PIMCO Capital Securities Fund

PERFORMANCE SUMMARY

The PIMCO Capital Securities Fund returned -0.41% (Institutional, Accumulation shares net of fees) in October. Year-to-date the Fund has returned 0.20% (Institutional, Accumulation shares net of fees).

In October, the Bloomberg European Additional Tier 1 (AT1) Index returned -0.42% (USD hedged) and the Bloomberg Global Agg Corp Senior Financials Index (USD hedged) returned -0.57%. Over the month, spreads in European AT1s widened by 17 bps, while spreads in Senior Financials widened by 11 bps.

Contributors

- Security selection within Additional Tier 1 Bonds, and in particular to select UK issuers contributed to performance as their spreads tightened over the period.
- Select interest rate swap positions contributed to performance.

Detractors

- Exposure to senior bonds detracted from performance, as both spreads widened and interest rates rose over the month.
- Exposure to Tier 2 bonds, and in particular from select Italian banks detracted from performance, as both spreads widened and interest rates rose over the month.
- Exposure to Legacy Tier 1 bonds detracted from performance as spreads widened over the month.

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 (%)	-0.41	-1.06	2.30	5.38	-0.30	2.79	4.00	4.35
Benchmark (%)	0.46	1.36	2.68	4.94	2.07	2.01	1.43	—

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 (%)	13.11	2.38	11.43	-15.61	5.38
Benchmark (%)	2.54	1.30	0.20	1.13	4.94

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)	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD
Institutional, Acc (%)	6.05	3.89	6.16	11.22	-4.42	17.38	6.32	5.09	-11.53	0.20
Benchmark (%)	0.24	0.29	0.68	1.20	2.20	2.49	0.98	0.18	1.78	4.26

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record.
The benchmark is the ICEBofA SOFR Overnight Rate 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.
ICE BofA SOFR Overnight Rate Index tracks the performance of a synthetic asset paying SOFR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that days fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. It is not possible to invest directly in an unmanaged index.

Key Facts

	Accumulation
Bloomberg Ticker	PIMCINA
ISIN	IE00B6VH4D24
Sedol	B6VH4D2
CUSIP	G7112M633
Valoren	21366058
WKN	A1XDCY
Inception Date	31/07/2013
Distribution	-
Unified Management Fee	0.79% p.a.
Fund Type	UCITS
Portfolio Manager	Philippe Bodereau, Matthieu Loriferne, Michael Bogecho, Eusta Qin
Total Net Assets	4.8 (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. **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).

MONTH IN REVIEW

Q3 Earnings Update

US Banks

All but one of the US 'Big 6' banks reported higher than expected earnings in Q3 2023. Contrary to prior periods, the evolution of both Net Interest Income (NII) and Net Interest Margins (NIM) were mixed, with some banks reporting declining income and margins versus the previous quarter, while others reported continued increases.

Looking at balance sheets, most banks reported relatively stable asset quality with some issuers marginally reducing loan loss provisions on account of increased probabilities of a soft landing. Common Equity Tier 1 (CET1) ratios remained close to historical peaks and generally continued to increase during the third quarter.

European Banks

In Europe, 80% of banks beat expectations in their Q3 2023 earnings, however results in the UK differed from those of continental Europe. In the Eurozone, banks reported quarter-on-quarter increases in both NII and NIM, while in the UK both measures were down and missed expectations.

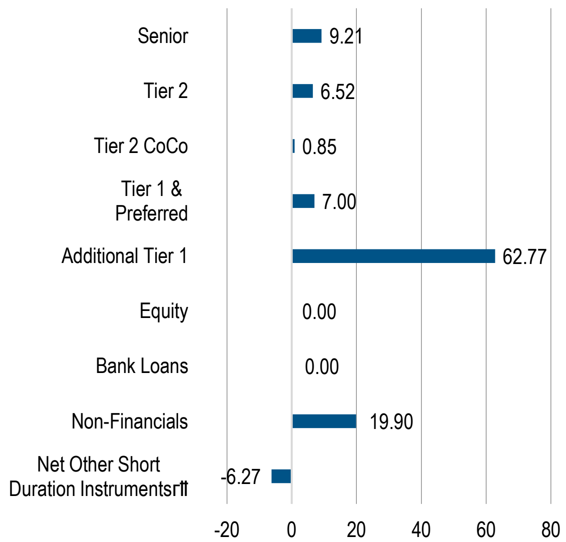
In terms of balance sheets, the asset quality resiliency of Nordic banks provided a degree of comfort to previous concerns about their commercial real estate exposure. Elsewhere in Europe, asset quality trends remained benign, with cost of risk broadly unchanged compared to the previous quarter.

CET1 ratios rose further in Q3 2023 for the majority of European banks and currently sit at the upper end of historical ranges. Other key ratios, including liquidity ratios, remained healthy and did not show any signs of stress.

