

# Neuberger Berman Short Duration Emerging Market Debt Fund

Gorky Urquieta, Global Co-Head of Emerging Market Debt

October 2018

## Agenda

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The EMD Team at Neuberger Berman

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▶ Why Emerging Market Debt Investing

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▶ The Case for Short Duration EMD

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▶ Fund's Key Features

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▶ How the Fund Works

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▶ Positioning and Performance

## Our Capabilities: The EMD Team At Neuberger Berman

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Joined Neuberger Berman in 2013

Investing in EMD since 1994

Senior managers have been working together since 2000

30+ strong team / \$19.5 bn in AUM

# Neuberger Berman Short Duration Emerging Market Debt Fund

## Portfolio Management Team

5 Managers | 4 Economists/Strategists | 4 Offices/Countries

- Pioneers in emerging market debt investing. The team started to invest in 1994
- Global Coverage
- Manage \$19.5bn



Managing EMD for ...	<b>Rob Drijkoningen</b> 28 years	<b>Gorky Urquieta</b> 24 years	<b>Jennifer Gorgoll</b> 20 years	<b>Bart van der Made</b> 21 years	<b>Nish Popat</b> 25 years
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\*Source: Neuberger Berman as at 30 September 2018.

## Multi-Site Approach Provides Around The Clock Coverage

### Key Benefits

Multi-site team with a presence across 3 time zones

Access to local in-depth knowledge and research  
24 hour market coverage

Local/regional trading allows timely execution of investment decisions

ATLANTA



THE HAGUE



SINGAPORE & SHANGHAI



### Communication

#### QUARTERLY

All seniors meet in one location

#### MONTHLY

Top-down review for all strategies

#### WEEKLY

Portfolio reviews with Asian and Latam Teams

## The EMD Team's Approach

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### The team believes that:

Emerging markets debt is generally **an improving asset class** that is less efficient than developed debt markets

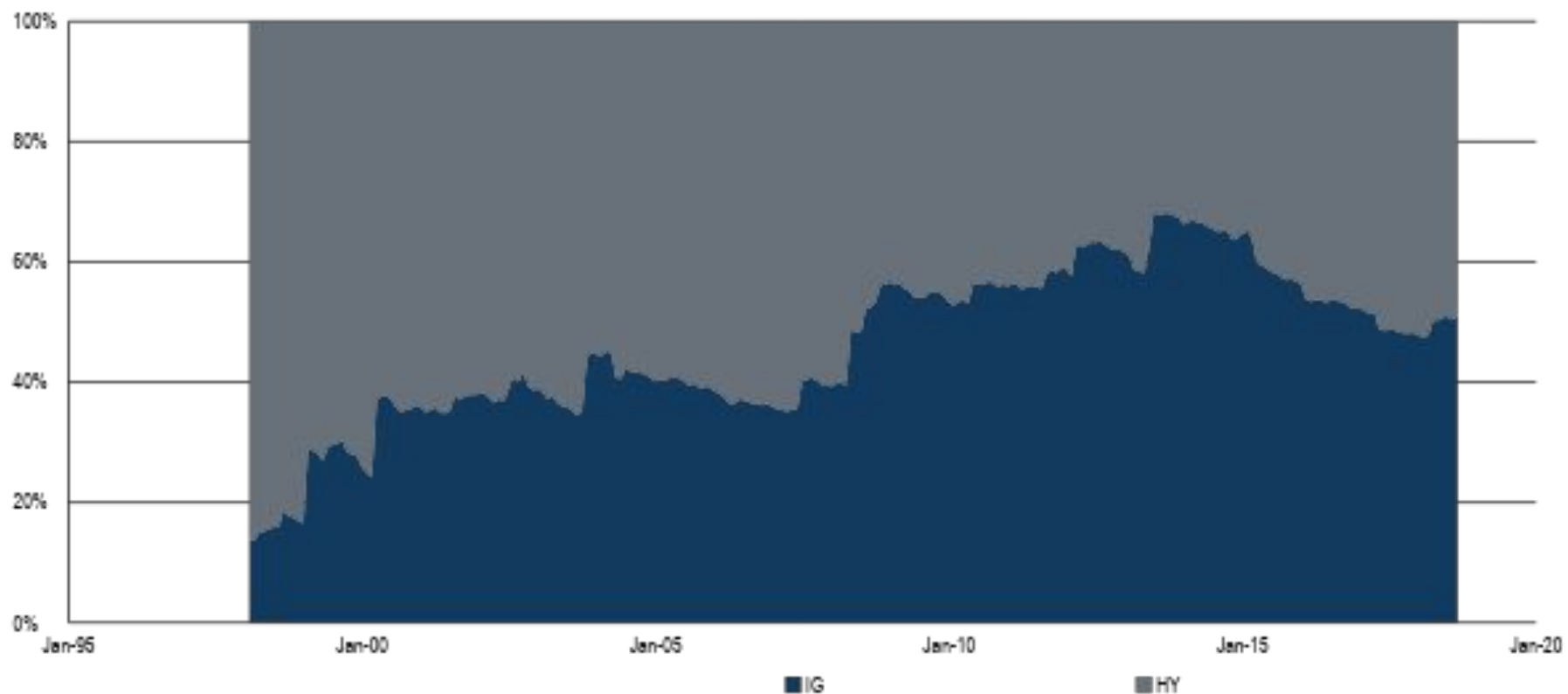
**Active management is the best way** for investors to access the full potential of the asset class

**Bottom-up and top down expertise** deepens understanding of performance drivers and improves decision making quality

An **emphasis on fundamental research** is the best way to uncover the potential of emerging markets debt

