

PIMCO Quarterly Pension Review

April 2026

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.

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What happened and **what it means for pension plans**

The Quarterly Pension Review provides a concise summary of recent market developments and their impact on pension plans. It is intended for both investment practitioners and those from other disciplines who are in plan governance roles. More than a market recap, we dissect data and share objective insights that will aid you in decision-making.

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Macroeconomic Backdrop: Resilience Under Strain

The conflict in the Middle East has disrupted oil production and transportation, causing financial markets to reprice the expected paths for growth, inflation, and central bank policy. In private credit markets, risks that were largely hidden from view – including illiquidity and opaque pricing – have moved to the front of investors' minds. As AI continues to fuel an investment boom, it is also disrupting industries.

Energy shock raises stagflationary risks

Global growth has been resilient despite growing divergence below the surface. Higher energy prices are sharpening existing divides between winners and losers – creating new ones – across countries, sectors, businesses, and households.

This is a different environment from 2022

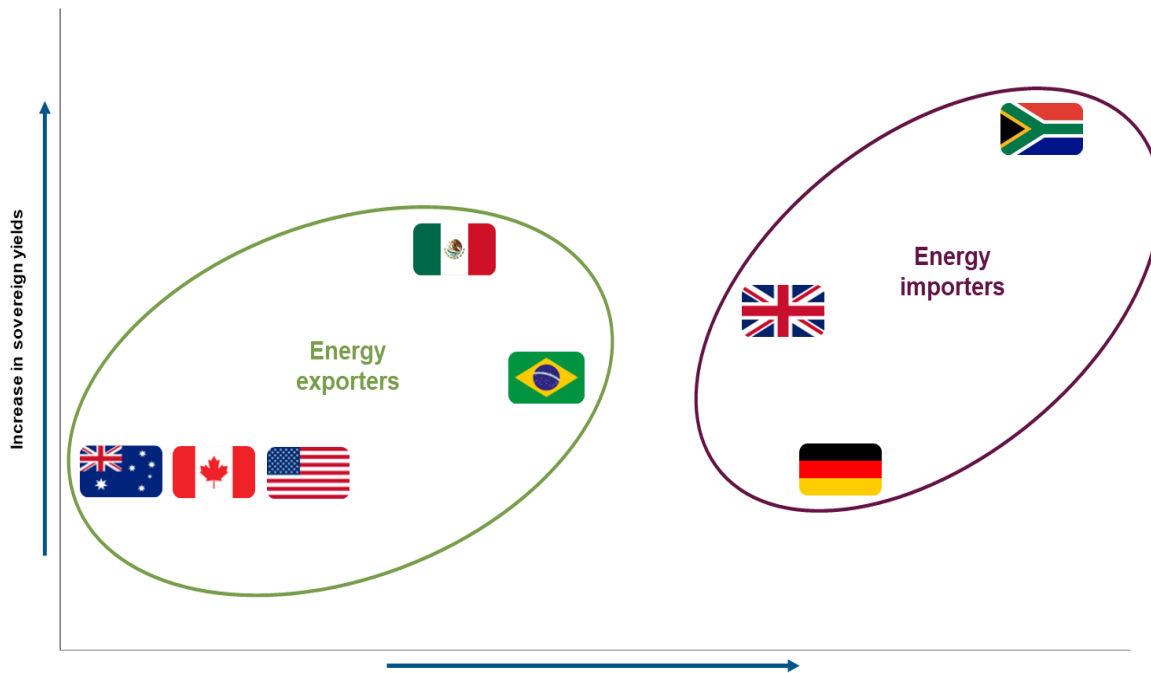
The energy shock from the Russia-Ukraine war collided with a post-pandemic economy shaped by pent-up demand, fiscal stimulus, and tight labor markets, amplifying inflation. Today, fiscal policy is tighter, labor markets looser, and policy rates restrictive, reducing the risk of sustained inflation.

Governments may face a policy paradox

We believe central banks are unlikely to match the market's recent repricing of policy rate expectations. Recession risks have increased, while elevated sovereign debt levels limit the scope for fiscal responses.

