PIMCO

**Marketing Communication**

# GIS Euro Credit Fund

## Quarterly Investment Report | 4Q23

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**IMPORTANT NOTICE**

Please note that this material contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

A company of Allianz

# Executive summary

***Past performance does not predict future results.***

## Portfolio Performance

Macro strategies, an underweight to and security selection within emerging markets external debt as well as security selection within the telecom sector contributed to relative performance over the quarter while an underweight to the automotive sector and exposure to securitized products detracted.

### CONTRIBUTORS

- Macro strategies, as duration positioning in developed markets contributed to performance amid a rally in rates
- Underweight exposure to and security selection within emerging markets external debt, as the sector underperformed and a select overweight issuer outperformed amid continued de-leveraging efforts
- Security selection within telecoms, as select overweight issuers outperformed during the quarter on the back of good results and de-leveraging

### DETRACTORS

- Underweight exposure to the automotive sector, as the sector outperformed on the back of continued strong results
- Exposure to securitized products, as agency mortgage backed securities underperformed amid interest rate volatility earlier in the quarter

| Performance periods ended 31 Dec '23 | 3 mos. | 6 mos. | 1 yr. | 3 yrs. | 5 yrs. | 10 yrs. | SI |
|---|---|---|---|---|---|---|---|
| Fund before fees | 6.56 | 6.32 | 9.71 | -3.03 | -0.01 | 1.88 | 3.27 |
| Fund after fees | 6.44 | 6.08 | 9.21 | -3.48 | -0.44 | 1.43 | 2.81 |
| Benchmark* | 5.96 | 5.59 | 7.81 | -3.62 | -0.45 | 1.11 | 2.62 |

***Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.***
***The following information should be read in conjunction with the 12-month rolling past performance information provided later in this presentation***

## Portfolio strategy

We remain selective on generic corporate credit risk and focus on bottom-up credit selection, emphasizing issuers with resilient fundamentals, positive rating trajectories, and attractive valuations. During the quarter, we selectively added exposure to wireline telecom companies and the retail sector, including via attractively priced new issues. Conversely, we trimmed exposure to select issuers in the banking and utilities sectors.

All-in yields remain elevated compared to the last 15 years and yields around current levels have historically represented attractive entry points for long-term investors. In this environment, non-cyclicals, defensive BBBs, new issues, and potential rising stars continue to offer attractive opportunities, while ongoing macro volatility and recession risk may lead to downside risk in lower quality credits.

| | |
|---|---|
| **Class:** | **INST** |
| **Share Type:** | **Accumulation** |
| **Inception date:** | **31 Jan '08** |
| **Fund assets (in millions):** | **€537.38** |
| **Unified Management fee:** | **0.460%** |

| Summary information | 31 Dec '23 |
|---|---|
| Estimated yield to maturity (Gross of fee) | 3.29% |
| Effective duration (yrs) | 5.24 |
| Benchmark duration - provider (yrs) | 5.25 |
| Benchmark duration - PIMCO (yrs) | 5.29 |
| Effective maturity (yrs) | 5.93 |
| Average coupon | 2.75% |
| Tracking error (10 yrs) | 0.81 |
| Information ratio (10 yrs) | 0.41 |

| Top 5 overweights (MV%) | Portfolio | BM* |
|---|---|---|
| Transportation Services | 4.39 | 1.61 |
| Real Estate | 3.19 | 1.25 |
| Financial Other | 2.84 | 1.08 |
| Entertainment | 1.49 | 0.21 |
| Banks | 22.14 | 21.34 |

| Top 5 underweights (MV%) | Portfolio | BM* |
|---|---|---|
| Integrated Oil | 0.00 | 2.42 |
| Automotive | 1.52 | 3.91 |
| Technology | 0.44 | 2.04 |
| Food & Beverage | 1.45 | 3.05 |
| Electric Utility | 4.44 | 5.90 |

*The fund is actively managed in reference to the Bloomberg Euro-Aggregate Credit Index as further outlined in the prospectus and key investor information document/key information document

