



NEUBERGER BERMAN

# Asset Allocation Committee Outlook 3Q 2024

## Policy and Politics

While we believe the fundamental economic outlook for the next 12 – 18 months remains positive for risk assets, the potential for monetary policy errors and election-related volatility overshadows the coming months. These risks prevent the AAC from taking a more overweight view on risk assets, and keep us focused on quality investments and portfolio balance.

## ABOUT THE ASSET ALLOCATION COMMITTEE

Neuberger Berman's Asset Allocation Committee meets every quarter to poll its members on their outlook for the next 12 months on each of the asset classes noted and, through debate and discussion, to refine our market outlook. The Committee has an average of 30 years' experience and covers a wide range of our market and research capabilities.

### COMMITTEE MEMBERS

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Co-Chair, President and Chief Investment Officer—Equities

**Erik L. Knutzen, CFA, CAIA**

Co-Chair, Chief Investment Officer—Multi-Asset

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**Thanos Bardas, PhD**

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**Elizabeth Traxler**

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**Anthony D. Tutrone**

Global Head of Alternatives

# Market Views

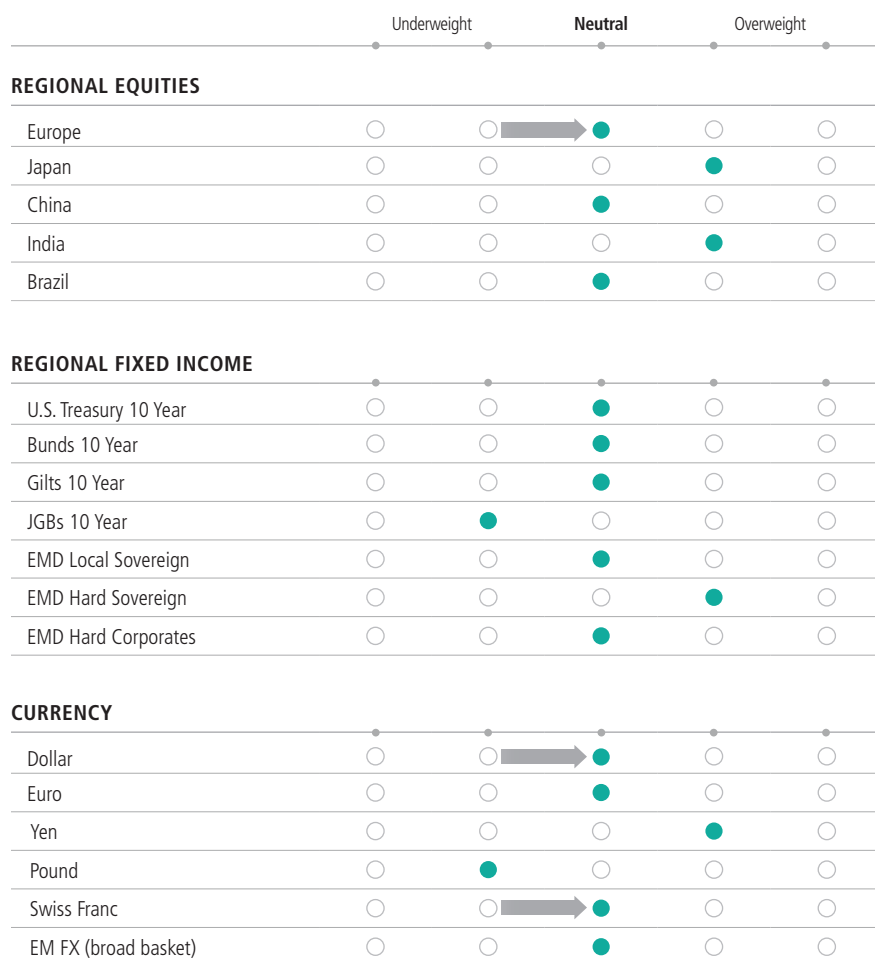
Based on 12-Month Outlook for Each Asset Class

