

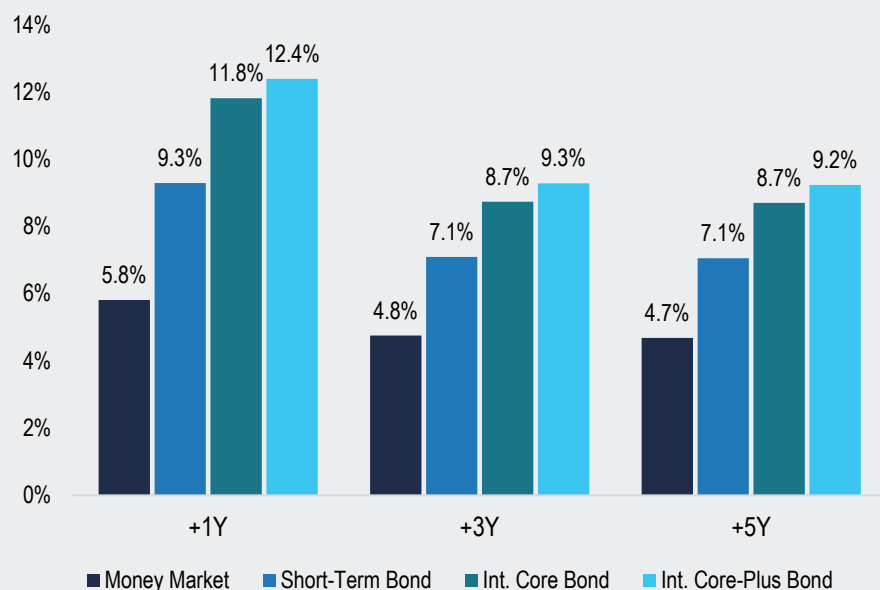
FIXED INCOME INSIGHTS

THE BENEFITS OF EXTENDING DURATION NEAR A CHANGE IN INTEREST RATE POLICY

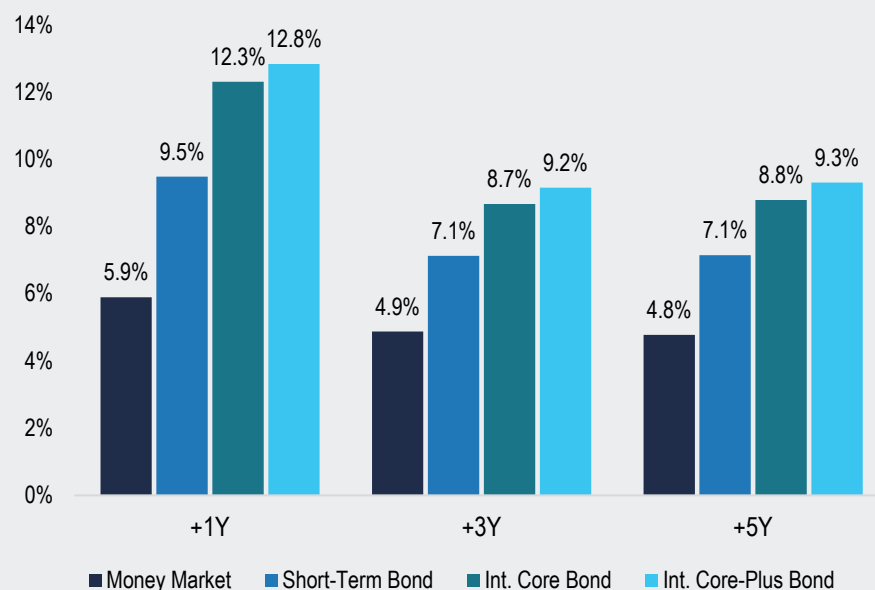
- The Federal Reserve has recently signaled the end of the current hiking cycle may be near, with the consensus being that either we've seen the last rate hike of the cycle (on July 26, 2023) or potentially there is one more to come.
- While the exact timing is uncertain, perfect timing is not required to benefit from extending duration.
- Over the last seven interest rate cycles dating back to 1983, higher duration portfolios have provided stronger returns than money markets on a 1-, 3- and 5-year basis following either the last rate hike or 2nd to last rate hike.
- History may suggest that now might be an appropriate time to reallocate cash on the sidelines and short-term investments into longer duration fixed income.

THE BENEFITS OF EXTENDING DURATION NEAR A CHANGE IN INTEREST RATE POLICY – SINCE 1983

Average Returns Following the Last Hike of a Cycle



Average Returns Following the 2nd to Last Hike of a Cycle



Investor Education

- A money market fund invests in highly liquid, near-term instruments. These instruments may include cash, cash equivalent securities, and high-credit-rating, debt-based securities with a short-term maturity (such as U.S. Treasuries). Money market funds are intended to offer investors high liquidity with a very low level of risk.

Source: PGIM Investments, using data from Morningstar and Bloomberg as of 6/30/2023. Analysis is conducted using monthly data since 12/31/1982. Forward looking returns for periods longer than 1-year are annualized. These are three of the largest taxable fixed income categories in Morningstar. For illustrative purposes only. **Past performance is no guarantee of future results.**

OUTPERFORMED MONEY MARKET FUNDS

Higher duration portfolios have provided historically strong returns, consistently outperforming money markets following the last hike or 2nd to last hike of an interest rate cycle.

