NEUBERGER | BERMAN

Neuberger Berman Strategic Income Fund

TICKER: Institutional Class: NSTLX, Class A: NSTAX, Class C: NSTCX, Class R6: NRSIX, Trust Class: NSTTX

PORTFOLIO MANAGERS: Thanos Bardas, Ashok Bhatia, David M. Brown, and Brad Tank*

Performance Highlights

For the month of January, the Neuberger Berman Strategic Income Fund (the "Fund") Institutional Class generated a positive total return and outperformed the Bloomberg U.S. Aggregate Bond Index. Performance for all share classes can be found on page 4. In terms of relative performance, the Fund's duration underweight and yield curve positioning were standout contributors, whereas security selection in agency mortgage-backed securities (MBS), commercial mortgage-backed securities (CMBS) and investment grade (IG) Credit, and allocations to financial hybrids, collateralized loan obligations (CLOs), mortgage credit and European high yield (HY) were secondary contributors. Overweight exposure to agency MBS, underweight exposure to IG credit, and allocations to emerging markets debt (EMD) and U.S. HY detracted from relative performance.

Market Context

U.S. IG fixed income, as measured by the Bloomberg U.S. Aggregate Bond Index, and global IG fixed income, as measured by the Bloomberg Global Aggregate Bond Index (USD hedged), generated negative total returns of -0.27% and -0.20%, respectively, during the month.[1] Performance across major fixed income sectors were mixed during the month. EMD, IG corporates and agency mortgage-backed securities were negative while senior floating rate loans, U.S. HY and Treasury inflation-protected securities (TIPS) were positive.

U.S. government yields were mixed across the curve during the month, with the 2-year falling -4 basis points (bps) to 4.21%, the 10-year rising +3 bps to 3.91%, and the 30-year rising +14 bps to 4.17%. Intermediate yields across the remaining G4 countries sold off during the month, with the U.K. 10-year rising +26 bps to 3.79%, the German 10-year rising +15 bps to 2.17%, and the Japanese 10-year rising +12 bps to 0.73%.[1]

Credit markets were mixed during the month. U.S. IG corporate spreads (-3 bps) compressed to 96 option-adjusted spread. Meanwhile, the appetite for below IG credit softened during the month as non-IG corporate spreads widened (+20 bps) to 359 option-adjusted spread.

The quarterly earnings season kicked off during the month. While early results have been overall positive, several large banks and tech companies announced plans to reduce their workforce in anticipation a slowing growth environment. The SEC approved the first-ever spot Bitcoin ETFs, offering greater investor access to the cryptocurrency. The University of Michigan consumer sentiment report for January came in unexpectedly strong at 78.8 (vs 69.3 forecasted), reflecting continued optimism on the part of U.S. consumers. In Washington, congress passed a stopgap spending bill to avert a government shutdown through March. On the geopolitical front, the U.S. and U.K. carried out strikes against Houthi rebels in Yemen to deter further strikes and disruption in the Red Sea, a primary global trade route. Iran seized an oil tanker in the Gulf of Oman in retaliation for a U.S. seizure of the same vessel last year.

U.S. economic data were positive and continued to show resilience. Fourth-quarter GDP came in at 3.3% YoY (vs. 2% consensus), notably driven by consumer spending. The December employment report came in strong, with non-farm payrolls increasing +216,000 (vs. +175,000 consensus), average hourly earnings up +0.4% MoM (vs. +0.3% consensus) and the jobless rate remaining flat at 3.7%. December inflation came in slightly hotter than expected, with CPI YoY printing at 3.4% YoY (vs. 3.2% consensus) and core CPI coming in at 3.9% YoY (vs. 3.8% consensus). Seasonally adjusted U.S. retail sales surprised to the upside again, increasing by +0.6% MoM (vs. 0.4% consensus).[2]

The Federal Reserve (Fed) held rates steady at 5.25 – 5.50% at its first policy meeting of the year. The Fed upgraded its assessment of the economy from the prior statement, removing language that suggested the next policy move could be an increase as well as language about the health of the banking system and the uncertain impact of financial and credit conditions. The Fed noted that the economy has been expanding at a "solid" pace and are expecting balance sheet runoff to continue.[3]

* As previously announced, Brad Tank will transition from Co-CIO of Fixed Income to a Senior Advisor role as of December 31, 2024 and thereafter will no longer provide portfolio management services.

