NEUBERGER BERMAN

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Neuberger Berman Floating Rate Income Fund Update

Allocation to Floating Rate Loans Still Makes Sense

Summary

- The Russia-Ukraine conflict is causing generalized macro volatility, but loan market fundamentals remain in a strong position with near record low defaults, lower net leverage, positive free cash flow and an issuer universe with a U.S./domestically focused revenue base.
- The Federal Reserve (Fed) will still have to raise rates due to higher inflation, which we believe is a positive for the floating rate loan asset class.
- Year to date, we are seeing positive net inflows as investors still favor senior floating rate loans.
- Neuberger Berman Floating Rate Income Fund ("the Fund") does not have any direct exposure to Russian or Ukrainian investments and is positioned primarily toward a U.S./domestic revenue base and a strong consumer with a focus on issuers that have pricing power.
  - The Fund's 1-,3- and 5-Year Morningstar* performance ranks (as of March 11, 2022) remained solid at the 27th, 6th and 12th percentiles, respectively. Year to date, the Fund's performance rank is near the top third of the bank loan universe.
  - The Fund outyields its benchmark, the S&P/LSTA Leveraged Loan Index ("the Index") with what we believe to be lower credit risk.
- We remain constructive on the outlook for loans and believe that investors are being compensated for the benign default outlook.

Floating Rate Loan Market Update

The Russia-Ukraine conflict has amplified some of our key messaging for 2022. We anticipate higher economic and market volatility and a more challenging growth-inflation mix. Our base case moving forward is that major economies, led by the U.S., will continue to have positive growth, though regional differences will likely emerge with more pressure on European growth.

- The Russia-Ukraine conflict has pushed markets to a risk-off sentiment, but the loan market has held in relatively well due to the solid issuer fundamentals, near zero direct country exposure to Russia and Ukraine and expectation for higher interest rates.
- Loan issuer fundamentals and net inflows remain solid with near all-time low default rates and year-to-date retail inflows of over $13 billion YTD through March 11.[1]
  - Retail investors continued to favor floating rate loans, as U.S. leveraged loan funds saw net inflows of $8.9 billion in just the month of February.
  - So far in 2022, loan demand has exceeded supply by ~$10 billion.
- Concerns that the Fed will face a tougher battle in its fight against inflation is not necessarily a negative for floating rate loans as the Fed will have to continue to raise rates given where inflation is currently.
  - It could take longer for the Fed to get to their desired target on Fed Funds, given the geopolitical uncertainty, and the path could be more measured and data-dependent, as indicated by Chair Powell in his recent press conference.
  - We believe loans should perform well compared to the broader bond market in a rising rate environment which was the case, on average, over the past 23 years.
- We anticipate strong investor demand for floating rate loans to continue to provide a favorable tailwind to the asset class especially given the attractive relative yield, in our view, and minimal duration making it an attractive inflation hedge.

The NAV for the Fund has declined primarily as a result of a generalized risk-off environment because of an unprovoked invasion of Ukraine by Russia, rather than being driven by material idiosyncratic credit risk.