## Emerging Markets Ratings Continue to Improve with 50% IG-rated

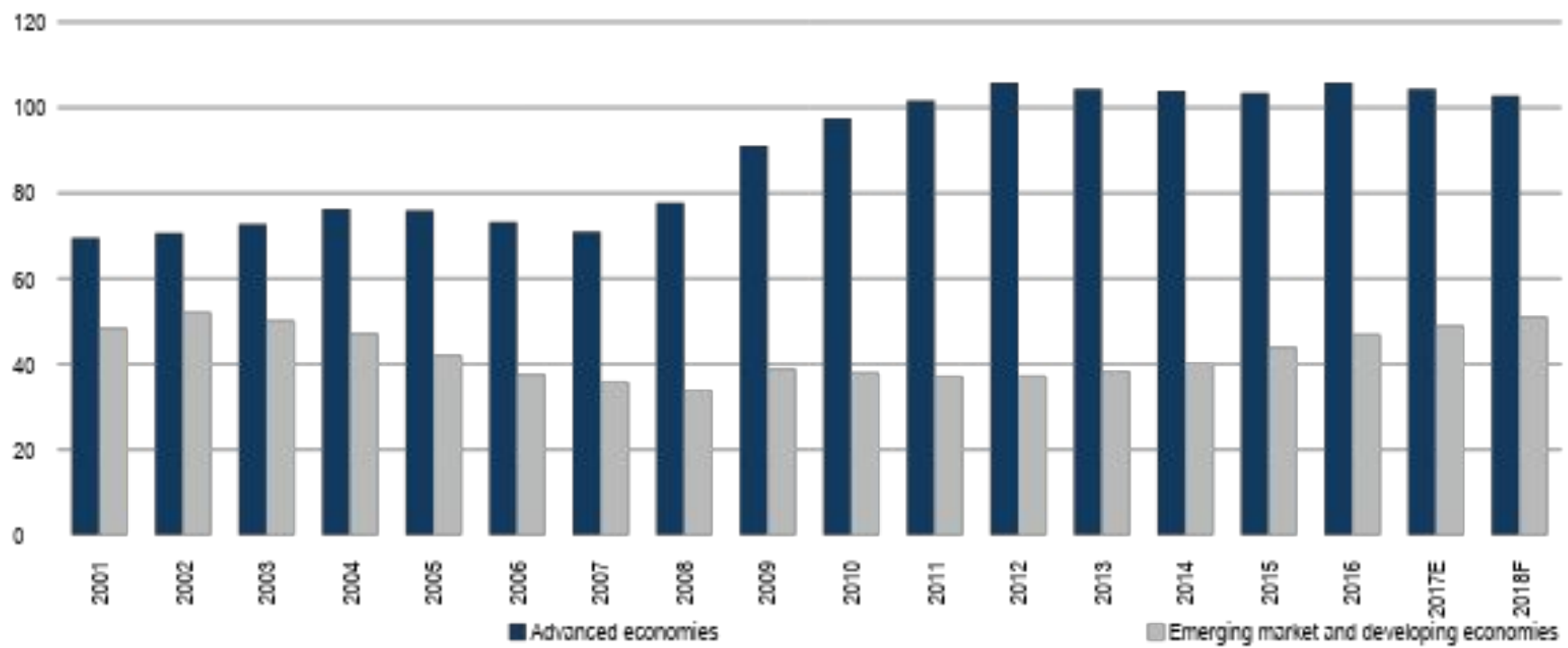
General Government Debt As A Percentage of GDP



Source: JP Morgan as at 30 September 2018

## Emerging Markets Fundamentals Still Strong

General Government Debt as a Percentage of GDP



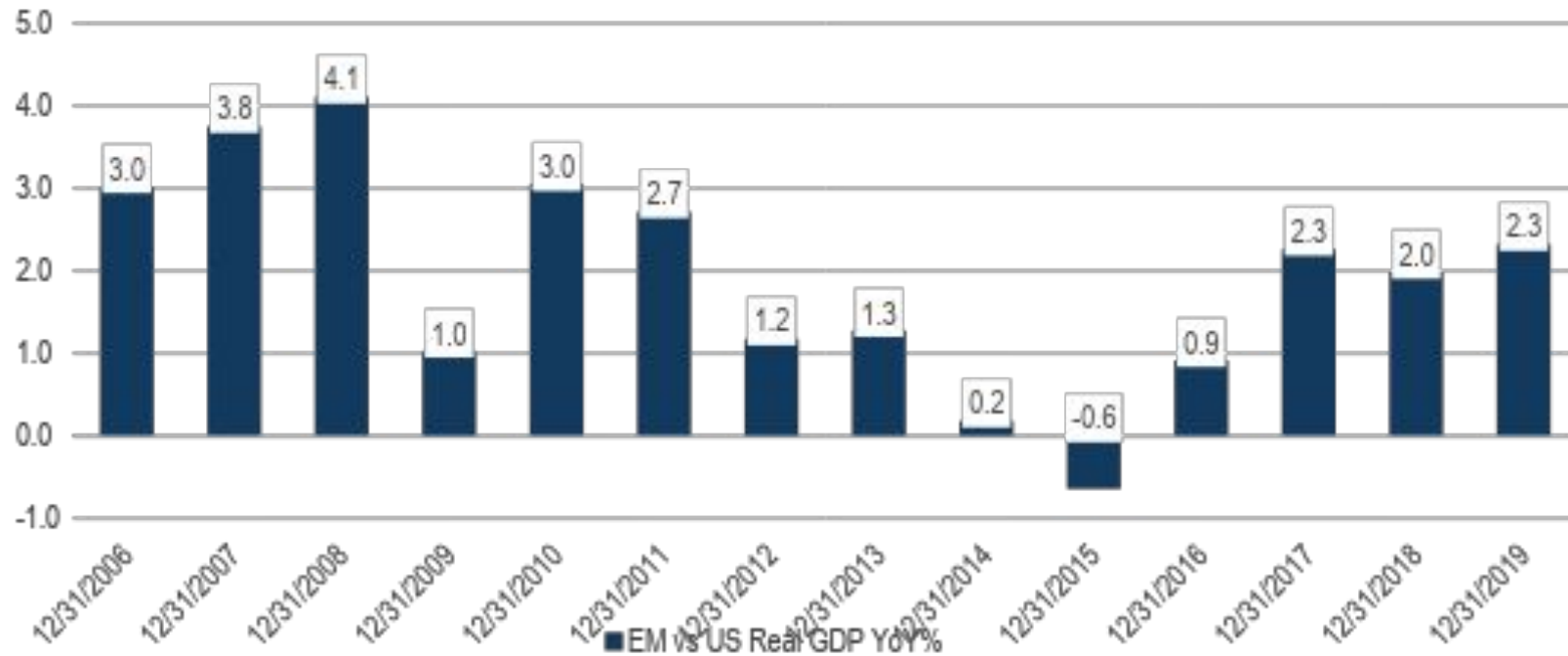
Source: IMF World Economic Outlook (WEO), Neuberger Berman as of April 2018. Historical trends do not imply, forecast or guarantee future results.



