

# Global Asset Allocation Views

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## IMPORTANT NOTICE

Please note that the following contains the opinions of the manager as of the date noted and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

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# Agenda

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**1**

**Economic Outlook**

**2**

**Investment Implications**

**3**

**Additional Information**



# Economic Outlook

# Uncertainty is Certain

## Four economic themes

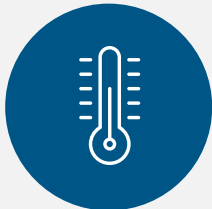
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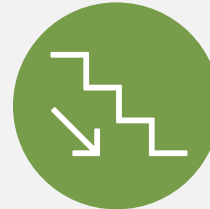
**Potential U.S. policy pivots generate uncertainty**



**U.S. economic outperformance persists but appears to have peaked**



**Last mile of inflation reduction is in sight with labor markets cooling**



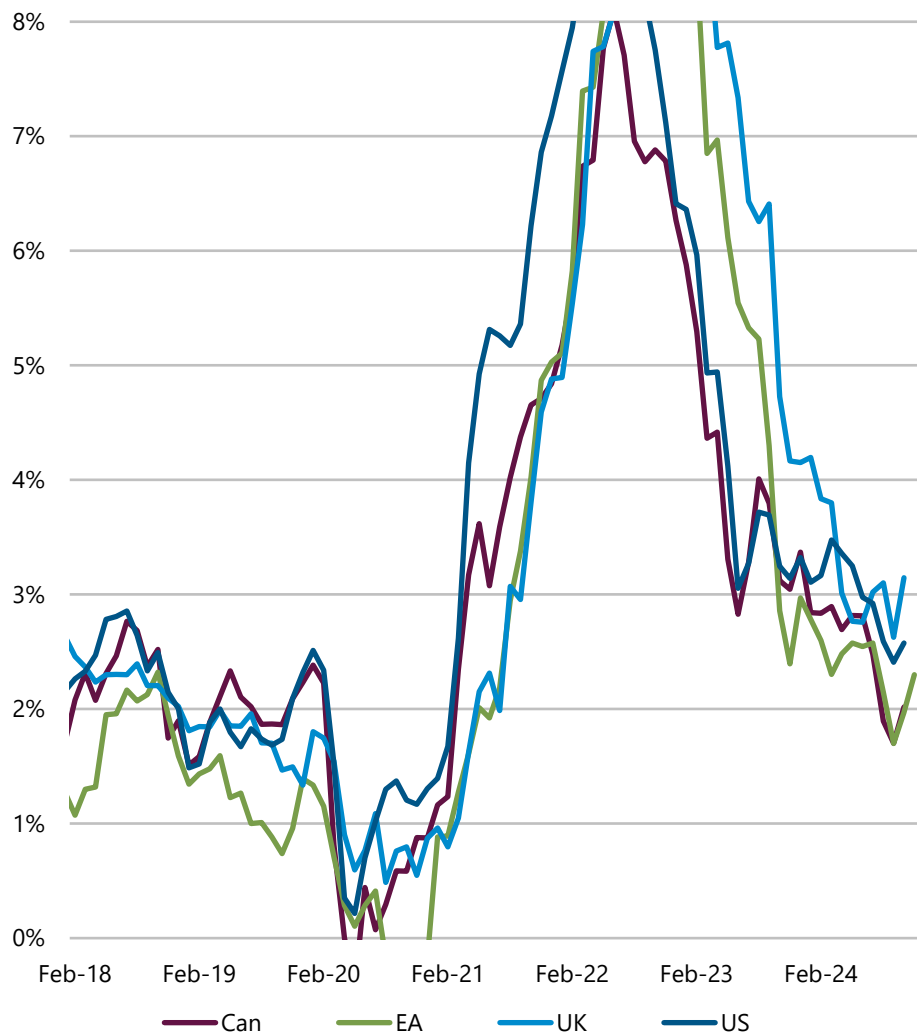
**Most developed market central banks have room to cut in 2025**

As of January 2025. Source: PIMCO  
Refer to Appendix for additional outlook and risk information.

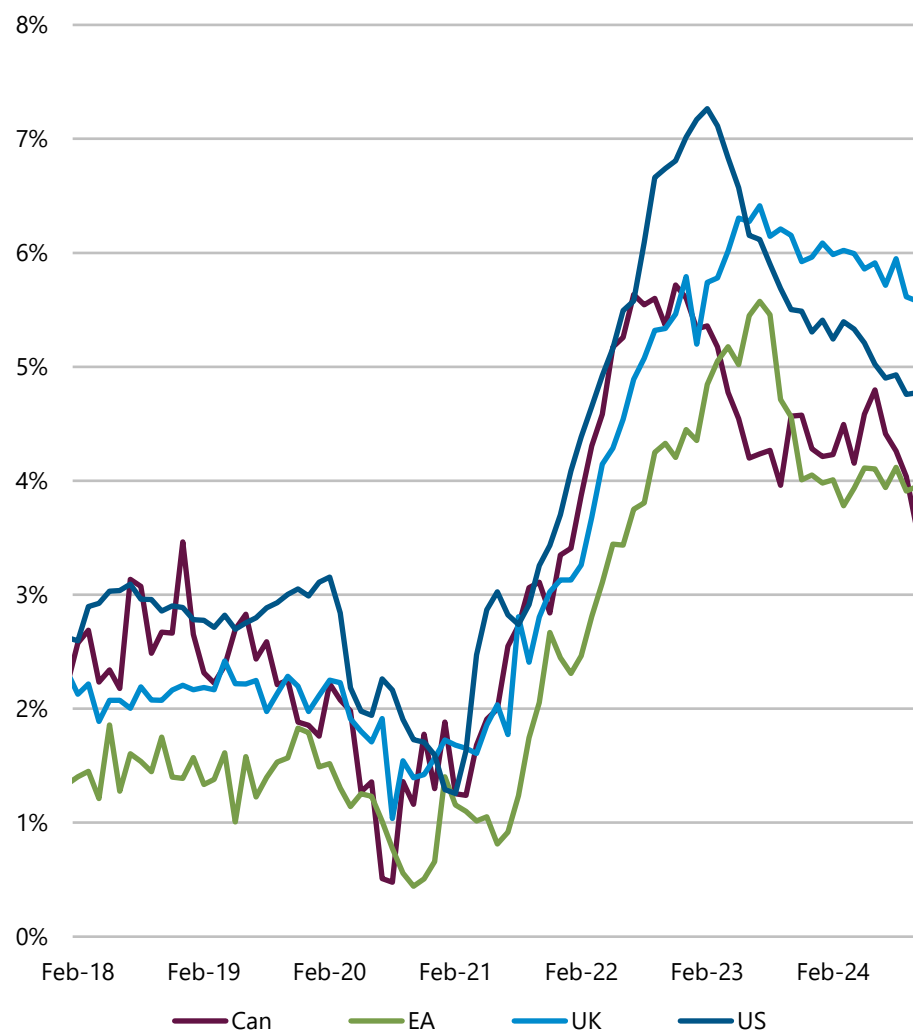
# Developed market inflation is back in the “two-point-something” percent zone

## Services inflation is elevated but should moderate with cooling labor markets

### Headline inflation (% YOY)



### Core services inflation (% YOY)



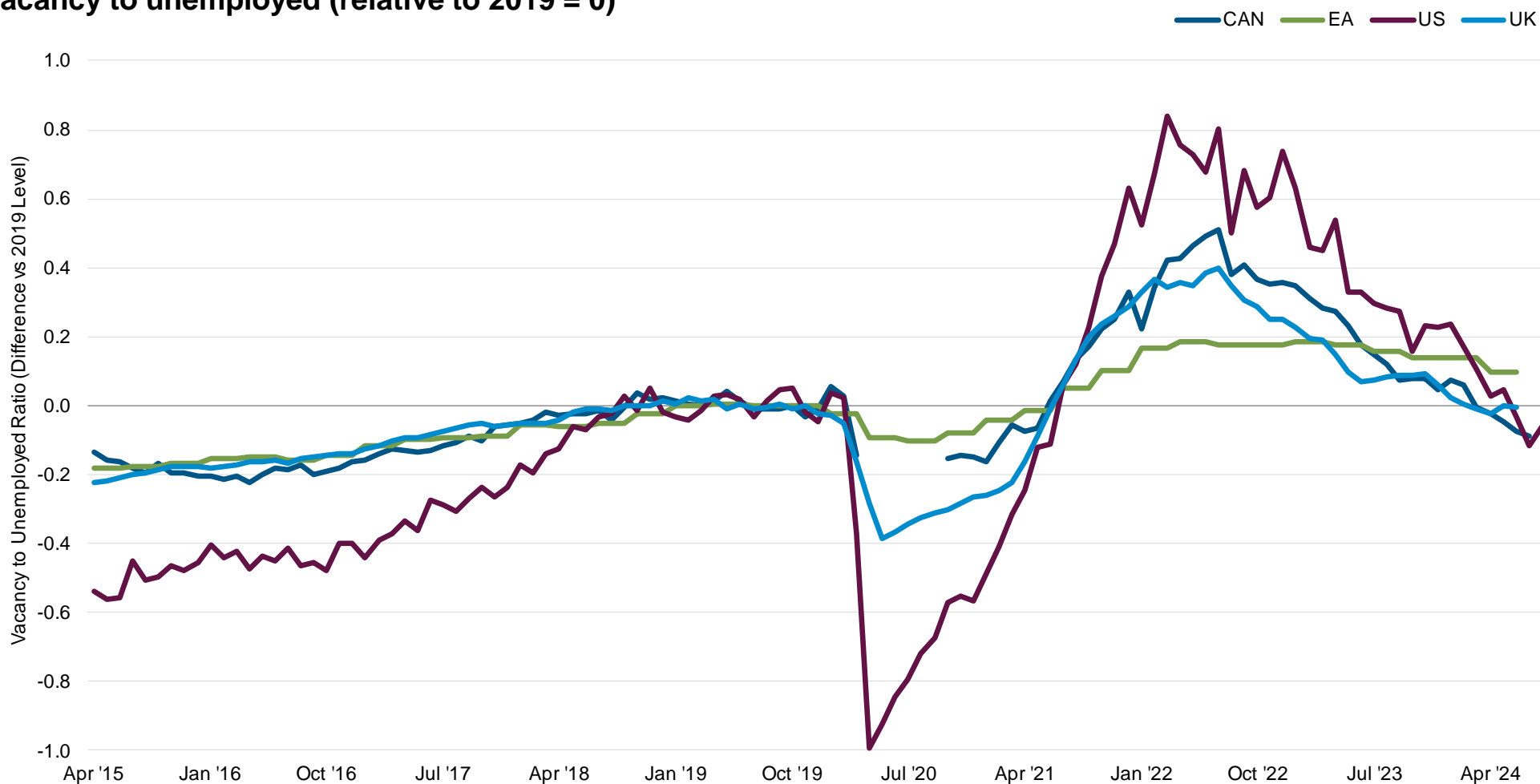
As of December 2024.  
 Source: PIMCO, BLS, BEA, ECB, Eurostat, ONS.  
 Refer to Appendix for additional outlook and risk information.

# Normalizing Labor Markets

## Employment developments are no longer a source of inflationary pressures

Return to pre-pandemic levels suggests loosening of the labor markets, with weaker wage growth and reduced inflationary pressure

### Vacancy to unemployed (relative to 2019 = 0)

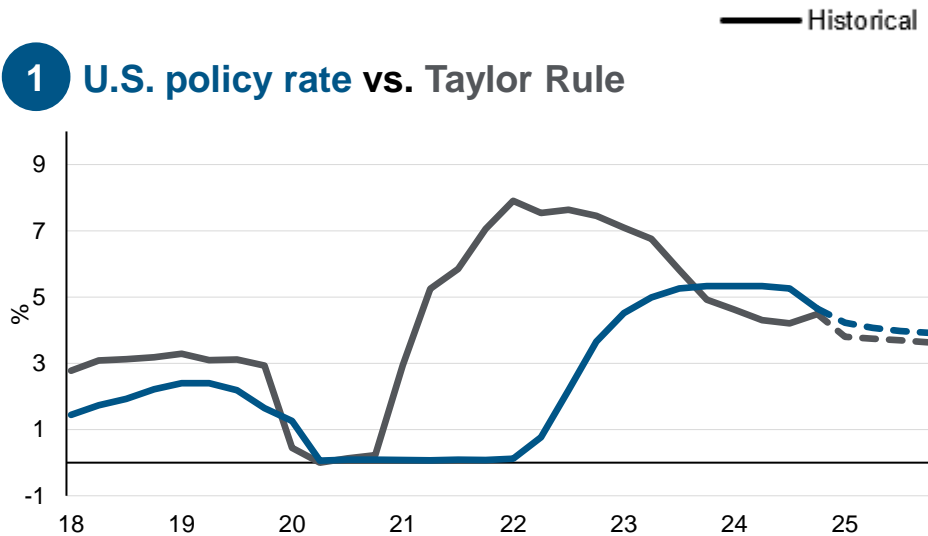


As of December 2024. Source: Bloomberg, Haver, PIMCO calculations.  
Vacancy to unemployment ratio is calculated using seasonally adjusted data from national statistical offices and Eurostat, with relative ratio levels derived by subtracting average 2019 value from monthly observations.  
Refer to Appendix for additional outlook and risk information.

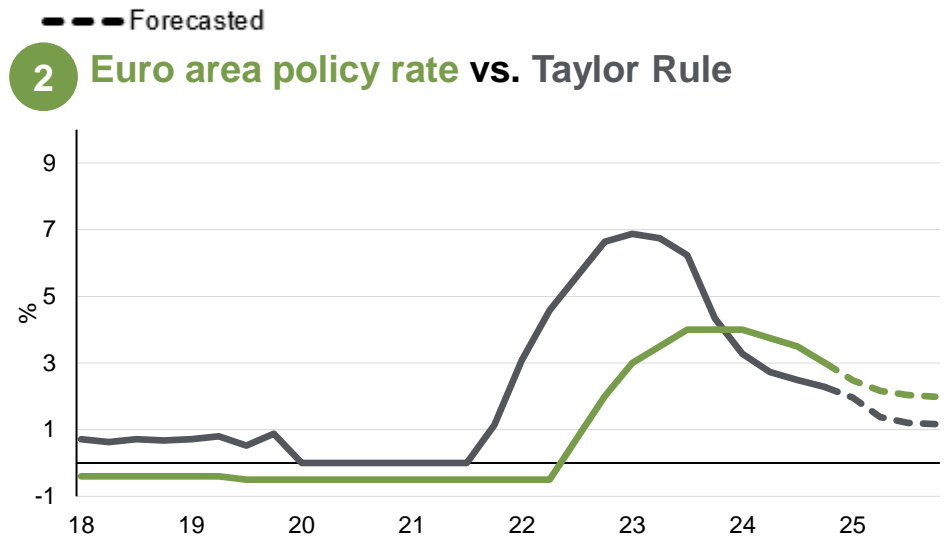
# Rate cutting cycles

## Monetary policy rate rules leave room for additional cuts

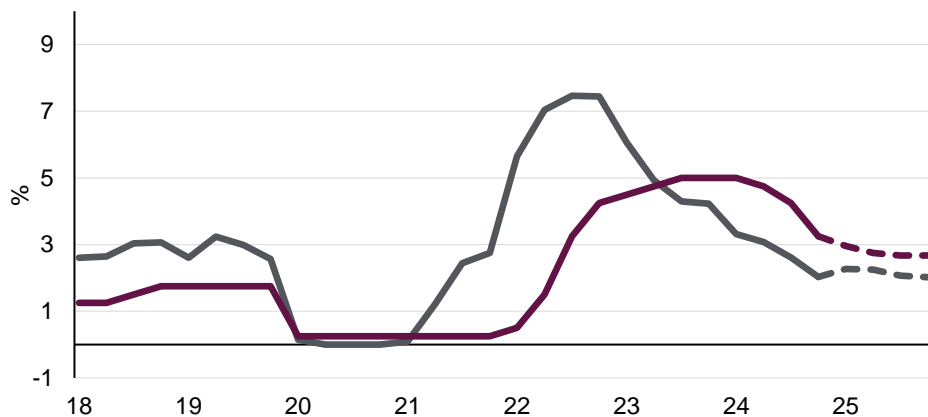
1 U.S. policy rate vs. Taylor Rule



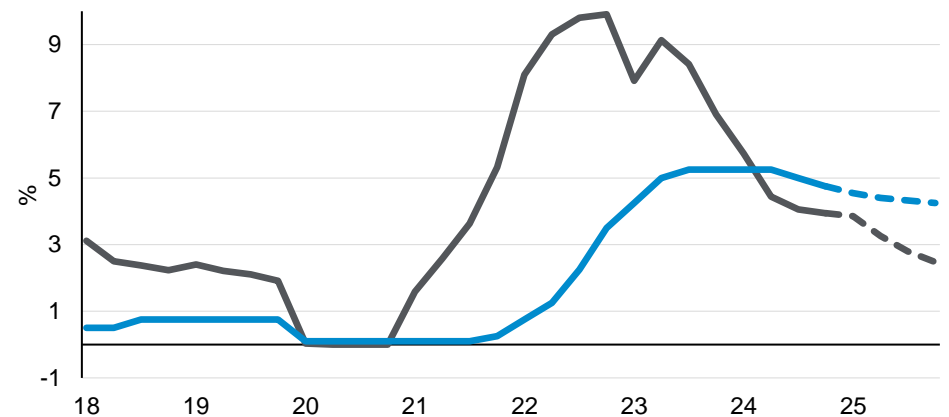
2 Euro area policy rate vs. Taylor Rule



3 Canada policy rate vs. Taylor Rule



4 U.K. policy rate vs. Taylor Rule



**Central bank rates are above levels implied by current inflation and unemployment\***

Note: We define the Taylor Rule as "policy rate = max (neutral real rate + inflation target + a\*(core inflation – inflation target) + b\* output gap, 0). We consider six neutral rate estimates: two from internal PIMCO models and add +/-0.5% to each. We consider a=1.25 and 1.5; and b = 0.5 and 1.0. That gives 24 Taylor rule estimates in total. The output gap is annual IMF WEO estimates up until 2023; for 2024, we use quarterly data, assuming NAIRU of 4.2% and Okun's law coefficient of 2). The estimates shown above is the median of these various iterations. As of December 2024. Source: Haver, PIMCO. Refer to Appendix for additional outlook and risk information.

