

## Item 1 – Cover Page

PGIM Real Estate (US)  
655 Broad Street, 14<sup>th</sup> Floor  
Newark, NJ 07102  
(973) 734-1453

PGIM Real Estate (UK) Limited  
Grand Buildings, 1-3 Strand,  
Trafalgar Square  
London, WC2N 5HR  
+44 (0)20 7766 2400

PGIM Real Estate Luxembourg SA  
2 Boulevard de la Foire  
L-1528 Luxembourg  
Grand-Duchy of Luxembourg  
+352 27 62 34 10

[www.pgimrealestate.com](http://www.pgimrealestate.com)

March 30, 2023

This Brochure provides information about the qualifications and business practices of PGIM Real Estate. PGIM Real Estate is a business unit of PGIM, Inc (“PGIM”) and carries on certain of its activities through PGIM Real Estate (UK) Limited (“PGIM Real Estate (UK)”) and PGIM Real Estate Luxembourg S.A (“PGIM Real Estate Luxembourg”). PGIM, PGIM Real Estate (UK) and PGIM Real Estate Luxembourg are registered investment advisers. Registration of an investment adviser does not imply any level of skill or training.

PGIM has elected to create separate Brochures to address each of its different advisory units and this Brochure specifically addresses only the operations of PGIM Real Estate.

If you have any questions about the contents of this Brochure, please contact Matthew Villa, Chief Compliance Officer at (973)734-1453 or by email at [matthew.villa@pgim.com](mailto:matthew.villa@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 also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure dated March 29, 2023, updates and replaces our prior annual PGIM Real Estate brochure, being a combined brochure in respect to the businesses of PGIM Real Estate (US), PGIM Real Estate Luxembourg and PGIM Real Estate (UK); dated March 30, 2022. There are no material changes to report.

### Item 3 -Table of Contents

#### Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes .....	2
Item 3 - Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	9
Item 7 – Types of Clients .....	11
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9 – Disciplinary Information .....	36
Item 10 – Other Financial Industry Activities and Affiliations.....	37
Item 11 – Code of Ethics.....	38
Item 12 – Brokerage Practices.....	49
Item 13 – Review of Accounts .....	53
Item 14 – Client Referrals and Other Compensation .....	55
Item 15 – Custody .....	55
Item 16 – Investment Discretion .....	57
Item 17 – Voting Client Securities .....	57
Item 18 – Financial Information.....	60

## **Item 4 – Advisory Business**

### **PGIM Generally**

PGIM Real Estate is the real estate investment advisory unit of PGIM, Inc. (“PGIM”), an SEC registered investment adviser organized as a New Jersey Corporation. Certain of its operations are conducted through PGIM Real Estate (UK) Limited (“PGIM Real Estate (UK)”), a company incorporated in England (registration number 03205768), and through PGIM Real Estate Luxembourg S.A. (“PGIM Real Estate Luxembourg”), which is organized as a company incorporated in the Grand Duchy of Luxembourg (registered number B28214). PGIM Real Estate (UK) and PGIM Real Estate Luxembourg are both indirect, wholly owned subsidiaries of PGIM and are SEC registered investment advisers.

When we use the terms “we,” “us” and “our” in this brochure, we are referring to PGIM Real Estate. In addition, any references to “our employees” or “our officers” mean officers or employees of PGIM, PGIM Real Estate (UK), PGIM Real Estate Luxembourg and their affiliates who work in PGIM Real Estate.

In addition to PGIM Real Estate, the other advisory units within PGIM are PGIM Fixed Income (an adviser primarily focused on public fixed income investments), PGIM Private Capital (the corporate private credit business unit of PGIM) and PGIM Institutional Advisory & Solutions (a provider of multi-asset class advisory services). Each of PGIM Fixed Income, PGIM Private Capital and PGIM Investment Advisory & Solutions has one or more separate brochures that have been filed with the SEC and provide information about the applicable advisory business.

PGIM was formed in June 1984 and was registered with the SEC as an investment adviser in December 1984. PGIM’s predecessor companies began managing fixed income portfolios for affiliates in 1875. In addition to being a registered investment adviser, PGIM, Inc. is also registered with the U.S. Commodity Futures Trading Commission as a commodity trading advisor and commodity pool operator and is a member of the National Futures Association.

PGIM Real Estate (UK) was incorporated in 1996 and is authorized and regulated by the UK Financial Conduct Authority (“FCA”), as an Alternative Investment Fund Manager and permitted to manage and market discretionary mandates and provide investment advice and reception and transmission of orders in relation to financial instruments.

PGIM Real Estate Luxembourg was founded in 1988 and is authorized and regulated by the Luxembourg Commission de Surveillance du Secteur Financier (“CSSF”) as an Alternative Investment Fund Manager for the purposes of the European Alternative Investment Fund Managers Directive (“AIFMD”). In addition to managing and advising alternative investment funds, its authorization by the CSSF allows it to perform discretionary portfolio management services and investment advice and reception and transmission of orders in relation to financial instruments, in accordance with Article 5, paragraph 4 of the Law of 12th July 2013 of alternative investment managers.

PGIM, PGIM Real Estate (UK) and PGIM Real Estate Luxembourg, along with their affiliates referenced herein are indirect, wholly owned subsidiaries of Prudential Financial, Inc., a publicly held company (“Prudential Financial”) (NYSE Ticker: PRU) headquartered in the State of New Jersey, U.S.A. None of Prudential Financial, PGIM, PGIM Real Estate (UK), PGIM Real Estate Luxembourg or any of their affiliates referenced herein is affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom.

## **PGIM Real Estate**

PGIM Real Estate is a leading global real estate investment advisor. Headquartered in Newark, New Jersey, we have other offices across the United States as well as in Amsterdam, Frankfurt, London, Luxembourg, Munich, Milan, Paris, Mexico City, Hong Kong, Seoul, Singapore, Shanghai, Sydney and Tokyo. As of December 31, 2022, PGIM Real Estate managed approximately \$93.2 billion in gross assets (\$61.8 billion net) on behalf of more than 900 clients worldwide. Of this net amount, approximately \$61.4 billion is managed on a discretionary basis, and \$.4 billion (net) is managed on a non-discretionary basis.

The investment strategies that we employ for our clients span private real estate, private real estate debt and publicly traded real estate securities across the risk and return spectrum (from core through core plus and value add to opportunistic) and geographically across the United States, Asia Pacific, Europe and Latin America.

Our investment products generally comprise separately managed accounts and open- and closed-ended commingled private funds and are typically structured as limited partnerships, private REITs, insurance company separate accounts and other tax-efficient vehicles. We also provide discretionary and non-discretionary investment advisory services to affiliated and unaffiliated clients both directly, through express contractual relationships, and indirectly, pursuant to sub-advisory arrangements with affiliated and unaffiliated investment advisers.

In addition to offering investment products and advisory services, we also prepare research, reports, and investment papers dealing with investment matters that are distributed to clients, certain prospective clients and affiliates.

Our business does not include the private commercial real estate finance business carried on by PGIM Real Estate Finance LLC ("PGIM REF"), which is an affiliate of PGIM but is not a registered investment adviser and does not provide advice regarding securities to any PGIM clients. Through an internal arrangement with PGIM Real Estate, PGIM REF sources and originates commercial real estate loans on behalf of certain accounts managed by PGIM Real Estate. Several officers of PGIM REF are also officers of PGIM and provide services to PGIM Real Estate in their capacities as officers of PGIM that are separate and distinct from the services they provide as officers of PGIM REF.

## **Item 5 – Fees and Compensation**

### *Advisory Fees*

The fees and other compensation paid or borne by our clients vary according to a number of factors, including the type of client, the type of investment strategy, the investment amount, our relationship with the client, whether an investment consultant is used by the client, and the type of services provided. For example, the fees and other compensation that we receive in respect of services provided to commingled private funds 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 or other compensation than another client with similar investment objectives or goals, though clients invested in the same investment fund 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) in 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, for example, the amount of assets invested in or committed to the fund, so that the fee rate paid by a client decreases as the client's assets under management increase. In circumstances where a single client has or related party clients have multiple accounts with us, we may agree with such client to aggregate the client's assets within those accounts to enable the client to benefit from a lower fee rate. Similarly, where an investment

consultant advises more than one client who in turn have more than one account with us, we may aggregate the assets held by the consultant's clients within their accounts with us to enable those clients to benefit from a lower fee rate.

Our performance-based compensation arrangements are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940 and our internal policies with respect to such arrangements. 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.

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

We either bill a client for our fees or deduct fees from the client's account. Base management fees are typically payable monthly or 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 fees in advance and the client's contract were to terminate before the end of a billing period, any prepaid fees that do not otherwise represent amounts due and payable by the client would be refunded on a pro-rata basis.

#### *Compensation of Our Investment Professionals*

Generally speaking, the compensation of our investment professionals (including, among others, portfolio managers and research analysts) includes a combination of base salary, a performance-based annual cash incentive bonus, and a long-term incentive grant. Investment professionals sometimes also participate in performance-based fees or compensation payable by our clients.

