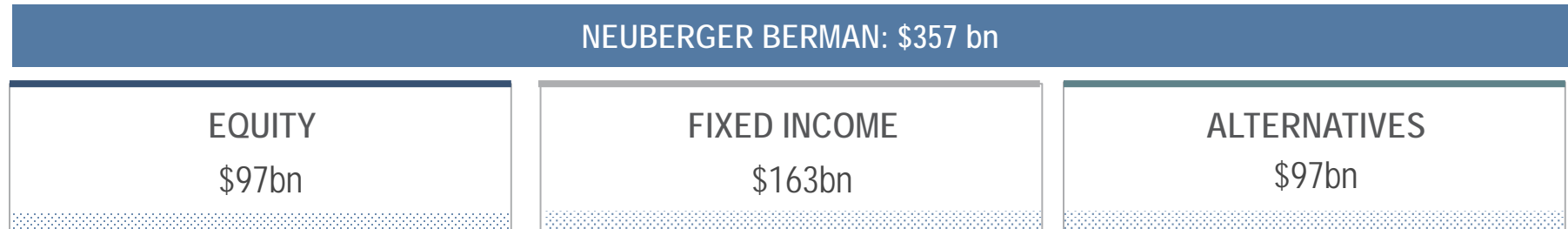


# NB Investment Playbook 2.0

Recovery Scenarios and Investment Opportunities - EMEA

# Neuberger Berman Overview



As of June 30, 2020.

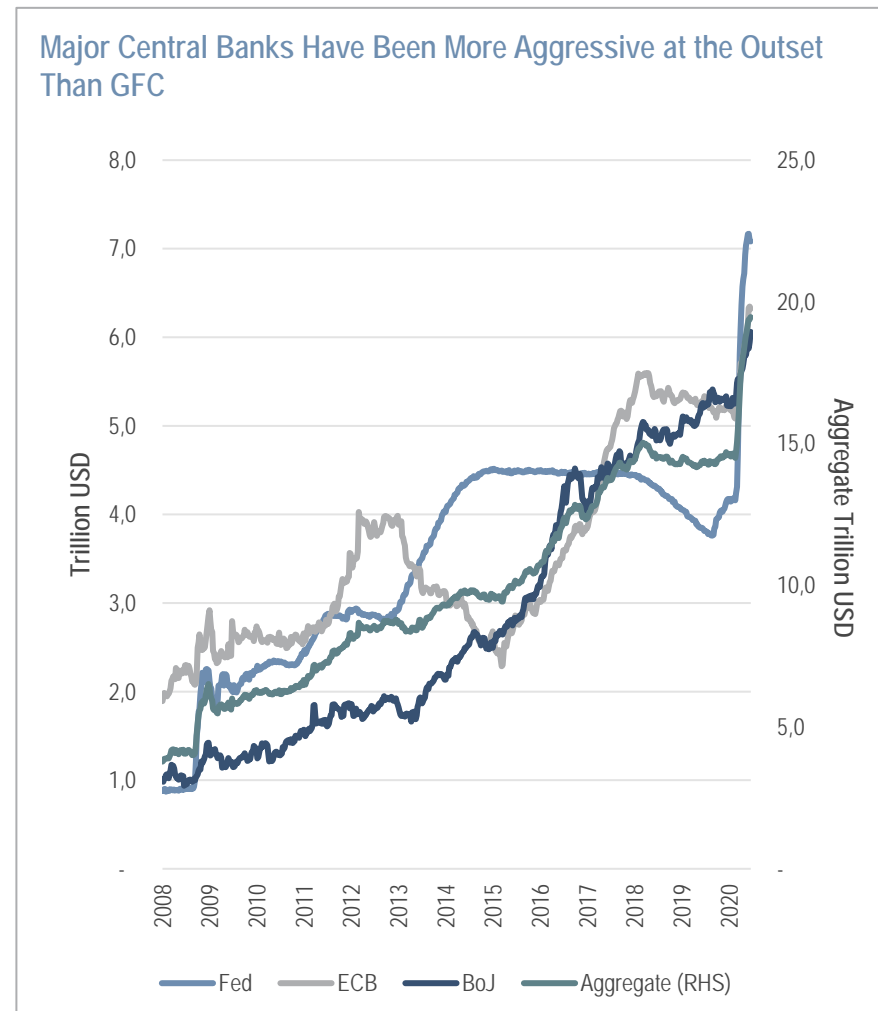
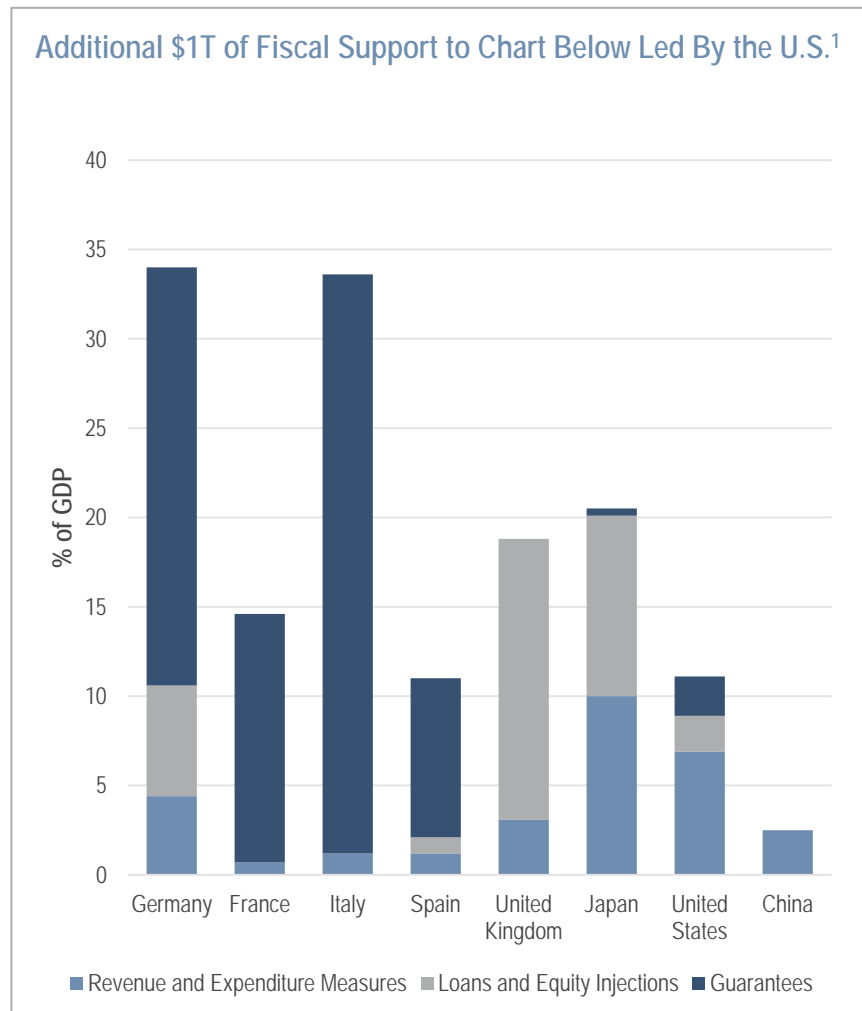
1. Average retention level for senior investment professionals (i.e., managing directors, senior vice presidents and Principals) (including retirements) 2015 – 2019.

