



FIXED INCOME VIEWS

Regrouping in the Fog & Macro Scenarios

Q2 2026



PGIM is the principal asset management business of Prudential Financial, Inc. and a trading name of PGIM, Inc. and its global subsidiaries and affiliates. Prudential Financial, Inc. of the U.S. is not affiliated with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. For institutional investor use only—not for use with the public. All investments involve risk, including the possible loss of capital.

CONTENTS

Bond Market View 3

Global Macroeconomic View 5

Global Sector Views

Developed Market Rates 7

Agency MBS 8

Securitized Credit 9

Credit Research Summary 10

Investment Grade Corporate Bonds 12

Leveraged Finance and Direct Lending 13

Emerging Market Debt 15

Municipal Bonds 17

Summary of Asset Class Views 18

Total Returns (%)

Individual Fixed Income Sectors	Q1 '26	2025	2024	2023	2022
Mortgage-Backed (Agency)	0.40	8.58	1.20	5.05	-11.81
CMBS	0.31	7.75	4.68	5.42	-10.91
U.S. Treasuries	-0.04	6.32	0.58	4.05	-12.46
Municipal Bonds	-0.18	4.25	1.05	6.40	-8.53
Long U.S. Treasuries	-0.41	5.59	-6.41	3.06	-29.26
U.S. Leveraged Loans	-0.47	5.94	9.05	13.04	-1.06
U.S. High Yield Bonds	-0.50	8.62	8.19	13.45	-11.19
U.S. IG Corporate Bonds	-0.54	7.77	2.13	8.52	-15.76
EM Currencies	-0.74	13.11	-1.08	8.44	-7.14
European Leveraged Loans	-0.82	4.00	9.17	13.53	-3.36
European IG Corporate	-0.99	3.03	4.74	8.19	-13.65
EM Local (Hedged)	-1.12	8.34	3.77	7.60	-8.85
U.S. Long IG Corporates	-1.20	7.44	-1.95	10.93	-25.62
EM Hard Currency Sovs.	-1.26	14.27	6.53	11.09	-17.78
European High Yield Bonds	-1.50	4.86	9.14	12.78	-11.13
Multi-Sector					
U.S. Aggregate	-0.05	7.30	1.25	5.53	-13.01
Global Agg. Hedged	-0.15	4.86	3.40	7.15	-11.22
Euro Aggregate (Unhedged)	-0.64	1.25	2.63	7.19	-17.18
Global Agg. (Unhedged)	-1.07	8.17	-1.69	5.72	-16.25
Yen Aggregate	-1.60	-6.10	-3.07	0.51	-5.30
Other Sectors					
U.S. Dollar (DXY Index)	1.67	-9.37	7.10	-2.11	8.21
SOFR	0.92	4.40	5.40	5.18	1.66
S&P 500 Index	-4.33	17.88	25.00	26.29	-18.11

Past performance is not a guarantee or a reliable indicator of future results. See Notice for important disclosures and full index names. All investments involve risk, including possible loss of capital. Sources: Bloomberg except EMD (J.P. Morgan), HY (ICE BofA), Bank Loans (S&P UBS). European returns are unhedged in euros unless indicated. Performance is for representative indices as of March 31, 2026. An investment cannot be made directly in an index.

REGROUPING IN THE FOG OF WAR

- The war in Iran captured the market outlook in Q1, fanning stagflation fears.
- Whether the ceasefire clears the fog of war or not, higher government yields and wider spreads bode well for returns over the long term.

Market Narratives Derailed

Year four of the bond bull market started calmly, albeit with a range of ongoing concerns. AI investment was driving a surge in long-dated issuance amid nagging doubts about eventual revenue generation and potential negative economic impacts. Meanwhile, a few credit “mishaps” begged the question: are these isolated incidents, or the leading edge of a full-blown credit cycle that could rip through private placement funds, BDCs, and CLOs, potentially even posing a systemic risk to the economic expansion.¹

Those concerns were joined—if not overtaken—by war. Prior to the announced ceasefire, most market reactions were in the predictable directions: stocks down, government yields and the dollar up, spreads wider, and oil (Brent c.+80%) and European gas (c.70%) showing the biggest moves.

Where to from “Ceasefire?”

Given the war’s unpredictability of the conflict to date and the potential fragility of the April 7th ceasefire, our economists developed two scenarios aptly labeled the “adverse” and the “less adverse” (see our [economics section](#)). **In either case, when compared to pre-war conditions, fundamentals are all worse, with elevated uncertainty, higher inflation, and bigger deficits to fund fiscal stimulus and defense spending.**

Central Bank Clocks Running Double Time

At the end of 2025, growth continued and inflation remained above target. Accordingly, our “central bank clock” showed central banks moving from rate cuts towards the hiking side of the cycle.

Since then, the conflict’s upward push on inflation has accelerated the cycle, generally pulling the timetable for central bank rate hikes forward. In particular, central banks with single mandates (i.e., solely inflation targeting), like the ECB, are now likely to hike this year. With its dual mandate of maximum employment and 2% inflation, the U.S. Federal Reserve is conspicuously at the dovish end of the spectrum. Although the worsening inflation outlook is clear, the Fed is expected to refrain from hikes given

the downside risks to growth. Net net, the markets have moved from pricing in rate cuts to anticipating an unchanged Fed funds rate over the coming quarters.

Uncertainty aside, on balance, markets' pricing of monetary policy rates relative to our forecasts appears to be a bit on the hawkish side. Central bankers’ zeal to reduce inflation to target may be dampened by downside growth concerns stemming from the war.

Exhibit 1: The war pushed YTD returns slightly negative. We expect the recent interruption to ultimately give way to the “yield is destiny” bull run that began in late 2022, led by the highest-yielding sectors.



Source: Bloomberg

¹ BDCs and CLOs refer to business development companies and collateralized loan obligations, respectively.

BOND MARKET VIEW

Long Rates: High and Range Bound

While the world's higher inflation trajectory is a bond market negative, investors appear confident that central banks will succeed in containing inflation. This is evident in the market's inflation swap pricing as well as the increasingly range-bound movement in long-term rates since the end of 2022. **This supports the view that interest rates may be near longer-term equilibrium levels that may not only account for the level of growth and inflation, but may also include a premium for the governments' high deficits and heavy issuance** (see the [rates section](#) for more).

Spread Sectors: Beginning of the End or a Buying Opportunity?

To some extent, our concerns regarding spread products have materialized. At the tight end of historical ranges, spreads were vulnerable to a shock, like the outbreak of war in the Middle East. Furthermore, the extant pre-war risks stemming from AI and private credit not only remain, but may even be aggravated by the conflict.

