PIMCO

CYCLICAL OUTLOOK

Tariffs, Technology, and Transition

October 2025

IMPORTANT NOTICE

Please note that the following 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.

Tariffs, Technology, and Transition
Cyclical Outlook

Economic Backdrop

Clashing forces
Trade frictions, the tech investment boom, and strains on institutions widen the gap between winners and losers

Tariff effects kick in
Mounting tariff pressure and tighter fiscal space set to slow economies that benefited from earlier trade actions

Tech investment rolls on
The AI investment boom bolsters the outlook even as global data signals weakening before targeted stimulus kicks in

Investment Opportunities

Lock in elevated yields
Starting yields support returns and income potential – especially with central banks poised to cut rates further

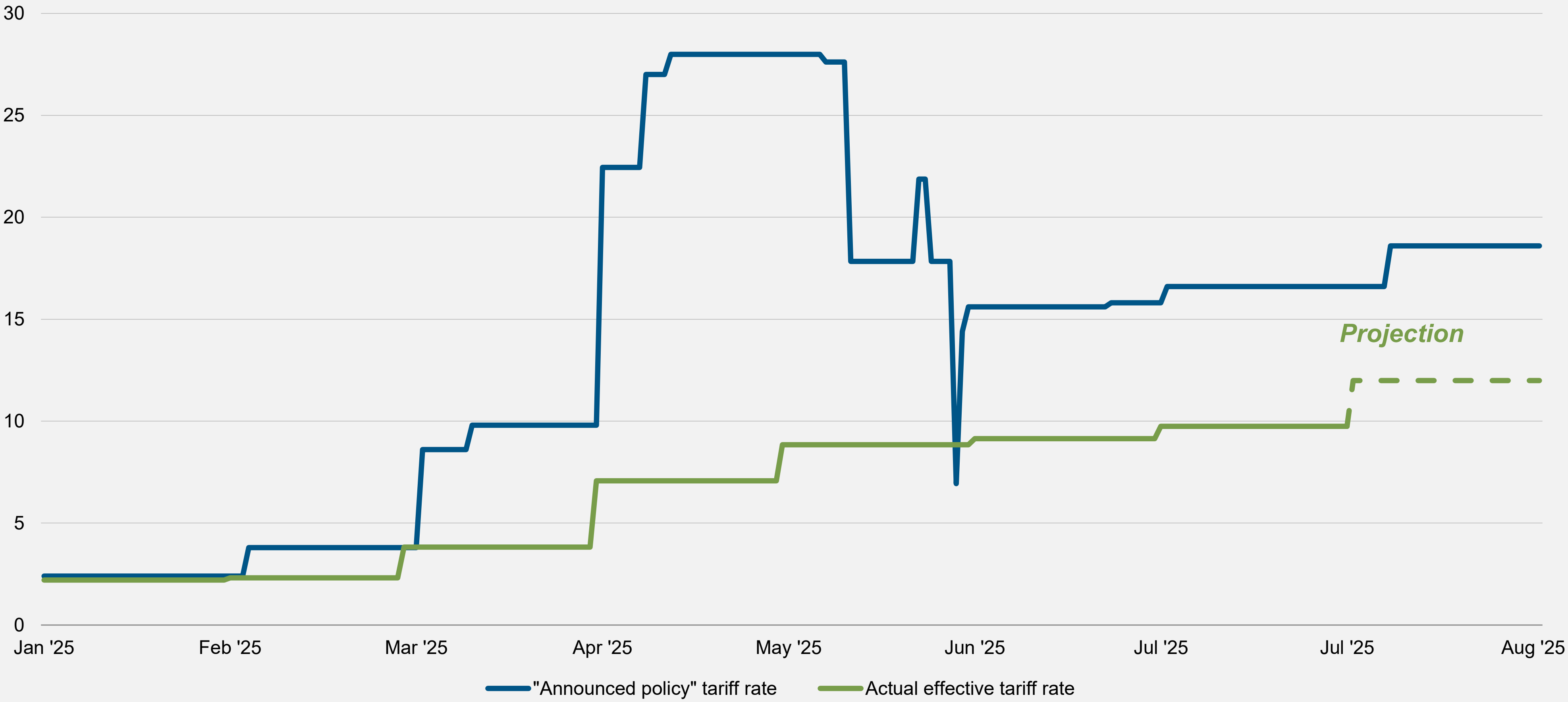
Global diversification
Abundance of global fixed income opportunities can help fortify portfolios and identify sources of outperformance

Credit continuum
Opportunities across public and private credit markets should be evaluated on differences in liquidity and economic sensitivity

As of October 2025. Source: PIMCO. Refer to appendix for additional investment strategy, outlook, and risk information.

Tariff rates are down from peak
Actual tariff rate has risen slowly due to changing trade flows

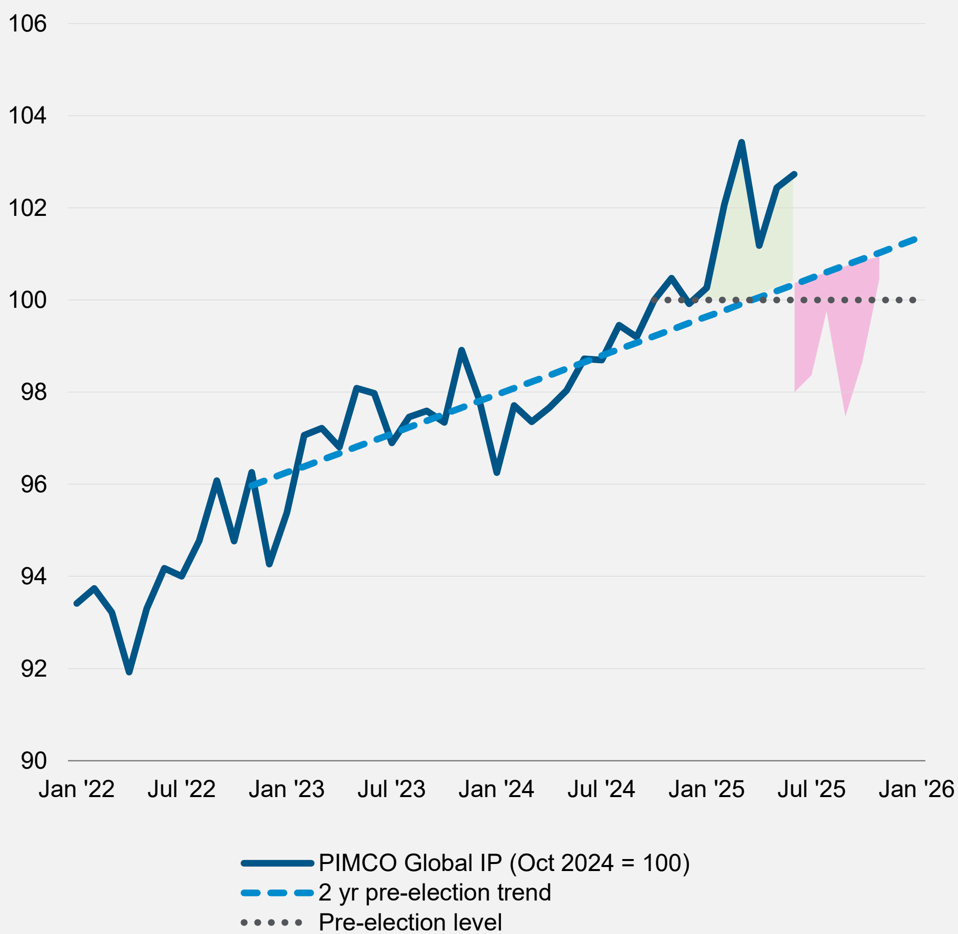
Weighted average tariff rate based on announced policies vs. the actual effective tariff rate (%)