# Risks and implications

## Wider tail risks across various scenarios

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### Scale, scope, and effects of tariffs

With specific policy plans unclear, tariffs have the potential to amplify both upside and downside risks to growth and inflation

### Debt and deficit trajectory

There is potential for near-term deficit reduction, but elevated U.S. debts pose longer-term risks

### Other policy pivots

Potential changes to fiscal and immigration policy create a wide range of potential outcomes

### Cyclical vs. secular forces

Short-term inflationary pressures could delay Fed rate cuts, but there is significant scope for further DM easing

As of January 2025. Source: PIMCO.  
Refer to Appendix for additional outlook and risk information.



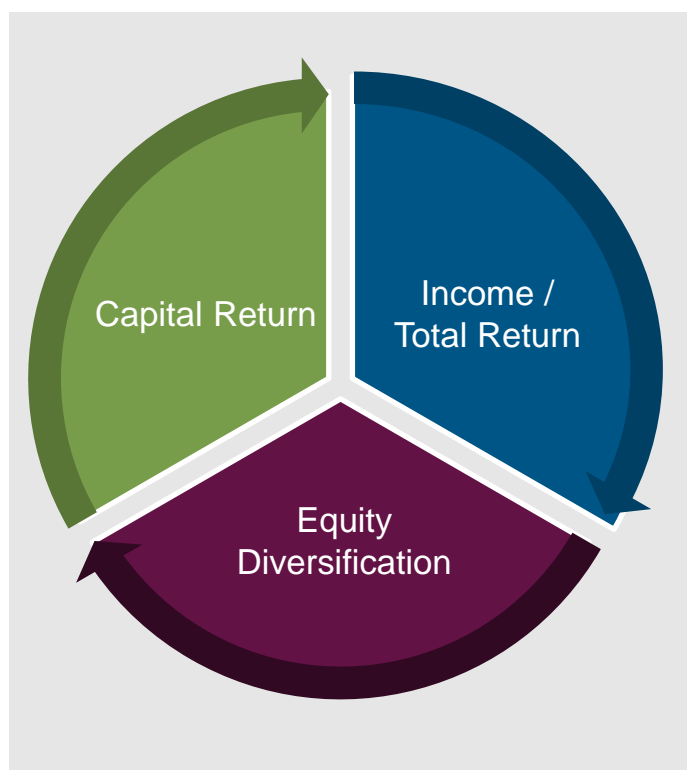


## Investment Implications

# Fixed Income: Higher starting yields have strengthened the traditional benefits of fixed income

- Core bonds have historically provided diversification to equities and other risk assets in portfolios
- Given current yield levels, diversification remains **cheap**, with **elevated capital appreciation potential** at a time of **macro uncertainty**

## Key pillars of bonds



### Higher yields

- While many asset classes expect lower future returns, **return expectations for core bonds remain elevated**, with the BBG U.S. Agg and BBG Global Agg (USD-H) yielding 4.9% and 4.8%, respectively

### Capital return potential

- **High historical yields creates the potential for appreciation** should the economy enter a slowdown

### Diversification

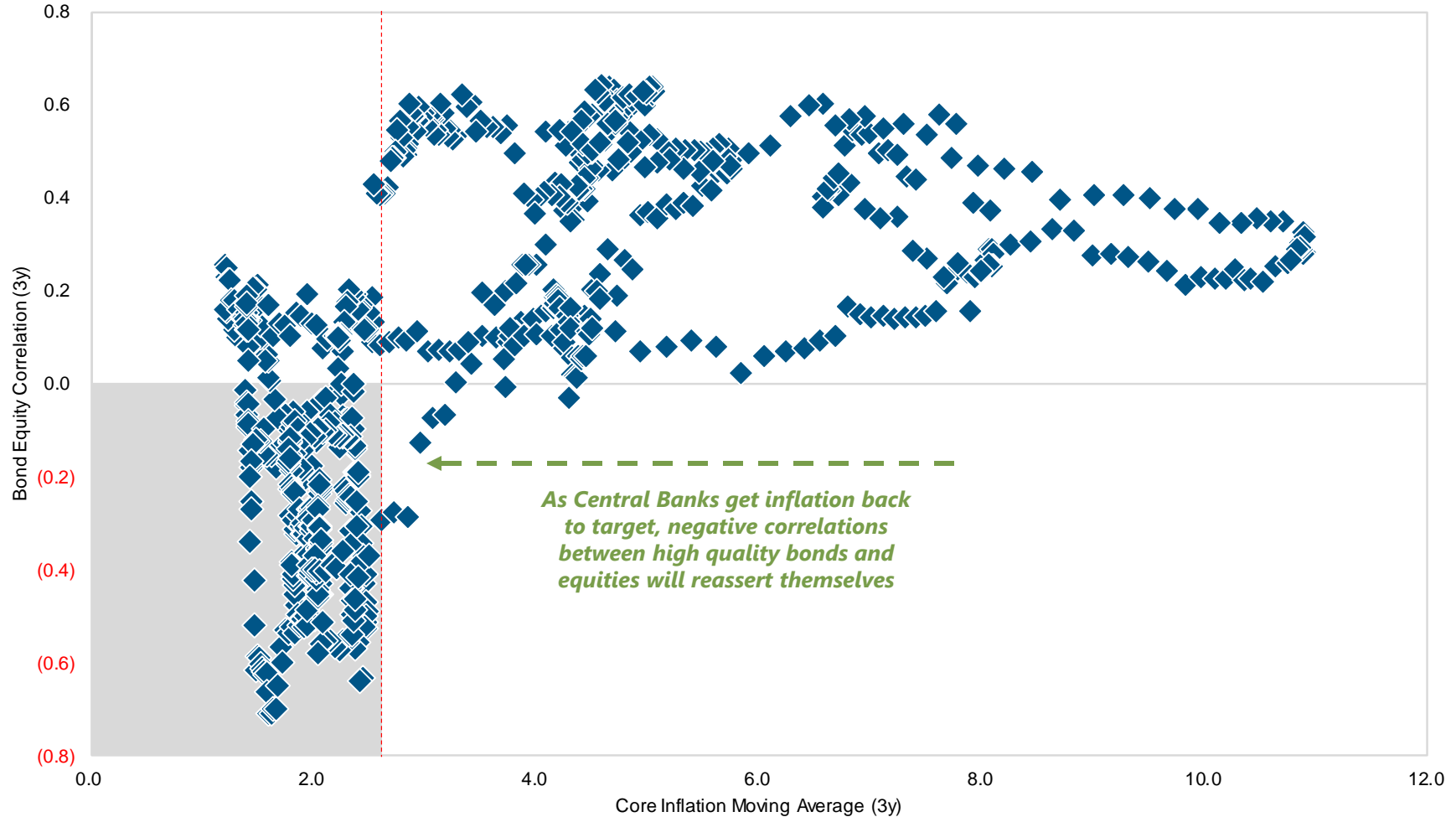
- **The negative stock-bond correlation is reasserting itself**, and bonds should once again diversify portfolios in a slow growth environment

As of 31 January 2025. SOURCE: PIMCO.

Yields represented by the Yield to Maturity (YTM). YTM is the estimated total return of a bond if held to maturity. YTM accounts for the present value of a bond's future coupon payments. Refer to Appendix for additional correlation, index, investment strategy, outlook, risk and valuation information.

# Diversification: Negative correlation between equities and bonds is reasserting itself

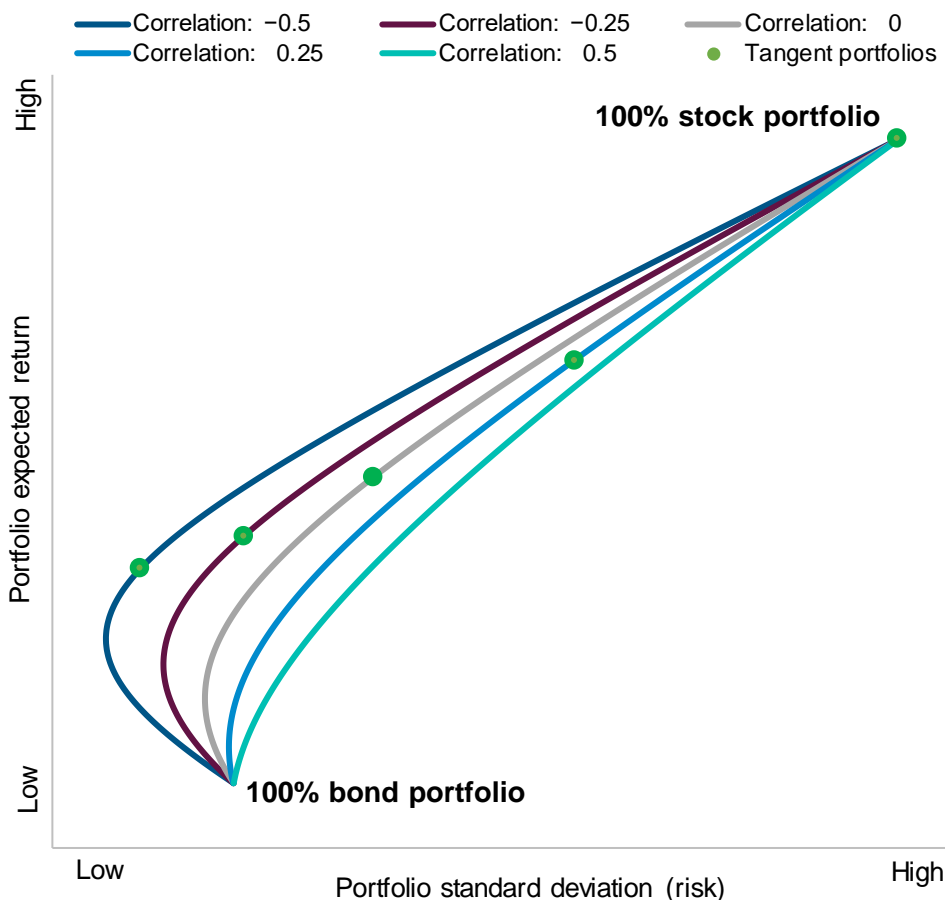
Rolling Bond-Equity correlation as a function of core inflation



Source: PIMCO, proprietary PIMCO model calculations.  
As of 31 December 2024. **Past performance is not a guarantee or reliable indicator of future results.**  
Bonds are represented by the Bloomberg U.S. Aggregate Index; Equities are represented by the S&P 500 Index.  
Refer to Appendix for additional index, correlation, investment strategy and risk information

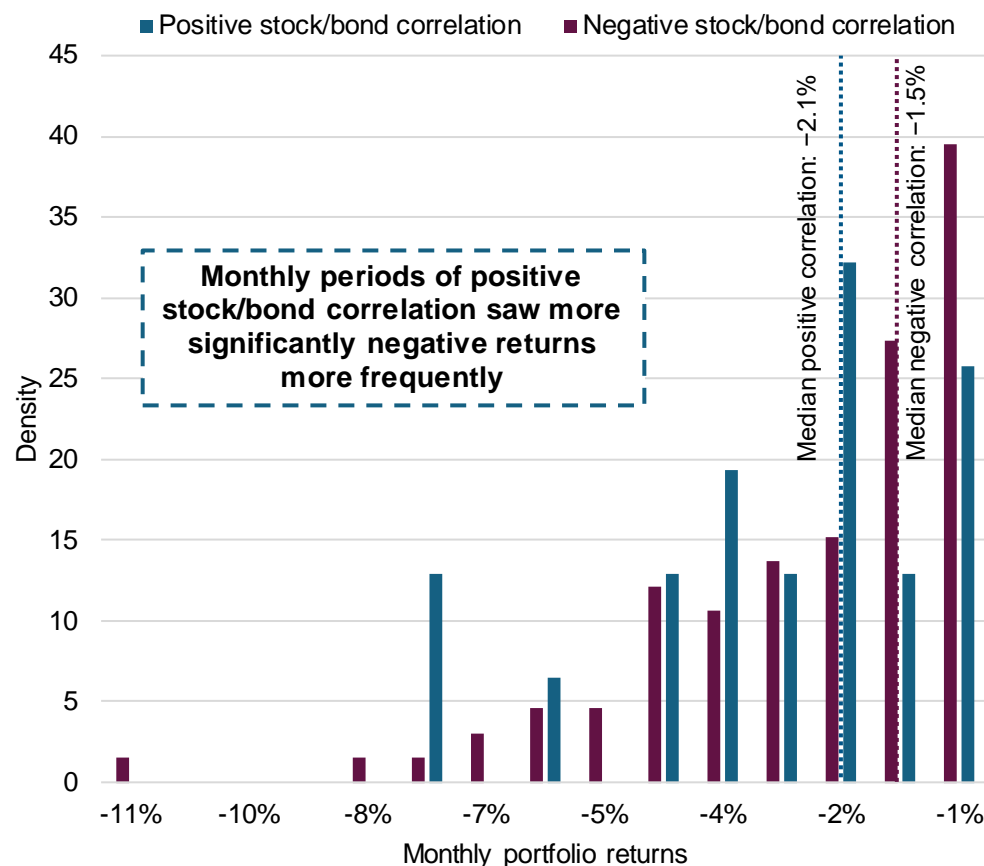
# Diversification: A negative stock/bond correlation provides a more efficient portfolio that has typically been subject to less severe drawdowns

Negative correlations can enable higher return potential and lower expected volatility for multi-asset portfolios



Historically, periods of negative stock/bond correlation have seen less severe underperformance for a typical 60/40 portfolio

Left tails of 60/40 portfolio returns (since 2000)

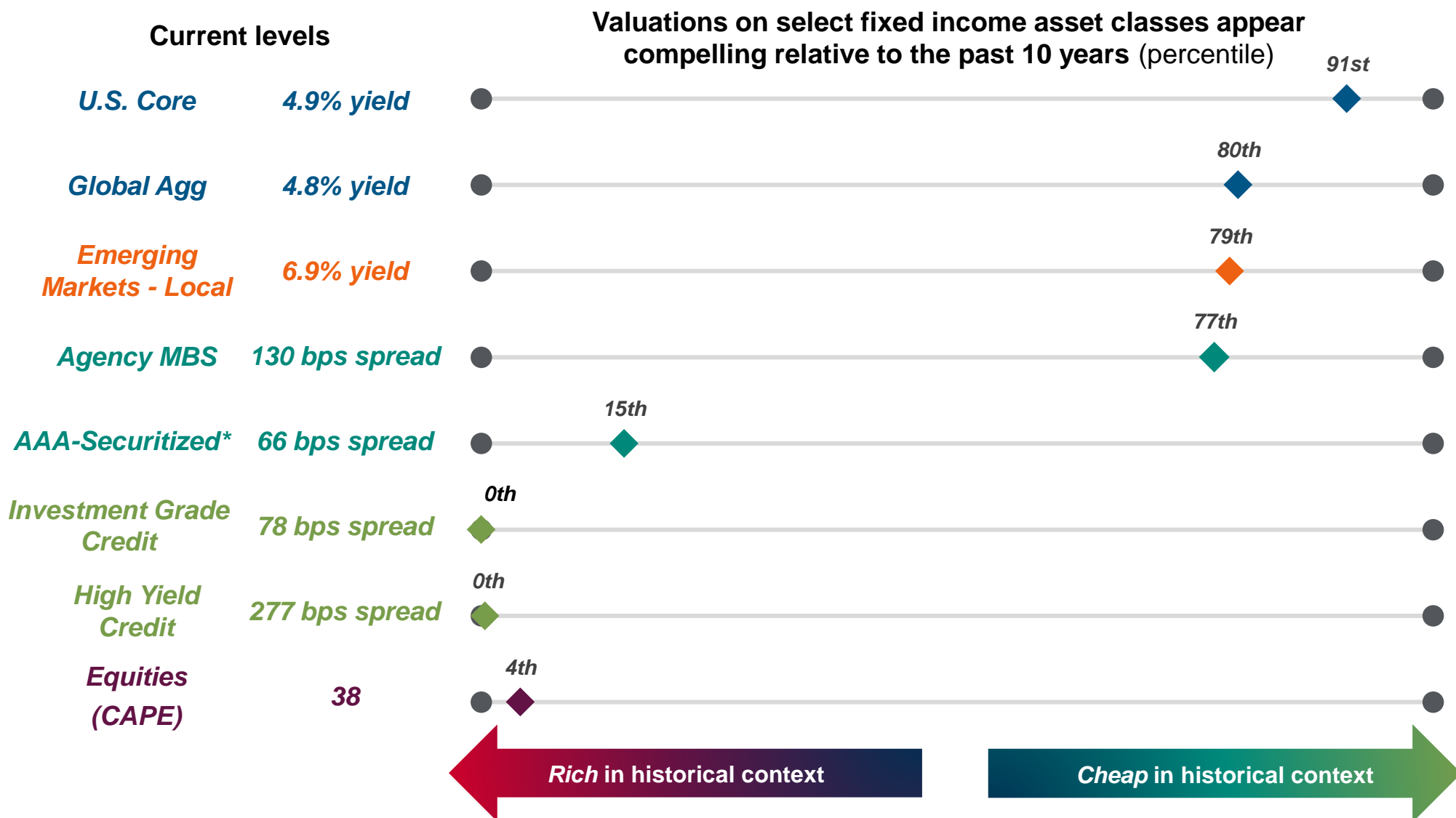


Past performance is not a guarantee or a reliable indicator of future results. The figure is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. There is no assurance that the stated results will be achieved. LHS: Source: PIMCO. This figure shows simple hypothetical two-asset efficient frontiers for different assumed stock/bond correlations.

