PIMCO

CYCLICAL OUTLOOK

Securing the Soft Landing

Financial Investigator Outlook Seminar

14 November 2024

IMPORTANT NOTICE

Please note that the following contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

For professional investor use only

Important Information

For professional use only
Per the information available to us you fulfill the requirements to be classified as professional clients as defined in the MiFiD II Directive 2014/65/EU Annex II Handbook. Please inform us if otherwise. Any services and products described in this communication are only available to professional clients as defined in the MiFiD II Directive 2014/65/EU Annex II Handbook and its implementation of local rules and as defined in the Financial Conduct Authority's Handbook. This communication is not a public offer and individual investors should not rely on this document. Opinion and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness.

PIMCO Europe Ltd (Company No. 2604517, **11 Baker Street, London W1U 3AH, United Kingdom)** is authorised and regulated by the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN) in the UK. The services provided by PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser. Since PIMCO Europe Ltd services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), PIMCO Europe GmbH Italian Branch (Company No. 10005170963, Via Turati nn. 25/27 (angolo via Cavalieri n. 4) 20121 Milano, Italy), PIMCO Europe GmbH Irish Branch (Company No. 909462, 57B Harcourt Street Dublin D02 F721, Ireland), PIMCO Europe GmbH UK Branch (Company No. FC037712, 11 Baker Street, London W1U 3AH, UK), PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E, Paseo de la Castellana 43, Oficina 05-111, 28046 Madrid, Spain) and PIMCO Europe GmbH French Branch (Company No. 918745621 R.C.S. Paris, 50–52 Boulevard Haussmann, 75009 Paris, France)** are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie- Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). The Italian Branch, Irish Branch, UK Branch, Spanish Branch and French Branch are additionally supervised by: (1) Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB) (Giovanni Battista Martini, 3 - 00198 Rome) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) Irish Branch: the Central Bank of Ireland (New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3) in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) UK Branch: the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN); (4) Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV) (Edison, 4, 28006 Madrid) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Tile V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively and (5) French Branch: ACPR/Banque de France (4 Place de Budapest, CS 92459, 75436 Paris Cedex 09) in accordance with Art. 35 of Directive 2014/65/EU on markets in financial instruments and under the surveillance of ACPR and AMF. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. According to Art. 56 of Regulation (EU) 565/2017, an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO Europe GMBH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2, Brandschenkestrasse 41 Zurich 8002, Switzerland)**. According to the Swiss Collective Investment Schemes Act of 23 June 2006 ("CISA"), an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO (Schweiz) GmbH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser.

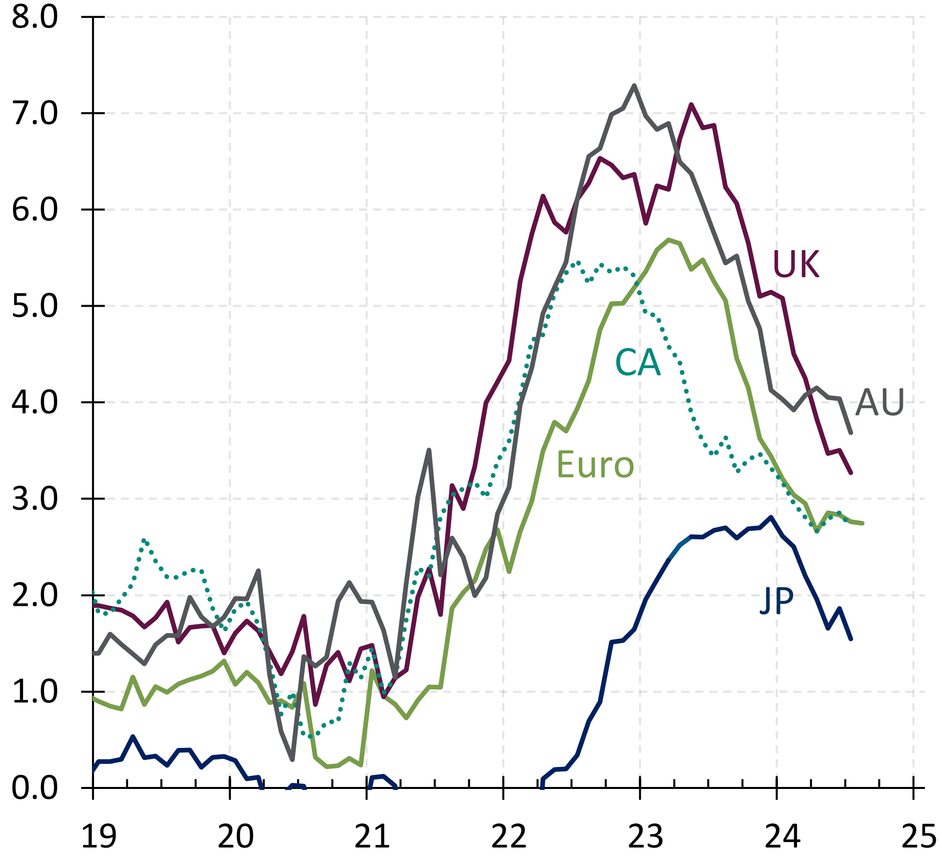
Presented in the Netherlands by PIMCO Europe Limited

General Risks

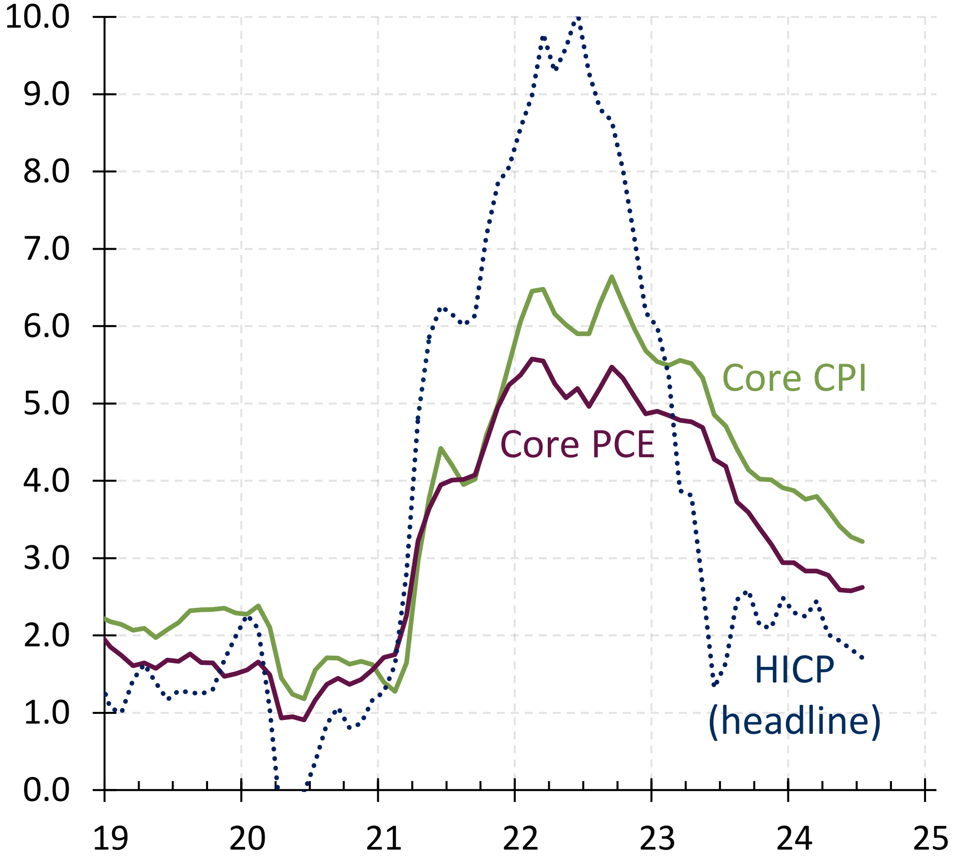
- Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive 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. 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.
- **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.
- **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.
- **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.
- **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.
- Entering into **short sales** includes the potential for loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the 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.
- **Diversification** does not ensure against loss.

