PIMCO

MARKETING COMMUNICATION

MARCH 2024

From Cash to Core: Unlock the potential of your fixed income allocation

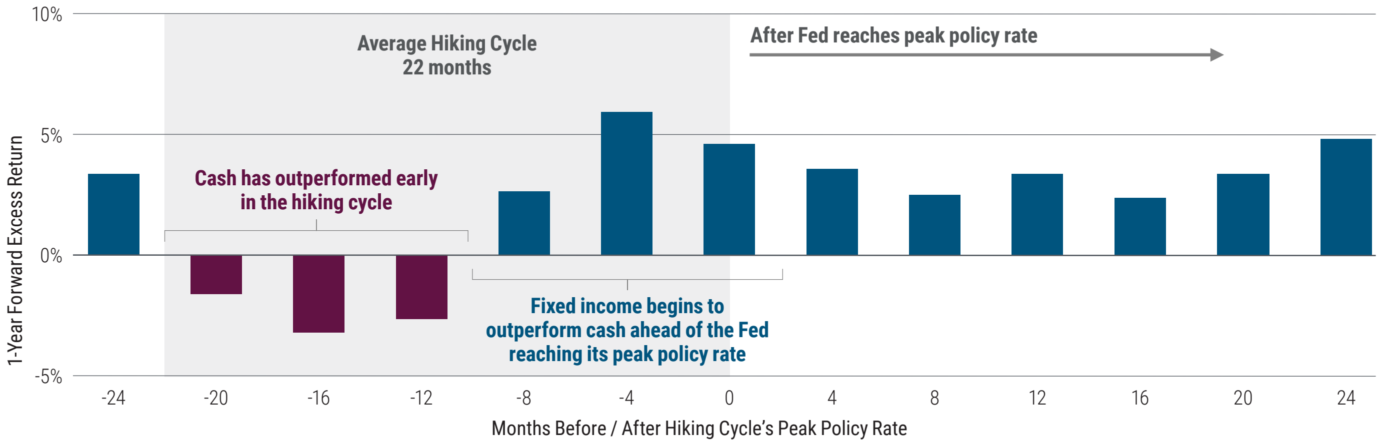
- We believe the current point in the cycle calls for a shift from cash to fixed income –historical data since 1990 shows that a multisector fixed income index, like the Bloomberg Global Aggregate, has consistently outperformed cash on a three-year rolling basis.
- The current market offers high nominal and real yields not seen in nearly two decades, providing a potentially strong cushion for returns.
- With growth and inflation appearing to have peaked and increased recession risks not fully priced into markets, fixed income allocations are seen as attractive, especially as high-quality bond funds are yielding between 4%–7%, offering downside protection in a potential recession.

In light of the elevated market volatility we've witnessed in bond markets over the last year, many investors are grappling with the crucial decision of whether to stay in cash or to lock in higher yields by pivoting into a fixed income allocation. At PIMCO, we recognize the significance of this dilemma and firmly believe that the current environment presents a compelling opportunity to pivot to an active fixed income allocation. With yields near multi-year highs and world economies entering asymmetric business cycles, our analysis reveals there are important considerations that highlight the potential attractiveness of locking in yields now by rotating to core fixed income.

From Cash to Core: When Is the Right Time to Transition into Fixed Income?

We believe the current point in the cycle calls for a shift from cash to fixed income and have analyzed the performance of cash (3-month T-Bills) versus a multisector fixed income index (Bloomberg Global Aggregate) over the last four hiking cycles, from 1990 until today. During these periods, cash outperformance versus core fixed income has historically been rare and short-lived. The chart below shows how a global fixed income allocation has, on average, outperformed cash ahead of central banks reaching their peak policy rates, leading to meaningful excess returns over the subsequent quarters.

Figure 1: 12-month forward return: Global Aggregate Index* vs T-Bills



Past performance does not predict future returns. All investments involve risk including full or partial loss of capital.
Source: PIMCO, as of 31 October 2023[1].

With this historical perspective in mind, we summarize below the main reasons why we believe the shift from cash to core bonds is warranted today:

- **Be potentially rewarded by stepping out of cash:** When comparing the historical performance of a multisector fixed income index (e.g., Bloomberg Global Aggregate) versus cash, global fixed income has meaningfully and consistently outperformed. Since 1990, on a 3-Yr rolling basis (monthly returns), the Global Aggregate index outperformed cash 93% of the time, posting an average excess return of +288bps (average of 3-Yr annualized excess return).

