NEUBERGER | BERMAN

Neuberger Berman Mid Cap Intrinsic Value Fund

TICKER: Institutional Class: NBRTX, Class A: NBRAX, Class C: NBRCX, Class R3: NBRRX, Class R6: NBMRX, Investor Class: NBRVX, Trust Class: NBREX

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Performance Highlights

The Neuberger Berman Mid Cap Intrinsic Value Fund (the "Fund") posted a loss in 2Q 2024 but outperformed the Russell Midcap Value Index (the "Index"). For the year-to-date, the Fund remains in positive territory but lags the index.

Mid cap stocks declined during the second quarter while the S&P 500 Index ("S&P") and Nasdaq made new highs mainly due to the extreme performance uncoupling by mega cap Artificial Intelligence ("AI") stocks from the rest of the market.

Market Context

We believe the market advance is narrowing. For many companies and most indices, we have robust performance data going back at least eighty years. During this time period, there were periods of economic growth, contraction, financial shocks and various interest rate regimes. We also have detailed stock specific data sets on company earnings during these cycles. So many believe they can compile a reasonably accurate set of indicators when a company or its asset class should be bought or sold. Fundamental knowledge of a company's products and its management remains critically important over the very long term, but short-term performance is increasingly driven by where investors believe we are headed in the interest rate and economic cycle.

Candidly, the direction of these two cycles is debatable and as a result most stock indexes are trading in a narrow range. How much can interest rates come down, if at all, when the U.S Federal government needs to borrow $2 trillion a year for the foreseeable future? Even if rates decline, how much pent-up demand exists after the COVID-19 spending boom? These basic questions are easily raised and difficult to answer. Not surprisingly, because investors harbor different points of view on rates and the economy, we have a stop and go market. If it's the beginning of a new economic cycle because rates are headed lower, correlations tell us to own small value stocks (think mid-December when Powell spoke about five (5) or six (6) rate cuts in 2024). If inflation remains stubbornly high and rate cuts looked less likely (think the second quarter of this year) and the likelihood of some kind of adverse shock or odds of a recession are rising, historical correlations suggest shorting small value stocks and levered companies. Bottom line – more noise over the short term.

Amid the uncertainty of where rates and the economy are headed, the one widely held belief is that the dawn of AI driven disruption is here. And a handful of large cap companies seem uniquely positioned to profit enormously from new innovative products. We all know the disproportionate impact on equity returns these companies have had, yet the relevant question remains, What value should investor's place on the AI opportunity? In our view, these stocks are hard to price simply because we just don't have enough data. It's too early to say how disruptive the technology will be and how widespread it will be deployed. Will the products be profitable and ultimately who wins long term and who loses?

Without sufficient financial history, bullish analysts and momentum investors can and will extrapolate potential earnings growth from extremely small data sets (one year of Nvidia sales and earnings growth to be specific) and however they are inclined. Academics have long argued that one of the primary roles of short selling is to prevent valuation "bubbles." However shorting stocks on excessive valuation alone can be career ending. In the current market environment, we believe that it is better to avoid financially levered companies and questionable business models rather than the highly valued yet profitable "disrupters."

Personally, we have one data point that seems relevant – it's broadly comparable and rather cautionary. Maybe you'll agree that ultimately valuation matters or maybe you'll think we're just crotchety party poopers. Consider and compare Cisco (CSCO) in the dot-com bubble era with Nvidia (NVDA) today. There are many common threads. Back in 2000 investors and analysts believed that the internet was going to revolutionize business, create untold new opportunities and reshape our personal lives. They were right, the internet profoundly changed and touched virtually every part of our daily routines and Cisco, as the leading and most profitable provider of IP products, played and continues to this day to contribute significantly to its evolution.

Today the same argument for disruption and opportunity is being made for AI and its leading building block company – Nvidia. AI adherents believe the technology will redefine business processes and create hosts of new products and services. No area of business, service or product will be unaffected by the advances in AI. Is Cisco a harbinger for what lies ahead for Nvidia investors? The meteoric growth in sales, profitability and market value looks eerily similar.

Both companies grew over 100% in two years and their market values went parabolic, up 6.5 times for CSCO and 8 times for NVDA. In 2000 investors were estimating that CSCO would continue to grow 50% plus and paid over 150 times earnings to own a piece of the action. Not too dissimilar to what analysts currently expect for NVDA. Is one data point enough for a reliable correlation? Probably not, but you get my drift.

With most companies, years of data together with correlations to the interest rate and economic cycle are setting the valuation parameters. With NVDA it's largely based on one year of performance that earnings and profits will continue growing at robust rates. Even after the dot-com bubble burst, Cisco tripled in size and grew its operating income sixfold; nevertheless, it was revalued dramatically lower from its all-time high. Just sayin'!

