Manager Commentary | Q3 2024

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.

Note: Effective 31 December 2021, the Fund has added specific social and environmental objectives in addition to the Sustainable Criteria outlined in the Prospectus. Please refer to the Fund's supplement for more details.

Neuberger Berman Short Duration High Yield SDG Engagement Fund

PORTFOLIO MANAGERS: Chris Kocinski, Joe Lind, Simon Matthews

MORNINGSTAR RATING™
★★★★

Performance Highlights

The Neuberger Berman Short Duration High Yield SDG Engagement Fund's ("the Fund") gross and net returns were 3.47% and 3.29% in the third quarter. YTD 2024, the Fund returned 6.60% (gross) and 6.04% (net).

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	0.80	3.29	6.04	11.25	3.97	4.02	3.49	3.90

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	-1.81	5.45	4.50	2.00	4.85	0.97	7.32	-6.89	8.51	11.25

CALENDAR (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024[5]
USD I Accumulating Class	-2.94	7.76	3.64	-0.64	9.24	3.46	3.91	-4.18	9.93	6.04

The fund is actively managed, which means that the investments are selected at the discretion of the investment manager. The fund does not have a benchmark.

[1]Performance to latest month end. YTD - Year to Date, SI - Since Inception.

[2]Returns for these periods are cumulative.

[3]Returns are annualised for periods longer than one year.

[4]Returns from 20 December 2011 to latest month end.

[5]Performance for the current calendar year is the year to date.

Fund performance is representative of the USD 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.**

Market Context

- The high yield bond market finished the month of September and the third quarter with solid returns driven by a larger-than-expected 50 basis point Fed rate cut, declining Treasury yields and a narrative of positive real GDP growth with lower inflation. Spreads on the ICE BofA U.S. High Yield Constrained Index narrowed by -15 basis points in the month largely driven by the CCC & below part of the index narrowing by over -140 basis points. The spread to worst on the overall index ended the month at 331 basis points. While high yield spreads overall were tighter on the month, yields on the high yield market—as measured by the ICE BofA US High Yield Index—remain attractive closing the month at 6.98%. The yield on U.S. 10-Year Treasuries ended September at 3.73%, down -18 basis points from August month end and -61 basis points lower than the end of the second quarter. Overall, high yield issuers' aggregate fundamentals of EBITDA growth, free cash flow, interest coverage and leverage remained in stable ranges. While most issuers reported in line or better than expected earnings in the most recent quarter reported, some lower rated issuers continued to see some idiosyncratic or industry-specific earnings pressure. Default rates remain relatively low but are up from the all-time lows reached in 2022. Our latest bottom-up base case 2-year cumulative default estimate for U.S. high yield over 2024 and 2025 of 5.5% - 6.5% is around the historical 2-year cumulative average.
- The ICE BofA U.S. High Yield Constrained Index ("overall index") returned 1.63% in the month, 5.32% in the quarter and 8.03% year to date. The largest and most liquid issuers in the index—as measured by the ICE BofA U.S. High Yield 100 Index—returned 1.41% in the month, 4.91% in the third quarter and 7.33% year to date. In September, the lowest rated credit tier outperformed the overall index by a wide margin, as the BB, B, CCC & lower rated categories of the ICE BofA U.S. High Yield Index returned 1.09%, 1.18%, and 5.20%, respectively. Over the first nine months of 2024, the CCC & below rated segment of the index also outperformed by a wide margin, with a return of 15.35% as compared to BB and B returning 6.82% and 7.19%, respectively. The ICE BofA U.S. High Yield Non-Distressed Index underperformed the overall index in September with a return of 1.27%. Conversely, the ICE BofA U.S. High Yield Distressed Index outperformed with a return of 9.15% in September. Year to date, the non-distressed index underperformed with a return of 7.44% as compared to the distressed index returning 18.10%. The ICE BofA 0-5 Year BB-B US High Yield Constrained Index returned 1.03% in September, 3.86% for the quarter and 6.68% year to date.
- In September, the high yield market saw a boost in capital markets activity reaching a 3-year high. High yield bond issuance totaled $36.7 billion ($8.9 billion ex-refinancings) in September which was up significantly from August's tally of $18.1 billion ($6.2 billion ex-refinancings). Year to date, new-issue volume totaled $237.7 billion ($52.5 billion ex-refinancings), which compares to $133.8 billion ($50.0 billion ex-refinancings) of issuance during the same period in 2023. High yield funds reported net inflows of +$3.0 billion in September following inflows of +1.4 billion in August and +$4.8 billion in July.[6]
- As of September, the par weighted trailing 12-month U.S. high yield default rate was 0.94%, down 4 basis points from the prior month and down 104 basis points year to date. The 12-month trailing par-weighted default rate including distressed exchanges decreased 10 basis points in September to a 23-month low of 1.64%, which is now down 124 basis points from 2.88% at the end of 2023. While the default rate has declined recently, it is up from the very low levels reached in 2022. We expect default rates in 2024 and 2025 to remain in a range that is around the long-term historical average of 3.4% (based on average monthly default rates over the past 25 years).[6] This outlook is based on our bottom-up assessment of issuers, and driven by the higher-quality ratings mix in high yield (53% of issuers with credit ratings of BB), less aggressive new issuance, fewer near-term maturities, as well as an energy sector that is far healthier than in the past few cycles.
- We continue to find attractive investment opportunities within the high yield universe. While our default outlook is around the historical average, our team remains vigilant in seeking to avoid credit deterioration and default risk along with identifying investments we believe can add alpha through security selection.

