



# GIS Emerging Markets Corporate Bond Fund



Quarterly Investment Report | 4Q23

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Refer to Important Disclosures for additional information

**IMPORTANT NOTICE**

Please note that this material 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.

# Executive summary

*Past performance does not predict future results.*

## Portfolio Performance

The Emerging Markets (EM) Corporate Bond Fund outperformed its benchmark, the JPMorgan CEMBI Diversified, in the fourth quarter (before fees).

### CONTRIBUTORS

- Tactical exposure to EM duration in local currency and EM duration in EUR
- Underweight exposure to Zambian corporate debt
- Security selection in Mexican corporate debt

### DETRACTORS

- Security selection in Colombian corporate and quasi-sovereign debt
- Security selection in Chinese corporate debt
- Security selection in Brazilian corporate debt

Performance periods ended 31 Dec '23	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	6.14	5.45	7.86	-1.87	2.61	3.35	4.73
Fund after fees	5.89	4.95	6.85	-2.80	1.64	2.33	3.62
Benchmark*	5.54	5.10	8.53	-1.71	2.97	3.78	4.89

*Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.*

*The following information should be read in conjunction with the 12-month rolling past performance information provided later in this presentation*

## Portfolio strategy

Emerging markets corporate credit witnessed meaningful spread tightening over the quarter, as risk sentiment improved on the back of dovish comments from the Fed chair Powell, and the continued fall in EM inflation.

The early and aggressive policy tightening by EM central banks has paid off well, as inflation continued to decline over the quarter, leading many EM central banks to ease rates further.

While the election calendar for EMs looks busy in 2024, the votes that may be more polarizing are expected to be in DM economies.

Class:	INST
Share Type:	Accumulation
Inception date:	12 Nov '09
Fund assets (in millions):	\$157.72
Unified management fee:	0.950%

Summary information	31 Dec '23
Estimated yield to maturity (Gross of fee)	6.62%
Effective duration (yrs)	4.39
Benchmark duration - provider (yrs)	4.34
Benchmark duration - PIMCO (yrs)	4.06
Effective maturity (yrs)	6.60
Average coupon	4.91%
Tracking error (10 yrs)	2.41
Information ratio (10 yrs)	-0.54

Top 5 country holdings	Duration
Saudi Arabia	7.88%
Mexico	7.56%
Chile	7.41%
Indonesia	5.93%
Brazil	5.66%

Top 5 industry holdings	Market Value
Banks	16.57%
Integrated Oil	8.02%
Metals & Mining	7.21%
Electric Utility	4.93%
Gaming	4.89%

\*The fund is actively managed in reference to the J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) as further outlined in the prospectus and key investor information document/key information document

# Fund specific risks

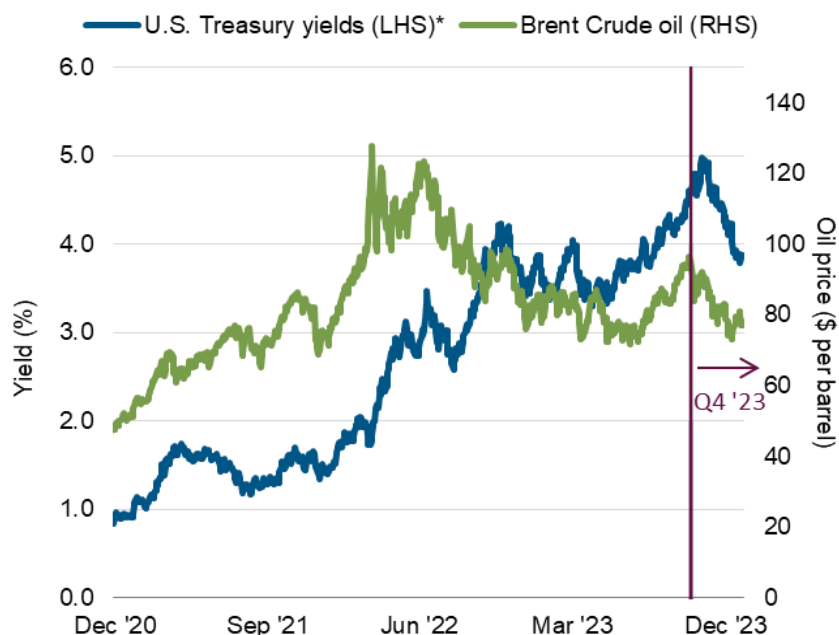
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Risk	Risk Description
<b>Credit and Default Risk</b>	A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a loan or meet a contractual obligation. This could cause the value of its bonds to fall or become worthless. Funds with high exposures to non-investment grade securities have a higher exposure to this risk.
<b>Currency Risk</b>	Changes in exchange rates may cause the value of investments to decrease or increase.
<b>Derivatives and Counterparty Risk</b>	The use of certain derivatives could result in the fund having a greater or more volatile exposure to the underlying assets and an increased exposure to counterparty risk. This may expose the fund to larger gains or losses associated with market movements or in relation to a trade counterparty being unable to meet its obligations.
<b>Emerging Markets Risk</b>	Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk. Investments in these markets may expose the fund to larger gains or losses.
<b>Liquidity Risk</b>	Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price.
<b>Interest Rate Risk</b>	Changes in interest rates will usually result in the values of bond and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices).
<b>Mortgage Related and Other Asset Backed Securities Risks</b>	Mortgage or asset backed securities are subject to similar risks as other fixed income securities, and may also be subject to prepayment risk and higher levels of credit and liquidity risk.

