PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 JANUARY 2019** | **Monthly Commentary**

Fund information	
Bloomberg ticker	EQTPGBW
ISIN	AU60ETL00188
APIR	ETL0018AU
Inception date	28 April 2004
Distribution	Quarterly
Management costs	0.49% p.a.
Portfolio manager(s)	Sachin Gupta Andrew Balls Lorenzo Pagani
Total net assets (in millions)	5,408.9 AUD
Fund duration (yrs)	5.56
Benchmark duration (yrs)	6.99
Yield to maturity (%)*	4.40
Average coupon (%)	2.80
Average maturity (yrs)	6.83

* 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

Unit value can go up as well as down and any capital invested in the fund may be at risk. The fund may invest in foreign denominated and/or domiciled securities which involve potentially higher risks including currency fluctuations and political or economic developments. These may be enhanced when investing in emerging markets. Funds that invest in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. The fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. Portfolios investing in derivatives could lose more than the principal amount invested. For more details on the fund's potential risks, please read the PDS.

MORNINGSTAR Awards 2017

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Performance summary

The PIMCO Global Bond Fund returned 1.27% (Wholesale Class, net of fees) in January, outperforming the Bloomberg Barclays Global Aggregate Index (AUD Hedged) by 0.30%. Over the past 3 months the Fund has returned 2.19% (Wholesale Class, net of fees), while the benchmark returned 2.87%.

Markets bounced back after December's sell-off in risk markets. Optimism over U.S.-China trade negotiations and a more "patient" Fed bolstered investor sentiment toward most risk assets - global equities surged higher, credit spreads tightened, oil prices rallied, and emerging market currencies appreciated against the US dollar. Still, underlying growth concerns persisted and developed market yields broadly fell over the month as central banks adopted more cautionary tones regarding the path of monetary policy.

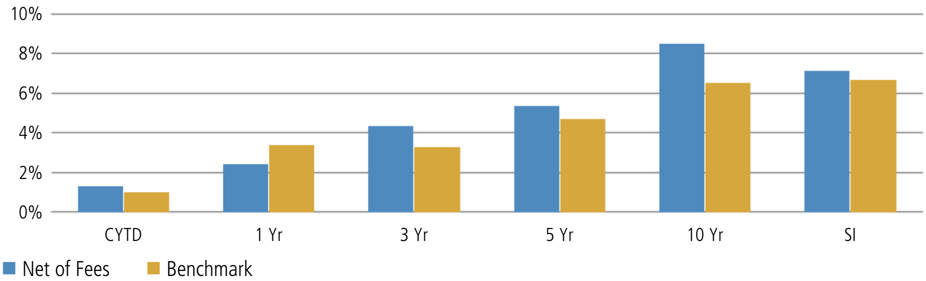
Contributors

- Selection within high-yield credit, particularly a preference for financials
- Positions in EM external debt
- Duration and curve positioning in the U.S.

Detractors

- Underweight investment-grade corporate credit
- Country selection in the eurozone
- Underweight to duration in Japan

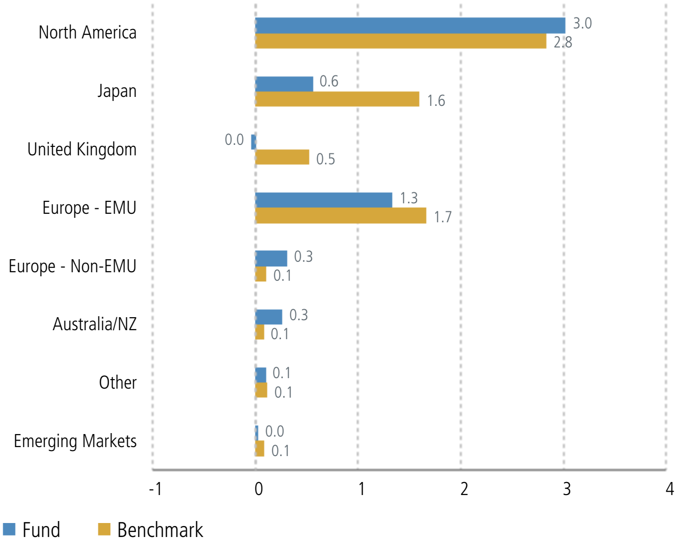
Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	1.27	2.19	1.95	2.42	4.31	5.35	8.49	7.11
Benchmark (%)	0.97	2.87	2.57	3.34	3.28	4.67	6.52	6.67
Outperformance (%)	0.30	-0.68	-0.62	-0.92	1.03	0.68	1.97	0.44

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 28 April 2004
The benchmark is the Bloomberg Barclays Global Aggregate Index (AUD Hedged)

Regional Exposure (by currency, Dur in Yrs)



The benchmark is the Bloomberg Barclays Global Aggregate Index (AUD Hedged)

Portfolio positioning

Relative to the Bloomberg Barclays Global Aggregate Hedged (AUD) Index, the Fund remains underweight overall duration, given expectations of gradual central bank policy normalization and slowing growth. The Fund is overweight duration in the U.S., maintaining curve steepening positions, as the Fed continues its hiking cycle and term premiums remain low. The Fund is underweight duration in the U.K. and Japan, favoring positions designed to benefit from steeper yield curves. The fund is underweight diversified European rates through overweights to core Eurozone, Swedish, and Danish duration and underweight to semi-core and peripheral Eurozone rates.