- The Fund does not have any direct exposure to Russian or Ukrainian investments.
  - The issuers in the U.S. loan market generate the vast majority (~80%+) of their revenues in the U.S.
  - Positioning in the Fund is U.S. domestically-focused which makes it more insulated from events in Eastern Europe.
  - The team had already looked to position away from issuers with little to no ability to pass on rising input costs via price going into this period of heightened geopolitical volatility.
- The Fund's YTD performance ranks* near the top third of its Morningstar peer group, so it has outperformed the vast majority of peers in the Bank Loan Fund universe. Also, the 1-, 3- and 5-year Morningstar ranks* for the Fund remain in solid standing at 27th, 6th and 12th percentile, respectively.
  - The Fund outyields the Index and also focuses on larger, more liquid issuers, which can also partially explain the YTD relative performance.
  - YTD – March 11, the Fund underperformed the Index by about 30 basis points, 14 basis points of which can be explained by the total return swaps the Fund entered into to seek to replicate market exposure for a portion of the Fund's cash balance and mitigate any cash drag. The majority of the total return swaps were removed and we continue to seek to invest excess cash in the Fund as we identify attractive credit opportunities.
  - The Fund has benefitted from its selective overweight to Oil & Gas on higher commodity prices. Other overweights that have helped the Fund include Metals & Minerals and Industrial Equipment.
  - Most of the sectors that detracted from performance YTD such as Healthcare, had no major single individual credit contributions to the relative performance. The detractions from Fund performance were spread out and largely a result of the macro volatility and other managers/ETFs selling in a market where bid-ask spreads had widened.
  - While we are concerned about the low-end consumer and potentially sustained (6+ months) higher oil prices, the Fund is well-positioned for this environment.
  - The Fund's portfolio management team had already been very focused on margin pressures from rising input costs/supply chain disruptions across coverage and we continue to monitor this closely.
- We believe default rates will still be very low going forward.
- The U.S. consumer entered this with very strong balance sheets, solid job growth, increasing wages and home values way up.
- In our view, duration risk will remain an issue and the Fed will likely have to continue to increase the Fed funds rate toward neutral.
- We believe that allocation to floating rate loans still makes sense.

Outlook

We believe current floating rate loan yields are more than compensating investors for the benign default outlook, will continue to provide durable income and are attractive compared to other fixed income alternatives.

- While the Russia-Ukraine conflict and the ramp up in inflation present incremental uncertainty, real U.S. GDP growth is estimated to be in the 3.5 – 4.0% range for 2022 and input costs for most issuers are being passed on to end markets and consumers.
- Our analysts have been keenly focused on the outlook for issuer margins given rising input cost pressures. Mitigating this, however, is strong consumer and business balance sheets, growing nominal wages, strong jobs growth and businesses working to clear supply bottlenecks, which we believe should provide support for economic activity and issuer fundamentals.
- Even with the uncertainty created by the elevated geopolitical risk and spike in commodity prices, which is resulting in short-term volatility, we believe our bottom-up, fundamental research focused on credit selection, position us well to take advantage of the increased volatility.

(*) Source: Morningstar; Based on US Bank Loan universe and rankings provided for Neuberger Berman Floating Rate Inc Inst (Mutual Fund) as of March 11, 2022.
[1] Source: JP Morgan and Lipper
[2] **Performance data quoted represent past performance, which is no guarantee of future results.**
[3] The Fund entered into total return swaps on the iBoxx Loan Index (4.7% notional exposure as of February 28, 2022) to seek to replicate market exposure for a portion of the Fund's cash balance. The Fund's portfolio managers expect this would mitigate a portion of the drag associated with the large cash balance and keep a liquidity buffer in a volatile market period.

NEUBERGER BERMAN FLOATING RATE INCOME FUND RETURNS (%)

	February 2022	4Q 2021	YTD 2022	1 Year (Annualized as of 1/31/2022)	3 Year (Annualized as of 1/31/2022)	5 Year (Annualized as of 1/31/2022)	10 Year (Annualized as of 1/31/2022)	Since Inception (Annualized as of 1/31/2022)
At NAV								
Institutional Class	-0.66	0.61	-0.46	4.63	5.75	3.97	4.19	4.31
Class A	-0.69	0.52	-0.51	4.24	5.36	3.59	3.81	3.93
Class C	-0.75	0.43	-0.64	3.57	4.58	2.81	3.03	3.17
With Sales Charge								
Class A	-4.88	-3.80	-4.71	-0.19	3.84	2.69	3.36	3.55
Class C	-1.74	-0.57	-1.63	2.57	4.58	2.81	3.03	3.17
S&P/LSTA Leveraged Loan Index	-0.51	0.75	-0.15	5.20	5.63	4.27	4.69	4.89

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 costs. 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.

*The inception date for Neuberger Berman Floating Rate Income Fund Class A is 12/29/2009 and 12/30/2009 for Class C and Institutional Class. Performance prior to the inception date of Class C and Institutional Class is that of Class A, adjusted to reflect applicable sales charges but not class-specific operating expenses. The date used to calculate benchmark performance is that of Class A.

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.

