PIMCO

PIMCO Asia High Yield Bond Fund

PIMCO Funds: Global Investors Series Plc

SHARE CLASS: **INSTITUTIONAL** | AS OF: **31 MAY 2022** | **Monthly Commentary**

Fund information		
Total net assets (in millions)		$2,847.9
Fund type		UCITS
Portfolio manager(s)		Stephen Chang Abhijeet Neogy Mohit Mittal
Effective duration (yrs)		2.43
Benchmark duration (yrs)		3.05
Average maturity (yrs)		3.61
Class	CUSIP	ISIN
Accumulation	G7S11T648	IE00BGSXQQ02

Unified Fee	
Institutional class, Accumulation shares	0.65% p.a.

Credit and Default Risk: A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a loan or meet a contractual obligation. This could cause the value of its bonds to fall or become worthless. Funds with high exposures to non-investment grade securities have a higher exposure to this risk. **Currency Risk:** Changes in exchange rates may cause the value of investments to decrease or increase. **Derivatives and Counterparty Risk:** The use of certain derivatives could result in the fund having a greater or more volatile exposure to the underlying assets and an increased exposure to counterparty risk. This may expose the fund to larger gains or losses associated with market movements or in relation to a trade counterparty being unable to meet its obligations. **Liquidity Risk:** Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price. **Interest Rate Risk:** Changes in interest rates will usually result in the values of bond and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices).

This is a marketing communication. Please refer to the Prospectus of the PIMCO Funds: Global Investors Series Plc and to the KIID before making any final investment decisions.

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 GIS Asia High Yield Bond Fund returned -3.44% (Institutional Class, Accumulation shares net of fees) in May versus the JP Morgan JACI Non-Investment Grade, which returned -2.78%. Year-to-date the Fund has returned -13.24% (Institutional Class, Accumulation shares net of fees), outperforming the benchmark by 0.28%.

- The J.P. Morgan Asia Credit Index returned -0.29% in May, with spreads widening by 9bps. In May, the HY segment underperformed, returning -2.78% versus 0.23% for the investment grade (IG) segment. Asia HY spreads widened by 41bps over the month and Asia IG spreads widened by 7bps. The spread widening was primary led by Chinese property developers, and the sector remained highly volatile. However, sentiment partially recovered after select higher-quality developers were able to issue onshore bonds, various easing measures by the government and policymakers, and the easing of some COVID-related lockdowns.
- The J.P. Morgan JACI Non-Investment Grade Index underperformed like-duration Treasuries by -3.11%. C-rated bonds were the worst performing quality segment within the index.

Contributors

- Credit selection within other Asia corporate credits, notably an underweight to Hong Kong financials and banks
- Underweight U.S. duration positioning contributed as rates increased over the period

Detractors

- Overweight exposure to the China real estate sector, notably an overweight to select defaulted issuers
- Overweight exposure to Pakistan sovereign debt detracted as the country continue to be negatively affected by factors such as political uncertainty, IMF stalemate, high commodity prices, and a decrease in FX reserves

Performance (Net of Fees)	1 Mo	3 Mos.	6 Mos.	1 Yr.	3 Yrs.	SI
Institutional class, Accumulation (%)	-3.44	-6.07	-13.65	-23.90	-4.68	-3.22
Benchmark (%)	-2.78	-6.25	-14.33	-25.00	-5.63	—

Past performance does not predict future results.

Performance (Net of Fees)	May ´21-May ´22	May ´20-May ´21	May ´19-May ´20	May ´18-May ´19
Institutional class, Accumulation (%)	-23.90	14.45	-0.58	—
Benchmark (%)	-25.00	13.66	-1.41	—

Past performance does not predict future results.
The following information is additional to, and should be read only in conjunction with, the calendar year performance data presented below.

Performance (Net of Fees)	2019	2020	2021	YTD
Institutional class, Accumulation (%)	8.94	5.20	-10.31	-13.24
Benchmark (%)	12.76	4.94	-11.05	-13.52

Past performance does not predict future results.

