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# Neuberger Berman Emerging Market Debt – Hard Currency Fund

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MORNINGSTAR RATING™
★★★★

MORNINGSTAR MEDALIST RATING™
Gold

Analyst-Driven %
100
Data Coverage %
100

## Performance Highlights

The Neuberger Berman Emerging Market Debt – Hard Currency Fund posted a positive net return in the third quarter of 2024 and outperformed its benchmark, the JPMorgan EMBI Global Diversified Index (Total Return, USD).

### 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 | 2.46 | 6.93 | 12.62 | 24.22 | 0.57 | 1.77 | 3.74 | 3.90 |
| Benchmark (USD) | 1.85 | 6.15 | 8.64 | 18.60 | -0.40 | 0.87 | 3.28 | 3.37 |

| 12 MONTH PERIODS (%)[1] | Sep14 Sep15 | Sep15 Sep16 | Sep16 Sep17 | Sep17 Sep18 | Sep18 Sep19 | Sep19 Sep20 | Sep20 Sep21 | Sep21 Sep22 | Sep22 Sep23 | Sep23 Sep24 |
|---|---|---|---|---|---|---|---|---|---|---|
| USD I Accumulating Class | -3.55 | 18.70 | 7.35 | -1.90 | 9.61 | 1.84 | 5.42 | -28.92 | 15.20 | 24.22 |
| Benchmark (USD) | -0.62 | 16.20 | 4.61 | -1.92 | 11.57 | 1.29 | 4.36 | -24.28 | 10.01 | 18.60 |

| CALENDAR (%) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024[5] |
|---|---|---|---|---|---|---|---|---|---|---|
| USD I Accumulating Class | -1.22 | 12.10 | 14.02 | -5.96 | 15.29 | 5.64 | -3.32 | -18.98 | 13.87 | 12.62 |
| Benchmark (USD) | 1.18 | 10.15 | 10.26 | -4.26 | 15.04 | 5.26 | -1.80 | -17.78 | 11.09 | 8.64 |

The Fund is actively managed, which means that the investments are selected at the discretion of the investment manager. The Benchmark 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. 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 May 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: JPMorgan EMBI Global Diversified Index (Total Return, USD)
Performance is representative of the Neuberger Berman Emerging Market Debt – Hard Currency 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

The 6.15% Benchmark return was driven by lower Treasury yields and tighter emerging market spreads. The third quarter saw strong gains in global equities and bonds despite the massive risk-off shift and spike in volatility in early August, caused by US recession fears, the Japanese yen carry trade unwinding, and the US technology sector valuation concerns. The remarkably brief turmoil was followed by a dovish pivot from central banks, including a 50bp rate cut by the US Federal Reserve, stronger US data, and new China stimulus, resulting in significant recovery. The quarter also saw further progress in the ongoing debt restructuring processes, with Ukraine and Ghana launching debt exchanges, and Sri Lanka reaching an agreement in principle with bondholders. Emerging market spreads tightened to 361bps from 396bps at the end-June, partly due the Ukrainian debt exchange. The index yield dropped from 8.54% to 7.49%.

El Salvador led with 18.93% gain, supported by ongoing fiscal consolidation and better payment capacity. Ecuador was next, where President Noboa's increasing approval ratings ahead of the February 2025 election signaled policy stability. The Maldives significantly underperformed, dropping 12.5% amid a Fitch downgrade to CC due to worsening debt and liquidity metrics. Venezuela also underperformed as the recent presidential elections were marred by fraud, escalating tensions with the US and EU, making sanctions relief unlikely in the near future.

## Portfolio Positioning

The main driver for the outperformance was country allocation, followed by security selection, while top-down positioning also contributed.

In individual countries our overweight to El Salvador and Argentina, which benefited from the high yield rally and continued fiscal adjustment, contributed the most. Detractors were overweights in Sri Lanka, amid the ongoing election campaign and pending debt restructuring approval, and our holdings in Venezuela. The security selection contribution was driven by our exposure to Ukraine GDP warrants whereas our corporates in Brazil and curve positioning in Egypt detracted.

In portfolio changes, we increased our overweight in Ecuador. We moved overweight in Paraguay for its improving credit outlook and potential for a full investment grade rating in the near term and in Senegal, where the new government has shown commitment to continue the IMF program while macro balances benefit from the start of oil and gas production. We increased our overweight in El Salvador.

In Sri Lanka, we reduced our overweight early in the quarter after a price rally and added back when markets dropped on election jitters.

We reduced our overweight in Argentina and Colombia, and trimmed overweight positions in Dominican Republic, Egypt, and Serbia as part of risk reduction following the market rally. We sold out of Tunisia as prices rallied and we no longer see enough margin for disappointment with freedom of speech repression increasing ahead of upcoming presidential elections.

We participated in the new issues by Bulgaria, Chile, Guatemala, Indonesia, CFE and FIEMEX of Mexico, Romania, BGK of Poland and ADNOC Murban of the United Arab Emirates.

## Outlook

The EM debt asset class stands to benefit from a backdrop of slower but not recessionary US growth, lower global yields, and a wider growth pickup for emerging vs. developed countries; while near-term risks remain around a potential recession in the US, the path for US rates and election-related and geopolitical tail risks.

We see limited risk of EM sovereign defaults this year, 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.

Compared to history, we see valuations on the expensive side for the benchmark investment grade and BB-rated components, while B-rated and lower rated segments still offer value. And we see opportunities for spread compression in specific issuers and off-benchmark bonds notably in the BB-rated segment.

The key risks to our constructive view are either a re-acceleration of inflation dynamics globally which would result in a more hawkish turn by Central Banks and higher rates, a sharper than expected slowdown in global growth, or a return to a more aggressively protectionist stance in the U.S. in the event of a change of government.

The fund complies with the Sustainable Finance Disclosure Regulation (the "**SFDR**") and is classified as an Article 8 SFDR fund. Neuberger Berman believes that Environmental, Social and Governance ("**ESG**") factors, like any other factor, should be incorporated in a manner appropriate for the specific asset class, investment objective and style of each investment strategy.



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