

# Pendulum Shifts Back Towards Growth

PGIM Jennison's 3Q 2021 Outlook

## 2Q21 Market Review and 3Q Outlook

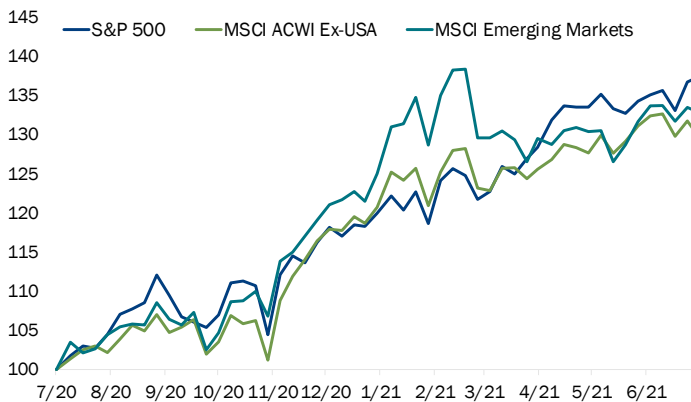
### Market Backdrop

June marked a turning point in the U.S. economic reopening and reflation outlook. Market conjecture about the timing of peak U.S. growth and inflation coincided with a change in tone from the Federal Reserve. The U.S. central bank hinted at a potential reduction in its asset purchase program, with a nod to inflation markers—such as commodities and wages—that have weighed on markets since the beginning of the year. At the same time, prices of several key commodities declined from their peaks earlier in the year, helping to somewhat calm inflation fears. U.S. and global equities rallied on the improving sentiment, with many indices closing out the first half of 2021 at or near record highs.

Corporate profit growth was strong throughout the second quarter, highlighting the expanding recovery across industries and boosting business confidence to its highest level since before the pandemic. Although U.S. consumer spending remained elevated, the pace began to moderate following reductions in direct payments from the federal government and extended state unemployment benefits.

Other notable market events included the emergence of the Delta variant of COVID-19, resulting in renewed health restrictions and lockdowns in multiple countries and adding to the uncertainty around a global economic reopening. Annual stress tests of U.S. banks generally produced benign-to-positive results, which are likely to lead to increased share buybacks and dividend payouts after a lengthy drought in these areas. Sentiment was also helped by a pared-back U.S. infrastructure spending bill that may result in bipartisan legislation being passed.

### Market Index Performance



As of June 30, 2021. Source: Jennison, FactSet, MSCI.

### Style Performance

- Large cap growth stocks resumed their market leadership in the second quarter coming in just ahead of mid cap growth. In the small cap market segment, value narrowly outperformed growth.
- For the trailing one-year, small cap value led while large cap growth lagged.
- Large caps growth dominated market performance over longer time periods but the spread over mid and small is narrowing.

### Style Index Performance

	2Q21			Trailing 1-year		
	Value	Core	Growth	Value	Core	Growth
Small	5.2	8.5	11.9	43.7	43.1	42.5
Mid	5.7	7.5	11.1	53.1	49.8	43.8
Large	4.6	4.3	3.9	73.3	62.0	51.4

	Trailing 3-Year			Trailing 10-Years		
	Value	Core	Growth	Value	Core	Growth
Small	12.4	19.2	25.1	11.6	14.9	17.9
Mid	11.9	16.4	22.4	11.7	13.2	15.1
Large	10.3	13.5	15.9	10.8	12.3	13.5

As of June 30, 2021. Source: Jennison, FactSet, MSCI.

### Sector Performance

- In the second quarter, real estate was the best performing sector followed by information technology, energy, and communication services.
- For the trailing one-year, cyclical sectors led market returns, with financials, industrials, and materials posting the largest gains.
- Information technology and consumer discretionary maintain their leadership positions for the three-, five-, and trailing ten-years.

### GICS Sector Performance - S&P® 500 Index

	2Q	One Year	Three Years	Five Years	Ten Years
Real Estate	13	32	15	10	11
Information Technology	12	42	30	31	22
Energy	11	49	-6	-1	-0
Communication Services	11	48	23	11	11
Health Care	8	28	17	14	16
Financials	8	62	14	17	14
Consumer Discretionary	7	37	19	20	18
Materials	5	49	15	15	10
Industrials	4	51	15	14	13
Consumer Staples	4	23	14	8	11
Utilities	-0	16	10	7	11
Total	9	41	19	18	15

As of June 30, 2021. Source: Jennison, FactSet, MSCI.