Inflation nearing targets:
Developed market inflation back in the “two-point-something” percent range

Core inflation (%YoY) across DM countries



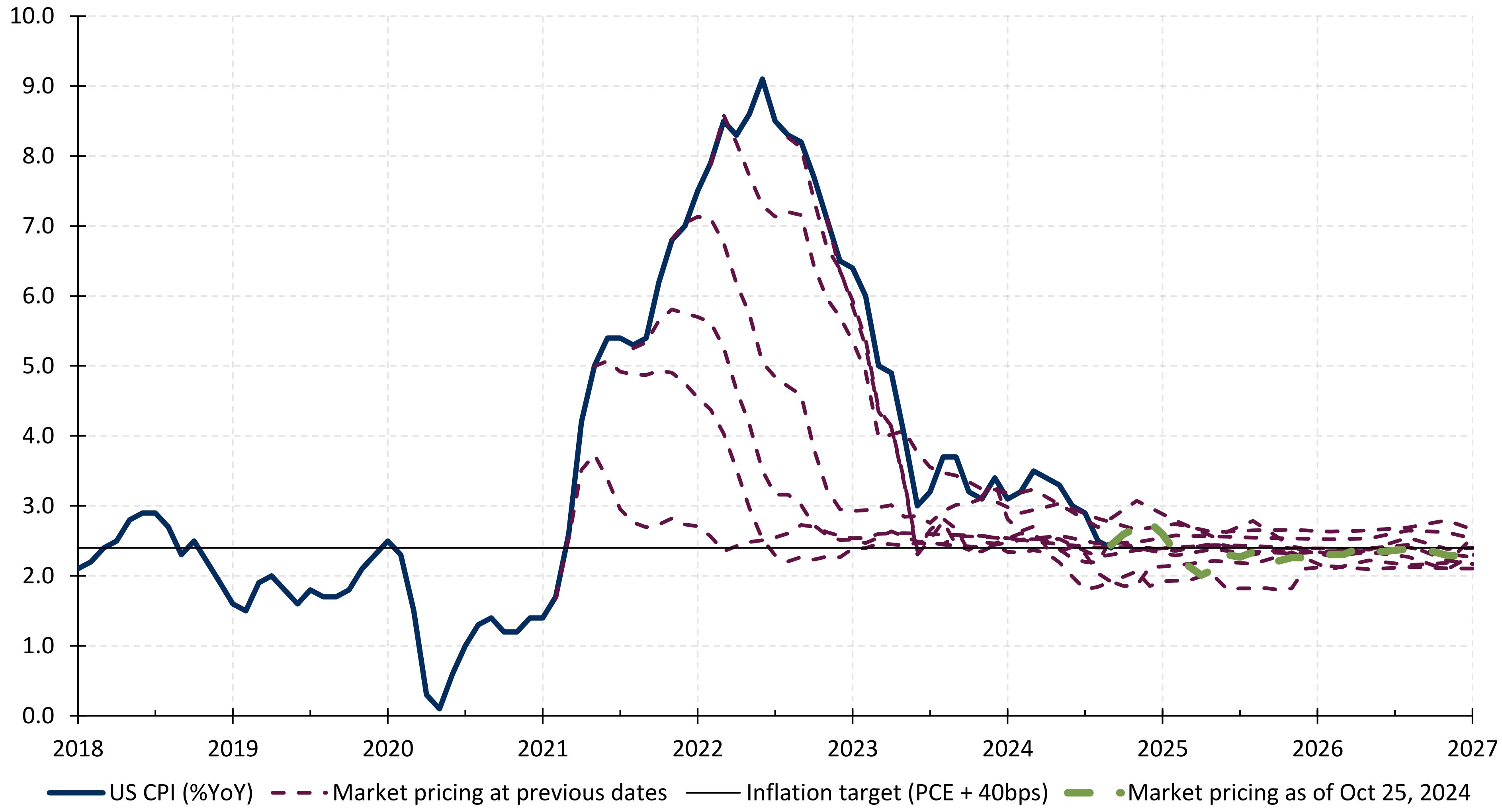
Inflation (%YoY) in US



Source: PIMCO calculations, various stats offices, as of September 2024. **For illustrative purposes only**
Statements concerning financial market trends are based on current market conditions which will fluctuate
Refer to Appendix for additional outlook and risk information

Anchored inflation expectations:

Monetary policy credibility has been intact throughout the pandemic

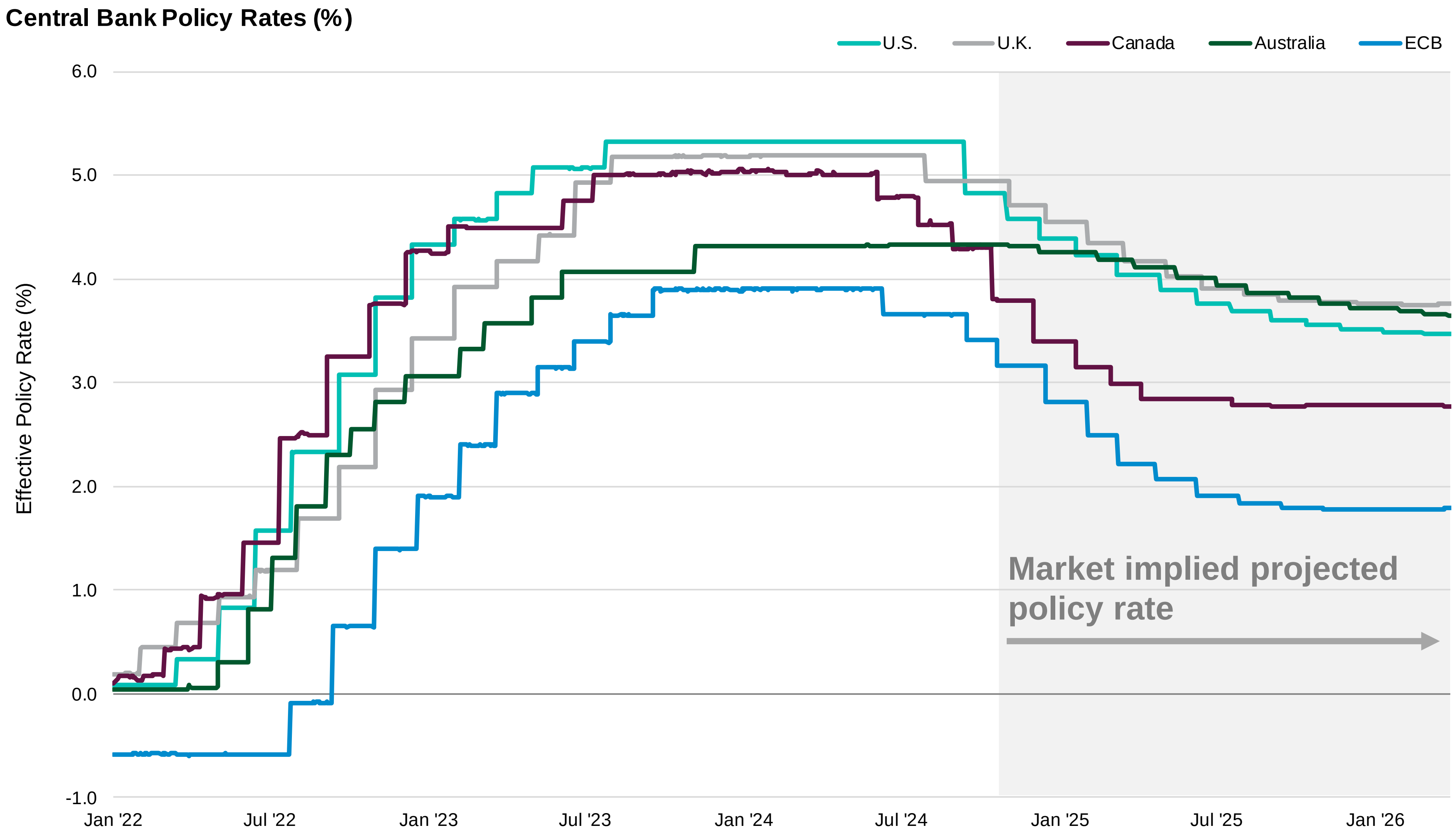


Source: PIMCO calculations, BBG, various stats offices. As of October 25 2024. **For illustrative purposes only**

Statements concerning financial market trends are based on current market conditions which will fluctuate

Refer to Appendix for additional outlook and risk information.

Central banks pivoting to rate cuts:
With scope for divergence ahead

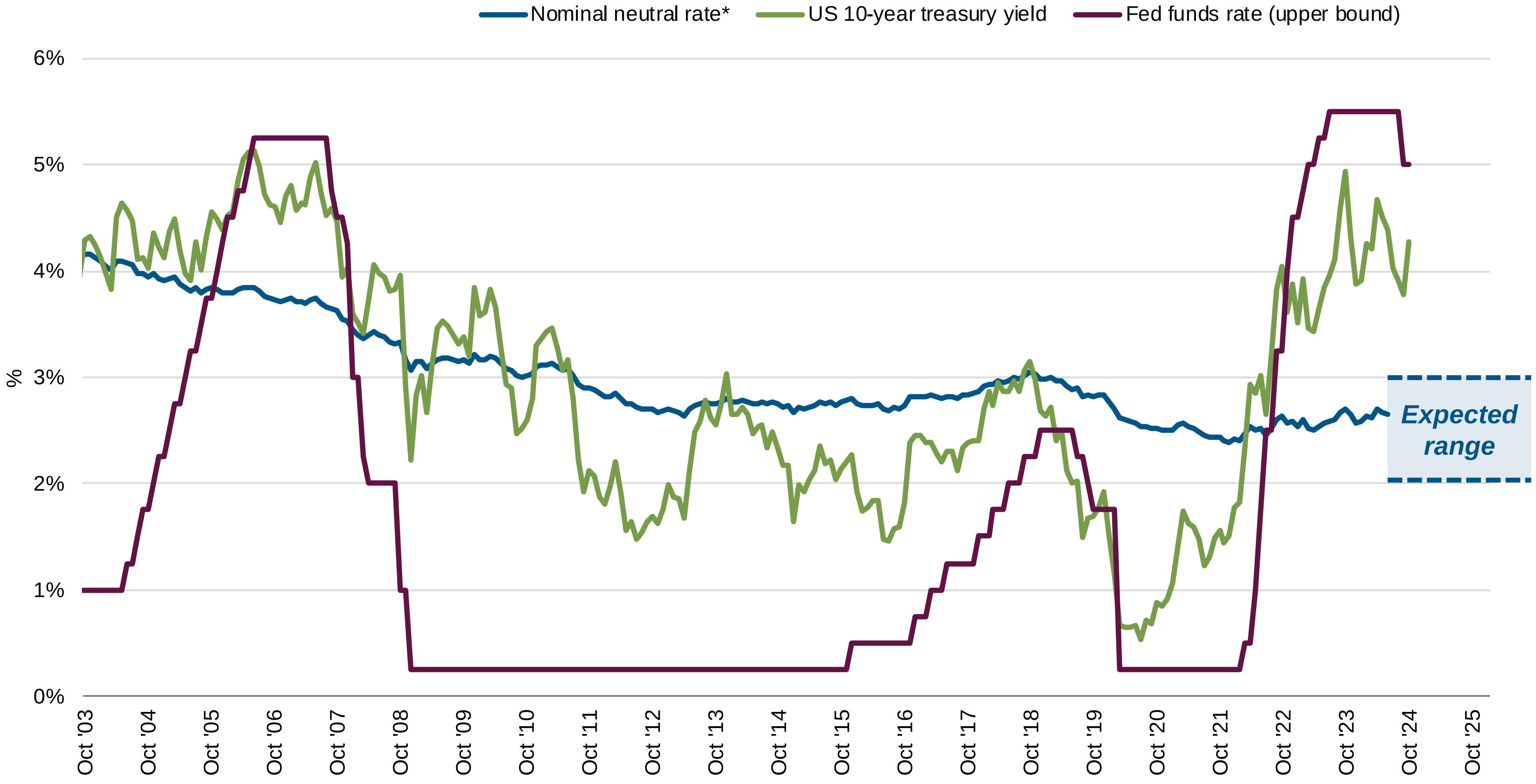


As of 29 October 2024. Source: Bloomberg, PIMCO. **For illustrative purposes only.**
Statements concerning financial market trends are based on current market conditions which will fluctuate.
Refer to Appendix for additional forecast, outlook and risk information.