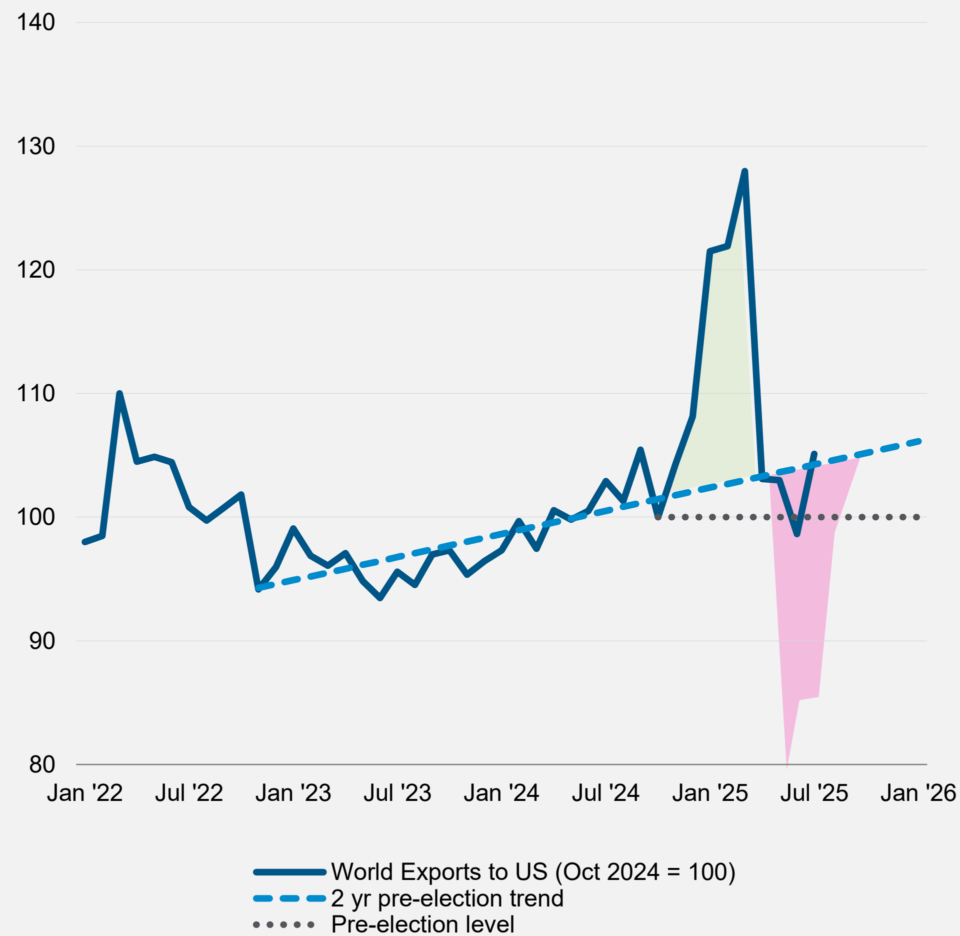
As of September 2025. Source: Haver, USITC, Yale Budget Lab, U.S. Treasury and PIMCO.

Tariff effects are set to bite
Front-loading payback may require meaningfully below-trend activity

PIMCO global industrial production



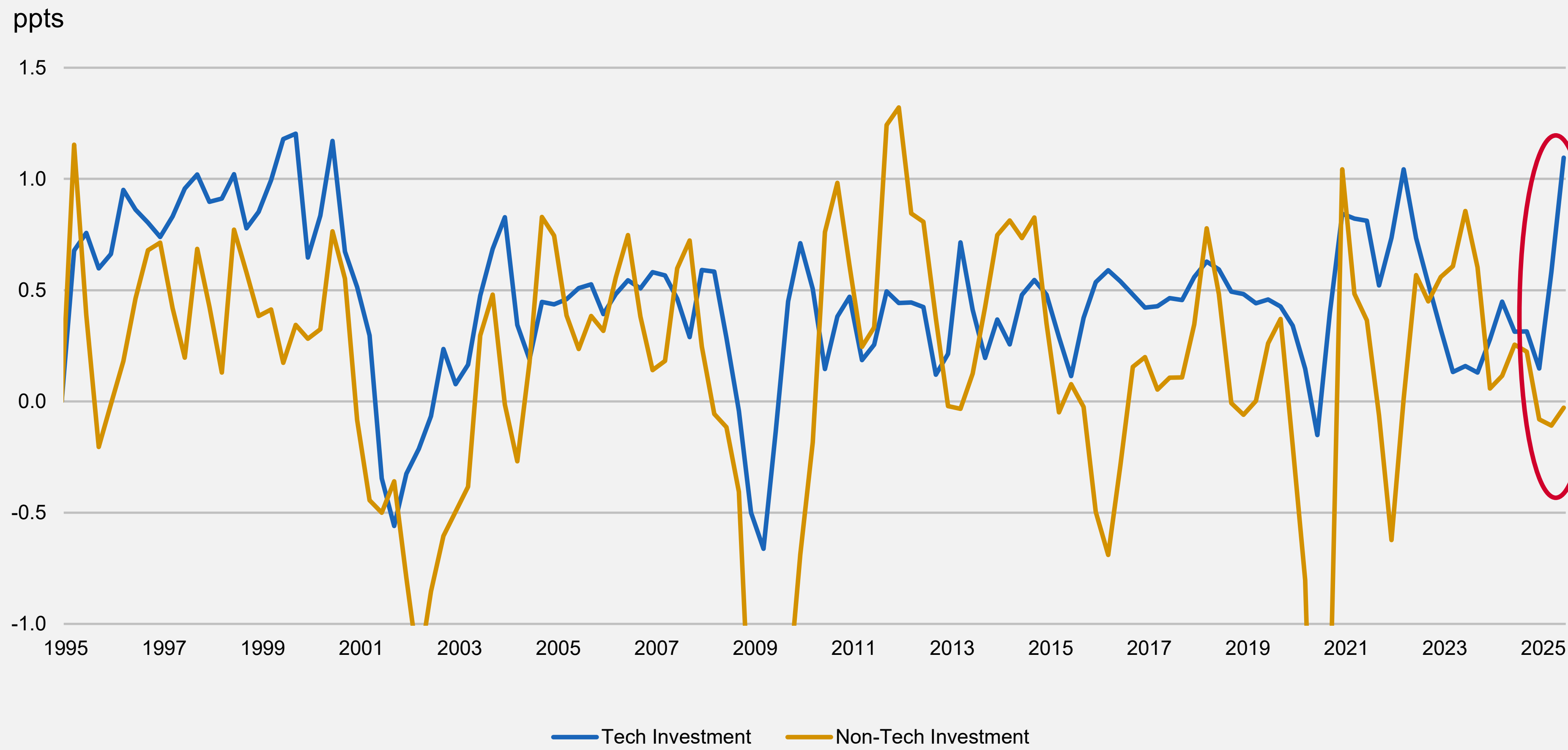
World exports to U.S.



As of August 2025. Source: Haver and PIMCO calculations.

AI investment is powering U.S. growth
Growth in other sectors has been sluggish

Tech vs. all other investment
(quarterly contribution to real GDP growth)



As of 30 June 2025. Source: US Commerce Department, Haver, and PIMCO Calculations.

