



PIMCO Income Fund



Quarterly Investment Report | 3Q22

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

Over the quarter, the Income Fund (Institutional share class USD, after fees) generated negative returns. The higher quality portion of the portfolio was negative with US duration detracting the most from Fund performance as rates continued to rise over the third quarter. Meanwhile, short exposure to UK duration contributed. Within the higher yielding portion of the portfolio, emerging market local and external debt contributed to performance. The Fund's exposure to investment grade and high yield corporate credit also contributed to performance over the quarter.

CONTRIBUTORS

- Exposure to emerging market debt
- Exposure to high yield and investment grade corporate credit
- Short exposure to UK duration

DETRACTORS

- Exposure to US duration
- Exposure to securitized credit, including Agency and Non-Agency mortgage backed securities
- Exposure to European duration

Performance periods ended 30 Sep '22	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	-1.73	-6.71	-10.25	0.24	1.74	4.54	6.99
Fund after fees	-1.86	-6.94	-10.70	-0.26	1.24	4.05	6.51
Benchmark*	-4.75	-9.22	-14.60	-3.26	-0.27	0.89	2.80

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.

Portfolio strategy

Selective credit holdings: Favor housing-related and mortgage credit given resilient fundamentals in the US housing market. We focus on bottom-up security selection in corporate credit, where we continue to find value in financials, COVID-recovery credits and defensive sectors such as telecommunications and healthcare.

Favor Non-Agency MBS: We continue to like senior pools of Non-Agency MBS due to their attractive risk-adjusted return profile.

Cautious on duration: We increased our overall duration exposure by a third of a year as yields rose. Our exposure remains primarily in the US with a focus on the intermediate portion of the curve.

Emerging markets: The Fund maintained its overall exposure to EM over the quarter as a way to limit volatility in the portfolio. We still maintain modest holdings of emerging market debt in higher quality countries which may provide additional diversification and yield.

Class:	INST
Inception date:	30 Mar '07
Fund assets (in millions):	\$113,272.06
Gross expense ratio:	0.51%
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.

Summary information	30 Sep '22
Effective duration (yrs)	3.22
Benchmark duration - provider (yrs)	6.20
Benchmark duration - PIMCO (yrs)	6.24
Effective maturity (yrs)	5.17
Average coupon	3.19%
Net currency exposure	10.14%
Tracking error (10 yrs)	4.23
Information ratio (10 yrs)	0.74

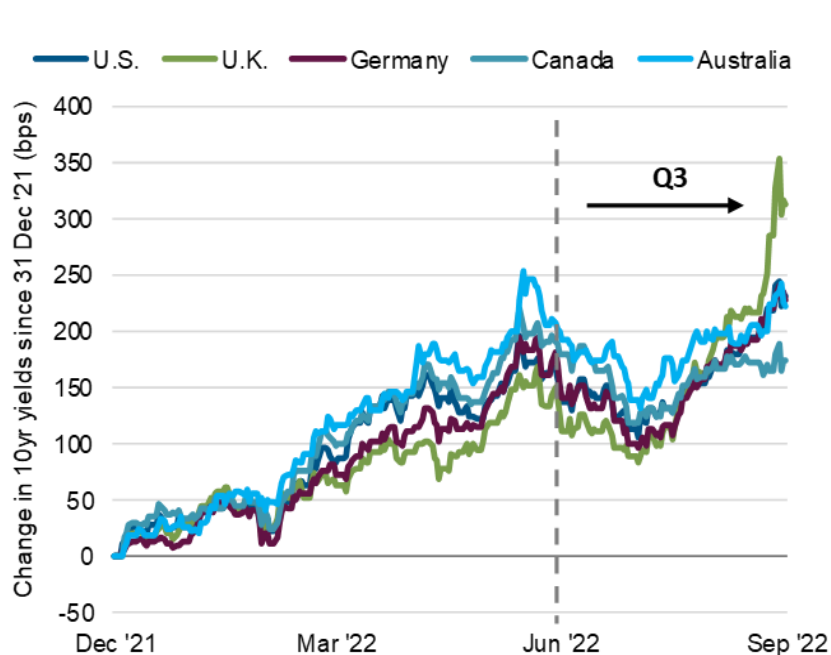
Sector allocation	Dur. (yrs)	MV
US Government Related	-0.12	-12.82%
Securitized	3.16	68.98%
Invest. Grade Credit	0.51	10.97%
High Yield Credit	0.12	17.22%
Non-USD Developed	-0.82	-1.53%
Emerging Markets	0.23	13.62%
Other	0.04	2.65%
Net Other Short Duration Instruments	0.09	0.90%
Total	3.22	100%

