NEUBERGER BERMAN

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Neuberger Berman Asia Responsible Transition Bond Fund

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Performance Highlights

Asia Hard Currency credit saw negative returns over Fourth Quarter of 2024. JP Morgan Asian Credit Index (Total Return, USD) decreased by -1.34%. The Investment Grade Index posted negative returns of -1.62% while the High Yield Index returned +0.37% over the quarter. The portfolio returned -1.08% (USD I Accumulating share class, net) and outperformed its benchmark (JP Morgan Asian Credit 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	-0.85	-1.08	5.49	5.49	-0.96	0.22	-	2.70
Benchmark (USD)	-0.80	-1.34	5.72	5.72	0.22	0.87	-	2.81

12 MONTH PERIODS (%)[1]	Dec14 Dec15	Dec15 Dec16	Dec16 Dec17	Dec17 Dec18	Dec18 Dec19	Dec19 Dec20	Dec20 Dec21	Dec21 Dec22	Dec22 Dec23	Dec23 Dec24
USD I Accumulating Class	-	6.79	7.58	-2.26	13.35	5.42	-1.27	-13.50	6.45	5.49
Benchmark (USD)	-	5.81	5.78	-0.77	11.34	6.33	-2.44	-11.02	7.02	5.72

CALENDAR (%)	2015[5]	2016	2017	2018	2019	2020	2021	2022	2023	2024[6]
USD I Accumulating Class	0.10	6.79	7.58	-2.26	13.35	5.42	-1.27	-13.50	6.45	5.49
Benchmark (USD)	0.79	5.81	5.78	-0.77	11.34	6.33	-2.44	-11.02	7.02	5.72

Effective 12 December 2024 the Neuberger Berman Responsible Asian Debt - Hard Currency Fund changed name to the Neuberger Berman Asia Responsible Transition Bond Fund.

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. YTD - Year to Date, SI - Since Inception, m – month, y - year. 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 30 June 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.

Benchmark: JP Morgan Asian Credit Index (Total Return, USD)

YTD - Year to Date, SI - Since Inception of the share class

Performance is representative of the Neuberger Berman Asia Responsible Transition Bond Fund USD I Accumulating Class ("the Fund") and has been calculated to account for the deduction of fees. The Fund launched on 30 June 2015. This share class started to issue shares on 30 June 2015. 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

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Market Context

Asia Hard Currency credit saw negative returns over Fourth Quarter of 2024. JP Morgan Asian Credit Index (Total Return, USD) decreased by -1.34%. The Investment Grade Index posted negative returns of -1.62% while the High Yield Index returned +0.37% over the quarter. The portfolio returned -1.08% (USD I Accumulating share class, net) and outperformed its benchmark (JP Morgan Asian Credit Index (Total Return, USD)).

The risk markets put in a strong performance in the fourth quarter of 2024, with both equities and spreads posting positive returns. Even as the Federal Reserve delivered a further 50bps cut, there were various hawkish changes in language and projections in December, alongside Powell’s press conference remarks. This seemed to signal a “new phase” of policy going forward, with a more gradual pace of easing as evidenced by the median dot plot showing two rate cuts next year. Furthermore, the backdrop of tariffs uncertainty with a Red Sweep Trump presidency, coupled with the ongoing strength in US economic outlook, sticky inflation prints and concerns around fiscal sustainability, resulted in UST yield repricing from the lows from end-September of c.3.8% to end the year at c.4.6%.

In China, the market had anticipated further details on fiscal policies throughout the quarter following PBoC Governor Pan's comprehensive package of monetary stimulus measures announced in late September. However, both the NPC Standing Committee Meeting in November as well as the Central Economic Work Conference (CEWC) in December were underwhelming. These elevated expectations led to some market disappointment. However, we noted the stronger language used in the communique, reiterating the need for proactive fiscal policy and moderately loose monetary policy. We expect they will raise the official budget deficit and increase the issuances of both special long-term Central Government Bonds and Local Government Special Bonds. On the monetary front, we anticipate additional reserve requirement ratio (RRR) cuts along with further interest rate cuts in the near future. However, this expectation is contingent upon a stable foreign exchange (FX) rate, ensuring currency stability is not compromised. The market was disappointed there was neither new guidance nor incremental support for the property sector with domestic consumption being a key policy focus. Going forward, the National People’s Congress (NPC) in March would again be closely watched for further signs of easing as policymakers will discuss next year’s growth target and fiscal budget.

Elsewhere in Asia, in early December, President Yoon of South Korea declared emergency martial law, but was met with strong opposition from the National Assembly, leading to its reversal six hours later. Following this, President Yoon was impeached, and his successor, Han Duck-soo, also faced impeachment. These events have raised concerns around Korea's political instability, which, if prolonged, could affect the country's long-term growth prospects.

Moody’s upgraded Mongolia to B2 from B3 with ‘Stable’ outlook on the back of better fiscal management and near-term refinancing risks being mitigated. In Sri Lanka, President Anura Kumara Dissanayake's National People’s Power (NPP) secured a supermajority in Parliament. His government remained committed to align with IMF’s fiscal targets. The country’s debt restructuring process was concluded in December after the consent solicitation / debt exchange was successful.

Portfolio Review

The portfolio outperformed the benchmark for the fourth quarter of 2024. Both our underweights in Investment Grade and overweights in High Yield contributed positively to total effect over the quarter. From a geographical perspective, India, Sri Lanka and Indonesia were positive contributors to total effect while Greater China was the main detractor for the quarter. Within sectors, main positive contributors to total effect were distributed across financials and sovereigns, while real estate was the main detractor.

Portfolio Positioning

Earlier in the quarter, we reduced some longer-dated IG exposures to moderate our portfolio spread duration, while adding exposure to high quality HY names which offered attractive relative value. As spreads tightened subsequently, coupled with the risk events on the horizon (such as US Elections, China CEWC, etc), we scaled down exposures in sectors where valuations appeared tight, such as China real estate and India renewables.

India remains the portfolio's largest overweight in terms of country market weight allocation, followed by Hong Kong and Thailand. In India, the portfolio continues to have an overweight in Financials and Utilities (Renewables). In Hong Kong, our overweight allocation in Financials were mostly in sub-debt which offers attractive spread pick up. The portfolio continues to underweight the Philippines due to lofty valuations and China due to structural growth concerns.

Outlook

Asian emerging markets debt remains an attractive investment opportunity underpinned by strong fundamentals in both sovereign and corporate sectors. The tailwinds coming from negative net issuances, relatively attractive all-in yields, and improving credit quality will likely continue to support the asset class over the foreseeable future.

In the near term, while the asset class might face challenges due to trade tariffs imposed by the Trump Administration, certain areas continue to show promising resilience. Notably, India's economy stands out for its robust growth trajectory, and its domestic focus may act as a buffer against external shocks. Defensive sectors, such as utilities and quasi-sovereigns with robust sovereign backing in highly rated countries like Hong Kong, Singapore, and Korea, may be well-positioned to weather the challenging macroeconomic environment. Furthermore, post the successful restructuring of the external debt and given our constructive view of the economy, we expect the Sri Lanka bonds to continue to offer value for the portfolio.

From a longer-term perspective, the fundamentals of Asian corporates remain largely stable. Asian corporates have turned more cautious in capital expenditure with limited M&A activities while earnings have generally remained strong and resilient. On the back of these factors, as well as improved funding access, we have seen a continued drop in Asia corporate default rate and expect the number to be lower going into 2025.

Hence, with balance sheets healthy and strong technical backdrop on demand-supply dynamics, these factors should continue to support the valuations for Asian debt markets.

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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