

Ahead of the Curve

Bonds are offering investors
attractive opportunities right now

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.

Q2 2025

A close-up portrait of an elderly woman with short, wavy, grey hair. She is smiling gently and resting her chin on her right hand. She is wearing a light blue blazer over a white turtleneck sweater and large gold hoop earrings. The background is a soft, out-of-focus light blue.

Explore Today's Investment Landscape and Opportunities.

Our View

We expect bonds to do well across a range of environments. Amid uncertainty, investors, especially those with meaningful cash allocations, should consider taking advantage of bonds' attractive valuations and defensive properties.

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Fixed Income Allocations May Offer Multiple Benefits to a Portfolio

Diversification

Bonds may help diversify a portfolio of riskier assets like stocks.

Income & Returns

Bonds can provide investors with a source of income in the form of coupon payments.



Preservation

Barring default, the principal value of a bond is expected to be returned to the investor at maturity.

PIMCO's Macroeconomic Outlook



Inflation Near Target, But Likely to Rebound

Though moderating, some components remain sticky & policy choices are likely to push inflation higher in the near term



Slowing Growth with Potential for Recession

Modest growth coupled with exogenous shocks increase likelihood of recession over the cyclical horizon



Fiscal & Monetary Policy

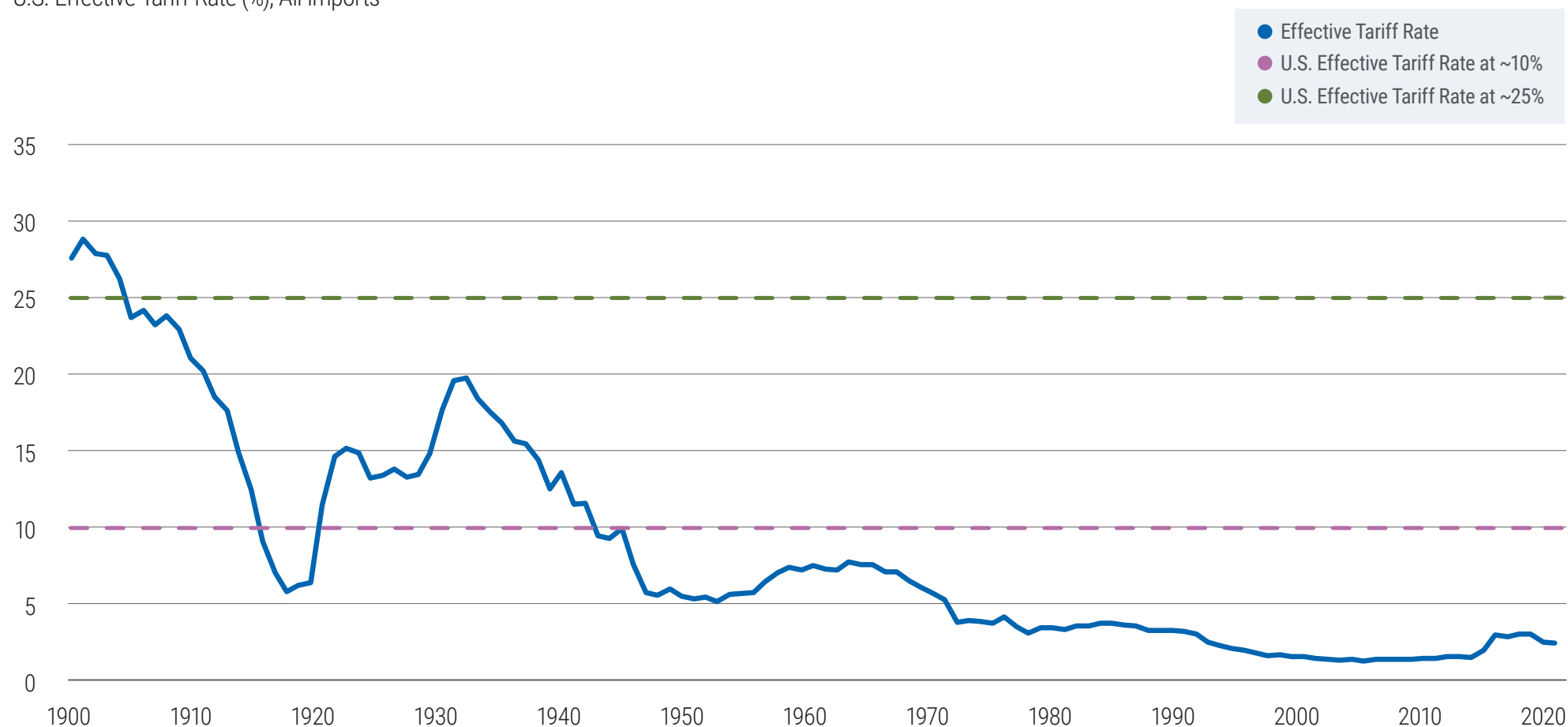
Fiscal support to recede; central banks to remain data dependent, monitoring growth and inflation impact following trade dispute

Offering Historical Context to Tariff Policies Under Consideration

WHAT IT MEANS FOR INVESTORS

Tariffs, and the uncertainty around them, are likely to increase economic, geopolitical, and market volatility. With stretched equity valuations and potentially fleeting cash yields, we believe that high-quality bonds are well-positioned to deliver attractive returns across a wide range of possible outcomes.

