



**PGIM**

The Global Investment Management  
Businesses of Prudential Financial, Inc.

**DAVID HUNT**  
PRESIDENT & CEO  
PGIM



## KEY MESSAGES



- PGIM is strongly positioned as a diversified global active asset manager with a distinct multi-manager model
- Our business has robust underlying fundamentals and delivers attractive returns for Prudential's shareholders
- PGIM's strategic initiatives are driving growth and position us to meet the evolving needs of our clients
- PGIM's continued success is underpinned by a mutually beneficial business model

## AGENDA



### Leading global asset manager

Robust underlying fundamentals

Strategic initiatives driving growth

Mutually beneficial business model

## LEADING GLOBAL ASSET MANAGER



Broadly diversified revenue base and product suite



Strong, sophisticated third party client base



Global presence and footprint



Top 10 asset manager worldwide<sup>(1)</sup>



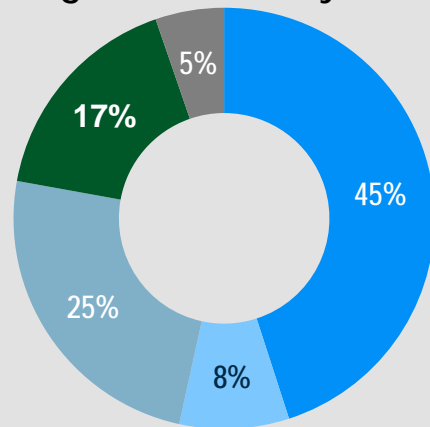
Distinct multi-manager model

(1) Pensions & Investments Top Money Manager's list, May 30, 2017. Assets under management (AUM) as of December 31, 2016.

## WELL-DIVERSIFIED REVENUE BASE



Asset Management Fees by Asset Class



- Public Fixed Income
- Private Fixed Income & Equity
- Public Equity
- Real Estate
- Commercial Mortgages

Over 50% of fees from higher growth areas<sup>(1)</sup>

\$676mn from real assets<sup>(2)</sup> & alternatives

\$326mn from private credit

\$201mn from non-U.S. equities

\$116mn from liability-driven and outcome-oriented solutions

\$122mn from quantitative strategies

Based on FY 2017 asset management fees.

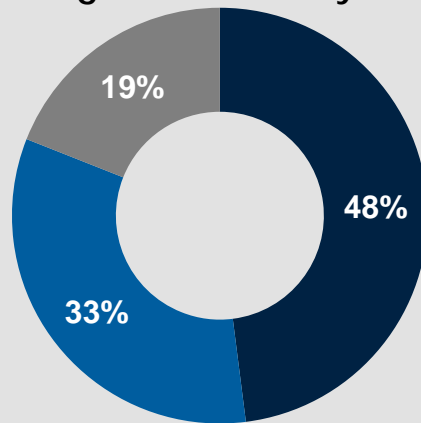
(1) Categories may overlap; represents asset management fees from all PGIM revenue sources.

(2) Includes real estate, infrastructure, energy, and natural resources strategies.

## STRONG THIRD PARTY CLIENT BASE



Asset Management Fees by Client Type



■ Institutional ■ Retail ■ General Account

**1,300+** Third party institutional clients

**88** clients have over \$1 billion invested with us

**147** of the top 300 Global Pension Funds<sup>(1)</sup>

**22** of the 25 largest U.S. corporate pension plans<sup>(2)</sup>

**17** of the 25 largest U.S. public pension plans<sup>(2)</sup>

**5th** Fastest growing mutual fund family by net flows<sup>(3)</sup>

As of December 31, 2017, unless otherwise indicated.

(1) P&I/Towers Watson Top 300 Pension Funds ranking, data as of December 31, 2016, published September 2017.

(2) Based on U.S. Plan Sponsor rankings in *Pensions & Investments* as of December 31, 2016, published February 2017.

(3) Simfund, as of December 31, 2017. Excludes ETFs and money market funds.

# OUR GLOBAL FOOTPRINT



PGIM global brand launched in January 2016



- 1,110+ investment professionals
- \$317bn of AUM<sup>1</sup> from non-US clients
- 37 offices in 16 countries

As of December 31, 2017.