Surprising Economic Resilience to Support Credit Fundamentals

Overall, however, we expect credit concerns to remain isolated. As discussed in our economic outlook, the world's economies and credit fundamentals over the last few post-COVID years have weathered a number of shocks—the 2022 increase in interest rates, Russia/Ukraine conflict, collapse of Silicon Valley Bank, and U.S. tariffs. This leads us to expect an overall modest negative impact, resulting in a non-recessionary "U" shaped-effect on growth. In any event, we see credit fundamentals as remaining fairly stable, suggesting that on the far side of the current fog, credit will outperform via carry as well as through opportunities to add value through sector and issue selection (see the [credit sectors](#) for more).

Short to Intermediate Term: Bad News...

In the weeks ahead, investors may be further unsettled by the course of events and the potential for a credit downcycle. As a result, over the near term, caution is warranted as volatility across markets may continue.

Longer Term: Good News—All-in Yields are High...and Yield is Destiny

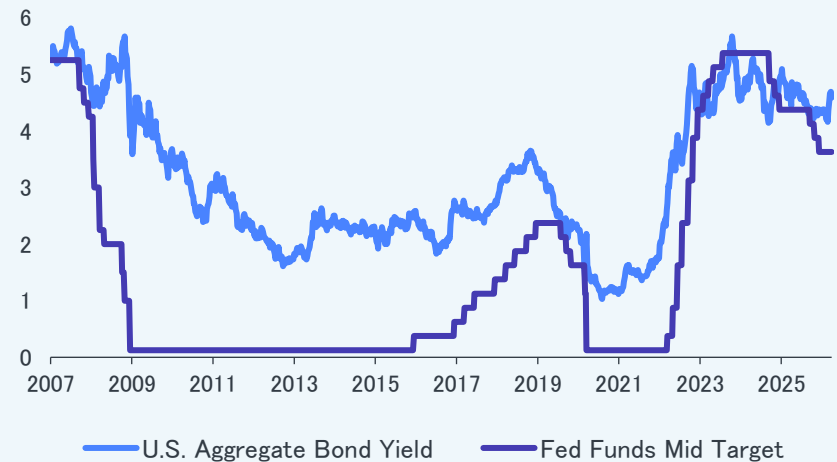
The anxiety of the first quarter pushed government rates higher and credit spreads wider—a combination that has boosted all-in yields on broad market indices and a range of fixed income products (Exhibit 2). That is the silver lining: **with yields back to the highest levels since those prior to the financial crisis, the slow-go bull market—where respectable yields eventually translate into solid returns over the long term—looks set to continue.**

After all, over the long term, yield is, more or less, destiny.

Summing Up...

Guessing when and what unfolds near term is surely a fraught exercise. From a long-term view, however, we continue to see all-in fixed income yields as attractive from a strategic perspective. Furthermore, the aggressive swings in market sentiment continue to provide opportunities to add value through active management.

Exhibit 2: While near-term uncertainty could hardly be higher, yields are back up to levels not seen since pre GFC, leaving us optimistic on the bond markets' long-run return potential.



Source: Bloomberg

THE ADVERSE AND THE LESS-ADVERSE

DALEEP SINGH

Vice Chair & Chief Global Economist

GUILLERMO FELICES, PHD

Global Investment Strategist

- The war in Iran has led to a world of thicker tails where the distribution of those risks will largely depend on the length and intensity of the conflict.
- Despite the disconcerting primary and secondary effects of the war, prominent features of the global economy, including an AI infrastructure boom and the era of fiscal dominance, will continue to influence global outcomes.

We start with our views on the war, which took another turn with the announced ceasefire at the time of publication. If the ceasefire falters, in our **adverse scenario**—“escalate to de-escalate”—the U.S. administration ratchets up the costs to the Iranian regime through various measures, such as potential strikes on power plants. The operational menu in this scenario is broad, and the constraint is risk tolerance. It thickens the tail risk towards a potential scenario involving a protracted cycle of intensification. This case prompts central bankers into growth-stunting rate hikes amid dislodged inflation expectations, while economic growth stalls or recedes across economies, and the trading environment unambiguously turns risk off.

In our **less-adverse scenario**, both sides maintain the fragile “face saving” ceasefire that mostly endures. The hard issues—Iran’s nuclear program, missile

arsenal, proxy network as well as the operational oversight of the Strait of Hormuz—are deferred. Both sides claim victory, and the hot war becomes a frozen conflict. Along this path, the Strait mostly reopens, and the U.S. establishes a permanent Gulf presence sufficient for insurance underwriting. Oil prices partially retreat, and rate hikes in oil-consuming countries are generally priced out. Fiscal stimulus cushions growth, particularly in the U.S., while adding to upside inflation pressure. Rate curves remain steeper on overheating risks, which is our modal case for the U.S. economy as we explain below. Risk assets experience an initial relief rally before trading sideways.

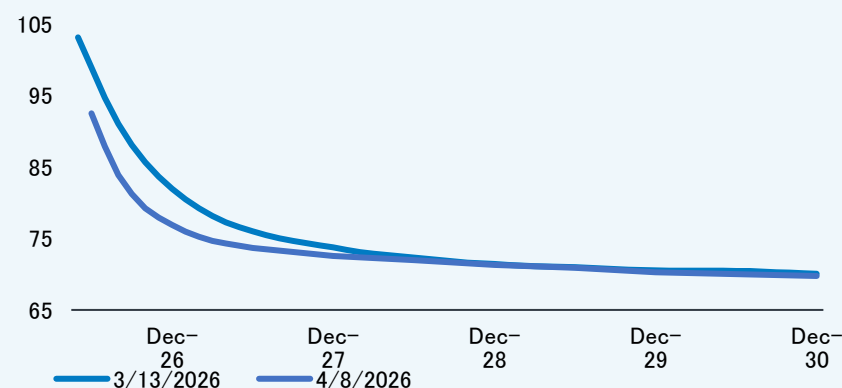
The descriptions of our war-related scenarios—the adverse and the less adverse—indicate that there are no “good” options left and that scars from the war will remain for years.

Yet, we see the “less adverse” outcome as more likely based on areas of overlapping interest between the U.S. and Iran, which are grounded in existential political concerns and Iran’s belief that it has re-established deterrence.

All of which feeds into our “overheating” base case (40% probability) for the U.S. economy over the coming 12 months. This scenario assumes that real GDP growth materially accelerates above trend, driven by AI-related investment, a strong high-end

consumer and, crucially, twin stimulus. It also assumes that the weakening labor market and the prospect of a productivity boom will give the Fed leeway to cut policy rates to 3.00-3.25%. At the same time, we expect fiscal policy to remain loose over the forecast horizon. We expect the Iran shock to keep crude oil and other related energy prices elevated for several months, before somewhat normalizing in the second half of the year in line with the Brent oil futures curve (see Exhibit).

Brent Oil Futures Curve (USD per Barrel)



Source: Bloomberg

GLOBAL MACROECONOMIC VIEW

In our view, the energy shock punctures, but doesn't derail, the strong nominal growth that underpins our base case. It assumes that inflation rises to 3.5% in Q2 before gradually easing toward 3.0% in Q1 2027, while growth eases in Q2 before reaccelerating by the end of the year, potentially aided by further fiscal support related to defense and energy subsidies. In this environment, we think risk assets remain resilient, supported by nominal

GDP, but could be checked by the potential un-anchoring of inflation expectations.