## Earnings Results

- First quarter earnings results for the broad market S&P 500 improved over last quarter with 89% beating or meeting expectations versus 80% last quarter.
- Growth oriented sectors information technology, consumer discretionary, and communication services joined financials and industrials as the sectors with more than 90% of companies beating or meeting expectations.
- Despite it being the best performing sector, real estate saw 27% of its constituents missing consensus estimates. Results for consumer staples and utilities were also disappointing overall with more than 20% of their companies falling short of expectations.

Sector Name	% of Companies Beating/Meeting	% of Companies Missing
S&P 500	89%	11%
Financials	97%	3%
Communication Services	96%	4%
Information Technology	95%	5%
Industrials	92%	8%
Consumer Discretionary	92%	8%
Materials	89%	11%
Energy	88%	13%
Health Care	82%	18%
Utilities	79%	21%
Consumer Staples	78%	22%
Real Estate	73%	27%

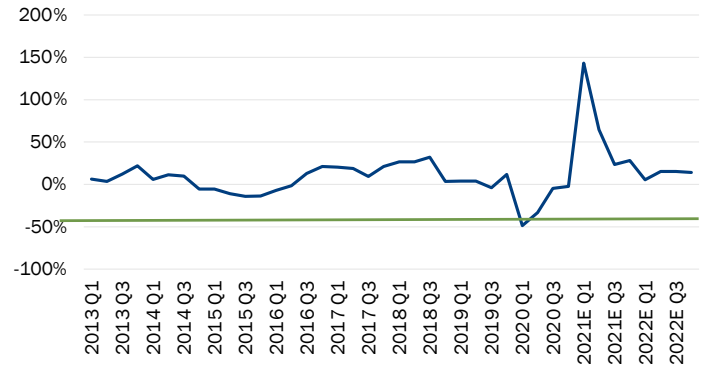
As of June 30, 2021 (most recent available) reflecting the end of the first quarter 2021 reporting season. Source: Standard & Poors

### Sector Weights as of June 30, 2021

	MSCI ACWI Russell 1000 Russell 10000			
	S&P 500	ex US	Growth	Value
Communication Services	11	7	13	8
Consumer Discretionary	12	14	19	6
Consumer Staples	6	8	4	7
Energy	3	5	0	5
Financials	11	19	2	21
Health Care	13	9	9	17
Industrials	9	12	6	12
Information Technology	27	13	44	10
Materials	3	8	1	4
Real Estate	3	3	2	5
Utilities	2	3	0	5

As of June 30, 2021. Source: Jennison, FactSet, MSCI.

### S&P 500® Index - YoY EPS Growth



As of June 30, 2021. YoY = Year over Year. Source: FactSet. Forecasts may not be achieved and are not a guarantee or reliable indicator of future results.

### S&P 500® Index - NTM P/E



As of June 30, 2021. Source: Jennison, FactSet, MSCI.

## Outlook from Jennison's Growth Teams

Investors spent much of the first half of 2021 attempting to bisect the equity landscape along themes of growth versus value and economic reopening versus remote work. However, stock price fluctuations over the past two quarters suggest this is a simplistic approach to forecasting the course of equity markets. In our view, corporate profit growth and economic recovery have been constant factors throughout the year, despite changing expectations about their rates of improvement. We believe these fundamental markers provide more nuanced insight into the longer-term path of markets and individual beneficiaries.

The economic recovery has continued to strengthen as the pandemic's most serious effects wane, particularly in the United States which has among the highest vaccination rates. Although pre-pandemic activity has begun to resume, labor shortages and higher prices of goods continue to weigh on the pace of recovery. The Federal Reserve's communications have begun to reflect these concerns and we believe it is likely to taper asset purchases sooner than might have been expected at the start of this year. The 10-year US Treasury yield declined to 1.45% at the end of June from 1.74% at the end of March, reflecting changing expectations surrounding a sustainable rate of U.S. GDP growth.