The base salary component is based on market data relative to similar positions within the industry as well as the past performance, experience, and responsibility of the individual, and the annual cash incentive bonus is paid from an annual incentive pool. Each investment professional's incentive compensation, including both the annual cash incentive bonus and the long-term incentive grant, is primarily determined by how significantly he or she 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. Our incentive compensation program is designed to align the interests of each investment professional with those of our clients. The performance of our 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. Long-term incentive grants to investment professionals are made in the form of 80% deferred cash that tracks the performance of funds tied to the grant and 20% in restricted stock units (RSUs) of Prudential Financial, Inc. These long-term incentive grants vest over a three-year period. 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, not from any client assets. However, where 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, such amounts will be paid to the individuals concerned directly or indirectly from such performance fees paid by the relevant client.

The head of PGIM Real Estate and certain senior members of the management team also receive performance shares which represent the right to receive shares of Prudential Financial common stock conditioned upon, and subject to, the achievement of specified financial performance goals by Prudential Financial. Each of the long-term incentive plan grants and performance shares are subject to vesting requirements.

### *Operating Expenses*

The funds and vehicles that we manage or advise, and therefore the investors in those funds and vehicles, may also be generally responsible for operating expenses which might include some or all of the following: (i) fees, costs and expenses relating to the operation of the fund or product, including those of accountants, auditors, appraisal management firms, lawyers and other third party service providers engaged to provide services to or in respect of the fund or product; (ii) fee, 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, 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; (v) fees, costs and expenses related to offering and sale of units or other interests (including legal fees, travel expenses and the costs and expenses incurred in preparing and



periodically updating a private placement memorandum or equivalent documents or in obtaining tax and legal opinions); (vi) fees, costs and expenses related to developing, implementing or maintaining information technology services, systems and software for the benefit of the fund or product, including databases, data subscription services, license based services, research publications and materials and computerized systems for specialized or customized services and document management functions and (vii) other fees, costs and expenses incurred in the formation, operation and maintenance of the fund or product and of related entities (including travel, accommodation and other out of pocket expenses, legal and accounting expenses, filing fees and expenses, printing costs, and investment advisory services or reporting performed by third-party vendors at our direction and under our supervision). Such fees, costs and expenses may include amounts incurred by us and which are then reimbursed to us by the relevant fund or other client.

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

Operating or joint venture partners or co-investors investing in assets in conjunction with a client, or assisting with the sourcing, management or disposition of investments for a client, may receive management fees, acquisition fees, disposition fees 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**

We provide management and advisory services to funds and clients that pay us performance-based fees and compensation at the same time as providing such services to funds and clients that don't pay such compensation. We believe that any resulting conflict of interest created by performance-based fees and compensation is addressed by our policies and procedures, including those relating to the allocation of private real estate investment opportunities and of aggregated orders of publicly traded real estate securities, both of which are designed to ensure a fair and equitable allocation between the relevant clients over time.

#### **Allocation of Private Real Estate Investments**

PGIM Real Estate allocates investment opportunities among investors and funds using rotational investment allocation procedures that are intended to ensure the fair and equitable allocation of investment opportunities among competing client accounts over time.

Subject to any priority allocation rights that may exist, private real estate investment opportunities are typically offered to those clients for whom the investment is a suitable one (taking into account that client's investment objectives and strategy) in the order in which they sit in a queue at the relevant time.

Where we agree to allocate certain types of investments sourced by us in priority to a particular client, the relevant investments would only be offered to other clients for whom the investment is a suitable one once the portfolio manager for the client with the priority allocation right has turned down the relevant investment opportunity. Priority allocation rights are typically only agreed to in relation to more specialized investment types (such as senior housing, certain higher yielding investments and impact investing), where a new investment may have an economic or other connection to a new investment such that offering the new investment to the same investor as the original investment is reasonably appropriate, 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. We disclose any priority allocation rights in advance to new clients from whom we subsequently secure mandates in respect of the relevant type of investment.

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

Neither the PGIM Real Estate (UK) nor PGIM Real Estate Luxembourg entities participate in allocation decisions for the public securities portfolios we manage.

When we place an aggregated order in respect of a particular security on behalf of more than one client, the securities purchased are typically allocated pro-rata, subject to account restrictions or guidelines or 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 requirements. 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 requirements.

### **Item 7 – Types of Clients**

Our client and investor base is composed of various types of investors, including but not limited to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, banks, foundations, endowments, state and municipal plans, registered mutual funds, private investment funds, insurance company general and separate accounts, trust programs, sovereign funds, Mexican real estate investment trusts (or FIBRAs), Mexican pension funds (or Afores), Undertakings For The Collective Investment of Transferable Securities (UCITs), Societes d'Investissement a Capital Variable (SICAVs) and High Net Worth (HNW) investors. We provide our services to both affiliated and non-affiliated clients. Our minimum investment amount varies. Generally, single client accounts have a higher minimum amount than investments in commingled vehicles.

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

#### **Methods of Analysis and 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.

#### **Private Real Estate Equity and Debt Investments**

Our research-driven investment analysis for private real estate equity and debt investments is informed by our Investment Research Team, which, together with our senior leaders, develops our firm's overall investment outlook. The Investment Research Team then works closely with the Portfolio Management Teams in an ongoing and cooperative fashion, developing portfolio strategy, investment underwriting, sector and market targets, real estate cycle, hold/sell analysis and market analysis in support of the investment program for a client.

Private real estate equity and debt investments span the risk spectrum from core through core plus and value add to opportunistic. The key characteristics of each such type of investment is set out below.

#### ***Core***

Core investment strategies generally target the major property types (office, logistics, storage, and multi-family) to provide investors with returns driven primarily by stabilized income.

Core real estate equity strategies focus on properties with sustainable income from credit quality tenants on longer term leases. Such properties 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 fund properties that offer stabilized income by providing senior mortgages based target 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 equity 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 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 equity investments seek to meet under-served market needs through asset transition strategies such as lease-up, renovation or development. They may target emerging property types or markets where significant new demand is anticipated and employ higher leverage to enhance investor returns.

Value Add real estate debt investments fund similar types of real estate 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 equity 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

Our investment analysis for 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 and adhere to a disciplined, research-intensive approach. 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.

Our Global Real Estate Securities ("GRES") team establishes geographic portfolio allocations across Europe, Asia and North America and approve risk characteristics and parameters for each portfolio regularly. The GRES 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 real estate investment trusts (REITs) or real estate operating companies (REOCs) that may pursue a combination of the investment strategies identified above.

### **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 or of engaging PGIM Real Estate to manage or advise on those investments. A more detailed discussion of the specific risks associated with investing in a particular product offered by us may be found in the offering documents for such product, which are available upon request. However, it is impossible to identify all of the risks associated with investing and the particular risks applicable to an investment will depend on the nature of the client, its investment strategy and the types of

investments held. While we seek to manage accounts so that the risks are appropriate to the strategy, it is impossible or not desirable to fully mitigate risks. 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 even receive any return on its investment. Performance may be volatile, and an investor may lose their entire investment. Past performance and activities provide no assurance of future results. In addition, fees and expenses may reduce investment returns.

#### *Value of Real Estate Investments Generally*

The value of commercial real estate can be calculated several ways: discounted projected cash flows, net income divided by a cap rate, and price per square foot or unit as compared to similar properties in the same market. Assumptions used to calculate values are somewhat subjective and can evolve over the life of the ownership of an asset, due to changes in the market or in the individual asset. The value of an individual property may be positively or 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 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 with new tenants; and
- development or construction risk such as entitlements or other approvals to build not being obtained or not being obtained in a timely manner, or the development or construction not being completed on time, within budget, or in accordance with plans and specifications, and the availability of financing on favorable terms.

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 and tenant demand);
- demographic factors;
- technology;
- 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, public health emergencies, including existing or new epidemic diseases, and other factors which are beyond our reasonable control; and
- cyber-attacks including, for example, malware, ransomware or theft 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 property's resiliency to technological, environmental, social and governance factors;
- 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 relevant 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 a property with short-term revenue sources (such as a hotel or other property with short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under mortgage loans secured by such a property.

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

#### *Real Estate Debt Investments Generally*

- Net Operating Income

Commercial real estate loans<sup>1</sup> and agricultural loans are typically secured by or supported by the cash flows from the underlying collateral 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 satisfy the debt service on a loan typically is dependent primarily upon the successful operation of the related income-producing property. If the net

---

<sup>1</sup> References to "commercial real estate loans" and "real estate debt investments" in this section entitled "Real Estate Debt Investments Generally" are intended to include not only loans secured by first-priority mortgages but also subordinate financing structures (including mezzanine loans and preferred equity), construction loans and other real estate-related debt investments.



operating income of the related property dips or fails to reach expected levels, the borrower's ability to satisfy the debt service on the loan may be impaired and the value of the property will likely decline, which will negatively affect the borrower's ability to refinance the loan or generate sufficient proceeds from the liquidation of the property to be able to repay the loan. If the loan is intended to pay for the costs of developing and constructing projects on real property (i.e., a construction loan) and therefore either does not yet generate cash flow or generates income insufficient to cover debt service, the risk of borrower default could be heightened.

- Valuation of underlying collateral

In addition, there is a risk of loss of investment principal to the extent of any deficiency between the underwritten value and actual value of the collateral securing or supporting the real estate debt investment since, in the event of a liquidation of the collateral, the proceeds would be insufficient to cover the outstanding principal balance of the real estate debt investment. Therefore, a commercial real estate loan with a higher loan-to-value (LTV) ratio, meaning the ratio that the size of the investment bears to the value of the collateral securing or supporting such investment, will carry a higher risk of loss.

