The Neuberger Berman Strategic Income Fund is a feeder fund into the AUD Z Distributing share class of the Neuberger Berman Investment Fund plc – Neuberger Berman Strategic Income Fund ("Underlying UCITS Fund"). The data and commentary below (other than performance which is provided for the Neuberger Berman Strategic Income Fund – W Class) relates to the USD I Accumulating share class of the Underlying UCITS Fund and it is being provided for informational and illustrative purposes only.

Neuberger Berman Strategic Income Fund

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Performance Highlights

In the forth quarter, the Neuberger Berman Strategic Income Fund ("the Fund") generated a positive total return and outperformed the Bloomberg U.S. Aggregate Index (Total Return, USD) ("the Index").

The Fund's duration underweight and yield curve positioning were the main drivers of relative outperformance, while security selection in agency MBS, exposure to securitized credit, HY, and emerging markets debt (EMD), and security selection in investment grade (IG) credit were also notable contributors. Conversely, overweight exposure to agency MBS and underweight exposure to IG credit were the primary detractors over the quarter.

Past performance does not predict future returns

PERFORMANCE[1,2]

	1m	3m	FYTD	1y	2y[3]	3y[3]	4y[3]	5y[3]	SI[3,4]
Fund	3.24	6.42	4.08	7.00	-2.32	-0.86	0.94	–	1.28
Benchmark[5]	3.63	6.17	2.37	3.53	-5.78	-4.45	-1.70	–	-1.10

1 Performance to latest month end. m – month, FYTD - Financial Year to Date, y – year, SI - Since Inception.
2 Performance is net of fees. Please refer to the additional disclosure at the back of this document. Past performance is not indicative of future results.
3 Returns are annualized for periods longer than one year.
4 Performance from 1 July 2019 to latest month end.
5 Bloomberg U.S. Aggregate Index (AUD) Hedged Total Return. The Benchmark has been included for performance comparison purposes only and its inclusion is not intended to convey that the Fund is intended to track the Benchmark.

Market Context

U.S. investment grade fixed income, as measured by the Bloomberg U.S. Aggregate Index, and global investment grade fixed income, as measured by the Bloomberg Global Aggregate Index (USD hedged), generated positive total returns of +6.82% and +5.99%, respectively, during the quarter. All major fixed income sectors, including U.S. and European high yield, senior floating rate loans, emerging markets, U.S. and European investment grade credit, TIPS, Agency MBS and CMBS, were positive.

The rally in U.S. government yields continued across the curve during the quarter, with the 2-year falling -80 bps to 4.25%, the 10-year decreasing -69 bps to 3.88%, and the 30-year decreasing -67 bps to 4.03%. The rally extended abroad as intermediate yields across the remaining G4 countries fell during the quarter, with the U.K. 10-year decreasing -91 bps to 3.53%, the German 10-year decreasing -82 bps to 2.02%, and the Japanese 10-year decreasing - 15 bps to 0.61%.

Despite early warning signs of an economic slowdown, positive momentum continued in credit markets, with U.S. investment grade credit spreads compressing -19 bps for the quarter. Similarly non investment grade credit spreads tightened -67 bps, with bank loan spreads following in concert (-24 bps).

Markets finished the year strong as the so-called 'Santa Claus' rally continued on the heels of positive signals for potential rate cuts from the Federal Reserve (the Fed) at its December meeting and a mix of economic indicators. Alaska Airlines announced plans to acquire Hawaiian Airlines in December. Amid slowing demand for electric vehicles, Ford announced plans to cut production of its Ford Lightning electric pickup truck, while GM planned to reduce the workforce related to the production of models including the Chevy Bolt. And Moody's cut its outlook from stable to negative on eight Chinese banks after making the same ratings outlook change on Chinese government debt ratings. In Washington, Senate Republicans blocked a proposal from President Biden for an additional $110 billion in funding for Ukraine and Israel, seeking tougher measures on immigration and the southern border. The COP28 climate talks in Dubai ended with a historic deal in which nearly 200 countries pledged to increase investment and ramp up renewable energy in an effort to transition away from coal, oil and gas. On the geopolitical front, Houthi militants in Yemen waged attacks on commercial ships in the Red Sea, disrupting a primary global trade route and adding to global tensions.

