

PIMCO Capital Securities Fund

PERFORMANCE SUMMARY

The PIMCO Capital Securities Fund (the "Fund") returned 1.84% (Wholesale Class, net of fees) in March outperforming the Bloomberg AusBond Bank Bills Index by 1.47%. Year-to-date the Fund has returned 2.62% (Wholesale Class, net of fees), while the benchmark returned 1.09%.

In March, the Bloomberg European Additional Tier 1 (AT1) Index returned +2.47% (USD hedged) and the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) returned +1.15%. Over the month, spreads in European AT1s tightened by 35 basis points (bps), while spreads in Senior Financials tightened by 7 bps.

Key Facts

Bloomberg Ticker	-
ISIN	AU60ETL04453
APIR	ETL0445AU
Inception date	11 August 2015
Distribution	Quarterly
Management Fee ¹	0.94% p.a.
Portfolio Managers	Philippe Bodereau, Matthieu Loriferne, Michael Bogecho
Total Net Assets	78.6 (AUD in Millions)

¹In 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.

Contributors

- Exposure to Additional Tier 1 bonds, and in particular to select Dutch and UK issuers contributed to performance, as spreads tightened over the month.
- Exposure to Senior Financial bonds, and in particular to select Italian issuers contributed to performance as spreads tightened over the period.
- Exposure to Tier 2 bonds, and in particular to select French issuers, contributed to performance as spreads tightened over the month.

Detractors

- Exposure to a select non-financial issuer detracted from performance, as the issuer's bonds spreads widened.
- Select interest rate swap positions detracted from performance.

Investment Statistics

Fund Duration (yrs)	3.70
Benchmark Duration (yrs)	0.12
Estimated Yield to Maturity (%) [Ⓢ]	6.61
Average Coupon (%)	5.36
Effective Maturity (yrs)	4.59

[Ⓢ]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.

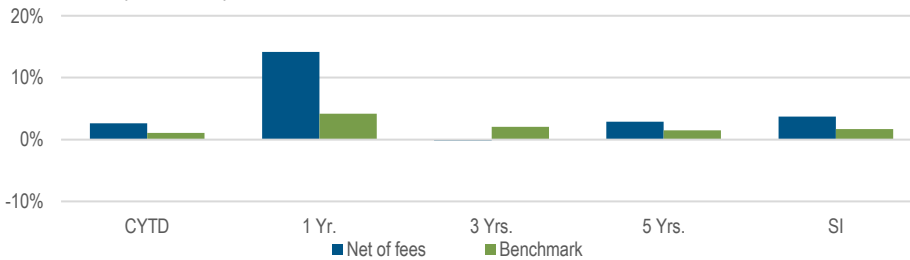
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Performance (Net of Fees)



Performance	CYTD	1 mos.	3 mos.	FYTD	1 Yr.	3 Yrs.	5 Yrs.	SI
Net of fees (%)	2.62	1.84	2.62	12.24	14.17	-0.16	2.87	3.74
Benchmark (%)	1.09	0.37	1.09	3.26	4.19	2.08	1.51	1.70
Outerperformance (%)	1.54	1.47	1.54	8.98	9.98	-2.24	1.36	2.04

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 11/08/2015

The benchmark is the Bloomberg AusBond Bank Bills Index

PORTFOLIO POSITIONING

The Fund favours AT1s from systemic banks and national champions with ample capital buffers, robust equity cushions and a diversified revenue stream. At the same time, the Fund remains cautious on smaller issuers and those with more limited scope for organic capital generation. Geographically, the Fund is well diversified and favors countries such as the UK, Netherlands and France where banks have the highest levels of capital. In senior and Tier 2 debt, the exposure remains mostly centered on UK banks, as well as select idiosyncratic opportunities in peripheral and core European banks offering upside through improving fundamentals and potential consolidation.

Over the course of March, the Fund has continued to take advantage of the new issue market to increase its AT1 bond exposure via attractively priced opportunities, while taking some profits on select Japanese AT1s. Furthermore, the fund slightly decreased its allocation to senior bonds while participating in new issue opportunities within the insurance sector. The Fund continues to focus on more resilient issuers within the bank capital investment universe.

MONTH IN REVIEW

1Q24 Market Update

The first quarter of the year has seen relatively strong performance from the capital securities markets, particularly subordinated bank debt, with the Bloomberg European Banks Additional Tier 1 (AT1) Index generating returns of +3.67% (USD hedged) while the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) rose by +0.64%. This compares to 1Q24 returns of +0.05% and +1.64% for Global IG and Global HY, respectively. The negative effect of rising interest rates during the quarter was more than offset by spread compression. Over the quarter, spreads in European AT1s tightened by 66 basis points (bps), while spreads in Senior Financials tightened by 21 bps.

