PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 MAY 2022** | **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)	6,210.9 AUD
Fund duration (yrs)	6.53
Benchmark duration (yrs)	7.10
Yield to maturity (%)[2]	3.79
Average coupon (%)	2.10
Average maturity (yrs)	8.00

[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 -0.50% (Wholesale Class, net of fees) in May versus the Bloomberg Global Aggregate Index (AUD Hedged), which returned -0.19%. Year-to-date the Fund has returned -8.03% (Wholesale Class, net of fees), while the benchmark returned -7.90%.

Our view of global risk appetite declined in May amid elevated inflationary risks. Global equities fell throughout most of the month but rose towards the end - with the S&P up 0.2% - credit spreads widened modestly, and energy prices continued to gain. Developed sovereign yields broadly ended higher as the Bank of England increased its policy rate by 25 basis points and the European Central Bank alluded to a rate hike as early as July. Meanwhile, the U.S. 10-year Treasury yield fell 9 bps to 2.84% as the Fed increased interest rates by 50 bps and laid out plans to begin reducing its balance sheet in June.

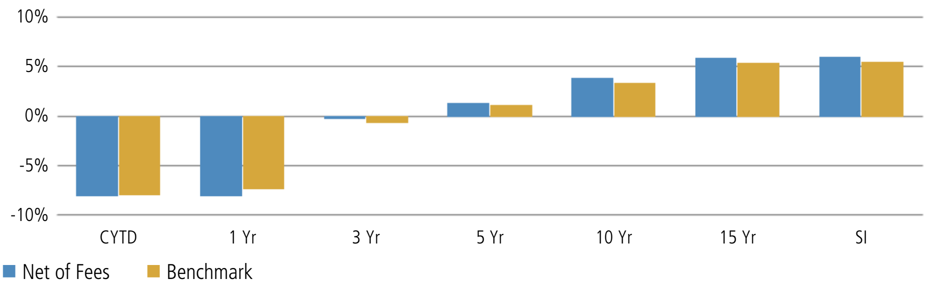
Contributors

- Underweight to duration in the Eurozone
- Underweight to duration in the U.K.
- Long exposure to select Latin American currencies, particularly the Brazilian real

Detractors

- Positions in non-Agency MBS
- Overweight to duration in Denmark
- Curve positioning in the U.S.

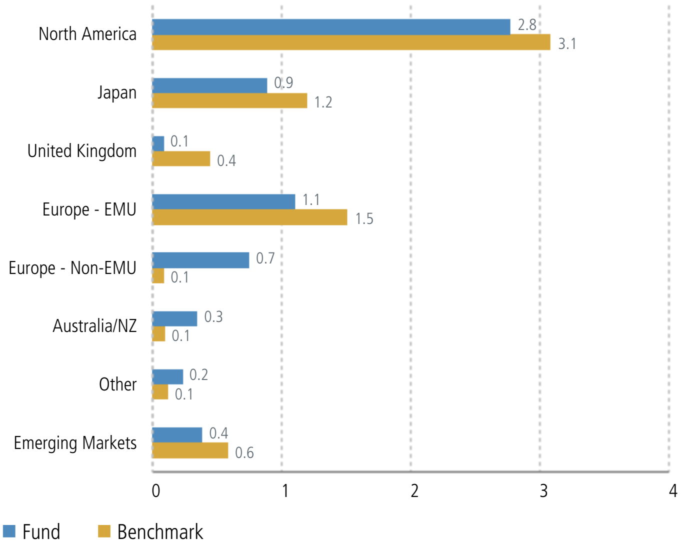
Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-0.50	-5.40	-8.22	-8.00	-0.25	1.32	3.87	5.91
Benchmark (%)	-0.19	-5.13	-7.82	-7.37	-0.66	1.07	3.31	5.47
Outperformance (%)	-0.31	-0.27	-0.40	-0.63	0.41	0.25	0.56	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)

Regional Exposure (by currency, Dur in Yrs)



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

Portfolio positioning

The Fund is underweight to duration overall, including a modest underweight in the U.S. as we believe that rising inflationary pressures and quantitative tightening may place upward pressure on yields. In the eurozone, the Fund is underweight duration in aggregate with a modest overweight in the peripherals and an underweight in the core/semi-core regions. The Fund is also overweight duration in Denmark and Switzerland but remains underweight to duration in the U.K.

