PIMCO

PIMCO Global Bond Fund

PIMCO Australia Funds

SHARE CLASS: **WHOLESALE** | AS OF: **31 JANUARY 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)	7,364.3 AUD
Fund duration (yrs)	6.34
Benchmark duration (yrs)	7.40
Yield to maturity (%)[2]	2.11
Average coupon (%)	1.99
Average maturity (yrs)	7.91

[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.

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Performance summary

The PIMCO Global Bond Fund returned -1.28% (Wholesale Class, net of fees) in January, outperforming the Bloomberg Global Aggregate Index (AUD Hedged) by 0.36%. Over the past 3 months the Fund has returned -0.99% (Wholesale Class, net of fees), outperforming the benchmark by 0.36%.

Risk appetites declined in January as surging Omicron cases and rising expectations for less accommodative monetary policy contributed to heightened market volatility. Global equities fell - with the S&P down -5.2% - while credit spreads widened, and energy prices continued to gain. Meanwhile, developed sovereign yields broadly rose with the U.S. 10-year yield moving 27 bps higher to 1.78%. As U.S. inflation reached another multi-decade high in December, the Fed pointed to upside risks to inflation as it signaled intentions for a rate hike in March and plans to unwind its balance sheet soon after.

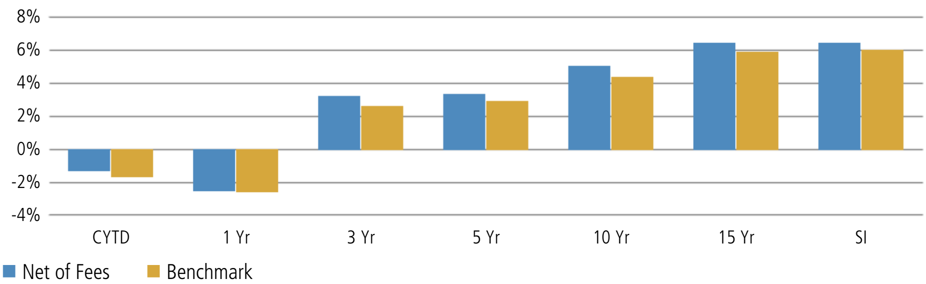
Contributors

- Underweight to duration in the U.K.
- An underweight to non-financial investment-grade corporate credit
- Positioning in Agency MBS

Detractors

- Overweight to duration in Denmark
- Exposure to Danish mortgages
- Overweight exposure to duration in Israel

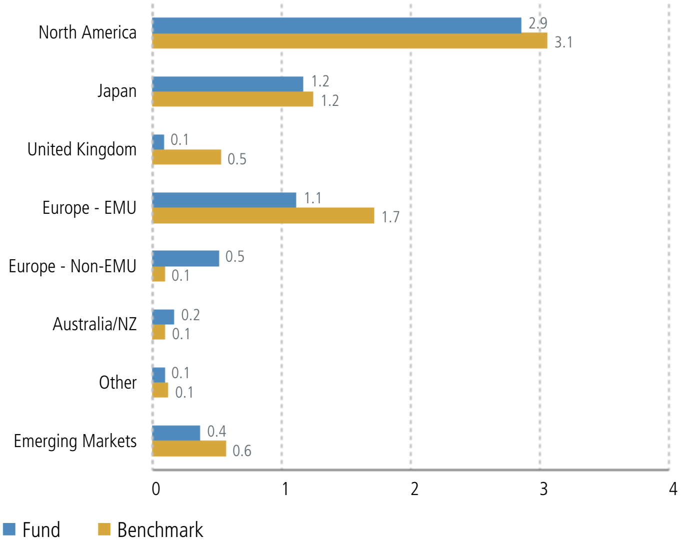
Performance



Performance	1 Mo	3 Mo	FYTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Net of Fees (%)	-1.28	-0.99	-1.48	-2.49	3.23	3.35	5.01	6.44
Benchmark (%)	-1.64	-1.35	-1.55	-2.58	2.62	2.89	4.33	5.97
Outperformance (%)	0.36	0.36	0.07	0.09	0.61	0.46	0.68	0.47

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 moderate underweight in the U.S., as we expect that factors such as reduced monetary support and increased growth and inflation expectations could place upward pressure on yields over time. In the Eurozone, the Fund is underweight to duration in aggregate, with an overweight in the peripherals and an underweight in the core and semi-core regions. The Fund remains underweight to duration in the U.K., and neutral to duration in Japan and Australia.

