PIMCO

CYCLICAL OUTLOOK

APRIL 2025

Seeking Stability

At a time of sweeping geopolitical change and clear challenges for riskier assets, bond markets offer a source of stability.

A company of Allianz



AUTHORS

Tiffany Wilding
Managing Director
Economist

Andrew Balls
Chief Investment Officer
Global Fixed Income

KEY TAKEAWAYS

The world has entered a period of geopolitical uncertainty, with the U.S. now at the center of the storm. Here are our near-term economic views:

- **Global uncertainty:** The Trump administration has taken aggressive early measures to address trade deficits and shrink the size of government. It remains unclear whether the current policy volatility will evolve into a more stable U.S. strategy. As tariff barriers rise, global uncertainty is increasing, particularly for export-dependent economies.
- **Threats to U.S. exceptionalism:** With both business and consumer confidence declining, the U.S. economic and financial-market exceptionalism of recent years could be fading.
- **National interests take new precedence:** Protectionist U.S. policies, coupled with the prospect for government spending cuts, are stoking concerns about U.S. recession risks and a rekindling of inflation. In contrast, the prospect of increased fiscal spending is improving the outlooks for countries such as Germany and China. Major central banks will aim to continue easing policy to neutral levels.

This newfound U.S.-led uncertainty has fueled a sell-off in risk assets and a surge in volatility. Meanwhile, high quality bonds have flourished, delivering comparable total returns to equities over the past year while offering favorable valuations today. Here are our near-term investment views:

- **Seek stable sources of return in turbulent times:** Historically, starting bond yields closely correlate with five-year forward returns. Yields are attractive today, positioning bonds well in this environment. We believe it's a good time to reduce concentrated positions in U.S. risk assets, particularly with valuations still elevated.
- **Diversify across global markets:** Global fixed income opportunities remain robust, offering strategies to further enhance diversification.
- **Favor asset-based finance over corporate credit:** We prefer asset-based finance relative to corporate credit across public and private markets.

Economic outlook: Global reordering

Pandemic disruptions are behind us. Labor markets have normalized. Although inflation in developed market (DM) economies may linger above post-financial-crisis averages, it's broadly within reach of central bank targets. Monetary policy is gradually returning to more neutral levels.

The focus has turned to a new disruptor: U.S. policy. The Trump administration, elected on a platform of change, is pledging to pursue three interconnected goals that will reshape the U.S. and global economies:

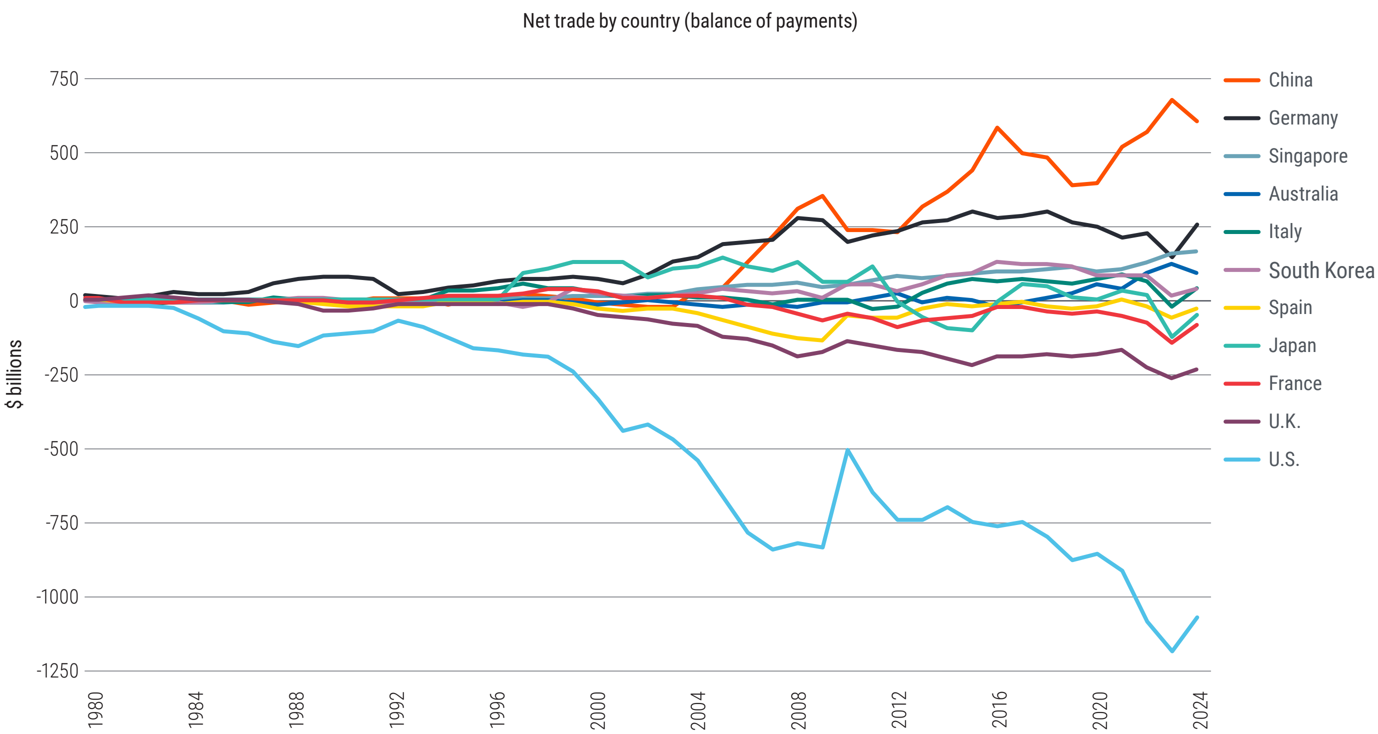
1. Balancing the U.S. trade deficit (see Figure 1)
2. Reducing elevated fiscal deficits
3. Reversing the decades-long decline in the U.S. labor force's share of income