- Commercial mortgage loans and agricultural loans

The risk of loss on an investment in a commercial mortgage loan or agricultural loan will be largely dictated by whether the borrower is delinquent in its payment obligations or otherwise defaults on the loan and the severity of losses incurred as a result of the same. Factors influencing defaults and the resulting severity of losses include a broad range of factors, including (i) economic and real estate market conditions and their corresponding effects on property values, (ii) the terms and structure of the loan itself, and (iii) the lender's ability to realize upon the real property collateral securing the loan. In addition, agricultural loans are further exposed to unique risks such as weather and technology. The performance of any given commercial mortgage loan or agricultural loan will be materially affected by the ability of the underlying property to attract and retain tenants and the ability of tenants to make their lease payments. PGIM's failure to properly underwrite the value of the underlying real property when making loans will impact the likelihood of a loan default and loss on investment.

- Subordinate financing

Subordinate financing (including mezzanine loans and preferred equity) are

subordinated to any senior debt on the underlying property which secures or supports the subordinate financing, meaning the holders of such subordinate financing investments could lose their entire investment before the senior debt suffers any losses. These subordinated financing positions therefore pose a greater credit risk than any loans senior to them. In addition, mezzanine loans may not be protected by financial or other covenants and may have more limited liquidity. A subordinate lender's ability to foreclose on any collateral securing its loan (or otherwise exercise remedies to protect its investment) will be subject to the rights of senior lenders and potentially contractual restrictions, particularly the rights of senior lenders and, in the case of preferred equity, the rights of common equity holders. A subordinate lender may have the right to cure senior loan defaults and to purchase loans senior to it as a means of protecting its investment, but the rights and protections available to any provider of subordinate financing will be subject to commercial negotiation and market convention, including overseas market norms to the extent investments are permitted outside of the U.S. Even if available, however, these rights may not be meaningful to a subordinate financing investor because it may not have sufficient capital available or may be unwilling to invest more capital to protect its investment.

- Construction loans

Construction loans are subject to unique risks, including cost overruns, completion delays, the unavailability of materials or labor and lien priority issues. The lender will typically seek to mitigate these risks by, among other protections, staggering the disbursement of funds across multiple advances upon borrower's satisfaction of specific conditions at each advance, holding interest reserves, and taking a completion guaranty from a creditworthy borrower affiliate. Construction loans typically require more active administration and monitoring by the lender than a loan secured by a stabilized property, and there can be no assurance that PGIM can in all cases protect the investment through such activities.

- "Balloon" payment risk

Commercial real estate loans and agricultural loans are generally not fully amortizing and therefore may have a significant principal balance or "balloon" payment due on maturity. Such loans involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of

a borrower to affect a refinancing or sale will be affected by a number of factors, including the value of the property, the availability of replacement financing at the time of sale or refinancing, the borrower's equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property.

- Non-recourse lending

Commercial real estate loans and agricultural loans generally are non-recourse to borrowers. In the event of foreclosure (or exercise of remedies) on an investment, the value at that time of the collateral securing or supporting the loan may be less than the principal amount outstanding on the loan and the accrued but unpaid interest thereon. Although recourse in the U.S. is typically allowed against a borrower affiliate guarantor with respect to certain actual losses and, in some cases, the entirety of the outstanding obligations to the lender, the terms and scope of such recourse guaranties are subject to substantial commercial negotiation and can be practically difficult to enforce in a court of law.

- Limitations on remedies

Although the provider of commercial real estate loans or agricultural loans will have certain remedies upon a borrower default, including foreclosing on the underlying property, certain contractual requirements, legal requirements and borrower defenses may limit the ability of the lender to effectively exercise such remedies. The laws with respect to the rights of debtors and creditors in certain jurisdictions in which an account may invest may not be comprehensive or well-developed, and the procedures for the judicial or non-judicial enforcement of such rights may be of limited effectiveness resulting in the potential for losses on defaulted loans. If the lender acquires title to an asset through foreclosure, it may be subject to the burdens of ownership of real property, which include paying expenses and taxes, maintaining the asset, and ultimately disposing of the asset. No assurance can be given that there will be a ready market for the sale of any real property acquired by a lender pursuant to a foreclosure or, if the property can be sold, that any such sale will be made at a price sufficient to cover all of the borrower's obligations to the lender under the defaulted loan.

- Interest Rates

The level and volatility of short-term and long-term interest rates significantly affect the lending industry. For example, a decline in interest

rates may require a lender to make loans at lower interest rates or may hinder a lender's ability to find investments at acceptable pricing levels. A rise in interest rates could affect a lender's cost of drawing on a line of credit and cause the value of its existing loan portfolio to decline. Increased interest rates may also harm a borrower's ability to make its payments and to refinance a loan at maturity. Volatility in interest rates could harm a lender's ability to achieve its profitability objectives or cause it to achieve less favorable results than other investments. Interest rates are influenced by a number of factors that are beyond a lender's control and are difficult to predict.

- Prepayments

Commercial real estate loans and agricultural loans may be subject to prepayment. If prevailing interest rates for similar loans fall below the interest rates on such loans, borrower prepayments would generally be expected to increase. Certain loans may have lockout periods during which prepayment is prohibited or require prepayment premiums to be paid as a condition to prepayment, while other loans may be subject to other prepayment requirements, including payment of minimum interest. There can, however, be no assurance that any such features will preclude a prepayment from occurring or that the lender will be able to enforce its prepayment rights in all circumstances.

- Lender liability

A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders on the basis of various legal theories founded upon the premise that a lender has violated an implied or contractual duty of good faith and fair dealing or has assumed a degree of control over the borrower resulting in a fiduciary duty being owed to the borrower, its creditors or its shareholders. Any such lawsuits could result in financial losses, increased costs or the subordination or invalidation of the loan made by the lender.

- Borrower insolvency

Although borrowers are typically required to satisfy certain lender requirements designed to isolate the borrower from the credit risk of its owners, if a borrower is nevertheless the subject of a bankruptcy or other insolvency proceeding under the laws applicable to a borrower (including non-U.S. law in the case of a non-U.S. borrower), payments to the lender may be delayed or diminished as a result of the exercise of various powers of a bankruptcy court including the following: (i) an "automatic stay," under

which the lender will not be able to institute proceedings or otherwise enforce its rights against the borrower without permission from the court; (ii) conversion by the bankruptcy court of the loan into more junior debt or into an equity obligation of the borrower thereof or obligor thereon; (iii) modification of the terms of the loan by the bankruptcy court, including reduction or delay of the interest or principal payments thereon; and (iv) grant of a priority lien to a new money lender to the borrower of, or obligor on, the loan.

- Fraudulent conveyance and preference

If a court in a lawsuit brought by a creditor or representative of creditors of a borrower, such as a trustee in bankruptcy, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by a loan and granting a security interest over its assets to secure such loan, and, after giving effect to such indebtedness, the borrower: (a) was insolvent; (b) was engaged in a business for which the remaining assets of such borrower constituted unreasonably small capital; or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance (or similar concept under the laws of a non-U.S. jurisdiction in the case of a non-U.S. borrower), subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness. Similarly, in the event of the insolvency of a borrower, payments made on a loan could be subject to avoidance by a bankruptcy court as a “preference” (or similar concept under the laws of a non-U.S. jurisdiction in the case of a non-U.S. borrower) if made within a certain period of time (which may be as long as one year and one day) before insolvency.

- No Independent Credit Ratings

Credit ratings are typically not assigned to private commercial real estate loans or agricultural loans by an independent rating agency. PGIM may assign internally determined credit ratings, which track the letter rating scale utilized by one or more independent rating agencies, to some but not all loans to reflect a view of the credit quality of the loan. To the extent PGIM assigns a rating to a loan, such ratings are in all cases, however, internally determined and will not have been approved by any independent rating agency. Furthermore, any credit ratings provided are not a guarantee of quality. While credit ratings attempt to evaluate the safety of principal and

interest payments, they do not evaluate the risks of fluctuations in market value and may not fully reflect the true risks of an investment. PGIM may fail to make timely changes in its internally assigned credit ratings necessary for the ratings to give an accurate view of the credit quality of a loan, including in response to events subsequent to the closing of a loan. Therefore, the actual financial condition of the borrower, the property securing the loan, tenants or the relevant market in which the collateral property is located may be better or worse than its ratings indicate. Any credit ratings assigned to investments by PGIM necessarily rely in part on subjective inputs. Although certain models currently used by PGIM in determining internal credit ratings for certain commercial mortgages are licensed from an independent rating agency, no independent rating agency has any role in approving any of the credit ratings assigned by PGIM.

- **Fraud, Illegal Conduct, Misrepresentation or Omission**

The value of any investment in a commercial real estate loan or agricultural loan may be affected by fraud, illegal conduct or a material misrepresentation (or material omission of information otherwise necessary to make a representation true) on the part of the borrower, by parties related to the borrower or by other parties related to the loan (e.g., tenants). Such fraud, illegal conduct, misrepresentation or omission may adversely affect the value of the real property collateral securing the loan and the borrower's ability to satisfy its obligations under the loan. A lender's best, and in certain cases only, recourse in such a situation may be to seek recourse against a borrower affiliate guarantor which can be challenging (see discussion of "Non-recourse lending" above).

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

Real estate prices and revenues and the financial performance of an investment may be adversely affected by general local, national and international economic conditions and factors, by conditions within one or more real estate markets 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 or economies.

