PIMCO

The Fixed Income Opportunity

Investing in Today's Markets

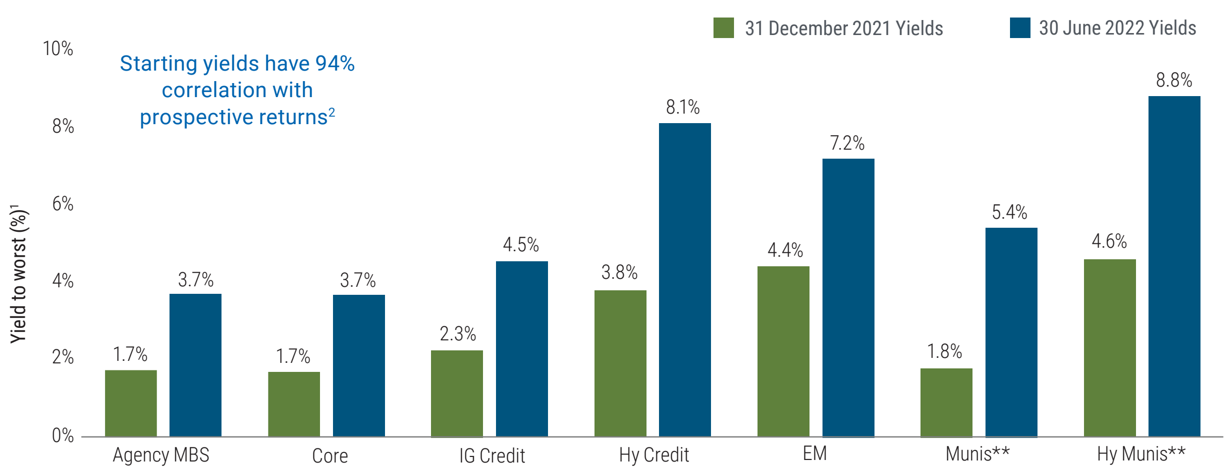
A company of Allianz

Yields look more attractive today across fixed income sectors

Bond yields remained ultralow for years, creating obstacles for investors looking for attractive yield and income. But now, as the Federal Reserve continues to raise interest rates and tighten monetary policy to fight inflation, bond yields have risen. This gives investors access to yields that are higher than they've been in years across a spectrum of fixed income sectors.

Importantly, higher starting yields mean higher return potential for investors. In fact, starting yields historically have a 94% correlation with prospective returns. So, if you invest in a bond with a 4% yield today, you may earn approximately 4% average annual return on that bond.

TODAY'S YIELDS ARE AT A MUCH HIGHER STARTING POINT



As of 30 June 2022. Source: Bloomberg, PIMCO.

Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index (incept: 30 January 1976), Munis: Bloomberg Municipal Bond Index (incept: 30 January 1980), HY Munis: Bloomberg HY Muni Bond Index (incept: 22 May 2003), Core: Bloomberg U.S. Aggregate (incept: 30 January 1976), HY Credit: ICE BofA US HY BB-B Rated Index (incept: 31 December 1996), EM: JPMorgan EMBI Global (incept: 31 December 1993), IG Credit: Bloomberg US Credit Index (incept: 31 January 1973), US Prefs: ICE BofA ML Fixed Rate Preferred Index (incept: 31 March 1989)

1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

2 Source: PIMCO; based on rolling 5-year returns of the BBG US Aggregate Index data from 1990-2022, calculated monthly.

3 Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.1% with a YTD change of 209 bps, the unadjusted HY Muni Index yield is 4.7% with a YTD change of 198 bps.

