NEUBERGER BERMAN

2017 Annual Report

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Neuberger Berman was founded in 1939 to do one thing: deliver compelling investment results for our clients over the long term.

This remains our singular purpose today, driven by a culture rooted in deep fundamental research, the pursuit of investment insight and continuous innovation on behalf of clients, and facilitated by the free exchange of ideas across the organization.

As a private, independent, employee-owned investment manager, Neuberger Berman is structurally aligned with the long-term interests of our clients. We have no external parent or public shareholders to serve, nor other lines of business to distract us from our core mission. And with our employees and their families invested alongside our clients—plus 100% of employee deferred cash compensation directly linked to team and firm strategies—we are truly in this together.

From offices in 31 cities worldwide, Neuberger Berman manages a range of equity, fixed income, private equity and hedge fund strategies on behalf of institutions, advisors and individual investors worldwide. With more than 500 investment professionals and over 1,900 employees in total, Neuberger Berman has built a diverse team of individuals united in their commitment to client outcomes and investment excellence. Our culture has afforded us enviable retention rates among our senior investment staff and has earned us citations in the top-ranked firms (among those with 1,000 or more employees) in the *Pensions & Investments* "Best Places to Work in Money Management" survey each year since 2013.

CLIENT ALIGNMENT

100% Deferred cash compensation directly linked to team and firm strategies

PARTNERSHIP AND INNOVATION

75+ Years spent collaborating with our clients to overcome their challenges

EXPERIENCE AND STABILITY

96% Annualized retention rate of senior investment professionals* since becoming an independent company in 2009

BREADTH OF PERSPECTIVE

500+ Investment professionals offering unique insights on securities, markets and strategies

* Managing Directors and Senior Vice Presidents

OUR INVESTMENT PLATFORM

	EQUITY	FIXED INCOME	ALTERNATIVES
AUM $295BN[1]	$104bn	$130bn	$69bn AUM and Committed Capital
INVESTMENT PROFESSIONALS	223	159	139
FUNDAMENTAL	Global/EAFE U.S. Value/Core/Growth Emerging Markets Regional EM, China Sustainable Equity Income Strategies: – MLP – REITs	Global Investment Grade Global Non-Investment Grade Emerging Markets, Regional EM, China Opportunistic/Unconstrained Municipals Specialty Strategies: – CLO Mezzanine – Currency – Corporate Hybrids	Private Equity: – Primaries – Co-Investments – Secondaries – Specialty Strategies – Minority Stakes in Alternative Firms/Dyal Hedge Funds: – Multi-Manager – Equity Long/Short – Credit Long/Short – Event Driven Alternative Credit: – Private Credit – Residential Loans – Special Situations
QUANTITATIVE	Global U.S. Emerging Markets Custom Beta		Risk Premia Options Global Macro Commodities

MULTI-ASSET CLASS SOLUTIONS AND STRATEGIC PARTNERSHIPS

FUNDAMENTAL		QUANTITATIVE	
	Global Relative and Absolute Return Income Focused Inflation Management Liability Aware		Risk Parity Global Tactical Asset Allocation

[1] As of December 31, 2017. Firm assets under management (AUM) includes $103.8 billion in Equity assets, $130.1 billion in Fixed Income assets and $61.3 billion in Alternatives assets under management. Alternatives AUM includes AUM & Committed Capital since inception, which reflects contractual commitments to fund investments advised by NB Alternatives Advisers LLC, including those still in documentation, since inception (the oldest mandate of which was founded in 1981) ("Committed Capital").

GEORGE H. WALKER
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

A Message from Our CEO

2017 was an extraordinary year in the financial markets. Equities were notably robust; for example, the S&P 500 delivered a positive return in each month of the year—the first time it has ever done so—and closed at a record high 62 times. Dollar-based returns of non-U.S. developed and emerging markets stock indexes were even stronger. With global central banks remaining broadly accommodative, investors took their cues throughout 2017 from meaningful data like synchronized global economic growth and improving corporate earnings rather than being distracted by the noise of discordant headlines. Nothing gold can stay, however; though we entered 2018 with the expectation that global GDP and corporate earnings growth would continue, financial conditions are likely to grow increasingly normal—i.e., more volatile—as global central banks raise benchmark lending rates and trim asset purchases. A new regime is near on the horizon.

2017 also was an extraordinary year for Neuberger Berman. While the firm delivered compelling results by virtually any metric, most significant was the continued strength of our long-term investment performance across asset classes and geographies, against both benchmarks and our peers. Robust investment results fueled record client-retention rates, driving a 16% increase in the implied average holding period of client accounts. Such results also attracted $13 billion of net client inflows, helping propel the firm to a record-high $295 billion in assets under management as of year-end. The firm's revenue and earnings, consequently, exceeded all prior periods.

We used the tailwind of a strong 2017 as an opportunity to prepare for the more volatile conditions that lie ahead. On the risk front, we continued to move the firm to a more conservative capital structure, reducing our debt outstanding to $600 million with notes that mature in 2027 and 2045, fully redeeming those that had been scheduled to mature in the next five years. Debt reduction and continued earnings growth has resulted in improvements to our interest coverage and debt to Adjusted EBITDA ratios, yielding us another round of upgrades to our investment grade ratings from both Standard & Poor's and Moody's. We also invested heavily in our capabilities during the year, adding talent and making major commitments across products, geographies and technologies, as I'll discuss in detail on the pages that follow.

In our most recent equity offering we added 68 new employee owners, which brought the number of current employee owners to 503. Combined with deferred cash compensation directly linked to client returns, Neuberger Berman employees and their families have approximately $3 billion invested alongside our clients, epitomizing our commitment to alignment.[1] The alignment of interests—not only between our employees and our clients, but also between the firm and our employees—is fundamental to our success as a private,

[1]Employee assets include current and former employees and their family members.

ASSETS UNDER MANAGEMENT

$295 Billion

AS OF DECEMBER 31, 2017

EQUITY $104bn

45% U.S. Core
17% Global / International
15% U.S. Value
8% Income
6% U.S. Growth
5% Sustainable Equity
4% Quantitative

FIXED INCOME $130bn

40% Global Investment Grade
32% Global Non-Investment Grade Credit
13% Emerging Markets Debt
8% Municipals
7% Multi-Sector and Opportunistic

ALTERNATIVES $69bn

24% Primaries[1]
20% Hedge Funds / Options
18% Co-Investments[1]
13% Minority stakes in alternative firms / Dyal
13% Secondaries[1]
7% Alternative Credit[2]
5% Specialty Strategies

[1] Includes estimated allocations of dry powder for diversified portfolios consisting of primaries, secondaries, and co-investments. Therefore, AUM may vary depending on how mandates are invested over time.

[2] Includes commitments from public investment company registered under the laws of Guernsey.

independent, employee-owned investment manager. It also serves as a self-selection mechanism through which we attract those individuals who share our passion for delivering compelling long-term investment results on behalf of our clients; testament to this is a 96% annualized retention rate among senior investment professionals since we became an independent company in 2009.

Retention is vital in our industry. Investment management is a team sport; for clients, there's confidence in knowing that the players in the lineup today are the same ones that have been knocking the ball out of the park all season long, and that these players are more likely to be wearing the same jerseys in the years to come than is the case at most firms. I'm proud of the team we have assembled, and I'm not alone; we have been cited as a top-ranked firm (among those with 1,000 or more employees) in the *Pension & Investments* "Best Places to Work in Money Management" survey annually since 2013, ranking second in 2017.

ALIGNMENT WITH AN ARRAY OF STAKEHOLDERS

At Neuberger Berman we have long believed that material environmental, social and governance (ESG) characteristics are an important driver of long-term investment returns, from both an opportunity and a risk-mitigation perspective. The investment management industry over time increasingly has accepted this concept, and we now find that many clients expect a robust investment process, regardless of asset class, to integrate material ESG characteristics. We expect this trend to continue as a greater number of investors—from giant institutions to individuals—embrace the opportunities of ESG, with some seeking to align their investment approach with their impact objectives.

AUM BY CLIENT REGION

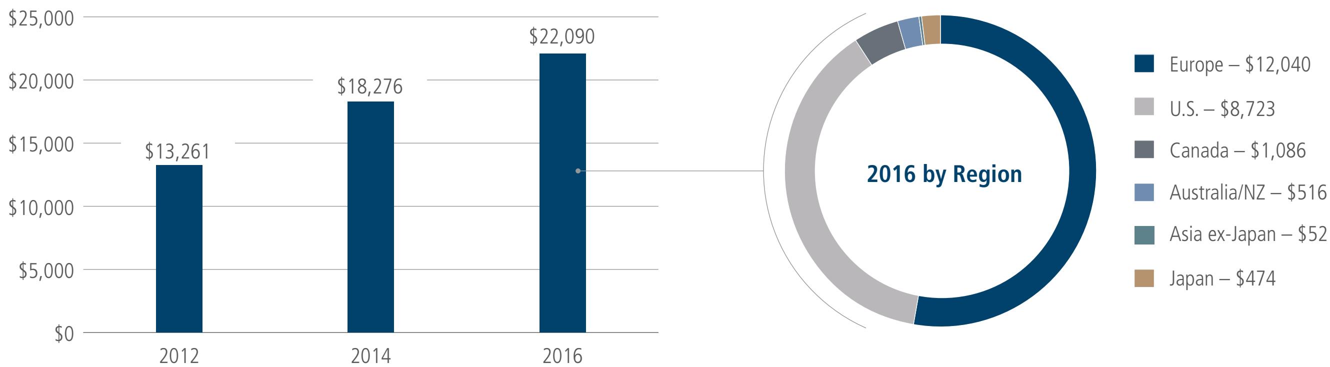
70% | AMERICAS
14% | EUROPE/MIDDLE EAST
16% | ASIA PACIFIC

AUM BY CLIENT TYPE

65% | PENSION FUNDS, SOVEREIGN WEALTH FUNDS AND OTHER INSTITUTIONS
19% | FINANCIAL INSTITUTIONS, RIAs AND ADVISORS
16% | PRIVATE CLIENTS

ESG ACCOUNTS FOR AN INCREASING SHARE OF GLOBAL ASSETS UNDER MANAGEMENT

U.S. Dollars in Billions



Source: Global Sustainable Investment Alliance.

We have a deep history in ESG investing and have continually sought to bolster our capabilities in this area in accordance with client demand; we first applied avoidance screens to an investment process in the early 1940s and several of our investment teams, including Emerging Markets Debt and Sustainable Equity, have been integrating ESG factors into their processes since the 1990s. In 2017 we created an ESG Investing unit, which reflects not a minor enhancement to our existing capabilities but rather a significant leap in functionality across the firm—think Neuberger Berman ESG 2.0. Led by Jonathan Bailey, the ESG Investing team is charged with working with our investment groups to deepen the sophistication and consistency of ESG factor integration in the context of their particular portfolio strategy. All teams at Neuberger Berman now have access to a range of proprietary ESG data; strategies representing approximately 45% of our AUM had integrated ESG factors into the investment process as of December 31, 2017, and we expect this number to increase materially in 2018. We also have been developing innovative new strategies that seek to make investments that support positive environmental and social outcomes alongside competitive risk-adjusted market-rate returns, including the Municipal Impact and Private Equity Impact strategies.

Engagement with corporate managements on material ESG issues—from business strategy and governance to environmental and social concerns—is key to the ongoing alignment of our business with the interests of our clients. In a world gone increasingly passive, active investment managers must play an outsized role in supporting and defending shareholder interests through engagement with the companies in which we hold stakes. Shareholder engagement is an area in which active management has an inherent advantage over the passive competition. Clients understand that passive managers do not have the resources to engage across all their holdings. As such, engagement is an area in which passive can benefit from the work of active managers like Neuberger Berman, following the lead we take based on the work of our hundreds of portfolio managers and research analysts, many with decades of experience analyzing particular companies and industries. In short, we don't just have a stewardship team, we are an organization of stewards dedicated to representing the interests of our clients.

While we are engaged, we are not a traditional "activist investor." We don't initiate positions with the intention of fixing a broken company, nor do we seek public battles with those companies we elect to engage. We believe strongly that ongoing dialogue helps resolve differences in a constructive manner, positively influencing corporate behaviors and driving long-term, sustainable returns for our clients. Such positions entail continual scrutiny of and interaction with a company over time, not just when things go wrong or when a proxy vote comes up.

When private dialogue fails or when industry dynamics require urgent attention, we deliberate on the best course of action in support of our clients' interests. This includes the potential to bring our concerns public. Take, for example, Whole Foods Market, where we saw a great business hamstrung by a strategic plan that was generating lower same-store sales, declining margins and increasing voluntary employee turnover. Disappointed with the retailer's execution despite its phenomenal brand, favorable consumer demographics and dominant prepared foods business, Charles Kantor and Marc Regenbaum, portfolio managers with responsibilities that cover both mutual funds and individual clients, actively engaged with management to promote changes that would improve performance and thereby unlock languishing shareholder value. The depth of interaction with both Whole Foods senior management and with members of its board was evident through numerous conference calls, store visits, emails, letters and in-person meetings—all in an effort to impress upon them the need for action. To management's credit, Whole Foods implemented a number of our suggestions, including eliminating its dual CEO structure, appointing a new CFO and adding directors with retail and governance experience. Ultimately, Whole Foods was purchased by Amazon in a landmark deal that closed in August, a transaction we believe creates long-term value for all stakeholders. In December, Amit Solomon, portfolio manager on our Intrinsic Value team, delivered an open letter to the board of directors of Nuance Communications expressing concerns about the process and transparency of the firm's CEO succession plan, as well as its corporate governance practices and lack of accountability following a cyber breach. Following our requests, Nuance's board appointed an external CEO and agreed not to nominate the outgoing CEO to the board of directors so as not to overshadow the new chief's strategy. Our engagement with Nuance regarding improvement in corporate governance continues.

Engagement has been prevalent across the Neuberger Berman investment platform for many years, and in 2017 we bolstered our ESG Investing team with resources dedicated to governance, engagement and proxy voting, enabling them to track engagements in a more systematic way in collaboration with our Global Equity Research and Fixed Income Research teams. In addition, our first-ever firm-wide Proxy Voting and Engagement Report provides details on the scale and depth of our engagement—including examples drawn from the more than 590 structured engagements and over 2,500 meetings with management teams that we conducted in 2017.

When it comes to engagement, judgment matters. The judgment to resist the temptation of "window-dressing" in favor of supporting measures that we believe can fundamentally improve a company's ability to compete. The judgment to focus on germane issues that have the potential to improve shareholder outcomes, rather than just ticking off boxes. For example, an ESG analysis of a brewer like Anheuser-Busch InBev would focus more on factors like water stewardship and responsible marketing and less on things like product affordability, while the approach toward a social media company such as Facebook would emphasize data security, consumer privacy and workforce diversity over supply-chain management.

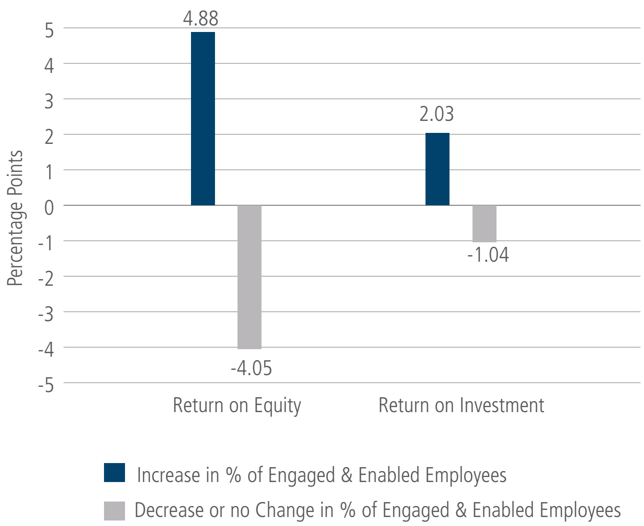
Such judgment also extends to the awareness that our business deserves the same scrutiny and that we must hold ourselves accountable to the same standards as our portfolio companies. To this point, we believe that issues surrounding human capital represent one of the most significant risks and opportunities for companies worldwide, including Neuberger Berman. With broad unemployment levels low and companies in many industries facing hyper-competitive talent markets, creating and maintaining an environment that attracts and retains effective employees is essential for sustainable long-term success. An attractive and productive working environment is a function of any number of factors—including compensation and benefits, the availability of training, mobility, advancement, flexibility, diversity and inclusion, and pay equity. Nurturing an inclusive and motivating culture in the face of today's rapidly changing workforce demographics and societal mores presents a particular challenge—and an opportunity to gain competitive advantage.

Not only do we expect any company in which we invest to have best-in-class human capital management policies and procedures in place, we continually strive to make our firm better—both for our clients and our employees. One tool we use in this pursuit is a periodic pulse check with our staff. We regularly conduct an Employee Engagement Survey in which employees across the organization respond anonymously to a series of questions designed to tease out the firm's condition, including two key factors: employee engagement and employee enablement. Engagement reflects an employee's commitment to the firm, while enablement relates to having the right people in the right roles with the right resources to perform at their full potential.

As you can probably guess, the most effective employees typically are both highly engaged and highly enabled. While I certainly want this for the firm's employees on a personal level, research shows that having engaged and enabled employees not only is an obvious positive from a morale perspective, but it also can translate into improved financial results. A study by Korn Ferry Hay Group of more than 400,000 employees across a range of companies found that improvements in employee survey results were linked to improvements in core financial metrics. The results can be seen in the chart below; most notably, those companies that saw an increase in their percentage of engaged and enabled employees improved their ROE by nearly five percentage points between the two survey periods, while those that were flat or down saw their ROE fall by four percentage points.

ENGAGEMENT & ENABLEMENT AFFECTS MORE THAN JUST MORALE

Average Change in Performance between Surveys

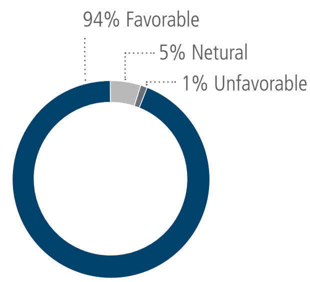


Source: Korn Ferry Hay Group.

I'm quite pleased with the results of our latest employee survey, which was conducted in 2017; our overall results were strong on both an absolute basis and relative to our asset management peers, to "high-performing" companies across industries and to our historical performance.[2] Though the survey results are extensive in their depth and breadth, I'd like to share a few particular areas of strength as well as those where improvement is needed, depicted to the right.

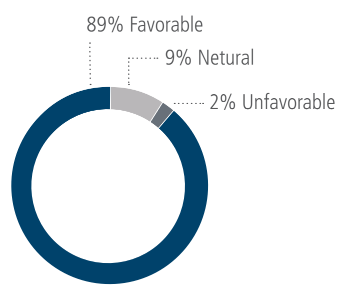
Neuberger Berman 2017 Employee Engagement Survey (Excerpt)

NEUBERGER BERMAN IS CLIENT FOCUSED



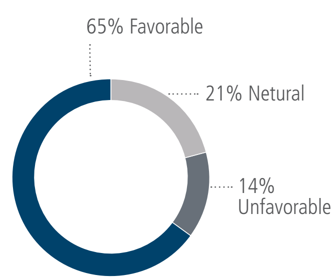
Neuberger Berman % Favorable vs.	
Asset Management Peers	High-Performing Companies Benchmark
+12	+12

I FEEL PROUD TO WORK FOR THE FIRM



Neuberger Berman % Favorable vs.	
Asset Management Peers	High-Performing Companies Benchmark
+7	+5

MY IMMEDIATE MANAGER COACHES ME IN MY DEVELOPMENT



Neuberger Berman % Favorable vs.	
Asset Management Peers	High-Performing Companies Benchmark
0	-1

Source: Korn Ferry Hay Group, Neuberger Berman.

[2] The Korn Ferry Hay Group asset management benchmark is based on data collected from over 86,000 employees in seven organizations operating in the asset management industry. The Korn Ferry Hay Group high-performing companies benchmark is based on data from more than 35 companies globally. These companies display outstanding financial performance as well as strong engagement and enablement scores, with financial performance weighted more heavily.

On the positive side, a very high percentage of our employees are proud to work for the firm, which I believe is consistent with their perception of Neuberger Berman as a client-focused organization. In contrast, we failed to surpass our benchmarks in providing employees with coaching for development from their immediate managers. We have already begun to address this, emphasizing with our managers the importance not only of talent management and development but also of establishing effective two-way lines of communication with those they oversee. In addition, we are empowering employees at all levels of the organization by bolstering the range of learning and engagement programs we offer, from networking groups and mentoring programs to continuing education support and in-house training.

While we celebrate the strong results, we conduct these surveys not to pat ourselves on the back but to identify areas in which we can still improve. And while the data and insights gleaned from these surveys have helped us make Neuberger Berman a place where people want to spend their careers, we need ongoing engagement and free communication across all levels of the firm. My door is always open—especially to the 1% of employees who in the survey responded unfavorably to "I understand the firm's mission"!

INNOVATION WITH PURPOSE

As I mentioned at the beginning of this letter, Neuberger Berman is in robust health; in fact, the firm has never been in a stronger position strategically or financially. However, the asset management industry is changing as fee pressures, new regulations and evolving investor preferences push our business in new directions. We must change with it.

Inherent in our alignment with clients is a commitment to innovation, a firm-wide drive to uncover new solutions as markets and client needs evolve. One of the many benefits of being 100% employee-owned is that we are not subject to the same quarterly pressures and growth targets faced by our public peers. Instead, we are free to grow at an appropriate pace, to innovate with purpose and to focus on practical client applications. While there's not enough room in this Annual Report to detail all of the initiatives underway within the firm, below I highlight a few areas in which we've made significant progress in preparing the organization for the challenges of tomorrow.

Forging a more global business. While Neuberger Berman historically was a U.S.-centric franchise, we have made great strides in making our business truly global; in 2017 net new client assets flowed nearly evenly from the Americas, Europe and the Middle East, and Asia. This is gratifying, as an important strategic initiative for our firm over the last decade has been to expand our global capabilities, from both a client and an investment perspective.

