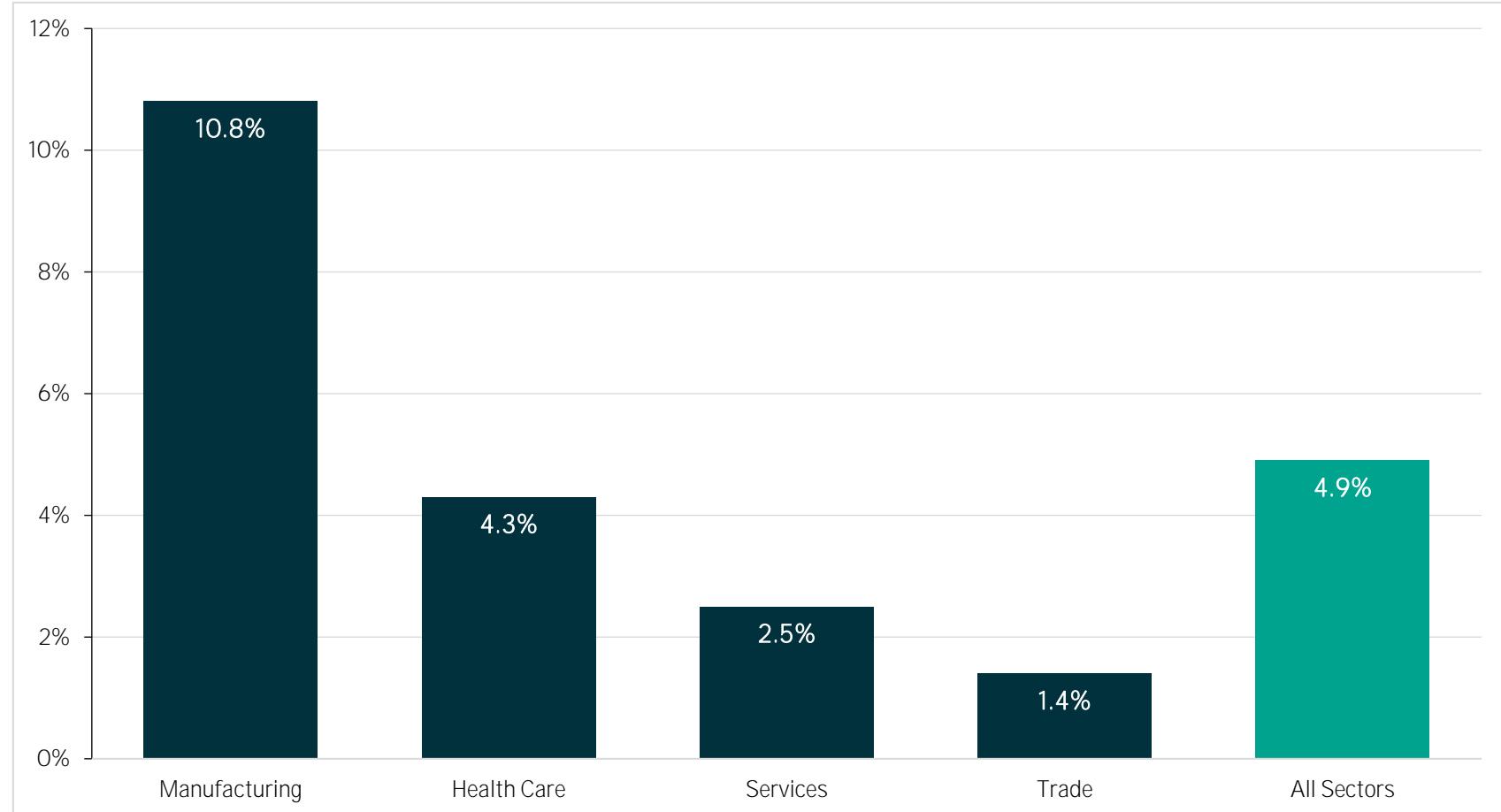
Source: BEA, TIAA Wealth Chief Investment Office. Data through 9/30/2025.

Deregulation on the horizon

Regulatory pressures & profits

- Deregulation has been an important policy position for the Trump administration, although progress on deregulation at the federal level has thus far taken a back seat to fiscal, trade, and immigration priorities.
- All signs point to an acceleration in deregulatory efforts in 2026, with federal agencies mandated to identify regulations that are unconstitutional or unlawful for elimination or modification.
- While some sectors (chiefly, energy and banking) might see faster progress, widespread economic benefits would require a broader deregulatory push.
- U.S. businesses with fewer than 100 employees face regulatory costs equal to ~5% of total revenue (including 3% from economic regulations and 1% from environmental rules), with some sectors facing a heavier burden (~11% for manufacturing).
- Cutting these costs could, therefore, buffer the negative impact of tariffs on profit margins over the short term and boost productivity over the long term.

Regulatory compliance costs—% of revenue for firms with fewer than 100 employees



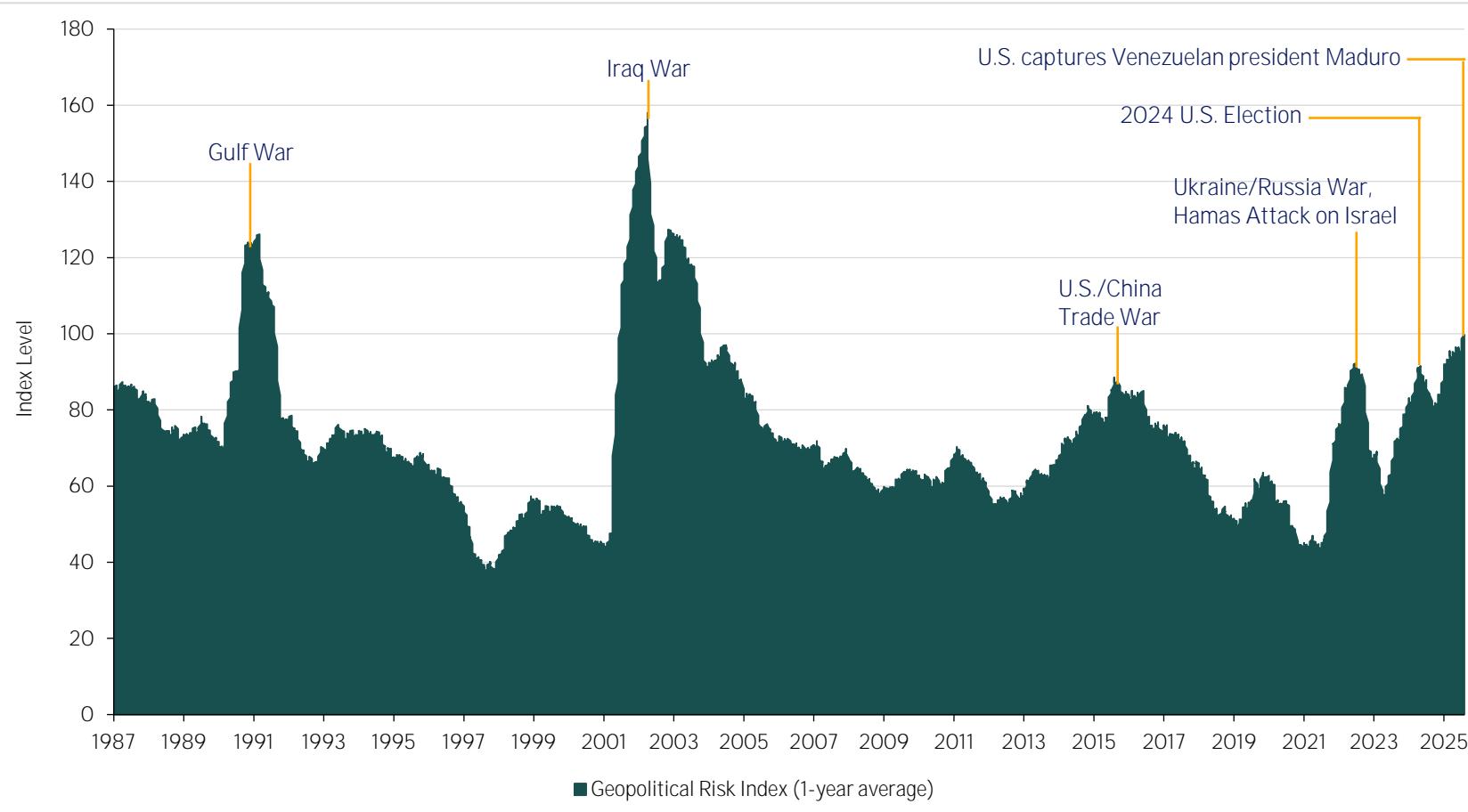
Source: National Association of Manufacturers, U.S. Census Bureau, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

The global geopolitical order continues to evolve

Geopolitics

- The apparent shift in the U.S. foreign policy doctrine may have more significant ramifications in 2026. While developments in Venezuela in early January do not alone warrant a significant rethinking of asset allocation strategies at this point, they reinforce our view that a return of geopolitical tensions may contribute to more frequent bouts of elevated market volatility in 2026.
- For now, the U.S./China governments seem to have established a framework to avoid escalations involving critical inputs—such as rare earths and semiconductors—that could severely undermine both economies.
- But we expect ongoing friction and constant ebbing and flowing in this relationship going forward, as strategic decoupling is still in motion.
- While a risk to the fragile geopolitical stability in the region, Europe's efforts to shore up these vulnerabilities are translating into significant fiscal stimulus. We expect the increased focus on economic and strategic independence to remain a key theme for international markets in 2026.

The Geopolitical Risk Index measures the frequency of news articles on adverse geopolitical events and associated risks



Source: Morningstar Direct, Bloomberg, TIAA Wealth Chief Investment Office. Data through 1/4/2026.

Base-, bull-, and bear-case scenarios for how 2026 may develop

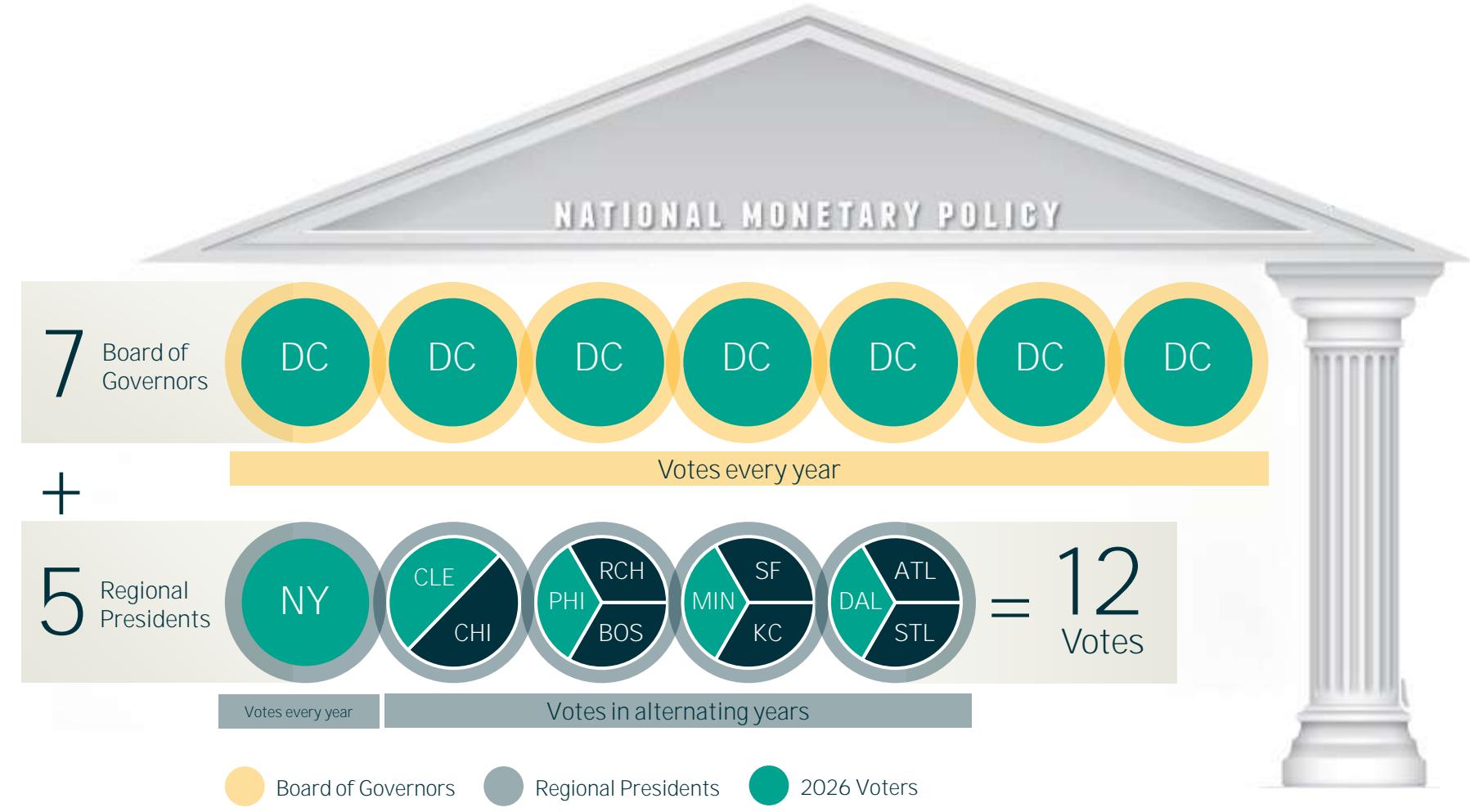
Scenarios	Base Case	Bull Case	Bear Case
Economic Growth	Real (inflation-adjusted) economic growth in our base-case scenario remains slightly below the long-term 2% trend rate in 2026, as the secular acceleration in productivity growth is countered by some cyclical softness in labor market conditions and household spending. Employment growth stabilizes at rates below the long-term trend, but consistent with the slower pace of increase of the labor force—attributable to an aging population and strict immigration policies.	Stimulative dynamics boost income growth and household consumption, while productivity growth accelerates more rapidly and sooner than expected. This allows real GDP growth to run above trend without causing rampant inflation.	The emergence of cyclical weaknesses across the U.S. economy causes a material slowdown in economic growth, as stimulative dynamics fade quickly, and productivity growth fails to materialize ahead of schedule. A drop in equity prices finally causes high-income consumers to buckle, removing a key source of support for the U.S. economy.
Inflation	Inflation gradually moderates but fails to drop significantly and remains well above the Fed's 2% target .	The recent stickiness in service inflation fades, allowing inflation to reverse its recent rise and surprise current investor and Fed projections to the downside.	Inflation broadens beyond the narrow impact of tariffs, and causes inflation-adjusted income and spending growth to fall into negative territory.
Monetary Policy	With stable employment and above-target inflation, the Fed may continue to cautiously ease monetary policy but may be reticent to cut as much as the market currently expects (4 more quarter-point cuts by Q1 2027).	The Fed stops cutting rates for the “right reasons,” as the economy shows an ability to grow at a rate higher than the long-term trend thanks to productivity gains.	The Fed is forced to cut rates quickly, and a rapid tightening of liquidity conditions also causes the central bank to resume asset purchases.
Corporate Earnings	AI adoption and ongoing resilience in consumer spending led by high-income households supports profit margins, and allow U.S. large caps to deliver another year of 10%+ earnings growth.	Even current elevated expectations for large cap earnings growth in 2026 prove too low, as productivity growth boosts profit margins and strong consumer spending drives an acceleration in revenue growth.	Current earnings expectations are disappointed, and investors' concerns about excessive AI spending puts the spotlight back on cash flow generation.
Artificial Intelligence	AI spending slows down in the second half of the year, as electricity and cost of capital constraints intensify. The AI cycle shifts to accelerating adoption by end-users, and integration into productive operations.	AI adoption and integration accelerate rapidly, generating faster-than-expected productivity growth and dashing concerns about return on invested capital.	AI spending continues unabated, leading to a significant increase in leverage within the tech sector. At the same time, adoption and monetization miss the mark, raising the level of concern about the current AI market cycle and its sustainability.
Cross-Asset Implications	In this scenario, we would expect equity performance to be positive (mid-to-high single digits), but with bouts of volatility as elevated valuations and signs of speculative behavior lowers the bar for potential disappointments. Treasury yields stabilize in a 3.5%-4.25% range, while high-yield bonds experience periods of widening credit spreads but deliver slightly positive total returns thanks to high coupon payments.	Fears of an AI bubble are dashed, as the rapid acceleration in productivity growth offers tangible proof of the revolutionary impact of AI on the economy. Current equity valuations prove sustainable, and double-digit earnings growth support another double-digit year for U.S. stock returns. On the fixed income front, credit spreads remain historically tight, while bond yields stabilize above 4%.	The equity market suffers a significant pullback, causing the S&P 500's 12-months-ahead price-to-earnings ratio to fall towards the 10-year average of ~18x or lower. Treasury yields fall towards 3% and, depending on inflation and the extent of the economic slowdown, possibly lower. Credit spreads widen significantly.

The Fed and interest rates

How does the FOMC vote?

Federal Open Market Committee (FOMC)

- The FOMC is the Fed's chief body for monetary policy. Its voting membership combines the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four other Reserve Bank presidents, who serve one-year terms on a rotating basis with the other Reserve Bank presidents.
- All Reserve Bank presidents attend FOMC meetings, even when they are not designated voting members. By tradition, the Chair of the FOMC is also the Chair of the Board of Governors.
- The president of the Federal Reserve Bank of New York and members of the Board of Governors are permanent voting members. Most Reserve Bank presidents serve one-year terms on a three-year rotating schedule; the presidents of the Cleveland and Chicago Feds serve on a two-year rotating schedule.
- The FOMC typically meets eight times a year in Washington, D.C., but when necessary, members will meet by a teleconference. If economic conditions require additional meetings, the FOMC can and does meet more often.
- Armed with up-to-date national, international, and regional information, the FOMC discusses the monetary policy options that would best **move the economy toward the “dual mandate”** objectives given to the Fed by Congress: maximum employment and price stability. The FOMC meeting concludes with a decision on the stance of policy.
- The Fed Chair has only one vote, the same as other members of the FOMC, but their influence is significantly greater.



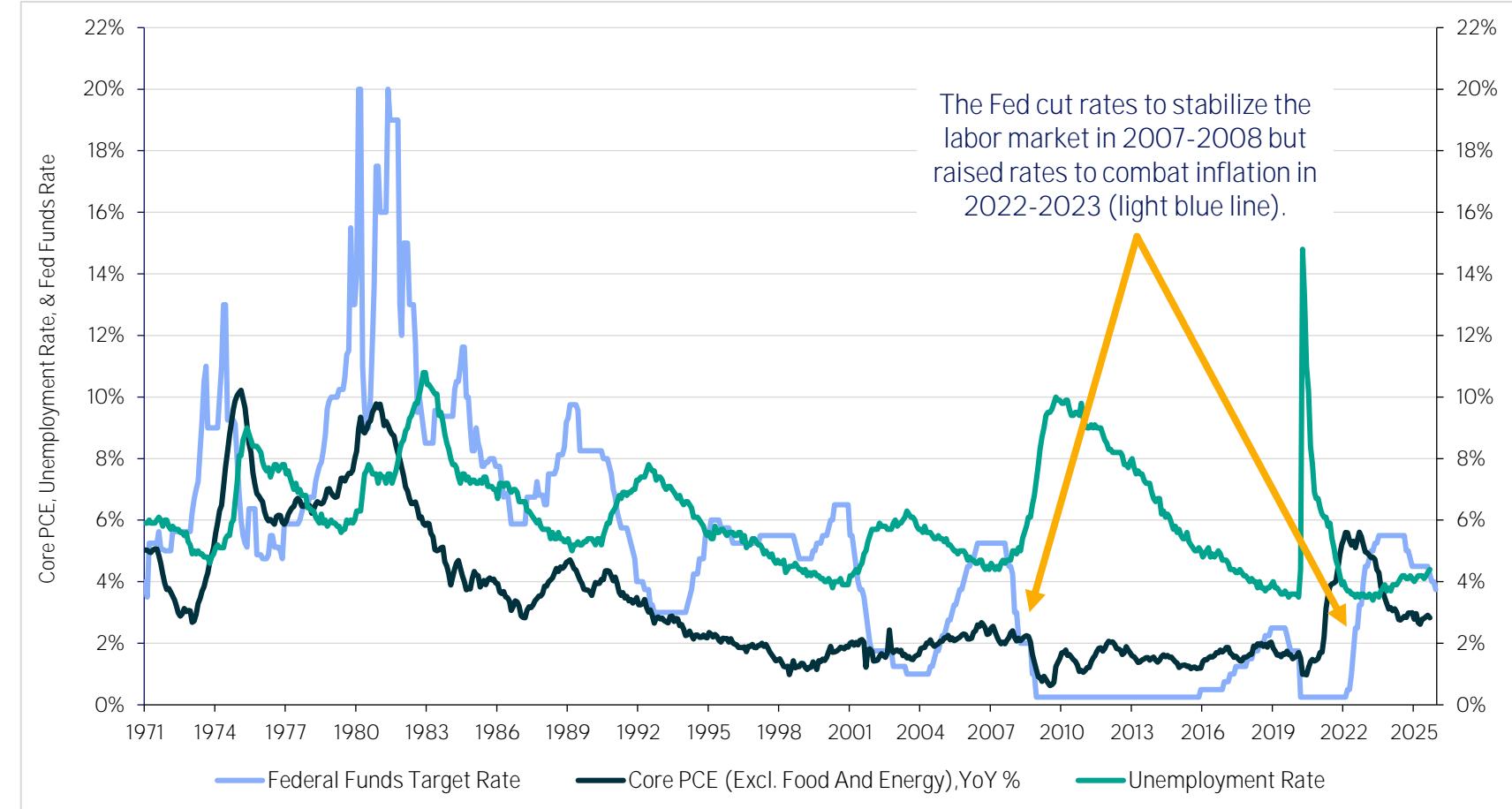
Source: Federal Reserve Bank of Chicago, TIAA Wealth Chief Investment Office.

The Fed's dual mandate

Monetary policy

- The Fed has a dual mandate from Congress to keep the economy running at full employment, while maintaining low and stable inflation.
 - Notice how the unemployment rate (light green line) surged in 2008 while Core PCE (dark green) decreased, and the Fed's response was to drop its target rate (light blue line) to protect the labor market.
 - More recently, notice how unemployment temporarily surged in 2020, followed by a jump in Core PCE in 2021 and 2022, prompting the Fed to implement a series of target rate hikes.
- The Fed uses the Fed funds rate and its balance sheet to conduct monetary policy to achieve its dual mandate.
- In 2021, 2022 and 2023, the Fed's primary focus was on the inflation side of its dual mandate because inflation reached a 40-year high in 2022.
- In 2024, Fed became more satisfied with the inflation progress and began to cut rates but paused amid trade and policy-related uncertainty in late 2024.
- The Fed resumed cutting rates in late 2025, amid signs of a weakening labor market, despite lingering inflation concerns.

The Fed manages monetary policy to achieve the dual mandate of stable prices and full employment

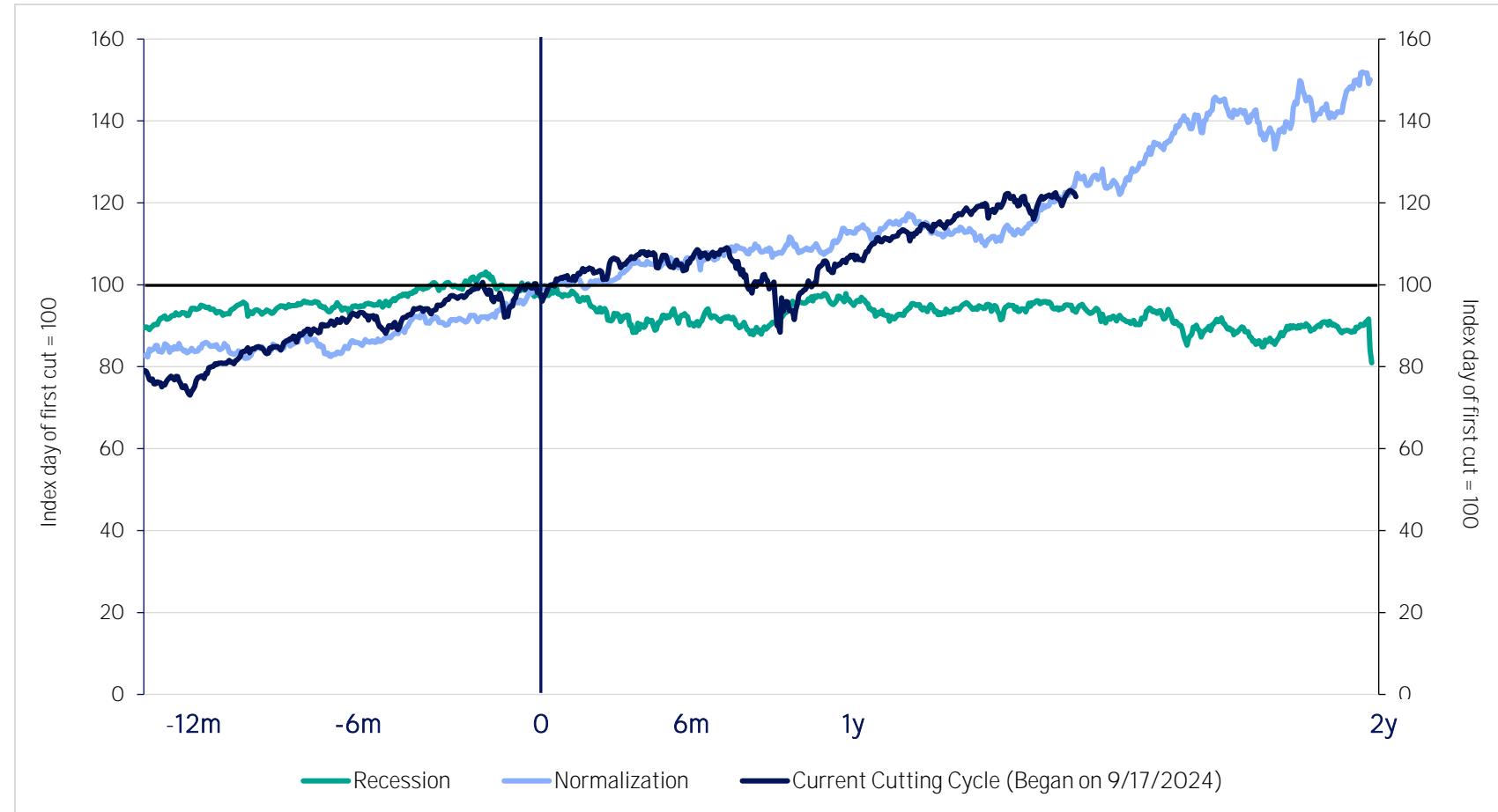


Source: FactSet Financial Data Analytics, TIAA Wealth Chief Investment Office. Data through: Fed Funds Rate: 12/31/2025; Core PCE: 9/30/2025; Unemployment Rate: 11/30/2025.

Why the Fed chooses to cut rates is important for financial markets

Timing matters

- A key dynamic for financial markets to digest is why the Fed might begin cutting rates.
- Stocks tend to rise into, and throughout, the easing cycle when Fed cuts are driven by a desire to normalize rates.
- If current trends hold, cuts may be made to normalize interest rates (moving them back to a level that is neither helping nor hurting the economy), which would be supportive of risk assets, such as equities.
- However, if the economy slows meaningfully and the unemployment rate rises on a sustained basis, the Fed might begin cutting rates to defend the economy from a recession, leading to a rotation (toward bonds and away from equities) in the markets.
- See page 20 for asset class performance after normalization and recessionary rate cuts.



Source: Morningstar Direct, TIAA Wealth Chief Investment Office. S&P 500 Price index; daily returns; 1/1/1983 – 9/30/2025.

Normalization rate cut regimes include those beginning on 9/3/1984, 6/5/1989, and 7/6/1995. Recession rate cut regimes include those beginning on 7/13/1990, 1/3/2001, 9/18/2007, and 3/4/2020. Current rate cutting cycle began on 9/17/2024. The analysis covers from September 1983 through March 2022, which is two years after the March 2020 rate cuts that were implemented to stave off recession, while the current cycle runs through 12/31/2025.

Asset class performance after normalization and recessionary rate cuts

Fed rate hikes & market performance

- Why the Fed cuts interest rates determines how financial markets respond to easier monetary policy conditions in the near-term.
- This table shows the median total return for key asset classes (and S&P 500 sectors) 12 months before, and 12 and 24 months after the first rate cut of the cycle when the Fed makes cuts to normalize rates, as well as cuts ahead of recession (see prior page).
- It is important to note, however, that not every cycle is the same, and the backdrop for inflation, the economy, valuations, and market sentiments all matter when it comes to investment returns.
- The current rate cut cycle, which began in September 2024 and was paused between December 2024 and September 2025, is following the historical “normalization” path rather than the “recession” path.
- The Fed's decision was a response to a softening U.S. labor market, despite ongoing inflation concerns.

Benchmark/Index	Normalization Rate Cuts			Recessions Rate Cuts			Current Rate Cuts		
	All 12-Month Before (Median)	All 12-Month After (Median)	All 24-Month After (Median)	All 12-Month Before (Median)	All 12-Month After (Median)	All 24-Month After (Median)	12-Month Before	12-Month After	Maximum Period
U.S. Stocks									
S&P 500	25.3%	18.2%	28.2%	14.5%	-0.1%	-1.4%	28.3%	18.7%	17.8%
Russell 3000	25.4%	18.7%	27.2%	12.1%	0.5%	-0.7%	27.4%	18.7%	17.4%
Russell 1000	25.7%	19.2%	28.1%	13.1%	0.1%	-0.8%	27.8%	19.0%	17.7%
Russell 1000 Growth	28.1%	20.3%	26.9%	19.7%	-0.2%	1.5%	33.2%	27.1%	23.0%
Russell 1000 Value	22.4%	21.8%	30.5%	7.0%	2.2%	1.3%	21.1%	10.5%	11.9%
Russell 2000	21.0%	15.0%	18.4%	-0.6%	5.8%	0.5%	21.1%	11.5%	11.7%
S&P 500 Sectors									
Communication Services	9.3%	22.2%	20.3%	15.9%	-5.8%	-4.4%	32.5%	45.9%	38.5%
Consumer Discretionary	13.9%	13.8%	18.4%	10.5%	2.0%	0.1%	15.5%	27.0%	19.8%
Consumer Staples	36.9%	30.9%	36.9%	11.1%	3.6%	7.8%	20.9%	1.2%	-0.6%
Energy	18.3%	26.2%	33.3%	13.4%	-4.2%	-3.5%	-1.3%	7.3%	6.7%
Financials	21.4%	30.1%	46.3%	6.3%	-3.0%	3.9%	32.3%	21.9%	18.4%
Healthcare	43.7%	37.6%	46.6%	10.2%	-3.8%	4.2%	19.6%	-11.2%	0.9%
Industrials	25.6%	27.1%	33.8%	5.5%	-0.3%	-4.8%	27.6%	16.9%	15.9%
Information Technology	79.7%	10.8%	34.7%	21.6%	-7.1%	-4.1%	42.9%	27.5%	26.1%
Materials	25.1%	7.0%	15.9%	5.8%	3.9%	5.5%	17.0%	0.0%	0.1%
Real Estate Investment Trusts (REITs)*				12.5%	-3.6%	-3.7%	26.6%	-4.2%	-4.5%
Utilities	23.1%	14.5%	12.7%	24.3%	-8.8%	-0.8%	26.0%	9.8%	9.7%
Non-U.S. Stocks									
MSCI ACWI Ex USA	5.8%	8.0%	6.6%	3.3%	-13.9%	-7.4%	17.0%	21.4%	21.1%
MSCI ACWI	12.4%	12.8%	12.3%	8.4%	-8.6%	-5.3%	24.0%	20.1%	19.1%
MSCI EAFE	8.7%	13.6%	13.4%	3.0%	-15.6%	-8.7%	18.0%	18.1%	18.3%
MSCI EM	24.7%	17.2%	16.0%	24.4%	4.7%	2.6%	13.9%	27.6%	25.2%
Fixed Income									
Bloomberg US Agg Bond	12.9%	9.1%	10.1%	9.6%	6.4%	7.6%	10.6%	2.4%	2.5%
Bloomberg US Treasury	11.0%	8.7%	10.3%	10.0%	7.6%	7.5%	9.2%	1.5%	1.6%
Bloomberg Short Treasury	5.9%	7.2%	7.2%	6.0%	4.3%	2.8%	13.0%	-5.3%	-4.8%
Bloomberg US Treasury Long	13.6%	8.9%	9.9%	13.7%	5.3%	8.2%	5.6%	4.5%	4.4%
Bloomberg US Corp Bond	9.4%	9.6%	11.7%	8.3%	5.0%	7.8%	13.0%	3.5%	3.1%
Bloomberg Municipal	8.8%	7.3%	8.7%	8.1%	3.3%	6.3%	7.4%	2.0%	2.5%
Bloomberg Global Agg ex-USD Hedged	16.6%	8.2%	10.2%	2.7%	6.7%	4.4%	13.8%	8.1%	7.3%
Bloomberg US Corporate High Yield	10.1%	12.1%	12.6%	9.3%	4.3%	5.7%	9.2%	3.0%	2.7%
JPM EMBI Global Diversified	13.7%	31.6%	33.9%	12.2%	-0.3%	6.7%	15.8%	9.4%	9.7%

Source: Morningstar Direct; S&P 500 Total Return Index; daily returns; 1/1/1983 - 12/31/2025. Normalization rate cut regimes include those beginning on 9/3/1984, 6/5/1989, and 7/6/1995. Recession rate cut regimes include those beginning on 7/13/1990, 1/3/2001, 9/18/2007, and 3/4/2020. Current rate cutting cycle began on 9/17/2024. The analysis for Normalization and Recession covers from September 1983 through March 2022, which is two years after the March 2020 rate cuts that were implemented to stave off recession, while the current cycle runs through 12/31/2025.

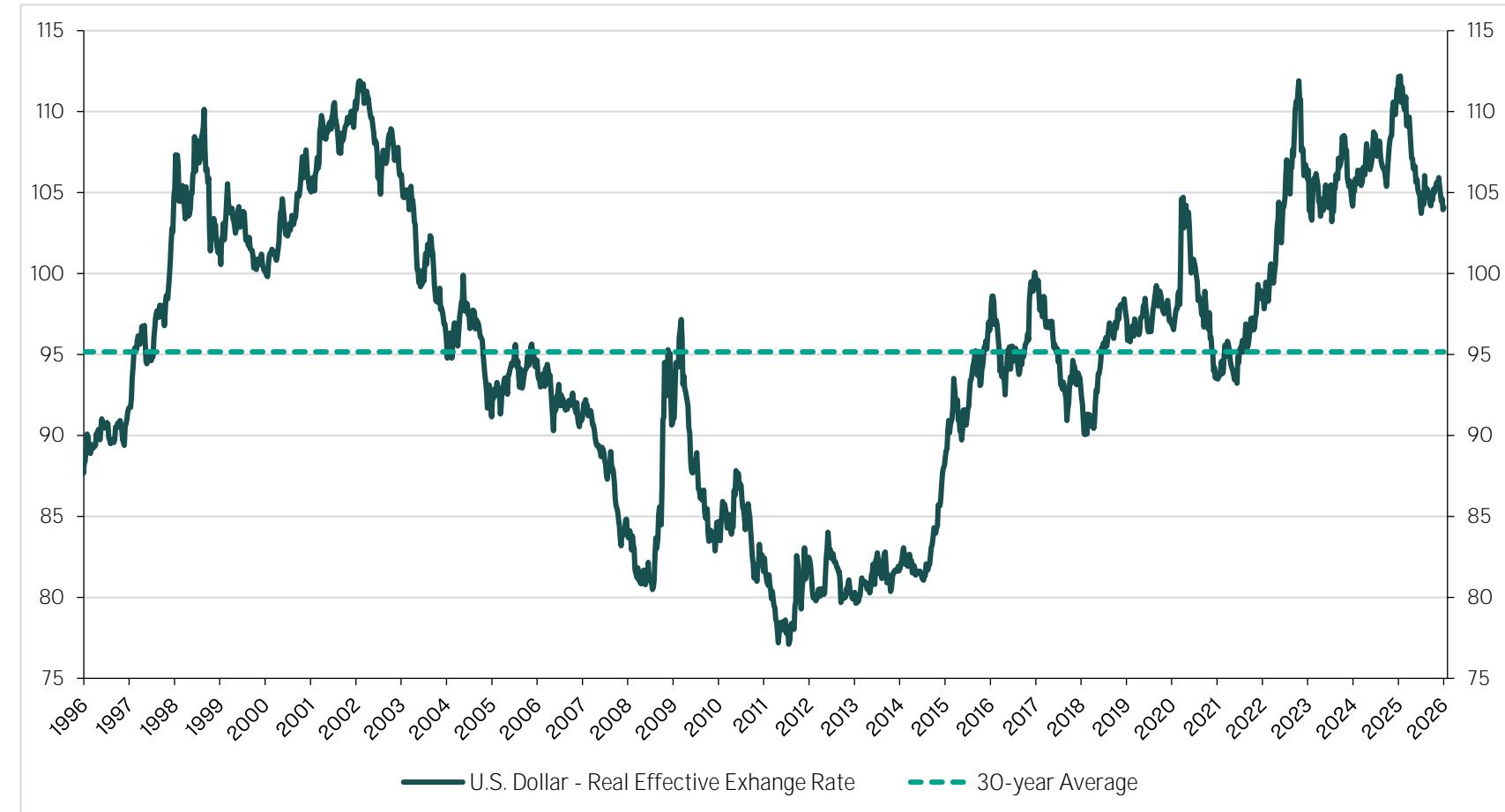
The U.S. Dollar

U.S. dollar: Losing its luster?

U.S. Dollar

- The trade-weighted U.S. dollar fell 11% in the first half of 2025 and then steadied in the second half, but still ended the year down 9%, its worst year since 2017 (-10%).
- Many of the drivers of the large dollar depreciation in 2025—impact of tariffs, hedging and trimming of dollar exposure by global investors, narrowing economic growth differentials—seem to have been priced in, and our base-case for the greenback in 2026 is for a more range-bound performance relative to most foreign currencies.
- The wild card would be the re-emergence of concerns about Fed independence, which could refuel the narrative of “fiscal dominance” and cause larger outflows from U.S. assets. This represents the bear-case scenario for the dollar in 2026.
- Concerns about the sustainability of the large U.S. budget deficit could also weigh on dollar valuations, and there are signs that foreign investors have begun demanding higher compensation for financing the ballooning Treasury debt issuance in the form of higher yields and a weaker dollar.
- Over the long term, we expect a still overvalued U.S. dollar to gradually depreciate toward levels more consistent with measures of fair value.

The U.S. dollar appears historically overvalued



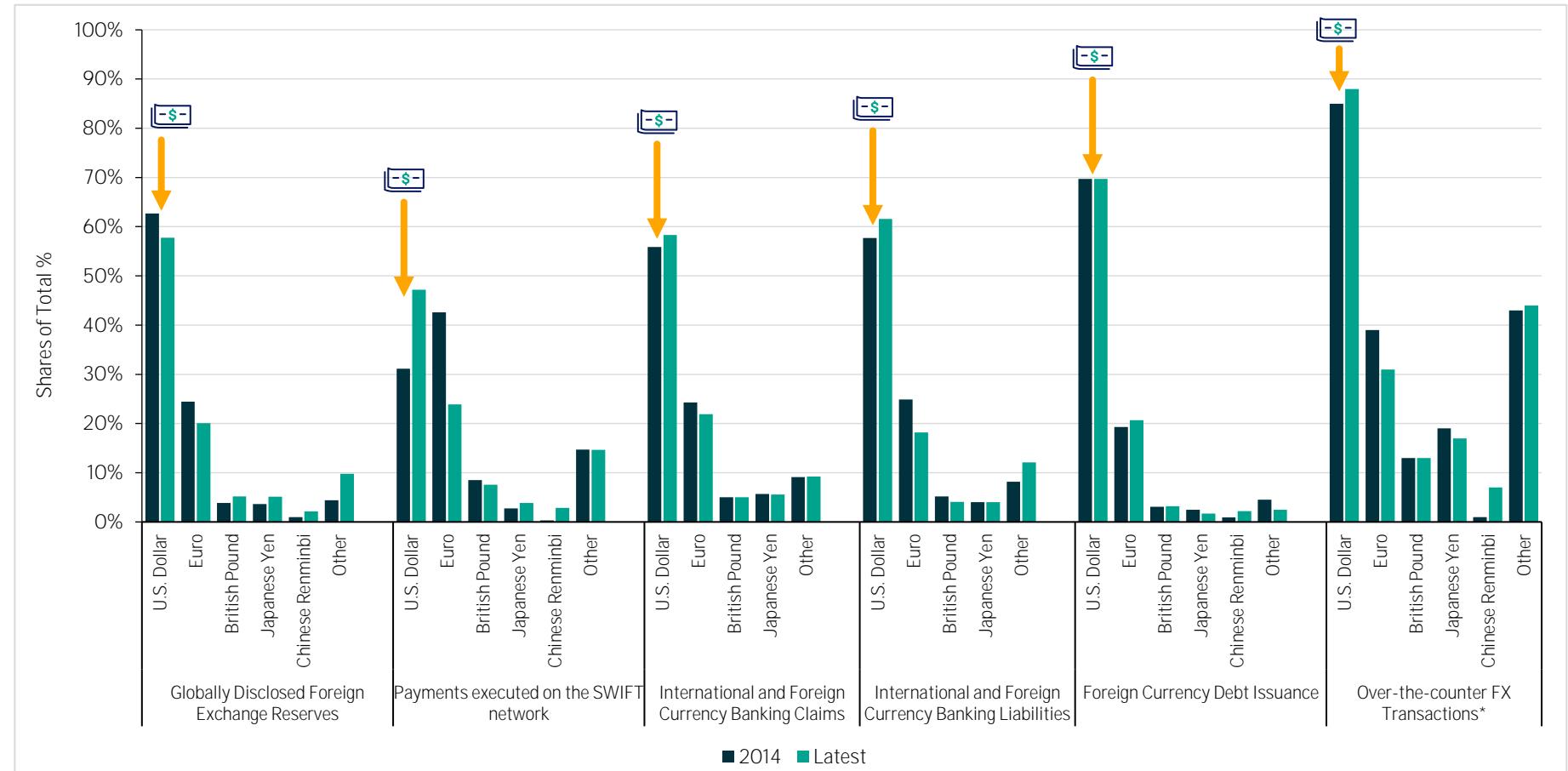
Source: U.S. Treasury, TIAA Wealth Chief Investment Office. Data through 1/2/2026.

Is the U.S. dollar at risk of losing its global reserve status?

USD usage

- Recent IMF data on the composition of global currency reserves shows that the U.S. dollar share has declined from 63% in 2014 to 57% in Q3 2025.
- However, a more complete view suggests that the dollar is at least as widely used as it was in 2014, from payment transactions to banking claims and foreign currency debt issuance.
- We expect the dollar to preserve its global role going forward, given strong innovation and a more dynamic labor market that contribute to best-in-class productivity growth, the unrivaled depth of U.S. capital markets, and the lack of viable alternatives.
- However, challenges to the USD's global role have increased over the past few years, and they intensified in 2025.
- For more, read our FocusPoint "[U.S. Dollar: Losing its luster?](#)"

Currency composition of different foreign exchange categories



Source: U.S. Treasury, TIAA Wealth Chief Investment Office. Data through 9/30/2025.

Long-term drivers of the U.S. Dollar



Inflation differentials

High inflation (especially if seen as structural and persistent) that erodes the purchasing power of consumers and businesses should lead to a weaker currency over time, while low and stable inflation should drive currency appreciation.



Interest rate differentials

As a rule of thumb, developed market currencies (where historically interest rate differentials are mostly a reflection of economic growth differentials) feature a stronger positive correlation with interest rate differentials than emerging markets.



Investment flows

Global investors are attracted to capital markets that are supported by stable inflation and attractive rates of return. In addition, economic and earnings growth potentials are key factors driving allocation decisions.



Terms of trade

93% of U.S. imports are invoiced in U.S. dollars. This means that the relative value change between export and import prices is much less impactful for the U.S. dollar.



