NEUBERGER BERMAN

Neuberger Berman Small Mid Cap Portfolio

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Performance Highlights

Small-mid cap stocks, as measured by the Russell 2500 Index, surged +9.00% in the third quarter. The Neuberger Berman Small Mid Cap Portfolio also posted a positive return during the period but underperformed the Russell 2500 Index.

Equity market strength was supported by mixed economic data but solid corporate earnings, and the resumption of the Federal Reserve's rate-cutting cycle. While housing activity and consumer sentiment indicators remained subdued, other key metrics (real GDP, industrial production, personal income, and consumer spending) continued to trend positively. The improvement in these areas provided a constructive backdrop for risk assets. Labor market data was mixed.

Although August payroll growth underwhelmed, initial jobless claims declined and job openings increased, suggesting underlying stability.

Portfolio Review

Within the Russell 2500 Index, the most volatile (highest beta), momentum driven (highest levels of sales growth), low quality (non-earners and lowest levels of profitability), speculative (smallest market caps and lowest stock prices), and heavily shorted (10% or higher) stocks outperformed. Companies related to themes such as Artificial Intelligence, Crypto Currency, Quantum Computing, and NextGen Defense, the majority of which are unprofitable and do not meet our investment criteria, continued to soar during the period. In this market environment characterized by rampant speculation, our high-quality portfolio underperformed due to negative stock selection (in nine of the eleven sectors in which we invest), which was particularly weak in the Industrials, Information Technology, and Health Care sectors.

Within Industrials, our Machinery, Marine Transportation, and Construction & Engineering names underperformed. Performance in the industrials sector remains notably divergent.

Segments linked to data center construction, aerospace, and defense, many of which fail to meet our investment criteria, continue to demonstrate strength, while chemicals and transportation names are experiencing a prolonged downturn.

There is increasing optimism for a recovery outside of the United States, though macro indicators remain mixed and corporate sentiment reflects ongoing uncertainty. Long-term structural themes persist, including sustained outlooks for infrastructure investment, automation, electrification, and reshoring/nearshoring.

Despite these favorable trends, volumes are subdued, and the pace of pricing gains has moderated. In response, companies are emphasizing margin improvement through operational efficiency, disciplined cost management, and strategic portfolio adjustments. Capital expenditure lead times have shortened as firms reassess project pipelines, reflecting a more agile approach to investment amid evolving market conditions.

Additionally, management teams are intensifying their focus on mergers and acquisitions following a period of accelerated share repurchase activity earlier in the year. While overall deal volume has moderated, there is a shift toward larger transactions. Firms are also actively reviewing their existing portfolios to ensure continued strategic flexibility.

The Technology sector continues to be dominated by the performance of a handful of themes tied to artificial intelligence, quantum computing, and cryptocurrency. Growth in data center capital expenditures is benefiting many parts of the technology supply chain, including those that have historically had low product differentiation, unattractive margins, and minimal switching costs. At the same time, concerns around artificial intelligence usage in software development have also weighed on the valuations of software names. Meanwhile, investor enthusiasm around these themes has driven the significant outperformance of these unprofitable technology companies, and our high-quality investments have experienced multiple compression despite their consistent earnings growth and resilient business models.

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We believe, historical parallels, such as the late 1990s telecom overbuild and the U.S. shale boom of the 2010s, suggest that a period of overinvestment in data center capacity may emerge. While the exact catalyst for a shift is difficult to pinpoint, in our view history shows that such speculative phases are typically followed by a sharp normalization, rewarding companies with fundamentally strong business models and sustainable competitive advantages.[1]

Our underperformance in Health Care can be attributed to our underweight in biotechnology and pharmaceutical companies. These businesses can typically be characterized as early-stage, loss-making, single-product companies that do not meet our investment criteria. Instead, our approach emphasizes healthcare companies with diversified product and customer bases, minimal reimbursement risk, and a tendency to serve core suppliers within the industry.

[1] Historical trends do not imply, forecast or guarantee future results. Nothing herein constitutes a prediction or projection of future events or future market behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results.

BEST AND WORST PERFORMERS FOR THE THIRD QUARTER 2025

Best Performers	Worst Performers
Lattice Corporation	Haemonetics Corporation
Valmont Industrials, Inc.	Kirby Corporation
Installed Buildings Products, Inc.	Power Integrations, Inc.
Colliers International Group	Ryan Specialty Holdings, Inc.
Armstong World Industries, Inc.	AptarGroup, Inc.

Reflects the best and worst portfolio performers for the quarter, in descending order, based on individual security performance and portfolio weighting. Positions may include securities that are not held in the portfolio as of 9/30/2025. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for the portfolio. It should not be assumed that any investments in securities identified and described were or will be profitable.

Best Performers

Lattice Semiconductor Corporation

Lattice Semiconductor sells low-power programmable logic semiconductor chips. The company is a market leader in lower-power applications, and its proprietary embedded software serves as an additional barrier to entry when compared to semiconductor peers. The stock performed well in the period on the back of improving fundamental results and investor excitement around emerging applications related to artificial intelligence.

