

Investing Today:

Navigating Through the Headlines and Positioning Your Portfolio For a Potential Slowdown

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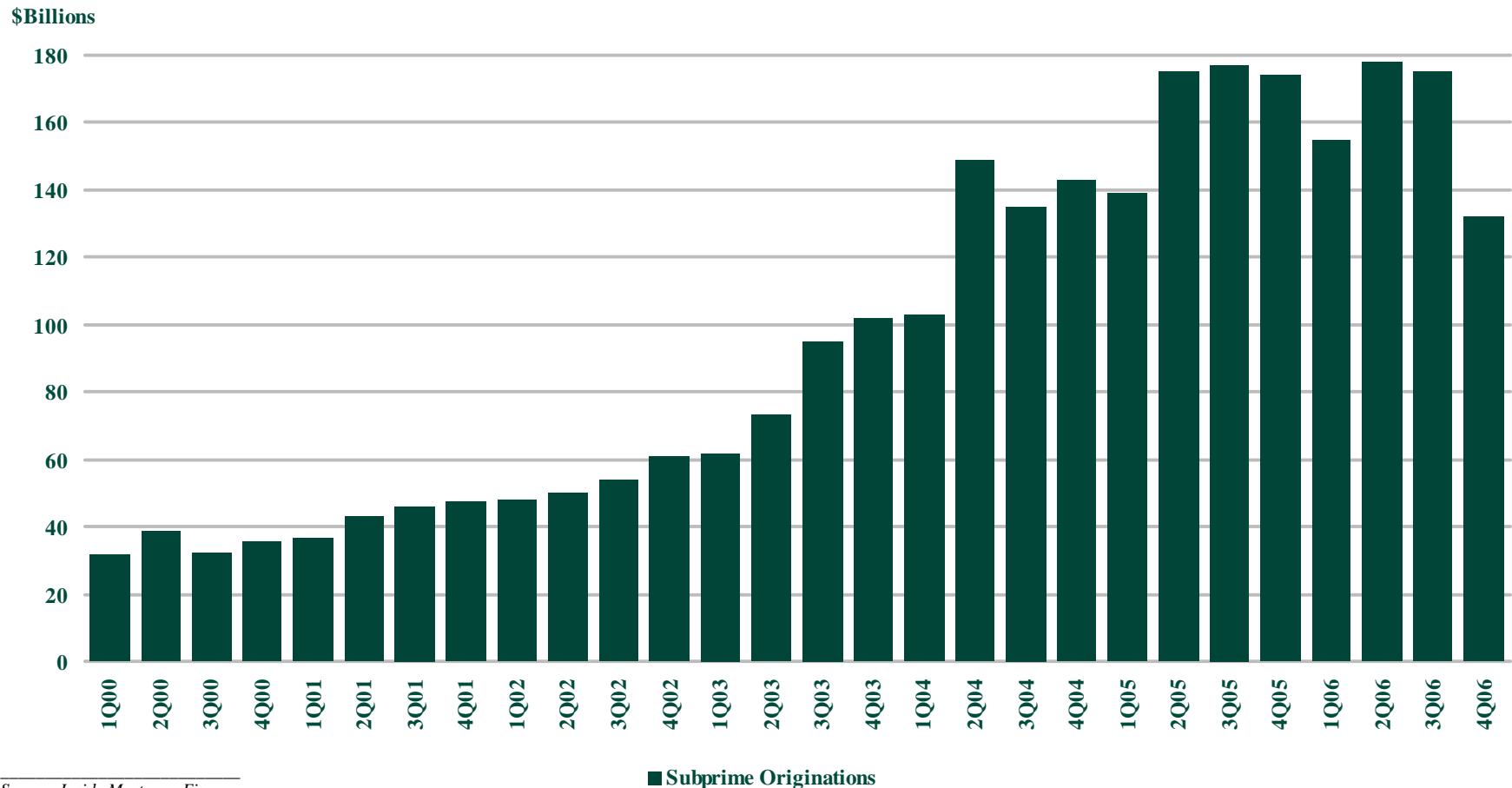
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Information dated as of 10/3/08

Growth in Subprime Mortgage Origination Helped Fuel a Run-Up in Housing

The subprime mortgage market was driven by low interest rates, rising home prices and high demand for non-agency MBS; originators met this demand with risky lending practices

Quarterly Subprime Mortgage Originations (\$B)

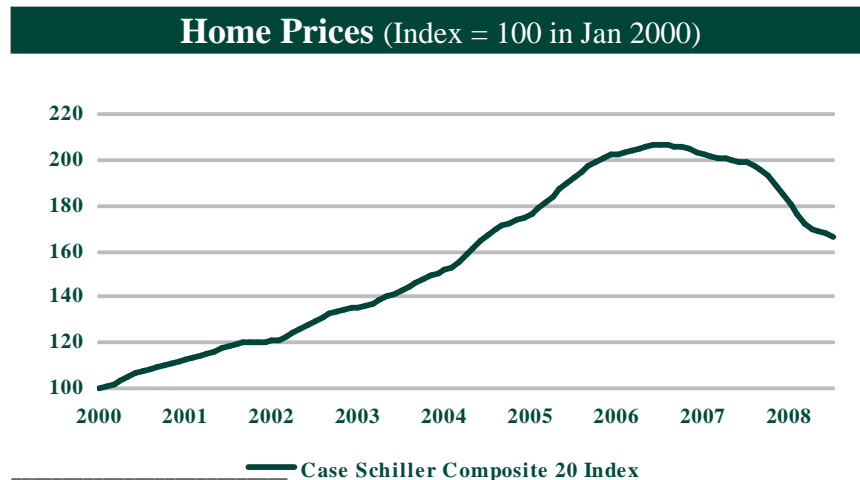
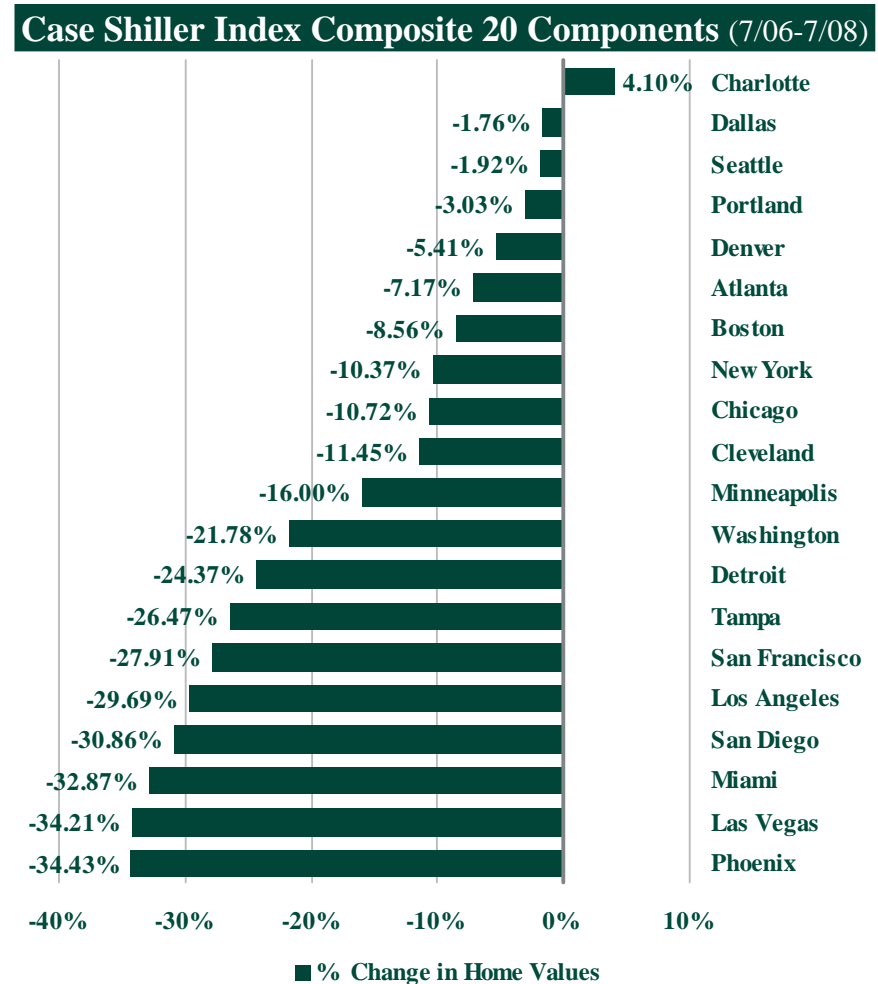
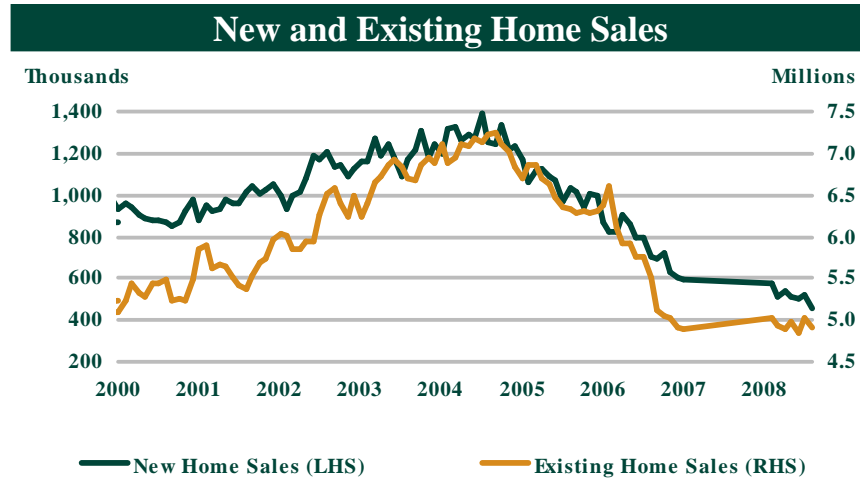


Source: Inside Mortgage Finance.

