

# PIMCO Real Return Fund

## PERFORMANCE SUMMARY

The PIMCO Real Return Fund returned 0.76% at NAV in March versus the Bloomberg U.S. TIPS Index, which returned 0.82% for the month. Year-to-date the Fund has returned 0.23% at NAV, while the benchmark returned -0.08%.

U.S. Treasury Inflation Protected Securities (TIPS) returned 0.82%, as represented by the Bloomberg U.S. TIPS Index, and outperformed comparable nominal Treasuries in March as represented by the Bloomberg US Comparator Inflation Linked Bonds All Maturities Index.

### Contributors

- Duration strategies in the Eurozone, including curve positioning and instrument selection
- Exposure to U.S. agency mortgages
- Active currency strategies

### Detractors

- U.S. interest rate strategies
- No other material detractors over the period

	Month end performance 31 March 2024				Quarter end performance 31 March 2024			
	3 mos.	6 mos.	1 yr.	YTD	1 yr.	5 yrs.	10 yrs.	Since inception
■ PIMCO Real Return Fund share class A at NAV (%)	0.23	4.70	0.65	0.23	0.65	2.22	1.78	4.64
■ PIMCO Real Return Fund A at MOP	-3.52	0.78	-3.12	-3.52	-3.12	1.45	1.39	4.52
■ Benchmark (%)	-0.08	4.62	0.45	-0.08	0.45	2.49	2.21	4.65

**Benchmark:** Bloomberg U.S. TIPS Index

*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 [www.pimco.com](http://www.pimco.com) or call (888) 87-PIMCO. The maximum offering price (MOP) returns take into account the 3.75% maximum initial sales charge.*

Certain Funds may offer a share class with an inception date which is different than the inception date of the Fund. 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. The performance figures presented reflect the total return performance, unless otherwise noted, for A class shares 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.

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.

**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.

A Shares	<b>PRTNX</b>	I-2 Shares	<b>PRLPX</b>
ADMIN Shares	<b>PARRX</b>	I-3 Shares	<b>PRNPX</b>
C Shares	<b>PRTCX</b>	R Shares	<b>PRRRX</b>
INST Shares	<b>PRRIX</b>		

Fund Inception Date **29 January 1997**

Shareclass A Inception Date **29 January 1997**

Total Net Assets (in millions) **\$8,062.9**

### Performance Characteristics

A 30-day SEC yield<sup>1</sup> **6.74%**

<sup>1</sup>The 30 day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days.

<sup>‡</sup>The SEC yield is an annualized yield based on the most recent 30 day period. The fund's yield quotation includes an adjustment to the principal value of the TIPS securities to reflect changes in the government's official inflation rate, if any; changes in the government's official inflation rate can cause the fund's yield to vary substantially from one month to the next. At times, including during periods of deflation, the SEC yield calculation may result in a negative number. If the current 30-day SEC yield is denoted with a "‡", we believe it is attributable to a rise in the inflation rate, and might not be repeated. Due to the consolidation of operations and permanence of the fund's fee waivers, such waivers do not materially affect the fund's SEC yield. The SEC yield will differ (at times, significantly) from the fund's actual experience and any inflation adjustment to principal is treated as income; as a result, income distributions from the fund may be higher or lower than implied by the SEC yield.

### Basic Facts

Dividend frequency **Monthly with Daily Accrual**

### Fund Expenses

Maximum Sales Charge (Load) **3.75%**

Maximum Deferred Sales Charge (Load) **1.00%**

Class A shares are subject to an initial sales charge (as a percentage of offering price). A CDSC (as a percentage of the lower of the original purchase price or redemption price) may be imposed in certain circumstances on Class A shares that are purchased without an initial sales charge and then redeemed during the first 12 months after purchase. Class C shares are subject to a CDSC, which may apply in the first year.

A share Gross Expense Ratio **1.07%**

A share Adjusted Expense Ratio **0.85%**

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.

