Global Corporate 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 global corporate index over a full market cycle.	
Target Sources of Excess Return	• Sector Allocation	40 bps
	• Security Selection	60 bps
	• Duration/Curve/Currency	0-5 bps

Inception Date	May 01, 2010
Strategy Assets[2]	$21.6 billion
Benchmark	Bloomberg Barclays Global Corporate Index (unhedged)

INVESTMENT PHILOSOPHY & PROCESS

- The majority of bonds held in a global corporate bond portfolio are typically included in the portfolio's benchmark. If permitted by client investment guidelines, we would also invest nominally (up to 10% of assets) in higher quality high yield bonds, crossover securities, emerging markets debt, and derivatives.
- The Strategy does not take large currency positions and does not invest in local emerging markets debt.
- The Strategy is duration-neutral; duration typically ranges from +/-0.1 year of benchmark.
- PGIM Fixed Income constructs and manages global corporate fixed income portfolios based on the philosophy that bottom-up industry and security selection generate high information ratios and, when executed successfully, can provide sustainable excess return over a global corporate bond benchmark.
- We follow this same philosophy in all global, U.S., and European corporate fixed income portfolios.
- The Strategy seeks to capture several market inefficiencies.
  - First, we seek to anticipate both positive and negative credit events before others do, through our large, internal corporate bond credit research staff.
  - We organize our corporate portfolio managers and analysts by industry/region, fostering an in-depth knowledge of many companies, including ones not always followed closely by other firms.
  - We seek to capture aberrations in the yield curve, using proprietary modelling.
  - Finally, we seek to capture inefficiencies driven by supply/demand and other technical factors, such as a dislocation in spreads among different maturity bonds of the same issuer or a dislocation in spreads between USD, Euro, GBP, yen, and other currency-denominated securities of the same issuer.

1 Leverage firm resources to define the current global backdrop and risk appetite

2 Portfolio strategy and construction

Portfolio Strategy
- Market strategists provide macroeconomic assessment
- Senior investment professional assess market environment and recommend sector allocations
- Portfolio managers actively analyze benchmark

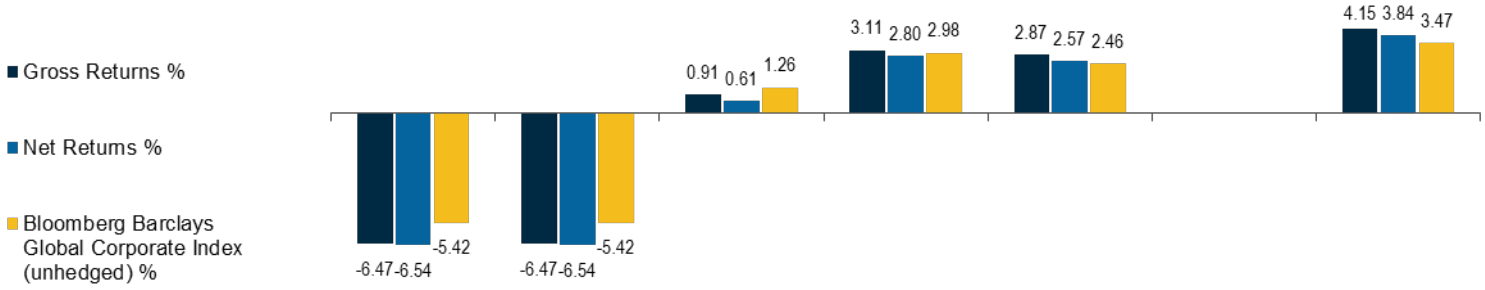
Research
- Research teams conduct intensive in-depth evaluation of all issuers in the universe.
- Expertise across all areas:
  - Fundamental
  - Structured
  - Quantitative

Relative Value Analysis
- Portfolio managers evaluate and maximize relative value among approved universe
  - Choose regions & countries that reflect macro perspective
  - Choose fundamentally strong credits with best relative value

3 A rigorous process is employed to monitor risk at all levels

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

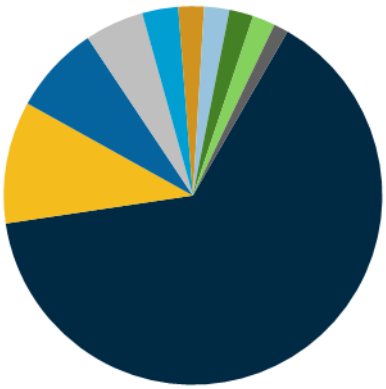


	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (01 May 2010)
Gross Excess Returns (bps)	-105	-105	-35	+13	+42	--	+68
Tracking Error (%)	NM	NM	NM	0.70	0.69	--	0.68
Information Ratio	NM	NM	NM	0.23	0.64	--	1.00

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

Top 10 Country Allocation (%)



United States, United Kingdom, France, Germany, Switzerland, Italy, Spain, Canada, Netherlands, Japan

Top 10 Country Allocation (%)

	Portfolio	Bloomberg Barclays Global Corporate Index (unhedged)
United States	61.6	54.8
United Kingdom	10.0	8.4
France	7.2	6.5
Germany	4.8	4.5
Switzerland	3.0	1.9
Italy	2.1	1.3
Spain	2.1	1.9
Canada	2.0	4.7
Netherlands	1.9	3.0
Japan	1.2	2.5

