



# PIMCO CommodityRealReturn Strategy Fund®



Quarterly Investment Report | 1Q24

## **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.

# Executive summary

## Portfolio Performance

The Fund's active commodity strategies and management of the collateral portfolio both contributed to relative performance, while the structural allocation to TIPS detracted from relative performance.

### CONTRIBUTORS

- Active strategies in Energy and Agriculture
- Short exposure to duration in Europe
- Exposure to agency mortgage-backed securities (MBS) and other securitized assets
- Overweight exposure to U.S. breakeven inflation

### DETRACTORS

- Structural allocation to TIPS
- Overweight exposure to U.S. interest rates
- Exposure to California Carbon Allowances (CCAs)

Performance periods ended 31 Mar '24	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	2.53	-0.57	-0.42	9.04	8.14	-0.38	4.31
Fund after fees	2.34	-0.93	-1.16	8.24	7.35	-1.11	3.54
Benchmark*	2.19	-2.54	-0.56	9.11	6.38	-1.56	1.49

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month end, visit [pimco.com](http://pimco.com) or call 888.87.PIMCO.

## Portfolio strategy

**Active commodity strategies:** Look to take advantage of mispricings across commodity markets at the intersection of fundamental insights and structural opportunities.

**Collateral:** Neutral headline duration and look to take advantage of attractive opportunities in spread sectors.

Overweight U.S. breakevens as long-term inflation expectations are still well anchored despite inflation staying above the Fed's target, and perhaps even accelerating a bit in the near term.

\*Bloomberg Commodity Index Total Return; \*\*BBG ER + 1-5 yrTIPS-19 bps trns cost \*\*\*Due to the consolidation of operations and permanence of the fund's fee waivers, such waivers do not materially affect the fund's SEC yield. ‡The SEC yield is an annualized yield based on the most recent 30 day period. The fund's yield quotation includes an adjustment to the principal value of the TIPS securities to reflect changes in the government's official inflation rate, if any; changes in the government's official inflation rate can cause the fund's yield to vary substantially from one month to the next. At times, including during periods of deflation, the SEC yield calculation may result in a negative number. If the current 30-day SEC yield is denoted with a "‡", we believe it is attributable to a rise in the inflation rate, and might not be repeated. Due to the consolidation of operations and permanence of the fund's fee waivers, such waivers do not materially affect the fund's SEC yield. The SEC yield will differ (at times, significantly) from the fund's actual experience and any inflation adjustment to principal is treated as income; as a result, income distributions from the fund may be higher or lower than implied by the SEC yield.

Class:	INST
Inception date:	28 Jun '02
Fund assets (in millions):	\$5,082.75
Gross expense ratio:	1.05%
Net expense ratio:	0.99%

The Net Expense Ratio reflects a contractual fee waiver and/or expense reduction, which is in place through 31 July 2024 and renews automatically for a full year unless terminated by PIMCO in accordance with the terms of the agreement. See the Fund's prospectus for more information. The Net Expense Ratio reflects a contractual fee waiver related to the Fund's subsidiary that will not terminate so long as PIMCO's advisory contract with the Fund's subsidiary is in place.

Adjusted expense ratio:	0.74%
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The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