Market sentiment

Some currencies (including the USD) have been historically positively correlated to market volatility, especially during times of large pullbacks in asset prices. This is because **investors seek shelter in “safe haven” assets, of which U.S. Treasuries are a predominant option.**



Global reserve status

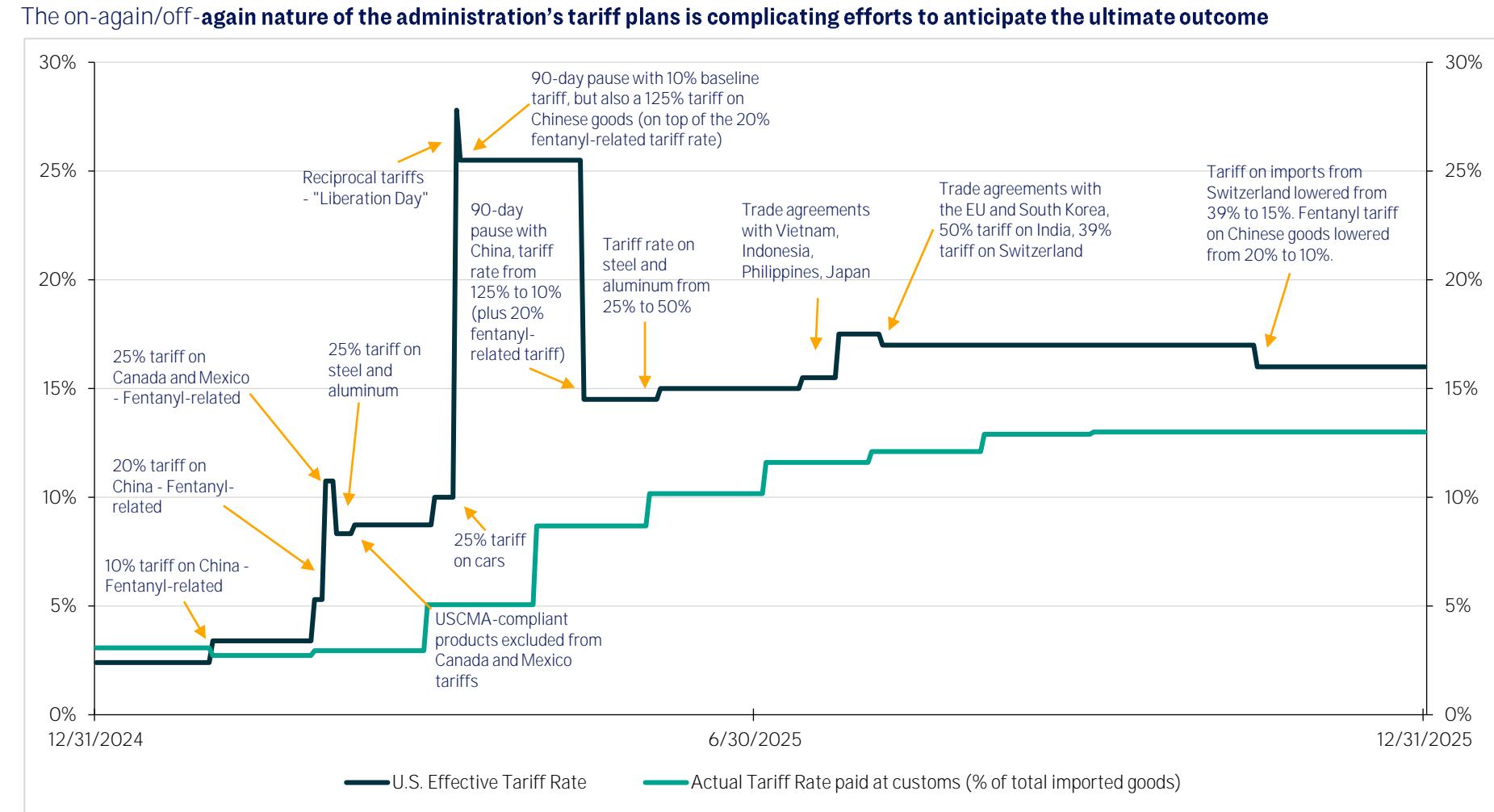
What allows the dollar to function effectively as the global reserve currency is its large, deep, and liquid capital markets. **As of Q1 '25, foreign investors held around 27% (\$7.6 trillion) of the \$28 trillion total marketable Treasury debt and 20% (\$18 trillion) of the \$90 trillion U.S. equity market.**

Tariffs

Tariff timeline

Tariffs

- The chart shows the frequent changes in the U.S. effective tariff rate since the start of 2025, and how actual duties paid by importers (as a percentage of total goods imports) are gradually converging towards the effective tariff rate. This convergence, in our view, signals that the tariff impact on consumers and businesses might intensify.
- Our view of President Trump's trade policy has been informed by what looks like a three-fold set of (somewhat competing) objectives: drawing trade partners to the negotiating table, raising tax revenue to fund the administration's tax cuts, and shrinking the U.S. goods trade deficit.
- Balancing these goals carries significant execution risks for the economy, given that higher tariffs are tantamount to a tax increase that weighs on households' purchasing power and businesses' profit margins.
- Legal challenges have injected additional uncertainty into trade policy. The Supreme Court is set to rule on the legality of reciprocal tariffs over the next few weeks, and while a decision to rule them unconstitutional would materially lower the effective tariff rate, President Trump has several other authorities at his disposal to reimpose elevated tariff rates (see page 27).



* Custom duties (as reported in the daily Treasury Statement) as a percentage of total goods imports.

Source: U.S. International Trade Commission, White House, Bureau of Economic Analysis, U.S. Treasury, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

U.S. presidential authority on tariffs

What can Trump do on his own?

- The May 28, 2025, ruling by the Court of International Trade (CIT) blocking most of President Trump's tariffs (all but the product-specific ones) opened a new front for the U.S. administration and is likely to lead to a Supreme Court ruling at some point.
- While this legal setback introduces a potentially benign scenario for markets, it's important to note that tariff rates have been allowed to remain in place pending appeal, and the Trump administration can (and likely will) pursue other ways to implement what remains a top policy priority should the court order stand.
- U.S. trade policy and rhetoric may continue to shift frequently, driven by:
 - Elevated uncertainty related to the likelihood of more product-specific tariffs.
 - The broad latitude at President Trump's disposal to reimpose tariffs through other authorities.
 - Future rulings by the court of appeals and potentially the Supreme Court.
 - The risk that impacts on corporate profit margins and households' purchasing power have yet to be fully felt.

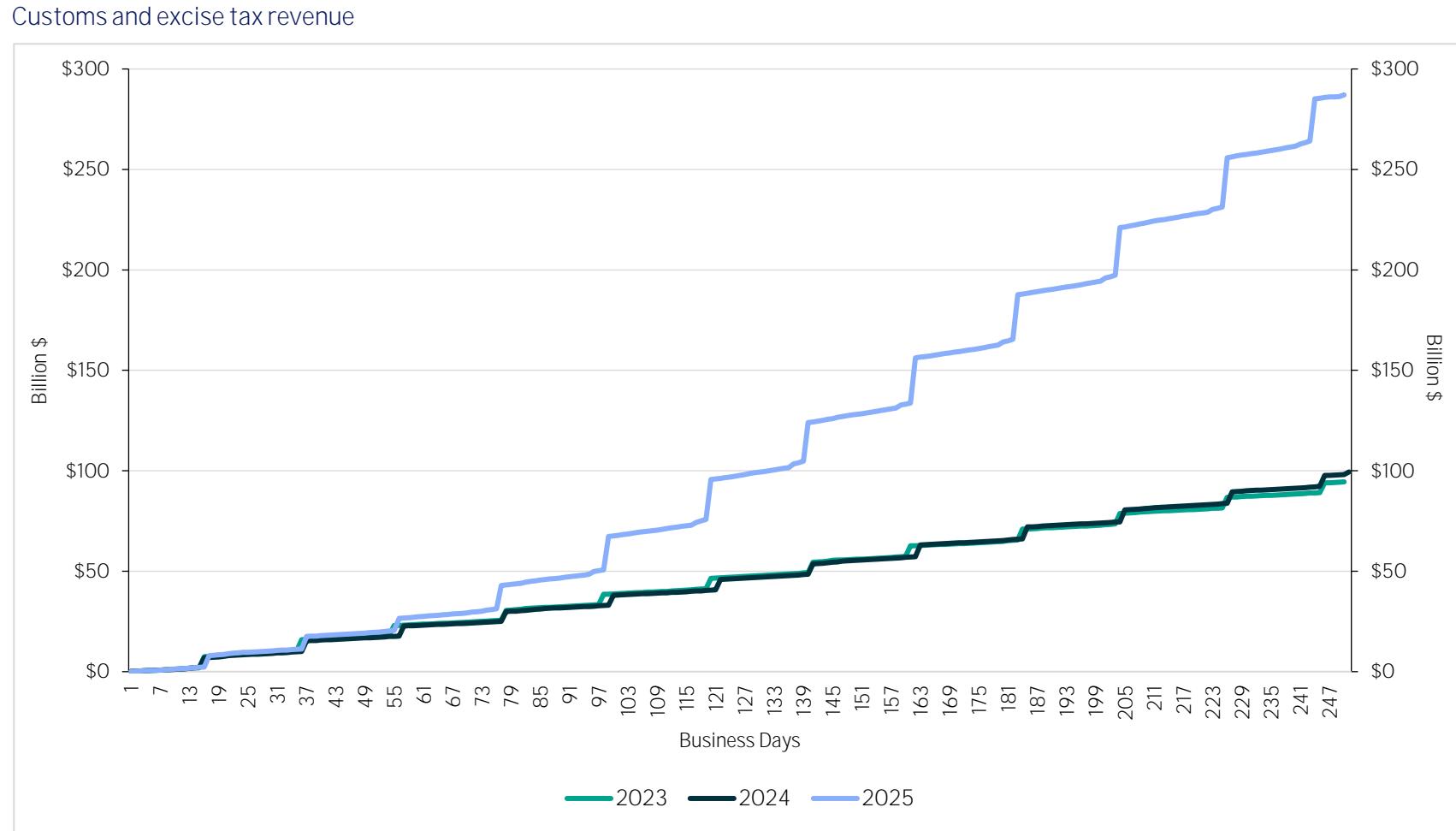
Presidential Authority on Tariffs*	Details	Investigation required?	Requires Congressional approval?
Section 122 of the Trade Act of 1974	Authorizes the president of the United States to temporarily (150 days) increase tariffs on imports to as high as 15% on grounds of "significant balance-of-payments deficits."	No formal investigation required.	Congressional approval is required for an extension past 150 days.
Section 301 of the Trade Act of 1974	Authorizes the U.S. government to address "unfair trade practices." No limit on the level or duration of these tariffs.	Yes, likely would take a few months.	No
Section 201 of the Trade Act of 1974	Authorizes the U.S. president to impose tariffs (of up to 50% above the existing tariff rate) if the U.S. International Trade Commission finds that a surge in imports is threatening serious injury to a U.S. domestic industry. These tariffs are not meant to be permanent, and the statute requires that actions in place for longer than one year be phased down "at regular intervals."	Yes, results required within 180 days, and actions to be taken within 60 days.	No
Section 232 of the Trade Expansion Act of 1962	Authorizes the U.S. president to impose tariffs on imports for national security reasons. Existing tariffs on autos, steel, and aluminum have already been imposed under this authority, and more investigations are ongoing.	Yes, likely would take a few months.	No
Section 338 of the Trade Act of 1930	Authorizes the U.S. president to levy tariffs of up to 50% on imports from countries that are deemed to impose unreasonable charges or restrictions on U.S. goods.	No formal investigation required.	No

*These authorities would likely put tariffs on more solid legal ground. However, they could still be challenged in court.

Annual customs duties

U.S. customs duties surging

- Customs and excise taxes collected at the border, as shown in daily data provided by the U.S. Treasury, have risen significantly relative to the past few years.
- Through the end of 2025, customs duties have significantly outpaced 2024's full year number.
- However, the tariffs collected YTD fall short of what the average tariff rate implies it should be (see page 26).
- This suggests that importers did not bear the full cost that would have been implied by the tariff rates announced in 2025.
- This could be due to foreign exporters absorbing part of the higher tariffs, and/or to the rerouting of trade flows from high-tariffed countries to lower-tariffed countries, and/or to the fact that goods already in transit before the implementation of reciprocal tariffs were exempted.
- Given the tangible nature of this dataset, its evolution over the next few months will offer key insights into these dynamics, and into the concrete impacts of U.S. tariffs on businesses and consumers.



Source: U.S. Treasury, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

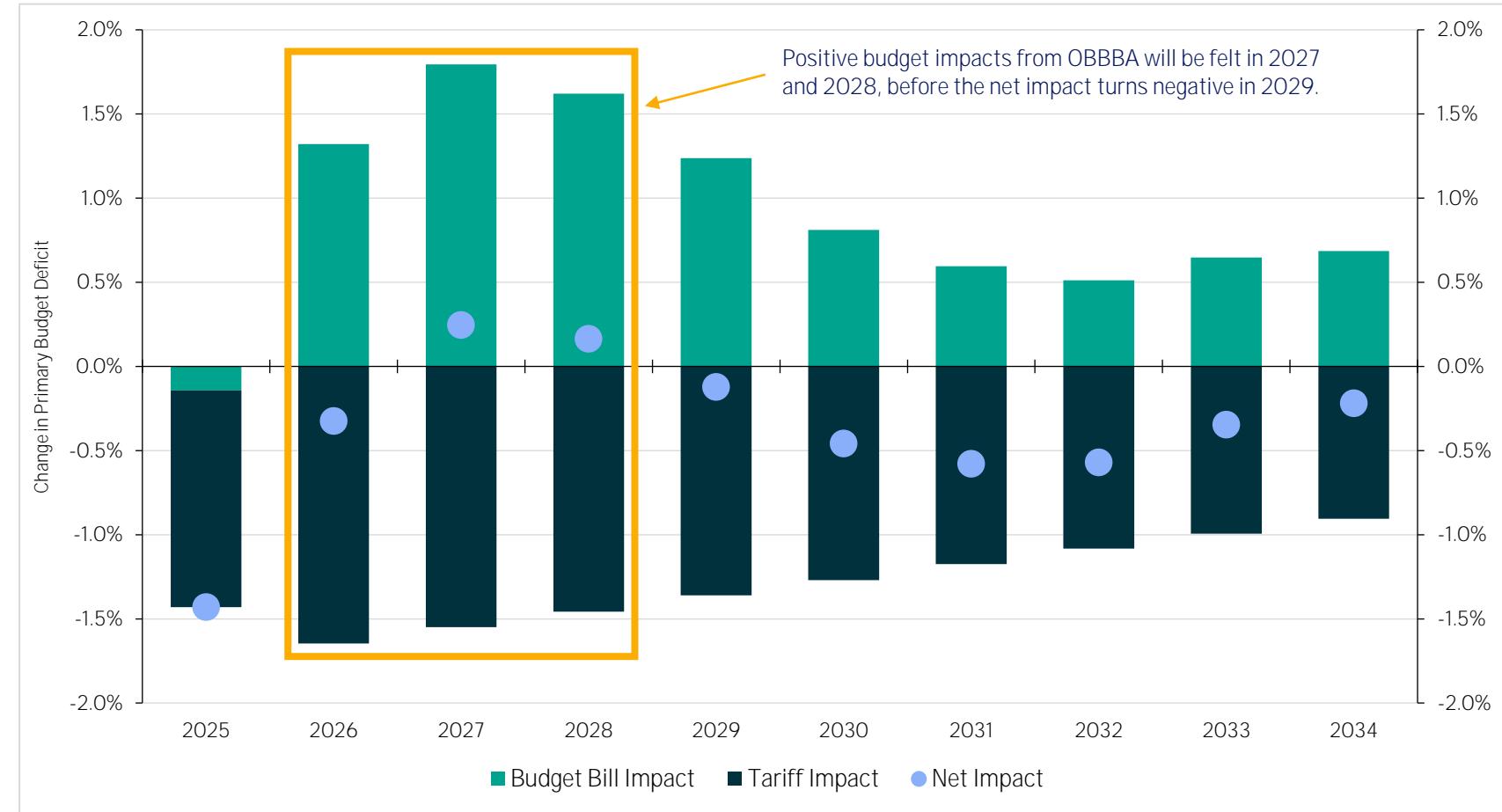
U.S. Fiscal Policy

The One Big Beautiful Bill Act

Change in primary budget deficit

- On July 4, 2025, President Trump signed the “One Big Beautiful Bill Act” (OBBBA) into law, following completion of the budget reconciliation process in both the House and Senate.
- Our assessment is that the Act does little to address the long-term sustainability of the U.S. fiscal position, and its aggregate impact on GDP growth could be rather modest, both in the short term and in the long term.
- The Act’s tax benefits must be measured against the backdrop of material cuts to crucial and widely used government programs, like Medicaid and SNAP. In the past, the CBO estimated that each dollar transferred by the federal government to individuals could produce as much as \$2.10 of additional spending into the U.S. economy, a multiplication effect greater than the one from individual and corporate tax cuts.
- Trade tariffs could remain a drag on consumer income and could largely offset any positive fiscal stimulus stemming from the Act. As the chart shows, the combined impulse (defined as the year-over-year change in the primary budget deficit) of tax cuts, spending cuts and tariff revenue is projected to be negative in 2025 and (to a lesser extent) in 2026.

The combined effect of tax cuts, spending cuts and tariff revenue is projected to reduce the primary budget deficit in 2025 and 2026



Source: CBO, Penn Wharton Budget Model, TIAA Wealth Chief Investment Office. Data as of 12/31/2025.

The One Big Beautiful Bill Act: Key income tax provisions

Tax Cuts and Jobs Act (TCJA) current provisions made permanent by the One Big Beautiful Bill Act (OBBBA)

Individual income tax rates	Makes TCJA tax brackets permanent (10%, 12%, 22%, 24%, 32%, 37%).
Capital gains tax rates	Maintains and extends current capital gains tax brackets (0%, 15%, 20%)
Standard deduction	Makes permanent and increases the standard deduction (indexed for inflation): - S: \$15,750 - MFJ: \$31,500 - Aged or Blind additional \$2,000 S/\$1,600 per qualifying spouse for MFJ
Mortgage interest deduction	Makes \$750,000 limit permanent; adds mortgage insurance premiums as allowable interest deduction
Miscellaneous itemized deductions	Makes permanent the elimination of all miscellaneous itemized deductions except for educator expenses Expansion of allowable deductible educator expenses beginning in 2026
Child tax credit	Makes permanent and increases the Child Tax Credit reviewed to \$2,200 per child (indexed for inflation and subject to phase out)
Section 199A pass-through deduction	Makes permanent pass-through deduction (increasing from 20% to 23% in 2026)
Annual gift tax exclusion	Maintains annual gift tax exclusion, currently \$19,000 per recipient (indexed for inflation)
Estate & gift tax exemption	Makes permanent and increases the lifetime exemption amount (increasing to \$15,000,000 in 2026, indexed for inflation thereafter)

New Individual Provisions under the OBBBA

Provision	Key Points	Effective Tax Years
Senior deduction	\$6,000 deduction for individuals age 65+ Phases out at MAGI of \$75,000-\$175,000 S/\$150,000-\$250,000 MFJ	2025-2028
Auto loan interest	Loan interest up to \$10,000 deductible for qualified U.S.-assembled vehicles purchased after 12/31/2024 Phases out at MAGI over \$100,000 S/\$200,000 MFJ	
Tips/overtime deduction	Tips: Up to \$25,000 deductible Overtime: Up to \$12,500 S/\$25,000 MFJ deductible Phases out at MAGI over \$150,000 S/\$300,000 MFJ	
SALT deduction	Increases to \$40,000 (2025), rises 1% annually thereafter Phases out to \$10,000 at MAGI of \$500,000-\$600,000 (for both S and MFJ) Reverts to \$10,000 in 2030	2025-2029
Itemized deductions limit	Deduction limited to 35% for taxpayers in the 37% bracket	2026-permanent
Charitable deduction for non-itemizers	New permanent deduction for non-itemizers for charitable contributions of cash up to \$1,000 S/\$2,000 MFJ	
Termination of Green New Deal subsidies	Termination of clean vehicle credit for cars and clean energy credits	Various
529 plans	Makes ABLE rollovers permanent Expands definition of qualified higher expenses and allows postsecondary credentialing expenses for distributions after July 4, 2025 Beginning in 2026: increases elementary/secondary education annual limit from \$10,000 to \$20,000	
Trump accounts	Beginning in 2025 provides for new tax-exempt accounts for children under 18 with \$5,000 annual contribution cap (indexed for inflation) Government pilot program with \$1,000 initial contribution for children born 2025-2028 Note: No contributions may be made before July 4, 2026	

Acronym Glossary: TCJA = 2017 Tax Cuts and Jobs Act; SALT = State and Local Tax; AGI = Adjusted Gross Income; MAGI = Modified Adjusted Gross Income; MFJ = Married Filing Jointly; R&D = Research and Development

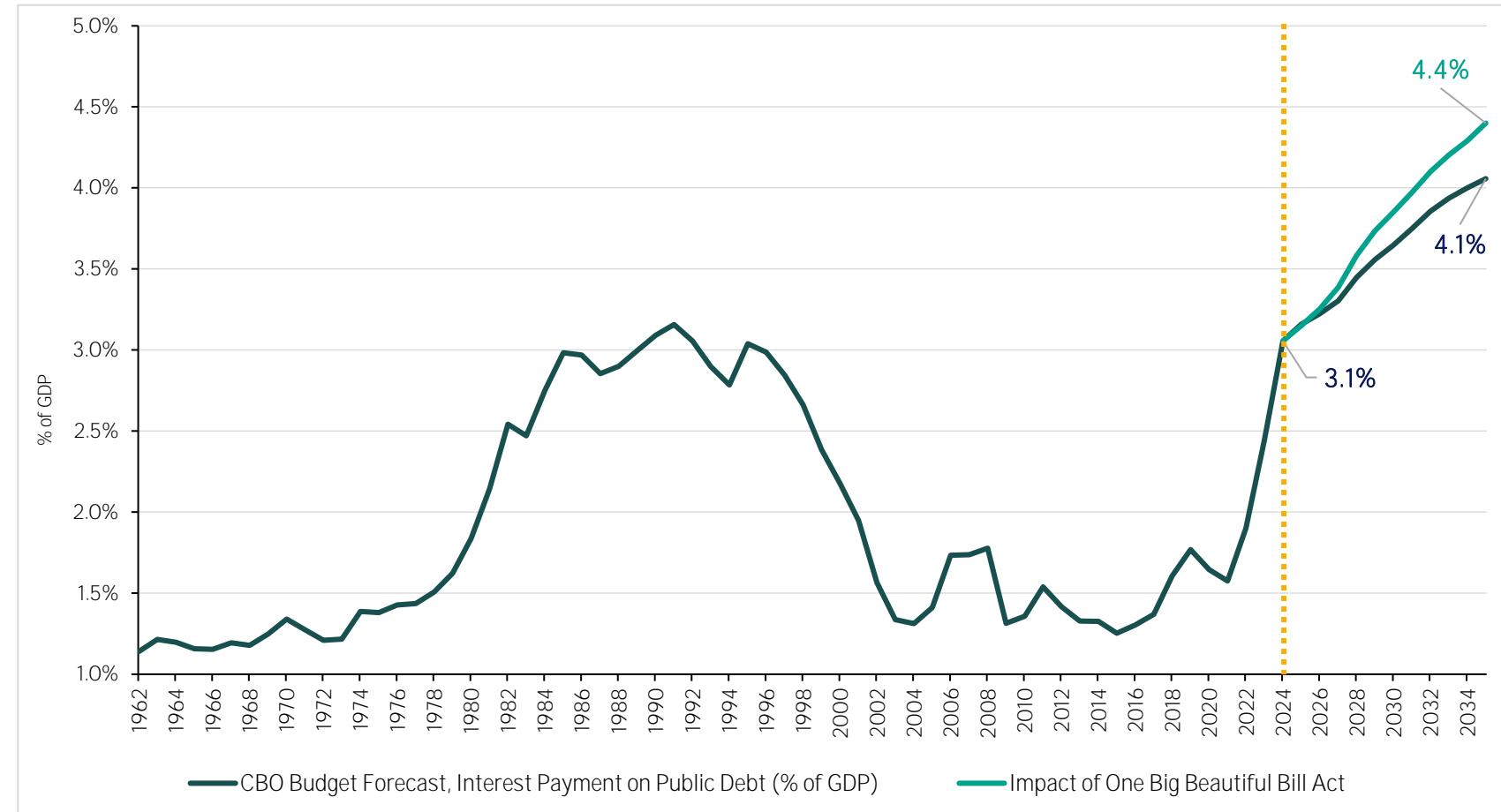
Source: White House, TIAA Wealth Chief Investment Office.

Interest payments on public debt continue to soar

Fiscal policy may impact bond markets

- In fiscal year 2024, U.S. interest payments on its debt amounted to 3.1% of GDP. The Congressional Budget Office (CBO) projects that it will increase to 4.1% by 2035 (dark green line). The CBO also estimates that the OBBBA will increase interest payments on the public debt to 4.4% in 2035 (light green line).
- The CBO estimates that debt and interest payments will continue to grow, with federal spending expected to jump ~50% to more than \$10 trillion, compared to less than \$7 trillion in 2024.
- Much of the increase is due to soaring costs for mandatory spending programs, including Social Security and Medicare, due to the aging U.S. population, and inflationary pressures.
- Rising debt, deficits and the interest payments required to finance deficit spending pose several risks to the economy, the financial system, and the post-WWII geopolitical order.
- According to the CBO, “Debt that is high and rising as a percentage of GDP could slow economic growth, push up interest payments to foreign holders of U.S. debt, heighten the risk of a fiscal crisis, elevate the likelihood of less abrupt adverse effects, make the U.S. fiscal position more vulnerable to an increase in interest rates, and cause lawmakers to feel more constrained in their policy choices.”

Interest payments by the federal government are projected to climb to more than 4% of GDP over the next decade



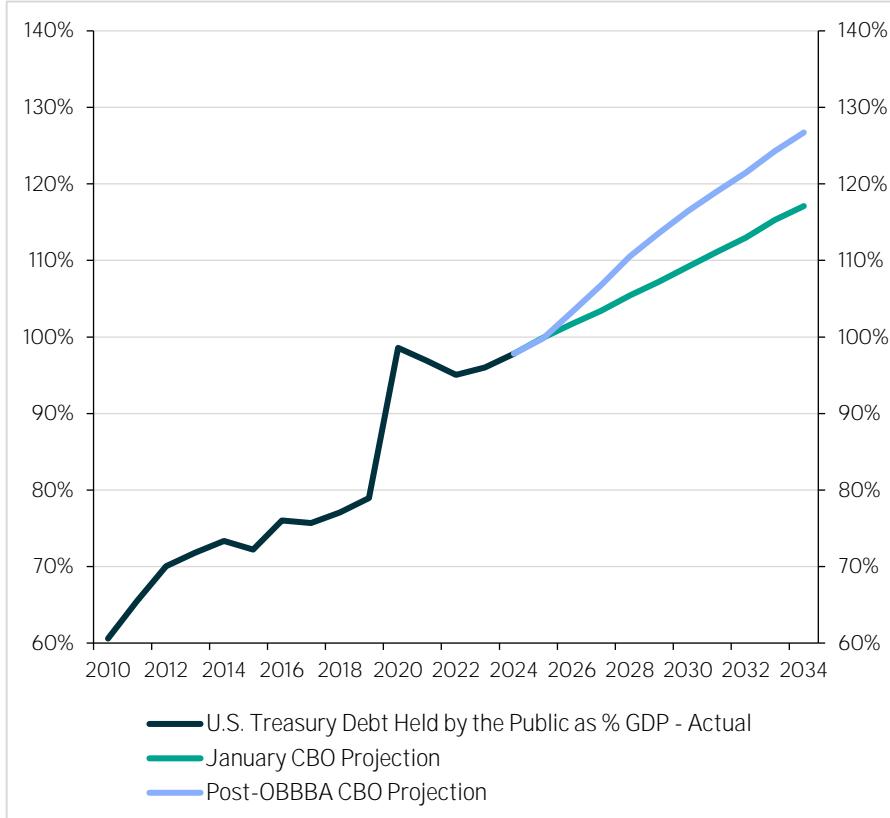
Source: FactSet Financial Data and Analytics, CBO, TIAA Wealth Chief Investment Office. Projections through 12/31/2035. CBO forecast data is right of the dotted line.

Federal spending

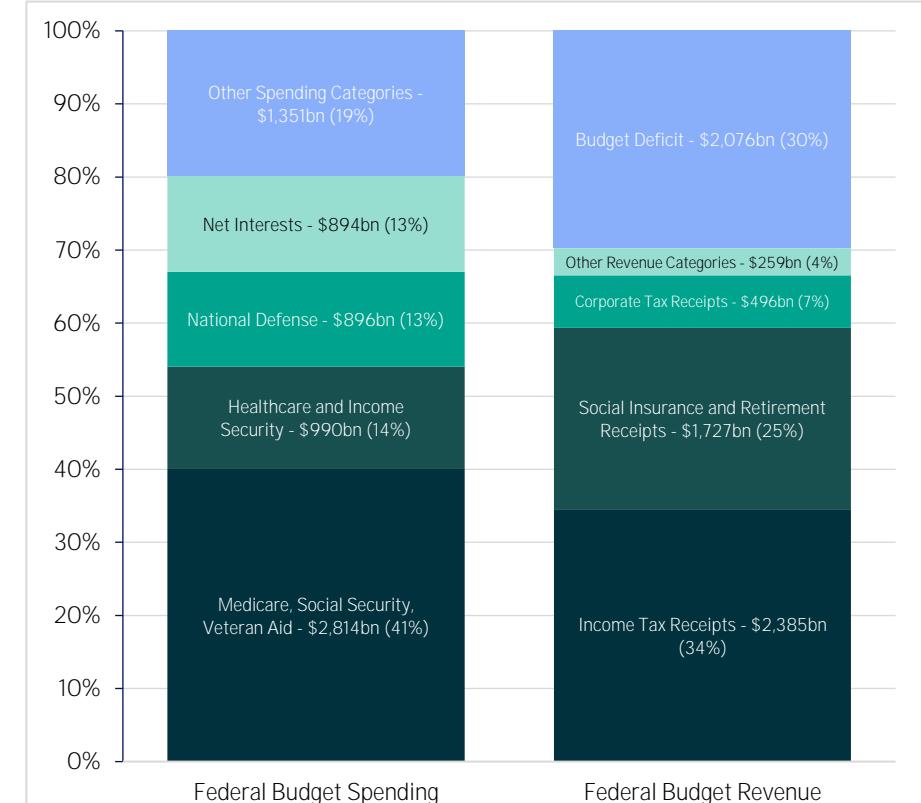
Federal spending

- The CBO projects that, after the signing into law of the “One Big Beautiful Bill Act,” the ratio of marketable Treasury debt to U.S. nominal GDP will rise to ~127% by 2034. This compares to their pre-OBBA projection of 117% (left panel).
- Trade tariffs might provide a partial offset over time, although their impact and durability remain unclear.
- Besides this potential offset, there are little reasons to believe that the upward trajectory in the debt/GDP ratio will slow down without cuts involving mandatory spending (Social Security, Medicare, etc., right panel) or lower interest rates that would reduce annual interest payments.

U.S. Treasury debt held by the public as a percentage of GDP



A large share of federal budget expenditures are very challenging to cut

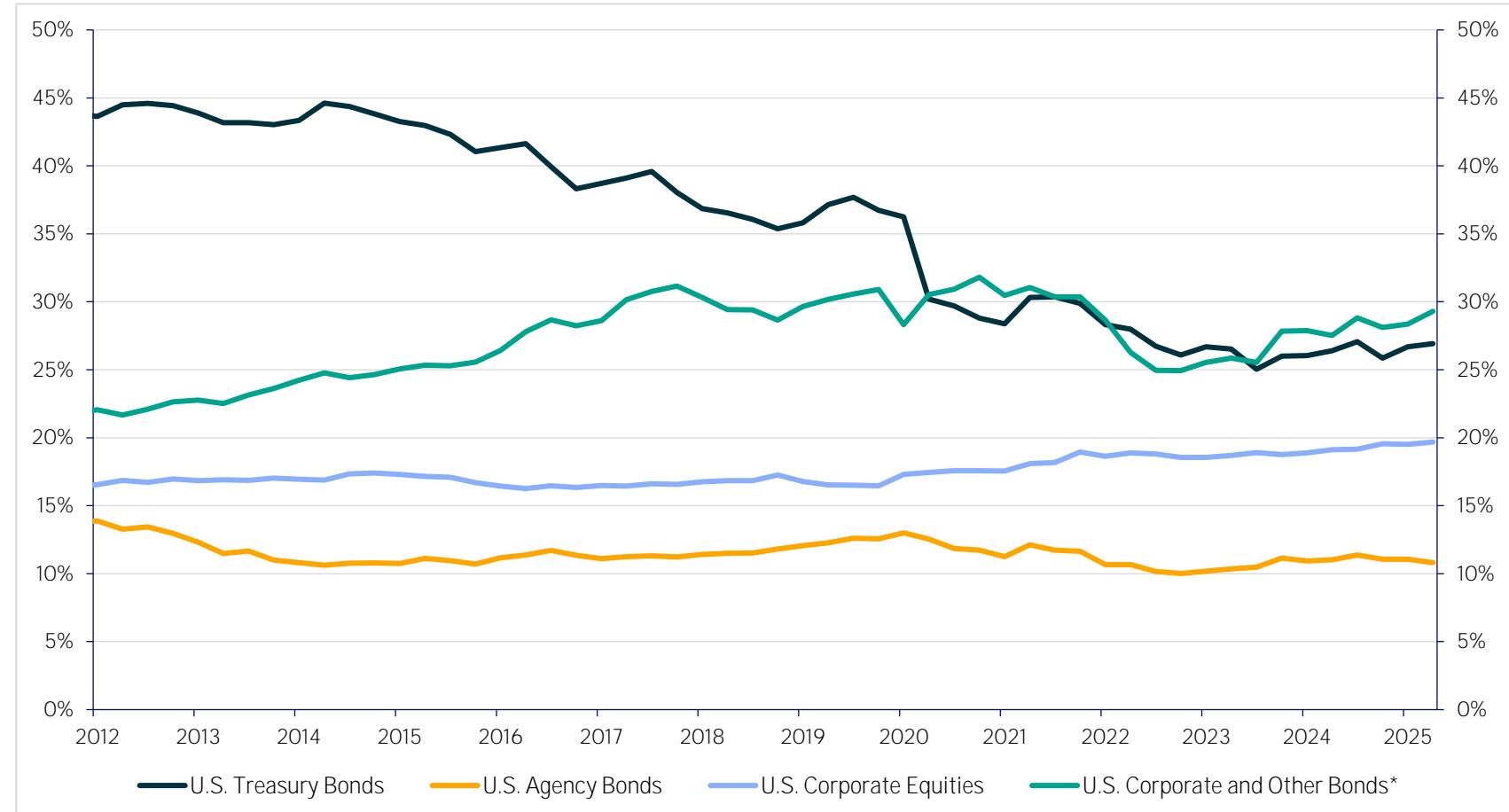


Who owns U.S. assets & debt

Foreign investors own a significant share of U.S. financial assets

- The share of U.S. Treasuries owned by foreigners (dark green line) has declined from ~45% in 2012 but remains high at more than 25%.
- Foreigners own nearly ~30% of corporate debt (light green line), but only 20% of U.S. equities (light blue line), and 11% of U.S. agency bonds.
- Escalating fiscal concerns in the U.S. may lead foreign investors to demand a higher premium (from lower valuations to a weaker U.S. dollar) to remain invested in U.S. assets.
- An increasingly protectionist stance by the U.S. could drive more integration and cooperation abroad, including a significant step up in fiscal stimulus and investments in both Europe and China.

Foreign investors own a material share of U.S. financial assets, from stocks to corporate and U.S. Treasury bonds



*Municipal bonds and securitized products.

Source: Federal Reserve, TIAA Wealth Chief Investment Office. Data through 6/30/2025.

04

Macro Overview

Inflation, the labor market, housing market, and consumer health.

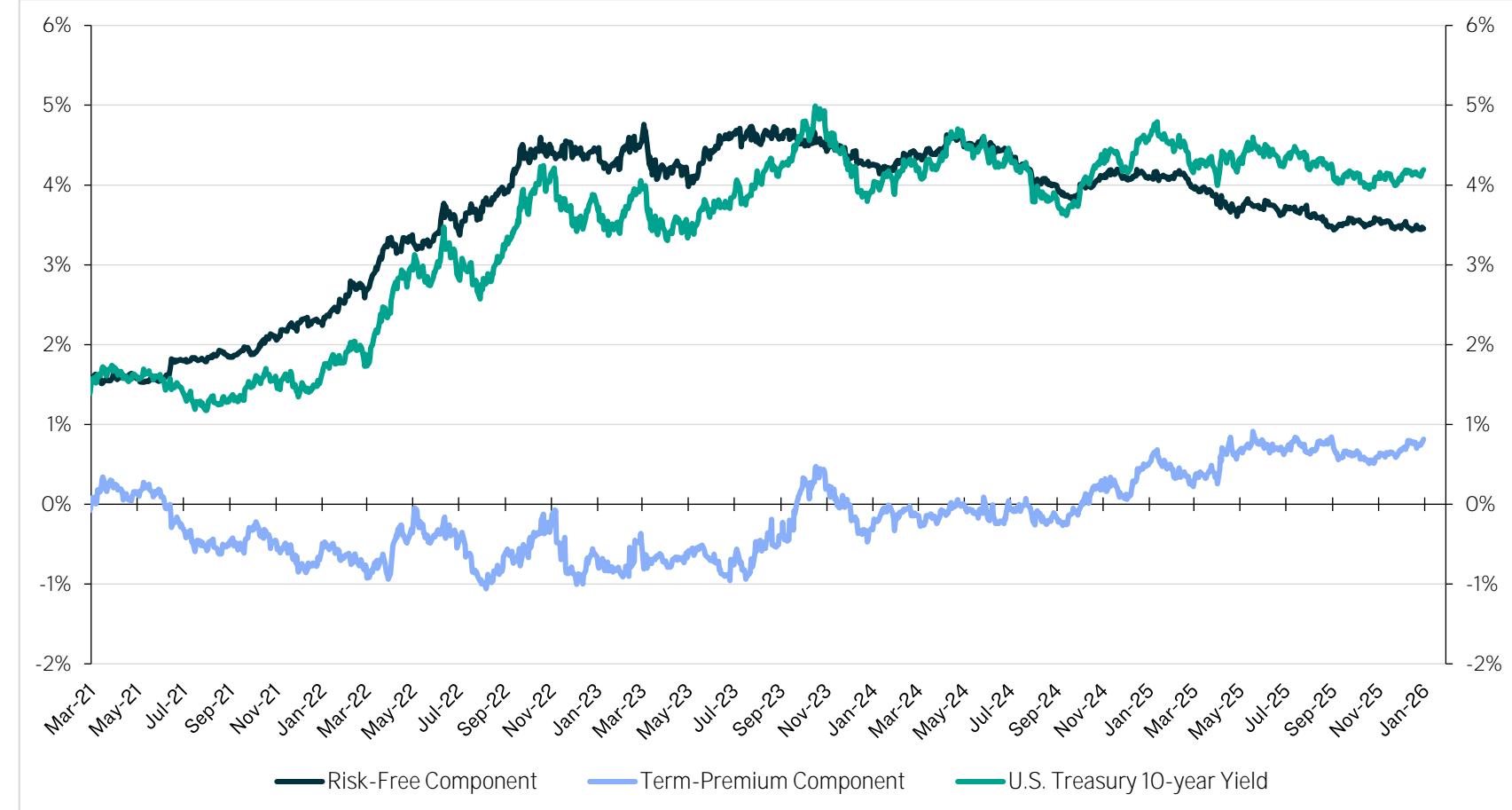


Understanding the drivers of long-term Treasury yields

Factors influencing 10-Year Treasury Note

- The risk-free component (dark green line) of the U.S. Treasury 10-year yield declined by ~60 bps between mid-February 2025 (when the U.S. equity market peaked) and the end of Q4.
- This is the result of growing market expectations for Fed funds rate cuts in the second half of 2025 and in 2026, and a byproduct of the increased risk aversion caused by policy and economic uncertainty.
- However, the other component of long-term yields (the term premium [light blue line], or the premium investors demand to buy long-term bonds rather than rolling over short-term bonds) has increased by ~90 bps since the end of Q3 2024.
- This indicates that investors are demanding a higher premium to compensate for growing uncertainty—from the impact of trade tariffs on foreign demand for U.S. assets to concerns around fiscal sustainability and persistent inflation.

What's driving the 10-year U.S. Treasury yield?

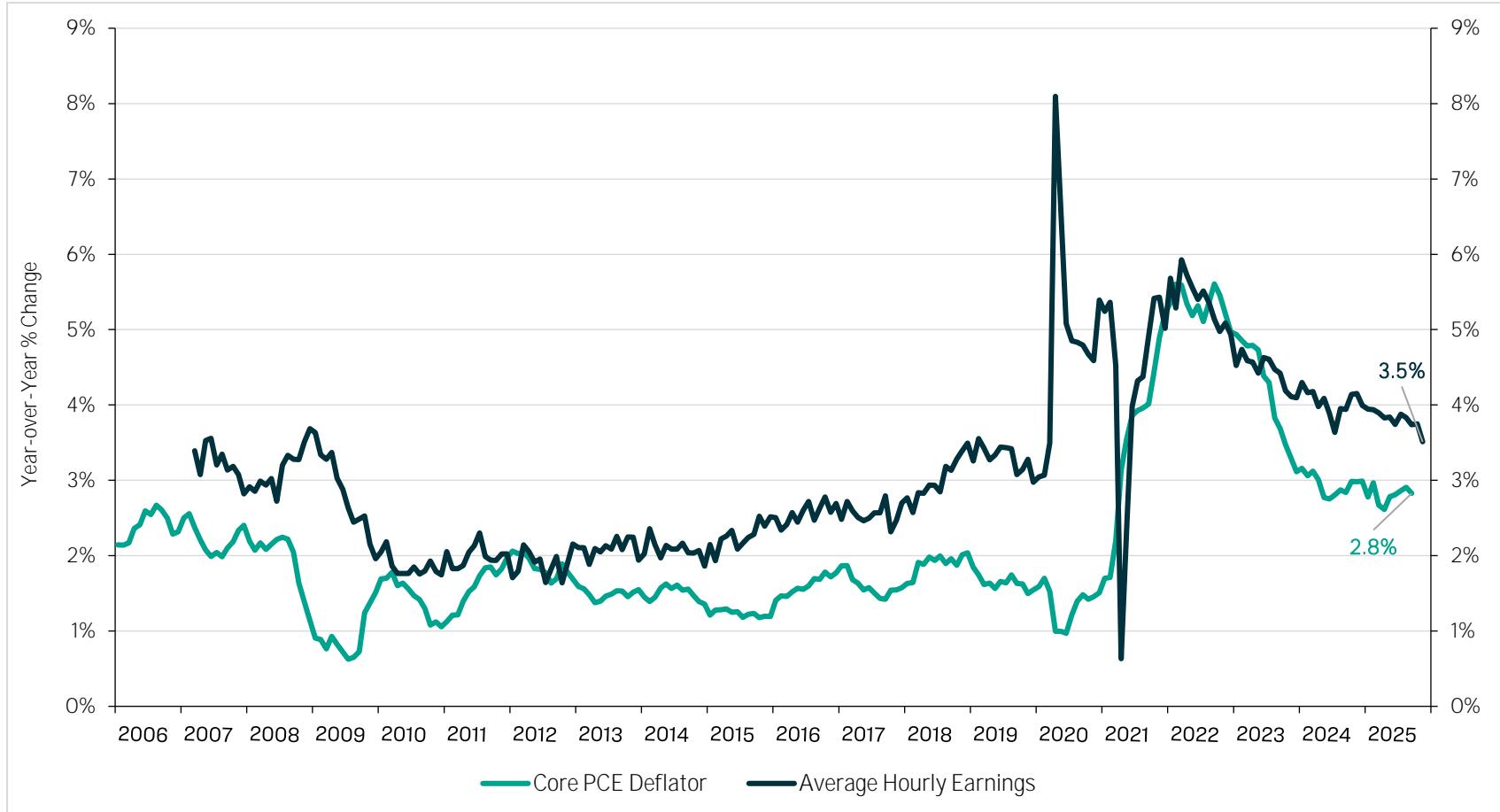


Core and wage inflation have decelerated, but remain high

U.S. inflation & wage growth

- Labor costs (a proxy for which is average hourly earnings) account for roughly 2/3 of business costs. Other business costs include raw materials, transportation, taxes, insurance, interest payments, tariffs, etc.
- As a result, wage inflation (dark green line) is a key metric to gauge the overall pace of inflation economywide, measured here by the Core PCE (personal consumption expenditures) deflator (light green line), **the Fed's preferred inflation gauge**.
- In general, average hourly earnings growth in the 2.5%–3.5% range is **consistent with the Fed's 2% target for core inflation**. Current levels of wage growth might become consistent with the 2% inflation target if productivity growth continues to average 2% or more.
- Wage growth cooled in 2025 but remains close to 4%, inconsistent with 2% core inflation, historically speaking.
- The Fed remains committed to its dual mandate, although it faces the challenge of balancing these goals amidst slowing employment growth and still-elevated inflation.

Wage growth remains faster than it was on average before the pandemic, creating upside risks to inflation



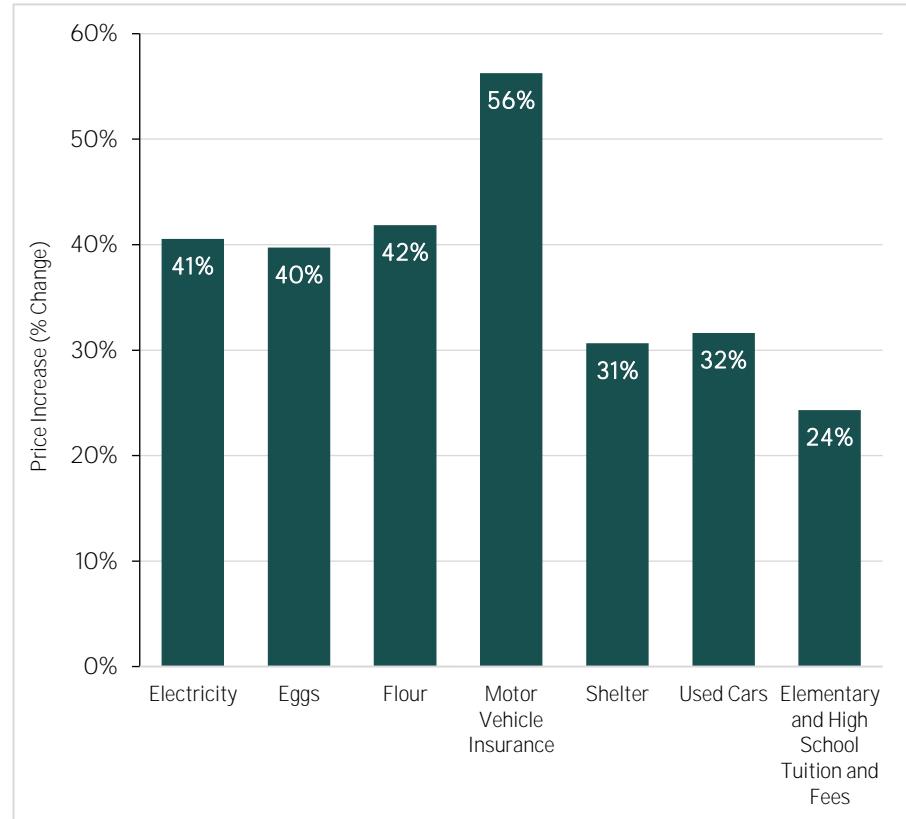
Source: FactSet Financial Data Analytics, TIAA Wealth Chief Investment Office. Data through: Core PCE through 9/30/2025; Average Hourly Earnings through 11/30/2025.

