NEUBERGER BERMAN

Asset Allocation Committee Outlook 1Q 2025

A Delicate Balance

The Asset Allocation Committee (AAC) believes easing inflation, lower policy rates and a pro-business political environment can support above-trend U.S. growth in 2025. However, the risks are piled up on both sides of the balance. Will the Fed be too hawkish? Will the U.S. yield curve price in greater debt sustainability concerns? Will higher tariffs reignite inflation or subdue consumer demand? Will U.S. dollar strength become disruptive or set the stage for a grand bargain on trade? Economic, fiscal and geopolitical uncertainties make for wide dispersion in the conceivable outcomes.

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ABOUT THE

ASSET ALLOCATION COMMITTEE

Neuberger Berman's Asset Allocation Committee meets every quarter to poll its members on their outlook for the next 12 months on each of the asset classes noted and, through debate and discussion, to refine our market outlook. The panel covers the gamut of investments and markets, bringing together diverse industry knowledge, with an average of 30 years of experience.

COMMITTEE MEMBERS

Joseph V. Amato
Co-Chair, President and Chief Investment Officer—Equities

Erik L. Knutzen, CFA, CAIA
Co-Chair, Co-Chief Investment Officer—Multi-Asset

Jeffrey Blazek, CFA
Co-Chair, Co-Chief Investment Officer—Multi-Asset

Thanos Bardas, PhD
Co-Head of Global Investment Grade Fixed Income

Ashok Bhatia, CFA
Co-Chief Investment Officer—Fixed Income

Timothy F. Creedon, CFA
Director of Global Equity Research

Tokufumi Kato, PhD
Senior Portfolio Manager—Multi-Asset

Hakan Kaya, PhD
Senior Portfolio Manager—Quantitative and Multi-Asset Strategies

David G. Kupperman, PhD
Co-Head, NB Alternative Investment Management

Ugo Lancioni
Head of Global Currency

Shannon L. Saccocia, CFA
Chief Investment Officer—Private Wealth

Raheel Siddiqui
Senior Investment Strategist—Global Equity Research

Robert Surgent
Senior Portfolio Manager—Multi-Asset

Brad Tank
Co-Chief Investment Officer—Fixed Income

Elizabeth Traxler
Managing Director, Private Investment Portfolios & Co-Investments

Anthony D. Tutrone
Global Head of Alternatives

Market Views

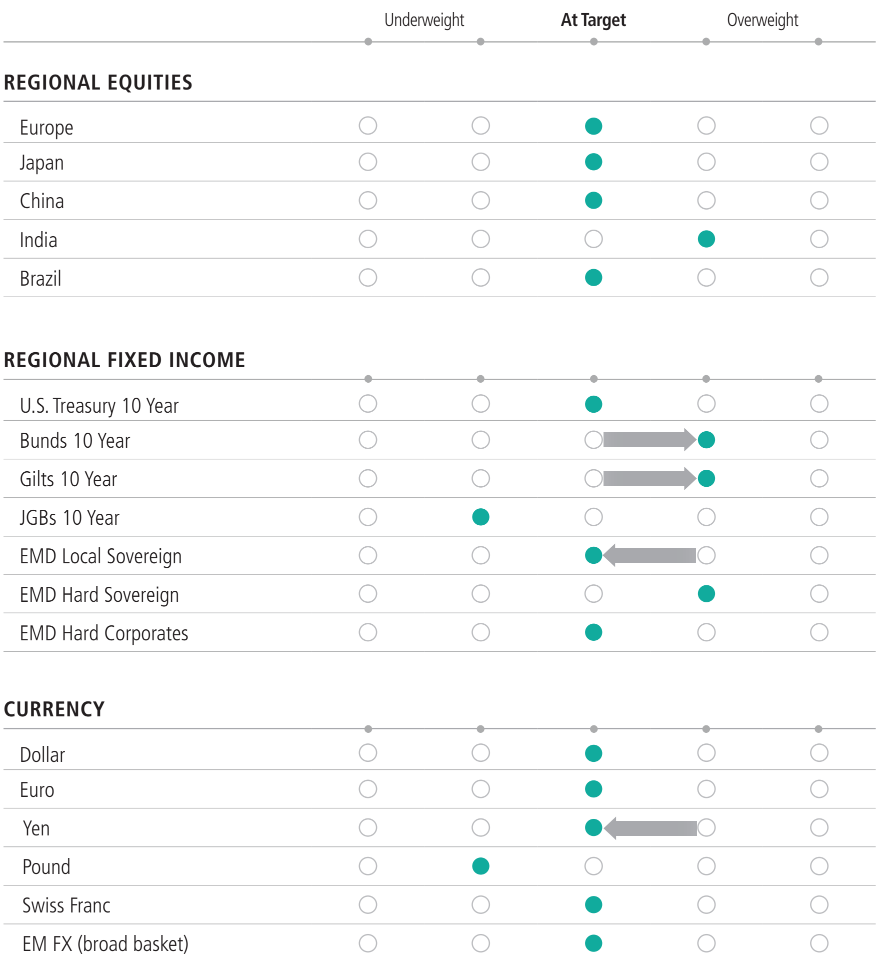
Based on 12-Month Outlook for Each Asset Class

