Global Dynamic Bond Strategy

PGIM FIXED INCOME

As of March 31, 2020

STRATEGY HIGHLIGHTS

Objective[1]	To add +500 basis points (bps) of annualized excess return over 3-Month U.S. Dollar LIBOR over a full market cycle.	
Target Sources of Excess Return	• Sector Allocation	200 bps
	• Security Selection	150 bps
	• Duration/Curve	75 bps
	• Currency	75 bps

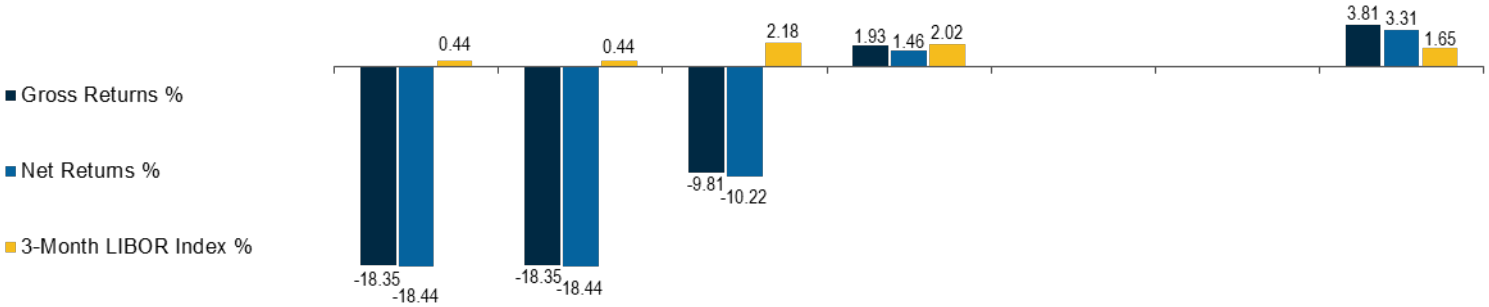
Inception Date	January 01, 2016
Strategy Assets[2]	$77.0 million
Benchmark	3-Month LIBOR Index

INVESTMENT PHILOSOPHY & PROCESS

- The Global Dynamic Bond strategy is an actively managed strategy that combines the "best ideas" from macro top-down and credit/country bottom-up teams across PGIM Fixed Income, opportunistically using geography, asset class and sector ideas to find alpha generating trades.
- Portfolio positioning at any given time is based on where we believe the most attractive risk-adjusted values lie across the investable universe.
- The Strategy seeks to provide flexibility to respond to changing market opportunities to both generate alpha and to mitigate downside risk, diversifying across individual issuers, industries and country 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

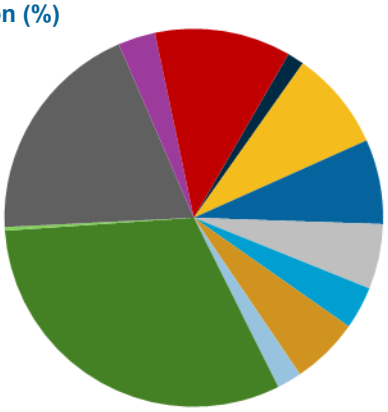


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 Jan 2016)
Gross Excess Returns (bps)	-1878	-1878	-1199	-9	--	--	+216
Tracking Error (%)	NM	NM	NM	11.05	--	--	9.72
Information Ratio	NM	NM	NM	0.05	--	--	0.27

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
- Swaps
- Cash & Equivalents

	Portfolio
US Government	1.5
Non US Government	9.1
Mortgages	7.7
ABS	5.9
CMBS	3.9
IG Corporates	6.2
Non-US Govt Related	2.3
High Yield	33.4
Bank Loan	0.3
Emerging Markets	20.6
Swaps	-3.4
Cash & Equivalents	12.4
Total	**100.0**

Representative Characteristics[3] (%)

	Portfolio
Effective Duration (yrs)	4.71
Effective Yield (%)	7.18
Spread (bps)	889
Average Coupon (%)	4.15
Average Quality (Moody's)	Ba3
Number of Issuers	240

Top 10 Country Allocation (%)

	Portfolio
United States	51.7
Greece	5.3
Brazil	4.7
Spain	4.6
Indonesia	3.6
Italy	2.9
United Kingdom	2.9
Ukraine	2.4
Canada	2.0
Luxembourg	1.8

Quality Distribution[4,5](%)

	Portfolio
AAA	2.1
AA	0.6
A	5.2
BBB	16.1
BB	25.5
B	18.9
CCC & Below	10.6
Not Rated	8.6

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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 of the credit sectors over the medium to long term. In high yield, we believe current spreads present an attractive entry point, especially in more defensive/less-impacted sectors. With emerging markets 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. We also see opportunities in many higher-quality investment grade corporates with good liquidity and in certain BBB-rated issuers with the ability to maintain IG ratings if they cut leverage, dividends, and share buybacks.

Portfolio

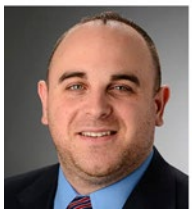
During Q1, positions in developed high yield bonds and loans, emerging market sovereigns, and developed corporate bonds and loans were the largest detractors from performance, while positions in developed and emerging market Treasuries contributed to performance.

Long duration positioning in developed market rates was a contributor to performance, while duration positioning in emerging market rates offset a small amount of those gains. Curve positioning across both developed and emerging market rates detracted from performance.

PORTFOLIO MANAGERS

Robert Tipp, CFA
Managing Director, Chief Investment Strategist, and Head of Global Bonds

Michael Collins, CFA
Managing Director and Senior Portfolio Manager



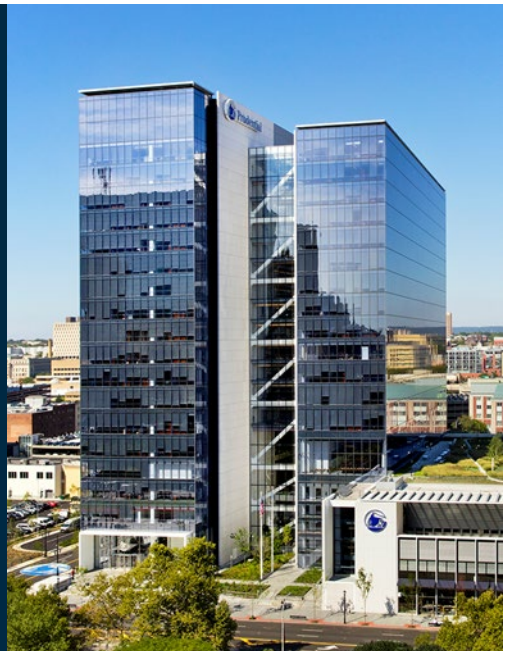
Matthew Angelucci
Principal and Co-Senior Portfolio Manager

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 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.

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