## EM Macro Outlook – EM Recovers From Multi-Year Slowdown

EM countries are again becoming a major driver of global growth and not overheating yet

EM vs US GDP Gap

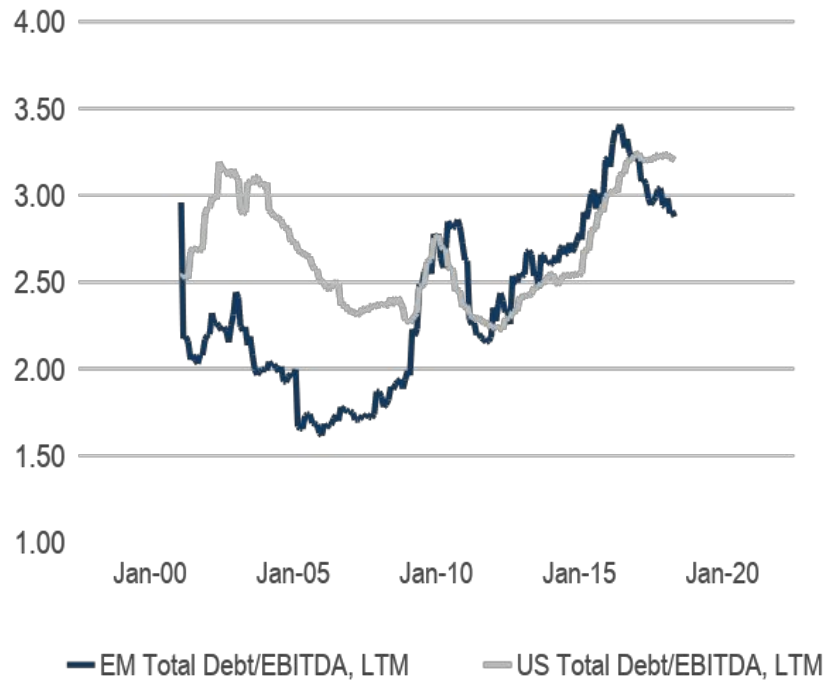


Source: NB, Bloomberg, as of May 2018. EM GDP is the index weighted Real GDP YoY% of EM countries, EM inflation is the index weighted headline CPI of EM countries, 2018-2019 - NB forecasts for EM and Bloomberg forecasts for the US

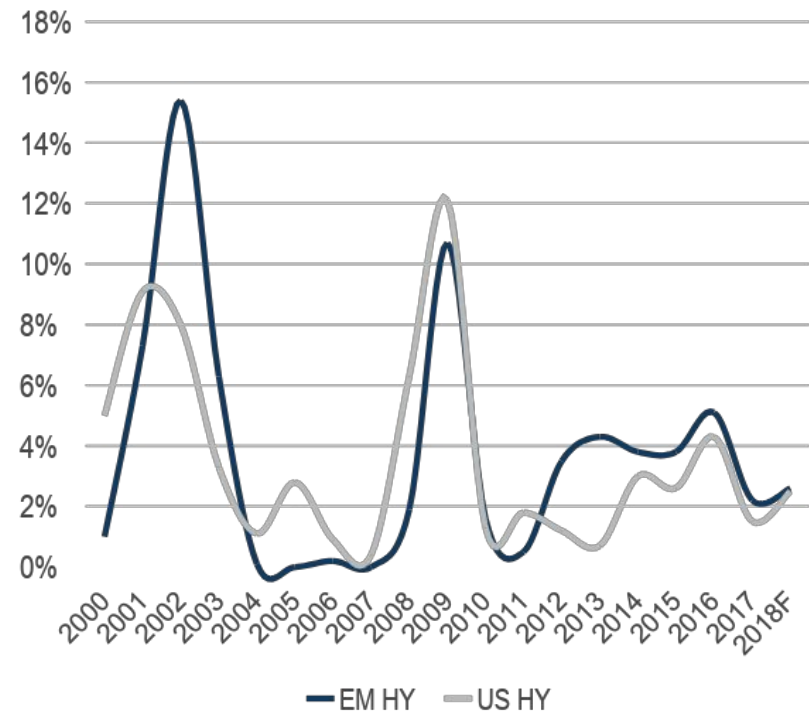
## EM Corporates Outlook: leverage at lowest levels post 2014

EM deleveraging opens a path to stronger growth

EM vs US Leverage<sup>1</sup>



EM Corporate HY vs US HY Default Rate<sup>2</sup>



1. Source: NB, Factset, based on Factset US and EM Equity indices

2. Source: JPMorgan, as of June 10, 2018; Includes distressed exchanges; Default rates are par-weighted.

## Why A Short Duration Approach To EMD?

### Current Concerns:

Volatility Risk

Interest Rate Risk

Low Yield

Trade wars

### A Short Duration Approach Can Offer:

A Lower Volatility/Drawdown Solution

Lower Duration

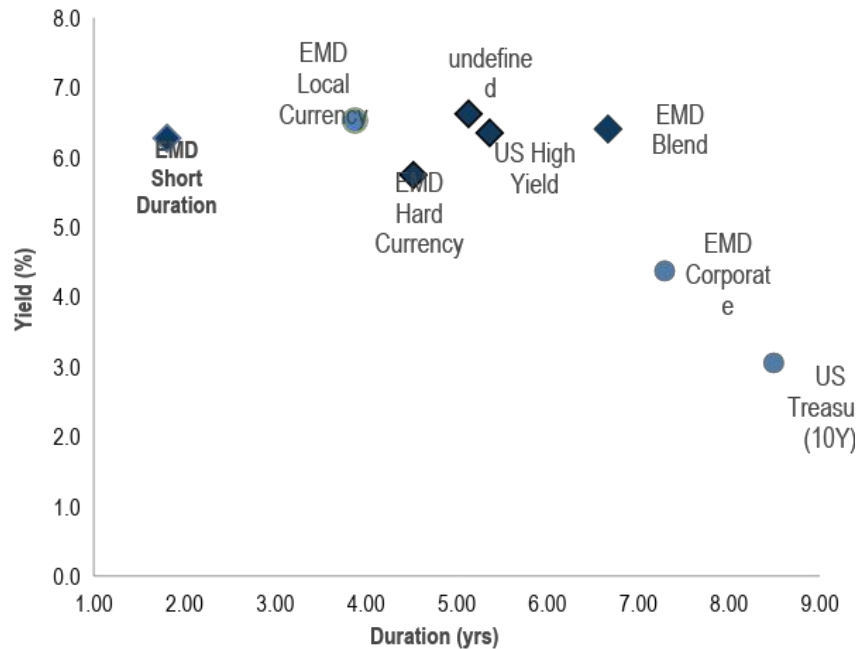
Attractive Yield

Average Investment Grade

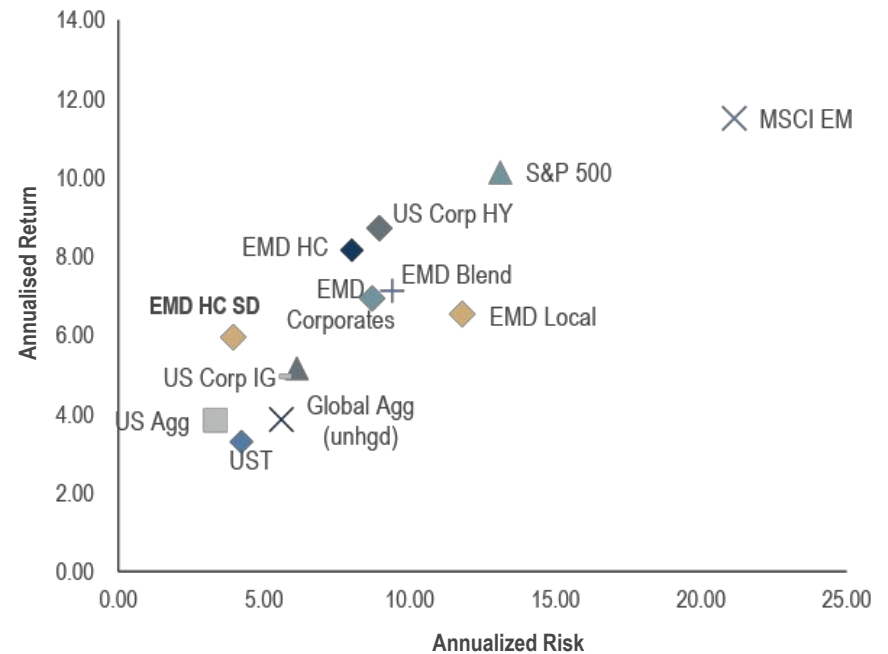
# Why Short Duration Emerging Market Debt?

