P I M C O

Global Investors Series plc.

February 2019

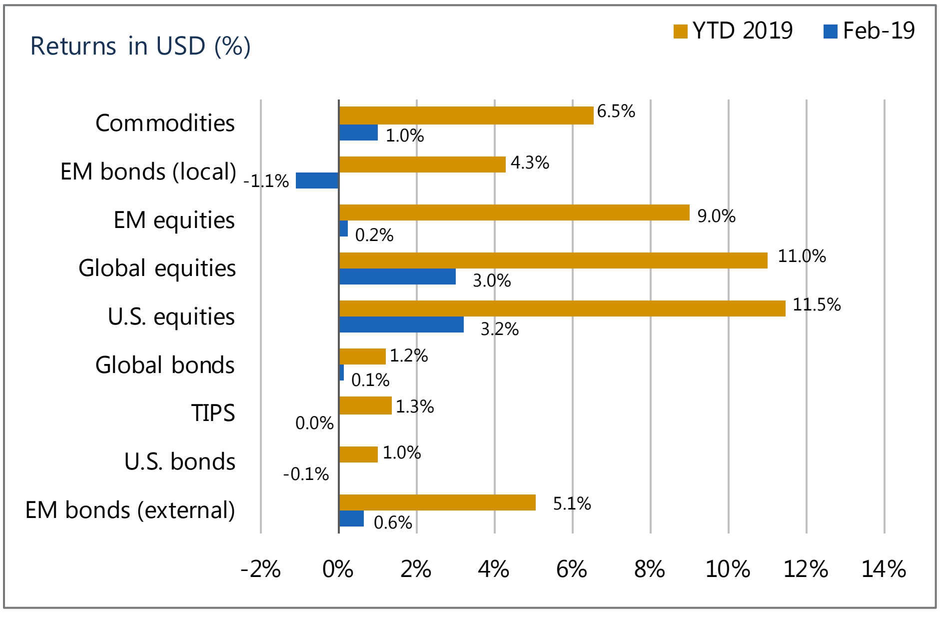
Market and Performance Review

There were plenty of developments for investors to digest in February. President Trump declared a national emergency to secure funds for a Mexico/U.S. border wall. The Federal Reserve (Fed) also emphasized its “patient” approach and indicated the possible conclusion of balance-sheet normalization later this year amid mixed economic data: Stronger-than-expected GDP growth of 2.6% in Q4 and large payroll gains in January contrasted with softer-than-expected December retail sales. In the U.K., Jeremy Corbyn, leader of the opposition Labour party, announced that the party would back a fresh referendum on whether Britain should exit the EU, while the Bank of England cut its growth and inflation forecasts (citing Brexit concerns). In Asia, Pakistan and India were in the spotlight after an Indian jet was shot down over Kashmir.

MARKET SENTIMENT REMAINS RELATIVELY OPTIMISTIC

February was friendly to investors for the most part. Global equities rose 3.0%, though still remain around 4% below their September high. Emerging market stocks underperformed those in developed markets, gaining just 0.2% in February.

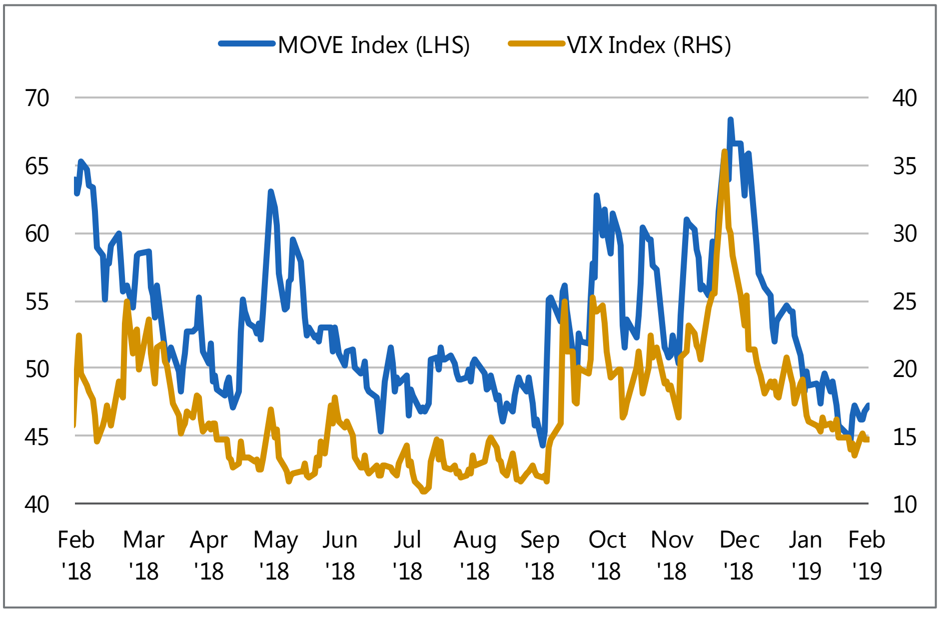
Most risk assets extended their rally



Source: Bloomberg, PIMCO as of 28 February 2019. EM equities represented by MSCI EM Index; Global Equities represented by MSCI World Index; U.S. equities represented by S&P 500; EM bonds (local) represented by JPM GBI-EM Global Div Unhedged; EM bonds (external) represented by JPM EMBI Global; U.S. bonds represented by Bloomberg Barclays U.S. Aggregate Index; TIPS represented by Bloomberg Barclays U.S. TIPS Index; Global bonds represented by Bloomberg Barclays Global Aggregate USD Hedged; Commodities represented by Bloomberg Commodity TR Index. Returns in USD (%).

Volatility levels across both bond and equity markets have retreated significantly since the beginning of the year. The VIX Index, which tracks U.S. equity volatility, and the MOVE index, which tracks U.S. interest rate volatility, both fell further over the course of February.

Market calm

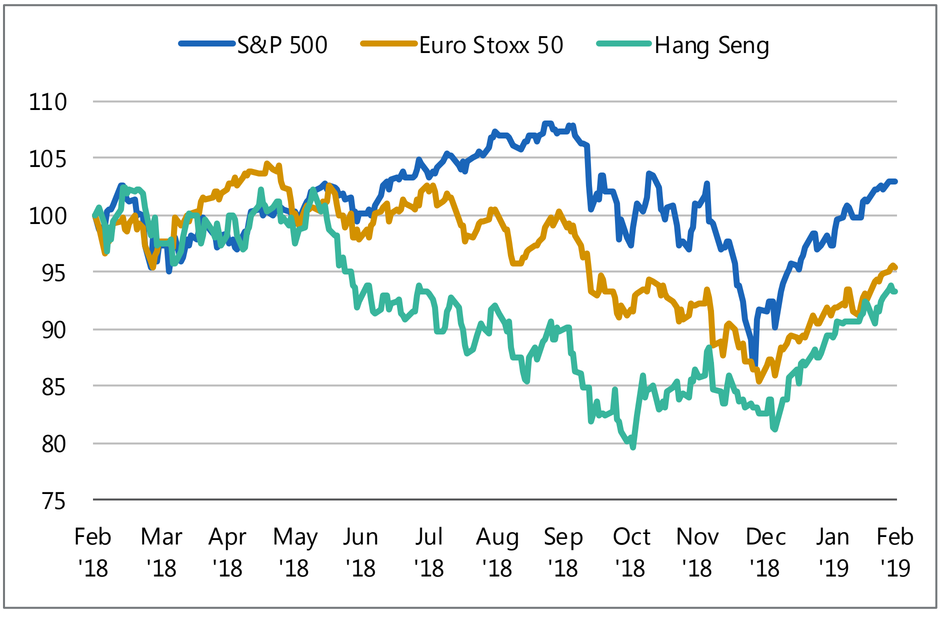


Source: Bloomberg as of 28 February 2019

RISKIER ASSETS EXTEND THEIR STRONG RUN

Major global equities markets continue to perform well

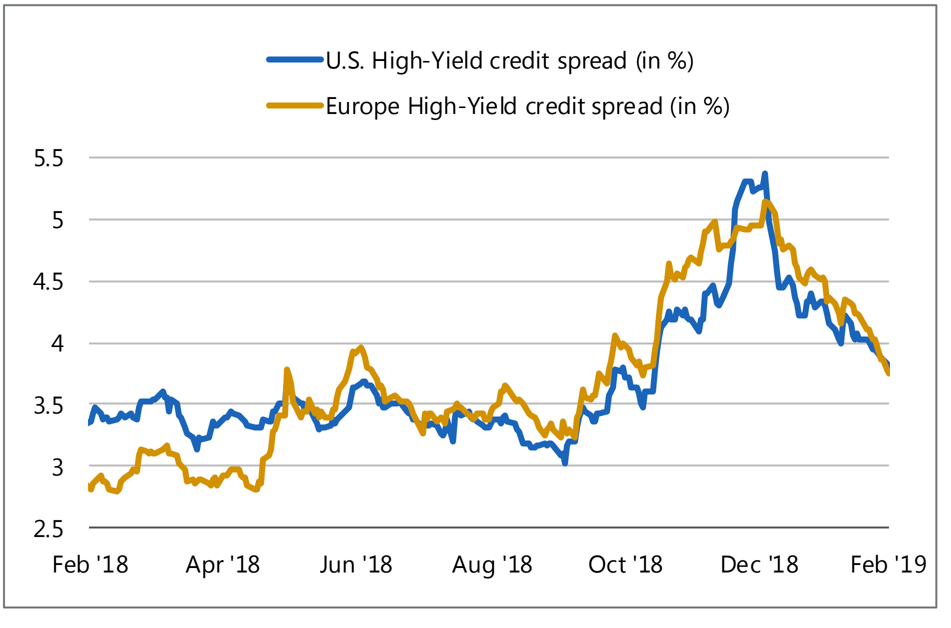
Major equity indices across the globe rallied on the back of optimism over U.S.-China trade talks and a more dovish stance from global central banks. For instance, the Bank of Japan (BoJ) stated that it "may consider additional stimulus", while the European Central Bank (ECB) added that it "must be ready if things turn sour".



