

## **Item 1 – Cover Page**

PGIM Limited

PGIM Real Estate

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29 March 2019

As permitted by the SEC rules, PGIM Limited has elected to create separate brochures to address each of its different advisory units and this brochure provides information about PGIM Real Estate, its real estate investment advisory business. PGIM Limited is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

This brochure contains information about the qualifications and business practices of PGIM Real Estate. If you have any questions about the contents of this brochure, please contact Andrew Crain, Chief Compliance Officer, at +44 (0)20 7766 2400 or by e-mail at [andrew.crain@pgim.com](mailto:andrew.crain@pgim.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PGIM Real Estate is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This section identifies material changes that were made to our Brochure since its last annual update. PGIM Real Estate will deliver, within 120 days of the close of our financial year, either our current Brochure, together with a summary of material changes since the Brochure's last annual update, or a separate summary of those material changes. If we deliver a separate summary of material changes, we will offer to provide our current Brochure without charge and will instruct our clients as to how to obtain it.

Although we have made other changes and updates to our previous brochure dated 29 March 2018, we do not consider any of such changes to be material.

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## **Item 4 – Advisory Business**

### **Our Firm**

PGIM Limited (“PGIM Ltd”) was formed in July 1999 and is organised as a company incorporated in England (registered number 3809039). It is an indirect, wholly-owned subsidiary of PGIM, Inc. (“PGIM”), an SEC-registered investment adviser organized as a New Jersey corporation. PGIM is in turn an indirect, wholly-owned subsidiary of Prudential Financial, Inc. (“PFI”), a publicly held company (NYSE Ticker: PRU). PFI of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.

PGIM Ltd has been authorised and regulated by the United Kingdom Financial Conduct Authority (“FCA”) or a predecessor regulator since 1999 (registration number 193418) and was registered with the SEC as an investment adviser in February 2012. It has two business units, namely PGIM Real Estate (a real estate investment advisory business) and PGIM Fixed Income (a public fixed income investment advisory business). This brochure relates solely to PGIM Real Estate and references to “we,” “us” and “our” in this brochure are to PGIM Real Estate. In addition, any references to “our employees” or “our officers” are to officers or employees of PGIM Ltd and its affiliates who work in the PGIM Real Estate business unit (including individuals who are FCA approved persons and conduct marketing activities in connection with that business as representatives of PGIM Ltd).

PGIM Fixed Income has a separate brochure which has been filed with the SEC and provides information about its advisory businesses.

PGIM Real Estate commenced operations in 1999. It forms part of, and is integrated with, PGIM Real Estate of the United States (our “Parent Business”), the real estate investment advisory unit of PGIM. Accordingly, a certain number of governance, authorisation and review activities relating to PGIM Real Estate are conducted as part of the overall global organisation processes and procedures of our Parent Business and PGIM.

### **PGIM Real Estate**

PGIM Real Estate is a European real estate investment advisory business based in London, United Kingdom. We have affiliated offices in Europe in Frankfurt, Luxembourg, Munich and Paris. As of December 31, 2018, we managed approximately US\$ 3.04 billion in real estate assets on behalf of 18 clients on a discretionary basis.

Through the products and services we offer, we manage private real estate equity and debt investments and publicly traded real estate securities. The real estate investment strategies that we employ for our clients span the risk and return spectrum and we invest on behalf of our clients in both developed and emerging markets.

Our investment products generally comprise open and closed-ended commingled investment funds (such as limited partnerships and other tax-efficient entities) that invest in both direct real estate and entity level investments in real estate companies through equity or debt structures.

The investment products that we offer include commingled open-ended funds with core, diversified direct real estate freehold and long-leasehold strategies in Europe. These are marketed to institutional investors and PGIM Real Estate acts as investment adviser to the funds.

We also provide discretionary and non-discretionary investment advisory services to clients both directly, through express contractual relationships, and indirectly, pursuant to sub-advisory arrangements with both affiliated and unaffiliated investment advisers. For example:

- we provide investment advisory services to both affiliated and third-party clients in relation to investments in private real estate and real estate debt. The affiliated clients to which we provide such services include, without limitation, The Prudential Insurance Company of America (“PICA”) and Prudential Retirement Insurance and Annuity Company (“PRIAC”), in connection with the investments of their general and separate accounts; and
- we manage portfolios of publicly-traded securities of real estate operating companies (“REOCs”) and real estate investment trusts (“REITs”) globally on behalf of both affiliated and third-party clients.

## **Item 5 – Fees and Compensation**

### *Advisory Fees*

The fees and other compensation paid or borne by our clients in respect of the advisory and management services we provide vary according to a number of factors, including the type of client, the type of investment strategy, the investment amount and the type of services provided. For example, the fees and other compensation that we receive in respect of services provided to commingled funds, including those that we sub-advise, may differ from the fees that we receive for providing services to a single client. Fees and other

compensation are generally negotiable, so it is possible for one client to pay a different amount of fees and/or other compensation than another client with similar investment objectives or goals, though clients invested in the same investment fund or vehicle typically pay fees based on the same rate schedule.

Compensation structures may include base management fees, acquisition fees, disposition fees and cash management fees. They may also include incentive or performance based compensation (also referred to as promote and carried interest) which can take the form of fees, dividends or other forms of distributions or interest payments. Our base management fees for investments in funds that we manage are customarily offered in tiered schedules with breakpoints linked to the amount of assets in the fund, so that the fee rates paid by a client decrease as the client's assets under management increase. In circumstances where a single client or investor has multiple accounts managed by us we may, in our discretion, agree with such client or consultant to aggregate the client's assets within those accounts to enable the client or the consultant's clients to benefit from a lower fee tier.

As noted above, we do accept performance-based fees and compensation for certain of our advisory services. Our performance-based compensation arrangements are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940 and our internal policies. Fees and other compensation paid by clients that pay performance-based compensation may be higher than those paid by clients who do not, due to the fact that performance based compensation may increase based on the performance of a portfolio above an established benchmark.

#### *Payment of Fees and Other Compensation*

Depending on the client's preference or the structure of the compensation we either bill a client for our fees or deduct fees from the client's account. Base management fees are typically payable quarterly in arrears. Performance-based fees and compensation are only paid after the applicable performance has been achieved and the related fee or other compensation is due.

We do not require or solicit clients to pay fees in advance. If a client were to pay advisory fees in advance and the client's advisory contract were to terminate before the end of a billing period, any prepaid fees would be refunded on a pro-rata basis.

#### *Compensation of Our Investment Professionals*

Generally speaking, except for carried interest payments noted above, the compensation of our investment professionals (including, among others, portfolio managers and research

analysts) includes a combination of base salary, a discretionary performance-based annual cash incentive bonus, and a long-term incentive grant.

The base salary component is based on market data relative to comparable positions within the location and industry as well as the past performance, experience, and responsibility of the individual and the annual cash bonus is discretionary and paid from an annual incentive pool. Each investment professional's incentive compensation, including both the annual cash incentive bonus and any long-term incentive grant, is primarily determined by how significantly the individual has contributed to delivering investment performance to clients consistent with relevant objectives, guidelines, and risk parameters, as well as the individual's qualitative contributions to the organization. Incentive compensation is designed to align the interests of each investment professional with those of clients. The performance of clients' accounts, of our overall business, and of the individual employee are all important factors in determining the size of the annual cash incentive bonus and long-term incentive grant awarded to each individual. Total compensation is designed to be competitive with the market, but an individual's actual compensation may vary. Investment professionals are all covered by the same general compensation structure, although they may manage multiple accounts. Generally, all compensation is paid by PGIM Real Estate and not from any assets of managed accounts. As an exception to that general rule, a portion of the performance-based fees and other compensation that we earn is typically shared with relevant investment professionals and members of senior management and any such amounts will be paid to the individuals concerned directly or indirectly by the relevant client.

Certain of our employees are FCA approved persons. These employees may engage in marketing efforts in such capacity and may receive compensation for such efforts in the form of bonuses and long-term compensation that may, where permitted by law, be based directly or indirectly on the additional client capital raised as a result of their efforts.

The Head of PGIM Real Estate also receives (i) performance shares which represent the right to receive shares of PFI common stock conditioned upon, and subject to, the achievement of specified financial performance goals by PFI, (ii) book value units which track the book value per share of PFI, and (iii) PFI stock options. Each of the long-term incentive plan grants, performance shares, book value units and stock options is subject to vesting requirements.