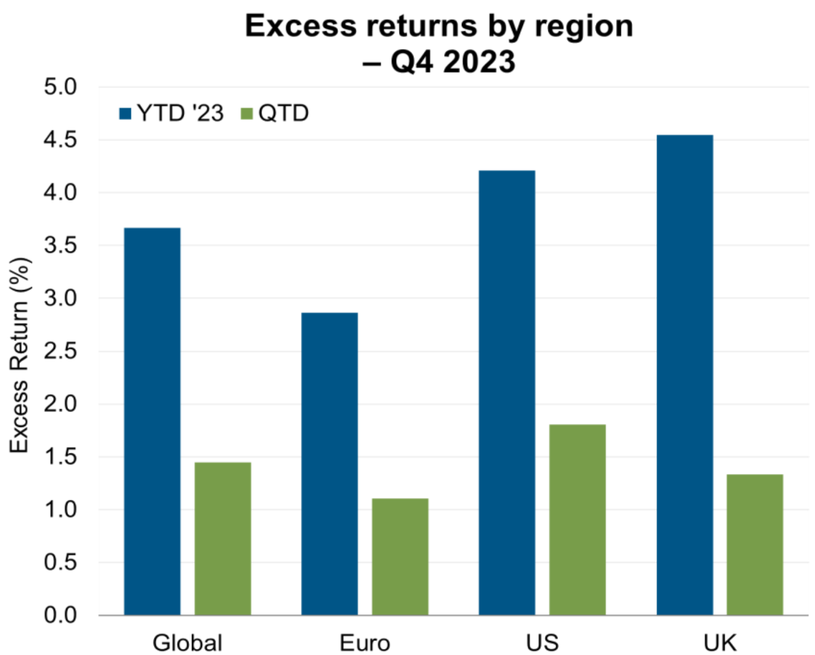
# Fund specific risks

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

# Quarter in Review

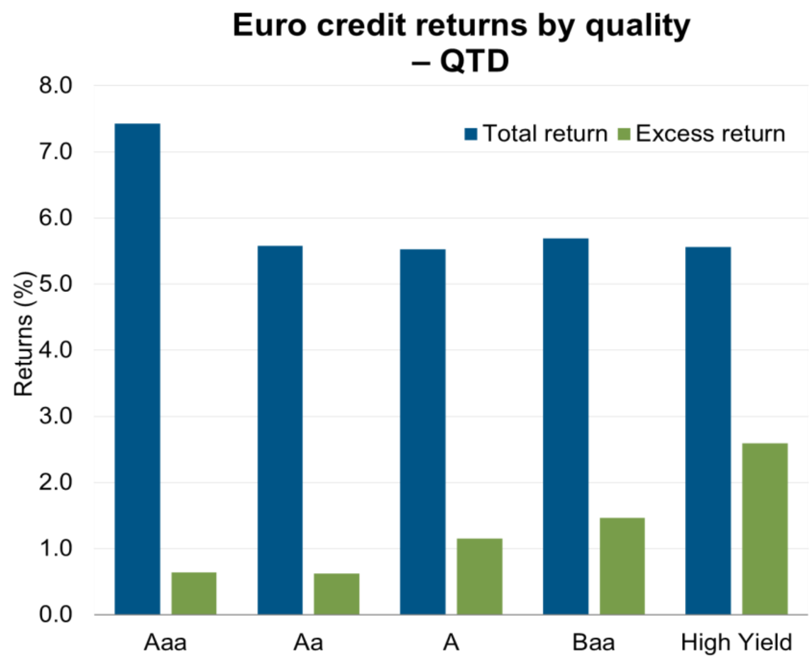
## Credit spreads tightened during the fourth quarter amid improved risk sentiment

The Euro credit market returned 6.0% over the quarter, outperforming government bonds by 1.1%. Credit spreads tightened by 12bps and government bonds and risk assets rallied as inflation continued to moderate. The ECB left its policy rate unchanged at 4% during the quarter and continues to engage in balance sheet reduction. This includes the full roll-off of the Asset Purchase Programme (APP) portfolio which has been easily absorbed by the market thus far. While tightening credit conditions and weak economic data have increased the risk of a recession, Euro investment grade credit fundamentals and earnings have remained resilient.




On an excess return basis, all regional credit markets posted positive returns during the fourth quarter as spreads tightened amid improved risk sentiment. The U.S. credit market outperformed over the quarter, supported by healthy economic growth indicators alongside a continued moderation in inflation.

Source: Bloomberg




Euro credit markets posted positive excess returns across the quality spectrum, as the year-end rally led to notable spread compression, with lower rated segments of the market outperforming amid improved risk sentiment. Additionally, all ratings segments of the Euro Credit market posted strong positive total returns for the last quarter of the year.

