NEUBERGER | BERMAN

Neuberger Berman BKS Select All Cap Core Portfolio

PORTFOLIO MANAGERS: BKS Select Investment Group

Performance Highlights

The Neuberger Berman BKS Select All Cap Core Portfolio posted a positive return (net of fees) in the second quarter of 2025, but underperformed its benchmark, the S&P 500 Index (the S&P 500 or the Index) for the same period.

Market Context

Notwithstanding numerous challenges, the S&P 500 Index ended the second quarter of 2025 at record levels. The "Liberation Day" tariff announcement on April 2nd triggered a sharp decline of 12% in the subsequent four trading days. However, the subsequent announcement of a 90-day pause before the tariffs would take effect led to a rapid and robust rebound. Remarkably, the S&P 500 not only recovered its losses but also reached new highs by quarter-end, with total returns of 6.2% for the first half of the year. This episode stands out as one of the fastest recoveries from a significant market drawdown in the past 75 years, underscoring the resilience and adaptability of the market in the face of policy uncertainty.

The central source of uncertainty this year has been U.S. trade policy. The ever-changing nature of President Trump's aggressive tariff agenda has made decision making difficult for many companies. On April 2nd, the President announced a 10% baseline tariff on most U.S. imports and much higher, country-specific tariffs to take effect beginning April 9th. Subsequently, the administration enacted a 90-day pause to July 9th to allow additional time for country-by-country negotiations. While preliminary agreements were announced with a few countries (including the United Kingdom and Vietnam), the administration yet again provided a temporary reprieve until August 1st. Fundamentally, the President appears committed to a baseline tariff of at least 10% for all countries, though the ultimate level of additional tariffs, including sector-specific tariffs, remains unclear. The stock market thus far has anticipated benign results for these negotiations, but we believe there may still be a substantial risk of more negative outcomes. The tariff impacts may also vary greatly among different countries and industry sectors.

While the tariffs create uncertainty, the recent enactment of the "One Big Beautiful Bill Act" is likely to be a near-term positive for the economy. Many of the policies in the bill are stimulative, including tax-saving provisions for immediate expensing of certain capital investments and research and development costs. The passage of the bill should help offset the anticipated drag from tariffs and promote business investment.

Economic conditions through the first half have been remarkably resilient despite the uncertainty. While earnings expectations for 2025 have moderated slightly, consensus forecasts for S&P 500 earnings still reflect growth of 7% this year to $264 per share and an additional 14% next year to $300 per share (source: FactSet). Achievement of these expectations will depend in large part on the ultimate level of tariffs and their impact on the economy.

The much-discussed "Magnificent 7" technology stocks, which drove the bulk of the gains for the S&P 500 in 2023 and 2024, have seen uneven performance year-to-date. Generally, larger companies continue to outperform smaller ones, and growth stocks continue to outperform value stocks. The Health Care sector, well-represented in our portfolios, has been a laggard this year and appears especially attractive, trading at a historically low valuation level relative to the overall market.

The recent rise in the stock market has pushed valuations to 23x and 21x expected earnings for 2025 and 2026, respectively, which is at the upper end of historical valuation levels. We believe that this elevated valuation could present challenges for the equity market, unless earnings growth expectations continue to support heightened multiples.

Portfolio Review

The Neuberger Berman BKS Select Investment Group All Cap Core Portfolio posted a positive return for the second quarter of 2025 but underperformed the return of the S&P 500 during the same period. Information Technology (IT), Health Care, and Financials are the most heavily weighted sectors in our portfolio. During the quarter we reduced weighting in Financials and used the proceeds to increase our weight in Health Care.

Compared with the Index, the Portfolio's relative performance in the second quarter was negatively impacted by stock selection in IT, Financials, Consumer Staples and Consumer Discretionary and positively affected by Energy and Health Care. Our sector weighing in Health Care, Financials and Consumer Discretionary detracted from performance while Real Estate, Materials and Energy were additive to our performance. Cash was approximately 8.64% at the end of the quarter.

Market Outlook

Economic conditions continue to be supportive of growth apart from tariff headwinds. Interest rates have declined modestly from highs reached earlier in the year, making borrowing somewhat more accessible for both consumers and businesses. The labor market remains mostly stable, with unemployment at historically low levels, contributing to steady consumer spending and overall economic resilience. Crude oil prices have recently fallen to four-year lows and have been in a steady downtrend for fifteen months.

While inflation persists above the Federal Reserve's (the Fed) long-term target, it has moderated compared to recent peaks. The Fed, at its June policy meeting, chose to keep the federal funds rate steady in the range of 4.25% to 4.50%. Policymakers noted the ongoing uncertainty around the trajectory of both inflation and economic growth, citing tariffs as a source of near-term upward price pressure, but likely not an ongoing inflation stimulant. Market participants are now anticipating the Fed will implement two rate cuts before year-end, reflecting expectations that moderating inflation and potentially slowing growth could prompt more accommodative monetary policy in the coming months.

