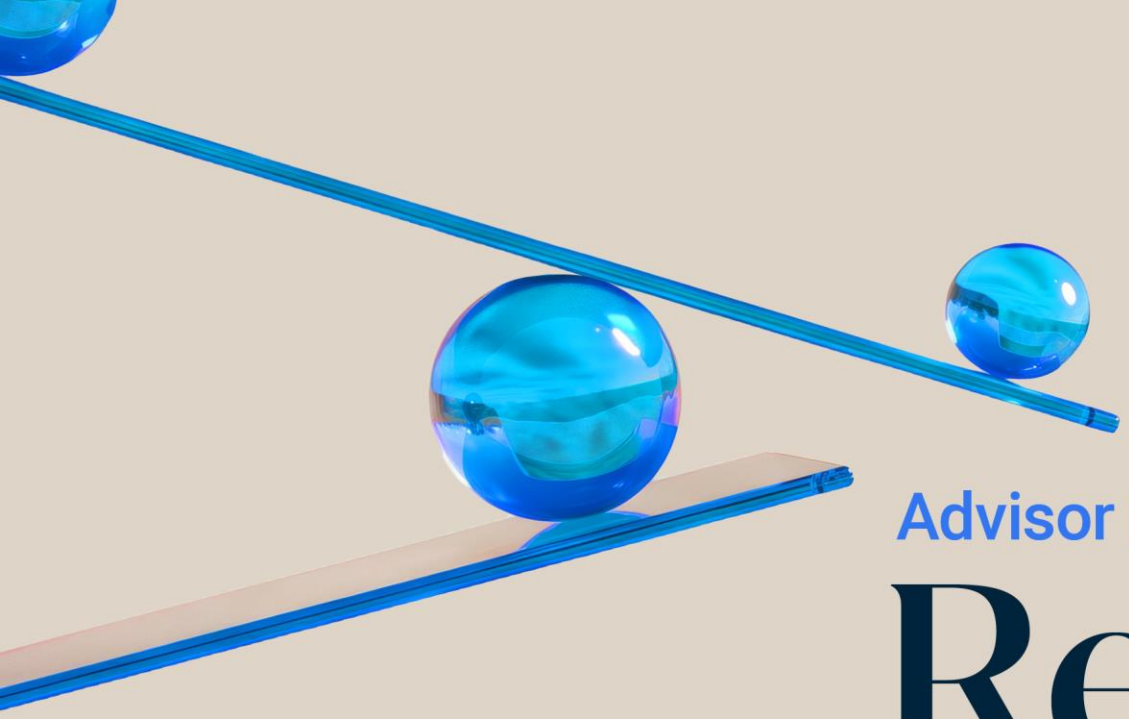


PIMCO

Advisor Forum

Restoring Balance

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.

Q4 2026

Explore Today's Investment Landscape and Opportunities.

Our View

As economic growth holds but risks widen, many portfolios have become vulnerable due to high concentrations in equities and elevated cash balances. Restoring balance through fixed income may help investors capitalize on attractive starting yields while enhancing income, diversification, and capital preservation.



I. Bond Mechanics

The Bond Market Connects Borrowers and Lenders

WHAT IT MEANS FOR INVESTORS

By investing in bonds, lenders receive compensation for providing capital to borrowers, who typically need capital to grow their business or support their community.



Lender

Receives interest payments for lending funds to a borrower. Time and repayment risk contribute to the interest rate of the loan.

Interest is the cost of borrowing money (%)



Borrower

Makes interest payments for immediate access to the funds.



Insurance companies
Invest premiums received to pay out future claims



Pension funds
Invest contributions to meet future pension obligations



Individuals
Invest savings today for future uses like retirement



Government bonds
Proceeds historically used to fund defense and social programs



Corporate bonds
Issued by corporations to raise money to expand business, improve operations, etc.



Municipal bonds
Issued by state or local governments to finance public projects like roads and hospitals

Source: PIMCO. **For Illustrative purposes only.** Refer to Appendix for additional investment strategy, outlook and risk information.

Bonds Usually Provide Lenders with Interest That the Borrower Pays

WHAT IT MEANS FOR INVESTORS

Bonds can offer a predictable stream of interest payments, along with repayment of the original principal when the bond matures absent default.



Principal (face value)

Amount of money borrowed and repaid at maturity



Coupon

Interest paid at specific intervals for the money borrowed

If a bond has a face value of $1,000 and a coupon rate of 5%, then it pays total coupons, or interest, of $50 per year (assumes annual payment). Barring default, at the bond's maturity, the investor receives their $1,000 in principle (face value) back.

$1,000 FACE VALUE		**5%** COUPON		
$1,000	x	**0.05**	=	**$50** INTEREST PER YEAR

Source: PIMCO. **For Illustrative purposes only.** Refer to Appendix for additional investment strategy, outlook and risk information.

II. Market Observations

PIMCO's Macroeconomic Outlook



Moderating Inflation

The energy shock has lifted headline inflation, but its spillover into core inflation and wages has been limited, and inflation expectations remain anchored. We expect inflation to moderate as energy prices decline.



Growth Holds, Risks Widen

AI investment, resilient consumers, and incremental central bank policy support global growth, but cracks in these supports could weaken recent resiliency.



Central Banks Managing Risks & Fiscal Policy Constrained

Central banks are adjusting policy incrementally and are unlikely to deliver the full extent of the rate hikes markets currently expect. Debt levels near record highs limit how much fiscal policy can do to offset shocks.

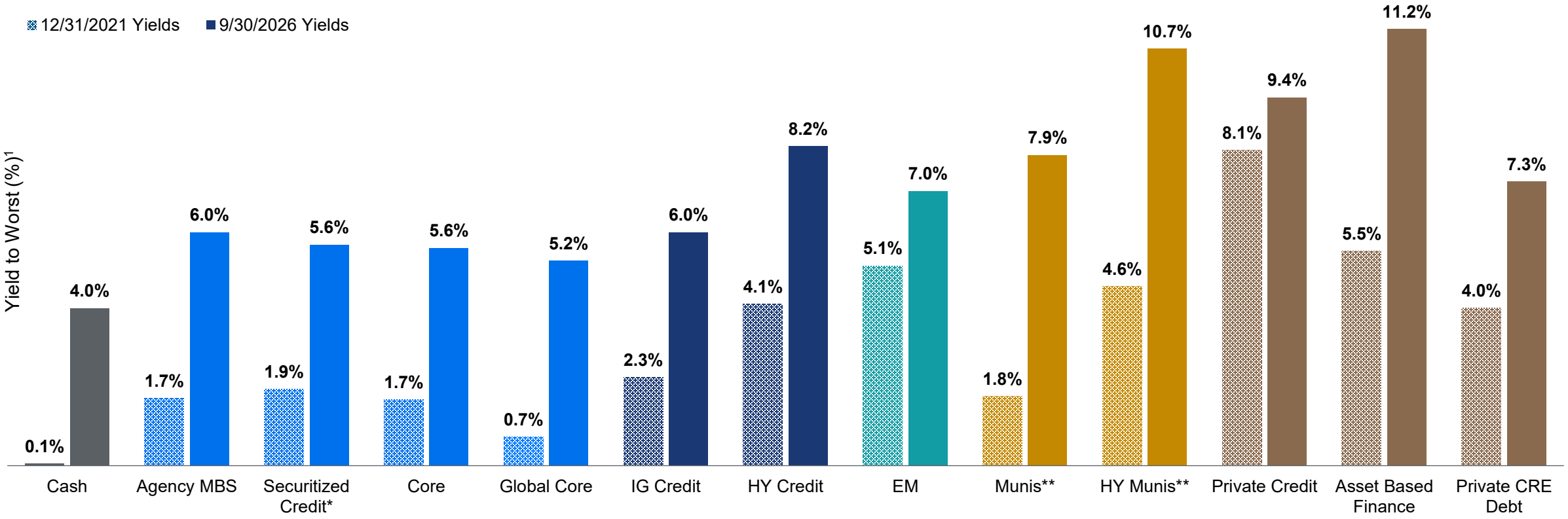
As of 30 September 2026. Source: PIMCO. **For Illustrative purposes only.** Refer to Appendix for additional investment strategy, outlook and risk information.

Yields Across Most Fixed Income Sectors Are High vs. Recent History

WHAT IT MEANS FOR INVESTORS

Yields are still near decade highs across most fixed income sectors, which creates the foundation for an attractive outlook across a wide variety of bonds.

Today yields are at a much stronger starting point when compared to Q4 2021



As of 30 September 2026. Source: Bloomberg, PIMCO. Index proxies for asset classes displayed are as follows: Cash: FTSE 3 Month Treasury Bill Index, Agency MBS: Bloomberg MBS Fixed Rate Index, Munis: Bloomberg Municipal Bond Index, HY Munis: Bloomberg HY Muni Bond Index, Core: Bloomberg U.S. Aggregate Index, Global Core: Bloomberg Global Aggregate ex-US Index (USD Hedged), HY Credit: Bloomberg U.S. Corporate High Yield Index, EM: JPMorgan EMBI Global, IG Credit: Bloomberg US Credit Index; Private Credit: Market estimates for yield; Asset Based Finance: Yield is based on the average unlevered loan yields as observed by PIMCO.

* Securitized Credit computed as average of CLOs, CMBS, and ABS from JPMorgan and Bloomberg.

** Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 4.7% with a change of 364bps compared to 12/31/2021 levels, the unadjusted HY Muni Index yield is 6.3% with a change of 359bps compared to 12/31/2021 levels.

[1] 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.

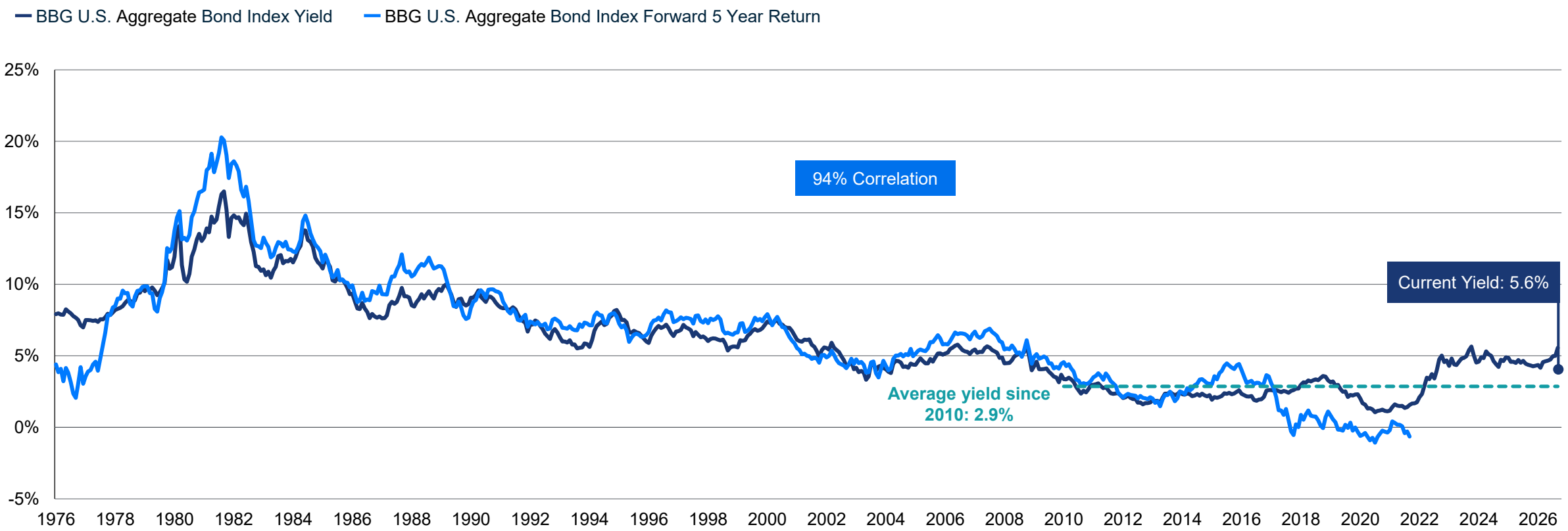
Refer to Appendix for additional index, outlook, and risk information.