# Quarter in Review

## EM corporate spreads tightened in the fourth quarter as sentiment for risk assets improved

Emerging markets delivered positive returns over the quarter, as sentiment for risk assets improved on the back of the dovish commentary from the US Fed and declining EM inflation.



US Treasury yields fell over the quarter, as the Fed finally pivoted to a dovish stance on the back of lower than expected inflation prints. Market confidence has now increased, with investors expecting an earlier start to the cutting cycle and a higher number of cuts over the next 12 months.

Emerging market corporate spreads tightened in the fourth quarter, with meaningful tightening in both high yield and investment grade credit spreads.

SOURCE: JPMorgan, Bloomberg, PIMCO

\* Represented by a generic 10 year U.S. government bond

SOURCE: Bloomberg, JPMorgan, PIMCO

\*\* Represented by JPMorgan CEMBI Diversified Index

# Market Summary

## Security selection was the primary factor for the outperformance in Q4'23

The fund outperformed the benchmark in Q4 (before fees) with multiple positions affecting performance:

### Tactical exposure to EM duration in local currency and EM duration in EUR

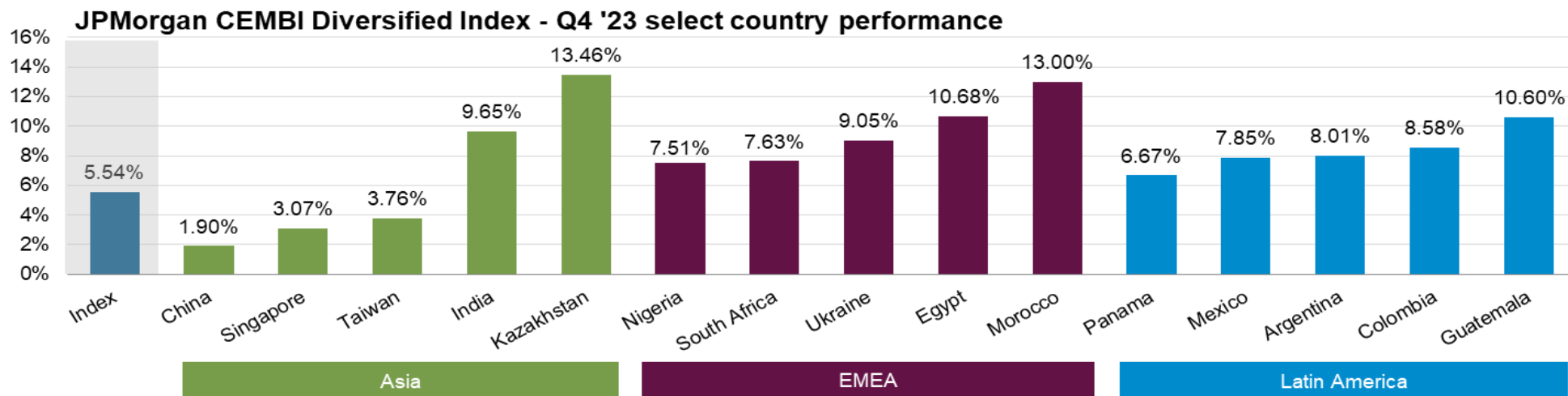
The tactical exposure to EM duration in local currency and EUR contributed to performance, as yields rallied amid declining inflation and rate cuts in select emerging market economies.