*Bloomberg U.S. Aggregate Index

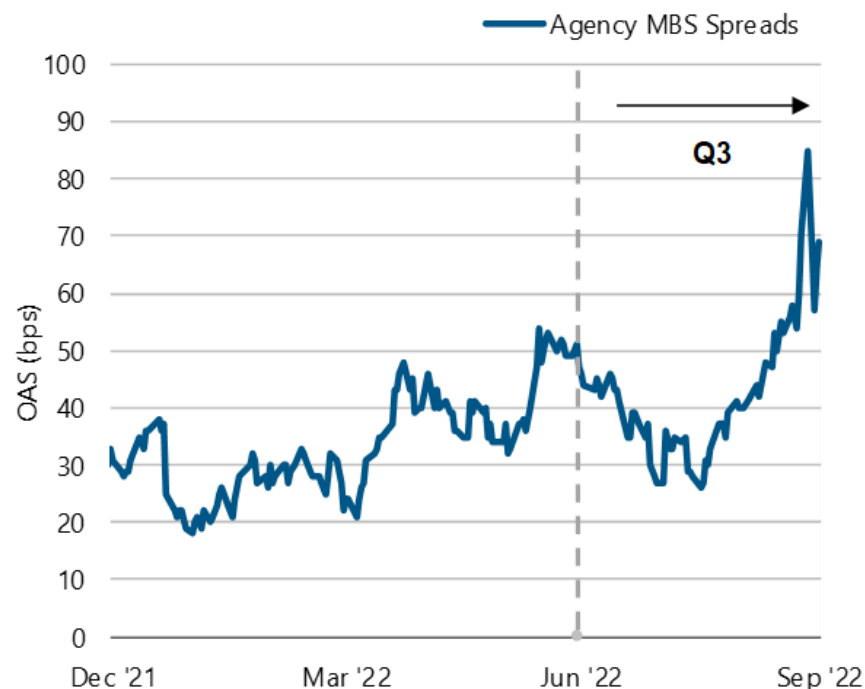
Quarter in Review

A challenging environment for fixed income as yields rose

The fundamental backdrop showed signs of a slowdown amid weakening economic data releases, while inflation remained elevated. Central banks continued to adopt hawkish stances in response to persistent inflation. The Federal Reserve hiked its policy rate aggressively (net 150 bps over the quarter) and shifted their projected terminal rate higher. In turn, the dollar strengthened prompting global currency market volatility, with several countries implementing fiscal or monetary easing, including the UK and Japan. Performance was challenged for both “safe-haven” and risk assets as global yields rose meaningfully and risk sentiment waned. Equities broadly ended lower, while credit and EM external spreads widened.



Developed market yields broadly rose over the quarter, as central banks continued to pursue tighter monetary policies in response to persistent inflationary pressures. Yields in the U.K. rose significantly more than in other regions after the government announced a new fiscal package.



Agency MBS spreads widened meaningfully in Q3. The sector experienced dispersion along the coupon stack as higher coupons underperformed lower coupons. Meanwhile, mortgage credit, alongside most spread assets, also underperformed across the quality spectrum.