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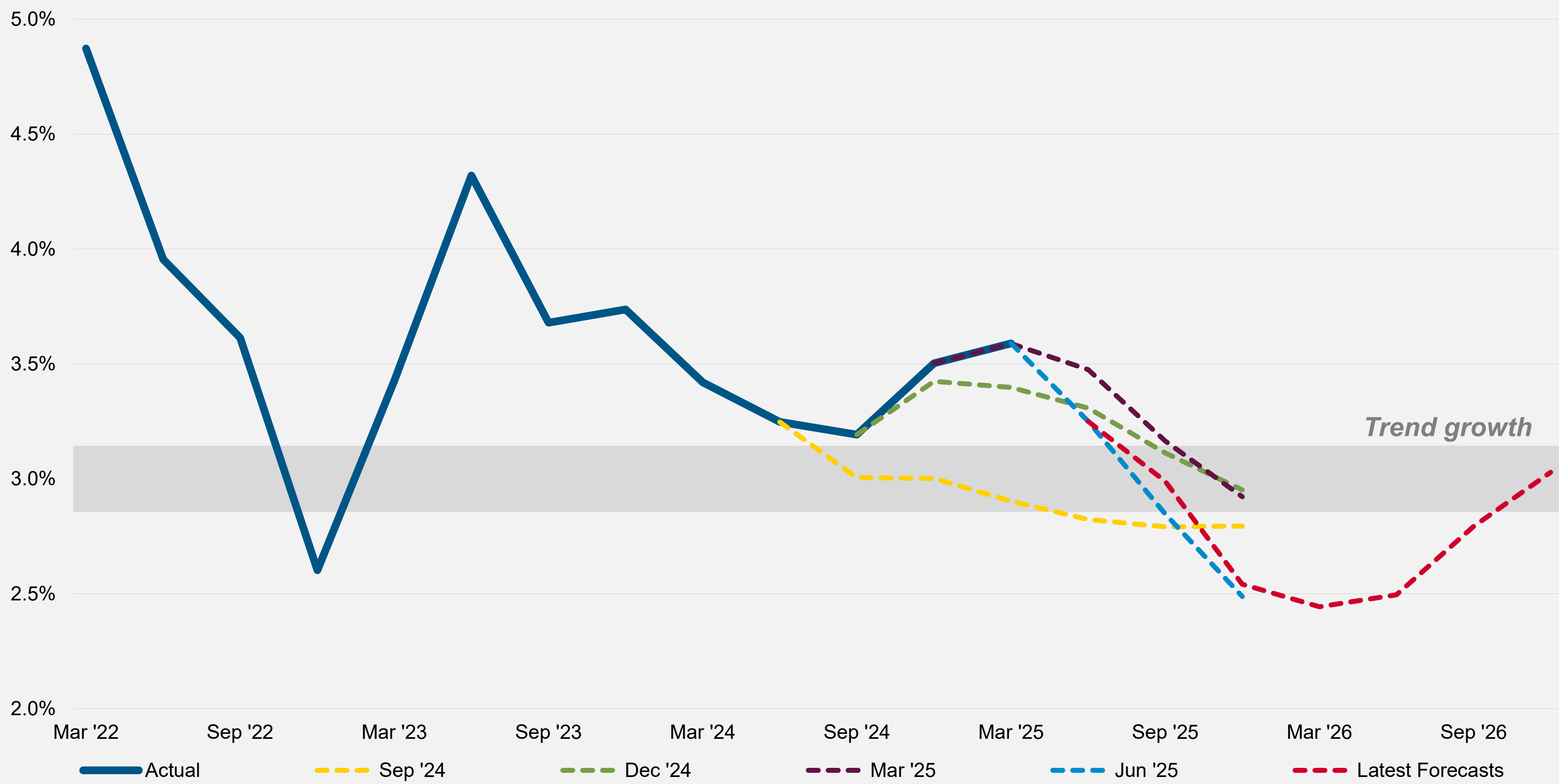
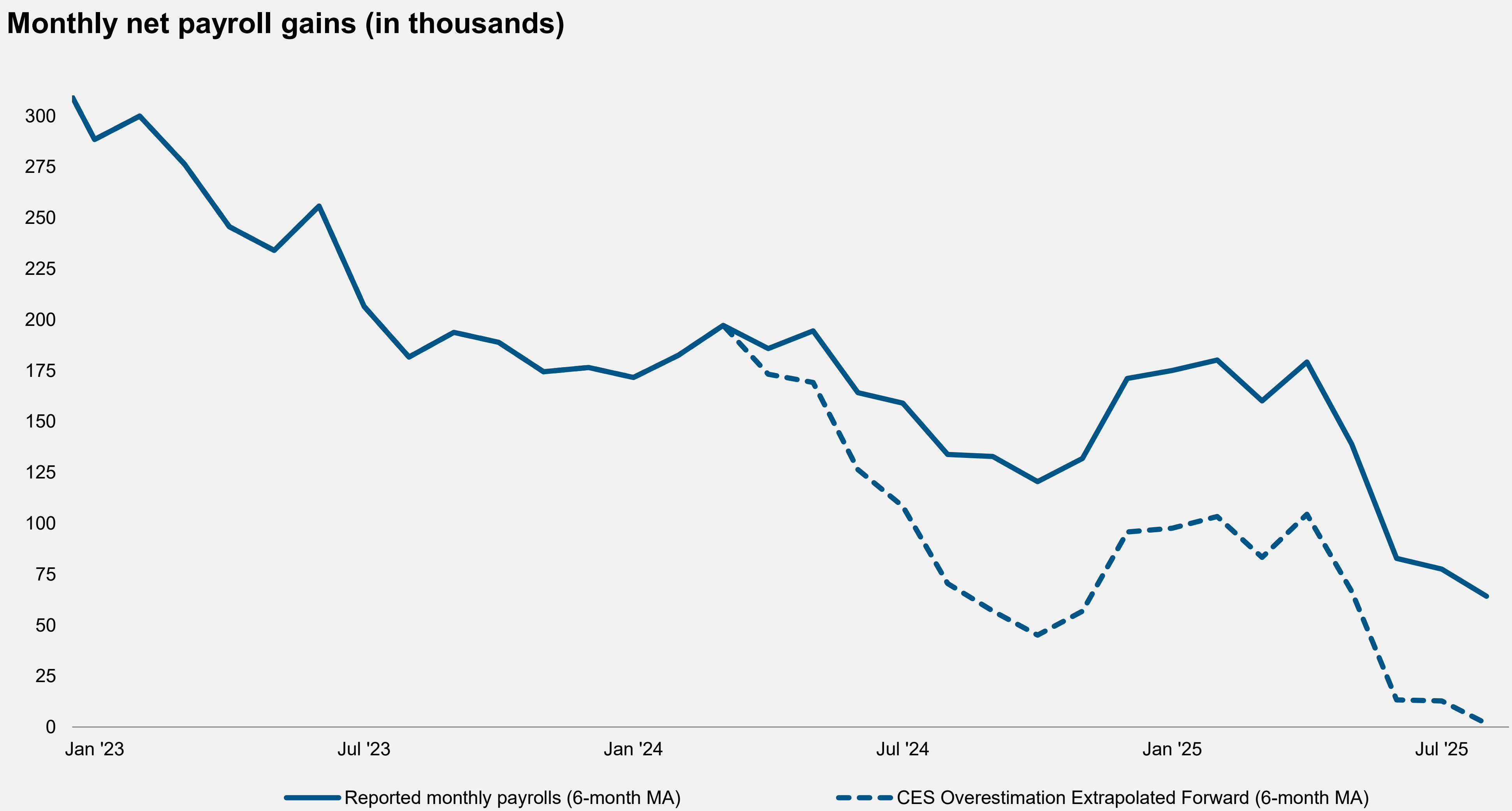
Global economy is decelerating
Stimulus should boost growth in late 2026

World real GDP: YoY PIMCO projections vs. actual



As of August 2025. Source: Various countries statistical reporting agencies, Haver, PIMCO Calculations and Forecasts. World GDP is PPP weighted.

U.S. companies are cutting labor costs
Downside risk to U.S. employment is a key risk