Source: Bloomberg

# Market Summary

## Macro strategies, sector allocation and security selection contributed to relative performance

Macro strategies, an underweight to and security selection within emerging markets external debt as well as security selection within the telecom sector contributed to relative performance over the quarter while an underweight to the automotive sector and exposure to securitized products detracted.

### Macro strategies

Macro strategies, as duration positioning and in particular an overweight to Euro duration contributed to relative performance over the quarter on the back of moderating core inflation in the Eurozone.

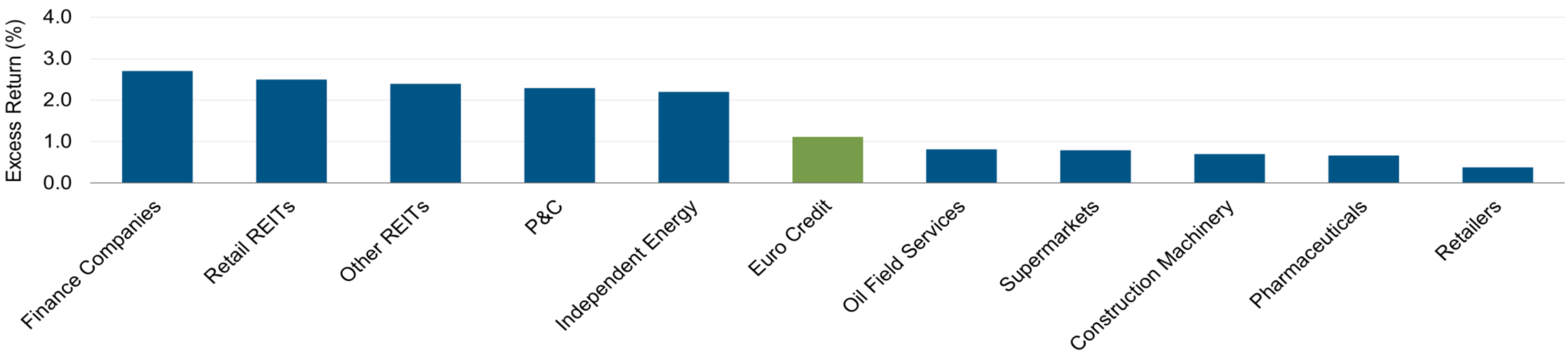
### Emerging markets

Underweight exposure to and security selection within emerging markets external debt contributed to relative performance, as the sector underperformed and a select overweight issuer outperformed amid continued de-leveraging efforts.

### Automotives

Underweight exposure to the automotive sector detracted from relative performance, as the sector outperformed over the quarter on the back of continued strong results driven by still elevated order books and continued production recovery.

**Euro Credit excess returns by sector – Q4 2023**




Source: Bloomberg



PIMCO

# Navigating the Descent: Four economic themes

**Peak inflation and rising unemployment consistent with rate cuts**

**Soft landings are possible, but risks remain**

**Markets already price a substantial cutting cycle**

**Global divergence in monetary policy**

As of 31 December 2023. Source: PIMCO

# Portfolio Outlook

## Strategic positioning

Investment grade credit fundamentals, including Euro IG, are generally in a strong position and issuer fundamentals are expected to remain resilient going into a potential downturn. Slowing consumer demand and margin pressures continue to represent headwinds for select industries and issuers, and tightening credit conditions could translate into a recession. That said, higher quality Euro IG will likely stay supported if European inflation continues to fall and Euro rates volatility declines. Additionally, from a valuation standpoint, all-in yields remain elevated compared to the last 15 years and yields around current levels have historically represented attractive entry points for long-term investors.

**Key strategies**

**Top Overweight – Transportation services**

Select credits may offer further upside, as airports, public transport companies, and toll roads show earnings improvements and de-leveraging potential on the back of strong travel activity. Government-backed entities may also offer downside protection in a recession.

**Top Overweight – REITs and Real Estate**

While PIMCO acknowledges ongoing risks within the sector, we remain constructive on select REITs and REIT subsectors as we do see pockets of value in the sector, which is currently undergoing a deleveraging cycle following the tightening in financial conditions. The majority of issuers under our coverage have demonstrated stabilizing operating fundamentals and are expected to be able to continue to navigate the deleveraging phase through rental growth, asset sales, and equity raises. Our preference is for REIT sub-sectors with secular rental growth drivers such as industrial (storage & logistics) spaces and issuers with de-leveraging potential.