Within the eurozone, inflation for December came in line with expectations and showed stabilization, with CPI reporting 2.9% YoY and core inflation at 3.4%. Fourth-quarter preliminary GDP figures came in essentially flat at 0.0% QoQ (vs. -0.1% consensus) and 0.1% YoY (vs. 0.1% consensus). Outside of the eurozone, inflation figures in the U.K. came in higher than expectations, with headline CPI at 4.0% (vs. 3.8% consensus) and core CPI at +5.1% (vs. +4.9% consensus).

Takeaways from the 2024 World Economic Forum in Davos, Switzerland focused on artificial intelligence, innovation and technology, and their potential to help solve global challenges. Over the four days, political and business leaders discussed in greater breadth the potential of AI's impact on the future of work and its implications while underscoring the importance of guardrails, regulation and governance around AI.

The Bank of Japan (BoJ) kept its dovish policy stances in place. Short-term policy rates remain at -0.1%, however, as inflation has been above 2% for the last year, the chances that the BoJ ends its negative policy rate era are increasing.

Portfolio Review

In spite of the rise in intermediate and long-term Treasury yields, the Fund delivered a positive total return for the month. The Fund's tactical interest rate positioning, exposure to CMBS, financial hybrids, mortgage credit and CLOs were the largest contributors to absolute performance; the Fund's IG credit exposure contributed modestly. Exposure to agency MBS, EMD and HY detracted from absolute performance.

During the month we reduced exposure to U.S. HY and agency MBS, taking profits. We increased exposure to CMBS and IG credit, with continued emphasis on the financials subsector. We increased the Fund's duration by roughly three quarters of a year, and we continue to be in active in managing duration and yield curve positioning.

Outlook

With inflation trends improving and central banks' interest rates likely at their peak, we believe that economic growth outcomes will become increasingly important drivers of fixed income returns.

China continues to struggle with structural growth pressuresand global trade levels decline. Germany is probably in a recession, and Europe overall could also turn negative shortly. And after a blowout third quarter, the U.S. economy seems likely to settle into moderately positive territory, achieving a "soft landing."

We believe inflation should ease more this year in the U.S. and Europe, and in contrast to the last two years, become more predictable. If anything, inflation tail risks skew to the downside at this point, consistent with recent releases and ongoing stagnation of goods prices.

Investors have been preoccupied with the path of interest rates, but with the likely end to monetary hikes, we believe that near-term ups and downs should be less important than the end point on policy.

In our view, the Federal Reserve may have become overly restrictive—which shouldn't be surprising given its reliance on "current" rather than forward data. Our analysis suggests that the fed funds rate could eventually settle at around 3%. However, the timing of easing remains uncertain.

Ever since the global financial crisis, investors have largely been able to ignore various issues that affected the perceived fair value of long-term rates. That seems to have changed: The sunset of quantitative easing, rising inflation volatility, the end of zero or negative rates and increasing debate around the sustainability of government budgets mean that long-term rates are likely to reflect a premium for uncertainties tied to a multiyear obligation.

Overall, the pricing of longer-term rates could become more complicated and dynamic. In our view, it's prudent to expect overshoots (and undershoots) in the coming quarters and years as the market shifts to more normal levels of volatility with reduced influence by policy-driven buyers.

In credit, spreads have remained narrow, powered by stable results and low defaults, even in strongly performing lower-quality segments. However, we are now seeing a bifurcation in the market favoring quality even as any overall spread-widening due to the weakening economy is likely to be mild.