Middle East conflict reinforces theme of divergent paths and outcomes

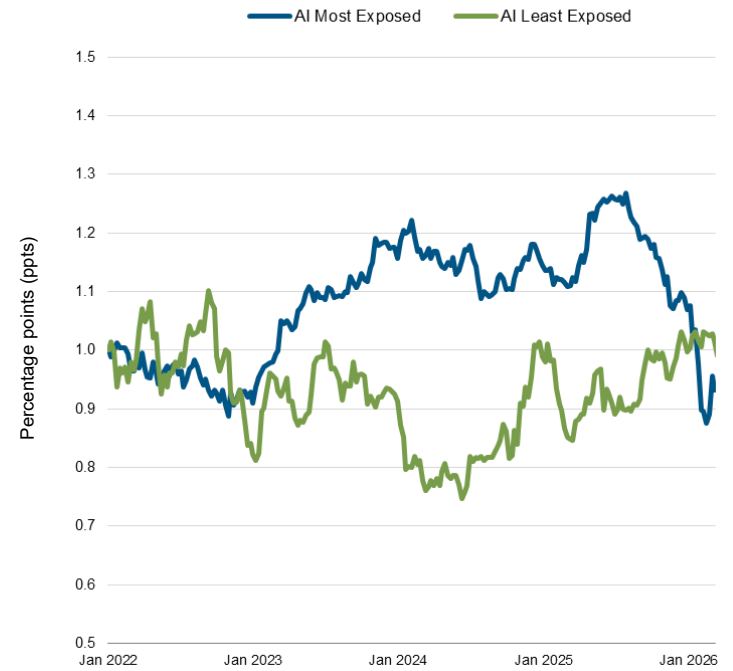
Rise in sovereign yields and inflation expectations since the Iran conflict



As of 31 March 2026. Source: Bloomberg, Haver, and PIMCO calculations.
Mexico is a crude oil exporter and a net importer of refined petroleum products.

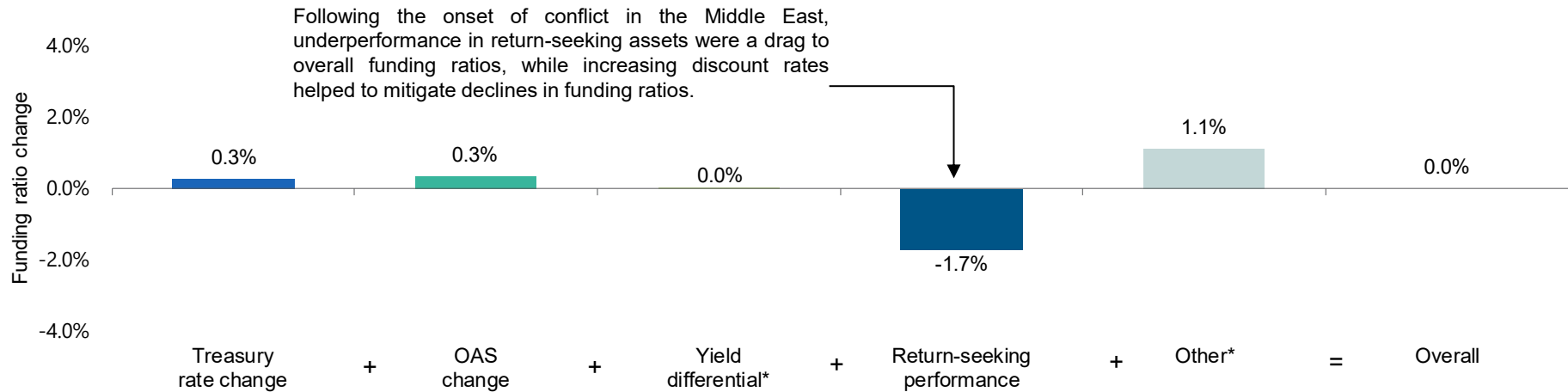
AI has boosted growth while creating clear winners and losers

Equity Performance vs. SPX by AI Exposure
Companies in SPX (Jan 2022 = 1)

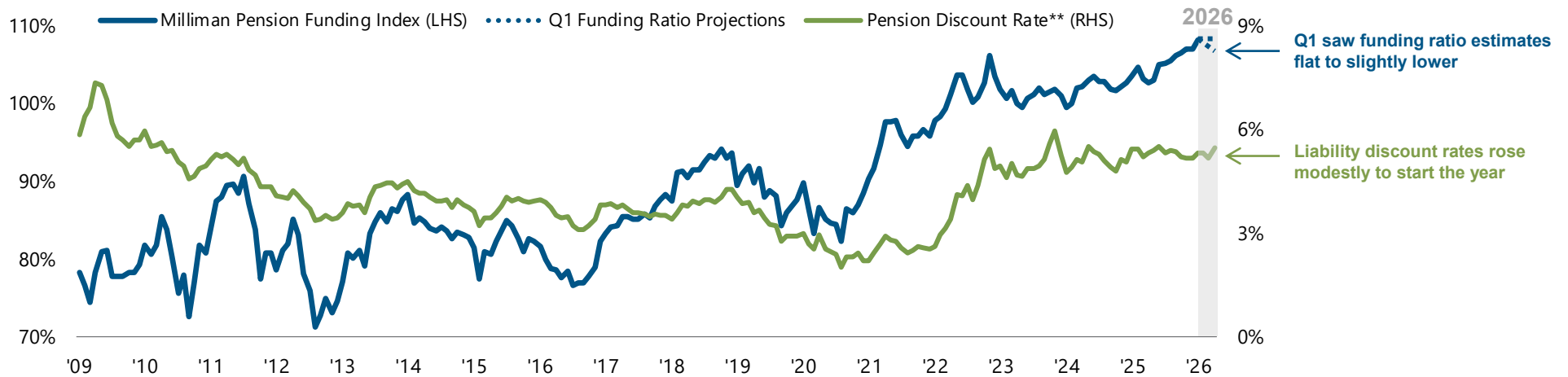


Funding ratios largely flat in Q1 despite return-seeking underperformance

Q1 '26 Funding Ratio Attribution (hypothetical pension plan with no change in funded ratio)



Pension Funding Ratio and Discount Rate



As of 31 March 2026. Source: Bloomberg, Milliman, FTSE, PIMCO.