Today’s bond market advantage

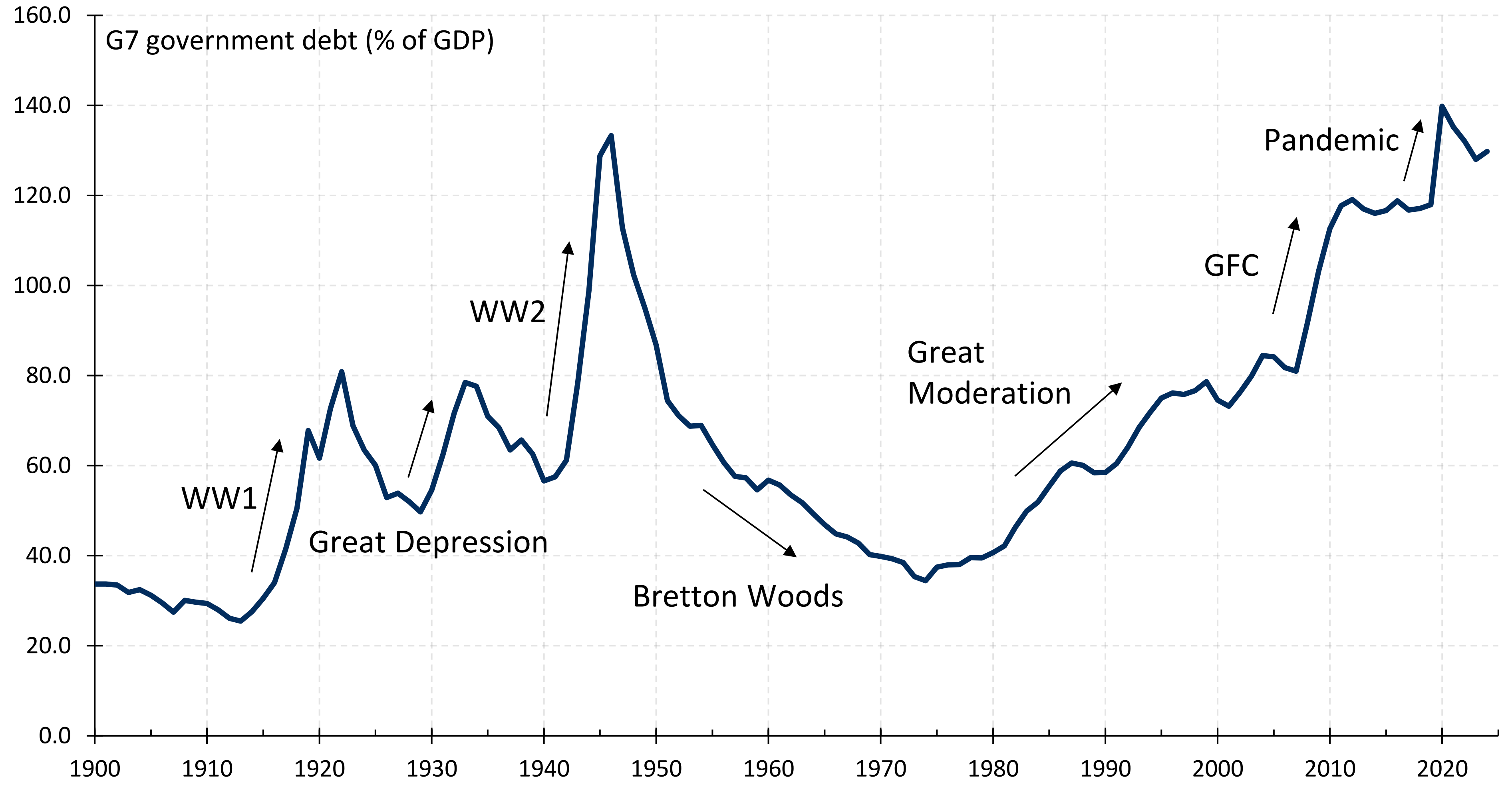
Rates – and yields – are well above neutral estimates

Fed policy rate and 10-year treasury yield relative to nominal neutral rate



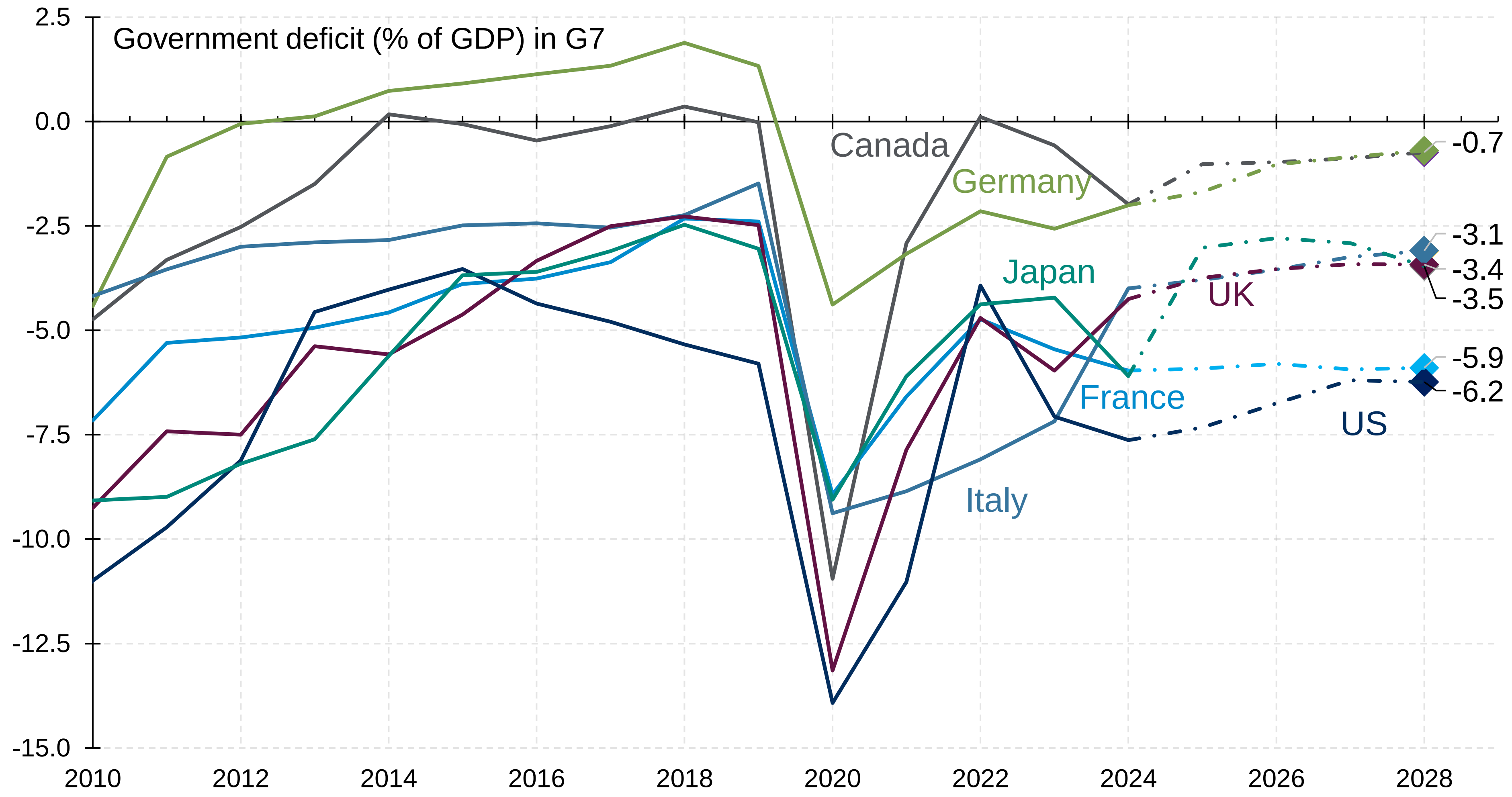
As of 29 October 2024.Source: Bloomberg, PIMCO, Mills-Davis. Data is monthly. *Nominal neutral rate is calculated by adding 2% to the Mills-Davis r-star estimates. **For illustrative purposes only.**
Statements concerning financial market trends are based on current market conditions which will fluctuate.
Refer to Appendix for additional outlook and risk information.