### *Operating Expenses*

The funds and products that we manage or advise, and therefore the investors in those funds and products, may also be generally responsible for operating expenses which are outlined in each fund's private placement memorandum or other offering documents and

might include some of the following: (i) fees, costs and expenses relating to the operation of the fund or product, including those of accountants, auditors, appraisal management firm, lawyers and other third party service providers engaged to provide services to or in respect of the fund or product; (ii) fees, costs and expenses relating to the acquisition, ownership and disposition of investments, including fees, costs and expenses related to holding, leasing, financing, refinancing, development, due diligence, property management, repairs, improvements, asset monitoring, insurance, consulting, engineering, environmental inspection, indemnification, evaluation, negotiation, structuring, appraising, dead deal costs, structural and environmental studies, investment banking, reporting, projections, valuation, tax and accounting expenses and other similar fees, costs and expenses of the general partner, Fund Manager or third parties engaged to perform such functions; (iii) brokerage commissions, transfer agent expenses, custodial expenses and other fees, costs and expenses incurred in connection with investments; (iv) principal, interest on and fees and expenses arising out of all borrowings made by the fund or product; (v) fees, costs and expenses related to offering and sale of units or other interests in the fund or product (including legal fees, travel expenses and the costs and expenses incurred in preparing and periodically updating a private placement memorandum or equivalent document, and/or in obtaining tax and legal opinions); and (vi) all fees, cost, and expenses incurred in the formation and maintenance of the Fund or product and/or related entities including travel, accommodation and other out of pocket expenses, legal and accounting expenses, filing fees and expenses, printing costs, and other similar amounts. Such fees, costs and expenses may include amounts incurred by us which are then reimbursed to us by the relevant fund or other client.

In addition, certain fund agreements may provide for reimbursement of PGIM Real Estate's out-of-pocket expenses in connection with the formation and/or investment activities of the relevant fund, including, but not limited to, investment advisory services or reporting performed by third-party vendors at our direction and under our supervision.

#### *Operating and Joint Venture Partners Expenses*

Operating and/or joint venture partners investing in assets in conjunction with a client, or assisting with the sourcing, management and/or disposition of investments for a client, may receive management fees, acquisition fees, disposition fees and/or incentive fees or other compensation for their services as a means to further align the interests of those partners with the relevant clients. Such fees are typically paid as an operating expense by the relevant client.



## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As noted in Item 5 above, for certain of the funds that we manage and clients that we advise, we are entitled to earn performance-based fees and compensation. We believe that any conflict of interest created by performance-based fees and compensation is addressed by our policies and procedures, including those relating to the allocation process of private real estate investment opportunities and of aggregated orders of publicly traded real estate securities, which are designed to ensure a fair and equitable allocation of the relevant clients managed or advised by us.

### **Allocation Process for Private Real Estate Investment**

A detailed deal brief is prepared for each identified investment opportunity sourced by us and is distributed to the portfolio managers for all clients for whom the investment opportunity would be suitable. Separate queues of such clients are maintained by geographic region (and, in respect of the United States, for core and non-core deals) and, subject to any priority allocation rights that may exist, each investment opportunity is offered to the clients in the relevant queue in the order in which they sit in that queue at the relevant time. Once a deal is taken up on behalf of a client by the portfolio manager for that client, the client is moved to the bottom of the relevant queue. New clients are initially placed in the last position of the allocation queue for which its portfolio manager determines it has investment appetite. If a transaction allocated to a client fails to close for any reason, the client will still be deemed to have received an allocation for the purposes of adjusting its position in the relevant queue. Portfolio managers represent their clients' interests and only deals selected by a portfolio manager are allocated to the relevant client.

#### *Priority Allocation Rights*

As noted above, we may agree to allocate certain types of investments sourced by us in priority to a particular client, in which case relevant investments would only be offered to other clients in the relevant queue once the portfolio manager for the client with the priority allocation right had turned down the relevant investment opportunity. Such priority allocation rights are typically only agreed in relation to more specialised investment types and/or where we are satisfied that the granting of such rights will not adversely impact our ability to identify and allocate relevant investments to other clients for whom such investments would be suitable. In addition, we disclose in advance any such priority allocation rights to new clients from whom we subsequently secure mandates in respect of the relevant type of investment.

### *Overlapping Equity and Debt Investment Opportunities*

If a private real estate investment opportunity is identified which involves both an equity investment and a debt investment that, in each case, would be suitable for one or more portfolios that we manage, the conflict of interest would be escalated to determine whether we will pursue the equity investment opportunity and/or the debt investment opportunity. Where we did decide to pursue both investment opportunities on behalf of separate clients, we would establish separate teams to work on each of the equity and debt investment opportunities and would establish an information barrier between the two teams.

### **Allocation of Aggregated Orders of Publicly Traded Real Estate Securities**

When we place an aggregated order in respect of a particular order on behalf of more than one client, they are typically allocated pro-rata, subject to account restrictions or guidelines, based on the relative size of the relevant client portfolios. Under such pro-rata allocation, each client pays the average unit price and bears its pro-rata share of transaction costs.

Deviations from a pro-rata allocation may be made on the basis of certain specified conditions, including if (i) an allocation would cause a client to receive an odd lot or “de minimis” amount, (ii) the portfolio manager determines that the relevant client portfolio’s cash flow does not support an allocation, (iii) a client portfolio has a specialized investment mandate or style, or specific investment restrictions, (iv) a client has unique tax considerations, (v) positions for multiple clients need to be balanced or (vi) clients are excluded due to client directive or regulatory requirement. Any allocation that is not pro-rata must still be consistent with fair and equitable treatment of all clients and is approved by the portfolio manager signing off on the allocation rationale as soon as possible, and typically not later than the opening of the applicable securities market on the following trading day. In addition, any allocation rationale is memorialized in writing and is retained consistent with our record-keeping requirement.

### **Item 7 – Types of Clients**

Our client and investor base is composed of many different types of institutions and accredited investors, including but not limited to European and global pension plans, private pension plans, national pension funds, sovereign wealth funds, family offices, charitable institutions, banks, foundations, endowments, registered mutual funds, private investment funds, insurance company general and separate accounts, trust programs, Undertaking for the Collective Investment of Transferable Securities (“UCITS”), Societes

d'Investissement a Capital Variable ("SICAVs") and High Net Worth investors. We provide our services to both affiliated and non-affiliated clients. Our minimum account size varies by product. Generally, single client accounts have higher minimum amounts than investments in commingled vehicles.

## **Item 8 – Methods of Analysis, Investment Strategies and Risks of Investing/Loss**

PGIM Real Estate's product and service line is diverse and includes investment opportunities in private and public real estate and in private real estate debt employing a variety of financial structures. Outlined below are our Methods of Analysis, Investment Strategies and Risks of Investing and Loss.

### **A. Methods of Analysis**

In order to identify potential acquisitions for our private real estate portfolios, portfolio managers communicate the investment needs of each portfolio to the transactions team on a regular basis. This includes detailing preferences for property type, location, risk/reward expectations, deal size and structure. The transactions team then compare these needs with available investment opportunities and allocate their time and resources to potential transactions that will satisfy the portfolios' investment appetites.

PGIM Real Estate's transactions team is responsible for building a pipeline of investment opportunities for presentation to the portfolio managers, utilizing a regionalised network of transaction team to provide broad, geographic coverage. Additionally, the transactions team's long-standing relationships with owners and developers gives us access to a variety of deals which are not widely marketed.

PGIM Real Estate has a global investment committee that reviews private real estate investments that satisfy certain materiality and other criteria, four regional investment committees that review investments in the United States, Europe, Asia, and Latin America, respectively, an investment committee that reviews private debt investments in the United States and an investment committee that reviews investments by our PRREF funds.

While none of our investment committees are responsible for the day-to-day decisions with respect to specific investments made by or on behalf of the accounts that we manage, the acquisition or disposition of a private real estate investment by an account is reviewed and approved by the appropriate investment committee, or a subcommittee thereof, or by the portfolio manager of the affected account under delegated authority. For those accounts that are non-discretionary, review by the investment committee, subcommittee or portfolio manager occurs prior to seeking consent from the relevant client. The suitability of an

acquisition for, or appropriateness of, a sale by an account is confirmed as part of the approval process, taking into account the investment guidelines, restrictions and other requirements of the particular account. Investment guidelines are reviewed and approved for each account at the time of formation by the applicable risk and product approval committees.

Our investment process in respect of publicly traded real estate securities employs a top-down, bottom-up value-oriented approach based upon real estate fundamentals. We emphasize both quantitative and qualitative investment analysis. We focus on valuation relative to the company's underlying real estate assets (NAV) as well as the company's on-going concern valuation. Through detailed company research that includes regular management visits, property tours and financial analysis, we analyze the quality and sustainability of real estate asset cash flows and growth of company dividends. We also evaluate the company's strategy and its management's track record and incentives.

In addition, the investment committee for our Global Real Estate Securities ("GRES") business establishes geographic portfolio allocations among Europe, Asia and North America, approves risk characteristics and parameters for each portfolio, and reviews geographic allocations, risk characteristics and parameters of each portfolio on a quarterly basis. Authority is then delegated to the GRES team to manage the portfolios on a day-to-day basis in accordance with the applicable prospectus or investment guidelines.

## B. Investment Strategies

PGIM Real Estate offers its global client base a broad range of real estate equity, debt and securities investment strategies that span the capital stack and risk spectrum from Core through Core Plus and Value-Added to Opportunistic.

We have set forth below some of what we believe are the key characteristics of investments within each of those categories.