	Underweight		Neutral	Overweight	
<b>EQUITY</b>					
Global Equities	○	○	●	○	○
U.S. All Cap	○	○	●	○	○
U.S. Large Cap	○	○	●	○	○
U.S. Small and Mid Cap	○	○	○	●	○
Developed Market—Non-U.S. Equities	○	○	●	○	○
Emerging Markets Equities	○	○	●	○	○
<b>FIXED INCOME</b>					
Cash	○	●	○	○	○
Global Bonds	○	○	●	○	○
Investment Grade Fixed Income	○	○	○	●	○
U.S. Government Securities	○	○	●	○	○
Investment Grade Corporates	○	○	○	●	○
Agency MBS	○	○	●	○	○
ABS / CMBS	○	○	○	●	○
Municipal Bonds	○	○	●	○	○
U.S. TIPS	○	○	○	●	○
High Yield Corporates	○	○	●	○	○
Non U.S. Developed Market Bonds	○	○	●	○	○
Emerging Markets Debt	○	○	●	○	○
<b>REAL AND ALTERNATIVE ASSETS</b>					
Commodities	○	○	○	●	○
Hedged Strategies	○	●	○	○	○
Private Equity	○	○	○	●	○
Private Debt	○	○	○	●	○
Private Real Estate	○	○	●	○	○

As of 3Q 2024. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Views on private market assets reflect the Asset Allocation Committee's views on the future return potential of new cash commitments, not the future return potential of existing investments. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

## Regional Focus

Fixed Income, Equities and Currency



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“A period of interest rate cuts against a background of high and stable nominal growth would be a positive environment for corporate earnings.”

**Erik L. Knutzen, CFA, CAIA**

Chief Investment Officer—Multi-Asset Class

### Policy and Politics

Over the past three months, the Asset Allocation Committee (the “AAC”) views have coalesced around a core economic scenario of lower inflation, lower rates and positive growth—all of which we regard as supportive for risky and cyclical assets. At the same time, however, we see the risks to the core scenario becoming more pronounced, particularly over the coming months. Those risks have two key sources: the imminent turn in the monetary policy cycle and heightened political uncertainty. As we move from a regime of peak rates to one of declining rates, the risk of a policy error rises: in particular, we are concerned that the U.S. Federal Reserve (Fed) may wait too long to follow other major central banks in making its first cut. On the political side, elections in India, Mexico and South Africa have already generated meaningful localized volatility; and the quarter began with a highly consequential and surprising French election, itself called due to a hard-right surge in the vote for the European Parliament in June. Furthermore, longstanding geopolitical hotspots—Ukraine, the Middle East, the South China Sea—show little sign of cooling. With four months to go until the U.S. elections, we think political and market volatility is likely to rise in the second half of the year, with the potential to persist well into 2025. These risks prevent the AAC from taking a more overweight view on risk assets despite the supportive fundamental economic outlook, and keep us focused on quality investments and portfolio balance.

### The AAC Outlook at a Glance

- Our 12- to 18-month fundamental economic outlook continues to favor risk and cyclical assets, particularly given the recent softening of U.S. inflation.
- However, we believe the coming months present significant risk in the form of potential monetary policy errors and heightened election-related volatility.
- The AAC retains its at-target overall view from last quarter, balancing favorability for cyclical markets and segments with a preference for high quality and portfolio balance.

### Up for Debate:

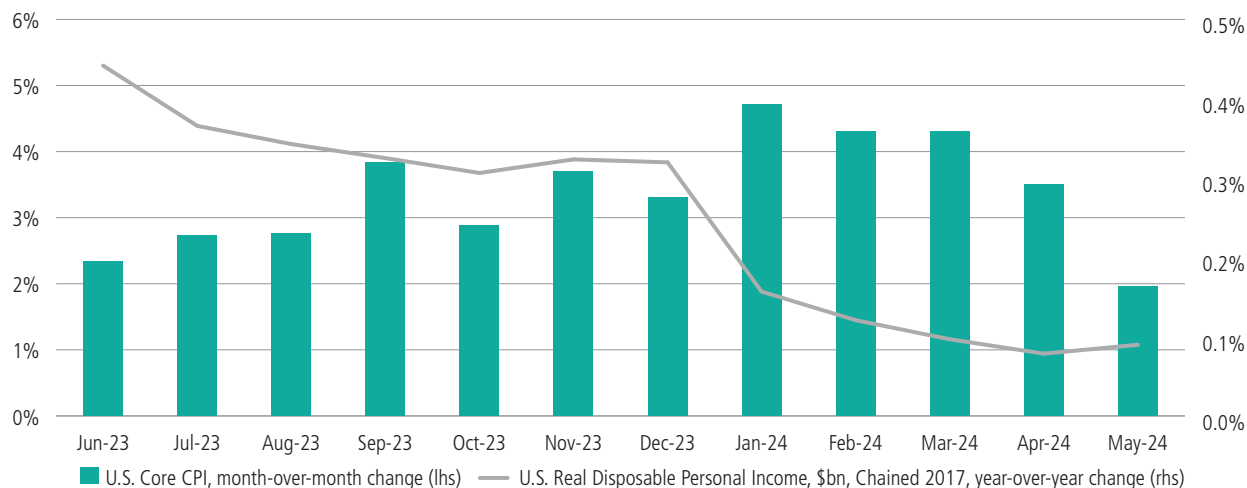
What Is the Role of Commodities in a Portfolio?