Higher Returns Have Historically Followed Higher Starting Yields

WHAT IT MEANS FOR INVESTORS

With starting yields meaningfully higher than the average yield since 2010, investors could stand to benefit from attractive return potential in fixed income investments going forward.

Yield vs. 5-Year Forward Return



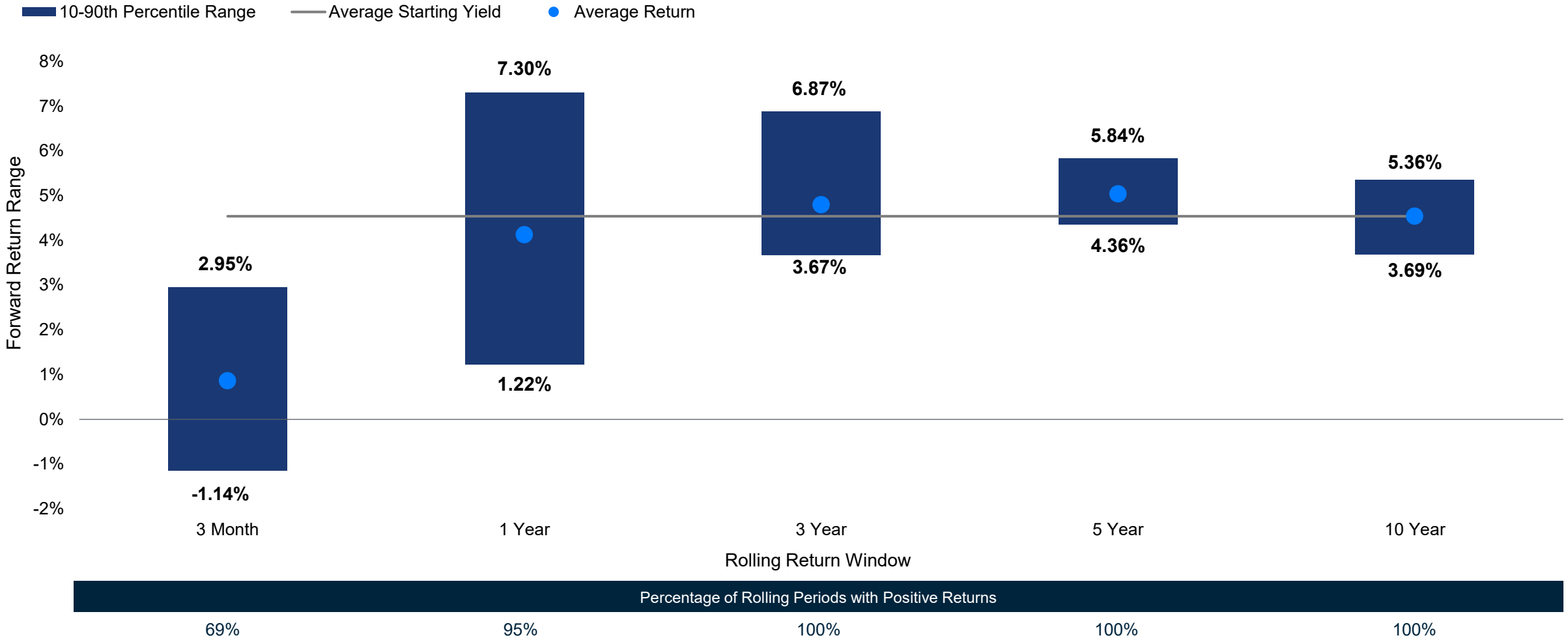
As of 30 September 2026. Source: Bloomberg, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.**
Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index. Refer to Appendix for additional correlation, index, investment strategy, outlook and risk information.

Though Short-Term Returns Can Vary, Long-Term Returns Tend to Anchor on Starting Yields

WHAT IT MEANS FOR INVESTORS

Despite the potential for near-term volatility, data suggests that current yields more consistently reward patient, long-term fixed income investors with returns near their starting yields as their time horizon grows.

Bloomberg U.S. Aggregate Return Distribution when starting yields are between 4-5%



As of 30 September 2026. Source: Bloomberg, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.** Yield and return are shown for the Bloomberg U.S. Aggregate Bond Index since its inception. Refer to Appendix for additional index and risk information.

Cash Trails Core Bonds Over the Long Haul

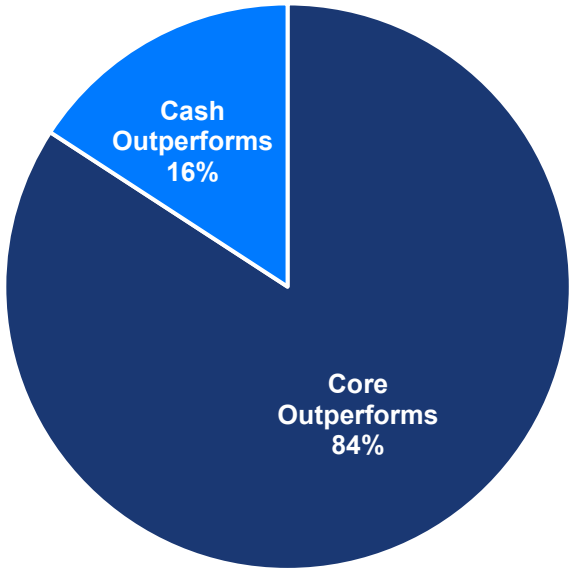
WHAT IT MEANS FOR INVESTORS

While there are many reasons to hold cash, such as short-term spending needs, cash has lagged core bonds consistently and by a meaningful margin over long time horizons. Given the opportunity cost of cash, investors with elevated cash balances should consider diversified fixed income exposures.

Fixed Income is a structural allocation that has historically outperformed cash investments

Consistency of Core:

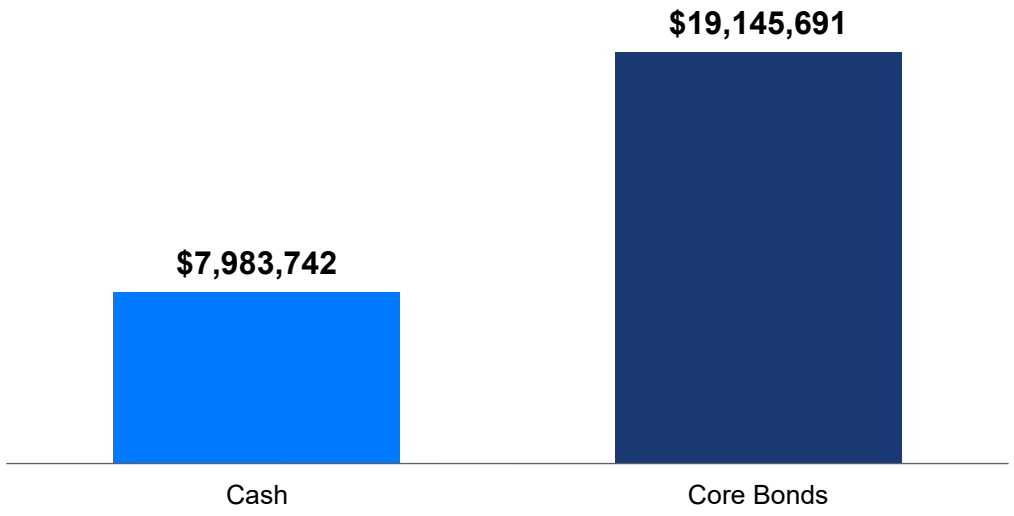
3-Year Rolling Outperformance Frequency



Core outperforms by an average of +238bps in rolling 3Y periods

Magnitude of Core's Outperformance:

Growth of $1,000,000 since 1977



Unlike cash, investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. Bond investments may be worth more or less than the original cost when redeemed.

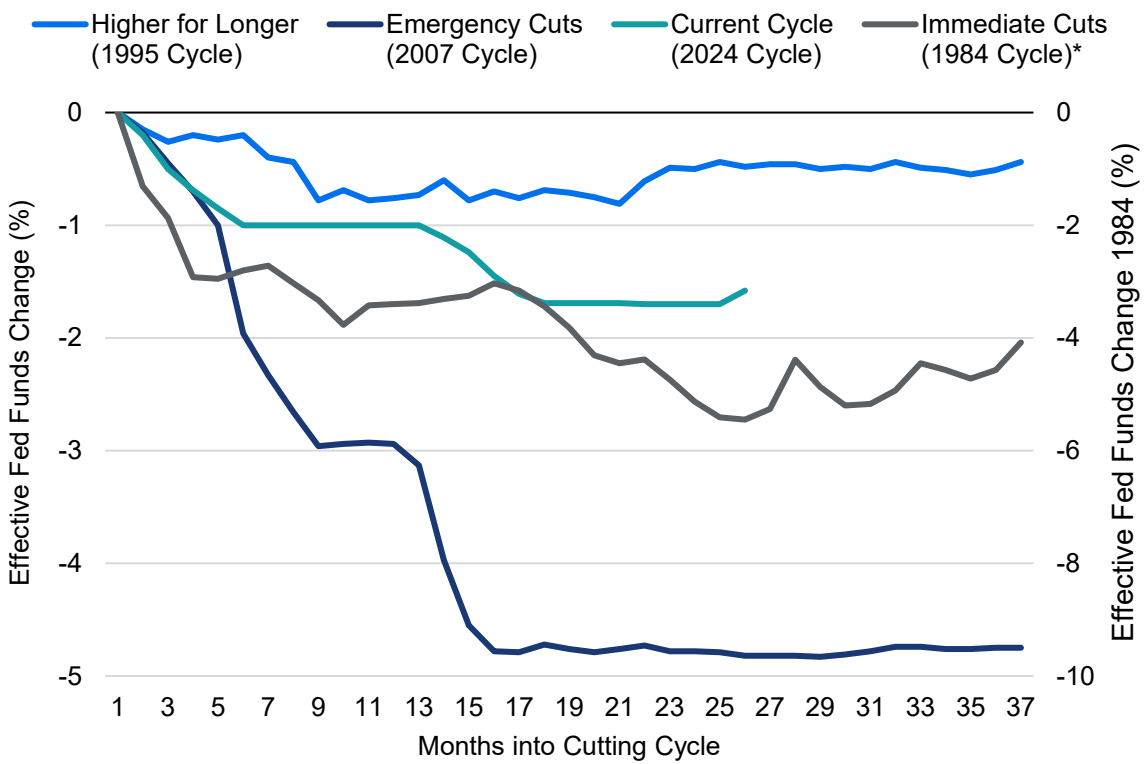
As of 30 September 2026. Source: PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.**
Assets are represented by the following indices: Cash (FTSE 3 Month Treasury Bill Index); Core Bonds (Blomberg U.S. Aggregate Bond Index). Performance is shown since the common inception data. Refer to Appendix for additional index and risk information.

