



PIMCO Global Credit Fund



Quarterly Investment Report | 4Q23

Wholesale Class

For the use of Wholesale Clients (within the meaning of the Corporations Act 2001 (Cth) only. Not for retail distribution.

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

Portfolio Performance

The PIMCO Global Credit Fund outperformed its benchmark over the quarter primarily due to credit positioning.

CONTRIBUTORS

- Overweight exposure to corporate credit assets contributed to relative performance
- Developed markets duration positioning contributed to relative performance, notably in Dollar block and U.S. rates
- Positioning in government-related securities contributed to relative performance

DETRACTORS

- Overweight positioning to non-Agency residential mortgage-backed securities detracted from relative performance
- Emerging markets duration positioning detracted from relative performance, notably due to China rates

| Performance periods ended 31 Dec '23 | 3 mos. | FYTD | 1 yr. | 3 yrs. | 5 yrs. | 10 yrs. | SI |
|--------------------------------------|--------|------|-------|--------|--------|---------|------|
| Net of fees (%) | 6.10 | 3.69 | 5.87 | -3.18 | 0.67 | 2.67 | 5.48 |
| Benchmark* | 5.98 | 3.76 | 5.68 | -3.05 | 0.76 | 2.64 | 5.12 |

Past performance is not a reliable indicator of future results.

Returns for periods longer than 1 year are annualised.

Net of Fees - Fund performance is quoted net of fees and expenses and assumes the reinvestment of all distributions but does not take into account personal income tax.

Portfolio strategy

We remain selective on generic corporate credit risk and focus on bottom-up credit selection, emphasizing resilient issuers with positive rating trajectories and attractive valuation.

All-in yields remain elevated compared to the last 15 years and yields around current levels have historically represented attractive entry points for long-term investors. In this environment, non-cyclicals, select consumer-oriented sectors, defensive BBBs, new issues, and potential rising stars continue to offer attractive opportunities, while ongoing macro volatility and recession risk may lead to downside risk in lower quality credits.

*Bloomberg Global Aggregate ex Treasury Index hedged into AUD

| | |
|-----------------------------------|--------------------|
| Class: | WHOLESALE |
| Inception date: | 28 Apr '04 |
| Fund assets (in millions): | AUD1,447.21 |

| Summary information | 31 Dec '23 |
|--------------------------|------------|
| Effective duration (yrs) | 5.05 |
| Benchmark duration (yrs) | 5.81 |
| Effective maturity (yrs) | 7.05 |
| Average coupon | 3.88% |

| Top 5 overweights (MV%) | Portfolio | BM* |
|-------------------------|-----------|-------|
| Banks | 21.80 | 16.81 |
| Independent E&P | 2.02 | 0.32 |
| Transportation Services | 2.18 | 0.72 |
| Automotive | 2.12 | 0.97 |
| Brokerage | 2.24 | 1.22 |