Outside of the U.S., Do We Prefer Europe or Japan?

Last quarter's *Asset Allocation Committee Outlook* told a story of the Committee's views converging on at-target weight for major investment categories, as recession risks declined and the economy and markets normalized after four years of stresses. As a reminder, given our reference strategic allocation, an at-target view is moderately pro-risk; but we resisted a more bullish outlook because of the stickiness of U.S. inflation through the first quarter, the diverging fortunes of the thriving "haves" and the struggling "have-nots" in the economy, and the valuations in many equity and credit markets.

We think the fundamental economic outlook is clearer and more reassuring than it was three months ago. Recent weeks have seen significantly cooler U.S. inflation and labor market data, suggesting that the first quarter was a blip rather than something more persistent. If that raises concern about the resilience of current growth, it is worth noting that declining inflation and lower rates would be of greatest benefit to the "have nots"—whose tightening purse strings represent the biggest threat to growth. As one Committee member observed, a major risk to the economy is the recent decline of U.S. real disposable income growth from more than 5% to around 1% per annum. In other words, the big risk to the economy has not been a toss-up between sticky inflation *or* stalling growth, but sticky inflation *leading to* stalling growth. By arresting the decline in disposable real income growth, especially among lower- and middle-income groups, lower inflation and rising real wages could provide renewed support for the economy.

#### EASING INFLATION COULD ARREST THE DECLINE IN REAL DISPOSABLE INCOME GROWTH



Source: FactSet, Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis. Data as of June 28, 2024. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

In our view, a period of interest rate cuts against a background of high and stable nominal growth would be a positive environment for corporate earnings. At the same time, a large amount of liquidity still sits on the sidelines, representing potential flows to support valuation multiples.

The Committee's 12- to 18-month views remain virtually unchanged, however, as we focus on two key risks of the coming months: the imminent turn in the monetary policy cycle (and the rising risk of a policy mistake); and heightened political risk.

**"I see the Fed as a policy taker now, not a policy maker."**

**Shannon L. Saccocia**, CFA, Chief Investment Officer—Private Wealth

### Two Key Risks: Monetary Policy

At the start of this year, futures markets were priced for six Fed rate cuts, the Fed itself forecast three and the AAC agreed with the Fed. Today, the Fed forecasts just one, the market is priced for two and we agree with the market. A straw poll of the Committee revealed that we see a 15 – 30% probability of a Fed policy error: waiting too long to cut and allowing high rates to bite too deeply into corporate hiring and consumer spending.

On the one hand, the distribution of the Fed’s “dot plot” suggests that two cuts remain a real possibility. It is a close call. On the other hand, market participants were surprised at the caution and hawkishness of Fed Chair Jerome Powell’s commentary following the June 12 policy decision, given the very favorable inflation data that appeared earlier in the day. After all, the European Central Bank, Canada, Sweden, Switzerland and others have already started to cut.

The Fed has become explicitly data-dependent, just as the economy turns from expansion to contraction—the time when data, and especially jobs data, are often subject to their largest revisions. History also suggests that the Fed tends to hike too far and stay high too long, and on this occasion, there is pressure not to encourage a 1970s-style second wave of inflation.

The fact that many parts of the market remain priced for perfection heightens the risk associated with this potential policy error. Rates could be cut and risky assets might still stagnate or decline if those cuts don’t meet market expectations. Sure enough, there are some early signs of markets positioning for over-tight policy, such as the deepening of yield curve inversion through May and June and a weakening of value and cyclical stocks relative to secular growth stocks.

