PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 MARCH 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)	6,366.9 AUD
Fund duration (yrs)	5.51
Benchmark duration (yrs)	6.81
Yield to maturity (%)[2]	4.09
Average coupon (%)	2.74
Average maturity (yrs)	6.39

[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.

Sydney
PIMCO Australia Pty Limited
Level 19, 5 Martin Place
Sydney, NSW, 2000
1300 113 547
investorservices@au.pimco.com

Newport Beach Headquarters
650 Newport Center Drive
Newport Beach, CA 92660

pimco.com.au

Performance summary

The PIMCO Global Bond Fund returned 1.31% (Wholesale Class, net of fees) in March versus the Bloomberg Global Aggregate Index (AUD Hedged), which returned 2.11%. Year-to-date the Fund has returned 2.19% (Wholesale Class, net of fees), while the benchmark returned 2.38%.

In our view, financial markets were mixed in March as the stability of the financial sector was called into question after the collapse of Silicon Valley Bank (SVB) and orchestrated take-over of Credit Suisse. Global equities rallied at the end of the month and credit spreads widened, while the dollar weakened. Developed sovereign yields broadly fell amid a global flight to quality. In the U.S., even though the Federal Reserve (Fed) delivered a 25 basis point (bp) hike, the 10-year Treasury fell 45 bps to 3.47%. Meanwhile, despite a 25 bp rate hike from the Bank of England (BoE) and a 50 bp hike from the European Central Bank (ECB), U.K. Gilt and German bond yields fell 34 bps and 36 bps, respectively.

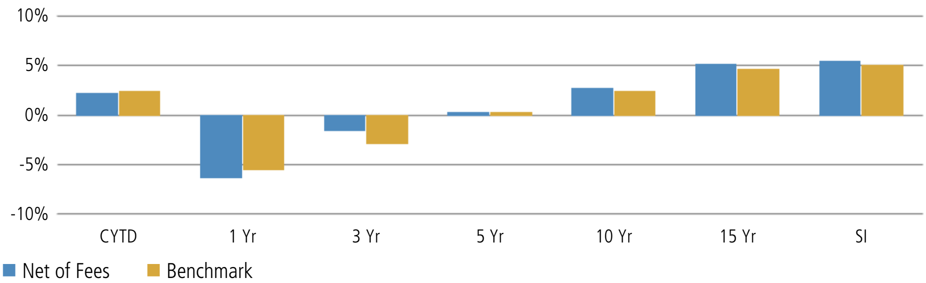
Contributors

- Overweight exposure to Emerging Market (EM) local rates (South Korea, Singapore), as yield curves shifted downwards
- Overweight duration exposure to Dollar Bloc countries (Australia, New Zealand, Canada) as rates rallied

Detractors

- Long exposure to US non-agency RMBS, as spreads widened
- Underweight US duration, as yields rallied
- Underweight duration in the Euro bloc, as rates rallied

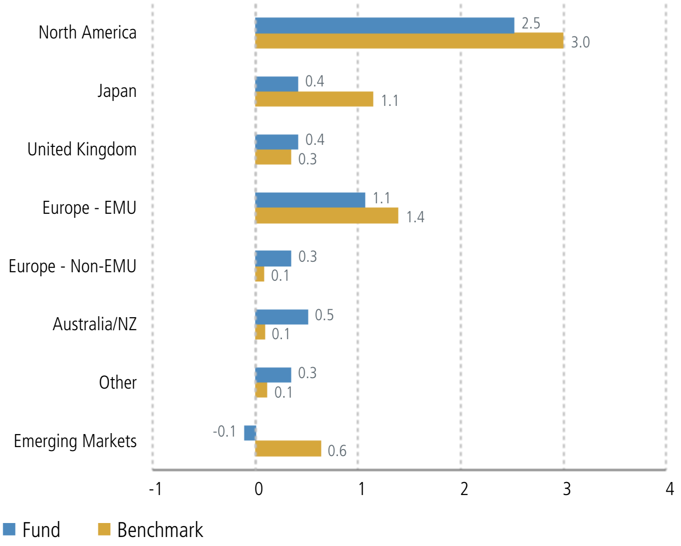
Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	1.31	2.19	-0.58	-6.27	-1.50	0.31	2.68	5.48
Benchmark (%)	2.11	2.38	-0.86	-5.48	-2.82	0.27	2.44	5.09
Outperformance (%)	-0.80	-0.19	0.28	-0.79	1.32	0.04	0.24	0.39

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)

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 neutral duration with a focus on country selection due to resilient growth and persistent core inflation. The Fund is overweight duration in Denmark, and is broadly underweight across the Eurozone, including peripheral countries such as Italy. 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 remains cautious in overall spread exposure. The Fund maintains an underweight to investment-grade corporate credit given our assessment of valuations. Instead, the Fund favours senior securitised assets, like non-Agency mortgages and Danish covered bonds. The Fund maintains a slight overweight to financials, particularly senior issues from global systemically important banks. The Fund also continues to hold positions in U.S. Treasury Inflation-Protected Securities 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 EUR, GBP, and USD based on valuations.

Month in review

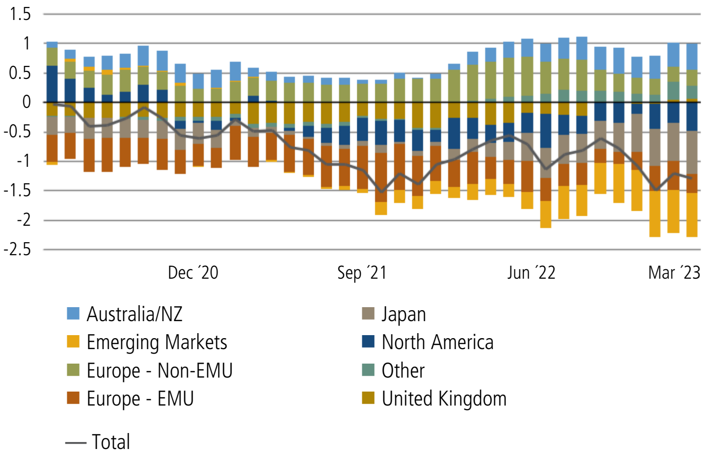
In our view, financial markets were mixed in March as the stability of the financial sector was called into question after the collapse of SVB and orchestrated take-over of Credit Suisse. Global equities rallied at the end of the month and credit spreads widened, while the dollar weakened. Developed sovereign yields broadly fell amid a global flight to quality. In the U.S., even though the Fed delivered a 25 bp hike, the 10-year Treasury fell 45 bps to 3.47%. Meanwhile, despite a 25 bp rate hike from the BoE and a 50 bp hike from the ECB, U.K. Gilt and German bond yields fell 34 bps and 36 bps, respectively.

Sovereign rate strategies detracted from relative performance over the month. Contributions from overweight exposure to EM local rates (KRW, SGD) and overweight duration exposure to Dollar Bloc countries (AUD, NZD, CAD) were more than offset by an underweight to U.S. duration and underweight exposure to duration in the Euro bloc.

Spread sector strategies detracted from relative performance over the month. Long exposure to U.S. non-Agency Mortgage Backed-Securities (MBS) detracted from performance over the month.

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, volatility in the banking sector has raised the prospect of a significant tightening of credit conditions, particularly in the U.S., and therefore the risk of a sooner and deeper recession. These recent events will likely act as yet another headwind that could very well pull Europe into recession as well.

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 senior issues from global systemically important banks. 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.

[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.

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