PIMCO

# PIMCO Long-Term Credit Bond Fund

## PERFORMANCE SUMMARY

The PIMCO Long-Term Credit Bond Fund returned 1.78% after fees in March versus the Bloomberg U.S. Long Credit Index, which returned 1.91% for the month. Year-to-date the Fund has returned -0.91% after fees, while the benchmark returned -1.65%.

In the first quarter, the Bloomberg U.S. Long Credit Index returned -1.65%, outperforming like-duration Treasuries by 1.26%. Long credit spreads tightened by 7 bps, and yields rose 0.24% to 5.46%[1].

### Contributors

- Sector and security selection within financials
- Relative value positioning within physical vs. synthetic credit
- Out of benchmark exposure to securitized strategies

### Detractors

- Curve positioning
- Underweight exposure to municipals

| | Month end performance 31 March 2024 | | | | Quarter end performance 31 March 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | 3 mos. | 6 mos. | 1 yr. | YTD | 1 yr. | 5 yrs. | 10 yrs. | Since inception |
| ■ | -0.91 | 12.07 | 3.04 | -0.91 | 3.04 | 0.74 | 3.62 | 7.00 |
| ■ | -1.65 | 11.84 | 3.31 | -1.65 | 3.31 | 0.83 | 3.08 | 6.20 |

■ PIMCO Long-Term Credit Bond Fund share class INST at NAV (%) ■ Benchmark (%)

**Benchmark**: Bloomberg U.S. Long Credit Index

*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 www.pimco.com or call (888) 87-PIMCO.*

Certain Funds may offer a share class with an inception date which is different than the inception date of the Fund. 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. The performance figures presented reflect the total return performance, unless otherwise noted, for institutional class shares 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 class shares is $1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

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.

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.

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.

| INST Shares | PTCIX | I-2 Shares | PLCPX |
|---|---|---|---|

| | |
|---|---|
| Fund Inception Date | 31 March 2009 |
| Shareclass INST Inception Date | 31 March 2009 |
| Total Net Assets (in millions) | $3,274.8 |
| **Performance Characteristics** | |
| INST 30-day SEC yield[1] | 4.96% |

[1]The 30 day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days.

### Basic Facts

| | |
|---|---|
| Dividend frequency | Monthly with Daily Accrual |

### Fund Expenses

| | |
|---|---|
| INST share Gross Expense Ratio | 0.99% |
| INST share Adjusted Expense Ratio | 0.55% |

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.

### Portfolio Managers

Mark Kiesel, Mohit Mittal

### Fund Statistics

| | |
|---|---|
| Effective Duration (yrs) | 11.36 |
| Effective Maturity (yrs) | 21.83 |
| Sharpe Ratio (10 year) | 0.24 |
| Volatility (10 year) | 11.43% |

## PORTFOLIO POSITIONING

The Fund is underweight developed market duration, with a preference for holdings in the intermediate part of the curve. In terms of sector positioning, the Fund favors sectors that exhibit resiliency to higher rates such as banks and specialty finance. Within banks, we favor US banks benefitting from high barriers to entry and solid balance sheets, while focusing on senior bonds issued by strong banks given attractive risk-adjusted valuations due to repricing in the sector across the capital structure. We are finding opportunities in non-cyclical sectors that may be better insulated from an economic slowdown. Further, we are finding value in companies benefitting from the strong demand for broadband and connected devices, particularly tower companies and select wireless providers. The Fund maintains exposure to industries tied to housing, including Agency MBS which we continue to view favorably. The Fund also maintains exposure to select corporate, quasi-sovereign and sovereign issues in emerging markets, particularly credits we believe to have relatively strong fundamentals. Conversely, we are cautious on sectors that face potential regulatory headwinds and those that face potential M&A and obsolescence risk.

| Sector Allocation (% Market Value) | Fund |
|---|---|
| US Government - Treasury[ч] | 23.4 |
| US Government - Agency[ϴ] | 0.0 |
| Swaps and Liquid Rates[◊] | -7.1 |
| Securitized[ɸ] | 14.9 |
| Invest. Grade Credit | 68.6 |
| High Yield Credit | 3.5 |
| Non-USD Developed | 0.2 |
| Emerging Markets[Ω] | 5.6 |
| Municipal | 1.8 |
| Other[∆] | 4.1 |
| Net Other Short Duration Instruments[ґ‡] | -14.9 |

## QUARTER IN REVIEW

Sector and security selection within financials contributed to performance. Relative value positioning within physical vs. synthetic credit contributed to performance. Out of benchmark exposure to securitized strategies also contributed to performance.