Portfolio Review

We often tell clients that growth investors are frequently right about which products and companies will win but inattentive to the price of admission. AI will surely impact lots of businesses both positively and perhaps some adversely. We've already seen the impact as electric power prices are up driven by datacenter demand which greatly benefits Vistra. On the other hand, uncertainty about financing and future strategic direction have hurt companies like Dollar Tree.

Against the backdrop of one powerful and positive trend and mixed "macros" investors are weighing the risks and opportunities associated with the upcoming presidential election. We continue to monitor this closely, noting that in the broadest possible terms, the consensus is that a Trump victory would favor financials, energy and industrials while technology and healthcare seem better positioned under a Harris Presidency.

During the quarter, we eliminated lower conviction positions and trimmed some of our winners. Proceeds were redeployed into more attractively valued existing names. We remain conservative with our introduction of new ideas.

BEST AND WORST PERFORMERS FOR 2Q 24[1]

Best Performers	Worst Performers
Vistra Corp.	Fortune Brands Innovations, Inc.
Pure Storage, Inc. Class A	Global Payments Inc.
Hewlett Packard Enterprise Co.	Globe Life Inc.
Wix.com Ltd.	Dollar Tree, Inc.
CenterPoint Energy, Inc.	Zimmer Biomet Holdings, Inc.

1. Reflects the best and worst performers, in descending order, to the Fund's performance based on individual security performance and Fund weighting. Positions listed may include securities that are not held in the Fund as of 6/30/24. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for the Fund. It should not be assumed that any investments in securities identified and described were or will be profitable.

Outlook

Headed into this year's election, our analysis suggests the portfolio is evenly exposed to the policy priorities of both parties and not tilted to any one agenda. Inflation and its impact on rates is perhaps the relevant issue and both Democrats and Republicans show little willingness to tackle entitlements. In our opinion spending at 24% of GDP is historically high and narrowing the gap with revenues will require significant anti-growth tax policies. With no one willing to address the issue one wonders if credit markets force them. Should we experience a rate tantrum the outlook for equities over the short term is to say the least not promising, in our opinion.

Mindful of the many challenges that lie ahead we will underwrite short-term volatility if we increase the chances for long-term outperformance. The objective remains the same – invest when investors seem overly concerned with nearer-term issues, capture the benefits associated with above average growth while remaining respectful of valuation. This eclectic, contrarian style of value investing has served us well and we see no reason to change our approach even in the face of uncertainty and changing market dynamics. We thank you for your continued investment in our strategy and look forward to our next report.

NEUBERGER BERMAN MID CAP INTRINSIC VALUE FUND RETURNS (%)

	Jun 2024	2Q24	YTD	(ANNUALIZED AS OF 6/30/24) 1 Year	3 Year	5 Year	10 Year	Since Inception
At NAV								
Institutional Class	-1.20	-2.54	3.73	11.31	3.02	6.41	5.94	8.49
Class A	-1.23	-2.65	3.52	10.90	2.65	6.02	5.56	8.26
Class C	-1.29	-2.81	3.18	10.07	1.88	5.23	4.77	7.82
Class R3	-1.20	-2.54	3.77	11.40	3.13	6.51	5.87	8.40
Class R6	-1.23	-2.69	3.41	10.66	2.40	5.75	5.30	8.12
Investor Class	-1.19	-2.58	3.68	11.17	2.91	6.23	5.72	8.34
Trust Class	-1.23	-2.65	3.56	10.92	2.66	6.01	5.54	8.23
With Sales Charge								
Class A	-6.90	-8.26	-2.44	4.53	0.64	4.77	4.94	8.01
Class C	-2.28	-3.78	2.18	9.07	1.88	5.23	4.77	7.82
Russell Midcap® Value Index	-1.60	-3.40	4.54	11.98	3.65	8.49	7.60	9.03
Russell Midcap® Index	-0.66	-3.35	4.96	12.88	2.37	9.46	9.04	9.19

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 cost. Results are shown on a "total return" basis and include reinvestment of all dividends and capital gains distributions. Current performance may be higher or lower than the performance given. For current performance data, including current to the most recent month end, please visit www.nb.com/performance.

Average Annual Total Returns with sales charge reflect deduction of current maximum initial sales charge of 5.75% 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.