### Portfolio Managers

Steve Rodosky, Daniel He

### Fund Statistics

Effective Duration (yrs) **6.72**

Effective Maturity (yrs) **5.77**

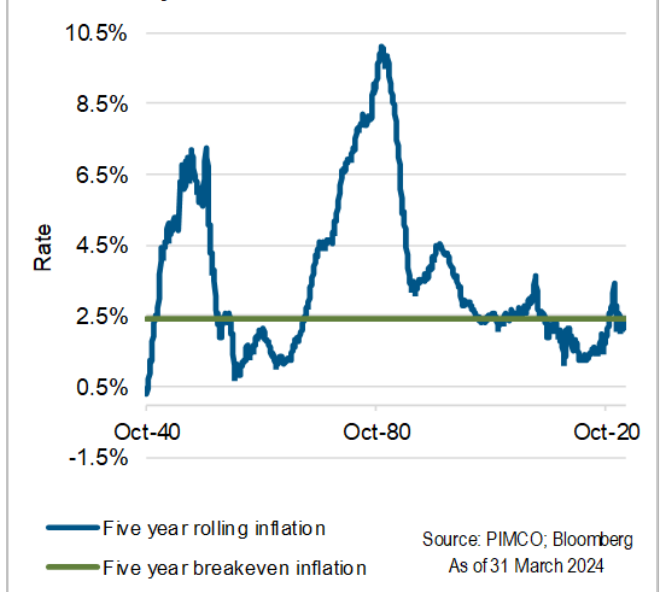
Sharpe Ratio (10 year) **0.09**

Volatility (10 year) **5.29%**

## PORTFOLIO POSITIONING

The Fund expresses a flat to slightly overweight duration position overall. Regionally, an overweight to U.S. duration (given attractive yield levels and the recent back-up in rates) is partially offset by a modest short to Eurozone duration. We maintain a 10s/30s curve steepener; one of our highest conviction ideas. The Fund added Australian duration given attractive yields, global diversification, and the view that rate hikes have had a stronger impact on the real economy. We maintain an overweight to U.S. breakevens as long-term inflation expectations are still well anchored despite inflation staying above the Fed's target, and perhaps even accelerating a bit in the near term. The Fund maintains an underweight/short position in Eurozone breakevens given EUR HICP is still rich and less attractive than U.S. breakevens (relative value view). We still prefer to have a positive percent market value exposure. We remain cautious overall within generic corporate credit, while we remain constructive on U.S. mortgages. Within currencies, we seek alpha opportunities via an FX relative value carry strategy in DM and liquid EM FX.

Monthly rolling five year inflation vs current five year breakeven inflation



## MONTH IN REVIEW

Treasury Inflation-Protected Securities (TIPS) delivered positive returns and outperformed comparable nominal Treasuries. U.S. breakevens were roughly unchanged as Chair Powell dovishly reaffirmed the Fed's commitment to cutting rates by categorizing the recent inflation uptick as noisy and dismissing questions about the strength in the labor market. Headline CPI rose slightly to 3.2% year-over-year (YoY) in February, while core fell modestly to 3.8% YoY.

### Sector Diversification (Duration in Years)

Sector Diversification (Duration in Years)	Fund
<b>Inflation Linked Bonds</b>	<b>7.4</b>
United States	7.1
United Kingdom	0.0
Europe	0.1
Canada	0.0
Other <sup>Δ</sup>	0.1
Other Short Duration Instruments	0.0
<b>Non Inflation Linked Bonds</b>	<b>-0.7</b>
US Government Related <sup>†</sup>	-1.2
Mortgage	0.9
Invest. Grade Credit	0.0
High Yield Credit	0.0
Non-U.S. Developed	-0.1
Emerging Markets <sup>Ω</sup>	0.0
EM Short Duration Instruments	0.0
Municipal	0.0
Other <sup>Δ</sup>	0.0
Net Other Short Duration Instruments <sup>††</sup>	-0.2

## **OUTLOOK AND STRATEGY**

Given PIMCO's outlook for a sustained low real-rate environment, the Fund seeks opportunities to capture incremental yield through country, curve, and security positioning. We look to emphasize countries offering better relative value, concentrate on curve positioning to incorporate elements of our economic outlook and pricing, and to respond to divergence in the policies being pursued by central banks.

The Fund seeks to tactically manage its real duration position relative to benchmark, looking to capitalize on yield curve relative value opportunities. We remain overweight U.S. breakeven inflation, as we believe markets are inaccurately pricing longer-term inflation risk. We plan to tactically respond to anticipated short-term inflation mispricing due to changes in commodity prices and seasonal trends. The Fund continues to express a bias towards high-quality spread sectors as a potential source of attractive risk-adjusted alpha.

*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 investment professional or PIMCO representative or by visiting [www.pimco.com](http://www.pimco.com). Please read them carefully before you invest or send money.*

<sup>1</sup>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, 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. <sup>2</sup>May include nominal and inflation-protected Treasuries, Treasury futures and options, agencies, FDIC-guaranteed and government-guaranteed corporate securities, and interest rate swaps. <sup>3</sup>Short duration emerging markets 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. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.

<sup>4</sup>Other may include convertibles, preferreds, and yankee bonds.

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. **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. **Sovereign securities** are generally backed by the issuing government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. 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. **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.

**Effective duration** is a measure of a portfolio's price sensitivity to interest rate changes, including expected changes in cash flows caused by embedded options. The **Sharpe Ratio** measures the risk-adjusted performance. The risk-free rate is subtracted from the rate of return for a portfolio and the result is divided by the standard deviation of the risk-free rate subtracted from the portfolio returns. **Volatility** is measured by the standard deviation, or dispersion of a set of data from its mean, based on historical portfolio returns. A larger spread of data indicates higher standard deviation and higher volatility. **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.

Morningstar ratings are only shown for those funds that have achieved a 4 or 5 star rating. Ratings for other share classes are either lower or not available.

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

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.

Bloomberg U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation-Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$500 million par amount outstanding. It is not possible to invest directly in an unmanaged index.

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**The Bloomberg U.S. Comparator Inflation Linked Bonds All Maturities Index** is an unmanaged market index comprised of all U.S. Treasury Securities. The construction of this index is driven by the construct of the Bloomberg U.S. TIPS Index, with all Treasury Inflation-Protected Securities matched with the most comparable nominal U.S. Treasury to gauge relative performance of the two asset classes.

<sup>1</sup>The Harmonised Indices of Consumer Prices (HICP) is an economic indicator that measures the changes over time in the prices of consumer goods and services acquired by households. The HICP gives a comparable measure of inflation in the euro-zone, the EU, the European Economic Area and for other countries including accession and candidate countries. It is calculated according to a harmonised approach and a single set of definitions. It also provides the official measure of consumer price inflation in the euro-zone for the purposes of monetary policy in the euro area and assessing inflation convergence as required under the Maastricht criteria.

**Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be appropriate for all investors.

Break-even 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.

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.

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

U.S. Federal Reserve (Fed); Consumer Price Index (CPI); Year over Year (YoY); Foreign Exchange (FX); Emerging Markets (EM); Developed Markets (DM).