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# Neuberger Berman Short Duration Emerging Market Debt Fund

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MEDALIST RATING™
Bronze™
Analyst-Driven % 55
Data Coverage % 100

MORNINGSTAR RATING™ ★★★★★

## Performance Highlights

The Neuberger Berman Short Duration Emerging Market Debt Fund posted a net return of -0.22% in October 2024.

## 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] |
|---|---|---|---|---|---|---|---|---|
| USD I Accumulating Class | -0.22 | 2.46 | 7.77 | 12.36 | 2.42 | 2.61 | 2.93 | 2.92 |
| Benchmark (USD) | 0.38 | 1.30 | 4.43 | 5.39 | 3.63 | 2.36 | 1.69 | 1.54 |

| 12 MONTH PERIODS (%)[1] | Oct14 Oct15 | Oct15 Oct16 | Oct16 Oct17 | Oct17 Oct18 | Oct18 Oct19 | Oct19 Oct20 | Oct20 Oct21 | Oct21 Oct22 | Oct22 Oct23 | Oct23 Oct24 |
|---|---|---|---|---|---|---|---|---|---|---|
| USD I Accumulating Class | 0.19 | 4.85 | 3.89 | 0.45 | 7.00 | 2.40 | 3.40 | -11.11 | 7.57 | 12.36 |
| Benchmark (USD) | 0.02 | 0.31 | 0.72 | 1.68 | 2.40 | 0.92 | 0.06 | 0.78 | 4.77 | 5.39 |

| CALENDAR (%) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024[5] |
|---|---|---|---|---|---|---|---|---|---|---|
| USD I Accumulating Class | 1.49 | 5.58 | 4.36 | 0.89 | 7.31 | 4.10 | 0.00 | -7.09 | 8.06 | 7.77 |
| Benchmark (USD) | 0.05 | 0.33 | 0.86 | 1.87 | 2.28 | 0.67 | 0.05 | 1.46 | 5.01 | 4.43 |

The Fund is actively managed, which means that the investments are selected at the discretion of the investment manager. The Fund is not constrained by its benchmark, which is used for comparison purposes only.
**1** Performance to latest month end. 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 31 October 2013 to latest month end.
**5** Performance for the current calendar year is the year to date.
YTD - Year to date, SI - Since inception of the share class.
Benchmark: ICE BofA US 3-Month Treasury Bill Index (Total Return, USD)
Fund performance is representative of the Neuberger Berman Short Duration Emerging Market Debt Fund USD I Accumulating Class (the "Fund") 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 Context

October marked the worst month for global bonds since September 2022 due to positive economic data that reduced fears of a downturn but also delayed expectations for rapid rate cuts. Fiscal policy concerns resurfaced globally, especially with the upcoming US election, and geopolitical tensions were highlighted by events in the Middle East. Brent crude oil prices rose 1.9% in a month to $73.16 per barrel, ending three months of declines. The US dollar index increased by 3.2%, its best monthly performance since April 2022. Emerging market sovereign spreads tightened from 361bps to 338bps at the end of October, partly due the Ghana debt exchange, while EM corporate spreads also tightened, from 210bps to 198bps as measured by the JPM CEMBID Index. New issuance by EM corporates was above average levels at $47Bn issued in October, while EM sovereigns issued $10Bn over the month.

## Portfolio Review

The negative return in October was driven by the surge in US-rates, including the short-end of the curve with 2-year UST yields +53bps higher over the month. This impact was buffered by positive spread returns across the portfolio. Sovereign exposure in Argentina was the largest contributor, with bonds continuing to rally on signs that the major economic reforms are bearing fruit. Sri Lanka followed with the defaulted sovereign bonds recovering as political concerns abated post the recent elections. Other main contributors included sovereign exposures in Ukraine, El Salvador, quasi-sovereign holdings in Mexico, and corporates in Turkey and the UAE. Meanwhile there was a negative contribution from sovereign holdings in Panama, where spreads have been volatile with the government facing fiscal challenges, and from exposure in Ecuador, which is grappling with electricity blackouts due to a severe drought.

As for main portfolio changes during the month we mainly added to corporates and quasi-sovereigns in Latin America. This included additions to bonds from state-owned oil company Pemex, which we expect to benefit from strengthening government support, and new issuances by Brazilian corporates (Banco BTG and Constellation oil services). On the sovereign side we added exposure to Nigeria, where we see progress on reforms such as the removals of fuel subsidies, which should increase chances of rating upgrades. At the same time, we reduced exposure to sovereigns in Colombia through a bond tender, and trimmed exposure in Argentina, Mongolia and Romania following substantial tightening in yields.

As of the end of October, the portfolio had a yield to maturity of 6.39% and duration of 2.6 years.

## Outlook

The EM debt asset class stands to benefit from a backdrop of slower but not recessionary global growth, easing monetary policy, and a wider growth pickup for emerging vs. developed countries. In China, new rounds of policy stimulus should remove tail risks of a hard landing, even though we do not foresee a major rebound in growth. The upcoming change in government in the US presents risks around trade protectionism, especially for some of the more open economies in Asia and Eastern Europe. It also brings more uncertainty regarding the path for US rates ahead, although short duration EM debt should be less sensitive to such risks as compared to the broader EM fixed income market.

Overall, credit fundamentals across EM countries have been strengthening, with rating upgrades at decade highs across both corporates and sovereigns. We see limited risk of EM sovereign defaults in the coming period, as more vulnerable sovereigns have managed to secure new funding lately, while increased IMF engagement by different EM countries should support funding needs and reform agendas going forward. Default risks have also been declining in EM high yield corporates, and our expected default rates for 2024 and 2025 of 3.2% and 3.5% respectively are close to the to the pre-covid long-term average, and notably lower than the 7.8% default rate of last year. We see earnings growth improving on average and strength in corporate balance sheets, with liquidity buffers near decade highs following years of corporate deleveraging.

While valuations have become relatively expensive in parts of the asset class, such as in different investment grade credits, we continue to see opportunities for spread compression across various issuers, particularly in the high yield space.

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