PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 MAY 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)	6,484.0 AUD
Fund duration (yrs)	5.56
Benchmark duration (yrs)	6.77
Yield to maturity (%)[2]	4.42
Average coupon (%)	2.83
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 -0.64% (Wholesale Class, net of fees) in May versus the Bloomberg Global Aggregate Index (AUD Hedged), which returned -0.54%. Year-to-date the Fund has returned 1.98% (Wholesale Class, net of fees), while the benchmark returned 2.24%.

In our view, financial markets were mixed in May, with the MSCI World Index down moderately as markets focused their attention on the debt ceiling standoff in the U.S. U.S. credit spreads widened and yields on developed sovereign bonds were mixed, while the dollar strengthened. In the U.S., the 10-year Treasury rose 22 basis points (bps) to 3.64% as debt ceiling negotiations dragged on and markets weighed the possibility of an additional rate hike. Meanwhile, U.K. gilt yields rose by 46 bps to 4.18% as inflation pressures intensified, while German bund yields fell slightly (-3 bps) as inflation fell to its lowest level in more than a year.

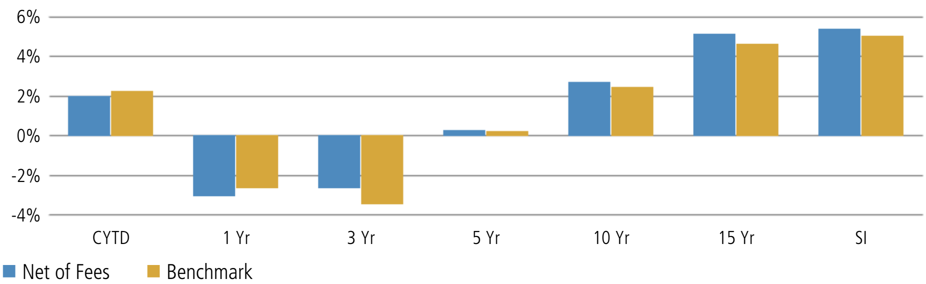
Contributors

- Underweight exposure to duration in the U.S. as yields rose
- Long exposure to U.S. residential non-Agency mortgages as spreads tightened
- Positioning within corporate credit, namely a preference for senior financials

Detractors

- Underweight exposure to duration in China as yields fell
- Overweight exposure to Dollar Bloc duration, predominantly via Australia and New Zealand, as yields rose
- Security selection within Agency Mortgage Backed Securities (MBS), namely a preference for higher coupons, as lower coupons outperformed

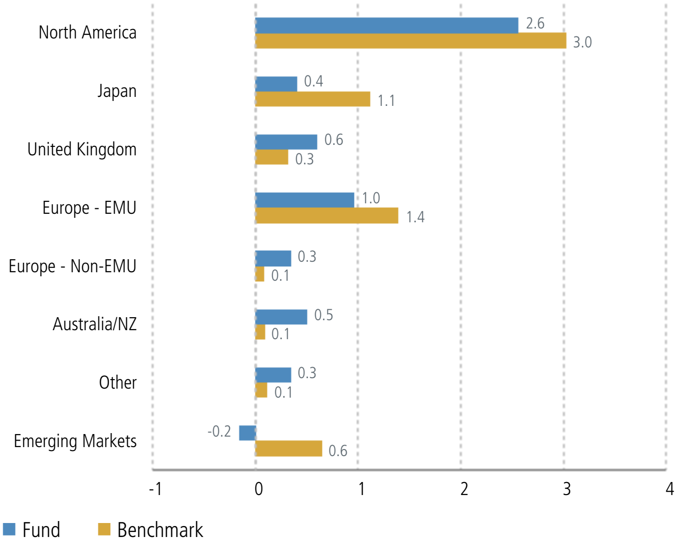
Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-0.64	1.10	-0.78	-3.03	-2.60	0.30	2.71	5.42
Benchmark (%)	-0.54	1.97	-1.00	-2.62	-3.43	0.25	2.43	5.03
Outperformance (%)	-0.10	-0.87	0.22	-0.41	0.83	0.05	0.28	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 has recently moved overweight duration in the U.K. as yields recalibrated higher over the month. 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 is neutral to financials while maintaining exposure to a select few global systemically important banks. The Fund also continues to hold positions in U.S. Treasury Inflation Protected Securities (TIPS) and high-quality Emerging Markets 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, HUF) funded by a short to TWD, CNY, and USD based on valuations.