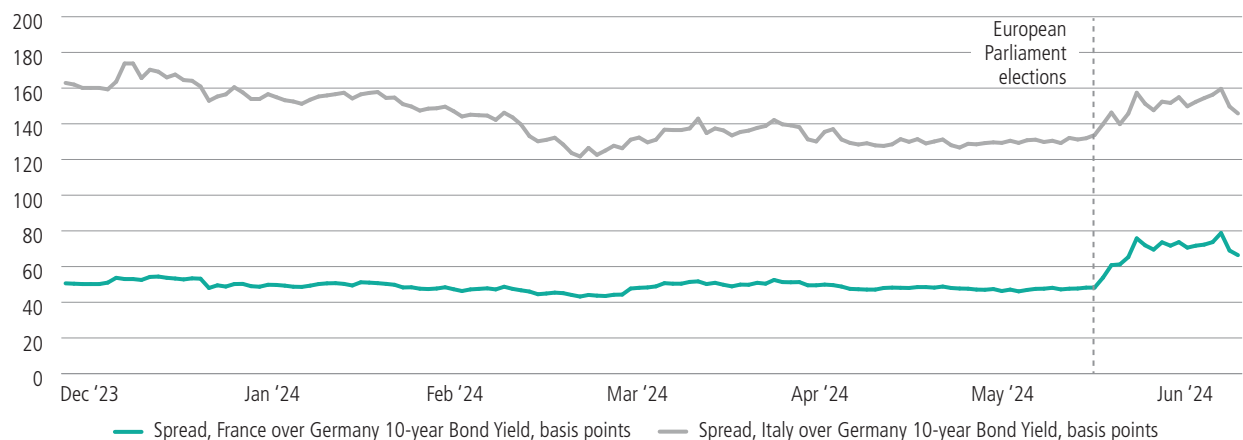
While a major policy error is not part of our core scenario, it is an increasing risk over the coming months.

### Two Key Risks: Politics

A record-breaking year for elections was always likely to be a year in which investors priced in a sizable political risk premium.

We have already seen volatility around election results in India, Mexico and South Africa, as well as the return of meaningful political risk premia in French and eurozone peripheral bond spreads. The latter appeared when President Emmanuel Macron of France dissolved the National Assembly and added yet another election to this year’s pile. That decision was itself a response to the surprising success of the populist Rassemblement National (RN) party in the French European Parliament elections.

#### POLITICAL RISK RETURNS TO EUROZONE BOND SPREADS



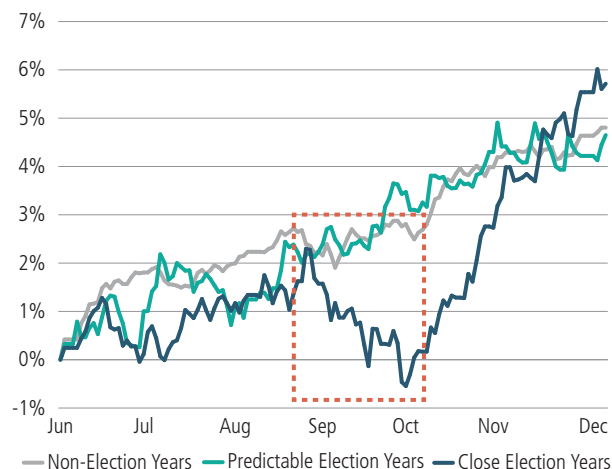
Source: FactSet. Data as of July 2, 2024. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

The RN was ultimately thwarted by an unwieldy pact between centrists and the left. That result may be second in consequence only to that of the U.S. elections in November, in which two presidential candidates with very different programs will face a vote that remains too close to call, in a country where important policies are increasingly enacted by the executive to bypass a gridlocked Congress.

