



PIMCO Total Return Fund II



Quarterly Investment Report | 3Q21

IMPORTANT NOTICE

Please note that this material 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.

Executive summary

Portfolio Performance

The Fund's interest rate strategies contributed to performance, while spread sector strategies detracted

CONTRIBUTORS

- U.S. rate strategies, including duration, curve positioning, and instrument selection
- Positions in non-Agency MBS
- Selection within investment-grade corporate credit

DETRACTORS

- An underweight to Agency MBS

Performance periods ended 30 Sep '21	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	0.23	2.39	-0.24	6.10	4.00	3.98	6.44
Fund after fees	0.10	2.13	-0.73	5.57	3.48	3.47	5.91
Benchmark*	0.05	1.88	-0.90	5.36	2.94	3.01	5.34

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month end, visit pimco.com or call 888.87.PIMCO.

Portfolio strategy

Modestly underweight U.S. duration

Selective credit holdings: overweight corporate credit with bias toward shorter-maturity and high quality. Prefer senior mortgage credit

Underweight Agency MBS: While we are underweight Agency MBS, we find value in selection along the coupon stack as well as instruments

Class:	INST
Inception date:	30 Dec '91
Fund assets (in millions):	\$675.00
Gross expense ratio:	0.50%
Adjusted expense ratio:	0.50%

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

Summary information	30 Sep '21
30-day SEC yield	0.81%
Distribution yield	1.30%
Effective duration (yrs)	6.21
Benchmark duration - provider (yrs)	6.71
Benchmark duration - PIMCO (yrs)	6.37
Effective maturity (yrs)	8.44
Average coupon	1.93%
Net currency exposure	0.00%
Tracking error (10 yrs)	1.07
Information ratio (10 yrs)	0.42

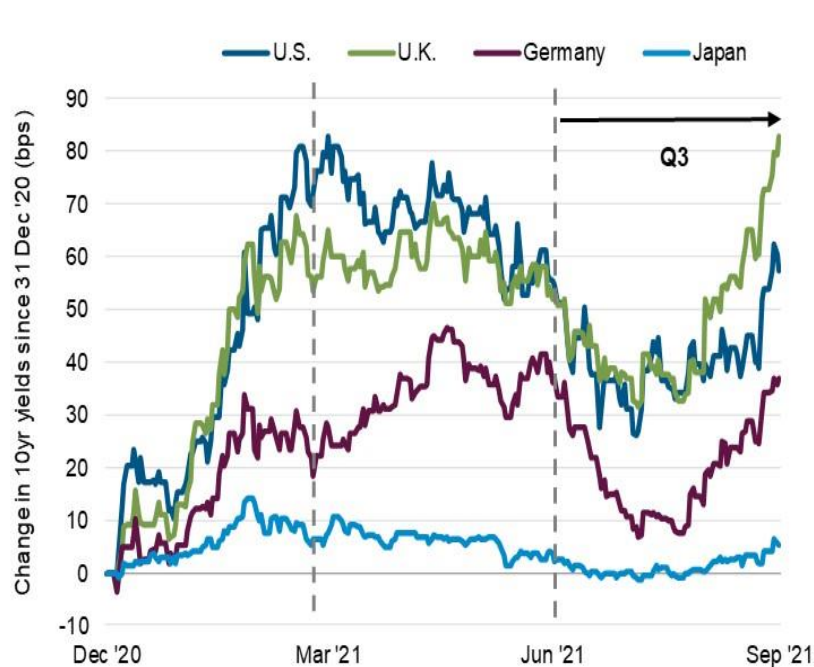
Sector allocation	Dur. (yrs)	MV
US Government Related	3.13	31.40%
Securitized	0.65	15.41%
Invest. Grade Credit	2.14	38.34%
High Yield Credit	0.03	1.16%
Non-USD Developed	0.00	0.00%
Emerging Markets	0.00	0.00%
Other	0.12	1.06%
Net Other Short Duration Instruments	0.14	12.63%
Total	6.21	100%

*Bloomberg U.S. Aggregate Index;