The Fund is underweight to investment-grade corporate credit given 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 high-quality EM external debt.

In currencies, the Fund is modestly long the U.S. dollar against the Euro with exposure to select DM and EM currencies based on valuations, favorable terms of trade dynamics, and relative monetary policy expectations.

Month in review

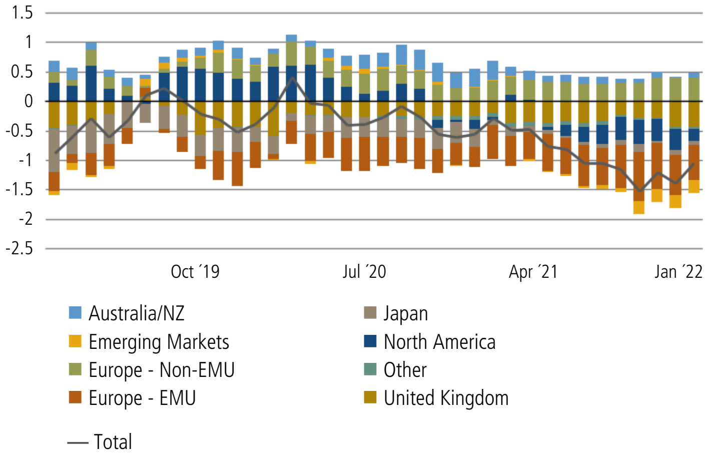
Risk appetites declined in January as surging Omicron cases and rising expectations for less accommodative monetary policy contributed to heightened market volatility. Global equities fell - with the S&P down -5.2% - while credit spreads widened, and energy prices continued to gain. Meanwhile, developed sovereign yields broadly rose with the U.S. 10-year yield moving 27 bps higher to 1.78%. As U.S. inflation reached another multi-decade high in December, the Fed pointed to upside risks to inflation as it signaled intentions for a rate hike in March and plans to unwind its balance sheet soon after.

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

Spread sector strategies also contributed to relative performance over the month. Contributions from an underweight to non-financial investment-grade corporate credit and positioning in agency MBS more than offset detractions from positions in Danish mortgages and senior and subordinated financials.

Currency strategies were neutral for 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

In 2022, we anticipate the global growth rebound may give way to a synchronized moderation, albeit to a still above-trend pace. As returns across asset classes may be lower and more volatile going forward given starting valuations today and key secular drivers, we remain focused on careful portfolio positioning, capital preservation, and liquidity management.

By positioning cautiously and emphasizing liquidity, we believe we could be better prepared to respond to a variety of shocks. We are underweight duration in the Fund as central banks globally remain focused on inflation risks, contributing to elevated volatility. In Europe, accommodative ECB action suggests a more favorable view on peripheral eurozone rates relative to those of core and semi-core. 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 are modestly long the U.S. dollar against the Euro with exposure to select developed and emerging market currencies based on valuations, favorable terms of trade dynamics and relative monetary policy expectations.

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 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 high quality EM external debt of sovereign and quasi-sovereign issuers in the Middle East.

G10 positions refers to G10 currencies: U.S. dollar, euro, British pound, Japanese yen, Australian dollar, New Zealand dollar, Canadian dollar, Swiss franc, Norwegian krone and Swedish krona.

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

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This publication is intended to be general advice only. Retail clients should seek advice from their financial adviser before making an investment decision.

Additional Information: This material may contain additional information, not explicit in the prospectus, on how the Fund or strategy is currently managed. Such information is current as at the date of the material and may be subject to change without notice.

Beta: Beta is a measure of price sensitivity to market movements. Market beta is 1.

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.

Fluctuations: 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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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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