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VIEWPOINTS FROM OUR GLOBAL INVESTMENT COMMITTEE
2024 OUTLOOK

Past the peak

But not downhill yet

KEY TAKEAWAYS

- Consider ***shifting out of cash and into fixed income*** with inflation waning and rate hikes at an end.
- Prepare your portfolio for a recession via ***defensive, high-quality segments of the equity and bond markets.***
- Look beyond the 60/40 portfolio with a focus on ***real estate, infrastructure and farmland.***

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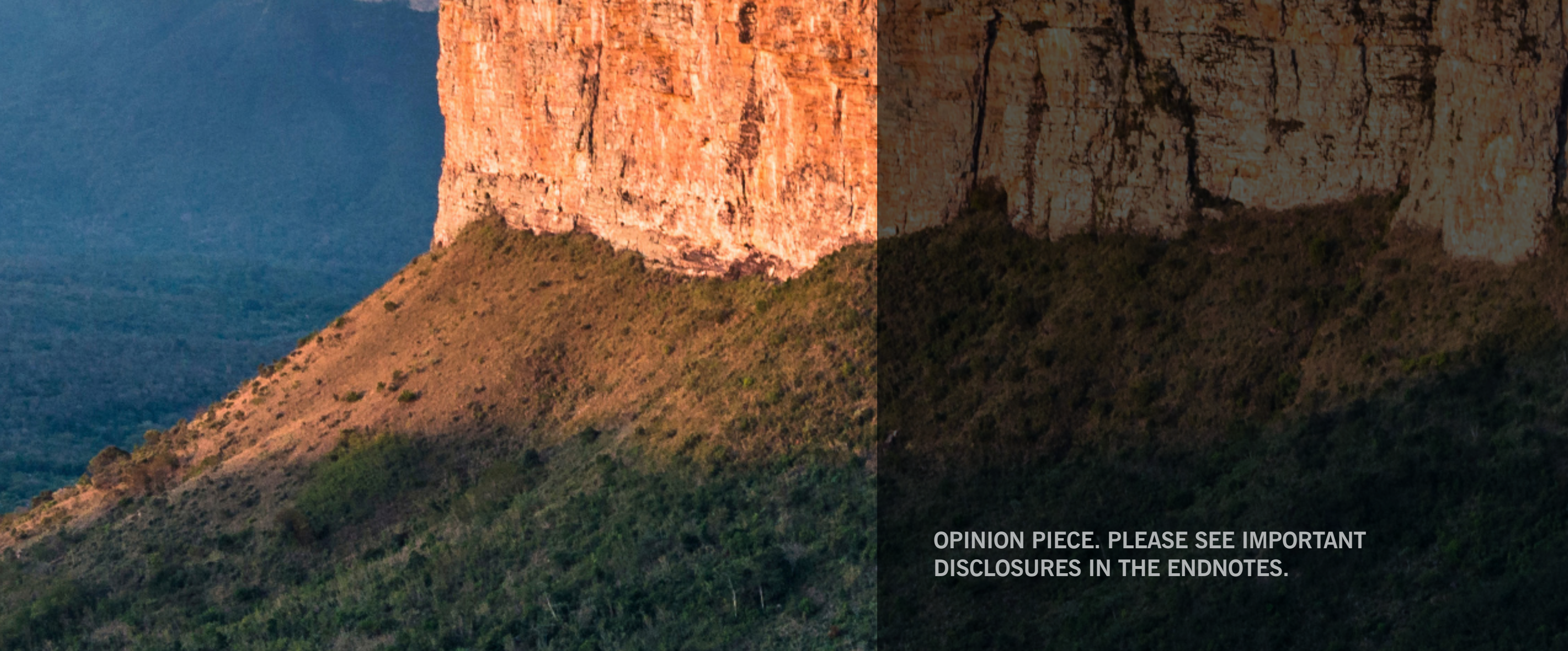


Past the peak
But not downhill yet

Saira Malik
Chief Investment Officer

As Nuveen's CIO and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she chairs Nuveen's Equities Investment Council and is a portfolio manager for several key investment strategies.

Our previous outlook, *Stay in the game*, reinforced a key investment theme we've been advocating throughout 2023: Get off the sidelines. Lighten your cash holdings. Stop waiting for the one perfect moment that might never arrive. This tenet still applies, but for wary investors needing additional clarity, a new observation may help: Both global inflation and central bank tightening have most likely peaked for this cycle.

