

As of March 31, 2026

## STRATEGY HIGHLIGHTS

<b>Objective<sup>1</sup></b>	To maximize excess returns versus the ICE BofAML Euro HY ex Finance 2% Constrained Index over the long term.	
<b>Target Sources of Excess Return</b>	• Market / Sector Allocation & Spread Curve	20%
	• Industry / Issuer Specific	80%
	• Duration / Interest Rate / Currency	0%

<b>Inception Date</b>	November 01, 2010
<b>Strategy Assets</b>	\$4.47 billion as of December 31, 2025
<b>Benchmark</b>	ICE BofAML Euro HY ex Finance 2% Constrained Index

## INVESTMENT PHILOSOPHY & PROCESS

- The team's research approach is fundamental, bottom-up driven, approach to subsector and security selection.
- The team intensively researches the market, with an emphasis on avoiding defaults.
- We believe 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 Credit 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.
- PGIM Credit does not take extremely large positions, either on an absolute basis or relative to benchmarks, in any single issuer or industry as a primary means to achieve outperformance.
- We do not hold a significant portion of the portfolio in an asset class other than US and European high yield bonds, such as common stocks or emerging markets.

**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 evaluate and maximize relative value among approved universe:

- Choose credits with strong fundamentals and best relative value

### Position Sizing

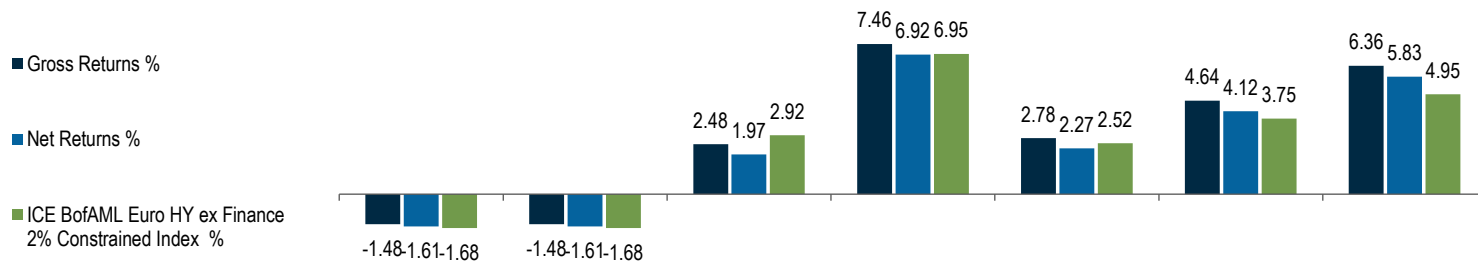
Sector portfolio managers size positions:

- Evaluate industry, issuer and market fundamentals
- 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

**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

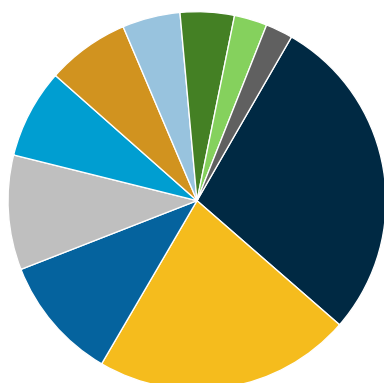


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Nov 2010)
Excess Returns - Gross (bps)	+19	+19	-45	+50	+26	+88	+141
Excess Returns - Net (bps)	+7	+7	-96	-3	-26	+36	+88
Tracking Error (%)	NM	NM	NM	0.73	1.38	1.19	1.21
Information Ratio (Gross)	NM	NM	NM	0.65	0.15	0.71	1.09
Information Ratio (Net)	NM	NM	NM	-0.04	-0.21	0.29	0.68

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>

Top 10 Country Allocation (%)



- United Kingdom
- France
- Spain
- United States
- Italy
- Germany
- Netherlands
- Luxembourg
- Ireland
- Japan

Top 10 Country Allocation (%)

	Portfolio	ICE BofAML Euro HY ex Finance 2% Constrained Index
United Kingdom	22.7	13.2
France	17.8	20.9
Spain	8.6	4.8
United States	7.9	11.6
Italy	6.2	9.4
Germany	5.7	11.5
Netherlands	4.0	4.1
Luxembourg	3.7	5.6
Ireland	2.3	0.8
Japan	1.9	0.8

