PIMCO

Global Investors Series plc.

May 2020

Market and Performance Review

Markets enjoyed relative calm in May as economies slowly reopened and optimism about vaccines continued to take hold. Social distancing rules were relaxed in Europe and in several states in the US.

On the fiscal front, Europe announced a EUR 750bn recovery fund proposed by President von der Leyen. EUR 500bn of that would be distributed in the form of grants and the residual in loans to member states. Japan's Abe doubled the country's stimulus efforts to deliver a USD 1.1tn stimulus package that includes financing for struggling companies and health care assistance.

US/China tension was also in the limelight. President Trump said that tariffs can be the "ultimate punishment" and promised a more conclusive report on the Chinese origins of the virus outbreak. The situation only intensified with China's plan to implement a new national security law in Hong Kong, which would infringe on the rights and freedom of Hong Kong's citizens.

Turning to central banks we didn't see any major surprises in May. The Fed, ECB, and the Bank of England stayed put in terms of their policy rates.

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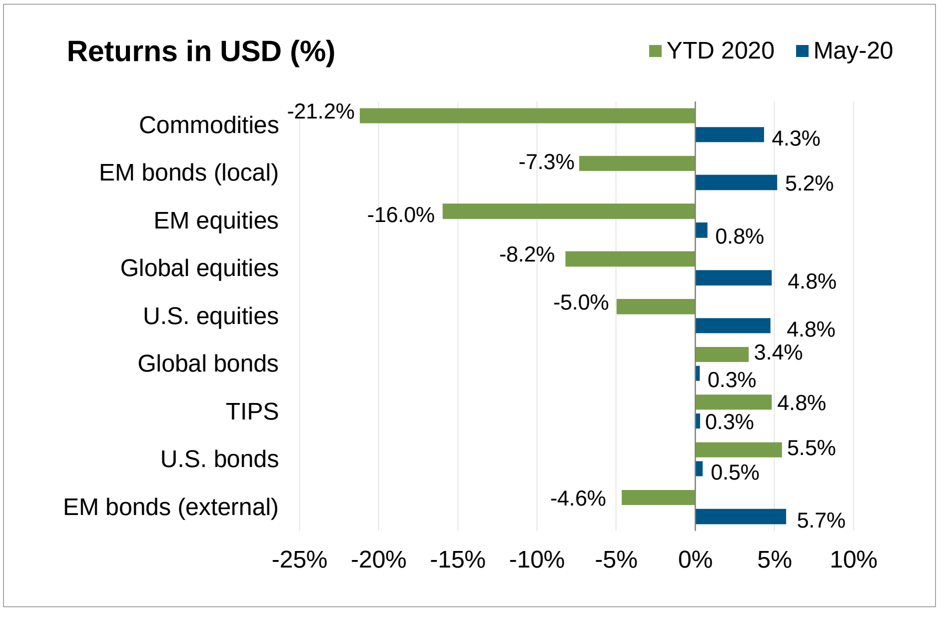
FINANCIAL MARKETS POSTED POSITIVE RETURNS

Positive news around reopening economies, vaccine developments, and further fiscal stimulus drove markets over the month of May. Investors seemingly shrugged off escalating US/China tensions as well as significant long-term economic challenges that remain. Risk assets were sought after in this environment whereas returns on fixed income securities were close to flat with the exception of emerging market bonds denominated in hard currency. The uptick in economic activity drove oil prices.

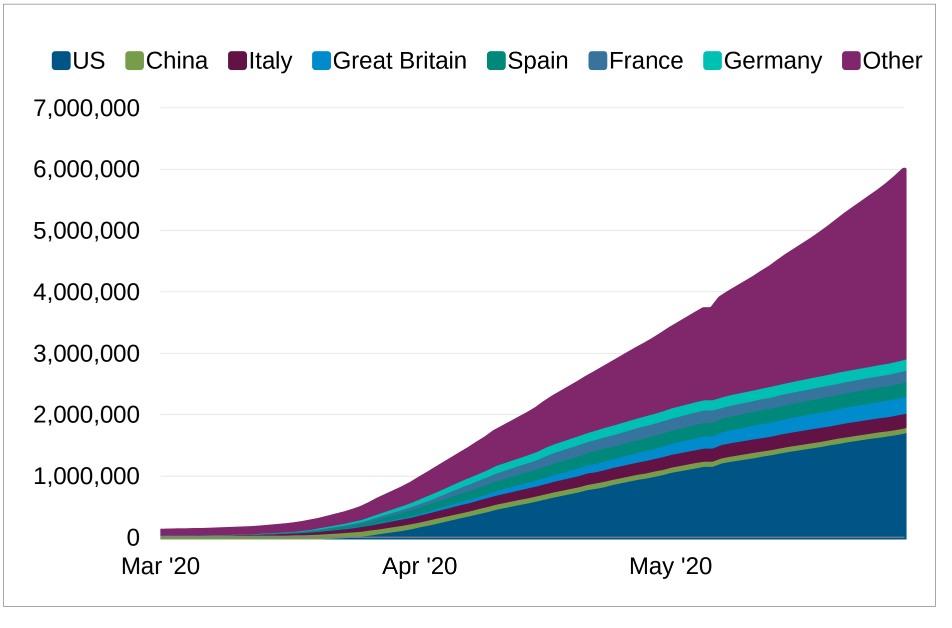
Risk assets in the black …



Source: Bloomberg, PIMCO as of 31 May 2020. EM equities represented by MSCI EM Index; Global Equities represented by MSCI World Index; US equities represented by S&P 500; EM bonds (local) represented by JPM GBI-EM Global Div Unhedged; EM bonds (external) represented by JPM EMBI Global; US bonds represented by Bloomberg Barclays U.S. Aggregate Index; TIPS represented by Bloomberg Barclays US TIPS Index; Global bonds represented by Bloomberg Barclays Global Aggregate USD Hedged; Commodities represented by Bloomberg Commodity TR Index. Returns in USD (%).

Some flattening of the curve was experienced in Europe during May. For instance, the UK recorded its lowest increase in COVID-19 deaths since the lockdown began. Positive developments were also seen on the vaccine front with trials advancing to further phases. Dr. Fauci, the US government's top infectious disease expert, further fueled hopes with his comment that there's a "good chance" of the vaccine being available by the end of this year. In contrast, infections increased in other regions of the world, especially in Brazil and Russia. The countries rank 2nd and 3rd behind the US with confirmed cases of ~514,000 and ~405,000, respectively.

… while confirmed global coronavirus cases crossed the 6 million mark in May

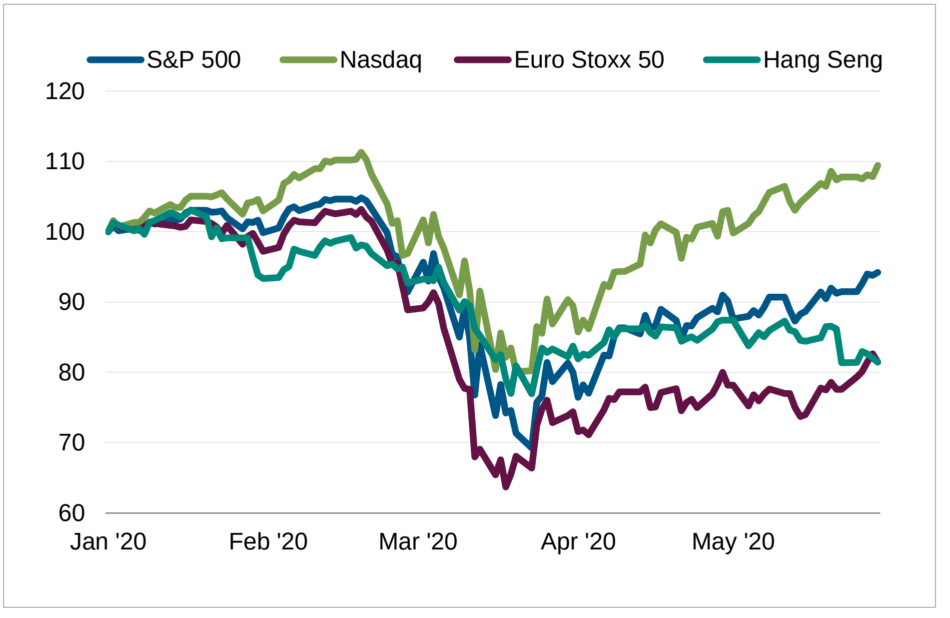


Source: Bloomberg 31 May 2020.

STOCKS UP IN THE US AND EUROPE WITH CENTRAL BANKS ON HOLD FOR THE MOMENT

The positive sentiment drove stocks …

In May, US equities rose at a more modest pace compared to April's outstanding rally. The Nasdaq Composite increased by 6.2% leading to positive YTD returns while the S&P 500 gained 4.5%. European stocks also advanced (Euro Stoxx 50 +4.2%) on the back of the recovery fund announcement and a decrease in new cases of the coronavirus. In Asia, the Hang Seng ended the month 6.8% lower caused by increased economic uncertainty and protests evoked by China's plan to implement a new national security law in Hong Kong.