Acknowledging that these twin peaks are behind us doesn't mean investors can simply glide down the mountain, obstacle-free. In fact, we anticipate more tough sledding ahead. But with the lay of the land now in sharper relief, we can assess which portfolio allocation decisions offer the clearest path forward.

While U.S. inflation has crested, it's still higher than the U.S. Federal Reserve's 2% target. Pinpointing how rapidly it falls from here is no simple task, but our analysis suggests further moderation over the course of 2024.

Policy rates aren't poised to plunge from their precipice either. Instead, they've more than likely plateaued — extending the "higher-for-longer" rate environment and making the trajectory of monetary policy for the next few quarters look like a cross-country trek rather than a downhill run.

We've already seen markets get ahead of their skis at various points in this cycle, prematurely anticipating rate cuts. And they may be gearing up to be let down again, judging by the number and pace of cuts they're pricing in for next year. In fact, rates probably won't be lowered until the cumulative (and lagging) impacts of the Fed's historic hawkishness come home to roost in the form of a mild recession, which we expect will occur in the second half of 2024.

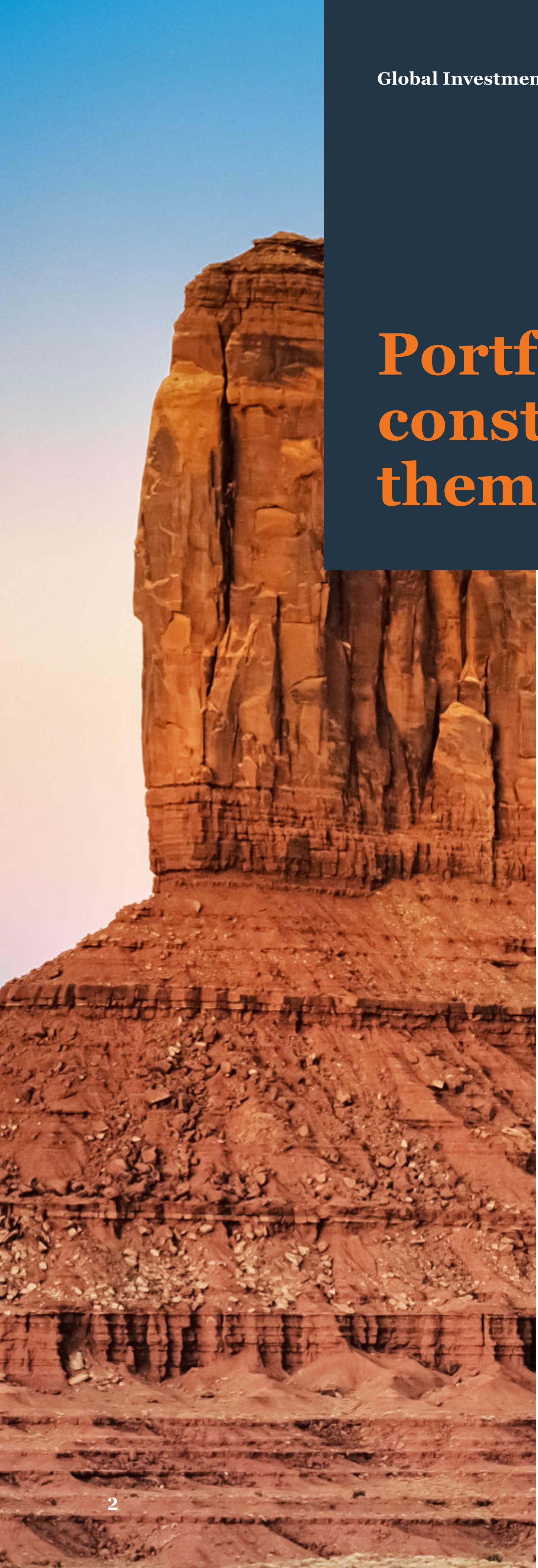
Against this backdrop, our current outlook emphasizes the following investment themes:

Follow the trails to fixed income. Though bond yields have retreated from their cycle highs in October, investors can still take advantage of today's yields by overweighting fixed income in their portfolios. We anticipate intermediate- to longer-maturity yields will decline modestly, creating attractive return opportunities across higher-quality fixed income segments.

