PIMCO

5 Things you Need to Know About: Markets

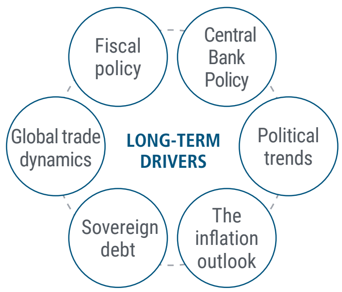
The global economy is a complex ecosystem made up of governments, central banks and financial markets. Whether you are investing locally or globally, it's important to understand how these major forces interact with each other and the risks and opportunities this may create for your investment portfolio.

1 MARKET DRIVERS

One way of assessing the performance and future direction of financial markets and the global economy is to consider both short-term cyclical and long-term secular viewpoints. This provides a well-rounded view that takes short and long term forces into account.

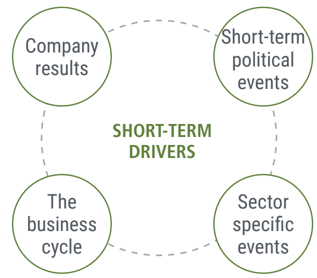
SECULAR OUTLOOK

Secular analysis considers the longer-term factors driving the performance of financial markets. Understanding the secular outlook is important for long term investors.



CYCLICAL OUTLOOK

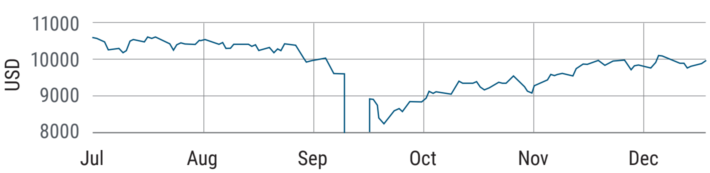
Cyclical analysis considers the short-term factors driving the performance of markets. It's useful to consider these against the backdrop of a secular outlook in order to form a well-rounded view.



2 THE POWER OF POLITICAL EVENTS

It's important to consider the political landscape when making investments. Policy decisions, leadership changes and instability such as riots, coups and terrorism can have a major impact on investment performance. The chart below shows what happened to the Dow Jones Industrial Average after the September 11 terror attacks in the United States.

Djia In Response To September 11, 2001



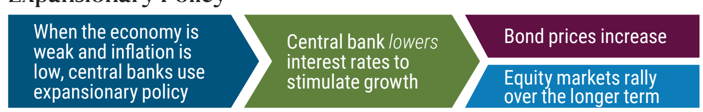
Source: Bloomberg

Past performance is not a reliable indicator of future performance.

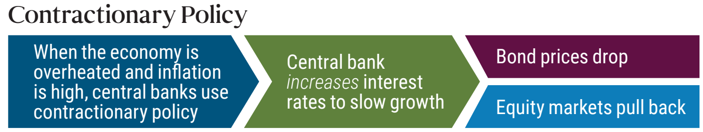
3 MONETARY POLICY & THE MARKETS

Central banks use monetary policy to manage economic growth. The changes they make to interest rates and the supply of money can have a big impact on the performance of financial markets.

Expansionary Policy



Contractionary Policy



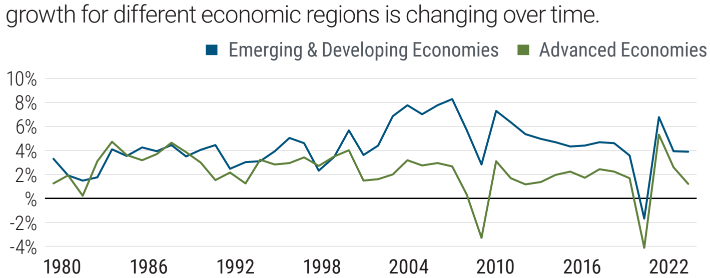
Represents normal market response based on historical data.

Past performance is not a reliable indicator of future performance.

Source: PIMCO

4 GDP GROWTH

Investors looking to invest in offshore markets can use GDP growth to assess the health of an economy. The chart below shows how GDP growth for different economic regions is changing over time.



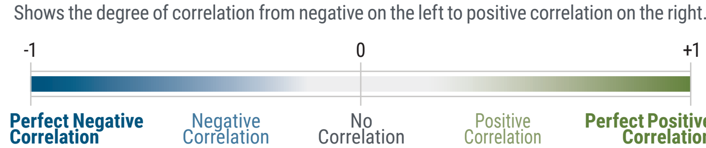
Source: IMF World Economic Outlook as of 31 December 2022

5 CONSIDERING CORRELATION

A useful tool for constructing diversified portfolios, correlation describes the degree to which two investments move in relation to each other. Investments with negative correlation will enhance diversification as they should respond differently to market events, whilst positively correlated investments move in the same direction.

THE CORRELATION COEFFICIENT

Shows the degree of correlation from negative on the left to positive correlation on the right.



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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 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. **Correlations** may vary substantially in the future or over different time periods that can result in greater volatility. 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. While the coefficient of covariance has no upper or lower limits, the **correlation coefficient** is bounded by -1.00 and 1.00. The sign (+ or -) indicates the direction of the relationship; the magnitude indicates the strength of the relationship. **Diversification** does not ensure against loss.

There is no guarantee that these investment strategies will work under all market conditions or are suitable 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, investment product, or strategy will or is likely to achieve profits, losses, or results similar to those shown. Investors should consult their investment professional prior to making an investment decision.

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