Quarterly Performance Highlights[7]

- **Healthcare: Medline Industries** (BHCCN), a manufacturer and distributor of medical equipment supplies to hospitals and post-acute care facilities, added to performance over the quarter after the company reported strong 2Q24 operating results across the board and that were in-line with elevated expectations. Consistent with broader trends in utilization across the healthcare landscape, revenue growth in the first half of the year was up 14% Y/Y. Adjusted EBITDA increased 46% Y/Y, in-line with our expectations and ~5% above the street.

6. J.P. Morgan.

7. Performance data quoted represent past performance, which is no guarantee of future results.

- **Support-Services**: On Assignment (ASGN), a leading provider of professional staffing services focused on the placement of highly skilled, hard-to-find professionals with strong math and science skills in the IT, life sciences and engineering sectors, added to performance after the company was upgraded one notch to BB+ from BB by S&P. The upgrade reflects the company's consistently low leverage and top-line resilience despite a challenging macro backdrop.

- **Transportation Excluding Air/Rail:** XPO Logistics (XPO), a transportation company that conducts less-than-truckload shipping in North America, was neutral to performance over the period after the issuer reported 2Q results in-line with our estimate reflecting continued progress on initiatives to improve margin via revenue yield uplift, lower damage claims, and increased insourcing of freight spending. 3Q margins will contract by 100-150 bps due to typical seasonality. XPO remains on their expected improvement trajectory.