See disclosures section at the end of this material, which is an important part of this presentation.

The Real Estate Downturn has Been Broad and Steep

After appreciating by an average of 14.4% per year since 2000, home prices have come down 20% from their high in July 2006

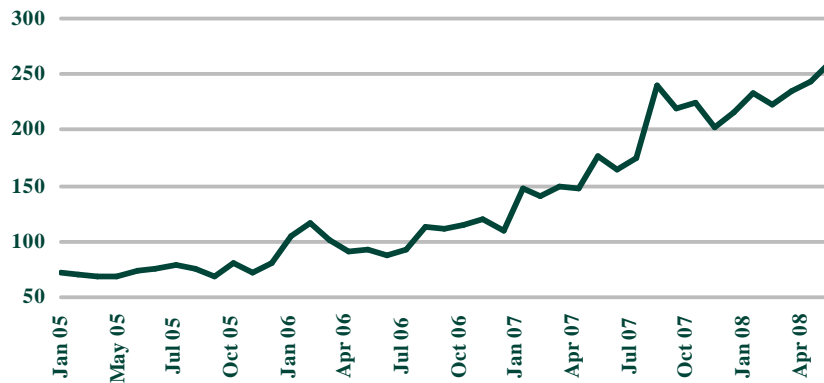


Source: *Baileys Capital; Standard and Poor's.*
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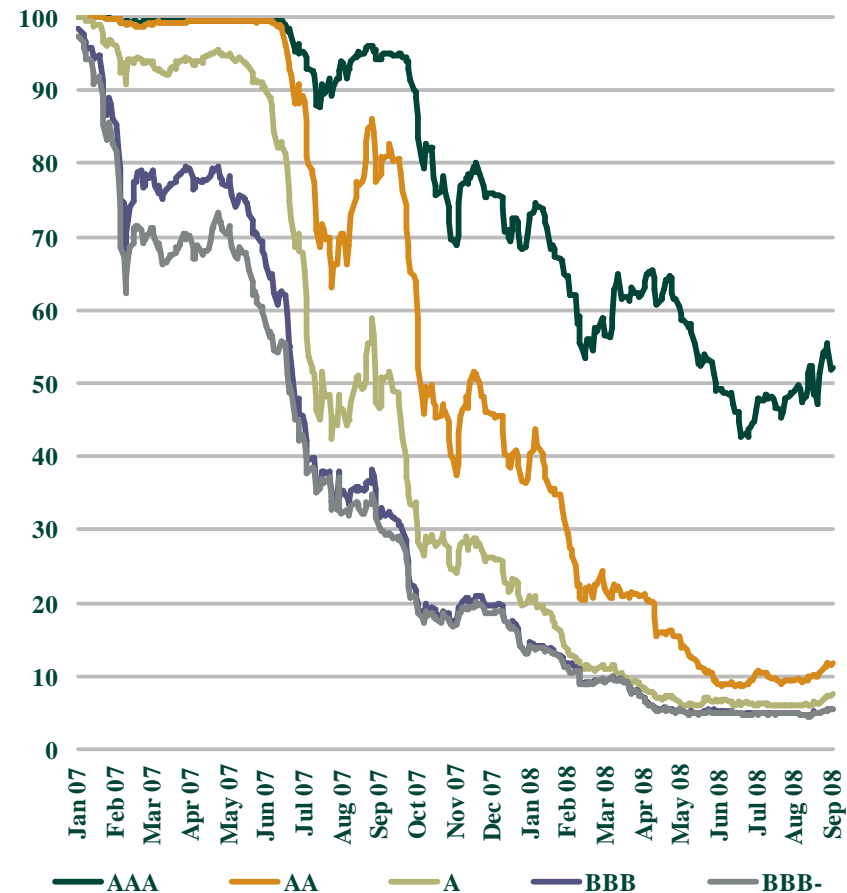
As Stretched Borrowers Began Defaulting on Their Mortgages, Mispriced Risk in MBS Became Evident

The apparent risk resulted in rating reductions and a severe price correction

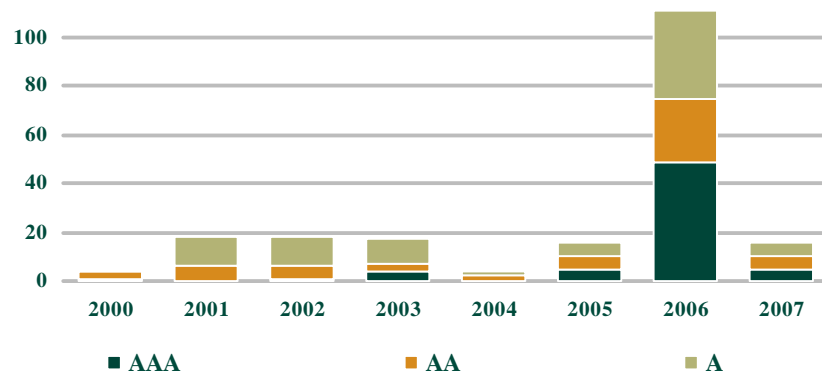
Home Foreclosures (in thousands)



Prices on ABX 07-1 Indices



CDO Downgrades per Vintage Year



Source: Barclays Capital.
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The Financial Sector was Exposed: Global Financial Sector Write-Downs Over \$540 billion

As of August 28, 2008

Global Financial Sector Write-Downs (\$ Billions)

Banks							
UBS	\$44.20	Natixis	\$3.40	Hypo Real Estate	\$1.00	Australia New Zealand	\$0.33
Citigroup	\$42.60	Taiwan Banks/Insurers	\$3.00	Gulf International	\$1.00	ICICI	\$0.26
HSBC	\$27.40	Sachen Landesbank	\$2.70	Sovereign Bancorp	\$0.95	First Horizon National Corp	\$0.23
Royal Bank of Scotland	\$17.60	HSH Nordbank	\$2.70	Marshall & Ilsley Corp.	\$0.89	Citizens Republic Bancorp	\$0.22
Wachovia	\$16.30	Unicredit	\$2.60	Standard Chartered	\$0.77	Bank of New York	\$0.20
IKB Deutsche	\$15.30	ABN Amro	\$2.50	HVB Group	\$0.74	BNY Mellon	\$0.20
Deutsche Bank	\$10.70	Commerzbank	\$2.40	Banco Popular	\$0.68	Bank of East Asia	\$0.19
Bank of America	\$10.42	National City	\$2.28	National Bank of Canada	\$0.66	DBS Group	\$0.17
Washington Mutual	\$9.76	DZ Bank	\$2.00	Sumitomo Trust	\$0.65	Bank of Nova Scotia	\$0.14
J.P. Morgan	\$8.30	Fifth Third	\$1.90	China Construction Bank	\$0.63	Huntington's Bancshares	\$0.12
HBOS	\$7.10	Bank Hapoalim	\$1.70	Prudential Financial	\$0.57	Zions Bancorp	\$0.11
Societe Generale	\$6.80	Rabobank	\$1.70	Woori Financial Group	\$0.50	PNC Financial Services	\$0.11
Fortis	\$6.70	Alliance & Leicester	\$1.68	Desjardins Group	\$0.49	US Bancorp	\$0.10
Bayerische Landesbank	\$6.40	Mitsubishi UFJ	\$1.60	Regions Financial Corp	\$0.49	M&T Bank	\$0.08
CIBC	\$6.30	Bank of China	\$1.58	Bank of Montreal	\$0.49	VTB Bank (Russia)	\$0.05
Mizuho	\$5.90	Royal Bank of Canada	\$1.50	America Express	\$0.44	BankAtlantic Bancorp	\$0.05
Lloyds TSB	\$5.00	Keycorp	\$1.25	Aozora Bank	\$0.44	Amcore Financial	\$0.04
WestLB	\$4.70	Dexia	\$1.20	Deutsche Postbank AG	\$0.42	Discover Financial	\$0.03
Wells Fargo	\$4.20	Caisse d'Epargne	\$1.20	ICBC	\$0.40	BOK Financial	\$0.03
Dresdner Bank	\$4.00	Macquarie Bank	\$1.19	Shinsei	\$0.39	CapitalSource Inc.	\$0.03
BNP Paribas	\$4.00	Sumitomo MFG	\$1.07	Norinchukin	\$0.36	Hang Seng Bank Ltd	\$0.02
LB Baden-Wuerttemberg	\$3.80	Sun Trust	\$1.00	BB&T	\$0.33		
						Banks Subtotal	\$325.61
Mortgage Finance		Broker-Dealers		Insurers & Reinsurers			
Fannie Mae	\$10.35	Merrill Lynch	\$51.80	AIG	\$25.90	Sompo Japan	\$0.30
Freddie Mac	\$7.00	Lehman Brothers	\$17.00	Ambac	\$9.63	Assured Guaranty	\$0.30
Thornburg Mortgage	\$3.52	Morgan Stanley	\$15.30	MBIA	\$8.02	Munich Re	\$0.18
CIT Group	\$3.17	Credit Suisse	\$10.50	ING	\$5.80	Scottish Re	\$0.05
Capital One	\$2.73	Barclays	\$9.10	Radian	\$2.87	Hartford Financial Services	\$0.04
Countrywide	\$2.60	Credit Agricole	\$8.90	Swiss Re	\$1.91	ACE Ltd	\$0.03
MGIC	\$1.67	Bear Stearns	\$4.96	Allianz	\$1.30	Universal American	\$0.03
Indymac	\$1.47	Goldman Sachs	\$4.48	PMI Group	\$1.01		
ResCap	\$0.92	Nomura	\$3.30	Metlife	\$0.66	Insurer Subtotal	\$58.03
iStar	\$0.22	Lazard	\$0.03				
Mtg. Fin. Subtotal	\$33.64	B.D. Subtotal	\$125.36	Total		\$542.65	