**Top Underweights**

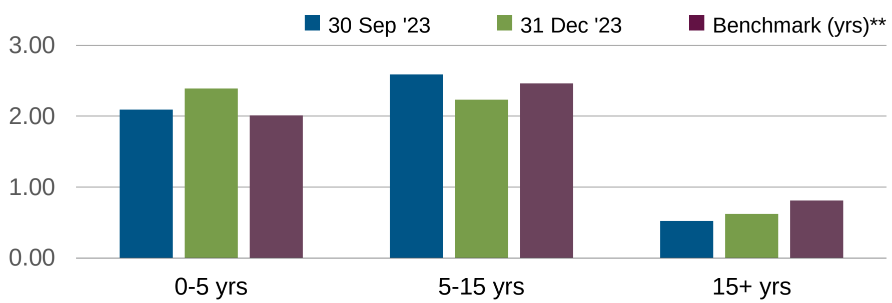
We are underweight issuers with limited upside and re-leveraging risk in sectors such as automotive, technology and food & beverage. Similarly, we also maintain a cautious stance on issuers in sectors that are facing secular challenges to their core business models, such as integrated oil.

**Interest rate / Currency Strategies**

We have continued to dynamically manage the duration positioning of the portfolio and have moved from a modest overweight relative to the benchmark in the beginning of the quarter to a modest underweight at the end of December.

# Portfolio characteristics

Key rate duration exposure




| | Portfolio (yrs) | | Benchmark (yrs)** |
|---|---|---|---|
| | 30 Sep '23 | 31 Dec '23 | 31 Dec '23 |
| 0-5 yrs | 2.09 | 2.39 | 2.01 |
| 5-15 yrs | 2.59 | 2.23 | 2.46 |
| 15+ yrs | 0.52 | 0.62 | 0.81 |
| **Total** | **5.20** | **5.24** | **5.28** |

Interest rate exposure

| | Portfolio (yrs) | | Benchmark (yrs)** |
|---|---|---|---|
| | 30 Sep '23 | 31 Dec '23 | 31 Dec '23 |
| Effective duration | 5.20 | 5.24 | 5.29 |
| Bull market duration | 5.20 | 5.25 | 5.33 |
| Bear market duration | 5.21 | 5.28 | 5.24 |
| **Spread duration** | | | |
| Mortgage spread duration | 0.50 | 0.44 | 0.00 |
| Corporate spread duration | 2.72 | 2.92 | 3.29 |
| Emerging markets spread duration | 0.21 | 0.20 | 0.32 |
| Swap spread duration | -0.04 | -0.12 | 0.00 |
| Covered bond spread duration | 0.20 | 0.17 | 0.00 |
| Sovereign related spread duration | 1.77 | 2.01 | 1.87 |

Derivative exposure (% of duration)

| | 30 Sep '23 | 31 Dec '23 |
|---|---|---|
| **Government futures** | 8.51 | 1.08 |
| **Interest rate swaps** | -0.62 | -1.98 |
| **Credit default swaps*** | 3.25 | 2.65 |
| Purchased swaps | 0.00 | 0.00 |
| Written swaps | 3.25 | 2.65 |
| **Options** | 0.00 | 0.00 |
| Purchased Options | 0.00 | 0.00 |
| Written Options | 0.00 | 0.00 |
| **Mortgage Derivatives** | 0.00 | 0.00 |
| **Money Market Derivatives** | -0.07 | -0.33 |
| Futures | 0.00 | 0.00 |
| Interest rate swaps | -0.07 | -0.33 |
| **Other Derivatives** | 0.00 | 0.00 |

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg Euro-Aggregate Credit Index

