

PIMCO

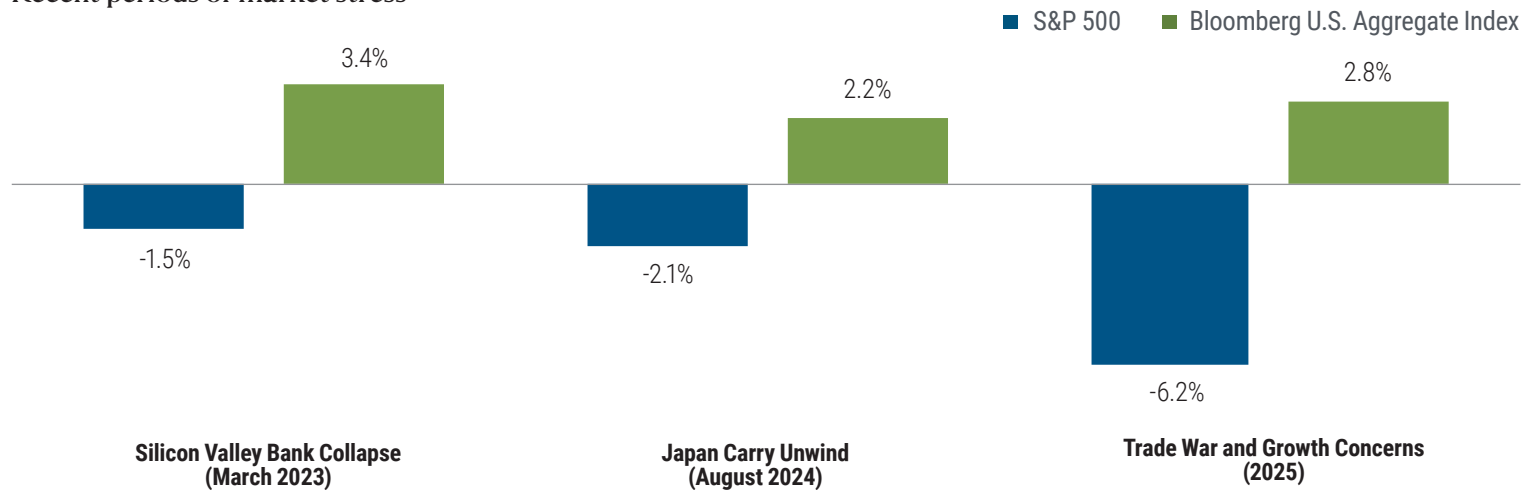
Why Bonds Now? 3 Key Charts

Periods of uncertainty can challenge portfolios. These three charts illustrate how bonds can help provide diversification, income, and resilience.

PERSPECTIVE 1

“There’s a lot of market uncertainty now. Why should I invest in bonds?”

Recent periods of market stress



As of 31 March 2025. Source: Bloomberg, PIMCO. For illustrative purposes only. **Past performance is not a guarantee or a reliable indicator of future results.**

US equities represented by S&P 500 index. US bonds represented by Bloomberg U.S. Aggregate Index. Returns are shown gross since it is not possible to invest directly in an unmanaged index. There is no guarantee that the trends mentioned above will continue. Statements concerning financial market trends are based on current market conditions which will fluctuate.

Dates included are as follows: Silicon Valley Bank Collapse (3/2/2023 – 3/17/2023), Japan Carry Unwind (7/29/2024 – 8/2/2024), Trade War & Growth Concerns (1/17/2025 – 3/31/2025).

BOTTOM LINE:

**During recent periods of heightened uncertainty, high-quality bonds have helped cushion portfolios.
In more volatile environments, diversification plays a more important role in managing overall portfolio risk.**



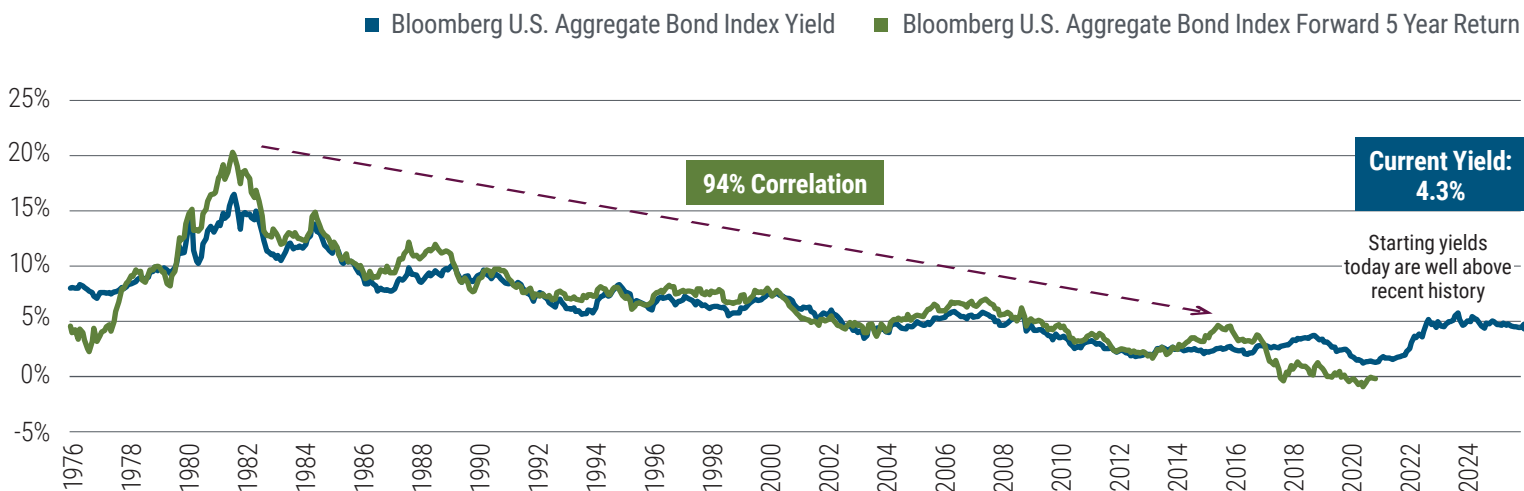
What this chart tells us:

