Global High Yield Strategy

As of June 30, 2019

STRATEGY HIGHLIGHTS

<table>
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<th>Objective¹</th>
<th>To add +125 basis points (bps) of annualized excess return over a global high yield index over a full market cycle.</th>
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<td>Target Sources of Excess Return</td>
<td>• Security Selection 80 bps</td>
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<td>• Regional Allocation 20 bps</td>
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<td>• Industry Allocation 15 bps</td>
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<td>• Beta &amp; Spread Curve Positioning 10 bps</td>
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Inception Date  May 01, 2002

Strategy Assets $3.5 billion

Benchmark Bloomberg Barclays Global High Yield Index (Euro Hedged)

INVESTMENT PHILOSOPHY & PROCESS

• The Global High Yield Strategy, which seeks to identify attractive high yield credits in multiple countries and currencies around the world, is designed to benefit from enhanced diversification and alpha through active regional and currency allocations absent from just US or European high yield.

• PGIM Fixed Income attempts to achieve this through well-diversified portfolios of performing credits that are carefully researched. Intensive fundamental research is conducted by a large and experienced internal credit research staff to identify strong and improving credits.

• The size and experience of the research organization permit us to apply intense focus on individual securities identified from a broad pool of investment opportunities.

• Portfolios are then actively managed to capture the best opportunities and minimize credit losses, within an environment of disciplined risk management oversight.

• PGIM Fixed Income does not take extremely large positions, either on an absolute basis or relative to benchmarks, in any single issuer or industry as a primary means to achieve outperformance.

• We do not hold a significant portion of the portfolio in an asset class other than US and European high yield bonds, such as common stocks or emerging markets.

1 Senior portfolio manager develops top down themes and regional views by leveraging firm's resources

2 Investment Team selects securities and constructs portfolio

   Fundamental Value Assessment
   Credit analysts evaluate all industries and issuers in the universe. Focus on downside protection:
   • Asset quality
   • Capital structure
   • Covenants

   Relative Value Security Selection
   Sector portfolio managers evaluate and maximize relative value among approved universe:
   • Choose credits with strong fundamentals and best relative value

   Position Sizing
   Sector portfolio managers size positions:
   • Evaluate industry, issuer and market fundamentals
   • Achieve top-down beta and curve positioning objectives
   • Refine position sizes as risk profiles and thresholds change

3 Portfolio Managers and Risk Managers monitor portfolio risk at all levels—interest rate, beta, industry, region, issuer, and quality

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. There 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. 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. Periods over one year are annualized. 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. 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). Excludes cash and FX hedges. Middle of Moody’s, S&P and Fitch ratings – excluding cash and cash equivalents. Available for professional and institutional investors only.
**INVESTMENT COMMENTARY**

**Markets**
The Bloomberg Barclays Global High Yield Index (euro-hedged) returned +2.56% in June. In a volatile Q2, U.S. high yield spreads approached year-to-date tights in April, widened by almost 100 bps in May, and subsequently recovered in June. Energy was the only sector in negative territory following a 24% peak-to-trough decline in crude oil prices, and the retail sectors generally outperformed. After a slow start to Q2, the new issue pipeline eventually ramped up and ended the quarter on the back of the most active month since January 2018. Year-to-date, the market has priced $140.5B in gross proceeds, compared to $112.0B that priced over the same period last year. This year’s net volume stands at $46.6B, which represents about an 4% increase year-over-year. Despite the modest pick-up year-over-year, new issue volume has been trending lower over the past several years. The quality of the new issue calendar continues to improve with almost 89% of 2019 volume coming from the higher-quality tiers (i.e., above split-B rated). This compares to 87.6% over the same period last year and an annual average of 83.6% going back to 2010. Looking ahead, Moody’s expects the global default rate to reach 2.4% by the end of Q2 2020.

**Portfolio Attribution**
Overall issue selection also positively contributed to returns on the month led by positioning within the consumer non-cyclical, emerging markets, and upstream energy sectors. This was partially offset by issue selection within telecom which detracted from returns.

With current spreads adequately compensating for recession risk, strong credit fundamentals, and low default expectations, we remain constructive on U.S. high yield. The relatively better insulation of U.S. high yield credits from the protracted trade war with China, combined with the technical support provided by stimulative central bank policies—in an already supply-limited asset class—supports our favorable view. In terms of positioning, 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 are maintaining overweight to independent power producers and U.S. consumer-related names, while remaining cautious on commodities. We’re also selectively allocating to the auto sector. Looking ahead, risks to the market include negative global growth implications associated with ongoing trade disputes and rising populism, and margin compression, partly resulting from tight labor markets and rising costs for issuers.

**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 DESCRIPTIONS: The benchmark for this composite is the Bloomberg Barclays Global High Yield Bond Index (Euro Hedged) (Bloomberg Barclays Global High Yield Index). The Global High-Yield Index provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices. Securities must have at least 1 year until final maturity and be rated high-yield (Ba1/BB+ or lower) using the middle rating of Moody’s, S&P, and Fitch. The index is hedged to Euro. Source of the benchmark: Bloomberg Barclays.