

# PGIM QUANT SOLUTIONS SMALL-CAP VALUE FUND

MARCH 31, 2025

BARRON'S

Best  
Fund  
Families  
2025

Barron's Best Fund Families: Ranked #4 for best fund family over the 1-year period ended 12/31/2024, among 48 qualifying fund families based on asset-weighted returns.

## MARKET REVIEW

The S&P 500 declined more than -4.2% for the first quarter after falling by over -5.6% in March. It marked the worst quarterly performance for the U.S. stock market since the third quarter of 2022 and was the first down quarter following five consecutive quarters of gains.

During the first quarter, uncertainty flooded the markets as tariffs and trade wars dominated headlines. Investors continued to weigh the inflationary risks posed by tariffs. However, some took a "wait and see" stance, skeptical that tariffs would be permanent, instead viewing tariffs as a negotiation tool aimed at securing more favorable trading conditions.

Bullish investors focused on Trump's pro-business policies, the strength and resilience of the U.S. economy, earnings growth, increased expectations of rate cuts, and the belief that tariffs are a short-term negotiating tool.

More bearish investors were apprehensive about tariffs and remained concerned around Artificial Intelligence (AI) and tech, the selloff of market-dominant stocks, trade wars, geopolitical instability, declining consumer confidence, and the growing possibility of a recession.

Within the small-cap space, value stocks outperformed growth stocks for the quarter (Russell 2000 Value Index: -7.7% versus Russell 2000 Growth Index: -11.1%).

## QUARTER

The PGIM Quant Solutions Small-Cap Value Fund underperformed its benchmark, the Russell 2000 Value Index, during the first quarter of 2025.

U.S. equity markets posted their worst loss in nearly three years, driven by uncertainty around tariffs and trade wars. Against this backdrop, large-cap stocks outperformed small-cap stocks, but value meaningfully outperformed growth across the market cap spectrum. While our valuation and business prospects factors were generally additive for the quarter, underperformance was pocketed within a few sectors that were a drag on performance. The Fund underperformed the Index in six out of eleven sectors for the quarter.

**Barron's:** PGIM Investments ranked 4 out of 48, 8 out of 47, 12 out of 46 firms for the 1-, 5-, and 10-year periods ended 12/31/2024, respectively. See back page for methodology which takes into account Lipper rankings. PGIM Quant Solutions Small-Cap Value Fund (Class Z) Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 12/31/2024 for the Small-Cap Value Funds category were: 130/168, 123/157, 97/152, and 83/120, respectively. Lipper Funds category rankings are based on total return, do not take sales charges into account, and are calculated against all funds in each fund's respective Lipper category. Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 3/31/2025: 119/175, 138/164, 51/158, and 94/128, respectively. **Past performance is no guarantee of future results.**

Underperformance was particularly pronounced in the Real Estate and Industrials sector, with the Utilities sector also detracting meaningfully. Within Real Estate, underperformance was largely driven by the Fund's underweight positioning and selection across Real Estate Investment Trusts (REITs), particularly among hotel & resort, residential, and health care REITs. Within Industrials, the combination of challenging stock selection within the commercial services & supplies industry combined with an overweight to passenger airlines, which declined more than -26.0% for the quarter, drove detraction. Underperformance in Utilities largely stemmed from the Fund's underweight to the sector, which was the only sector to post positive gains, advancing nearly 6%, for the quarter. The most notable contribution to performance came from the Fund's positions in pharmaceuticals and biotechnology in the Health Care sector.

## OUTLOOK & POSITIONING

With the strong performance of U.S. equities in 2024 now in the rear mirror, stocks headed in almost exactly the opposite direction in the first quarter of 2025. Positive returns turned negative, and the growth versus value relationship reversed a long-standing trend of growth outperformance by swinging sharply in favor of cheaper stocks. The only dynamic that remained in-trend was the outperformance of large cap stocks, and they only did so by the narrowest of margins.

The impressive equity rally in 2024 that was fueled by the AI boom, with multiple companies in the space surpassing the \$1 trillion market cap level, reversed sharply during the quarter. Previously the team had called out the risks presented by these stock's stretched valuations and their heavy concentration in popular capitalization-weighted benchmarks. Those risks were realized, first with the introduction of a seemingly much lower-cost large language AI model named "Deep Seek," and later with the release of sluggish domestic economic data and a new U.S. Presidential administration focused on offsetting trade imbalances with tariffs. While it is true that these were not the only stocks to underperform during a broadly negative quarter, their decline certainly played a significant role in the downturn.

From a broader perspective, while the pullback in the market has discounted some of the risks realized during the quarter, stock

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valuations remain full, especially among the widely held “Magnificent Seven” stocks in the Information Technology, Communication Services, and Consumer Discretionary sectors. Compounding this, the Federal Reserve’s move to lower interest rates has hit something of a snag as inflationary pressures continue to persist, removing another potential tailwind for equities. Finally, while the potential disruptive events in the “Unknown Unknowns” category we noted in previous writings have emerged in the form of the new U.S. Presidential administration and its policies, we would continue to be cautious about signaling the “all clear” on other potential risk events. Given the risk backdrop, we anticipate more moderate returns and heightened volatility in coming quarters. Within this context, we favor cheaper rather than more expensive stocks, given their deeply discounted valuations, and we believe that the Fund is well positioned to benefit from this dynamic.