2. Among organizations with over 1,000 employees by Pensions & Investments. For additional information on the criteria for the award, please visit <https://www.pionline.com/specialreports/best-places-to-work/20181210>

3. Awarded by UN-supported Principles for Responsible Investment. Please refer to the Performance Information Footnotes for more information on the PRI scores.

## Programs Have Been Unprecedented in Scope

Between acronyms such as PEPP, CARES, SMCCF, etc. the response on the fiscal and monetary side has been large

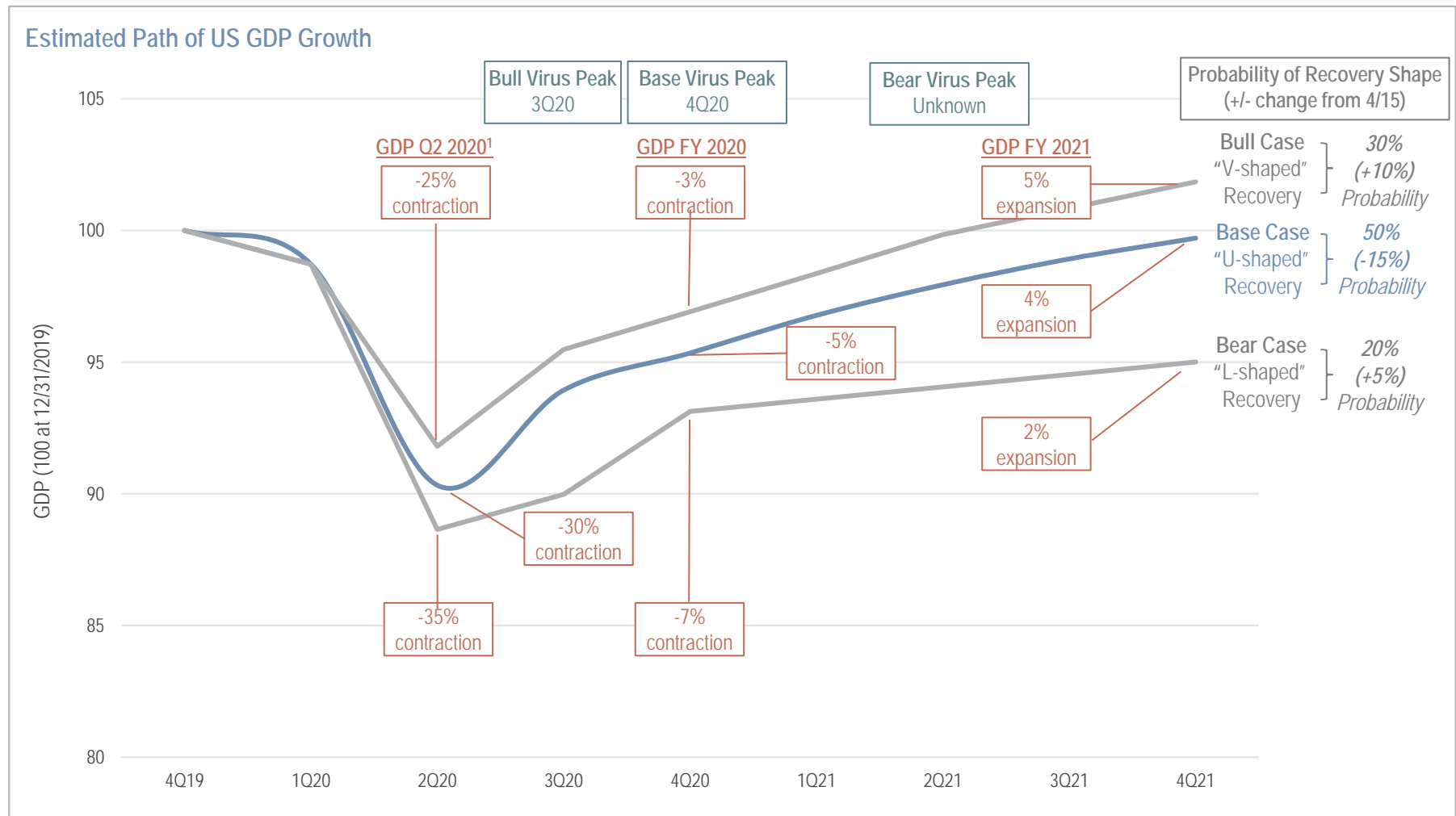


<sup>1</sup> <https://blogs.imf.org/2020/05/20/tracking-the-9-trillion-global-fiscal-support-to-fight-covid-19/>

Source: IMF As of 4/8/2020 Second Chart: Bloomberg, Neuberger Berman. ECB and BoJ Balance Sheet converted to USD by average start/end FX on a weekly basis. Tickers: FARBAST, EBBSTOTAL, BJAOTOTL. As of 6/24/2020

# Economic Scenarios: US

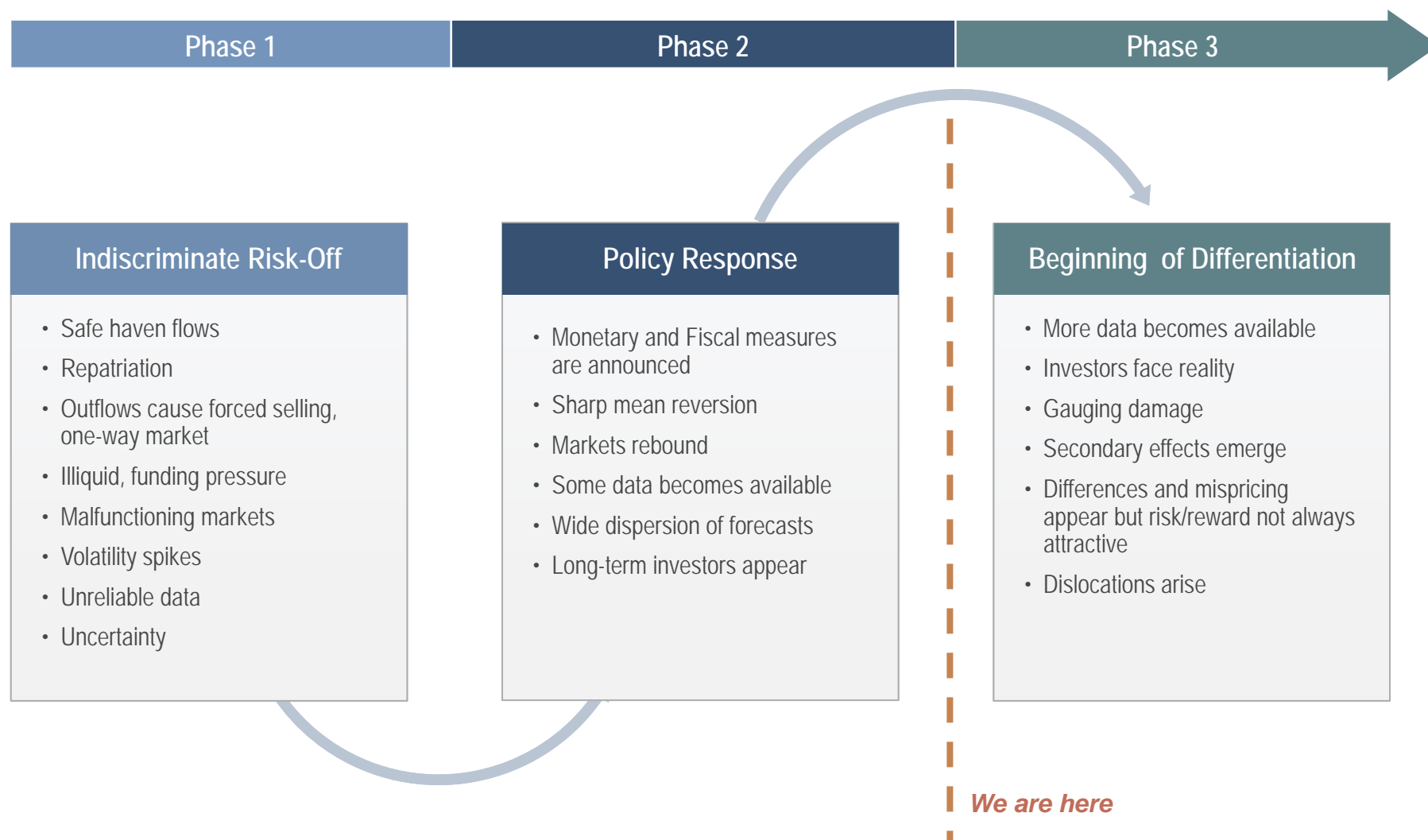
Our base continues to be a “U-shaped” Recovery, but we see increased potential for both bull and bear outcomes