Our base case in **Europe** remains a "muddle through" scenario with a 40% probability as growth increases to about 1.2% year-over-year. We expect a floor under growth due to already committed fiscal support in Germany, Italy, and France. Inflation is expected to peak at around 3.5% in mid-2026 before falling

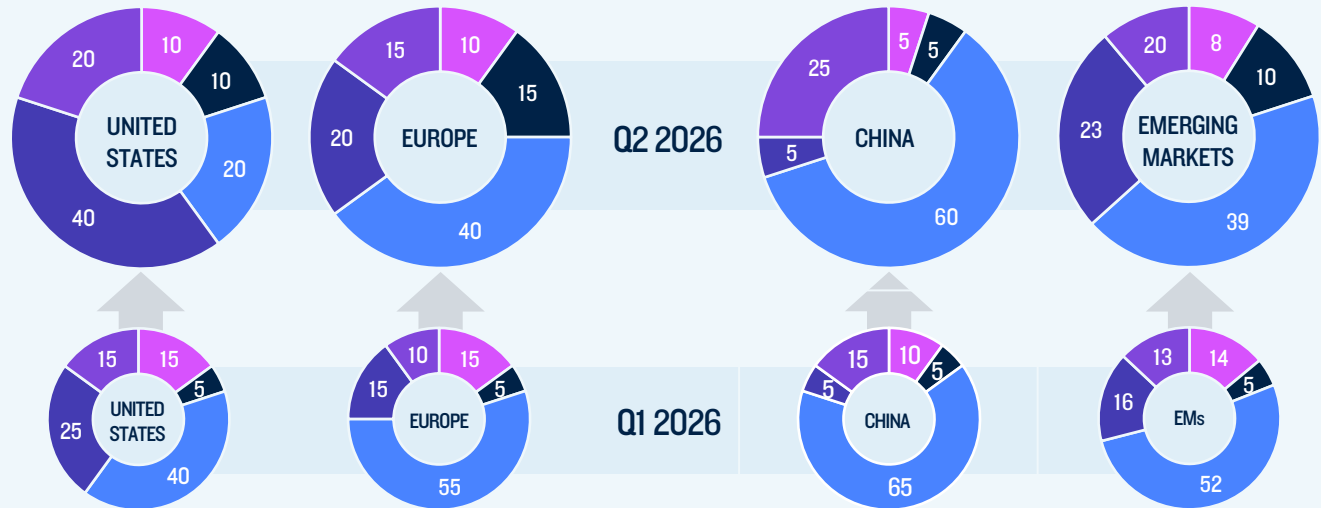
back to 3.0% by year end and then to 2% as the higher level of energy drops out of the year-over-year calculation. The ECB consequently hikes in June and again in September, taking the deposit rate to 2.5%.

Our base case for **China** is also a "muddle through" scenario with a 60% probability (see the following Exhibit for our emerging market scenario methodology). Under this scenario,

China pursues an AI-led industrial policy mix with substantive steps to boost domestic demand. Excess capacity gradually eases, but continues to exert a deflationary impulse globally. Fiscal policy remains accommodative, with calibrated support for the consumer, property sector, and infrastructure.

Q2 Macroeconomic Scenarios

- Recession
- Mild Stagflation
- Muddle Through
- Overheating
- Productivity Boost



Source: PGIM. EM is a weighted average of the U.S. (35%), Europe (35%), and China (30%). Our key risk scenario of "Overheating" replaces "Nominal GDP Boom" from Q3.

DEVELOPED MARKET RATES

View: Short-term yields remain elevated amid mounting inflation concerns and expectations of more hawkish monetary policies. Long-end yields stay relatively anchored as investors see favorable value at current levels.

The war in Iran and subsequent surge in energy prices quickly flattened developed market yield curves, shaping our expectations looking ahead. Coming into the year, investors spun a comfortable narrative that a gradually slowing global economy caused by a weakening labor market would elicit moderate policy accommodation. The surprise of war and potential inflation boost caused a rapid unwind of these large positions as investors recognized many central banks would be forced to shift from an easing to hiking bias. For example, at the end of February, the

market was pricing the ECB to remain on hold, the Fed to cut twice, and the BOE to cut almost three times. Currently, the market is pricing the ECB and BOE to hike twice and the Fed to be on hold for the remainder of the year.

Given the 50-100 bps of front end repricing, most major central banks are indicating a wait-and-see approach as they remain wary of impending inflation as the war continues.

For context, we started the year with an expectation that the U.S. 10-year yield would break out of a prolonged 20 bps

trading range on the eventual reemergence of policy uncertainty. While we didn't anticipate the kinetic conflict in the Middle East, the upturn in volatility materialized late in the first quarter as the 10-year yield approached 4.50% and the 30-year almost touched 5%. We believe yields will find support at the upper bounds of the range.

While the rapid market repricing of the front end may suggest potential Fed rate hikes, we believe recent market moves may be more indicative of the clearing level for risk and changing levels of liquidity as opposed to a wholesale repricing of fundamentals.

Therefore, if the conflict concludes in relatively short order, we see the

possibility that rate cuts may still emerge later this year and continue into early 2027. We believe the new Fed Chair could lead the terminal Fed funds rate near 3.0% (see our economics section for more).

Although liquidity across the U.S. rate complex deteriorated as the conflict continued—particularly in front-end futures contracts—the market remained resilient and continued to transfer risk. We believe that the majority of the rate shock is behind us and that liquidity will return to more normal levels once conditions in the Middle East stabilize.

GLOBAL SECTOR VIEWS

AGENCY MBS

View: Carry conditions. MBS carry remains intact versus intermediate U.S. Treasuries. We prefer a barbell position consisting of lower 30-year coupons and production coupons, while avoiding the middle of the stack due to tighter valuations. We are maintaining our underweight in higher coupon premiums due to call risk concerns, and we continue to prefer specified pools over TBAs for better fundamental value and convexity.

Agency MBS moderately outperformed U.S. Treasuries in Q1, primarily on the sharp spread tightening sparked by the \$200 billion of GSE buying announced in early January. Notably, that tightening was partially offset in March when spreads were pressured by several factors, including diminishing effects of GSE buying versus prior Fed QE periods, the conflict in the Middle East, heavier-than-expected origination, and elevated prepayment concerns.

Lower 30-year coupons were the best performers, benefiting from a flattening curve and yield-based demand for long duration and positive convexity. The conventional 30-year 2% coupons outperformed 30-year 5% production coupons by over 80 bps in excess return. Mortgage rates reached their lowest levels since 2022 in early March before resetting about 25 bps higher after the interest-rate selloff.

With Q2 underway, although index valuations widened off recent tights, they remain around 2022 levels and relatively tight for periods without Fed buying. We continue to see a potential opportunity to outperform the MBS index given the brisk realized prepayment speeds in high coupon premiums. Specified pools should continue to offer better value versus newer production bonds, as the rising conforming limit will bring even higher average loan sizes and less attractive OAS profiles into the index.

