

PIMCO ETFs

OBJECTIVE: CORE FIXED INCOME | AS OF: 31 JANUARY 2020

**Fund information**

Fund ticker	<b>BOND</b>
Fund cusip	<b>72201R775</b>
iNAV (indicative NAV) ticker	<b>BOND.IV</b>
Exchange	<b>NYSE Arca</b>
Total Net Assets (MM)	<b>\$3,098.9</b>
NAV (month-end)	<b>\$109.97</b>
Shares outstanding	<b>28,180,000</b>

**Trading information (quarterly averages)**

Bid/ask spread	
as of market close (%)	<b>0.04</b>

**Trading information (monthly averages)**

Premium/discount	
as of market close (%)	<b>-0.01</b>
Average daily volume	
in shares	<b>176,945</b>

**Portfolio manager**

David Braun



Jerome Schneider



Daniel Hyman



The fund is managed by an expert team of veteran fixed income investors: David Braun is a senior member of PIMCO's liability driven investment portfolio management team; Jerome Schneider is head of our short-term and funding desk and Daniel Hyman is co-head of PIMCO's agency mortgage portfolio management team. The team draws on PIMCO's time-tested investment process: our rigorously developed global macro outlook, bottom-up credit analysis and research teams' deep reservoir of specialized investment expertise.

**Performance summary**

The PIMCO Active Bond Exchange-Traded Fund returned 1.98% (NAV returns) in January, outperforming the Bloomberg Barclays U.S. Aggregate Index by 0.06%. Year-to-date the Fund has returned 1.98% (NAV returns), outperforming the benchmark by 0.06%.

Fresh economic risks in January, particularly heightened US-Iran tensions and the coronavirus outbreak, sparked an uptick in market volatility. The S&P 500 reached an all-time high as it gained about 3% following a reprieve in trade tensions earlier in the month, but then ended about flat as investor sentiment soured. "Safe haven" assets rallied – developed market yields fell across the board and curves flattened, while credit spreads widened and the dollar strengthened. Major global central banks generally held policy rates steady, though emphasized that they will continue to monitor developments of potential tail risks.

**Contributors include:**

- Underweight to investment grade corporate credit
- Modest underweight to EM external debt

**Detractors include:**

- U.S. rate strategies, including duration, curve positioning, and instrument selection
- Positions in Agency MBS

**MONTH-END PERFORMANCE AS OF 31 JAN '20**

	1-mo	3-mos	YTD	SI*
Active Bond Exchange-Traded Fund NAV Total Returns (%)	1.98	1.95	1.98	4.58
Active Bond Exchange-Traded Fund Market Price Returns (%)	1.94	2.04	1.94	4.58
Bloomberg Barclays U.S. Aggregate Index (%)	1.92	1.80	1.92	3.07

**QUARTER-END PERFORMANCE AS OF 31 DEC '19**

	1-yr	3-yr	5-yr	SI*
Active Bond Exchange-Traded Fund NAV Total Returns (%)	8.69	4.48	3.45	4.37
Active Bond Exchange-Traded Fund Market Price Returns (%)	8.64	4.54	3.50	4.38
Bloomberg Barclays U.S. Aggregate Index (%)	8.72	4.03	3.05	2.85

\*Fund inception date: 29 February 2012

**EXPENSES**

Gross Expense Ratio (%)	0.73
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Adjusted Expense Ratio (%)	0.55
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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. If this material is used after 31 March 2020, it must be accompanied by the most recent performance supplement. *Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and principal value will fluctuate, so that Fund shares may be worth more or less than their original cost when sold. Performance data current to the most recent month-end is available at [www.pimco.com](http://www.pimco.com) or call 888-400-4ETF.* 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.

\* SI = Since inception. Index performance comparisons begin on 29 February 2012. Performance assumes reinvestment of dividends and capital gains distributions. Taxes on distributions or redemptions have not been deducted.