	Underweight		**At Target**	Overweight	
EQUITY					
Global Equities	○	○	●	○	○
U.S. All Cap	○	○	●	○	○
U.S. Large Cap	○	○	●	○	○
U.S. Small and Mid Cap	○	○	○	●	○
Developed Market—Non-U.S. Equities	○	○	●	○	○
Emerging Markets Equities	○	○	●	○	○
FIXED INCOME					
Cash	○	●	○	○	○
Global Bonds	○	○	○	●	○
Investment Grade Fixed Income	○	○	○	●	○
U.S. Government Securities	○	○	●	○	○
Investment Grade Corporates	○	○	●	○	○
Agency MBS	○	○	●	○	○
ABS / CMBS	○	○	○	●	○
Municipal Bonds	○	○	●	○	○
U.S. TIPS	○	○	●	○	○
High Yield Corporates	○	●	○	○	○
Non U.S. Developed Market Bonds	○	○	●	○	○
Emerging Markets Debt	○	○	●	○	○
REAL AND ALTERNATIVE ASSETS					
Commodities	○	○	●	○	○
Hedged Strategies	○	●	○	○	○
Private Equity	○	○	○	●	○
Private Debt	○	○	○	●	○
Private Real Estate	○	○	○	●	○

As of 1Q 2025. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Views on private market assets reflect the Asset Allocation Committee's views on the future return potential of new cash commitments, not the future return potential of existing investments. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

Regional Focus

Fixed Income, Equities and Currency



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Erik L. Knutzen, CFA, CAIA
Co-Chair, Co-Chief Investment Officer—Multi-Asset

Jeffrey Blazek, CFA
Co-Chair, Co-Chief Investment Officer—Multi-Asset

"Overall, we anticipate a supportive backdrop for risk assets, as reflected in our broad asset-class views… The balance is delicate, however, and the risks are piled up on both sides."

A Delicate Balance

Overall, the Asset Allocation Committee (AAC) comes into 2025 anticipating a supportive backdrop for risk assets. We believe easing inflation, lower policy rates and a more pro-business political environment can support above-trend U.S. growth, possibly accompanied by a recovery of economic performance in Europe and China. At the same time, bond markets appear already to have adjusted to the prospect of inflation remaining structurally higher than it was before the pandemic, bringing yields closer to what we regard as fair value. However, the risks are piled up on both sides of the balance. A strong U.S. outlook could tempt the U.S. Federal Reserve (Fed) to be overly hawkish, putting growth at risk. The U.S. dollar is already approaching potentially disruptive levels and could rise further. President-elect Donald Trump could follow through on his threats of significantly higher tariffs, which may impact prices more than the market anticipates. Treasury investors could increasingly price for concerns about the U.S. fiscal deficit via the level and shape of the yield curve. On the other hand, inflation could ease further if higher tariffs are avoided or moderate; tariffs could also soften U.S. consumer demand, in conjunction with the new administration's pursuit of lower energy costs. An improved geopolitical scene, perhaps catalyzed by a Ukraine peace negotiation, could add support to non-inflationary global growth. While it is not the likeliest scenario, the threat of the strong dollar and rising U.S. Treasury yields might even trigger a multinational grand bargain that reduces the threat of higher tariffs and other protectionism. Admittedly, many aspects of our outlook depend on economic, fiscal and geopolitical pathways that are unusually uncertain, leading to wide dispersion in the conceivable outcomes for the year ahead.

The *AAC Outlook* at a Glance

- We anticipate a supportive backdrop for risk assets in the year ahead, but recognize wide dispersion in the conceivable economic and market outcomes.
- We believe easing inflation, lower rates and a more pro-business policy environment can support equity market performance outside of mega-cap technology, but are less confident about a broadening of performance into non-U.S. markets.
- With the inflation and policy-rates outlook fairly priced, in our view, we see volatility migrating from the front to the long end of the yield curve, potentially creating new opportunities to invest in credit markets at more attractive valuations.

Up for Debate:

- A "Mar-a-Lago Accord"?
- Why Is the AAC More Positive on Private Credit than High Yield Bonds?

Investors made three important adjustments during 2024.