### Underweight exposure to Zambian corporate debt

Underweight exposure to a Zambian corporate contributed to performance, as the issuer underperformed amid ongoing controversies around the company's mining operations in Panama.

### Security selection in Colombian corporate and quasi-sovereign debt

Security selection in Colombian corporate and quasi-sovereign debt detracted from performance, as select oil-linked issuers reported mixed results driven by production issues and higher cash burn.



SOURCE: JPMorgan, PIMCO

# Navigating the Descent: Four economic themes

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**Peak inflation and rising unemployment consistent with rate cuts**



**Soft landings are possible, but risks remain**



**Markets already price a substantial cutting cycle**



**Global divergence in monetary policy**

# Portfolio Outlook

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## Constructive on EM fixed income

### Key strategies

#### Select commodity/export-oriented credits

Focus on credits with global revenue streams and cashflows tied to global commodities demand, with low cost of production at 1st quartile of their respective cost curves.

#### Quasi sovereigns with strong standalone fundamentals, offering attractive pick up to their respective sovereigns

Focus on quasi-sovereigns, where in addition to solid sovereign balance sheets standalone credit metrics for companies is also strong.

#### Focusing on higher quality and diverse alternatives

Sovereign issuers with positive macroeconomic backdrops, offering attractive relative value and that lack corporate credit alternatives to invest in.

# Country and currency exposure

## Currency exposure - % of Market value

	Portfolio		Benchmark
	30 Sep '23	31 Dec '23	31 Dec '23
<b>United States</b>	<b>100.96</b>	<b>98.63</b>	<b>100.00</b>
<b>Japan</b>	<b>0.17</b>	<b>0.16</b>	<b>0.00</b>
<b>Eurozone</b>	<b>-0.31</b>	<b>-0.19</b>	<b>0.00</b>
<b>United Kingdom</b>	<b>-0.31</b>	<b>-0.08</b>	<b>0.00</b>
<b>Europe non-EMU</b>	<b>-0.31</b>	<b>0.01</b>	<b>0.00</b>
Norway	0.15	0.15	0.00
Sweden	-0.09	0.04	0.00
Switzerland	-0.37	-0.18	0.00
<b>Dollar Block</b>	<b>-0.34</b>	<b>0.04</b>	<b>0.00</b>
Australia	0.09	0.22	0.00
Canada	-0.10	-0.07	0.00
New Zealand	-0.33	-0.11	0.00
<b>EM - Asia</b>	<b>-0.39</b>	<b>-0.10</b>	<b>0.00</b>
China	-0.21	-0.21	0.00
India	0.30	0.45	0.00
Indonesia	-0.09	-0.01	0.00
Malaysia	-0.05	-0.03	0.00
Philippines	-0.12	-0.08	0.00
Singapore	0.03	0.02	0.00
South Korea	0.02	0.05	0.00
Taiwan	-0.10	-0.10	0.00
Thailand	-0.17	-0.18	0.00
<b>EM - Latin America</b>	<b>1.38</b>	<b>1.37</b>	<b>0.00</b>
Brazil	0.31	0.43	0.00
Chile	0.00	-0.18	0.00
Colombia	0.16	0.24	0.00
Dominican Republic	0.57	0.57	0.00
Mexico	0.17	0.13	0.00
Peru	0.18	0.18	0.00
<b>EM - CEEMEA</b>	<b>-0.85</b>	<b>0.16</b>	<b>0.00</b>
Czech Republic	-0.27	-0.15	0.00
Hungary	-0.18	-0.02	0.00
Israel	-0.01	0.02	0.00
Poland	-0.16	-0.13	0.00
South Africa	-0.25	0.16	0.00
Turkey	0.02	0.28	0.00
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Emerging markets duration exposure – Duration in yrs (by country of risk)

