

U.S. Broad Market High Yield Strategy



As of December 31, 2025

STRATEGY HIGHLIGHTS

Objective¹	To maximize excess returns versus the Bloomberg High Yield 1% Issuer Capped Index over the long term.	
Target Sources of Excess Return	• Market / Sector Allocation & Spread Curve	15%
	• Industry / Issuer Specific	85%
	• Duration / Interest Rate / Currency	0%

INVESTMENT PHILOSOPHY & PROCESS

- In our Broad Market High Yield Strategy, we seek to earn 125 bps of alpha with a tracking error budget of 200 bps versus the Bloomberg U.S. High-Yield 1% Issuer Capped Index.
- We expect tracking error based on historical volatility measured over a long term period to occur from holding position sizes in portfolios that differ from the issuer's weighting in the benchmark and from holding positions in issuers that are not in the benchmark.
- PGIM believes that actively managed high yield bond portfolios, constructed from the bottom up using methodical, research-based subsector and security selection, can lead to consistent outperformance versus the broad high yield index with a high information ratio.
- PGIM attempts to achieve this through well-diversified portfolios of performing credits that are carefully researched. Intensive fundamental research is conducted by a large and experienced internal credit research staff to identify strong and improving credits.
- The size and experience of the research organization permit us to apply intense focus on individual securities identified from a broad pool of investment opportunities.
- Portfolios are then actively managed to capture the best opportunities and minimize credit losses, within an environment of disciplined risk management oversight.
- We use a sector based approach, whereby portfolio managers specialize on certain industries (typically 4 to 6 each). As a result of not having to cover the entire universe of industries, our sector PMs can (a) more deeply understand the issuers and trading levels in their sectors to better evaluate relative value and more quickly respond to market opportunities and (b) can have more frequent dialogue with, and as a result get more favorable treatment from, traders at brokers/dealers for secondary trades and also from capital markets/syndicates individuals at underwriters for new issues.
- We inherently think long term and are typically patient investors. Also, our institutional client base tends to be more stable (less flows). These two attributes enable us to take advantage of market opportunities because, on a relative basis versus peers, we tend to be liquidity providers as opposed to liquidity takers. In a world of less liquidity, we can take advantage of available market inefficiencies.

1 Senior portfolio manager develops top down themes by leveraging firms resources

2 Investment team selects securities and constructs portfolio

Fundamental Value Assessment

Credit analysts evaluate all industries and issuers in the universe. Focus on downside protection:

- Asset quality
- Capital structure
- Covenants

Relative Value Security Selection

Sector portfolio managers and credit analysts evaluate and maximize relative value among approved universe:

- Choose credits with strong fundamentals and best relative value

Position Sizing

Sector portfolio managers size positions:

- Evaluate industry, issuer and market fundamentals
- Achieve top-down beta and curve positioning objectives
- Refine position sizes as risk profiles and thresholds change

3 Portfolio managers and risk managers monitor portfolio risk at all levels— interest rate, beta, industry, issuer, and quality

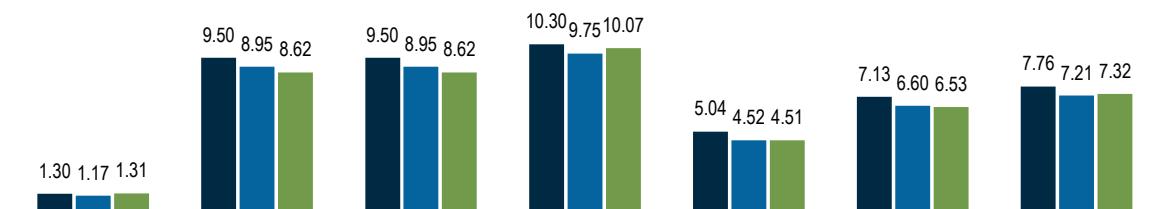
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PERFORMANCE¹ | PERIODS ENDING DECEMBER 31, 2025