Overall, we believe that 2024 could be a rewarding time for global bond investors that focus on fundamentals and selectivity in building portfolios.

NEUBERGER BERMAN STRATEGIC INCOME FUND RETURNS (%)

				(ANNUALIZED AS OF 12/31/2023)				
	January	YTD	4Q2023	1 Year	3 Year	5 Year	10 Year	Since Inception*
At NAV								
Institutional Class	0.73	0.73	6.94	10.02	0.42	3.82	3.22	5.59
Class A	0.70	0.70	6.83	9.60	0.03	3.41	2.82	5.27
Class C	0.64	0.64	6.64	8.83	-0.68	2.68	2.10	4.69
Class R6	0.74	0.74	6.97	10.14	0.51	3.92	3.31	5.63
Trust Class	0.70	0.70	6.73	9.53	0.06	3.44	2.86	5.29
With Sales Charge								
Class A	-3.61	-3.61	2.33	4.94	-1.41	2.52	2.37	5.04
Class C	-0.36	-0.36	5.64	7.83	-0.68	2.68	2.10	4.69
Bloomberg U.S. Aggregate Bond Index	-0.27	-0.27	6.82	5.53	-3.31	1.10	1.81	3.12

Performance data quoted represent past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Results are shown on a "total return" basis and include reinvestment of all dividends and capital gains distributions. Current performance may be higher or lower than the performance data quoted. For current performance data, including current to the most recent month-end, please visit www.nb.com/performance.

*The inception dates for Neuberger Berman Strategic Income Fund Institutional Class and Trust Class are 7/11/03 and 4/2/07, respectively. The inception date for the Class A and Class C shares is 12/20/07. The inception date for Class R6 shares is March 15, 2013. Performance prior to the inception date of the Trust Class, Class A, Class C and Class R6 is that of the Institutional Class, adjusted to reflect applicable sales charges but not class-specific operating expenses. The date used to calculate benchmark performance and 30-day yield is that of the Institutional Class. Because the Fund had a different goal and strategy, which included managing assets by an asset allocation committee, prior to February 28, 2008, its performance during that time might have been different if current policies had been in effect. Average Annual Total Returns with sales charge reflect deduction of current maximum initial sales charge of 4.25% for Class A shares and applicable contingent deferred sales charges (CDSC) for Class C shares. The maximum CDSC for Class C shares is 1%, which is reduced to 0% after 1 year.

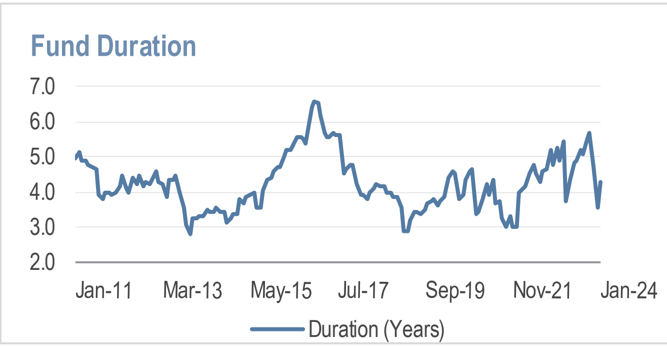
EXPENSE RATIOS (%)

	Gross Expense	Total (net) Expense
Institutional Class	0.61	0.60
Class A	1.00	1.00
Class C	1.73	1.70
Class R6	0.51	0.50
Trust Class	1.00	0.95

Total (net) expense represents the total annual operating expenses that shareholders pay (after the effect of fee waivers and/or expense reimbursement, if any). The Fund's investment manager has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund so that the total annual operating expenses are capped (excluding interest, brokerage commissions, acquired Fund fees and expenses, taxes including any expenses relating to tax reclaims, dividend and interest expenses relating to short sales, and extraordinary expenses, if any); consequently, total (net) expenses may exceed the contractual cap) through 10/31/2026 for Institutional Class at 0.59%, Class A at 0.99%, Class C at 1.69%, Trust Class at 0.94% and Class R6 at 0.49% (each of average net assets). Absent such arrangements, which cannot be changed without Board approval, the returns may have been lower. Information as of the most recent prospectus dated February 28, 2023, as amended and supplemented.