MBS refinancing risk is a growing concern in high premium coupons that is likely to remain as technology

improvements accelerate loan processing speeds. We still believe OAS models may not be adequately capturing a risk that will be unlike what this market has experienced in previous prepayment cycles. Further, originations have responded to lower primary rates, and we expect a pick-up from seasonal patterns. Privatization remains a back-burner issue, but we may see an increased effort heading into the U.S. congressional midterm elections or later in the administration's term.

GLOBAL SECTOR VIEWS

SECURITIZED CREDIT

View: Carry conditions. We expect spreads to remain range-bound or widen from historic tightness, pressured by heavy new issuance, softening fundamentals, and steepening curves, particularly if macro volatility persists. Views for CMBS, RMBS, CLOs, and ABS reflect the tighter-than-average spread environment combined with weaker or normalizing underlying asset fundamentals. Senior securitized tranches offer attractive relative value versus other fixed income instruments. We remain focused on tranches at or near the top of capital structures, while being highly selective among more credit-sensitive positions as the downside risks outweigh the potential rewards. In private ABF, positive capital flows continue; we are targeting structures suited to perform through the cycle in residential, commercial, and prime consumer subsectors.

CMBS valuations for most property types have stabilized and are poised for modest growth. Rent growth is set to improve near-term as supply pressures ease in multifamily and industrial sectors, and we expect delinquency rates to plateau. Continued elevated single-asset, single-borrower (SASB) supply is likely to pressure spreads wider—we see value in high-quality deals with structural protections against moderating CRE fundamentals. In conduit markets, we see AAA spreads as fair with corporates and favor shorter spread duration given the flatness of the term-curve.

In **RMBS**, relatively tight inventories and strong demographics continue to support housing valuations despite historically high mortgage rates. Mortgage credit remains solid overall, despite rising delinquencies among lower-tier borrowers. Non-qualifying mortgages remain the most scalable opportunity for mortgage credit exposure, and we favor high-credit mortgages across favored document types. Current T+130-140 bps spreads are attractive compared to other fixed income sectors—we are seeking to add positions, especially in AAA non-qualifying mortgage and second-lien/HELOC deals.

In **CLOs**, while underlying leveraged loan fundamentals remained positive overall, sentiment turned sharply negative in Q1 on AI-disruption fears and geopolitical uncertainty. Spreads began reverting toward long-term averages, with lower mezzanine tranches impacted the most. As CLO credit curves steepen, we expect mixed near-term valuations to create opportunities—we see the most value in senior tranches, while selectively adding higher-quality mezzanine tranches. We're exploring relative value opportunities across the capital structure, especially between the U.S. and Europe, and we favor select primary transactions and discounted bonds in the secondary market.

In **ABS**, the U.S. consumer remains stretched across income cohorts as elevated debt loads and default rates continue, while European and Australian consumers seem more resilient. Globally, valuations appear full relative to other securitized sectors. Given the spread compression and pronounced credit tiering, we have positioned portfolios with a bias toward

top-tier originators. Thematically, we favor commercial obligor exposures for diversification, bank-originated collateral, defined versus general purpose loans, and short-dated consumer loans. We remain constructive on select, higher-quality issuers across the capital stack within auto, consumer loans, and commercial sectors, offering favorable relative value within a global opportunity set.

In **ABF**, inflows continue—especially from liability-driven investors diversifying or complementing their corporate credit exposures. We are targeting structures that can adequately perform through the cycle with a focus on commercial, prime consumer, and residential subsectors; in commercial, we are originating financing for critical-use assets in transportation and digital infrastructure, as well as equipment financing for small- and medium-sized businesses; within consumer, we see opportunities in providing capital to prime homeowners for home improvement and efficiency needs.

Q2 2026 CREDIT RESEARCH SUMMARY

The following provides a general description of credit conditions across our credit research universe. We conclude with insights on how AI-related capex and the conflict in the Middle East may affect credit conditions this year.

In the accompanying tables, fundamental scores relate to the relative health of each sector with 1 being very weak to 4 being very strong. Trend scores are short-term (1-2 quarters) views on the direction of fundamentals. In U.S. and European IG, our fundamental scores skew positive, with modest deterioration from Q1 '26 in the U.S. and a modest improvement from Q1 '26 in Europe. The U.S. trend score leans negative while the European trend score leans positive, with a modest improvement from Q1 '26. In leveraged finance, our U.S. fundamental scores slipped for a fourth consecutive quarter. The trend score also continued its deterioration over the prior several quarters.

For U.S. IG corporates, actual and expected growth remains strong. The vast majority beat Q4 2025 revenue and earnings expectations, with earnings up ~14% year-over-year, on average (+27% for the Mag 7 and +10% for the S&P 493). For 2026, analysts expect earnings growth of +24% and +12% year-over-year for the Mag 7 and S&P 493, respectively. Meanwhile, the credit ratings mix remains strong, with BBB and BBB- rated risk at decade lows and the upgrade/downgrade ratio in 2025 slowing to ~2x from ~5x in 2024.

	Sector Fundamental Score			
	Weak	◀◀◀	▶▶▶	Strong
	1	2	3	4
Communications	(IG) Media ● (HY) Print/publishers ✓ (HY) Radio broadcasters ✓ (HY) TV broadcasters ✓	(IG, HY) Cable ✓ (HY) Wireline ● (IG) Telecom ●	(EU IG) Telecom ↗ (HY) Outdoor ●	
Consumer	(IG) Food & beverage ● (HY) Consumer products ● (HY) Retail ●	(IG) Retailers ● (IG) Healthcare services ● (IG) Supermarkets ● (HY) Restaurants ● (HY) Automotive ● (IG) Restaurants ●	(IG, HY) Lodging ● (EU IG, IG) Consumer products ● (IG) Healthcare products ↗ (IG) Pharmaceuticals ● (IG) Tobacco ● (IG, HY) Airlines ● (HY) Food & beverage ● (HY) Gaming ✓ (HY) Leisure (HY) Supermarkets ● (EU IG) Luxury goods ●	(IG) Automotive ●
Financials		(IG) Canadian banks ● (IG) Finance companies ● (IG) Life insurance ✓ (EU IG) European RE ●	(IG) U.S. money centers ● (IG) U.S. regionals ● (EU IG) Australian banks ● (EU IG) European Insurance ●	(IG) P&C insurance ● (IG) REITs ● (EU IG) European banks ● (EU IG) Exchanges ●
Healthcare		(IG) Healthcare services ●	(IG) Healthcare products ● (IG) Pharmaceuticals ● (HY) Healthcare ●	(IG) Healthcare REITs ↗
Housing		(HY) Building materials ✓	(EU IG, IG) Building materials ● (IG) Lodging ● (HY) Homebuilders ✓ (IG) Residential REITs ●	
Trend Score Key	Positive ↗ (4 trend score)	Neutral ● (2-3 trend score)	Negative ✓ (1 trend score)	

Q2 2026 CREDIT RESEARCH SUMMARY: CONTINUED

In Europe, Q4 '25 results showed weakening topline trends (revenue -3.6%, earnings +3.6%), and were broadly in line with expectations. Meanwhile, 2026 earnings growth expectations continue to weaken, with Q1 and Q2 2026 consensus expectations easing to +0.7% and +5.8%, respectively, versus expectations of +2.1% and +6.2% at the beginning of the year.

