

As of March 31, 2026

## STRATEGY HIGHLIGHTS

<b>Objective<sup>1</sup></b>	To maximize excess returns versus a local emerging markets debt index over the long term.	
<b>Target Sources of Excess Return</b>	• Country / Issue Selection	10%
	• Currency	40%
	• Duration / Interest Rate	40%
	• Market	10%
	• Sector	0%

<b>Inception Date</b>	January 01, 2011
<b>Strategy Assets</b>	\$1.86 billion as of December 31, 2025
<b>Benchmark</b>	JPM GBI-EM Global Diversified Index

## INVESTMENT PHILOSOPHY & PROCESS

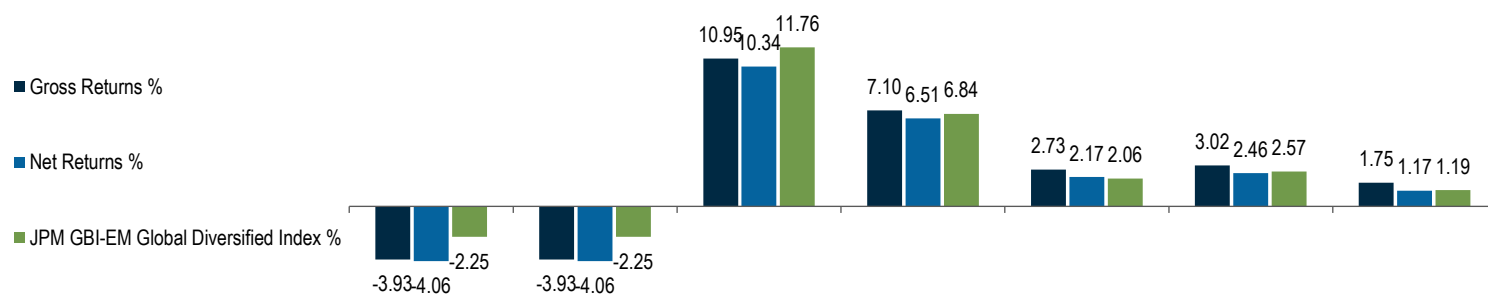
PGIM Credit's Emerging Markets Debt investment philosophy is grounded in four beliefs:

- 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.
- 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.
- 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.
  - PGIM Credit'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.
- 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.



**Past performance is not a guarantee or a reliable indicator of future results. 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 MARCH 31, 2026

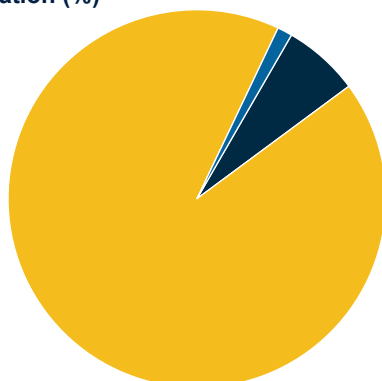


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Jan 2011)
Excess Returns - Gross (bps)	-168	-168	-81	+26	+67	+45	+55
Excess Returns - Net (bps)	-181	-181	-142	-33	+10	-11	-3
Tracking Error (%)	NM	NM	NM	1.81	2.02	2.07	1.93
Information Ratio (Gross)	NM	NM	NM	0.16	0.31	0.26	0.34
Information Ratio (Net)	NM	NM	NM	-0.14	0.04	-0.01	0.04

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

PORTFOLIO HIGHLIGHTS<sup>2</sup>

Sector Allocation (%)



■ Hard Currency Sovereign ■ Local Currency Sovereign ■ Local Currency Quasi-Sovereign

Sector Allocation (%)

	Portfolio	JPM GBI-EM Global Diversified Index
<b>Hard Currency</b>	<b>6.2</b>	<b>0.0</b>
Sovereign	6.2	0.0
<b>Local Currency</b>	<b>88.6</b>	<b>100.0</b>
Sovereign	87.4	100.0
Quasi-Sovereign	1.2	0.0

Representative Characteristics (%)

