Core Plus Strategy

As of June 30, 2019

STRATEGY HIGHLIGHTS

<table>
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<th>Objective</th>
<th>To add +150 basis points (bps) of annualized excess return over a broad market fixed income index over a full market cycle.</th>
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| Target Sources of Excess Return | • Sector Allocation 75 bps  
• Security Selection 60 bps  
• Duration/Curve/Currency 15 bps |

INVESTMENT PHILOSOPHY & PROCESS

- Core Plus Fixed Income portfolios can invest in all sectors included in the benchmark, or similar broad market fixed income index.

- The Strategy opportunistically allocates to non-benchmark sectors as market conditions warrant and individual client investment guidelines permit. Non-benchmark asset allocations can potentially be of investment grade and non-investment grade quality.
  - The universe of sectors included in the investment grade portion of the Strategy are index-specific—typically U.S. Treasuries, government agencies, corporate bonds, mortgage-backed securities, CMBS, and asset-backed securities—with the remaining assets dispersed among other ABS, senior secured loans, municipal bonds, non-dollar global bonds, and currencies.
  - The “Plus” sectors of the Strategy may include high yield bonds, senior secured loans, emerging markets debt, foreign currency denominated bonds, currencies, and preferred securities. Depending on client guidelines, there may be limits imposed on certain non-benchmark sectors.

- This strategy emphasizes spread product in the sector allocation process and therefore may hold larger-than-benchmark allocations to corporate bonds, structured product, high yield bonds, and emerging markets debt.

- Our portfolios take an actively-managed, relative-value driven approach to security selection.
  - We analyze various security relationships in the market in order to exploit temporary market inefficiencies.
  - Each trade is intended to capture relative value, with the sum of all security selection expected to contribute a meaningful portion of expected excess return over time.
  - The Strategy is expected to perform best in markets with excess spread dislocations that it can capitalize on through relative value trading.
  - In contrast, a low volatility interest rate environment with little spread or interest rate movements would most likely lead to more stable security-to-security relationships and, in turn, make it more difficult to outperform.

- Our philosophy is that diversified portfolios, built through the integration of credit research, quantitative research, and risk management, can achieve consistent excess returns for clients with a high information ratio.

Inception Date | January 01, 1996

Strategy Assets | $71.7 billion

Benchmark | Bloomberg Barclays U.S. Aggregate Index

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.

Visit us at PGIMFIXEDINCOME.com for more information on our investment strategies.
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: Bloomberg Barclays. 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. 1Periods over one year are annualized. 2Net 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. 3Effective yield is calculated excluding the yield impact of foreign exchange positions and derivatives (other than interest rate futures, which are included in the calculation). 4Excludes cash and FX hedges. 5Middle 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. 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.

CMBS spreads generally tightened in Q2 as fundamentals remained stable and vacancies remained low. We remain biased toward senior tranches from broadly diversified deals over mezzanine tranches.

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 Attribution

Duration and Yield Curve Contribution: The US treasury curve was lower and steeper during the quarter. Duration positioning added value; in contrast, yield curve positioning detracted from returns.

Sector Allocation: MBS, Agency and ABS spreads widened in Q2, while Municipals, IG Corporates, HY, Sovereign, and Emerging Markets spreads tightened. Overweight positioning in CLOs, CMBS, and High Yield as well as underweight positioning in MBS/CMO led to outperformance. An underweight in Investment Grade Corporates was negative.

Industry/Security Selection: Security selection in Sovereigns and Banking contributed to results. Within Sovereigns, overweights in Ukraine and Brazil outperformed. Security selection in Aerospace & Defense, along with an underweight in Consumer Non-Cyclical were negative.

PORTFOLIO MANAGERS

Gregory Peters
Managing Director and Senior Portfolio Manager

Michael Collins, CFA
Managing Director and Senior Portfolio Manager

Richard Piccirillo
Managing Director and Senior Portfolio Manager

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 Bloomberg Barclays US Aggregate Bond Index (Bloomberg Barclays US Aggregate Index) covers the USD-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/BBB-/BBB+) or better using the middle rating of Moody’s, S&P, and Fitch. Source of Bloomberg Barclays US Aggregate Bond Index: Bloomberg Barclays.