Absolute Return Strategy

PGIM FIXED INCOME

As of March 31, 2020

STRATEGY HIGHLIGHTS

Objective[1]	To add +300 basis points (bps) of annualized excess return over a broad market fixed income index over a full market cycle.	
Target Sources of Excess Return	• Sector Allocation	160 bps
	• Security Selection	100 bps
	• Duration/Curve/Currency	40 bps

Inception Date	March 30, 2011
Strategy Assets[2]	$3.4 billion
Benchmark	3-Month LIBOR Index

INVESTMENT PHILOSOPHY & PROCESS

- Unconstrained by a traditional benchmark, the Strategy seeks to capitalize on the Firm's 'best ideas' by allocating assets across the full spectrum of global fixed income securities and currencies, while maintaining a duration profile similar to that of the cash-like benchmark.
- 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. Risk budgeting is central to our approach. This same research-based and relative-value oriented process is implemented across all multi-sector fixed income strategies managed by PGIM Fixed Income.
- The Strategy seeks to extract alpha from multiple sources through active allocation with a bias toward the 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 also 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 Senior investment team assesses global market environment

- Economic Research
- Sector Analysis

2 Senior portfolio managers construct portfolio with sector specialist and analysts

Risk Budgeting

- Establish risk targets within client's risk budget
- Capture thresholds for systematic and idiosyncratic risks

Asset Allocation

- Determine risk, sector, and term structure positioning
- Incorporate themes given current market dynamics
- Ideas from sector specialists are emphasized

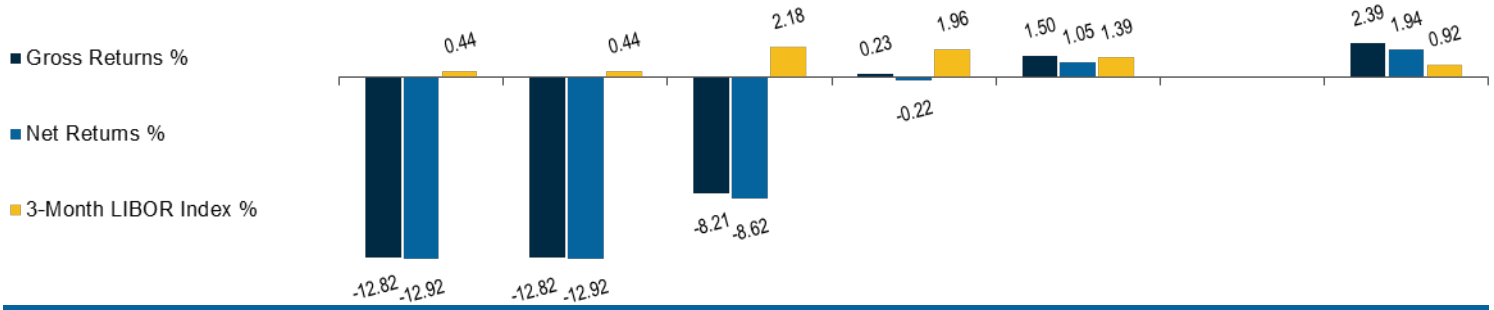
Security Selection

- Sector specialists and research analysts aligned by industry determine individual securities
- Research-based approach

3 Senior portfolio managers and risk manager oversee risk positions

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

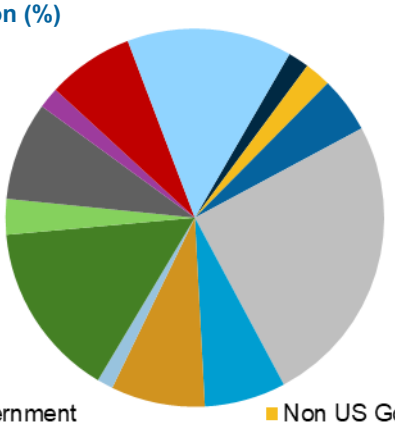


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 May 2011)
Gross Excess Returns (bps)	-1325	-1325	-1039	-173	+11	--	+147
Tracking Error (%)	NM	NM	NM	7.43	6.02	--	4.89
Information Ratio	NM	NM	NM	-0.19	0.05	--	0.32