# Active Bond Exchange-Traded Fund (BOND)

AS OF 31 JANUARY 2020

## Portfolio positioning

We are underweight U.S. duration.

We remain underweight investment-grade corporate credit, though have diversified credit exposures in other sectors. The underweight is offset by exposure to select non-investment-grade credits (mainly financials) as well as mortgage credit. We may be opportunistic in adding issuers/sectors with solid fundamentals if volatility creates dislocations. We are overweight Agency MBS with a preference for 3-4% coupons. These provide attractive, high-quality and diversifying sources of carry, especially as the risk profile differs from that of traditional credit. We maintain positions in non-Agency mortgages given attractive loss-adjusted yields, favorable technicals and continued long-term fundamental improvement in the housing sector.

## Month in review

U.S. rate strategies including duration, curve positioning, and instrument selection detracted from relative performance in January.

Spread sector strategies added to relative performance over the month as contributions from an underweight to investment grade corporate credit and a modest underweight to EM external debt more than offset detractions from positions in Agency MBS.

## Outlook and strategy

The Fund is underweight U.S. duration overall, though maintains a preference at the intermediate portion of the curve, anchored by the new neutral thesis and the weight of lower global yields.

We continue to be opportunistic in corporate credit, looking to selectively invest in companies that are benefiting from increased pricing power and industry consolidation. We believe non-Agency MBS remain attractive given supply constraints and the housing market recovery, and we continue to seek relative value opportunities in Agency MBS. Mortgage credit can be a diversifier to traditional corporate credit in the later stages of an expansion.

U.S. interest rate strategies encompass the Fund's duration, yield curve, convexity strategies and instrument selection.

Mortgage-Backed Securities (MBS).

## Summary information

Effective duration (yrs)	5.15
Benchmark duration (yrs)	5.64
Effective maturity (yrs)	8.05

## Portfolio characteristics

	% of MV	% of duration
<b>Government-Related</b>	<b>8.0</b>	<b>33.2</b>
U.S. Treasury <sup>1</sup>	7.5	30.9
U.S. Agency <sup>2</sup>	0.5	2.3
Swaps and Liquid Rates <sup>3</sup>	0.0	0.0
<b>Securitized<sup>4</sup></b>	<b>53.7</b>	<b>24.7</b>
Agency MBS	40.8	19.0
Non-Agency MBS	9.8	4.4
CMBS	0.0	0.0
Asset Backed Securities	2.7	1.3
Other	0.4	0.0
<b>Investment Grade Credit</b>	<b>24.7</b>	<b>25.2</b>
<b>High Yield Credit</b>	<b>2.9</b>	<b>3.4</b>
<b>Non-U.S. Developed</b>	<b>0.0</b>	<b>0.0</b>
<b>Emerging Markets</b>	<b>1.5</b>	<b>1.4</b>
Bonds and Other Long Duration Instruments	0.0	0.0
Short Duration Instruments <sup>5</sup>	3.4	10.7
<b>Other<sup>6</sup></b>	<b>4.7</b>	<b>11.7</b>
<b>Net Other Short Duration Instruments<sup>7</sup></b>	<b>4.5</b>	<b>0.4</b>

Effective duration is a calculation for bonds with embedded options. For a portfolio of bonds, average effective maturity is the weighted average of the maturities of the underlying bonds. Duration is a measure of a portfolio's sensitivity to price, expressed in years.

Allocation mix is subject to change and may not be representative of current or future allocations.

Allocation percentages may not equal 100 due to rounding.

<sup>1</sup> Includes U.S. Treasury notes, bonds, futures, and inflation-protected securities

<sup>2</sup> Includes U.S. agencies, FDIC-guaranteed and government-guaranteed corporate securities, and supranationals

<sup>3</sup> Includes U.S. dollar denominated interest rate swaps, swaptions, options, and other rate related derivatives. Other portfolio derivatives, where applicable, may be included as part of other sectors based upon their underlying risk characteristics.