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AVERAGE ANNUAL RETURN AS OF 3/31/2025						
Total Returns (without sales charges)	YTD	1-year	3-year	5-year	10-year	Since 01/05/1993
PGIM Quant Solutions Small-Cap Value Fund Z	-8.46	-5.43	0.07	21.13	5.49	9.99
Russell 2000 Value Index	-7.74	-3.12	0.05	15.31	6.07	9.36
SEC Standardized Returns (with sales charges)						
PGIM Quant Solutions Small-Cap Value Fund Z	—	-5.43	0.07	21.13	5.49	9.99

Source: PGIM Inc. Past performance does not guarantee future results. Current performance may be lower or higher than the past performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance go to [pgiminvestments.com](https://pgiminvestments.com).

Gross operating expense: Class Z, 0.80%. Net operating expense ratio: Class Z, 0.79%, after contractual reduction through 11/30/2025. Expenses are as of the most recent prospectus. Net operating expenses reflect expenses after fee waivers and/or expense reimbursements by PGIM Investments, if any. The contractual reduction date is the date through which PGIM Investments has agreed to waive fees or reimburse expenses, if applicable. Expenses for the current year may exceed the net operating expenses listed above due to exclusions from any applicable contractual waiver or reimbursement, which may fluctuate. PGIM Investments may recoup certain waived fees or reimbursed expenses. See the prospectus for more information.

Class Z shares may be available to group retirement plans and institutional investors through certain retirement, mutual fund wrap and asset allocation programs. They may also be available to institutional investors and through fee- or commission-based retail brokerage programs of certain financial intermediaries. Class Z shares are generally closed to new retirement plans. Please see the prospectus for additional information about fees, expenses, and investor eligibility.

Annualized returns without sales charges describe the return to the investor before any sales charges are imposed. SEC standardized return describes the return to the investor after maximum sales charges are imposed. All returns assume share price changes, as well as the compounding effect of reinvested dividends and capital gains. Returns may reflect fee waivers and/or expense reimbursements. Without such, returns would be lower. Performance by share class may vary. The performance data featured represents past performance for a period of less than one year. While past performance is never an indication of future results, short periods of performance may be particularly unrepresentative of long-term performance for certain types of funds.

Risks of investing in the fund include but are not limited to the following: **Small company stocks** present above-average risks in comparison to larger companies. **Equity and equity-related securities** may be subject to changes in value, and their values may be more volatile than those of other asset classes. **Value style** investing may be out of favor for long periods of time, and the market may not recognize a security's intrinsic value for a long time or at all. The Fund is subject to the risk that the design of the subadviser's **quantitative models** may be flawed or incomplete, and the risk of error in the implementation of the models. Real estate companies and **Real estate investment trusts (REITs)** may be leveraged, which increases risk. REIT performance depends on the strength of the real estate markets, REIT management and property management which can be affected by many factors, including national and regional economic conditions. **Derivatives** may carry market, credit and liquidity risks. There is no guarantee the Fund's objective will be achieved. Risks are more fully explained in the fund's prospectus.

**Standard & Poor's 500 (S&P 500) Index** is an unmanaged market capitalization-weighted index of 500 stocks of large U.S. companies. **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. **Russell 2000 Value Index** measures the performance of small-cap value segment of the U.S. equity universe. An investment cannot be made directly in an index. **Russell 2000 Growth Index** measures the performance of the small- cap growth segment of the U.S. equity universe. **Russell 3000 Index** is an unmanaged index that measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 90% of the investable U.S. equity market. An investment cannot be made directly in an index.

**REIT** is a type of security that invests in real estate through property or mortgages and often trades on major exchanges like a stock.

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**Barron's:** Used with permission. ©2025 Dow Jones & Company, Inc. Source: Barron's, Feb. 27, 2025. Barron's rankings are based on asset-weighted returns in funds in five categories: U.S. Equity; World Equity; Mixed Asset; Taxable Bond; and Tax-Exempt (each a "Barron's ranking category"). Rankings also take into account an individual fund's performance within its Lipper peer universe. Lipper calculated each fund's net total return for the year ended Dec. 31, 2024, minus the effects of 12b-1 fees and sales charges. Each fund in the survey was given a percentile ranking, with 100 the highest and 1 the lowest in its category. That ranking measured how a fund compared with its peer "universe," as tracked by Lipper, not just the funds in the survey. Individual fund scores were then multiplied by the 2024 weighting of their Barron's ranking category as determined by the entire Lipper universe of funds. Those fund scores were then totaled, creating an overall score and ranking for each fund family in the survey in each Barron's ranking category. To qualify for the ranking, firms must offer at least three active mutual funds or actively run ETFs in Lipper's general U.S. Stock category; one in World Equity; and one Mixed Asset. They also need to offer at least two taxable bond funds and one national tax-exempt bond fund. All funds must have a track record of at least one year.

**Consider a fund's investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the fund. Contact your financial professional for a prospectus and summary prospectus. Read them carefully before investing.**

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