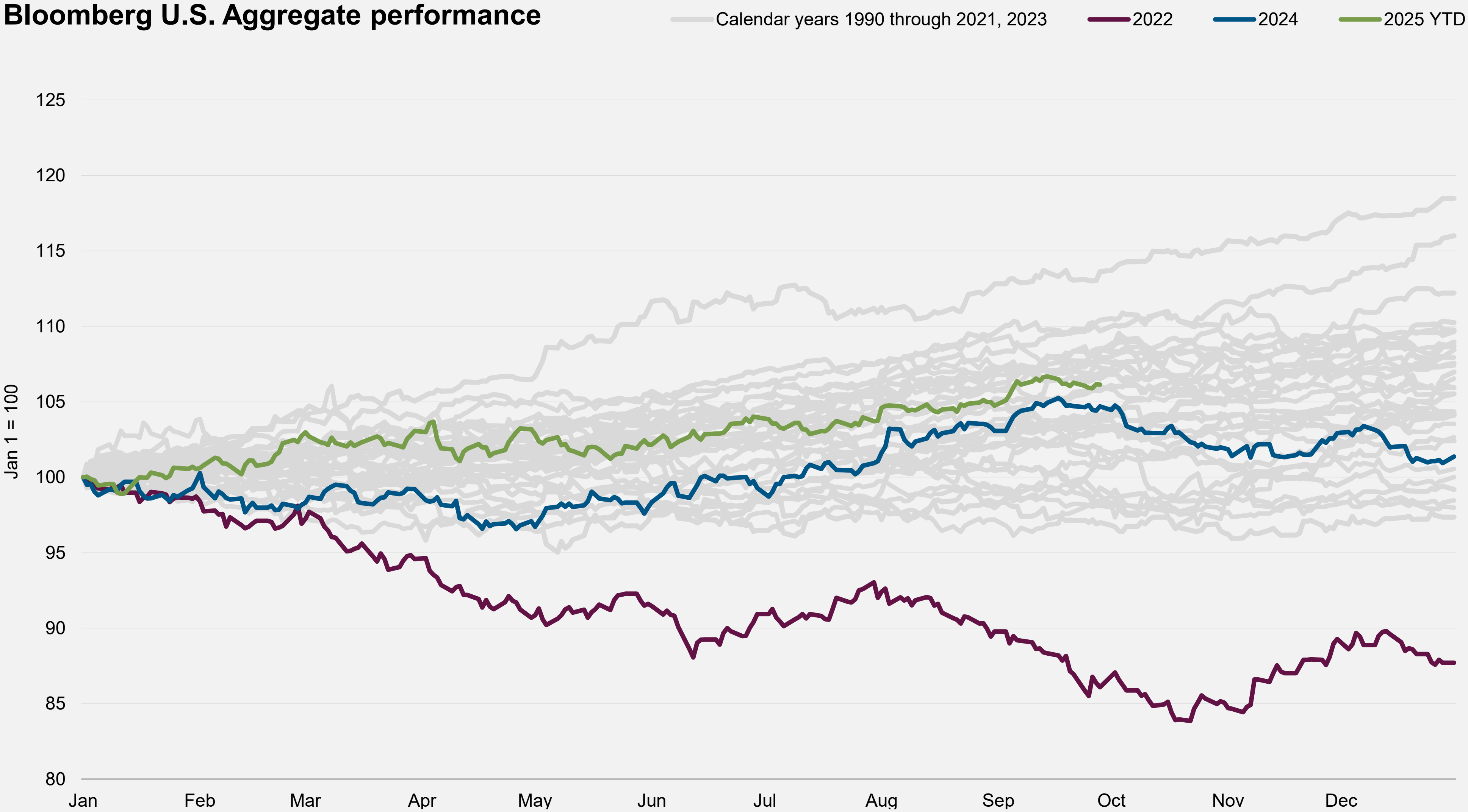


As of August 2025. Source: Haver and PIMCO.

Investment Opportunities

Durable fixed-income opportunities
Stage is set for attractive long-term returns

Bloomberg U.S. Aggregate performance

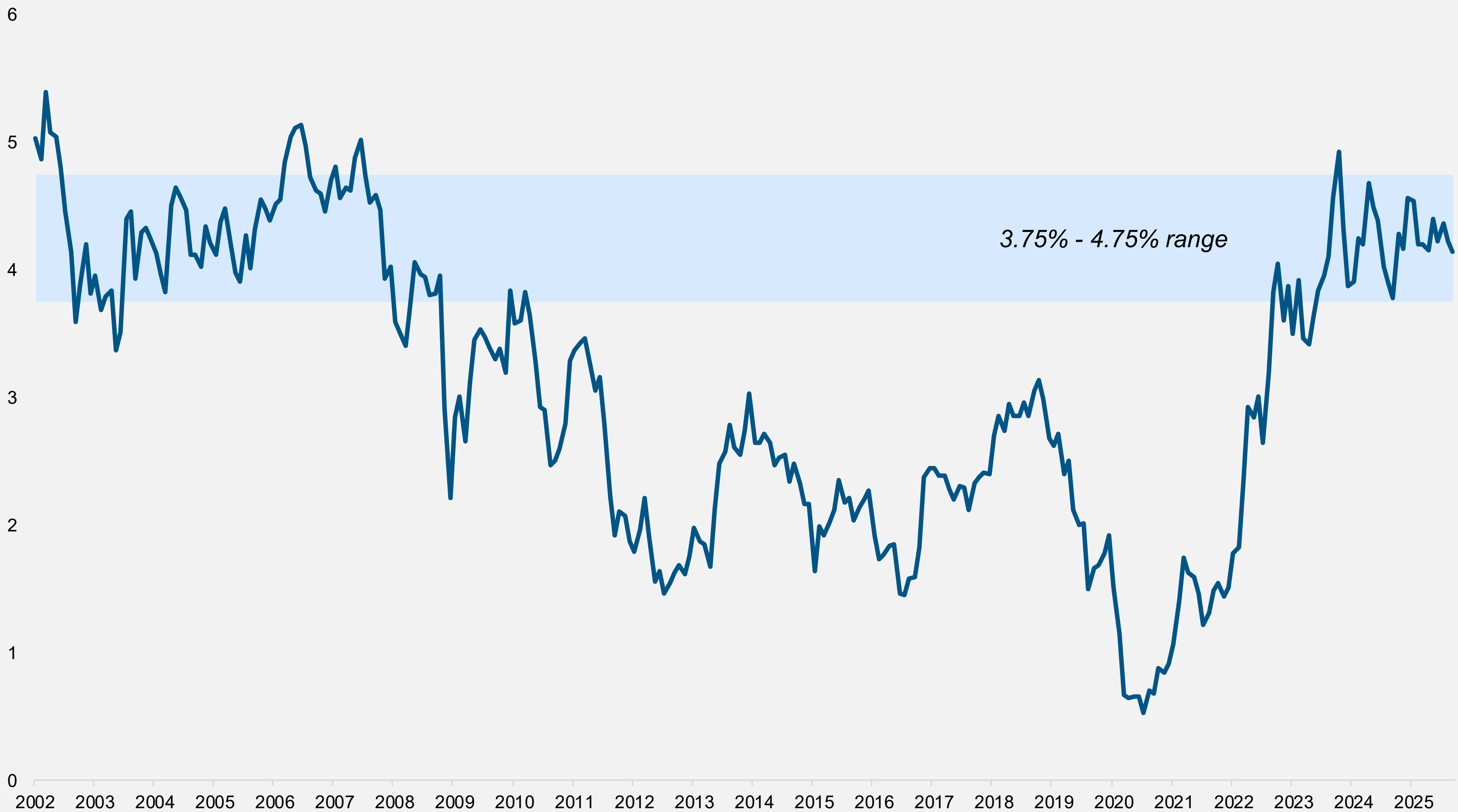


As of 30 September 2025. Source: PIMCO and Bloomberg. **Past performance is not a guarantee or a reliable indicator of future results.**
Refer to Appendix for additional outlook and risk information.

Bond yields remain attractive

Active fixed income has delivered – will continue to in a target-rich environment