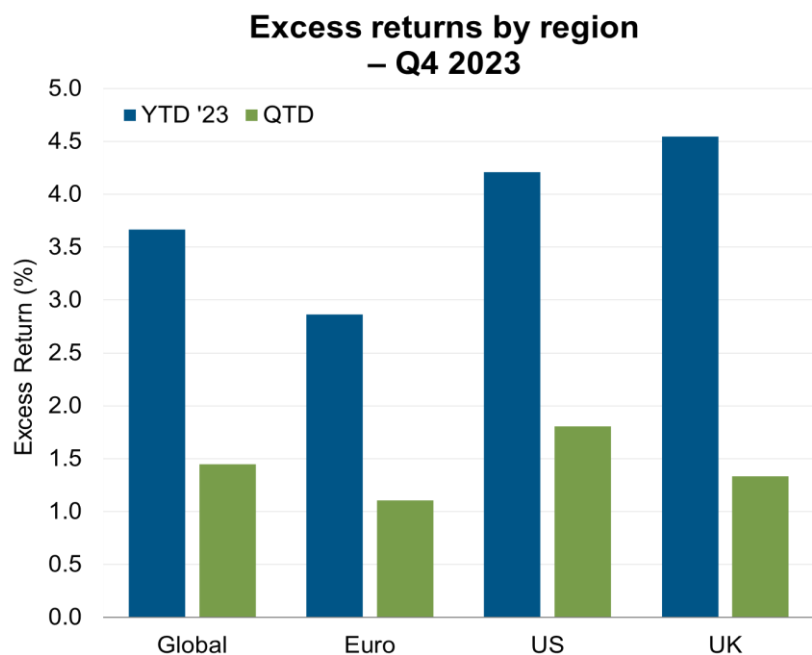
| Top 5 underweights (MV%) | Portfolio | BM* |
|--------------------------|-----------|------|
| Pharmaceuticals | 0.08 | 1.54 |
| Electric Utility | 2.77 | 4.09 |
| Healthcare | 0.05 | 1.07 |
| Food & Beverage | 0.45 | 1.43 |
| Technology | 1.68 | 2.46 |

| Quality Exposure (MV %) | 31 Dec '23 |
|-------------------------------|------------|
| AAA | 29.61 |
| AA | 27.33 |
| A | 18.02 |
| BBB | 22.51 |
| Sub Investment Grade | 2.52 |
| Average Credit Quality | AA- |

Quarter in Review

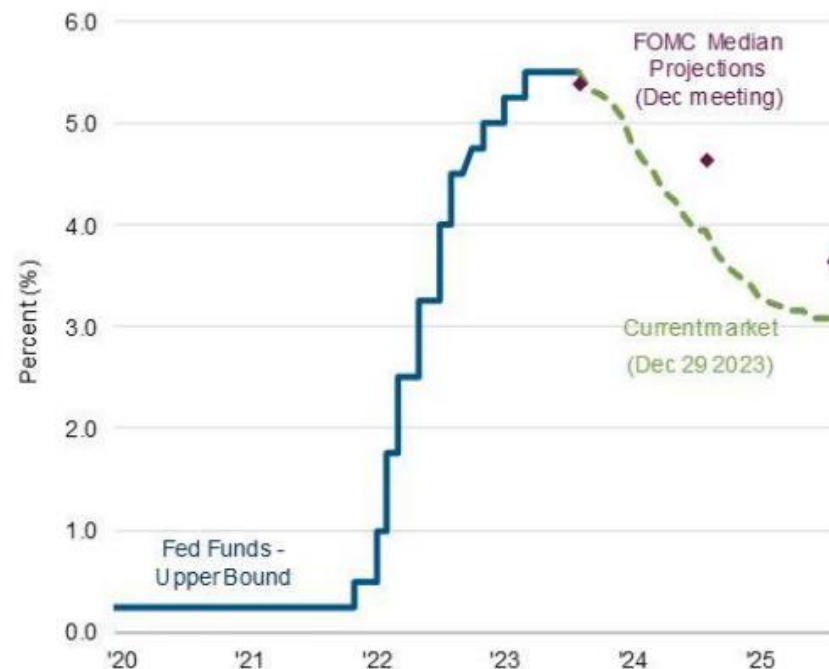
Credit spreads tightened during the fourth quarter amid improved risk sentiment

Global investment grade credit spreads tightened by 15bps over the quarter to 105bps. The fourth quarter saw a significant rally in government bonds and risk assets, as inflation continued to moderate while growth has remained supported. Alongside more dovish than expected Fed commentary, market confidence in a soft landing and a resulting policy pivot continued to increase, with investors now expecting both an earlier start to the upcoming cutting cycle and a greater number of cuts over the next 12 months. Against this backdrop, the Bloomberg Global Aggregate Credit Index outperformed like-duration government bonds by 1.5% over the quarter, with a total return of 7.3% (USD hedged).



