

A silhouette of a person hanging from a large rock over the ocean at sunset. The person is positioned in the upper center, with their arms and legs extended. The background features a vibrant sunset sky with orange and yellow hues, and the sun is visible on the horizon, reflecting on the water. The overall scene is dramatic and evokes a sense of risk and opportunity.

Asset Allocation Committee Outlook 4Q 2025:

Rebalancing Risk, Repositioning for Opportunities



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ABOUT THE Asset Allocation Committee

Neuberger Berman's Asset Allocation Committee meets every quarter to poll its members on their outlook for the next 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

Divergences among economic blocks create opportunities for repositioning

2

Broadening out of equity performance can gain momentum and evolve even as AI stocks power on

3

Non-U.S. developed market government and corporate bonds show promise

Executive Summary

Rebalancing Risk, Repositioning for Opportunities

After a remarkably resilient performance in 2025 for the global economy and markets, the Asset Allocation Committee (AAC) maintains confidence in its overall outlook—continued strength in growth and risk assets over the medium term, with targeted tactical exposures across asset classes and regions. We see signs of growing economic divergences, particularly in Europe, where growing fiscal and geopolitical risks have surfaced that moderate enthusiasm around government spending initiatives. By contrast, the U.S.'s more balanced growth profile, along with strengthening fundamentals in Japan and China, create opportunities for repositioning portfolios to capture attractive returns across risk markets. Overall, we continue to expect a weaker U.S. dollar, although we do not expect the abrupt depreciation in the first half of the year to be sustained at the same rate. We remain overweight commodities, driven by exposure to gold as a hedge against both currency debasement and geopolitical risks.

Market Views

Based on 12-Month Outlook for Each Asset Class



As of 4Q 2025. 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.

Equities Outlook

The Broadening Out Story Evolves

Despite U.S. and international equity indices having achieved fresh record highs, the Committee remains broadly constructive in its overall outlook on equities and expects, with some exceptions, the broadening-out story to evolve and gather momentum. We anticipate seeing this in **U.S. small caps and in large caps** (independent of the ‘Magnificent 7’ mega cap tech stocks) where positive forward earnings growth has been improving. Indeed, over the coming quarters, we believe the “S&P 493” will close the earnings growth gap with the Mag 7. We hold a neutral view on **Europe** after its good run in 2025, as we note falling earnings expectations and risks to economic growth given a challenging macro, policy and political environment. (See Up for Debate section.) In contrast, **Japan** equities continue to look attractive, supported by strong expected earnings, share buybacks, financial reforms and attractive valuations.

Key Positional Changes

Overall: The AAC is broadly positive on equities, **maintaining its overweight** position on global and non-U.S. developed markets.

U.S. equities: The Committee has **increased its overweight** in U.S. small and mid-cap stocks.

Non-U.S. equities: The Committee has **downgraded its view on Europe** to at target and increased its overweight on Japan equities.



