PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **28 FEBRUARY 2023** | **Monthly Commentary**

Fund information	
Bloomberg ticker	EQTPGBW
ISIN	AU60ETL00188
APIR	ETL0018AU
Inception date	28 April 2004
Distribution	Quarterly
Management fee[1]	0.49% p.a.
Portfolio manager(s)	Sachin Gupta Andrew Balls Lorenzo Pagani
Total net assets (in millions)	6,235.9 AUD
Fund duration (yrs)	5.50
Benchmark duration (yrs)	6.70
Yield to maturity (%)[2]	4.20
Average coupon (%)	2.85
Average maturity (yrs)	6.42

[1]In addition to the Management Fee there may be other fees and costs associated with an investment in this fund. For a detailed explanation on fees and costs please refer to the Product Disclosure Statement. [2]Yield to Maturity (**YTM**) is the estimated annual rate of return that would be received if the Fund's current securities were all held to their maturity and all coupons and principal were made as contracted. YTM does not account for fees or taxes. YTM is not a forecast, and is not a guarantee of, the future return of the Fund. The Fund's actual return will depend on a range of factors, including fluctuations in the value of the Fund's securities held from time to time.

Risk Profile

Unit value can go up as well as down and any capital invested in the fund may be at risk. The fund may invest in foreign denominated and/or domiciled securities which involve potentially higher risks including currency fluctuations and political or economic developments. These may be enhanced when investing in emerging markets. Funds that invest in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. The fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. Portfolios investing in derivatives could lose more than the principal amount invested. For more details on the fund's potential risks, please read the PDS.

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.

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Performance summary

The PIMCO Global Bond Fund returned -1.68% (Wholesale Class, net of fees) in February, outperforming the Bloomberg Global Aggregate Index (AUD Hedged) by 0.12%. Year-to-date the Fund has returned 0.87% (Wholesale Class, net of fees), outperforming the benchmark by 0.60%.

Financial markets broadly retreated in February amid fears that policy rates would remain higher for longer in response to elevated inflation. Global equities fell - with the MSCI world down 2.36% - and credit spreads widened, while the dollar strengthened. Developed sovereign yields broadly rose as markets digested surprise inflation metrics and hawkish central bank sentiment. In the U.S., the 10-year Treasury yield rose 41 basis points (bps) as the Personal Consumption Expendiures (PCE) price Index showed a reacceleration of inflation in January. U.K. gilt and German bond yields rose 49 bps and 37 bps, respectively, after both central banks delivered 50 bp rate hikes.

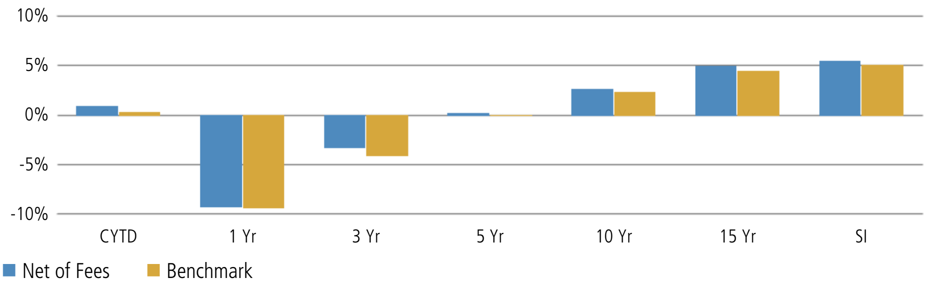
Contributors

- Positions in non-agency MBS
- An underweight to duration in the U.S.
- Underweight exposure to non-financial investment grade corporate credit

Detractors

- Underweight exposure to the U.S. dollar as the currency appreciated against the Australian dollar
- Overweight exposure to duration in South Korea
- Underweight exposure to the long end of the Japanese yield curve

Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-1.68	-0.15	-1.86	-9.27	-3.24	0.22	2.59	5.43
Benchmark (%)	-1.80	-1.04	-2.91	-9.40	-4.05	0.02	2.30	4.99
Outperformance (%)	0.12	0.89	1.05	0.13	0.81	0.20	0.29	0.44

Past performance is not a reliable indicator of future results
Returns for periods longer than 1 year are annualised
Net of Fees - Fund performance is quoted net of fees and expenses and assumes the reinvestment of all distributions but does not take into account personal income tax
SI is the performance since inception. Inception date is 28 April 2004
The benchmark is the Bloomberg Global Aggregate Index (AUD Hedged)

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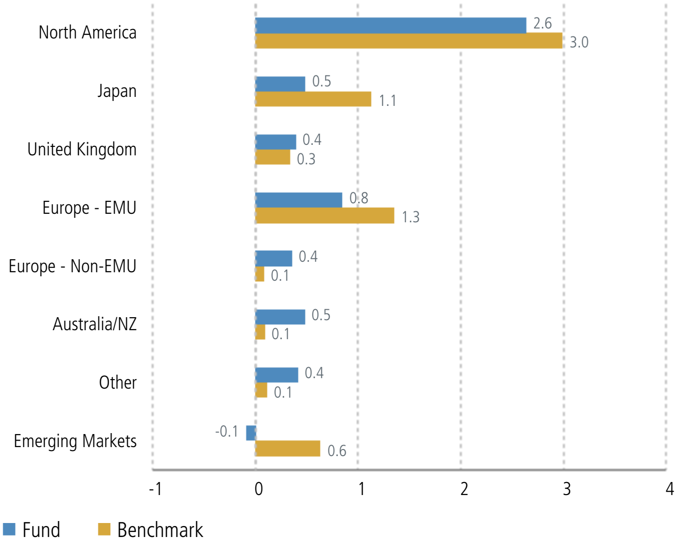
Regional Exposure (by currency, Dur in Yrs)