Correcting these imbalances would require structural changes, including curbing the share of GDP derived from consumption in the U.S., reducing the contribution to GDP from manufacturing and savings in trade surplus economies, and lowering the concentration of global excess savings flows entering U.S. capital markets.

Implementing these changes faces economic, political, and market constraints, both in the U.S. and abroad. Doing so over a six- to 12-month cyclical horizon would likely disrupt economies and markets, even if the result is eventually a more balanced global system.

We anticipated such disruption in our January 2025 *Cyclical Outlook*, "Uncertainty Is Certain." Policy uncertainty is now unfolding daily and emanating mainly from the U.S., historically a source of global stability.

Figure 1: U.S. looks to rebalance global trade



Source: World Bank, Haver Analytics, and PIMCO as of December 2024

THREATS TO U.S. EXCEPTIONALISM

This shift reflects an international role reversal, with the U.S. signaling a pullback from some traditional functions while other countries step in to fill the voids. Long-held assumptions about the U.S. as a reliable international leader are being challenged.

These changes may coincide with the twilight of the recent U.S. capital markets' outperformance relative to the rest of the world. In Europe, the peace dividend – the economic benefits of reduced military spending after the end of the Cold War – looks to be over, with countries across the continent now set to increase their defense budgets.

In January, we said our baseline called for an economically manageable increase in tariffs – which, along with U.S. tax and spending policy, would leave federal fiscal deficits largely unchanged in 2025 and 2026.

However, we also said these pivots, depending on their scope, widened the range of possible growth outcomes in the U.S. and deepened economic risks elsewhere, especially for countries heavily reliant on global trade and that run surpluses with the U.S. We thought U.S. equity market volatility would be a limiting factor.

The Trump administration has since launched aggressive measures on trade, government containment, and immigration. These are likely to slow the U.S. economy more than previously expected and hurt the labor market, regardless of whether government spending cuts are codified into law.

Officials have argued that some near-term pain is acceptable in pursuit of longer-term goals, suggesting the tolerance for economic and market volatility is higher than previously thought. Eventually, higher prices, especially for food and energy, and lower equity values are likely to be a political constraint.