#### *Reliance on 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 or other entities or individuals that they may

retain, such as a property managers, construction managers or general contractors. Reliance on third parties to manage or operate investments presents significant risks, including that the third party may have financial difficulties or economic or other business interests or goals which are inconsistent with those of the PGIM Real Estate client. The client may have limited rights with respect to the development or operation of the property. If the applicable venture or management arrangements are terminated for any reason, or if key personnel leave or otherwise become unavailable, it may be difficult to find a suitable replacement. In addition, agreements governing joint ventures often contain restrictions on the transfer of a partner's interests, including "buy-sell" or similar provisions which could result in the requirement that a partner purchase or sell its interests at a disadvantageous time or on disadvantageous terms.

#### *Third Party Fee Rates*

There is no assurance that we will be able to obtain or apply in all instances advantageous fee rates (1) from a given service provider negotiated with respect to services provided to PGIM Real Estate or our funds or other clients; or (2) 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.

#### *Reliance on PGIM Real Estate Professionals*

The success of investments may depend, in substantial part, upon the skill and expertise of certain PGIM Real Estate professionals. The death, disability or departure of a key PGIM Real Estate professional may adversely affect the performance of investments that we manage or advise on. 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 they are responsible for.

#### *Competitive Markets*

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

#### *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 in the relevant country, region, market, industry sector or asset class than a more diversified real estate investment portfolio. For example,

properties located in California may be more susceptible to certain hazards such as earthquakes, drought or widespread fires than properties in other parts of the country, and properties located in certain coastal states may be more susceptible to hurricanes than properties in other parts of the country.

#### *Operational Processes*

Portfolios can suffer losses arising from shortcomings or failures in operational processes, procedures, or systems.

#### *Valuation*

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 than or less than the value that would be determined if a portfolio's investments were to be liquidated as of such 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.

#### *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 is 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.

#### *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, 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 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 is utilized for payments on debt, thereby reducing funds 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 the relevant fund's or other client's investments to foreclosure or sale, or (iv) one or more lenders being unwilling or unable to provide the relevant fund or client with financing.

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

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.

As respects debt funds, although the use of leverage (in the form of debt) may increase returns on invested capital, it also increases the potential for loss. Lenders to debt funds may call defaults under certain declining market conditions or make margin calls that require the debt fund to repurchase pledged loans or post additional cash or collateral as security for a loan, thereby resulting in significant impairment of value and potentially risking losses on performing loans simply due to the debt fund having insufficient cash on hand to repurchase such loans or satisfy such margin calls. A leverage provider's recourse may not be limited to specific assets of the debt fund, creating a situation where performing loan assets could be adversely impacted to the extent they have been cross-collateralized with loan assets that become non-performing.

### *Interest Rates*

To the extent that floating-rate financing is employed in debt financing, 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. If fixed-rate financing is employed and interest rates subsequently decline, this may result in the borrower paying interest rates at above-market rates for significant period of time. PGIM Real Estate may enter into interest rate swap or cap agreements for the purpose of hedging interest rate risk or pursue other hedging strategies. These activities may not fully protect the borrower from the impact of interest rate risk and hedging costs can be expensive and adversely impact investment performance.

### *Rate of Inflation*

The United States, as well as various other countries, have recently experienced heightened levels of inflation. This rise in inflation has had, and could continue to have, negative effects on the global and United States economies. Such inflation is due, in part, to the economic effects of the COVID-19 pandemic, and measures taken to combat those effects. These measures have included fiscal policies involving significantly lower interest rates, direct investment into businesses, and loan forgiveness programs. Reversals of such policies (such as increases in interest rates), particularly if not gradually effected, could lead to volatility in the financial markets. Thus, inflation could negatively affect the performance of funds and accounts.

### *Foreign Investments*

With any investment outside the United States, there exist certain economic, political and social risks that might not be found in a similar investment in the U.S. 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 in the United States and may require financing and structuring alternatives which differ from those customarily used in the United States. Foreign countries may also impose taxes on the funds and their investors which differ from those imposed in the US.

### *Investing in Greater China Risk*

Investments in companies located or operating in Greater China involve risks of greater government control over the economy; political, legal and regulatory

uncertainty; nationalization, expropriation, or confiscation of property; difficulty in obtaining information necessary for investigations into and/or litigation against Chinese companies, as well as in obtaining and/or enforcing judgments; limited legal remedies for shareholders; alteration or discontinuation of economic reforms; military conflicts, either internal or with other countries; inflation, currency fluctuations and fluctuations in inflation and interest rates that may have negative effects on the economy and securities markets of Greater China; and Greater China's dependency on the economies of other Asian countries, many of which are developing countries. The inability of the Public Company Accounting Oversight Board to inspect audit work papers and practices of PCAOB-registered accounting firms in China with respect to their audit work of U.S. reporting companies may impose significant additional risks associated with investments in China. Investments in Chinese companies may be made through a special structure known as a variable interest entity ("VIE") that is designed to provide foreign investors with exposure to Chinese companies. Investments in VIEs may pose additional risks because the investment does not represent equity ownership in the operating company. Recently, the Chinese government provided new guidance to and placed restrictions on China-based companies raising capital offshore, including through VIEs, and investors face uncertainty about future actions by the Chinese government that could significantly affect the operating company's financial performance and the enforceability of the contractual arrangements underlying the VIE structure.

#### *Recent European Events*

Recently in Europe, many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts; many other issuers have faced difficulties obtaining credit or refinancing existing obligations; financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit; and financial markets in Europe and elsewhere have experienced extreme volatility and declines in asset values and liquidity. Further, related to the banking issues discussed herein, global markets are being adversely impacted by financial uncertainties surrounding at least one major European banking institution. Responses to these financial problems by European governments, central banks and others, including austerity measures and reforms, may not be effective in addressing these issues.

Further, on January 31, 2020, the United Kingdom exited the European Union ("EU") (following a non-binding referendum in June 2016) with a transition period in relation to existing laws and regulations until December 31, 2020 (this exit is

commonly referred to as “Brexit”). While the United Kingdom and the EU entered into a Trade and Cooperation Agreement effective January 1, 2021, there is no agreement between the United Kingdom and the EU with respect to financial services. The United Kingdom and the EU signed a Joint Declaration agreeing to establish a memorandum of understanding by March 2021 to, among other things, set a framework for regulatory cooperation and also discuss equivalence determinations, but there has been no progress to date. The passporting regime previously allowed regulated entities licensed or authorized in the United Kingdom (and each other European Economic Area (“EEA”) country) to operate on a cross-border basis in other EEA countries without the need for a separate license or authorization.

PGIM Real Estate implemented contingency plans to address Brexit (including a potential hard Brexit) which included the expansion of the regulatory permissions of EU domiciled affiliates, entry into intra-group arrangements and applying for “third country license regimes” in certain EU countries, where applicable.

#### *Recent Banking Events*

Recent economic events in the U.S., such as increases in inflation and interest rates, have led to concerns regarding the solvency of certain banking institutions, particularly small and mid-sized regional banks. Two such banks were placed in receivership under the Federal Deposit Insurance Corporation in March 2023. Market concern with respect to these banks, as well as the risks posed to other similar-profile banks, created the potential for a domino effect across the U.S. banking sector. Despite government efforts to curtail the effects of this situation, concerns about the overall financial health and stability of the U.S. banking sector remain high, with many bank stocks trading at significantly lower prices than they did before the crisis began. Further governmental intervention may be required to stabilize the U.S. banking sector in the future if additional U.S. banks, particularly larger banks, appear to be at a risk of failure; it is unclear, however, whether the government would intervene in such circumstances and, if it did, whether such governmental intervention would be sufficient to forestall a full-blown banking crisis. It is also possible that further government intervention could result in other unforeseen adverse impacts on the economy over the short or long term. Relatedly, these events may cause the Federal Reserve Board to slow down future increases in interest rates, making it more difficult to combat inflation. Even if, ultimately, market concerns about the financial health and stability of the U.S. banking sector are successfully addressed, these events may increase the risk of a recession in the U.S.

### *Risks Related to Regulation*

Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant global regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

### *Technology and Cyber Security*

Investment advisers, including PGIM, must rely in part on digital and network technologies to conduct their businesses and to maintain substantial computerized data relating to client account activities. These technologies include those owned or managed by us 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 computerized data, we, our affiliates, our third-party service providers, and their affiliates and service providers, and the systems we use are, under some circumstances, subject to a variety of cybersecurity-related risks, including ransomware and other cyber or data extortion risks, and exposed to incidents or similar events that lead to the inadvertent disclosure of confidential personal, proprietary, or other non-public data to unintended parties, or are subject to the intentional misappropriation, misuse, disclosure, encryption, threat to disclose, or destruction of such data by unauthorized parties or malicious actors mounting an attack on computer systems. We are also subject to disruptions to business operations and continuity risks, including system and supply chain failures, denial of service attacks, and ransomware and other destructive cyber-attacks. Various actors, such as for-profit criminal hackers and nation-state sponsored or affiliated actors, engage in cyberattacks against the financial services sector. We could experience cybersecurity attacks from numerous sources. These attacks would likely be aimed at our computers, systems, networks, and cloud operations.

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

Nevertheless, despite reasonable precautions, cybersecurity incidents occur, and in some circumstances result in unauthorized access to or acquisition of sensitive

information about us or our clients. In addition, such incidents could cause damage to client accounts, data or systems or affect account management.

