

# PIMCO Low Duration Income Fund

## PERFORMANCE SUMMARY

The PIMCO Low Duration Income Fund returned 1.04% after fees in March, outperforming the Bloomberg U.S. Aggregate 1-3 Years Index by 0.63%. Year-to-date the Fund has returned 2.12% at NAV, while the benchmark returned 0.45%.

The Low Duration Income Fund continued to provide investors with consistent and competitive monthly distributions through March. The portfolio's duration strategies contributed to performance in March, specifically, the fund's exposure to US duration as rates broadly fell in this market. Holdings of corporate credit and exposure to a basket of emerging market currencies also contributed to performance. The overall performance of residential mortgages was positive, as Agency MBS was the largest contributor to fund performance during the month.

### Contributors

- Exposure to residential mortgages, including Agency and non-Agency MBS
- Exposure to emerging market external debt
- Exposure to investment grade and high yield corporate credit
- Exposure to US duration

### Detractors

- Short exposure to Japanese duration and long exposure to the Japanese yen

	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 Low Duration Income Fund share class INST at NAV (%)	2.12	5.94	8.19	2.12	8.19	3.20	3.33	3.69
■ Benchmark (%)	0.45	3.17	3.56	0.45	3.56	1.31	1.27	2.17

**Benchmark:** Bloomberg U.S. Aggregate 1-3 Years 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.*

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 institutional 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. 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.

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	PFIAX	INST Shares	PFIIX
C Shares	PFNCX	I-2 Shares	PFTPX
C-2 Shares	PLDCX	I-3 Shares	PFNIX

Fund Inception Date **30 July 2004**

Shareclass INST Inception Date **30 July 2004**

Total Net Assets (in millions) **\$9,783.1**

### Performance Characteristics

INST 30-day SEC yield<sup>1</sup> **5.92%**

<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

INST share Gross Expense Ratio **0.59%**

INST share Adjusted Expense Ratio **0.50%**

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

Dan Ivascyn, Joshua Anderson, Alfred Murata

### Fund Statistics

Effective Duration (yrs) **1.80**

Effective Maturity (yrs) **2.65**

Sharpe Ratio (10 year) **0.43**

Volatility (10 year) **4.62%**

## PORTFOLIO POSITIONING

The fund can be divided into two broad segments: higher yielding assets, which are expected to benefit when economic growth is robust and higher quality assets, which are expected to perform well in risk-off scenarios.

Within the higher quality segment, net portfolio duration was reduced over the month as yields fell across the U.S. yield curve. We maintain a preference for US duration, as nominal rates remain higher relative to other developed countries. Within investment grade corporate credit, we continue to favor systemically important banks given fundamentals and defensive sectors, such as utilities and healthcare.

To balance these positions, we maintained our short position to Japanese duration as an advantageous duration hedge.

In the higher yielding segment, we seek to stay diversified across corporate, securitized, and emerging market credit. Within high yield credit, we remain selective and mindful of liquidity conditions favoring senior secured bonds. In securitized credit, we continue to look for opportunities to add senior exposure to asset-backed securities.

## MONTH IN REVIEW

**Equity markets continued their upward trajectory, while bond indices modestly rose as several global central banks sent dovish signals to the market.** U.S. credit spreads tightened, and developed sovereign bond yields fell, while the dollar strengthened. In the U.S., the 10-year Treasury fell 5 bps to 4.20% as the Federal Reserve reaffirmed its expectation of three rate cuts in 2024. In Germany, the 10-year bund yield fell 11 bps to 2.30%. In the U.K., 10-year Gilt yields fell 19 bps to 3.93%, while 10-year Japanese government bond yields rose 2 bps to 0.73%.

Against this backdrop, performance was positive over the month. Within the higher quality portion of the portfolio, the fund's exposure to US duration contributed to performance as rates fell in this market. The fund's exposure to investment grade corporate credit and Agency MBS also contributed to performance.

