PIMCO Global Credit Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **30 APRIL 2022** | **Monthly Commentary**

Fund information	
Bloomberg ticker	EQTPWGC
ISIN	AU60ETL00196
APIR	ETL0019AU
Inception date	28 April 2004
Distribution	Quarterly
Management fee[1]	0.61% p.a.
Portfolio manager(s)	Robert Mead Mark Kiesel
Total net assets (in millions)	1,577.6 AUD
Fund duration (yrs)	5.86
Benchmark duration (yrs)	6.14
Yield to maturity (%)[2]	3.66
Average coupon (%)	2.81
Average maturity (yrs)	8.52

[1]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. [2]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.

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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Performance summary

The PIMCO Global Credit Fund returned -3.26% (Wholesale Class, net of fees) in April, outperforming the Bloomberg Global Aggregate ex Treasury Index hedged into AUD by 0.18%. Year-to-date the Fund has returned -8.72% (Wholesale Class, net of fees), outperforming the benchmark by 0.14%.

Risk appetite declined in April amid strengthening inflationary pressures and continued conflict between Russia and Ukraine. Global equities fell - with the S&P down -8.7% - and credit spreads widened, while geopolitical tensions and lockdowns in China pushed commodity prices higher. Meanwhile, developed sovereign yields rose - the U.S. 10-year yield rose 60 bps to 2.93% - as the Fed, citing increased upside risks to inflation, emphasized the likelihood of a 50 bps rate hike in May.

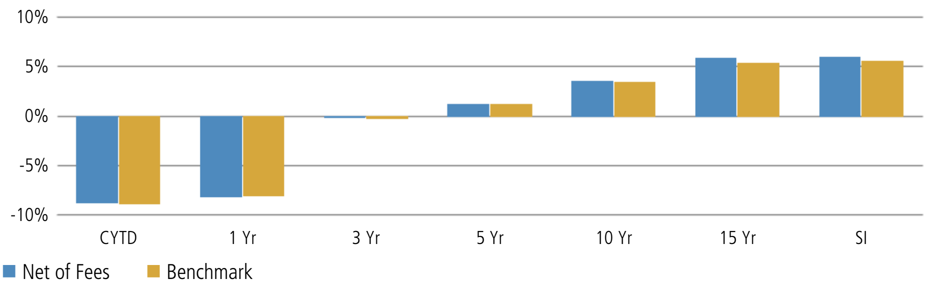
Contributors

- Macro strategies, particularly underweight duration positioning
- Mortgage-backed securities positioning, including an underweight to agency and overweight to non-agency securities
- Currnecy positioing

Detractors

- Exposure to European peripheral debt

Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-3.26	-7.26	-9.01	-8.13	-0.17	1.17	3.57	5.99
Benchmark (%)	-3.44	-7.10	-8.84	-8.07	-0.22	1.18	3.42	5.55
Outperformance (%)	0.18	-0.16	-0.17	-0.06	0.05	-0.01	0.15	0.44

Past performance is not a reliable indicator of future results

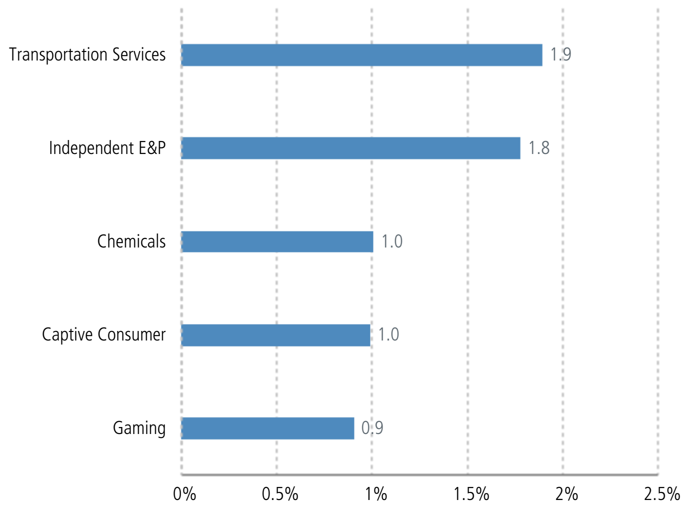
Returns for periods longer than 1 year are annualised

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 Global Aggregate ex Treasury Index hedged into AUD

Top 5 Industry Overweights (MV%)



Month in review

Global investment grade credit spreads widened by in April and yields continued to rise. Sustained inflation concerns and increasingly hawkish central banks led to another leg higher in government bond yields, while worries about the outlook for economic growth and the continuing war in Ukraine weighed on risk sentiment, leading to wider spreads.

April was once again characterized by heavy new issue supply, for a total of $110bn of gross issuance in US investment grade. Amongst sectors, travel and leisure related sectors, such as Airlines, Leisure and Lodging, outperformed amid strong pent-up demand for travel and leisure services, while longer duration sectors, such as Telecommunications and Media, underperformed.

Portfolio positioning

We continue to like Financials given better relative starting fundamentals and among the sectors most affected by the pandemic, such as the Travel and Leisure sector, we remain selective. The widening in spreads since the beginning of the year has led to an improvement in valuations, with most sectors now trading meaningfully wider than post pandemic tights and above their long term historical averages. In particular, COVID-impacted sectors, select BBBs, new issues, sectors that benefit from rising rates, and potential rising stars may offer further upside, while ongoing macro volatility may lead to downside risk in lower quality credits. We also remain underweight to tighter trading non-cyclical issuers with potentially limited upside and re-leveraging risk in sectors.

Outlook and strategy

Over the cyclical horizon, we expect global growth to remain supported by post-pandemic reopening activity and pent-up savings bolstering demand, and for inflation to potentially peak in the next few quarters before gradually moderating into 2023. Elevated inflation expectations have prompted the Fed to revise its rate hike projections higher. Credit fundamentals are expected to remain stable in 2022, although margin headwinds and cost inflation may represent incremental risks for select industries and issuers. Ratings momentum remains positive with rising stars expected to potentially outpace fallen angels in 2022, leading to a faster upgrade cycle than in previous periods. Primary market activity has remained elevated, but is expected to subside as central banks raise rates to curb inflation. Increased M&A activity may pose an upside risk to overall issuance volumes. Demand for global investment grade credit is expected to increase as yields move higher, especially driven by institutional flows, due to the need for high quality income and de-risking from equities on the back of improved pension plan funding ratios. The widening in spreads since the beginning of the year has led to an improvement in valuations, with most sectors now trading meaningfully wider than post pandemic tights and above their long term historical averages. However, ongoing macro volatility may lead to downside risk in lower quality credits. COVID-impacted sectors, select BBBs, new issues, sectors that benefit from rising rates, and potential rising stars may offer upside.

Spreads referenced are the average option adjusted spread level as generated by Barclays.
Excess Returns are measured by comparing individual securities within the index against like-duration U.S. Treasuries.
All spread and performance figures are as reported by Barclays for the Barclays U.S. Credit Index and its respective sub-sectors.

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This publication is intended to be general advice only. Retail clients should seek advice from their financial adviser before making an investment decision.
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Duration: Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.
Excess Return: A measure of an investment's return in excess of a benchmark.
Fluctuations: 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.
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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.

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