

OVERVIEW

APPROACH TO STRATEGIC ASSET ALLOCATION OPTIMIZATION

BRINGING TOGETHER PUBLICS AND PRIVATES

- Historically, investors have found it difficult to find the robust data and quantitative methods necessary for apples-to-apples comparisons over diverse sets of asset classes and were driven to adopt simplistic methods for comparing publics and privates.
- PGIM's approach to optimization brings together an opportunity for investors seeking exposure to both public and private assets within one integrated framework.
- PGIM's experience in the private assets space, with decades of historical data in areas like private corporate credit and real estate debt, is the foundation of this platform, pulling in rich proprietary data from each of these asset classes.

ANALYTICS BEYOND RISK-RETURN

- In addition to combining publics and privates, PGIM's custom-built toolkit can be used to generate efficient frontiers incorporating client-specific investment objectives and constraints.
- A key capability that can be integrated into the portfolio construction process is the generation of hundreds or thousands of economic scenarios, ranging over all relevant risk factors such as rates, corporate and securitized spreads, FX, and equity returns. This allows for the optimization of both overall return metrics and more detailed tail-scenario performance.

BRINGING VALUE TO PENSIONS

- As a solutions specialist committed to serving pensions in innovative ways, PGIM offers a set of bespoke solutions that take into account each client's needs. Benchmark selection, asset class coverage, risk-preference, concentration limits, and liquidity constraints can all be customized with or without a total return framework in mind.
- More intensive analysis is also possible for clients with dynamic liabilities that are sensitive to different market conditions, which fits naturally into our economic scenario framework.

BRINGING VALUE TO INSURERS

- As an insurance-owned asset manager with decades of origination experience in the asset classes most relevant to insurers, PGIM's suite of public and private assets provides building blocks for insurance portfolios built for purpose.
- PGIM's optimization process goes beyond standard optimization techniques to deal with complex regulatory reserve and capital regimes.
- PGIM's portfolio construction tools are built on top of rigorous ALM models that simulate full balance sheets, including domain-specific regulatory reserve and capital metrics, decades into the future to measure realistic solvency risk. Even when large economic scenario sets are used, full revaluation of assets and reserve/capital calculations are performed per scenario per time-step to capture the true, forward-looking variability faced by an insurance business.

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