PIMCO

PIMCO Australian Bond Fund

Quarterly Investment Report | 1Q24

Institutional Class

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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.

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Executive summary

Portfolio Performance

Over the quarter, the Australian Bond strategy outperformed its benchmark largely due to duration and spread positioning.

Class:	INST
Inception date:	12 Jul '99
Fund assets (in millions):	AUD2,438.72

Summary information	31 Mar '24
Effective duration (yrs)	4.59
Benchmark duration (yrs)	4.94
Effective maturity (yrs)	4.89
Average coupon	3.59%

Regional exposure (currency in Dur yrs)	Portfolio (yrs)	Benchmark (yrs)
United States	-0.08	0.00
Japan	-0.40	0.00
Eurozone	-0.28	0.00
United Kingdom	0.06	0.00
Europe non-EMU	0.00	0.00
Australia	5.19	4.94
Canada	0.00	0.00
New Zealand	0.09	0.00
Other Industrialized Countries	0.00	0.00
Emerging markets	0.00	0.00
Total	**4.59**	**4.94**

Quality Exposure (MV %)	31 Mar '24
AAA	60.72
AA	22.55
A	6.76
BBB	7.94
Sub Investment Grade	2.02
Average Credit Quality	AA

CONTRIBUTORS

- Overweight exposure to investment grade credit, namely financials and industrials, as spreads tightened
- Underweight exposure to duration in the euro bloc, as yields rose
- Overweight exposure to U.S. non-agency MBS and high-quality CLOs, as spreads tightened.

DETRACTORS

- Short exposure to the US dollar, as the currency appreciated against the Australian dollar.
- Overweight exposure to duration in New Zealand, as yields rose
- Short exposure to the euro, as the currency appreciated against the Australian dollar.

Performance periods ended 31 Mar '24	3 mos.	FYTD	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Gross of fees (%)	1.41	5.53	2.92	-0.78	0.75	3.02	5.57
Net of fees (%)	1.30	5.17	2.46	-1.22	0.30	2.56	5.08
Benchmark*	1.03	4.55	1.47	-1.29	0.17	2.59	4.79

Past performance is not a reliable indicator of future results.
Returns for periods longer than 1 year are annualised.
Gross of Fees - Fund performance assumes the reinvestment of all distributions but does not take into account personal income tax.
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

Currently close to neutral after having been long in cyclical duration during the second half of 2023. Prefer Australia and New Zealand duration relative to other developed market regions due to their more interest-rate-sensitive economies.

Continue to focus on diversification of spread exposure across securitized, agency(semi/SSA), and corporate credit, and have a bias toward shorter-maturity and high-quality names while de-emphasizing generic corporate credit exposure. Prefer senior securitized exposure, particularly short weighted average life Australian RMBS.

*Bloomberg AusBond Composite 0+ Yr Index

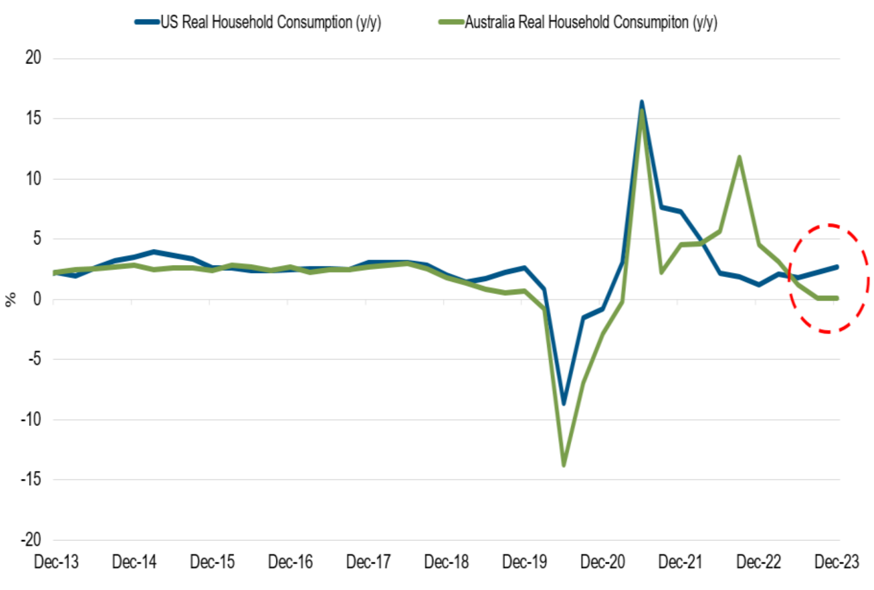
Quarter in Review

Persistent inflation pushed yields and year-end rate projections higher

A perceived "last mile" problem in the Fed's battle against inflation led bond markets to retrace their Q4'23 rally and bring expectations for 2024 cuts in line with the Fed's dot plot.