Source: Bloomberg as of 28 February 2019

High-yield bond spreads tighten further

The ongoing positive market sentiment has also benefitted the corporate debt market, with U.S. and European high-yield credit spreads narrowing further.

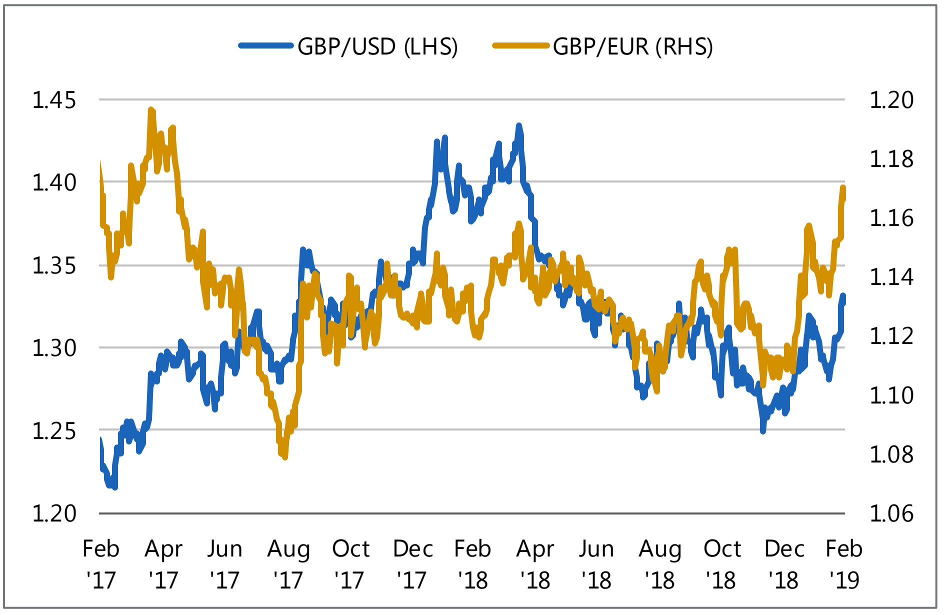


Source: Bloomberg as of 28 February 2019

STERLING RECOVERS FROM BREXIT DISTRESS WHILE GLOBAL CURRENCY VOLATILITY IS ON RETREAT

The British Pound is outperforming its European and U.S. currency peers this year as fears of a no-deal Brexit have faded. The Pound headed for its highest close vs. the Euro since April 2016, and also strengthened considerably versus the U.S. Dollar.

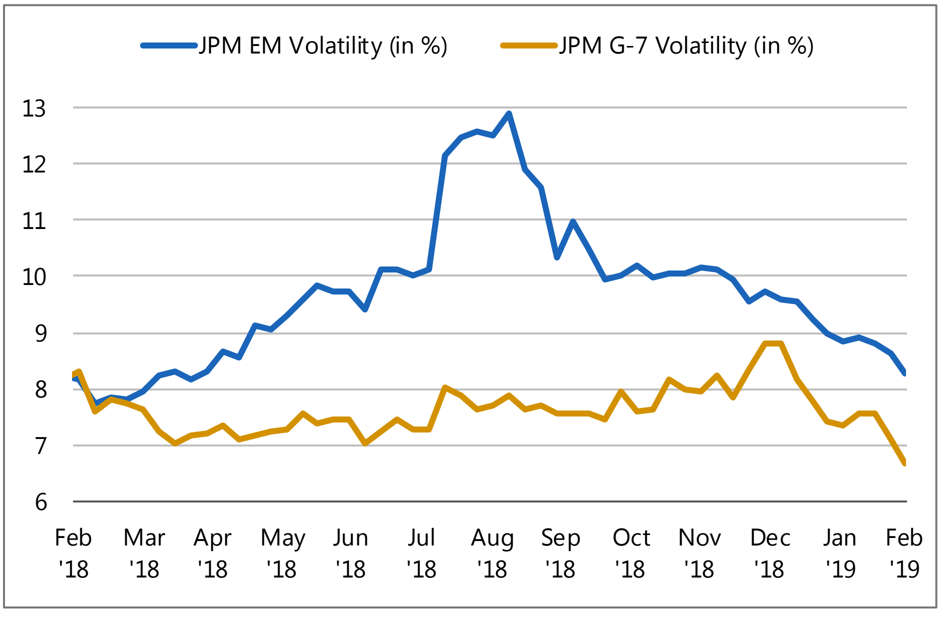
Brexit optimism spurs Pound rally



Source: Bloomberg as of 28 February 2019

Volatility associated with Emerging Markets and G-7 currencies continued to decrease over the course of February as global central banks signaled more accommodative stances.

Global FX market volatility slides



Source: Bloomberg as of 28 February 2019

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PIMCO GIS DYNAMIC BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.37	1.50	2.74	5.37	2.33	3.24	2.98
Benchmark	0.21	0.42	2.15	1.30	0.86	0.55	0.55

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Dynamic Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 15 December 2008.
Benchmark: 1 Month USD LIBOR Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Long exposure to investment grade and high yield corporate credit
- Short exposure to Italian duration
- Holdings of EM external debt

DETRACTORS

- Long exposure to US duration, primarily at the belly of the curve
- Long exposure to the Argentine peso and Turkish lira

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – We maintain long positioning in overall duration primarily through our long exposure to US duration while maintaining our short duration positions in the UK, Europe, and Japan. We continue to favor US duration given better relative valuations and its defensive value in case of a risk-off market scenario. The short to Japanese duration is on the 10yr part of the curve based on the view that stronger domestic growth should pave the way for tighter monetary policy by the BoJ. This position provides an efficient way for the portfolio to hedge against higher rates globally. We also maintained modest local rate exposure through Mexican rates.
- **Treasury Inflation-Protected Securities (TIPS)** – We maintain our long in US breakeven inflation (+0.5 TIPS DWE) to take advantage of the strength of US labor markets and the U.S. economy's potential for higher inflation. We hold a short to UK breakeven inflation (-0.2 TIPS DWE) as we expect inflation to come back down to the 2% target over the course of the year.
- **Mortgages** – We are currently long non-Agency MBS as an attractive source of yield relative to other fixed income sectors. We expect demand for high quality spread assets to keep the sector fairly well supported and will continue to benefit from limited new supply and improved mortgage credit fundamentals from the sustained recovery in the U.S. housing market. We maintain long exposure to Agency MBS given the attractive yield pick-up versus Treasuries and more defensive positioning versus investment grade credit.
- **Corporate Bonds** – We continue to be cautious on traditional corporate credit risk, as we find credit valuations unattractive at current spread levels. We look to diversify the portfolio by investing in non-cyclical sectors that have the potential to generate an attractive yield. We remain long select IG credits with an emphasis on financials. We maintain selective exposure to high yield credit as we remain cautious on spread risk in other parts of the portfolio.
- **Emerging Markets** – We remain tactical with modest holdings in EM external and quasi-sovereign securities to boost portfolio diversification and provide higher yields with limited potential for long term financial loss.
- **Currency** – We are long high-carry commodity currencies that are sufficiently priced for global trade risks (RUB, TRY, ARS) and maintain our short to a basket of low-carry Asian currencies to hedge China/commodity risk (SGD, TWD). We are long USD versus a short DM currencies basket (AUD, CAD, JPY, EUR).

PIMCO GIS GLOBAL LIBOR PLUS BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.46	1.66	2.80	3.29	-	-	3.20
Benchmark	0.21	0.42	2.15	1.30	-	-	1.27

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Global Libor Plus Fund, Institutional, Accumulation, USD. Fund incepted on: 29 January 2016.

Benchmark: 1 Month USD LIBOR Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to IG & HY corporates, as spreads tightened
- Modest short exposure to Italian government bonds
- Modest exposure to EM external debt

DETRACTORS

- Long exposure to US duration, primarily at the belly of the curve

POSITIONING AND OUTLOOK

- **Positioning summary** – The Fund is maintaining a more cautious stance on both interest rate risk and credit risk given their generally tight valuations. The primary focus is on capital preservation and generating incremental return through yield and relative value opportunities.
- **Corporate Bonds** – We find select high quality corporate credit attractive, and we are focused on opportunities in specific credits that benefit from US growth and a resilient housing sector. We find attractive opportunities in UK bank capital, which is attractive given the high quality basis with a low rate of nonperforming loans and supportive central bank and government.
- **Mortgages** – We see value in securitized debt, including select non-Agency MBS. We are currently long non-Agency MBS as an attractive source of yield relative to other fixed income sectors and continue to benefit from limited new supply and improved mortgage credit fundamentals from the sustained recovery in the US housing market.
- **Interest Rate Strategies** – We hold portfolio duration towards the lower end of the structural range with a focus on US duration given better relative valuations and its defensive value in case of a risk-off market scenario. Our positioning is concentrated in intermediate maturities. We also hold a modest position in intermediate US TIPS, as PIMCO believes US inflation risk is underpriced, and inflation should cyclically push back towards target levels. Additionally, the fund is short intermediate Japanese duration based on the growing view that stronger domestic growth should pave the way for tighter monetary policy by the BoJ. We maintain a short to European duration through Italy given the potential for medium term volatility due to political uncertainty and as the ECB gradually reduces QE.
- **Currency** – We are long a select basket of high-carry EM currencies. We are long USD versus a short DM currencies basket (AUD, CAD, EUR, JPY) position.