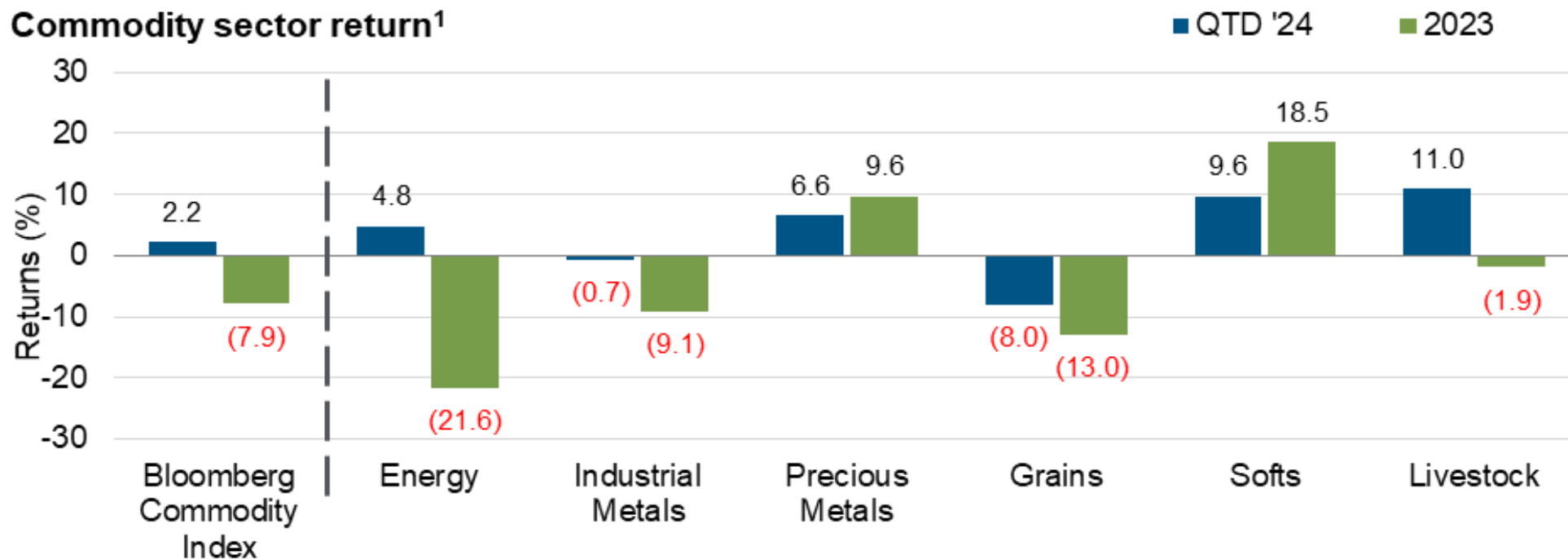
Summary information	31 Mar '24	
30 Day SEC Yield		
Subsidized		7.06%
Unsubsidized		6.98%
Commodity index exposure		101.05%
Effective duration (yrs)		2.79
Inflation-linked bond duration (yrs)		3.48
Non Inflation-linked bond duration (yrs)		-0.68
Benchmark duration - provider (yrs)**		2.85
Benchmark duration - PIMCO (yrs)**		2.84
Effective maturity (yrs)		0.93
Average coupon		1.65%
Net currency exposure		-0.84%
Tracking error (10 yrs)		3.64
Information ratio (10 yrs)		0.22
Agriculture	27.37	29.15
Precious Metals	18.11	20.03
Industrial Metals	13.48	15.30
Livestock	5.86	6.12
Emission	2.07	0

# Quarter in Review

## 1Q24: Commodity prices overall rose over the quarter

Oil prices rose significantly in Q1 as geopolitical tensions in the Middle East and ongoing attacks on Russia's energy infrastructure stoked worries about the oil supply outlook. The extension of OPEC+ production cuts into Q2 further underpinned supply constraints dynamics. On the demand side, bigger-than-expected U.S. crude inventory draws and Chinese economic stimulus contributed to the price rally. Natural gas prices were lower at the end of Q1 due to ongoing theme of ample supply, as well as lack of demand from unseasonably warm weather. Base metals prices were mixed in Q1 as slowing growth prospects in major economies raised demand concerns; however, expectations of higher Chinese demand amid stimulus measures created tailwinds for copper prices. Precious metals prices were higher at the end of Q1 amid the Fed's dovish tone in signaling rate cuts commencing around mid-year. Wheat prices fell due to surplus supply from cheap Russian stockpiles flooding the global market, as well as sluggish demand from the major economies. Soybean prices were lower over Q1 as favorable weather conditions in South America eased supply concerns. Expectation of higher U.S. production output also drove prices lower.

### Commodity sector return<sup>1</sup>



Source: Bloomberg Commodity Index Total Return; <sup>1</sup>Sector returns reflect total return, which includes T-Bill returns. US Federal Reserve (the Fed).

# Market Summary

## 1Q24: Commodity prices overall rose over the quarter

The Fund's active commodity strategies and management of the collateral portfolio both contributed to relative performance, while the structural allocation to TIPS detracted from relative performance.