Fixed Income Outlook

Pivoting to Europe

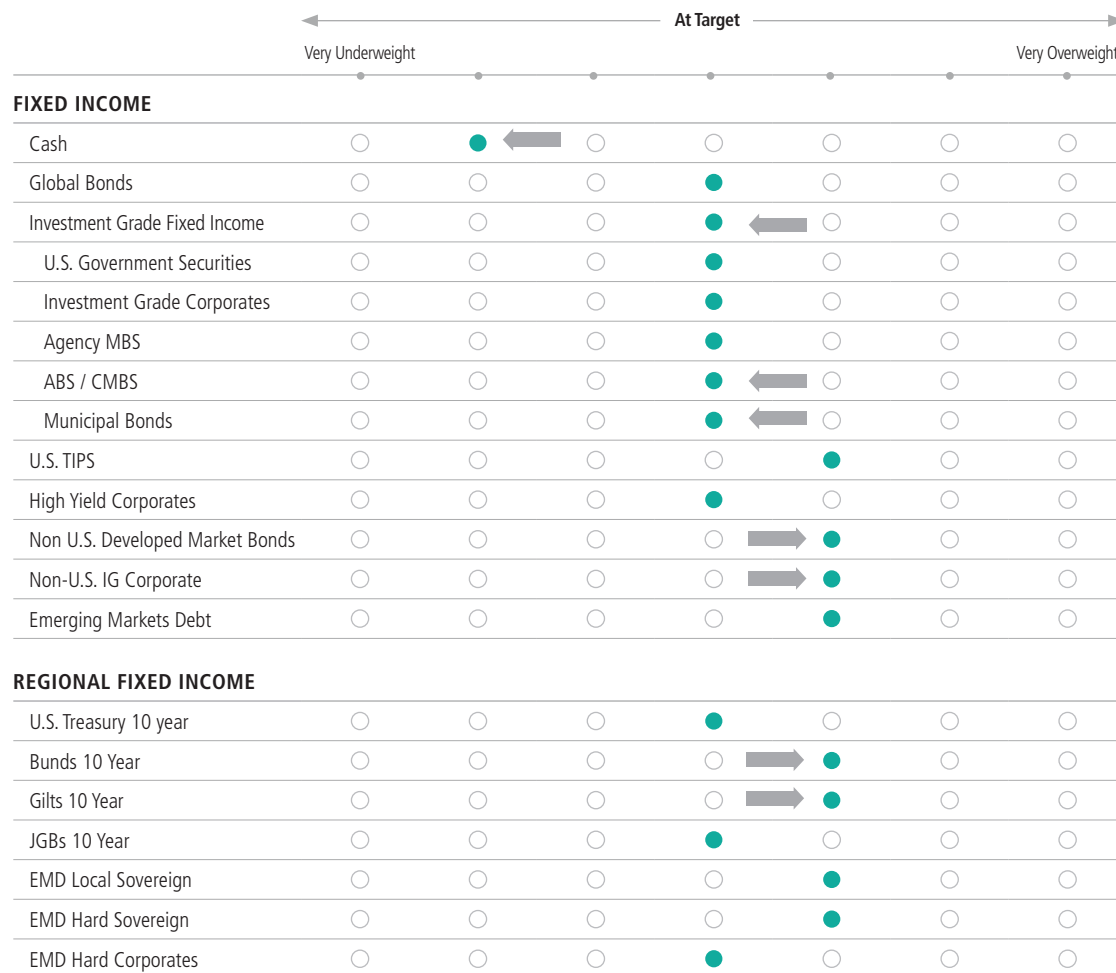
Policy rate differentials and divergent growth outlooks between the U.S. and Europe have created opportunities across fixed income. The Committee has increased its exposure to overweight in **non-U.S. developed market bonds** and **investment grade corporate credit**, particularly in Europe, while at the same time reducing **U.S. investment grade fixed income** to target after a strong performance during the past quarter. At the heart of the Committee's constructive view on fixed income within Europe, notably German **Bunds**, U.K **Gilts** and **investment grade credit**, is a view that yields should decline to lower levels given the region's increasingly soft growth and inflation outlook. The growth outlook is potentially made more challenging by France's political turmoil and slow implementation of fiscal stimulus in Germany and other countries. With our view that inflation will decelerate in a weaker growth environment, we expect the European Central Bank (ECB) to deliver additional easing, and the Bank of England to re-engage its rate-cutting cycle.

Key Positional Changes

Overall: The AAC is at target on fixed income, maintaining its neutral position on global bonds, and deepening its underweight in cash.

U.S. fixed income: The AAC has **downgraded its position** on U.S. investment grade fixed income, including asset-backed securities and municipal bonds, to at target from overweight reflecting the strong gains the asset class delivered during the past quarter.

Non-U.S. fixed income: The Committee has **upgraded its view** on non-U.S. developed market government bonds and investment grade corporate credit to overweight.



Real & Alternative Assets Outlook

Dealmaking to Rebound?