Deploy cash into areas of relative value. Despite the clarified investment terrain, a fog of doubt remains for many investors. The longer they delay, the more opportunities they miss. One way to get moving is to dollar-cost-average their way back to their strategic allocations, leaning into areas that offer the best relative value, as discussed throughout our year-ahead outlook.

Get real with portfolio positioning. Real assets, both public and private, figure prominently in our guidance. These asset classes can thrive during periods of still-elevated (albeit moderating) inflation, while offering potential resilience during economic slowdowns or contractions. Real estate, infrastructure and farmland are among the categories we favor.

Bottom line: For those who may still be waiting, it's time to start making tracks. And while we're confident the most challenging peaks will continue to recede from view, we'll be on the lookout — as always — for twists and turns ahead.



Portfolio construction themes

The world seems to have arrived at an inflection point. We are calling it "Past the peak," as we appear to have moved beyond the height of interest rate hikes, inflation and economic acceleration. But past the peak doesn't mean a sharp decline. While inflation is easing around the world, we expect rates and economic growth to plateau for a couple of quarters ahead of rate cuts and a mild recession in the U.S. in the second half of 2024. This leads us to identify ***several investment themes we believe are particularly well suited for a past-the-peak, but pre-rate cut, pre-recession world.***

Asset class "heat map"

Our cross-asset class views indicate where we see the best relative opportunities within global financial markets. These are not intended to represent a specific portfolio, but rather to answer the question: "What are our highest conviction views when it comes to putting new money to work?" These views assume a U.S. dollar-based investor seeking long-term growth and represent a one-year time horizon.

	Less Positive		Neutral	More Positive	
Equities			●		
U.S. large cap equities			●		
U.S. small cap equities		●			
Non-U.S. equities		●			
Emerging markets equities				●	
Private equity			●		
Fixed income				●	
U.S. Treasuries			●		
Investment grade			●		
High yield			●		
Emerging markets debt			●		
Senior loans				●	
Preferred securities			●		
Securitized assets				●	
Municipals					●
Private credit					●
Real assets				●	
Listed REITs				●	
Listed infrastructure					●
Commodities			●		
Farmland				●	
Private real estate		●			
Private infrastructure				●	
Real estate debt			●		

Downgrade from last quarter

Upgrade from last quarter

The views above are for informational purposes only, and compare the relative merits of each asset class based on the collective assessment of Nuveen's Global Investment Committee. They do not reflect the experience of any Nuveen product or service. Upgrades and downgrades reflect quarterly shifts in these views.

Key portfolio themes

1. **Follow the trails to fixed income.** Investors should **consider overweighting fixed income in their portfolios** to take advantage of today's yields (Figure 1). Inflation is clearly waning and central bank hikes appear to be on hold, for now. As we move closer to potential rate cuts in the back half of 2024, we anticipate a continued modest decline in Treasury yields, which should translate into return opportunities across **higher credit quality segments of fixed income, particularly in municipal bonds and securitized assets**. Municipal issuers are showing few signs of cracks given their fundamental health. Within the securitized space, non-agency MBS offer wide spreads compared to history with little risk of prepayments given the rapid increase in mortgage rates.

   At the same time, investors may want to consider bar belling their traditional fixed income with sectors with floating-rate coupons. Our investment teams continue to find compelling opportunities in the higher-quality segments of **floating-rate senior loans.** For those with a tolerance for less liquid assets, **private credit** continues to benefit from high starting yields and improved deal flow as we head into 2024.

2. **Deploy cash into areas of relative value.** Although we think the picture is growing clearer, many investors remain on hold. We think **sitting in cash may result in missed opportunities.** Instead, we encourage investors to dollar-cost-average back in to their strategic allocations, while tilting toward areas offering the best relative value.

   Our heat map accompanying our outlook and our "best ideas" across asset classes offers details about where we see that relative value. To call out a couple of items, we think the risk of economic slowdown means that **quality matters in equity markets.** In the U.S., we're focused on dividend growers and high-quality growth areas, and we generally see more risks in non-U.S. developed markets. We also think that areas of the equity market where valuations were punished in 2023, such as **emerging markets equities** (which also enjoy strong earnings growth projections) and **U.S. REITs,** are set up well for 2024.

