

# PIMCO Emerging Markets Bond Fund

## PERFORMANCE SUMMARY

The PIMCO Emerging Markets Bond Fund returned 2.05% at NAV in March, outperforming the J.P. Morgan Emerging Markets Bond Index (EMBI) Global by 0.15%. Year-to-date the Fund has returned 2.07% at NAV, while the benchmark returned 1.40%.

The PIMCO Emerging Markets Bond Fund outperformed its benchmark<sup>1</sup> in the first quarter of 2024 (net of fees).

External debt posted strong returns of +1.40%<sup>1</sup> in the face of a 32-basis point rise in underlying US 10-year Treasury rates, while spreads tightened.

### 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

|   | 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 Emerging Markets Bond Fund share class A at NAV (%) | 2.07                                | 12.27  | 11.17 | 2.07  | 11.17                                 | 1.14   | 2.58    | 7.17            |
| ■ PIMCO Emerging Markets Bond Fund A at MOP                 | -1.76                               | 8.05   | 7.00  | -1.76 | 7.00                                  | 0.37   | 2.19    | 7.02            |
| ■ Benchmark (%)   | 1.40                                | 10.79  | 9.53  | 1.40  | 9.53                                  | 0.93   | 2.85    | 6.51            |

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

*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    | PAEMX | I-2 Shares | PEMPX |
| C Shares    | PEBCX | I-3 Shares | PEBNX |
| INST Shares | PEBIX |            |       |

|                                |              |
|--------------------------------|--------------|
| Fund Inception Date            | 31 July 1997 |
| Shareclass A Inception Date    | 31 July 1997 |
| Total Net Assets (in millions) | \$1,501.7    |

### Performance Characteristics

|                                 |       |
|---------------------------------|-------|
| A 30-day SEC yield <sup>1</sup> | 5.88% |
|---------------------------------|-------|

<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.

### 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  | 1.30% |

|  |       |
|--|-------|
| A share Adjusted Expense Ratio   | 1.20% |
| 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

Yacov Arnopolin, Javier Romo, Pramod Dhawan

### Fund Statistics

|                          |       |
|--------------------------|-------|
| Effective Duration (yrs) | 6.77  |
| Effective Maturity (yrs) | 13.41 |
| Sharpe Ratio (10 year)   | 0.16  |
| Volatility (10 year)     | 9.67% |

## PORTFOLIO POSITIONING

The fund generally maintained its positioning over the quarter, while slightly increasing its underweight to EM spreads. Currently, the fund is positioned across the following investment themes:

What we like:

- Credible reform stories/IMF backstop: Ivory Coast, Nigeria, Egypt, Ecuador
- Harvest premia outside of index universe: Basket of EUR-denom. paper from Romania, Serbia, North Macedonia, and Bulgaria
- Select BB-rated names: Morocco, South Africa, Paraguay
- Higher quality, investment grade: Slovenia, Poland, and Hungary
- Strong commodity price beneficiaries: oil (Angola/Nigeria), fertilizers (Morocco)

What we do not like:

- Oil-reliant names: Oman, Bahrain
- Fully priced-in good stories: Philippines, Qatar, UAE, Malaysia
- Sanctions/trade war risk: China
- At risk of fiscal slippage: Prefer Brazil corporate bonds to sovereign/quasi-sovereign debt, Mexico, Costa Rica
- Fundamentally weak credits: Bolivia, Honduras, Iraq, Lebanon, Ethiopia, Gabon

## QUARTER IN REVIEW

The EM asset class posted positive returns for the quarter as EM external spreads tightened over the quarter, as risk sentiment improved amid declining EM inflation.

In terms of relative performance, the fund's overweight to Ecuadorian sovereign debt contributed to performance, as spreads tightened after the trade balance posted a surplus. The fund's overweight to Egyptian sovereign debt also 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.

Turning to detractors, the fund's underweight to EM spreads detracted from performance, as spreads tightened on the back of supportive global macro developments and improvement in EM external accounts. The fund's legacy exposure to Venezuelan sovereign debt also detracted from performance, as spreads widened on fears that the US could renew oil sanctions on the country after an opposition candidate was barred from standing for election

## OUTLOOK AND STRATEGY

After a strong year for EM assets in 2023, we continue to remain constructive on the asset class. 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.

Within hard currency assets, absolute yield levels continue to screen as attractive, and 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. Our focus on the high yield side is on select names in the sovereign space with multilateral support and positive reform momentum, while in the corporate space we continue to focus on select high quality credits with industry tailwinds and/or strong standalone credit profiles. 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.

We remain focused on keeping the overall quality of our portfolios high, with sufficient cash levels in order to be able to take advantage of opportunities in a higher volatility environment as well as new issue concessions in the primary market.

*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.*

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**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.

**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.

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.

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Emerging Markets (EM); Developed Markets (DM); Foreign Exchange (FX)

1 JP Morgan EMBI Global Composite Index

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