

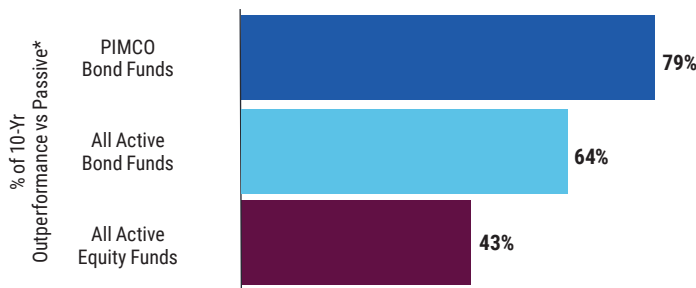
Bonds Are Different: The Active Advantage

While active equity strategies often lag behind passive peers – active bond managers have outperformed.

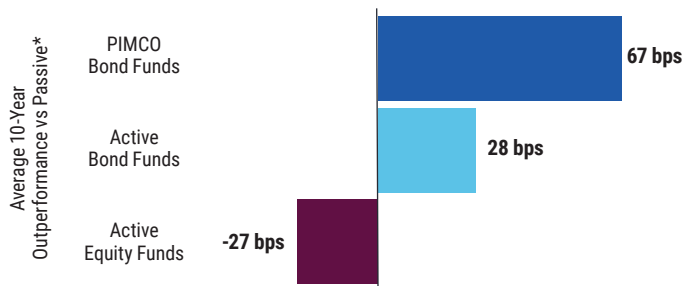
ACTIVE VS. PASSIVE: COMPARING PERFORMANCE¹

Our analysis, spanning two decades, shows that active bond managers have outperformed their passive counterparts in 64% of the periods examined. PIMCO active bond funds have done even better with an 79% success rate. Both measures are well above the 44% rate of active equity managers beating their passive peers.

Percentage of active funds outperforming the median passive peer over rolling 10-year periods, net of fees



Average excess returns of active funds over the median passive peer across rolling 10-year periods, net of fees



Source: PIMCO and Morningstar as of 31 December 2024.

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

* Active outperformance compares the performance of actively managed funds (net of fee) versus the median passive peer (net of fees) over 10 year periods. The average magnitude of outperformance over the 10 year periods is annualized.

1 PIMCO Bond Funds represents all PIMCO mutual funds and active ETFs in the Morningstar U.S. Taxable Bond and Municipal Bond Categories. All Active Bond Funds represents all actively managed mutual funds and ETFs in the Morningstar U.S. Taxable Bond and Municipal Bond Categories. All Active Equity Funds represents all actively managed mutual funds and ETFs in the Morningstar U.S. category groups of U.S. Equity, International Equity, Sector Equity, and Nontraditional Equity. PIMCO Bond Funds average annual outperformance is calculated at NAV. Performance does not take into account the maximum initial sales charge and would be lower if it did. The net returns of All Active Bond Funds, All Active Equity Funds and PIMCO Bond Funds were compared against the median net returns of passive peers in each 10-year rolling period between 12/31/2004 to 12/31/2024 when both the funds being analyzed and the passive peers are present. Passive peers are mutual funds and ETFs classified as an "index fund" or an "enhanced index fund" in the same Morningstar category as the funds being analyzed. Oldest share class net returns are used for analysis. Results would vary if a different share class was selected. Different fund types (e.g. ETFs, open-ended investment companies) and fund share classes are subject to different fees and expenses (which may affect performance). They may also have different minimum investment requirements and be entitled to different services.

2 Source: PIMCO, SIFMA, and Bloomberg as of December 2022, the latest data available

WHY ACTIVE BOND MANAGEMENT WORKS

We believe the bond market's vast complexity, with 300,000+ issuers and \$100+ trillion in debt outstanding,² gives active bond managers an opportunity to exploit structural inefficiencies that don't exist in equity markets.



Index replication is challenging in bond markets

Bond market complexity and high turnover hinder perfect index replication. Passive managers often hold less than half the index, leading to unavoidable tracking error.



Bond index design may be suboptimal

Bond indices assign the highest weights to countries and companies with the greatest debt outstanding, not necessarily the best economic value.



Many bond market participants do not seek to maximize profits

Over half of the bond market consists of central banks, public institutions, and insurers, which typically invest with goals such as interest rate management, rather than profit maximization.

GREATER MARKET COMPLEXITY FAVORS ACTIVE MANAGEMENT OF BONDS VS. STOCKS

Bond Market	Stock Market
> 10,000	~500
Over 10,000 securities in the Bloomberg US Aggregate, a common bond index	About 500 securities in the S&P 500, a common equity index
20%	1%
Typical annual turnover for a bond index due to bonds maturing and new issuance	Typical annual new issuance of equities in equity indexes
Hundreds	One
Number of potential outstanding bonds issued by a single company, with varying maturities and levels of seniority	Number of equity securities typically outstanding for most listed firms
OTC	Exchange
Bonds trade over the counter (OTC). Parties negotiate prices, at less frequent intervals, with more limited pricing information	Equities trade on markets with standardized terms on a continuous basis during the day, with pricing information broadly disseminated
> 50% ¹	~0%
Percent of bond market participants, such as central banks, who invest with goals other than profit-maximization	Few stock market investors seek goals other than profit-maximization

Source: PIMCO, Bloomberg and S&P as of 31 December 2023

¹ Source: PIMCO, IMF, Federal Reserve Board, ECB, BOE, Yardeni, Eurostat, SIFMA, and NAIC as of December 2023, representing the latest data available

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. Please read them carefully before you invest or send money.

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

A word about risk: All investing involves 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. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy.

Bloomberg U.S. Aggregate Index 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. **S&P 500 Index** is an unmanaged market index generally considered representative of the stock market as a whole. The Index focuses on the large-cap segment of the U.S. equities market. **It is not possible to manage directly in an unmanaged index.**

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. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This material contains the current opinions of the manager but not necessarily those of PIMCO and such opinions are subject to change without notice. This material is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world. ©2025, PIMCO.

PIMCO Investments LLC, distributor, 1633 Broadway, New York, NY 10019, is a company of PIMCO.