U.S. economic data was mixed to close the quarter. The November employment report reversed the first signs of a slowdown in the labor market; non-farm payrolls came in above expectations at +199,000 (vs. +185,000 consensus), average hourly earnings increased to +0.4% MoM (vs. +0.3% consensus) and the jobless rate decreased to 3.7% (vs. 3.9% prior). November inflation data continued to show signs of improvement as core Consumer Price Index (CPI) held at +4.0% (vs. +4.0% consensus), while headline CPI decreased to +3.1% YoY (vs. +3.1% consensus). Core services ex-shelter components reaccelerated in November, printing well above the midyear lows. Seasonally adjusted U.S. retail sales surprised to the upside again, increasing by +0.3% MoM (vs. -0.1% consensus).

The Fed held rates steady at 5.25 – 5.50% during its final meeting of the year. The Fed's statement acknowledged that economic activity had slowed from its pace in the third quarter and that the labor market, while still strong, had moderated with unemployment remaining low. The Fed's statement, reinforced by comments made by Chair Powell, alluded to the committee seeking to avoid causing unnecessary harm to the economy by keeping rates too high for too long. Fed projections now include three possible interest rate cuts in 2024. This 'pivot', as characterized by the market, spurred a material rally in fixed income and equity markets. The Fed also announced it would continue to decrease its holdings in Treasury and agency mortgage-backed securities, as previously planned.

Within the eurozone, headline inflation for November held at +2.4% YoY (vs. +2.4% prior, revised down from +2.9%), while core CPI decreased to +3.6% (vs. +3.6% prior). Third quarter GDP growth figures came in line with expectations and showed a contraction of -0.1% (vs. -0.1% consensus). Outside of the eurozone, inflation figures in the U.K. continued to show signs of improvements, with headline CPI coming in at +3.9% (vs. 4.3% consensus) and core CPI coming in at +5.1% (vs. +5.6% consensus).

Takeaways from Politburo and Central Economic Work Conference meetings in China focus on policy movements to encourage highquality growth, seeking a growth target of approximately 5% for 2024. These measures include supporting innovation in artificial intelligence, digitalization, bio-manufacturing, aerospace and supply chain resiliency. To encourage these outcomes, policymakers alluded to guiding funding costs for the economy lower and keeping the TSF (total social funding) and money supply growth in line with economic growth and its inflation targets.

The Bank of Japan kept its dovish policy stances in place as Governor Kazuo Ueda said wages were moving in the correct direction. Short-term policy rates remain at -0.1%, however, as inflation has been above 2% for the last year, the chances that the BoJ ends its negative policy rate era are increasing.

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Portfolio Review

On the back of falling Treasury yields and improved risk sentiment, the Fund delivered a solidly positive total return for the month. Performance was broad-based; the Fund's exposure to agency MBS was the largest contributor to absolute performance, followed by IG credit and high yield. Exposure to financial hybrids, securitized credit, emerging markets debt and municipal bonds were lesser contributors. Tactical interest rate positioning modestly detracted from absolute performance.

During the month we increased exposure to IG credit, with emphasis on the financials subsector, and we added modestly to credit risk transfers. We hold ample cash in anticipation of future opportunities resulting from market volatility.

Outlook

With inflation trends improving and central banks' interest rates likely at their peak, we believe that economic growth outcomes will become increasingly important drivers of fixed income returns.

China continues to struggle with structural growth pressures and global trade levels decline. Germany is probably in a recession, and Europe overall could also turn negative shortly. And after a blowout third quarter, the U.S. economy seems likely to settle into moderately positive territory, achieving a "soft landing."

We believe inflation should ease more this year in the U.S. and Europe, and in contrast to the last two years, become more predictable. If anything, inflation tail risks skew to the downside at this point, consistent with recent releases and ongoing stagnation of goods prices.

Investors have been preoccupied with the path of interest rates, but with the likely end to monetary hikes, we believe that near-term ups and downs should be less important than the end point on policy.

In our view, the Federal Reserve may have become overly restrictive—which shouldn't be surprising given its reliance on "current" rather than forward data. Our analysis suggests that the fed funds rate could eventually settle at around 3%. However, this doesn't mean that investors should try to time this easing, which could emerge quickly or take some time.

We believe investors in cash deposits should move quickly to hold up to five-year-maturity fixed income, which allows for locking up still elevated rates before they fade away.