Bonds Historically Outperform Cash Even if Cash Rates Remain Higher for Longer, but to a Greater Degree if Rates Fall

WHAT IT MEANS FOR INVESTORS

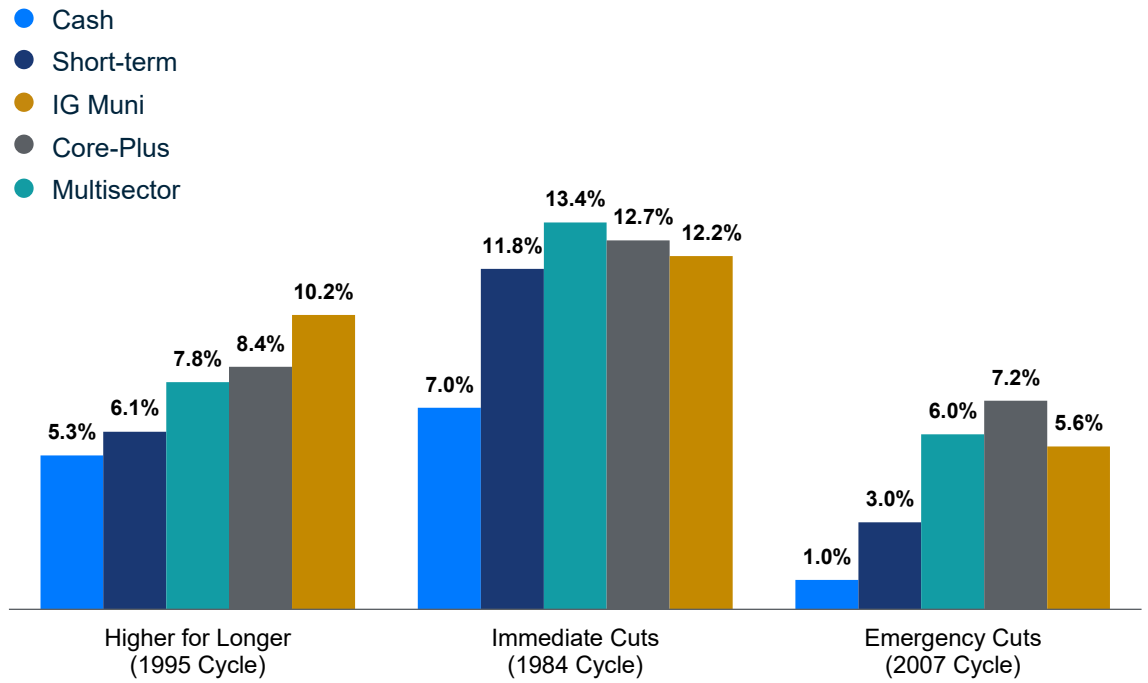
While the rate outlook may be uncertain, history shows that even if rates stay higher for longer, like in '95, higher starting yields supported traditional fixed income over cash.

Historical Cutting Cycles[1]



Fixed Income Performance Relative to Cash[1]

Realized 3-year return (annualized)



As of 30 September 2026. Source: Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**

1 We select three historical case studies to illustrate three very different outcomes for the path of the Fed Funds rate after rates hit their peak level in each cycle. Cutting cycles start: 30 September 1984, 30 June 1995, and 30 September 2007. The starting Fed Funds rate for each cycle was: 6.0% (June 1995); 11.3% (September 1984); 4.9% (September 2007); 5.3% (August 2024).

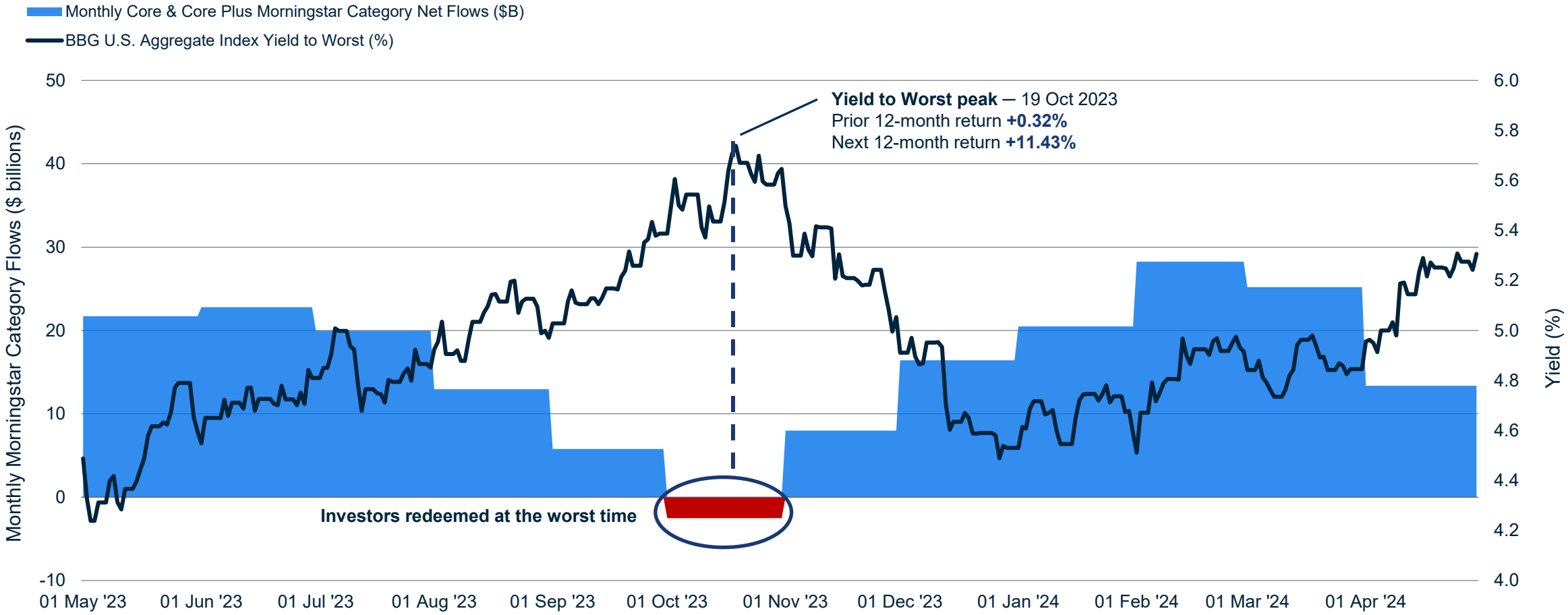
*The 1984 cycle is shown on the secondary axis (LHS) to show proportionate yield moves given the significantly higher starting rates versus other cycles.

Cash: FTSE 3-Month Treasury Bill Index; Short-Term: Morningstar Short-Term Bond Category; IG Muni: Morningstar Municipal National Long Category; Core Plus: Morningstar Intermediate Core-Plus Category; Multisector: Morningstar Multisector Bond Category. Refer to Appendix for additional index, Morningstar category, outlook, and risk information.

Investing at the Right Time May Not Always Feel Like It

WHAT IT MEANS FOR INVESTORS

In October 2023, investors focused on bonds' disappointing past returns and pulled their money out despite yields becoming more attractive. In doing so, they missed an attractive entry point and the strong returns that followed.



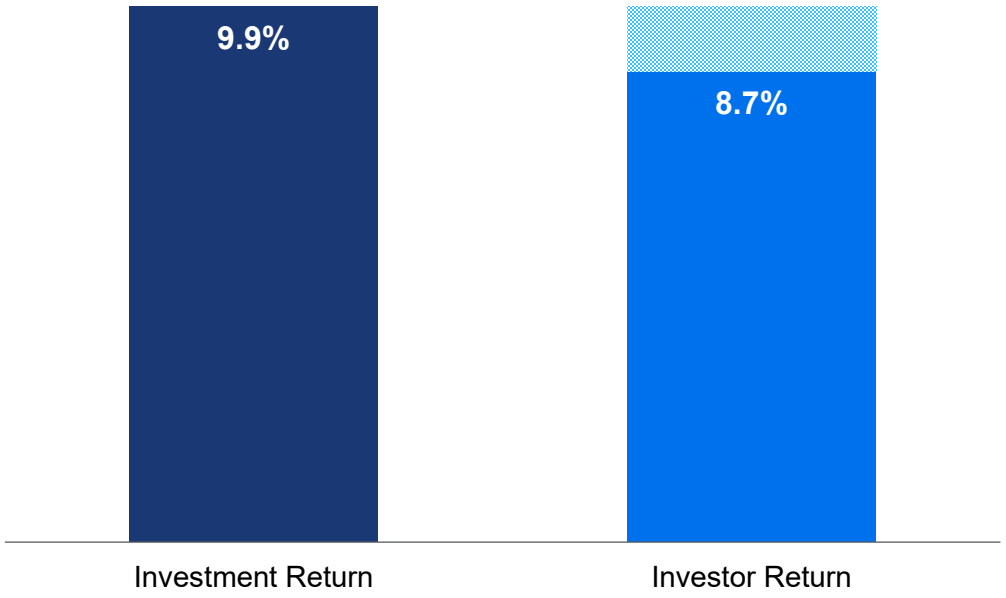
As of 30 September 2026. Source: PIMCO, Bloomberg, Morningstar. **Past performance is not a guarantee or reliable indicator of future results.**
Yield is BBG U.S. Aggregate Index yield to worst. Returns at the yield peak are BBG U.S. Aggregate Index total returns for the 12 months before and after 19 October 2023. Flows are for the Intermediate Core Bond and US Fund Intermediate Core-Plus Bond Morningstar categories. Yield to Worst (YTW) is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. Refer to Appendix for additional index, investment strategy, Morningstar category and risk information.

The Cost of Misbehavior Can be Meaningful Over Time, Partner with a Trusted Advisor

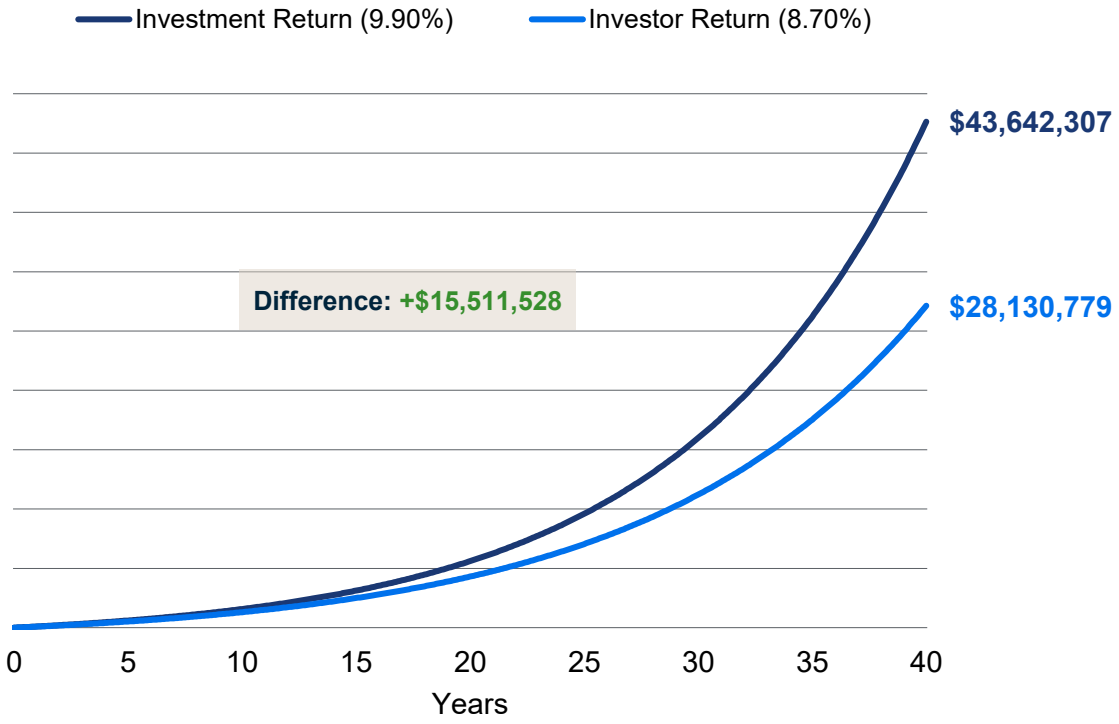
WHAT IT MEANS FOR INVESTORS

Historically, investor misbehavior has led to lower returns, which becomes costly if this misbehavior persists. To reduce the potential for misbehavior, partner with a trusted advisor.