Fiscal stimulus has peaked and is expected to decline as extended state unemployment benefits expire at the end of September. This should help ease labor shortages that have persisted despite higher wages. There remains a revenue windfall from the U.S. Treasury that will be awarded at the discretion of state governments to non-entitlement areas—that is local counties and cities—that will flow over the balance of 2021. As such, we expect the U.S. public sector to be an unusually strong source of demand and spending over the medium term.

The pandemic is by no means over and the Delta variant's spread is affecting the economic reopening outside the United States. We believe that lingering ambiguity surrounding the growth outlook points to continued market volatility ahead, with a positive bias from ongoing upward earnings revisions.

Our fundamental research continues to focus on companies with secular growth opportunities that we expect will extend well beyond the pandemic. These durable opportunities have been a source of strong growth this year and we believe they are poised to offer improving rates of relative growth as the effects of fiscal and monetary stimulus diminish through the back half of 2021 and into 2022.

## Sector Views

### Information Technology

The S&P 500 Index's information technology sector rose 11.5% in the second quarter of 2021 and was one of the best performing sectors in the broader market S&P 500, just behind real estate. The sector outperformed modestly over the trailing one year, advancing 42.0% compared to the S&P 500's 40.1% gain.

Recent technology sector earnings reports continue to be strong, confirming the underlying strength in many companies and secular trends. We believe the market should continue to favor companies with asset-light business models, disruptive products, and faster organic growth in the current Covid-19-affected environment and as the world returns to normal.

It is important to recognize that technology is no longer a distinct sector; rather, it is woven through every industry in which we invest; a backdrop that creates an attractive environment for long-term champions of innovation. For example, we expect continued accelerated CAPEX spend on tech, software, and R&D, especially since these expenditures have now become a “necessity for survival” for businesses instead of a way to reduce costs and a “nice to have.” The long-term implications of this change in CAPEX spend will likely be profound.

However, unlike the last 2009-2019 economic cycle, valuations are more reflective of these powerful secular trends, and market broadening is still in-place given the large expansion in GDP growth expected for 2021 and 2022, along with the consensus views that higher rates and inflation are ahead (albeit from a very low starting-point). So on a go-forward basis we can expect continued volatility and consolidation for the technology sector, both relative and absolute.

The pandemic has accelerated the adoption of digital technologies by several years, and we expect that many of these changes will

be permanent. Companies are understanding that to remain competitive in this new environment they must value technology's strategic importance as a critical component of business, not just as a source of cost efficiencies. As a result, businesses are making the kinds of investments that are likely to ensure the trend's perpetuation. This can be seen across multiple fronts: technology-heavy capital expenditures; ecommerce strategies; the enterprise transition to the cloud; direct-to-consumer business models; and software applications that extend across businesses.

Consumers have adapted even more rapidly, with consumption behaviors shifting dramatically over the past year toward digital. We believe this mass adoption and new baseline will be the foundation for continued superior growth for the right companies. We believe large, global-oriented total addressable markets provide an ample runway for long-duration top- and bottom-line growth, with many disruptive trends expected to double over the next 3-5 years. Historically, earlier stages of mass adoption have spurred more innovation, greater ease of use, and an expansion of the ecosystem, which in turn has kept the virtuous cycle spinning with yet greater adoption.

Strong earnings growth isn't limited to “tech” companies grouped in the index's information technology sector. It extends to other businesses with technologically driven advantages in other sectors, as well, such as social media companies, classified as “communication services,” internet retailers and streaming entertainment providers, grouped in “consumer discretionary,” and robotic surgery, diagnostic, and biopharmaceutical companies classified as “health care.”

### Investment Themes & Areas of Focus

- The use of digital technologies to create new (or alter existing) business processes, cultures, and customer experiences has become a strategic imperative as enterprises seek to meet changing business and market needs. This digital transformation has been driven by digital technologies such as social media, mobile devices, artificial intelligence, and cloud computing.
- Software as a service (SaaS), another of these transformative digital technologies, delivers mission-critical cloud applications and services that are disrupting the software industry. Initially adopted by internet- and cloud-native businesses, and still in the nascent stages of utility, SaaS has begun to penetrate the mother lode of large mainstream enterprise markets. As the strategic necessity of implementing software enhancements as they become available becomes increasingly apparent, businesses are being driven to adopt the SaaS model. With penetration rates remaining relatively low, SaaS expansion opportunities over the coming decade look substantial.
- The COVID-19 pandemic has highlighted the prudence — and in many cases, the necessity — of working from home or at other offsite locations. Investors are viewing tech companies with products and services that facilitate seamless offsite work and communication capabilities with renewed appreciation.
- We look for companies positioned to benefit from increased business spending on technology. This includes investing in industries such as 5G, SaaS, business intelligence (AI), semiconductors, cloud storage and software, and life sciences tools.

