# PIMCO Australian Short-Term Bond Fund

## PERFORMANCE SUMMARY

The PIMCO Australian Short-Term Bond Fund (the "Fund") returned -0.01% (Institutional Class, net of fees) in February. Year-to-date the Fund has returned 0.36% (Institutional Class, net of fees).

Tech stocks led a broad market rally fueled by advancements in artificial intelligence, while bond indexes faced challenges as yields rose. The Reserve Bank of Australia (RBA) met for the first of 8 times this year and decided to hold the cash rate at 4.35%. This decision did not surprise the markets who had priced this in at ~95% probability, however, slightly hawkish comments 'not ruling out rate hikes' did.

The Fund had a positive absolute return for the month, largely due to an absolute exposure to spread and currency positioning.

### Key Facts

| | |
|---|---|
| Bloomberg Ticker | PIMAUFO |
| ISIN | AU60ETL01756 |
| APIR | ETL0175AU |
| Inception date | 05 February 2009 |
| Distribution | Quarterly |
| Management Fee[1] | 0.45% p.a. |
| Portfolio Managers | Robert Mead, Adam Bowe, Aaditya Thakur |
| Total Net Assets | 248.9 (AUD in Millions) |

### Contributors

- Holdings of investment-grade corporate credit
- Long exposure to select EM currencies, namely IDR and INR, as the currencies appreciated against the Australian dollar
- Holdings of semi-government credit

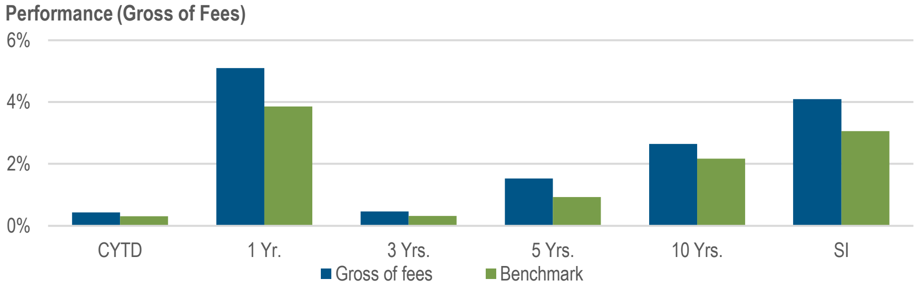
### Detractors

- Long exposure to duration in Australia and New Zealand, as yields rose
- Curve positioning in the euro bloc, as yields rose
- Underweight exposure to duration in Japan, as yields fell

### Investment Statistics

| | |
|---|---|
| Fund Duration (yrs) | 2.52 |
| Benchmark Duration (yrs) | 2.54 |
| Estimated Yield to Maturity (%)⊕ | 4.81 |
| Average Coupon (%) | 3.36 |
| Effective Maturity (yrs) | 2.92 |

⊕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.




| Performance | CYTD | 1 mos. | 3 mos. | FYTD | 1 Yr. | 3 Yrs. | 5 Yrs. | 10 Yrs. | SI |
|---|---|---|---|---|---|---|---|---|---|
| Gross of fees (%) | 0.43 | 0.03 | 2.32 | 4.14 | 5.10 | 0.47 | 1.53 | 2.64 | 4.09 |
| Net of fees (%) | 0.36 | -0.01 | 2.21 | 3.83 | 4.63 | 0.02 | 1.07 | 2.18 | 3.63 |
| Benchmark (%) | 0.31 | 0.02 | 1.84 | 3.16 | 3.86 | 0.31 | 0.93 | 2.17 | 3.06 |
| Gross of fee Alpha (%) | 0.12 | 0.01 | 0.48 | 0.98 | 1.24 | 0.15 | 0.60 | 0.48 | 1.03 |

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 05/02/2009

The benchmark is the 50% Bloomberg AusBond Bank Bills Index / 50% Bloomberg AusBond Composite 0+ Yr Index

### 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.

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## PORTFOLIO POSITIONING

The Fund remains active in its duration positioning, augmenting Australian and New Zealand duration with modest active positioning in select global duration positions.