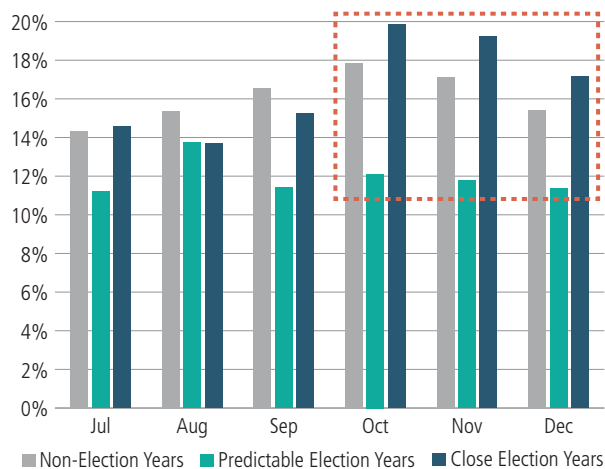
Record-high levels for the S&P 500 Index and relatively low volatility suggest that investors have yet to price for what we believe will be a very close race. That fits with history, however. Volatility has tended to spike and the market has tended to sell off in the run-up to close elections, but not until after the summer.

### CLOSE ELECTIONS HAVE TENDED TO CAUSE FOURTH-QUARTER MARKET VOLATILITY

S&P 500 Index cumulative return, Jul – Dec, based on median daily returns, 1952 – 2023



S&P 500 Index median volatility for each month, 1952 – 2023



Source: Bloomberg, Neuberger Berman. Close election years: 1952, 1960, 1968, 1976, 1980, 2000, 2004, 2008, 2012, 2016 and 2020. Predictable election years: 1956, 1964, 1972, 1984, 1988, 1992 and 1996. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

Markets have tended to rally once the result is known, but that does not always mean the Wednesday morning after the vote. When the Supreme Court had to rule on the outcome of the 2000 election, volatility and risk aversion persisted until the decision on December 12. A scenario in which one or other candidate challenges this year's result—with the dispute potentially overlapping with Donald Trump's appeals against his recent convictions—could be a recipe for high political, social and market volatility.

### Equities: Time to Lean Into Quality Companies

Continuing the theme from last quarter, our equity market view favors quality (to reflect our near-term outlook for rising volatility), but in more cyclical and less expensive parts of the market (to reflect our caution on secular-growth stock valuations, our more positive longer-term outlook for the economy and our anticipation of a broadening of market performance).

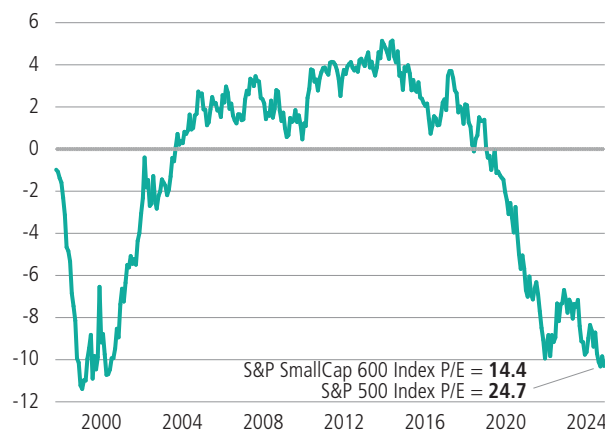
As such, the AAC ranks more cyclical ex-U.S. markets as highly as U.S. large caps (see "Up for Debate: Outside of the U.S., Do We Prefer Europe or Japan?") and tilts toward value over growth.

Our only overweight view remains U.S. small and mid caps, with the critical caveat that we prioritize high quality in a universe that is overpopulated with loss-making companies. Some Committee members warned of limited upside in the near term, given the exposure to high rates among smaller companies. Strip out the negative earners, however, and we think this segment of the market represents a very attractive relative-value opportunity for the longer term.

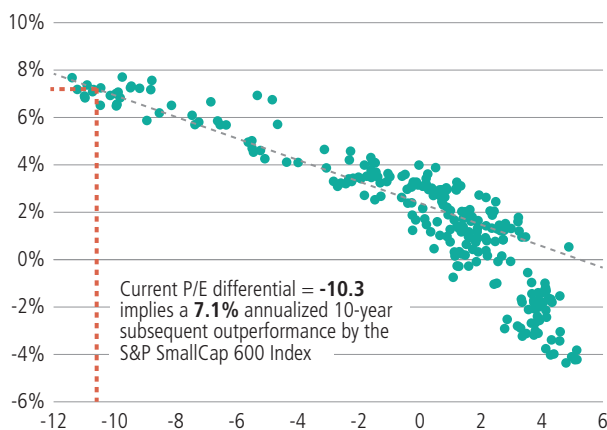


## QUALITY SMALLER CAPS LOOK ATTRACTIVE OVER NEXT DECADE

Difference in LTM P/E ratio, S&P 500 Index minus S&P SmallCap 600 Index



Difference in LTM P/E ratio, S&P 500 Index minus S&P SmallCap 600 Index, versus subsequent 10-year annualized relative return, 1994 – 2014