Growing signs are emerging of a rebound in private equity dealmaking, led by the recent announcement of what would be the largest leveraged buyout in history—the \$55 billion deal for Electronic Arts. As dealmaking gathers pace, the Committee continues to see opportunities in **private investments**, particularly with structures that provide liquidity via traditional limited partner secondaries, debt and minority equity recapitalizations, and continuation vehicles. In **commodities**, the Committee's overweight view reflects the hedging efficacy of gold against geopolitical, currency and inflation risks. The only change in view across currencies was a **downgrade of the euro** to at target. While further dollar weakness is expected to continue, it is less clear whether this will support further strengthening in the euro in the near term, after a significant increase from near-parity at the beginning of 2025 to as high as 1.18.

Key Positional Changes

Overall: The AAC made no changes to its positioning across real and alternative assets, where it **continues to hold overweights** on private equity and private real estate, and an at-target view on private debt. We maintain an overweight position in commodities.

Currencies Overall: The Committee **downgraded its view on the euro** from overweight to at target and maintained its underweight on the U.S. dollar. Emerging markets currencies remain the only overweight.



Up for Debate: Europe

Risk Repositioning in Europe

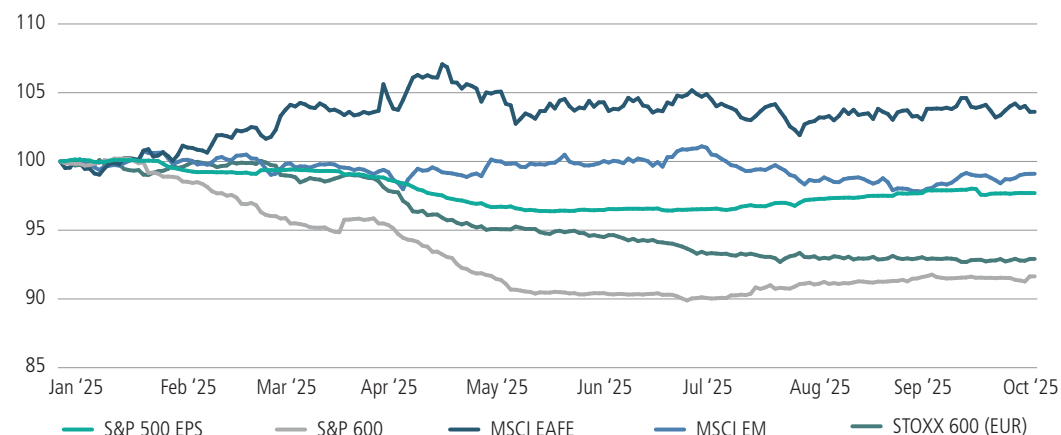
While most Committee members are cautious on Europe—reflecting positional changes across equities and fixed income—some are more optimistic.

The case for caution: European fundamentals are weakening, and without another leg of dollar weakness—a big driver of performance this year—European equities may be at risk of underperforming. Indeed, **earnings expectations on major European indices have fallen sharply** (see charts), shifting the narrative from “cheap and re-rating” to “prove the growth.” Earlier optimism, especially around the power of German fiscal support to stimulate growth, has tempered, underpinning why we believe the ECB will need to make additional policy cuts.

The case for more optimism: Earnings **downgrades are slowing**, and Europe’s cyclical tilt could benefit if global trade and industrial activity pick up. What’s more, should monetary policy easing continue, and the dollar remain weak, the earnings adversity from currency could fade while **cyclical sectors could be expected to gain traction**. Even though the equities performance this year has been currency-driven, a stabilizing earnings backdrop and potential macro inflection support a more constructive—though selective—view.