# Country and currency exposure

Country exposure by currency of settlement

| | 30 Sep '23 | | 31 Dec '23 | |
|---|---|---|---|---|
| | **Duration (yrs)** | **FX (%)** | **Duration (yrs)** | **FX (%)** |
| **United States** | **0.07** | **-0.02** | **-0.04** | **0.01** |
| **Japan** | **-0.15** | **0.03** | **-0.17** | **-0.00** |
| **Eurozone** | **5.19** | **99.92** | **5.40** | **99.87** |
| Austria | 0.01 | 0.00 | 0.00 | 0.00 |
| Belgium | 0.05 | 0.00 | 0.04 | 0.00 |
| Euro Currency | 0.00 | 99.92 | 0.00 | 99.87 |
| European Union | 3.14 | 0.00 | 3.43 | 0.00 |
| Finland | 0.08 | 0.00 | 0.07 | 0.00 |
| France | 0.54 | 0.00 | 0.62 | 0.00 |
| Germany | 0.78 | 0.00 | 0.44 | 0.00 |
| Ireland | 0.03 | 0.00 | 0.00 | 0.00 |
| Italy | 0.06 | 0.00 | 0.08 | 0.00 |
| Luxembourg | 0.09 | 0.00 | 0.11 | 0.00 |
| Netherlands | 0.33 | 0.00 | 0.47 | 0.00 |
| Spain | 0.09 | 0.00 | 0.13 | 0.00 |
| **United Kingdom** | **-0.01** | **0.04** | **0.06** | **0.01** |
| **Europe non-EMU** | **0.00** | **0.03** | **0.00** | **0.03** |
| Denmark | 0.00 | 0.02 | 0.00 | 0.03 |
| **Dollar Block** | **0.11** | **0.00** | **0.00** | **0.07** |
| Canada | 0.11 | 0.00 | 0.00 | 0.07 |
| **Other Industrialized Countries** | **0.00** | **0.00** | **0.00** | **0.00** |
| **EM - Asia** | **-0.00** | **-0.01** | **-0.00** | **-0.01** |
| China | -0.00 | -0.01 | -0.00 | -0.01 |
| **EM - Latin America** | **0.00** | **0.01** | **0.00** | **0.01** |
| Mexico | 0.00 | 0.01 | 0.00 | 0.01 |
| **EM - CEEMEA** | **0.00** | **0.01** | **0.00** | **0.01** |
| South Africa | 0.00 | 0.01 | 0.00 | 0.01 |
| **Total** | **5.20** | **100** | **5.24** | **100** |

Emerging markets exposure by country of risk

| | 30 Sep '23 | | | 31 Dec '23 | | |
|---|---|---|---|---|---|---|
| | **% of MV short duration Instruments** | **% of MV bonds** | **Duration (yrs)** | **% of MV short duration Instruments** | **% of MV bonds** | **Duration (yrs)** |
| Mexico | 0.00 | 0.34 | 0.03 | 0.00 | 0.53 | 0.04 |
| Romania | 0.00 | 0.93 | 0.05 | 0.00 | 1.57 | 0.07 |
| **Total** | **0.00** | **1.27** | **0.07** | **0.00** | **2.11** | **0.11** |

# Additional share class performance

## Performance (Institutional class, Accumulation Shares)

**Past performance does not predict future results**

| Performance | 31 Dec '18 31 Dec '19 | 31 Dec '19 31 Dec '20 | 31 Dec '20 31 Dec '21 | 31 Dec '21 31 Dec '22 | 31 Dec '22 31 Dec '23 |
|---|---|---|---|---|---|
| **Before fees (%)** | 6.83 | 2.63 | -0.70 | -16.30 | 9.71 |
| **After fees (%)** | 6.42 | 2.19 | -1.16 | -16.69 | 9.21 |
| **Bloomberg Euro-Aggregate Credit Index (%)*** | 6.08 | 2.95 | -1.66 | -15.56 | 7.81 |
| **Before fees alpha (bps)** | 76 | -33 | 96 | -74 | 189 |
| **After fees alpha (bps)** | 34 | -77 | 50 | -113 | 139 |

**The following information is additional to, and should be read only in conjunction with, the calendar year performance data presented below.**

**Past performance does not predict future results**

| Calendar Year (Net of Fees) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **After fees (%)** | 8.53 | 0.34 | 5.79 | 2.70 | -0.38 | 6.42 | 2.19 | -1.16 | -16.69 | 9.21 | 9.21 |
| **Bloomberg Euro-Aggregate Credit Index (%)*** | 8.63 | -0.34 | 4.34 | 2.03 | -0.87 | 6.08 | 2.95 | -1.66 | -15.56 | 7.81 | 7.81 |

As of 31 December 2023**.** SOURCE: PIMCO.
**The fund is actively managed in reference to the Bloomberg Euro-Aggregate Credit Index Index as further outlined in the prospectus and key investor information document/key information document**
***The benchmark is shown for performance comparison purpose only**. Benchmark: **Bloomberg Euro-Aggregate Credit Index Index.**
**Past performance is not a guarantee or a reliable indicator of future results.** All periods longer than one year are annualised
Refer to Important Disclosures and the relevant sections of the Fund prospectus for additional performance and fee, chart, GIS funds, index, and risk information

