

Asset Allocation Outlook 4Q 2026

Repricing Risk, Recalibrating Exposure

The Asset Allocation Committee enters the quarter maintaining its broader risk bias while recalibrating specific exposures as a sharper rate path and a maturing credit cycle reshape the calculus

A full-page background image showing two rock climbers on a steep, dark rock face. One climber in a red jacket is higher up, while another in a black jacket and red helmet is lower down. They are both using ropes and gear. In the background, there are snow-capped mountains under a clear blue sky. At the bottom of the image, there is a decorative bar composed of several vertical rectangles in various shades of purple, blue, and teal.

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Contents

About the Asset Allocation Committee	2
Executive Summary	4
Equities Outlook	5
Fixed Income Outlook	6
Private Markets & Alternative Assets Outlook	7
Up for Debate: Should EM Equity Still Be an Overweight?	8
Up for Debate: Inflation-Protected Bonds: Priced Right or Underpriced?	9
Conclusion	10

About the

Asset Allocation Committee

Neuberger's Asset Allocation Committee meets every quarter to poll its members on their outlook for the next six to 12 months on each of the asset classes noted and, through debate and discussion, to refine our market outlook. The panel covers the gamut of investments and markets, bringing together diverse industry knowledge, with an average of 30 years of experience.

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Key Observations

1

Macro—Recalibrate Risk Posture as Rates Rise

Central banks across the U.S., Europe and Japan are simultaneously hiking rates, marking the advent of a globally synchronized cycle. We believe this policy rate move will prove less onerous than markets are pricing: core inflation broadly continues to trend lower year-over-year, central banks have little appetite to disrupt economic growth, and in our view, rates are already nearing neutral levels. Sustained elevated energy prices remain the primary risk to this view, but conviction in a contained hike cycle keeps us constructive and focused on quality rather than defensive.

2

Equities—Selective Conviction, Higher Bar

The artificial intelligence (AI) investment supercycle continues to generate substantial earnings power for those most directly tied to the buildout, and that strength is beginning to broaden beyond the largest technology names. However, higher long-end rates and the start of a rate hike cycle, even a modest one, are reasons for caution.

3

Fixed Income—Recalibrating Amid Higher Rates

Markets are pricing a more aggressive hiking path than the Committee expects. Policy rates have driven the repricing, as front-end yields have climbed more aggressively than intermediate and long rates. As markets debate how restrictive policy needs to become, we believe it's prudent to revisit credit positioning and be opportunistic in adding duration.

4

Alternatives—Real Assets, Real Ballast

Commodities are filling the diversification vacuum created by positive equity-bond correlations, with gold, oil and agricultural markets standing to benefit directly from any resurgence in inflation. Private markets face a similar diversification test. In our view, private equity and private debt offer less differentiated ballast than private real estate. While rising interest rates may weigh on real estate appreciation and monetization, we believe attractive valuations and favorable supply/demand dynamics still make the asset class attractive.

