NEUBERGER BERMAN

Fixed Income Investment Outlook 1Q 2021

Inflation Risk Reemerges

After a year of profound economic and market turbulence, we anticipate improving global growth in 2021. Accelerated vaccine distribution should allow for wider reopening, while the release of pent-up demand and ongoing monetary support will likely help drive renewed expansion. With asset prices close to record highs, however, we believe that many investors are underestimating the potential risk of inflation as economies recover. In this edition of our *Outlook,* we focus on inflation developments and how they could affect fixed income positioning in the year ahead.

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Investment Implications

- Gradual reopenings and continued monetary support will likely accelerate global economic recovery in 2021.
- Changing patterns in consumer spending coupled with easy money-driven pent-up demand for discretionary goods should contribute to renewed inflation risk.
- Rate expectations have decoupled from term premiums, suggesting the potential for a slow rise in yields during the year.
- We are constructive on inflation-sensitive assets and select credit securities that favor earning carry with minimal duration impact.
- COVID-sensitive non-investment grade, loans and emerging market FX appear attractive.

Inflation Risk Reemerges

Even as central banks hold in place, recovery amid currently easy monetary policy could bring renewed pricing pressures.

2020 was the year that brought the global economy to a sudden stop, with unique demand destruction and a supply shock atypical of past recessions. Looking into 2021, we anticipate strong, if uneven, recovery across regions as the pandemic plays out. The expected availability of COVID vaccines, the reopening of economies, continued monetary and fiscal policy support, and pent-up demand in pandemic-sensitive sectors of the economy should provide a significant boost to demand. Although our outlook is heavily dependent on a successful and timely distribution of safe, efficient and effective vaccines, we believe that recent approvals and distribution suggest that the end of the pandemic is in sight.

We expect the reopening of economic activity to lead to labor sector recovery, with job growth shifting higher and unemployment rates gradually trending lower as labor force participation increases. We also expect stronger consumption due to heavy consumer spending in certain sectors like travel, given that consumer savings have stayed elevated through the crisis.

With U.S. election uncertainty largely behind us and positive news about vaccines, better economic data and positive investor sentiment have flowed through to financial markets. However, with asset prices close to record highs and economic activity expected to accelerate sharply in 2021, we believe inflationary risk may be underestimated as we move into the next phase of recovery. In this edition of our *Fixed Income Investment Outlook,* we focus on inflation developments and how they could affect fixed income positioning.

Inflationary Pressures Have Been Tepid, but That Could Be Changing

The abrupt halt of global economic activity in Q1 2020 led to acute destruction of demand across various sectors and geographies. Focusing solely on the impact of the COVID crisis on end demand and the labor sector, one might easily reach the conclusion that inflation could prove similar to the post-global financial crisis "low-flation" regime, in which an inflation uptrend did not seem likely until economic slack was fully absorbed. In our view, such a takeaway could lead to investment decisions that underestimate a meaningful tail risk, as the nature of this crisis is very different from any in recent memory. As a result, it's critical to assess the inflation outlook through the prism of demand, supply, central bank policies and structural forces to achieve a more holistic view.

Demand Impact and Outlook

The sudden and unique nature of the COVID-19 pandemic and the corresponding economic shutdowns by authorities led to a sharp contraction of global economic activity not seen since the Great Depression of the 1930s. The lack of any effective treatment or vaccine curtailed recovery speed and led to a weaker labor sector and greater overall economic slack than many previously anticipated. Surprisingly, however, demand disruption was accompanied by a supply shock caused by significant capacity restraints for many service and goods providers, which was not consistent with prior recessionary periods. Also, swift direct government-initiated fiscal transfers protected households from lost incomes and brought forward economic growth, limiting the disinflationary impact of labor sector weakness on wages.

Overall, the recession led to increased spare capacity and higher unemployment—a deflationary force. However, the shuttering of supply and huge fiscal stimulus have helped temper the downward pressure on consumer prices and provided a bridge for lost wages until global economies fully reopen and lost jobs are restored. Therefore, we believe that slack will have a less meaningful effect on inflation than in previous crises.

