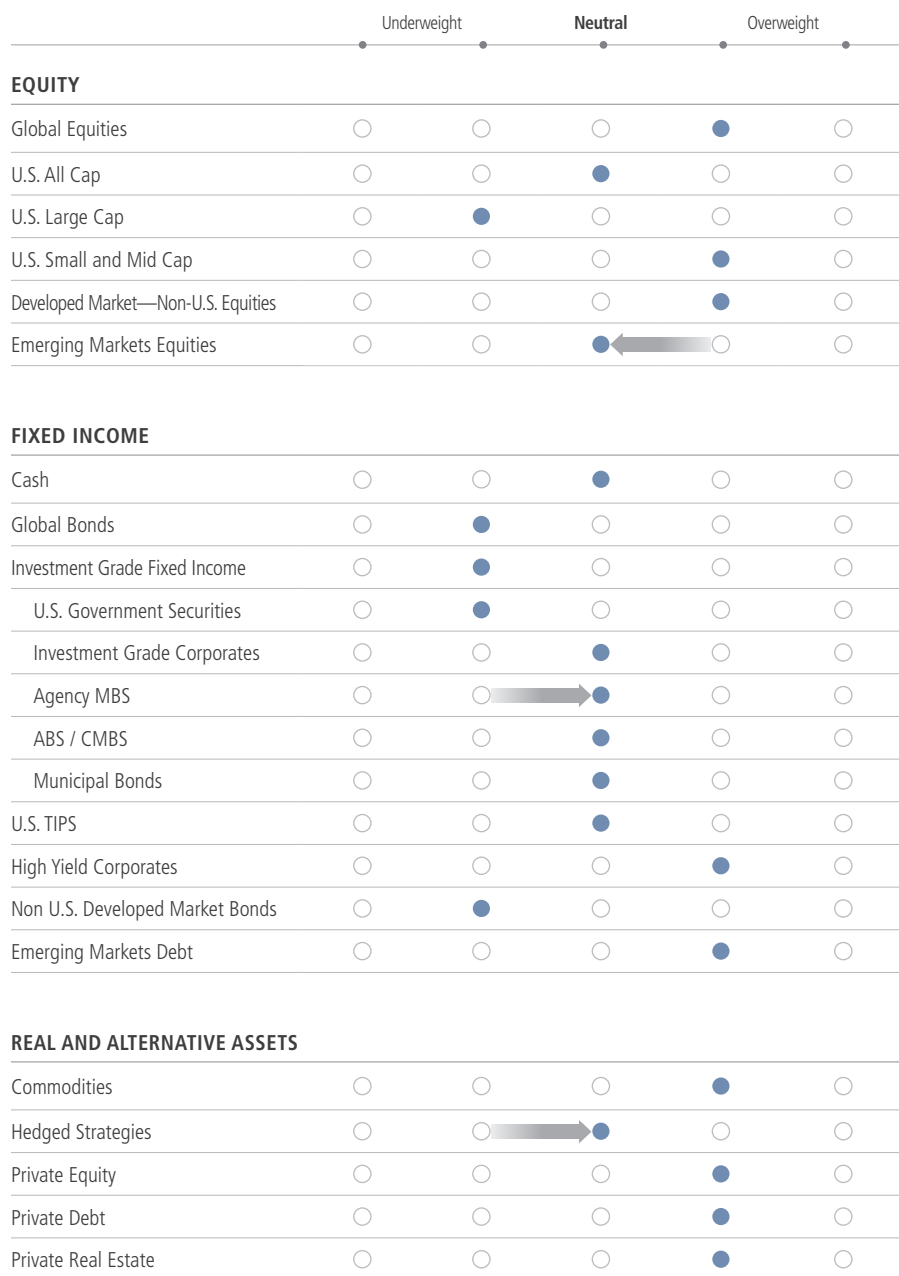


MARKET VIEWS:

Based on 12-Month Outlook for Each Asset Class



About the Asset Allocation Committee

Neuberger Berman’s Asset Allocation Committee meets every quarter to poll its members on their outlook for the next 12 months on each of the asset classes noted and, through debate and discussion, to refine our market outlook. The panel covers the gamut of investments and markets, bringing together diverse industry knowledge, with an average of 29 years of experience.

