Investing in Opportunities in European High Yield Bonds

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The PIMCO GIS European High Yield Bond Fund allows investors to potentially benefit from attractive yields and a robust set of opportunities in the European high yield bond market

At almost €500 billion and with over 800 different bonds, the European high yield market offers investors numerous opportunities in an asset class that has historically produced attractive risk-adjusted returns, particularly compared to European equities (past performance is not a guarantee or a reliable indicator of future results).

The PIMCO GIS European High Yield Bond Fund offers investors access to this compelling opportunity set. We believe investors can benefit from our long-term investment process, experience in credit investing, and global resources.

Product Strategist Daniel Kraft and Portfolio Managers Charles Watford and Bruce Nicholson discuss the Fund's potential benefits and the team's investment approach.

Q: WHAT IS THE PIMCO GIS EUROPEAN HIGH YIELD BOND FUND?

Kraft: The PIMCO GIS European High Yield Bond Fund is an actively managed UCITS mutual fund focused on the European high yield corporate debt market. The fund seeks to maximize total return by investing in the higher-quality tiers of Europe's growing high yield market, combining PIMCO's top-down macroeconomic analysis with bottom-up credit research. The team selects a diversified portfolio of corporate bonds, focusing on stable income and opportunities for price appreciation, while seeking to avoid defaults and permanent impairment of capital.

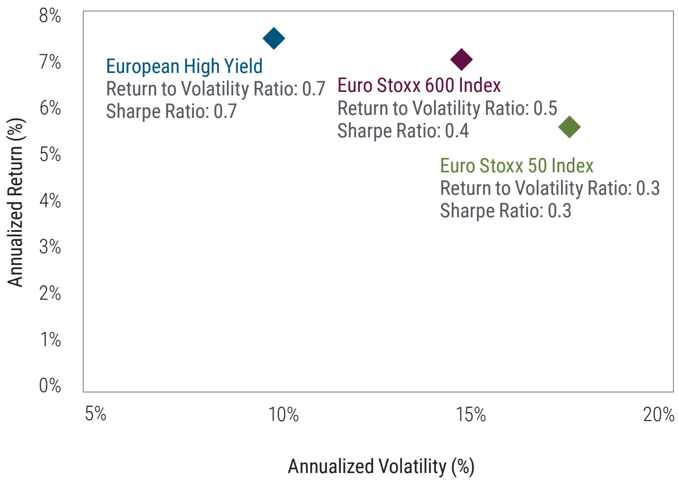
At PIMCO, we have been managing dedicated European high yield portfolios since the early 2000s and the European high yield strategy benefits from the strength of PIMCO's broader credit platform. The Fund leverages the global resources of our global and U.S. HY strategies, which have been offered to investors via UCITS mutual funds since 2005 and 1998, respectively.

The launch of the PIMCO GIS European High Yield Bond Fund was part of a broader build out of our leveraged finance platform as we added regional high yield strategies to our global platform including the PIMCO GIS Asia High Yield Bond Fund in 2019 and the PIMCO GIS European High Yield Bond Fund in 2020.

Q: HOW DOES AN ALLOCATION TO EUROPEAN HIGH YIELD FIT WITHIN A DIVERSIFIED PORTFOLIO?

Kraft: An allocation to a dedicated European high yield strategy can offer a number of advantages to investors. Firstly, this type of strategy offers the potential for attractive risk-adjusted returns compared to European equities, with the potential to offer more stable income with lower volatility (Figure 1).

Figure 1: An allocation to European high yield may provide a compelling alternative to an allocation to European equities



As of 31 December 2022. Source: PIMCO, Bloomberg.

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

European High Yield represented by the ICE BofA European Currency High Yield Constrained Index (EUR hedged).

Annualized return, annualized volatility, and Sharpe ratios are based on monthly data from January 2002 to December 2022.

Additionally, a European high yield strategy may potentially offer a higher level of income, with lower interest rate risk, than investment grade corporate bonds. This type of strategy also offers lower currency hedging costs for Euro-based investors, which can be significant when considering allocations to non-Euro denominated bonds. Finally, European high yield offers diversification from other regional high yield strategies, as Europe represents more than 20% of the global high yield market.

Q: WHAT DOES THE OPPORTUNITY SET LOOK LIKE?

Watford: The European high yield bond market has grown to just below €0.5trillion in size with over 800 different bonds outstanding. It is a comparatively "high quality" high yield market, with close to 70% of the universe consisting of BB-rated issuers. These companies generally offer attractive risk-return profiles with relatively low default rates and lower levels of interest rate risk than higher-rated, longer-duration fixed income sectors.

Many of the issuers are large, publicly-listed international companies that are important to the European economy. Some of these issuers are described as "national champions" and some have benefited from sovereign support in difficult times. These companies tend to be more stable due to their size and diversification.

The market also includes bonds issued by global companies that are denominated in European currencies. This increases our opportunities and enables us to diversify by including bonds from non-European borrowers in the portfolio while allowing investors to benefit from our global credit research resources.

Q: HOW DOES PIMCO APPROACH INVESTING IN THE EUROPEAN HIGH YIELD BOND MARKET AND WHAT DIFFERENTIATES THIS APPROACH?

Nicholson: Our approach is focused on building an actively managed, diversified portfolio through individual security selection. We select from the opportunities analysed by our global team of over 80 credit research analysts – close to 20 of which sit in London. Importantly, PIMCO credit analysts assign independent credit ratings (based on a forward-looking research process) to every issuer in the portfolio, and we do not rely on rating agencies for credit ratings.

A hallmark of PIMCO's investment philosophy is our focus on total return and not just income. PIMCO looks to maximize total return by focusing on issuers we believe have good prospects for price appreciation due to improving credit fundamentals. This might include "rising stars" or companies likely to call or tender for their bonds ahead of maturity. Identifying these opportunities combines independent issuer research, quantitative analysis, and macroeconomic forecasting.