EXTREME DISPERSION AND VARIED IMPACT WITHIN INFLATION SECTORS HIGHLIGHTS ONGOING CROSSCURRENTS

U.S. CPI Sectors and Impact of COVID-19 Crisis

			Pandemic to Date	During Pandemic	Post-Pandemic	
Category	Weight (%)	2019 (%)	March – November CPI Change Annualized (%)	March – May CPI Change Annualized (%)	May – November CPI Change Annualized (%)	Pandemic Response
Energy	6.1	3.6%	-16.8%	-67.6%	41.0%	Negative
Out-of-Town Lodging	0.9	-0.2%	-23.2%	-58.9%	14.6%	Negative
Transportation Services	5.1	0.6%	-7.7%	-39.8%	27.2%	Negative
Public Transportation	1.1	1.2%	-23.7%	-80.8%	41.9%	Negative
Apparel	2.8	-1.1%	-12.7%	-35.1%	10.6%	Negative
Airline Fare	0.7	1.8%	-33.6%	-118.1%	72.2%	Negative
Motor Fuel	2.9	7.8%	-35.6%	-124.8%	77.9%	Negative
Food at Home	7.8	0.7%	5.9%	16.5%	-4.4%	Positive
Household Furnishings	3.8	0.3%	6.2%	3.5%	8.7%	Positive
Meat, Poultry, Fish & Eggs	1.7	2.3%	9.2%	33.4%	-13.9%	Positive
Meats	1.0	3.6%	8.8%	36.5%	-17.3%	Positive
Housekeeping Supplies	0.9	0.4%	11.3%	15.1%	7.3%	Positive
Food Away From Home	6.3	3.1%	5.8%	2.7%	9.0%	Capacity Constrained
Professional Services (Physician/Dental/Eyes/Others)	3.7	1.6%	4.0%	4.3%	3.7%	Capacity Constrained
Recreation Services	3.8	2.6%	4.6%	8.7%	0.4%	Capacity Constrained
Education Services	6.3	2.0%	3.5%	1.3%	5.7%	Capacity Constrained
Shelter	33.3	3.2%	2.0%	0.8%	3.2%	Changing Pattern
Transportation Commodities Less Fuel (Cars)	7.2	-0.1%	10.7%	-0.2%	21.7%	Changing Pattern
New Cars	3.7	0.1%	2.7%	-0.6%	6.1%	Changing Pattern
Used Cars	2.8	-0.7%	24.5%	0.3%	48.7%	Changing Pattern
Wireless (Cellphones)	2.0	-0.3%	8.9%	0.6%	17.1%	Changing Pattern

Source: Bloomberg and Neuberger Berman calculations. Data through November 30, 2020.

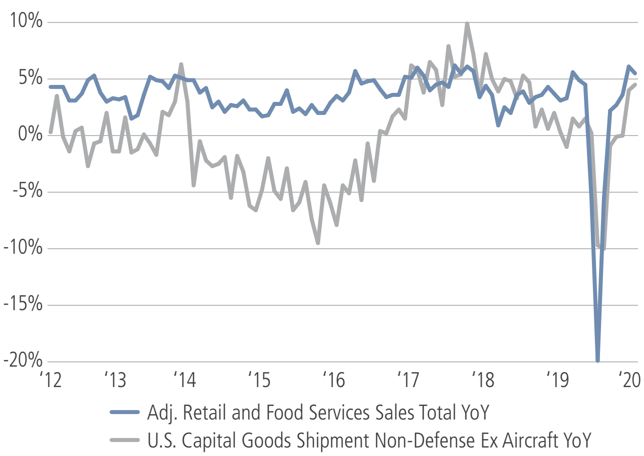
Supply Outlook

With demand weak, one might assume that goods and commodities prices would remain muted. However, given the unique nature of the current environment, there are signs of an upward shift in consumer goods prices with recent changes in spending patterns. The question to us is where (i.e., in which sectors) these changes could persist, and continue to boost inflation until supply realigns with demand.

Perhaps surprisingly, not only have consumer goods benefited from pent-up demand and rotation to durable goods, but business spending seems to be exhibiting similar trends as well. This is reflected in raw capital expenditure data despite industrial production being below pre-crisis levels, a clear sign that companies are drawing down inventories. In our view, the reopening of economies post-vaccines should motivate a sharp inventory rebuild by businesses that drives a strong final goods recovery and exerts further strains on the supply of goods in the near to medium term.

The recent pickup in demand for housing further solidifies our thinking that strength in durable goods might be undergoing more of a structural transition than previously thought.

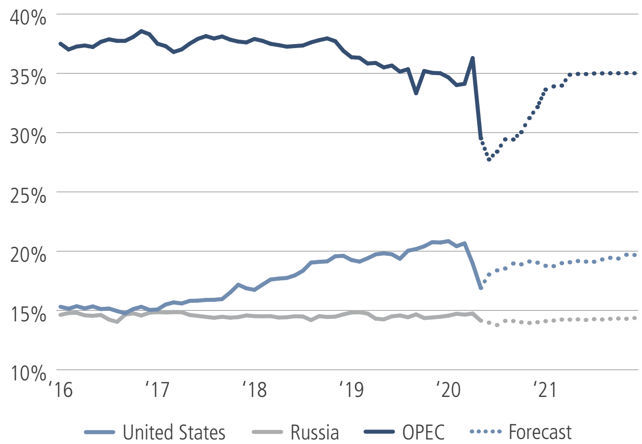
GOODS SPENDING BY HOUSEHOLDS AND BUSINESSES IS NEAR PRE-CRISIS HIGHS



Source: Bloomberg and Neuberger Berman calculations. Data through October 31, 2020.

