Multi-Asset Credit Strategy

As of June 30, 2019

STRATEGY HIGHLIGHTS

| Objective | To add +350 basis points (bps) of annualized excess return over ML 3-Month U.S. Dollar LIBOR Index over a full market cycle.

<table>
<thead>
<tr>
<th>Target Sources of Excess Return</th>
<th>Strategy Assets</th>
<th>Inception Date</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sector Allocation 215 bps</td>
<td>$958.4 million</td>
<td>November 01, 2016</td>
<td>ML 3-Month LIBOR Index</td>
</tr>
<tr>
<td>• Security Selection 100 bps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Duration/Curve/Currency 35 bps</td>
<td></td>
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</tbody>
</table>

INVESTMENT PHILOSOPHY & PROCESS

• The Strategy seeks to capitalize on the Firm’s ‘best ideas in global credit’ by allocating assets across the full spectrum of global fixed income sectors and derivatives with a greater focus on credit opportunities.

• The Strategy incorporates active sector and security selection across geographies and tactical duration, credit quality, yield curve and currency management.

• The Strategy’s philosophy is that diversified portfolios, built through the integration of macroeconomic research, credit research, quantitative research, and risk management, can achieve consistent excess returns for clients with a high information ratio or Sharpe ratio. Risk budgeting is central to our approach. This same research-based and relative-value oriented process is implemented across all multi-sector, or broad market, fixed income strategies managed by PGIM Fixed Income.

• The Strategy seeks to extract alpha from multiple sources through active allocation with a bias toward global ‘spread’ fixed income sectors. Allocations are made within risk thresholds established by a ‘risk budget’ created specifically for each portfolio. The Strategy utilizes both top-down and bottom-up investment approaches:
  – Country, sector, and currency allocations are determined using both top-down and bottom-up approaches.
  – Subsector and security selections are based on bottom-up, fundamental research and relative value analysis.
  – Duration and yield curve decisions are primarily driven by top-down research.

• We seek to capture several market inefficiencies when investing across the global fixed income markets.
  – Through our large internal research staff, we seek to anticipate both positive and negative economic and credit-related events before others.
  – Using proprietary modeling, we seek to capture aberrations in global yield curves.
  – Finally, we seek to capture inefficiencies driven by supply/demand and other technical factors, such as a dislocation in spreads across different countries, sectors, industries, and even different maturity bonds or different parts of the capital structure of the same issuer.

1 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.
**PERFORMANCE** \(^{1,2}\) | PERIODS ENDING JUNE 30, 2019

- **Gross Returns %**
- **Net Returns %**
- **ML 3-Month LIBOR Index %**

<table>
<thead>
<tr>
<th>Periods Ending June 30, 2019</th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception (01 Nov 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Excess Returns (bps)</td>
<td>+120</td>
<td>+420</td>
<td>+318</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>+369</td>
</tr>
<tr>
<td>Tracking Error (%)</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>2.19</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Gross Excess Returns may reflect rounding differences. Information ratio and tracking error are not meaningful (NM) for periods less than 3 years. Additional performance information is available upon request. Please visit www.pgimfixedincome.com for contact information.

**PORTFOLIO HIGHLIGHTS**

**Sector Allocation (%)**

- US Government
- Non US Government
- Mortgages
- ABS
- CMBS
- Non-US Govt Related
- IG Corporates
- Bank Loan
- High Yield
- Emerging Markets
- Municipal
- Swaps
- Cash & Equivalents

**Corporate Industry Allocation (%)**

- Finance
- Industrial
- Utility
- Non Credit
- Top 10 Industries (%)
  - Non-US Govt Related
  - Health Care & Pharma.
  - Technology
  - Banking
  - Building Mat. & Const.
  - Packaging
  - Chemicals
  - Capital Goods
  - Foods
  - Automotive

**Quality Distribution** \(^{3,5}\)(%)

- AAA
- AA
- A
- BBB
- BB
- B
- CCC & Below
- Not Rated

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
The second quarter’s collapse in developed market government bond yields set the stage for positive returns across the spectrum of fixed income sectors. While AAA and AA-rated CLO spreads tightened during the quarter, they continued to lag the broader spread rally in 2019. At these spreads, senior CLOs continue to offer excellent risk-adjust returns, and we remain cautious on mezzanine tranches.

Although U.S. high yield credit spreads widened slightly in Q2, the rate decline contributed to solid high yield total returns in the U.S. and Europe. Looking ahead in the U.S., we prefer single-B rated credits and are taking advantage of the steepness of the spread curve via an underweight to low-spread, short-dated issues, in conjunction with an overweight to the 4- to 7-year portion of the curve. We are maintaining overweights to independent power producers and U.S. consumer-related names, while remaining cautious on commodities. U.S. and European investment grade corporate bonds also delivered positive excess returns in Q2, rallying on weaker global economic growth and dovish comments from the Fed and ECB.

The positive total returns in the emerging market debt sector were driven by investors’ search for yield amid expectations for Fed rate cuts and below-trend growth in most developed markets.

Portfolio
Duration and Yield Curve Contribution: The US treasury curve was lower and steeper during the quarter. Duration positioning contributed to results while yield curve positioning limited results.

Sector Allocation: MBS, Agency and ABS spreads widened during the quarter, while Municipals, IG Corporates, HY, Sovereign, and Emerging Markets spreads tightened. Based on spread duration positioning, overweights in High Yield, Investment Grade Corporates, CLOs, and Emerging Markets outperformed. Positioning in Sovereigns added to returns.


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 Merrill Lynch US Dollar 3-Month LIBOR Constant Maturity Index (ML 3-Month LIBOR Index). The Merrill Lynch US Dollar 3-Month LIBOR Constant Maturity Index tracks the performance of a synthetic asset paying LIBOR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a. BoA Merrill Lynch is licensing the BoA Merrill Lynch indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness and/or completeness of the BoA Merrill Lynch 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 Fixed Income, or any of its products or services.