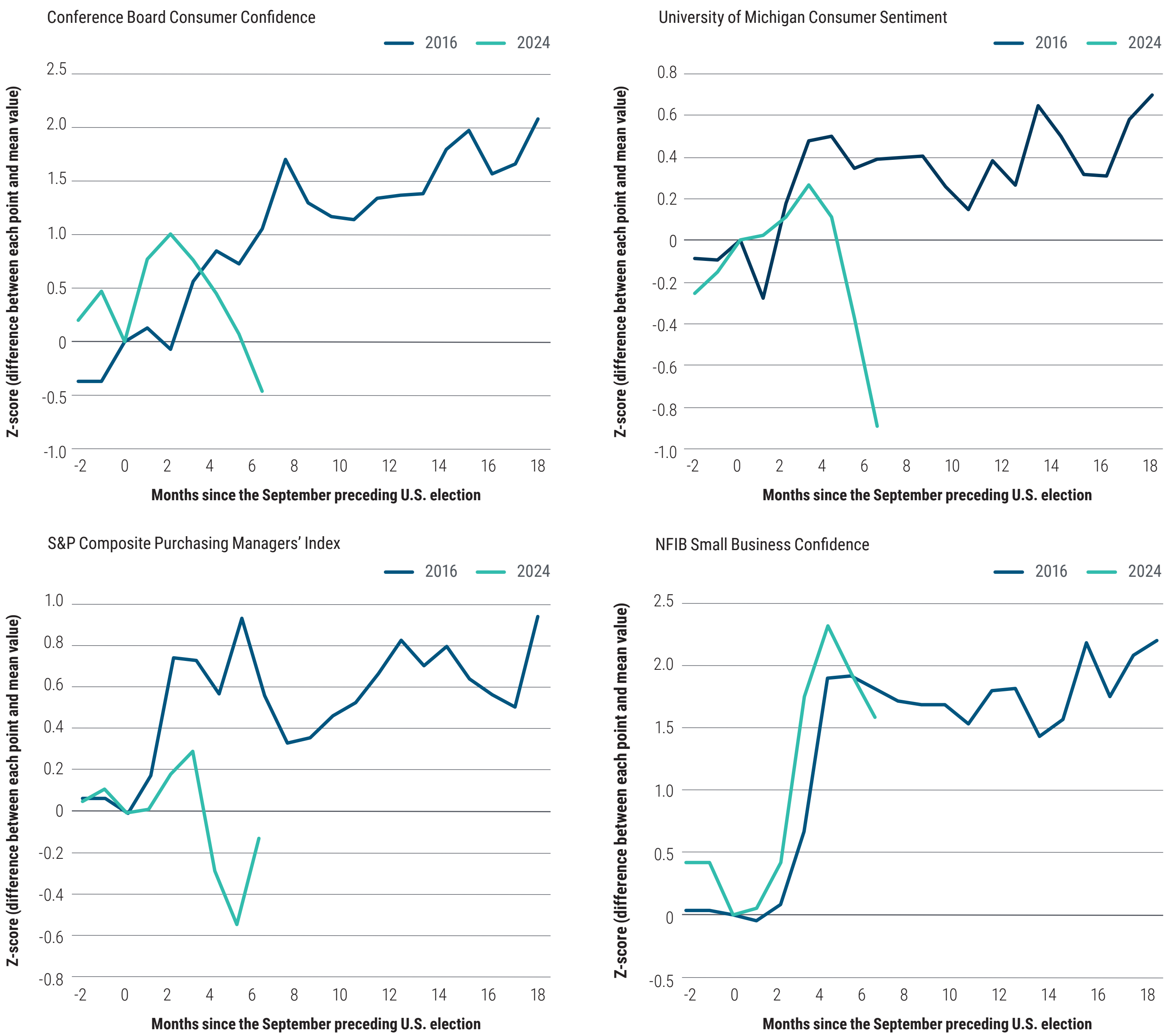
RISING RISKS TO U.S. GROWTH AND INFLATION …

While the ultimate implementation remains uncertain, disruptive U.S. policy announcements have already damped U.S. consumer and business sentiment and will likely weigh on investment and hiring decisions (see Figure 2). Globally, if businesses face tariff-related risks that are close to impossible to calibrate, then the likely result is delayed decisions on investment and expansion. In other words, tariff uncertainty is proving to be a headwind to growth, even if tariffs fail to materialize.

We see a risk that U.S. growth and labor market momentum downshift more decisively. After U.S. real GDP grew 2.5% to 3% annually over the past few years, we expect a below-trend pace in 2025 and 2026.

The average effective tariff rate on U.S. imports has increased an estimated 7.5 percentage points from actions against Canada, Mexico, and China. We expect additional trade policy measures to raise that figure significantly throughout the year, as Europe and other southeast Asian countries could face U.S. tariffs.

Figure 2: U.S. sentiment surveys have deteriorated



Source: Conference Board, University of Michigan, S&P, NFIB, Haver Analytics, and PIMCO as of March 2025

Businesses are likely to pass on tariff costs, boosting inflation during the period of price adjustment and delaying the return to the Federal Reserve's 2% target. More concerning for Fed officials, surveys of consumers and business suggest inflation expectations are moving higher.

In Congress, the focus is already on U.S. tax policy. Given the circuitous nature of the legislative process and the very narrow Republican majorities, especially in the House of Representatives, we do not expect to see a signed bill until summer, if not later. While we still expect trade, spending, and tax policies to have a neutral net effect on the U.S. fiscal impulse in 2025, a more significant near-term growth slowdown could tilt the scales toward larger, more stimulative tax cuts.