■ Gross Returns %

■ Net Returns %

■ Bloomberg High Yield 1% Issuer Capped Index %

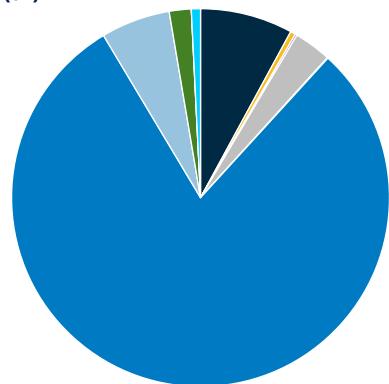


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Mar 2002)
Excess Returns - Gross (bps)	-1	+88	+88	+23	+54	+61	+44
Excess Returns - Net (bps)	-14	+34	+34	-32	+1	+7	-11
Tracking Error (%)	NM	NM	NM	0.80	0.78	0.88	1.88
Information Ratio (Gross)	NM	NM	NM	0.27	0.65	0.67	0.17
Information Ratio (Net)	NM	NM	NM	-0.36	0.01	0.10	-0.10

Excess Returns may reflect rounding differences. Information ratio and tracking error are not meaningful (NM) for periods less than 3 years. Data is presented on both a gross and net basis, where applicable. Gross metrics do not reflect the deduction of fees and other expenses to be borne by accounts using the Strategy, which will reduce returns and, in the aggregate, may be substantial. Additional performance information is available upon request. Please visit www.pgim.com for contact information.

PORTFOLIO HIGHLIGHTS²

Sector Allocation (%)



■ US Government

■ ABS

■ CMBS

■ IG Corporates

■ Non-US Govt Related

■ High Yield

■ Bank Loan

■ Emerging Markets

■ Swaps

■ Cash & Equivalents

	Portfolio	Bloomberg High Yield 1% Issuer Capped Index
US Government	8.1	0.0
ABS	0.4	0.0
CMBS	0.2	0.0
IG Corporates	3.2	0.4
Non-US Govt Related	0.1	0.0
High Yield	80.9	98.6
Bank Loan	6.0	0.0
Emerging Markets	1.9	1.0
Swaps	0.0	0.0
Cash & Equivalents	-0.8	0.0
Total	100.0	100.0

Representative Characteristics (%)

	Portfolio	Bloomberg High Yield 1% Issuer Capped Index
Effective Duration (yrs)	2.85	2.85
Effective Yield (%)	6.72	6.55
Spread (bps)	301	272
Average Coupon (%)	6.28	6.60
Average Quality (Moody's)	Ba3	B1
Number of Issuers	354	836

Corporate Industry Allocation (%)

	Portfolio	Bloomberg High Yield 1% Issuer Capped Index
Finance	10.5	12.1
Industrial	74.1	84.2
Utility	4.8	3.7
Non Credit	0.1	0.0
Top 10 Industries (%)		
Health Care & Pharma	7.1	7.2
Telecom	6.9	4.6
Building Materials & Home Construction	6.5	3.9
Gaming & Lodging & Leis.	6.4	6.5
Energy - Midstream	6.0	5.9
Cable & Satellite	4.9	5.0
Electric & Water	4.8	3.6
Finance Companies	4.8	4.3
Consumer Non-Cyclical	4.8	7.1
Energy - Upstream	4.7	5.0

Rating Distribution^{3,4}(%)

	Portfolio	Bloomberg High Yield 1% Issuer Capped Index
AAA	0.4	0.0
AA	8.1	0.0
BBB	3.3	0.4
BB	36.8	54.0
B	31.6	33.5
CCC & Below	14.4	12.0
Not Rated	6.3	0.1

Past performance is not a guarantee or a reliable indicator of future results. No investment strategy or management technique can guarantee returns or eliminate risk in any market environment. Please see the Notice for additional important disclosures regarding the information contained herein. Totals may not sum due to rounding. Source: PGIM.

Source of Benchmark: Bloomberg. Where overseas investments are held the rate of currency may cause the value of investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Non-USD securities are converted to USD using a spot rate conversion. ¹Periods over one year are annualized. ²Portfolio highlights provided above are calculated based on the percentages of the total market value of a representative portfolio using the Strategy. The representative characteristics are not, and should not be construed as, the past or projected performance of the Strategy or any investment, which will be impacted by a number of factors not reflected herein. ³Excludes cash and FX hedges. ⁴Middle of Moody's, S&P and Fitch ratings -- excluding cash and cash equivalents. Available for professional and institutional investors only.

INVESTMENT COMMENTARY

Markets

While U.S. HY bonds ended 2025 on a quiet note, December was the eighth consecutive month the market rallied. Benefiting from a backdrop of taming inflation, steady growth, and a resilient technical environment, HY spreads ended Q4 near-historic tights. Solid market technicals should persist beyond Q1, supported by the healthy pace of refinancing, low speculative borrowing, and modest inflows. While relatively tame “animal spirits” have curtailed primary supply, we expect increased M&A, LBO, and AI-related capex transactions this year, limiting any meaningful spread tightening from current levels.