The benchmark is the Bloomberg Global Aggregate Index (AUD Hedged)

Portfolio positioning

The Fund is underweight to overall duration with a focus on country, maturity and instrument selection. In the Euro bloc, the Fund is underweight duration in aggregate with a focus on country selection due to resilient growth and persistent sticky, core inflation. The Fund is overweight duration in Denmark, and is broadly underweight across the Eurozone, including peripheral countries such as Italy. The Fund maintains a neutral duration posture in the U.K. The Fund sources a majority of its duration underweight from China, as COVID-zero policies are relaxed and economic growth has the potential to rebound, and Japan, as Yield Curve Control has the potential to be phased out.

The Fund is underweight to investment-grade corporate credit given our assessment of valuations. Instead, the Fund favours senior securitised assets, like non-Agency mortgages as well as U.K. residential mortgages and Danish covered bonds. The Fund also continues to hold positions in U.S. Treasury Inflation-Protected Securities (TIPS) and high-quality EM external debt of sovereign and quasi-sovereign issuers in the Middle East and Asia.

We continue to be tactical with currency risk, holding a long to a basket of select currencies (NOK, AUD, THB) funded by a short to TWD and USD based on valuations. We remain long JPY as a cheap hedge.

Month in review

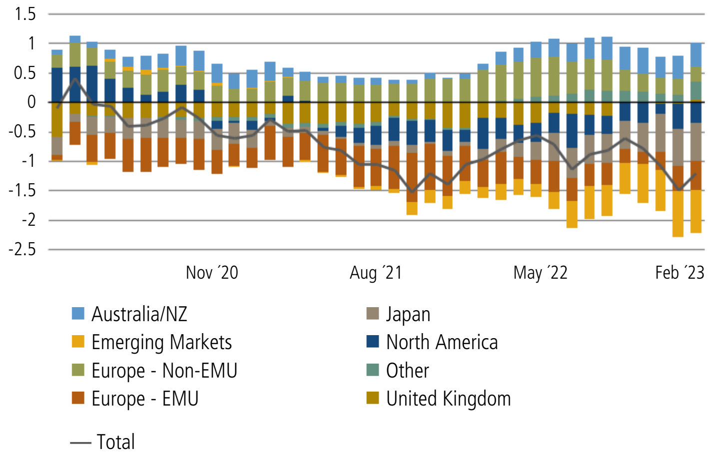
Financial markets broadly retreated in February amid fears that policy rates would remain higher for longer in response to elevated inflation. Global equities fell - with the MSCI world down 2.36% - and credit spreads widened, while the dollar strengthened. Developed sovereign yields broadly rose as markets digested surprise inflation metrics and hawkish central bank sentiment. In the U.S., the 10-year Treasury yield rose 41 bps as the PCE price Index showed a reacceleration of inflation in January. U.K. gilt and German bund yields rose 49 bps and 37 bps, respectively, after both central banks delivered 50 bps rate hikes.

Sovereign rate strategies detracted modestly from relative performance over the month. Contributions from an underweight to duration in the U.S. were offset by detractions from overweight exposure to duration in South Korea and underweight exposure to the long end of the Japanese yield curve.

Spread sector strategies contributed to relative performance over the month. Contributions from positions in non-agency Mortgage Backed-Securities (MBS) and underweight exposure to non-financial investment grade corporate credit more than offset detractions from overweight exposure to agency MBS.

Currency strategies detracted from relative performance over the month. Contributions from long exposure to the Brazilian real were more than offset by underweight exposure to the U.S. dollar as the currency appreciated against the Australian dollar.

Active Regional Exposure vs. Benchmark (by currency, Dur in Yrs)



The benchmark is the Bloomberg Global Aggregate Index (AUD Hedged)

Outlook and strategy

In our base case, a shallow recession is likely across developed markets as central banks to continue to battle inflation, but a soft landing is still possible. Albeit modest, a recession may bring rising unemployment and the stagnation of growth over the coming months.

In this uncertain environment, we favour portfolio flexibility and liquidity to respond to events and potentially take advantage of opportunities. We are underweight duration in the Fund as central banks globally seem to remain focused on inflation risks, contributing to elevated volatility. From a country standpoint, we favour taking duration in select Euro bloc (Denmark) and dollar Bloc countries (Australia, New Zealand) vs. Japan and China. We continue to hold a moderate allocation to TIPS in the portfolio based on what we consider to be attractive valuations and as a hedge against a potential inflation overshoot. We hold exposure to select currencies (AUD, NOK, THB) based on valuations.

In spread sectors, we continue to be selective within corporate credit, favouring select financial issuers. We remain focused on securitised assets, including U.S. non-agency mortgages, U.K. residential mortgages, and Danish mortgages, which we believe may offer defensive qualities in addition to reasonable risk premia for liquidity, complexity, and uncertainty over the timing of cash flows.

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[1]Developed Market Currencies means each of AUD, CAD, CHF, Euro, GBP, JPY, NOK, NZD, SEK

Currency strategies are volatile and currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.

Bloomberg Global Aggregate Index (AUD Hedged) is an unmanaged market index representative of the total return performance of major world bond markets on a AUD hedged basis. It is not possible to invest in an unmanaged index.