Duration & Yield Curve Positioning

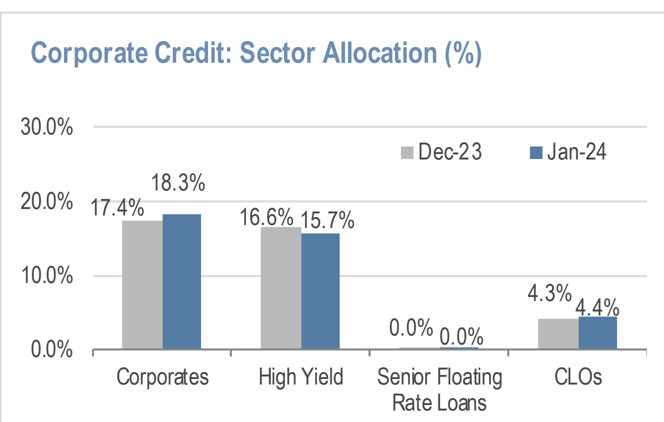
We favor short and intermediate securities and remain cautious on long-term maturities. We continue to be tactical with respect to interest rate positioning in seeking to balance risk and return.



Corporate Credit

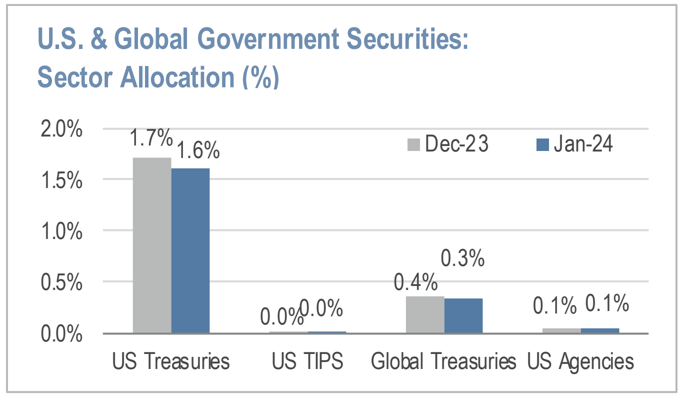
The strength of the economy has helped support credit, but we are now seeing signs of deterioration. Many companies took advantage of the low-rate environment to refinance and lengthen maturities, and thus have more capacity to ride out potential weakness. In this environment, we anticipate increased mergers and acquisitions as companies seek to expand while limiting costs and fending off the disruption associated with slower growth.

That said, the improved protection against macro weakness has not gone unrecognized, suggesting that we will need to wait for further spread-widening in IG before the segment becomes more broadly attractive. Within non-IG credit, still-modest default levels have been increasing, although spreads do not appear to discount more severe economic outcomes, reinforcing our bias toward credit quality within non-IG markets.



Global Rates & Government Securities

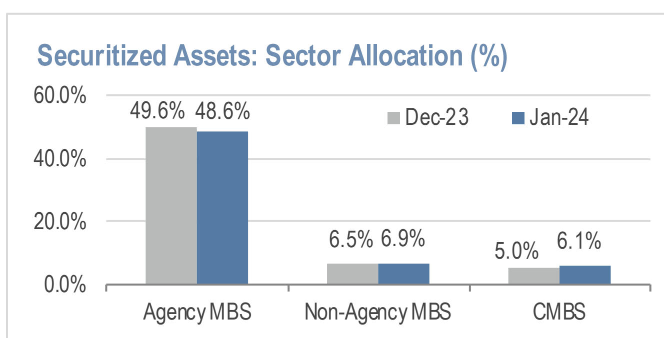
As we believe there are more attractive opportunities available in credit markets, the Fund's exposure to global developed markets government debt is minimal.



