PIMCO

PIMCO Quarterly Pension Review

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.

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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.

Table of contents

Macroeconomic Backdrop: Tariffs, Technology and Transition

The Trump administration aims to reshape the U.S.'s global role while improving the country's trade balance through enacting sweeping reforms. The impact on the trade balance remains uncertain. We believe that three forces – tariff effects, the technology investment boom, and challenges to institutions, will likely drive greater economic and capital market volatility within the U.S. and globally.

Clashing Forces

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

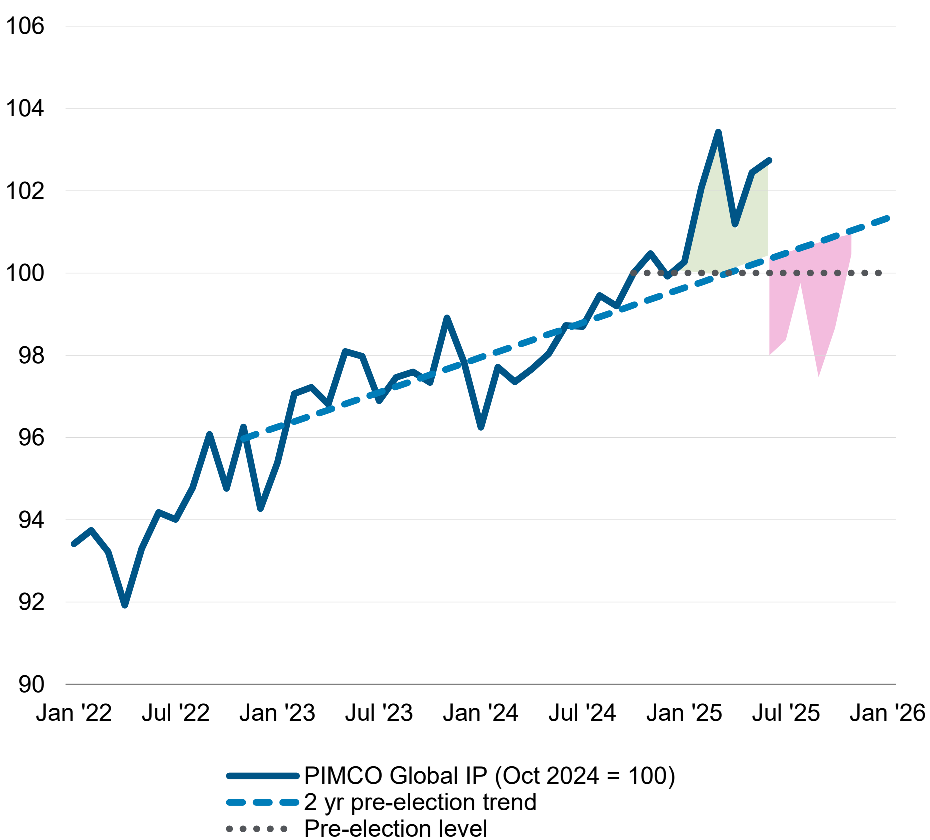
Tariff Effects Kick In

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

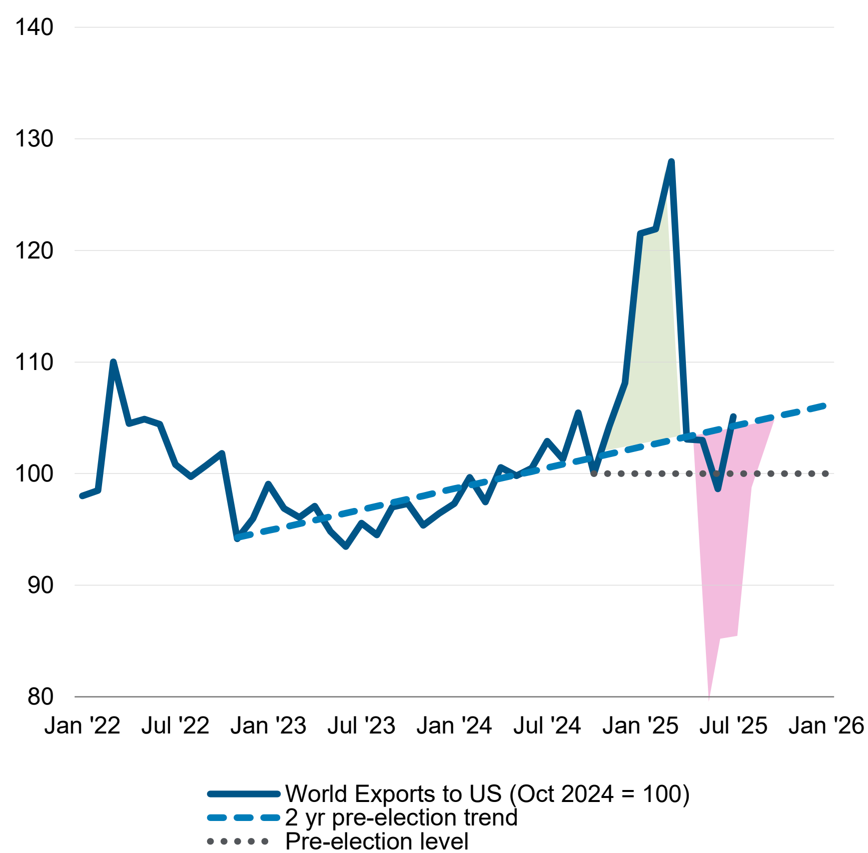
Tech Investment Rolls On

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

PIMCO global industrial production

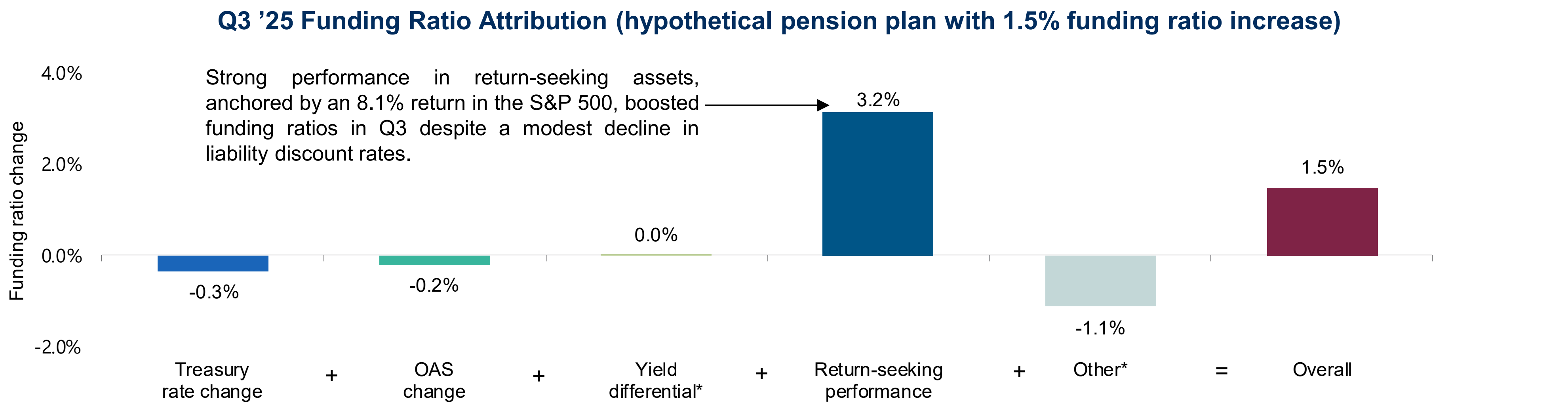


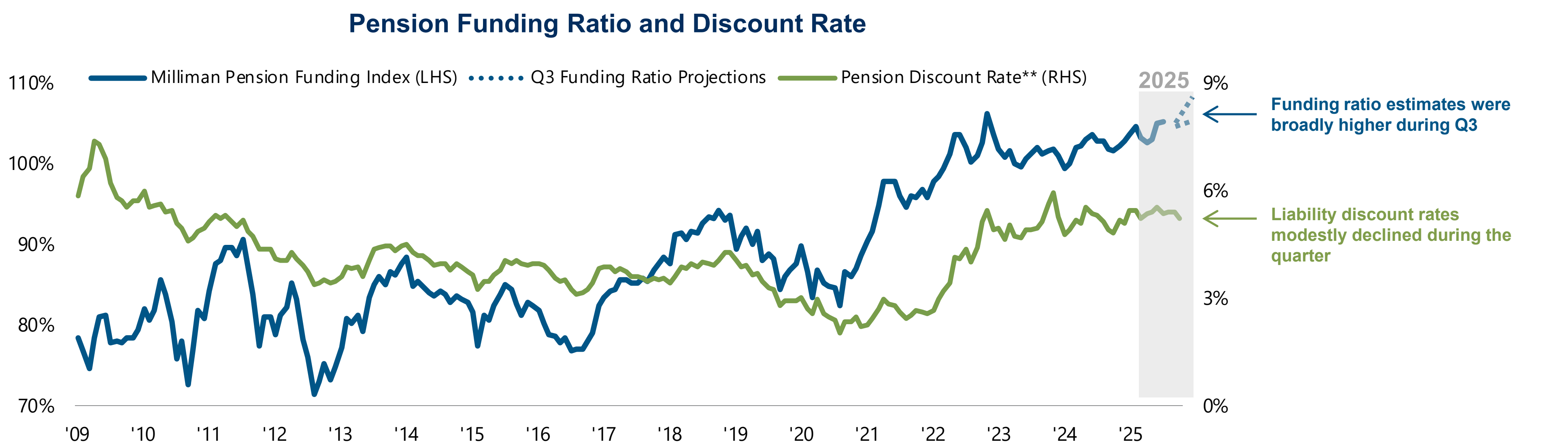
World exports to U.S.



As of 30 September 2025. Source: Bloomberg, Haver, and PIMCO calculations.

Funding ratios in Q3 improved on continued strength in return-seeking assets





As of 30 September 2025. 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

- Amid slowing growth and ongoing U.S. trade policy uncertainty, the Fed and BoE each cut rates by 25 bps. The U.S. Treasury yield curve steepened as softening macro data pushed short-term yields down more than the long-end, which remained elevated due to concerns about Fed independence and fiscal uncertainties.
- Credit spreads tightened over the quarter as the asset class continued to benefit from elevated yields and strong demand.

Q3 2025	Total Return	YTM	OAS Level (bp)	OAS Change (bp)	YTD Total Return
BBG Barclays Aggregate	2.0%	4.37%	28	-4	6.1%
Intermediate Credit	2.0%	4.41%	60	-8	6.5%
Long Credit	3.9%	5.54%	91	-11	7.8%
Long Corporate	3.8%	5.53%	90	-10	7.6%
Long Govt/Credit	3.2%	5.11%	44	-6	6.6%
Long Treasury	2.5%	4.71%	-	-	5.6%
20+ STRIPS	2.9%	4.89%	-	-	2.9%