RHS: Source: Bloomberg data and PIMCO calculations as of October 2024. Data is based on a portfolio of 60% stocks (proxied by the S&P 500 Index) and 40% bonds (proxied by the Bloomberg US Aggregate Index). Density is defined as XYZ.

Refer to Appendix for additional hypothetical illustration, index, outlook, valuation and risk information.

# Yield Potential: Yields remain close to decade highs across global fixed income markets



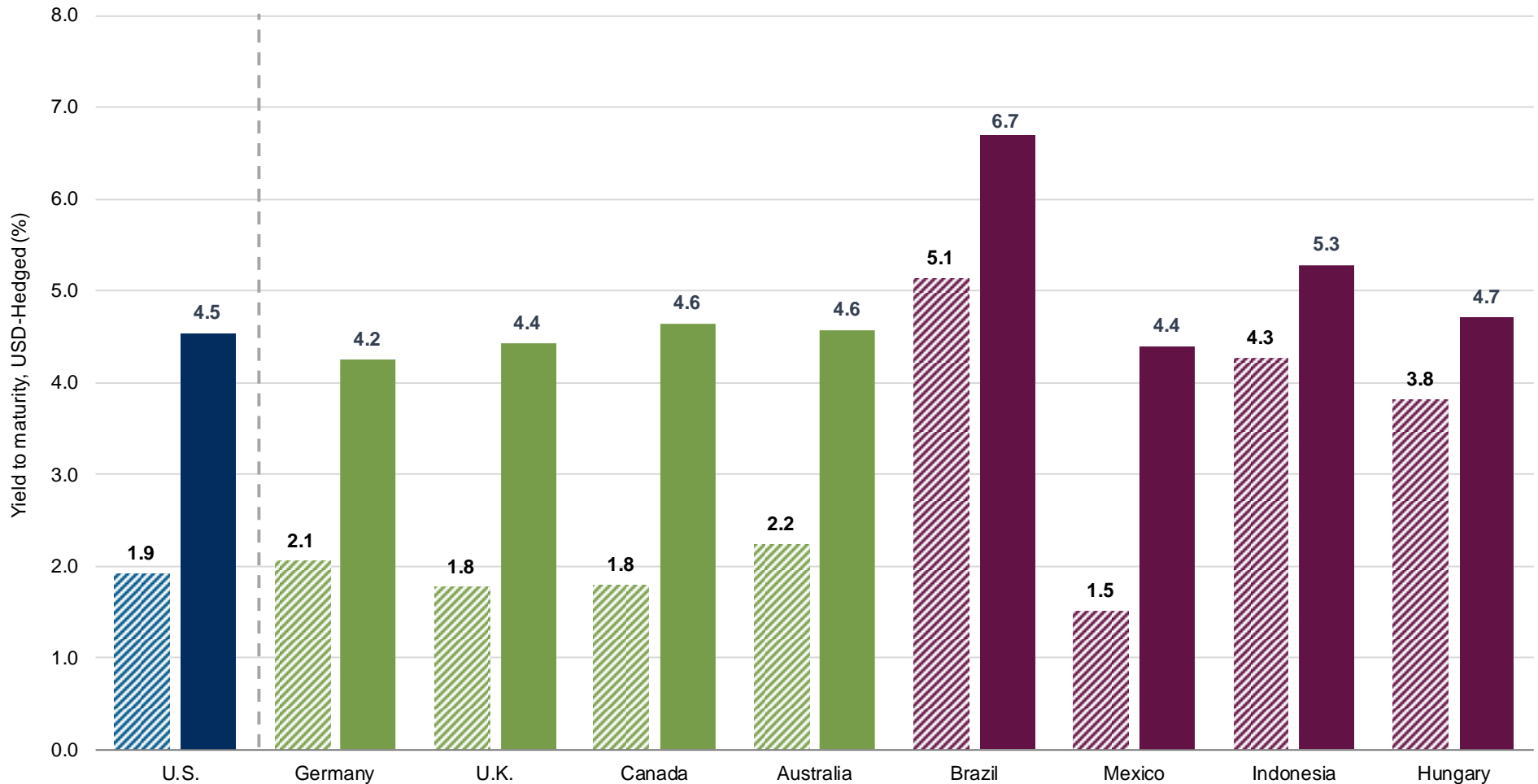
As of 31 January 2025. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Percentiles are calculated for the previous 10 years. Proxies for asset classes displayed are as follows: Agency MBS: 30Y FNCL Par Coupon Index, U.S. Core: Bloomberg U.S. Aggregate (incept: 1/30/76), Global Agg: Bloomberg Global Aggregate USD Hedged (incept: 1/1/99), HY Credit: ICE BofA Developed Markets High Yield Constrained Index (incept: 12/31/97), EM: JPMorgan GBI-EM Global Diversified Composite Index (incept: 12/31/02), IG Credit: Bloomberg Global Aggregate Credit Index (incept: 09/01/00). The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields. \*AAA-Securitized computed as average of AAA CLOs, CMBS, ABS, Non-agency MBS spreads from JPMorgan, Bank of America, Bloomberg. Percentile is calculated since 8/31/16, the earliest date available for non-agency MBS data. Refer to Appendix for additional index, OAS, valuation and risk information.

# Yield Potential: Global bond markets offer attractive and diverse opportunities

10-year government bond yields (U.S. dollar-hedged)

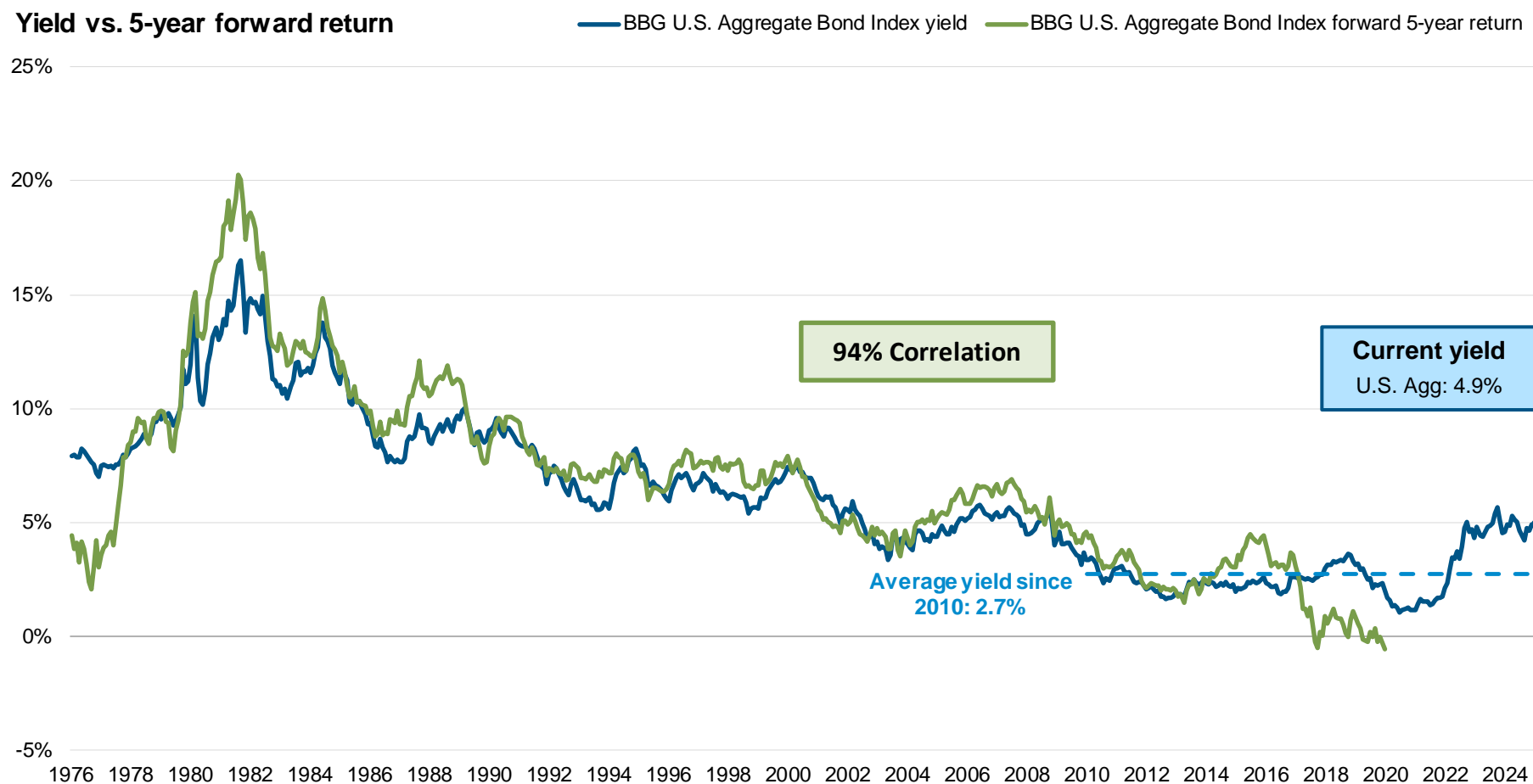
▨ 31 Dec '19

■ 31 Jan '25



As of 31 January 2025. **For illustrative purposes only.** Source: Bloomberg, PIMCO. Yield to Maturity (YTM) is the estimated total return of a bond if held to maturity. YTM accounts for the present value of a bond's future coupon payments. The index proxies are the following: US: U.S. Generic 10Y Government Bond Index; Germany: German Generic 10Y Government Bond Index; U.K.: U.K. Generic 10Y Government Bond Index; Canada: Canadian Generic 10Y Government Bond Index; Australia: Australian Generic 10Y Government Bond Index; Brazil: Brazilian Generic 10Y Government Bond Index; Mexico: Mexican Generic 10Y Government Bond Index; Indonesia: Indonesian Generic 10Y Government Bond Index; Hungary: Hungarian Generic 10Y Government Bond Index. Refer to Appendix for additional index, outlook and risk information.

# Yield Potential: Starting yields are strongly correlated with 5-year forward returns, creating an attractive outlook for bonds



As of 31 January 2025. Source: Bloomberg, PIMCO.

**Past performance is not a guarantee nor a reliable indicator of future performance.** Chart is provided for illustrative purposes only and is not indicative of the past or future performance of any PIMCO product.

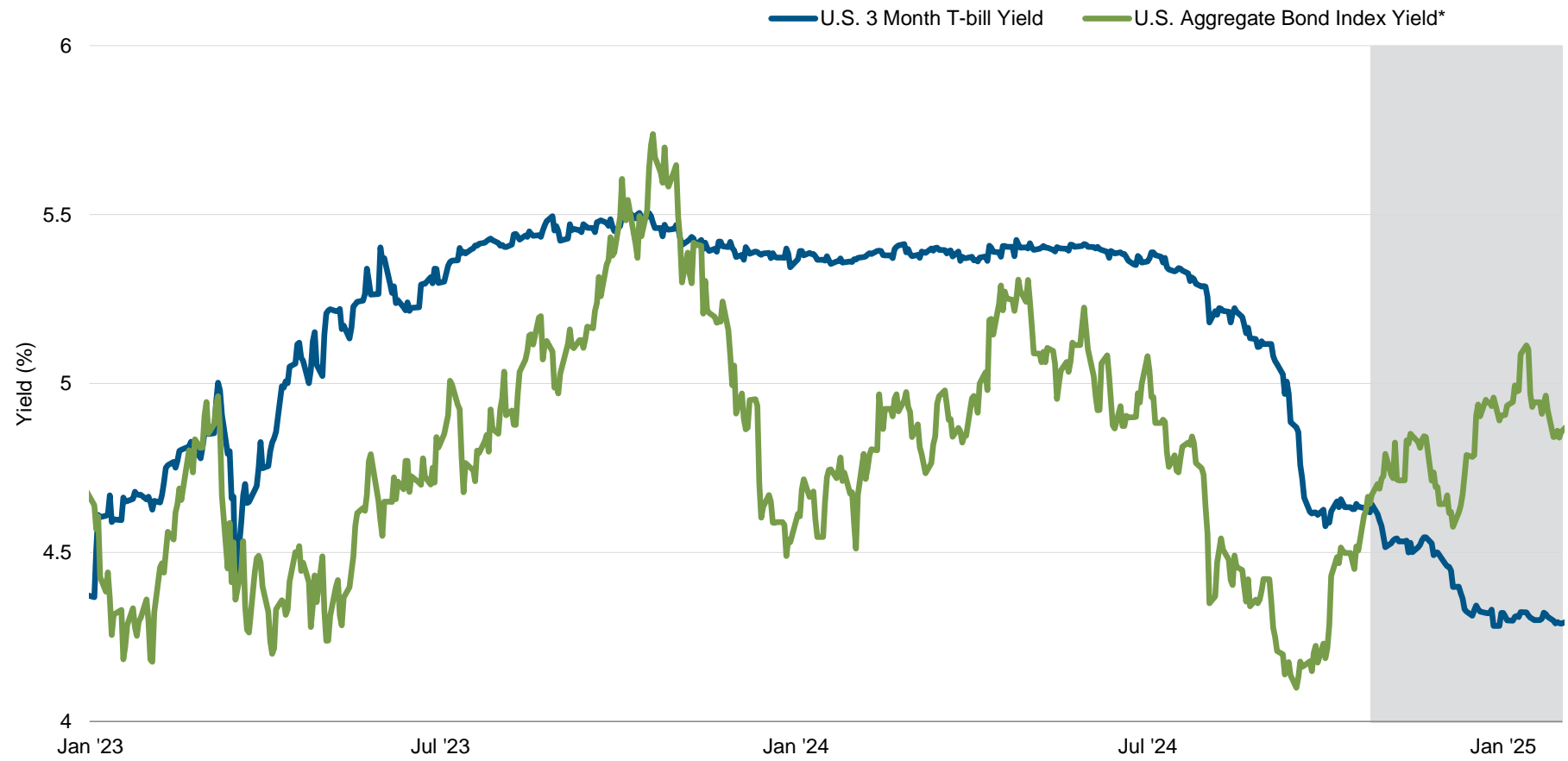
Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index.

Refer to Appendix for additional correlation, index, outlook and risk information.

# Capital Return: Outlook for cash relative to core bonds has diminished during rate cutting cycle

Core bonds outyielding cash equivalents

## U.S. core bonds now out yielding cash again



As of 31 January 2025. Source: Bloomberg, PIMCO.

