

# PIMCO Investment Grade Credit Bond Fund

## PERFORMANCE SUMMARY

The PIMCO Investment Grade Credit Bond Fund returned -2.43% after fees in April, outperforming the Bloomberg U.S. Credit Index by 0.06%. Year-to-date the Fund has returned -2.32% at NAV, while the benchmark returned -2.89%.

In April, the Bloomberg U.S. Credit Index returned -2.49%, outperforming like-duration Treasuries by 0.21%. Investment grade credit spreads tightened 3 bps while yields rose 0.43% to 5.68%<sup>1</sup>.

### Contributors

- Security selection within specialty finance
- Tactical exposure to emerging markets
- Security selection within technology

### Detractors

- Tactical exposure to securitized credit
- Duration positioning

	Month end performance 30 April 2024				Quarter end performance 31 March 2024			
	3 mos.	6 mos.	1 yr.	YTD	1 yr.	5 yrs.	10 yrs.	Since inception
■ PIMCO Investment Grade Credit Bond Fund share class INST at NAV (%)	-2.53	7.52	1.20	-2.32	4.50	1.10	2.93	6.04
■ Benchmark (%)	-2.71	6.93	0.76	-2.89	4.15	1.39	2.49	4.89

**Benchmark:** Bloomberg U.S. Credit Index

*Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month-end, visit [www.pimco.com](http://www.pimco.com) or call (888) 87-PIMCO.*

Certain Funds may offer a share class with an inception date which is different than the inception date of the Fund. For the periods prior to the inception date of a share class, performance information is based on the performance of the Fund's oldest class shares, adjusted to reflect the fees and expenses paid by that class of shares. The performance figures presented reflect the total return performance, unless otherwise noted, for institutional class shares and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Periods less than one year are cumulative. The minimum initial investment for Institutional class shares is \$1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

There is no assurance that any fund, including any fund that has experienced high or unusual performance for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) a fund's total return in excess of that of the fund's benchmark between reporting periods or 2) a fund's total return in excess of the fund's historical returns between reporting periods. Unusual performance is defined as a significant change in a fund's performance as compared to one or more previous reporting periods.

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

A Shares	PBDAX	INST Shares	PIGIX
ADMIN Shares	PGCAX	I-2 Shares	PBDPX
C Shares	PBDCX	I-3 Shares	PCNNX

Fund Inception Date **28 April 2000**

Shareclass INST Inception Date **28 April 2000**

Total Net Assets (in millions) **\$11,671.6**

### Performance Characteristics

INST 30-day SEC yield<sup>1</sup> **5.51%**

<sup>1</sup>The 30 day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days.

### Basic Facts

Dividend frequency **Monthly with Daily Accrual**

### Fund Expenses

INST share Gross Expense Ratio **1.04%**

INST share Adjusted Expense Ratio **0.50%**

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

### Portfolio Managers

Mark Kiesel, Mohit Mittal, Amit Arora

### Fund Statistics

Effective Duration (yrs) **6.53**

Effective Maturity (yrs) **9.87**

Sharpe Ratio (10 year) **0.20**

Volatility (10 year) **6.81%**

## PORTFOLIO POSITIONING

The Fund is overweight developed market duration, with a preference for holdings in the intermediate part of the curve. The Fund favors sectors that exhibit resiliency to higher rates such as banks and specialty finance. Within banks, we favor US banks benefitting from high barriers to entry and solid balance sheets, while focusing on senior bonds issued by strong banks given attractive risk-adjusted valuations due to repricing in the sector across the capital structure. We are finding opportunities in non-cyclical sectors that may be better insulated from an economic slowdown. Further, we are finding value in companies benefitting from the strong demand for broadband and connected devices, particularly tower companies and select wireless providers. The Fund maintains exposure to industries tied to housing, including non-Agency MBS where fundamentals remain strong with higher homeowner equity. We are also focusing on Agency MBS as the sector continues to trade cheap relative to long-term levels, largely driven by technical headwinds. The Fund also maintains an overweight to select corporate, quasi-sovereign and sovereign issues in emerging markets, particularly credits we believe to have relatively strong fundamentals. Conversely, we are cautious on sectors that face potential regulatory headwinds and those that face potential M&A and obsolescence risk.

