European Corporate Strategy (USD Hedged)

As of June 30, 2019

STRATEGY HIGHLIGHTS

<table>
<thead>
<tr>
<th>Objective</th>
<th>To add +100 basis points (bps) of annualized excess return over the iBoxx Euro Corporate Index (USD Hedged) over a full market cycle.</th>
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</thead>
<tbody>
<tr>
<td>Target Sources of Excess Return</td>
<td></td>
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<tr>
<td>- Security Selection</td>
<td>60 bps</td>
</tr>
<tr>
<td>- Sector Allocation</td>
<td>40 bps</td>
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<tr>
<td>- Duration &amp; Yield Curve</td>
<td>0-5 bps</td>
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</tbody>
</table>

INVESTMENT PHILOSOPHY & PROCESS

- PGIM Fixed Income constructs and manages portfolios in the European Corporate Fixed Income Strategy based on the philosophy that bottom-up industry and issue research and security selection, including relative value trading, generate high information ratios and, when executed successfully, can provide sustainable excess return over a European corporate market benchmark.

- We seek to capture several market inefficiencies in managing corporate portfolios. First, we seek to anticipate both positive and negative credit events before others do, through our large, internal credit research staff. We also try to cover a larger portion of the market than others, more comprehensively.

- To do so, our corporate bond portfolio managers and analysts, based in the US and London, are organized by industry/region, fostering an in-depth knowledge of many companies, including ones not always followed closely by major brokerage firms. The members of our London-based team give us a strong market presence and knowledge of issuers within the European market. We also seek to capture aberrations in the yield curve, using proprietary modeling. Finally, we seek to capture inefficiencies driven by supply/demand and other technical factors, such as a dislocation in spreads among different maturity bonds of the same issuer.

- Our corporate bond team has been consistently implementing their research-based, relative value philosophy for many years, including through 2000-2002’s credit cycle as well as the 2007-2008 credit crisis. Indeed, we have not changed our investment philosophy since we began managing corporate bond strategies for institutional clients several decades ago.

- Buy and sell decisions are made by the portfolio managers using bottom-up fundamental and relative value analysis.

- To manage risk, the Strategy’s allocations across the three major sub-sectors of the corporate fixed income market (industrial, utility, finance) are typically maintained at +/-15% of the benchmark weightings. We further manage risk by limiting the Strategy’s weightings in the underlying industries that comprise those broad subsectors (banks, brokerage, insurance, and non-captive finance within the finance sector, for example) to +/-5% their weightings in the 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. There can be no guarantee that this objective will be achieved, on average, over a full market cycle defined as three to five years. Available for professional and institutional investors only. Please see the Notice for important disclosures regarding the information contained herein.
Past performance is not a guarantee or a reliable indicator of future results. 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. Please see the Notice for important disclosures regarding the information contained herein. Totals may not sum due to rounding. Source: PGIM Fixed Income. Source of Benchmark: -. 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. Periods over one year are annualized. Net returns reflect the deduction of investment advisory fees and other expenses. Gross and net performance have been calculated in U.S. dollars and reflect the deduction of transaction costs and withholding taxes, if any, and the reinvestment of income. Effective yield is calculated excluding the yield impact of foreign exchange positions and derivatives (other than interest rate futures, which are included in the calculation). Excludes cash and FX hedges. Middle of Moody's, S&P and Fitch ratings – excluding cash and cash equivalents. Available for professional and institutional investors only.
INVESTMENT COMMENTARY

Markets
European and U.S. corporate bonds again delivered positive excess returns in Q2, rallying on weaker global economic growth and dovish comments from the Fed and ECB. Although volatile at times, both markets strengthened in June and remain supported against a backdrop of slow but constructive economic growth, low inflation, strong technicals, and central banks that appear poised to ease rates and/or employ other stimulus measures.

The European corporate backdrop consists of positive growth, low inflation, credit fundamentals that remain strong but are likely past their peak, investors seeking yield, and accommodative central banks.

In European portfolios, we are slightly short spread duration. We remain overweight banks, but are looking to reduce exposure into market strength. We are also overweight insurance and non-core REITS, as well as non-euro issuers. We remain overweight U.S. corporate issues denominated in euros and are taking advantage of companies coming to market with large concessions.

Portfolio Attribution

Spread Duration Positioning: Spreads were slightly tighter on the quarter due to strong U.S. corporate earnings and a favorable backdrop with low inflation and the Fed on hold. However, trade headlines contributed to volatility. Based on spread duration positioning, underweights in Emerging Markets and Investment Grade Corporates detracted from returns.

Industry/Security Selection: Positioning within Investment Grade Corporates and Agencies led to outperformance. Security selection in Banking and Technology, in addition to an underweight in Consumer Non-Cyclical was positive. Security selection in Health Care & Pharmaceutical and in Transportation & Environmental Services, as well as an underweight in Telecom were negative.

PGIM FIXED INCOME

PGIM Fixed Income is a global asset manager offering active solutions across all fixed income markets. As of June 30, 2019, the firm had $809 billion of assets under management, and over 737 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 295 investment professionals based in the U.S., London, Tokyo, and Singapore, as of June 30, 2019. These senior investment personnel average 23 years tenure with the firm, providing stability and leadership. 9 regional macroeconomists, 109 fundamental analysts, and 59 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 this composite is the iBoxx Euro Corporate Index 100% USD Hedged (iBoxx Euro Corporate Index (USD Hedged)). The index is made up of only fixed-rate bonds or step ups whose cash flow can be determined in advance. The index includes only Euro and legacy currency denominated bonds. Treasury Bills and other money market instruments are not eligible. Securities must be rated investment-grade (Baa3/BBB-/BBB- or above) by at least one of the following rating agencies: Standard & Poor’s, Moody’s or Fitch and have at least 1 year until final maturity at the rebalancing date. Source of the benchmark: Markit.

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