PIMCO

Mortgage-Backed Securities Fund

SHARE CLASS: **A** | AS OF: **30 JUNE 2020** | **Monthly Commentary**

Fund information	
Fund inception date	31 July 1997
Strategy	Government
Total Net Assets (in millions)	$189.8
Portfolio manager(s)	Michael Cudzil Dan Hyman
Effective duration (yrs)	1.61
Benchmark duration (yrs)*	2.07
Benchmark duration (yrs)**	1.61
Effective maturity (yrs)	2.64
A share 30-day SEC yield	1.67%

Class	CUSIP	Ticker
A	693391526	PMRAX
C	693391542	PMRCX
I2	72201M651	PMRPX
I3	72202E344	PSANX
Institutional	693391500	PTRIX

* The benchmark duration as provided by Barclays.
** The benchmark duration calculated with the methodology used by the PIMCO Mortgage-Backed Securities Fund. The additional benchmark duration is shown in order to achieve consistency in the methodology used in the duration calculations for the benchmark and the Fund.

Expenses	
Gross Expense Ratio (%)	1.15
Adjusted Expense Ratio (%)	0.90

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.

* The A Class incepted on 31 July 2000, which may be different than the inception date of the Fund. For the period prior to the inception date of the A Class shares, performance information is based on the performance of the Fund's Institutional Class shares, adjusted to reflect the actual distribution and/or service (12b-1) fees and other expenses paid by A class shares.

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.

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Performance summary

The PIMCO Mortgage-Backed Securities Fund returned 0.44% at NAV in June, outperforming the Bloomberg Barclays U.S. MBS Fixed Rate Index by 0.53%. Year-to-date the Fund has returned 2.82% at NAV, while the benchmark returned 3.50%.

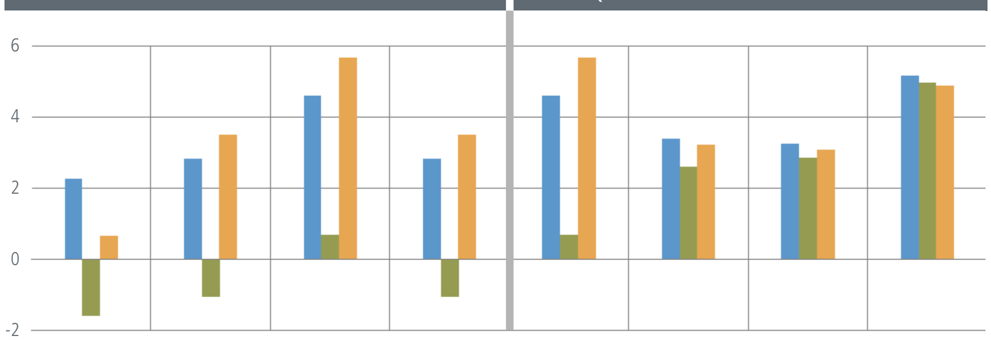
Contributors

- Exposure to non-Agency RMBS
- Agency MBS relative value strategies
- Exposure to non-Agency CMBS

Detractors

- No significant factors detracted from relative performance

Month End Performance 30 June 2020 | Quarter End Performance 30 June 2020



	3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception*
	2.25	2.82	4.58	2.82	4.58	3.39	3.23	5.15
	-1.57	-1.02	0.67	-1.02	0.67	2.60	2.84	4.97
	0.67	3.50	5.67	3.50	5.67	3.23	3.07	4.89

■ PIMCO Mortgage-Backed Securities Fund at NAV (%) ■ Bloomberg Barclays U.S. MBS Fixed Rate Index (%)
■ PIMCO Mortgage-Backed Securities Fund at MOP (%)

If this material is used after 30 September 2020, it must be accompanied by the most recent Performance Supplement.

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 maximum offering price (MOP) returns take into account the 3.75% maximum initial sales charge.

Sector diversification

	% Market Value
GNMA MBS	21.9
FNMA, FHLMC and Other Agency MBS	64.6
Non-Agency MBS	7.2
Home Equity ABS	5.1
CMBS	0.6
Other MBS	0.4
US Government Related	-26.3
Other	1.8
Net Other Short Duration Instruments [1]	24.6

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] 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 decreased our Agency MBS exposure but we continue to find relative value opportunities between coupons, issuers, and collateral types. We maintained a modest long position in the sector given its strong liquidity, high quality spread, attractive current valuations, and diversification benefits versus other risks assets. We have an overweight in exposure to both 15-year MBS and GNMA MBS. We continue to favor high quality, senior non-Agency mortgages despite market volatility.