- **Lock in higher yields for longer:** Cash/T-bills have the highest re-investment risk, due to their short term nature. Opting for high quality fixed income, instead, would allow investors to secure high nominal and real yields that have not been seen in nearly two decades and are unlikely to be available in the next one to two years. Higher starting yields also represent a potentially stronger cushion for returns should rates recalibrate higher from here.

- **A diversified approach to return generation:** A core bond allocation provides access to multiple sources of return, benefitting from diverse exposures to interest rates, exchange rates, credit and regional trends. Different rate environments, growth dynamics, and monetary policy objectives are likely to offer more active management opportunities for return generation going forward.

- **Rates are at or close to peak:** With headline and core inflation having moderated from their highs in most DM economies, we believe major central banks – including the Fed, the ECB, and the BOE – are at or very near the end of their hiking cycles, and will likely proceed cautiously with rate cuts given their mandates to control inflation. This means that further large rates selloffs may be less likely.

- **High potential for downside protection, at a time when recession risks are mounting:** While growth has remained resilient, we expect strength to give way to weakness as global growth slows into 2024. A high quality fixed income allocation, with the higher duration exposure typical of core bonds, is likely to provide additional capital appreciation potential.

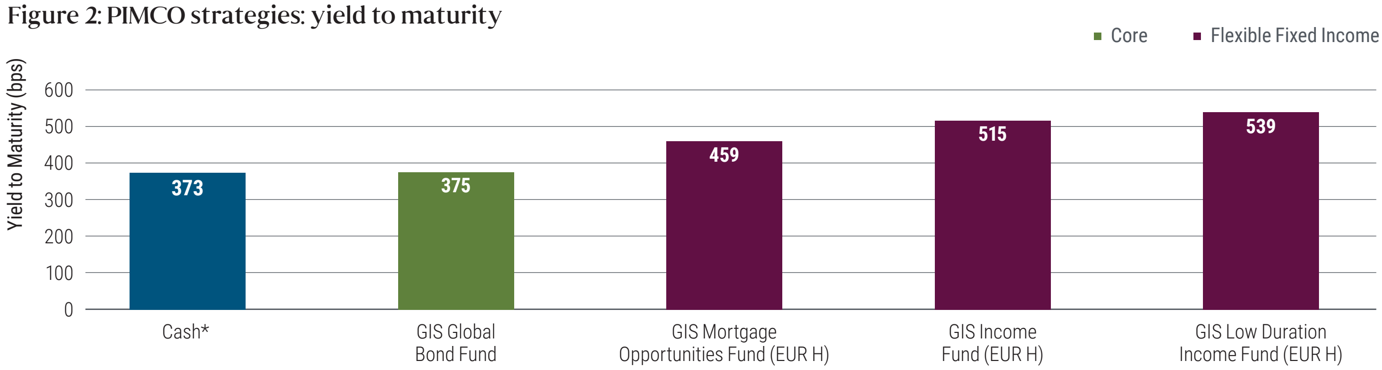
1 Index is Bloomberg Global Aggregate USD H. Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak) 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18). The views and expectations represent those of PIMCO. Statements concerning financial market trends are based on current market conditions. There is no guarantee that the trends discussed above will continue.

Cash on the sidelines: Time for high quality bonds

We believe growth and inflation have peaked, and we see greater recession risk than markets are pricing in, which supports a positive outlook for fixed income allocations. After their recent rise, starting yield levels, which are historically strongly correlated with future returns, are extremely attractive, with both real and nominal yields at levels not seen for a decade or more. High quality bond funds today yield about 4%–7% as of the end of December (Source: PIMCO) and offer downside protection in the event of recession.

Please see below PIMCO strategies that can offer an attractive yield pick-up versus cash, without taking on significant additional risk. Next to core strategies, we included high quality flexible fixed income strategies which we believe can be of added value in the current market environment:

Figure 2: PIMCO strategies: yield to maturity



	Cash*	GIS Global Bond Fund	GIS Mortgage Opportunities Fund (EUR H)	GIS Income Fund (EUR H)	GIS Low Duration Income Fund (EUR H)
Duration (years)	0.24	5.93	3.82	3.27	1.19
Average Quality	AA+	AA-	AA-	AA-	AA-

Source: PIMCO, as of 31 December 2023. *Cash is calculated using BofA 3 Month US t-Bill Hedged EUR.