Dutch Banks

In March there was an exploratory report published by the Dutch Finance Ministry which led to headlines in the financial media. The headlines stemmed from proposals in the report to modify or phase-out the use of Additional Tier 1 bonds. However, the proposals should be viewed against a backdrop where the EU is part of the Single Supervisory Mechanism which means that individual central banks no longer have the power to set regulation. Instead, the Capital Requirements Regulation and Basel committee would primarily dictate the definition of AT1 instruments. Furthermore, the report also mentions the potential negative side effects of its proposals, such as increased financing costs for Dutch households and companies. Given the low appetite to revise or abolish AT1 instruments at an international level, we believe the Dutch report is unlikely to lead to any changes in the asset class.

Supply & Call update

Primary markets remained busy in March with 4 institutional sized AT1 deals, from SOCGEN, STANLN, ABNANV and FINBAN. Year to date, there has been total issuance of €162.5 billion across the capital structure from European banks, which is considerably higher than the levels seen in 2022 and 2023. In particular the supply of Tier 2 bonds has been more pronounced compared to the previous two years. The driver of this elevated supply of Tier 2 bonds has been the refinancing of upcoming calls in 2025 of bonds largely issued in the early part of 2020.

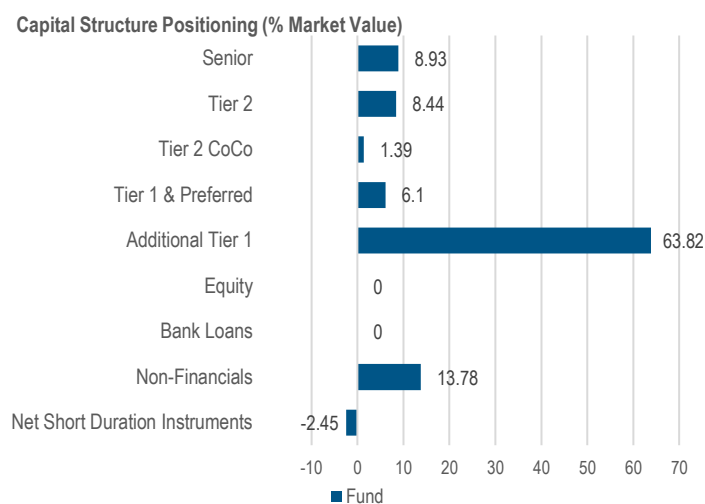
The first three months of the year were also active with issuers calling their AT1s, as 14 European bank AT1s with first call dates in 2024 became callable. All but one issuer called these AT1 bonds, with the non-call by AAREAL being widely expected by the market. The continued strong track-record of banks calling their AT1s at their first call date represents a favorable backdrop for the market.

OUTLOOK AND STRATEGY

The banking sector is entering this period of economic uncertainty with strong initial conditions in credit fundamentals. Banks' asset quality has remained resilient and capital buffers are at or close to record highs. While elevated inflation, higher interest rates and tighter financial conditions will inevitably have an impact on the broader economy, banks are well positioned given their strong fundamentals following more than a decade of restructuring, de-risking and de-leveraging and remain more insulated from inflationary pressures relative to other sectors in corporate credit.

Most banks are uniquely positioned to continue to benefit from higher rates, particularly in Europe. Banks in Europe are by far the biggest beneficiaries within the developed market banking system. Financial results published in the fourth quarter of 2023 continued to indicate that the benefits of abandoning negative rates have become visible on banks' P&Ls. While we believe 2023 likely marked peak earnings for banks in the US and Europe, it is important to stress that we do not expect a return to an environment of extremely low or negative interest rates, which was the case for much of the last decade and which put bank earnings under significant pressure.

Valuations look attractive compared to other parts of the fixed income universe, particularly given AT1 yields remain elevated versus history. While market stress related to events over the course of March 2023 propagated primarily to the most junior part of banks' capital structures, over the last year we have seen a strong recovery in prices, particularly in November and December 2023, with AT1s now trading at the 20th percentile of daily spread data since inception of the index in 2014. More senior parts of the capital structure also sold off last year, despite not being subject to the write-down/conversion mechanism of AT1s. Senior Financials are currently trading at the 45th percentile of daily spread data since the inception of the AT1 index in 2014, thus providing attractive spreads compared to historical levels.



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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.

Fluctuation: 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.

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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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: Bloomberg AusBond Bank Bills Index.

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.

Spreads referenced are the average option adjusted spread (OAS) level as generated by Bloomberg.

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