

# Neuberger Berman Large Cap Value Team

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While the Neuberger Berman Large Cap Value team has no direct exposure in our client accounts to Silicon Valley Bank (“SVB”) or Signature Bank (“SBNY”), we remain cautious as financial markets continue to evaluate the broader implications of the recent events.

Given the concentration of SVB’s customer base (primarily venture capital and technology start-ups) and the impact rapidly rising interest rates had on the company’s longer duration securities portfolio, we believe these events have unfolded very quickly and could be more idiosyncratic in nature. While the Federal Reserve acted quickly to make available additional funding to eligible depository institutions, we believe it’s still too early to tell how these events will ultimately play out. We acknowledge the potential for continued liquidity issues across other banks as depositors appear to be nervous and the impact from the Fed’s aggressive interest rate hikes are yet to be fully felt, in our view due to a lag effect.

These views are consistent with our underweight to the financials sector across client accounts that we have been talking about for a little bit of time. Recently, we have also been evaluating the implications of a weaker economy and have become more cautious on our outlook, notably the outlook implied by slowing demand, the inverted yield curve and the effects of unprecedented stimulus being pulled out of the system. This event could be a one off or it could be the start of something bigger.

Specific to banks and financials more broadly, we believe there will be medium to longer term implications with increased scrutiny by regulators on liquidity, capital and duration risk. In our view, this will likely lead to higher funding costs over that time and potential for lower overall returns on assets and equity for the banks.

We continue to monitor our positions in this very fluid situation.

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