PIMCO

PIMCO Asia High Yield Bond Fund

PIMCO Funds: Global Investors Series Plc

SHARE CLASS: **E** | AS OF: **31 AUG 2022** | **Monthly Commentary**

Fund information	
Total net assets (in millions)	$2,850.1
Fund type	UCITS
Portfolio manager(s)	Stephen Chang Abhijeet Neogy Mohit Mittal
Effective duration (yrs)	2.34
Benchmark duration (yrs)	2.99
Average maturity (yrs)	3.79

Class	ISIN	
E	**Accumulation**	**Income**
USD	IE00BGSXQR19	IE00BGSXQS26
SGD (H)	—	IE00BGSXS868
Administrative		
USD	—	IE00BGSXSC06
Investor		
USD	—	IE00BLD0YB22
EUR (H)	—	IE00BMW4SW11
SGD (H)	—	IE00BLD0YC39
RMB (H)	—	IE00BMW4SY35
AUD (H)	—	IE00BMW4SX28
Institutional		
USD	IE00BGSXQQ02	IE00BJK9HS65

(U) = Unhedged, (H) = Hedged

The investment objective of the Fund is to seek maximum total return consistent with prudent investment management. The Fund may use or invest in financial derivatives.

Performance summary

The PIMCO GIS Asia High Yield Bond Fund returned 3.50% (E Class, Income shares)[1] and -1.65% (E Class, Income share net of 5% preliminary charge)[2] in August versus the JP Morgan JACI Non-Investment Grade returned 2.85%. Year-to-date the Fund has returned -19.23% (E Class, Income shares)[1] and -23.31% (E Class, Income share net of 5% preliminary charge)[2], while the benchmark returned -18.50%.

- The J.P. Morgan Asia Credit Index returned -0.25% in August, with spreads tightening by 33bps. In August, the HY segment outperformed, returning 2.85% versus -0.80% for the investment grade (IG) segment. Asia HY spreads tightened by 56bps over the month and Asia IG spreads tightened by 35bps. The increased pace of China's policy easing measures to stimulate the economy and support the challenged property sector led to a tightening in spreads.
- The J.P. Morgan JACI Non-Investment Grade Index outperformed like-duration Treasuries by 4.14%. Not-rated bonds were the worst performing quality segment within the index.

Contributors

- Credit selection in China property, particularly in higher quality issuers where we are more overweight which benefited more from recent policy easing measures. Overall improved sentiment also helped the broader sector
- Underweight U.S. duration positioning contributed as rates increased over the period

Detractors

- Underweight positioning in the China financial quasi-sovereigns sector
- Credit selection in Asia sovereign bonds

Performance (Net of Fees)	1 Mos.	3 Mos.	6 Mos.	1 Yr.	3 Yr.	SI*
E class, Inc (%)[1]	3.50	-6.46	-12.41	-27.71	-8.09	-5.61
Net of 5% Preliminary Charge[2]	-1.65	-11.10	-16.74	-31.34	-9.65	-6.98
Benchmark (%)	2.85	-5.77	-11.66	-27.23	-7.84	—

Past Performance is not a guarantee or reliable indicator of future results. The benchmark is the JP Morgan JACI Non-Investment Grade. All periods longer than one year are annualised. SI is the performance since inception.

[1] Performance shown is on a NAV-to-NAV basis in the denominated currency, excluding the preliminary charge and on the assumption that distributions are reinvested, as applicable.

[2] Performance shown is on a NAV-to-NAV basis in the denominated currency, taking into account the preliminary charge and on the assumption that distributions are reinvested, as applicable. A preliminary charge of up to 5% may or may not be deducted from the subscription amount depending on the distributor from whom you had purchased shares, as such this may not represent actual performance returns.

** Income class inception date: 14 February 2019*

Top 5 overweight industries

	% Market Value
Financial Other	2
Technology	1
Independent E&P	1
Consumer Products	1
Automotive	0

Top 5 underweight industries

	% Market Value
Banks	-7
Real Estate	-3
Insurance Life	-1
Metals & Mining	-1
Metals & Mining: Coal	-1

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.
MV% may not equal 100 due to rounding.