On the other side of the coin, we focus on avoiding defaults and permanent capital loss by working to identify and avoid credits with deteriorating fundamentals. Since we began managing dedicated European high yield portfolios for our clients in the early 2000s, we have achieved an average default rate that is materially lower than that of the market.

Q: WHAT DO YOU LOOK FOR IN AN ISSUER?

Watford: We look to identify companies which can deleverage their businesses and manage through downturns. We look for businesses that have material barriers to entry, superior pricing power to cope with inflation, high asset backing, and/or solid growth prospects. In addition, our team looks for catalysts that can change the credit profile of a business; for example, asset disposals or changes in the macro-economic cycle that can lead to rating upgrades and/or price appreciation.

We recognize that a company's credit profile can change over the course of an economic cycle. Therefore the PIMCO credit process evaluates companies on a forward-looking basis and uses stress tests to consider how a company can manage through downturns. This helps us identify rising star companies with improving credit profiles and ratings trajectories, and enables us to avoid exposure to deteriorating credit situations.

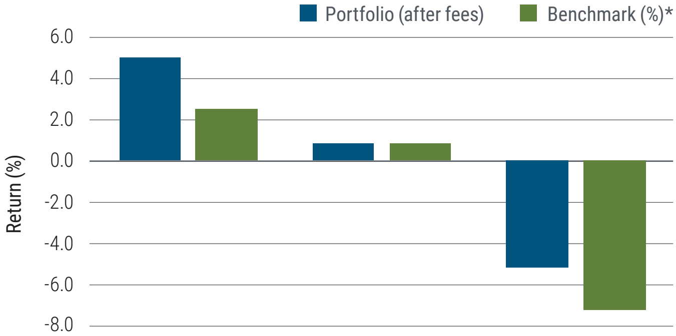
Q: HOW CAN INVESTORS ACCESS THE EUROPEAN HIGH YIELD MARKET WITH PIMCO?

Kraft: We see increased demand from clients looking to access the European high yield market via our dedicated public mutual fund as well as via customized mandates. To access the strategy via a UCITS mutual fund, we offer the actively managed PIMCO GIS European High Yield Bond Fund. Since its inception in January 2020, the Fund has had a strong start, outperforming its benchmark by a cumulative total of over 6% before fees and ranking in the top quartile compared to peers in the Morningstar category.

In addition, we also have significant experience in working with our clients on customized solutions tailored to their specific needs and objectives that can be accessed via a separately managed account with PIMCO. Finally, we offer the PIMCO Euro Short-Term High Yield Corporate Bond Index UCITS ETF, a smart-passive solution focused on the 0-5 year segment of the European high yield market.

Figure 2: PIMCO GIS European High Yield Bond Fund - 12-Month Rolling Performance

Past performance does not predict future returns



	31 Jan '20 31 Jan '21	31 Jan '21 31 Jan '22	31 Jan '22 31 Jan '23
Before fees (%)	5.58	1.41	-4.67
After fees (%)	**5.00**	**0.86**	**-5.19**
Benchmark (%)	2.52	0.88	-7.22
Before fees Alpha (bps)	306	53	255
After fees Alpha (bps)	248	-2	203

As of 31 January 2023. Source: PIMCO. Performance shown is for the Institutional Class, Accumulation Shares (EUR hedged).

***Benchmark is shown for performance comparison purposes only.** Benchmark: ICE BofA BB-B European Currency High Yield Constrained Index (EUR Hedged).

Share value can go up as well as down and any capital invested in the Fund may be at risk. The Fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. For more details on the fund's potential risks, please read the Key Investor Information Document.

Diversification does not protect against loss. See important information section for full disclosures.

BENCHMARK

Unless referenced in the prospectus and relevant key investor information document, a benchmark or index in this material is not used in the active management of the Fund, in particular for performance comparison purposes.

Where referenced in the prospectus and relevant key investor information document a benchmark may be used as part of the active management of the Fund including, but not limited to, for duration measurement, as a benchmark which the Fund seeks to outperform, performance comparison purposes and/or relative VaR measurement. Any reference to an index or benchmark in this material, and which is not referenced in the prospectus and relevant key investor information document, is purely for illustrative or informational purposes (such as to provide general financial information or market context) and is not for performance comparison purposes. Please contact your PIMCO representative for further details.

CORRELATION

As outlined under "Benchmark", where disclosed herein and referenced in the prospectus and relevant key investor information document, a benchmark may be used as part of the active management of the Fund. In such instances, certain of the Fund's securities may be components of and may have similar weightings to the benchmark and the Fund may from time to time show a high degree of correlation with the performance of any such benchmark. However the benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.

Investors should note that a Fund may from time to time show a high degree of correlation with the performance of one or more financial indices not referenced in the prospectus and relevant key investor information document. Such correlation may be coincidental or may arise because any such financial index may be representative of the asset class, market sector or geographic location in which the Fund is invested or uses a similar investment methodology to that used in managing the Fund.

Additional Information/Documentation

A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents (KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company.

The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish.

The KIIDs and KIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive).

In addition, a summary of investor rights is available from www.pimco.com .The summary is available in English.

The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors (Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive."

PERFORMANCE AND FEES

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 annualised. 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 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.

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. Share value can go up as well as down and any capital invested in the Fund may be at risk. The Fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. For more details on the fund's potential risks, please read the Key Investor Information Document.

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 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. **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 U.S. government. Certain **U.S. government securities** are backed by the full faith of the 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. Share value can go up as well as down and any capital invested in the Fund may be at risk. The Fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. For more details on the fund's potential risks, please read the Key Investor Information Document.

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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.

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