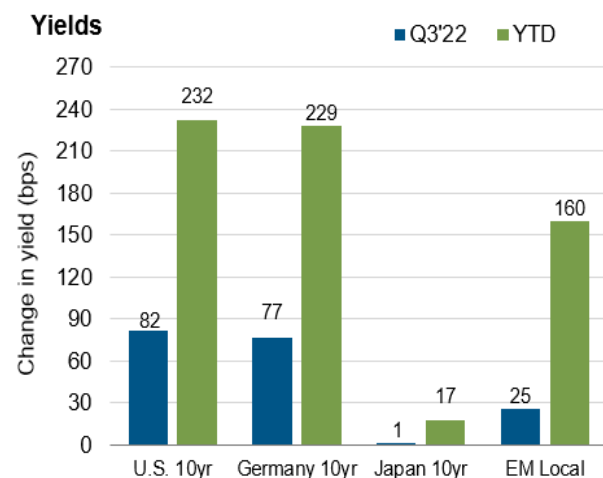
Market Summary

Q3'22: Rising yields constituted a notable headwind to most asset classes

The Fund's spread strategies contributed to performance, while interest rate and currency strategies detracted from performance.

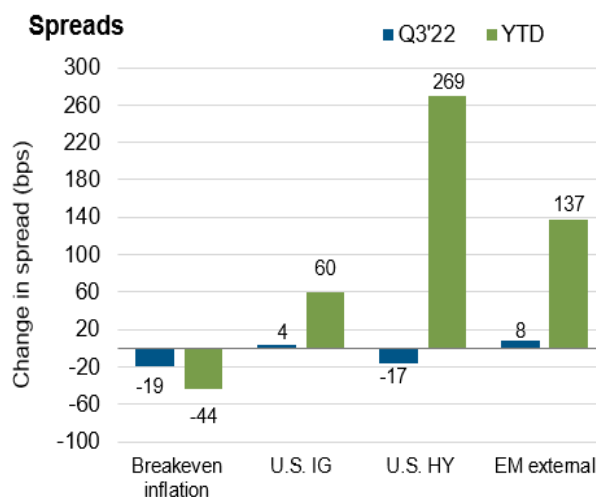
Developed market debt

Developed market yields broadly rose as central banks continued to pursue tighter monetary policies. In the U.S., front-end yields rose more meaningfully than those on long-dated bonds as the Fed raised the federal funds rate by a total of 150 basis points and signaled additional rate hikes before year end. Persistent inflation and large central bank hikes pushed up yields in the U.K. and Germany, while Japanese rates remained largely range-bound.



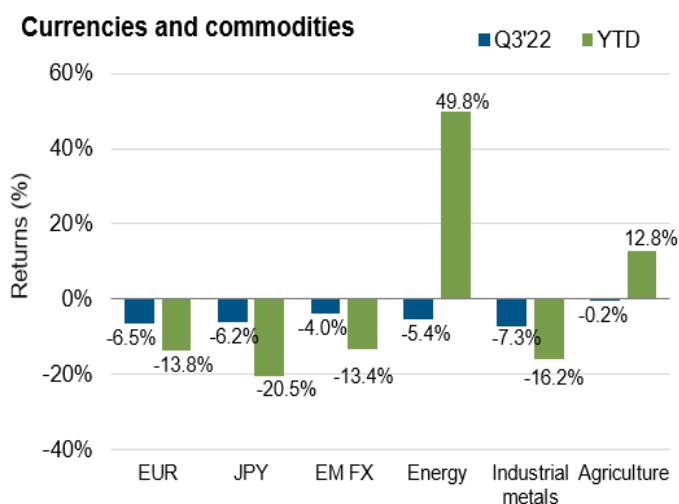
Mortgage-backed securities

Agency MBS returned -5.35% during Q3, underperforming like-duration Treasuries by 169 bps. Challenged Agency MBS performance persisted in Q3 amidst heightened rate volatility and Fed balance sheet reductions. Legacy non-Agency residential MBS spreads tightened during the quarter, while non-Agency commercial MBS returned -3.19%, outperforming like-duration Treasuries by 4 bps.



Credit

U.S. investment grade credit spreads widened 4 bps, ending the quarter at 147 bps. The sector returned -4.95%, underperforming like-duration treasuries by -0.33%. Credit spreads widened due to rising rates, inflationary concerns, and weaker economic data. Demand remains sensitive amid rate and macro volatility but is expected to pick up at higher yield levels.