U.S. Effective Tariff Rate (%), All Imports



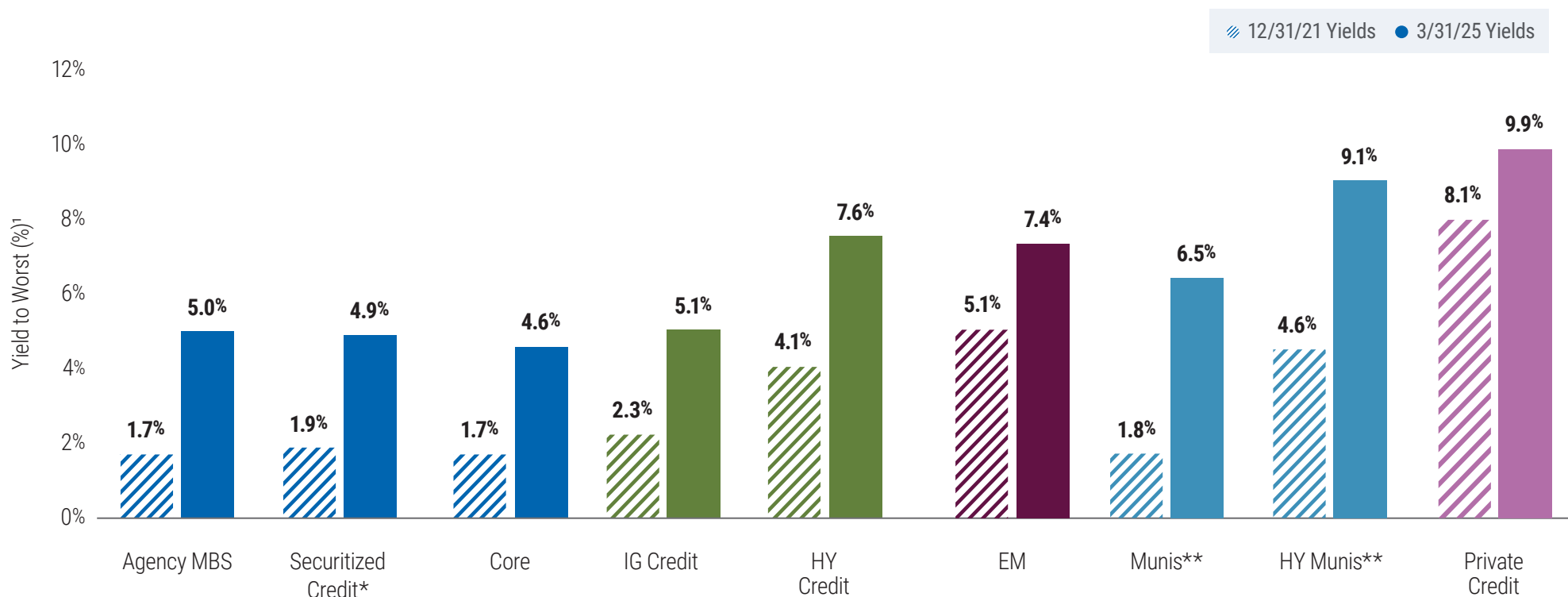
As of 31 March 2025. Symbolic tariff scenario assumes approximately no change in the effective tariff rate on aggregate levels. Source: US Census Bureau, PIMCO.

Yields Across Most Fixed Income Sectors Are High vs. Recent History

WHAT IT MEANS FOR INVESTORS

Yields are still near decade highs across most fixed income sectors. The combination of high starting yields and the potential for rates to fall creates an attractive outlook for a wide variety of bonds.

Today, yields are at a much stronger starting point when compared to Q4 2021



As of 31 March 2025. SOURCE: Bloomberg, PIMCO. Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index, Munis: Bloomberg Municipal Bond Index, HY Munis: Bloomberg HY Muni Bond Index, Core: Bloomberg U.S. Aggregate Index, HY Credit: Bloomberg U.S. Corporate High Yield Index, EM: JPMorgan EMBI Global, IG Credit: Bloomberg US Credit Index; Private Credit: Market estimates for yield.

* Securitized Credit computed as average of CLOs, CMBS, and ABS from JPMorgan and Bloomberg.

** Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.7% with a change of 264bps compared to 12/31/2021 levels, the unadjusted HY Muni index yield is 5.3% with a change of 254bps compared to 12/31/2021 levels.

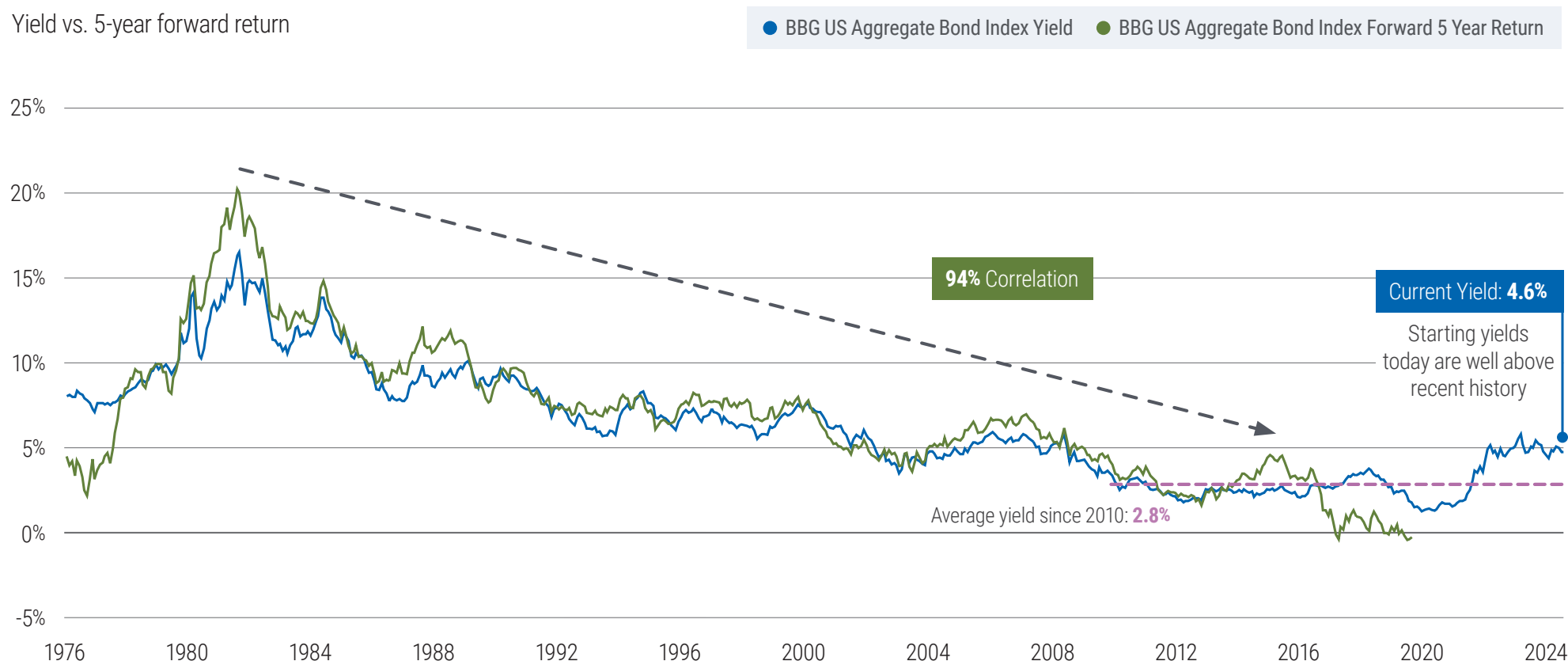
¹ The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields. Refer to Appendix for additional index, outlook, and risk information.