- We think the continued ramping-up of data/information/entertainment usage across a broad range of devices and applications, along with digital payments, are among the areas that offer long-duration opportunities and huge addressable markets for companies with the right technologies. Business and consumer behaviors have clearly changed, with adoption and uptake rates inflecting higher.

## Health Care

In 2021's second quarter, the Health Care sector of the S&P 500® Index rose 8.3%, which was in line with the overall Index, which advanced 8.4%. Over the trailing 12-months, the Health Care sector rose 27.3% compared to the S&P 500 Index's 40.1% gain.

We believe the pandemic could have a permanent and salutary impact on the health care sector. The past several quarters have highlighted inefficiencies within the system and the serious implications of administrative mismanagement. At the same time, there have been incredible speed of discovery and multiple modalities available within the biotechnology, life sciences, and health care technology industries to address unmet medical needs. As a result, many companies may be able to penetrate their total addressable markets at accelerated rates.

Other possible post-COVID changes include:

- Increased use of telemedicine
- An accelerated shift to alternative sites of care, for example, more surgeries and procedures performed in ambulatory surgical centers rather than hospitals
- Increased awareness of personal health and use of self-monitoring technologies
- Touchless check-ins at doctors' offices
- Increased use of noninvasive diagnostics like liquid biopsy and noninvasive prenatal testing, as well as the acceptance of advanced technologies that monitor immune responses by monitoring the behavior of immune cells
- Increased use of virtual clinical trials that could accelerate drug development and lower costs.

## Investment Themes & Areas of Focus

We continue to look for innovative therapies, devices, or services that will ultimately lead to improvements in the patient experience. These include improving access to care, accuracy of diagnosis, as well as, improving patient outcomes and lowered costs. We continue to identify opportunities across various healthcare industries.

- We expect that productive research and development activity will yield effective disease treatments that improve the quality of patients' lives. These characteristics historically have been the source of longer-term outperformance in the sector.
- We believe many biotherapeutic companies have compelling fundamentals and innovative products and pipeline drugs.
- The number of drug candidates in biopharma pipelines continues to be high. Increased research and development investment by large global pharma companies, as well as advancements in drug screening and discovery, are driving the increase in drug candidates.
- Larger multinational pharmaceutical companies, especially those with patent-expiration pressures, will continue to make

acquisitions of smaller cap companies with single products or promising pipeline assets.

- Many tools and diagnostic companies are engaged in improving the physician decision making process, accelerating the drug development and approval process and integrating biology faster
- Medical device companies are improving the quality of life, offering less invasive procedures, increasing the ease of use for both doctor and patient, all of which reduces facility stays
- The healthcare service companies we focus on are leading sources to improve access to care, increase patient engagement, improve disease management, shift treatments to lower cost, more convenient sites of care, and lower overall cost of care.

## Financials

The tide turned for the S&P500 financial sector with the announcement of a COVID-19 vaccine in November of 2020, and the sector has been a strong performer (both relative and absolute) since that time. The market saw broader sector participation in the second quarter and financials finished with a return of 8.2% which was in-line with the 8.4% return for the S&P 500 Index. For the trailing 12 months, the financials sector gained 60.8% and was the best performing sector. The vaccine rollout and subsequent decrease in U.S. COVID cases, continued strength in the economic recovery coinciding with the reopening, better credit conditions, higher interest rates, and the lingering effects of the second stimulus continued to be tailwinds for the sector during 2Q21.

The news of a COVID-19 vaccine served as a boost to the broader market and, in particular, to sectors that had underperformed for most of 2020. The worst performing sectors of last year continue to be the best performing sectors in 2021. However, while the end of the pandemic and return to pre-2020 growth levels are starting to come into view, the timeframe for a full recovery is still unknown due to lingering effects on consumer and business confidence and balance sheets. Specifically, many of the longer-term macro concerns that plagued the sector and other economic/rate sensitive areas of the market before the pandemic are still in place; the Fed has signaled that interest rates will remain at depressed levels at least through 2022, and there is still no certainty around whether a higher nominal environment can be sustained. As such, the sustainability of the rally in the sector is uncertain.