Securitized Assets

In our view, securitized products remain attractive across various sectors, maturities and risk profiles. Amid slowing but still positive consumer fundamentals, housing markets are supported by low inventories, favorable demographics and record homeowner equity. Still, commercial real estate is experiencing headwinds from resetting property valuations and tighter financial conditions.

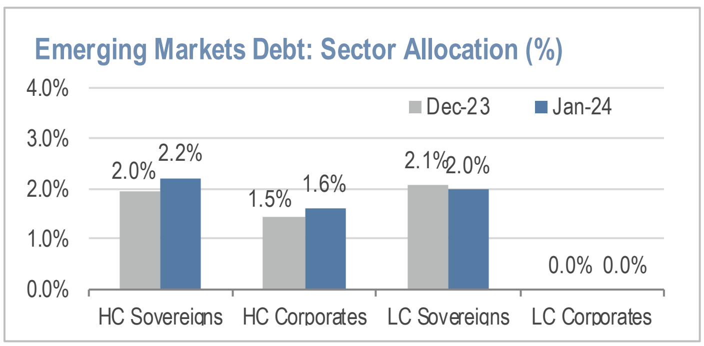
Much of the agency MBS landscape is trading at a discount, even as higher interest rates have caused prepayment activity to slow dramatically, with minimal expectation for a rebound. In terms of supply, new origination normalized in 2023 to pre-pandemic levels; we expect similar issuance in 2024, which should be manageable for the market to absorb. On the demand side, positive fund flows for money managers combined with attractive valuations have been supportive for the asset class even amidst relatively modest demand from banks, typically the largest owner of MBS. Overall, yields and spreads across many sectors offer historically attractive relative value, although security selection will be critical given rising fundamental risks.



Emerging Markets Debt

We believe the emerging market (EM) debt asset class to be supported in 2024 by an environment of slower but still positive US growth, lower global yields, and a widening growth pickup for emerging vs developed countries. Questions remain around China's relatively weak recovery, deflation, and structural headwinds. Still, for EM economies in aggregate, GDP growth is expected to materially outperform developed markets this year. We see limited risk of EM sovereign defaults this year, and increased IMF engagement by different EM countries should support funding needs and reform agendas. In EM HY corporates we see receding default risks. Risks from a further slowdown in earnings are mitigated by strong corporate balance sheets on average, with liquidity buffers near decade highs following years of corporate deleveraging.

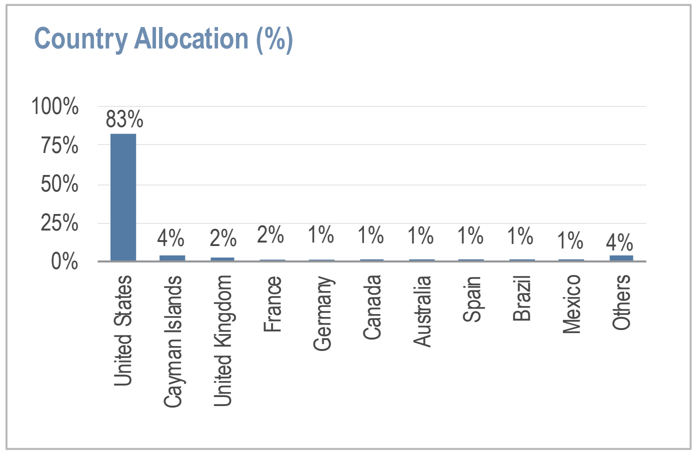
While valuations have become relatively expensive in parts of the asset class, such as in different IG sovereigns, we continue to see opportunities for spread compression across various issuers, particularly in the HY space. The key risks to our constructive view are either an unexpected acceleration of inflation dynamics globally or the unfolding of a deep global recession which would push EM risk premia materially higher.