Contributors impacting headline and core inflation

Inflation contributors

- Prices of common items like electricity, eggs, flour, used cars, motor vehicle insurance, housing (shelter), furniture, tuition, etc. are still significantly higher than pre-pandemic levels, owing to disrupted supply chains, COVID dislocations, etc. (left panel).
- However, the pace at which prices are rising has slowed (right panel) due in part to the Fed's rate hikes and a return to normal for global supply chains, though tariffs now threaten this balance.
- Most recently, the rate of inflation has been broadly slowing/decelerating since Q2 2025 (right panel).

Price Increase for key goods & services since end of 2019



Core CPI Inflation



Source: BLS, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Labor market is beginning to cool and normalize

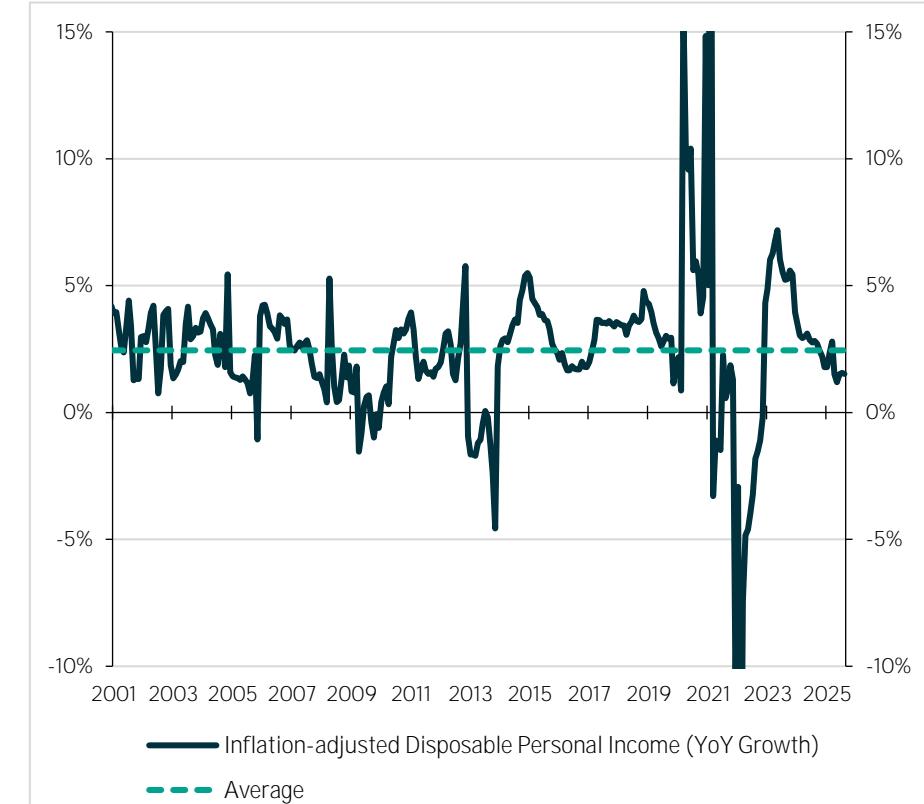
Labor market

- The labor market continues to show signs of weakening. Job creation has slowed, with nonfarm payrolls averaging just 29,000 new positions over the three months ending in August 2025 (left panel), dark green line).
- Meanwhile, while the unemployment rate had risen to 4.5% in November, it fell to 4.4% in December. Layoffs and jobless claims remain contained, but continuing jobless claims have steadily crept higher, indicating it is taking individuals longer to find new employment (left panel, light green line).
- Further muddying the picture, the acute slowdown in immigration flows has led to a deceleration in the pace of growth of the labor force. Given the smaller number of new workers looking for jobs, the monthly rate of job creation required to keep the unemployment rate steady has declined.
- Inflation-adjusted disposable personal income growth in 2025 (right panel, dark blue line) is projected to be modest, with August 2025 data showing year-over-year (YoY) growth has slowed to ~1.9%, down from 2.8% in August 2024, and below the 2.5% average (light blue line). Furthermore, economists are projecting that it is poised to decelerate further, on weaker employment and reduced wage growth.

Employment growth and unemployment rate



Inflation adjusted disposable personal income growth



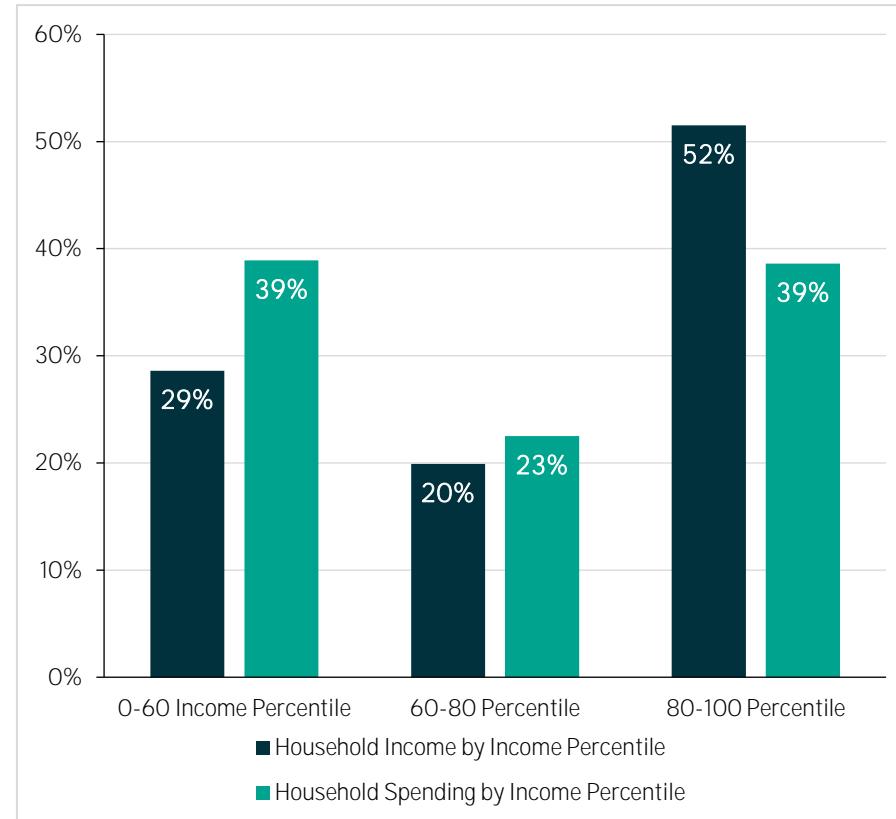
Source: Kansas City Federal Reserve, BLS, TIAA Wealth Chief Investment Office. Data through 12/31/2025 (left panel) and 9/30/25 (right panel).

Lower income households are struggling

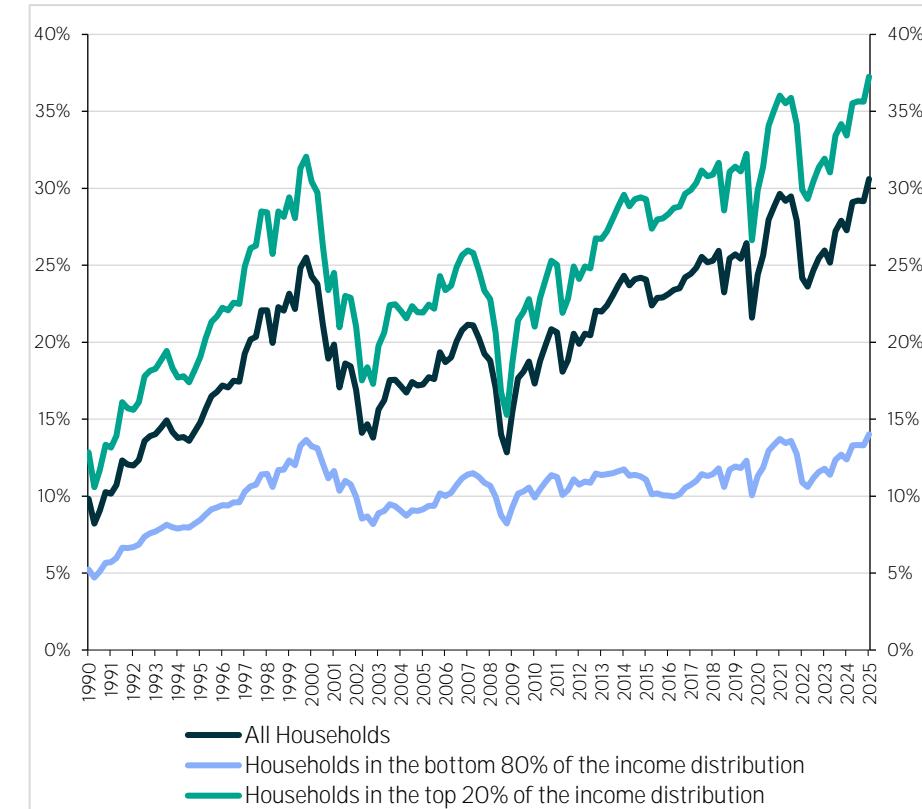
Consumer liquidity

- Given their higher propensity to spend, emerging cracks in the consumption behavior of lower-income households is raising concerns about the overall health of the economy (left panel).
- The impact of the Trump administration's OBBBA is likely to further weaken the finances of lower income households.
- While higher-income households can still count on a healthy liquidity buffer that was accumulated during the pandemic, **the same can't be said about lower-income households**.
- At the end of Q3 2025, ~30% of all households (right panel, dark green line) had some exposure to equities via direct holdings, mutual funds, IRAs, 401ks or pensions.
- However, 37% of households in the top 20% of incomes (right panel, light green line) own equities, while less than 15% in the remaining 80% of households have exposure to equities (right panel, light blue line).
- As a result, the top end of the economy is more exposed to the daily fluctuations in the stock market.

Household income and spending by percentile



Equity exposure as % of total net worth



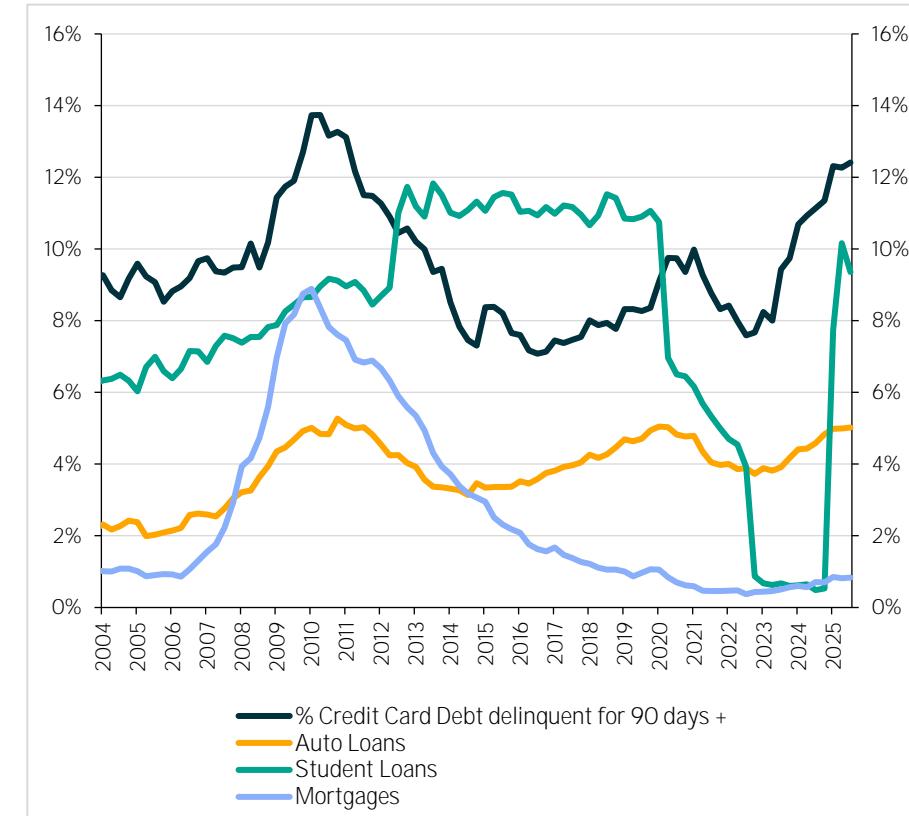
Source: BEA, BLS (Consumer Expenditures Survey), Federal Reserve, TIAA Wealth Chief Investment Office. Data through 6/30/2025.

Consumer health is beginning to feel stress, but it's not 2008

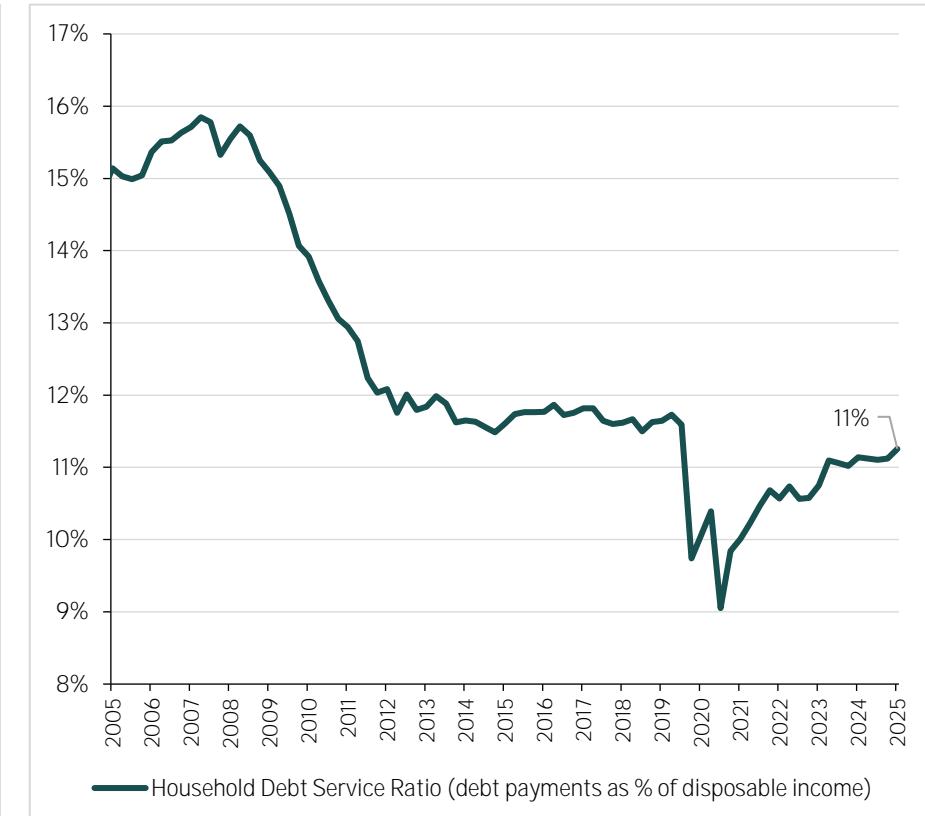
Consumer spending

- Inflation is moving slowly towards the Fed's 2% target, but it continues to be a major source of stress for consumers, along with the slowdown in the labor market. Both are weighing on consumers, especially those in the low-income cohort, who have been tapping into their credit cards to spend.
- Notice the spike in student loan debt (left panel, light green line) in Q1 2025, which hit as Covid-era government relief for student loan borrowers came to an end. A surge of loan defaults is still looming, with affected borrowers facing wage garnishment and reductions to their credit scores.
- The delinquencies show inflation has had a much more pronounced impact on households living paycheck to paycheck, as the increased cost of living exceeds the nominal increase in available cash.
- That said, household debt service payments as a percent of disposable personal income are far lower than they were during the 2007-2009 financial crisis; 11% at the end of Q3 2025 vs. 16% in December 2007 (right panel).

Flows into early delinquencies
% of balance delinquent 90+ days through Q3 2025



Household debt service ratio
Debt payments as a % of disposable personal income through Q3 2025, SA¹



¹Seasonally adjusted

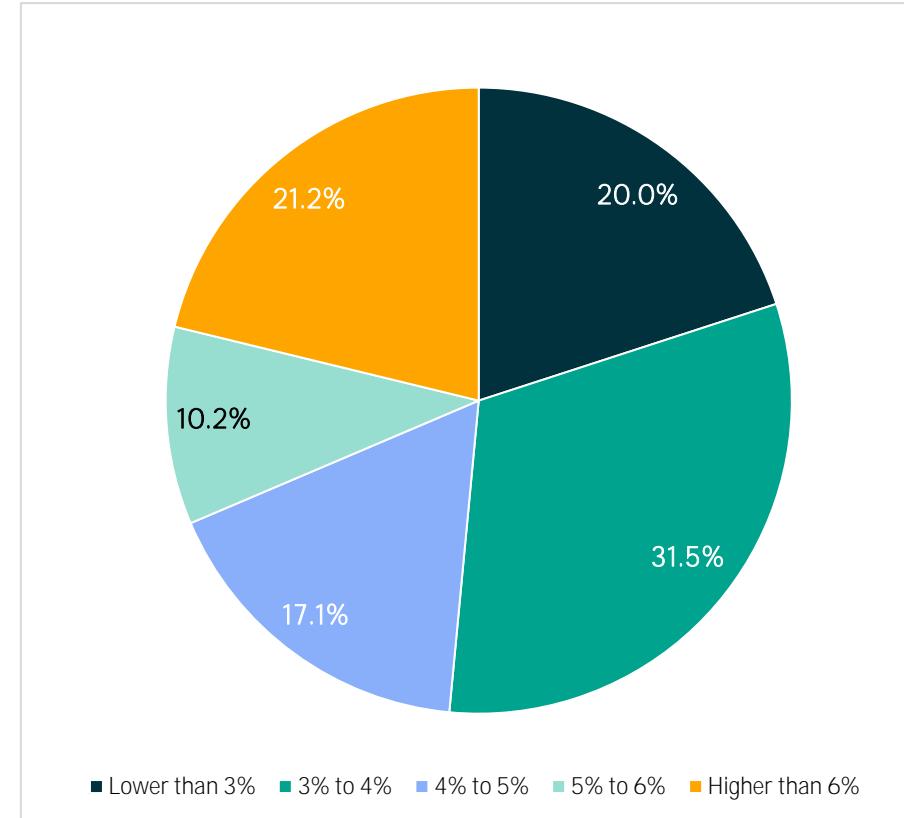
Source: Federal Reserve, BEA, TIAA Wealth Chief Investment Office. Data through 9/30/2025.

The housing market remains under pressure due to several factors

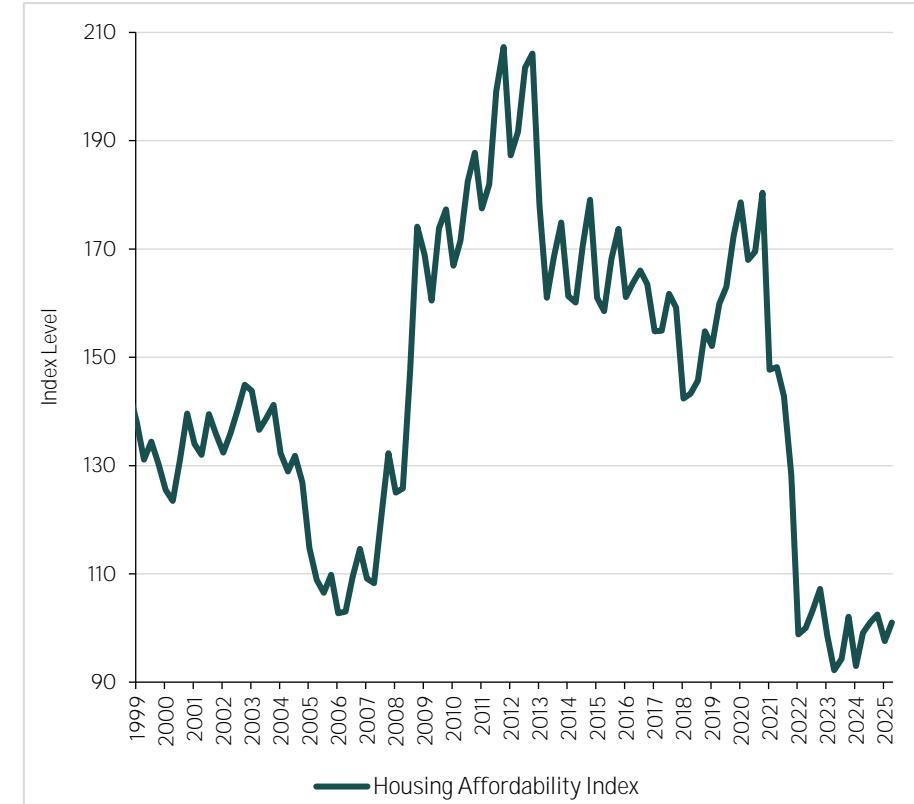
Housing inflation & mortgage rates

- The housing market is “stuck,” via a combination of historically low affordability, limited supply, and higher mortgage rates.
- Roughly 70% of existing homeowners have mortgages with rates of 5.0% or lower (left panel).
- Mortgage rates are starting to inch down, though they remained stubbornly high in 2025. Despite rate cuts, they are tied to the 10-year Treasury yield, which has also remained high due to ongoing concerns about inflation, and the economic uncertainty surrounding the U.S. dollar.
- Home prices remain high but are also starting to inch down in several major metropolitan markets. However, the median buyer still struggles to afford the median-priced home (right panel).
- As a result, pressures on the housing market are not likely to ease in the near term.

Outstanding mortgages by interest rate



Housing affordability remains a challenge for prospective buyers



A slide in housing prices is likely on the horizon

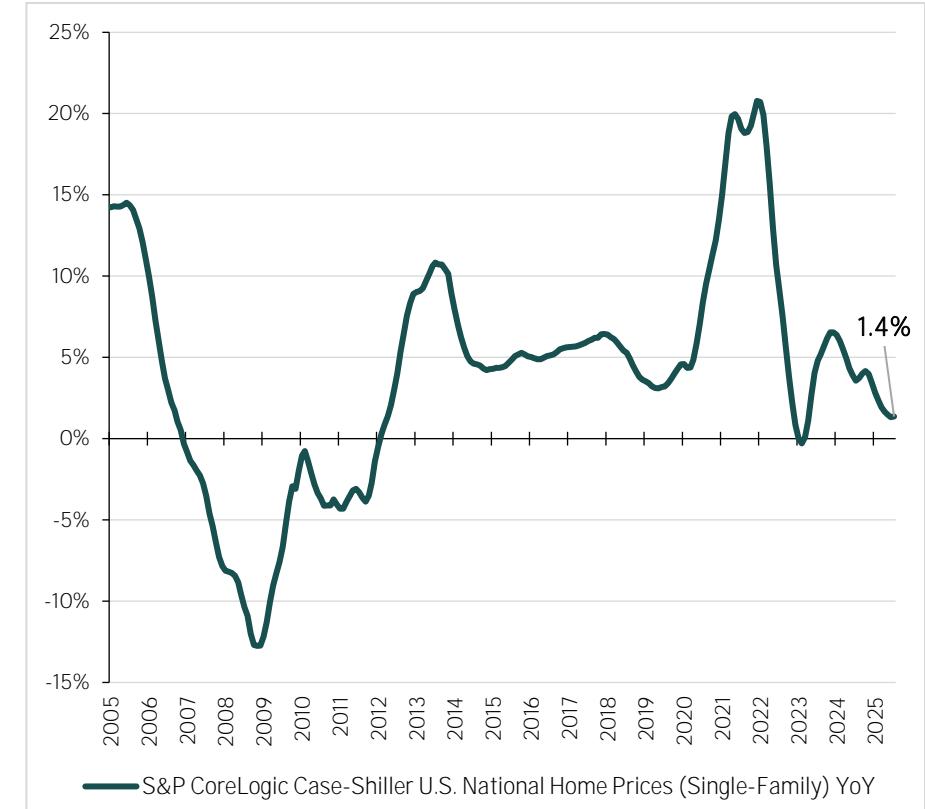
Home buyers vs. sellers

- According to Redfin, there are ~37% more home sellers than buyers (left panel), which is up from 36% in November 2025 and 17% a year earlier. The gap has been hovering above 35% since April 2025.
- Overall, 36 of the 50 most populous metros were buyer's markets, seven were balanced markets and seven were seller's markets. The buyer's markets are concentrated in the Sun Belt and on the West Coast, while balanced markets and seller's markets skew more toward the Midwest and East Coast.
- Home price growth is slowing nationally (right panel), moving toward stabilization after years of rapid increases, but some markets are seeing prices drop due to higher inventory and affordability issues.
- Affordability remains a hurdle, especially for first-time buyers, and price appreciation might be reaching its logical peak.
- Per Zillow, the average United States home value is \$357,275, up 0.1% over the past year

Difference between estimated number of U.S. home sellers and buyers



Home price gains have decelerated but may need to fall further



Source: Mortgage Bankers Association, Federal Housing Finance Agency, National Association of Realtors, TIAA Wealth Chief Investment Office. Data through 11/30/2025 (left panel) and 10/31/2025 (right panel).

05

Equities

Equity investors remain focused on fundamentals amid geopolitical turbulence and the rise of AI.

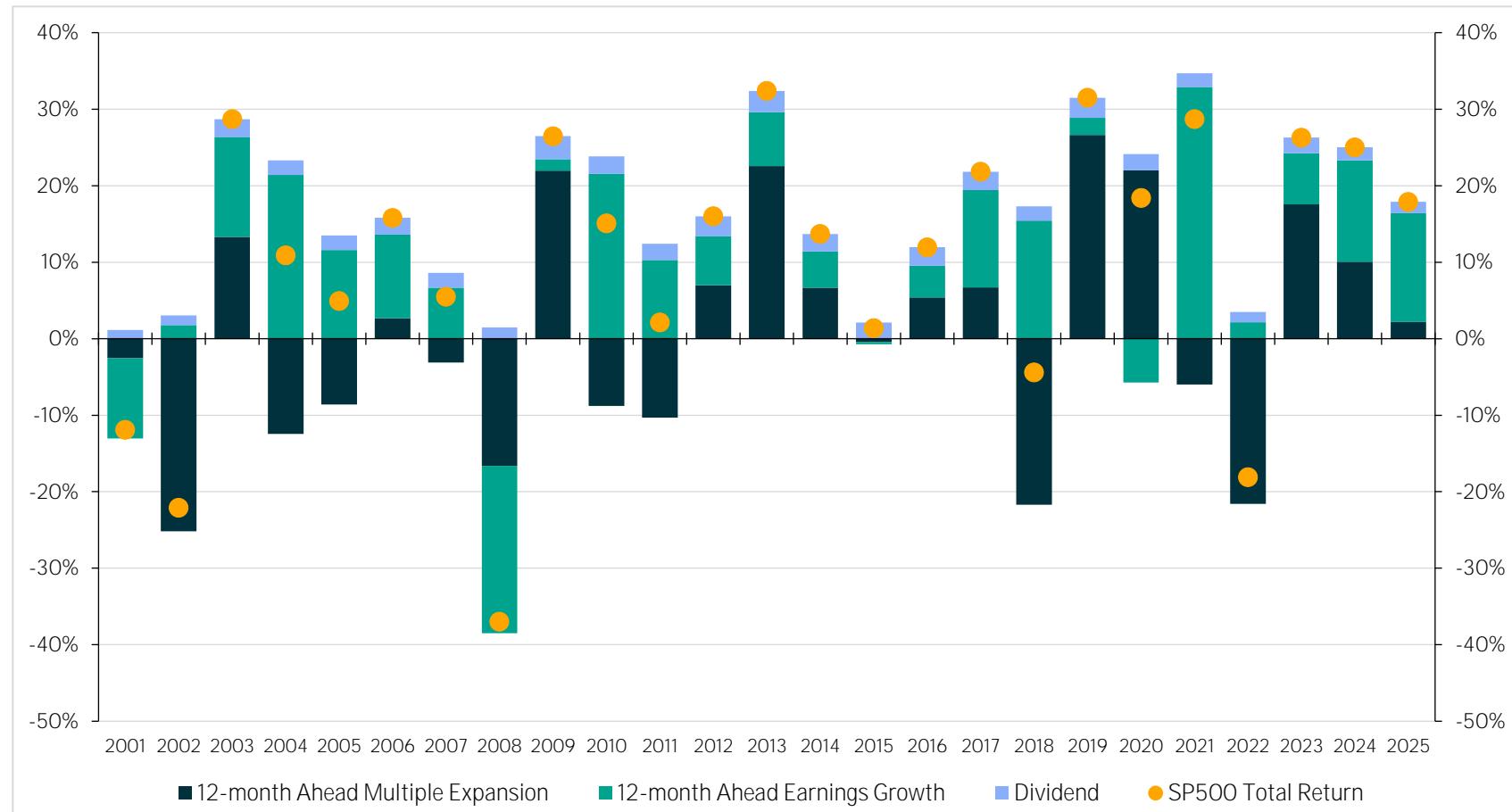


Drivers of equity returns

Key drivers of stock prices

- Approximately 2% of the S&P 500 returns in 2025 were driven by a rise in the price-to-earnings (P/E) ratio (dark green segment), with the balance from earnings (light green segment) and dividends (light blue segment).
- Over the past 25 years, on average, 60% of S&P 500 annual returns stem from earnings growth, 22% from multiple expansion and 18% from dividend payments.
- In general, given the mean-reverting nature of equity valuations, multiples are not a significant driver of long-term equity performance, which instead hinges on earnings growth and dividend payments.
- Between the end of 2000 and the end of 2025, 41% of the 727% total return for the S&P 500 index stems from earnings growth, 303% from dividend payments, and only 5% from multiple expansion.

Equity returns are the byproduct of earnings growth, multiple expansion¹ and dividend payments



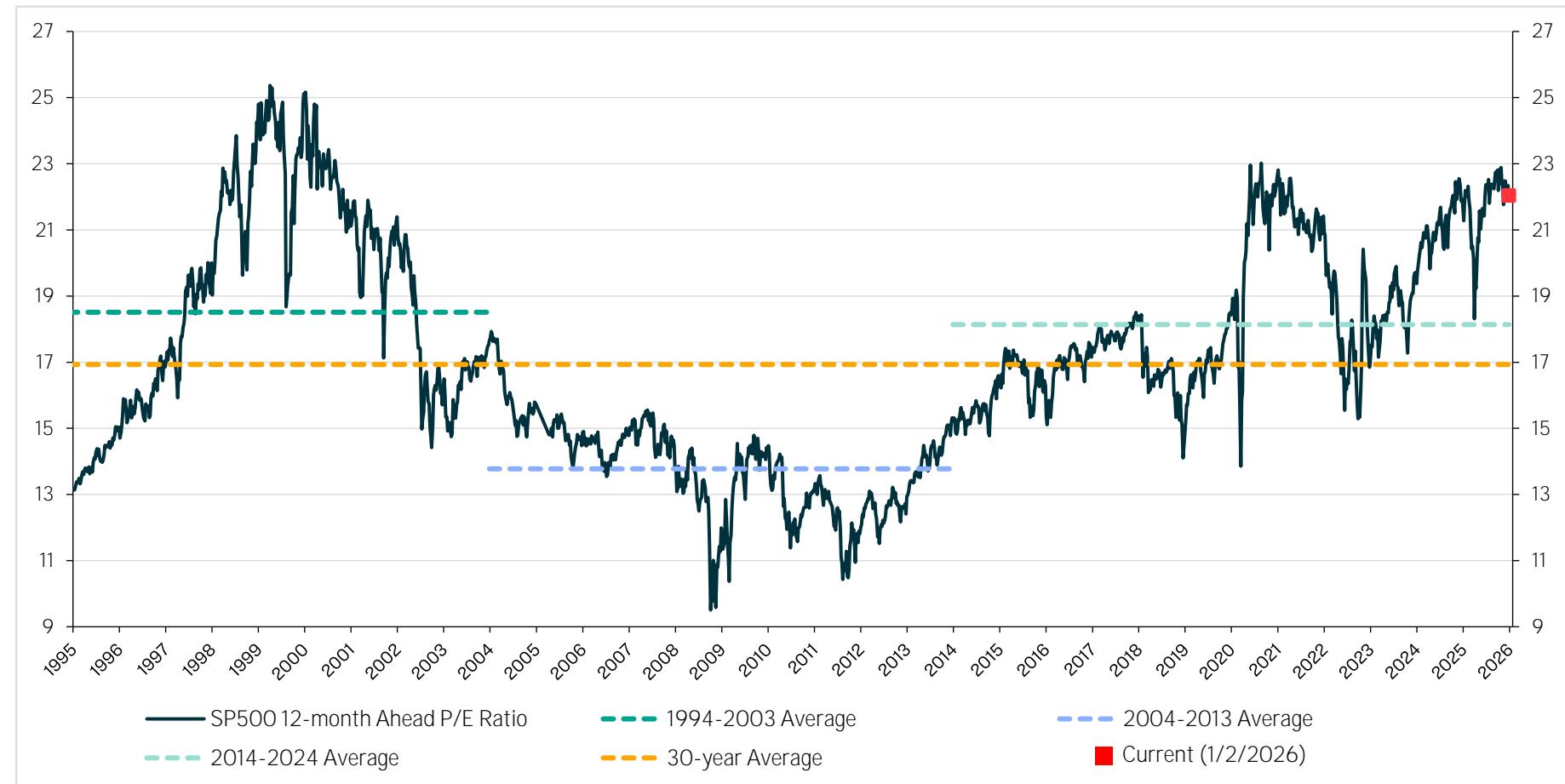
¹Investors pay a “multiple” of a stock’s earnings to own it (Price/Earnings ratio). When the multiple expands, it implies that investors are willing to pay more for the same amount of earnings.

P/E ratio for S&P 500

Valuations remain stretched

- The S&P 500 is now (as of 1/2/26) trading at ~22x (red square on the chart) its forward 12-month estimates, which is above its most recent 10-year average of ~18x (light green dashed line).
- U.S. dominance in AI, relatively low inflation, the lingering impact of quantitative easing on the equity market suggest that the P/E ratio can remain above its long-term average (orange dashed line) of 17.
- **With valuations stretched, we're unlikely to get much more P/E (multiple) expansion, so the upside for stocks in 2026 is likely to be dependent on earnings growth.**
- Analysts are looking for an ~14% expansion in S&P 500 earnings per share (EPS) over the next 12 months.
- Over the long run, above average P/E ratios suggest below average future returns for stocks.

The S&P 500's P/E ratio continued to climb in 2025 despite policy turbulence

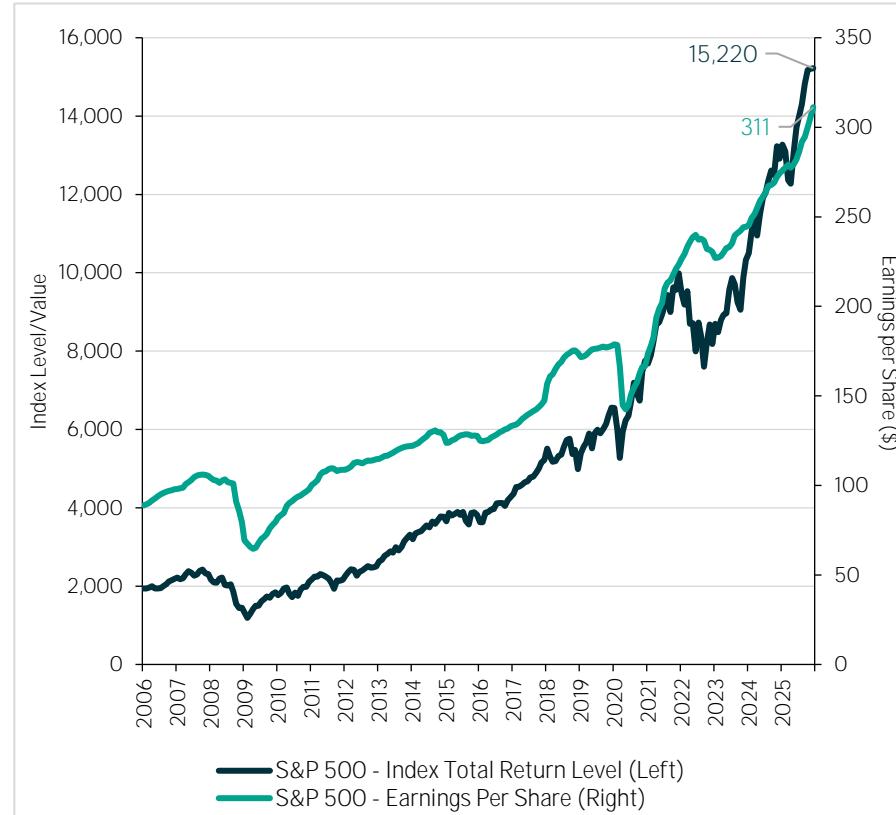


Stock prices are driven by earnings, and profit margins are key

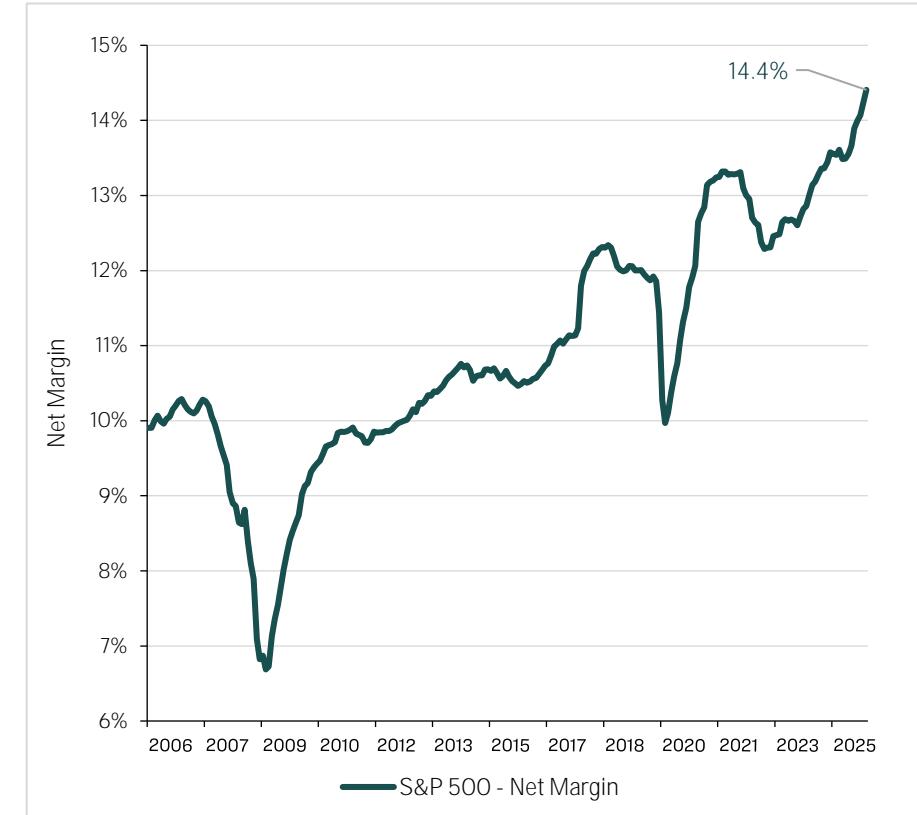
Stock prices

- Over the long term, earnings drive stock prices (left panel). On average, earnings per share (EPS) growth for S&P 500 firms is 8%, close to the long-term total return on the S&P 500 (8-9%).
- The forward 12-month price-to-earnings (P/E) ratio on the S&P 500 is a rich ~22x, which is above its 5-year average of 20x, its 10-year of 19x, and 20-year average of 16x.
- The rise of AI should help potential earnings growth in the future, especially among U.S. tech companies. In addition, productivity gains should support higher profit margins than in the past, on average.
- As the Fed raised rates in 2022 and 2023, corporate profit margins (right panel) contracted amid higher interest costs, higher raw materials and transportation costs and, of course, higher labor costs.
- However, margins continued to expand in 2025, despite higher input costs due to tariffs, aided by lower taxes and lower interest costs.

S&P 500 total return vs S&P 500 earnings per share (EPS)



S&P 500 net margin

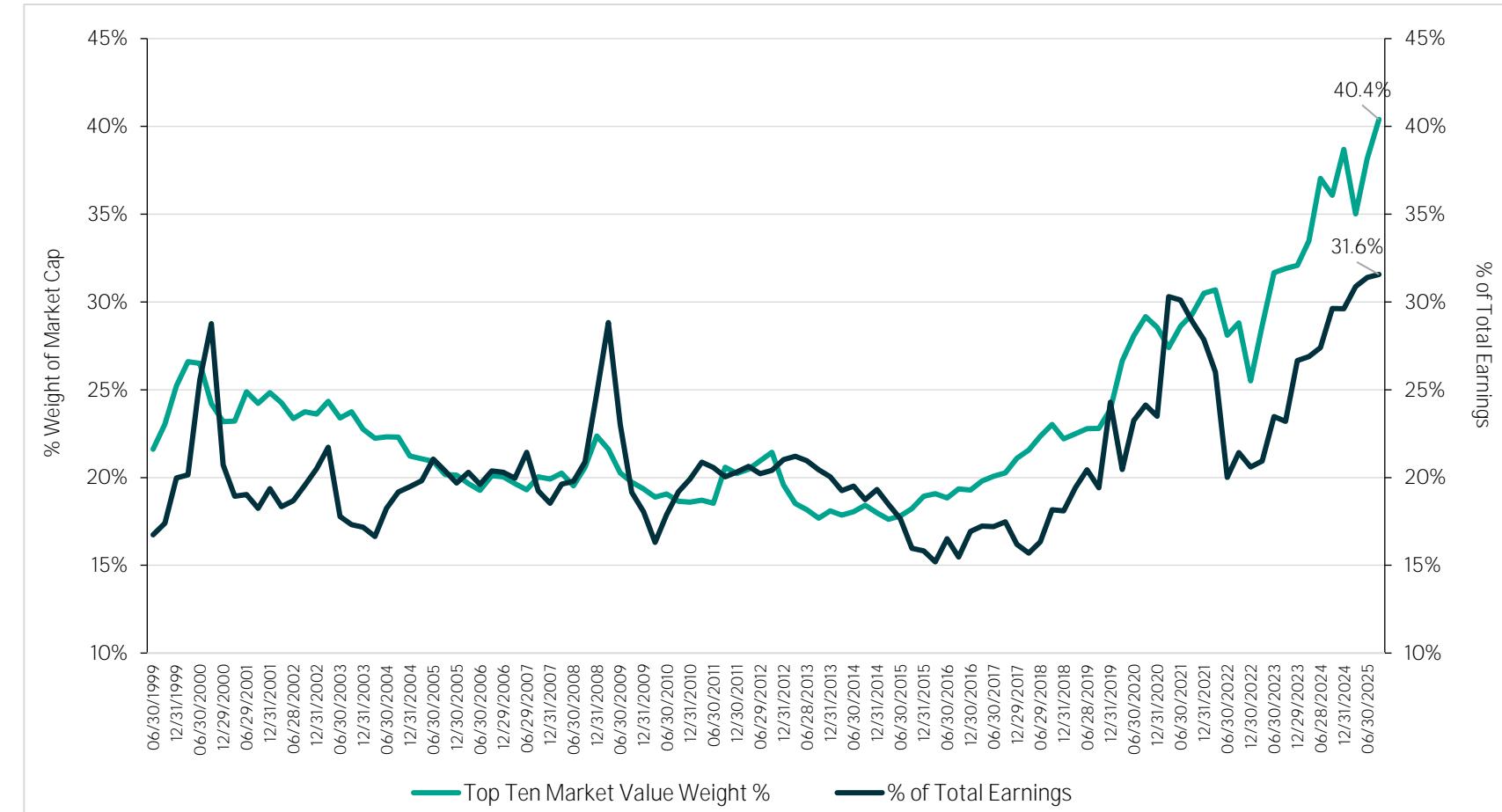


The S&P 500 has become increasingly concentrated

S&P 500 concentration

- The AI-related enthusiasm surrounding the Magnificent 7—Alphabet (A and C class shares), Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla—helped to drive S&P 500 returns in 2025. Rounding out the top 10 (as of 12/31/2025) are Broadcom, Berkshire Hathaway and TTSMC .
- Despite rich equity valuations and poor market breadth, these indicators are mostly a timely representation of the current state of markets, rather than reliable indicators of future, near-term performance.
- Some commentators point to similarities with the periods immediately preceding the 2000 and 2008 market crashes, but we caution against drawing causality between valuations, market breadth, and future near-term market performance.
- In 2000, the concentration was centered on speculative tech stocks with shaky business models. By 2008, the concentration featured financials and energy companies. Today's concentration is driven by tech giants that are exhibiting strong fundamentals (indicative of the net income line) and real profit growth.

The S&P 500 has become increasingly concentrated; the top 10 stocks account for 40% of the total market capitalization and 32% of net income (earnings)



Source: FactSet Financial Data and Analytics, TIAA Wealth Chief Investment Office. Data is from 6/1/1999 - 9/30/2025.