Within the higher yielding portion of the portfolio, the fund's exposure to high yield corporate credit and exposure to a basket of emerging market currencies contributed to performance. Holdings of non-Agency MBS also moderately contributed to performance.

Sector Allocation (% Market Value)	Fund
US Government Related <sup>¶</sup>	-31.2
Securitized <sup>¶</sup>	99.4
Invest. Grade Credit	9.4
High Yield Credit	6.0
Non-USD Developed	-0.1
Emerging Markets <sup>Ω</sup>	11.3
Other <sup>Δ</sup>	1.2
Net Other Short Duration Instruments <sup>¶¶</sup>	4.0

Sector Allocation (Duration in Years)	Fund
US Government Related <sup>¶</sup>	-2.3
Securitized <sup>¶</sup>	3.7
Invest. Grade Credit	0.3
High Yield Credit	0.1
Non-USD Developed	-0.2
Emerging Markets <sup>Ω</sup>	0.2
Other <sup>Δ</sup>	0.0
Net Other Short Duration Instruments <sup>¶¶</sup>	0.1

## OUTLOOK AND STRATEGY

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed's subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Within the Low Duration Income Strategy, we remain focused on quality, diversification, and seniority in the capital structure. The strategy has an income-oriented approach that aims to be flexible and resilient in times of market volatility over the longer term.

INST SHARE MORNINGSTAR RATING™

★★★★★

OVERALL MORNINGSTAR RATING™ as of 03/31/2024

Category	Short-Term Bond
Number of funds in category	534
Criteria	Risk-Adjusted Return

*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>†</sup>The Securitized bucket will include Agency MBS, nonAgency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds. <sup>††</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>†††</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>††††</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>†††††</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, call risk, 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. 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.

It is important to note that differences exist between the fund's daily internal accounting records, the fund's financial statements prepared in accordance with U.S. GAAP, and recordkeeping practices under income tax regulations. It is possible that the fund may not issue a Section 19 Notice in situations where the fund's financial statements prepared later and in accordance with U.S. GAAP and/or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Please see the fund's most recent shareholder report for more details. Although the Fund may seek to maintain stable distributions, the Fund's distribution rates may be affected by numerous factors, including but not limited to changes in realized and projected market returns, fluctuations in market interest rates, Fund performance, and other factors. There can be no assurance that a change in market conditions or other factors will not result in a change in the Fund's distribution rate or that the rate will be sustainable in the future. For instance, during periods of low or declining interest rates, the Fund's distributable income and dividend levels may decline for many reasons. For example, the Fund may have to deploy uninvested assets (whether from purchases of Fund shares, proceeds from matured, traded or called debt obligations or other sources) in new, lower yielding instruments. Additionally, payments from certain instruments that may be held by the Fund (such as variable and floating rate securities) may be negatively impacted by declining interest rates, which may also lead to a decline in the Fund's distributable income and dividend levels.

Monthly Morningstar Rating™ as of 31 March 2024 for the INST Shares; other classes may have different performance characteristics. The PIMCO Low Duration Income Fund was rated against the following numbers of Fixed Income, Multi Sector over the following time periods: Overall 5 Stars (534 funds rated); 3 Yrs. 5 Stars (534 funds rated); 5 Yrs. 5 Stars (494 funds rated); 10 Yrs. 5 stars (359 funds rated). Past performance is no guarantee of future results. A rating is not a recommendation to buy, sell or hold a fund. ©2024 Morningstar, Inc. All Rights Reserved. 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. 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.

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. Aggregate 1-3 Years Index represents securities that are SEC-registered, taxable, and dollar denominated with a maturity between one and three years. 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. It is not possible to invest directly in an unmanaged index.

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

Credit spreads are the difference in yield between any type of bond, and a U.S. treasury of the same maturity.

Developed Markets (DM); Emerging Markets (EM); Mortgage-Backed Securities (MBS)