We see great promise in China, and we have made considerable investments in the region over the past several years as a result. China is a big country, but it also has distinct market segments, cultures, geographies and citizens in different and constantly evolving stages of development. These nuances and the reality of rapid change can lay traps for investors who are not on the ground in China and deeply familiar with its local markets, culture, business practices and governmental agencies.

Early in 2017 we established a new China equity investment team under the leadership of Bin Yu, co-located in Hong Kong and Beijing. Bin and his team of research analysts brought to the firm strong local expertise and experience in the China equity markets, taking a long-term, high-conviction, value-oriented investment approach to China equities. While we initially are offering Bin's strategy as a private fund, over time we expect to expand the range of capabilities offered. In addition to Bin's strategy, we maintain a substantial minority ownership stake in Green Court, an independent firm established by Frank Yao and his Greater China investment team. On the fixed income side, the Emerging Markets Debt (EMD) team recently added Peter Ru as a senior portfolio manager to lead its efforts in the Chinese local market, including the China Bond strategy launched in 2016. And we've asked Ping Zhou, who currently manages a systematic emerging markets equity strategy out of New York, to relocate to Shanghai to extend our quantitative capabilities in the region.

We are also focused on building our local footprint in an effort to tap into the previously restricted domestic China market. Last year we joined a short list of global managers granted a license to establish a local investment management WFOE (wholly foreign owned enterprise): Neuberger Berman Investment Management (Shanghai) Limited. Next we hope to secure final registration from the Asset Management Association of China (AMAC) to start managing assets for mainland China institutional and high-net-worth investors. The final license we aspire to earn is a Qualified Domestic Limited Partner license from the Shanghai government, which, distinct from the AMAC registration, would allow us to invest Chinese capital globally. To spearhead our China business, Patrick Liu has joined us as Head of China and General Manager of the WFOE.

Taiwan is another key market for our business. In August, we were joined by 70 clients from 25 distributors to celebrate the launch of Neuberger Berman Taiwan (SITE) and the IPO of our first onshore fund in Taiwan. While our previous license allowed us to maintain only a distribution office selling our offshore UCITS funds, our newly acquired SITE (securities investment trust enterprise) license enables us to better leverage the firm's broader investment platform and offer customized solutions tailored to the Taiwanese market. This unit is already receiving accolades, having been named "Best Responsible Investor" by *Asia Asset Management* in its 2018 Best of the Best Awards.

Asian markets in general in 2017 have shown considerable interest in our growing thematic research investment platform. Leveraging the deep sector expertise of our Global Equity Research team led by Tim Creedon, our thematic investing efforts seek to identify and capitalize on "megatrends"—the big shifts in society, the economy and technology that will shape the world over the long term. Getting these themes right may offer significant opportunity for investors. The chart below depicts the world's 10 largest public companies in 2007 and in 2017; as you can see, tech-related companies now account for seven of the top 10, up from one only a decade ago. We see a number of megatrends that may drive disruption over the next 10 years, and the team has experienced impressive demand behind a number of global themes including autonomous driving, 5G/next-generation networks and global fintech. Looking ahead, we see significant growth potential as this business scales, both across geographies and with new global themes.

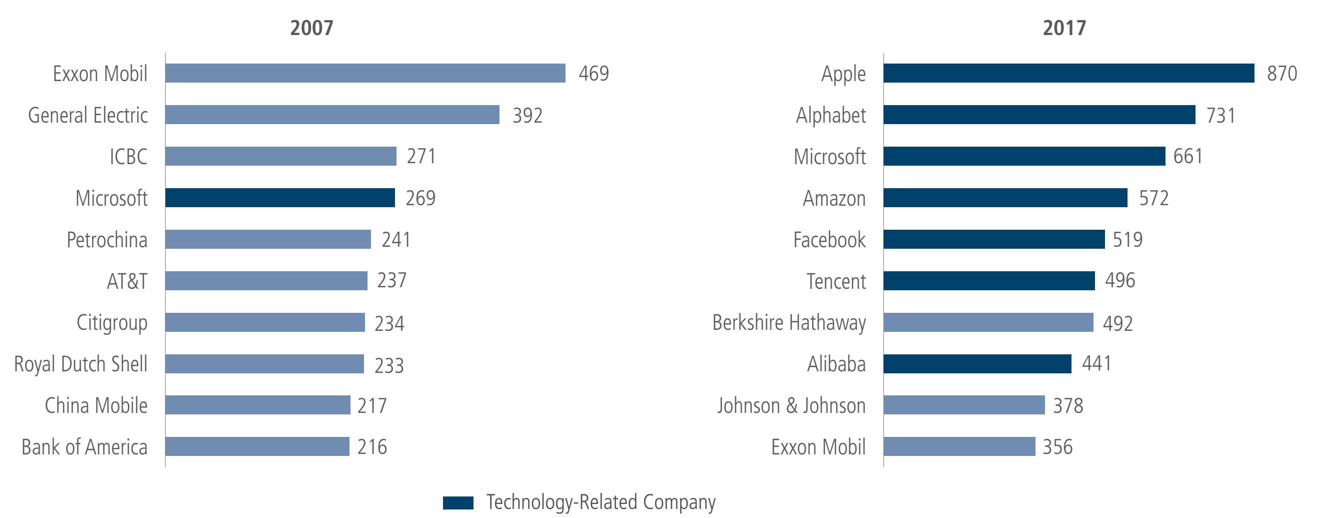
In the Western Hemisphere we recently entered into a partnership agreement with Becon Investment Management, which will enable us to distribute our UCITS funds range to a broader group of clients in Latin America through the region's private bank independent wealth managers and multi-family offices.

Of course, a big part of maintaining a global presence is keeping up with the ever-changing regulatory environment in all the regions and countries where you plant your flag. In recent years, investment managers have had to adapt to a variety of new rules that have resulted from such regulatory efforts as Basel III, Solvency II and Dodd-Frank. Throughout 2017 much focus was paid to ensuring our business would be prepared to adhere to the new MiFID II regulations in Europe once they came into effect on January 3, 2018. The new law, which has been estimated at 7,000 pages in length, is intended to standardize the regulation of investment services and products across the European Union and to promote transparency in markets and the protection of investors. A key operational focus going forward will be planning for the various potential outcomes of Brexit; though the terms of the U.K.'s exit from the EU are still very much in flux, we are confident in our ability to deliver on behalf of clients in any scenario that emerges.

Turning ones and zeros into actionable research. We believe that data is going to be a critical battleground in the search for alpha over the coming decades. As the world grows more and more connected, human beings are generating 2.5 quintillion bytes of data every day, from

MEGATRENDS SHAPE THE WORLD

World's Largest Companies by Market Capitalization, U.S. Dollars in Billions



Source: Bloomberg.

cellphone calls to credit card transactions to web browsing. Collected, monitored and analyzed, this so-called "digital residue" can reveal unseen patterns at the macroeconomic, industry and company levels, an obvious boon for managers like Neuberger Berman that seek to identify fundamental trends that allow us to make better investment judgments. In 2017 we hired Michael Recce, a veteran of both hedge funds and a sovereign wealth fund, as our first Chief Data Scientist; with his background in machine learning and artificial intelligence, Michael will lead our efforts in harnessing big data in support of our portfolio managers and research analysts.

Big data is not an end in and of itself; the processing and interpretation required to glean real insights from big data suggest that it only can enhance—not replace—traditional methods of fundamental company and industry analysis. One of the things big data can do is enable a new level of precision to fundamental research by capturing the ephemera that does not appear on a company's quarterly financial statements, helping analysts and portfolio managers make better, more informed decisions.

In our view, the Holy Grail of big-data applications in the investment management space will be a "quantamental" approach in which traditional fundamental research is combined with quantitative investment techniques in a way that seeks to capitalize on the best attributes of each. For example, while quants may be more advanced in portfolio construction and risk management, they lack the foresight and predictive acumen that is the bread and butter of fundamental analysts. By uniting human intuition and judgment with machine learning and bringing informed forecasts together with historical patterns, we believe a quantamental approach can give portfolio managers a fuller view of their investments and the world in which they operate.

Part of the big-data revolution will be related to changes in technology and the way we allow technologists the creativity to perform their tasks. Of course, there are cultural challenges in combining traditional equity research and data science, but we are confident that our employees will recognize the client benefits that can be derived from this emerging competitive advantage. (You can read more about our big-data efforts on page 29.)

Leveraging private market opportunities. We continue to build out our presence in nonpublic equity and debt markets, capitalizing on our strong franchise to source new and innovative investment opportunities for our clients. We trace our roots in the private equity industry back 30 years, to a point when private equity was limited to venture capital and buyout funds in the U.S. Today, of course, private equity extends across strategies, asset classes and geographies, all offering distinct risk-return profiles for investors. We've made a point of evolving with the markets over time.

With valuations in the private markets rich and more deals coming online, investment discipline is more important than ever. One way we exercise discipline is by targeting general partners who have a history of both sourcing high-quality private equity deals and creating value in these businesses through operational improvements. Our Alternatives team has relationships with hundreds of private equity general partners and over the past three years has committed an average of $7 billion annually across the NB Private Equity platform. We are a limited partner in more than 450 active funds and sit on over 130 advisory boards, which we believe benefits our entire platform. Within our specialty direct strategies, we focus on unique investment areas where we believe we have true competitive advantages and can offer compelling risk-adjusted returns.

The strength of our private equity platform and the broad base of relationships we have been able to develop reverberate across our platform, as evinced by the investment opportunities to which our teams gain access. Our Private Investment Portfolios team, under the leadership of Peter von Lehe and Jonathan Shofet, reviewed about 200 investment opportunities in 2017, while Brian Talbot, Tristram Perkins and the Secondary team considered about 270. David Stonberg and David Morse guided the Co-Investment team to a record 220 prospective investment reviews last year. Our Private Credit team also takes advantage of the connectivity of our Private Equity platform. In September the NB Private Equity Credit Opportunities Fund closed on $1.1 billion of limited partner commitments; our Private Credit business, led by Susan Kasser and David Lyon, now manages $3.1 billion in committed capital focused on the credits of private-equity backed companies in both the primary and secondary markets.

Dyal Capital Partners, headed by Michael Rees, is a leader in the acquisition of minority equity stakes in alternative asset managers, having established partnerships with 26 of the industry's leading hedge fund and private equity firms since its formation in 2011. Over the course of 2017 we made strategic investments in five companies, including Cerberus Business Finance, Atalaya Capital Management, TSSP and Sound Point Capital. Dyal Capital Partners III closed in in early 2017 with $5.3 billion in committed capital. In addition, I'm proud to note that Dyal won the "Hedge Fund GP Investor" award at *Institutional Investor's* 15th Annual Hedge Fund Industry Awards.

In Italy, the recent launch of tax-advantaged individual savings accounts (known as PIRs) combined with the ongoing funding needs of mostly family-run small and medium-sized enterprises (SMEs) has created an interesting opportunity for investment managers. This is particularly true for managers with private equity expertise, as we believe that investors in Italy can extract greater value from private equity investments than from public markets; while private equity activity in Italy has grown significantly, the market remains highly underpenetrated. To this end, in December we acquired ownership of Fondo Italiano di Investimento, an acquirer of minority stakes in Italian SMEs. Members of the Fondo Italiano team joined our existing private equity operations in Italy, which includes Renaissance Partners, a private equity fund we formed in 2015 in partnership with Intesa Sanpaolo that seeks to align with leading Italian companies to help promote their growth and internationalization.

It was an exciting year for the specialty side of our Alternatives business. In conjunction with our strategic partner Athyrium Capital Management we closed Athyrium Opportunities Fund III, a $2 billion vehicle that seeks to make investments in commercial-stage health care companies—both private and public—in North America, Europe, Asia and Australia. Marquee Brands, our brand acquisition, licensing and development company, recently acquired the entire portfolio of brands from BCBG Max Azria Global Holdings, including BCBGMAXAZRIA, BCBGGeneration and Herve Leger. The fourth, fifth and sixth investments for Marquee—after the previous acquisitions of Bruno Magli, Ben Sherman and Body Glove—step firmly into women's fashion and diversify our portfolio in the process.

More broadly, we've been able to leverage the strength of our private markets platform to deliver added value to client relationships across Neuberger Berman. For example, we recently partnered with a large U.S. insurance company to help manage its fledgling private equity allocation as it continues to search for new sources of yield after many years of very low interest rates. Through a registered private equity fund and a private equity co-investment fund, we give clients of our key intermediary partners access to institutional-quality private-market strategies. Also with access to these strategies are clients of our high net worth business, where we continue to expand our investment and service offerings while enhancing the technology we employ to support these clients.

We are seeing differentiating opportunities in structured credit as well, in many cases as a result of post-crisis regulations enacted in the U.S. and Europe. For example, collateralized loan obligations—actively managed securitized portfolios of leveraged loans divided into tranches bearing different levels of risk and potential return—disappeared in the aftermath of the financial crisis but are again of interest to investors given attractive risk-return profiles and low interest-rate sensitivity, among other potential benefits. The CLO comeback was buoyed in part by new regulations in the U.S. and Europe designed to mitigate their structural risk, including a new risk-retention rule that mandates managers retain 5% of the original value of the assets in their CLOs. To meet this requirement, in July 2017 we closed on our CLO risk-retention vehicle, Neuberger Berman Loan Advisers.

Under the leadership of Joe Lynch and Steve Casey, Neuberger Berman was a top 20 new-issue CLO manager in the U.S. in 2017, and we currently have approximately $6 billion under management in 13 CLOs. Leveraging our experience as a CLO collateral manager, in 2018 we plan to launch a UCITS fund in Europe focused on investing in CLO mezzanine debt tranches sourced from both primary and secondary markets. Managed by Pim van Schie, the fund will allow investors targeted access to subordinated CLO tranches that continue to offer attractive yield pickup relative to like-rated high yield debt.

Private market residential loan opportunities are another attractive alternative to public markets given improving housing and consumer credit fundamentals, diminished volumes and low new supply. Mortgage accessibility remains a challenge for prospective home buyers in the Alt-A category of credit risk, primarily due to the tighter lending standards that resulted from Dodd-Frank legislation. As they are ineligible for inclusion in an agency mortgage backed security (MBS), Alt-A mortgages are expensive for banks to originate and hold. Enter nonbank lenders. Our U.S. Residential Opportunity strategy managed by Terry Glomski seeks to capitalize on this underserved market by building a diversified portfolio of higher-yielding residential mortgage credit exposures, "expanded prime" mortgage loans chief among them. By directly sourcing high-quality performing loans from qualified mortgage originators—and securitizing pools of these mortgages to create higher-yielding exposures—the fund can target underserved segments of the mortgage market and may offer additional spread relative to agency or jumbo prime mortgages with limited additional risk.

2017 IN REVIEW: A RISING TIDE

In contrast with 2016, which we characterized in these pages as a "bumpy ride higher" given the large range in which many risk assets traded over the course of the year, 2017 was a remarkably smooth trip, one that took a number of market indexes to new all-time highs. Most asset classes plowed monotonically forward last year without any of the brief pullbacks that typically help extend such rallies, as the periodic emergence of potentially unsettling risk events—from tumult in Washington to saber-rattling on the Korean peninsula to terrorist attacks worldwide—were brushed aside by investors focused more on fundamental improvements in earnings and economic growth.

As shown in the chart below, double-digit returns were easy to find among equity indexes in 2017. We heard a lot last year about the domination of FANG stocks—an acronym for Facebook, Amazon, Netflix and Google (currently known as Alphabet), but really a proxy for a range of high-flying tech-related names. These large, high-quality, growth-oriented stocks drove huge returns in benchmarks like the Russell 1000 and (absent the Nasdaq-listed Netflix) finally pulled the S&P 500 information technology index all the way back from the depths of dot-com implosion in 2000. It's worth noting that narrowness of market sentiment historically has not been a good sign for equity markets; it suggests the investors are chasing winners rather than investing for broad-based growth, a phenomenon typical of late-cycle behavior. These conditions are perhaps exacerbated by the influence of passive investment strategies, which by design chase winners; momentum begets momentum.

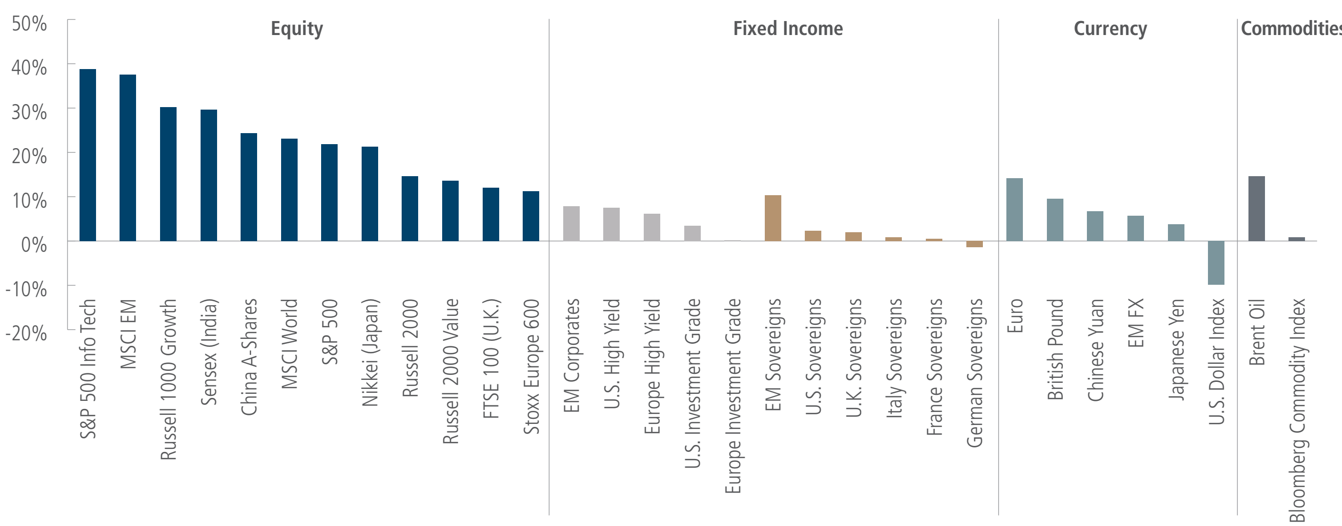
Oil continued to rebound in 2017, as Brent crude ended the year at its highest price since 2014. Also notable in 2017 was the one-two punch of emerging markets equity and debt, especially given the headwinds many expected for financial markets in the developing world. Not coincidentally, we have continued to see strong interest in our emerging markets equity and debt strategies, having also demonstrated strong absolute and relative performance in 2017. Conrad Saldanha, who leads our Emerging Markets Equity Fund, believes that despite the market's run-up in 2017 valuations remain reasonable given forecasts of double-digit earnings growth this year. He continues to focus on domestically driven stocks, with a bias toward small and mid-cap names that tend to be under-researched.

Our Emerging Markets Debt team co-heads Rob Drijkoningen and Gorky Urquieta remain similarly upbeat about prospects on the debt side of the capital structure, especially in local-currency sovereigns, as better economic prospects and stronger exports have helped emerging currency fundamentals recover, leading to improved current account balances. I'm proud to note that our EMD team was named Pan-European Fixed Income Manager of the Year 2018 by Morningstar in recognition of their active management of the Neuberger Berman Emerging Market Debt Hard Currency Fund. The team—including the fund's lead manager Bart van der Made—was cited for its "ability to generate outstanding long-term returns compared to their peers, with a strong risk-adjusted profile and a strong sense of stewardship."

On the next page are our detailed predictions for 2017, produced each year as part of our Solving series. As you can see, we did pretty well. We whiffed on the stronger equity performance in Europe. We also were a little early on our calls related to higher inflation and interest rates, including the impact such trends would have on emerging markets.

HUGE ADVANCES IN MANY EQUITY SEGMENTS, MORE MODEST GAINS ELSEWHERE

As of December 31, 2017



Source: Bloomberg.

Note: Returns in local currency except emerging markets indexes, which are in U.S. dollars.

2017 SCORECARD

✓ GOT IT RIGHT ✗ GOT IT WRONG

ECONOMY

✓ Global growth outlook improving, but with a high level of uncertainty

✓ Global interest rate expectations moving higher as central banks shift their stance

✗ Inflation risk increasing

✓ Recession risk abating as business cycle extends

EQUITIES

✓ Pro-business policies in U.S. may spur earnings growth and drive stocks higher

✗ European equities facing headwinds due to low growth and political uncertainty

✓ Japanese equities boosted by weak yen but threatened by reduced trade

✗ Better fundamentals in emerging markets threatened by U.S. dollar, higher interest rate, trade rhetoric

FIXED INCOME

✓ Underweight developed market sovereigns, as rates are likely to rise

✓ Corporate spreads appear reasonable relative to historical levels and good credit fundamentals

✗ EMD held back by negative implications of higher U.S. interest rates and anti-trade sentiment

ALTERNATIVES

✓ Commodities are attractive as supply/demand imbalances correct and inflation concerns rise

✓ Absolute return strategies are likely to benefit from increased volatility, rising rates and diverging markets

✓ Opportunities to capture illiquidity premium in private debt with high cash flow and short j-curve

2018 FORECAST: A FUNDAMENTAL REGIME SHIFT IS UNDERWAY

We entered 2018 with caution, respectful of the momentum markets and the global economy built in 2017 but wary of the potential impact of shifting dynamics—including tightening central bank policy, plateauing economic growth and rising market volatility—as the year goes on. The key themes we anticipate will guide investment decisions in 2018 are shown below.