S&P 500 “Magnificent 7” vs. “Other 493” performance since start of 2024

Magnificent 7 struggled in late 2025

- The Magnificent 7 group of stocks—Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla—was the driving force behind the U.S. stock market’s strength the past two years, accounting for more than 50% of the S&P 500’s return in both 2023 and 2024.
- Since 1/1/24, the Magnificent 7 posted a total return of 78% (dark green line); and the other 493 stocks (light green line) a 44% total return; the S&P 500 (light blue line) is up 47% since the start of 2024.
- The Magnificent 7 got off to a rough start in 2025. The key reasons for the performance dip were moderating earnings growth, looming tariff threats, and concerns about the profitability of AI investments, especially following the announcement of DeepSeek’s efficient AI model.
- A mid-year recovery, driven by strong earnings and renewed AI excitement, and a surge in September, pushed the group ahead of the broader market.
- The struggle in Q4 was primarily due to heightened investor scrutiny over massive AI capex, concerns about slowing growth and high valuations, and broader macroeconomic worries like tariffs and economic uncertainty. The performance was not uniform, with only Nvidia and Alphabet (Google’s parent) ultimately outpacing the broader market for the year.



Source: FactSet Financial Data and Analytics, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Technology bubble comparison: 1999 vs 2025

Not all bubbles are the same

- Today's AI boom is built on stronger financial foundations than the dot-com era—profitable business models, lower valuations, and cash-based spending.
- However, accelerating debt accumulation, strategic interdependence creating subtle circularity, high market concentration, and uncertain monetization timelines introduce meaningful risks.
- AI is transformative technology, but heightened volatility and performance dispersion are expected in 2026 as markets reassess fundamentals.

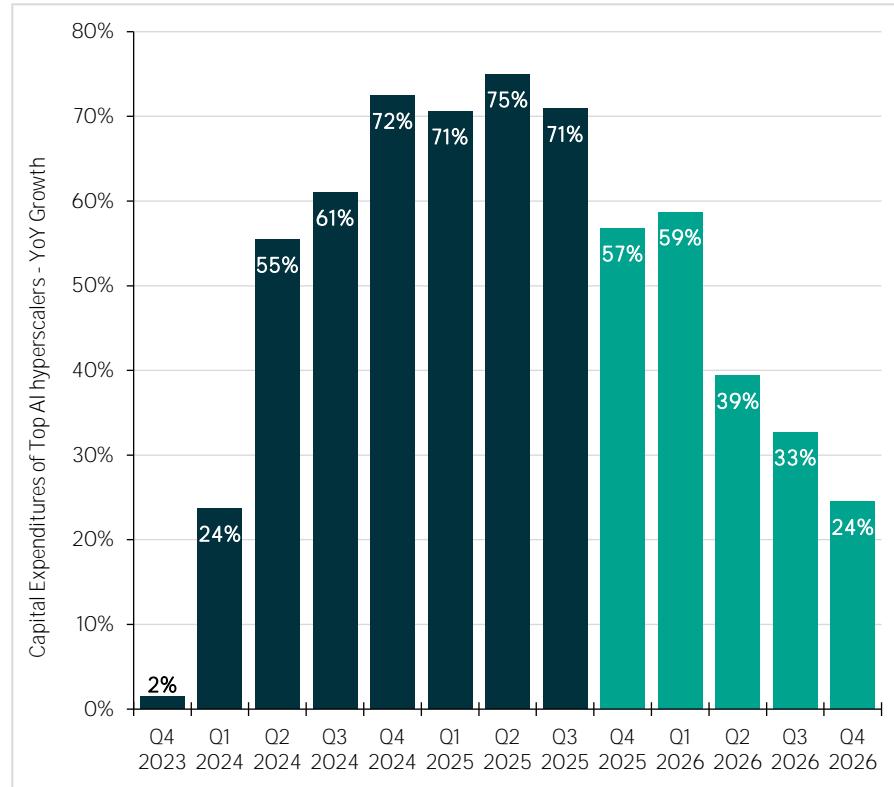
Category	1999 Dot-Com Era	2025 AI Era
Profitability & Business Models	<ul style="list-style-type: none"> • No profits or sustainable revenue • Speculative firms with fragile models 	<ul style="list-style-type: none"> • Strong cash flows and profitability • Established giants with proven business models
Valuations (Forward P/E)	<ul style="list-style-type: none"> • Tech stocks at 51x forward earnings • Widespread valuation-fundamental disconnect 	<ul style="list-style-type: none"> • Tech stocks at 31x forward earnings • Private startups show valuation gaps
Debt & Leverage	<ul style="list-style-type: none"> • Unsustainable debt fueling unprofitable businesses • Widespread defaults when bubble burst 	<ul style="list-style-type: none"> • AI debt now 30% of issuance • Rising leverage pressures future valuations
Circularity of Demand	<ul style="list-style-type: none"> • Vendors financed customers buying own products • Artificial demand collapsed with unpaid loans 	<ul style="list-style-type: none"> • Cash-based purchases, no vendor financing • Strategic interdependence creates subtle circularity
Market Concentration & Risk	<ul style="list-style-type: none"> • Concentrated in speculative weak firms • Sentiment shift triggered widespread collapse 	<ul style="list-style-type: none"> • Top 10 firms hold half margins • High concentration creates sentiment vulnerability
Return on Investment (ROI) & Monetization	<ul style="list-style-type: none"> • No ROI visibility or fulfillment • Investment promises largely failed 	<ul style="list-style-type: none"> • ROI not yet visible broadly • Monetization timelines remain uncertain
Utilization & Demand Visibility	<ul style="list-style-type: none"> • Equipment sat unused in warehouses • Massive overcapacity exceeded actual demand 	<ul style="list-style-type: none"> • Real-time GPU tracking shows utilization • Better demand validation than 2000

Spending on AI and related data centers has skyrocketed

AI adoption

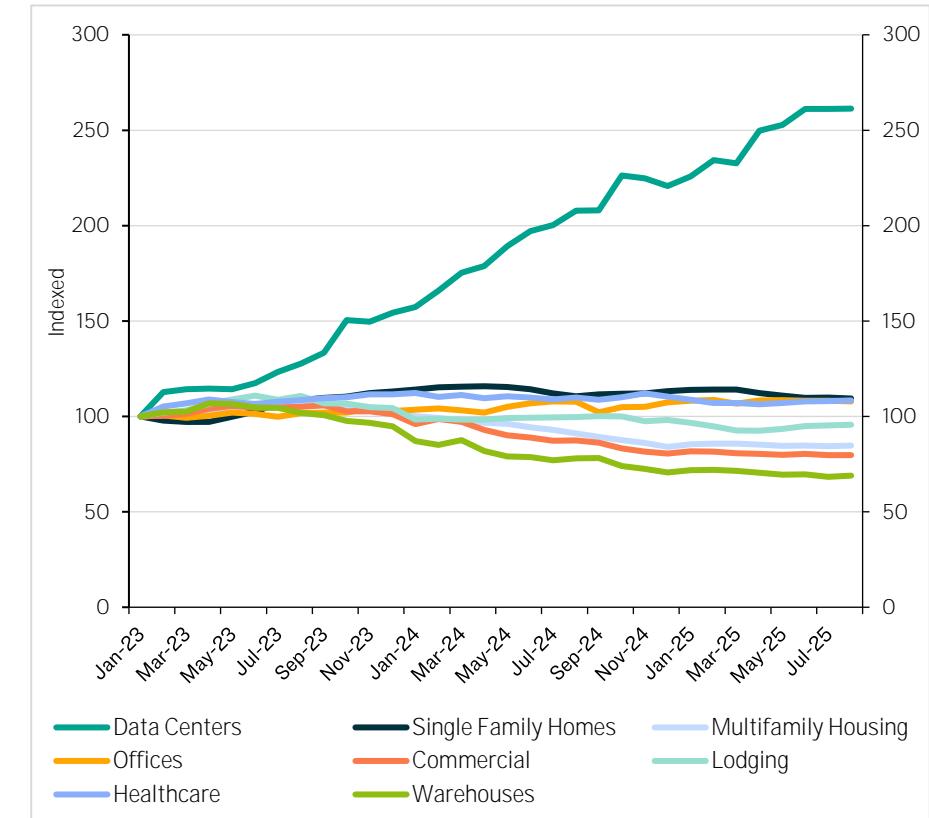
- AI spending by the so-called “hyperscalers” has run at a scorching pace in the first 3 quarters of 2025 and is expected to continue to grow significantly in Q4 2025 and the first half of 2026, before decelerating in the second half of next year (left panel).
- Large investments are driven by purchases of graphic processing units (GPUs), the construction of data centers, and the development of agentic AI.
- The construction of data centers has far outpaced other building types, and has offset weakness in commercial, warehouse and multi-family residential buildings (right panel).

AI spending (year-over year % change) by top 7 spenders*



*Nvidia, Microsoft, Apple, Amazon, Meta, Google, Oracle

Annualized value of construction put in place

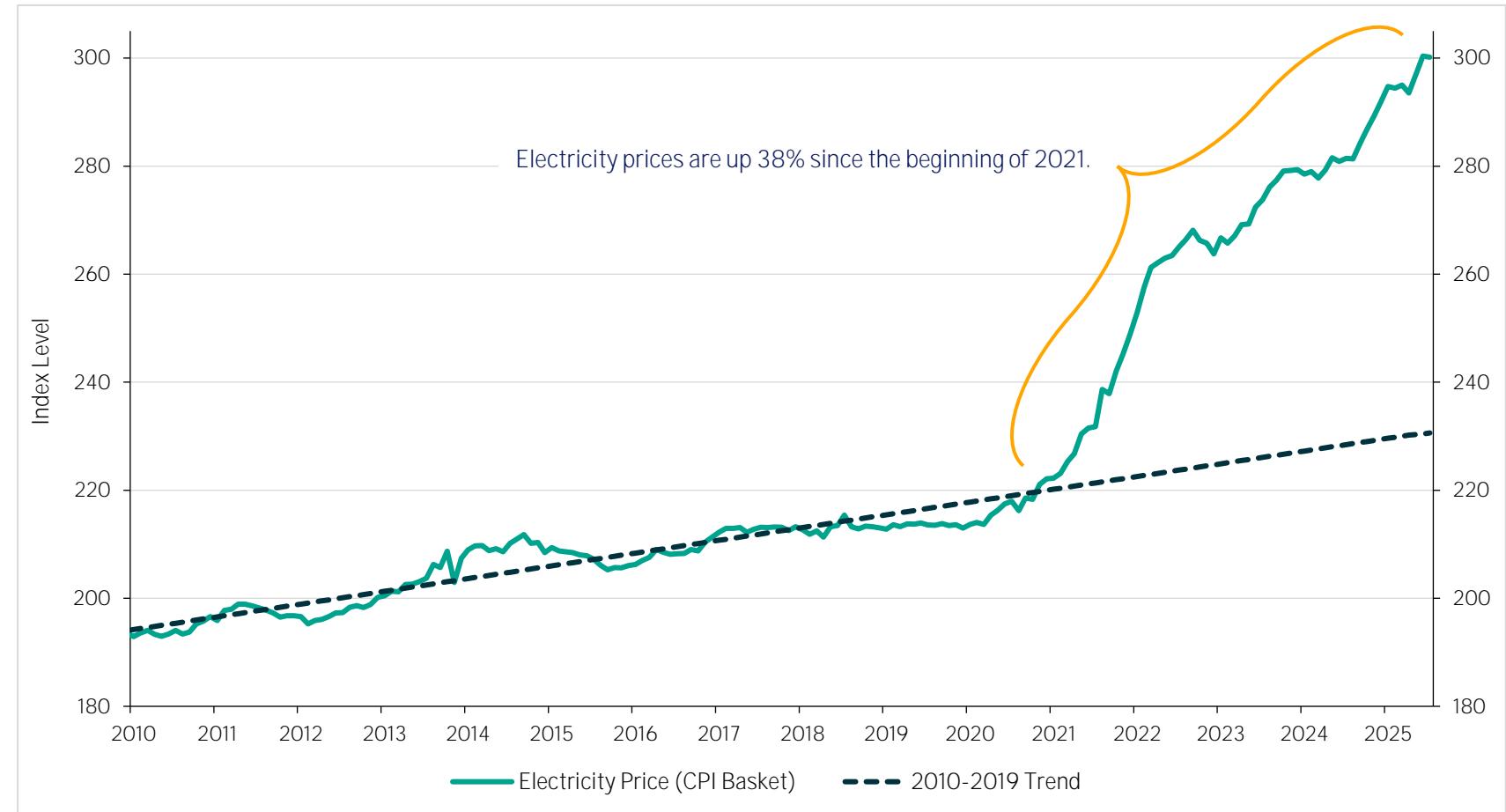


Source: Bloomberg, TIAA Wealth Chief Investment Office. Data through Q4 2026 (projections starting in Q4 2025, left panel) and 8/31/2025 (right panel).

Electricity prices are up 38% since the beginning of 2021

Electricity prices

- AI has driven a significant increase in the demand for resources like electricity and investment capital.
- AI requires significant computer power, which in turn is generated by data centers. Data centers consume elevated quantities of electricity, putting upward pressure on electricity prices. Since the end of 2020, the electricity price component of the CPI basket has increased by 38%.
- This issue is unlikely to be resolved in the near-term and requires an increase of the production of alternative sources of energy. By 2030, data centers globally are projected to consume more electricity than Japan.



Source: Bloomberg, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

How AI tools are being used now

MACHINE LEARNING

Machine learning uses sample data to train computer programs to recognize patterns based on algorithms, allowing computers to do things without being programmed. The efficiency of machine learning generally depends on the algorithm. A relatively common use of machine learning happens in popular social media platforms, which can employ machine learning to help users discover content, moderate spam, direct advertising, and target newsletters.

NATURAL LANGUAGE PROCESSING

Natural language processing includes the ability to understand speech, but it involves more than simple audio-to-text (and vice versa) translations. One of the goals of natural language processing is the design of a computer to fully understand and analyze documents. Examples include generative chatbots that offer sentiment analysis, text classification, and text summarization, among others.

NEURAL NETWORKS

Neural networks are computer systems designed to imitate the neurons in a brain. The networks are designed to learn via processing examples using a well-understood input and a predicted result. As the network gains experience, its output mirrors the targeted result and over time seeks to use artificial intelligence to build even more powerful algorithms.

ROBOTICS

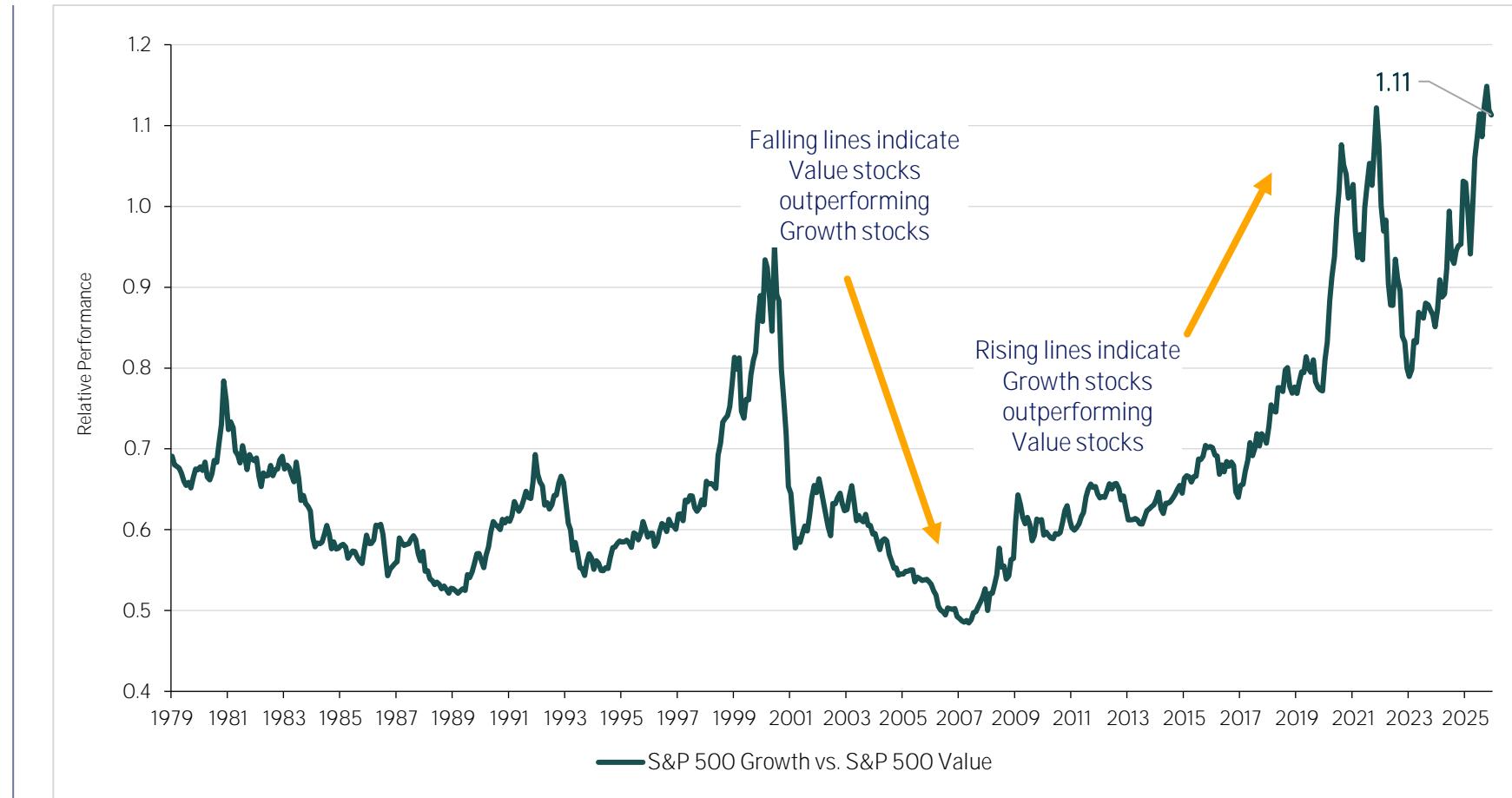
Robotics has evolved beyond industrial uses and are used in a wide range of applications, including medicine. For example, advancements in surgical robotics have made them popular for use in a wide range of procedures, including cardiac valve, prostate, and other surgeries.

AI TOOLS: HOW THEY ARE BEING USED

Growth equities are outperforming, but broadening AI capabilities may benefit value equities in the longer term

Growth vs. value

- Growth equities tend to perform well when the economy is slowing, and markets are looking for earnings growth.
- Value equities tend to perform well when rates are rising, and the yield curve is steep. The financials sector comprises some of the biggest value companies, including the largest banks.
- However, growth equities are richly valued in the current market compared to value equities.
- The AI surge has benefitted growth equities recently but eventually, growth and value companies will both benefit from expanding AI capabilities.
- Owning both growth and value stocks helps diversify a portfolio by balancing risk and potential returns across different economic conditions. Because these two types of stocks typically perform differently in varying market cycles, a blend of both can help smooth out returns over time.
- See page 81 for historical performance of these asset classes.



International Equities

Why invest in international equities?

U.S. stocks maintain an outsized share

While U.S. stocks comprise roughly 64% of the MSCI ACWI Index's market capitalization, there are important distinctions in other economies that make them attractive as diversification instruments and growth opportunities.¹



Global populations

The U.S. makes up just 4% of global population, but the Asia/Pacific region and the EU account for 56% and 6%, respectively.²



GDP size

The U.S. accounts for roughly 26% of global GDP, but the Asia/Pacific region and the EU account for 35% and 18%, respectively.²



Number of stocks

The U.S. has 5,470 stocks listed on its exchanges, but other developed markets (i.e., Japan, Canada, Australia, Europe, U.K.) have 15,826 stocks, and emerging markets (i.e., China, India, Korea) have 10,557 stocks on their respective exchanges.³



Dividends

Stocks in non-U.S. indexes offer about 3% dividend yield on average, while the U.S. stock index is a little more than 1%.⁴



¹ The MSCI ACWI Index captures large and mid-cap representation across 23 Developed Markets and 24 Emerging Markets. MSCI, data as of 12/31/2025.

² International Monetary Fund, 2026 projections.

³ Source: Statista. Number of listed companies at largest stock exchange operators worldwide as of January 2025.

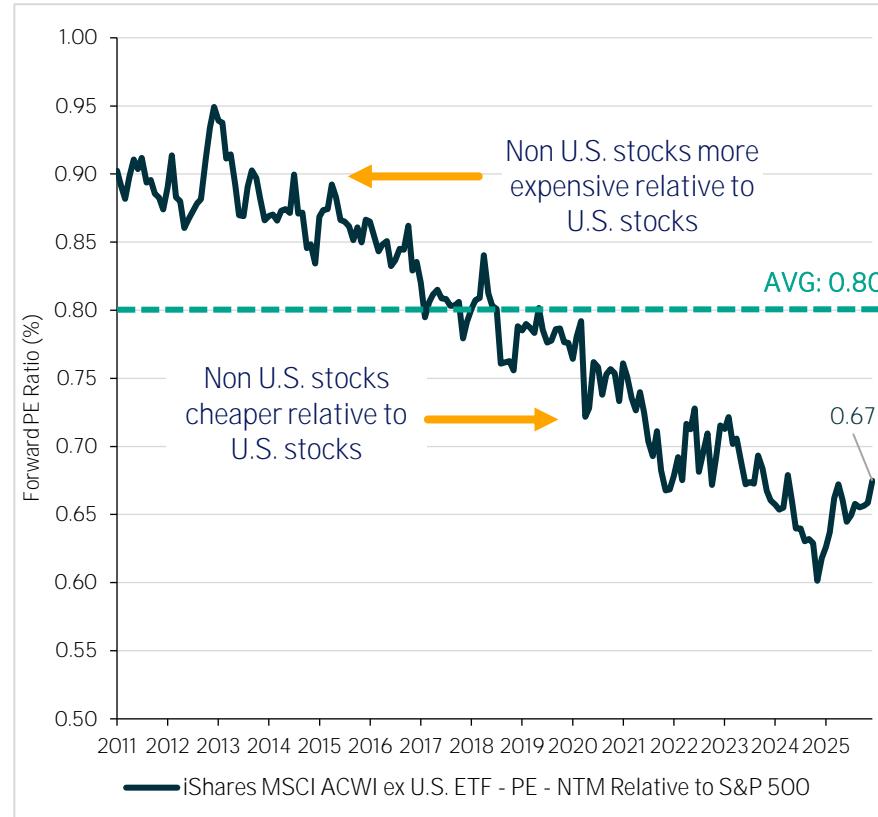
⁴ Source: FactSet Financial Data and Analytics, data as of 12/31/2025.

Non-U.S. equities are cheap relative to U.S. equities

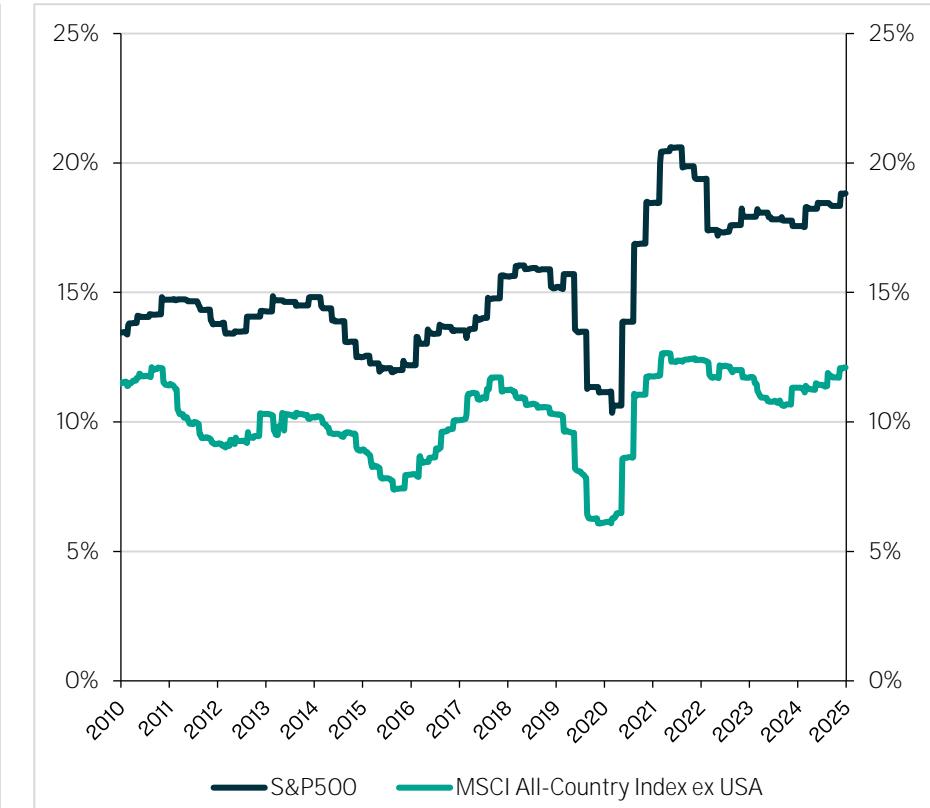
Non-U.S. equity valuations

- After outperforming U.S. equities in 2022, non-U.S. equities lagged their U.S. counterparts in 2023 and in the first 3 quarters of 2024. Since then, non-U.S. stocks have outperformed U.S. stocks by a wide margin, and the large valuation gap between U.S. and international stocks has narrowed (left panel).
- This has been driven by better fundamental dynamics internationally, strong contribution from the appreciation of foreign currencies against the U.S. dollar, and by the perception of diminished U.S. economic exceptionalism.
- As a result, global investors—who are significantly overweight U.S. stocks and underweight non-U.S. stocks—have reasons to rebalance their exposure in favor of international equities.
- We expect the valuation gap to continue to close over time. However, higher profitability of U.S. companies supports a valuation premium for U.S. stocks relative to non-U.S. stocks (right panel).

U.S. large cap stocks (S&P 500) are trading at a high premium



Return on equity



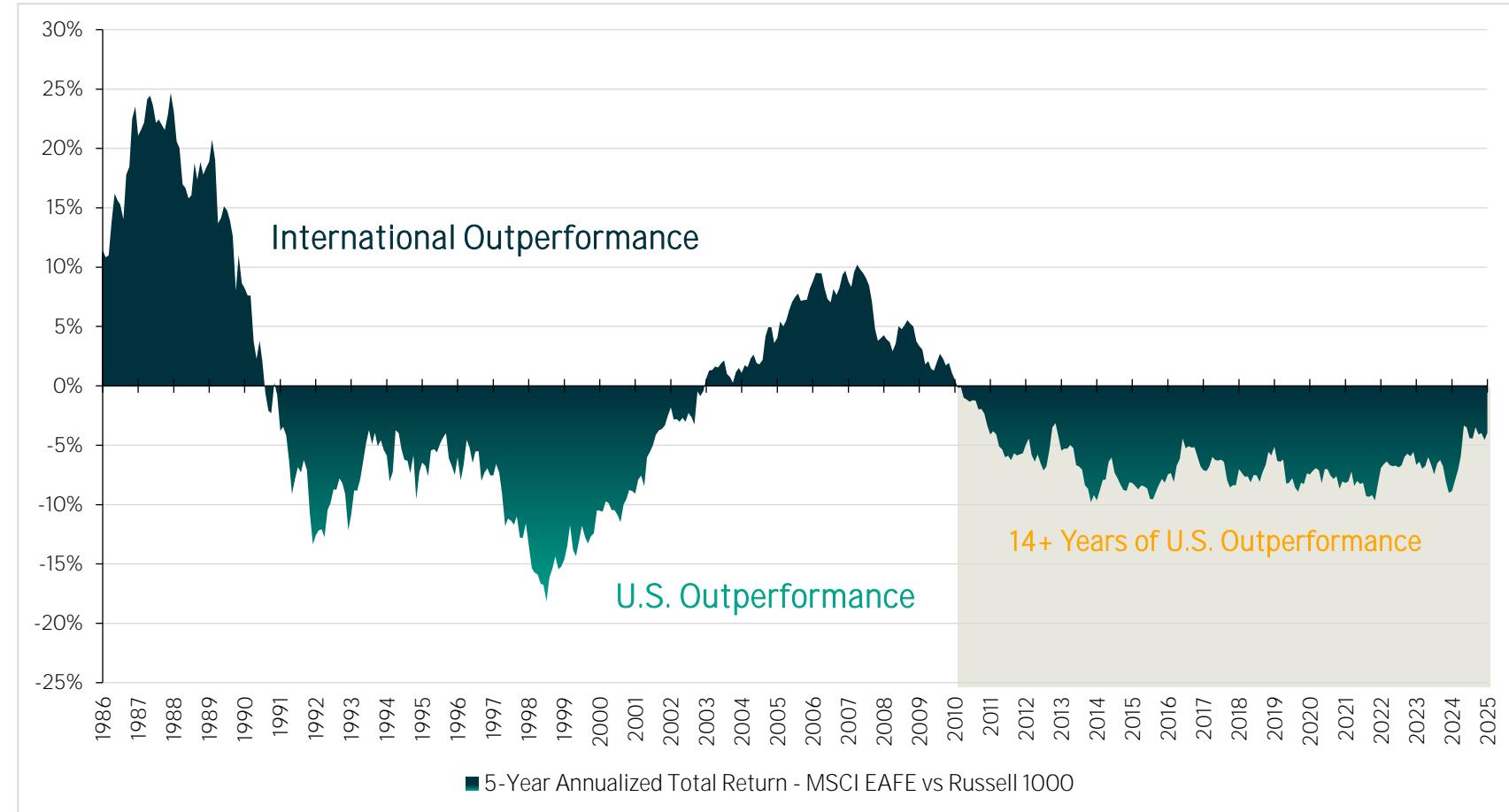
Source: FactSet Financial Data and Analytics, Bloomberg, TIAA Wealth Chief Investment Office. Data through 12/31/2025 (left panel) and 12/26/2025 (right panel).

U.S. vs. international equities over time

International diversification

- Since the mid 1980s, the relative performance of international vs. U.S. stocks has been cyclical.
- Interestingly, the periods of U.S. outperformance have coincided with the rise of the internet (culminated in the dot-com bubble), the rise of the technology megacaps and, more recently, AI.
- In addition, over the past decade the U.S. fiscal stance has been significantly more stimulative than in other parts of the world, boosting its relative economic performance.
- Recent developments (more U.S. protectionism, smaller U.S. net immigration flows, less U.S. fiscal spending vs. more international fiscal spending, the rise of a more competitive and less U.S.-centric AI ecosystem, etc.) have supported a rotation into international stocks relative to U.S. stocks YTD.
- Despite the significant outperformance by non-U.S. equities vs U.S. equities in 2025, international developed stocks still trail U.S. stocks by 33% since the end of 2020

Geographical equity diversification allows investors to gain exposure to cyclical swings in U.S. vs. international equity relative performance



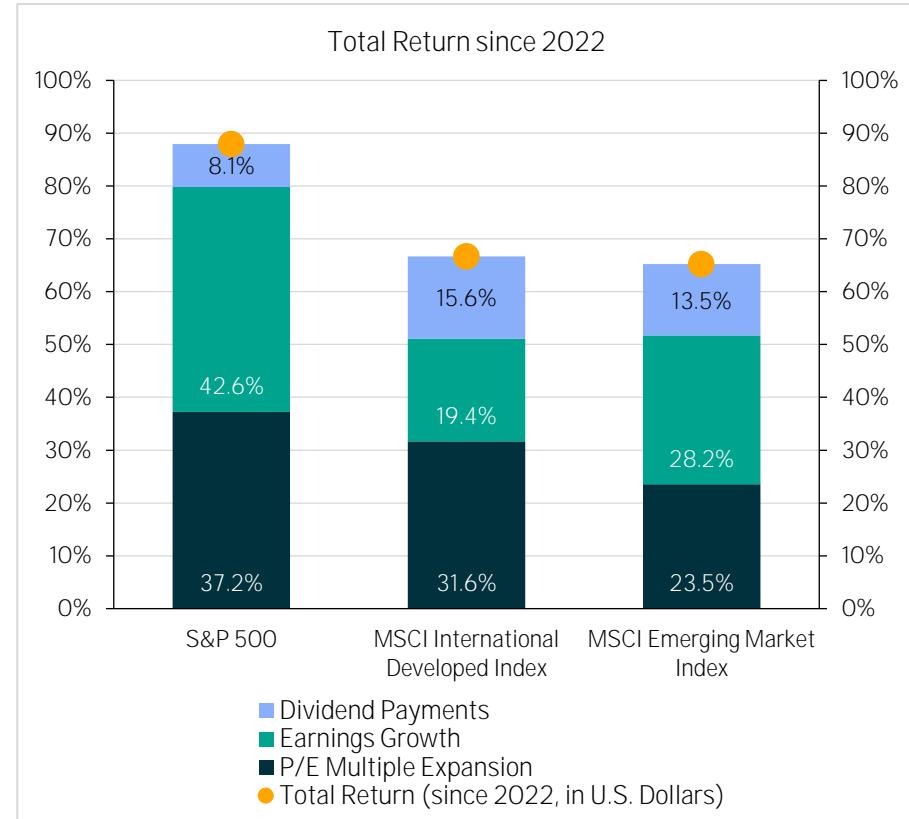
Source: Bloomberg, TIAA Wealth Chief Investment Office. Country returns are represented by MSCI EAFE and Russell 1000 Indexes. Data through 12/31/2025.

Drivers of international equities performance

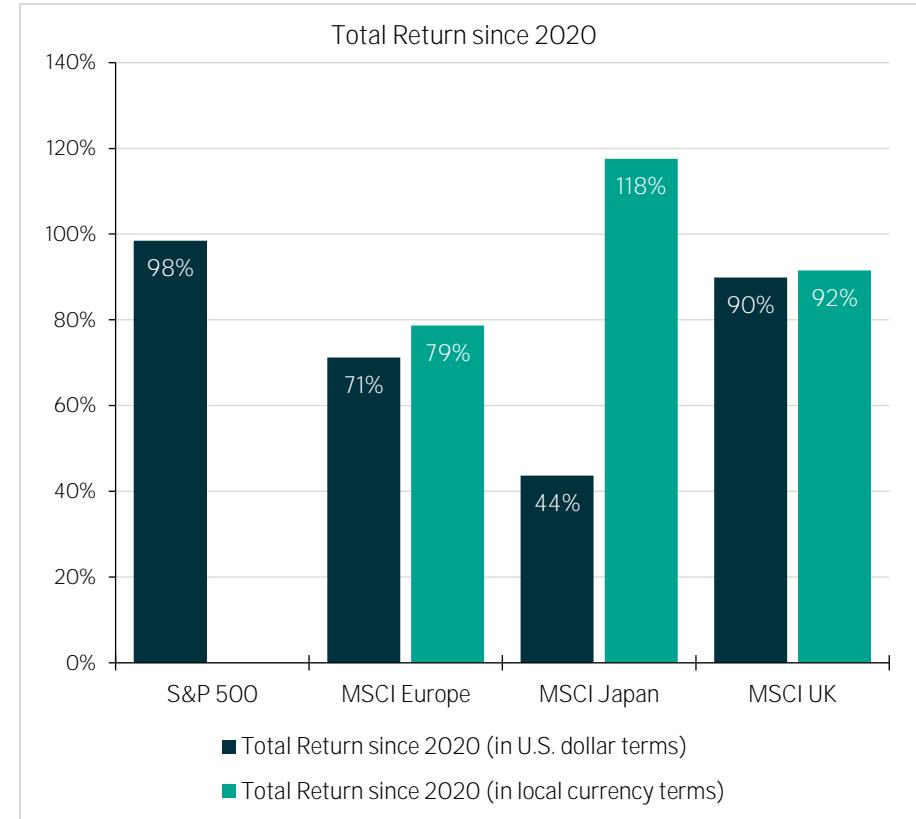
Total return drivers

- U.S.-based investors should account for four different drivers of international equity performance:
 1. **Multiple expansion** (dark green on left panel): the valuation gap between U.S. and non-U.S. stocks has widened materially over the past decade.
 2. **Earnings growth** (light green on left panel): notwithstanding the wider valuation gap, much stronger earnings growth has been the main driver of U.S. equity outperformance.
 3. **Dividend payments** (light blue on left panel): non-U.S. stocks, given their more “value-oriented” nature, pay higher dividends than U.S. stocks, on average.
 4. **Currency performance** (right panel): when the U.S. dollar appreciates, the total return generated by non-U.S. stocks for U.S.-based investors is negatively impacted.

Earnings growth has been the primary driver of U.S. outperformance



Currency fluctuations can have a significant impact on non-U.S. equity performance for U.S. investors



International equities are an important component of a well-diversified, long-term investment portfolio

International diversification

- Broadly speaking, “international” stocks include those developed international markets such as Germany, England, Japan, and France, which have advanced economies, developed infrastructures, and a higher standard of living.
- Within those developed international markets, we invest in both large cap stocks (EAFE, left panel) and small caps (EAFE Small Cap, middle panel).
- The other group of non-U.S. stocks comes from emerging markets, such as China, India, Taiwan, and Brazil (right panel).
- Our fundamental approach is one of diversification, and international stocks are an important component of a well-diversified, long-term investment portfolio.

Top 10 Countries	MSCI EAFE Weight	Top 10 Countries	MSCI EAFE Small Cap Weight	Top 10 Countries	MSCI EM Weight
Japan	22%	Japan	35%	China	22%
Britain	14%	Britain	11%	Taiwan	21%
France	10%	Australia	11%	India	15%
Switzerland	10%	Sweden	5%	South Korea	14%
Germany	10%	Israel	5%	Brazil	4%
Australia	6%	Switzerland	5%	Hong Kong	4%
Netherlands	5%	Germany	4%	South Africa	3%
Spain	4%	France	4%	Saudi Arabia	3%
Sweden	4%	Italy	3%	Mexico	2%
Italy	3%	Singapore	2%	UAE	1%
Other	11%	Other	15%	Other	11%
Total	100%	Total	100%	Total	100%

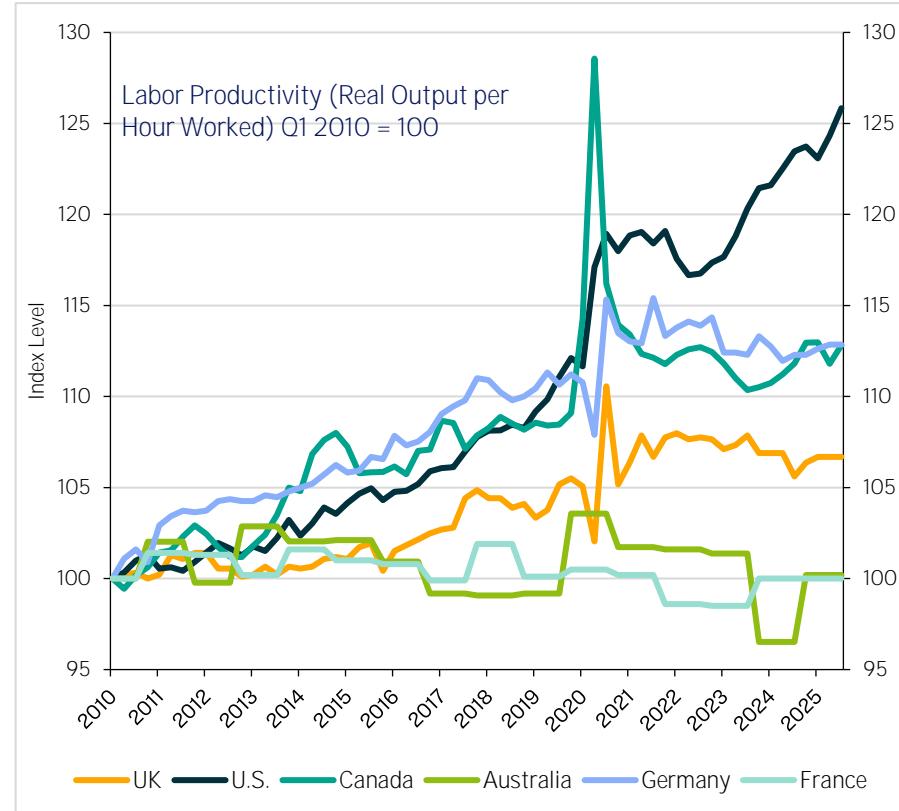
Source: Bloomberg; data as of 12/31/2025. MSCI EAFE, MSCI EAFE Small Cap, and MSCI EM indexes are represented by iShares ETF tickers EFA US Equity, SCZ US Equity, and EEM US Equity, respectively.

Is U.S. exceptionalism over?

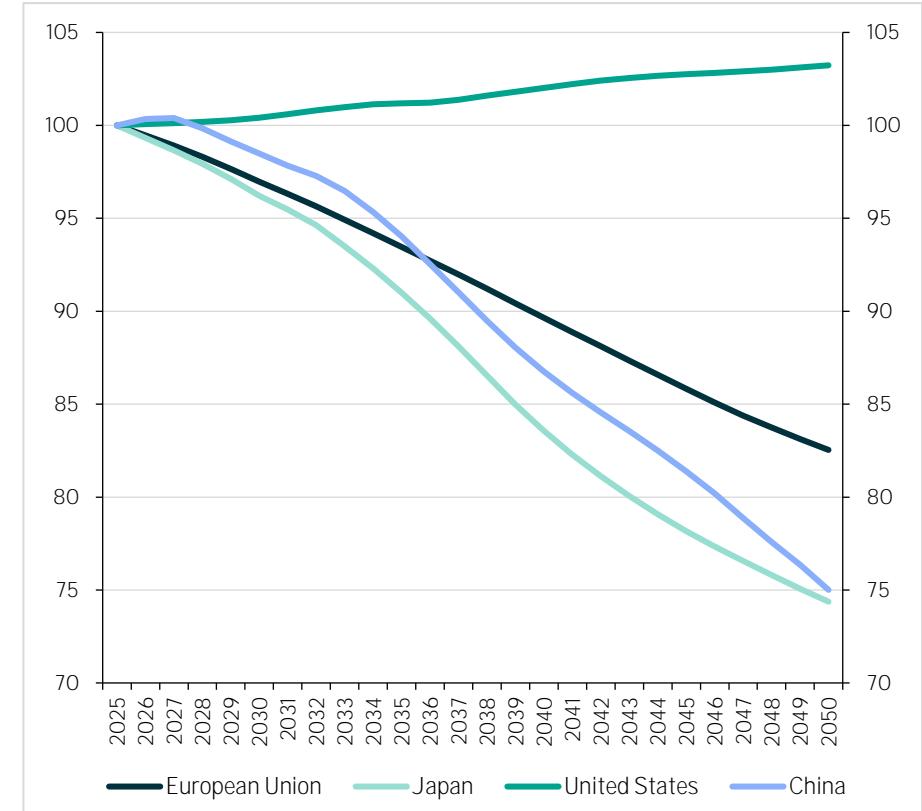
Cyclical vs. secular dynamics

- Heightened U.S. protectionism threatens to reduce the attractiveness of U.S. assets and reduce foreign participation in U.S. equity and bond markets.
- From a cyclical standpoint, there are several factors that have undermined the notion of U.S. exceptionalism, from the likelihood of stagflationary (slow economic growth and high inflation), consequences caused by trade tariffs, to stronger fiscal stimulus in Europe and China.
- However, the two key drivers of long-term economic growth—productivity growth (left panel) and working-age population growth (right panel)—remain more favorable in the U.S.
- It is too early to tell how the ongoing policy shift in the U.S. (more protectionism, less fiscal spending, much smaller immigration flows on the negative side but also hopes around the positive impacts of deregulation and AI on productivity growth) might affect long-term growth prospects.

Labor productivity in the U.S. has outperformed since mid-2020



Working-age population projections favor the U.S.

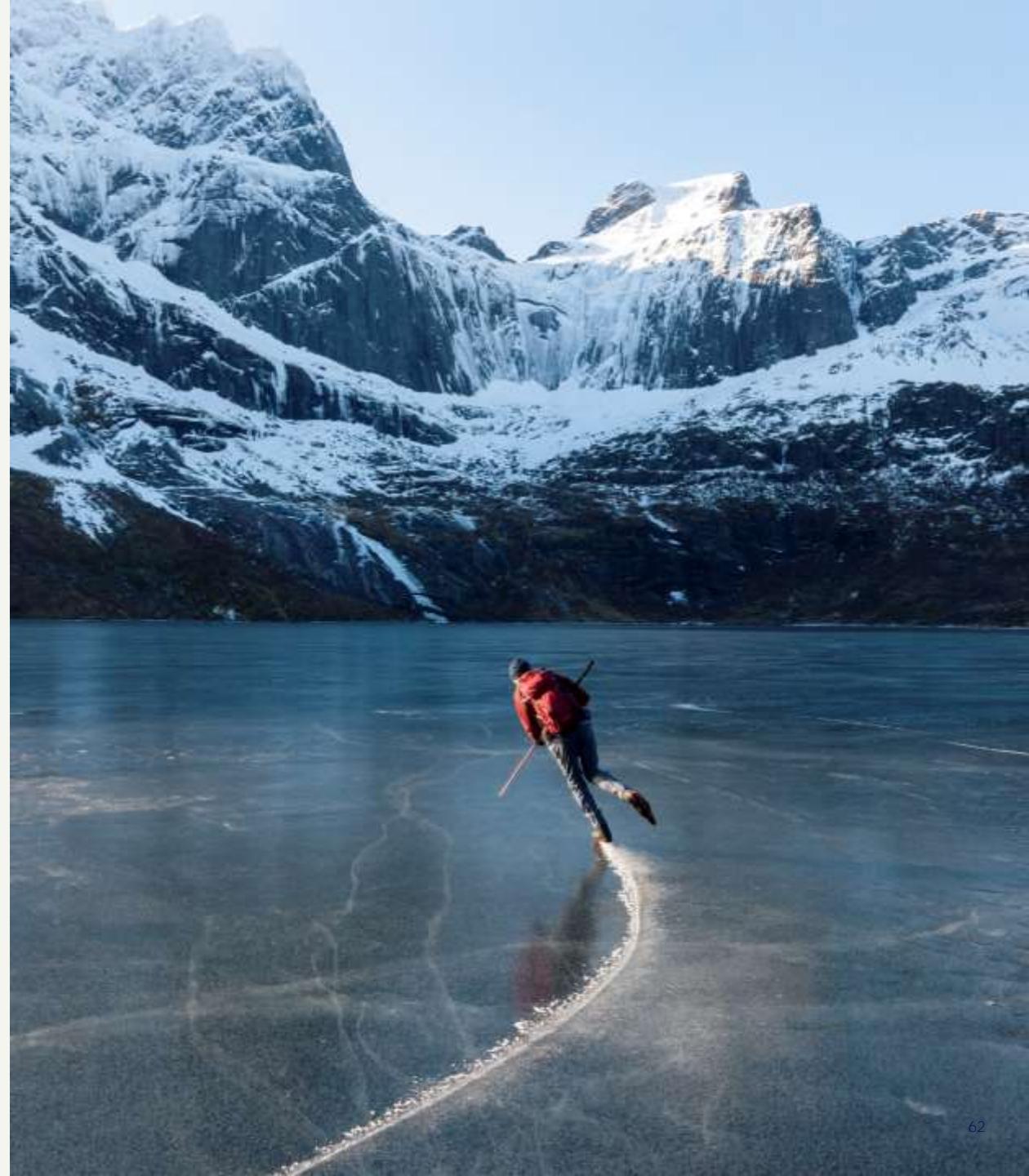


Source: National statistical agencies, World Bank, TIAA Wealth Chief Investment Office. Data through 9/30/2025 (left panel) and 12/31/2025 (right panel).

