PGIM HIGH YIELD FUND — COMMENTARY

ADVISORY SHARE CLASS
Z: PHYZX

OTHER SHARE CLASSES
A: PBHAX C: PRHCX R2: PHYEX R4: PHYGX R6: PHYQX

BARRON'S Best Fund Families 2025

Barron's Best Fund Families: Ranked #4 for best fund family over the 1-year period ended 12/31/2024, among 48 qualifying fund families based on asset-weighted returns.

For Fund details and a prospectus, visit pgiminvestments.com

MARKET REVIEW

- U.S. high yield bonds spreads widened to their highest level in six months and posted their weakest returns since October 2023 in Q1, as risks from escalating trade uncertainty, economic slowdown, and elevated inflation weighed on investor sentiment.
- Meanwhile, the technical backdrop remained supportive due to muted net new issuance and positive inflows.
- Gross new issuance reached $68.3 billion in Q1, a 22% reduction in volume from Q1 2024. However, net new issuance (excluding refinancing) of $17.1 billion was 14% greater than Q1 2024.
- Retail demand accelerated in Q1, with flows into high yield bond mutual funds and ETFs totaling $7.6 billion, well ahead of Q4 2024's $804 million, and Q1 2024's $4.5 billion.
- Spreads ended Q1 at 384 bps, wider from 325 bps at the end of Q4. Average yields rose 22 bps to end the period at 7.81%. For the quarter, the Bloomberg U.S. Corporate High Yield index gained 1.00%, producing excess returns of -1.13% versus Treasuries.
- By quality, higher-quality credit tiers posted positive returns, while lower-quality credit (CCCs) declined on a total return basis. The food & beverage and financial industries were among the outperformers, while media & entertainment and paper & packaging underperformed.
- Meanwhile, the par-weighted U.S. high yield default rate, including distressed exchanges, ended March at 1.2%, down from 1.47% at the end of 2024 and 2.62% from the year before, according to J.P. Morgan.

YIELDS, SPREADS, AND RETURNS AS OF 3/31/2025

	Yield (%)	Spreads 12/31/24	3/31/25	(+/-)	Return QTD (%)
US Investment Grade					
Treasuries	4.1	—	—	—	2.9
Aggregate	4.6	34	35	+1	2.8
Credit	5.1	77	89	+12	2.4
US Below IG					
High Yield	7.7	287	347	+60	1.0
HY ex Energy	7.8	291	351	+60	1.0
BB	6.4	179	219	+40	1.5
B	7.8	277	346	+69	0.7
CCC	10.9	558	676	+118	-0.4
1-5Yr Ba/B	7.0	225	277	+52	1.1
Leveraged Loans	8.6	475	498	+23	0.6

Source: PGIM, Bloomberg, Credit Suisse as of 3/31/2025.

PORTFOLIO POSITIONING

- In our view, the U.S. HY bond market is well-positioned to 'weather the storm' of global trade-tariff uncertainty, benefiting from low defaults, solid corporate balance sheets, historically strong credit quality, attractive yields, and supportive technicals. Therefore, we are selectively adding risk as our more cautious view of the economy becomes better reflected in HY market spreads.
- We are overweight short duration bonds and have positions in AAA collateralized loan obligations (CLOs) for high-quality carry in place of longer-duration, high-quality issuers.
- Dispersion in spread widening is creating opportunities to buy bonds of issuers we believe have strong credit fundamentals. Such issuers are in non-cyclical sectors, or those less impacted by the tariffs.

