

# Neuberger Berman International Select Fund

**TICKER:** Institutional Class: NILIX, Class A: NBNAX, Class C: NBNCX, Class R3: NBNRX, Trust Class: NILTX

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## Performance Highlights

Neuberger Berman International Select Fund generated a positive return during the second quarter but underperformed the MSCI EAFE Index (Net). The Fund is also behind the index year-to-date.

### Market Context

Global equity markets posted solid positive returns in the second quarter. International developed markets, represented by the MSCI EAFE Index (Net), rose +3%, while US equities, as measured by the S&P 500, climbed +8.7%, and Emerging Markets, as measured by the MSCI EM Index (Net), ended the period +1% higher. For the year-to-date, the MSCI EAFE Index is up +11.7%, erasing much of the losses from 2022, the S&P Index is up 16.9% and the MSCI Emerging Markets Index is up 5%.

Following a difficult 2022, global equity markets delivered strong returns in the first half of 2023. Growth stocks, which suffered the most last year, have seen the sharpest rebound led by technology stocks. Semiconductor-linked stocks, in particular, leapt higher following a blowout earnings report from Nvidia in the US. The excitement around large language models and other Artificial Intelligence (AI) technologies, powering OpenAI's ChatGPT and Google's Bard, was the main driver as technology firms scramble to build out AI platforms.

Global equity markets have also been supported by the moderation of headline inflation in most major economies. The UK is the outlier with inflation still well above the Bank of England's target. Wage growth remains strong and core services inflation accelerated, forcing the Bank of England to raise rates by another 75bps (base rate now at 5%) during the quarter, while the Federal Reserve in the US raised its target rate by 25bps in May but paused in June. The shorter-term nature of mortgage rate fixings in the UK is also a concern, as approximately 2.4 million households could see their low fixed rate deals expire over the next 18 months. Labor markets remain robust in most major developed economies, however, so central banks may have more to do to tame inflation.

Japan was the best-performing major market in international developed markets during the quarter. Interest rates remain very low and the Bank of Japan, for now at least, is maintaining its yield curve control policy. Given other major central banks have continued to raise rates this has caused the Japanese yen to weaken against major trading partner's currencies. This weakness in the yen however is a positive for many Japanese companies which earn a significant portion of their revenues outside of their home market. Japan is also witnessing some structurally positive events unfold which is discussed further in the outlook section.

Within the MSCI EAFE Index, Italy was the best-performing market (+8% in USD), closely followed by Japan (+6.5%). Smaller European markets such as Finland and Belgium (both down over -6% in USD) were the weakest performers, however, developed Asian markets, including Hong Kong and Singapore (both down over -5% in USD) also disappointed as China's reopening continues to prove lackluster. By sector, Industrials (+6%) was the best-performing sector, helped by strength across virtually every sub-sector. Communication Services (-2.5%) was the weakest sector, while commodity segments also underperformed.

### Portfolio Review

For the quarter, the Fund posted a positive return but finished behind the benchmark. By sector, Industrials and Consumer Discretionary were the worst-performing sectors on a relative basis. Weak stock selection in the professional services sub-sector, including TechnoPro in Japan and Teleperformance in France (see worst performers below), held back returns in Industrials. While in Consumer Discretionary, the underweight to the fast-rising automobiles sub-sector was an allocation headwind, compounded by Kering's negative impact on stock selection in the luxury goods sub-sector.

Health Care and Materials were the best-performing sectors on a relative basis. After a disappointing first quarter for the Fund's pharmaceuticals exposure, good stock selection in the same sub-sector was the key driver of outperformance in the Health Care sector during the second quarter, with Novartis in Switzerland among the top performers. Good stock selection in the health care equipment and life sciences tools and services sub-sectors was also a tailwind, with ICON in Ireland among the best performers (see below). In Materials, the underweight to the weak metals and mining sub-sector provided an allocation boost, while good stock selection in the chemicals sub-sector was also additive.

Geographically, France was the worst-performing market on a relative basis, weighed down by weak stock selection, most notably due to Teleperformance and Kering. Stock selection was also a headwind in Japan, due primarily to TechnoPro's underperformance. The UK was the best-performing market for the portfolio on a relative basis during the second quarter. The portfolio's quality multinationals in the UK, including Experian (see best performers below), outperformed the broader market. US-listed foreign multinationals were also a tailwind.

Year-to-date the Fund is behind the benchmark. As with the quarter, weak stock selection in the professional services sub-sector has weighed on returns in Industrials over the first two quarters. Materials has been the best-performing sector, with good stock selection in construction materials and chemicals, being complemented by the positive allocation effect of the underweight to the weak metals and mining sub-sector. By country, France has been the weakest market on a relative basis while the UK has been the biggest tailwind.

