Neuberger Berman Core Bond Fund

TICKER: Institutional Class: NCRLX, Class A: NCRAX, Class C: NCRCX, Investor Class: NCRIX, Class R6: NRCRX

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Performance Highlights

During the fourth quarter, the Neuberger Berman Core Bond Fund Institutional Class generated a negative total return and outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index. Performance for all share classes can be found on page 3.

Market Context

U.S. investment grade fixed income (as measured by the Bloomberg U.S. Aggregate Index), and global investment grade fixed income (as measured by the Bloomberg Global Aggregate Index, USD hedged), generated negative total returns of -1.64% and -0.77%, respectively for December and -3.06% and -0.95% in the fourth quarter.[1] Over the month, U.S. investment-grade (IG) corporates, U.S. Commercial Mortgage-Backed Securities (CMBS), U.S. Treasury Inflation-Protected Securities (TIPS), Pan-European IG corporates, U.S. Agency Mortgage-Backed Securities (MBS), hard currency emerging markets, local currency emerging markets and U.S. high yield all saw negative total returns. However, Pan-European high yield and senior floating rate loans had positive total returns over the month. Year-to-date total returns across fixed income spread sectors were all in positive territory.

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. The U.K. 10-year yield was 32 bps higher closing at 4.56% and the German 10-year moved up by 27 bps to 2.36%. The Japanese 10-year moved higher by 5 bps to 1.09%. Over the fourth quarter, sovereign yields across the major developed countries were all higher on shifting expectations for economic growth, inflation and the potential pace and magnitude of future rate cuts.

Despite some volatility after the hawkish Fed rate cut of 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 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.[2]

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, pose possible challenges to sustained economic growth and inflation.

In the eurozone, inflation remained stable, with headline CPI at 2.3% year-over-year, consistent with expectations, and core CPI at 2.7%, in line with expectations. In the U.K., headline CPI was 2.6% and core CPI was 3.5%, both slightly above the prior month's figures. In Japan, headline CPI increased to 2.9%, and core CPI was 2.4%, both higher than the previous month. Japanese retail sales showed a stronger increase, reported at 2.8% month-over-month, compared to the previous month's 1.6% and much better than expectations of 1.5% for the November report.

China's December Purchasing Managers Index (PMI) showed signs of stability or slight improvement from the previous month. The manufacturing PMI came in at 50.1 and the non-manufacturing PMI was 52.2. This suggests a stabilization in domestic demand. A mild recovery in GDP growth is expected, supported by recent policy measures across monetary, equity, and housing sectors, contributing a modest tailwind to growth. Further incremental fiscal packages are anticipated, focusing on de-risking and stabilizing the system rather than aggressive demand-side stimulus.

Portfolio Review

In terms of relative performance, the Fund's security selection in US IG credit, overweight position in ABS, security selection in and overweight to CMBS, and overweight positioning in US TIPS and non-agency MBS were notable contributors. Security selection in US MBS and overweight positioning in credit risk transfers and collateralized loan obligations also added value. The Fund was positioned with underweight exposure to long-term interest rates relative to short-term interest rates, which detracted as the yield curve flattened over the period. During the quarter, we reduced exposure to agency MBS and US TIPS, and we added exposure to securitized credit and nominal Treasuries. As of quarter-end the Fund's duration is roughly neutral relative to the benchmark, and the Fund is overweight a diversified mix of securitized sectors and IG credit, balanced by underweight exposure to nominal Treasuries.

Outlook

With inflation showing signs of improvement, the path of central bank rates continues on a downward trajectory, albeit unevenly across different regions due to the strength of the U.S. economy. In the current climate of political turbulence, focus is increasingly shifting toward fiscal matters—specifically, spending and tax policy—that could influence issuance patterns and yields, particularly at the longer end of the curve.

We are constructive on fixed income for 2025, seeing potential in shorter durations and in optimizing carry amid narrow credit spreads. At the same time, the unpredictability of political cycles could make for an eventful year that requires vigilance in guarding against risk. While economic conditions remain relatively robust but somewhat mixed across the developed countries, strong investor demand has led to narrower corporate credit spreads. This situation highlights the importance of focusing on quality, considering relative valuations, and seizing yield and price opportunities as they arise.

We remain opportunistic in credit markets, predicting that spreads will likely stay range-bound, with the potential for some volatility around geopolitical concerns and Trump 2.0 policy shifts—though a tighter path from current spread levels is possible. In terms of credit, technical demand along with extended maturities and constructive fundamentals have kept spreads tighter, so we are looking for select opportunities leveraging credit research. However, in some ways, the coming year may prove trickier for investors than 2024, as the past high-conviction idea of lower central bank rates has been displaced by political dynamics and questions around the longer-term course of government budgets and interest rates. In the U.S., looming policy shifts, including potential changes to taxes and the use of tariffs could heighten market volatility, and will likely be an ongoing consideration throughout 2025.

