NEUBERGER | BERMAN

NEUBERGER BERMAN SWING PRICING Q&A

March 2022

The information contained in this section applies to the following fund ranges, including their relevant sub-funds:

- Neuberger Berman Investment Funds plc ("NBIF") (UCITS)
- Neuberger Berman Investment Funds II plc (QIAIF) (excluding Neuberger Berman Global Senior Floating Rate Income Fund and Neuberger Berman Global Senior Floating Rate Income Fund II) ("NBIF II", together with NBIF, the "Funds")

NBIF and NBIF II, both Irish-domiciled umbrella fund structures, have implemented a swing pricing mechanism to protect investors from the adverse effects that dealing costs may have on the Net Asset Value ("NAV") known as "dilution". The sub-funds of the Funds (excluding, for the avoidance of doubt, the Neuberger Berman Global Senior Floating Rate Income Fund and Neuberger Berman Global Senior Floating Rate Income Fund II) are included within the scope of the swing pricing process established by the relevant Fund Boards. Each Fund's Prospectus sets out the approach to swing pricing, which is wholly at the discretion of the Board. This document sets out some responses to common questions regarding the Funds' approach to swing pricing and is subject to the provisions of the Prospectus and the discretion of the Directors of each Fund.

Q: What is swing pricing?

Swing pricing is a mechanism that aims to pass on the transaction costs of trading the portfolio to investors who subscribe or redeem shares in a sub-fund. The Funds utilise swing pricing to help protect current investors and reduce the impact on a particular sub-fund of transaction costs associated with buying and selling portfolio investments. When portfolio managers buy and sell securities and other investments on behalf of a sub-fund, the sub-fund incurs transaction costs. If the sub-fund experiences large subscriptions or redemptions, these transaction costs are more significant and would be borne by all investors in the sub-fund, and not just those investors whose subscription or redemption of the shares have triggered the trading activity within the sub-fund. Swing pricing therefore adjusts the sub-fund's NAV by the expected amount of these transaction costs so that the ongoing investors in the sub-fund are protected and the value of their shares is not diluted. The amount of the NAV adjustment is based on a transaction cost analysis completed for the sub-fund and the way this is calculated is explained in the question "What is the swing factor, how is it calculated and how is it applied?"

Q: When will swing pricing apply?

If a sub-fund experiences net subscriptions or redemptions above a pre-defined level (the "swing threshold") on a particular dealing day, swing pricing will ordinarily apply.

Q: How is the swing threshold determined?

The swing threshold is a percentage of the sub-fund's AuM at which a swing is triggered. It is determined by the Risk Function with input from portfolio managers, traders and Fund Oversight, and is approved by Neuberger Berman's European Valuations Committee. It is generally reviewed quarterly to ensure it is set at an appropriate level that protects existing investors while aiming to minimise NAV volatility.

The Funds do not disclose the swing thresholds as it could compromise the integrity of the swing pricing mechanism and undermine its purpose: protecting existing investors from the dilution effect caused by material net flows. This confidentiality policy is consistent with current regulatory guidance and best market practices adopted by other asset managers.

Q: What is the swing factor, how is it calculated and how is it applied?

The amount by which the NAV is adjusted is called the "swing factor" and will vary depending on the asset type in which the sub-fund is invested. For example an emerging market debt local currency fund will likely have a higher swing factor than a US investment grade fund given the higher bid/ask price spreads and costs associated with buying and selling securities in emerging markets.

The swing factor is calculated by completing transaction cost analysis for each sub-fund. To complete the transaction cost analysis for equity sub-funds for example, we utilise the market impact cost (the execution cost as a function of the size and market depth) and the fixed cost of trading (commissions); for fixed income sub-funds we utilise the market impact costs (the cost as a function of trade size, market depth and liquidation horizon) and the fixed cost of trading (function of the bid/ask spread for the asset type regardless of position size). Historically, swing factors have varied between 5 and 50 basis points depending on investment strategy and market volatility, and they may increase particularly in times of market stress.

Neuberger Berman's European Valuation Committee oversees the calculation of the swing factors and reviews them on a quarterly basis. The swing pricing policy also enables swing factors to be updated more frequently in the event of a systemic market event causing spreads or transaction costs to change materially.

Q: How does swing pricing work?

The NAV of a sub-fund is typically calculated using the "mid" market prices as at the valuation point per the Fund's prospectus.

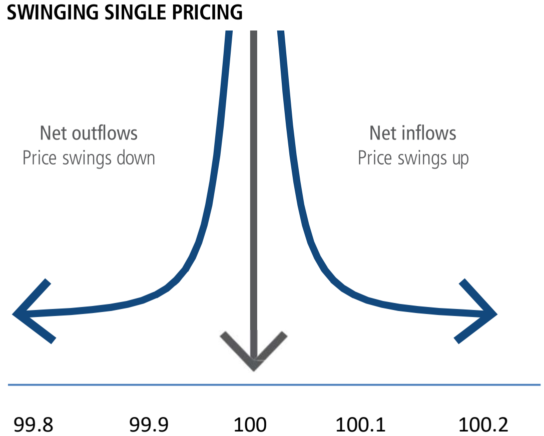
In order to reduce the impact of dilution, an adjustment to the NAV can be made if the sub-fund experiences net subscriptions or redemptions above the swing threshold on a particular dealing day.

The direction of the adjustment depends on whether the sub-fund experiences net subscriptions or net redemptions above the swing threshold on the dealing day, while the magnitude of the swing factor reflects the level of the sub-fund's expected dealing costs. Regardless of whether the price swings up or down, all investors in an active share class buy and sell at the same price and each share class in a sub-fund is adjusted by the same swing factor.

For example, if the price for a fixed income fund is 100 and the fund's swing factor is 0.20%, then:

- If the fund experiences net inflows above the swing threshold, the price swings up to 100.2
- If the fund experiences net outflows above the swing threshold, the price swings down to 99.8
- If the net flows are below the swing threshold or there is no investor trading, the price will remain at 100 as no swing factor would be applied.

SWINGING SINGLE PRICING



Q: How will it affect my investment if the price swings when I am completing a share class switch?

The swing pricing policy is applied at sub-fund level, so for switches completed on the same day and for the same sub-fund there will be no cost to the switching client. For example, if the price swings upwards, the client will receive a higher NAV when exiting a share class and will be charged a higher NAV when entering the new share class (or vice versa) so overall there will be no net impact.

Q: Are all sub-funds included in the swing pricing process?

The policy for funds that are in a pooling arrangement is set out below. In respect of the Funds not in a pooling arrangement, each Fund is included within the scope of the swing pricing process. Inclusion of sub-funds in the swing pricing process is at the discretion of the Directors and Neuberger Berman's European Valuations Committee and is reviewed from time to time.

Q: Do you apply swing pricing on sub-funds that are pooled with each other?

The Neuberger Berman Global Senior Floating Rate Income Fund and Neuberger Berman Global Senior Floating Rate Income Fund II are pooled and managed as a single portfolio. Swing pricing is not currently operated on those sub-funds and so the costs of trading the portfolio in response to investor subscriptions and redemptions are borne by all shareholders. However, the Board retains discretion to apply ad hoc swing pricing adjustments in response to specific circumstances.

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