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Neuberger Berman Large Cap Value Portfolio

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Performance Highlights

For September, the Neuberger Berman Large Cap Value Portfolio (the "Portfolio") posted a positive return and underperformed its benchmark, the Russell 1000 Value Index (the "benchmark"), which returned 1.49%. For the third quarter of 2025, the Portfolio posted a positive return and underperformed its benchmark, which returned 5.33% for that period. Year-to-date, the Portfolio posted a positive return and outperformed its benchmark, which returned 11.65%.

Market Context

The third quarter of 2025 opened with mixed signals that pulled markets in different directions. Equities held up, led by information technology and consumer discretionary, with both the S&P 500 Index and the Russell 1000 Value Index advancing. Renewed enthusiasm for artificial intelligence - supported by strong earnings from Oracle and Broadcom and investment announcements in Intel - drove a global semiconductor rally, lifting tech-heavy indices and AI-related sectors. However, as enthusiasm cooled, concerns about stretched valuations and the sustainability of the artificial intelligence ("AI") trade - along with talk of "circular" investments and an "AI bubble" - prompted some investors to reassess risk. Meanwhile, the broader market continued to grapple with persistent inflation, evolving consumer trends, and a labor market that showed signs of softening, with investors carefully assessing prospects for continued growth amid an evolving economic landscape.

Inflation remained a central theme throughout the quarter, shaping both consumer and business behavior and keeping policymakers on edge. August's core consumer price index ("CPI") rose at its fastest pace since January, and on an annualized basis, core CPI reached 3.1%. What stood out this quarter was the shifting composition of price pressures: while earlier in the year, tariff-driven increases in goods prices dominated the conversation, by late summer, it was discretionary services - like airfares, hotels, and used cars - that were driving much of the acceleration in inflation. This shift reflected not only the direct impact of rising costs but also the indirect effects of tight financial conditions and changing consumer preferences.

Consumer sentiment softened through the quarter as persistent inflation strained household finances. In September, the University of Michigan's sentiment index fell to a four-month low and underscoring the anxiety many consumers feel about their financial outlook. Nearly half of survey respondents cited high prices as a direct threat to their personal finances, the highest share in a year. This sense of unease was not limited to any one group - sentiment declined across most income brackets, though it held steady among those with significant stock holdings, who benefited from the market's strong summer rally. These diverging experiences help explain why, even as many families grew more cautious, overall consumer spending remained surprisingly resilient.

Despite the downbeat in sentiment, Americans continued to spend, especially in areas like online shopping and back-to-school purchases. Retail sales in August beat expectations. Online spending was particularly robust, and restaurants and bars saw a rebound, likely buoyed by higher-income households. This resilience in spending came even as many families shifted their focus toward essentials, with discretionary purchases taking a back seat. Spending on services outpaced goods by a wider margin, reflecting slower wage growth and still-high living costs. That resilience stood in contrast to a cooling job market.

August nonfarm payrolls rose by just 22,000, well below expectations, while the unemployment rate climbed to 4.3%, the highest since 2021. Downward revisions to prior months further underscored the slowdown, bringing the three-month average to 29,000 - the weakest stretch since the pandemic. The labor market, once a pillar of post-pandemic resilience, now appeared to be losing steam on multiple fronts.

Faced with sticky inflation and softer hiring, the Federal Reserve ("the Fed") cut interest rates by 25 basis points at its September meeting - the first cut since December. The decision was not without controversy: divisions within the FOMC became more apparent, with some policymakers advocating further easing and others urging caution. The updated dot plot tilted more dovish,

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indicating expectations for additional cuts over the next year, while highlighting uncertainty about the path forward. Chair Jerome Powell emphasized the need to balance emerging employment risks with still-elevated inflation amid a cloudy domestic and global backdrop.

