

# PIMCO Capital Securities Fund

## PERFORMANCE SUMMARY

The PIMCO Capital Securities Fund returned 0.14% (Institutional, Accumulation shares net of fees) in February. Year-to-date the Fund has returned 0.98% (Institutional, Accumulation shares net of fees).

In February, the Bloomberg European Additional Tier 1 (AT1) Index returned +0.30% (USD hedged) and the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) returned -0.76%. Over the month, spreads in European AT1s tightened by 24 bps, while spreads in Senior Financials tightened by 6 bps.

### Contributors

- Exposure to Additional Tier 1 bonds, and in particular to select UK issuers, contributed to performance as spreads tightened over the month.
- A tactical exposure to a select non-financial issuer contributed to performance, as the issuer partly recovered from prior weakness.
- Exposure to Tier 2 bonds from a select Italian issuer contributed to performance, as spreads tightened on the back of strong earnings results.

### Detractors

- Exposure to Senior Financial bonds detracted from performance as interest rates rose over the month.
- Select interest rate swap positions detracted from performance.

### Past performance is not a reliable indicator of future results

Performance (Net of Fees)	1 Mo.	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	SI
Institutional, Acc (%)	0.14	5.02	9.45	6.68	0.61	4.03	4.42	5.15
Benchmark (%)	0.43	1.36	2.72	5.37	2.65	2.20	1.60	—

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)	Feb'2019-Feb'2020	Feb'2020-Feb'2021	Feb'2021-Feb'2022	Feb'2022-Feb'2023	Feb'2023-Feb'2024
Institutional, Acc (%)	11.59	7.19	-0.47	-4.08	6.68
Benchmark (%)	2.34	0.70	0.18	2.48	5.37

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

Calendar Year (Net of Fees)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Institutional, Acc (%)	6.05	3.89	6.16	11.22	-4.42	17.38	6.32	5.09	-11.53	9.10	0.98
Benchmark (%)	0.24	0.29	0.68	1.20	2.20	2.49	0.98	0.18	1.78	5.20	0.89

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record. The benchmark is the ICEBofA SOFR Overnight Rate Index

All periods longer than one year are annualised. SI is the performance since inception.

The fund is considered to be actively managed in reference to the below benchmark as further outlined in the prospectus and key investor information document/key information document.

ICE BofA SOFR Overnight Rate Index tracks the performance of a synthetic asset paying SOFR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that days fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. It is not possible to invest directly in an unmanaged index.

## Key Facts

	Accumulation
Bloomberg Ticker	PIMCINA
ISIN	IE00B6VH4D24
Sedol	B6VH4D2
CUSIP	G7112M633
Valoren	21366058
WKN	A1XDCY
Inception Date	31/07/2013
Distribution	-
Unified Management Fee	0.79% p.a.
Fund Type	UCITS
Portfolio Manager	Philippe Bodereau, Matthieu Loriferne, Michael Bogecho, Eusta Qin
Total Net Assets	4.7 (USD in Billions)
Fund Base Currency	USD
Share Class Currency	USD

**Credit and Default Risk:** 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. **Currency Risk:** Changes in exchange rates may cause the value of investments to decrease or increase. **Derivatives and Counterparty Risk:** 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. **Liquidity Risk:** Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price. **Interest Rate Risk:** 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).

## MONTH IN REVIEW

### 4Q23 Earnings Update

#### European Banks

All European banks have now reported their Q4 and FY 2023 results. The earnings from European banks were generally strong from a credit perspective, even though some banks missed equity market consensus expectations which led to stock price declines for some banks. NII increased year-over-year on aggregate, but the growth in NII generally slowed, likely indicating that peak earnings have been reached for this cycle. The sector in aggregate beat consensus expectations in terms of NII, but this was mainly driven by Southern European banks, who continue to perform well, while Northern European banks had a relatively weaker performance compared to expectations.

One area of market concern given recent events in the US has been the exposure of banks to office Commercial Real Estate (CRE) as valuations of this real-estate subsector have been under pressure due higher interest rates and increased office vacancy rates in the post-pandemic world. Smaller US regional banks were most impacted by this development as they tend to have the largest exposure to office CRE and have had to increase their loan loss provisions as asset values decline. In Europe, CRE exposure is most concentrated in German specialist lenders and Landesbanks, to which the Fund has no exposure given our focus on national champion banks. Nordic banks also have relatively high real estate exposures, but have not seen any meaningful asset quality deterioration and continued to report increases in their capital ratios.

