# Core Broad Strategy

PGIM FIXED INCOME

**As of September 30, 2025**

## STRATEGY HIGHLIGHTS

| | | |
|---|---|---|
| **Objective**[1] | To maximize excess returns versus the Bloomberg U.S. Aggregate Index over the long term. | |
| **Target Sources of Excess Return** | • Market / Sector Allocation | 50% |
| | • Security Selection | 40% |
| | • Duration / Interest Rate / Currency | 10% |

| | |
|---|---|
| **Inception Date** | January 01, 1991 |
| **Strategy Assets** | $45.51 billion as of June 30, 2025 |
| **Benchmark** | Bloomberg U.S. Aggregate Index |

## INVESTMENT PHILOSOPHY & PROCESS

- Core Fixed Income portfolios can invest in all sectors included in the managed benchmark, or similar broad market fixed income index.
- The Strategy is predominantly investment grade focused but, if individual client guidelines permit, also can allocate modestly to non-benchmark high yield bond and emerging markets debt sectors.
  - The universe of sectors included in the investment grade portion of the Strategy are index-specific—typically U.S. Treasuries, government agencies, corporate bonds, mortgage-backed securities, CMBS, and asset-backed securities—with the remaining assets dispersed among other ABS, senior secured loans, municipal bonds, non-dollar global bonds, and currencies. .
- The Strategy generates excess return over the benchmark primarily from sector allocation and subsector security selection decisions. Duration and yield curve positioning are considered when strong market opportunities dictate, but historically have not been the primary sources of return.
- Our portfolios take an actively-managed, relative-value driven approach to security selection.
  - We analyze various security relationships in the market in order to exploit temporary market inefficiencies.
  - Each trade is intended to capture relative value, with the sum of all security selection expected to contribute a meaningful portion of expected excess return over time.
  - The Strategy is expected to perform best in markets with excess spread dislocations that it can capitalize on through relative value trading.
  - In contrast, a low volatility interest rate environment with little spread or interest rate movements would most likely lead to more stable security-to-security relationships and, in turn, make it more difficult to outperform.
- We believe that diversified portfolios, built through the integration of credit research, quantitative research, and risk management, can achieve consistent excess returns for clients with a high information ratio.

**1 Senior investment team assesses global market environment**

- Economic Research
- Sector Analysis

**2 Senior portfolio managers construct portfolio with sector specialist and analysts**

**Risk Budgeting**
- Establish risk targets within client's risk budget
- Capture thresholds for systematic and idiosyncratic risks

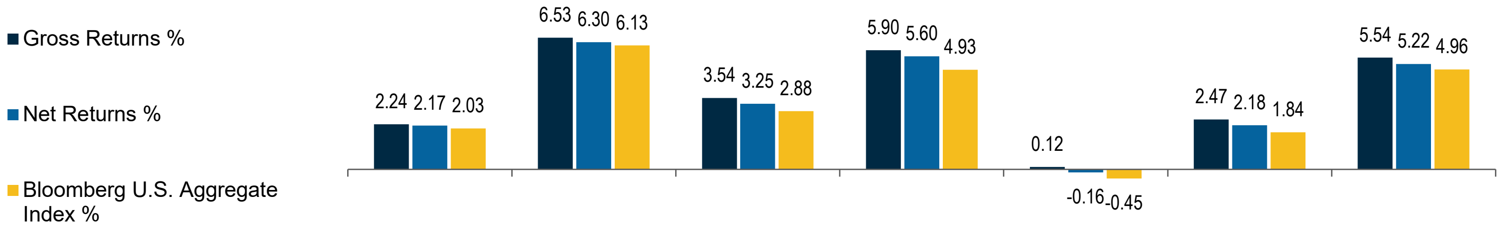
**Asset Allocation**
- Determine risk, sector, and term structure positioning
- Incorporate themes given current market dynamics
- Ideas from sector specialists are emphasized

**Security Selection**
- Sector specialists and research analysts aligned by industry determine individual securities
- Research-based approach

**3 Senior portfolio managers and risk manager oversee risk positions**

***Your capital is at risk and the value of investments can go down as well as up. No investment strategy or management technique can guarantee returns or eliminate risk in any market environment.*** *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. [1]Gross target excess returns do not reflect the deduction of investment advisory fees and other expenses, which will reduce returns and may be substantial. Net target excess returns reflect the deduction of a model fee equal to the highest fee borne by a portfolio utilizing the strategy. Targets are shown for illustrative purposes only, are subject to change and are current as of the date of this presentation only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially.* ***Available for professional and institutional investors only. Please see the Notice for additional important disclosures regarding the information contained herein.***