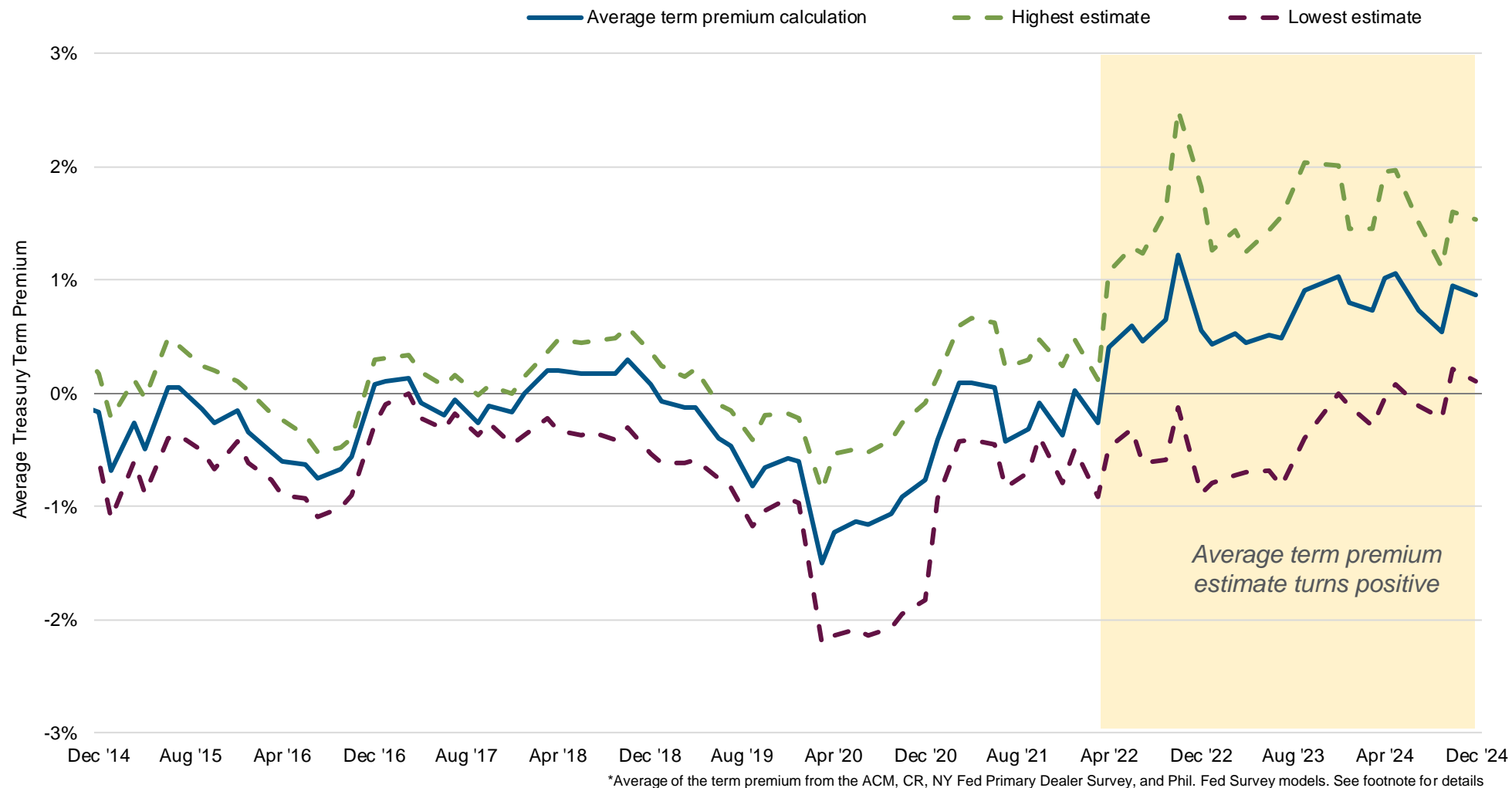
\*Yield is Yield to Worst

Past performance is not a guarantee or a reliable indicator of future results. Refer to Appendix for additional outlook and risk information.



# Yield Curve Positioning: Bias for curve steepening as the term premium continues to rebuild

Average treasury term premium from four term premium models\*

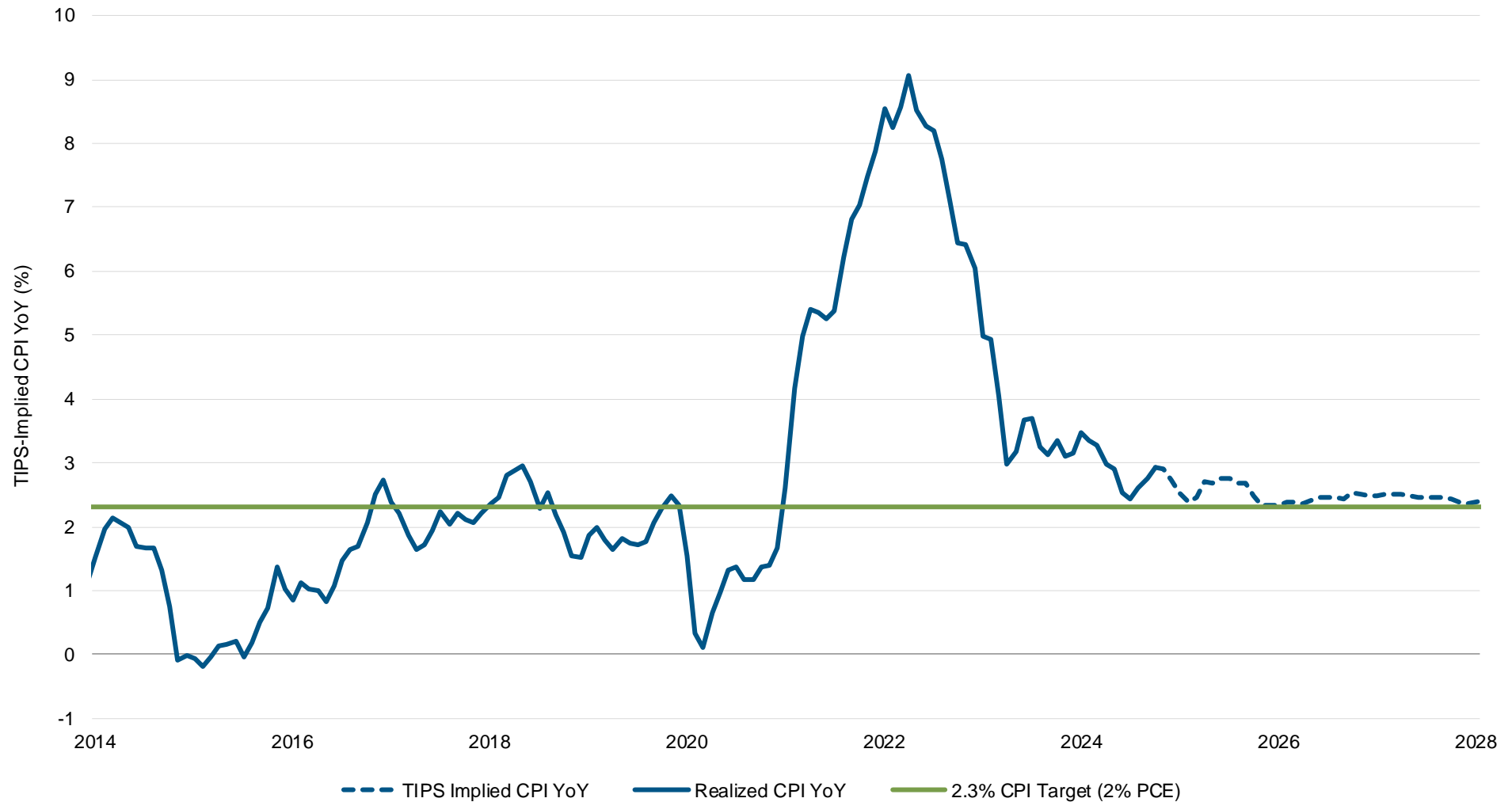


\*Average of the term premium from the ACM, CR, NY Fed Primary Dealer Survey, and Phil. Fed Survey models. See footnote for details

As of December 2024. Data updated based on most recent Survey of Primary Dealers conducted by the New York Fed's Open Market Trading Desk. Source: Federal Reserve Bank of New York, Haver Analytics, Bloomberg, PIMCO. "ACM" refers to the model developed by New York Fed economists Tobias Adrian, Richard K. Crump, and Emanuel Moench. "CR" refers to the model developed by Jens H.E. Christensen and Glenn D. Rudebusch of the San Francisco Fed. "NY Fed Primary Dealer Survey" refers to the median response to the York Fed's Survey of Primary Dealers' question "provide your estimate of your expectation for the average federal funds rate over the next 10 years"; the implied term premium is backed out by subtracting the survey response from the contemporaneous 10-year yield. "Phil. Fed Survey" refers to the median response to the Philadelphia Fed's Survey of Professional Forecasters' inquiry for projections of the annualized average 3-month t-bill return over the next 10 years; the implied term premium is backed out by subtracting the survey response from the contemporaneous 10-year yield. Refer to Appendix for additional outlook and risk information.

# Inflation Protection: TIPS remain a reasonably priced hedge against upside inflation outcomes

## Treasury Inflation-Protected Securities (TIPS)-implied CPI YoY

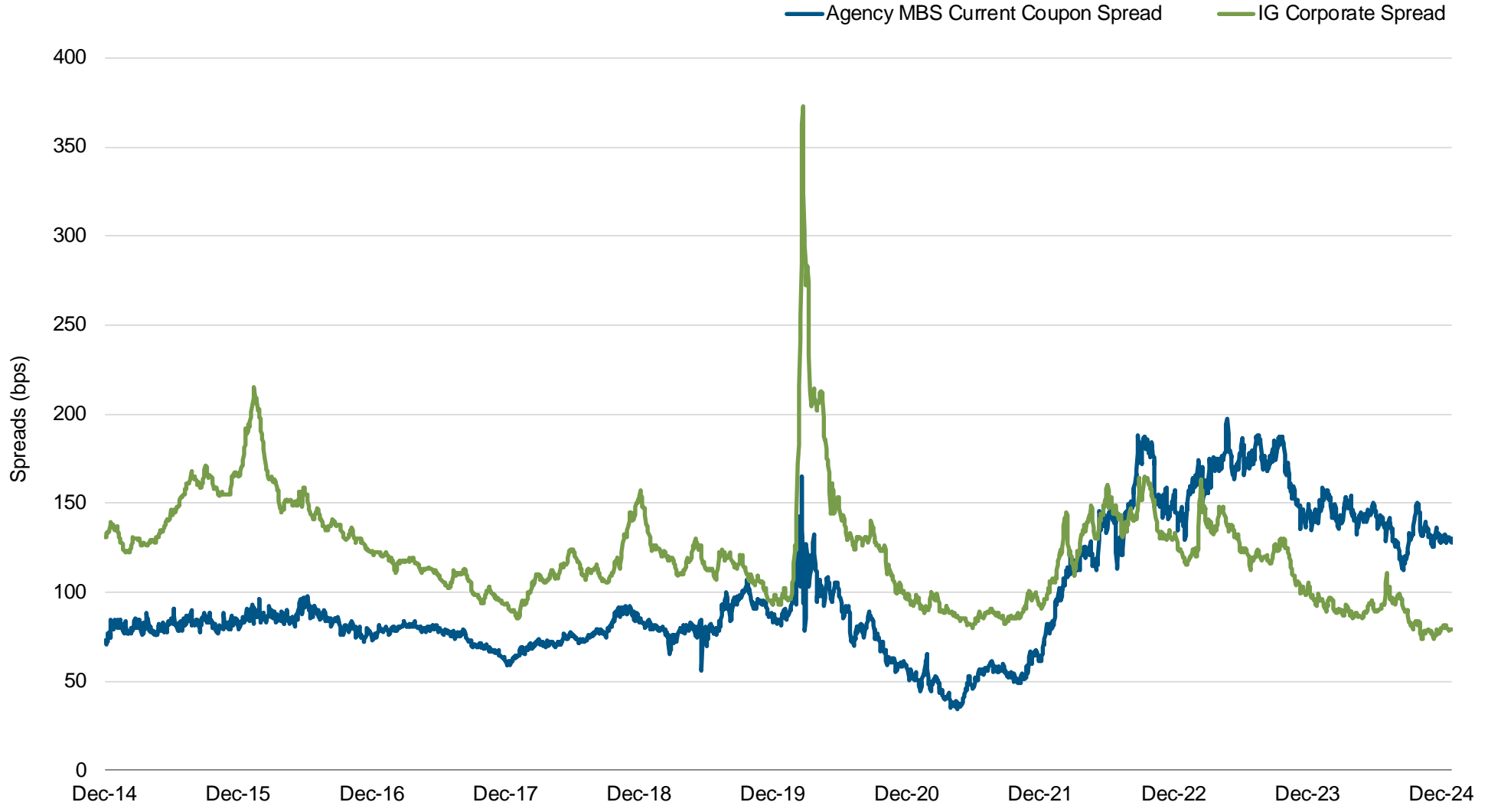


As of 13 January 2025. Past performance is not a guarantee or a reliable indicator of future results. The figure is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. There is no assurance that the stated results will be achieved.

SOURCE: PIMCO, Bloomberg. TIPS Implied CPI YoY represented by TIPS Fixing Market pricing.

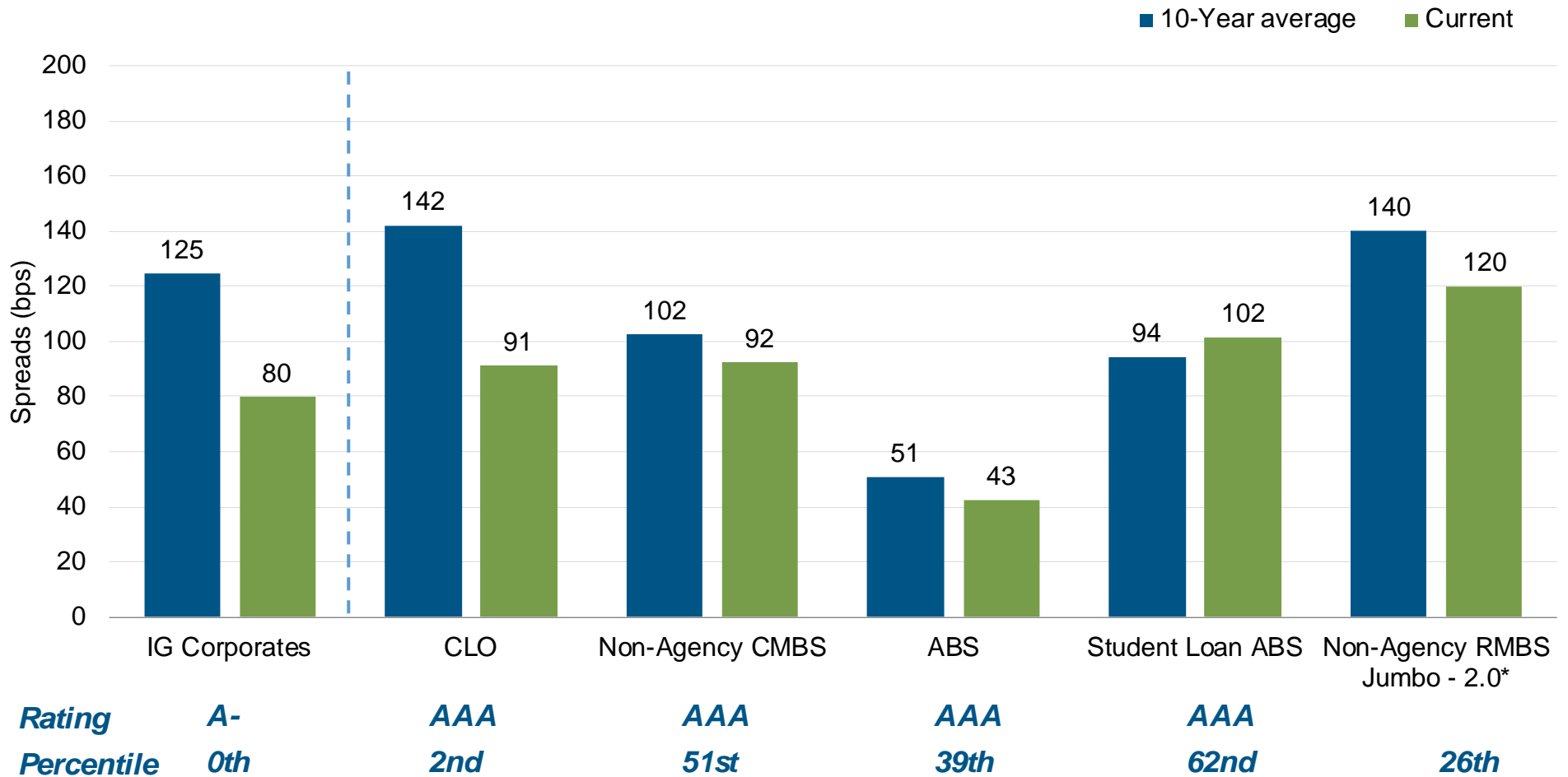
Refer to appendix for additional hypothetical illustration, outlook, and risk information.

# Agency MBS: Offering Attractive Spreads Versus IG Corporates



As of 31 January 2025. SOURCE: Bloomberg, PIMCO.  
Agency MBS represented by the 30Y FNCL Par Coupon Index. IG Corporate represented by the Bloomberg US Corporate Index.  
Refer to Appendix for additional index and risk information.

# High-Quality Securitized: Spreads remain near 10-year averages



As of 31 January 2025. Source: BAML, Barclays, JPMorgan, Bloomberg.

Index proxies for asset classes displayed are as follows: IG Corporates: Bloomberg US Corporate Index, CLOs: JPMorgan CLOIE AAA Index, Non-Agency CMBS: Bloomberg Non-Agency CMBS Index, ABS: Bloomberg AAA Asset Backed Securities Index Student Loans: Bloomberg AAA US Floating Rate Student Loan, RMBS 2.0: Proxied by data from Bank of America Merrill Lynch.

