

Fund information

Fund inception date	31 July 2006	
Strategy	Municipal	
Total Net Assets (in millions)	\$2,300.2	
Portfolio manager(s)	David Hammer Rachel Betton	
Effective duration (yrs)	6.84	
Benchmark duration (yrs)	9.18	
Effective maturity (yrs)	9.84	
Inst. share 30-day SEC yield	2.47%	
Class	CUSIP	Ticker
Institutional	72201F672	PHMIX

Expenses

Gross Expense Ratio (%)	0.63
Adjusted Expense Ratio (%)	0.55

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.

Performance summary

The PIMCO High Yield Municipal Bond Fund returned -0.16% after fees in October versus the Bloomberg Barclays High Yield Municipal Bond Index, which returned 0.18% for the month. Year-to-date the Fund has returned 1.73% after fees, outperforming the benchmark by 1.19%.

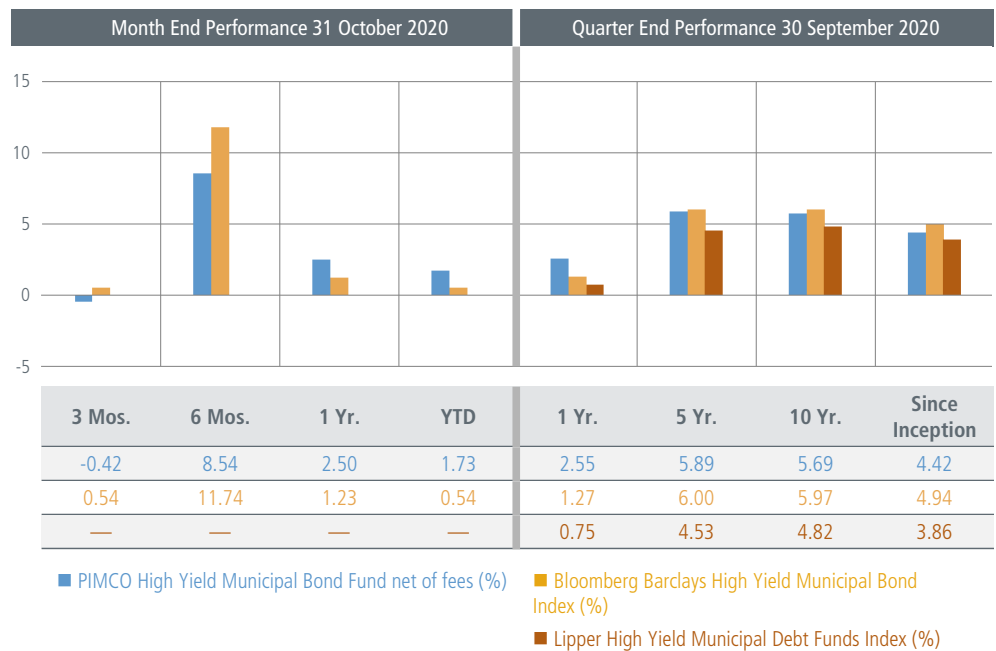
The Bloomberg Barclays High Yield Municipal Bond Index returned 0.18% in October, increasing total return for the year. The Fund's select exposure within the healthcare and tobacco sectors, along with an underweight exposure to the special tax sector detracted from performance. This was somewhat offset by the Fund's tactical exposure to taxable munis and underweight exposure to the lease backed sector.

Contributors

- A tactical exposure to taxable munis contributed to performance.
- An underweight exposure to the lease backed sector contributed to performance, as the sector underperformed the broader high yield municipal market.
- There were no other significant contributors over the month.

Detractors

- Select exposure within the healthcare sector detracted from performance.
- An underweight exposure to the special tax sector detracted from performance, as the sector outperformed the broader high yield municipal market.
- Select exposure within the tobacco sector detracted from performance.



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.

Municipal sectors as of 31 October 2020

	% Market Value	Duration (years)	
	Fund	Fund	Index
State/Local GO	8.72	0.51	0.59
Pre-Refunded	0.37	0.00	0.00
Education Rev.	4.92	0.43	0.91
Hospital Rev.	14.46	1.41	1.69
Housing Rev.	2.18	0.17	0.43
Ind Dev/Pollution Ctrl	16.15	1.21	1.78
Lease Rev.	1.19	0.08	0.27
Power Rev.	5.14	0.37	0.00
Resource Recovery	0.50	0.03	0.03
Special Tax	11.69	0.93	2.40
Transportation	6.85	0.51	0.25
Water & Sewer	2.65	0.14	0.11
Tobacco	3.05	0.33	0.48
Net Other Short Duration Instruments Muni	1.76	0.01	0.00
Other Muni	8.19	0.62	0.24
Net Other Short Duration Instruments ex-Muni	11.39	0.02	0.00
Non-Municipal Sectors	0.80	0.09	0.00

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.

Portfolio positioning

PIMCO continues to believe municipals provide attractive value when considering taxable equivalent yields relative to taxable fixed income, particularly on a risk-adjusted basis. The Fund maintains a neutral duration position, given the firm's view on rates, relative steepness of the municipal yield curve, and the impact of the Muni Liquidity Facility (MLF). After the prolonged rally in the highest quality segment of the municipal bond market in recent months, we're beginning to see more attractive relative value opportunities in high yield munis and lower-rated investment grade names with strong fundamentals and minimal risks to a second wave of COVID. We generally favor the longer portions of the muni curve, as the curve remains steeper than the Treasury curve.