### Energy

Oil prices rose significantly in Q1 as geopolitical tensions in the Middle East and ongoing attacks on Russia's energy infrastructure stoked worries about the oil supply outlook. The extension of OPEC+ production cuts into Q2 further underpinned supply constraints dynamics. On the demand side, bigger-than-expected U.S. crude inventory draws and Chinese economic stimulus contributed to the price rally. Natural gas prices fell due to ongoing theme of ample supply, as well as lack of demand from unseasonably warm weather.

### Agriculture/Metals

Wheat prices fell due to surplus supply from cheap Russian stockpiles flooding the global market, as well as sluggish demand from the major economies. Soybean prices were lower over Q1 as favorable weather conditions in South America eased supply concerns. Base metals prices were mixed in Q1 as slowing growth prospects in major economies raised demand concerns; however, expectations of higher Chinese demand amid stimulus measures created tailwinds for copper prices. Precious metals prices rose as the Fed signaled mid-year rate cuts.

### Inflation-linked Securities

ILB markets delivered marginally negative returns as real yields rose across countries given the repricing of rate cut expectations for later in 2024. Eurozone breakevens increased slightly despite declining inflation. U.K. breakevens rose across the curve due to surprising U.K. GDP growth in January. Both the ECB and BoE expressed confidence that inflation would continue to moderate amid declining wage growth, which reaffirmed market expectations that rate cuts would occur as soon as June 2024.

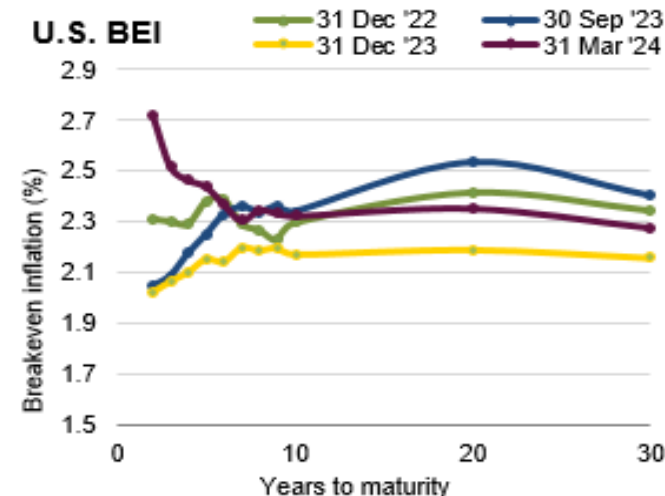
**Brent front-month contracts**



**Gold vs. 10yr real yields**



**U.S. BEI**



Source: Bloomberg, PIMCO. As of 31 March 2024. Oil: front-month Brent futures contract. Gold: front-month gold futures contract.

## Investment implications: Opportune time to consider going active in global fixed income

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### Look global

Greater-than-usual focus on bond markets outside of the U.S.

### Lock in elevated yields

Intermediate maturities can offer a “sweet spot” with markets expecting cash rates to fall

### Favor high quality

Up-in-quality bias in both public and private credit markets

### Go active

Differentiated macro paths present compelling opportunities for active investors

# Portfolio Outlook

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## Outlook and Strategic Positioning

PIMCO has a positive outlook for commodities based on supply constraints, the transition to a net-zero economy, and a recovery in the Chinese economy.

In energy, tightness persists in the oil market due to OPEC+ continuing to limit production, persistent capex underinvestment and the forecasted slowdown in U.S. supply. We also expect global oil demand to remain resilient, and a reduction in interest rates could provide a further tailwind for oil markets. Metals are also facing an environment of capex underinvestment and it remains to be seen how green transition demand is met. Agricultural markets have endured several years of weather disruptions, which left lean inventories across much of the supply chain. We remain most constructive on wheat prices given that inventories remain at multi-year lows. More broadly in agriculture, absent further escalation in the Black Sea, the main determinant of prices over 2024 is likely to be weather

### Key strategies

#### Energy strategies

**Calendar spreads in natural gas:** Plentiful inventories have driven longer-dated winter premiums to historic lows.

**Refined products:** Opportunities to trade refinery margins as well as relative value between refined products amid dislocations.