PIMCO GIS DYNAMIC MULTI-ASSET FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.27	3.24	-1.68	3.49	-	-	3.68
Benchmark	-0.03	-0.06	-0.37	-0.36	-	-	-0.36

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Dynamic Multi Asset Fund, Institutional, Accumulation, EUR. Fund incepted on: 25 February 2016.
Benchmark: 1 Month Euribor Rate Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Long U.S. and Japanese equity exposure
- Long credit exposure
- Developed Markets currency positioning given long USD and short JPY

DETRACTORS

- Short Eurozone equity exposure
- Short Swiss and UK equity exposure
- Long U.S. duration exposure

POSITIONING AND OUTLOOK

- **Equities** – Given expectations of higher market volatility, we maintain a preference for quality equity positions, remaining focused on the regions that have the strongest fundamentals – U.S. and Japan – where we prefer companies with strong earnings and large cash buffers, as these positions should be more robust amidst any market bumps and liquidity. We retain our short exposure to European equities and continued to add tactically to Emerging Markets as valuations improved substantially and outcomes seem to be more asymmetric now given eased fears around trade wars and a less hawkish Fed.
- **Credit** – We retain low overall credit exposure given the late stage of the economic cycle, as equities have historically provided better risk-adjusted returns. We maintain our exposure to non-agency MBS and added opportunistically in areas that suffered the most during the Q4 sell-off in USD denominated EM debt.
- **Interest Rates** – We continue to view high quality duration as a portfolio diversifier in adverse markets. We maintain our preference for U.S. and Canadian rates as yield levels are more attractive versus quality duration in other regions. Tactical positioning in BTPs and OATs are also being used to hedge market exposure.
- **Currency** – In the context of heightened politics and central bank activity, FX moves could be meaningful and we will be watching closely given its impact on asset class returns, in particular as sharp currency moves are likely to hit corporate earnings. Moreover, we will look to use currency as a means of balancing overall portfolio risk. We increased our EM FX exposure as a function of long EM equity, funded by shorts in EUR, JPY and AUD.

PIMCO GIS GLOBAL MULTI-ASSET FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.99	6.67	1.05	8.96	4.97	-	5.69
Benchmark	1.65	6.90	1.29	8.76	5.24	-	8.46

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Global Multi Asset Fund, Institutional, Accumulation, USD. Fund incepted on: 15 April 2009.
Benchmark: 60% MSCI All Country World Index/40% Bloomberg Barclays Global Aggregate USD Hedged. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight Japanese equities
- Allocations to high yield credit
- Overweight Emerging Market credit

DETRACTORS

- Underweight Eurozone equities
- U.S. equity positioning
- Underweight Emerging Market Asian equities

POSITIONING AND OUTLOOK

- **Equities** – We expect volatility and slowing profit growth to continue to impact investor appetite for equities in 2019. Therefore, we have a modest underweight to equities with an emphasis on liquidity and high quality, defensive sectors. We favor large caps over small caps, US equities over European equities and are modestly overweight Japanese equities given positive earnings, low leverage and still supportive Bank of Japan.
- **Credit** – Given our late-cycle view, we expect corporate credit will underperform over the coming year. Within corporate credit, we prefer shorter-dated bonds from high quality issuers, especially in defensive and noncyclical sectors, which is in keeping with our quality and liquidity theme. The high yield underweight reflects in particular the glut of low quality leveraged loan issuance. We continue to favor non-agency mortgage-backed securities (MBS) as they remain a relatively stable high quality alternative to corporate credit. We are also keeping dry powder in order to pursue targeted opportunities which we think offer attractive risk/reward characteristics.
- **Interest Rates** – We prefer high quality duration as we move toward the later part of the cycle as we still believe that fixed income offers an attractive diversifier for risk in portfolios. However, we are selective in our exposures. We find U.S. rates the most attractive in developed markets. Beyond the U.S., we find UK gilts and Japanese government bonds rich, and we believe valuations of Eurozone peripheral bonds are suspect without continued ECB support.
- **Currency** – We have a nuanced view on currencies, and expect more significant alpha opportunities to emerge outside of the majors. We are currently close to neutral in U.S. dollars (USD) versus the other majors, and will pursue idiosyncratic opportunities in emerging markets as they unfold. We expect downward pressures on the Chinese yuan (CNY) to persist, and therefore also maintain Asian currency shorts versus the USD.

PIMCO GIS EURO BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.16	1.48	2.71	2.57	3.69	5.96	4.58
Benchmark	-0.13	0.80	1.59	0.85	2.88	4.14	4.31

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Euro Bond Fund, Institutional, Accumulation, EUR. Fund incepted on: 31 December 1998.

Benchmark: FTSE Euro Broad Investment-Grade Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Underweight Italian duration
- Overweight Covered Bonds
- Exposure to High Yield credit

DETRACTORS

- Overweight German Duration
- Underweight Investment Grade credit

POSITIONING AND OUTLOOK

- **Eurozone Duration** – We are focusing EUR duration exposure on the belly of the curve, where carry opportunities are attractive and maintain an underweight position on the long end. We are underweight France as we feel French government bonds offer a poor risk/reward pay-off. We are underweight Italy given heightened political uncertainty.
- **Other Duration** – We hold modest exposure to US duration where yields offer an attractive pick-up versus other DM rates. We focus this exposure on the belly of the curve. The fund also holds duration exposure in Denmark, while maintaining a curve steepener in Japan, which may serve as a hedge for global rates recalibrating higher.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, a more liquid balance sheet and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – We view securitized credit favorably, in particular non-Agency MBS, given their attractive yields and our outlook for price appreciation in the US housing market. We also hold exposure to Danish callable mortgages which is an attractive source of "safe spread".
- **Currency** – We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, this position has low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

**"Safe spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.*

PIMCO GIS GLOBAL BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.35	1.74	3.44	3.98	4.20	6.79	5.64
Benchmark	0.12	1.18	3.94	2.49	3.29	3.99	4.83

SOURCE: PIMCO. As of 28 February 2019.

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PIMCO GIS Global Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 12 March 1998.

Benchmark: Bloomberg Barclays Global Aggregate (USD Hedged) Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Underweight Italian duration
- Underweight UK duration
- Long exposure to High Yield credit

DETRACTORS

- Underweight IG credit
- Overweight Agency MBS
- Overweight Core European duration

POSITIONING AND OUTLOOK

- **US Duration & Curve** – The Fund holds an overweight to US duration, focused on the intermediate portion of the curve as US rates offer an attractive pick-up versus other DM rates and are likely to remain range bound. We also see less value in the long end given the flatness of the curve.
- **TIPS** – The Fund maintains TIPS exposure as we continue to believe TIPS holdings reflect a defensive posture that could prove beneficial should US inflation surprises contribute to increases in rates.
- **Eurozone Duration** – Underweight total EUR duration as we see limited room for rates to rally. We hold an underweight position to Italian duration given political uncertainty. We are underweight France as we feel French government bonds offer a poor risk/reward pay-off.
- **Other Duration** – The Fund is underweight duration in Japan, a hedge against global rates recalibrating higher. The Fund holds an overweight to duration in Sweden and Denmark, as an attractive alternative to EUR rates.
- **Emerging Markets** – We maintain a cautiously constructive outlook on EM, expressing our EM views via FX given the more attractive liquidity profile.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, more liquid balance sheets, and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – Non-Agency MBS remains our preferred spread sector. PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields, risk profile and our outlook for price appreciation in the US housing market. The Fund also holds exposure to Danish callable mortgages and Swedish covered bonds which offer an attractive source of "safe spread"*.
- **Currency** – We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, but with low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

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PIMCO GIS GLOBAL BOND ESG FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.28	1.73	2.91	-	-	-	2.78
Benchmark	0.12	1.18	3.94	-	-	-	2.74

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Global Bond ESG Fund, Institutional, Accumulation, USD. Fund incepted on: 12 January 2017.