06

Fixed Income

Taxable bond market is stabilizing as inflation challenges wane.



Diversified investment grade bonds: calendar year performance (%)¹

Historical bond market performance

- Fixed income indexes have delivered just 11 years of negative returns over the past 100 years.
- In each of the negative years (in red text in the table), however, investors who stayed the course were eventually rewarded (highlighted in orange boxes).
- The broad U.S. investment grade bond market returned ~7% (total return) in 2025, aided by strong corporate bond fundamentals, Fed rate cuts in September, October, and December, and mild inflation readings amid the new tariff regime.
- The broad investment grade U.S. bond market has now posted 3 consecutive years of gains after a very difficult 2021 and 2022.

Year	Total Return										
1926	5.38	1942	1.94	1958	-1.29	1974	5.69	1991	16.00	2009	5.93
1927	4.52	1943	2.81	1959	-0.39	1975	7.83	1992	7.40	2010	6.54
1928	0.92	1944	1.80	1960	11.76	1976	15.60	1993	9.75	2011	7.84
1929	6.01	1945	2.22	1961	1.85	1977	3.04	1994	-2.92	2012	4.21
1930	6.72	1946	1.00	1962	5.56	1978	1.39	1995	18.47	2013	-2.02
1931	-2.32	1947	0.91	1963	1.64	1979	1.93	1996	3.63	2014	5.97
1932	8.81	1948	1.85	1964	4.04	1980	2.71	1997	9.65	2015	0.55
1933	1.83	1949	2.32	1965	1.02	1981	6.25	1998	8.69	2016	2.65
1934	9.00	1950	0.70	1966	4.69	1982	32.62	1999	-0.82	2017	3.54
1935	7.01	1951	0.36	1967	1.01	1983	8.36	2000	11.63	2018	0.01
1936	3.06	1952	1.63	1968	4.54	1984	15.15	2001	8.44	2019	8.72
1937	1.56	1953	3.23	1969	-0.74	1985	22.10	2002	10.26	2020	7.51
1938	6.23	1954	2.68	1970	16.86	1986	15.26	2003	4.10	2021	-1.54
1939	4.52	1955	-0.65	1971	8.72	1987	2.76	2004	4.34	2022	-13.01
1940	2.96	1956	-0.42	1972	5.16	1988	7.89	2005	2.43	2023	5.53
1941	0.50	1957	7.84	1973	4.61	1989	14.53	2006	4.33	2024	1.25
						1990	8.96	2007	6.97	2025	7.30
						2008	5.24	2026	?		

¹ U.S. Fixed Income: IA SBBI IT Govt Bonds TR USD from 1926-1975; Bloomberg U.S. Agg Bond from 1976 thereafter.

Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Why did bond portfolios struggle in 2021 and 2022?

Drivers of bond market performance in 2021 and 2022

- Coming off a challenging year in 2021, the bond market experienced record negative performance in 2022 due to a confluence of factors including high inflation, aggressive monetary policy tightening, surging Federal budget deficits, and a resilient U.S. economy.
- While 2022 was a tough year, the bond market bounced back in late 2023, following the pattern that occurred during other negative years (see page 63).
- The Bloomberg Aggregate Bond index was up +5.5% by the end of 2023, and +1.3 at the end of 2024.
- In 2025, U.S. investment grade bonds returned 7.3%.



Drivers of Bond Returns

- Coupon, or interest payment
- Price
- Yield
- Credit spread valuation

Start with 2021

- Bond coupon **All-time low**
- Bond prices **All-time high**
- Bond yield **Near all-time low**
- Credit spread **Near all-time low**

Mix in

- Global pandemic
- Massive fiscal stimulus
- The Great Resignation
- Supply chain issues
- Significant monetary stimulus
- GDP growth at 6% (long-term average is 2%)

Results in 2022

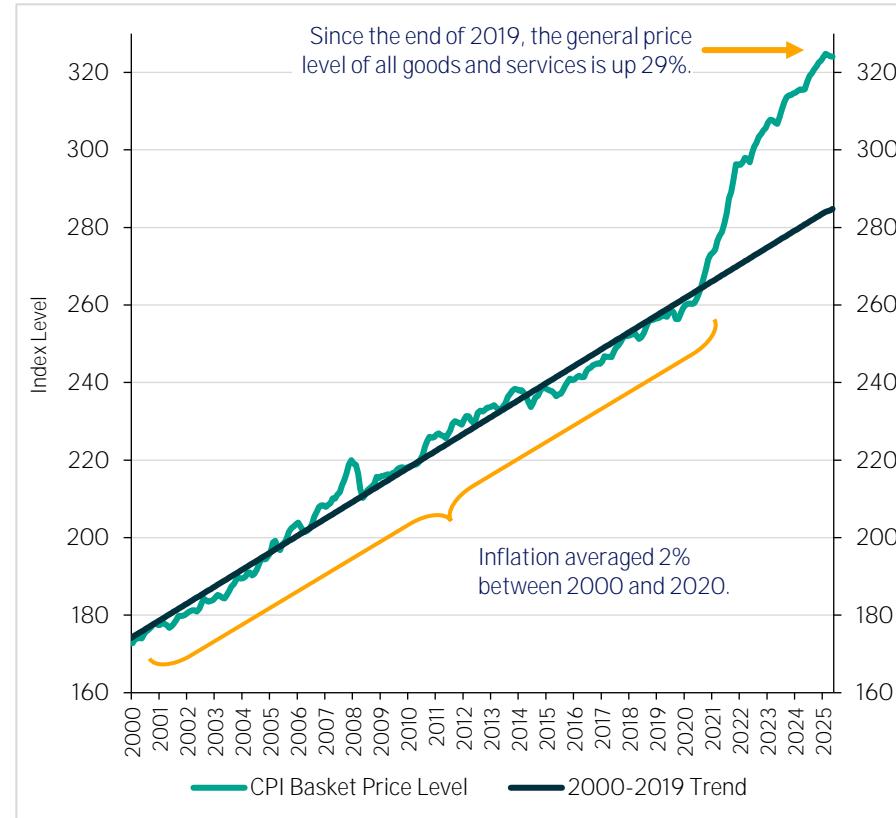
- The highest inflation in 40 years and...
- ... the most aggressive Fed rate hike campaign on record...
- ... leading to the worst bond market decline ever

Two-sided risks to inflation keep bond volatility high

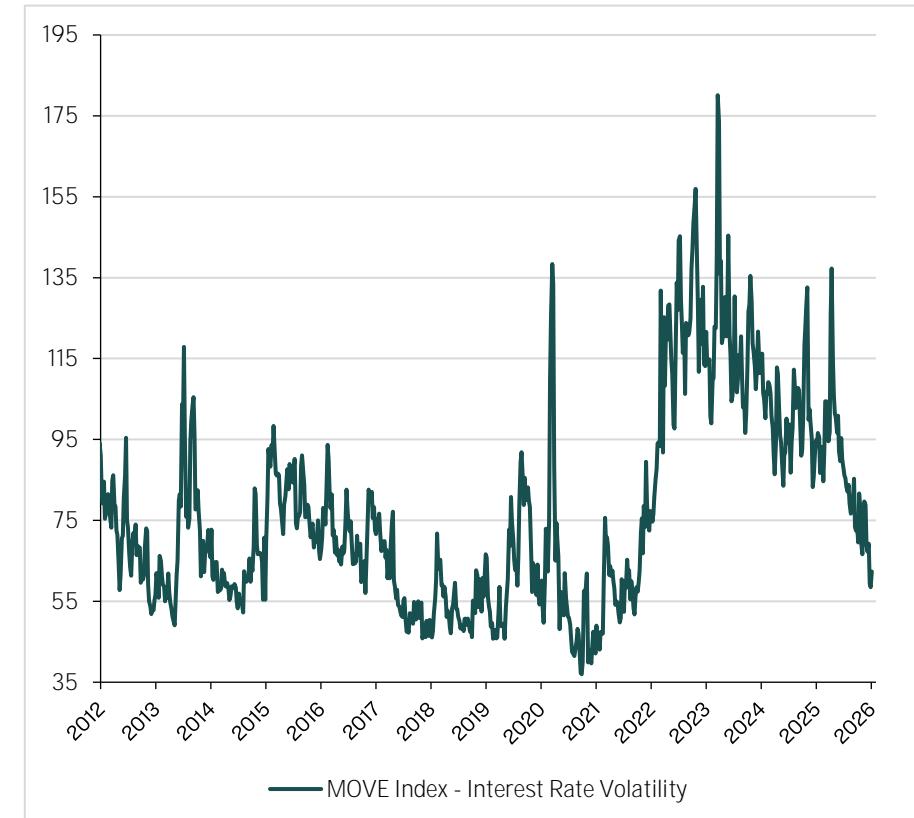
Inflation

- The consumer price index (CPI) measures the **general price level** of goods and services purchased by U.S. consumers.
- Inflation** is the rate at which CPI is increasing (or decreasing).
- Inflation averaged 2% between 2000 and 2020.
- Since the end of 2019, the general price level of all goods and services households buy has risen by 29%, or more than 4% a year, which is double the long-term average of 2% (left panel).
- The Fed has targeted 2% inflation to fulfill its dual mandate of stable prices and maximum unemployment.
- Interest rates remain volatile to these expectations and sensitive to the need for higher Treasury issuances to fund future tax cuts and spending. Volatility in the bond market (MOVE Index) since 2020 reflects the uncertainty and distorting impacts from the pandemic years (right panel).

Inflation is coming down, but prices remain high



Bond market volatility peaked in 2023 but subsided in Q3

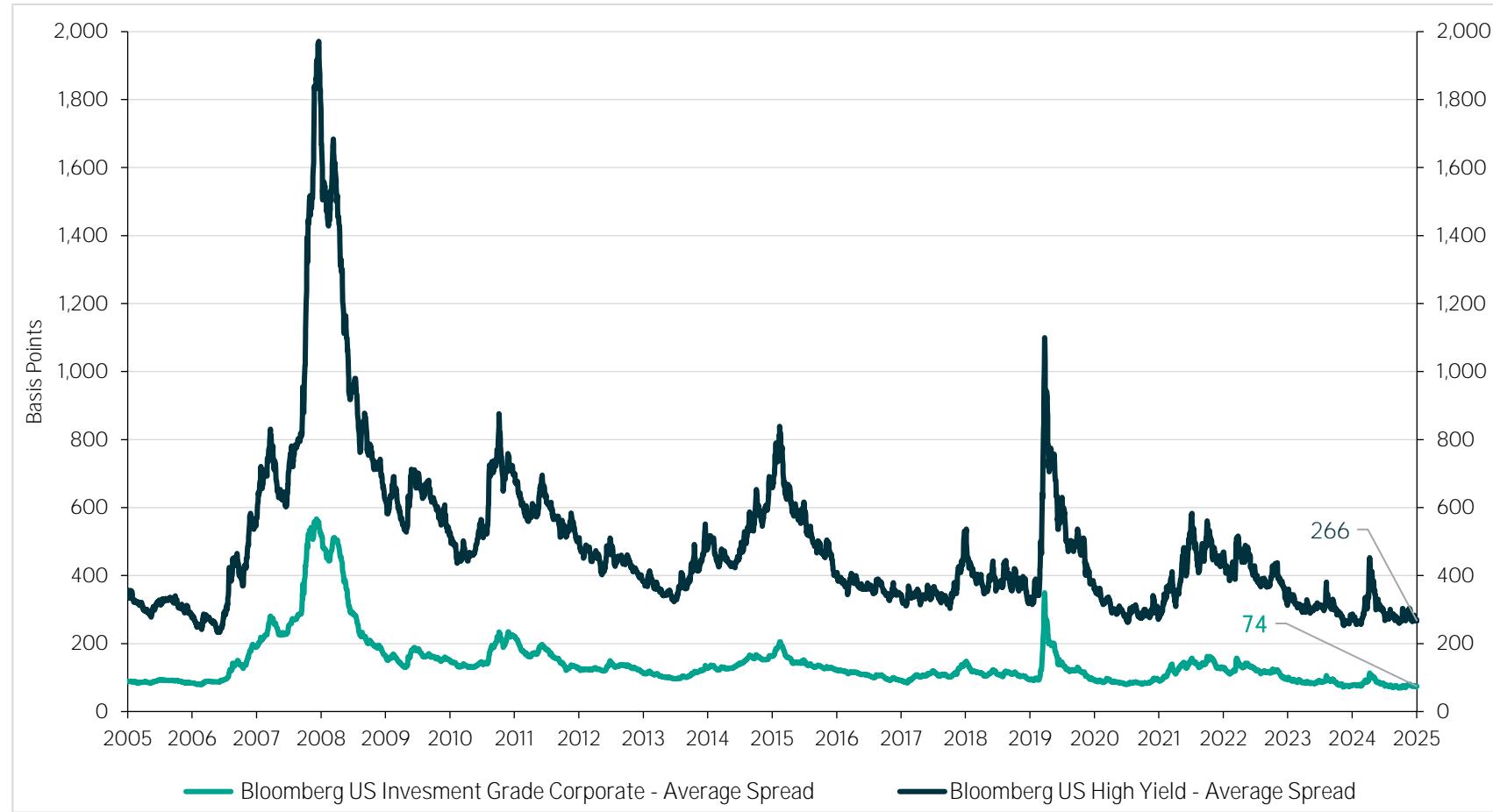


Source: Bloomberg, Bureau of Labor Statistics (BLS), TIAA Wealth Chief Investment Office. Data through 12/31/2025 (left panel) and 1/4/2026 (right panel).

Corporate bond credit spreads are often a barometer of economic health

Corporate bond market performance

- Corporate bond credit spreads are often a good barometer of economic health—widening (bad) and narrowing (good).
- Yield spreads get wider or tighter depending on several factors, including supply of and demand for corporate bonds, credit risk, and the overall state of the economy and financial markets.
- Despite a brief widening in April 2025 related to the initial news on tariffs, investment grade (dark green line) and high yield (light green line) credit spreads have tightened significantly since late 2023, reaching some of the lowest levels of the past four decades.
- Tough economic times tend to send corporate bond spreads higher. When the economy gets rocky, investors seek safe havens such as U.S. Treasury bonds (and investment grade corporate bonds), which drives up prices and sends their yields lower.
- As a result, investors who watch bond spreads can get a pretty good idea of overall risk sentiment in the financial markets.



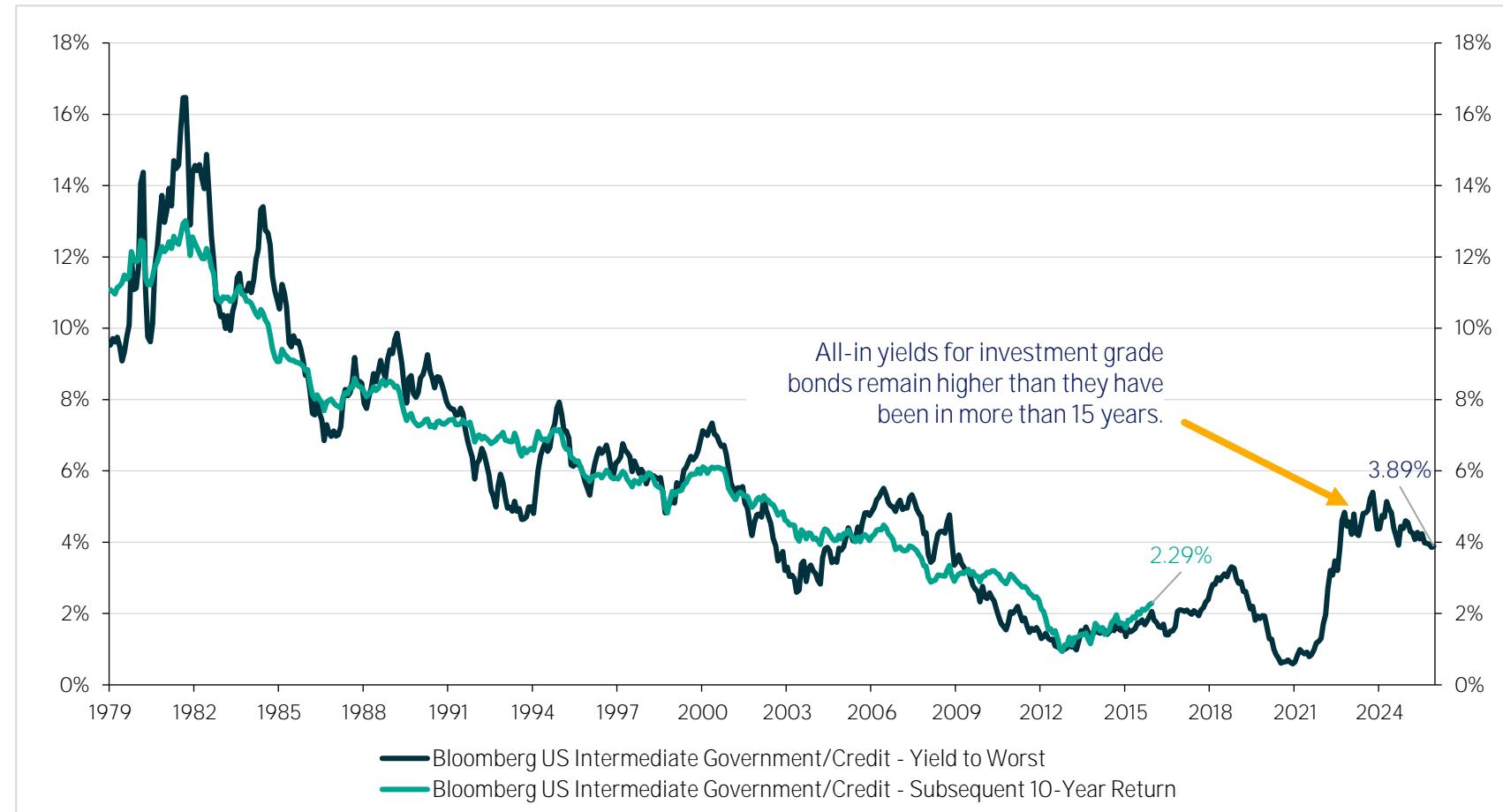
Source: FactSet Financial Data and Analytics, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Current bond yields look attractive for long-term investors

Bond yields and returns

- As of 12/31/2025, bond yields were ~4% (vs. 1% in late 2021) on the intermediate bond index (dark green line).
- This trend may be a good proxy for bond returns over the next 10 years (light green line).
- Our view is that bonds still have a place in a well-diversified 60/40 portfolio.
- The investment grade bond market continues to recover from the significant setbacks it experienced in 2021 and 2022, when the Fed raised rates aggressively to combat the worst inflation in 40 years.

Rising bond yields act as a drag on short-term fixed income performance, but boost the long-term attractiveness of bonds



Source: FactSet Financial Data and Analytics, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Municipal bond yields remain near their record highs

Municipal bonds performance

- The municipal bond market closed the fourth quarter on a note of strength, with the bulk of performance concentrated in October as positive momentum and market sentiment from September's rally carried forward. Early in the period, municipal yields tracked Treasury rates lower, though the market subsequently stabilized as investors absorbed the year's record issuance. Supportive technical and fundamental conditions allowed investors to lock in these attractive yields with confidence.
- While rates generally declined during the quarter, the curve shift was decidedly flatter and uneven, producing mixed results across the maturity spectrum. Intermediate and long bonds led performance while shorter maturities moved modestly higher. Performance proved resilient despite episodic rate volatility and unprecedented supply volumes.
- Municipal credit fundamentals maintain their solid foundation, supported by healthy reserve levels and disciplined fiscal management across most issuers. While certain lower-rated credits and specialized sectors—particularly healthcare and higher education—face potential challenges from federal funding constraints, immigration policy changes, and broader economic headwinds, the municipal market as a whole continues to demonstrate strong credit quality.
- Municipal bonds retain their appeal through historically low default rates and important diversification benefits compared to corporate debt and other risk assets.

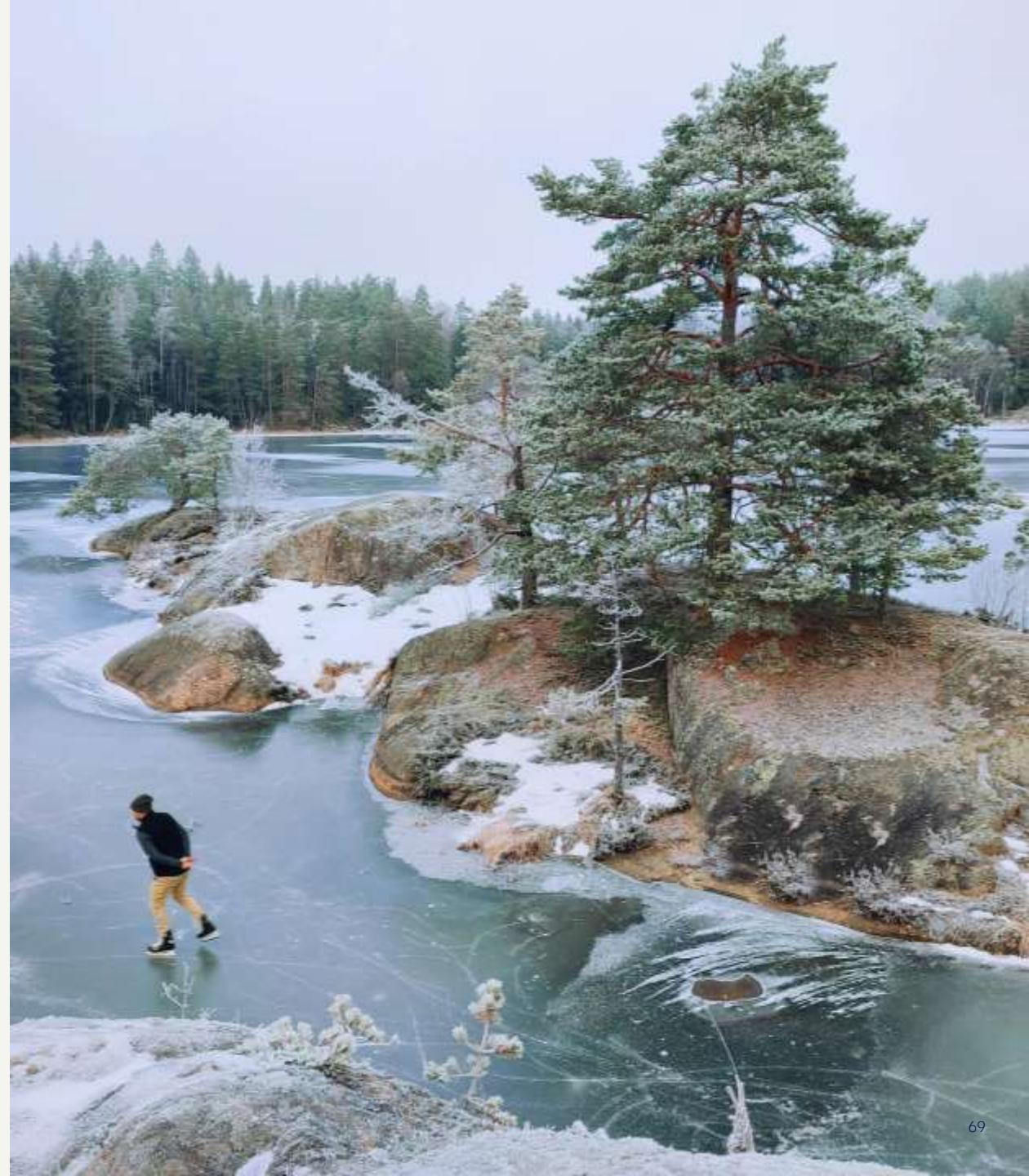


Source: Bloomberg, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

07

Alternative Investments

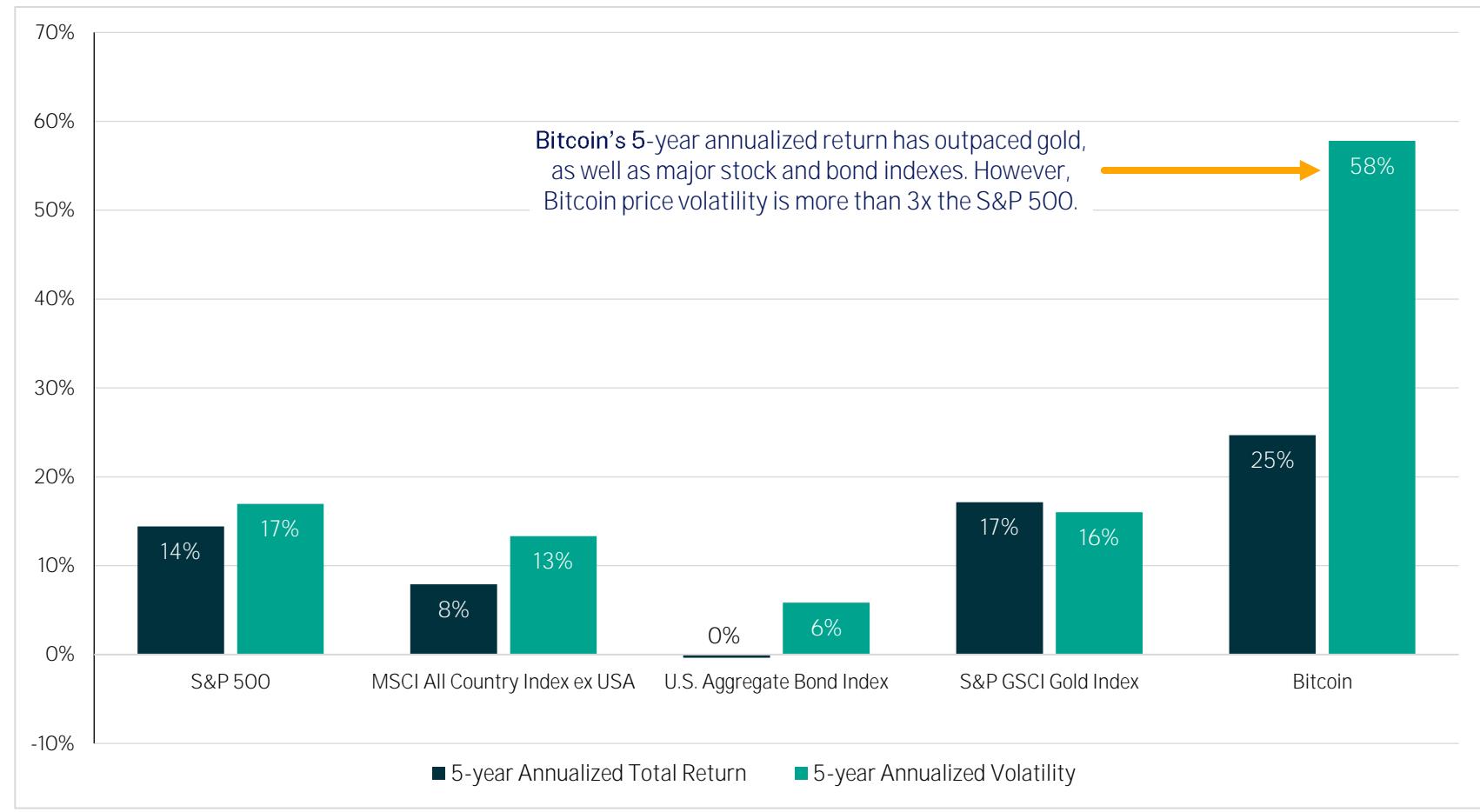
Bitcoin and gold captured investor attention in 2025.



Bitcoin returns have been significant, but so has its volatility

Cryptocurrencies

- Investors are increasingly curious about cryptocurrencies and potential applications for blockchain technology across business sectors and industries.
- When we look at the historical performance of stock or bond investments, we're able to analyze trends and performance over the course of many decades using transparent metrics to discern their value.
- A primary factor driving Bitcoin's volatility is the lack of consensus on how to value it. The current challenges impacting cryptocurrencies—a combination of nonexistent cash flows, volatility, and a lack of regulatory oversight—have thus far proven problematic for long-term investors who will rely on income from their portfolios to meet their lifestyle expenses in retirement.
- While broadening enthusiasm around crypto adoption and the bitcoin ETFs are an encouraging sign for the industry, from an investment perspective, its value drivers will take time to develop and to be well understood by market participants.



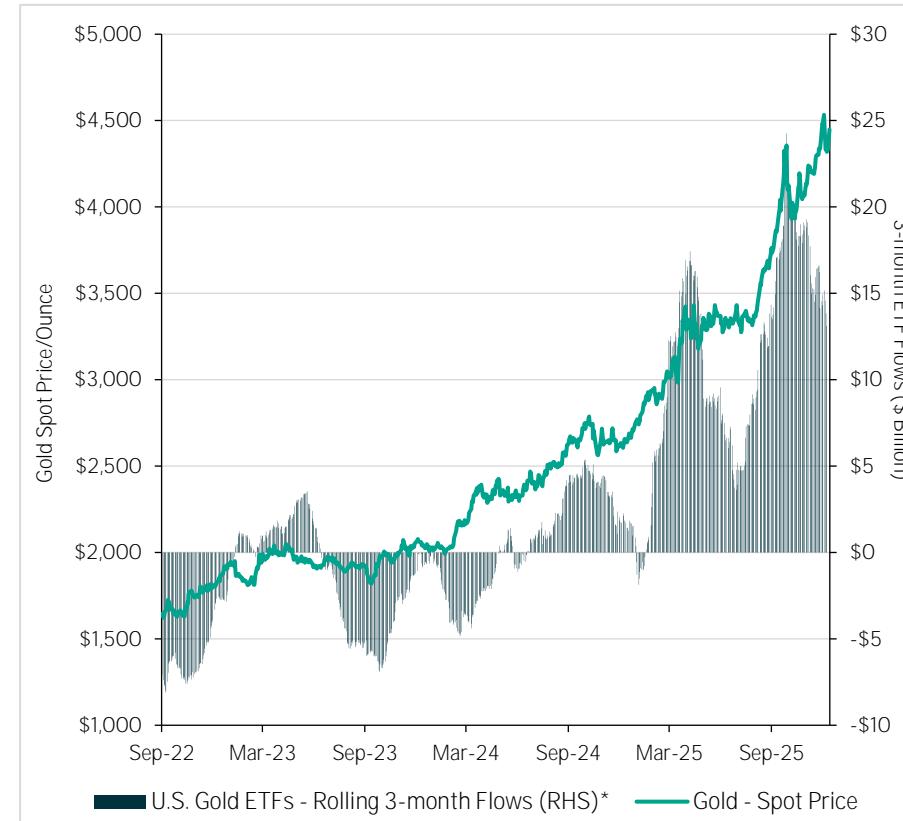
Source: Bloomberg, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Gold attracting investor attention amid elevated volatility

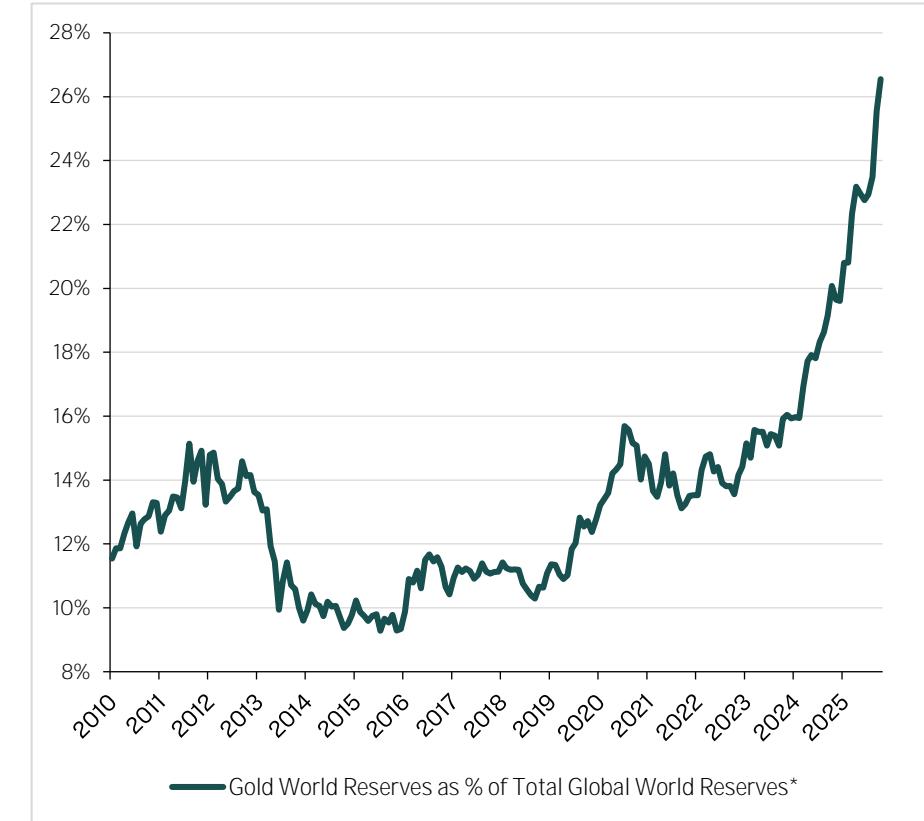
Gold ETF flows

- As the price of gold set new records 53 times in 2025, global investors poured unprecedented capital into physically backed gold ETFs (left panel).
- Overall, global investor enthusiasm was driven by:
 - Rising safe-haven demand amid escalating global trade disputes, geopolitical tensions and financial market volatility.
 - Momentum buying as the surging gold price attracted attention.
 - Declining opportunity costs as U.S. Treasury yields fell and the dollar weakened.
- Following significant net purchases in 2024 and 2025, central bank demand is likely to continue being a relevant structural factor in the global gold market (right panel).
- This trend appears to be driven by a broader strategy amongst monetary institutions to diversify foreign exchange reserves. Because these purchases are often strategic and longer-term in nature, they contribute to a more diversified market structure.

Gold ETF flows surged in 2025



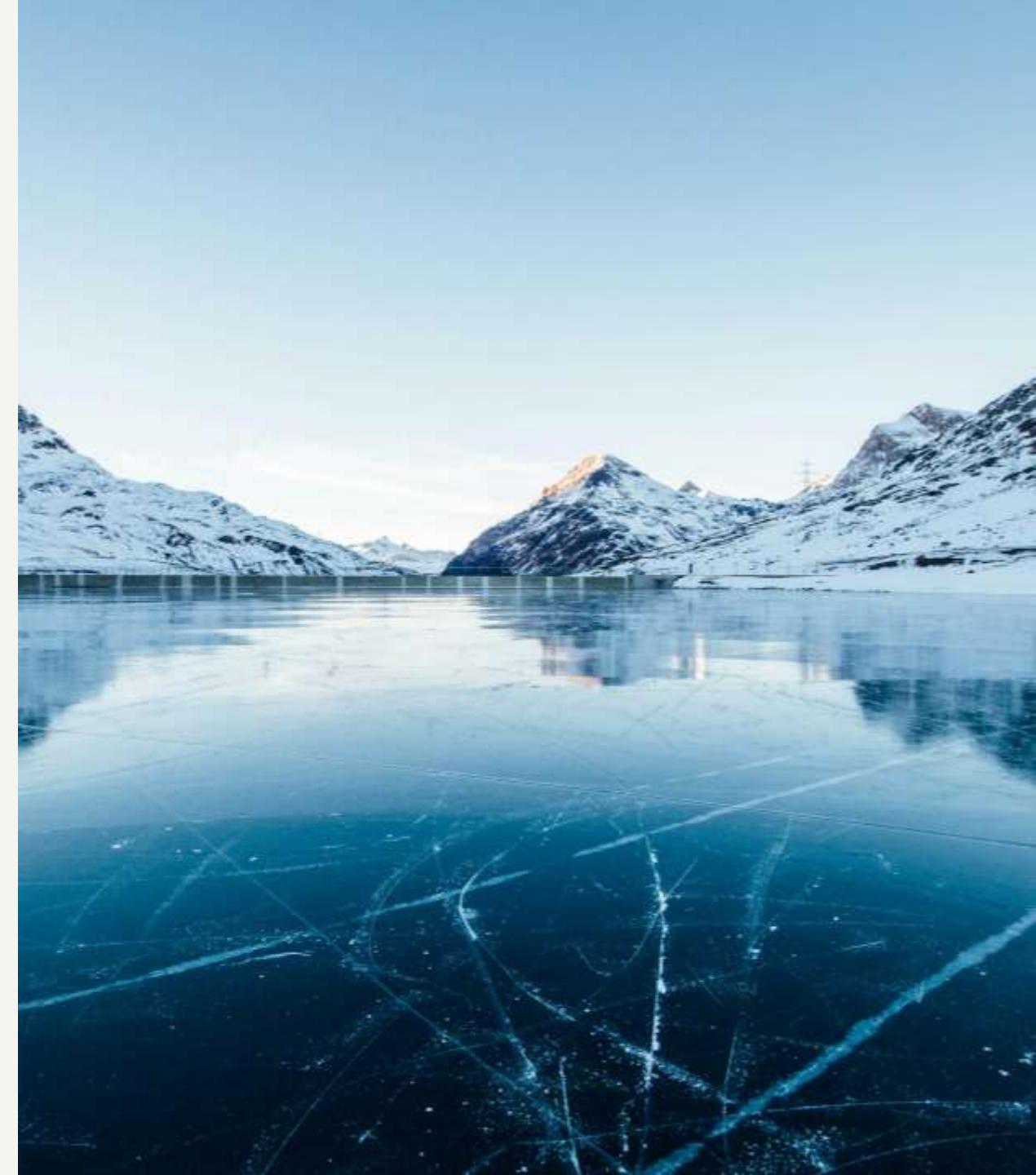
Central bank gold reserves have doubled since 2020



08

2026 U.S. Midterm Elections

Investors continue to consider new policies as they are sequenced ahead of elections in late 2026.



Historical market and 60/40 portfolio performance under various administrations and congressional makeup

Historical performance

- Each administration has differing views on the economy, regulation, industrial policy, fiscal, trade and foreign policy, etc., and markets typically adjust as they become more comfortable with the political environment.
- The infographic suggests there may be some performance benefit to a Democrat in the White House, but it doesn't provide a complete picture.
- Since 1928, Democrats have controlled the Presidency, House and Senate (or an alternative arrangement in which they maintain a majority) for more total years than Republicans (see "Number of Years" column).
- The 2024 election resulted in GOP control over the Presidency, House and Senate, and the party will have significant latitude to pursue key agenda items. Historical returns for this dynamic are highlighted in the orange box to the right.

Annual Returns					Annual Returns				
	Large Cap Stocks (S&P 500) ¹	Fixed Income (Intermediate-term Bonds) ²	60/40 Portfolio ³	Number of Years ⁴		Large Cap Stocks (S&P 500) ¹	Fixed Income (Intermediate-term Bonds) ²	60/40 Portfolio ³	Number of Years ⁴
Democratic President All Inauguration Years (from 1929) ⁵	14.6%	3.3%	10.2%	52	Republican President All Inauguration Years (from 1929) ⁵	6.8%	7.3%	7.3%	45*
Democratic House	11.6%	5.3%	9.1%	68	Republican House	12.1%	4.9%	9.2%	29
Democratic Senate	12.6%	4.2%	9.1%	64	Republican Senate	10.1%	7.4%	9.1%	33
Democratic Control (President, House, & Senate)	14.2%	2.5%	9.4%	37	Republican Control (President, House, & Senate)	6.1%	4.9%	5.5%	13
Democratic President, Democratic Senate & Republican House	16.2%	2.4%	10.7%	6	Republican President, Republican Senate & Democratic House	9.4%	12.2%	11.0%	10
Democratic President, Republican Senate & Republican House	15.9%	5.7%	11.8%	10	Republican President, Democratic Senate & Democratic House	8.6%	6.8%	7.7%	22

¹Large Cap Stocks: Ibbotson Associates (IA) SBBI Large Stock TR USD Ext from 1/1929 - 1/1970; S&P 500 TR USD thereafter.

²Fixed Income: IA SBBI IT Govt Bonds TR USD from 1929-1975; Bloomberg U.S. Agg Bond from 1976 thereafter.

³60/40 Portfolio is rebalanced monthly.

⁴"Number of Years" = actual number of combined years the respective party presidents, senators, and house members are in office.

⁵For All Inaugurations, each presidential term runs from 1/1 of each election year through 1/31 of the next inauguration year.

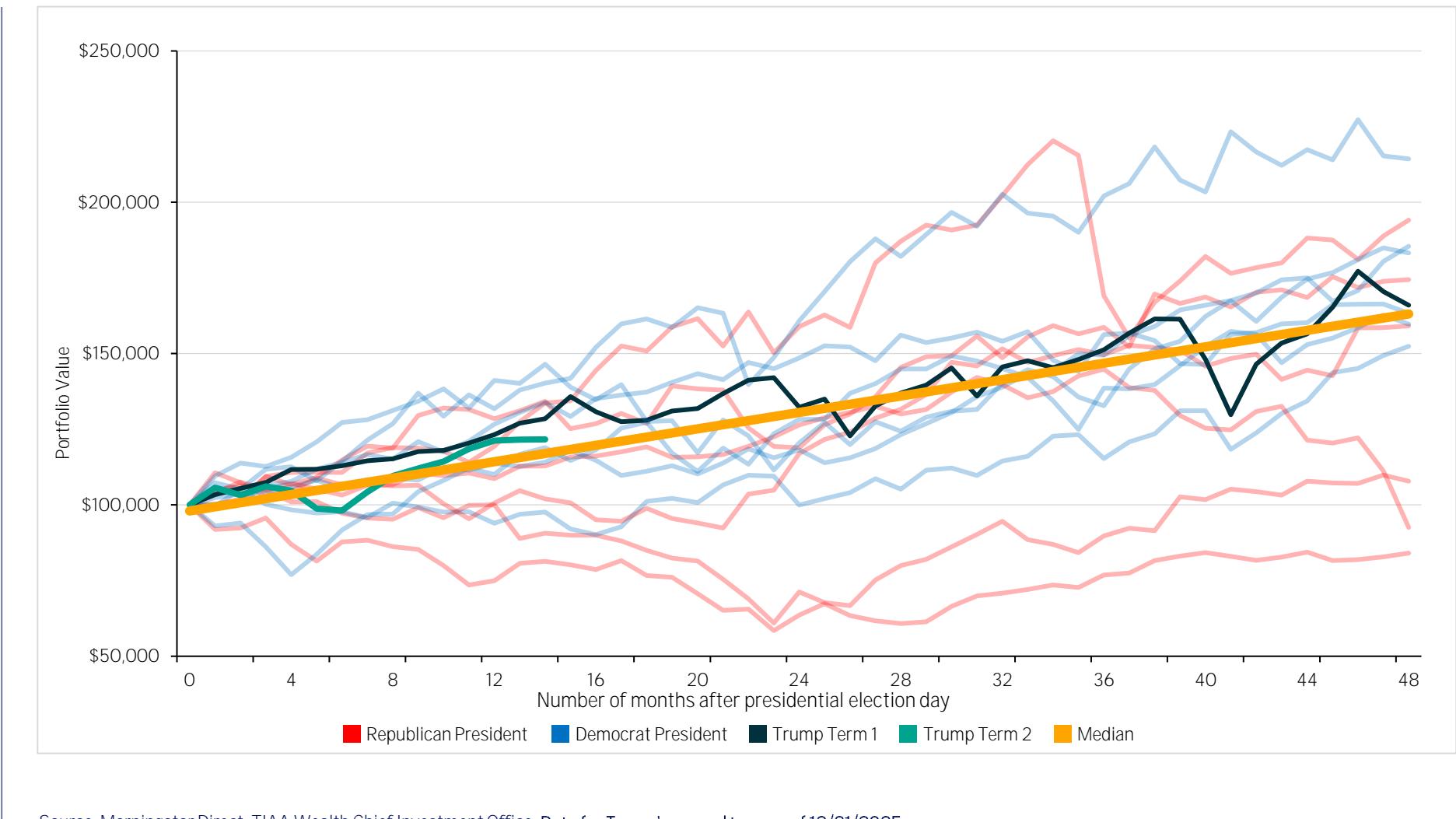
* The current presidency covers just one year, from 1/1/2025 - 12/31/2025.

Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Monthly returns from 1/1/1926 - 12/31/2025.

U.S. presidential elections and value of \$100,000 invested in U.S. large cap equites over subsequent 48 months

Presidential terms & \$100K investments

- This chart illustrates what would have happened to \$100,000 invested in U.S. large cap equites (S&P 500 Total Return Index) the day before each election over each four-year presidential term since 1972.
- Each line represents a different presidential term with the president's party highlighted by color (red=Republican and blue=Democrat).
- Over the medium term, or 48 months, the results vary dramatically. But the trendline (orange) illustrates the median growth of a \$100,000 investment across all terms, which smooths out the dramatic peaks and valleys.
- The performance of the S&P 500 at the end of Q4 2025 (Trump's first full year as president under his second term, light green line) was slightly above the median performance in all presidential terms since 1972.



Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Data for Trump's second term as of 12/31/2025.