Government debt sustainability:
Public debt levels are close to record highs



Source: IMF Public Finances in Modern History (Debt), JST macro-history database (GDP weights), IMF WEO (for 2023-24), PIMCO calculations. IMF data as of October 22, 2024. **For illustrative purposes only.** Note: Chart plots debt-to-GDP across G7 countries, GDP-weighted. Last data point is 2024. There is no guarantee that the trends mentioned above will continue. Statements concerning financial market trends are based on current market conditions which will fluctuate. **Refer to Appendix for additional outlook and risk information/**

Fiscal deficits remain high:
The outlook looks particularly concerning in the US

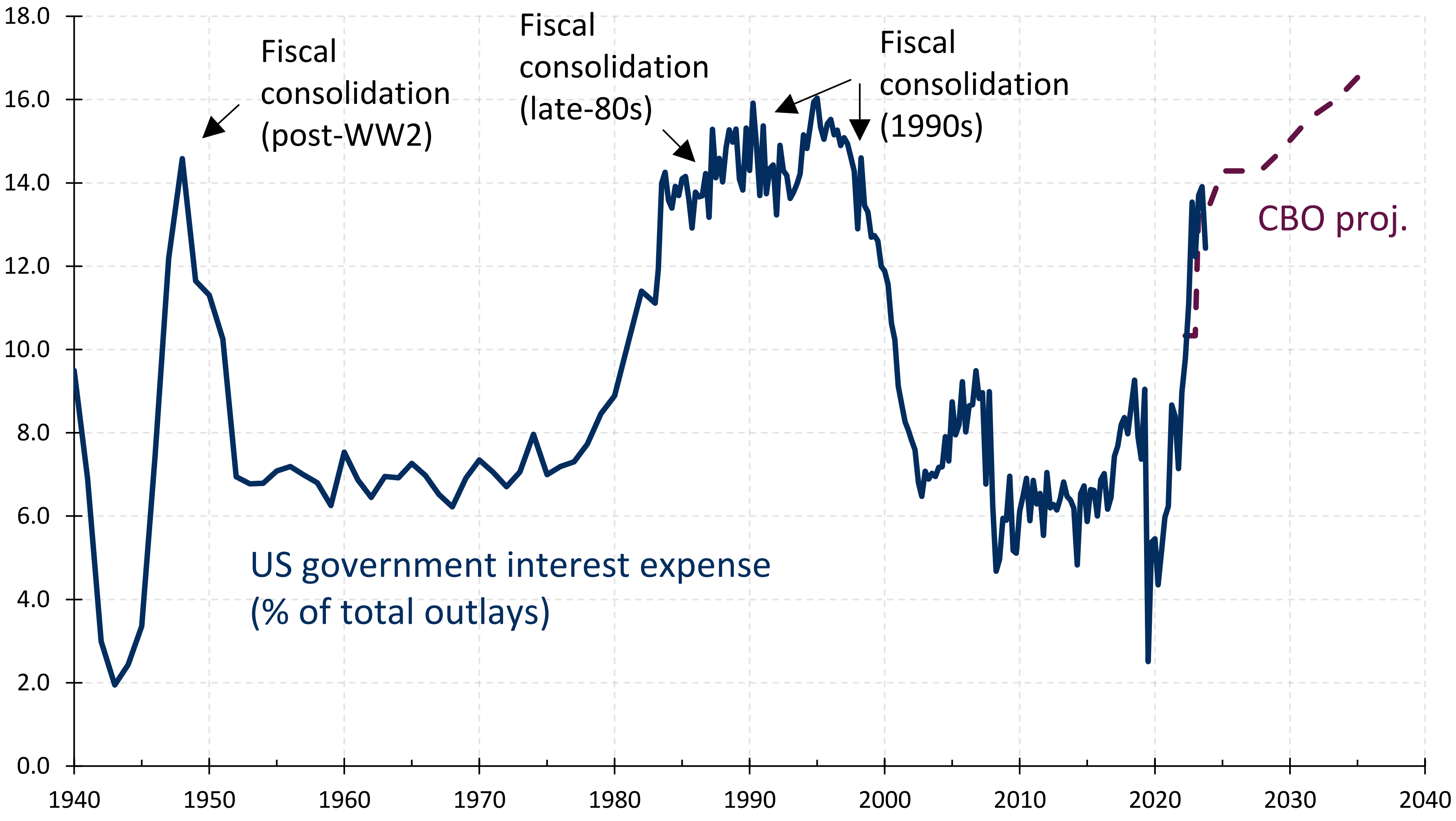


Note: Chart plots government deficit-to-GDP across G7 countries, plus projections (dashed line) from IMF. Source: IMF WEO, PIMCO calculations. IMF data as of October 22, 2024. **For illustrative purposes only.**

Statements concerning financial market trends are based on current market conditions which will fluctuate.