Benchmark: Bloomberg Barclays Global Aggregate (USD Hedged) Index.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Underweight Italian duration
- Underweight UK duration
- Overweight financials

DETRACTORS

- Overweight US duration
- Underweight EM external debt
- Long exposure to JPY

POSITIONING AND OUTLOOK

- **US Duration & Curve** – The Fund holds an overweight to US duration, focused on the intermediate portion of the curve as US rates offer an attractive pick-up versus other DM rates and are likely to remain range bound. We also see less value in the long end given the flatness of the curve.
- **TIPS** – The Fund maintains TIPS exposure as we continue to believe TIPS holdings reflect a defensive posture that could prove beneficial should US inflation surprises contribute to increases in rates.
- **Eurozone Duration** – Underweight total EUR duration as we see limited room for rates to rally. We hold an underweight position to Italian duration given political uncertainty. We are underweight France as we feel French government bonds offer a poor risk/reward pay-off.
- **Other Duration** – The Fund is underweight duration in Japan, a hedge against global rates recalibrating higher. The Fund holds an overweight to duration in Sweden and Denmark, as an attractive alternative to EUR rates.
- **Emerging Markets** – We maintain a cautiously constructive outlook on EM, expressing our EM views via FX given the more attractive liquidity profile.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, more liquid balance sheets, and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – Non-Agency MBS remains our preferred spread sector. PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields, risk profile and our outlook for price appreciation in the US housing market. The Fund also holds exposure to Danish callable mortgages and Swedish covered bonds which offer an attractive source of "safe spread"*.
- **Currency** – We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, but with low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

**"Safe spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.*

PIMCO GIS GLOBAL BOND EX-US FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.40	1.76	3.97	4.26	4.92	7.08	5.24
Benchmark	0.22	1.24	4.53	2.99	4.20	3.96	4.16

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Global Bond Ex-US Fund, Institutional, Accumulation, USD. Fund incepted on: 31 March 2003.
Benchmark: Bloomberg Barclays Global Aggregate ex-USD (USD Hedged) Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to High Yield Credit
- Overweight EM external debt
- Underweight UK duration

DETRACTORS

- Exposure to US duration
- Overweight Core European duration
- Underweight IG credit

POSITIONING AND OUTLOOK

- **US Duration & Curve** – The Fund holds modest exposure to US duration, focused on the intermediate portion of the curve as US rates offer an attractive pick-up versus other DM rates and are likely to remain range bound. We also see less value in the long end given the flatness of the curve.
- **TIPS** – The fund will maintain some TIPS exposure as we continue to believe TIPS holdings reflect a defensive posture that could prove beneficial should US inflation surprises contribute to increases in rates.
- **Eurozone Duration** – Underweight total EUR duration as we see limited room for rates to rally. We hold an underweight position to Italian duration given political uncertainty. We are underweight France as we feel French government bonds offer a poor risk/reward pay-off.
- **Other Duration** – The fund is underweight duration in Japan, a hedge against global rates recalibrating higher. The Fund holds an overweight to duration in Sweden and Denmark, as an attractive alternative to EUR rates.
- **Emerging Markets** – We maintain a cautiously constructive outlook on EM, expressing our EM views via FX given the more attractive liquidity profile.
- **Credit** – Maintain low overall MWS (credit risk) target, reflective of the expectation that we will avoid generic cash corporate credit. We remain opportunistic, favoring UK banks given strong capital, more liquid balance sheets and attractive valuations. Importantly, UK banks remain resilient against a potential downturn post-Brexit.
- **Securitized** – Non-Agency MBS remains our preferred spread sector. PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields, risk protection and our outlook for price appreciation in the US housing market. The fund also holds exposure to Danish callable mortgages and Swedish covered bonds which offer an attractive source of "safe spread"*.
- **Currency** – We expect to maintain a modest long exposure in select high carry emerging market (EM) currencies, but with low scaling reflecting both attractive valuations and the significant uncertainty in the outlook across countries.

**"Safe spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.*

PIMCO GIS TOTAL RETURN BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.20	1.59	2.29	2.68	2.28	4.33	5.26
Benchmark	-0.06	1.00	3.17	1.69	2.32	3.71	4.71

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Total Return Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 31 January 1998.

Benchmark: Bloomberg Barclays U.S. Aggregate Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Non-U.S. duration strategies, including country selection in the eurozone and short exposure to duration in select markets
- Selection within corporate credit, particularly a preference for financials
- Short exposure to the Japanese yen

DETRACTORS

- Positions in Agency MBS

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – We are underweight duration overall. We have a preference for U.S. duration against rate exposure in other developed regions, including the eurozone periphery, the U.K., and Japan. We maintain a preference at the intermediate portion of the curve and see less value in the long end, particularly as the risk of rising inflation remains and central bank support wanes. We expect rates in the US to be relatively range bound as underlying trend growth in the U.S. remains low and positioning in Japan serves as a cheap hedge against global rates moving higher. To the extent rates rise, we would expect international rates to move more than the US. Conversely, a "risk-off" scenario would likely entail a bigger rally in high quality U.S. assets.
- **Mortgages** – We are overweight Agency MBS, with a preference for 3-4% coupons. These provide attractive, high-quality, and diversifying sources of carry. We also maintain positions in non-Agency mortgages given attractive loss-adjusted yields, favorable technicals and continued long-term fundamental improvement in the housing sector. Mortgage credit can be a diversifier to traditional corporate credit in the later stages of an expansion.
- **Corporate Bonds** – We remain underweight investment grade corporate bonds. We have more diversified credit exposures in sectors beyond IG corporates and are more focused on security selection over generic beta exposure. We believe valuations warrant a more defensive stance (higher quality, lower maturity). We continue to hold positions in mortgage credit and select HY issues. We would look to add opportunistically to corporates amid market dislocations as we do not see any imminent downturn in the business cycle.
- **Currency** – We remain tactical with currency positioning, particularly given less conviction in the overall direction of the dollar. We have some modest tactical positioning in select DM currencies as well as higher carry EM currencies that reflect relative attractiveness based on valuation/yield and fundamentals.
- **Treasury Inflation-Protected Securities (TIPS)** – We continue to have a favorable view of TIPS but have limited exposure currently. Even as we have modest exposure to TIPS, the portfolio still contains reflationary themes including an underweight to the long end of the yield curve and a preference for financials and housing-related exposures.

The terms "cheap" and "rich" as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

PIMCO GIS CAPITAL SECURITIES FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.67	4.92	-0.11	8.03	4.81	-	6.16
Benchmark	0.23	0.47	2.39	1.48	1.00	-	0.93

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Capital Securities Fund, Institutional, Accumulation, USD. Fund incepted on: 31 July 2013.

Benchmark: 3 Month USD LIBOR Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to Additional Tier 1 bonds, as spreads tightened and high beta credits outperformed amid positive market sentiment
- Exposure to senior and subordinated bank debt from UK issuers, which benefitted from light issuance and reduced Brexit risk
- Exposure to AT1 bonds from a select large Dutch bank, as spreads tightened amid strong FY end results

DETRACTORS

- Select credit hedges via buy protection Credit Default Swaps, as spreads tightened during the month

POSITIONING AND OUTLOOK

- PIMCO favours investments in Additional Tier 1 (AT1) and Tier 2 CoCos (Contingent Convertible bonds) which benefit from ongoing capital build up, better asset quality and positive regulatory developments.
- Geographically we remain positive on the UK, where the financial regulator remains very conservative on capital standards, banks asset quality is resilient and Brexit uncertainty prevents banks from releveraging . In the periphery, we focus on Spanish subordinated debt of national champions, while in Italy we prefer to take exposure to senior debt. At the moment, we also find value in the senior part of the capital structure of US banks that have large market capitalizations, strong equity market access and earnings power.
- We expect technicals AT1 bonds to be supportive going forward, given the growing investor base and limited supply as a result of the fact that European banks have issued most of their regulatory capital with the focus now shifting to refinancing. Investors also proved to be able to differentiate between banks, preventing a contagion effect from the recent idiosyncratic shocks.
- European AT1s remain amongst the highest yielding asset classes. An upside to the return of volatility has been the fact that primary markets have become much more exciting as of recent with concessions up to 50bps. Subordination premia remain high and valuations across the capital structure are dislocated, offering exciting relative value opportunities.
- The core of the strategy remains centred around National champions in each country, all of them benefiting from very strong capital positions, as highlighted by their solid performance across various stress tests. The portfolio has a high quality bias in selecting the banks we invest in, and the bar to invest in riskier situations in Europe has increased further.

PIMCO GIS DIVERSIFIED INCOME FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.06	4.25	4.25	7.75	4.73	8.61	6.54
Benchmark	0.91	4.32	3.40	6.04	4.40	8.30	6.11

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Diversified Income Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2005.

Benchmark: 1/3 each - Bloomberg Barclays Global Aggregate Credit ex Emerging Markets, USD Hedged; ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index, USD Hedged; and JPMorgan EMBI Global, USD Hedged. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- An overweight to high yield cable/media, which outperformed, as well as exposure to a select issuer that rallied following asset sales
- An overweight to high yield finance companies, which outperformed, as well as exposure to a select issuer in consumer finance which was upgraded
- An overweight to financials, which outperformed, including AT1 bonds, as higher beta credits rallied amid positive market sentiment

DETRACTORS

- An underweight to EM external debt, which continued to rally given the more constructive risk sentiment year-to-date
- Underweight exposure to high yield raw materials and energy sectors, which continued to rally supported by the rebound in energy and metal prices year-to-date

POSITIONING AND OUTLOOK

- **Financials** – We continue to find attractive relative value opportunities in the sector, particularly in select European subordinated and US senior bonds.
- **Securitized** – Focus on non-agency mortgages given strength of the US housing market which benefits from US growth, full employment and higher inflation. We also emphasize senior CLO and CMBS exposure given their diversification benefits and downside resilience.
- **High Yield/Bank Loans** – We see relative value in select names, with a preference for senior secured bonds and high quality bank loans, which provide attractive carry while they rank high up in the capital structure. Focus on industries with stable cash flows and good growth fundamentals such as Cable/Media.
- **Currency** – We maintain limited FX exposure, with select long exposure to high carry EM FX versus Euro.
- **Duration** – Moderate underweight duration, with a focus on the short end and belly of the curve given attractive carry opportunities and concerns about the long-end's valuations.
- **Investment Grade Corporates** – We see long-term relative value in higher quality, shorter maturity, "bend-but-not-break" investment grade corporate credits which have hard assets and generate steady cash flows, such as Pipelines.
- **Emerging Markets** – Cautious on Emerging Markets given the recent volatility, the potential for more restrictive trade policies and limited relative value vs IG and HY. Continue to focus on countries with strong fundamentals and ability to repay.

