NEUBERGER BERMAN

Emerging Market Debt Capabilities

KEY FEATURES

- Full range of emerging market debt capabilities
- Rigorous research-driven investment process
- Highly experienced global team—pioneers in emerging market debt investing
- One of the largest teams in the industry, supported by the wider Neuberger Berman global fixed income platform of over 160 investment professionals

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The Case for Investing in Emerging Market Debt Today

DID YOU KNOW?

- According to the IMF, emerging economies generate more than half of the world's GDP, but emerging market issuers account for just 14%[1] of the Bank of America Merrill Lynch World Sovereign Bond Index.
- The average emerging economy is much less indebted than the average developed economy: Germany's level of public debt is over 60%; meanwhile the average level of public debt of the EM country universe covered by the team is close to 50%.
- Despite some recent high-profile downgrades, since the late 1990s emerging economies have improved their overall credit ratings: hard currency and local currency sovereigns and corporates can now all boast average ratings close to BBB.
- The average yield on emerging market debt is currently around 6.2%[2]; as such, the asset class continues to offer a premium versus similar rated developed market fixed income.
- Issuance of local currency debt by emerging market sovereigns has steadily increased over the last two decades. More than 80% of the total emerging market sovereign debt outstanding today is denominated in local currency[3].

[1]Source: Bank of America Merrill Lynch as at 30 June 2017.

[2]JPMorgan. As at 31 May 2018. Refers to the yield to maturity of a blended benchmark of emerging market debt hard currency, local currency and corporates.

[3]BIS and Bank of America Merrill Lynch. As at 31 December 2016.

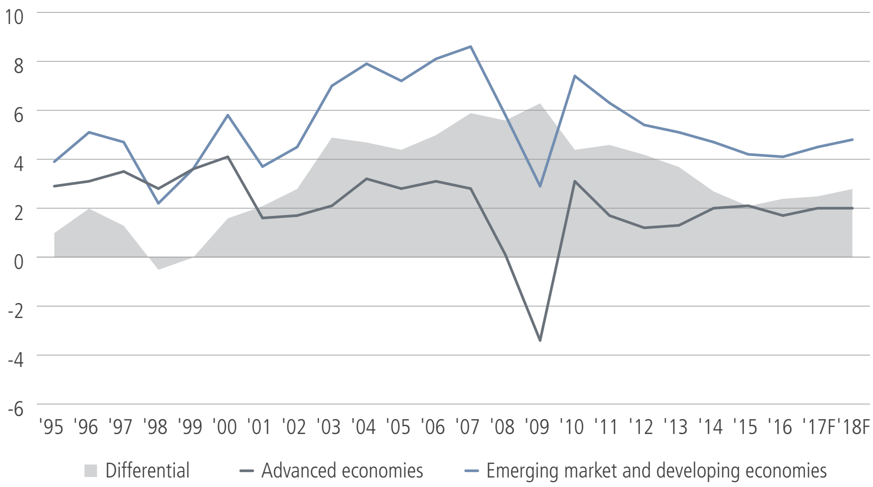
Emerging Potential

Emerging economies are expected to grow at almost 2x the pace of developed nations in coming years.* We believe the factors supporting this higher growth, including attractive demographics, relatively low debt levels and a rising middle class, are likely to stay intact for the foreseeable future, thus supporting the investment case for emerging market debt.

REASONS TO INVEST IN EMERGING MARKET DEBT:

- **Sizable asset class**—worth $21 trillion across sovereign and corporate debt**
- **Strong fundamentals**—low public debt ratios and high reserve levels on average
- **Alpha generation opportunities**—inefficient, underresearched market
- **Diversification**—dozens of countries, currencies, yield curves and issuers
- **Yield**—attractive yields relative to developed market bonds
- **FX appreciation**—the team believes that emerging market currencies offer the potential for real appreciation in the long term

REAL GDP GROWTH (% POINTS)



Source: IMF World Economic Outlook, April 2018. Historical trends do not imply, forecast or predict future results. F=Forecast.

*Source: IMF World economic outlook update, July 2017.
**BIS and Bank of America Merrill Lynch. As at December 2016.

Several Ways to Access Emerging Market Debt

Global Strategies

Hard Currency Strategy
Provides exposure to emerging market opportunities without currency risk. The strategy invests across the most established emerging market debt asset class, made up of sovereign and corporate bonds issued in major currencies.