Representative Characteristics[3] (%)

	Portfolio	Bloomberg Barclays Global Corporate Index (unhedged)
Effective Duration (yrs)	6.92	6.84
Effective Yield (%)	3.49	3.03
Spread (bps)	316	263
Average Coupon (%)	3.34	3.34
Average Quality (Moody's)	Baa1	A3
Number of Issuers	294	1,758

Corporate Industry Allocation (%)

	Portfolio	Bloomberg Barclays Global Corporate Index (unhedged)
Finance	39.2	37.4
Industrial	46.4	53.9
Utility	9.8	8.1
Non Credit	1.6	0.0

Top 10 Industries (%)

Banking	27.6	25.9
Electric	8.5	6.3
Health Care & Pharma	8.2	7.6
Insurance	6.3	5.6
Pipelines & Other	4.7	2.5
Technology	4.6	6.2
Telecom	3.9	5.3
Chemicals	3.8	1.6
Automotive	3.7	3.3
Foods	3.2	4.8

Quality Distribution[4,5](%)

	Portfolio	Bloomberg Barclays Global Corporate Index (unhedged)
AAA	2.7	1.3
AA	2.5	9.0
A	33.6	40.6
BBB	59.3	48.4
BB	2.5	0.0
Not Rated	0.0	0.8

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

Investment grade corporate spreads widened sharply on the back of the Covid-19 shutdown and dramatic slide in oil prices. U.S. corporate spreads over similar-maturity Treasuries rose to a high of nearly 375 bps in mid-March before narrowing into quarter end following aggressive Federal Reserve actions. In Europe, credit spreads held up slightly better due, in part, to the ECB's existing bond buying program and its mid-March announcement that it would buy up to €750 billion additional sovereign and corporate bonds by year end.

Not unexpectedly, credit fundamentals took the spotlight as companies across all industries looked to deleverage, shore up balance sheets, and increase free cash flow. At this juncture, we see opportunities in many higher-quality names with good liquidity, including longer-duration names, and in certain BBB-rated issuers that could maintain IG ratings if they cut leverage, dividends, and share buybacks.

We also hold a modest preference for Euro versus USD spreads in global portfolios and are slightly overweight spread duration risk (long exposure to the Euro and USD and short exposure to the yen, Swiss franc, etc.). We remain flat to underweight sterling denominated credit spreads. We still prefer U.S. money center banks and utilities denominated in dollars, as well as banks and select corporates denominated in Euros (but not necessarily European companies). We continue to take advantage of price and yield dislocations between EUR and USD bonds of the same and/or similar issuers.

Portfolio

Security selection and sector allocation drove negative performance during Q1, with security selection in investment grade corporates the largest detractor. An allocation to CMBS and municipal bonds also detracted from performance. Underweight positioning to emerging markets helped to offset some of those declines.

In terms of industry, security selection in electric & water, finance companies, cable & satellite, and healthcare insurance contributed to performance, while selection in the midstream energy, technology, banking, and upstream energy industries were the largest detractors.

PORTFOLIO MANAGERS

Steven A. Kellner, CFA
Managing Director and Head of Credit Portfolio Management

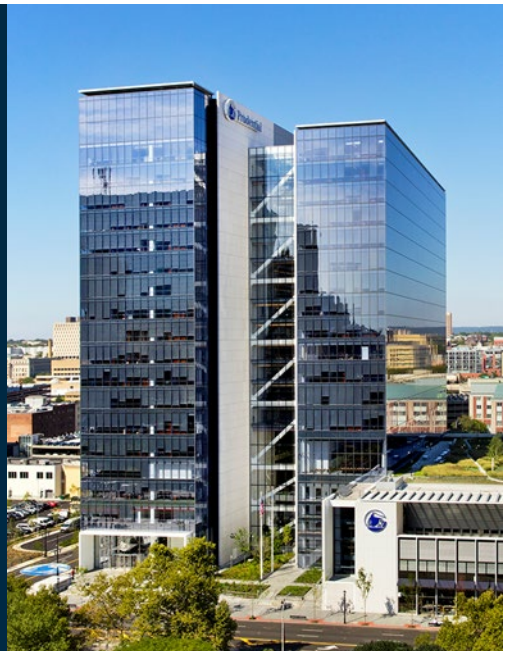
Edward Farley
Managing Director and Head of the European Corporate Bond Team

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: 0.30% on the first $100 million, 0.25% on the next $100 million, 0.22% on the next $100 million and 0.15% 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. PGIM Fixed Income's 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 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. Investing in emerging markets is generally riskier than investing in developed markets. 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. Derivatives are not used for purposes of leverage.

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 DESCRIPTIONS: The benchmark for the composite is the Bloomberg Barclays Global Aggregate Corporate Index Unhedged (Bloomberg Barclays Global Corporate Index Unhedged). The index is a component of the Global Aggregate Index and includes the global investment-grade, fixed-rate or step up, taxable securities sold by industrial, utility and financial sectors. The three major components of this index are the U.S. Aggregate Corporate, the Pan-European Aggregate Corporate, and the Asian-Pacific Aggregate Corporate indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities. 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 the benchmark: Bloomberg Barclays.

2020-2550