4 HY Muni index data starts in 30 June 2003.

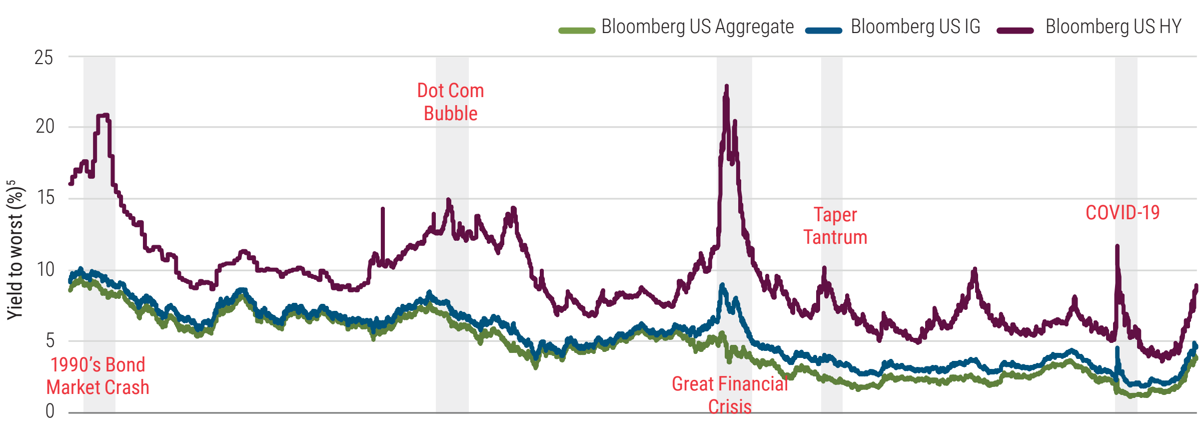
Past performance is not a guarantee or a reliable indicator of future results. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

When yields peak, strong performance typically follows

Historically, bond yields have tended to peak toward the end of the business cycle – and when they do peak, strong performance has typically followed.

The chart below shows what happened after bond yields peaked during the five most recent major market downturns. As you can see, both core and investment grade corporate bonds, as measured by their respective indexes, came roaring back a year after each peak, rewarding patient investors with attractive returns.

PATIENT INVESTORS MAY BE REWARDED



Yield peaks have historically been followed by periods of strong performance

	Bloomberg U.S. Aggregate		Bloomberg U.S. IG		Bloomberg U.S. HY	
	YTW (%)	Return 1-yr forward (%)	YTW (%)	Return 1-yr forward (%)	YTW (%)	Return 1-yr forward (%)
1990's Bond Market Crash	9.6	15.2	10.2	15.4	–	46.2
Dot Com Bubble	7.8	14.5	8.5	15.7	14.9	8.2
Great Financial Crisis	5.7	13.8	9.1	31.1	23.0	72.7
2013 Taper Tantrum	2.7	6.3	3.6	9.5	7.0	13.0
COVID-19	2.3	4.3	4.6	16.4	11.7	34.0

As of 30 June 2022 Source: PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**

* Using BBG US Aggregate Index data 5 years forward

Max YTW dates are as follows **1990's Bond Market Crash**: US Agg/US IG: 26 April 1990; US HY: 29 January 1991; **Dot Com Bubble**: US Agg/US IG: 18 May 2000; US HY: 5 December 2000; **Great Financial Crisis**: US Agg/US IG: 31 October 2008; US HY: 12 December 2008; **Taper Tantrum**: US Agg/US IG: 5 September 2013; US HY: 25 June 2013; **COVID-19**: US Agg: 19 March 2020; US IG 20 March 2020; US HY 23 March 2020. Refer to Appendix for additional index and risk information.