OPEC IS POSITIONED TO REGAIN MARKET SHARE

Crude Oil Production Market Share



Source: EIA Short-Term Energy Outlook, September 2020.

The supply story, however, would not be complete without accounting for the trajectory of oil and commodities prices post-pandemic. We believe the crisis has created a long-awaited opportunity for old and traditional oil players to reclaim market share and regain their stranglehold on the supply outlook. Not only have OPEC and its partners been successful in eliminating smaller U.S. shale producers, but the majority of the survivors are being forced to consolidate with bigger U.S. oil producers due to liquidity issues and rising regulatory headwinds. This leads us to a constructive view on oil prices as the structural shift in the shale industry should give OPEC a freer rein in supply, leading to higher prices.

Another variable of importance for inflation rates globally will be exchange rates. We expect the dollar to weaken modestly as interest rates have converged to around zero globally and as all major central banks engage in quantitative easing-type policies. This should boost the U.S. inflation rate while the rest of the world experiences a moderating impact.

Overall, we think the probability of a "cost-push" positive impact on inflation rates is higher than market expectations.

Monetary and Fiscal Policy Transition

The lessons for central bank policymakers, governments and investors from the global financial crisis were relatively straightforward: First, central bank policies do not generate inflation but rather provide the channels for inflationary pressures to build and lift inflation expectations. Central bank policies, however, can block these channels and shift the inflation trajectory lower in the event of a policy mistake of tightening monetary policy before it is necessary. Second, monetary policy in isolation has limitations, but can be powerful when combined with fiscal responses.

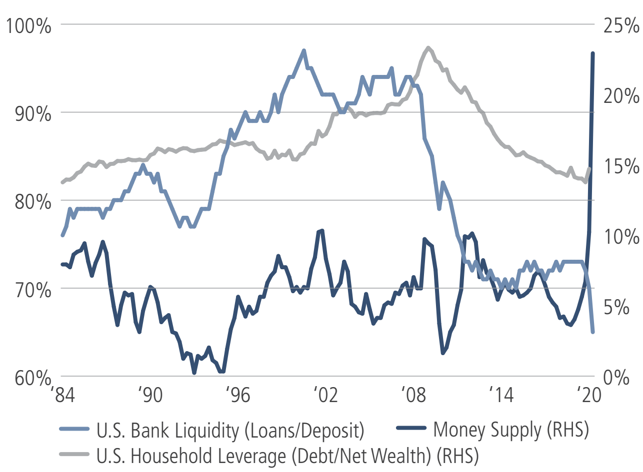
Policymakers seem to be taking these lessons to heart, as shown by their response to the current crisis, which has been more timely and larger than during earlier crises. In the case of the U.S., the Federal Reserve has taken an additional step to change its inflation mandate to a more dovish "make-up" inflation-targeting framework. We believe that this is laying the groundwork for maximizing and optimizing the limited inflationary channels as economic slack shrinks and the recovery gains steam.

With central banks massively increasing their balance sheets, the argument has been rightly made that increasing money supply by itself is not inflationary, but we believe that combined with other factors it could incentivize "green shoots" of inflation. Our argument is built on the premise that consumer and bank balance sheets were in good shape coming into this crisis. This has created a low bar to increasing leverage, as we think the unprecedented level of money supply currently in the system could fuel pent-up demand in consumer spending, the creation of small businesses and bank relaxation of loan requirements, all of which are key in generating economic activity and an upward trajectory in inflation.

Unprecedented cooperation between fiscal and monetary policymakers has been a key tenet of the response to the COVID-19 shock. While further monetary policy action provides decreasing marginal return, its potential impact when combined with fiscal policy remains positive.

With that in mind, we believe fiscal support for the economy is here to stay, as the magnitude of the pandemic shock has made it politically untenable for authorities to tighten fiscal policy too early in the recovery cycle. Not only will automatic stabilizers be enabled for longer periods, but fiscal policy is now seen as a way to boost growth and productivity, reduce wealth inequality and increase wages through re-regulation of labor markets.