1. GDP quarterly growth presented annualized. For illustrative and discussion purposes only. Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, is no indication of the duration and characteristics of any current or future market/economic cycles or behavior. 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.

# Where Are We in the Crisis?

A relative value assessment phase may be starting

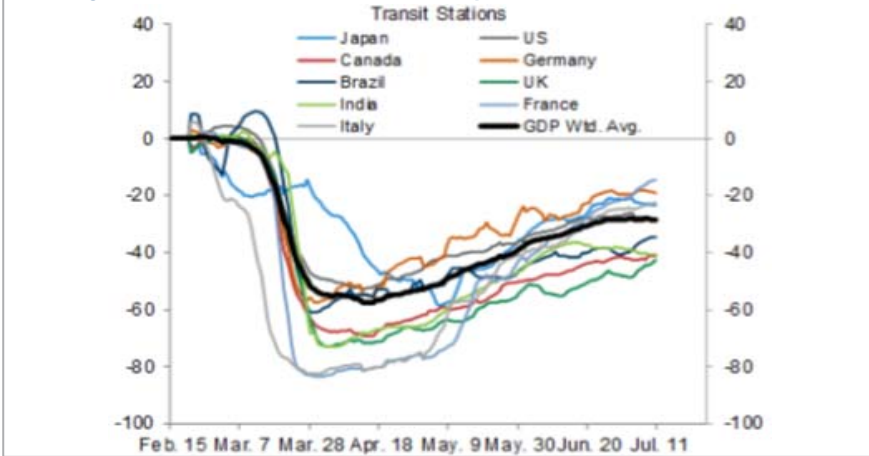


For illustrative and discussion purposes only. Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, is no indication of the duration and characteristics of any current or future market/economic cycles or behavior. 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.

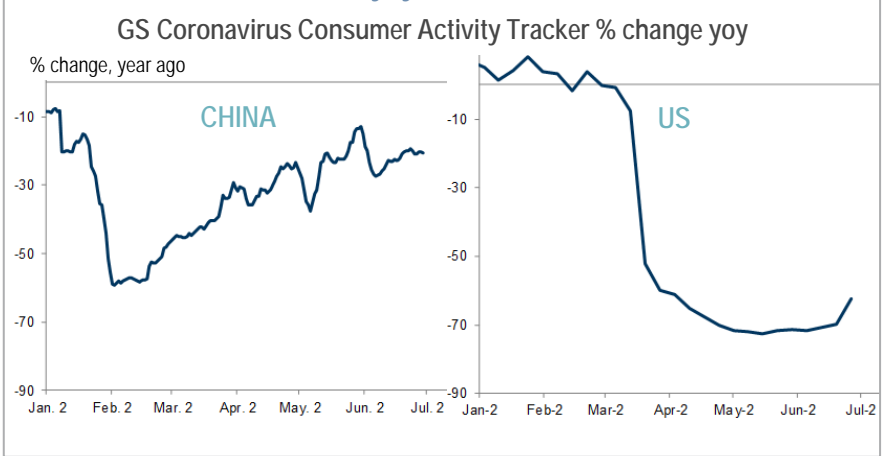
# Path of the Virus – Economic Reopening vs. Viral Resurgence

Conditions easing in Europe and Asia, while the growth of U.S. COVID-19 cases remains stubbornly persistent

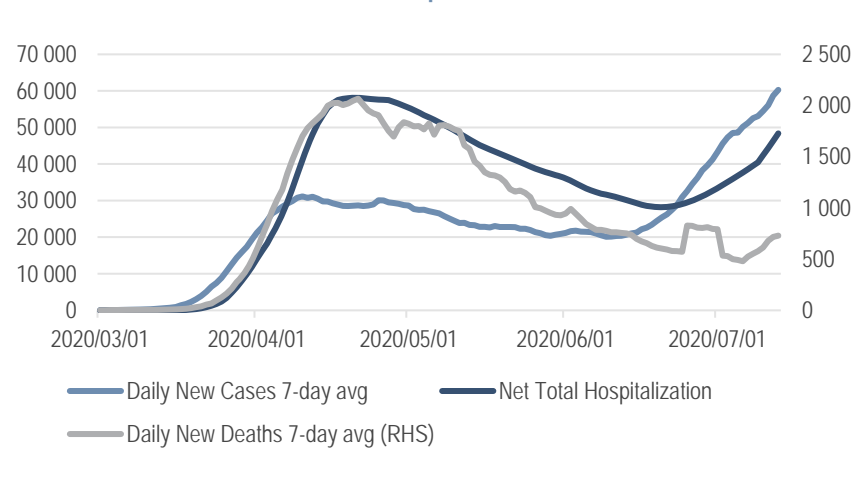
Google Mobility Trackers suggest that GDP-Weighted transit activity has rebounded to -29% from pre-crisis levels



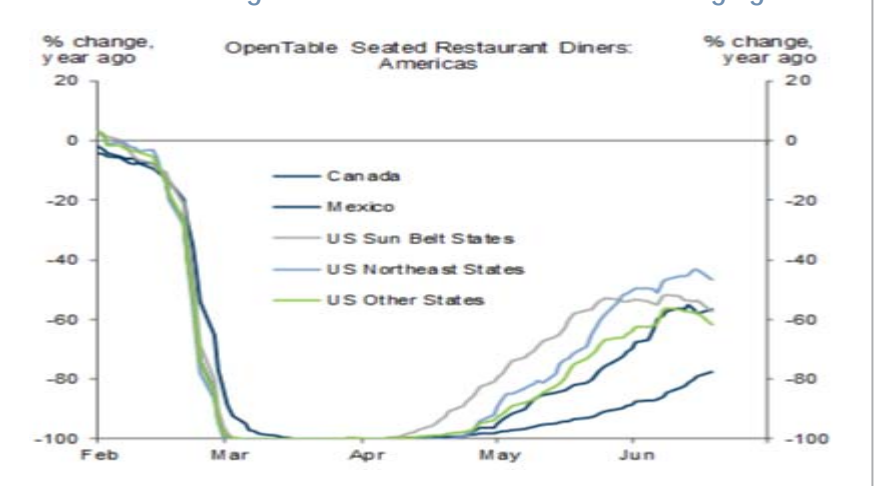
Consumer activity has steadied at -20% yoy in China and slightly recovered in the US to -62% yoy