More detailed summaries of the investment strategies of specific funds and products are described in the private placement memorandum or other offering documents for those funds or products.

### **Core**

Core investment strategies target the major property types (office, logistics, storage, and multi-family) to provide investors with stabilized income from credit quality tenants on longer term leases.

Core real estate strategies focus on ensuring the sustainable income from properties over time and include assets undergoing minor renovation or expansion where there is a relatively low impact on the property's occupancy or operation.

Core real estate debt strategies also fund real estate strategies that offer stabilized income providing senior mortgages based on the conservative credit profiles in terms of loan-to-value, debt service coverage, sponsor quality and strength.

### **Core Plus**

Core Plus investment strategies target higher income-focused returns for investors. Core Plus real estate strategies identify opportunities to increase net operating income over time and will likely include elements of light income transition. For instance upcoming lease expiries provide an opportunity to increase rents.

Core Plus real estate debt strategies provide enhanced income from funding stabilized and light transitional real estate and typically feature an elevated credit profile as compared to Core real estate debt investments and/or some element of subordination, for instance when providing junior loans.

### **Value Add**

Value Add investment strategies target higher total returns, typically with a greater element of capital growth.

Value Add real estate investments seek to meet under-served market needs through asset transition strategies such as lease-up, renovation or development. Strategies may target emerging property types or markets where significant new demand is anticipated and employ the highest leverage to enhance investor returns.

Value Add real estate debt strategies fund similar real estate strategies while offering downside collateral protection with preferred returns that are structured in priority to sponsor equity. Typical investment structures include mezzanine, junior debt or preferred capital investments that may include

some element of upside participation through loan fees or equity co-investment.

### **Opportunistic**

Opportunistic investment strategies target capital growth and move even further up the risk spectrum with the anticipation of even greater returns.

Opportunistic strategies typically target specific market niches and may focus on recovering, developing or emerging markets and include investments in speculative developments, private real estate companies or other investment opportunities such as non-performing loan portfolios. Significant leverage may also be employed for such strategies to enhance returns.

## **Public Real Estate Securities**

PGIM Real Estate's Global Real Estate Securities investment strategies combine top-down fundamental company research with bottom-up stock selection and a focus on risk management.

Investment strategies are determined based on income and capital appreciation objectives and typically invest in REITs or REOCs that may pursue a combination of the investment strategies identified above.

### **C. Risks of Investing and Loss**

Set forth below are some of the primary risks that we believe are representative of those involved in commercial real estate equity, debt and securities and/or engaging PGIM Real Estate to manage or advise on those investments. A more detailed discussion of the specific risks associated with the investments of a particular product offered by us may be found in the offering documents for that product, which are available upon request.

#### *Risk of Loss*

Any investor contemplating direct or indirect investment in real estate, real estate debt or real estate securities must recognize that such investments are not guaranteed and involve potentially significant risk of loss, which the investor must be prepared to bear. An investor in a particular investment or portfolio of investments may not achieve its investment objective or receive any return on its investment. Performance may be volatile and investors may lose their entire investment. Past performance and activities provide no assurance of future results. In addition, management fees and expenses may reduce investment returns.

#### *General Market Risk and Risks Related to General Economic Conditions*

The financial performance of an investment may be adversely affected by general national and international economic conditions and factors, by conditions within one or more real estate markets and/or by other factors such as natural disasters, terrorism, acts of war, and uninsurable losses. Interconnectivity of global markets and economies increases the

likelihood that events in one market or economy may adversely impact other markets and/or economies.

#### *Risks Related to Reliance on Operating Partners and other Third Parties*

Investments may be made through joint venture or other co-investment arrangements, the results of which may be highly dependent on the credit, acumen and behavior of the relevant partners and/or other entities and individuals that they may retain, such as property managers, construction managers and/or developers. If the applicable venture or management arrangements are terminated for any reason, or if key property management personnel leave or otherwise become unavailable, it may be difficult to find a suitable replacement.

#### *Risks Related to Reliance on PGIM Real Estate Professionals*

In addition, the success of investments will depend, in substantial part, upon the skill and expertise of certain PGIM Real Estate professionals. The death, disability or departure of any key PGIM Real Estate professional may adversely affect the performance of investments that we manage or in respect of which we provide investment advice. In addition, certain associates may have greater demands on their time, especially at senior levels, and therefore may not be able to spend as much time focusing on the specific portfolios that they are responsible for.

#### *Risks Related to Competitive Markets*

Competition for real estate investment opportunities can be high, and such competition may limit the ability to acquire desirable target assets, affect the underwriting or pricing of assets and/or adversely impact investment returns.

#### *Risks Related to Real Estate Investments Generally*

The value of commercial real estate is typically dependent upon the ability of the applicable property to produce cash flow (or at least its potential to generate cash flow). However, a property's net operating income and cash flow can be volatile. The net operating income, cash flow and value of the property may be adversely affected by any number of factors, including, without limitation:

- the age, design and construction quality of the property;
- perceptions regarding the safety, convenience and attractiveness of the property;
- the proximity and attractiveness of competing properties;

- the adequacy and effectiveness of the property's operations, management and maintenance;
- increases in operating expenses (including but not limited to insurance premiums) at the property and in relation to competing properties;
- an increase in the capital expenditures needed to maintain the property or make improvements;
- costs associated with environmental liabilities or other legal liabilities;
- the dependence upon a single tenant, or a concentration of tenants in a particular business or industry;
- a decline in the financial condition of a major tenant;
- an increase in vacancy rates;
- a decline in rental rates as leases are renewed or entered into with new tenants; and
- development and/or construction risk such as entitlements or other permissions to build not being obtained, and/or the development or construction not being completed on time, within budget, and/or in accordance with plans and specifications

Other more general factors that can adversely impact the value of a real estate investment include:

- national, regional or local economic conditions;
- local real estate conditions (such as an oversupply of competing properties, rental space or multifamily housing);
- demographic factors;
- decreases in consumer confidence;
- changes in prices for key commodities or products;
- changes in consumer tastes and preferences, including the effects of adverse publicity;
- retroactive changes in building codes, or other changes in governmental regulations, fiscal policy, zoning or tax laws;



- force majeure acts, terrorist events, natural disasters, climate change, and other factors which are beyond our reasonable control; and
- cyber attacks including, for example, malware, ransomware or stealing of sensitive data.

The volatility of the net operating income of a property will be influenced by many of the foregoing factors, as well as by:

- the length of tenant leases;
- the creditworthiness of tenants;
- the level of tenant defaults;
- rent control laws, affordable housing mandates or other laws impacting operating costs;
- the number and diversification of tenants;
- the availability of trained labor necessary for tenant operations;
- the availability of financing;
- changes in interest rate levels;
- the rate at which new rentals occur;
- the property's operating leverage;
- the ratio of fixed operating expenses to those that vary with revenues; and
- the level of capital expenditures required to maintain the property and to retain or replace tenants.

A decline in the real estate market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources (such as hotels or other properties with short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under bank loans secured by such properties.

Newly constructed and/or recently opened properties have a limited operating history. There can be no assurance that properties, whether newly constructed and/or recently opened or otherwise, will perform as anticipated.

### *Risks related to Portfolio Concentrations*

A real estate investment portfolio that is concentrated in a particular country, region, market, industry sector or asset class could be more susceptible to loss due to adverse occurrences the relevant country, region, market, sector or asset class than a more diversified real estate investment portfolio.

### *Operational Risk*

Portfolios can suffer a loss arising from shortcomings or failures in internal processes, people or systems or from external events. Operational risk can arise from factors such as routine processing errors to potentially more costly incidents related to, for example, minor systems failures.

### *Valuation Risk*

Valuation of real estate and real estate debt is subject to numerous assumptions and is not a precise measure of realizable value. The value of a portfolio as of a particular date may be materially greater or less than the value that would be determined if a portfolio's investments were to be liquidated as of that date. Volatile market conditions or illiquidity of real estate investments could result in liquidation values that are materially less than the values of such assets as reflected in a portfolio.

### *Risks related to Debt Investments*

Risk related to borrower default: Debt investments are typically secured by or supported by the cash flows from commercial property. As there is generally very limited recourse against the borrower's or sponsor's assets other than the underlying collateral, the ability of a borrower to repay a loan typically is dependent primarily upon the successful operation of the related income-producing property, rather than upon the existence of independent income or assets of the borrower. If the net operating income of the related property is reduced, the borrower's ability to repay the loan may be impaired.

Risk of Decline in Value of Collateral: In addition, there is a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage or other loan. Some mezzanine loans may restrict transfers of the equity interests securing such loans, or such transfer or foreclosure may require the consent of a senior lender or equity holders in the related real estate company. These remedial limitations may adversely affect the likelihood of repayment of the mezzanine loan in the event of a default.