Other central banks in developed market countries appear to be increasingly dovish, with the Swiss National Bank becoming the first of the larger central banks to cut interest rates. The Reserve Bank of Australia has abandoned its tightening bias amidst new data that showed a continued economic slowdown, a softer-than-expected labor market, and further moderation in inflation. In Japan, the Bank of Japan raised its policy rate for the first time since 2007, marking the end of negative interest rate policies.

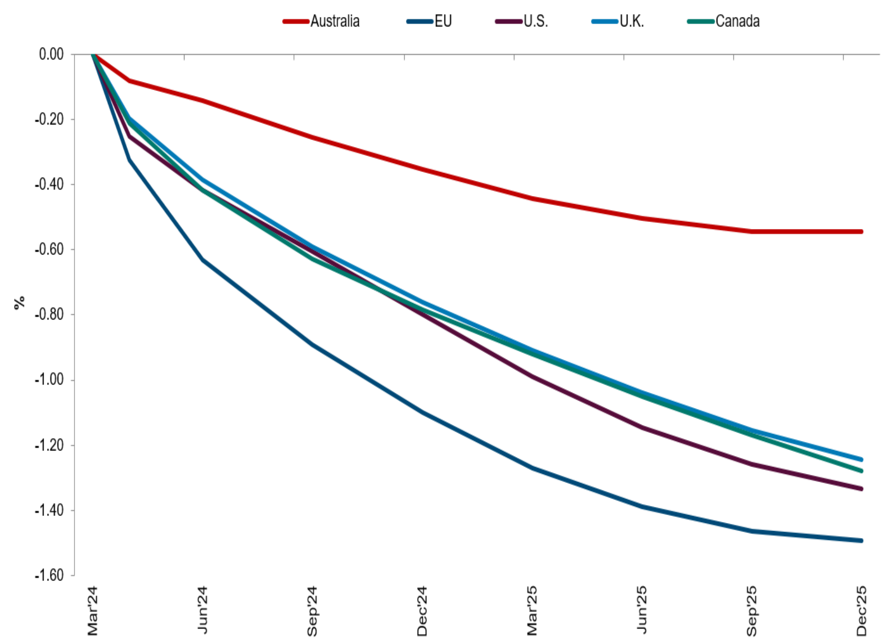
Real Household Consumption in Australia versus the U.S.



In Australia, household balance sheets are more thoroughly depleted relative to those in the U.S., as the pass-through of monetary policy happens rapidly via higher interest costs on consumer debt and shorter-term, floating-rate mortgages.

Source: Bloomberg

Market implied projected central bank policy rate cuts



The Reserve Bank of Australia has removed its policy-tightening bias. Yet the path of rate cuts priced into the forward curve looks relatively shallow versus other markets

Source: Bloomberg

PIMCO

Market Summary

Q1'24: Inflation rebound in the U.S.

Over the quarter, the Australian Bond strategy outperformed its benchmark largely due to duration and spread positioning.

Developed market debt

Sovereign yields rose over the quarter, particularly in the U.S., as inflation remained firm and economic activity robust. In contrast, Australian government bond yields remained largely unchanged over the same time, as the RBA kept rates on hold and pivoted to a more neutral policy stance.

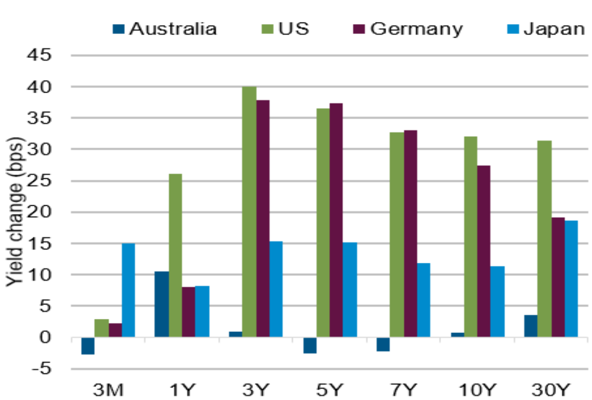
Credit

Amid positive risk sentiment, credit spreads continued to tighten, with global investment grade credit spreads tightening by 13 bps to 92 bps, and Australian investment grade credit spreads narrowing by 5 bps to 64 bps.