   Additionally, we think investors should **move past the "60/40" approach to portfolio construction** to take advantage of prospects offered by alternative investments. Private real estate remains under some pressure, but real estate debt should benefit from the rates backdrop. We particularly favor private credit and see a range of opportunities across real assets, which leads into our third theme.

3. **Get real with portfolio positioning.** The "favorable" weightings of our heat map are skewed toward public and private real assets. Real assets may thrive during times of still-elevated inflation and also offer potential resiliency amid economic slowdowns. Public real estate and infrastructure investments offer compelling value, private infrastructure is enjoying solid tailwinds and farmland investments may represent an intriguing source of diversified returns.

> "We think sitting in cash may result in missed opportunities.

In focus: public real estate

U.S. REITs offer a combination of appealing traits for investors to consider. First, REITs have significantly lagged the broader equity market since the start of 2022. Importantly, however, REIT earnings have held up relatively well during the period, creating value for the market as a whole.

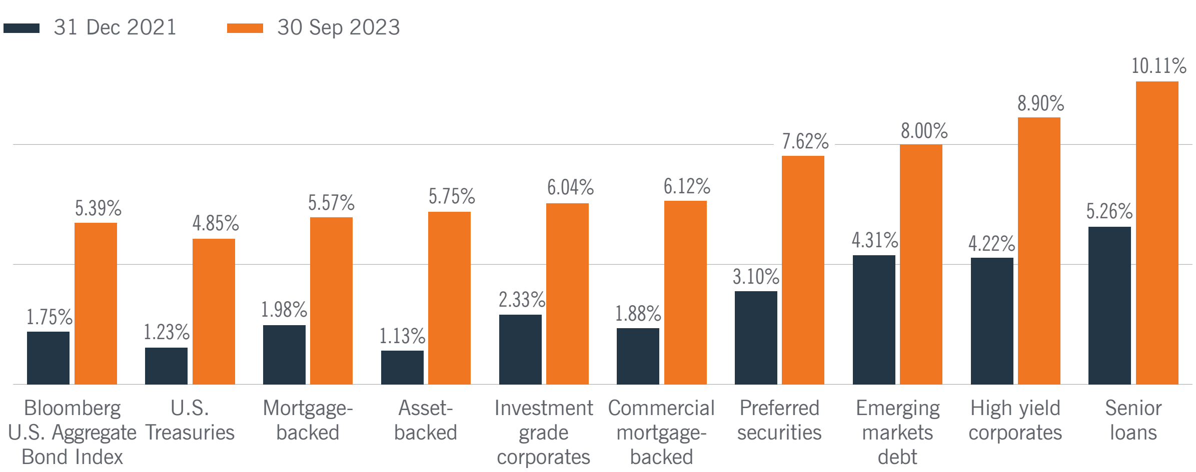
REITs also appear well positioned for the current and prevailing market environment. REITs are generally a long-duration asset class given the structure of rents and cash flows, and as such have performed relatively well when interest rates peaked and were on the verge of moving lower (e.g., REITs were the best-performing U.S. equity sector in 2014 amid the taper tantrum). It's also worth noting that although financial headlines focus on structural issues within the office sector, traditional offices represent only about 3% of the overall REIT market.

Within real estate, we are focusing on investments that offer high levels of free cash flow, such as the industrial sector (which also offers good growth prospects). We also like senior housing investments due in part to favorable demographics.

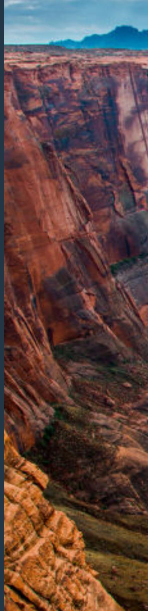
Our highest-conviction views

- **Municipals (+)** are enjoying solid fundamentals (strong credit quality and reliable tax streams) and attractive supply/demand technicals. Given the shifting interest rate environment, we also think it makes sense to extend duration in municipal bond holdings.
- **Private credit (+)** remains a favored area for us, and investor demand has remained high. We continue to focus on more resilient areas of the market such as health care, software and insurance brokers — all of which are relatively well positioned to withstand economic downturns.
- **Infrastructure (+)** should benefit from still-high inflation and looks well positioned for resiliency in the face of slowing economic growth. Both public and private infrastructure appear compelling, especially the attractive valuations within public infrastructure.

