

Product Assessment

Neuberger Berman Strategic Income Fund - W Class

Report data as at 31 Jan 2022
Rating issued on 02 Mar 2022

VIEWPOINT

The Fund, managed by New York-based Neuberger Berman (NB), provides investors with exposure to a multi-sector fixed income strategy that seeks to maximise total returns whilst providing a monthly income stream that is at a premium to cash. Managed by NB's Multi-Sector Team (MST), the Fund invests across a broad range of fixed income sectors, targeting returns from sector rotation and security selection. Zenith has a favourable view of the Fund's differentiated process which combines a blend of quantitative research and the fundamental insights from across NB's global network of specialist sector teams.

NB is a privately held global investment management group founded in 1939. As at 31 December 2021, NB managed approximately \$US 460.5 billion globally, of which \$A 13.3 billion was on behalf of Australian investors.

The MST is comprised of six senior members from across NB's global fixed interest (GFI) platform. Spread across Chicago and London, the team includes Brad Tank (Chief Investment Officer - Fixed Income), Ashok Bhatia (Deputy Chief Investment Officer and Senior Portfolio Manager) and Jon Johnson (Senior Portfolio Manager), who collectively share responsibility for the management of the Fund. In Zenith's opinion, the MST is comprised of high-quality investment professionals that have skill sets conducive to the management of a multi-sector fixed income strategy.

Supporting the MST are NB's specialist sector teams who interact through a series of structured meetings and produce research that acts as an input into the Fund's process. Most pertinent are the outputs from NB's quarterly Strategic Review Meeting (SRM) at which senior investors from across NB's GFI platform meet to produce forward-looking market views and asset class return forecasts that aid in the determination of investment strategy.

NB's investment process is centred around opportunistically positioning the Fund across sectors, with the MST targeting those market segments deemed to be mispriced. Consistent with this approach, the Fund has a flexible investment mandate and targets an asset mix deemed most likely to deliver upon the Fund's stated objectives. To aid with this, the MST use a proprietary optimiser to generate a set of theoretical portfolios, each of which offers a discrete risk/return outcome, reflecting varying asset class allocations.

Taking into consideration outputs of the optimiser and the views expressed across NB's global platform, the MST seek to reach consensus with regard to the Fund's targeted asset mix and strategies for extracting value. With respect to asset class exposures, these are gained on an interfunding basis, with capital allocated to NB's sector teams. Zenith notes that since the inception of the strategy, the Fund's asset class exposures have further evolved, coinciding with NB's addition of specialist teams across its GFI platform. In Zenith's opinion, a broadening of NB's specialist capabilities has been of benefit to the Fund, permitting the MST to access a broader set of discrete market segments.

In managing the Fund, the MST generally favours physical exposure, however, will use derivatives to manage the Fund's interest rate strategies. Credit derivatives are not however used for the purposes of managing spread duration, which we believe to be a drawback of the Fund, noting the potential challenges of dynamically altering its exposure to credit by trading bonds. Furthermore, we believe NB's preference for physical exposure has the potential to constrain the opportunistic nature of the Fund, particularly in less liquid markets (i.e. High Yield, Bank Loans) and at times of market stress.

FUND FACTS:

- Multi-sector strategy seeking to maximise total return whilst providing a monthly income stream
- High-quality PM team that benefits from the specialist insights from across NB's global networks
- Investment process combining quantitative research with fundamental insights
- Responsible Investment Classification of **Integrated**

APIR Code

ETL1411AU

Asset / Sub-Asset Class

International Fixed Interest
High Income

Investment Style

Active

Investment Objective

To maximise total return, whilst providing a monthly income stream that is at a premium to cash. A secondary objective is to preserve capital and maintain volatility at a similar level to the Bloomberg Barclays US Aggregate Index.

Zenith Assigned Benchmark

Bloomberg AusBond Bank Bill Index

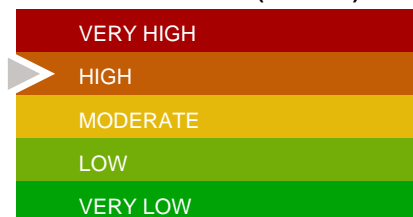
Net Returns (% p.a.)

	2 yrs	1 yr	6 mth
Fund	3.21	0.36	-1.75
Benchmark	0.16	0.03	0.02
Median	2.38	0.98	-1.04

Fees (% p.a., Incl. GST)

Management Cost: 0.75%
Performance Fee: N/A

ABSOLUTE RISK (SECTOR)



INCOME DISTRIBUTIONS PER



RELATIVE RISK (FUND WITHIN SECTOR)



INVESTMENT TIMEFRAME



APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

The Zenith 'International Fixed Interest – High Income' sub-sector consists of all funds that invest predominantly in the higher-yielding sectors of the global fixed interest market. These sectors typically include high-yield, securitised loans and emerging market debt. The category includes funds that invest in specific underlying markets or a combination of each. Given the idiosyncratic nature of the sectors, managers commonly add value through security selection and/or sector rotation.

