NEUBERGER | BERMAN

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 Berman Corporate Hybrid Bond Fund

PORTFOLIO MANAGERS: LINUS CLAESSON, DAVID M. BROWN, ANTONIO SERPICO, SERGEJS PRALA

Performance Highlights

The portfolio returned 3.38% (EUR Hedged share class) in Q3 24, underperforming its benchmark - ICE BofA Global Hybrid Non-Financial 5% Constrained Custom Index (Total Return, Euro, Hedged) by 108 bps net of fees.

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]
EUR I Accumulating Class	1.02	3.38	7.44	13.02	-0.28	1.06	-	2.87
Benchmark (EUR)	1.57	4.46	8.36	14.34	0.53	1.39	-	3.27

12 MONTH PERIODS (%)[1]	Sep14 Sep15	Sep15 Sep16	Sep16 Sep17	Sep17 Sep18	Sep18 Sep19	Sep19 Sep20	Sep20 Sep21	Sep21 Sep22	Sep22 Sep23	Sep23 Sep24
EUR I Accumulating Class	-	-	6.92	-0.69	5.91	0.98	5.28	-17.52	6.36	13.02
Benchmark (EUR)	-	-	6.49	0.71	7.56	0.24	5.20	-16.46	6.38	14.34

CALENDAR (%)	2015[5]	2016	2017	2018	2019	2020	2021	2022	2023	2024[6]
EUR I Accumulating Class	-1.20	9.62	8.59	-6.38	12.17	3.72	0.55	-14.13	8.14	7.44
Benchmark (EUR)	-0.97	8.35	8.86	-3.82	11.64	2.39	1.48	-13.80	9.25	8.36

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. The Fund gives some consideration to the benchmark constituents in the selection of securities and may not hold all or many of the benchmark's components.

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 19 November 2015 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 EUR I Accumulating Class and has been calculated to account for the deduction of fees. 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. **Fund performance does not take account of any commission or costs incurred by investors when subscribing for or redeeming shares.**

Economic and Market Backdrop

Despite multiple bouts of volatility, fixed income markets returned positively across the board in Q3, primarily driven by an increase in rate cut expectations (notably in the US) which saw a meaningful rally in rates markets across the US and Europe. This was accompanied by broadly stable economic data, with credit markets performing strongly as both investment grade and high yield market spreads tightened over the quarter from already tight levels, albeit marginally. Outside of the US and Europe, Chinese markets rallied meaningfully in September on the back of new government stimulus (with emerging markets performing well over the quarter), whilst The Bank of Japan's surprise rate hike in August sparked volatility over the month (however, this largely self-corrected in the following weeks). Corporate hybrid markets continue to return positively as fundamentals remain in line with broader investment grade markets.

Following an in-line with expectations July print, August US CPI data came in slightly above expectations, with Core CPI printing at 0.3% MoM (vs. 0.2% expected). Headline all-item CPI declined to 2.5% vs 2.9% YoY vs. the prior month. The above-consensus Core number was driven by an acceleration in Shelter/housing for the second month in a row (and the highest point since the start of the year) and above-expectation Transportation print, driven by a large move in airfares. In Europe, Euro-Area all-item inflation fell to 2.2% YoY in August, down from 2.6% YoY in July, with Core also down YoY at 2.8% YoY, meaning the return to the ECB's 2% target is just a question of time. The UK continue to be an outlier, with persistent elevated wage growth meaning the BoE are forced to remain more stubborn on easing compared to their European and US peers. Both the ECB and UK cut rates in Q3, with the ECB cutting 25bps for the second time in September, whilst the UK kicked off their cutting cycle with a 25bps move in August. The downward trajectory of CPI and in line/slightly below estimated economic data provided the backing for the Fed to cut 50 basis points (bps) on the 18th of September meeting, where markets were firmly torn between a 25 & 50bps move. Overall, these moves over the quarter drove a rally in rates markets and bull steepening, with 2 and 10-year Treasury yields closing down -111bps and -62bps respectively, ending the quarter at 3.64% and 3.78%. In addition, the 2-year German government yield fell the most by -72 bps to reach 2.06%, its lowest level since 2022, while the very long bond yields fell a little by just 20bps. The market is now pricing in just under 3 more cuts for the Fed, 2 for the ECB, and 1.5 for the BoE over each of their final 2 meetings in 2024. We expect upcoming employment data to be crucial in determining whether the Fed decides to implement another 50bps cut or move to a more cautious approach in fear of overstepping the market and reintroducing inflation concerns.

In hybrid markets, rate cutting cycles are positive from an extension risk perspective, especially for rate-sensitive sectors such as Real Estate which continue to rally in line with rate markets. Over the long run however, we prefer to focus on credit selection to drive long-term alpha. Whilst we are active, given the volatility in rates, we focus primarily only on which specific issues and issuers are most attractively positioned from a relative value and fundamentals perspective.