* Yield differential refers to the yield of the fixed income portfolio compared to pension liabilities. Other refers to the residual of PIMCO's internal attribution model for estimating the change in the hypothetical pension plan's funded status.

** Represented by the FTSE Pension Liability Index short discount rate
Refer to Appendix for additional investment strategy and risk information.

Asset class returns through a pension lens

Liability-hedging assets

- Despite broad gains early in the year, developed market yields sold off and curves broadly flattened, though magnitude varied by region. Markets recalibrated expectations for monetary policy, as rising energy prices lifted inflation expectations.
- Credit spreads widened over the quarter as the asset class was affected by rising inflation and growth concerns, although remains supported by resilient fundamentals and robust demand.

Q1 2026					
	Total Return	YTM	OAS Level (bp)	OAS Change (bp)	YTD Total Return
BBG Barclays Aggregate	0.0%	4.57%	30	4	0.0%
Intermediate Credit	-0.2%	4.73%	73	10	-0.2%
Long Credit	-1.2%	5.86%	106	11	-1.2%
Long Corporate	-1.2%	5.87%	105	11	-1.2%
Long Govt/Credit	-0.8%	5.35%	50	5	-0.8%
Long Treasury	-0.4%	4.91%	-	-	-0.4%
20+ STRIPS	-0.7%	5.10%	-	-	-0.7%

Return-seeking assets

- Risk asset performance was mixed in Q1'26. DM equities declined in the first quarter of 2026, as U.S. large cap weakness and valuation compression outweighed strength in Japan and Europe. EM equities finished the first quarter of relatively flat, as strong gains posted in the first two months of the year sharply reversed amid expanding conflict in the Middle East.
- The EM asset class continues to show a temporary deterioration in global risk sentiment following the escalation in the Iran conflict, rather than a structural shift in investor demand for emerging markets.
- Global high yield bond spreads widened over the quarter, with the highest quality segment of the high yield market outperforming.

Q1 2026			
	Total Return	Index Level	YTD Total Return
S&P 500	-4.4%	6,529	-4.4%
Russell 2000	0.9%	2,496	0.9%
MSCI World	-3.5%	4,258	-3.5%
MSCI ACWI	-3.1%	979	-3.1%
MSCI EM	-0.1%	1,397	-0.1%
EM External	-1.1%	-	-1.1%
EM Local	-2.2%	-	-2.2%
High Yield	-0.5%	-	-0.5%

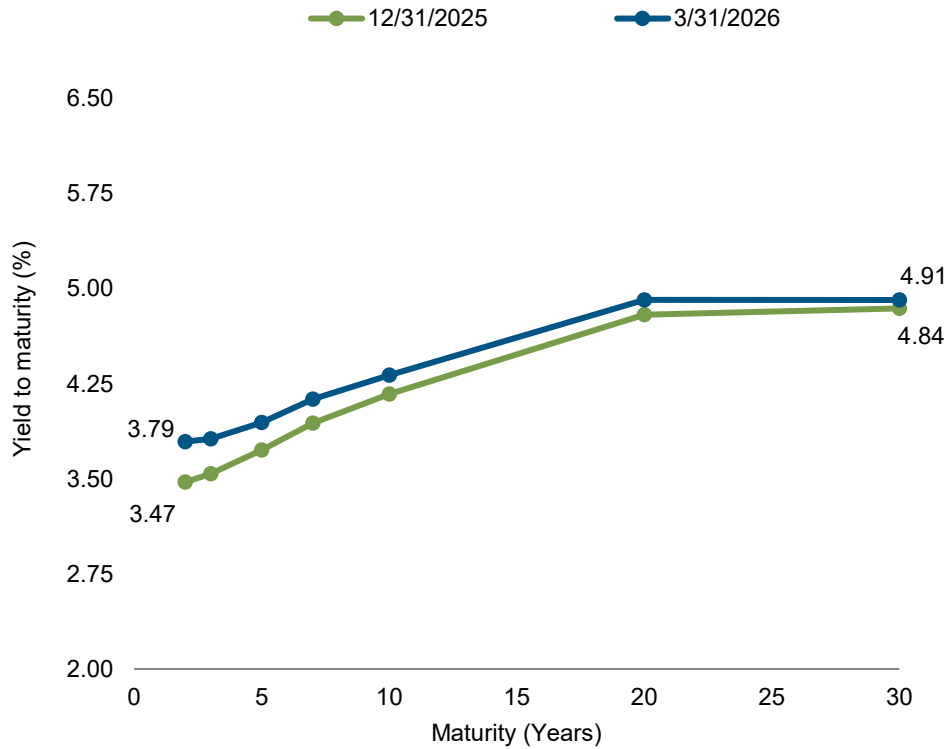
As of 31 March 2026. Source: Bloomberg, Barclays

Past performance is not a guarantee or a reliable indicator of future results. See the Appendix for the indices used as the proxy for each asset class.

