PIMCO

Total Return Fund

SHARE CLASS: **INSTITUTIONAL** | AS OF: **31 OCTOBER 2020** | **Monthly Commentary**

Fund information		
Fund inception date		11 May 1987
Strategy		Core
Total Net Assets (in millions)		$69,316.5
Portfolio manager(s)		Scott Mather Mark Kiesel Mohit Mittal
Effective duration (yrs)		5.27
Benchmark duration (yrs)		6.12
Effective maturity (yrs)		7.58
Inst. share 30-day SEC yield		1.49%
Class	CUSIP	Ticker
Institutional	693390700	PTTRX

Expenses	
Gross Expense Ratio (%)	0.70
Adjusted Expense Ratio (%)	0.46

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 summary

The PIMCO Total Return Fund returned –0.43% after fees in October, outperforming the Bloomberg Barclays U.S. Aggregate Index by 0.02%. Year-to-date the Fund has returned 7.27% after fees, outperforming the benchmark by 0.95%.

Risk asset performance was mixed in October as a host of uncertainties - including surging coronavirus cases, declining expectations of further U.S. fiscal stimulus, and election jitters - weighed on sentiment. Global equity markets experienced volatility with the S&P 500 ending 2.7% lower. Credit spreads, on the other hand, tightened amid strong technicals and declining supply. Meanwhile, developed market rate moves were mixed: yields across the eurozone broadly fell as new lockdown measures were introduced, while yields in the U.S., U.K., and Japan rose.

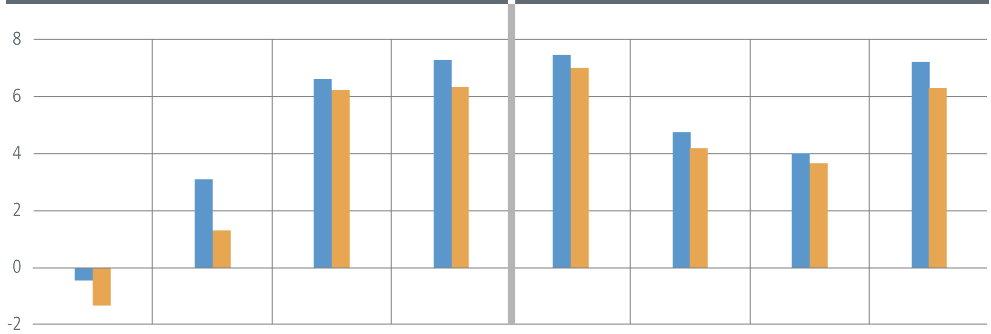
Contributors

- U.S. and U.K. rate strategies, including duration, curve positioning, and instrument selection
- Positions in non-Agency MBS

Detractors

- An underweight to investment-grade corporate credit

Month End Performance 31 October 2020 | Quarter End Performance 30 September 2020



	3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
PIMCO Total Return Fund net of fees (%)	-0.44	3.08	6.58	7.27	7.42	4.74	3.98	7.19
Bloomberg Barclays U.S. Aggregate Index (%)	-1.30	1.27	6.19	6.32	6.98	4.18	3.64	6.29

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 by calling 888.87.PIMCO.

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. 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.

The minimum initial investment for institutional class shares is $1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

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.

Portfolio characteristics as of 31 October 2020	% Market Value	Duration (years)	
	Fund	Fund	Index
Government-Related	**21.8**	**2.51**	**2.93**
U.S. Treasury [1]	19.0	2.44	2.83
U.S. Agency [2]	0.0	0.00	0.10
Swaps and Liquid Rates [3]	2.8	0.08	0.00
Securitized [4]	**41.7**	**1.45**	**0.75**
Agency MBS	28.4	0.92	0.68
Non-Agency MBS	11.4	0.44	0.00
CMBS	1.3	0.08	0.06
Asset Backed Securities	0.5	0.01	0.01
Other	0.1	0.00	0.00
Investment Grade Credit	**31.9**	**1.28**	**2.32**
High Yield Credit	**2.5**	**0.05**	**0.00**
Non-U.S. Developed	**1.4**	**-0.60**	**0.00**
Emerging Markets	**12.2**	**0.18**	**0.12**
Bonds and Other Long Duration Instruments	13.1	0.21	0.12
Short Duration Instruments [5]	-0.9	-0.03	0.00
Other	**3.4**	**0.25**	**0.00**
Net Other Short Duration Instruments [6]	**-14.9**	**0.15**	**0.00**

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.
MV% may not equal 100 due to rounding.

[1] Includes U.S. Treasury notes, bonds, futures, and inflation-protected securities

[2] Includes U.S. agencies, FDIC-guaranteed and government-guaranteed corporate securities, and supranationals

[3] Includes U.S. dollar denominated interest rate swaps, swaptions, options, and other rate related derivatives. Other portfolio derivatives, where applicable, may be included as part of other sectors based upon their underlying risk characteristics.

[4] The Securitized bucket will include Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

[5] 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. Includes the value of short duration emerging markets instruments previously reported in "Cash Equivalents".

[6] Net Other Short Duration Instruments includes securities and other instruments (except those 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, short duration derivatives and derivatives offsets. 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. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position.

Portfolio positioning

We are underweight headline duration, though maintain our preference for US duration against rate exposure in other developed regions - particularly the U.K. and Japan. We still favor a curve steepening bias. In general, we expect factors like massive deficit financing to pressure long-end yields over time - though are mindful that near-term volatility from elections and other uncertainties could keep the long-end relatively anchored.

