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NEUBERGER | BERMAN

Neuberger Berman Municipal Cash Management

A Positive-Sloped Yield Curve, Settled Trade Deals and Projections of a Stable Fed Funds Rate Should Continue to Benefit Active Management as We Head Into 2020

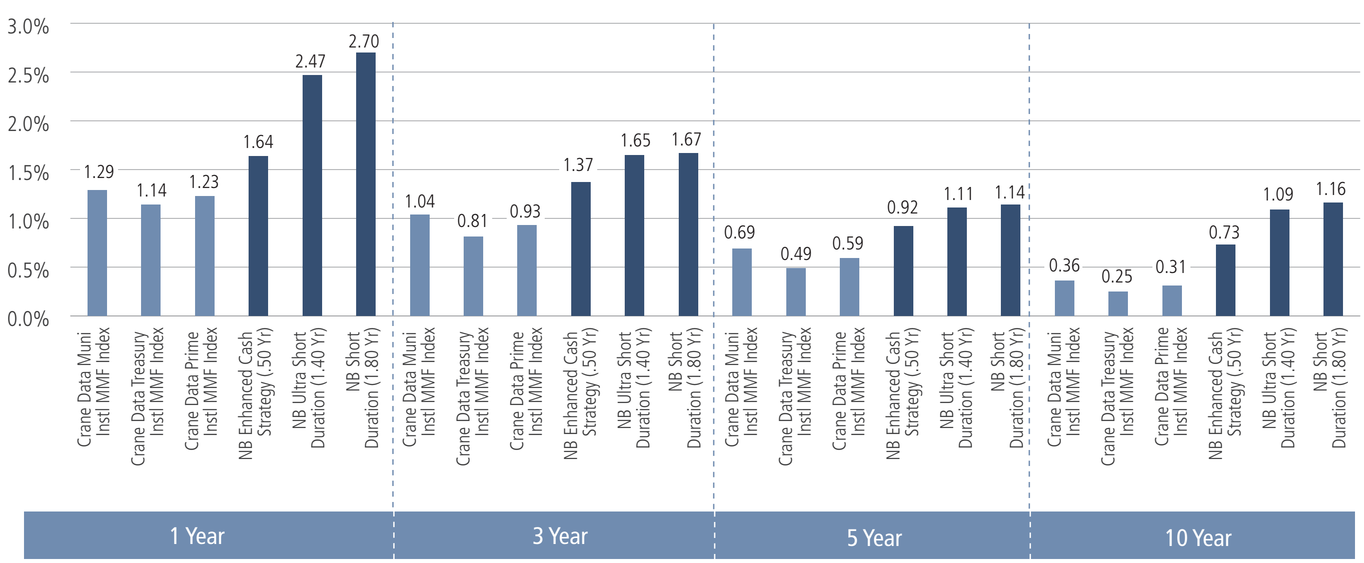
2019 turned out to be a year full of twists and turns for short-term municipal yields. We entered the year with consensus forecasts of up to two rate hikes throughout the year, but given trade war concerns with China and fears that this unrest could lead to a potential recession, the Federal Reserve was forced in a different direction. In the end, we closed out the year with three individual rate cuts of 25 basis points, each taking place at the scheduled July, September and October FOMC meetings.

With nine uninterrupted rate hikes taking place between 2015 and 2018, investors holding fixed rate municipal bonds in the front end of the yield curve were handsomely rewarded when compared to money market fund returns for 2019. During the year, municipal yields fell substantially across the maturity spectrum and bonds spreads compressed to historically tight levels. This led to significant outperformance versus all money market fund asset classes, which were hurt by constrained duration limits and fee structures that continued to rise as the Federal Reserve raised short-term rates over the prior four-year period.

As we close out 2019 and look ahead to 2020, the global economic picture looks to be improving. U.S. equity markets capped their best year since 2013 on the heels of a "Phase 1" trade agreement with China. This trade agreement, along with the previously negotiated trade deal between the U.S., Mexico and Canada (USMCA), have opened the door to four potential market developments that we will closely monitor as we head into 2020. First, a potential steepening of the U.S. Treasury yield curve. Second, projections that the global growth picture will likely improve. Third, some central banks that previously experimented with negative rates could look to abandon those policies given their lack of efficacy and potentially adopt fiscal stimulus measures instead. Lastly, the Fed will likely remain in a "wait and see pattern" regarding any future FOMC interest rate changes given the potential for solid economic growth in 2020 and their unwillingness to become part of the Presidential election debate in 2020. Should these developments fall into place, we believe actively managed municipal cash management accounts may provide an attractive alternative to the typical money market fund investments, as they have for the prior ten-year period.

NEUBERGER BERMAN CASH MANAGEMENT AND MONEY MARKET FUND RETURNS

Annualized Net Returns for the 10-Year Period Ending December 31, 2019[1]



[1]Based on a 40 basis point fee for Neuberger Berman Strategies.

Crane Tax-Exempt Institutional MF Index: Comprised of 23 institutional tax-exempt money funds, including the following fund families: Blackrock, Dreyfus, Federated, Fidelity, Invesco, JP Morgan, Northern, Vanguard, Morgan Stanley and Wells Fargo.

Crane Treasury Institutional MF Index: Comprised of 137 institutional treasury money funds, including the following fund families: Blackrock, Dreyfus, DWS, Federated, Fidelity, First American, Gabelli, Goldman Sachs, HSBC, Invesco, JP Morgan, Morgan Stanley, Norther, PNC, SEI, State Street, T Rowe Price, UBS, Vanguard, Wells Fargo, Western Asset and Wilmington.

Crane Prime Institutional MF Index: Comprised of 132 institutional prime money funds, including the following fund families: American Funds, Blackrock, BMO, Columbia, DFA, Dreyfus, DWS, Federated, Fidelity, First American, Goldman Sachs, Invesco, JP Morgan, Mainstay, Meeder, Morgan Stanley, Norther, PGIM, PIF, Schwab, State Street, T Rowe Price, UBS, Vanguard, Wells Fargo and Western Asset.

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