Refer to Appendix for additional index, index proxies, OAS, outlook and risk information.

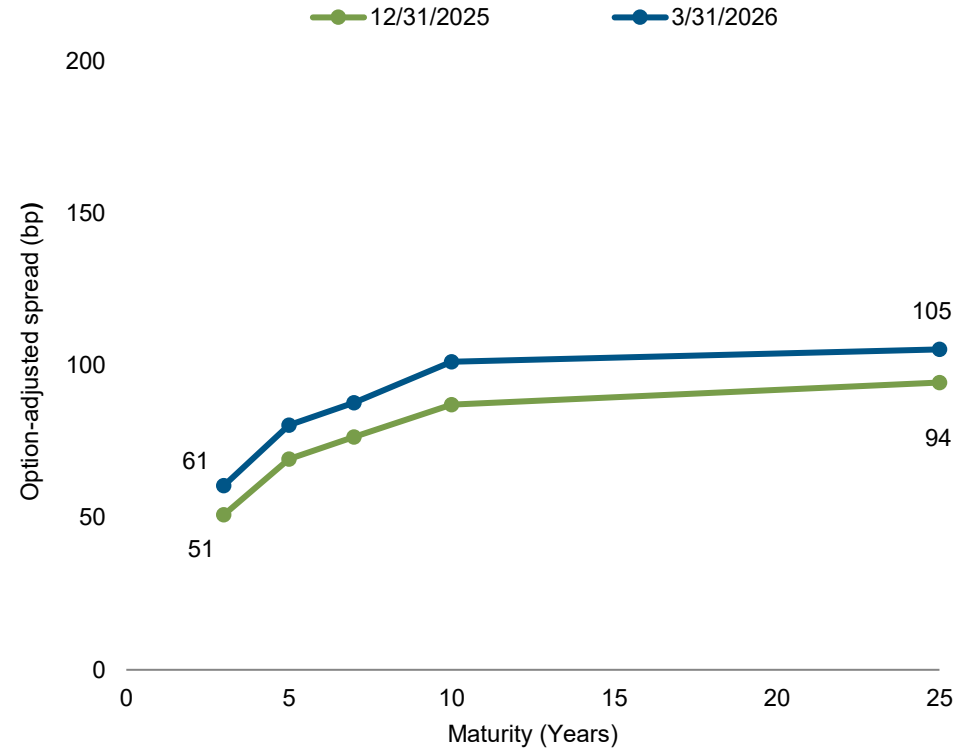
Yield curve and credit curve snapshot

U.S. Treasury Curve



The U.S. treasury yield curve flattened over the quarter.