This does not constitute an offer or a recommendation to invest in any of the above mentioned funds.

Share value can go up as well as down and any capital invested in each of the above fund may be at risk. For more details on each fund's potential risks, please read each fund's Key Investor Information Document/Key Information Document. Refer to the below disclaimer for additional risk information.

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Investors should carefully consider the risk associated before considering an investment into fixed income assets. Chart shown for illustrative purposes only. Past performance does not predict future returns. There is no guarantee that these trends will be replicated. Any forecasts, projections or targets may not be realised. It is not possible to invest directly in an unmanaged index. PIMCO does not provide legal, tax or accounting advice. Investors should carefully consider the risks associated with fixed income assets before investing and consult their financial professional.

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BENCHMARK

Unless referenced in the prospectus and relevant key investor information document / key information document, a benchmark or index in this material is not used in the active management of the Fund, in particular for performance comparison purposes. Where referenced in the prospectus and relevant key investor information document/key information document a benchmark may be used as part of the active management of the Fund including, but not limited to, for duration measurement, as a benchmark which the Fund seeks to outperform, performance comparison purposes and/or relative VaR measurement. Any reference to an index or benchmark in this material, and which is not referenced in the prospectus and relevant key investor information document / key information document, is purely for illustrative or informational purposes (such as to provide general financial information or market context) and is not for performance comparison purposes. Please contact your PIMCO representative for further details.

CORRELATION

As outlined under "Benchmark", where disclosed herein and referenced in the prospectus and relevant key investor information document/key information document, a benchmark may be used as part of the active management of the Fund. In such instances, certain of the Fund's securities may be components of and may have similar weightings to the benchmark and the Fund may from time to time show a high degree of correlation with the performance of any such benchmark. However the benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.

Investors should note that a Fund may from time to time show a high degree of correlation with the performance of one or more financial indices not referenced in the prospectus and relevant key investor information document/key information document. Such correlation may be coincidental or may arise because any such financial index may be representative of the asset class, market sector or geographic location in which the Fund is invested or uses a similar investment methodology to that used in managing the Fund.

Additional Information/Documentation

A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents(KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company. The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish.

The KIIDs and KIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive).

In addition, a summary of investor rights is available from www.pimco.com. The summary is available in English.

The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors(Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive."

ESG Category Article 6:

Article 6 funds do not have sustainable investment as its objective, nor do they promote environmental and/or social characteristics. While such funds integrate sustainability risks into its investment policy (as further outlined in the Prospectus) and this integration process forms part of the investment level due diligence of the fund, ESG information is not the sole or primary consideration for any investment decision with respect to the fund.

Sustainable Finance Disclosure Regulation (SFDR) Categorization: Article 8/9

SFDR Categorization sets out how the fund is categorized for the purposes of Regulation (EU) 2019/ 2088 on Sustainability-related Disclosures in the Financial Services Sector (SFDR) Article 8 Funds promote, among other characteristics, environmental or social characteristics.

Further details are set out in the Prospectus and relevant Fund Supplement.

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this Fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

RISK

All investments contain risk and may lose value.

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. 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. 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. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Diversification does not ensure against loss.

Credit and Default Risk: A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a loan or meet a contractual obligation. This could cause the value of its bonds to fall or become worthless. Funds with high exposures to non-investment grade securities have a higher exposure to this risk. Currency Risk: Changes in exchange rates may cause the value of the investments to decrease or increase. Derivatives and Counterparty Risk: The use of certain derivatives could result in the fund having a greater or more volatile exposure to the underlying assets and an increased exposure to counterparty risk. This may expose the fund to larger gains or losses associated with market movements or in relation to a trade counterparty being unable to meet its obligations. Emerging Markets Risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk. Investments in these markets may expose the fund to larger gains or losses. Liquidity Risk: Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price. Interest Rate Risk: Changes in interest rates will usually result in the values of bond and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices). Mortgage Related and Other Asset Backed Securities Risks: Mortgage or asset backed securities are subject to similar risks as other fixed income securities, and may also be subject to prepayment risk and higher levels of credit and liquidity risk.

PERFORMANCE AND FEE

Past performance is not a guarantee or a reliable indicator of future results. The "gross of fees" performance figures, if included, are presented before management fees and custodial fees, but do reflect commissions, other expenses and reinvestment of earnings. The "net of fees" performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

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 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.

Past performance does not predict future returns

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