The current backdrop remains favorable for universal banks and brokers as the capital markets are robust and expenses well-controlled. Scale has become a competitive advantage, and we are positive on business models with a broad reach along with higher profitability metrics. Also, higher interest rates (especially with a steeper yield curve) translate into higher interest revenue and earnings for the regional banks, though this is largely priced into those stocks.

## Investment Themes & Areas of Focus

- Overall, banks are significantly better-positioned today than they were in 2008-2009 financial crisis across a broad range of balance sheet, capital, and risk management metrics.
- Despite the recent rally, valuations remain very attractive and are near their lower historical bounds on a both relative and absolute basis. They compare favorably to years immediately following the Global Financial Crisis, despite much stronger company fundamentals and forward prospects.

- Looking forward for the next few years, consensus is expecting rates to stay historically low and the curve to remain generally flat. Although potential credit risks are expected to remain stable across a broad range of bank and insurance company assets, we expect the rate environment to drive continued headwinds that work against traditional fundamentals and market sentiment, which will continue to put downward pressure on P/E's.
- Fundamentals for P&C insurance companies are very strong (driven by favorable pricing dynamics) and valuations very attractive as this segment has lagged in the rally.
- Secular growth companies with defensive attributes (low leverage rates, asset light models, sustainable, high margin, and high free cash flow businesses) should continue to fare better in this type of environment. Several digital payment and financial technology companies meet these criteria and have demonstrated superior fundamentals and stock price performance through the COVID-19 crisis especially.

## Midstream Infrastructure

Midstream infrastructure continued the strong performance in 2Q21, which began with the announcement of a COVID-19 vaccine back in November 2020. The once-beaten-down sector has broadly rallied for the last eight months on positive vaccine news, an improving macro environment, and the anticipation of returning to normalized levels of supply and demand in a post-pandemic world. Midstream and MLP stocks generated positive returns over the second quarter, with the Alerian MLP Index gaining 21.23%, while the Alerian Midstream Energy Index — which includes not just MLPs, but a broader group of midstream infrastructure companies — advanced 16.39%.

Most of the larger midstream companies have taken decisive measures to conserve cash and “right-the-ship” during this global pandemic, and believe this disciplined behavior will continue. Cash-flow metrics have improved across the board after companies reduced capex and growth spending over the last 18+ months, which we expect to continue throughout 2021. Added cost reductions and increased asset optimizations should continue to fortify balance sheets, while offering management teams further opportunities to reduce debt levels.

Moreover, improvements in fundamentals are finally starting to be reflected in stock prices. However, while a recovery is clearly underway, uncertainty as to the pace and timing of a full re-opening of the US and global economy may give investors pause. As economic activity continues to slowly ramp, stocks should increasingly price in not only the short-term economic recovery bounce, but also the long-term positive benefits from the significant transformational corporate reform that has occurred over the past few years. All of which spells better times ahead for the midstream group, in our view.

Demand for energy hydrocarbons will surely continue. These midstream infrastructure companies have physical steel “in the ground,” many with asset networks that have high barriers-to-entry and are difficult to replicate. Furthermore, with the Biden administration unlikely to make permitting easier for new pipeline projects, we believe the value of existing infrastructure could also increase as a result, and we would not be surprised to see M&A and industry consolidation occur over the next 12 to 18 months.

\* MLP-structured investment may have different tax outcomes for investors in different jurisdictions.

## Investment Themes & Areas of Focus

- Reformed” companies (i.e., companies exhibiting higher capital discipline, and healthier, more conservative balance sheets that can withstand a downturn, along with improving ESG metrics such as solid corporate governance).
- Integrated business models – (the “haves”) the larger, more integrated companies with multiple touch-points along the energy value chain, higher barriers-to-entry, and steady cash-flows.
- Firms with exposure to the natural gas liquid (NGL), liquefied natural gas (LNG), and natural gas demand export themes.
- Renewable energy companies to diversify our overall energy holdings, and provide exposure to the renewables investment theme.
- Companies with liquids exposure that will benefit from the re-opening of the economy.

