



Hunter Investment Management

August 2020

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Market review



Recap Q2 2020

Risk assets rebounded but the path ahead is still uncertain

Hunter Investment Management

What happened?

- Global central banks continued their extraordinary actions, with some central banks increasing their asset purchase programs. Fiscal authorities also continued their large-scale stimulus packages to help support households and businesses
- As a result of this there was a rally across global markets as both liquidity and overall market sentiment improved. Equity markets and credit spreads recovered a large majority of the sell-off experienced in March. Global government yield curves steepened, with the front-end being anchored, given the expectation for central banks to keep policy rates low for the foreseeable future.
- Economic activity remained extremely weak in the first half of the quarter as economies were still in lockdown however economic data improved in the second half of the quarter, as economies began to reopen. PMI data increased significantly in June for the US, Europe and UK but remained in contractionary territory. There was a small sell-off in markets at the end of the quarter on fears around a second wave as certain states, such as Florida, experienced a spike in infections.

Portfolio performance

The portfolio returned 4.46% (before fees) in Q2. Its benchmark returned 2.40%.

Contributors

- Overweight US duration as yields fell
- Exposure to non-Agency MBS as spreads tightened

Detractors

- Exposure to Agency MBS as spreads widened
- Underweight non-financial IG as spreads tightened

Positioning for recovery

We are maintaining our cautious view towards both interest rates and corporate credit, with a focus on relative value positions and diversified alpha strategies

Duration positioning

Moderately underweight duration overall

Prefer U.S. duration relative to other developed markets (U.K., Japan). Also maintain diversifying rate exposure in Canada and Denmark

Country positioning

In the short term, peripheral euro area spreads should be supported, but a cautious approach as ECB action will be critical

Spread Positioning

Prefer senior securitized exposure, particularly mortgage-related assets in the U.S. and Europe with strong fundamentals and compelling valuations

Focus on financials while de-emphasizing generic corporate credit

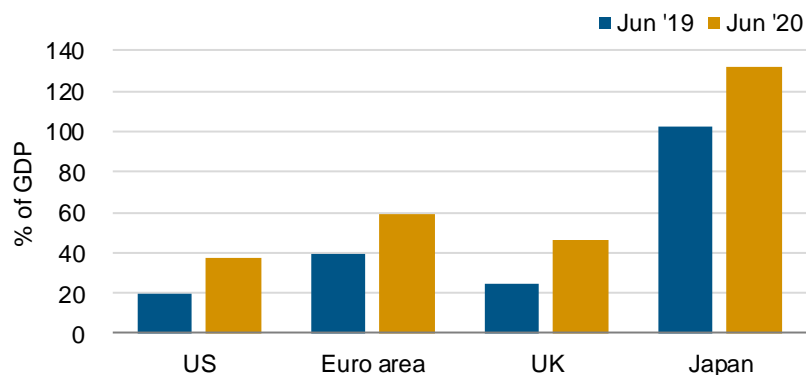
Currency Positioning

Tactical currency opportunities include modest exposure to a basket of select EM FX and an overweight to EUR vs. USD.

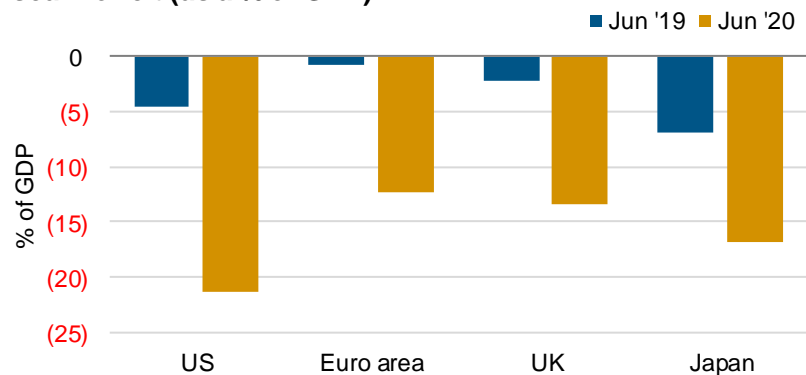
Risk appetites improved alongside policy support

Extraordinary fiscal and monetary policy support continued

Central bank balance sheet (as a % of GDP)



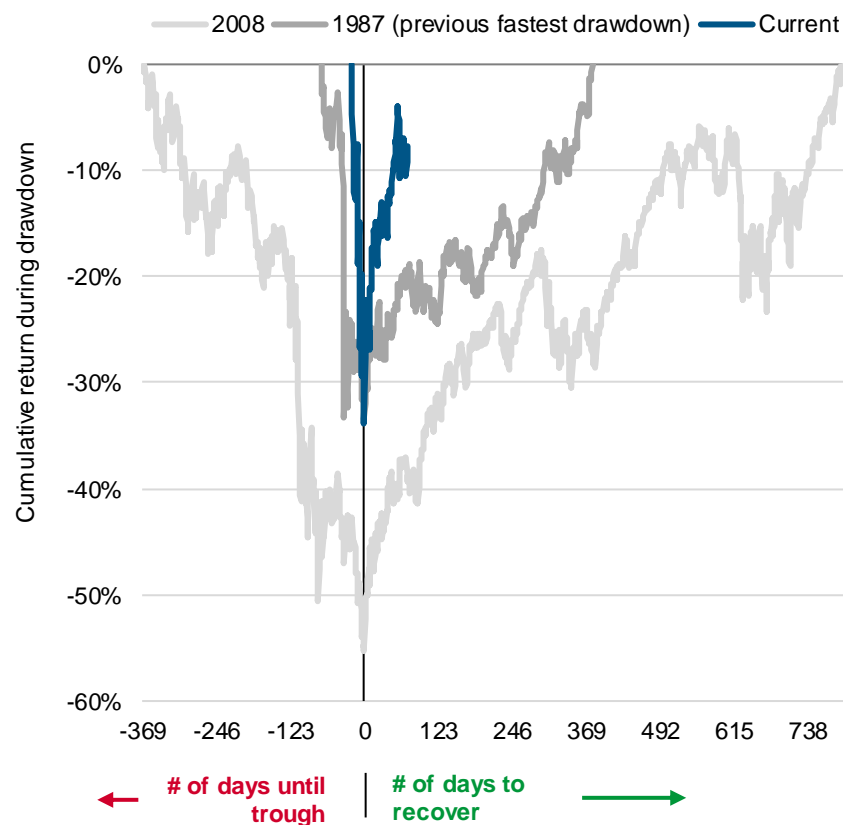
Fiscal Deficit (as a % of GDP)



As of June 2020
Source: Google, Haver, Our World in Data, Bureau of Labor Statistics, PIMCO

The speed of both the current drawdown as well as the near-recovery have been remarkable

S&P 500 drawdowns

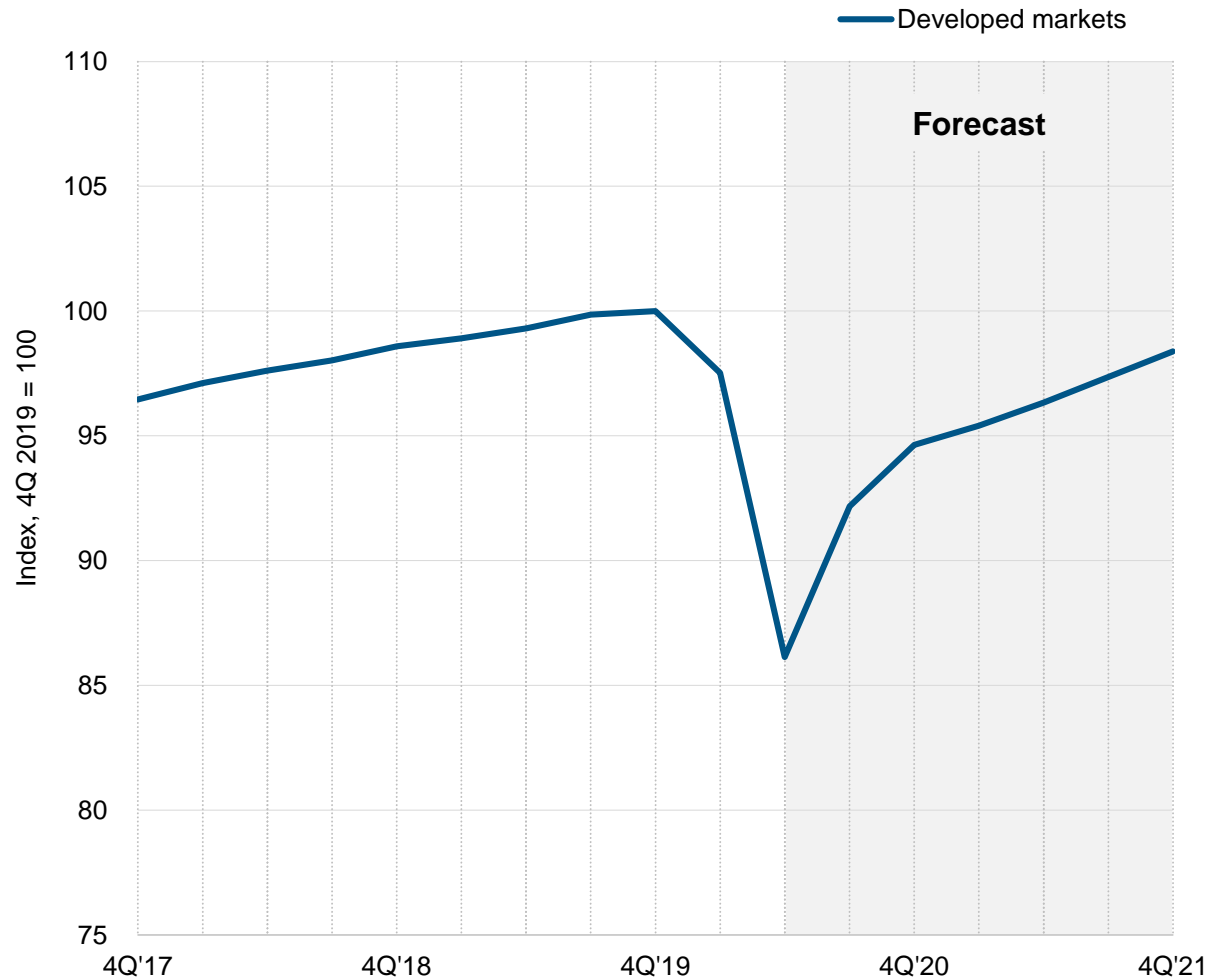


PIMCO Outlook



The base case: The long climb

Real GDP forecast



For illustrative purposes only

As of June 2020

Source: Haver Analytics, PIMCO

Developed markets represented by GDP weighted average for Japan, Euro Area, U.S. and U.K.

Refer to Appendix for additional outlook and risk information.