PIMCO GIS GLOBAL HIGH YIELD BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.70	6.27	4.37	8.02	4.61	9.97	6.80
Benchmark	1.73	5.76	4.40	8.55	4.86	10.82	7.07

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Global High Yield Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2005.

Benchmark: ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index Hedged into USD. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Security selection within the cable sector, as a select European issuer outperformed after a deleveraging M&A transaction
- Security selection within the banking sector, as select European CoCos outperformed amid positive market sentiment
- Security selection within the telecommunications sector, in particular void exposure to a wireline issuer who filed for bankruptcy

DETRACTORS

- An overweight to the healthcare sector, as the sector modestly underperformed the broader HY market during the month
- Security selection in the media sector, as a select issuer underperformed following revenue and EBTIDA declines

POSITIONING AND OUTLOOK

- PIMCO expects coupon returns to drive performance in the high yield market. In particular fundamentals remain supportive given leverage for the broader market is declining and proceeds from bond issuance are primarily being used for refinancing activity. In addition PIMCO believes that headline default rates will remain at around 2-3% over the next 12 months. We expect the impact of US tax reforms to be neutral to slightly positive for the higher quality segment (BB/B) of the market given lower corporate tax rates and other deductions while for CCC companies the overall impact will be varied.
- High yield bonds have proven to be resilient year to date and energy is no longer a significant driver of returns within the asset class. Energy and metals and mining cohorts are more stable as defaulted issuers have dropped out of the universe, and previous fallen angels are beginning to get upgraded back into investment grade.
- Technicals remain constructive given negative net issuance while long-term institutional investors have also been stepping in and allocating to high yield as yields have passed 6%, thereby offsetting heavy retail mutual fund outflows (which have now stabilized).
- Lastly, valuations are currently fair. Investors are being appropriately compensated for credit risk given that current spread levels are implying higher default rates than those forecasted by both PIMCO and independent rating agencies. However with spreads below long run averages, returns will likely be driven by income and less so by capital appreciation.
- We continue to favor defensive, non-cyclical sectors with stable cash flows such as Healthcare/Pharmaceuticals and sectors tied to a resurging US consumer such as Consumer Products, Gaming and Building Material companies which benefit from new construction and the repair & remodel markets. We remain underweight to Wirelines which continue to face secular headwinds due to a decline for legacy voice services and increasing competition, to Retail given low barriers to entry and decline in brick and mortar sales and lastly to the Metals and Mining sector given our cautious outlook on demand for steel and coal from China going forward. On valuation grounds we remain underweight Home Builders which we favor fundamentally but which trade in line with investment grade issuers.

PIMCO GIS GLOBAL INVESTMENT GRADE CREDIT FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.73	2.88	3.38	4.97	4.27	7.04	5.83
Benchmark	0.41	2.20	3.33	3.79	3.52	5.66	4.83

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Global Investment Grade Credit Fund, Institutional, Accumulation, USD. Fund incepted on: 18 April 2008.

Benchmark: Bloomberg Barclays Global Aggregate Credit Index (USD Hedged). Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Macro strategies, and in particular an underweight to US long term yields as the US curve steepened
- Exposure to the banking sector, and in particular to subordinated bank debt as higher beta credit markets outperformed during the month
- An overweight to consumer finance companies, which outperformed the broader credit market during the month

DETRACTORS

- An underweight to utilities, which outperformed the broader market during the month
- An underweight to integrated energy, which outperformed amid higher oil prices

POSITIONING AND OUTLOOK

- We continue to overweight credit risk but have moved up in quality and de-risked as credit markets are closer to fair value. We are now focusing on relative value opportunities between sectors and companies to drive returns. In particular we are reducing credit over-weights in higher-beta/lower rated names, upgrading quality and increasing liquidity of our holdings.
- Fundamentals for most corporate issuers remain positive as balance sheets are improving with revenue growth, margin expansion and stabilizing levels of leverage. In the US the tax cuts have provided a positive backdrop for corporates in 2018, with a positive impact on GDP growth and corporate profits feeding into free cash flows. On the flip side, the probability of a U.S. recession has moderately increased over the secular horizon as the economy is farther along in the cycle and more vulnerable to speed bumps and heightened geopolitical risk.
- Demand for high quality income such as credit should remain high, especially from institutional investors, alongside the higher absolute yields. Net issuance should decline, given lower issuance of USD debt alongside cash repatriations and lower corporate taxes.
- Overall, we are more selective on generic credit and instead we look to apply the best bottom-up ideas to emphasize short-dated and default-remote 'bend-but-don't-break", corporate positions. We favor industries tied to the U.S. consumer, including cable, gaming, and lodging, which should remain supported by solid consumer fundamentals, rising confidence and tax cuts. We are particularly constructive on the US housing sector, supported by significant pent up demand and inventories near 25 year lows. We also continue to like banks and financials, given improving fundamentals and potential benefits from moderately higher interest rates and deregulation. Finally, we continue to believe mid-stream energy/MLPs/pipelines offer the most attractive risk/reward in the energy sector amid the prospect for a pickup in volume growth in the U.S. shale regions.
- Conversely PIMCO continues to be underweight the utility sector, particularly in Europe, given unattractive valuations, regulatory risk and potential for rating agencies downgrades. We are also underweight the diversified manufacturing segment, which tends to suffer from key risks such as pricing pressure, major M&A activities as well as ever increasing shareholder friendly actions. Lastly we continue to avoid companies facing re-leveraging risk as modest longer-term organic growth profiles in industries like the food & beverage sector drive issuers to focus more on growth through M&A activities.

PIMCO GIS MORTGAGE OPPORTUNITIES FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.38	0.85	2.21	-	-	-	2.92
Benchmark	0.23	0.47	2.39	-	-	-	1.81

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Mortgage Opportunities Fund, Institutional, Accumulation, USD. Fund incepted on: 25 January 2017.
Benchmark: 3 Month USD LIBOR Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Exposure to senior mortgage credit
- Agency MBS relative value strategies
- Exposure to senior CLOs

DETRACTORS

- Long exposure to U.S. duration
- Select structured Agency MBS positions

POSITIONING AND OUTLOOK

- **Agency MBS** – We increased our exposure to Agency MBS during the month. February marked the fifth month of the Fed's exit from the mortgage market. The reinvestment cap has been raised to $20bn, however the Fed's MBS holdings are no longer paying down quickly enough to hit the maximum rate. After the Fed's exit, Agency MBS has returned to its historically normal valuations, albeit on the cheaper side. Without the Fed's involvement we expect the MBS basis to be more volatile, but we expect an increased amount of relative value opportunities between coupons, issuers, and collateral types, in such an environment.
- **Structured Agency MBS** – We maintain exposure to interest-only (IO), inverse floating rate, and inverse IO (IIO) securities in order to take advantage of attractive prepayment and collateral characteristics.
- **Securitized Credit** – PIMCO remains constructive on senior US securitized credit. Non-Agency MBS stand out as attractive, as housing is well insulated from the key risks facing global markets. We believe CMBS remains a good defensive trade while providing diversification versus investment grade corporate credit, and senior CLOs and select ABS also present select opportunities within the high quality securitized space.
- **Duration** – We increased our duration exposure during the month. We continue to view duration exposure as a valuable source of diversification and will adjust positions as interest rate levels fluctuate.

PIMCO GIS EMERGING LOCAL BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	-1.00	4.82	-7.30	6.68	-0.69	4.49	2.24
Benchmark	-1.09	4.30	-5.38	6.77	0.06	5.10	2.86

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Emerging Local Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 11 December 2007.
Benchmark: JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged). Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Off-benchmark exposure to Egyptian and Nigerian T-Bills contributed to relative performance
- Overweight to Peruvian local duration and currency contributed to relative performance as Peruvian rates fell and the currency appreciated on news that Peru's economic growth is accelerating
- Off-benchmark exposure to Kazakh tenge contributed to relative performance as OPEC's production cuts drove oil prices higher and supported the KZT, which appreciated against the dollar

DETRACTORS

- Overweight to Argentine peso detracted from relative performance as the currency depreciated on political noise surrounding the upcoming elections in October
- Overweight to South African rand detracted from relative performance as the currency depreciated on investor concerns over a quasi-sovereign agency

POSITIONING AND OUTLOOK

- Over the secular horizon, PIMCO believes that EM local debt markets will benefit from attractive nominal and real yield levels, secular appreciation of EM currencies, convergence with developed market interest rates and the support of a growing dedicated investor base. Risk factor diversification remains a valuable long-term feature of EM Local debt allocation.
- Our cyclical outlook for EM is more nuanced, but we believe that this environment could provide rich alpha opportunities for an active manager like PIMCO
- Global backdrop remains uncertain with both left tail (trade frictions, less synchronized global growth, potential shocks from the Eurozone) and right tail risks (gradual Fed normalization, ECB and BOJ remain accommodative, global growth supports commodity prices) for EM
- The political calendar in 2018 was busy (elections in Brazil, Mexico, Turkey, Russia, Colombia, etc.) and significantly contributed to the volatility of Emerging markets as political risks were priced in and out by investors. With a much lighter electoral calendar in 2019, combined with the generally healthy fundamentals across the majority of emerging market countries, we expect external factors, specifically US monetary policy, the US Dollar dynamic, and US/China and broader global trade frictions to be EM's main performance drivers.
- Valuations meaningfully cheapened in 2018 and we believe that the overall solid fundamental picture in EM start to act as an anchor to the beta of the asset class
- In terms of EM local duration, we O/W Peruvian and Israeli local duration given the high steepness of the respective local yields curve.. In addition, we continue to focus on technical opportunities like liability management, potential index inclusions, IMF umbrella, expressed through IDR CLNs, KZT, UAH quasi-sovereigns. On the flipside, we U/W local duration in Chile, where the ongoing economic recovery will likely prompt the Central Bank to gradually remove its accommodative monetary policy. We also U/W Romania, given economic headwinds.
- In terms of EM FX, we continue to favor a basket of high carry currencies (overweight to RUB, ZAR) and partially fund these trades with an underweight to a selection of Asian currencies (TWD, THB, KRW). Within the CEE region, we underweight RON (deteriorating fiscal stance) and overweight to PLN (hawkish Central Bank) and PLN (healthy growth and benign inflation). Finally, in an effort to diversify the fund away from EM FX beta, we keep exposure to Egyptian and Nigerian T-Bills, which offer attractive carry and benefit from supportive technicals.