Higher Returns Have Historically Followed Higher Starting Yields

WHAT IT MEANS FOR INVESTORS

With starting yields nearly two times higher than the average yield since 2010, investors could stand to benefit from attractive return potential in fixed income investments going forward.

Yield vs. 5-year forward return



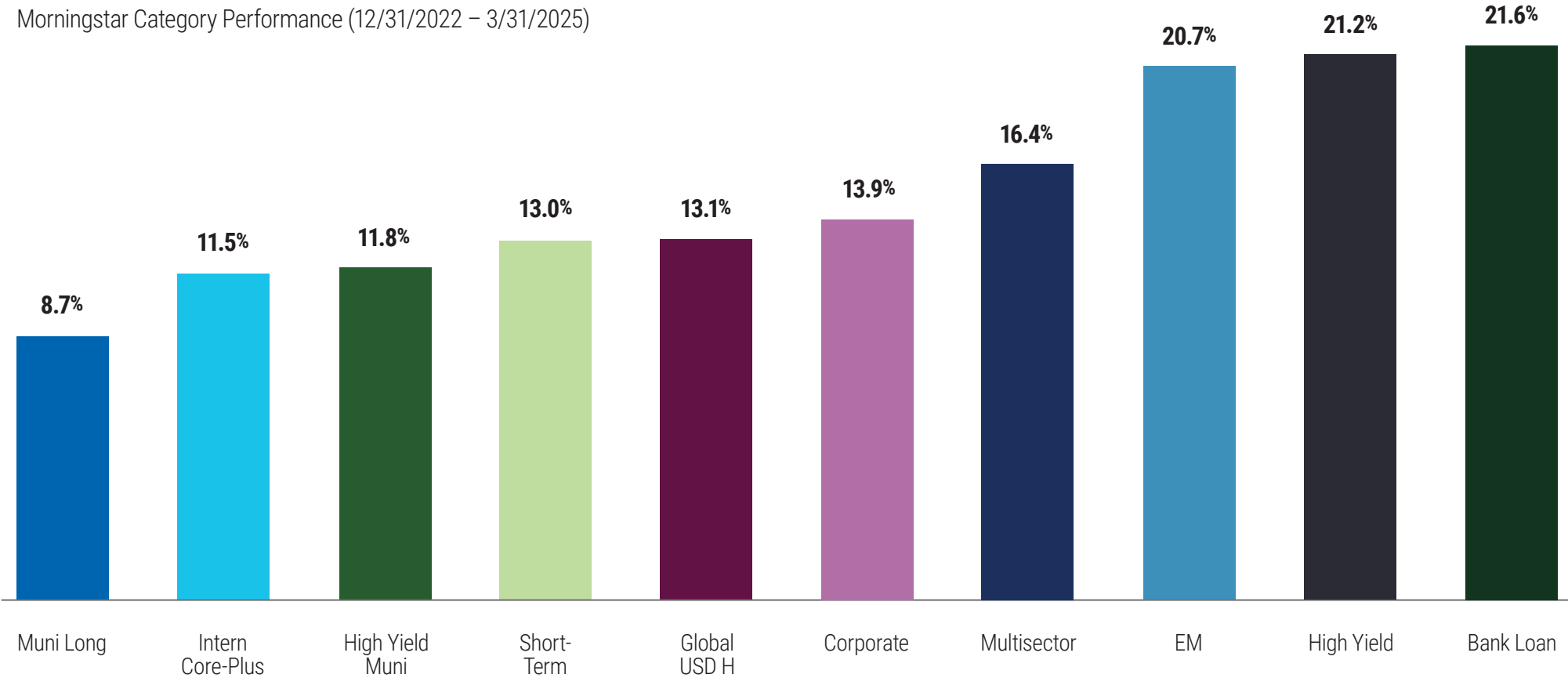
Past performance is not a guarantee nor a reliable indicator of future performance. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. As of 31 March 2025. SOURCE: Bloomberg, PIMCO. Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index. Refer to Appendix for additional correlation, index, investment strategy, outlook and risk information.

Fixed Income Has Delivered Attractive Returns After Yields Reset Higher

WHAT IT MEANS FOR INVESTORS

Today's starting yields are similar to those offered at the beginning of this chart's period, indicating that investors could stand to benefit from attractive return potential across fixed income sectors. However, risk and returns across fixed income sectors can vary significantly so it is important to be diversified and active.