10 Year U.S. Treasury Yield (%) since 2002



As of 30 September 2025. Source: PIMCO and Bloomberg. **Past performance is not a guarantee or a reliable indicator of future results.**
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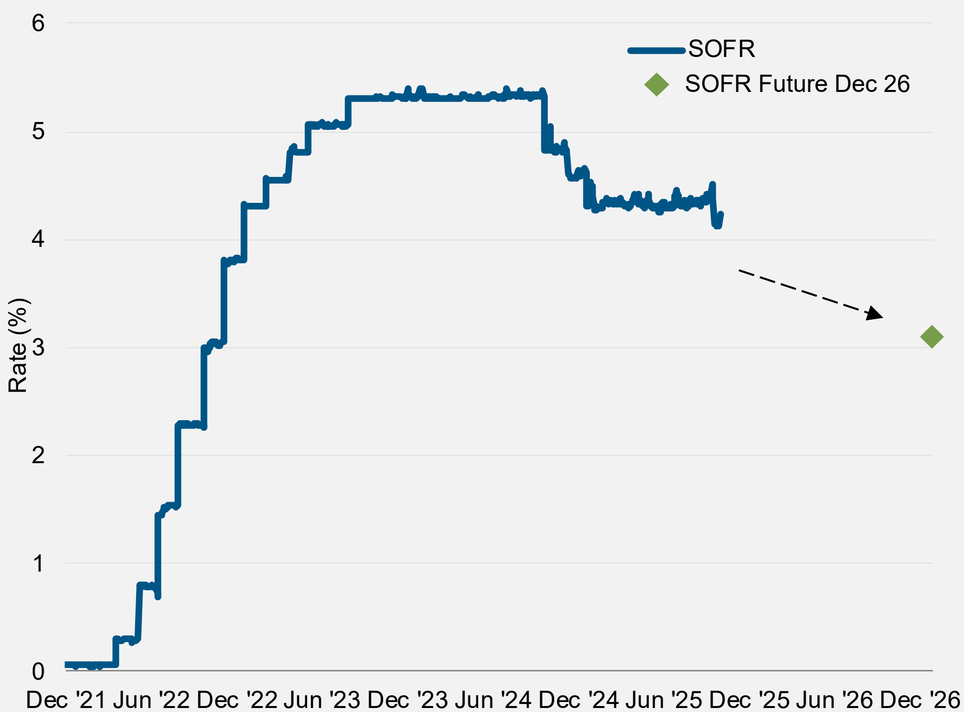
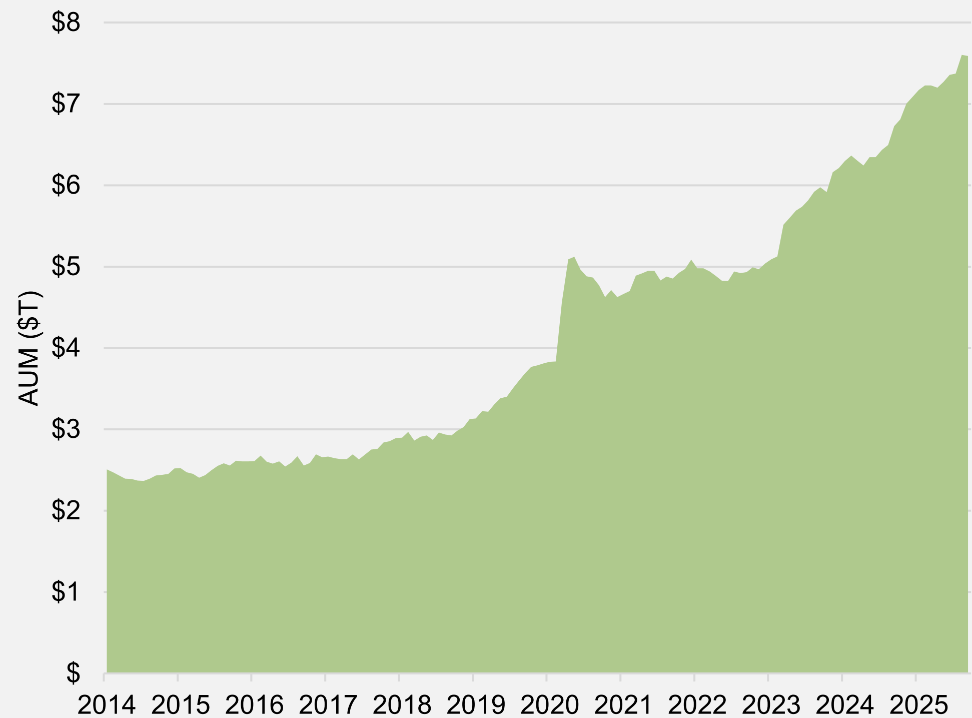
Cash is no longer optimal

Bonds appear poised to outshine cash

Falling cash yields:
Short term rates expected to near 3%



AUM in money market funds hit new highs:
Investors are leaving money on the table



LHS as of 30 September 2025. RHS as of 26 September 2025. Source: Bloomberg, Haver, PIMCO, ICE BofA, and Crane. **Past performance is not a guarantee or a reliable indicator of future results.**

Refer to Appendix for additional investment strategy, outlook and risk information.

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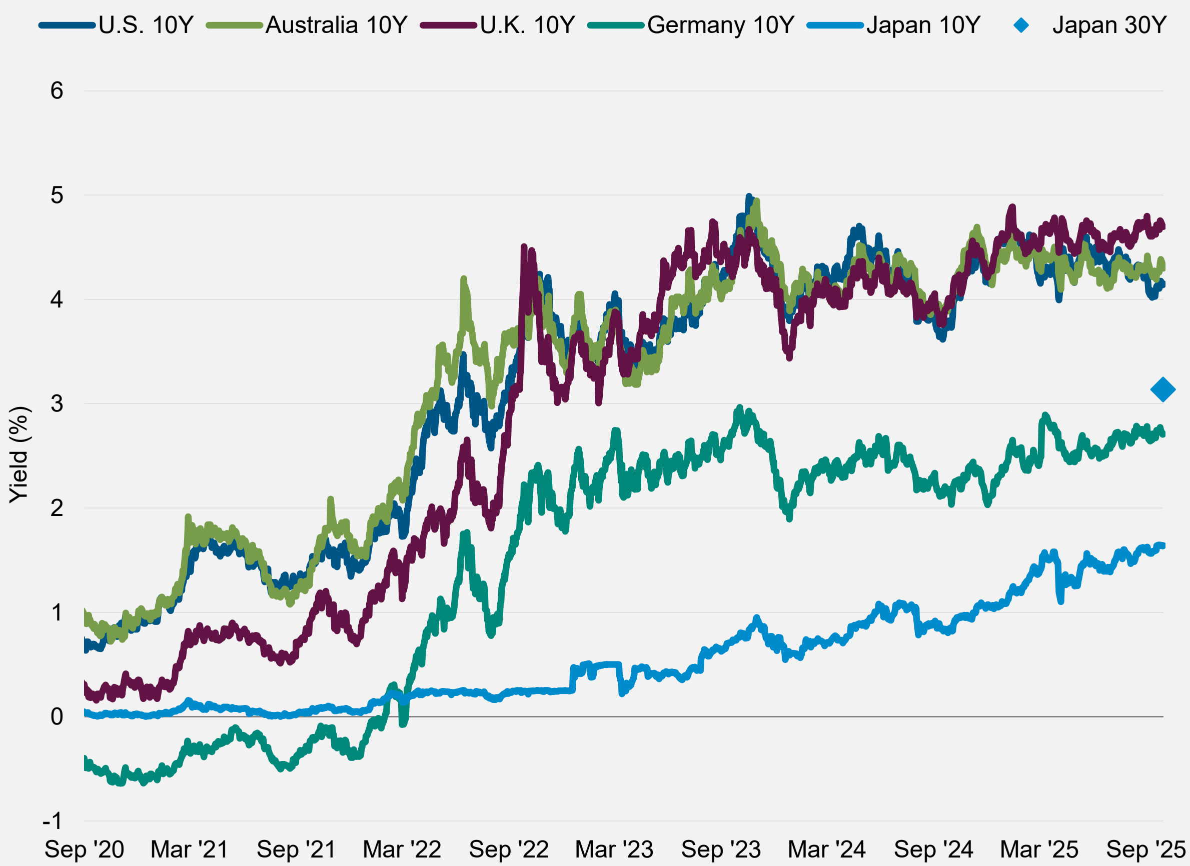
A pillar of active management
Global diversification appears especially appealing

Government bond yields (%)