Source: Barclays Capital; Bloomberg; Financial Times; Wall Street Journal; Economist; New York Times; Reuters; BBC; CNN; CNBC Nikkei; AP; Herald Tribune; Google; Seeking Alpha; Company reports.

1. Indymac write-down approximated by book value of equity as of March-end, 2008 + 0.50 billion announced earlier. Radian 2008 2Q is company's best estimate of future loss present value.

2. BSC write-down approximated by adding decline in value of stock from Friday March 14, 2007 to new JPM \$10 bid price (2.36 billion) + 2.6 billion already announced in the Bloomberg table.

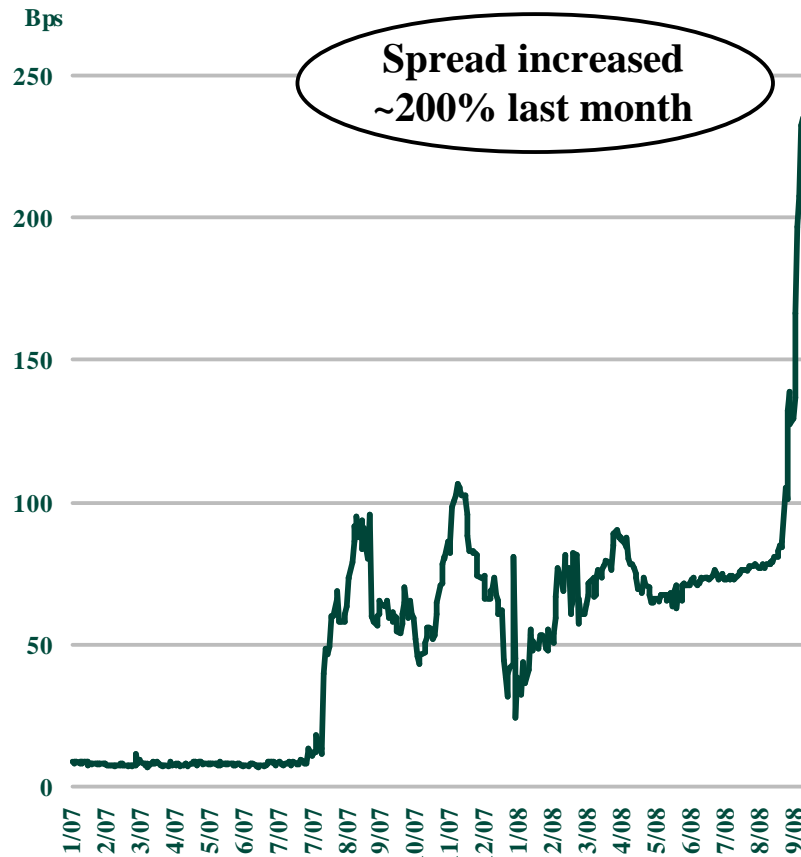
Note: Above total for write-downs also sometimes include estimates for loss provisions. Totals compiled from analyst estimates and various news sources, which are not always precise.

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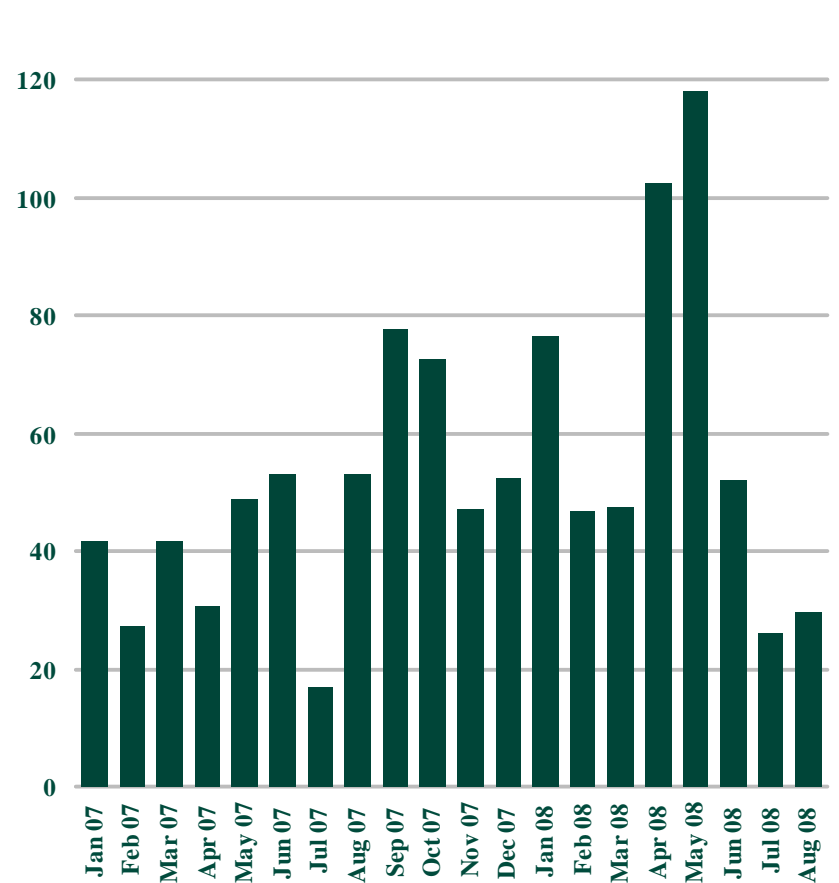
Banks Began Hoarding Capital and Spreads Widened, Perpetuating the Credit Problems

As banks preserve capital to shore up their own balance sheets, less credit is issued causing a spillover into other markets

3 Month Libor Spread¹



Volume of U.S. Corporate Debt Issuance (\$B)



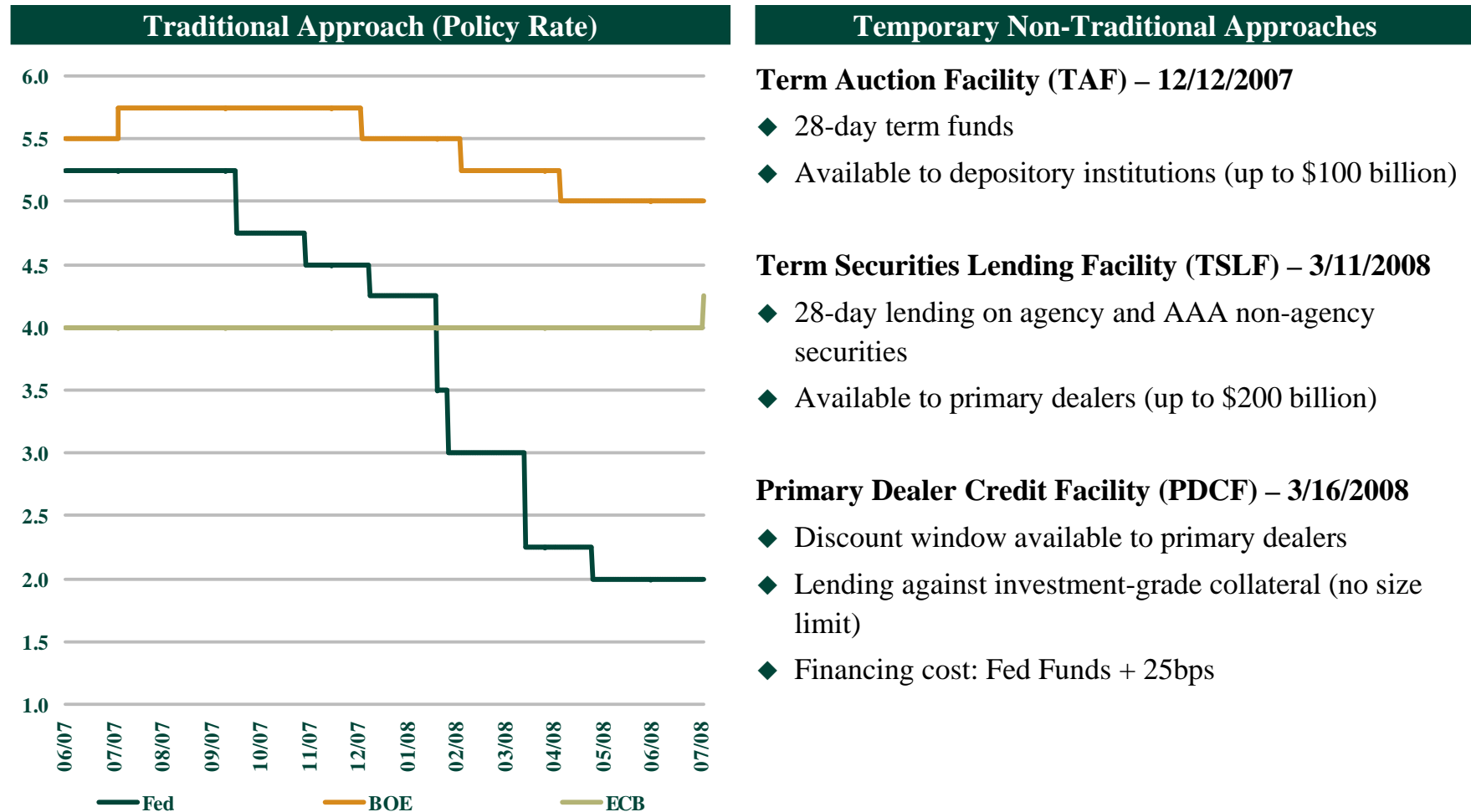
Source: Bloomberg; Barclays Capital.