On an excess return basis, all regional credit markets posted positive returns during the fourth quarter as spreads tightened amid improved risk sentiment. The U.S. credit market outperformed over the quarter, supported by healthy economic growth indicators alongside a continued moderation in inflation.

Source: Bloomberg, ICE BofA Merrill Lynch



Weakening economic data has sparked optimism, with market participants pricing in roughly 6 cuts in 2024, for a total of more than 150 bps.

Source: Bloomberg

Market Summary

Q4'23: Weakening economic data

The Fund's spread and interest rate strategies contributed to relative performance, while currency strategies was a minor detractor over the quarter.

Developed market debt

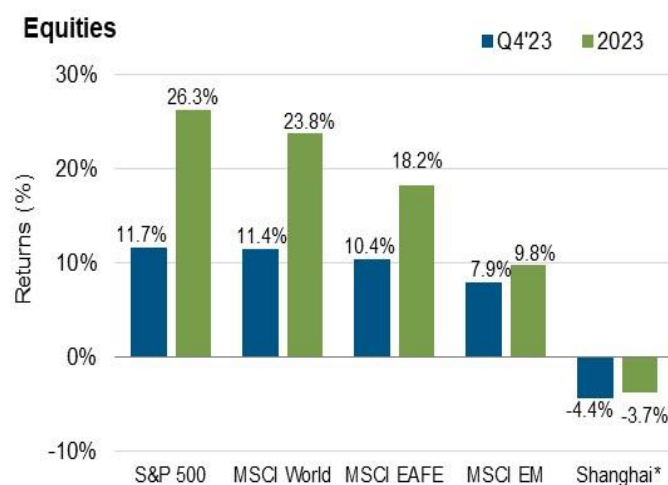
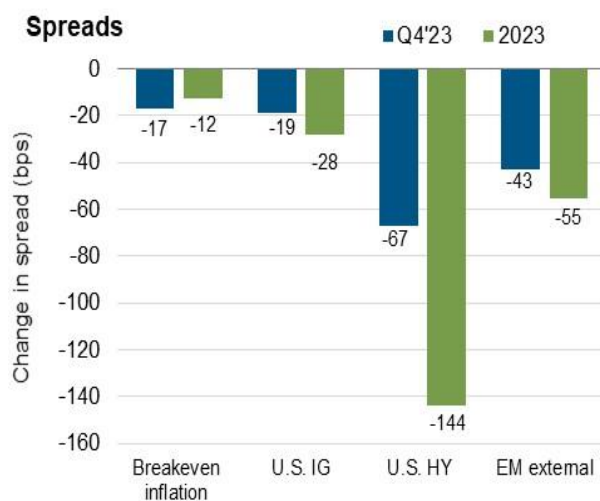
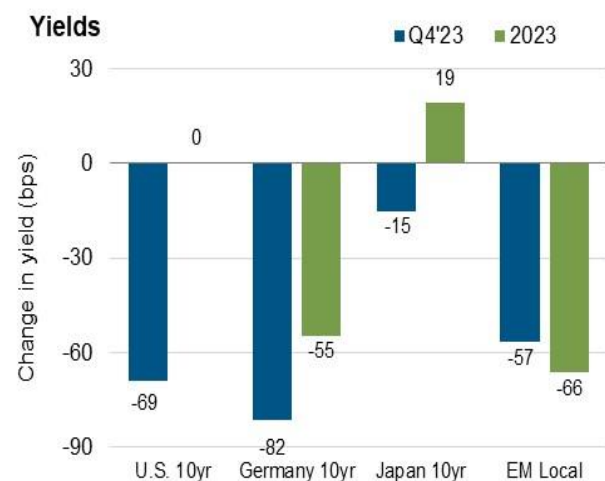
Indications of slowing inflation in the second half of the quarter prompted markets to price in accelerated expectations of rate cuts for next year. Yields fell broadly in developed markets as central banks held rates steady, including in the U.S., U.K., and Germany. In Japan, yields fell more modestly as the Bank of Japan weighed a potential exit to its accommodative monetary policy.