From a credit perspective, AI capital investment continues to grow alongside debt-financing needs as well as sources of capital. Since last quarter, AI disruption fears have garnered additional focus with ongoing price discovery. From a market perspective, the debate continues whether to call this a “boom” or a “bubble”, which may create some pockets of volatility.

The Iran war has abruptly shifted the conversation away from tariffs and towards inflation, with oil and related products and global natural gas rallying materially. The duration of the closure of the Strait of Hormuz is now the clear wildcard. The conflict likely creates greater dispersion rather than broad-based risk to credit fundamentals over the intermediate term, subject to duration and the degree of disruption. Energy-sensitive and transport-linked sectors are most exposed to impacts from oil/gas price spikes, while some Energy issuers would benefit from those higher prices. We remain watchful for potential broadening impacts on consumer confidence, buying power and/or spending.

	Sector Fundamental Score			
	Weak <<<<			>>>> Strong
	1	2	3	4
Industrials & manufacturing	(EU IG, HY, IG) Chemicals ✓	(IG) Railroads ● (HY) Industrials & services ● (EU IG) European autos ● (IG, HY) Paper & packaging ●	(HY) Aerospace/defense ● (EU IG, HY) Capital goods ● (EU IG, IG) Aerospace/defense ↗	(IG) Diversified manufacture ● (IG) Industrial REITs ●
Metals & mining			(HY) Steel & related mats ●	(IG) Metals & mining ● (HY) Non-ferrous metals ↗
Oil & gas		(HY) Refining ↗	(IG, HY) Oil field services ● (HY) Oil E&P ↗	(IG) Independents ● (IG) Integrated ● (IG, HY) Pipelines ● (HY) Gas E&P ●
Technology		(HY) Software ●	(IG) Technology ● (HY) Hardware & semis ● (EU IG) Media & Tech	
Utilities & power		(IG) Electric ●	(HY) Electric/IPPs ↗ (EU IG) Utilities ● (EU IG) Infrastructure & transport ●	
Trend Score Key	Positive ↗ (4 trend score)	Neutral ● (2-3 trend score)	Negative ✓ (1 trend score)	
Source: PGIM				

INVESTMENT GRADE CORPORATE BONDS

View: Carry conditions. Heavy AI-related issuance, private credit concerns, and geopolitical risk justify caution in the global IG corporate market. The degree to which spreads widen in the U.S. vs. Europe is dependent on the economic impact of higher energy prices. That stated, credit dispersion and high quality issuance provide opportunities to add risk selectively.

Although U.S. IG corporate spreads are ~20 bps off historical tights, a continuation of yield-driven demand and a backdrop that includes AI-driven economic growth and solid earnings expectations have supported the market. We believe the OAS range for spreads has widened to 80-100 bps, with the upper bound adjusted higher to account for the influence of oil shocks, revised Fed funds rate expectations, heavy supply, and uncertainty resulting from AI integration.

Potential for Steeper Curves: Looking ahead, we believe the long end of the IG curve will be supported by higher yields, while the front end may see spread widening if the stress in financials persists or investors choose to sell shorter maturity bonds to fund heavy issuance.

The Impact of Increased Issuance: Supply is up \$17% YoY, with heavy

issuance in the technology sector and at the long end of the IG curve. We note that new “jumbo” tech deals have come with larger-than-usual concessions. In addition, the uptick in A-rated and AA-rated issuance from hyperscalers has led to a compression in the BBB-A spread differential. As a result, BBB-rated spreads have held up well despite the widening in March.

More Credit Dispersion: Although credit ratings upgrades outpaced downgrades YTD, we see credit fundamentals starting to fray at the edges. There has been a dramatic pick-up in AI-related capital expenditures, rising levels of M&A activity, and debt-funded share buybacks from tech issuers.

U.S. Portfolio Positioning: We are underweight credit spread duration driven by an underweight in the long end of the IG curve.

Generally, our portfolios are using 15-20% of their risk budget with a focus on carry. If spreads continue to widen, we may opportunistically increase our risk (e.g., by purchasing high-quality issuance with concessions). We continue to favor moving up in quality in selective tech issuers. We maintain overweights to banks, utilities, and energy. We are underweight life insurance, chemicals, and pharmaceuticals.

In line with the U.S., **European IG** spreads have also widened YTD. Entering 2026, our expectation was for spreads to trade within an 85-90 bps range. However, the duration and long-term outcomes of the Iran conflict are particularly acute. Spreads trading near 120 bps—a level reached at the peak of last year’s market reaction to tariffs—is not out of the question. However, a swift resolution could keep spreads in our projected range. While the energy sector has widened generically, we do not believe the risk of an oil supply shortage has been fully priced in.

Prolonged dislocations in the energy market could negatively impact the utilities, transportation, and property sectors. In addition, we are beginning to see new-issue concessions resulting from the risk to oil supply in the Middle East. That dispersion provides an opportunity to increase risk.

A Note on Private Credit: Outside of issuance from Blue Owl, the EUR market is fairly insulated from private credit risk, with just 20% exposure to the market. This comes in the form of funding agreement-backed notes (FABNs) from U.S. banks (insurers) issuing in the EUR market. To date, U.S. banks issuing in EUR have experienced more spread widening than European banks.

Portfolio Positioning: In EUR portfolios, we are utilizing ~25% of our risk budget via corporate hybrids and front-end carry opportunities. In the past, global portfolios were overweight EUR vs U.S. Now, our positioning is equally weighted in currency and spread allocations to both markets.

LEVERAGED FINANCE AND DIRECT LENDING

View: Carry conditions. Recent spread widening creates an attractive carry environment. Though cautious of prevailing macro risks, we remain constructive overall, maintaining our close-to-home defensive positioning in U.S. and European high yield bonds and loans, with a focus on potential relative-value opportunities borne from dispersion and dislocations. In direct lending, with expectations for low base rates now at risk, the playbook for late-cycle investing is greater selectivity and tighter terms.

Following some moderate spread widening, we expect U.S. high yield bond spreads to remain range-bound at elevated levels in Q2, with solid technicals and robust credit fundamentals mitigating prominent concerns. We believe high yield bonds should continue generating positive total returns in the coming quarters, underscoring our overall constructive view for 2026.

Despite elevated short-term risks, strong market technicals and credit fundamentals are expected to remain intact through Q2 and beyond. Heading into Q2, the supply surplus continues—running at approximately \$2.3 billion as of mid-March 2026—the default rate is well below long-term averages, and overall duration remains relatively short.

