



# PIMCO Dynamic Bond 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 Dynamic Bond Fund (net of fees) posted a positive return over the fourth quarter driven mainly by contributions from duration and spread strategies while currencies were flat.

### CONTRIBUTORS

- Long exposure to US, Australian and Canadian duration, as yields fell
- Exposure to the cash interest rate in the US, from carry
- Holdings of investment grade and high yield corporate credit, as spreads tightened and through carry
- Holdings of US Agency Mortgage Backed Securities, as spreads tightened

### DETRACTORS

- Short exposures to select EM and DM currencies, as they appreciated against the US dollar
- Holdings of US non-Agency Mortgage Backed Securities
- Long exposure to US Treasury Inflation-Protected Securities ("TIPS"), as breakeven inflation levels fell

Performance periods ended 31 Dec '23	3 mos.	FYTD	1 yr.	3 yrs.	5 yrs.	SI
Net of fees (%)	4.09	3.76	5.46	-1.36	0.86	2.03
Benchmark*	1.06	2.15	3.89	1.71	1.40	1.76

### 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

**Tactical duration positioning:** Within the US, we maintain an emphasis on the intermediate parts of the yield curve, while being modestly short at the very long end. We also hold diversifying exposures in Canada and Australia given the potential for rates to decline in these economies more rapidly due to their higher rate sensitivity.

**Long Agency Mortgage Backed Securities:** We continue to hold select Agency MBS as a way to maintain a high quality, very liquid position that offers a "safe spread" over US Treasuries. The allocation is focused primarily on higher coupons, which can offer higher spreads and less duration risk.

**High quality credit holdings:** Favor high quality securitized credit as underlying fundamentals remain compelling and given attractive yield pick-up versus like-rated corporates. We continue to focus on bottom-up security selection within corporate credit, where we find value in financials following years of increased regulation, and non-cyclical sectors, such as utilities.

**Cautious on high yield and emerging markets:** While we believe there are some compelling bottoms-up opportunities, including in higher-rated EM countries, we are generally more selective and defensive on assets that would be more vulnerable to an economic slowdown.

<b>Class:</b>	<b>WHOLESALE</b>
<b>Inception date:</b>	<b>18 Mar '14</b>
<b>Fund assets (in millions):</b>	<b>AUD16.53</b>

Summary information	31 Dec '23
Effective duration (yrs)	2.05
Benchmark duration (yrs)	0.12
Effective maturity (yrs)	2.04
Average coupon	4.58%

Regional exposure (currency in Dur yrs)	Portfolio (yrs)	Benchmark (yrs)
United States	1.52	0.00
Japan	0.00	0.00
Eurozone	0.02	0.00
United Kingdom	-0.01	0.00
Europe non-EMU	-0.16	0.00
Australia	0.35	0.12
Canada	0.12	0.00
New Zealand	0.00	0.00
Other Industrialized Countries	-0.01	0.00
Emerging markets	0.22	0.00
<b>Total</b>	<b>2.05</b>	<b>0.12</b>

Quality Exposure (MV %)	31 Dec '23
AAA	74.66
AA	-5.84
A	6.47
BBB	10.44
Sub Investment Grade	14.28
<b>Average Credit Quality</b>	<b>AA-</b>

\*Bloomberg AusBond Bank Bills Index

# Market Summary

---

## Q4'23: Weakening economic data

The Fund's duration and spread strategies contributed to performance while currencies remained flat 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 US, UK, 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 credit<sup>1</sup> 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 equities<sup>2</sup> 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

### Duration

Against a backdrop of heightened rate volatility, the Fund aims to actively manage its duration, adjusting exposure in response to rate moves and taking advantage of relative value opportunities as global growth cycles and central bank policies become less synchronized. The Fund's overall duration moved lower, as we reduced US duration exposure in the intermediate part of the curve, taking profits as rates rallied. Elsewhere, the Fund maintained long exposures to Canadian and Australian duration given the potential for rates to decline more rapidly due to their higher rate sensitivity.

### Spread

We continue to hold select Agency MBS as the asset class offers potentially compelling returns along with a defensive profile that has historically performed well through economic downturns. We also continue to see value in high quality securitized credit including Non-Agency MBS where high quality securities are relatively insulated from key risks facing global markets. Within corporate credit, we have selective exposure to investment grade credit where we maintain our preference for senior financials, alongside allocation to transports credits and non-cyclical sectors, such as utilities and telecoms. Within high yield corporate credit, the Fund maintains modest holdings and has a small allocation to CDS indices, which it uses to tactically manage beta exposure.