1. Spread over 3m Overnight Indexed Swap (OIS) rate.

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The Fed has Been Trying to Grease the Wheels

In addition to cutting rates, the expansion of the TAF, TSLF and PDCF are non-traditional moves used to lower the risk of forced asset sales



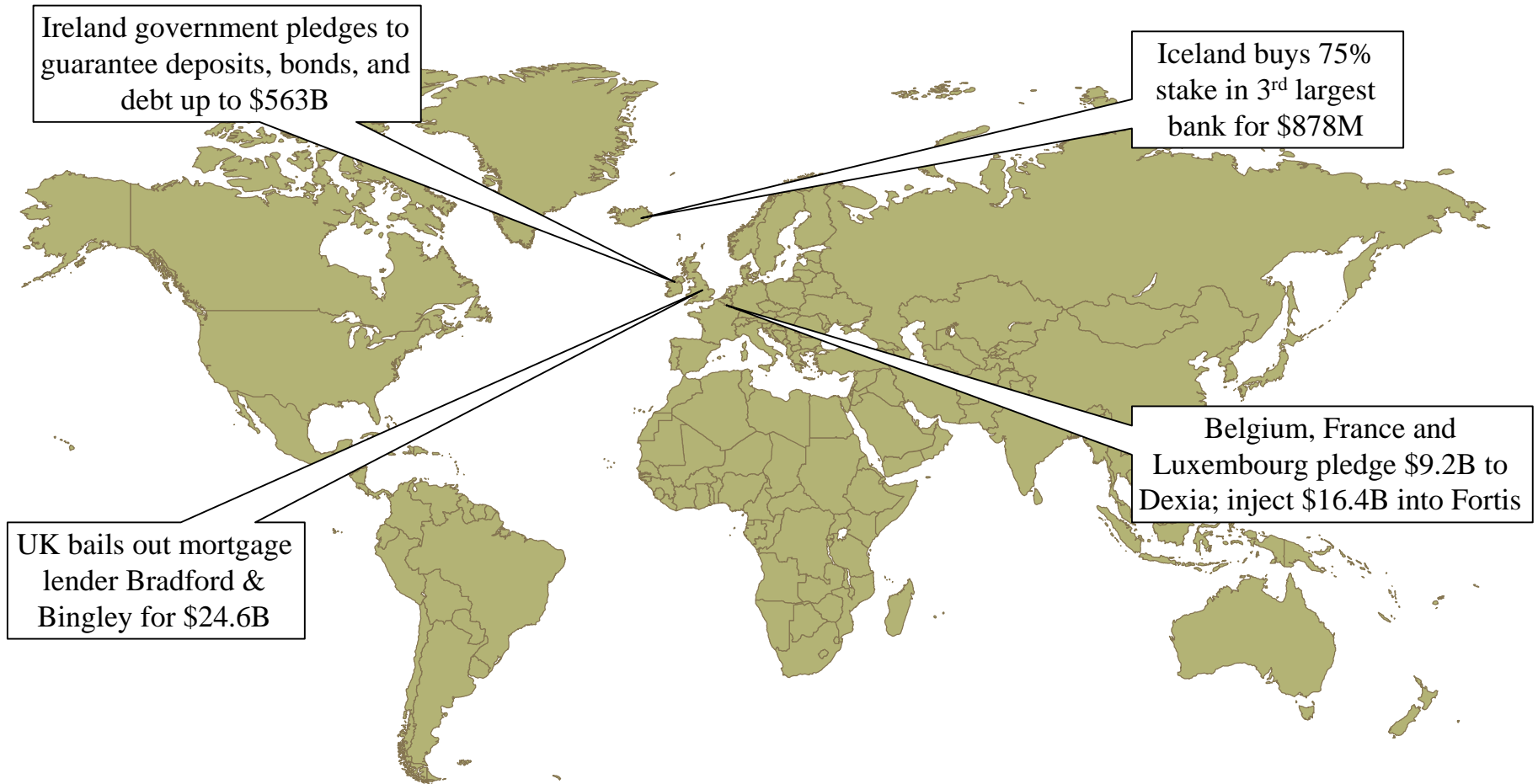
Temporary Non-Traditional Approaches

- Term Auction Facility (TAF) – 12/12/2007**
 - ◆ 28-day term funds
 - ◆ Available to depository institutions (up to \$100 billion)
- Term Securities Lending Facility (TSLF) – 3/11/2008**
 - ◆ 28-day lending on agency and AAA non-agency securities
 - ◆ Available to primary dealers (up to \$200 billion)
- Primary Dealer Credit Facility (PDCF) – 3/16/2008**
 - ◆ Discount window available to primary dealers
 - ◆ Lending against investment-grade collateral (no size limit)
 - ◆ Financing cost: Fed Funds + 25bps

Source: Federal Reserve; Bank of England; European Central Bank.
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European Countries Face Similar Difficulties