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record. The benchmark is the JP Morgan JACI Non-Investment Grade. All periods longer than one year are annualised. SI is the performance since inception.

Top 5 overweight industries

	% Market Value
Financial Other	2
Airlines	1
Independent E&P	1
Technology	1
Automotive	1

Top 5 underweight industries

	% Market Value
Banks	-7
Electric Utility	-2
Real Estate	-1
Insurance Life	-1
Metals & Mining: Coal	-1

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.
MV% may not equal 100 due to rounding.

Portfolio positioning

- We expect performance in Asia high yield to be uneven with differentiation in fundamentals likely to continue, highlighting the importance of active credit selection. We continue to maintain a focus on a high quality and diversified portfolio, and choose to not stretch for yields. The Fund focuses on sectors with stronger long-term growth potential and more attractive relative value.
- For the China real estate sector, policymaker response remains the main swing factor for bond prices in the short term. In our view, material easing measures are required at the national level to stimulate housing demand and developers in regaining access to refinancing channels. We continue to favor developers, which we have identified as survivors, and many of their bonds are trading at double-digit yields. We believe these companies have relatively strong fundamentals and are in the best position to survive or even gain share in the current sector downturn given their relatively better liquidity position and financial management.
- We are also seeing pockets of opportunities in countries such as India and Indonesia. We like the India renewable energy sector, given supportive government policy, positive secular tailwinds and resilient cash flows. Overall, we believe India offers attractive diversification opportunities given the relatively low volatility of its risk assets compared with other emerging market countries.
- In sovereign space, we are maintaining our position in Pakistan sovereign bonds. Pakistan was recently negatively affected by a significant decline in FX reserves, and ongoing negotiations with the IMF, though valuations are attractive relative to other sovereign opportunities. Elsewhere, Sri Lanka has been making progress on the political end and has appointed advisors for its restructuring, but violent protests, high food/fuel prices, and uncertainty surrounding IMF negotiations remain as key risks.

Month in review

- Market sentiment within the China property sector was mixed in May. Idiosyncratic news surrounding a select developer missing a coupon payment deadline, potential restructurings, and concerns over weaker property sales due to the COVID-induced lockdowns led to spread widening this month. However, by the end of the month Shanghai exited its COVID-induced lockdown, and policymakers also unveiled various tax breaks, stimulus and monetary easing measures, which could help bolster economic activity and demand. We expect gradual sales recovery to occur in the 2nd half of 2022.
- Earlier in the month, several policymakers reiterated support for onshore bond issuances of Chinese developers, particularly higher quality ones. Several developers were able to issue onshore bonds in May and the PBOC recently urged banks to support struggling developers and maintain stable growth of property lending. The property sector remains volatile, but there is value to be found, especially in companies that we believe have relatively strong fundamentals, better liquidity position and more prudent financial management.
- Given the highly dynamic situation, we continue to monitor and take actions when we see opportunities. We believe rigorous risk management and careful security selection will be crucial for investors in the region. We continue to believe that active management is especially important during this fast-moving cycle where dislocations are likely and capturing resulting opportunities can be key to producing alpha.
- Asia ex-Japan USD new issuance totaled $13.4bn in May and decreased from last month.
- With a current spread to Treasuries (SOT) of 839bps, Asia HY continues to trade relatively wide with 405bps and 337bps premium over U.S. and global high yield respectively. Additionally, Asia high yield offers is lower duration compared to U.S. and global high yield, presenting opportunities for investors looking for additional income in a rising rate environment.

