# Global Real Return Fund

## PERFORMANCE SUMMARY

The Global Real Return Fund returned -0.75% (Institutional, Accumulation shares net of fees) in October. Year-to-date the Fund has returned -1.99% (Institutional, Accumulation shares net of fees).

Global inflation-linked bonds (ILBs) delivered negative returns in October as global real yields rose across regions.Overall, Global ILBs returned -0.69%, as represented by the Bloomberg World Government Inflation-Linked Bond Index (USD hedged).

### Contributors

- Overweight U.S. breakeven inflation
- No other material contributors

### Detractors

- Off-benchmark exposure to U.S. Agency MBS
- No other material detractors

**Past performance is not a reliable indicator of future results**

| Performance (Net of Fees) | 1 Mo. | 3 Mos. | 6 Mos. | 1 Yr. | 3 Yrs. | 5 Yrs. | 10 Yrs. | SI |
|---|---|---|---|---|---|---|---|---|
| Institutional, Acc (%) | -0.75 | -3.82 | -4.56 | -1.40 | -4.16 | 0.83 | 2.17 | 3.80 |
| Benchmark (%) | -0.69 | -3.85 | -4.93 | -2.13 | -4.47 | 0.49 | 2.04 | — |

**Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.**

| Performance (Net of Fees) | Oct'2018-Oct'2019 | Oct'2019-Oct'2020 | Oct'2020-Oct'2021 | Oct'2021-Oct'2022 | Oct'2022-Oct'2023 |
|---|---|---|---|---|---|
| Institutional, Acc (%) | 9.36 | 8.29 | 5.78 | -15.61 | -1.40 |
| Benchmark (%) | 9.91 | 6.95 | 6.04 | -16.00 | -2.13 |

**The following information is additional to, and should be read only in conjunction with, the calendar year performance data presented below.**

| Calendar Year (Net of Fees) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Institutional, Acc (%) | -6.38 | 9.11 | -1.88 | 10.93 | 3.91 | -0.78 | 8.72 | 11.19 | 4.97 | -16.19 | -1.99 |
| Benchmark (%) | -5.51 | 9.04 | -1.12 | 10.22 | 3.31 | 0.10 | 8.38 | 9.81 | 5.50 | -17.00 | -2.13 |

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record. The benchmark is the Bloomberg World Government Inflation-Linked Bond USD Hedged Index
All periods longer than one year are annualised. SI is the performance since inception.

**The fund is considered to be actively managed in reference to the below benchmark as further outlined in the prospectus and key investor information document/key information document.**
Bloomberg World Government Inflation-Linked Bond USD Hedged index that measures the performance of the major government inflation-linked bond markets. The Index includes inflation-linked debt issued by the following countries: Australia, Canada, France, Sweden, UK, & the United States. It is not possible to invest directly in an unmanaged index.

Morningstar Rating™ ★★★★

**Key Facts**

| | Accumulation |
|---|---|
| Bloomberg Ticker | PIMGRAI |
| ISIN | IE0033591748 |
| Sedol | 3359174 |
| CUSIP | G7096Y561 |
| Valoren | 1745759 |
| WKN | A0B7ND |
| Inception Date | 30/09/2003 |
| Distribution | - |
| Unified Management Fee | 0.49% p.a. |
| Fund Type | UCITS |
| Portfolio Manager | Lorenzo Pagani, Steve Rodosky, Yi Qiao, Daniel He |
| Total Net Assets | 2.2 (USD in Billions) |
| Fund Base Currency | USD |
| Share Class Currency | USD |

**Credit and Default Risk**: A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a loan or meet a contractual obligation. This could cause the value of its bonds to fall or become worthless. Funds with high exposures to non-investment grade securities have a higher exposure to this risk. **Currency Risk**: Changes in exchange rates may cause the value of investments to decrease or increase. **Derivatives and Counterparty Risk**: The use of certain derivatives could result in the fund having a greater or more volatile exposure to the underlying assets and an increased exposure to counterparty risk. This may expose the fund to larger gains or losses associated with market movements or in relation to a trade counterparty being unable to meet its obligations. **Fixed Income Risk**: There is a risk that the institution which issued the securities will fail, which would result in a loss of income to the fund. Fixed income values are likely to fall if interest rates rise. **Liquidity Risk**: Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price. **Interest Rate Risk**: Changes in interest rates will usually result in the values of bond and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices). **Mortgage Related and Other Asset Backed Securities Risks**: Mortgage or asset backed securities are subject to similar risks as other fixed income securities, and may also be subject to prepayment risk and higher levels of credit and liquidity risk.

## MONTH IN REVIEW

Global inflation-linked bonds (ILBs) posted negative returns in October as global real yields rose across regions. In the U.S., Treasury Inflation-Protected Securities (TIPS) delivered negative returns though outperformed comparable nominal Treasuries. U.S. breakevens moved higher across the curve, as Fed officials emphasized flexibility and patience in rate hike decisions despite strong GDP and employment reports. Headline CPI maintained at 3.7% year-over-year (YoY) in September, while core moderated slightly to 4.1% YoY.

In the U.K., ILBs delivered negative returns, and underperformed comparable nominals. Inflation expectations were roughly unchanged, as headline CPI remained elevated at 6.7%, and core decreased marginally to 6.1% as the BoE kept rates unchanged.