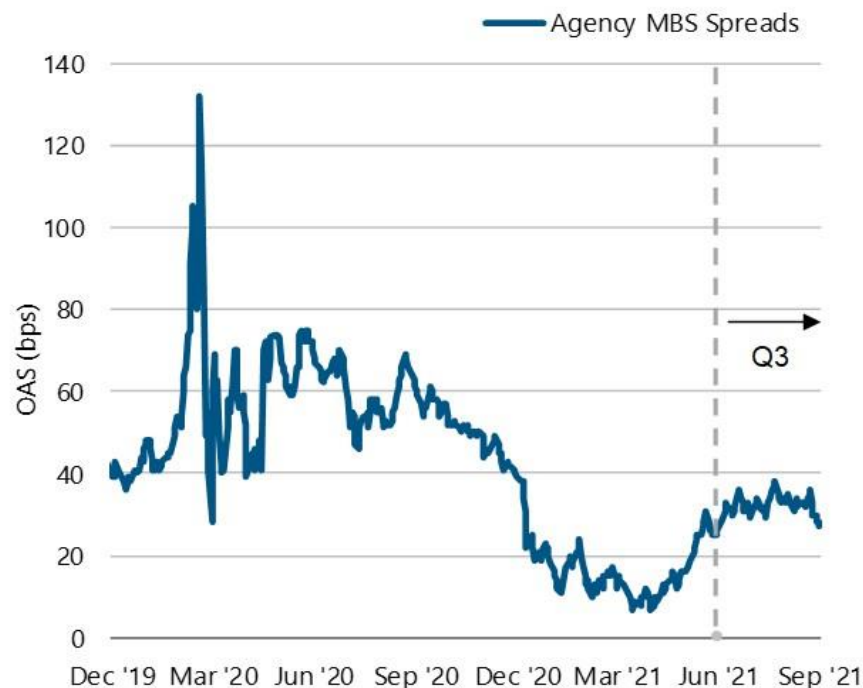
Quarter in Review

Developed market yields reversed course and shifted higher

The global economic recovery continued at a slower pace but remained uneven across sectors. Risk asset performance was mixed in Q3 as global equities rallied earlier in the quarter before ending about flat, while credit spreads modestly widened and oil prices surged. Developed market yields were also mixed: the U.S. 10-year yield fell at the start of the quarter before retracing the move to end at 1.49%, while the U.K. 10-year yield rose 31 bps to 1.02%. Meanwhile, central banks generally shifted toward less supportive stances, with the Fed indicating that it would begin tapering its asset purchases within the calendar year and may even raise rates as early as 2022.



Developed market yields rose sharply in the latter half of the quarter, driven by inflation concerns and anticipation of scaled back support from central banks. Despite a shift higher at the end of Q3, the U.S. 10yr yield still remained below 2021 highs as well as pre-COVID levels



Agency MBS spreads ended the quarter little changed, though the sector had dispersion along the coupon stack with higher coupons performing the best. Meanwhile, Non-agency MBS continued to perform well

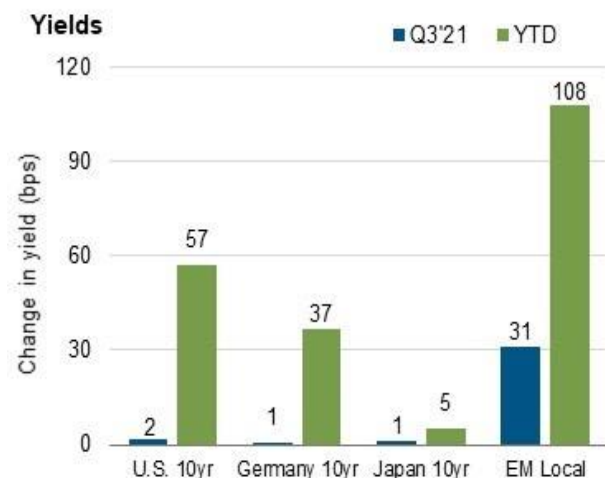
Market Summary

Q3'21: Intra-quarter volatility contributed to more muted market moves overall

The Fund's interest rate strategies contributed to performance, while spread sector strategies detracted

