U.S. Higher Quality High Yield Strategy

As of June 30, 2019

STRATEGY HIGHLIGHTS

<table>
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<th>Objective</th>
<th>To add +125 basis points (bps) of annualized excess return over a high quality high yield index over a full market cycle.</th>
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| Target Sources of Excess Return | • Security Selection 100 bps  
• Industry Allocation 15 bps  
• Beta & Spread Curve Positioning 10 bps |

Inception Date | July 01, 1998

Strategy Assets | $7.6 billion

Benchmark | Bloomberg Barclays High Yield BB/B 1% Issuer Capped Index

INVESTMENT PHILOSOPHY & PROCESS

• The Strategy focuses primarily on the upper quality tier (BB and B rated credits) of the high yield market, which historically has exhibited the most attractive risk/return characteristics.

• Total exposure to sectors other than high yield bonds is less than 20%. These sectors may include investment grade corporate bonds, bank loans, and foreign corporate bonds, depending on client guidelines, the market environment, and relative value opportunities.

• PGIM Fixed Income manages Higher Quality High Yield portfolios based on the philosophy that bottom-up, research-based subsector and security selection can lead to consistent outperformance versus a broad high yield index with a high information ratio.

• We seek to construct well diversified portfolios of performing credits that are carefully researched. Intensive fundamental research is conducted by an internal research staff to identify strong and improving credits. The breadth and experience of our research organization permit us to apply intense focus on individual securities identified from a broad pool of investment opportunities. Portfolios are actively managed to capture the best opportunities and minimize credit losses, within an environment of disciplined risk management oversight.

• We do not take extremely large positions—either on an absolute basis or relative to benchmark—in any single issuer or industry as a primary means to achieve outperformance.

• All portfolios are managed within a pre-determined risk budget that includes thresholds for industry, issuer, and credit quality exposures.

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. ¹There 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.
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. 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

Despite the slight widening of U.S. high yield credit spreads during the second quarter, the decline in rates contributed to solid total returns in the U.S. in Q2. If the market remains constructive, compression of the lower-rated (but performing) credits will likely be a theme during the second half of 2019.

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 remain constructive on European high yield given benign default expectations, favourable supply technicals, and dovish central banks.

Portfolio Attribution

The High Yield market was volatile in the second quarter. In fact, spreads widened in May as prospects for a resolution to the U.S./China trade dispute faded and fear of a global economic slowdown worsened. Dovish commentary from the Fed in early June, however, sparked a rebound in risky assets. The portfolio had a return of 3.59%, outperforming its benchmark by +74 basis points quarter-to-date.

The average market risk of the portfolio was greater than that of the benchmark, with an impact of +5 basis points. Industry selection detracted -2 basis points from performance, driven largely by an underweight to the Transportation & Environmental Services sector and an underweight to the Banking sector. This was partially offset by an overweight to the Building Materials & Home Construction sector, which had a positive impact. Strong security selection added +52 basis points to performance.

PORTFOLIO MANAGERS

Robert Cignarella, CFA
Managing Director and Head of U.S. High Yield

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 U.S. High-Yield Ba/B 1% Issuer Capped Index is an issuer-constrained version of the Bloomberg Barclays U.S. High-Yield Index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. The Bloomberg Barclays U.S. High Yield BB/B 1% Issuer Capped Index limits issuer exposures to a maximum 1% and redistributes the excess market value index-wide on a pro-rata basis. Securities must be rated below investment-grade (Ba1/BB+/BB+ or below) using the middle rating of Moody’s, S&P, and Fitch, and have at least a one year until final maturity. Source of Benchmark: Bloomberg Barclays.

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