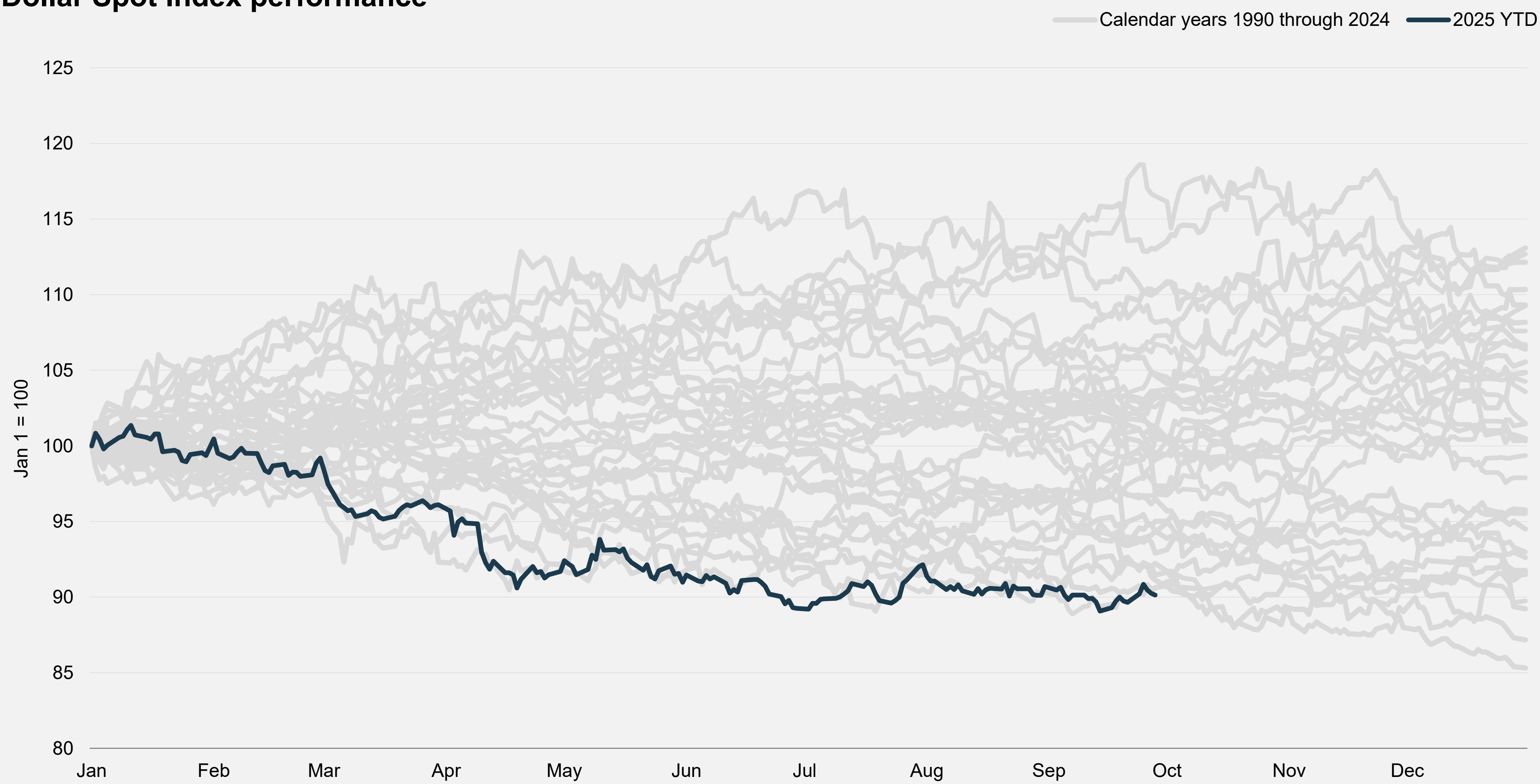
Country	2024 Debt to GDP
United States	121%
Australia	50%
United Kingdom	101%
Germany	64%
Japan	237%

As of 30 September 2025. **For illustrative purposes only.** Source: PIMCO, Bloomberg, Haver, and IMF.
There can be no guarantee that the trends mentioned above will continue. Statements concerning financial market trends are based on current market conditions, which will fluctuate.
Refer to Appendix for additional outlook and risk information.

Dollar weakness may persist

The U.S. dollar is having its worst year in decades

Dollar Spot Index performance



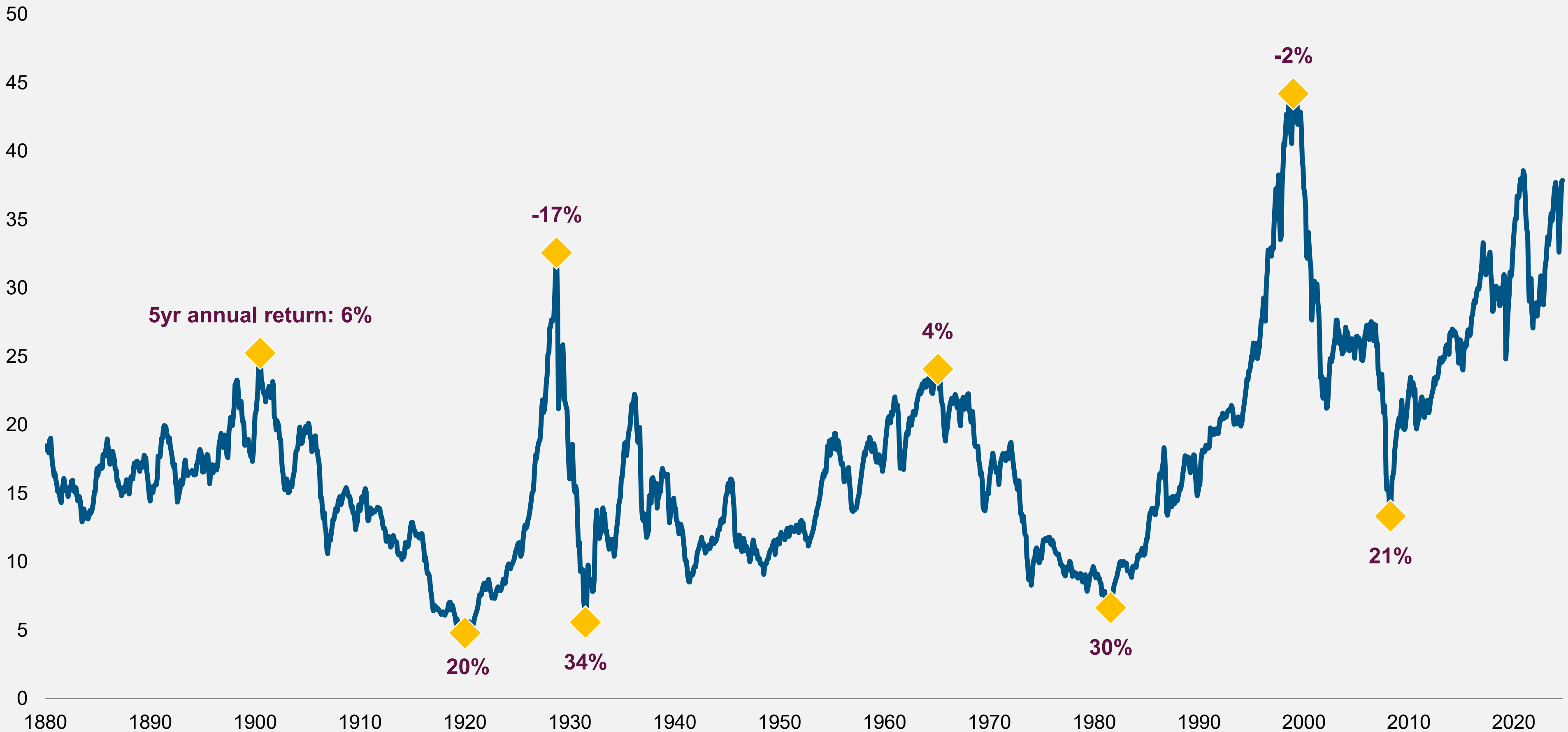
As of 30 September 2025. Source: PIMCO and Bloomberg.

Refer to Appendix for additional outlook and risk information.