European governments intervene to prop up weakened financial institutions

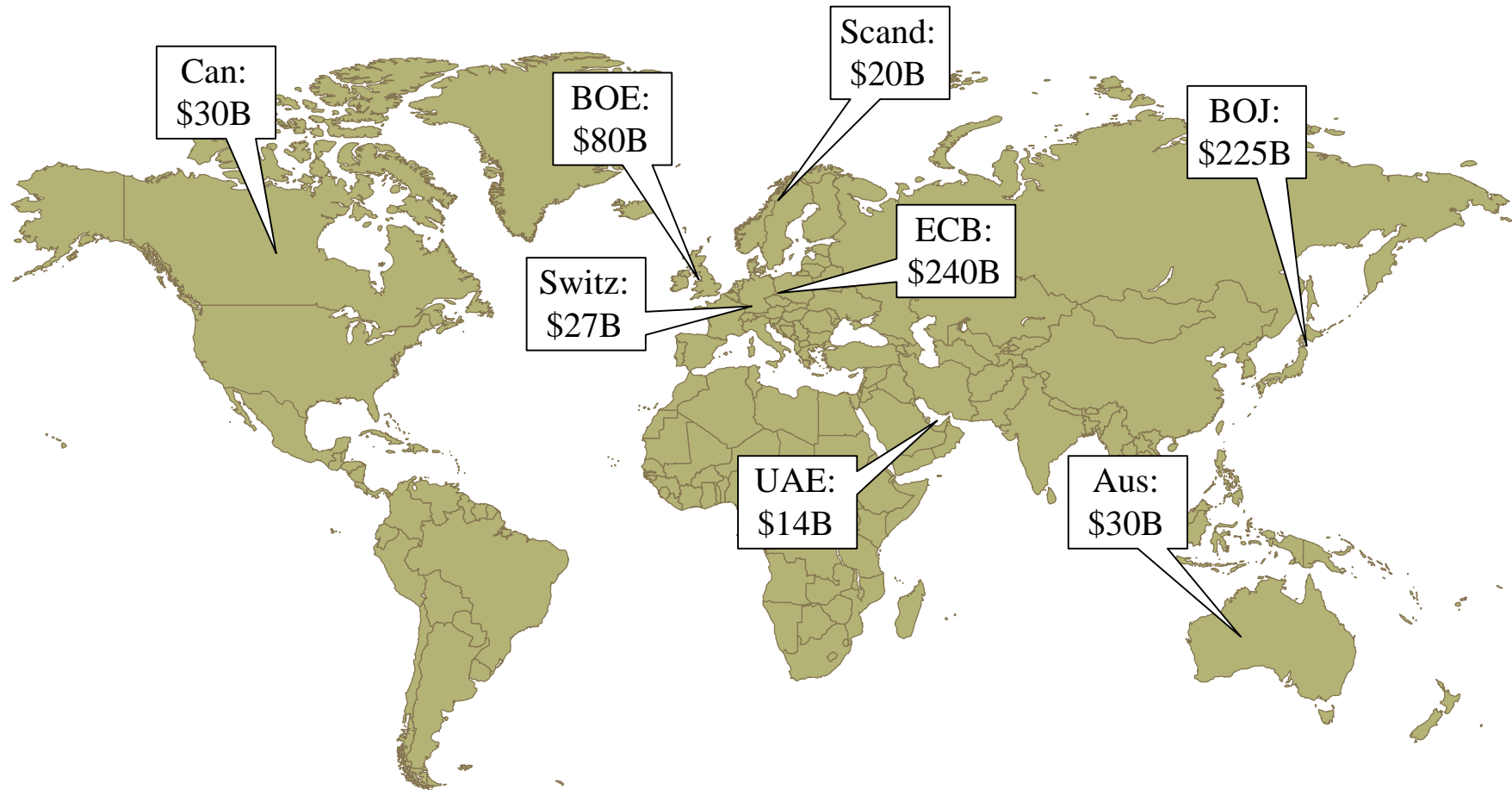


Source: Bloomberg; Yahoo Finance; Financial Times; International Herald Tribune; Financial Post; Reuters.
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Global Participation – A Coordinated Effort

The Fed has engaged in ~ \$680bn of currency swaps

- ◆ Under a currency swap, a central bank can draw on the funds of a fellow central bank to provide short-term money.



Source: Bloomberg; Yahoo Finance; Financial Times; International Herald Tribune; Financial Post; Reuters.
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The Troubles Persist: Recent Market Events

A September to remember...

- September 7, 2008: Fannie Mae & Freddie Mac taken into public ownership
- September 15, 2008: Lehman Brothers bankrupt
- September 15, 2008: Merrill Lynch sold to Bank of America
- September 16, 2008: AIG is “bailed out”
- September 17, 2008: Money market fund “broke the buck”
- September 17, 2008: Treasury bills go negative
- September 22, 2008: Goldman Sachs & Morgan Stanley give up investment bank status
- September 22, 2008: Oil has largest 1-day jump (\$16.37)
- September 22, 2008: Dollar has largest 1-day drop against Euro
- September 25, 2008: WaMu acquired by JPMorgan
- September 29, 2008: Citi takes over Wachovia (10/3/08 – Wells Fargo buys Wachovia)
- September 29, 2008: Largest 1-day loss for Dow Jones (777.68 points)
- September 29, 2008: Multi-government bail out for Fortis

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Congress is Currently Working on Legislation Aimed at Ending the Financial Crisis

The Emergency Economic Stabilization Act of 2008 was passed by the Senate (74-25) and now must get through the House.

Troubled Asset Relief

- ◆ \$700 billion fund allowing financial institutions to sell troubled assets to government
 - Staged funding, \$250 billion being made available immediately
 - Stipulation that the Treasury set up an insurance program to guarantee companies' troubled asset
 - ◆ SEC authority to suspend mark-to-market accounting
 - ◆ Curbs on executive pay
-

FDIC Protection

- ◆ Raising the FDIC insurance cap to \$250,000 from \$100,000
 - ◆ FDIC may not charge member banks more to cover the increase
-

Further Oversight

- ◆ Two oversight committees
 - Financial Stability Board
 - Congressional Oversight Panel
-

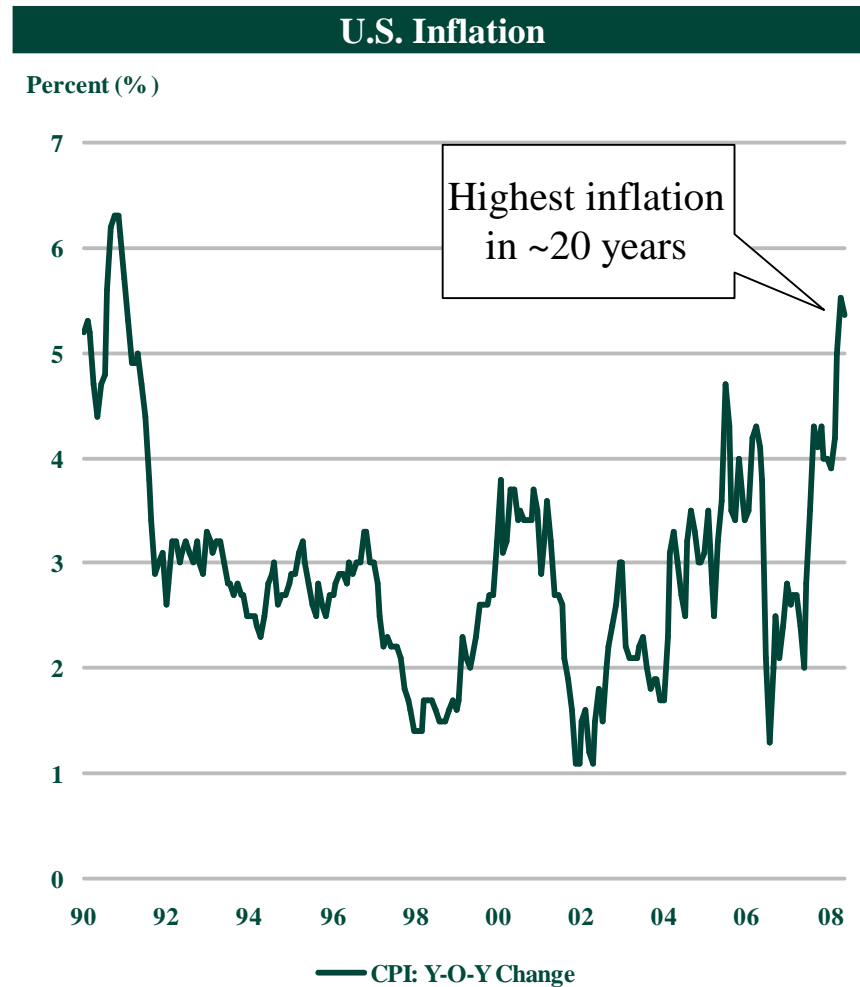
Additional Tax Breaks

- ◆ Potential sticking point
 - ◆ May reduce federal tax revenue by \$110 billion over 10 years
 - More than half of that is due to the 1-year extension of AMT relief
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As Policymakers Try to Stabilize the Market, Other Economic Concerns are Competing for Attention