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
- IG Corporates
- Non-US Govt Related
- High Yield
- Bank Loan
- Emerging Markets
- Municipals
- Swaps
- Cash & Equivalents

	Portfolio
US Government	2.1
Non US Government	2.7
Mortgages	5.6
ABS	29.4
CMBS	8.2
IG Corporates	9.4
Non-US Govt Related	1.6
High Yield	17.6
Bank Loan	3.6
Emerging Markets	9.9
Municipals	2.1
Swaps	-8.7
Cash & Equivalents	16.5
Total	**100.0**

Representative Characteristics[3] (%)

	Portfolio
Effective Duration (yrs)	0.65
Effective Yield (%)	7.49
Spread (bps)	679
Average Coupon (%)	3.91
Average Quality (Moody's)	Baa3
Number of Issuers	369

Corporate Industry Allocation (%)

	Portfolio
Finance	6.4
Industrial	24.6
Utility	1.6
Non Credit	8.3

Top 10 Industries (%)

Non-US Govt Related	8.3
Banking	4.6
Health Care & Pharma.	2.7
Building Mat. & Const.	2.5
Foods	2.1
Capital Goods	2.0
Chemicals	2.0
Retailers	1.8
Electric	1.4
Technology	1.4

Quality Distribution[4,5](%)

	Portfolio
AAA	17.1
AA	7.9
A	2.6
BBB	13.2
BB	14.8
B	15.3
CCC & Below	5.0
Not Rated	7.6

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. [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

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. Following the dislocation and dysfunction seen in Q1, we expect continued volatility going into Q2. The market's view on the length of the Covid-19 shutdown, the extent of its economic impact, and effectiveness of policy response will drive returns over the short term.

In the months ahead, it seems likely that the 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 along the lines of 1.25-1.50% seems in order given the headwinds facing the global economy. In terms of spread markets, credit selection will be paramount as the sudden stoppage of business activity will cause stresses across the economy. Nevertheless, most credits are likely to pull through the crisis and spreads are likely to tighten over the coming 12 to 24 months.

We maintain our positive view of the credit sectors over the medium to long term, and are currently positioned in structured products (CMBS, CLOs, ABS), emerging markets, and high yield bonds. Within structured products, we are biased to own the top of the capital structure for liquidity and certainty of outcomes in the near term. In high yield, we believe current spreads present an attractive entry point, especially in more defensive/less-impacted sectors.

Portfolio

During Q1, overall sector allocation was the primary driver of returns. Positions in spread sectors including high yield, CLOs, emerging markets, investment grade corporates, bank loans, and CMBS detracted from performance. Overall security selection was also a detractor, led by positioning within emerging markets, CMBS, investment grade corporates, non-agency mortgages, and bank loans. This was partially offset by strong issue selection within high yield and Treasuries, which contributed positively to results.

Within credit, positioning within banking, healthcare & pharmaceutical, and telecom were positive, while security selection in non-U.S. sovereigns, upstream energy, and gaming & lodging & leisure detracted from results. During the quarter, a long duration bias, principally within U.S. rates, contributed to performance.

PORTFOLIO MANAGERS

Gregory Peters
Managing Director and
Senior Portfolio Manager

Michael Collins, CFA
Managing Director and
Senior Portfolio Manager

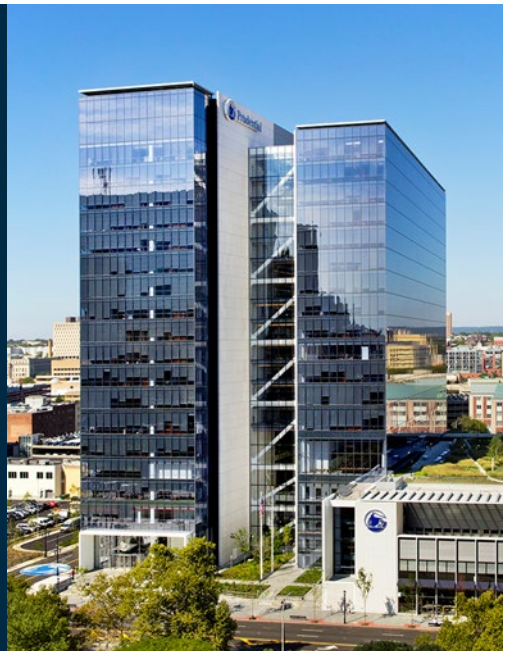
Richard Piccirillo
Managing Director and
Senior Portfolio Manager