KEY THEMES FOR 2018

MACRO: GLOBAL INFLECTION POINT NEARS

- "Goldilocks" gives way to something more complicated
- Both monetary and fiscal policy are in motion globally

RISKS: CLOUDS GATHER AS THE YEAR PROGRESSES

- Geopolitical climate remains unsettled
- China accelerates structural reforms

FIXED INCOME: THE CHASE CONTINUES

- No end to the search for yield
- Credit drivers begin to change

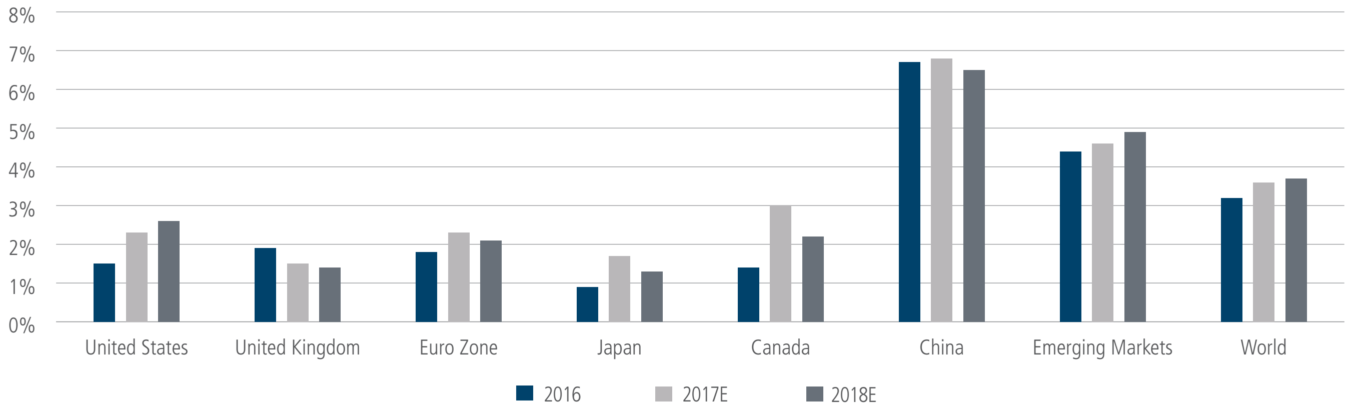
EQUITIES: TWO-WAY MARKETS RETURN

- Market momentum could present opportunities to reduce beta exposure
- Active management positioned to shine

ALTERNATIVES: FINDING OPPORTUNITIES AMID HIGH VALUATIONS

- Low-vol strategies for a more volatile world
- Sharpen quality focus in private assets

SYNCHRONIZED GLOBAL GROWTH TOOK HOLD IN 2017…



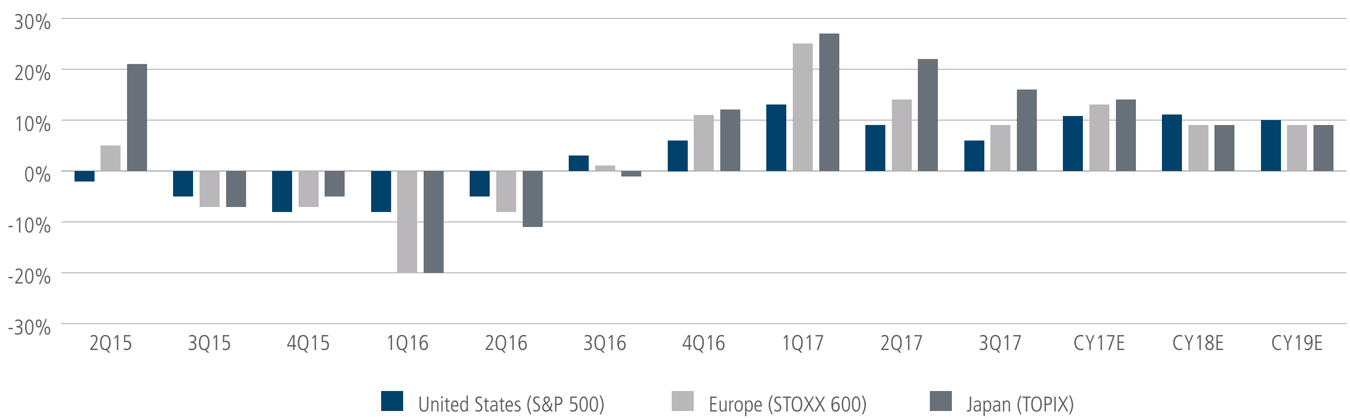
Source: Bloomberg. Note: Projections as of December 29, 2017.

Let's start with the positive. All 45 countries tracked by the OECD expanded last year, a synchronization that has only happened three times over the past 50 years. The U.S. economy is running at a growth rate above 3% over the past several quarters and is approaching full employment. Growth in the euro zone has broadened, and the pace of expansion in the region is finally keeping pace with the U.S. as it continues to recover from its double-dip recession. Japan's in the midst of its longest quarterly growth streak in more than 20 years. China continues motoring along even as Beijing pushes toward sustainable long-term reforms, and emerging markets in general are benefitting from global growth, a stable commodity complex and fundamental economic improvements that position policy makers to better weather a downturn.

As you can see below, GDP growth is expected to remain broadly positive in 2018 though down from 2017 in many economies and flattish for the world as a whole. Though plateauing, this growth is plenty robust to extend the expansion in corporate earnings worldwide, which should be supportive of equities.

However, we expect conditions to become more complicated as the year wears on and we continue to move farther away from the central bank-dominated, low-rate/inflation/volatility environment that has prevailed in recent years. First of all, monetary tightening should really start to be felt about midyear, when year-over-year growth in G-4 central banks' balance sheets is expected to peak. Obviously, the Fed is furthest along in terms of normalization. The hike in March brought the upper bound of the fed funds rate to 1.75%, and the Fed is forecasting two more increases in 2018. While its balance sheet reduction has been uneventful so far, the runoff accelerates in 2018 and will reach its monthly maximum of $50 billion by the fall. It's really an unprecedented—and precarious—time for central banks as they manage the unwind of years of extraordinary accommodation. We're basically in uncharted territory, and the Fed has a new hand at the tiller in Jay Powell.

...DRIVING CORPORATE EARNINGS GROWTH HIGHER



Source: Deutsche Bank, IBES estimates. Note: Projections as of December 29, 2017.

Though the Fed leads the normalization race, other major economies are beginning to stir. Facing 3%-plus inflation and unemployment at multi-decade lows, the Bank of England in November hiked its benchmark rate for the first time in a decade, though it signaled that further increases would come at a "very gradual" rate that is highly dependent on the success of the ongoing Brexit negotiations. The European Central Bank halved the pace of its bond buying in January 2018, and it tweaked its latest policy statement to suggest that it is no longer biased toward further easing; rate hikes in the euro zone are unlikely until at least 2019, however. And though the Bank of Japan has been viewed as a laggard in terms of normalization, it quietly became less accommodative in 2017, curbing the pace of its monthly asset purchases such that its easing program is running well below its ¥80 trillion annual target. Given improved economic and inflation conditions in Japan along with the actions of other central banks, it will be hard for the BOJ to resist formally reducing its stimulus efforts at some point.

But while monetary policy is continuing to tighten, fiscal policy is only now starting to open up meaningfully. Most notable in this regard was the December passage of the U.S. Tax Cuts and Jobs Act of 2017. Among its provisions, the $1.5 trillion tax bill permanently lowers the statutory rate on corporations to 21% from the previous 35%. Many investors thought that U.S. small-cap stocks, given their domestic focus and relatively high effective tax rates, were particularly well positioned to benefit from any corporate tax reform; in the year-plus following Trump's election, flows into small-cap strategies—especially passive ones—tracked the perceived likelihood of a tax bill's passage. However, as Judy Vale and Bob D'Alelio, portfolio managers of our Genesis Fund, are quick to point out, the rush into passive small-cap strategies overlooks the fact that a reduction in income taxes benefits only those companies that pay taxes—meaning the approximately one-third of the Russell 2000 that is losing money will be unaffected. Judy and Bob advocate a bias toward high-quality small-cap companies with strong free cash flow and solid balance sheets, exactly the type of companies that stand to benefit from the new lower statutory tax rate.

Another important element of the tax bill is the move to a territorial tax system in which a multinational company's earnings are taxed only in the country where they are generated and not again when brought back to the U.S. The U.S. was one of the few remaining economies that taxed corporations on their worldwide income at regular domestic rates when that income was repatriated back to a U.S.-based parent, which incented companies to hoard an estimated $3.1 trillion in cash and marketable securities offshore. The new rules should reduce this incentive, while a provision that allows for a one-time repatriation of accumulated assets at a much lower rate should help bring some of this money back to U.S. shores. In fact, we've already seen some of the largest stockpilers of cash—including Apple and Cisco—announce plans to take advantage of the new repatriation tax. C-suites nationwide are considering how to allocate this windfall; Marvin Schwartz, who leads our Straus Group of investors focused on identifying undervalued U.S. equities, expects a lot of it to go into shareholder-friendly activities like buybacks and M&A, which should further shrink the U.S. market's ever-contracting equity base.

I'd be remiss here if I didn't note that while we're upbeat about the impact the recent tax bill will have on the bottom line of corporate America and hopeful that consumers will feel a positive effect from the changes to their taxes, neither of these is likely to do anything to solve the long-term structural problem of inequality. The latest Survey of Consumer Finances from the Federal Reserve—a triennial report on the financial conditions of American families—showed what many of us already knew intuitively: the share of wealth in the U.S. is increasingly concentrated among the most affluent. The Fed reported that the top 1% of families controlled nearly 36% of the nation's wealth in 2016, up from about 30% when the modern version of the survey began in 1989. So ingrained is the sense of inequality in our culture that it's almost shocking to learn that in 1989 the bottom 90% actually held a greater share of wealth than the top 1%; that 33% share in 1989, however, now stands just shy of 23%. Given the robust performance of asset markets in 2017—exposure to which disproportionately benefits the wealthy—it's safe to assume that the situation has only gotten worse since the survey was conducted. These trends aren't limited to the U.S. A recent report from the World Economic Forum found that wealth inequality has risen in 49 of the 103 economies in its study, while poverty has increased in 17 of 29 advanced economies. Unaddressed, these trends will have profound political, social and economic ramifications down the line, especially as the retirement savings crisis builds.

Of course, the tax bill wasn't the only tailwind that emerged for corporations during the year. Though the Trump administration got a lot of grief over its failure to deliver on certain of its highest-profile campaign promises—think Obamacare repeal and a wall with Mexico—it did earn many lower-key victories in its efforts to boost the economy, mainly by steadily chipping away at Obama-era regulations. A recent survey by Business Roundtable, an association of CEOs of U.S. companies, found that for the first time in six years regulatory costs were not the top cost pressure reported by business leaders. In contrast, recently announced tariffs directed at Chinese imports are a step backward. Though it's too early to weigh the potential impact of these protectionist measures, the guidelines of which—and retaliatory responses to—are still in flux, we expect them to be unproductive. The rate of turnover in the Trump administration also is troubling; as it is with any organization, including our own, it is vital that the White House strive to attract and retain talented and experienced people to help promote continuity and confidence among American businesses.

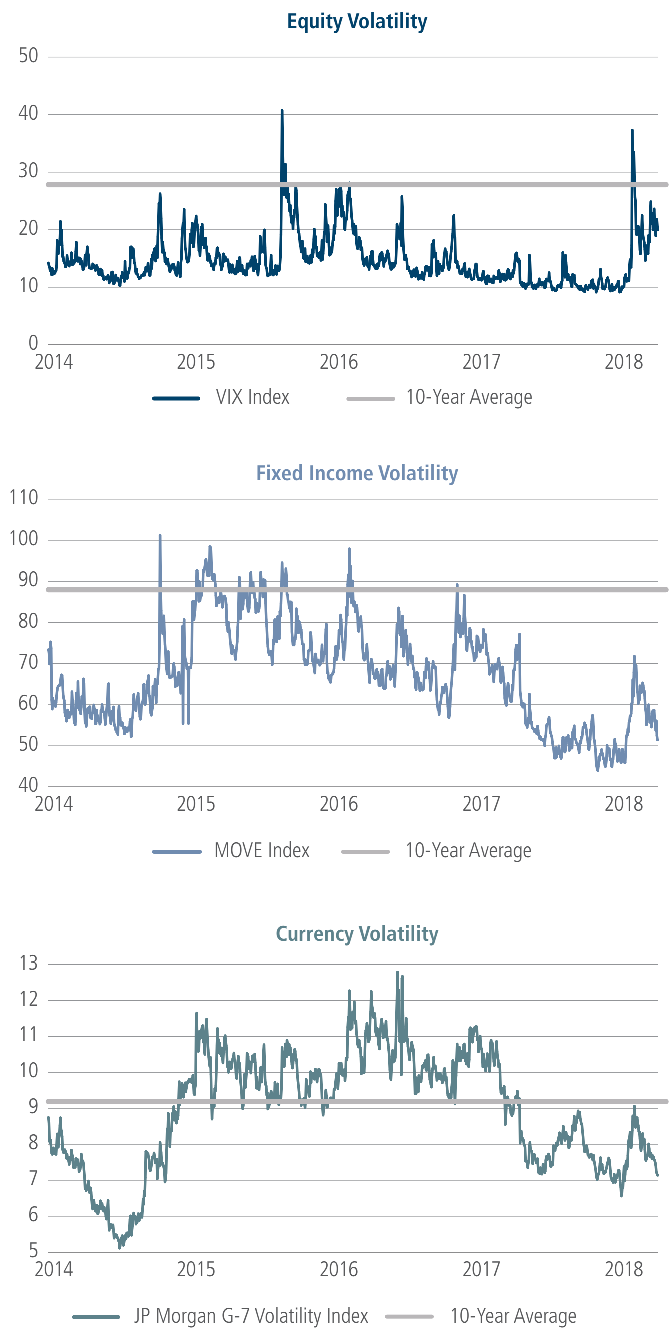
Meanwhile, fiscal stimulus at this stage in the business cycle—105 months and counting in the U.S., the third longest on record—tends to transmit more to inflation than marginal economic growth, especially given the recent closing of the country's output gap. There were already signs that inflation in the U.S. is at a turning point. Though headline numbers for core personal consumption expenditures—the Fed's preferred inflation metric—continue to track below target, the pace of inflation has picked up sharply of late in conjunction with the accelerating economy. Though the year-over-year change in core PCE was 1.5% in its January 2018 reading, the six-month annualized trend shows inflation growth of 2.0%; similarly, 1.8% core CPI growth over the last 12 months obscures the 2.6% annualized increase for the second half of the period. Wage growth is improving, particularly in the low-wage segment that has dominated job growth in the U.S. since the financial crisis, and indicators like the employment cost index and the Atlanta Fed's wage-growth tracker also suggest labor's pricing power is on the rise.

Persistently low inflation has been one of the factors keeping long Treasury rates anchored even as the Fed pushed the short end steadily higher through hikes in the fed funds rate. The pickup in inflation and economic growth drove the move in Treasury yields that saw the 10-year go from around 2.0% in September to 2.9% by early March. The global rate tether, another rate-dampening factor, is also starting to loosen. Though the BOE, ECB and BOJ are only slowly pulling back from extraordinary accommodation, a retreat is underway and may be hastened should nascent inflationary pressures accelerate.

While developed markets are moving in the same direction, if at different paces, there's a huge disparity in terms of inflation and interest rates across the emerging world. Central and Eastern Europe appear locked into reflation, even if not all central banks on the periphery of the euro zone seem to have acknowledged the inevitability of reduced monetary accommodation and higher interest rates. In contrast, output gaps remain negative in Latin America; it's likely Brazil will continue to cut rates, while Mexico eventually will be forced to reverse its current tightening cycle. Emerging Asia is somewhere between these two poles, though with a clear bias toward higher rates. China, of course, has been maintaining tight policy for a while, predicated more on deleveraging than inflation concerns; signs of inflationary pressures have begun to peek through, however, and yields on government bonds are back to 2014 levels.

Earlier this year we got a look at how all these shifting economic conditions may manifest themselves in the financial markets. Shaken by a better-than-expected reading on U.S. wage growth, risk markets worldwide sold off sharply on fears that central banks would be forced to unwind accommodation more quickly than expected to stave off mounting inflationary threats. The S&P 500, for example, entered correction territory over the course of just 10 trading days beginning January 26, while the MSCI EAFE lost just short of 9%. Volatility returned in force as well. The CBOE Volatility Index at one point during this panic pierced 50, a level not seen since the tumult of the financial crisis in late 2008/early 2009. The VIX's 10-year average, which includes that high-volatility crisis period, is around 20, and it spent most \of 2017 closer to 10. Similar patterns can be seen in measures of volatility across a variety of financial instruments, as shown to the right.

VOLATILITY ACROSS ASSET CLASSES REMAINS VERY LOW



Source: Bloomberg. Data as of March 31, 2018.

By early March, however, volatility had settled back into a range around its 10-year average, which highlights a concerning trend as this bull market wears on. Though the VIX is widely known as the stock market's "fear gauge," in the era of massive QE it has really been more of a "complacency gauge" as markets worldwide have pushed higher through any number of shocks, be it the Brexit referendum, Trump's unexpected victory, terrorist attacks or recurring threats from North Korea. Our experience tells us that markets tend to ignore these sorts of things until they don't. Uncertainty around NAFTA, an unexpected adjustment to central bank policy, a marked slowdown in economic growth in China—any of these could be the one that finally shakes investors from their slumber.

And don't discount political risk. After the wave of populism in 2016, punctuated by the Brexit referendum and Trump's victory in the U.S., 2017 was a letdown for those who like upheaval in the halls of government. Though there were a number of pivotal elections last year—notably in Europe, where voters in France, Germany and the Netherlands, among others, went to the polls—mainstream candidates prevailed in all instances. The election calendar for 2018 may not seem as exciting at face value, but it does hold the potential to upend assumptions about the current political order. We've already seen a bit of that in Italy, where an inconclusive parliamentary election in March was marked by significant gains made by the populist, left-wing Five Star Movement and the populist, right-wing League, giving pause to those who had assumed the anti-establishment trend in Europe may have peaked. Later this year we'll have elections in a number of key emerging markets, including Mexico, where the outcome may have big implications for U.S./Mexico relations. Left-wing populist Andres Lopez Obrador, outspoken critic of NAFTA and most things Trump, is the clear front-runner for president at this point and a cause for concern among investors and pro-business Mexicans.

In the U.S., Robert Mueller's special investigation into Russian interference in the 2016 election will continue to make headlines. Meanwhile, midterm Congressional elections loom this autumn, and there is little doubt they will be contentious. I suspect Democrats will retake the House of Representatives in 2018, an advantage they may leverage to initiate impeachment proceedings against Trump. While the odds of his removal from office are slim, given our expectations that Republicans maintain control of the Senate, one only needs to think back to the sideshow of Bill Clinton's impeachment in 1998–99 to understand the distraction that may result. That said, it's worth noting that U.S. equity markets fared quite well during the country's most recent brush with presidential removal; though the S&P 500 fell nearly 20% in the six-week period preceding the release of a report by independent counsel Kenneth Starr—Clinton's Mueller analog—it regained those losses and then some once impeachment proceedings got underway.

In contrast, leadership in China appears stable for the foreseeable future. President Xi Jinping recently engineered a constitutional amendment abolishing term limits on the presidency, thus positioning him to maintain that role for a remarkably long period. Xi's consolidation of power may result in greater long-term policy consistency and enhance Beijing's ability to effect the migration of the Chinese economy from a debt-driven export model to a consumer- and services-based one, with an emphasis on the quality of growth rather than the pace. As I mentioned earlier, Neuberger Berman sees great promise in China, in terms of both investment opportunities and as a source of clients whom we can serve. While China is already the world's second-largest economy, we think it has considerable catch-up growth potential; GDP per capita remains relatively low, but it is growing fast, and rapidly improving education levels are creating not only more informed and sophisticated consumers but also an increasingly knowledge-based economy that can compete with the global giants in their sectors.

Regardless of its cause, the return of volatility—even if only to historically average levels—could prove unsettling to unprepared investors, and the margin for error isn't great given full, but not overvalued, equity valuations and tight credit spreads. What can help protect investors is a well-conceived plan built to buffer portfolios from the ravages of a transitioning market. Portfolio construction and asset allocation becomes more challenging in a world of high valuations and a mature economic cycle. Going forward an investment approach should be predicated on finding those asset classes and subsectors where meaningful upside potential is still available, and then seeking to extract that upside potential in more sophisticated, risk-controlled ways.

Options strategies are one example of this. Collateralized equity index put writing strategies, which we manage through our Option Group led by Derek Devens, offer investors lower-volatility exposure to the broader equity markets. These strategies historically have captured more equity market upside than downside over the long term[3] and thus may be particularly attractive for equity market investors interested in a cost-effective alternative to buying put options as a hedge against a

[3] As measured by the CBOE PutWrite Index versus the S&P 500 Index.

decline in equity markets. Clients have shown continued interest in this strategy, and our Option team more than doubled their assets under management during the year.

Another approach is to capture alternative risk premia, which historically has performed well when interest rates have risen at a steady but moderate pace even if the cumulative increase was large. To further our efforts in this space we were excited to acquire Breton Hill Capital, a quantitative investment firm based in Toronto, Canada. Breton Hill—consisting of co-founders, Ray Carroll, Simon Griffiths and Frank Maeba along with 11 additional investment professionals—joined our QMAC investment platform overseen by Erik Knutzen and Doug Kramer. In all, they are a deep, passionate team that brings a diverse set of investment skills to the firm, along with a robust technology and infrastructure platform that enhances our ability to offer attractive returns from innovative and efficiently managed strategies, and to customize client solutions quickly.