U.S. equity valuations remain stretched

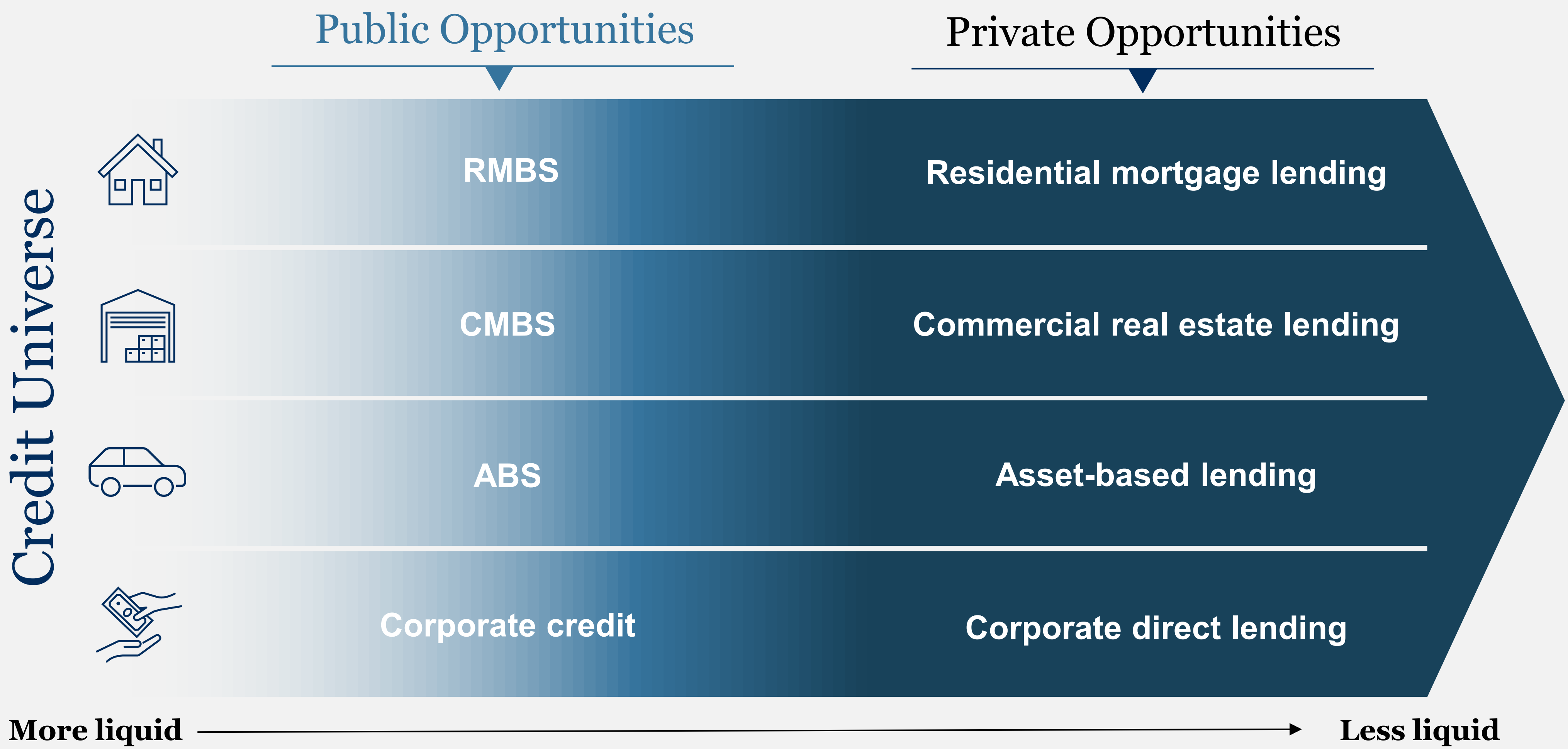
Expensive valuations have historically been followed by poor returns

S&P 500 CAPE ratio with subsequent 5yr annualized returns



As of 31 August 2025. Source: Robert Shiller, Finaeon, and PIMCO. **Past performance is not indicative of future results.**
CAPE and CPI as reported in Shiller's website. S&P 500 retuns are calculated based on the S&P 500 Total Return Index reported by Finaeon.
Refer to Appendix for additional forecast, index, investment strategy, and outlook information.

Liquidity as a continuum, not a divide
Advantages of scale – assessing relative value across credit markets



As of 30 September 2025. Source: PIMCO. **For illustrative purposes only.**
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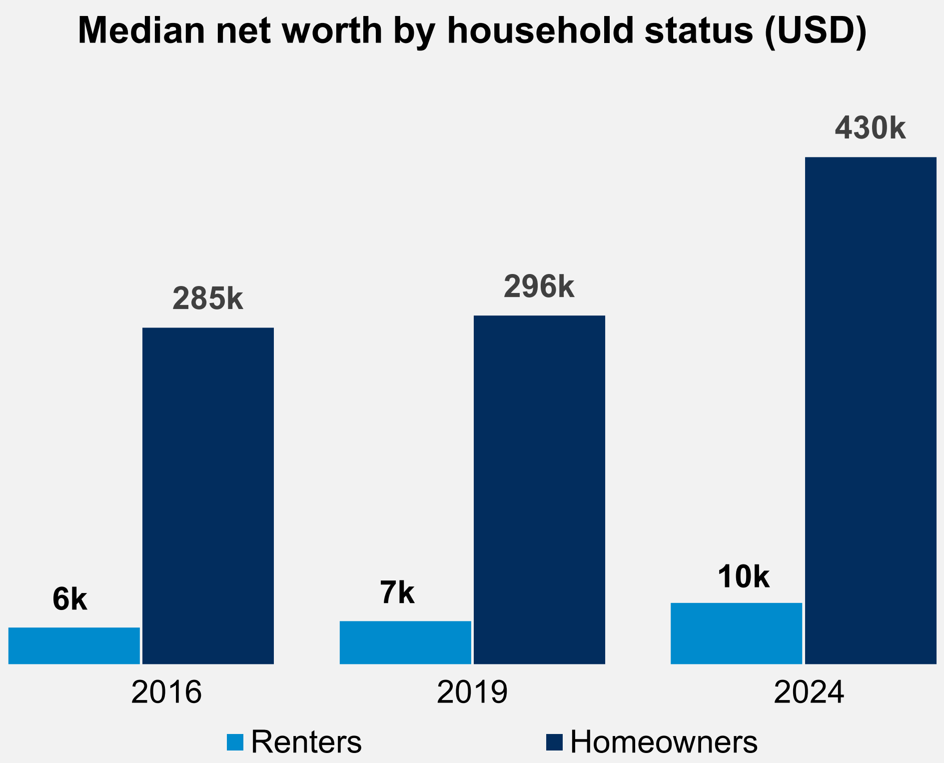
Home equity sends a signal
Not all consumer risk is created equal



Today's Playbook

- New residential mortgage originations
- Home improvement loans
- Closed-end second mortgages
- Unsecured consumer loans
- Auto loans
- Co-signed student loans

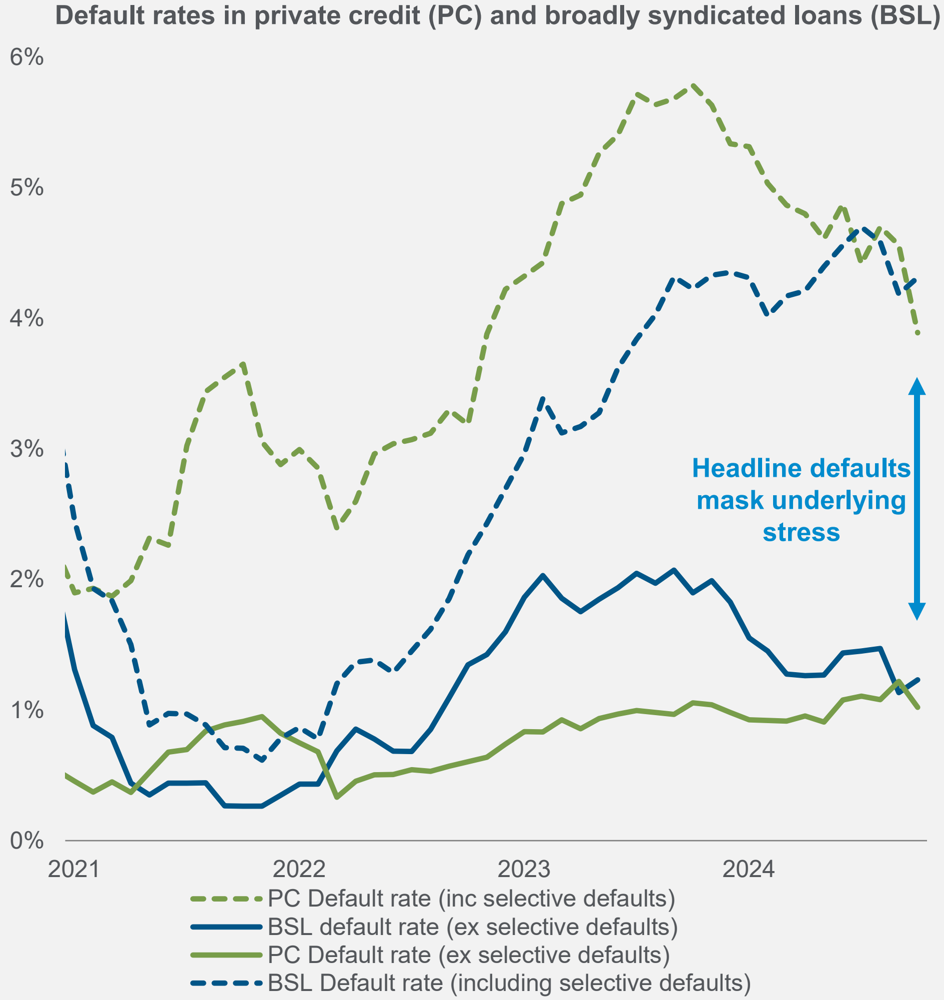
As of 31 August 2025. Source: Aspen Institute, Federal Reserve Board, Survey of Consumer Finances, National Association of Realtors, Bloomberg and PIMCO.