Reported Total Returns vs. Investor Return (10-Year Period Ended Dec. 31, 2025)



Growth of $1,000,000 Over 40 Years



As of 31 December 2025. Source: Morningstar Mind the Gap 2026 (August 6, 2026), PIMCO. **For illustrative purposes only. Not indicative of the past or future performance of any PIMCO product. There is no assurance that the stated results will be achieved.**
LHS Chart: The Morningstar study is based on US Open-End Funds and ETFs (10 Years Ended Dec 31, 2025) and designed to compare dollar-weighted internal rate-of-return calculations with time-weighted total returns to see how large the gap, or difference has been over time. In contrast to total returns, investor returns account for all cash flows into and out of the fund to measure how the average investor performed over time. RHS Chart: Hypothetical compounding example assumes contributions made on an annual basis and reinvested over 40 years using the Morningstar Mind the Gap 2025 study results shown on the LHS of this page. Refer to Appendix for additional hypothetical example, investment strategy and risk information.

III. Restoring Balance

Restoring Balance: Common Investor Imbalances

WHAT IT MEANS FOR INVESTORS

Asset class returns and structural challenges have supported growing imbalances across investor's portfolios. Partnering with an advisor can help restore balance in a number of ways.



1. **Equity Allocation Drift**
   Recent strength in equities has left portfolios with increased exposure to equity risk

2. **Elevated Cash Balances**
   After rate volatility, investors sitting on the sidelines are leaving yield on the table

3. **Passive Fixed Income**
   Growth of passive fixed income investing potentially reduces yield, return & diversification in portfolios

4. **Underweight Tax-Aware Income**
   Investors in the highest tax brackets may not be capturing an optimal amount of tax-aware income

5. **US Bond Bias**
   Investors concentrated in US Bond exposure are only capitalizing on 40% of the global bond opportunity

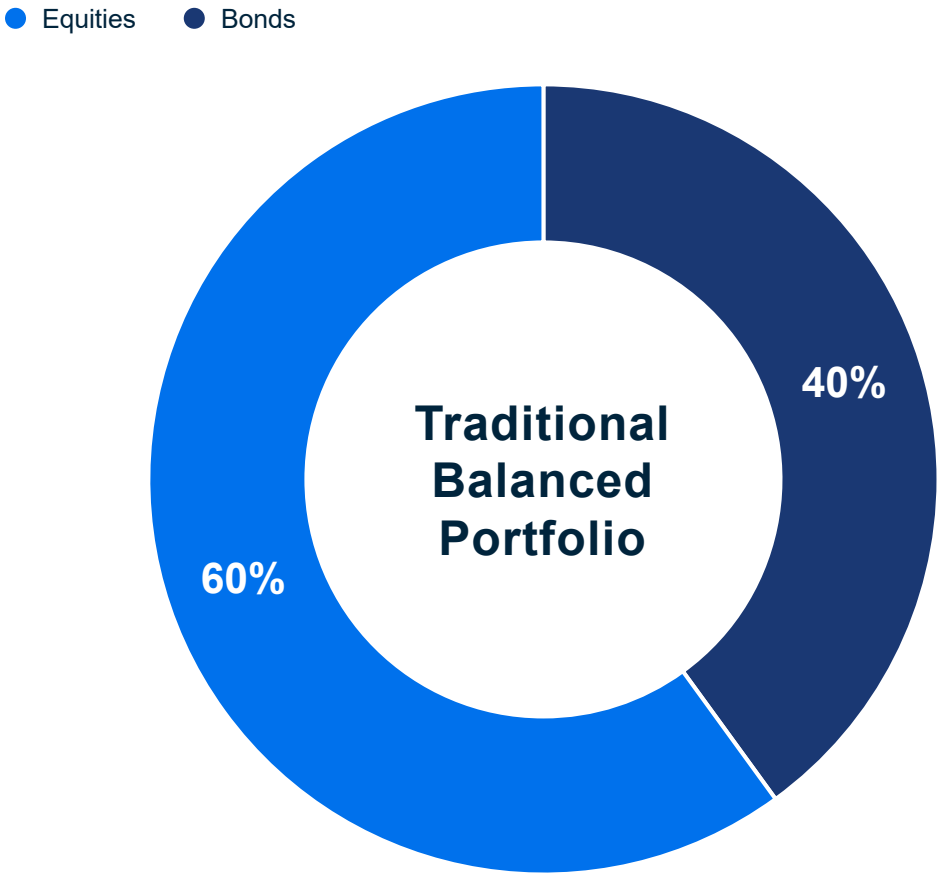
6. **Corporate Direct Lending Concentration**
   Direct lending dominates private credit allocations, there are other lanes that may offer attractive value

As of 30 September 2026. Source: PIMCO. **For illustrative purposes only.** Refer to Appendix for additional investment strategy, tax and risk information.

Fixed Income Allocations May Offer Multiple Benefits to a Portfolio

WHAT IT MEANS FOR INVESTORS

Within the context of a traditional 60/40 portfolio, for example, fixed income has historically provided income, diversification, and capital preservation.



POTENTIAL BENEFITS OF FIXED INCOME

1 Income & Returns

Bonds can provide investors with a source of income in the form of coupon payments.

2 Diversification

Bonds may help diversify a portfolio of riskier assets like stocks.

3 Preservation

Barring default, the principal value of a bond is expected to be returned to the investor at maturity.

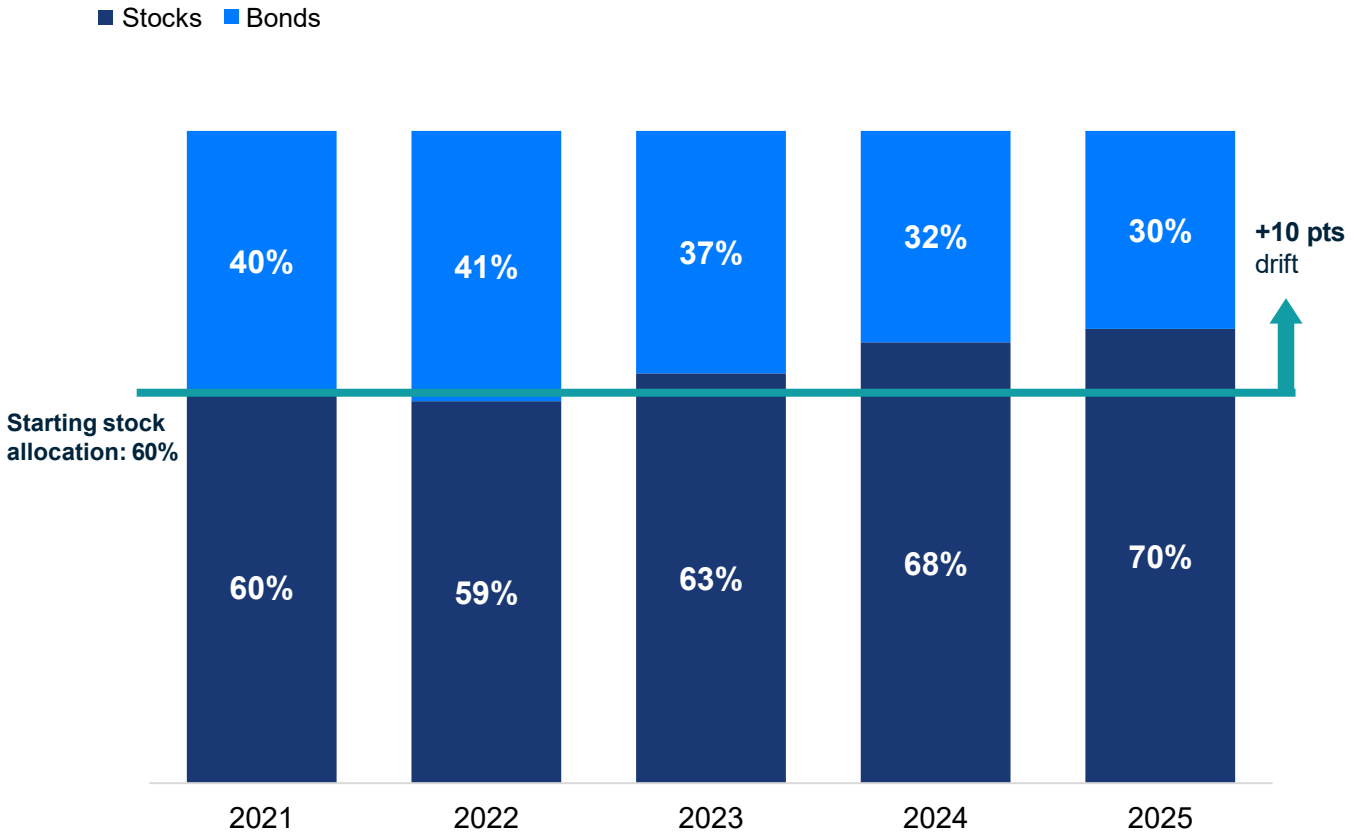
As of 30 September 2026. Source: PIMCO. Refer to Appendix for additional investment strategy and risk information.

Equity Allocation Drift: A 60/40 Drifts Toward 70/30 as Starting Valuations Favor Bonds

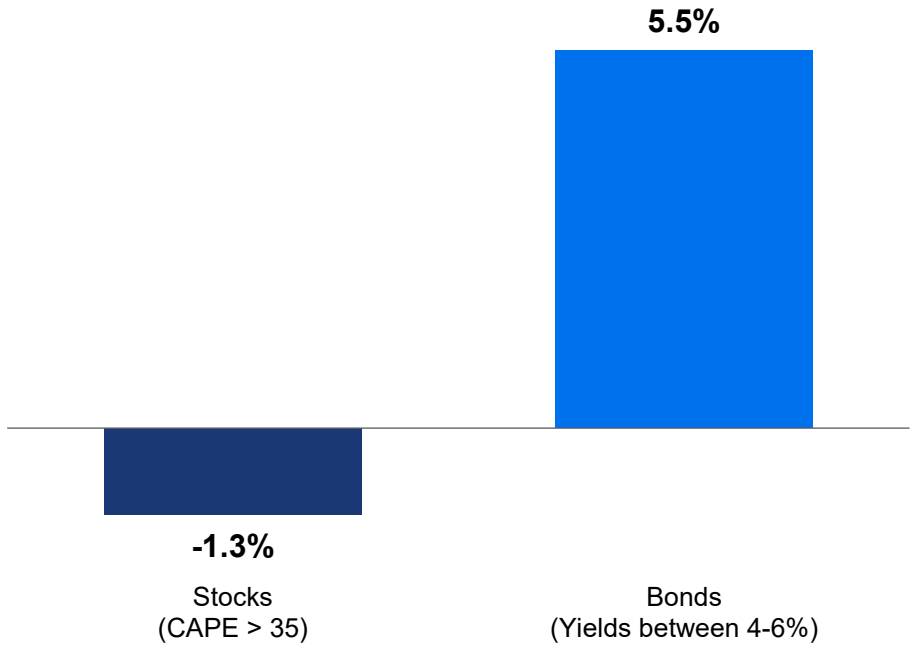
WHAT IT MEANS FOR INVESTORS

Yesterday's strongest returns are not necessarily tomorrow's best opportunities. Strong trailing stock returns can leave one taking more equity risk than intended at a time when stock returns have historically been challenged. Couple that with attractive current bond yields, and this may be a useful time to revisit your portfolio's balance with your advisor.