#### BEST AND WORST PERFORMERS FOR THE QUARTER<sup>1</sup>

Best Performers	Worst Performers
ICON	Teleperformance
Novartis	TechnoPro
Experian	DSM-Firmenich
Disco	Kering
Tokyo Electron	RS Group

<sup>1</sup> Reflects the best and worst performers, in descending order, to the Fund's performance based on individual security performance and portfolio weighting. Positions listed may include securities that are not held in the Fund as of 06/30/23. It should not be assumed that any investments in securities identified and described were or will be profitable. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for the Fund.

#### Best Performers

**ICON** – the Irish headquartered health care services firm reported consensus beating first-quarter earnings. Management also reiterated full-year guidance given solid order and revenue trends.

**Novartis** – the Swiss pharmaceutical giant reported strong first quarter results and reiterated guidance for the full year.

**Experian** – the Irish headquartered, UK-listed, credit scoring provider continues to benefit from the increasing use of data and ongoing digitization in financial services.

**Disco** – the Japanese semiconductor equipment supplier reported solid quarterly results with equipment shipments to the power semiconductor segment the key driver.

**Tokyo Electron** – the Japanese semiconductor production equipment manufacturer rose as hopes of a demand recovery, potentially led by generative AI, drove the semiconductor sub-sector higher.

#### Worst Performers

**Teleperformance** – the French customer service solutions business reported soft first-quarter earnings, which was compounded by a surprise acquisition and concerns over AI-related disruption.

**TechnoPro** – the Japanese staffing firm reported weak quarterly results, caused by a slower engineer dispatch rate, longer education and training periods, and average capacity utilization.

**DSM-Firmenich** – the newly merged, Dutch listed, flavors and fragrances specialist made its bow on the Amsterdam stock exchange during the quarter. Company management also issued a profit warning during the period due to continued destocking by customers, which proved a common theme across the chemicals sector in recent months.

**Kering** – the French luxury goods player reported in-line results with Gucci sales gradually improving, however, the stock was weighed down by expectations for slower China recovery, as well as controversy over a marketing campaign at its Balenciaga brand. Gucci will release a new campaign from recently hired creative director, Sabato De Sarno, in the third quarter.

**RS Group** – the UK distributor of electric and mechanical products issued a mixed trading statement with slighting upgraded full-year earnings forecasts. However, organic growth

fell high single digits to 1%, raising concerns that weaker industrial PMIs could weigh on results over the coming quarters.

## Outlook

Developed international markets comfortably led US equities up until the middle of the second quarter, before the Nvidia-led, US large-cap tech rally, catapulted the S&P 500 (+17%) ahead for the year-to-date, by the end of June. However, double-digit absolute returns for international equities (MSCI EAFE +12%) year-to-date have provided better diversification than other equity asset classes, such as US small caps (Russell 2000 +8%) or Emerging Markets (MSCI Emerging Markets +5%).

While the euro area may have recently entered a recession, the fortunes of the services and manufacturing sectors continued to widen during the second quarter. Services continue to be supported by robust labor markets and strong wage growth, while manufacturing remains in contractionary territory in the US, eurozone and UK. Meanwhile, headline inflation continues to fall but core inflation remains stubbornly high in the US and Europe, with bond yields, particularly at the short end, rising sharply during the quarter. Even in Japan, inflation is widespread enough that an exit from the central bank's ultra-easy monetary policy is potentially getting closer.

Fundamentally, year-on-year earnings growth in Europe continued to outpace US earnings growth. Margins, in general, have remained very resilient with pricing holding up well in most sectors. However, with the macro backdrop losing momentum, labor costs remaining a headwind, and the full impact of rate increases on final demand most likely ahead of us, we remain cautious on the earnings outlook over the coming quarters. There are signs, for example, in the chemicals sector – usually a reliable leading indicator in our view of the global economy due to their diverse end-use applications – that customer destocking is proving more persistent. Furthermore, we believe that demand weakness has spread from construction and electronics to typically resilient consumer-facing segments, partially due to the rebound in China not materializing as expected after reopening.

While our longer-term investment approach means changes in the portfolio are usually incremental, we are becoming increasingly constructive on Japan and have been closing the

longstanding, significant, underweight. The Bank of Japan's preferred measure of inflation has risen to over 4%, the fastest pace since the early 1980s, which could mean Japan is finally leaving its deflationary stagnation period of the last few decades behind. Inflation in other major developed markets has been a huge tailwind for corporate revenues and earnings so, in our view, many Japanese companies could see similar benefits. Perhaps more importantly for longer-term investors, new rules recently published by the Tokyo Stock Exchange – with the support of the government – are aimed at forcing companies to improve capital efficiency, profitability, and engagement with shareholders, or otherwise face delisting by 2026. These developments follow other measures, such as the push to compel firms to unwind widely criticized 'cross-shareholding' networks, designed to improve corporate Japan's track record of complacency, low returns on equity, poor capital allocation policies, and weak governance. Stock-wise we have found interesting opportunities in IT Services names, as Japan continues to play catch up on digitization in both the public and private sector. While Japan is also home to some key players in the semiconductor supply chain, including semiconductor production equipment firms, which, in our view, could be beneficiaries of the structural drivers (including AI adoption) in that industry.