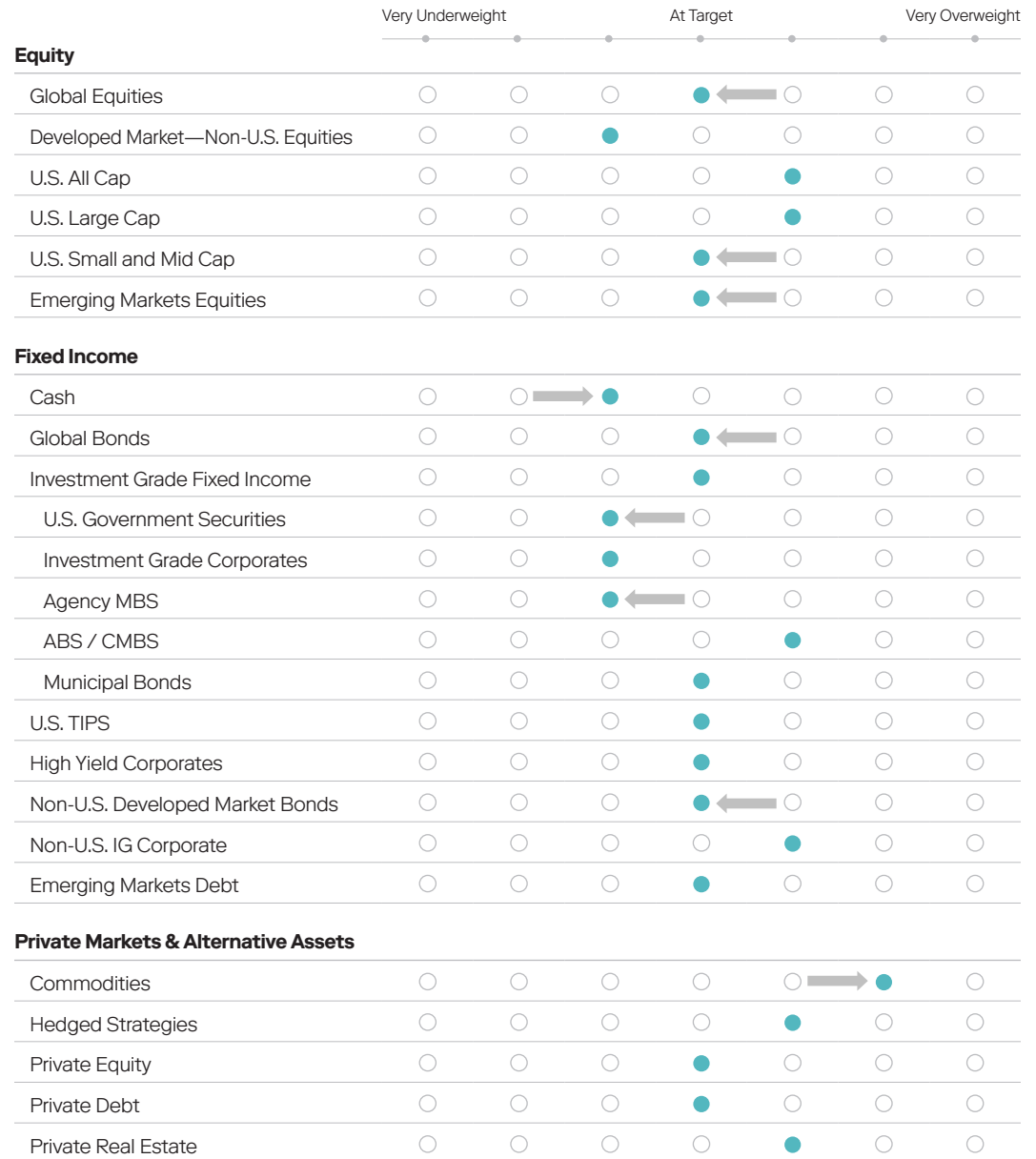
Executive Summary

The Asset Allocation Committee enters the fourth quarter moving to a more cautious near-term stance while maintaining a broadly constructive posture on risk assets. Higher long-end rates and the beginning of a modest rate hike cycle prompts risk adjustment at the margins. Markets now expect roughly 100 basis points of additional hikes, reversing the rate cuts they had priced in as recently as last quarter. The Committee sees it differently, expecting just one further hike this year before a pause. A resilient labor market and earnings that are broadening beyond mega-cap technology reinforce this stance, with conviction in the AI capital expenditure cycle driving the overweight to U.S. large cap and select emerging markets. The primary risk to this view is a protracted Middle East conflict that keeps oil prices elevated for longer, feeding into core inflation and complicating the rate path the Committee expects.

