NEUBERGER | BERMAN

Neuberger Berman Emerging Markets Debt Fund

TICKER: Institutional Class: NERIX, Class A: NERAX, Class C: NERCX

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Performance Highlights

In the fourth quarter, the Neuberger Berman Emerging Markets Debt Fund (Institutional Class) outperformed the benchmark, a blend of 25% JP Morgan Emerging Markets Bond Index (EMBI) – Global Diversified, 25% of JP Morgan Corporate Emerging Markets Bond Index (CEMBI) – Diversified and 50% of JP Morgan Government Bond Index (GBI) – Emerging Markets Global Diversified (the "Benchmark" or "EMD Blended Benchmark").

Market Context

The Benchmark returned -4.24% in the quarter. In the last quarter of the year, fixed income markets faced headwinds from a sharp rise in bond yields, despite two quarter-point rate cuts by both the FED and the ECB during the quarter. The US Treasury curve bear steepened, with 10-year rates rising by +79bps over the period to 4.57%, amid robust economic data and as the December FOMC meeting revealed reduced expectations for rate cuts in 2025. The US Presidential election outcome fueled a rally in US risk assets, while the US Dollar index (DXY) surged +7.7% over the quarter. Most of the key EM local yield curves moved upwards as well, with the notable exception of China where government bond yields plunged amid persistent weakness in domestic consumption, underwhelming fiscal support and expectations of a more aggressive monetary policy response.

The -1.94% JP Morgan EMBI Global Diversified Emerging Markets Index return was driven by higher Treasury yields while emerging markets spreads tightened. Emerging market spreads tightened to 325bps from 361bps at end of September, 10bps of this move due to the Sri Lanka debt exchange. The index yield moved from 7.49% to 7.87%.

Higher yielding emerging markets returned 0.67% while investment grades returned -4.59%, more heavily impacted by Treasury moves. Panama performed the worst with -9.51% due to the government's failure to advance its pension reform and noise around Trump's threats to retake the Panama Canal. Mozambique followed, facing large protests after the disputed presidential election. Lebanon outperformed with 66.45%, fueled by hopes for political normalization as Hezbollah weakened. Argentina followed, with its economy continuing to normalize with lower inflation and improved fiscal accounts.

The JP Morgan CEMBI Diversified Index returned -0.97%. The high yield segments of the market outperformed investment grade. Regional performance was negative, other than Europe which was flat over the quarter. By country, the top performers were Moldova, Ukraine and Argentina. Poland, Morocco, and Kazakhstan were the worst performers over the quarter. Sector performance was also negative: transport and commodities were the best performers, while real estate and infrastructure were in negative territory.

The JPM GBI-EM GD Index lost -6.98% in USD terms in the fourth quarter, as the local rates component returned -0.38% while EM FX returned -6.63%. The benchmark yield widened from 6.11% to 6.39% during the quarter. The Dominican Republic was the best performing index country, returning +1.92%, with bond yields grinding lower as a stable domestic macro backdrop and inflation at the low end of the target range. Turkey followed with a +1.75% return, with inflation declining in line with Central Bank projections. Chinese local bonds also held up relatively well with a -0.88% total return in USD terms, with the 42bps average drop in bond yields offsetting most of the impact from Renminbi weakness. Meanwhile, Brazil was the worst performing index country with a -15.13% return, as the Lula administration lost investor confidence. The other main laggard was Chile with a -12.39% return, amid ingoing inflation surprises, sluggish growth in the non-mining sector, and a thin yield cushion compared to the USD.

Portfolio Review

The Fund outperformed the Benchmark during the quarter. The contribution from the overlay positions was positive to performance in the quarter driven by short positions in emerging market (EM) currencies, the euro (EUR), as well as cash holdings. However, the hard currency versus local currency allocation had a negative impact on performance.