PGIM FIXED INCOME

PGIM Fixed Income is a global asset manager offering active solutions across all fixed income markets. As of 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.



NOTICE: IMPORTANT INFORMATION: PGIM Fixed Income operates primarily through PGIM, Inc., a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and a Prudential Financial, Inc. ("PFI") company. PGIM Fixed Income is headquartered in Newark, New Jersey and also includes the following businesses globally: (i) the public fixed income unit within PGIM Limited, located in London; (ii) PGIM Netherlands B.V. located in Amsterdam; (iii) PGIM Japan Co., Ltd. ("PGIM Japan"), located in Tokyo; and (iv) the public fixed income unit within PGIM (Singapore) Pte. Ltd., located in Singapore ("PGIM Singapore"). PFI of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. Prudential, PGIM, their respective logos and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

These materials are for informational or educational purposes. The information is not intended as investment advice and is not a recommendation about managing or investing assets. In providing these materials, PGIM is not acting as your fiduciary

Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. All investments involve risk, including the possible loss of capital. Performance results are stated gross and net of model fees. Gross returns do not reflect the deduction of investment advisory fees or any other expenses that may be incurred in the management of the account. Gross and net performance data has been calculated in US dollars and reflects the deduction of transaction costs and withholding taxes, if any, and the reinvestment of income. Model net returns are calculated monthly by geometrically linking 1/12th of the highest standard advisory fee in effect for the respective period to the gross composite return. The standard advisory fee schedule currently in effect is as follows: 0.40% on the first $50 million, 0.38% on the next $100 million, 0.35% on the next $100 million, and 0.30% thereafter. Actual client fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Returns for each client will be reduced by such fees and expenses as described in their individual contract. Advisory fees are disclosed in PGIM Fixed Income's SEC Form ADV Part 2A, which is available upon request. Fees may be higher for commingled accounts, insurance company separate accounts, and trust, corporate, or bank-owned life insurance products. The composite shown may include accounts that are group annuity or life insurance products issued by PFI's insurance company affiliate and its affiliated insurance subsidiaries.

The financial indices referenced herein are provided for informational purposes only. The use of benchmarks has inherent limitations. The manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices reflect the reinvestment of income, if any, but do not reflect the impact of fees, applicable taxes or trading costs which may reduce the returns shown. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable but has not been independently verified.

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. This may result in greater price volatility. Currency and fixed income derivatives may be used in managing the portfolios. These may include forward currency contracts, currency and bond futures, swaps and options. These investments are both exchange-traded and traded over-the-counter with approved counter parties, which minimizes liquidity risk. These instruments are used in the portfolios for three purposes: timing to catch immediate market moves, providing the cheapest means of gaining or reducing interest rate and currency exposure, and creating an asymmetrical risk/return profile during times of heightened volatility. High yield "junk" bonds involve a greater risk of default of payment of principal and interest than higher-rated bonds. Also, these bonds tend to be less liquid than higher-rated securities. Therefore, an investment in this strategy may not be appropriate for short-term investing.

This document may contain confidential information and the recipient hereof agrees to maintain the confidentiality of such information. Distribution of this information to any person other than the person to whom it was originally delivered and to such person's advisers is unauthorized, and any reproduction of this document, in whole or in part, or the divulgence of any of its contents, without PGIM Fixed Income's prior written consent, is prohibited. This material contains the current opinions of the manager and such opinions are subject to change without notice. Certain information in this document has been obtained from sources that PGIM Fixed Income believes to be reliable, however we cannot guarantee their accuracy. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument. These materials do not provide any legal, tax or accounting advice. These materials are for institutional investor use only, and are not intended for distribution in any jurisdiction where such distribution would be unlawful.

