

# Neuberger Berman All Cap Core Portfolio

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## Performance Highlights

The Neuberger Berman All Cap Core Portfolio generated a positive return (net of fees) for the third quarter of 2024, outperforming its benchmark, the Russell 3000 Index (the Index) for the quarter. While generating strong performance for the year to date, the Portfolio is trailing the Index overall for the first three quarters.

### Market Context

Stocks once again generated strong performance for the third quarter of 2024, however as differentiated from the previous two quarters the market was not led by artificial intelligence (AI) related securities or the “Magnificent 7” but by a broadening out to securities in other sectors of the market. We are somewhat encouraged that several other sectors led the market higher during the quarter as we felt that it was imperative that gains needed to come from other areas. The Federal Reserve (Fed) also gave stocks an added boost when they cut rates by 50 basis points, as it has become evident that the economy was slowing down. Perhaps the Fed will be successful in efforts to engineer a “soft landing”; something that we will be watching for in upcoming months. While we are delighted to see other sectors taking the lead, we are still concerned that we may see additional volatility as we enter the fourth quarter given the election as well as geopolitical concerns abound. We maintain some capital in our portfolios, yet we have significantly less “dry powder” than we have had in more recent quarters. We remain conservatively positioned as we await the results of the election and will remain that way until a clearer overall picture emerges.

### Portfolio Review

The broader market experienced gains during the quarter in all sectors other than energy. The Neuberger Berman All Cap Core Portfolio generated positive returns as well and exceeded the benchmark. As discussed earlier, the overall market broadened out. The Neuberger Berman portfolio was led by gains and outperformance in Utilities, Financials,

and Energy where we are overweight from a sector perspective. While the portfolio generated positive returns in all other sectors (other than communication services) we slightly trailed the index in those sectors.

### 3<sup>rd</sup> Quarter Purchase and Sale<sup>1</sup>

#### Purchase ETN

We recently purchased a position in Eaton (ETN). Eaton is a global power management company providing the systems and components used for data center, utility, industrial, residential, aerospace and mobility end markets.

ETN benefits from several secular tailwinds including grid modernization, infrastructure spend, the energy transition, near shoring, and most recently the surge in data center capex which has allowed organic revenue growth to accelerate to low double digits from high single digits previously. Although the company’s exposure to data center investments is just one growth driver (less than 15% of revenue) it has gotten the most attention by investors, especially as the AI bull trade has been called into question amid concerns on the sustainability of capex investments without tangible near term returns.

We believe the recent sell off provided an opportunity to buy a high-quality compounder in secularly attractive markets at a more reasonable valuation.

<sup>1</sup> Represents the largest buy and sell for the quarter through September 30, 2024, based on holdings’ average percentage of net assets prior to sale or any investments in securities identified and described were or will be profitable.

## Sale PGR

We recently sold our position in Progressive Corporation (PGR). Progressive has had very strong performance over the last year and reached a level where we felt the downside outweighed the upside.

## Outlook

We continue to be somewhat conservatively positioned in our portfolios. During the first half of the year performance was primarily driven by a handful of stocks, many of which were AI related. As we entered the third quarter the markets were driven by a broadening of performance as Financials, Industrials, Materials and Utilities were quite strong and

Technology was up slightly. This broadening was certainly encouraging, however, as we enter the fourth quarter, we believe there could be additional volatility. The upcoming election, continued geopolitical unrest, questions on the underlying strength of the consumer and the economy as a whole continue to give us pause to give the "all clear" signal. We believe we are well positioned to withstand any volatility, and if said volatility does occur, we can certainly take advantage by investing the cash we have available.

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