The **hard currency** sleeve was a contributor to the overall performance over the quarter. Country allocation contributed, while security selection was also positive, and top-down positioning contribution was flat. Within country allocation, main drivers were our overweight to Argentina, El Salvador, which bought back shorter dated debt and issued 30-year paper, and to Sri Lanka, where the new government launched a debt exchange based on the agreement with bondholders. Our overweight to Ivory Coast and South Africa had small negative effects. The security selection contribution was driven by our positioning in Sri Lanka and Ghana.

The **corporate** exposure outperformed its benchmark. The primary driver of contribution came from the overweight exposure and positioning in Argentina, with bonds continuing to rally amid improving fundamentals and the sovereign upgrade. This was followed by Chile, where security selection in a local media company and regional airline carrier performed well. The minor detractors over the quarter were positions in a Hong Kong real estate developer and Brazilian corporates, which were negatively impacted during December due to growing fiscal concerns .

The **local currency** allocation underperformed the benchmark. The largest positive contributor was an overweight in the Turkish lira, as authorities kept spot depreciation lower than the monthly carry return, followed by positioning in China with an overweight duration and underweight Renminbi . Off-benchmark exposures in Nigeria, Zambia and sovereign credit exposures in Argentina also added value. Meanwhile, positioning in Brazil was the largest detractor, due to an overweight in the currency and instrument selection in rates. Other main detractors included the duration overweights in Mexico, South Africa, Indonesia, and Czech republic.

Within the **tactical asset allocation** overlay, we had an overweight position in local currency (LC) compared to hard currency (HC) corporates at the start of the quarter. This was due to attractive local rate valuations amid tight HC spreads, moderating global inflation, and expectations of an accelerating global rate-cutting cycle. To balance this, we held a basket of short EM currencies and short EUR/USD positions, anticipating a stronger U.S. dollar in the event of a Trump victory.

We were active with our tactical risk positioning around the US elections in November. Ahead of the U.S. elections, we reduced risk through tactical allocation by decreasing our local currency overweight and increasing cash holdings. As markets priced out Trump victory as we neared the elections, we trimmed our short positions in EM currencies and EUR ahead of the election to have a more neutral position. The election results led us to believe that the market was underestimating the impact of tariffs, prompting a further reduction in local currency allocation.

We took profits on the remaining short EUR position after the market adopted a more optimistic view on tariffs, particularly with the potential appointment of Scott Bessent as U.S. Treasurer, which was seen as market friendly. However, subsequent floated political appointments and hawkish comments from the Federal Reserve, which resulted in higher U.S. rates, led us to further shift local currency holdings into cash by the end of December. We also initiated a -2% short position in the Chinese yuan (CNH) due to expected increased noise around tariffs in the coming period.

To manage risk in the underlying hard currency segment, we maintained the exposure of the CDX.EM hedge in the overlay. Our HC duration exposure remained neutral, but we preferred exposure to European duration over U.S. duration. This preference led us to offset the short duration exposure caused by the underweight in HC corporates using Bund futures.

Within **hard currency**, we were fairly active with our risk positioning around the US elections. We increased our overweights in Colombia, Ivory Coast, and Nigeria, where we see continued fiscal consolidation and potential for rating upgrades. We also increased our overweight in Pemex of Mexico as we see attractive pricing and potential boost from planned energy reforms. We reduced overweights in Angola, Dominican Republic, Ecuador and went from overweight to neutral in Senegal, as part of risk reduction with potential volatility ahead for the asset class after the US election. We also reduced our overweight allocation to Romania ahead of the presidential elections due to risks of fiscal consolidation and persistent hefty supply. We reduced our off-benchmark exposure to Israel as spreads came in on the back of cease-fire progress with Hezbollah. We participated in the new issues by Colombia, Nigeria, Poland, South Africa, Turkey, Hungarian Export-Import Bank, Development Bank of Kazakhstan, and Turkey Wealth Fund.