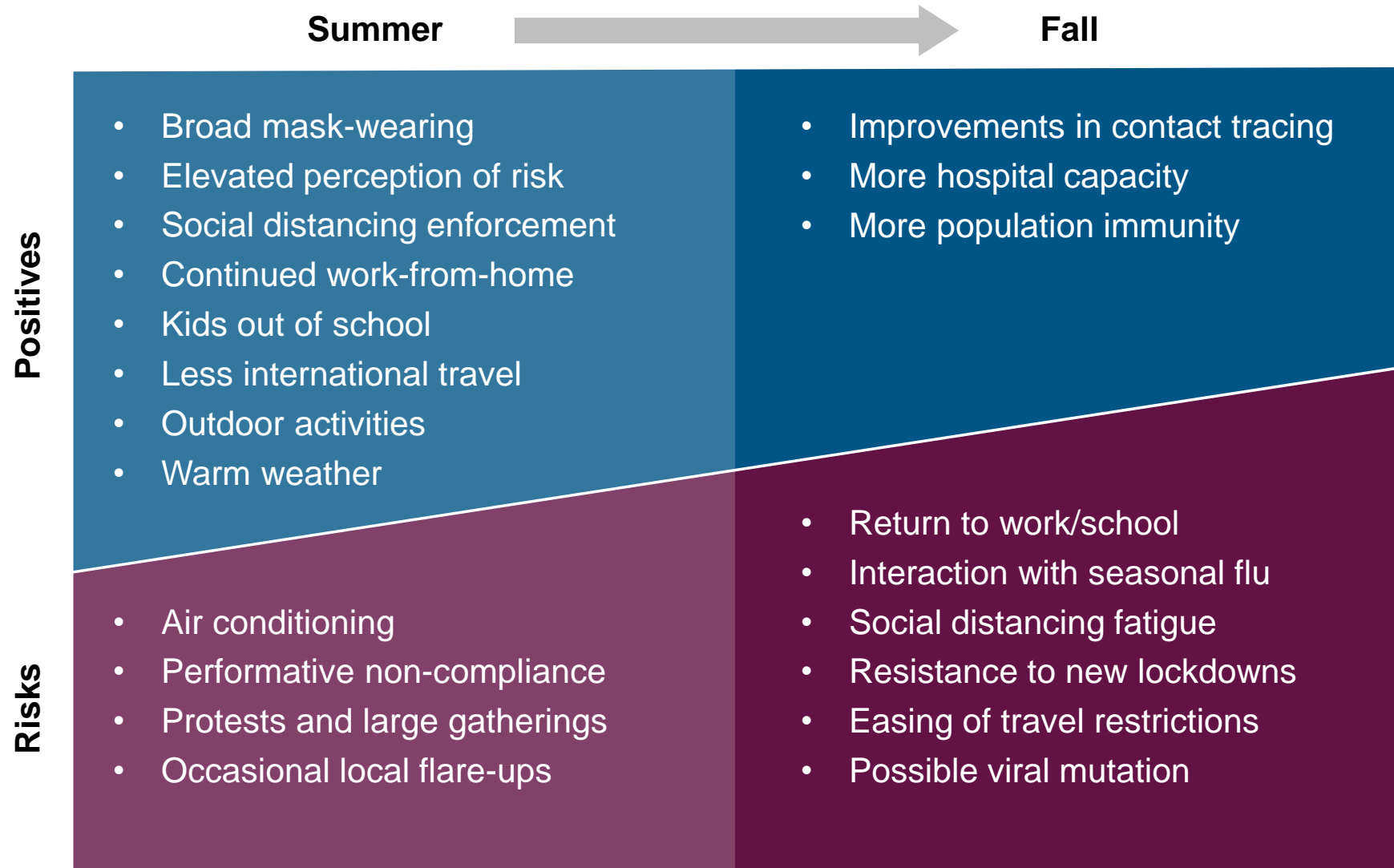
KEY TAKEAWAYS

Full recovery to pre-crisis levels likely to take until 2022 – even with a near-term mechanical bounce – due to:

- **Social distancing** (voluntary and mandated), as many sectors will operate below capacity
- **Impaired global supply chains**, as re-openings are uneven across countries, regions and sectors
- **Time needed to reallocate labor and capital** from losing to winning sectors and companies
- **Debt overhang** to weigh on personal and corporate spending

Key swing factor: Evolution of virus

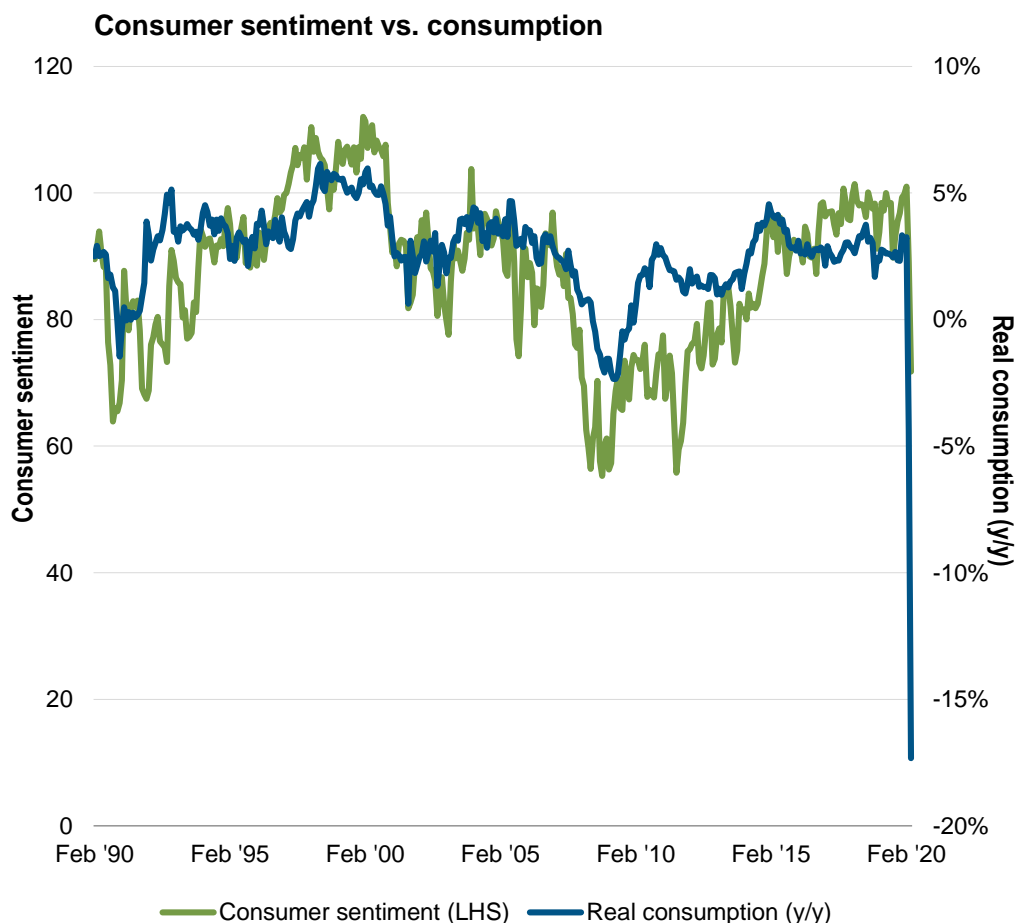
Risk factors may increase well after “re-opening”



Source: PIMCO

The “good” scenario: Medical breakthrough revives confidence, alongside unprecedented fiscal and monetary support

Consumer sentiment and consumption have been depressed due to the virus

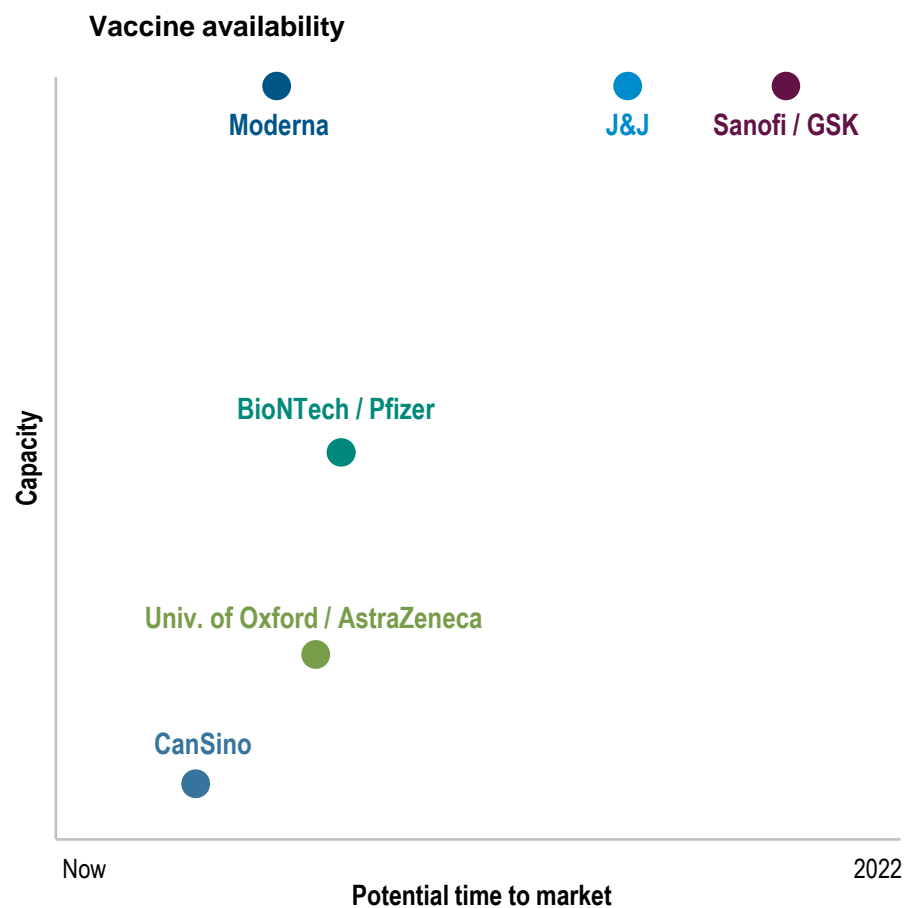


Left chart: Source: Haver, as of 30 April 2020.

Right chart: **For illustrative purposes only.** Source: Morgan Stanley Research, Company reports.

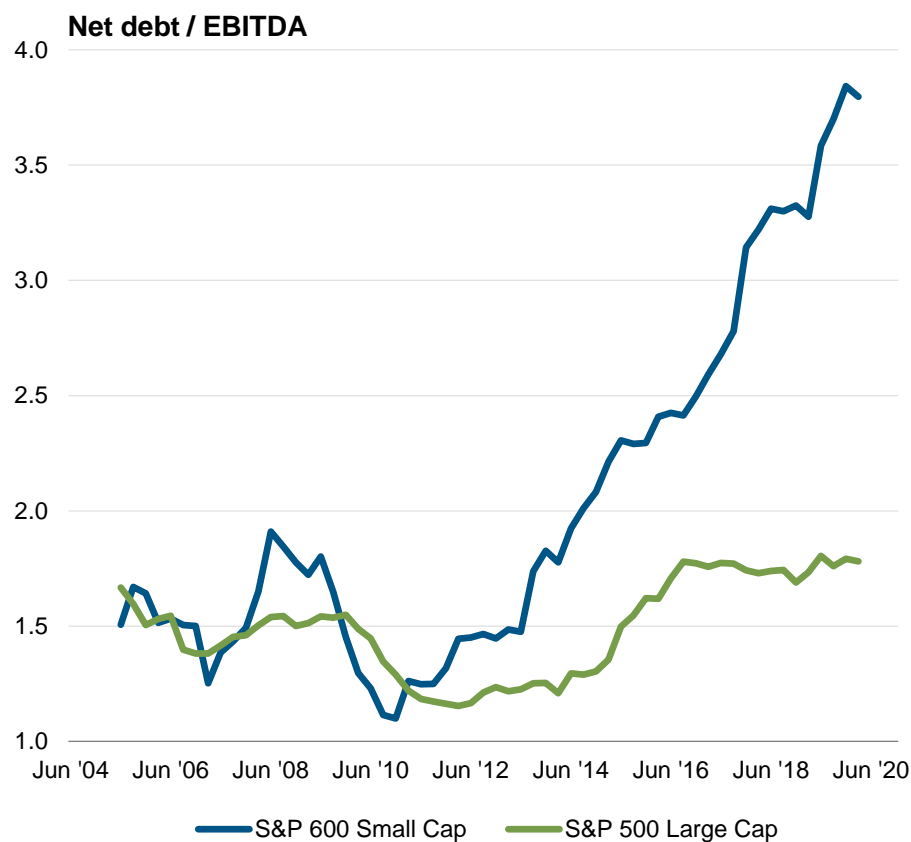
Refer to Appendix for additional outlook and risk information.