Zenith benchmarks all funds in this space against the Bloomberg AusBond Bank Bill Index. However, Zenith only uses this benchmark as a common reference point and it may not be reflective of the underlying benchmark used by many managers in this category.

It should be noted that the Bloomberg AusBond Bank Bill Index is typically used as a benchmark to measure the investment performance of a passively managed short-term cash portfolio. The Index has an average term to maturity of approximately 45 days. It is comprised of 13 domestic bank bills of equal face value, each with a maturity seven days apart.

Given the funds in the 'International Fixed Interest – High Income' sector invest in longer dated, higher default risk securities, they will potentially display higher downside volatility relative to the Zenith assigned Index. i.e. while the index is used as a performance benchmark, it should not be used as an indication of the risk involved in investing in the sector.

PORTFOLIO APPLICATIONS

The Fund is a multi-sector global fixed income strategy that is permitted to allocate across a range of higher yielding market segments including investment grade credit, high-yield, securitised assets, loans and emerging market debt. The Fund is subject to few constraints and is also permitted to invest in sovereigns (that trade at a premium to US Treasuries), albeit for spread rather than defensive purposes.

The Fund is positioned as a total return, income-orientated strategy and seeks to add value through a broad set of active strategies. Key amongst these are security selection (40%) and sector rotation (40%), with the former representing an avenue through which NB has a demonstrated track record.

Zenith believes the Fund may be appropriate for those investors seeking a strategy that pays a monthly income stream in excess of cash. From a portfolio perspective, the Fund may be suitable as a component of an investor's global fixed interest allocation. That said, Zenith believes it may be more appropriate to fund an allocation to the strategy from the growth portion of their portfolios.

Due to the anticipated moderate to high levels of volatility, with the potential for capital loss, Zenith recommends taking a medium to long-term investment time frame. We caution against the Fund being used by investors with short term liquidity needs.

The Fund utilises a feeder fund structure, in that the domestic unit trust invests in an offshore domiciled fund. Investors should be aware that the use of such structures affords

benefits such as cost synergies, diversity of clientele across regions and neutralises the impact of limited fund size and investor concentration. However, the use of interposed entities introduces additional structuring, complexity and regulatory risk, while also reducing the proximity between the Responsible Entity and the underlying investment portfolio. Zenith recommends investors seeking advice regarding the tax implications of a feeder fund structure, consult with a taxation professional.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the International Fixed Interest – High Income sub-sector are exposed to the following broad risks:

MARKET RISK: Changes in economic, technological, environmental or political conditions and market sentiment may lead to a decline in general security prices and overall market volatility. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

INTEREST RATE RISK: Fixed interest securities are generally sensitive to changes in interest rates. An increase in interest rates may result in a fall in the value of these securities, while a decrease in interest rates can result in an increase in value.

CREDIT SPREAD RISK: In addition to being sensitive to general interest rate changes, non-government securities are also sensitive to changes in credit spreads (commonly the difference in yield between a government bond and a corporate security). A widening of spreads results in a fall in the value of these securities.

DEFAULT RISK: Given fixed interest securities represent loans to borrowers (including governments, banks and companies) there is a risk that these borrowers may default on interest or principal repayments. Credit risk is often reflected in credit ratings assigned by various credit agencies, which are subject to change.

CURRENCY RISK: In addition to being exposed to general market risk, investments in international markets are exposed to changes in value of the Australian dollar relative to other foreign currencies. This may lead to increased volatility, independent of market moves. While fixed interest funds typically hedge their foreign investments back into Australian dollars, there can be no guarantee that the funds will be hedged at all times or that a manager will be successful in employing the hedge.

LIQUIDITY RISK: Fixed interest markets can experience periods of illiquidity, which can result in difficulties in buying or selling securities without adversely impacting the price.

DERIVATIVE RISK: Derivatives are commonly employed by fixed interest managers to hedge currency and other risks and/or as an alternative to direct purchases or sales of underlying assets. There are multiple risks associated with the use of derivatives; for example, the value of the derivative may not move in line with the underlying asset, counterparties to the derivative may not be able to meet payment obligations or a particular derivative may be difficult or costly to trade.