In **corporates**, we participated in the new issue market by adding to commodities and financials across regions. In the secondary market, we added to oil & gas names as well as metals and mining and transportation sectors throughout the quarter. We also added exposure to Macau gaming, Turkish metals and mining, and Mexican real estate. We made a switch in Argentina to take advantage of the sovereign upgrade. We trimmed exposure to Colombian financials and commodities as fundamentals remain challenged. We also trimmed exposure to Chilean pulp & paper given tight valuations. Overall, we ended the quarter with more exposure to industrials, consumer and TMT and less exposure to financials, pulp and paper and utilities.

As for key portfolio positioning changes in local currency, we further increased our underweight positions in Asian currencies, expecting an increase in headwinds coming from rising geopolitical tensions as well as a weaker growth profile for Asian economies. Overall, we maintain a moderate risk profile in EM FX, with key overweight positions in idiosyncratic bottom-up opportunities such as the Turkish lira, Dominican republic peso, and different off-benchmark frontier currencies such as Egyptian pound and Nigerian naira. On the rates side, we maintain an overall overweight duration, with the largest relative exposures in South Africa, India, China and the Philippines. We reduced our Indonesia duration exposure to neutral, acknowledging the likelihood of near-term liquidity tightness and a stronger interest rate defense of the currency by the central bank. We also reduced our Czech duration position back to neutral and took profit on the underweight position in Polish duration. We added exposure in Dominican republic as structural changes such as recapitalization of the central bank and improving tax collection keep the path towards an investment-grade rating upgrade viable.

Outlook

The EM debt asset class should benefit from a backdrop of slower but not recessionary global growth, easing monetary policy, and a robust growth pickup for emerging vs. developed countries. In China, new rounds of policy stimulus should remove tail risks of a hard landing, even though we do not foresee a major rebound in growth. The upcoming change in government in the US presents risks around trade protectionism, especially for some of the more open economies in Asia and Eastern Europe. It also brings more uncertainty regarding the path for US rates ahead, with potential spillovers to EM local rates and currencies.

EM inflation is expected to decrease further on average next year, which should provide room for most central banks to maintain a bias towards easing monetary policy. However, there are regional variations, with certain countries in Latin America facing challenges in fully achieving disinflation. Real yield valuations look attractive in local rates markets on average, and we maintain an overweight stance in local duration.

We expect higher near-term volatility for EM currencies, as more details emerge around US trade and fiscal policies under the second Trump administration. In the more medium-term however, EM currencies should be supported by robust EM macro fundamentals and rate cut cycles by the FED and ECB, while valuations are also looking more compelling following pullback in October and November.

Overall, credit fundamentals across EM countries have been strengthening, with rating upgrades at decade highs across both corporates and sovereigns. We see limited risk of EM sovereign defaults in the coming period, as more vulnerable sovereigns have managed to secure new funding lately, while increased IMF engagement by different EM countries should support funding needs and reform agendas going forward. Default risks have also been declining in EM high yield corporates, and our expected default rates for 2025 is 3.5%, close to the to the pre-covid long-term average. We see earnings growth improving on average and strength in corporate balance sheets, with liquidity buffers near decade highs following years of corporate deleveraging.

Compared to history we see valuations on the expensive side for the benchmark investment grade and BB-rated components, while B-rated and lower rated segments still offer value. And we see opportunities for spread compression for specific issuers, and off-benchmark bonds notably in the BB-rated segment.

NEUBERGER BERMAN EMERGING MARKETS DEBT FUND RETURNS (%)

				ANNUALIZED AS OF 12/31/2024				
	December	**4Q 2024**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception**
At NAV								
Institutional Class	-1.37	-3.89	2.89	2.89	-0.07	-0.31	1.98	1.74
Class A	-1.40	-4.00	2.41	2.41	-0.48	-0.71	1.58	1.34
Class C	-1.46	-4.17	1.74	1.74	-1.19	-1.43	0.83	0.60
With Sales Charge								
Class A	-5.55	-8.02	-1.97	-1.97	-1.90	-1.57	1.14	0.96
Class C	-2.44	-5.12	0.78	0.78	-1.19	-1.43	0.83	0.60
EMD Blended Benchmark	-1.46	-4.24	2.21	2.21	-0.54	-0.41	2.04	1.80