Source: Bloomberg, Neuberger Berman. Data as of May 31, 2024. The S&P SmallCap 600 Index universe excludes stocks with negative earnings. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

### Fixed Income: In the Belly of the Curve

The recent easing of the inflation logjam, and the Committee's growing confidence that the Fed will deliver six rate cuts by the end of 2025, is the most important development in our fixed income views since last quarter.

The effect is marginal, however. We still favor the belly of yield curves, between two and seven years. Significant uncertainty about the term premium still leaves us cautious about the long end of the curve, based on our longer-term outlook for inflation and our concerns about public debt sustainability.

An economic slowdown and an associated meaningful widening of credit spreads could change our view on longer-dated bonds, but that is not our core outlook. This benign credit outlook is why we remain at-target in our view on high yield, with a preference for higher quality, and overweight in our view on investment grade, particularly those parts of the structured credit markets where high quality remains available at attractive spreads.

### Alternatives: Poised for the Return of Dealmaking

In alternatives, we maintain an overweight view on commodities in recognition of ongoing inflation and geopolitical risks, supply-and-demand imbalances in key areas such as energy and industrial metals, and seasonal support from summer travel and hurricane risk (see "Up for Debate: What Is the Role of Commodities in a Portfolio?"). We are cautious on core private real estate, where we see potential for further repricing. This is offset by what we see as abundant market-dislocation opportunities in the value-add and opportunistic sectors, and particularly in real estate secondaries.

We continue to see opportunity to supply capital and liquidity at attractive valuations in private equity secondaries and co-investments. Much of this opportunity set has arisen from the lack of exits and new dealmaking in private equity over the past few years, however, and we are seeing rising pressure on General Partners to start recycling portfolios.

The normalizing economic and market backdrop that informs the AAC's broader outlook also offers more fertile ground for private markets transactions. Banks are returning to the syndicated corporate lending market—not at volumes high enough to threaten our overweight view on private debt, but high enough to make credit more accessible and attractive to dealmakers. We are still not sure whether we will see a substantial pick-up in activity this year or early next—the U.S. election could be a delaying factor—but we are confident that it is coming and this, in our view, is raising the favorability of primary private equity buyout commitments.

## UP FOR DEBATE: WHAT IS THE ROLE OF COMMODITIES IN A PORTFOLIO?

We believe part of the case for including commodities in a strategic asset allocation rests on structural supply-and-demand imbalances that will take a long time to resolve. Decarbonization of the global economy will require increased supply of metals; deglobalization pressures are likely to raise the tendency for national hoarding of critical commodities; and investment in extraction and production has lagged far behind what would be needed to satisfy these trends.

In our view, the other part of the case rests on commodities' portfolio diversification benefits. In particular, commodities tend to deliver positive returns during spikes in inflation or geopolitical tension, when equities and bonds often struggle.

Given these reasons for the AAC's strategic view on the asset class, what determines whether our view is underweight, overweight or at-target?

Often, that view reflects supply-and-demand imbalances that appear over shorter time horizons than the decarbonization and deglobalization megacycles. Have we identified a looming glut or shortfall, or a mispricing opportunity?

Because of the importance of commodities as a diversifier, however, sometimes our outlook will reflect the AAC's shifting view on risk management. Are we entering an environment in which diversification could become more important? Do we anticipate an increase in the risks that commodities have tended to hedge against?

Since the onset of the Covid-19 pandemic, the AAC has dynamically adjusted its view on commodities, primarily in pursuit of risk management. At target in commodities when the pandemic hit, we upgraded our view to overweight in the fourth quarter of 2020, anticipating growing inflationary pressures. The Bloomberg Commodity Index subsequently doubled in price. By the time the Committee moved its view back to neutral, in the third quarter of 2023, the Index had declined from its peak by 18%. Retaining an overweight view past the peak in prices was more of a risk-management than a return-seeking decision: the dramatic run-up to this point could easily have been the beginning of a surge in prices running out of control—it was at this point that we perceived the highest risk. Equity markets were already tumbling as bond yields climbed, but bond yields were still too low to provide useful diversification in the event of an inflation spiral. Commodities were, in our view, the natural hedge.