US – new cases trend vs. net hospitalizations and deaths



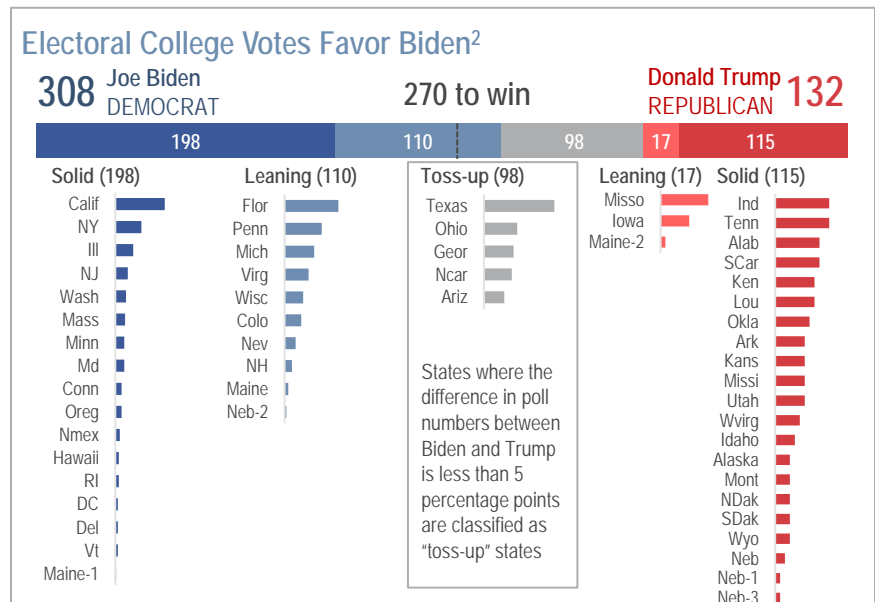
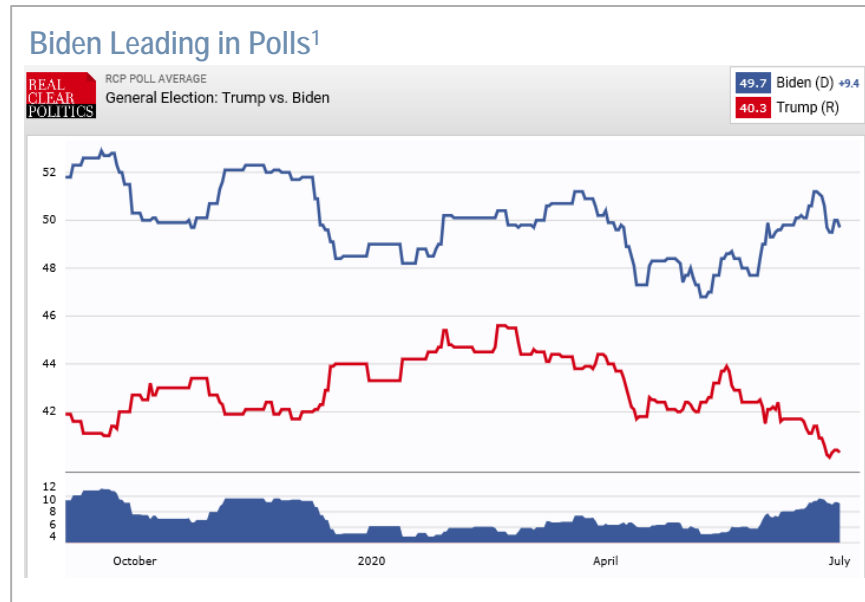
Restaurant bookings across North America are declining again



Source: Left charts: Goldman Sachs, as of July 16, 2020. Top right: Goldman Sachs, as of July 1, 2020. Bottom right: covidtracking.com, as of July 13, 2020.

# Focus on the US Election

Factors influencing the election include coronavirus, economic weakness, civil unrest and a deeply divided electorate