<sup>4</sup> The Securitized Bucket will include Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

<sup>5</sup> 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. Includes the value of short duration emerging markets instruments previously reported in "Cash Equivalents".

<sup>6</sup> Other may include municipals, convertibles, preferreds, and yankee bonds.

<sup>7</sup> 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 or take into account other pertinent factors 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.

MV = Market value

# Active Bond Exchange-Traded Fund (BOND)

*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, which may be obtained by contacting your PIMCO representative. Please read the prospectus carefully before you invest.*

Exchange Traded Funds ("ETF") are afforded certain exemptions from the Investment Company Act. The exemptions allow, among other things, for individual shares to trade on the secondary market. Individual shares cannot be directly purchased from or redeemed by the ETF. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or "baskets" of shares. Shares of an ETF are bought and sold at market price (not NAV). Brokerage commissions will reduce returns. Investment policies, management fees and other information can be found in the individual ETF's prospectus.

ETFs are subject to secondary market trading risks. Shares of an ETF will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that an ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of an ETF may trade on an exchange at prices at, above or below their most recent NAV. The per share NAV of an ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund's holdings. The trading prices of an ETF's shares fluctuate continuously throughout the trading day based on market supply and demand, which may not correlate to NAV. The trading prices of an ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the Fund's shares trading at a premium or discount to NAV.

Buying or selling ETF shares on an exchange may require the payment of brokerage commissions. Due to the costs inherent in buying or selling Fund shares, frequent trading may detract significantly from investment returns. Investment in Fund shares may not be advisable for investors who expect to engage in frequent trading.

The performance figures presented reflect the total return performance for fund type or fund share classes stated. These figures reflect changes in share price, reinvestment of dividends, and capital gain distributions. All periods longer than one year are annualized. 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 certain risks including the risk that fixed income securities will decline in value because of changes in interest rates; the risk that fund shares could trade at prices other than the net asset value; and the risk that the manager's investment decisions might not produce the desired results. 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. 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. **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.

**Net Asset Value (NAV)** represents an ETF's per-share value. The per-share value of an ETF is calculated by dividing the total value of the securities in its portfolio, less any liabilities, by the number of ETF shares outstanding. ETF shares are valued as of the close of regular trading on the NYSE Arca (normally 4:00 P.M. Eastern Time) (The "NYSE Close") on each business day. The Fund's Net Asset Value, shares outstanding and total net assets are calculated as of the close of regular trading on each day that the NYSE Arca is open, and do not reflect security transactions or Fund shares created or redeemed on the date stated. Such transactions are recorded on the next business day and reported on the website the following business day. Returns are average annualized total returns, except for those periods of less than one year, which are cumulative. Market returns are based upon the midpoint of the bid/ask spread at 4:00 pm Eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times.

Bloomberg Barclays 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.

In order to provide additional information regarding the intra-day value of shares of the Fund, the NYSE Arca, Inc. or a market data vendor disseminates every 15 seconds through the facilities of the Consolidated Tape Association or other widely disseminated means an updated Indicative NAV ("iNAV") for the Fund as calculated by an information provider or market data vendor. The Fund is not involved in or responsible for any aspect of the calculation or dissemination of the iNAV and makes no representation or warranty as to the accuracy of the iNAV.

**Holdings:** Current holdings are subject to risk. Holdings are subject to change at any time. An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed.

Premiums or discounts are the differences (expressed as a percentage) between the NAV and the Market Price of the Fund on a given day, generally at the time the NAV is calculated. A premium is the amount that the Fund is trading above the reported NAV, expressed as a percentage of the NAV. A discount is the amount that the Fund is trading below the reported NAV, expressed as a percentage of the NAV. A discount or premium could be significant. The since inception premium/discount average is calculated by averaging the daily premium/discount since the inception of the fund. The daily premium/discount is the difference between the daily market price for shares of the Fund and the Fund's net asset value. The market price is determined using the midpoint between the highest bid and the lowest offer on the listing exchange, as of the time that the Fund's NAV is calculated.

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