# Additional share class performance

***Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.***

| Performance (Net of Fees) | 31 Dec '18 31 Dec '19 | 31 Dec '19 31 Dec '20 | 31 Dec '20 31 Dec '21 | 31 Dec '21 31 Dec '22 | 31 Dec '22 31 Dec '23 | SI |
|---|---|---|---|---|---|---|
| Euro Credit Fund E Class Accumulation | 5.32 | 1.25 | -2.03 | -17.43 | 8.23 | 1.41 |
| Euro Credit Fund H Institutional Accumulation | - | 2.26 | -1.06 | -16.62 | 9.32 | -1.39 |
| Euro Credit Fund H Institutional Income II | - | 2.17 | -1.05 | -16.60 | 9.34 | -1.39 |
| Euro Credit Fund Institutional Accumulation | 6.42 | 2.19 | -1.16 | -16.69 | 9.21 | 2.81 |
| Euro Credit Fund Institutional Income II | 6.41 | 2.18 | -1.18 | -16.69 | 9.19 | 1.52 |
| Bloomberg Euro-Aggregate Credit Index | 6.08 | 2.95 | -1.66 | -15.56 | 7.81 | - |

# Additional share class performance

***Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.***

Euro Credit Fund (net of fees performance)

| Performance periods ended: 31 Dec '23 | Unified Management Fee | NAV currency | Class Inception date | 3 mos. | 6 mos. | 1 yr. | 3 yrs. | 5 yrs. | 10 yrs. | SI |
|---|---|---|---|---|---|---|---|---|---|---|
| Euro Credit Fund E Class Accumulation | 1.360 | EUR | 25 May '10 | 6.23 | 5.58 | 8.23 | -4.33 | -1.36 | 0.50 | 1.41 |
| Euro Credit Fund H Institutional Accumulation | 0.630 | EUR | 07 Jun '19 | 6.47 | 6.11 | 9.32 | -3.38 | - | - | -1.39 |
| Euro Credit Fund H Institutional Income II | 0.630 | EUR | 07 Jun '19 | 6.45 | 6.17 | 9.34 | -3.37 | - | - | -1.39 |
| Euro Credit Fund Institutional Accumulation | 0.460 | EUR | 31 Jan '08 | 6.44 | 6.08 | 9.21 | -3.48 | -0.44 | 1.43 | 2.81 |
| Euro Credit Fund Institutional Income II | 0.460 | EUR | 01 Oct '13 | 6.46 | 6.03 | 9.19 | -3.49 | -0.46 | 1.44 | 1.52 |
| Bloomberg Euro-Aggregate Credit Index | - | - | - | 5.96 | 5.59 | 7.81 | -3.62 | -0.45 | 1.11 | 2.62 |

# Important Disclosures

**Marketing Communication**
This is a marketing communication. This is not a contractually binding document and its issuance is not mandated under any law or regulation of the European Union or the United Kingdom. This marketing communication does not include sufficient detail to enable the recipient to make an informed investment decision. Please refer to the Prospectus of the UCITS and to the KIID/KID before making any final investment decisions.

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**Additional Information/Documentation**
A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents (KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company. The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish. The KIIDs and KIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from www.pimco.com. The summary is available in English. The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors (Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

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

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

**Outlook**
Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

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

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

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# Important Disclosures

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

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

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

**For Sustainable Finance Disclosure Regulation (SFDR) Categorization: Article 8/9**
SFDR Categorization sets out how the fund is categorized for the purposes of Regulation (EU) 2019/ 2088 on Sustainability related Disclosures in the Financial Services Sector (SFDR) Article 8 & 9 Funds promote, among other characteristics, environmental or social characteristics. Further details are set out in the Prospectus and relevant Fund Supplement
**Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this Fund presents disproportionate communication on the consideration of non financial criteria in its investment policy**

**GIS Funds**
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# Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

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

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

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

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

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

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

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

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

**CPI** is the Consumer Price Index.

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

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

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

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

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

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

**GFC** is the Global Financial Crisis.

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

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

**LNG** is Liquefied Natural Gas.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

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

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

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

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

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

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

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

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

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

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

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