(1) AUM from non-US clients includes affiliates..



# OUR NEW GLOBAL BRAND



## Business re-branding initiatives



© 2018 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.



# POSITIONS OF STRENGTH



## Ranking Based on Worldwide Assets

TOP 10 ASSET MANAGERS <sup>(1)</sup>	ASSETS (\$ Billions)
1 BlackRock	5,148
2 Vanguard Group	3,965
3 State Street Global Advisors	2,468
4 Fidelity Investments	2,131
5 JP Morgan Asset Management	1,771
6 BNY Mellon Investment Management	1,648
7 The Capital Group	1,479
8 The Goldman Sachs Group	1,379
<b>9 Prudential Financial</b>	<b>1,264<sup>(2)</sup></b>
10 Amundi	1,141

**#2** Real Estate Manager Worldwide<sup>3</sup>

**Top 3** Foreign manager of Japanese discretionary pension assets<sup>4</sup>

**#1** Assets in investment grade credit strategies<sup>5</sup>

(1) *Pensions & Investments* Top Money Manager's list, May 30, 2017. AUM as of December 31, 2016.

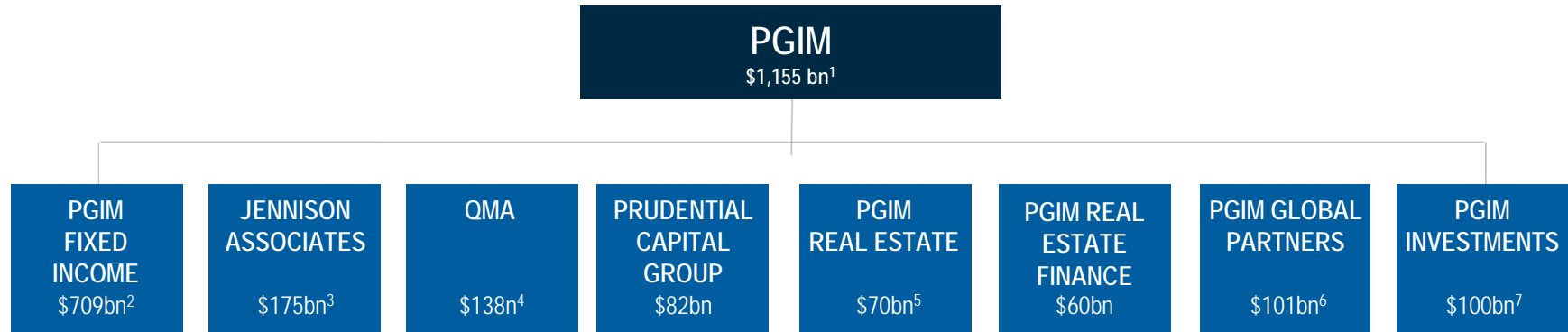
(2) Worldwide AUM include assets managed by Prudential's Asset Management business and non-proprietary AUM.

(3) *Pensions & Investments*, Real Estate Managers by Worldwide AUM as of June 30, 2017. Publication as of October 2017.

(4) Nenkin Jouhou by R&I, the Investment Trust Associates of Japan, AUM as of March 2017.

(5) Investment Grade Credit Manager Survey, *IPE International Publishers Limited*, January 2017.

# DISTINCT MULTI-MANAGER MODEL



- Deep, specialized investment expertise combined with the scale to compete
- Investment-centric culture strongly aligned with clients' interests
- Culture of partnership and nimble decision-making within each boutique
- Incentives aligned with each boutique's investment and business performance
- Well-diversified across public and private asset classes
- Controls and risk management infrastructure integrated with Prudential

(1) Amounts as of December 31, 2017. (2) Includes \$16 billion in assets managed by PGIM Fixed Income for affiliated businesses, \$106 billion in PGIM Japan assets, and \$118 million of which is sub-advised by Prudential Capital Group. (3) Includes equity \$109 billion and fixed income \$66 billion. (4) QMA's total asset allocation AUM totals \$86 billion in asset allocation mandates, \$52 billion of which is institutional and retail assets managed by various affiliated and third party managers. (5) Assets are gross. Net assets under management equal \$49 billion. (6) Represents total combined assets of the PGIM Global Partners businesses, including \$91 billion from joint ventures in which Prudential does not have a controlling interest, and therefore does not correspond to assets under management and administration as reported by Prudential Financial. AUM also includes \$8 billion in assets sub-advised by other PGIM units and included in their totals. (7) Sub-advised by other PGIM units and included in their totals.