1Q 2025 PERFORMANCE

- The Fund Class Z outperformed its benchmark, the Bloomberg U.S. High Yield 1% Issuer Capped Index, gross of fees.
- Overall security selection was the largest contributor to performance during the quarter, with selection in media & entertainment, health care & pharmaceuticals, and cable & satellite contributing the most. This was partially offset by selection in chemicals, consumer non-cyclicals, and telecom, which detracted.
- Overall sector allocation contributed to performance during the quarter, with an overweight to U.S. bank loans and emerging market corporates, and an underweight to U.S. high yield bonds contributing the most.
- Overall industry allocation detracted from performance during the quarter, with overweights to building materials & home construction, health care & pharmaceuticals, and chemicals detracting the most. This was partially offset by and underweight to technology, which contributed.
- From a market perspective, on average, having less risk in the Fund relative to the Index over the reporting period contributed to performance.

Barrons: PGIM Investments ranked 4 out of 48, 8 out of 47, 12 out of 46 firms for the 1-, 5- and 10-year periods ended 12/31/2024, respectively. See back page for methodology which takes into account Lipper rankings. PGIM High Yield Bond Fund (Class Z) Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 12/31/2024 for the High Yield Funds category were: 137/494, 224/447, 163/419, and 25/315, respectively. Lipper Funds category rankings are based on total return, do not take sales charges into account, and are calculated against all funds in each fund's respective Lipper category. Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 3/31/2025: 30/486, 142/458, 110/418, and 22/314, respectively. **Past performance is no guarantee of future results.**

PGIM INVESTMENTS

BOTTOM-UP SECTOR POSITIONING

High Yield Corporates

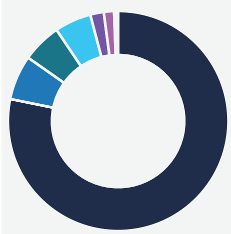
- Solid market dynamics should hold against elevated macro uncertainty. While the Trump administration's agenda may seek long-term economic benefits, we are wary of the near-term effects. As such, we maintain our close-to-home defensive positioning with an overweight to high-quality, short-duration high yield in the U.S. and underweights to cyclicals as well as potential tariff-impacted names in Europe.
- Current spreads reflect the strength of credit fundamentals and market technicals. However, the potential for further spread widening remains should fiscal policy result in delayed private investment and demand contraction. Although our base-case calls for moderating, yet continued, economic growth and contained inflation, trade conflicts and targeted Federal spending cuts create volatility and uncertainty around the path of economic growth. We've noted recent earnings weakness and tepid guidance in key industries, such as building products and consumer products. Yet, we believe the central bank "put" remains in play should economic conditions deteriorate.
- Technical and credit conditions remain solid. The ongoing net supply deficit and robust inflows are supportive, and absolute yields remain attractive. Further, with overall levels of credit quality in the market at historic highs and a manageable near-term maturity wall, the default rate should remain benign. Furthermore, a significant dispersion in lower-tier credits could create relative value opportunities.
- We are overweight short duration bonds and have positions in AAA CLOs for high-quality carry in place of longer-duration, high-quality issuers. Looking at sectors, we are overweight home construction, healthcare & pharmaceutical, and midstream energy. We are underweight technology, media & entertainment, and retailers & restaurants. Recent reductions have included cash positions trading at historically tight spreads in favor of HY CDS to capture the positive basis.

CREDIT QUALITY VS. BENCHMARK

	Fund	Benchmark	Active
AAA	6.8	0.0	6.8
A	0.0	0.0	0.0
BBB	5.4	6.5	-1.1
BB	45.8	58.4	-12.6
B	25.0	26.0	-1.0
CCC	11.6	8.9	2.7
CC	0.2	0.1	0.2
C	0.0	0.1	-0.1
Not Rated	5.3	0.0	5.3
Cash & Equivalents	-0.3	0.0	-0.3

Source: PGIM as of 3/31/25. Credit quality is calculated using the highest rating of the five rating agencies (Moody's, S&P, Fitch, Morningstar, and DBRS). Values may not sum due to rounding. Allocations are subject to change.