In fixed income, strategies that invest across fixed income sectors have grown in popularity in recent years, and we continue to see opportunity in such flexible mandates. That said, approaches to multi-sector fixed income that have worked over the past five years are unlikely to work nearly as well over the next five. As a result, multi-sector investors will need to look beyond the usual income levers of U.S. non-agency mortgages, U.S. high yield and hard-currency emerging markets debt to incorporate additional sources of risk into their portfolios. Last year we established a Multi-Sector Fixed Income group under the leadership of Brad Tank, CIO of Fixed Income, to extend our strategic commitment to customized multi-sector fixed income investing. The group includes all of our Senior Portfolio Managers with multi-sector responsibility—including Ashok Bhatia, who joined us over the summer and has held senior investment positions in several asset management firms and hedge funds—and formalizes the close working relationship that has always been in place with the management of our Opportunistic Fixed Income strategy.

ACTIVE MANAGEMENT CONTINUES TO REBOUND

Active management delivered a solid 2017, and I think conditions in 2018 will be even more favorable for fundamental-driven stock pickers as two-way markets return. Our analysis of Morningstar data shows that in 2017 50% of active U.S. stock funds beat their benchmarks net of fees and transaction costs, compared to only 25% in 2016.[4] One reason for the improvement has been the decline in correlations between stocks. For the S&P 500, for example, correlation went from around 0.60 at the beginning of 2016 to less than 0.10 by the end of that year and remained in a lower range through much of 2017; similar trends can be seen in a variety of equity markets globally. This is refreshing after many years in which stocks were indiscriminately propped up by waves of central bank liquidity. Financial services stocks in general are expected to benefit from the removal of this liquidity via higher interest rates, and the recent tax bill should also prove beneficial to these companies over the long term. Richard Nackenson, who runs our Multi-Cap Opportunities Fund, has a fairly large overweight in the financial services sector and cites JPMorgan as a company that he expects will benefit from the new tax laws and the improving economic and regulatory backdrop, especially given management's tendency to return significant capital to shareholders through growing dividends and share repurchases.

FAREWELLS

Despite our very high retention rate, people do retire. There are two professionals in particular whose upcoming departures I wanted to note. After 38 years with Neuberger Berman, Bobby Conti will step away from his day-to-day responsibilities working with our '40 Act and UCITS funds this summer. Our mutual fund shareholders will continue to benefit from Bobby's deep knowledge and broad experience, however, as he will remain a member of the mutual fund board. Andy Johnson, Head of Global Investment Grade Fixed Income, will retire at the end of 2018 after 28 years with the firm. Andy was a true steward of our clients' capital over his tenure, and the strong foundation he built for the Global Investment Grade team gives us great confidence as we transition the leadership of the business to Dave Brown, the Head of Investment Grade Credit who has worked side-by-side with Andy for 23 years.

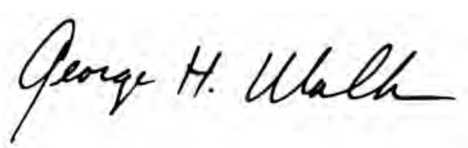
I'd like to thank Bobby and Andy for their many years of dedication to Neuberger Berman and wish them well in retirement.

[4] Based on analysis of all actively managed U.S.-domiciled open-end equity funds data from Morningstar. Performance is based on fund's oldest share class relative to its primary prospectus benchmark.

This fall will mark 10 years since the depths of the financial crisis, a time when the global financial system itself seemed to be in jeopardy. Many things have changed since then, of course, and while these changes have made for a more stable investment environment, they present a whole new set of challenges for those seeking to navigate it effectively. As an organization we remain committed to the development of innovative investment solutions to overcome these challenges on the behalf of our clients, regardless of what the next 10 years may bring.

On a more personal note, 2008 also set in motion the events that would result in Neuberger Berman emerging as an independent company once again. The past 10 years have been a remarkable period for our firm, one in which we are proud to have performed for our clients. On the pages that follow you'll hear from professionals across the firm. While many have been here throughout the tumultuous post-crisis period and some joined us more recently, all are now united around a single goal: delivering compelling investment results for our clients over the long term.

As always, we are grateful for your partnership.



JONATHAN BAILEY
HEAD OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTING

OUR COMMITMENT TO ESG INTEGRATION

Neuberger Berman believes that material environmental, social and governance (ESG) characteristics are an important driver of long-term investment returns, from both an opportunity and a risk-mitigation perspective. We also understand that for many of our clients the impact of their portfolio is an important consideration in conjunction with investment performance.

The firm has considered ESG characteristics in investment processes as far back as the 1940s, and the breadth and depth of integration across our investment platform has grown steadily since then through bottom-up innovation by individual teams. For example, our Sustainable Equity team was established in 1989, our Emerging Markets Debt team formally integrated ESG factors as a core part of their sovereign credit rating process in 2010, and our Investment Grade and Non-Investment Grade fixed income research teams did the same for corporate credit in 2014. In 2017 we built out a dedicated ESG Investing team, reporting to Joe Amato, President and CIO—Equities, charged with accelerating the integration of ESG factors into fundamental research and investment processes, developing new investment strategies, and enhancing collaboration across the firm and with clients.

Engagement, including how we vote proxies on behalf of clients, continues to be a focus of the firm. In 2017 we were proud to support shareholder proposals calling for disclosure around climate change at oil & gas and utility companies and gender pay equity reports at technology and financial services companies. We opposed at least one vote at 49% of all the companies that we voted at in 2017. However the real test of being an engaged long-term owner is the impact we have through our private dialogues with management teams and board members every day. Detailed engagement case studies from our equity and fixed income teams can be found on www.nb.com/esg.

Supported by our ESG Committee we continue to enhance our analyst-led ESG ratings and deepen the integration of ESG factors into existing investment processes. We are also pleased to be able to partner with clients on innovative new strategies—most recently Municipal Impact and Private Equity Impact—that seek to deliver environmental and social outcomes alongside market-level financial returns.

Finally, we have redoubled our collaboration with peers and clients in the industry as a whole. We have been a signatory to the UN-supported Principles for Responsible Investment (PRI) since 2012, and have played a leading role in the PRI's work on fixed income engagement and credit ratings. We also became a founding member of the Sustainability Accounting Standards Board (SASB) Alliance in 2017, encouraging companies to disclose financially material ESG data. And to demonstrate Neuberger Berman's commitment to leading ESG practices in our own business operations, we joined the UN Global Compact on human rights, labor, environment and anti-corruption.

JOSEPH V. AMATO
PRESIDENT AND CHIEF INVESTMENT OFFICER—EQUITIES

A Shifting Landscape

Returns across essentially all global equity markets were outstanding in 2017, driven by strong economic growth, low interest rates and modest inflation. Markets were surprisingly resilient in the face of increasing fiscal policy uncertainty and the shift in Fed policy from QE (quantitative easing) to QT (quantitative tightening). The slow (or speedy) transition to interest rate normalization will be the most critical issue facing markets as we move into the late stages of the long economic expansion.

The MSCI ACWI, a broad-based index of global equity markets, returned approximately 25% last year. The MSCI Emerging Markets Index was the stand-out performer, up almost 38% in U.S. dollar terms. The S&P 500 rose almost 22%, driven by improved U.S. GDP growth and earnings growth near 11%. These returns were accompanied by unusually low market volatility throughout the year. Positive momentum has continued into early 2018, even as bouts of renewed volatility have caused some consternation among investors. However, we expect risks—including tightening central banks, plateauing economic growth and geopolitical discord—to increase as the year progresses, which combined with already-extended valuations suggest to us that the beta-driven returns of stock markets in recent years may give way to more modest results.

Active management, in our view, can help. The rebound of active management in 2017 was a timely reminder that relative performance trends have long been cyclical. The continued move toward interest rate normalization could further enhance the environment for fundamental stock selection, as the unusually high correlations between individual stocks over much of the current cycle presented a challenge for active managers.

To better support their clients, however, investment managers likely will need to sharpen their value propositions by constructing high-conviction portfolios and becoming even more engaged with the companies they hold. A high level of engagement has long been a hallmark of Neuberger Berman's long-term, low-turnover investing approach, and engagement on a range of topics, including ESG, will continue to be a focus of ours.

The proliferation of data is another important development in the investment management world, as managers continue to search for more efficient ways to gather this information and develop truly proprietary, value-added insights from it. We established our Data Science team, led by Chief Data Scientist Michael Recce, to help our investment organization leverage this "big data" opportunity. We have already seen the benefits, with our portfolio managers and research analysts gaining fundamental investment insights from these new data sources. We believe big data will be the key battleground for alpha in the coming years.

Our equity investment capabilities are both broad and deep, and we are well positioned to capture the wide range of alpha sources for the benefit of our clients. The next investment cycle undoubtedly will be different than the one currently nearing its end. Our teams remain intensely focused on delivering value for our clients no matter the environment, and I am confident in our ability to achieve this goal.

INTERNATIONAL EQUITY

Benjamin E. Segal, CFA

Our International Equity team seeks to identify best-of-breed non-U.S. companies across sectors, countries and market caps. Synchronized global economic growth was the story for 2017, as all 45 countries tracked by the OECD expanded during the year. The euro zone posted its best full-year growth rate since 2007, as recovery broadened beyond Germany to include such recent laggards as France and Italy. Notably, fears that a busy 2017 European political calendar could disrupt markets proved unfounded, as mainstream candidates were successful in all major races. Japan, meanwhile, is in the midst of its longest quarterly economic growth streak in nearly 30 years. Strong markets in early 2018 have lifted equity valuations to relatively high levels, while volatility returned to global equity markets in February. In combination, this can provide an opportune environment for the bottom-up stock picker. With global growth accelerating, we believe certain companies stand to benefit directly from increased economic activity, while investor optimism in some sectors appears excessive. As always, decisions are made company by company on a bottom-up basis with an eye on potential risk as well as potential return.

EMERGING MARKETS EQUITY

Conrad A. Saldanha, CFA

Our Emerging Markets Equity team emphasizes high-quality companies that we believe stand to benefit from domestic growth and the global consumer. We seek these opportunities across the market-cap spectrum and across sectors as well. Therefore, our investment process begins with a universe of more than 12,000 companies compared to only around 800 for the MSCI Emerging Markets Index, which is predominantly large-cap focused. As of year-end 2017, we maintained an overweight bias to small/mid-cap names versus the index, as we believe many of these smaller companies are under-researched and offer the potential for attractive returns and diversification benefits and are more focused on domestic growth. Emerging equity markets in 2017 experienced a strong rally, driven primarily by robust corporate earnings but also boosted by appreciating currencies. Despite last year's run-up, we believe valuations still appear reasonable, and double-digit earnings growth is forecast for 2018. We believe domestically driven names still have the potential to deliver solid risk-adjusted returns going forward. They also should be relatively less impacted by trade disputes, and we are therefore comfortable maintaining our focus in this area.

CHINA EQUITY

Bin Yu

Our China Equity team takes a long-term, value-oriented approach to investing in Greater China equities. Co-located in Beijing and Hong Kong, the team employs rigorous original research to identify companies that are positioned to benefit from sustainable long-term trends and meaningful changes, and builds concentrated portfolios of high-conviction ideas. For China's equity markets, 2017 was a year of recovery—in earnings, sentiment and valuation—and stocks rallied sharply as a result, led by technology shares. In early 2018 conditions seem at least equally upbeat. After two years of strong performance, China equity markets are seeing solid inflows from both global investors and domestic institutions. Economic growth is slowing but stable, and signs of a potential comeback of pricing power would be constructive for corporate earnings and margins. While risks—including looming deleveraging—persist, the environment of decent growth and modest inflation leads us to be positive on China equity markets for 2018.

MULTI CAP OPPORTUNITIES: THE NACKENSON GROUP

Richard S. Nackenson

The Nackenson Group manages the Multi Cap Opportunities strategy, which is designed to serve as a core equity portfolio for clients. We invest across market capitalizations, sectors and styles with an emphasis on free cash flow generation and capital allocation. Our portfolio consists of 30 to 40 core holdings across three distinct categories of stocks—Special Situation, Opportunistic and Classic investments—that provide unique sources of alpha. In 2017 S&P 500 pairwise correlations declined significantly as company-specific drivers were in focus. High-conviction active managers have the potential to generate alpha through stock selection in this setting. Our team was able to capture this opportunity. We believe continued growth in the U.S. economy, a pro-business environment and acceleration in earnings growth create a ripe atmosphere for active management and free cash flow oriented investing. Company balance sheets are healthy, and free cash flow generation remains strong. It is our view that management teams are well positioned to create value for shareholders by allocating capital effectively. Dividend increases, share repurchase programs, cash accumulation, debt retirement, organic growth initiatives, selective and highly accretive acquisitions—all can accrue to the benefit of equity holders. We believe deep fundamental analysis centered on free cash flow and capital structure efficiency may be an important driver of performance going forward.

EQUITY INCOME: THE MESSINGER GROUP

Richard S. Levine

Sandy M. Pomeroy

David S. Portny

William D. Hunter

The Messinger Group has been serving clients' unique needs for nearly four decades, delivering customized investment solutions for individuals, families and institutions based on well-defined goals spanning multiple generations. The Messinger Group embraces a flexible approach when constructing strategies for our clients and offers solutions ranging from income-oriented to traditional equity portfolios. In 2017, growth outperformed value by the widest margin in recent memory. The S&P 500 generated a positive return every month as volatility stayed at or near record lows. In fact, the market didn't have a single day when it was up or down by 2% or more. While many defensive securities lagged, there were opportunities tied to an improving economy. In the year ahead, we feel equities remain largely supported by healthy corporate results and view tax reform as a structural tailwind for earnings growth potential. Moreover, 2018 could be an inflection point for central banks. At this point in the cycle, we believe investors can benefit from emerging wage and inflation trends. While we remain constructive on the pace of economic expansion, we feel the recent period of unprecedented low volatility could continue to be tested. Overall, we believe a focus on high-quality, cash-generating companies remains critical.

LARGE CAP VALUE

Eli M. Salzmann

David Levine, CFA

The Large Cap Value team utilizes a value investing discipline with a patient, conviction-based approach, conducting independent, bottom-up fundamental and quantitative research to identify nuances of each company that cannot be captured solely by financial characteristics. The top 20 stocks as of the end of 2017 accounted for a significantly higher portion of the portfolio weight than the top 20 stocks in the Russell 1000 Value Index, demonstrating the active approach the strategy takes. 2017 was a year of good gains for equities, with minimal volatility and pullbacks; we feel 2018 will be different, though. Currently, the economy looks like it is growing at a decent rate and now has the tailwind of tax reform; however, monetary policy is no longer as accommodative globally, and we think there is a higher potential for some negative developments over this coming year than we have seen in the past few years. We are bottom-up managers and will continue evaluating all market dislocations for investment opportunities.

MID CAP INTRINSIC VALUE

Michael C. Greene

The Mid Cap Intrinsic Value strategy seeks to invest in high-quality companies trading at a meaningful discount to the team's intrinsic value estimate where a strategic event could potentially unlock value. For example, M&A activity was supportive of our strategy in 2017, as two of our portfolio companies were acquired at substantial premiums during the year. Market volatility remained low in 2017, and individual companies that failed to meet analyst expectations were punished severely; value companies selling at material discounts and undergoing change can experience temporary disruptions as their new strategic plans are being implemented. While the portfolio's discount to our intrinsic value estimate has narrowed, we expect some of our newer positions to begin appreciating and anticipate some price improvement in a number of our lagging positions as managements' strategic plans solidify. With the bull market entering its ninth year, we believe stock market returns will be weaker in 2018 and individual stock picking could become more meaningful. We believe our cash-generating franchise companies have the potential to deliver solid returns in what could be a less robust market moving forward.

SMALL CAP INTRINSIC VALUE

Benjamin H. Nahum

Amit Solomon, PhD

James F. McAree

The Small Cap Intrinsic Value strategy seeks to invest in companies that trade at a meaningful discount to the team's estimate of intrinsic value where a strategic event can potentially unlock value. The strategy in 2017 benefitted from momentum and positive surprise. Recently, we actively reviewed our portfolio with the objective of enhancing the risk-reward profile and have increased our exposure to consumer and health care companies while gradually rebalancing our more cyclical technology and producer durable investments. Given the challenges associated with being a patient value investor, we decided to take a more active approach with certain companies and engaged the boards of several of our undervalued long-term investments around strategy and directors. We believe the portfolio is an attractive mix of growth and value opportunities, well positioned to benefit from important secular trends. We expect 2018 to be a rollercoaster year. As expectations have increased, disappointments, either broad or company-specific, will probably result in swift corrections.

SMALL AND MID CAP GROWTH

Kenneth J. Turek, CFA

Chad A. Bruso, CFA

Marco Minonne, CFA

Trevor Moreno, CFA

Our team seeks to identify small- and mid-cap companies trading at what we believe are compelling prices based on a strong competitive position, a healthy financial state and an identifiable—and ideally unappreciated—catalyst for growth. Both of our strategies actively challenge their benchmarks and peer groups through high-conviction out-of-index positions (of up to one-third the respective portfolios) and reasonable over- and underweight allocations at both the sector and industry levels, while still maintaining the appropriate aggregate-level style and market capitalization expectations for small-cap and mid-cap growth mandates. 2017 was a tremendous year for equities—growth in particular—and it also was a constructive environment for active managers and higher qualitative approaches such as ours. There was a return to relevancy for underlying stock fundamentals, and the market appeared to have a renewed appreciation for forward-thinking, strategic capital-reinvestment strategies over the dominant post-crisis trend of financial reallocations back to shareholders. While we don't anticipate markets in 2018 will mirror the robust returns and fascinating calm of 2017, we are cautiously optimistic that the U.S. will remain a pro-growth environment, corporate earnings will continue to impress and support valuations, and that the landscape will remain largely positive for active management and higher qualitative and differentiated small- and mid-cap growth companies.

SMALL CAP

Robert W. D'Alelio

Judith M. Vale, CFA

The Small Cap team seeks high-quality businesses with above-average, sustainable growth prospects selling at or below-average valuations. We focus on less volatile, less economically sensitive businesses and avoid speculative names that are dependent on economic growth and require healthy capital markets. Looking ahead, global economic activity has been ticking up of late, and recently passed tax legislation in the U.S. is likely to add to this momentum. Strong economic conditions are finally beginning to exert upward pressure on labor rates, which are leading to early signs of inflation. Confirming these trends, interest rates have been creeping up at both the short and long ends of the yield curve. While we think rates are still below levels likely to curtail economic expansion, we will be monitoring these trends closely. We believe that our companies with below-average leverage or net-cash balance sheets could be relative winners in a rising-rate environment.

SUSTAINABLE EQUITY

Ingrid S. Dyott

Sajjad S. Ladiwala, CFA

The Sustainable Equity strategy, which we launched in 1989, incorporates business, financial and environmental, social and governance (ESG) factors to identify 30 – 40 high-quality companies that we believe have the potential to deliver attractive returns over a three- to five-year period. Looking back at 2017, S&P 500 returns outpaced earnings growth, as multiples continued to expand within a backdrop of slow, steady economic growth, low inflation, low volatility and supportive monetary policy. This environment benefitted stocks with high revenue growth. Returns of many established businesses lagged, as investors became concerned about the threat posed by disruptive technologies to such businesses' growth and profitability. This environment also provided some attractive investment opportunities to add best-in-class companies that meet our quality criteria while exiting certain positions, generally based on valuation considerations. We look at a wide range of ESG factors in the businesses we own and track their aggregate impact on our portfolio; as one example, as of September 30, 2017, our portfolio is 55% less carbon-intensive than the S&P 500. Responsibility continues to be a hallmark of quality, and we believe that in a slow-growth world the operating characteristics inherent in certain businesses can translate top-line growth in the low- to mid-single digits into stronger, advantaged bottom-line growth.

CIO WEEKLY PERSPECTIVES

Each week, our *CIO Weekly Perspectives* blog delivers timely insights from the leaders of our Equity, Fixed Income and Multi-Asset Class platforms as well as senior investment professionals from across the firm. Offering interpretation of the factors driving financial markets in an approachable format, *CIO Weekly Perspectives* seeks to prepare investors for the risks and opportunities that lie ahead.

To subscribe to *CIO Weekly Perspectives,* please contact us at CIOweekly@nb.com

MASTER LIMITED PARTNERSHIPS: THE RACHLIN GROUP


Douglas A. Rachlin


Yves C. Siegel, CFA

The Rachlin Group manages income-oriented equity strategies focused on master limited partnerships (MLPs) that have the potential to generate attractive dividend yields with a growth component. The group seeks investments with strong, recurring cash flows anchored by long-term fee-based contracts. Only certain MLPs meet the team's criteria for long-term appreciation potential; we believe companies that have favorable debt metrics and generate sustainable cash flow can maintain and grow distributions through market cycles. 2017 was a frustrating year for the unit price performance of MLPs. It appeared that investors' skepticism toward energy-related equities continued to linger following the decline in oil prices during 2014 – 15. Certain individual MLPs continued to struggle with high debt levels and the continuous need for further equity issuance. In early 2018 we are encouraged by the combination of strong business fundamentals, secular growth opportunities and favorable valuation metrics for our companies. The domestic energy industry continues its transformation toward becoming a global leader. In our opinion, midstream infrastructure assets—such as pipelines, storage and processing facilities—will become increasingly valued as demand for U.S. energy continues to rise.

U.S. AND GLOBAL REITS


Steve Shigekawa


Anton Kwang, CFA


Brian C. Jones, CFA


Gillian Tiltman

The Global REITs team seeks total return through investment in real estate securities, emphasizing both income and capital appreciation. Throughout 2017 we maintained a quality bias, investing in companies with high-quality assets and strong balance sheets. We adjusted our portfolio toward the end of 2017, increasing exposure to property sectors and geographic regions that stand to benefit from improving economic trends. In the U.S. we favor Sun Belt markets, where the positive effects from tax cuts are more likely to be felt. In Japan we believe developers are positioned to benefit from an expected acceleration in inflation. In Europe we prefer the Continent versus the U.K. and believe that the logistics and German residential sectors continue to be supported by secular trends. We believe advancements in technology—such as 5G cellular, cloud computing, autonomous driving and artificial intelligence—likely will lead to significant investments in network and IT infrastructure over the next few years. In our view, data centers and infrastructure REITs are well positioned to benefit from these tailwinds.

