



# PIMCO Emerging Markets Bond Fund



Quarterly Investment Report | 1Q24

## **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 PIMCO Emerging Markets (EM) Bond Fund outperformed its benchmark, JP Morgan EMBI Global, in the first quarter (net of fees).

### CONTRIBUTORS

- Overweight exposure to Ecuadorian sovereign debt
- Overweight exposure to Egyptian sovereign debt
- Overweight exposure to Ukrainian corporate debt

### DETRACTORS

- Underweight exposure to EM spreads
- Legacy exposure to Venezuelan sovereign debt
- Security selection within Argentinian sovereign debt

Performance periods ended 31 Mar '24	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	2.37	12.93	12.50	0.34	2.36	3.82	8.49
Fund after fees	2.16	12.47	11.57	-0.49	1.52	2.96	7.59
Benchmark*	1.40	10.79	9.53	-1.10	0.93	2.85	6.51

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](http://pimco.com) or call 888.87.PIMCO.

## Portfolio strategy

Emerging markets delivered positive returns over the quarter, as EM fundamentals remained resilient. EM IG issuers demonstrated balance sheet strength, and select EM HY issuers delivered strong returns as there was progress on the debt restructuring front.

The early and aggressive policy tightening by EM central banks has paid off well, as inflation continued to decline over the quarter, leading many EM central banks to ease rates further.

In what is a busy election calendar in both EM and DM, the biggest risks for the asset class this year, emanate from political and economic uncertainty in the US versus EM-specific risks.

<b>Class:</b>	<b>INST</b>
<b>Inception date:</b>	<b>31 Jul '97</b>
<b>Fund assets (in millions):</b>	<b>\$1,501.74</b>
<b>Gross expense ratio:</b>	<b>0.93%</b>
<b>Adjusted expense ratio:</b>	<b>0.83%</b>

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	31 Mar '24
30-day SEC yield	6.49%
Distribution yield	6.03%
Effective duration (yrs)	6.77
Benchmark duration - provider (yrs)	6.81
Benchmark duration - PIMCO (yrs)	6.37
Effective maturity (yrs)	13.41
Average coupon	5.73%
Net currency exposure	3.82%
Tracking error (10 yrs)	2.07
Information ratio (10 yrs)	0.10

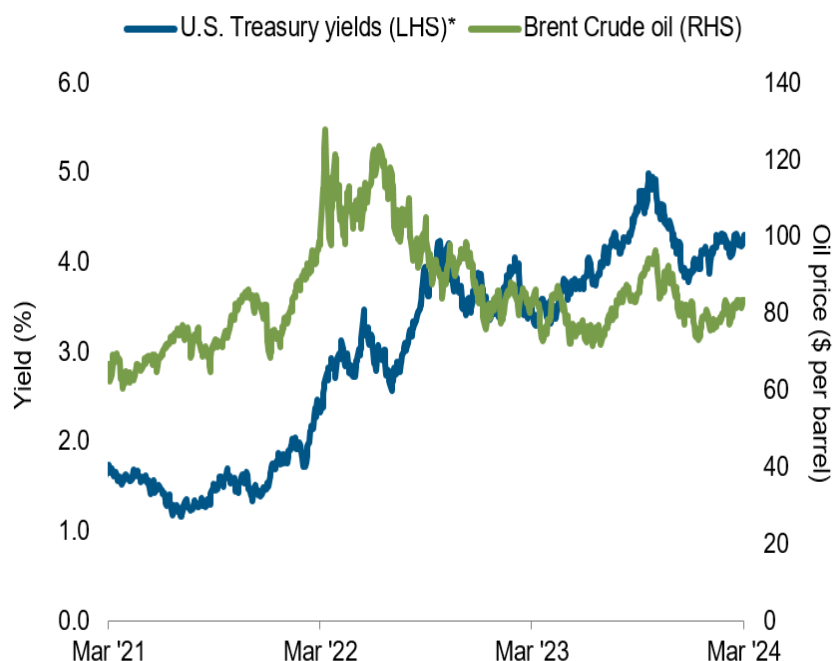
Top 5 country holdings – EM Spread Dur (yrs)	Portfolio	Benchmark
Mexico	0.62	0.74
Indonesia	0.49	0.61
Saudi Arabia	0.47	0.69
Turkey	0.35	0.32
Chile	0.32	0.36

\*J.P. Morgan Emerging Markets Bond Index (EMBI) Global;

# Quarter in Review

## EM external spreads tightened over the quarter, as risk sentiment improved amid declining EM inflation

Emerging markets delivered positive returns over the quarter, as spreads tightened on resilient fundamentals for EM IG issuers, while select HY issuers delivered strong returns due to progress on the debt restructuring front



US Treasury yields rose over the quarter, as the Fed has remained cautious on its forward guidance. Higher than expected inflation prints and continued US economic strength led the market to reassess the timing and pace of Fed rate cuts. On the other hand, a number of EM central banks continued to cut rates over the quarter.