The strategy currently and has historically favored revenue backed bonds, where we see better value and opportunity to use our credit research to ascertain the underlying health of individual issuers. We remain selective with respect to general obligation (GO) debt but have exposure to certain issuers with attractive valuation relative to fundamentals, support from the MLF and issuers that generally benefit from stronger economic and population trends along with more robust pension systems.

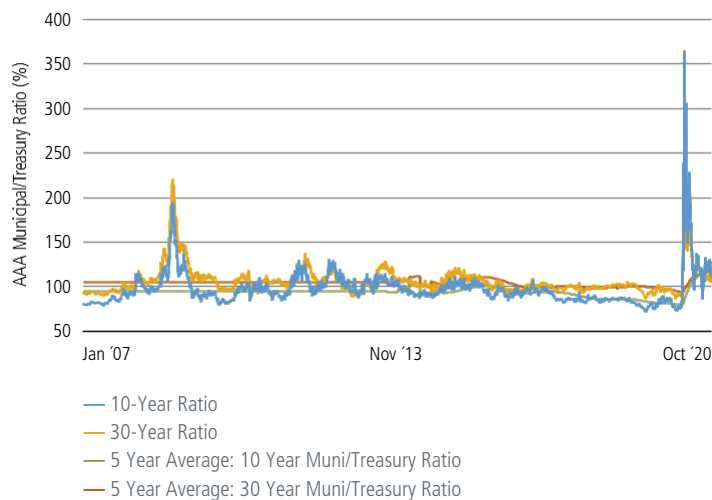
Month in review

The Bloomberg Barclays Municipal Bond Index posted a return of -0.30% in October, decreasing total return for the year to 3.02% year-to-date. High yield munis outperformed the investment grade segment of the market, as the Bloomberg Barclays Municipal High Yield Index returned 0.18% on the month.

Municipal bond mutual funds experienced inflows of \$5.4bn in October, according to Lipper. Total muni supply of \$69.0bn in October was up 33% versus the previous month and up 24% year-over-year. Including corporate CUSIP taxable muni issuance, total supply equaled \$79bn, the highest level for a month on record, surpassing December 2017. Supply for November and December is slated to be significantly lower than levels seen in the past couple of months as most issuers opted to pull deals forward before the U.S. election.

Politics, COVID, and supply continued to weigh on the market resulting in benchmark AAA muni yields rising across the curve. Munis outperformed Treasuries in the 5-, 10-, and 30-year spots, with US Treasury yields rising 11-17bps¹, and AAA muni yields rising 4-9bps.² Munis underperformed Treasuries in the short end of the curve, with 2-year US Treasury yields rising 2bps¹, and 2-year AAA muni yields rising 8bps.²

Municipal/Treasury Yield Ratio



Source: Thomson Reuters Municipal Market Data (MMD)

Outlook and strategy

PIMCO believes that municipal credit was, in general, well positioned to withstand the current bout of economic disruption. Going forward, PIMCO is constructive on the municipal asset class over the secular horizon, as we believe tax-exempt income will remain in high demand given aging demographics and the potential for higher tax rates.

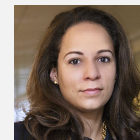
We believe that the municipal market could be subject to a slight uptick in default rates relative to historical norms, though we generally expect risk in the investment grade portion of the market to be skewed towards downgrades rather than defaults. We see attractive value in select issuers in the BBB and sub-investment grade portions of the municipal market as credit spreads stand near their highest levels relative to AAA municipal over the past decade. We also see potential for volatility related opportunities given uncertainty around additional stimulus from congress and negative headlines in the muni market. However, we continue to avoid areas we see at higher risk of default given Covid-related uncertainties, as well as less-liquid, lower quality issuers in the sub-investment grade space.

While the final outcome for the Senate won't be known until January and President Trump continues to contest Biden's election victory, we believe the prospect of a split government bodes well for the municipal market. While stimulus may not be as large as anticipated under full Democratic control, we believe States and Local governments are likely to see some additional aid in early 2021 which combined with better than anticipated tax receipts should help to heal and balance budgets.

Management profile



David Hammer
Executive Vice President



Rachel Betton
Senior Vice President

2006
31 JUL
INCEPTION DATE

17
DEDICATED
MUNICIPAL
TEAM MEMBERS

13YRS
AVERAGE TEAM
MEMBER
EXPERIENCE

Tax-advantaged income opportunities

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.

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, 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 the current low interest rate environment increases this risk. Current 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. **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. Investors will, at times, incur a tax liability. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax. **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. **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.

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.

High Yield Municipal Bond Fund

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.

The Bloomberg Barclays High Yield Municipal Bond Index measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements. Lipper High Yield Municipal Debt Funds Index consists of Funds that typically invest 50% or more of their assets in municipal debt issues rated BBB or less. It does not reflect deductions for fees, expenses or taxes. It is not possible to invest directly 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. ©2020, PIMCO.

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¹The US Treasury yields are from the Bloomberg On/Off the run Treasury Curve

²Muni yields are based off of the Bloomberg BVAL AAA Muni GO curve

U.S. Federal Reserve (Fed); basis point (bp); Municipal Liquidity Facility (MLF)

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.

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