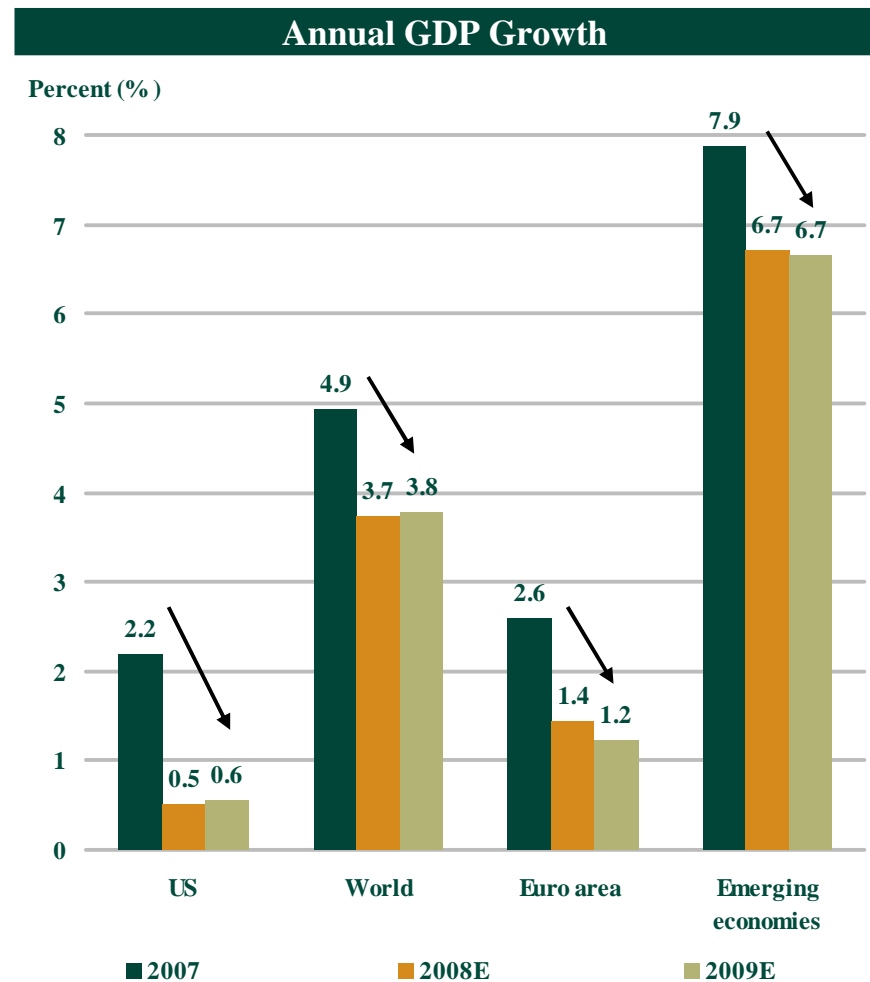
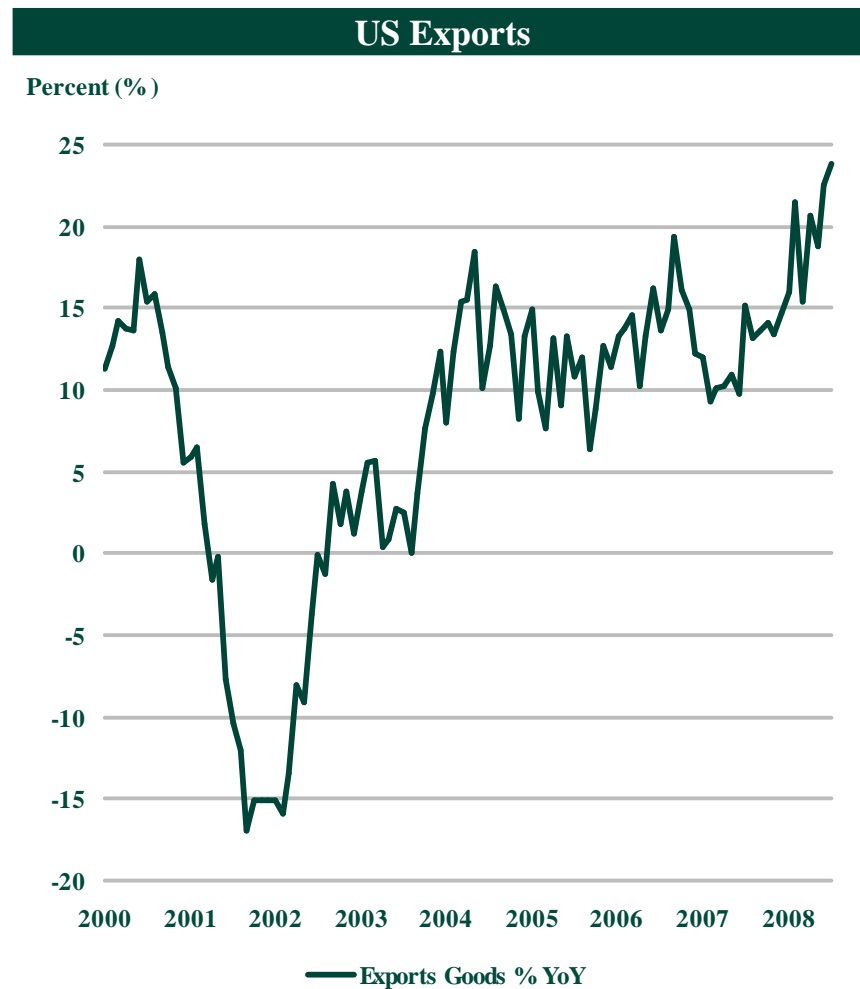
Inflation and the dollar are at alarming levels



Source: Barclays Capital.
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While a Weak Dollar has Helped Exports, A Global Slowdown Should Weigh Further on the U.S.

The estimates are still not suggesting a recession

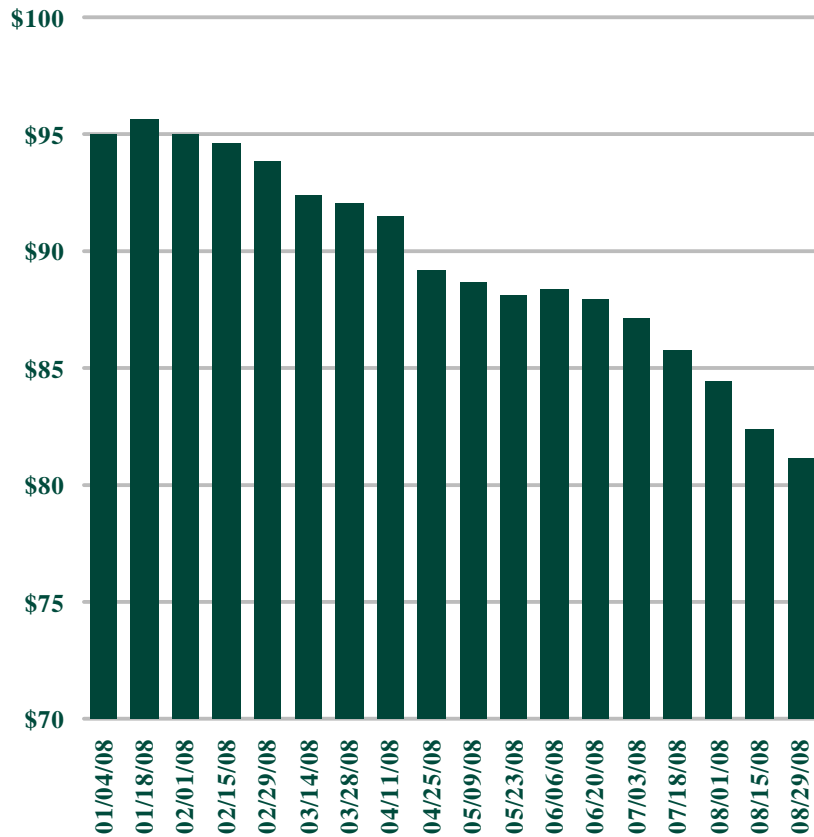


Source: IMF; Barclays Capital.
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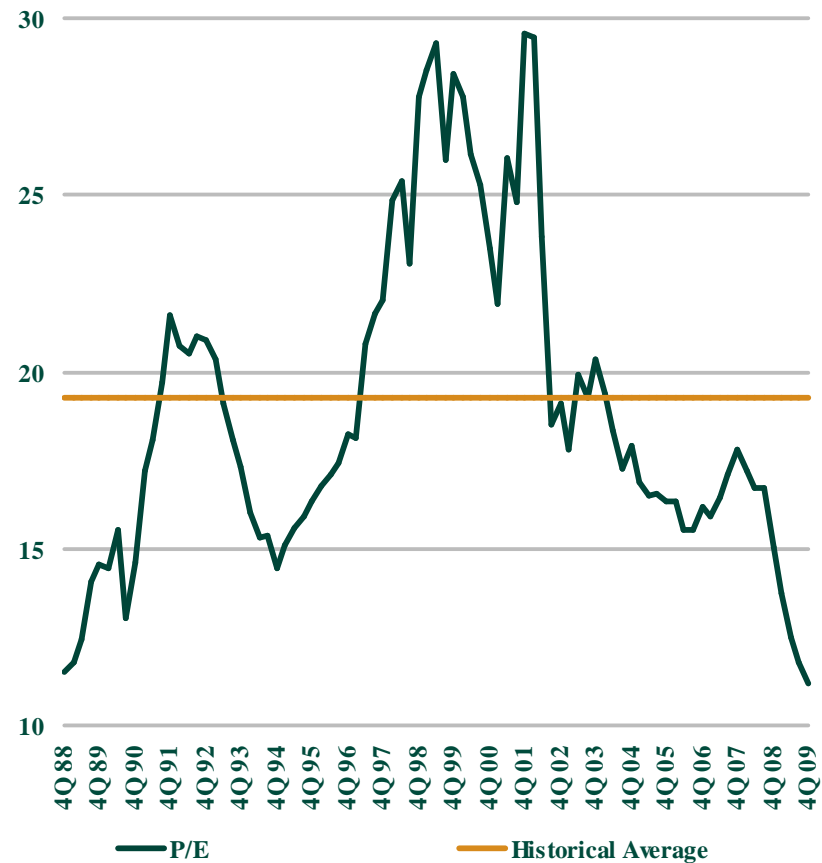
Valuations are Reflecting Slower Growth Expectations