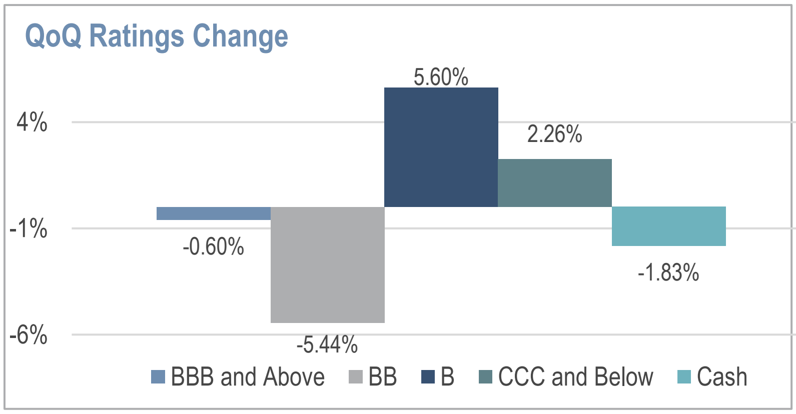
- **Paper:** Spa Holdings (AHLMUN) is a global leader in the production of high-performance fibre-based materials. Its products are used in a broad range of industrial applications and consumer-driven products and processes, ranging from everyday consumables, health care and life sciences, homebuilding and furniture, industrial goods and transportation. The issuer was neutral to performance over the quarter despite the company reporting strong EBITDA growth in 2Q24. Ahlstrom sales increased by 1% as they lapped their first weak comp. With destocking largely behind the company, management noted that market activity improved both Q/Q and Y/Y.

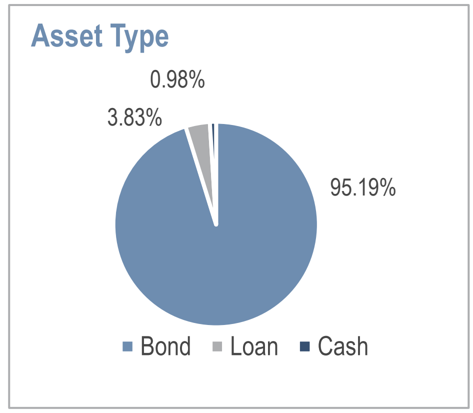
Industry	Contribution to Return (%)	Issuer	Contribution to Return (%)
Top 5			
Healthcare	0.37	Medline Industries Inc	0.05
Support-Services	0.34	On Assignment Inc	0.03
Real Estate & Homebuilders	0.29	Starwood Property Trust Inc	0.03
Diversified Financial Services	0.21	Alliant Holdings Intermediate LLC	0.03
Telecommunications	0.21	Uniti Communications Inc	0.00
Bottom 5			
Transportation Excluding Air/Rail	0.00	XPO Logistics Inc	0.00
Paper	0.00	Spa Holdings 3 Oy	0.00
Banking	0.01	JP Morgan Chase Bank	0.01
Printing & Publishing	0.02	McGraw-Hill Education Inc	0.03
Hotels	0.03	Wyndham Hotels & Resorts Inc	0.03

- From a ratings perspective, the Fund's exposure to BB and B added the most to performance while CCC & below and BBB & above rated issuers added the least to performance. We increased exposure to BB and CCC & below rated issuers through reductions in BB, cash and BBB & above rated issuers primarily based on individual credit decisions but in the context of our views on the macroeconomic outlook and credit cycle.

Rating	Contribution to Return (%)
BBB and Above	0.03
BB	1.64
B	1.59
CCC and Below	0.29

Portfolio Positioning





Outlook

U.S. high yield valuations and yields, in our view, are attractive and compensating investors for the around average default outlook. As inflation continues to moderate toward the Federal Reserve's target range and with one 50 basis point rate cut already done, most investors are expecting further rate cuts. Relatively healthy consumer and business balance sheets and positive nominal GDP growth should continue to provide support for most issuers' fundamentals, in our view. While the incoming macroeconomic data, geopolitical concerns and overall credit cycle dynamics can move the high yield market day-to-day, our analysts and portfolio managers continue to be focused on the specific fundamentals of individual issuers, with analysts assessing the base and downside cases as growth slows and pricing power wanes. Despite the potential for short-term volatility, we believe our bottom-up, fundamental credit research that focuses on security selection, avoiding credit deterioration, and putting only what we view as our "best ideas" into portfolios, will position us well to take advantage of any volatility.

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.

For more information on sustainability-related aspects pursuant to SFDR please visit the ESG Investing section on www.nb.com/europe/. When making the decision to invest in the fund, investors should take into account all the characteristics or objectives of the fund as described in the legal documents.

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