SOURCE: JPMorgan, Bloomberg, PIMCO  
\* Represented by a generic 10 year U.S. government bond



Emerging markets, among other risk assets, witnessed meaningful spread tightening as risk appetite improved over the quarter. EM spreads, while tight, have cheapened recently relative to the US, in particular in the IG segment. We continue to see support for EM IG spreads, driven by strong balance sheets and stable debt dynamics. In the high yield segment, EM credits continue to offer a substantial spread pick up relative to DM, however we maintain a more cautious stance here.

SOURCE: Bloomberg, JPMorgan, PIMCO  
\*\* Represented by JPMorgan EMBI Global Index

# Market Summary

## Outperformance of select countries was the primary driver of alpha in Q1 2024

The Fund (Institutional share class) outperformed its benchmark (net of fees) in Q1 with multiple positions driving performance:

### Overweight exposure to Ecuadorian sovereign debt

The overweight to Ecuadorian sovereign debt contributed to performance, as spreads tightened after the trade balance posted a surplus.

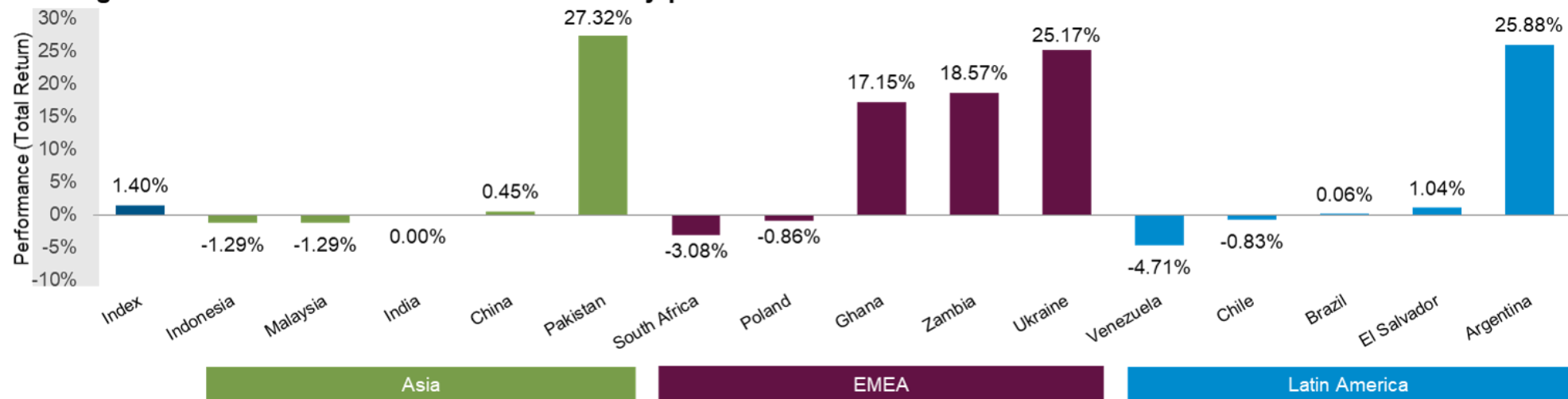
### Overweight exposure to Egyptian sovereign debt

The overweight to Egyptian sovereign debt contributed to performance, as spreads tightened on the back of a \$35bn investment deal with UAE, which will provide the issuer with much needed USD liquidity.

### Underweight exposure to EM spreads

The underweight to EM spreads detracted from performance, as spreads tightened on the back of supportive global macro developments and improvement in EM external accounts.

### JPMorgan EMBI Global Index - Q1 '24 select country performance



SOURCE: JPMorgan, PIMCO

## Investment implications: Opportune time to consider going active in global fixed income

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### Look global

Greater-than-usual focus on bond markets outside of the U.S.