Annual Stock/Bond Mix Assuming no Rebalancing (End of Year)



Median 5-Year Forward Returns from Starting Conditions



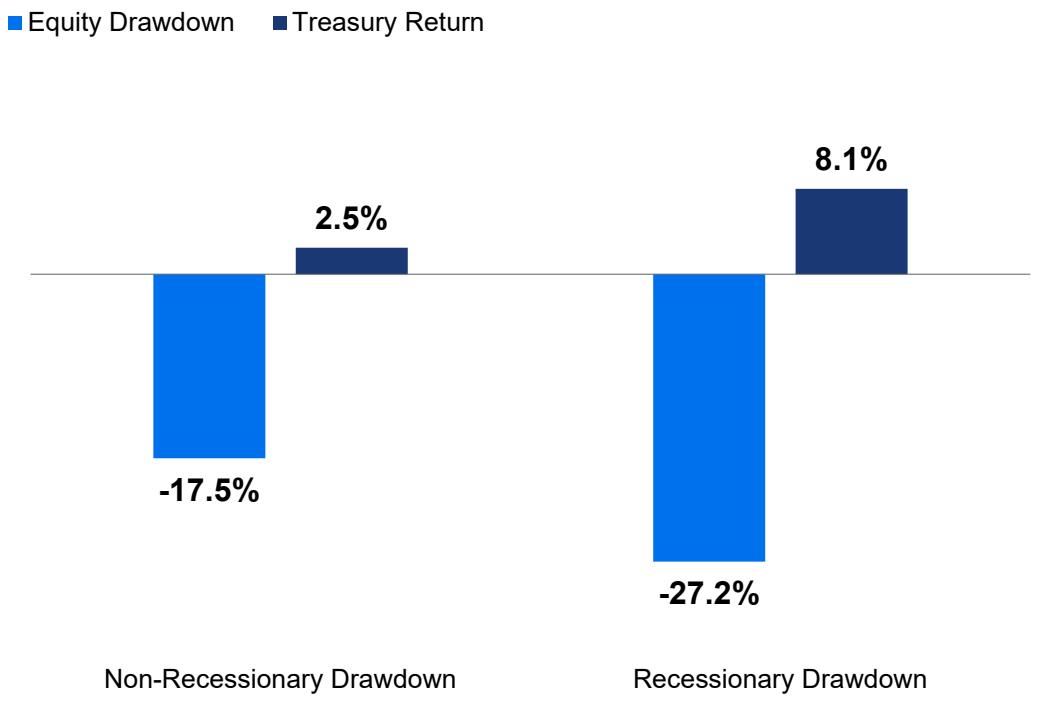
LHS: As of December 2025. Source: PIMCO. **For illustrative purposes only**. Asset classes are represented by the Bloomberg U.S. Aggregate Index (Bonds) and the S&P 500 Index (Stocks).
RHS: As of 30 September 2026. Source: PIMCO, Bloomberg. Chart uses data back to January 1973. Bonds refer to the Bloomberg U.S. Aggregate Index and stocks refer to the S&P 500 Index. CAPE refers to cyclically adjusted price-to-earnings ratio for the S&P 500; CAPE uses PIMCO calculations.
Past performance is not a guarantee or a reliable indicator of future results. Refer to Appendix for additional index, investment strategy, outlook, and risk information.

Equity Allocation Drift: Bonds Delivered Positive Returns through Most Equity Drawdowns

WHAT IT MEANS FOR INVESTORS

As allocations have naturally drifted towards equities, investors should remember bonds' defensive properties during periods of market stress, irrespective of the growth environment, and consider rebalancing.

Average Performance During Meaningful Equity Drawdowns



Bonds delivered positive performance during these periods despite the average 3Y trailing correlation entering these periods being +0.02

Each Episode: 10-yr Treasury Return During the Equity Drawdown

Non-recessionary drawdowns (17)

Year of peak	S&P 500 drawdown	10-yr Treasury return
1987	-33%	+2.3%
1961	-27%	+2.5%
2022	-24%	-16.4%
1966	-20%	+3.8%
2018	-19%	+3.6%
1998	-19%	+4.1%
2025	-19%	+2.6%
2011	-19%	+15.9%
2010	-16%	+7.8%
1976	-14%	+0.1%
2002	-14%	+6.8%
1975	-14%	-0.5%
1956	-13%	+0.5%
2015	-13%	+7.7%
1987	-13%	+1.8%
1978	-13%	-0.5%
1971	-12%	+4.9%
1999	-12%	-1.9%
Average	-17%	+2.5%

Recessionary drawdowns (12)

Year of peak	S&P 500 drawdown	10-yr Treasury return
2007	-55%	+22.4%
2000	-47%	+28.1%
1973	-45%	+3.8%
2020	-34%	+7.7%
1968	-33%	-5.4%
1980	-20%	+26.7%
1957	-20%	+0.7%
1990	-19%	-1.2%
1980	-17%	+1.5%
1974	-13%	+2.3%
1953	-12%	-0.2%
1960	-12%	+10.8%
Average	-27%	+8.1%

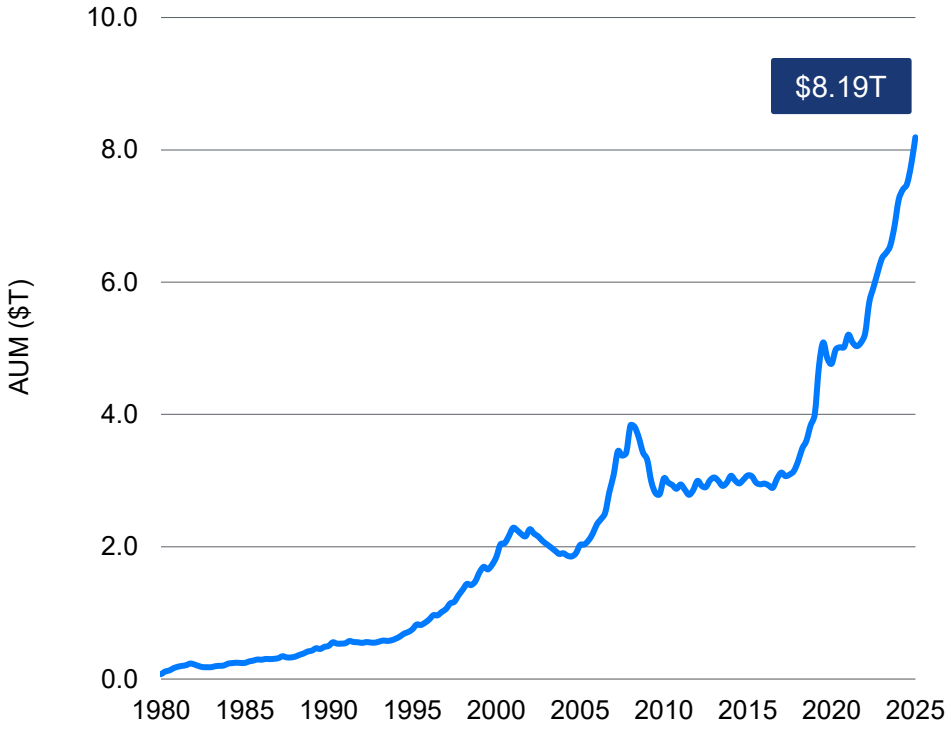
As of 30 September 2026. Source: PIMCO, Bloomberg, NBER. Equities are represented by the S&P 500 Index. Treasuries are represented by the GFD 10-year Government Bond Total Return Index prior to 1990 and the S&P U.S. 10 Year Treasury Bond Index after 1990. Drawdowns were classified as any drop larger than 12% relative to the previous peak. **Past performance is not a guarantee or a reliable indicator of future results.** Monthly data was used as proxy for Treasury returns prior to 1990 and the return was calculated based on the monthly peak to trough dates of drawdowns. Trailing correlations are calculated between the treasury returns and equity returns for the three years trailing the peak. RHS table lists each drawdown episode by year of the equity peak; 2022 was the only meaningful drawdown in which Treasuries fell alongside equities. Refer to Appendix for additional correlation, index and risk information.

Elevated Cash Balances: Bonds Now Offer a Meaningful Yield Pickup over Cash

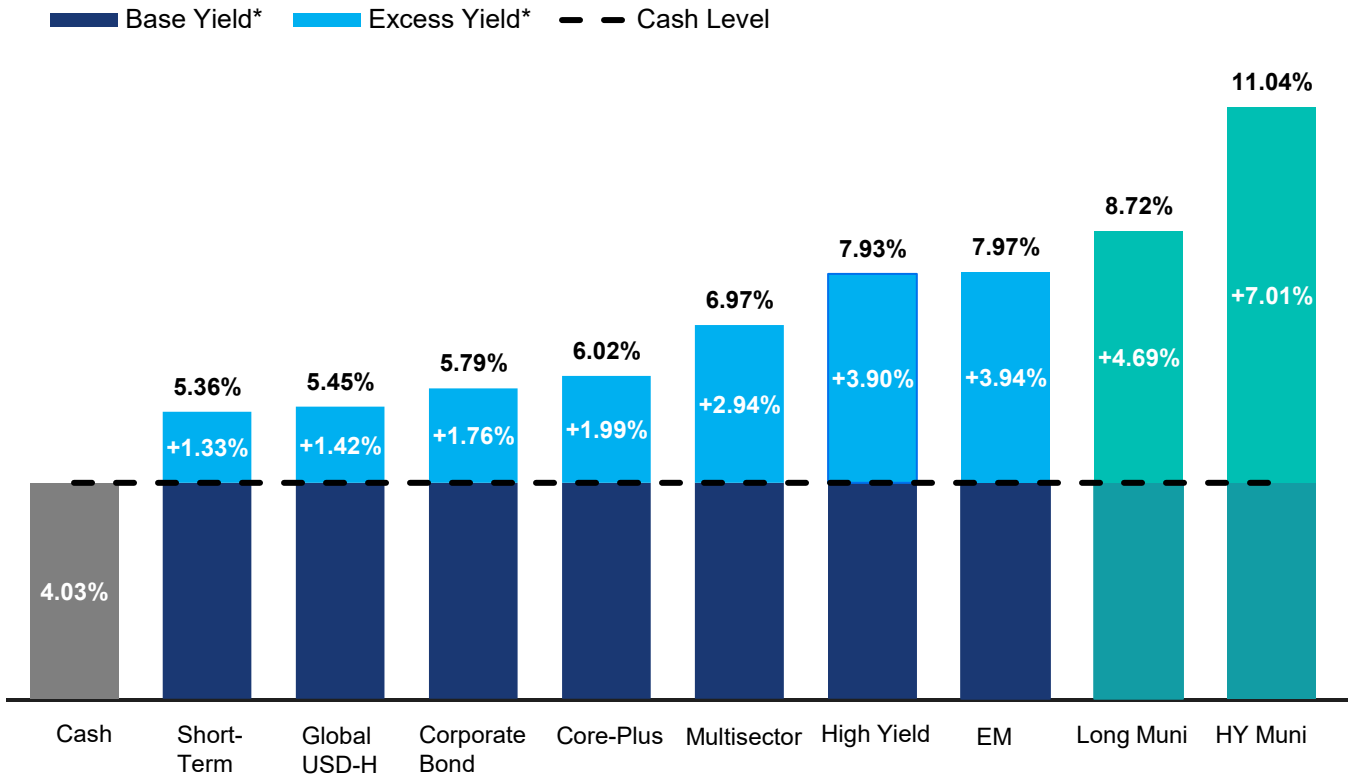
WHAT IT MEANS FOR INVESTORS

Money market balances continue to rise despite many fixed income categories offering higher yields, which may sacrifice additional income and return potential. An advisor can help you weigh the opportunity against your spending needs and risk tolerance.