Credit

U.S. investment grade credit¹ spreads tightened 19 bps, ending the quarter at 93 bps. The sector returned 8.15%, outperforming like-duration treasuries by 1.81%. High quality credit posted two strong months of returns to end the year amid the rate rally.

Equities

Developed market equities² rose 11.4% in the fourth quarter of 2023 driven by optimism around interest rate cuts, easing inflationary pressures, and economic growth.



Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg U.S. Credit Index); U.S. high yield credit (ICE BofA High Yield Constrained Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); S&P 500 (S&P 500 Total Return Index); MSCI EAFE (MSCI EAFE Net Total Return USD Index); MSCI EM (MSCI Emerging Net Total Return USD Index); *Shanghai (Shanghai Stock Exchange Composite Index).

1: Bloomberg US Credit Index

2: MSCI World Index

Navigating the Descent: Four economic themes



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

Strategic outlook

Further disinflation and the potential for a faster cutting cycle should, in our view, raise the prospects for a soft landing. However, this is not to say that we believe that the path toward a soft landing is the only possible path. It is our view that the tighter-for-longer strategy that central banks have been communicating along with the strong possibility of stagnation in developed market supply and demand growth leave recession risks elevated.

Key strategies

Credit outlook

Investment grade credit fundamentals have remained resilient thus far as earnings as well as debt leverage metrics have remained relatively stable over recent quarters. Slowing consumer demand and margin pressures continue to represent headwinds for select industries and issuers, and tightening credit conditions could still translate into a recession. That said, given strong starting levels, credit fundamentals are generally expected to remain resilient even in a downturn

Top Underweights

We remain underweight issuers with limited upside and potential re-leveraging risk in sectors such as food & beverage and pharmaceuticals. We also maintain an underweight position to sectors with asset light business models or more shareholder-friendly balance sheet practices such as technology and integrated oil. Similarly, we also take a more cautious stance towards issuers in sectors that are facing secular challenges to their core business models, such as retailers.

Top Overweights

We favor bank capital exposure from large systemic banks which benefit from high capital levels, years of balance sheet de-risking and positive regulatory developments. We retain a favorable view of the gaming, airline, and lodging sectors, as continued strength in leisure and business travel as well as strong consumer demand is feeding through to material earnings improvements and de-leveraging potential. Within gaming, we are focused on names well positioned to capitalize on secular tailwinds and growth opportunities. Within airlines, we remain focused on higher quality EETCs as well as other secured airline debt.

Interest Rate / Currency Strategies

During the quarter we have continued to dynamically manage the overall duration profile of the portfolio. We remain underweight overall duration, but have overweights to Euro, Australia, New Zealand duration, and underweights to Germany and Japan duration. In terms of currencies, we retain tactical long exposures to the Japanese Yen, to a diversified basket of EM currencies, and to select developed market currencies such as AUD, funded by short positions in the USD and CAD.