**Oil volatility:** Elevated volatility above historical price-outs provides compelling opportunity to opportunistically sell volatility.

#### Agriculture strategies

**Wheat vs. corn:** Poor crop yields and disruptions in exports should support relative pricing for wheat.

**Wheat relative value:** Pricing dislocations across grades of wheat are creating attractive relative value opportunities.

**Overweight oilseeds vs grains:** Relative carry advantage driving overweight to oilseeds relative to grains.

#### Metals and other strategies

**Underweight metals:** Weak relative carry, momentum, and risk aversion drives underweight to base and precious metals.

**Gold vs. duration:** Tactically trading relative value between gold, which we view as a long duration real asset, and real rates.

**Exposure to carbon allowances:** Compelling opportunity given tight forward balances, robust program design, and attractive valuations.

#### Collateral portfolio positioning

Neutral headline duration and look to take advantage of attractive opportunities in spread sectors.

Overweight U.S. breakevens as long-term inflation expectations are still well anchored despite inflation staying above the Fed's target, and perhaps even accelerating a bit in the near term.

# Sector exposure

	% of Market value		Duration in years	
	31 Dec '23	31 Mar '24	31 Dec '23	31 Mar '24
<b>Inflation Linked Bonds</b>	<b>96.61</b>	<b>110.80</b>	<b>3.63</b>	<b>3.48</b>
United States	109.50	105.05	3.22	3.20
United Kingdom	0.00	0.00	0.00	0.00
Europe	4.66	3.88	0.24	0.13
Canada	0.32	0.31	0.01	0.01
Other***	2.76	2.53	0.13	0.12
Other Short Duration Instruments	-20.63	-0.97	0.04	0.02
<b>Non Inflation Linked Bonds</b>	<b>3.39</b>	<b>-10.80</b>	<b>-0.79</b>	<b>-0.68</b>
US Government Related	-13.09	-25.13	-0.75	-1.21
Mortgage	12.61	17.68	0.58	0.91
Invest. Grade Credit	0.03	0.04	0.00	0.00
High Yield Credit	0.00	0.00	0.00	0.00
Non-U.S. Developed	-10.31	-3.26	-0.34	-0.15
Emerging Markets**	1.16	1.02	0.00	0.00
EM Short Duration Instruments	-0.01	0.01	-0.00	-0.00
Other***	0.07	0.07	0.00	0.00
Net Other Short Duration Instruments****	12.93	-1.22	-0.28	-0.23
<b>Total</b>	<b>100</b>	<b>100</b>	<b>2.85</b>	<b>2.80</b>

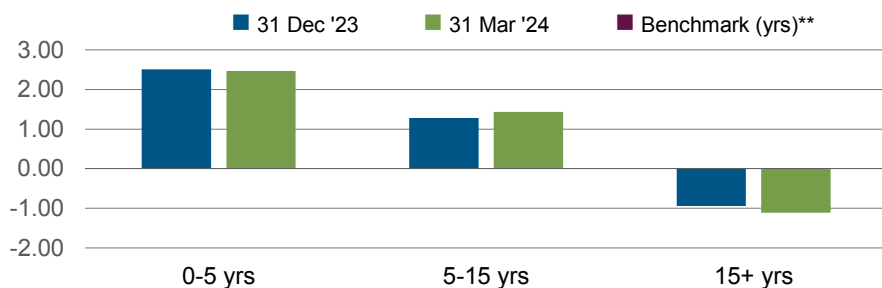
\*\*Emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.

\*\*\*Investment vehicles not listed, allowed by prospectus.

\*\*\*\*Net Other Short Duration Instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category.