Money Market Fund AUM ($ trillions)



Starting Yields: Cash vs. Bond Categories (munis at 40.8% tax-equivalent yield)



Unlike cash, investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. Bond investments may be worth more or less than the original cost when redeemed.

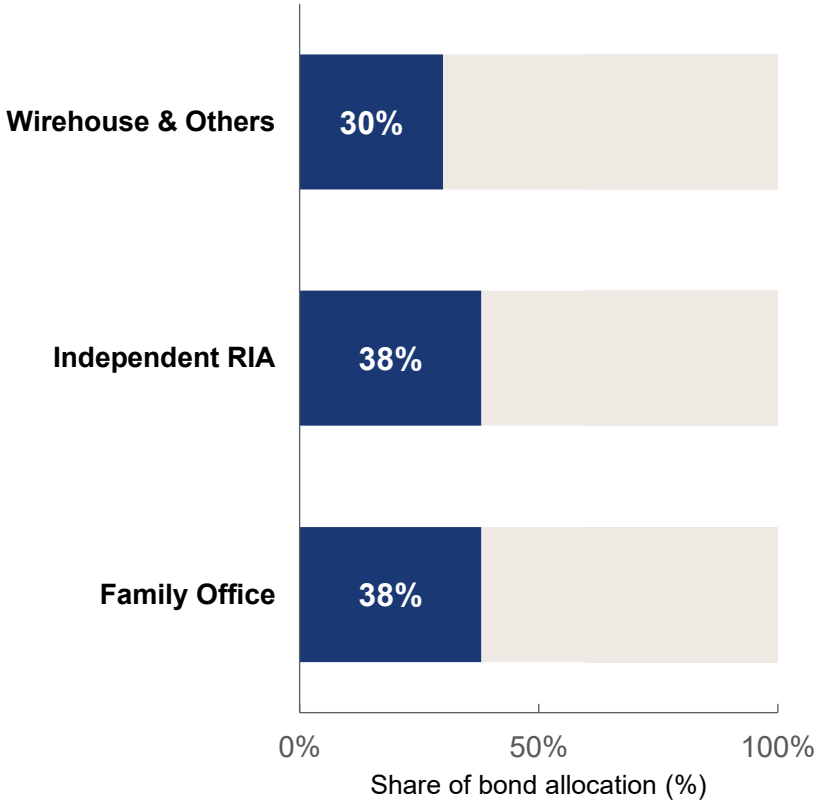
LHS: As of December 2025. Source: PIMCO, Bloomberg. RHS: As of 30 September 2026. Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Yield for each category is provided by Morningstar as of the month-end stated. The category yield provided by Morningstar has up to a 15-day lag, for days in which the yield is not available we adjust by the month-over-month change for the benchmark for each category. Source: PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.** Asset classes displayed are represented by the following Morningstar Categories and indices: Cash: FTSE 3 Month Treasury Bill Index; Short-Term: Morningstar Short-Term Bond Category; Long Muni: Morningstar Muni National Long Category; Global USD-H: Morningstar Global Bond USD Hedged Category; Corporate Bond: Morningstar Corporate Bond Category; Core-Plus: Morningstar Intermediate Core-Plus Bond Category; HY Muni: Morningstar High Yield Muni Category; Multisector: Morningstar Multisector Bond Category; High Yield: Morningstar High Yield Bond Category; EM: Morningstar Emerging Markets Bond Category. *Base yield is shown as the lower of the index's yield and the yield of cash as of the given date for visual purposes. Excess yield is the difference between the cash yield at the given date and the index yield at that same date. Refer to Appendix for additional index, Morningstar category, outlook, tax and risk information.

Underweight Tax-Aware Income: HNW Investors Allocate Less to Municipals Than a Tax-Sensitive Approach May Warrant

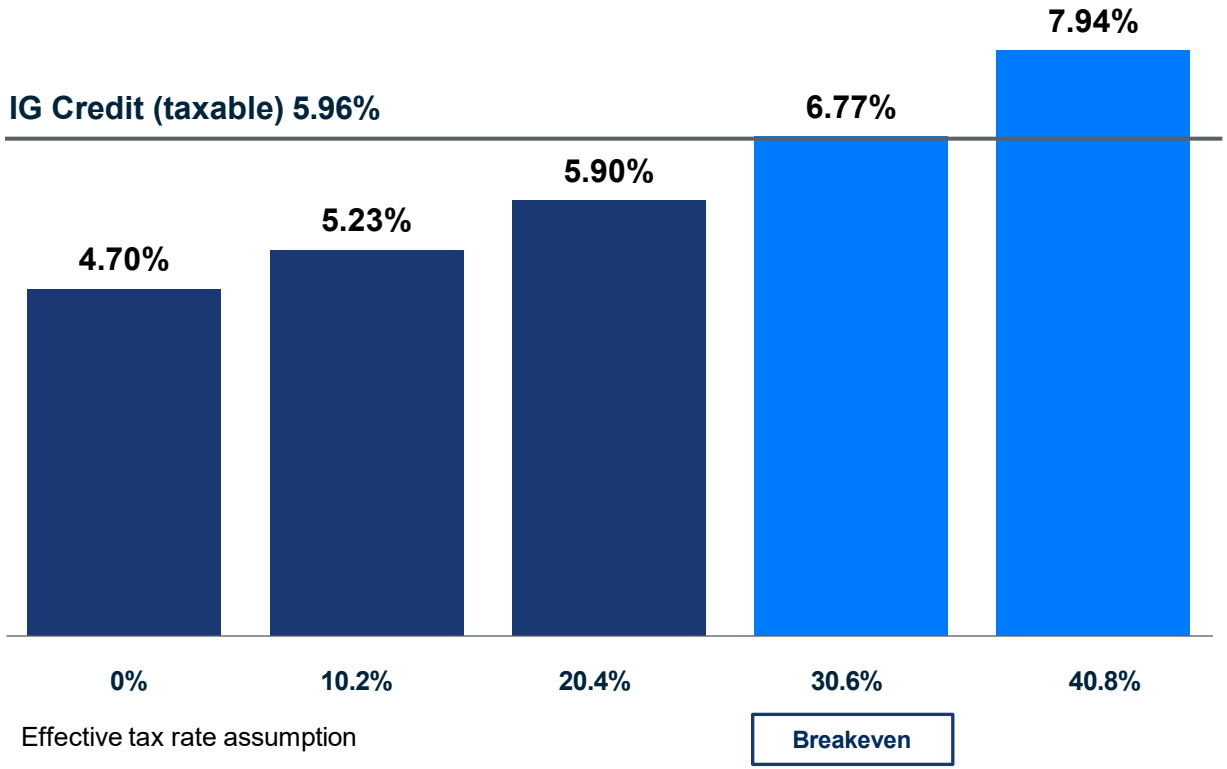
WHAT IT MEANS FOR INVESTORS

Municipal bonds become more attractive as your tax rate rises. However, municipal bonds represent less than half of many fixed income allocations. An advisor can help assess whether your current holdings are making the most of potential tax advantages.

Muni Share of Fixed Income Allocations



Tax-equivalent Yield to Worst[1] — IG Municipals at Rising Effective Tax Rates



LHS: Source: Cerulli Associates, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2023, Exhibit 10.05. Estimated typical asset allocation for a moderate-risk HNW client, as reported by heads of wealth management divisions and leaders of independent firms. "Wirehouse & others" includes wirehouses, independent broker/dealers and retail bank broker/dealers. Private bank/trust channel omitted. RHS: As of 30 September 2026. Source: Bloomberg, PIMCO. Index proxies: IG Munis: Bloomberg Municipal Bond Index; IG Credit: Bloomberg US Credit Index. [1] 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. Municipal yields are shown on a taxable equivalent basis, adjusted by the denoted tax assumptions. Refer to Appendix for additional index, investment strategy, outlook, tax and risk information.

Underweight Tax-Aware Income: Vehicle Choice Matters and Managing Individual Bonds Carry Hidden Costs

Vehicles for Tax-aware income: Trade-offs at a Glance

Vehicle	Liquidity	Customization	Cost	Minimums	Typical Application
SMAs	**Daily**	**Highest**	**Moderate**	**High**	*Customized, tax-lot-level control*
Interval funds	**Periodic**	**Low**	**Higher**	**Moderate**	*Illiquid, higher-yield credit*
ETFs	**Intraday**	**Low**	**Lowest**	**None**	*Low-cost building block*
Mutual funds	**Daily**	**Low**	**Moderate**	**Low**	*Broad, active exposure at scale*

WHAT IT MEANS FOR INVESTORS

Buying individual municipal bonds yourself can involve costs that are easy to overlook. Compare the full cost and effort of managing your own holdings with professionally managed alternatives.