Furthermore, our systems could 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, litigation, or the inability to transact business.

#### *Data Source Risk*

We use a variety of proprietary and non-proprietary data to evaluate real estate and formulate investment advice. If a data source is incorrect or unexpectedly becomes unavailable or unreliable, client assets may be negatively impacted. We also subscribe to external data sources for various purposes and functions, including in making investment decisions. While we believe those third-party data sources to be generally reliable, we do not guarantee that the data received will be accurate or complete and is not responsible for errors by these sources.

#### *LIBOR Discontinuation Risk*

The London Interbank Offered Rate ("LIBOR") is an estimate of the rate at which a sub-set of banks (known as the panel banks) could borrow money on an uncollateralized basis from other banks. On March 5, 2021, the U.K. Financial Conduct Authority ("FCA") confirmed that the publication of the principal tenors of the U.S. dollar LIBOR (i.e., overnight, one-month, three-month, six-month and 12-month LIBOR) will cease immediately following a final publication on June 30, 2023. The scheduled cessation date for U.K. pound sterling, Japanese yen, Swiss franc and Euro LIBOR, and the one-week and two-month tenors of U.S. dollar LIBOR, was December 31, 2021 (although certain tenors of U.K. pound sterling and Japanese yen LIBOR continue to be published on a non-representative, synthetic basis for purposes of certain legacy LIBOR contracts). Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in all major currencies. The effect of any changes or reforms to LIBOR or discontinuation of LIBOR on new or existing financial instruments will vary depending on (1) existing fallback provisions in individual contracts, (2) the adoption of fallback provisions through the Inter-Bank Offered Rate ("IBOR"), Fallbacks Protocol produced by the International Swaps and Derivatives Association, (3) whether, how, and when industry participants develop and widely adopt new reference rates and fallbacks for both legacy and new products or instruments and (4) the timing of transitions to alternative reference rates. Since January 1, 2022, as a result of supervisory guidance from U.S. regulators, some U.S. regulated entities have ceased to enter into

new LIBOR contracts. As a result, accounts that procure debt financings or make investments in debt products that continue to use LIBOR rates or other interbank offered rates to determine interest rate obligations may be adversely affected in terms of liquidity and pricing. Uncertainty and risk remain regarding the willingness and ability of issuers and lenders to include revised provisions in new and existing contracts or instruments. While the finalization and incorporation of fallback language is anticipated to increase market certainty in newly issued products, some legacy cash instruments do not have mechanisms to efficiently allow for revising fallback language or will be difficult to amend as they are predicated on consent from other bondholders. Furthermore, changes to reference rates or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates, which may adversely affect a client account's performance. Consequently, the transition away from LIBOR to other reference rates may lead to increased volatility and illiquidity in markets that are tied to LIBOR, fluctuations in values of LIBOR-related investments or investments in issuers that utilize LIBOR, increased difficulty in borrowing or refinancing and diminished effectiveness of hedging strategies, thereby adversely affecting a client account's performance.

#### *REIT Investments*

Entities that elect to be taxed as a REIT do not pay federal income taxes if they meet the requirements to qualify as a REIT. If any REIT were to fail to qualify as a REIT in any taxable year, it could have adverse tax consequences, creating a risk that an investment in that REIT could perform negatively.

#### *Environmental Risks*

Investments in real estate may be subject to liability under environmental statutes, rules and regulations. The cost of investigation, remediation, management or removal of hazardous or toxic substances is potentially substantial and could adversely affect the ability to sell or lease such property or obtain financing. In addition, the account may be subject to substantial risk of loss from environmental claims arising with respect to real estate acquired with environmental problems, and the loss may exceed the value of the investment. Changes in environmental laws or the environmental condition of the property may create liabilities that did not exist at the time of acquisition and could not have been foreseen. In addition, real estate investments may be subject to natural disasters such as earthquakes, fire, windstorms, flood and man-made disasters such as terrorism or acts of war.

#### *Environmental, Social and Governance Risks*

The global regulatory environment applicable to ESG strategies is evolving and will

lead to increased complexity and potentially conflicting regulatory regimes applying to us and the accounts (including funds) we manage. Further, certain ESG-related regulations (including the European Union's Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector), contain elements of subjectivity, which could lead to our regulatory and legal interpretation differing from that of others and could also result in the regulatory reclassification of products that we manage, changes to our account-level disclosures and changes to our internal policies, procedures and processes. Compliance with ESG-related regulations could lead to increased costs for relevant accounts.

ESG investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by us, or any judgment exercised by us will reflect the beliefs or values of any particular client, and our proprietary internal ESG impact rating of a particular investment could differ from the view of others. An account's ESG strategy, which may select or exclude investments for reasons other than financial risk/return considerations (where consistent with applicable law or regulation), could have lower returns than accounts whose investment criteria are solely focused on seeking the highest risk-adjusted returns. The application of this strategy may affect the account's exposure to certain sectors or types of investments, which could negatively impact the account's performance. In evaluating an investment or in assigning an internal ESG impact rating to an investment, we are sometimes dependent upon information and data obtained through third-party reporting that may be incomplete, inaccurate or unavailable, which could impact or impair our ability to assess an issuer's business practices with respect to ESG practices. Additionally, a client could disagree with the classification of an issuer by our data provider.

Socially responsible norms differ by region, and an issuer's ESG practices or our assessment of an investment's ESG practices may change over time. Accordingly, it is possible that we would have assigned a different ESG impact rating to an investment had we had access to additional or more accurate information. If the addition of a new screen or an update to the existing list of ineligible or prohibited investments from a third-party agent or a change to an internal ESG impact rating (in each case where applicable to a client account) causes an investment held by a client account to not comply with the ESG constraints or considerations applicable to the client account, we may be required to sell the investment at a disadvantageous price or time, causing the client account to incur losses that would not otherwise be realized in the absence of such ESG constraints or considerations. The screens or constraints related to certain ESG strategies could result in an account forgoing opportunities to make certain investments when it might otherwise be advantageous to do so. An account that invests in indices may also



have exposure to investments that would be restricted under the applicable ESG constraints if held directly due to the composition of the index. Successful application of an account's ESG strategy will depend on our skill in identifying and analyzing material ESG issues and there can be no assurance that the strategy or techniques employed will be successful.

In the case of debt assets, while the assets may be monitored and reviewed to help PGIM Real Estate monitor changes to the ESG risk profile of the investment as they are presented, there is no assurance that a property's decline in competitiveness or value due to an ESG risk occurring, including a climate-related change in applicable law, will afford a lender any particular rights or remedies under the terms of the applicable loan documents or that we will elect to pursue any particular right or remedy as a result thereof. We may, however, seek to discuss findings with the applicable borrower subject always to the terms of the governing loan documents, applicable law and our overall assessment of a particular investment. Although PGIM Real Estate's ESG implementation seeks to incorporate the potential impact of ESG related risks, ESG related considerations may or may not be weighted greater than any other aspect of our assessment of a particular investment. In the future, we may seek to adopt specific ESG-related objectives into a client's investment criteria, but even if we do so, we would generally not expect a fund or account to have any greater ability to dictate the operation of any property. As such, there can be no assurance that such objectives result in better investment decisions or performance or otherwise satisfy any one investor's ESG expectations.

### *Sustainability Risk*

Sustainability risk means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a negative material impact on the value of the investments. Sustainability risk can either represent a risk on its own or have an impact on other risks and contribute significantly to the risk, such as market risks, liquidity risks or operational risks.

With regards to an environmental event or condition, real estate could be severely damaged or destroyed by physical climate risks, including climate change that could materialize as either singular extreme weather events (for example floods, storms and wildfires) or through long-term impacts of climatic conditions (such as precipitation frequency, weather instability and rise of sea levels).

Furthermore, transition risks can affect real estate assets through the adjustment to a low carbon economy. Political decisions could for example increase energy prices or lead to higher investment costs due to necessary refurbishments of real estate to meet enhanced energy efficiency requirements (caused by local, national, regional

or global legislation). Transition risks could also lead to a reduction in demand for energy inefficient real estate.

Insofar as investments into securities (such as shares or bonds) for liquidity management purposes are considered, sustainability risks may have a negative impact on the market price of these investments and thus on the return of the fund, e.g., if issuers were to underestimate or fail to adequately assess sustainability risks and an event or condition were to occur adversely affecting the market price of their securities. In addition, reputational risks, caused by unsustainable acts of an issuer, could also adversely affect the market price of its securities.

The market value of directly and indirectly held real estate may also be negatively affected by sustainability risks, for example through adverse changes in revenues, higher costs or impaired valuations and sales prices. Market prices of shares and bonds or other assets in a liquidity portfolio can change if companies do not act sustainably and do not invest in sustainable transformations or fail to adequately assess sustainability risks.

#### *Sanctions and Related Considerations*

Economic sanction laws in the United States and other jurisdictions prohibit us, our personnel and accounts we manage from dealing or transacting with certain countries, organizations, companies, issuers, individuals and investments. Economic sanctions, and other similar and related laws and regulations, could make it difficult for an account to pursue certain investment opportunities and for portfolio investments to obtain or retain certain business, which could adversely impact an account, cause increased volatility and illiquidity and impact the accuracy of valuations.

