

PIMCO®

# The Fixed Income Opportunity

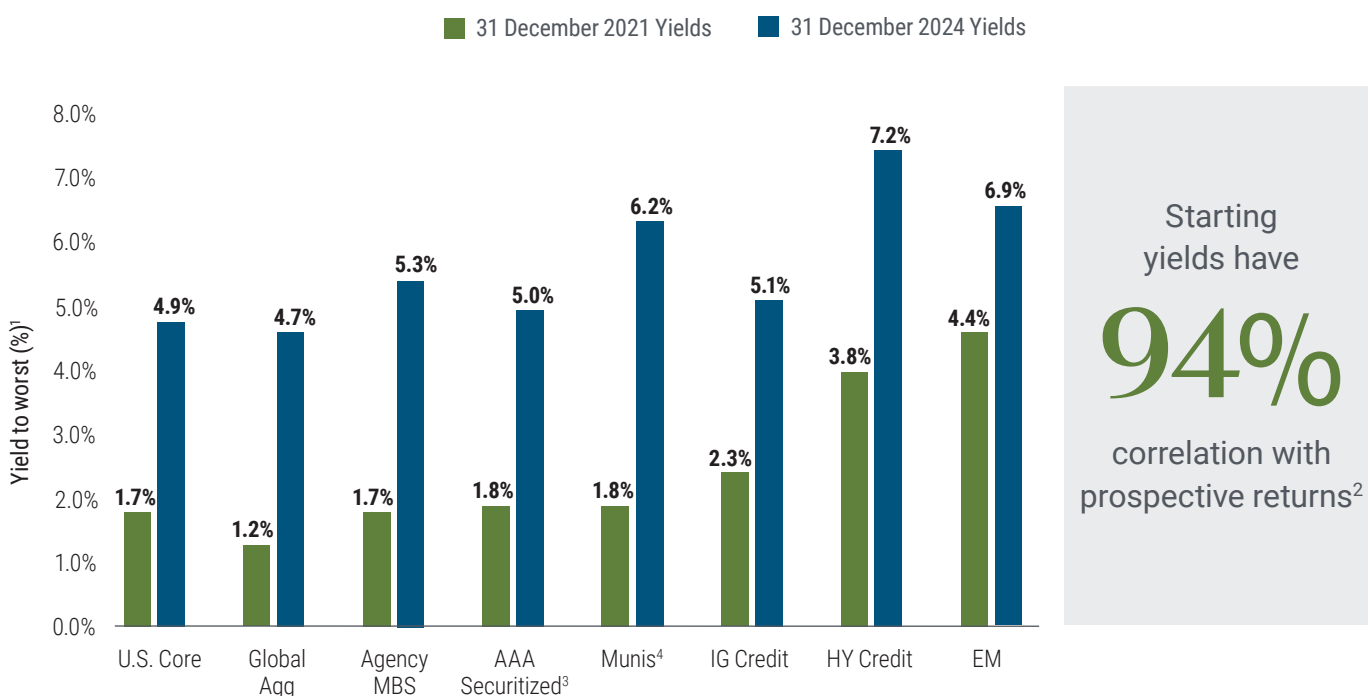
As of 31 December 2024

# Higher Yields Today

Bond yields remained low for years, creating potential obstacles for investors looking for attractive yield and income. Today, investors have access to yields that are higher than they've been in years across a spectrum of fixed income sectors.

Importantly, higher starting yields have historically meant higher return potential for investors. In fact, starting yields historically have a 94% correlation with prospective returns. So, if you invest in a bond with a 4% yield today, over the long-term you may reasonably expect to earn approximately 4% average annual return on that bond.

## TODAY'S YIELDS ARE AT A MUCH HIGHER STARTING POINT



As of 31 December 2024. Source: Bloomberg, PIMCO.

Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index (incept: 1/30/76), Munis: Bloomberg Municipal Bond Index (incept: 1/30/80), U.S. Core: Bloomberg U.S. Aggregate (incept: 1/30/76), Global Agg: Bloomberg Global Aggregate USD Hedged (incept: 1/1/99), HY Credit: ICE BofA US HY BB-B Rated Index (incept: 12/31/96), EM: JPMorgan EMBI Global USD Hedged (incept: 12/31/93), IG Credit: Bloomberg US Credit Index (incept: 1/31/73).

1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

2 Source: PIMCO; based on rolling 5-year returns of the BBG US Aggregate Index data from 1976-2023, calculated monthly.

3 AAA-Securitized YTW computed as average of AAA CLOs, CMBS, and ABS from JPMorgan, Ice BofAML, and Barclays, respectively.

4 Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.69% with a change of 243 bps compared to 12/31/2021 levels. Tax equivalent yield is intended for U.S. domiciled investors and is the return that a taxable bond would need to equal the yield on a comparable federal tax-exempt municipal bond.

