MANAGER COMMENTARY | **August 2026**

**Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.**

**This is a marketing communication. Please refer to the fund prospectus and offering documents, including the Key Information Document ("KID") or Key Investor Information Document ("KIID") as applicable, before making any final investment decisions. Investors should note that by making an investment they will own shares in the fund, and not the underlying assets.**

# Neuberger Japan Equity Engagement Fund

**PORTFOLIO MANAGERS:** JAPANESE EQUITIES TEAM

## Performance Highlights

The Japan Equity Engagement Fund posted a positive return of +3.67% (net, JPY I Accumulating class) in August, align with the benchmark MSCI Japan Small Cap Index (Net, JPY) performance, which returned +3.70%.

**Past performance does not predict future returns**

| PERFORMANCE (%)[1] | 1m[2] | 3m[2] | YTD[2] | 1y[2] | 3y[3] | 5y[3] | 10y[3] | SI[3,4] |
|---|---|---|---|---|---|---|---|---|
| JPY I Accumulating Class | 3.67 | 4.15 | 22.56 | 33.42 | 23.39 | 12.65 | - | 20.22 |
| Benchmark (JPY) | 3.70 | 4.22 | 23.50 | 35.39 | 22.98 | 17.07 | - | 18.45 |

| 12 MONTH PERIODS (%)[1] | Aug16 Aug17 | Aug17 Aug18 | Aug18 Aug19 | Aug19 Aug20 | Aug20 Aug21 | Aug21 Aug22 | Aug22 Aug23 | Aug23 Aug24 | Aug24 Aug25 | Aug25 Aug26 |
|---|---|---|---|---|---|---|---|---|---|---|
| JPY I Accumulating Class | - | - | - | - | 45.64 | -12.79 | 10.71 | 12.28 | 25.39 | 33.42 |
| Benchmark (JPY) | - | - | - | - | 22.31 | -0.26 | 18.54 | 12.64 | 21.95 | 35.39 |

| CALENDAR (%) | 2017 | 2018 | 2019 | 2020[5] | 2021 | 2022 | 2023 | 2024 | 2025 | 2026[6] |
|---|---|---|---|---|---|---|---|---|---|---|
| JPY I Accumulating Class | - | - | - | 48.43 | 13.83 | -14.18 | 20.17 | 14.93 | 30.12 | 22.56 |
| Benchmark (JPY) | - | - | - | 18.59 | 9.00 | 0.77 | 21.09 | 16.35 | 28.36 | 23.50 |

Effective August 4, 2026, the fund's name was updated to reflect the firm's rebranding from Neuberger Berman or NB to Neuberger. No other changes have been made to the fund.

The Fund is actively managed, which means that the investments are selected at the discretion of the investment manager. The Benchmark, the MSCI Japan Small Cap Net Index (Total Return, JPY), is used for performance comparison purposes. The fund's investment policy restricts the extent to which the fund's holdings may deviate from the benchmark, but the fund is not exclusively limited to the securities of the benchmark.
1 Performance to latest month end. YTD - Year to Date, SI - Since Inception. 12 month period based on month end NAVs.
2 Returns for these periods are cumulative.
3 Returns are annualised for periods longer than one year.
4 Returns from 12 May 2020 to latest month end.
5 Data shown since the share class inception date.
6 Performance for the current calendar year is the year to date.
Fund performance is representative of the JPY I Accumulating Class and has been calculated to account for the deduction of fees. Fund performance does not take account of any commission or costs incurred by investors when subscribing for or redeeming shares. Investors who subscribe in a currency other than the base currency of the Fund should note that returns may increase or decrease as a result of currency fluctuations. The fees and charges paid by the Fund will reduce the return on your investment.
Source of all data and charts (unless stated otherwise): Neuberger Berman Europe Limited.