A more conservative approach to investing in emerging markets

Yield and Duration (as of 30 September 2018)



Risk/Return: 1 January 2003 – 30 September 2018



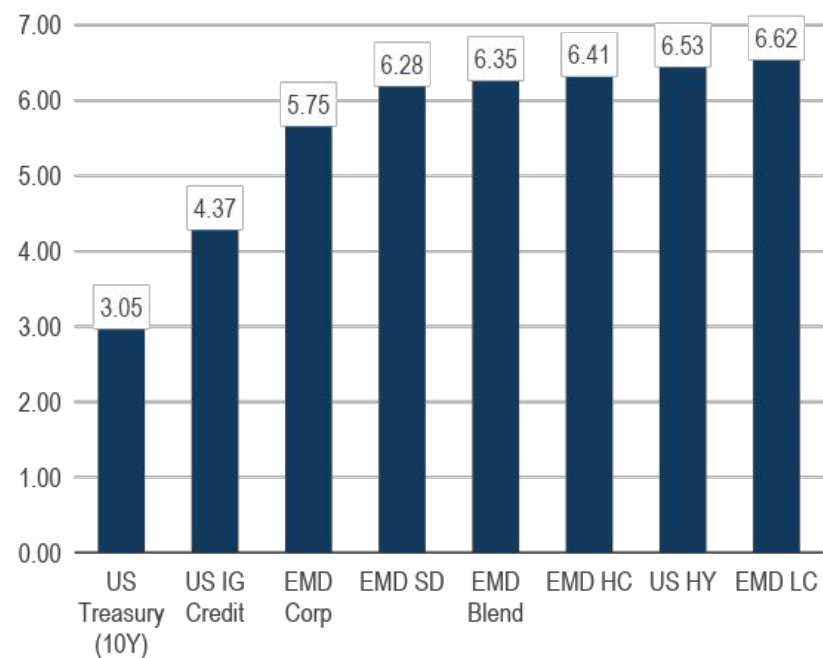
\*Source: JP Morgan. JPM EMBI Global Diversified (EMD Hard Currency), JPM CEMBI Diversified (EMD Corporate), JPM GBI-EM Global Diversified (EMD Local Currency), JPM EMBI Global Diversified 1-3yr and JPM CEMBI Diversified 1-3yr (EMD Short Duration), EMD Blend (25 EMD HC/25 EMD Corp/50 EMD LC), Barclays US Agg Corporate Index (U.S. IG Corporates), Credit Suisse Leveraged Loan (Leveraged Loan CS), Barclays Global Agg Total Return Index Unhedged (Global Agg (unhgd)), Barclays Euro Agg Corporate Total Return Index (Euro Corporate), Unhedged Barclays US Corporate HY (U.S. HY Corp), and United States Benchmark 10 Year Datastream Government Index (U.S. Treasury).

\*Source: JP Morgan. Benchmarks used are EMD HC (JPM EMBI Global Diversified), EMD LC (JPM GBI-EM Global Diversified), EMD Corporate (JPM CEMBI Diversified), EMD SD (ML US Treasury 3-Month Bill), US IG Credit (JPM JULI ex-EM), US High Yield (JPM Domestic HY); Euro IG Credit (Maggie); US Treasury (GBI US), Blend EMD (25 EMD HC/25 EMD Corp/50 EMD LC).

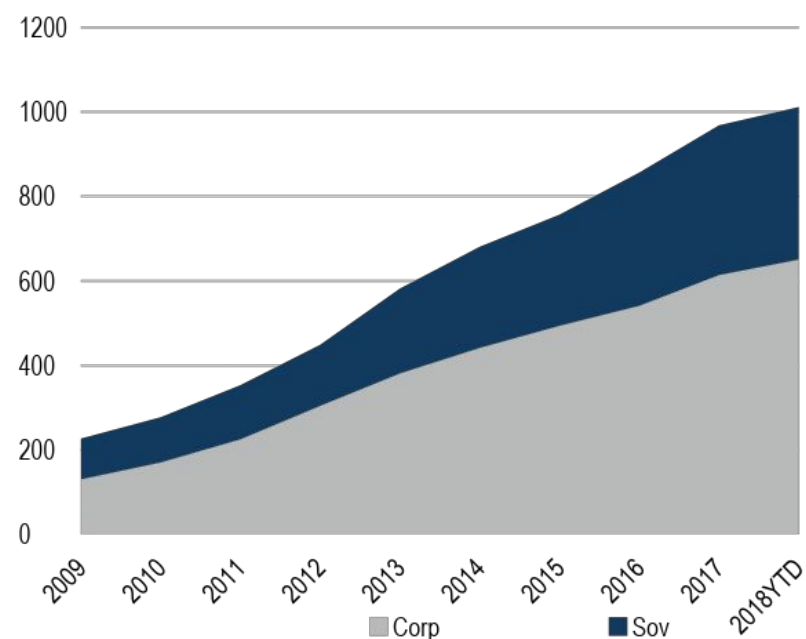
The above information is based upon the indices as identified above. Please see the Disclosure Section of this book for a complete description of each index. Actual investment results will vary. It is not possible to invest directly in any index. Past performance is not necessarily indicative of future results. As with any investment, there is the possibility of profit as well as the risk of loss.