Local Currency Strategy
Seeks to harness emerging market debt opportunities in local markets. The strategy invests in local currency debt instruments—mostly from governments—giving investors the potential to benefit from declining local interest rates and currency appreciation.

Corporate Strategy
Provides access to the growing opportunity in emerging market credit. The strategy invests in corporate bonds issued by developing countries—mainly denominated in hard currencies.

Short Duration Strategy
Seeks to take advantage of emerging market spreads while offering a degree of protection from rising U.S. rates by focusing on securities with short duration. Seeks to provide stable and attractive income with limited volatility and low turnover.

Blend Strategy
Combines the best ideas across Neuberger Berman's Emerging Market Debt Hard Currency, Local Currency and Corporate strategies with an opportunistic allocation process. The strategy seeks to benefit from various risk premiums across the wider emerging market debt opportunity set.

Blend Investment Grade Strategy
Provides diversified emerging market debt exposure with reduced volatility. Combines best ideas across investment grade emerging market hard and local currency bonds, with a bias to hard currency denominated debt.

Regional Strategies

Asian Debt – Hard Currency Strategy
Provides access to a deep and broad regional subset of the EM sovereign and corporate universe via investments in a diversified selection of Asian debt instruments.

China Bond – Core Strategy
Seeks to exploit opportunities in the China fixed income market through exposure to onshore local currency bonds.

China Bond – Total Return Strategy
Seeks to exploit opportunities in the China onshore market by investing in a broad spectrum of debt instruments issued in the PRC in local currency, but can opportunistically invest in offshore bonds.

STRATEGY FACTS

Assets: $19.1bn*

- Investing in Hard Currency since 1994
- Investing in Local Currency (FX and rates) since 1998
- Investing in Emerging Market Corporate Bonds since 2003
- Investing in Asian bonds since 2008
- Investing in China Bonds since 2015
- Senior managers have worked together since 2000

*As at 31 July 2018.

MULTI-SITE APPROACH

The team is located across three continents, ensuring markets are covered 24 hours a day and allowing the team to react in real time to news flow and to optimise the timing of trades—the team seeks to execute when markets have the best liquidity.

The team's multi-site approach with offices in Atlanta, The Hague, Singapore and Shanghai also allows for coverage of a range of complex domestic local markets, helping to avoid regional biases in investments.

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EMD Strategies at a Glance

	HARD CURRENCY	LOCAL CURRENCY	BLEND	CORPORATES	INVESTMENT GRADE BLEND
Overview	Exposure to EM opportunities without EM currency risk	Exposure to EM opportunities through local currency bonds	Exposure to a dynamic portfolio which takes advantage of the broad EM debt spectrum	Exposure to the rapidly growing opportunities in EM credit	Exposure to a wide opportunity set of investment grade EM debt, with a bias towards hard currency denominated debt
Investment Horizon	Medium to long term	Medium to long term	Medium to long term	Medium to long term	Medium to long term
Benchmark	JP Morgan EMBI GD Index	JP Morgan GBI-EM GD Index	Blend of JP Morgan GBI-EM GD (50%), EMBI GD (25%) & CEMBI Diversified (25%) Indices	JP Morgan CEMBI Diversified Index	Blend of JP Morgan EMBI Global Diversified Investment Grade Index (67%) and JP Morgan GBI Emerging Markets Global Diversified Investment Grade 15% Cap Index (USD Unhedged Total Return) (33%)
Investment Universe	Emerging Market Sovereign, Quasi-Sovereign and Corporate Debt issued in Hard Currency	Emerging Market Government, Government-related and Corporate debt issued in Local Currency	Emerging Market Sovereign, Quasi-Sovereign and Corporate Debt issued in Hard and Local Currency	Emerging Market Corporate and Quasi-Sovereign Debt issued in Hard Currency	Emerging Market Sovereign, Quasi-Sovereign and Corporate Debt issued in Hard and Local Currency
Instruments	Hard Currency Bonds; Bond Futures; CDS; Cash Instruments; FX Forwards for currency hedging only	Local Currency Bonds; FX forwards; NDF; Interest Rate Swaps; Bond Futures; Credit Linked Notes; Cash Instruments	Local Currency Bonds; Hard Currency Bonds; FX Forwards; NDF; IR Swaps; Bond Futures; CDS; Sukuks; Credit Linked Notes; Cash Instruments	Hard Currency bonds; FX Forwards; Bond futures; CDS; Sukuks; Cash Instruments	Local Currency Bonds; Hard Currency Bonds; FX Forwards; NDF; IR Swaps; Bond Futures; CDS; Sukuks; Credit Linked Notes; Cash Instruments