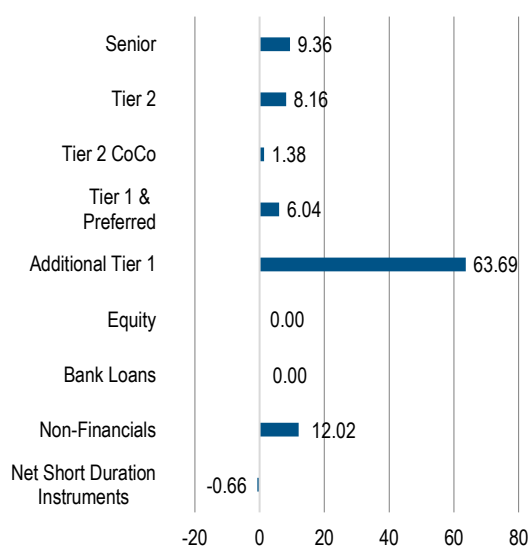
Other key financial metrics remained broadly unchanged over the quarter. Liquidity ratios were well above the regulatory minimum, while capital ratios were close to unchanged over the quarter. Asset quality remained stable as NPL ratios did not show meaningful signs of deterioration, providing strong initial conditions to face a variety of macroeconomic outcomes.

### Supply & Call update

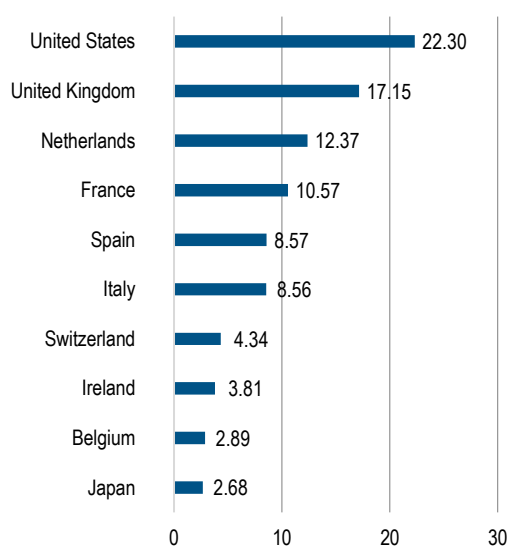
Primary markets remained busy in February with 4 institutional sized AT1 deals, from BNP, ABN, ING and UBS. Year to date, there has been total issuance of €122.4 billion across the capital structure from European banks, which is comparable to the level seen in 2023 but substantially higher than in 2022.

The first two months of the year were also active with issuers calling their AT1s, as 11 European bank AT1s with first call dates in 2024 became callable in January and February. All but one issuer has notified investors that they will call their eligible AT1 bonds, with the remaining bond's call window still open into March and the market expecting the instrument to be called.

Capital Structure Positioning (% Market Value)



Top 10 Country Exposure (% Market Value)



The country exposures exclude cash and cash equivalents  
Source: PIMCO

## PORTFOLIO POSITIONING

The Fund favors AT1s from systemic banks and national champions with ample capital buffers, robust equity cushions and a diversified revenue stream. At the same time, the Fund remains cautious on smaller issuers and those with more limited scope for organic capital generation. Geographically, the Fund is well diversified and favors countries such as the UK, Netherlands and France where banks have the highest levels of capital. In senior and Tier 2 debt, the exposure remains mostly centered on UK banks, as well as select idiosyncratic opportunities in peripheral and core European banks offering upside through improving fundamentals and potential consolidation. Over the course of February, the Fund has taken advantage of the continued activity in the primary market to increase its AT1 bond exposure via attractively priced opportunities, while slightly decreasing its liquidity buffers. These new issues were geographically diversified, with a mix of Dutch, Japanese and French banks. The Fund continues to focus on more resilient issuers within the bank capital investment universe. It also continues to pursue a tactical approach to take advantage of market dislocations

## Fund Statistics

Effective Duration (yrs)	3.63
Current Yield (%) <sup>Ⓜ</sup>	5.63
Estimated Yield to Maturity (%) <sup>Ⓜ</sup>	7.89
Average Coupon (%)	5.36
Effective Maturity (yrs)	4.47

## OUTLOOK AND STRATEGY

### **The banking sector is entering this period of economic uncertainty with strong initial conditions in credit fundamentals.**

Banks' asset quality has weathered the pandemic well and capital buffers are at or close to record highs. While elevated inflation, higher interest rates and tighter financial conditions will inevitably have an impact on the broader economy, banks are well positioned given their strong fundamentals following more than a decade of restructuring, de-risking and de-leveraging and remain more insulated from inflationary pressures relative to other sectors in corporate credit.