## Why Short Duration Emerging Market Debt?

An Additional Source of Income – Asset Class Yields<sup>1</sup> (%)



A Growing Asset Class – Market Capitalisation \$BN<sup>2</sup>

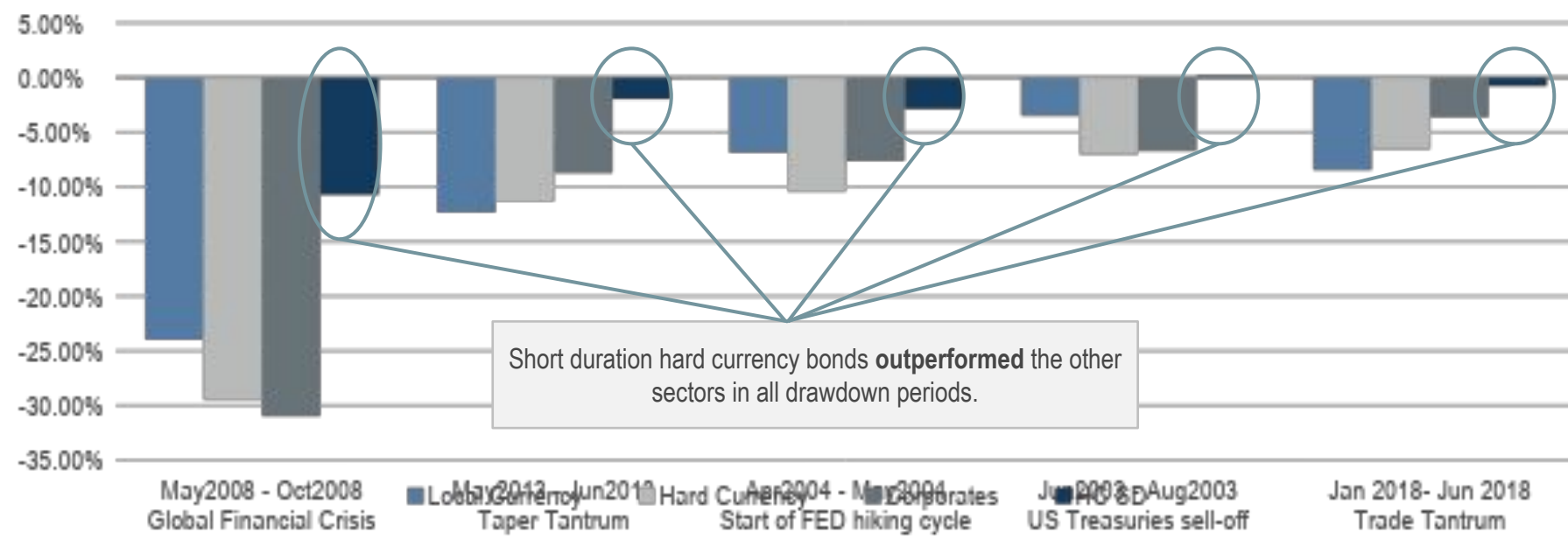


<sup>1</sup>Source: JP Morgan as at 30 September 2018. Benchmarks used are EMD HC (JPM EMBI Global Diversified), EMD Corporate (JPM CEMBI Diversified), EMD SD (ML US Treasury 3-Month Bill), US IG Credit (JPM JULI ex-EM), US High Yield (JPM Domestic HY); Euro IG Credit (Maggie); US Treasury (GBI US), Euro Agg buy the Bloomberg Barclays Euro Aggregate Corporate Index (Hedged).

<sup>2</sup>Source: Neuberger Berman. Data as at September 30, 2018. Indices used are the JPM EMBI Global Index and the JPM CEMBI Broad Index. The following filters have been applied to the indices: maximum effective interest rate duration of 5 years.

## Short Duration EMD Has Experienced Lower Drawdowns Than Other EMD Sectors

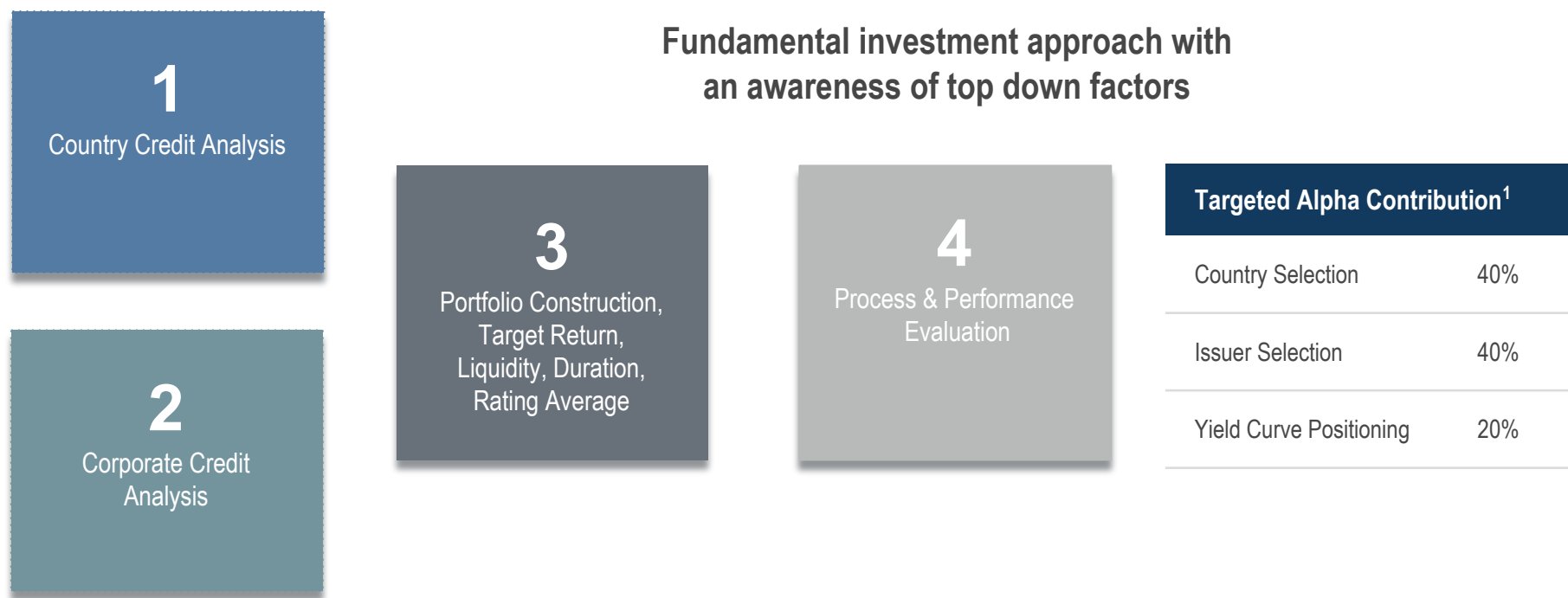
Performance of Four EMD Sectors during the Top-Five Drawdowns in the Hard Currency Debt Market Since 2003



Source: Bloomberg from 1 Jan 2003 to 30 September 2018. The chart shows the top-five drawdowns in the JPMorgan EMBI Global Diversified Index ("EMD Hard Currency"). EMD Corporates is represented by the JPMorgan CEMBI Diversified Index; EMD Local Currency is represented by the JPMorgan GBI-EM Global Diversified Index; Short Duration EMD is represented by an equally-weighted blend of the JPMorgan EMBI Global Diversified 1-3 Year Index and the JPMorgan CEMBI Broad1-3 Year Index.