This quarter's message is one of recalibration rather than retreat. Overall global equities positioning was trimmed to target, driven by incremental downgrades to small and mid-caps and emerging markets equities overall. In fixed income, duration exposure was trimmed modestly, though we retain higher conviction in duration exposure outside the U.S. Credit markets held broadly steady, with spreads stable and mid-range rather than tight relative to fundamentals, a backdrop that makes this a reasonable point to revisit credit exposure. Key diversifiers stand out as tactical overweights, including both commodities and hedged strategies, while private markets positioning turns more selective amid higher rates and a maturing credit cycle. Persistent geopolitical risk in the Middle East, particularly the risk of escalation rather than resolution, continues to shape the inflation, currency and commodity outlook.

Market Views

Based on Six- to 12-Month Outlook for Each Asset Class as of 4Q 2026



Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

	Very Underweight		At Target		Very Overweight	
Equity	○	○	○	○	○	○
Global Equities	○	○	○	● ←	○	○
Developed Market—Non-U.S. Equities	○	○	●	○	○	○
U.S. All Cap	○	○	○	○	●	○
U.S. Large Cap	○	○	○	○	●	○
U.S. Small and Mid Cap	○	○	○	● ←	○	○
Emerging Markets Equities	○	○	○	● ←	○	○
Regional Equities						
Europe	○	●	○	○	○	○
Japan	○	○	○	○	●	○
China	○	○	○	○	●	○
India	○	○	○	●	○	○
LatAm	○	○	○	●	○	○

Equities Outlook

Selective Conviction, Higher Bar

Rising long-end rates and central bank rate increases are driving a more cautious stance on equity risk. In large cap, earnings quality continues to hold up against a backdrop of mid- to late-cycle signals; earnings strength is broadening beyond the largest technology names into cyclicals and infrastructure-linked sectors. Technology concentration in the index, however, leaves the broader market exposed to multiple compression should capital expenditure decelerate. Smaller companies face a different set of pressures: floating-rate funding costs, housing-related weakness and rising input costs, a combination that argues for a balanced stance rather than above-target positioning. Within the broader market, technology and cyclicals continue to offer the clearest earnings visibility.

Regionally, in Asia, semiconductor supply chain exposure continues to offer strong earnings growth unavailable elsewhere, while European equity performance has surprisingly decoupled from the underlying economy. That persistent disconnect supports a continuing underweight. Emerging markets present a genuine complication: heavy concentration in a handful of semiconductor-adjacent names means broad exposure now functions as a technology proxy rather than diversified growth exposure.

Key Positional Changes vs. 3Q 2026

- Global equities are **downgraded to at target**, reflecting a modest reduction in risk given a less-certain rate path.
- U.S. all-cap and large-cap **hold their overweight**, supported by earnings resilience and continued conviction in the AI capital expenditure cycle.
- U.S. small and mid-caps are **downgraded to at target** from overweight. The asset class has had a good run this year (and has been an overweight position of the Committee going back to 1Q 2024), but floating-rate funding exposure, housing-related weakness and softening earnings estimates now argue for a more balanced stance.
- Non-U.S. developed market equities **remain underweight**, reflecting high valuations and equity performance increasingly disconnected from the underlying economy, particularly in Europe.
- Emerging markets equities are **downgraded to at target**, given the significant run-up of heavy index concentration in a small number of semiconductor names tied to the AI theme. We still favor targeted emerging market exposure tied less to AI infrastructure and more toward strong general economic growth.
- Regional equities are **unchanged**, with Japan and China holding their **overweight** and Europe remaining **underweight**.

