PIMCO

PIMCO High Yield Fund

Quarterly Investment Report | 4Q21

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 company of Allianz

Executive summary

Portfolio Performance

During Q4, the High Yield Fund underperformed its benchmark by 5 bps after fees (institutional share class).

CONTRIBUTORS

- Security selection in healthcare
- Security selection in support services
- Security selection in retailers

DETRACTORS

- Security selection in media entertainment and publishing
- Underweight exposure to the energy sector
- Underweight exposure to the automotive sector

Performance periods ended 31 Dec '21	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	0.82	1.75	4.62	8.59	6.20	6.75	8.01
Fund after fees	0.68	1.47	4.05	8.00	5.62	6.17	7.45
Benchmark*	0.73	1.67	4.60	8.56	6.04	6.54	7.23

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

- We continue to emphasize sectors that are asset-rich and defensive in nature, favoring industries that we expect to benefit from secular trends, have the opportunity to de-lever and may benefit from merger activity.
- We intend to continue to maintain a defensive approach overall, but have added positions in high quality cyclicals, which should benefit from a pickup in demand.
- We like industries with favorable cyclical and secular trends, and favor companies with stable cash flows and strong barriers to entry.
- We are cautious on sectors that are highly levered, asset-lite, and facing secular headwinds.

Class:	**INST**
Inception date:	**15 Dec '92**
Fund assets (in millions):	**$10,908.19**
Gross expense ratio:	**0.56%**
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.

Summary information	31 Dec '21
30-day SEC yield	3.29%
Distribution yield	5.29%
Effective duration (yrs)	3.52
Benchmark duration - provider (yrs)	4.16
Benchmark duration - PIMCO (yrs)	3.89
Effective maturity (yrs)	5.41
Average coupon	4.69%
Net currency exposure	0.02%
Tracking error (10 yrs)	0.85
Information ratio (10 yrs)	-0.43

Top 5 overweights (MV%)	Portfolio	BM*
Building Materials	3.86	1.64
Healthcare	9.07	7.06
Captive Consumer	2.17	1.40
Lodging	3.30	2.76
Packaging	2.47	1.95

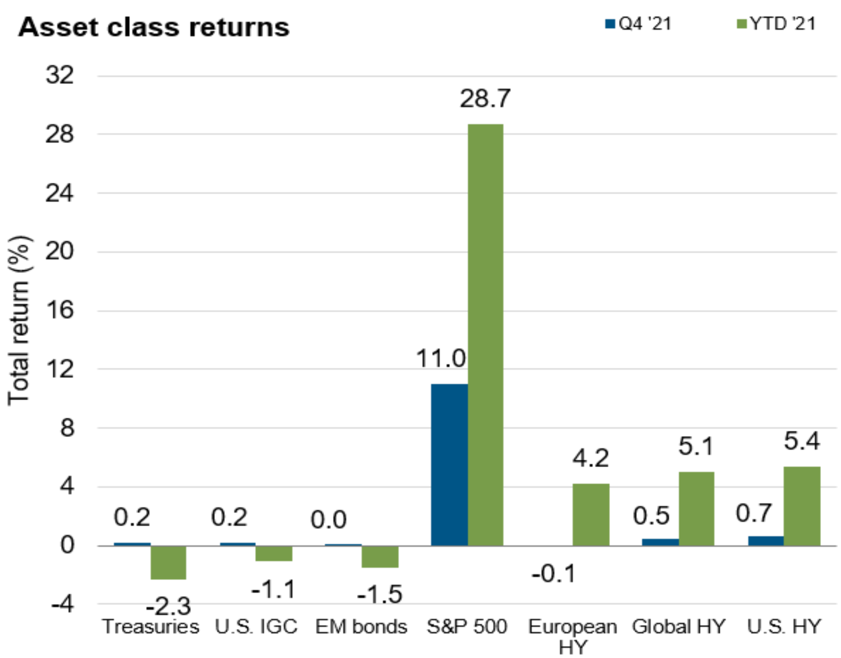
Top 5 underweights (MV%)	Portfolio	BM*
Metals & Mining	1.29	2.73
Automotive	1.07	2.32
Home Construction	0.07	1.18
Wirelines	1.67	2.75
Financial Other	1.79	2.86

*ICE BofAML U.S. High Yield, BB-B Rated, Constrained Index;