Month in review

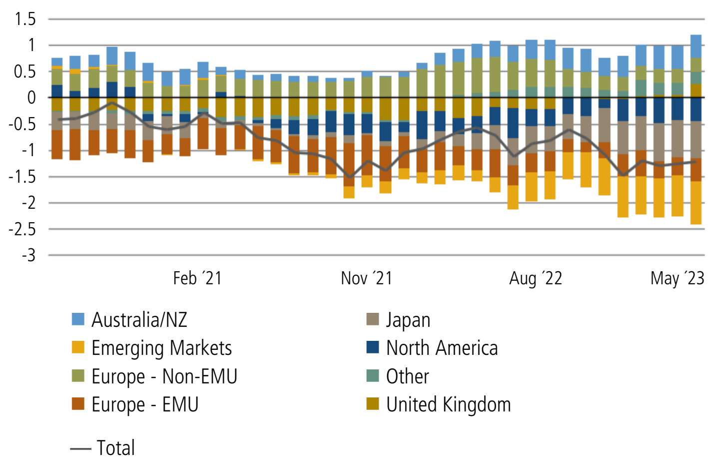
In our view, financial markets were mixed in May, with the MSCI World Index down moderately as markets focused their attention on the debt ceiling standoff in the U.S. U.S. credit spreads widened and yields on developed sovereign bonds were mixed, while the dollar strengthened. In the U.S., the 10-year Treasury rose 22 bps to 3.64% as debt ceiling negotiations dragged on and markets weighed the possibility of an additional rate hike. Meanwhile, U.K. gilt yields rose by 46 bps to 4.18% as inflation pressures intensified, while German bund yields fell slightly (-3 bps) as inflation fell to its lowest level in more than a year.

Sovereign rate strategies detracted from relative performance over the month. Contributions from underweight exposure to duration in the U.S. were more than offset by detractions from underweight exposure to duration in China and overweight exposure to Dollar bloc duration.

Spread sector strategies contributed to relative performance over the month. Contributions from long exposure to U.S. residential non-Agency mortgages and positioning within corporate credit more than offset detractions from security selection within Agency MBS.

Currency strategies detracted from relative performance over the month. Contributions from long exposure to the British pound sterling were more than offset by detractions from long exposure to the Japanese yen

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 remain focused on inflation risks, contributing to elevated volatility. From a country standpoint, we favour taking duration in the Euro bloc (Denmark), U.K., and Dollar bloc countries (Australia, New Zealand, Canada) vs. Japan and China. We continue to hold a moderate allocation to TIPS in the portfolio based on attractive valuations and as a hedge against a potential inflation overshoot. We hold exposure to select currencies (AUD, NOK, THB, HUF) based on valuations.

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

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Diversification: Diversification does not ensure against losses.

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

Fluctuation: There can be no guarantee that the trends above will continue. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

Forecast: These forecasts are predictive in nature. Actual results may differ materially from these projections.

All periods longer than one year are annualised.

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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. Sovereign securities are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. 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. Mortgage- and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Swaps are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. Inflation-linked bonds (ILBs) issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. government. Certain U.S. government securities are backed by the full faith of the government. Obligations of U.S. government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value.

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Strategy Availability: Strategy availability may be limited to certain investment vehicles; not all investment vehicles may be available to all investors. Please contact your PIMCO representative for more information.

[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.