PIMCO Mortgage Opportunities and BdInstl PMZIX

This mortgage strategy is resilient.

**Morningstar's Take PMZIX**

<table>
<thead>
<tr>
<th>Morningstar Rating</th>
<th>Morningstar Analyst Rating</th>
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<tbody>
<tr>
<td>Morningstar Rating</td>
<td>Gold</td>
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<tr>
<td>Morningstar Analyst Rating</td>
<td>Gold</td>
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</tbody>
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**Morningstar Pillars**

<table>
<thead>
<tr>
<th>Process</th>
<th>Role In Portfolio</th>
<th>Fund Performance</th>
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</thead>
<tbody>
<tr>
<td>Above Average</td>
<td>Supporting Player</td>
<td></td>
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<tr>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Average</td>
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**Fund Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Return (%)</th>
<th>+/- Category</th>
<th>Data through 3-31-20</th>
</tr>
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<tbody>
<tr>
<td>YTD</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>5.04</td>
<td>-1.64</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.55</td>
<td>2.72</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5.49</td>
<td>1.44</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4.93</td>
<td>-0.36</td>
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</table>

The managers' goal is to build a portfolio of complementary strategies that combine to produce low correlations to traditional markets. Dan Hyman views interest-rate risk as a counterweight to the fund's credit positions, for instance. So even though the fund's duration can be managed within a range of negative 1.0 to 8.0 years, he would implement a negative duration here only under extraordinary circumstances.

The use of leverage--through mortgage derivatives (limited to 15% of net assets) and agency MBS relative value trades--adds risk, but the team has the guardrails, tools, and mindset to manage those risks prudently. The process stands out thanks to the analytical advantages Pimco has built in understanding mortgage and securitized sectors at a granular level, as well as the team's thoughtful, risk-aware approach to portfolio construction, supporting an Above Average Process Pillar rating.

The strategy employs three types of trades: agency MBS relative value, structured agency MBS (mainly mortgage derivatives), and securitized credit. The team cut credit risk in 2017 and 2018, and it remained at low levels through early 2020. Its nonagency residential mortgage-backed securities exposure has hovered around 30% of net assets since early 2018, down from its peak above 50% in 2015. Within that stake, the team has stuck almost entirely with senior legacy tranches backed by seasoned loans with substantial home equity and avoided subordinated structures and newer sectors that are more sensitive to home price declines. The portfolio’s other credit exposures--including a 9% allocation to AAA collateralized loan obligations and a 15% commercial mortgage-backed securities stake--displayed a similar preference for quality.

While reducing mortgage credit risk, manager Dan Hyman saw opportunities in agency MBS. When yields on agency MBS expanded versus Treasuries in mid-2019, he increased its net agency MBS pass-through exposure (reflecting long and short

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The state of Pimco is strong, and the firm earns an Above Average Parent rating.

Morningstar has taken Pimco to task for expensive retail share classes and big price tags outside the United States. The firm also gets lots of attention for its intense working culture, invariably sparking speculation of whether it leads to dysfunction that might drive away the firm’s best investors. In defiance of that narrative, Pimco has consistently hired highly skilled people who thrive in its pressure cooker—and stick around for a long time. People do leave, and some of its best and brightest have occasionally departed or retired earlier than one would have hoped. Even so, the firm’s record of filling in the gaps has been remarkable and Pimco has managed to promote and broaden leadership responsibility across its talent pool.

The persistence of Pimco’s investment culture has been critical. Despite the acrimony of Bill Gross’ 2014 departure, an experienced and critical-thinking investor—rather than a prototypical corporate manager—took over as the firm’s cultural force in the form of Dan Ivascyn. Now effectively the firm’s CIO, Ivascyn had material influence in the later hiring of industry-veteran Manny Roman as CEO. Whether or not the pair’s bonhomie is as genuine as it appears, Ivascyn and Roman have kept the firm in excellent stead as both a strong steward of investor capital and a thriving business.

<table>
<thead>
<tr>
<th>Price Pillar</th>
<th>Miriam Sjoblom 05/22/2020</th>
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<tr>
<td>It’s critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category’s cheapest quintile. Based on our assessment of the fund’s People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Gold.</td>
<td></td>
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As of 31 March 2020. SOURCE: PIMCO Performance displayed is for the Institutional Class Shares, net of fees.