## PERFORMANCE[1] | PERIODS ENDING SEPTEMBER 30, 2025

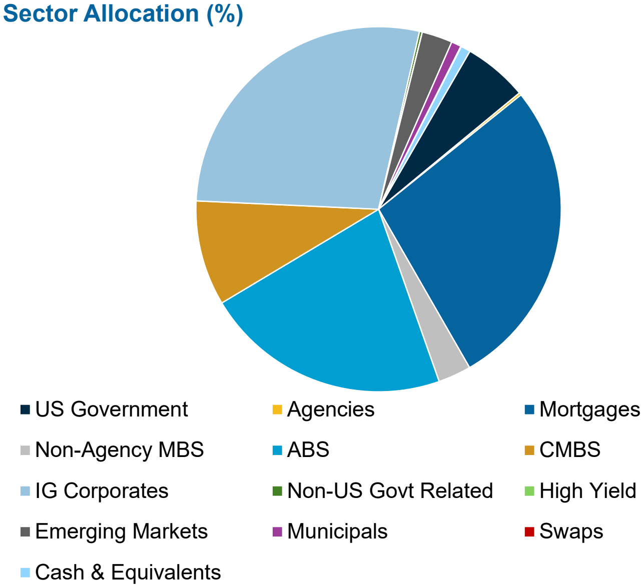



| | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception (01 Jan 1991) |
|---|---|---|---|---|---|---|---|
| **Excess Returns - Gross (bps)** | +21 | +39 | +65 | +97 | +57 | +63 | +59 |
| **Excess Returns - Net (bps)** | +14 | +17 | +36 | +67 | +29 | +34 | +27 |
| **Tracking Error (%)** | NM | NM | NM | 0.43 | 0.52 | 1.12 | 1.00 |
| **Information Ratio (Gross)** | NM | NM | NM | 2.18 | 1.12 | 0.56 | 0.57 |
| **Information Ratio (Net)** | NM | NM | NM | 1.52 | 0.58 | 0.31 | 0.26 |

*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.pgimfixedincome.com for contact information.*

## PORTFOLIO HIGHLIGHTS[2]

### Sector Allocation (%)




| | Portfolio | Bloomberg U.S. Aggregate Index |
|---|---|---|
| **US Government** | 5.7 | 45.5 |
| **Agencies** | 0.2 | 0.6 |
| **Mortgages** | 27.5 | 24.3 |
| **Non-Agency MBS** | 2.9 | 0.0 |
| **ABS** | 21.8 | 0.4 |
| **CMBS** | 9.3 | 1.5 |
| **IG Corporates** | 27.9 | 23.5 |
| **Non-US Govt Related** | 0.2 | 2.1 |
| **High Yield** | 0.0 | 0.0 |
| **Emerging Markets** | 2.7 | 1.4 |
| **Municipals** | 0.9 | 0.7 |
| **Swaps** | 0.0 | 0.0 |
| **Cash & Equivalents** | 0.8 | 0.0 |
| **Total** | **100.0** | **100.0** |

### Representative Characteristics (%)

| | Portfolio | Bloomberg U.S. Aggregate Index |
|---|---|---|
| **Effective Duration (yrs)** | 5.87 | 5.88 |
| **Effective Yield (%)** | 4.82 | 4.39 |
| **Spread (bps)** | 67 | 29 |
| **Average Coupon (%)** | 4.01 | 3.62 |
| **Average Quality (Moody's)** | Aa3 | Aa2 |
| **Number of Issuers** | 346 | 1824 |

### Corporate Industry Allocation (%)

| | Portfolio | Bloomberg U.S. Aggregate Index |
|---|---|---|
| **Finance** | 11.5 | 8.0 |
| **Industrial** | 13.8 | 13.4 |
| **Utility** | 2.8 | 2.4 |
| **Non Credit** | 2.7 | 3.2 |

### Top 10 Industries (%)

| | Portfolio | Bloomberg U.S. Aggregate Index |
|---|---|---|
| **Banking** | 8.1 | 5.4 |
| **Non-US Govt Related** | 2.7 | 3.2 |
| **Electric & Water** | 2.5 | 2.2 |
| **Energy - Midstream** | 1.9 | 0.9 |
| **Telecom** | 1.6 | 1.0 |
| **REIT** | 1.5 | 0.7 |
| **Automotive** | 1.4 | 0.6 |
| **Health Care & Pharma** | 1.4 | 2.1 |
| **Technology** | 1.3 | 2.3 |
| **Property & Casualty** | 1.0 | 0.5 |