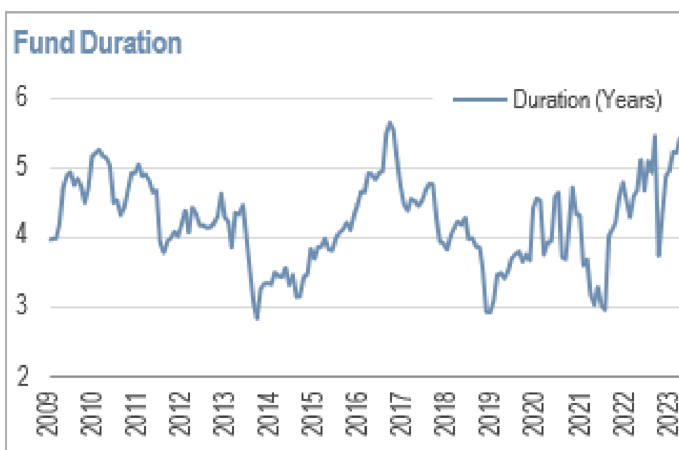
Ever since the global financial crisis, investors have largely been able to ignore various issues that affected the perceived fair value of long-term rates. That seems to have changed: The sunset of quantitative easing, rising inflation volatility, the end of zero or negative rates and increasing debate around the sustainability of government budgets mean that long-term rates are likely to reflect a premium for uncertainties tied to a multiyear obligation.

This past fall, the U.S. bond market was spooked by large, poorly received Treasury auctions, contributing to a melt-up in long-term yields. Although investors were later appeased by adjustments to auction volumes and softening economic fundamentals, the term premium issue remains beneath the surface as countries grapple with ballooning deficits and seemingly little appetite to rein in spending. Complicating the situation is the withdrawal of many sovereign buyers, leaving demand more in the hands of price sensitive private investors.

Overall, the pricing of longer-term rates could become more complicated and dynamic. In our view, it's prudent to expect overshoots (and undershoots) in the coming quarters and years as the market shifts to more normal levels of volatility with reduced influence by policy-driven buyers.

In credit, spreads have remained narrow, powered by stable results and low defaults, even in strongly performing lower-quality segments. However, we are now seeing a bifurcation in the market favoring quality even as any overall spread-widening due to the weakening economy is likely to be mild. Areas of emerging markets, which experienced severe pressure during the tightening campaign, should continue seeing favorable results.

Overall, we believe that 2024 could be a rewarding time for global bond investors that focus on fundamentals and selectivity in building portfolios.



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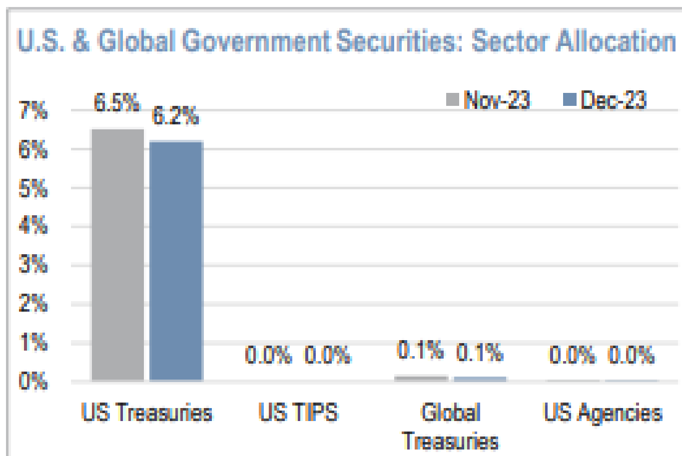
Global rate & Government Securities

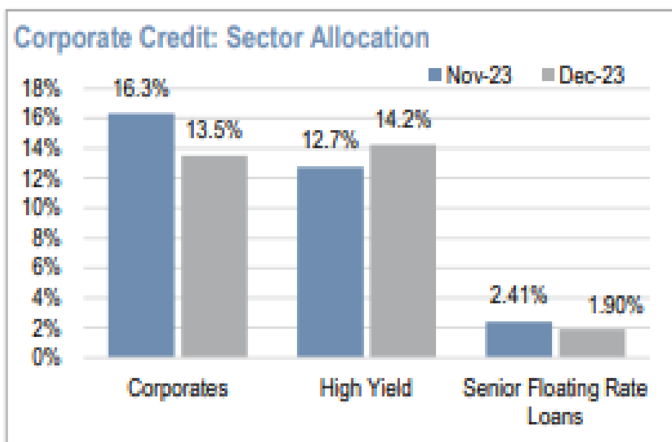
As we believe there are more attractive opportunities available in credit markets, the Fund's exposure to global developed markets government debt is minimal.



Corporate Credit

The strength of the economy has helped support credit, but we are now seeing signs of deterioration. Many companies took advantage of the low-rate environment to refinance and lengthen maturities, and thus have more capacity to ride out potential weakness. In this environment, we anticipate increased mergers and acquisitions as companies seek to expand while limiting costs and fending off the disruption associated with slower growth.