In the United States ("U.S."), the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which restrict or prohibit, among other things, direct and indirect transactions with, and the provision of services to, certain non-U.S. countries, territories, individuals and entities. U.S. and non-U.S. sanctions applicable to our business could significantly restrict or completely prohibit investment activities in certain jurisdictions, and violation of any such laws or regulations, may result in significant legal and monetary penalties, as well as reputational damage. OFAC and non-U.S. sanctions programs change frequently, which may make it more difficult for us, our affiliates or our clients to ensure compliance. Moreover, OFAC enforcement is increasing, which may increase the risk that we, our affiliates or our clients become the subject of such actual or threatened enforcement.

In February 2022, Russian troops invaded Ukraine, and the two countries remain engaged in a full-scale military conflict. Shortly after the invasion, the U.S., Canada and the European Union, among other jurisdictions and regulatory bodies, imposed economic sanctions related to this conflict, many of which remain in effect. Among other things, these sanctions consist of prohibiting certain securities trades, asset freezes and prohibition of certain business. Such sanctions could impair our ability to buy, sell, hold, receive or deliver impacted holdings, and could impact our relationship with, and/or business operations of, third parties with whom we conduct business and/or have invested client assets. There is no guarantee that any steps taken by us to mitigate any adverse impact of these sanctions will be successful, and your account could be impacted by, among other things, significantly decreased valuations, creditor default and illiquidity. It is impossible to predict the length, severity, and outcome of this conflict.

#### *Epidemics and Public Health Emergencies*

Occurrences of epidemics and pandemics, depending on their scale, may cause different degrees of damage to national and local economies that could affect the value of real estate investments. Global economic conditions may be disrupted by widespread outbreaks of infectious or contagious diseases, and such disruption may adversely affect real estate valuations, investments, and account performance.

Since March of 2020, the global economy has grappled with the negative impact of the strain of coronavirus now commonly known as COVID-19. Despite advances in vaccinations against, and treatments for, COVID-19, global markets continue to feel the pandemic's effects. There can be no certainty as to how long those effects will continue, particularly as markets grapple with unintended consequences of fiscal and monetary policies designed to curb the COVID-19 pandemic's economic impact (such as inflation following interest rate reductions). Further, there can be no assurances that outbreaks of other diseases will not occur in the future and have similar negative effects on the global economy. These economic disruptions have negatively impacted the value and performance of investments in funds and accounts, and there is no way to predict the extent of any such future consequences for clients.

#### *Effects of Catastrophic Events*

Catastrophes such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, that result in disrupted markets and/or interrupt the expected course of events, and public response to or fear of such crises or events, could have an adverse effect on the operations of and, where applicable, investments made by funds or accounts we manage. For example,

any preventative or protective actions taken by governments in response to such crises or events could result in periods of regional, national or international business disruption. Such actions could significantly disrupt the operations of such funds or accounts, or of PGIM Real Estate, and the other service providers to funds or accounts. Further, the occurrence and duration of such crises or events could adversely affect economies and financial markets either in specific countries or worldwide. The impact of such crises or events could lead to negative consequences for the funds or accounts, including, without limitation, significant reduction in the net asset value of the funds or accounts, reduced liquidity of their investments, restrictions on the ability to value their investments and the potential suspension of the calculation of new asset value and the suspension of issues, redemption and/or exchanges of investments.

#### *Uninsured Loss*

Certain types and magnitudes of potential losses at real estate investments are not insured because it is not economically feasible to insure against such losses or are subject to certain insurance limitations, including large deductibles or co-payments. Should an uninsured loss or a loss in excess of limits occur, the portfolio could lose its capital invested in such investments as well as future revenue, while remaining liable for any debt or other financial obligations related to such investments.

#### *Illiquid Investment Risks*

Equity and debt real estate assets are relatively illiquid. The ability to dispose of real estate assets in a timely or favorable manner is subject to many factors beyond PGIM Real Estate's control, including, but not limited to, general economic conditions, supply and demand, the availability of capital (whether from lenders or investors) and interest rates.

#### *Performance-Based Compensation*

Performance-based compensation creates an incentive to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

### **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 Prudential Financial, we are part of a diversified, global financial services organization. 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 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 distribution services 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***

PGIM Real Estate (US) serves as subadvisor to mutual funds managed or co-managed by our affiliate PGIM Investments LLC. PGIM Real Estate (US) and PGIM Real Estate (UK) serve as subadvisor to investment funds managed or co-managed by PGIM Real Estate Luxembourg. From time to time, we may provide or receive investment advisory and ancillary services from other affiliated investment advisors. We also have service agreements with some of these affiliates under which we may perform or receive services such as assistance with marketing and management of funds we manage or advise.

### ***Our Insurance Company Affiliations***

We provide investment advisory services to 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 an affiliated insurance company.

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, that are intended to ensure that all client accounts are treated fairly and equitably.

### ***Our Commodity and Derivatives Trading Activities***

PGIM, Inc. is registered as a commodity trading advisor and a commodity pool operator, and certain of our management persons are our associated persons when we act in those capacities. Notwithstanding such registration, PGIM relies on exemptions from registration as a commodity pool operator with respect to certain accounts and pools. In addition, we rely on an exemption for relief from certain reporting and recordkeeping requirements applicable to commodity trading advisors.

### ***Our Participating Affiliates Relationships***

Within the guidance set forth under applicable law, relevant no-action letter(s) and related SEC guidance, SEC-registered investment advisers are permitted to access, under prescribed conditions, the services of unregistered affiliates (“Participating Affiliates”). We have arrangements whereby the following Participating Affiliates provide services to us in connection with our management and marketing of certain funds and client investments.

- PLA Services Manager Mexico, LLC
- PGIM (Singapore) Pte. Ltd
- PGIM Real Estate Germany, AG
- PGIM Australia Pty, Ltd.

### **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 as described further in Item 11.

While we have adopted and follow numerous standards, policies and procedures designed to ensure that clients are not harmed by 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.

## **Item 11 – Code of Ethics**

### ***A. Code of Ethics***

We maintain a code of ethics as required by applicable SEC rules. Our 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 our own and disclose actual and potential meaningful conflicts of interest. The code of ethics incorporates Prudential'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.

#### *B. Internal Standards and Policies*

##### *Information Barrier Standards*

Prudential's information barrier standards are designed to prevent the communication of material, non-public information across the various PGIM 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 us from trading, either for client or personal accounts, in the securities of such issuers. Our receipt of material, non-public information most often occurs because we at times engage in real estate and other transactions with publicly traded real estate investment trusts (REITs) and real estate operating companies (REOCs) 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 to intentionally accept material, non-public information with respect to certain issuers, where appropriate.

In addition, due to our involvement in managing or advising on portfolios of publicly traded real estate securities, PGIM Real Estate maintains an information barrier between the personnel involved in advising on or managing those portfolios and those personnel that manage or advise on private real estate investments. This permits PGIM Real Estate's private-side business to engage in real estate transactions with issuers of publicly traded real estate securities that might otherwise restrict our Global Real Estate Securities (GRES) team from investing in those securities for relevant clients if no barrier were to exist.

Furthermore, in some instances where we deem it appropriate, we may create an "isolated information barrier" around a small number of 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*

We maintain 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, employees are required by those standards to:

- report personal securities transactions to our corporate compliance unit;
- pre-clear personal securities transactions;
- maintain brokerage accounts only with certain approved brokers that report transaction information to our corporate compliance unit; and
- annually report securities holdings to our corporate compliance unit.

Our access persons (defined as associates who work in or support portfolio management activities, have access to non-public investment advisory client trading information or recommendations or have access to non-public portfolio holdings of mutual funds) and investment personnel (defined as access persons who are public-side portfolio managers, analysts, traders, or certain other individuals as designated by the compliance officer ) are subject to additional restrictions under the standards, including the following:

- 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 who invest in proprietary and certain non-proprietary mutual funds must hold such investments for a period of at least 60 days subject to certain exceptions;
- access persons may not knowingly 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); and,
- access persons may not write naked call options or buy naked put options on a security held in a client account.



Furthermore, where employees of PGIM or its affiliates can invest in PGIM Real Estate advised funds, policies and procedures are in place to ensure that such employees are not given an 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 employees receive annual training, either web based or otherwise, regarding our personal securities trading and information barrier policies. In addition, employees must annually confirm that they have read and understand our 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 moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. Prudential 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) the 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 governments. PGIM associates employed or representing PGIM’s European entities must also pay due regard to the local inducements rules. PGIM’s MiFID entities are generally prohibited from giving or receiving any gifts or entertainment which is of a scale and nature that it could be judged to impair PGIM’s duty to act honestly, fairly and professionally and in the best interest of PGIM’s clients. 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 detect trends of abuse, conflicts of interest, or possible violations of the policy.

#### *Political Contributions*

PGIM has 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 political contributions.

### *C. Conflicts of Interest*

Actual and potential conflicts of interest may arise from time to time in connection with the conduct of our business. We have adopted and follow numerous standards, policies and procedures designed to ensure that clients are not harmed by such conflicts. However, 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.

We have described below significant actual or potential conflicts of interest that may arise and have organized the discussion 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 the conflict to matters described under other headings or to other parts of our business.

#### *Affiliate Relationships*

As part of a global financial services group that includes insurance companies, other investment advisers and broker-dealers, we may face a conflict when a client has a relationship with one of our affiliates or when the advice or management services we provide relate to an entity that has relationships with one or more of our affiliates. Such relationships could affect or influence decisions that we make, including decisions whether or not to take certain actions.