LEVERAGE RISK: Many derivatives have a leverage component. While leverage offers the opportunity to magnify

gains, it may additionally magnify losses. An associated risk with leverage and magnification of gains/losses is that the portfolio's volatility may increase as a result. Investors need to be cognisant that the Fund may exhibit more volatility than one that is unlevered.

REGULATORY RISK: The ASIC Regulatory Guide 97 'Disclosing Fees and Costs in Product Disclosure Statements and Periodic Statements' came into effect on 1 October 2017 and seeks to establish a common framework for disclosing fees with respect to registered managed investment schemes issued to retail investors.

In November 2019, ASIC released its final recommendations, with proposed changes to be phased in from 30 September 2020, with all Funds required to be compliant by 30 September 2022.

In its current form, RG97 will not impact the actual costs (or after fee returns) on existing investments. Rather, the guide is focused on providing increased transparency with respect to the costs of management. Given this, it is feasible that under RG97, investors become more sensitive to the costs charged and seek lower cost alternatives, potentially leading to fund outflows.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

KEY PERSON RISK: Zenith believes there is a level of key person risk associated with Tank, reflecting his long association with the strategy and historical perspective he retains. While the co-PM structure in part dilutes this risk, we nonetheless believe the departure of Tank would be a negative and necessitate a reassessment of the Fund's rating.

LONGEVITY RISK: Funds that fail to grow FUM to a scalable level could be wound up and terminated by the Responsible Entity. The risks associated with a fund wind-up are principally that of timing, performance slippage, and the crystallisation of capital gains that bring with them tax payment obligations. NB currently manages approximately \$A 26.1 million in the Fund, as at 31 January 2022. Until the Fund reaches the requisite level of scale, there is a risk that the Fund could be wound-up.

DEFAULT RISK: The Fund is permitted to invest in high yield, a market segment which by its nature has a higher potential of default. Although investors have historically been compensated for these risks through incremental spread (and often returns), the sector is inherently more volatile than that of investment grade credit, and risks of capital loss tend to be magnified in this market segment. Additionally, defaults tend to cluster in certain years and therefore investors should expect periodic episodes of higher defaults.

Nevertheless, given the Fund can invest up to 75% of portfolio in sub-investment grade debt, investors should be aware of the increased risks associated with this market segment.

INCOME RISK: Notwithstanding the Fund's monthly distribution schedule and emphasis on income, there is a risk that NB fails to meet its distribution objectives.

CURRENCY RISK: The Fund is permitted to hold active

currency positions. These have the potential to either add or detract from performance.

MANDATE RISK: The Fund's mandate is broad, permitting exposure across a range of market segments. By virtue of this flexibility, there is a risk the Fund performs in a manner that is differentiated to peers, potentially lagging that of benchmark-relative strategies.

STRUCTURING RISK: The Fund invests in feeder fund structure, in that the domestic unit invests in an offshore fund. The use of interposed entities introduces additional structuring, complexity and regulatory risk, while also reducing the proximity between the Responsible Entity and the underlying investment portfolio.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Neuberger Berman Australia commenced operations in 2009 and is a wholly-owned subsidiary of Neuberger Berman Group (NB), a New York-based global investment manager.

Founded in 1939, NB is an employee-owned business with offices in 36 cities worldwide. Employing over 625 investment professionals globally, NB manages equity, fixed income, private equity and hedge fund strategies on behalf of institutions, advisors and individual investors.

As at 31 December 2021, NB managed approximately \$US 460.5 billion worldwide, of which \$A 13.3 billion was on behalf of Australian clients.

As 31 December 2021, NB managed approximately \$US 190.6 billion in fixed interest assets, spanning multi-sector, investment grade, non-investment grade, emerging market debt, municipals and alternatives. Included amongst these assets was the Strategic Income strategy which represented \$US 13.8 billion as at the same date, with the Fund contributing \$A 26.1 million (as at 31 January 2022).

Zenith highlights that most of the Fund's FUM is internal seed capital with limited external investment. While NB has committed to retaining its investment over the medium term, the lack of external capital means the Fund is subject to longevity risk, principally the risk of being wound-up.

INVESTMENT PERSONNEL

Name	Title	Tenure
Brad Tank	Chief Investment Officer - Fixed Income	20 Yr(s)
Ashok Bhatia	Deputy Chief Investment Officer	5 Yr(s)
Jon Jonsson	Senior Portfolio Manager	9 Yr(s)

NB's GFI team comprises over 180 investment professionals and is led by Brad Tank, Chief Investment Officer (CIO) - Fixed Income. Team members are predominately located in the US, albeit NB's regional footprint has continued to expand in recent years with a greater presence in Europe as well as an Asian team based in Singapore and a dedicated China team located in Shanghai.