# Portfolio characteristics

## Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-5 yrs	2.51	2.47	-
5-15 yrs	1.28	1.43	-
15+ yrs	-0.94	-1.11	-
<b>Total</b>	<b>2.85</b>	<b>2.79</b>	<b>-</b>

## Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	2.85	2.79	2.84
Bull market duration	2.70	2.55	2.85
Bear market duration	2.98	2.82	2.84
<b>Spread duration</b>			
Mortgage spread duration	0.84	1.12	0.00
Corporate spread duration	0.01	0.01	0.00
Emerging markets spread duration	0.00	0.00	0.00
Swap spread duration	-0.09	-0.34	0.00
Covered bond spread duration	0.18	0.04	0.00
Sovereign related spread duration	0.00	0.00	0.00

## Derivative exposure (duration in yrs)

	31 Dec '23	31 Mar '24
<b>Commodity exposure*</b>	99.23	101.05
<b>Government futures</b>	-1.47	-1.31
<b>Interest rate swaps</b>	0.20	-0.11
<b>Credit default swaps*</b>	0.00	0.00
Purchased swaps	0.00	0.00
Written swaps	0.00	0.00
<b>Options</b>	-0.23	-0.05
Purchased options	0.00	0.00
Written options	-0.23	-0.05
<b>Mortgage derivatives</b>	0.00	0.00
<b>Money market derivatives</b>	-0.05	-0.17
Mmkt Fut US	0.00	0.00
Mmkt Fut Non-US	-0.06	0.00
Futures	-0.01	-0.19
Interest rate swaps	0.02	0.02
<b>Other derivatives</b>	0.99	0.87

\* Shown as a percentage of market value

\*\*Benchmark duration is calculated by PIMCO  
Secondary Benchmark: BBG ER + 1-5 yrTIPS-19 bps trns cost



# Country and currency exposure

## Country exposure by currency of settlement

	31 Dec '23		31 Mar '24	
	Duration (yrs)	FX (%)	Duration (yrs)	FX (%)
<b>United States</b>	<b>2.92</b>	<b>100.87</b>	<b>2.91</b>	<b>100.84</b>
<b>Japan</b>	<b>0.00</b>	<b>0.23</b>	<b>0.00</b>	<b>0.20</b>
<b>Eurozone</b>	<b>-0.22</b>	<b>-0.01</b>	<b>-0.27</b>	<b>0.03</b>
Euro Currency	0.00	-0.01	0.00	0.03
European Union	0.20	0.00	-0.05	0.00
France	-0.05	0.00	-0.05	0.00
Germany	-0.49	0.00	-0.27	0.00
Italy	0.11	0.00	0.10	0.00
<b>United Kingdom</b>	<b>0.00</b>	<b>-0.00</b>	<b>-0.00</b>	<b>-0.01</b>
<b>Europe non-EMU</b>	<b>0.17</b>	<b>0.04</b>	<b>0.04</b>	<b>0.03</b>
Denmark	0.17	0.04	0.04	0.03
<b>Dollar Block</b>	<b>-0.02</b>	<b>-1.00</b>	<b>0.11</b>	<b>-0.98</b>
Australia	-0.03	-0.01	0.11	0.01
Canada	0.01	-1.01	0.01	-1.00
New Zealand	0.00	0.02	0.00	0.01
<b>Other Industrialized Countries</b>	<b>-0.00</b>	<b>-1.07</b>	<b>-0.00</b>	<b>-1.10</b>
South Korea	-0.00	-0.45	-0.00	-0.52
Taiwan	-0.00	-0.62	-0.00	-0.58
<b>EM - Asia</b>	<b>-0.00</b>	<b>-0.17</b>	<b>0.00</b>	<b>-0.20</b>
China	-0.00	-0.86	-0.00	-0.80
India	0.00	0.42	0.00	0.42
Indonesia	0.00	0.28	0.00	0.17
<b>EM - Latin America</b>	<b>0.00</b>	<b>0.72</b>	<b>0.00</b>	<b>0.77</b>
Argentina	0.00	0.01	0.00	0.01
Brazil	0.00	0.33	0.00	0.26
Mexico	0.00	0.38	0.00	0.50
<b>EM - CEEMEA</b>	<b>0.00</b>	<b>0.39</b>	<b>0.00</b>	<b>0.42</b>
South Africa	0.00	0.39	0.00	0.42
<b>Total</b>	<b>2.85</b>	<b>100</b>	<b>2.79</b>	<b>100</b>