	Portfolio	JPM GBI-EM Global Diversified Index
Effective Duration (yrs)	6.95	5.29
Effective Yield (%)	8.97	6.76
Spread (bps)	32	5
Average Coupon (%)	6.21	5.66
Average Quality (Moody's)	Baa2	Baa1
Number of Issuers	44	19

Top 10 Country Allocation (%)

	Portfolio	JPM GBI-EM Global Diversified Index
South Africa	13.4	7.0
Mexico	9.4	10.0
Poland	7.4	8.2
Colombia	7.4	4.2
Philippines	6.1	0.0
Romania	6.0	3.2
Indonesia	5.9	9.8
Malaysia	5.3	9.7
Thailand	4.1	8.2
India	3.8	10.0

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

	Portfolio	JPM GBI-EM Global Diversified Index
AAA	0.7	0.0
AA	2.7	4.7
A	18.6	29.8
BBB	42.4	45.6
BB	29.5	19.9
B	0.9	0.0
CCC & Below	0.0	0.0
Not Rated	-3.0	0.0

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## INVESTMENT COMMENTARY

### Markets

Emerging Markets (EM) started the year with strong performance. However, a meaningful spike in geopolitical volatility from the war with Iran drove returns across the asset class into negative territory. Although EM local rates underperformed core developed-markets rates by a significant margin, EM local rates entered the current oil supply shock with much higher real yields in comparison to the 2021-2022 period.

Looking ahead, EM currencies could remain under pressure if the war is prolonged. The impact of high energy prices and other supply chain shortages on inflation is likely to limit the ability of EM central banks to ease monetary policy. That stated, we do not foresee a hiking cycle. We believe strong returns can be generated with EM central banks staying put. In addition, we cannot rule out the possibility that signs of structural weakness in the U.S. economy may prompt federal rate cuts in the months ahead, providing a potential tailwind for EM rates.

While the main risk to EM comes from the conflict with Iran, we expect persistent demand for non-U.S. assets to remain supportive over the medium term. We remain somewhat cautiously positioned, with a bias to higher-carry BB and distressed issuers. We would seek to add to the higher-quality side of our barbell in the event of specific issuer-driven sell offs—with a focus on mispriced, idiosyncratic issuers. In local rates, our current overweights are in Mexico, South Korea, Philippines, Hungary, and South Africa. Underweights include Chile, Poland, Indonesia, and Thailand.

### Portfolio

Sector positioning contributed to performance, primarily driven by an overweight in the EM high-yield sector. Country selection detracted from performance, driven by an overweight to Côte d'Ivoire and an overweight to Turkey. Meanwhile, an overweight to Ecuador contributed to performance.

Selection in local rates detracted from performance during the period, driven by overweights to South Korea and the Philippines. Meanwhile, an underweight to Thailand contributed to performance. Selection in EMFX also detracted, driven by overweights to the Egyptian pound and Korean won. An overweight to the Thailand baht contributed to performance.

From a market perspective, the average risk of the Strategy was greater than that of the benchmark during the period, with minimal impact on performance.

## PORTFOLIO MANAGERS



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

## PGIM CREDIT

PGIM Credit is a global asset manager offering active solutions across all public and private fixed income markets. As of December 31, 2025, the firm had over \$1 trillion of assets under management, and over 1,400+ institutional asset owners have entrusted PGIM Credit with their assets.

At PGIM Credit 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 552 investment professionals based in the U.S., London, Tokyo, Hong Kong, Singapore, Amsterdam, Munich and Zurich as of December 31, 2025. Senior investment personnel average 20 years tenure with the firm, providing stability and leadership. 10 regional macroeconomists, 139 fundamental analysts, and 68 analysts in quantitative modeling, risk management, and portfolio analysis provide deep, broad perspectives on the global credit markets.



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well as other factors, which could have an impact on actual performance of a client utilizing the strategy. Accordingly, target returns should not be used as a primary basis for an investor's decision to invest in the strategy.

**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 JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (JPM GBI-EM Global Diversified Index), which tracks total returns for local currency bonds issued by emerging market governments. Source of the benchmark: JP Morgan. 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.