Progress has occurred in vaccine development

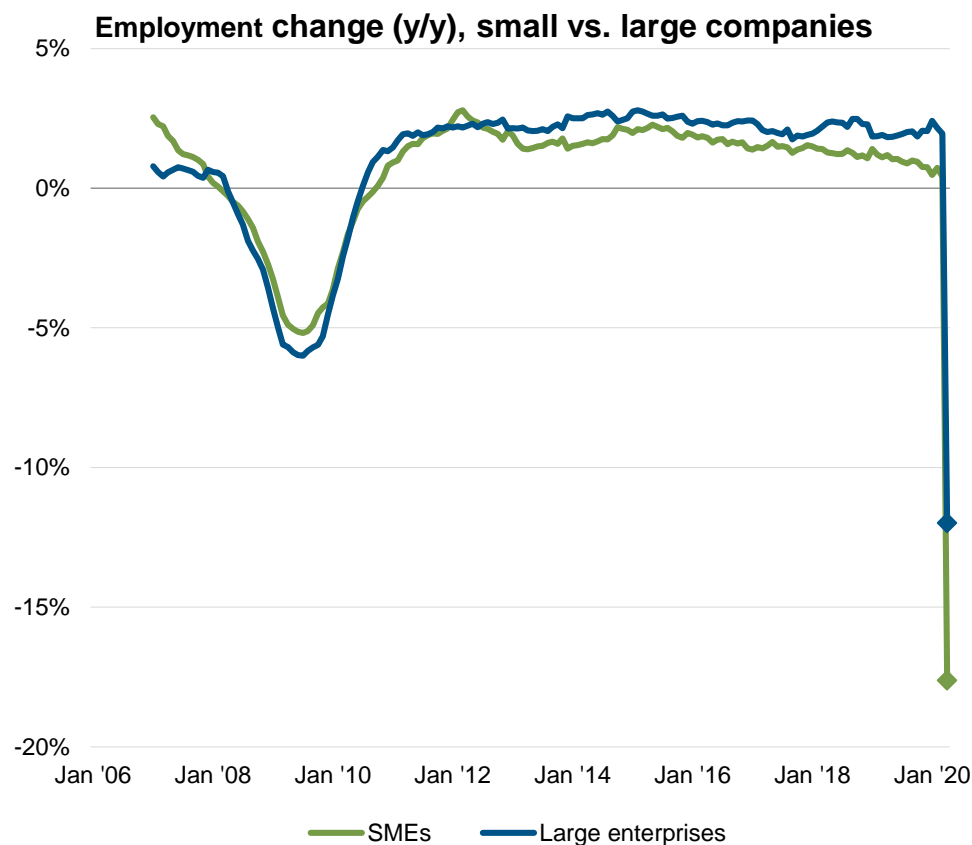


The “bad” scenario: A second wave of virus cases and more disruptions in economic activity

SMEs entered this crisis from a challenged position and may need additional support to survive more shutdowns



Increasing business closures could make job losses permanent

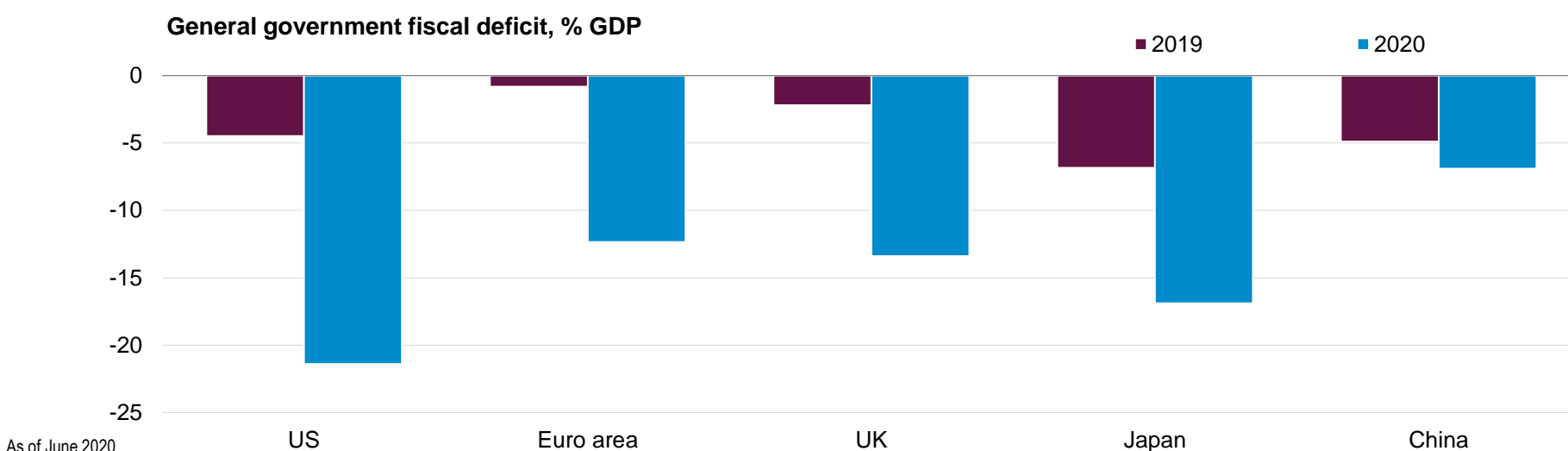
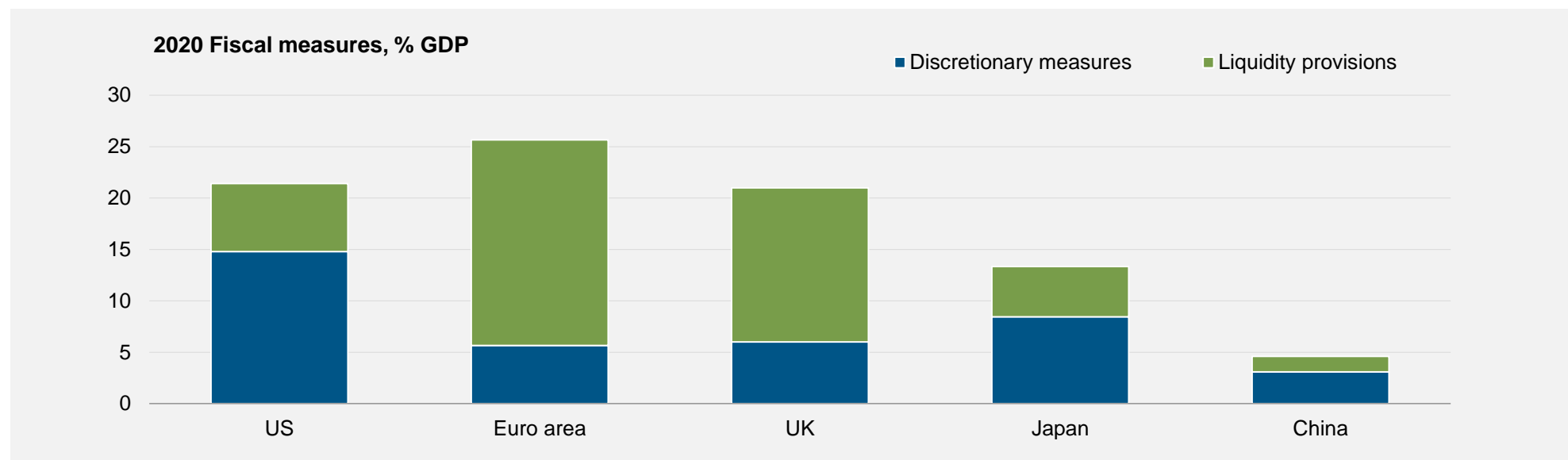


Left chart as of 1Q 2020. Right chart as of April 2020.

Source: Haver, PIMCO, Census Bureau

Refer to Appendix for additional outlook and risk information.

Large fiscal responses, with growing deficits



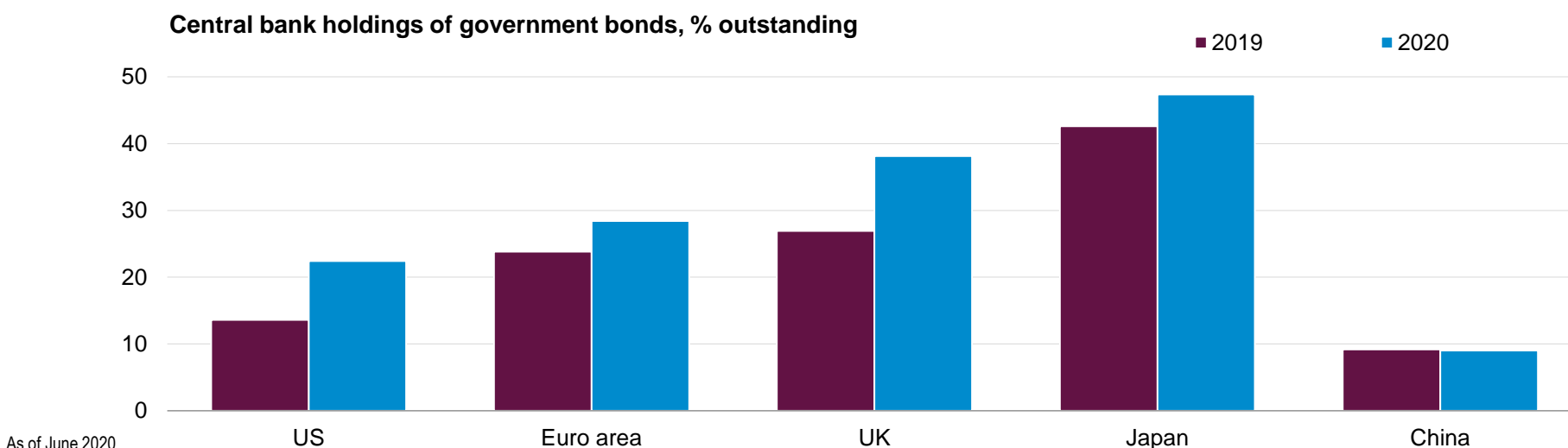
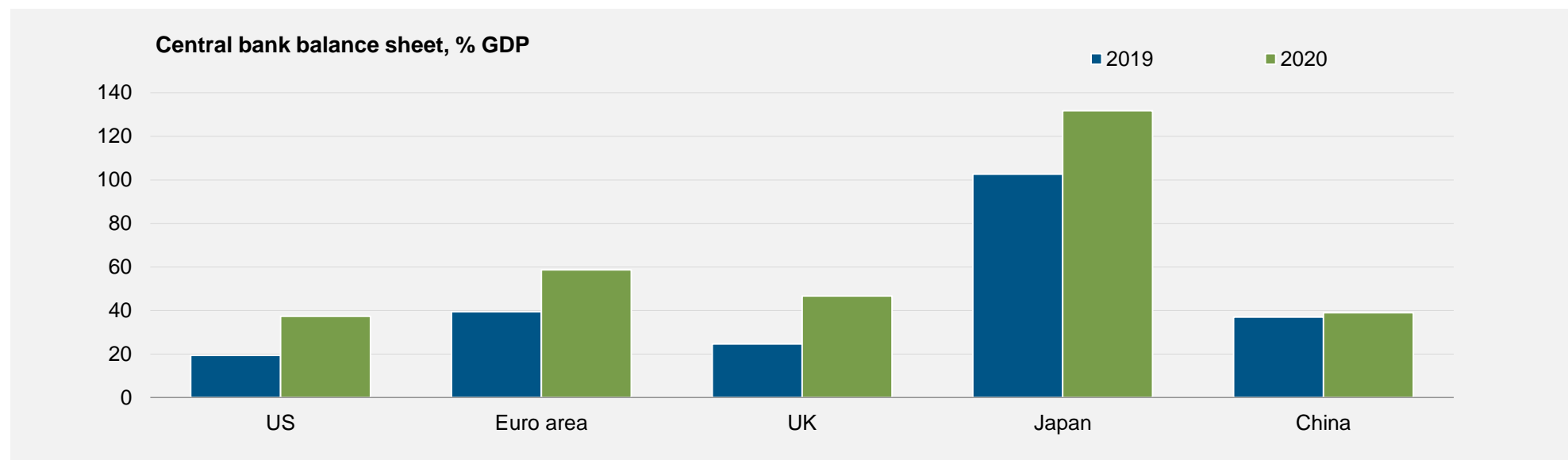
As of June 2020

Source: PIMCO, governments and central banks

Note: **Figures are forecasts for 2020**, and include both announced and expected policies. Discretionary measures include direct payments to individuals and businesses, loan forgiveness, increased healthcare spending, and tax cuts. Liquidity provisions include loan guarantees, forbearance, tax delays, and new loans.