MONEY SUPPLY COULD FUEL PENT-UP DEMAND AND ENCOURAGE BANK LENDING

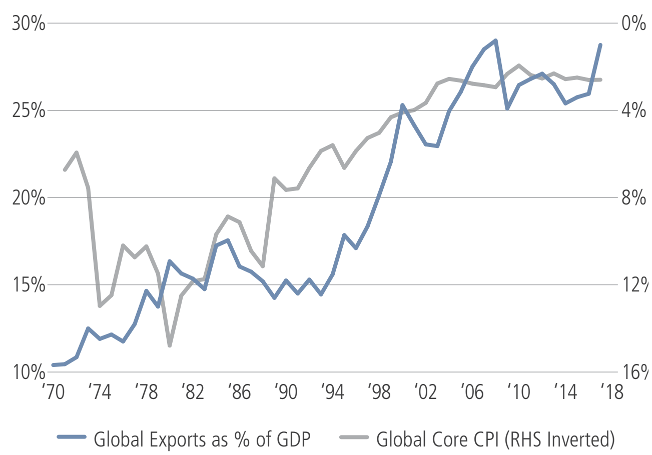


Source: Bloomberg and Neuberger Berman calculations. Data through June 30, 2020.

Structural Forces and Political Calculations

Post-financial crisis, the inflation story was defined by a failure to consistently deliver at- or above-target inflation, primarily driven by structural disinflationary forces such as globalization and trade, technological adaptation and disruption, demographic trends and high debt levels. As a result, one might expect the post-COVID crisis regime to exacerbate the old trend. However, we see this period as uniquely different from the classic recession resulting from economic imbalances, such as in the early 1990s or 2000 – 2001. Instead, the COVID crisis has accentuated already existing structural shifts such as deglobalization and onshoring of global supply chains, which have been supported by shifting political forces. Overall, we think the aggregated impact of structural drivers, although slow-moving, are more supportive of inflation than generally recognized.

GLOBALIZATION MAY HAVE PEAKED, WITH THE CRISIS ENCOURAGING ONSHORING OF SUPPLY CHAINS

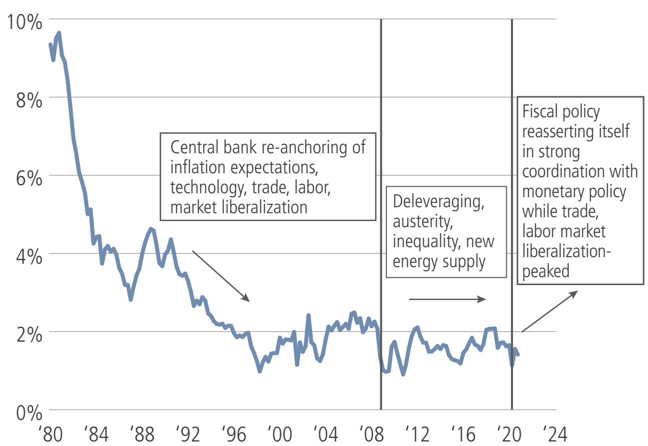


Source: OECD. Data through December 31, 2017.

Clearly, the COVID crisis abruptly tilted the balance of price pressure back toward disinflation. Moreover, the magnitude of current economic slack will continue to create strong headwinds against inflation until recovery is in full swing. That said, conditions are quite different from the intense deflationary shock experienced during and immediately following the global financial crisis. While we expect the global recovery to be choppy, with elevated inflation volatility, disinflationary pressures are starting to ease and should gradually reverse in favor of higher inflation, with the potential for a resilient up-tilt in global core consumer price inflation over the next 12 – 36 months.

DISINFLATIONARY PRESSURES ARE FLATTENING

Evolution of U.S. Core PCE (YoY)



Source: Bloomberg and FRED. As of October 31, 2020.

The rebound in inflation will likely be different, with varied timelines, across geographies.

We believe U.S. inflation will lead other developed markets as it is firmly in recovery. In a post-vaccine world, we anticipate an upward growth trajectory and labor sector improvement, combined with resilience in home prices and continued rental support by the government through the CARES Act. We also expect services inflation to trend higher on the back of pent-up demand in travel and discretionary spending, while a weaker U.S. dollar could prove supportive for goods inflation. Moreover, the Fed's new policy stance should help shift inflationary expectations higher and keep them anchored at those levels, while the U.S. is likely to return to a position of relative economic strength and inflationary pressure prior to the pandemic. Elsewhere, the outlook for inflation will be less clear, as structure of economies and one-off effects could require more in developed markets and prove uneven in emerging markets.

In Europe, we believe that 2021 will be marked by two phases. In the initial (first-quarter) phase, limited vaccine distribution will encourage continued lockdowns and suppress growth. However, both headline and core inflation should confirm a trough, as economic activity remains limited, but at higher levels than last spring. In the second phase, as temperatures rise in the spring and vaccination gains steam, we expect full reopening of the economy and a strong rebound in activity driven by pent-up household consumption tied to large savings during lockdowns and capex from the corporate sector. However, inflation is expected to rise only modestly initially as a result of still-significant economic slack. The recovery across countries is also likely to be uneven with manufacturing-oriented economies recovering faster than those focused on services. Having said that, inflation should start its upward trajectory during the summer months, increasing toward 1% or higher (year-over-year) by year-end, although volatile inputs like package holidays and airfares could cause temporary variability.