SECTOR BREAKDOWN (% OF ASSETS)



	Fund	Bench	+/-
High Yield	78.7	92.6	-13.9
Bank Loans	6.6	0.0	+6.6
U.S. Govt Related	5.8	0.0	+5.8
Inv Grade Corp	5.4	6.4	-1.0
Emerging Markets	2.0	0.9	+1.1
ABS	1.5	0.0	+1.5
Commercial MBS	0.2	0.0	+0.2
Foreign Govt Related	0.1	0.0	+0.1
U.S Municipals	0.0	0.0	0.0
Other	0.0	0.0	+0.0
Cash/Equivalents	-0.3	0.0	-0.3

Source: PGIM. Allocations are subject to change.

BOTTOM-UP SECTOR POSITIONING

Bank Loans

- While the portion of the U.S. leveraged loan market trading above par recently dipped to around 11%—down from approximately 70% heading into year-end 2024—we note that this is more a function of last year's massive repricing wave that accelerated through the middle of Q1 before dissipating by the end of March. With the repricing wave over, primary market demand has since turned to new money transactions. On the demand side, while readings at the end of Q1 showed outflows, inflows are up $12 billion for the full Q1 period, a trend we believe should continue.
- We continue to favor public BB and high B loans over sponsor-owned, low B, and CCC loans as we expect those lower-quality facilities will be challenged by the fundamental backdrop. We believe that credit selection and deep, fundamental credit research/modeling is becoming increasingly important. To that end, avoidance of defaults will likely be the biggest driver of alpha over the next 12-24 months.

Emerging Markets Debt

- We own select Emerging Markets corporate bonds that offer compelling relative value and spread tightening potential.

Investment Grade Corporates

- We are overweight select investment grade names that trade at attractive, high yield-type spreads that should benefit from meaningful spread tightening.

TOP INDUSTRY OVERWEIGHTS

Home Construction (Industry Weight: 6.9%, Active: +3.4%)

- Although mortgage rates remain elevated, tight supply—particularly due to low availability in the existing home market and buyer adjustments to elevated rates— has driven demand. In addition, homebuilder balance sheets are strong as free cash flow has been used to pay down debt.

Telecom (Industry Weight: 6.9%, Active: +2.0%)

- U.S. cable companies are bundling wireless services to reduce churn and are winning ~50% of net new adds. Meanwhile, in Europe, higher reliance on home connectivity, fueled by greater remote working post-Covid and the ongoing growth in streaming video, has seen demand for fiber-based broadband soar.

Electric Utilities (Industry Weight: 4.4%, Active: +1.4%)

- U.S. utilities have weathered the challenge from inflation well and underlying power demand remains solid, driven largely by the electricity needs of data centers. We are focused on deleveraging credits and those with supportive regulatory backdrops. Issuance in the industry will likely remain robust as capex requirements to support load growth and grid modernization accelerate.

TOP INDUSTRY UNDERWEIGHTS

Technology (Industry Weight: 2.4%, Active: -4.8%)

- Demand for AI/Data Center related semis remains extremely strong, driving impressive results for a handful of companies in the sector. However, outside of AI, trends remain very weak across the space.

Financials (Industry Weight: 0.6%, Active: -0.1%)

- High yield financials continue to be at a competitive disadvantage relative to their investment grade counterparts due to higher funding costs and limited access to a more liquid market for raising capital.

Source: PGIM, Fund data as of 3/31/2025, unless otherwise noted.

AVERAGE ANNUAL TOTAL RETURNS % AS OF 3/31/2025									
SEC Standardized Returns (with sales charges)	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**SI**	**Inception Date**	**Gross**	**Net**	**Waiver Date**
PGIM High Yield Z	8.21	4.56	7.34	5.17	6.16	3/1/1996	0.51	0.51	–
PGIM High Yield A	4.46	3.17	6.39	4.55	6.81	1/22/1990	0.74	0.74	–
Bloomberg US HY 1% Cap Index	7.65	4.99	7.30	4.95	–	–	–	–	–

Past performance does not guarantee future results, and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For the most recent month-end performance, visit our website at pgiminvestments.com. Maximum sales charge: Class A, 3.25%.