Country & Currency Allocation

The Fund invests globally but with an emphasis on U.S.-based issuers and USD-denominated securities.

Global positions are typically hedge back to USD.



Currency Exposures

Euro	1.3%
Brazilian Real	0.3%
Hungarian Forint	0.3%
Pound Sterling	0.2%
Polish Zloty	0.2%
Romanian New Leu	0.2%
Indonesian Rupiah	0.2%
Peruvian Nuevo Sol	0.2%
USD	-3.4%

YIELD AND DURATION DATA

Yield (%)	Jan-24	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
Institutional Class (NSTLX) 30-Day SEC Yield^	5.44	5.53	6.71	3.07	3.20	3.48	4.58	3.09	2.65	3.97	3.59	3.02	2.78
Bloomberg U.S. Aggregate Bond Index (Yield to Worst)	4.57	4.51	4.64	1.74	1.10	2.31	3.28	2.71	2.60	2.59	2.25	2.48	1.74
2-Yr U.S. Treasury	4.21	4.25	4.43	0.73	0.12	1.57	2.49	1.89	1.20	1.06	0.67	0.38	0.25
5-Yr U.S. Treasury	3.84	3.85	4.00	1.26	0.36	1.69	2.51	2.20	1.92	1.76	1.65	1.74	0.72
10-Year U.S. Treasury	3.91	3.88	3.87	1.51	0.91	1.92	2.68	2.41	2.44	2.27	2.17	3.01	1.75
Fund Duration (Yrs)	4.26	3.55	5.22	2.98	3.34	3.77	3.86	4.74	6.56	4.57	3.40	3.23	4.35
Bloomberg U.S. Aggregate Bond Index Duration (Yrs)	6.31	6.36	6.42	6.88	6.53	6.06	5.88	5.98	6.01	5.68	5.55	5.55	5.06

Sector	Jan-24	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
U.S. Treasury & Agency	2	2	1	18	0	14	7	23	6	3	4	5	4
Corporates	18	17	22	12	17	28	28	19	27	24	24	27	28
U.S. Agency MBS	49	50	30	19	26	16	28	23	21	30	25	32	28
CMBS/ABS	10	10	9	4	3	4	8	4	2	6	8	8	11
Cash Equivalents	3	4	2	13	15	2	1	1	6	3	5	3	3
Net Unsettled Positions	-16	-15	-21	-19	-24	-17	-26	-24	-22	-29	-25	-32	-21
Benchmark Sectors & Cash (Sub-total)	*66*	*67*	43	*47*	*37*	*47*	*47*	*47*	*40*	*37*	*41*	*43*	*52*
Sovereign	0	0	0	0	0	0	0	0	3	5	8	3	2
U.S. TIPS	0	0	0	0	6	6	8	8	11	7	4	5	7
High Yield	16	17	33	28	32	18	16	14	18	18	12	15	10
Bank Loans & CLOs	4	4	5	11	11	12	4	7	6	6	9	15	18
Emerging Markets	6	5	8	6	5	6	15	10	4	8	12	8	3
Non-Agency MBS & CRTs	7	6	8	7	7	9	10	12	18	19	14	12	8
Covered Bonds	0	0	0	0	0	0	2	0	0	0	0	0	0
Municipals	1	1	2	1	3	2	2	3	0	0	0	0	0
Non-Benchmark Sectors (Sub-total)	*34*	*33*	57	*53*	*63*	*53*	*53*	*53*	*60*	*63*	*59*	*57*	*48*
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Negative position on a trade date basis is due to pending settlement of certain forward mortgage-backed securities purchases. Net unsettled positions reflect the Fund's mortgage-backed to-be-announced (TBA) transactions and other trades pending settlement. Pending settlement means a transaction traded on or before the reporting date that is anticipated to settle in the following period. These net unsettled positions are also reflected in the percentages for the corresponding sector category above.