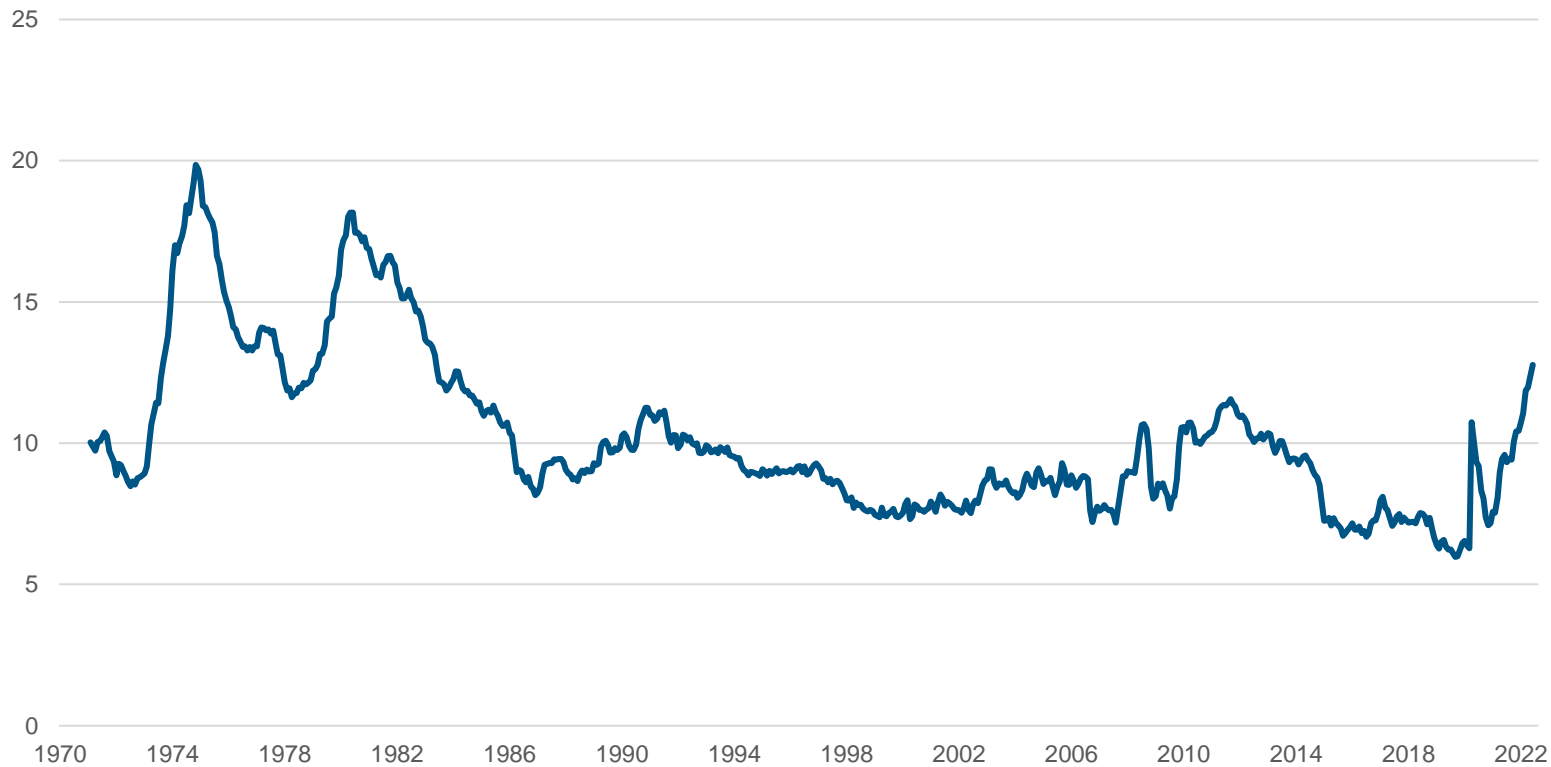


Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg U.S. Credit Index); U.S. high yield credit (Bloomberg U.S. Corporate High Yield Average OAS Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); EUR (EUR/USD Spot Exchange Rate - Price of 1 EUR in USD); JPY (USD/JPY Spot Exchange Rate - Price of 1 USD in JPY); EM currencies (JPMorgan ELMI Plus Composite); Energy (Bloomberg Energy Subindex Total Return Index); Industrial metals (Bloomberg Industrial Metals Subindex Total Return Index); Agriculture (Bloomberg Agriculture Total Return Index); Agency MBS (Bloomberg US Agency Fixed Rate Index); Non-Agency commercial MBS (Bloomberg Investment Grade Non-Agency CMBS Index); Like-duration treasuries or global government bonds are calculated by the index provider by comparing the index return to a hypothetical matched position of treasuries or global government bond, respectively.

Cyclical Outlook: Prevailing Under Pressure

With yields now higher, we believe bonds offer compelling value in this challenging macro environment

Misery Index – Developed Markets



We believe:

Shallow but longer recession

Inflation is sticky

Monetary policy: tighter for longer

Source: Haver, Arthur Okun, PIMCO calculations as of September 2022.

The misery index displays the sum of inflation and unemployment rates. Developed market data encompasses the U.S., U.K., Japan, Canada, and Euro area.

Portfolio Outlook

Strategic outlook

We see an elevated risk of recession over the cyclical horizon, reflecting greater potential for geopolitical tumult, stubbornly high inflation that reduces households' real disposable income, and central banks' intense focus on fighting inflation first, which raises the risk of financial accidents on top of the sharp tightening of financial conditions already seen. Moreover, if and when the next recession arrives, we expect the monetary and fiscal responses to be more reserved and arrive later than in the last several recessions when inflation was not a concern and when government debt levels and central bank balance sheets were less bloated.

Key strategies

Duration Positioning

We have maintained a defensive duration profile in the strategy with an emphasis on U.S. rates over other developed markets. We have also continued to hold our short positions in UK and Japanese rates as a hedge for global rates rising.