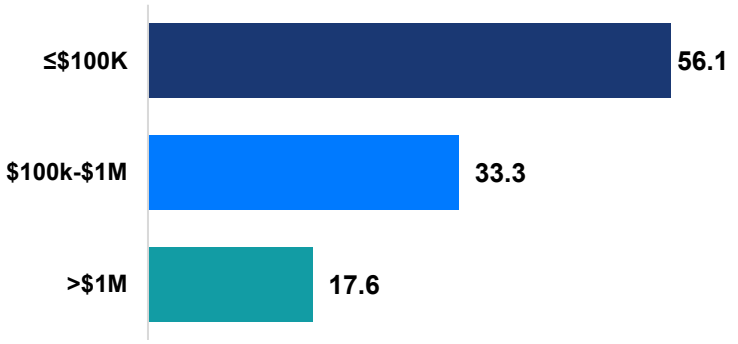
Hazards of Managing Individual Bonds Alone

300% higher transaction costs on retail-sized trades than on institutional-sized trades

~2% of outstanding munis trade on a given day — most bonds have no live price, so selling means accepting a dealer's bid

$5,180 markup on a single $200k trade (2.42%)

Municipal transaction costs by trade size (bps)



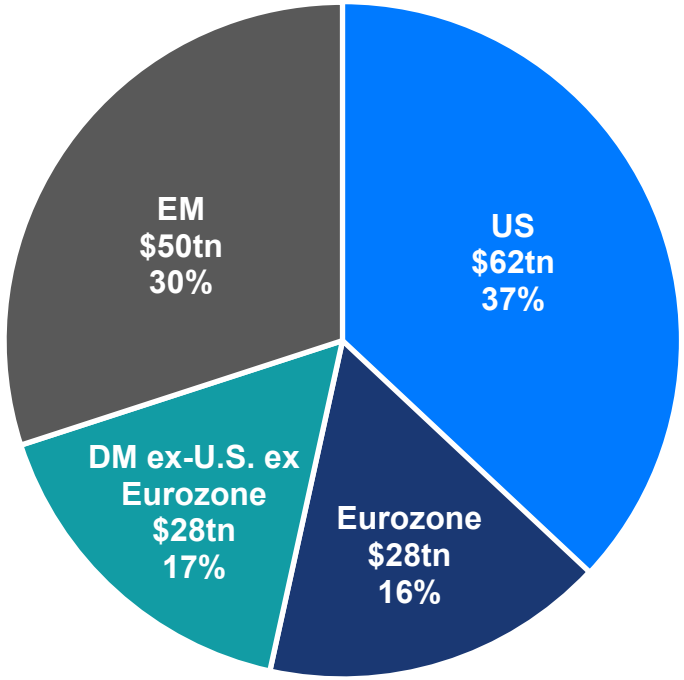
Source: PIMCO. LHS: Vehicle characteristics are general in nature and vary by product; refer to the relevant offering documents. RHS: Transaction-cost data: MSRB, January 2023 to June 2024; institutional-sized trades are those over $1,000,000. Liquidity data: MSRB, 2023. Markup example is hypothetical and for illustrative purposes only. PIMCO does not provide legal or tax advice. Refer to Appendix for additional investment strategy and risk information.

Going Global: Expanding into a Global Opportunity Set May Improve Diversification and Return Potential

WHAT IT MEANS FOR INVESTORS

Expanding from a domestic investment universe to a global one may enhance return potential by diversifying a portfolio's risk across a broader array of rate environments, growth dynamics, and credit profiles.

Over 60% of the Global Bond Market Is Outside the U.S
Size ($ Trillions)



Annual Returns for Key Global Markets
U.S. dollar basis*
(Ranked in order of performance)

US Eurozone U.K. Japan
Australia Canada EM Local EM External

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2.71%	10.89%	15.21%	5.25%	14.42%	8.92%	0.23%	-3.23%	12.70%	5.73%	19.26%	0.56%
1.66%	10.19%	9.32%	3.56%	13.47%	8.74%	-1.51%	-10.29%	10.45%	5.00%	13.45%	0.36%
1.23%	9.94%	3.58%	2.98%	9.40%	7.51%	-1.54%	-11.04%	9.14%	3.44%	7.30%	-0.10%
1.04%	5.81%	3.54%	1.95%	9.02%	5.88%	-2.60%	-11.69%	7.37%	3.28%	5.52%	-1.24%
0.55%	4.70%	2.92%	1.43%	8.98%	5.80%	-2.62%	-13.01%	6.36%	2.51%	4.07%	-1.24%
0.10%	2.65%	2.82%	0.01%	8.72%	4.38%	-3.59%	-16.44%	6.25%	1.25%	3.76%	-2.33%
-0.28%	1.60%	2.68%	-4.61%	7.66%	2.69%	-4.62%	-16.45%	5.91%	-2.10%	2.75%	-2.46%
-14.92%	1.13%	1.86%	-6.21%	4.67%	0.22%	-8.75%	-21.86%	5.53%	-2.38%	-2.16%	-2.91%

As of 31 March 2026 (LHS) and 30 September 2026 (RHS). Source: PIMCO, Haver, BIS. **Past performance is not a guarantee or reliable indicator of future results.**
*All indices on a U.S. dollar hedged basis, except for Local and External EM proxies.
United States represented by Bloomberg U.S. Aggregate Index, Eurozone represented by Bloomberg Pan-European Aggregate Index (USD-Hedged), Japan represented by Bloomberg Japanese Aggregate Index (USD-Hedged), Australia represented by Bloomberg Global: Australian Aggregate Index (USD Hedged), Canada represented by Bloomberg Canadian Aggregate Index (USD-Hedged), Local EM represented by JPMorgan GBI-EM Global Diversified Index (Unhedged), External EM represented by JPMorgan EMBI Global Index, United Kingdom represented by Bloomberg Sterling Aggregate Index (USD-Hedged).Refer to Appendix for additional index, investment strategy and risk information.

Corporate Direct Lending Concentration: Restore Balance Beyond Direct Middle Market Lending

WHAT IT MEANS FOR INVESTORS

Opportunities in the private markets expand far beyond direct middle market lending, where portfolios are concentrated today. Asset-based finance, real estate, and infrastructure may offer compelling opportunities.

PIMCO's highest-conviction private market themes

Asset-based finance, real estate and infrastructure



Real Estate

Residential (non-QM, UK mortgages, bridge lending) and commercial real estate debt and equity



Infrastructure

AI data-center financing senior secured, investment grade rated credit



Consumer Credit

Personal, motorcycle, student and home-improvement loans



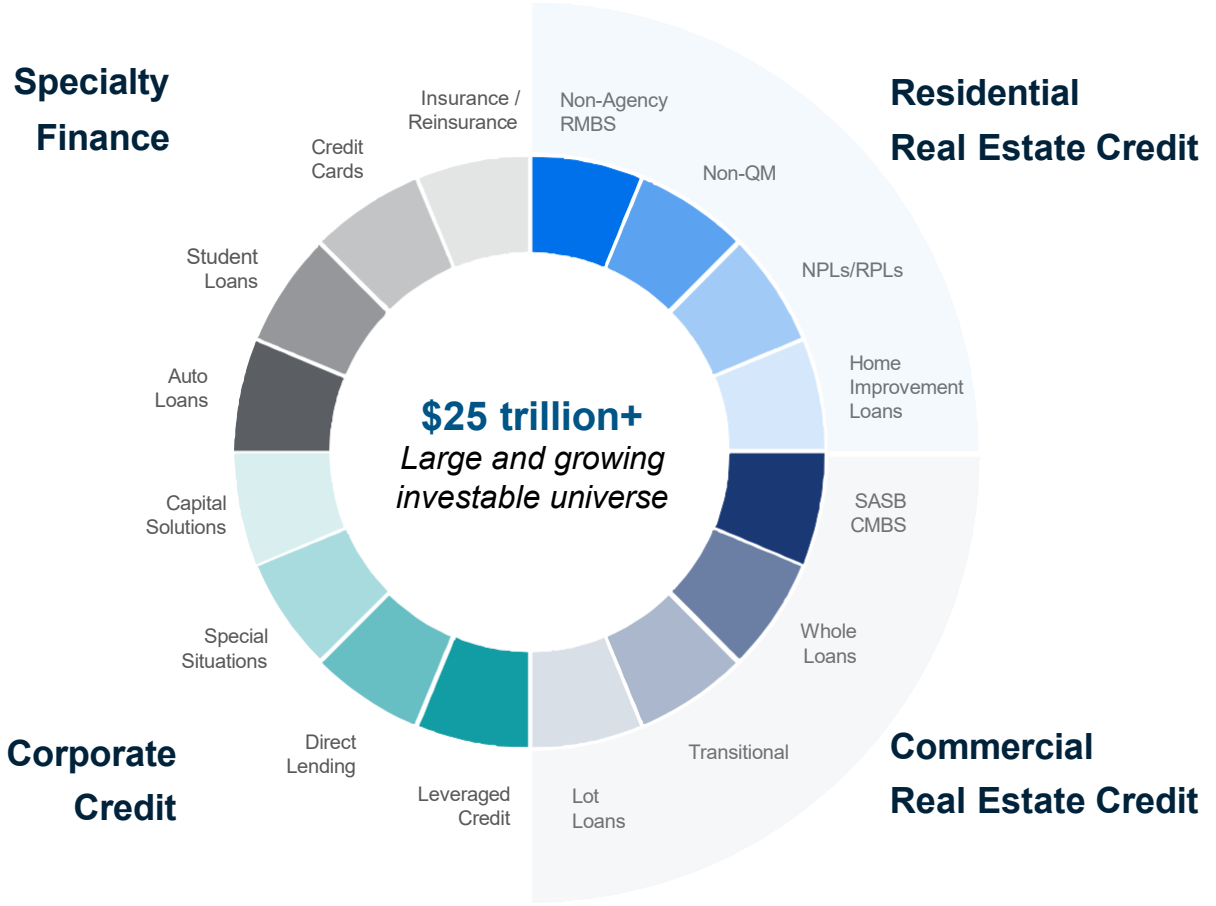
Hard Assets

Aviation leases, equipment finance, digital infrastructure



Financial Assets

IP-related, insurance-related, litigation finance



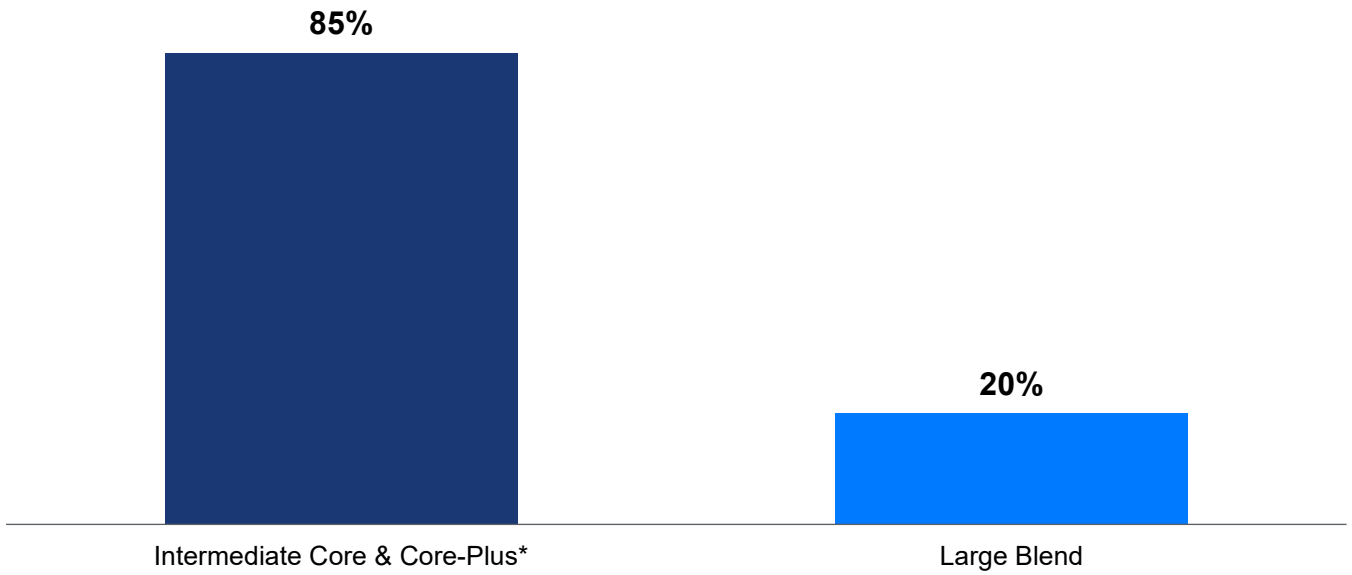
As of 31 December 2025, unless noted. Source: PIMCO. **For illustrative purposes only**. Refer to Appendix for additional investment strategy and risk information.

Bonds Are Different: The Active Advantage

WHAT IT MEANS FOR INVESTORS

While a passive approach may be sensible for equities, investors should consider active fixed income strategies, which have consistently delivered better outcomes than passive fixed income strategies.

