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Neuberger Berman Small Mid Cap Portfolio

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Performance Highlights

Small-mid cap stocks, as measured by the Russell 2500 Index[1], rallied sharply during the third quarter of 2024, up +8.75%. The Neuberger Berman Small Mid Cap Portfolio also posted a strong return during this timeframe but underperformed the Russell 2500 Index.

During the period, the U.S. economy remained resilient, inflation continued to moderate, and the Federal Reserve (Fed) lowered interest rates in September for the first time since 2020. After lagging the overall market in the first half of the year, small-mid cap companies outperformed their larger-cap counterparts in the third quarter. Market leadership shifted from mega-cap technology stocks to small-mid caps and interest rate-sensitive companies in the Financials, Real Estate Investment Trust, and Utilities sectors. Small-mid cap companies tend to have more financial leverage which is often in the form of floating-rate debt, and therefore can benefit from rate cuts that will lower the cost of servicing debt. All told, the small-mid cap Russell 2500 Index returned +8.75% over the quarter, outperforming the large-cap S&P 500 Index which posted a +5.89% return. However, on a year-to-date basis, the small-mid cap Russell 2500 Index (+11.30%) lagged the large-cap S&P 500 Index (+22.08%).

Portfolio Review

During the third quarter, the Portfolio underperformed its benchmark due to weak sector allocation, while stock selection was modestly positive overall. In terms of sector positioning, the Portfolio's underweight exposures to the Real Estate Investment Trust industry and Financials and Utilities sectors detracted from relative returns, as these interest rate sensitive areas of the market were up strongly during the period. Elsewhere, the Portfolio's overweight to the Technology sector was a drag. Historically, our focus on high-quality companies has made it difficult for us to invest in REITs. REITs typically do not generate cash and they typically need to borrow money to build. Within the Technology sector, we seek a balance of holdings that can be characterized as more cyclical growth (semiconductors and hardware) and steadier growth (software and services). Across these subsectors, we seek business models with proprietary technologies, company-specific growth drivers, mission-critical solutions and products that represent a low-cost relative to a total finished product cost and a compelling return on investment for customers.

Looking at stock selection, holdings in the Materials, Consumer Discretionary, and Energy sectors were the largest contributors to relative performance. Within the Materials sector, our Construction Materials name outperformed. Within the Consumer Discretionary sector, our Specialty Retail names added considerable value. Within the Energy sector, our Oil, Gas & Consumable Fuel holdings were the most additive for returns, while performance was largely driven by idiosyncratic factors. Stock selection was negative in the Health Care, Industrials, and Communication Services sectors of the Portfolio.

Within Health Care sector, Portfolio holdings in the Health Care Equipment & Supplies and Life Sciences Tools & Services industries underperformed. The underperformance was primarily due to destocking concerns and reduced spending on research and development across the pharmaceutical industry. Within the Industrials sector, the Portfolio's Trading Companies & Distributors, Machinery, and Construction & Engineering names underperformed. Conditions have remained steady within the sector with long-cycle and cycle-agnostic companies outperforming short-cycle firms, where inventory and macroeconomic improvements are still lacking. While short-cycle activities seem to have reached their lowest point with orders beginning to rise, companies remain cautious about a lasting recovery. Lower interest rates and the conclusion of the presidential election are expected to boost corporate confidence in investing in larger capital projects, with mid-sized projects mostly delayed rather than canceled. Megaprojects, particularly in growth areas like data centers, are progressing as planned. Companies benefiting from recurring revenue and substantial backlogs continue to lead. Within the Communication Services sector, the Portfolio's Media names underperformed.

On a year-to-date basis, the Portfolio has appreciated strongly but underperformed the Russell 2500 Index on a net of fee basis. Stock selection was the weakest in the Information Technology, Health Care, and Communication Service sectors. Within the Technology Sector, our semiconductor names underperformed. Within Health Care our Equipment & Supplies and Provider & Services names lagged. Within Communication Services, our Media names were a drag on relative

1. The Russell 2500 Index is comprised of the smallest 2500 securities in the Russell 3000 Index. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment of the U.S. equity universe. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

results. Stock selection was strongest in the Materials, Energy and Financials sectors. Within the Materials sector, our Construction & Packaging and Construction Materials names outperformed. Within the Energy sector, holdings in the Energy Equipment & Services and Oil Gas & Consumable Fuel industries relatively outperformed. Within the Financial sector, our insurance related names added considerable values.

BEST AND WORST PERFORMERS FOR THE THIRD QUARTER 2024[2]

Best Performers	Worst Performers
Fair Isaac Corp.	Tidewater, Inc.
Eagle Materials, Inc.	Entegris, Inc.
CNX Resources Corp.	MKS Instruments, Inc.
ITTC, Inc.	Qualys, Inc,
Tetra Tech	Toro Company

Reflects the best and worst portfolio performers for the quarter, in descending order, based on individual security performance and portfolio weighting. Positions may include securities that are not held in the portfolio as of 9/30/2024. Information is based upon the manager's composite and additional information regarding the performance contribution calculation methodology, is available upon request. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients. It should not be assumed that any investments in securities identified and described were or will be profitable.