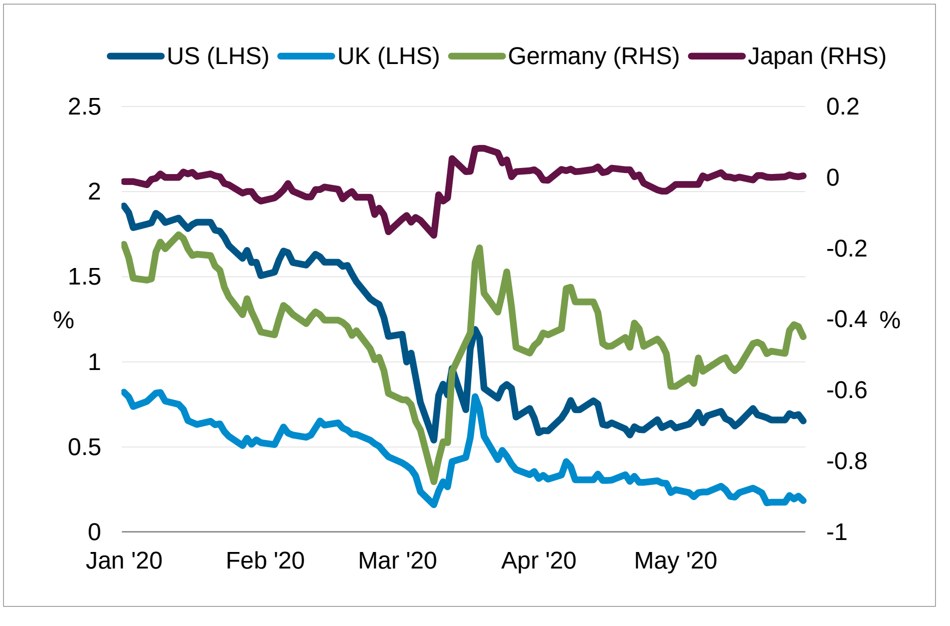


Source: Bloomberg as of 31 May 2020

... and government yields were mostly range bound

Yields on 10-year government bonds remained relatively stable during the month with the exception of German bunds. They ended the month 14 bps. higher at -0.45%. US Treasuries yielded 0.65% (+1 bp) at the end of the month.

Major central banks kept policy rates and asset purchase programs unchanged. In the US, the Federal Reserve's May balance sheet data release did show the purchase of over USD 300 million in corporate bond ETFs, in line with prior announcements on its planned corporate bond buying facility.

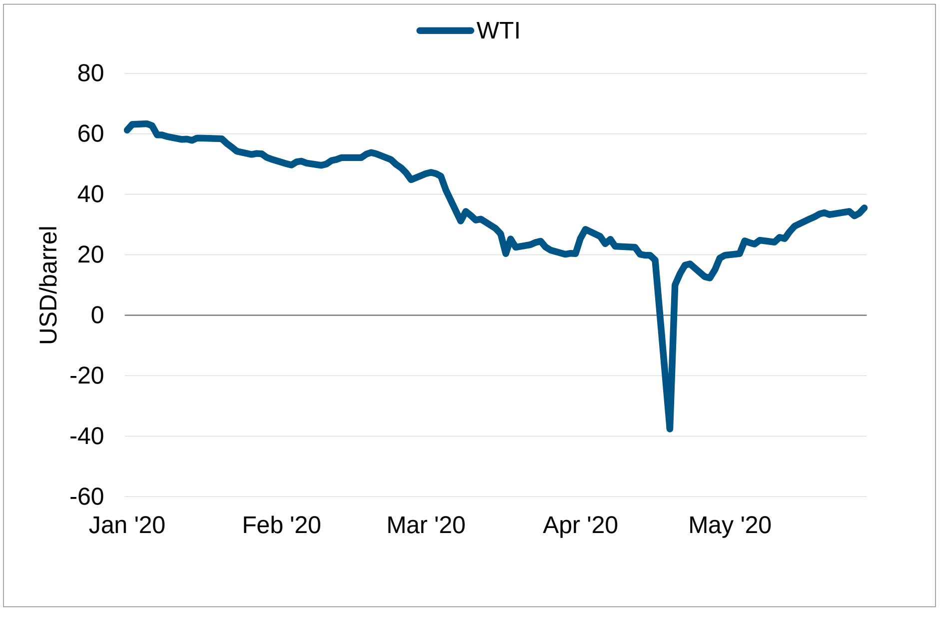


Source: Bloomberg as of 31 May 2020

THE REOPENING LEAVES MARKS IN THE REAL ECONOMY

Market participants hoped that exits from lockdowns would boost the demand for crude oil, which lead to a rebound in oil prices. WTI traded at $18 per barrel at the end of April and marked a strong increase to end the month of May at over $35 per barrel crossing the $30 mark mid of the month. Current prices represent the highest levels since mid March.

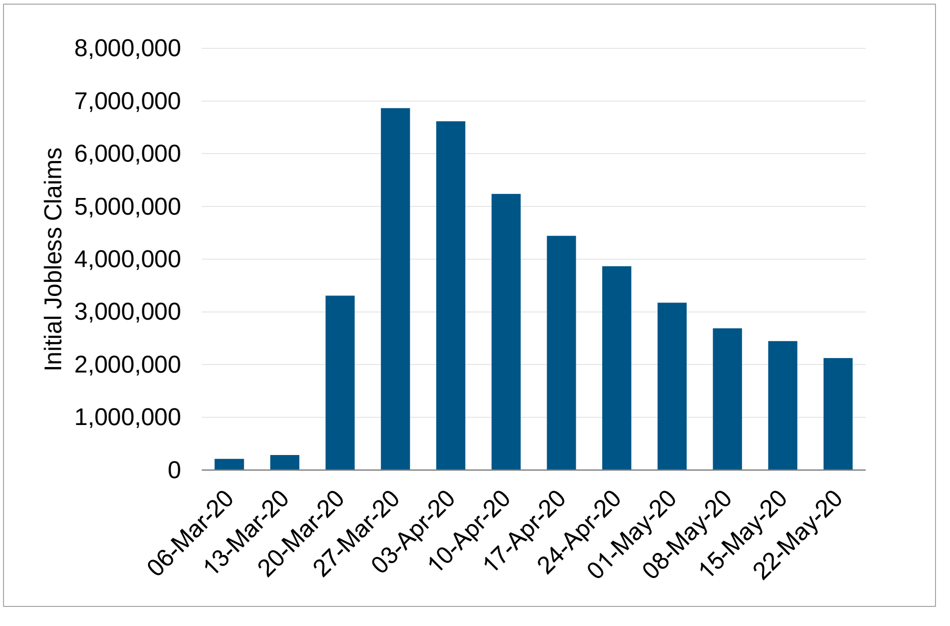
Oil prices staged a comeback …



Source: Bloomberg as of 31 May 2020

According to the U.S. Department of Labor, an estimated 2.1 million workers filed unemployment claims during the week ended May 23rd. This moves the cumulative number of claims to roughly 41 million since March 21st and represents nearly one quarter of the American work force. Notably, this reading points to the softest advance in initial claims since March 28th.

… and initial jobless claims in the US decreased but remain high



Source: Bloomberg as of 31 May 2020

CONTENTS

PIMCO GIS DYNAMIC BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.77	-0.86	1.10	2.35	2.39	2.35	2.86
Benchmark	0.03	0.54	1.78	1.85	1.30	0.75	0.70

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Dynamic Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 15 December 2008.

Benchmark: 1 Month USD LIBOR. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 1 Month USD LIBOR as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Long exposure to investment grade corporate credit
- Long exposure to non-Agency MBS
- Long exposure to U.S. duration
- Holdings of EM external debt

DETRACTORS

- Short exposure to U.K. duration
- Long exposure to the Brazilian real and Argentine peso

POSITIONING AND OUTLOOK

- **Interest Rate Strategies –** We remain cautious on overall duration while maintaining long exposure to US duration and short exposure to UK duration. We continue to favor US duration given better relative valuations and its defensive value in case of a risk-off market scenario. We hold a short to UK rates as yields globally remain low and have the potential to move higher in response to increased fiscal stimulus. We also maintained modest local rate exposure to Mexican rates and modest long exposure to Peruvian rates. We closed a short position to Italian rates and now hold a modest long position as spreads are too high given continued support from the ECB. We hold a modest long to Canadian duration as we believe rates will be cut to zero following the impact of COVID-19 on the economy.
- **Treasury Inflation-Protected Securities (TIPS) –** We maintain our long in US breakeven inflation (+0.6 TIPS DWE) to take advantage of the strength of US labor markets and the U.S. economy's potential for higher inflation. We hold a short to UK breakeven inflation (-0.2 TIPS DWE) as we expect inflation to come back down to the 2% target over the course of the year.
- **Mortgages –** We are currently long non-Agency MBS as an attractive source of yield relative to other fixed income sectors. We expect demand for high quality spread assets to keep the sector fairly well supported and will continue to benefit from limited new supply and improved mortgage credit fundamentals from the sustained recovery in the U.S. housing market. We maintain long exposure to Agency MBS given the attractive yield pick-up versus Treasuries and more defensive positioning versus investment grade credit.
- **Corporate Bonds –** We continue to be cautious on traditional corporate credit risk, as we find credit valuations unattractive at current spread levels. We look to diversify the portfolio by investing in non-cyclical sectors that have the potential to generate an attractive yield. We remain long select IG credits with an emphasis on financials. We maintain selective exposure to high yield credit as we remain cautious on spread risk in other parts of the portfolio.
- **Emerging Markets –** We remain tactical with modest holdings in EM external and quasi-sovereign securities to boost portfolio diversification and provide higher yields with limited potential for long term financial loss.
- **Currency –** We are modestly long high-carry commodity currencies that are sufficiently priced for global trade risks (PEN,ARS, RUB). We are long USD versus a short DM currencies basket (CAD, EUR). We are long GBP based on our view of an organised Brexit outcome.

PIMCO GIS GLOBAL LIBOR PLUS BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.16	-0.96	1.43	2.21	-	-	2.92
Benchmark	0.03	0.54	1.78	1.85	-	-	1.46

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Libor Plus Fund, Institutional, Accumulation, USD. Fund incepted on: 29 January 2016.