Refer to Appendix for additional outlook, forecasts and risk information

Even more fiscal-monetary coordination, with massive QE programs



As of June 2020

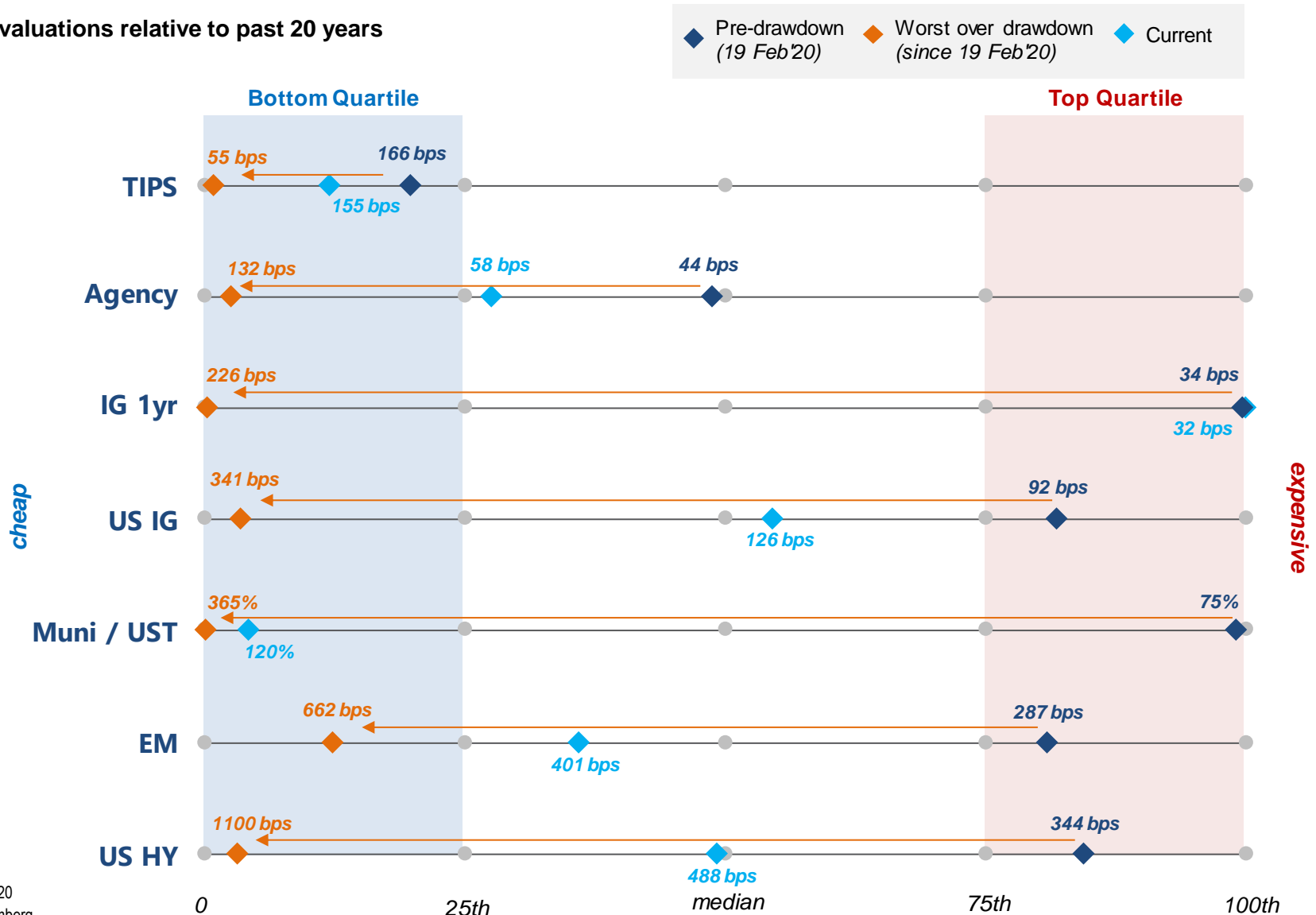
Source: PIMCO, Haver, central banks

Note: **Figures are forecasts for 2020**, and include both announced and expected policies.

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

Asset class valuation tight end of long-term history

Spread valuations relative to past 20 years



As of 31 July 2020

SOURCE: Bloomberg

*Valuations using data over last 20 years or relative to the period from index inception to as of date. Muni spread valuations from 2 January 2001 to as of date and IG 1YR from 16 June 2009 to as of date.

TIPS = US Breakeven 10YR, Agency MBS = BBG BC US MBS Fixed Rate Avg OAS, IG 1YR = Spread between USD US Corporate IG BVAL Yield Curve and US Generic Government 12 Month, US IG = BBG BC US Agg Credit Avg OAS, Muni = BVAL AAA Muni Yield % of UST 10YR, EM External = JPM EM Bond Index Global Sovereign Spread, US HY = BBG BC HY Avg OAS, VIX = CBOE Volatility Index

U.S. Elections: *Policy mix likely to vary depending on outcome*

	Democratic Sweep	Democratic President, Split Congress	Republican President, Split Congress	Republican Sweep
First Year Priorities	<ul style="list-style-type: none"> ✓ Infrastructure/jobs: \$2T+ ✓ Healthcare: Shore-up ACA, drug pricing, testing/vaccine ✓ Tax bill: Increase taxes on top-earners, corp. rate (25%) ✓ Economic justice measures: Min wage, paid leave (hard to do w/filibuster) ✓ Rejoin Paris Climate Agreement 	<ul style="list-style-type: none"> ✓ Infrastructure/jobs: \$1T+ ✓ Limited healthcare bill: Focus on drug pricing, testing vaccine ✓ Rejoin Paris Climate Agreement 	<ul style="list-style-type: none"> ✓ Traditional infrastructure: ~\$500bn ✓ Industrial policy: Bolster domestic manufacturing ✓ Trade policy 	<ul style="list-style-type: none"> ✓ Tax bill: Extend expiring 2025 provisions ✓ Trade policy

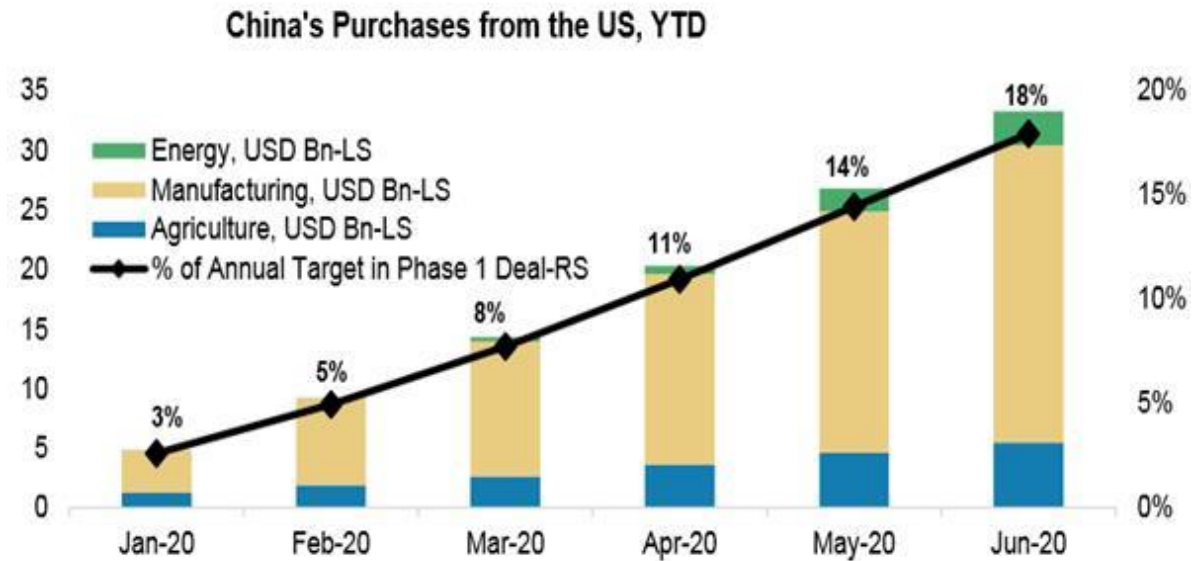
As of August 19, 2020

Source: PIMCO

U.S. China trade policy: *Phase One update*

Key developments:

- Under the Phase One deal reached in January 2020, China pledged to increase US imports by about \$200bn above 2017 levels
- China has fulfilled **only 18% of the target in 2020** (which totals \$230bn in imports from the US) since end of June
- However, recent talks between the nations underscored a commitment to the agreement, largely in spite of other political and military tensions



Portfolio themes



Select investment themes

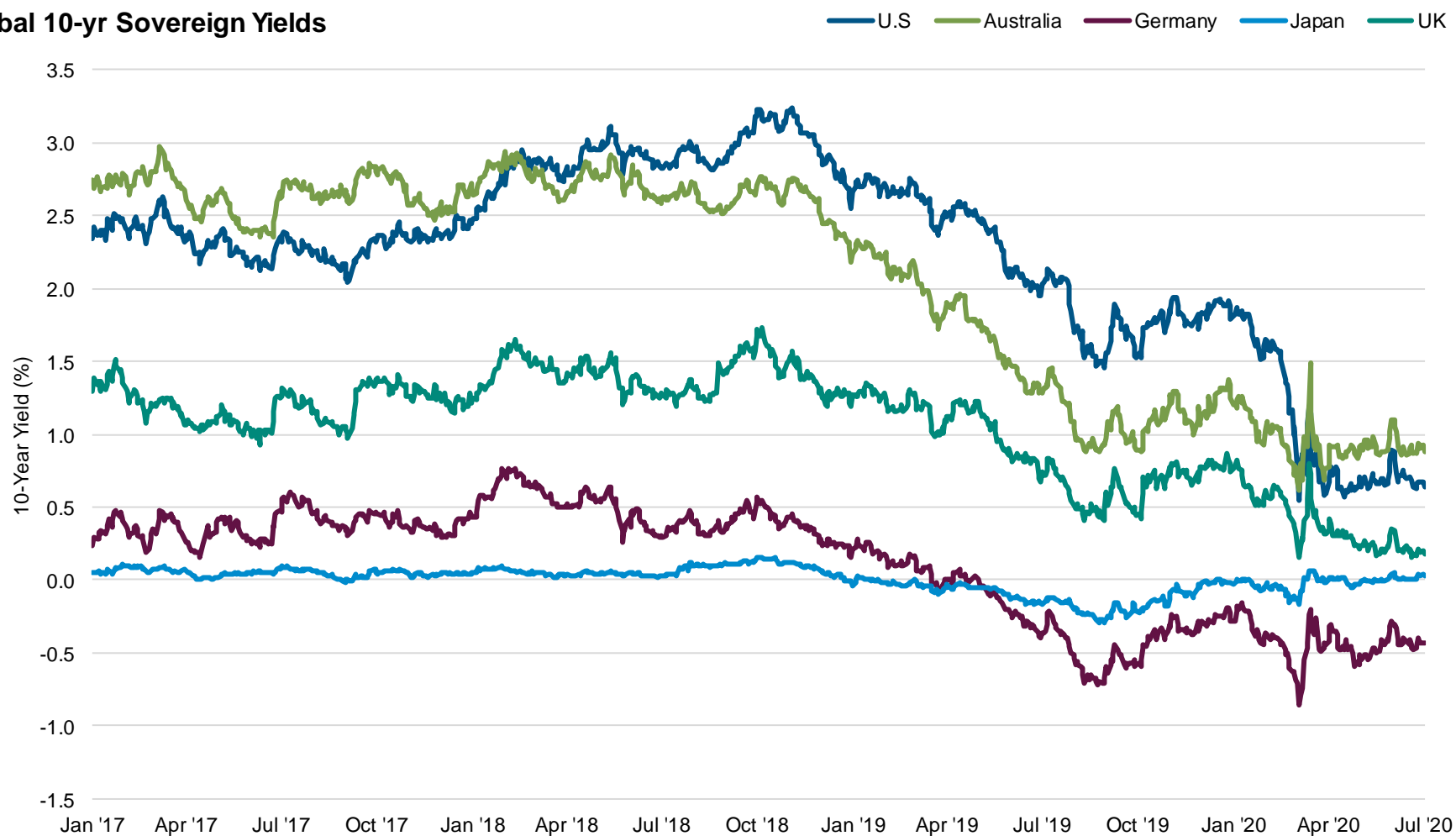
The portfolio has diversified sources of alpha which evolve over time based on market conditions and opportunities. The below table provides some of our high-conviction trades.