### *Risks related to Real Estate Equity Securities*

Investments in publicly traded real estate equity securities may be more volatile than other forms of real estate investment. Prices of equity securities may increase or decrease because of changes in the markets more broadly or specifically because of changes in a company's financial condition, sometimes unpredictably. The value of real estate equity securities often are subject to the same risks as direct investments in real estate and their value may be influenced by factors including the value of the underlying properties or underlying loans. The value of real estate equity securities may rise or fall in response to many factors including economic conditions, demand for rental property, interest rates and creditworthiness of the issuer. The values of equity securities may decline when interest rates rise or could also be affected by the underlying properties. Real estate equity securities may be more illiquid than other equity securities.

### *Risks Related to Third Party Fee Rates*

PGIM Real Estate retains third party service providers to provide various services for our business as well as for portfolios that we manage and clients that we advise or sub-advise. A service provider, or its affiliate, may provide services to one or more of our clients while also providing services to PGIM Real Estate itself, other clients of PGIM Real Estate, other PGIM businesses, other PGIM-advised funds or affiliates of PGIM, and may negotiate rates in the context of the overall relationship or may charge different rates or have different arrangements for specific types of services. PGIM Real Estate may benefit to a greater degree from such service provider agreements than our funds or other clients with respect to certain types of services that are offered to the funds or other clients. There is no assurance that we will be able to obtain or apply in all instances advantageous fee rates from a given service provider negotiated with respect to services provided to us or our funds or other clients; or negotiated by other PGIM businesses, other PGIM-advised funds or affiliates of PGIM based on their relationship with the service provider, or that we will be aware of certain negotiated fee rates.

### *Risks Related to Use of Leverage*

We may incur leverage at a fund or portfolio level, subject to specified constraints, and certain funds and clients may also leverage individual assets. Incurring substantial debt could subject the relevant investments to a number of risks that could materially and adversely affect investors, including the risks that:

- portfolio or property cash flow may be insufficient to make required payments of principal of and interest on the debt;

- the borrowing entity may be unable to comply with all of the material covenants imposed by the lender;
- such debt may increase the relevant portfolio's or investment's vulnerability to adverse economic and industry conditions;
- a substantial portion of the portfolio's or property's cash flow to payments on debt, thereby reducing cash available for property operations, investor distributions or other purposes; and
- the borrower may be unable to refinance debt that matures on favorable terms, or at all.

Defaults under such financing could lead to (i) acceleration of such debt (and under any other debt facility containing a related cross-default or cross-acceleration provision), (ii) an inability to borrow unused amounts under other financing arrangements, (iii) the loss of some or all of a client's investments to foreclosure or sale, (iv) one or more lenders being unwilling or unable to provide us with financing increasing the costs of financing.

In addition, if regulatory capital requirements imposed on our lenders change, they may be required to limit, or increase the cost of, financing they provide. In general, this could potentially increase financing costs, reduce available capital thereby affecting our decision to buy, hold or sell a specific investment.

To the extent that floating rate financing is employed, changes in interest rates, particularly short-term interest rates, may immediately and significantly decrease the results of property operations and cash flows and the market value of relevant investments.

Bank credit facilities may be used to finance certain client investments, on a portfolio by portfolio basis. These financing arrangements may involve the risk that the market value of the properties may decline in value, or other loan covenants may be breached, in which case the lender may require the borrower to provide additional collateral or to repay all or a portion of the funds advanced. The borrower may not have the funds available to repay or pay down the debt at that time, which could lead to a default.

#### *Risks Related to Foreign Investments*

With any investment in a foreign country there exist certain economic, political and social risks that might not be found in a similar domestic investment. Investments are generally denominated in the currency of the jurisdiction where the investments are located and thus are subject to fluctuation in currency exchange which can affect the value of the assets. In addition, laws, regulations and conditions in foreign countries may impose restrictions or

risks that would not exist domestically and may require financing and restructuring alternatives which differ from those customarily used domestically. Foreign countries may also impose taxes on the funds and their investors which differ from those imposed domestically.

#### *Risks Related to Financial Regulatory Reform*

Laws and regulations affecting our business change from time to time. We cannot predict the effects, if any, of future legal and regulatory change, both in the UK and in other jurisdictions, on our business or the services we provide.

#### *Risk Related to the UK's Membership of the EU*

On June 23 2016, the UK held a referendum with respect to its continued membership in the European Union ("EU") (the "UK/EU Referendum"). The result of the UK/EU Referendum was a vote in favor of the UK leaving the EU. At present, it remains unclear exactly when and on what terms the UK will leave the EU or what the nature and content of the UK's relationship with the EU will be after it has left the EU. However, the UK's departure from the EU (which is referred to as Brexit) may pose certain risks to our business. In particular, a passporting regime currently allows regulated entities licensed or authorized in the UK (and each other EEA country) to operate on a cross-border basis in other EEA countries without the need for a separate license or authorization. There can be no assurance that the terms of Brexit will include arrangements for the continuation of the existing passporting regime or of mutual access rights to market infrastructure. PGIM Limited currently relies on these passporting rights to conduct investment business in the EU. In the case of a hard Brexit where the UK becomes a "third country" and there is no transition period, PGIM Limited will no longer have these passporting rights. We are implementing contingency plans to address the potential impacts of Brexit (including a potential hard Brexit) but, notwithstanding those measures, our ability to market and provide investment services in the EU may be adversely affected by Brexit.

#### *Risks Related to Technology and Cybersecurity*

We must rely in part on digital and network technologies to conduct our business and to maintain substantial computerised data relating to client account activities. These technologies include those owned or managed by ourselves as well as those owned or managed by others, such as custodians, financial intermediaries, transfer agents, and other parties to which we or they outsource the provision of services or business operations.

Like all businesses that use computerised data, we and our affiliates and the systems we use could be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of data to unintended parties, or the

intentional misappropriation or destruction of data by malicious hackers mounting an attack on computer systems. We and our affiliates have implemented and maintain an information technology security policy and program that includes certain technical and physical safeguards intended to protect the integrity, availability and confidentiality of the data we have and the systems that store it, and take other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction.

Nevertheless, despite reasonable precautions, cybersecurity incidents could occur, and might in some circumstances result in unauthorised access to sensitive information about us or our clients. In addition such incidents might cause damage to client accounts, data or systems or affect client services.

Furthermore, these systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or others' control. Technology failures, whether deliberate or not, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to transact business.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that would be material to an evaluation of us or the integrity of our management.

## **Item 10 – Other Financial Industry Activities and Affiliations**

As an indirect wholly owned subsidiary of PFI, we are part of a diversified, global financial services organisation. We are affiliated with many types of financial service providers, including broker-dealers, insurance companies and other investment advisers. Some of our officers and employees are officers of some of these affiliates.

### *Our Broker-Dealer Affiliations*

Certain of our management persons and other employees are registered with the Financial Industry Regulatory Association (“FINRA”) as representatives and principals of Prudential Investment Management Services, LLC (“PIMS”), our affiliate and a SEC-registered broker-dealer. These employees may engage in marketing efforts in such capacities related to the commingled vehicles that we offer and may receive transaction-based compensation for such efforts or where permitted by law, compensation, in the form of bonuses and long-term compensation that may, where permitted by law, be based directly or indirectly on the additional revenues generated from new or existing relationships.

PIMS provides broker-dealer services for PGIM Real Estate and marketing support for certain PGIM Real Estate products. We do not use PIMS as a broker for securities trading activity on behalf of our client accounts.

### *Our Investment Advisor Affiliations*

Other affiliated investment advisors that we may, from time to time, provide investment advisory and ancillary services to or receive services from include QMA LLC., PGIM Fund Management Limited and PGIM Real Estate Luxembourg SA. We also have service agreements with some of these affiliates under which we may perform or receive services.

### *Our Insurance Company Affiliations*

As further described in Item 4, we provide investment advisory services to PICA and PRIAC, our affiliated insurance companies, in connection with the investment of their general and separate accounts. Certain of these separate accounts are investment options under the

Prudential Employee Savings Plan. In addition, we provide management services with respect to assets of certain benefit and welfare plans sponsored by PICA.

To address the potential conflict of interest as to the allocation of investment opportunities between our affiliated entities and our other clients, we have adopted several procedures, including those described in more detail in Item 6.

#### *Potential Conflicts Relating to Our Relationships with Affiliates*

From time to time, various potential and actual conflicts of interest arise from the overall investment activities of PGIM Real Estate, including the activities between us and our affiliates. While we have adopted and follow numerous standards, policies and procedures designed to address these potential or actual conflicts of interests, all as further described in this brochure, we cannot guarantee that such standards, policies and procedures will detect and ensure avoidance, disclosure or mitigation of each and every situation in which a conflict may arise.

The following briefly summarizes some of the potential conflicts arising from activities with our affiliates. It is not meant to be an exhaustive list, and investors should consult applicable offering documents for a more complete listing of applicable conflicts.

- *Marketing or Support Activities for investments of our affiliates*

Now or in the future, we may engage in marketing or support activities for or on behalf of investments offered by other affiliates. In the event an investor sourced by PGIM Real Estate enters into an investment relationship with another affiliate, PGIM Real Estate may be compensated for its efforts either by participating in the fees paid to the other affiliate by the affected investor, or in such other manner as the parties agree.