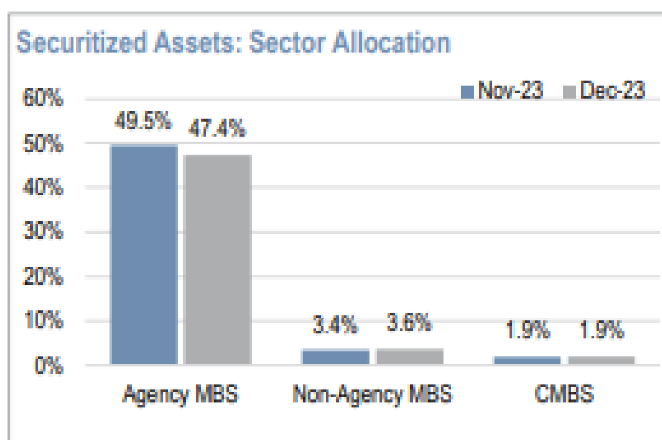
That said, the improved protection against macro weakness has not gone unrecognized, suggesting that we will need to wait for further spread-widening in investment grade before the segment becomes more broadly attractive. Within non-investment grade credit, still modest default levels have been increasing, although spreads do not appear to discount more severe economic outcomes, reinforcing our bias toward credit quality within non-IG markets.



Securitized Assets

In our view, securitized products remain attractive across various sectors, maturities and risk profiles. Amid slowing but still positive consumer fundamentals, housing markets are supported by low inventories, favorable demographics and record homeowner equity. Still, commercial real estate is experiencing headwinds from resetting property valuations and tighter financial conditions.

Much of the agency MBS landscape is trading at a discount, even as higher interest rates have caused prepayment activity to slow dramatically, with minimal expectation for a rebound. In terms of supply, new origination normalized in 2023 to pre-pandemic levels; we expect similar issuance in 2024, which should be manageable for the market to absorb. On the demand side, positive fund flows for money managers combined with attractive valuations have been supportive for the asset class even amidst relatively modest demand from banks, typically the largest owner of MBS. Overall, yields and spreads across many sectors offer historically attractive relative value, although security selection will be critical given rising fundamental risks.



Emerging Markets Debt

We believe that recent strength in emerging markets debt should continue as various trends that dampened performance after the COVID-19 pandemic continue to recede, including emerging markets' relative lack of supportive fiscal measures, significant inflationary pressure, sometimes unorthodox monetary policy and China's extended slowdown. Once-negative technical factors have shifted in a positive direction: Flows have started to improve, and issuance has been subdued, especially among corporates.

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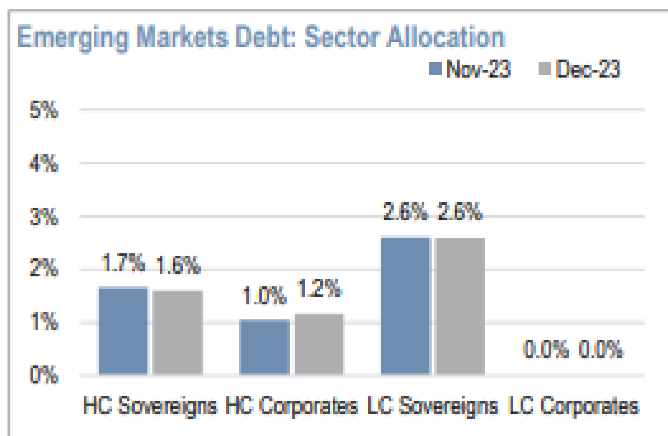
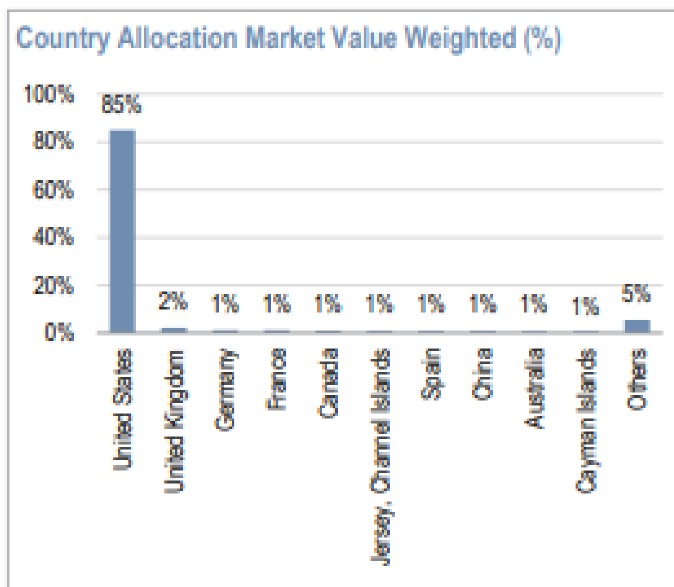
China remains a wild card. Key indicators including PMIs continue to moderate, while GDP growth remains anemic, even as the government's stimulus appears inadequate. Without material improvement in China's economy, emerging market growth could remain disappointing. That said, relative stability could be a positive for emerging markets debt, whose performance has much ground to recover despite a favorable 2023 for some segments. In our view, local markets will likely continue to show strength, along with hard currency bonds, as developed-market interest rates fall and investors seek higher yields.