Benchmark: 1 Month USD LIBOR. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 1 Month USD LIBOR as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- U.S duration curve positioning
- Long exposure to investment grade credit
- Holdings of securitized assets, primarily non-Agency mortgage backed securities
- Long exposure to emerging market external debt

DETRACTORS

- Holdings of Agency MBS
- Short exposure to the euro

POSITIONING AND OUTLOOK

- **Positioning summary –** The Fund is maintaining a cautious stance on both interest rate risk and credit risk given their generally tight valuations. The primary focus is on capital preservation and generating incremental return through yield and relative value opportunities.
- **Corporate Bonds –** We are cautious about the corporate sector and we focus on opportunities in specific credits that benefit from US growth and a resilient housing sector. We find attractive opportunities in UK bank capital given the high quality basis with a low rate of nonperforming loans and supportive central bank and government.
- **Mortgages –** We see value in securitized debt, including Agency MBS and select non-Agency MBS. Agency MBS are high quality assets providing a yield pick-up and with attractive valuations. We are also long non-Agency MBS as an attractive source of yield relative to other fixed income sectors and continue to benefit from limited new supply and improved mortgage credit fundamentals from the sustained recovery in the US housing market.
- **Interest Rate Strategies –** We hold portfolio duration towards the lower end of the structural range with a focus on US duration given better relative valuations and its defensive value in case of a risk-off market scenario. Our positioning is concentrated in intermediate maturities. We also hold a modest position in US TIPS given attractive valuations. Additionally, the fund maintains a short to UK duration given tight valuations.
- **Currency –** We hold a modest long exposure to a select basket of high-carry EM currencies complemented by a short to a basket of developed market currencies. We also maintain a long position to GBP.

PIMCO GIS DYNAMIC MULTI-ASSET FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.92	4.09	9.29	3.07	-	-	4.84
Benchmark	-0.04	-0.19	-0.43	-0.39	-	-	-0.38

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Dynamic Multi Asset Fund, Institutional, Accumulation, EUR. Fund incepted on: 25 February 2016.

Benchmark: 1 Month Euribor Rate. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 1 Month Euribor Rate Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Long U.S. and Japanese equity exposure
- Long Chinese equity exposure in particular to consumer discretionary via baskets of stock
- Long exposure to securitized credit in particular to non-agencies

DETRACTORS

- Short exposure to European equities
- Long exposure to Emerging Market currencies in particular Asian FX

POSITIONING AND OUTLOOK

1. **Patient with respect to risk:** Asset prices have adjusted quickly and sharply in Q1 2020 and despite the rebound in Q2, the path of the Covid-19 pandemic is still uncertain. Major economies have experienced a sudden stop and while a rebound is likely, material risk remains. As such, we are retaining a prudent overall risk stance while focusing on higher conviction opportunities and increasing the relative value posture of the portfolio.

2. **A balance between caution and high conviction:** Amidst the high uncertainty we are focusing on positions that should be robust to perform across market environments. Secularly, we expect the U.S. and China to continue to dominate as their competition and scale leads to innovation and active policy support. Tech, Healthcare and Biotech stocks are likely to benefit. We aim to build baskets of stocks most exposed to these themes and selected by systematic quality filters. Japanese equities also score highly on these metrics and offer attractive upside in the case of reaccelerating global growth. We are also scaling into a new basket of stocks in the automation and robotics sectors. This basket of strong balance sheet and therefore, high resiliency stocks, is expected to benefit from the need to shorten global supply chains and reduce onshore production costs. In contrast, we retain net hedges in the European equity market which ranks lower on the quality spectrum, in particular European insurers as low interest rates pressure the sector, as well as hedges in generic U.S. equity markets. We also continue to own high quality government bonds, particularly in the U.S., Canada and Australia where interest rates still have some room to rally in adverse environments. Our exposure to generic corporate credit remains low, while retaining a preference for higher quality securitized credit. FX exposure is still running short the negative yielders, EUR and JPY with longs in USD and SEK.

In summary, the portfolio remains lean with substantial dry powder and shall keep with its dynamic approach as events unfold.

PIMCO GIS GLOBAL CORE ASSET ALLOCATION FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	4.11	-3.79	4.71	3.94	3.32	4.35	5.43
Benchmark	2.72	-3.92	6.62	5.39	5.07	6.98	8.14

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Core Asset Allocation Fund, Institutional, Accumulation, USD. Fund incepted on: 15 April 2009.

Benchmark: 60% MSCI All Country World Index (ACWI) and 40% Bloomberg Barclays Global Aggregate USD Hedged Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 60% MSCI All Country World Index (ACW) and 40% Bloomberg Barclays Global Aggregate USD HedgedIndex as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to REITs
- Overweight to securitized fixed income
- Overweight to U.S. equities

DETRACTORS

- Short exposure to Canadian equities
- UK duration positioning
- Developed market currency positioning

POSITIONING AND OUTLOOK

- **Equities** – We have an overweight to equities and favor the U.S. over more cyclically-oriented regions such as Europe, Japan, and emerging markets. We are also emphasizing sectors that we believe will be more resilient in the current environment, including technology and "quality" defensive sectors.
- **Credit** – We remain patient and stand ready to deploy capital where we see opportunity in the highest quality segment of the credit market. Our view is underpinned by the belief that the indiscriminate sell-off in March has created attractive investment opportunities for long term investors and that the two programs launched by the Federal Reserve to purchase IG credit will support high quality bonds. We remain cautious on high yield markets due to rising leverage and the potential for high and unpredictable defaults. Stress on many borrowers' balance sheets is likely to emerge later this year given the high degree of leverage in the bank loan and high yield markets.
- **Interest Rates** – In the midst of this equity market correction, high quality sovereigns' defensive characteristics have proven to be an invaluable ballast in multi asset portfolios. We continue to favor developed market sovereigns so long as the uncertainty regarding the global health crisis remains. We prefer U.S. rates, which still have a positive real rate, versus other developed international markets.
- **Currency** – We are broadly neutral on the USD vs other G-10 currencies. We think high yielding FX like Russia, Brazil, Mexico and Indonesia provide good value coming out of this period of weakens. That being said, we are very cautious in the short term and will only add to it gradually. Generally, we do not maintain large FX positions, which primarily provide diversification and additional carry, to our portfolios.

PIMCO GIS EURO BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.39	0.19	2.09	2.78	2.61	4.77	4.54
Benchmark	0.13	0.24	2.72	2.40	2.08	3.72	4.31

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Euro Bond Fund, Institutional, Accumulation, EUR. Fund incepted on: 31 December 1998.

Benchmark: FTSE Euro Broad Investment-Grade Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the FTSE Euro Broad Investment-Grade Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Positioning in core European rates as yields fell
- Overweight European periphery spread, primarily coming from Spain
- Positions in securitized credit, primarily non-agency MBS, including UK and Danish RMBS

DETRACTORS

- Underweight UK duration as yields fell
- Positions in Agency MBS

POSITIONING AND OUTLOOK

- **Eurozone Duration** – We take an overweight exposure to EUR duration at the 10Y point where positive carry opportunities remain attractive, and are now underweight the longer end (12Y+).

  We are modestly underweight France as we feel French government bonds offer a poor risk/reward pay-off and favor instead overweight exposure to Spain given strengthening fundamentals and dovish ECB which should support fundamentals. We have tactically reduced our overweight to Italy and we are now market weight Italian duration given more market friendly new government and supportive ECB for peripheral spread in the short term.

- **Other Duration** – We hold modest exposure to US duration where yields offer an attractive pick-up versus other DM rates. We focus this exposure on the belly of the curve. The fund also holds diversifying duration exposure in Denmark via its exposure to Covered Bonds.

- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, a more liquid balance sheet and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.

- **Securitized** – We view securitized credit favorably, in particular non-Agency MBS, given their attractive yields and our outlook for price appreciation in the US housing market. We also hold exposure to Danish callable mortgages which is an attractive source of “safe spread”.

- **Currency** – The fund has closed out its much of its EM currency exposure over the month, in light of recent volatility in the space.

*”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.

PIMCO GIS GLOBAL BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.99	2.61	6.14	4.70	4.38	5.35	5.74
Benchmark	0.28	3.38	7.02	4.87	4.08	4.12	5.03

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 12 March 1998.

Benchmark: Bloomberg Barclays Global Aggregate (USD Hedged) Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays Global Aggregate (USD Hedged) Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight exposure to securitized assets, primarily non-agency MBS as spreads tightened
- Overweight exposure to financials as spreads tightened
- Positioning in broad European rates
- Overweight to US duration as yields fell

DETRACTORS

- Security selection in US Agency MBS
- Underweight non-financial IG credit as spreads tightened

POSITIONING AND OUTLOOK

- **US Duration & Curve** – The Fund holds an overweight to US duration, focused on the intermediate portion of the curve as US rates offer an attractive pick-up versus other DM rates and are likely to remain range bound. We also see less value in the long end given the flatness of the curve.
- **TIPS** – The Fund maintains modest TIPS exposure as we continue to believe TIPS holdings reflect a defensive posture that could prove beneficial should US inflation surprises contribute to increases in rates.
- **Eurozone Duration** – Underweight total EUR duration given unattractive low yields and negative carry in some part of the curve. We hold an overweight position to Italy and Spain on a tactical basis given ECB dovishness. We are neutral France given improved European backdrop and reduced concerns over systemic risk.
- **Other Duration** – The Fund is underweight duration in Japan, a hedge against global rates recalibrating higher. The Fund holds an overweight to duration in Sweden and Denmark, as an attractive alternative to EUR rates. We also hold a modest overweight to Canadian duration as a diversifier to US rates
- **Emerging Markets** – We maintain a cautious outlook on EM, and have scaled down our positions in EM FX more recently.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, more liquid balance sheets, and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – Non-Agency MBS remains our preferred spread sector. PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields, risk profile and our outlook for price appreciation in the US housing market. The Fund also holds exposure to Danish callable mortgages and Swedish covered bonds which offer an attractive source of “safe spread”*.
- **Currency** – We hold a long position to GBP, funding the trade versus EUR and USD given valuations and our expectations of an orderly Brexit outcome. We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, but with low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

*“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.