## Utilities

Underperformance for the utility sector persisted in 2Q21 as market sentiment continued to favor economically-sensitive sectors expected to benefit from a global economic reopening and rebound in economic activity. The second half the quarter also saw a rebound in growth-oriented sectors. The combination of which, left the defensive sectors — like utilities — trailing the strong performance of the overall market. However, our portfolio's broader investments in energy and telecommunications infrastructure allowed us to outperform more narrowly-focused utility benchmarks and competitors.

Utilities has been the worst performing sector over the past 12-month period as well. The underperformance is at odds with the underlying stability of the group, given utility company fundamentals have been quite good. In fact, despite the period of economic volatility, the group has continued to execute operationally — delivering on earnings guidance and de-risking their portfolios, along with the potential growth opportunities from renewable energy investments that should not only support, but could also drive the sector's earnings going forward, in our view. The discrepancy between utility fundamentals and performance may underscore both the attractive absolute and relative opportunity ahead for the sector. As such, we continue to find the sector attractive given the (still) lower-than-average interest rate environment, along with its predictable fundamentals.

We believe utilities represents a compelling “defensive growth” proposition for investors for several reasons:

- Improving economics in renewables such as wind and solar power, continue to remain a growth driver for the overall sector — companies now have renewables incorporated into their capex strategy plans (versus five years ago when renewables weren't included) — allowing those utilities to earn a regulated rate of return on their renewable investments.
- Their “defensive” nature — those with regulated activities and quasi-regulated renewable portfolios, combined with their long-duration cash-flows and predictable rate base earnings — remain not only attractive given their ability to provide stable dividends for investors amidst any macro uncertainty, but should also provide earnings growth above the sector's historical 3%-5% EPS growth.

- Despite the rise in interest rates, rates are still low from a historical perspective. In a “lower for longer” interest rate environment, utilities should continue to benefit from access to lower cost of capital – savings that eventually flow directly to their bottom-line.
- The renewables segment within the utility group should continue to benefit from government stimulus packages tailored to a green recovery, along with renewables development tailwinds that should sustain dividend growth.

### Investment Themes & Areas of Focus

- **Regulated Utilities** – companies operating in favorable regulatory environments and geographies, with above- average projected earnings and/or dividend growth driven by regulatory rate-base investment.
- **Renewable Electricity** – we see continued momentum across multiple fronts that support on-going investment and usage in renewables, stemming from the “energy transition” – a secular trend toward renewables – that will provide unique investment opportunities over the long-term.

- **Water Utilities** – state utility commissioners encouraging spending on improving water quality as well as pipeline replacement and maintenance, enables companies to provide transparent 10-year outlooks on their spending and income plans, a positive dynamic for this sub-industry.
- **Communications Infrastructure** – wired broadband network and datacenter operators are well positioned to capitalize on exponential global data demand growth; and tower operators given their critical infrastructure, multi-year contracts, and strong free cash-flow generation.
- **Continue to hold midstream energy names** – especially those with exposure to natural gas.

## Disclaimer

The views expressed herein are those of Jennison Associates LLC (“Jennison”) investment professionals at the time the comments were made and may not be reflective of their current opinions and are subject to change without notice. This information is 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. This information does not constitute investment advice and should not be used as the basis for any investment decision. This information does not purport to provide any legal, tax, or accounting advice.

The information contained in this material is directed only to qualified professionals and eligible institutional investors. Distribution of this information to any person other than the person to whom this material has been originally delivered, and to such person’s advisers, is not permitted. Any reproduction of these materials, in whole or in part, or the disclosure or redistribution of any of its contents, without the prior written consent of Jennison, is prohibited. These materials may contain confidential information and the recipient thereof agrees to maintain the confidentiality of such information.

The information provided herein is being provided for informational purposes only. Jennison Associates LLC (“Jennison”) has not been licensed or registered to provide investment services in any jurisdiction outside the United States. The information contained should not be construed as a solicitation or offering of investment services by Jennison or a solicitation to sell or a solicitation of an offer to buy any shares of any securities (nor shall any such securities be offered or sold to any person) in any jurisdiction where such solicitation or offering would be unlawful under the applicable laws of such jurisdiction. This material is not intended to be relied upon as investment advice and is not a recommendation to adopt any investment strategy.

Investing is subject to investment risk, including the loss of the principal amount invested.