EXPENSE RATIOS (%)

	Gross Expense	Total (net) Expense
Institutional Class	0.79	0.61
Class A	1.19	0.98
Class C	1.93	1.73

Total (net) expense represents the total annual operating expenses that shareholders pay (after the effect of fee waivers and/or expense reimbursement).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, taxes, brokerage commissions, acquired fund fees and expenses, dividend expenses relating to short sales, and extraordinary expenses, if any; consequently, total (net) expenses may exceed the contractual cap) through 10/31/2025 for Institutional Class at 0.60%, Class A at 0.97%, and Class C at 1.72% (each as a % 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, 2022, as amended and supplemented.

An investor should consider the Fund's investment objectives, risks and fees and expenses carefully before investing. This and other important information can be found in the Fund's prospectus and, if available, summary prospectus, which you can obtain by calling 877.628.2583. Please read the prospectus and, if available, the summary prospectus, carefully before making an investment. Investments could result in loss of principal.

The opinions expressed are as of March 11, 2022, and are subject to change at any time due to changes in market or economic conditions. These comments should not be construed as a recommendation of any individual sectors, holdings or securities.

The characteristics of the Fund are as of the period shown and are subject to change without notice. The loan ratings noted above represent segments of the S&P/LSTA Leveraged Load Index, which are determined based on the ratings issued by Standard & Poor's. CC- to CCC-rated loans are considered more speculative than B- to BB-rated loans. For Standard & Poor's, the AAA rating is the highest rating available.

Shares in the Fund may fluctuate, sometimes significantly, based on interest rates, market conditions, credit quality and other factors. In a rising interest rate environment, the value of an income fund is likely to fall. The market's behavior is unpredictable and there can be no guarantee that the Fund will achieve its goal. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors.

The Fund may invest in senior loans and other debt securities which may be rated below investment grade (known as "junk"). The risks of investing in such securities, such as risk of default, could result in loss of principal. Lower rated debt securities involve greater risks and may fluctuate more widely in price and yield, and carry a greater risk of default, than investment grade debt securities. They may fall in price during times when the economy is weak or is expected to become weak. Economic and other market events may reduce demand for certain senior loans held by the Fund, which may impact net asset value. Loans and other debt securities are also subject to the risk of increases in prevailing interest rates, although floating-rate securities are less susceptible to this risk than other fixed-rate obligations. Generally, bond values will decline as interest rates rise. However, because floating rates on senior loans only reset periodically, changes in prevailing interest rates can be expected to cause some fluctuation in the Fund's net asset value. Similarly, a sudden and significant increase in market interest rates, a default in a loan in which the Fund owns an interest, or a material deterioration of a borrower's creditworthiness may cause a decline in the Fund's net asset value. Floating-rate loans may be more susceptible to adverse economic and business conditions and other developments affecting the issuers of such loans. Although senior floating-rate loans are generally collateralized, there is no guarantee that the value of collateral will not decline, causing a loan to be substantially unsecured. No active trading market may exist for many loans, loans may be difficult to value and many are subject to restrictions on transfer or resale, which may result in extended trade settlement periods and may make certain investments less liquid and also prevent the Fund from obtaining the full value of a loan when sold.

Current plans call for LIBOR to be phased out by the end of 2021. There are risks that a suitable substitute may not be in place by that time. The transition process, or a failure of the industry to transition properly, might lead to increased volatility and illiquidity in markets that currently rely on LIBOR and a reduction in the value of some LIBOR-based investments.

The COVID-19 health pandemic has negatively affected and may continue to affect the economies of many nations, individual companies and the global securities and commodities markets. This has impacted and may continue to impact the issuers of the securities held by the Fund.

The **S&P/LSTA Leveraged Loan Index** is a market value-weighted index that measures the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments. Eligible loans must be senior secured and US dollar denominated, with a minimum initial term of one year, a minimum initial spread of LIBOR + 125 basis points, and a $50 million initial funding. Defaulted loans remain in the index until removal upon exit from bankruptcy or restructuring. LSTA (Loan Syndications and Trading Association) / Thomson Reuters LPC Mark-to-Market Pricing is used to price each loan in the index. The Fund may invest in many securities not included in the above-described index.

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