We remain underweight to investment-grade corporate credit - mindful that a true credit cycle could unfold. Our bias is still towards high quality holdings and we are actively seeking compelling name- and sector- exposure given the dispersion within the credit market.

The underweight is offset by diversified spread exposures, including an overweight to Agency MBS and positions in select non-investment-grade credits as well as mortgage credit. We maintain our Agency MBS overweight as we believe these assets provide attractive, high-quality and diversifying sources of carry, especially as the risk profile differs from that of traditional credit.

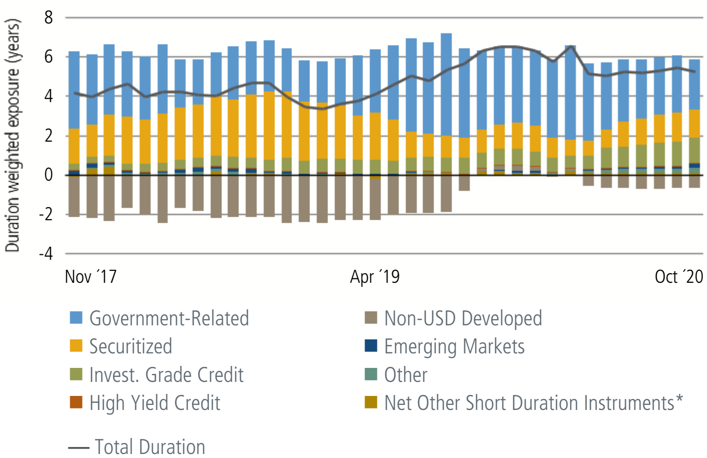
We currently have minimal exposure to currencies, though continue to seek overshoots and undershoots in select currencies that provide attractive risk-reward opportunities.

Month in review

Interest rate strategies added to relative performance over the month. U.S. and U.K. rate strategies (including duration, curve positioning, and instrument selection) contributed to relative performance.

Spread sector strategies were about neutral for performance. Contributions from positions in non-Agency MBS and select high yield credit holdings were about offset by detractions from an underweight to investment-grade corporate credit.

Currency strategies were also about neutral for performance as we had limited exposure over the month.



*Prior to 31 December 2014 these categories were reported separately.
Portfolio allocations and other information in the charts 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.

Outlook and strategy

We are underweight headline duration, and modestly underweight U.S. duration. Even though U.S. yields have fallen, we think U.S. duration is still attractive given (i) the potential for capital appreciation (i.e., U.S. rates have more room to fall) if downside risks materialize, (ii) an easing bias from the Fed, and (iii) relatively range-bound rates given little likelihood of the Fed moving off the zero bound in the near term. Meanwhile, we employ hedges internationally in regions where yields look rich like Japan and the U.K. To the extent rates rise, we would expect international rates to move at least as much, if not more, than those in the U.S.

We continue to have a bias towards high quality corporate credit and actively seek compelling names and sectors, though remain mindful that a true credit cycle is unfolding. We prefer Agency MBS exposure given that the sector is essentially government guaranteed, has better liquidity, and offers the potential for more resiliency in downturns. We also have a preference for senior positions in non-Agency mortgages given the inherent fundamental strength and the de-leveraging nature of the asset. We are neutral TIPS currently as TIPS may face some near-term volatility due to the challenged growth outlook. Over the longer-term, we still expect inflation to shift back toward the Fed's target with potential for overshoots given a supportive Fed -- but we have adjusted our position lower for now due to near-term headwinds.

Management profile

Scott Mather
Managing Director and CIO U.S. Core Strategies

Mark Kiesel
Managing Director and CIO Global Credit

Mohit Mittal
Managing Director

1987
11 MAY
INCEPTION DATE

★★★★
MORNINGSTAR RATING

Category: **Intermediate Core-Plus Bond**
Number of funds in category: **540**
Criteria: **Risk-Adjusted Return**

30+ years delivering the key benefits of core bonds

Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus and summary prospectus, if available, which may be obtained by contacting your financial advisor or PIMCO representative or by visiting www.pimco.com. Please read them carefully before you invest or send money.

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 certain risks including market, interest-rate, issuer, credit, and inflation risk; 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. **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.

The value of most bond funds and fixed income securities are impacted by **changes in interest rates**. Bonds and bond funds with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise.

Morningstar Rating™ as of 31 October 2020 for the Institutional series; other classes may have different performance characteristics. The PIMCO Total Return Fund was rated against the following numbers of Intermediate Core-Plus Bond funds over the following time periods: Overall 4 Stars (540 funds rated); 3 Yrs. 4 Stars (540 funds rated); 5 Yrs. 4 Stars (458 funds rated); 10 Yrs. 3 stars (340 funds rated). **Past performance is no guarantee of future results.** The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The information contained herein: (1) is proprietary to Morningstar (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Duration is a measure of a portfolio's price sensitivity 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.

Bloomberg Barclays 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.

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 suitable 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. Performance reflects changes in share price, reinvestment of dividends and capital gains distributions. All periods longer than one year are annualized. This material contains the current opinions of the manager but not necessarily those of PIMCO 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.

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U.S. interest rate strategies encompass the Fund's duration, yield curve, convexity strategies and instrument selection.

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

Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.

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. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government.

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.

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.

Mortgage-and asset-backed securities (MBS); U.S. Federal Reserve (Fed).

PIMCO