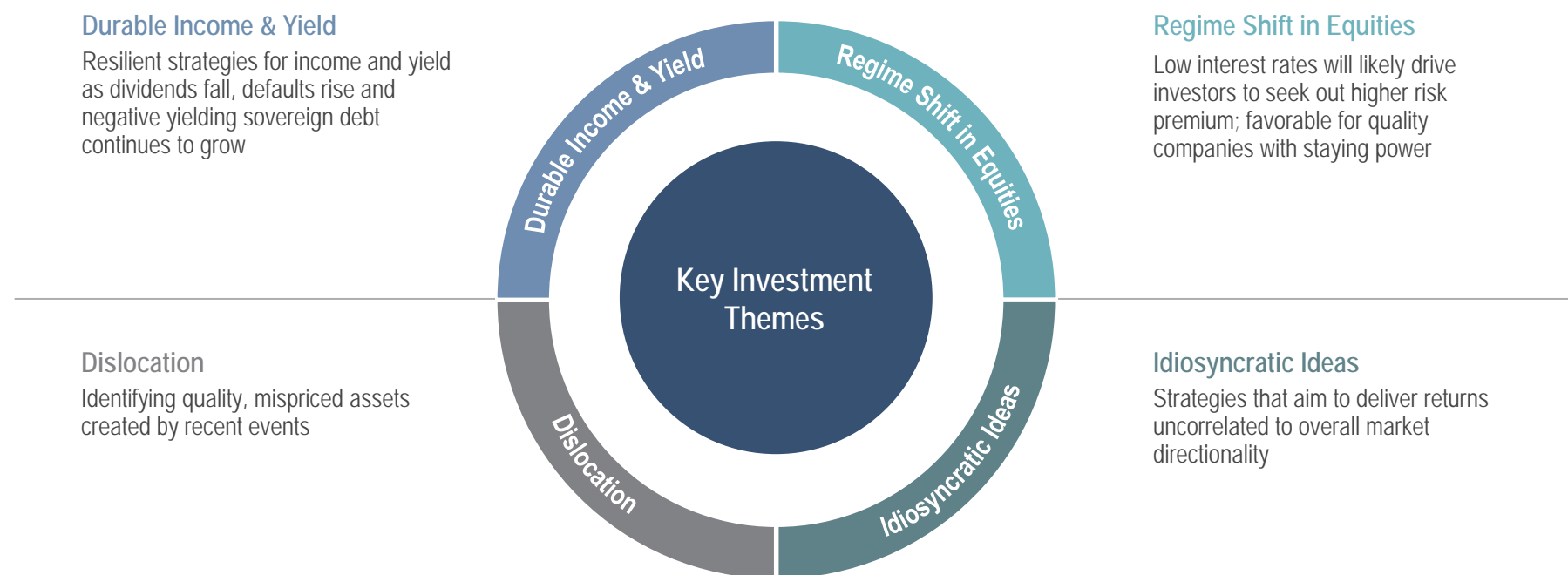


Election Outcome	Tax Policy	Fiscal Policy	Regulations	Market Implications
<b>Status Quo</b> Trump Senate: R House: D	<ul style="list-style-type: none"> <li>Minor near-term changes and compromised extensions</li> </ul>	<ul style="list-style-type: none"> <li>Reactive expansion</li> </ul>	<ul style="list-style-type: none"> <li>Jobs-related immigration restriction</li> <li>Continued disengagement from multilateral institutions</li> <li>Bipartisan prescription drug pricing bill</li> </ul>	<ul style="list-style-type: none"> <li>Energy positive</li> <li>Telecom positive</li> <li>Financials positive</li> </ul>
<b>Blue Wave</b> Biden Senate: D House: D	<ul style="list-style-type: none"> <li>SALT cap repeal</li> <li>Corporate tax rate increase</li> </ul>	<ul style="list-style-type: none"> <li>Proactive expansion through net spending</li> </ul>	<ul style="list-style-type: none"> <li>Prescription drug pricing bill</li> <li>Healthcare reform short of Medicare for All</li> <li>Push for tech regulation, net neutrality, environmental issues, financial regulation</li> <li>Re-engagement with multilateral institutions</li> <li>Immigration reform, Infrastructure project, Raise minimum wage</li> </ul>	<ul style="list-style-type: none"> <li>US Treasury negative</li> <li>Pharma negative</li> <li>IT/Telecom negative</li> <li>Financials negative</li> </ul>

1. Source: RealClearPolitics, as of July 21, 2020. [https://www.realclearpolitics.com/epolls/2020/president/us/general\\_election\\_trump\\_vs\\_biden-6247.html](https://www.realclearpolitics.com/epolls/2020/president/us/general_election_trump_vs_biden-6247.html) . 2. Source: Financial Times as of July 14, 2020. For illustrative purposes only. Bottom Chart Source: Neuberger Berman

# Key Investment Themes For Extraordinary Uncertainty and Continued Elevated Volatility

The effects from this unprecedented economic shock will impact risk assets for an extended period; important to be flexible in approach and seek opportunities to benefit from volatility

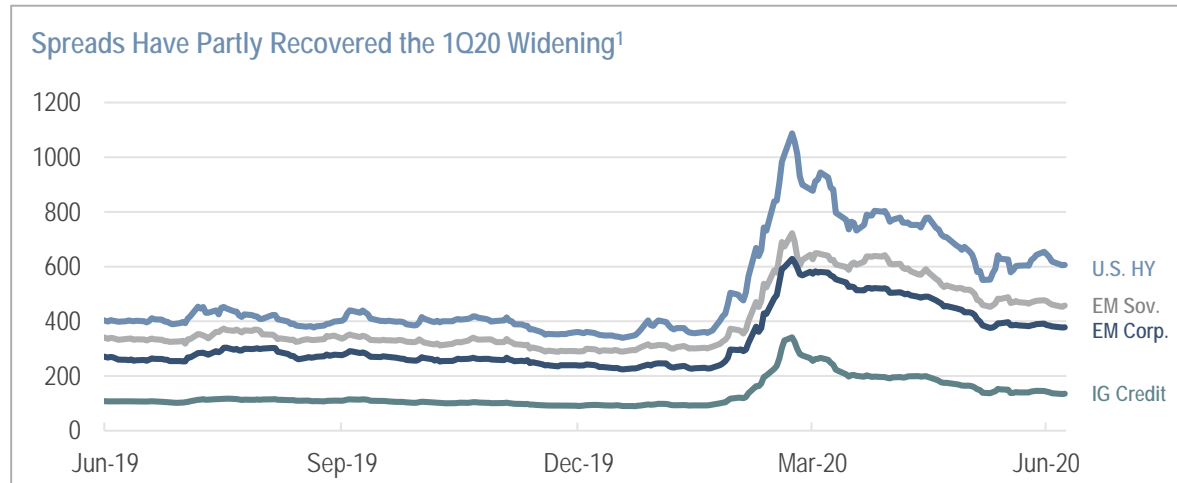


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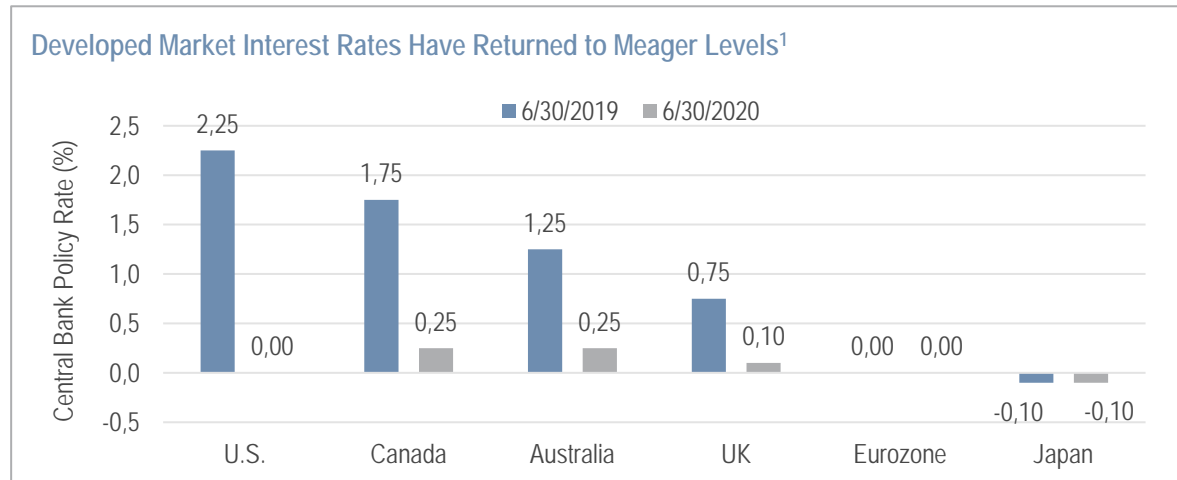


# Theme 1: Durable Income & Yield

The rapid recovery in risk premiums and ultra-low rates create a challenging setup: sector and issuer selection is critical



- Partial recovery post-credit shock driven by COVID-19 impact and drop in oil after OPEC failed to restrain production; spreads remain elevated
- Fed, ECB and BoE intervention effective in driving down bid-ask spreads in these markets
- While the beginning and bottom of the exogenous shock has been relatively quick (10-14 weeks), the ending is likely to be long-tailed