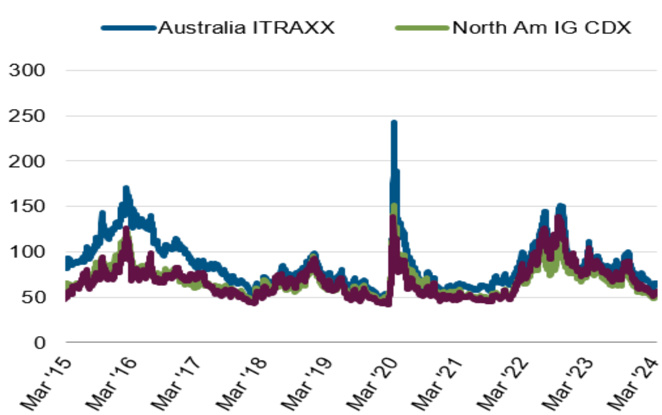
Currency

The Australian dollar weakened over the quarter due to the strengthening US dollar, as the market adjusted expectations for the Fed's rate cuts in 2024.

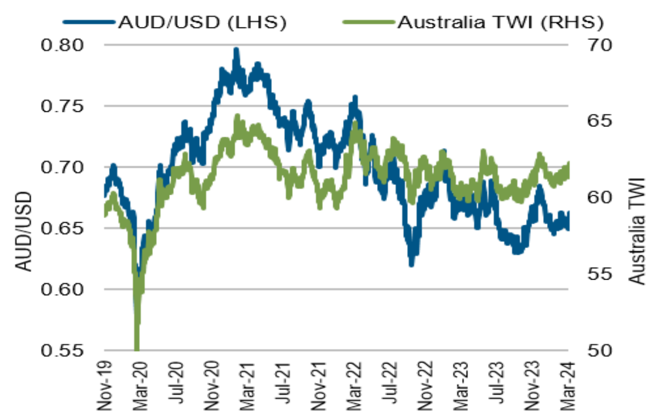
Yield Curve moves – YTD 2024



Currency



Credit Spreads



As of 31 March 2024. SOURCE: PIMCO, Bloomberg.

Investment implications:
Opportune time to consider going active in global fixed income

Look global	Greater-than-usual focus on bond markets outside of the U.S.
Lock in elevated yields	Intermediate maturities can offer a “sweet spot” with markets expecting cash rates to fall
Favor high quality	Up-in-quality bias in both public and private credit markets
Go active	Differentiated macro paths present compelling opportunities for active investors

Source: PIMCO

Portfolio Outlook

Strategic outlook

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed's subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Key strategies

Interest Rate Strategies

The Fund is currently close to neutral after having been long in cyclical duration during the second half of 2023. We focus on relative value opportunities across countries given divergence in growth, inflation and central bank reaction functions. We are biased towards tactically adjusting duration where we see mispricing, especially as markets remain committed to a soft-landing scenario.

Spread positions

Within corporate credit, we continue to focus on diversification of spread exposure across securitized, agency(semi/SSA), and corporate credit, and have a bias toward shorter-maturity and high-quality names while de-emphasizing generic corporate credit exposure. The Fund continues to have a favourable view of Financials, and in particular senior debt, which are well positioned following more than a decade of restructuring, de-risking, and deleveraging.

State-government exposure

The Fund has an overweight to the semi-government and agency space given valuations and high quality characteristics.

Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	31 Dec '23	31 Mar '24	31 Dec '23	31 Mar '24	31 Mar '24	31 Mar '24
Government	23.30	20.54	1.42	1.40	50.08	2.67
Semi-Gov	28.93	28.99	1.82	1.76	36.16	1.84
Agency	14.43	13.58	0.42	0.41	0.10	0.00
IG Corporates	19.99	21.23	0.56	0.60	12.67	0.40
Financial	13.87	14.55	0.34	0.36	4.65	0.12
Industrial	5.31	5.86	0.17	0.20	3.04	0.11
Utilities	0.81	0.82	0.04	0.04	0.70	0.02
Other Investment Grade Credit	0.00	0.00	0.00	0.00	4.27	0.14
High Yield	0.41	0.42	0.01	0.01	0.00	0.00
Financial	0.00	0.00	0.00	0.00	0.00	0.00
Industrial	0.41	0.42	0.01	0.01	0.00	0.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00
Other High Yield Credit	0.00	0.00	0.00	0.00	0.00	0.00
Securitized*	13.50	13.87	0.34	0.39	0.60	0.01
Agency Mortgages	8.27	8.56	0.20	0.24	0.00	0.00
Non-Agency Mortgages	2.89	2.94	0.10	0.10	0.00	0.00
Asset-Backed Securities	0.00	0.00	0.00	0.00	0.00	0.00
Covered Bonds	2.35	2.37	0.04	0.04	0.60	0.01
Emerging Markets**	0.14	0.13	0.00	0.00	0.39	0.01
Sovereigns	0.00	0.00	0.00	0.00	0.00	0.00
Quasi-Sovereigns	0.00	0.00	0.00	0.00	0.22	0.01
Corporates	0.14	0.13	0.00	0.00	0.17	0.00
Cash Equiv & Other	-0.70	1.24	0.05	0.03	0.00	0.00
Total	**100**	**100**	**4.62**	**4.60**	**100**	**4.93**

