PIMCO

PIMCO Global Credit Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 MARCH 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)	1,629.9 AUD
Fund duration (yrs)	5.54
Benchmark duration (yrs)	6.19
Yield to maturity (%)[2]	3.21
Average coupon (%)	2.74
Average maturity (yrs)	7.78

[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.

Performance summary

The PIMCO Global Credit Fund returned -2.42% (Wholesale Class, net of fees) in March versus the Bloomberg Global Aggregate ex Treasury Index hedged into AUD, which returned -2.19%. Year-to-date the Fund has returned -5.64% (Wholesale Class, net of fees), while the benchmark returned -5.61%.

Risk assets broadly gained in March despite heightened volatility following the Russian invasion of Ukraine and shifting monetary policy expectations. Global equities rallied and credit spreads tightened, while sanctions on Russia and supply chain disruptions continued to push commodity prices higher. Meanwhile, developed sovereign yields broadly rose as the U.S. Federal Reserve raised rates by 25 bps and alluded to a potentially faster pace of rates despite geopolitical uncertainty.

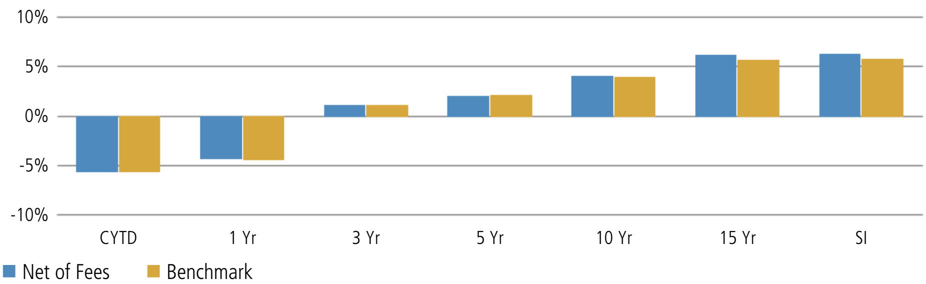
Contributors

- Macro strategies, particularly underweight duration positioning

Detractors

- Security selection within emerging markets external debt
- Exposure to securitized assets
- Corporate credit positioning, particularly an overweight to financials and security selection within the non-financials sector

Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-2.42	-5.64	-5.94	-4.30	1.10	2.04	4.04	6.21
Benchmark (%)	-2.19	-5.61	-5.59	-4.35	1.04	2.06	3.89	5.78
Outperformance (%)	-0.23	-0.03	-0.35	0.05	0.06	-0.02	0.15	0.43

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

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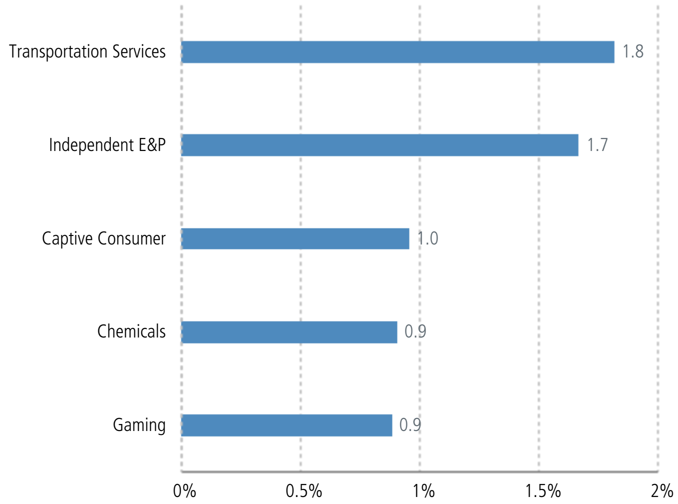
Top 5 Industry Overweights (MV%)



Month in review

After widening in early March, global IG credit spreads partially retraced the widening seen since the beginning of the year to close the month of March tighter but still wider on a year-to-date basis. On an absolute return basis, global IG credit sold off as continued inflation concerns and more hawkish central banks led to a significant increase in government bond yields while the risk-off sentiment caused by the Russian invasion of Ukraine weighed on spreads. March was also characterized by heavy new issue supply, for a total of $220bn of gross issuance in US investment grade. Amongst sectors, cable satellite and railroads outperformed during the month, while sectors most directly affected by the Russian invasion of Ukraine, such as metals & mining, underperformed alongside airlines and home construction.

Portfolio positioning

We continue to like Financials given these may have better 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 close to their long-term historical averages. In particular, cyclical and COVID-impacted sectors, select BBBs and potential rising stars may offer further upside and may stand to benefit from above trend economic growth and supportive credit fundamentals. Conversely, we are underweight tight trading non-cyclical issuers which may have limited upside and re-leveraging risk in sectors.

Outlook and strategy

Over the cyclical horizon, we expect global growth to decrease, but remain above trend levels. In the short term inflation may be driven by a surge in food and energy prices, with supply issues lingering much longer than previously anticipated. Credit fundamentals are expected to remain stable in 2022, although margin headwind and cost inflation may represent incremental risks for select industries and issuers. Ratings momentum remains positive with rising stars potentially expected to outpace fallen angels in 2022, which may lead to a faster upgrade cycle than in previous periods.

Primary market activity has remained elevated, but may subside alongside a more hawkish stance from global central banks. Increased M&A activity may pose an upside risk to overall issuance volumes. Demand for global investment grade credit may increase, 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. Cyclical and COVID-impacted sectors, select BBBs, new issues 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.

DISCLAIMER:

This publication is intended to be general advice only. Retail clients should seek advice from their financial adviser before making an investment decision.

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.

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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Option Adjusted Spread (OAS): 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.

Outlook: 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 suitable 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.

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

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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