EQUITY RESEARCH


Timothy F. Creedon, CFA

Driven by a culture of stock-picking accountability and teamwork, our 40-member Global Equity Research team subjects companies to rigorous, disciplined analysis to generate stock recommendations with a long-term perspective. In addition to supporting portfolio management teams across Neuberger Berman, we aggregate our analysts' best ideas in a number of Research-managed portfolios. These include the Research Opportunity strategy, a diversified sector-neutral portfolio consisting of buy-rated names in research, weighted by analyst conviction. Building on the success of our existing Research-managed products, we recently launched a number of new global thematic portfolios targeting disruptive trends such as autonomous driving, next-generation networking and fintech. These portfolios leverage our analysts' deep sector expertise to obtain more concentrated exposure to the disruptive companies best positioned to benefit from these emerging technologies.

MICHAEL RECCE, PhD
CHIEF DATA SCIENTIST

OUR COMMITMENT TO INNOVATION

In investment management, the need for innovation is constant. Not merely innovation for its own sake, but rather the development of transformative concepts that build on an organization's innate strengths and have real, practical client applications. Inherent in Neuberger Berman's culture of partnership is a commitment to such innovation, a firm-wide drive to uncover new solutions as markets and client needs evolve.

Today, "big data" is creating tremendous excitement across the business world and increasingly in portfolio management. We share the enthusiasm. According to IBM, 90% of all existing data has been created over the last couple years. As populations migrate online and become inseparable from their cell phones, they leave a trail of data reflecting everything from their browsing activity to their physical movements that when gathered and analyzed can offer valuable insights on the health of businesses and the potential of their securities.

Most public attention thus far has focused on short-term opportunities in big data. In the gap between quarterly earnings reports, frequent traders can capitalize on data-illuminated inefficiencies that may not be known to the wider market. But for longer-term investors like us, the opportunity is more about fundamentals: What can the data reveal that might not be an explicit part of a company's financial statements? Take, for example, a company that reported top-line growth of 10%. Is that growth a result of attracting new customers, or is it selling more goods to existing clientele? With the benefit of information from data, investors can understand in more detail the socioeconomic and demographic factors contributing to a company's performance and can differentiate the performance in individual products, geographies and customer cohorts. This information can make a major difference as we seek to identify meaningful trends upon which to base investment decisions.

Public equity research is the most obvious application for big-data analysis, but in truth it is relevant across asset classes. The same set of factors that could affect equity valuation may also impact fixed income credit quality, while digital "footprints" can create a fuller picture of operational realities in assessing private companies with limited financial disclosures.

Our big data team has already worked closely with many colleagues across Neuberger Berman, both to provide insight and to introduce big data into their research and investment processes. Over time, we expect to deepen those relationships. The task is an important one. Big data is set to become a key battleground in the search for alpha. The notion for us is not that it will ever replace human judgment, but that it can provide a valuable set of tools for our active managers as they seek returns on behalf of clients.

BRAD C. TANK
CHIEF INVESTMENT OFFICER—FIXED INCOME

Entering a New Zone

Though economic growth gathered steam worldwide in 2017, inflation remained elusive and the yield on the 10-year U.S. Treasury ended 2017 near where it began, belying widespread expectations that rates would shift higher during the year. While the Fed's measured approach to policy rate normalization pushed up the short end of the yield curve, longer-term rates remained anchored and the curve flattened as a result. The factors driving this—persistently low inflation, the tethering effect of low global rates and the disconnect between the Fed and the market around the terminal fed funds rate—should ease as 2018 progresses, suggesting that longer-term Treasury rates may be biased higher.

Even so, U.S. interest rates across the curve likely will remain well below historical levels in 2018 and beyond, and negative-yielding sovereigns remain prevalent in other developed markets. As a result, yield-oriented investors likely will continue to seek attractive sources of income. We've seen evidence of this in the continued appeal of U.S. credit markets to non-U.S. investors, for example, as well as in the broad allure of the emerging world as cyclical improvement and ongoing reforms have produced an attractive investment environment in many developing markets.

The Fixed Income platform was successful in delivering for clients in 2017, and we continued to position the business for such success in the years to come. We established a Shanghai-based team under the leadership of Peter Ru to focus on opportunities in the increasingly accessible $11 trillion China onshore bond market. Ashok Bhatia joined the firm as a portfolio manager for our multi-sector fixed income strategies, which draw on the full range of our fixed income capabilities. We maintained our focus on building and integrating our insurance-dedicated resources, which will allow us to continue to develop innovative solutions for this important client base. And while the incorporation of ESG factors into our research and investment processes already was widespread on the Fixed Income team, we made significant progress furthering that effort as part of a firm-wide initiative; notably, we launched the Municipal Impact strategy, which seeks to deliver environmental and social outcomes alongside market-level returns from investments in the U.S. municipal bond market.

We've entered a new zone for fixed income in 2018. Yields could go lower, but the secular bull market appears to have already ended. Low correlations among fixed income markets have buffered fixed income investors during recent bouts of trouble, but this is unlikely to persist given narrow credit spreads and low rates. All in all, the chance of a broad, cross-markets selloff appears higher today than it has been for years.

Given the ongoing transition to more normal levels of inflation and interest rates and the reawakening of volatility that is likely to result—both within markets and in correlations across asset classes—we expect 2018 to be an interesting year. In our view, more complex fixed income markets highlight the value of both long-term strategic allocation and shorter-term tactical positioning, as well as having the capabilities across sectors to execute on them.

GLOBAL INVESTMENT GRADE FIXED INCOME

Andrew A. Johnson

David M. Brown, CFA

Neuberger Berman's integrated Global Fixed Income platform is comprised of specialty investment teams that share a common framework to value sectors. The Global Investment Grade Fixed Income team, a member of this platform, manages more than $57 billion in assets for clients worldwide. The team's investment process is structured to navigate the broad global fixed income universe, leveraging sector expertise from across the Global Fixed Income platform to evaluate investment opportunities.

Government bond yields were relatively range-bound over the course of 2017, as expectations surrounding inflation and global growth failed to wholly materialize. Within the U.S., the Treasury curve flattened as the long end fell slightly, the 10-year remained largely unchanged and the short end was driven higher by the Fed's three rate hikes. Globally, interest rates remained subdued, weighed down by ongoing accommodative monetary policy in Europe and Japan. Given this landscape, we maintained an underweight duration position—compared to the Bloomberg Barclays U.S. Aggregate Bond Index—over the year and held short rate positions in core Europe and the U.K. More tactically, we were long rates in Mexico, peripheral Europe and South Africa at different times over the year.

After a surge in reflation speculation in late 2016 following Trump's election and into early 2017, U.S. inflation expectations—as measured by breakevens—cooled for most of the year before modestly picking up in the fourth quarter following consecutive strong inflation prints. Overall, we benefitted from our exposure to U.S. Treasury inflation protected securities (TIPS), though we did reduce our exposure to the sector incrementally throughout the year. We continue to like TIPS given the limited universe of securities that offer inflation protection; the securities also serve to help offset our underweight in U.S. nominal duration.

In the currency market, the U.S. dollar index experienced its first yearly loss since 2012. In contrast, the euro in 2017 posted its largest gain against the dollar in 14 years after beginning the year at a record low of 1.0341 EUR/USD, making it the biggest gainer among G-10 economies. As the relationship between currency and interest rate differentials has been weak, the current macro outlook appears to be driving currency strength. Europe is perceived to be earlier in the business cycle than the U.S., while U.K. economic indicators have been steady. Elsewhere, the Bank of Japan has maintained its highly accommodative policies even as the Fed and ECB have reduced their quantitative easing efforts.

Investment grade credit spreads continued to grind tighter over the year, closing out 2017 at levels last seen just before the 2007 – 08 global financial crisis. Demand for corporate credit was bolstered by improving credit metrics, strong issuance and expected fiscal policy. The strategy continued to benefit from strong security selection as well as the team's decision to remain overweight BBB rated credit, as the quality component of the sector outpaced Treasuries over the year. A persistent underweight to the non-corporate segment of the sector also aided performance.

Our focus within securitized assets in 2017 favored floating-rate non-agency mortgage backed securities (non-agency MBS) and credit risk transfer securities (CRTs). Both sectors were strong performers, offering good cash flow and valuations amid a strengthening U.S. consumer and housing market, and contributed to performance. Looking ahead, non-agency MBS maintains a very low correlation to risk-free rates and risky assets while still offering an attractive projected loss-adjusted yield. CRTs, meanwhile, provide appealing yields, high-quality loans, a floating-rate coupon and an expanding investor base.

INTEREST RATES AND INFLATION

Thanos Bardas, PhD

CURRENCY

Ugo Lancioni

CORPORATE CREDIT

Julian H. Marks, CFA

STRUCTURED PRODUCTS

Terrence J. Glomski

Thomas A. Sontag

GLOBAL NON-INVESTMENT GRADE CREDIT


Thomas P. O'Reilly, CFA


Vivek Bommi, CFA


Russ Covode


Daniel J. Doyle, CFA


Patrick H. Flynn, CFA

Driven by our 40-plus person dedicated global credit research team, our Global Non-Investment Grade Credit platform employs a disciplined process that seeks downside risk mitigation with upside potential. We entered 2017 constructive about the fundamental landscape for high yield but concerned that the market could experience increased volatility given anticipated regulatory changes and looming geopolitical risks. Believing that lower-quality portions of the market were not compensating investors for these risks, we increased our exposure to higher-quality issues, which hurt performance as bonds rated CCC and below outperformed in 2017 as meaningful market volatility failed to emerge. Looking ahead to 2018, we believe non-investment grade defaults in the U.S. will remain below historical averages as improving economic growth buoys issuer fundamentals. The credit quality of the U.S. high yield market remains stable, with tax reform likely to have a modest positive impact on issuer cash flow. Market performance in 2018 may be susceptible to a variety of factors, including uncertainty around trade policy, the shifting regulatory environment, and potential changes to leveraged-lending guidelines and their enforcement; meanwhile, technology-driven disruption remains a key risk to certain industries. Credit quality in the European high yield market remains robust, and default rates are tracking near historical lows under 1%. With the prospect of stable, coupon-driven returns in an increasingly volatile global environment, we believe European high yield paper should remain well bid in 2018.

SENIOR FLOATING RATE LOANS


Stephen J. Casey, CFA


Joseph P. Lynch


Martin J. Rotheram


Pim M. van Schie

Our Senior Floating Rate Loan team seeks attractive risk-adjusted returns through the disciplined management of credit quality and industry analysis. Our approach typically leads to a portfolio of larger and more liquid loans from issuers with stronger fundamentals than the market as a whole. At year-end 2017, more than 90% of the loans in our portfolio were from issuances greater than $500 million and were rated B or higher. With the magnitude of Libor increases lagging the spread compression in new issues that has resulted from refinancings in a high-demand environment, senior loan performance in 2017 came in at the low end of our expectations. Distressed and lower-quality loans outperformed the BB and B parts of the senior floating rate loan market during the year, as investors continued to emphasize higher-yielding paper; as such, our continued focus on quality across our U.S. and global loan portfolios proved to be a slight headwind to performance in the prevailing environment. Continued moderate economic growth in the U.S. should enable the Federal Reserve to persist in its measured approach to policy normalization, including several hikes of the federal funds target rate in 2018, which should be constructive for senior floating rate loans. With the momentum of 2017's near-record CLO issuance expected to continue in 2018, the CLO market should be a steady source of demand for loans. The loan market appears to be compensating investors for default risk—we expect defaults to track below historical averages in 2018—and the asset class continues to provide low-volatility, low-risk access to the non-investment grade space.

EMERGING MARKETS DEBT

Rob J. Drijkoningen

Gorky R. Urquieta

Our multisite Emerging Markets Debt team offers clients a full range of EMD capabilities, with 30 dedicated specialists focused on hard-currency, local-currency and corporate investment strategies, all of which incorporate top-down analysis and bottom-up fundamental research to uncover the potential alpha in emerging markets debt. Our Emerging Markets Debt strategies are approaching their five-year anniversaries in 2018, and the team recently eclipsed $16 billion in assets under management. Investor sentiment toward emerging markets debt remained upbeat in 2017, and the asset class saw steady inflows throughout the year thanks to the emerging world's improving macro backdrop, a weaker U.S. dollar, subdued trade-war rhetoric from the U.S. and a supportive commodity price environment. Total returns for 2017 came in at 10.3% for hard-currency sovereigns, 15.2% for local-currency sovereigns and 7.9% for hard-currency corporate bonds (as represented by the J.P. Morgan EMBI Global Diversified, GBI-EM Global Diversified and CEMBI Diversified indexes, respectively). The synchronized global growth we saw in 2017 provides a strong foundation for continued positive momentum in 2018. While reflation and an upward bias on global bond yields can pose a risk to the performance of EMD assets, we believe that the consolidation of the cyclical improvement in a large majority of emerging economies is likely to provide a buffer against external headwinds.

SPECIAL SITUATIONS

Michael J. Holmberg

Brendan McDermott, CPA

Ravi K. Soni

The Special Situations team seeks opportunities in dislocated and distressed markets. We provide liquidity to unnatural holders or forced sellers by purchasing debt or assets from them that we believe are intrinsically undervalued. We target hard assets like hotels, parking lots, power plants and ships to mitigate downside risk, and we avoid asset-light holdings such as those found in the service and technology sectors. In 2017 we completed several restructurings and were able to monetize investments in the air transportation, energy, oil & gas and real estate sectors at attractive levels relative to our cost basis. We also selectively added new exposure in the oil & gas, real estate and shipping sectors where we were able to source undervalued assets from forced sellers, primarily funds and banks facing liquidity and/or regulatory pressures. Our team actively engages in a holding's restructuring process when necessary to maximize value. For example, in 2017 we completed the sell-out of a condominium project—we converted non-performing debt into equity, installed a new asset manager and invested in deferred capital expenditures to upgrade units. In 2018, we expect a continued uptick in default rates for smaller issuers and to source more opportunities from forced sellers of real assets, specifically European banks.

MUNICIPAL FIXED INCOME

James L. Iselin

S. Blake Miller, CFA

James A. Lyman

Our 16-person Municipal Fixed Income team comprises 10 portfolio managers and six research analysts who work collaboratively to manage more than $10 billion in municipal assets. Bottom-up fundamental analysis is the cornerstone of our investment process. Our deeply experienced analysts perform extensive research across our investable universe, backed by our proprietary state-of-the-art research system. Security selection was additive to returns in 2017, and our barbelled bias also contributed positively as the yield curve flattened. The end of 2017 saw unprecedented levels of supply, as tax-reform proposals had the potential to limit future issuance of tax-exempt municipal bonds. We believe that supply will be constrained in 2018, which could lead to relative outperformance of tax-exempt bonds. Steady economic growth and limited supply should be supportive of credit spreads. Central bank normalization could create higher levels of volatility, and active credit decisions should have a greater impact going forward. Our duration-neutral style that emphasizes fundamental analysis and careful security selection should be well suited for the market environment in 2018.

MULTI-SECTOR FIXED INCOME


Brad Tank


Ashok K. Bhatia, CFA


Jon Jonsson

Drawing on the full range of Neuberger Berman's fixed income capabilities and an asset allocation process that emphasizes capital preservation, the Multi-Sector Fixed Income team constructs portfolios designed to meet client objectives around income, total return, diversification and capital preservation. In 2017 our portfolios were oriented toward capturing income and spread compression in U.S. high yield, investment grade credit and emerging markets debt. During the year we maintained allocations to U.S.-focused credit sectors while increasing our exposure to emerging markets, reflecting our view of positive growth and inflation differentials in these economies compared to developed markets. We were generally positioned for range-bound developed market interest rates in 2017. Looking to 2018, we have reduced the interest rate sensitivity of our portfolios given our expectations that the combination of strong global growth and global fiscal stimulus and reform will result in developed market interest rates being re-rated in a higher range. We also modestly reduced exposures to U.S. high yield and investment grade credit, as the coupling of loosening fiscal policy with tightening monetary policy in the U.S. should drive significantly higher volatility. With inflation back on the radar, we anticipate maintaining significant allocations to inflation-protected securities as well.

FIXED INCOME INVESTMENT OUTLOOK

The Fixed Income Investment Strategy Committee, comprising senior portfolio managers from across our Fixed Income platform, meets monthly to share opinions and insights and thus shape the asset allocation of our multi-sector strategies. The quarterly *Fixed Income Investment Outlook* details the committee's market outlook and analyzes in depth the topics driving financial markets today.

To subscribe to *Fixed Income Investment Outlook,* please contact us at FIoutlook@nb.com.

INSURANCE FIXED INCOME

Jason Pratt

The Insurance Fixed Income team represents specialized market-facing resources that are part of Neuberger Berman's dedicated Insurance Solutions Group. This framework allows us to leverage the full spectrum of our fixed income investment platform in addressing the unique circumstances of insurance clients worldwide. Our philosophy is rooted in the recognition that insurance companies differ in terms of economic objectives, capital requirements, liquidity needs and approaches to supporting liabilities and policy holders, all of which can vary significantly based on such factors as line of business and regulatory jurisdiction. As such, the first step in establishing effective partnerships with insurance clients is to understand their unique needs and constraints. With these defined, our broad multi-sector fixed income capabilities enable us to develop tailored solutions that better reflect the dynamic nature of fixed income markets, distinguishing us from other firms that may have a more limited product orientation. With more than $30 billion in insurance assets under management, the 13-person Insurance Solutions Group continues to build relationships around the globe, bringing our ideas and resources into focus for insurance companies of all sizes and types.

FIXED INCOME RESEARCH

Stephen J. Flaherty, CFA

Christopher J. Kocinski, CFA

Jennifer R. Gorgoll, CFA

Nish V. Popat

With experienced analysts across investment grade, non-investment grade and emerging markets, our Fixed Income Research teams share the belief that market mispricings provide opportunities to add value for those with unique insights and conviction if extracted without exposing portfolios to undue risk. We have the ability to wed these notions thanks to the fundamental research—comprising economic analysis, sector and issuer spread relationships, cash flow analysis, credit assessment and material ESG criteria—of analysts within each sector, who interact daily with our portfolio managers to ensure we make well-informed decisions for clients. In 2017 our fixed income research resources—159 investment professionals worldwide—conducted approximately 1,600 management meetings, a reflection of our commitment to proactive, bottom-up research. In addition, we continued to host research training programs for personnel from key institutional clients so they could better understand our process.

HEATHER P. ZUCKERMAN
CHIEF OF STAFF

OUR COMMITMENT TO ACCOUNTABILITY

At Neuberger Berman we have been encouraged and excited by the increasing interest in our application of environmental, social and governance principles to our investments and to our firm's culture. We have lived by the principles of ESG since well before a specific movement emerged because doing so makes us better investors, employers and colleagues. We value those companies, people and ideas that embody our culture of engagement, accountability and long-term alignment. We learn by interacting candidly and collaboratively, by challenging each other and by recognizing that being invested for the long term demands constant evolution. We also focus on materiality in ESG, ensuring that we are driving toward salient goals rather than doing things simply to "check the box." A few specifics to bring these ideas to light:

Human Capital Management. We continually review our organization to identify individuals, teams or processes that would benefit from increased diversity. Diversity takes many forms—from traditional indicators like race, ethnicity or gender to the diversity of perspective, communication style or background. We seek to foster an environment in which diversity of all types can flourish, changing the way we solicit employee feedback, make decisions, integrate new hires and select counterparties and vendors as necessary to do so.

Governance. Though our Operating and Partnership committees likely would more than satisfy the need for "governance" at most private companies, we supplement these groups with a formal board of directors that includes both Audit and Compensation committees. Importantly, half our board members are independent and have substantive experience in asset management, enabling them to truly engage and challenge management.

Business Planning. While long-term business planning naturally includes a range of client and market assumptions, our flexible governance structure allows us to nimbly redirect resources as necessary in response to evolving client needs, technological advances and regulatory changes. And since most of our senior employees are also owners, they are aligned in their focus on maximizing value for our clients and our firm.

Transparency and Feedback. Given their close engagement with our clients and financial markets, our employees are uniquely positioned to advise senior management on key firm initiatives. To encourage the free exchange of ideas we provide employees with a high level of transparency while gathering feedback through channels that range from small employee dinners at CEO George Walker's home to anonymous employee surveys administered by third parties. Our executive offices are situated next to the NB Exchange, our dining and gathering space, to encourage informal interactions and to help us identify and address potential blind spots.

We are proud of the culture of alignment that we have built at Neuberger Berman. We will continue to hold ourselves to the same high standards that have guided our company since 1939, and we welcome dialog with our clients, peers and counterparties on initiatives in the ESG space and beyond.

ANTHONY D. TUTRONE
GLOBAL HEAD OF ALTERNATIVES

A Continued Source of Compelling Opportunities

The alternatives market continued to be robust in 2017, as investors sought differentiated and uncorrelated returns to public markets through private investment structures. We believe that 2018 will bring increased opportunity for alternatives, building on the momentum from last year, when alternatives overall provided compelling investment opportunities and generated attractive returns (as evidenced by the performance of the HFRI and the Cambridge Associates indexes) despite the volatility in public markets and the highly charged political environment, rising interest rates and generally high valuations.

For 2018 we expect increased volatility as markets adjust to rising interest rates and inflation along with continued geopolitical uncertainty. We believe that corporate fundamentals will be the key driver of stock prices once again, providing hedge fund managers the opportunity to generate alpha on both the long and short side. Within the hedge fund space, we also favor directional, uncorrelated hedged strategies like CTAs and macro hedge funds that stand to benefit from potential increases in commodity prices and interest rates. In addition, we also believe that rising interest rates in the U.S. will make for a more challenging environment for highly leveraged, lower-quality companies. This, in turn, should create opportunities for hedge fund and private equity distressed debt managers.