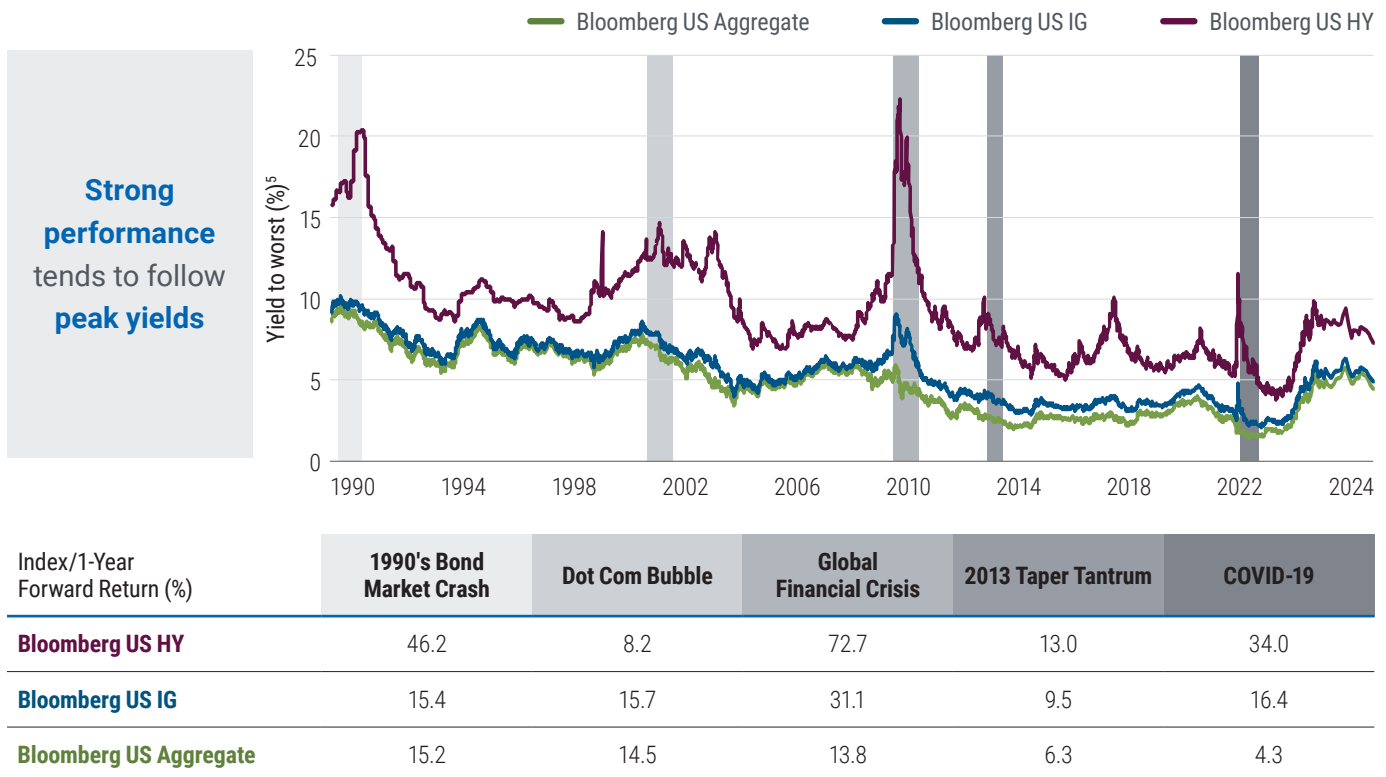
**Past performance is not a guarantee or a reliable indicator of future results.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

# Attractive Returns Tomorrow

Historically, bond yields have tended to peak toward the end of the business cycle – and when they do peak, attractive performance has typically followed.\*

The chart below shows what happened after bond yields peaked during the five most recent major market downturns. As you can see, both core and investment grade corporate bonds, as measured by their respective indexes, came roaring back a year after each peak, rewarding patient investors with attractive returns.

## PATIENT INVESTORS MAY BE REWARDED



As of 31 December 2024 Source: PIMCO, Bloomberg. **Past performance is not a guarantee or a reliable indicator of future results.**

\* Using BBG US Aggregate Index data 5 years forward

Max YTW dates are as follows **1990's Bond Market Crash**: US Agg/US IG: 26 April 1990; US HY: 29 January 1991; **Dot Com Bubble**: US Agg/US IG: 18 May 2000; US HY: 5 December 2000; **Global Financial Crisis**: US Agg/US IG: 31 October 2008; US HY: 12 December 2008; **Taper Tantrum**: US Agg/US IG: 5 September 2013; US HY: 25 June 2013; **COVID-19**: US Agg: 19 March 2020; US IG: 20 March 2020; US HY: 23 March 2020.