Manufacturing activity contracted for the seventh consecutive month, with factories facing weaker orders and depressed employment. Industry leaders pointed to interest-rate pressures and tariffs as key factors driving customer decisions and production rates. Tariffs continued to disrupt supply chains and raise costs, forcing tough choices on pricing and inventory - some manufacturers passed on costs through surcharges, while others struggled with persistent inflation in input prices. In contrast, services showed resilience, expanding at the fastest pace in six months. New orders and business activity accelerated. Still, employment in services continued to contract, and firms remained cautious about hiring, citing uncertainty and tariff impacts. Many businesses rushed to get ahead of further price increases before the holiday season, and tariffs remained a recurring theme in industry commentary. Despite these headwinds, service providers showed agility in managing supply chains and inventories to meet demand.

Portfolio Review

The Portfolio underperformed the Russell 1000 Value Index (the "benchmark") in 3Q 2025. The Portfolio's security selection contributed positively while sector allocation marginally detracted from relative performance.

From a sector allocation standpoint, the Portfolio benefited from an underweight positioning in consumer staples and relative performance was negative from an underweight in communication services.

In terms of security selection, the Portfolio's relative performance benefited from its holdings in materials and information technology stocks. The Portfolio's security selection in energy and consumer staples sectors negatively impacted its relative performance.

Outlook

The U.S. economy is navigating an uncertain environment, yet we believe encouraging signs are beginning to emerge. While labor market momentum has moderated and participation remains under pressure, recent data highlight resilience in consumer spending and improvements in several activity indicators. Although revisions to prior payroll figures have prompted questions about earlier strength, the overall picture remains balanced, with areas of stability alongside ongoing challenges.

The Fed began to ease in September, cutting rates by 25 basis points in response to clear signs of labor market weakness and a string of disappointing payroll reports. Market participants now expect several more cuts over the next year, though the pace and extent remain a point of debate within the FOMC, as policymakers weigh downside employment risks against still-elevated inflation.

In our opinion, tariffs remain a central risk, with new rounds announced on a range of goods and ongoing uncertainty about their broader economic impact. Businesses across sectors continue to cite tariffs as a key factor shaping pricing, investment, and hiring decisions, and many are bracing for further cost pressures as the holiday season approaches. While services have shown renewed strength, manufacturing remains under pressure, and the gap between sectors could widen if trade frictions persist.

Despite headwinds, and volatility from events like the government shutdown, selective opportunities continue to emerge. Corporate balance sheets remain healthy, and capital expenditure plans, while moderated, have not been shelved. We continue to emphasize areas where we see dislocations and valuation opportunities - particularly among companies trading at low multiples of normalized earnings with clear fundamental catalysts. Currently, we are finding the most mispriced opportunities in the materials space, especially metals and mining, along with energy and healthcare - our three largest overweights. At the same time, our largest underweights remain in technology, communication services, and consumer discretionary, reflecting our view that the companies in these areas may face greater challenges in the current environment.

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Investing in the stocks of even the largest companies involves all the risks of stock market investing, including the risk that they may lose value due to overall market or economic conditions.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 90% of the U.S. market. Any third party mark(s) appearing above is/are the mark(s) of its/their respective owner(s). **Effective after the market close on March 21, 2025, FTSE Russell is implementing a capping methodology to all Russell U.S. Style Indices including this one. Any individual company weights in the index greater than 22.5% will be capped, and the sum of all individual companies that have an index weight greater than 4.5% will be capped to a 45% aggregate weight in the index. This will be applied quarterly going forward, but historical index returns will not be restated.**

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weighs only those shares that are available to investors, not all of a company's outstanding shares. The value of the index now reflects the value available in the public markets.
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Relative performance to a benchmark security is the return of a security based on the Portfolio's over/under weighting of such position compared against the Portfolio's benchmark. **Absolute performance** of a security held by the Portfolio is the actual gain or loss the position achieves over a certain period independent of any benchmark or other standard. Position **underweight** refers to the Portfolio owning less of a security than is held in its benchmark, and conversely, position **overweight** refers to the Portfolio owning more of a security than is held in its benchmark. When a security that is underweight performs well, relative performance for the Portfolio versus the benchmark is worse, while when an underweight security performs worse, relative performance for the Portfolio versus the benchmark is better. When a security that is overweight performs well, relative performance for the Portfolio versus the benchmark is better, while when an overweight security performs worse, relative performance for the Portfolio versus the benchmark is worse.

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