PIMCO GIS EMERGING MARKETS BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.72	5.25	1.94	8.24	4.38	7.97	9.24
Benchmark	0.62	5.07	2.43	5.84	4.76	8.36	8.37

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Emerging Markets Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 31 July 2001.

Benchmark: JPMorgan Emerging Markets Bond Index (EMBI) Global. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweigh to select Brazilian quasi-sovereign debt and exposure to corporate debt, which outperformed the index
- Overweight to Nigerian sovereign debt which outperformed the index as OPEC's production cuts continued to drive oil prices higher
- Underweight to US duration as US rates rose modestly

DETRACTORS

- Underweight to Omani sovereign debt which outperformed the index as the country announced it would slash by 70% its borrowing plans for 2019 and rely on asset sales to fund its budget deficit
- Portfolio underweight to EM spread duration as EM spreads tightened moderately on hopes for a resolution of the US-China trade dispute

POSITIONING AND OUTLOOK

- PIMCO believes that over the secular horizon, EM bonds are an attractive addition to investor portfolios due to structural advantages over developed markets, favorable technicals and an attractive risk-return profile.
- Our cyclical outlook for EM is more nuanced, but we believe that this environment could provide rich alpha opportunities for an active manager like PIMCO
- Global backdrop remains uncertain with both left tail (trade frictions, less synchronized global growth, potential shocks from the Eurozone) and right tail risks (gradual Fed normalization, ECB and BOJ remain accommodative, global growth supports commodity prices) for EM
- The political calendar in 2018 was busy (elections in Brazil, Mexico, Turkey, Russia, Colombia, etc.) and significantly contributed to the volatility of Emerging markets as political risks were priced in and out by investors. With a much lighter electoral calendar in 2019, combined with the generally healthy fundamentals across the majority of emerging market countries, we expect external factors, specifically US monetary policy, the US Dollar dynamic, and US/China and broader global trade frictions to be EM's main performance drivers.
- Valuations meaningfully cheapened in 2018 and we believe that the overall solid fundamental picture in EM will start to act as an anchor to the beta of the asset class
- We emphasize caution in our positioning and prefer to grind out alpha with bottom-up positions rather than big top-down macro risk calls:
  - In terms of portfolio positioning, the fund maintains modest underweights to U.S. duration and EM spread duration.
  - In terms of country positioning, our positions are built around several themes. First, we maintain slight overweight to names with IMF backstops and credible reforms (Argentina, Cote d'Ivoire). Second, we continue to focus on high-carry, short duration securities with potential for liability management take-out (Ukraine). Third, we have an exposure to off-benchmark countries that exhibit an improving credit trajectory (Israel, Albania). Fourth, as the weights of the newly included GCC countries in JPM's EMBIG index continues to rise, we O/W the strongest credits in the region (Saudi Arabia) and U/W the weakest ones (Bahrain). Fifth, we limit the fund's exposure to sanctions risk (e.g. Russian sovereign debt) or trade war escalation (e.g. Chinese quasi-sovereigns). Last but not least, we offset the overall exposure with underweight positions in countries with little room for further spread compression (Philippines, Malaysia, Hungary, Peru) or issuers on a deteriorating credit trajectory.

PIMCO GIS EMERGING MARKETS CORPORATE BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	1.16	3.28	2.87	8.21	3.38	-	5.01
Benchmark	1.15	4.00	3.24	6.51	4.91	-	6.29

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Emerging Markets Corporate Bond Fund, Institutional, Accumulation, USD. Fund incepted on: 12 November 2009. Benchmark: JPMorgan Corporate Emerging Markets Bond Index Diversified (CEMBI). Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight to Ukrainian corporate debt, which outperformed the index
- Overweight to Brazilian corporate spread duration and security selection contributed to relative performance
- Overweight to Turkish corporate spread duration and security selection contributed to relative performance

DETRACTORS

- Underweight to Omani corporate denbt detracted from performance as the country announced to would slash its borrowing plans for 2019 by 70% and rely on asset sales to fund its budget deficit
- Underweight to EM corporate spread duration as EM corporate spreads tightened in February

POSITIONING AND OUTLOOK

- PIMCO believes that over the secular horizon, EM bonds are an attractive addition to investor portfolios due to structural advantages over developed markets, favorable technicals and an attractive risk-return profile. The case for EM corporates, in particular, remains constructive, given positive demographic developments, lower overall debt levels and stronger economic growth vs. developed market economies.
- Our cyclical outlook for EM has become more nuanced, but we believe that this environment could provide rich alpha opportunities for PIMCO as an active manager.
- Global backdrop remains uncertain with both left tail (trade frictions, less synchronized global growth, potential shocks from the Eurozone) and right tail risks (gradual Fed normalization, ECB and BOJ remain accommodative, global growth supports commodity prices) for EM
- The political calendar in 2018 was busy (elections in Brazil, Mexico, Turkey, Russia, Colombia, etc.) and significantly contributed to the volatility of Emerging markets as political risks were priced in and out by investors. With a much lighter electoral calendar in 2019, combined with the generally healthy fundamentals across the majority of emerging market countries, we expect external factors, specifically US monetary policy, the US Dollar dynamic, and US/China and broader global trade frictions to be EM's main performance drivers.
- Valuations meaningfully cheapened in 2018 and we believe that the overall solid fundamental picture in EM start to act as an anchor to the beta of the asset class
- We emphasize caution in our positioning and prefer to grind out alpha with bottom-up positions rather than big top-down macro risk calls:
  - In terms of portfolio positioning, the Fund maintains modest underweight to U.S. duration and continues to underweight EM corporate spread duration
  - The Fund continues to favor companies with strong business models, solid credit quality and that are likely to maintain their quality in the environment of increased volatility and dearer capital. We focus on credit selection to find opportunities in the primary market that offer compelling risk/reward profiles. More specifically, we focus on corporate issuers with strong credit metrics that are more insulated from sovereign risks; we prefer Financials in countries, where the sector enjoys high margins and a solid starting capital base (such as selected Turkish banks) and we also overweight senior vs. subordinated debt given lack of premium offered for increased risks moving lower in the capital structure; in Oil & Gas, we overweight companies which are ramping up production while reducing their cost base (such as Brazilian, Colombian, and Ghanaian oil producers); finally, we remain defensive on internal demand driven sectors in countries with potential downside to economic growth (such as consumer staples in Mexico)

PIMCO GIS STOCKSPLUS FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	3.21	11.93	3.63	15.50	10.23	17.80	6.16
Benchmark	3.14	11.36	4.05	14.58	9.99	15.94	5.53

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS StocksPLUS Fund™, Institutional, Accumulation, USD. Fund incepted on: 31 December 1998.
Benchmark: S&P 500 Index (Net of dividend withholding tax). Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Holdings of high quality corporate debt contributed to performance, as credit spreads tightened
- Select holdings of U.S. TIPS (Treasury Inflation Protected Securities) contributed, as breakeven rates increased

DETRACTORS

- U.S. interest rate strategies, primarily exposure to the intermediate portion of the yield curve as U.S. rates increased

POSITIONING AND OUTLOOK

Equity Index Portfolio Characteristics

S&P 500 Index	
Number of stocks	505
Dividend Yield	2.0
Weighted avg market cap (USD Bn)	$191,4
Trailing P/E ratio	19.3
Forward P/E ratio	16.9

Top 5 sector weights	(MV%)
Information Technology	20.6
Health Care	14.8
Financials	13.3
Communication Services	10.1
Consumer Discretionary	9.9

Note: *GIS StocksPLUS Fund passively replicates the S&P500 through the use of futures and swaps. Excess returns are generated by actively managing a high quality, short-duration bond alpha portfolio. As such, the statistics above pertain to the Fund's S&P 500 index exposure and the attribution commentary below pertains to how the bond alpha strategy performed.*

- **Equities** – After years of strong performance, global equities have experienced greater volatility in the face of rising rates and geopolitical tensions. While fundamentals are solid, valuations for equity markets remain elevated compared to historical norms. Although fiscal stimulus has the potential to continue to boost markets, we caution that companies may face headwinds from rising real interest rates and potentially higher labor costs. Less predictable and perhaps less market-friendly central bank policies could lead to higher volatility in equity returns over the coming years.