Housing related credit

We remain confident in the underlying fundamentals of housing related securities, especially senior tranches of Non-Agency MBS which is one of our highest conviction sectors. The Fund also increased its exposure to Agency MBS as spreads widened given tapering by the Federal Reserve.

Currency Positioning

We remain diversified and tactical in our currency positioning, decreasing the Fund's exposure to a basket of EM currencies over the quarter. The Fund added exposure to several DM currencies including the Japanese Yen and maintained exposure to the Canadian dollar and Australian dollar given attractive currency valuations.

Corporate credit

We continue to seek bottom-up opportunities in corporate credit favoring financials for their solid fundamentals. We are selective in high yield cash bonds with a focus on senior secured and shorter dated bonds. The Fund has also increased exposure to HY CDX given its superior liquidity profile versus cash bonds.

Sector exposure

	% of Market value		Duration in years	
	30 Jun '22	30 Sep '22	30 Jun '22	30 Sep '22
US Government Related	-9.86	-12.82	-0.19	-0.12
Government - Treasury	-1.19	-0.72	0.28	0.29
US Agency	0.00	0.00	0.00	0.00
Swaps and Liquid Rates	-8.67	-12.10	-0.47	-0.41
Securitized*	67.30	68.98	2.77	3.16
Agency MBS	25.81	27.78	1.47	1.85
Non-Agency MBS	34.14	33.92	1.23	1.25
CMBS	4.68	4.63	0.02	0.02
Asset Backed Securities	2.17	2.13	0.04	0.04
Other***	0.51	0.51	0.00	0.00
Invest. Grade Credit	11.05	10.97	0.59	0.51
High Yield Credit	18.50	17.22	0.17	0.12
Non-USD Developed	-0.82	-1.53	-0.89	-0.82
Emerging Markets	13.13	13.62	0.26	0.23
Bonds and Other Long Duration Instruments	7.74	8.51	0.25	0.22
EM Short Duration Instruments	5.39	5.12	0.01	0.01
Other***	2.79	2.65	0.07	0.04
Net Other Short Duration Instruments**	-2.08	0.90	0.18	0.09
Commingled Cash Vehicles	1.28	5.47	0.00	0.01
Certificate of Deposit/Commercial Paper/STIF	0.59	0.42	-0.01	-0.01
Government Related	0.22	0.23	0.00	0.00
MBS/ABS	7.73	7.62	0.01	0.01
Credit	0.00	0.00	0.00	0.00
Bankers Acceptance	0.00	0.00	0.00	0.00
Other***	1.67	1.54	0.00	0.00
Short Duration Derivatives and Derivative Offsets	2.17	7.43	0.17	0.08
Net Unsettled Trades	-15.75	-21.81	0.00	0.00
Total	100	100	2.94	3.22