Valmont Industrials, Inc.

Valmont is the leading manufacturer of engineered, fabricated metal products, steel and aluminum poles, towers, and other structures with market-leading positions across a portfolio of duopoly/oligopoly businesses. The stock performed well in the period, driven by strong financial results and improved fundamentals with a strong outlook for continued utility sector demand.

Installed Building Products, Inc.

IBP is a leading installer of residential insulation in the US. The company enjoys leading share in most of its markets, has industry-leading margins due to its scale and pricing power, provides superior levels of customer service, and generates strong free cash flow which it deploys into accretive M&A and buybacks. The stock outperformed in the period due to much stronger than expected earnings results.

Colliers International Group

Toronto-based Colliers is the fourth largest commercial real estate services provider globally. Since its split with FirstService, CEO Jay Hennick has transformed Colliers from "the cyclical broker business" into a diversified real estate services company with 70% of EBITDA coming from less volatile outsourced services and alternative asset management businesses.
The stock outperformed in the quarter driven by positive 2Q'25 earnings that showcased the turn in the capital markets' cycle and several M&A announcements that continued the trend of moving the business into business lines with higher predictability.

Armstrong World Industries, Inc.

AWI is the leading manufacturer of highly specified non-residential ceilings in North America. The company is the market leader in a rational duopoly differentiated by its low cost/high value product offering that needs to be specified by architects and designers, scaled manufacturing, exclusive distribution, leading product innovation, and high touch customer service, while maintaining a balanced capital allocation policy between buybacks and tuck-in acquisitions. The stock outperformed in the period due to strong earnings results despite a challenging macroeconomic environment.

Worst Performers

Haemonetics Corporation

Haemonetics is a leading supplier of blood management systems and consumables used to collect and process blood into its components, as well as a leader in blood management and minimally invasive surgical site closure systems.

The stock underperformed in the period after reporting earnings that were technically in line with consensus, but inconsistent with the company's guidance. The inconsistent financial results, intensifying competitive dynamics, and concerns about capital

allocation decisions weighed on this stock following the earnings report.

With that said, the company's core plasma business continued to see improving organic sales growth and margin expansion driven by new product adoption and customer wins, and management has stated that its focus for free cash flow will be returning it to shareholders via share buybacks. This gives us some conviction in the long-term outlook and future capital allocation decisions.

Kirby Corporation
Kirby is the largest inland tank barge operator in the U.S., with other businesses in coastal transport and energy services.

The business has significant barriers to entry, and after several challenging years, the industry is beginning to rationalize excess capacity, which should benefit Kirby's earnings and returns on capital. The company underperformed in the period after updating its guidance to reflect declining volume trends with its chemical customers, who account for about 50% of sales. The company still expects to achieve 15% earnings growth or better, the low end of its earnings guidance, if current market conditions persist.

Power Integrations, Inc.
Power Integrations sells integrated circuits, typically used to convert power from AC to DC. The company invests significant resources in research and development which has, over time, allowed it to bring new innovation to market and expand into new verticals.

The stock underperformed in the period as an industry-wide inventory correction weighed on near-term results and as concerns around tariffs and trade barriers intensified. Recent results suggest that some headwinds and uncertainty still persist but we continue to see meaningful opportunity in areas such as high power, automotive, and datacenter where the company's proprietary integrated circuit designs and Gallium Nitride architecture compete very strongly.

Ryan Specialty Holdings, Inc.
Ryan Specialty Holdings is the number two player in wholesale insurance brokerage oligopoly. The company's founder, Pat Ryan, previously founded and grew retail brokerage giant, Aon, and after retiring set out to create a powerhouse in the wholesale market. The company is levered to the Excess and Surplus insurance market which has secular growth drivers such as social inflation, climate change and cybersecurity risk.

RYAN underperformed in the quarter due to weaking pricing trends in the property lines and lower demand in construction related lines. Looking forward, we believe easier comps and RYAN's idiosyncratic growth drivers will enable the company to continue generating organic revenue growth despite these headwinds.

AptarGroup, Inc.
Aptar is the leading supplier of value-added dispensing and containment systems used in the pharma, beauty, home care, food, and beverage industries. ATR has a recession-resistant business model with durable end markets. ATR underperformed in the period after reporting inline financial results; however, the company highlighted declining volumes for its Naloxone products following an industry-wide inventory buildout.

Year-to-Date

Over the past nine months the small-mid cap market has been quite volatile, with investors reacting strongly to a series of policy announcements, macroeconomic data points, Fed minutes, and geopolitical events. On a year-to-date basis, the Russell 2500 Index was up +9.48% and we materially underperformed.

During this time, our portfolio performed largely as we would expect, outperforming in the first quarter that was characterized by investor fear and uncertainty and underperforming in the highly speculative post "liberation day" up market. Although our recent returns align with historic patterns, we are no less disappointed with the outcome. As is the case every year, there were names in the portfolio that underperformed for company-specific reasons. While we had trimmed many of these positions over the past few years, with the benefit of hindsight, we could have done more. That said, the vast majority of our underperformance was due to our lack of participation in the speculative market environment.