First, they finally abandoned the expectation that higher rates would trigger a substantial economic slowdown or recession. Growth rose in the U.S. and Europe last year, and the consensus is for that to be sustained in 2025. Our own *Solving for 2025* outlook calls for a year of "above-trend" growth following the result of the U.S. election in November.[1]

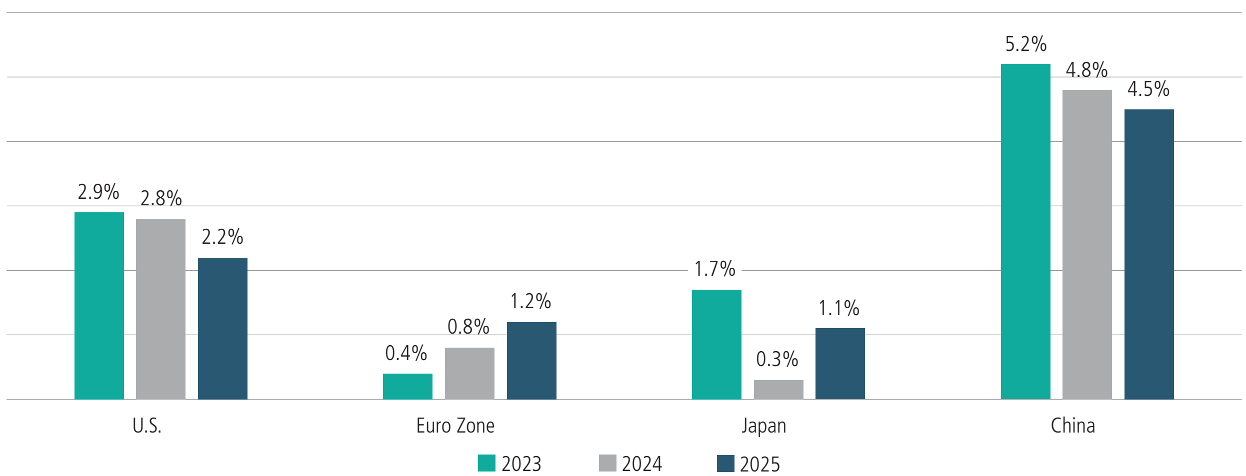
Second, bond markets came to terms with the idea of structurally higher U.S. inflation. Now, barely two U.S. Federal Reserve (Fed) rate cuts are priced for 2025, and a 10-year yield above 4.6% appears to reflect a new neutral rate of inflation of 2.25 – 2.50%, with real GDP growth of 2.30 – 2.50%.

Finally, investors embraced both the artificial intelligence and U.S. exceptionalism themes. The NASDAQ Index and the mega-cap technology-dominated S&P 500 Index substantially outperformed the MSCI World Index, and the U.S. dollar rose by almost 8% in the last quarter of the year.

While none of those adjustments must necessarily correct in 2025, any and all could be subject to some reversal, as they depend on economic, fiscal and geopolitical outlooks that are unusually uncertain. There is very wide dispersion in the conceivable economic and market outcomes for the year ahead.

RECESSION AVERTED?

Real GDP growth, actual for 2023 and estimated for 2024 and 2025



Source: International Monetary Fund. Data as of January 6, 2025. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

[1] *Solving for 2025,* at https://www.nb.com/en/us/solving.

A Supportive Backdrop, But Wide Dispersion of Possible Outcomes

If the bond market has come to terms with a neutral inflation rate of 2.25 – 2.50%, that does not necessarily mean the Fed has. Emboldened by a robust growth outlook, the central bank may decide to pause rate cuts indefinitely to get inflation firmly back to target. It is notable, for example, that Fed officials still tend to be relatively hawkish, particularly on the jobs situation. If the market is right about the new neutral rate of inflation, forcing it back to 2% would imply a substantial hit to growth, not a mere failure to achieve above-trend growth.

On GDP, as some AAC members observed, today's 5%-plus U.S. nominal growth rate is ambitious for 2025. Weakness in Europe and China poses a challenge, and therefore additional stimulus from China would help. So would any fiscal loosening as a result of political realignments in France and Germany, or a peace-and-reconstruction deal for Ukraine. All three are possible, but the first is unlikely to be big enough to boost global demand, the second is likely to deliver benefits in 2026 rather than 2025 and the third remains speculative. Instead, we base our central scenario of above-trend U.S. growth on domestic factors, chiefly a revival in animal spirits in anticipation of looser regulation, extensions to tax cuts, higher tariffs on imports and sustained government spending. But that comes with its own risks.

Treasury investors could increasingly price for concerns about the U.S. fiscal deficit via the level and shape of the yield curve, just as bond and currency investors have been doing in places like France, the U.K., Brazil and Mexico. We see that as more of an issue for 2026, but it could occasionally rise to prominence this year. The rise in the U.S. 10-year yield during the "Trump trade" of the fourth quarter appears to have been driven almost entirely by an adjustment in term premium, suggesting a renewed focus on these risks ahead of a pivotal year for policy.