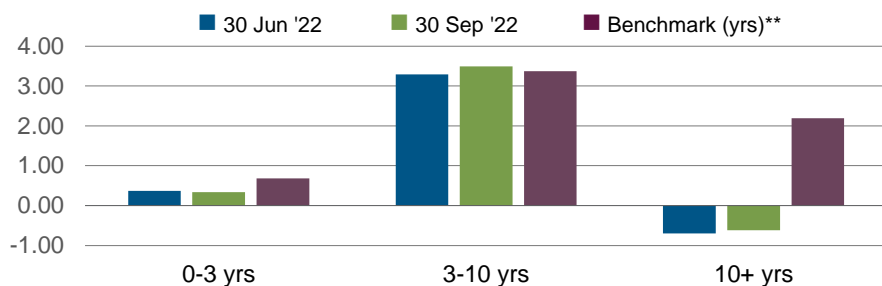
*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

**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.

***Investment vehicles not listed, allowed by prospectus.

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Jun '22	30 Sep '22	30 Sep '22
0-3 yrs	0.37	0.34	0.68
3-10 yrs	3.29	3.49	3.37
10+ yrs	-0.70	-0.62	2.19
Total	2.95	3.22	6.24

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	30 Jun '22	30 Sep '22	30 Sep '22
Effective duration	2.94	3.22	6.24
Bull market duration	2.60	3.26	6.35
Bear market duration	3.40	3.53	6.33
Spread duration			
Mortgage spread duration	3.23	3.64	1.88
Corporate spread duration	1.62	1.55	1.67
Emerging markets spread duration	0.47	0.40	0.10
Swap spread duration	-1.49	-1.13	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.00	0.00	0.12

Derivative exposure (duration in yrs)

	30 Jun '22	30 Sep '22
Government futures	-0.95	-1.25
Interest rate swaps	-1.64	-1.21
Credit default swaps*	21.95	24.94
Purchased swaps	-0.24	-0.25
Written swaps	22.19	25.19
Options	0.11	0.20
Purchased options	-0.01	-0.03
Written options	0.12	0.23
Mortgage derivatives	0.03	0.03
Money market derivatives	0.08	-0.05
Futures	0.01	-0.05
Interest rate swaps	0.07	0.00
Other Derivatives	0.00	0.00