PIMCO GIS GLOBAL BOND EX-US FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.93	0.34	3.24	4.13	4.25	5.48	5.20
Benchmark	0.02	1.95	5.21	4.68	4.25	4.24	4.33

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Bond Ex-US Fund, Institutional, Accumulation, USD. Fund incepted on: 31 March 2003.

Benchmark: Bloomberg Barclays Global Aggregate ex-USD (USD Hedged) Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to Bloomberg Barclays Global Aggregate ex-USD (USD Hedged) Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight exposure to securitized assets, primarily non-agency MBS as spreads tightened
- Overweight exposure to financials as spreads tightened
- Positioning in broad European rates
- Modest exposure to US duration as yields fell

DETRACTORS

- Security selection in US Agency MBS
- Underweight non-financial IG credit as spreads tightened

POSITIONING AND OUTLOOK

- **US Duration & Curve** – The Fund holds modest exposure to US duration, focused on the intermediate portion of the curve as US rates offer an attractive pick-up versus other DM rates and are likely to remain range bound. We also see less value in the long end given the flatness of the curve.
- **TIPS** – The Fund maintains modest TIPS exposure as we continue to believe TIPS holdings reflect a defensive posture that could prove beneficial should US inflation surprises contribute to increases in rates.
- **Eurozone Duration** – Underweight total EUR duration given unattractive low yields and negative carry in some part of the curve. We hold an overweight position to Italy and Spain on a tactical basis given ECB dovishness. We are neutral France given improved European backdrop and reduced concerns over systemic risk.
- **Other Duration** – The Fund is underweight duration in Japan, a hedge against global rates recalibrating higher. The Fund holds an overweight to duration in Sweden and Denmark, as an attractive alternative to EUR rates. We also hold an overweight to Canadian duration as a diversifier to US rates
- **Emerging Markets** – We maintain a cautiously constructive outlook on EM, expressing our EM views via FX given the more attractive liquidity profile.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, more liquid balance sheets, and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – Non-Agency MBS remains our preferred spread sector. PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields, risk profile and our outlook for price appreciation in the US housing market. The Fund also holds exposure to Danish callable mortgages and Swedish covered bonds which offer an attractive source of “safe spread”*.
- **Currency** – We hold a long position to GBP, funding the trade versus EUR and USD given valuations and our expectations of an orderly Brexit outcome. We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, but with low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

“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.

PIMCO GIS TOTAL RETURN BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.76	5.12	8.99	4.86	4.02	3.97	5.53
Benchmark	0.47	5.47	9.42	5.07	3.94	3.92	5.04

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Total Return Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 31 January 1998.

Benchmark: Bloomberg Barclays U.S. Aggregate Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays U.S. Aggregate Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Positions in non-Agency MBS and other securitized assets
- U.S. rate strategies, including duration, curve positioning, and instrument selection
- Positions in high yield corporate credit

DETRACTORS

- Selection within Agency MBS
- Underweight to investment grade corporate credit
- Selection within EM external debt

POSITIONING AND OUTLOOK

- **Interest Rate Strategies –** We are underweight headline duration, favoring U.S. duration against rate exposure in other developed regions. We have moderated our previous steepening bias and shifted exposure farther out the curve given the extent of Fed purchases. Meanwhile, we employ hedges internationally in regions where yields look rich like Japan and the U.K. To the extent rates rise, we would expect international rates to move at least as much, if not more, than those in the U.S.
- **Corporate Bonds** – We remain underweight to investment-grade corporate credit– mindful that a true credit cycle could unfold – but less so than we have been in the past few months. Our bias is still towards high quality holdings and, recently, we have added some exposure to longer maturity issues. The underweight is offset by a preference to maintain a more diversified mix of spread exposures – this includes a preference for Agency and non-Agency MBS.
- **Mortgages –** We have tactically moderated the extent of our Agency MBS overweight as spreads have tightened, but still believe these assets provide attractive, high-quality and diversifying sources of carry, especially as the risk profile differs from that of traditional credit. We also continue to favor senior positions in mortgage credit given inherent fundamental strength and the de-leveraging nature of the asset.
- **Treasury Inflation-Protected Securities (TIPS)** – We are neutral TIPS currently as TIPS may face some near-term volatility due to oil price declines and a challenged growth outlook. Over the longer-term, we still expect inflation to shift back toward the Fed's target with potential for overshoots given a supportive Fed – but we have adjusted our position lower for now due to near-term headwinds.
- **Currency** – We remain tactical with currency positioning, particularly given less conviction in the overall direction of the dollar. We will continue to seek overshoots and undershoots that provide attractive risk-reward opportunities.

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.

PIMCO GIS CAPITAL SECURITIES FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	2.94	-6.37	2.77	3.12	4.33	-	5.72
Benchmark	0.12	0.73	2.07	2.06	1.49	-	1.16

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Capital Securities Fund, Institutional, Accumulation, USD. Fund incepted on: 31 July 2013.

Benchmark: 3 Month USD LIBOR. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 3 Month USD LIBOR as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to Additional Tier 1 bonds, particularly from peripheral and UK issuers, as spreads tightened alongside improving risk sentiment
- Exposure to senior bonds, particularly from Italian and UK issuers following prospects for additional policy support and improved market conditions
- Exposure to Tier 2 bonds, particularly from select Italian and German banks

DETRACTORS

- Select credit hedges via buy protection credit default swaps, as spreads tightened

POSITIONING AND OUTLOOK

- While economic uncertainty is high, banks are well positioned to cope with a weakening macro outlook. Banks are operating at multi-decade high levels of capital and have significant capacity to absorb potential losses related to the COVID-19 crisis. The relaxation of the regulatory environment as well as the suspension of equity dividends have been credit positive and supportive for Capital Securities
- Long term fundamental concerns in the banking sector remain subdued given resilient balance sheets and measures taken by central banks, regulators and governments to mitigate the impact of the economic shock related to Covid-19, including the relaxation of capital requirements and state guarantees on loans to corporations. Banks are not at the center of this crisis, but rather seen as part of the solution which is why central banks and regulators are committed to safeguarding the well-functioning of the banking system
- European AT1s are amongst the highest yielding asset classes within credit markets and senior debt provides attractive spread per unit of risk. Despite recent heightened volatility and a deterioration in liquidity conditions, the AT1 market has continued to transact with more order and better bid-asks than other high beta asset classes such as high yield. Senior bank bonds have been heavily affected by liquidity dislocations and currently offer an attractive risk-reward
- The core of the strategy remains centered around National champions in each country, all of them benefiting from very strong capital positions, as highlighted by their solid performance across various stress tests. The portfolio has a high quality bias in selecting the banks we invest in, and the bar to invest in riskier situations in Europe has increased further.

PIMCO GIS DIVERSIFIED INCOME FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	3.04	-1.23	5.31	4.57	5.20	6.30	6.55
Benchmark	3.56	-2.37	3.78	3.64	4.41	5.89	6.03

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Diversified Income Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2005.

Benchmark: 1/3 each - Bloomberg Barclays Global Aggregate Credit ex Emerging Markets, USD Hedged; ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index, USD Hedged; and JPMorgan EMBI Global, USD Hedged. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays Global Aggregate Credit ex Emerging Markets, USD Hedged; ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index, USD Hedged; and JPMorgan EMBI Global, USD Hedged (1/3 each) as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight exposure to IG pipelines, which continued to rally after recent weakness alongside a recovery in oil prices
- Security selection in banks, across both senior and subordinated debt, particularly from select Italian and UK issuers following prospects for additional policy support and improved market conditions
- Exposure to the securitized sector, in particular non-Agency MBS, as spreads rallied

DETRACTORS

- Underweight exposure to high yield industrials, particularly energy, raw materials and entertainment, which continued to rally after recent weakness given the more constructive market sentiment and oil price recovery
- Underweight exposure to emerging market external debt, which alongside improving risk sentiment and oil price recovery caught up with developed markets credit after lagging in the initial rebound

POSITIONING AND OUTLOOK

Alongside high uncertainty around the pace of recovery in global growth and the quick recovery in spreads after the recent volatility we remain cautious and are emphasizing a selective approach focusing on the most default remote segments of the market in sectors that are insulated from the current crisis. We have been adding to high quality non-cyclical issuers in investment grade as well as financials given the still elevated valuations and balance sheet buffers.

Portfolio themes:

- **Financials** –We continue to find opportunities in financials given strong balance sheet fundamentals and attractive valuations.

- **Securitized** –Focus on Agency mortgages given significant Fed support and lack of solvency concerns. We also remain constructive on non-agency mortgages given high levels of equity and seasoning and resilience across various market environments.

- **High Yield/Bank Loans** –We remain cautious and defensive on high yield overall given the current economic uncertainty and downside risk, focusing on senior secured bonds in non cyclical and highly cash generative industries.

- **Investment Grade Corporates** –We see long-term potential in higher quality, “bend-but-not-break” investment grade corporates, particularly after the recent repricing. We are focused on default remote issuers in defensive sectors and with balance sheet strength. High levels of primary concessions among these types of issuers also present opportunity, alongside technical support from central banks.

- **Emerging Markets** – We remain cautious on EM, as uncertainties over global growth and low oil prices place incremental pressure on oil exporting and tourism dependent economies. We emphasize a selective approach focusing on Sovereign and Quasi Sovereign issuers with strong fundamentals and ability to repay.

- **Duration & Currency** – Marginally underweight on duration versus benchmark, with a preference for the intermediate part of the curve given the better carry. The Fund maintains limited FX exposure.