More immediately, U.S. growth and yield differentials relative to the rest of the world have attracted capital into the U.S., strengthening the U.S. dollar to potentially disruptive levels. While the effect has been disinflationary in the U.S., it translates to inflation elsewhere. That complicates European efforts to support growth with rate cuts, in particular. We think the dollar is already overvalued, but momentum is strong and both rate differentials and our U.S. growth outlook make it difficult to identify the catalyst for a reversal. Brazil and Japan have already intervened to shore up their currencies, and we could see this trend broadening and becoming disruptive if the dollar continues to rise against a backdrop of U.S. tariff proposals (see "Up for Debate: A 'Mar-a-Lago Accord?'").

Overall, we anticipate a supportive backdrop for risk assets, as reflected in our broad asset-class views. Above-trend growth in the U.S. would be positive. Some recovery of economic performance in Europe and China is possible, particularly if some of the steam comes out of the dollar rally. U.S. inflation that is structurally higher but contained below 3% can help sustain nominal growth in both GDP and corporate earnings.

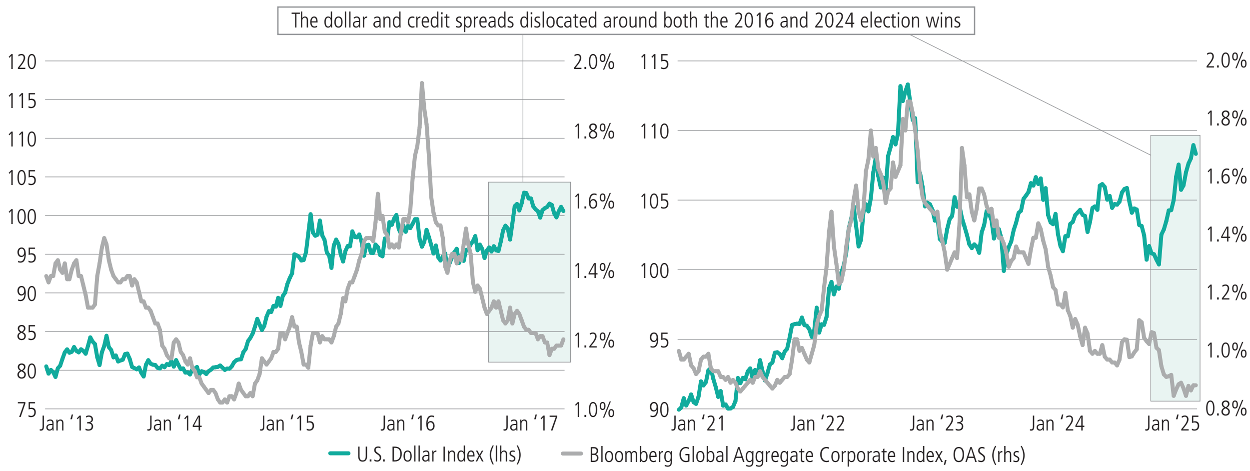
The balance is delicate, however, and the risks are piled up on both sides. Further weakness in Europe or China, perhaps exacerbated by political risks in France or Germany, could threaten the growth outlook, as could an overly hawkish Fed or continued strength in the dollar. On the other side, the tax, trade and spending program of the new U.S. administration could impact prices more than the market anticipates.

> "It will be hard to have an outlook that isn't fluidly changing this year. The dispersion of potential outcomes is unusually wide, and markets could rapidly reprice for one or other of those outcomes in response to single economic data points or important events."

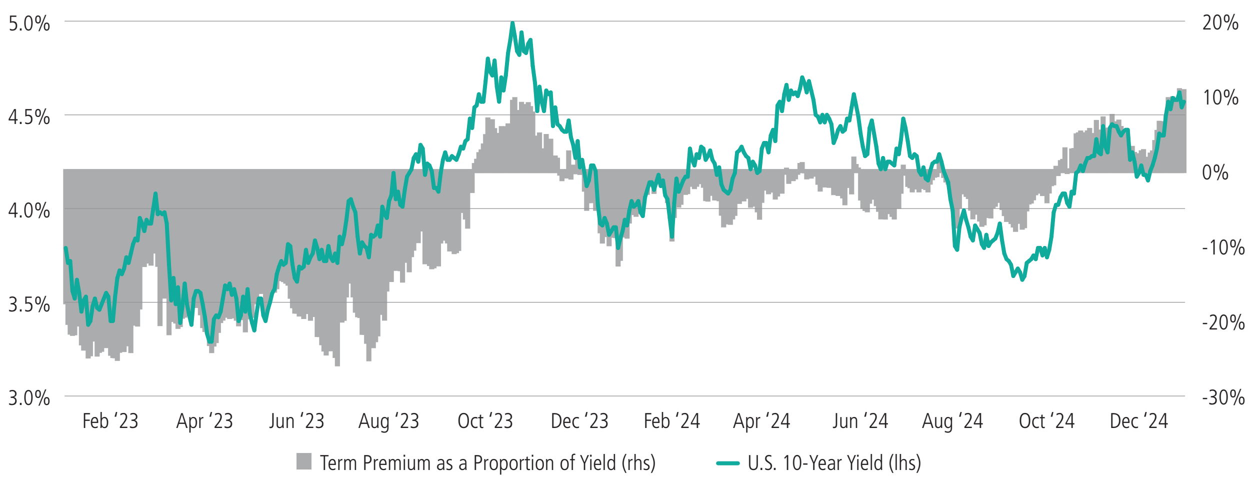
Robert Surgent, Senior Portfolio Manager—Multi-Asset

MIXED SIGNALS?

