

Neuberger Berman Growth Strategies Group

PORTFOLIO MANAGERS: John Barker, Rick Bradt and Jason Tauber, CFA

The recent banking crisis is consistent with our view that the most rapid monetary tightening in 30 years would undoubtedly result in unforeseen negative consequences and warranted a conservative view on equities. In this particular case, steep losses on investments like US Treasuries combined with rapid fund transfers to bring down well-respected financial institutions. Even with expanded FDIC insurance, the crisis does not necessarily appear over because banks continue to pay relatively low returns on demand deposits, and these funds could easily take flight to higher returning investments, creating risk of a further capital crunch.

We believe the crisis, however, provided a glimpse of how markets might behave in a recession scenario, which we believe bodes well for our growth strategies. Over the last two weeks, financials obviously underperformed, interest rates plummeted and growth stocks meaningfully outperformed value stocks. On a year-to-date basis, the market has been led by the Information Technology and Communication Services sectors with Energy at the bottom of the heap, a sharp reversal from 2022. The market is clearly embracing the potential for visibility into the terminal Federal Funds rate manifesting itself sooner rather than later. Further, we see a silver lining for our strategies in the demise of Silicon Valley Bank and a chilling of the venture capital landscape. On balance, we see an improved hiring environment, a focus on cost optimization across our public companies and less disruption from undisciplined new entrants.

At the same time, new growth technologies have captured investors' imagination. Microsoft's mainstream incorporation of generative AI has enabled an investment euphoria truly analogous to that associated with the 1994 release of the Netscape web browser. In our view, the market has recognized that, in addition to Microsoft, growth stocks such as Nvidia, AMD, Amazon and Alphabet will play a role in the deployment of generative AI into the broader economy.

Our macro view remains one of uncertainty, with the Fed stuck between a rock and a hard place, cognizant of the trade-off between inflation and employment and shocks/risks as the ongoing "unknown unknown." In our portfolio construction, we continue to prioritize duration of free cash flow, without sacrificing our adherence to acceleration in both strategies.

This material is provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. 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. 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. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events may differ significantly from those presented. Neuberger Berman products and services may not be available in all jurisdictions or to all client types. Diversification does not guarantee profit or protect against loss in declining markets. Investing entails risks, including possible loss of principal. Investments in hedge funds and private equity are speculative and involve a higher degree of risk than more traditional investments. Investments in hedge funds and private equity are intended for sophisticated investors only. Indexes are unmanaged and are not available for direct investment. **Past performance is no guarantee of future results.**

This material is being issued on a limited basis through various global subsidiaries and affiliates of Neuberger Berman Group LLC. Please visit www.nb.com/disclosure-global-communications for the specific entities and jurisdictional limitations and restrictions

The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

© 2023 Neuberger Berman Group LLC. All rights reserved.