

EMD Hard Currency Strategy



As of December 31, 2025

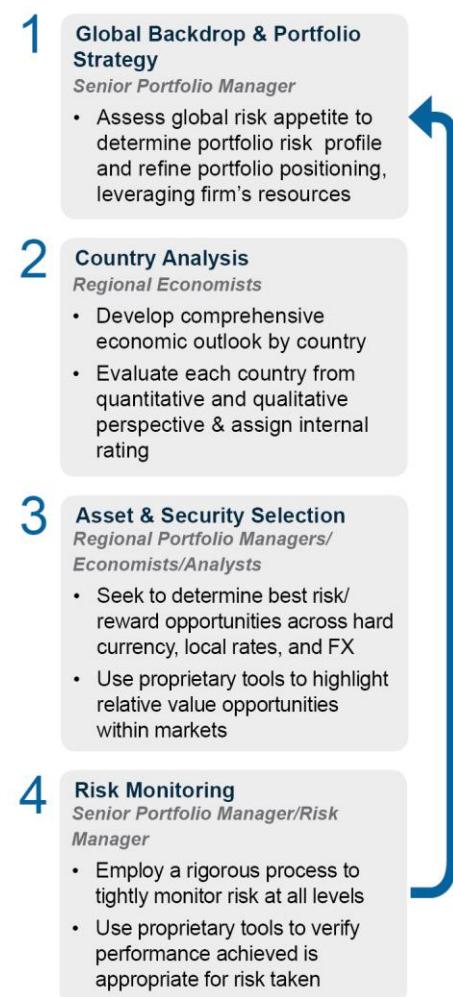
STRATEGY HIGHLIGHTS

Objective¹	To maximize excess returns versus the JPM EMBI Global Diversified Index over the long term.	
Target Sources of Excess Return	• Country / Issue Selection	40%
	• Currency	20%
	• Duration / Interest Rate	10%
	• Market	15%
	• Sector	15%
Inception Date	July 01, 1996	
Strategy Assets	\$26.36 billion as of September 30, 2025	
Benchmark	JPM EMBI Global Diversified Index	

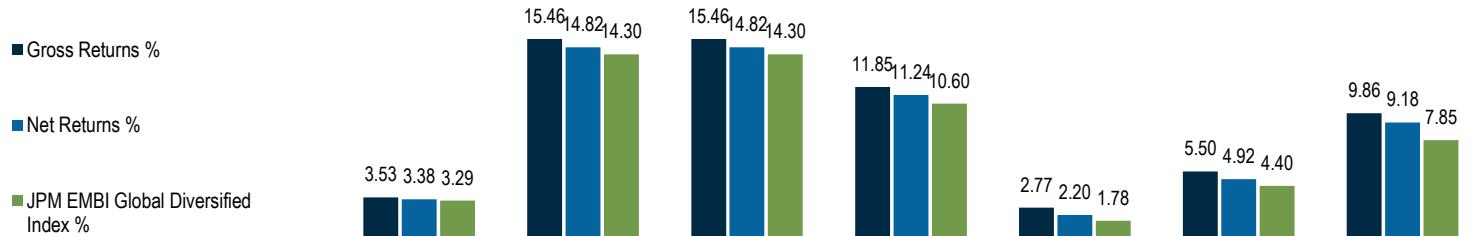
INVESTMENT PHILOSOPHY & PROCESS

PGIM's Emerging Markets Debt investment philosophy is grounded in four beliefs:

1. The ever-changing risk appetite of investors is a primary contributor to both market opportunity and market volatility. We therefore begin our investment process with a comprehensive assessment of the global appetite for risk.
2. Country allocation is a primary determinant of emerging markets portfolio returns. We therefore focus a significant part of our investment process on determining our country views. Our country decision process incorporates our global risk view along with an analysis of a country's foreign exchange, local bonds, and hard currency bonds from a fundamental, relative value, and technical perspective. We heavily emphasize qualitative factors in our fundamental analysis, as they are often the best predictors of performance.
3. Security selection is also a primary source of alpha generating opportunities. Our philosophy is to seek the widest possible universe of security selection opportunities, guidelines permitting. We analyze sovereign issuers as well as "quasi-sovereign" issuers within the same country. We evaluate opportunities in both hard currency and local currency bond curves based on potential changes in policy rates and inflation outlook. We evaluate corporate issuers, guidelines permitting.
4. Dynamic risk budgeting provides a disciplined framework for investment decision-making and provides important risk management as well. We heavily rely on risk budgeting and management to provide a consistent and disciplined framework for all investment decisions. We develop a broad strategic risk budget for each client portfolio that reflects the client's long-term objectives and risk parameters, as well as a tactical risk budget that permits us to incorporate our day-to-day views of market risk tolerances and opportunities within the broader strategic risk budget.
 - PGIM's investment approach seeks to add value primarily through research-based country allocation, security selection, FX, and, to a lesser extent, yield curve management. Duration management decisions are made on a country by country basis based on the outlook for central bank policy, inflation, and output gaps.
 - Duration management is also a function of our assessment of the global appetite for risk, which is Step 1 of our investment process.
 - Yield curve decisions are made with similar considerations.
 - When we interpret the global appetite for risk as a positive factor (i.e. global investors appear willing to assume more risk), we will tend to express this through slightly more aggressive yield curve positioning.