… WHILE POTENTIAL FOR FISCAL STIMULUS AND RATE CUTS HELPS THE GLOBAL OUTLOOK

Recent policy actions in other major economies appear to incrementally improve what were otherwise bleaker outlooks. Expectations for fiscal expansion are rising in countries such as China, Germany, Japan, and Canada.

China and Germany have strong incentives to implement structural changes. China's housing overbuild and debt-deflation cycle contributed to an overreliance on exports – a model now strained by other countries' unwillingness to import China's production capacity. China appears more willing to implement policies to boost consumption while continuing to invest in technology and AI.

Germany is prioritizing increased spending on defense and infrastructure after the pandemic, the war in Ukraine, and intense competition from China have upended the German economic model. Other European countries could follow suit but may have less capacity than Germany, which tends to run fiscal surpluses.

We expect growth trends to remain stable and mediocre outside of the U.S. Trade uncertainty remains a headwind, but easier financial conditions in more interest-rate-sensitive economies and fiscal loosening should provide some offsetting support.

Looser labor markets and an expected moderation in wage inflation should keep inflation outside of the U.S. on a declining path, allowing DM central banks to continue easing policy to neutral levels. We expect 50–100 basis points (bps) of additional rate cuts across DM economies over the rest of 2025. The Bank of Japan remains an outlier and is likely to raise rates in the face of elevated inflation expectations.

As a baseline, we expect the Fed to cut rates by another 50 bps later this year. The Fed is in a tricky spot, as higher inflation and lower growth risks have contrasting implications for the central bank's price stability and full employment goals.

The main risk is that slowdowns in the labor market and real GDP growth cause the Fed to cut rates more deeply than the market is currently pricing, even if sticky inflation and rising inflation expectations delay the Fed's reaction to early signs of an economic downturn. In the end, we expect Fed officials will cut more aggressively if they see recession risks rising faster than inflation expectations. In contrast, we believe the likelihood of the Fed reversing course and hiking rates in response to tariff-related inflation is low.

Investment implications: Seek simplicity, stability, and diversification

In this unusually uncertain macroeconomic environment, it's prudent to prioritize simple, stable investments over trying to predict the unpredictable.

Elevated uncertainty is likely to challenge the U.S. equity outperformance of recent years. There is a strong case to diversify away from highly priced U.S. equities into a broader mix of global, high quality bonds. We believe we are in the early stages of a multiyear period in which fixed income can outperform equities while offering a more favorable risk-adjusted profile.

Historically, starting bond yields correlate very closely with five-year forward returns (see Figure 3). Yields on high quality bond portfolios are 4.65% based on the Bloomberg US Aggregate Index, and 4.80% based on the Global Aggregate Index (U.S. dollar hedged), as of 28 March 2025. Building on that baseline, active managers can identify opportunities in high quality sectors to seek alpha – returns above market benchmarks – to enhance the yields investors earn.

Meanwhile, the equity risk premium – a measure of the additional returns investors require to invest in riskier equities – turned negative in late 2024 for the first time in more than two decades, driven by historically elevated stock valuations coupled with the highest bond yields in years. It has since risen but remains near historical lows. (For more, see our February *PIMCO Perspectives*, "Where to Look When Equities Are Priced for Exceptionalism.")