Within corporate credit, we remain cautious of generic corporate beta but maintain exposure to high quality, short maturity opportunities. The Fund continues to own Australian residential mortgage-backed securities (MBS).

## MONTH IN REVIEW

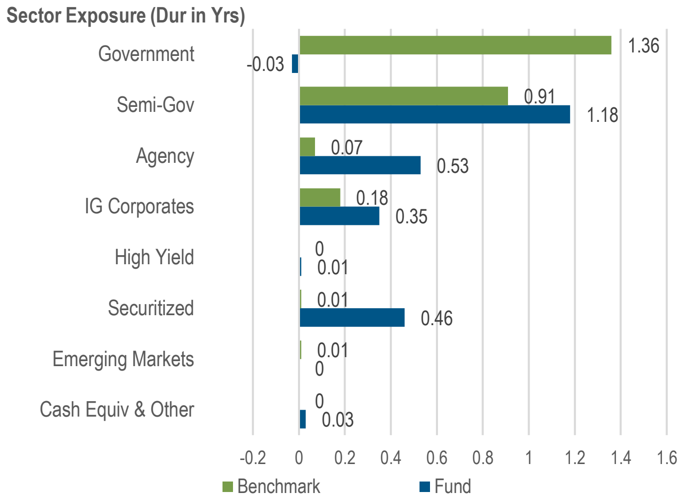
Tech stocks led a broad market rally fueled by advancements in artificial intelligence, while bond indexes faced challenges as yields rose. The U.S. 2y yield rose 41bps to 4.62%, and the U.S. 10y yield rose 34bps to 4.25%. The 10-year Australian Commonwealth Government Bond (ACGB) yields rose 12 bps to 4.14%. The Australian dollar fell 1.08% against the US dollar.
In the monetary space, in Australia, the RBA met for the first of 8 times this year and decided to hold the cash rate at 4.35%. This decision did not surprise the markets who had priced this in at ~95% probability, however, slightly hawkish comments 'not ruling out rate hikes' did. The RBA noted in its statement that whilst headline inflation had almost halved from 7.8% over 2022 to 4.1% at the year end, it was still far from the ideal mid 2-3% range and the battle is not yet won. Sticky services inflation, driven by continuing excess demand in the economy and strong domestic cost pressures, remains a lingering concern for the Board. The baseline is that the RBA will need to see enough progress on inflation to begin the easing cycle.
The real side of the economy is slowing, with the unemployment rate climbing 20 bps to 4.1% against consensus estimates of 4% and the previous 3.9%. Underemployment also increased, rising to 6.6% with total hours worked falling by -0.5% or -9.6 million hours.

## OUTLOOK AND STRATEGY

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.

In this uncertain environment, we favour portfolio flexibility and liquidity to respond to events and potentially take advantage of opportunities. We remain cautious and active on duration positioning in the Fund.

In spread sectors, we continue to focus on what we consider to be relative value opportunities rather than generic beta exposure. We consider that credit allocations need to be built on a bond-by-bond basis to seek to achieve maximum portfolio resiliency. In investment grade corporates, we prefer short-dated opportunities and what we consider to be local industrial names and select senior financials that we think may provide attractive risk-adjusted returns across a range of recovery scenarios.



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

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

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**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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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, governmentagency 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 exchangetraded 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: 50% Bloomberg AusBond Bank Bills Index / 50% Bloomberg AusBond Composite 0+ Yr Index.

The Fund's benchmark index is a blend of 50% Bloomberg AusBond Bank Bills Index and 50% Bloomberg AusBond Composite 0+ Yr Index. The Bloomberg AusBond Bank Bills Index is an unmanaged index representative of the total return performance of Australian money market securities. 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..