Expenses are as of the most recent prospectus. Net operating expenses reflect expenses after fee waivers and/or expense reimbursements by PGIM Investments, if any. The contractual reduction date is the date through which PGIM Investments has agreed to waive fees or reimburse expenses, if applicable. Expenses for the current year may exceed the net operating expenses listed above due to exclusions from any applicable contractual waiver or reimbursement, which may fluctuate. PGIM Investments may recoup certain waived fees or reimbursed expenses. See the prospectus for more information return without sales charges describes the return to the investor before any sales charges are imposed. SEC standardized return describes the return to the investor after maximum sales charges are imposed. All returns assume share price changes, as well as the compounding effect of reinvested dividends and capital gains. Returns may reflect fee waivers and/or expense reimbursements. Without such, returns would be lower. Performance by share class may vary.

Risk Information—Risks of investing in the fund include but are not limited to the following: Fixed Income investments are subject **to credit, market, prepayment and interest rate risks**, and their value will decline as interest rates rise. **High yield ("junk") bonds** are subject to greater credit and market risks. Investments in currency may result in a decline in the fund's net asset value due to changes in exchange rates. **Foreign securities** are subject to currency fluctuations and political uncertainty. Derivatives may carry market, credit and liquidity risks. There is no guarantee the Fund's objective will be achieved. Risks are more fully explained in the fund's prospectus.

Definitions and Indices—Morningstar High Yield Bond category contains funds that invest in lower-quality bonds, which are riskier than those of higher-quality companies**. Bloomberg U.S. High Yield 1% Issuer Capped Index** is an unmanaged, issuer-constrained version of the Bloomberg U.S. Corporate High Yield Index that covers the U.S. dollar denominated, non-investment grade, fixed rate, taxable corporate bond market. The Index follows the same construction rules as the uncapped index, but limits issuer exposure to a maximum 1% and redistributes the excess market value index-wide on a pro-rata basis. Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorses this material, does not guarantee the accuracy or completeness of any information herein, or make any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

Class R2 shares and Class R4 shares are only offered for sale to group retirement plans available through a retirement record keeper or third-party administrator. Class R6 and Z shares may be available to group retirement plans and institutional investors through certain retirement, mutual fund wrap, and asset allocation programs. They may also be available to institutional investors. Class Z shares may be available through fee- or commission-based retail brokerage programs of certain financial intermediaries. Class A, C, and Z shares are generally closed to new retirement plans. Please see the prospectus for additional information about fees, expenses, and investor eligibility.

Barron's: Used with permission. ©2025 Dow Jones & Company, Inc. Source: Barron's, Feb. 27, 2025. Barron's rankings are based on asset-weighted returns in funds in five categories: U.S. Equity; World Equity; Mixed Asset; Taxable Bond; and Tax-Exempt (each a "Barron's ranking category"). Rankings also take into account an individual fund's performance within its Lipper peer universe. Lipper calculated each fund's net total return for the year ended Dec. 31, 2024, minus the effects of 12b-1 fees and sales charges. Each fund in the survey was given a percentile ranking, with 100 the highest and 1 the lowest in its category. That ranking measured how a fund compared with its peer "universe," as tracked by Lipper, not just the funds in the survey. Individual fund scores were then multiplied by the 2024 weighting of their Barron's ranking category as determined by the entire Lipper universe of funds. Those fund scores were then totaled, creating an overall score and ranking for each fund family in the survey in each Barron's ranking category. To qualify for the ranking, firms must offer at least three active mutual funds or actively run ETFs in Lipper's general U.S. Stock category; one in World Equity; and one Mixed Asset. They also need to offer at least two taxable bond funds and one national tax-exempt bond fund. All funds must have a track record of at least one year.

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. Contact your financial professional for a prospectus and summary prospectus. Read them carefully before investing.

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