In credit markets, the story remains largely consistent – stronger-than-anticipated economic data has continued to justify tight levels across sectors in both investment grade and high yield markets. The surprise move by the Bank of Japan in August showcased the frailty of this position, with a significant increase in spreads (notably high yield) which however largely corrected by the end of the month. Hybrid markets continue to offer a meaningful pick-up over investment grade markets and trade closer to European BB-markets, despite being BBB- rated. We remain defensively positioned, with a preference for higher-quality names with the ability to weather worsening conditions and our "best ideas" where we have a strong conviction that there is a meaningful relative value opportunity. Idiosyncratic events have indeed increased dispersion among issuers, and this allow us to source relative value opportunities.

Going into year-end, we expect, in line with market pricing, two more rate cuts from the ECB. This is a view we have held over the quarter to which the market has slowly fallen in line with as time has moved on. As always, data and central banks will drive market moves in what is a key turning point for monetary policy across geographies. We remain focused on fundamentals and look for attractive entry points across the investable universe, whilst constantly reviewing our existing positioning from a credit, rates, sector, and geographical perspective to ensure we are appropriately positioned as we head into the final third of 2024.

Performance Drivers

Some specific key performance drivers for Q3:

- Close to 100% of the underperformance over the quarter was driven by a) our continued underweight to Real Estate (and subsequent overweight to more defensive sectors) and b) a strong rally in distressed Real Estate names we do not hold, notably Aroundtown, which had earlier in the year lagged our holdings within the sector. At a sector level, we have remained cautious given what are in our view, challenging fundamentals. While the market has been reacting to macroeconomic signals—buying real estate bonds with the recent rate cuts—we have maintained our focus on a more comprehensive credit view. In other words, this means looking at cash flows, modelling recapitalisation needs, and assessing the likelihood of recapitalisation, and levels of debt sustainability. We expect that as neutral rates settle at higher levels, cash flows for many real estate hybrid issuers will remain unsustainable, and a mean reversion trade which the market is currently buying into lacks long-term merit unless there is a tangible path to recapitalisation. Overall, our approach to Real Estate is consistent with our investment philosophy and process, focusing on bottom-up credit fundamentals to drive long-term compelling performance.

- From a total and risk-adjusted return perspective, we continue to track well against both broader investment grade markets and peers. Going forward, we continue to focus on providing compelling medium to long-term total returns in a risk-controlled framework.

Fund Positioning

Our largest overweights remain in Utilities (~+16%) and Telecoms (~+7%). These sectors, in our view, continue to trade below fair value and our significant allocation to Utilities (~51%), alongside our overweight to Cash, primarily drive our defensive positioning. We remain underweight Energy (~-12%), the second largest sector in the benchmark, as we see some disparity in the sector and prefer higher-quality names. We currently have zero exposure to emerging market issuers, as well as only limited exposure to bonds issued by peripheral Eurozone issuers.

Our decisions, on a bond-by-bond basis, are driven by valuations considered in the context of an overall low business risk, low peak-to-trough EBITDA level and – for Utilities - a favourable regulatory backdrop.

EDF, Southern Electric, National Grid and Volkswagen make up the top 4 biggest positions in the Fund, with a total weight of ~15.5%. We expect further robust performance from these going forward.

Overall, we remain overweight defensive, high quality, high coupon credits with barriers to entry and stakeholder support which we believe are best positioned for the current market environment. The Investment Philosophy remains that of a long-term, value-based investing approach – the focus being to identify mispriced securities bottom-up fundamental research and relative analysis.

Conclusion

Whilst investors focus heavily on the macro – in particular central bank decisions and economic data, our focus remains on the bottom-up, and state of issuers within our portfolio and wider investable universe. A new interest rate environment and a higher neutral rate will likely change credit fundamental dynamics, in particular for more debt-dependant sectors, and we are continually re-assessing the names we hold against both existing issuers and new entrants to the market. Hybrids continue to trade at attractive levels relative to the broad investment grade credit market and as issuers continue to call their bonds at the first call date, we see scope for compression as extension risk remains minimal.

The portfolio is currently yielding ~4.83% with limited duration risk of 3.18 years. New issuers continue to enter the market, and we see continued growth across both European and US markets, with the recent methodology change in Moody's in our view, an extremely positive development in the hybrid market. We continue to focus on credit selection, as with spread markets remaining tight idiosyncratic risk will be a leading driver in our development to a) deliver strong risk-adjusted total returns and b) strong relative returns against the benchmark.

In summary, we believe that the combination of elevated yields, increased opportunities from new issuance, and potential for spread tightening should lead, over time, to a positive outcome for your portfolio both in absolute and relative terms against the benchmark.

We thank you again for your continued support.

Neuberger Berman Corporate Hybrid Bond Fund

	As of 09/30/24
Yield to Call - EUR (%)[1]	4.83
Yield to Call - USD (%)[1]	6.12
Option Adjusted Spread (bps)	256
Duration (yrs)	3.18
Average Price	100.70
Average Rating	BBB-
Number of Bonds	84
Number of Issuers	54
Market Value (€mn)	2,200

[1] Yield to call shown in hedged terms including FX forwards.
Source: Blackrock Aladdin, as of September 30, 2024.

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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