Representative Characteristics (%)

	Portfolio	ICE BofAML Euro HY ex Finance 2% Constrained Index
Effective Duration (yrs)	3.10	3.11
Effective Yield (%)	6.22	6.26
Spread (bps)	333	341
Average Coupon (%)	5.29	5.21
Average Quality (Moody's)	B1	Ba3
Number of Issuers	121	333

Corporate Industry Allocation (%)

	Portfolio	ICE BofAML Euro HY ex Finance 2% Constrained Index
Finance	10.4	6.9
Industrial	74.7	82.7
Utility	4.6	5.3
Non Credit	2.6	5.1

Top 10 Industries (%)

	Portfolio	ICE BofAML Euro HY ex Finance 2% Constrained Index
Telecom	13.5	12.7
Automotive	8.6	10.6
Health Care & Pharma	8.3	8.4
Consumer Non-Cyclical	8.0	8.1
Other Financial Institutions	6.8	5.9
Retailers & Restaurants	5.9	4.9
Gaming & Lodging & Leis.	5.6	5.4
Cable & Satellite	5.4	5.3
Electric & Water	4.0	5.0
Transportation & Envir. Services	3.4	5.9

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

	Portfolio	ICE BofAML Euro HY ex Finance 2% Constrained Index
AAA	0.0	0.0
AA	0.0	0.0
A	0.8	0.0
BBB	0.7	0.0
BB	47.1	65.6
B	40.1	30.1
CCC & Below	3.0	4.4
Not Rated	0.4	0.0

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## INVESTMENT COMMENTARY

### Markets

Against a backdrop of macro uncertainty, European HY bond spreads widened and total returns were negative in Q1. However, the asset class remains resilient overall on strong technicals, i.e. limited net new supply, high yields, generally supportive fund flows, and shorter duration. The European high yield market eased 1.6% in Q1, with all ratings tiers posting negative returns. The European leveraged finance market remains highly bifurcated, with strong technicals and high demand for performing credits, but significantly less demand and price volatility for weaker, more speculative names.

European HY issuance reached €26.4 billion, with refinancing dominating the use of proceeds. Net supply (excluding refinancing) was €7.7 billion. Meanwhile, retail fund flows ended the first quarter with a net outflow of €1.55 billion due to a sharp reversal in March.

### Portfolio

Overall security selection contributed to performance during the period, with selection in cable & satellite, foreign non-corporate, and telecom contributing the most. This was partially offset by selection in technology, chemicals, and gaming & lodging & leisure, which detracted. Overall sector allocation contributed to performance, with an overweight to the GBP-denominated high yield bond sector contributing the most. This was partially offset by overweights to the GBP-denominated bank loan and euro-denominated bank loan sectors, which detracted.

Overall industry allocation detracted from performance, with overweights to cable & satellite and consumer non-cyclical, and an underweight to foreign non-corporate detracting the most. This was partially offset by overweights in chemicals and health care & pharmaceutical, and a neutral weighting to technology, which contributed.

From a market perspective, having more risk, on average, over the period had a negative impact on performance.

## PORTFOLIO MANAGERS



**Jonathan Butler**  
Managing Director and  
Head of the European  
Leveraged Finance

## PGIM CREDIT

PGIM Credit is a global asset manager offering active solutions across all fixed income markets. As of December 31, 2025, the firm had \$1014 billion of assets under management, and over 1400+ 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 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:** The benchmark for this composite is the ICE BofAML European High Yield ex Finance 2% Constrained Index, which tracks the performance of EUR and GBP denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets. Qualifying securities must have a below investment grade rating and an investment grade country of risk. The index contains all non-financial securities but caps issuer exposure at 2%. Source: ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC is licensing the ICE Data Indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE Data Indices or any data included in, related to, or derived therefrom, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend PGIM Credit, or any of its products or services.

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**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; **mortgage-backed and asset-backed securities** have prepayment, extension, and interest rate risks; **short sales** have costs and potentially unlimited losses; **leveraging** may magnify losses; **call and redemption risk**, where bonds may be called before maturity and the strategy may lose income; **risk of investment in loans**, which includes collateral and uncollateralized loans and their possible inability to meet obligations; **liquidity risk**, when particular investments may be difficult to sell; **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. **Diversification** and **asset allocation** do not assure a profit or protect against loss in declining markets.