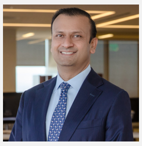
Outlook and strategy

- Our recent Cyclical Outlook, "Anti-Goldilocks", describes our view that significant uncertainty clouds the outlook as the global economy and policymakers are confronted with a stagflationary supply shock. Major central banks are likely to combat inflation by raising rates, increasing the risk of weaker growth. As a result, our baseline forecast remains that there will be rate hikes at consecutive Fed meetings and a meaningful further tightening of policy throughout the year. This faster pace of tightening raises the risk of a hard landing further down the road and suggests a higher risk of a recession over the next 2 years.
- We expect the major Asian markets will experience divergent dynamics in 2022. The key swing factor for Asia HY performance is still the China property sector, which will heavily depend on policymaker response. However outside of China property, we expect macroeconomic support to be rolled out faster in China in order to restore confidence and get close to the growth target of around 5.5%. The government also recently sent another positive signal for further easing and urges for preemptive policy supports and even allows for some excessiveness in order to achieve the growth target. Pandemic controls remain the policy priority, and infrastructure investment will likely be the growth engine as President Xi pledged a campaign to build infrastructure which is a powerful tool to lift cyclical growth with the hopes of aligning more with the country's long-term development plan.
- In the coming months, we continue to expect further differentiation between winners and losers, providing significant opportunities for bond investors that employ an active and selective investment approach. Rigorous bottom-up credit selection is key as government policy and idiosyncratic risks will continue to drive a divergence in performance.
- Asia credit valuations remain attractive. With a current spread to Treasuries (SOT) of 839bps, Asia HY continues to trade relatively wide with 405bps and 337bps premium over U.S. and global high yield respectively.

Management profile

Stephen Chang
Executive Vice President

Abhijeet Neogy
Senior Vice President



Mohit Mittal
Managing Director

$2.8BN
ASSETS UNDER MANAGEMENT

55 ANALYSTS
Dedicated research analysts. 34 in U.S., 10 in U.K./Europe, 9 in Asia/Pacific, 2 in South America

A risk-focused approach to Asia high yield investing

Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. Performance data shown is the after the effect of fees. All periods longer than one year are annualised.

Share value can go up as well as down and any capital invested in the Fund may be at risk. The Fund may invest in non-U.S and non-Eurozone 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 Key Investor Information Document.
Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are 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.

The JACI Non-IG comprises fixed rate US Dollar-denominated high yield bonds issued by Asia sovereigns, quasi-sovereigns, banks and corporates. The existing JACI Non-IG contains both fixed and floating rate bonds issued by Asia-domiciled entities having a nominal outstanding of at least US$150 million and more than one year to maturity. It is not possible to invest directly in an unmanaged index.

Morningstar ratings are only shown for those funds that have achieved a 4 or 5 star rating. Ratings for other share classes are either lower or not available.

A Prospectus is available for PIMCO Funds and Key Investor Information Documents (KIIDs) are available for each share class of each the sub-funds of the Company.
The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish.
The KIIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive).
In addition, a summary of investor rights is available from www.pimco.com. The summary is available in [English].
The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. [PIMCO Global Advisors (Ireland) Limited] can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

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Investment Restrictions - In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest over 35% of net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC.
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INDEX DESCRIPTIONS: The Barclays Global Aggregate Credit Index is the credit component of the Barclays Aggregate Index. The Barclays Aggregate Index is a subset of the Global Aggregate Index, and contains investment grade credit securities from the U.S. Aggregate, Pan-European Aggregate, Asian-Pacific Aggregate, Eurodollar, 144A and Euro-Yen indices. The Barclays Global High Yield Index is a component of the Multiverse Index, along with the Global Aggregate index. It represents the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield indices.
Barclays Global Aggregate (USD Hedged) Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian Government securities, and USD investment grade 144A securities. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.
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The JACI Non-Investment Grade Index tracks total returns for US dollar-denominated bonds issued by Asia sovereign, quasi-sovereign, and corporate borrowers. Countries covered are Bangladesh, China, Hong Kong, India, Indonesia, Malaysia, Macau, Mongolia, Pakistan, The Philippines, Taiwan, Thailand, Singapore, South Korea, Sri Lanka and Vietnam. The existing JACI Non-IG contains both fixed and floating rate bonds issued by Asia-domiciled entities having a nominal outstanding of at least US$150 million and more than one year to maturity.

Emerging Markets (EM).

PIMCO