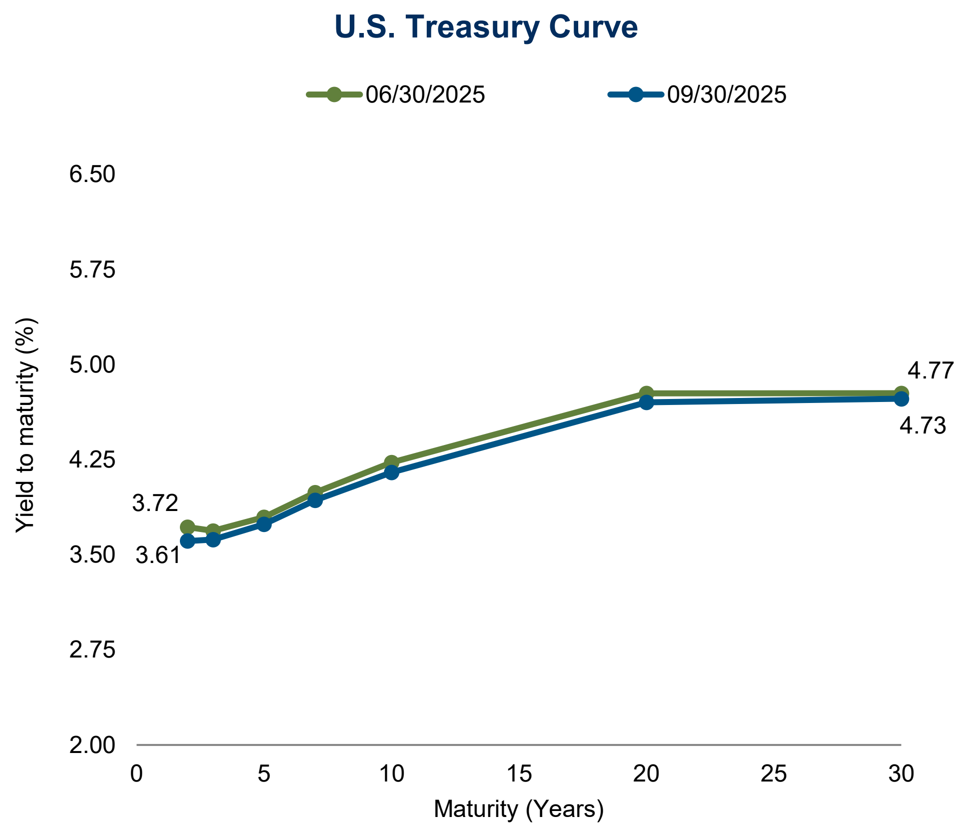
Return-seeking assets

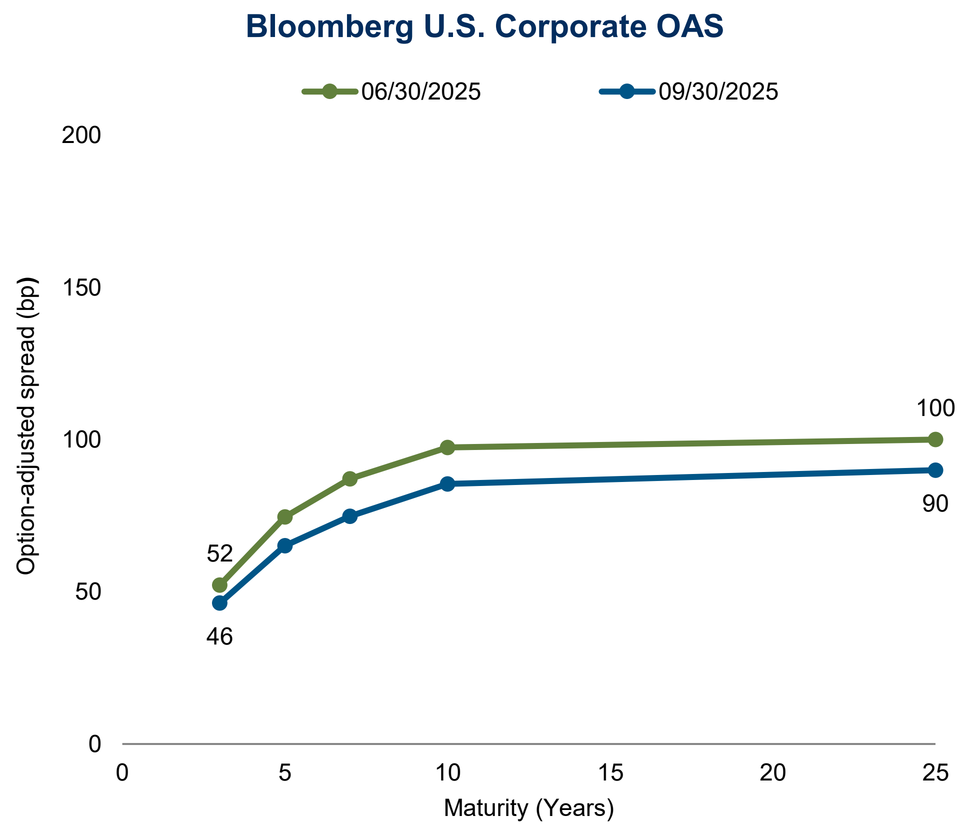
- Risk asset performance was positive in Q3'25. DM equities surged in the third quarter of 2025, extending the upside from Q2 as optimism around artificial intelligence and tech demand and solid corporate earnings fed broad-based gains. EM equities rose in the third quarter of 2025, led by tech-oriented companies and semiconductor stocks in China, Taiwan, and South Korea.
- The EM asset class continues to show resilience amid global tariff pressures, underpinned by healthy growth, disciplined fiscal policy, and broad-based monetary easing.
- Global high yield bond spreads tightened over the quarter. During the quarter, the lowest quality segment of the high yield market outperformed.