How midterm elections impact markets

Midterm elections impacts since World War II

- History can provide some guidance on the outcome of midterm elections. However, comparing historical outcomes to today is much more difficult.
- Since the end of WW II, the sitting president's party has lost an average of 26 seats in the House and four in the Senate in midterm elections.
- The president's party has lost an average of 20 House seats in midterm elections during the second term of a presidency (Truman, Eisenhower, Reagan, Clinton, George W. Bush, and Obama) and 7 Senate seats, as shown in left panel.
- From a market standpoint, as shown in the right panel, on average in the 12 months prior to the midterm elections and up to 2022, the S&P 500 rose by 8%; in the 12 months after the midterms in that span, the S&P 500 by rose 19%.
- Looking at just midterm elections during a president's second term when the president's party loses control of one or both houses of Congress (Bush in 2006 and Obama in 2014), the average gain in the 12 months before and after the midterm election was 16% and 8%, respectively.

Year	President	House Losses	Senate Losses	Comment
1950	Harry Truman (D)	-28	-5	No change in control in either chamber
1958	Dwight Eisenhower (R)	-48	-12	No change in control in either chamber
1986	Ronald Reagan (R)	-5	-8	No change in control in either chamber
1998	Bill Clinton (D)	+4	0	No change in control in either chamber
2006	George W. Bush (R)	-32	-6	House and Senate flipped from R to D
2014	Barack Obama (D)	-13	-9	Senate flipped from D to R
	Average	-20	-7	
	Median	-21	-7	

Midterm Election Year	Cumulative Total Return	
	12 Months Prior to Each Midterm Election Day	12 Months After Each Midterm Election Day
1950	32.9%	23.2%
1954	35.9%	36.1%
1958	32.8%	13.6%
1962	-13.8%	28.1%
1966	-9.5%	15.7%
1970	-9.7%	16.3%
1974	-25.7%	24.1%
1978	7.2%	12.4%
1982	17.4%	25.4%
1986	33.4%	4.3%
1990	-2.9%	29.3%
1994	3.9%	29.6%
1998	20.1%	23.6%
2002	-15.7%	17.0%
2006	15.2%	8.7%
2010	16.8%	5.8%
2014	16.2%	6.7%
2018	8.4%	14.0%
2022	-18.5%	16.4%
Average Return	7.6%	18.5%

Source: Bloomberg, TIAA Wealth Chief Investment Office. Daily data from 1949 – 2022.

09

Portfolio Strategy

Tuning out the noise, focusing on long-term goals.



Near- and long-term investment views¹

12- to 18-month tactical views

- Macro forces set to shape financial markets in 2026:
 - After cutting the Fed Funds rate by three-quarter points since September (and 1.5% since September 2024), the Fed may pause rate cuts as risks to their dual mandate appear more balanced.
 - Artificial intelligence (AI)-related capital expenditures remain strong, providing a key source of support for the U.S. economy but also raising concerns about overspending and returns on invested capital.
 - OBBBA tax cuts and incentives may boost capital expenditures and household consumption in the first half of 2026.
 - Risks remain, including soft employment growth, sticky consumer inflation, tremors in the subprime lending market, and geopolitical uncertainty.
 - The apparent shift in the U.S. foreign policy doctrine may have more significant ramifications. While developments in Venezuela alone do not warrant a significant rethinking of asset allocation strategies at this point, they reinforce our view that a return of geopolitical tensions may contribute to more frequent bouts of elevated market volatility in 2026.

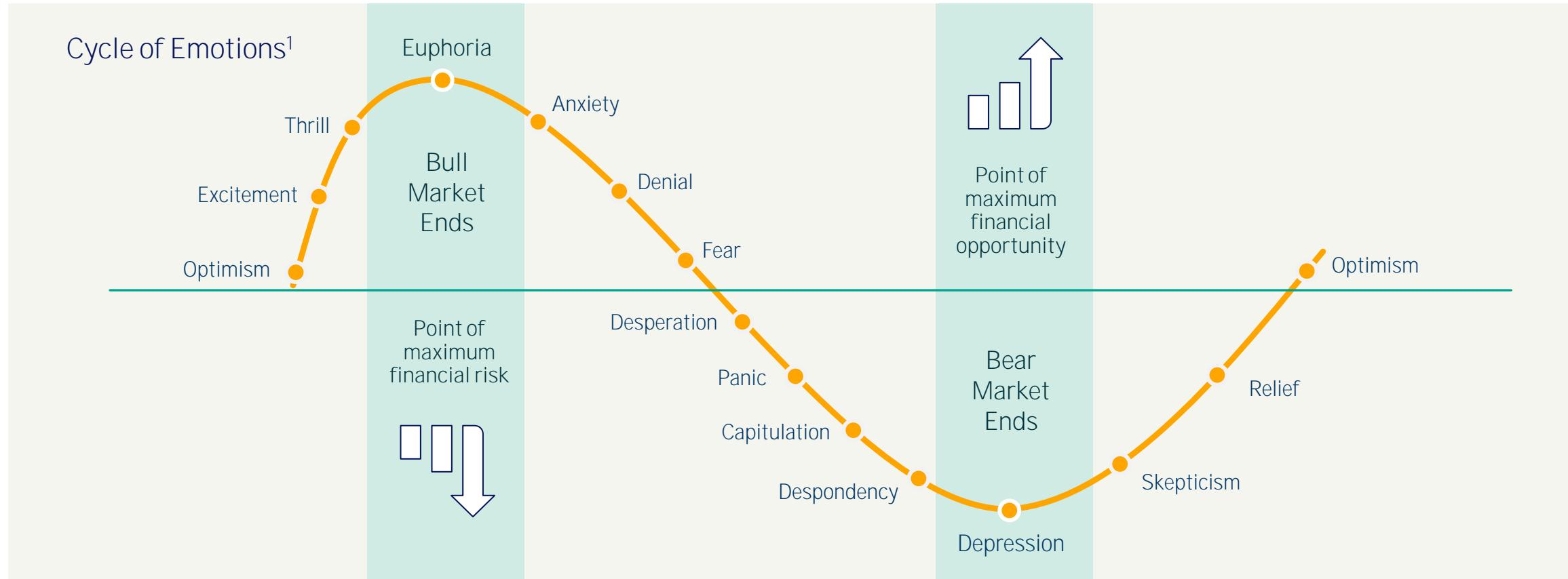
Long-term secular views

- We believe that the U.S. economy is fundamentally strong from a long-term perspective and that markets over time will reflect this. In our view, the business cycle of the future will likely be driven by:
 - Accelerating innovation across all sectors of the economy, as AI and robotics become further embedded into business practices. This should drive an uptick in productivity growth broadly.
 - Geopolitical differences and national security concerns driving capital expenditures and government investment into higher value-added industries such as manufacturing, semiconductors, and healthcare supply chains.
 - The millennial generation aging into its prime years for earning, consuming, and investing.
 - Investments toward the transition to the new energy economy, including traditional and green commodities that are expected to be in deficit relative to projected long-term demand.

5 steps to stay on track toward your long-term investment goals



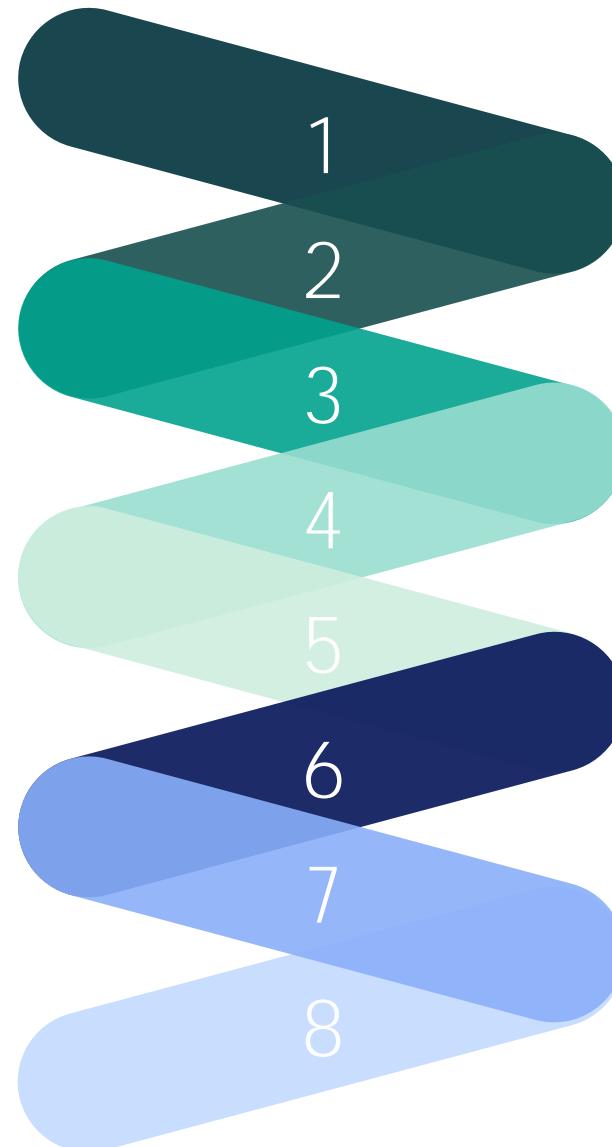
Investors tend to see short-term volatility as extremely disruptive. This volatility can influence investor sentiment, which can sometimes drive investors to rush to judgement, then buy and sell assets at inappropriate times.



¹For illustrative purposes only

Investors worried about short-term volatility who want to exit the market must make two correct decisions back-to-back: when to get out, and when to get back in. Can you make confident decisions based on answers to these important, related questions?

- 1 Why am I worried, and what am I watching/reading to inform my decision making?
- 2 Who am I talking to about these concerns? Do they have the expertise to help?
- 3 When will I exit the market, and in which account(s)? 403(b)? Brokerage? Roth?
- 4 Which asset classes will I sell first, and why?



- 5 Where will I put the money, and how will I rebalance after I sell?
- 6 When will I get back in the market, and are these the same signals I used to exit?
- 7 What if I'm scared to get back in and too much time has passed?
- 8 What will I buy first (which asset classes, sectors, and how much of each)?

DIVERSIFICATION MATTERS

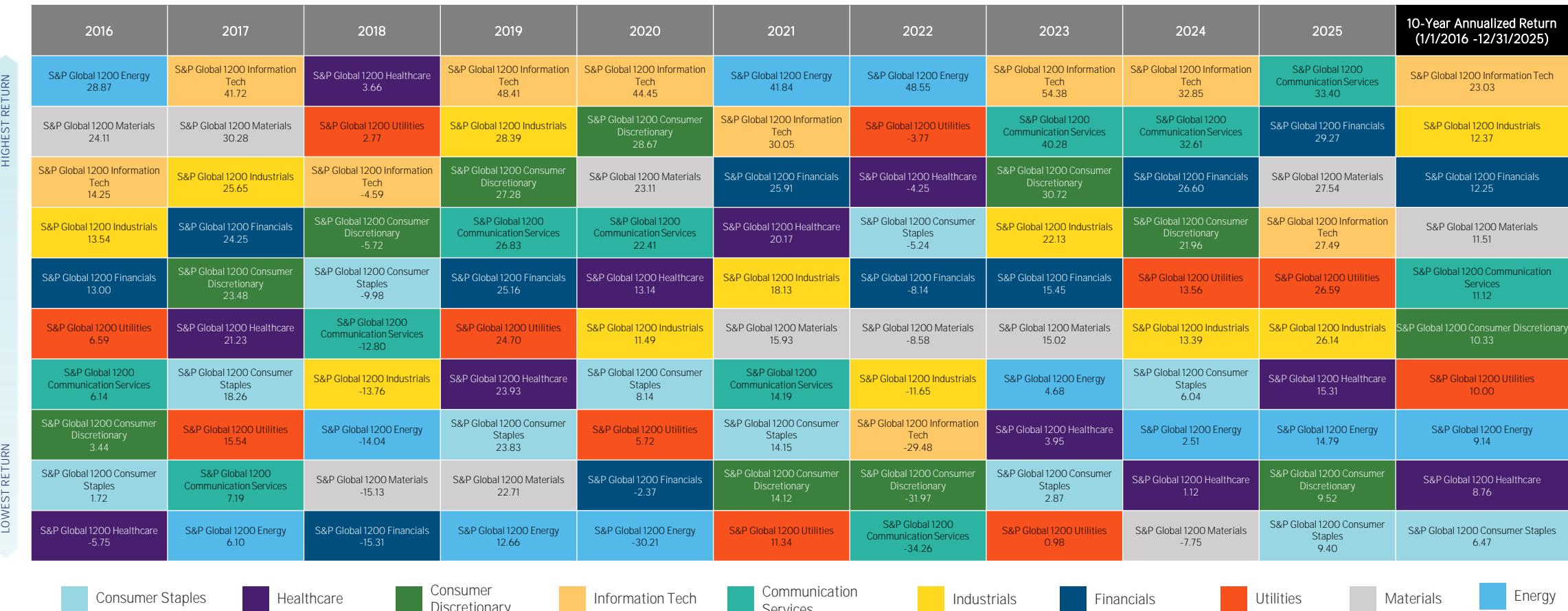
A well-diversified portfolio improves the likelihood of more consistent outcomes. By holding a variety of investments, poor performance of any one investment can potentially be offset by the better performance of another, leading to a more consistent overall returns over time.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	15-Yr Annualized Return	15-Yr Annualized Std Dev
HIGHEST RETURN	TIPS 13.56	Emerging Market Stocks 18.22	Small Cap 38.82	S&P 500 13.69	Large Growth 5.67	Small Cap 21.31	Emerging Market Stocks 37.28	Agg Bond 0.01	Large Growth 36.39	Large Growth 38.49	S&P 500 28.71	Gold -0.74	Large Growth 42.68	Large Growth 33.36	Gold 62.48	Large Growth 16.58	Gold 20.30
	Gold 9.63	Large Value 17.51	Large Growth 33.48	Large Value 13.45	S&P 500 1.38	Large Value 17.34	Large Growth 30.21	TIPS -126	S&P 500 31.49	Gold 20.95	Large Growth 27.60	Large Value -7.54	S&P 500 26.29	Gold 26.62	Emerging Market Stocks 33.57	S&P 500 14.06	Large Growth 19.32
	Agg Bond 7.84	International Stocks 17.32	Large Value 32.53	Large Growth 13.05	Agg Bond 0.55	High Yield Bond 17.13	International Stocks 25.03	Large Growth -1.51	Large Value 26.54	Small Cap 19.96	Large Value 25.16	High Yield Bond -11.19	International Stocks 18.24	S&P 500 25.02	International Stocks 31.22	Large Value 10.78	Emerging Market Stocks 18.09
	High Yield Bond 4.98	Small Cap 16.35	S&P 500 32.39	60/40 Diversified Portfolio* 0.39	International Stocks -0.81	S&P 500 11.96	S&P 500 21.83	High Yield Bond -2.08	Small Cap 25.52	S&P 500 18.40	Small Cap 14.82	TIPS -11.85	Small Cap 16.93	Large Value 14.37	Large Growth 18.56	Small Cap 9.47	Small Cap 15.22
	Large Growth 2.64	S&P 500 16.00	International Stocks 22.78	Agg Bond 5.97	TIPS -1.44	Emerging Market Stocks 11.19	60/40 Diversified Portfolio* 15.20	Gold -2.81	International Stocks 22.01	Emerging Market Stocks 18.31	60/40 Diversified Portfolio* 12.52	Agg Bond -13.01	60/40 Diversified Portfolio* 15.03	Small Cap 11.54	S&P 500 17.88	60/40 Diversified Portfolio* 7.89	International Stocks 14.98
	S&P 500 2.11	High Yield Bond 15.81	60/40 Diversified Portfolio* 15.85	Small Cap 4.89	60/40 Diversified Portfolio* -1.46	60/40 Diversified Portfolio* 8.57	Small Cap 14.65	S&P 500 -4.38	60/40 Diversified Portfolio* 20.44	60/40 Diversified Portfolio* 13.48	International Stocks 11.26	International Stocks -14.45	High Yield Bond 13.44	60/40 Diversified Portfolio* 10.41	Large Value 15.91	Gold 6.85	S&P 500 14.37
	60/40 Diversified Portfolio* 1.41	Large Growth 15.26	High Yield Bond 7.44	TIPS 3.64	Large Value -3.83	Gold 7.75	Large Value 13.66	60/40 Diversified Portfolio* -5.61	Emerging Market Stocks 18.44	TIPS 10.99	TIPS 5.96	60/40 Diversified Portfolio* -15.34	Gold 12.82	High Yield Bond 8.19	60/40 Diversified Portfolio* 14.99	International Stocks 6.64	Large Value 12.39
	Large Value 0.39	60/40 Diversified Portfolio* 12.96	Agg Bond -2.02	High Yield Bond 2.45	Small Cap -4.41	Large Growth 7.08	Gold 12.79	Large Value -8.27	Gold 18.03	International Stocks 7.82	High Yield Bond 5.28	S&P 500 -18.11	Large Value 11.46	Emerging Market Stocks 7.50	Small Cap 12.81	High Yield Bond 6.03	60/40 Diversified Portfolio* 9.68
	Small Cap -4.18	TIPS 6.98	Emerging Market Stocks -2.60	Gold -1.75	High Yield Bond -4.47	TIPS 4.68	High Yield Bond 7.50	Small Cap -11.01	High Yield Bond 14.32	Agg Bond 7.51	Agg Bond -1.54	Emerging Market Stocks -20.09	Emerging Market Stocks 9.83	International Stocks 3.82	High Yield Bond 8.62	Emerging Market Stocks 3.82	High Yield Bond 7.77
	International Stocks -12.14	Gold 6.08	TIPS -8.61	Emerging Market Stocks -2.19	Gold -10.88	Agg Bond 2.65	Agg Bond 3.54	International Stocks -13.79	Agg Bond 8.72	High Yield Bond 7.11	Emerging Market Stocks -2.54	Small Cap -20.44	Agg Bond 5.53	TIPS 1.84	Agg Bond 7.30	TIPS 2.91	TIPS 6.78
LOWEST RETURN	Emerging Market Stocks -18.42	Agg Bond 4.21	Gold -28.65	International Stocks -4.90	Emerging Market Stocks -14.92	International Stocks 1.00	TIPS 3.01	Emerging Market Stocks -14.58	TIPS 8.43	Large Value 2.80	Gold -4.28	Large Growth -29.14	TIPS 3.90	Agg Bond 1.25	TIPS 7.01	Agg Bond 2.42	Agg Bond 5.54

 Emerging Market Stocks
  Large Cap Growth
  TIPS
  International Stocks
  Bonds
  Gold
  S&P 500
  High Yield Bonds
  Large Cap Value
  Small Cap
  60/40 Diversified Portfolio

Source: Data derived from Morningstar Direct. All data represents total returns for the stated period. Past performance does not guarantee future returns. This material is for informational or educational purposes only and does not constitute a recommendation or investment advice in connection with a distribution, transfer or rollover, a purchase or sale of securities or other investment property, or the management of securities or other investments, including the development of an investment strategy or retention of an investment manager or advisor. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made in consultation with an investor's personal advisor based on the investor's own objectives and circumstances. The TIAA group of companies does not provide legal or tax advice. Please consult your independent legal or tax advisor for advice specific to your needs.

S&P Global sector index performance 2016-2025



Source: Data derived from Morningstar Direct. Past performance does not guarantee future results. Index returns are for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. The S&P Global 1200 provides efficient exposure to the global equity market. Capturing approximately 70% of global market capitalization, it is constructed as a composite of seven headline indices, many of which are accepted leaders in their regions. These include the S&P 500® (US), S&P Europe 350, S&P TOPIX 150 (Japan), S&P/TSX 60 (Canada), S&P/ASX All Australian 50, S&P Asia 50, and S&P Latin America 40. Investing involves risk, including possible loss of principal. Investments primarily concentrated in one sector may be more volatile than those that diversify across many industry sectors and companies. Foreign investing involves risks not typically associated with U.S. investing, including currency fluctuations, political instability, uncertain economic conditions, different accounting standards, and other risks not associated with domestic investments. These risks may be magnified in emerging markets.

Fixed income investments 2011-2025

2011-2025 Annualized Returns																
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
HIGHEST RETURN	LT Treasuries 29.93	EM Bond HC 17.44	HY Bond 7.44	LT Treasuries 25.07	Munis 3.30	HY Bond 17.13	EM Bond HC 10.26	Intl Developed Bonds 3.17	EM Bond HC 15.04	LT Treasuries 17.70	TIPS 5.96	ST Treasuries 0.98	HY Bond 13.44	HY Bond 8.19	EM Bond HC 14.30	HY Bond 6.03
	TIPS 13.56	HY Bond 15.81	Intl Developed Bonds 1.18	Munis 9.05	MBS 1.51	EM Bond HC 10.15	LT Treasuries 8.53	ST Treasuries 1.88	LT Treasuries 14.83	TIPS 10.99	HY Bond 5.28	Agency Bond -7.87	EM Bond HC 11.09	EM Bond HC 6.54	HY Bond 8.62	EM Bond HC 4.72
	Munis 10.70	IG Corporate 9.82	ST Treasuries 0.14	Intl Developed Bonds 8.79	Intl Developed Bonds 1.36	IG Corporate 6.11	HY Bond 7.50	Agency Bond 1.34	IG Corporate 14.54	IG Corporate 9.89	Munis 1.52	Munis -8.53	IG Corporate 8.52	ST Treasuries 5.26	MBS 8.58	IG Corporate 3.69
	Treasuries 9.81	TIPS 6.98	Agency Bond -1.38	IG Corporate 7.46	EM Bond HC 1.18	Intl Developed Bonds 4.90	IG Corporate 6.42	Munis 1.28	HY Bond 14.32	Treasuries 8.00	ST Treasuries 0.04	Intl Developed Bonds -9.76	Intl Developed Bonds 8.32	Intl Developed Bonds 4.97	IG Corporate 7.77	Munis 3.34
	IG Corporate 8.15	Munis 6.78	MBS -1.41	EM Bond HC 7.43	Agency Bond 1.01	TIPS 4.68	Munis 5.45	MBS 0.99	Agg Bond -3.72	Agg Bond 7.11	IG Corporate -1.04	HY Bond -11.19	Munis 6.40	Agency Bond 3.16	Agg Bond 7.01	Intl Developed Bonds 3.15
	Agg Bond 7.84	Intl Developed Bonds 6.46	IG Corporate -1.53	MBS 6.08	Treasuries 0.84	Agg Bond 1.05	Agg Bond 3.51	Treasuries 0.86	TIPS 8.43	HY Bond 7.11	MBS -1.04	MBS -11.81	Agg Bond 7.32	IG Corporate 2.13	TIPS 7.01	TIPS 2.91
	EM Bond HC 7.35	Agg Bond 4.21	Agg Bond -2.02	Agg Bond 5.97	Agg Bond 0.55	MBS 1.67	TIPS 3.01	Agg Bond 0.01	Intl Developed Bonds 7.57	Agency Bond 5.48	Agency Bond -1.32	Agency Bond 5.13	TIPS 1.84	Treasuries 6.32	LT Treasuries 2.53	
	MBS 6.23	LT Treasuries 3.56	Munis -2.55	Treasuries 5.05	ST Treasuries 0.13	Agency Bond 1.39	Intl Developed Bonds 2.48	TIPS -1.26	Munis 7.54	EM Bond HC 5.26	Intl Developed Bonds -1.40	Treasuries -12.46	ST Treasuries 5.09	Agg Bond 1.25	Agency Bond 6.11	Agg Bond 2.42
	HY Bond 4.98	MBS 2.59	Treasuries -2.75	TIPS 3.64	IG Corporate -0.68	LT Treasuries 1.33	MBS 2.47	LT Treasuries -1.84	Treasuries 6.86	Munis 5.21	Agg Bond -1.54	Agg Bond -13.01	MBS 5.05	MBS 1.20	LT Treasuries 5.59	MBS 2.04
	Agency Bond 4.82	Agency Bond 2.16	EM Bond HC -5.25	Agency Bond 3.58	LT Treasuries -1.21	Treasuries 1.04	Treasuries 2.31	HY Bond -2.08	MBS 6.35	Intl Developed Bonds 3.94	EM Bond HC -1.80	IG Corporate -15.76	Treasuries 4.05	Munis 1.05	ST Treasuries 4.31	Agency Bond 2.04
LOWEST RETURN	Intl Developed Bonds 3.94	Treasuries 1.99	TIPS -8.61	HY Bond 2.45	TIPS -144	ST Treasuries 0.53	Agency Bond 2.06	IG Corporate -2.51	Agency Bond 5.89	MBS 3.87	Treasuries -2.32	EM Bond HC -17.78	TIPS 3.90	Treasuries 0.58	Munis 4.25	Treasuries 1.87
	ST Treasuries 0.23	ST Treasuries 0.15	LT Treasuries -12.66	ST Treasuries 0.09	HY Bond -4.47	Munis 0.25	ST Treasuries 0.81	EM Bond HC -4.26	ST Treasuries 2.46	ST Treasuries 0.95	LT Treasuries -4.65	LT Treasuries -29.26	LT Treasuries 3.06	LT Treasuries -6.41	Intl Developed Bonds 2.80	ST Treasuries 1.52

Legend: Agency Bond (Blue), Agg Bond (Orange), EM Bond HC (Teal), TIPS (Yellow), HY Bond (Dark Blue), IG Corporate (Orange), LT Treasuries (Green), MBS (Grey), Munis (Light Orange), Treasuries (Dark Purple), ST Treasuries (Light Blue), Intl Developed Bonds (Light Blue).

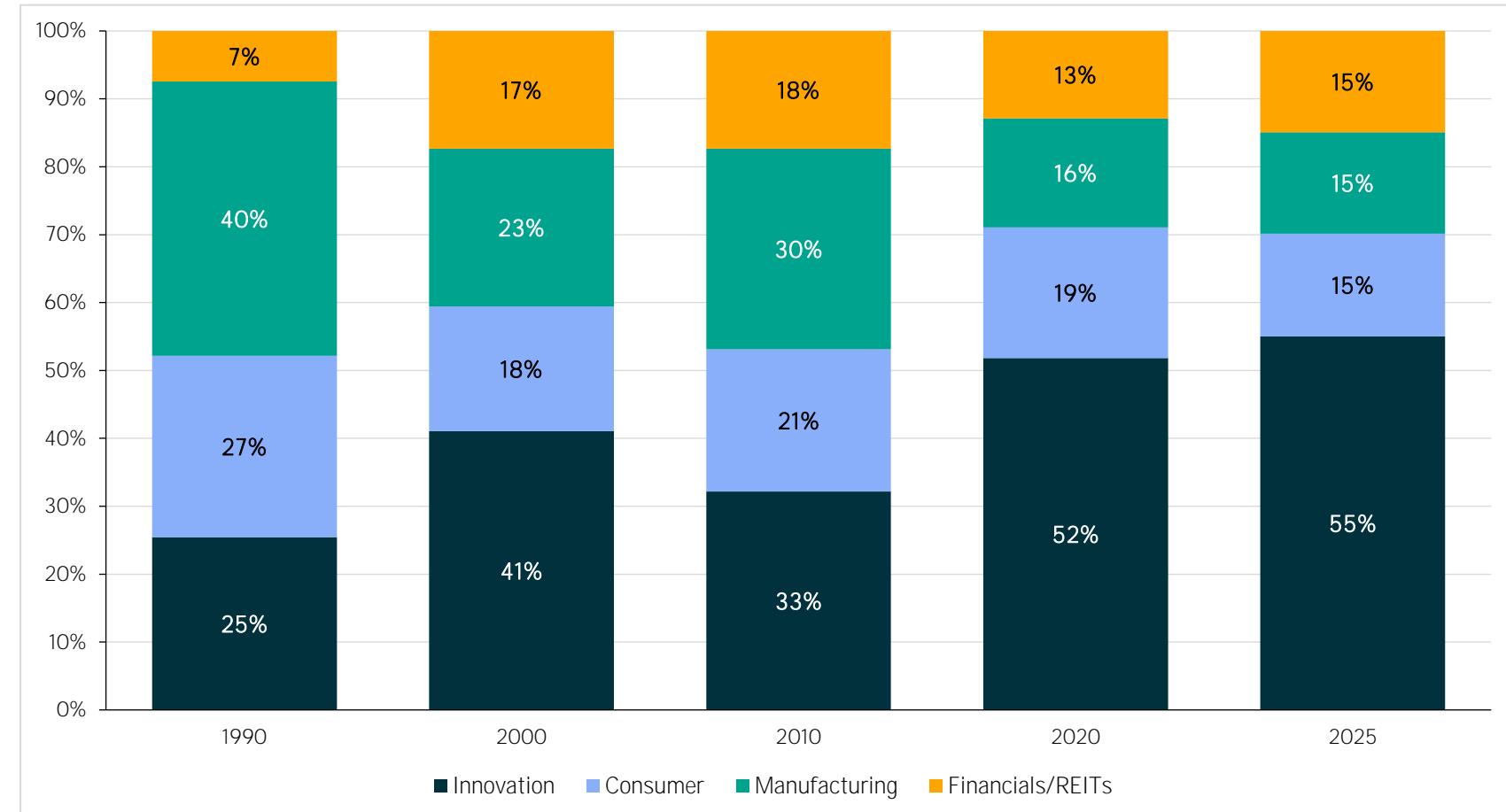
Source: Data derived from Morningstar Direct. Please note that equity returns have historically been higher than other asset classes but carry considerable risk of principal. Fixed-income returns have historically been less than equity returns, are subject to interest rate risk, but typically bring greater safety of principal. Indexes are unmanaged statistical composites that measure the various financial markets. An investment cannot be made into an index. All data represents total returns for the stated period. Past performance does not guarantee future returns. This material is for informational or educational purposes only and does not constitute a recommendation or investment advice in connection with a distribution, transfer or rollover, a purchase or sale of securities or other investment property, or the management of securities or other investments, including the development of an investment strategy or retention of an investment manager or advisor. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made in consultation with an investor's personal advisor based on the investor's own objectives and circumstances. The TIAA group of companies does not provide legal or tax advice. Please consult your independent legal or tax advisor for advice specific to your needs.

S&P 500 market cap by sector over time

S&P 500 composition

- As the chart shows, S&P 500's sector weightings have changed significantly over time, reflecting major economic shifts such as the technology boom and the decline of traditional industries, such as manufacturing.
- Information technology share -within the innovation (dark green) segment- has grown from around 6% in 1990 to over 35% today, driven by the rise of large tech companies like Apple, Microsoft, and Nvidia.
- Industrials -within the manufacturing (aqua segment)- comprised a third of the index in 1969 (not shown), a figure that has decreased substantially over the decades. Similarly, the energy sector –also within manufacturing segment- has shrunk to one of the smallest weightings, from being more prominent in the mid-2000s.
- Sectors fluctuate with economic conditions. For example, financials-within the yellow segment- peaked around 22% in September 2006 before the financial crisis, while health care and consumer staples tend to perform better during economic slowdowns.

Manufacturing dominated the index in 1990; today the index is dominated by innovation (i.e., tech + communications services & health care)



Source: FactSet Financial Data Analytics, TIAA Wealth Chief Investment Office; S&P 500 index sectors; 1/1/1989 – 12/31/2025. Innovation = Tech, Comm. Services & Health Care; Consumer = Cons. Staples & Discretionary; Manufacturing = Industrials, Materials, Energy, & Utilities.

Correlation is a statistical measure that captures how two securities move in relation to each other

Correlation

- Diversification has often been called the only free lunch in investing. As Harry Markowitz first established in his landmark research in 1952, a portfolio's risk level isn't just the sum of its individual components, but it also depends on how the holdings interact with each other.
- This interaction is referred to as correlation, which is a statistical measure that captures how two securities move in relation to each other (although it captures only the direction, not the magnitude, of returns).
- A correlation coefficient of 1 means the two securities have historically moved in lockstep in the same direction, while a coefficient of negative 1 means they move in lockstep but in opposite directions. A correlation coefficient of 0 means the two securities have historically had no relationship.
- Combining asset classes that have correlations below 1.0 can reduce the portfolio's overall risk profile. A well-constructed portfolio can have better risk-adjusted returns than its components. **Markowitz's research showed that the lower the correlation, the greater the reduction in volatility from adding additional assets.**
- The chart shows the correlations of 16 asset classes over the past five years.

5-Year Correlation of various asset classes

Asset Class	Benchmark/Index	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
U.S. Large Cap	1 Russell 1000 TR USD	1.00															
U.S. Small Cap	2 Russell 2000 TR USD	0.84	1.00														
World Ex US	3 MSCI ACWI Ex USA GR USD	0.79	0.69	1.00													
Dev. Mkts. Small Cap	4 MSCI EAFE Small Cap GR USD	0.78	0.74	0.94	1.00												
EM	5 MSCI EM GR USD	0.59	0.51	0.86	0.71	1.00											
HY Bond	6 Bloomberg US Corporate High Yield TR USD	0.83	0.76	0.81	0.85	0.60	1.00										
EM Bond HC	7 JPM EMBI Global Diversified TR USD	0.76	0.63	0.87	0.83	0.78	0.83	1.00									
Intl Dev. Bonds	8 Bloomberg Gbl Agg Ex USD TR Hdg USD	0.67	0.52	0.61	0.62	0.47	0.76	0.73	1.00								
MBS	9 Bloomberg US MBS TR USD	0.62	0.57	0.75	0.75	0.63	0.76	0.80	0.81	1.00							
IG Corp. Bond	10 Bloomberg US Corp Bond TR USD	0.70	0.59	0.79	0.78	0.67	0.82	0.88	0.84	0.95	1.00						
U.S. Agg Bond	11 Bloomberg US Agg Bond TR USD	0.63	0.54	0.74	0.74	0.63	0.76	0.82	0.84	0.98	0.98	1.00					
Treasury	12 Bloomberg US Treasury TR USD(1972)	0.54	0.45	0.66	0.65	0.56	0.68	0.75	0.84	0.95	0.95	0.99	1.00				
Cash	13 ICE BofA US 3M Trsy Bill TR USD	0.13	0.09	0.22	0.19	0.26	0.26	0.37	0.34	0.22	0.28	0.27	0.27	1.00			
Commodity	14 Bloomberg Commodity TR USD	0.23	0.17	0.31	0.27	0.28	0.25	0.16	-0.11	0.07	0.07	0.03	-0.03	-0.25	1.00		
Gold	15 S&P GSCI Gold TR	0.12	0.03	0.40	0.36	0.40	0.20	0.35	0.30	0.34	0.37	0.39	0.42	0.30	0.17	1.00	
REITs	16 FTSE Nareit Equity REITs TR USD	0.84	0.78	0.75	0.78	0.51	0.77	0.72	0.61	0.68	0.70	0.67	0.60	-0.03	0.26	0.19	1.00

Source: Morningstar Direct; TIAA Wealth Chief Investment Office. Data from 2021 – 2025; monthly data.

Correlations have increased over the past 30 years, particularly in the last decade

Increasing correlation

- One major consideration is that correlation coefficients shift over time, as shown in the chart, so what worked in the past won't necessarily work in the future.
- Moreover, correlations between many assets spike during periods of market crisis—in other words, exactly when you need diversification the most.
- For decades, U.S. stocks and bonds maintained a low or negative correlation. However, this relationship began to erode around 2010, with correlations turning positive in some recent periods, making the traditional 60/40 portfolio less reliable as a volatility buffer.
- Correlations among traditional asset classes tend to increase dramatically during bear markets and periods of high volatility or market stress, precisely when diversification is needed most..
- When correlations rise, investors should deepen diversification, focusing on assets with truly low or negative correlation (like real assets, certain alternatives, or commodities), re-evaluate underlying risk factors in traditional holdings (stocks/bonds), and consider strategies that protect against volatility. This means looking beyond simple asset classes and seeking independent risk/return drivers to build resilience.

5-Year Correlation Trends vs. Russell 1000

Asset Class	Benchmark/Index	2001-2005	2006-2010	2011-2015	2016-2020	2021-2025
U.S. Large Cap	Russell 1000 TR USD	1.00	1.00	1.00	1.00	1.00
U.S. Small Cap	Russell 2000 TR USD	0.84	0.93	0.88	0.91	0.84
World Ex US	MSCI ACWI Ex USA GR USD	0.88	0.91	0.86	0.89	0.79
Dev. Mkts. Small Cap	MSCI EAFE Small Cap GR USD	0.70	0.86	0.81	0.89	0.78
EM	MSCI EM GR USD	0.81	0.83	0.73	0.77	0.58
HY Bond	Bloomberg US Corporate High Yield TR USD	0.52	0.74	0.77	0.78	0.84
EM Bond HC	JPM EMBI Global Diversified TR USD	0.39	0.63	0.54	0.58	0.76
Intl Dev. Bonds	Bloomberg Gbl Agg Ex USD TR Hdg USD	-0.33	-0.09	-0.07	0.04	0.67
MBS	Bloomberg US MBS TR USD	-0.32	-0.06	-0.09	-0.25	0.62
IG Corp. Bond	Bloomberg US Corp Bond TR USD	-0.12	0.43	0.13	0.50	0.70
U.S. Agg Bond	Bloomberg US Agg Bond TR USD	-0.33	0.16	-0.16	0.01	0.62
Treasury	Bloomberg US Treasury TR USD(1972)	-0.44	-0.23	-0.45	-0.39	0.53
Cash	ICE BofA US 3M Trsy Bill TR USD	0.02	-0.26	-0.27	-0.33	0.00
Commodity	Bloomberg Commodity TR USD	0.15	0.53	0.48	0.60	0.23
Gold	S&P GSCI Gold TR	-0.04	0.07	0.14	0.01	0.11
REITs	FTSE Nareit Equity REITs TR USD	0.39	0.81	0.59	0.74	0.84

Source: Morningstar Direct; TIAA Wealth Chief Investment Office. Data for each 5-year period listed above; monthly data; 2001 - 2025.

Benefits of regular portfolio rebalancing

Consistent rebalancing

- Regular rebalancing ensures each portfolio remains aligned to its target asset allocation that reflect the unique risk tolerance, goals, and long-term financial plan of each investor.
- As market conditions change, the percentages of different assets in a portfolio may shift, leading to an asset mix that no longer aligns with personal risk tolerance and investment goals.
- Without rebalancing, a portfolio that was initially conservative in its makeup could become more aggressive, increasing risk and the potential for losses.
- A real-world example of portfolio drift can be seen at the beginning stages of the COVID pandemic in early 2020. In this hypothetical example, the portfolio began with 60% stocks and 40% bonds at the start of 2020 (far left column).
- As market turmoil quickly ensued and the equity markets dropped in response, the asset allocation fell to 52% stocks, which pushed the portfolio into a more conservative risk tolerance (middle column).
- Upon rebalancing, the portfolio moves back to the 60/40 target (far right column) keeping the portfolio in line with the investor's long-term plan.



Benefits of tax-loss harvesting

Consistent tax approach

- Tax-loss harvesting (TLH) is a proactive strategy to lower current taxes paid by deliberately selling an investment at a loss in order to offset taxes owed on an investment sold at a profit (i.e., a capital gain).
- This allows investors to realize a tax benefit while simultaneously maintaining market exposure to avoid missing out on returns. TLH is relevant only for taxable investment accounts, and the benefit is tax deferral—not tax cancellation.
- TLH is often used to offset capital gains that are already being realized in the portfolio. But when there are no capital gains to offset—or the total losses harvested exceed the total gains for the year—taxpayers are allowed to deduct net capital losses of up to \$3,000 (for both single and joint filers) against their ordinary income per year.²
- This process can occur throughout the year on opportunistic capture dates.³

Sample Tax-Loss Harvesting Strategy



¹ Capture dates are opportunities throughout the calendar year as described in the Portfolio Advisor ADV; the frequency is subject to change.

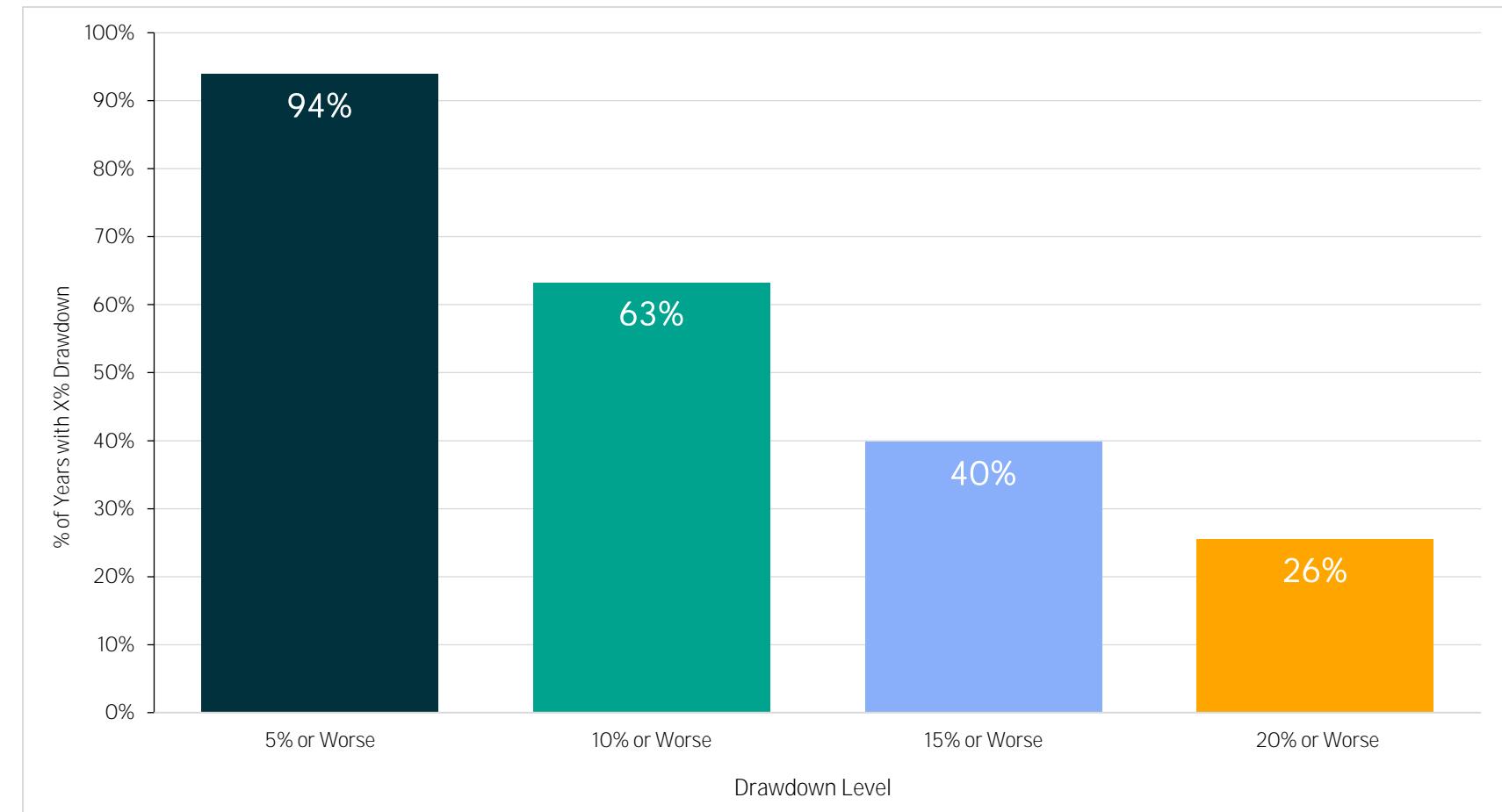
² TIAA does not provide tax advice. Please consult a tax advisor regarding your personal situation. IRS deductions are subject to change. Visit the IRS website for up-to-date information regarding deduction limits.

³ A wash sale occurs when an investor purchases a security 30 days before or 30 days after selling an identical or similar security. The IRS instituted the wash sale rule to prevent taxpayers from using the practice to reduce their tax liability. Investors who sell a security at a loss cannot claim it if they have purchased the same or a similar security within 30 days (before or after) the sale.

Annual stock drawdowns are common; some years are worse than others

S&P 500 drawdowns

- In 2025, we saw a 19% decline in April and then a 5% drop in November.
- A 5% maximum drawdown, or a decline from peak to trough during the year, in the S&P 500 is very common in most years.
- Since 1928, 94% of years (92 out of 98) have a maximum drawdown of 5% or more (dark green bar).
- The maximum drawdowns over the last 4 years (2022 through 2025) were: 25% in 2022; 10% in 2023; 8% in 2024, and 19% in 2025.
- Prior to 2025, the last year the S&P 500 didn't experience a maximum drawdown of at least 5% was 2017.
- A double-digit maximum drawdown (10% or more) has occurred in roughly two-thirds of all years since 1928 (light green bar).
- The average intra-year maximum drawdown from 1/1/1928 to 12/31/2025 was 16%.
- See pages 90 & 91 for more on equity market pullbacks.



Source: Morningstar Direct and TIAA Wealth Chief Investment Office; annual data from 1/1/1928 – 12/31/2025. Returns are based on the S&P 500 Price Return (PR) USD, daily returns. Maximum drawdown is defined as the largest market decline from a peak to a trough during the year.

S&P 500 worst 10 years and subsequent 1-, 3-, and 5-year returns

S&P 500 drawdowns

- This table shows the 10 worst annual returns in the U.S. stock market (S&P 500) going back to 1926, along with the following year returns and the cumulative returns after 3 and 5 years.
- There's a common theme here:** the worst years have occurred during market crashes, war or economic upheaval.
- The returns the year following the worst annual drawdowns are decent, not great. The average returns were 7%, while just 6 out of 10 times performance was positive.
- The longer-term returns after the worst years are much better. The average cumulative return 3 years after one of the worst years is +40%, while the average return 5 years after one of the worst years is +79%.
- There was only one 3-year period with negative returns following a poor down year, and it was in the aftermath of the Great Depression.
- Every 5-year return following one of these dreadful down years saw positive returns.