Sector exposure

| | Portfolio | | | | Benchmark | |
|-------------------------------|-------------------|------------|-------------------|-------------|-------------------|-------------------|
| | % of Market value | | Duration in years | | % of Market value | Duration in years |
| | 30 Sep '23 | 31 Dec '23 | 30 Sep '23 | 31 Dec '23 | 31 Dec '23 | 31 Dec '23 |
| Government | -8.02 | -0.73 | 0.49 | 0.47 | 0.16 | 0.01 |
| Semi-Gov | 3.24 | 3.11 | 0.13 | 0.11 | 10.86 | 0.77 |
| Agency | 4.62 | 4.45 | 0.18 | 0.16 | 6.61 | 0.33 |
| IG Corporates | 40.78 | 42.97 | 1.75 | 1.92 | 37.42 | 2.29 |
| Financial | 22.67 | 25.90 | 0.83 | 1.04 | 15.48 | 0.72 |
| Industrial | 15.82 | 14.85 | 0.75 | 0.71 | 18.95 | 1.34 |
| Utilities | 2.29 | 2.22 | 0.17 | 0.17 | 2.97 | 0.23 |
| Other Investment Grade Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.00 |
| High Yield | 4.00 | 2.91 | 0.09 | 0.06 | 0.00 | 0.00 |
| Financial | 0.98 | 0.15 | 0.02 | 0.00 | 0.00 | 0.00 |
| Industrial | 1.14 | 0.99 | 0.03 | 0.02 | 0.00 | 0.00 |
| Utilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other High Yield Credit | 1.87 | 1.77 | 0.05 | 0.04 | 0.00 | 0.00 |
| Securitized* | 38.81 | 38.83 | 2.14 | 1.92 | 29.53 | 1.64 |
| Agency Mortgages | 33.70 | 31.67 | 1.97 | 1.69 | 23.72 | 1.39 |
| Non-Agency Mortgages | 3.92 | 5.00 | 0.15 | 0.17 | 0.81 | 0.03 |
| Asset-Backed Securities | 0.25 | 0.33 | 0.01 | 0.01 | 0.39 | 0.01 |
| Covered Bonds | 0.94 | 1.83 | 0.01 | 0.05 | 4.62 | 0.20 |
| Emerging Markets** | 10.10 | 7.97 | 0.38 | 0.32 | 15.34 | 0.78 |
| Sovereigns | 6.15 | 5.67 | 0.29 | 0.26 | 2.60 | 0.18 |
| Quasi-Sovereigns | 2.90 | 1.42 | 0.07 | 0.04 | 11.11 | 0.52 |
| Corporates | 1.05 | 0.89 | 0.02 | 0.01 | 1.64 | 0.08 |
| Cash Equiv & Other | 6.47 | 0.49 | 0.13 | 0.08 | 0.07 | 0.00 |
| Total | 100 | 100 | 5.29 | 5.04 | 100 | 5.82 |

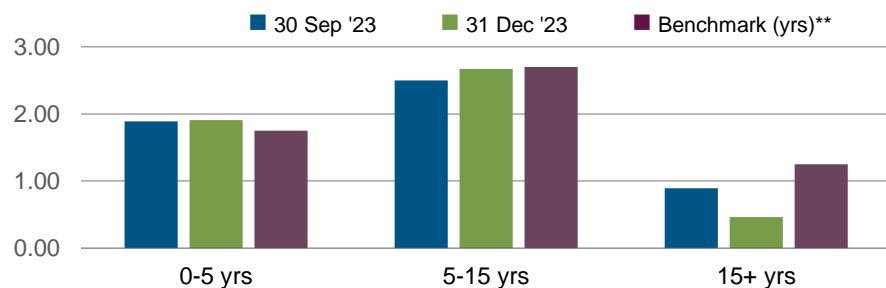
*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

**Emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.

Benchmark: Bloomberg Global Aggregate ex Treasury Index hedged into AUD

Portfolio characteristics

Key rate duration exposure



| | Portfolio (yrs) | | Benchmark (yrs)** |
|--------------|-----------------|-------------|-------------------|
| | 30 Sep '23 | 31 Dec '23 | 31 Dec '23 |
| 0-5 yrs | 1.89 | 1.91 | 1.75 |
| 5-15 yrs | 2.50 | 2.67 | 2.70 |
| 15+ yrs | 0.89 | 0.46 | 1.25 |
| Total | 5.28 | 5.04 | 5.70 |