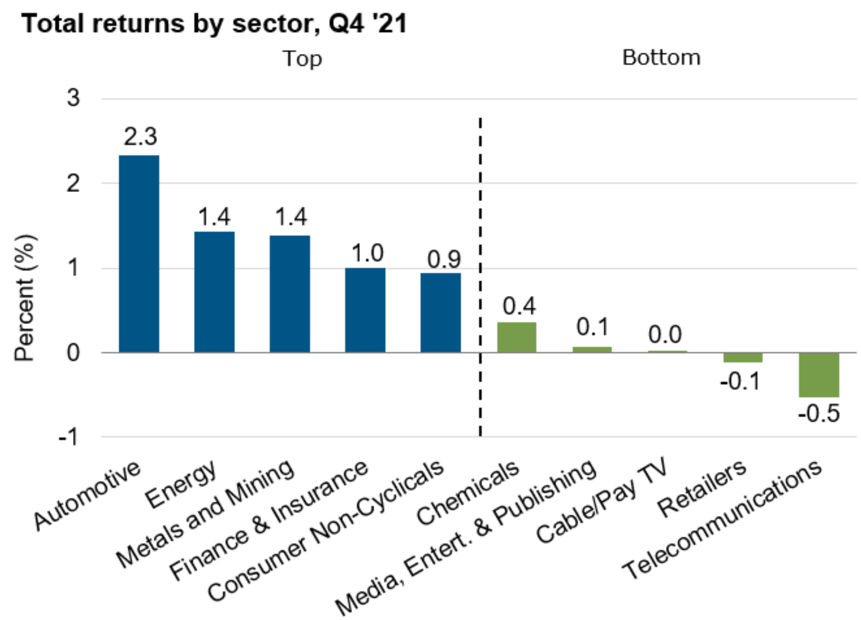
Quarter in Review

High yield market posted positive returns in Q4 '21

U.S. high yield spreads tightened by 5 bps to 311 bps this quarter while BB/B spreads tightened 6 bps to 268 bps. The lower-rated CCC cohort underperformed BB-rated credits this quarter. High-yield bonds provided their strongest returns of 2021 in December, following two consecutive monthly declines as concerns about the severity of the Omicron variant receded. High yield defaults have been and are expected to remain low given the continued economic rebound, although demand for high yield could be volatile as strong fundamentals are offset by concerns of rising rates for some investors.



High yield continued its rally in Q4, with spreads remaining near multi-year tights.



Dispersion within the high yield market has narrowed as industries previously caught in the crosshairs of the crisis have rebounded.

Source: Treasuries: Bloomberg; U.S. IGC: Bloomberg U.S. Credit Index; EM Bonds: JPMorgan EM Bond Index (EMBI) Global; European HY: ICE BofA Merrill Lynch Euro High Yield Index; Global HY: ICE BofA Merrill Lynch Developed Market High Yield Index; U.S. HY: ICE BofA Merrill Lynch U.S. High Yield Index

Source: ICE BofA Merrill Lynch U.S. High Yield Index

Market Summary

The Fund's underperformance in the fourth quarter was primarily driven by security selection in the media entertainment and publishing sector

During Q4, the High Yield Fund underperformed its benchmark by 5 bps after fees (institutional share class).

Energy Sector

The energy sector continued to rally and for that reason our underweight to the sector was the fund's second largest detractor.