The U.S. picture stands out for its relatively robust growth, which we believe could surprise modestly to the upside this year. However, slow progress on inflation may limit the Federal Reserve's capacity to cut interest rates further. Europe appears more vulnerable to a stilted export environment, particularly to China, but with more wriggle room for easing. At the same time, anxiety is growing around the long-term fiscal picture in the U.S. and select other countries, which could pressure longer-term rates and help steepen the yield curve. Given the upward adjustment in longer yields late last year, the chances of further rate shocks appear limited. However, we remain relatively cautious on duration, seeing opportunities for trading more at the shorter end of the curve.

On the political front, 2024 was a time of historic elections affecting over 70 countries. Whether the Labour victory in Britain, snap elections in Germany or legislative losses by the India's ruling party, the varied stories together painted a picture of populist shifts and a willingness to cast out incumbents to foment change. Among all the contests, few were as significant as Donald Trump's victory in the U.S., with the potential for impacts across the country's regulatory environment, tax structure and trade dynamics, with potentially global consequences. We will be considering all of these trends as the year progresses, in assessing impacts on inflation, rates, geographies and issuers. In our view, it seems likely that the policy environment will be eventful in the coming year and beyond—potentially generating price volatility, but also opening up opportunities for those with the ability and desire to capitalize through the timely use of capital.

Despite tight corporate spreads—which are justified by the solid fundamentals of stable leverage and ample cash positions—we find all-in yields attractive. A focus on quality, relative valuations and exploiting market dislocations is prudent, along with maintaining a broad perspective on potential opportunities to capitalize on appealing yields. A broader move to lower policy rates is still expected, but the pace could be more moderate and potentially settling at higher lows than in previous cycles. The varied pace of easing and differences in economic growth may widen the gap between winners and losers in the fixed income spectrum. This environment should enhance opportunities for active managers to navigate the landscape effectively.

NEUBERGER BERMAN CORE BOND FUND RETURNS (%)

			(ANNUALIZED AS OF 12/31/2024)				
	4Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
At NAV							
Institutional Class	-2.99	1.88	1.88	-2.26	0.22	1.60	4.23
Class A	-2.99	1.46	1.46	-2.64	-0.17	1.20	3.98
Class C	-3.28	0.71	0.71	-3.36	-0.91	0.44	3.54
Class R6	-2.85	2.09	2.09	-2.13	0.34	1.67	4.26
Investor Class	-3.10	1.46	1.46	-2.67	-0.17	1.19	3.83
With Sales Charge							
Class A	-7.10	-2.89	-2.89	-4.05	-1.03	0.75	3.83
Class C	-4.24	-0.27	-0.27	-3.36	-0.91	0.44	3.54
Bloomberg U.S. Aggregate Bond Index	-3.06	1.25	1.25	-2.41	-0.33	1.35	4.22

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 costs. Results are shown on a "total return" basis and include reinvestment of all dividends and capital gain distributions. Current performance may be lower or higher 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 the Neuberger Berman Core Bond Fund Institutional Class and Investor Class are 10/1/95 and 2/1/97, respectively. The inception date for the Class A and Class C shares is 12/20/07. The inception date for Class R6 is 1/18/2019. The date used to calculate benchmark performance is that of the Institutional Class. 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. Prior to February 28, 2008, the Fund had a different goal, to maximize income without undue risk to principal and investment strategy which limited its ability to invest in derivatives and non-USD denominated securities and as such performance from June 13, 2005 to February 28, 2008 might have been different if the current policies had been in effect. The Fund is the successor to Ariel Premier Bond Fund ("Ariel Bond Fund"). The total return data for the Fund's Institutional Class prior to June 13, 2005 is that of the Ariel Fund Institutional Class from October 1, 1995 (inception date) and the total return data for the Fund's Investor Class is that of the Ariel Fund Institutional Class for the period October 1, 1995 through January 31, 1997 and the Ariel Fund Investor Class for the period February 1, 1997 through June 10, 2005. The investment policies, guidelines and restrictions of the Fund are in all materials respects equivalent to Ariel Bond Fund. Ariel Bond Fund Institutional Class had lower expenses and typically higher returns than Ariel Bond Fund Investor Class. Returns would have been lower if the manager of Ariel Bond Fund had not waived certain of its fees during the periods shown. The Investor Class is closed to new investors.

EXPENSE RATIOS (%)

	Gross Expense	Total (net) Expense
Institutional Class	0.43	0.38
Class A	0.80	0.78
Class C	1.57	1.53
Class R6	0.34	0.28
Investor Class	0.93	0.78

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, 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 10/31/2027 for Institutional Class at 0.38%, Investor Class at 0.78%, Class R6 at 0.28%, Class A at 0.78% and Class C at 1.53% (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, 2024, as amended and supplemented.

An investor should consider Neuberger Berman Core Bond 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 (Class A and Class C), 800-366-6264 (Institutional Class, Class R6), 800-877-9700 (Investor Class) or by sending an email request to fundinfo@nb.com. Please read the prospectus, and if available the summary prospectus, carefully before making an investment. Investments could result in loss of principal.

[1]Bloomberg
[2]https://www.bea.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. Generally, bond values will decline as interest rates rise. 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.

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 involve risks different from, and in some respects greater than, those associated with more traditional investments. 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. 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. The Fund normally executes an above-average amount of trading and has a high portfolio turnover rate, which may increase the Fund's transaction costs and may adversely affect performance.

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.

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 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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