Portfolio

Overall security selection was the largest contributor to performance during the quarter, with selection in retailers & restaurants, telecom, and automotive contributing the most. This was partially offset by selection in media & entertainment, technology, and cable & satellite, which detracted.

Overall sector allocation contributed to performance during the quarter, with an overweight to emerging market high yield corporates contributing the most.

Overall industry allocation detracted from performance during the quarter, with overweights to telecom and building materials & home construction, and an underweight to automotive detracting the most. This was partially offset by an overweight to cable & satellite, and underweights to technology and gaming & lodging & leisure, which contributed.

From a market perspective, on average, having less risk in the Fund relative to the Index over the reporting period contributed to performance.

PORTFOLIO MANAGERS



Robert Cignarella, CFA

Managing Director and Head of U.S. High Yield

PGIM

PGIM is a global asset manager offering active solutions across all fixed income markets. As of September 30, 2025, the firm had \$906 billion of assets under management, and over 1218 institutional asset owners have entrusted PGIM with their assets.

At PGIM our extensive size and scale benefits our clients in our ability to have the necessary resources to maintain large and deep research teams, implement world-class risk management systems, establish ourselves as a known entity to both corporate issuers and sell side analysts and add considerable value to our investment process in finding key opportunities for our investors.

Our investment approach is supported by 357 investment professionals based in the U.S., London, Tokyo, Hong Kong, Singapore, Amsterdam, Munich and Zurich as of September 30, 2025. Senior investment personnel average 20 years tenure with the firm, providing stability and leadership. 10 regional macroeconomists, 146 fundamental analysts, and 72 analysts in quantitative modeling, risk management, and portfolio analysis provide deep, broad perspectives on the global fixed income markets.



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Tracking Error (TE) is one possible measurement of the dispersion of a portfolio's returns from its stated benchmark; it is the standard deviation of such excess returns. TE figures are representations of statistical expectations falling within "normal" distributions of return patterns. Normal statistical distributions of returns suggests that approximately two thirds of the time the annual gross returns of the accounts will lie in a range equal to the benchmark return plus or minus the TE if the market behaves in a manner suggested by historical returns. Targeted TE therefore applies statistical probabilities (and the language of uncertainty) and so cannot be predictive of actual results. In addition, past tracking error is not indicative of future TE and there can be no assurance that the TE actually reflected in your accounts will be at levels either specified in the investment objectives or suggested by our forecasts.

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INDEX DESCRIPTION: As of October 1, 2020, the benchmark for the composite is the Bloomberg US High-Yield 1% Issuer Capped Index. The Bloomberg US High-Yield 1% Issuer Capped Index is an issuer-constrained version of the US High-Yield Index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. The US HY 1% Issuer Capped Index limits issuer exposures to a maximum 1% and redistributes the excess market value index-wide on a pro-rata basis. Securities must be rated below investment-grade (Ba1/BB+/BB+ or below) using the middle rating of Moody's™, S&P, and Fitch, and have at least 1 year until final maturity. Prior to October 1, 2020, the Benchmark was the Bloomberg US Corporate High Yield Bond Index, which tracks the USD-denominated, non-investment-grade, fixed-rate or step up, taxable corporate bond market. The index excludes Emerging Markets debt. Securities must be rated below investment-grade (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch, and have at least 1 year until final maturity. The Bloomberg U.S. High Yield 1% Issuer Capped Index is an issuer-constrained version of the U.S. Corporate High-Yield Index that covers non-investment grade, fixed-rate, taxable corporate bond market. It limits issuer exposures to a maximum 1% and redistributes the excess market value index-wide on a pro-rata basis. Securities must be rated BB/B using the middle rating of Moody's, S&P, and Fitch, and have at least 1 year until final maturity. Source of the benchmarks: Bloomberg.

SUMMARY OF CERTAIN RISKS: **High yield ("junk") bonds** are subject to greater credit and market risks; **short sales** involve costs and the risk of potentially unlimited losses; **leveraging techniques** may magnify losses; **derivative securities** may carry market, credit, and liquidity risks; **foreign securities risk**, including **emerging markets**, are subject to greater volatility and price declines; **market risks** (the value of investments may decrease and securities markets are volatile); and **currency risk**, value could decline as a result of changes in exchange rates.