**Most banks are uniquely positioned to continue to benefit from higher rates, particularly in Europe.** Banks in Europe are by far the biggest beneficiaries within the developed market banking system. Financial results published in the fourth quarter of 2023 continued to indicate that the benefits of abandoning negative rates have become visible on banks' P&Ls. While we believe 2023 likely marked peak earnings for banks in the US and Europe, it is important to stress that we do not expect a return to an environment of extremely low or negative interest rates, which was the case for much of the last decade and which put bank earnings under significant pressure.

**Valuations look attractive compared to other parts of the fixed income universe, particularly given AT1 yields remain elevated versus history.** While market stress related to events over the course of March 2023 propagated primarily to the most junior part of banks' capital structures, the subsequent months have seen a strong recovery in prices, particularly in November and December of last year, with AT1s now trading at the 27th percentile of daily spread data since inception of the index in 2014. More senior parts of the capital structure also sold off last year, despite not being subject to the write-down/conversion mechanism of AT1s. Senior Financials are currently trading at the 55th percentile of daily spread data since the inception of the AT1 index in 2014, thus providing attractive spreads compared to historical levels.

Spreads referenced are the average option adjusted spread (OAS) level as generated by Bloomberg.

References to specific issuers are not intended and should not be interpreted as recommendations to purchase, sell or hold securities of those issuers. PIMCO products and strategies may or may not include the securities of the issuers referenced and, if such securities are included, no representation is being made that such securities will continue to be included.

<sup>Ⓔ</sup>Yields reported gross of fees, the deduction of which will reduce the yield. Yields are reported in the base currency of the fund and are not specific to the share class. The current yield illustrates the income investors could get from the portfolio as a percentage of market value of the securities assuming a holding period of one year. The current yield does not take into account the future cash flows of bonds, but rather is a snapshot of the income in the portfolio as of a certain point in time.

<sup>Ⓕ</sup>PIMCO calculates a Funds Estimated Yield to Maturity by averaging the yield to maturity of each security held in the Fund on a market weighted basis. PIMCO sources each security yield to maturity from PIMCO's Portfolio Analytics database. When not available in PIMCO's Portfolio Analytics database, PIMCO sources the security yield to maturity from Bloomberg. When not available in either database, PIMCO will assign a yield to maturity for that security from a PIMCO matrix based on prior data. The source data used in such circumstances is a static metric and PIMCO makes no representation as to the accuracy of the data for the purposes of calculating the Estimated Yield to Maturity. The Estimated Yield to Maturity is provided for illustrative purposes only and should not be relied upon as a primary basis for an investment decision and should not be interpreted as a guarantee or prediction of future performance of the Fund or the likely returns of any investment.

Morningstar ratings are shown for funds with 4 or 5 star ratings only. Other share classes ratings are either lower or unavailable. A rating is not a recommendation to buy, sell or hold a fund. Copyright © 2024 Morningstar Ltd. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

**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.

**For professional use only** The services and products described in this communication are only available to professional clients as defined in the MiFID II Directive 2014/65/EU Annex II Handbook and its implementation of local rules and as defined in the Financial Conduct Authority's Handbook. This communication is not a public offer and individual investors should not rely on this document. Opinion and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness.

**For qualified investor use only** The information provided herein does not constitute an offer of the product incorporated in Ireland, in Switzerland pursuant to the Swiss Federal Law on Financial Services ("FinSA") and its implementing ordinance. This is solely an advertisement pursuant to FinSA and its implementing ordinance for the product. Swiss representative and paying agent: BNP PARIBAS, Paris, Zurich branch, Selnaustrasse 16, 8002 Zurich, Switzerland. The prospectus, articles of association, Key Information Document(s) and annual and semi-annual financial reports of the product may be obtained free of charge from the Swiss representative.

**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 of 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.

**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.

**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.

## PERFORMANCE AND FEES

**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 not 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.

**For Sustainable Finance Disclosure Regulation (SFDR) Categorization: Article 8/9**

SFDR Categorization sets out how the fund is categorized for the purposes of Regulation (EU) 2019/2088 on Sustainability related Disclosures in the Financial Services Sector (SFDR) Article 8 & 9 Funds promote, among other characteristics, environmental or social characteristics. Further details are set out in the Prospectus and relevant Fund Supplement. **Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this Fund presents disproportionate communication on the consideration of non financial criteria in its investment policy**