## How The Fund Works

### Investment process



1. Expected Alpha contribution data is estimated and for illustrative purposes only. Forecasts may not materialize and actual data could differ. Past performance is not indicative of future results. As with any investment, there is the possibility of loss of the amount invested. This material is intended as a broad overview of the portfolio managers' current style, philosophy and process, is as of the date hereof and is subject to change without notice.

## Neuberger Berman Short Duration Emerging Market Debt Fund

Competitive yield with limited volatility.  
**Target return of 3mT bills +300 bps\***

Simple strategy with no derivatives, long only and pure hard currency

Average investment grade rating

Target portfolio duration of two years

Managed by one of the longest tenured EMD teams

\* Over a market cycle.



## ESG Factors are Embedded in our Investment Process

### NB Country Credit Analysis Model



Macroeconomic Factors (60%)	Weighting
<b>Domestic Economy</b>	
Real GDP growth, % p.a.	●
Nominal GDP, US\$ billion	●
GDP per Capita, US\$	●
CPI Inflation, % p.a.	●
Fiscal Balance % GDP	●
<b>External Sector And Debt</b>	
Current Account Balance % GDP	●
External Debt as % GDP	●
Short-term Debt % Reserves	●
Reserves – Import Coverage	●
Public Debt % Public Revenues	●

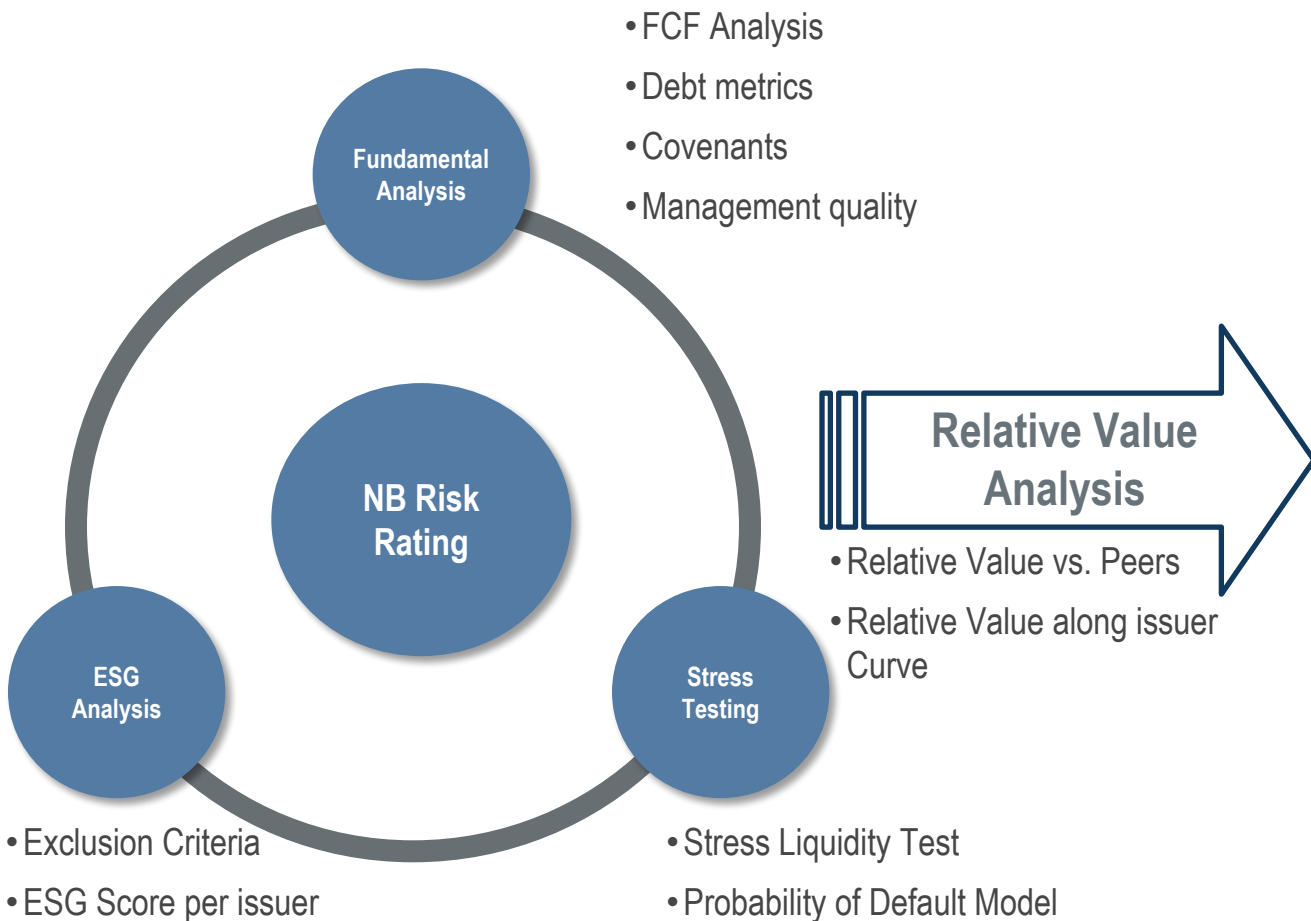
Country scores are forward-looking (12-18 month):  
100 = strong; 0 = weak



For illustrative purposes only. This material is intended as a broad overview of the portfolio managers' current style, philosophy and process, is as of the date hereof and is subject to change without notice.

# Corporates: Bottom up Analysis

In-house Corporate Analysis Process results in Investment Case for every credit in the portfolio



**Investment Case**

TURKISH VAPOLAR BAKIMCI 7-0

Company Name	ISIN	Rating	Outlook	Current	1Y	2Y	3Y	5Y	10Y
TURKISH VAPOLAR BAKIMCI 7-0	TR0000000000	BBB	Stable	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%

**Analyst recommendation from 1 (positive) to 4 (negative)**

For illustrative purposes only. This material is intended as a broad overview of the portfolio managers' current style, philosophy and process, is as of the date hereof and is subject to change without notice.