Certain information in this material has been obtained from sources that Jennison believes to be reliable as of the date presented; however, Jennison 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. Jennison 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.

Past performance is not indicative of future results. There is no assurance that any sector or market forecasts will be attained or that any strategy will be successful or profitable for any investor.

In the United Kingdom, information is issued by PGIM Limited with 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). In the European Economic Area (“EEA”), information is issued by PGIM Netherlands B.V. with registered office: Gustav Mahlerlaan 1212, 1081 LA Amsterdam, The Netherlands. PGIM Netherlands B.V. is, authorised by the Autoriteit Financiële Markten (“AFM”) in the Netherlands (Registration number 15003620) and operating on the basis of a European passport. In certain EEA countries, information is, where permitted, presented by PGIM Limited in reliance of provisions, exemptions or licenses available to PGIM Limited under temporary permission arrangements following the exit of the United Kingdom from the European Union. These materials are issued by PGIM Limited and/or PGIM Netherlands B.V. to persons who are professional clients as defined under the rules of the FCA and/or to persons who are professional clients as defined in the relevant local implementation of Directive 2014/65/EU (MiFID II). Jennison Associates LLC, PGIM Limited & PGIM Netherlands B.V. are wholly owned subsidiaries of PGIM, Inc. the principal investment management business of Prudential Financial, Inc. (“PFI”). 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.

©2021 Prudential Financial, Inc. (“PFI”) and its related entities. Jennison Associates, Jennison, the PGIM logo and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

The **Global Industry Classification Standard (“GICS”)** was developed by and is the exclusive property and a service mark of MSCI, Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by Jennison “as is”. As of October 1, 2009, Jennison does not reclassify S&P/MSCI GICS securities and will only classify securities not classified by S&P/MSCI GICS. Companies classified by Jennison are not sponsored by the S&P/MSCI GICS classification system. Therefore, this commentary may include companies classified by S&P/MSCI GICS and/or Jennison.

The **S&P 500® Index** provides a broad indicator of stock price movements. The **Russell 1000® Growth Index** contains those securities in the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios. The **S&P 500® Health Care Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector. The **Alerian MLP Index** which is a composite of the 50 most prominent energy MLPs (Master Limited Partnerships) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index is calculated using a float-adjusted, capitalization-weighted methodology. The **S&P 500® Utilities Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector. The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the U.S. It comprises approximately 23 developed and 21 emerging market country indexes. The **MSCI Emerging Markets Index** captures large and mid cap representation across 21 Emerging Markets countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The net benchmark return is reported net of reclaimable and non-reclaimable withholding taxes. **Standard & Poor’s (S&P) Composite 1500® Health Care Index** which is a capitalization-weighted index that measures the performance of the health care sector of the S&P Composite 1500® Index. Withholding tax rates used for the benchmark differ from, and may be higher than, the withholding tax rates used when calculating the composite return. The financial indices referenced herein are provided for informational purposes only. When comparing the performance of a manager to its benchmark(s), please note that 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 are unmanaged and assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown.

MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

All indexes referenced in this commentary are registered trade names or trademark/service marks of third parties. References to such trade names or trademark/service marks and data is proprietary and confidential and cannot be redistributed without Jennison’s prior consent. Investors cannot directly invest in an index.

Source for Russell® Index data: Mellon Analytical Solutions and FactSet. Source for S&P 500® Index data: Standard & Poor’s, FactSet and FT Interactive Data Corporation. Source for Alerian Index: Alerian

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.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation. Clients seeking information regarding their particular investment needs should contact their financial professional.

**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 the PGIM Investments Sales Desk at (800) 257-3893 to obtain the prospectus and summary prospectus. Read them carefully before investing.**

Investment products and services are distributed by Prudential Investment Management Services LLC, a Prudential Financial company. QMA, Jennison Associates and PGIM are registered investment advisors and Prudential Financial companies. QMA is the primary business name of QMA LLC. QMA LLC (QMA) a wholly owned subsidiary of PGIM. PGIM Fixed Income and PGIM Real Estate are units of PGIM. ©2021 Prudential Financial, Inc. and its related entities. Jennison Associates, Jennison, PGIM Real Estate, PGIM and the PGIM logo are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

© 2020 Prudential Financial, Inc. (PFI) and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

1050407-00001-00 PI6704 ID01312022