Event	Year	S&P 500	Cumulative Returns		
			Following Year	3 Years After	5 Years After
Great Depression	1931	-43%	-8%	39%	176%
Great Financial Crisis	2008	-37%	26%	49%	128%
1937 Crash	1937	-35%	31%	18%	25%
1973-74 Bear Market	1974	-26%	37%	58%	100%
Great Depression	1930	-25%	-43%	-20%	17%
Residue from Dot-Com Crash, Corporate Accounting Scandals, Uncertainty Following 9/11	2002	-22%	29%	50%	83%
The Great Inflation	2022	-18%	26%	86%	N/A
1973-74 Bear Market	1973	-15%	-26%	25%	24%
Dot-Com Crash	2001	-12%	-22%	11%	35%
World War Two (WWII)	1941	-12%	20%	81%	128%
Average		-25%	7%	40%	79%

Source: Morningstar Direct and TIAA Wealth Chief Investment Office; data from 1/3/1926 – 12/31/2025, monthly returns; S&P 500 TR: Ibbotson Associates (IA) SBBI Large Stock TR USD Ext from 1926 -1/1970; S&P 500 TR USD thereafter. Chart is sorted on worst annual S&P 500 total return data.

S&P 500 max drawdowns vs. recovery periods

S&P 500 drawdowns

- The table shows the maximum drawdowns (greater than -10%) from 1929 to the present (~97 years), along with the duration of each drawdown and the subsequent recovery period.
- The average drawdown and recovery periods are about 230 and 762 days, respectively.
- In the first half of 2025, the 19% drawdown between mid-February and early April lasted just 35 days, and it took just 58 days for the market to reclaim its all-time high in late June.
- Since 2015, other than the 2022 drawdown, the duration of the drawdown cycles (from peak to trough and back) has been relatively short.
- However, investors should not see this as an opportunity to take on more risk; rather, they should remain focused on their long-term strategy that is appropriate for their risk tolerance and time horizon.
- More recently, there have been three drawdowns of greater than 20% since 2018 alone, in rapid succession.
- Severe stock market drawdowns are always unsettling. But they often set the stage for a healthier recovery. That's why market downturns are commonly known as "corrections."

Event	Maximum Drawdown* Start Date	Maximum Drawdown End Date	Maximum Drawdown during Period	Maximum Drawdown Period (Trading Days from Peak to Trough)	Recovery Period (Trading Days to get back to Peak)
1929 Crash & Great Depression	9/16/1929	6/1/1932	-86%	805	8148
Roosevelt recession	3/1/1937	3/31/1938	-54%	326	2868
Post-WWII bear market	5/30/1946	5/19/1947	-28%	243	799
Fed's restrictive monetary policy to control Inflation	8/3/1956	10/22/1957	-21%	307	241
1960 recession	8/4/1959	10/25/1960	-14%	311	67
Height of Cold War & Cuban Missile Crisis	12/13/1961	6/26/1962	-28%	135	310
Credit Crunch of 1966	2/10/1966	10/7/1966	-22%	167	145
Inflationary bear market	12/2/1968	5/26/1970	-36%	369	464
70s bear market (inflation, Vietnam, Watergate, oil embargo)	1/12/1973	10/3/1974	-48%	436	1507
Double-dip recession	12/1/1980	8/12/1982	-26%	430	49
Rising interest rates	10/11/1983	7/24/1984	-13%	199	124
87 Crash (Black Monday)	8/26/1987	12/4/1987	-33%	71	423
Iraq's invasion of Kuwait	7/17/1990	10/11/1990	-20%	62	87
Asian Financial Crisis	10/8/1997	10/27/1997	-10%	14	25
Fear of higher interest rates, trade deficit, falling U.S. Dollar	7/20/1998	8/31/1998	-19%	31	60
Y2K anxiety	7/19/1999	10/15/1999	-11%	64	22
Dot-com bubble	3/27/2000	10/9/2002	-49%	637	1203
Great Financial Crisis (GFC)	10/10/2007	3/9/2009	-57%	355	1048
Global market turbulence (e.g., Brexit)	5/22/2015	2/11/2016	-14%	183	106
U.S. and China Trade War	9/21/2018	12/24/2018	-20%	65	86
COVID-19 Pandemic	2/20/2020	3/23/2020	-34%	23	102
Post-COVID inflation	1/4/2022	10/12/2022	-25%	195	332
Ongoing inflation, Mag 7 pullback, corporate earnings downgrades	7/31/2023	10/27/2023	-10%	64	25
Liberation Day (Tariffs)	2/19/2025	4/8/2025	-19%	35	58
		Average	-29%	230	762

*Maximum drawdown is defined as the peak through decline during a specified period.

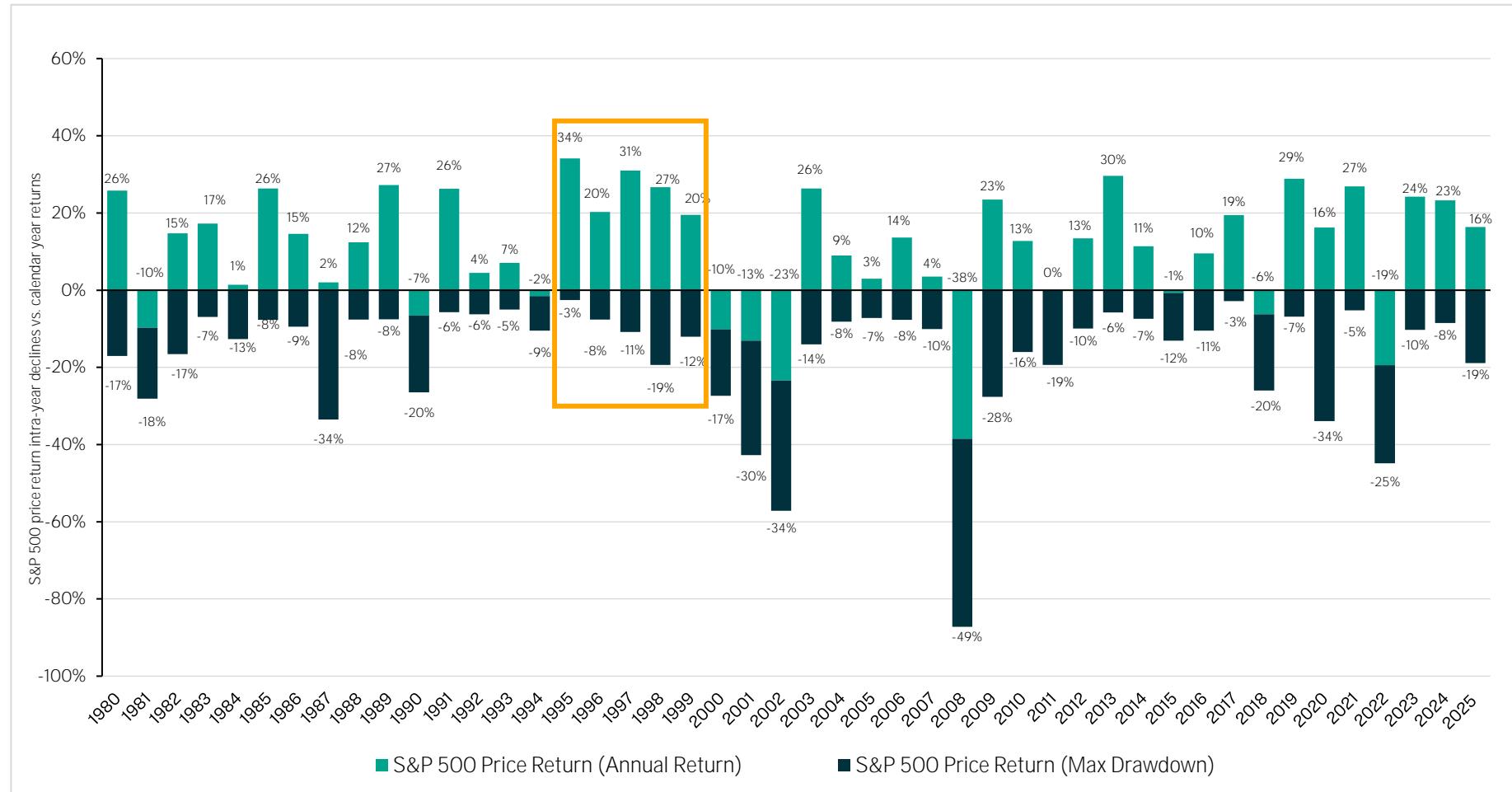
Source: Bloomberg and TIAA Wealth Chief Investment Office: data from 9/16/1929 – 12/31/2025.

Stocks: Investor discipline drives success more often than not

Impact of discipline over time

- History demonstrates that those who remain invested during market corrections are generally rewarded in the long run.
- For example, the S&P 500 reached an intra-year low of -25% in October 2022 (dark green bar) but rebounded to finish the following three years up +24%, +23%, and +16%, respectively (light green bars).
- In 2025, there was significant intra-year volatility, with a ~19% drawdown from its February peak, yet the index finished the year with a strong positive total return, up nearly 18%.
- Even in the 35 (out of 46) years when the returns are positive, the average intra-year maximum drawdown is -14%.
- Long-term investors who exited the market in 2022 and remained on the sidelines through 2023, 2024, and 2025 could have locked in significant losses and subsequently missed out on the rallies that occurred in both years.
- While the performance of a long-term 60/40 portfolio wouldn't experience the same intensity in losses and gains, it would follow similar patterns.
- Five consecutive years of 20%+ gains have happened only once before—during the stretch of strong tech-driven returns that began in 1995 (orange box), which culminated in the bursting of the dot-com bubble in early 2000.

Market corrections are not infrequent, but they rarely disrupt the long-term tendency of stocks to rise



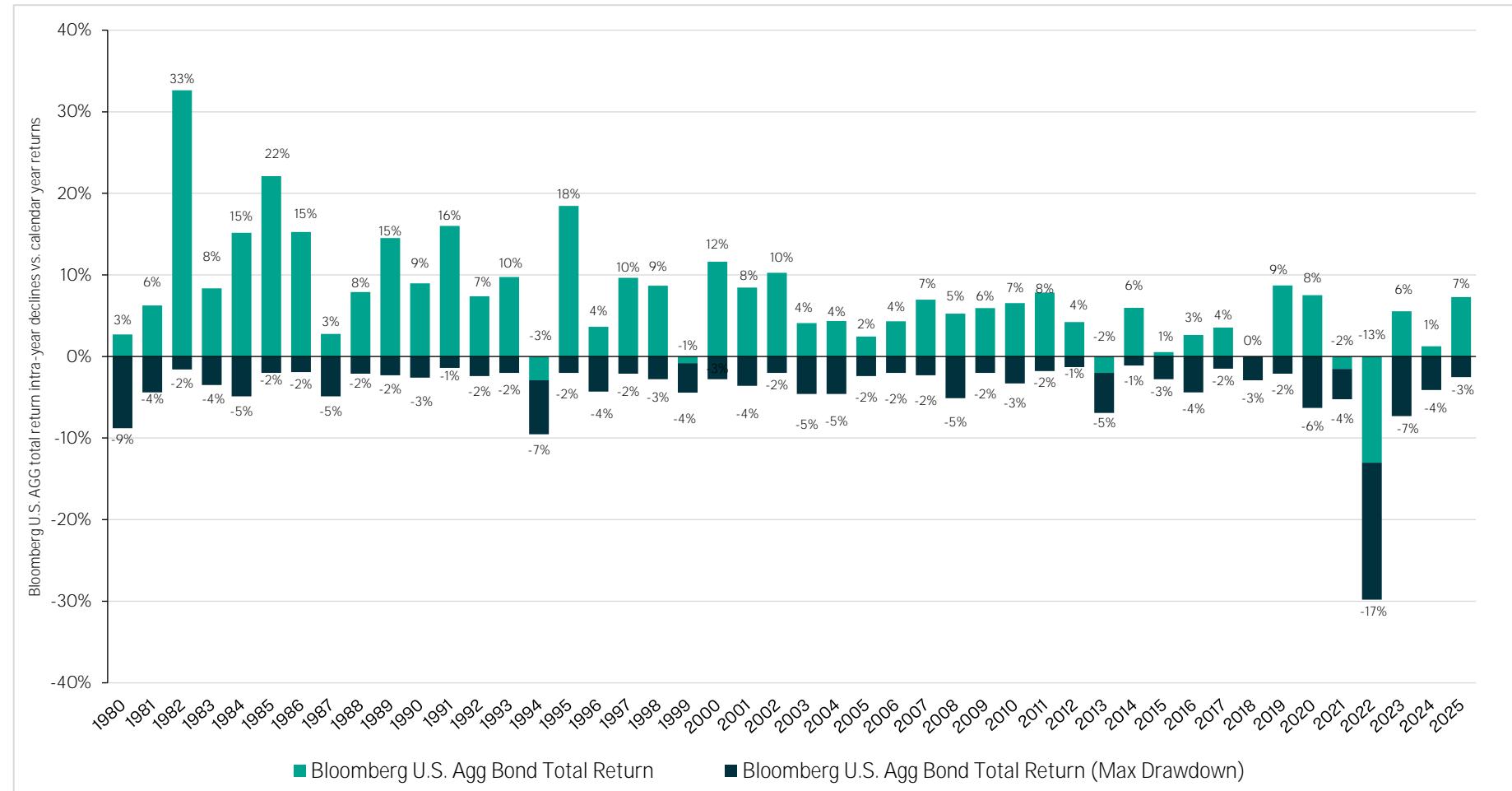
Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Returns are based on the S&P 500 Price Return USD, daily returns, 1/1/1980 – 12/31/2025. Max drawdown is defined as the largest market decline from a peak to a trough during the year.

Bonds: Investor discipline drives success more often than not

Impact of discipline over time

- History demonstrates that those who remain invested during market corrections are generally rewarded in the long run.
- For example, the Bloomberg U.S. Aggregate Bond Index reached an intra-year low of -17% in October 2022 (dark green bar) but rebounded to finish the following year (2023) up +6% (light green bar).
- Long-term investors who exited the market in 2022 and remained on the sidelines through 2023 and 2024 could have locked in significant losses and subsequently missed out on the gains that occurred in both years.
- While the performance of a long-term 60/40 portfolio would experience more volatility due to its higher percentage of stocks, it would follow similar patterns.
- Even in the 41 (out of 46) years when the returns are positive, the average intra-year maximum drawdown for bonds is -3%.

The reset of bond yields to more normal levels creates a better opportunity for long-term fixed income investors

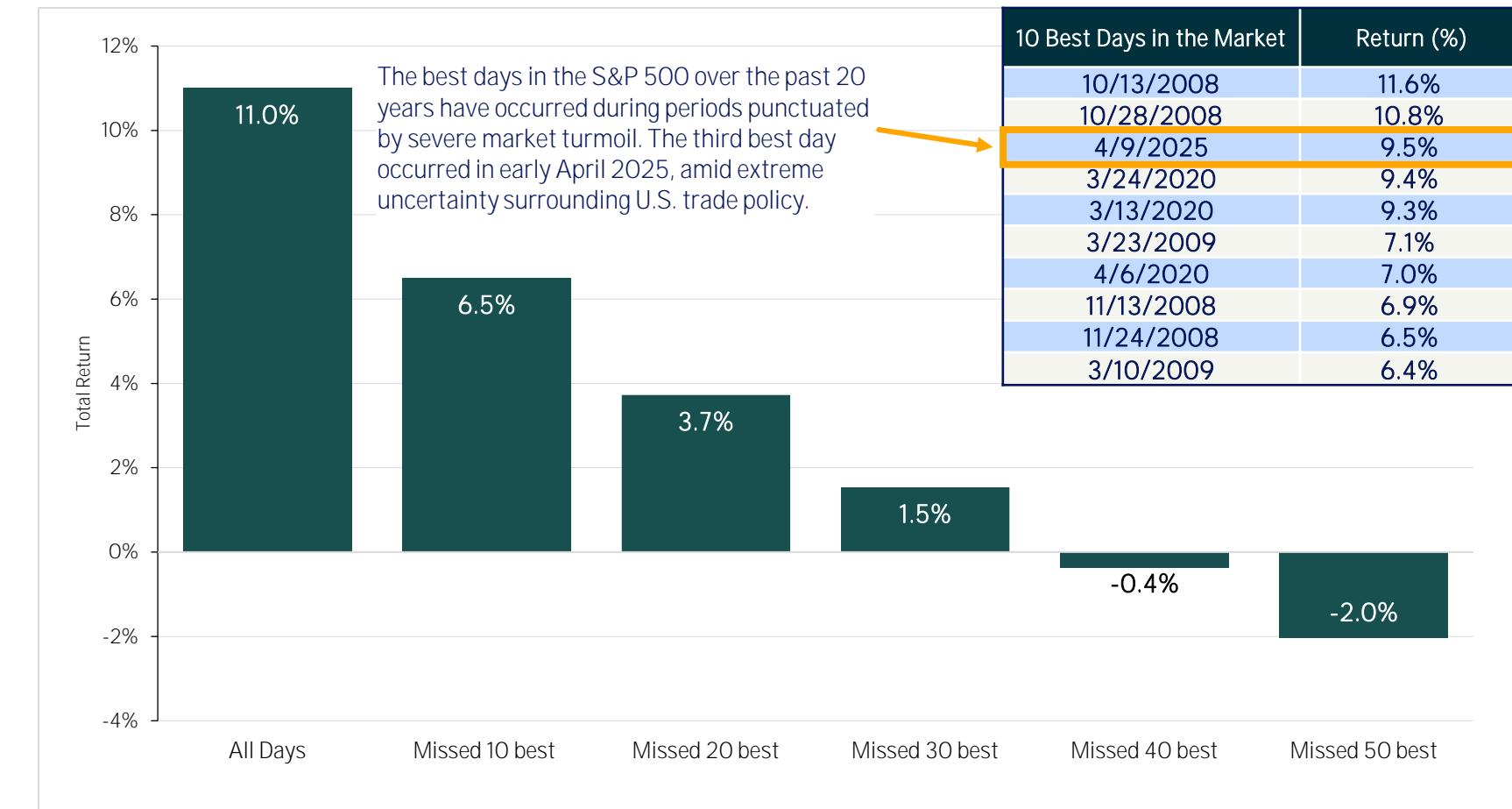


Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Returns are based on the Bloomberg U.S. AGG Total Return USD, daily returns, 1/1/1980 – 12/31/2025. Max drawdown is defined as the largest market decline from a peak to a trough during the year.

Investors who attempt to avoid volatility by timing the market risk missing the best days

Missed opportunities

- Investors who attempt to time the market run the risk of missing periods of exceptional returns, leading to significant adverse effects on the ending value of a portfolio.
- Missing the 50 best days would have produced a loss of -2.0%. Although the market has exhibited tremendous volatility, over the long term, stock investors who stayed the course were rewarded accordingly.
- The appeal of market-timing is obvious—improving portfolio returns by avoiding periods of poor performance. However, timing the market consistently is extremely difficult. And unsuccessful market timing (the more likely result) can lead to a significant opportunity loss.
- Looking at the table of the 10 best days in the S&P 500 over the past 20 years, all occurred during periods punctuated by severe market turmoil (i.e., Great Financial Crisis in 2008 and 2009, the COVID pandemic, and most recently the 2025 tariff & trade uncertainty).



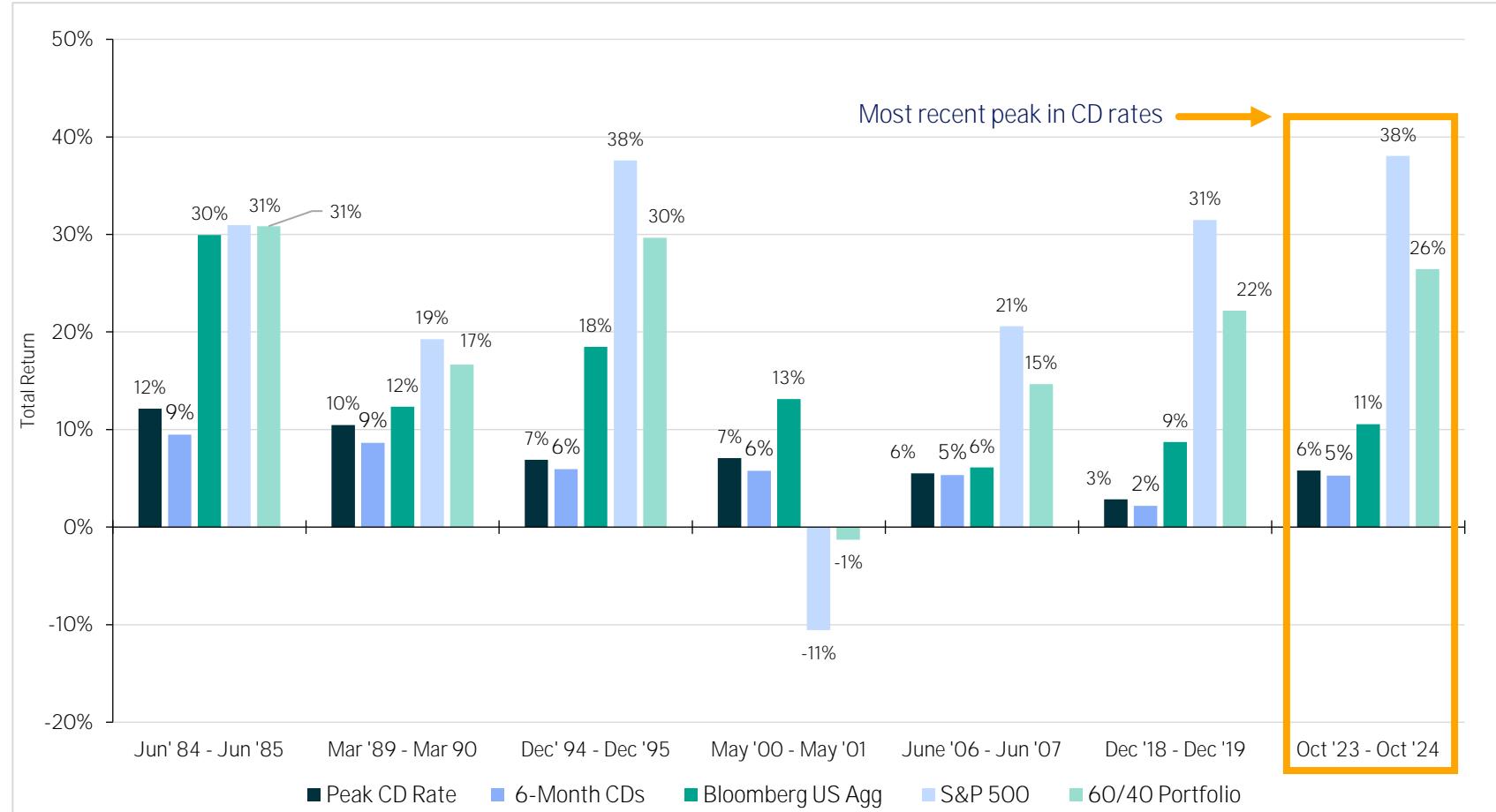
Source: Morningstar Direct; S&P 500 Total Return 20-year period 1/1/2006 – 12/31/2025, daily returns. The returns are the annual averages over the past 20 years. The bars represent what would have happened if you'd "missed" the best 10/20/30/40/50 days for the equity markets during that 20-year period. Past performance is no guarantee of future results. This is for illustrative purposes only. This is not indicative of any investment. An investment cannot be made directly in an index. The S&P 500 index is based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

CD rates and other investment opportunities

CDs vs. investments

- This chart illustrates the peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and the subsequent 12-month total returns of CDs, the Bloomberg U.S. Aggregate Bond Index, the S&P 500 and a 60/40 portfolio of 60% stocks and 40% bonds.
- As a result of the Fed's aggressive tightening campaign in 2022 and 2023, CD yields rose considerably, peaking at 6% in late 2023 (orange box).
- However, note that the S&P 500 returned 38% and a 60/40 portfolio returned 26% in the 12 months after CD rates peaked in late 2023.
- Since the Fed resumed its current rate cutting regime in September 2025, with further cuts in October and December, and more expected cuts to come, it is clear that cash yields have peaked for the cycle.

For long-term investors, there may be better options for deploying excess capital outside of CDs



Source: 6-Month CDs: Combined series: 1/1/1980 - 6/30/2013 St. Louis Fed (FRED) 7/1/2013 - 12/31/2024 Bloomberg (Ticker USCDF Curncy); all other data from Morningstar Direct, TIAA Wealth Chief Investment Office. 60/40 Portfolio: 60% S&P 500 TR USD and 40% Bloomberg U.S. Agg Bond TR USD; monthly rebalance.

*Current cycle: month-end CD rate peaked on 10/31/2023. Returns for this period are calculated for the 12-month period from 10/1/2023 through 10/31/2024.

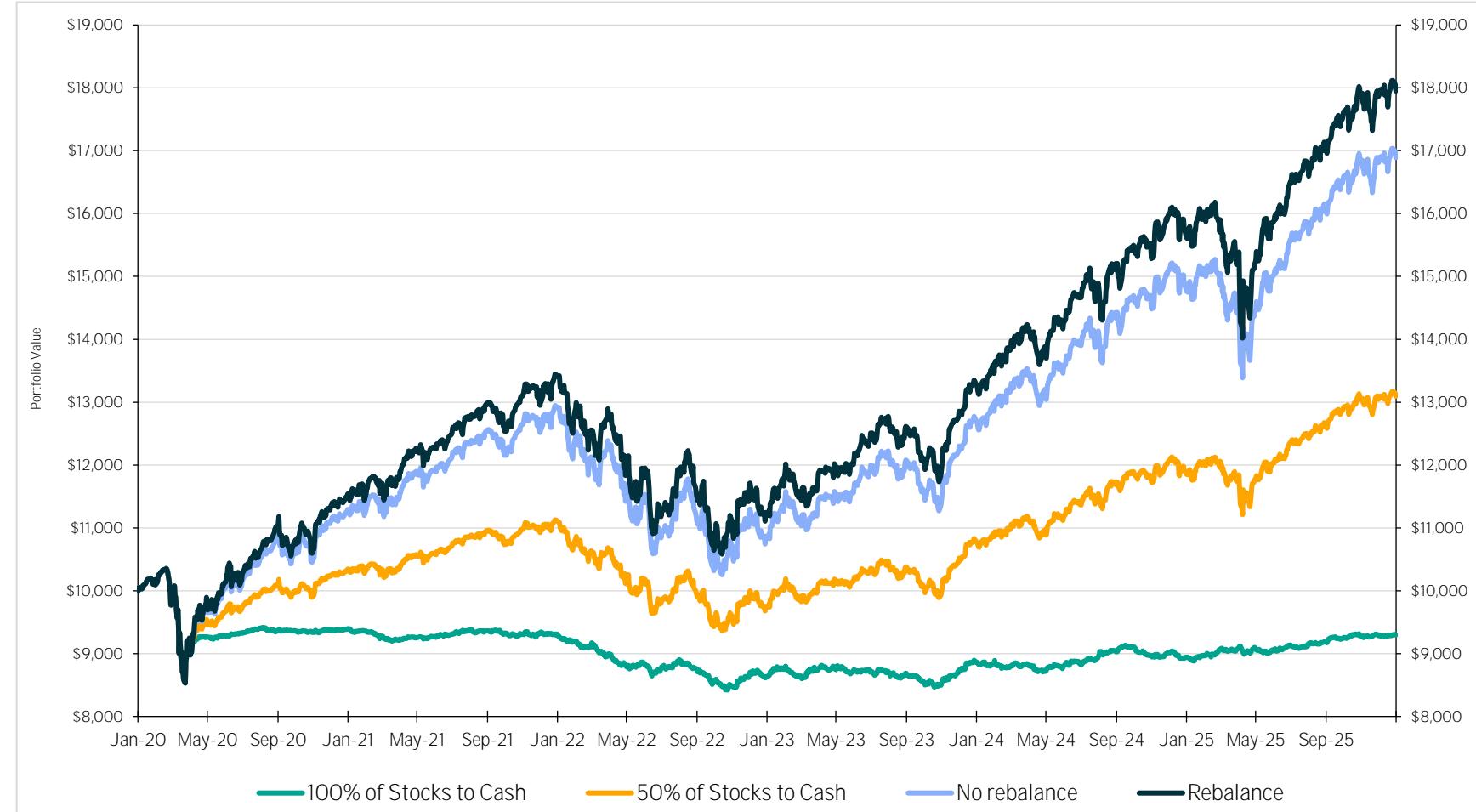
Selling investments and moving to cash can knock investors off course

The cost of going to cash

- The strong rebound in stock prices that often follows a market downturn highlights the potential missed opportunities for long-term investors who sell during a drawdown.
- This example illustrates four different outcomes based on hypothetical portfolios **during the 2020 drawdown** that occurred during the worst of the COVID pandemic.
- The portfolio that was liquidated and converted to cash in late March 2020 (light green line) experienced the worst outcome, while the portfolio that remained invested and was actively rebalanced (dark green line) experienced the best outcome.

The starting portfolio allocation was 50% stocks (S&P 500) and 50% bonds (Bloomberg U.S. Agg). Start date is 12/31/19 and the rebalance occurred on 3/31/20.	
No rebalance	Portfolio value fluctuates based on the market fluctuations during entire period
100% of stocks to cash (bonds not sold)	100% of stock allocation is allocated to cash on 3/31/2020
Rebalance	Allocation is switched back to the original allocation (50% Stocks / 50% Bonds) on 3/31/2020
50% of stocks to cash (bonds not sold)	50% of stock allocation is allocated to cash on 3/31/2020

A long-term allocation to cash is likely to significantly underperform market returns

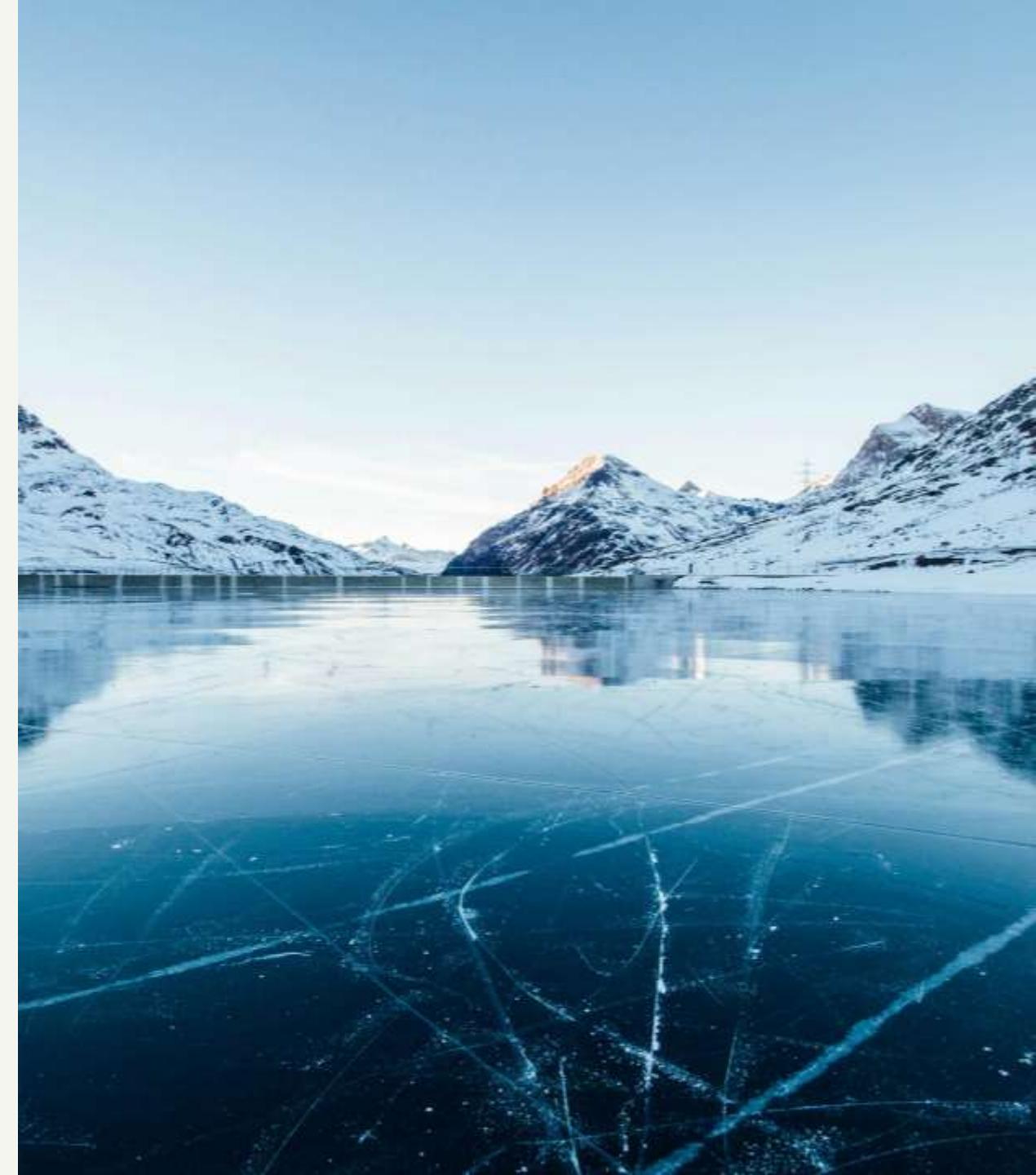


Source: Bloomberg, TIAA Wealth Chief Investment Office. Source: Bloomberg; data from 1/1/2020 - 12/31/2025; stocks is represented by S&P 500 Total Return index, while Bonds is represented by Bloomberg US Agg Bond index.

10

Long-term Perspective

Sticking with your strategy over time is key.

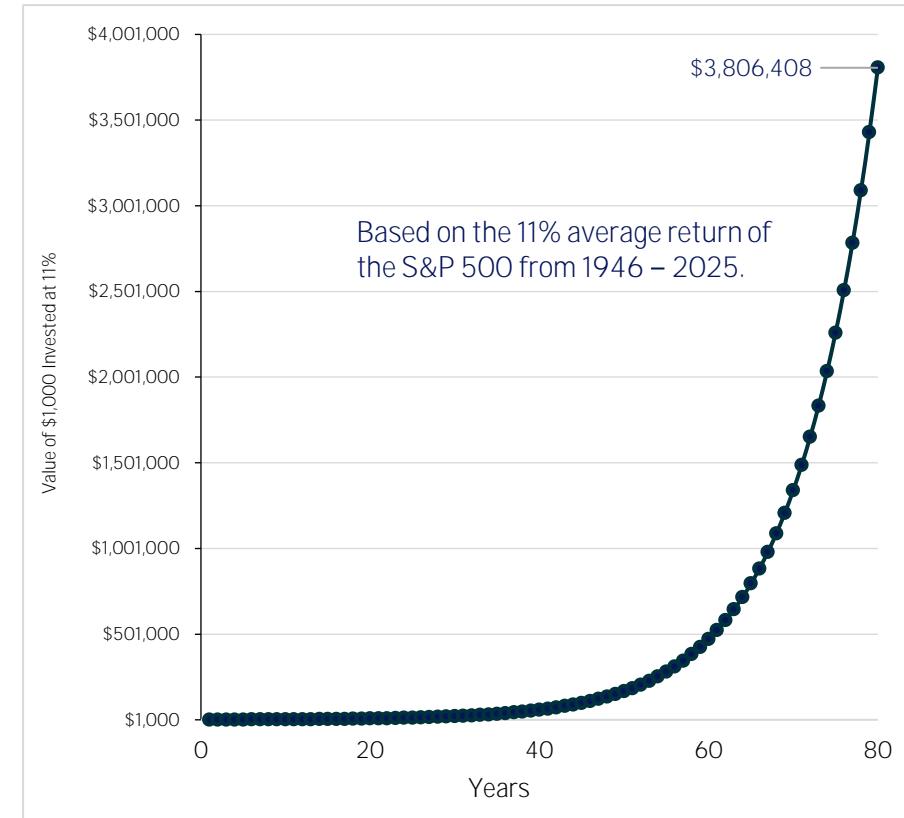


Comparing constant average return vs. actual performance over time

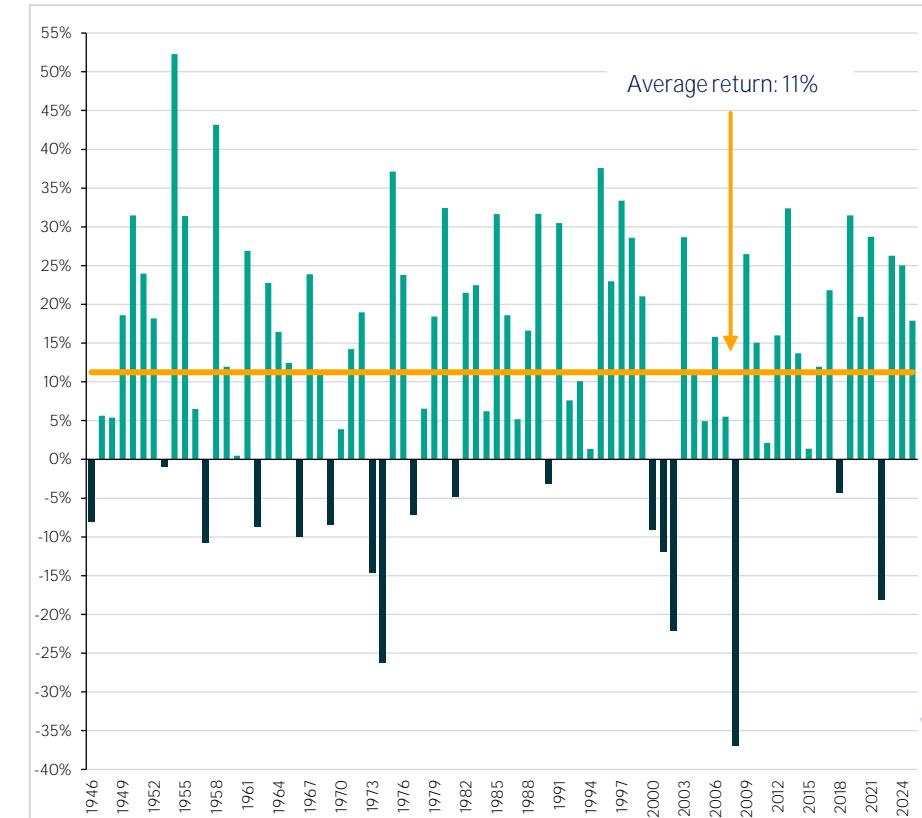
Constant average return

- Constant average return can significantly misrepresent an investment's true performance compared to its actual, year-to-year returns.
- The left panel illustrates the ending value of \$1K initial investment based on the average total return of the S&P 500 (11.24%, rounded to 11%, dark green line) over the 80-year period from 1946 – 2025.
- While using a constant average return might be useful for comparing investments, it does not capture volatility, particularly how losses in one year impacts future growth.
- The right panel illustrates the actual S&P 500 total returns from 1946 - 2025 (average return of ~11%, green horizontal line). This captures the year-to-year swings; e.g., of the 80 years, there were 17 negative years (dark green bars), and returns ranged from -37% (2008) to 52% (1954).
- The right panel reflects the impact of volatility by measuring how gains and losses affect the starting balance for each subsequent period. The higher the volatility, the more the average return will overstate the actual return.

Ending value of a \$1K initial investment beginning in 1946



Actual S&P 500 total returns from 1946 – 2025

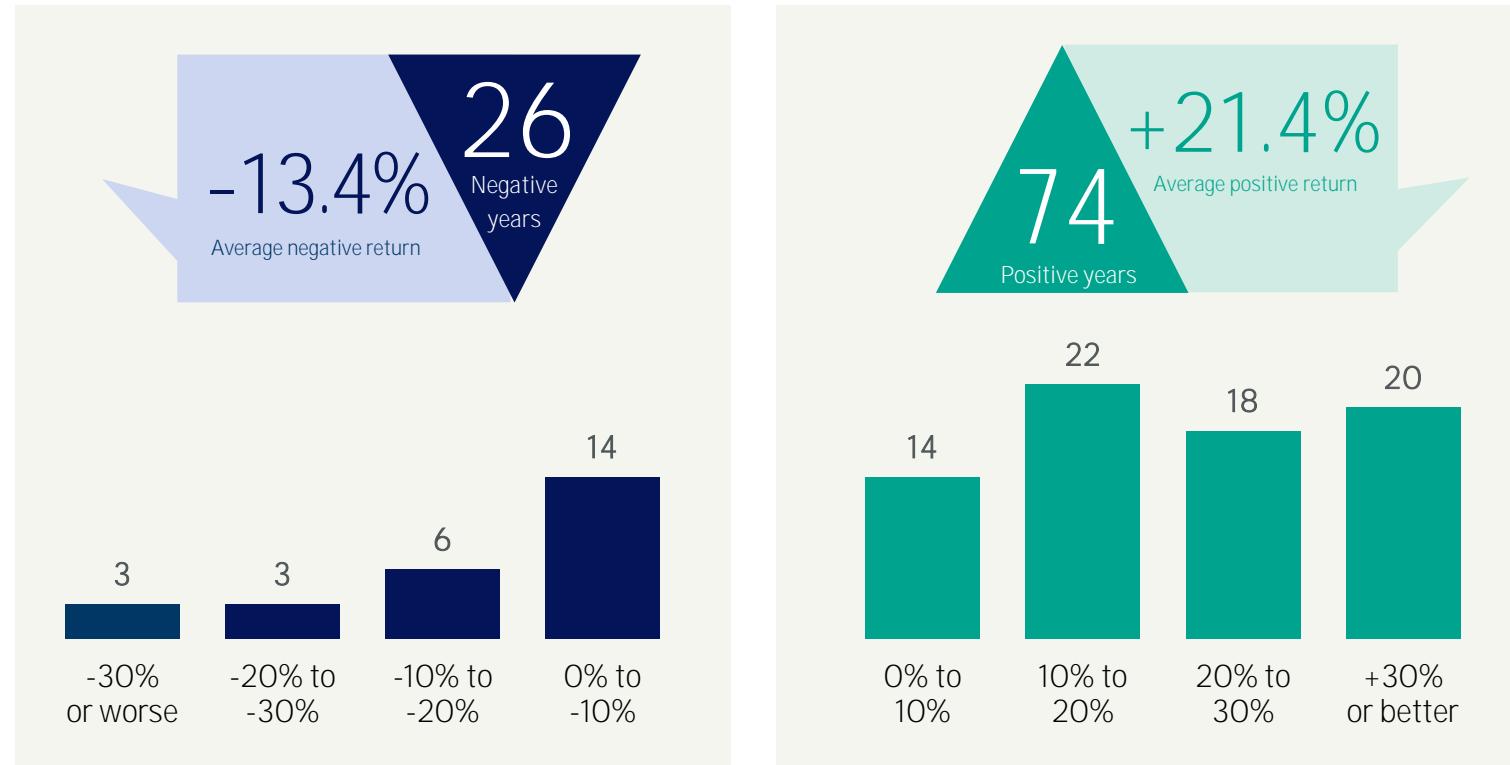


Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Returns based on historical annual returns of the S&P 500 Total Return USD, 1946–2025.

U.S. equities total return (number of calendar years 1926 to 2025)

U.S. large cap equities post gains in 74% of years

- The data on the right illustrates the performance of the S&P 500 over the long run, from the beginning of 1926 to year-end 2025 (100 years).
- In those 100 years, the S&P has finished with positive annual returns 74 times.
- However, it is important to understand that wealth can be achieved despite considerable volatility over the long term.



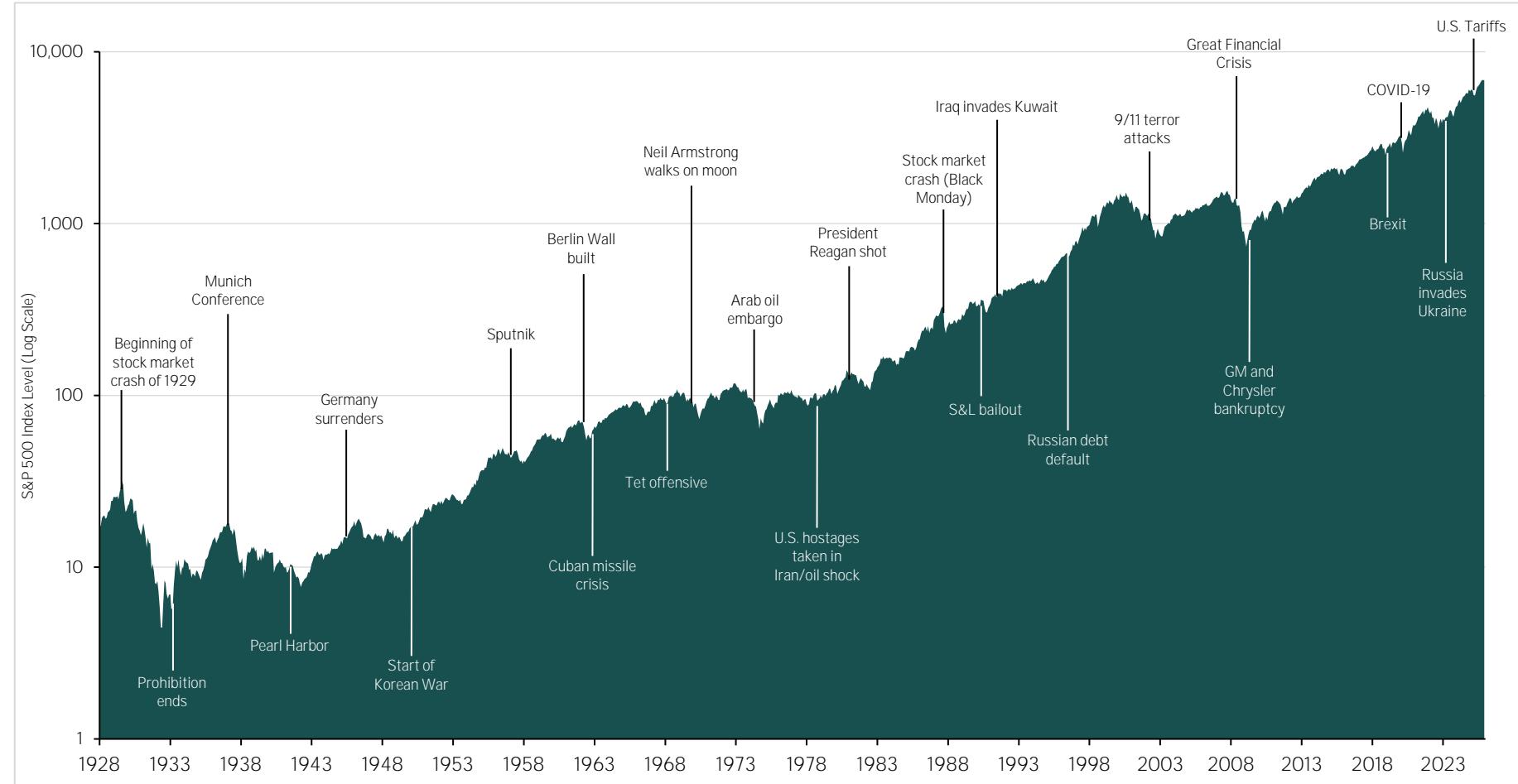
Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Equity returns based on historical S&P 500 performance, 1926–2025; annual data.