We're maintaining our overweight to short-duration bonds and continuing to reduce our underweight to high-quality issues. Looking at sectors, we are overweight building materials & home construction, telecom, and finance companies, and underweight technology (software), media & entertainment, and retailers & restaurants. Recent adjustments include an increase of our overweights in finance companies and building materials & home construction, while having further reduced our underweight in chemicals. We also increased our underweights in consumer non-cyclical and retailers & restaurants.

In U.S. leveraged loans, the demand dispersion between mid- to high-quality loans and those rated lower—which has been a key YTD theme in the primary

and secondary markets—is expected to continue driving elevated spread levels.

We are lowering our 2026 total return outlook to 5% from the 5.5-6% range noted at the beginning of the year. We maintain our view that carry will be the primary driver of performance, but tempered by downward pressure from lower base rates, continued repricing transactions, elevated credit environment concerns, and potential technical pressures if net new issuance accelerates. Notably, we do not expect broad-based deterioration in fundamentals, but defaults and liability management exercises (LMEs) should remain elevated with recoveries below historical averages. Further, we expect software and technology issuers to face continued pressure on the back of AI-related disintermediation and terminal value concerns. We think it will take more time for this dynamic to play out, and we have not yet seen levels that warrant covering short positions.

Given how pronounced dispersion has become, we remain cautious on the lower-quality tail of the market,

particularly of credits impacted by recent LMEs where recoveries and outcomes remain uncertain.

In the primary market, net new issuance should remain manageable, but risks of higher supply include mounting data center-related financing, rising M&A activity due to a business-friendly policy environment, and more private-to-public transactions.

We continue to favor public BB and high-B loans over sponsor-owned, low-B and CCC loans as we expect those lower-quality facilities to be challenged by the fundamental backdrop. We believe that deep, fundamental credit research/modeling is becoming increasingly important to credit selection. To that end, avoidance of defaults will likely be the biggest driver of alpha over the next 12-24 months.

We expect the European high yield bond and leverage loan markets to remain resilient in Q2 2026. Ceasefire notwithstanding, the conflict in the Middle East has increased the potential for a broader, risk-off event. Further,

GLOBAL SECTOR VIEWS: GLOBAL LEVERAGED FINANCE AND DIRECT LENDING

with spreads still on the tighter end of historical ranges, we caution that the range of outcomes is skewed negatively at this stage.

Looking ahead, we are cautious—running roughly market-neutral levels of risk and are generally defensive in our single-name positioning as well as underweight cyclicals. We continue to focus on relative value opportunities, maintaining a high-threshold for high-beta names given the relatively wide range of potential macro outcomes.

Direct Lending

Last quarter, we highlighted the late-stage market conditions in private credit. Credit quality was holding in at healthy levels, but spreads were tight and economic outlook uncertain. A key support factor was the expectations for lower base rates in 2026. The conflict in the Middle East puts that assumption at risk.

Credit degradation in the software sector from AI-driven technology advances has put real pressure on many portfolios, particularly BDCs and particularly in the U.S. European

credits and portfolios have less IT/software exposure, but their direct and indirect sensitivity to the economic disruption from the conflict in the Middle East is greater.

The playbook for late-cycle investing is to exercise greater selectivity, tighten on terms, and let the investments come to you. That said, the significant amount of dry powder in place for direct lending creates very strong technical conditions for borrowers. Competition for deals has been fierce, but we believe that some of the less rationale market participants will be sidelined by

redemptions, allowing for much-needed discipline in the market.

The temporary floor on base rates and higher direct lending spreads are good for returns, but when combined with near-term economic uncertainty will not be good for marginal credits. Therefore, selectivity and underwriting are key—as is the ability to leverage a truly diverse origination platform, including all market caps and both sponsored and non-sponsored deals. We do see the 2026 vintage shaping up as strong.

GLOBAL SECTOR VIEWS

EMERGING MARKETS

View: Carry conditions. The conflict in Iran and the impact of the oil price and related shocks create uncertainty. Relative performance will reflect country-specific sensitivity to energy prices, monetary and fiscal policy, and a broader ability to absorb any growth or liquidity shock. Under a cautiously constructive base case for the sector, EM assets rebound while dispersion creates alpha-generating opportunities. The main risk comes from a more prolonged and expanded war.

EM Sovereigns/Spreads—Our short and medium-term outlook for EMD is largely dependent on the trajectory and duration of the war in Iran and when the Strait of Hormuz reopens to energy exports. In a more constructive base case scenario, there is a de-escalation over the near term, the Strait of Hormuz reopens, oil prices retreat from the highs, and the global economy is able to absorb any lingering impact. Any cease fire will lead to a market rally given how investors are positioned. In a variation of this base case, the conflict becomes protracted (keeping oil prices elevated) but doesn't cause a severe growth shock. The main risk scenario within this cautiously constructive outlook comes from a deep and prolonged war

in the Middle East with significant consequences for not only global growth, but global risk appetite, flows, and liquidity.

Over the short and medium term, relative performance will reflect country-specific sensitivity to energy and commodity prices, inflation impacts, and the ability of both fiscal and monetary policy to absorb potential growth shocks. Under a more constructive base case, EM assets will rebound. However, not all are likely to return to pre-invasion levels as lingering uncertainties and a recalibration of the global backdrop will expand dispersion across sectors, regions, and credit ratings.

If the conflict is short-lived and oil prices stabilize, the extent to which EM central banks can look through a short-term inflation boost will become an increasingly important factor.

In the event a more constructive base case scenario plays out and there is a resumption of Middle East energy exports, we expect the market to refocus on a range of fundamental, valuation, and technical tailwinds. These include resilient global growth and EMs' growth premium over DMs'; a potential resumption of the U.S. dollar's recent weakening bias; improved trade dynamics amid ongoing tariff uncertainty and a reframing of the new world order; attractive all-in yields that are still wide to developed market yields; dispersion and regional differences leading to alpha-generating and relative-value opportunities; and improved technicals as a result of recent retail inflows.

We remain somewhat cautiously positioned, with a bias to higher-carry BB and distressed issuers. In some

instances, the distressed issuers exhibit less direct correlation to current events. While EM spreads have widened since

the outset of the war, they have remained orderly, and we expect persistent demand for non-U.S. assets to remain supportive over the medium-term. We would seek to add to the higher-quality side of our barbell if these names were to sell off further with a focus on idiosyncratic issuers as they become increasingly mispriced. Currently, we have reduced more vulnerable risks that were exposed to more downside, but have focused on relative value opportunities. We don't feel compelled to reduce risk indiscriminately as we are well insulated barring a very negative outcome.

EM Corporates—EM corporate spreads are only marginally wider year-to-date and are strongly outperforming developed markets despite the \$112 billion in gross supply and the conflict in Iran.

GLOBAL SECTOR VIEWS: EMERGING MARKETS

While yields are attractive and fundamentals largely resilient, there is risk to the constructive base case if the Iran conflict is prolonged, raising funding and hedging costs and weighing on growth.