	Position	Rationale
Interest rates	<ul style="list-style-type: none"> • Neutral to modestly OW overall duration • OW US, Canada, Australia, Scandinavia vs. Europe, UK, Japan 	<ul style="list-style-type: none"> • Given significant economic and policy uncertainty, duration is highly likely to provide diversification benefits across most risk-off scenarios with limited downside as central banks are likely to keep policy rates well anchored even beyond cyclical horizon • Preferred duration is in dollar-block countries, Scandinavia, and high quality EM countries like China, Israel and Peru. • Prefer holding European duration in periphery relative to semi-core and core on heightened ECB support.
Spreads	<ul style="list-style-type: none"> • OW high quality securitized assets in US, UK and Scandinavia • OW high quality IG and senior financials with high capital buffers in DM • OW high quality EM sovereigns 	<ul style="list-style-type: none"> • Given the continued economic uncertainty and risk of credit deterioration, we prefer high quality structures and resilient, non-cyclical businesses. • Our preferred sector remains high quality securitized assets in residential mortgages in US, UK and Denmark, including US agency MBS and non-agency RMBS. • Senior financials in US, UK, core Europe and Switzerland. • High quality sovereign and quasi-sovereign issuers from oil producing nations. • Maintain allocation to US TIPS given valuations
Currencies	<ul style="list-style-type: none"> • Tactical positions in select DM currencies 	<ul style="list-style-type: none"> • Given stretched valuation of US dollar, we prefer small long exposure to AUD, NOK and EUR. • Long exposure to JPY as asymmetric portfolio hedge in risk-off scenarios.

As of 30 June 2020
SOURCE: PIMCO

Duration: Cautious on overall duration, but still favor U.S. rates

Global 10-yr Sovereign Yields

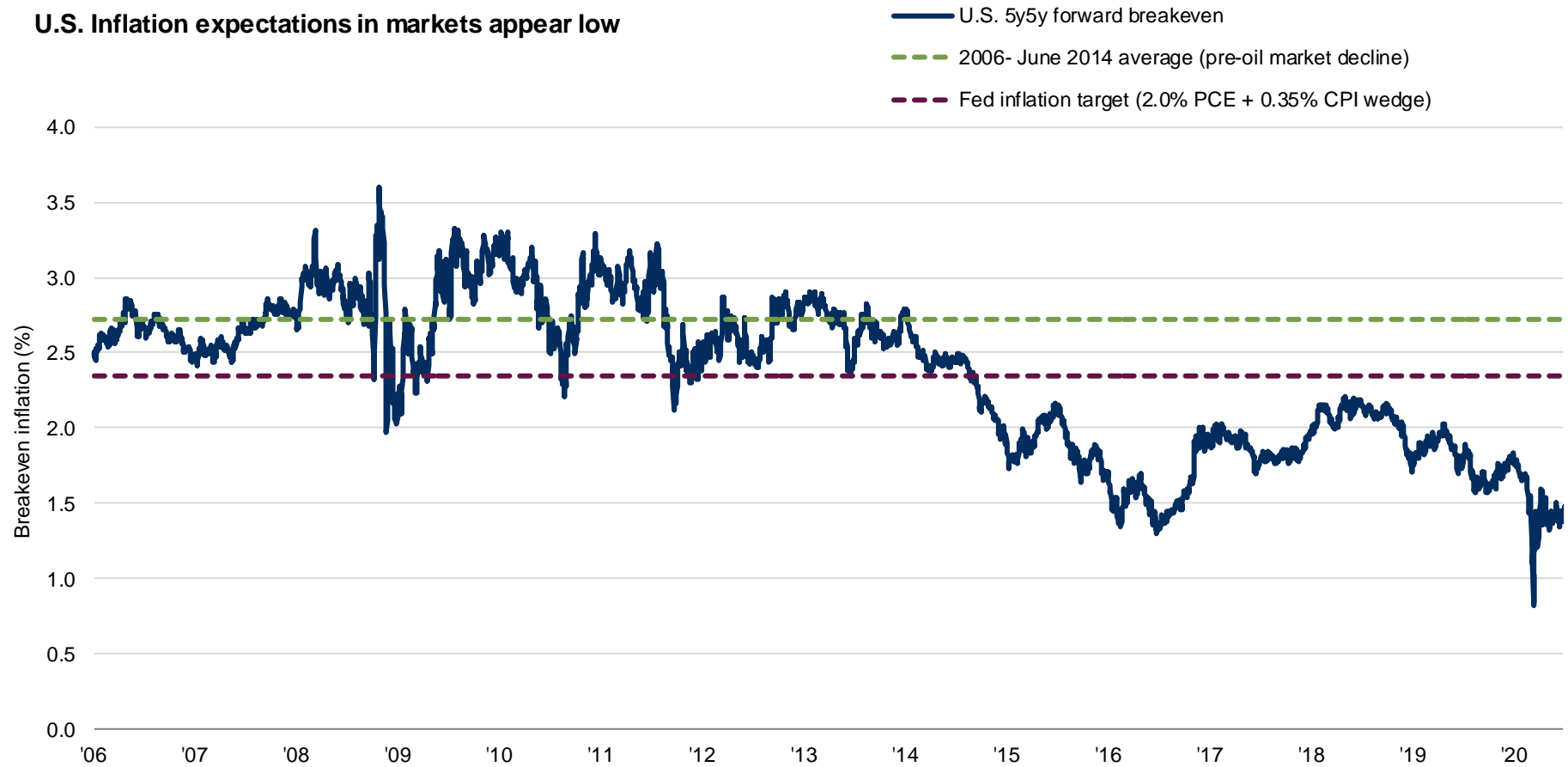


As of 30 June 2020. SOURCE: PIMCO, Bloomberg
Refer to Appendix for additional investment strategy, outlook and risk information.

TIPS

Attractive valuations and a supportive Fed

Long-term inflation expectations still well below Fed target and long-term fair value



As of 30 June 2020. SOURCE: PIMCO, Bloomberg

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

Refer to appendix for additional investment strategy and risk information.

Peripheral spreads: *Italian spreads continue to be supported by policy actions, but a cautious approach is warranted*

Weak Fundamentals

- Tepid GDP growth, high unemployment and government debt vs rest of the euro area along with continued political instability
- Worsening fiscal/debt dynamics to counter the economic fallout from Covid-19

Unprecedented Policy action

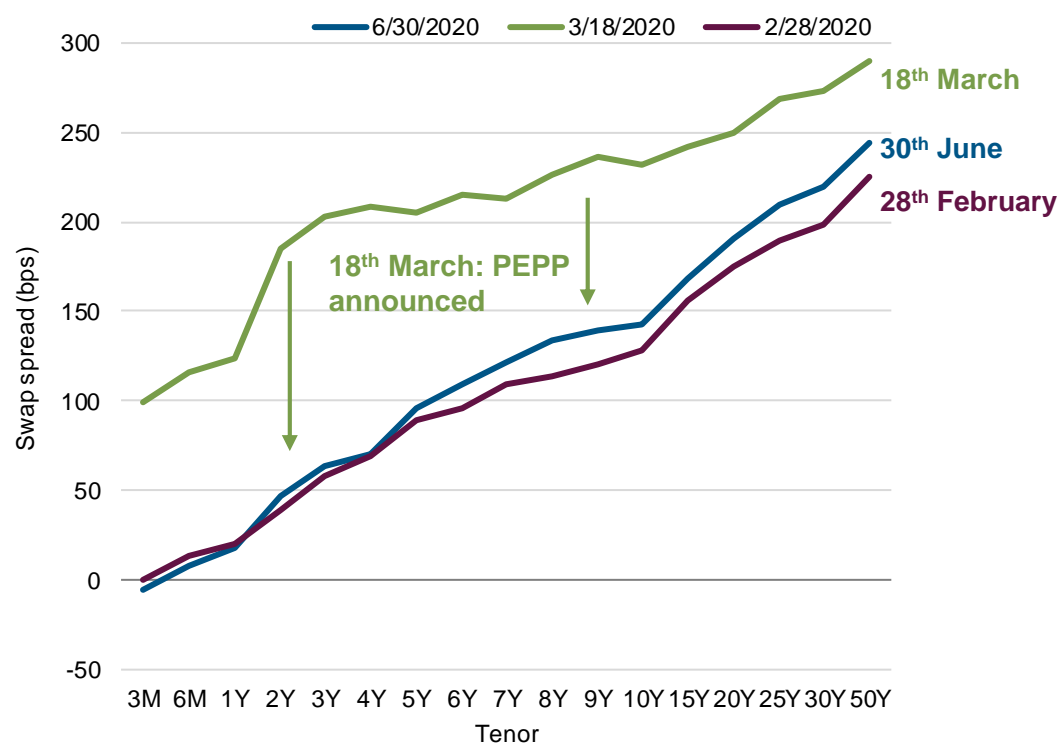
- EUR 1.5+ trillion in announced QE including EUR 1.35 trillion from PEPP has stabilized the market liquidity and should continue to support peripheral spreads going forward.
- Potential European Recovery fund should provide additional funding support to the periphery over the next few years.