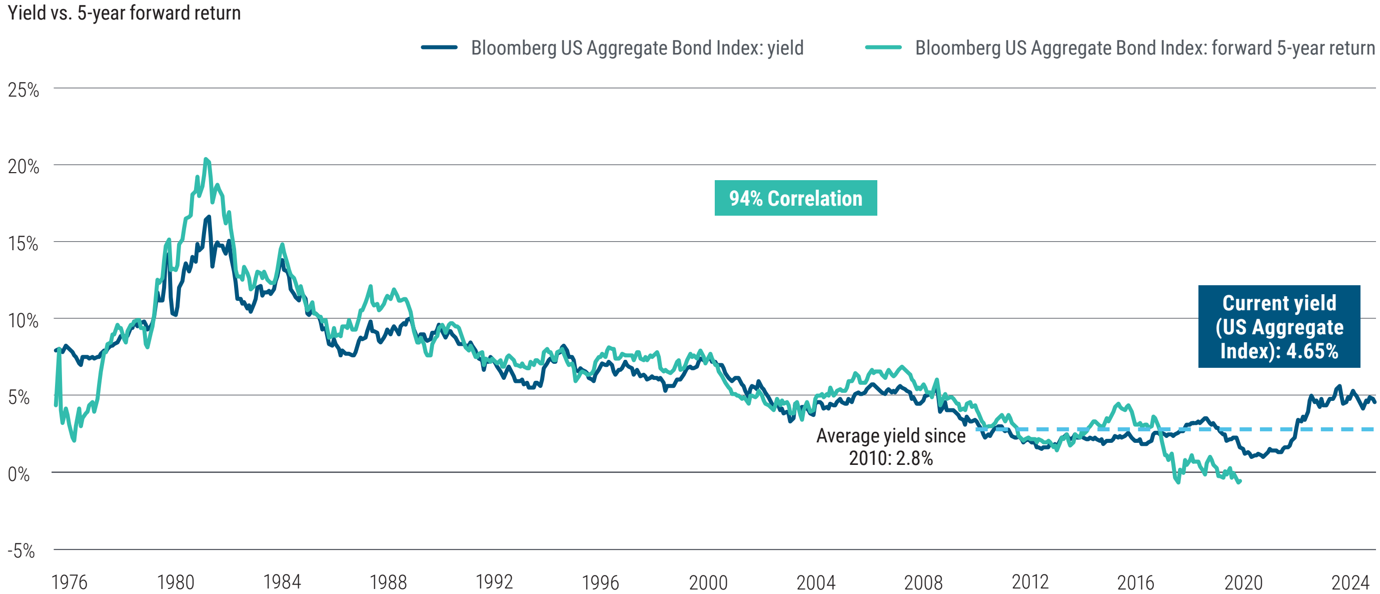
The portfolio diversification benefits of bonds have been on display in recent months. Equities and bonds typically move in opposite directions, allowing one part of a balanced portfolio to gain when another falters. As stocks have slumped, high quality bonds have thrived, delivering total returns comparable to equities over the past year while presenting favorable valuations today.

DURATION LOOKS MORE ATTRACTIVE

It remains unclear whether recent market volatility marks peak pessimism regarding U.S. policy uncertainty, or if the disruption will persist and further erode business and

Figure 3: Strong link between starting bond yields and 5-year forward returns

Yield vs. 5-year forward return



Source: Bloomberg, PIMCO as of 28 March 2025. **Past performance is not a guarantee or a reliable indicator of future performance.** Chart is provided for illustrative purposes only and is not indicative of the past or future performance of any PIMCO product. Yield and return are for the Bloomberg US Aggregate Bond Index. It is not possible to invest directly in an unmanaged index.

consumer confidence both in the U.S. and abroad, affecting economies and asset prices even more.

The rosy assumptions that buoyed risk asset pricing earlier this year have given way to a more cautious outlook. The decline in risk assets has accompanied a rally in U.S. Treasuries and Canadian government bonds, which contrasts with higher yields in Europe and the U.K. – in part the result of Germany's planned fiscal spending increase.

Even after this year's Treasury rally, the U.S. 10-year note yield remains firmly in the middle of our expected cyclical range of 3.75%–4.75%. However, if recession risks rise, there is the potential for markets to price in more Fed rate cutting and for this range to shift down.

The German bond market experienced a sharp repricing in early March, reflecting changing political attitudes toward public spending. This shift is significant, given Germany's unique position in the eurozone with its low debt levels.

Beyond Germany, we expect increased defense spending across Europe – though with measures likely to be less bold, given that countries with weaker initial fiscal conditions will struggle to fund such initiatives. Consequently, we have raised our expected range for the 10-year bund yield to 2.5%–3.5% from 2%–3%, indicating potential for further repricing.

Broadly, we favor an overweight to duration, a gauge of interest rate sensitivity. At a time of asymmetric risks across countries, we look to global diversification in high quality duration. We favor the U.K. and Australia for overweight duration positions. We view European duration as less attractive, given fiscal pressures, and expect yield curves to steepen across eurozone markets.