Morningstar Category Performance (12/31/2022 – 3/31/2025)



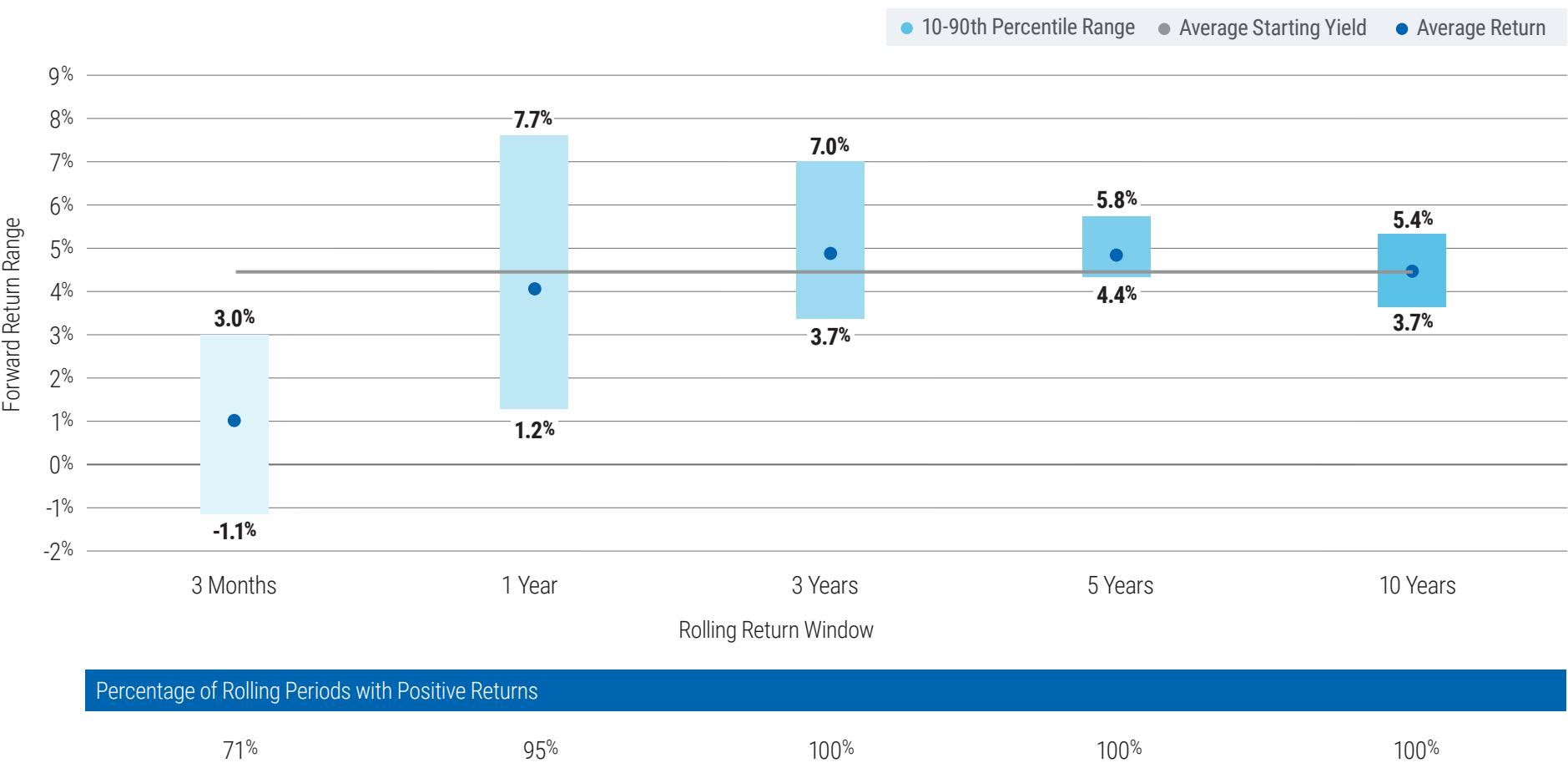
Past performance is not a guarantee or a reliable indicator of future results.
As of 31 March 2025. Source: Morningstar, PIMCO.
Cumulative performance is reflected
Refer to Appendix for additional forecast, index, Morningstar category,
and risk information.

Though Short-Term Returns Can Vary, Long-Term Returns Tend to Anchor on Starting Yields

WHAT IT MEANS FOR INVESTORS

Despite the potential for near-term volatility, data suggests that current yields more consistently reward patient, long-term fixed income investors with returns near their starting yields as their time horizon grows.

Bloomberg U.S. Aggregate Return Distribution when starting yields are between 4-5%



As of 31 March 2025; Source: Bloomberg, PIMCO.
Past performance is not a guarantee nor a reliable indicator of future performance.
Yield and return are shown for the Bloomberg U.S. Aggregate Bond Index since its inception.
Refer to Appendix for additional index and risk information.