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

The inception date for Neuberger Berman Emerging Markets Debt Fund Institutional Class, Class A and Class C is 9/27/13. 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	1.05	0.79
Class A	1.61	1.16
Class C	2.20	1.91

[1]JP Morgan Emerging Markets Bond Index Global Diversified (EMBI GD)
[2]JP Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI D)
[3]JP Morgan GBI EM Global Diversified (GBI EM GD)

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 (the "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 expenses and interest relating to short sales, and extraordinary expenses, if any; consequently, total (net) expenses may exceed the contractual cap) through 10/31/2027 for Class A at 1.15%, Class C at 1.90% and Institutional Class at 0.78% (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 the most recent prospectus dated February 28, 2024, as amended and supplemented.

An investor should consider Neuberger Berman Emerging Markets Debt 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, 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.
Investments could result in loss of principal.

The blended benchmark is comprised of: 50% JPMorgan GBI Emerging Markets Global Diversified; 25% JPMorgan EMBI Global Diversified and 25% JPMorgan CEMBI Diversified. JP Morgan GBI Emerging Markets Global Diversified Index: designed to measure the total returns for local currency bonds issues by Emerging Market governments. JP Morgan Emerging Markets Bond Index Global Diversified benchmark: tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. JP Morgan Corporate Emerging Market Bond Diversified Index: designed to measure the total returns for corporate emerging market fixed rate securities. Benchmarks are calculated on a total return basis. Indexes are unmanaged and are not available for direct investment.

Please note that the blended index does not take into account any fees and expenses of investing in the individual securities that it tracks, and that individuals cannot invest directly in any index. Data about the performance of this index are prepared or obtained by Neuberger Berman Investment Advisers LLC and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described index.

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 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. 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

Lower rated debt securities (also known as "junk bonds") involve greater risks and may fluctuate more widely in price and yield, and carry a greater risk of default, than investment grade debt securities. They may fall in price during times when the economy is weak or is expected to become weak. 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 such payments, shortening or lengthening their duration and could magnify the effect of the rate increase on such security's price.

The Fund may also invest in senior loans and other debt securities, 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 also prevent the Fund from obtaining the full value of a loan when sold.

Sovereign debt securities are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy, its policy toward international lenders or the failure to put in place economic reforms required by multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans.

The value of a convertible security typically increases or decreases with the price of the underlying common stock. In general, a convertible security is subject to the risks of stocks (and its price may be as volatile as that of the underlying stock) when the underlying stock's price is high relative to the conversion price and is subject to the risks of debt securities (and is particularly sensitive to changes in interest rates) when the underlying stock's price is low relative to the conversion price.

Leverage amplifies changes in the Fund's net asset value. Derivative instruments that the Fund uses create leverage and can result in losses to the Fund that exceed the amount originally invested. 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. Non-U.S. currency forward contracts, options, swaps, or other derivatives contracts on non-U.S. currencies involve a risk of loss if currency exchange rates move against the Fund. Forward contracts are not guaranteed by an exchange or clearinghouse and a default by the counterparty may result in a loss to the Fund.

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 fixed-income trading and has a high portfolio turnover rate, which may increase the Fund's transaction costs and may adversely affect the Fund's performance.

Russia's invasion of the Ukraine, and corresponding events in late February 2022, have had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. The duration of ongoing hostilities and the vast array of sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally and the performance of the Fund and its investments or operations could be negatively impacted.

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Duration of a bond is expressed as a number of years from its purchase date. It is a measurement of how long, in years, it takes for the price of a bond to be repaid by its internal cash flows. It is an important measure for investors to consider, as bonds with higher durations carry more risk and have higher price volatility than bonds with lower durations.

Beta is a measure of market-related risk (expressed between 0-1%) of a portfolio compared to that of the overall market, as represented by an index. The lower the beta the lower the sensitivity to the movements of the market, as represented by the index.

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