Portfolio positioning

- We expect performance in Asia high yield to be uneven with differentiation in fundamentals likely to continue, highlighting the importance of active credit selection. We continue to maintain a focus on a high quality and diversified portfolio, and choose to not stretch for yields. The Fund focuses on sectors with stronger long-term growth potential and more attractive relative value.
- For the China real estate sector, policymaker response remains the main swing factor for bond prices in the short term. We are focusing on developers that we believe will survive the current sector downturn due to limited refinancing pressure and better liquidity positions. However, these names may still continue to face high volatility in the near-term and could potentially face refinancing risk in 2023 and beyond if there are no improvement in the property market or if further deterioration happens.
- We are also seeing pockets of opportunities in sectors such as India renewable energy sector, which benefits from India's strong power demand growth, favorable regulatory environment, and over the long-term benefits from its cost competitiveness and ESG tailwinds. In addition, we are also seeing value in select issuers within commodity-related sectors, financials, transportation, and technology. More broadly, we expect performance dispersion within Asia credits to be high, and as such, we look to rely on the insights and top picks of our credit research analysts and expect to maintain an up-in-quality approach. We will look to avoid positions that would expose us to any significant default risk in a sustained default cycle and to position with more liquidity during periods of market stress.
- Overall, near-term volatility may remain high and significant uncertainty clouds the outlook as the global economy continues to confront elevated inflation and potential recession risks. We are maintaining a patient approach with a focus on maintaining high liquidity and flexibility.

Month in review

- There has been some recovery in China property bond prices as a result of the increased pace of easing measures, rate cuts, and other types of support that was recently announced. For example, several higher-quality developers will be permitted to issue onshore bonds with a government guarantee, with proceeds to be used for project construction and potentially repayment of offshore debt. In order to address the mortgage boycotts, the government also announced that it will support real estate project delivery through special loans from policy banks, a program that is expected to be RMB 200bn in size and will be used strictly for construction and delivery of already sold projects that have been delayed.
- The measures were meaningful in alleviating home buyers' concern about project delivery, and generally have improved market sentiment. However, we will need to see these policies being implemented before confidence is restored on the sector as a whole. In our view, the key to a fuller rebound remains a return to normal levels of development and sales activity, which in turn would allow for a more normally functioning financing market for property developers. However, this is currently being held back by prospective buyers' shaky confidence and generally weak consumer confidence given continued zero-COVID policies and associated lockdowns. Government policy will continue to be the main swing factor for the property sector and Asia HY as a whole.
- Given the highly dynamic situation, we continue to monitor and take actions when we see opportunities. We believe rigorous risk management and careful security selection will be crucial for investors in the region. We continue to believe that active management is especially important during this fast-moving cycle where dislocations are likely and capturing resulting opportunities can be key to producing alpha.
- Asia ex-Japan USD new issuance totaled $10.5bn in August and increased from last month.
- With a current spread to Treasuries (SOT) of 1013bps, Asia HY continues to trade relatively wide with a 505bps and 431bps premium over U.S. and global high yield respectively. Additionally, Asia high yield offers is lower duration compared to U.S. and global high yield, presenting opportunities for investors looking for additional income in a rising rate environment.

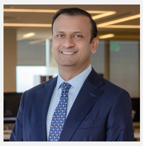
Outlook and strategy

- Our recent Secular Outlook, Reaching for Resilience, paints a picture of a global macro environment that remains anything but normal, and investors will have to navigate a volatile and challenging path over the next five years. Disruption and uncertainty are likely to persist, and de-globalization will widen rifts in the global economy. We believe governments and corporate decision-makers will increasingly focus on searching for safety and reaching for resilience. These trends may augment economic inefficiencies and increase inflationary pressures. We also see an elevated risk of recession over the next two years. We forecast for shorter business cycles and diminished policy responses warrant a focus on reaching for portfolio resilience over reaching for yield.
- In our view, government policy remains as the main swing factor for the China property sector. While the pace of easing have accelerated recently, we think sector headwinds remain significant and more policy actions are required to instill confidence in the physical property market and improve market sentiment and shaky homebuyers' confidence. We are expecting a slow but bumpy recovery ahead for China, with fiscal impulse and monetary easing likely to continue, but with various risks including generally weak consumer confidence given new COVID waves, the continued zero-COVID policy and associated lockdowns, and the weaker housing market. We think the government could add more fiscal stimulus, or even a rate cut in Q4, but it may only provide limited additional support to growth and may take time for the effect to show up in the macro data.
- In the coming months, we continue to expect further differentiation between winners and losers, providing significant opportunities for bond investors that employ an active and selective investment approach. Rigorous bottom-up credit selection is key as government policy and idiosyncratic risks will continue to drive a divergence in performance.
- Asia credit valuations remain attractive, though we continue to expect more volatility ahead. With a current spread to Treasuries (SOT) of 1069bps, Asia HY continues to trade relatively wide with 571bps and 471bps premium over U.S. and global high yield respectively.