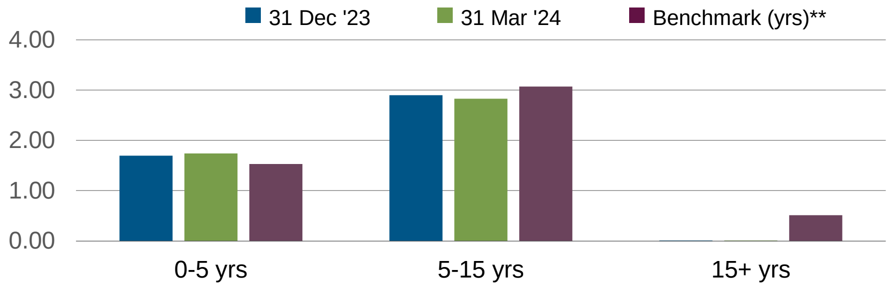
*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

**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 AusBond Composite 0+ Yr Index

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	**31 Mar '24**	**31 Mar '24**
0-5 yrs	1.70	1.74	1.53
5-15 yrs	2.90	2.83	3.07
15+ yrs	0.01	0.01	0.51
Total	**4.61**	**4.58**	**5.11**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	**31 Mar '24**	**31 Mar '24**
Effective duration	4.62	4.59	5.11
Spread duration			
Mortgage spread duration	0.56	0.61	0.00
Corporate spread duration	0.54	0.62	0.28
Emerging markets spread duration	0.01	0.01	0.02
Swap spread duration	0.97	0.59	0.00
Covered bond spread duration	0.06	0.06	0.01
Sovereign related spread duration	2.29	2.22	2.09

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg AusBond Composite 0+ Yr Index

Country and currency exposure

Country exposure by country of settlement

	31 Dec '23		31 Mar '24		Benchmark	
	Duration (yrs)	FX (%)	Duration (yrs)	FX (%)	Duration (yrs)	FX (%)
United States	-0.12	-0.63	-0.08	-0.32	0.00	0.00
Japan	-0.37	0.66	-0.40	0.48	0.00	0.00
Eurozone	-0.29	-0.64	-0.28	-0.52	0.00	0.00
European Union	0.38	0.00	0.38	0.00	0.00	0.00
Euro Currency	0.00	-0.64	0.00	-0.52	0.00	0.00
Germany	-0.67	0.00	-0.66	0.00	0.00	0.00
United Kingdom	0.06	0.08	0.06	0.07	0.00	0.00
Europe non-EMU	0.00	0.00	0.00	0.00	0.00	0.00
Dollar Block	5.35	100.56	5.28	100.29	4.94	100.00
Australia	5.23	100.49	5.19	100.25	4.94	100.00
New Zealand	0.12	0.07	0.09	0.04	0.00	0.00
Other Industrialized Countries	-0.00	-0.51	-0.00	-0.50	0.00	0.00
Taiwan	-0.00	-0.51	-0.00	-0.50	0.00	0.00
EM - Asia	0.00	0.47	0.00	0.49	0.00	0.00
Indonesia	0.00	0.24	0.00	0.24	0.00	0.00
India	0.00	0.23	0.00	0.24	0.00	0.00
EM - Latin America	-0.00	0.00	-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	**4.62**	**100**	**4.59**	**100**	**4.94**	**100**

Benchmark: Bloomberg AusBond Composite 0+ Yr Index

Important Disclosures

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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.

The Bloomberg AusBond Composite 0+ Yr Index is an unmanaged market index representative of the total return performance of AUD-denominated bonds. 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.

1203_QIR-1Q24

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.

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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)