

When Markets Diverge, Opportunities Emerge

The global economic and market outlook suggests diverging paths among regions and sectors. Last year, overall global growth looked stagnant, but trends this year suggest potential for a soft landing instead of a recession – mainly due to the continuing strength in the U.S. economy. But that resilience comes with risks: most notably, the potential for hotter inflation.

The diverging macroeconomic outlook creates compelling opportunities among asset classes.

OVERALL RISK



We are slightly overweight risk as we see early signs of a potential soft landing in the global economy. However, continued U.S. resilience presents the risk of sticky inflation. We expect regional divergence in monetary policy as the outlooks for inflation and growth differ by country. We favor higher quality exposures across asset classes and emphasize diversification in the current environment.

POSITIONING

OPPORTUNITIES

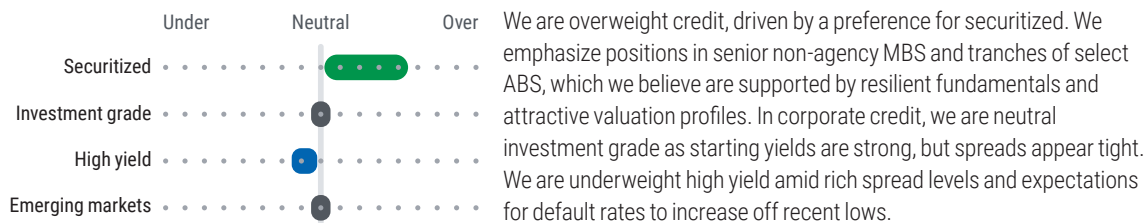
EQUITIES



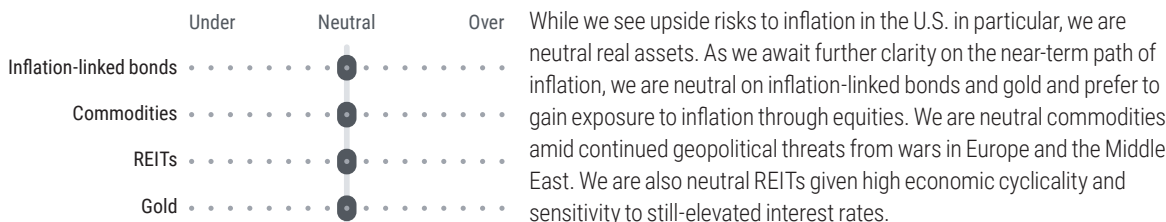
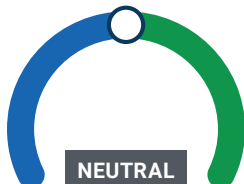
RATES



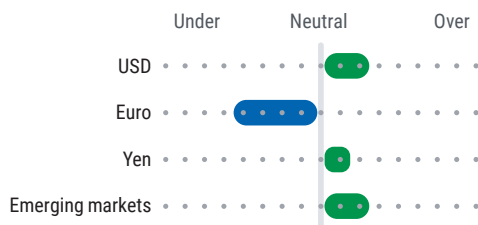
CREDIT



REAL ASSETS

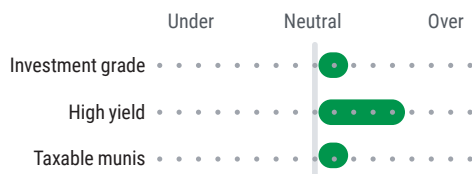


CURRENCIES



We are overweight the U.S. Dollar amid economic resilience, relatively high carry and less demanding valuations versus recent history. We are underweight the Euro given the potential for weaker growth and more central bank easing. We are overweight the Japanese Yen as further BOJ tightening should improve carry, plus the Yen provides a risk-off hedge. In emerging markets, we are overweight select high-yielding currencies that typically offer compelling valuation and quality profiles.

MUNIS



We are overweight munis amid elevated starting yields and ongoing credit strength. Investment grade valuations trade fair to rich, however, absolute yields remain near the upper end of their 10-year range while offering spread versus taxable bonds. Relative value in lower quality is driven by a resilient credit backdrop and elevated spreads. Taxable munis can provide attractive corporate credit diversification for investors where PIMCO is active in security selection.

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

All investments contain risk and may lose value. 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. **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. Income from **municipal bonds** is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. 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. **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. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. **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. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions.

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Earnings Per Share (EPS); Bank of Japan (BOJ); Mortgage-backed securities (MBS); Asset-backed securities (ABS); Real Estate Investment Trust (REIT).

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