Management profile

Stephen Chang
Executive Vice President

Abhijeet Neogy
Senior Vice President



Mohit Mittal
Managing Director

$2.8BN
ASSETS UNDER MANAGEMENT

55 Analysts
Dedicated research analysts. 34 in U.S., 10 in U.K./Europe, 9 in Asia/Pacific, 2 in South America

A risk-focused approach to Asia high yield investing

Unified management fee	
E class	1.55% p.a.
Administrative class	1.15% p.a.
Investor class	1.00% p.a.
Investor class	
Institutional class	0.65% p.a.

Source: PIMCO, index provider for benchmark data.

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All data source: PIMCO and index provider for benchmark data unless otherwise stated.

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A word about risk: Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; 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 andpolitical 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 repaymentrisk, 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 isno assurance that private guarantors will meet their obligations. Inflation-linked bonds (ILBs) issued by a government are fixed-income securities whose principal value is periodicallyadjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. Government. **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 notbacked by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. **High-yield**, lower-rated, securities involve greaterrisk 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. **Derivatives** may involve certaincosts 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 losemore than the amount invested. **Diversification** does not ensure against loss

Duration is a measure of a portfolio's price sensitivity expressed in years. Effective duration is the duration for a bond with an embedded option when the value is calculated to includethe expected change in cash flow caused by the option as interest rates change.

The JACI Non-IG comprises fixed rate US Dollar-denominated high yield bonds issued by Asia sovereigns, quasi-sovereigns, banks and corporates. The existing JACI Non-IG contains both fixed and floating rate bonds issued by Asia-domiciled entities having a nominal outstanding of at least US$150 million and more than one year to maturity. It is not possible to invest directly in an unmanaged index.

Investment involves risk including possible loss of the principal amount invested. Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. The value of shares of the Fund and the income accruing to them, if any, may fall or rise. Investment returns denominated in non-local currency may be exposed to exchange rate fluctuations. In an environment where interest rates may trend upward, rising rates will negatively impact most bond funds, and fixed income securities held by a fund are likely to decrease in value. Bond funds and individual bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This and other information is contained in the Fund's Singapore Prospectus which is available and can be obtained from our website www.pimco.com.sg, a Fund distributor or the Singapore Representative. Prospective investors should read the Fund's Singapore Prospectus before deciding whether to subscribe for or purchase shares in any of the Funds. Investors may wish to seek advice from a financial adviser before making a commitment to invest and in the event you choose not to seek advice, you should consider whether the investment is suitable for you.

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In addition, a summary of investor rights is available from www.pimco.com. The summary is available in [English].
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The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The Quality ratings of individual issues/issuers are provided to indicate the credit worthiness of such issues/issuer and generally range from AAA or Aaa (highest) to D or C (lowest) for S&P and Moody's respectively.

The JACI Non-Investment Grade Index tracks total returns for US dollar-denominated bonds issued by Asia sovereign, quasi-sovereign, and corporate borrowers. Countries covered are Bangladesh, China, Hong Kong, India, Indonesia, Malaysia, Macau, Mongolia, Pakistan, The Philippines, Taiwan, Thailand, Singapore, South Korea, Sri Lanka and Vietnam. The existing JACI Non-IG contains both fixed and floating rate bonds issued by Asia-domiciled entities having a nominal outstanding of at least US$150 million and more than one year to maturity.

Emerging Markets (EM).

PIMCO