ASSET ALLOCATION

Sovereign	No Max	No Max	Hard Currency 10% – 60% Local Currency 20% – 80%	Max 33% (Sovereign/or Quasi-Sovereign)	Hard Currency 40% – 90% Local Currency 10% – 50%
Non Sovereign	Max 50% Max Quasi-Sovereign 35% Max Sub-Sovereign 10% Max Supra-National 10% Max Corporates 15%	Max 20%	Max Quasi-Sovereign 30% Max Sub-Sovereign 15% Max Supra-National 10% Max Corporates 60%	No Max	Max Quasi-Sovereign 40% Max Sub-Sovereign 15% Max Supra-National 10% Max Corporates 15%
Hard or Local Currency	Hard	Local	Both	Max 33% Local	Both
Benchmark Average Credit Quality (S&P)*	BB+	BBB	–	BBB-	–
Active Duration Management	+/- 1.5 years	+/- 2 years	+/- 3 years	+/- 1.5 years	+/- 3 years

RISK BUDGET (OVER A MARKET CYCLE)

Targeted TE	2% – 6%	2% – 5%	2% – 6%	2% – 4%	1% – 3%
Targeted Excess Return P.A. (gross)	1% – 2%	1% – 2%	1% – 3%	1% – 2%	1%

AVAILABLE VEHICLES

Separate Account	✓	✓	✓	✓	✓
UCITS	✓	✓	✓	✓	✓
Mutual Fund U.S.	–	–	✓	–	–
U.S. Private Fund (Comingled)**	✓	✓	✓	✓	–

*As at 31 July 2018.

**U.S. Private Funds (comingled): Blend and Short Duration are funded, the others are available for funding.

	SHORT DURATION	ASIAN HARD CURRENCY	CHINA BOND– TOTAL RETURN	CHINA BOND– CORE
Overview	Exposure to a short duration EM portfolio of hard currency bonds with an average IG rating***	Exposure to deeper and broader regional subset of EM Sovereign and Corporate universe, primarily through hard currency bonds	Exposure to China opportunities in local currency through a total return oriented approach with flexible duration and sector allocation	Exposure to China opportunities through onshore local currency bonds
Investment Horizon	Medium term	Medium to long term	Medium to long term	Medium to long term
Benchmark	–	JP Morgan Asia Credit Index (JACI)		JP Morgan JADE Broad Asia Diversified - Broad China Index
Investment Universe	Emerging Market Sovereign, Quasi-Sovereign, Corporate Debt with a limited duration, issued in Hard Currency	Asian Sovereign, Quasi-Sovereign and Corporate Debt issued in Hard and Local Currency	China Sovereign, Quasi-Sovereign and Corporate Debt issued in Local and Hard Currency	China Sovereign, Quasi-Sovereign and Corporate Debt issued in Local and Hard Currency
Instruments	Hard Currency Bonds; FX Forwards; Sukuks; Cash Instruments	Hard Currency Bonds; Local Currency Bonds; FX Forwards; NDF; IR Swaps; Bond Futures; CDS; Cash Instruments	Local Currency Bonds; Hard Currency Bonds; FX Forwards; NDF; IR Swaps; Bond Futures; CDS; Cash Instruments	Local Currency Bonds; Hard Currency Bonds; FX Forwards; NDF; IR Swaps; Bond Futures; CDS; Cash Instruments

ASSET ALLOCATION

Sovereign	30% – 70% (Sovereign/or Quasi-Sovereign)	Max 60%	No Max	No Max (incl. Policy Banks)
Non Sovereign	30% – 70%	Max Quasi-Sovereign 35% Max Corporates 100%	No Max	Max Corporates 30%
Hard or Local Currency	Hard	Max 30% Local	Max 33% USD, CNH or other offshore bonds	Max 10% Hard
Benchmark Average Credit Quality (S&P)*	–	BBB+	–	A+
Active Duration Management	2 +/- 0.75 years	+/- 1.5 years	0.5 – 5 years	+/- 50% of benchmark duration