Investment conclusion

- Cautious approach on exposure to European sovereign risk
- Neutral to modestly overweight Italy, given increased ECB support and further spread normalization as economies gradually recover

Italian sovereign curve normalizing

Italy Swap Spread



For illustrative purposes only

As of 30 June 2020. Source: PIMCO, Bloomberg *Pandemic Emergency Purchase Programme (PEPP)

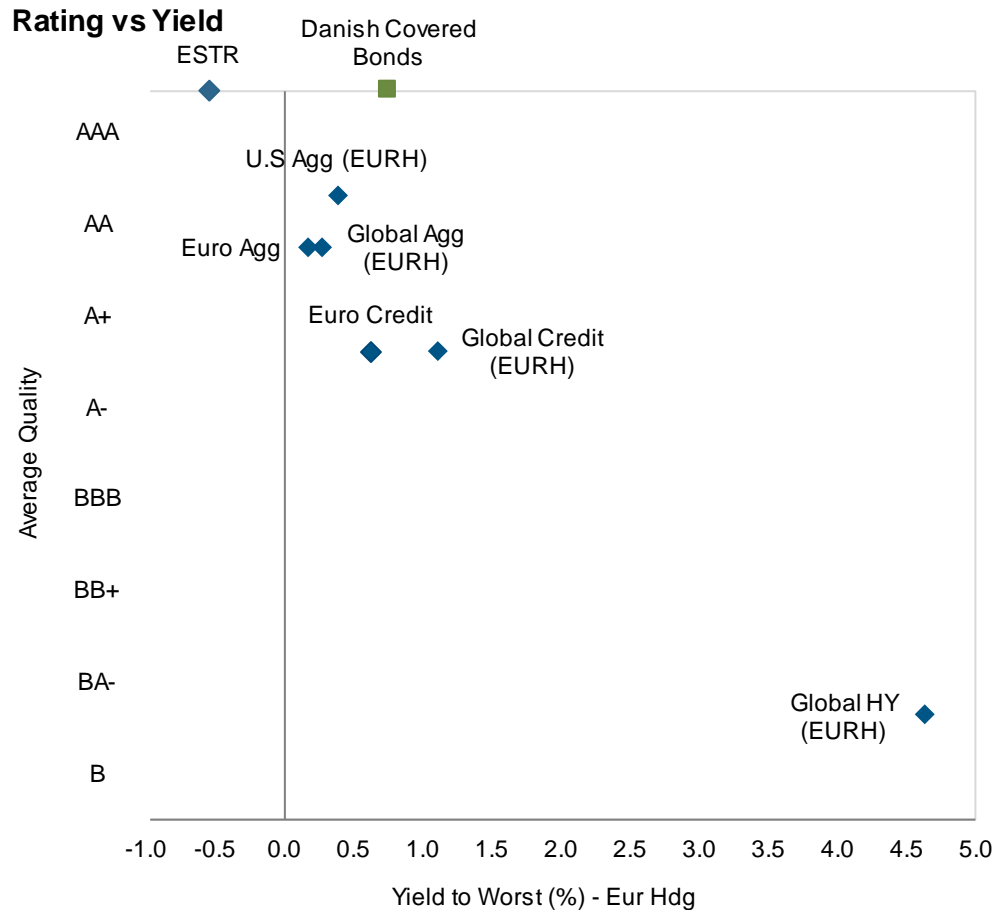
Italy Swap Spread refers to the EUR Italy Sovereign Curve (Bloomberg)

Refer to the Appendix for additional outlook and risk information

European securitized market

AAA rated Danish mortgages offer an attractive yield pick up

Indiscriminate sell-off in high quality spread assets presents an opportunity to add yield in the portfolio using liquid assets such as Danish Mortgages



Danish Mortgages 30Y (2% Coupon)



As of 30 June 2020

Source: PIMCO, Bloomberg. **Past performance is not a guarantee or reliable indicator of future results. For illustrative purposes only.**

Global Agg (EUR H) = Bloomberg Barclays Global Agg U.S. Euro Hedged, Euro Agg = Bloomberg Barclays Pan-Euro Agg, Euro Credit, Global Credit (EURH) = Bloomberg Barclays Global Agg Credit Euro Hedged, Euro Credit = Bloomberg Barclays Euro Agg Corporate, Danish Covered Bonds = EUR Denmark Covered Bonds Index, Global HY (EURH) = ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index Hedged into EUR

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

Relative value in the UK mortgage space

UK RMBS



Attractive Valuations

Spreads for senior tranches of non-conforming/buy-to-let RMBS are attractive vs other comparables like IG cash, peripheral credit, peripheral RMBS



Positive Technicals

The sector has positive technicals due to limited supply outlook



Loss Remote (AAA Tranche)

Senior tranches have very high structural resilience due to credit support. These are truly AAA tranches from a loss perspective which withstand 10-12 times of base case loss



Strong Fundamentals

Collateral is extremely well seasoned (10yrs+) with only 2-4% cumulative loss since originations in addition to Low LTVs (~60%) and Low delinquencies (~6%)



Bondholder Friendly Regulation

UK bankruptcy laws disincentivize default as UK mortgage lenders have full recourse to the borrower

For illustrative purposes only.

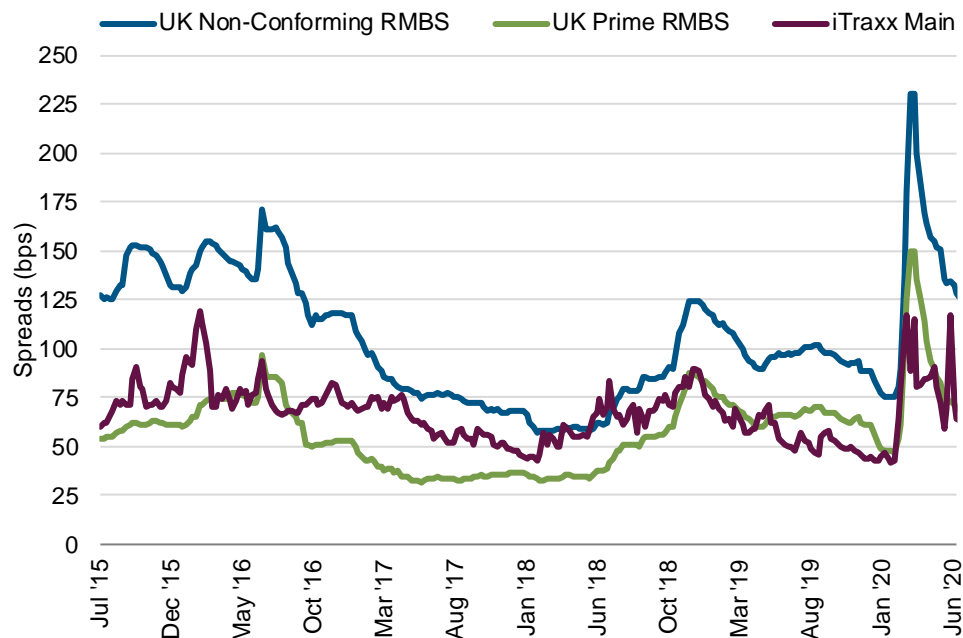
As of 30 June 2020

SOURCE: PIMCO, Thomson Reuters, Bloomberg, JP Morgan

UK Non-Conforming RMBS and UK Prime RMBS refer to JP Morgan indices and iTraxx Main refers to the Markit iTraxx Europe Index

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

Refer to Appendix for additional credit quality, investment strategy, outlook and risk information



Typical new issue deal capital structure

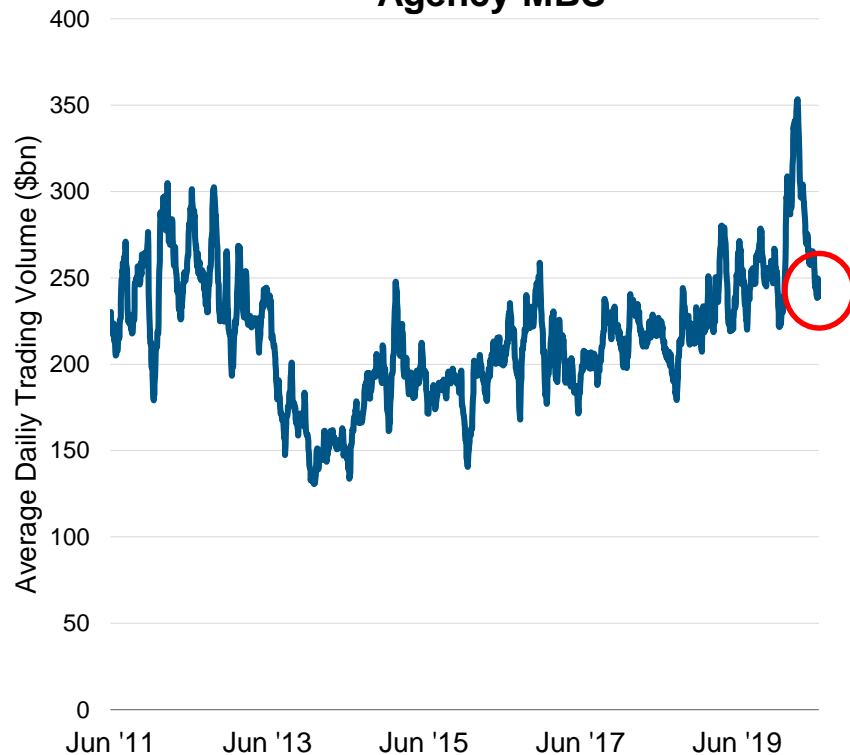
Collateral	ABS issued	
£433M non-conforming loans	A £325M AAA	Senior notes
	B £26M AA	
	C £14M A	
	D £20M BBB	Mezzanine/Junior notes
	E £13M BB	
	F £14M CCC	
	Residual £21M Unrated	Retained equity note

Agency MBS

Forced selling has subsided and Fed support likely to continue

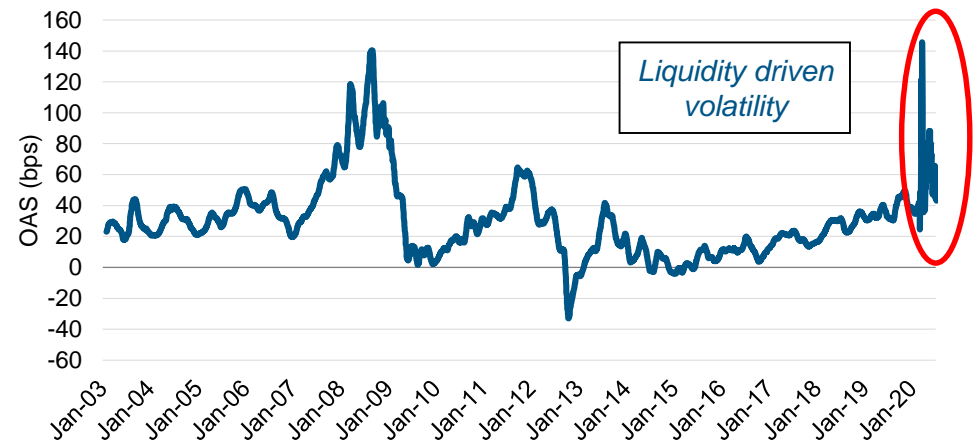
Trade volumes increased within Agency MBS amid volatility

30 Day Average Daily Trading Volume Agency MBS

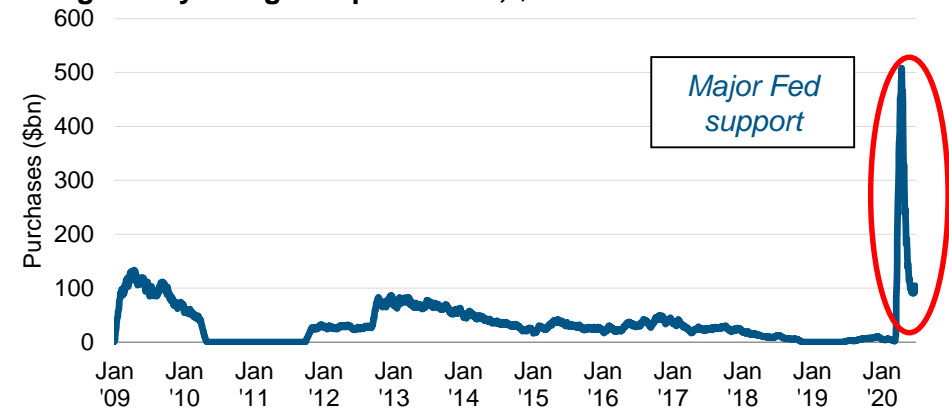


Volatility in valuations has been a function of liquidity dislocations – the Fed is critical for support in this market

Agency MBS Option Adjusted Spread (OAS)