Q3 2025	Total Return	Index Level	YTD Total Return
S&P 500	8.1%	6,688	14.8%
Russell 2000	12.4%	2,436	10.4%
MSCI World	7.4%	4,307	17.8%
MSCI ACWI	7.7%	985	18.9%
MSCI EM	10.9%	1,346	28.2%
EM External	4.4%	-	10.1%
EM Local	2.8%	-	15.4%
High Yield	2.5%	-	7.2%

As of 30 September 2025
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





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

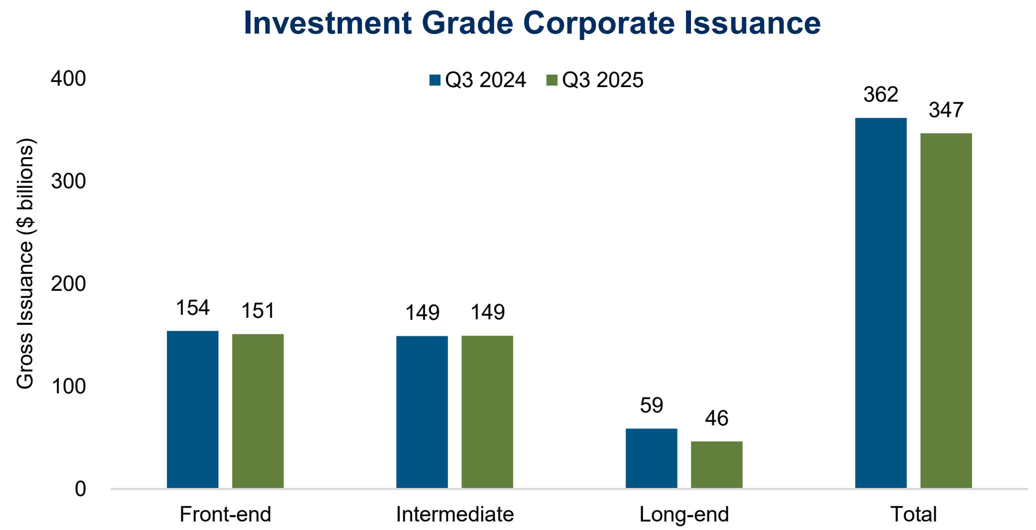
Credit spreads tightened across the curve during the quarter.

As of 30 September 2025. Source: Barclays, Bloomberg
Refer to Appendix for additional index, OAS, and risk information.