Best Performers

Fair Issac Corp.

Fair Isaac provides decision management tools used to automate and improve business performance. The company is most known for its industry-standard "FICO" score, which leverages the company's data scale and predictive analytics capabilities. The stock outperformed, driven by the anticipation of substantial price increases for its mortgage Scores product in 2025 and stabilizing trends for credit volumes given the rate cut.

Eagle Materials, Inc.

Eagle Materials is a leading supplier of heavy construction materials and light building materials used for infrastructure and residential/non-residential construction projects. Eagle Materials' cost advantage is supported by its vertical integration (raw material reserves, paperboard mills) and plant network. The stock outperformed due to better-than-feared results after stable price and lower cost offset volume concerns from wet weather. We believe the company also benefits from a declining interest rate environment.

CNX Resources Corp.

CNX Resources is an Appalachia-based natural gas exploration and production company. It has significant inventory depth and an advantaged cost structure due to the company's asset base and integrated midstream operation. Additionally, the company has, in our view, promising emerging earnings streams from what it calls its "new technologies" segment. The stock performed well on the back of continued strong results and progress on its long-term strategic initiatives.

ITT, Inc.

ITT is a diversified global manufacturer of highly engineered industrial products and solutions. The company benefits from scale, high switching costs and reputable brands. The stock outperformed during the quarter due to continued execution and share gains across all three businesses. The company also announced an acquisition that grows exposure in the attractive aerospace & defense end markets.

Tetra Tech

Tetra Tech provides high-end consulting and engineering services that focus on water, the environment and sustainable infrastructure for government, commercial and international clients. Tetra Tech's competitive advantage is based on their deep institutional knowledge and a strong reputation for providing high-end services, both of which result in what we view as superior project management. The stock outperformed during the quarter due to consistent execution in secularly attractive end markets and impressive cash conversion.

Worst Performers

Tidewater, Inc.

Tidewater owns and operates one of the largest global fleets of offshore support vessels used in the offshore oil and gas industry. The stock underperformed amidst broader weakness in the offshore energy services subsector after multiple years of strong performance for the group.

Entegris, Inc.

Entegris is the leading provider of specialty materials such as high purity process chemistries, gases and substrates used in the manufacturing of semiconductors. Demand for the company's solutions has grown from the proliferation of semiconductors into new applications and as manufacturing complexity has increased in the industry. The stock underperformed amidst a broader pull back in semiconductor and semiconductor capital equipment related peers.

MKS Instruments, Inc.

MKS Instruments is a leading provider of subsystems to the semiconductor, industrial technology and life science verticals. The stock underperformed amidst a broader pull back in semiconductor and semiconductor capital equipment related peers.

Qualys, Inc.

Qualys is a supplier of cloud-based security and compliance solutions. The company has a leading market position in the vulnerability management market and has successfully launched additional add-on products over time. The stock underperformed amidst a challenging macroeconomic backdrop for its solutions which has contributed to a slowdown in organic growth.

Toro Company

The Toro Company designs, manufactures, and sells equipment used for professional turf maintenance, landscaping, snow/ice management and underground construction. With a market-leading position across most product categories, Toro's competitive advantage is backed by their reputation for innovation and best-in-class distribution and customer care network, which create substantial barriers to entry. The stock underperformed due to ongoing softness in the residential channel and elevated channel inventory that resulted in lower shipment volume.

Outlook

The Fed's tightening cycle has ended, and the easing cycle has begun. The Fed seems to have shifted its primary focus from taming inflation to supporting the labor market. Markets continue to be highly sensitive to Fed commentary and economic indicators. The debate now centers on estimating the pace and magnitude of potential rate cuts. Despite some indicators suggesting a moderation of economic momentum, overall economic activity, in our view, has remained fairly stable, access to financing has improved, and capital markets activity has increased. We are monitoring increasing geopolitical risk and its potential impact on volatility and energy prices. The risk of recession, both in the U.S. and globally, remains a possibility, but is by no means a certainty. We remain confident that the Portfolio has a high-quality portfolio of businesses with attractive financial characteristics, differentiated and durable business models, and sustainable earnings growth and is well-positioned to weather these uncertain times.

Information is as of September 30, 2024.

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Small and mid capitalization stocks are more vulnerable to financial risks and other risks than stocks of larger companies. They also trade less frequently and in lower volume than larger company stocks, so their market prices tend to be more volatile. Consequently, investments in small-capitalization stocks may not be appropriate or suitable for all investors.

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The Russell 2000 Index is an unmanaged index consisting of the securities of the 2,000 issuers having the smallest capitalization in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The smallest company's market capitalization is roughly $150 million.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. As of September 16, 2005, S&P switched to a float-adjusted format, which weighs only those shares that are available to investors, not all of a company's outstanding shares. The value of the index now reflects the value available in the public markets. Please note that the index does not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of this index are prepared or obtained by the Manager and include reinvestment of all dividends and capital gain distributions.

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