

Neuberger Berman Emerging Markets Equity Team

PORTFOLIO MANAGER: Conrad Saldanha

Market Context

In emerging markets selling has been indiscriminate, although countries that are further along in the Coronavirus curve, e.g. China and Taiwan, are outperforming and their economies seem to be getting back to normal. Commodity-sensitive markets like Russia and Brazil continue to be underperformers. On a sector basis, commodity sectors (Energy/Materials) may have been the hardest hit. Challenges are likely to persist in these markets, so we remain underweight, which has been helpful on a relative basis. We continue to monitor currencies that have taken a big hit, in particular commodity currencies like the Brazilian real, and Russian ruble.

Easy monetary policy can be helpful in the longer run, but the current dollar funding squeeze is putting further pressure on emerging markets. We have an all-cap approach, so the current liquidity challenges have not been helpful for our s/mid cap exposure given that EM small cap has underperformed MSCI Emerging Markets Index by >500bps YTD (although EM small caps are down less than the Russell 2000 Index YTD). We also run a domestically-biased strategy, so we expect domestic-focused companies to recover first given exporters will likely still have to deal with virus-related demand destruction in the developed world. As things recover and liquidity improves, we believe we are well positioned to benefit.

Investment Implications

We have not made any radical changes, but we are staying in close contact with existing companies to assess the impact. When we believe prices are dislocated from fundamentals, we'll look to add. We are reducing the large underweight bias towards China, adding to domestically-focused Consumer names and Real Estate as the economy recovers and pent-up demand could drive 2H 2020 recovery. In addition, we are also looking for opportunities in niche tech players, and quality financials with structural growth.

Our quality bias means we seek to stay away from businesses with significant debt or with short term funding cliffs. Issues in credit markets should therefore be less impactful for our companies.

We believe we own quality assets and despite short-term disruptions, we believe these businesses could gradually get back to normal. Current valuation makes many of them look very attractive on a 3-5 year view. Markets appear to already be discounting a sharp earnings drop, but stimulus combined with pent-up demand could lead to sharp recovery.

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. 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.

© 2020 Neuberger Berman Group LLC. All rights reserved.

450345