# Neuberger Berman Short Duration Emerging Market Debt Fund

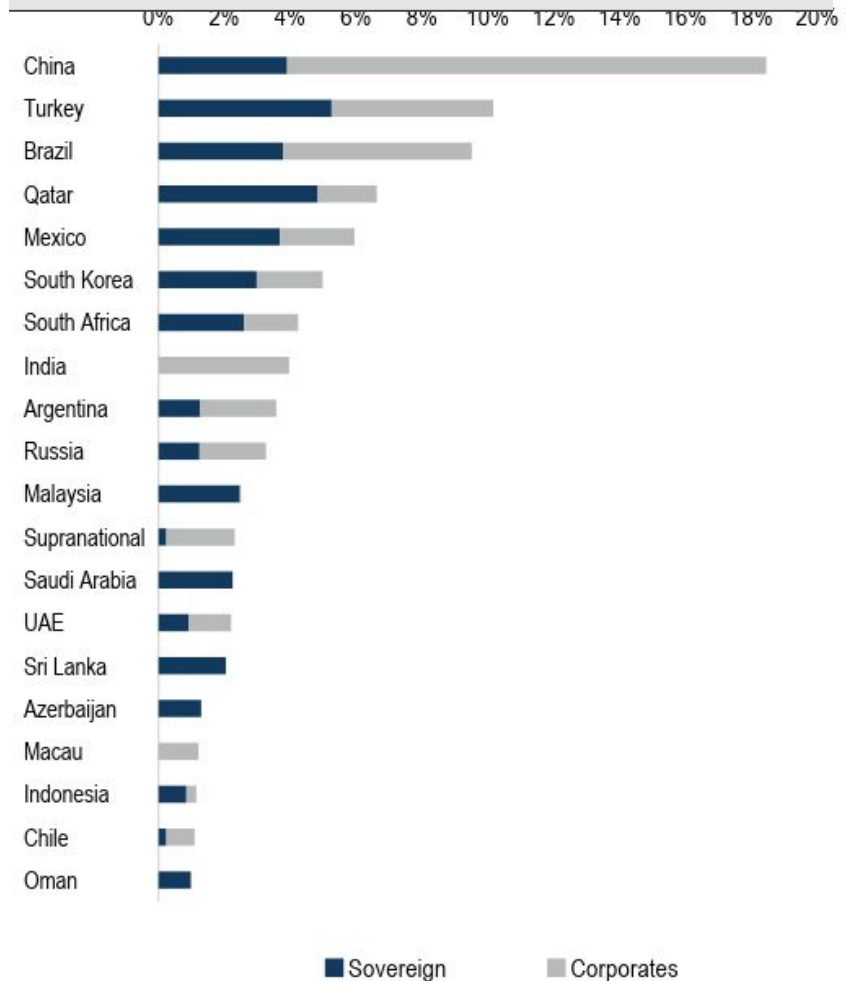
## Key Characteristics

Yield to Maturity	5.32%
Duration (years)	2.05
Number of Holdings	267

## Regional Breakdown (MV)

Latin America	22.46
Eastern Europe	16.77
Asia	35.70
Middle East and Africa	20.45
North America	2.31
Other	2.32

## Top 20 Country Breakdown



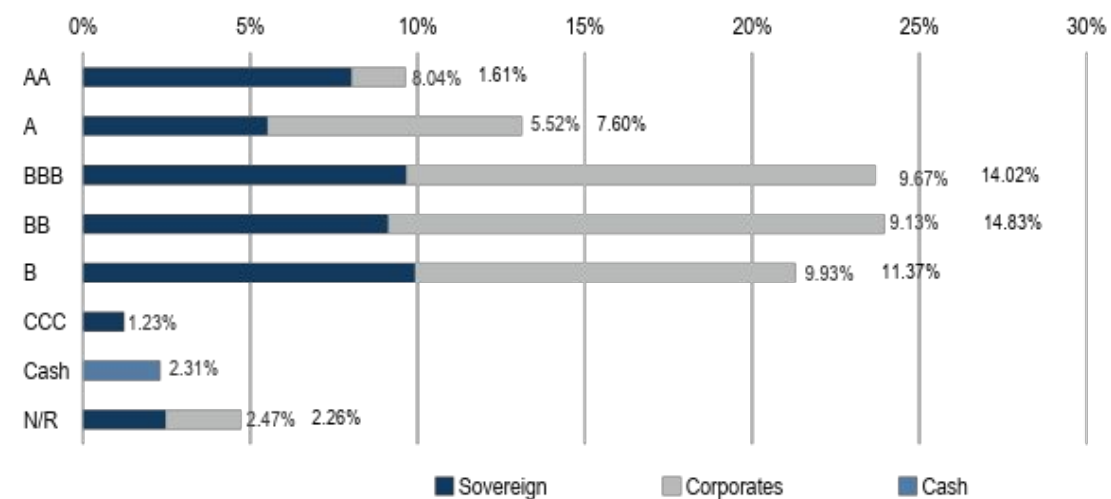
Source: BlackRock Aladdin as at 30 September 2018

## Neuberger Berman Short Duration Emerging Market Debt Fund

### Asset Allocation Breakdown (%)

Sovereign	16.61
Quasi Sovereign	29.13
Sub Sovereign	0.25
Supranational	2.07
Corporates	49.63
Cash Securities	2.31

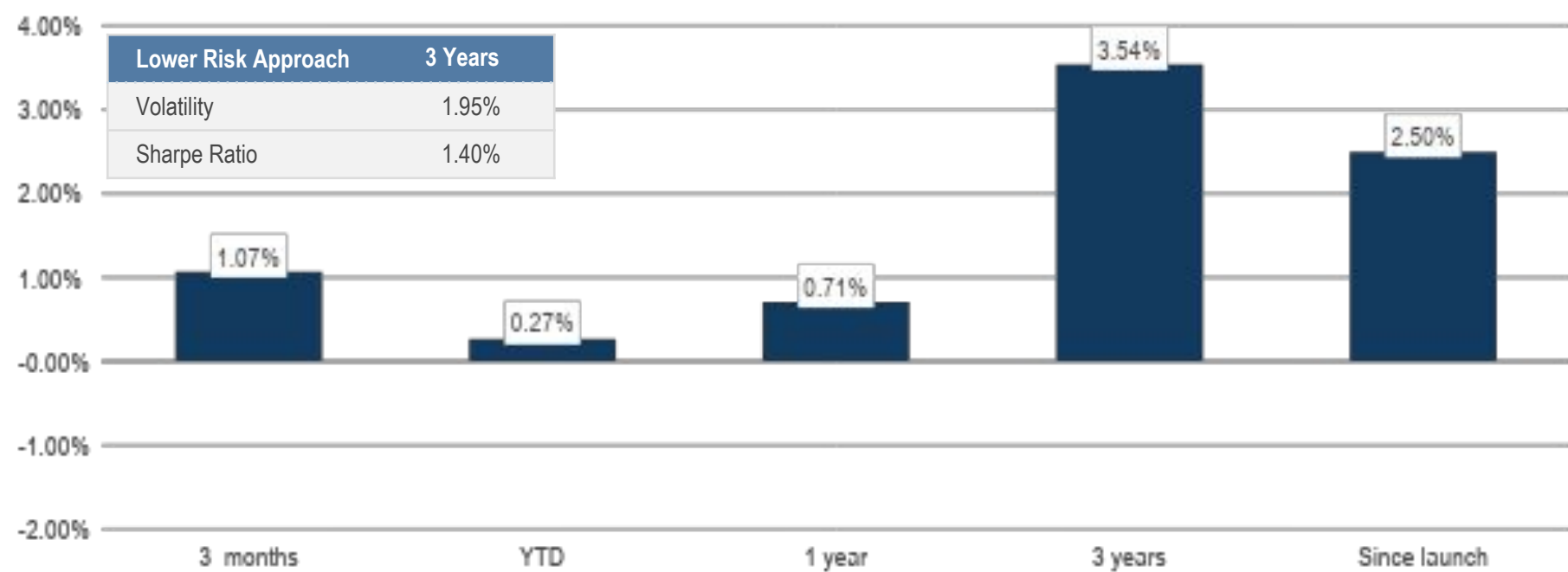
### Credit Rating Breakdown



Source: BlackRock Aladdin as at 30 September 2018. Percentages may not total 100% owing to rounding.