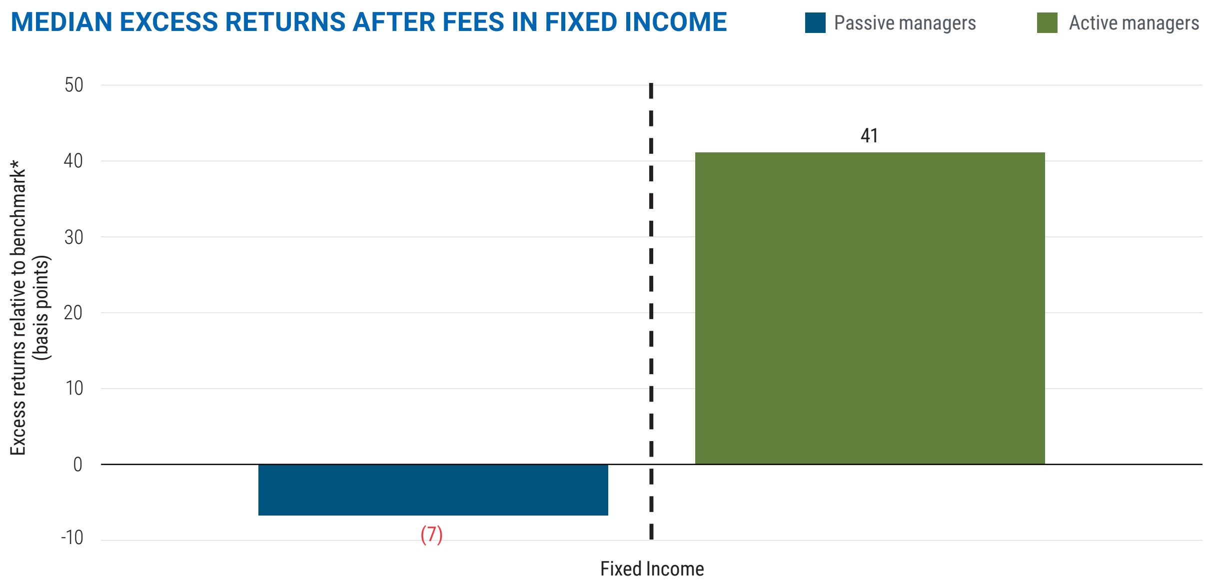
5 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

The Active Advantage: Outperformance

While rising yields may benefit investors broadly, how you access them can make a big difference in how your fixed income allocation performs. Taking an active management approach that aims to **beat** its benchmark, rather than a passive approach that just aims to **track** its benchmark, can lead to attractive excess return potential.

In the chart below, you can see that active bond managers have outperformed their passive peers, generating higher returns than the benchmark after fees, meaning even when you factor in the extra cost of active management, you're still earning potentially more.

MEDIAN EXCESS RETURNS AFTER FEES IN FIXED INCOME



As of 30 June 2022; Source: Morningstar

Past performance is not a guarantee or a reliable indicator of future results. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

* Based on Morningstar U.S. Fund categories (Institutional shares only). "Fixed Income" combines the Morningstar U.S. Fund Intermediate Core and Core-Plus categories.

This data does not take into account all fixed income categories tracked by Morningstar and does not represent all outcomes.

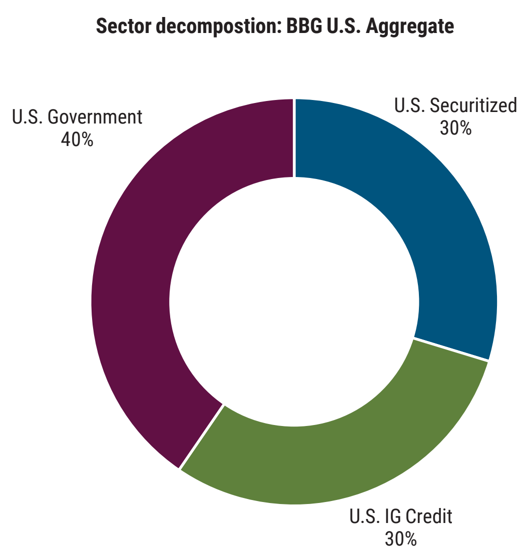
Intermediate core bond portfolios invest primarily in investment-grade U.S. fixed-income issues, including government, corporate, and securitized debt, and typically hold less than 5% in below-investment-grade exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index. **Intermediate core-plus bond** portfolios invest primarily in investment-grade U.S. fixed-income issues, including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold noncore sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