In emerging markets, we believe inflation could increase by more than consensus expectations in the first half of 2021, mainly driven by food prices, lagging effects of exchange-rate depreciation and increasing energy prices. Once these adjustments have run their course, inflation should be quite muted for the remainder of 2021.

Comparing developed and less developed countries, there is a distinct difference in inflationary trends. The consumer basket of goods in more developed EM countries features a lower weight in food, but a higher weight in services, where inflationary pressures are low, leading to a potentially more modest increase in inflation for 2021. This includes China, where food prices are expected to moderate after large increases in 2019 and 2020.

Global Central Banks Pivot to 'Wait and See'

We expect the reaction function of central banks to be country-specific with a "wait-and-see" approach. Monetary authorities will apply what is left of their limited toolbox to weak macroeconomic data, but overlook signs of economic rebound and therefore remain accommodative for the time being. Overall, the expectation is for policymakers to continue to stress that fiscal rather than monetary policy is best equipped to respond to the needs of the economy at this juncture.

In the U.S., the Fed's new policy framework requires a readiness to run the economy "hot" until after inflation actually materializes. Although the return of the Fed's 13(3) capital to the Treasury modestly increases the probability of financial conditions tightening to a point that could elicit a monetary policy response, we believe it more likely opens up some scope for Congress to reappropriate that money for economic stimulus.

This Fed stance continues to put pressure on the ECB and other central banks to also remain accommodative. Having recently recalibrated monetary policy, the ECB has taken a proactive approach and provided ample monetary stimulus for 2021. Therefore, we do not expect any major policy announcements from the ECB over the year if the recovery proceeds in line with expectations.

Even though inflation is unlikely to be an issue to start the year, further along they may introduce an economic threshold in their forward guidance to allow for an overshoot in inflation. The ECB's upcoming strategy review is also likely to shift its framework in an even more dovish direction, even though this is more likely to be a feature in early 2022. One point of concern for 2021 is likely to be the currency. The Eurozone does not have strong inflation or growth to share with the world through its exchange rate. Therefore, we expect the ECB to remain vigilant and continue to use communication to explain how the exchange rate impacts its monetary policy.

Despite an increase in inflation and acceleration in economy activity globally, we believe that most emerging market central banks will remain on hold and not tighten monetary policy. For the more developed emerging market countries, especially those in Asia, inflationary pressures will still be muted, and labor market slack should continue to suggest easy monetary policy. However, countries where COVID-related fiscal efforts have been strongest could see tightening. In China, we believe that the central bank and financial authorities will also tighten policy to mitigate a further build-up of financial imbalances—something that was a priority prior to the COVID crisis.

Central banks' actions thus far have helped normalize market functioning. Yields were range-bound through mid-2020 before rising in the fall, supported by fiscal stimulus, politics and vaccine development news. Thus, as we wait for fiscal stimulus and vaccine availability, monetary policy will continue to thread the needle to support the economy until it can fully and safely reopen.

Investment Takeaways

The potential transition to higher inflation represents a significant shift in the economic and market environment. What could it mean for investors? A look at U.S. interest rate expectations and term premiums reveals that rate expectations have decoupled from term premiums recently; therefore, we anticipate a calibrated and slow rise in yields in 2021.

Overall, we see an investment environment of renewed growth and improving fundamental conditions, combined with increased inflation pressures, but without any significant change in monetary policy as central banks maintain current support in light of ongoing, though potentially fading, pandemic conditions and lockdowns.

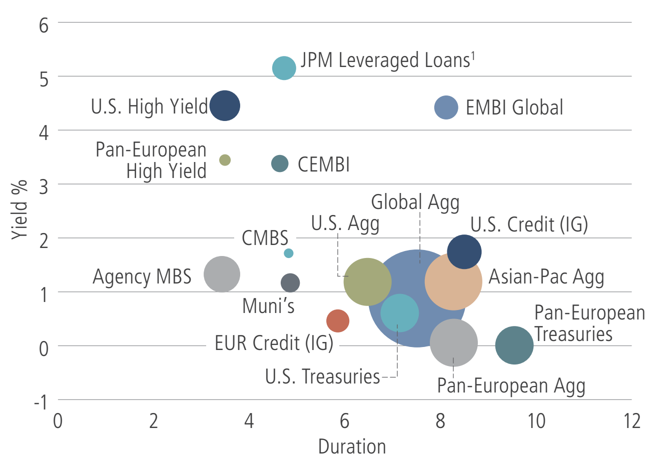
As such, we are constructive on inflation-sensitive assets and select credit securities that favor earning carry with minimal duration impact. In our view, this makes COVID-sensitive, non-investment grade loans and emerging market FX attractive.