Figure 1: Higher yields create compelling options across fixed income markets
Yield-to-worst (%)



Data source: Bloomberg, L.P., Credit Suisse. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: U.S. Treasuries:** Bloomberg U.S. Treasury Index; **MBS:** Bloomberg U.S. Mortgage-Backed Securities Index; **CMBS:** Bloomberg Commercial Mortgage-Backed Securities Index; **ABS:** Bloomberg Asset Bond-Backed Index; **investment grade corporates:** Bloomberg U.S. Corporate Investment Grade Index; **emerging markets debt:** Bloomberg Emerging Markets USD Aggregate Index; **preferred securities:** ICE BofA U.S. All Capital Securities Index; **senior loans:** Credit Suisse Leveraged Loan Index; **high yield corporates:** Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index.



The economy and markets

Key points to know

Inflation has clearly peaked.

As backpackers know, the risk of injury is higher when hiking downhill than uphill. The same is true for inflation. Headline year-over-year U.S. consumer price inflation topped out at 9.1% in mid-2022 and has since moderated by almost 6%, to 3.2% in October. Comparable measures in Europe have dropped even faster, from 10.6% last year to 2.4% in the latest print. We always knew that headline prices would slide down from those summits. The question was whether stickier core prices would follow the same trail or take unpleasant detours back uphill.

We are more confident that core inflation is maintaining the downtrend in the U.S. Shelter inflation has decelerated for six straight months, and we anticipate further progress. Wage inflation remains elevated at an annual pace above 5%, but leading indicators point to a slowdown next year toward 4% (Figure 2). Overall, though inflation remains lofty relative to pre-Covid trends, it is set to continue its descent over the coming months and quarters.

Recession risks remain.

The upshot of the improved inflation outlook is that growth prospects have also deteriorated. U.S. unemployment has ticked up 0.5% from its recent low, and the pace of job creation has slowed from above 300,000 per month at the start of the year to less than 200,000.

Consumption and investment remain strong, but robust demand today may be simply pulling forward activity at the expense of next year's growth. Consensus estimates for 2023 U.S. GDP growth are up +2.0% from earlier this year, but prospects for 2024 are down -1.4%. With next year's economic performance looking increasingly tenuous, the risk is elevated for a dip into outright recession. New geopolitical risks could also weigh on activity, from Ukraine to the Middle East to East Asia. Amid this backdrop, we think a mild recession in late 2024 is more likely than not.

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Eventually, as growth slows and the labor market continues to weaken later next year, we expect a pivot toward rate cuts in the U.S., likely around mid-year.

Central banks have finished tightening.

Over the last year and a half, major global central banks focused entirely on fighting inflation. The Federal Reserve, European Central Bank and Bank of England have each raised policy rates between 450 and 525 basis points, from near-zero to multi-decade highs. With the inflation outlook now significantly improved, we anticipate an end to the overall hiking cycle. A few outliers may emerge, such as high odds of a rate hike from the Bank of Japan and Australia and/or Sweden following suit.

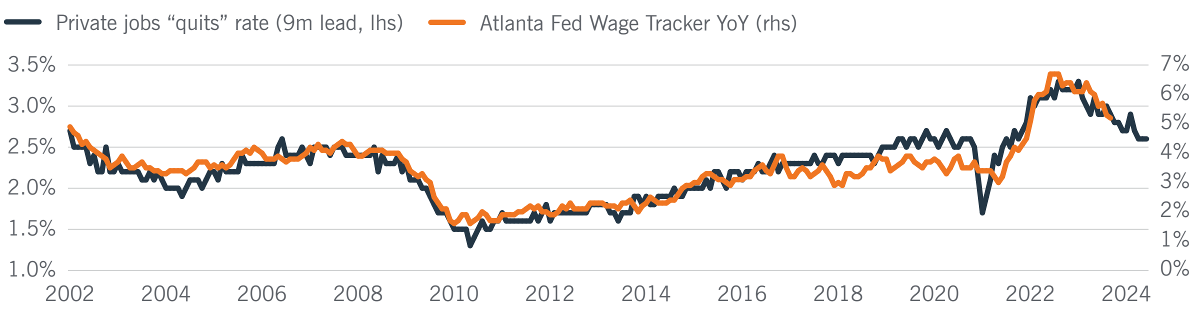
But for the Fed and most other central banks, attention will now shift. Instead of focusing on "how high" rates need to climb, the question will be "how long" they stay at current levels. With material runway before inflation returns comfortably to the Fed's 2% target, we think policy rates will remain at current levels for the next several quarters. Eventually, as growth slows and the labor market continues to weaken later next year, we expect a pivot toward rate cuts, likely around mid-year.