The Fund decreased its duration level in June.

Month in review

Agency MBS[1] returned -0.09%, underperforming like-duration Treasuries by 13 bps. In June, the Fed bought about $92 billion in Agency MBS for a total of $779 billion since the start of this round of stimulus. At the June meeting, the Fed committed to purchasing $40 billion net per month and we expect them to revisit this commitment at their September meeting. Specified pools continued to outperform TBAs and have now fully recovered from the decline seen in March. Higher coupons underperformed lower coupons, 30yrs outperformed 15yrs, and Ginnies underperformed Fannies. Gross MBS issuance this month was unchanged versus May at $252 billion, but continued to be sizable. In May, prepayment speeds decreased 2% (most recent data available), but the absolute level exceeded expectations. Legacy non-agency residential MBS spreads tightened in June, while non-agency commercial MBS returned 2.21%[2], outperforming like-duration Treasuries by 211 bps.

The seasonally-adjusted S&P Case-Shiller 20-City Home Price index increased by 0.33% in April (latest), while the RCA Commercial Property Price index rose by 0.2% in May and by 4.9% compared to a year ago (most recent data), led by an increase in apartment prices.

Agency MBS sector positioning

Sector	Portfolio	Benchmark	Difference
15-year All	6.2	11.1	-5.0
30-year GNMA	29.0	25.7	3.4
30-year Conv.	28.0	60.6	-32.6

Agency MBS 30-year coupon stack positioning

Coupon	Portfolio	Benchmark	Difference
<= 2.0	0.0	0.5	-0.4
2,5	0.6	6.9	-6.3
3,0	17.5	27.1	-9.6
3,5	12.2	25.3	-13.1
4,0	16.5	16.0	0.5
4,5	3.8	6.9	-3.0
5,0	3.4	2.3	1.1
5,5	1.4	0.8	0.6
6,0	1.1	0.4	0.7
6,5	0.6	0.1	0.5
>= 7.0	0.0	0.0	0.0

Outlook and strategy

Given positive technical headwinds and explicit support from the Fed, the Agency MBS market has recovered meaningfully from its initial drawdown. However, we believe the sector continues to trade at historically attractive valuations as we expect the effects of the new quantitative easing measure to last into the foreseeable future. While there is the possibility of extended volatility in the Agency MBS market, carry is favorable at current valuations and Fed buying will eliminate bad bonds in the TBA float.

PIMCO remains constructive on senior U.S. securitized credit. Senior non-Agency MBS stands out as attractive, and is expected to be relatively well insulated from the key risks facing global markets. We seek structurally attractive CMBS, which we expect will remain a strong defensive trade while providing diversification versus investment grade corporate credit. Senior CLOs and select ABS also present select opportunities within the high quality securitized space after the recent re-pricing and support from the Fed's Term Asset-Backed Securities Loan Facility (TALF).

Management profile

Michael Cudzil
Managing Director

Dan Hyman
Managing Director

1997
31 JUL
INCEPTION DATE

59
PORTFOLIO MANAGERS

- Average years of experience **15**
- Resources in **4 global offices**

$189.8MN
ASSETS UNDER MANAGEMENT

A high-quality core bond investment

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 **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. **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. **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 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.

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. MBS Fixed Rate Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates. It is not possible to invest directly in an unmanaged index.

PIMCO Investments LLC, distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO.

[1]Bloomberg Barclays U.S. Agency Fixed Rate Index

[2]Bloomberg Barclays Investment Grade Non-Agency CMBS Index

Collateralized Loan Obligation (CLO), Mortgage-Backed Securities (MBS), Residential Mortgage-Backed Securities (RMBS), Asset-Backed Securities (ABS), Commercial Mortgage-Backed Securities (CMBS), Ginnie Mae (GNMA); US Federal Reserve (The Fed); Real Estate Investment Trust (REIT); To Be Announced (TBA).

The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. In addition, the S&P/Case-Shiller® U.S. National Home Price Index is a broader composite of single-family home price indices for the nine U.S. Census divisions and is calculated quarterly.

The RCA CPPI™ (Commercial Property Price Indices) are a series of transaction-based, repeat-sales regression (RSR) indices developed and published by Real Capital Analytics. RCA CPPI covers a broad range of geographies and property types.

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.

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

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

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