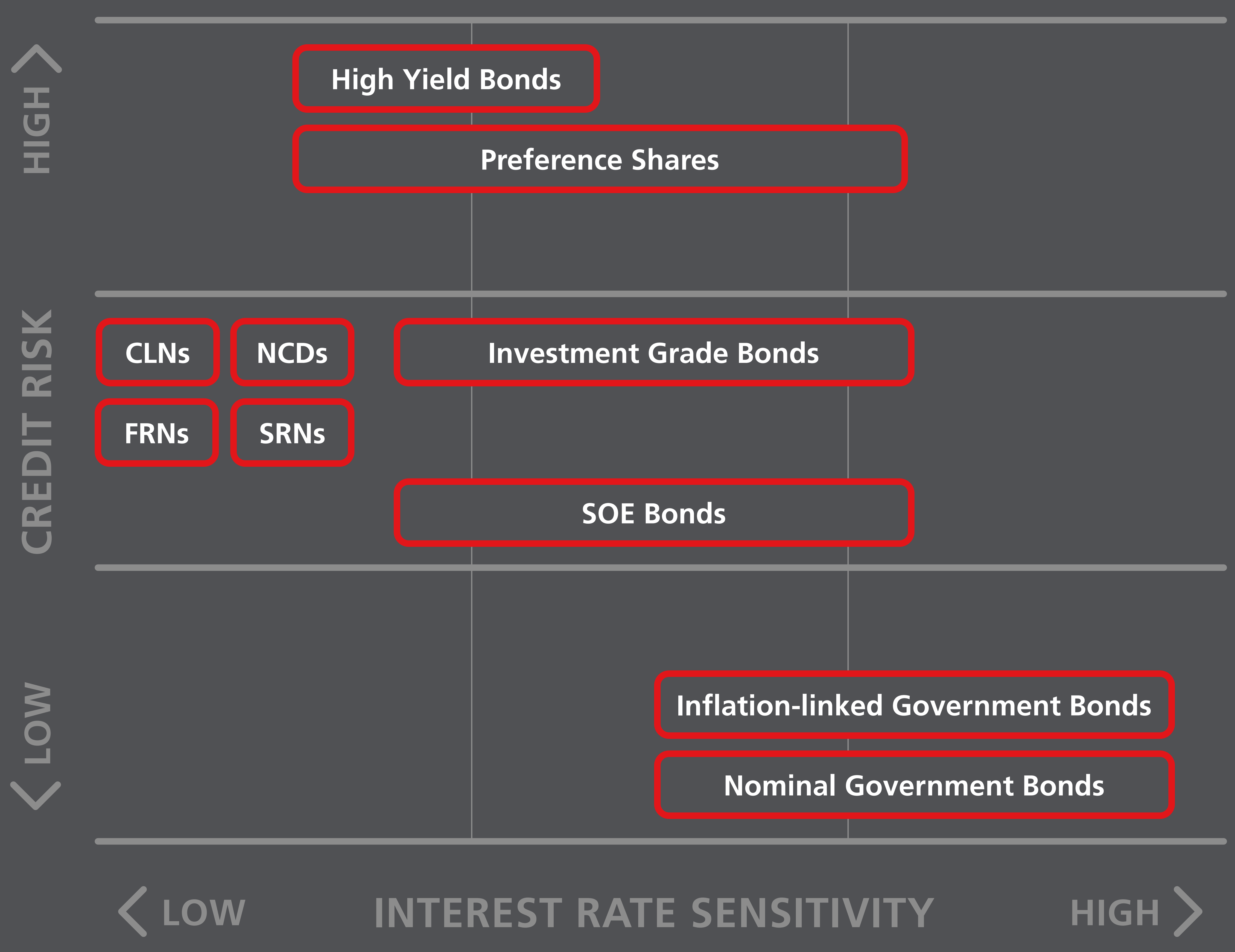
PRUDENTIAL
INVESTMENT MANAGERS

THE FIXED-INCOME TOOLKIT

Using different financial instruments to build a fixed-income portfolio

While cash and bonds get the headlines, in reality there are a variety of fixed-income instruments with different risk and return profiles investment managers can use to build well-diversified portfolios.



The graph shows the various categories of fixed-income instruments across two levers:

CREDIT RISK
A measure of the borrower's ability to repay

INTEREST-RATE SENSITIVITY
A measure of how much the instrument reacts to a change in interest rates

Longer-term debt instruments (such as long-dated government bonds) are more sensitive to interest rate changes than short-term debt instruments (such as floating-rate and credit-linked notes), which are typically more sensitive to credit risk.

CLNs NCDs

FRNs SRNs

Fund managers use a combination of these instruments to build fixed-income portfolios that meet different risk and return objectives for investors.

Glossary

CLNs – Credit Linked Notes
NCDs – Negotiable Certificates of Deposit
FRNs – Floating Rate Notes
SRNs – Step Rate Notes

At Prudential, we have a range of fixed-income portfolios aimed at meeting different objectives, including our:

- High Yield Bond Fund
- Income Fund
- Money Market Fund

Visit the Our Funds section of our website to find out more.