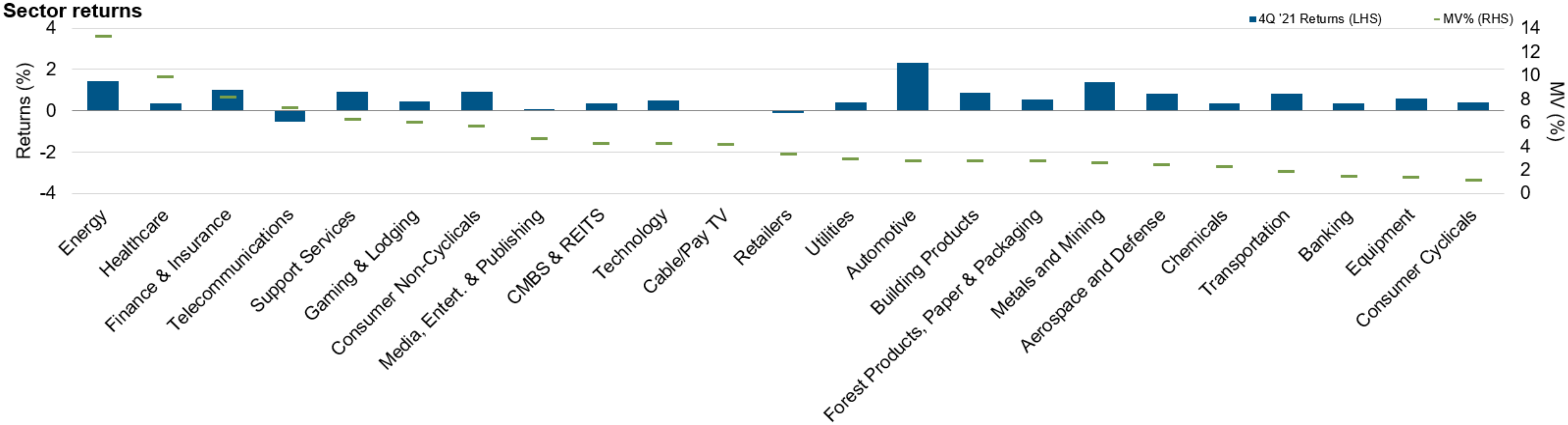
Healthcare

Security selection within healthcare helped offset underperformance. We favor the sector due to its defensive profile and strong barriers to entry

High Yield Bond Returns by Quality

During the quarter, BBs outperformed the lower rated CCC cohort. CCCs remain broadly exposed to commodity and equity prices, which may lead to greater volatility.

