PIMCO
Marketing Communication

PIMCO Capital Securities Fund

PERFORMANCE SUMMARY

The PIMCO Capital Securities Fund returned 1.90% (Institutional, Accumulation net of fees) in March outperforming the ICE BofA SOFR Overnight Rate Index by 1.44%. Year-to-date the Fund has returned 2.91% (Institutional, Accumulation net of fees), while the benchmark returned 1.35%.

In March, the Bloomberg European Additional Tier 1 (AT1) Index returned +2.47% (USD hedged) and the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) returned +1.15%. Over the month, spreads in European AT1s tightened by 35 bps, while spreads in Senior Financials tightened by 7 bps.

Contributors

- Exposure to Additional Tier 1 bonds, and in particular to select Dutch and UK issuers contributed to performance, as spreads tightened over the month.
- Exposure to Senior Financial bonds, and in particular to select Italian issuers contributed to performance as spreads tightened over the period.
- Exposure to Tier 2 bonds, and in particular to select French issuers, contributed to performance as spreads tightened over the month.

Detractors

- Exposure to a select non-financial issuer detracted from performance, as the issuer's bonds spreads widened.
- 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 (%)	1.90	2.91	11.59	16.07	1.04	4.33	4.57	5.29
Benchmark (%)	0.46	1.35	2.74	5.44	2.80	2.24	1.64	—

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)	Mar'2019-Mar'2020	Mar'2020-Mar'2021	Mar'2021-Mar'2022	Mar'2022-Mar'2023	Mar'2023-Mar'2024
Institutional, Acc (%)	-5.51	26.80	-1.50	-9.78	16.07
Benchmark (%)	2.27	0.56	0.18	2.86	5.44

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	2.91
Benchmark (%)	0.24	0.29	0.68	1.20	2.20	2.49	0.98	0.18	1.78	5.20	1.35

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	4.8 (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

1Q24 Market Update

The first quarter of the year has seen relatively strong performance from the capital securities markets, particularly subordinated bank debt, with the Bloomberg European Banks Additional Tier 1 (AT1) Index generating returns of +3.67% (USD hedged) while the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) rose by +0.64%. This compares to 1Q24 returns of +0.05% and +1.64% for Global IG and Global HY, respectively. The negative effect of rising interest rates during the quarter was more than offset by spread compression. Over the quarter, spreads in European AT1s tightened by 66 basis points (bps), while spreads in Senior Financials tightened by 21 bps.

Dutch Banks

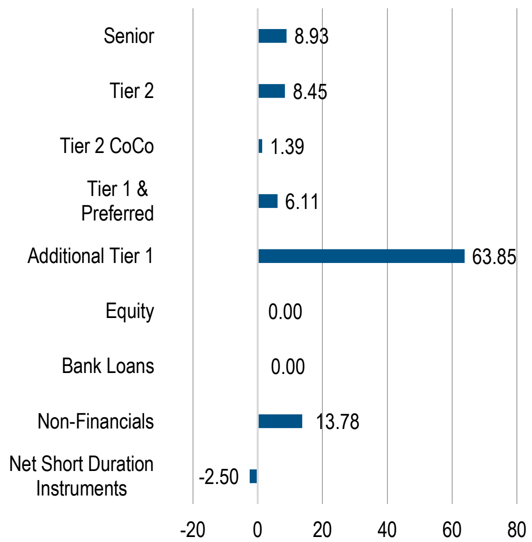
In March there was an exploratory report published by the Dutch Finance Ministry which led to headlines in the financial media. The headlines stemmed from proposals in the report to modify or phase-out the use of Additional Tier 1 bonds. However, the proposals should be viewed against a backdrop where the EU is part of the Single Supervisory Mechanism which means that individual central banks no longer have the power to set regulation. Instead, the Capital Requirements Regulation and Basel committee would primarily dictate the definition of AT1 instruments. Furthermore, the report also mentions the potential negative side effects of its proposals, such as increased financing costs for Dutch households and companies. Given the low appetite to revise or abolish AT1 instruments at an international level, we believe the Dutch report is unlikely to lead to any changes in the asset class.

Supply & Call update

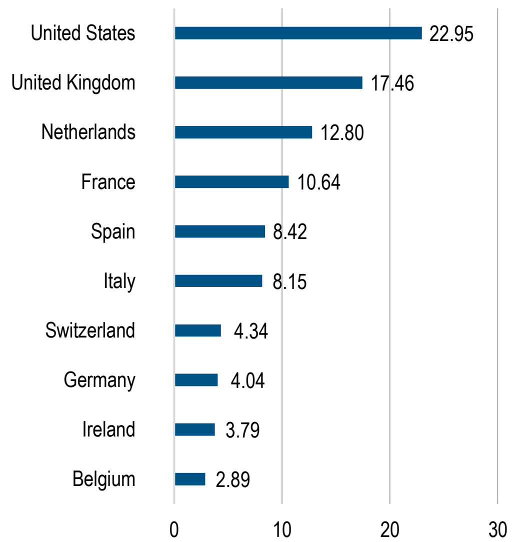
Primary markets remained busy in March with 4 institutional sized AT1 deals, from SOCGEN, STANLN, ABNANV and FINBAN. Year to date, there has been total issuance of €162.5 billion across the capital structure from European banks, which is considerably higher than the levels seen in 2022 and 2023. In particular the supply of Tier 2 bonds has been more pronounced compared to the previous two years. The driver of this elevated supply of Tier 2 bonds has been the refinancing of upcoming calls in 2025 of bonds largely issued in the early part of 2020.

The first three months of the year were also active with issuers calling their AT1s, as 14 European bank AT1s with first call dates in 2024 became callable. All but one issuer called these AT1 bonds, with the non-call by AAREAL being widely expected by the market. The continued strong track-record of banks calling their AT1s at their first call date represents a favorable backdrop for the market.

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 March, the Fund has continued to take advantage of the new issue market to increase its AT1 bond exposure via attractively priced opportunities, while taking some profits on select Japanese AT1s. Furthermore, the fund slightly decreased its allocation to senior bonds while participating in new issue opportunities within the insurance sector. The Fund continues to focus on more resilient issuers within the bank capital investment universe.

Fund Statistics

Effective Duration (yrs)	3.70
Current Yield (%)⊕	5.60
Estimated Yield to Maturity (%)⊕	7.70
Average Coupon (%)	5.41
Effective Maturity (yrs)	4.55

OUTLOOK AND STRATEGY

The banking sector is entering this period of economic uncertainty with strong initial conditions in credit fundamentals. Banks' asset quality has remained resilient 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 well 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, over the last year we have seen a strong recovery in prices, particularly in November and December 2023, with AT1s now trading at the 20th 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 45th 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.
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⊕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.
⊕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 securitys yield to maturity from PIMCOs Portfolio Analytics database. When not available in PIMCOs Portfolio Analytics database, PIMCO sources the securitys 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.
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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 and is available in English, French, German, Italian, Portuguese and Spanish. The KIIDs and KIDs can be obtained from 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. 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.

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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.

For Sustainable Finance Disclosure Regulation (SFDR) Categorization: Article 8
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 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.

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