Geopolitical risk remains ever present. Middle East tensions have quieted in recent days following coordinated Israeli and U.S. actions in Iran, culminating with the U.S. bombing of Iranian nuclear sites. Markets have responded positively to the prospect of an improving regional environment, particularly given diminishing Iranian influence. Nonetheless, the global picture remains complex, including the ongoing war in Ukraine, mounting Administration pressure on Russia, and increasingly vindictive trade threats.

Our investment strategy remains rooted in discipline and a focus on quality. We continue to favor companies with strong balance sheets, defensible business models, sustainable competitive advantages, and pricing power. Stocks with these characteristics have historically performed strongly over long-term market cycles.

Throughout the recent volatility, we have implemented modest risk reduction and engaged in tax loss harvesting where appropriate in taxable accounts, while remaining patient and opportunistic. The events of 2025 have reinforced several enduring lessons: volatility is inevitable, policy and geopolitical risks are a constant, and the U.S. stock market (as measured by the S&P 500) has always recovered and reached new highs after periods of adversity.

We are grateful for your continued trust and partnership. Please do not hesitate to reach out if you have questions or wish to discuss your investment strategy. Our team is committed to helping you achieve your long-term financial goals, regardless of the headlines.

This material is provided for informational purposes only. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. Neuberger Berman is not providing this material in a fiduciary capacity and has a financial interest in the sale of its products and services. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. Third-party economic or market estimates discussed herein may or may not be realized and no representation is being given regarding such estimates. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Certain products and services may not be available in all jurisdictions or to all client types. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. Unless otherwise indicated, returns shown reflect reinvestment of dividends and distributions**. Past performance is no guarantee of future results.**

The information is provided for illustrative purposes only. Due to client-specific variations in third-party financial intermediary programs this should not be relied on as an indication of any client's actual experience.

This Portfolio is available only through a wrap fee or similar program sponsored by a third-party financial intermediary ("Financial Intermediary") that has engaged Neuberger Berman Investment Advisers LLC ("NBIA") to manage certain of the Financial Intermediary's client accounts on a discretionary basis or to provide the Financial Intermediary with recommendations in the form of model portfolio NBIA does not have, nor expects to receive, information regarding a Financial Intermediary's client(s) individual financial situation, investment needs or objectives. As such, these materials are intended to be used only by a financial adviser. These materials may, at a Financial Intermediary's discretion, be used by a Financial Intermediary's financial adviser for discussion purposes with a Financial Intermediary's client. To the extent a Financial Intermediary chooses to disseminate this material to program participants, NBIA and its affiliates assume no responsibility for compliance with any laws and rules associated with such further dissemination. Any information about a Financial Intermediary's product offerings, including the composition, categorization, eligibility, or availability of a portfolio is solely determined by a Financial Intermediary. Neither NBIA nor its employees provide investment, suitability, tax or legal advice to a Financial Intermediary's clients. Receipt of this material by a Financial Intermediary's client does not establish any relationship between such client and NBIA and its affiliates.

When the client account is held by the Custodian, foreign or otherwise, other than NBIA and/or its affiliates ("Neuberger Berman"), Neuberger Berman shall have no responsibility, liability, duty or obligation with respect to the selection of the Custodian, custody arrangements or the acts of the Custodian, information provided by the Custodian, omissions or other conduct of the Custodian, including investment by the Custodian of cash in the account, pricing, reporting functions, foreign exchange execution services, the security of data maintained by the custodian, whether electronically stored or otherwise, or the Custodian's failure to obtain and maintain adequate insurance for the account, including but not limited to that which is offered by the Securities Investor Protection Corporation or the Federal Deposit Insurance Corporation, nor for any fees, charges or expenses that may be owed to the Custodian.

The information in this material may contain projections, market outlooks or other forward-looking statements regarding future events, including economic, asset class and market outlooks or expectations, and is only current as of the date indicated. There is no assurance that such events, outlook and expectations will be achieved, and actual results may be significantly different than that shown here. Information is based on current views and market conditions, which will fluctuate and may be

This material is general in nature and is not directed to any category of investors and should not be regarded as individualized, a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. Investment decisions and the appropriateness of this material should be made based on an investor's individual objectives and circumstances and in consultation with his or her advisors.

Investing in the stocks of even the largest companies involves all the risks of stock market investing, including the risk that they may lose value due to overall market or economic conditions. Mid-capitalization stocks are more vulnerable to financial risks and other risks than larger stocks. They are generally less liquid than larger stocks, so their market prices tend to be more volatile. Investing in foreign securities involves greater risks than investing in securities of U.S. issuers, including currency fluctuations, interest rates and political conditions. Uncertainty in the markets and international events may cause markets to fluctuate dramatically.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weighs only those shares that are available to investors, not all of a company's outstanding shares. The value of the index now reflects the value available in the public markets.

The S&P 500® Equal Weight Index (EWI) is the equal weighted version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

Any third party mark(s) appearing above is/are the mark(s) of its/their respective owner(s).

Neuberger Berman Investment Advisers LLC is a registered investment adviser. The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

FOR INVESTMENT PROFESSIONAL, BROKER-DEALERS AND INSTITUTIONAL USE ONLY. NOT FOR USE WITH OR DISTRIBUTION TO THE GENERAL PUBLIC.