The dollar rally is a vote in favor of the U.S. rather than a flight to safety…



… but the 2024 "Trump trade" also saw a rising term premium, suggesting debt-sustainability concerns



Source: FactSet (top); Federal Reserve Bank of New York, FactSet, Neuberger Berman (bottom). Data as of January 6, 2025. The U.S. 10-year term premium is estimated using the model developed by Tobias Adrian, Richard K. Crump, and Emanuel Moench. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

Equities: Broadening Performance May Not Extend Outside the U.S.

After above-trend U.S. growth, the second macro theme in our *Solving for 2025* outlook is broadening participation in positive real wage growth among lower-income consumers and positive real revenue growth among small businesses. That sets the stage for our key equity market theme for the year, which calls for a broadening of performance beyond U.S. mega-cap technology stocks.

While we expect mega-cap technology earnings growth to decelerate as these companies ramp up capital expenditure, we see deregulation, business-friendly policies, moderating inflation, lower policy rates, lower taxes and more assertive industrial policy as tailwinds for value and small-cap stocks, and sectors such as financials and industrials. These could sustain a long-awaited catch-up, given significant valuation discounts that have been building for many years. That said, we think a focus on quality and earnings resilience remains important, as we doubt there will be an all-out dash for cyclicality: investing in the broadening-performance thesis needs to keep security selection in mind, rather than simply owning the Russell 2000 Index, or the Value Index, or even the "S&P 493," in our view.

Other developing tailwinds could help the broadening-performance theme extend to non-U.S. equities: valuations are attractive; the new U.S. administration's energy policies could result in lower-cost gas for Europe; global loan growth and inventory restocking is underway, which would support manufacturing; talk of a peace deal in Ukraine could lift sentiment, as could the prospect of a "grand bargain" on trade (see "Up for Debate: A 'Mar-a-Lago Accord?'").

Ultimately, however, we think we need an improving growth outlook in Europe and China. Much depends on tone set by the coming political realignments in France and Germany, which is why the AAC has retained its at-target view on equity markets outside of U.S. rather than adopting an underweight view. As with so much in the year ahead, the risks are piled up on both sides of the balance, the dispersion of potential outcomes wide—and the triggers are often political.

Fixed Income: Volatility Could Provide Favorable Entry Points

Our *Solving for 2025* theme for fixed income sees a shift of focus from inflation and monetary policy toward growth and fiscal policy. The U.S. yield curve appears to have made the necessary adjustment for structurally higher inflation during 2024. At current levels, even a year-long pause by the Fed would not be a market-moving surprise. We think that means the two-year yield is effectively capped at around 4.5% for the foreseeable future.

By contrast, we expect a migration of bond market volatility from the short end of the curve to the intermediate and long parts. As we noted above, a hawkish Fed is likely to be interpreted as a threat to growth rather than a sign of rising inflationary pressures, which would be positive dynamic for long-dated bonds. On the other hand, rising debt-sustainability concerns could cause further spikes in long-dated term premia. We think fair value for the 10-year is 4.5%. However, as investors grapple with these potentially conflicting signals, dispersion around that baseline could be wide, on both sides, at different points through the year.

In credit markets, spreads are tight, but corporate balance sheet fundamentals remain strong, especially among investment grade names that borrowed freely when rates were near zero. We have seen spreads tighten among high yield issuers dealing with deterioration in their revenue growth, but it is the high valuations rather than the fundamentals that cause us to adopt an underweight view there.

In this tight credit environment, we think investors should stay close to target in their credit allocations, reflecting the ongoing technical demand for yield, while favoring higher-quality issuers and generally remaining underweight in spread duration. Some less-liquid credit markets, where spreads are not so tight, could also be an option. On emerging markets debt, we took a more favorable view last quarter after a decline in the dollar, but are more circumspect in the light of recent dollar momentum.

Overall, while volatility in long-dated yields could be elevated, we think it is likely to be short-lived, providing favorable entry points in both rates and higher-quality credit. This is reflected in the AAC's more favorable views on European government bonds and global investment grade, in contrast to a downgrade from at-target to underweight in our view on high yield.