**ESG Investment Risk:** At PIMCO, we define ESG Integration as the consistent consideration of material ESG factors into our investment research process to enhance our clients' risk-adjusted returns. Material ESG factors may include but are not limited to: climate change risks, social inequality, shifting consumer preferences, regulatory risks, talent management or misconduct at an issuer, among others. We recognize that ESG factors are increasingly essential inputs when evaluating global economies, markets, industries and business models. Material ESG factors are important considerations when evaluating long-term investment opportunities and risks for all asset classes in both public and private markets. Integrating ESG factors into the evaluation process does not mean that ESG information is the sole or primary consideration for an investment decision; instead, PIMCO's portfolio managers and analyst teams evaluate and weigh a variety of financial and non-financial factors, which can include ESG considerations, to make investment decisions. The relevance of ESG considerations to investment decisions varies across asset classes and strategies. The Fund's ESG investing strategy may select or exclude securities of certain issuers for reasons other than financial performance. Such strategy carries the risk that the Fund's performance will differ from similar funds that do not utilize an ESG investing strategy. For example, the application of this strategy could affect the Fund's exposure to certain sectors or types of investments, which could negatively impact the Fund's performance. There is no guarantee that the factors utilized by the investment Advisor will reflect the opinions of any particular investor, and the factors utilized by the Investment Advisor may differ from the factors that any particular investor considers relevant in evaluating an issuer's ESG practices. Future ESG development and regulation may impact the Fund's implementation of its investment strategy. In addition, there may be cost implications arising from ESG related due diligence, increased reporting and use of third-party ESG data providers.

**PIMCO Funds:** Global Investors Series plc is an umbrella type open-ended investment company with variable capital and is incorporated with limited liability under the laws of Ireland with registered number 276928. The information is not for use within any country or with respect to any person(s) where such use could constitute a violation of the applicable law. The information contained in this communication is intended to supplement information contained in the prospectus for this Fund and must be read in conjunction therewith. Investors should consider the investment objectives, risks, charges and expenses of these Funds carefully before investing. This and other information is contained in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. Returns are net of fees and other expenses and include reinvestment of dividends. The performance data represents past performance and investment return and principal value will fluctuate so that the PIMCO GIS Funds shares, when redeemed, may be worth more or less than the original cost. Potential differences in performance figures are due to rounding. The Fund may invest in non-U.S. or non-Eurozone securities which involves potentially higher risks including non-U.S. or non-Euro currency fluctuations and political or economic uncertainty. For informational purposes only. Please note that not all Funds are registered for sale in every jurisdiction. Please contact PIMCO Europe Ltd for more information. For additional information and/or a copy of the Fund's prospectus, please contact the Administrator: State Street Fund Services (Ireland) Limited, Telephone +353-1-776-0142, Fax +353-1-562-5517. © 2024

**Investment Restrictions** - In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC, Government of the People's Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade).

**PIMCO Europe Ltd (Company No. 2604517, 11 Baker Street, London W1U 3AH, United Kingdom)** is authorised and regulated by the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN) in the UK. The services provided by **PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser.** **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), PIMCO Europe GmbH Italian Branch (Company No. 10005170963, via Turati nn. 25/27 (angolo via Cavalieri n. 4), 20121 Milano, Italy), PIMCO Europe GmbH Irish Branch (Company No. 909462, 57B Harcourt Street Dublin D02F721, Ireland), PIMCO Europe GmbH UK Branch (Company No. FC037712, 11 Baker Street, London W1U 3AH, UK), PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E, Paseo de la Castellana 43, Oficina 05-111, 28046 Madrid, Spain) and PIMCO Europe GmbH French Branch (Company No. 918745621 R.C.S. Paris, 50-52 Boulevard Haussmann, 75009 Paris, France)** are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). The Italian Branch, Irish Branch, UK Branch, Spanish Branch and French Branch are additionally supervised by: (1) Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB) (Giovanni Battista Martini, 3 - 00198 Rome) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) Irish Branch: the Central Bank of Ireland (New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3) in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) UK Branch: the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN); (4) Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV) (Edison, 4, 28006 Madrid) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Title V, Section 1 of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 2177/2008, respectively and (5) French Branch: ACPR/Banque de France (4 Place de Budapest, CS 92459, 75436 Paris Cedex 09) in accordance with Art. 35 of Directive 2014/65/EU on markets in financial instruments and under the surveillance of ACPR and AMF. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2, Brandschenkestrasse 41 Zurich 8002, Switzerland).** The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser. No part of this publication 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. ©2024, PIMCO

This presentation contains the current opinions of the manager and such opinions are subject to change without notice. This presentation 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 presentation 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. ©2024 PIMCO