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

Fiscal tightening likely over time:
Rising interest payments have preceded tightening in the past



Source: US Treasury, CBO, PIMCO calculations. As of September 2024. CBO projections as of March 2024. **For illustrative purposes only**.

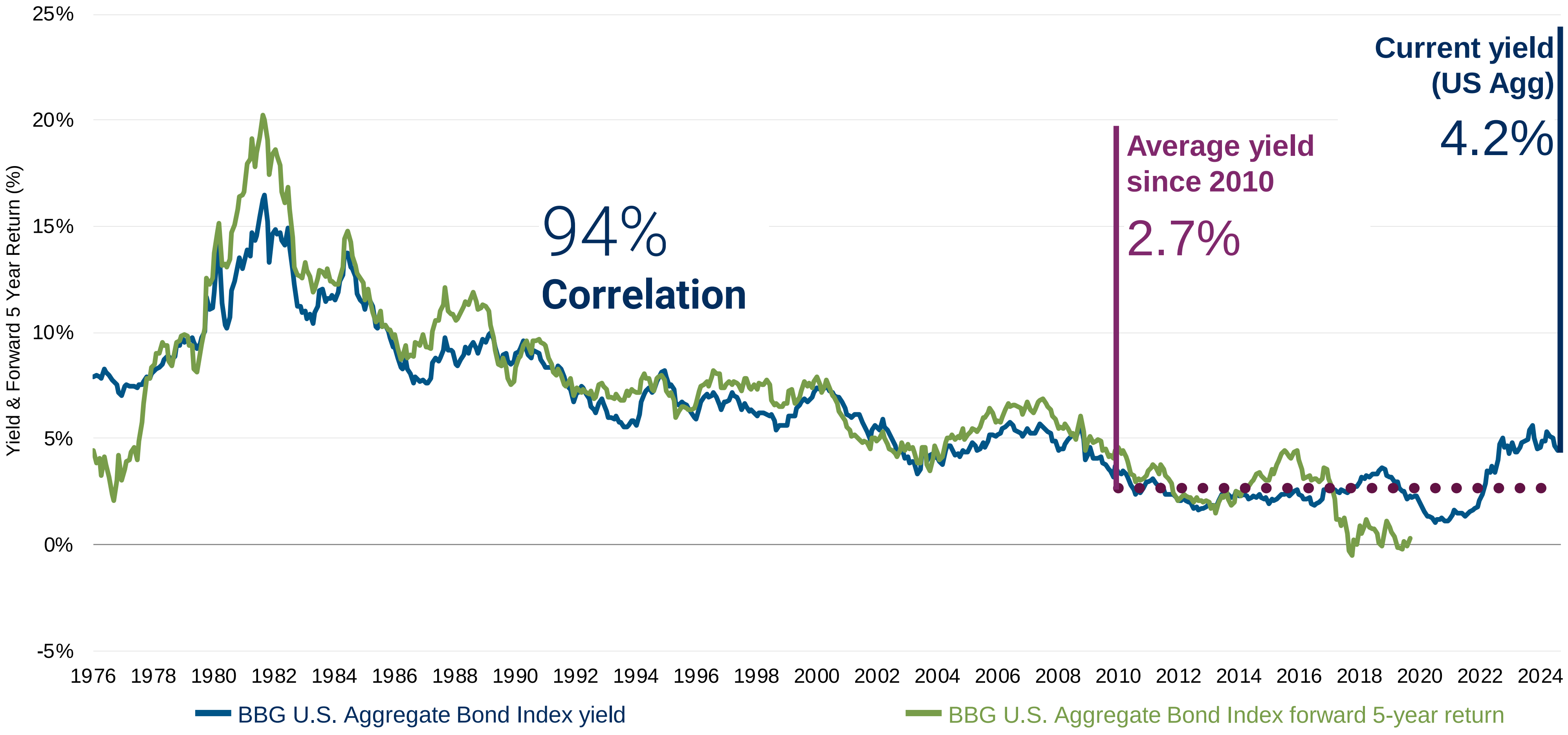
Statements concerning financial market trends are based on current market conditions which will fluctuate

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

Attractive yields create attractive outlook

Starting yields are strongly correlated with 5-year forward returns

Yield vs. 5-year forward return



As of 30 September 2024. Source: Bloomberg, PIMCO.

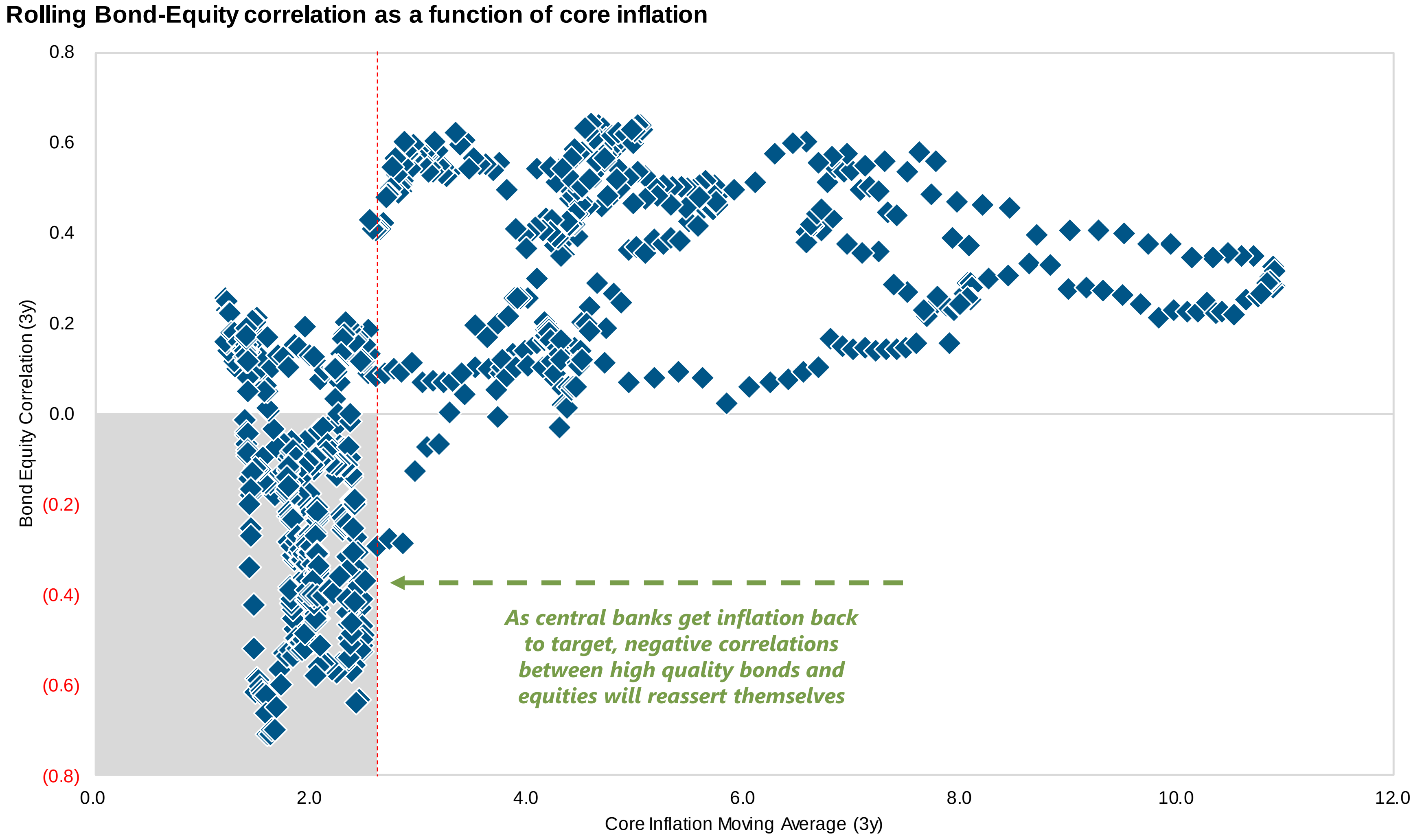
Chart is provided **for illustrative purposes only** and is not indicative of the past or future performance of any PIMCO product.

