Global Core Strategy

PGIM FIXED INCOME

As of March 31, 2020

STRATEGY HIGHLIGHTS

Objective[1]	To add +100 basis points (bps) of annualized excess return over a broad global market fixed income index over a full market cycle.	
Target Sources of Excess Return	• Sector Allocation	45 bps
	• Security Selection	30 bps
	• Duration/Curve	15 bps
	• Currency	10 bps

Inception Date	September 01, 2008
Strategy Assets[2]	$5.4 billion
Benchmark	Bloomberg Barclays Global Aggregate Index

INVESTMENT PHILOSOPHY & PROCESS

- The Strategy seeks highly diversified, sustainable sources of excess return across global fixed income sectors and currencies with an emphasis on managing downside risk. The Strategy's approach focuses on relative-value based country and sector allocation, research-based subsector and security selection, and duration, yield curve, and currency management. The Strategy favors the credit-oriented sectors, reflecting the Firm's significant research expertise.
  - The Strategy represents a culmination of our best ideas throughout the firm.
  - We seek to capture several market inefficiencies when investing across the global fixed income markets. We seek to anticipate both positive and negative economic and credit- related events before others do, through our large internal research staff.
  - To do so, we organize our macro-economic, portfolio management and research teams by region/sector/ industry, fostering an in-depth knowledge of trends and individual companies, including ones not always followed closely by Wall Street.
  - We also seek to capitalize on currency dislocations and aberrations in yield curves using proprietary modeling.
  - We seek to capture inefficiencies driven by supply/demand and other technical factors, such as dislocations in spreads across different countries, sectors, industries, and even different maturity bonds, or bonds and loans, of the same issuer.
- The Strategy invests in debt securities of developed and emerging foreign corporations and governments (including supranational organizations, semi-governmental entities, or government agencies); in investment-grade developed market mortgages and mortgage-related securities; and in developed and emerging short-term and long-term bank debt securities or bank deposits. We look mostly for investment-grade securities denominated in U.S. dollars or foreign currencies but may opportunistically invest a portion of assets in non-investment grade, high yield bonds, if permitted by client guidelines.
- The Global Core Fixed Income Strategy's 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. This same research-based and relative-value oriented process is implemented across all multi-sector fixed income strategies managed by PGIM Fixed Income.

1 Top Down Risk Allocation
- Assess global appetite for risk to determine portfolio risk profile, leveraging firm's resources

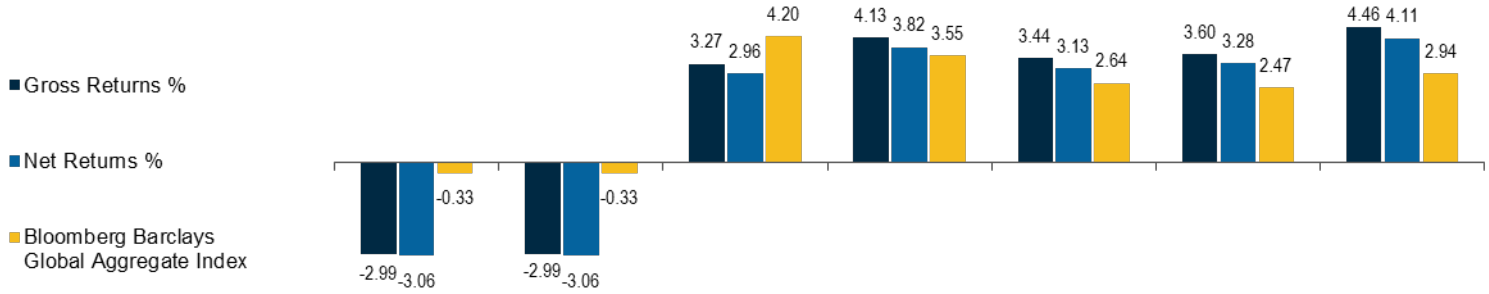
2 Asset Allocation Global Rates, FX, & Spread Sector Allocation
- Determine country/ term structure, currency, and sector positioning
- Ideas from sector specialists are emphasized