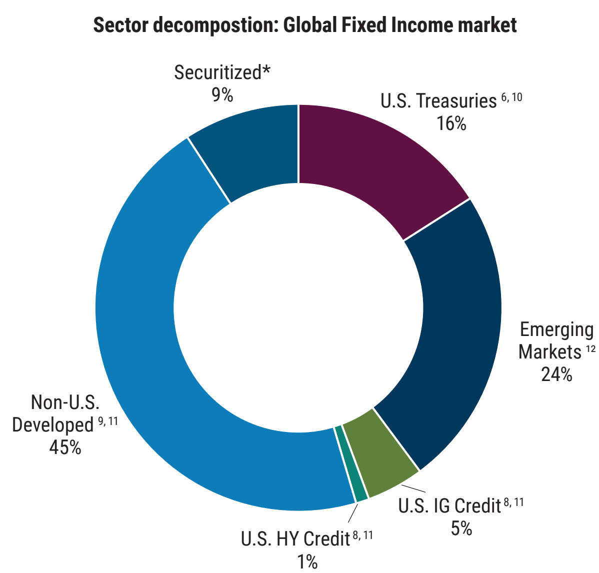
The Active Advantage: Broader Opportunity Set

One of the reasons active managers are able to outperform is that they have more flexibility to find opportunities across the global bond market, which is roughly $100 trillion in size.

The charts below show the composition of the Bloomberg US Aggregate Bond Index (a broad-based bond index) versus the vast global bond market. As you can see, the index is predominately made up of three fixed income sectors, while the global bond market has a lot more to choose from. Being able to access the broadest possible opportunity set gives active managers an edge in finding attractive securities across market environments.

PASSIVE INDICES CAN EXCLUDE SECTORS OF THE BOND MARKET THAT MAY OFFER ATTRACTIVE VALUE





As of 31 December 2021. Source: Bloomberg, SIFMA

* Securitized includes Agency MBS,[10] Asset Backed Securities,[13] CMBS,[7, 10] Legacy Non-Agency MBS,[14] and Re-Performing Loans.[13]

6 Excludes interest rate swaps (IRSW).

7 Includes CMBX.

8 Excludes credit default swaps in order to show our exposure to corporate cash bonds.

9 Excludes Japanese interest rate swaps and GBP futures because we hold duration hedges that make the market value show as negative.

10 Market value data is from SIFMA; includes Agency MBS and Agency CMOs.

11 Market value data is from respective Bloomberg Indices.

12 Market value data is from BAML research.

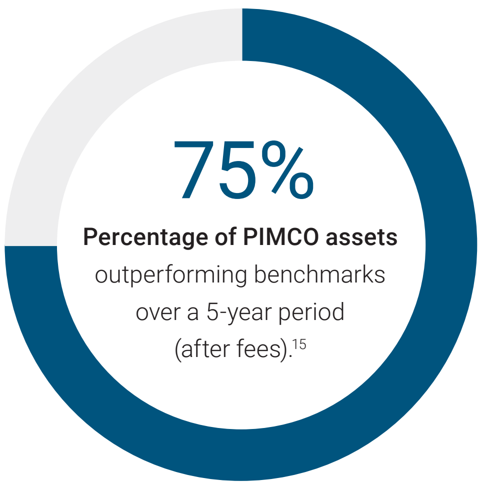
13 Market value data is from PIMCO. RPL Market size is an estimate.

14 Legacy Non-Agency MBS data is as of 31 March 2021 due to data lag.

PIMCO's Long History of Active Outperformance

ACTIVE MANAGEMENT IN ACTION

For 50+ years, we have worked relentlessly to help millions of investors pursue their objectives – regardless of shifting market conditions – and our track record helps illustrate the success of our active management approach.