The Fund is underweight to investment-grade corporate credit given what we consider to be tight valuations. Instead, the Fund favors senior securitized 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. TIPS and what we consider to be high-quality EM external debt.

In currencies, the Fund is modestly short the U.S. dollar with exposure to select DM and EM currencies based on relative value and valuations in commodity exposure.

Month in review

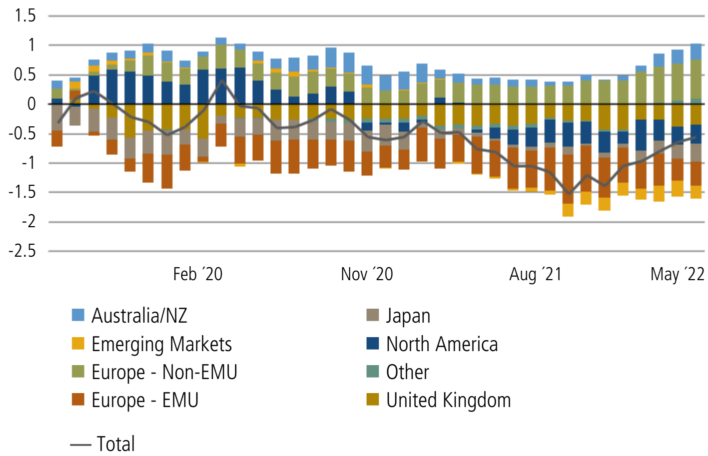
Our view of global risk appetite declined in May amid elevated inflationary risks. Global equities fell throughout most of the month but rose towards the end - with the S&P up 0.2% - credit spreads widened modestly, and energy prices continued to gain. Developed sovereign yields broadly ended higher as the Bank of England increased its policy rate by 25 basis points and the European Central Bank alluded to a rate hike as early as July. Meanwhile, the U.S. 10-year Treasury yield fell 9 bps to 2.84% as the Fed increased interest rates by 50 bps and laid out plans to begin reducing its balance sheet in June.

Sovereign rate strategies contributed to relative performance over the month. Contributions from an underweight to duration in the Eurozone and U.K. were more than offset by detractions from an overweight to duration in Denmark.

Spread sector strategies detracted from relative performance over the month. Modest contributions from positions in EM external debt were more than offset by detractions from positions in non-Agency MBS.

Currency strategies detracted modestly from relative performane over the month, particularly due to underweight exposure to the Euro and 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

Significant uncertainty clouds our outlook as the global economy confronts shocks that may be negative for growth and may spur further inflation. In our base case, growth may remain supported by the post-pandemic economic reopening and pent-up savings, potentially bolstering demand, and inflation may peak in the next few months and then may moderate gradually.

In this uncertain environment, we favor portfolio flexibility and liquidity to respond to events and potentially take advantage of opportunities. We are underweight duration in the Fund as, in our view, central banks globally seem to remain focused on inflation risks, potentially contributing to elevated volatility. From a country relative value standpoint, we favor taking duration in select dollar bloc countries (Australia, New Zealand, and Canada) vs. the Eurozone, UK, and Japan. We continue to hold a moderate allocation to TIPS in the portfolio based on potentially attractive valuations and as a hedge against a potential inflation overshoot. We are moderately underweight the U.S. dollar with exposure to select developed and emerging market currencies that we consider may benefit from rising commodity prices.

In spread sectors, we continue to be selective within corporate credit, favoring banks and other financial issuers. We remain focused on securitized 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. We also continue to hold what we consider to be high quality EM external debt of sovereign and quasi-sovereign issuers in the Middle East.

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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.

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All periods longer than one year are annualised.

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Portfolio Construction: The portfolio construction allocation process and the fund structure presented are intended to illustrate sectors in which the fund may invest. The allocations and/or structure are subject to change.

Portfolio Optimization: Optimized and optimal portfolios described may not be suitable 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.

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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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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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