From a multi-asset perspective, this leads us to three key themes:

1. **Focus on yield without duration.** For investment grade credit, low yields coupled with long durations are creating return risk even with positive credit fundamentals. Portfolios should emphasize high yield, loans and other sectors offering attractive yields with minimal duration risk.

UNHEDGED YIELD VS. DURATION

Bloomberg Barclays and JPM Major Fixed Income Indices (Bubble Is Size of Market)



[1]Vertical axis is yield to maturity.
Source: Bloomberg as of December 3, 2020.

2. **Protect against inflation.** In our view, inflation is likely to increase starting in the second quarter, on the back of pent-up demand and loose monetary conditions. This suggests the potential benefits of global sovereign inflation bonds and non-dollar currencies, particularly in emerging markets.

3. **Sector and security selection rise in importance.** Even with the virus likely to fade, we continue to focus on secular winners, as not all "COVID losers" will benefit from vaccines. Opportunities also should develop in sectors that have strong secular tailwinds, but have perhaps faced headwinds from this COVID period.

On the following pages are brief outlooks from our sector teams. Our 12-month Market Views are detailed on pages 10 – 11.

Sector Outlooks

Investment Grade Fixed Income: Improving Fundamentals

Although 2020 was a year of historic volatility, spread levels ultimately were little changed, with unprecedented fiscal and monetary actions, including low rates, critical to the recovery of credit conditions. These factors, coupled with improving fundamentals and solid technicals, should prove supportive to credit spreads in the investment grade credit market.

In aggregate, metrics around cash flow and leverage will likely improve for companies as vaccines are distributed and the economy begins to emerge from COVID-19. However, while the overall direction of fundamentals should be positive, we believe the range of outcomes for companies will be broad and that some may use the improving environment, with easy access to capital, to add financial risk. Therefore, active credit selection driven by disciplined research will likely become more important than usual in 2021.

In terms of technicals, increased demand for investment grade issues with positive yields should persist. Investors globally continue to gravitate to credits with improving fundamentals and incremental yields. Supply, at a record level in 2020, should moderate. Continued strong demand and diminished supply should therefore be a key theme this year.

Although spread-tightening is likely to continue in 2021, valuation remains important. We have reduced credit risk profiles generally as spreads have moved back to pre-COVID levels. Should they continue to narrow, we would look to reduce exposure further from our current overweight stance.

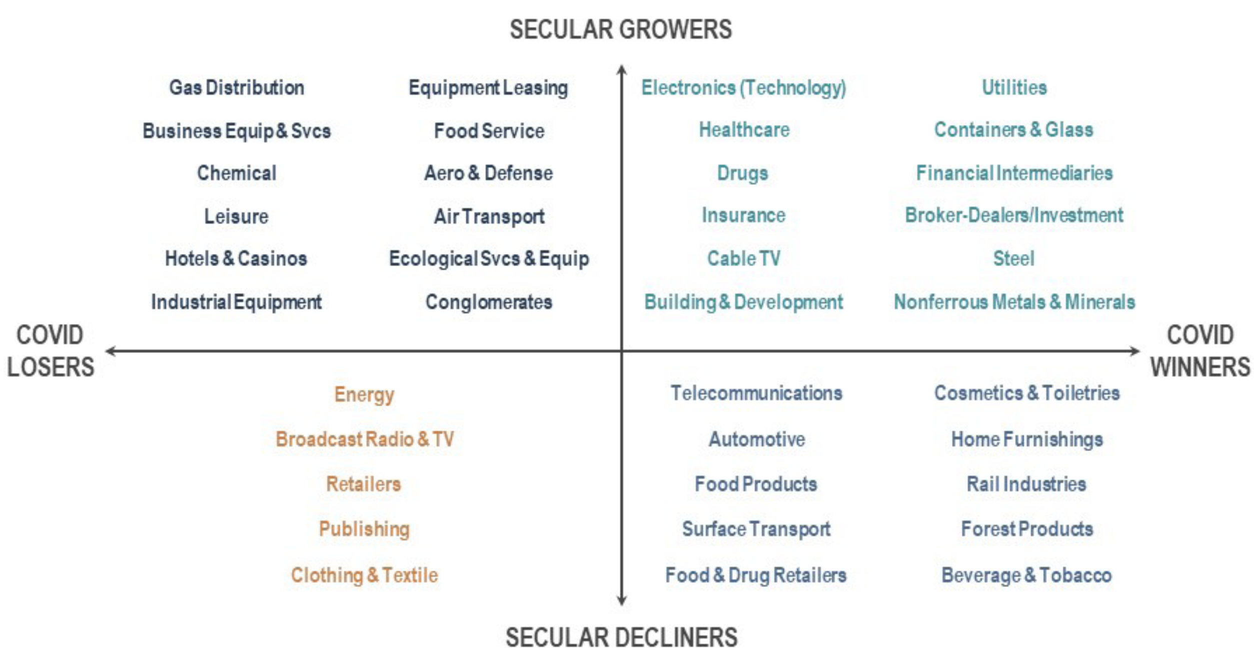
Non-Investment Grade Credit: Inflation Insolation

As we've discussed, the inflation outlook—and its potential impact on valuations of longer maturity bonds and interest rates—is an important element of our overall 2021 outlook, including our view of non-investment grade sectors.

