

As of September 30, 2025

## STRATEGY HIGHLIGHTS

<b>Objective<sup>1</sup></b>	To maximize excess returns versus the Bloomberg U.S. Aggregate Index over the long term.	
<b>Target Sources of Excess Return</b>	• Security Selection	60%
	• Market / Sector Allocation	30%
	• Duration / Interest Rate / Currency	10%

<b>Inception Date</b>	January 01, 1989
<b>Strategy Assets</b>	\$18.37 billion as of June 30, 2025
<b>Benchmark</b>	Bloomberg U.S. Aggregate Index

## INVESTMENT PHILOSOPHY & PROCESS

- The strategy seeks to generate virtually all of its excess return from security selection: bottom-up sub-sector rotation within the corporate and mortgage/structured product sectors, and fundamental research-based security selection in all sectors.
- Top-down decisions such as duration and yield curve are tightly constrained to benchmark. Sector allocations are also constrained, but modest deviations may be a source of excess return.
- We manage the Strategy as a lower-risk, lower tracking error alternative to other Core Strategies.
- Our philosophy is to construct highly diversified, benchmark-focused portfolios and implement risk exposures in areas where we have demonstrable expertise, such as research-based subsector and security selection, while constraining top-down exposures such as duration, yield curve, and sector allocation.
- We believe that intensive, bottom-up fundamental credit research on both industries and securities, coupled with experienced relative value analysis, can effectively identify undervalued yet creditworthy subsectors and securities regardless of environment or market cycle.
- We regard these as high information ratio, lower risk activities that can consistently generate alpha across markets.

### Develop benchmark-focused portfolio strategy

- U.S. Government sector—use quantitative models to replicate the index with the most attractively valued securities.
- Mortgage sector—use quantitative models to identify the combination of securities within Index with the goal of optimizing expected return.
- Corporate and structured product sectors—based extensive fundamental research and relative value analysis.

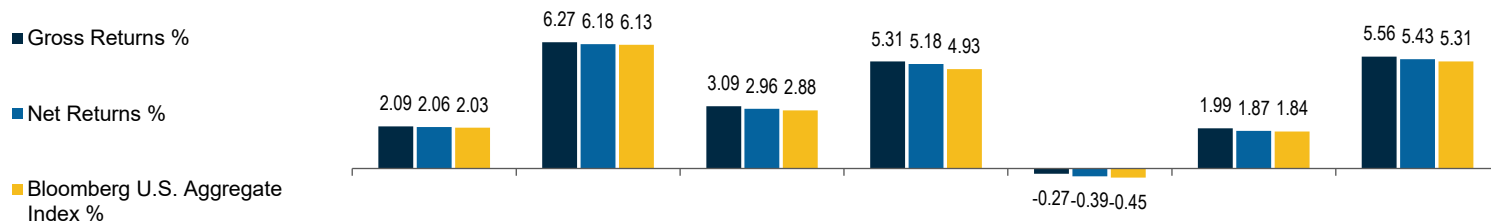
### Constrain duration, yield curve, sector and quality

- The goal of this approach is to provide index-like risk while permitting us to add excess return in select areas.
- We then look to add alpha through subsector and security selection:
  - Within U.S. Government and mortgage sectors we use proprietary tools to find attractive fundamental relative value opportunities.
  - Within Corporates and structured products we identify a small subset of subsectors and individual securities that we believe offer value.

### Monitor Portfolio vs. Benchmark on Daily Basis

- Each portfolio's risk characteristics and positioning are monitored daily by both the Senior Portfolio Managers and a separate risk manager via on-line reports.
- A proprietary system developed by our internal Investment Risk Management and Quantitative Research Group aggregates all risk exposures daily, for each portfolio and its benchmark.

**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. <sup>1</sup>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.**

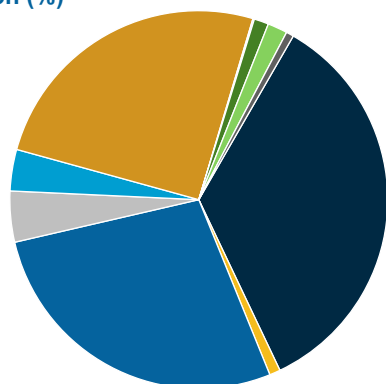
PERFORMANCE<sup>1</sup> | PERIODS ENDING SEPTEMBER 30, 2025

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Jan 1989)
Excess Returns - Gross (bps)	+6	+14	+20	+38	+18	+15	+25
Excess Returns - Net (bps)	+3	+4	+8	+25	+6	+3	+12
Tracking Error (%)	NM	NM	NM	0.19	0.19	0.25	0.28
Information Ratio (Gross)	NM	NM	NM	1.98	1.00	0.62	0.85
Information Ratio (Net)	NM	NM	NM	1.34	0.37	0.14	0.41

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](http://www.pgimfixedincome.com) for contact information.