Percentage of Active Funds Within Each Category That Outperform the Median Passive Fund (10-Year Return)



Why active bond management works

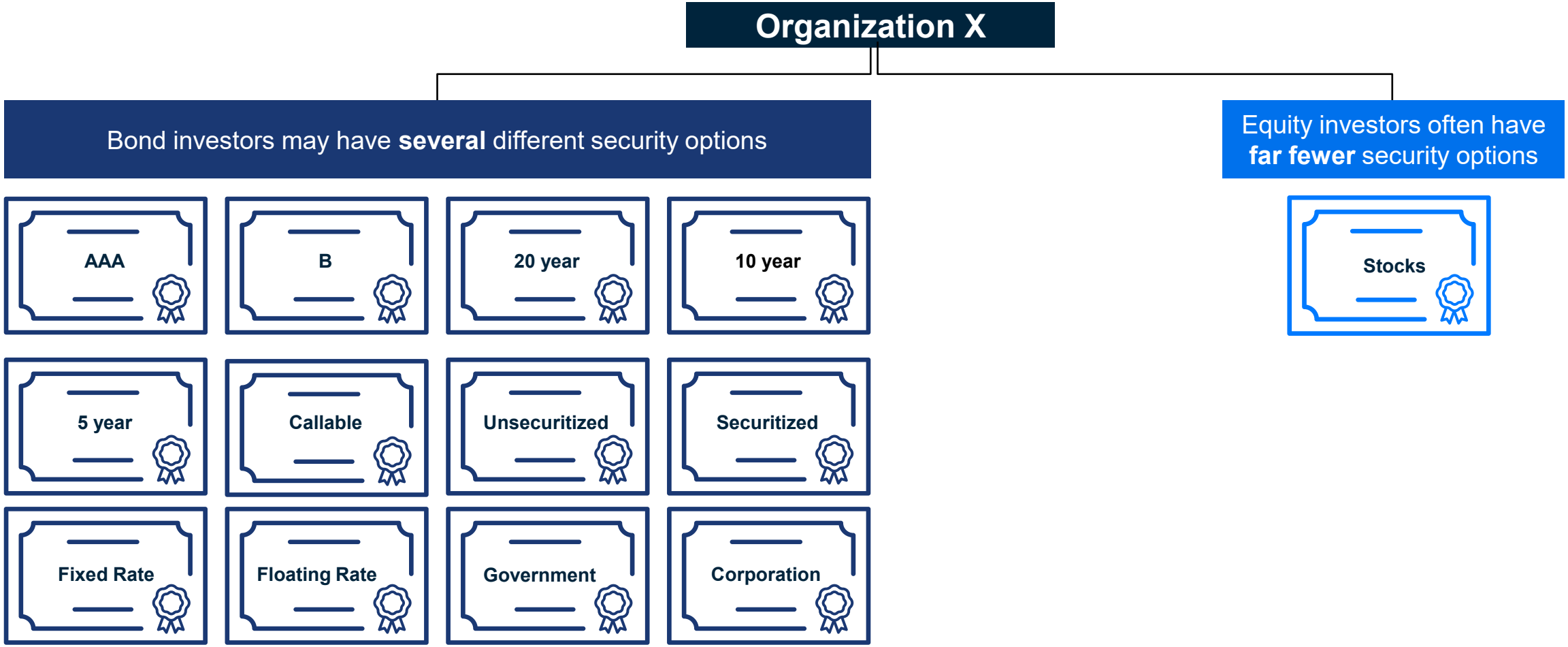
- Index replication is challenging in bond markets
- Bond index design may be suboptimal
- Many bond market participants do not seek to maximize profits

As of 30 September 2026. Source: Morningstar Direct and PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**
*Combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories.
Based on Morningstar U.S. ETF and U.S. Open-End Fund categories (institutional shares only). To avoid potential survivorship bias, we included funds and ETFs that were live at the beginning of each sample period but were liquidated or merged before the end of the period. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. Refer to Appendix for additional investment strategy, Morningstar category and risk information.

Complexity in Fixed Income Markets Can Create Opportunities for Outperformance

WHAT IT MEANS FOR INVESTORS

The bond market is large and more complex than equities, making index replication difficult and providing opportunities for active fixed income managers to outperform.



Source: PIMCO. **For illustrative purposes only.**

Overcoming Impediments: Four Obstacles That Keep Portfolios Out of Balance

WHAT IT MEANS FOR INVESTORS

Taxes, emotions, and investments held across many accounts can make rebalancing difficult. An advisor can help turn those obstacles into a practical plan for bringing your portfolio back in line with your goals.

OBSTACLE	OPPORTUNITY
OPERATIONAL BURDEN *Household-level rebalancing is time intensive across taxable and non-taxable accounts, held-away assets, and multiple custodians.*	**Deeper, stickier relationships**
TAX & LEGACY HOLDINGS *Appreciated, concentrated positions can generate large tax bills that may not outweigh the risk-reduction benefit.*	**Fix long-term issues incrementally before they compound**
BEHAVIORAL BIASES *Selling winners and buying losers goes against instinct.*	**Better decision-making and portfolio outcomes**
SKEPTICISM OF THE BENEFITS *Research strongly supports rebalancing for risk reduction, less so for returns in strongly trending markets.*	**Stack planning wins: tax-loss harvesting, cash management optimization, liquidity, asset location**

Source: PIMCO. **For illustrative purposes only**. PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns. Refer to Appendix for additional investment strategy, tax and risk information.

Overcoming Impediments: Mitigating the Tax Impact of Periodic Rebalancing

WHAT IT MEANS FOR INVESTORS

A financial advisor can partner with your tax advisor to provide thoughtful solutions that can mitigate the tax impact of rebalancing – while ensuring your overall asset allocation stays in line with your long-term goals.

Strategies to consider:

Cash management

- Turn off dividend and interest reinvestment in overallocated assets
- Fund allocation changes with excess cash and new deposits

Tax-related activities

- Harvest losses to offset capital gains
- Source high-basis tax lots
- Time sales around bracket management: charitable deductions or business losses

Advanced planning

- Unwind concentrated positions gradually with planned sales, derivatives, or SBL
- Bunch charitable gifts through a DAF or split-interest trust

Source: PIMCO. **For illustrative purposes only** PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns. Refer to Appendix for additional investment strategy, tax and risk information.

Steps for Building Fixed Income Portfolios



Step 1

Define the role of fixed income in a portfolio



Step 2

Select opportunity set & guardrails



Step 3

Use risk and return assumptions to inform positioning



Step 4

Conduct risk factor & stress test analyses on proposed portfolios



Step 5

Rebalance portfolio and evaluate managers regularly

Source: PIMCO. **For illustrative purposes only.**

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Our Latest Views

Stay ahead with the Cyclical Outlook, our 6-to-12-month view on the market and economy



Speak with our Experts

Reach out to your PIMCO representative to learn more about our research, views, and solutions

Source: PIMCO. **For illustrative purposes only.**

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

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. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

CORRELATION

Correlation is a statistical measure of how two securities move in relation to each other. 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.

FORECAST

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

HYPOTHETICAL EXAMPLE

Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In additional, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation if any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

INDEX

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

INVESTMENT STRATEGY

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.

MORNINGSTAR CATEGORIES

CORPORATE BOND

Corporate Bond portfolios concentrate on bonds issued by corporations. These tend to have more credit risk than government or agency-backed bonds. These portfolios hold more than 65% of their assets in corporate bonds, hold less than 40% of their assets in foreign bonds, less than 35% in high yield bonds, and have an effective duration of more than 75% of the Morningstar Core Bond Index.

EMERGING MARKET BOND

Emerging-markets bond portfolios invest more than 65% of their assets in foreign bonds from developing countries. The largest portion of the emerging-markets bond market comes from Latin America, followed by Eastern Europe. Africa, the Middle East, and Asia make up the rest.

Global Bond-USD Hedged

USD-hedged portfolios typically invest 40% or more of their assets in fixed-income instruments issued outside of the US. These portfolios invest primarily in investment-grade-rated issues, but their strategies can vary. Some follow a conservative approach, sticking with high-quality bonds from developed markets. Others are more adventurous, owning some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the US, while others invest in both US and non-US bonds. Funds in this category hedge most of their non-US-dollar currency exposure back to the US dollar.

HIGH YIELD MUNI

High-yield muni portfolios typically invest a substantial portion of assets in high-income municipal securities that are not rated or that are rated at the level of or below BBB (considered high yield within the municipal-bond industry) by a major rating agency such as S&P or Moody's.

HIGH YIELD BOND

High-yield bond funds concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk.

INTERMEDIATE-TERM CORE BOND

Intermediate-term core bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures

INTERMEDIATE-TERM CORE-PLUS BOND

Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

LARGE BLEND

Large Blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

MULTISECTOR BOND

Multisector bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

MUNI NATIONAL LONG BOND

Muni national long portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 6.0 years (or average maturities of more than 12 years).

SHORT-TERM BOND

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

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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 long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RISK

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

TAX

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.

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INDEX DESCRIPTIONS

Bloomberg Global Aggregate ex-USD (USD Hedged) Index provides a broad-based measure of the global investment-grade fixed income markets. The major components of this index are the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds and Canadian Government securities.

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.

Bloomberg U.S.MBS Fixed-Rate Index covers the mortgage-backed pass-through securities and hybrid ARM pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping individual fixed rate MBS pools into generic aggregates.

Bloomberg Pan-European Aggregate Index (USD-Hedged) is a broad-based flagship benchmark that measures fixed-rate, investment grade securities in the following European currencies: Swiss Franc, Czech Koruna, Danish Krone, Euro, British Pound, Hungarian Forint, Norwegian Krone, Polish Zloty, Romanian Leu, and Swedish Krona. The principal asset classes are treasuries, government related, corporate and securitized, which include Pfandbriefe, other covered bonds and asset-backed securities. Inclusion is based on currency denomination of a bond and not country of risk of the issuer.

Bloomberg Japanese Aggregate Index (USD-Hedged) contains fixed-rate investment-grade securities denominated in Japanese yen and registered as domestic bond. The index is composed primarily of local currency sovereign debt but also includes government-related, corporate, and securitized bonds.

Bloomberg Global: Australia Aggregate Index (USD-Hedged) The Bloomberg Australian Aggregate 300mn Index measures the investment grade, AUD-denominated, fixed-rate bonds with at least AUD300mn par amount outstanding. The index tracks bonds to their final maturity and includes treasuries, government related, corporate and securitized issues.

Bloomberg Canadian Aggregate Index (USD-Hedged) measures the investment grade, Canadian dollar-denominated, fixed rate, taxable bond market. The index includes treasuries, government-related, and corporate issuers.

Bloomberg Sterling Aggregate Index (USD-Hedged) measures the investment grade, sterling-denominated, fixed-rate bond market, including treasuries, government-related, corporate and securitized issues. Inclusion is based on the currency denomination of a bond, not country of risk of the issuer.

J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged) is a comprehensive global local emerging markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.

GFD Indices USA 10-Year Government Bond Total Return Index tracks the performance of 10-year U.S. government bonds.

Bloomberg Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

The **Bloomberg High Yield Municipal Bond Index** measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/ BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index.

FTSE 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds.

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.

The **S&P U.S. Treasury Bond Current 10-Year Index** is a one-security index comprising the most recently issued 10-year U.S. Treasury note or bond.

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

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