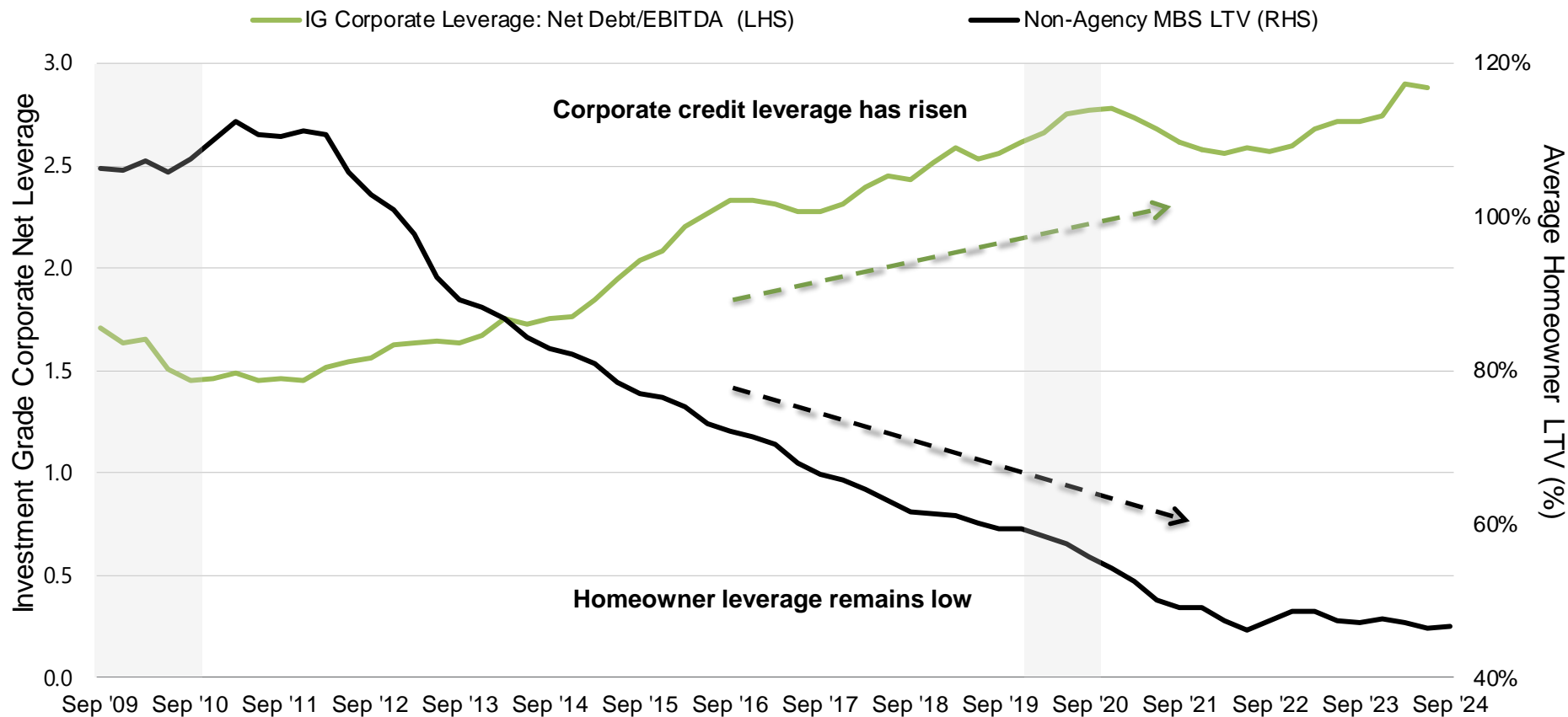
\*Non-Agency RMBS Jumbo 2.0 average as of earliest available data, 18 April 2018. Non-Agency RMBS Jumbo 2.0 spreads are as of 20 December 2024.

Nominal Spreads are defined as the excess yield over like-duration Treasury swaps.

Refer to Appendix for additional credit quality, index, outlook and risk information.

# High-Quality Securitized: Corporate leverage remains high, while homeowner leverage remains low

Leverage: Corporate debt vs. Non-Agency mortgages



Non-Agency MBS LTV as of 30 September 2024; IG corporate leverage as of 30 June 2024.

Source: PIMCO, Bloomberg Finance LP, JP Morgan.

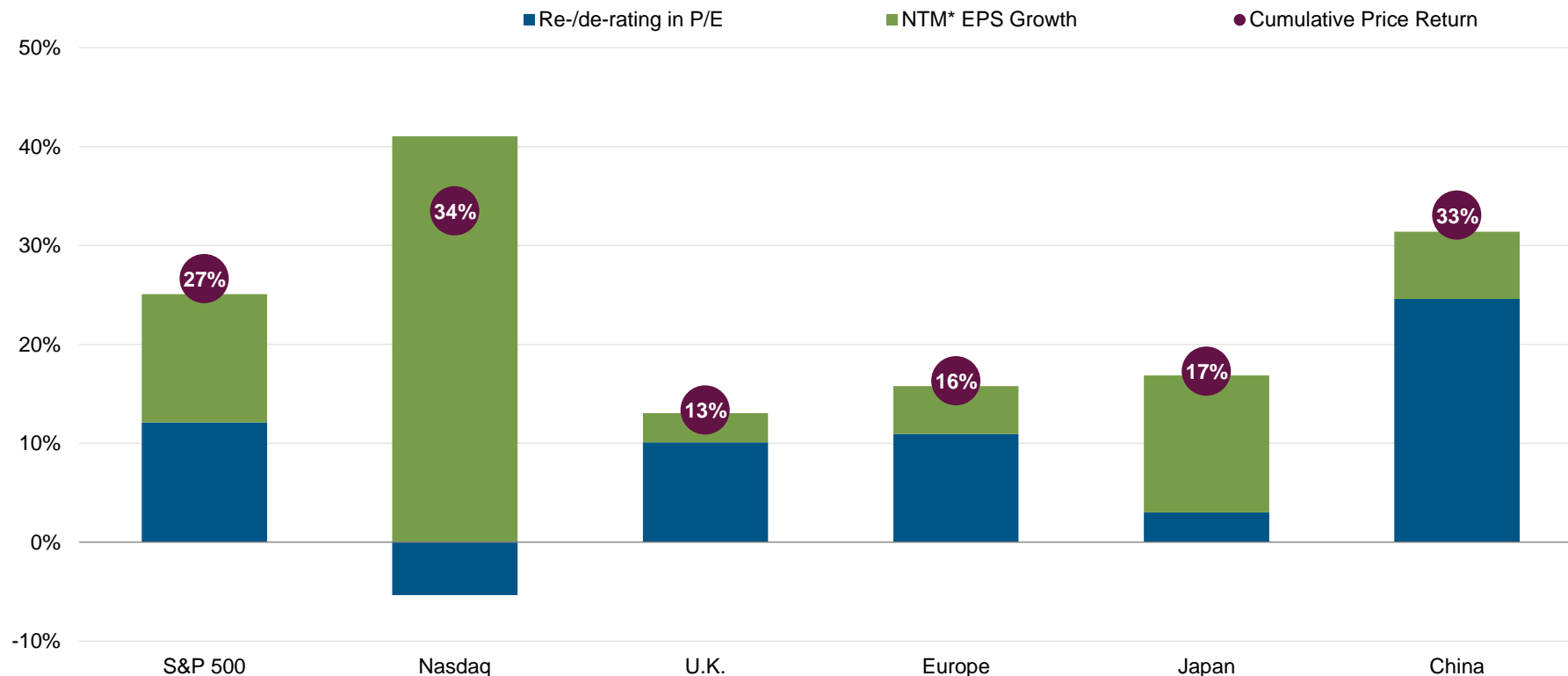
Grey Bars indicate recessionary periods in the U.S. This includes the recession from December 2007 to June 2009 and the COVID-19 shock starting February 2020.

Net Leverage is defined as net debt (company's interest-bearing debts less cash or cash equivalents) divided by EBITDA: earnings before interest, taxes, depreciation, & amortization

Refer to Appendix for additional forecast, index, investment strategy, and risk information.

# Equities: U.S. valuations have been justified by stronger growth, while the rest of the world has priced in a weaker growth trajectory

Drivers of cumulative price returns since the start of 2024 have been differentiated across countries



As of 18 February 2025. Source: PIMCO, Bloomberg. For illustrative purposes only. Past performance is not indicative of future results.

Europe is represented by STOXX 600 Index, U.K. is represented by FTSE 100 Index, Japan is represented by TOPIX Index, China is represented by MSCI China Index.

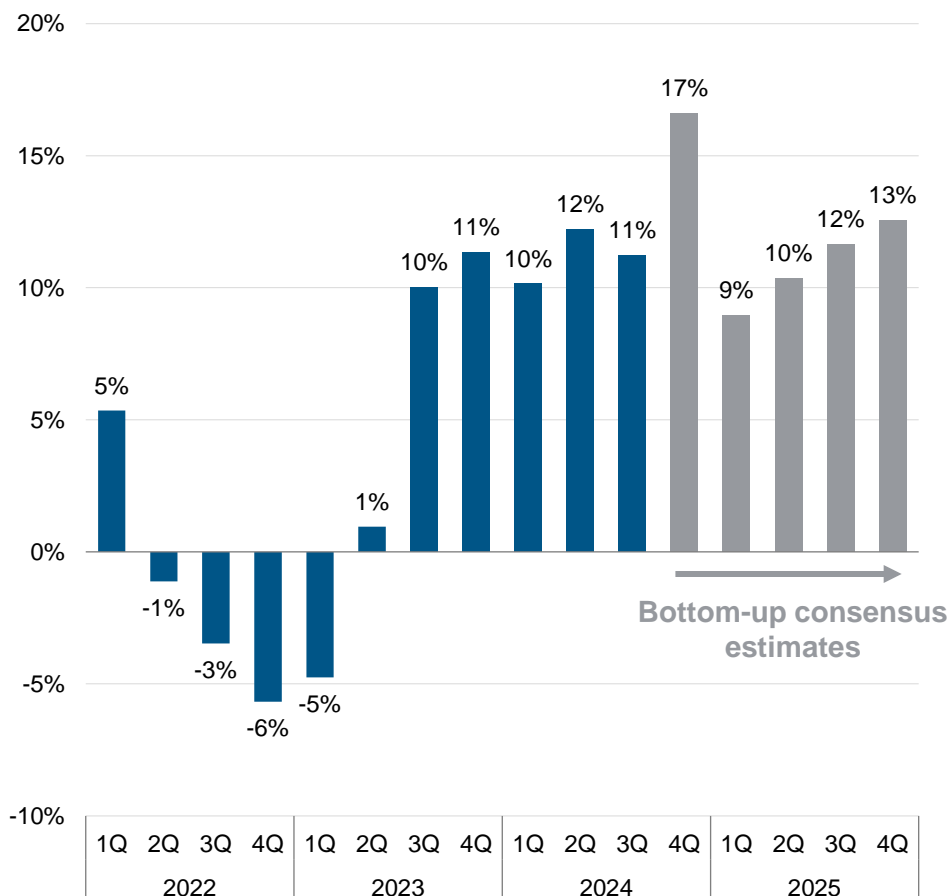
Refer to Appendix for additional forecast, index, investment strategy, outlook, and risk information.

# Equities: We believe equities can continue to perform *if* the anticipated EPS growth is delivered

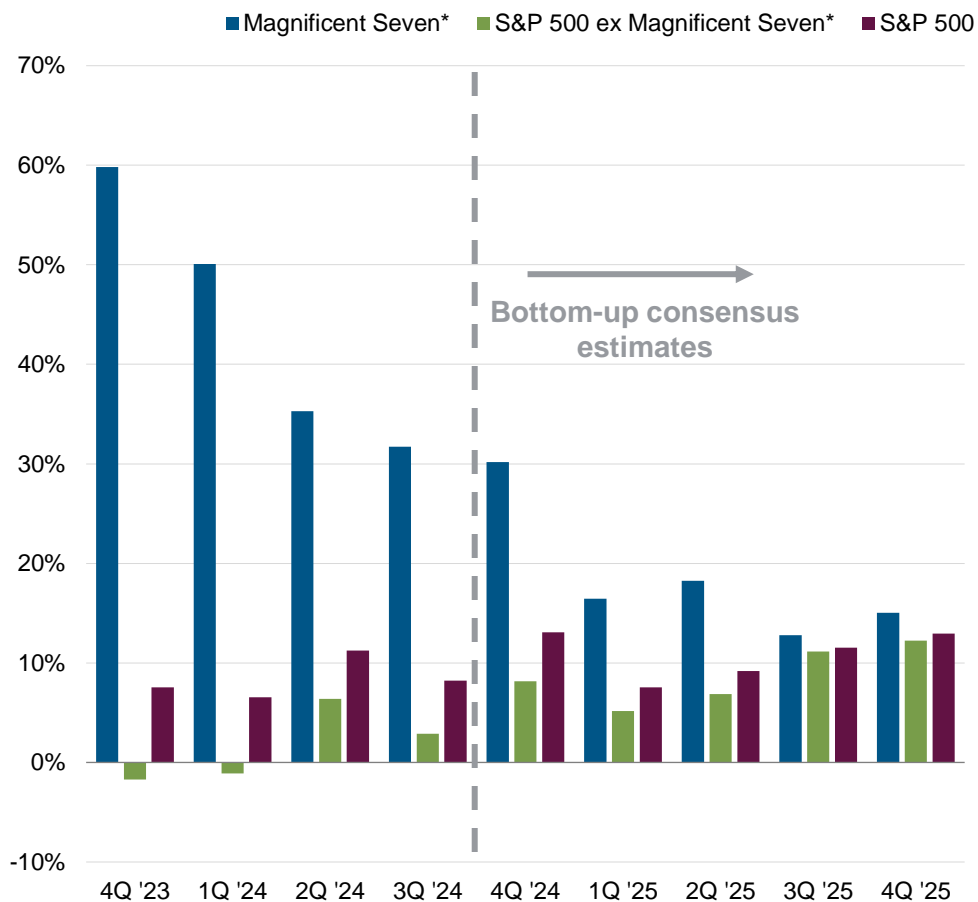
Earnings estimates for Q4 2024 and 2025 are underpinned by macro resilience...

...And we expect earnings growth to broaden out across sectors

S&P 500 YoY EPS Growth (ex-Energy)



Quarterly EPS Growth (YoY)



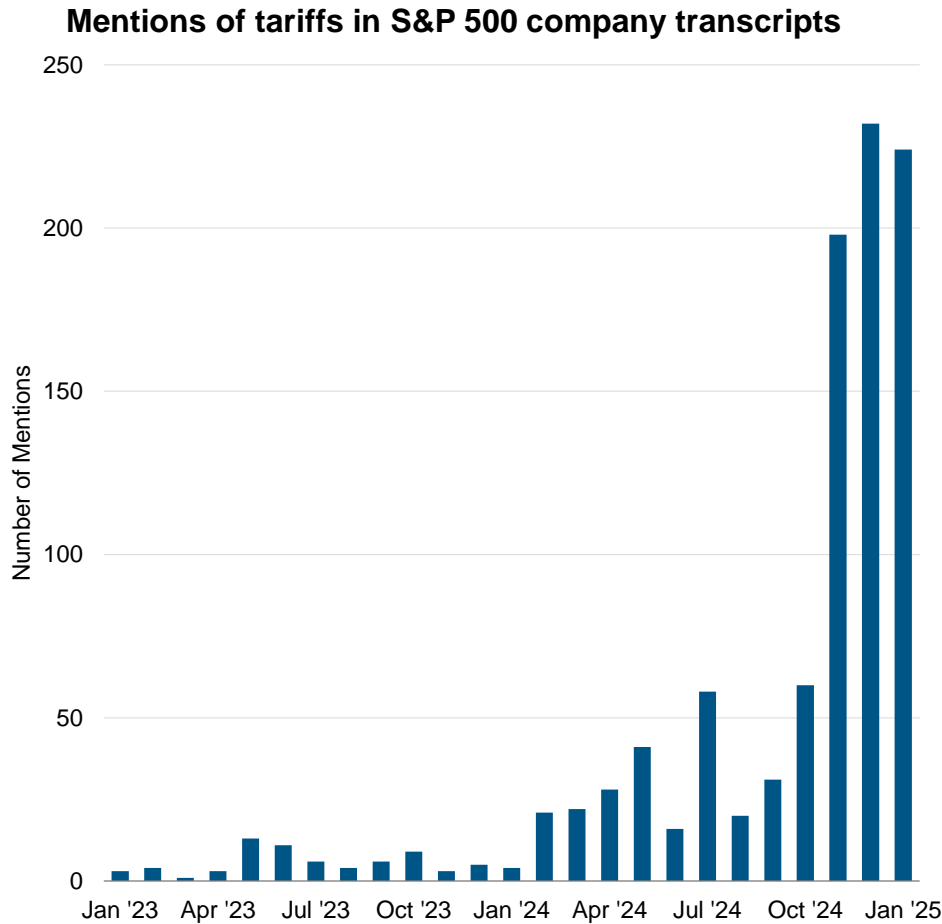
As of February 2025. SOURCE: Goldman Sachs, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**

\*Magnificent Seven entails Apple, Microsoft, Alphabet, Amazon, NVIDIA, Meta, and Tesla.