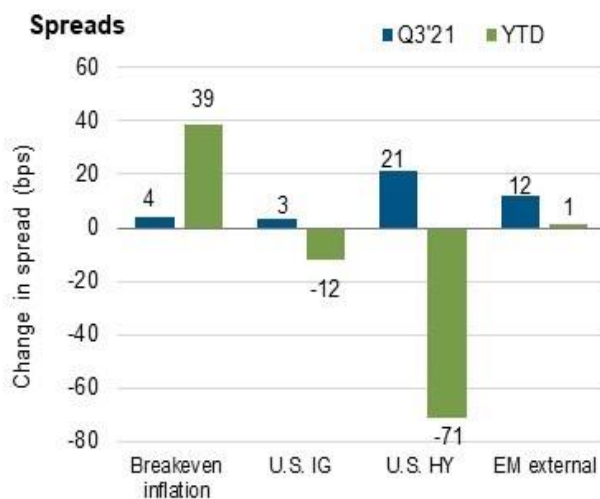
Developed market debt

Developed market yields were mixed over the quarter. In the U.S., front end yields rose as the Fed announced plans for sooner-than-expected rate hikes, while longer-dated yields fell meaningfully. In Germany, rates rose modestly across the curve, while the U.K. yield curve bull flattened and rates in Japan remained largely range-bound.



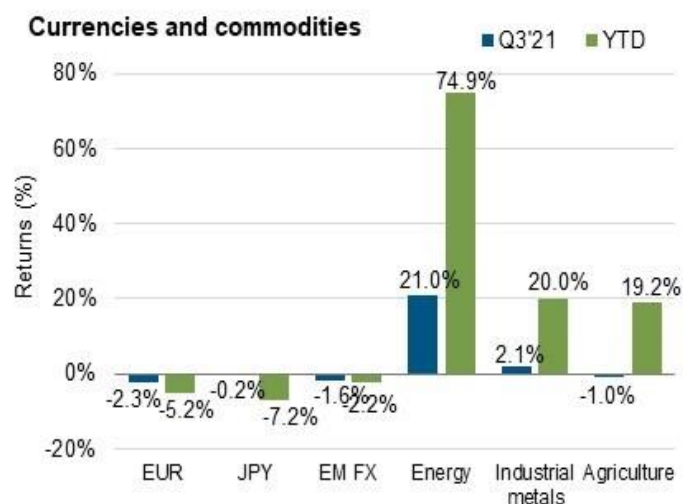
Mortgage-backed securities

Agency MBS returned 0.10%, outperforming like duration Treasuries by 3 bps. The sector underperformed at the beginning of the quarter, but given higher rates, a mild bear steepening, and taper discussions stemming from the Fed, higher coupons outperformed towards the end of the quarter. Legacy non-Agency residential MBS spreads remained flat, while non-Agency commercial MBS returned 0.12%, outperforming like-duration Treasuries by 11 bps.



