NEUBERGER | BERMAN

Neuberger Berman Municipal High Income Fund

TICKER: Institutional Class-NMHIX, Class A- NMHAX, Class C- NMHCX

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Performance Highlights

The Neuberger Berman Municipal High Income Fund a negative return in the fourth quarter but outperformed the benchmark. Performance for all share classes appears on page 3.

Market Context

U.S. government yields moved higher across the curve on the month, and performance was mixed and mostly negative across fixed income markets. In December, the 2-year yield rose by 9 bps to 4.24%, the 10-year increased by 40 bps to 4.57%, and the 30-year increased by 42 bps to 4.78%. Intermediate yields across the other major developed countries were also higher on the month.

Despite some volatility after the hawkish Fed rate cut on December 18th and uncertainty around future policy shifts from Trump 2.0, valuations ended the month mixed across fixed income spread sectors but mostly tighter with a few exceptions. Non-investment grade credit markets posted mixed performance with senior floating rate loans benefitting from a demand-driven secondary rally and strong inflows again to the higher yielding asset classes, while U.S. high yield ended the month in slightly negative territory. Pan-European high yield bucked the trend within high yield with solid returns on the month. U.S. high yield corporate spreads widened by 18 bps to 292 bps. Senior floating rate loan spreads were unchanged to close the month at 424 bps, while U.S investment grade corporate credit spreads widened by 2 bps to 80 bps and Pan-European IG corporate credit tightened by -6 bps to a level of 101 bps by month end. Global corporate investment grade spreads were unchanged over the month to close at 89 bps. Equity and credit markets also saw some drawdowns toward the end of the quarter despite stable corporate fundamentals and resilient economic activity.

The November 2024, a U.S. employment report showed an increase in non-farm payrolls by 227,000, which is a significant improvement compared to October which was impacted by the hurricanes and related weather. Average hourly earnings rose by 0.4% month-over-month, consistent with the prior release and slightly above expectations. The unemployment rate increased slightly to 4.2% over the prior month's report and slightly above consensus. November inflation remained somewhat stable, with the headline Consumer Price Index (CPI) increasing by 2.7% year-over-year, while core CPI, excluding food and energy, remained unchanged at 3.3% year-over-year. U.S. retail sales increased by 0.7% month-over-month, showing stronger growth compared to the previous month.

U.S. economic activity continues to expand and inflation, while progressing towards the Fed's 2% target, remains slightly above it. Markets are expecting further rate cuts, and the Fed remains committed to achieving maximum employment and a 2% inflation rate while paying close attention to the data as they move through the easing cycle. In addition, consumer spending has shown some resilience and corporate balance sheets remain relatively healthy. However, global uncertainties, such as potential trade tensions, geopolitical risks and uncertainty on the shift in policies as a result of Trump 2.0, may pose possible challenges to sustained economic growth and inflation.

Investment grade U.S. municipal bond performance, as measured by the ICE BofA Municipal Securities Index, delivered a return of -1.05% during the fourth quarter. For the year, returns for that index were positive at 1.58%. Returns varied depending on curve positioning. For the quarter, 1-3 year munis generated a flat return of -0.07% and the 3-7 year part of the curve returned -0.95%. Longer maturities, in the 22+ year range, underperformed shorter bonds with a return of -1.39%. The Bloomberg Taxable Municipal Index meaningfully underperformed tax-exempts with a return of -3.57%. Per Bloomberg, total municipal issuance (tax-exempt and taxable) for the quarter was $127.4 billion or 26% higher than it was for the same quarter a year earlier. With regard to credit, BBB rated securities performed in line with AAA rated bonds but slightly underperformed AA and A rated securities during the quarter. However, for the year BBB rated bonds significantly outperformed all of the higher rating categories. Revenue bonds and general obligations delivered comparable returns during the quarter and housing related credits underperformed.

Portfolio Review

The Fund posted a negative return in the fourth quarter but outperformed the benchmark. While the absolute level of duration was a drag on relative results, positioning across the yield curve and security selection were additive.

Outlook

The municipal bond market ended the year on a weaker note with AAA yields rising in December. The market selloff was driven by an array of factors including stronger economic data, expected pro-growth policies from the incoming Trump administration, and investors demanding more to own longer dated Treasury securities (term premium). Given the economic strength to end the year and an improved outlook for growth in 2025, the Fed and the market dialed back expectations for interest rate reductions in 2025. Muni supply continued to be elevated in the 4th quarter which further weighed on the market. For the year, AAA muni yields were higher on average by roughly 56 basis points with the "belly" of the curve (5-10 years) the weakest. Given the heavy supply, valuations relative to Treasuries improved from the frothy levels that existed to start the year. Despite the backup in rates, investment grade munis delivered mostly positive returns across the curve with shorter dated bonds performing the best. Given the higher yields that prevail in today's market, there was ample income to cushion portfolio returns despite the YTD rise in yields.

Looking ahead, an important transition is taking place in the market. For years, interest rate moves were mostly driven by the actions of the Federal Reserve. With this easing cycle expected to come to an end sooner than market participants originally expected, the Fed is about to get out of the way. As a result, we believe that fiscal policy and the performance of the economy will have a much bigger impact on rates going forward. We are constructive on the muni market in 2025 for a few reasons. First, higher yields will protect portfolios from swings in interest rates. Intermediate investment grade munis entered the year yielding almost 3.40%. Secondly, supply is expected to approach record levels in 2025 which we believe should lead to bigger concessions (i.e. higher yields) in order for new issues to clear the market. Finally, with our expectation for solid economic growth which may be above market consensus, the backdrop for muni credit quality should be favorable. As previously mentioned, lower rated bonds outperformed in 2024 and as a result spreads are tighter. Given the abundance of bonds to choose from in 2025 due to our expectation for elevated supply and tighter spreads on lower rated bonds, we believe active management and security selection decisions will drive results in the new year.