Fixed Income Outlook

Recalibrating Amid Higher Rates

Real rate repricing, rather than a shift in inflation expectations, is the dominant force shaping fixed income markets. Markets are now pricing a more aggressive hiking path than the single rate hike we expect over the remainder of the year. However, market conviction is only moderate—roughly a 50 – 60% probability. We trimmed duration modestly rather than taking a larger underweight position, a deliberate move reflecting that moderate conviction. Credit spreads have stayed in a stable, mid-range band for most of the year. That stability warrants a modest trim rather than a defensive retreat. Within high yield, BB rated issues continue to offer top-decile yields with no signs of emerging credit stress, supporting selective conviction even as broader credit exposure has been pared back. TIPS present a challenge (see “Up for Debate”): real yields look attractive, but the correlation to oil means a rate decline driven by falling energy costs would not necessarily favor inflation-protected debt over nominals. A related concern is the long end of the U.S. Treasury curve, where the 10-year is approaching levels historically associated with an inverted equity-bond correlation. This argues for favoring intermediate over long-dated exposure. U.S. government securities and agency MBS have also been trimmed, reflecting a preference for exposures with a more favorable payoff should rates move higher. 10-year gilts and bunds are now in line with U.S. Treasuries and Japan government bonds given that the ECB and Bank of England are seen as more exposed than the Fed to further surprises in energy prices.

Key Positional Changes vs. 3Q 2026

- Cash **moves up to slight underweight**, giving the Committee added flexibility to respond to volatility.
- Global bonds are **downgraded to at target** from overweight, reflecting the potential for future elevated rate volatility.
- U.S. government securities and agency MBS have been **downgraded to underweight**, reflecting a preference for exposures with a more favorable payoff should rates move higher.
- The Committee has also **downgraded** 10-year German bunds and U.K. gilts to **at target from overweight**, aligning them with 10-year U.S. Treasuries and Japan government bonds. Monetary policy in the eurozone and U.K. is seen as particularly exposed to further energy-price surprises.
- Emerging markets debt, investment grade and high yield are **unchanged at target**, reflecting valuations the Committee views as fair relative to fundamentals.

	Very Underweight			At Target		Very Overweight	
Fixed Income							
Cash	○	○	→●	○	○	○	○
Global Bonds	○	○	○	●←	○	○	○
Investment Grade Fixed Income	○	○	○	●	○	○	○
U.S. Government Securities	○	○	●←	○	○	○	○
Investment Grade Corporates	○	○	●	○	○	○	○
Agency MBS	○	○	●←	○	○	○	○
ABS / CMBS	○	○	○	○	●	○	○
Municipal Bonds	○	○	○	●	○	○	○
U.S. TIPS	○	○	○	●	○	○	○
High Yield Corporates	○	○	○	●	○	○	○
Non-U.S. Developed Market Bonds	○	○	○	●←	○	○	○
Non-U.S. IG Corporate	○	○	○	○	●	○	○
Emerging Markets Debt	○	○	○	●	○	○	○
Regional Fixed Income							
U.S. Treasury 10-year	○	○	○	●	○	○	○
Bunds 10-Year	○	○	○	●←	○	○	○
Gilts 10-Year	○	○	○	●←	○	○	○
JGBs 10-Year	○	○	○	●	○	○	○
EMD Local Sovereign	○	○	○	●	○	○	○
EMD Hard Sovereign	○	○	○	●	○	○	○
EMD Hard Corporates	○	○	○	●	○	○	○



Private Markets & Alternative Assets Outlook

Real Assets, Real Ballast

Commodities continue to provide genuine diversification to portfolios, with geopolitical and weather-driven supply shocks driving strong, uncorrelated performance. Oil remains exposed to shipping disruption, while copper benefits from data-center capital expenditure and constrained supply; agriculture faces ongoing El Niño crop disruption, and gold retains structural support as a bond-replacement even against near-term rate headwinds. Hedged strategies continue to serve as a sensible complement given ongoing uncertainty around overall market direction. Within private markets, conditions are more nuanced than headlines suggest. We retain an overweight in real estate, given differentiated demand from data-center and powered-land activity. In private equity, new deal momentum has held up reasonably well this year, but distributions remain slow. Vintages four years and older now represent roughly 70% of U.S. private equity net asset value, a backlog reminiscent of the post-financial-crisis period. That backlog is driving growing interest in secondaries and co-investment. Private credit sentiment is improving, though a meaningful recovery in performance has not yet materialized. The primary risk across this category remains a sharper-than-expected growth slowdown that would pressure commodity demand and private market exit activity simultaneously.