FOLLOWING THE LAST HIKE OF A CYCLE

Period	Category	8/31/1984	8/31/1987	2/28/1989	1/31/1995	5/31/2000	6/30/2006	12/31/2018	Average	% of periods outperforming money markets
Returns Forward Looking After Last Hike +1 Year	Money Market - Taxable	8.0%	6.6%	8.6%	5.5%	5.5%	4.7%	1.8%	5.8%	---
	Short-Term Bond	19.5%	7.2%	8.4%	10.7%	9.7%	5.0%	4.6%	9.3%	86%
	Intermediate Core Bond	22.8%	8.0%	9.5%	16.6%	11.9%	5.6%	8.3%	11.8%	100%
	Intermediate Core-Plus Bond	23.2%	8.1%	9.5%	18.5%	12.5%	6.0%	8.9%	12.4%	100%
Returns Forward Looking After Last Hike +3 Years	Money Market - Taxable	6.7%	7.7%	7.1%	5.1%	2.9%	3.0%	0.7%	4.8%	---
	Short-Term Bond	12.8%	7.8%	9.7%	7.3%	7.0%	2.3%	2.8%	7.1%	86%
	Intermediate Core Bond	14.7%	8.2%	11.0%	9.7%	9.7%	3.3%	4.7%	8.7%	100%
	Intermediate Core-Plus Bond	14.5%	8.3%	11.4%	10.8%	10.3%	4.3%	5.3%	9.3%	100%
Returns Forward Looking After Last Hike +5 Years	Money Market - Taxable	7.1%	6.7%	5.4%	5.0%	2.1%	1.8%	---	4.7%	---
	Short-Term Bond	11.0%	9.1%	8.4%	5.9%	4.7%	3.4%	---	7.1%	100%
	Intermediate Core Bond	12.7%	10.4%	10.2%	6.6%	6.9%	5.5%	---	8.7%	100%
	Intermediate Core-Plus Bond	12.7%	10.7%	10.6%	7.3%	7.5%	6.6%	---	9.2%	100%

FOLLOWING THE 2ND TO LAST HIKE OF A CYCLE

Period	Category	6/30/1984	5/31/1987	1/31/1989	11/30/1994	3/31/2000	4/30/2006	9/30/2018	Average	% of periods outperforming money markets
Returns Forward Looking After 2nd To Last Hike +1 Year	Money Market - Taxable	8.5%	6.4%	8.7%	5.5%	5.8%	4.7%	1.9%	5.9%	---
	Short-Term Bond	22.7%	6.4%	8.1%	10.3%	9.2%	5.2%	4.5%	9.5%	86%
	Intermediate Core Bond	27.4%	6.5%	8.8%	16.6%	10.8%	6.9%	9.1%	12.3%	100%
	Intermediate Core-Plus Bond	28.5%	6.6%	8.9%	18.3%	11.3%	7.1%	9.1%	12.8%	100%
Returns Forward Looking After 2nd To Last Hike +3 Years	Money Market - Taxable	6.9%	7.6%	7.2%	5.1%	3.1%	3.3%	0.8%	4.9%	---
	Short-Term Bond	14.4%	7.3%	9.6%	7.2%	6.7%	1.7%	3.1%	7.1%	71%
	Intermediate Core Bond	17.1%	8.0%	10.7%	9.7%	8.3%	2.0%	5.1%	8.7%	86%
	Intermediate Core-Plus Bond	17.0%	8.0%	11.0%	10.8%	8.7%	3.0%	5.6%	9.2%	86%
Returns Forward Looking After 2nd To Last Hike +5 Years	Money Market - Taxable	7.1%	6.9%	5.5%	5.0%	2.2%	2.0%	---	4.8%	---
	Short-Term Bond	11.7%	8.5%	8.6%	6.1%	4.6%	3.4%	---	7.1%	100%
	Intermediate Core Bond	13.8%	9.5%	10.5%	7.2%	6.3%	5.4%	---	8.8%	100%
	Intermediate Core-Plus Bond	13.8%	9.8%	11.0%	7.9%	6.9%	6.4%	---	9.3%	100%

Data as of 6/30/2023. Calculated by PGIM Investments using data from Bloomberg and Morningstar. All indices are unmanaged. An investment cannot be made directly in an index. Analysis is conducted using monthly data since 12/31/1982. Forward looking returns for periods longer than 1-year are annualized. **Past performance is no guarantee of future results.** The charts and graphs in this material do not represent any PGIM strategy or product.

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Morningstar Category Definitions: **Short-Term Bond:** invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. **Core Plus = Intermediate Core-Plus Bond:** invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. **Core = Intermediate Core Bond:** invest primarily in investment-grade U.S. fixed income issues, including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures. **Money Market:** invests in government money market securities in order to provide a level of current income that is consistent with the preservation of capital. These funds do not designate themselves as Prime in Form N-MFP and transact at a fixed net asset value. Certain information in this commentary has been obtained from sources believed to be reliable as of the date presented; however, we cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. The manager has no obligation to update any or all such information, nor do we make any express or implied warranties or representations as to the completeness or accuracy. Any projections or forecasts presented herein are subject to change without notice. Actual data will vary and may not be reflected here. Projections and forecasts are subject to high levels of uncertainty. Accordingly, any projections or forecasts should be viewed as merely representative of a broad range of possible outcomes. Projections or forecasts are estimated, based on assumptions, subject to significant revision, and may change materially as economic and market conditions change.

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1072404-00001-00 PI8990 ID 11102023