Credit markets update

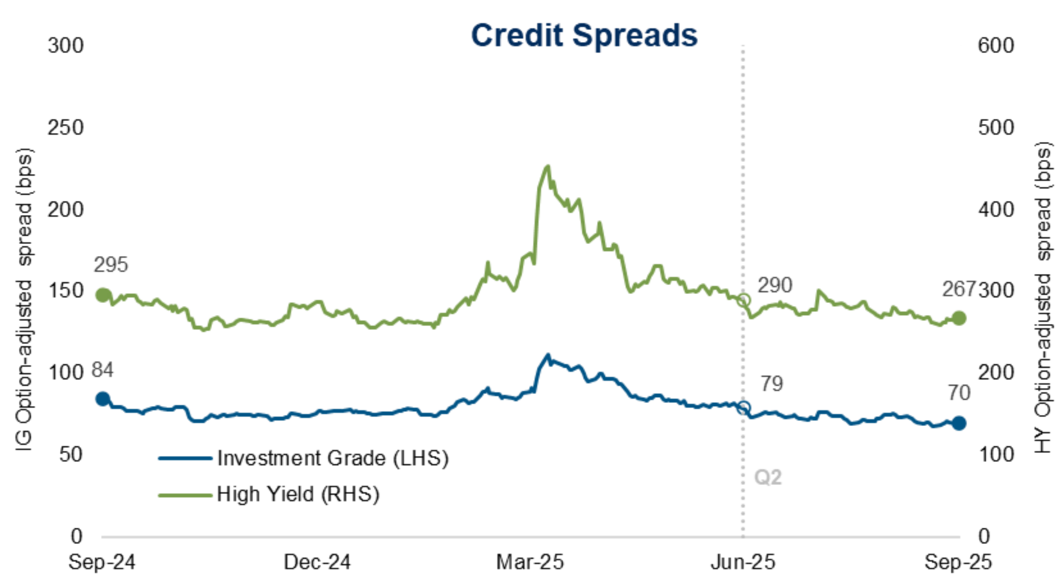
Investment Grade

- U.S. investment grade credit spreads tightened by 9 bps, ending the quarter at 70 bps. The sector returned 2.57%, outperforming like-duration treasuries by 0.97%.
- Credit spreads tightened over the quarter as the asset class continued to benefit from elevated yields and strong demand.
- Investment grade corporate gross issuance totaled $347 billion in Q3 2025, higher than gross issuance in Q2 2025.



High Yield

- U.S. high yield credit returned 2.5% driven by resilient fundamentals and expectation for further Fed rate cuts. High yield credit spreads tightened by 23 basis points during the third quarter of 2025, ending at 267 basis points.
- In Q3’25, the lowest quality segment of the high yield market outperformed as the CCC-rated segment saw a total return of 2.97%, while the BB-rated and B-rated segments saw a total return of 2.31% and 2.50%, respectively.



As of 30 September 2025. 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.

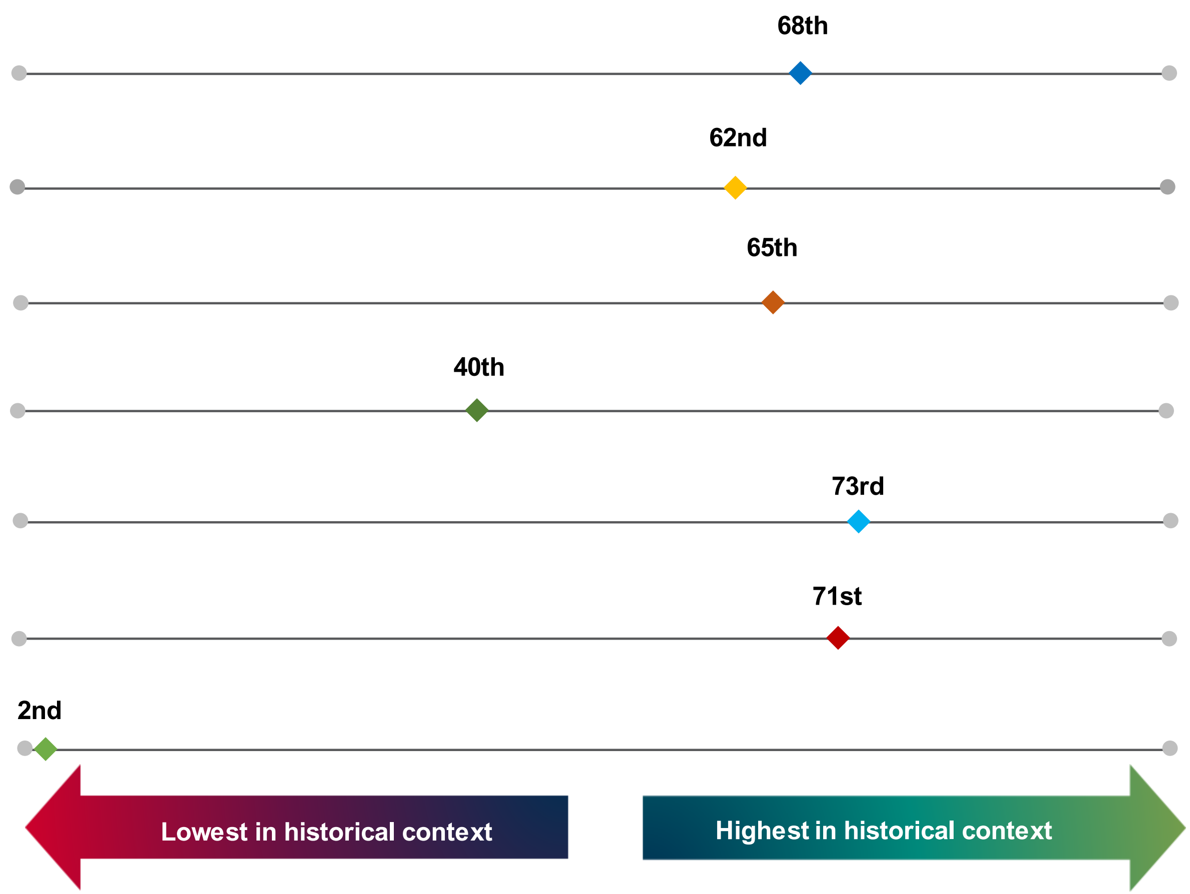
Refer to the Appendix for additional credit quality, index, OAS, outlook and risk information.