2008 consensus earnings expectations have dropped by 17% since start of year

Bloomberg Consensus S&P 500 2008 Earnings



S&P 500 Operating Earnings P/E

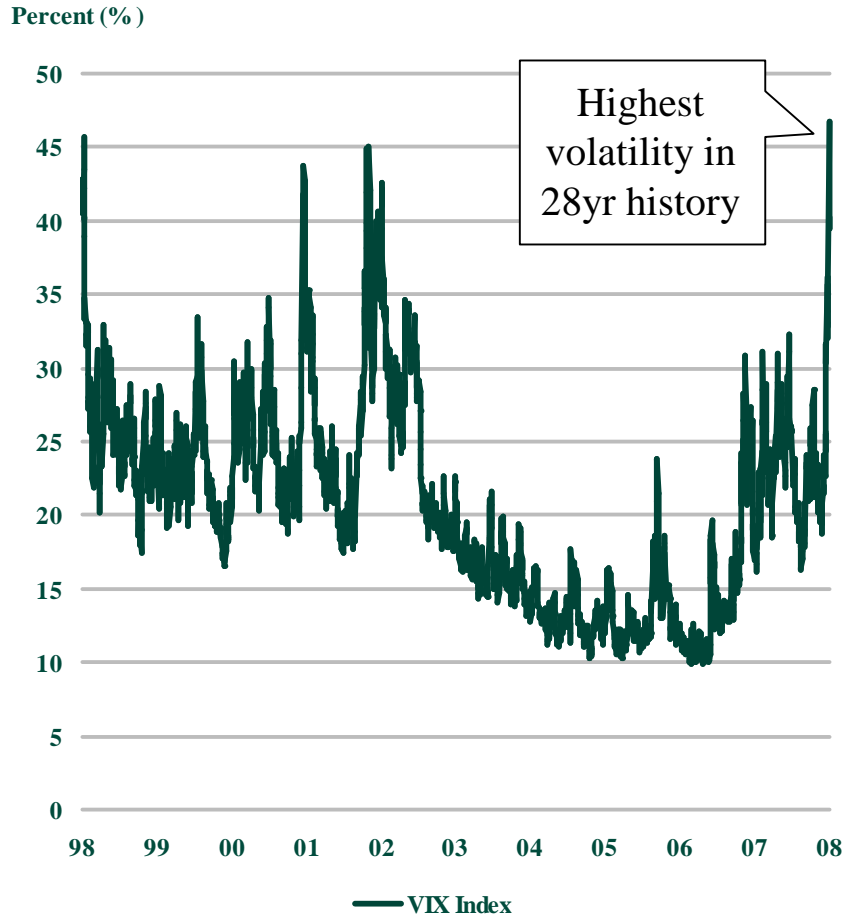


Source: Bloomberg; Standard & Poor's.
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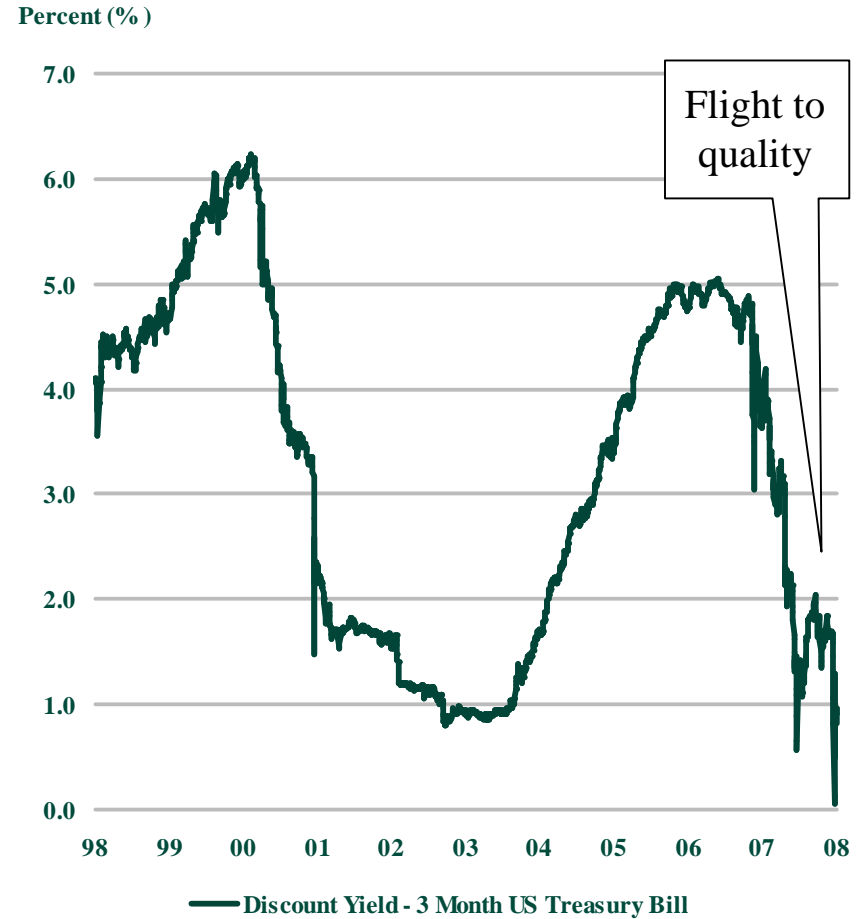
Investor Concern is Prominent

Volatility in the equity market is at an all-time high

VIX – “The Fear Index”



3 Month US T-Bill



Source: Bloomberg; Barclays Capital.
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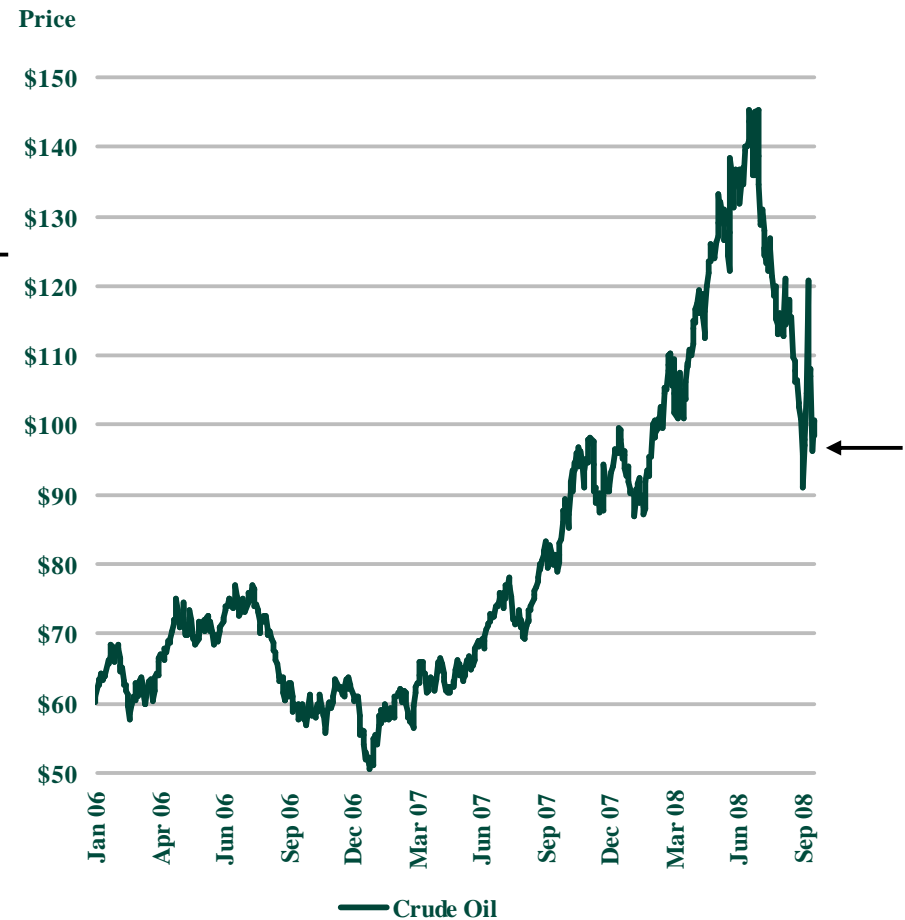
Commodities Prices are Another Reflection of Economic Conditions & Investor Sentiment

Gold prices have risen as a result of investors' flight to quality; meanwhile, oil futures have fallen on slower economic growth and a strong dollar

Gold (\$886.84 as of 10/1/2008)



Crude Oil Futures (\$98.53 as of 10/1/2008)



Source: Bloomberg.
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How Does Slow Growth Affect Equity Investors? What Can We Learn From Past Recessions?

Returns have typically been positive during, and following, recessions

Post-War Recessions

S&P 500 Return (Cumulative)