We remain bullish on private equity relative to other asset classes. We think that private equity will benefit from robust financing markets, reduced regulations and a more favorable corporate tax code in the U.S. However, like most asset classes, valuations are high, so investors should be cautious of private equity strategies that rely on buying cheap or exiting at higher valuation multiples. Instead, we believe investors would be better served focusing on private equity strategies predicated on making significant strategic and operational improvements that will accelerate earnings growth in companies.

We remain bullish on private credit, which, like other areas of private equity, captures alternative sources of risk premia, in this case illiquidity and complexity. In addition, private credit is somewhat insulated from high valuations and can provide an attractive cash yield. Private credit should also benefit from increased M&A activity driven by robust global growth, strong corporate earnings and a less interventionist approach to deals by the current U.S. administration.

Throughout 2017, Neuberger Berman Alternatives continued to be an active investor and innovator in alternatives investments. The team launched an uncorrelated hedge fund UCITS strategy in Europe and also a strategy focused on real estate secondaries. Furthermore, we increased activity in our existing businesses, raising capital across diversified private equity, secondaries, private debt, distressed credit and private equity minority stakes businesses.

PRIVATE INVESTMENT PORTFOLIOS


Jonathan D. Shofet


Peter J. von Lehe


Patricia Miller Zollar


Paul D.S. Daggett


Elizabeth S. Traxler

Our Private Investment Portfolios team builds diversified private equity portfolios for institutional clients around the world, both on a commingled fund and separate account basis. Specifically, we invest in primary and secondary fund commitments and direct co-investments in private equity-backed companies across asset classes, industries and geographies. The team was extremely active over the course of 2017 and reviewed approximately 200 opportunities, ultimately committing $2.8 billion in new investments during the year. Liquidity has also been robust, and we received over $1.1 billion of gross proceeds from underlying portfolio company realizations during 2017. Looking ahead, we are optimistic, albeit cautious, in the face of relatively high asset prices and the prospect of rising interest rates, recent market volatility and complex geopolitical issues. Our focus remains on investing in and alongside experienced private equity managers that have strong track records, sound investment judgment, appropriate price discipline and a demonstrated ability to drive operational value in the companies they own.

SECONDARY INVESTMENTS


Brian G. Talbot


Tristram C. Perkins


Ethan A. Falkove


Benjamin B. Perl


Scott Koenig

Our Secondary investment team is focused on acquiring high-quality private equity assets from various types of sellers in a range of situations, including traditional limited partnership interests, opportunistic direct co-investments from investors seeking early liquidity, portfolios of directs or "synthetic secondaries," and structured secondary solutions, royalties, hedge fund side pockets and credit-related opportunities. The team was particularly active in 2017, having reviewed approximately 270 opportunities. Looking to 2018 we are optimistic that attractive opportunities will again present themselves, as the growth drivers of recent years—the expanding universe of sellers, changing regulations, more active portfolio management and the growth in private equity generally—are, in our opinion, sustainable long-term trends. Finally, we note that a secondary strategy can benefit from broader market volatility in terms of increased deal flow and more favorable pricing. In addition, we have seen general partners begin to embrace the secondary market as a way to solve complex issues and help generate liquidity for their existing limited partners, a trend that we expect to continue. In 2017 the team added two senior real estate professionals, Scott Koenig and Ted Rykowski, to expand our capabilities into the real estate secondary market. We believe that this segment of the secondary market remains relatively under-addressed and that by leveraging our platform's resources, reputation and access to deal flow, we are well positioned to take advantage of the opportunity.

CO-INVESTMENTS


David S. Stonberg


David H. Morse


Michael S. Kramer


Jacquelyn A. Wang


Joana Rocha Scaff

Our Co-Investment team is focused on selecting the best investment opportunities with leading private equity firms in their core areas of expertise. In 2017 we reviewed a record 220 investment opportunities, driven by the strength of our private equity platform and relationships. Amid the backdrop of elevated valuations, the team continues to be highly selective and to favor opportunities where there is a clear value-creation plan focused on initiatives including operational efficiencies, cost savings and/or accretive add-on acquisition strategies. Our ability to co-underwrite an investment or provide capital for strategic purposes to existing portfolio companies of private equity firms after the time of their initial investment ("mid-life" investments) has provided a differentiated investment approach for our partner private equity firms. These mid-life investments can be used for a variety of purposes, including shareholder monetizations, recapitalizations and assisting in the funding of large acquisitions. For 2018 we expect to maintain our strategy.

RENAISSANCE PARTNERS


Marco Cerrina Feroni


Fabio C. Cane


Stefano Bontempelli


Marco De Simoni


Luca Deantoni


Michele Quaranta

NB Renaissance Partners is a private equity fund focused on generating attractive returns by investing in growth-oriented Italian mid-market companies. After a strong 2017, our outlook for 2018 continues to be optimistic. Italy is currently enjoying sound economic prospects and a positive investment climate, coupled with an abundant supply of family-owned companies that are facing succession issues and need of capital to grow in the international markets. Although private equity activity in Italy has grown significantly, the market is still highly underpenetrated. The limited competition, particularly in the mid-cap segment, drives moderate valuations, further increasing the attractiveness of the opportunity set for the Renaissance team.

MARQUEE BRANDS


Samuel N. Porat


Zachary P. Sigel

Marquee Brands acquires, licenses and develops high-quality consumer brands with the goal of expanding their reach across distribution channels, geographies and product categories. The past year was a transformational period for Marquee Brands on several fronts. First, we continued to capitalize on retail dislocation, completing the acquisition of a portfolio of high-quality women's brands out of bankruptcy (BCBGMaxAzria, BCBGeneration and Herve Leger). Second, our brand portfolio royalty revenues grew approximately 15% organically, as marketing and licensing initiatives from prior years continued to deliver growth. Third, Marquee continued to expand our platform, opening up an office in Los Angeles and building out our e-commerce and digital capabilities. As we look toward 2018 and beyond, we hope to build on our momentum from last year and we expect to complete more acquisitions as traditional brick-and-mortar retail challenges create opportunities for intellectual property buyers.

PRIVATE CREDIT


Susan B. Kasser, CFA


David J. Lyon


Matthew Bird

Our Private Credit team invests in the secured and unsecured debt of private equity-owned companies, benefitting from Neuberger Berman's expansive network of sponsor relationships. We believe that our relationships will continue to provide significant sourcing advantages, enabling us to identify attractive investment opportunities in a wide range of market conditions. In 2017 credit markets exhibited little of the marked volatility of early 2016, and spreads continued to tighten in the face of a benign macroeconomic backdrop, solid corporate fundamentals and U.S. regulatory/tax reform. We remain highly selective in a market characterized by elevated leverage levels and borrower-friendly documentation. In 2017 we invested in fewer than 7.5% of the transactions we reviewed. We continue to believe that, despite new entrants and incremental capital earmarked for private credit, our markets are not immune to fits of risk aversion and dislocation. As such, our long-term perspective coupled with our focus on rigorous fundamental analysis and capital preservation will enable us to take advantage of future inefficiencies.

DYAL CAPITAL


Michael D. Rees


Sean J. Ward

Dyal Capital Partners is focused on acquiring minority equity stakes in established alternative asset managers. Since 2011 the Dyal team has invested in 26 leading hedge fund and private equity firms. In 2017 the Dyal team completed five transactions, acquiring minority stakes in four private equity firms and one hedge fund firm. The year generally ended well for alternative asset managers, with record fundraising in private equity and hedge funds' best returns in four years. We anticipate that increased asset price volatility will provide significant opportunities for managers whose fund structures allow them to take the long view and for hedge funds to invest both long and short. For 2018 we expect our segment of the alternative asset management space to remain attractive, as managers' demand for permanent capital to facilitate platform development, generational transfer, new product launches and other strategic initiatives continues to grow.

HEDGE FUND SOLUTIONS GROUP



David G. Kupperman, PhD   Jeff A. Majit, CFA   Frederick Ingham

Driven by focused and disciplined research and portfolio management, the Hedge Fund Solutions team seeks investment opportunities with an emphasis on absolute returns, low volatility and minimal sensitivity to broader market movements. 2017 was a productive year for the majority of fundamentally driven hedge fund strategies. Lower intra-stock and intra-bond correlations led to a particularly fertile environment for bottom-up long/short equity and credit investing. In contrast, relative value and global macro strategies, which rely at least partially on market volatility to generate returns, had a more challenging 2017. S&P 500 volatility dropped to near 50-year lows and Treasury volatility to near 30-year lows, limiting the ability of hedge funds in these areas to capture gains from outright or relative asset price movement. That said, the opportunity set for managers in these strategies appears to have improved in early 2018. We anticipate the end of coordinated easy monetary policy combined with significant fiscal stimulus in the U.S. will lead to upward pressure on interest rates, which in turn should result in higher levels of realized volatility across asset classes. After nearly a decade of QE-driven volatility suppression, an environment characterized by higher levels of intra- and inter-asset class dispersion augur well for managers pursuing global macro and relative-value trading strategies. Further, as rates continue to move higher, shorting both equity and credit should become easier, as companies whose problems have been masked by the ability to borrow cheaply become more exposed. As we transition to a market no longer implicitly supported by central banks, we believe investors can benefit by complementing their long equity and fixed income portfolios with exposure to hedge funds well-positioned for what could very well be the early stages of a paradigm shift in markets.

HEDGE FUND PERSPECTIVES

The hedge fund marketplace comprises a diverse array of strategies in which both the dispersion of performance and degree of opportunity are sizable. The NB Alternative Investment Management team publishes its annual *Hedge Fund Perspectives* to explore this dynamic landscape, analyzing the trends and themes that may hold potential moving forward.

To subscribe to *Hedge Fund Perspectives,* please contact us at HFperspectives@nb.com.

LONG SHORT

Charles C. Kantor

Marc A. Regenbaum

With the ability to invest long and short as well as in fixed income, our Long Short strategy seeks capital appreciation with a secondary objective of principal preservation. During 2017 we modestly increased our net long bias, as the regime change from monetary to fiscal policy in the U.S. alongside strong economic data created higher stock dispersion and opportunities for differentiation based on company-specific fundamentals. At the end of 2017 we remained positioned for a prolonged recovery and upswing in the business cycle, as in our view benefits of the Tax Cuts and Jobs Act have the potential to create further tailwinds to the current recovery. Nevertheless, we are very mindful of the complex world in which we live and invest. The risks of the long-term inflationary effects of continued government intervention coupled with myriad ongoing geopolitical issues around the world remain top of mind. Thus, policy details will matter a great deal more in 2018 and beyond.

GLOBAL LONG SHORT CREDIT

Norman Milner

D. Richard Dowdle

Itai Baron

Darren L. Carter

Our Global Long Short Credit strategy seeks to serve as a complement to "long-only" traditional fixed income management. Fundamental analysis is the bedrock of our portfolio construction. The portfolio is fairly concentrated and aims to avoid excessive amounts of interest rate and directional credit market risk. The portfolio seeks to allow investors to participate in the yield and return of the credit markets while mitigating some of the downside risk. The credit markets in 2017 performed well, as credit spreads rallied over the year and the search for yield continued. We were able to participate in much of this performance without taking on the full risk of the credit and interest rate markets. We expect 2018 to be a more volatile year and hope to take advantage of this, on both the long side as well as the short side.

PRINCIPAL STRATEGIES GROUP

Joseph A. Rotter III

Judd M. Arnold

Sean M. Badcock

Gabriel J. Cahill, CFA

Erik F. Ostrowski, CFA

The Principal Strategies Group employs an equity market-neutral, style factor-minimized approach to event-driven investing. The team seeks to generate positive absolute returns with minimal correlation to equity market indexes. The strategy incorporates two distinct sub-strategies: risk arbitrage and market-neutral catalyst. In 2018 we expect regulatory and fiscal reform to serve as catalysts for acceleration of both industry consolidation and corporate restructuring, yielding a robust set of potential and announced events in which to invest. Although we expect tighter monetary policy and increased volatility to present headwinds to global equity returns in 2018, we believe our hedging framework can help us both preserve capital and isolate the value created by an announced acquisition, asset sale or other corporate event.

ALAN H. DORSEY
CHIEF RISK OFFICER

OUR COMMITMENT TO RISK MANAGEMENT

Risk management is central to Neuberger Berman's culture. As an employee-owned manager, Neuberger Berman is devoted to identifying and managing risk—risk to our clients, risk to our portfolios, risk to our reputation.

We believe that fostering an environment of strong internal controls is vital. To this end, we have established a rigorous risk management framework that features dedicated investment and operational risk teams who work to protect client assets and our enterprise as a whole.

Internal risk guidelines are just a starting point. Our risk professionals—many of whom have backgrounds in investment research and portfolio management—act as an independent oversight for each portfolio management team's investment exposures and process, supporting risk reviews with our chief investment officers and portfolio managers. Risk personnel also act in collaboration with other control units of the firm, such as compliance and internal audit. A focus on collaboration across Neuberger Berman fosters an environment of open discussion and problem-solving, and it promotes an alignment of our investment platform with the best interests of clients. With a direct reporting line to Neuberger Berman's Chief Executive Officer, our risk management structure is enhanced by an ability to escalate issues as necessary to firm leadership as well as to our commingled fund boards and board of directors.

Throughout 2017 we improved our capabilities on both the investment risk and operational risk fronts. For example, we expanded our investment risk oversight framework to include support for new investment strategies and the geographic expansion of our fund platform. We also enhanced our operational risk controls related to the business impact analysis of potential outages of critical trading systems. We expect to identify additional investment and operational risk areas to support in 2018 as we continuously evolve in order to manage risks to our clients and franchise.

ERIK L. KNUTZEN, CFA, CAIA
CHIEF INVESTMENT OFFICER—
MULTI-ASSET CLASS INVESTMENTS

J. DOUGLAS KRAMER
CO-HEAD OF QUANTITATIVE AND
MULTI-ASSET CLASS INVESTMENTS

A Balancing Act Focused on Client Outcomes

Global economic conditions were very encouraging in 2017, with synchronized growth supporting risk assets worldwide. Geopolitical risks largely were shrugged off by investors, and equity markets displayed a remarkable run against a backdrop of unusually low volatility. While we do not feel this momentum was disconnected from the underlying fundamentals, the Quantitative and Multi-Asset Class (QMAC) team spent much of the year focused on the investment outcomes sought by our clients, working from there to deliver the right solutions. Our dialogues have increasingly centered on ways investors could continue to source attractive return profiles while simultaneously preparing for a shifting investment environment likely marked by increased equity volatility, rising interest rates and higher inflation. To this end, we focused on diversification—not only of exposures (style and factor exposures in particular) but also of those sources of return expected to help mitigate weaker performance from traditional asset classes—with an emphasis on transparency and costs. And of course no discussion was complete without an assessment of the complex risks investors face today.

The QMAC team seeks to address investors' needs by delivering solutions tailored to specific investment objectives, offering access to the best ideas of both the QMAC investment teams and Neuberger Berman as a whole, including strategies that capture compensated factor exposures efficiently and transparently within a robust risk management framework. In 2017 we added to our roster of multi-asset class (MAC) mandates, including a new strategic partner; on-boarded several new customized asset allocation mandates; and launched commingled vehicles offering access to the MAC portfolio management team's investment views. Our Option business continued to gain significant traction with a wide range of clients seeking to diversify or lower the risks of their equity portfolios. And we deepened our commitment to quantitative investing by welcoming Breton Hill Capital—a boutique Canadian asset manager focused on risk premia and factor investing—into the Neuberger Berman family. This Toronto-based team of nearly 20 professionals—including the three co-founders who have worked together for more than two decades—brings to the firm an impressive investment platform and significant capital markets experience.

Today we have more than $12 billion in assets under management—with 46 employees in New York, Toronto, London, Chicago and Taiwan—and in 2018 we seek to deliver our capabilities to an ever-growing investor base. We have doubled the number of PhDs on our team, we are working more closely with the firm's Global Equity Research and Data Science teams, and we continue to invest in technology and the operating platform to support the business. We recently launched a Taiwan equity strategy, and this year we plan to further expand our systematic equity strategies to China; Ping Zhou, who currently manages a systematic emerging market equities strategy out of New York, will be relocating to Shanghai to work more closely with our clients in the region, to extend these capabilities and to develop a China A shares strategy. We expect to continue to grow our capabilities to better navigate complex markets as our clients' needs evolve.

BRETON HILL


Ray Carroll, PhD, CFA


Simon Griffiths, CFA


Frank Maeba, CFA


Gideon Schapiro, CFA


Ram Ramaswamy

Utilizing rigorous quantitative research and a proprietary technology infrastructure, Breton Hill's capabilities range across the risk and return spectrum, spanning equities, currencies, commodities, rates and volatility. The team's investment strategies focus on alternative risk premia, systematic equities, tax-managed strategies and a suite of Canadian-based mutual funds and ETFs through our partnership with Purpose Investments, a leading funds provider in Canada. The Breton Hill team's edge is rooted in its diversified, thoroughly researched and finely risk-managed multi-asset and single-asset risk premia portfolios with disciplined drawdown management. In 2017 we focused on integrating the team into Neuberger Berman, deploying our factor-based investment capabilities into the portfolios of several strategic partners, with exposures tailored according to these clients' overall investment objectives. In 2018 we plan to bring our capabilities to a wider audience through the launch of several additional commingled vehicles, as well as through discussions with clients about our ability to customize strategies with bespoke factor exposures. The team is also working closely with Neuberger Berman's Global Equity Research and Data Science teams to identify systematic drivers of returns in both the fundamental analysis of individual companies and in "big data" sets—a quantamental approach to enhancing our systematic capabilities. With the added scrutiny on transparency and fees in both traditional and alternative asset classes, we believe our team is uniquely positioned to deliver compelling investment strategies designed to meet clients' needs across large portions of their portfolios.

OPTIONS


Derek R. Devens, CFA

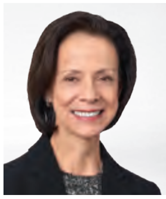

Rory Ewing


Eric Zhou

Our Option Group builds portfolios that seek long-term profits by consistently collecting option premiums in a liquid, risk-managed framework. 2017 was remarkable in many ways, with the S&P 500 advancing every month of the calendar year for the first time ever and volatility at its lowest levels in decades. Despite this low-volatility environment, investors in our Option team's put-writing strategies generally were able to capture a reasonable share of the gains posted by their underlying equity indexes while also accessing a source of cash flow and income. Flows into Option strategies accelerated over the course of 2017 for a variety of reasons. Some investors deployed options strategies to efficiently diversify their existing equity risk given valuation levels, others used them as a cost-effective liquid alternatives strategy, and still others sought to reduce equity exposure without holding duration-risk-sensitive bonds or cash. To meet these varying needs, we launched several new products offering put-writing strategies, including the addition of a global approach to our existing U.S.-equity focused lineup and a hedged option premium retail offering. As we look ahead to 2018, we believe these same objectives will continue to motivate investor decision-making, and interest will be fueled further by investors seeking to opportunistically take advantage of the higher-volatility conditions we've seen in early 2018. Against these evolving trends, our philosophy and approach remain consistent—we continue to manage our strategies with a focus on long-term success, including a strong preference for compounding option premium cash flows and short-term bond income over long periods of time.

MULTI-ASSET CLASS


Erik L. Knutzen, CFA, CAIA


Lori L. Holland


Tokufumi Kato, PhD


Ajay Singh Jain, CFA, FCCA


Hakan Kaya, PhD

Our Multi-Asset Class team offers a range of portfolio solutions, including customized investment strategies tailored to a client's unique needs, as well as commingled vehicles that provide broader access to many of these same strategies. The MAC team will work to design the most efficiently constructed portfolio in pursuit of a client's objective, whether it is to generate absolute returns, produce a steady income stream or provide a risk-parity portfolio. The 2017 investment environment was characterized by moderate growth, low inflation and still-accommodative monetary policy, but within a more fragile overall economic regime facing increasing challenges. Against this backdrop, the MAC team brought on several new clients with specific needs, including multiple mandates focused on lower volatility or lower beta to equity markets. We also added a new strategic partner to our small group of clients in this space, as well as new OCIO clients. Finally, we launched a fund specifically focused on diversified growth exposures, albeit with moderate volatility and lower sensitivity relative to equity markets. Looking ahead in 2018, while we believe there is still runway for risk assets to appreciate further, we also believe that adopting a more defensive stance is warranted should risks manifest themselves sooner rather than later this year. In this environment, absolute return strategies could benefit from rising volatility and diverging markets, and options or alternative risk premia strategies may help improve portfolio risk-adjusted return potential. Increased exposure to inflation-sensitive assets—such as commodities, where we are seeing significant new flows—is also an attractive strategy amid late-stage growth and rising price pressures.

ASSET ALLOCATION COMMITTEE OUTLOOK

Composed of senior investment professionals across platforms, our Asset Allocation Committee assembles each quarter to establish its 12-month views for an array of asset classes, refined through vigorous debate and discussion. The quarterly *Asset Allocation Committee Outlook* captures these views and the market, macroeconomic and geopolitical context driving them.

To subscribe to *Asset Allocation Committee Outlook,* please contact us at AACoutlook@nb.com.

KENNETH G. RENDE
HEAD OF WEALTH MANAGEMENT; PRESIDENT AND CEO, NEUBERGER BERMAN TRUST COMPANY

OUR COMMITMENT TO CLIENT ENGAGEMENT

Periods of steady growth in equity markets can breed complacency among investors—and neglect over time can warp even the most thoughtfully crafted asset allocation plan. Therein lies the risk after a year like 2017 in which stocks trended consistently higher before an early-2018 bout of volatility shook investors from their slumber. Suddenly unsettled financial markets can serve as a test for investors—of their asset allocation, of their investment discipline, of their strategic plan. Such conditions also test the effectiveness of their trusted advisors.

As providers of wealth management services throughout our more than 75-year history, Neuberger Berman's ability to deliver for clients through a variety of market conditions is predicated not only on the expertise and experience of our portfolio managers, but also on the depth, breadth and quality of our engagement with clients.