This quarter, we retain the overweight view implemented at the start of the year and, as always, the AAC debated how much of this view was attributable to our structural view on supply and demand, our perception of near-term and seasonal supply-and-demand imbalances, and our desire to diversify and hedge against inflation, geopolitical and other risks. Six months ago, it was chiefly about broad inflation risk—we anticipated the stickiness in U.S. inflation data in the first quarter, and commodities are up around 3%, year-to-date, with gold and oil up around 15%. Today, the emphasis is more specific, focused on the potential volatility of the critical summer season for gasoline and agricultural products, and particularly the upside risks to natural gas and heating oil associated with what is forecast to be a stormy hurricane season.

## UP FOR DEBATE: OUTSIDE OF THE U.S., DO WE PREFER EUROPE OR JAPAN?

In its search for balance in its views, and in recognition of its constructive six- to 18-month economic outlook, the AAC favors higher-quality segments of more cyclical markets. Cyclical markets include U.S. small and mid caps, but also developed non-U.S. equities. But when we're looking outside the U.S., do we prefer Europe or Japan?

The AAC has tended to be more cautious on Europe over recent quarters, seeing low valuations justified by weakness in its core economies. Some of that pessimism is lifting as we begin to see signs of recovery, and particularly a rebound in manufacturing both here and in other cyclical parts of the global economy. That has led us to upgrade our view to at-target. The coming months will determine whether a persistent rise in the European political risk premium prevents us from taking the next step to overweight.

The AAC has long favored Japan. Over the medium term, we believe attractive valuations, improving corporate governance, the weak yen, the return of inflation and stronger nominal growth, and an end to years of underallocation all provide support.

On a nearer-term view, however, there is some risk attached to a rollover of several consumer subsidies coinciding with rising prices, and to policy tightening at the Bank of Japan coinciding with a potential slowdown in the U.S. Following a rapid climb, the equity market stalled through the second quarter, perhaps reflecting profit-taking and a temporary shortage of marginal buyers, but a recent resumption of the upward move may signal that this pause is already over.

All in all, the positive momentum in our views is with Europe, but Japan is more likely to continue to be the AAC's structural overweight view.

## EQUITIES

### **U.S. EQUITIES** Current view: At Target | Move from last quarter ◀▶

We anticipate further broadening of equity-market performance, which leads us to continue to favor higher quality small and medium-sized companies.

Heightened monetary policy and political risk in the second half of the year prevents an upgrade to overweight.

### **NON-U.S. DEVELOPED MARKET EQUITIES** Current view: At Target | Move from last quarter ◀▶

We believe Japanese equities have structural support, and that an incipient rebound in manufacturing and other cyclical parts of the global economy could begin to favor European and certain emerging markets over the coming months.

The AAC upgraded European equities from underweight to neutral, but political risk currently prevents an upgrade to overweight.

### **EMERGING MARKETS EQUITIES** Current view: At Target | Move from last quarter ◀▶

A cautious outlook on China is balanced by a more favorable view on other emerging markets, including India, where strong growth should remain a tailwind.

## FIXED INCOME

### **INVESTMENT GRADE FIXED INCOME** Current view: **Overweight** | Move from last quarter ◀▶

We continue to favor the short and intermediate parts of the yield curve in anticipation of declining cash rates, but remain cautious on longer-dated bonds given debt sustainability concerns.

Corporate spreads are now quite tight, and we see the most attractive opportunities in mortgages and securitized credit.

### **NON-U.S. DEVELOPED MARKET BONDS** Current view: At Target | Move from last quarter ◀▶

Yields are relatively attractive, especially in the two- to seven-year part of the curve, but heightened political risk in Europe, caution on Japanese government bonds, and on longer-dated bonds in general, inform against moving to a more positive view.

### **HIGH YIELD CORPORATES** Current view: At Target | Move from last quarter ◀▶

Our outlook for credit stresses remains mild and idiosyncratic rather than systemic, and we see a case for shorter-duration, high-quality exposure.

That said, we think investors buying yield have kept spreads tighter, in many cases, than fundamentals warrant.