Sector returns

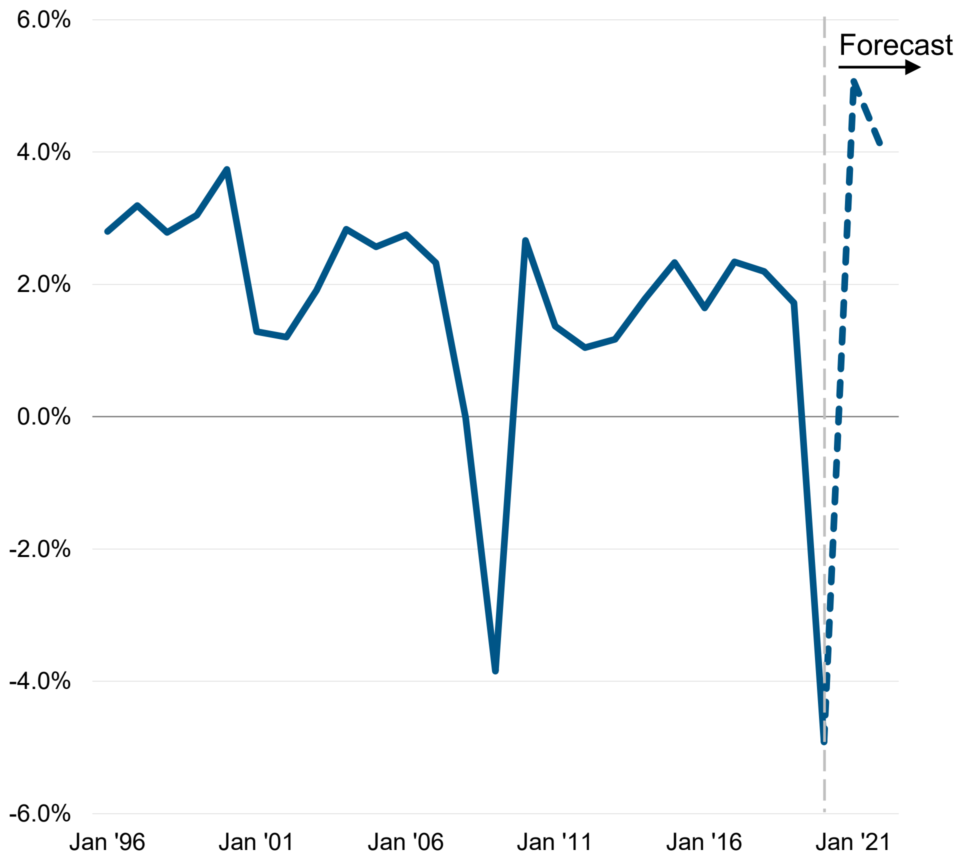


Source: ICE BofA Merrill Lynch U.S. High Yield Index

Cyclical Outlook: Investing in a fast moving cycle

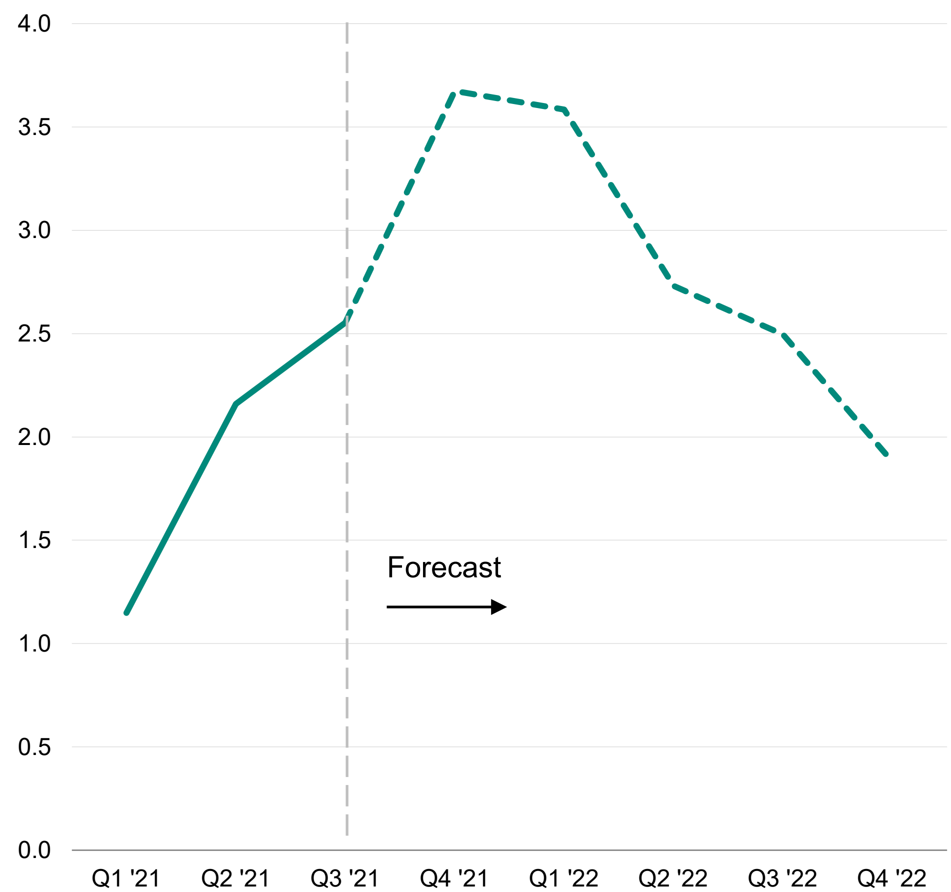
Slower but above trend growth

DM real GDP (annual %)



Above target but moderating inflation

DM Core CPI Inflation (%)



As of 31 December 2021
Source: PIMCO, DM = US, Euro Area, UK, Japan

Portfolio Outlook

Strategic Outlook

Fundamentals are improving and we expect the ongoing deployment of COVID-19 vaccines, easier financial conditions, and the economic rebound to support the market. After focusing on building up sufficient liquidity reserves to weather market, high yield companies are now focused on balance sheet repair and debt management, although high yield remains sensitive to negative macro headlines, political risk and equity market volatility. Technicals are fair but demand may experience some volatility as strong fundamentals are offset by fears of rising rates for some investors. Spreads are close to multi-year tights, while yields have risen slightly from the all-time lows set in September.

Key strategies

Cautiously Constructive

While we continue to favor defensive sectors with stable cash flows and strong barriers to entry, we have added risk in select cyclicals to take advantage of an improving economic backdrop. We are maintaining sufficient liquidity by allocating to shorter-dated and liquid credits.

Industry Weightings

We continue to focus on industries with strong asset coverage, manageable leverage levels, and favorable secular and cyclical trends, such as building materials and healthcare. We are cautious on industries that are facing meaningful secular challenges.

