PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 AUGUST 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)	6,080.6 AUD
Fund duration (yrs)	6.03
Benchmark duration (yrs)	6.91
Yield to maturity (%)[2]	4.27
Average coupon (%)	2.47
Average maturity (yrs)	7.57

[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 -2.42% (Wholesale Class, net of fees) in August, outperforming the Bloomberg Global Aggregate Index (AUD Hedged) by 0.30%. Year-to-date the Fund has returned -10.11% (Wholesale Class, net of fees), while the benchmark returned -9.68%.

Risk appetite declined in August amid hawkish central bank sentiment and sustained inflationary pressure. Global equities fell - with the S&P down 4.1% -credit spreads tightened and natural gas prices gained, with markets in Europe reaching record levels. Developed sovereign yields broadly rose as inflationary risks led to market expectations for further monetary policy tightening. In the U.S., the 10-year Treasury yield rose 54 bps to 3.19% as the Fed reiterated its commitment to addressing inflation even at the expense of growth and alluded to potentially another meaningful rate hike as early as September.

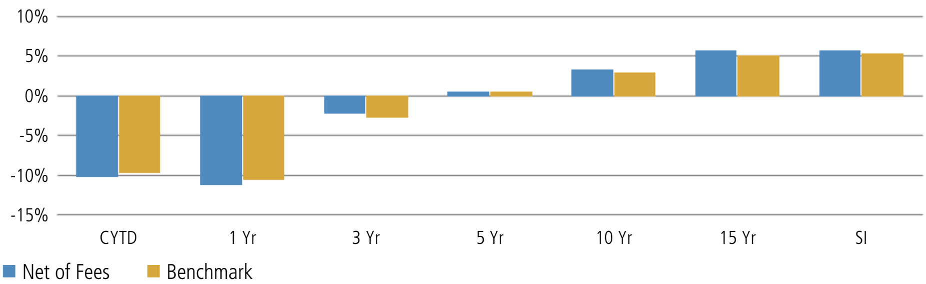
Contributors

- Underweight to duration in the U.S.
- Underweight to duration in the U.K.
- Positions in non-Agency MBS

Detractors

- Overweight to Euro Bloc duration
- Overweight exposure to local rates in select EM Asia countries, particularly South Korea
- Overweight to Dollar bloc duration

Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-2.42	-2.26	0.01	-11.14	-2.14	0.55	3.24	5.69
Benchmark (%)	-2.72	-1.93	-0.30	-10.53	-2.66	0.46	2.87	5.28
Outperformance (%)	0.30	-0.33	0.31	-0.61	0.52	0.09	0.37	0.41

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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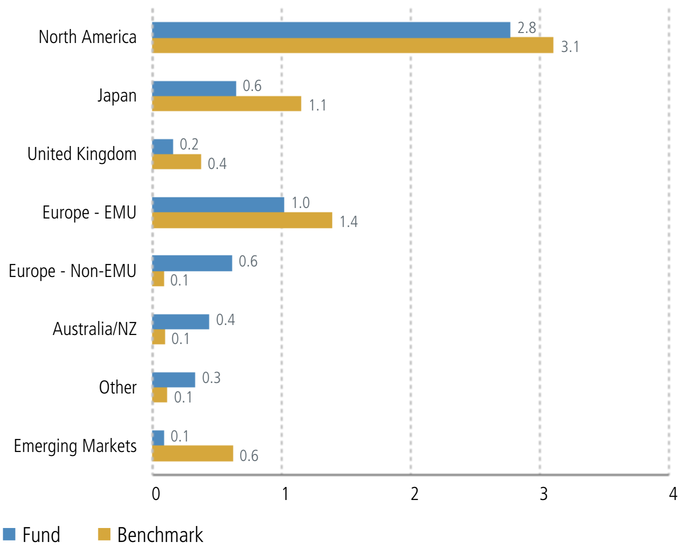
Regional Exposure (by currency, Dur in Yrs)



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

Portfolio positioning

The Fund is underweight to duration overall, including an underweight in the U.S. as we believe that rising inflationary pressures and quantitative tightening could place upward pressure on yields. In the Euro bloc, the Fund is overweight duration in aggregate with a focus on country selection. The Fund is overweight duration in Denmark and Switzerland, and is broadly underweight across the Eurozone, including peripheral countries such as Italy. The fund remains underweight to duration in the U.K.

The Fund is underweight to investment-grade corporate credit given our assessment of 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 short the U.S. dollar with exposure to select DM and EM currencies based on our view of relative value and valuations in commodity exposure.

Month in review

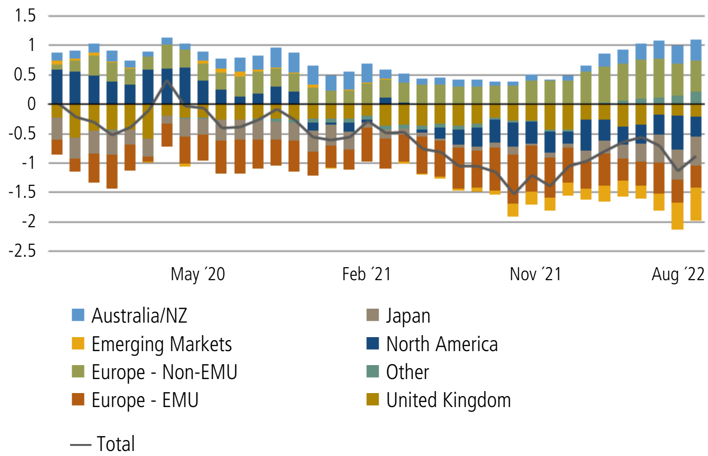
Risk appetite declined in August amid hawkish central bank sentiment and sustained inflationary pressure. Global equities fell - with the S&P down 4.1% - credit spreads tightened and natural gas prices gained, with markets in Europe reaching record levels. Developed sovereign yields broadly rose as inflationary risks led to market expectations for further monetary policy tightening. In the U.S., the 10-year Treasury yield rose 54 bps to 3.19% as the Fed reiterated its commitment to addressing inflation even at the expense of growth and alluded to potentially another meaningful rate hike as early as September.

Sovereign rate strategies contributed to benchmark-relative performance over the month. Contributions from underweight exposure to duration in the U.S. and the U.K. offset detractions from overweight exposure to duration in the Euro Bloc, Dollar Bloc, and select EM Asia countries, particularly South Korea.

Spread sector strategies contributed to relative performance over the month. Contributions from positions in non-Agency MBS offset detractions from an underweight to European peripherals, particularly Italy.

Currency strategies detracted modestly from relative performance over the month.

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 a shock that may be negative for growth and may spur further inflation.

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 remain focused on inflation risks, potentially contributing to elevated volatility. From a country standpoint, we favor taking duration in select Euro bloc (Denmark, Switzerland) and dollar Bloc countries (Australia, New Zealand) vs. the UK and Japan. 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 are short the U.S. dollar with exposure to what we consider to be 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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Duration: Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.
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Standard and Poor's 500 (S&P)

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