## AGENDA



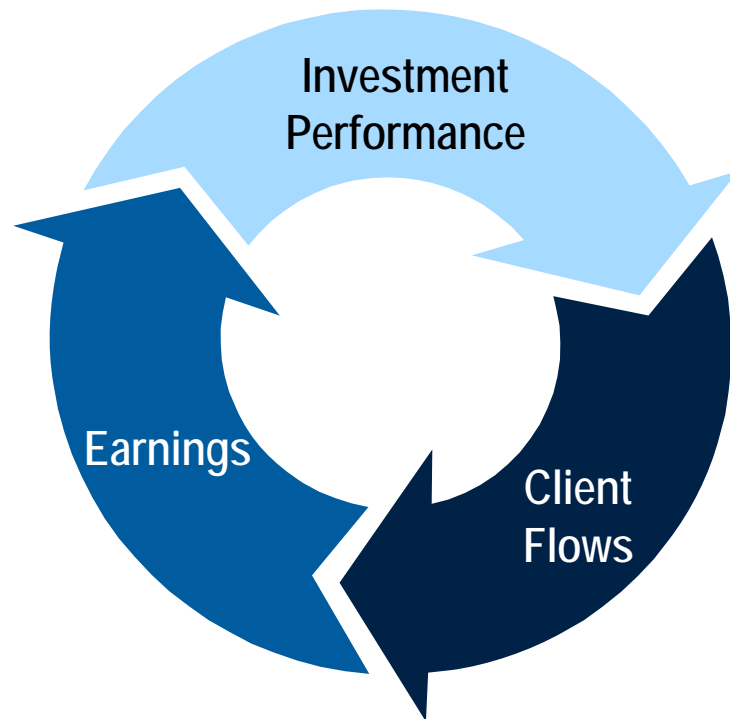
Leading global asset manager

**Robust underlying fundamentals**

Strategic initiatives driving growth

Mutually beneficial business model

## ROBUST UNDERLYING FUNDAMENTALS



- Consistent, strong investment performance
- Deep manager experience and robust investment processes drive Alpha generation

- More than a decade of consecutive positive net flows in both institutional and retail
- Approximately 10% annual AUM growth over past 7 years<sup>(1)</sup>

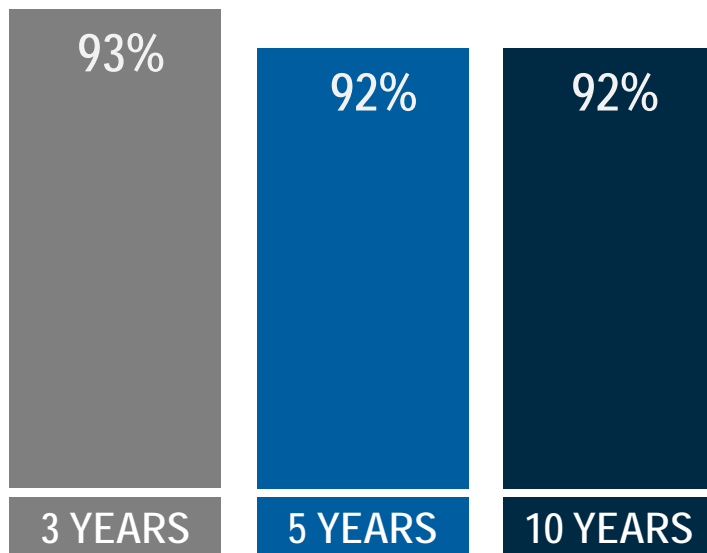
- Earnings driven primarily by asset management fees
- Attractive returns with improved quality of earnings

(1) Assets managed by PGIM as of December 31, 2017.