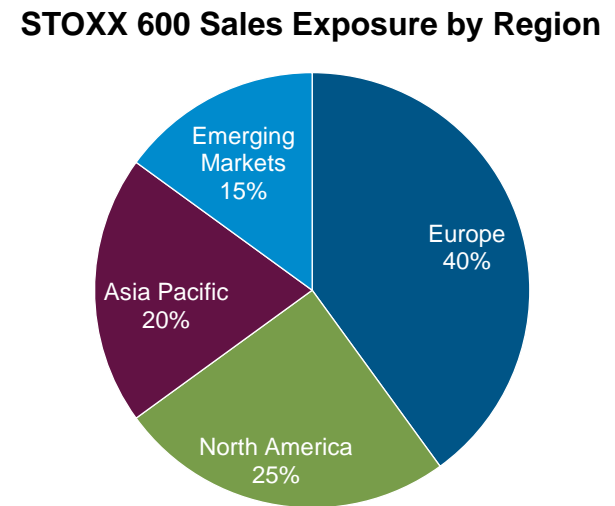
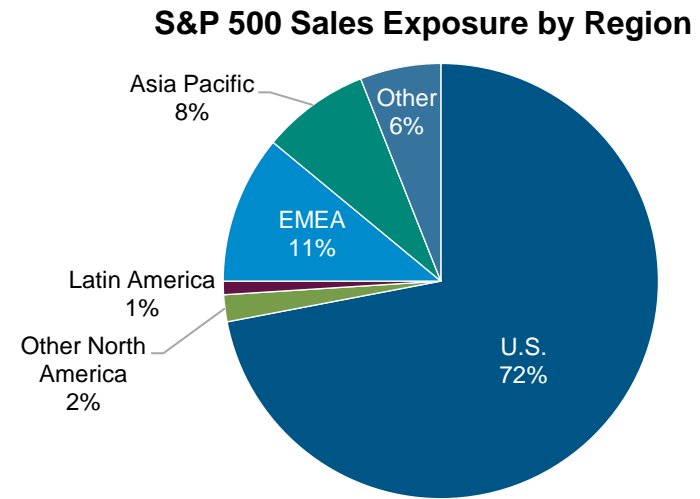
Refer to Appendix for additional index, issuer, outlook and risk information.

# Equities: Tariffs present the biggest risk to both economic growth and equity performance, but the U.S. is less affected than its major trading partners

Tariff headlines and actual policy outcomes create volatility and dispersion



Less than 30% of sales for S&P 500 companies are generated abroad vs 60% for Europe



As of February 2025. SOURCE: PIMCO, Bloomberg, 2023 Company 10-K filings, Goldman Sachs Global Investment Research, FactSet, STOXX. Refer to Appendix for additional outlook and risk information.



# Equities: How tariffs are applied matters - we expect headlines and actual policy outcomes to create *sector-level* winners and losers in Trump 2.0

Tariffs can have differentiated impacts across sectors, as well as on consumers versus businesses

- In Trump 1.0, tariffs on Chinese goods were focused more on capital goods instead of consumer goods
- Increased investment costs for corporations were also offset by a lower corporate tax rate the time; however, there is less room to do this again
- Sectors that were more insulated in Trump 1.0 may be more susceptible to volatility depending on tariff implementation. These include consumer discretionary (especially autos), staples (especially food), materials, and energy

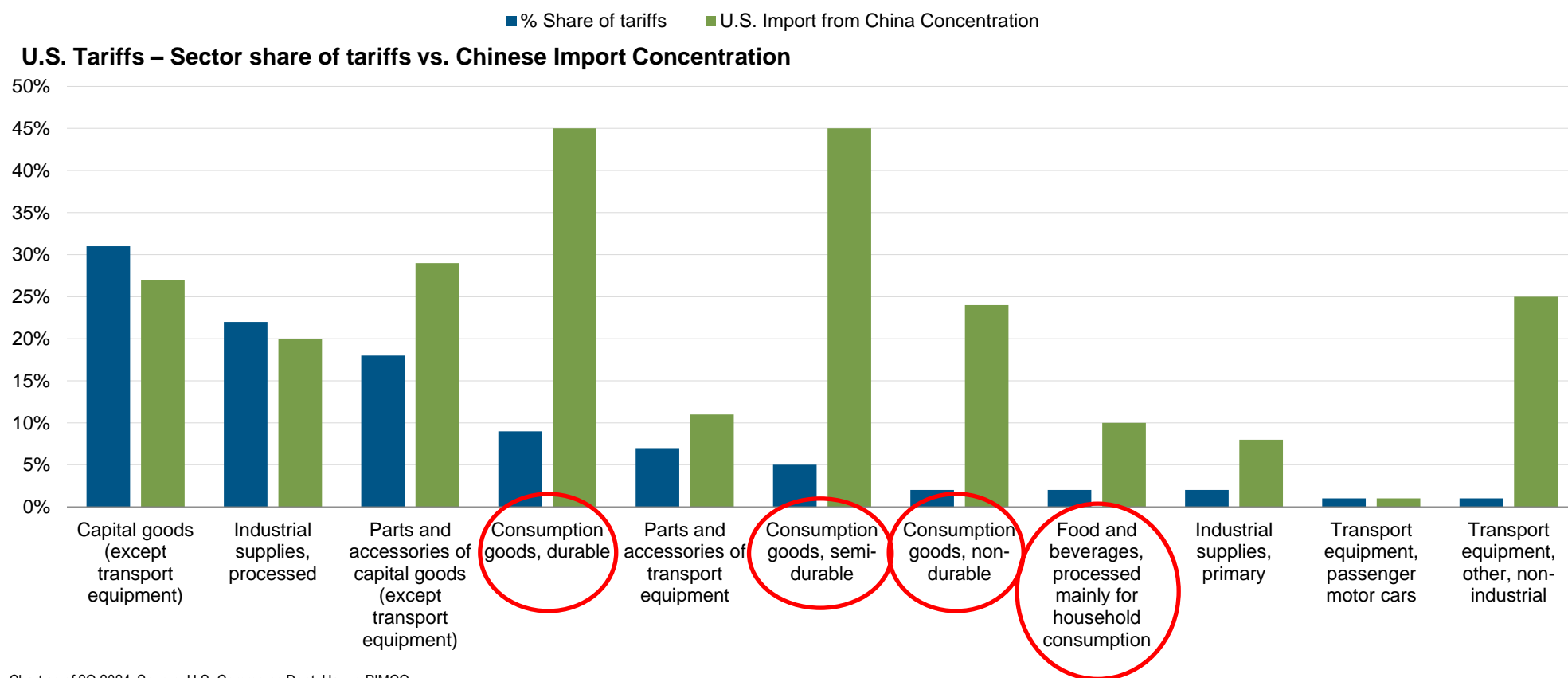


Chart as of 2Q 2024. Source: U.S. Commerce Dept, Haver, PIMCO.  
Refer to Appendix for additional outlook and risk information.

## 3 Key Takeaways

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1

### Fixed Income

Constructive on high quality fixed income amid elevated starting yields, capital appreciation potential, and renewed diversification benefits vs equity risk

2

### Securitized Credit

Overweight up-in-quality securitized credit, such as legacy non-agency MBS, supported by attractive spread levels and resilient fundamentals

3

### Equities

Preference for U.S. exposure given high quality features, solid expected earnings growth, and relatively stronger macro backdrop



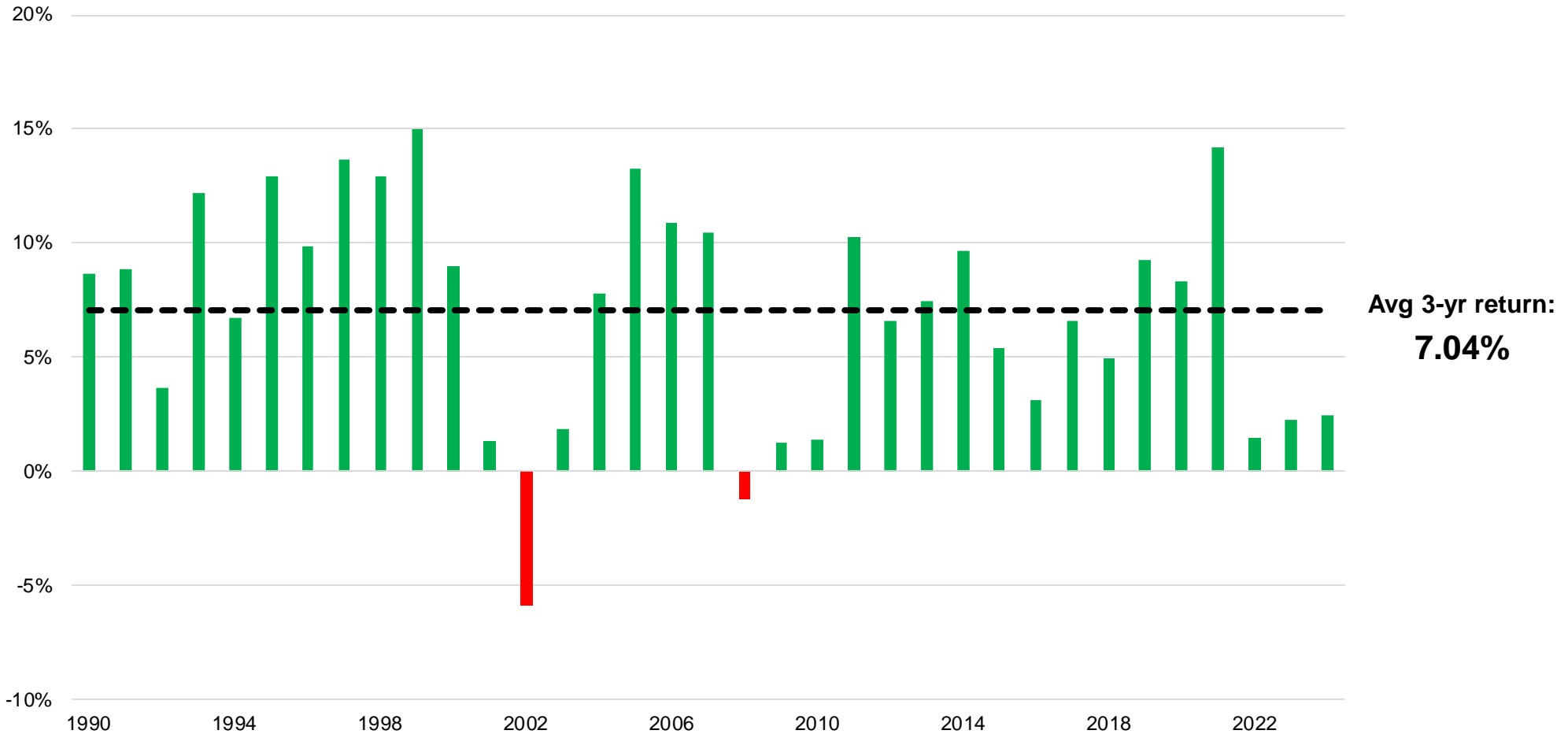
Additional Information

# Why 60/40? Don't try to time the market

## *Stable and compelling long-term returns*

A 60/40 allocation has a long-term track record of generating attractive returns

**60/40 Market Portfolio 3-Year Annualized Returns**



As of 31 December 2024. Source PIMCO, Bloomberg. Data since 1/31/1990.

**For illustrative purposes only. Past performance is not a guarantee or a reliable indicator of future results.**

60/40 Portfolio is represented by 60% MSCI ACWI / 40% Bloomberg US Aggregate Index.

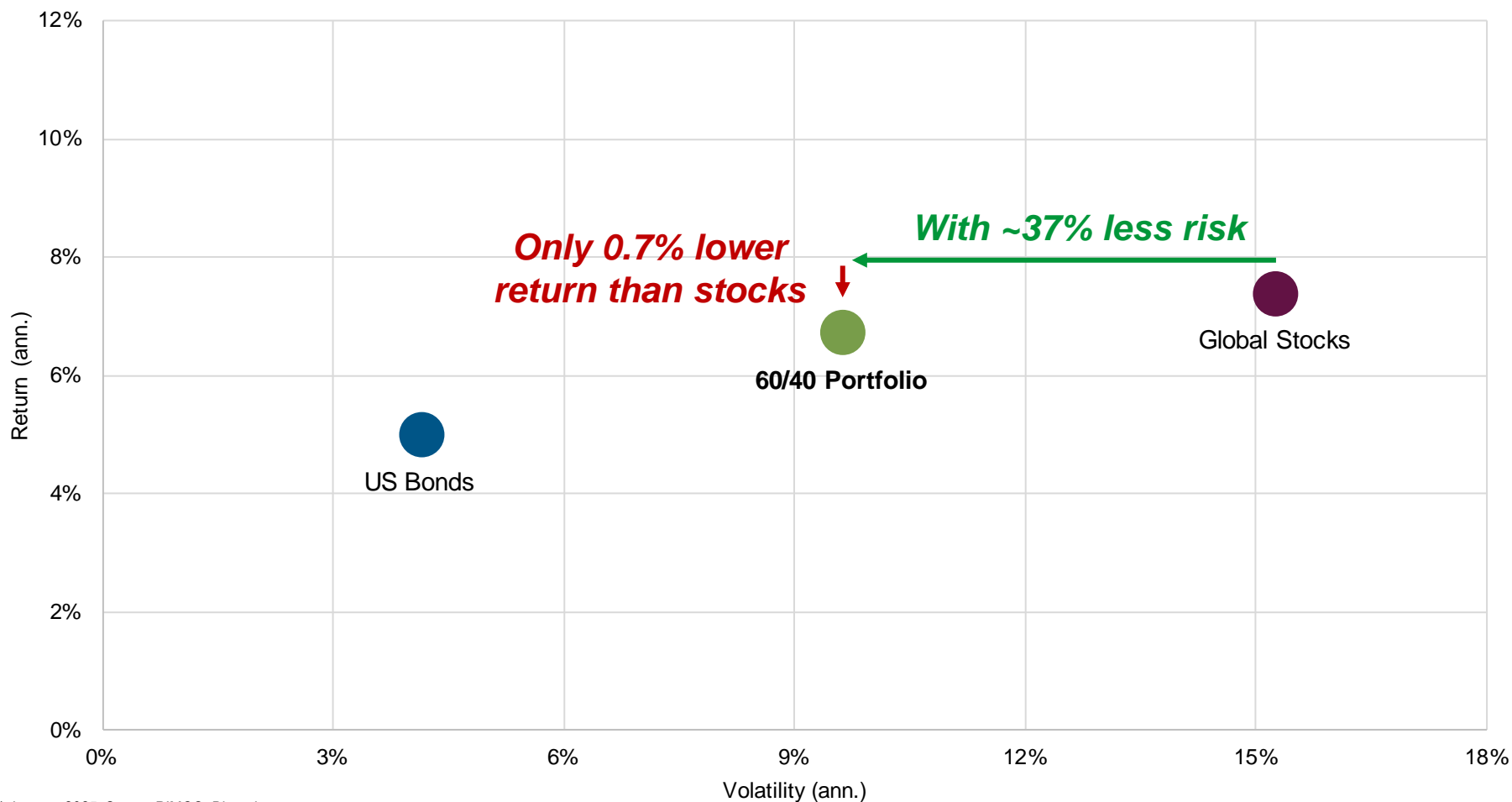
Refer to Appendix for additional index, outlook and risk information.

# Why 60/40? Avoid excessive risk-taking

## Attractive risk/return trade-off

A 60/40 allocation delivers nearly the same return as stocks but with much less risk

Annualized Risk/Return Since 1990



As of 31 January 2025. Source PIMCO, Bloomberg  
Data since 1/31/1990

**For illustrative purposes only. Past performance is not a guarantee or a reliable indicator of future results.**

60/40 Portfolio is represented by 60% MSCI ACWI / 40% Bloomberg US Aggregate. US Bonds represented by the Bloomberg US Aggregate Index. Global Stocks represented by the MSCI ACWI Index.

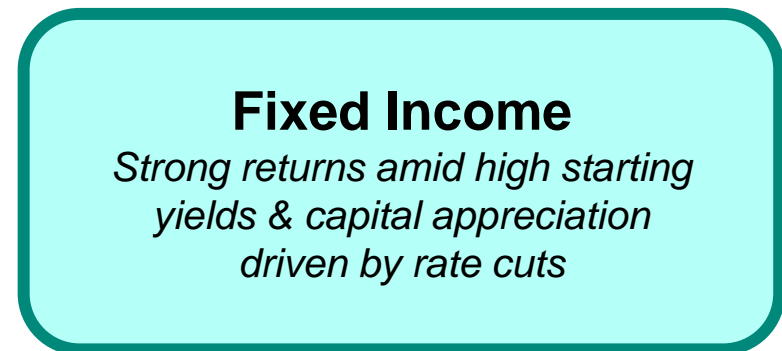
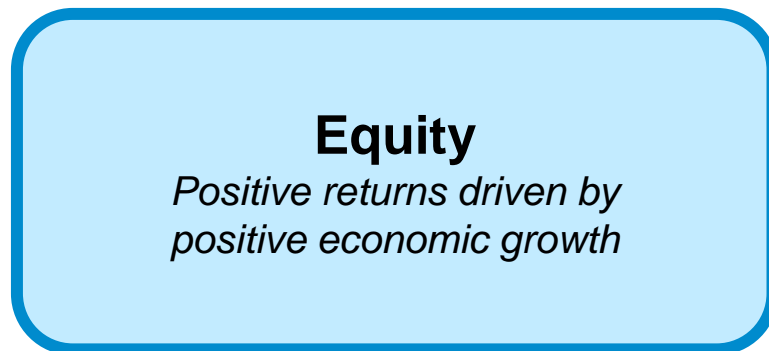
Refer to Appendix for additional index, outlook and risk information.