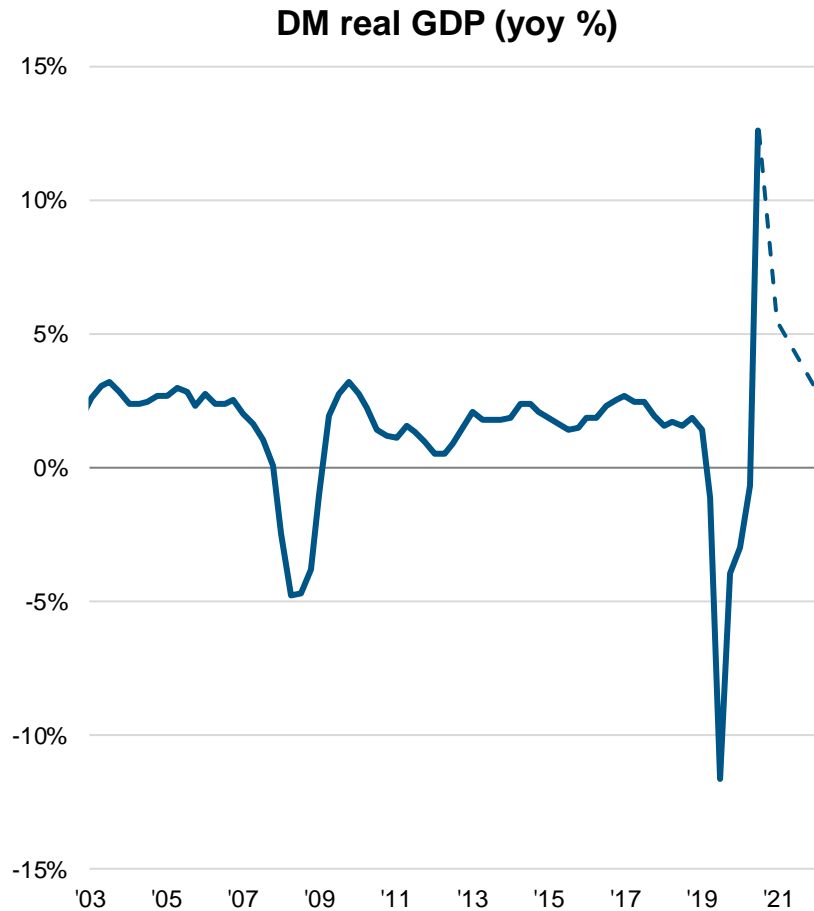
Credit

U.S. investment grade credit spreads widened 3 bps, ending the quarter at 80 bps. The sector returned -0.03%, underperforming like-duration treasuries by -0.17%. Credit spreads widened amid rising concerns surrounding the Delta variant, prolonged infrastructure bill and debt ceiling negotiations, and idiosyncratic disruptions from China. However, demand remains strong as investors continue to seek high quality income producing assets.



Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg Barclays U.S. Aggregate Credit Average OAS Index); U.S. high yield credit (Bloomberg Barclays U.S. Corporate High Yield Average OAS Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); EUR (EUR/USD Spot Exchange Rate - Price of 1 EUR in USD); JPY (USD/JPY Spot Exchange Rate - Price of 1 USD in JPY); EM currencies (JPMorgan ELMI Plus Composite); Energy (Bloomberg Energy Subindex Total Return Index); Industrial metals (Bloomberg Industrial Metals Subindex Total Return Index); Agriculture (Bloomberg Agriculture Total Return Index); Agency MBS (Bloomberg US Agency Fixed Rate Index); Non-Agency MBS (Bloomberg Barclays Investment Grade Non-Agency CMBS Index); Like-duration treasuries or global government bonds are calculated by the index provider by comparing the index return to a hypothetical matched position of treasuries or global government bond, respectively.

Global growth and inflation likely to moderate in 2022



Above trend growth likely for 2021 and 2022, though the pace of growth to slow



Inflation likely to remain elevated in the near-term before gradually slowing into the second half of 2022

Portfolio Outlook

Strategic outlook

PIMCO's baseline outlook for the cyclical horizon has the global economy continuing its uneven recovery in 2021 before shifting to a more moderate pace of above-trend growth in 2022. Since inflation follows growth with a lag, we project inflation in developed markets will also slow into the second half of 2022. While levels could remain elevated in the near-term, the factors that drove inflation higher should dissipate over the course of the next year. However, we are mindful that longer-term inflation expectations could accelerate further. Meanwhile, several developed market central banks have already begun tapering asset purchase programs and we expect that others will likely follow.

Key strategies

Duration

We are modestly underweight U.S. duration.

Curve

We still favor a curve steepening bias, and have an underweight at the very long end of the yield curve.

Credit selection

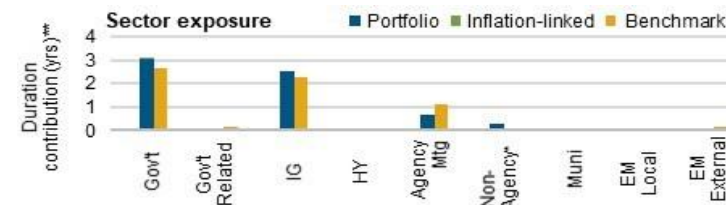
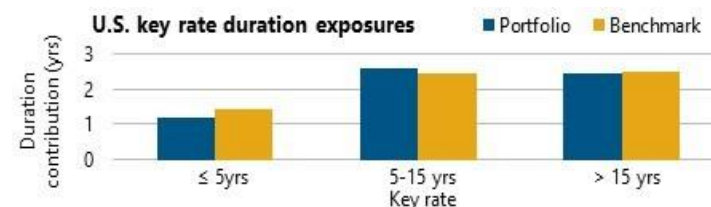
We are overweight investment-grade corporate credit with a bias toward shorter-maturity and high quality names. We still maintain a diversified mix of spread exposures: this includes a preference for senior positions in mortgage credit.