### Lock in elevated yields

Intermediate maturities can offer a “sweet spot” with markets expecting cash rates to fall

### Favor high quality

Up-in-quality bias in both public and private credit markets

### Go active

Differentiated macro paths present compelling opportunities for active investors

# Portfolio Outlook

## Constructive on EM Fixed Income

After a strong year for EM assets in 2023, we continue to remain constructive on the asset class. While we expect to see positive returns for both EM local and external assets, we currently see more upside in EM local assets. The early and aggressive policy tightening by EM central banks has paid off well, with EM inflation peaking before DM inflation, and EM domestic demand proving resilient. EM inflation has normalized back to pre-pandemic levels for most EM countries, suggesting no “last mile” issues for EM, unlike those we see in DM. We expect the number of EM central banks which are cutting rates to increase in 2024, providing a tailwind for EM local duration.

### Key strategies

#### Focus on countries with credible reform stories/IMF backstop

We focus on countries with credible reform stories/IMF backstop (Ivory Coast, Nigeria and Egypt)

#### Harvest premia outside of the index universe

The Fund continues to take advantage of off-benchmark opportunities offering yield pick-up, such as EUR-denominated paper from Romania, Serbia, North Macedonia and Bulgaria.

#### Selective exposure to high yield names

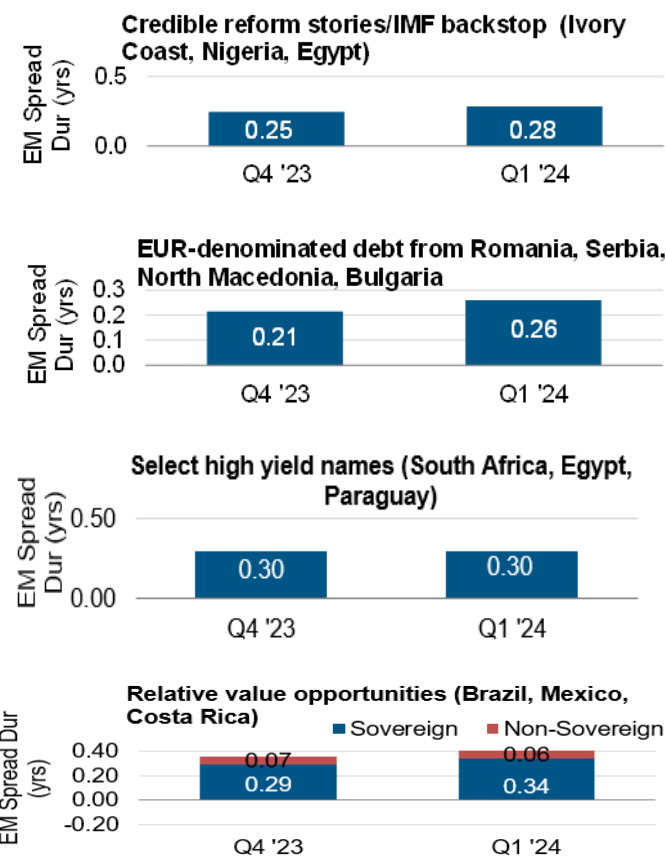
We continue to maintain modest exposure to select crossover BB-rated names that are distanced from left-tail events. Examples are South Africa, Egypt and Paraguay which stand to benefit from the greater room for spread compression in the HY segment of the asset class.

#### Focus on relative value opportunities

In countries with some risk of fiscal slippage such as Brazil, Mexico, and Costa Rica, we emphasize relative value opportunities. This can take the form of reducing exposure to sovereign debt and overweighting quasi-sovereign and corporate issuers that are less susceptible to such risks.