Trailing 30-day Fed gross purchases, \$bn

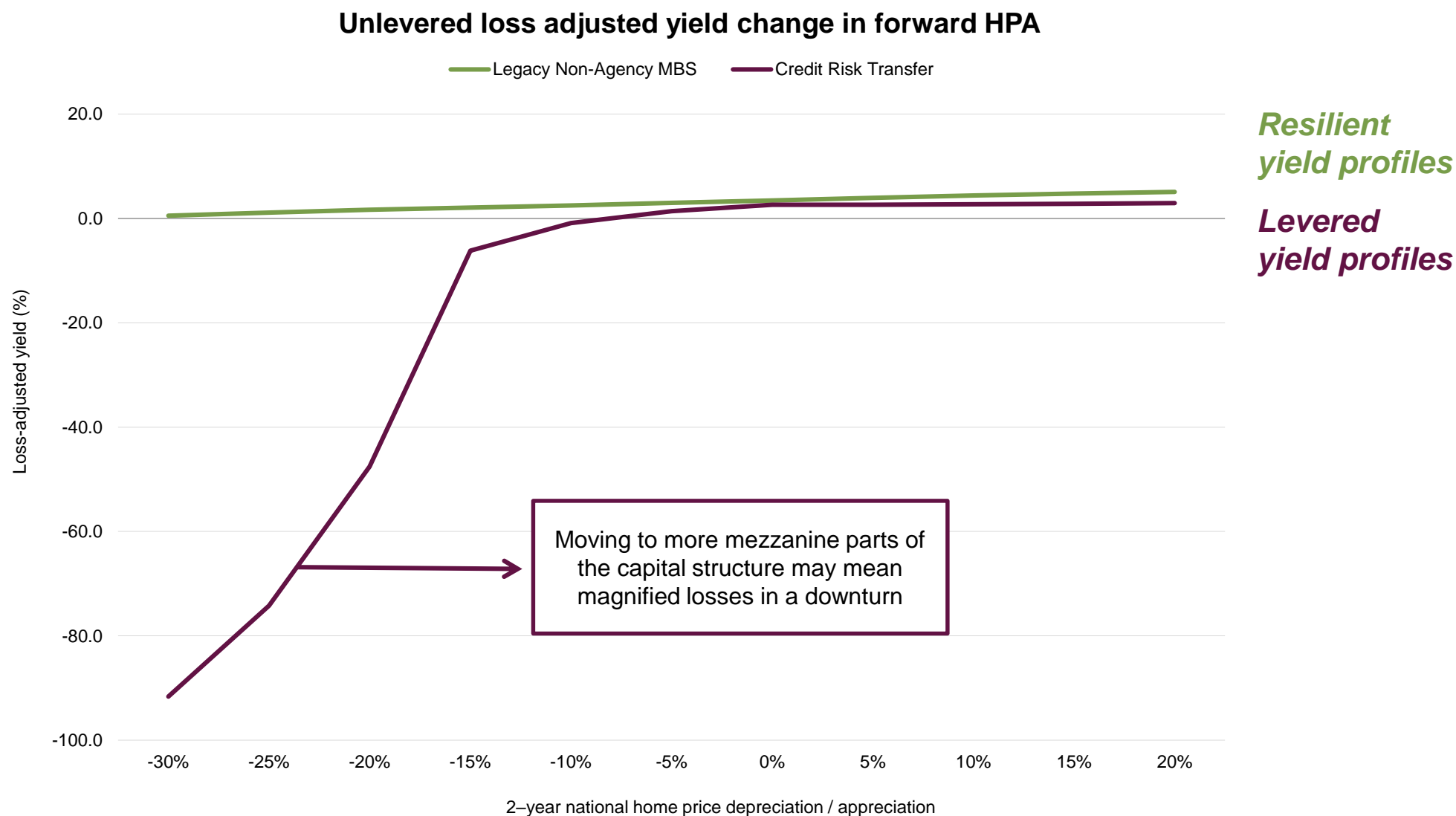


For illustrative purpose only. Denomination of \$ values in the above charts are USD.

As of 30 June 2020. Source: Bloomberg. Agency MBS OAS are Bloomberg Barclays Fixed Rate MBS Index

GFC: Global Financial Crisis Refer to Appendix for additional index, OAS and risk information.

Mortgage Credit: A focus on risk and return profiles that stay more resilient across a wide range of economic environments

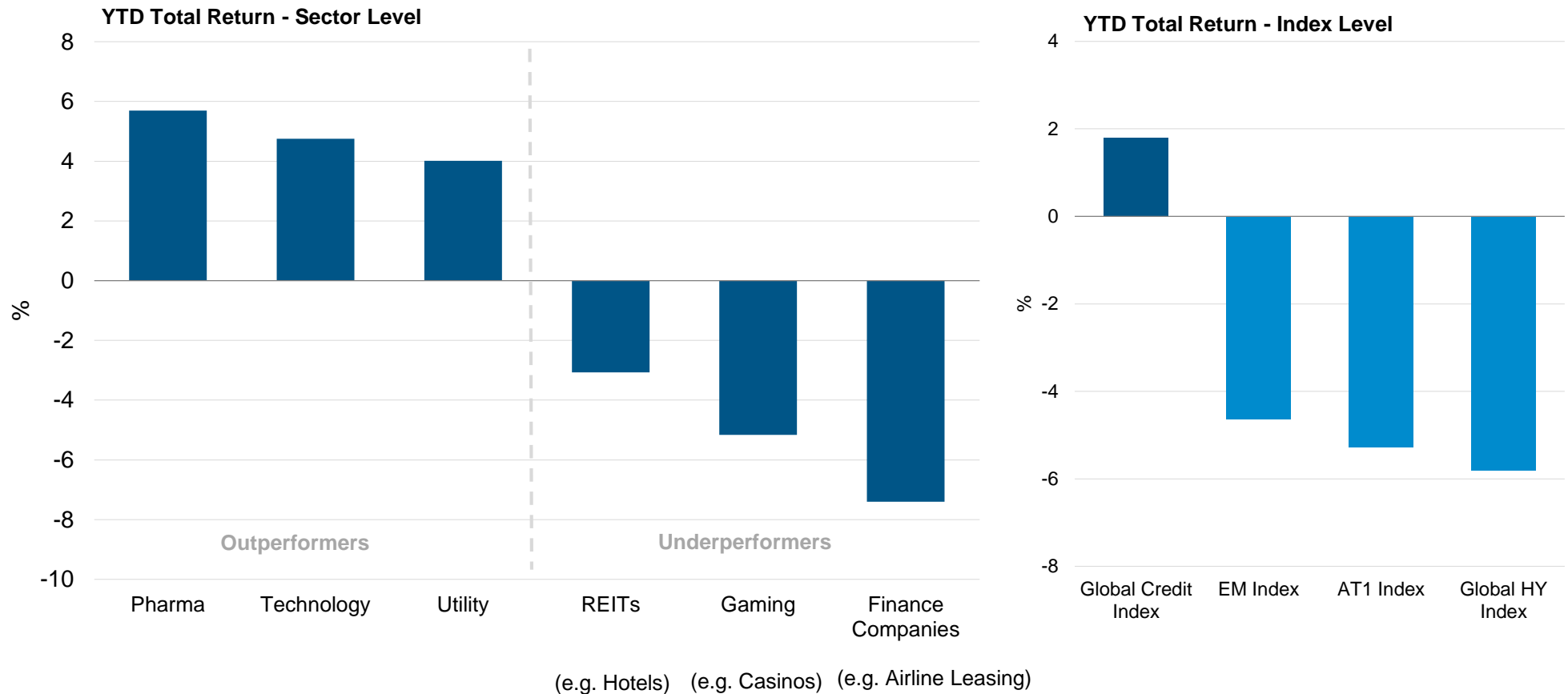


For illustrative purposes only.
As of 9 July 2020. Source: PIMCO, Bloomberg
Refer to Appendix for additional investment strategy and risk information.

Corporates

Despite recovery, dispersion underscores need for selection

- Following the COVID19 related sell-off, dispersion increased in markets with more defensive and longer duration sectors (such as utilities, technology, pharma) outperforming cyclical and consumer oriented sectors in the initial phase of the recovery



As of 31 May 2020. Source: Barclays, JPM, BofAML ICE

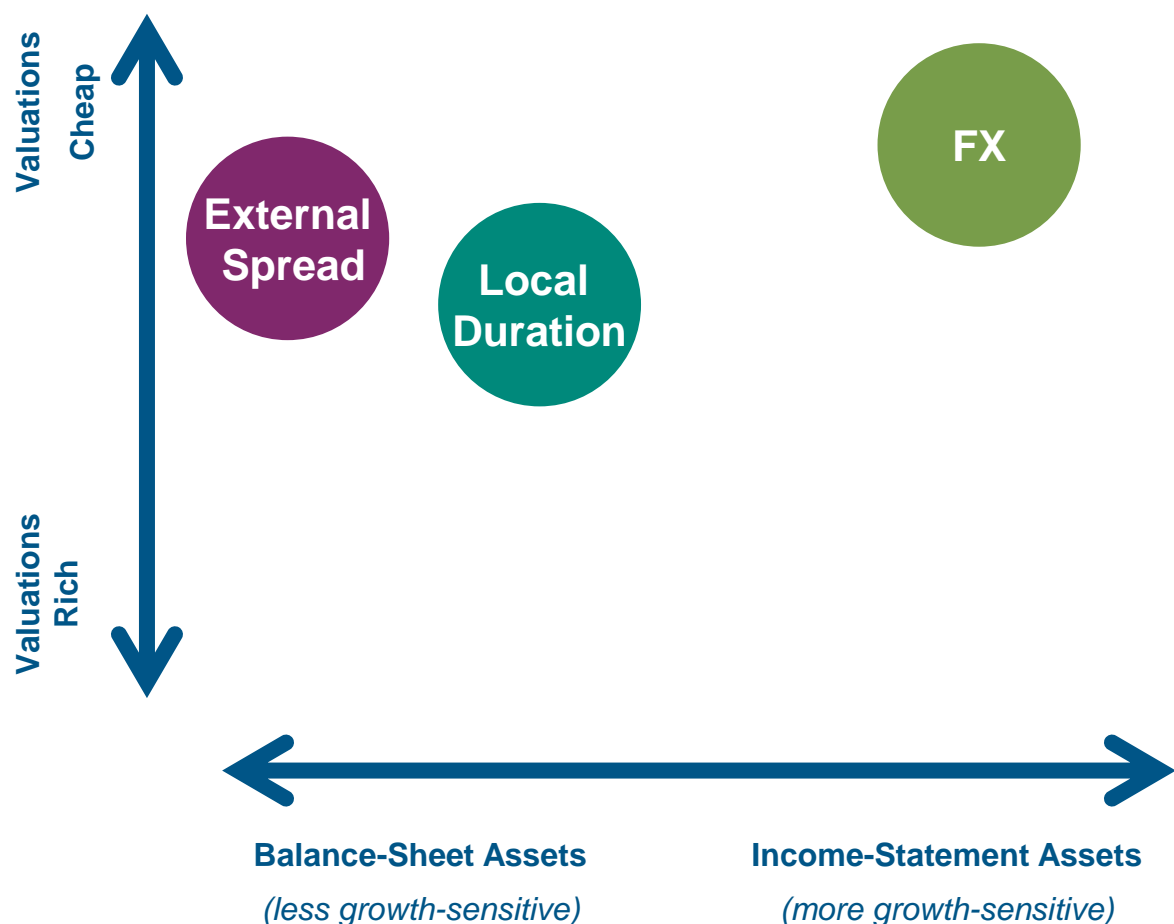
Global Credit Index is represented by the Bloomberg Barclays Global Agg Credit Index (USD hedged); AT1 Index is represented by the Bloomberg Barclays European CoCo AT1 Index (USD hedged), EM Index is represented by the JPM EMBI Global Index; the Global HY Index is represented by the ICE BofAML Developed Markets High Yield Index (USD hedged); sector level data is represented by the respective sector returns for the Bloomberg Barclays Global Agg Credit Index (USD hedged).