PIMCO GIS GLOBAL HIGH YIELD BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	3.21	-4.69	2.09	3.12	4.37	6.58	6.45
Benchmark	3.91	-4.61	2.11	3.49	4.47	6.88	6.72

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global High Yield Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2005.

Benchmark: ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index, USD Hedged. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index, USD Hedged as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Security selection within the media/entertainment sector, as select overweight issuers in the media non-cable subsector contributed to performance
- Security selection within consumer non-cyclicals, as a select overweight issuer outperformed as a result of better than expected earnings

DETRACTORS

- An underweight aggregate credit risk position relative to the benchmark
- Security selection within the retail sector, as a select underweight issuer outperformed. Additionally, the Fund's overweight exposure to a select pet supply retailer and a select pizza-delivery company detracted from relative performance as the bonds underperformed.
- Security selection within the aerospace & defense sector, as a select overweight issuer underperformed

POSITIONING AND OUTLOOK

- Despite a meaningful retracement from their 2020 wides in March, HY credit spreads remain well above long term averages
- Lack of demand due to the Covid-19 crisis will challenge the fundamentals of many consumer and services related companies, while the energy sector is under significant stress due to oil prices being near 20yr lows. As a result, we expect default levels to increase to high single digits % in the U.S., and approximately 6-8% in Europe, reaching levels last seen during the 2015-2016 energy crisis and with upside risks to these estimates should the coronavirus outbreak be more prolonged or more severe than what is currently expected
- Technicals are improving; while supply has increased due to a re-opened primary market and the significant volume of fallen angels that have entered the high yield market, recent inflows back into high yield mutual funds and ETFs have been especially strong. We expect further fallen angel activity in the coming weeks and months, particularly in the sectors most affected from the current crisis, such as energy, autos, transportation and lodging.
- Valuations are at approximately the 70th percentile relative to their 20yr history, although significant uncertainty remains and spreads could resume their widening. As a risk asset, high yield remains sensitive to negative macro headlines, political risks, and equity market volatility
- We are maintaining our conservative positioning and continue to favor defensive, non-cyclical sectors with relatively stable cash flows such as Healthcare, Pharma, Building Materials, Food & Beverage and Packaging.
- Energy continues to be one of our largest underweights in light of the significant challenges facing the sector as a result of dual supply and demand shocks. We also remain underweight to Retail given low barriers to entry and declines in brick and mortar sales and to the Auto sector given its late cycle market dynamics and rising downside risks.

PIMCO GIS GLOBAL INVESTMENT GRADE CREDIT FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.51	-1.14	4.41	4.18	4.41	5.44	5.89
Benchmark	1.30	1.79	7.28	5.06	4.49	4.92	5.25

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Investment Grade Credit Fund, Institutional, Accumulation, USD. Fund incepted on: 18 April 2008.

Benchmark: Bloomberg Barclays Global Aggregate Credit Index (USD Hedged). Benchmark is show n for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays Global Aggregate Credit Index (USD Hedged) as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to the banking sector, and in particular subordinated bank debt, which outperformed amid improved risk sentiment
- Macro strategies, as a tactical long exposure to EM local rates contributed to performance
- An overweight to pipelines, which outperformed the broader market during the month

DETRACTORS

- An underweight to integrated energy companies, which outperformed amid a rebound in oil prices
- An underweight to retailers, which outperformed during the month as lock-down measures eased

POSITIONING AND OUTLOOK

- Although fundamentals are weakening and a recession is now part of our base case scenario, we expect the majority of investment grade firms to weather the slowdown. As the spread of COVID-19 led to lock-down policies which drove a series of supply disruptions and a large drop in demand, we expect global economies to head into a technical recession, followed by a U-shaped recovery towards year-end. That said, the majority of investment grade firms have enough liquidity to handle a temporary lock-down and several firms are tapping the market and drawing down bank lines to preemptively increase liquidity buffers.
- The fiscal and monetary policy response has come quickly and in force: central bankers have stepped up as lenders of last resort through a range of lending and asset purchase programs and governments announced large fiscal packages in the form of tax breaks and loan guarantees. While a recession is now inevitable, those measures will help firms weather the slowdown and support a quicker recovery once the restrictions on economic activity are lifted.
- Markets repriced significantly following the outbreak of the virus and spreads in high quality investment grade credit have moved to levels which provide a compelling risk/return proposition for long-term oriented investors. Investment grade credit spreads have gone from being in the 20th percentile relative to their 20yr history at the start of the year to the 70-75th percentile currently. Furthermore, investment grade credit markets have suffered strong technical selling pressures leading to a pronounced underperformance vs High Yield on a beta-adjusted basis. Cash bonds remain more attractive than synthetics given the negative CDS-Cash basis and sector dispersion remains high creating many active management opportunities.
- Overall we continue to be selective on generic credit and look to apply the best bottom-up ideas to emphasize 'bend-but-don't-break', corporate positions. We plan to take a patient approach and over time we will look to redeploy capital into attractive credit opportunities in the highest-quality segments of the investment grade corporate bond market, including via new issues. We continue to like banks and financials, given better fundamental trends, high capital levels and strong balance sheets. Banks are not at the center of this crisis, but rather seen as part of the solution which is why central banks and regulators are committed to safeguarding the well-functioning of the banking system. We also see some good opportunities to add longer-dated exposures in high quality issuers given the potential for attractive price appreciation. As the Fed is focused on buying corporate bonds with maturities up to 5 years we will look to sell short-dated paper into increased Fed demand while selectively rotating into longer dated positions, favoring non-cyclical defensive sectors such as telecom issuers in the wireless sector. In particular, we are currently constructive on tower operators which provide mobile data services and benefit from increased demand, contracted revenues with strong free cash flow generation and strong asset coverage. Conversely, we maintain a more cautious approach in cyclical sectors that are less defensive, and more exposed to global supply chain disruption and/or an economic slowdown, including retail, commodity-related sectors, manufacturing and chemicals

PIMCO GIS MORTGAGE OPPORTUNITIES FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.30	-1.09	1.30	2.13	-	-	2.69
Benchmark	0.12	0.73	2.07	2.06	-	-	1.96

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Mortgage Opportunities Fund, Institutional, Accumulation, USD. Fund incepted on: 25 January 2017.

Benchmark: 3 Month USD LIBOR. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the 3 Month USD LIBOR as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to non-Agency RMBS
- U.S. duration positioning
- Exposure to non-Agency CMBS

DETRACTORS

- Agency MBS relative value strategies

POSITIONING AND OUTLOOK

- **Agency MBS** –In May, the Fed bought about $100 billion in Agency MBS for a total of $692 billion since the start of this round of stimulus. However, the Fed has gradually reduced their purchase each week, finishing the month averaging $4 to $4.5 billion per day. Specified pools continued to outperform and has nearly fully recovered from the decline seen in March. Prepayments surprised to the upside, largely driven by faster closing times and limited impact from forbearance. Despite Agency MBS having recovered meaningfully, we believe they continue to trade at historically attractive valuations as we expect the effects of the new quantitative easing measure to last in the foreseeable future. While there is the possibility of extended volatility in the Agency MBS market, carry is favorable at current valuations and Fed buying will eliminate bad bonds in the TBA float.
- **Structured Agency MBS** – We maintain exposure to interest-only (IO), inverse floating rate, and inverse IO (IIO) securities in order to take advantage of attractive prepayment and collateral characteristics.
- **Securitized Credit** – PIMCO remains constructive on senior U.S. securitized credit. Non-Agency MBS stand out as attractive, as housing is well insulated from the key risks facing global markets. We believe CMBS remains a good defensive trade while providing diversification versus investment grade corporate credit, and we prefer senior CLOs and select ABS among high quality spread assets.
- **Duration** – We maintain a moderate net long exposure to duration as an additional source of diversification. The Fund has also used interest rate options in order to help hedge extension risk in the case of rising rates.

PIMCO GIS US HIGH YIELD BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	4.04	-4.94	1.32	2.90	4.32	6.47	5.89
Benchmark	4.54	-5.74	0.30	2.63	4.05	6.47	5.96

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS US High Yield Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 28 May 1998.

Benchmark: ICE BofAML US High Yield Constrained Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the ICE BofAML US High Yield Constrained Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Security selection within the media sector, as select overweight issuers in the media non-cable subsector contributed to performance
- An overweight to and security selection within the gaming and lodging sector, as the sector outperformed the broader high yield index alongside improved consumer sentiment

DETRACTORS

- An underweight aggregate credit risk positon relative to the benchmark
- Security selection within the retail sector, as a select underweight issuer outperformed. Additionally, the Fund's overweight exposure to a select pet supply retailer detracted from relative performance as the bonds underperformed.
- Security selection within the finance and insurance sector, as overweight issuers underperformed

POSITIONING AND OUTLOOK

- Despite a meaningful retracement from their 2020 wides in March, HY credit spreads remain well above long term averages
- Lack of demand due to the Covid-19 crisis will challenge the fundamentals of many consumer and services related companies, while the energy sector is under significant stress due to oil prices being near 20yr lows. As a result, we expect default levels to increase to high single digits % in the U.S., and approximately 6-8% in Europe, reaching levels last seen during the 2015-2016 energy crisis and with upside risks to these estimates should the coronavirus outbreak be more prolonged or more severe than what is currently expected
- Technicals are improving; while supply has increased due to a re-opened primary market and the significant volume of fallen angels that have entered the high yield market, recent inflows back into high yield mutual funds and ETFs have been especially strong. We expect further fallen angel activity in the coming weeks and months, particularly in the sectors most affected from the current crisis, such as energy, autos, transportation and lodging.
- Valuations are at approximately the 70th percentile relative to their 20yr history, although significant uncertainty remains and spreads could resume their widening. As a risk asset, high yield remains sensitive to negative macro headlines, political risks, and equity market volatility
- We are maintaining our conservative positioning and continue to favor defensive, non-cyclical sectors with relatively stable cash flows such as Healthcare, Pharma, Building Materials, Food & Beverage and Packaging.
- Energy continues to be one of our largest underweights in light of the significant challenges facing the sector as a result of dual supply and demand shocks. We also remain underweight to Retail given low barriers to entry and declines in brick and mortar sales and to the Auto sector given its late cycle market dynamics and rising downside risks.