# PIMCO's Macro Outlook & Potential Implications for Multi-Asset Portfolios

Base case for soft landing is a supportive backdrop for both equities and bonds

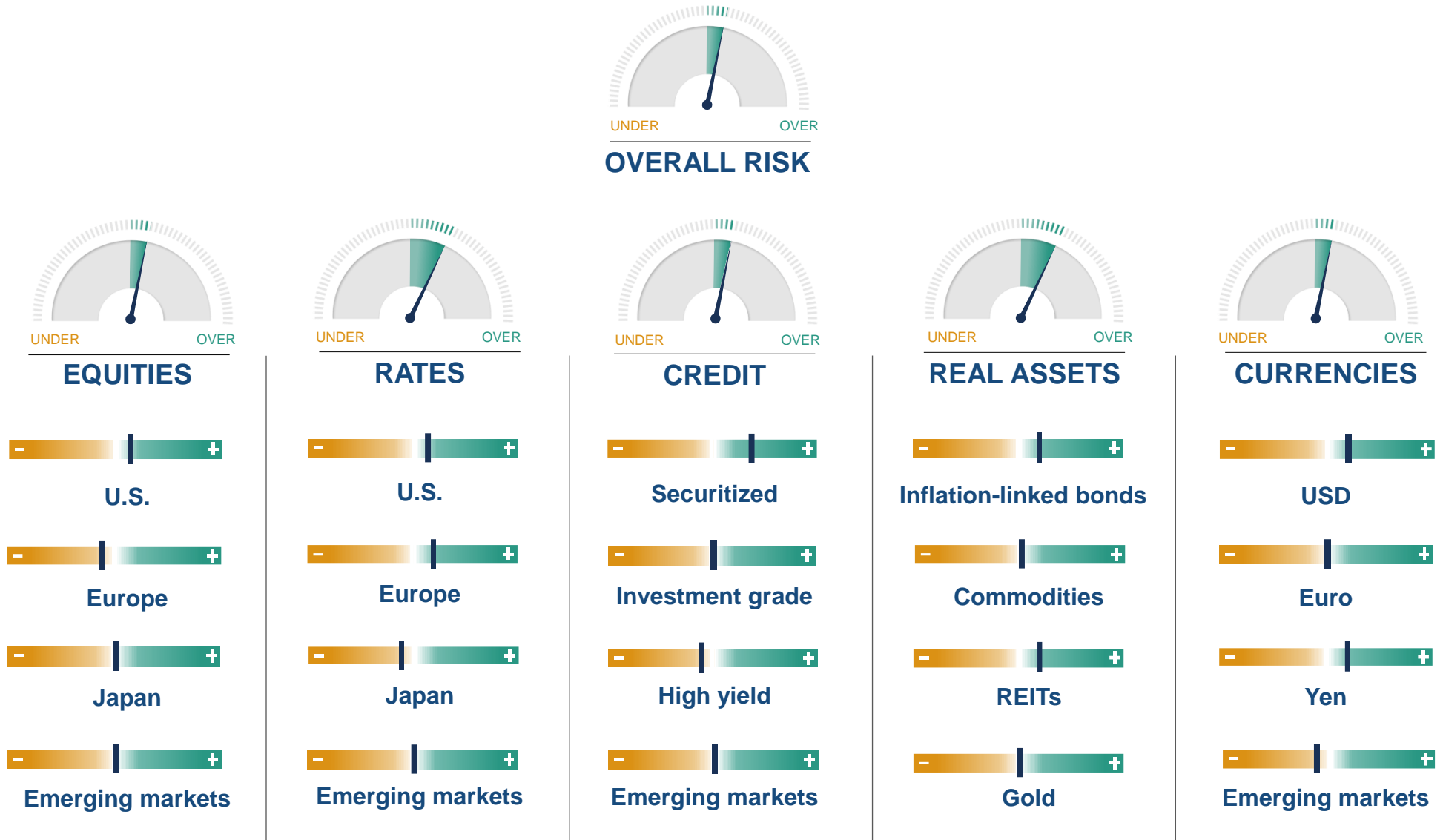


## Market Implications



As of 31 December 2024. SOURCE: PIMCO.  
Refer to Appendix for additional investment strategy, outlook, and risk information.

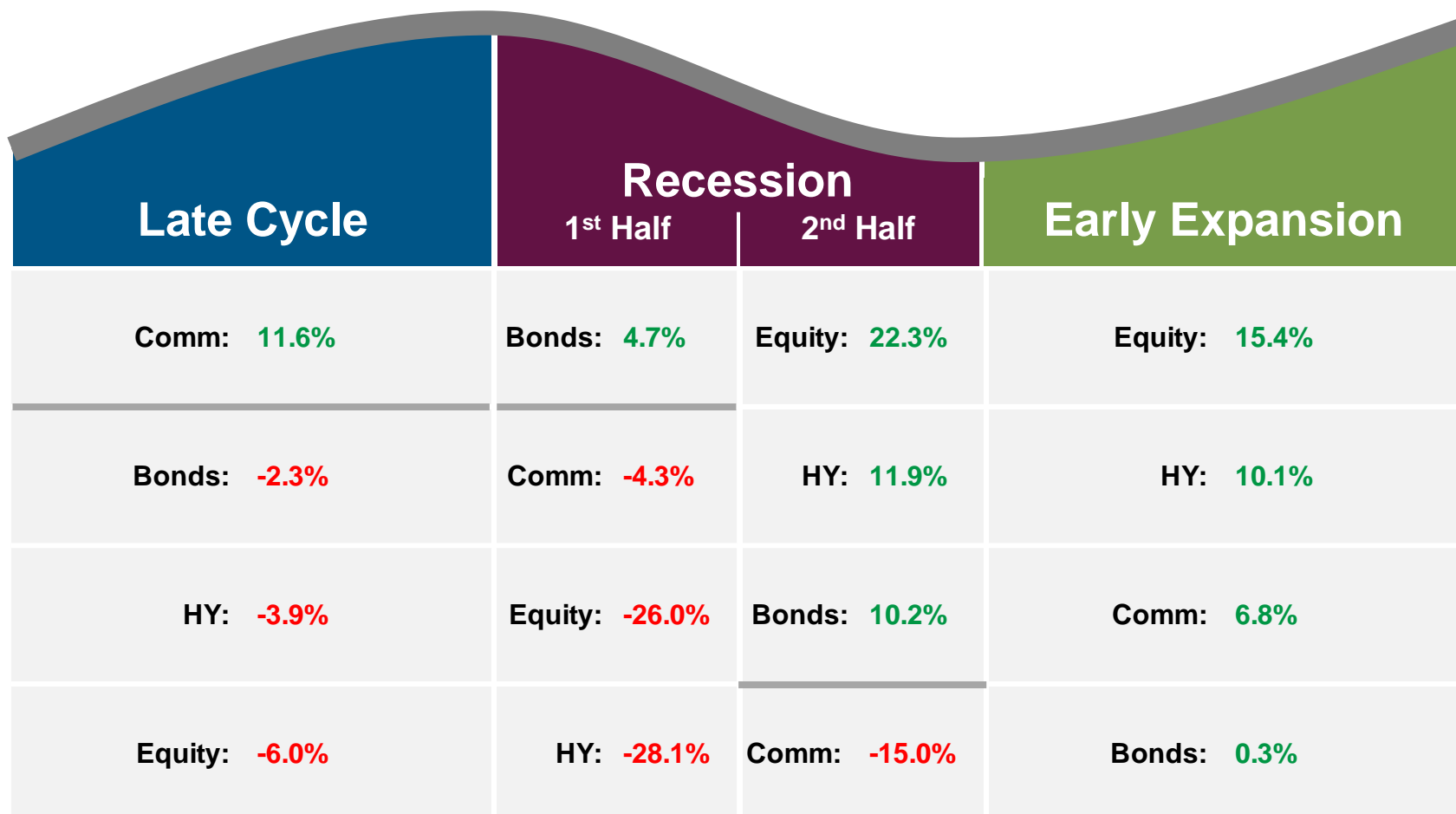
# Views Across Multi-Asset Portfolios



As of 31 January 2025. Source: PIMCO. For illustrative purposes only. Refer to Appendix for additional investment strategy, outlook, and risk information.

# Understanding asset class performance across the business cycle

## Excess returns across the business cycle



As of 31 December 2024. SOURCE: PIMCO, Global Financial Data, Bloomberg, NBER US Business Cycles. **Past performance is not a reliable indicator or guarantee of future performance.**

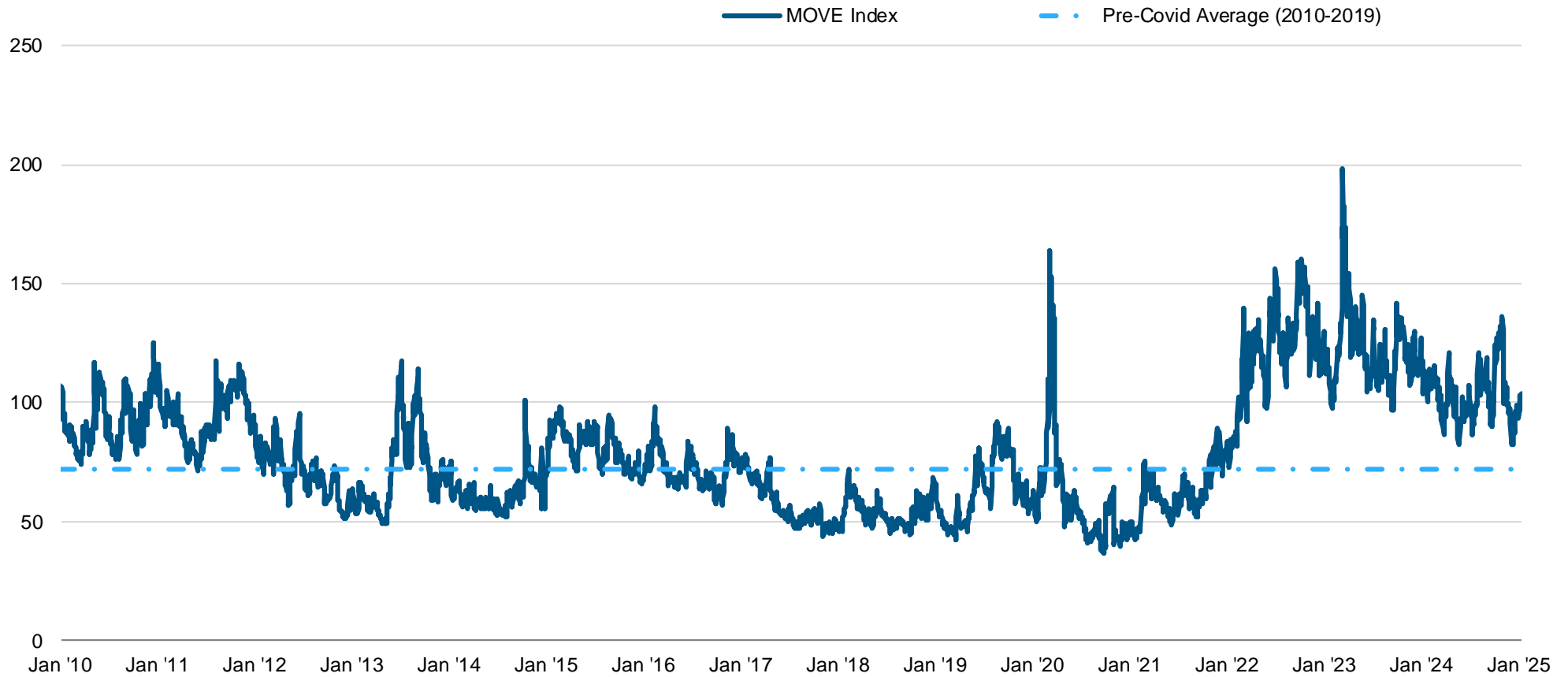
Calculations for excess returns over the cash rate for equities (S&P 500 Index) and bonds (GFD US 10 Year Treasury Index Total Return series) based on monthly data from May 1953. Calculations for Commodities (Composite Commodity Index of widely followed indices) and HY (Bloomberg U.S. Corporate Duration-Hedged High Yield Index) are based on monthly data from July 1959 and August 1988, respectively. Equity, bonds and commodities are in excess of the risk free rate (3-month Treasury Bill). HY is duration neutral, thus we do not subtract the risk free rate. Late corresponds to the 12 months before the recession occurs. Early expansion corresponds to 12 months after the recession ends.

Refer to Appendix for additional index, investment strategy and risk information.



# Heightened volatility favors active management

## Volatility in rates has come down relative to 2022 but remains elevated



As of 13 January 2025.

Source: Bloomberg, PIMCO, ICE BofA

Refer to Appendix for additional investment strategy and risk information.

# Agency MBS: Asset class provides high quality yield pickup

Volatility-Adjusted MBS Spreads



As of 31 January 2025.

SOURCE: PIMCO. For illustrative purposes only.

"Rich" and "Cheap" defined as 1 standard deviation from average OAS. "2x Rich" and "2x Cheap" defined as 2 standard deviations from average OAS. 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.

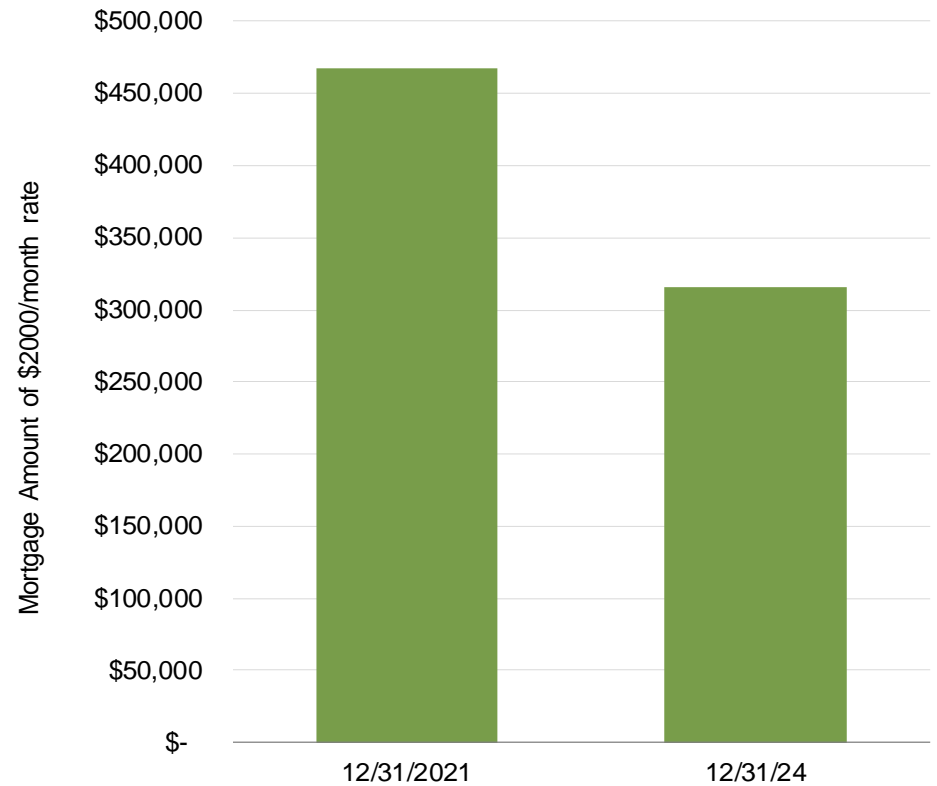
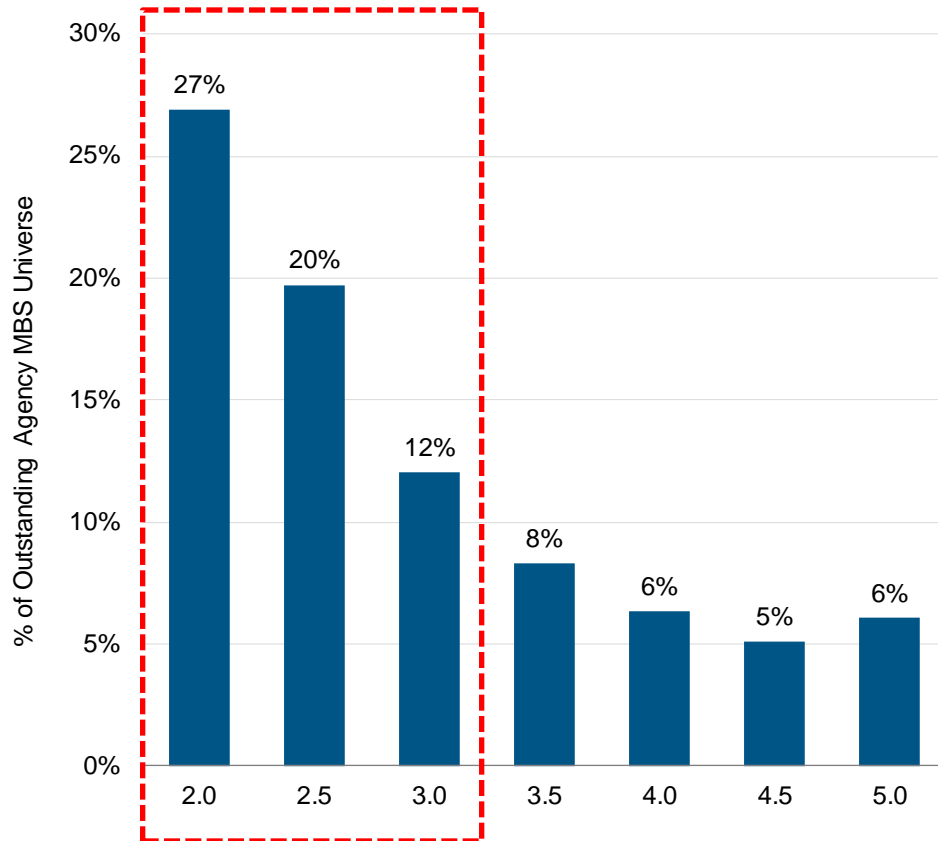
Statements concerning financial market trends are based on current market conditions which will fluctuate.