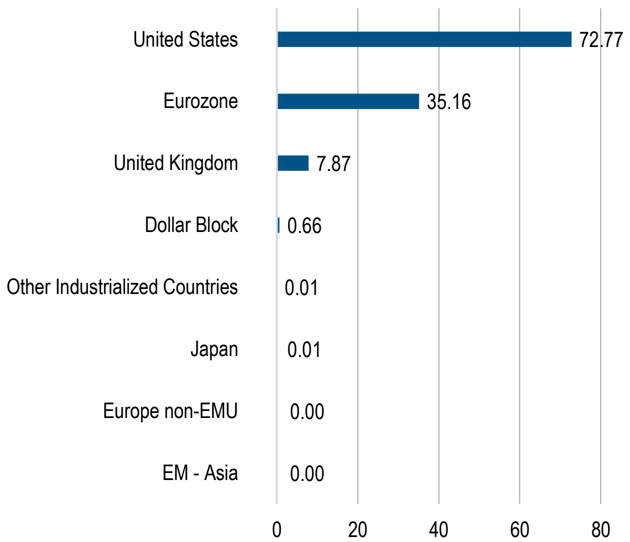
Italian Windfall Tax

As described previously, the Italian government introduced a windfall tax, which was subsequently watered down such that it can be avoided if banks increase their distributable reserves by 2.5x the tax amount owed. Two of the largest Italian banks, amongst others, said they will take advantage of this option.

Capital Structure Positioning (% Market Value)



Top 10 Country Exposure (% Market Value)



PORTFOLIO POSITIONING

The Fund favors AT1s from systemic banks and national champions with ample capital buffers and a diversified revenue stream, while remaining cautious on smaller European issuers. Geographically, the Fund is well diversified and favors countries such as the UK, Netherlands and France where banks have the highest levels of capital. In senior and Tier 2 debt, the exposure remains mostly centered on UK banks, as well as select idiosyncratic opportunities in peripheral and core European banks offering upside through improving fundamentals and potential consolidation.

Over the course of October, the Fund decreased its cash buffers while modestly increasing exposure to senior financial bonds, mainly from Spanish systemic banks as well as select Belgian and Swiss banks. Furthermore, the Fund took advantage of attractively priced new issuance within AT1s. Overall, given the still elevated levels of market uncertainty, the Fund continues to focus on the more resilient issuers within the bank capital investment universe. It also continues to pursue a tactical approach, taking advantage of market dislocations as well as attractively priced opportunities in the primary market, which saw AT1 issuance activity resume in June following the takeover of Credit Suisse.

Fund Statistics

Effective Duration (yrs)	3.56
Current Yield (%)⊕	5.91
Estimated Yield to Maturity (%)⊕	9.04
Average Coupon (%)	5.23
Effective Maturity (yrs)	4.41

OUTLOOK AND STRATEGY

Despite the volatility in March surrounding US regional banks and Credit Suisse, the broader banking sector is entering this period of economic uncertainty with strong initial conditions in credit fundamentals. Banks' asset quality has weathered the pandemic well and capital buffers are at or close to record highs. While elevated inflation, higher interest rates and tighter financial conditions will inevitably have an impact on the broader economy, banks are well positioned given their strong fundamentals following a decade long of restructuring, de-risking and de-leveraging and remain more insulated from inflationary pressures relative to other sectors in corporate credit.

Most banks are uniquely positioned to continue to benefit from higher rates, particularly in Europe. Banks in Europe are by far the biggest beneficiaries within the developed market banking system. Financial results published in the third quarter of 2023 continued to indicate that the benefits of abandoning negative rates have become visible on banks' P&Ls. As a matter of fact, higher rates led to stronger Net Interest Income (NII), as banks' assets have partially and progressively repriced. While we expect that further upside may be capped by a repricing of liabilities, some of the reporting banks are still anticipating additional increases in NII in the coming quarters as assets continue to reprice at a faster pace than deposits.

Valuations look attractive compared to historical levels, particularly given AT1 yields remain close to double digits. Market stress related to events over the course of March propagated primarily to the most junior part of banks' capital structures, as the wipe-out of CS' AT1s cast the market into price discovery mode. However, there has been a recovery in prices during the subsequent months, with AT1s now trading at the 80th percentile of daily spread data since inception of the index in 2014. More senior parts of the capital structure also sold off earlier in the year, despite not being subject to the write-down/conversion mechanism of AT1s. Senior Financials are currently trading at the 88th percentile of daily spread data since the inception of the AT1 index in 2014, thus providing attractive spreads compared to historical levels.

PIMCO

Spreads referenced are the average option adjusted spread (OAS) level as generated by Bloomberg.
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[rll]Net Other Short Duration Instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money, short duration derivatives and derivatives offsets. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position.
⊕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.
⊕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.
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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.
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