PIMCO

Low Duration Income Fund

SHARE CLASS: **INSTITUTIONAL** | AS OF: **31 OCTOBER 2020** | **Monthly Commentary**

Fund information	
Fund inception date	30 July 2004
Strategy	Income
Total Net Assets (in millions)	$5,857.0
Portfolio manager(s)	Dan Ivascyn Alfred Murata Eve Tournier
Effective duration (yrs)	1.23
Benchmark duration (yrs)	1.65
Effective maturity (yrs)	1.92
Inst. share 30-day SEC yield	
Subsidized:	2.55%
Unsubsidized:	2.54%

Class	CUSIP	Ticker
Institutional	722005170	PFIIX

The 30 day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. 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.

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 0.41% after fees in October, outperforming the Bloomberg Barclays U.S. Aggregate 1-3 Years Index by 0.41%. Year-to-date the Fund has returned 1.42% after fees, while the benchmark returned 2.84%.

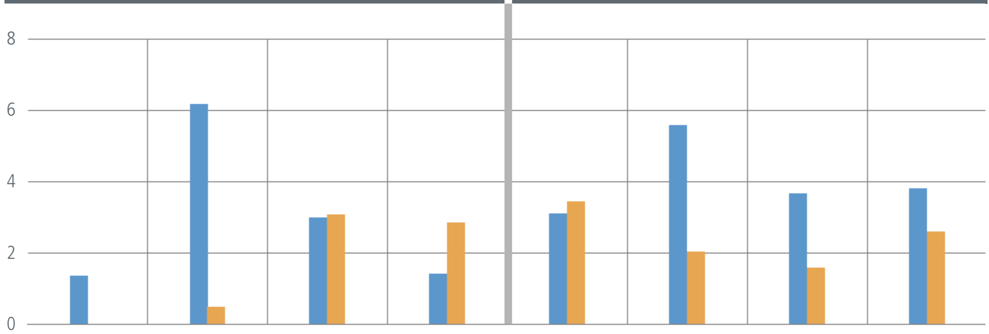
The Low Duration Income Fund continued to provide investors with attractive monthly distributions through October.
The higher yielding portion of the portfolio contributed as securitized credit performed strongly over the month. The higher quality portion of the portfolio detracted in October.

Contributors

- Holdings of securitized credit, primarily agency and non-agency MBS
- Holdings of investment grade and high yield corporate credit, as spreads tightened
- Positions within non-U.S. developed duration market

Detractors

- Exposure to U.S. duration as rates rose
- Long exposure to the Russian ruble
- Select long exposure in developed market currencies



	Month End Performance 31 October 2020				Quarter End Performance 30 September 2020			
	3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
PIMCO Low Duration Income Fund net of fees (%)	1.35	6.16	3.00	1.42	3.12	5.58	3.68	3.80
Bloomberg Barclays U.S. Aggregate 1-3 Years Index (%) (Secondary benchmark)	0.00	0.49	3.08	2.84	3.44	2.05	1.58	2.59

■ PIMCO Low Duration Income Fund net of fees (%) ■ Bloomberg Barclays U.S. Aggregate 1-3 Years Index (%) (Secondary benchmark)

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 31 October 2020	% Market Value	Duration (years)
US Government Related	-18.9	-1.41
Securitized [1]	65.5	1.47
Invest. Grade Credit	17.5	0.60
High Yield Credit	11.0	0.18
Non-USD Developed	7.2	-0.14
Emerging Markets	10.3	0.33
Other	2.5	0.09
Net Other Short Duration Instruments [2]	4.9	0.11

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. We have added to our U.S. duration exposure over the past two quarters, 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. We've added to investment grade corporate positions over the past months as issuance levels have been high and new issue markets have offered value to lenders. 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

Risk asset performance was mixed in October as a host of uncertainties - including surging coronavirus cases, declining expectations of further U.S. fiscal stimulus, and election jitters - weighed on sentiment. Global equity markets experienced volatility with the S&P 500 ending 2.7% lower. Credit spreads, on the other hand, tightened amid strong technicals and declining supply. Meanwhile, developed market rate moves were mixed: yields across the eurozone broadly fell as new lockdown measures were introduced, while yields in the U.S., U.K., and Japan rose.

Against this backdrop, performance was modestly positive over the month, continuing to further year-to-date returns into positive territory after Q1's volatility. The Fund's holdings of securitized credit were the largest contributors; agency MBS and non-agency MBS spreads tightened as home price fundamentals remained solid and mortgage delinquencies have ebbed. Corporate credit positions also contributed to performance alongside exposure to emerging market debt and currencies which were modestly positive for the month.

Interest rate strategies were a negative contributor overall during the month, as rates inched up across most developed markets. Exposure to U.S. duration detracted as rates rose, while positions in non-U.S. developed market rates were modestly positive.

Outlook and strategy

The global economy has continued to recover slowly from the deepest recession in modern times, but the path of recovery will likely stay volatile as COVID-19 cases begin to uptick again throughout the U.S. and parts of Europe. This recessionary environment is very different from past periods given the external shock of the global COVID-19 pandemic as well as the strong fiscal and monetary response from policymakers around the world. In the short-term the recovery will be impacted by two key swing factors: the state of the pandemic and the degree to which fiscal policy stays active or retreats. In the long-run we believe the COVID crisis will likely weigh on potential growth output and leave significant "economic scarring" on the economy. The COVID-19 pandemic has also amplified several long-term disruptors including China's rise, populism, technology, and climate-related risks which will create an even more challenging landscape for investors moving forward.

We expect the global economy to transition from intense near-term hurting during the virus-suppression phase to above-trend growth for a couple of years after the COVID recession. Our baseline continues to be a bumpy and uneven recovery with pre-crisis level of economic activity unlikely to be reached before 2022 in most Western economies.

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.

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. **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. **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. **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.

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, © 2020 Refinitiv. All rights reserved. Used under license. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited.

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.

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Mortgage-and asset-backed securities (MBS) may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations.

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.

PIMCO