

# Neuberger Berman Multi-Cap Opportunities Team

---

**PORTFOLIO MANAGER:** Richard Nackenson

## Market Context

From a historical perspective, the speed and magnitude of the recent market decline has been significant. While the timing of a recovery and the normalization of economic activity is uncertain, the sell-off and related volatility is creating an opportunity to drive differentiated performance through stock selection.

We have seen instances of high velocity corrections in the past, and while each situation has its unique fingerprint, there are similarities. These similarities include: 1) the opportunity for disciplined portfolio repositioning, 2) the recognition that when markets stabilize there is often significant upside potential, and 3) there are often multiple mini-cycles within the major event.

Our team remains focused on what we do well. We continue to apply disciplined fundamental research to help identify high quality business models with strong free cash flow characteristics and solid capital structures, trading at attractive valuations. There are a number of compelling companies appearing on our screens with significant upside potential.

The situation regarding the Coronavirus (COVID-19) is fluid, and the magnitude and duration of the impact on the global economy suggests continued volatility in the very near term. Volatility can be up, as well as down; yet will likely remain high until uncertainty begins to dissipate. We believe that the quarterly earnings cycle will provide a natural opportunity for company management to provide greater clarity on their business. It is likely that select companies will begin the preannouncement of earnings at the end of Q1 2020. This will potentially dovetail with more news as to the global response implemented to combat the spread of COVID-19. When company specific information is more broadly communicated, we expect volatility to subside. It is possible that this pattern will play out over the next two quarters (i.e. Q1 2020 and Q2 2020).

## Investment Implications

The effects of COVID-19 will likely have a differential impact across sectors and companies. Understanding the idiosyncratic impact of temporary changes in consumer behavior and how companies navigate evolving market dynamics help provide our team with the ability to identify investments with attractive long-term upside potential.

In the current market environment, we remain focused on creating value for clients while seeking to mitigate risk at the individual stock and portfolio level.

We continue to research and invest in companies with durable business models that appear to have a high level of predictability of earnings and free cash flow along with appropriate capital structures.

We have utilized recent volatility to capitalize on temporary price dislocations. We have taken action by opportunistically and selectively rebalancing our portfolios, as well as identifying and initiating new investments. Specifically, we have added three new investments across the Consumer Discretionary, Industrials, and Consumer Staples sectors. We also exited a position within the Consumer Discretionary sector due to unfavorable trends impacting its business.

Elevated uncertainty has resulted in an increase in market volatility and correlations, creating less differentiation amongst individual stocks as price movements have become disconnected from fundamentals. We believe our ongoing portfolio positioning may be highly beneficial when correlations decrease and there is the potential to be rewarded for stock selection.

We believe our investment strategy has the ability to create long-term value for clients and effectively navigate the dynamic market environment.

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. Past performance is no guarantee of future results. Investing entails risks, including possible loss of principal. Investments in hedge funds and private equity are speculative and involve a higher degree of risk than more traditional investments. Investments in hedge funds and private equity are intended for sophisticated investors only. Indexes are unmanaged and are not available for direct investment. 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](http://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.