

Neuberger Berman Multi-Asset Class Team

PORTFOLIO MANAGERS: Erik Knutzen and Ajay Jain

Market Context

Now officially declared a global pandemic, we anticipate the Coronavirus (COVID-19) will likely have a deep impact on GDP growth, earnings expectations, rates markets and monetary and fiscal policy. As asset allocators, we are monitoring these developments closely, and are preparing for a sustained level of higher market volatility and uncertainty going forward.

Investment Implications

Within our multi-asset class portfolios, we have been reducing risk since February, trimming exposure in the Systematic TAA portfolio, rebalancing from equity to fixed income early in the month, and closing certain directional fundamental trades. Last week we disinvested the Systematic TAA portfolio, locking in some gains, given the low starting risk levels which were supported by our increasing concerns around the spread of COVID-19.

In portfolios with credit exposure we trimmed our positions last week. The news on Sunday about the oil price war was additional support for our views on managing down risk in our portfolios.

As Erik Knutzen, CIO of Multi-Asset Class Investments wrote in his [blog post](#) that came out Monday morning, we believe we are in an extended period of uncertainty driven by the lack of clarity around the path of COVID-19 and its impact on economic growth and earnings, which is now exacerbated by the potentially deflationary and credit-negative effects of the oil price war. We are watching fundamentals and policy-maker actions closely, but expect key economic and business drivers to deteriorate for a period of time before we see improvement. That said, equity markets are approaching levels where we may want to add to positions. We are also looking to increase exposure to equity index PutWrite to capture very attractive premia by being willing to add equity exposure at lower levels. As always, we will continue to evaluate opportunities while seeking to mitigate risks in our multi-asset class portfolios.

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