Credit markets update: putting yields in context

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

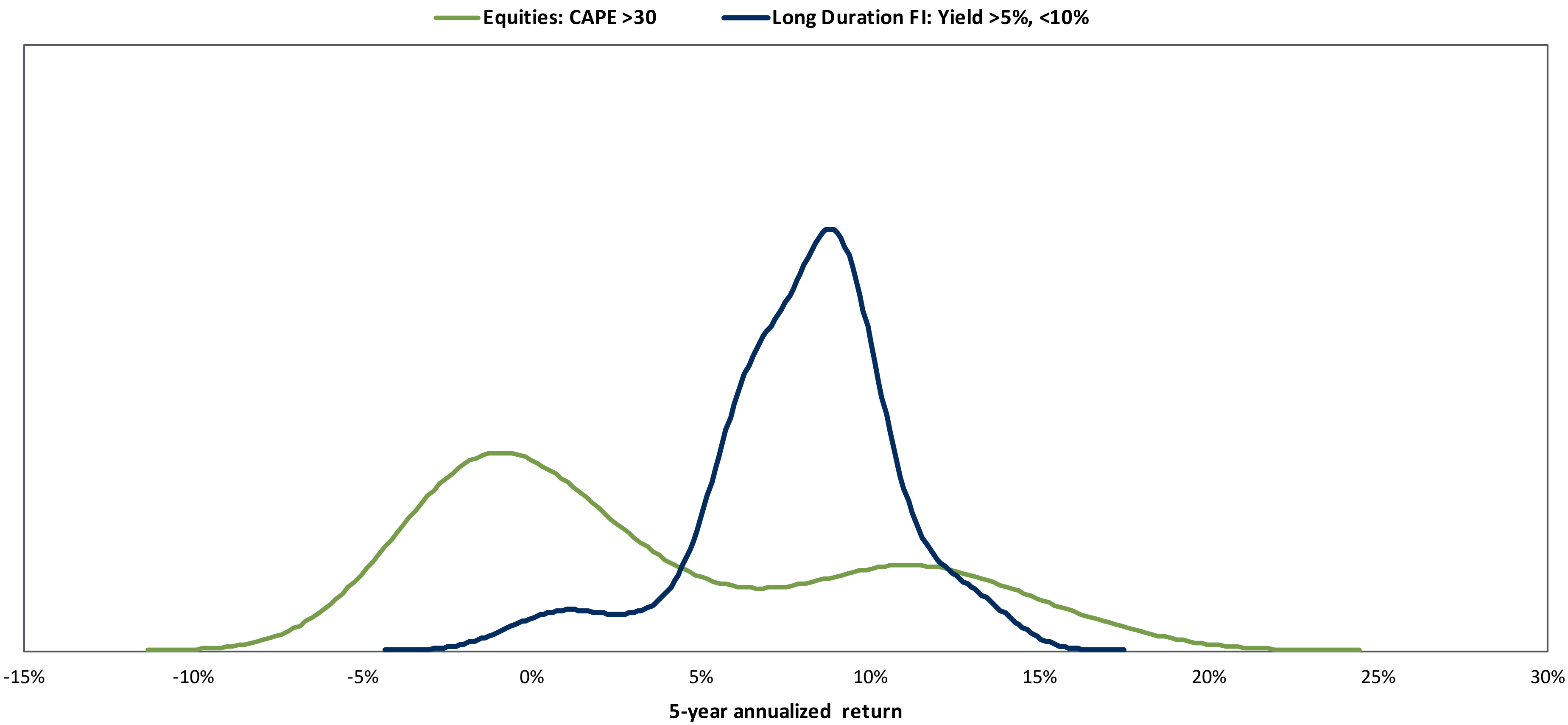
Present level

US Long Gov / Credit	***5.11%***
US Long Credit	***5.54%***
US Investment Grade	***4.76%***
US High Yield	***7.06%***
US Agency MBS	***4.74%***
EM External	***6.85%***
S&P 500 EY*	***2.63%***



As of 30 September 2025. 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.

Fixed Income vs. Equities: In these environments, high quality long duration bonds can deliver equity-like returns, but with potentially lower volatility



Historically, starting conditions for Equities and Long Duration FI (CAPE > 30, Long Duration FI Yields > 5% and < 10%) have led to better 5-year forward returns for Long Duration fixed income.

As of 30 September 2025. SOURCE: PIMCO, Bloomberg. For illustrative purposes only.

Chart uses data back to 1871 for equities and 1973 for fixed income. For equities, Global Financial Data (GFD) extension was used for returns prior to 1971. These are estimates by GFD and are not official returns. Long duration FI refers to the Bloomberg Long Government / Credit Index. CAPE refers to cyclically adjusted price-to-earnings ratio for the S&P 500.

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 index, outlook and risk information.

Thought Leadership

Retirement

The Impact of "To" Versus "Through" Glide Paths: How to Meaningfully Improve Retirement Outcomes
Sean Klein, Joe Szalay, Vidur Mehra, Shawn Coffman | August 2025

How Plan Sponsors Can Evaluate Private Credit for DC Plans
Joe Szalay | August 2025

2025 PIMCO US Defined Contribution Consulting Study
PIMCO I June 2025

Private Credit in DC - PIF_Core
PIMCO I October 2025

Economy and Outlook

Fixed Income: Strong Starting Point, Stronger Potential
Marc Seidner | October 2025