- Fixed income has been an important diversifier for portfolios during recent times of market stress.
- During 3 separate recent periods of significant selloffs in U.S. equities, we have seen US fixed income produce positive returns.
- These episodes highlight that bonds can behave differently from equities during volatile markets, supporting diversification at the portfolio level.

PERSPECTIVE 2

With uncertainty persisting, is it better to stay in cash or lock in bond yields today?

Yield vs. 5 year forward return



31 December 2025. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index. There is no guarantee that the trends mentioned above will continue. Statements concerning financial market trends are based on current market conditions which will fluctuate.

BOTTOM LINE:

History shows that higher starting yields have tended to lead to stronger bond returns over time, highlighting the value of locking in yields when they are meaningfully above recent averages.



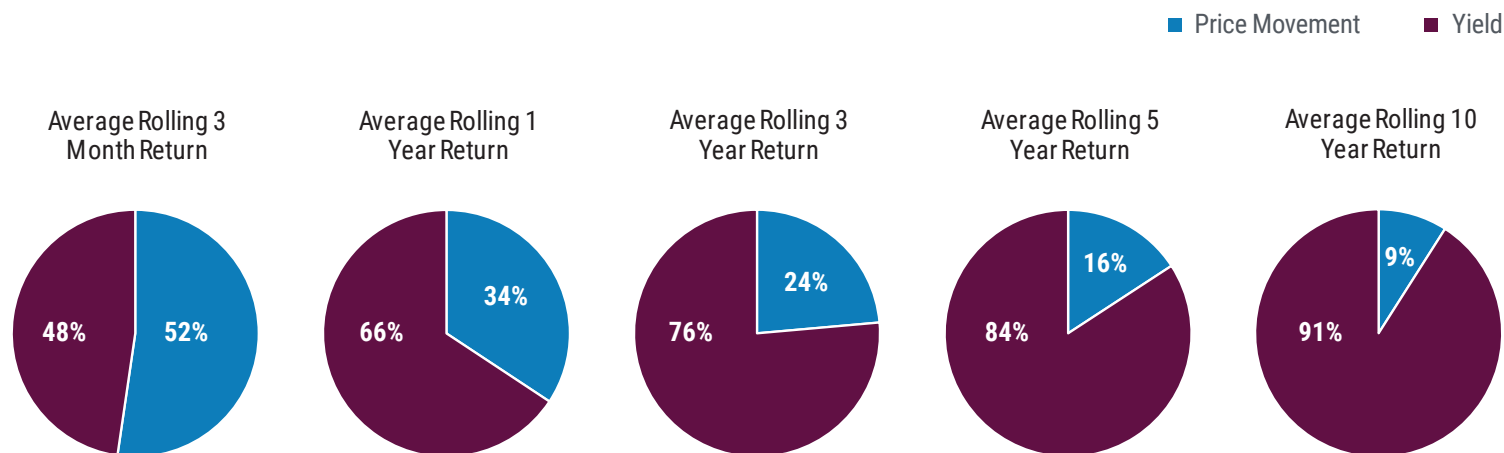
What this chart tells us:

- There is a strong correlation between yields at the time of bond purchase and the five-year return on those bonds.
- The higher the yield you lock in now, the greater potential for your investment to accumulate returns over time.
- If you stay in cash now, while starting yields are higher than they have been in recent history, you risk missing the chance of securing these higher bond yields and the related potential for price appreciation.

PERSPECTIVE 3

How can bonds help manage volatility when markets are uncertain?

Return Decomposition¹ of Core Bonds



Past performance is not a guarantee nor a reliable indicator of future performance.

As of 31 December 2025. Source: Bloomberg, PIMCO.

Core bonds are represented by the Bloomberg U.S. Aggregate Index and measured since the inception of the index, which is 31 January 1976.

¹ Return decomposition percentages are calculated by dividing the income return and the absolute value of the price return, respectively, by the combined return from income and the absolute value of the price changes.



What this chart tells us:

- Over time, income can increasingly be a primary contributor to core bond returns, outweighing price movements.
- When yields start from higher levels, income has the potential to play a larger role in supporting total returns.
- This income component can help smooth outcomes across different market environments.

BOTTOM LINE:

By providing a reliable source of income, bonds have the potential to cushion portfolios against volatility — even when price movements are more uncertain.



Bonds can play an important role in portfolios by providing diversification and income during uncertain market environments. To understand how fixed income may support your long-term objectives, speak with your financial adviser.

All investments contain risk and may lose value. Investors should consult their investment professional prior to making an investment decision. **Past performance is not a guarantee or a reliable indicator of future results.**

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. **Inflation-linked bonds** (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. Derivatives and commodity-linked derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested. **Diversification** does not ensure against loss.

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