PIMCO GIS EMERGING LOCAL BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	6.44	-9.29	1.10	0.44	1.22	0.96	2.06
Benchmark	5.18	-7.33	2.05	1.13	2.00	1.68	2.63

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Emerging Local Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 11 December 2007.

Benchmark: J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged). Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged) as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to EM local duration in countries like Brazil, Russia, and South Africa where local yield fell.
- Non-EM exposure for cash backing purposes which recovered some of the mark-to-market losses incurred in the midst of the highly dysfunctional markets in March
- Non-strategic modest exposure to EM external debt which recovered some of the mark-to-market losses incurred in the midst of the highly dysfunctional markets in March

DETRACTORS

- Curve positioning in Turkey and underweight to TRY, which appreciated in May

POSITIONING AND OUTLOOK

- In the current highly uncertain global macroeconomic environment, we retain preference for EM local duration vs EM currencies. There are several factors that predicate our view:
  - **Market dislocation:** Over the past few years, EM local duration increasingly decoupled from FX moves, especially in countries with stronger credit profiles. In March, however, this relationship did not hold and local interest rates in a number of countries increased due i) concerns that currency depreciation will result in an inflationary impulse; ii) investors selling rather just FX hedging local bonds as they needed to raise cash; iii) markets pricing in emergency rate hikes. As a result of these technical/liquidity factors, yield curves in countries like Peru and Hungary among others reversed their usual behavior, pushing EM local yields higher. Although the unprecedented macroeconomic uncertainty remains, we have already seen a substantial reversal in EM local yield part of which can be attributed to the gradual normalization in market conditions in April and May.
  - **Fundamentals:** Since the late 90s, EM inflation rates have been on a supersecular downward trend. Given the Covid-19 induced growth shock, inflationary pressure across most of EM eased even further. This opened up room for EM Central Banks to ease monetary policy and as a result, we have seen a substantial number and level rates cuts across EM and even the introduction on Quantitative Easing in some countries. Crucially, we continue to believe that there is still room for EM local rates to rally and move even closer to the levels observed in the Developed world.
- As for EM local currencies, they remain a “growth”-related asset class and are likely to continue facing pressure as the global economy slips into what could be a short but deep recession. Therefore, EM currencies time to recovery may be longer and quite volatile in the coming months.
- The portfolio is currently positioned along the following investment themes:
  - Emphasize portfolio liquidity and high quality positons given deteriorating macroeconomic conditions and ongoing high volatility
  - Keep duration overweight to countries where yield curves are steep (Peru) and policymakers have ample room to cut rates (Russia, Mexico). Balance this exposure with an underweight duration in countries with unorthodox policy mix: Romania
  - Maintain exposure to hand-picked frontier-market opportunities with low correlation to broader EM local markets: Dominican Republic. Balance long FX exposures with underweight FX positions in countries with deteriorating credit profiles which are likely to face technical pressures from downgrades (S. Africa) or countries facing political risks (Brazil)
  - Remain focused on beta optimization techniques through tax-efficient exposure: IDR CLNs

PIMCO GIS EMERGING MARKETS BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	6.55	-4.91	2.53	2.78	4.34	5.51	8.86
Benchmark	5.74	-4.64	1.65	2.24	4.16	5.72	8.01

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Emerging Markets Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 31 July 2001.

Benchmark: J.P. Morgan Emerging Markets Bond Index (EMBI) Global. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the J.P. Morgan Emerging Markets Bond Index (EMBI) Global as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to Ukraine which outperformed the index along with other HY issuers in the context of positive investor sentiment towards EM
- Underweight to overvalued sovereign & quasi-sovereign debt from Philippines and China which underperformed the index
- Exposure to select S. African corporates contributed to alpha as these positions continued to recover from their sell-off in March and outperformed the index.

DETRACTORS

- Portfolio underweight to EM spread duration as EM spreads tightened significantly in May
- Off-benchmark exposure to Israel as the country underperformed the index along with other IG issuers

POSITIONING AND OUTLOOK

- Extreme and indiscriminate selling across EM assets during the acute risk-aversion episode in March pushed EM spreads to Global Financial Crisis levels in 2008-09 and far exceeded the levels reached in 2015-2016 -- both some of the most extreme episodes for Emerging Markets in history. While some retracement of these moves is taking place for some countries, spreads in general remain at elevated levels. We expect the current environment to create winners and losers, bifurcating country level performance going forward. .
- The yield on EM external debt is more than 5% in USD and over 4% in EUR-hedged terms, multiples of Developed Markets government and Investment Grade corporate debt. EM external debt retains significantly higher quality than comparable asset classes such as Global High Yield, while markets have priced a level of defaults well over past episodes of stress, and multiples of historical averages.
- All of the above is happening against a backdrop of solid fundamentals across most of the Emerging Markets universe. Importantly, unlike in the developed world, the current crisis is just one in a series of events that have rattled EM in the past 10+ years. Not only have Emerging Market authorities gathered significant experience with handling such crises, but they have also come a long way to building significant balance-sheet cushions and increasing their shock resiliency: public debt is moderate, governments have ample space for fiscal stimulus, and current accounts are balanced. Still, we acknowledge the fact that the Covid-crisis has put a huge strain currency reserves and sovereign wealth funds, and has pushed up debt-to-GDP ratios across the whole EM universe. Some countries were already downgraded and we expect more to follow.
- Against this backdrop, our strategy is focused on avoiding the clear losers from the current situation, and managing the risk of downgrades and credit profile deteriorations in some of the more fragile countries. Our stance is predicated on our expectation that once core debt markets stabilize and liquidity recovers, higher quality EM external debt issuers should perform well given the current levels valuations relative to fundamentals. That said, investors should expect elevated volatility given that the global economy is likely heading into recession and there is a lot of uncertainty around how long these shocks will persist.
- In terms of positioning, the fund is positioned across the following investment themes:
  - **Emphasize higher quality investment-grade** rated sovereign and quasi-sovereign debt in countries like *Israel and Panama*
  - Retain modest exposure to **select cross-over BB-rated names**: *Brazil, Guatemala, Dominican Republic*
  - Focus on **countries with IMF programs and credible reforms**: *Ukraine, Egypt*
  - Take advantage of **off-benchmark opportunities offering yield pick-up**: *EUR-denominated paper from Serbia*
  - Offset overall exposure by underweight positions in countries where **valuations appear expensive**: *Philippines*
  - UW in GCC countries given **collapse in oil prices** (*Saudi Arabia, Qatar, Bahrain*) or **negative implications from Covid-19 on tourism**: (*UAE*)

PIMCO GIS EMERGING MARKETS CORPORATE BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	4.11	-5.43	-0.43	2.87	3.33	4.55	4.69
Benchmark	3.81	-2.30	3.93	3.89	4.58	6.11	6.17

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Emerging Markets Corporate Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 12 November 2009.

Benchmark: J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI). Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to Brazilian corporates from the oil & gas industry, which outperformed the index as oil prices increased in May
- Off-benchmark exposure to Ukraine sovereign debt, which outperformed the index as market conditions continued to normalize after the unprecedented sell-off in March
- Overweight to Argentina corporate debt, which outperformed the index along with other HY issuers in the context of positive investor sentiment towards EM

DETRACTORS

- Portfolio underweight to EM corporate spread duration as EM corporate spreads tightened in May

POSITIONING AND OUTLOOK

- Extreme and indiscriminate selling across EM assets during the acute risk-aversion episode in March pushed EM spreads to the level of the Global Financial Crisis in 2008-09 and far exceed the level reached in 2015-2016, both some of the most extreme episodes for emerging markets in history. Regardless of rating bucket, spreads are either at or very close to all-time highs. Higher quality and shorter-term EM bonds have suffered more in the March sell-off as investors have been able to sell them more easily in an effort to raise cash in their portfolios.
- The yield on EM external corporate debt is close to 6% in USD and over 5% in EUR-hedged terms, multiples of Developed Markets Investment Grade corporate debt. EM corporate debt retains significantly higher quality than comparable asset classes such as Global High Yield, while markets have priced a level of defaults well over past episodes of stress, and multiples of historical averages.
- All of the above is happening against a backdrop of solid fundamentals across most of the EM corporates universe. Most of the corporate issuers in Europe and Latin America entered the crisis with a heathy level of leverage and plenty of balance sheet buffers. The strong trend of deleveraging, which was observed since 2015, will likely reverse during the current crisis, but the fundamentally strong IG issuers offer, in our view, compelling valuations. In the lower rated HY segment, the situation is more nuanced and requires very strict differentiation.
- Against this backdrop, our strategy is focused on avoiding the clear losers from the current situation, and managing the risk of downgrades and credit profile deteriorations in some of the more fragile issuers. Our stance is predicated on our expectation that once core debt markets stabilize and liquidity recovers, higher quality EM external debt issuers should perform well given the current levels valuations relative to fundamentals (as already observed in April). With that being said, investors should expect elevated volatility given that the global economy is likely heading into recession and there is a lot of uncertainty around how long these shocks will persist.
- In terms of positioning, the fund is positioned across the following investment themes: 1) In an environment of sustained macroeconomic uncertainty, emphasize corporates with strong balance sheets, ample liquidity and good underlying asset value; 2) Against a backdrop of low energy prices, take a differentiated approach to the oil & gas industry focusing on low-cost oil producers with low leverage: *select Brazilian and Russian oil producers;* 3) Prefer credits with a focus on external rather than internal economies, but which are “weighed down” by their sovereign risk/rating and thus trade at a discount vs. fair value; 4) In financials, underweight subordinated debt given lack of spread premium offered for increased risks of moving lower down in the capital structure; 5) Opportunistically pivot into positive sovereign stories (*Ukraine*); prefer sovereigns vs select weaker quasi-sovereigns given better risk-return profile (*Saudi Arabia*) 6) Underweight sectors and countries where valuations are poor and/or prone to suffer in the current environment (*Consumer, Transport, China/Hong Kong*) and countries where we hold negative sovereign views (*Mexico, Turkey*)

PIMCO GIS STOCKSPLUS FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	5.15	-5.56	12.29	9.79	9.38	13.35	6.35
Benchmark	4.69	-5.21	12.17	9.58	9.19	12.45	5.73

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS StocksPLUS Fund™, Institutional, Accumulation, USD. Fund incepted on: 31 December 1998.