The Fund remains behind the MSCI EAFE Index year-to-date as growth stocks have surged ahead with investors gaining comfort from falling headline inflation, despite stickier core inflation and major central banks continuing to hike short-term rates. As longer-term investors, we intend to remain patient through short-term swings in rates, sentiment, or style rotations, which may be either beneficial or a headwind over shorter time frames. Overall, the Fund is well diversified, and with the uncertain economic backdrop continues to be focused on quality businesses with resilient earnings streams. We also continue to work on new ideas that may benefit in a period of higher inflation, higher interest rates, and higher nominal growth driven by greater capital investment in the future to address the underinvestment of the recent past. In our view, the key challenge will be striking the right balance between quality defensives, secular growth opportunities, and those companies with business models that benefit from higher inflation and increased capex, while avoiding cyclical companies with excessive leverage.

NEUBERGER BERMAN INTERNATIONAL SELECT FUND RETURNS (%)				(ANNUALIZED AS OF 06/30/23)				
	June 2023	2Q23	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>At NAV</b>								
Institutional Class	4.28	2.51	9.71	14.54	6.28	4.32	5.63	4.12
Class A	4.32	2.53	9.59	14.09	5.90	3.95	5.26	3.76
Class C	4.18	2.26	9.12	13.23	5.09	3.16	4.47	3.05
Class R6	4.28	2.51	9.71	14.57	6.35	4.40	5.56	3.93
Class R3	4.28	2.39	9.42	13.79	5.64	3.68	5.00	3.54
Trust Class	4.19	2.42	9.49	14.06	5.89	3.96	5.27	3.77
<b>With Sales Charge</b>								
Class A	-1.72	-3.38	3.29	7.49	3.84	2.73	4.63	3.40
Class C	3.18	1.26	8.12	12.23	5.09	3.16	4.47	3.05
MSCI EAFE® Index (Net)	4.55	2.95	11.67	18.77	8.93	4.39	5.41	3.68

Performance data quoted represent past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Results are shown on a "total return" basis and include reinvestment of all dividends and capital gains distributions. Current performance may be higher or lower than the performance given. For current performance data, including current to the most recent month end, please visit [www.nb.com/performance](http://www.nb.com/performance).

The inception date for Neuberger Berman International Select Fund Class A and Class C was 12/20/07, and for Class R3 was 5/27/09. The inception dates for the Institutional Class and Trust Class were 10/6/06 and 8/1/06, respectively. The inception date of the Class R6 was 4/17/17. Performance prior to a respective share class inception date is the Trust Class. Average Annual Total Returns with sales charge reflect deduction of current maximum initial sales charge of 5.75% for Class A shares and applicable contingent deferred sales charges ("CDSC") for Class C shares. The maximum CDSC for Class C shares is 1%, which is reduced to 0% after 1 year.

#### EXPENSE RATIOS (%)

	Gross Expense	Total (net) Expense
<b>Institutional Class</b>	1.00	0.85
<b>Class A</b>	1.37	1.20
<b>Class C</b>	2.15	1.95
<b>Class R6</b>	0.91	0.74
<b>Class R3</b>	1.64	1.46
<b>Trust Class</b>	1.42	1.20

Total (net) expense represents the total annual operating expenses that shareholders pay (after the effect of fee waivers and/or expense reimbursement). The Fund's investment manager has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund so that the total annual operating expenses are capped (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any; consequently, total (net) expenses may exceed the contractual cap) through 8/31/2026 at 1.16% for Class A, 1.91% for Class C, 0.70% for Class R6, 1.41% for Class R3, 0.80% for Institutional Class and 1.15% for Trust Class (each as percentage of average net assets). Absent such arrangements, which cannot be changed without Board approval, the returns may have been lower. Information as of the most recent prospectuses dated December 19, 2022, as amended, restated and supplemented.

**An investor should consider the Fund's investment objectives, risks and fees and expenses carefully before investing. This and other important information can be found in the Fund's prospectus and summary prospectus, which you can obtain by calling 877.628.2583. Please read the prospectus and, the summary prospectus, carefully before making an investment.**

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI EAFE Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries (Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK) around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets (Net) Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of emerging markets. The index consists of the following 24 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the UAE.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance.