## Emerging markets exposure by country of risk

	31 Dec '23			31 Mar '24		
	% of MV short duration Instruments	% of MV bonds	Duration (yrs)	% of MV short duration Instruments	% of MV bonds	Duration (yrs)
Argentina	0.00	0.00	0.00	0.00	0.00	0.00
Brazil	-0.01	1.01	0.00	0.00	1.02	0.00
China	-0.01	0.00	0.00	0.01	0.00	0.00
Hungary	0.00	0.14	0.00	0.00	0.00	0.00
Mexico	0.01	0.00	0.00	0.00	0.00	0.00
South Africa	0.00	0.00	0.00	-0.01	0.00	0.00
<b>Total</b>	<b>-0.01</b>	<b>1.16</b>	<b>0.00</b>	<b>0.01</b>	<b>1.02</b>	<b>0.00</b>

# Additional share class performance

PIMCO CommodityRealReturn Strategy Fund® (net of fees performance)

Performance periods ended: 31 Mar '24	Maximum Sales Charge (Load)	Maximum Deferred Sales Charge (Load)	Gross expense ratio	Net expense ratio	Adjusted expense ratio	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
	Class A (at NAV)	5.50	1.00	1.50	1.44	1.19	USD	29 Nov '02	2.22	-1.18	-1.57	7.71	6.88	-1.56
Class A (at MOP)	5.50	1.00	1.50	1.44	1.19	USD	29 Nov '02	-3.39	-6.64	-6.99	5.72	5.68	-2.12	2.79
Class ADMIN	-	-	1.30	1.24	0.99	USD	14 Feb '03	2.32	-1.09	-1.39	7.95	7.09	-1.35	3.28
Class C (at NAV)	-	1.00	2.25	2.19	1.94	USD	29 Nov '02	2.09	-1.48	-2.26	6.98	6.09	-2.27	2.30
Class C (at MOP)	-	1.00	2.25	2.19	1.94	USD	29 Nov '02	1.09	-2.46	-3.24	6.98	6.09	-2.27	2.30
Class I-2	-	-	1.15	1.09	0.84	USD	30 Apr '08	2.34	-0.98	-1.20	8.14	7.24	-1.19	3.45
Class I-3	-	-	1.25	1.14	0.89	USD	27 Apr '18	2.33	-1.01	-1.30	8.04	7.19	-1.25	3.39
Class INST	-	-	1.05	0.99	0.74	USD	28 Jun '02	2.34	-0.93	-1.16	8.24	7.35	-1.11	3.54
Class R	-	-	1.75	1.69	1.44	USD	12 Mar '10	2.21	-1.28	-1.77	7.44	6.62	-1.80	2.68
Bloomberg Commodity Index Total Return								2.19	-2.54	-0.56	9.11	6.38	-1.56	1.49

The Net Expense Ratio reflects a contractual fee waiver and/or expense reduction, which is in place through 31 July 2024 and renews automatically for a full year unless terminated by PIMCO in accordance with the terms of the agreement. See the Fund's prospectus for more information. The Net Expense Ratio for the I-3 Class reflects a contractual supervisory and administrative fee waiver and/or expense reduction in place through 31 July 2024 and renews automatically for a full year unless terminated by PIMCO in accordance with the terms of the agreement. See the Fund's prospectus for more information.

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

*Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month end, visit pimco.com or call 888.87.PIMCO. The maximum offering price (MOP) returns take into account the Class A maximum initial sales charge of 5.50%. The maximum offering price (MOP) returns take into account the contingent deferred sales charge (CDSC) for Class C shares, which for this fund is 1.00%.*

Class A shares are subject to an initial sales charge (as a percentage of offering price). A CDSC (as a percentage of the lower of the original purchase price or redemption price) may be imposed in certain circumstances on Class A shares that are purchased without an initial sales charge and then redeemed during the first 12 months after purchase. Class C shares are subject to a CDSC, which may apply in the first year.

For the periods prior to the inception date of a share class, performance information is based on the performance of the Fund's oldest class shares, adjusted to reflect the fees and expenses paid by that class of shares.