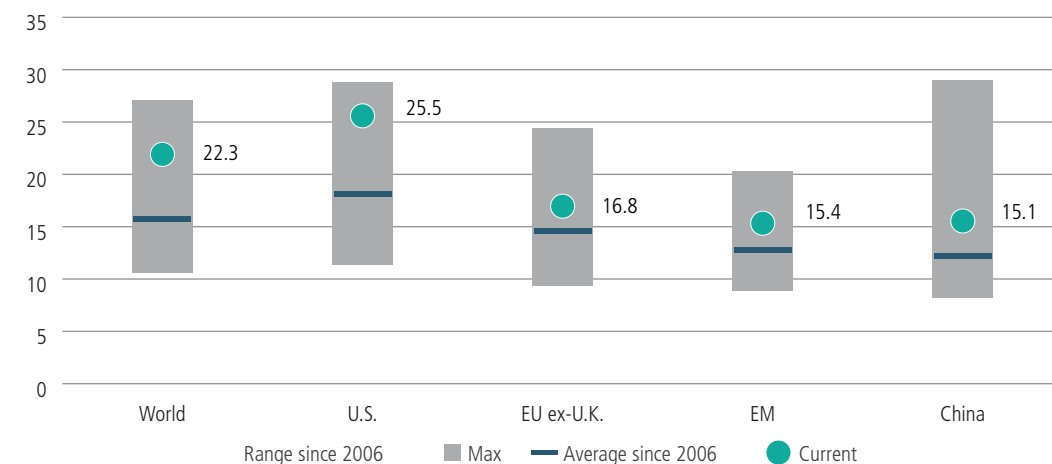
EARNINGS EXPECTATIONS DIVERGE

2026 EPS Estimate (Jan 1, '25 = 100)



GLOBAL FORWARD P/E BY REGION

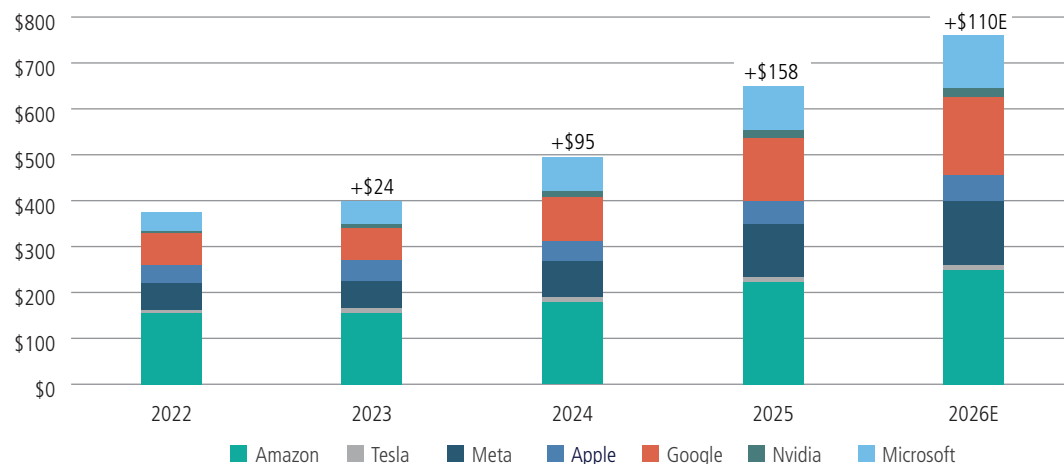
Current vs. Average (mean) Since 2006



Source: Neuberger Berman Research and FactSet. Data as of September 30, 2025. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. **Past performance is not indicative of future results.**

