

Neuberger Berman Strategic Income I NSTLX

A measured multisector bond approach.

Morningstar's Take NSTLX

Overall Morningstar Rating™		★★★		
313 US Fund Multisector Bond				
(31 Jul 2023)				
	3 Yr	5 Yr	10 Yr	
	313 funds	260 funds	160 funds	
Morningstar Rating™	3★	4★	3★	
Morningstar Medalist Rating™		 Bronze		
Analyst-Driven %		100.00		
Data Coverage %		100.00		
Morningstar Pillars				
Process (9 Aug 2023)		 Above Average		
People (9 Aug 2023)		 Above Average		
Parent (13 Oct 2021)		 Above Average		
Performance (9 Aug 2023)				
Price (9 Aug 2023)				

9 Aug 2023 | by Max Curtin

Neuberger Berman Strategic Income's expansive research engine aids managers of this relative value approach in adding value for investors over time.

The firm's deep investment resources align well with this strategy's goal to generate outperformance through credit selection. Deputy fixed-income CIO Ashok Bhatia joined the firm from Wells Fargo in 2017 before eventually succeeding the longtime lead manager of this strategy, Andrew Johnson, the following year. Bhatia collaborates with 42-year veteran and fixed-income CIO Brad Tank, Thanos Bardas, and David Brown to oversee the fund's sector and risk allocations; the group averages over three decades of industry experience. Sector specialist teams, such as those focused on securitized and non-investment-grade credit, are integral to this diversified portfolio's success.

This strategy's systematic multisector approach blends quantitative and qualitative analysis to guide portfolio positioning. Sector specialist leads project return distributions for their respective sectors and subsectors using a variety of macro factors. These are taken alongside historical return distributions and fed into a quantitative optimizer—a variation of the Black-Litterman Model—to produce an efficient frontier. The comanagers weigh these recommendations heavily when finalizing sector allocations at least every other week. The supporting sector groups own selection and trade execution for their respective sleeves of the portfolio, following a methodical credit selection process that is standardized across Neuberger Berman's fixed-income platform.

The resulting portfolio is one that is both dynamic in its profile but prudent in adhering to its investment-grade volatility guidelines. Government-guaranteed agency mortgage-backed securities have been featured more prominently here in 2023 as the team has looked to take advantage of attractive relative value opportunities while building more defense into the portfolio; its 41% stake as of June 2023 is the largest since 2008 and well above the portfolio's 25% since-inception average.

Long-term performance across vehicles is competitive on both an absolute and a volatility-adjusted (as measured by Sharpe ratio) basis. The U.S. 40-Act fund's Institutional shares ranked in the second quintile relative to a group of distinct multisector bond Morningstar Category peers on both metrics between January 2018 and July 2023, a proxy for Bhatia's tenure on the fund.

Process Above Average | Max Curtin | 9 Aug 2023

Calculated and repeatable. Neuberger Berman marries model-driven asset allocations with robust, bottom-up credit selection. The strategy continues to earn an Above Average Process rating.

This relative value approach balances high-quality U.S. government-backed bonds with corporate and structured credit, including riskier areas like high-yield credit and, to a smaller degree, emerging-markets debt. The process begins with sector heads' macro inputs—economic, business cycle, rates, and political considerations—to build a projected distribution of returns for about 50 sectors and subsectors. These results are fed into an optimizer that produces an efficient frontier, which comanagers weigh heavily when finalizing sector allocations on a biweekly basis. Comanagers rotate between sectors freely without overly restrictive internal guardrails but do so while managing portfolio volatility between the Bloomberg U.S. Aggregate Bond Index (low end) and the Bloomberg U.S. Corporate BBB Index (high end).

Supporting specialist teams own trade execution within their respective sectors, following the firm's methodical fixed-income credit selection process. The credit research team uses a best practices checklist under which it evaluates all potential positions according to a preset slate of questions. These considerations are standard—industry health, business fundamentals, cash flows, liabilities, and liquidity, among others—but applying the same routine for each individual decision makes for a repeatable process.

The comanagers have taken down credit risk markedly since June 2022. The U.S. 40-Act vehicle (a representative share class for this global strategy) increased its allocation to government-guaranteed agency mortgages to 41% of portfolio assets in June 2023 from 29%. Meanwhile, the fund trimmed its non-investment-grade credit position during this period to 25% from 37%. That's a far cry from its 48% position in July 2021, a period when this portfolio was embracing credit risk. Since that time, the team has followed suit, with many rivals in shifting into higher-quality debt in order to capitalize on higher yields while building more defense into the portfolio.

The remainder of this portfolio remained well-diversified as of June 2023. Its 17% and 16% positions in investment-grade corporates and securitized credit were mostly in line with the fund's historical averages; the latter is another area where comanagers express their appetite for credit risk with low-single-digit stakes in areas such as credit risk transfers and nonagency mortgage-backed securities. Between 2022 and 2023, however, only 3%-4% of the fund's below-investment-grade allocation was held in this securitized credit stake, down from 6%-12% between 2017 and 2021. Mid-single-digit stakes in emerging-markets debt, Treasuries, and cash rounded out the June 2023 portfolio.

