

Neuberger Berman Large Cap Disciplined Growth Portfolio

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Performance Highlights

The Neuberger Berman Large Cap Disciplined Growth strategy was down in the first quarter but outperformed its primary benchmark, the Russell 1000 Growth Index.

Market Context

After two years of above historical average appreciation, valuation levels for the stock market as measured by the S&P 500 Index ("S&P 500") had reached the top decile of historical levels. As concerns grew during the first quarter that the efforts to reduce government spending and embark upon a new tariff regime could have negative implications for the economy and corporate earnings, the stock market corrected modestly.

Portfolio Review

On a relative basis, the Portfolio performed best in Communication Services and lost ground in Consumer Staples. On an individual stock basis, the best performers during the period were Spotify, Vertex Pharmaceuticals and Tradeweb. The worst performers were NVIDIA, Amazon.com and Apple.

Spotify reported another strong quarter of premium subscriber adds and margin expansion. Its subscription business tends to have very low churn and is viewed as more stable in a period of rising economic uncertainty.

Vertex Pharmaceuticals outperformed due to its defensive attributes as well as the approval of its new acute pain drug with a clean label.

Tradeweb performed well due to increased volatility in fixed income markets.

NVIDIA underperformed due to rising concerns about artificial intelligence (AI) spending in a time of economic uncertainty.

Amazon.com was weak due to concerns about the implications of tariffs on the profitability of its retail business.

Apple underperformed due to concerns about very large tariffs on Chinese imports.

During the quarter, we exited Fluor, Freeport-McMoran and Tetra Tech.¹

BEST AND WORST PERFORMERS FOR THE QUARTER²

Best Performers	Worst Performers
Spotify Technology SA	NVIDIA Corporation
Vertex Pharmaceuticals Incorporated	Amazon.com, Inc.
Tradeweb Markets, Inc. Class A	Apple Inc.
Visa Inc. Class A	Microsoft Corporation
TransDigm Group Incorporated	Alphabet Inc. Class A

² Reflects the best and worst 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 3/31/2025. Information is based upon a composite account and additional information regarding the performance contribution calculation methodology is available upon request. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients. It should not be assumed that any investments in securities identified and described were or will be profitable.

Outlook

Our last quarterly commentary expressed caution that the post-election euphoria manifested in consumer and business confidence seemed premature as the impact of DOGE, tariffs and net migration were still to come. In the first quarter and continuing more recently, the administration's unprecedented and hostile approach to trade imbalances is sharply raising the risk of a global recession. Consumer confidence has retreated, as an already weakening employment environment is now coupled with fears of tariff-related inflation to come. CEO confidence has slipped to the lowest levels since 2013. Measures of policy uncertainty have spiked to highs.

Most concerning, however, is the administration's views on global trade, centered in a belief that trade imbalances in goods are inherently bad, and, if negative, demonstrate the country is being "ripped off." Importantly, the administration's approach ignores the very significant services trade surplus the US has with most countries; services include software licenses and restaurant branding rights. Trade balances can also be misleading, as they

¹ Represents all buys and sells for the quarter through March 31, 2025.

do not account for the origin of intermediate inputs or value added from other countries nor the country that is inherently capturing value from the trade. For example, the iPhone represents an estimated 2% of the US's trade deficit with China – China's value-add is just 1/3 of that gross number, however, with 2/3 of components sourced outside of China. Most importantly, the lion's share of the value of an iPhone sold is captured by Apple, driving employment and investment in the US. Also, while there's no question simple manufacturing has shifted to low-cost regions over the last few decades, the US remains the second largest manufacturer in the world, with output greater than Japan, Germany, India and South Korea combined, inclusive of a heavy mix of advanced manufacturing like aerospace. The reciprocal tariff rate also bears no semblance to tariffs imposed by the US trading partners, which are a fraction of those claimed, as well summarized by the Cato Institute (<https://www.cato.org/blog/more-about-trumps-sham-reciprocal-tariffs>).

We are concerned the administration has over-played its hand, with retaliation likely, and negotiations will be difficult if the goal is the absence of goods trade imbalances globally. There are off-ramps of course, most notably pressure from Congress (via its constituents) to reign in the President's freedom to manage trade. It's also possible this is all negotiating bluster, which may be true in magnitude, but the ultimate tax paid by consumers in the form of higher inflation will likely remain meaningful in most scenarios. If unmitigated, the tariffs, at ~1.5% of GDP, represent the largest tax increase ever.

We think this is a time to err on the side of caution. In addition to these trade concerns, the trajectory of artificial intelligence (AI) spending and return on investment remains uncertain. AI enthusiasm helped to drive US market exceptionalism, and, while the promise remains enormous, the ultimate impact on aggregate corporate profitability of key players will take some time to resolve and tariffs will likely add to compute costs. Anxious executives could opt to curtail investment spending over the short-term if the future seems murky.

Over the long-term, we have no loss of confidence in the types of companies we hold. We believe innovation-led companies that create new products and services, which generate strong and growing demand, are likely to continue to create opportunities for free cash flow and earnings improvement that should ultimately drive share prices higher. Growing cash flow can give a company many options to pursue further growth opportunities, either organically or through acquisitions, and can give the option to potentially increase shareholder return opportunities, either through dividends, share repurchases, or both.

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Russell 1000® Growth Index: Measures the performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The index is market cap-weighted and includes only common stocks incorporated in the United States and its territories.

Effective after the market close on March 21, 2025, FTSE Russell is implementing a capping methodology to all Russell U.S. Style Indices including this one. Any individual company weights in the index greater than 22.5% will be capped, and the sum of all individual companies that have an index weight greater than 4.5% will be capped to a 45% aggregate weight in the index. This will be applied quarterly going forward, but historical index returns will not be restated.

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