### Currency

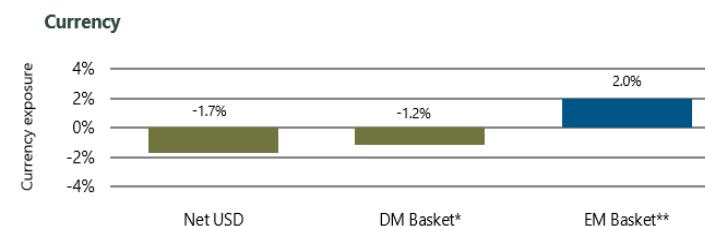
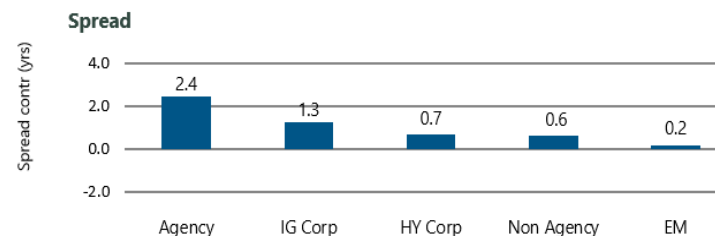
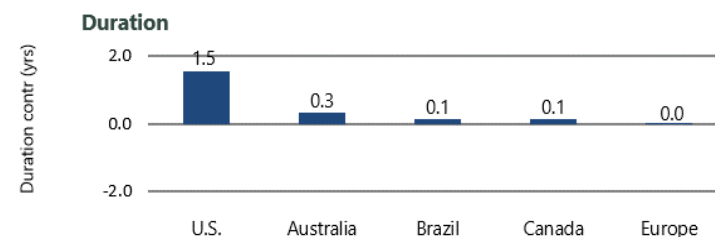
We remain tactical with currency positioning, holding modest long positions across a diversified selection of both DM and EM currencies. The Fund holds a broad basket of commodity-linked currencies, where we believe valuations remain attractive, including BRL, MXN, ZAR, IDR, CLP and AUD. The Fund also holds long exposures to INR, TRY and HUF, and short exposures to CNY, KRW, TWD, SGD and PLN. Within developed markets, we hold a long exposure in JPY, while being tactically short CAD and EUR.

Source: PIMCO

\*DM Basket includes: JPY, AUD, GBP, EUR (short), CAD (short)

\*\*EM Basket includes: long positions in MXN, BRL, INR, HUF, ZAR, IDR, TRY, CLP, COP, ARS; short positions in CNY, TWD, PLN, KRW, SGD, PEN

## Position



# 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
<b>Government</b>	15.53	0.87	-0.68	-1.73	0.00	0.00
<b>Semi-Gov</b>	0.21	0.21	0.02	0.02	0.00	0.00
<b>Agency</b>	0.08	0.08	0.00	0.00	0.00	0.00
<b>IG Corporates</b>	16.24	15.60	0.59	0.60	100.00	0.12
Financial	11.83	11.08	0.41	0.41	0.00	0.00
Industrial	3.72	3.84	0.15	0.15	0.00	0.00
Utilities	0.69	0.68	0.03	0.03	0.00	0.00
Other Investment Grade Credit	0.00	0.00	0.00	0.00	100.00	0.12
<b>High Yield</b>	3.78	4.92	0.12	0.11	0.00	0.00
Financial	1.06	0.99	0.02	0.01	0.00	0.00
Industrial	3.60	3.68	0.11	0.10	0.00	0.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00
Other High Yield Credit	-0.88	0.25	-0.00	0.00	0.00	0.00
<b>Securitized*</b>	57.25	63.10	3.26	2.83	0.00	0.00
Agency Mortgages	42.94	49.83	2.68	2.33	0.00	0.00
Non-Agency Mortgages	12.56	11.61	0.56	0.47	0.00	0.00
Asset-Backed Securities	0.04	0.03	0.00	0.00	0.00	0.00
Covered Bonds	1.02	0.96	0.02	0.02	0.00	0.00
<b>Emerging Markets**</b>	10.86	11.10	0.19	0.17	0.00	0.00
Sovereigns	8.59	9.30	0.12	0.12	0.00	0.00
Quasi-Sovereigns	0.45	0.30	0.02	0.01	0.00	0.00
Corporates	1.82	1.50	0.06	0.05	0.00	0.00
<b>Cash Equiv &amp; Other</b>	-3.94	4.13	0.06	0.05	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>	<b>3.56</b>	<b>2.05</b>	<b>100</b>	<b>0.12</b>

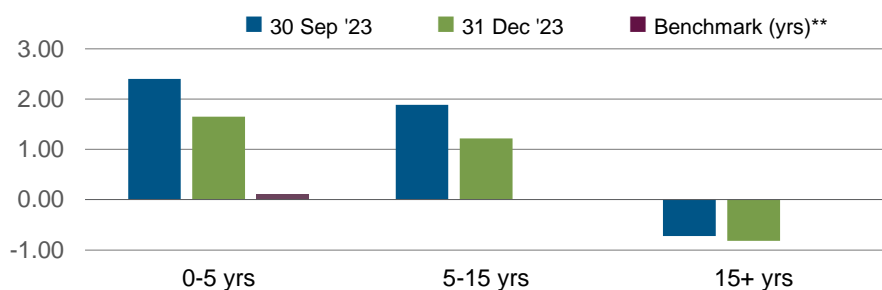
\*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