For illustrative purposes only. The views and expectations expressed are those of PIMCO. An investment in any PIMCO managed fund entails a high degree of risk and investors could lose all or a portion of their investment. There is no guarantee that (i) the investment strategies discussed herein will work under all market conditions, (ii) that the market trends discussed will continue, or (iii) that the investment opportunities discussed herein will materialize or produce any level of returns.

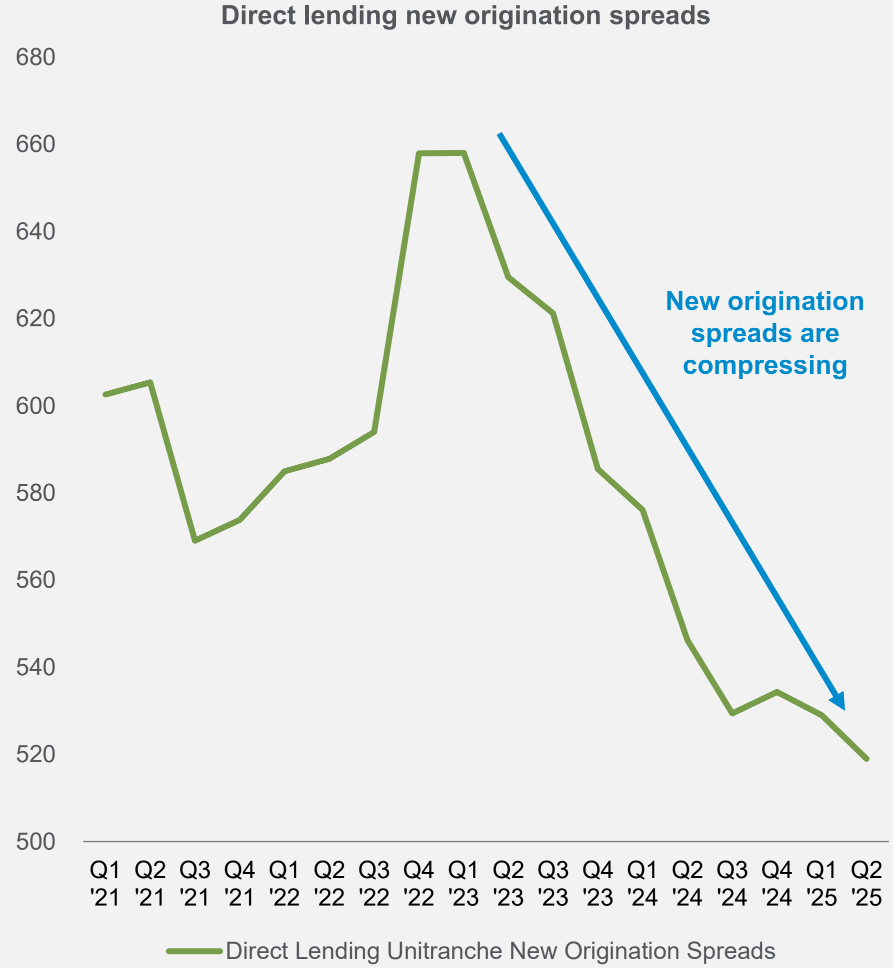
Refer to Appendix for additional investment strategy, outlook and risk information.

Public and private markets
Beware of lurking risks

Low volatility and default rates mask underlying stress…



…while new deals are pricing at less of a premium



As of 30 June 2025. Source: Morning Stanley, KBRA, PIMCO, BDC Collateral, BofA, S&P, LCD, and Moody's. **For Illustrative Purposes Only.**
New Origination Spreads represent rolling 90 days. PC = Private Credit (i.e. direct lending), BSL = Broadly Syndicated Loans.
Refer to Appendix for additional credit quality, investment strategy, and risk information.

Unlock durable opportunities

Seek active value across the economic and liquidity spectrum

Attractive bond yields provide a foundation for durable opportunities

- Locking in rates can support steady returns and income potential
- Expect rates on cash-like investments to decline and bonds to outperform
- Favor short and intermediate bond maturities

Global diversification can enhance outperformance

- Abundance of global fixed income opportunities, with attractive real and nominal yields
- Diversification across regions and currencies is an effective way to fortify portfolios and harvest sources of return

The credit continuum of public and private assets offers alpha opportunities

- Evaluate opportunities on a spectrum of liquidity, yield, and risk
- Focus on high-quality assets and strong return potential in asset-based finance, especially investments tied to higher-quality consumer balance sheets

As of October 2025. Source: PIMCO.

Refer to Appendix for additional credit quality, investment strategy, outlook, and risk information.

Disclosures

Past performance is not a guarantee or a reliable indicator of future results.

CREDIT QUALITY

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.

FORECAST

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. There is no guarantee that results will be achieved.

INDEX

It is not possible to invest directly in an unmanaged index.

INVESTMENT STRATEGY

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 long-term, especially during periods of downturn in the market.

MORNINGSTAR CATEGORIES

INTERMEDIATE-TERM CORE-PLUS BOND

Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

SHORT-TERM BOND

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

MULTISECTOR BOND

Multisector bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

Disclosures

OUTLOOK

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.

RISK

All investments contain risk and may lose value. 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. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. Income from **municipal bonds** for U.S. domiciled investors is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. Investments in **asset-based lending and asset-backed instruments** are subject to a variety of risks that may adversely affect the performance and value of the investment. These risks include, but are not limited to, credit risk, liquidity risk, interest rate risk, operational risk, structural risk, sponsor risk, monoline wrapper risk, and other legal risks. Asset-backed securities across various asset classes may not achieve business objectives or generate returns, and their performance can be significantly impacted by fluctuations in interest rates. Investments in **residential and commercial mortgage loans**, as well as **commercial real estate debt**, are subject to risks that include prepayment, delinquency, foreclosure, risks of loss, servicing risks, and adverse regulatory developments. These risks may be heightened in the case of non-performing loans. Investments in **mortgage and asset-backed securities** are highly complex instruments that may be sensitive to changes in interest rates and are subject to early repayment risk. **Structured products**, such as collateralized debt obligations, are also highly complex instruments that typically involve a high degree of risk; the use of these instruments may involve derivative instruments that could result in losses exceeding the principal amount invested. **Private credit** involves investments in non-publicly traded securities, which may be subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss. Additionally, investments in private credit may be subject to real estate-related risks, which include new regulatory or legislative developments, the attractiveness and location of properties, the financial condition of tenants, potential liability under environmental and other laws, as well as natural disasters and other factors beyond a manager's control. Investing in **banks and related entities** is a highly complex field subject to extensive regulation, and investments in such entities may give rise to control person liability and other risks. Investing in **distressed loans and bankrupt companies** is speculative, and the repayment of default obligations contains significant uncertainties. **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. **Collateralized Loan Obligations (CLOs)** may involve a high degree of risk and are intended for sale to qualified investors only. Investors may lose some or all of their investment, and there may be periods during which no cash flow distributions are received. These investments are exposed to risks such as credit, default, liquidity, management, volatility, interest rate, and credit risk.

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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.

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