Alternatives: Back to Business

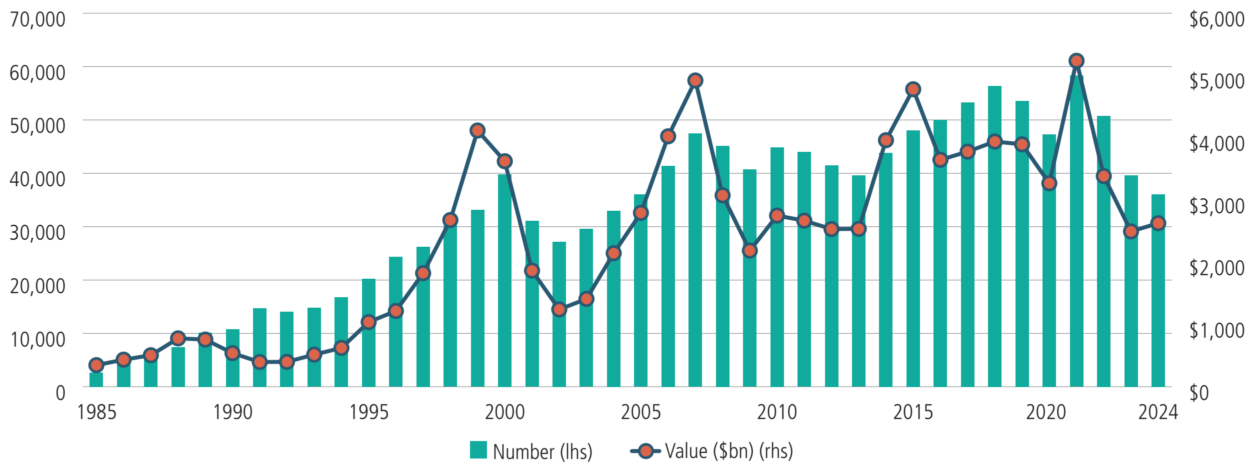
For a decade after the Global Financial Crisis, low rates and low financial market volatility fuelled robust activity in mergers and acquisitions (M&A). The pandemic lockdowns complicated dealmaking, but the lifting of travel restrictions and the near-zero rates of 2021 caused what would turn out to be a final spike in the cycle. Since then, the number of M&A deals has retreated to a 20-year low. The return to higher rates and higher market volatility explains a lot of the decline, but a more hostile antitrust turn by governments and regulators has also suppressed activity.

The situation began to turn around in the fourth quarter of 2024 as numerous factors began to align: resilient growth in the U.S. economy and private companies' sales and earnings; buoyant public equity market valuations; a more stable inflation and central bank outlook; the return of banks to the leveraged lending market; declining policy rates and tight credit spreads; and, perhaps most importantly, an expected change in regulatory stance in the U.S.

We think M&A could rebound by 20% in 2025, facilitating a 15% increase in distributions from private equity funds. That should also bolster the performance of existing private equity investments, but the huge backlog of mature investments will continue to make it challenging to raise new primary funds. In our view that means providing liquidity and capital via private equity secondaries and co-investments will remain attractive.

M&A DEALS FELL TO A 20-YEAR LOW IN 2024

Number and value of worldwide merger and acquisition transactions, 1985 to 2024



Source: Institute for Mergers, Acquisitions and Alliances (IMAA). Data as of January 6, 2025. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

We also expect this to brighten the outlook for private credit, as growing demand for financing offsets rising allocations to the asset class, helping to keep spreads relatively attractive (see "Up for Debate: Why Is the AAC More Positive on Private Credit than High Yield Bonds?"). That said, we think quality will become even more important as deal activity accelerates.

Elsewhere, the AAC retains its overweight view on real estate, both private and listed, as that market continues to bottom out. We remain at-target in our view on commodities, balancing a weaker fundamental outlook against the diversification benefits of the asset class, particularly during geopolitical or inflation flare-ups. We retain our underweight view on hedged strategies, overall, due to the relative attractiveness of other opportunities. That said, tactical trading strategies and strategies with embedded optionality could benefit from the wide dispersion of the potential outcomes ahead and the choppiness of market reactions. Event-driven strategies should benefit from the rise in M&A activity.

More Positive, But With Risks Ahead

Over the long-term horizon, the AAC is becoming more positive. This optimism is about more than the prospect of a return to a pro-growth, deregulation agenda in U.S. policy. It also recognizes that the recent inflationary episode, though painful, appears to have taken us back to an environment in which capital comes at an appropriate cost. That should improve capital allocation rigor through the economy and, ultimately, revive productivity growth.

There are risks ahead: government debt is on an unsustainable path in many places, not least the U.S.; the transition to structurally higher inflation and rates has already proven challenging for businesses and investors, and that will likely continue through 2025; the geopolitical and political situation is fraught. That is why the AAC retains some caution in its asset allocation views on the 12- to 18-month horizon. But the recovery from the shock of the pandemic has been strong and the future looks increasingly bright.

UP FOR DEBATE: A "MAR-A-LAGO ACCORD"?