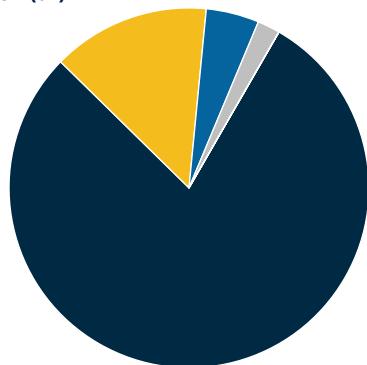
Your capital is at risk and the value of investments can go down as well as up. No investment strategy or management technique can guarantee returns or eliminate risk in any market environment. Where overseas investments are held the rate of currency may cause the value of investments to fluctuate. Investments 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. ¹Gross 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.

PERFORMANCE¹ | PERIODS ENDING DECEMBER 31, 2025

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 (%)



- Hard Currency Sovereign
- Hard Currency Quasi-Sovereign
- Hard Currency Corporates
- Local Currency Sovereign
- Local Currency Quasi-Sovereign

Sector Allocation (%)

	Portfolio	JPM EMBI Global Diversified Index
Hard Currency	96.4	100.0
Sovereign	77.7	81.7
Quasi-Sovereign	14.0	18.3
Corporates	4.7	0.0
Local Currency	2.0	0.0
Sovereign	2.0	0.0
Quasi-Sovereign	0.0	0.0

Representative Characteristics (%)

	Portfolio	JPM EMBI Global Diversified Index
Effective Duration (yrs)	6.92	6.42
Effective Yield (%)	7.13	5.84
Spread (bps)	209	182
Average Coupon (%)	5.08	5.18
Average Quality (Moody's)	Ba2	Ba1
Number of Issuers	124	101

Top 10 Country Allocation (%)

	Portfolio	JPM EMBI Global Diversified Index
Mexico	6.0	5.2
Turkey	4.8	4.3
Colombia	4.8	2.8
Argentina	4.0	2.7
South Africa	4.0	2.8
Dominican Republic	3.9	2.9
Egypt	3.5	2.9
Romania	3.5	2.8
Hungary	3.1	2.8
Saudi Arabia	3.0	5.1

Rating Distribution^{3,4}(%)

	Portfolio	JPM EMBI Global Diversified Index
AAA	0.0	0.0
AA	5.1	3.1
A	5.8	15.4
BBB	27.5	32.2
BB	31.0	24.9
B	18.5	16.5
CCC & Below	9.7	7.2
Not Rated	0.7	0.7

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INVESTMENT COMMENTARY

Markets

A mix of top-down and bottom-up drivers helped EMD outperform other asset classes in 2025. These include a combination of: 1) global/U.S. growth outperformance relative to expectations; 2) EM growth resilience based on fundamentals and EM trade dynamics; 3) a reversal of USD strength; 4) healthy global liquidity, resulting in investor reach for yield; 5) DM/EM rate cuts; and 6) a reframing of the new world order. A common theme throughout 2025 was the dispersion of returns, with higher yielding/lower-rated issuers outperforming on the back of investor risk appetite and improved fundamentals.

In a context where the Fed can cut rates, EM hard currency returns should offer opportunities in the high-single digit range with the appropriate identification of bottom-up alpha opportunities. Importantly, the EM/DM growth differential should continue to play in EM's favor, even as China's growth slows.

We continue to see attractive opportunities in BBs (e.g., Mexican quasi-sovereigns, Ivory Coast, South Africa, Serbia), select B and lower-rated "stressed" names (e.g., Ecuador, Argentina, Ghana, Lebanon). In the event of a broader risk-off event, BBs are well insulated and offer a yield cushion, and the "stressed" names either have support from the U.S., other bilaterals, and/or multilaterals, as well as constructive fundamental dynamics. Other geopolitical hotspots, including Ukraine and Venezuela, remain complicated. In the case of Ukraine, it is not clear that any likely outcome would lead to significant upside. The situation in Venezuela is fluid as any transition government could be complicated by broader geopolitics.

Portfolio

Sector positioning had a positive impact on the portfolio's performance in Q4, primarily due to an overweight to the emerging markets high yield sector. Country selection also contributed, driven by an overweight to Argentina and an underweight to Bahrain. This was partially offset by an overweight to Lebanon, which detracted.

Hard currency security selection detracted from performance, with an overweight to Argentina detracting the most. Meanwhile, an underweight to Colombia had a positive impact on performance. From a market perspective, the average risk of the portfolio was greater than that of the benchmark over the period, which contributed to performance.

PORTFOLIO MANAGERS



Cathy L. Hepworth, CFA
Managing Director and
Head of Emerging Markets
Debt Team

PGIM

PGIM is a global asset manager offering active solutions across all 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 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: The benchmark for this composite is the Emerging Markets Bond Index Global Diversified (EMBI Global), which tracks total returns for USD-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. Source of the benchmark: JPMorgan. 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 2022, JPMorgan Chase & Co. All rights reserved.

SUMMARY OF CERTAIN RISKS: **High yield ("junk") bonds** have greater credit and market risks, including a greater risk of default of payment of principal and interest than higher-rated bonds. Also, these bonds tend to be less liquid than higher-rated securities. Therefore, an investment in this strategy may not be appropriate for short-term investing; **foreign securities** have risks of currency fluctuation and political uncertainty; **emerging markets** are subject to greater volatility and price declines; and **derivatives** have market, credit, and liquidity risks. **Fixed income investments** are subject to **credit, market, and interest rate risks**, and their value will decline as interest rates rise; **geographic concentration risks**, where the impact of a single country or region can result in more pronounced risks; **currency risk**, in that the value of a particular currency will change in relation to other currencies; lack of liquidity due to low trading volumes; **non-diversification**, so a loss resulting from a particular security or sector will have a greater impact on returns.