Gross Expense Ratio: 1.37%
Adjusted Expense Ratio: 0.60%

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 www.pimco.com or call (888) 87-PIMCO.

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 investment professional or PIMCO representative or by visiting www.pimco.com. Please read them carefully before you invest or send money.

The performance figures presented reflect the total return performance for the Institutional Class shares (after fees) and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. 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.

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 and/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.

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.
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.

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.

Funds typically offer different share classes, which are subject to different fees and expenses (which may affect performance), having different minimum investment requirements and are entitled to different services.

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar’s manager research group, which consists of various Morningstar, Inc. subsidiaries (“Manager Research Group”). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price.

The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process and parent on the final Analyst Rating is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s expectation that a fund will deliver a weighted pillar score above a
predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group’s overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar’s Analyst Rating, including its methodology, please go to https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx. The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group’s expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

PIMCO Mortgage Opportunities and Bond A (PMZAX) received a Silver rating. PIMCO Mortgage Opportunities and Bond C (PMZCX) received a Silver rating. PIMCO Mortgage Opportunities and Bond I-2 (PMZPX) received a Silver rating. PIMCO Mortgage Opportunities and Bond I-3 (PMZNX) received a Silver rating.

Morningstar Rating™ is for the Institutional share class only; as of 3/31, monthly. Other classes may have different performance characteristics. PMZIX was rated against the following numbers of Nontraditional Bond funds over the following time periods: 5 stars out of 289 funds overall; 5 stars out of 289 funds in the last three years, 5 stars out of 245 funds in the last five years, and 0 stars out of 0 funds in the last ten years. Past performance is no guarantee of future results.

A rating is not a recommendation to buy, sell or hold a fund. © 2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Morningstar Fund Rankings: 1Yr. 79 out of 324; 3Yrs. 23 out of 287; 5Yrs. 19 out of 240, and; 10 Yrs. 0 out of 0. Morningstar Ranking for Nontraditional Bond category as of 31 March 2020, monthly, for the Institutional Class Shares; other classes may have different performance characteristics. The Morningstar Rankings are calculated by Morningstar and are based on the total return performance, with distributions reinvested and operating expenses deducted. Morningstar does not take into account sales charges. Past rankings are no guarantee of future rankings.

MorningStar Fee Ranking – As of 3/31, monthly, INST Share class, Nontraditional Bond category

The Morningstar Fee Level–Broad includes all open-end registered investment funds. This includes ’40 Act open-end funds, with or without exchange listings; UITs with legacy exchange-traded fund exemptions; Grantor Trusts registered under the ’33 Act; and any other collective investment that Morningstar deems to be an open-end fund for comparison purposes. Fund share classes are first placed into category groupings. The methodology applies to all U.S.-open end funds and ETFs in Morningstar’s database.
Within each comparison group, a fund share class’ most recent prospectus net expense ratio will be ranked against its peers. The prospectus net expense ratio should be annualized. If it is not annualized, it should be discarded in favor of an older ratio that is annualized.

Each share class is assigned a quintile score (1 to 5) and a corresponding Fee Grade/Label (Low, -Avg [Below Average], Avg [Average], +Avg [Above Average], High).

Morningstar uses the following formula to determine the percentile rank of an expense ratio in a series. Percentile ranks range from 1 (best) to 100 (worse), with all intermediate values spread evenly over that range. All observations are ranked in the desired order (ascending).

The Morningstar Fixed Income Fund Manager of the Year award (U.S.) is based on the strength of the manager, performance, strategy and firm’s stewardship.

A word about risk: Absolute return portfolios may not fully participate in strong positive market rallies. 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. 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. The Fund is non-diversified, which means that it may invest its assets in a smaller number of issuers than a diversified fund.

The 3 Month USD LIBOR (London Interbank Offered Rate) is an average interest rate, determined by the ICE Benchmark Administration, that banks charge one another for the use of short-term money (3 months) in England's Eurodollar market. It is not possible to invest in an unmanaged index.

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