Source: PIMCO

### Position



# Country and currency exposure

## Emerging markets risk measures

	Portfolio						Benchmark
	31 Dec '23			31 Mar '24			31 Mar '24
	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	Emerging Market Spread Duration
<b>EM - Latin America</b>	<b>3.42</b>	<b>3.95</b>	<b>0.48</b>	<b>3.70</b>	<b>4.21</b>	<b>0.47</b>	<b>12.14</b>
Argentina	0.12	0.08	0.00	0.18	0.15	0.00	0.35
Brazil	0.19	0.27	0.21	0.25	0.34	0.19	1.10
Chile	0.45	0.62	0.00	0.49	0.65	0.00	1.78
Colombia	0.39	0.41	0.03	0.34	0.36	0.00	0.95
Costa Rica	0.04	0.04	0.00	0.04	0.04	0.00	0.30
Dominican Republic	0.30	0.30	0.10	0.28	0.29	0.08	0.72
Ecuador	0.07	0.05	0.00	0.12	0.11	0.00	0.13
El Salvador	0.05	0.05	0.00	0.06	0.06	0.00	0.10
Guatemala	0.08	0.09	0.00	0.08	0.08	0.00	0.19
Jamaica	0.01	0.01	0.00	0.01	0.01	0.00	0.17
Mexico	1.14	1.25	0.13	1.14	1.24	0.16	3.70
Panama	0.32	0.38	0.00	0.43	0.49	0.00	0.95
Paraguay	0.10	0.10	0.00	0.11	0.11	0.02	0.20
Peru	0.14	0.27	0.02	0.14	0.26	0.01	0.80
Trinidad & Tobago	0.02	0.02	0.00	0.02	0.02	0.00	0.04
Uruguay	0.00	0.00	0.00	0.00	0.00	0.00	0.61
<b>EM - Asia</b>	<b>1.58</b>	<b>2.03</b>	<b>0.00</b>	<b>1.57</b>	<b>1.98</b>	<b>0.01</b>	<b>6.40</b>
China	0.05	0.25	0.00	0.05	0.23	0.00	1.19
Hong Kong	0.08	0.08	0.00	0.08	0.08	0.00	0.04
India	0.05	0.05	0.00	0.05	0.05	0.01	0.09
Indonesia	0.79	1.06	0.00	0.73	0.98	0.00	3.06
Kazakhstan	0.13	0.14	0.00	0.12	0.13	0.00	0.16
Malaysia	0.12	0.13	0.00	0.12	0.12	0.00	0.57
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Pakistan	0.07	0.06	0.00	0.09	0.08	0.00	0.09
Philippines	0.20	0.23	0.00	0.20	0.22	0.00	1.05
South Korea	0.03	-0.04	0.00	0.09	0.00	0.00	0.00
Sri Lanka	0.00	0.02	0.00	0.00	0.02	0.00	0.04
Thailand	0.02	0.03	0.00	0.02	0.03	0.00	0.00

Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global

# Country and currency exposure

## Emerging markets risk measures

	Portfolio						Benchmark
	31 Dec '23			31 Mar '24			31 Mar '24
	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	Emerging Market Spread Duration
Uzbekistan	0.03	0.03	0.00	0.03	0.03	0.00	0.05
<b>EM - Europe</b>	<b>1.50</b>	<b>1.68</b>	<b>0.24</b>	<b>1.66</b>	<b>1.85</b>	<b>0.01</b>	<b>3.56</b>
Armenia	0.03	0.03	0.00	0.03	0.03	0.00	0.02
Azerbaijan	0.02	0.05	0.00	0.02	0.04	0.00	0.05
Bulgaria	0.00	0.00	0.00	0.10	0.11	0.00	0.00
Czech Republic	0.00	0.00	0.29	0.01	0.01	0.01	0.00
Georgia	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Hungary	0.22	0.23	0.00	0.25	0.26	0.00	0.56
Macedonia	0.03	0.03	0.00	0.02	0.03	0.00	0.00
Poland	0.17	0.20	-0.05	0.25	0.29	0.00	0.71
Romania	0.25	0.25	0.00	0.24	0.24	0.00	0.52
Serbia & Montenegro	0.11	0.15	0.00	0.11	0.15	0.00	0.07
Turkey	0.66	0.74	0.00	0.62	0.70	0.00	1.59
Ukraine	0.01	0.01	0.00	0.00	0.00	0.00	0.00
<b>EM - Middle East</b>	<b>2.06</b>	<b>2.23</b>	<b>0.00</b>	<b>2.11</b>	<b>2.31</b>	<b>0.00</b>	<b>9.05</b>
Bahrain	0.05	0.06	0.00	0.05	0.06	0.00	0.51
Israel	0.05	0.06	0.00	0.16	0.22	0.00	0.00
Jordan	0.03	0.03	0.00	0.03	0.03	0.00	0.11
Oman	0.20	0.20	0.00	0.20	0.20	0.00	0.60
Saudi Arabia	1.00	0.94	0.00	1.00	0.94	0.00	3.47
State of Qatar	0.50	0.68	0.00	0.46	0.64	0.00	1.78
United Arab Emirates	0.22	0.26	0.00	0.20	0.24	0.00	2.51
<b>EM - Africa</b>	<b>0.90</b>	<b>1.01</b>	<b>0.08</b>	<b>0.94</b>	<b>1.07</b>	<b>0.08</b>	<b>1.99</b>
Angola	0.04	0.04	0.00	0.05	0.05	0.00	0.18
BENIN	0.00	0.00	0.00	0.01	0.01	0.00	0.02
CAMEROON	0.04	0.04	0.00	0.03	0.03	0.00	0.00
Cote d'Ivoire	0.05	0.08	0.00	0.13	0.13	0.00	0.11
Egypt	0.32	0.26	0.00	0.30	0.30	0.01	0.46
Gabon	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Ghana	0.03	0.02	0.00	0.03	0.02	0.00	0.04

Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global



# Country and currency exposure

## Emerging markets risk measures

	Portfolio						Benchmark
	31 Dec '23			31 Mar '24			31 Mar '24
	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	External Rate Duration	Emerging Market Spread Duration	Emerging Market Local Rate Duration	Emerging Market Spread Duration
Kenya	0.02	0.02	0.00	0.03	0.04	0.00	0.12
Morocco	0.05	0.05	0.00	0.06	0.06	0.00	0.17
Nigeria	0.15	0.16	0.00	0.13	0.14	0.00	0.30
Senegal	0.04	0.04	0.00	0.04	0.04	0.00	0.05
South Africa	0.15	0.28	0.08	0.12	0.23	0.07	0.48
Tanzania	0.00	0.01	0.00	0.00	0.01	0.00	0.00
Tunisia	0.01	0.01	0.00	0.01	0.01	0.00	0.00
<b>EM - Other</b>	<b>0.00</b>	<b>-0.35</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.33</b>	<b>0.00</b>	<b>0.00</b>
EM Index Product	0.00	-0.35	0.00	0.00	-0.33	0.00	0.00
<b>Developed</b>	<b>3.85</b>	<b>0.02</b>	<b>0.00</b>	<b>2.97</b>	<b>0.02</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>13.31</b>	<b>10.57</b>	<b>0.80</b>	<b>12.95</b>	<b>11.12</b>	<b>0.56</b>	<b>33.14</b>

Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global

# Country exposure

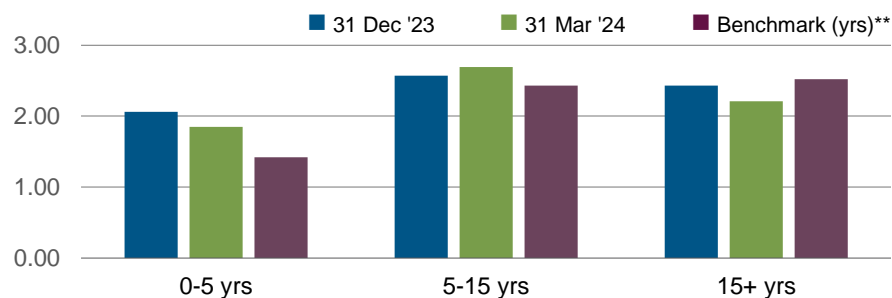
Country exposure by currency of settlement

	31 Dec '23	31 Mar '24	31 Mar '24
	Portfolio FX (%)	Portfolio FX (%)	Benchmark FX (%)
<b>EM - Latin America</b>	<b>1.19</b>	<b>2.39</b>	<b>0.00</b>
Brazil	0.62	1.24	0.00
Chile	-0.18	-0.10	0.00
Colombia	0.21	0.70	0.00
Dominican Republic	0.23	0.23	0.00
Mexico	0.12	0.11	0.00
Paraguay	0.00	0.22	0.00
Peru	0.18	-0.01	0.00
<b>EM - Asia</b>	<b>0.13</b>	<b>1.67</b>	<b>0.00</b>
China	-0.01	-0.01	0.00
India	0.44	1.97	0.00
Indonesia	-0.02	0.08	0.00
Malaysia	-0.02	-0.02	0.00
Philippines	-0.08	-0.10	0.00
Singapore	0.02	0.01	0.00
South Korea	0.05	-0.03	0.00
Taiwan	-0.10	-0.08	0.00
Thailand	-0.15	-0.14	0.00
<b>EM - Europe</b>	<b>1.70</b>	<b>0.53</b>	<b>0.00</b>
Czech Republic	-0.39	-0.26	0.00
Hungary	0.74	-0.04	0.00
Poland	0.12	-0.16	0.00
Turkey	1.23	0.99	0.00
<b>EM - Middle East</b>	<b>0.08</b>	<b>0.05</b>	<b>0.00</b>
Israel	0.03	-0.03	0.00
United Arab Emirates	0.06	0.08	0.00
<b>EM - Africa</b>	<b>0.52</b>	<b>0.88</b>	<b>0.00</b>
Egypt	0.32	0.62	0.00
South Africa	0.19	0.26	0.00
<b>Developed</b>	<b>96.38</b>	<b>94.49</b>	<b>100.00</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global