## Neuberger Berman Short Duration Emerging Market Debt Fund

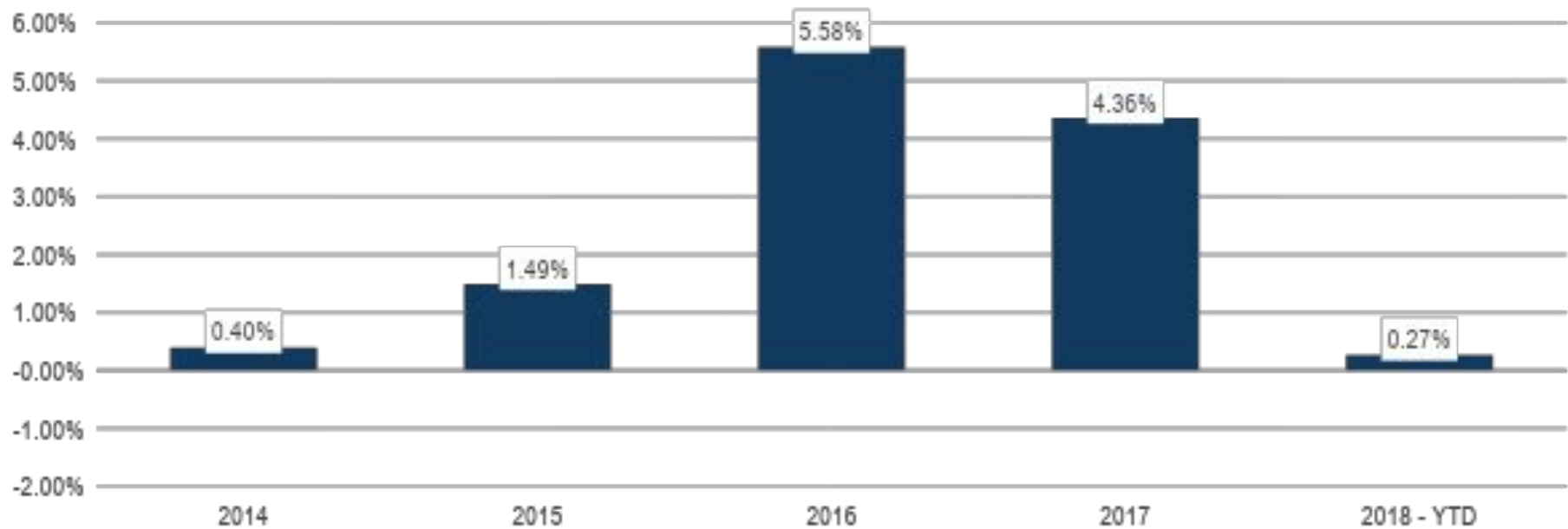
Annualised Performance Since Inception (%) – Class I USD Accumulation (Net Of Fees)



Source: Bloomberg LP and Neuberger Berman as at 30 September 2018. Performance representative of the Class I USD Accumulation, net of fees. The fund was launched on 30 October 2013. Past performance is not a guide for future results.

## Neuberger Berman Short Duration Emerging Market Debt Fund

Calendar Year Performance (%) – Class I USD Accumulation (Net Of Fees)



Source: Bloomberg LP and Neuberger Berman as at 30 September 2018. Performance representative of the Class I USD Accumulation, net of fees. The fund was launched on 30 October 2013. **Past performance is not a guide for future results.**

## Summary

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A solution for a more conservative EMD investor

Yield advantage

Simple strategy managed by an experienced and well resourced team

Can offer some protection from rising rates

## Neuberger Berman Short Duration Emerging Market Debt Fund Codes

		Share Class Launch date	Currency	ISIN Code	Bloomberg Code	Sedol Code
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Accumulating	31/10/2013	USD	IE00BDZRXT69	NBSDEUI ID	BDZRXT6
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Distributing	02/06/2016	USD	IE00BDZRXXW98	NBSDUID ID	BDZRXXW9
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Accumulating	16/12/2016	GBP	IE00BDZRXX961	NBESGIA ID	BDZRXX96
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Distributing	20/02/2018	GBP	IE00BDZRXXB85	NBDSID ID	BDZRXXB8
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Accumulating	06/06/2014	EUR	IE00BDZRXX185	NBSDEIA ID	BDZRXX18
Neuberger Berman Short Duration Emerging Market Debt Fund	Class I Distributing	06/06/2014	EUR	IE00BDZRXX292	NBSEEID ID	BDZRXX29



## Risk Considerations

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**Market Risk:** The risk of a change in the value of a position as a result of underlying market factors, including among other things, the overall performance of companies and the market perception of the global economy.

**Liquidity Risk:** The risk that the Fund may be unable to sell an investment readily at its fair market value. In extreme market conditions this can affect the Fund's ability to meet redemption requests upon demand.

**Interest Rate Risk:** The risk of interest rate movements affecting the value of fixed-rate bonds.

**Credit Risk:** The risk that bond issuers may fail to meet their interest payments, or repay debt, resulting in temporary or permanent losses to the Fund.

**Emerging Markets Risk:** Emerging markets are likely to bear higher risk due to a possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions which may lead to lower liquidity. The NAV of the fund may experience medium to high volatility due to lower liquidity and the availability of reliable information, as well as due to the fund's investment policies or portfolio management techniques.

**Counterparty Risk:** The risk that a counterparty will not fulfil its payment obligation for a trade, contract or other transaction, on the due date.

**Operational Risk:** The risk of direct or indirect loss resulting from inadequate or failed processes, people and systems including those relating to the safekeeping of assets or from external events.

**Currency Risk:** Investors who subscribe in a currency other than the base currency of the Fund are exposed to currency risk. Fluctuations in exchange rates may affect the return on investment. If the currency is different from your local currency, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency.

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**Past performance is not a reliable indicator of current or future results.** The value of investments may go down as well as up and investors may not get back any of the amount invested. The performance data does not take account of the commissions and costs incurred on the issue and redemption of units.

The value of investments designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

Tax treatment depends on the individual circumstances of each investor and may be subject to change, investors are therefore recommended to seek independent tax advice.

Investment in the fund should not constitute a substantial proportion of an investor's portfolio and may not be appropriate for all investors. Diversification and asset class allocation do not guarantee profit or protect against loss.