# STRONG INVESTMENT PERFORMANCE



Percentage of PGIM AUM<sup>(1)</sup>  
Outperforming Benchmark<sup>(2)</sup>



**65%** of PGIM's mutual fund assets are in 4- or 5-star rated funds<sup>(3)</sup>



- |                           |                                  |                       |
|---------------------------|----------------------------------|-----------------------|
| Total Return Bond         | Short-Duration Multi-Sector Bond | CA Municipal Income   |
| High-Yield                | Jennison Global Opportunities    | National Municipals   |
| Short-Term Corporate Bond | Jennison Growth                  | Municipal High Income |
| Global Total Return       | Balanced                         |                       |



- |                      |                           |                          |
|----------------------|---------------------------|--------------------------|
| Floating Rate Income | QMA Large-Cap Core Equity | QMA Stock Index          |
| Absolute Return Bond | QMA Mid-Cap Value         | Conservative Allocation  |
| Income Builder       | QMA Strategic Value       | Jennison Health Sciences |
| Government Income    | QMA Long-Short Equity     | Jennison Focused Growth  |
| Select Real Estate   | QMA Small-Cap Value       |                          |

(1) Represents PGIM's benchmarked AUM. 58% of total AUM is benchmarked over 3 years, 57% over 5 years, and 50% over 10 years.

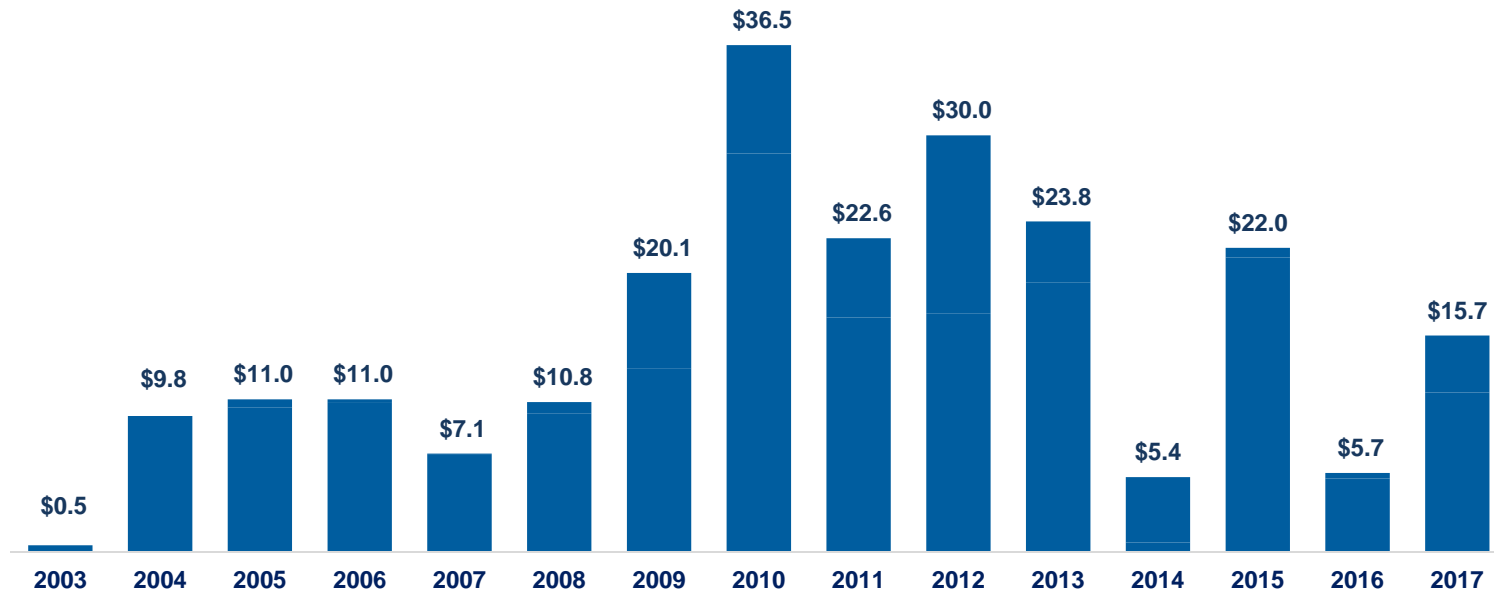
(2) As of December 31, 2017. Represents excess performance net of fees, based on all actively managed Fixed Income and Equity AUM reported in eVestment for Jennison Associates, PGIM Fixed Income, Quantitative Management Associates, and PGIM Real Estate. Composite assets reported in eVestment assumed to represent full strategy AUM.