	Portfolio		Benchmark
	30 Sep '23	31 Dec '23	31 Dec '23
<b>EM - Asia</b>	<b>1.00</b>	<b>0.99</b>	<b>1.81</b>
China	0.17	0.17	0.38
Hong Kong	0.04	0.04	0.20
India	0.13	0.13	0.17
Indonesia	0.22	0.26	0.14
Macao	0.13	0.13	0.11
Malaysia	0.07	0.08	0.10
Philippines	0.01	0.00	0.11
Singapore	0.01	0.01	0.15
South Korea	0.22	0.16	0.16
Thailand	0.02	0.02	0.23
<b>EM - Latin America</b>	<b>1.17</b>	<b>1.29</b>	<b>1.10</b>
Paraguay	0.00	0.01	0.00
Argentina	0.01	0.02	0.02
Brazil	0.23	0.25	0.23
Chile	0.28	0.33	0.20
Colombia	0.16	0.15	0.18
Dominican Republic	0.06	0.06	0.00
Guatemala	0.03	0.03	0.06
Mexico	0.30	0.33	0.29
Panama	0.02	0.02	0.02
Peru	0.09	0.09	0.09
<b>EM - CEEMEA</b>	<b>1.23</b>	<b>1.37</b>	<b>1.22</b>
Zambia	0.00	0.01	0.03
Azerbaijan	0.01	0.01	0.00
Czech Republic	0.03	0.03	0.01
Ghana	0.01	0.01	0.00
Hungary	0.01	0.01	0.02
Israel	0.16	0.17	0.13
Jordan	0.01	0.01	0.00
Kazakhstan	0.11	0.14	0.10
Kuwait	0.04	0.04	0.09
Morocco	0.09	0.11	0.03
Nigeria	0.02	0.02	0.03
Poland	-0.01	0.00	0.01
Romania	0.06	0.07	0.00

Benchmark: J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI)



# Country and currency exposure

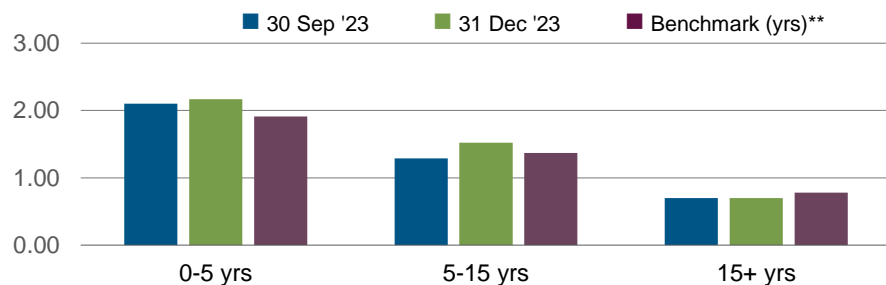
Emerging markets duration exposure – Duration in yrs (by country of risk)

	Portfolio		Benchmark
	30 Sep '23	31 Dec '23	31 Dec '23
Saudi Arabia	0.30	0.35	0.25
South Africa	0.18	0.15	0.08
State of Qatar	0.04	0.04	0.08
Turkey	0.05	0.10	0.10
Ukraine	0.00	0.00	0.01
United Arab Emirates	0.10	0.11	0.20
<b>Total</b>	<b>3.40</b>	<b>3.64</b>	<b>4.13</b>

Benchmark: J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI)

# Portfolio characteristics

## Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '23	31 Dec '23	31 Dec '23
0-5 yrs	2.10	2.17	1.91
5-15 yrs	1.29	1.52	1.37
15+ yrs	0.70	0.70	0.78
<b>Total</b>	<b>4.09</b>	<b>4.39</b>	<b>4.06</b>

## Derivative exposure (% of duration)

	30 Sep '23	31 Dec '23
<b>Government futures</b>	-2.22	-2.43
<b>Interest rate swaps</b>	-2.93	-0.54
<b>Credit default swaps*</b>	8.52	8.67
Purchased swaps	0.00	0.00
Written swaps	8.52	8.67
<b>Options</b>	0.00	0.00
Purchased Options	0.00	0.00
Written Options	0.00	0.00
<b>Mortgage Derivatives</b>	0.00	0.00
<b>Money Market Derivatives</b>	0.00	0.00
Futures	0.00	0.00
Interest rate swaps	0.00	0.00
<b>Other Derivatives</b>	0.00	0.00

\* Shown as a percentage of market value

\*\*Benchmark duration is calculated by PIMCO  
Benchmark: J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI)

# Additional share class performance

## Performance (Institutional class, Accumulation Shares)

Past performance does not predict future results

Performance	31 Dec '18	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22
	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	31 Dec '23
Before fees (%)	13.46	6.08	0.23	-12.59	7.86
After fees (%)	12.39	5.08	-0.72	-13.42	6.85
J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) (%)*	13.55	7.35	0.49	-12.92	8.53
Before fees alpha (bps)	-9	-127	-26	32	-66
After fees alpha (bps)	-116	-227	-121	-51	-168

The following information is additional to, and should be read only in conjunction with, the calendar year performance data presented below.