Our relationship with an affiliate may also give rise to legal, regulatory and contractual restrictions on the purchase or sale of a particular investment on behalf of a client or on the timing of our purchase or sale.

We may be prohibited from engaging in transactions with our affiliates even when such transactions could be beneficial for client accounts. Certain transactions with affiliates are permitted in accordance with procedures we have 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, an affiliated broker-dealer or investment adviser may be executing transactions in the market in the same publicly traded real estate securities as we are.

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

### *Competing Interests*

Other than specific contractual restrictions that may exist including as a result of being required by investors, there are no restrictions on us or our affiliates from forming, sponsoring, owning, managing or advising additional investment vehicles or clients that have overlapping investment objectives or investment criteria. There can be no 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 or clients that we do not or cannot present 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.

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.

### *Outside Business Activities*

From time to time, certain of our officers and employees may engage in outside business activities, including outside directorships. Such outside business activities could impact the relevant individual's impartiality in performing their duties as our employee or officer. Furthermore, we could be restricted from acquiring or disposing of investments on behalf of one or more clients if an officer or employee obtains material, non-public information as a result of an outside business activity. To manage these potential conflicts, all outside business activities are subject to prior approval pursuant to our personal conflicts of interest and outside business activities policy and, where appropriate, relevant procedures and controls, such as a requirement for the individual concerned to recuse themselves from participating in the making of certain decisions, are put in place as a condition of the outside business activity being approved.

### *Investment Consultants*

Many of our clients and prospective clients retain investment consultants (including discretionary investment managers and Outsourced Chief Investment Officer

providers) to advise them on the selection and review of investment managers (including with respect to the selection of investment funds). We have dealings with these investment consultants in their roles as discretionary managers or non-discretionary advisers to their clients. We also have independent business relationships with them.

We provide investment consultants with information on accounts we manage for their clients (and similarly, we provide information about funds in which such clients are invested), in each case pursuant to authorization from the clients. We also provide information regarding our investment strategies to investment consultants, who use that information in connection with searches they conduct for their clients. We often respond to requests for proposals in connection with those searches.

We will provide information about our relationship with consultants upon request. In general, we rely on the investment consultant to make the appropriate disclosure to its clients of any conflict that the investment consultant believes to exist due to its business relationships with us.

#### *Client Relationships and Side Agreements*

We may agree to provide certain of our clients with a different or greater level of information, reporting, operational support, other resources or overall services than we generally provide to other clients. In doing so, we would not do anything that was inconsistent with the best interests of all our clients.

In addition, we sometimes enter into side agreements with investors in the funds and other investment vehicles that we manage that may include, among other things, supplementary rights, including with regard to matters such as advisory committee membership, access to co-investment opportunities, special investment restrictions, information rights and reporting requirements. 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.

#### *Affiliated Clients*

We might have an incentive to provide preferential treatment to an affiliated client or investor as compared to an unaffiliated client or investor. In addition, we and our affiliates may have certain intergroup financial arrangements which may have the effect of giving affiliates that are our clients or investors preferential economic terms as compared to unaffiliated clients or investors.

Furthermore, an affiliated client might have access to information or reports that are not available to equivalent unaffiliated investors. For example, individuals who are responsible for managing Prudential Financial'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 unaffiliated clients (although this access does not include specific unaffiliated client identifying information or portfolio information for our clients who have asked for confidentiality with respect to sharing of information with our affiliates).

However, we ensure that any such treatment, financial arrangements and information rights, and the manner in which we manage our relationships with affiliated clients are consistent with our ability to act in the best interests of all our clients.

#### *Investment Allocations*

We have numerous affiliated and unaffiliated clients who are seeking the same type of investment opportunities resulting in potential conflicts of interest in allocating such investment opportunities. For example, we could have an incentive to favor clients that pay higher fees or generate more income for us than other clients. To address this, we have adopted rotational investment allocation procedures as well as supervisory procedures that are intended to ensure the fair allocation of investment opportunities among competing client accounts over time.

#### *Valuation of Investments*

Our fees are at times based on the value of assets under management which include illiquid or difficult to value investments. We seek to address the resulting conflict of interest that we might have in valuing client assets by seeking to ensure that our valuation policies and procedures enable us to value such assets fairly and in a manner that is consistent with the best interests of our clients.

#### *Performance-based Compensation and Co-investment*

Our fees and compensation are at times based on the performance of the investments that we manage for a client, as may the elements of the compensation of certain of our officers and employees. In addition, from time to time, both we and certain of our officers and employees may, or may be required to, co-invest alongside our clients in particular investments.

Both performance-based fees and compensation and co-investments can create an incentive for PGIM Real Estate or a supervised person to make or recommend investment decisions that are riskier, more speculative or otherwise different than

those that would be made or recommended in the absence of such a compensation structure or co-investment.

To manage this, we have policies and procedures designed to ensure that each of our client's 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. Those procedures include independent internal review of investment decisions.

#### *Warehousing of Investments*

We may face a conflict in relation to the price or other terms on which an investment that is warehoused temporarily by us or one of our affiliates is subsequently transferred to a fund or client managed or advised by us. These warehoused assets are generally transferred or syndicated at a price equal to PGIM warehouse's cost plus a "cost of carry". We manage this conflict by ensuring that there is appropriate disclosure to the fund investors or client concerned and that appropriate independent advice is provided to the fund or client that the warehoused investment is being transferred to.

#### *Transactions between Clients*

It may be difficult for us to satisfy our fiduciary duty to both clients in respect of the transfer or joint acquisition of an investment between or by two clients. To manage this, we have policies and procedures in place to ensure that there is appropriate disclosure to and, when appropriate, consent from the clients concerned and that appropriate independent advice is provided to both clients.

#### *Affiliate or Investor Financings*

From time to time, one of our affiliates may provide financing to a client that we manage or advise or an investor in an investment fund that we manage or advise may provide financing to that fund or an underlying investment entity that it owns. Such financing transactions may be secured or unsecured and may take various forms including, without limitation, loans, mortgage loans, revolving credit facilities, privately placed debt, subscription-secured facilities, suretyship arrangements, letters of credit and interest hedging arrangements.

To manage the related conflicts, we ensure that such financings are on market terms, and we ensure that there is both appropriate disclosure to the client(s) concerned and that that appropriate independent advice is provided to the client or investment fund concerned. In the event of a default by the borrower under any such financing transaction or any other dispute arising between the lender or

borrower, we would again ensure that there was appropriate independent advice to the borrower.

### *Service Providers*

We may have incentives to hire an affiliate, an affiliate of a client or a service provider who has provided something of value to us or to one of our affiliates, in each case to provide services to a client and regardless of whether an unaffiliated service provider could provide the same service to the same standard or at a lower cost. To manage this conflict, we ensure that there is appropriate disclosure in writing to the relevant client(s) and underlying investors and that the fees and other amounts to be paid to the affiliated service provider, and the other terms on which it is engaged, are comparable to those generally available in the market.

PGIM Real Estate retains third party service providers to provide various services both for ourselves as well as for investment funds and clients that we manage or 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 (1) with respect to services provided to us or our funds or other clients; (2) 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.

### *Global Real Estate Securities Business*

Conflicts of interest may arise regarding proxy voting. To address this, a senior PGIM Real Estate portfolio manager oversees the proxy voting process in accordance with our proxy voting policy (further details of which are set forth at Item 17).

It is our policy not to engage in principal transactions with affiliated broker-dealers for unaffiliated institutional accounts that we manage. We may cause 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 of interest may arise in connection with the investment or other activities of PGIM and its affiliates, or through the relationships of such parties with issuers of public securities. One or more of our affiliates 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 our client accounts or may be inconsistent with positions we hold or actions we might take on behalf of our 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, PGIM 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 our 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 Prudential Financial; 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, LLC is actively engaged. While these types of conflicts cannot be eliminated, we have implemented policies and procedures designed to ensure that investments of our clients are originated and managed in their best interests.

Our holdings of a security on behalf of our clients are required, under certain regulations, to be aggregated with the holdings of that security by other Prudential Financial affiliates. These holdings could, on an aggregate basis, exceed certain reporting or ownership thresholds. Prudential Financial tracks these aggregated holdings and we may restrict purchases, sell existing positions, or otherwise restrict,



forgo, or limit the exercise of rights to avoid crossing such thresholds because of the potential consequences to us or Prudential Financial if such thresholds are exceeded.

## **Item 12 – Brokerage Practices**

### **A. Broker Selection**

Our Global Real Estate Securities (GRES) team selects brokers based on their ability to obtain best overall execution. This is determined based on a combination of commissions, market impact, trade execution and settlement, as well as 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 securities quote recap and by 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.

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**

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. Under the safe harbor provided under Section 28E of the Securities Exchange Act of 1934, our equity business pays for these research and brokerage services with our equity clients' brokerage commissions. 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. The use of soft dollars to pay for this research is a benefit for us because we do not have to pay for this research using our own money.

The receipt of soft dollar benefits 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 order to mitigate this conflict, when selecting a broker to execute

client transactions in return for soft dollar benefits, we seek the best execution and most advantageous price in light of the overall quality and reliability of brokerage taking into account the factors outlined above.

In some instances, entities provide research services but have not entered into commission sharing agreements 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 services (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 have policies and procedures to address and track the use of client commissions to pay for eligible soft dollar services. In accordance with the procedures, we have a comprehensive CSA program (described below) and regularly review the amount of brokerage allocated to brokers that provide us with soft dollar services.

