PIMCO

Low Duration Income Fund

SHARE CLASS: **INSTITUTIONAL** | AS OF: **28 FEBRUARY 2021** | **Monthly Commentary**

Fund information	
Fund inception date	30 July 2004
Strategy	Income
Total Net Assets (in millions)	$6,904.2
Portfolio manager(s)	Dan Ivascyn Alfred Murata Eve Tournier
Effective duration (yrs)	1.56
Benchmark duration (yrs)	1.94
Effective maturity (yrs)	2.34
Inst. share 30-day SEC yield	2.26%

Class	CUSIP	Ticker
Institutional	722005170	PFIIX

Expenses	
Gross Expense Ratio (%)	0.55
Adjusted Expense Ratio (%)	0.51

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.

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2020 WINNER UNITED STATES

The Lipper Fund Awards recognized the Low Duration Income Fund, Institutional for the 3 and 5 year performance periods out of 90 and 79 funds, respectively, under the Short Investment-Grade Debt Funds Classification.

Performance summary

The PIMCO Low Duration Income Fund returned 0.11% after fees in February, outperforming the Bloomberg Barclays U.S. Aggregate 1-3 Years Index by 0.17%. Year-to-date the Fund has returned 0.58% after fees, outperforming the benchmark by 0.60%.

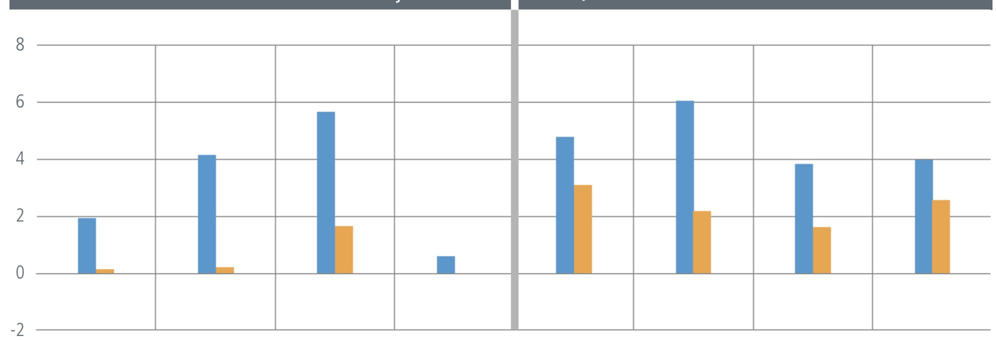
The Low Duration Income Fund continued to provide investors with attractive monthly distributions through February.
The higher quality portion of the portfolio was negative in February as exposure to U.S. duration and holdings of Agency MBS detracted from fund performance. The higher yielding portion contributed with holdings of non-Agency MBS and corporate credit performing strongly. Exposure to a basket of emerging market local debt and currencies also detracted modestly from fund performance over the month.

Contributors

- Holdings of non-Agency MBS
- Holdings of investment grade corporate credit, as spreads tightened
- Short exposure to Japanese duration, as yields rose

Detractors

- Exposure to U.S. duration, as yields rose
- Exposure to local rates in select emerging market countries
- Holdings of Agency MBS, as spreads widened



	Month End Performance 28 February 2021				Quarter End Performance 31 December 2020			
	3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
PIMCO Low Duration Income Fund net of fees (%)	1.92	4.14	5.63	0.58	4.77	6.03	3.81	3.97
Bloomberg Barclays U.S. Aggregate 1-3 Years Index (%) (Secondary benchmark)	0.11	0.19	1.65	-0.02	3.08	2.17	1.60	2.56

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 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.

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.

*Portfolio characteristics as of 28 February 2021	% Market Value	Duration (years)
US Government Related	-23.2	-1.39
Securitized [1]	57.8	1.67
Invest. Grade Credit	12.4	0.52
High Yield Credit	15.2	0.22
Non-USD Developed	5.8	-0.15
Emerging Markets	22.0	0.50
Other	2.4	0.07
Net Other Short Duration Instruments [2]	7.6	0.12

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] The Securitized bucket will include Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

[2] 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

The Fund is divided into two general segments: higher yielding assets that are expected to benefit when economic growth is robust and higher quality assets expected to benefit if economic growth is weak.