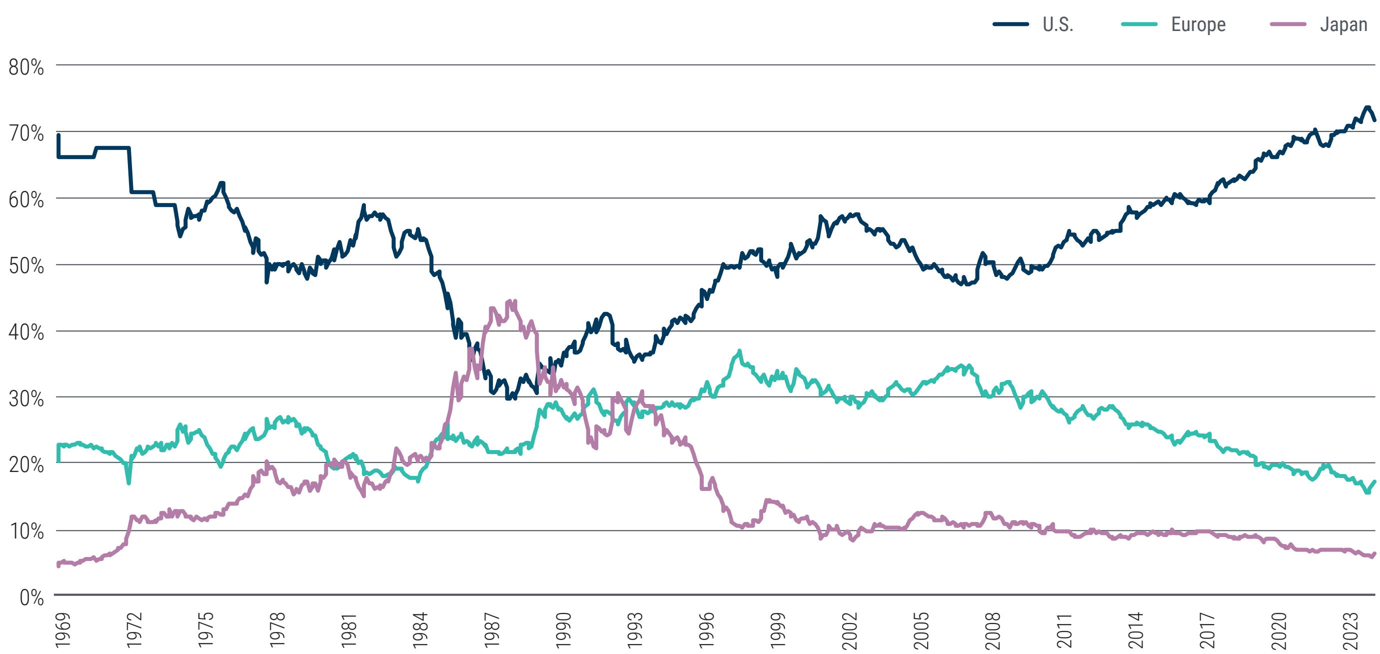
RICH GLOBAL OPPORTUNITIES

The flip side of serial U.S. trade deficits has been the glut of foreign excess savings fueling U.S. capital markets. The world has been heavily weighted toward U.S. investments, particularly equities (see Figure 4), which now appear more vulnerable.

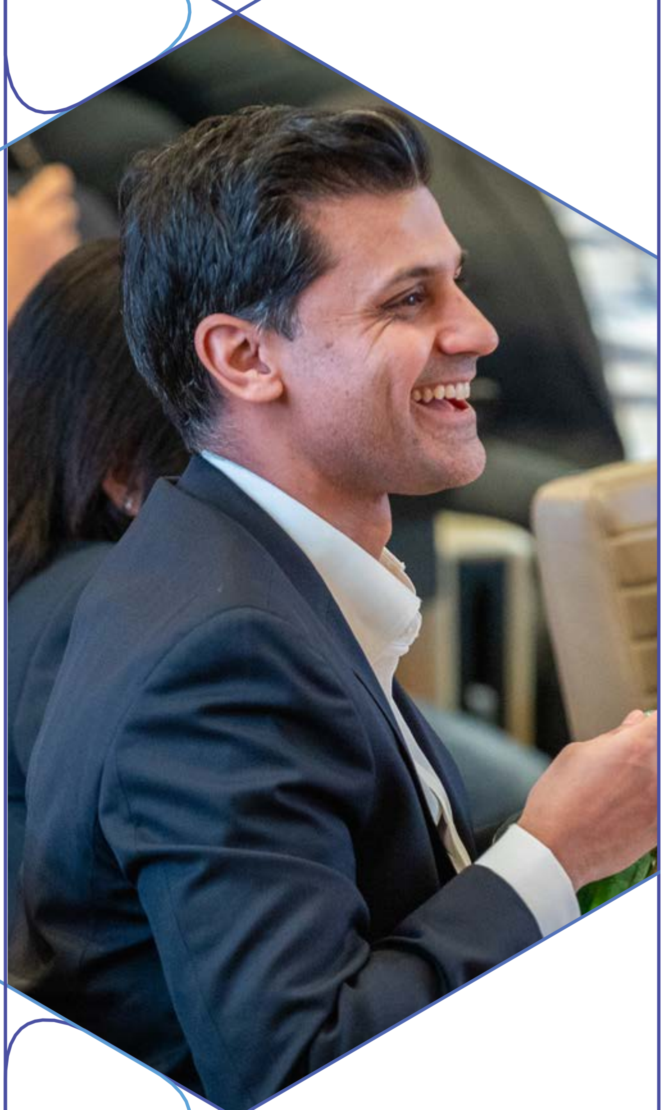
In this environment, we believe it makes sense to capitalize on global opportunities, particularly as bonds have become more attractive. In high quality duration, in credit, and in securities markets, we will look to emphasize the global opportunity set.