RISK BUDGET (OVER A MARKET CYCLE)

Targeted TE	Limited volatility	1.5% – 3.5%	4 to 5% Volatility	1% – 2%
Targeted Excess Return P.A. (gross)	300bp above 3m US T-Bills	1 – 1.5%	300bp above 3m Chinese Goverment Bills	1%

AVAILABLE VEHICLES

Separate Account	✓	✓	✓	✓
UCITS	✓	✓	✓	–
Mutual Fund U.S.	–	–	–	–
U.S. Private Fund (Comingled)**	✓	–	–	–

Investing across the Broad Emerging Market Debt Spectrum

"The transformation of various emerging markets into financially sound, stable economies has created a new wave of attractive opportunities for fixed income investors seeking yield and diversification."

ROB DRIJKONINGEN

CO-HEAD OF NEUBERGER BERMAN EMERGING MARKET DEBT TEAM

Investment Philosophy

The team believes

- Emerging markets are far from homogeneous: active management is the best way for investors to access the full potential of the asset class.
- Emerging market debt is a generally improving asset class that is less efficient than developed debt markets.
- Market mispricing allows managers to produce alpha opportunities through fundamental research.

Investment Process

The team follows a combined top-down and bottom-up approach, incorporating multiple sources of alpha potential. Being early investors in emerging market debt, the team has spent over 20 years developing and refining this process. The top-down view determines the risk taken in the portfolios while the bottom-up research drives the selection of underlying investments.

Proprietary research is a crucial element of the investment process and is the basis for virtually all investment decisions. The team uses a scoring system to assess the fundamental, valuation and technical factors affecting the countries and instruments they invest in.

A Disciplined Four-Component Process

ESG factors are integrated into the team's investment process

The team incorporates ESG factors as a central component of their fundamental research of sovereign and corporate issuers.

At a country level, the team tracks research, statistical and survey data on ESG factors to complement their macroeconomic analysis.

At a company level, the team has partnered with ESG research firm Sustainalytics to integrate a broad range of ESG factors into their evaluation of EM corporate credits.

1 | **Top-Down EMD Asset Class Review**

Incorporates analysis of global economic drivers, aggregated country fundamentals, technical drivers, including supply and demand and market pricing

Top-down views are discussed and generated by the Tactical Asset Allocation ("TAA") team and are leveraged across all strategies to define risk profiles

2 | **Bottom-Up Country/Issuer/FX Review**

Includes country creditworthiness, analysis of individual credits, assessment of currency drivers and analysis of local interest rate conditions

Research function is customised for each strategy

3 | **Strategy Setting, Risk Management and Portfolio Construction**

Team combines top-down and bottom-up inputs with risk management to create a model portfolio

4 | **Process and Performance Evaluation**

Team refines investment process based on results of performance review

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Emerging Market Debt Team

Experienced and Stable Team

The senior managers of Neuberger Berman's Emerging Market Debt strategies were early investors in the asset class. The Co-Heads Rob Drijkoningen and Gorky Urquieta oversee one of the largest EMD teams in the industry; collectively the team has the depth and quality of resources needed to exploit investment opportunities in this large and diverse universe.

The team has dedicated specialists focused on each EMD strategy, enabling the four sector teams (EM sovereigns, local currency [FX and rates], EM corporates and tactical asset allocation) to develop deep knowledge of their own sub-strategy, informing the broader, top-down asset allocation views of the co-portfolio managers and team strategists.

The team additionally leverages the resources of the wider Neuberger Berman global fixed income platform of over 160 investment professionals.

CO-HEADS OF NEUBERGER BERMAN EMERGING MARKET DEBT TEAM

Rob Drijkoningen
Managing Director, Global Co-Head of EMD
28 Years of Industry Experience

Gorky Urquieta
Managing Director, Global Co-Head of EMD
24 Years of Industry Experience