Our investment teams and wealth advisors work closely with each client to design customized portfolios in a tax-sensitive framework that reflects income needs, growth targets and risk tolerance, accessing a full platform of tailored, multifaceted investment solutions managed by Neuberger Berman portfolio managers and complemented by the Neuberger Berman Trust Company, Investment Strategy Group (ISG) and wealth planning analysis team.

The Neuberger Berman Trust Company delivers comprehensive and personalized fiduciary and investment services for individuals and institutions, taking a holistic approach that integrates the unique needs of each client with appropriate investment solutions. The Trust Company offers services nationwide and also is able to provide access to the favorable trust laws of the state of Delaware. The Trust Company can help review, construct or execute a gift or estate plan, as well as provide discretionary asset management services and solutions.

ISG provides a wealth of global investment insights, research and analysis, and helps design customized asset allocations and portfolio manager proposals across all asset classes to create tailored investment solutions for clients. ISG leverages the quarterly tactical views of the firm's Asset Allocation Committee as well as its own strategic analysis and manager research. The group works closely with our wealth advisors, portfolio managers and clients to gain a deep understanding of each client's situation and goals in designing investment solutions.

As a complement to ISG and the Trust Company, our wealth planning analysis team considers the entirety of a client's financial resources to assess progress toward personal goals and to explore ways that can help improve upon existing approaches. This task extends across disciplines, including cash flow management and taxation planning, and explores many challenges faced by individuals, including retirement, long-term care needs, education funding for family members and more.

JOSEPH V. AMATO
PRESIDENT AND CHIEF INVESTMENT OFFICER—EQUITIES

Partnering Across Generations

Our private client investment managers—an integral component of Neuberger Berman since our founding in 1939—deliver unique, tailored solutions to individuals, families and their related organizations. These managers emphasize customization, strong risk management and a commitment to service that has fostered deep, longstanding relationships spanning generations. The qualities that have long defined our firm—tailored solutions, personalized service and a passion for investing—continue to resonate with our clients today.

Clients can count on a true partnership with Neuberger Berman, one that leverages the full range of the firm's resources in pursuit of attractive, risk-adjusted, tax-efficient returns over the long term complemented by unparalleled service. Our portfolio managers are seasoned investors, supported by teams that have worked together across market cycles and through a variety of investment environments. We expect this experience will be vital in 2018 and the years to follow as central banks continue to back away from post-crisis monetary accommodation and fundamental market drivers return to the fore, a transition likely to be marked by increased volatility—and increased opportunity for nimble, active investors.

Our private client business represents an important part of our heritage and affirms our commitment to provide solutions to our clients' needs. To reflect the dynamic investment environment, we continue to expand our platform, our services and the ways in which we engage with our clients. In recent years the firm has added a range of investment solutions and augmented our internal research capabilities as investors continued to look beyond traditional equity and fixed income investments to incorporate a broader range of risk and return opportunities. We will continue to add resources as appropriate to meet the evolving needs of our clients.

THE PADUANO GROUP


Daniel P. Paduano, CFA


Sherrell J. Aston

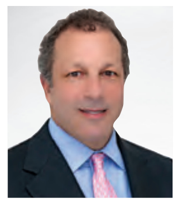

Jason H. Vintiadis


Maximiliano Rohm

The Paduano Group believes major long-term demographic, societal, technological and political developments around the world create a robust array of investment opportunities. The team follows a disciplined and consistent research process in an effort to translate these secular global themes into high-conviction, worldwide investments. 2017 was a productive year for our strategy, with healthy contributions from a number of our themes, notably Evolving Global Consumer, Personalization of Media and Health & Wellbeing. We were encouraged by the continued progress in the equity markets toward a more normal correlation between stock price performance and business fundamentals and an environment in which companies with unique revenue profiles and exceptional operating leverage are recognized for their individual worth and not just as an element of an ETF or index fund. In 2018 the geopolitical and economic backdrop presents us with a list of both risks and opportunities. It is this exact environment in which our themes can serve us particularly well, as we focus our due diligence efforts on businesses with predictable secular growth around which we can develop a great deal of confidence.

THE LARGE CAP DISCIPLINED GROWTH GROUP


John J. Barker


Richard N. Bradt


Jason Tauber, CFA

The Large Cap Disciplined Growth strategy and philosophy have remained consistent for over two decades: The team is focused on identifying and owning companies experiencing a multiyear acceleration in fundamental operating performance. We layer in additional factors when making investment decisions, including embedded optionality in the business, long-term free cash flow support, input from the Neuberger Berman Global Equity Research department and investor skepticism. We are often asked about our outlook for growth stocks, given strong outperformance versus value in 2017, and we continue to be optimistic that growth can continue its strong run. The bulk of the outperformance of growth in 2017 was driven by earnings, highlighted by the fact that the relative earnings multiple for growth versus value stocks remains largely unchanged and consistent with the historical average. Further, where we did see valuation expansion, it is important to note that several key growth stocks see accelerating returns to scale; their economic moat expands faster as they get bigger. We will continue to apply our investment discipline in 2018, and we will look to capitalize on individual opportunities regardless of the market or economic backdrop.

THE KSE VALUE GROUP


Michael N. Emmerman


Michelle B. Stein


Brooke Johnson


Richard Wesolowski

The KSE Value Group is a classic value investor, using a time-tested process rooted in rigorous research to identify undervalued stocks across the capitalization spectrum. We look for companies that are poised to benefit from a clearly defined catalyst, which may be internal (such as management changes or shifts in the company strategy) or external (such as regulatory, political or macroeconomic trends). Once we initiate a position, our investment horizon is generally two to four years. We believe that company-specific catalysts will be key drivers of performance in 2018, as they have been in previous years.

THE GREENE GROUP


Michael C. Greene


Benjamin H. Nahum


Stanley G. Lee

The Greene Group manages small-cap, mid-cap and all-cap strategies using a private equity-style, research-driven approach to identify out-of-favor companies trading at a significant discount to their intrinsic value with an identifiable catalyst to help narrow the price gap over time. The team looks for disconnects between reality and market perception—something that occurs regularly in particular types of companies, such as those with complex corporate structures. In 2018 a number of our most attractively valued technology positions participate in growing sectors, from voice recognition to internet infrastructure and cybersecurity. This undervalued growth play is also evident in other areas, such as the health care and consumer sectors, where we have investments in a private-label food supplier and an organic foods manufacturer. In the medical space we continue to see opportunities in companies that benefit from an aging population and expanded health care coverage. Research and development spending in life science and medical research also stand to benefit several portfolio companies. It is possible to envision 2018 as a year marked by continued momentum along with episodic corrections that can quickly and significantly lower equity values. Against the backdrop of improving economic conditions and buoyant equity prices, we are doing our best to evolve as value investors.

THE KAMEN GROUP


Michael W. Kamen, CFA


Lee J. Tawil, CFA


Stuart J. Pollak

The Kamen Group seeks to deliver solid long-term investment performance through a disciplined investment process focused equally on the quality of companies and the price that is paid for them. The team favors businesses characterized by sustainable competitive advantages, strong management, high returns on capital and superior balance sheets. In 2017 our portfolios benefitted from a large position in technology, which we increased our exposure to in late 2016 as it became undervalued relative to its prospective growth. Our modest cash position detracted, but our portfolios participated in the stock market's strong advance. At the beginning of 2018, our technology exposure remains significant, as does our exposure to heath care, particularly medical devices. We are underexposed to utilities and REITs, given our expectation of rising interest rates. With the benefits of the new tax bill and robust economic conditions (offset somewhat by rising rates), we are still bullish on the equity markets for 2018. However, elevated equity market valuations should result in more moderate return outlooks for both equities and fixed income going forward. We have become more selective in deploying cash to new opportunities, and we are focused on companies where valuation remains reasonable and we have high conviction in the investment premise.

THE STRAUS GROUP


Marvin C. Schwartz


Richard J. Glasebrook, CFA


David I. Weiner


Henry Ramallo


Stephanie J. Stiefel, CPA


Charlie W. Schwartz


Taylor L. Glasebrook

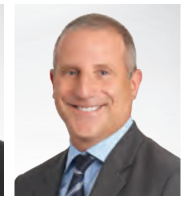

Joshua A. Bronstein, CFA

The Straus Group is a team of active portfolio managers dedicated to building client wealth through investments in undervalued mid- and large-cap U.S. equities that we believe are capable of compounding capital over time. We focus on generating long-term capital gains in a tax-efficient manner. In 2017 the S&P 500 Index rose substantially, driven by strong corporate earnings and an improvement in business optimism as a result of tax reform. We believe that we are in the midst of a synchronous expansion in all OECD economies—a situation anticipated by few economists 12 months ago. Despite these positives, we see signs of investor complacency, and speculative activity is on the rise. One of the important tenets of successful long-term investing is being mindful of the cyclical nature of markets. As we look forward, we remain steadfast in our commitment to seeking investments in companies that sell at discounted prices relative to what we believe is their intrinsic value.

TEAM KAMINSKY

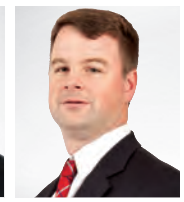

Gerald P. Kaminsky


Michael J. Kaminsky


Richard M. Werman


Mindy Schwartzapfel


David G. Mizrachi


James J. Gartland

Team Kaminsky provides customized portfolios for individuals, families and institutions, utilizing both growth and income styles of investing tailored to each client's specific profile. As managers of "core" equity, balanced and fixed income portfolios, the team's mission is to add value in all asset categories while providing highly personalized service, and to do so in an efficient manner. We were quite pleased with our 2017 results given our lower risk profile. Many of the strongest contributors to performance were investments we made in previous years, which we believe is a testament to the team's discipline and long-term focus. We will continue to look for long-term secular trends that we expect will provide a tailwind as we attempt to generate attractive compounded investment returns for our clients over time. We believe we are positioned appropriately given our outlook for 2018, and we maintain the flexibility to adapt in what could be a more volatile marketplace.

THE FRAENKEL GROUP


Francis L. Fraenkel


Robert H. Pearlman


David M. Ross


Kenneth Y. Amano, CFA


Ann Marie Foss, CFA


Lida Greenberg, CFA

The Fraenkel Group seeks to provide its clients with solid, long-term performance, utilizing a portfolio strategy that emphasizes sound judgment and conservative growth. We invest in core growth companies that are characterized by exceptional management teams, industry leadership and stable growth models. Moreover, we look for opportunistic growth companies with catalysts that could lead to enhanced growth, as well as companies that distribute above-average dividends and provide organic growth. This disciplined low-turnover investment approach has the potential to produce solid performance while maintaining a lower risk profile than the overall market. In 2017 we successfully oriented our portfolio toward companies that would benefit from tax reform and the relaxation of regulatory burdens in the U.S., as well as an acceleration of global economic growth. Many of our technology, financial and industrial holdings prospered in this environment. As we progress through 2018 we expect to see the nuances of tax reform flow through the global economy; specifically, we anticipate a rise in corporate investments and consumer spending. Consequently, we have increased our exposure to companies that are increasing their investments in technology and innovation, which we believe will benefit from this changing paradigm.

THE KANTOR GROUP


Charles C. Kantor


Marc A. Regenbaum


Raman Gambhir


Tracy Meyer


Amy Norflus


Charles Nguyen

The Kantor Group's mission is to provide individuals, families, businesses and charitable organizations with tailored investment strategies that aim to deliver returns consistent with their investment objectives or circumstances. We are very selective with our clients' precious capital as we seek attractive tax-efficient and risk-adjusted long-term returns on their behalf. We conduct rigorous fundamental research to identify companies with high-quality income statements and balance sheets and sustainable returns on invested capital. In the firm conviction that good governance leads to superior shareholder outcomes, we actively engage with management and corporate boards across myriad topics. We offer clients a range of investment strategies rooted in fundamental research, prudent risk management and collaboration across our team of dedicated sector analysts, including our All-Cap Core equity strategy, retail funds and our Flexible Credit strategy. We were very encouraged with our performance throughout 2017, as individual security selection—the foundation of our investment approach—drove results. We entered 2018 with a still-constructive, albeit increasingly selective, outlook for risk assets, driven by solid global economic growth, lower corporate tax rates, repatriation of foreign earnings and the continued emergence of a more pro-business environment in the U.S.

THE BOLTON GROUP

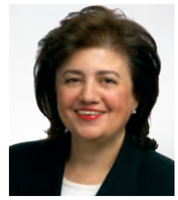

David R. Pedowitz


F. Christian Reynolds, CFA


Darren M. Fogel


John D. DeStefano


James C. Baker, CFA

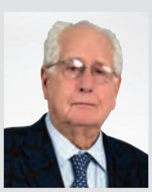

Maria D. Pappas


Linda J. Ludwig

[NOT PICTURED: Brian Case, CFA; Sharon Appelman; Andrew Silverstein; Mark D. Sullivan; Miles Price; John A. Kauffmann; Andrew Greene]

The Bolton Group is an experienced steward to high-net-worth individuals, families and institutions, partnering with our clients and their trusted advisors to create customized investment solutions. Our team utilizes a variety of equity and fixed income disciplines to craft solutions based on client objectives that range from capital appreciation to current income. We seek to add value by investigating and analyzing uncertainties—financial complexities, cyclical challenges, operating disappointments, management changes, or acquisitions and divestitures—that cause high-quality and otherwise attractive companies to trade at opportunistically low prices. Our team utilizes primary research with disciplined fundamental and financial analysis to estimate risk and reward. A sharp focus on cash flow contributes to an analytical consistency that permits us to evaluate investment opportunities and risks in portfolios. Performance in 2017 was driven by solid stock selection in information technology, industrials and consumer discretionary. Looking ahead, we remain cautiously optimistic about the outlook for the U.S. stock market. The key underpinnings of this phase of the bull market—monetary accommodation, moderate economic growth and low inflation—remain in place. We are investing in companies that can benefit from rapid technological advances and disrupt others, rather than be disrupted. We remain humble about our ability to profit from high-level macro positioning, maintaining an eclectic balance between economically sensitive and defensive investments despite the recent uptick in economic growth. Reflecting our generally constructive outlook, however, we remain relatively overweighted in technology and financials, and less well represented in defensive bond proxies such as utilities and consumer staples. The market backdrop for our investment selection could change significantly if we detect substantial inflationary pressures or rising risk of recession.

THE EISMAN GROUP


Elliott H. Eisman


Lillian Eisman


Steven Eisman


Dana Eisman Cohen


Michael E. Cohen

THE SCHUPF GROUP


H. Axel Schupf


Marshall W. Jaffe


Elisabeth S. Lonsdale

THE KOPLIN LLOYD GROUP


Cary A. Koplin


Melinda L. Lloyd

THE ANDERSON GROUP


Bradley M. Anderson


John E. Terzis, CFA

THE CAPITAL GROUP


Yolanda R. Turocy

THE SLOATE GROUP


Laura J. Sloate, CFA

ELIZABETH R. CRIBBS
HEAD OF CORPORATE SOCIAL RESPONSIBILITY

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

Driven and led by our employees, our philanthropic efforts leverage a broad range of Neuberger Berman's financial and human capital.

Service is at the core of our culture. In 2017, more than 90% of Neuberger Berman Foundation grants were made to organizations recommended by employees, many of whom are board members or long-term volunteers at these organizations. The support of our community partners goes well beyond grants, however; in 2017 our employees contributed more than 5,000 hours in service to our communities, and 63% of our employees participated in these service programs—an employee engagement level well above most of our peers. In addition, we provide Neuberger Berman clients with support in pursuit of their personal philanthropic objectives along with their financial objectives.

A beloved firm tradition is our annual "Celebration With Service" week in May, when we honor our reemergence as an independent company by giving back to our communities through 100 volunteer projects in 17 cities and 10 countries around the world. More than 8,000 volunteers—employees, their family members and friends—have participated in these projects over the past eight years.

While our employees volunteer with more than 75% of our grantees, a number of community partners receive our highest level of service—allowing us to have a critical impact on these organizations and the children they serve.

- **IntoUniversity** is a U.K.-based organization that supports more than 25,000 disadvantaged children and youth across England through academic support, mentoring, life skills, and college and career readiness programs. Since 2014 employees have provided after-school tutoring sessions at IntoUniversity locations and hosted "Business in FOCUS" days at our London office, helping students learn about business acumen, teamwork and leadership.
- **The Association to Benefit Children (ABC)** is a best-in-class organization dedicated to fostering academic readiness and life preparedness for disadvantaged children and their families. ABC receives significant funding from the Neuberger Berman Foundation and has welcomed hundreds of employee volunteers throughout our longstanding collaboration with them.
- **Frederick Douglass Academy II (FDA II)** is a public school in New York City that seeks to provide predominantly low-income students with an educational foundation that will enable them to succeed and thrive in and beyond college. Launched in 2015 by a committee of dedicated employees, our alliance with FDA II focuses on three areas prioritized by the school: college and career awareness, academic enrichment and school-resource development.

ANDREW S. KOMAROFF
CHIEF OPERATING OFFICER AND HEAD OF GLOBAL CLIENT COVERAGE

Driving Deeper Engagement with Clients Globally

The Client Coverage team partners with our clients to deliver solutions tailored to their specific goals and requirements, building strong, lasting relationships in the process. Composed of professionals in a range of disciplines, the 500-plus person global team is united in its commitment to the firm's client-centric operating philosophy and commitment to partnership.

In 2017 our global institutional team developed more than 130 new client relationships to bring our total above 1,130, up more than 60% from end-2012. Just as important, we continued to invest in deepening engagement with existing clients, expanding 25 single-strategy relationships into multi-mandate ones last year. We added two new senior professionals to lead our Consultant Relations efforts: Jamie Wong in EMEA and Lesley Nurse in North America. We also continued to invest in our global Insurance Solutions business, adding resources across this multidisciplinary team to help us partner more closely with insurers.

Within our intermediary business we are pleased with our progress in developing partnerships with major platforms. We now have significant relationships with approximately 70 firms globally, and we have been leveraging the strength of our investment platform to introduce new opportunities across a broad range of capabilities—including alternative investments such as private equity tailored to the specific needs of investors in this channel.

Our wealth management clients—including individuals, families and their foundations—have voiced growing interest in comprehensive engagement and investment solutions. As such, we are leveraging an increasingly broad platform that includes trust and estate planning advice and fiduciary services from our Trust Company, and wealth planning under the leadership of new hire Steve Polizzi. More and more, we see private equity and options strategies supplementing core portfolio exposures. We also are driving a strategic initiative to enhance our use of technology to support our clients.

As the firm continues to invest globally, we are particularly gratified by the expansion of our UCITS platform through which we offer a range of more than 40 investment funds across various jurisdictions outside the U.S. Our UCITS business grew by nearly 50% in 2017, and we ranked among the top 25 firms in terms of net new assets[1]. Critical to our momentum has been close coordination across our global Client Coverage team, enabling us to serve those business partners with a global presence most effectively.

We also achieved meaningful milestones in new markets last year. In China we became one of the first managers granted a license to establish a local investment management operation, allowing us to offer domestic strategies in the rapidly evolving $11 trillion onshore market. Similarly, in Taiwan we expanded the scope of our licenses so we can manage Taiwanese-domiciled strategies for local onshore investors.

Early 2018 gave us a taste of the volatility that may become commonplace as investors continue to wrestle with the normalization of central bank policy and dynamic geopolitical events. We stand ready to assist our clients as they negotiate this more complicated landscape.

[1]Morningstar, as of December 31, 2017.

DIK VAN LOMWEL
HEAD OF EMEA AND LATIN AMERICA

EMEA and Latin America

We are pleased to report that the EMEALA business had a strong 2017. Notably, our private markets franchise continued to resonate with clients searching for higher-yielding investment solutions and increased allocations to illiquid assets, while our emerging markets debt and non-investment grade platforms also experienced strong interest. We also were encouraged by good client flows to newer strategies such as corporate hybrids, uncorrelated strategies and equity index put-writing. Our overall UCITS platform grew by nearly 50% in 2017, with EMD again leading the way.

We welcomed a number of new hires to the team in 2017. In London, Rob Payne and Jamie Wong joined to lead our local Insurance Solutions and Consultant Relations efforts, respectively, while Alex Gitnik joined as Fixed Income Client Portfolio Manager and Gemma Cowie came on board in the new role of Head of Product Development, EMEA. We added numerous client associates in the U.K., Madrid, Paris, Buenos Aires and Bogota, and our relationship with Becon in Latin America has gained great traction since our partnership began in June. We also continued to bolster our local investment teams in 2017, particularly our private equity teams in Milan and London.

Much focus in 2017 was paid to preparing our business for the MiFID II regulations slated to come into effect on January 3, 2018. Going forward, a key operational focus is Brexit planning, and we are confident we will be in a strong position to continue to deliver on behalf of clients regardless of the exact terms of the U.K.'s exit from the EU.

Markets in 2018 are unlikely to be as friendly as they were in 2017, so we will be partnering closely with clients to continue developing innovative investment solutions that meet their changing needs. A notable part of this effort will be bringing to clients interesting solutions from Breton Hill, a team acquired by Neuberger Berman in late 2017 that focuses on risk premia and factor investing.

Tom W. Douie
EMEA INTERMEDIARIES
(LONDON)

Edward J.M. Jones
U.K. INSTITUTIONAL
(LONDON)

Jamie Wong
EMEA CONSULTANTS
(LONDON)

Robert Payne
EMEA INSURANCE
(LONDON)

Cas A.H. Peters
BENELUX
(THE HAGUE)

Mark Oestergaard
SCANDINAVIA
(LONDON)

Fabio L. Castrovillari
DACH REGION
(ZURICH)

Christian Puschmann
GERMANY AND AUSTRIA
(FRANKFURT)

Charles Soullard
FRANCE
(PARIS)

Javier Nunez
de Villavicencio
IBERIA (MADRID)

Marco Avanzo-Barbieri
ITALY
(MILAN)

Jahangir Aka
MIDDLE EAST & AFRICA
(DUBAI)

Mauricio Barreto
ANDEAN REGION
(COLOMBIA)

Jenna Lawford
EMEA CLIENT SERVICE
(LONDON)

RYO OHIRA
HEAD OF EAST ASIA

East Asia

Assets under management in the East Asia region grew by more than 30% in 2017, representing the second consecutive year in which the business expanded by around $10 billion. Our clients in the region continued to value the investment opportunities and performance of our strategies and to demonstrate trust in our high-quality client service.