Past performance does not predict future results

Calendar Year (Net of Fees)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
After fees (%)	-0.30	-4.73	13.14	8.92	-0.85	12.39	5.08	-0.72	-13.42	6.85	6.85
J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) (%)*	5.70	1.18	10.43	7.89	-1.72	13.55	7.35	0.49	-12.92	8.53	8.53

As of 31 December 2023. SOURCE: PIMCO.

The fund is actively managed in reference to the J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) Index as further outlined in the prospectus and key investor information document/key information document

\*The benchmark is shown for performance comparison purpose only. Benchmark: J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) Index.

Past performance is not a guarantee or a reliable indicator of future results. All periods longer than one year are annualised

Refer to Important Disclosures and the relevant sections of the Fund prospectus for additional performance and fee, chart, GIS funds, index, and risk information

# Additional share class performance

*Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.*

Performance (Net of Fees)	31 Dec '18	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	SI
	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	31 Dec '23	
Emerging Markets Corporate Bond Fund E Class Accumulation	11.29	4.13	-1.59	-14.22	5.90	1.83
Emerging Markets Corporate Bond Fund Institutional Accumulation	12.39	5.08	-0.72	-13.42	6.85	3.62
J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI)	13.55	7.35	0.49	-12.92	8.53	-
Emerging Markets Corporate Bond Fund E Class CHF (Hedged) Accumulation	7.69	1.98	-2.62	-16.29	1.45	-0.17
JPMorgan Corporate Emerging Markets Bond Diversified Index (CHF Hedged)	9.86	5.46	-0.61	-15.37	3.95	-
Emerging Markets Corporate Bond Fund E Class EUR (Hedged) Accumulation	8.13	2.28	-2.45	-16.10	3.70	1.19
Emerging Markets Corporate Bond Fund Institutional EUR (Hedged) Accumulation	9.13	3.19	-1.61	-15.30	4.56	2.21
JPMorgan Corporate Emerging Markets Bond Diversified Index (EUR Hedged)	10.27	5.73	-0.42	-15.07	6.11	-

# Additional share class performance

*Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.*

Emerging Markets Corporate Bond Fund (net of fees performance)

<b>Performance periods ended: 31 Dec '23</b>	<b>Unified Management Fee</b>	<b>NAV currency</b>	<b>Class Inception date</b>	<b>3 mos.</b>	<b>6 mos.</b>	<b>1 yr.</b>	<b>3 yrs.</b>	<b>5 yrs.</b>	<b>10 yrs.</b>	<b>SI</b>
Emerging Markets Corporate Bond Fund E Class Accumulation	1.850	USD	27 Feb '12	5.63	4.47	5.90	-3.67	0.71	1.41	1.83
Emerging Markets Corporate Bond Fund Institutional Accumulation	0.950	USD	12 Nov '09	5.89	4.95	6.85	-2.80	1.64	2.33	3.62
J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI)	-	-	-	5.54	5.10	8.53	-1.71	2.97	3.78	4.89
Emerging Markets Corporate Bond Fund E Class CHF (Hedged) Accumulation	1.850	CHF	25 May '12	4.37	2.30	1.45	-6.14	-1.91	-0.83	-0.17
JPMorgan Corporate Emerging Markets Bond Diversified Index (CHF Hedged)	-	-	-	4.29	2.84	3.95	-4.38	0.26	1.42	1.92
Emerging Markets Corporate Bond Fund E Class EUR (Hedged) Accumulation	1.850	EUR	02 Mar '10	5.18	3.51	3.70	-5.32	-1.26	-0.25	1.19
Emerging Markets Corporate Bond Fund Institutional EUR (Hedged) Accumulation	0.950	EUR	19 Feb '10	5.37	3.91	4.56	-4.49	-0.38	0.65	2.21
JPMorgan Corporate Emerging Markets Bond Diversified Index (EUR Hedged)	-	-	-	5.00	4.06	6.11	-3.55	0.91	2.02	3.41

# Important Disclosures

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## Marketing Communication

This is a marketing communication. This is not a contractually binding document and its issuance is not mandated under any law or regulation of the European Union or the United Kingdom. This marketing communication does not include sufficient detail to enable the recipient to make an informed investment decision. Please refer to the Prospectus of the UCITS and to the KIID/KID before making any final investment decisions.