Bloomberg U.S. Corporate OAS

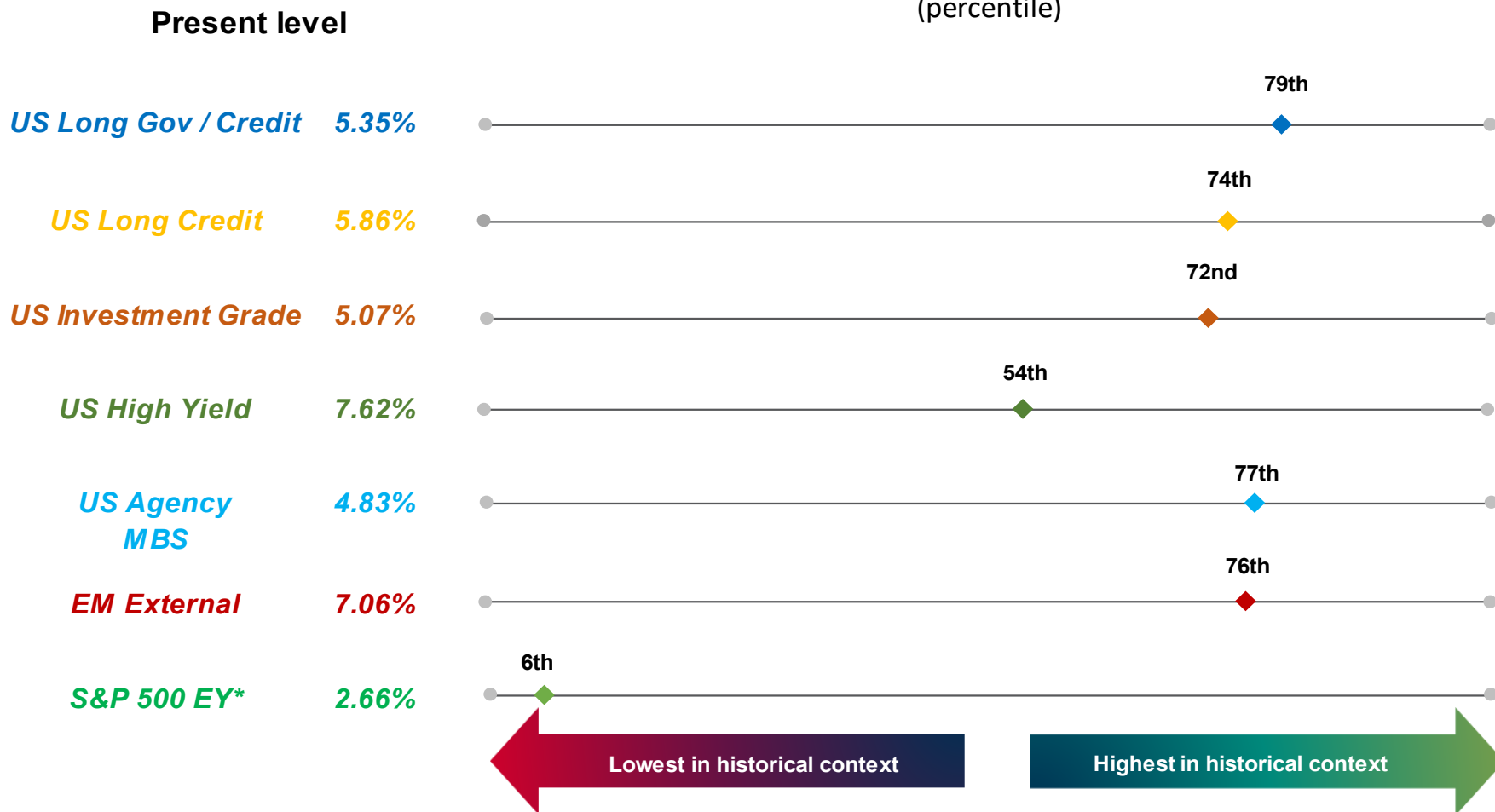


Credit spreads widened across the curve during the quarter.

As of 31 March 2026. Source: Barclays, Bloomberg
Refer to Appendix for additional index, OAS, and risk information.

Credit markets update: putting yields in context

Yield to maturity: relative to past 20 years
(percentile)



As of 31 March 2026. SOURCE: PIMCO, Bloomberg

Yields using data over last 20 years or relative to the period from index inception to as of date. US Long Gov/Credit= BBG U.S. Long Government / Credit Index, US Long Credit = BBG U.S. Long Credit Index, US IG = BBG U.S. Credit Aggregate Credit Index, US HY = BBG U.S. Corporate High Yield Index, Agency MBS=BBG U.S. Mortgage-Backed Securities Index, EM External = JPM EM Bond Index Global Yield.

*The S&P 500 EY is 10y Cyclically Adjusted Earnings Yield (1/CAPE).

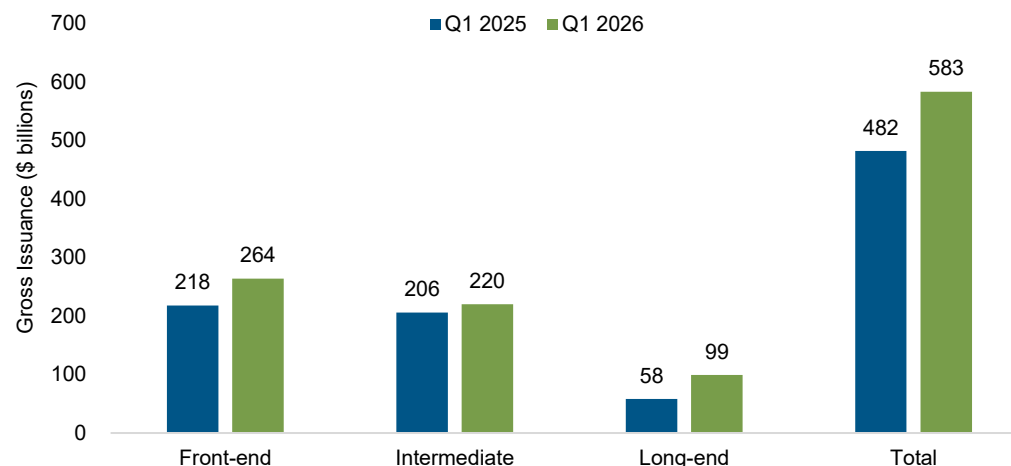
Refer to appendix for additional index, investment strategy, OAS, and risk information.