### Rating Distribution[3,4](%)

| | Portfolio | Bloomberg U.S. Aggregate Index |
|---|---|---|
| **AAA** | 32.1 | 2.9 |
| **AA** | 35.0 | 73.7 |
| **A** | 12.9 | 11.6 |
| **BBB** | 18.4 | 11.8 |
| **BB** | 0.4 | 0.0 |
| **B** | 0.0 | 0.0 |
| **Not Rated** | 0.3 | 0.0 |

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# INVESTMENT COMMENTARY

### Markets

The bull market for fixed income continued through Q. U.S. Treasury yields declined and the curve steepened over the quarter as the U.S. Fed cut interest rates by 25 bps at its September meeting. Meanwhile, credit products generally posted strong total returns, with spreads continuing to tighten amid persistently strong technicals and stable fundamentals.

Developed market rate complexes received some direction in Q3 as the Fed resumed what could become a prolonged, and possibly deep, rate-cutting cycle. While the impact of higher tariffs and changing trade flows is beginning to show in price and production data, consumer spending, labor markets, and corporate performance remain mostly robust, providing a critical buffer. As a result, our base case remains one of “muddle through,” that is moderate growth and inflation, even amid heightened policy uncertainty.

This environment continues to challenge investors and analysts alike. Similarly, it continues to create distortions in the interest rate, sector, issuer, and currency realms, resulting in risks, but also continued opportunities for adding value through active management across the public and private asset spectrum. The 2022 selloff left yields at respectable levels—which largely remain intact—with an unusual net result: a potentially long-lived bull market primarily driven by the accretion of income, rather than a short bull market fueled by a quick drop in yields. The trend of compressing credit spreads should generally continue, albeit more modestly given the tight spread levels.

### Portfolio

Overall sector allocation was the largest contributor to performance during the period, with overweights to the non-agency CMBS AAA, CLO AAA, and MBS sectors, along with an underweight to the U.S. investment grade corporate sector, contributing the most.

Overall security selection also contributed performance, with selection in ABS, U. S. investment grade corporates, and non-agency CMBS AAA contributing the most. Within credit, positioning in technology was the largest contributor to performance.

Duration positioning contributed to performance as front-end U.S. Treasury yields fell. Yield curve positioning detracted. From a market perspective, having more risk in the portfolio on average, than the relevant benchmark over the period contributed to performance.

# PORTFOLIO MANAGERS

**Gregory Peters**
Managing Director and
Co-Chief Investment Officer,
Senior Portfolio Manager

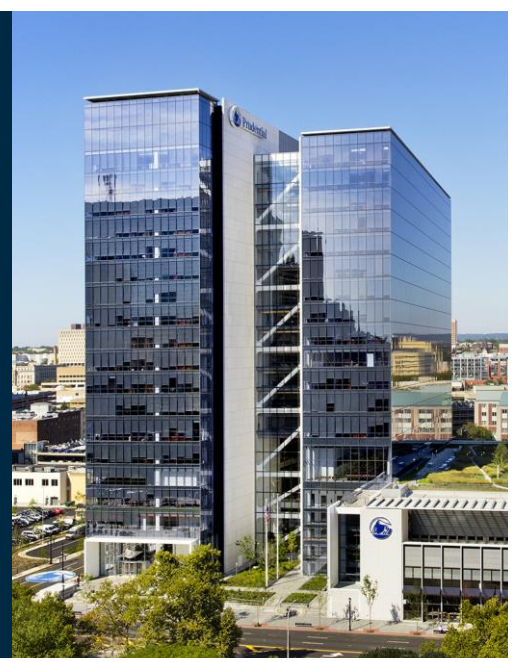
**Richard Piccirillo**
Managing Director and
Senior Portfolio Manager

# PGIM FIXED INCOME

PGIM Fixed Income is a global asset manager offering active solutions across all fixed income markets. As of June 30, 2025, the firm had $881 billion of assets under management, and over 1183 institutional asset owners have entrusted PGIM Fixed Income with their assets.

At PGIM Fixed Income 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 352 investment professionals based in the U.S., London, Tokyo, Hong Kong, Singapore, Amsterdam, Munich and Zurich as of June 30, 2025. Senior investment personnel average 20 years tenure with the firm, providing stability and leadership. 11 regional macroeconomists, 147 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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**INDEX DESCRIPTION**: The benchmark for the composite is the Bloomberg US Aggregate Bond Index, which covers the USD-denominated, investment-grade, fixed-rate or step ups, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), 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. Source of Bloomberg US Aggregate Bond Index: Bloomberg.

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