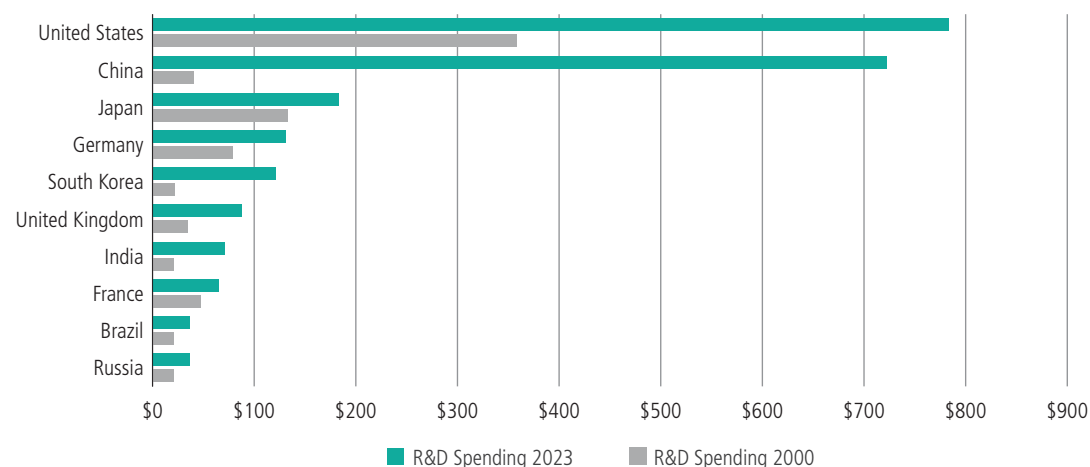
MAG 7 CAPEX & R&D

Actual for 2022 through 2024; Estimated for 2025 / 2026 as of September 2025



TECHNOLOGY R&D SPENDING (\$ BILLIONS)

2000 vs. 2023



Source: Bloomberg and the Visual Capitalist. Data as of September 30, 2025. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. **Past performance is not indicative of future results.**

Up for Debate: AI

AI: Spend and Deliver?

The Committee discussed AI at length, emphasizing that as its capabilities are absorbed and observed across the economy, its disruptive impact on corporations and sectors—and the resulting macro repercussions—will be profound and far-reaching.

The case for optimism: Substantial AI investment seems to be helping support productivity and growth, especially in the U.S. **Companies that integrate AI into workflows are protecting and, in some cases, enhancing profit margins.** While early, evidence is building that this is a step-change in efficiency rather than a cyclical blip.

The case for caution: Historically, capex booms tied to transformative technologies have risks of underdelivering early on, and **stocks that are “priced-for-perfection” can be at risk of sharp setbacks** if earnings or adoption trails expectations. Importantly, valuations in AI-linked segments remain sensitive to liquidity; if policy support fades or easing disappoints, speculative areas could reprice quickly. Overall, there is a need to selectively participate in the AI boom and anticipate episodic drawdowns as the cycle matures.

A vertical image on the left side of the page shows a silhouette of a person hanging from a large rock over the ocean at sunset. The sun is low on the horizon, creating a warm orange glow that reflects on the water. The person is in a dynamic pose, with one arm hooked over the rock and legs extended.

Conclusion

Rebalancing Risk, Repositioning for Opportunities

In our outlooks earlier this year, we anticipated two developments: first, that markets would stabilize and strengthen following the tariff- and trade policy-induced shock in early April; and second, that despite turbulence and uncertainty, the case for a constructive view on growth and risk assets remained strong.

As we enter the final quarter of 2025 and look ahead to 2026, the Committee remains **confident in its medium-term outlook**, supported by several factors, including the next phase of **monetary easing, fiscal stimulus, ongoing economic resilience and inflation**, which has proven broadly better than feared.

Within this, we are adopting more targeted exposures across asset classes and regions, reflecting the need to **rebalance risk and position for opportunities amid widening regional divergence**—led by improving macro momentum in the U.S., Japan and China, and a more constrained Europe.

Our adjusted positioning on European equities, fixed income and the euro reflects this view, shaped by a combination of macroeconomic, fiscal and political headwinds.

More broadly, macro, trade-related and geopolitical risks remain elevated and continue to pose threats to our constructive baseline. Even so, the **resilience demonstrated by major economies** and markets over recent quarters gives the Committee confidence that they can continue to withstand such challenges.

Indeed, in some regions, improving growth looks likely to come despite them.

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The views expressed herein are generally those of Neuberger Berman'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 Berman 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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