## MONTH IN REVIEW

The Fund's bottom-up sector and security selection contributed to relative performance for the month, while macro positioning also contributed to performance.

Security selection within specialty finance contributed to performance as select issuers benefitted from strong funding access. Tactical exposure to emerging markets contributed to performance as select issuers outperformed. Security selection within technology contributed to performance as select issuers benefitted from acquisition synergies and US grant announcements. Tactical exposure to securitized credit detracted from performance as spreads widened. Overweight duration positioning detracted from performance as rates rose.

## Top Industries (% Market Value)

Top Industries (% Market Value)	Fund
Banks	19.0
Electric Utility	8.0
Financial Other	5.3
Pipelines	5.0
Technology	3.9
Brokerage	3.8
Wireless	3.5
Wirelines	2.6
Gaming	2.6
Insurance Life	2.4

## OUTLOOK AND STRATEGY

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. The lack of progress on inflation in the first quarter could delay rate cuts until later this year or even into 2025, with the Fed's subsequent rate-cutting path also potentially being more gradual than other DM central banks. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Credit market technicals remain strong as demand continues to be supported by high yields, although net new supply has risen due to receding recession fears and growing expectation amongst issuers for yields to stay higher for longer. Valuations are near the lowest levels since 2008 which warrants a patient approach and focus on maintaining liquidity and flexibility in portfolios, capitalizing on opportunities as they present themselves. We continue to seek out high conviction opportunities, with a preference for sectors that have historically been more resilient to higher rates and non-cyclical sectors that may be better anchored in an economic slowdown. Our bottom-up positioning emphasizes companies with high barriers to entry, pricing power, asset coverage, and management teams that favor bondholders in the capital structure.

INST SHARE MORNINGSTAR RATING™



OVERALL MORNINGSTAR RATING™ as of 04/30/2024

Category	Corporate Bond
Number of funds in category	177
Criteria	Risk-Adjusted Return

*Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus and summary prospectus, if available, which may be obtained by contacting your investment professional or PIMCO representative or by visiting [www.pimco.com](http://www.pimco.com). Please read them carefully before you invest or send money.*

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

**A word about 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. 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. **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. **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 ensure against loss.

**Effective duration** is a measure of a portfolio's price sensitivity to interest rate changes, including expected changes in cash flows caused by embedded options. The **Sharpe Ratio** measures the risk-adjusted performance. The risk-free rate is subtracted from the rate of return for a portfolio and the result is divided by the standard deviation of the risk-free rate subtracted from the portfolio returns. **Volatility** is measured by the standard deviation, or dispersion of a set of data from its mean, based on historical portfolio returns. A larger spread of data indicates higher standard deviation and higher volatility. **Effective maturity** is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

Monthly Morningstar Rating™ as of 30 April 2024 for the INST Shares; other classes may have different performance characteristics. The PIMCO Investment Grade Credit Bond Fund was rated against the following numbers of Fixed Income, Investment Grade over the following time periods: Overall 4 Stars (177 funds rated); 3 Yrs. 3 Stars (177 funds rated); 5 Yrs. 2 Stars (162 funds rated); 10 Yrs. 5 stars (99 funds rated). Past performance is no guarantee of future results. A rating is not a recommendation to buy, sell or hold a fund. ©2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

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.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index. It is not possible to invest directly in an unmanaged index.

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<sup>1</sup>Spreads referenced are the average option adjusted spread (OAS) level as generated by Bloomberg. Excess Returns are measured by comparing individual securities within the index against like-duration U.S. Treasuries. All spread and performance figures are as reported by Bloomberg for the Bloomberg U.S. Credit Index and its respective sub-sectors. Like-duration Treasuries are calculated by the index provider by comparing the index return to a hypothetical matched position in Treasuries.

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.

Mortgage-backed securities (MBS); Emerging Markets (EM)