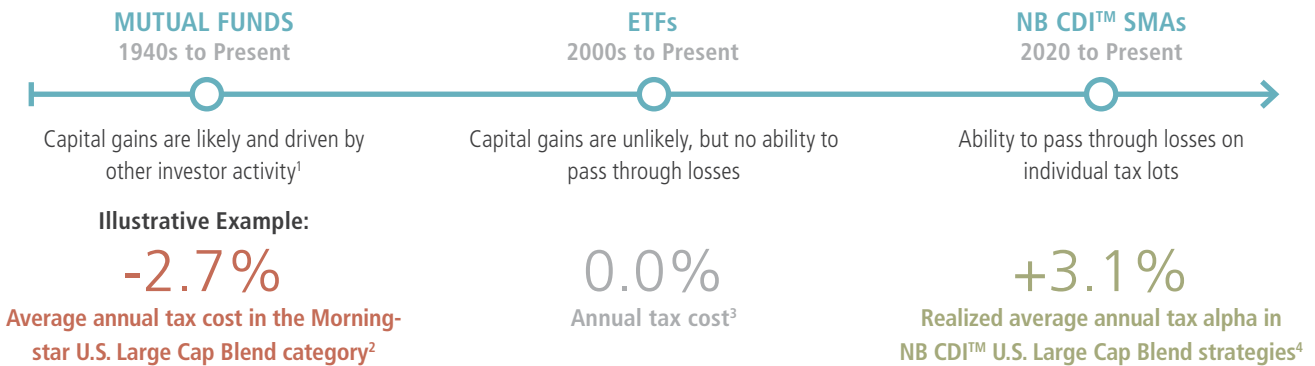


# Neuberger Berman Custom Direct Investing (NB CDI)<sup>TM</sup>

NB CDI<sup>TM</sup> custom separately managed accounts (SMAs) hold individual stocks in a client's name and can be tailored to the client's specific investment objectives, personal values and tax profile.

## EVOLUTION OF INVESTMENT VEHICLES

Unlike mutual funds or ETFs, directly holding individual securities in an SMA gives investors greater control to harvest losses and defer capital gains at the individual tax lot level, **seeking to deliver better after-tax outcomes for clients.**



The hypothetical 5.8% delta in after-tax experience between mutual funds and custom SMAs in the example above could mean the difference between a **top percentile** strategy and a **5th lowest percentile** strategy in the Morningstar US Large Cap Blend category. For a \$1 million portfolio, compounded over 20 years, investment in a custom SMA can equate to **\$7.7 million** in added after-tax performance.<sup>5</sup>

## WHY USE CUSTOM SMAs NOW?



### Unexpected gain realizations

While holding commingled vehicles, investors can receive capital gains due to the actions of other investors



### Control your tax experience

Investing in a custom SMA allows for personalized loss harvesting, gain deferral and charitable gifting



### Increased market uncertainty

A changing economic landscape, driven by interest rates and inflation concerns, has increased market uncertainty



### Capitalize on volatility

Year-round loss harvesting to offset outside capital gains, seeking to maximize client after-tax wealth



### Complex client objectives

\$84tn is anticipated to move between generations by 2045<sup>6</sup>; those inheriting assets may have unique investment goals



### Scalable personalization

Tailor portfolios to client tax liabilities, personal values, stock concentrations, and desired asset allocation

Source: Morningstar, Neuberger Berman. As of June 30, 2023.

<sup>1</sup> Cost basis is commingled with other investors and trading/redemptions can cause securities to be sold at a capital gain, after offsetting capital losses, which is then passed through to all investors.

<sup>2</sup> Average annual tax cost, which is calculated as the difference between after-tax and pre-tax returns within the Morningstar U.S. Large Cap Blend category over the last 10 years. The U.S. Large Cap Blend category was selected because it is the largest Morningstar category by AUM.

<sup>3</sup> ETFs typically avoid gain realization due to the favorable security creation/redemption process of ETFs, resulting in zero impact on taxes.

<sup>4</sup> Average annual tax benefit, also referred to as "Tax Alpha" is calculated as the weighted average net after-tax composite excess returns minus net pre-tax composite excess returns. Excess returns are composite returns minus benchmark returns across NB CDI US Large Cap Blend strategies since inception in 2020 using highest state and federal taxes or all underlying composite accounts. All accounts in the composite(s) are managed according to a similar investment mandate, objective, or strategy. Expectation of 1 – 2% tax alpha annualized for core strategies and 3+% for active strategies.

<sup>5</sup> The difference in hypothetical growth of two \$1mm portfolios (one invested in a mutual fund and one a custom SMA) assuming the S&P 500 annualized net return of 10.04% over the past 20 years, adjusted for annual tax cost of 2.7% and tax benefit of 3.1%. Pre-liquidation.

<sup>6</sup> Cerulli, January 2022.

## NB CDI™ INVESTOR BENEFITS

### WHO ARE NB CDI SMAs™ FOR?

#### INVESTORS WHO:

- Are in high tax brackets and/or have meaningful tax liabilities
- Hold appreciated stocks and are looking to make a change
- Own a concentrated stock position
- Want to align their investments with personal values

### WHY NB CDI™?

- Full suite of **40+ core, active and factor strategies** available
- **Real-time access** to holdings and after-tax performance through digital portal
- **Frequent portfolio rebalancing** to manage individual tax liabilities
- **More ways to customize** across personal values, factor tilts, industry restrictions, etc.

## NB CDI™ REPORTING CAPABILITIES



### Monthly After-Tax Reporting

After-tax returns using federal and state client-specific tax rates



### Household After-Tax Reporting

Wash sale coordination and consolidated after-tax reporting



### In-Kind Transition Analysis

Analyze the tax/risk impact of transitioning assets in-kind



### Charitable Gifting Analysis

Optimization-based selection of appreciated securities



### Personal Values Screens

Transparent detail of how your personal values are implemented

## THE NB CDI™ PLATFORM LEVERAGES BROAD FIRM-LEVEL RESOURCES

### FIRM ASSETS

**\$443bn**

under management

### EXPERTISE

**600+**

investors across 18 management centers

### DEPTH

**2,700+**

employees across 39 cities globally

### ALIGNMENT

**100%**

independent, employee-owned

### ESG LEADERSHIP



All data as of June 30, 2023 unless otherwise noted.

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