(3) Based on Morningstar ratings as of December 31, 2017. List of 5-star and 4-star funds shown are based on Z-share class ratings. Please see disclosures at the end of this presentation. Past performance is not a guarantee or reliable indicator of future results.

# CONSISTENT POSITIVE THIRD PARTY NET FLOWS<sup>(1)</sup>



(\$ billions)



15 Consecutive Years of Positive Institutional Third Party Net Flows

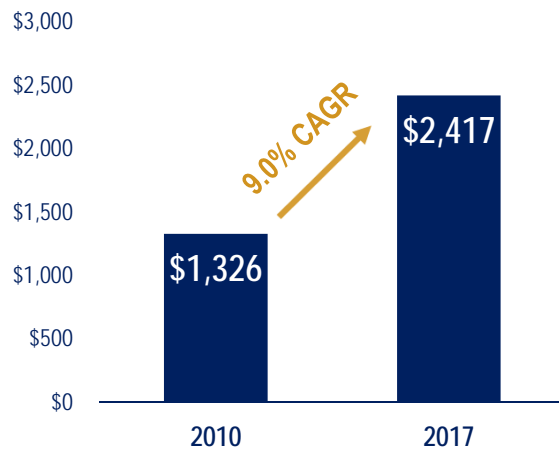
13 Consecutive Years of Positive Retail Third Party Net Flows

(1) Represents unaffiliated third party net flows; excludes flows from the General Account and other affiliated Prudential businesses. 2003 and 2004 third party net flows shown in chart represent only institutional third party net flows.

# SOLID EARNINGS TRACK RECORD



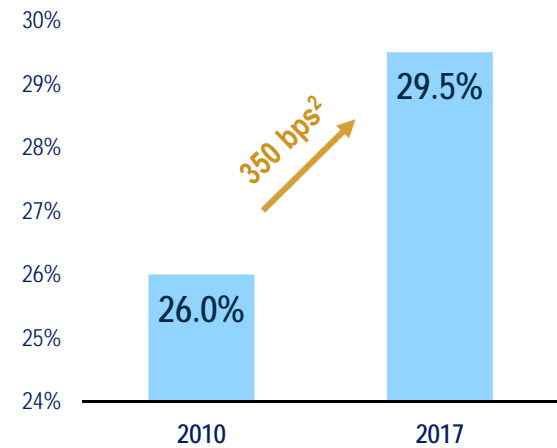
Asset Management Fees (\$mn)



Pre-tax AOI<sup>1</sup> (\$mn)



Operating Margin



## 2017 Highlights

Record AUM of nearly \$1.2 tn

Record originations of over \$28.0 bn with Prudential Capital Group reaching an all-time milestone and PGIM Real Estate Finance with a near-record close

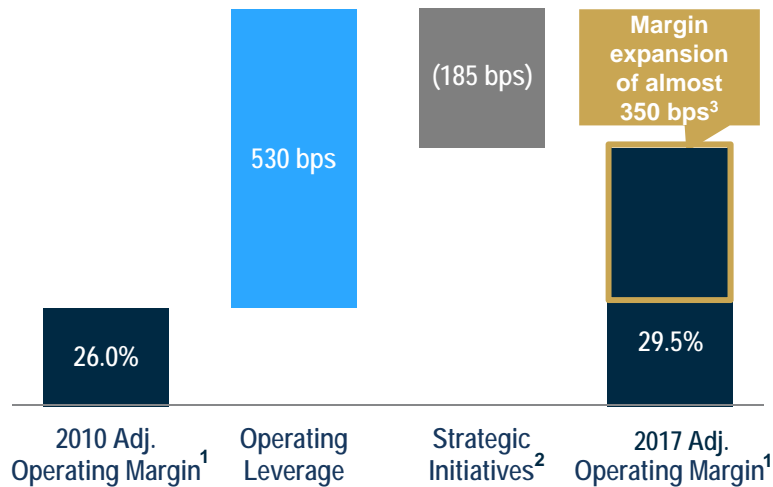
Record earnings of nearly \$1.0 bn

(1) Adjusted operating income (AOI) is Prudential Financial's measure of segment profitability. (2) Represents the cumulative change from 2010 to 2017, see slide 16 for additional details.