Credit markets update

Investment Grade

- U.S. investment grade credit spreads widened by 10 bps, ending the quarter at 83 bps. The sector returned -0.48%, underperforming like-duration treasuries by 0.44%.
- Credit spreads widened over the quarter amid rising inflation and growth concerns, though the asset class remains supported by resilient fundamentals and robust demand
- Investment grade corporate gross issuance totaled \$583 billion in Q1 2026, higher than gross issuance in Q4 2025.

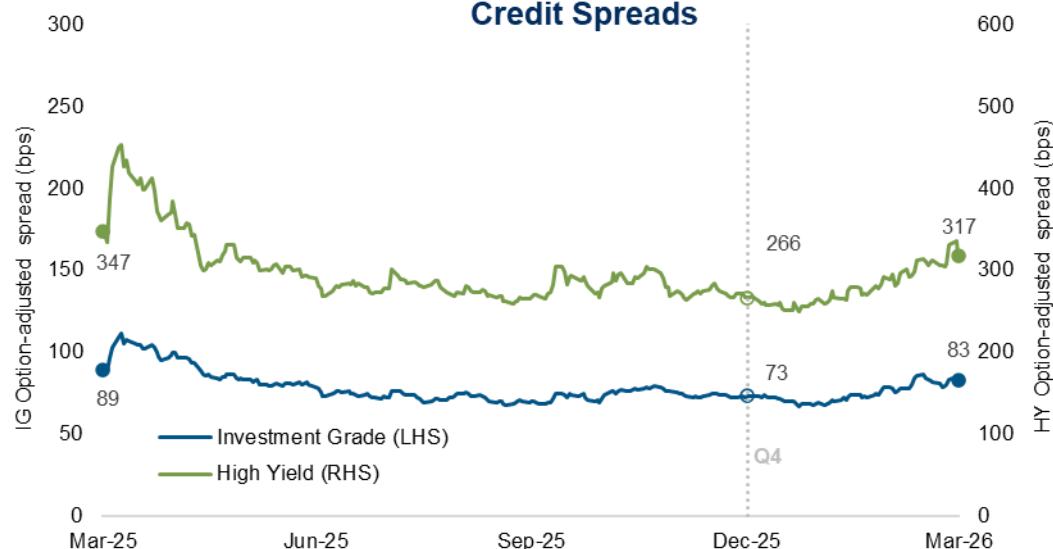
Investment Grade Corporate Issuance



High Yield

- U.S. high yield credit returned -0.5% as the conflict in the Middle East weighed on inflation and growth expectations, though partially offset by strength in energy-related sectors. High yield credit spreads widened by 51 basis points during the first quarter of 2026, ending at 317 basis points.
- In Q1'26, the highest quality segment of the high yield market outperformed as the BB-rated and B-rated segments saw a total return of -0.5% and -0.7%, respectively, while the CCC-rated segment saw a total return of -2.6%.

Credit Spreads



As of 31 March 2026. Source: Barclays

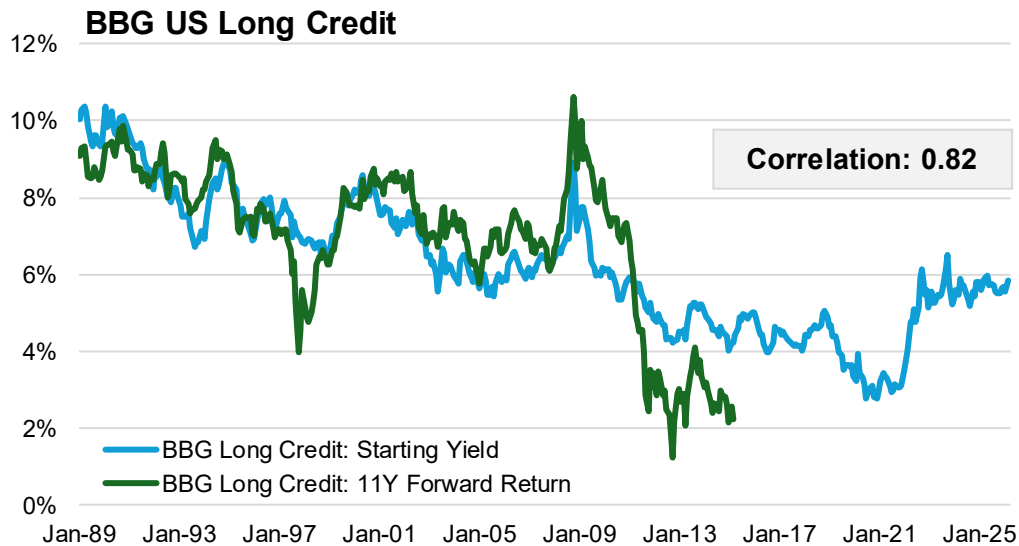
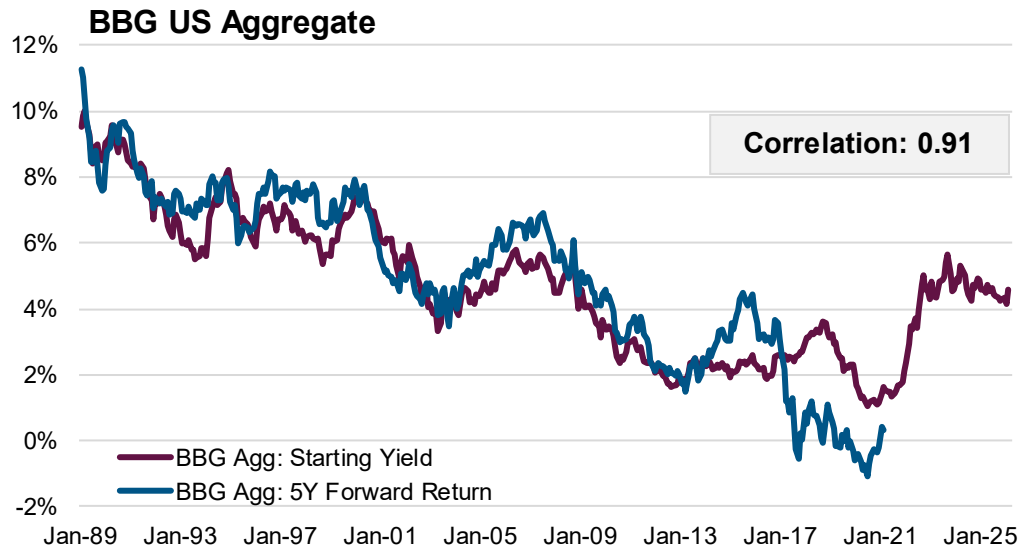
Front-end = 1-5 year, Intermediate = 6-12 year, Long-end = 13+ year

