

Neuberger Berman Large Cap Value Team

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Market Context

Market volatility is on the rise due to a few factors – Coronavirus (COVID-19), OPEC+ and the lack of volatility leading up to this period. We believe now is the time for investors to seek out active management that can seek to take advantage of the volatility with a disciplined, consistent approach.

In our view, the markets have stopped paying attention to rational valuation cases for equities and have turned to fear and panic. Our belief is that at some point in the not too distant future investors will likely turn back from fear to rationality and the dislocations in the markets today are presenting some interesting opportunities. The amount of stimulus and liquidity that global central banks have pumped into the system to help offset any economic impact from COVID-19 is very large and we believe will likely have a positive impact when the current situation is resolved. Saudi Arabia and Russia continue to produce oil as if there is no demand shock from the current economic pause and oil prices and oil stocks have responded negatively. Financial stocks have come under pressure as interest rates hit all-time lows on the 10yr and 30yr US treasury bonds.

Investment Implications

We came into this period with a barbell approach of defensive and cyclical exposure and have used this opportunity to rotate slowly into more cyclically exposed areas (Financials, Industrials and small pockets of Energy). We have taken the opportunity to trim areas that have held up better in periods of volatility. With our belief that the stimulus will likely cause an acceleration in economic growth after the pause we are currently experiencing, it may be time to think about the prospects of value outperforming growth after an unprecedented period of growth outperforming value.

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