Responsibility for the Fund rests with NB's Multi Sector Team

(MST). Comprising six members, the team is located across Chicago and London, and comprises senior members from across NB's global network. Included amongst these are Tank, Ashok Bhatia (Deputy CIO and Senior Portfolio Manager), and Jon Johnson (Senior Portfolio Manager), who collectively share portfolio management (PM) responsibility for the Fund.

Tank joined NB in 2002 from Strong Capital Management where he was Director of Fixed Income; and prior to this he was Vice President at Solomon Brothers. Located in Chicago, Tank retains a number of leadership responsibilities including member of NB's Operating, Investment Risk, Asset Allocation and Fixed Income Investment Strategy Committees. An experienced investor with a breadth of knowledge across the fixed income asset class, Zenith believes Tank is integral to the MST's deliberations. Furthermore, we note that Tank brings continuity and historical perspective to a team that has been subject to iteration in recent years.

Based in Chicago, Bhatia joined NB in 2017 and as Deputy CIO, is a member of the Fixed Income Investment Strategy Committee and the firm's Asset Allocation Committee. Prior to NB, Ashok held senior investment and leadership positions across several asset management firms and hedge funds, including Wells Fargo Asset Management, Balyasny Asset Management, and Stark Investments. With broad-based experience across global fixed income and currency markets, Zenith views positively the addition of Bhatia to the MST, considering him to be a strong contributor to the Fund's sector rotation strategies.

Jonsson joined NB in 2013 from JP Morgan Asset Management where he was involved in the management of global aggregate and multi-sector funds over a period spanning 15 years. Based in London, Jonsson was promoted to the PM team in 2018, following the retirement of Senior Portfolio Manager, Andrew Johnson.

The remaining members of the MST are David Brown (Head of Global Investment Grade Credit), Thanos Bardas (Head of Global Rates) and Adam Grotzinger (Senior Portfolio Manager), each of whom provides input into the formation of investment strategy.

The MST retains close lines of communication with analysts and portfolio managers from across NB's global platform, with the view to incorporating specialist insights to the team's deliberations. This is achieved through a series of structured meetings which promote the free flow of information with respect to valuations, market developments and the most contemporary views of its members.

Zenith notes that NB's GFI platform has grown considerably over a sustained period. This has been achieved through acquisition. Zenith believes that as NB continues to broaden its specialist capabilities, this will be of benefit to the Fund, permitting the team to access a broader set of discrete betas.

Overall, Zenith believes the MST is comprised of high-quality investment professionals that have skill sets aligned to the management of a multi-sector fixed income strategy. Furthermore, we view favourably the team's ability to access specialist insights from across NB's global network, believing these aid with the derivation of investment strategy.

INVESTMENT OBJECTIVE, PHILOSOPHY AND

PROCESS

The Fund aims to maximise total return, whilst providing a monthly income stream that is at a premium to cash. A secondary objective is to preserve capital and maintain volatility (as measured by Standard Deviation) at a similar level to the Bloomberg Barclays US Aggregate Index.

To achieve these objectives, NB adopts an active approach to fixed income management and seeks to construct a portfolio that benefits from a broad range of strategies. Included amongst these are duration, yield curve positioning, sector rotation, country and security selection. Operating within a flexible investment mandate, the Fund is opportunistically positioned across sectors, with the MST targeting those market segments deemed to be mispriced.

The investment process commences with the MST seeking to establish an asset mix that positions the Fund to deliver upon its stated objectives. To aid with this, the team takes into consideration the outputs of NB's Strategic Review Meeting (SRM). The SRM is convened quarterly and is a collaborative forum at which senior PMs from across NB's global platform discuss macroeconomic themes and asset class valuations. This meeting is separated into two sessions; the first is focused on developing a six to twelve-month forward view of the global economy, which is then contrasted to the current state. Members subsequently debate key areas of difference in an effort to reach consensus with respect to key economic variables (i.e. implied growth rates, inflation, the shape of forward yield curves) market directionality and a pecking order of conviction-based views.

The second session is focused on asset class relative valuations and the identification of market segments and industries deemed to be mispriced. To aid with this, participating members produce twelve-month forward return forecasts across a broad range of fixed income sectors including sovereigns, municipal, investment grade bonds, high yield, securitised assets and loans.

As part of this process, return forecasts are derived across a range of market states (i.e. strong growth, stable/deteriorating growth), with probabilities assigned to each of these. Zenith notes that market states may vary across sectors reflecting the fact that different factors impact their directionality. This process is designed to account for both probable and extreme outcomes and by consequence, necessitates sector PM's to take into consideration tail risks.