What does this mean for rates and markets?

Our macro outlook hinges on three key variables. Inflation has peaked, economic growth will peak soon and central bank policy rates are peaking now. Historically, these dynamics have tended to coincide with a peak in rates broadly, as well as with a re-steepening of the yield curve. We expect Treasury yields to gradually move lower from their current levels over the coming quarters, as high inflation risks ebb, downside growth risks escalate and central banks start to signal eventual rate cuts.

A few variables certainly push against our base case. If growth remains healthy, the Fed may not need to cut rates at all next year, and Treasuries accordingly would not rally. Persistent and outsized fiscal deficits should offset upward pressure on rates. Non-U.S. demand for U.S. fixed income remains pressured by high currency hedging costs. We are cognizant of these risks, but increasingly believe that the case for overweighting fixed income is becoming progressively more persuasive.

Figure 2: U.S. wage inflation is set to decline further



Data source: Bloomberg, L.P. and Bureau of Labor Statistics JOLTS survey, Jan 2002 to Sep 2023. Private quits from the BLS survey are reflected on a nine-month lead (through Jun 2024) to reflect the typical expected lag between the quits rate and actual changes in wage inflation.

GIC Asset class outlooks

EQUITIES

Saira Malik

Investment positioning

- Our primary equity investment theme is reducing broad cyclical exposures and focusing on high-quality companies with strong fundamentals and free cash flows that may be better positioned to withstand an economic deceleration. Market gains have primarily come through improved corporate earnings in the second half of 2023, resulting in more compressed valuations. As such, despite select opportunities across global equity markets, we are retaining an overall neutral rating.
- Due to valuation compression, we're slightly less positive toward U.S. large caps than we were last quarter. Within this area, we're focused on dividend growers and high-quality growth areas, chiefly in technology sectors such as software and semiconductors. And as we spelled out in our portfolio construction themes, we favor public real estate and public infrastructure equities.
- Geographically, we continue to favor the U.S. over other developed markets. U.S. corporate earnings appear to be further along the road to recovery, and the U.S. offers better defensive characteristics in the face of a potential global economic slowdown. Within emerging markets, we are wary toward China given shaky growth prospects, but we see value in Brazil (favorable rates and inflation backdrop) and in Mexico, which is benefiting from the near-shoring trend. More broadly, we expect dollar strength to be less of a headwind for emerging markets next year, but also believe geopolitical risks could act as a headwind.
- Regarding private equity, we see more value and opportunities, and anticipate rising deal volume over the coming quarters.

BEST IDEAS: *Our best equity ideas have been consistent for some time: Dividend-growers tend to be high-quality companies that offer strong free cash flow levels, solid profit margins and consistent income. We also favor U.S. public infrastructure, which can potentially withstand slower economic growth.*