Within the higher quality segment, we remain cautious overall as real rates in many markets are close to zero or negative. Our U.S. duration exposure increased slightly over the month, where rates remain higher relative to other developed countries. To balance these positions, we look to hedge some of our duration exposure with a short position in Japan where real yields are already negative.

The higher yielding segment is weighted toward senior positions in the capital structure. We seek to be diversified across credit exposures within corporate, securitized, and emerging market debt. Within investment grade corporate credit, we continue to look to take advantage of attractive valuations in certain sectors. We remain cautious in allocation to high yield corporates and are mindful of liquidity. We continue to look for opportunities to add senior securitized credit exposure, particularly in non-Agency U.S. and UK mortgages, which feature strong “bend but don’t break” resilience and attractive loss-adjusted yields through a range of downside economic scenarios.

Month in review

Developed rates rose dramatically in February, contributing to an uptick in market volatility. The broader trends in yields moving higher so far in 2021 have reflected expectations for higher growth and inflation, though February’s moves also featured a re-pricing in timing expectations for central bank policy tightening and some technical pressures. In the U.S., the 10-year Treasury ended the month 34 bps higher at 1.40%. Meanwhile, equities experienced some volatility as concerns over rising rates weighed on sentiment, but still ended the month higher. Credit spreads also tightened.

Against this backdrop, performance was modestly positive over the month. Exposure to U.S. duration was the largest detractor to fund performance as U.S. interest rates rose notably in the belly and long-end of the curve. Exposure to local rates in select emerging markets also detracted over the month. Meanwhile, the Fund’s short exposure to Japanese rates was additive as rates in Japan rose.

The Fund’s securitized positions were net positive over the month with holdings of non-agency MBS contributing the most to performance, while Agency MBS holdings detracted. Holdings of investment grade corporate credit contributed as spreads tightened modestly. Exposure to a basket of emerging market currencies detracted from performance in February.

Outlook and strategy

We expect the global economy to continue its transition from hurting to healing in 2021 and make good progress on the long climb back to its pre-crisis trend. We believe the current renewed weakness due to lockdowns in major economies will give way to accelerating economic growth from around the second quarter, driven by the broadening rollout of vaccines and continued fiscal and monetary support. The key risks to our economic outlook include fiscal fatigue or gridlock in some advanced economies, the likely transition in China from credit easing to tightening in the course of this year, and economic scarring that could impede the return of pre-pandemic activity levels and make the recovery bumpy and uneven across countries and sectors.

Within the Income Strategy, we remain focused on diversification and staying senior in the capital structure. We remain focused on bend but not break exposures, where we may experience some price volatility but seek to avoid defaults

Management profile

Dan Ivascyn
Managing Director and Group CIO

Alfred Murata
Managing Director

Eve Tournier
Managing Director

2004
30 JUL
INCEPTION DATE

55 ANALYSTS
Dedicated research analysts. 34 in U.S., 10 in U.K./Europe, 9 in Asia/Pacific, 2 in South America

Generating income with low interest rate exposure

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.

*Prior to 23 January 2017, the Low Duration Income Fund was named the Floating Income Fund. Certain investment guideline changes were implemented at time of name change.

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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. 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.

The Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a riskadjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Lipper Fund Award. For more information, see lipperfundawards.com. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Lipper Fund Awards from Refinitiv,

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. 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.

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 suitable 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. Performance reflects changes in share price, reinvestment of dividends and capital gains distributions. All periods longer than one year are annualized. This material contains the current opinions of the manager but not necessarily those of PIMCO and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. in the United States and throughout the world.

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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.

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

"Bend-but-not-break" refers to credits that PIMCO would not expect to default in a credit-stressed environment.

Mortgage-backed securities (MBS);

PIMCO