Zenith notes that forecasts are derived taking into consideration the bottom-up views of NB's specialist teams which meet regularly to exchange ideas. On a daily basis, sector teams review the work undertaken by credit analysts, highlighting rating developments and changes in credit views. These meetings are supplemented by monthly deep-dive reviews at which asset class teams formulate views with respect to valuations, emerging trends and opportunities.

The next step in the process is to input return forecasts into a proprietary optimiser along with estimates of risk, asset class correlations, fund objectives and mandate constraints. Using an extended Black-Litterman modelling methodology, the optimiser generates a set of theoretical portfolios, each of which offers a discrete risk/return outcome, reflecting varying asset class allocations. The MST then determines the most

appropriate naive portfolio, taking into consideration the qualitative views of its members.

In Zenith's opinion, NB's process effectively combines a blend of quantitative research with the fundamental insights garnered from across its global network of sector specialists.

SECURITY SELECTION

The following section provides a broad overview of NB's credit selection process. Zenith notes however that each of NB's spread-based teams (i.e. investment grade, high yield, emerging market debt) implement a slightly different approach, reflecting the idiosyncrasies of their respective areas of coverage. That said, a high level of commonality does exist with respect to the level of fundamental due diligence undertaken by analysts, and the mechanism through which findings are translated into assessments of issuer credit worthiness and relative value.

Analysts are coordinated across industry lines and are assigned to sectors based on their past experience and areas of interest. Zenith notes that credit analysts are predominately career analysts with long tenure in their chosen area/s of speciality, permitting a deeper level of insight. Furthermore, analysts retain responsibility for 30-35 issuers which is broadly consistent with global competitors.

To promote a level of consistency with respect to credit research, NB implements a Best Practice Checklist, which requires analysts to consider a broad range of factors. Included amongst these are:

- **Business fundamentals:** business track record, ability to de-lever, business products, method of business growth.
- **Quality of Cash Flow:** impact on business risk, CAPEX, ability to delay commitments, accounting practices, cautious of large transformation acquisitions.
- **Scenario Analysis:** understand upside/downside potential across credit ratios, spreads and ratings, compare with industry and the company's own history.
- **Capital Structure:** management's intention and ability to manage the capital structure, focus on senior structures in tight capital markets.
- **Liquidity:** cash, bank lines, covenants, non-core asset sales, other sources of cash.
- **Environmental, Social and Governance (ESG) Scorecard:** non-investment grade analysts implement a quotient methodology whereby environmental and social factors are considered alongside a set of management and governance matters. In terms of 'E' and 'S' matters, these are determined on an industry specific basis (using the Sustainability Accounting Standards Board as a starting point), whereas 'G' matters are standardised alongside non-investment grade criteria (i.e. governance structure, experience & track record, transparency and adaptability).

Next, analysts undertake detailed cash flow assessments, taking into consideration industry-specific considerations (i.e. regulatory and competitive pressures) and outputs of the SRM. Most notable are the SRM's global growth, currency and commodity forecasts. Upon completion of their assessments, analysts are responsible for assigning issuer-based credit ratings, along with buy, hold or sell recommendations. Assessments are then subject to peer review, and once vetted,

are presented to NB's Credit Committee for approval.

In Zenith's opinion, NB's credit selection process is detailed and well-structured and we view favourably the common framework adopted for the assessment of issuers.

PORTFOLIO CONSTRUCTION

The MST team is responsible for setting the Fund's investment strategy and overall risk tolerance. To aid with these responsibilities, the team meets weekly to discuss the Fund's key positions and risk setting, taking into consideration the outputs of NB's optimiser, the views expressed from across NB's sector teams and asset class valuations.

PM's seek to reach consensus with regard to the Fund's targeted asset mix and strategies for extracting value. With respect to asset class exposures, these are gained on an interfunding basis, with capital allocated to sector teams. Where these teams offer multiple strategies, preference is given to flagship offerings and those that are cost-efficient.

Zenith notes that since the inception of the strategy, NB's targeted asset mix has become more diversified. This trend has coincided with the expansion of NB's global network to include a growing number of specialist teams. In Zenith's opinion, a broadening of NB's specialist capabilities has been of benefit to the Fund, permitting it to access discrete market segments that would otherwise be unavailable.

The Fund's permitted duration range is relatively wide at two to eight years. That said, the Fund's duration tends to fall within a range of three to six years, and reflects an outworking of the MST's security selection and optimisation processes. With respect to currency, the Fund may retain up to 20% in active positions. Zenith notes that in a relative context, the Fund's active currency parameters are wide, albeit NB has advised that its unlikely to test the mandate's outer limit, other than in extreme market conditions.