Most significantly, the average duration of non-investment grade corporate credit is well below that of many other fixed income alternatives, which creates a positive backdrop for these sectors as a vehicle to earn attractive income with minimal duration risk.

At the same time, we view security selection as the primary driver of relative returns in the non-investment grade universe. So, in considering the outlook for inflation and interest rates, we focus on what it means for individual issuers, sectors and segments of the high yield and loans markets, as well as the relative valuation between the two asset classes.

RESEARCH CHALLENGE: IDENTIFY SECULAR 'WINNERS' COMING OUT OF COVID-19



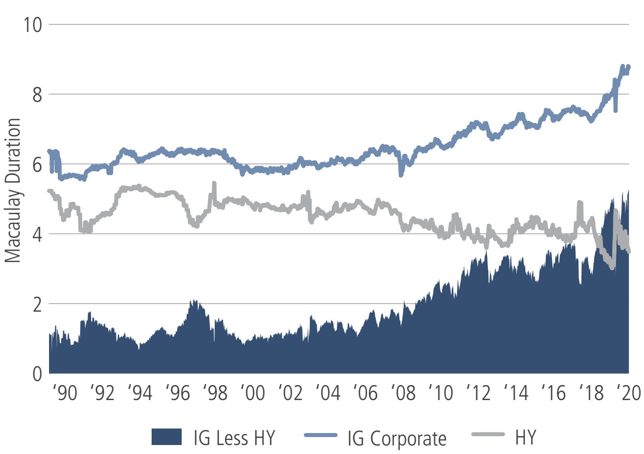
Source: Neuberger Berman.

High Yield: High yield bonds have a higher correlation with equities than with interest rates. While interest rates tend to rise in an economic recovery, issuer fundamentals are levered to that growth and benefit from increasing volumes and pricing power. Furthermore, high yield spread compression will tend to offset any negative duration impact from rising interest rates.

Senior Floating Rate Loans: Loan coupons float with the prevailing reference rate, reducing the sensitivity to changes in interest rates. Although a durable leg higher in interest rates could be slow to emerge, the floating-rate nature of bank loans has historically enabled investors to benefit in both stable interest rate environments and in the event that the economic recovery proves stronger than expected and inflation expectations shift higher.

An environment of stable short rates and improving topline growth and modestly increasing inflation has typically provided a positive backdrop for high yield and loan issuers, as well as total return for both asset classes.

INVESTMENT GRADE'S DURATION DIFFERENTIAL OVER HIGH YIELD IS AT ALL-TIME HIGH



Source: Bloomberg. Bloomberg Barclays indices weekly data through December 4, 2020.

Municipal Fixed Income: Security Selection Is Key

We are particularly bullish on the taxable muni market for 2021. Spreads remain wide relative to the beginning of the year and attractive versus investment grade corporates. The supply of taxable munis should continue to be elevated this year, which bodes well for the available opportunity set.

Municipal high yield offers a similar story. In our view, spreads still have room to tighten, especially if vaccines lift growth in the second half of 2021. Technicals are strong as demand for tax-efficient yield is almost insatiable in a zero-rate world. Overall, Fed liquidity should also be supportive of spread product.

In our view, investment grade tax-exempt securities are more fairly valued and are likely to experience a "coupon-clipping" year given potential difficulty in finding price appreciation.

Similar to other fixed income market segments, with the "beta rally" likely over, we believe that security selection will largely drive returns across much of the municipal market. Careful analysis of credit as it relates to the new COVID world and relative value analysis will be essential.

Emerging Markets Debt: Return to Growth

Following the significant drop in global GDP growth last year due to the coronavirus outbreak, economies have been recovering at varying paces in recent months, supported by aggressive fiscal and monetary policy stimulus efforts. This broadly supportive fundamental environment should contribute to a return to growth in 2021 with emerging markets recovering lost ground more quickly than developed markets. Still, our base case for continued gradual recovery may hit speed bumps along the way as countries grapple with virus flareups and temporary restrictions.