Emerging markets (EM) offer interesting alpha opportunities as well as diversification benefits. In high quality EM, historical default rates align with U.S. corporate credit, and premiums for structuring and illiquidity remain attractive. We see value in local currency opportunities that could benefit from capital flows being redirected from the U.S., as well as in hard dollar spreads where investment grade credit is increasingly available.

Figure 4: U.S. now constitutes more than 70% of the MSCI World Index



Source: Datastream, PIMCO calculations as of 27 March 2025



The risks to U.S. exceptionalism have reduced the attractiveness of the U.S. dollar. At the same time, tariff risks caution against short positions in the U.S. dollar, in case currency adjustment is the release valve should unexpected tariffs cause other currencies to depreciate. We favor carefully managed foreign exchange positions, to generate income outside of the U.S. while seeking to minimize correlations to the U.S. dollar or equity markets.

FAVOR ASSET-BASED FINANCE OVER CORPORATE CREDIT

We are cautious on corporate credit, as we believe spreads fail to adequately account for potential downside risks.

While corporate bonds play an important role in portfolios, we currently see greater value in high quality alternatives. That includes credit derivative indices and an overweight position in agency mortgage-backed securities (MBS). We prefer high quality fixed income and securitized products.

In private credit, we believe asset-based finance (ABF) strategies offer the most favorable opportunities and entry points. We can identify attractive cash flow profiles that are typically fixed-rate, amortizing, and secured by tangible assets. This creates a narrower range of outcomes, making ABF a valuable addition to portfolios as other private credit assets face increased uncertainty.

This is especially true in corporate direct lending, where demand/supply imbalances (with more investor demand for loans than borrowers seeking solutions), weaker lender protections, and floating-rate coupons lead to a wider range of outcomes. We see competition in this space increasing, with significant investor dry powder chasing deals and banks returning to syndicated loan markets.

This is contributing to convergence in spreads between public and private leveraged credit markets. Contrary to expectations that the Trump administration would ignite merger and acquisition activity, heightened uncertainty has hindered M&A and slowed new deal flow.

CONCLUSION

With stock valuations and volatility unusually elevated, and credit spreads tight, high quality fixed income can offer attractive yields, stability, and a robust longer-term outlook for patient investors.

About our forums

PIMCO is a global leader in active fixed income with deep expertise across public and private markets. Our investment process is anchored by our Secular and Cyclical Economic Forums. Four times a year, our investment professionals from around the world gather to discuss and debate the state of the global markets and economy and identify the trends that we believe will have important investment implications. In these wide-reaching discussions, we apply behavioral science practices in an effort to maximize the interchange of ideas, challenge our assumptions, counter cognitive biases, and generate inclusive insights.

At the Secular Forum, held annually, we focus on the outlook for the next five years, allowing us to position portfolios to benefit from structural changes and trends in the global economy. Because we believe diverse ideas produce better investment results, we invite distinguished guest speakers – Nobel laureate economists, policymakers, investors, and historians – who bring valuable, multidimensional perspectives to our discussions. We also welcome the active participation of the PIMCO Global Advisory Board, a team of world-renowned experts on economic and political issues.

At the Cyclical Forum, held three times a year, we focus on the outlook for the next six to 12 months, analyzing business cycle dynamics across major developed and emerging market economies with an eye toward identifying potential changes in monetary and fiscal policies, market risk premiums, and relative valuations that drive portfolio positioning.

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

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. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States. **Structured products** such as Collateralized Debt Obligations (CDOs), Constant Proportion Portfolio Insurance (CPPI), and Constant Proportion Debt Obligations (CPDOs) are complex instruments, typically involving a high degree of risk and intended for qualified investors only. Use of these instruments may involve derivative instruments that could lose more than the principal amount invested. The market value may also be affected by changes in economic, financial, and political environment (including, but not limited to spot and forward interest and exchange rates), maturity, market, and the credit quality of any issuer. **Private credit** involves an investment 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. 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. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy. The **credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. **Diversification** does not ensure against loss.