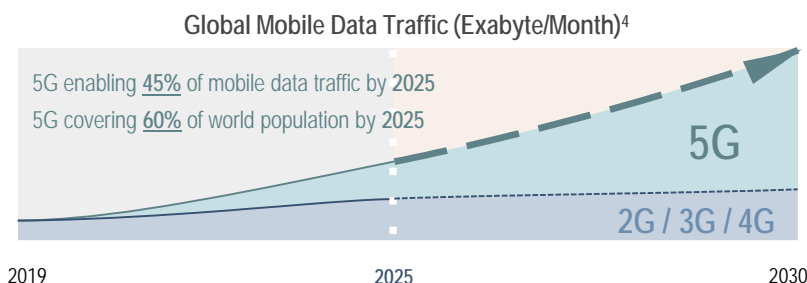
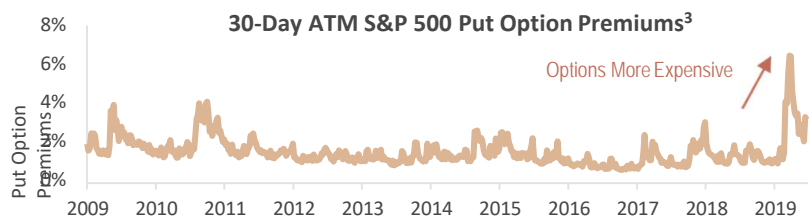
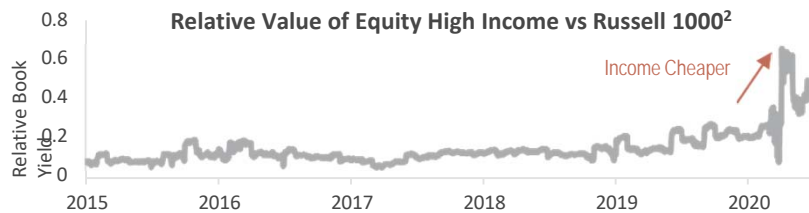
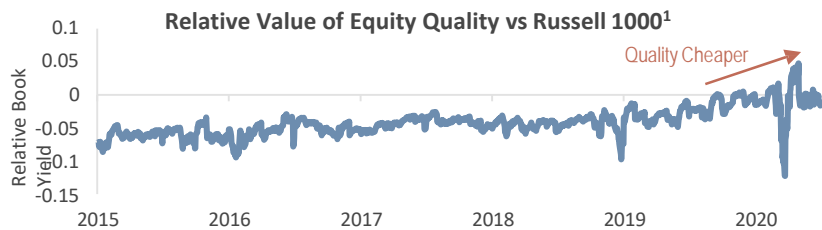


- Fiscal and monetary policy response from major central banks more aggressive at the outset than the GFC, with \$19T<sup>2</sup> in aggregate stimulus
- Actions geared towards reducing market risk, not idiosyncratic risk, and easing financial conditions to promote consumption and investment
- Active management critical to identifying opportunities, and minimizing potential for permanent capital loss as investors move out the risk curve

1. Source: Bloomberg, as of 7/10/2020. 2. Source: Bloomberg, Neuberger Berman. ECB and BoJ Balance Sheet converted to USD by average start/end FX on a weekly basis. Tickers: FARFAST, EBBSTOTAL, BJAOTOTL. As of 6/24/2020. Historical trends do not imply, forecast or guarantee future results. Information is as of the date indicated and subject to change without notice. Nothing herein constitutes a prediction or projection of future events or future market behavior. For illustrative and discussion purposes only. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. This material is not intended as a formal research report and should not be relied upon as a basis for making an investment decision. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed.

## Theme 2: Regime Shift in Equities: Strategies With Potential to Outperform

With lack of earnings visibility, focus on quality, income and monetizing volatility. Also consider structural thematic investing



### Quality

- Strongest performing factor in a “U-shaped” recovery
- Investors tend to reward robust company fundamentals during challenging economic environments with high uncertainty, particularly in large cap
- “V-shaped” recovery should see stabilization in more dislocated mid- and small cap companies

### Income

- Income equity factors have done well in “U-shaped and “V-shaped” recovery environments – favor companies that can maintain dividends
- Don’t forget to look to the value factor in a “V-shaped” recovery. We believe value remains exceedingly cheap historically and should provide excellent risk/reward profile as the economy recovers

### Volatility Monetization

- With the VIX at elevated levels (20-40%), cash secured index-based put writing offers a high level of premium compensation
- Current 1-month S&P 500 put writing offers high monthly premium
- Attractive return profile with upside participation and downside mitigation

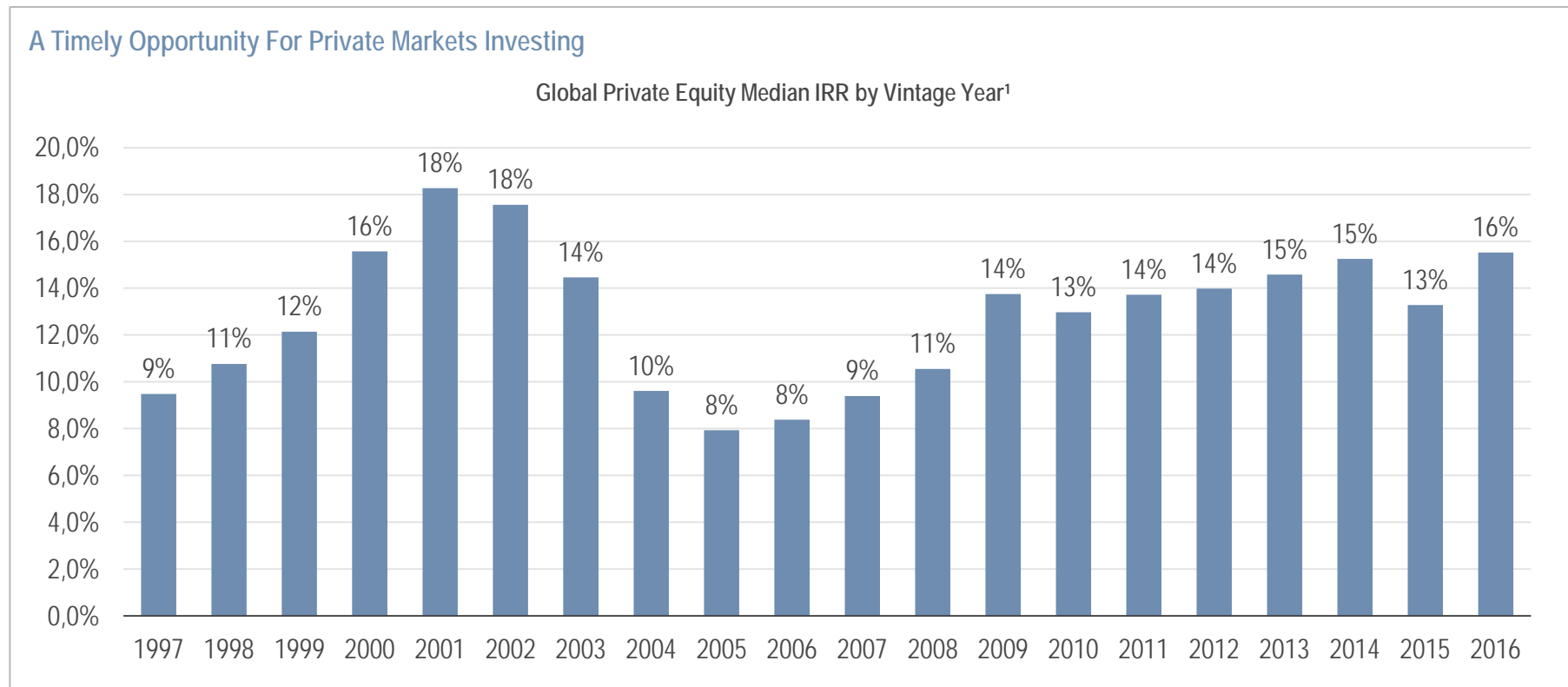
### Thematic: 5G Connectivity

- 5G deployment and proliferation are in early stages with nations and enterprises making strategic investments
- COVID-19 is accelerating structural shifts in remote work, education and telemedicine

As of 06/30/2020. 1. Source: Bloomberg. Weighted average book yield spread between quality portfolio and Russell 1000 Index. Quality portfolio defined as highest quintile ROA and lowest quintile Debt/EBITDA stocks within each sector equally weighted from Russell 1000 Index, rebalanced at end of each month. 2. Source: Bloomberg. Weighted average book yield spread between an income portfolio and Russell 1000 Index. Income portfolio defined as highest quintile dividend + buyback yield stocks within each sector equally weighted from Russell 1000 Index, rebalanced at end of each month. 3. Source: Bloomberg. 4. Source: Neuberger Berman, Ericsson, Qualcomm