FIXED INCOME

Anders Persson

Investment positioning

- Fixed income markets overall appear attractive. Inflation is easing across developed markets, and we believe the Federal Reserve and European Central Bank have finished their rate hiking cycles. We don't expect near-term rate cuts, but believe bond yields should move modestly lower throughout 2024. Fixed income markets should perform well in such an environment. And even if rates remain elevated, current yields offer compelling income.
- The increase in bond yields and continued tight credit spreads across most areas of the global fixed income market have created value. As discussed in our portfolio construction views, we are mostly focused on higher credit quality segments. We anticipate wider credit spreads in the first part of 2024, and at that point, it might make sense to take on more credit risk.
- We have been advocating for some time a focus on flexibility and diversification across credit sectors, as we see solid (if idiosyncratic) opportunities across global fixed income markets. Given our expectation for modest spread widening, we have an overall neutral view toward investment grade and high yield markets (in which we favor the higher credit quality areas). Valuations look fair in emerging markets debt, but geopolitical risks could create headwinds.
- We favor securitized credit. Non-agency mortgage-backed securities look especially attractive, as they offer relatively wide credit spreads. We also think prepayment risks are relatively low, given that rates are unlikely to decline rapidly. We also see value in commercial mortgage-backed and asset-backed securities. Furthermore, higher-quality (BB rated) senior loans offer strong fundamentals and, as a floating-rate asset class, look compelling in a higher-for-longer short-term rate environment.
- Municipal bonds feature strong fundamentals (solid credit ratings and high levels of cash) and attractive supply/demand dynamics. We also believe their longer-duration profile should be a tailwind given our views on rates. We see significant opportunities in taxable municipals for non-U.S. investors (despite some higher hedging costs) and are focused on the high yield and specialty- and property-tax-backed areas of the taxable market.

- As detailed earlier, we remain constructive toward private credit markets, especially if we only experience a shallow or mild recession in 2024.

BEST IDEAS: *Our highest conviction themes center around a flexible and diversified multi-sector approach, with a view toward modestly extending duration and focusing on higher-quality credits. For municipal bonds, we particularly favor the high yield area, which offers compelling yields and appears attractively valued.*

REAL ESTATE

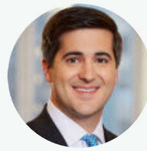
Carly Tripp

Investment positioning

- Private real estate markets have been under pressure for some time. But the good news is that we continue to see opportunities in real estate debt and believe real estate equity is in a bottoming process. Outside much of the office sector, real estate fundamentals have remained healthy. We expect the negative technical factors of limited liquidity and constrained deal flow to fade in the coming quarters, and we are encouraged by growing buyer interest in what should be a more stable rate environment.
- Real estate debt looks more attractive than real estate equity, especially given that we expect a more stable (and, eventually, a lower) interest rate environment. The industrial and housing debt markets look particularly attractive.
- We favor U.S. medical offices and global senior housing facilities, especially in the U.S. and Japan. Medical offices enjoy low vacancy rates, and both sectors face a restrained supply pipeline of new properties. Likewise, both should benefit from an aging global population.

BEST IDEAS: *In addition to the above, we remain focused on global cities experiencing growing, educated and diverse populations with a particular focus on the health care, industrial and housing sectors.*

REAL ASSETS



Justin Ourso

Jay Rosenberg

Investment positioning

- As detailed in our portfolio construction themes, public REITs represent a worthy area of focus. Valuations are attractive, fundamentals are solid and this area of the market is well positioned for a more stable rate environment. Specific areas of focus for us include senior housing, industrial, shopping center and gaming REITs.
- We find public infrastructure compelling, as it should benefit from still-elevated inflation and interest rates. Additionally, the essential-service nature of these companies should provide a tailwind amid slowing growth. We see the best opportunities in areas enjoying strong revenue growth (pipelines, waste, freight rail and European integrated utilities) and those benefiting from post-Covid reopening, such as Japanese passenger rail and airports.
- Private infrastructure should benefit from similar policy and business sector tailwinds as public infrastructure. But this area could see modest valuation headwinds from narrowing bid-ask spreads into 2024 (although that trend should also create more compelling opportunities to new buyers). Within the private space, our main areas of focus continue to be on energy transition investments, including solar investments in Korea and the U.S. We also see opportunities in data storage and connectivity investments that could capitalize on the growing trend of digitization and AI.
- Lastly, farmland is an area of continued focus within real assets. This asset class tends to be much less affected by macroeconomic trends and can provide diversified sources of portfolio returns. In particular, we see compelling opportunities in U.S. row crops, which are experiencing high demand relative to supply available.

BEST IDEAS: *In public markets, our best idea in infrastructure is waste management companies, which provide an essential service and have high cash flows; in real estate, we favor senior housing, shopping centers and industrial sectors, which enjoy strong fundamentals and tailwinds from demographics and changing consumer preferences. In private markets, we continue to focus on investments that align with climate transition, such as clean energy and renewable fuel sources, as well as strong global demand for protein and healthy foods.*

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets. Quarterly meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications.

For more information, please visit nuveen.com.

Endnotes

Sources

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

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