As you will remember, we are steadfastly committed to building high-quality small cap portfolios that meet our stringent investment criteria. We are looking for companies that generate sustainable and ample free cash flow, above average earnings growth, with strong balance sheets, superior returns on assets, and differentiated business models, all of which are protected by high barriers to entry. We adhere to our investment philosophy regardless of market environment, maintaining discipline and consistency in our portfolio construction approach. We know that there will be periods when our high-quality companies will be out of favor.

Nevertheless, we remain committed to our strategy. We believe that, despite recent headwinds, over full market cycles,

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identifying and investing in high-quality small caps at reasonable valuations consistently should outperform trend-chasing and unbridled speculation. We are currently operating in a highly speculative market. The most volatile small cap stocks with the highest short interest, and strongest momentum are meaningfully outperforming. In this environment, investor appetite for durable business models with sustainable earnings growth is very low. High quality companies are generally out of favor.

Given our long history, we have lived through speculative periods like this in the past—including the 1999–2000 dot-com bubble, the low-quality rally of 2003 that began with massive monetary and fiscal stimulus, and the speculative surge in 2006 that was driven by robust economic growth. The level of speculation in today's market rivals those historic periods. In each of these windows of time, investors have had high levels of indifference toward our types of high-quality businesses.

Outlook

While today's sentiment toward high-quality companies is extremely negative by historical standards—and could remain so for some time— much of that negativity appears to be already reflected in valuations. Most importantly, in our view, the fundamentals of our portfolio companies remain solid, and we believe the portfolio's valuation looks attractive on both an absolute and relative basis. While we cannot time the turn, we believe the portfolio is well positioned heading into 2026.

The current economic environment generally remains one of muted growth outside of anything related to artificial intelligence investment. Many areas of technology, healthcare, industrials, and consumer cyclicals have been reporting fairly anemic results over the last couple of years and, in many cases, have seen demand near recessionary levels. We also see pockets of credit stress across both corporate issuers and the consumer and yet credit spreads remain historically tight – underscoring the market's conflicting signals.

On the positive side, it is becoming clearer every week that artificial intelligence has the potential to have a profound impact on labor productivity, innovation, and new technology areas such as robotics. It is this excitement that is driving a land-grab mentality among large cap technology companies to secure adequate capacity for the demand that lies ahead. It is our view that, over the long term, capital should flow to where it is most rewarded and that return on invested capital must be sufficient to justify this investment. For the present time, though, the artificial intelligence race is on, and the stocks playing into it, regardless of business quality, are being strongly rewarded. We see many examples of "irrational exuberance" including the heavy involvement of retail investors, which we view is like the "meme stock" craze coming out of COVID.

To draw lessons from history, we can look to prior investment cycles such as the buildout of the U.S. transcontinental rail system, the establishment of the electric grid, the laying of millions of miles of fiber during the internet boom, and the U.S. oil and gas shale "revolution." In each of these, immense sums of capital were required to fund initial investment, facilitated by the U.S. capital markets. This is where we believe we are today with AI investments.

Over time, however, we believe these cycles show a consistent pattern: the beneficiary tends to be the broader economy, and those benefits compound with time. In other words, to gain from this investment, one does not need to own the companies funding the initial buildout but rather identify which companies and industries may stand to benefit.

We continue to believe that our diversified portfolio is very well positioned to benefit from the implementation of AI. This gives us further confidence in the long-term earnings growth potential embedded in the portfolio, coupled with strong balance sheets and a reasonable starting point on valuation. If we are wrong, and "it's different this time," we would simply suggest that, in our view, one cannot be true without the other: either the benefits from AI will be profound for the broader economy and investor excitement is warranted, or the benefits will fall short and AI stocks are poised to significantly underperform.

Outside of artificial intelligence, market consensus is that the Federal Reserve is prepared to embark on a series of interest rate cuts in response to the weakening labor market. We believe that these cuts would benefit the small-cap asset class and potentially broaden out the drivers of economic growth beyond the extreme concentration that we have today in artificial intelligence and data centers. We believe that our portfolio would be well positioned to benefit.

To conclude, the current environment has been a frustrating one. While the catalyst is challenging to identify, historically, speculative periods are generally followed by a sharp return to normalcy, where the attributes that we believe our businesses possess are rewarded. By design, we remain intently focused on balance sheet quality, pricing power, free cash flow generation, and businesses that can compound shareholder value through a market cycle. We remain confident that our high-quality portfolio is well positioned to deliver above-average, risk-adjusted returns over the long term.

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The Russell 2500 Index is comprised of the smallest 2500 securities in the Russell 3000 Index. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment of the U.S. equity universe. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. Please note that indices do not take into account any fees or expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of the index are prepared or obtained by the Manager and include reinvestment of all dividends and capital gain distributions. The Portfolio may invest in many securities not included in the above-described index.

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