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## Additional Information/Documentation

A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents (KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company. The Company's Prospectus can be obtained from [www.fundinfo.com](http://www.fundinfo.com) and is available in English, French, German, Italian, Portuguese and Spanish. The KIIDs and KIDs can be obtained from [www.fundinfo.com](http://www.fundinfo.com) and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from [www.pimco.com](http://www.pimco.com). The summary is available in English. The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors (Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

## PERFORMANCE AND FEE

**Past performance is not a guarantee or a reliable indicator of future results.** The "gross of fees" performance figures, if included, are presented before management fees and custodial fees, but do reflect commissions, other expenses and reinvestment of earnings. The "net of fees" performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

## 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.

**Portfolio structure** is subject to change without notice and may not be representative of current or future allocations.

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.

# Important Disclosures

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## Benchmark

Unless referenced in the prospectus and relevant key investor information document /Key Information Document, a benchmark or index in this material is not used in the active management of the Fund, in particular for performance comparison purposes.

Where referenced in the prospectus and relevant key investor information document /Key Information Document a benchmark may be used as part of the active management of the Fund including, but not limited to, for duration measurement, as a benchmark which the Fund seeks to outperform, performance comparison purposes and/or relative VaR measurement. Any reference to an index or benchmark in this material, and which is not referenced in the prospectus and relevant key investor information document /Key Information Document, is purely for illustrative or informational purposes (such as to provide general financial information or market context) and is not for performance comparison purposes. Please contact your PIMCO representative for further details.

The fund is actively managed in reference to the J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) as further outlined in the prospectus and key investor information document /Key Information Document.

## Correlation

As outlined under "Benchmark", where [disclosed herein] and referenced in the prospectus and relevant key investor information document /Key Information Document, a benchmark may be used as part of the active management of the Fund. In such instances, certain of the Fund's securities may be components of and may have similar weightings to the benchmark and the Fund may from time to time show a high degree of correlation with the performance of any such benchmark. However the benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.

Investors should note that a Fund may from time to time show a high degree of correlation with the performance of one or more financial indices not referenced in the prospectus and relevant key investor information document /Key Information Document. Such correlation may be coincidental or may arise because any such financial index may be representative of the asset class, market sector or geographic location in which the Fund is invested or uses a similar investment methodology to that used in managing the Fund.

**ESG Category Article 6 Funds:** Article 6 funds do not have sustainable investment as its objective, nor do they promote environmental and/or social characteristics.

While such funds integrate sustainability risks into its investment policy (as further outlined in the Prospectus) and this integration process forms part of the investment level due diligence of the fund, ESG information is not the sole or primary consideration for any investment decision with respect to the fund. As the Fund is actively managed and does not promote environmental or social characteristics, the climate related holdings are not static and may vary considerably overtime.

## GIS Funds

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# Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

**Alpha** is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

**Average coupon** is the average of the coupon payments of the underlying bonds within the portfolio.

**Average effective maturity** is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

**"Bend-but-not-break"** refers to credits that PIMCO would not expect to default in a credit-stressed environment.

**Beta** is a measure of price sensitivity to market movements. Market beta is 1.

**Breakeven inflation rate** (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.

**Carry** is the rate of interest earned by holding the respective securities.

The terms **"cheap" and "rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

**CPI** is the Consumer Price Index.

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.

**Dividend yield** is represented by the weighted average coupon divided by the weighted average price.

**Duration** is the measure of a bond's price sensitivity to interest rates and is expressed in years.

**Effective duration** is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

**Forward curve** is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

**Fallen angel** is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

**GFC** is the Global Financial Crisis.

**Information ratio** is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

**Like-duration Securities** are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

**LNG** is Liquefied Natural Gas.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

**Rising star** is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

**"Risk assets"** are any financial security or instrument that are likely to fluctuate in price.

**Risk premia** is the return in excess of the risk-free rate of return an investment is expected to yield.

**Roll yield** is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

**"Safe haven"** is an investment that is expected to retain or increase in value during times of market turbulence.

**"Safe Spread"** is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The

**Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

**Tracking error** measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)

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