In managing the Fund, the MST generally favours physical exposure, however, will use derivatives to manage the Fund's interest rate strategies. While the team anchor on physical bonds in credit, they do use derivatives to build exposure (when warranted by their views on relative value and desire to have less frictional positioning). Zenith believe's NB's preference for physical exposure has the potential to constrain the opportunistic nature of the Fund, particularly in less liquid markets and times of market stress.

In Zenith's opinion, NB's portfolio construction process is scalable, drawing on the collective insights and views from across its global channels. That said, believe there is an opportunity to enhance trade execution through the use of derivatives which permit the MST to manage the Fund's credit spread characteristics, while also enhancing its drawdown and skew profile.

RISK MANAGEMENT

Portfolio Constraints	Description
Duration	2-8 Years
Government & Agency (%)	-35% to 100%
Treasury Inflation-Protected Securities (%)	0% to 25%

Portfolio Constraints	Description
Agency Mortgage Backed Securities	0 to 100
Asset Backed Securities (%)	0% to 50%
Commercial Mortgage Backed Securities (%)	0% to 50%
Non Agency / Credit Risk Transfers (%)	0% to 50%
Investment Grade Credit (%)	0% to 50%
Non-Investment Grade Credit (%)	0% to 75%
Global Developed Market Sovereign (%)	-10% to 35%
Active Currency (%)	0% to 20%
ESG Exclusions	Child labour, controversial weapons

The Fund's mandate is broad and consistent with this, it is subject to few constraints (as detailed in the table above). With respect to portfolio risk, the Fund has no formal limits, rather is managed such that its volatility is consistent with that of the Bloomberg Barclays US Aggregate Index. Further, the Fund is positioned to produce a liquidity profile commensurate with a global investment-grade portfolio.

The MST considers risk at multiple levels. At a portfolio level, the MST meet regularly to discuss the Fund's key exposures and risk positioning. To aid with their deliberations, members use BlackRock Alladin and Bloomberg Point to produce high-level risk reports which are subsequently scrutinised. From a bottom-up perspective, risk is also considered through the due diligence undertaken by analysts who focus on credit quality and avoiding those issuers with deteriorating financials.

The investment team is supported by an independent risk function, led by Anne Brennan, Chief Risk Officer (CRO). This division comprises three separate sleeves, each of which have a discrete set of responsibilities including:

- Investment risk: analyse risk metrics, produce scenario analysis, stress testing and liquidity coverage ratios. In addition, this team audits performance analysis and provides independent assessments of portfolio managers
- Operational risk: this team is principally focused on identifying, monitoring and reporting on operational risks
- Asset Management Guideline Oversight: monitor compliance with investment mandates, independently critique and assess the integrity of the Fund's process, and provides support to the overall portfolio management process.

Zenith notes that there is a high degree of overlap in membership across each of the three risk divisions. In our opinion, greater independence across functions would add further credibility to the team's outputs. Notwithstanding this, we view favourably the existence of direct reporting lines between Brennan and NB's Chief Executive Officer.

Overall, Zenith believes NB's risk management framework is sufficient, noting the risk management team is well resourced and supported through both proprietary and third-party risk reporting systems.

Responsible Investment Approach

NB has been a signatory to the United Nations Principles for Responsible Investment (UN PRI) since 2012 and last submitted materials for assessment in December 2021. As at the date of this report, NB had been assigned the following module scores:

- Strategy & Governance: A+
- Direct Fixed Income (SSA): A+
- Direct Fixed Interest (Corporate Non-financial): A+

NB has an established Responsible Investment Policy (RIP) that was last updated in February 2021, and is available for public viewing. Compliance with the RIP is monitored by the individual investment teams with an ESG Committee overseeing firm-wide ESG efforts. NB has advised that for the 12 months to 31 December 2021, there have been no material breaches of its RIP globally.

With respect to Environmental, Social and Governance (ESG) factors, the Fund excludes investment in sub-investment grade issuers that use child labour or are involved in armaments and controversial weapons. ESG factors are also incorporated into the security selection process by the individual specialist sector teams. While the precise methodology varies across market segments, ESG risks and factors are ultimately integrated into NB's internal credit ratings. In addition, NB actively engages with issuers on ESG and discloses to market participation in proxy votes (including outcomes).

From a classification scale of:

- Impact
- Thematic
- Integrated
- Aware
- Traditional

*Zenith has assigned the Fund a Responsible Investment Classification of **Integrated**.*

INVESTMENT FEES

The sector average management cost is based on the average management cost of all flagship 'International Fixed Interest - High Income' funds surveyed by Zenith.

The investment management cost of the Fund is 0.75% p.a. with no performance fee which is competitive.