Investment Grade spreads represented by Bloomberg U.S. Investment Grade Credit Index. High yield spreads represented by Bloomberg U.S. Corporate High Yield Index.

Refer to the Appendix for additional credit quality, index, OAS, outlook and risk information.

Assessing return prospects within fixed income

Current starting yields may imply attractive longer-term returns vs. recent history



Yields and future returns

- Starting yields have historically been highly predictive of forward returns over horizons aligned with bond maturities.
- When actively managed, incremental excess returns may lead to returns over and above starting yields, potentially enhancing return outcomes with lower volatility than equities.
- Additionally, long duration fixed income allocations may provide added flexibility within the liability-hedging portfolio.

Fixed income vs. equities

- Future returns in equities are highly dependent upon earnings growth and valuation multiples.
- Historically within fixed income, a large portion of returns are effectively “locked in” by way of the starting yield.

	S&P 500	BBG US Long Credit
Estimated Return ¹	6.0%	6.4%
Estimated Volatility ²	14.0%	10.9%
Return / Vol	0.4	0.6

As of 31 March 2026. Source: PIMCO. **For illustrative purposes only.** Starting yields based on yield to worst. Time period for 5Y and 11Y forward return based on average duration of the respective index over the period shown.

¹ Unless otherwise specified, return estimates are an average annual return over a 10-year horizon.

Refer to Appendix for additional index, investment strategy, volatility, yield to worst, and risk information.

Thought Leadership

Retirement

[PIMCO Retirement Resources- Plan Sponsor Guide](#) PIMCO | April 2026

[PIMCO's Approach to Custom Target Date Glidepath Design: Solving with Intention](#) Sean Klein, Joe Szalay, Vidur Mehra | February 2026

Economy and Outlook

[Inside Today's Mortgage Credit Opportunity](#) Dan Ivascyn, Jason Steiner | April 14, 2026

[Macro Signposts | U.S. Employment Volatility Masks Structural Shift](#) Tiffany Wilding | April 9, 2026

[A Systematic Lens on Global Equity Opportunities Within Multi-Asset Portfolios](#) Usman Ali, Emmanuel S. Sharef, Shelby Pope | April 1, 2026

Markets and Investments

[The Credit Market Lens: Oil Supply Shocks Don't Age Well](#) Lotfi Karoui | April 13, 2026

[The Credit Market Lens: A data-driven look at public credit liquidity](#) Lotfi Karoui, Michael Puempel | April 6, 2026

[The Credit Market Lens: A market split, but for how long?](#) Lotfi Karoui | March 30, 2026

[Spreads May Be Converging Across Public and Private Markets, But Liquidity Is Not](#) Lotfi Karoui | March 19, 2026

[Private Credit's Other Lanes Still Offer Value](#) Lotfi Karoui, Gabriel Cazaubielh | March 6, 2026

[Real Estate Views of 2026: Navigating Structural Uncertainty with Discipline](#) John Murray, Kirill Zavodov, Russel Gannaway, Francios Trausch | January 13, 2026

Refer to Appendix for additional investment strategy and risk information.