# Important Disclosures

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*This material is authorized for use only when preceded or accompanied by the current PIMCO funds prospectus or summary prospectus, if available.*

**Past performance is not a guarantee or a reliable indicator of future results.** The performance figures presented reflect the total return performance, unless otherwise noted, after fees and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Periods less than one year are cumulative. The minimum initial investment for Institutional, I-2, I-3 and Administrative class shares is \$1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

There is no assurance that any fund, including any fund that has experienced **high or unusual performance** for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) a fund's total return in excess of that of the fund's benchmark between reporting periods or 2) a fund's total return in excess of the fund's historical returns between reporting periods. Unusual performance is defined as a significant change in a fund's performance as compared to one or more previous reporting periods.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

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.

**A word about risk: Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be appropriate for all investors. The fund will seek exposure to commodities through **commodity-linked derivatives** and through the PIMCO Cayman Commodity Fund I Ltd., a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the "Subsidiary"). The Subsidiary is advised by PIMCO, and has the same investment objective as the Fund. The Subsidiary (unlike the Fund) may invest without limitation in commodity-linked swap agreements and other commodity-linked derivative instruments. 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. **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. **Inflation-linked bonds** (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Certain **U.S. Government securities** are backed by the full faith of the government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. 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. **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. **Derivatives and commodity-linked 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. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested. **Diversification** does not ensure against loss.

# Important Disclosures

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Portfolio allocations and other information in the charts in this Quarterly Investment Report are based on the fund's net assets. These percentages may differ from those used for the fund's compliance calculations, including the fund's prospectus, regulatory, and other investment limitations and policies, which may be based on total assets of the fund or other measurements, may include or exclude various categories of investments from those covered in the portfolio allocation categories shown in this report, and may be based on different classifications and measurements of the fund's investments and other criteria. All funds are separately monitored for compliance with prospectus and regulatory requirements.

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.

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Bloomberg Commodity Index Total Return is an unmanaged index composed of futures contracts on a number of physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class. The futures exposures of the benchmark are collateralized by US T-bills. It is not possible to invest directly in an unmanaged index.

The following defined terms are used throughout the report. Emerging market short duration instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Net other short duration instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Short duration derivatives and derivatives offsets include: 1) derivatives with an effective duration less than one year and where the country of risk is not an emerging market country (for example, Eurodollar futures) and 2) offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position which in certain instances may exceed the actual amount owed on such positions. Municipals/Other may include convertibles, preferred and yankee bonds.

**The performance figures presented reflect the performance for the institutional class unless otherwise noted.**

**A note about Sector exposure:** Other indicates swaps and securities issued in euros.

**A note about Emerging markets exposure by country of risk:** country of risk reflects the country of incorporation of the ultimate parent company.

PIMCO uses an internal model for calculating effective duration, which may result in a different value for the duration of an index compared to the duration calculated by the index provider or another third party.

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# Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

**Alpha** is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

**Average coupon** is the average of the coupon payments of the underlying bonds within the portfolio.

**Average effective maturity** is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

**"Bend-but-not-break"** refers to credits that PIMCO would not expect to default in a credit-stressed environment.

**Beta** is a measure of price sensitivity to market movements. Market beta is 1.

**Breakeven inflation rate** (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.

**Carry** is the rate of interest earned by holding the respective securities.

The terms **"cheap" and "rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

**CPI** is the Consumer Price Index.

The **credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

**Dividend yield** is represented by the weighted average coupon divided by the weighted average price.

**Duration** is the measure of a bond's price sensitivity to interest rates and is expressed in years.

**Effective duration** is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

**Forward curve** is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

**Fallen angel** is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

**GFC** is the Global Financial Crisis.

**Information ratio** is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

**Like-duration Securities** are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

**LNG** is Liquefied Natural Gas.

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.

**Rising star** is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

**"Risk assets"** are any financial security or instrument that are likely to fluctuate in price.

**Risk premia** is the return in excess of the risk-free rate of return an investment is expected to yield.

**Roll yield** is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

**"Safe haven"** is an investment that is expected to retain or increase in value during times of market turbulence.

**"Safe Spread"** is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The

**Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

**Tracking error** measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)