The aging of America’s workforce, along with the investing preferences of the generally risk-averse millennials, is bringing stable value to the forefront as the safe asset class of choice for many defined contribution plans. In fact, stable value assets have more than tripled since 2000. The following provides a concise overview of stable value, including what it is, its key differentiators and Prudential’s commitment.

**WHAT IS STABLE VALUE?**

Stable value is an investment product designed for safety of principal, liquidity and steady, competitive rates of return. It provides these features generally by combining an investment in high-quality, intermediate-term fixed income securities with an insurance contract that guarantees the return of principal and accrued earnings for benefit-responsive transactions.

**STABLE VALUE KEY BENEFITS**

**SAFETY**

* Provides peace of mind for participants
  - Guarantees of both principal and accumulated earnings. Unlike bond funds, participant account balances do not fluctuate with the change in interest rates
  - Smooth consistent crediting rates over time—providing participants with protection from market volatility

* Stable value products exhibit low correlation to other asset classes and can therefore increase diversification and reduce volatility within a retirement portfolio

* Our stable value portfolios are designed to provide safety through all interest rate cycles
  - Our portfolios consist of highly diversified, conservative, high-quality, intermediate duration fixed income investment portfolios
  - Prudential is a leader in stable value as well as asset management with strong credit analysis, quantitative research and risk-management capabilities
  - Prudential product guarantees are made through highly rated Prudential Financial companies

**LIQUIDITY**

* Provides book value liquidity for participant activity, separate from market value fluctuations
  - Allows for daily participant transactions and benefit responsive payments at book value (principal plus accumulated interest) during a rising rate environment
Book value liquidity is the ability to transact without realizing any market value losses as you may have with a bond fund.

**CREDITING RATE PERFORMANCE**

*Participants enjoy competitive long-term returns*

- Over the long term, stable value products have outpaced other products such as money market funds or intermediate term bond funds.¹,²,³
- Crediting rates trail changes in more volatile interest rate markets, providing consistent returns over time.
- Stable value products’ crediting rates are guaranteed not to fall below a contractual floor, unlike bond funds which can have negative returns.

Participants appreciate the certainty and peace of mind of a guaranteed crediting rate and the knowledge that their account balances do not fluctuate due to changes in the market value of the portfolios that support them.

**STABLE VALUE MARKET**

Throughout the years, stable value has delivered on its guarantees and continues to prove its ability to perform as designed in an array of market conditions. Its growing role in the defined contribution marketplace reflects an increased understanding among plan sponsors and intermediaries of its strong value proposition.

In the DC market today:
- More than $733 billion is invested in stable value funds.⁶
- Approximately 167,000 plans offer stable value products.⁶
- Offered in approximately three-quarters of all defined contribution plans.⁷
- 401(k) allocations to stable value funds have ranged between 17% to 37% over the life of the Aon 401(k) Index.⁹

As the benefits of stable value are increasingly recognized, there are opportunities for stable value to expand its reach within defined contribution plans, for example in asset allocation vehicles such as target-date and target-risk funds.

**PRUDENTIAL: A LEADER IN STABLE VALUE**

Prudential’s diverse suite of stable value solutions comprises general account, separate account, synthetic GIC and traditional GIC products, with solutions available on multiple platforms serving a diversity of needs. The flexibility and diversity of our offerings enables us to provide products for multiple plan types and markets, including 401(k), 403(b), 457 and nonqualified, while our client base includes corporate, tax-exempt, Taft-Hartley and nonqualified plans of all sizes.

Prudential is recognized as a stable value thought leader and innovator, demonstrated through white papers and conference presence as well as product developments such as our entrance into the bank-owned life insurance (BOLI), Voluntary Employee Benefits Associations (VEBAs) and 529 markets. Defined contribution and defined benefit plans that choose Prudential’s stable value products are investing with a company at the forefront of the industry, whose $120 billion in stable value assets represents an estimated 19% share of the stable value market.

Through our extensive asset management experience, we deliver strong credit analysis capabilities and a depth of quantitative and risk management expertise. Bringing more than 40 years of stable value knowledge and a consultative, client-oriented approach to the development of unique stable value investment solutions, Prudential provides guarantees that are backed by the well-diversified, fixed income portfolios of highly rated Prudential Financial companies.
**PRUDENTIAL FINANCIAL'S KEY STRENGTH IN STABLE VALUE**

<table>
<thead>
<tr>
<th>STABLE VALUE ASSETS AS OF 12/31/2018</th>
<th>MARKET SHARE(^9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$120 BILLION</td>
<td>19%</td>
</tr>
</tbody>
</table>

- Pioneer and a leading provider in the Stable Value market with over 40 years' experience
- Ranked 1st in Stable Value assets\(^10\)
- Delivers custom solutions using a consultative, client-oriented approach
- Prudential Financial is one of the leaders in the asset management business with strong credit analysis, quantitative and risk-management capabilities
- Provides guarantees through highly rated Prudential Insurance companies

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\(^1\) A “safe” investment option is one that contains certain safeguards and protections that are not present in other investments. No inference should be drawn that a “safe” investment is free of risk.


\(^3\) Stable value investments may have liquidity restrictions.

\(^4\) Dr. David Babbel and Dr. Miguel A. Herce, “Stable Value Funds: Performance to Date,” The Wharton School, January 2011. Additional summarization provided by Dr. Babbel and Dr. Herce, February 2011.

\(^5\) Money market funds allow redemptions of any amount, payable in 7 days or less. Money market funds are diversified as required by the Investment Company Act of 1940. Stable value generally allows withdrawals at book value only for benefit-responsive withdrawals.


\(^7\) Stable Value Investment Association, 23rd Annual Investment Policy Survey Covering Stable Value Assets as of year-end 2018.

\(^8\) As of 12/31/2018.

\(^9\) Estimated market share from LIMRA Stable Value Participant Report, as of 12/31/2018.

To learn more visit
http://stablevalue.prudential.com/