Resources

Webinars and Podcasts

[PIMCO's Cyclical Outlook – Layered Uncertainty: Conflict, Credit Stress, and AI](#) Marc Seidner, Tiffany Wilding, Ken Chambers | March 2026

[PIMCO's RealPath Blend Annual update](#) Erin Browne, Vidur Mehra | March 2026

[Expect the Unexpected with Pramol Dhawan](#) Greg Hall, Pramol Dhawan | February 24, 2026

[Don't Ignore Your Core: Process and Progress with PIMCO CIO Mohit Mittal](#) Greg Hall, Mohit Mittal | February 10, 2026

The **PIMCO Pod** - can be listened to on the following platforms - [Spotify](#) | [Apple](#)

Market and Industry Insights

View our Client Solutions & Analytics team's [market dashboard](#).

Washington Outlook: For regular insights on U.S. policy via email, please sign up [here](#) to receive Washington Watch from Libby Cantrill, Head of Public Policy.

Macro Signposts: For weekly insights on the global macro landscape, sign up [here](#) to receive Macro Signposts from Tiffany Wilding, Economist.

Tools

PIMCO Pro: Digital Engagement Platform: Login today or [register](#) as a new user to utilize our dynamic, self-service features for your PIMCO investments.

PIMCO's OPTI Tool: Explaining the “Three T’s” or Private Assets. [Watch Now](#)

Refer to Appendix for additional investment strategy and risk information.

Appendix

PERFORMANCE

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.

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.

INDEX

Bloomberg Long-Term Government/Credit Index is an unmanaged index of U.S. Government or Investment Grade Credit Securities having a maturity of 10 years or more. It is not possible to invest directly in an unmanaged index.

Bloomberg U.S. Long Credit Index includes both corporate and non-corporate sectors with maturities equal to or greater than 10 years. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. It is not possible to invest directly in an unmanaged index.

The Bloomberg Long Corporate Index is a component of the Bloomberg U.S. Long Credit index. Bloomberg U.S. Long Credit Index is the credit component of the Bloomberg U.S. Government/Credit Index, a widely recognized index that features a blend of U.S. Treasury, government-sponsored (U.S. Agency and supranational), and corporate securities limited to a maturity of more than ten years.

Bloomberg Long-Term Treasury Index consists of U.S. Treasury issues with maturities of 10 or more years. It is not possible to invest directly in an unmanaged index.

FTSE STRIPS Index, 20+ Year Sub-Index represents a composition of outstanding Treasury Bond and Notes with a maturity of at least twenty years. The index is rebalanced each month in accordance with underlying Treasury figures and profiles provided as of the previous month-end. The included STRIPS are derived only from bonds in the FTSE U.S. Treasury Bond Index, which include coupon strips with less than one year remaining to maturity. It is not possible to invest directly in an unmanaged index.

INDEX cont'd

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

S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The Index focuses on the large-cap segment of the U.S. equities market. It is not possible to invest directly in an unmanaged index.

Russell 2000® Index is composed of 2,000 of the smallest companies in the Russell 3000 Index and is considered to be representative of the small cap market in general. It is not possible to invest directly in an unmanaged index.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of non-U.S. developed markets. The index covers approximately 85% of the free-float adjusted market capitalization in each country. The MSCI World reflects the views and practices of the international investment community by striking a balance between a country's economic development and the accessibility of its market while preserving index stability.

The MSCI All Country World Index is a free-float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI All Country World Index consists of 46 country indexes comprising developed and emerging market indexes.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. It is not possible to invest directly in the index.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It is not possible to invest directly in an unmanaged index.

Appendix

INDEX cont'd

JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged) is a comprehensive global local emerging markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. It is not possible to invest directly in an unmanaged index.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Bloomberg Long Term Government Index is an unmanaged index of U.S. Government Securities having a maturity of 10 years or more.

The Bloomberg US Intermediate Credit Index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with less than ten years to maturity. It is composed of a corporate and a noncorporate component that includes non-US agencies, sovereigns, supranationals and local authorities.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index.

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

OAS

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average earned over Treasury returns, taking multiple future interest rate scenarios into account.

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

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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. For **Volatility**, we employed a block bootstrap methodology to calculate volatilities. We start by computing historical factor returns that underlie each asset class proxy from January 1997 through the present date. We then draw a set of 12 monthly returns within the dataset to come up with an annual return number. This process is repeated 25,000 times to have a return series with 25,000 annualized returns. The standard deviation of these annual returns is used to model the volatility for each factor. We then use the same return series for each factor to compute covariance between factors. Finally, volatility of each asset class proxy is calculated as the sum of variances and covariance of factors that underlie that particular proxy. For each asset class, index, or strategy proxy, we will look at either a point in time estimate or historical average of factor exposures in order to determine the total volatility. Please contact your PIMCO representative for more details on how specific proxy factor exposures are estimated.

Appendix

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 material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been 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. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world.

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