- **Bond Alpha Strategy** – Within the bond alpha strategy, the portfolio's U.S. interest rate positioning remains tactical, favoring intermediate portions of the yield curve relative to longer-term rates . We continue to hold TIPS vs Treasuries as inflation expectations embedded in the markets still remain low despite recent moves in breakeven inflation rates. We continue to favor shorter-dated and high quality "safe spread" sectors, such as Agency MBS, AAA-rated ABS, and investment grade corporates which should continue to benefit from fundamental strength in the US economy and stability in the U.S. housing market.

PIMCO GIS EURO INCOME BOND FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.88	2.35	1.30	5.31	3.50	-	5.04
Benchmark	0.08	0.71	1.15	0.85	2.07	-	3.40

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Euro Income Bond Fund, Institutional, Accumulation, EUR. Fund incepted on: 28 February 2011.

Benchmark: Bloomberg Barclays Euro Aggregate 1-10 Year Bond Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

Note: contributor and detractors are in absolute terms

CONTRIBUTORS

- Exposure to IG & HY corporates, as spreads tightened
- Modest exposure to EM external debt, as spreads tightened

DETRACTORS

- Exposure to negative Euro cash rate

POSITIONING AND OUTLOOK

- **Duration** – The Fund is maintaining a more cautious stance on interest rate risk. Our exposure to European duration is concentrated on the belly of the curve where carry is most attractive. We have increased our exposure to US duration as it offers downside protection and we maintain a small short exposure to UK duration, as we anticipate a more organized Brexit deal than currently priced in markets.
- **Investment Grade** – We continue to favor banks and financials, given improving fundamentals and potential benefits from moderately higher interest rates and deregulation. Within European credit, we are focused on companies which are de-leveraging and have strong asset bases. We favor manufacturers of auto parts and equipment given high margins diversified revenue base and potential for rating upgrades. We are also targeting select dollar-denominated credits, which offer attractive yields hedged back to EUR.
- **High Yield** – We have adjusted our exposure lower as we are cautious about growth globally and attempt to protect against downside risk. We favour high quality bank loans which provide attractive carry and downside protection.
- **Securitized** – We view securitized credit favorably, in particular US non-Agency MBS, due to their attractive yields and risk profile and Agency MBS as the sector provides "safe spread*" along with downside protection in the event of a flight to quality. We also favour European ABS, as an attractive source of high quality spread.
- **Emerging Markets** – We retain a small exposure to a basket of selected mostly quasi sovereign credits that benefit from strong liquidity, limited financing needs and an ability to reduce cash costs to preserve liquidity.
- **Currency** – The fund holds a modest long position to select EM currencies, that are attractively priced and offer high carry

**"Safe spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.*

PIMCO GIS INCOME FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.68	2.79	3.74	6.37	5.12	-	6.38
Benchmark	-0.06	1.00	3.17	1.69	2.32	-	1.82

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Income Fund, Institutional, Accumulation, USD. Fund incepted on: 30 November 2012.

Benchmark: Bloomberg Barclays U.S. Aggregate Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

Note: contributor and detractors are in absolute terms

CONTRIBUTORS

- Exposure to high yield corporate credit
- Exposure to investment grade corporate credit
- Non-U.S. duration strategies, including long exposure to Australian interest rates and hedge positions in the U.K. and Japan
- Exposure to U.S. cash rate

DETRACTORS

- Exposure to U.S. duration
- Exposure to a basket of emerging market currencies

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** –The Fund continues to emphasize high quality countries that we view as having strong balance sheets, such as Australia. We remain concentrated in the intermediate portion of the yield curve where we see the most attractive opportunities. The Fund continues to see value in US rates but remains cautious and is emphasizing curve positioning. Additionally, we hold a short position to Japanese duration, as it provides a hedge to global rates recalibrating higher.
- **Mortgages** – PIMCO views non-Agency mortgage-backed securities favorably due to their attractive yields and risk profile. We hold Agency MBS and senior tranches of CMBS positions as the sector provides "safe spread*" along with risk profile in the event of a flight to quality. We remain focused on maintaining flexibility and having a high level of liquidity in the portfolio – we do this by taking exposure to the CMBS market via CMBX.
- **ABS** – PIMCO views Asset-Backed Securities (ABS) as an attractive source of high quality spread. We prefer securities that benefit from government support and favorable long-term supply-demand technicals, such as student loans.
- **IG Corporates** – The Fund remains focused on investing in high quality, loss-remote sectors such as investment grade credit. In IG corporates, the Fund is opportunistically seeking names that offer attractive risk-adjusted returns, including financials and bank debt.
- **High Yield** – The Fund remains selective in HY corporate credit risk as strong recent performance in the sector has driven spreads to relatively tight levels. The Fund remains judicious in allocations to high yield credit, preferring to take exposure through credit derivatives (HY CDX) due to its more attractive liquidity profile. The Fund has been cautious in the high yield sector and has been moving up in the capital structure and moving to shorter dated credits, which should provide the portfolio with greater downside protection.
- **Emerging Markets** – The Fund plans to retain exposure to corporate and quasi-sovereign bonds in select countries with strong initial conditions and high quality balance sheets such as Mexico, Brazil and Russia. We also hold modest exposure to local EM rates, primarily in Mexico, as diversifying sources of duration.
- **Currency** – Currency positions will continue to be small as currencies may be more volatile than other asset classes. We remain tactical in our currency position which is overall limited, holding a long US dollar position versus DM currencies as a way of expressing our views on relative growth and the path of rates. We are also tactically long a basket of EM currencies for additional diversification.
- **Strategic Liquidity** – The Fund holds a strategic liquidity allocation (cash and US Treasuries) in order to maintain a high level of overall portfolio liquidity and provide additional flexibility to potentially deploy capital opportunistically.

**"Safe spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.*

PIMCO GIS GLOBAL LOW DURATION REAL RETURN FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.29	1.45	1.94	2.57	0.94	-	0.99
Benchmark	0.08	0.78	2.18	2.05	1.06	-	1.06

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Global Low Duration Real Return Fund, Institutional, Accumulation, USD. Fund incepted on: 18 February 2014.
Benchmark: Bloomberg Barclays World Govt ILB 1-5yr Index (USD Hedged). Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight U.S breakevens
- Underweight U.K nominal duration
- Underweight Italian nominal duration

DETRACTORS

- Within spread sectors, select exposure to Agency MBS

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**

We expect core CPI inflation in the US to end the year around 2.3-2.4%. We anticipate reduced labor market slack to support wage growth and service sector inflation over time. The possibility for additional fiscal easing by the new administration remains a potential upside risk factor. Turning to the Euro area we expect inflation there to rise more slowly given subdued wage pressures and the recent strengthening of the Euro. In the UK, inflation is likely to continue to trend down following a transitory spike due to sharp depreciation of GBP after the Brexit vote. We may also see rising inflation in Japan, where unemployment is at historic lows. In Emerging Markets, we expect to see diverging paths of growth and inflation across countries, given country-specific headlines and geopolitical tensions.

- **Secular Inflation Outlook**

We anticipate inflation rates to rebound towards Central Bank target levels over the secular horizon. Whilst we see inflation averaging at or near Central Bank target levels, we believe that there are non-negligible risks to the upside as monetary and fiscal policy boundaries are increasingly blurred. The recent trend of a gradual transition from monetary policy to fiscal policy also poses more upside inflation risks down the line. We expect the drivers of global inflation to be more balanced than in recent years, with both services and goods contributing to higher prices. Pass-through from commodity prices is likely to be more muted than in recent years. We believe that commodity prices will be more stable going forward because, in our view, the commodity super-cycle of the 2000s and the ensuing price correction of recent years are largely behind us. Service sector inflation should be supported by growing economies, higher wages and higher real estate prices.

- **Inflation-Linked Bonds**

We believe that an allocation to global inflation-linked bonds may make sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be prudent to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario. Second, while our base case secular outlook sees inflation rising towards central bank targets, our risk case over the next five years is tilted towards higher inflation – as opposed to the last five years, when the risk case for lower inflation or even deflation.

We see many inflation-linked bonds, such as US TIPS, as attractively priced US inflation hedges in the current environment, probably because many market participants are still stuck in the past when they were more justifiably worried about deflation or "low-flation". In our view, US bond markets are still pricing in insufficient risk premium for future inflation risks.

PIMCO GIS GLOBAL REAL RETURN FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	-0.19	1.23	1.78	4.44	3.82	5.70	4.78
Benchmark	-0.32	0.79	2.47	3.85	3.95	4.90	4.61

SOURCE: PIMCO. As of 28 February 2019.
Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. All periods longer than one year are annualised.
PIMCO GIS Global Real Return Fund, Institutional, Accumulation, USD. Fund incepted on: 30 September 2003.
Benchmark: Bloomberg Barclays World Government Inflation-Linked Bond USD Hedged Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Overweight U.S breakevens
- Underweight U.K nominal duration
- Underweight Italian nominal duration

DETRACTORS

- Within spread sectors, select exposure to Agency MBS
- Overweight German nominal duration

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**

We expect core CPI inflation in the US to end the year around 2.1-2.2%. We anticipate reduced labor market slack to support wage growth and service sector inflation over time. The possibility for additional fiscal easing by the new administration remains a potential upside risk factor. Turning to the Euro area we expect inflation there to rise more slowly given subdued wage pressures and the recent strengthening of the Euro. In the UK, inflation is likely to continue to trend down following a transitory spike due to sharp depreciation of GBP after the Brexit vote. We may also see rising inflation in Japan, where unemployment is at historic lows. In Emerging Markets, we expect to see diverging paths of growth and inflation across countries, given country-specific headlines and geopolitical tensions.