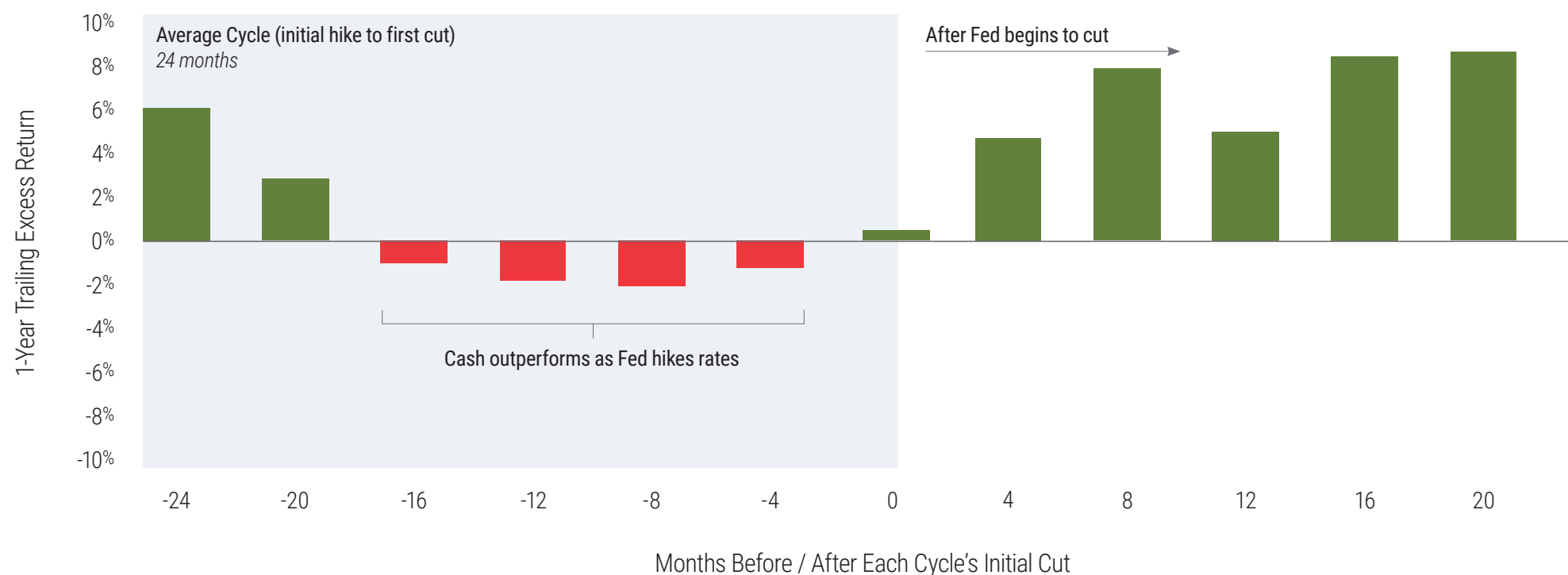
Historically, Fixed Income Has Outperformed Cash Well After the Cutting Cycle Begins

WHAT IT MEANS FOR INVESTORS

At this point in interest rate cycles, bonds have tended to outperform cash. Fed rate cuts have historically supported fixed income performance while also eroding cash returns.

Fixed income performance across interest rate cycles

12-month trailing return: BBG US Aggregate vs. T-bills¹



As of 31 March 2025. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.**

¹ Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1980 (Jul '80 to May '81), 1983 (Feb '83 to Aug '84), 1988 (Feb '88 to Mar '89), 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18). Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.

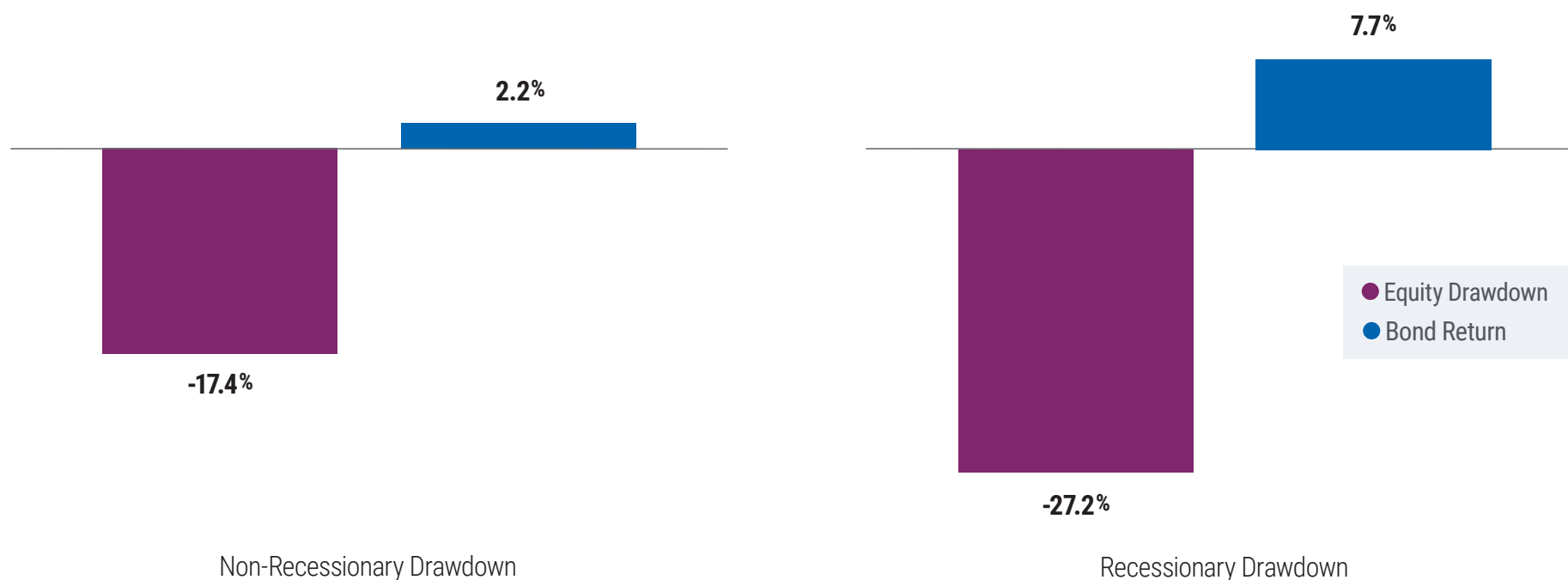
Refer to Appendix for additional forecast, index, outlook, and risk information.