- *Affiliated Officers in Companies we invest*

Certain of our affiliates (as well as directors or officers of our affiliates) are officers of directors of issuers in which we currently invest or could invest in the future and/or engage as a service provider from time to time. Our affiliates may also invest in or engage these issuers as service providers.

#### *Potential Conflicts Relating to the Use of Affiliates*

PGIM Real Estate has entered into and may in the future enter into arrangements with affiliates to perform various administrative, back-office, and other services on behalf of, and relating to, funds and other client accounts.



For example, Prudential Asset Resources, Inc. (“PAR”) has been engaged, and may in the future be engaged, to carry out loan servicing in respect of private real estate loans made by clients that we manage or advise.

In order to manage the conflicts involved in the use of affiliated service providers such as PAR, we will ensure that there is appropriate disclosure in writing to the relevant client and underlying investors and that the fees or other amounts to be paid to the affiliated service provider are comparable to those generally available in the market from unaffiliated service providers.

## **Item 11 – Code of Ethics**

### *Code of Ethics – General*

We maintain a Code of Ethics as required by applicable SEC rules. This Code of Ethics requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, the Code of Ethics requires employees to put client interests ahead of their own and disclose actual and potential meaningful conflicts of interest. The Code of Ethics incorporates PFI’s information barrier and personal securities trading policies that are described in greater detail below. Our employees are required to report any violation of the Code of Ethics promptly to our Chief Compliance Officer. We will provide a copy of our code of ethics to clients or prospective clients upon request.

### *Information Barrier Standards*

PFI’s information barrier standards are designed to prevent the communication of material, non-public information across the various PFI asset management investment sectors. They also restrict physical access to an investment sector’s offices by employees of a different investment sector.

We maintain a restricted list of issuers about which we have material, non-public information, and our policies prohibit trading, either for client or personal accounts, in the securities of such issuers. The receipt of material, non-public information by us most often occurs because at times we engage in real estate and other transactions with publicly traded REITs and real estate operating companies and may obtain material, non-public information about these public issuers. In an effort to avoid such restrictions on trading, we have procedures in place to carefully consider whether or not to intentionally accept material, non-public information with respect to certain issuers, where appropriate.

In addition, due to our involvement in making recommendations in relation to publicly traded real estate securities PGIM Real Estate maintains an information barrier between the personnel involved in advising on those portfolios and those personnel that manage or advise on private real estate investments. This permits PGIM Real Estate's private-side real estate business to engage in real estate transactions with publicly traded real estate securities that might otherwise restrict our GRES unit from investing in those same securities for relevant clients if no barrier were to exist. All communications and access restrictions outlined in PFI's barrier standards apply to the barrier between our GRES team and the private side of our business.

Furthermore, in instances where we deem it appropriate, we may create an "isolated information barrier" around a small number of our employees who may come into possession of material, non-public information about an issuer, so that their knowledge is not attributed to other employees.

#### *Personal Securities Trading Standards*

PFI maintains personal securities trading standards that govern the trading activities of our employees as well as their household members and dependents. Subject to certain limited exceptions, our employees are required by those standards to:

- report personal securities transactions to our corporate compliance unit;
- pre-clear personal securities transactions (for employees considered to be 'access persons' under SEC rules);
- maintain brokerage accounts only with approved brokers, which may be requested to report transaction information to our corporate compliance unit; and
- annually report securities holdings to our corporate compliance unit.

Our access persons and investment personnel are subject to additional restrictions under the standards, including the following (which are subject to exceptions for certain de minimis transactions):

- investment personnel are generally prohibited from purchasing securities in initial public offerings;
- investment personnel are prohibited from trading any security within seven days before or after we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);

- investment personnel must disgorge any profits from the purchase and sale (in whatever order) of the same security within 60 days;
- access persons may not trade any security on the same day that we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);
- access persons may not write naked call options or buy naked put options on a security held in a client account; and
- access persons may not sell short any security which is owned by any portfolio managed by us (with the exception of short sales against the box).

Furthermore, where employees of PGIM or its affiliates are allowed to invest in PGIM Real Estate advised funds, policies and procedures are in place that are designed to not have such employees be given any advantage over non-employee investors.

We evaluate personal trading activity versus firm trading and restricted list content, and any matches are investigated by our compliance unit. An Ethics Committee meets regularly to consider possible violations and take disciplinary action where appropriate.

All our employees receive annual compliance training, either web-based or otherwise, regarding personal securities trading and information barrier standards. In addition, employees must annually confirm that they have read and understand the code of ethics, including the personal securities trading and information barrier policies.

#### *Gift & Entertainment Policy*

Our employees may occasionally give or receive gifts, meals or entertainment of de minimis value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. PGIM Ltd has adopted a gift and entertainment policy to address the related conflicts of interest, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of our clients. The policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds, with additional procedures in place to ensure compliance with (i) Employee Retirement Income Security Act ("ERISA") regulations, (ii), the Foreign Corrupt Practices Act ("FCPA"), and (iii) rules related to employees of local, state or federal government. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activity to monitor trends of abuse, conflicts of interest, and violations of the policy.

### *Political Contributions*

Due to the potential for conflicts of interest PFI, PGIM and PGIM Ltd have established policies and procedures relating to political contributions that are designed to comply with applicable federal, state and local law. Under these policies and procedures, all employees (including spouses and dependent children) must obtain preapproval before making any U.S. political contributions.

### *Conflicts of Interest*

As a result of the broad range of both our business and the businesses of our affiliates, conflicts of interest arise in our operations. Described below are significant conflicts of interest which have been arranged under headings for ease of reading only. Conflicts described under one heading could appear or be repeated under one or more other headings below. We do not intend for the headings to limit the applicability of a particular conflict to matters described under other headings or other parts of our business.

We have adopted and follow numerous standards, policies and procedures designed to address potential or actual conflicts of interests as further described in this brochure, we cannot guarantee that such standards, policies and procedures will detect and ensure avoidance, disclosure or mitigation of each and every situation in which a conflict may arise.

### *Conflicts Related to Outside Business Activities*

From time to time, certain of our employees or officers may engage in outside business activities, including outside directorships. All outside business activities are subject to prior approval pursuant to our personal conflicts of interest and outside business activities policy. Actual and potential conflicts of interest are analysed during such approval processes. We could be restricted in trading the securities of certain issuers in client portfolios in the unlikely event that an employee or officer, as a result of an outside business activity, obtains material, non-public information regarding an issuer.

### *Conflicts Arising from Our Affiliations and Portfolio Management Responsibilities*

PGIM Real Estate is a unit of our Parent Business and PGIM Ltd is an indirect, wholly-owned subsidiary of PGIM (which is itself an indirect, wholly-owned subsidiary of PFI). As a result, we are part of a full-scale global financial services organization and affiliated with insurance companies, other investment advisers and broker-dealers. Our portfolio

managers are often responsible for managing multiple accounts, including accounts of affiliates, institutional accounts, insurance company separate accounts, non-discretionary model portfolios and various pooled investment vehicles, such as commingled funds and other unregistered funds.

Legal, regulatory and contractual restrictions may limit how much, if any, of a particular investment we may purchase or sell on behalf of a client, and the timing of the purchase or sale. Such restrictions may arise as a result of our relationship with PFI and its other affiliates. We may be prohibited from engaging in transactions with its affiliates even when such transactions could be beneficial for client accounts. Certain affiliated transactions are permitted in accordance with procedures adopted.

Certain of our affiliates develop and may publish research that is independent from the research that we develop and publish. We may hold different opinions on the investment merits of a given property, security, issuer or industry such that we may be purchasing or holding an investment for a client when an affiliated entity may be selling or recommending a sale of the same or a similar investment. Conversely, we may be selling an investment for a client when an affiliated entity may be purchasing or recommending a buy of the same or a similar investment. In addition, our affiliated broker-dealers or investment advisers may be executing transactions in the market in the same publicly traded real estate securities as we are.

It is our policy not to engage in principal transactions with affiliated broker-dealers for unaffiliated institutional accounts that we manage. We may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same publicly traded real estate securities for other accounts we manage, including proprietary accounts or accounts of affiliates. In these instances, the executions of purchases or sales, where possible, are allocated equitably among the various accounts.

We may buy or sell, or may direct or recommend that one client buy or sell, investments of the same kind or class that are purchased or sold for another client, at prices which may be different. In addition, we may, at any time, execute trades of publicly traded real estate securities of the same kind or class in one direction for an account and trade in the opposite direction or not trade for any other account due to differences in investment strategy or client direction.

#### *Conflicts from Competing Interests*

We manage and advise numerous investment vehicles and other clients, some of which may be affiliates, which compete with each other for access to our resources, including investment opportunities. There may be conflicts of interest in allocating investment

opportunities among the current and future affiliated and unaffiliated investment vehicles and clients that we manage or advise. Other than specific contractual restrictions that may exist, or that may be required by investors, there are no restrictions on us or our affiliates from forming, sponsoring, owning, managing and/or advising additional investment vehicles or clients that have overlapping investment objectives or investment criteria. We are subject to our own allocation policies, which are subject to change at our discretion. We cannot provide assurance that we or our affiliates will not devote more time, attention or resources to some of these potentially competing investment vehicles and clients than to others or present an opportunity to some investment vehicles and/or clients that is not or cannot be presented to all. This could have a material adverse effect on an investment vehicle's or client's ability to acquire assets, generate cash flow and income, and make or receive distributions.