In the European Economic Area ("EEA"), information is issued by PGIM Limited or PGIM Netherlands to persons who are professional clients as defined in Directive 2014/65/EU (MiFID II). PGIM Limited's registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR. PGIM Limited is authorised and regulated by the Financial Conduct Authority ("FCA") of the United Kingdom (Firm Reference Number 193418). PGIM Netherlands B.V. is authorised by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten – AFM) as an alternative investment fund manager with MiFID top up service capabilities under registration number 15003620. PGIM Limited and PGIM Netherlands are authorized to provide services or operate with a passport in various jurisdictions in the EEA. In certain countries in Asia, information is presented by PGIM (Singapore) Pte. Ltd., a Singapore investment manager registered with and licensed by the Monetary Authority of Singapore. In Japan, information is presented by PGIM Japan Co. Ltd., registered investment adviser with the Japanese Financial Services Agency. In South Korea, information is presented by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean investors. In Hong Kong, information is presented by representatives of PGIM (Hong Kong) Limited, a regulated entity with the Securities and Futures Commission in Hong Kong to professional investors as defined in Part 1 of Schedule 1 of the Securities and Futures Ordinance. It is anticipated that certain investment management services would be delegated to PGIM, Inc. the above-listed entities' U.S. registered investment advisory affiliate. In Australia, this information is presented by PGIM (Australia) Pty Ltd ("PGIM Australia") for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). PGIM Australia is a representative of PGIM Limited, which is exempt from the requirement to hold an Australian Financial Services License under the Australian Corporations Act 2001 in respect of financial services. PGIM Limited is exempt by virtue of its regulation by the FCA (Reg: 193418) under the laws of the United Kingdom and the application of ASIC Class Order 03/1099. The laws of the United Kingdom differ from Australian laws. In South Africa, PGIM, Inc. is an authorised financial services provider – FSP number 49012.

Pursuant to the international adviser registration exemption in National Instrument 31-103, PGIM, Inc. is informing you of that: (1) PGIM, Inc. is not registered in Canada and is advising you in reliance upon an exemption from the adviser registration requirement under National Instrument 31-103; (2) PGIM, Inc.'s jurisdiction of residence is New Jersey, U.S.A.; (3) there may be difficulty enforcing legal rights against PGIM, Inc. because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada; and (4) the name and address of the agent for service of process of PGIM, Inc. in the applicable Provinces of Canada are as follows: in **Québec:** Borden Ladner Gervais LLP, 1000 de La Gauchetière Street West, Suite 900 Montréal, QC H3B 5H4; in **British Columbia:** Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2; in **Ontario:** Borden Ladner Gervais LLP, 22 Adelaide Street West, Suite 3400, Toronto, ON M5H 4E3; in **Nova Scotia:** Cox & Palmer, Q.C., 1100 Purdy's Wharf Tower One, 1959 Upper Water Street, P.O. Box 2380 - Stn Central RPO, Halifax, NS B3J 3E5; in **Alberta:** Borden Ladner Gervais LLP, 530 Third Avenue S.W., Calgary, AB T2P R3.

INDEX DESCRIPTION: The benchmark for this composite is ICE LIBOR 3 Month Average. 3 Month LIBOR (London Interbank Offered Rate) is the stated rate of interest at which banks in the London wholesale money markets may borrow funds from one another for three months. The 90-day average of the daily rates set by the Intercontinental Exchange Benchmark Administration Ltd ("IBA") is used to derive the return for the month. Source of the ICE LIBOR 3 Month Average: Bloomberg. The financial indices referenced herein are provided for informational purposes only. The manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices reflect the reinvestment of income, if any, but do not reflect the impact of fees, applicable taxes or trading costs which may reduce the returns shown. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable. Benchmark returns are not covered by the report of independent verifiers.

Source ICE Data Indices, LLC, used with permission. ICE Data Indices, LLC IS LICENSING THE ICE DATA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE DATA 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.

2020-2528