Country & Currency Allocation

The Fund invests globally but with an emphasis on U.S.-based issuers and USD-denominated securities.



Currency Active Exposures (MV%)	
Euro	2.2%
Yuan Renminbi	0.4%
Pound Sterling	0.3%
Hungarian Forint	0.3%
Brazilian Real	0.3%
South African Rand	0.2%
Japanese Yen	0.2%
Indonesian Rupiah	0.2%

Global positions are predominantly hedged back to USD.

Yield and Duration Data

	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Dec-21	Jun-21	Dec-20
Neuberger Berman Strategic Income Fund (Yield to Worst)	5.68	6.43	6.00	6.12	6.83	7.51	6.97	3.21	3.27	3.38
Bloomberg U.S. Aggregate Index (Yield to Worst)	4.51	5.37	4.78	4.36	4.64	4.71	3.69	1.74	1.48	1.10
Duration	3.45	5.42	4.94	3.71	5.08	4.65	4.53	2.93	3.57	3.69
2-Yr U.S. Treasury	4.25	4.87	4.41	4.03	4.43	4.22	2.95	0.73	0.25	0.12
5-Yr U.S. Treasury	3.85	4.26	3.76	3.57	4.00	4.06	3.04	1.26	0.89	0.36
10-Year U.S. Treasury	3.88	4.11	3.65	3.47	3.87	3.83	3.01	1.51	1.47	0.91

Sector Allocation

Sector Allocation	**Dec-23**	**Sep-23**	**Jun-23**	**Mar-23**	**Dec-22**	**Sep-22**	**Jun-22**	**Mar-22**	**Dec-21**	**Sep-21**	**Jun-21**	**Mar-21**	**Dec-20**
U.S. Treasury & Agency	6	8	8	9	15	18	18	17	17	15	2	1	0
Corporates	14	15	17	21	21	20	19	15	12	8	9	15	17
U.S. Agency MBS	47	50	41	33	28	26	29	23	19	19	16	17	26
CMBS	2	2	2	1	1	1	0	0	0	0	0	0	1
ABS	2	2	2	3	2	2	1	0	0	0	0	0	0
Cash Equivalents	11	8	3	1	1	1	6	1	13	14	1	1	1
Net Unsettled Positions	-8	-10	-9	-11	-12	-11	-20	-3	-9	-4	3	-9	-12
Benchmark Sectors & Cash (Sub-total)	**74**	**75**	**64**	**58**	**56**	**57**	**54**	**52**	**52**	**52**	**31**	**25**	**33**
U.S. TIPS	0	0	6	6	0	0	0	1	0	0	5	7	6
Non US Sovereign	0	0	0	0	0	0	0	0	0	0	0	0	0
High Yield	14	14	18	24	29	29	29	30	29	26	38	40	34
Emerging Markets Debt	5	5	7	7	8	6	8	8	6	9	10	9	8
Senior Floating Rate Loans	2	3	0	0	0	1	3	5	7	7	7	8	8
Non-Agency MBS	4	3	4	4	5	5	5	4	4	4	5	8	8
Munis	1	1	1	1	2	2	2	1	1	1	1	1	3
Non-Benchmark Sectors (Sub-total)	**26**	**25**	**35**	**42**	**44**	**43**	**46**	**48**	**48**	**48**	**68**	**74**	**67**
Total	**100**	**100**	**100**	**100**	**100**	**101**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Negative position on a trade date basis is due to pending settlement of certain forward mortgage-backed securities purchases. Net unsettled positions reflect the Underlying UCITS Fund mortgage-backed to-be-announced (TBA) transactions and other trades pending settlement. Pending settlement means a transaction traded on or before the reporting date that is anticipated to settle in the following period. These net unsettled positions are also reflected in the percentages for the corresponding sector category above.

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Neuberger Berman Strategic Income Fund - W Class's Target Market Determination is available here : https://swift.zeidlerlegalservices.com/tmds/ETL1411AU. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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