EMERGING MARKET DEBT—HARD CURRENCY STRATEGY PORTFOLIO MANAGER

Bart van der Made
21 Years of Industry Experience

EMERGING MARKET DEBT—CORPORATE DEBT STRATEGY PORTFOLIO MANAGERS

Nish Popat
25 Years of Industry Experience

Jennifer Gorgoll
20 Years of Industry Experience

EMERGING MARKET DEBT—BLEND STRATEGY PORTFOLIO MANAGERS

Bart van der Made
21 Years of Industry Experience

Raoul Luttik
23 Years of Industry Experience

Nish Popat
25 Years of Industry Experience

Jennifer Gorgoll
20 Years of Industry Experience

Vera Kartseva
Tactical Asset Allocation of Blend Strategy
11 Years of Industry Experience

EMERGING MARKET DEBT—LOCAL CURRENCY STRATEGY PORTFOLIO MANAGER

Raoul Luttik
23 Years of Industry Experience

DEDICATED EMERGING MARKET ECONOMISTS

Kaan Nazli
Senior Economist
18 Years of Industry Experience

Puay Yeong Goh
Senior Economist
14 Years of Industry Experience

EMERGING MARKET DEBT—SHORT DURATION STRATEGY PORTFOLIO MANAGERS

Nish Popat
25 Years of Industry Experience

Jennifer Gorgoll
20 Years of Industry Experience

Bart van der Made
21 Years of Industry Experience

EMERGING MARKET DEBT—ASIA HARD CURRENCY STRATEGY PORTFOLIO MANAGERS

Prashant Singh
15 Years of Industry Experience

Nish Popat
25 Years of Industry Experience

Jennifer Gorgoll
20 Years of Industry Experience

EMERGING MARKET DEBT—ASIA LOCAL CURRENCY PORTFOLIO MANAGER AND CHINA FIXED INCOME STRATEGY LEADER

Prashant Singh
15 Years of Industry Experience

Peter Ru (not pictured)
23 Years of Industry Experience

Talk to Neuberger Berman

For more information, please contact your Neuberger Berman representative or visit www.nb.com.

Key Risks

The main risks facing the Strategies are:

Market Risk: The risk of a change in the value of a position as a result of underlying market factors, including among other things, the overall performance of companies and the market perception of the global economy.

Liquidity Risk: The risk that the portfolio may be unable to sell an investment readily at its fair market value.

Emerging Markets Risk: Emerging markets are likely to bear higher risk due to a possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions which may lead to lower liquidity. The value of a portfolio may experience medium to high volatility due to lower liquidity and the availability of reliable information, as well as due to the strategy's investment policies or portfolio management techniques.

Credit Risk: The risk that bond issuers may fail to meet their interest repayments, or repay debt, resulting in temporary or permanent losses to the portfolio.

Interest Rate Risk: The risk of interest rate movements affecting the value of fixed-rate bonds.

Derivatives Risk: The strategy may use certain types of financial derivative instruments (including certain complex instruments). This may increase the portfolio's leverage significantly which may cause large variations in the value of investments. Investors should note that the strategy may achieve its investment objective by investing principally in Financial Derivative Instruments (FDI). There are certain investment risks that apply in relation to the use of FDI.

Counterparty Risk: The risk that a counterparty will not fulfill its payment obligation for a trade, contract or other transaction on the due date.

Single Country Risk: Where a portfolio invests primarily in a single country, it may be subject to greater risk and above-average market volatility than an investment in a broader range of securities covering multiple countries.

Operational Risk: The risk of direct or indirect loss resulting from inadequate or failed processes, people and systems, including those relating to the safekeeping of assets or from external events.

Currency Risk: Investments in a currency other than the base currency of the portfolio are exposed to currency risk. Fluctuations in exchange rates may affect the return on investment. If the currency of the portfolio is different from your local currency, then you should be aware that due to exchange rate fluctuations, the performance may increase or decrease if converted into your local currency.

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Debt securities of Emerging Market Countries may be subject to greater risk of loss of principal and interest than debt securities issued by obligors in developed countries and may be considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They may also be generally subject to greater risk than securities issued by obligors in developed countries in the event of deteriorating general economic conditions.

The market for debt securities of Emerging Market Countries may be thinner and less active than that for debt securities issued by obligors in developed countries, which can adversely affect the prices at which debt securities of Emerging Market Countries are sold. Economies in Emerging Markets are generally less well regulated and may be adversely affected by trade barriers, exchange controls, protectionist measures and political/social instability. There is a risk of volatility due to lower liquidity and the availability of reliable information.

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Neuberger Berman
Lansdowne House
57 Berkeley Square
London W1J 6ER
United Kingdom

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