# STABLE MARGINS WHILE FUNDING OUR INVESTMENTS



## Core Operating Margin, 2010 – 2017



## Positioning for Growth, 2010 – 2017<sup>(4)</sup>

Headcount increase	<b>433</b>
New institutional strategies seeded <sup>5</sup>	<b>44</b>
Cumulative third party net flows	<b>\$125 bn</b>

- (1) Represents AOI as a percentage of revenue.
- (2) Includes both PGIM and Corporate Initiatives.
- (3) Includes rounding to hundredth decimal.
- (4) Figures represent change from December 31, 2010 to December 31, 2017.
- (5) Excludes seeded CLOs and UCITS funds.



## AGENDA



Leading global asset manager

Robust underlying fundamentals

**Strategic initiatives driving growth**

Mutually beneficial business model

# OUR STRATEGY



To be widely regarded as a premier active global investment manager across a broad range of public and private asset classes

1

Globalize our products and client footprint

2

Broaden our solutions capabilities

3

Diversify our product and vehicle offering

4

Selectively acquire new investment capabilities

Deliver superior risk-adjusted returns for clients and strong shareholder value

# EXECUTING ON OUR STRATEGIC PRIORITIES



## Priorities

## Milestones

1	Globalize products and client footprint	<ul style="list-style-type: none"><li>▪ Deepened CIO coverage of top tier global clients</li><li>▪ 28% of assets from non-US clients, up from 16% in 2010</li></ul>
2	Broaden solution capabilities	<ul style="list-style-type: none"><li>▪ Launched multi-asset class portfolio-level solutions and advisory for institutional clients</li><li>▪ \$164 bn AUM in solutions capabilities, up from \$82bn in 2010</li></ul>
3	Diversify products and vehicles	<ul style="list-style-type: none"><li>▪ Launched UCITS platform that has gathered \$2.5bn in AUM</li><li>▪ 17% of mutual fund flows in 2017 came from products launched in the last five years<sup>1</sup></li></ul>
4	Selectively acquire new investment capabilities	<ul style="list-style-type: none"><li>▪ Attracted top external talent to launch new strategies</li><li>▪ Acquired Deutsche's asset management business in India</li></ul>

These areas of strategic focus have contributed to generating over \$60 billion of net flows in the past 3 years<sup>(2)</sup>

(1) PGIM Investments flows from funds launched in the last 5 years. (2) As of December 31, 2017.

## INDUSTRY CHALLENGES AND OUR RESPONSE



### Rise of passive investing

- Exposure to US style-box equities limited to ~11% of AUM<sup>1</sup>
- Strong investment performance track record
- Robust suite of high active share, alternatives and private strategies for a “core-satellite” portfolio



### Increasing pressure on fees

- Our fee yield has remained stable despite industry-wide pressure
- Focus on developing concentrated, higher-fee yielding strategies
- Ability to selectively lower price to remain competitive



### Contraction of the US DB market

- Scale and investment expertise to effectively compete as plan sponsors rely on fewer managers
- Deep relationships with institutional clients outside of the US
- Growing presence in the Defined Contribution market



### Changing regulatory landscape

- Strong risk management and control infrastructure
- Actively engaged in regulatory dialogue

(1) As of December 31, 2017.

