

# PIMCO Global Credit Fund

## PERFORMANCE SUMMARY

The PIMCO Global Credit Fund (the "Fund") returned -1.01% (Institutional Class, net of fees) in February outperforming the Bloomberg Global Aggregate ex Treasury Index hedged into AUD by 0.01%. Year-to-date the Fund has returned -1.18% (Institutional Class, net of fees), while the benchmark returned -1.26%.

Over the month, the Global Credit Fund returned -0.95% before fees, and outperformed the Fund's benchmark, The Bloomberg Global Aggregate ex-Treasury Index (AUD Hedged), by 7bps. In February, global investment grade credit spreads tightened by 5bps in February to 96bps. In the U.S., a particularly strong employment report alongside a firmer-than-expected inflation print led to a further rise in government bond yields as investors recalibrated their expectations for rate cuts.

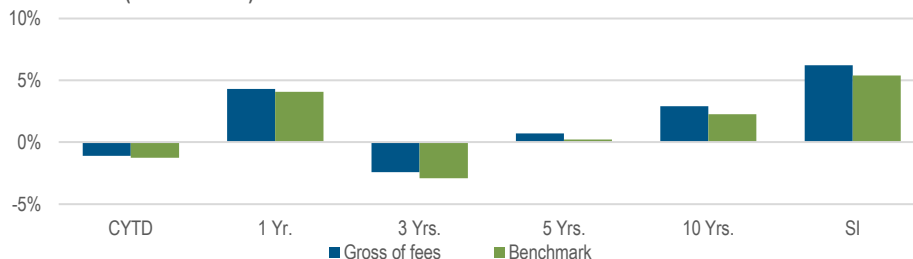
### Contributors

- Credit selection in investment grade credit contributed to relative performance, notably within the banking and industrial sectors
- Security selection in government related bonds contributed to relative performance
- Overweight exposure to securitized credit contributed to relative performance

### Detractors

- Duration positioning, notably in U.S. and Canadian rates exposure, detracted from relative performance
- Currency positioning, notably in USD and JPY, detracted from relative performance

Performance (Gross of Fees)



Performance	CYTD	1 mos.	3 mos.	FYTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	SI
Gross of fees (%)	-1.09	-0.97	2.42	2.86	4.31	-2.42	0.69	2.91	6.22
Net of fees (%)	-1.18	-1.01	2.28	2.48	3.72	-2.96	0.13	2.33	5.67
Benchmark (%)	-1.26	-1.02	2.00	2.46	4.07	-2.91	0.22	2.26	5.39
Gross of fee Alpha (%)	0.16	0.06	0.42	0.40	0.23	0.49	0.48	0.64	0.82

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

SI is the performance since inception. Inception date is 04/12/2001

The benchmark is the Bloomberg Global Aggregate ex Treasury Index hedged into AUD

## Key Facts

Bloomberg Ticker	PIMGLCR
ISIN	AU60ETL01145
APIR	ETL0114AU
Inception date	04 December 2001
Distribution	Quarterly
Management Fee <sup>1</sup>	0.56% p.a.
Portfolio Managers	Robert Mead, Mark Kiesel
Total Net Assets	1.4 (AUD in Billions)

<sup>1</sup>In addition to the Management Fee there may be other fees and costs associated with an investment in this fund. For a detailed explanation on fees and costs please refer to the Product Disclosure Statement.

## Investment Statistics

Fund Duration (yrs)	5.13
Benchmark Duration (yrs)	5.81
Estimated Yield to Maturity (%) <sup>Ⓢ</sup>	4.30
Average Coupon (%)	4.28
Effective Maturity (yrs)	7.21

<sup>Ⓢ</sup>Yield to Maturity (YTM) is the estimated annual rate of return that would be received if the Fund's current securities were all held to their maturity and all coupons and principal were made as contracted. YTM does not account for fees or taxes. YTM is not a forecast, and is not a guarantee of, the future return of the Fund. The Fund's actual return will depend on a range of factors, including fluctuations in the value of the Fund's securities held from time to time.

## Risk Profile

### 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.

### Investment Adviser

PIMCO Australia Pty Ltd  
Level 19, 5 Martin Place  
Sydney, NSW, 2000  
1300 113 547  
investorservices@au.pimco.com

### Newport Beach Headquarters

650 Newport Center Drive  
Newport Beach, CA 92660

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## PORTFOLIO POSITIONING

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

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. We remain constructive on the Gaming and Airline sectors, driven by the continued post-pandemic recovery in entertainment and travel. We continue to prefer sectors with asset coverage and good earnings visibility, such as pipelines and wireless tower companies. Within financials, we favor the senior debt of large national champion banks.

We also continue to be constructive on senior US securitized credit, such as non-Agency MBS. We remain constructive on Agency MBS, favoring higher coupons given more attractive valuations.