An investor should consider Neuberger Berman Strategic Income Fund's investment objectives, risks and fees and expenses carefully before investing. This and other important information can be found in the Fund's prospectus and summary prospectus, which you can obtain by calling 877.628.2583 (Class A and Class C), 800.366.6264 (Institutional Class and Class R6) or 800.877.9700 (Trust Class) or by sending an email request to fundinfo@nb.com. Please read the prospectus and the summary prospectus carefully before making an investment. Investments could result in loss of principal.

[1]Bloomberg
[2]https://www.bea.gov
[3]https://www.federalreserve.gov

Shares in the Fund may fluctuate, sometimes significantly, based on interest rates, market conditions, credit quality and other factors. In a rising interest rate environment, the value of an income Fund is likely to fall. The market's behavior is unpredictable and there can be no guarantee that the Fund will achieve its goal. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's yield and share price will fluctuate in response to changes in interest rates. The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors. Lower rated debt securities (also known as "junk bonds") involve greater risks and may fluctuate more widely in price and yield, and carry a greater risk of default, than investment grade debt securities. They may fall in price during times when the economy is weak or is expected to become weak.

Foreign securities involve risks in addition to those associated with comparable U.S. securities, including exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in foreign currencies; nationalization or expropriation of assets; settlement, custodial or other operational risks; and less stringent auditing and legal standards. These risks may be more pronounced for emerging market securities, which involve additional risks and may be more volatile and less liquid than foreign securities tied to more developed economies. The Fund's performance could be affected if borrowers pay back principal on certain debt securities, such as mortgage- or asset-backed securities, before or after the market anticipates, shortening or lengthening their duration and could magnify the effect of rate increases on the security's price. When-issued/delayed-delivery securities can have a leverage-like effect on the Fund, which may increase fluctuations in the Fund's share price and may cause the Fund to liquidate positions when it may not be advantageous to do so. Leverage amplifies changes in the Fund's net asset value. An inability to sell a portfolio position can adversely affect the Fund's value or prevent the Fund from being able to take advantage of other investment opportunities. Unexpected episodes of illiquidity, including due to market factors, instrument or issuer-specific factors and/or unanticipated outflows, may limit the Fund's ability to pay redemption proceeds within the allowable time period.

Derivatives can be highly complex, can create investment leverage and may be highly volatile, and the Fund could lose more than the amount it invests. Derivatives may be difficult to value and may at times be highly illiquid, and the Fund may not be able to close out or sell a derivative position at a particular time or at an anticipated price. The Fund's investments in derivatives create counterparty risk. The Fund may also invest in senior loans, which also may be rated below investment grade. No active trading market may exist for many loans, loans may be difficult to value and many are subject to restrictions on resale, which may result in extended trade settlement periods and may prevent the Fund from obtaining the full value of a loan when sold.

Markets may be volatile and values of individual securities and other investments, including those of a particular type, may decline significantly in response to adverse issuer, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment or publicity.

^A Fund's 30-day SEC yield is similar to a yield to maturity for the entire portfolio. The formula is designated by the Securities and Exchange Commission (SEC). Past performance is no guarantee of future results. Absent any expense cap arrangement noted above, the SEC yields may have been lower. The unsubsidized 30-day SEC yield for the Institutional Class is 5.45%, Class A is 5.07%, Class C is 4.33%, Class R6 is 5.55% and Trust Class is 5.06% and subsidized 30-day SEC yield for Institutional Cass is 5.44%, Class A is 5.07%, Class C is 4.35%, Class R6 is 5.54% and Trust Class is 5.10%.

Bloomberg U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. Indices do not take into account any fees and expenses of investing in the individual securities that they track and individuals cannot invest directly in any index. Performance data of this index are prepared or obtained by the Manager and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described index.

Performance quoted represents past performance, which is no guarantee of future results. Opinions expressed are as of the date herein and are subject to change without notice. The material herein is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. This material is not intended to be a formal research report and should not be construed as an offer to sell or the solicitation of an offer to buy any security.

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