A WEALTH OF RESOURCES WORKING FOR YOU

$1.82 trillion PIMCO is one of the largest fixed income managers in the world by AUM

23 Global offices provide extensive reach

300+ Portfolio managers with an average 17 years of experience

80+ Global credit research analysts organized by sector

Source: PIMCO. As of 30 June 2022. **Past performance is not a guarantee or a reliable indicator of future results.**

15 The after-fees performance of each portfolio was compared to the portfolio's primary benchmark. If the after-fees portfolio performance was greater than the benchmark performance for a given period, the assets in that portfolio were included in the outperforming data. Benchmark outperformance indicates the performance of a portfolio as compared to its benchmark. As such, it does not indicate that a portfolio's performance was positive during any given period. For example, if a portfolio declined 3% during a given period, and its benchmark declined 4%, the portfolio would have outperformed its benchmark, even though it lost value during the period. Certain absolute return oriented portfolios contained within the data may inflate the data either positively or negatively due to the low return/volatility characteristics of the primary benchmark. For example a portfolio measured against 3-month USD Libor would be more likely to out- or underperform its benchmark. No measure of past performance should be understood to ensure that future performance will be positive, whether on a relative or absolute basis.

YOUR CLIENTS' GOALS, OUR INVESTMENT SOLUTIONS

For information about our actively managed fixed income strategies – designed to help your clients navigate markets and reach their goals – please contact your PIMCO account manager

IMPORTANT NOTICE: Please note that the following 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.

Past performance is not a guarantee or a reliable indicator of future results.

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. **High-yield**, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **Diversification** does not ensure against loss. Correlation is a statistical measure of how two securities move in relation to each other.

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.

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. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Bloomberg U.S. MBS Fixed-Rate Index covers the mortgage-backed pass-through securities and hybrid ARM pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping individual fixed rate MBS pools into generic aggregates.

Bloomberg Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

The Bloomberg High Yield Municipal Bond Index measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

The BofA Merrill Lynch U.S. High Yield BB-B Rated Index is an unmanaged market index comprised of various fixed income securities rated BB and B.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index.

It is not possible to directly invest in an unmanaged index.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd (Company No. 2604517)** is authorised and regulated by the Financial Conduct Authority (12 Endeavour Square, London E20 1JN) in the UK. The services provided by PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), PIMCO Europe GmbH Italian Branch (Company No. 10005170963), PIMCO Europe GmbH Irish Branch (Company No. 909462), PIMCO Europe GmbH UK Branch (Company No. 2604517) and PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E)** are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie- Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). The Italian Branch, Irish Branch, UK Branch and Spanish Branch are additionally supervised by: (1) Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) Irish Branch: the Central Bank of Ireland in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) UK Branch: the Financial Conduct Authority; and (4) Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Tile V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. | **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2)**. The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Asia Limited** is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. PIMCO Asia Limited is registered as a cross-border discretionary investment manager with the Financial Supervisory Commission of Korea (Registration No. 08-02-307). The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Investment Management (Shanghai) Limited** Unit 3638-39, Phase II Shanghai IFC, 8 Century Avenue, Pilot Free Trade Zone, Shanghai, 200120, China (Unified social credit code: 91310115MA1K41MU72) is registered with Asset Management Association of China as Private Fund Manager (Registration No. P1071502, Type: Other) | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862. 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. | **PIMCO Japan Ltd**, Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association. All investments contain risk. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is managed and operated independently. The reference number of business license of the company approved by the competent authority is (110) Jin Guan Tou Gu Xin Zi No. 020. 40F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.). Tel: +886 2 8729-5500. | **PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **PIMCO Latin America** Av. Brigadeiro Faria Lima 3477, Torre A, 5° andar São Paulo, Brazil 04538-133. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. in the United States and throughout the world. ©2022 PIMCO.

PAFIBGBL_73872

CMR2022-0816-2347456