NEUBERGER BERMAN MUNICIPAL HIGH INCOME FUND RETURNS (%)

	Dec 2024	4Q 2024	YTD	1 Year (Annualized as of 12/31/24)	3 Year	5 Year	10 Year	Since Inception
At NAV								
Institutional Class	-0.83	-0.86	6.26	6.26	-1.21	1.02	-	2.91
Class A	-0.86	-0.85	5.98	5.98	-1.57	0.65	-	2.53
Class C	-0.93	-1.13	5.07	5.07	-2.30	-0.11	-	1.78
With Sales Charge								
Class A	-5.04	-5.09	1.47	1.47	-2.97	-0.22	-	2.07
Class C	-1.92	-2.12	4.07	4.07	-2.30	-0.11	-	1.78
65% Bloomberg Municipal Bond Index/35% Bloomberg Municipal High Yield Index	-1.53	-1.17	2.87	2.87	-0.25	1.60	-	3.07

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 given. For current performance data, including current to the most recent month end, please visit www.nb.com/performance.

The inception date of the Municipal High Income Fund Class A, Class C and Institutional Class is 6/22/2015. 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	0.97	0.51
Class A	1.33	0.88
Class C	2.00	1.63

Total (net) expense represents the total annual operating expenses that shareholders pay (after the effect of fee waivers and/or expense reimbursement). 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, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any; consequently, total (net) expenses may exceed the contractual cap) through 10/31/2027 for Institutional Class at 0.50%, Class A at 0.87%, and Class C at 1.62% (each as a % of average net assets). Absent such arrangements, which cannot be changed without Board approval, the returns may have been lower. Information as of most recent prospectus dated February 28, 2024, as amended and supplemented.

An investor should consider Neuberger Berman Municipal High 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 if available summary prospectus, which you can obtain by calling 877.628.2583. Please read the prospectus, and if available the summary prospectus, carefully before making an investment.

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 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. Bonds are subject to the credit risk of the issuer. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors. There can be no guarantee that the Portfolio Managers will be successful in their attempts to manage the risk exposure of the Fund or will appropriately evaluate or weigh the multiple factors involved in investment decisions, including issuer, market and/or instrument-specific analysis, valuation and environmental, social and governance (ESG) factors.

Lower rated debt securities (also known as "junk bonds") involve greater risks, may fluctuate more widely in price and yield, and carry a greater risk of default than investment-grade bonds. They may fall in price during times when the economy is weak or is expected to become weak. The municipal securities market could be significantly affected by adverse political and legislative changes, as well as uncertainties related to taxation or the rights of municipal security holders. Changes in the financial health of a municipality may make it difficult for it to pay interest and principal when due. In addition, changes in the financial condition of one or more individual municipal issuers or insurers of municipal issuers can affect the overall municipal securities market. To the extent that the Fund invests a significant portion of its assets in the municipal securities of a particular state or U.S. territory or possession, there is greater risk that political, regulatory, economic or other developments within that jurisdiction may have a significant impact on the Fund's investment performance. Changes in market conditions may directly impact the liquidity and valuation of municipal securities, which may, in turn, adversely affect the yield and value of the Fund's municipal securities investments. 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. Some municipal securities, including those in the high yield market, may include transfer restrictions similar to restricted securities (e.g., may only be transferred to qualified institutional buyers and purchasers meeting other qualification requirements set by the issuer). As such, it may be difficult to sell municipal securities at a time when it may otherwise be desirable to do so or the Fund may be able to sell them only at prices that are less than what the Fund regards as their fair market value. Declines in real estate prices and general business activity may reduce the tax revenues of state and local governments. In recent periods an increasing number of municipal issuers have defaulted on obligations, been downgraded, or commenced insolvency proceedings. Financial difficulties of municipal issuers may continue or get worse. Because many municipal securities are issued to finance similar types of projects, especially those related to education, health care, housing, transportation, and utilities, conditions in those sectors can affect the overall municipal securities market. Income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax. Municipal securities backed by current or anticipated revenues from a specific project or specific asset (so-called "private activity bonds") may be adversely impacted by declines in revenue from the project or asset. Declines in general business activity could affect the economic viability of facilities that are the sole source of revenue to support private activity bonds. To the extent that the Fund invests in private activity bonds, a part of its dividends may be an item of tax preference for purposes of the federal alternative minimum tax. Please see the Fund's prospectus for additional important information about taxation of municipal securities. The COVID-19 health pandemic has negatively affected and may continue to affect the economies of many nations, individual companies and the global securities and commodities markets. This has impacted and may continue to impact the issuers of the securities held by the Fund.

The **Bloomberg High Yield Municipal Index** measures the performance of the high yield municipal bond market. To be included in the index, bonds must be rated non-investment-grade (Ba1/BB- or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be non-investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The **Bloomberg Municipal Bond Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. Please note that indices do not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of this index are prepared or obtained by the Manager and include reinvestment of all dividends and capital gain distribution. 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 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 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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