# Portfolio characteristics

## Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-5 yrs	2.06	1.85	1.42
5-15 yrs	2.57	2.69	2.43
15+ yrs	2.43	2.21	2.52
<b>Total</b>	<b>7.06</b>	<b>6.75</b>	<b>6.37</b>

## Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	7.06	6.77	6.37
Bull market duration	7.18	6.89	6.51
Bear market duration	6.96	6.67	6.23
<b>Spread duration</b>			
Mortgage spread duration	0.31	0.31	0.00
Corporate spread duration	-0.14	-0.13	0.00
Emerging markets spread duration	5.72	5.86	6.63
Swap spread duration	0.26	-0.10	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.00	0.00	0.00

## Derivative exposure (% of duration)

	31 Dec '23	31 Mar '24
<b>Government futures</b>	15.30	15.51
<b>Interest rate swaps</b>	5.25	-1.54
<b>Credit default swaps*</b>	15.17	15.21
Purchased swaps	-11.49	-11.60
Written swaps	26.67	26.81
<b>Options</b>	-0.01	0.00
Purchased Options	-0.01	0.00
Written Options	0.00	0.00
<b>Mortgage Derivatives</b>	0.03	0.03
<b>Money Market Derivatives</b>	-0.17	-0.20
Futures	0.00	0.00
Interest rate swaps	-0.17	-0.20
<b>Other Derivatives</b>	0.00	0.00

\* Shown as a percentage of market value

\*\*Benchmark duration is calculated by PIMCO  
Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global

# Additional share class performance

PIMCO Emerging Markets Bond Fund (net of fees performance)

Performance periods ended: 31 Mar '24	Maximum Sales Charge (Load)	Maximum Deferred Sales Charge (Load)	Gross expense ratio	Net expense ratio	Adjusted expense ratio	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Class A (at NAV)	3.75	1.00	1.30	-	1.20	USD	31 Jul '97	2.07	12.27	11.17	-0.86	1.14	2.58	7.17
Class A (at MOP)	3.75	1.00	1.30	-	1.20	USD	31 Jul '97	-1.76	8.05	7.00	-2.11	0.37	2.19	7.02
Class C (at NAV)	-	1.00	2.05	-	1.95	USD	31 Jul '97	1.88	11.85	10.35	-1.60	0.39	1.82	6.37
Class C (at MOP)	-	1.00	2.05	-	1.95	USD	31 Jul '97	0.88	10.85	9.35	-1.60	0.39	1.82	6.37
Class I-2	-	-	1.03	-	0.93	USD	30 Apr '08	2.13	12.41	11.46	-0.59	1.42	2.86	7.48
Class I-3	-	-	1.13	1.08	0.98	USD	27 Apr '18	2.12	12.39	11.41	-0.64	1.37	2.81	7.44
Class INST	-	-	0.93	-	0.83	USD	31 Jul '97	2.16	12.47	11.57	-0.49	1.52	2.96	7.59
J.P. Morgan Emerging Markets Bond Index (EMBI) Global								1.40	10.79	9.53	-1.10	0.93	2.85	6.51

The Net Expense Ratio for the I-3 Class reflects a contractual supervisory and administrative fee waiver and/or expense reduction in place through 31 July 2024 and renews automatically for a full year unless terminated by PIMCO in accordance with the terms of the agreement. See the Fund's prospectus for more information.

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. The maximum offering price (MOP) returns take into account the Class A maximum initial sales charge of 3.75%. The maximum offering price (MOP) returns take into account the contingent deferred sales charge (CDSC) for Class C shares, which for this fund is 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.

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

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*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 **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. 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. **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.

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.

# Important Disclosures

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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.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It is not possible to invest directly in an unmanaged index.

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.

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# 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.

**Fallen angel** is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

**GFC** is the Global Financial Crisis.

**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.

**LNG** is Liquefied Natural Gas.

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.

**Rising star** is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

**"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.

**"Safe Spread"** is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The

**Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

**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)