

Neuberger Berman Small Cap Team

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Market Context

As the coronavirus has introduced risk to global economic growth and led to heightened market volatility, history suggests the panic will eventually pass. We would expect market volatility to remain elevated as the number of coronavirus cases continues to climb globally. Until now, the U.S. economy has been quite strong, driven by low unemployment, healthy corporate profits and tame inflation. While it is very difficult to time the market and call the bottom, we continue to believe that a diversified portfolio of financially strong companies, with strong returns on capital and defensible barriers to entry can weather the storm relatively well. This has been the case, thus far, since the market's peak in mid-February.

Investment Implications

As far as recent investment implications go, we are growing even more averse to leverage and favor reducing exposure to oil related equities. We also view this an opportunity to selectively trim names that have held up extraordinarily well or modestly add to names that appear to have been beaten down disproportionately. Please note this is an evolving situation and we continue to closely monitor the market and our portfolio and will make adjustments as we deem necessary or appropriate.

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