#### Commission Sharing Arrangements

GRES makes payments for permissible soft dollar benefits either via a portion of the commissions paid to the executing broker, or through a commission sharing arrangement (“CSA”). CSAs enable us to effect transactions, subject to best execution, through brokers who agree to “unbundle” their commission rates in order to allocate a portion of eligible commissions into a pool that can be used to pay for research from providers with which GRES does not have a brokerage relationship. In the event of a broker-dealer’s default or bankruptcy, commissions allocated through CSAs may become unavailable for the benefits described below.

GRES pays for proprietary research that is not paid through a CSA by trading directly with the broker that produced the proprietary research (“Research Trades”). GRES also pays for brokerage services such as execution management services by trading with the broker that provides the brokerage services. These commissions do not separate out the cost of research or brokerage service from the cost of execution and are considered bundled commissions.

Orders are generally aggregated across all accounts purchasing or selling the same security at the same time pursuant to the GRES Allocation Policy. Accordingly, all

accounts participating in a CSA or Research Trades pay the same commission rate for trades and share pro rata in the costs of the particular transaction.

Participation in CSAs enables GRES to consolidate payments for brokerage and research services through one or more channels using accumulated client commissions or credits from transactions executed through a particular broker-dealer to obtain brokerage and research services provided by other firms. Such arrangements also help GRES strengthen its relationships with key brokers while still maintaining relationships with research providers which facilitates our ability to seek best execution in the trading process. GRES believes CSAs are useful in its investment decision-making process by, among other things, providing access to a variety of high quality research, individual analysts, and resources that enable GRES to select the research services it feels are the most valuable to its research process and in turn most beneficial to its clients.

#### Allocation of Soft Dollar Benefits

We use soft dollar research to benefit one, a few or all of our clients, including accounts of our affiliates that we manage. We also use soft dollar research to benefit client accounts other than the client accounts that paid the soft dollar commissions. Research is not generally allocated to client accounts proportionately to the soft dollar credits that the accounts generate.

#### Products and Services Acquired with Client Brokerage Commissions

We use soft dollars to pay for a broad range of proprietary and third-party research that is used to supplement our internal research and aid in investment decision-making. Research may be received in the form of written reports, periodicals, investment seminars, software, computer databases, access to corporate management and industry spokespersons, security analysts, economists and government representatives. We also utilize expert networks.

To the extent that we receive both administrative benefits and research and brokerage services provided by brokers, we make a good faith allocation between the administrative benefits and the research and brokerage services and pay for the administrative benefits in hard dollars. From time to time, we independently acquire for uses other than its investment management of client accounts the same services as those provided by a broker. In such instances, we pay hard dollars for those services.

In the case of Bundled Providers 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 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 and other non-execution services rather than our clients' interest in receiving best execution.

Generally speaking, the GRES team receives research services in connection with 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 commissions may not be used in managing that client's account but may be used in managing other accounts (including accounts that may use execution-only brokers). The value of the 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.

Where GRES clients contract directly with PGIM Real Estate (UK) and/or PGIM Real Estate Luxembourg, Markets in Financial Instruments Directive II ("MiFID II") does not permit them 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 Real Estate (UK) and PGIM Real Estate Luxembourg have 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 the 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 Real Estate (UK), unless they fall within the defined list of acceptable minor non-monetary benefits.

### C. Periodic Broker Review

When selecting a broker to execute client transactions in return for research, we seek the best execution and most advantageous price considering the overall quality and reliability of brokerage considering 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 favorable 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 overall responsibility for the periodic review of PGIM Real Estate accounts.

#### **Review of Transactions**

The acquisition and disposition of private real estate debt and equity investments 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 GRES business does not review individual transactions in publicly traded real estate securities but establishes for each portfolio and then reviews, on a regular basis, the geographic portfolio allocations among Europe, Asia and North America and the other risk characteristics and parameters that will be applied.

#### **Periodic Review 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 debt and equity investments are reviewed with senior members of the firm, including the Chief

Executive Officer and Global Chief Risk and Investment Officer on a semi-annual basis. During these meetings, compliance with the investment guidelines for the relevant portfolio is reviewed and feedback regarding the portfolio's performance, challenges, client feedback, and priorities (among other items) are discussed.

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

### **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, 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 private real estate and real estate debt portfolios, Compliance is responsible for monitoring fund guidelines on a transactional basis, periodically performing forensic testing on such portfolios and playing an oversight role with committees such as the Allocation and Investment Committees.

### **MiFID II Requirements**

As PGIM Real Estate (UK) and PGIM Real Estate Luxembourg are each a manufacturer and distributor of financial products, the MiFID II product governance rules require that they understand the products they manufacture and distribute to clients and ensures that (i) the products that they manufacture are designed to meet the needs of the target market of end clients they have identified for that product, and (ii) the distribution strategy is compatible with, and the products are distributed to, that identified target market.

MiFID II also requires that PGIM Real Estate (UK) and PGIM Real Estate Luxembourg 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.

### **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 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. Reports of these meetings are distributed to all investors.

MiFID II requires that PGIM Real Estate (UK) and PGIM Real Estate Luxembourg provides clients with ex-ante and ex-post disclosure of all costs and charges associated with the services they provide 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.

Quarterly and annual performance reports, which may include summaries of purchase and sale activity, are made to our advisory clients. We may provide additional information and reports to our affiliated and unaffiliated clients, including pursuant to specific arrangements that we may put in place with a specific client or in relation to a particular investment fund that we manage.

### **Investor and Client Meetings**

Senior investment professionals are made available on an as needed basis for meetings with clients, including underlying investors in investment funds and vehicles that we manage or advise. The frequency of meetings is at the client's discretion, although we encourage 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 utilize affiliated or unaffiliated entities to facilitate the distribution of certain investment vehicles in certain jurisdictions. We may from time to time compensate an affiliate or 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**

We do not have direct custody of client funds or securities. However, PGIM Real Estate may be deemed to have limited indirect custody as a result of either PGIM Real Estate or one of its affiliates acting as a general partner of a fund or as a result of limited discretion which authorizes the withdrawal of funds or reduction of units for purposes of collecting advisory fees. PGIM Real Estate also issues account statements for the value of the units of the overall investment client's assets and any cash positions. With respect to cash balances, we urge each investor to periodically compare the account statements received from the qualified custodian with those they receive from PGIM Real Estate. 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 Advisers Act of 1940.

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

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. Our clients will receive accounts statements from their custodians no less frequently than quarterly and should carefully review those statements.

PGIM Real Estate has engaged an affiliated servicing business, PGIM Real Estate Loan Services ("PRELS") to provide loan servicing and administration services to the loan portfolios of certain clients of PGIM Real Estate. In servicing the loans, PRELS establishes bank accounts with an unaffiliated bank for each relevant client and receives funds into, and disburses funds from, those accounts. Notwithstanding any statement above to the contrary, as a result of PRELS' authority to receive and disburse funds, PGIM Real Estate could be deemed to have custody over the accounts holding such funds. Each PGIM Real Estate client that invests in loans that are serviced by PRELS is subject to an annual audit in accordance with GAAP and its



financial statements are delivered within 120 days following its fiscal year end. Investors who fail to receive financial statements promptly, or who have any questions about those financial statements, should contact PGIM Real Estate.

### **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 type 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, 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 favor 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 ensure that the account, and 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 our clients' accounts when our clients delegate this authority to us. Our investment management and advisory agreements with our clients will generally specify whether or not we have the authority to vote proxies on their behalf.

#### *Our Proxy Voting Policy and Procedures*

In meeting its fiduciary duty, PGIM Real Estate's principal concern in voting portfolio proxies is the anticipated economic effect of the proposal on the value of our clients' portfolio holdings, both in the long-term and 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 our judgment of how we can best further the economic interests of our 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 our established guidelines. In these cases, our voting decisions are made on a case-by-case basis taking into consideration our fiduciary duty to our clients.

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 we may be unable to vote a proxy or choose not to. For example, with respect to international holdings, we take into account additional restrictions in some countries that might impair our ability to trade those securities or have other potentially adverse economic consequences. We generally vote foreign securities on a best-efforts basis if we determine that voting is in the best economic interest of our clients.

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

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, guidelines and procedures to our clients who authorize us to vote proxies, 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 of our clients may participate in securities lending programs in their accounts. We do not control or participate in any way in these programs and do not know when or which securities in our clients' accounts are in these programs. We cannot vote securities that are out of our clients' portfolios on loan or are otherwise excluded from voting privileges.

### *Client Direction of Voting*

Although most of our clients for whom we vote proxies authorize us to vote in accordance with our proxy voting policy, a client may request that we vote their proxies in accordance with a different policy. We 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 our 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 we identify an actual or potential conflict of interest between our firm and our clients that we are unable to resolve, the matter is referred to the GRES team for resolution, which may include abstaining from a particular vote or voting in accordance with the policy of our 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 forward them to the client's custodian. If a client has a question about a particular solicitation, the client may contact its 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 and 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 seek and 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 averse 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.

With respect to corporate actions (such as an issuer's merger, tender offer, dividend distribution), 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 contractual and fiduciary commitments to our client.

#### For Clients Subject to ERISA

This brochure is being provided for informational purposes. In providing this brochure, PGIM (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 will receive compensation for its investment management services.