During Meaningful Equity Drawdowns, Bonds Delivered Positive Returns and Diversified to a Greater Degree During Recessions

WHAT IT MEANS FOR INVESTORS

Investors should consider bonds' defensive properties during periods of market stress irrespective of the growth environment.

Average Performance During Meaningful Equity Drawdowns

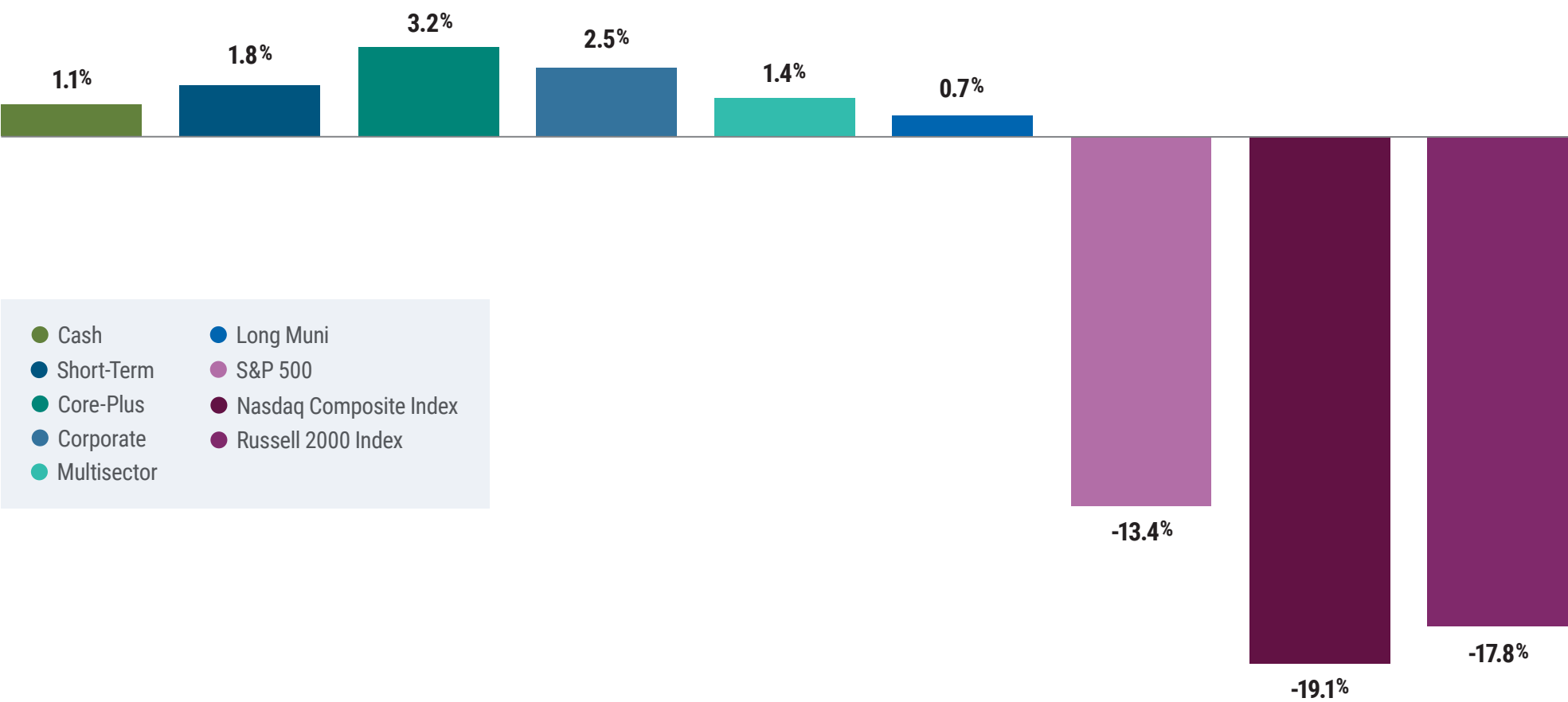


As of 31 March 2025. Source: PIMCO, Bloomberg, NBER. **Past performance is not a guarantee or reliable indicator of future results.** Equities are represented by the S&P 500 Index and Treasuries are represented by the GFD 10 year Government Bond Total Return Index. Drawdowns were classified as any drop larger than 12% relative to the previous peak. There were two drawdowns recorded during the 1973 recession. Monthly data was used as proxy for Treasury return and return was calculated based on the monthly peak to trough dates of drawdowns. We referred to the month end date immediately following the start of the market drawdown. Refer to Appendix for additional index and risk information.

Bonds Provided Diversification to Start 2025

WHAT IT MEANS FOR INVESTORS
In volatile equity markets, fixed income can bring stability and balance to a portfolio.