Source: PIMCO

*Non-agency may include non-agency mortgage backed securities, asset backed securities, and commercial mortgage backed securities

**For spread sectors, the relevant spread duration contribution is used

Position



Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	30 Jun '21	30 Sep '21	30 Jun '21	30 Sep '21	30 Sep '21	30 Sep '21
US Government Related	38.19	31.40	3.36	3.13	40.57	2.85
Government - Treasury	34.29	27.51	3.28	3.02	39.23	2.80
US Agency	3.91	3.88	0.08	0.12	1.34	0.05
Swaps and Liquid Rates	0.00	0.00	0.00	0.00	0.00	0.00
Securitized*	19.33	15.41	0.70	0.65	29.76	1.38
Invest. Grade Credit	38.05	38.34	1.94	2.14	25.78	2.24
High Yield Credit	1.37	1.16	0.04	0.03	0.00	0.00
Non-USD Developed	0.00	0.00	0.00	0.00	0.00	0.00
Emerging Markets	0.00	0.00	0.00	0.00	1.05	0.11
Bonds and Other Long Duration Instruments	0.00	0.00	0.00	0.00	1.05	0.11
EM Short Duration Instruments	0.00	0.00	0.00	0.00	0.00	0.00
Other	1.14	1.06	0.12	0.12	2.84	0.13
Net Other Short Duration Instruments**	1.91	12.63	0.08	0.14	0.00	0.00
Commingled Cash Vehicles	9.86	9.64	0.02	0.03	0.00	0.00
Certificate Of Deposit/Commerical Paper/STIF	0.03	0.77	0.00	0.00	0.00	0.00
Government Related	13.68	14.21	0.02	0.06	0.00	0.00
MBS/ABS	10.06	12.07	0.03	0.05	0.00	0.00
Credit	0.38	0.57	0.00	0.00	0.00	0.00
Bankers Acceptance	0.00	0.00	0.00	0.00	0.00	0.00
Other***	1.00	0.86	0.00	0.00	0.00	0.00
Short Duration Derivatives and Derivative Offsets	-21.68	-15.76	0.00	0.00	0.00	0.00
Net Unsettled Trades	-11.41	-9.72	0.00	0.00	0.00	0.00
Total	100	100	6.25	6.21	100	6.71

*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

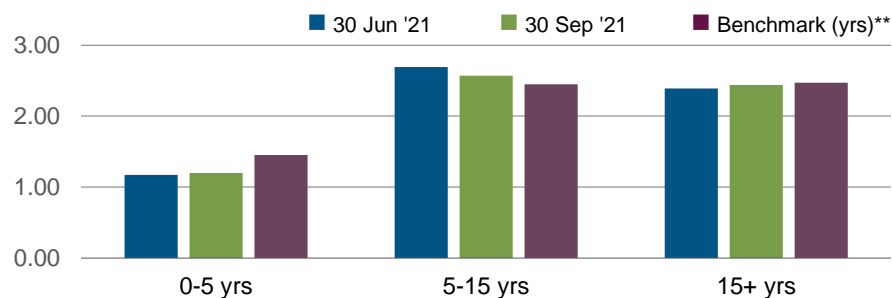
**Net Other Short Duration Instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category.

***Investment vehicles not listed, allowed by prospectus.

Benchmark: Bloomberg U.S. Aggregate Index

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Jun '21	30 Sep '21	30 Sep '21
0-5 yrs	1.17	1.20	1.45
5-15 yrs	2.69	2.57	2.45
15+ yrs	2.39	2.44	2.47
Total	6.25	6.20	6.38

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	30 Jun '21	30 Sep '21	30 Sep '21
Effective duration	6.25	6.21	6.37
Bull market duration	5.98	5.93	6.14
Bear market duration	6.37	6.28	6.56
Spread duration			
Mortgage spread duration	1.06	1.01	1.23
Corporate spread duration	2.52	2.72	2.33
Emerging markets spread duration	0.01	0.01	0.14
Swap spread duration	0.00	0.00	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.07	0.11	0.14

Derivative exposure (% of duration)

	30 Jun '21	30 Sep '21
Government futures	17.98	13.89
Interest rate swaps	0.00	0.00
Credit default swaps*	7.37	7.31
Purchased swaps	0.00	0.00
Written swaps	7.37	7.31
Options	-0.19	0.09
Purchased Options	-0.10	0.00
Written Options	-0.09	0.09
Mortgage Derivatives	0.00	0.00
Money Market Derivatives	0.00	0.00
Futures	0.00	0.00
Interest rate swaps	0.00	0.00
Other Derivatives	0.00	0.00