5 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

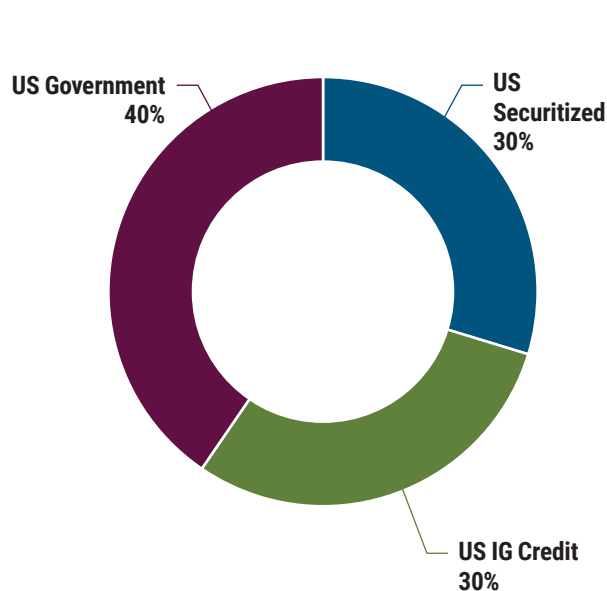
# Active Advantage: Broad Opportunity Set

The ability to access the broadest possible opportunity set gives active managers an edge in finding attractive securities across market environments.

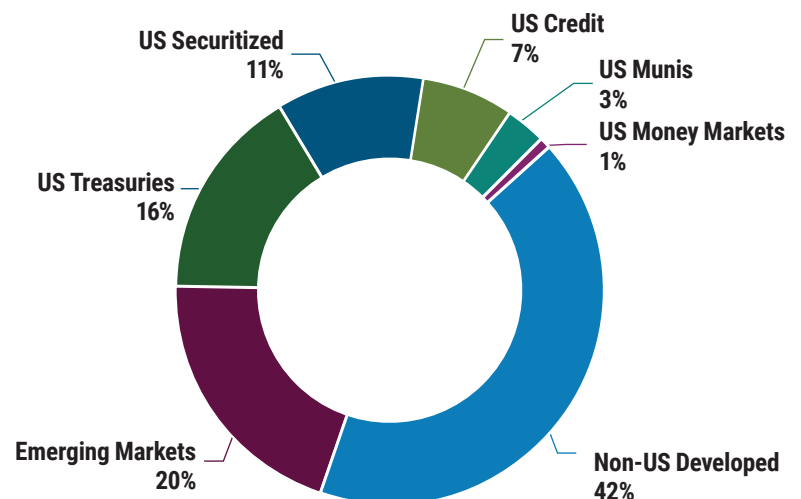
The charts below show the composition of the Bloomberg US Aggregate Bond Index (a broad-based bond index) versus the vast global bond market. As you can see, the index is predominately made up of three fixed income sectors, while the global bond market has a lot more to choose from.

## PASSIVE INDEXES MAY EXCLUDE SECTORS OF THE BOND MARKET THAT MAY OFFER ATTRACTIVE VALUE

Sector decomposition: BBG U.S. Aggregate



Sector decomposition: Global Fixed Income market\*



As of June 30, 2024 Source: Bloomberg, SIFMA 2022 Capital Markets Fact Book

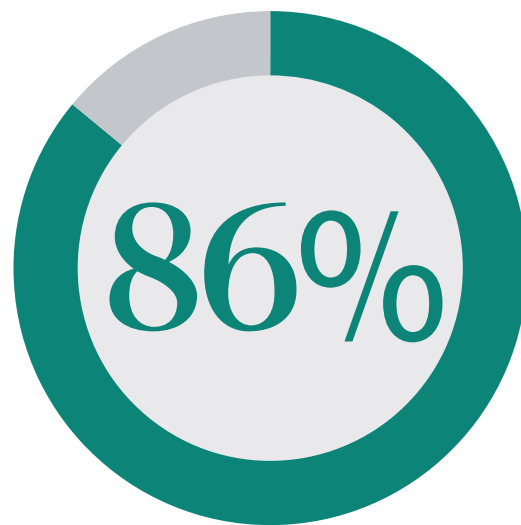
\* Non-U.S. Developed includes Japan, European Union, United Kingdom, Canada, Switzerland, and other developed markets. Emerging Markets include China, Singapore, and other emerging markets. U.S. Securitized includes mortgage backed securities, agency backed securities, and other federal agency bonds.

# Active Advantage: Outperformance

Taking an active management approach that seeks to beat its benchmark, rather than a passive approach that just aims to track its benchmark, may offer the potential for attractive excess return

You can see below that for 50+ years, we have worked relentlessly to help millions of investors pursue their objectives – regardless of shifting market conditions – and our track record helps illustrate the success of our active management approach.