As U.S. equities have declined, bonds have delivered attractive returns

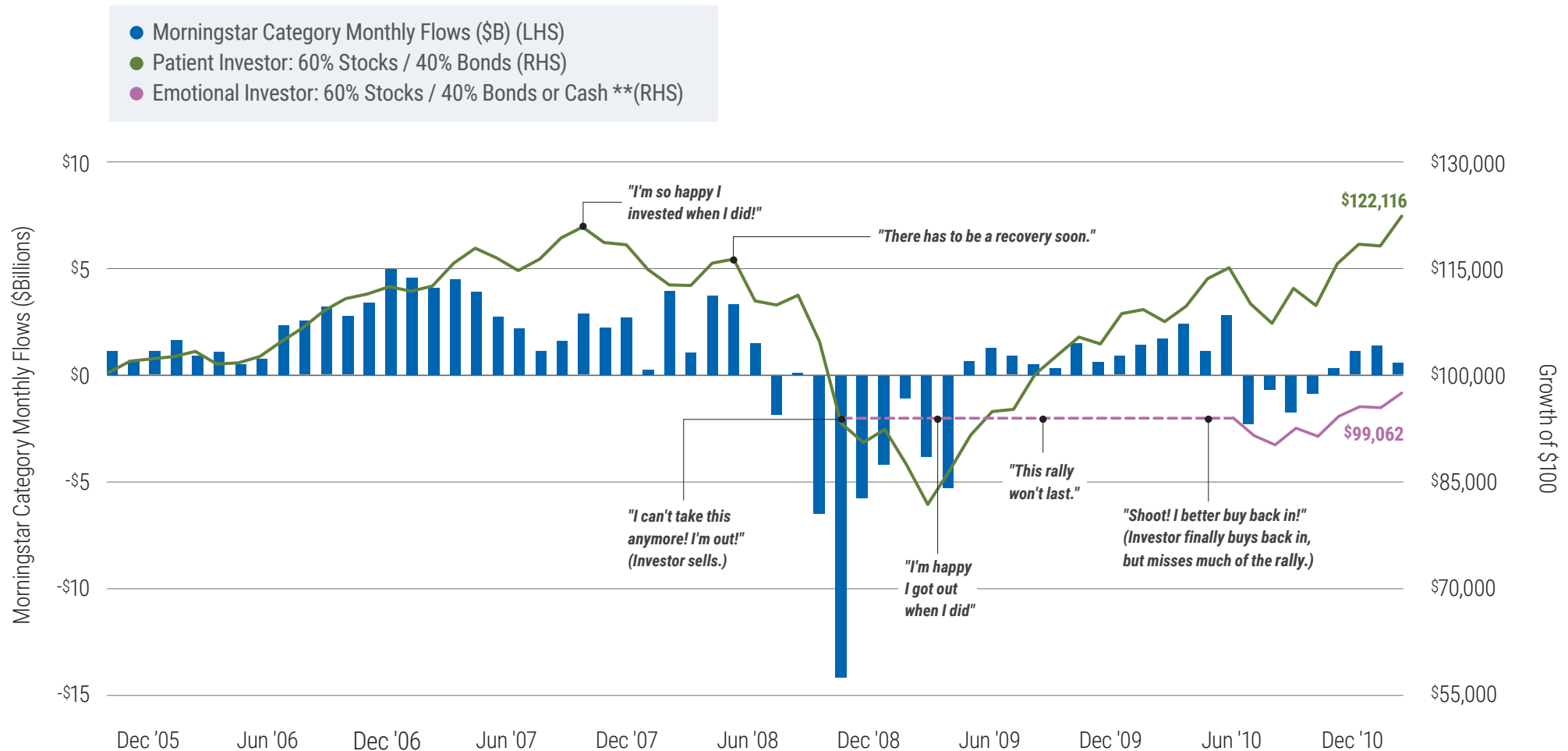


Past performance is not a guarantee or a reliable indicator of future results.
As of 4 April 2025. Source: Bloomberg, PIMCO.
The S&P 500 Index peaked on 2/19/2025. The S&P 500 Index peak is defined as the highest closing value of the index which occurred on 19 February 2025. **Cash:** FTSE 3-Month Treasury Bill Index; **Short-Term:** Morningstar Short-Term Bond Category; **Long Muni:** Morningstar Municipal National Long Category; **Core Plus:** Morningstar Intermediate Core-Plus Category; **Multisector:** Morningstar Multisector Bond Category; **Corporate:** Morningstar Corporate Bond Category
Refer to Appendix for additional performance, hypothetical illustrations, index, Morningstar categories and risk information.

Recent Returns Can Lead to Misbehavior, Partner With a Trusted Advisor

WHAT IT MEANS FOR INVESTORS

When markets are volatile and performance is weak, investors who remain invested may outperform those who sell out and try to time their re-entry.



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

For illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.

** Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

** These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks / 40% Bonds on 30 April 2010.

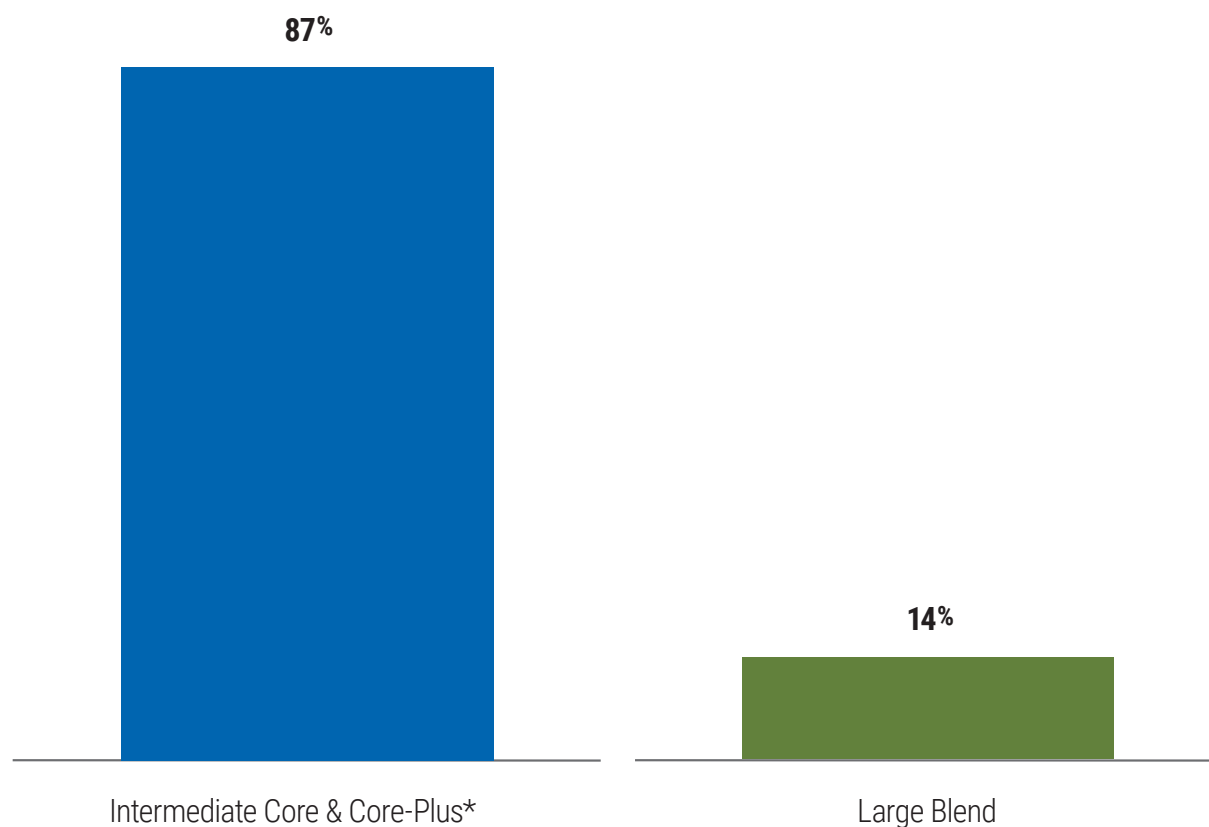
Refer to Appendix for additional hypothetical example, index, investment strategy and risk information.