We may confront conflict concerns when allocating scarce investment opportunities, given the benefit of favoring client accounts that pay a higher fee or generate more income for us. To address this conflict of interest, we have adopted allocation procedures as well as supervisory procedures that are intended to fairly allocate investment opportunities among competing client accounts.

Performance-based compensation may create a conflict of interest, as it can create an incentive for PGIM Real Estate or a professional supervised person to make or recommend investments that are riskier or more speculative than would be the case in the absence of such compensation structure. As part of their compensation, certain of our supervised persons receive compensation and other payments which are based on the performance of an investment or portfolio of investments. To address these potential conflicts, we have policies and procedures designed so that each of our clients' investments are managed in a manner that is consistent with our fiduciary obligations, as well as with the client's investment objectives, investment strategies and restrictions, including independent internal review of investment decisions.

While we operate as a fiduciary under our various investment management and advisory agreements, investors often have agreed to indemnify us and our affiliates against certain liabilities that are not attributable to our failure to meet a specified standard of care. In addition, we are often not responsible for losses arising in relation to investments that we manage or in respect of which we advise unless such losses arise from our failure to meet a specified standard of care. As a result, investors could experience poor performance or losses for which we would not be liable.

### *Conflicts Relating to Proxy Voting*

Conflicts of interest may arise regarding proxy voting. A senior PGIM Real Estate portfolio manager oversees the proxy voting process and monitors potential conflicts of interest relating to proxy voting. See the response to Item 17 for more detailed information concerning our proxy voting policy.

### *Conflicts Relating to Affiliate or Investor Financing*

We and our affiliates may have certain intragroup financial arrangements which may have the effect of giving affiliates invested in pooled investment vehicles advised by group members preferential economic terms as compared to unaffiliated investors.

Funds or other accounts managed by PGIM Real Estate may from time to time seek financing on terms beneficial to the fund or account. Financing transactions may be undertaken at the account or asset level, may be secured or unsecured and may take various forms including, without limitation, entering into loans, revolving credit facilities, privately placed debt, subscription-secured facilities, suretyship arrangements, letters of credit and interest hedging arrangements, in addition to mortgage loans. From time to time, an investor in a PGIM Real Estate managed fund or account or an affiliate may offer financing to a PGIM Real Estate managed fund or account. Financings would be required to be on market terms, ERISA compliant (where applicable), and to address other conflicts of interest considerations that we deem relevant under the circumstances. We will not advise the lender in such transactions. Repayment of such financings or exercise of remedies by the lender under default circumstances could result in a transfer of assets from the borrower to the investor (or affiliate that has made the loan).

### *Conflicts Arising from Relationships with Large Clients*

Conflicts of interest may arise due to relationships with large clients, which may include our own affiliates. Such clients may have needs for information, reporting, operational support, or access to other resources that may be disproportionate to the nature or amount of assets managed for them, and the overall services provided may be different or greater than may be more generally provided to all other clients. As an example, representatives of PFI, PICA, PGIM's proprietary accounts and accounts of other PGIM affiliates (collectively, the "Affiliated Accounts") who are responsible for monitoring PFI's enterprise investment risk may have access to certain information about our assets under management, including for third parties, that is not typically made available to non-affiliated clients (although this access does not include specific non-affiliated client identifying information or portfolio information for clients who have asked for confidentiality with respect to sharing of

information with our affiliates.) We believe that we manage our relationships with such Affiliated Accounts in a manner that is consistent with the best interests of all our clients.

*Conflicts Arising from PGIM or its Affiliates' Investment and Other Activities and Relationships*

Conflicts of interest may also arise in connection with the investment or other activities of PGIM's and our other affiliates, or through the relationships of such parties with issuers of public securities. Affiliated Accounts may at times hold various levels of financial or other interests, including but not limited to portfolio holdings, in companies whose securities may be held or purchased or sold in third party client accounts. These financial interests may at any time be in potential or actual conflict with the interests of client accounts or may be inconsistent with positions held or actions taken on behalf of client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments and the offering of investment advice in various forms. Thus, we may invest client assets in the securities of companies with which we or an affiliate has a financial relationship, including investment in the securities of companies that are advisory clients. At times, we may be unable to invest client assets in the securities of certain issuers as a result of these investments or relationships.

A client account may have an investment in securities of an issuer, including an equity interest in a joint venture or another entity that is engaged in a business that competes with issuers whose securities are held in other client accounts, or that competes directly with our business or that of an affiliate. Examples could include investments in publicly-traded securities of insurance or financial services companies that are competitors of PFI; or certain investments of one or more of our clients in entities that are engaged in commercial mortgage lending and related activities, a business in which PGIM Real Estate Finance, an affiliate of PGIM Real Estate, is actively engaged. While these types of conflicts cannot be eliminated, we have implemented policies and procedures designed to address these conflicts so that investments of clients are originated and managed in their best interests.

In addition, our portfolio managers may have a financial interest in the accounts they advise, for example through performance based compensation or payments, or through the making of a co-investment alongside a client. To address potential conflicts of interest, we have procedures, including supervisory review procedures, designed to have all of our accounts managed in a manner that is consistent with the clients' investment objectives, investment strategies and restrictions, as well as with our fiduciary obligations.

Certain of our affiliates (as well as directors or officers of our affiliates) are officers or directors of issuers in which we invest from time to time. These issuers may also be service providers to us or our affiliates.



### *Conflicts Arising from Side Agreements*

We sometimes enter into side agreements with investors in the funds and other investment vehicles that we manage. Among other things, the side agreements may include supplementary reporting requirements, and often also include provisions relating to advisory committee membership, co-investment opportunities and special investment restrictions. We do not enter into side agreements with investors that, in our judgment, would materially adversely affect the interests of other investors in the same fund or investment vehicle, unless otherwise permitted under the relevant legal documents.

### *Conflicts arising from the Use of PGIM Warehouse*

PGIM Warehouse, Inc. (“PGIM Warehouse”) is a separately capitalized affiliate of PGIM Real Estate that acquires private debt, private equity, real estate investments, asset-backed securities and public bonds to be “warehoused” temporarily until subsequently placed in certain portfolios managed by us or syndicated to unaffiliated investors. These “warehoused” assets are generally transferred or syndicated at a price equal to PGIM Warehouse’s cost plus a “cost of carry”. While historically transfers and syndications of investments have been beneficial to the relevant investors, it is possible that the value of a “warehoused asset” could decline in value prior to the time it is transferred or syndicated.

While the primary goal of PGIM Warehouse has historically been to provide short-term seed capital to portfolios that we and our affiliates manage, PGIM Warehouse also provides operating capital to certain portfolios once they have closed and are in their investment period. This operating capital is generally provided through market-rate credit facilities that are secured by undrawn capital commitments from investors (“subscription lines”) and bridge loans that are secured by assets of the portfolios. For both subscription lines and bridge loans, a formal policy and procedure is followed which, among other things, requires (i) justification of the loan’s economic terms through comparison to the marketplace, (ii) approval from internal credit and investment committees, (iii) full disclosure to investors, and (iv) if required by the fund documents, investor or investor advisory council approval. In the case of a default on a bridge loan, PGIM Warehouse will appoint an unaffiliated, third-party servicer to conduct workout or other remedial activities, as applicable.

### *Conflicts related to Co-Investment by Affiliates*

Our affiliates may provide initial funding or otherwise invest in funds managed by us. When an affiliate provides capital for a fund, it may do so with the intention of redeeming all or part of its interest at a future point in time or when it deems that sufficient additional capital has been invested in that fund. In such circumstances;

- The timing of redemption by an affiliate could benefit the affiliate. For example, the portfolio may be more liquid at the time of the affiliate's redemption than it is at times when other investors may wish to withdraw all or part of their interests.
- A consequence of any withdrawal of a significant amount, including by an affiliate, is that remaining investors remaining will bear a proportionately higher share of expenses following the redemption.
- A conflict may arise if the interests of the affiliated investor in a portfolio we manage diverge from those of the fund or of the other investors in that fund.

#### *Conflicts arising from Valuation of Assets*

Our client accounts may at times hold illiquid or difficult to value investments. As a result, while we believe that our valuation policies and procedures enable us to value client assets fairly and in a manner that is consistent with the best interests of our clients, we may face a conflict of interest when making a recommendation to clients regarding the value of such investments because its investment management fees are at times based on the value of assets under management.

