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Neuberger Berman Taxable Intermediate Maturity Fixed Income Portfolio

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Performance Highlights

The Neuberger Berman Taxable Intermediate Maturity Fixed Income Portfolio ("Portfolio") posted a positive total return for the quarter and underperformed the benchmark on a gross and net basis.

Market Context

U.S. investment grade (IG) fixed income, as measured by the Bloomberg U.S. Aggregate Bond Index, delivered a positive total return in the quarter, despite mostly negative performance in March. Headline risk from tariffs and ongoing adjustments to the outlook for inflation and growth influenced fixed income market dynamics during the final month of the quarter. In March, U.S. government yields were mixed across the curve, with the 2-year yield decreasing by 10 bps to 3.89%, the 10-year yield remaining unchanged at 4.21%, and the 30-year yield increasing by 8 bps to 4.57%.[1]

Across spread sectors, performance was mixed. U.S. investment grade corporate spreads widened by 7 bps to 94 bps in March, reflecting heightened market uncertainty amidst news on tariffs, geopolitical risks and concerns over slowing growth and higher inflation. While there was some volatility, spread widening was somewhat contained as investor demand for fixed income remained solid, supported by attractive yields and stable corporate fundamentals.

U.S. economic activity continues to expand, though recent data reveals initial signs of softening. Non-farm payrolls rose by 151k in February, slightly below expectations, while the unemployment rate edged higher to 4.1%. Inflation remains above the Fed's target, with headline CPI rising 2.87% year-over-year in February and core CPI at 3.1%. Consumer spending remains resilient, though global uncertainties—including trade tensions, geopolitical risks, and Trump 2.0 policy shifts—pose risks to sustained economic growth and inflation.[2]

The Federal Reserve remains data-dependent, balancing inflation management with the need to support growth. While markets anticipate further rate cuts, persistent inflation limits the Fed's flexibility for deeper easing.[3] Corporate balance sheets remain relatively healthy, providing stability amidst broader market volatility.

Portfolio Review

The Neuberger Berman Taxable Intermediate Maturity Fixed Income Portfolio ("Portfolio") posted a positive total return for the quarter. The Portfolio underperformed the benchmark on a gross and net basis.

The Portfolio's security selection in IG corporate bonds and overweight to MBS, were additive to relative performance. Conversely, the underweight to Treasuries and overweight to IG corporate bonds were the primary detractors. Yield curve positioning was a detractor but the Portfolio's duration positioning was additive. The Portfolio maintains an underweight in U.S. Treasuries and agencies, balanced by overweights in IG corporate bonds and agency MBS.

As of quarter end, a representative account of the Portfolio, on average, had approximately an 45% allocation to Treasuries, 44% to corporates and 9% to agency MBS. For the quarter, the average duration of the Portfolio was 3.67 years. The Portfolio yielded an average of 4.47%[4] and average credit quality of "AA-".[5]

Outlook

While inflation had shown signs of improvement, there are concerns over how tariffs will impact supply chains and inflation. In the current climate of political turbulence, focus is increasingly shifting toward fiscal matters—specifically, spending, tariffs and tax policy—that could influence issuance patterns and yields, particularly at the longer end of the curve.

Even with all the political and policy uncertainty, corporate spreads still remain rangebound (despite more recent widening from very tight levels) given the stable fundamentals, such as reasonable leverage and ample cash positions. In our view, all-in yields and valuations are at attractive levels. A focus on quality, relative valuations and exploiting market dislocations remains prudent, as varied paces of policy easing could widen the gap between winners and losers in fixed income. This environment should enhance opportunities for active managers to navigate effectively.

Portfolio-level yield data is presented as a portfolio characteristic, is not intended to represent or imply any projected return of the portfolio, and does not take into account any applicable fees or expenses, which would reduce returns otherwise achieved by the portfolio.

[1]Bloomberg
[2]https://www.bea.gov
[3]https://www.federalreserve.gov
[4]Portfolio-level yield data represents the weighted average of the applicable yield of the holdings in the portfolio. For Yield and Yield to Maturity ("YTM"), the calculation applies the current yield for each holding in the portfolio; for bonds, the calculation assumes that the bonds are held to maturity. For Yield to Worst ("YTW"), the calculation applies the lowest yield for each bond in the portfolio, taking into account both call dates (for callable bonds) and maturity dates. The calculation(s) are estimates only; the actual yield, YTM or YTW achieved by the portfolio or any individual holding may vary significantly. **Portfolio-level yield data is presented as a portfolio characteristic, is not intended to represent or imply any projected return of the portfolio, and does not take into account any applicable fees or expenses, which would reduce returns otherwise achieved by the portfolio.** It is important to note that a bond's value may fluctuate based on many factors, including interest rates, market conditions, and credit quality, and that bonds may be sold prior to maturity.
[5]Represents the ratings of the securities held by the Portfolio and does not imply any credit rating of the Portfolio itself. Credit-quality ratings are obtained from Barclays using ratings derived from Moody's, S&P, and Fitch. When calculating the credit quality breakdown, if a security is rated by each of these rating agencies, then the middle rating will be used. If only two rating agencies rate a security, then the lower of the two ratings will be used. If only one rating agency rates a security, then that one rating will be used. Where none of the agencies rate a security, the security will be considered unrated. Portfolio holdings, underlying ratings of holdings and credit quality composition may change materially over time.

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The benchmark is the ICE BofA 1-10 Year US Corporate & Government Index (the "Index"). The Index is a subset of the ICE BofA US Corporate & Government Index including all securities with a remaining term to final maturity less than 10 years. The ICE BofA US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the investments reported on the schedule of investment performance. These benchmarks are unmanaged indices. Additional disclosures for complete benchmark descriptions are available upon request.

The benchmark is an unmanaged index. NBIA advises according to the Portfolio characteristics which may differ from those of the benchmark. Additional disclosures for complete benchmark descriptions are available upon request.

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