Please note that indices do not take into account any fees or expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. Gross total return indices reinvest as much as possible of a company's dividend distributions, regardless of withholding taxes that a non-resident may experience. Data about the performance of the indices are prepared or obtained by the Manager and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described indices.

**Past performance is not indicative of future results.** This material is not intended to address every situation, nor is it intended as a substitute for the legal, tax, accounting or financial counsel of your professional advisors with respect to your individual circumstances. This material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Portfolio holdings and opinions expressed are as of the date herein and are subject to change without notice. This material is not intended to be a formal research report and should not be construed as an offer to sell or the solicitation of an offer to buy any security.

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As of 6/30/23, the weightings of the Best and Worst Performers, in order listed above, as a percentage of Fund net assets were: ICON 1.63%, Novartis 2.89%, Experian 1.70%, Disco 0.00%, Tokyo Electron 1.54%; Teleperformance 1.19%, TechnoPro 1.45%, DSM-Firmenich 0.80%, Kering 0.745, RS Group 0.86%

To the extent that the Fund invests in securities or other instruments denominated in or indexed to foreign currencies, changes in currency exchange rates could adversely impact investment gains or add to investment losses.

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, diplomatic, or economic instability; trade barriers and other protectionist trade policies (including those of the U.S.); significant government involvement in an economy and/or market structure; fluctuations in foreign currencies or currency redenomination; potential for default on sovereign debt; nationalization or expropriation of assets; settlement, custodial or other operational risks; higher transaction costs; confiscatory withholding or other taxes; and less stringent auditing, corporate disclosure, governance, 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.

Investing in emerging market countries involves risks in addition to and greater than those generally associated with investing in more developed foreign countries. Securities of issuers in emerging market countries may be more volatile and less liquid than securities of issuers in foreign countries with more developed economies or markets and the situation may require that the Fund fair value its holdings in those countries.

An individual security may be more volatile, and may perform differently, than the market as a whole.

From time to time, the trading market for a particular investment in which the Fund invests, or a particular type of instrument in which the Fund is invested, may become less liquid or even illiquid. Illiquid investments frequently can be more difficult to purchase or sell at an advantageous price or time, and there is a greater risk that the investments may not be sold for the price at which the Fund is carrying them.

To the extent the Fund invests in securities of small-, mid-, or large-cap companies, it takes on the associated risks.

Markets may be volatile and values of individual securities and other investments, including those of a particular type, may decline significantly in response to adverse issuer, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment or publicity.

National economies are substantially interconnected, as are global financial markets, which creates the possibilities that conditions in one country or region might adversely impact issuers in a different country or region. Some countries, including the U.S., have in recent years adopted more protectionist trade policies. The rise in protectionist trade policies, changes to some major international trade agreements and the potential for changes to others, could affect the economies of many nations in ways that cannot necessarily be foreseen at the present time. The impact of the COVID-19 pandemic has negatively affected and could continue to affect the economies of many nations, individual companies and the global securities and commodities markets, including their liquidity, in ways that cannot necessarily be foreseen at the present time. Epidemics and/or pandemics, such as the coronavirus, have and may further result in, among other things, closing borders, extended quarantines and stay-at-home orders, order cancellations, disruptions to supply chains and customer activity, widespread business closures and layoffs, as well as general concern and uncertainty.

The Fund may experience periods of large or frequent redemptions that could cause the Fund to sell assets at inopportune times or at a loss or depressed value.

From time to time, based on market or economic conditions, the Fund may have significant positions in one or more sectors of the market.

Securities lending involves a possible delay in recovery of the loaned securities or a possible loss of rights in the collateral should the borrower fail financially. The Fund could also lose money if the value of the collateral decreases.

Value stocks may remain undervalued for extended periods of time, may decrease in value during a given period or may not ever realize what the portfolio management team believes to be their full value, or the portfolio management team's assumptions about intrinsic value or potential for appreciation may be incorrect.

A decline in the Fund's average net assets during the current fiscal year due to market volatility or other factors could cause the Fund's expenses for the current fiscal year to be higher than the expense information presented.

There can be no guarantee that the Portfolio Managers will be successful in their attempts to manage the risk exposure of the Fund or will appropriately evaluate or weigh the multiple factors involved in investment decisions, including issuer, market and/or instrument-specific analysis, valuation and ESG factors.

The Fund and its service providers, and your ability to transact with the Fund, may be negatively impacted due to operational matters arising from, among other problems, human errors, systems and technology disruptions or failures, or cybersecurity incidents.

Risk is an essential part of investing. No risk management program can eliminate the Fund's exposure to adverse events; at best, it may only reduce the possibility that the Fund will be affected by such events, and especially those risks that are not intrinsic to the Fund's investment program.

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