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

Emerging Markets

Focus on high-quality EM external and local rate exposure

Preference for balance-sheet assets given that the highly uncertain global environment weighs on growth related assets like EM currencies



Positioning



Holdings in GCC countries that maintain high credit qualities and strong balance sheets



Focus on countries like Israel, Peru, China where valuation favorable and curves steep



Modest allocation to a rotating basket, though sized down given cautious stance on global backdrop

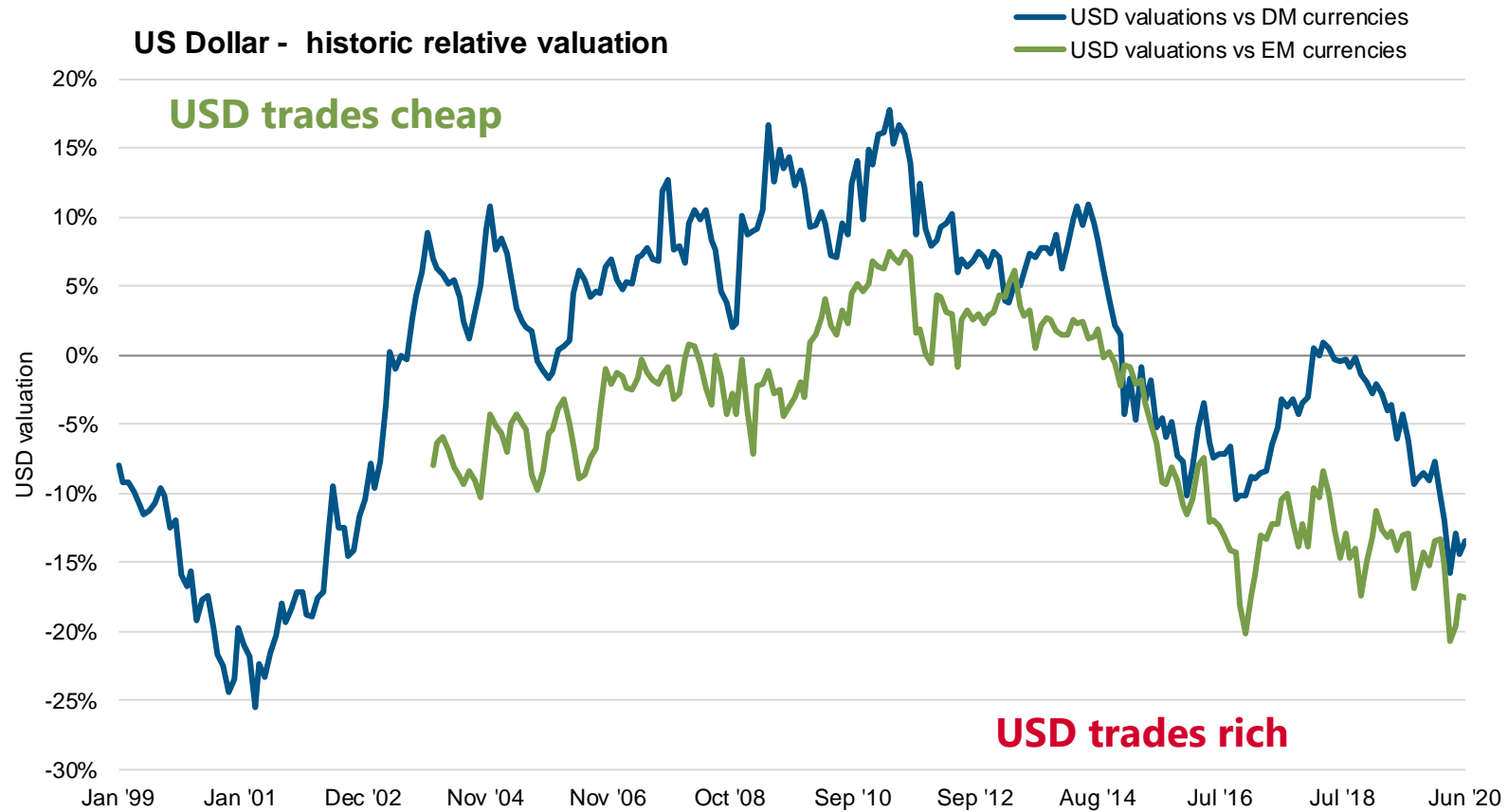
As of 30 June 2020.

SOURCE: PIMCO. For illustrative purposes only.

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

Currencies: *the U.S. dollar is historically rich*

But when and how will it correct?



As of 30 June 2020. SOURCE: Haver, Bloomberg, PIMCO.

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.

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

Appendix



Appendix

Performance and Fee

Past performance is not a guarantee or a reliable indicator of future results. The “gross of fees” performance figures are presented before management fees and custodial fees, but do reflect commissions, other expenses and reinvestment of earnings. The “net of fees” performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized. Separate account clients may elect to include PIMCO sector funds in their portfolio; sector funds may be subject to additional terms and fees.

The fund intends to measure its performance against the Bloomberg Barclays Global Aggregate (USD Hedged) Index. The fund is considered to be actively managed in reference to the Index by virtue of the fact that it uses the Index for performance comparison purposes. Certain of the fund's securities may be components of and may have similar weightings to the Index. However the Index is not used to define the portfolio composition of the fund or as a performance target and the fund may be wholly invested in securities which are not constituents of the Index.

Alpha

Alpha represents a portfolio's risk-adjusted performance (the difference between a portfolio's actual returns and the expected performance, given the portfolio's level of risk as measured by beta). It is possible that during any timeframe, the alpha of a portfolio can be positive while the actual total return performance of the portfolio is negative.

Attribution Analysis

The attribution analysis contained herein is calculated by PIMCO and is intended to provide an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio's performance. Attribution analysis is not a precise measure and should not be relied upon for investment decisions.

Charts

Performance results for certain charts and graphs may be limited by data ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

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.

GIS Funds

PIMCO 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 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. © 2020.

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.

Appendix

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.

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.

Investment Strategies

There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. No representation or portfolio is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

Option Adjusted Spread (OAS)

The Option Adjusted Spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account.

Outlook

Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, 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.

Portfolio Construction

The portfolio construction allocation process and the fund structure presented are intended to illustrate sectors in which the fund may invest. The allocations and / or structure are subject to change.

Representative Account

The representative accounts chosen are provided for informational purposes only to illustrate some examples of PIMCO's record of avoiding defaults within different strategies. No guarantee is being made that the structure or actual account holdings of any account within the same strategy, or within different strategies, will be the same or that similar returns will be achieved.

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

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 the current low interest rate environment increases this risk. Current 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. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **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. **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. **Sovereign securities** are generally backed by the issuing government. Obligations of US government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the US government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. **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. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax. **Swaps** are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. **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. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the US government. Certain **US government securities** are backed by the full faith of the government. Obligations of US government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the US government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value.

Index Descriptions

The Bloomberg Barclays Euro-Aggregate Index is an unmanaged index that tracks fixed-rate, investment-grade euro-denominated securities. Inclusion is based on the currency of the issue, and not the domicile of the issuer. The principal sectors in the index are Treasury, Corporate, Government-Related and Securitized. Securities in the index are part of the Pan-European Aggregate and the Global Aggregate Indices. The Euro-Aggregate Index was launched on 1 July 1998.

The Bloomberg Barclays Global Aggregate Government Guaranteed Index is a sub-index of the Bloomberg Barclays Global Aggregate Index, which provides a broad-based measure of the global investment-grade fixed income markets.

The Bloomberg Barclays Global Aggregate ex-USD (USD Hedged) Index provides a broad –based measure of the global investment-grade fixed income markets.

The Bloomberg Barclays Government Bond Index is an unmanaged index consists of securities issued by the U.S. Government with a maturity of one year or more.

The Bloomberg Barclays U.S. Aggregate Index Hedged represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

The Bloomberg Barclays 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.

The Bloomberg Barclays U.S. MBS Fixed Rate Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

The Bloomberg Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation-Protected Securities rated investment grade (Baa3 or better), have at least on year to final maturity, and at least \$250 million par amount outstanding.

The Bloomberg Barclays U.S. Treasury Index is a measure of the public obligations of the U.S. Treasury. JPMorgan GBI Global (Unhedged) is an unmanaged market index representative of the total return performance in U.S. dollars on an unhedged basis of major world bond markets.

Appendix

The Bloomberg Barclays Sterling ABS Floating Rate Note RMBS Index contains sterling ABS floating rate note residential mortgage-backed securities.

The Bloomberg Barclays Japanese Aggregate Index USD Hedged contains fixed-rate investment-grade securities that are issued in Japanese yen and registered in Japan.

The Bloomberg Barclays Australian Aggregate Index USD Hedged broad-based benchmark that measures the market for investment grade, Australian dollar-denominated, fixed-rate bonds.

The Bloomberg Barclays Canadian 300 Index USD Hedged is a broad-based flagship benchmark that measures the investment grade, Canadian dollar denominated, fixed-rate bond market. The index includes treasuries, government-related, corporate and securitized issues from developed and emerging markets issuers.

The Bloomberg Barclays Sterling Agg Index USD Hedged is a broad-based flagship benchmark that measures the investment grade, sterling-denominated, fixed-rate bond market, including treasuries, government-related, corporate and securitized issues.

The Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation of the U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

The ICE BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and eurobond markets. Qualifying securities and their respective country of risk (foreign currency long term sovereign debt ratings) must have an investment grade rating based on an average of Moody's, S&P and Fitch. Taxable and tax-exempt US municipal, US DRD-eligible, euro legacy currency and defaulted securities are excluded from the Index. Index constituents are capitalization-weighted based on their current amount outstanding.

The ICE BofA Merrill Lynch Global Broad Market Index is an unmanaged index that tracks the performance of investment grade public debt issued in the major domestic and eurobonds market.

The JPMorgan Emerging Markets Bond Index Global is an unmanaged index which tracks the total return of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds, and local market instruments.

The JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Diversified is a uniquely-weighted version of the CEMBI index. It limits weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The CEMBI Diversified results in well-distributed, more balanced weightings for countries included in the index. The countries covered in the CEMBI Diversified are identical to those in the CEMBI, which is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

The JPMorgan Emerging Local Markets Index Plus (Unhedged) tracks total returns for local currency-denominated money market instruments in 23 emerging markets countries with at least U.S. \$10 billion of external trade.

The JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged) is a comprehensive global local emerging markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.

The JPMorgan GBI Global Hedged in USD is an unmanaged index market representative of the total return performance in U.S. dollars on a hedged basis of major world bond markets.

Appendix

The ICE BofA Merrill Lynch Global Broad Market Index is an unmanaged index that tracks the performance of investment grade public debt issued in the major domestic and eurobonds market.

The JPMorgan Emerging Markets Bond Index Global is an unmanaged index which tracks the total return of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds, and local market instruments.

The JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Diversified is a uniquely-weighted version of the CEMBI index. It limits weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The CEMBI Diversified results in well-distributed, more balanced weightings for countries included in the index. The countries covered in the CEMBI Diversified are identical to those in the CEMBI, which is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

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The JPMorgan GBI Global Hedged in USD is an unmanaged index market representative of the total return performance in U.S. dollars on a hedged basis of major world bond markets.

The JPMorgan GBI Global (Unhedged) is an unmanaged market index representative of the total return performance in U.S. dollars on an unhedged basis of major world bond markets.

The JPMorgan GBI Global Ex-U.S. Index (US \$ Hedged) is an unmanaged market index representative of the total return performance in U.S. dollars on a hedged basis of non-U.S. bond markets.

The JPMorgan GBI Global ex-US FX NY Index Unhedged in USD is an unmanaged index representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

The PIMCO Global Advantage Bond Index (GLADI) is a diversified global index that covers a wide spectrum of global fixed income opportunities and sectors, from developed to emerging markets, nominal to real assets, and cash to derivative instruments. Unlike traditional indices, which are frequently comprised of bonds weighted according to their market capitalization, GLADI uses GDP-weighting which puts an emphasis on faster-growing areas of the world and thus makes the index forward-looking in nature.

The 3 Month USD Libor (London Interbank Offered Rate) Index is an average interest rate, determined by the ICE Benchmark Administration, that banks charge one another for the use of short-term money (3 months) in England's Eurodollar market.

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

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