There is a 0.10% buy/sell spread applicable to all applications and redemptions.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	0.75% p.a.	0.85% p.a.
Description		
Performance Fee	N/A	
	Buy Spread	Sell Spread

Buy / Sell Spread	0.10%	0.10%
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PERFORMANCE ANALYSIS

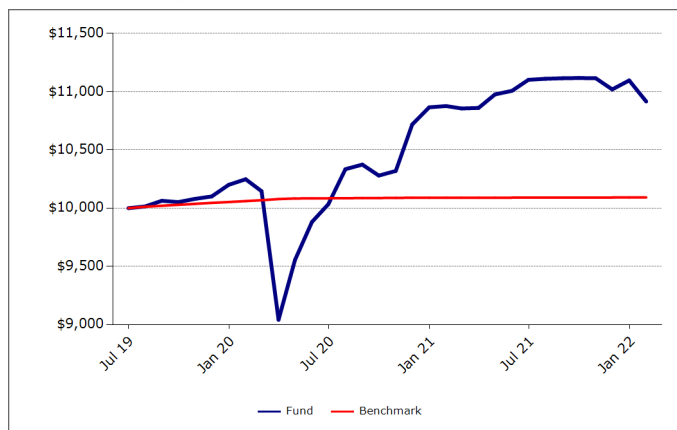
Report data: 31 Jan 2022, product inception: Jul 2019

Monthly Performance History (% , net of fees)

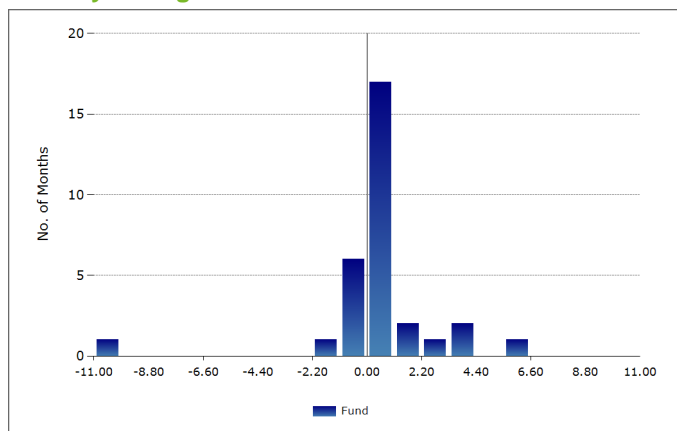
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2022	-1.63												-1.63	0.01
2021	0.10	-0.19	0.04	1.07	0.28	0.86	0.08	0.04	0.02	-0.02	-0.86	0.70	2.13	0.03
2020	0.47	-1.00	-10.88	5.67	3.42	1.55	2.99	0.38	-0.91	0.39	3.87	1.37	6.52	0.37
2019							0.14	0.49	-0.11	0.28	0.20	0.99	2.00	0.52

Benchmark: Bloomberg AusBond Bank Bill Index

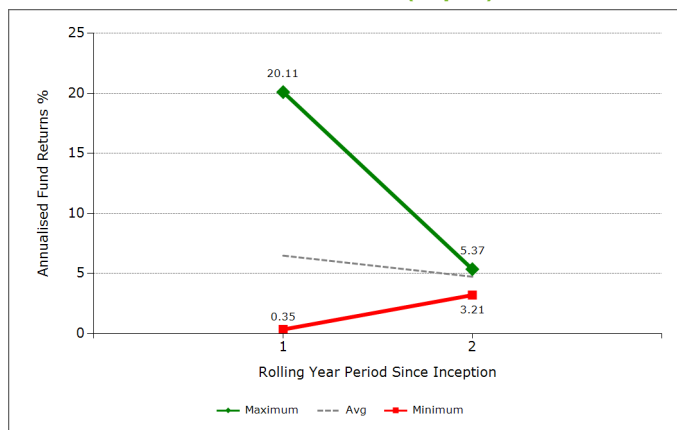
Growth of \$10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	2 yr	1 yr	6 mth
Fund (% p.a.)	3.45	3.21	0.36	-1.75
Benchmark (% p.a.)	0.36	0.16	0.03	0.02
Median (% p.a.)	2.95	2.38	0.98	-1.04
Ranking within Sector	Incpt.	2 yr	1 yr	6 mth
Fund Ranking	7 / 21	5 / 24	17 / 27	19 / 29
Quartile	2nd	1st	3rd	3rd
Standard Deviation	Incpt.	2 yr	1 yr	6 mth
Fund (% p.a.)	8.73	9.90	2.43	2.60
Benchmark (% p.a.)	0.13	0.08	0.01	0.01
Median (% p.a.)	7.00	9.85	3.43	3.87
Downside Deviation	Incpt.	2 yr	1 yr	6 mth
Fund (% p.a.)	6.92	7.86	1.85	2.61
Benchmark (% p.a.)	0.00	0.00	0.00	0.00
Median (% p.a.)	5.27	8.16	2.66	2.83
Risk/Return	Incpt.	2 yr	1 yr	6 mth
Sharpe Ratio - Fund	0.35	0.31	0.14	-0.68
Sortino Ratio - Fund	0.45	0.39	0.18	-0.68