Yield and return are for the Bloomberg U.S. Aggregate Bond Index. Statements concerning financial market trends are based on current market conditions which will fluctuate.

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

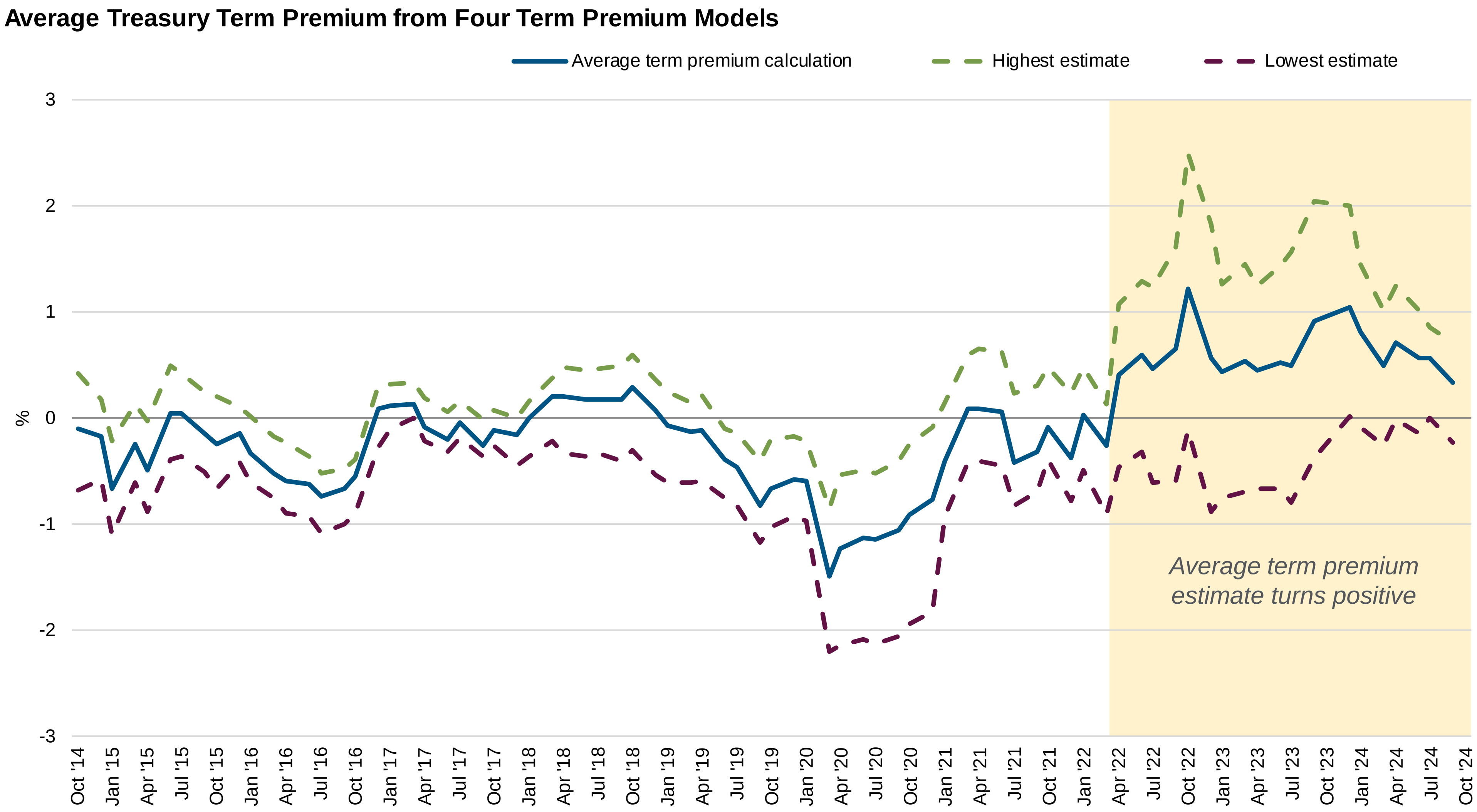
Diversification benefits

Negative correlation between equities and bonds is reasserting itself



As of 30 September 2024; Source: PIMCO, proprietary PIMCO model calculations. **For illustrative purposes only**.
Statements concerning financial market trends are based on current market conditions which will fluctuate.
Refer to Appendix for additional index, correlation, and risk information

