

Neuberger Berman Global Thematic Equity Team

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Market Context

Over the past few days we spoke with the leaders of many of our portfolio companies, so we wanted to share a couple of interesting takeaways:

China back in business: confirmed by several portfolio companies, but also by Apple (reopening their stores in China), by Procter and Gamble, American Express, and even by our own firm: almost all of NB employees in our Shanghai and our Hong Kong offices are working from their respective offices.

Supply chains seem to be operating reasonably well: we hear this from many businesses across different industries, and we confirmed this with the leaders of a European retailer that has a number of Chinese suppliers, and with the CEO of a leading tech hardware manufacturer with manufacturing facilities and customers in China (both are portfolio companies).

Demand for cloud based services and related software and hardware pretty much intact: heard this from the CEO of a leading cloud based business services firm, and from the CEO of a leading data storage manufacturer. It makes sense to us – these challenging times really highlight the value of businesses that provide communication, connectivity and accessibility solutions.

Liquidity not an issue (so far): Liquidity management is key in our opinion, and businesses are not seeing major issues in drawing revolvers and preparing for this extremely uncertain environment. This was confirmed by every single company we spoke with over the last two weeks.

To conclude, we are encouraged by the recovery in China and Asia in general, also confirmed by our China Bond portfolio management team. We are also encouraged by the focus and execution we see in our operating partners. Finally, we are closely observing Germany's effort to control COVID-19 (cases appear to be plateauing), and what seems to be a reversion in Italy's death toll path. If both trends are confirmed, it would indicate that COVID-19 can be controlled (**if properly managed**), likely resulting in a normalization of economic activity sooner than most seem to expect. Furthermore, Terri Towers, our Healthcare expert at NB, seems optimistic about two treatments — Chloroquine and Remdesivir – the latter recently awarded Orphan Drug status by the FDA.

That said, the need for liquidity has resulted in unprecedented levels of volatility in equity markets, where liquidity is more easily found – “you sell what you can, not what you want”. This has been particularly true for mid and smaller caps (~50% of our portfolio), where trading seems to be happening with little regard for business fundamentals.

We will keep you posted of any developments, and we are available to further discuss if needed.

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