Key Positional Changes vs. 3Q 2026

- **Commodities are upgraded to a higher overweight**, the Committee's highest conviction call this quarter, supported by a genuine and durable diversification benefit.
- Private equity and private debt **remain at target**, while real estate **holds its overweight**, with data-center and powered-land demand a key pocket of strength within the asset class.
- We **hold our positions across major currencies**, with a possible reassessment of the euro and the yen ahead of French presidential elections and potential changes ahead of the new Japanese fiscal year.

Up for Debate

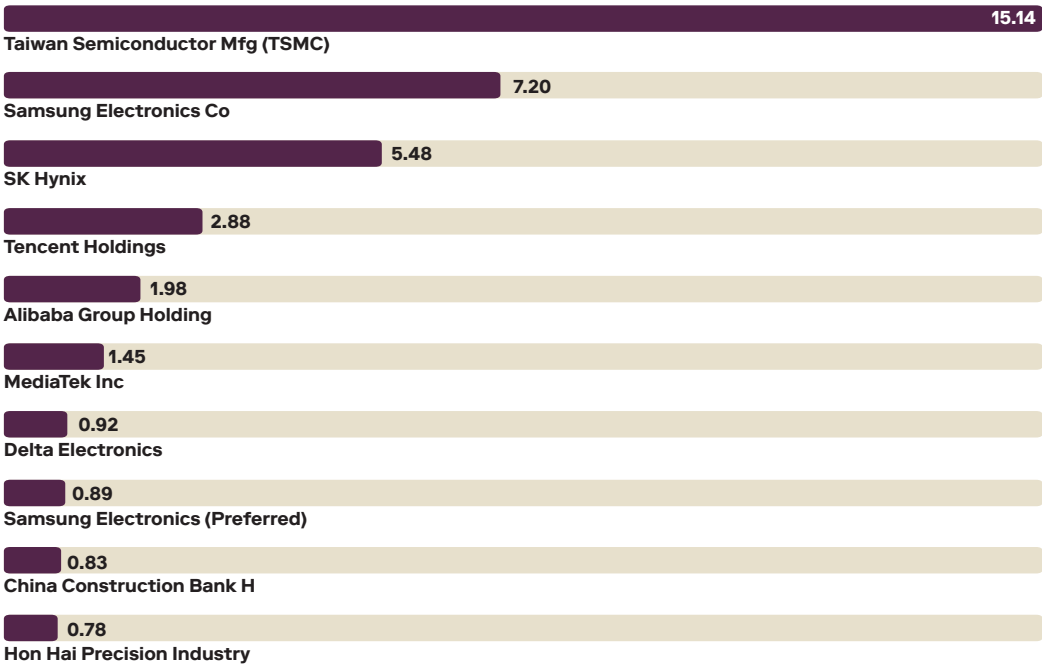
Should EM Equity

Still Be an Overweight?

The Committee upgraded emerging markets equities in the fourth quarter of 2025, citing a cyclical catch-up and a broader rerating. That call has since delivered substantial outperformance: year-to-date through September 23, the MSCI Emerging Markets Index returned 24%, versus 16% for the MSCI World Index. This quarter, however, the Committee pulled both global equities and emerging markets from overweight to neutral. Some members argue this sits uneasily alongside the continued overweight to U.S. large cap and conviction in the AI buildout. Emerging markets exposure is heavily concentrated in a small number of semiconductor names tied to that same theme: SK Hynix, TSMC and Samsung together represent roughly 28% of the index, and an even higher share on a volatility-adjusted basis. Others counter that treating global equities and emerging markets as at-target reflects genuine, broad-based caution consistent with a less-certain rate path. Emerging markets is not monolithic, either; grouping fundamentally different markets such as Brazil and Korea under one directional call risks oversimplifying the underlying drivers. In the end, the Committee remains overweight both U.S. large cap and the AI-exposed segments of emerging markets, arguably understating the conviction embedded in the portfolio. Earnings and labor market fundamentals remain resilient. A pullback in crowded positioning, such as in Korean equities, has further improved the risk-reward of maintaining exposure.