Aside from the pandemic and its impact on the macro outlook, we believe the risks to the EMD asset class are subsiding: A potential easing of U.S.-China tensions and the end of U.S. election-related uncertainty should prove favorable to emerging economies, along with prospects for a cyclical recovery. This should reduce the risk of further defaults among large sovereign issuers in 2021. In the high yield corporate space, we have reduced our expected default rate from 4.6% to 4.1% for 2020, driven by lower market stress and to 3% for 2021, below that of U.S. high yield.

In our view, valuations for EM hard currency bonds remain at reasonably attractive levels, especially in the high yield space. Local bond yields have tightened meaningfully, but we continue to see value in high yielders while EM currencies are still very cheap on a REER basis. The yield pick-up offered by EM sovereigns and corporate credits could lead to a sustained resumption of inflows and allocations to the asset class.

We recently moved to an overweight view of local versus hard currency, as EM currencies should benefit from better visibility around the global recovery that recent vaccine developments provide, while improving terms of trade support commodity currencies in particular. Within the hard currency space, we continue to have a long bias in sovereign debt with a tilt toward high yielders funded with an underweight in corporates based on relative valuations and higher beta.

Market Views

Next 12 Months

	UNDER – –	–	NEUTRAL ◇	+	OVER ++	CHANGE NOTES
GOVERNMENT BOND MARKETS						
United States	○	○	●	○	○	
United Kingdom	○	○	●	○	○	
Germany	○	●	○	○	○	
France	○	●	○	○	○	
Italy	○	○	●	○	○	Despite pandemic, economic fundamentals are relatively stable and likely to improve this year, but yields offer little premium for risk levels.
Spain	○	○	●	○	○	Pricing is less appealing despite potential for growth improvement this year; budgetary issues bear watching.
Japan	○	●	○	○	○	
Canada	○	○	●	○	○	
New Zealand	○	○	○	●	○	
Australia	○	○	○	●	○	
U.S. TIPS	○	○	○	●	○	
INVESTMENT GRADE SECTOR						
U.S. Agencies	○	○	●	○	○	
U.S. Agency MBS	○	○	○	●	○	
U.S. CMBS	○	○	●	○	○	
U.S. ABS	○	○	●	○	○	
U.S. Mortgage Credit	○	○	○	●	○	
U.S. Credit	○	○	●	○	○	Reopening and monetary/fiscal support should help restore growth, but prospects for further spread-tightening are modest.
Europe Credit	○	○	●	○	○	Recovery should help credit fundamentals; greater fiscal integration is likely, but the pace of improvement may be slow.
U.K. Credit	○	○	○	●	○	
Hybrid Financial Capital	○	○	○	●	○	
Municipals	○	○	○	●	○	

	UNDER −−	−	NEUTRAL ◇	+	OVER ++	CHANGE NOTES
HIGH YIELD & EMERGING MARKETS						
U.S. Full-Market High Yield	○	○	○	○	●	
U.S. Short-Duration High Yield	○	○	○	●	○	
Pan-Euro High Yield	○	○	○	● ←	○	Credit fundamentals should improve, but the pace could be slow, leaving only modest potential for spread-tightening given current valuations.
Floating-Rate Loans	○	○	○	● ←	○	Stable short rates, improving topline growth and modestly increasing inflation have typically provided a positive backdrop for loan issuers.
U.S. CLO	○	○	○	○	●	
EM Hard-Currency Sovereigns	○	○	○	●	○	
EM Hard-Currency Corporates	○	○	●	○	○	
EM Hard-Currency Short Duration	○	○	○	●	○	
EM Local-Currency Sovereigns	○	○	○	●	○	
CURRENCY*						
U.S. Dollar	○	●	○	○	○	
Euro	○	○	●	○	○	
Pound	○	○	●	○	○	
Yen	○	○	○	●	○	
Swiss Franc	○	●	○	○	○	
Australian Dollar	○	●	○	○	○	
Swedish Krona	○	○	● ←	○	○	Quantitative easing and liquidity could be dampening, economic model appears less competitive now; but valuation is appealing and may overly discount current weakness.
Norwegian Krone	○	○	○	●	○	
Canadian Dollar	○	○	●	○	○	
Mexican Peso	○	○	○	●	○	
Brazilian Real	○	○	○	●	○	
Chinese Yuan	○	○	●	○	○	
Russian Ruble	○	○	●	○	○	
Turkish Lira	○ →			●	○	Although the fundamental story is negative, the new central bank governor should bring in more orthodox policy while the lira appears undervalued.

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*Currency views are based on spot rates, including carry.

ABOUT THE FIXED INCOME INVESTMENT STRATEGY COMMITTEE

The Neuberger Berman Fixed Income Investment Strategy Committee consists of 18 of our most senior investment professionals who meet monthly to share views on their respective sectors to inform the asset allocation decisions made for our multi-sector strategies. The group covers the full range of fixed income combining deep investment knowledge with an average of 28 years of experience.

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