Tariffs, Technology, and Transition
Tiffany Wilding, Andrew Balls | October 2025

Charting Market Views on Interest Rates
Richard Clarida | October 2025

Fed Delivers Dovish Shift Restarts Rate Cutting Cycle
Tiffany Wilding, Allison Boxer | September 2025

A Fed Housing Fix that's Hiding in Plain Sight
Marc Seidner, Pramol Dhawan | September 2025

In Jackson Hole, Chair Powell Hints at Near-Term Rate Cuts and Reiterates Long-Term Approach
Richard Clarida | August 2025

Markets and Investments

Making Sense of Private Markets: Liquidity, Risk and Opportunity
Dan Ivascyn | September 2025

From Cast to Curve: Rethinking Allocations as rate Cuts Loom
Dan Ivascyn, Kim Stafford | September 2025

Flexing Into Global Fixed Income
Dan Ivascyn | September 2025

An Active Manager's Lens into Private Investment Grade Credit
Mohit Mittal, Benjamin Ensminger-Law, Bryan Tsu, Jason Mandinach | September 2025

Income Fund Update: Seeking Stability With High Quality Fixed Income
Dan Ivascyn, Esteban Burbano | August 2025

Active Core Bonds: A Strategic Alpha Play Amid Global Policy Shifts
Mohit Mittal, Sachin Gupta | August 2025

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

Resources

Webinars and Podcasts

The Fed cut now what? Former Vice Chair Rich Clarida weighs in
Greg Hall, Rich Clarida | September 2025

Holding Steady Amid Whipsawing Markets
Marc Seidner, Pramol Dhawan | July 2025

PIMCO Income Fund Update Webcast
Dan Ivascyn, Esteban Burbano | October 2025

Tariffs, Technology, and Transition webcast
Tiffany Wilding, Marc Seidner, Ken Chambers | October 2025

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

As of October 2025. Source: PIMCO
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.

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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