## ACTIVE MANAGEMENT IN ACTION



**Percentage of PIMCO assets  
outperforming benchmarks  
over a 5-year period (after fees).<sup>15</sup>**

As of 31 December 2024; Source: PIMCO.

**Past performance is not a guarantee or a reliable indicator of future results.**

<sup>15</sup> Based on PIMCO managed portfolios with at least a 5-years history. The after-fees performance of each portfolio was compared to the portfolio's primary benchmark. If the after-fees portfolio performance was greater than the benchmark performance for a given period, the assets in that portfolio were included in the outperforming data. Benchmark outperformance indicates the performance of a portfolio as compared to its benchmark. As such, it does not indicate that a portfolio's performance was positive during any given period. For example, if a portfolio declined 3% during a given period, and its benchmark declined 4%, the portfolio would have outperformed its benchmark, even though it lost value during the period. Certain absolute return oriented portfolios contained within the data may inflate the data either positively or negatively due to the low return/volatility characteristics of the primary benchmark. For example a portfolio measured against 3-month USD Libor would be more likely to out- or underperform its benchmark.



For information about our actively managed fixed income strategies – designed to help your clients navigate markets and reach their goals – please contact your PIMCO account manager

**IMPORTANT NOTICE:** Please note that this document contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

**Past performance is not a guarantee or a reliable indicator of future results.**

**All investments** contain risk and may lose value. 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. **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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy. **Diversification** does not ensure against loss. **Investors should consult their investment professional prior to making an investment decision.**

Correlation is a statistical measure of how two securities move in relation to each other. The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

**Bloomberg U.S. Aggregate Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. **Bloomberg U.S. Credit Index** is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index. The **Bloomberg U.S. Corporate High-Yield Index** covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. It is not possible to invest directly in an unmanaged index.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Investments LLC**, U.S. distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO. | **PIMCO Europe Ltd (Company No. 2604517, 11 Baker Street, London W1U 3AH, United Kingdom)** is authorised and regulated by the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN) in the UK. The services provided by PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany)**, **PIMCO Europe GmbH Italian Branch (Company No. 10005170963, Via Turati nn. 25/27 (angolo via Cavallieri n. 4) 20121 Milano, Italy)**, **PIMCO Europe GmbH Irish Branch (Company No. 909462, 57B Harcourt Street Dublin D02 F721, Ireland)**, **PIMCO Europe GmbH UK Branch (Company No. FC037712, 11 Baker Street, London W1U 3AH, UK)**, **PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E, Paseo de la Castellana 43, Oficina 05-111, 28046 Madrid, Spain)** and **PIMCO Europe GmbH French Branch (Company No. 918745621 R.C.S. Paris, 50-52 Boulevard Haussmann, 75009 Paris, France)** are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). The Italian Branch, Irish Branch, UK Branch, Spanish Branch and French Branch are additionally supervised by: (1) Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB) (Giovanni Battista Martini, 3 - 00198 Rome) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) Irish Branch: the Central Bank of Ireland (New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3) in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) UK Branch: the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN); (4) Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV) (Edison, 4, 28006 Madrid) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Title V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively and (5) French Branch: ACPR/Banque de France (4 Place de Budapest, CS 92459, 75436 Paris Cedex 09) in accordance with Art. 35 of Directive 2014/65/EU on markets in financial instruments and under the surveillance of ACPR and AMF. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. | **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2, Brandschenkestrasse 41 Zurich 8002, Switzerland)**. The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Asia Pte Ltd** (Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Asia Limited** is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. PIMCO Asia Limited is registered as a cross-border discretionary investment manager with the Financial Supervisory Commission of Korea (Registration No. 08-02-307). The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Investment Management (Shanghai) Limited** Unit 3638-39, Phase II Shanghai IFC, 8 Century Avenue, Pilot Free Trade Zone, Shanghai, 200120, China (Unified social credit code: 91310115MA1K41MU72) is registered with Asset Management Association of China as Private Fund Manager (Registration No. P1071502, Type: Other) | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862. This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision, investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. | **PIMCO Japan Ltd**, Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association. All investments contain risk. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is an independently operated and managed company. The reference number of business license of the company approved by the competent authority is (110) Jin Guan Tou Gu Xin Zi No. 020. The registered address of the company is 40F., No.68, Sec. 5, Zhongxiao East Rd., Xinyi District, Taipei City 110, Taiwan (R.O.C.), and the telephone number is +886 2 8729-5500. | **PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **PIMCO Latin America** Av. Brigadeiro Faria Lima 3477, Torre A, 5º andar São Paulo, Brazil 04538-133. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world. ©2025, PIMCO.