Benchmark: S&P 500 Index (Net of dividend withholding tax). Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the S&P 500 Index (Net of dividend withholding tax) as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Holdings of investment grade corporate credit, primarily financials
- Holdings of securitized credit, primarily non-agency mortgages
- Long exposure to intermediate US interest rates

DETRACTORS

- Holdings of agency mortgages

POSITIONING AND OUTLOOK

Equity Index Portfolio Characteristics

S&P 500 Index	
Number of stocks	505
Dividend Yield	1.9
Weighted avg market cap (USD Bn)	$308.4
Trailing P/E ratio	20.6
Forward P/E ratio	22.7

Top 5 sector weights	(MV%)
Information Technology	26.2
Health Care	15.2
Communication Services	11.0
Consumer Discretionary	10.5
Financials	10.4

***Note:** GIS StocksPLUS Fund passively replicates the S&P500 through the use of futures and swaps. Excess returns are generated by actively managing a high quality, short-duration bond alpha portfolio. As such, the statistics above pertain to the Fund's S&P 500 index exposure and the attribution commentary below pertains to how the bond alpha strategy performed.*

- **Equities** – US equities experienced their worst first quarter on record to begin the year, with the S&P 500 falling 19.6% as governments and central banks across the globe have undertaken aggressive policy action in an attempt to curtail the effects of the virus. Even though U.S. yields have fallen, we think U.S. duration is still attractive given (i) the potential for capital appreciation if downside risks materialize, (ii) an easing bias from the Fed, and (iii) relatively range-bound rates given little likelihood of the Fed moving off the zero bound in the near term. We continue to have a bias towards high quality corporate credit, though we remain mindful that a true credit cycle is unfolding.
- **Bond Alpha Strategy –** Within the bond alpha strategy, the portfolio is cautiously positioned with respect to interest rate risk and credit risk. As U.S. interest rates are likely to be relatively range-bound in the near-term, we are emphasizing long exposures in the intermediate portion of the U.S. curve against long-end exposure. We continue to hold TIPS as they act as a hedge against upside surprises in inflation, which could occur given the Fed has a bias toward allowing inflation overshoots and has been a buyer in the sector. We also have a preference for senior positions in non-Agency mortgages given the inherent fundamental strength and the de-leveraging nature of the asset. Given our cautious view on generic corporate credit, we are focused on bottom-up opportunities, and remain nimble with above average levels of liquidity. In terms of currency positioning, we are generally neutral on the overall direction of the U.S. dollar and remain focused on cross-currency opportunities.

PIMCO GIS EURO INCOME BOND FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.44	-4.35	-1.99	0.69	2.31	-	4.29
Benchmark	0.28	-0.52	0.65	1.12	1.30	-	3.18

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Euro Income Bond Fund, Institutional, Accumulation, EUR. Fund incepted on: 28 February 2011.

Benchmark: Bloomberg Barclays Euro Aggregate 1-10 Year Bond Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays Euro Aggregate 1-10 Year Bond Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

Note: contributor and detractors are in absolute terms

CONTRIBUTORS

- Holdings of investment grade and high yield credit, as spreads tightened over the month
- Holdings of securitised credit, including Agency MBS and U.K RMBS
- Holdings of emerging market external debt
- Exposure to Danish duration through mortgages

DETRACTORS

- No major detractor during the month

POSITIONING AND OUTLOOK

- **Duration** – The Fund is maintaining a more cautious stance on interest rate risk. Our exposure to European duration is concentrated on the belly of the curve where carry is most attractive. We also hold a modest long exposure to Danish duration through mortgages as a way to diversify our duration exposure with high quality assets.
- **Investment Grade** – We continue to favor banks and financials, given improving fundamentals and potential benefits from moderately higher interest rates and deregulation. Within European credit, we are focused on companies which are de-leveraging and have strong asset bases. We are also targeting select dollar-denominated credits, which offer attractive yields hedged back to EUR.
- **High Yield** – We remain prudent on the sector given our cautious outlook for growth globally and attempt to protect against downside risks.
- **Securitized** – We view securitized credit favorably, in particular Agency MBS as the sector provides "safe spread*" along with downside protection in the event of a flight to quality. We also favour senior European CLO, as an attractive source of high quality spread.
- **Emerging Markets** – We maintain a small exposure to a basket of sovereign and quasi sovereign credits that benefit from strong liquidity, limited financing needs and an ability to reduce cash costs to preserve liquidity.
- **Currency** – The fund closed its exposure to emerging market currencies to minimize sources of volatility in the portfolio

**"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.*

PIMCO GIS INCOME FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	2.51	-3.13	0.66	2.91	4.11	-	5.69
Benchmark	0.47	5.47	9.42	5.07	3.94	-	3.24

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Income Fund, Institutional, Accumulation, USD. Fund incepted on: 30 November 2012.

Benchmark: Bloomberg Barclays U.S. Aggregate Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays U.S. Aggregate Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

Note: contributor and detractors are in absolute terms

CONTRIBUTORS

- Holdings of securitized assets, primarily non-agency MBS
- Holdings of IG and HY corporate credit as spreads tightened
- Exposure to EM debt, as EM Local yields fell and EM external spreads tightened
- Exposure to a basket of high carry EM FX

DETRACTORS

- Holdings of Agency Mortgage Backed securities

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** –The Fund continues to see value in US rates through holding US Agency MBS but remains cautious given the recent rally in yields and is emphasizing curve positioning. We remain concentrated in the intermediate portion of the yield curve where we see the most attractive opportunities. Additionally, we hold a short position to Japanese duration, as it provides a hedge to global rates recalibrating higher. We also hold a modest short to U.K. rates based on our view of a more organized Brexit outcome than markets are anticipating.
- **Mortgages** – PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields and risk profile. We hold Agency MBS and senior tranches of CMBS positions as the sector provides "safe spread*" along with risk profile in the event of a flight to quality. We remain focused on maintaining flexibility and having a high level of liquidity in the portfolio – we do this by taking exposure to the CMBS market via CMBX. We also favour Agency MBS currently given our view that spreads are cheap.
- **ABS** – PIMCO views Asset-Backed Securities (ABS) as an attractive source of high quality spread. We prefer securities that benefit from government support and favorable long-term supply-demand technicals, such as student loans.
- **IG Corporates** – The Fund remains focused on investing in high quality, loss-remote sectors such as investment grade credit. In IG corporates, the Fund is opportunistically seeking names that offer attractive risk-adjusted returns, including financials and bank debt.
- **High Yield** – The Fund remains selective in HY corporate credit risk as strong recent performance in the sector has driven spreads to relatively tight levels. The Fund has been cautious in the high yield sector and has been moving up in the capital structure and moving to shorter dated credits, which should provide the portfolio with greater downside protection.
- **Emerging Markets** – The Fund plans to retain exposure to corporate and quasi-sovereign bonds in select countries with strong initial conditions and high quality balance sheets such as Mexico and Russia. We also hold modest exposure to local EM rates, primarily in Mexico, as diversifying sources of duration.
- **Currency** – Currency positions will continue to be small as currencies may be more volatile than other asset classes. We remain tactical in our currency position which is overall limited, holding a long US dollar position versus DM currencies as a way of expressing our views on relative growth and the path of rates. We are also tactically long a basket of high carry EM currencies for additional diversification.
- **Strategic Liquidity** – The Fund holds a strategic liquidity allocation (cash, Treasuries and Agency MBS) in order to maintain a high level of overall portfolio liquidity and provide additional flexibility to potentially deploy capital opportunistically.

*"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.

PIMCO GIS GLOBAL LOW DURATION REAL RETURN FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.11	0.37	2.43	2.13	1.83	-	1.44
Benchmark	0.68	0.43	2.48	2.27	1.98	-	1.51

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Low Duration Real Return Fund, Institutional, Accumulation, USD. Fund incepted on: 18 February 2014.

Benchmark: Bloomberg Barclays World Government Inflation-Linked Bond 1-5 Year USD Hedged Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays World Government Inflation-Linked Bond 1-5 Year USD Hedged Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- European interest rate positioning
- Modest exposure to Non-Agency MBS and short-dated high-quality investment grade credit

DETRACTORS

- U.S. and U.K. breakeven positioning
- Modest underweight exposure to High Yield corporate debt through CDX (used to hedge overall spread risk)

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**

In the near-term, core inflation dynamics across regions are likely to be determined by whether the coronavirus is more of a demand or a supply shock. Overall, we expect core CPI inflation to moderate to around 1% by year-end. In Europe we expect core inflation to fall to around 0.4% by the middle of next year on depressing demand effects from the crisis. Near term volatility is likely to also be more elevated given disruptions in data collection. In the U.K. we anticipate a similar situation to Europe where supply constraints on essential products are more than offset by the demand impact. The extent of the pound depreciation from here will also be a major swing factor in inflation. We would expect core inflation to be 1.3% by year end.