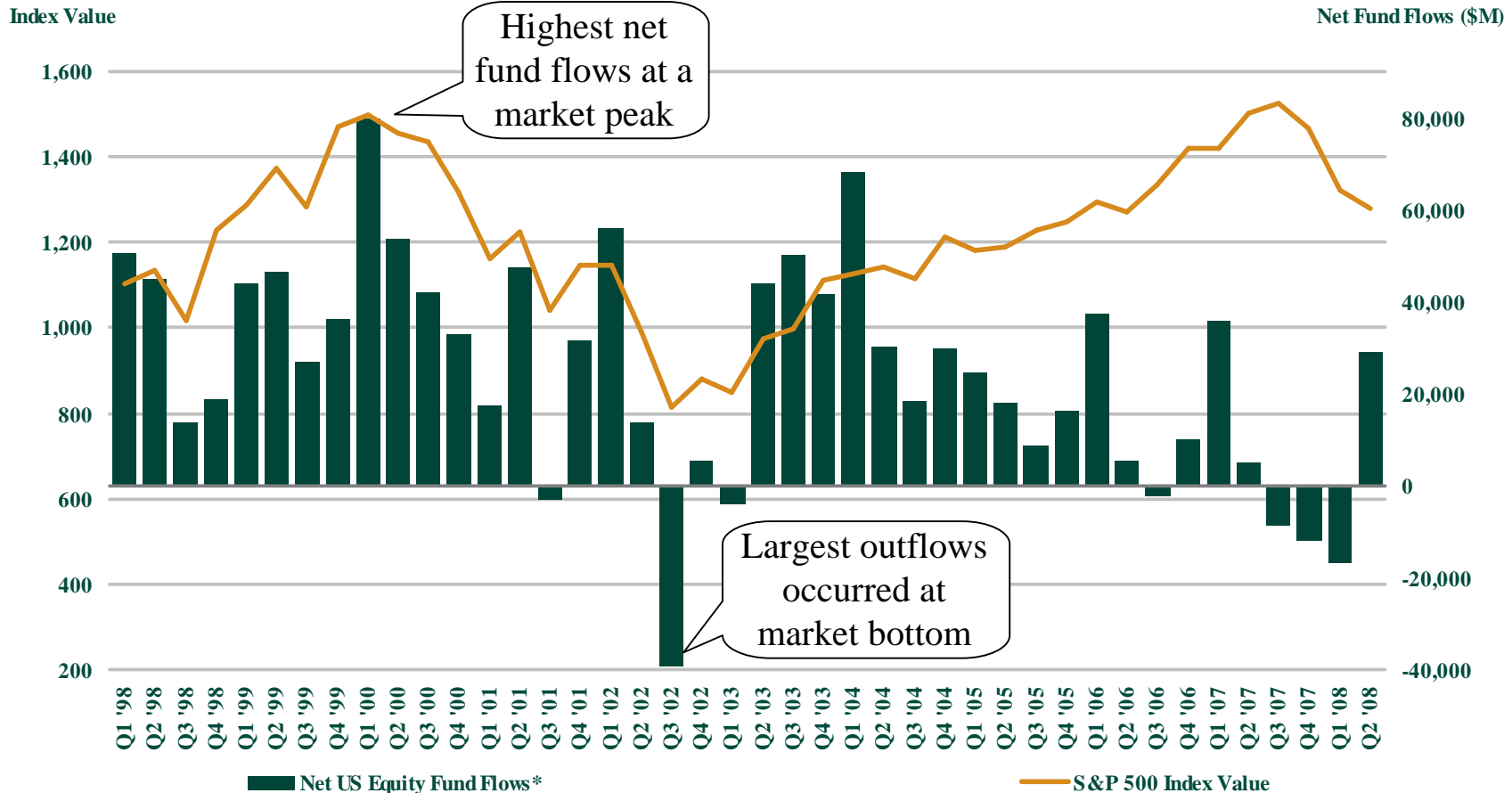
Number	Start	End	Duration (Months)	During Recession	1 Year Forward	3 Years Forward	5 Years Forward
1.	November 1948	October 1949	11	15.18	31.48	87.98	171.30
2.	July 1953	May 1954	10	24.17	35.92	83.76	144.83
3.	August 1957	April 1958	8	-1.53	37.31	66.35	89.72
4.	April 1960	February 1961	10	20.34	13.61	35.06	68.41
5.	December 1969	November 1970	11	-1.71	11.24	20.63	25.17
6.	November 1973	March 1975	16	-5.88	28.33	22.08	55.64
7.	January 1980	July 1980	6	9.57	13.00	56.07	100.52
8.	July 1981	November 1982	16	10.49	25.57	66.80	102.97
9.	July 1990	March 1991	8	7.99	11.04	29.84	98.22
10.	March 2001	November 2001	8	-0.90	-16.51	8.44	34.33
Average			10.4	7.77	19.10	47.70	89.11

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In Uncertain Times, Watch Out for Behavioral Traps

Investors have the tendency to buy high and sell low

Equity Fund Flows Relative to Market Performance

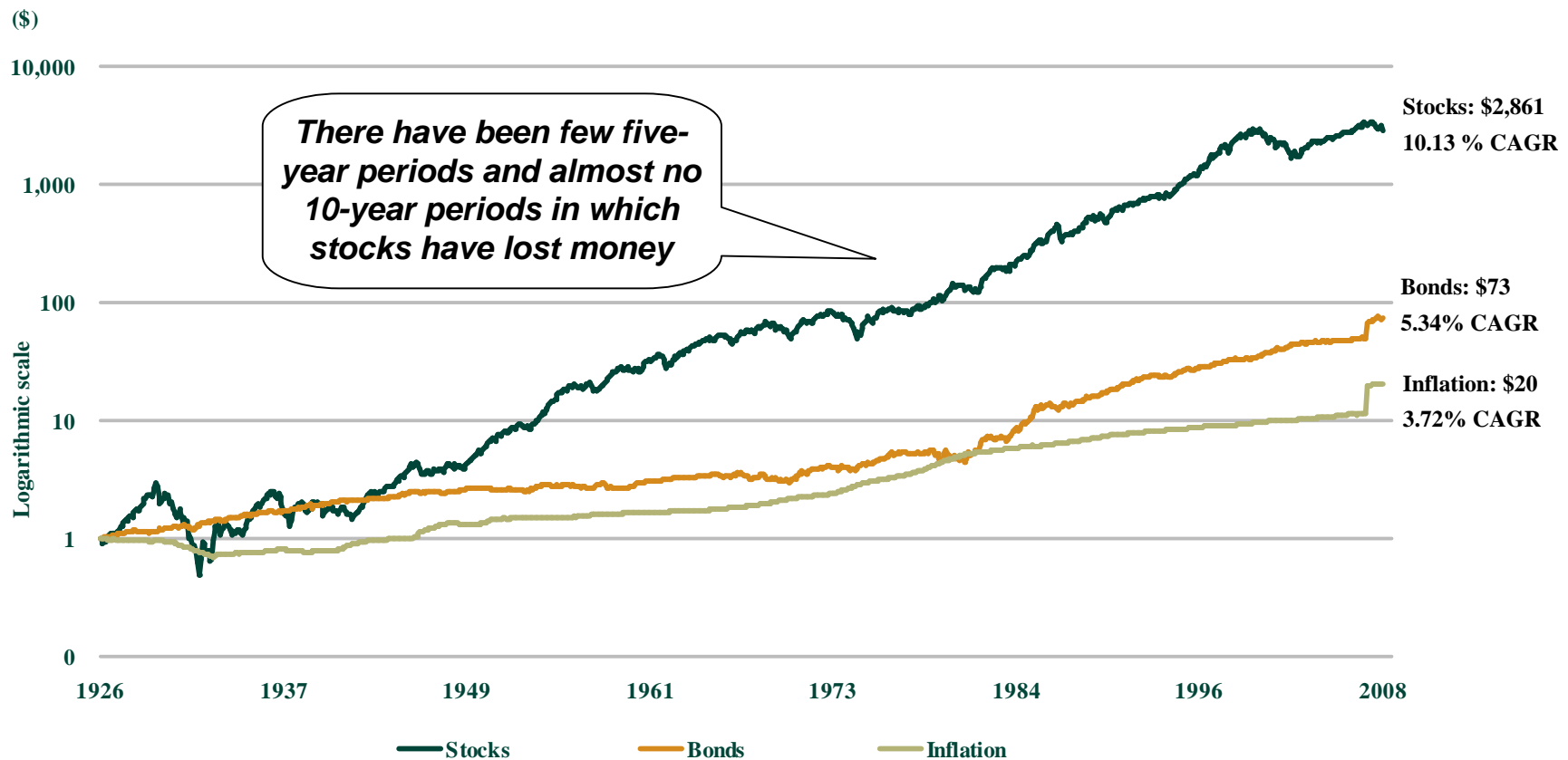


*Includes all US domestic mutual funds and EFTs. See Disclosures section at the end of this material, which is an important part of this presentation. Source: Morningstar. This material has been prepared by Neuberger Berman, LLC on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. Neuberger Berman, LLC has not sought to independently verify information taken from public and third party sources and does not make any representation or warranty as to the accuracy, completeness or reliability of the information contained herein. The data is not representative of any Neuberger Berman investment product or service and does not reflect the fees and expenses associated with managing a portfolio. Please note that indices are unmanaged and do not take into account any fees or expenses of investing in the individual securities they track and that individuals cannot invest directly in an index. Data about the performance of these indices is prepared or obtained by Neuberger Berman and includes reinvestment of all dividends and capital gain distributions. Investing entails risk, including possible loss of principal. Past performance is not indicative of future results.

Why Invest in Stocks? Over Time, They Provide Superior Returns

While stocks can be volatile, over the long-term they are one of the few asset classes that consistently beat inflation

Average Returns of Stocks, Bonds and Cash, January 1926 – June 2008: Growth of \$1



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Asset Class Benchmarks & Definitions

Asset Class	Benchmark	Definition of Benchmark
Real Estate	S&P/Case-Shiller Home Price Indices	The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. These indices use the repeat sales pricing technique to measure housing markets. First developed by Karl Case and Robert Shiller, this methodology collects data on single-family home re-sales, capturing re-sold sale prices to form sale pairs. This index family consists of 20 regional indices and two composite indices as aggregates of the regions.
Volatility	CBOE Volatility Index (VIX)	The VIX index is a key measure of market expectations of near-term volatility conveyed by spx.aspx stock index option prices.
Subprime ABS	ABX 07-1 Index	The ABX Index is a series of credit-default swaps based on 20 bonds that consist of subprime mortgages. ABX contracts are commonly used by investors to speculate on or to hedge against the risk that the underlying mortgage securities are not repaid as expected. The ABX Index has four series (06-1 to 07-2) and five tranches per series. 07-1 refers to loans made prior to the first half of 2007.
Inflation	Consumer Price Index (CPI)	The Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. Prices for the goods and services used to calculate the CPI are collected in 87 urban areas throughout the country and from about 23,000 retail and service establishments.