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg U.S. Aggregate Index

Additional share class performance

PIMCO Total Return Fund II (net of fees performance)

Performance periods ended: 30 Sep '21	Total expense ratio	Net expense ratio	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Class ADMIN	0.75	-	USD	30 Nov '94	0.04	2.00	-0.98	5.31	3.22	3.21	5.65
Class I-2	0.6	-	USD	31 Dec '09	0.08	2.08	-0.83	5.47	3.38	3.36	5.81
Class INST	0.5	-	USD	30 Dec '91	0.10	2.13	-0.73	5.57	3.48	3.47	5.91
Bloomberg U.S. Aggregate Index					0.05	1.88	-0.90	5.36	2.94	3.01	5.34

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month end, visit pimco.com or call 888.87.PIMCO.

For the periods prior to the inception date of a share class, performance information is based on the performance of the Fund's oldest class shares, adjusted to reflect the fees and expenses paid by that class of shares.

Important Disclosures

This material is authorized for use only when preceded or accompanied by the current PIMCO funds prospectus or summary prospectus, if available.

Past performance is not a guarantee or a reliable indicator of future results. The performance figures presented reflect the total return performance, unless otherwise noted, after fees and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Periods less than one year are cumulative. The minimum initial investment for Institutional, I-2, I-3 and Administrative class shares is \$1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

There is no assurance that any fund, including any fund that has experienced **high or unusual performance** for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) a fund's total return in excess of that of the fund's benchmark between reporting periods or 2) a fund's total return in excess of the fund's historical returns between reporting periods. Unusual performance is defined as a significant change in a fund's performance as compared to one or more previous reporting periods.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

A word about risk: 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. **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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **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. Investing in derivatives could lose more than the amount invested. **Diversification** does not ensure against loss.

Portfolio allocations and other information in the charts in this Quarterly Investment Report are based on the fund's net assets. These percentages may differ from those used for the fund's compliance calculations, including the fund's prospectus, regulatory, and other investment limitations and policies, which may be based on total assets of the fund or other measurements, may include or exclude various categories of investments from those covered in the portfolio allocation categories shown in this report, and may be based on different classifications and measurements of the fund's investments and other criteria. All funds are separately monitored for compliance with prospectus and regulatory requirements.

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.

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.

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. It is not possible to invest directly in an unmanaged index.

Important Disclosures

The following defined terms are used throughout the report. Emerging market short duration instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Net other short duration instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Short duration derivatives and derivatives offsets include: 1) derivatives with an effective duration less than one year and where the country of risk is not an emerging market country (for example, Eurodollar futures) and 2) offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position which in certain instances may exceed the actual amount owed on such positions. Municipals/Other may include convertibles, preferred and yankee bonds.

The performance figures presented reflect the performance for the institutional class unless otherwise noted.

A note about Sector exposure: Other indicates swaps and securities issued in euros.

A note about Emerging markets exposure by country of risk: country of risk reflects the country of incorporation of the ultimate parent company.

PIMCO uses an internal model for calculating effective duration, which may result in a different value for the duration of an index compared to the duration calculated by the index provider or another third party.

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 material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material 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 L.P. in the United States and throughout the world. **PIMCO Investments LLC**, distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO ©2021 PIMCO.

Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

Average coupon is the average of the coupon payments of the underlying bonds within the portfolio.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

"Bend-but-not-break" refers to credits that PIMCO would not expect to default in a credit-stressed environment.

Beta is a measure of price sensitivity to market movements. Market beta is 1.

Breakeven inflation rate (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.

Carry is the rate of interest earned by holding the respective securities.

The terms **"cheap"** and **"rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

CPI is the Consumer Price Index.

The **credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

Dividend yield is represented by the weighted average coupon divided by the weighted average price.

Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.

Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

Forward curve is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

Information ratio is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

Like-duration Securities are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

"Risk assets" are any financial security or instrument that are likely to fluctuate in price.

Risk premia is the return in excess of the risk-free rate of return an investment is expected to yield.

Roll yield is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

"Safe haven" is an investment that is expected to retain or increase in value during times of market turbulence.

The **SEC yield** is an annualized yield based on the most recent 30 day period.

Tracking error measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)

735_QIR-3Q21