In terms of sectors, we favor LatAm financials and oil & gas, Asian conglomerates, and infrastructure plays across energy and transportation. We have become more cautious on Turkish corporates, GCC property bonds, and corporates in Frontier countries given lower buffers. We believe that even in a bad scenario defaults will remain contained, in-line with developed markets, given very manageable refinancing needs, and resiliency in the larger EM economies.

While supply has been robust so far this year (the highest since 2021), it is likely to drop-off going forward given the

geopolitical tensions, which could support technicals once sentiment stabilizes.

EM Local Rates—EM rates have underperformed core developed market rates by a significant margin since the outset of the war in Iran. The selloff was large and fast, contributing to improved valuations if a more constructive base case scenario for the sector plays out. While the markets are currently not pricing in Fed cuts, we can't rule out the possibility that signs of structural weakness in the U.S. economy may prompt Fed rate cuts in the months ahead, providing a potential tailwind for EM rates. This assumes that the global economy stops short of an actual recession.

Given that it is a supply shock (and not a demand shock) we do not expect EM central banks to raise rates. However,

the impact of high energy prices and other supply chain shortages on inflation is also likely to limit EM central banks' ability to ease monetary policy should the war become more prolonged. Meanwhile, the fiscal space to offset the shock is limited. We remain focused on the differentiation between central banks that are likely to cut rates and on those where too many hikes have been priced in.

Our current overweights are in Mexico, South Korea, Philippines, Hungary, and South Africa. Underweights include Chile, Poland, Indonesia, and Thailand. Our bias is to add to our overweights and reduce our underweights given the broad-based repricing that has taken place, particularly at the two- to five-year part of the curves, but we are very cautious in our approach.

EMFX—In a more constructive scenario for the sector, EMFX is likely to revert to trade patterns established before the conflict—where the U.S. dollar broadly depreciates and select high-carry FX outperforms. If the conflict becomes more protracted and oil prices remain elevated—but does not cause a severe growth shock—EMFX is likely to become more differentiated, with oil importers continuing to underperform while the U.S. dollar gains against low-yielding FX, but depreciates against high-yielding FX. Should the war in the Middle East become more prolonged, EMFX is likely to depreciate further, with positioning increasingly important as investors de-risk.

GLOBAL SECTOR VIEWS

MUNICIPAL BONDS

View: Carry conditions. Tax-exempt munis have delivered on our Q4 rebound thesis, thanks to strong inflows and manageable supply. However, geopolitical events have introduced asymmetry in risk vs. reward. As a result, while we remain constructive on the market, we are focused on managing rate volatility in the event it emerges.

Tax Exempt Munis. Performance, driven primarily by rates, has been resilient, outperforming most other fixed-income sectors YTD. That stated, we are starting to see muni/Treasury yield ratios on the 5-year, 10-year, and 30-year creep above their 90-day averages to end March at 68%, 72%, and 91% (respectively). The war in Iran war has created some uncertainty in the municipal markets, but credit spreads are largely unchanged from pre-war levels, with HY munis outperforming.

Credit Quality: Modestly Negative. Notable downgrades include Brightline by S&P and the City of Los Angeles by Moody's. In addition, several large issuers (e.g., Chicago, New York City, and California) are reporting budget gaps. Although credit quality has fallen modestly, the picture remains stable—even in sectors with closer ties to oil (e.g., Airports and Toll roads).

Supply has not materially increased compared to 2025. To date, the largest

revenue bond issuers were in the prepay gas, hospitals, and housing sectors. In terms of demand, inflows have exceeded \$23 billion YTD vs. ~\$50 billion in 2025. Strong inflows, record reinvestment, along with high cash balances in retail funds are acting as a buffer against volatility. In Q2, net supply is expected to be in the \$40 - \$60 billion range.

Taxable Munis. Index performance has been very stable, as limited supply continues to support the sector.

Portfolio Positioning. While strong technicals and healthy demand continue to support the market, we

acknowledge the higher volatility environment and limited margin for error if rates continue to sell off. Although we remain overweight risk, we have reduced our credit exposure. We have also reduced positions that are the most sensitive to oil prices. We are also reducing our positions in healthcare and airports, as spreads have tightened. We continue to overweight muni flatteners to gain selective exposure to the long end of the muni curve, where relative value remains attractive. We also favor traditional prepay gas, housing, and selective development and corporate-backed deals.

SUMMARY OF ASSET CLASS VIEWS

This summary consists of our short- and long-term (1-yr) sector views. The latter is based on a scale of 1-5 with an accompanying description that indicates our expectation for the sector's total excess return.¹

MARKET RATING: ● Carry

DM Rates: Short-term yields remain elevated amid mounting inflation concerns and expectations of more hawkish monetary policies. Long-end yields stay relatively anchored as investors see favorable value at current levels.

- U.S.
- Europe
- UK
- Japan

Agency MBS: Carry conditions. MBS carry remains intact versus intermediate U.S. Treasuries. We prefer a barbell position consisting of lower 30-year coupons and production coupons, while avoiding the middle of the stack due to tighter valuations. We are maintaining our underweight in higher coupon premiums due to call risk concerns, and we continue to prefer specified pools over TBAs for better fundamental value and convexity.

- Agency MBS

Securitized Credit: Carry conditions. We expect spreads to remain range-bound or widen from historic tights, pressured by heavy new issuance, softening fundamentals, and steepening curves, particularly if macro volatility persists. Views for CMBS, RMBS, CLOs, and ABS reflect the tighter-than-average spread environment combined with weaker or normalizing underlying asset fundamentals. Senior securitized tranches offer attractive relative value versus other fixed income instruments. We remain focused on tranches at or near the top of capital structures, while being highly selective among more credit-sensitive positions as the downside risks outweigh the potential rewards. In private ABF, positive capital flows continue; we are targeting structures suited to perform through the cycle in residential, commercial, and prime consumer subsectors.

- CMBS
- CLOs
- RMBS
- ABS

Global IG Corporates: Carry conditions. Heavy AI-related issuance, private credit concerns, and geopolitical risk justify caution in the global IG corporate market. The degree to which spreads widen in the U.S. vs. Europe is dependent on the economic impact of higher energy prices. That stated, credit dispersion and high quality, off-the-run issuance provide opportunities to add risk selectively.

- U.S. Corps. I-10
- U.S. Corps. 10+
- European Corps. I-5
- European Corps. 5+

Global Leveraged Finance: Carry conditions. Recent spread widening creates an attractive carry environment. Though cautious of prevailing macro risks, we remain constructive overall, maintaining our close-to-home defensive positioning in U.S. and European high yield bonds and loans, with a focus on potential relative-value opportunities borne from dispersion and dislocations. In direct lending, with expectations for low base rates now at risk, the playbook for late-cycle investing is greater selectivity and tighter terms.

