

Neuberger Berman International Equity Team

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As a follow-up to last week's communication about Credit Suisse, the Neuberger Berman International Equity team continued to monitor the evolving situation with the bank late last week. As mentioned in that communication, Credit Suisse suffered a crisis of confidence, resulting in Swiss regulators structuring an emergency rescue of the bank. To reiterate, the Neuberger Berman International Equity team does not have any direct exposure to Credit Suisse in client accounts. However, the team did have direct exposure in client accounts to its Swiss banking peer, UBS, which was reevaluated.

Although UBS had been a core holding for some time, we have now exited our position. We were concerned that UBS could be called upon to rescue Credit Suisse, which came to fruition. Credit Suisse will be merged into UBS at a substantial discount, despite the misgivings of both management teams. Given a wide range of outcomes and questions around deal structure, integration, financial risk, and regulatory support, we believe it was in the best interests of our clients to exit our UBS position and re-evaluate after analyzing the merger's long-term benefits and short-term challenges. Some, but not all, of those questions have been answered with the broad merger terms announced on March 19, 2023.

The team continues to hold Julius Baer, a large Swiss-based private bank serving high-net-worth individuals globally. At this time, we do not believe Credit Suisse's problems are representative of broader issues within the private banking market. Our current view is that Julius Baer could potentially benefit if clients with balances at both UBS and Credit Suisse, Julius Baer's two largest competitors, look to diversify exposure away from a larger merged entity.

As for our team's broader exposure to Financials, we continue to focus on what we believe are strong companies with robust regulatory capital, strong liquidity, and resilient business models. We believe the Credit Suisse rescue could help limit additional contagion risk, although we believe the European bank situation is fluid and markets could remain volatile in the days ahead.

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