Regional Exposure

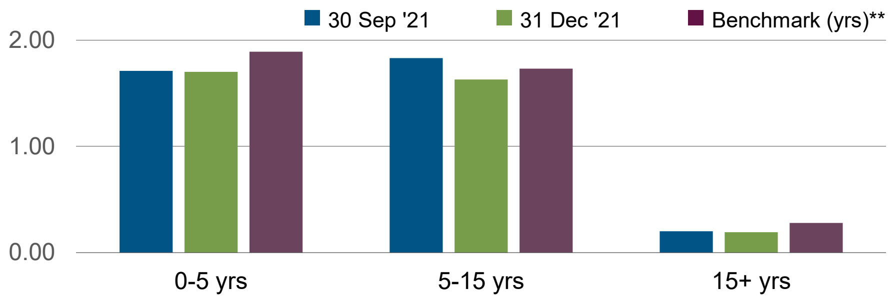
We favor U.S. high yield as the U.S. market offers greater liquidity, higher yields on an absolute level, and a broader and more diverse buyer base.

Credit Opportunities

We continue to look for credits that may be acquisition targets, those that have resilient operating trends, and those whose valuations are relatively attractive.

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '21	31 Dec '21	31 Dec '21
0-5 yrs	1.71	1.70	1.89
5-15 yrs	1.83	1.63	1.73
15+ yrs	0.20	0.19	0.28
Total	**3.74**	**3.52**	**3.89**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '21	31 Dec '21	31 Dec '21
Effective duration	3.74	3.52	3.89
Bull market duration	3.54	3.31	3.68
Bear market duration	3.91	3.70	4.09
Spread duration			
Mortgage spread duration	0.00	0.00	0.00
Corporate spread duration	4.29	4.06	4.09
Emerging markets spread duration	0.01	0.01	0.02
Swap spread duration	0.00	0.00	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.01	0.00	0.00

Derivative exposure (% of duration)

	30 Sep '21	31 Dec '21
Government futures	0.00	0.00
Interest rate swaps	0.00	0.00
Credit default swaps*	8.41	8.06
Purchased swaps	0.00	0.00
Written swaps	8.41	8.06
Options	0.00	0.00
Purchased Options	0.00	0.00
Written Options	0.00	0.00
Mortgage Derivatives	0.00	0.00
Money Market Derivatives	0.00	0.00
Futures	0.00	0.00
Interest rate swaps	0.00	0.00
Other Derivatives	2.99	2.72

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: ICE BofAML U.S. High Yield, BB-B Rated, Constrained Index

Additional share class performance

PIMCO High Yield Fund (net of fees performance)

Performance periods ended: 31 Dec '21	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	13 Jan '97	0.59	1.29	3.68	7.62	5.25	5.80	7.06
Class A (at MOP)	0.91	-	0.90	USD	13 Jan '97	-3.19	-2.51	-0.20	6.26	4.45	5.40	6.89
Class ADMIN	0.81	-	0.80	USD	16 Jan '95	0.61	1.34	3.79	7.73	5.36	5.91	7.19
Class C (at NAV)	1.66	-	1.65	USD	13 Jan '97	0.39	0.90	2.91	6.82	4.47	5.01	6.27
Class C (at MOP)	1.66	-	1.65	USD	13 Jan '97	-0.60	-0.09	1.92	6.82	4.47	5.01	6.27
Class I-2	0.66	-	0.65	USD	30 Apr '08	0.65	1.41	3.94	7.89	5.51	6.06	7.34
Class I-3	0.76	0.71	0.70	USD	27 Apr '18	0.64	1.39	3.89	7.84	5.46	6.01	7.26
Class INST	0.56	-	0.55	USD	15 Dec '92	0.68	1.47	4.05	8.00	5.62	6.17	7.45
Class R	1.16	-	1.15	USD	31 Dec '02	0.52	1.16	3.43	7.35	4.99	5.54	6.79
ICE BofAML U.S. High Yield, BB-B Rated, Constrained Index						0.73	1.67	4.60	8.56	6.04	6.54	7.23

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 2022 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.

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. The maximum offering price (MOP) returns take into account the Class A maximum initial sales charge of 3.75%.The maximum offering price (MOP) returns take into account the contingent deferred sales charge (CDSC) for Class C shares, which for this fund is 1.00%.

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.

A word about risk: 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. 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. **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.

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.

Important Disclosures

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.

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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