Eurozone ILB returns were broadly negative and underperformed comparable nominals across the region. Eurozone headline inflation fell to 4.3%, while core also moderated to 4.5%. The ECB left rates unchanged in October as European economy growth continued to slow.

### Inflation-Linked Bond Exposure (%DWE)

| | |
|---|---|
| Inflation Linked Bonds | |
| United States | 44 |
| United Kingdom | 37 |
| Europe | 15 |
| Canada | 2 |
| Other | 4 |
| Non Inflation Linked Bonds | |
| United States | -1 |
| United Kingdom | 0 |
| Europe | -1 |
| Canada | 0 |
| Other | 2 |
| Net Other Short Duration Instruments | -1 |

Source: PIMCO

## PORTFOLIO POSITIONING

Neutral duration:

- Increased overweight to overall U.S. duration given the cumulative selloff of rates (while still volatile), Fed at or close to peak rates, and data progressing to a slowdown
- Maintain underweight to European duration - 10s30s curve steepener exposure which is less volatile
- Maintain a neutral position in Japanese nominal interest rates. Thesis remains that BOJ would need to further adjust policy, but in a more gradual and orderly manner.

Tactical breakeven inflation (BEI) positions in select regions:

- Maintain overweight to U.S. breakevens versus the benchmark as longer-term expectations are still anchored despite elevated inflation uncertainty
- Moved to underweight in Eurozone breakeven inflation (positive in PMV terms and long front end EUR HICP) as expectations are currently trading at rich levels relative to the U.S.
- Remain flat versus the benchmark in U.K. breakevens
- Maintain marginal overweight relative to the benchmark in Japanese breakevens as carry is positive

Focused on high conviction, high quality positions:

- Remain cautious overall within corporate credit given continued fragilities
- Maintain modest exposure to Danish Mortgages
- Remain constructive on U.S. non-Agency MBS
- Exposure to Italy spread as higher rates are attracting more yield-based buyers

## OUTLOOK AND STRATEGY

Given PIMCO's outlook, the Fund seeks opportunities to capture incremental yield through country, curve, and security positioning. We look to emphasize countries offering better relative value, concentrate on curve positioning to incorporate elements of our economic outlook and pricing, and to respond to changes in the policies being pursued by central banks.

The Fund seeks to tactically manage its real duration position relative to benchmark, looking to capitalize on yield curve relative value opportunities. We plan to tactically respond to anticipated short-term inflation mispricing due to changes in commodity prices and seasonal trends.

The Fund's currency positioning will focus on relative value across countries and look for opportunities given the current market environment.

### Fund Statistics

| | |
|---|---|
| Effective Duration (yrs) | 8.75 |
| Benchmark Duration (yrs) | 8.80 |
| Current Yield (%)⊕ | -0.06 |
| Estimated Yield to Maturity (%)⊕ | 5.78 |
| Average Coupon (%) | -0.05 |
| Effective Maturity (yrs) | 9.28 |

Mortgage-Backed Securities (MBS); US Federal Reserve (The Fed); Consumer Price Index (CPI);; Bank of Japan (BOJ); Bank of England (BOE)
**Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government.
Breakeven inflation rate (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.
References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States.
⊕Yields reported gross of fees, the deduction of which will reduce the yield. Yields are reported in the base currency of the fund and are not specific to the share class. The current yield illustrates the income investors could get from the portfolio as a percentage of market value of the securities assuming a holding period of one year. The current yield does not take into account the future cash flows of bonds, but rather is a snapshot of the income in the portfolio as of a certain point in time.
References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States
⊕PIMCO calculates a Funds Estimated Yield to Maturity by averaging the yield to maturity of each security held in the Fund on a market weighted basis. PIMCO sources each securitys yield to maturity from PIMCOs Portfolio Analytics database. When not available in PIMCOs Portfolio Analytics database, PIMCO sources the securitys yield to maturity from Bloomberg. When not available in either database, PIMCO will assign a yield to maturity for that security from a PIMCO matrix based on prior data. The source data used in such circumstances is a static metric and PIMCO makes no representation as to the accuracy of the data for the purposes of calculating the Estimated Yield to Maturity. The Estimated Yield to Maturity is provided for illustrative purposes only and should not be relied upon as a primary basis for an investment decision and should not be interpreted as a guarantee or prediction of future performance of the Fund or the likely returns of any investment.

**Additional Information/Documentation** A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents (KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company. The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish. The KIIDs and KIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from www.pimco.com. The summary is available in English. The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors (Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

**PERFORMANCE AND FEES**

**Past performance is not a guarantee or a reliable indicator of future results.** The "gross of fees" performance figures, if included, are presented before management fees and custodial fees, but do reflect commissions, other expenses and reinvestment of earnings. The "net of fees" performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized.Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

**General Investment 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. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a 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. **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. **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. **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. **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. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. **Swaps** are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted 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. Certain **U.S. government securities** are backed by the full faith of the 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. **Diversification** does not ensure against loss.

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.

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**Investment Restrictions** - In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC, Government of the People's Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade).

**Benchmark;** Unless otherwise stated in the prospectus or in the relevant kkey investor information document/key information document, the Fund referenced in this material is not managed against a particular benchmark or index, and any reference to a particular benchmark or index in this material is made solely for risk or performance comparison purposes.

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