3 Security Selection & Relative Value
- Bottom-up research-based approach
- Sector specialists and research analysts aligned by sector/ industry

4 Risk Management
- Employ a rigorous process to tightly monitor risk at all levels
- Use proprietary tools to verify performance achieved is appropriate for risk taken

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. [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. [2] AUM as of December 31, 2019.* ***Available for professional and institutional investors only. Please see the Notice for important disclosures regarding the information contained herein.***

PERFORMANCE[1,2] | PERIODS ENDING MARCH 31, 2020

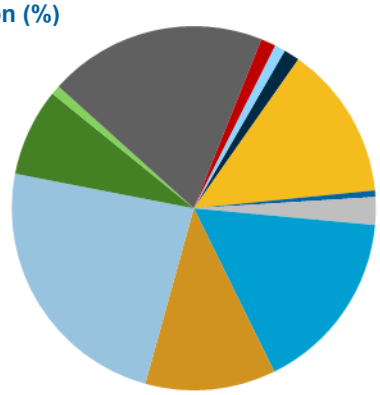


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Sep 2008)
Gross Excess Returns (bps)	-267	-267	-93	+58	+81	+112	+152
Tracking Error (%)	NM	NM	NM	1.82	1.52	1.38	1.44
Information Ratio	NM	NM	NM	0.34	0.54	0.82	1.04

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
- Agencies
- Mortgages
- ABS
- CMBS
- IG Corporates
- Non-US Govt Related
- High Yield
- Emerging Markets
- Municipals
- Swaps
- Cash & Equivalents

	Portfolio	Bloomberg Barclays Global Aggregate Index
US Government	1.4	16.9
Non US Government	13.7	32.4
Agencies	0.6	0.5
Mortgages	2.5	10.9
ABS	16.2	0.2
CMBS	11.6	0.9
IG Corporates	23.7	19.3
Non-US Govt Related	7.8	7.8
High Yield	0.8	0.1
Emerging Markets	19.4	10.5
Municipals	0.0	0.4
Swaps	1.3	0.0
Cash & Equivalents	0.9	0.0
Total	**100.0**	**100.0**

Representative Characteristics[3] (%)

	Portfolio	Bloomberg Barclays Global Aggregate Index
Effective Duration (yrs)	7.80	7.04
Effective Yield (%)	2.73	1.24
Spread (bps)	257	83
Average Coupon (%)	3.25	2.59
Average Quality (Moody's)	A2	Aa3
Number of Issuers	257	2,971

Top 10 Country Allocation (%)

	Portfolio	Bloomberg Barclays Global Aggregate Index
United States	48.0	39.5
United Kingdom	5.2	4.9
Italy	4.9	3.4
France	3.3	5.6
Spain	3.0	2.5
Portugal	2.0	0.3
Canada	2.0	3.1
Mexico	1.6	0.6
European Union	1.6	0.0
Indonesia	1.5	0.5

Quality Distribution[4,5](%)

	Portfolio	Bloomberg Barclays Global Aggregate Index
AAA	30.8	39.5
AA	11.5	14.5
A	17.0	28.4
BBB	31.3	14.6
BB	3.8	0.0
B	0.7	0.0
CCC & Below	0.5	0.0
Not Rated	3.5	3.0

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. [1]Periods over one year are annualized. [2]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. [3]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). [4]Excludes cash and FX hedges. [5]Middle of Moody's, S&P and Fitch ratings -- excluding cash and cash equivalents.* ***Available for professional and institutional investors only.***

INVESTMENT COMMENTARY

Markets

Global credit spreads widened sharply in Q1 as a one-two punch from the coronavirus and oil price shock led to acute declines across most spread sectors. When looking at the developed market rates complex, we observed some tangible improvement toward quarter end after the numerous steps taken by central banks to improve conditions across the most liquid rate markets. Following the dislocation and dysfunction seen in Q1, we expect continued volatility going into Q2.