- **Secular Inflation Outlook**

We anticipate inflation rates to rebound towards Central Bank target levels over the secular horizon. Whilst we see inflation averaging at or near Central Bank target levels, we believe that there are non-negligible risks to the upside as monetary and fiscal policy boundaries are increasingly blurred. The recent trend of a gradual transition from monetary policy to fiscal policy also poses more upside inflation risks down the line. We expect the drivers of global inflation to be more balanced than in recent years, with both services and goods contributing to higher prices. Pass-through from commodity prices is likely to be more muted than in recent years. We believe that commodity prices will be more stable going forward because, in our view, the commodity super-cycle of the 2000s and the ensuing price correction of recent years are largely behind us. Service sector inflation should be supported by growing economies, higher wages and higher real estate prices.

- **Inflation-Linked Bonds**

We believe that an allocation to global inflation-linked bonds may make sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be prudent to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario. Second, while our base case secular outlook sees inflation rising towards central bank targets, our risk case over the next five years is tilted towards higher inflation – as opposed to the last five years, when the risk case for lower inflation or even deflation.

We see many inflation-linked bonds, such as US TIPS, as attractively priced US inflation hedges in the current environment, probably because many market participants are still stuck in the past when they were more justifiably worried about deflation or "low-flation". In our view, US bond markets are still pricing in insufficient risk premium for future inflation risks.

PIMCO GIS EURO SHORT-TERM FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.08	0.08	-1.23	-0.49	-0.02	1.20	1.44
Benchmark	-0.03	-0.06	-0.37	-0.36	-0.22	0.18	1.01

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Euro Short Term Fund, Institutional, Accumulation, EUR. Fund incepted on: 31 January 2006.

Benchmark: 1 Month Euribor Rate Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

Note: contributor and detractors are in absolute terms

CONTRIBUTORS

- Within spread sectors, select holdings of Investment Grade credit
- Within spread sectors, exposure to securitized products

DETRACTORS

- Exposure to negative Euro cash rate

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – We maintain our core Eurozone duration exposure while continuing to watch ECB developments closely. The Fund also holds a modest diversifying exposure in Denmark via covered bonds.
- **Eurozone Periphery** – We maintain a neutral position in peripheral Europe given expected ECB policy normalization although spread widening may create select buying opportunities.
- **Credit** – We maintain our modest credit exposure, keeping a cautious approach given that valuations appear rich compared to historical averages. We continue to favour financial credits, focusing on countries with more predictable regulatory and legal frameworks, including the UK. We focus on short-dated high quality paper that offers attractive yields given low expected default risk.
- **Securitized & Covered Bonds** – We continue to believe that a modest allocation to securitized assets and covered bonds makes strong sense. These instruments offer attractive yields and contribute very little interest rate sensitivity. We are focusing on AAA-A rated issues, including Danish covered bonds.
- **Currency** – Long a diversified basket of EM currencies, rotating based on valuation and fundamentals, as we believe high carry currencies will outperform in an environment of stable DM FX.

PIMCO GIS LOW AVERAGE DURATION FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.39	1.11	1.51	1.67	1.16	2.59	2.74
Benchmark	0.10	0.37	2.29	0.84	0.83	1.03	2.01

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS Low Average Duration Fund, Institutional, Accumulation, USD. Fund incepted on: 5 December 2002.

Benchmark: ICE BofAML 1-3 Year U.S. Treasury Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Holdings of investment grade corporate credit
- U.S. interest rate positioning
- Underweight exposure to Italian duration

DETRACTORS

- Holdings of Agency MBS
- Overweight exposure to German duration

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – We are underweight duration overall and remain tactical with US duration, adjusting exposures as rates recalibrate higher. We maintain short duration positions in the UK and Japan. We expect rates in the US to be relatively range bound but positioning in Japan serves as a cheap hedge against global rates moving higher. UK rates may also face pressure as central bank shift towards reducing accommodation. In the US, we have an underweight focused at the front-end of the curve, as the front-end has the most potential for volatility as the Fed continues its hiking cycle.
- **Mortgages** – We have a modest exposure to Agency MBS, though we remain selective across the coupon stack. These provide attractive, high-quality, and diversifying sources of carry. We also continue to favor positions in non-Agency mortgages given attractive loss-adjusted yields and continued long-term fundamental improvement in the US housing market.
- **Corporate Bonds** – We maintain modest exposure to high quality corporate credits, as these securities provide a spread over Treasuries. We believe that select names in the financial sector offer potentially attractive risk-adjusted returns, given the changes to the regulatory landscape for banks as well as balance sheet improvements.
- **Emerging Markets** – PIMCO will remain selective in EM allocations and seek to tactically take modest exposures when attractive opportunities arise.
- **Currency** – We remain tactical with currency positioning. We have modest tactical positioning in higher carry EM currencies that reflect relative attractiveness based on valuation/yield and fundamentals.

The terms "cheap" and "rich" as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against loss.

PIMCO GIS US SHORT-TERM FUND

Performance (% net of fees)	Feb '19	YTD	1-yr	3-yr	5-yr	10-yr	SI
Fund	0.46	0.93	2.06	2.74	-	-	1.88
Benchmark	0.19	0.39	2.04	1.11	-	-	0.73

SOURCE: PIMCO. As of 28 February 2019.

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

PIMCO GIS US Short-Term Fund, Institutional, Accumulation, USD. Fund incepted on: 30 June 2014.

Benchmark: FTSE 3-Month Treasury Bill Index. Benchmark is shown for performance comparison purposes only.

MAIN PERFORMANCE DRIVERS

CONTRIBUTORS

- Underweight US duration
- Within spread sectors, select holdings of Investment Grade credit
- Underweight the Euro

DETRACTORS

- Overweight Japanese Yen

POSITIONING AND OUTLOOK

- **Duration** - The Fund remains tactical with its US duration positioning, adjusting exposures as rates recalibrate higher. We hold high quality floating rate securities as a way to provide potential capital preservation while generating attractive income as rates rise. We are underweight U.S duration overall with a 1s3s steepening bias. We hold exposure to Canadian duration as we believe markets are pricing central bank rate hikes too aggressively.
- **Corporate Credit** - We continue to favor high quality corporate credit as a source of yield and diversification, based on our view that US economic growth will remain stable. We maintained corporate credit exposure by buying frontend zero- to 18- month corporate bonds as credit spreads widened. Many of these bonds offer attractive yields with limited interest rate risk.
- **Mortgage Credit** - We continue to favor select, high quality securitized credit, such as senior ABS, CMBS, Agency CMOs, and select non-Agency MBS. These securities provide an attractive, diversifying source of yield in the portfolio. High quality (AAA-rated, senior tranche), floating rate ABS provides attractive “safe spread” in the portfolio while helping protect principal as interest rates rise.
- **Currency** - Currency positions are modest in size. Our exposure to EUR continues to tactically adjust based on expectations for country/regional growth and shifts in global monetary policy.

FOR PROFESSIONAL USE ONLY

All data as at 28 February 2019 unless otherwise specified.

A word about risk: Investing in the **bond market** is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; investments may be worth more or less than the original cost when redeemed. The strategy may invest all of its assets in high-yield, lower-rated, securities which 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. 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. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. **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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **Credit default swap** (CDS) is an over-the-counter (OTC) agreement between two parties to transfer the credit exposure of fixed income securities; CDS is the most widely used credit derivative instrument. Swaps are a type of privately negotiated derivative; there is no central exchange or market for swap transactions and therefore they are less liquid than exchange-traded instruments. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in **derivatives** could lose more than the amount invested. Diversification does not insure against loss.

PIMCO GIS Funds: Global Investors Series plc is an umbrella type open-ended investment company with variable capital and is incorporated with limited liability under the laws of Ireland with registered number 276928. The information is not for use within any country or with respect to any person(s) where such use could constitute a violation of the applicable law. The information contained in this communication is intended to supplement information contained in the prospectus for this Fund and must be read in conjunction therewith. Investors should consider the investment objectives, risks, charges and expenses of these Funds carefully before investing. This and other information is contained in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. Returns are net of fees and other expenses and include reinvestment of dividends. The performance data represents past performance and investment return and principal value will fluctuate so that the PIMCO GIS Funds shares, when redeemed, may be worth more or less than the original cost. Potential differences in performance figures are due to rounding. The Fund may invest in non-U.S. or non-Eurozone securities which involves potentially higher risks including non-U.S. or non-Euro currency fluctuations and political or economic uncertainty. For informational purposes only. Please note that not all Funds are registered for sale in every jurisdiction. Please contact PIMCO Europe Ltd for more information. For additional information and/or a copy of the Fund's prospectus, please contact the Administrator: State Street Fund Services (Ireland) Limited, Telephone +353.1.776.0142, Fax +353.1.562.5517. **Benchmark** - Unless otherwise stated in the prospectus or in the relevant key investor information document, the Fund referenced in this material is not managed against a particular benchmark or index, and any reference to a particular benchmark or index in this material is made solely for risk or performance comparison purposes. **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 presentation and may be subject to change without notice. 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.