PORTFOLIO HIGHLIGHTS<sup>2</sup>

## Sector Allocation (%)



- US Government
- Agencies
- Mortgages
- ABS
- CMBS
- IG Corporates
- Non-US Govt Related
- Emerging Markets
- Municipals
- Cash & Equivalents

	Portfolio	Bloomberg U.S. Aggregate Index
US Government	34.6	45.5
Agencies	0.9	0.6
Mortgages	27.5	24.3
ABS	4.4	0.4
CMBS	3.5	1.5
IG Corporates	25.3	23.5
Non-US Govt Related	0.1	2.1
Emerging Markets	1.2	1.4
Municipals	1.7	0.7
Cash & Equivalents	0.6	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Representative Characteristics (%)

	Portfolio	Bloomberg U.S. Aggregate Index
Effective Duration (yrs)	5.89	5.88
Effective Yield (%)	4.50	4.39
Spread (bps)	39	29
Average Coupon (%)	3.61	3.62
Average Quality (Moody's)	Aa3	Aa2
Number of Issuers	284	1824

## Corporate Industry Allocation (%)

	Portfolio	Bloomberg U.S. Aggregate Index
Finance	9.7	8.0
Industrial	12.3	13.4
Utility	3.4	2.4
Non Credit	1.3	3.2

## Top 10 Industries (%)

Banking	6.6	5.4
Electric & Water	3.1	2.2
Energy - Midstream	2.0	0.9
Health Care & Pharma	1.6	2.1
REIT	1.3	0.7
Non-US Govt Related	1.3	3.2
Technology	1.3	2.3
Metals	1.0	0.2
Aerospace & Defense	0.8	0.5
Telecom	0.7	1.0

Rating Distribution<sup>3,4</sup>(%)

	Portfolio	Bloomberg U.S. Aggregate Index
AAA	8.1	2.9
AA	64.8	73.7
A	11.7	11.6
BBB	14.8	11.8
Not Rated	0.0	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 for U.S. investment grade corporates continuing to tighten amid persistently strong technicals and stable fundamentals. Meanwhile, MBS posted positive excess returns versus U.S. Treasuries in Q3, with the majority of that performance coming from the longer duration, 30-year sector, while the 20-year and 15-year sectors lagged.

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 and security selection both contributed to performance over the period. Within sector allocation, overweights to the MBS and non-agency CMBS AAA sectors, along with an underweight to U.S. investment grade corporates, were the largest contributors.

Within security selection, selection in the U.S. investment grade corporate and non-agency CMBS AAA sectors contributed the most. This was partially offset by selection in MBS, which detracted. During the quarter, the yield curve and duration positioning, in aggregate, modestly detracted. From a market perspective, having less risk in the portfolio, on average, than the relevant benchmark over the period had a modestly negative impact on performance.

## PORTFOLIO MANAGERS



**Stewart Wong**

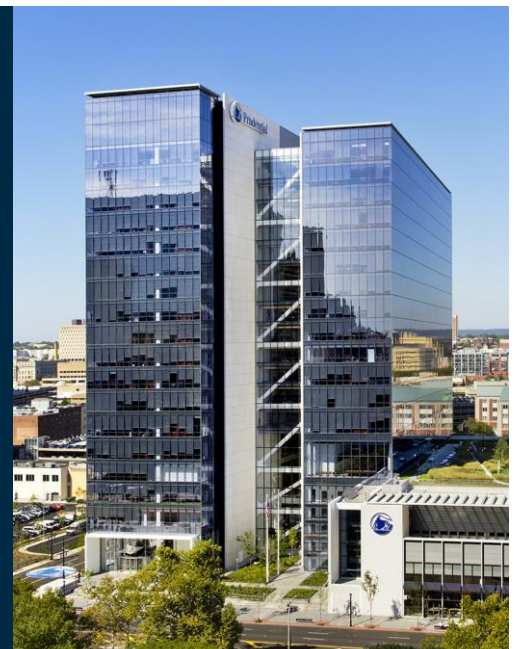
Managing Director and  
Senior Portfolio Manager

## 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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