## Theme 3: Dislocation Play Through Private Equity and Private Credit

Access to new capital via private markets will likely play a central role in supporting companies affected by the COVID crisis

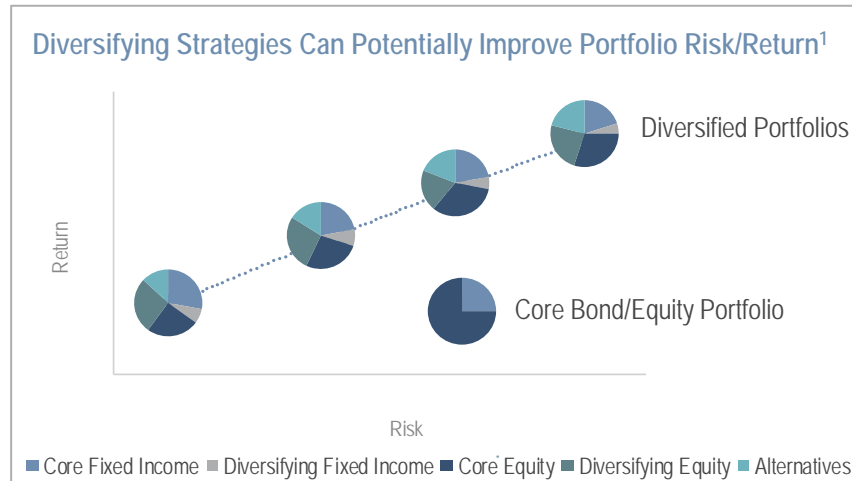


- Funds raised during downturns have historically been some of the strongest vintages, benefitting from depressed purchase valuations and a wealth of opportunities
- Private Equity and Private Credit can provide long term, flexible capital to help companies endure the current crisis and pursue long term value creation

<sup>1</sup>.Source: Cambridge Index Global PE Index IRR Statistics as of December 31, 2019, which is the most recent available. This data was provided to Neuberger Berman by Cambridge Associates at no charge. Past performance is not an indicator, guarantee or projection of future performance.

## Theme 4: Idiosyncratic Ideas

Opportunities for diversification. Strategies that aim to deliver returns uncorrelated to overall market directionality



### Seek Strategies That Have Unique and Asymmetric Payoffs

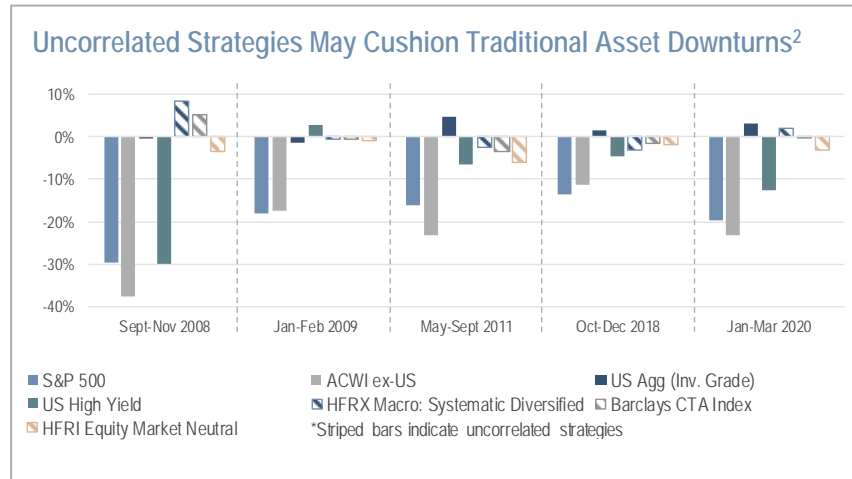
**Uncorrelated Strategies:** Strategies less reliant on traditional market betas and macroeconomic drivers