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.

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. Investors should consult their investment professional prior to making an investment decision. Outlook and strategies are subject to change without notice.

Correlation is a statistical measure of how two securities move in relation to each other. **Duration** is the measure of a bond's price sensitivity to interest rates and is expressed in years.

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material is 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.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd (Company No. 2604517, 11 Baker Street, London W1U 3AH, United Kingdom)** is authorised and regulated by the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN) in the UK. The services provided by PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser. Since PIMCO Europe Ltd services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. | **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), PIMCO Europe GmbH Italian Branch (Company No. 10005170963, via Turati nn. 25/27 (angolo via Cavalieri n. 4), 20121 Milano, Italy), PIMCO Europe GmbH Irish Branch (Company No. 909462, 57B Harcourt Street Dublin D02 F721, Ireland), PIMCO Europe GmbH UK Branch (Company No. FC037712, 11 Baker Street, London W1U 3AH, UK), PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E, Paseo de la Castellana 43, Oficina 05-111, 28046 Madrid, Spain) and PIMCO Europe GmbH French Branch (Company No. 918745621 R.C.S. Paris, 50–52 Boulevard Haussmann, 75009 Paris, France)** are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie- Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). The Italian Branch, Irish Branch, UK Branch, Spanish Branch and French Branch are additionally supervised by: (1) Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB) (Giovanni Battista Martini, 3 - 00198 Rome) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) Irish Branch: the Central Bank of Ireland (New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3) in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) UK Branch: the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN); (4) Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV) (Edison, 4, 28006 Madrid) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Tile V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively and (5) French Branch: ACPR/Banque de France (4 Place de Budapest, CS 92459, 75436 Paris Cedex 09) in accordance with Art. 35 of Directive 2014/65/EU on markets in financial instruments and under the surveillance of ACPR and AMF. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. According to Art. 56 of Regulation (EU) 565/2017, an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO Europe GMBH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. | **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2, Brandschenkestrasse 41 Zurich 8002, Switzerland)**. According to the Swiss Collective Investment Schemes Act of 23 June 2006 ("CISA"), an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO (Schweiz) GmbH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Asia Pte Ltd** (8 Marina View, #30-01, Asia Square Tower 1, Singapore 018960, Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Asia Limited** (Suite 2201, 22nd Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong) is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. PIMCO Asia Limited is registered as a cross-border discretionary investment manager with the Financial Supervisory Commission of Korea (Registration No. 08-02-307). The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Investment Management (Shanghai) Limited**. Office address: Suite 7204, Shanghai Tower, 479 Lujiazui Ring Road, Pudong, Shanghai 200120, China (Unified social credit code: 91310115MA1K41MU72) is registered with Asset Management Association of China as Private Fund Manager (Registration No. P1071502, Type: Other). | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862. This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision, investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. To the extent it involves Pacific Investment Management Co LLC (PIMCO LLC) providing financial services to wholesale clients, PIMCO LLC is exempt from the requirement to hold an Australian financial services licence in respect of financial services provided to wholesale clients in Australia. PIMCO LLC is regulated by the Securities and Exchange Commission under US laws, which differ from Australian laws. | **PIMCO Japan Ltd**, Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association. All investments contain risk. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is an independently operated and managed company. The reference number of business license of the company approved by the competent authority is (112) Jin Guan Tou Gu Xin Zi No. 015 . The registered address of the company is 40F., No.68, Sec. 5, Zhongxiao East Rd., Xinyi District, Taipei City 110, Taiwan (R.O.C.), and the telephone number is +886 2 8729-5500. | **PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **Note to Readers in Colombia:** This document is provided through the representative office of Pacific Investment Management Company LLC located at Carrera 7 No. 71-52 TB Piso 9, Bogota D.C. (Promoción y oferta de los negocios y servicios del mercado de valores por parte de Pacific Investment Management Company LLC, representada en Colombia.). **Note to Readers in Brazil:** PIMCO Latin America Administradora de Carteiras Ltda.Av. Brg. Faria Lima, 3477 Itaim Bibi, São Paulo - SP 04538-132 Brazil. **Note to Readers in Argentina:** This document may be provided through the representative office of PIMCO Global Advisors LLC AVENIDA CORRIENTES, 299, Buenos Aires, Argentina. |