U.S. interest rate strategies overall, including duration, curve positioning, and instrument selection detracted from performance as the curve steepened. Underweight exposure to the municipals sector detracted from performance, as spreads tightened.

## OUTLOOK AND STRATEGY

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed's subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Credit market technicals remain strong as demand continues to be supported by high yields, although net new supply has risen due to receding recession fears and growing expectation amongst issuers for yields to stay higher for longer. Valuations are near the lowest levels since 2008 which warrants a patient approach and focus on maintaining liquidity and flexibility in portfolios, capitalizing on opportunities as they present themselves.

We continue to seek out high conviction opportunities, with a preference for sectors that have historically been more resilient to higher rates and non-cyclical sectors that may be better anchored in an economic slowdown. Our bottom-up positioning emphasizes companies with high barriers to entry, pricing power, asset coverage, and management teams that favor bondholders in the capital structure.

INST SHARE MORNINGSTAR RATING™

★★★★

**OVERALL MORNINGSTAR RATING™ as of 03/31/2024**

| | |
|---|---|
| Category | **Long-Term Bond** |
| Number of funds in category | **33** |
| Criteria | **Risk-Adjusted Return** |

*Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus and summary prospectus, if available, which may be obtained by contacting your investment professional or PIMCO representative or by visiting www.pimco.com. Please read them carefully before you invest or send money.*

[ч]Includes U.S. Treasury notes, bonds, futures, and inflation-protected securities [Θ]Includes U.S. agencies, FDIC-guaranteed and government-guaranteed corporate securities, and supranationals [◊]Includes U.S. dollar denominated interest rate swaps, swaptions, options, and other rate related derivatives. Other portfolio derivatives, where applicable, may be included as part of other sectors based upon their underlying risk characteristics. [Φ]The Securitized bucket will include Agency MBS, nonAgency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds. [rŧ]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, short duration derivatives and derivatives offsets. 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. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position. [Ω]Short duration 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.
[Δ]Other may include convertibles, preferreds, and yankee bonds.

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:** 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. **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.

**Effective duration** is a measure of a portfolio's price sensitivity to interest rate changes, including expected changes in cash flows caused by embedded options. The **Sharpe Ratio** measures the risk-adjusted performance. The risk-free rate is subtracted from the rate of return for a portfolio and the result is divided by the standard deviation of the risk-free rate subtracted from the portfolio returns. **Volatility** is measured by the standard deviation, or dispersion of a set of data from its mean, based on historical portfolio returns. A larger spread of data indicates higher standard deviation and higher volatility. **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.

Monthly Morningstar Rating™ as of 31 March 2024 for the INST Shares; other classes may have different performance characteristics. The PIMCO Long-Term Credit Bond Fund was rated against the following numbers of Fixed Income, Investment Grade over the following time periods: Overall 4 Stars (33 funds rated); 3 Yrs. 3 Stars (33 funds rated); 5 Yrs. 3 Stars (32 funds rated); 10 Yrs. 4 stars (25 funds rated). Past performance is no guarantee of future results. A rating is not a recommendation to buy, sell or hold a fund. ©2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The Morningstar RatingTM for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

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.

Bloomberg U.S. Long Credit Index includes both corporate and non-corporate sectors with maturities equal to or greater than 10 years. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. It is not possible to invest directly in an unmanaged index.

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[1]Spreads referenced are the average option adjusted spread (OAS) level as generated by Bloomberg. 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 Bloomberg Barclays for the Bloomberg Barclays U.S. Credit Index and its respective sub-sectors.

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average earned over Treasury returns, taking multiple future interest rate scenarios into account.

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

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.

Like-duration Treasuries are calculated by the index provider by comparing the index return to a hypothetical matched position in Treasuries.
Mortgage-Backed Securities (MBS)



Investment Products
Not FDIC Insured | May Lose Value | Not Bank Guaranteed