## Market Commentary

During August, the benchmark MSCI Japan Small Cap gained 3.70%, slightly underperforming the bigger and broader Topix index which rose 3.82% but outperforming the more concentrated Nikkei 225 Index which gained 3.03% during the same period.[1]

Japanese equities' leadership rotated away from mega-cap AI- and semiconductor-associated names for the second month in a row in August. Beneath the headline indices, smaller stocks led by a wide margin: the AI/semiconductor pullback and Fed-hike jitters pushed investors out of the mega-cap, AI-heavy names and into smaller, domestically focused stocks with less AI exposure that offer more protection as Japan gradually moves away from its previously reflationary environment amidst growing expectations for further rate hikes. The rotation was compounded by small caps' cheaper valuations after lagging the AI rally for most of the year. The NT ratio (a measure of the Nikkei 225 index's relative return to the broader Topix index) extended its retreat from June's record high, further evidence that market breadth continued to improve beyond the AI and semiconductor related names that had dominated the rally earlier in the year.

While AI and semiconductor stocks staged a partial recovery after July's rout, the recovery was short lived after the effective collapse of the US-Iran ceasefire on 18 August sent crude oil prices higher and triggered a broad selloff in AI-linked names. Sentiment weakened again late in the month after Fed Chair Kevin Warsh's hawkish address at the Jackson Hole symposium reinforced expectations for further Fed tightening, a headwind likely to keep the AI trade's recovery slower than previously assumed.

On the macro side, Deputy Governor of the Bank of Japan (BOJ), Ryozo Himino, said the timing and pace of rate hikes would be actively discussed at every policy meeting, including September's, and the acceleration of the July headline CPI figure to 1.9% YoY in reinforced expectations for an early hike. The 10-year JGB yield hit a fresh three-decade intraday high on 18 August before closing the month even higher, at nearly 3%. The yen, which had briefly strengthened after the Japan-US coordinated intervention was disclosed in late July, drifted back toward the USD/JPY 160 area by the end of August testing the durability of that support.

Domestic political developments added a fiscal dimension to the rates story. PM Takaichi indicated on 28 August that the government is weighing around ¥40 trillion in new JGB issuance for FY2027, broadly in line with FY2025, in an apparent bid to reassure markets ahead of a widely expected Cabinet reshuffle in mid-to-late September, with investors watching closely whether Finance Minister Katayama keeps her post.

## Performance Commentary

August's performance was above the benchmark, mostly due to stock selection (+0.42%), while sector allocation had a small negative impact (-0.15%). For the former, our key holdings in Health Care, Information Technology and Financials contributed the most to performance, while our key holdings in Industrials and Consumer Discretionary detracted the most from performance. For the latter, our overweight in Industrials detracted marginally from performance, while our underweight in Materials contributed positively.

In August, our top performers were regional lender Yamanashi Chuo Bank, Ltd. (8360), consulting services firm Northsand, Inc. (446A), and medical device maker Sysmex Corporation (6869). Yamanashi Chuo Bank's share price continued its positive momentum from the previous month, driven mostly by a sector-wide re-rating amid accelerating BOJ rate hike expectations. Shares of Northsand saw solid gains during the month, supported by a re-rating in the professional services sector as AI implementation demand continues to accelerate across large Japanese corporates. Sysmex's share price surged on the back of a strong earnings beat, driven by new management's push to turn around the China business and make its core hematology diagnostics offering more competitive through AI-assisted features.

On the other hand, our top detractors were spark plug maker Niterra Co., Ltd. (5334), machine tool maker AMADA Co., Ltd. (6113), and office equipment maker ITOKI Corporation (7972). Shares of Niterra faced profit taking after the company's stock saw a strong first half of the year on investors' optimism towards its semiconductor production component business. AMADA's stock fell after it reported revenue above consensus while missing forecasts on the operating level. Similarly, ITOKI Corporation's share price declined after it reported revenue and profit below consensus, with the drop exacerbated by a downward revision to the project pipeline for its office equipment segment.

During the month, we continued to rebalance the portfolio towards companies with more attractive risk/reward profiles. We exited two companies in Information Technology and Financials on valuation considerations for one and an MBO announcement for the other. No new companies were initiated, though we continue to look for companies with strong growth potential and solid fundamentals that are trading at attractive valuations.