This September will mark the 40th anniversary of the Plaza Accord, when the finance ministers of the U.S., the U.K., France, West Germany and Japan gathered in the Plaza Hotel in New York to agree on coordinated currency-market interventions to arrest the appreciation of the U.S. dollar.

Many AAC members noted echoes of the pre-Plaza Accord years in the current environment of tremendous U.S. dollar strength. They postulated that this might catalyze a similar international grand bargain—perhaps a "Mar-a-Lago Accord"—to address some of today's imbalances.

In the early 1980s, aggressive rate hikes to combat inflation were paired with the expansionary fiscal policy of President Ronald Reagan's first term. We have seen the same policy mix over the past two years, and the same result: a rising U.S. dollar.

Back in the early '80s, economies outside of the U.S. benefitted from stronger exports, but suffered from capital outflows and weak domestic consumption—again, much like they do today. France, in particular, urged intervention, but the U.S. was initially reluctant, partly because it regarded dollar strength as a legitimate reflection of U.S. economic outperformance, and partly because it helped to reduce U.S. inflation.

As inflation subsided and the U.S. current account deficit climbed, however, the voice of struggling U.S. exporters got more attention in Washington. The clamor for protectionism rose in Congress, and the President addressed the growing threat by ordering the Plaza Accord negotiations.

Some AAC members argued that the trigger for a grand bargain could be the mirror image of 1985. The President-elect does not appear to have a problem with protectionism, but it is likely that both he and his pick for Treasury Secretary would prefer to avoid a damagingly strong dollar and rising bond yields. It is possible that a Mar-a-Lago Accord could combine multilateral negotiations over tariffs and trade with, if necessary, coordinated currency market interventions.

At least one AAC member put the probability of a grand bargain early in the new U.S. administration at 50/50. Others were less convinced, pointing out that it would always be difficult to pinpoint when dollar strength had become intolerable for all parties.

Indeed, while we accept that momentum is strong, our fundamental view on the dollar is that it is overvalued and due for a natural correction. It is widely accepted that the actions enabled by the Plaza Accord had less of an effect than the message it implied, which is why the dollar peaked some months before the agreement, as anticipation built. The mere rumor of a similar negotiation today could be enough to take some steam out of the dollar, recalibrate expectations for U.S. tariff hikes, and substantially improve the outlook for non-U.S. economies and markets.

All agreed that the possibility of a Mar-a-Lago Accord is yet another reason why the dispersion of potential economic and market outcomes is so wide in 2025.

UP FOR DEBATE: WHY DOES THE AAC PREFER PRIVATE CREDIT OVER HIGH YIELD BONDS?

Given the considerable overlap in their risk profiles, the AAC's decision to maintain its overweight view on private credit while moving to an underweight view on high yield bonds raised questions and sparked debate.

One justification is simple relative value. Unlevered U.S. private credit offers yields that are 100 basis points or more above U.S. high yield bonds, on average, usually with a more senior position in the capital structure.

Other justifications draw on the distinction between a public asset class (where allocations are as much about buying existing bonds in the secondary market as they are about lending new money) and a private asset class (which is almost entirely about new commitments to fresh transactions).

For example, a deterioration in earnings among some issuers of existing high yield bonds at current, tight spreads in the secondary market gives us pause. For some AAC members, the equivalent concern in private credit is the recent rise in the use of payment-in-kind (PIK) options, where borrowers opt to add to the value of the principal of their loan rather than repay cash interest. But our Private Credit team points out that this trend is characteristic of the more aggressive, post-pandemic tech-sector deals done in 2020 and 2021. They note that transactions done during the period of elevated rates have been of higher quality, and they expect that quality bias to continue through 2025, when new commitments are being invested.

Similarly, any spread-widening driven by technical shifts in supply and demand tomorrow would affect the valuations of high yield bonds bought yesterday or today. By contrast, a commitment to private credit today would be put to work into new loans at the same time as spreads widen, thereby benefitting from more attractive valuations. Private credit spreads have been tightening under technical pressure over recent quarters, but we believe a resurgence in M&A activity in 2025 will generate substantial demand for financing, offsetting investor inflows into the asset class and helping to push rates higher.

EQUITIES

U.S. EQUITIES Current view: At Target | Move from last quarter ◀▶

We anticipate further broadening of equity-market performance now that rate cutting is underway, but larger companies are both fully valued and less sensitive to rate changes, which leads us to continue to favor higher quality small and medium-sized companies.

NON-U.S. DEVELOPED MARKET EQUITIES Current view: At Target | Move from last quarter ◀▶

Renewed stimulus from China has improved the outlook for non-U.S. markets, but we still think its structural challenges will continue to weigh on the global economy—as will the strengthening U.S. dollar.

We remain at target in our view on Europe.

While we remain constructive on Japan on a secular horizon, given continuing evolution of corporate governance, we retain an at-target view as yen strengthening remains a headwind.