Bonds Are Different: The Active Advantage

WHAT IT MEANS FOR INVESTORS

While a passive approach may be sensible for equities, investors should consider active fixed income strategies, which have consistently delivered better outcomes than passive fixed income strategies.

Percentage of active funds within each category that outperform the median passive fund (10-year return)



WHY ACTIVE BOND MANAGEMENT WORKS



Index replication is challenging in bond markets



Bond index design may be suboptimal



Many bond market participants do not seek to maximize profits

* Combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories. As of 31 March 2025. Source: Morningstar Direct and PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Based on Morningstar U.S. ETF and U.S. Open-End Fund categories (institutional shares only). To avoid potential survivorship bias, we included funds and ETFs that were live at the beginning of each sample period but were liquidated or merged before the end of the period. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. Refer to Appendix for additional investment strategy, Morningstar category and risk information.

Bonds Are Different: The Active Advantage

Greater market complexity favors active management of bonds vs. Stocks

Bond Market

> 10,000

Over 10,000 securities in the Bloomberg US Aggregate, a common bond index

20%

Typical annual turnover for a bond index due to bonds maturing and new issuance

Hundreds

Number of potential outstanding bonds issued by a single company, with varying maturities and levels of seniority

OTC

Bonds trade over the counter (OTC). Parties negotiate prices, at less frequent intervals, with more limited pricing information

> 50%¹

Percent of bond market participants, such as central banks, who invest with goals other than profit-maximization

Stock Market

~500

About 500 securities in the S&P 500, a common equity index

1%

Typical annual new issuance of equities in equity indexes

One

Number of equity securities typically outstanding for most listed firms

Exchange

Equities trade on markets with standardized terms on a continuous basis during the day, with pricing information broadly disseminated

~0%

Few stock market investors seek goals other than profit-maximization

Source: PIMCO, Bloomberg and S&P as of December 31 2024

¹ Source: PIMCO, IMF, Federal Reserve Board, ECB, BOE, Yardeni, Eurostat, SIFMA, and NAIC as of December 2023, representing the latest data available. Refer to Appendix for additional investment strategy and risk information.

Definitions

FED FUNDS RATE

The interest rate the government charges banks to borrow money overnight. Raising and lowering this rate is a powerful tool the government uses to stimulate or dampen economic activity.

CONSUMER PRICE INDEX (CPI)

A weighted average price of a basket of goods and services, CPI is considered a measure of inflation.

FIXED INCOME SECTORS

The bond market is made up of numerous sectors, which are distinct parts of the market defined by their investment characteristics. These sectors include agency mortgage-backed securities (agency MBS), securitized credit, core, investment grade credit (IG credit), high yield credit (HY credit), emerging markets (EM), municipals (munis), high yield municipals (HY munis).

10-YEAR U.S. TREASURY BONDS

The 10-year Treasury is often used as a proxy for bond market in general.

RATE HIKING CYCLE

Periods where the Federal Reserve embarks on a sustained path of increasing the target fed funds rate. Hiking cycles include (start to peak): July '80 – May '81, Feb '88 – Aug '84, Feb '88 – March '89, Jan '94 – Feb '95, May '99 – May '00, May '04 – June '06 and Nov '15 – Dec '18.

BLOOMBERG AGGREGATE BOND INDEX

A broad-based fixed-income index used as a proxy for the bond market in general.

CHART

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

CORRELATION

The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

FORECAST

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.

HYPOTHETICAL EXAMPLE

Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

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. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

MORNINGSTAR CATEGORIES

INTERMEDIATE-TERM CORE BOND

Intermediate-term core bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures

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.

LARGE BLEND

Large Blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios

where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

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.

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 MCBT.

ULTRASHORT BOND

Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBT.

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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 long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RETURN ASSUMPTIONS

Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

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. Income from **municipal bonds** is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. 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 while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its 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. **Diversification** does not ensure against loss. **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. 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.

STRESS TESTING

Stress testing involves asset or portfolio modeling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modeling events. These methodologies can include among other things, use of historical data modeling, various factor or market change assumptions, different valuation models and subjective judgments.

TAX

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.

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INDEX DESCRIPTIONS

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.

Bloomberg U.S. MBS Fixed-Rate Index covers the mortgage-backed pass-through securities and hybrid ARM pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping individual fixed rate MBS pools into generic aggregates.

Bloomberg Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

The **Bloomberg High Yield Municipal Bond Index** measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

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.

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.

FTSE 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

The **ICE BofA 3 Month U.S. Treasury Index** measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date.

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.

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.

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