## Engagement Commentary

In August, we engaged with the Managing Executive Officer of Company A on capital efficiency. Company A is a specialist electrical construction and infrastructure services company operating primarily in Japan, with end markets spanning offices, power grids, and data centers. The company has seen its profit margins improve in recent years, the result of both a structurally tight labor market and increasing power grid investments driven in part by data center demand.

During the meeting, we discussed the issue of the firm's cross-shareholdings in the context of improving overall capital efficiency. The company had originally communicated its intention to reduce such shareholdings in its current mid-term plan, and in May it announced that it would further accelerate the pace of the reduction, which we view positively. Given the substantial demand the company is facing and the fact that their growth is highly dependent on the number of electricians within the group, we encouraged them to be more proactive in making growth investments, potentially leveraging M&As to acquire the headcount of smaller players within the industry. While the company has been making organic investments, such as improving the salary base for new hires and increasing the number of mid-career hires, we believe that inorganic investments such as M&As should also be actively explored to drive sustainable growth.

1: Bloomberg data as of end August 2026. Stock indices are Tokyo Stock Price Index (Topix, JPY) and Nikkei-225 Stock Average (Nikkei 225, JPY) during 07/31/2026 - 08/31/2026.

Going forward, we plan on further engaging other members on the management team on this topic, as we believe demonstrating their commitment to growth investments will be a key to unlocking shareholder value for Company A.

## Outlook

After a strong run in 2025, Japanese equities maintained the solid momentum seen in the first half of 2026, driven by important structural changes and considerable resilience in the face of geopolitical tensions and currency fluctuations. We remain optimistic about the prospects for the Japanese equity market over the remainder of 2026.

Our positive view reflects our belief that the Japanese economy is continuing to make firm progress to end the so-called "Lost Decades" on the back of stabilizing inflation and structural gains in wage growth. Moreover, we view Prime Minister Sanae Takaichi and her administration's economic and fiscal policies as conducive to providing solid support to the domestic economy, especially among strategic industries such as AI, defense and shipbuilding. In addition, the landslide victory of the February 8th snap election provided an initial foundation for reduced policy uncertainty, though the administration's approval ratings have since come under pressure, a reminder that policy execution risk bears watching in the months ahead. We also continue to believe that the Japanese government is fully committed to continuing the push for further corporate governance and capital management reforms, which could become strong tailwinds for Japanese equities. In particular, we see the upcoming revision to the Corporate Governance Code and its push for more transparency on capital allocation, as well as the second round of the Topix Index consolidation to narrow the benchmark index constituents as potential catalysts that may pave the way for a more broad-based increase in return on equity (ROE).

In addition, rather than limiting the search for opportunities to large-cap names, we think that venturing into mid- and small-cap stocks should be rewarding, in part because growth- and profitability-driving reforms are taking hold more slowly in this segment of the market. Such companies may also be more open to engagement with investors to further enhance their business practices and drive shareholder value.

Risks to this outlook include the rapidly evolving geopolitical situation in the Middle East and its subsequent impact on the global economy and energy prices, the Japanese Yen, and renewed volatility in AI and semiconductor-related names following recent bouts of sharp repricing, all factors that lie outside our direct sphere of control. That said, based on our experience investing in this market for two decades, we believe the most effective way to mitigate such uncontrollable risks is to stay true to our tried and tested investment approach of focusing on quality companies at a reasonable price (QARP) that have the business fundamentals and the balance sheet to weather such uncertainties. We have historically invested in asset-light businesses with pricing power that are less exposed to commodity price shocks and can thus pass on rising costs without sacrificing margins. We believe such companies will continue to thrive over the mid- to long-term and will take advantage of price dislocations to build our positions at attractive multiples.

This Fund meets the requirements of Article 8 of the SFDR. Further information is available in the Fund's offering documents and at www.nb.com

M-000988

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