- **Secular Inflation Outlook**

Over the secular horizon, we expect lackluster economic growth on average and relatively low inflation in the advanced economies. We anticipate that the path forward for economies will rely on fiscal policy over monetary policy given the lack of tools available to central banks to stimulate demand following the coronavirus pandemic period. Fiscal dominance of monetary policy may eventually lead to significantly higher inflation than what's currently priced in the markets. In addition, central banks are likely to keep policy rates below or at new neutral levels for an extensive period, with the possibility that they cap future rises in nominal rates, due to inflation, to ensure servicing of government debt remains low. In this scenario of rising inflation real yields should fall.

- **Inflation-Linked Bonds**

We believe that an allocation to global inflation-linked bonds may make sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be prudent to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario. Second, given the current levels and the likelihood for fiscal policy to dominate monetary policy going forward, which has been inflationary historically, we do not think markets are accurately pricing inflation risk premia into markets.

We see many inflation-linked bonds, such as US TIPS, as attractively priced US inflation hedges in the current environment, In our view, US bond markets are still pricing in insufficient risk premium for future inflation risks.

PIMCO GIS GLOBAL REAL RETURN FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.93	5.53	7.72	5.00	4.87	5.03	5.20
Benchmark	1.65	5.35	7.53	5.10	4.86	4.79	5.04

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Global Real Return Fund, Institutional, Accumulation, USD. Fund incepted on: 30 September 2003.

Benchmark: Bloomberg Barclays World Government Inflation-Linked Bond USD Hedged Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the Bloomberg Barclays World Government Inflation-Linked Bond USD Hedged Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- European interest rate positioning
- European breakeven positioning
- Modest exposure to Non-Agency MBS and short-dated high-quality investment grade credit

DETRACTORS

- An underweight to U.K breakevens
- Modest underweight exposure to High Yield corporate debt through CDX (used to hedge overall spread risk)

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**

In the near-term, core inflation dynamics across regions are likely to be determined by whether the coronavirus is more of a demand or a supply shock. Overall, we expect core CPI inflation to moderate to around 1% by year-end. In Europe we expect core inflation to fall to around 0.4% by the middle of next year on depressing demand effects from the crisis. Near term volatility is likely to also be more elevated given disruptions in data collection. In the U.K. we anticipate a similar situation to Europe where supply constraints on essential products are more than offset by the demand impact. The extent of the pound depreciation from here will also be a major swing factor in inflation. We would expect core inflation to be 1.3% by year end.

- **Secular Inflation Outlook**

Over the secular horizon, we expect lackluster economic growth on average and relatively low inflation in the advanced economies. We anticipate that the path forward for economies will rely on fiscal policy over monetary policy given the lack of tools available to central banks to stimulate demand following the coronavirus pandemic period. Fiscal dominance of monetary policy may eventually lead to significantly higher inflation than what's currently priced in the markets. In addition, central banks are likely to keep policy rates below or at new neutral levels for an extensive period, with the possibility that they cap future rises in nominal rates, due to inflation, to ensure servicing of government debt remains low. In this scenario of rising inflation real yields should fall.

- **Inflation-Linked Bonds**

We believe that an allocation to global inflation-linked bonds may make sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be prudent to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario. Second, given the current levels and the likelihood for fiscal policy to dominate monetary policy going forward, which has been inflationary historically, we do not think markets are accurately pricing inflation risk premia into markets.

We see many inflation-linked bonds, such as US TIPS, as attractively priced US inflation hedges in the current environment, In our view, US bond markets are still pricing in insufficient risk premium for future inflation risks.

PIMCO GIS LOW AVERAGE DURATION FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.62	1.62	3.69	2.34	1.92	2.05	2.83
Benchmark	0.07	2.92	4.58	2.65	1.84	1.37	2.22

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS Low Average Duration Fund, Institutional, Accumulation, USD. Fund incepted on: 5 December 2002.

Benchmark: ICE BofAML 1-3 Year U.S. Treasury Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the ICE BofAML 1-3 Year U.S. Treasury Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Holdings of investment grade corporate credit
- Holdings of select asset backed securities
- U.S. interest rate positioning

DETRACTORS

- Duration strategies within non-U.S., non-E.U. developed markets

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – We are modestly underweight headline duration with a preference for U.S. duration against rate exposure in other developed regions, including the U.K. and Japan. Recent risk-off sentiment has supported holding some high quality duration, while positioning in Japan serves as a cheap hedge against global rates moving higher.
- **Mortgages** – We have exposure to Agency MBS, though we remain selective across the coupon stack. These provide attractive, high-quality, and diversifying sources of yield. We also continue to favor positions in non-Agency mortgages given attractive loss-adjusted yields and the potential for fundamental resiliency in the asset class.
- **Corporate Bonds** – We maintain modest exposure to high quality corporate credits, as these securities provide a spread over Treasuries. We favor bottom up security selection and believe that select names in the financial sector offer potentially attractive risk-adjusted returns, given regulatory changes for banks as well as balance sheet improvements.
- **Emerging Markets** – PIMCO will remain selective in EM allocations and seek to tactically take modest exposures when attractive opportunities arise.
- **Currency** – We remain tactical with currency positioning; we currently have a modest allocation to a high carry basket of emerging market currencies.

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 loss.

PIMCO GIS US SHORT-TERM FUND

Performance (% net of fees)	May '20	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.81	0.72	2.10	2.21	2.05	-	1.93
Benchmark	0.04	0.51	1.75	1.75	1.15	-	0.97

SOURCE: PIMCO. As of 31 May 2020.

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.

PIMCO GIS US Short-Term Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2014.

Benchmark: FTSE 3-Month Treasury Bill Index. Benchmark is shown for performance comparison purposes only.

The fund is actively managed in reference to the FTSE 3-Month Treasury Bill Index as further outlined in the prospectus and key investor information document.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to IG financials as spreads tightened
- Positions in securitized credit, primarily non-Agency MBS and European RMBS
- Overweight to EM external debt, as spreads tightened
- Duration and curve positioning in the U.S.

DETRACTORS

- Short HY credit via buying HY CDX exposure
- Positions in Agency MBS

POSITIONING AND OUTLOOK

- **Duration** - The fund continues to remain tactical with its overall duration positioning. We hold high quality floating rate securities as a way to provide potential capital preservation while generating attractive income. We are currently modestly underweight overall U.S duration; we continue to prefer duration exposure in Europe and Canada.
- **Corporate Credit** - We continue to favor high quality corporate credit as a source of yield and diversification, based on our view that US economic growth will remain stable. We maintained corporate credit exposure by buying mostly frontend 0-18 month corporate bonds and currently favor FRNs. Many of these bonds offer attractive yields with limited interest rate risk.
- **Mortgage Credit** - We continue to favor select, high quality securitized credit, such as senior ABS, CMBS, Agency CMOs, and select non-Agency MBS. These securities provide an attractive, diversifying source of yield in the portfolio. High quality (AAA-rated, senior tranche), floating rate ABS provides attractive “safe spread” in the portfolio while helping protect principal as interest rates rise.
- **Currency** - Currency positions are modest in size. Our short exposure to EUR combined with long exposures to USD and JPY continue to tactically adjust based on expectations for country/regional growth and shifts in global monetary policy.

FOR PROFESSIONAL USE ONLY

All data as of 31 May 2020 unless otherwise specified.

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A word about risk: Investing in the **bond market** is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; investments may be worth more or less than the original cost when redeemed. The strategy may invest all of its assets in high-yield, lower-rated, securities which 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. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. **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. **Credit default swap** (CDS) is an over-the-counter (OTC) agreement between two parties to transfer the credit exposure of fixed income securities; CDS is the most widely used credit derivative instrument. Swaps are a type of privately negotiated derivative; there is no central exchange or market for swap transactions and therefore they are less liquid than exchange-traded instruments. **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 insure against loss.

PIMCO GIS Funds: Global Investors Series plc is an umbrella type open-ended investment company with variable capital and is incorporated with limited liability under the laws of Ireland with registered number 276928. The information is not for use within any country or with respect to any person(s) where such use could constitute a violation of the applicable law. The information contained in this communication is intended to supplement information contained in the prospectus for this Fund and must be read in conjunction therewith. Investors should consider the investment objectives, risks, charges and expenses of these Funds carefully before investing. This and other information is contained in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. Returns are net of fees and other expenses and include reinvestment of dividends. The performance data represents past performance and investment return and principal value will fluctuate so that the PIMCO GIS Funds shares, when redeemed, may be worth more or less than the original cost. Potential differences in performance figures are due to rounding. The Fund may invest in non-U.S. or non-Eurozone securities which involves potentially higher risks including non-U.S. or non-Euro currency fluctuations and political or economic uncertainty. For informational purposes only. Please note that not all Funds are registered for sale in every jurisdiction. Please contact PIMCO Europe Ltd for more information. For additional information and/or a copy of the Fund's prospectus, please contact the Administrator: State Street Fund Services (Ireland) Limited, Telephone +353.1.776.0142, Fax +353.1.562.5517. **Benchmark** - Unless referenced in the prospectus and relevant key investor 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 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, 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. Please note that the above benchmark(s) or index/indices are not used in the active management of the Fund, in particular for performance comparison purposes. They are for information purposes only. As outlined under "Benchmark", where referenced in the prospectus and relevant key investor 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. 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** - This material may contain additional information, not explicit in the prospectus, on how the Fund or strategy is currently managed. Such information is current as at the date of the presentation and may be subject to change without notice. **Investment Restrictions** - In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest over 35% of net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter-American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC.

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