Zenith benchmarks funds within the 'International Fixed Interest - High Income' peer-group against the Bloomberg Bank Bill Index. While this benchmark may not be consistent with the one adhered to by all sector participants, it has been adopted to provide investors with a common reference point against which the performance of similarly structured strategies may be assessed.

The following commentary is current as at 31 January 2022.

The objective of the Fund is to maximise total return, whilst providing a monthly income stream that is at a premium to cash rates. The Fund is also positioned to preserve capital and maintain volatility at a similar level to the Bloomberg Barclays US Aggregate Index.

Given the Fund's recent inception (July 2019), there is currently insufficient performance history to conduct meaningful analysis. That said, we note that the Master Fund (through which the Fund gains exposure), has a track record dating back to April 2013, which has produced longer-term outcomes broadly consistent with objectives, with a consistent

contribution from spread centric sectors.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	2 yr	1 yr	6 mth
Excess Return (% p.a.)	3.09	3.05	0.33	-1.77
% Monthly Excess (All Mkts)	74.19	70.83	66.67	50.00
% Monthly Excess (Up Mkts)	79.31	77.27	80.00	60.00
% Monthly Excess (Down Mkts)	0.00	0.00	0.00	0.00
Beta Statistics	Incpt.	2 yr	1 yr	6 mth
Beta	-19.71	-61.84	-95.99	-171.14
R-Squared	0.09	0.28	0.07	0.30
Tracking Error (% p.a.)	8.77	9.95	2.43	2.60
Correlation	-0.30	-0.53	-0.27	-0.54
Risk/Return	Incpt.	2 yr	1 yr	6 mth
Information Ratio	0.35	0.31	0.14	-0.68

The following commentary is current as at 31 January 2022.

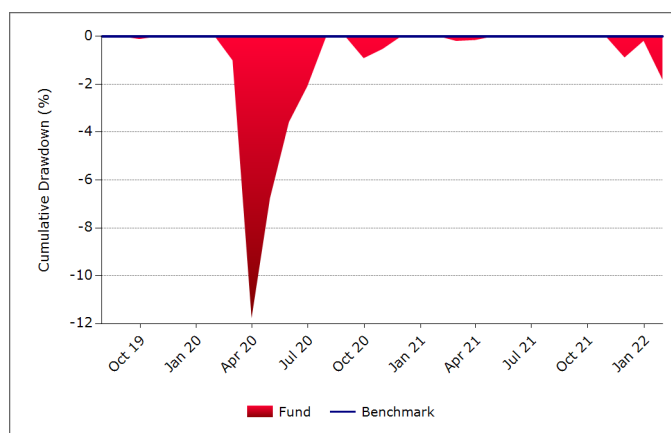
Given the Fund's recent inception (July 2019), there is currently insufficient performance history to conduct meaningful analysis.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-11.77	0.00
Months in Max Drawdown	2	1
Months to Recover	4	1

Worst Drawdowns	Fund	Benchmark
1	-11.77	0.00
2	-1.81	0.00
3	-0.91	
4	-0.19	
5	-0.11	



The following commentary is current as at 31 January 2022.

Given the Fund's recent inception (July 2019), there is currently insufficient performance history to conduct meaningful analysis.

That said, given the largely unconstrained nature of the Fund with meaningful allocations to higher-yielding securities and EMD investors should note the potential for volatility and drawdowns.

INCOME/GROWTH ANALYSIS

The Fund has a monthly distribution schedule, with Zenith believing that through time the majority of total returns will be in the form of income.

REPORT CERTIFICATION

Date of issue: 2 Mar 2022

Role	Analyst	Title
Author	Andrew Yap	Head of Multi Asset & Austr. Fixed Income
Sector Lead	Rodney Sebire	Head of Alternatives & Global Fixed Interest
Authoriser	Bronwen Moncrieff	Head of Research

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RATING HISTORY

As At	Rating*
2 Mar 2022	Recommended

As At	Rating*
1 Mar 2021	Recommended
27 Feb 2020	Recommended
20 Dec 2019	Not Rated - Screened Out
Last 5 years only displayed. Longer histories available on request.	

*In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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