Committee Members

Joseph V. Amato
Co-Chair, President and Chief Investment Officer—Equities

Erik L. Knutzen, CFA, CAIA
Co-Chair, Chief Investment Officer—Multi-Asset Class

Ashok Bhatia, CFA
Deputy Chief Investment Officer—Fixed Income

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Timothy F. Creedon, CFA
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Suzanne F. Peck
Head of Investments—Private Wealth Management

Raheel Siddiqui
Senior Research Analyst—Global Equity Research

Robert Surgent
Senior Portfolio Manager—Multi-Asset Class

Brad Tank
Chief Investment Officer—Fixed Income

Anthony D. Tutrone
Global Head of Alternatives

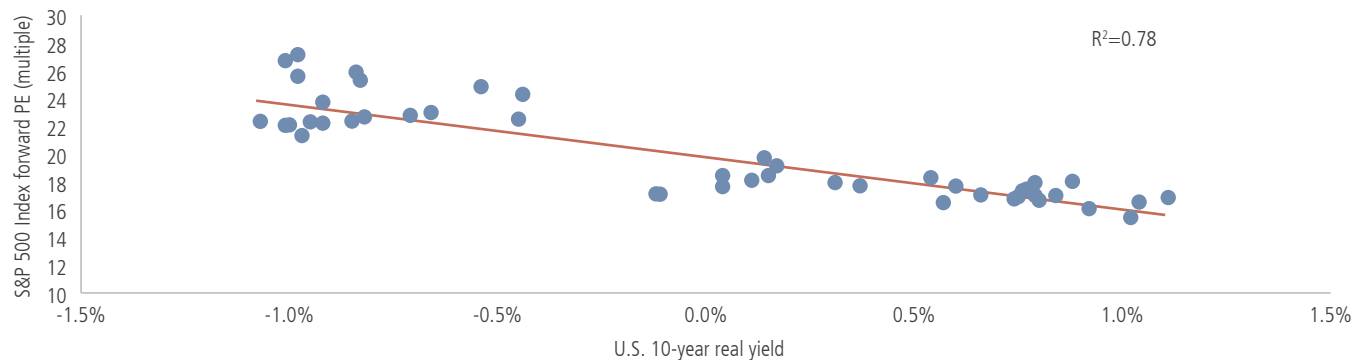
As of 1Q 2022. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

Hike Rates and Carry On

A fundamentally robust economy and a positive earnings and default outlook make the case for holding risky assets through 2022, in our view. But the likely transition to higher interest rates, plus the risk of stickier-than-expected inflation and central bank policy errors, could be a recipe for elevated volatility and a more challenging year than the one we just completed. For the Asset Allocation Committee (“AAC”), that means a focus on income from risky assets, alongside strategies that can help cushion against, and take advantage of, potential price volatility.

REAL RATES APPEAR TO BE A MAJOR DETERMINANT OF EQUITY MARKET VALUATION

End-month S&P 500 Index price-to-earnings ratios and U.S. 10-year real yields, January 2018 to October 2021



Source: Bloomberg, Goldman Sachs, FactSet, Neuberger Berman. For illustrative purposes only. Nothing herein constitutes a prediction or projection of future events or future market behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

EQUITY

- The AAC maintained its overweight view on global equities relative to investment grade credit, government bonds and cash, reflecting its moderately positive overall view on risk. It also maintained its underweight view on U.S. large caps, its overweight view on U.S. small- and mid-caps and its overweight view on developed non-U.S. markets.
- Within U.S. equities, the AAC favors small caps and value over growth, with a particular focus on equity income, to maintain cyclical exposure, buffer against downside in multiples and mitigate interest-rate sensitivity—as our chart suggests, the valuation of the S&P 500 Index, now dominated by large, growth-oriented tech stocks, could be vulnerable to rising real rates.

FIXED INCOME

- The AAC maintained its overweight view on high yield and emerging markets debt, and its underweight view on investment grade and government bonds.
- Fundamentals remain robust and default expectations low, but return opportunities are now likely to come through coupon income and tactical trading rather than persistent spread tightening; liquidity risk is favored over interest-rate risk, and floating rates over fixed.
- The median return outlook for emerging markets is unchanged, but our estimation of tail risk has risen: our view remains cautious until there is more clarity on the path of global growth and the U.S. dollar.

REAL AND ALTERNATIVE ASSETS

- The AAC upgraded its view on Hedged Strategies from underweight to neutral, given the need to diversify against stretched equity and bond valuations: it particularly favors equity index put writing, which has tended to perform well during periods of elevated volatility.
- The AAC maintained its overweight view on commodities, for diversification and exposure to further potential inflation surprises.
- The AAC maintained its overweight view on private markets: creating value away from the volatility of the public markets could address valuation concerns, and may provide some portfolio stability as the cycle matures and monetary policy tightens.

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The views expressed herein are generally those of Neuberger Berman’s Asset Allocation Committee, which comprises professionals across multiple disciplines, including equity and fixed income strategists and portfolio managers. The Asset Allocation Committee reviews and sets long-term asset allocation models, establishes preferred near-term tactical asset class allocations and, upon request, reviews asset allocations for large, diversified mandates. Tactical asset allocation views are based on a hypothetical reference portfolio. The views and recommendations of the Asset Allocation Committee may not reflect the views of the firm as a whole, and Neuberger Berman advisors and portfolio managers may recommend or take contrary positions to the views and recommendations of the Asset Allocation Committee. The Asset Allocation Committee views do not constitute a prediction or projection of future events or future market behavior. This material may include estimates, outlooks, projections and other “forward-looking statements.” Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed.

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