## **Item 12 – Brokerage Practices**

### **A. Broker Selection**

Our GRES team selects brokers based on their ability to obtain best execution. This is determined based on a combination of commissions, market impact, trade execution and settlement, as well as research capabilities and security trading supply and demand data points and the nature and extent of research services (as further described below). The GRES team views all trades on a net proceeds basis, and reviews broker trade execution by reviewing a published quote recap and comparing the broker's execution versus the volume weighted average price and the closing price. Most trades are done on well-established stock exchanges on an agency basis.

Our procedures require a broker to be approved for trading in real estate equity securities based on the type of transaction, corresponding risk characteristics and transaction collateral, where applicable. Our procedures also set out the nominal exposure limits a particular broker can have to us, again based on the type of transaction. Class types and corresponding financial limits are directly related to the risk level of the transaction. Brokers who are not approved are blocked from trading.

The GRES team conducts reviews of broker performance during quarterly Best Execution Committee Meetings. Committee members include PGIM Real Estate professionals from multiple areas, including Compliance and Portfolio Management. The GRES team also employs guidelines regarding trading with counterparties.

## B. Soft Dollars/Research Services

Under MiFID II, PGIM Ltd is not permitted to pay for research using soft dollars. Any research that it receives must be paid for on a hard dollar basis, either from its own account or via a separate research payment account that is funded by its clients. PGIM Limited has taken the decision to pay for all research received from third party research providers (including broker-dealers) from its own account. The amount that it pays for research varies according to third party provider. It is still permitted to receive certain types of research for free where it constitutes a permissible minor non-monetary benefit under MiFID II.

In respect of wider research services (for example, corporate access) these must also be paid for by PGIM Ltd, unless they fall within the defined list of acceptable minor non-monetary benefits.

PGIM Ltd is required to have in place an order execution policy which sets out in more detail how it seeks to obtain best execution for its clients. This policy was recently updated to incorporate changes to the best execution rules that were introduced under MiFID II.

In the US the GRES team receives a broad range of proprietary and third-party research from broker-dealers in the form of written reports, periodicals, investment seminars and electronic access to and telephone contacts and personal meetings with, economists and industry participants. All non-execution services are paid for with securities brokerage commissions in accordance with Section 28E of the Securities Exchange Act of 1934. These non-execution services may aid in our investment decision making or trade execution. We exclude from use under these arrangements those products and services that are not eligible under applicable regulatory interpretations even when a portion of 'mixed use' products or services would be eligible if accounted for separately.

In some instances, entities provide research services but have not entered into commission sharing arrangements with us ("Bundled Provider"). In these instances, to the extent that any broker or research provider provides proprietary research, we cannot place an explicit value on that research. In other instances we may enter into commission sharing agreements with brokers and entities who provide research (each, a "CSA Provider") whereby a portion of the commission expense is allocated to the provision of third-party research. In both cases, we make a good faith determination that the higher commission is

reasonable in relation to the value of research and brokerage services provided, viewed in terms of either that particular transaction or our overall responsibilities with respect to all of our clients' accounts. Finally, we have arrangements with certain brokers who provide 'execution only' services. We exclude from use under these arrangements those products and services that are not eligible under applicable regulatory interpretations, even when a portion of 'mixed use' products or services would be eligible if accounted for separately.

In the case of Bundled or CSA Providers we could pay or be deemed to have paid commission rates higher than we would have, notwithstanding our determination that the commission paid is reasonable or otherwise have been paid in order to obtain such Non-Execution Services. In that regard, the receipt of research and other Non-Execution Services creates a conflict of interest because we may have an incentive to select or recommend a broker-dealer based on our desire to receive research or brokerage services rather than our clients; interest in receiving best execution.

In all cases, when selecting a broker to execute client transactions in return for research, we seek the best execution and most advantageous price in light of the overall quality and reliability of brokerage taking into account multiple factors. For this purpose our GRES team has established an evaluation process pursuant to which portfolio management personnel and traders rate broker-dealers regardless of their provision of research services. Subject to our duty to seek best execution and applicable laws and regulations, we generally allocate trades among broker-dealers in accordance with the outcome of this evaluation process.

Generally speaking, research services are received in connection with the GRES team's trading across all of its strategies, including accounts that use an execution only broker. For example, research that is paid for through one client's account, but may be used in managing other accounts (including accounts that may use 'execution only' brokers). The value of research cannot reasonably be allocated to any particular account, and there may be instances where research may disproportionately benefit some accounts relative to other accounts based on the relative amount of commissions paid.

We believe that the blend of "execution" only, Bundled Providers and CSA Providers enhances our investment research and trading processes and results in a competitive overall commission rate.

### C. Periodic Broker Review

The GRES team in the US when selecting a broker to execute client transactions in return for research, we seek the best execution and most advantageous price in light of the overall quality and reliability of brokerage taking into account multiple factors. For this purpose,

our GRES team has established an evaluation process pursuant to which portfolio management personnel and traders rate broker-dealers regardless of their provision of research services. Subject to our duty to seek best execution and applicable laws and regulations, we generally allocate trading among broker-dealers in accordance with the outcome of this evaluation process.

#### D. Cross Trading

The GRES team may engage in cross trading where permissible under applicable law, if we determine that such action would be favourable to both clients and the conditions for the transaction are fair to both parties. Upon a client request or direction, we may also engage in trades between two accounts owned by a client or affiliated clients using a broker-dealer

### **Item 13 – Review of Accounts**

The PGIM Real Estate Chief Executive Officer and Global Chief Risk and Investment Officer have responsibility for the periodic review of PGIM Real Estate client accounts.

#### *Review of Transactions*

The acquisition and disposition of private real estate investment is reviewed by the appropriate PGIM Real Estate investment committee or by a subcommittee thereof or the relevant portfolio manager, pursuant to delegated authority. For those accounts that are non-discretionary, such review occurs prior to seeking the relevant client's consent.

As part of the approval process, the suitability of the investment being acquired for, or the appropriateness of the sale of the investment by the particular account is confirmed, taking into consideration the account's investment guidelines, restrictions and other requirements. Investment guidelines are initially reviewed and approved for each account at the time of account formation by the applicable risk and product approval committees.

The investment committee for our GRES business does not review individual transactions in publicly traded real estate securities but establishes for each portfolio and then reviews on a quarterly basis the geographic portfolio allocations among Europe, Asia and North America and the other risk characteristics and parameters that will be applied.

### *Periodic Reviews of Portfolios*

PGIM Real Estate has supervisory procedures governing its investment advisory activities which require our investment officers to review, on a periodic basis, the accounts of our advisory clients. All portfolios of private real estate investments are reviewed with senior members of the firm on a semi-annual basis. During these meetings, candid feedback regarding the portfolio's performance, challenges, events, client feedback and fund priorities (among other items) are discussed.

Publicly-traded mutual fund portfolio supervised by us are monitored on a daily basis. Additionally, we are subject to oversight by the manager of each fund and by their Board of Directors.

### *Additional On-Going Review of Accounts*

With respect to portfolios of publicly traded real estate securities, control functions such as our compliance team review and assess data and processes relating to our management and trading and report the results of these analyses independently to our senior management. Examples of these independent reviews include a daily compliance review of accounts to assess consistency with guideline restrictions; periodic review of trading to examine allocation, trade errors, and timing; and periodic review by the appropriate groups of individuals charged with oversight responsibility for our investment management, trading and related activities.

With respect to the private real estate portfolios, Compliance is responsible for monitoring fund guidelines on a transactional basis, periodically performs forensic testing on such portfolios and plays an oversight role with committees such as the Allocation and investment Committees.

### *Other Account Reviews*

MiFID II now requires that PGIM Ltd provides clients with ex-ante and ex-post disclosure of all costs and charges associated with the services it provides and the costs of the financial instruments to be recommended or marketed to the client. This information is provided to clients prior to the provision of services and on an annual ex-post basis.

### *Product Governance Reviews*

To the extent that the MiFID II product governance rules apply to PGIM Ltd it will be required to ensure that (i) the products that it manufactures are designed to meet the needs of the target market of end clients it has identified for that product, and (ii) the

distribution strategy is compatible with, and the products are distributed to, that identified target market.

As PGIM Ltd is a distributor of financial products, the MiFID II product governance rules require that it understands the products it distributes to clients, assesses the compatibility of those products with the needs of its clients and ensures that those products are distributed only when it is in the best interests of its clients.

When acting as distributor, we are required to conduct regular post-sales reviews of the products we distribute and the investment services we provide, taking into account any event that could materially affect the potential risk to the target market for those products and services.

In accordance with MiFID II, PGIM Ltd is also required to notify its clients in the event that the value of their portfolio decreases by 10% or more and further multiples of 10% from the value notified in the previous report. Clients must be notified of this by the end of the business day on which the threshold was crossed.

#### *Investor and Client Reporting*

Investors receive regular reports covering the assets and liabilities and net profit or net loss of a fund or other investment vehicle in which they have invested, as well as a review of the significant investments and/or dispositions made on behalf of the relevant fund or other investment vehicle. Some funds and investment vehicles that we manage or advise also have advisory councils, comprised of investors, which meet annually or semi-annually to discuss issues with the portfolio management team.