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg U.S. Aggregate Index

* Shown as a percentage of market value

Country exposure

Country exposure by country of risk

	30 Jun '22		30 Sep '22	
	% of Market value	Duration (yrs)	% of Market value	Duration (yrs)
United States	94.80	3.35	87.25	3.60
Japan	-9.83	-0.74	-9.60	-0.69
Eurozone	9.43	0.25	9.08	0.23
Austria	0.01	0.00	0.01	0.00
Euro Currency	2.34	-0.08	4.26	0.11
Finland	0.03	0.00	0.03	0.00
France	0.30	0.01	0.68	0.01
Germany	1.05	0.05	0.32	0.01
Greece	0.08	0.02	0.09	0.01
Ireland	1.65	0.01	1.67	0.01
Italy	2.53	0.17	0.62	0.01
Luxembourg	0.67	0.02	0.70	0.02
Netherlands	0.41	0.05	0.37	0.04
Portugal	0.12	0.01	0.12	0.00
Spain	0.23	0.00	0.21	0.00
United Kingdom	8.52	-0.27	7.25	-0.22
Europe non-EMU	0.56	0.01	0.65	0.02
Norway	-0.01	0.00	-0.06	0.00
Switzerland	0.56	0.01	0.71	0.02
Dollar Block	4.17	0.02	3.87	0.00
Australia	3.58	0.01	3.40	0.00
Canada	0.60	0.00	0.48	0.00
Other Industrialized Countries	0.85	0.06	0.82	0.04
Chile	-0.02	0.00	-0.01	0.00
Gibraltar	0.02	0.00	0.02	0.00
Israel	0.29	0.02	0.29	0.02
Macao	0.35	0.01	0.38	0.02
Puerto Rico	0.02	0.00	0.01	0.00
South Korea	0.04	0.00	0.04	0.00
State of Qatar	0.01	0.00	0.00	0.00
Supranational	0.02	0.00	0.02	0.00
Taiwan	0.00	0.00	0.03	0.00
United Arab Emirates	0.11	0.02	0.03	0.00
EM - Asia	0.40	0.03	0.34	0.02
China	0.38	0.03	0.33	0.02
India	0.03	0.00	0.03	0.00
Indonesia	-0.02	0.00	-0.02	0.00
EM - Latin America	5.46	0.09	5.47	0.07
Argentina	0.61	0.01	0.56	0.01
Brazil	0.81	0.02	0.90	0.02
Colombia	0.48	0.00	0.50	0.00

Country exposure

Country exposure by country of risk

	30 Jun '22		30 Sep '22	
	% of Market value	Duration (yrs)	% of Market value	Duration (yrs)
Mexico	2.95	0.03	3.04	0.02
Peru	0.56	0.03	0.44	0.02
Venezuela	0.05	0.00	0.04	0.00
EM - CEEMEA	4.72	0.14	5.34	0.14
Cote d'Ivoire	0.16	0.00	0.16	0.00
Romania	0.30	0.03	0.27	0.02
Russia	0.64	0.01	1.36	0.03
Serbia & Montenegro	0.08	0.01	0.07	0.00
South Africa	2.39	0.07	2.26	0.06
Turkey	1.14	0.03	1.21	0.02
Ukraine	0.00	0.00	0.01	0.00
EM - Other	2.55	-0.01	2.48	0.00
EM Index Product	2.55	-0.01	2.48	0.00
Liabilities	-21.62	0.00	-12.94	0.00
Total	100	2.94	100	3.22

Additional share class performance

PIMCO Income Fund (net of fees performance)

Performance periods ended: 30 Sep '22	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)	0.91	-	0.90	USD	30 Mar '07	-1.96	-7.13	-11.06	-0.66	0.83	3.64	6.08
Class A (at MOP)	0.91	-	0.90	USD	30 Mar '07	-5.60	-10.60	-14.40	-1.93	0.07	3.24	5.81
Class ADMIN	0.76	-	0.75	USD	30 Mar '07	-1.92	-7.06	-10.92	-0.51	0.98	3.80	6.25
Class C (at NAV)	1.66	-	1.65	USD	30 Mar '07	-2.14	-7.48	-11.73	-1.40	0.08	2.90	5.31
Class C (at MOP)	1.66	-	1.65	USD	30 Mar '07	-3.11	-8.39	-12.58	-1.40	0.08	2.90	5.31
Class I-2	0.61	-	0.60	USD	30 Apr '08	-1.88	-6.99	-10.79	-0.36	1.13	3.95	6.41
Class I-3	0.71	0.66	0.65	USD	27 Apr '18	-1.99	-7.10	-10.92	-0.44	1.06	3.86	6.29
Class INST	0.51	-	0.50	USD	30 Mar '07	-1.86	-6.94	-10.70	-0.26	1.24	4.05	6.51
Class R	1.16	-	1.15	USD	30 Mar '07	-2.02	-7.25	-11.28	-0.91	0.58	3.39	5.82
Bloomberg U.S. Aggregate Index						-4.75	-9.22	-14.60	-3.26	-0.27	0.89	2.80

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 2023 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.

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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

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.

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.

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.

Important Disclosures

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.

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.

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 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.

Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. 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. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. 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.

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.

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.

"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.

The **SEC yield** is an annualized yield based on the most recent 30 day period.

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)

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