- U.S. High Yield I-5
- U.S. High Yield 5+
- U.S. Leveraged Loans
- Euro High Yield BB
- Euro High Yield B & below
- Euro Leveraged Loans

EM Debt: Carry conditions. The war in Iran and the impact of the oil price and related shocks create uncertainty. Relative performance will reflect country-specific sensitivity to energy prices, monetary and fiscal policy, and a broader ability to absorb any growth or liquidity shock. Under a cautiously constructive base case for the sector, EM assets rebound while dispersion creates alpha-generating opportunities. The main risk comes from a more prolonged and expanded war.

- Sov. Hard Currency IG
- Sov. Hard Currency HY
- Local rates²
- EMFX²
- Corps. IG
- Corps. HY

Municipal Bonds: Carry conditions. Tax-exempt munis have delivered on our Q4 rebound thesis, thanks to strong inflows and manageable supply. However, geopolitical events have introduced asymmetry in risk vs. reward. As a result, while we remain constructive on the market, we are focused on managing rate volatility in the event it emerges.

- Taxable

KEY TO MARKET RATINGS | ● Sell Off ● Correction ● Carry ● Modest Tightening ● Bull Market

¹ The positioning in a respective portfolio may not be identical to the long-term ratings. The ratings and information herein is for comparison purposes.

² The scores on the indicated asset classes are based on expectations for total excess returns.

INDEX DESCRIPTIONS

U.S. INVESTMENT GRADE CORPORATE BONDS

Bloomberg U.S. Corporate Bond Index: The Bloomberg U.S. Investment Grade Corporate Bond Index covers U.S.D-denominated, investment-grade, fixed-rate or step up, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

EUROPEAN INVESTMENT GRADE CORPORATE BONDS

Bloomberg European Corporate Bond Index (unhedged): The Bloomberg Euro-Aggregate: Corporates bond Index is a rules-based benchmark measuring investment grade, EUR denominated, fixed rate, and corporate only. Only bonds with a maturity of 1 year and above are eligible.

U.S. HIGH YIELD BONDS

ICE BofAML U.S. High Yield Index: The ICE BofAML U.S. High Yield Index covers US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, and at least one year remaining term to final maturity as of the rebalancing date.

EUROPEAN HIGH YIELD BONDS

ICE BofA Euro High Yield Index: This data represents the ICE BofA Euro High Yield Index value, which tracks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Qualifying securities must have at least one year remaining term to maturity, a fixed coupon schedule, and a minimum amount outstanding of €100 M. ICE Data Indices, LLC, used with permission.

ICE DATA INDICES, LLC IS LICENSING THE ICE DATA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE DATA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND PGIM FIXED INCOME OR ANY OF ITS PRODUCTS OR SERVICES.

U.S. SENIOR SECURED LOANS

S&P UBS Leveraged Loan Index: The Index is a representative, unmanaged index of tradable, U.S. dollar denominated floating rate senior secured loans and is designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market. The Index return does not reflect the impact of principal repayments in the current month.

EUROPEAN SENIOR SECURED LOANS

S&P UBS Western European Leveraged Loan Index Hedged: All Denominations EUR hedged. The Index is a representative, unmanaged index of tradable, floating rate senior secured loans designed to mirror the investable universe of the European leveraged loan market. The Index return does not reflect the impact of principal repayments in the current month.

EMERGING MARKETS U.S.D SOVEREIGN DEBT:

J.P. Morgan Emerging Markets Bond Index Global Diversified: The Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for U.S.D-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. To be deemed an emerging market by the EMBI Global Diversified Index, a country must be rated Baa1/BBB+ or below by Moody's/S&P rating agencies. Information has been obtained from sources believed

to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

EMERGING MARKETS LOCAL DEBT (UNHEDGED)

J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index: The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments.

EMERGING MARKETS CORPORATE BONDS

J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified: The CEMBI tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries.

EMERGING MARKETS CURRENCIES

J.P. Morgan Emerging Local Markets Index Plus: The JP Morgan Emerging Local Markets Index Plus (JPM ELM+) tracks total returns for local currency-denominated money market instruments.

MUNICIPAL BONDS

Bloomberg Municipal Bond Indices: The index covers the U.S.D-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The bonds must be fixed-rate or step ups, have a dated date after Dec. 13, 1990, and must be at least 1 year from their maturity date. Non-credit enhanced bonds (municipal debt without a guarantee) must be rated investment grade (Baa3/BBB-/BBB- or better) by the middle rating of Moody's, S&P, and Fitch.

U.S. TREASURY BONDS

Bloomberg U.S. Treasury Bond Index: The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

MORTGAGE BACKED SECURITIES

Bloomberg U.S. MBS—Agency Fixed Rate Index: The Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

COMMERCIAL MORTGAGE-BACKED SECURITIES

Bloomberg CMBS: ERISA Eligible Index: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.

U.S. AGGREGATE BOND INDEX

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Index covers the U.S.D-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

The **S&P 500**[®] is widely regarded as the best single gauge of large-cap U.S. equities. There is over U.S.D 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately U.S.D 3.4 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

留意事項

本資料は、海外グループ会社が作成した情報提供資料を PGIM ジャパン株式会社（以下「当社」）が日本国内の投資家向けにご提供するものです。

本資料は、金融機関、年金基金等の機関投資家およびコンサルタントの方々を対象としたものです。

本資料は、情報提供を目的として作成されたものであり、特定の証券や金融商品等の販売・勧誘・推奨を目的としたものではありません。

本資料に記載された内容等については今後変更されることもあります。

過去の運用実績は将来の運用成果等を保証するものではありません。

本資料に記載されている市場関連データ及び情報等は信頼できると判断した各種情報源から入手したのですが、その情報の正確性、確実性について当社が保証するものではありません。

本資料は法務、会計、税務上のアドバイスを行うために作成されたものではありません。必要に応じて専門家とご相談ください。

本資料に掲載された各インデックスに関する知的財産権及びその他の一切の権利は、各インデックスの開発、算出、公表を行う各社に帰属します。

当社による事前承諾なしに、本資料の一部または全部を複製することは堅くお断り致します。

“Prudential”、“PGIM ”、それぞれのロゴおよびロック・シンボルは、プルデンシャル・ファイナンシャル・インクおよびその関連会社のサービスマークであり、多数の国・地域で登録されています。

当社は、世界最大級の金融サービス機関プルデンシャル・ファイナンシャルの一員であり、英国法人のプルデンシャル plc および英国法人の M&G plc の子会社であるブルーデンシャル・アシユアランス・カンパニーとは何ら関係がありません。

プルデンシャル生命保険株式会社、ジブラルタ生命保険株式会社、PGF 生命（プルデンシャル ジブラルタ ファイナンシャル生命保険株式会社）及び PGIM リアルエステートジャパン株式会社は当社のグループ会社であり、別法人です。

PGIM ジャパン株式会社

金融商品取引業者 関東財務局長（金商）第 392 号

加入協会：一般社団法人資産運用業協会、一般社団法人第二種金融商品取引業協会

PGIMJP128306 5377635-20260410