For long-term investors, historical perspective is important

Historical resilience

- Market volatility has always been a fundamental feature of financial markets.
- About every two years, historically, the market experiences a correction (a decline of 10% or more from recent highs), and some years are more significant than others.
- But since 1928, the S&P 500 has continued to grow despite periods of high uncertainty driven by unique economic and geopolitical events.
- Note that the S&P 500 is displayed on a log scale to better illustrate the ups and downs of the market over the past 97 years.

Financial markets (S&P 500) generally climb a 'wall of worry' punctuated by peaks and valleys in performance

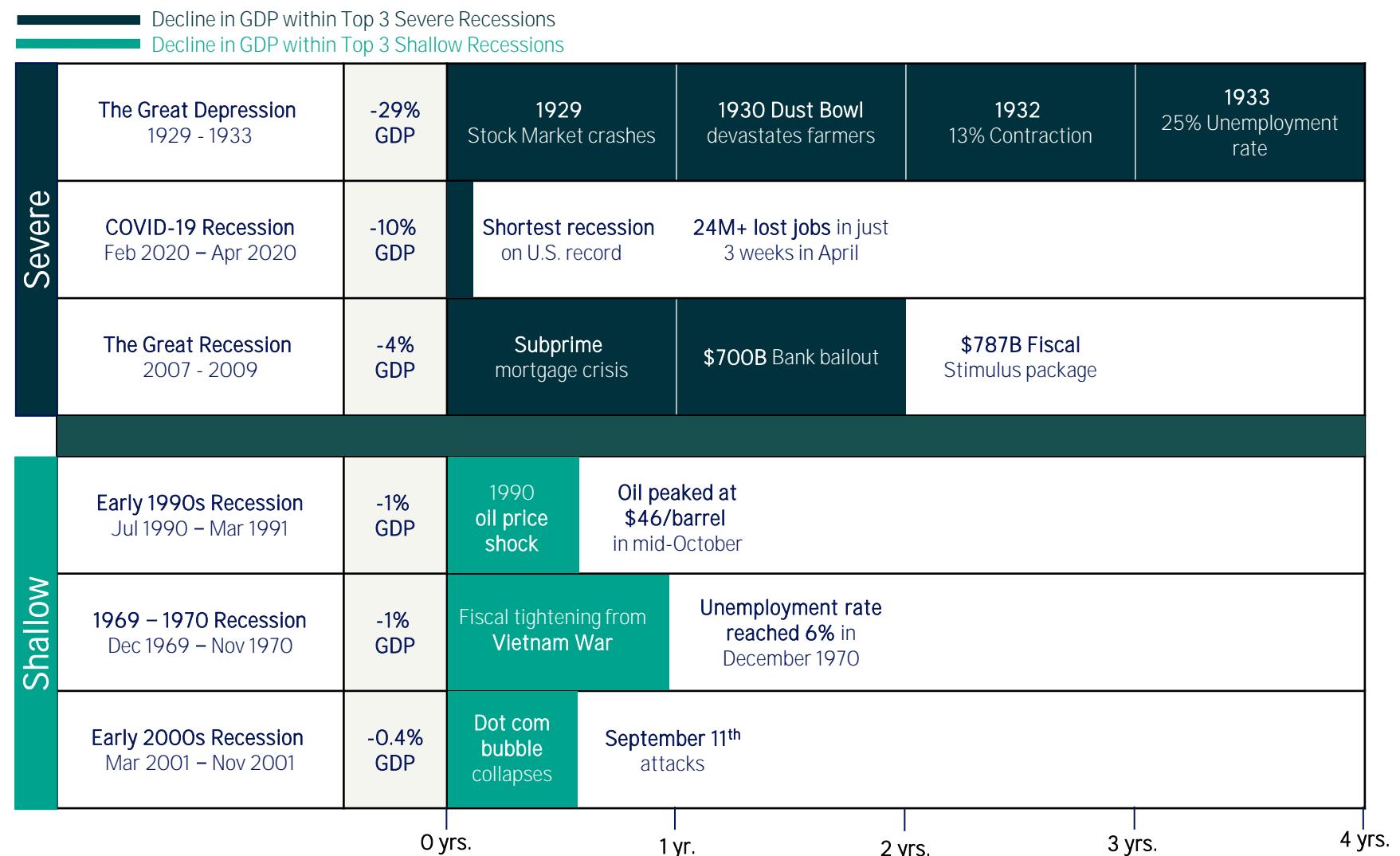


Source: FactSet Financial Data Analytics, TIAA Wealth Chief Investment Office. S&P 500 Price index; monthly data from 1/1/1928 - 12/31/2025.

Top 3 severe and shallow recessions in U.S. history

Understanding recessions

- Recession is defined by the National Bureau of Economic Research (NBER) as “A significant decline in economic activity spread across the economy, lasting more than a few months.”
- Recessions are identified by the presence of the following criteria, which may present in varying degrees:
 - Depth (severity)
 - Diffusion (how much of the economy is impacted)
 - Duration (how long it lasts)
- Indicators of a recession may include:
 - Decline in real GDP
 - Decline in real income
 - Rise in unemployment
 - Slowed industrial production and retail sales
 - Lack of consumer spending
- Over the last 100 years there have been a total of 15 recessions, some long and sharp, and some short and shallow.

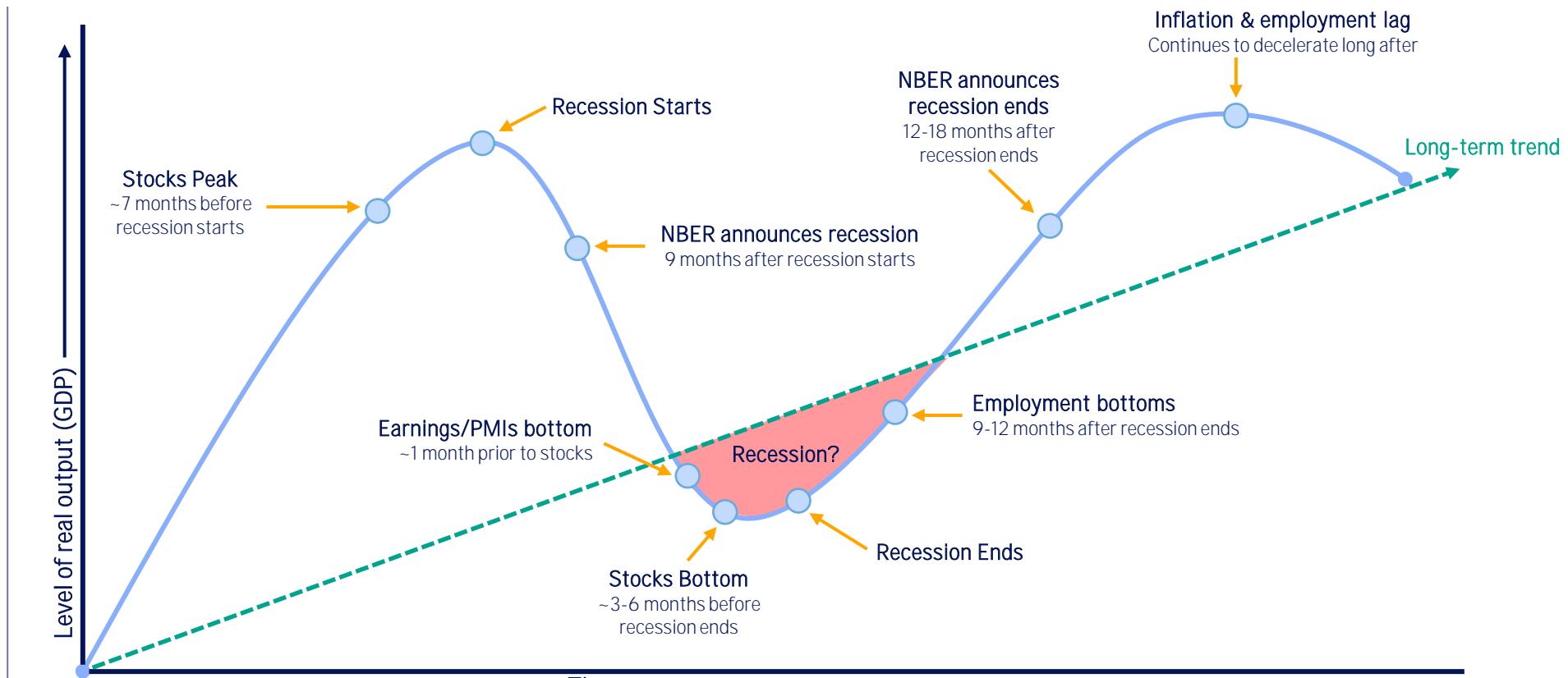


Source: NBER, FactSet, Bloomberg, TIAA Wealth Chief Investment Office. Data through 8/31/2022.

The dynamics of a recession are complex

Recessions are challenging and marked by lagging indicators

- A business cycle consists of economic upswings (expansions) and downswings (recessions).
- Since WWII, upswings last on average 65 months, and downswings last on average 10 months (see page 103).
- By the time the National Bureau of Economic Research (NBER) “officially calls” a recession, it may be too late to anticipate it and act.
- Stocks generally bottom out 3-6 months **before** the recession ends.

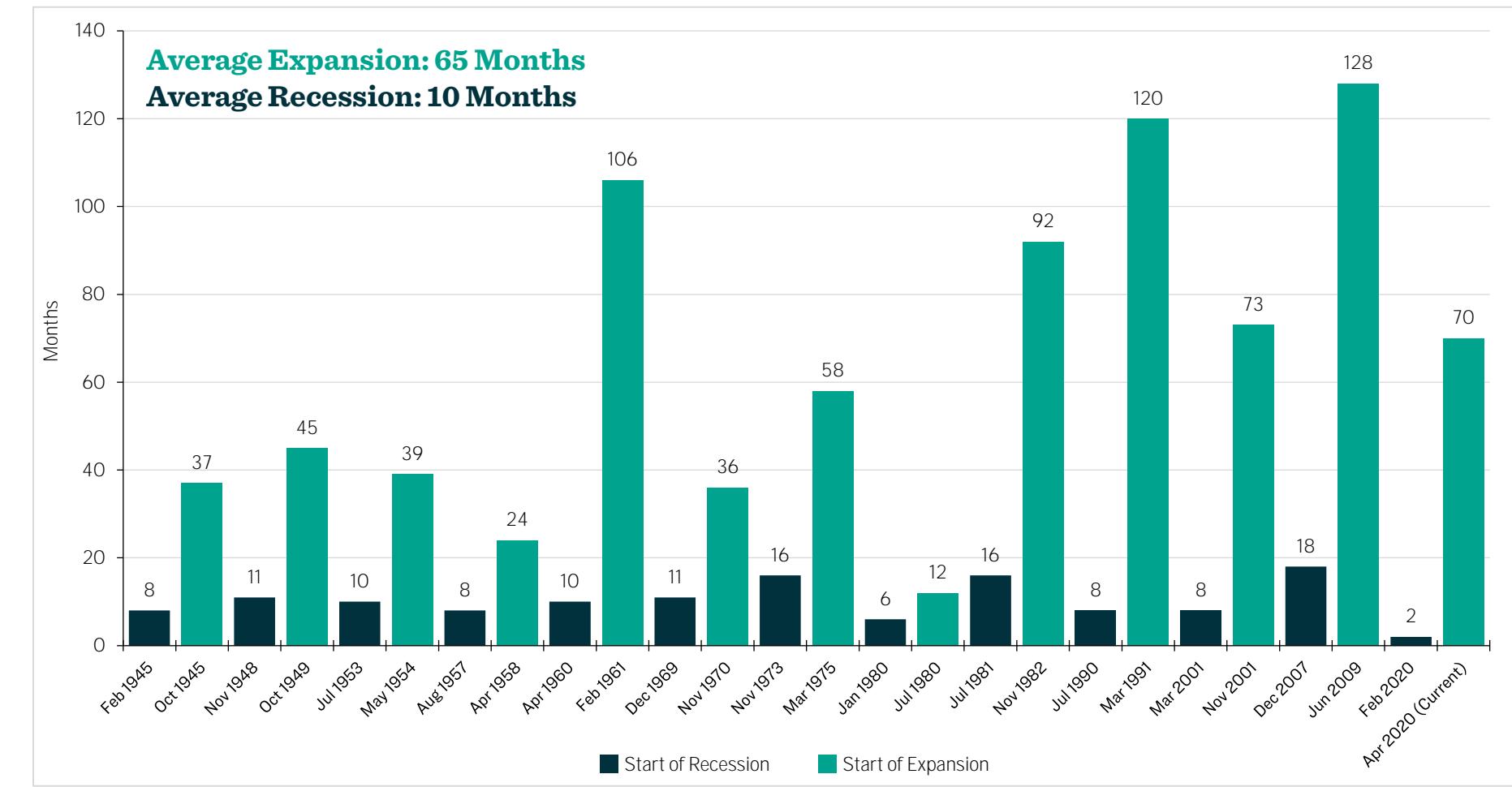


* This graphic is a hypothetical representation of the various stages of a recession. Not all recessions will follow the same trajectory, timeline, or order of events. Additionally, this graphic is a stylized depiction of a business cycle based on historical data of recession dates from the NBER and IMG's analysis of historical economic data around the NBER recession dates from the U.S. Commerce Department and the U.S. Department of Labor.

Since 1945, periods of economic expansion last 6x longer than recessions¹

Recessionary vs. expansionary periods

- Since 1945, there have been 13 recessions. On average, periods of expansion have been 6x longer than recessions.
- Despite temporary periods of economic contraction, disciplined investors are usually rewarded over the long term.
- As of December 2025, the current expansion (70 months) that began in 2020 has surpassed the long-term average of 65 months.
- However, expansions don't typically end because of length, but because of imbalances in the economy, due to a combination of internal and external events.



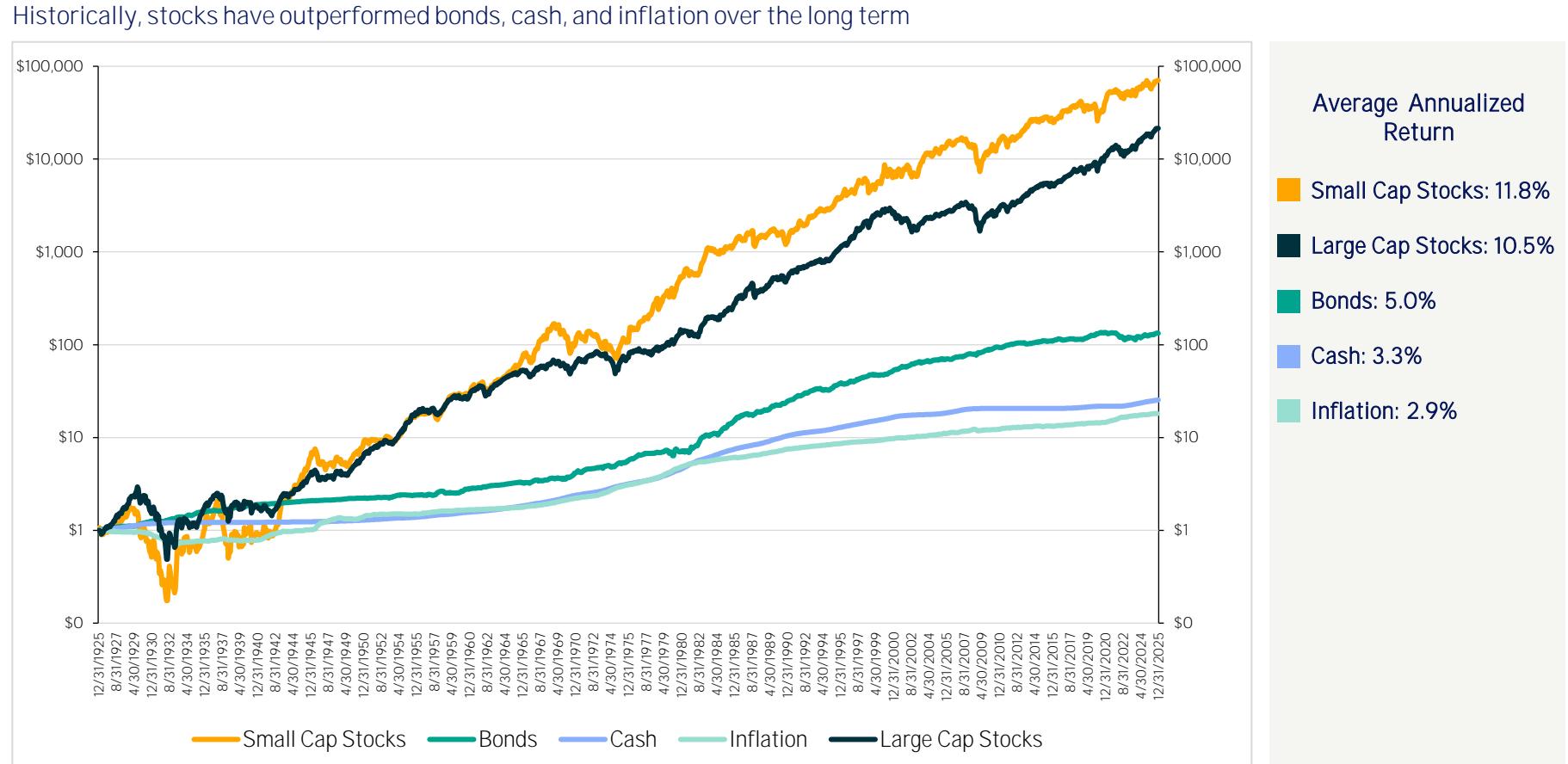
¹Dates refer to start date of recession (dark green) and expansion (light green). Numbers refer to the number of months in each recession/expansion.

Source: Federal Reserve Board of Governors, Federal Reserve St. Louis, National Bureau of Economic Research, TIAA Wealth Chief Investment Office. Data through 12/31/2025.

Value of \$1 invested over time

Stocks have outperformed over time

- Historically, stocks have outperformed bonds, cash, and inflation over the long term.
- Despite the many national and international crises throughout the past 100 years, investing in stocks has kept investors on track to pursue their long-term financial goals.



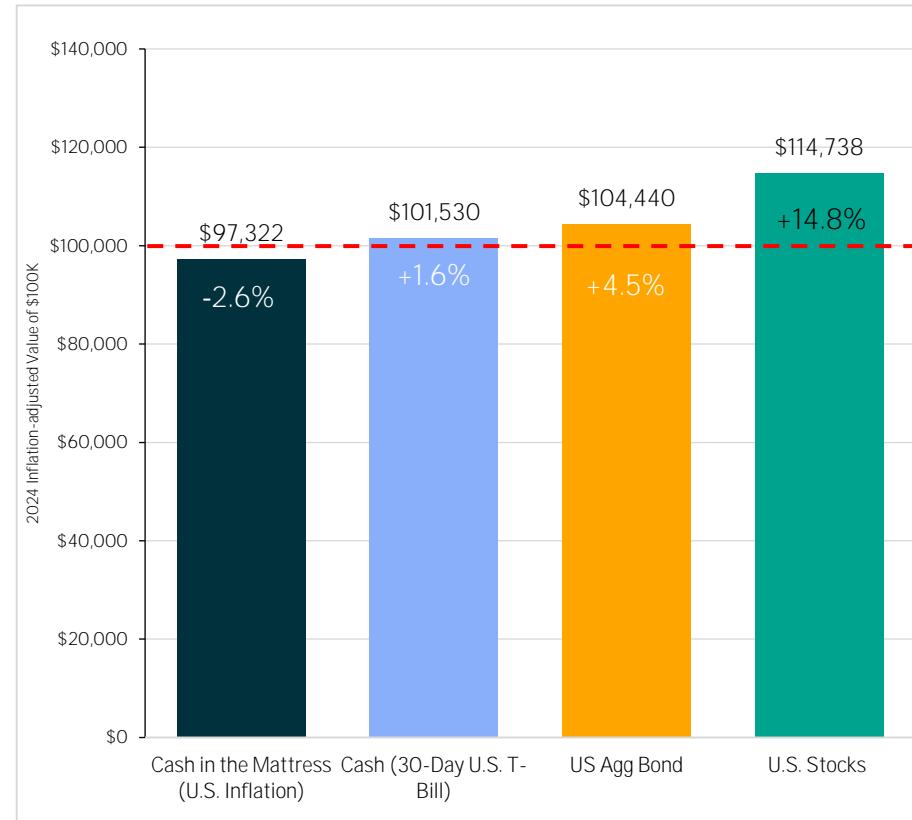
Source: Morningstar Direct; monthly data from 1/1/1926 - 12/31/2025; Inflation is as of 11/30/2025. Small Cap Stocks: Ibbotson Associates (IA) SBBI U.S. Small Cap Stocks TR USD. Large Cap Stocks: IA SBBI U.S. Large Stock TR USD Ext from 1926-1970; S&P 500 TR USD thereafter. Bonds: IA SBBI IT Govt Bonds TR USD from 1926-1975; Bloomberg US Agg Bond from 1976 thereafter. Cash: IA SBBI US 30 Day Tbill TR USD from 1926 - 2024; Morningstar US 30 Day T-Bill GR USD thereafter. Inflation: IA SBBI U.S. Inflation.

Compound returns from stocks and bonds outpace cash over time

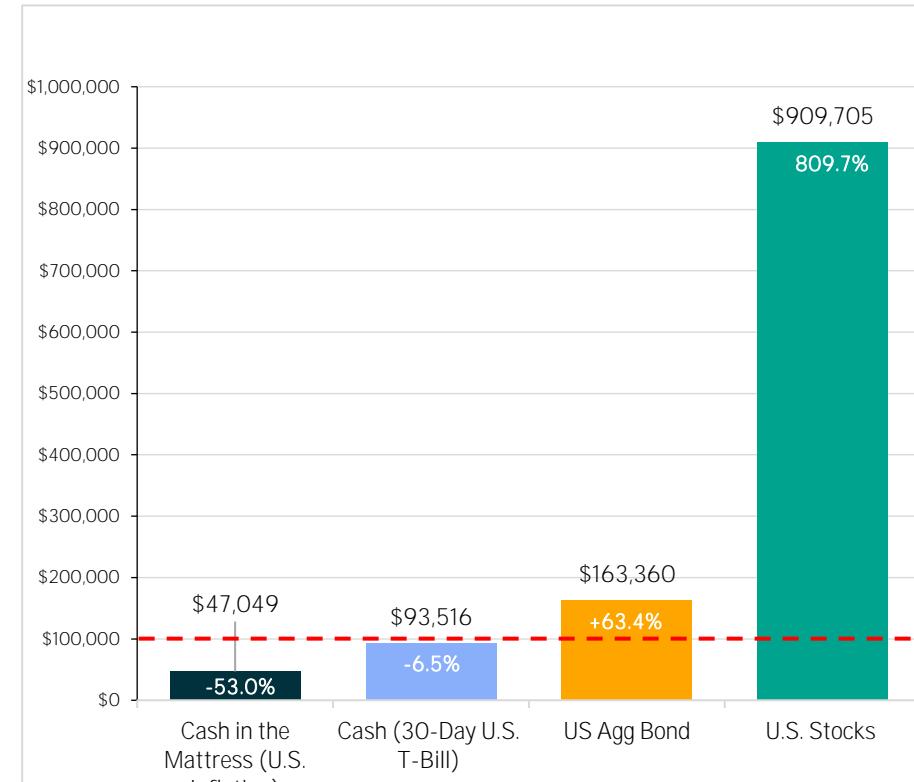
Inflation-adjusted returns

- Inflation is a critical factor to consider when evaluating investment returns.
- Cash held in a savings account may offer a nominal return, but inflation erodes the value of that return over time, potentially resulting in a negative real return (dark green columns).
- This means your money is losing purchasing power, even with interest earned.
- Long-term investments are more likely to generate inflation-adjusted returns than short-term investments and historically, stocks have tended to outperform inflation over the long term, though short-term fluctuations can occur (light blue columns).
- Focusing solely on cash and neglecting inflation can be detrimental to your financial well-being.
- By moving beyond cash and investing in assets with the potential for inflation-adjusted returns, you can work towards preserving and growing your wealth over time.

2025 inflation-adjusted value of \$100K



Inflation-adjusted value of \$100K for 30-year period



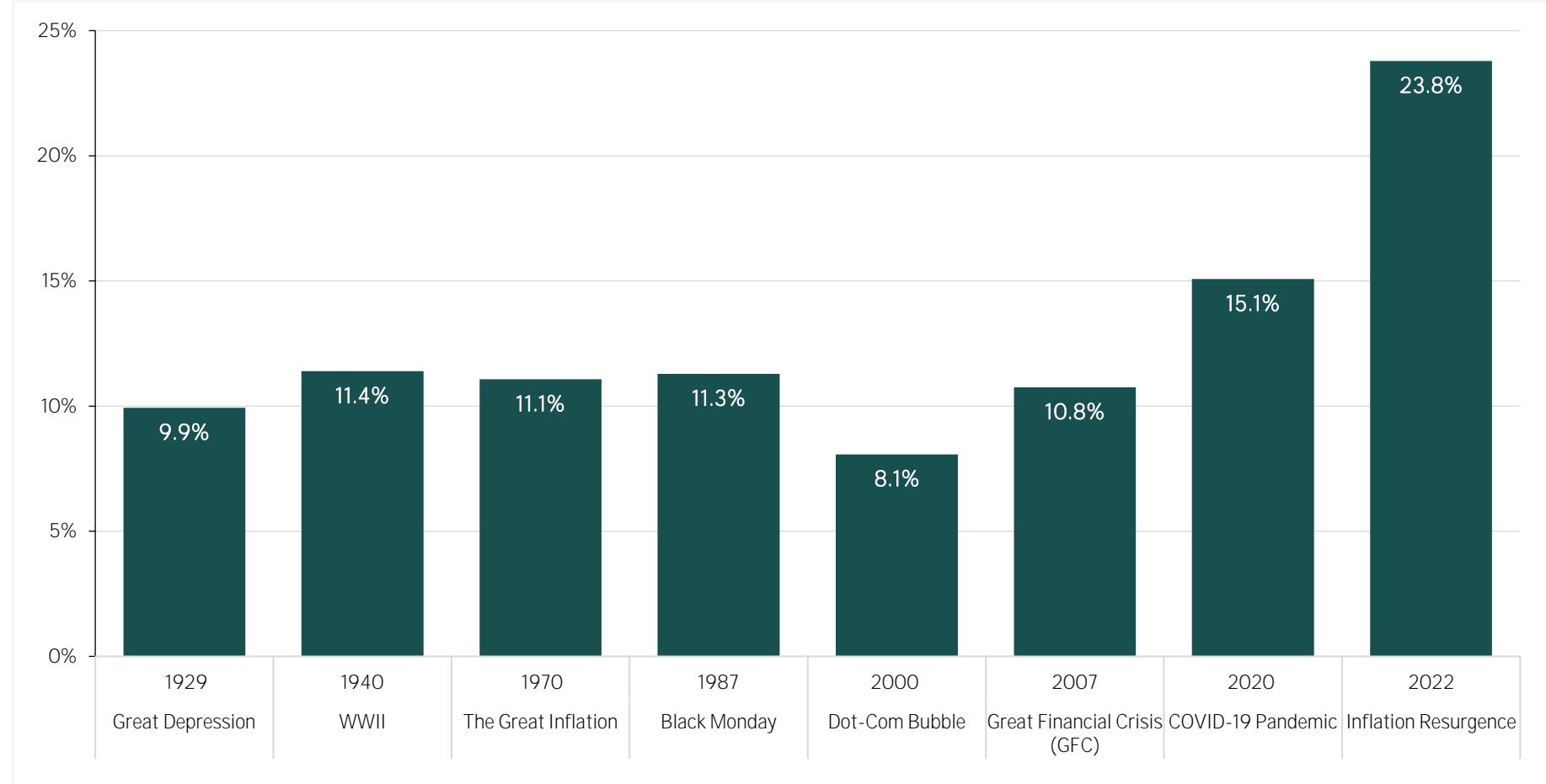
Left panel source: Morningstar Direct; monthly data: 1/1/2025 - 12/31/2025. Right panel source: Morningstar Direct; monthly data from 1/1/1996 - 12/31/2025 (30-year period). Cash in Mattress is derived by reducing Cash by U.S. Inflation; Cash is represented by U.S. 30-Day T-Bill; U.S. Bonds is represented by Bloomberg US Agg Bond; U.S. Stocks is represented by S&P 500. Since no CPI data is available for October (because of the federal government shutdown) and December (not yet available), for both panels, we assume the same inflation from September & November, respectively.

Investing at the worst times

Focus on the long term

- The chart shows historical returns from some of the worst starting points in stock market history, including the Great Depression, onset of WWII, Black Monday market crash, the Dot-Com bubble, COVID, etc.
- Daily returns from the start of each "bad" year that included some of the most unfavorable market, economic, and geopolitical events of the past 100 years (through 12/31/2025).
- Average return runs from the beginning of the year through 12/31/2025; e.g., COVID-19 period average return runs from 1/1/2020 – 12/31/2025.
- There is an ever-present worry/belief that equity investors have missed the party. Yet, data shows that they never have.
- Despite these dreary periods in history, corporate earnings continue to grow, leading to significant stock market recoveries.
- The moral of the story: while we don't know if the next 100 years will be as great as the last 100 years, investing in the stock market has proven to be effective over the long term.

Average annualized return of S&P 500 if you invested at the beginning of each worst period



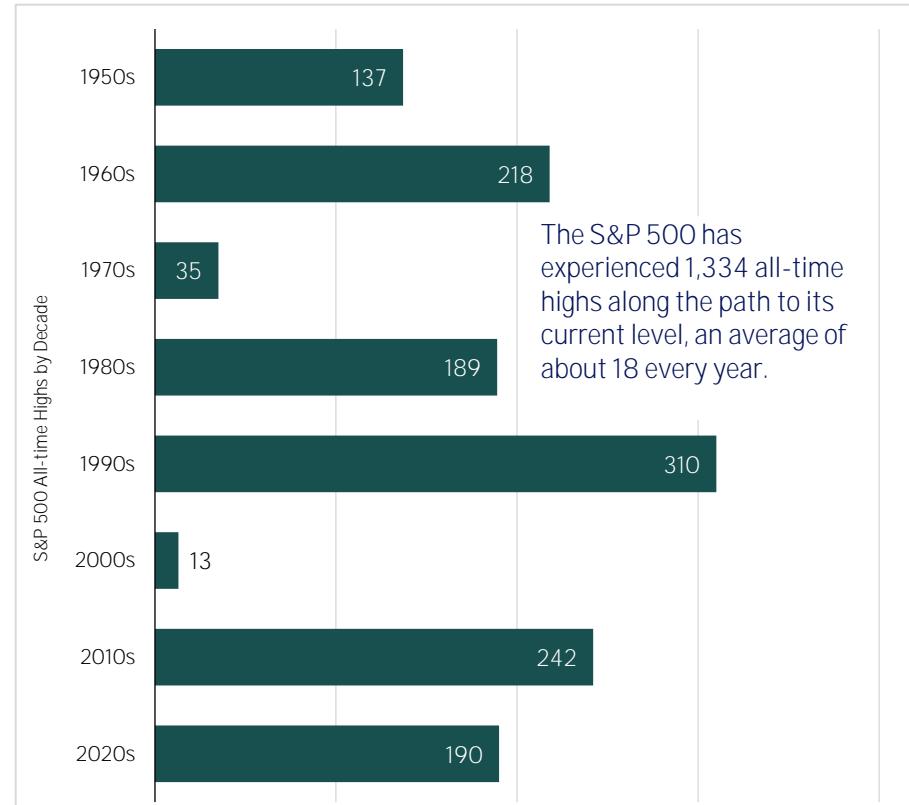
Source: Morningstar Direct, TIAA Wealth Chief Investment Office. S&P 500 TR USD index, daily return, from 1/1/1929-12/31/2025. S&P 500 TR: IA SBBI U.S. Large Stock TR USD Ext from 1926-1970; S&P 500 TR USD thereafter.

Investing on days when S&P 500 is at all-time high

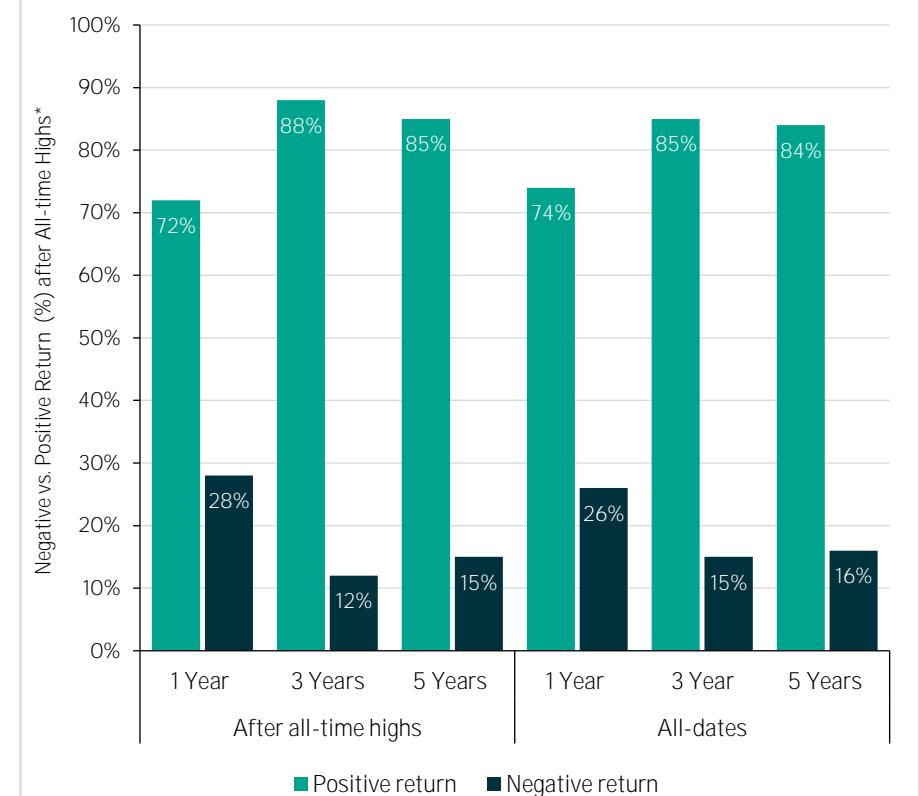
S&P 500 all-time highs

- Some investors may question whether it's the best time to put new money into the market. These investors try to avoid market highs and buy at market lows.
- As the left panel shows, all-time highs are not uncommon, so investors could be missing out on a lot of opportunity if they tried to avoid them.
- In fact, since 1950 the S&P 500 has set 1,334 all-time highs along the path to its current level. That's an average of about 18 every year.
- For long-term investors who are skeptical about investing in this environment, it may be helpful to know just how rare market corrections from all-time highs have been. The right panel shows there is no significant evidence that investing at all-time-highs yields worse results than investing at any given time.
- There's no way of knowing what lies ahead in the near or long terms. History tells us that new highs are normal and don't necessarily warn of an impending correction.

All-time highs are not uncommon



No significant evidence that investing at all-time-highs yields worse results than investing at any given time



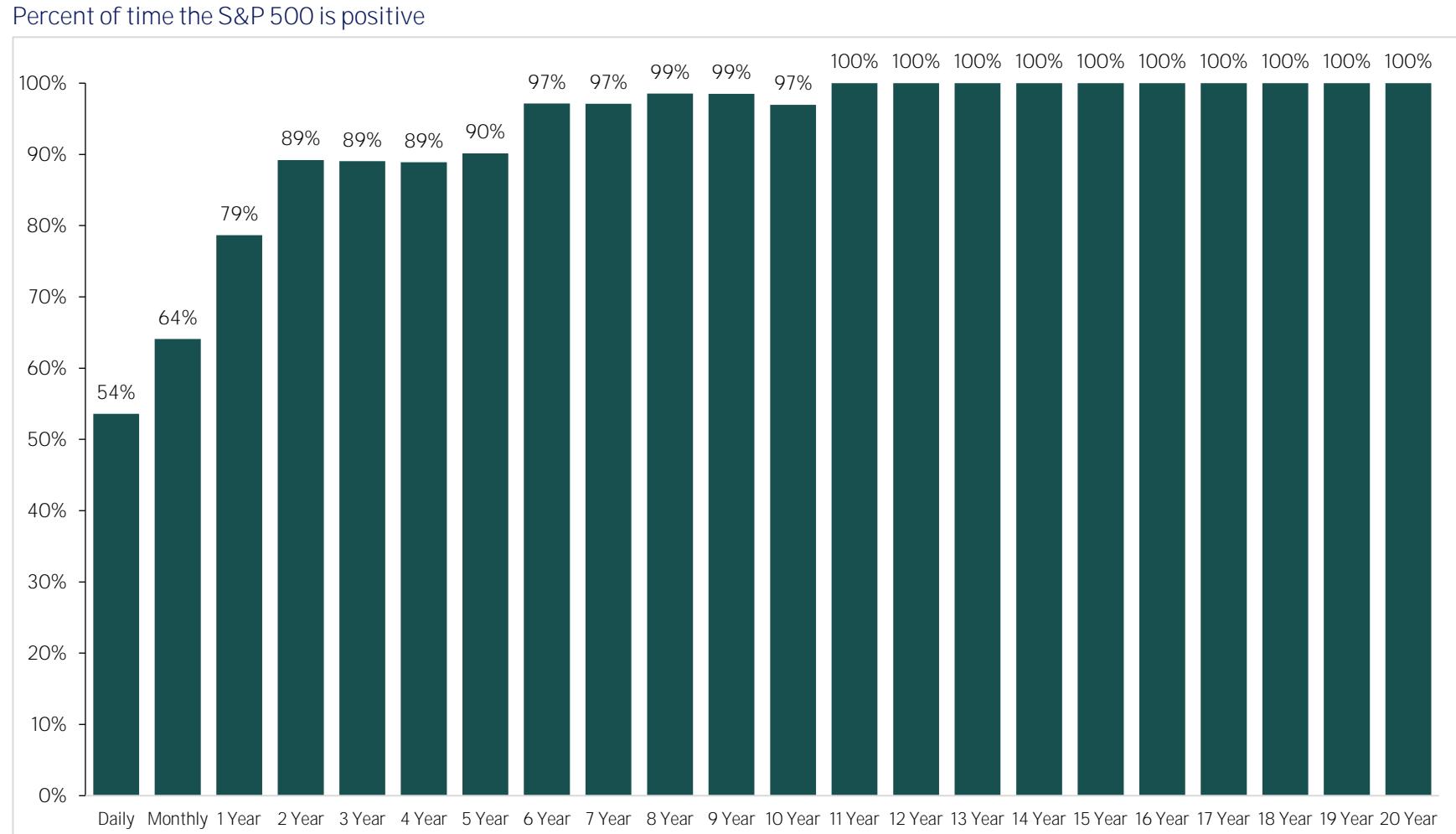
Source: Bloomberg and TIAA Wealth Chief Investment Office; data from 1/1/1950 – 12/31/2025, daily returns; S&P 500 Price Return.

*This analysis does not consider today's valuations, which are rather elevated. Therefore, valuation levels could impact these results.

Win rate by holding period

Focus on the long term

- For long-term investors, time *in* the market is far more important than attempting to time the market. As illustrated in this chart, opportunities for investment gains increase the longer you remain invested.
- On a daily basis (far left bar), the stock market is akin to a coin toss in terms of gains versus losses. However, the further you extend your investment time horizon, the higher the chance of experiencing gains.
- The S&P 500 is positive 79% of the time with a one-year holding period (3rd bar from left), which increases to 97% of the time with a six-year holding period (8th bar from left) and 100% with an 11+ year holding period (13th bar from left).



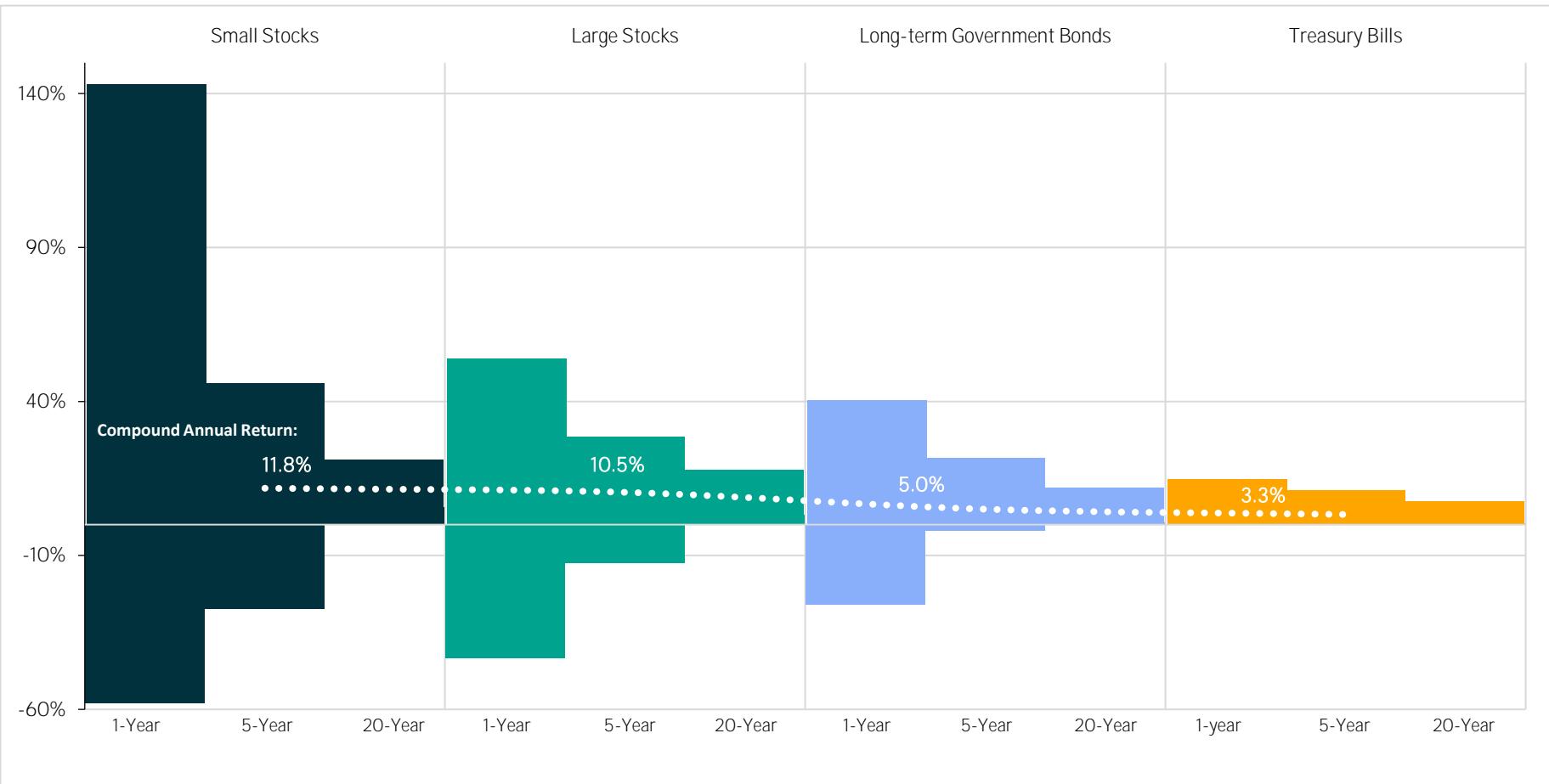
Source: Morningstar Direct, Bloomberg, TIAA Wealth Chief Investment Office. S&P 500 TR USD: IA SBBI U.S. Large Stock TR USD Ext from 1926-1970; S&P 500 TR USD thereafter. S&P 500 Price Return (PR). Daily data, from 1/1/1950 – 12/31/2025; daily, monthly and various annual holding periods.

Reduction of risk over time

Risk reduction

- Time can lower the risk and increase the returns on investments. Stocks have historically performed well over a longer period of time (20+ year time horizon), while smoothing out periods of temporary volatility.
- The risk of holding stocks diminishes with time and over a 20-year holding period, stocks have never delivered a negative return.

Compound annual return; investment risk of these four asset classes diminishes with time



Source: Morningstar Direct, TIAA Wealth Chief Investment Office. Small Cap Stocks: Ibbotson Associates (IA) SBBI U.S. Small Cap Stocks TR USD. Large Cap Stocks: IA SBBI U.S. Large Stock TR USD Ext from 1926-1970; S&P 500 TR USD thereafter. LT Government Bonds: IA SBBI LT Govt TR USD from 1926-2024; Bloomberg US Treasury TR thereafter. Treasury Bills: IA SBBI US 30 Day Tbill TR USD from 1926-2004; Morningstar US 30 Day T-Bill GR USD thereafter. Annual data, 1/1/1926 - 12/31/2025.

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