Interest rate exposure

| | Portfolio (yrs) | | Benchmark (yrs)** |
|-----------------------------------|-----------------|------------|-------------------|
| | 30 Sep '23 | 31 Dec '23 | 31 Dec '23 |
| Effective duration | 5.28 | 5.05 | 5.70 |
| Spread duration | | | |
| Mortgage spread duration | 2.44 | 2.23 | 1.41 |
| Corporate spread duration | 2.16 | 2.30 | 2.47 |
| Emerging markets spread duration | 0.44 | 0.38 | 0.80 |
| Swap spread duration | 1.45 | 1.35 | 0.00 |
| Covered bond spread duration | 0.04 | 0.08 | 0.20 |
| Sovereign related spread duration | 0.31 | 0.28 | 0.98 |

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg Global Aggregate ex Treasury Index hedged into AUD

Country and currency exposure

Country exposure by country of settlement

| | 30 Sep '23 | | 31 Dec '23 | | Benchmark | |
|-----------------------|----------------|--------|----------------|--------|----------------|--------|
| | Duration (yrs) | FX (%) | Duration (yrs) | FX (%) | Duration (yrs) | FX (%) |
| United States | 3.67 | -1.44 | 3.39 | -0.88 | 3.59 | -0.00 |
| Japan | -0.34 | 1.23 | -0.35 | 0.74 | 0.05 | -0.00 |
| Eurozone | 0.91 | -0.62 | 1.04 | -0.57 | 1.13 | -0.00 |
| Austria | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 |
| Belgium | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 |
| European Union | 1.13 | 0.00 | 1.16 | 0.00 | 0.51 | 0.00 |
| Finland | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 |
| Euro Currency | 0.00 | -0.62 | 0.00 | -0.57 | 0.00 | -0.01 |
| France | 0.04 | 0.00 | 0.04 | 0.00 | 0.20 | 0.00 |
| Germany | -0.31 | 0.00 | -0.22 | 0.00 | 0.23 | 0.00 |
| Greece | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ireland | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Italy | 0.05 | 0.00 | 0.04 | 0.00 | 0.03 | 0.01 |
| Luxembourg | 0.02 | 0.00 | 0.02 | 0.00 | 0.01 | 0.00 |
| Netherlands | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.00 |
| Lithuania | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Portugal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Slovakia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Slovenia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Spain | 0.00 | 0.00 | 0.01 | 0.00 | 0.04 | 0.00 |
| Estonia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Malta | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| United Kingdom | 0.20 | -0.01 | 0.18 | -0.01 | 0.14 | -0.00 |
| Europe non-EMU | 0.00 | 0.00 | 0.00 | 0.00 | 0.08 | -0.00 |
| Denmark | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | -0.00 |
| Croatia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Norway | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Poland | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.00 |
| Sweden | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | -0.00 |
| Switzerland | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.00 |
| Dollar Block | 0.53 | 100.61 | 0.49 | 100.61 | 0.37 | 100.00 |
| Australia | 0.28 | 100.68 | 0.27 | 100.54 | 0.07 | 100.00 |

Benchmark: Bloomberg Global Aggregate ex Treasury Index hedged into AUD

Country and currency exposure

Country exposure by country of settlement

| | 30 Sep '23 | | 31 Dec '23 | | Benchmark | |
|---------------------------------------|----------------|------------|----------------|------------|----------------|------------|
| | Duration (yrs) | FX (%) | Duration (yrs) | FX (%) | Duration (yrs) | FX (%) |
| Canada | 0.16 | 0.01 | 0.15 | 0.06 | 0.30 | -0.00 |
| New Zealand | 0.09 | -0.08 | 0.07 | 0.00 | 0.00 | 0.00 |
| Other Industrialized Countries | -0.00 | -1.00 | -0.00 | -0.49 | 0.01 | 0.00 |
| Hong Kong | 0.00 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 |
| Singapore | -0.00 | -0.51 | 0.00 | 0.00 | 0.00 | 0.00 |
| Singapore | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| South Korea | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 |
| Taiwan | -0.00 | -0.51 | -0.00 | -0.49 | 0.00 | 0.00 |
| EM - Asia | 0.32 | 1.22 | 0.29 | 0.60 | 0.42 | 0.00 |
| China | 0.31 | -0.05 | 0.29 | 0.11 | 0.42 | 0.00 |
| Indonesia | 0.00 | 0.24 | 0.00 | 0.24 | 0.00 | 0.00 |
| India | 0.00 | 0.55 | 0.00 | 0.24 | 0.00 | 0.00 |
| Thailand | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Thailand | 0.00 | 0.47 | 0.00 | 0.00 | 0.00 | 0.00 |
| EM - Latin America | 0.00 | 0.01 | -0.00 | 0.00 | 0.00 | 0.00 |
| Mexico | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| EM - CEEMEA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 5.28 | 100 | 5.05 | 100 | 5.81 | 100 |