The fund's duration, a measure of interest-rate sensitivity, has floated between 3.0 and 5.0 years over the past five years. Similar to many peers, the comanagers have begun lengthening the portfolio in 2023 as they assume we're near the end of the Federal Reserve's hiking cycle; the portfolio's 4.9-year duration as of June 2023 was over a year longer than its 3.8-year March 2023 duration.

People ● Above Average | Max Curtin | 9 Aug 2023

Well-resourced across the board. This multisector portfolio management group draws from experienced sector specialist teams spanning Neuberger Berman's fixed-income suite, underpinning an Above Average People rating.

Lead portfolio manager and deputy fixed-income CIO Ashok Bhatia has the reins of this multisector offering. Bhatia took over for the longtime manager of this strategy, Andrew Johnson, in 2017 after joining the firm from Wells Fargo, where he most recently managed core and government-bond funds; in the earlier stages of his career, Bhatia reported to Neuberger Berman fixed-income CIO Brad Tank while the two overlapped at Strong Capital. Portfolio managers Thanos Bardas and David Brown round out the quartet of named managers and specialize in global rates and investment-grade credit, respectively. The group averages over three decades of industry experience.

Bhatia and company lean on underlying sector specialist teams in this bottom-up-driven approach. The firm's substantial research capabilities rival the

category's best and are well-suited to support allocations to more credit-sensitive areas like non-investment-grade and securitized credit. Notably, the firm continues to improve in areas of strength, particularly through its investments in quantitative research.

The managers' interests are aligned with shareholders. Each have significant personal investments in the strategy to go along with their stakes in Neuberger Berman, a 100% employee-owned firm.

Parent ● Above Average | Max Curtin | 13 Oct 2021

Long-tenured teams and a stable culture provide Neuberger Berman with an edge and support a Parent rating of Above Average.

Independently owned for most of its existence, the firm has a history of evolving with the times. Incepted in 1939, the value-focused equity boutique introduced one of the first no-load mutual funds in 1950. By 2003, Lehman Brothers Investment Management acquired the shop, which built capabilities in hedge funds, bank loans, and multi-asset offerings, before the bank collapsed in the 2008 financial crisis. Ultimately, the employees spun out the asset manager, with new fixed-income and private equity capabilities, and as of 2021, roughly 25% own equity in the firm, aligning their incentives with those of fundholders. CEO George Walker protects the firm's culture--teams are autonomous with access to reasonable resources--by acquiring only a few cohorts each year to thoughtfully bolster investment means.

The firm's flagship offerings remain long-term-focused, with the bulk of its \$433 billion assets managed in tried-and-true fundamentals-based strategies. A recently launched fund focused on 5G connectivity gives pause, as these thematic strategies are typically short-lived, but the firm continues to explore. Industry themes, including compressed fees and competition from passive options, pose challenges for this active-only shop.

Performance | Max Curtin | 9 Aug 2023

The U.S.-domiciled mutual fund functions as a representative share class for this global strategy, which also features Irish and Australian offerings.

The 40-Act fund's gross-of-fees performance mirrors the Irish UCITS vehicle, save for minor differences in asset flow volatility. Performance for the Australian share classes, however, does not fall in line with the rest of the strategy because of currency-hedging differences.

Security selection and tactical asset-allocation decisions drive this strategy's peer-relative performance. The 40-Act fund's Institutional shares' 2.2% annualized return from the beginning of lead manager Ashok Bhatia's tenure in January 2018 through July 2023 bested about 63% of distinct multisector bond Morningstar Category peers. Its volatility-adjusted returns, as measured by Sharpe ratio, were better than roughly 61% of rivals.

This strategy often steers clear of extreme performance in either direction compared with peers. This is a product of the fund's measured relative-value approach and typical middle-of-the-road duration posture. Performance in 2016's fourth quarter, when the portfolio featured an above-median duration entering the Fed's hiking cycle, and in early 2020's pandemic-driven market selloff, when its overweighting in investment-grade corporates and nonagency MBS stung, stand out as exceptions. In both cases, however, the strategy proved resilient, with strong recoveries on the upside to maintain its competitive long-term record.

Price | Max Curtin | 9 Aug 2023

It's critical to evaluate expenses, as they come directly out of returns. Based on our assessment of the fund's People, Process, and Parent Pillars in the context of these expenses, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Medalist Rating of Bronze.

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Bonds

Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates. Portfolios that invest in lower-rated debt securities (i.e., "junk bonds") involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default. Tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Equities

Equities are typically subject to greater fluctuations in market value than other asset classes due to factors such as a company's business performance, investor perceptions, stock market trends and general economic conditions. Stocks of small or mid-sized companies involve additional risks; such companies may have a higher risk of failure, are not as well established as larger blue-chip companies, and have historically experienced a greater degree of market volatility than the overall market average.