### **EMERGING MARKETS DEBT** Current view: At Target | Move from last quarter ◀▶

Valuations remain relatively high although the potential for U.S. dollar weakness later in the year may enhance our outlook.

## REAL AND ALTERNATIVE ASSETS

**COMMODITIES** Current view: **Overweight** | Move from last quarter ◀▶

While not as cheap as they were six months ago, commodities remain a useful hedge against inflation spikes, upside growth surprises, seasonal effects and geopolitical shocks in 2024.

**HEDGED STRATEGIES** Current view: **Underweight** | Move from last quarter ◀▶

We currently prefer broad market exposure to hedged strategies, and also see fewer clear signals in the trending and macro environment.

**PRIVATE EQUITY** Current view: **Overweight** | Move from last quarter ◀▶

Secondaries and co-investments are attractive as both Limited Partners and General Partners seek liquidity options to complete deals and increase distributions.

Primary buyouts are beginning to look more attractive as policy rates peak and deal activity looks set to pick up.

**PRIVATE DEBT** Current view: **Overweight** | Move from last quarter ◀▶

While signs of a reopening in the syndicated loan market point to a potential rise in competition for deals over the coming quarters, yields remain attractive and we see ample deal flow.

**REAL ESTATE** Current view: **At Target** | Move from last quarter ◀▶

Higher interest rates and uncertainty about the office sector is creating value opportunities for liquidity providers in public REITs and private real estate secondaries, and there may be value to come in primary private markets.

More structurally, we believe post-pandemic growth dynamics will continue to support key sectors such as data centers, warehouses, industrial and multifamily residential.



## CURRENCIES

**USD** Current view: At Target | Move from last quarter ▲

The dollar remains one of the highest yielding major currencies and the Fed's relatively hawkish response to recent, softer inflation data, together with heightened political risk in Europe, could provide near-term support.

**EUR** Current view: At Target | Move from last quarter ◀▶

The euro remains undervalued based on interest rate differentials and expected growth rates, particularly against other European currencies, but heightened political risk could weigh on the currency in the near term.

**JPY** Current view: Overweight | Move from last quarter ◀▶

The central bank appears unwilling to act aggressively, but the JPY is now very undervalued and, as global yields decline, the downward trend could reverse, potentially sharply.

**GBP** Current view: Underweight | Move from last quarter ◀▶

Despite being undervalued and supported by recent economic data coming in better than expected, the GBP can still be weighed down by concerns over the U.K.'s growth and productivity; the Labour party victory in July's general election was widely anticipated and already in the price.

**CHF** Current view: At Target | Move from last quarter ▲

The CHF is still very overvalued, and as inflation pressures subside, the Swiss National Bank is likely to withdraw support for the currency, allowing some of this overvaluation to correct; but it is also the currency most sensitive to heightened sovereign and political risk in the eurozone, and that is likely to offset its tailwinds in the near term.

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The views expressed herein are generally those of Neuberger Berman's Asset Allocation Committee, which comprises professionals across multiple disciplines, including equity and fixed income strategists and portfolio managers. The Asset Allocation Committee reviews and sets long-term asset allocation models, establishes preferred near-term tactical asset class allocations and, upon request, reviews asset allocations for large, diversified mandates and makes client-specific asset allocation recommendations. The views and recommendations of the Asset Allocation Committee may not reflect the views of the firm as a whole, and Neuberger Berman advisors and portfolio managers may recommend or take contrary positions to the views and recommendations of the Asset Allocation Committee. The Asset Allocation Committee views do not constitute a prediction or projection of future events or future market behavior. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed.

#### Index Definitions

The **S&P 500 Index** consists of 500 U.S. stocks chosen for market size, liquidity and industry group representation. It is a market value-weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

The **S&P SmallCap 600 Index** measures the performance of 600 small-sized companies in the U.S., with market capitalization between \$1bn and \$6.7bn, a 50% free float, positive reported earnings over the most recent quarter and over the most recent four quarters in total, and a certain level of liquidity.

The **Bloomberg Commodity Index (BCOM)** is designed to be a highly liquid and diversified benchmark for commodities investments. The index provides broad-based exposure to commodities as an asset class, since no single commodity or commodity sector dominates the Index. This index is composed of futures contracts on 20 physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which are traded on the London Metal Exchange (LME).

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