In the months ahead, it seems likely that the U.S. 10-year Treasury yield will remain in the lower half of its recent 0.3-1.3% range. Once recovery takes hold, a central tendency of 1.25-1.50% seems in order given the headwinds facing the global economy. In terms of the spread markets, credit selection will be paramount as the sudden stoppage of business activity will cause stresses across the global economy. Nevertheless, most credits are likely to pull through the crisis and their spreads are likely to tighten over the coming 12 to 24 months.

We maintain our positive view on the credit sectors over the medium to long term, and are currently overweight structured products (CMBS, CLOs, ABS), investment grade corporates, and emerging markets. Within structured products, we are biased to own the top of the capital structure for liquidity and certainty of outcomes in the near term. We also see opportunities in higher-quality investment grade corporates with good liquidity. With emerging market spreads and yields at significantly wider levels and expectations for developed market rates to remain low for an extended period, we expect EM assets to maintain their longer-term value—we currently prefer hard currency sovereigns and select corporates, followed by select local rates.

Portfolio

During Q1, positions in emerging market sovereigns, developed investment grade corporates and loans, developed ABS, and developed CMBS were the largest detractors from performance, while positions in MBS and emerging market Treasuries contributed to performance.

Long duration positioning in developed market rates was a contributor to performance, while duration positioning in emerging market rates offset some of those gains. Curve positioning was a slight detractor.

PORTFOLIO MANAGERS

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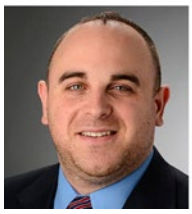
Managing Director, Chief Investment Strategist, and Head of Global Bonds

Michael Collins, CFA
Managing Director and Senior Portfolio Manager



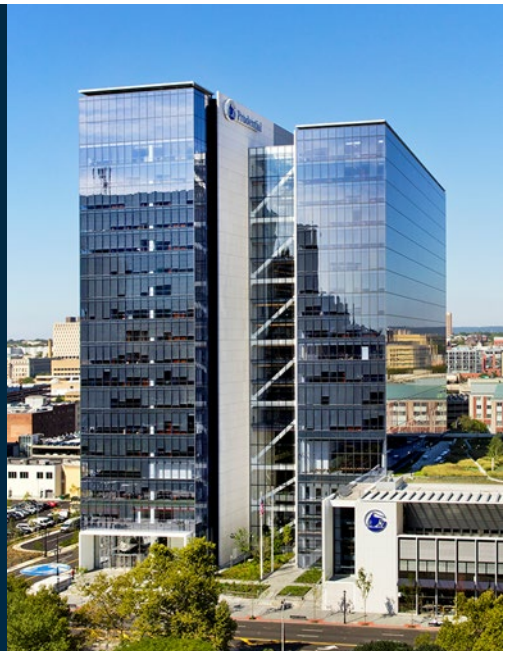
Matthew Angelucci
Principal and Co-Senior Portfolio Manager

PGIM FIXED INCOME

PGIM Fixed Income is a global asset manager offering active solutions across all fixed income markets. As of December 31, 2019, the firm had $851 billion of assets under management, and over 759 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 301 investment professionals based in the U.S., London, Amsterdam, Tokyo, and Singapore as of December 31, 2019. Senior investment personnel average 23 years tenure with the firm, providing stability and leadership. Nine regional macroeconomists, 110 fundamental analysts, and 56 analysts in quantitative modeling, risk management, and portfolio analysis provide deep, broad perspectives on the global fixed income markets.



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INDEX DESCRIPTIONS: The benchmark for the composite is the Bloomberg Barclays Global Aggregate Bond Index USD Unhedged (Bloomberg Barclays Global Aggregate Index). The Bloomberg Barclays Global Aggregate Bond Index USD Unhedged provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities. Securities 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 the index: Bloomberg Barclays.

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