## AGENDA



Leading global asset manager

Robust underlying fundamentals

Strategic initiatives driving growth

**Mutually beneficial business model**

# MUTUALLY BENEFICIAL BUSINESS MODEL



## OPERATIONALLY INDEPENDENT BUT STRATEGICALLY INTERTWINED BUSINESSES

### PGIM creates value through

- Strong, stable fee-based earnings with solid returns and favorable growth prospects
- High net investment income margins for the General Account
- Enhanced competitiveness through privates and commercial mortgage loans
- Deep, specialized investment expertise

### PGIM benefits from

- General Account as anchor client
- Opportunity to compete on affiliated platforms
- Access to seed capital
- Long-term perspective enables investing for future growth
- Control and risk management infrastructure

## KEY MESSAGES



- PGIM is strongly positioned as a diversified global active asset manager with a distinct multi-manager model
- Our business has robust underlying fundamentals and delivers attractive returns for Prudential's shareholders
- PGIM's strategic initiatives are driving growth and position us to meet the evolving needs of our clients
- PGIM's continued success is underpinned by a mutually beneficial business model

## DISCLOSURES



Consider a fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the fund. For more information about a fund, click on the prospectus or summary prospectus link above. Read them carefully before investing. Investing in mutual funds involves risk. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. Some investment products have more risk than others.

The risks associated with each fund are explained more fully in each fund's respective prospectus and summary prospectus. There is no guarantee that a Fund's objectives will be achieved. Class Q and Class Z shares are available to individual investors through certain retirement, mutual fund wrap and asset allocation programs, and to institutions at an investment minimum of \$5,000,000. Please see the current prospectus for more detailed information.

This information has been prepared by PGIM, Inc. ("PGIM"). PGIM is the primary asset management business of Prudential Financial, Inc. ("PFI") and is a registered investment advisor with the US Securities and Exchange Commission. PFI, a company with corporate headquarters in the US, is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.

These materials represent the views, opinions and recommendations of the author(s) regarding the economic conditions, asset classes, securities, issuers, or financial instruments referenced herein. 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 these materials, in whole or in part, or the divulgence of any of the contents hereof, without prior consent of PGIM, is prohibited. Certain information contained herein has been obtained from sources that PGIM believes to be reliable as of the date presented; however, PGIM 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. PGIM has no obligation to update any or all of such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors.

These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. Past performance is not a guarantee or a reliable indicator of future results. No liability whatsoever is accepted for any loss (whether direct, indirect, or consequential) that may arise from any use of the information contained in or derived from this report. These materials do not take into account individual client circumstances, objectives, or needs, and are not intended as recommendations of particular securities, financial instruments, or strategies to particular clients or prospects. No determination has been made regarding the suitability of any securities, financial instruments, or strategies for particular clients or prospects. For any securities or financial instruments mentioned herein, the recipient(s) of this report must make its own independent decisions. Distribution of this information to any person other than the person to whom it was originally delivered is unauthorized and any reproduction of these materials, in whole and in part, without prior consent of PGIM is prohibited.



## DISCLOSURES (CONT.)



The Morningstar Rating for funds, or "star rating", is calculated for mutual funds with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

© 2018 Morningstar, Inc. All rights reserved. The information contained herein (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance does not guarantee future results. Prudential does not review the Morningstar data and, for mutual fund performance, you should check the fund's current prospectus for the most up-to-date information concerning loads, fees, and expenses.

Mutual funds are distributed by Prudential Investment Management Services LLC, a Prudential Financial company and member SIPC. QMA, Jennison Associates and PGIM, Inc. are registered investment advisors and Prudential Financial companies. QMA is the primary business name of Quantitative Management Associates LLC, a wholly owned subsidiary of PGIM, Inc. PGIM Fixed Income and PGIM Real Estate are units of PGIM, Inc.

© 2018 Prudential Financial, Inc. and its related entities. QMA, Quantitative Management Associates, Jennison Associates, Jennison, PGIM Real Estate, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

These materials are for informational or educational purposes only. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. In providing these materials PGIM Investments is not acting as your fiduciary as defined by the Department of Labor.

Mutual funds are not insured by the FDIC or any federal government agency, are not a deposit of or guaranteed by any bank or any bank affiliate, and may lose value.

## FORWARD-LOOKING STATEMENTS



Certain of the statements included in this presentation constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall,” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. Prudential Financial, Inc.’s actual results may differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the “Risk Factors” and “Forward-Looking Statements” sections included in Prudential Financial, Inc.’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Prudential Financial, Inc. does not undertake to update any particular forward-looking statement included in this presentation.