Benchmark: Bloomberg Global Aggregate ex Treasury Index hedged into AUD

Important Disclosures

This publication is intended to be general information for financial advisers and wholesale investors only. This should not be passed on to retail clients within the meaning of the Corporations Act.

Past performance is not a reliable indicator of future results. Interests in any PIMCO fund mentioned in this publication are issued by PIMCO Australia Management Limited ABN 37 611 709 507, AFSL 487 505 of which PIMCO Australia Pty Ltd ABN 54 084 280 508, AFSL 246 862 is the investment manager (together **PIMCO Australia**). This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. Investors should obtain a copy of the Product Disclosure Statement (**PDS**) and consider the PDS before making any decision about whether to acquire an interest in any PIMCO fund mentioned in this publication. PIMCO Australia has determined the target market for this product which is set out in the target market determination (**TMD**) published on our website. The current PDS and TMD can be obtained via www.pimco.com.au. This publication may include economic and market commentaries based on proprietary research, which are for general information only. PIMCO Australia believes the information contained in this publication to be reliable, however its accuracy, reliability or completeness is not guaranteed. Any opinions or forecasts reflect the judgment and assumptions of PIMCO Australia on the basis of information at the date of publication and may later change without notice. These should not be taken as a recommendation of any particular security, strategy or investment product. All investments carry risk and may lose value. To the maximum extent permitted by law, PIMCO Australia and each of their directors, employees, agents, representatives and advisers disclaim all liability to any person for any loss arising, directly or indirectly, from the information in this publication. No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission of PIMCO Australia. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world. © PIMCO, 2024.

To the extent this publication includes references to Pacific Investment Management Co LLC (**PIMCO LLC**) and/or any information regarding funds issued by PIMCO LLC and/or its associates, such references are to PIMCO LLC (and/or its associates, as the context requires) as the investment manager of the fund, and not as the issuer of the fund. **PIMCO LLC is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001. PIMCO LLC is regulated by the Securities and Exchange Commission under US law, which differ from Australian law. PIMCO LLC is only authorised to provide financial services to wholesale clients in Australia.**

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

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.

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.

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.

Bloomberg Global Aggregate Ex Treasury Index hedged into AUD is an unmanaged market index representative of the total return performance of ex Treasury major world bond markets on a AUD hedged basis. It is not possible to invest in an unmanaged index.

Portfolio allocations and other information in the charts in this Quarterly Investment Report are based on the fund's net assets.

All \$ amounts referenced are in USD and source citations are PIMCO unless stated otherwise.

Important Disclosures

The following defined terms are used throughout the report. **Emerging market short duration instruments** includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. **Net other short duration instruments** includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. **Short duration derivatives and derivatives offsets** include: 1) derivatives with an effective duration less than one year and where the country of risk is not an emerging market country (for example, Eurodollar futures) and 2) offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position which in certain instances may exceed the actual amount owed on such positions.

The performance figures presented reflect the performance for the institutional class unless otherwise noted.

PIMCO uses an internal model for calculating effective duration, which may result in a different value for the duration of an index compared to the duration calculated by the index provider or another third party.

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)

2805_QIR-4Q23