The inception dates of the Mid Cap Intrinsic Value Fund Institutional, Trust and Investor Classes were 3/8/10, 6/10/99 and 6/1/99, respectively. The inception date of the Class A, Class C and Class R3 was 6/21/10. The inception date of Class R6 was 3/29/19. Performance prior to those inception dates is that of the Investor Class which has lower expenses and typically higher returns than all other share classes. Shares of the Trust Class may not be purchased directly from the adviser; they may only be purchased through certain institutions that have entered into administrative services contracts with the adviser. The Investor and Trust Classes are closed to new investors.

EXPENSE RATIOS (%)

	Gross Expense	Total (net) Expense
Institutional Class	1.34	0.85
Class A	1.75	1.21
Class C	2.47	1.96
Class R3	2.01	1.46
Class R6	1.71	0.75
Investor Class	1.51	1.50
Trust Class	1.70	1.25

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 8/31/2027 for Class A at 1.21%, Class C at 1.96%, Institutional Class at 0.85%, Class R3 at 1.46%, Class R6 at 0.75%, Investor Class at 1.50% and Trust Class at 1.25% (each as a percentage 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 prospectuses dated December 18, 2023, as amended or supplemented.

An investor should consider the 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.

Most of the Fund's performance depends on what happens in the stock market. The market's behavior is unpredictable, particularly in the short term. The value of your investment may fall, sometimes sharply, and you could lose money.

As of 6/30/2024, the weightings of the Best and Worst Performers, in order listed above, as a percentage of Fund net assets were: Vistra Corp. 3.06%, Pure Storage, Inc. Class A 2.54%, Hewlett Packard Enterprise Co. 2.28%, Wix.com Ltd. 1.80%, CenterPoint Energy, Inc. 2.40%, Fortune Brands Innovations, Inc. 2.14%, Global Payments Inc. 1.34%, Globe Life Inc. 1.13%, Dollar Tree, Inc. 1.48%, Zimmer Biomet Holdings, Inc. 1.66%.

Past performance is not indicative of future results. This material is not intended to address every situation, nor is it intended as a substitute for the legal, tax, accounting or financial counsel of your professional advisors with respect to your individual circumstances. This material 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. Opinions expressed are as of the date herein and are subject to change without notice. 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.

The **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index (which, in turn, consists of the 1,000 largest U.S. companies, based on market capitalization). The **Russell Midcap Value Index** measures the performance of those Russell Midcap Index companies with lower price–to–book ratios and lower forecasted growth values. Please note that an index does not take into account any fees and expenses of the individual securities that they track, and individuals cannot invest directly in any index. Data about the performance of this index are prepared or obtained by Neuberger Berman and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described indices.

Investing in companies in anticipation of a catalyst carries the risk that the catalyst may not happen as anticipated, possibly due to the actions of other market participants, or the market may react to the catalyst differently than expected.

To the extent that the Fund invests in securities or other instruments denominated in or indexed to foreign currencies, changes in currency exchange rates could adversely impact investment gains or add to investment losses.

Foreign securities involve risks in addition to those associated with comparable U.S. securities.

An individual security may be more volatile, and may perform differently, than the market as a whole.

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.

At times, mid-cap companies may be out of favor with investors. Compared to larger companies, mid-cap companies may depend on a more limited management group, may have a shorter history of operations, and may have limited product lines, markets or financial resources. The securities of mid-cap companies are often more volatile and less liquid than the securities of larger companies and may be more affected than other types of securities by the underperformance of a sector or during market downturns.

Private placements and other restricted securities, including securities for which Fund management has material non-public information, are securities that are subject to legal and/or contractual restrictions on their sales. These securities may not be sold to the public unless certain conditions are met, which may include registration under the applicable securities laws.

High public debt in the U.S. and other countries creates ongoing systemic and market risks and policymaking uncertainty.

The Fund may experience periods of large or frequent redemptions that could cause the Fund to sell assets at inopportune times or at a loss or depressed value.

From time to time, based on market or economic conditions, the Fund may have significant positions in one or more sectors of the market. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors. Individual sectors may be more volatile, and may perform differently, than the broader market.

Value stocks may remain undervalued or may decrease in value during a given period or may not ever realize what the portfolio management team believes to be their full value or intrinsic value.

A decline in the Fund's average net assets during the current fiscal year due to market volatility or other factors could cause the Fund's expenses for the current fiscal year to be higher than the expense information presented.

The Fund and its service providers, and your ability to transact with the Fund, may be negatively impacted due to operational matters arising from, among other problems, human errors, systems and technology disruptions or failures, or cybersecurity incidents.

Risk is an essential part of investing. No risk management program can eliminate the Fund's exposure to adverse events; at best, it may only reduce the possibility that the Fund will be affected by such events, and especially those risks that are not intrinsic to the Fund's investment program.

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