The Fund maintains its underweight to investment-grade corporate credit, though still favors securitized assets, like agency and non-agency mortgages as well as UK residential mortgages. Within corporate credit, the Fund has largely avoided exposure to the energy sector while favoring financials. The Fund also maintains exposure to U.S. TIPS, given the hedge these securities provide against U.S. inflation.

In currencies, we favor a basket of select, high yielding EM currencies against key developed market currencies. In the developed market space, we favor small relative value positions, avoiding major directional G10 positions.

Month in review

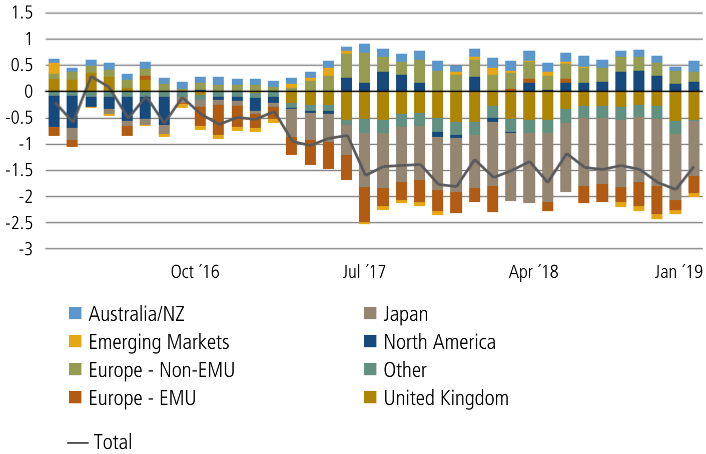
Markets bounced back after December's sell-off in risk markets. Optimism over U.S.-China trade negotiations and a more "patient" Fed bolstered investor sentiment toward most risk assets - global equities surged higher, credit spreads tightened, oil prices rallied, and emerging market currencies appreciated against the US dollar. Still, underlying growth concerns persisted and developed market yields broadly fell over the month as central banks adopted more cautionary tones regarding the path of monetary policy.

Sovereign rate strategies detracted from performance for the month. Modest contributions from duration and curve positioning in the U.S. were more than offset by detractions from country selection in the eurozone and an underweight to duration in Japan.

Spread sector strategies contributed to performance for the month. Contributions from the Fund's selection within high-yield credit (particularly a preference for financials) and positions in EM external debt more than offset detractions from an underweight to investment-grade corporate credit.

Currency strategies contributed to performance for the month, primarily due to long exposure to a basket of emerging market currencies.

Active Regional Exposure vs. Benchmark (by currency, Dur in Yrs)



The benchmark is the Bloomberg Barclays Global Aggregate Index (AUD Hedged)

Outlook and strategy

We expect a synchronized global slowdown in 2019, with world GDP adjusting lower but continuing to remain above-trend. With tighter global financial conditions, increased political and economic uncertainties, and U.S. fiscal stimulus starting to fade in 2019, we think the economic divergence of 2018 will give way to more synchronized deceleration of growth. By positioning cautiously and focusing on liquidity, we believe we will be better prepared to remain flexible to respond to a variety of shocks.

In an environment in which asset prices remain elevated, we seek relative value and maintain optionality to add or reduce risk in the event of market turbulence. Our expectations for inflation next year have adjusted lower given the recent plunge in oil prices and continued below-target inflation in the U.S., Europe, and Japan. We maintain our exposure to TIPS, however, as a hedge against the risk of a U.S. inflation overshoot. In the Eurozone, we expect curve steepening as the ECB announced the end of its asset purchase program in 2018. We also favor a diversified basket of EM currencies, funded by developed market currencies while hedging against potential trade risks.

In spread sectors, we continue to be selective and avoid generic corporate credit risk as valuations appear rich compared to historic averages. We prefer securitized assets, including U.S. non-agency mortgages, UK residential mortgages, and Danish mortgages, which offer defensive qualities in addition to reasonable risk premia for liquidity, complexity and uncertainty over the timing of cash flows.

Morningstar award: In determining category winners and finalists, Morningstar only considers retail and wholesale unit trusts, superannuation funds, and pension funds that hold a Morningstar Analyst Rating. Winners are selected using a combination of Morningstar's qualitative analyst research; risk-adjusted returns over medium- to long-term periods; and performance in the 2016 calendar year. Refer to the Morningstar Australia website for full methodology.

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

European Central Bank (ECB); Mortgage-Backed Securities (MBS); Treasury Inflation-Protected Securities (TIPS); Quantitative Easing (QE).

G10 positions refers to G10 currencies: US dollar, euro, British pound, Japanese yen, Australian dollar, New Zealand dollar, Canadian dollar, Swiss franc, Norwegian krone, Swedish krona

Currency strategies are volatile and currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.

Bloomberg Barclays Global Aggregate Index (AUD Hedged) is an unmanaged market index representative of the total return performance of major world bond markets on a AUD hedged basis. It is not possible to invest in an unmanaged index.