Refer to Appendix for additional outlook, valuation and risk information.

# Housing Outlook: Slowing Market is Unlikely to Impact Fundamentals

**STOCK:** The majority of current mortgage holders are locked into 30-year fixed-rate mortgages of 3.0% or less with significant equity underlying their homes

**FLOW:** Affordability remains challenged, but low unemployment, strong consumer balance sheets, the long-term shortage of homes, and low supply should mitigate the extent of any housing correction

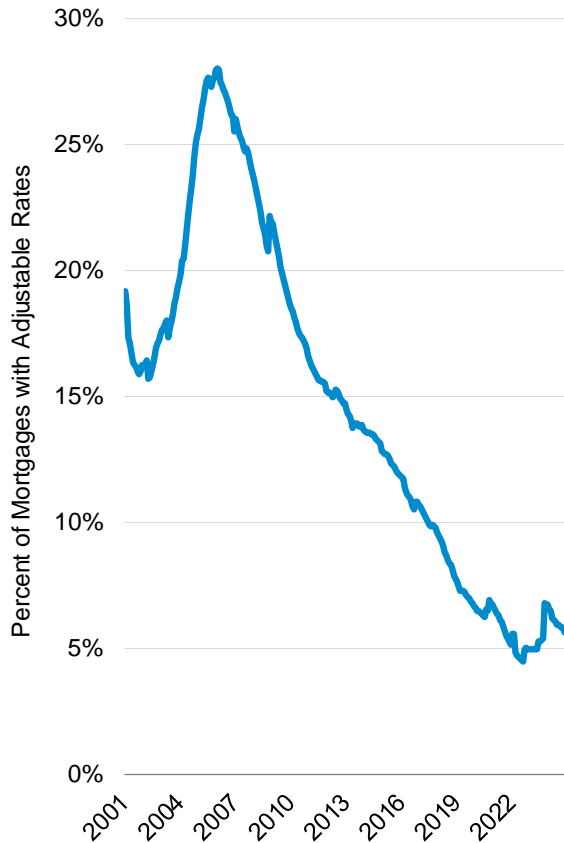


As of 31 December 2024.; Source: PIMCO, Bloomberg. For illustrative purposes only. Refer to Appendix for additional outlook and risk information.

# Housing Outlook: Why This Housing Market is Different Than 2008

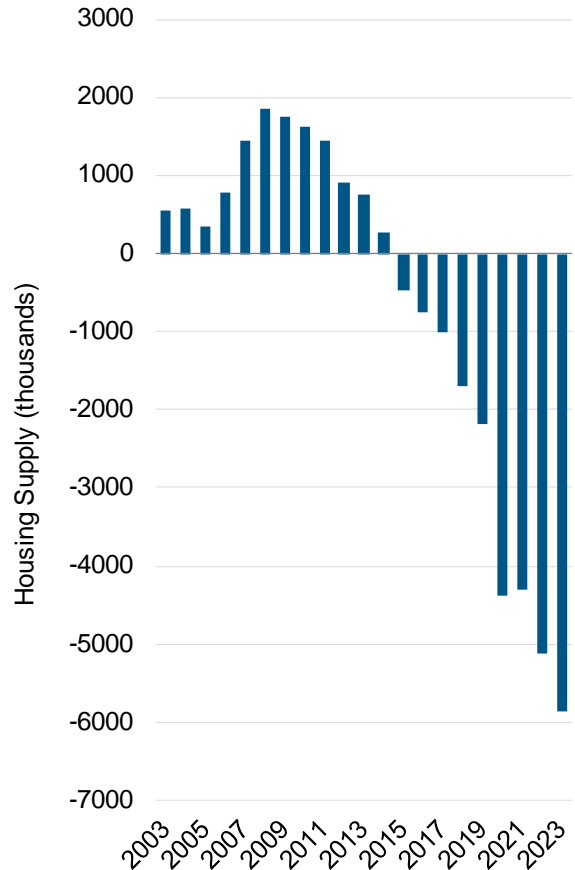
## Outstanding Mortgages with Adjustable Rates

Very few mortgages today are directly exposed to rising interest rate risk



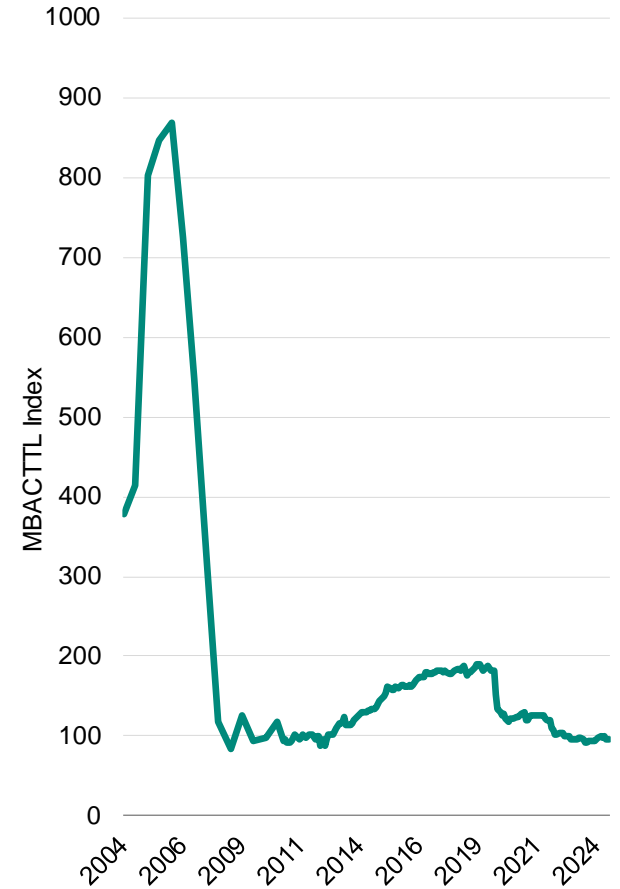
## Cumulative Excess New Home Supply

The undersupply of housing that has existed since the GFC continues to support housing dynamics



## Mortgage Credit Availability

Underwriting standards have remained tight since the GFC



Left and right charts as of 31 December 2024. Middle chart as of 31 December 2023. For illustrative purposes only.

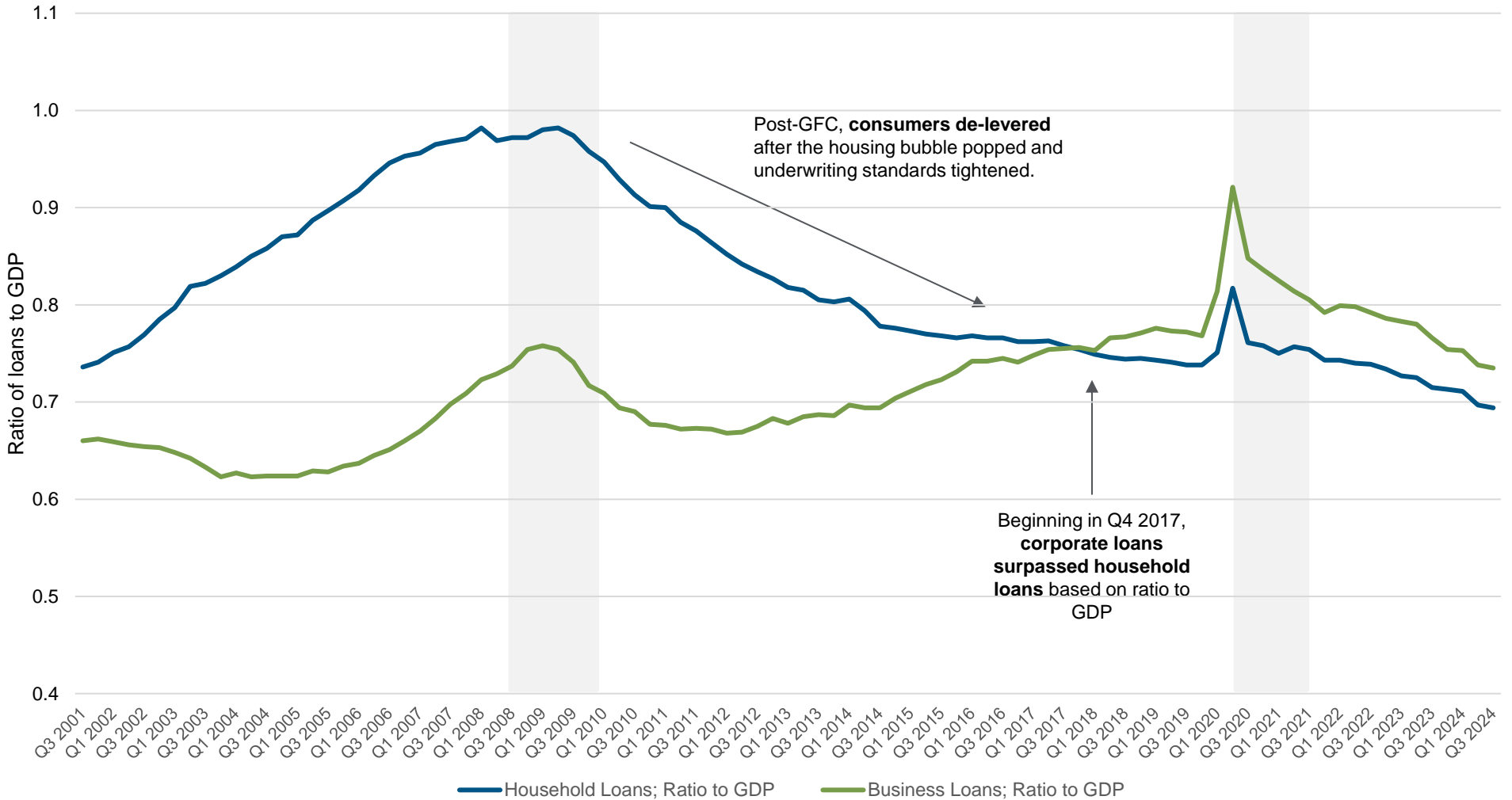
Source: PIMCO, Bloomberg

Refer to Appendix for additional outlook and risk information.

# Consumer leverage

## Household balance sheets significantly healthier post-global financial crisis

Comparing household loans and business loans ratio to GDP



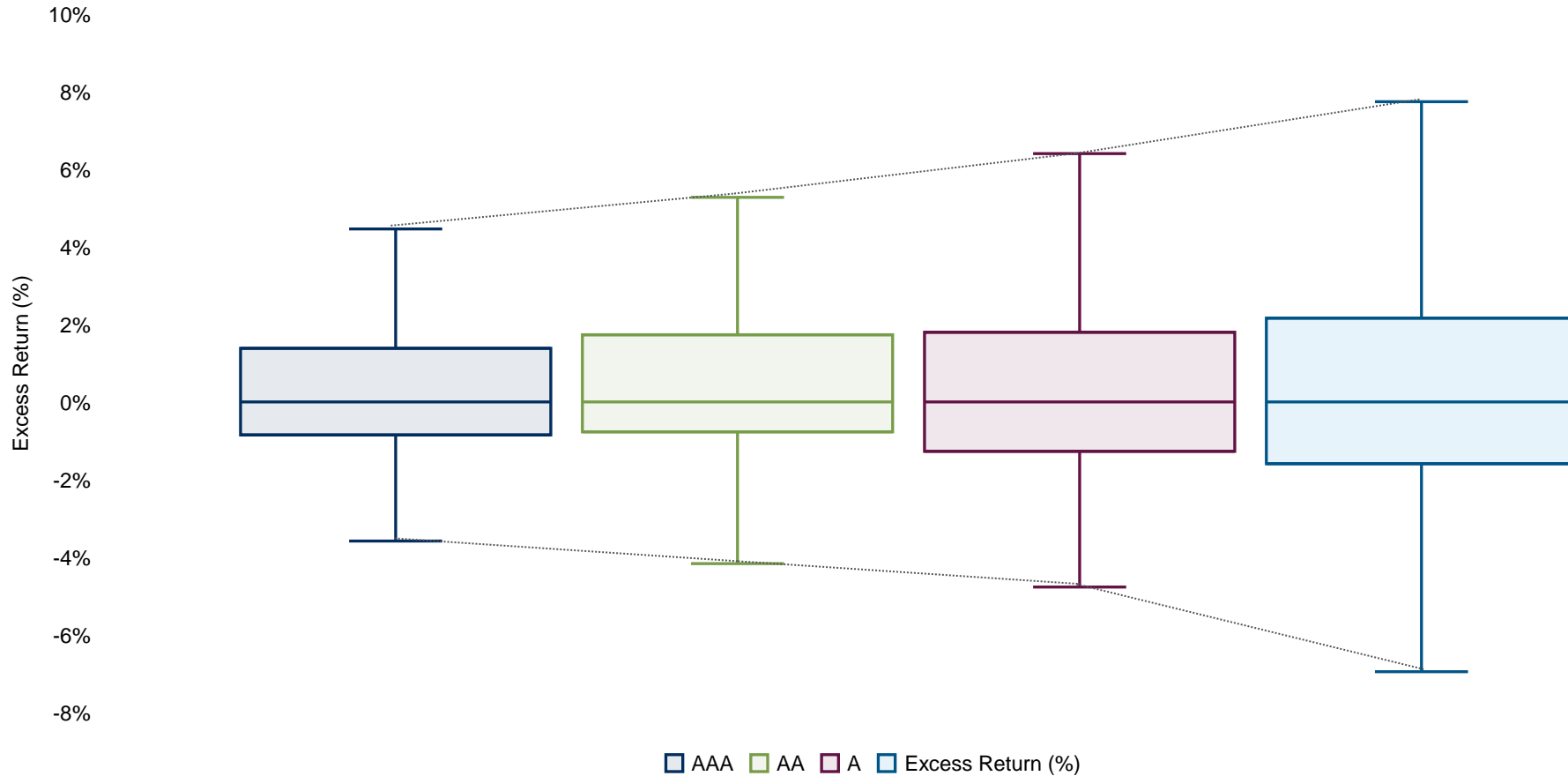
**Consumers have significantly de-levered following the peak in Q2 2009**

As of 30 September 2024. SOURCE: Federal Reserve  
Refer to Appendix for additional investment strategy and risk information.

# Investment grade return distribution

## Investors shouldn't rely on ratings alone

Investment grade credit return dispersion by quality



























**Dispersion of returns increases down the quality spectrum, emphasizing the need for robust individual credit selection**

As of 31 December 2024. Source: ICE

"AAA" represented by the ICE BofA AAA US Corporate Index. "AA" represented by the ICE BofA AA US Corporate Index. "A" represented by the ICE BofA Single-A US Corporate Index. "BBB" represented by the ICE BofA BBB US Corporate Index. Distribution of excess returns are shown for all constituents with 12 month returns in the respective indices, normalized to the median return of each index. Refer to Appendix for additional credit quality and risk information.

## Trump 2.0: We expect potential policy impact of the Trump agenda to be mixed, but details and the sequencing of policies will matter

### Estimated Directional Economic Impact

Potential Policies	2025 Growth	2025 Inflation	Direct Deficit Impact / 10 Years
Extend Expiring Trump Tax Cuts			
Targeted Repeal of IRA Renewable Tax Credits			
Increased Tariffs			
Crack down on Immigration		 to 	
Deregulation			 to 
Spending Cuts/DOGE	 to 		
Enact no major changes to Social Security/ Medicare			

Source: PIMCO, Goldman Sachs, Piper Sandler Deutsche Bank, CBO; As of January 2025

# Appendix

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**Past performance is not a guarantee or a reliable indicator of future results.**

## **CORRELATION**

The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

## **CREDIT QUALITY**

The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

## **FORECAST**

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

## **HYPOTHETICAL ILLUSTRATION**

Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact, there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

## **INDEX**

It is not possible to invest directly in an unmanaged index.

## **INVESTMENT STRATEGY**

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

## **ISSUER**

References to specific securities and their issuers are not intended and should not be interpreted as recommendations to purchase, sell or hold such securities. PIMCO products and strategies may or may not include the securities referenced and, if such securities are included, no representation is being made that such securities will continue to be included.

## **OAS**

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average earned over Treasury returns, taking multiple future interest rate scenarios into account.

## **OUTLOOK**

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.



# Appendix

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## RETURN ASSUMPTION

Return assumptions are for illustrative purposes only and are not a prediction or projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

## RISK

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. 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. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **REITs** are subject to risk, such as poor performance by the manager, adverse changes to tax laws or failure to qualify for tax-free pass-through of income. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. **Sovereign securities** are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. **Diversification** does not ensure against loss. **Investors should consult their investment professional prior to making an investment decision.**

## STRESS TESTING

Stress testing involves asset or portfolio modeling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modeling events. The methodologies can include , among other things, use of historical data modeling, various factor or market change assumptions, different valuation models, and subjective judgments.

## VALUATION

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.

# Appendix

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# Appendix

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