

Neuberger Berman All Cap Core Portfolio

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Performance Highlights

The Neuberger Berman All Cap Core Portfolio generated a positive return (net of fees) for the second quarter of 2025, but trailed its benchmark, the Russell 3000 Index (the "Index") during the same period. While the Portfolio generated positive returns during the first six months of 2025, they have been lower than the Index.

Market Context

Stocks began the 2nd quarter with strong negative returns after the "Liberation Day" tariff announcement. The announcement by the Trump administration was significantly greater than the markets had been prepared for. However, as the quarter progressed and it became clear that many of the initial tariffs seemed to be a starting point for negotiations, markets began to recover strongly, ending the quarter at all-time highs. As we think about the tariffs and the potential repercussions on the economy, we see the Federal Reserve (Fed) caught in a bit of a bind. We believe tariffs are somewhat inflationary and the Fed that has done a great job of engineering a soft landing is now in a more of a wait and see position regarding lowering interest rates. Markets rebounded strongly during the quarter as Technology, especially Artificial Intelligence (AI) related names, were very strong performers, coming off the Deep Seek scare earlier in the year. We see AI as transformative but worry about valuations. Geopolitical scares during the quarter contributed to early volatility but as it became clear that an expansion into a wider war in the Mideast seemed not to be in the cards, stocks continued their climb. Finally, we are waiting on the outcome of the "One Big Beautiful Bill" to get a clearer picture on the overall economy.

Portfolio Review

The broader Market experienced a strong return in the 2nd quarter, weakness in the early part was overcome by very strong returns in the 2nd half of the quarter. The All Cap Core Portfolio generated a positive return, but those returns were constrained by our underweight position in Information

Technology and underperformance in communication services. Strong performance in other sectors such as Energy and Financials specifically and other sectors less so were not able to overcome the underweighting of Information Technology.

2nd Quarter Purchase and Sale¹

Purchase NDAQ

We're initiating a position in Nasdaq, which is best known for their flagship Nasdaq Stock exchange but is also a financial technology and data services company.

In 2023, NDAQ bought Adenza from private equity which included two software businesses: one specializing in regulatory reporting/risk-management for banks called AxiomSL and the other in capital markets/trade management services called Calypso. They grow at high single to low double digits which is faster than the legacy exchange business. At the time, the market hated the transaction because NDAQ paid a high multiple, so it was highly dilutive, and they had to lever up to 4.5x. However, it did transform NDAQ towards more stable, recurring revenue (75% of total) that is less reliant on the legacy exchange/IPO business. The company has now delivered to their target and can start returning cash to shareholders. We think the stock will re-rate higher and trade at a premium to the other exchanges (ICE and CME), given the more recurring revenue while earnings compound at attractive double digits.

¹ Represents the largest buy and sell for the quarter through June 30, 2025, based on holdings' average percentage of net assets prior to sale or any investments in securities identified and described were or will be profitable.

Sale GS

We sold our position in Goldman Sachs (GS) as we believe the valuation got too rich so our risk/reward was less favorable especially with the M&A boom which we thought would occur along with a strong IPO market but has yet to take place.

Outlook

The first half of 2025 was almost a tale of two markets—very weak at the start but very strong at the end. Given heightened uncertainty in the market, whether due to an unpredictable economy, geopolitical risks or questions regarding monetary policy from the Fed, we believe a conservative approach is prudent. AI stocks which have been

a driver of performance have experienced a rapid surge in valuation driven by investor enthusiasm, transformational potential and aggressive growth projections especially newer entrants with unproven business models are trading, in our opinion, at multiples that may not be supported by fundamentals. The rush to capitalize on the AI trend has led to speculative behavior reminiscent of past Tech bubbles and as such we believe in a more conservative posture in our portfolios. We are not questioning the power of AI just the valuations which we compare to those of the Dot Com era of the late 1990's. We are concerned for the potential unwinding of these out of character valuations and continue to believe we are appropriately positioned if there is any sort of volatility.

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The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

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