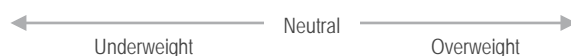


# Asset Allocation Committee: 12-Month Outlook as of March 2020

## Severe Growth Shock Creating Short-Term Risk As Medium-Term Opportunity Rises

### The Growth Shock

- The world faces a rolling series of economic shutdowns to contain the COVID-19 outbreak.
- Our base case is that infections will likely peak in the U.S. in May/June.
- We are encouraged to see reported new cases trail off in China.
- The oil price war has exacerbated the deflationary impact of the virus and increased credit stress.



### EQUITY

Global Equities	○	○	○	●	○
U.S. Large Cap	○	○	○	●	○
U.S. Small Cap	○	○	●	○	○
Developed Market-Non-U.S. Equities	○	○	●	○	○
Emerging Market Equities	○	○	●	○	○

### FIXED INCOME

Cash	○	●	○	○	○
Investment Grade Fixed Income	○	○	○	●	○
High Yield Corporates	○	○	●	○	○
Non-U.S. Developed Market Bonds	○	●	○	○	○
Emerging Markets Debt	○	○	●	○	○

### REAL AND ALTERNATIVE ASSETS

Commodities	○	○	●	○	○
Hedged Strategies	○	●	○	○	○
Private Equity	○	○	●	○	○

### The Economy

- We expect a global recession, including severe short-term growth shocks in the U.S. and other impacted countries, with small businesses and consumers most directly affected.
- Central banks are acting aggressively to stabilize markets and provide credit to businesses, but monetary policy may provide limited support to the most damaged sectors.
- Fiscal authorities are beginning to ramp up stimulus; massive and targeted programs to be needed to address the growth shock.
- Pent-up demand once the health crisis is over could spur a rebound.
- As such, our base case is for a double-digit decline in second quarter U.S. GDP, annualized, followed by a potential recovery later in the year, leaving full year 2020 growth -2% or lower.

### The Markets

- We expect an extended period of volatility until there is a peak in virus cases in the U.S., liquidity returns to credit markets, and there is clarity on key stimulus measures.
- A 25-35% decline in earnings for 2020 is realistic; based on our outlook, we see the potential for the S&P 500 to bottom around 2,000.
- Interest rates likely remain lower for longer as central banks maintain zero and lower policy rates.
- We expect credit to experience continued short-term pressure until liquidity conditions improve

### Asset Allocation

- In the very short-term, risk management and diversification are paramount.
- Once we reach the peak in infections, we favor increasing allocations to riskier assets with an orientation towards quality and yield.
- We view investment grade credit as having the most attractive risk-adjusted return profile.
- Within equities, we have an overweight view on U.S. large company stocks.
- Emerging markets could be vulnerable, but there may be regionally-specific opportunities.
- We expect the oil price war to continue for 12-18 months, but action on U.S. supply, demand recovery, and mean reversion may point to some upside in the medium-term.
- Hedged strategies can be important diversifiers as volatility remains elevated, but may lag when markets begin to recover.
- Private markets, while currently at a standstill, have high levels of dry powder give GPs room to support portfolio companies and seek to take advantage of market dislocations.

The environment is evolving rapidly and we will continue to refine and update our views as the situation changes.

As of 1Q 2020. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See "Additional Disclosures" at the end of this presentation, for additional information regarding the Neuberger Berman Multi-Asset Class team and Asset Allocation Committee and the views expressed.

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