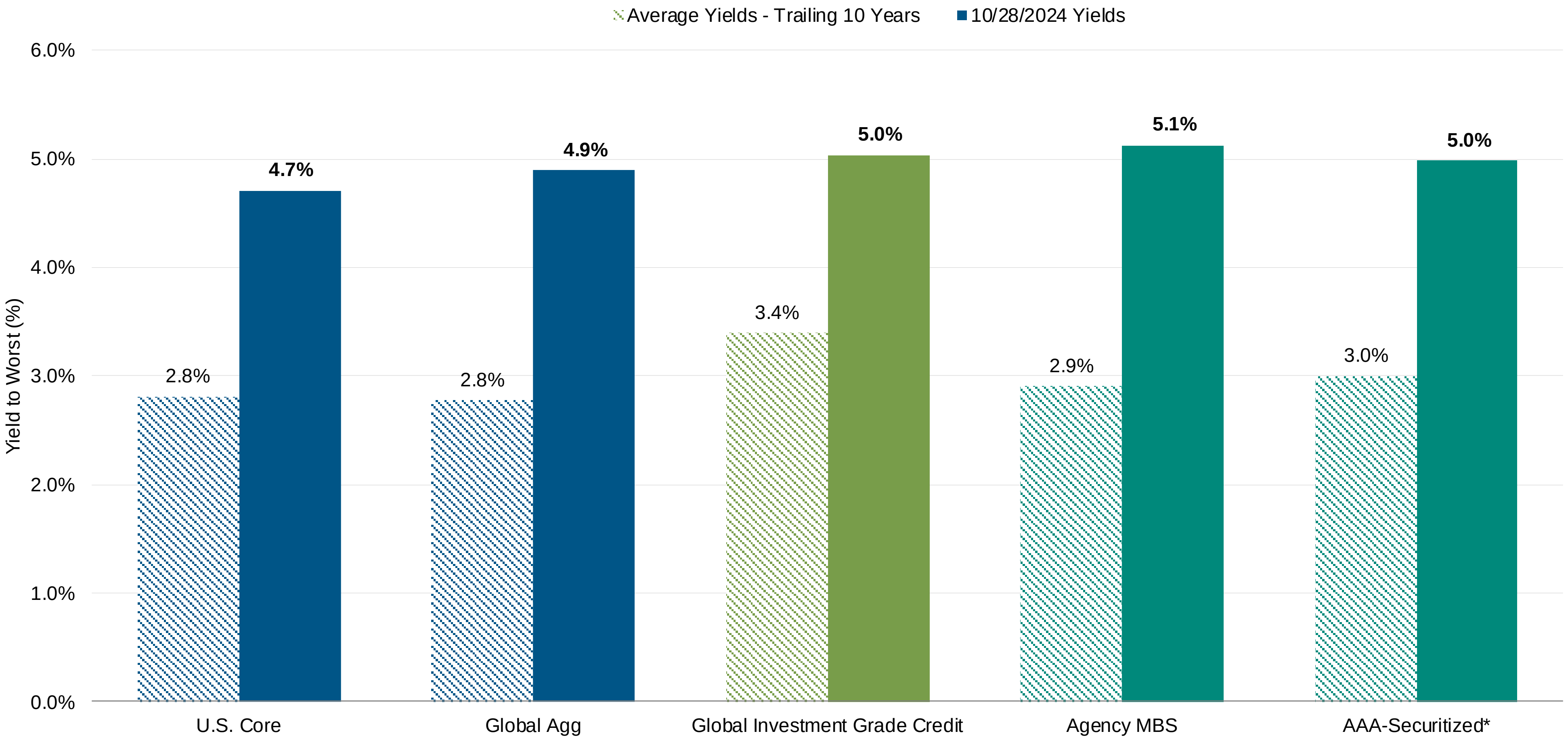
Rising compensation:
Term premium continues to rebuild, position for curve steepeners



*Average of the term premium from the ACM, CR, NY Fed Primary Dealer Survey, and Phil. Fed Survey models. See footnote for details

As of 9 September 2024. Source: Federal Reserve Bank of New York, Haver Analytics, Bloomberg, PIMCO. **For Illustrative purposes only.** "ACM" refers to the model developed by New York Fed economists Tobias Adrian, Richard K. Crump, and Emanuel Moench. "CR" refers to the model developed by Jens H.E. Christensen and Glenn D. Rudebusch of the San Francisco Fed. "NY Fed Primary Dealer Survey" refers to the median response to the York Fed's Survey of Primary Dealers' question "provide your estimate of your expectation for the average federal funds rate over the next 10 years"; the implied term premium is backed out by subtracting the survey response from the contemporaneous 10-year yield. "Phil. Fed Survey" refers to the median response to the Philadelphia Fed's Survey of Professional Forecasters' inquiry for projections of the annualized average 3-month t-bill return over the next 10 years; the implied term premium is backed out by subtracting the survey response from the contemporaneous 10-year yield. Statements concerning financial market trends are based on current market conditions which will fluctuate. **Refer to Appendix for additional outlook and risk information.**

Global fixed income opportunities
Yields remain close to multi-decade highs



As of 28 October 2024. SOURCE: Bloomberg, PIMCO. **For illustrative purposes only.**
Proxies for asset classes displayed are as follows: U.S. Core: Bloomberg U.S. Aggregate, Global Agg: Bloomberg Global Aggregate USD Hedged, Global Investment Grade Credit: Bloomberg Global Aggregate Credit USD Hedged, Agency MBS: Bloomberg US MBS Fixed, * AAA-Securitized YTW computed as average of AAA CLOs, CMBS, and ABS from JPMorgan and Bloomberg. The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields. There is no guarantee that the trends mentioned above will continue. Statements concerning financial market trends are based on current market conditions which will fluctuate. **Refer to Appendix for additional index, outlook, valuation and risk information.**

Key Takeaways

Pandemic-related distortions, including inflation, are fading

Central banks to normalise policy

Ongoing risks to fiscal policy and debt sustainability

Fixed income attractive due to high yields and potential capital appreciation during cutting cycles

As of October 2024. Source: PIMCO.
Refer to Appendix for additional outlook and risk information.

Appendix

Appendix

CHART
Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results.

CORRELATION
The correlation of various indices 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.

FORECAST
Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

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

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.

OUTLOOK
Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. 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 for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RISK
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. 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. 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. 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. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. 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. Diversification does not insure against loss.

YIELD TO WORST (YTW)
Yield to Worst (YTW) is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the bond's issuer. PIMCO calculates a Fund's Estimated YTW by averaging the YTW of each security held in the Fund on a market-weighted basis. PIMCO pulls each security's YTW from PIMCO's Portfolio Analytics database. In general, the calculation will incorporate the yield based on the notional value of all derivative instruments held by a Fund. The measure does not reflect the deduction of fees and expenses and is not necessarily indicative of the Fund's worst possible performance. A portfolio’s actual yield or distribution rate may be significantly lower than its estimated YTW in practice. Estimated YTW is not a projection or prediction of the actual yield or return that a portfolio may achieve or any other future performance results. There can be no assurance that a portfolio will achieve any particular level of yield or return and actual results may vary significantly from estimated YTW.

Appendix

INDEX DESCRIPTIONS

The Bloomberg Global Aggregate Index provides a broad –based measure of the global investment-grade fixed income markets.

The Bloomberg 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 Global Aggregate Credit Index is the credit component of the Bloomberg Aggregate Index. The Bloomberg Aggregate Index is a subset of the Global Aggregate Index, and contains investment grade credit securities from the U.S. Aggregate, Pan-European Aggregate, Asian-Pacific Aggregate, Eurodollar, 144A and Euro-Yen indices. The Bloomberg Global Aggregate Index covers the most liquid portion of the global investment grade fixed-rate bond-market, including government, credit and collateralized securities. The liquidity constraint for all securities in the index is $300 million. The index is denominated in U.S. dollars.

The Bloomberg 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.