We were pleased to see that the new thematic equity funds we launched in 2017 have attracted the interest of retail investors. We provided over 200 training sessions through more than 50 local distributors and have seen inflows in excess of $1 billion since these funds' inception. Driven by increasing demand from institutional clients, assets under management in the private asset space reached $4 billion thanks to customized investment programs as well as separate accounts. In addition, we held more than 50 seminars as a part of our "knowledge transfer" efforts to share fresh insights into investments and market views. Notably, seminars featuring Dyal Capital and ESG investing attracted many clients and received positive response. Based on our expanding presence and credibility in the region, our capabilities—featuring a broad range of investment strategies, from traditional to alternative—have been met with greater appreciation from clients.

Going forward we will remained focused on offering investment solutions that are aligned with clients' needs, complemented by dedicated service and a commitment to always putting client interests first. In 2017 we were delighted to welcome multiple product specialists in the region and a new member to our East Asia desk in Chicago. We also look forward to establishing an East Asia desk in London to more effectively deliver useful information to clients. We believe such resources reduce client concerns regarding time differences and geographic distance. As our organization and business grows, we will continue to emphasize flexibility, speed and teamwork across all functions.

We remain firmly committed to deepening client relationships in Japan and Korea by delivering investment solutions tailored to their specific goals and requirements with first-class service.

Komei Asaba
INSTITUTIONAL & INTERMEDIARIES (TOKYO)

Yutaro Nishihara
INSTITUTIONAL (TOKYO)

Motomi Hiratsuka
INTERMEDIARIES & INSTITUTIONAL (TOKYO)

Takashi Ikushima
CLIENT PORTFOLIO MANAGEMENT (TOKYO)

Akihiro Koide
CLIENT PORTFOLIO MANAGEMENT–EQUITY (TOKYO)

Mitsuhiro Shimura
CLIENT REPORTING (TOKYO/CHICAGO)

DaeYeon Kim
KOREA (SEOUL)

YoungSun Na
KOREA (SEOUL)

Yoshiyuki Yagisawa
PRIVATE EQUITY (NEW YORK)

Hiroyasu Tamura
CLIENT SERVICE (CHICAGO)

NICK J. HOAR
HEAD OF ASIA PACIFIC

Asia Pacific

In 2017 we continued to make significant progress expanding our Asia Pacific footprint and delivering new portfolio management solutions to clients across the region.

We achieved several milestones last year, most notably in China and Taiwan. In China we launched a full-service asset management business located in Shanghai, making us one of the first foreign asset management firms to receive an operating license to manage money for local investors. China clearly represents a significant, long-term growth opportunity for Neuberger Berman, and we are committed to continuing to build our presence in this important market. Meanwhile, we continued to expand our presence and deepen our local commitment in Taiwan. We rolled out our first onshore fund to Taiwan retail investors with the launch of our Securities Investment Trust Enterprise (SITE), and we expect the ability to manufacture and distribute onshore funds will give us a competitive advantage to better serve this key market.

Investors expressed wariness over high equity valuations and tighter credit spreads throughout 2017, and we responded to their concerns with investment solutions that offer diversified income and attractive risk-adjusted return potential. Our UCITS products—including emerging markets debt, flexible bond strategies and defensive equities strategies—continued to gain traction among private and retail clients. On the institutional front we saw strong demand in alternatives and private equity strategies that focus on delivering uncorrelated returns.

To support our growing business we continued to recruit talented professionals and to invest in our infrastructure. Key appointments in 2017 included Bin Yu, Senior Portfolio Manager—China Equities, and Peter Ru, Senior Portfolio Manager—China Fixed Income. We have also recruited new hires in China across Portfolio Management, Legal and Compliance, Marketing, Product and Research functions. On the Client Coverage side of the business we were delighted to welcome Greg Wu as Head of Institutions—Taiwan.

Given the expansion of our business in the region we added an office in Beijing and have just completed our move to a new Shanghai office in the city's Puxi district. We also took additional space in both our Hong Kong and Taipei offices to accommodate current and future growth.

Patrick Liu
GENERAL MANAGER CHINA
(SHANGHAI)

Marco Tang
FINANCIAL INSTITUTIONS
(SHANGHAI)

William Hui
INSTITUTIONAL
(SHANGHAI)

Jovi Chen
GENERAL MANAGER TAIWAN
(TAIPEI)

Greg Wu
INSTITUTIONAL
(TAIPEI)

Thomas Holzherr
INSTITUTIONAL
(SINGAPORE)

Vincent Lim
FINANCIAL INSTITUTIONS
(SINGAPORE)

Pauline Cheng
FINANCIAL INSTITUTIONS
(HONG KONG)

Paul O'Halloran
INSTITUTIONAL
(MELBOURNE)

Lucas Rooney
INSTITUTIONAL
(MELBOURNE)

Angela Verco
INSTITUTIONAL
(MELBOURNE)

Linda Lam
CLIENT SERVICE
(HONG KONG)

MATTHEW H. MALLOY
HEAD OF NORTH AMERICA INSTITUTIONAL AND GLOBAL HEAD OF INSURANCE SOLUTIONS

NA Institutional

Despite a strong, albeit uncertain, market environment, institutional investors continue to face a cacophony of challenges, from funding issues to asset allocation to risk and liability management. Lower return outlooks and the increasingly complex risk environment have created a new imperative for more effective relationships between investment managers and their clients, elevating the demand for investment insights, solutions providers and, in some cases, strategic partnerships. The engagement between manager and client in a strategic partnership runs much deeper than in a simple investment mandate, better aligning the two parties around the prevailing challenges and the strategies to overcome them. The nature of a strategic partnership varies according to client needs and can involve everything from asset allocation insights and multi-asset class portfolio management to joint research projects and customized product innovations. Leveraging manager relationships can better position institutions to meet their desired investment outcomes, cost efficiently and with limited strain on internal resources.

Consultants remain a vital part of the institutional investment landscape and an important part of our client-engagement effort. Increasingly, consultants are being tapped for more than just traditional manager evaluation, as institutional investors seek a broader, more comprehensive set of services, in some cases including OCIO responsibility. To strengthen our connection with this critical segment, we hired Lesley Nurse to lead and direct our Consultant Relations efforts in North America and with global consultants.

To increase our client focus and strengthen relationships, we continued to invest in our team of more than 50 professionals and to offer a wider range of capabilities. This includes providing asset class and market insights more tailored to specific institutional segments, and offering custom analytics to help clients make more informed decisions around asset allocation, investment strategy and risk management. As always, we will emphasize the quality of our service in 2018 as we look to further deepen relationships with clients and their consultants.

SCOTT E. KILGALLEN
HEAD OF NORTH AMERICA INTERMEDIARY DISTRIBUTION

NA Intermediary

After equity markets surged forward without pause throughout 2017, complacency may be one of the biggest threats facing individual investors this year—and one of the biggest opportunities for skilled financial advisors to ensure that their clients are positioned for what is likely to be a more complicated investment environment going forward. Offering a broad range of investment solutions across product types, fee structures and liquidity profiles, we seek to provide advisors with the strategies and resources needed to help keep their clients on track. At year-end 2017 our North American intermediary partners had entrusted us with $67 billion of their clients' assets across a range of investment disciplines.

We continued to emphasize collaboration with our key intermediary partners in 2017, offering new and interesting investment solutions in addition to our extensive lineup of traditional strategies. For example, last year we provided advisors and their clients with access to private markets via two institutional-quality strategies tailored to the needs of individual investors: a registered private equity fund with a reduced minimum investment and more flexible investor qualifications, and a private equity co-investment fund with condensed investment and lock-up periods. In support of our defined contribution partners, we launched a suite of collective investment trusts whose increased transparency, ease of use and fee flexibility are designed to meet the diverse needs of plan sponsors and participants.

We appreciate the value of providing advisors with the tools they need to build enduring relationships in a competitive marketplace, and through our Neuberger Berman Advisor Institute we offer actionable programs that help advisors tackle today's most important business challenges, from client retention to intergenerational wealth transfer. In 2017 our Advisor Institute team held 185 meetings and coaching sessions, and we look forward to continuing to offer their insight and support to our partners.

MATTHEW H. MALLOY
HEAD OF NORTH AMERICA INSTITUTIONAL AND GLOBAL HEAD OF INSURANCE SOLUTIONS

Global Insurance

Insurers' business models remain challenged, with profitability facing pressures across multiple dimensions. Financial market direction is uncertain, geopolitical tensions are high, and regulatory dynamics continue to evolve, often with unintended consequences. Against this backdrop, insurers' investment portfolios are required to make an even greater contribution to the bottom line.

Our insurance clients rely on our industry-specific insights, robust analytical support and global markets perspectives to help achieve better outcomes. With market conditions as challenging as ever, insurers are continuing to look for solutions beyond their traditional investment strategies; globally, we've seen our clients evaluating and investing in a broader array of asset classes, strategies and customized solutions. From our vantage point, we've witnessed new or increased allocations to fixed income strategies like emerging markets debt, taxable municipal bonds, collateralized loan obligations and private residential home loans, as well as alternative investments such as private equity and private credit. Importantly, our clients continue to seek innovative and capital-efficient structures to optimize both their investment outcomes and impact to their overall businesses.

Neuberger Berman has been managing a range of traditional and alternative assets on behalf of insurance clients for more than two decades, and we continue to invest in resources to support this important client segment. As of end-2017 we managed approximately $32 billion of invested and committed capital on behalf of insurers, a 30% increase from 2016. We continued to build out our Insurance Solutions Group in 2017, adding key resources in the U.S., Europe and Asia, bringing the team to 12 professionals dedicated to advising and servicing insurers globally.

In 2018 we will continue to work closely with our insurance clients to meet their evolving needs, helping them find the best solutions among a wide range of traditional and alternative investment strategies.

WILLIAM A. ARNOLD
CHIEF FINANCIAL OFFICER

OUR COMMITMENT TO FINANCIAL RISK MANAGEMENT

Consistent with our colleagues across the firm, a client-centric mindset drives our approach to financial risk management.

Protecting the firm is one of our guiding principles. We take a long-term view, thinking in years, not months—and purposely keep our balance sheet more liquid and our capital structure conservative with longer dated maturities.

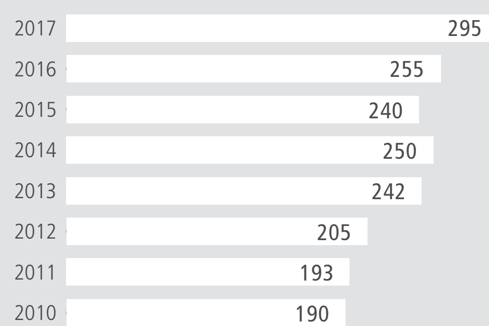
This dedication to stewardship, in turn, has enabled us to invest prudently in our business, in our platform and in our people. We have broadened our capabilities, increased our resources, improved technology and built a more diversified and stable investment platform. More concretely for our clients, we have introduced new strategies with existing investment teams, added new investment teams and continued to invest in our global client coverage franchise. We have made these investments not to improve our quarterly results but because we believe it will drive greater long-term stability across the firm and provide opportunities for deeper relationships with our clients.

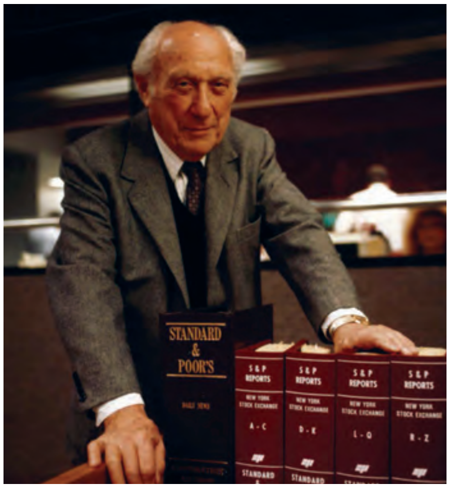
Importantly, as we focus on protecting the firm and investing for the future, we do so in close partnership with our colleagues across Neuberger Berman. By understanding the objectives and long-term strategy of our investment, client coverage, and internal support and control teams, we are able to ensure we are properly allocating our resources and capital to initiatives that will ultimately serve our clients well.

SUMMARY FINANCIAL INFORMATION (U.S. Dollars in Millions)	Dec 2017
Cash and Cash Equivalents	534
Investments	442
Receivables	340
Goodwill and Other Intangibles	581
Other Assets	209
Total Assets	**2,106**
Senior Notes Payable	600
Accrued Compensation and Benefits	458
Accrued Expenses and Other Liabilities	406
Total Liabilities	**1,464**
Equity[1]	642
Total Liabilities and Equity	**2,106**
Net Revenues	**$1,609**

[1]Equity includes $77 million of non-controlling interests from employee investments held indirectly by employees.

ASSETS UNDER MANAGEMENT
(U.S. Dollars in Billions)





OUR FOUNDER—ROY NEUBERGER

The Art of Investment

When Roy Neuberger started collecting art in 1939, he bought pieces that spoke to him. "I buy because I love the work," he said. The fact that many of his favorite artists—like Jackson Pollock, Edward Hopper and especially Milton Avery—went on to become household names is a testament to his unique insight. In art, as in investment, Roy didn't follow the market—the market followed him.

At the firm he founded in that same year of 1939, we try to live up to those principles. We value experience but have an eye for innovation. Our culture is strong; our teams are independent. Company fundamentals and client objectives are what drive us, not the noise of the markets. That is the art of investing, the art of partnership, the art of service.

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All information is as of December 31, 2017, unless otherwise indicated.

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An investor should consider the investment objectives, risks and fees and expenses of any fund carefully before investing. This and other important information can be found in each fund's prospectus, and if available 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.

Important Information about Risk

All stocks are subject to investment risk, including the risk that they may lose value. Small- and mid-capitalization stocks may have limited operating histories and resources and may trade less frequently and in lower volume than larger company stocks, which may make them more volatile and vulnerable to financial and other risks. Compared with smaller companies, large-cap companies may be less responsive to changes and opportunities and may lag other types of stock in performance.

Foreign securities involve risks in addition to those associated with comparable U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in foreign currencies or currency redenomination; potential for default on sovereign debt; nationalization or expropriation of assets; settlement, custodial or other operational risks; and less stringent auditing and legal standards. As a result, foreign securities may fluctuate more widely in price, and may also be less liquid, than comparable U.S. securities. World markets, or those in a particular region, may all react in similar fashion to important economic or political developments. In addition, foreign markets may perform differently than the U.S. market. Changes in currency exchange rates could adversely impact investment gains or add to investment losses. Currency exchange rates can be affected unpredictably by intervention, or failure to intervene, by U.S. or foreign governments or central banks or by currency controls or political developments in the U.S. or abroad.

Value stocks may remain undervalued during a given period or may not ever realize their full value. This may happen, among other reasons, because of a failure to anticipate which stocks or industries would benefit from changing market or economic conditions. Because the prices of most growth stocks are based on future expectations, these stocks tend to be more sensitive than value stocks to bad economic news and negative earnings surprises. Bad economic news or changing investor perceptions may adversely affect growth stocks across several sectors and industries simultaneously.

Additional Risk Information for Multi-Cap Opportunities Fund

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. The industries that constitute a sector may all react in the same way to economic, political or regulatory events.

Companies that are considered "special situations" include, among others: companies that have unrecognized recovery prospects or new management teams; companies involved in restructurings or spin-offs; companies emerging from, or restructuring as a result of, bankruptcy; companies making initial public offerings that trade below their initial offering prices; and companies with a break-up value above their market price. Investing in special situations carries the risk that certain of such situations may not happen as anticipated or the market may react differently than expected to such situations. Certain special situations carry the additional risks inherent in difficult corporate transitions and the securities of such companies may be more likely to lose value than the securities of more stable companies.

Additional Risks Information for Emerging Markets Equity Fund
Governments of emerging market countries may be more unstable and more likely to impose capital controls, nationalize a company or an industry, place restrictions on foreign ownership and on withdrawing sales proceeds of securities from the country, and/or impose burdensome taxes that could adversely affect security prices. These countries may also have less developed legal and accounting systems. Securities issued in these countries may be more volatile and less liquid than securities issued in foreign countries with more developed economies or markets. Changes in currency exchange rates bring an added dimension of risk. Currency fluctuations could erase investment gains or add to investment losses. From time to time, the Fund may hedge against some currency risks; however, the hedging instruments may not always perform as the Fund expects and could produce losses. Suitable hedging instruments may not be available for currencies of emerging market countries.

The risks involved in seeking capital appreciation from investments primarily in companies based outside the United States are set forth in the prospectus. From time to time, based on market or economic conditions, the Fund may invest a significant portion of its assets in one country or geographic region. If the Fund does so, there is a greater risk that economic, political, social and environmental conditions in that particular country or geographic region may have a significant impact on the Fund's performance and that the Fund's performance will be more volatile than the performance of more geographically diversified funds.

Important information about awards and accolades:
Awards referenced do not reflect the experiences of any Neuberger Berman client and readers should not view such information as representative of any particular client's experience or assume that they will have a similar investment experience as any previous or existing client. Awards are not indicative of the past or future performance of any Neuberger Berman product or service.

Morningstar "Pan-European Fixed Income Fund Manager of the Year 2018" award: 2018 Morningstar Pan-European Fund Manager of the Year Awards: "Pan-European Fixed Income Fund Manager of the Year 2018." Neuberger Berman Emerging Market Debt—Hard Currency, managed by Bart van der Made, Rob Drijkoningen and Gorky Urquieta.

The winners of the Fund Manager of the Year Awards are nominated and selected by Morningstar's Europe-based team of manager research analysts. The awards are thus based purely on the qualitative insights of those analysts. To be nominated for an award, a manager should be running an active fund that is among the approximately 900 vehicles that receive a Morningstar Analyst Rating in Europe but, to hold nominees to the highest standards, that fund should also be a Medalist—meaning the analysts have recognized it with a Gold, Silver or Bronze Morningstar Analyst Rating after applying a rigorous evaluation using our Five-Pillar Methodology framework. Morningstar analysts evaluate funds based on five key pillars—Process, Performance, People, Parent and Price—that they believe lead to funds more likely to outperform their category peers and/or indices over the long term on a risk-adjusted basis. Analysts consider numeric and qualitative factors, but the ultimate view on the individual pillars and how they come together is driven by the analyst's overall assessment and overseen by an Analyst Ratings Committee. The approach serves not as a formula but as a robust analytical framework ensuring consistency across Morningstar's global coverage universe.

Although nominees should have produced strong performance for investors in the preceding full calendar year, that is far from sufficient qualification unto itself. Nominees need to have also shown an ability to serve investors well over longer time periods. Therefore, in addition to performance Morningstar analysts weigh the quality of management, the strength of the process used to run the fund and its repeatability, the quality of the parent organization (including how it treats investors in its funds) and costs. Morningstar's asset-class teams then whittle down the list to a group of finalists, and the entire Europe-based analyst team meets to debate the merits of the finalists in each category. Following those discussions, analysts vote to determine the winners. The awards winners will therefore have demonstrated the ability to generate outstanding long-term returns compared to their peers and/or indices. A strong risk-adjusted profile, with a process analysts believe is repeatable and applied by a robust team with a solid sense of stewardship towards investors, are hallmarks to identifying standout managers.

Institutional Investor "Hedge Fund GP Investor" award: Institutional Investor 15th Annual Hedge Fund Industry Awards: "Hedge Fund GP Investor." Dyal Capital Partners.

Following a public call for nominations, the editorial staff of Institutional Investor magazine selects award nominees based on how strongly candidates – both those put forward via the call for nominations and those independently identified by the editorial staff - meet the criteria for their respective categories. Once the nominees are publicly announced, the magazine group then conducts a wide survey of U.S. institutional investors and invites them to vote for the manager nominees. Hedge fund managers are invited to vote for the investor nominees. Institutional Investor's editorial staff analyzes the results of the voting to determine the winners, who are announced at the annual awards dinner and ceremony, to be held this year at the Mandarin Oriental in NYC. Awards referenced do not reflect the experiences of any Neuberger Berman client and readers should not view such information as representative of any particular client's experience or assume that they will have a similar investment experience as any previous or existing client. Awards are not indicative of the past or future performance of any Neuberger Berman product or service.

Asia Asset Management "Best Responsible Investor" award: *Asia Asset Management* 2018 Best of the Best Awards: "Taiwan, Best Responsible Investor." Neuberger Berman Taiwan (SITE) Limited.

Asia Asset Management's annual Best of the Best Awards are divided into three categories: Performance, Country and Regional awards. The Performance awards are dedicated to measuring the accomplishments of each company based on the performance statistics of funds being managed. The top performer among the submissions received will be awarded. The Country awards are focused on the comparison of achievements and skill of each fund management company against other companies from the same country. To draw out the best from each country, this section will look at the company's overall impact in shaping the nation's asset management sector. The Regional awards are designed to identify Asia's finest performers from financial services companies and institutional investors to service providers, whose influence and excellence expands beyond borders. These are firms that have boldly led the way in terms of innovation, service to clients, best practices and overall expertise in their field.

The Best Responsible Investor award goes to the country-based or ASEAN asset manager or asset owner that has demonstrated excellence in responsible investment and ESG reporting. The winner will have proved that they have adopted best practices and transparency by recognizing the highest standards in the disclosure of responsible investment activities in their particular jurisdiction. The winner must also demonstrate a coherent company culture contributing to its success as a responsible investor.

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