**Unconstrained Active Management:** Market neutral equity, global macro, short-term trading

**Long/Short Active Management:** Strategies that can exploit both sides of the market

**Volatility Monetization:** With volatility likely to remain high, turn a perceived negative into a potential positive

**Deep Contrarian:** Suitably sized positions in assets with high potential for asymmetric return

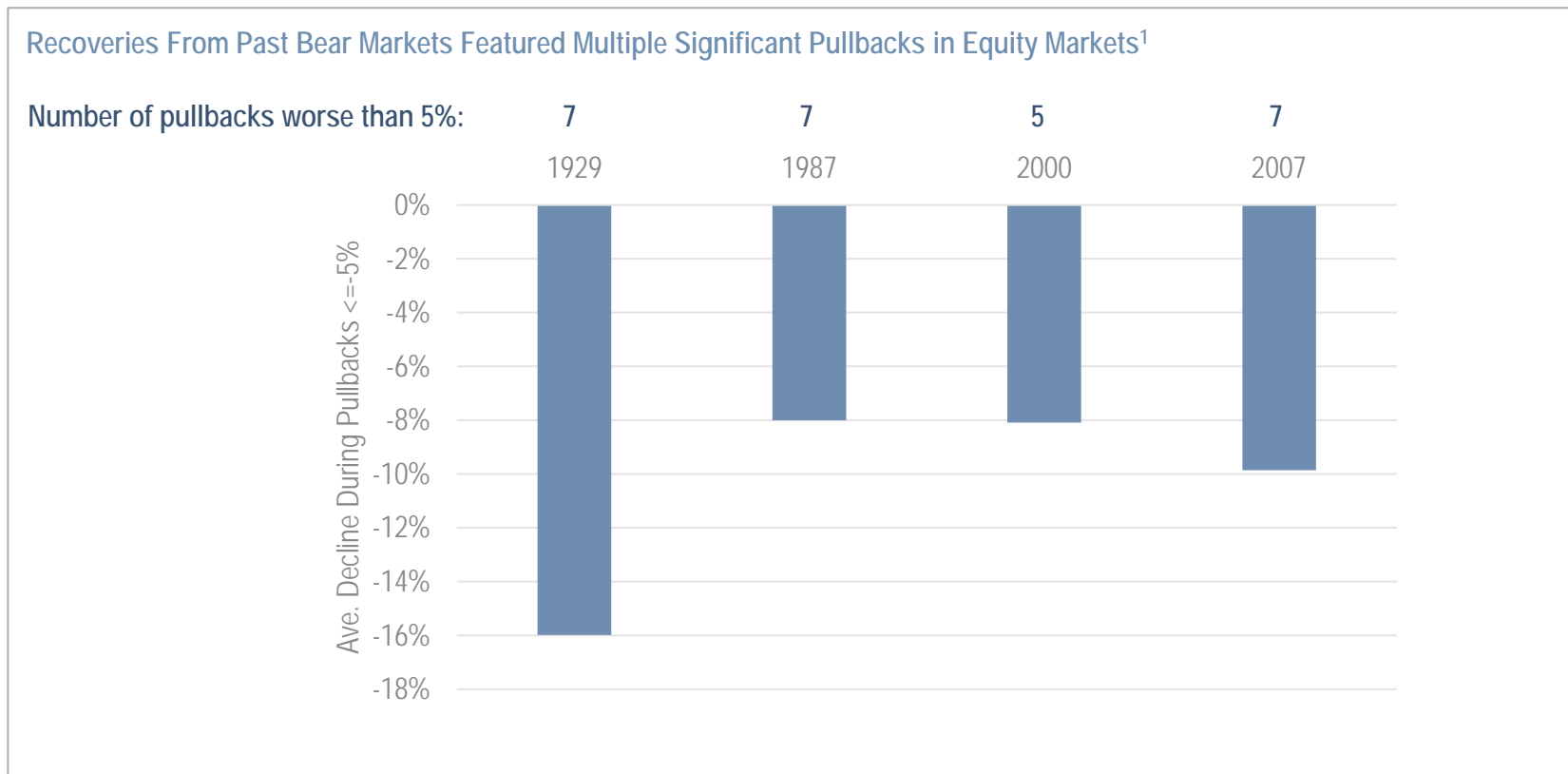


1. Source: Neuberger Berman, Hedge Fund Research, Bloomberg. The performance data for the indices is shown for illustrative purposes only. 2. Data is from June 2009 through February 29, 2020. S&P 500 Index, ICE BofA US High Yield Index, MSCI ACWI ex-US Index, HFRI Equity Market Neutral Index, HFRX Macro: Systematic Diversified CTA Index, Bloomberg Barclays US Aggregate Bond Index, The Barclay CTA Index.

## Expect Volatility To Continue

Long-term recoveries tend to have ups and downs roughly every three months

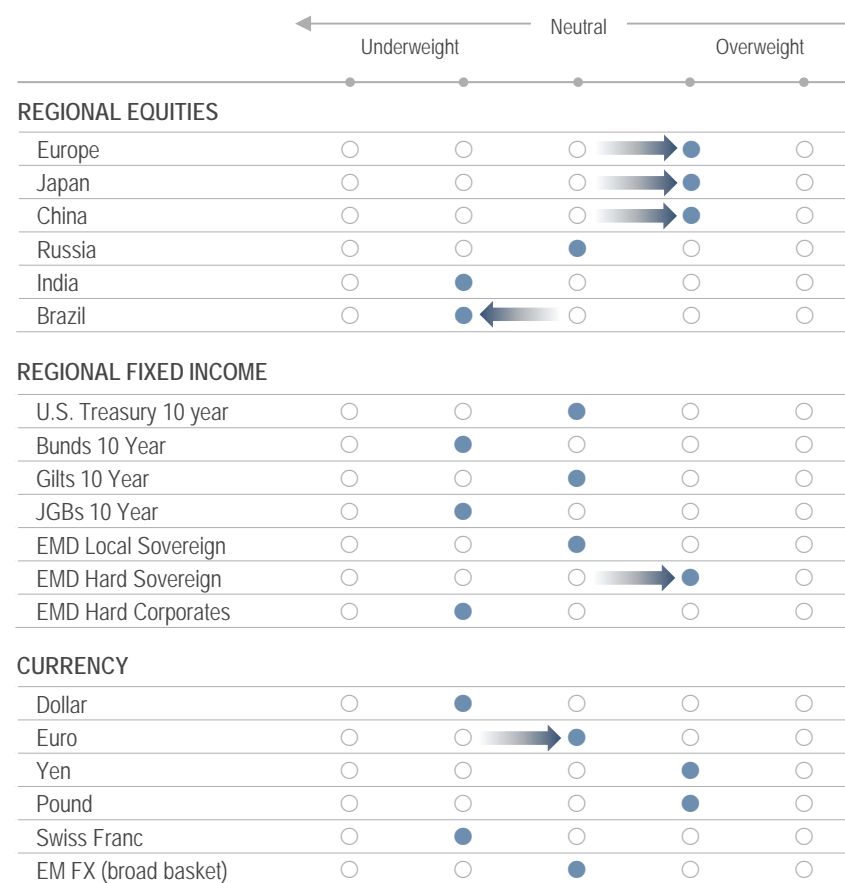
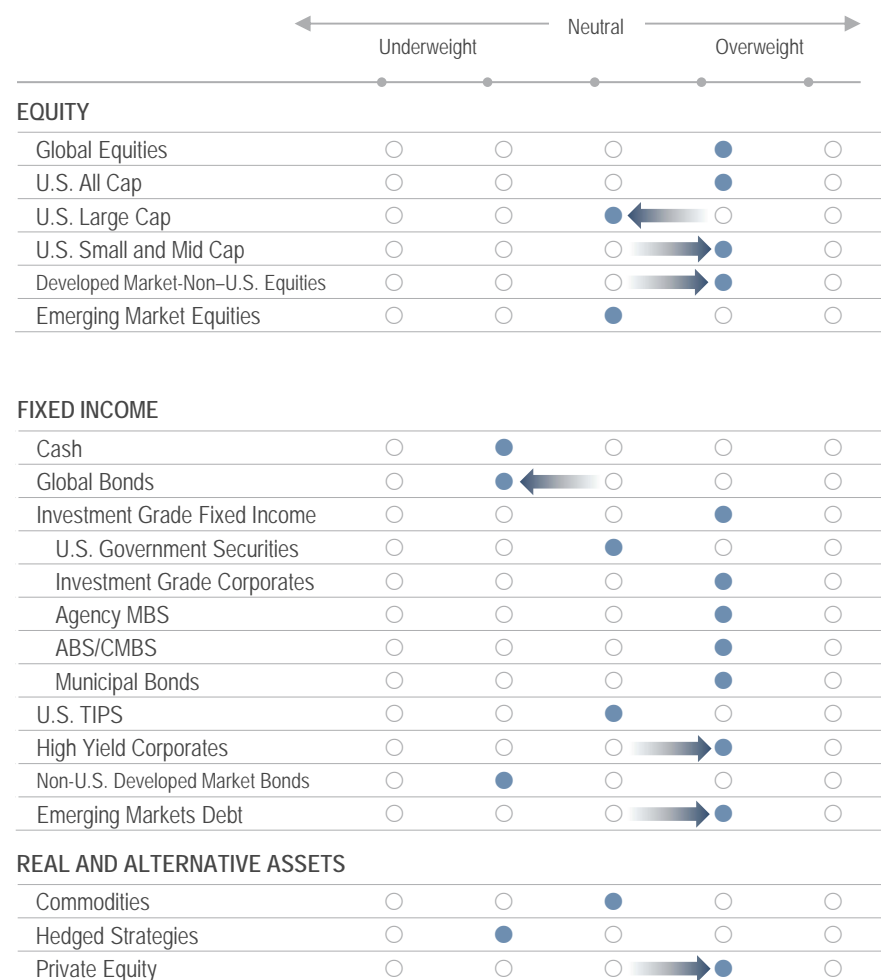
- This time, swings could be larger and more frequent, given the nature of uncertainties and concentration of market leadership in a few mega-cap stocks
- Benefit from volatility to implement portfolio moves gradually and opportunistically



1. Calculated using the S&P 500 index. Source: Bloomberg; as of 6/30/2020. Based on weekly price data. For each bear market recovery, maximum drawdowns calculated on a weekly basis (% decline from highest stock market level of the recovery to that date), and then the number of drawdowns worse than 5% is depicted on the chart. Past performance is not indicative of future results.

# Asset Allocation Committee: 12-Month Outlook as of 3Q 2020

A multidisciplinary committee is polled quarterly for its asset class return outlook and allocation views



As of 3Q 2020. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action.

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