\*\*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 Bank Bills Index

# Portfolio characteristics

## Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '23	31 Dec '23	31 Dec '23
0-5 yrs	2.40	1.65	0.12
5-15 yrs	1.89	1.22	0.00
15+ yrs	-0.72	-0.82	0.00
<b>Total</b>	<b>3.57</b>	<b>2.05</b>	<b>0.12</b>

## Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '23	31 Dec '23	31 Dec '23
Effective duration	3.57	2.05	0.12
<b>Spread duration</b>			
Mortgage spread duration	3.62	3.37	0.00
Corporate spread duration	1.23	0.87	0.12
Emerging markets spread duration	0.21	0.19	0.00
Swap spread duration	0.51	0.32	0.00
Covered bond spread duration	0.03	0.02	0.00
Sovereign related spread duration	0.01	0.01	0.00

\*\*Benchmark duration is calculated by PIMCO  
Benchmark: Bloomberg AusBond Bank Bills Index

# 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 (%)
<b>United States</b>	3.13	-0.12	1.52	-0.49	0.00	0.00
<b>Japan</b>	0.00	2.85	0.00	2.60	0.00	0.00
<b>Eurozone</b>	-0.00	-1.59	0.02	-2.12	0.00	0.00
European Union	0.24	0.00	0.27	0.00	0.00	0.00
Euro Currency	0.00	-1.59	0.00	-2.12	0.00	0.00
France	0.04	0.00	0.04	0.00	0.00	0.00
Germany	-0.40	0.00	-0.42	0.00	0.00	0.00
Greece	0.02	0.00	0.02	0.00	0.00	0.00
Italy	0.04	0.00	0.04	0.00	0.00	0.00
Luxembourg	0.03	0.00	0.03	0.00	0.00	0.00
Netherlands	0.02	0.00	0.03	0.00	0.00	0.00
Spain	0.01	0.00	0.01	0.00	0.00	0.00
<b>United Kingdom</b>	0.09	0.15	-0.01	0.24	0.00	0.00
<b>Europe non-EMU</b>	-0.17	-1.48	-0.16	-1.55	0.00	0.00
Denmark	-0.00	-0.01	-0.00	-0.01	0.00	0.00
Poland	-0.17	-1.48	-0.16	-1.55	0.00	0.00
<b>Dollar Block</b>	0.29	97.61	0.47	97.80	0.12	100.00
Australia	0.15	100.25	0.35	100.21	0.12	100.00
Canada	0.14	-2.64	0.12	-2.42	0.00	0.00
New Zealand	0.00	0.00	-0.00	0.01	0.00	0.00
<b>Other Industrialized Countries</b>	-0.01	-2.97	-0.01	-2.96	0.00	0.00
Chile	0.00	0.00	0.00	0.14	0.00	0.00
Hong Kong	-0.00	-0.02	-0.00	-0.02	0.00	0.00
Israel	0.00	0.01	0.00	0.01	0.00	0.00
Singapore	-0.00	-0.54	-0.00	-0.52	0.00	0.00
South Korea	-0.00	-0.89	-0.00	-1.06	0.00	0.00
Taiwan	-0.00	-1.54	-0.00	-1.52	0.00	0.00
<b>EM - Asia</b>	-0.00	0.55	-0.00	0.27	0.00	0.00
China	-0.01	-1.90	-0.00	-1.85	0.00	0.00
Indonesia	0.00	0.89	0.00	0.65	0.00	0.00
India	0.00	1.57	0.00	1.47	0.00	0.00
<b>EM - Latin America</b>	0.20	3.44	0.18	3.16	0.00	0.00

Benchmark: Bloomberg AusBond Bank Bills Index



# 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 (%)
Argentina	0.00	0.11	-0.00	0.03	0.00	0.00
Brazil	0.18	1.31	0.15	1.56	0.00	0.00
Colombia	0.00	0.08	0.00	0.08	0.00	0.00
Mexico	0.02	2.04	0.03	1.58	0.00	0.00
Peru	0.00	-0.09	0.00	-0.09	0.00	0.00
<b>EM - CEEMEA</b>	0.04	1.56	0.04	3.05	0.00	0.00
Hungary	-0.00	1.13	0.00	1.16	0.00	0.00
South Africa	0.04	0.43	0.04	0.92	0.00	0.00
Turkey	0.00	0.00	0.00	0.96	0.00	0.00
<b>Liabilities</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3.57</b>	<b>100</b>	<b>2.05</b>	<b>100</b>	<b>0.12</b>	<b>100</b>

Benchmark: Bloomberg AusBond Bank Bills Index

# 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](http://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.

The Bloomberg AusBond Bank Bills Index is an unmanaged index representative of the total return performance of Australian money market securities. 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)