MiFID II requires that PGIM Ltd provides clients with ex-ante and ex-post disclosure of all costs and charges associated with the services it provides and the costs of the financial instruments to be recommended or marketed to the client. This information is provided to clients prior to the provision of services and on an annual ex-post basis.

With respect to accounts of PICA and other affiliates, periodic reports are made to senior management of PFI. Quarterly and annual performance reports, which may include summaries of purchase and sale activity, are made to our other advisory clients.

#### *Investor and Client Meetings*

Senior investment professionals are made available on an as needed basis for client meetings with clients and with underlying investors in investment vehicles that we manage or advise. The frequency of meetings is at the client's or investor's discretion, although we encourage clients to schedule face-to-face meetings at least once each year. Meetings are

tailored to the client's needs and typically include a review of the economic outlook, a review of portfolio performance and an overview of future investment objectives. Generally, client meetings are attended by a member of the fund's management team and a designated marketing and client service representative.

#### **Item 14 – Client Referrals and Other Compensation**

PGIM Real Estate may utilise affiliated or unaffiliated entities to facilitate the distribution of certain investment vehicles in certain jurisdictions. While we do not typically engage in solicitation arrangements with unaffiliated parties, we may from time to time compensate a third party for investor referrals. In both instances, the manner and amount of compensation would typically be negotiated on a case by case basis.

#### **Item 15 – Custody**

If we are deemed under SEC rules to have custody of client assets and clients receive account statements from qualified custodians, we are required to make certain disclosures. As required by custody guidelines, private funds managed by PGIM Real Estate are subject to an annual independent audit and the audited financial statements are distributed to investors within 120 days of the end of the applicable funds' fiscal year. As a result, we are not required to engage an independent public accounting firm to conduct an annual surprise audit of our operations, as would otherwise be required by rules under the Investment Advisors Act of 1940.

With respect to publicly traded real estate securities portfolios managed by us, we do not take physical custody of the assets of our clients. Client assets are generally held in custodial accounts with banks, broker-dealers or other qualified custodians retained by our clients under arrangements negotiated by them.

A client's custody agreement with its custodian may contain authorisations with respect to the transfer of client funds or securities broader than those in the client's written investment management agreement with PGIM Ltd. In these circumstances, PGIM Ltd's authority is limited to the authority set forth in the client's written investment management agreement with PGIM Ltd regardless of any broader authorization in the client's custody agreement with its custodian. The custodian's monitoring, if any, of the client's account is governed by the client's relationship with its custodian.



## **Item 16 – Investment Discretion**

Where we have discretionary authority from a client, we generally receive such authority at the outset of our relationship with that client in respect of the relevant investments. Such authority permits us to select the identity and amount of the investments to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client.

When selecting investments and determining appropriate investment amounts, we observe the investment policies, guidelines, limitations and restrictions established by the relevant accounts and clients. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favour the holding of investments once made.

A client's investment guidelines and restrictions must be provided to PGIM Real Estate in writing as part of its investment advisory agreement. For our public securities portfolios, prior to onboarding, we obtain all necessary information to properly establish that the account, including all relevant restrictions, is properly established in applicable trading and accounting systems.

## **Item 17 – Voting Client Securities**

### *In General*

We accept the authority to vote securities held in clients' accounts when our clients delegate this authority to us. Our investment management and advisory agreements with clients will generally specify whether or not we have the authority to vote proxies on clients' behalf.

### *Proxy Voting Policy and Procedures*

Our policy is to vote proxies in the best economic interests of clients, both in the long term and in the short term.

Our proxy voting policy contains general guidelines for voting on a wide variety of issues that shareholders are commonly asked to address. These guidelines reflect the judgment of how we can best further the economic interests of clients through the shareholder voting process.

From time to time, ballot issues arise that are not specifically addressed by our policy, or circumstances may suggest a vote not in accordance with established guidelines. In these

cases, voting decisions are made on a case-by-case basis taking into consideration the potential economic impact of the proposal.

We do not receive all ballots in advance of voting deadlines, but when ballots are received in a timely fashion, we strive to meet our voting obligations within industry standards. We cannot, however, guarantee that every proxy will be voted prior to its deadline. There may also be other situations where it is not able to vote a proxy, or choose not to. For example, with respect to international holdings, we take into account additional restrictions that might impair our ability to trade those securities or have other potentially adverse economic consequences. We generally vote on a best efforts basis if it is determined that voting is in the best economic interest of clients.

On an annual basis, proxy voting issues are discussed with GRES senior management. During this discussion, proxy voting policy interpretations, conflicts of interest and the policy's effectiveness are reviewed.

For private real estate portfolios, each proxy received is reviewed by the applicable portfolio manager and voted in accordance with the policy.

For public real estate portfolios, we currently use the services of a third party proxy voting facilitator and, upon receipt of proxies, will direct the voting facilitator to vote in a manner consistent with our established proxy voting guidelines described above (assuming timely receipt of proxy materials from issuers and custodians).

We provide disclosure of our proxy voting policy to clients who provide vote proxies authority, generally at the time that we are negotiating our investment management or advisory agreement. Any client may obtain a copy of these items, as well as the proxy voting records for that client's securities, by contacting the client service representative responsible for their account.

#### *Note with Respect to the Voting of Certain Securities*

Some clients may participate in securities lending programs in their accounts. We do not control or participate in any way in these programs and does not know when or which securities in clients' accounts are in these programs. We cannot vote securities that are out of clients' portfolios on loan or are otherwise excluded from voting privileges.

#### *Client Direction of Voting*

Although most of the clients for whom proxies are voted authorize to vote in accordance with our proxy voting policy, a client may request us to vote its proxies in accordance with a different policy. We will try to accommodate such requests. In addition, a client may

direct us to vote its securities in a particular way on a particular proposal and we will seek to do so, assuming timely receipt of the instruction. However, if the ballot pertains to the client's own meeting, the ballot will be voted in accordance with the relevant third party proxy vendor's policy. (See "Conflicts of Interest in the Voting Process" immediately below).

#### *Conflicts of Interest in the Voting Process*

Occasionally, a conflict of interest may arise in connection with proxy voting. For example, the issuer of the securities being voted may also be a client of ours. When an actual or potential conflict of interest is identified between us and our clients that we are unable to resolve, the matter is referred to the proxy voting committee for resolution, which may include abstaining from a particular vote or voting in accordance with the policy of proxy voting facilitator rather than our own policy.

#### *Accounts for Which We Do Not Vote Securities*

Some of our clients elect to retain voting authority for themselves. Those clients receive proxies and other solicitation materials from their custodians, and if we receive these materials for the account of such a client, we will endeavour to forward them to the client's custodian. If a client has a question about a particular solicitation, the client may contact its PGIM Real Estate client service representative and we will try to address the client's question. We will not, however, disclose how we intend to vote on an issue for other clients' accounts.

#### *Class Actions & Corporate Actions*

In addition to voting rights with respect to securities held in our clients' portfolios, there may be other rights associated with those securities, including the right or opportunity to participate in class actions and corporate actions.

We have agreed with some of our clients to file proofs of claim for class action lawsuits relating to securities held, or formerly held, in their portfolios while managed by us. Other clients may have their custodians handle proofs of claim or may handle such matters themselves.

Where we have agreed to handle proof of claim filings for a client, we will generally use our best efforts to file such notices in all class action lawsuits in which the client is eligible to participate. In so doing, we will not inquire into the particular circumstances of any client. As a result, we will not seek to determine on an individual basis whether facts and circumstances relevant to that client would suggest that non-participation in the class

action is appropriate or more advantageous to that client. For example, a client on whose behalf a proof of claim is filed may, as a result of having joined the class, waive or relinquish other claims that it may have against the target of the class action. The client may also have an interest or position with respect to the nature of the class action claim that is adverse to that of the class of plaintiffs. We would generally not be aware of those circumstances. Had the client elected to handle class action lawsuits for itself, it might have determined not to file the proof of claim in such a class action. We do not provide any legal advice or services in connection with class actions.

Unlike the U.S. class action process, investors are generally required to join non-U.S. actions as named plaintiffs or to “opt-in” at commencement of the lawsuit. This “opt-in” process usually requires an affirmative decision to join the lawsuit at an early stage in order to participate in any subsequent recovery of proceeds. The investor is also usually required to enter into one or more legal contracts for retention of counsel, funding arrangements and limitations of liability. We do not provide any legal advice or analysis, so we generally do not handle non-U.S. class actions for our clients.

With respect to corporate actions (such as an issuer’s merger, tender offer, dividend distribution etc.) we participate on behalf of clients who authorize us to do so, taking such action as we deem to be in the best interest of the clients’ accounts.

## **Item 18 – Financial Information**

We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to our clients.

### *For Clients Subject to ERISA*

This brochure is being provided for informational purposes. In providing this brochure, PGIM Ltd (i) is not acting as your fiduciary as defined by the Department of Labor and is not giving advice in a fiduciary capacity, and (ii) is not undertaking to provide impartial investment advice as PGIM Ltd will receive compensation for its investment management services.