International/Emerging Markets Securities Risk

Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Liquidity Risk

Trading may be halted due to market conditions, impacting an investor's ability to sell a security.

Market Price Risk

The market price of securities traded on the secondary

market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

Market Risk

The market prices of securities can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Non-Diversified Strategies

Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Sector Strategies

Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

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NB Strategic Income Fund - Total Returns

For Periods Ended June 30, 2023

At NAV	Quarter	YTD	Average Annualized					Expense Ratios ³	
			1 Year	3 Years	5 Years	10 Years	Since Inception ⁴	Gross	Total (Net) Expense
NB Strategic Income Fund Institutional Class ¹	0.49	4.34	6.07	1.39	2.59	2.97	5.46	0.61	0.60
NB Strategic Income Fund Class A ¹	0.40	4.14	5.66	0.99	2.18	2.56	5.13	1.00	1.00
NB Strategic Income Fund Class C ¹	0.22	3.77	4.91	0.28	1.47	1.85	4.56	1.73	0.70
NB Strategic Income Fund Class R6 ¹	0.52	4.39	6.17	1.49	2.69	3.05	5.50	0.51	0.50
NB Strategic Income Fund Trust Class ¹	0.30	4.05	5.59	1.00	2.21	2.60	5.16	1.00	0.95
Bloomberg U.S. Aggregate Bond Index ²	-0.84	2.09	-0.94	-3.96	0.77	1.52	3.03		
Morningstar Multi-Sector Bond Category	0.54	2.87	3.28	0.73	1.71	2.64			
Number of Funds in Category	359	356	351	311	260	160			
With Sales Charge									
NB Strategic Income Fund Class A ¹	-3.87	-0.29	1.21	-0.46	1.30	2.12	4.91		
NB Strategic Income Fund Class C ¹	-0.77	2.77	3.91	0.28	1.47	1.85	4.56		

Performance data quoted represent past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Results are shown on a "total return" basis and include reinvestment of all dividends and capital gain distributions. Current performance may be lower or higher than the performance data quoted. For current performance data, including current to the most recent month-end, please visit www.nb.com/performance.

Average Annual Total Returns with sales charge reflect deduction of current maximum initial sales charge of 4.25% for Class A shares and applicable contingent deferred sales charges (CDSC) for Class C shares. The maximum CDSC for Class C shares is 1%, which is reduced to 0% after 1 year.

^ The inception dates for Neuberger Berman Strategic Income Fund Institutional Class and Trust Class are 7/11/03 and 4/2/07, respectively. The inception date for the Class A and C shares is 12/20/07. The inception date for Class R6 shares is March 15, 2013. Performance prior to the inception date of the Trust, Class A, Class C and Class R6 is that of the Institutional Class, adjusted to reflect applicable sales charges but not class-specific operating expenses. The date used to calculate

1. Total return includes reinvestment of dividends and capital gain distributions. Because the Fund had a different goal and strategy, which included managing assets by an asset allocation committee, prior to February 28, 2008, its performance during that time might have been different if current policies had been in effect. Past performance is no guarantee of future results.

2. The Bloomberg U.S. Aggregate Bond Index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. Please note that indices do not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of this index are prepared or obtained by Neuberger Berman and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above- described index.

3. Total (net) expense represents the total annual operating expenses that shareholders pay (after the effect of fee waivers and/or expense reimbursement, if any). The Fund's investment manager has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund so that the total annual operating expenses are capped (excluding interest, brokerage commissions, acquired fund fees and expenses, taxes including any expenses relating to tax reclaims, dividend and interest expenses relating to short sales, and extraordinary expenses if any; consequently, total (net) expenses may exceed the contractual cap) through 10/31/2026 for Institutional Class at 0.59%, Class A at 0.99%, Class C at 1.69%, Trust Class at 0.94% and Class R6 at 0.49% (each of average net assets). Absent such arrangements, which cannot be changed without Board approval, the returns may have been lower. Information as of the most recent prospectus dated February 28, 2023, as amended and supplemented.

4. Indices shown: Bloomberg U.S. Aggregate Bond Index (U.S. Aggregate), Bloomberg U.S. Mortgage Backed Index (U.S. MBS), Bloomberg Investment Grade Credit Index (U.S. Credit), Bloomberg Asset-Backed Securities Index (U.S. ABS), Bloomberg Commercial Mortgage-Backed Securities Index (U.S. CMBS), JP Morgan EMBI Global Diversified (EMD Hard Currency), S&P/LSTA Leveraged Loan Index (Bank Loans), Bloomberg U.S. Government Index (U.S. Govt.) and ICE BofA Merrill Lynch U.S. High Yield Master II Constrained Index (U.S. High Yield). It is not possible to invest directly in an unmanaged index.

Morningstar Multisector Bond Category seeks income by diversifying their assets among several fixed income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

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