Three Tech Stocks Dominate

MSCI EM Index Top 10 Constituents (%)



How The Picture is Changing: Drawdowns in EM

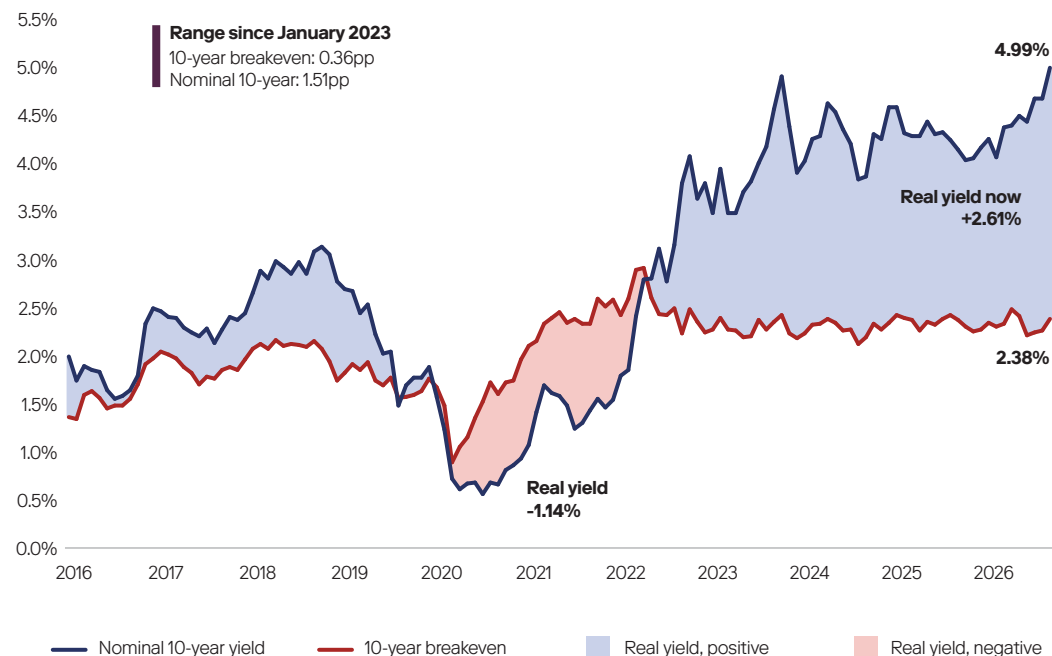
EM Equity Market Drawdowns Following Major Thematic Periods

Time Period	Theme	Top 10 Concentration	Theme Concentration	Max Index Drawdown Within the Next 12 Months
2010/2011	Commodity Supercycle	16%	6%	-31%
2014/2015	It's All About China	19%	12%	-35%
2020/2021	Chinese Tech	28%	15%	-42%
2026	AI Supercycle	39%	33%	?

Source: Top chart: MSCI. Data as of September 28, 2026; Bottom chart: Bloomberg, data as of June 1, 2026. Historical trends do not imply, forecast or guarantee future results.

Breakeven Inflation Rate is Anchored

U.S. 10-Year Yield Versus 10-Year Breakeven (January 2016 to September 14, 2026)



Source: J.P. Morgan, September 14, 2026. **Past performance is no guarantee of future results.** The nominal and breakeven series are reconstructed and the September 14, 2026, observation is appended from Bloomberg. Nominal growth returns 6.6% year-over-year against the source's "averaging around 5% to 6%"; the yield shown on that chart is a quarterly average of 4.9%, against 4.99% daily on the left. Issuance is computed by the source as the annual net change in 10-year Treasury equivalents, so it compares duration supplied rather than cash raised, and 2026 is a partial year. It shows the AI build competing for long-dated capital, which is a channel through which real yields can rise; it is not a measurement of what has driven them. Reconstructed series were read back from the published exhibit by tracing the plotted lines and are approximate. Third-party views are those of the respective providers, are not those of Neuberger, and are not a recommendation. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal.