EMERGING MARKETS EQUITIES Current view: At Target | Move from last quarter ◀▶

Renewed stimulus from China has improved the outlook for emerging markets, but we still think its structural challenges will continue to weigh on the global economy, as will the strengthening U.S. dollar.
We retain a positive view on India while noting high valuations.

FIXED INCOME

INVESTMENT GRADE FIXED INCOME Current view: Overweight | Move from last quarter ▲

Yields in general are close to fair value, and shorter-dated bond prices, in particular, now appear to present little downside risk, in our view.

We also regard longer-dated yields as close to fair value, but subject to volatile range-trading due to uncertainties around both the growth outlook and government debt sustainability.

Corporate spreads are now quite tight, and we see the most attractive opportunities in mortgages and securitized credit.

NON-U.S. DEVELOPED MARKET BONDS Current view: At Target | Move from last quarter ◀▶

The last quarter has seen more attractive yields in the U.K and Germany, where the AAC has moved to an overweight view.

This is balanced by an underweight view on Japanese government bonds, where there is an ongoing commitment to higher rates.

HIGH YIELD CORPORATES Current view: Underweight | Move from last quarter ▼

Our outlook for credit stress remains mild and idiosyncratic rather than systemic, and we see a case for shorter-duration, high-quality exposure.

That said, we think investors buying yield have kept spreads tighter, in many cases, than fundamentals warrant.

EMERGING MARKETS DEBT Current view: At Target | Move from last quarter ▼

Valuations remain relatively high, and strong dollar momentum poses renewed downside risk.

REAL AND ALTERNATIVE ASSETS

COMMODITIES Current view: At Target | Move from last quarter ◀▶

Commodities remain a useful hedge against inflation spikes, upside growth surprises, seasonal effects and geopolitical shocks, but slowing global demand prevents us from adopting an overweight view.

HEDGED STRATEGIES Current view: Underweight | Move from last quarter ◀▶

We currently prefer broad market exposures rather than hedged strategies, but tactical trading strategies and strategies with embedded optionality could benefit from the wide dispersion of the potential outcomes ahead, and event-driven strategies should benefit from the rise in M&A activity.

PRIVATE EQUITY Current view: Overweight | Move from last quarter ◀▶

Secondaries and co-investments are attractive as both Limited Partners and General Partners seek liquidity options to complete deals and increase distributions.

Primary buyouts are beginning to look more attractive as policy rates peak and deal activity looks set to pick up.

PRIVATE DEBT Current view: Overweight | Move from last quarter ◀▶

While signs of a reopening in the syndicated loan market point to a potential rise in competition for deals over the coming quarters, yields remain attractive, and we see ample deal flow.

REAL ESTATE Current view: Overweight | Move from last quarter ◀▶

We remain cautious on core real estate, but the start of the rate-cutting cycle has created a tailwind for an ongoing recovery in the asset class. Despite recent strong performance, there is still value opportunity for liquidity providers in public REITs and private real estate secondaries.

More structurally, we believe post-pandemic growth dynamics will continue to support key sectors such as data centers, warehouses, industrial and multifamily residential.

CURRENCIES

USD Current view: At Target | Move from last quarter ◀▶

While it appears fully valued and the market is now very long-biased, especially after the appreciation in December, the USD retains the support of a relatively high yield the yield, geopolitical tensions and the U.S. growth advantages, the last of which is generally considered to have been amplified by the U.S. election result.

EUR Current view: At Target | Move from last quarter ◀▶

The eurozone's balance of payments provides support, but weak economic activity, adverse interest rate differentials, a dovish central bank and the prospect of U.S. tariffs are likely to overshadow this.

JPY Current view: At Target | Move from last quarter ▼

Despite narrowing over last summer, the yen still suffers from a significant yield disadvantage versus all other major currencies, and depreciation past key levels and trend lines is encouraging model-driven trading programs to build short yen positions.

GBP Current view: Underweight | Move from last quarter ◀▶

Economic data has been weak, the U.K. budget is unlikely to support growth in the short term and the change to fiscal rules may be a concern for lenders.

CHF Current view: At Target | Move from last quarter ◀▶

The CHF continues to be overvalued on PPP-based fair value measures, but increasing political uncertainty in Europe combined with geopolitical uncertainty in Ukraine and the Middle East can still trigger sharp appreciations in safe-haven currencies.

Index Definitions

The **U.S. Dollar Index** measures the value of the U.S. dollar against a weighted geometric mean of the currencies of six of its most important trading partners: the euro, the yen, the pound sterling, the Canadian dollar, the Swedish krona and the Swiss franc.

The **Bloomberg Global Aggregate Corporate Index** measures the performance of corporate bonds from the Bloomberg Global Aggregate Bond Index, a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded worldwide.

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New York
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Shanghai
+86 21 5203 7700

Tokyo
+81 3 5218 1930

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Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

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