The portfolio is underweight duration relative to the benchmark. The Fund continues to focus on country selection given variation in growth, inflation, and policy.

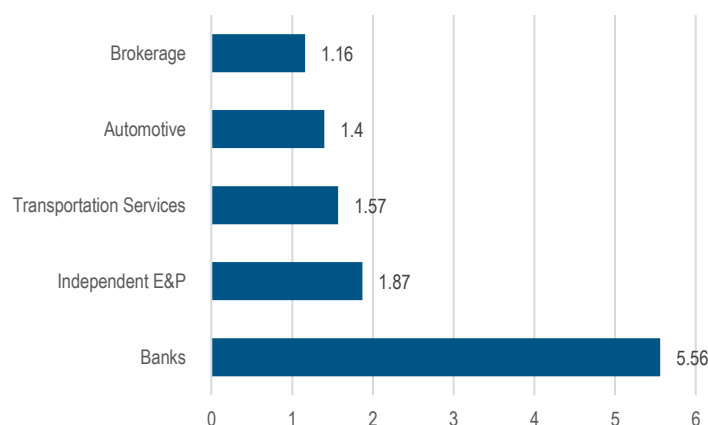
## MONTH IN REVIEW

February saw new record highs in equity markets on a positive earnings season in the U.S., while resilient macro data weighed on treasuries, as investors continued to par back pricing of cuts to the federal funds rate. The U.S. 2y yield rose 41bps to 4.62%, and the U.S. 10y yield rose 34bps to 4.25%. Within spreads, US investment grade tightened 2bps to 100bps, and US high yield credit tightened 30bps to 329bps. In the equities space, tech companies drove gains as the S&P500 registered a monthly gain of 5.34% and also reached a record high level.

In the monetary space, central banks' messaging and strong economic data continued to further push back the timeline for rate cuts. While Federal Reserve Chair Jerome Powell stated his base case is inflation would continue to fall throughout the first half of 2024, Fed officials will continue to adopt a data dependent approach to gain confidence that inflation is on a sustainable downwards path before starting to cut rates.

The ratings momentum appears to be slowing after a multi-year upgrade cycle. Following record downgrades in 2020, the market experienced a remarkable upgrade cycle over the past three years, with \$278bn of rising stars versus only \$48bn of fallen angels in USD debt in the 2021 to 2023 period. In 2024, we have thus far seen \$4.3bn of rising stars versus \$3.5bn of fallen angels, hinting at slowing ratings momentum going forward.

Top 5 overweights (% Market Value)



## OUTLOOK AND STRATEGY

We focus on country selection given variation in growth and inflation dynamics globally, while maintaining a cautious stance towards corporate credit, with a focus on relative value positions and diversified alpha strategies. Within our broader risk exposures, we maintain tactical tilts that aim to benefit the portfolio across a variety of scenarios given the current point of the cycle.

We maintain a selective approach in our overall spread exposure, expressing a defensive posture. But, higher all-in yield levels offer investors both improved opportunities for income generation as well as greater downside cushion. Investment grade credit should also remain better supported than other riskier parts of credit in a potential recession, although high yield credit fundamentals should remain relatively resilient and continue to be in a better position than prior to the pandemic.

We remain constructive on agency and non-agency mortgages, which benefit from attractive valuations and resilient characteristics given high levels of equity and seasoning as well as resilience across various market environments. U.S. mortgage-backed securities should benefit from fundamentally strong U.S. housing markets, and agency MBS remain at historically attractive levels.

We hold an overall underweight duration position, with variation in country selection and focus on countries where yields have reached attractive levels. The Fund continues to focus on country selection given variation in growth, inflation, and policy. We express key underweights in Japan, Germany, and China rates. We maintain a modest overweight to US, Australia and UK duration, and Eurozone rates.

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

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**Diversification:** Diversification does not ensure against losses.

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

**Fluctuation:** There can be no guarantee that the trends above will continue. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

**Forecast:** These forecasts are predictive in nature. Actual results may differ materially from these projections.

All periods longer than one year are annualised.

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**Index:** It is not possible to invest directly in an unmanaged index.

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Investing in foreign-denominated and/or -domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Sovereign securities are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. High yield, lower-rated securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Mortgage- and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government agency or private guarantor, there is no assurance that the guarantor will meet its obligations. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Swaps are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. Inflation-linked bonds (ILBs) issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. government. Certain U.S. government securities are backed by the full faith of the government. Obligations of U.S. government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value.

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**Strategy Availability:** Strategy availability may be limited to certain investment vehicles; not all investment vehicles may be available to all investors. Please contact your PIMCO representative for more information.

Interest rate strategies encompass the Fund's duration, yield curve, and convexity strategies.

Benchmark: Bloomberg Global Aggregate ex Treasury Index hedged into AUD.

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..

Spreads referenced are the average option adjusted spread level as generated by Barclays.