Up for Debate Inflation-Protected Bonds: Priced Right or Underpriced?

The Committee's limited exposure to U.S. TIPS was an important point of debate. Certain members observed that TIPS would outperform in a scenario where inflation continues to run hot, but the Fed nevertheless finds cover to pause hikes anyway, decoupling policy from the inflation data. Other members pointed to TIPS' strong correlation to oil, arguing that a rate decline driven by falling energy prices would leave TIPS trailing nominal bonds, the more likely near-term path if a soft inflation print prompts a pause and geopolitical de-escalation drags crude lower. In their assessment, a durable TIPS advantage requires inflation drifting higher while real yields hold steady, a path that's hard to justify given the Fed's current rhetoric. Real yields near cash levels keep the opportunity cost of adding exposure small relative to the optionality TIPS offers against an inflation surprise. A modest preference emerged for five-year maturities over TIPS, as they capture real yield attractiveness while reducing oil-price sensitivity at the long end.



Conclusion

The Asset Allocation Committee enters the fourth quarter maintaining a broadly constructive posture on risk assets, even as the policy rate trajectory moves higher, prompting a modest reduction in risk at the margins. The rate repricing has not changed the fundamental case for holding risk. Core inflation continues to trend lower. Labor markets remain resilient. Earnings strength is broadening beyond mega-cap technology into AI-infrastructure-linked sectors, even as conviction remains concentrated in a relatively narrow set of beneficiaries. These conditions support maintaining the overweight to U.S. large cap and select emerging markets equities.

But the areas of comfort have narrowed. Small and mid-cap earnings quality is weaker. Credit spreads, while stable and mid-range rather than tight, warranted a modest trim given slowdown risk. Rate risk now touches nearly every asset class that the Committee discussed this quarter, and equity and fixed income positioning do not yet tell a fully consistent story.

Through the remainder of the year, we will be watching two variables above all others: whether the hiking cycle holds closer to our own base case of roughly one further hike rather than the 100 basis points currently priced by markets, and whether energy prices stabilize or continue feeding into core inflation.

Key Investment Implications

Equities: Maintain the overweight to U.S. large-cap equities and move small and mid-cap to at target. Favor Japan, China and semiconductor-linked emerging markets exposure. Hold Europe at underweight, reflecting full valuations compounded by an equity market increasingly disconnected from the underlying economy.

Fixed Income: Trim duration modestly. Hold credit close to target while reassessing positioning given tight valuations relative to slowdown risk. Favor BB high yield issues over lower-quality credit. Trim U.S. government securities and agency MBS, and non-U.S. developed market duration.

Private Markets & Alternatives: Add to the commodities overweight. Maintain the hedged strategies overweight as insurance against an uncertain equity market backdrop. Keep private equity and private debt at target, and hold private real estate at overweight on its stronger diversification profile.

Past performance is no guarantee of future results.

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The views expressed herein are generally those of Neuberger's Asset Allocation Committee, which comprises professionals across multiple disciplines, including equity and fixed income strategists and portfolio managers. The Asset Allocation Committee reviews and sets long-term asset allocation models, establishes preferred near-term tactical asset class allocations and, upon request, reviews asset allocations for large, diversified mandates. Tactical asset allocation views are based on a hypothetical reference portfolio. The views and recommendations of the Asset Allocation Committee may not reflect the views of the firm as a whole, and Neuberger advisors and portfolio managers may recommend or take contrary positions to the views and recommendations of the Asset Allocation Committee. The Asset Allocation Committee views do not constitute a prediction or projection of future events or future market behavior. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed.

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