PIMCO Income Fund

Quarterly Investment Report | 1Q24

<u>Wholesale Class</u>

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Executive summary

Portfolio Performance

Over the quarter, the Income Fund (Institutional share class USD, after fees) generated positive returns. The higher quality portion of the portfolio was mixed, with exposure to US duration being the largest detractor from performance. Meanwhile, holdings of Agency MBS and investment grade corporate credit contributed to performance. Within the higher yielding portion of the portfolio, the Fund's holdings of non-Agency MBS and exposure to high yield corporate credit contributed to performance. Exposure to a basket of emerging market currencies also contributed during the quarter.

CONTRIBUTORS

•Exposure to the cash interest rate in the US, from carry
•Holdings of securitized assets, including US Agency and non-Agency Mortgage Backed Securities
•Holdings of investment grade and high yield corporate credit, as spreads tightened, and through carry and selection
•Holdings of EM external debt, as spreads tightened and through selection

DETRACTORS

•Long exposure to US duration, as yields rose
•Long exposure to the Japanese yen as it depreciated against the US dollar
•Modest long exposure to UK duration in the front end of the curve, as yields rose

Performance periods ended 31 Mar '24	3 mos.	FYTD	1 yr.	3 yrs.	5 yrs.	SI
Net of fees (%)	1.18	5.34	5.94	0.07	1.78	3.34
Benchmark*	-0.31	2.84	2.53	-2.38	-0.13	1.47

Past performance is not a reliable indicator of future results.
Returns for periods longer than 1 year are annualised.
Net of Fees - Fund performance is quoted net of fees and expenses and assumes the reinvestment of all distributions but does not take into account personal income tax.

Portfolio strategy

Selective credit holdings: Favor housing-related, mortgage credit given resilient fundamentals in the US housing market. We focus on bottom-up security selection in corporate credit, where we continue to find value in systemically important banks with strong capital positions and direct support from central banks, and defensive sectors such as utilities and healthcare.

Constructive on Agency MBS: The asset class continues to offer an attractive forward-looking return potential and a defensive profile that has historically performed well through economic downturns. We maintain a preference for higher coupons, which offer higher spreads and less duration risk than lower coupon MBS.

Cautious on duration: We increased our overall duration exposure as yields rose over the quarter. Our exposure remains primarily in the US with a focus on the intermediate portion of the curve.

Emerging markets: The Fund maintained its overall exposure to EM over the quarter to enhance portfolio yield and diversification. We maintain modest holdings of emerging market debt in higher quality countries, which may provide higher yields with limited potential for long-term capital loss.

*Bloomberg Global Aggregate Bond Index hedged into AUD

Class:	WHOLESALE
Inception date:	28 Oct '15
Fund assets (in millions):	AUD1,310.84

Summary information	31 Mar '24
Effective duration (yrs)	3.43
Benchmark duration (yrs)	6.66
Effective maturity (yrs)	5.00
Average coupon	4.54%

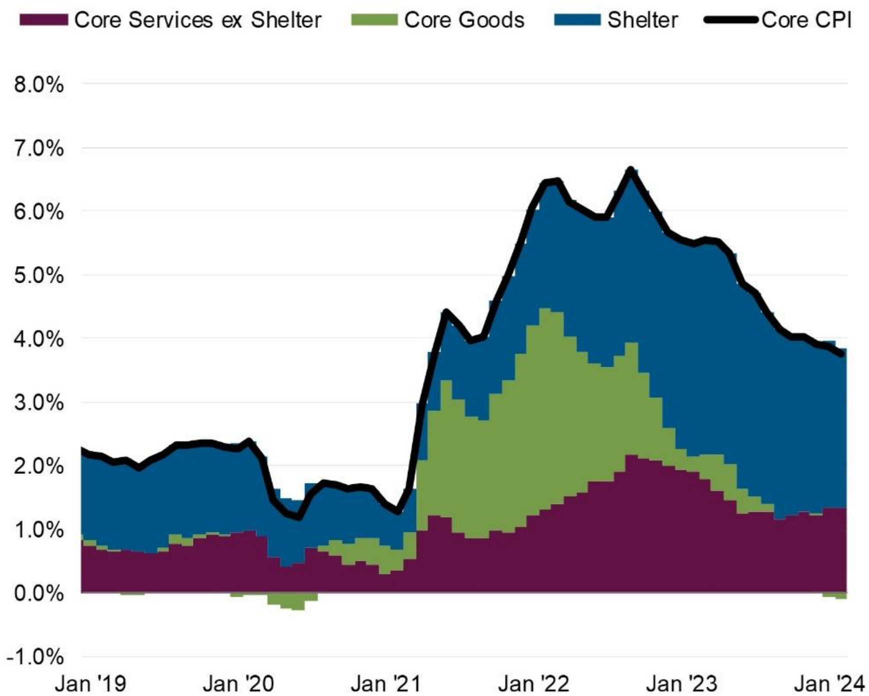
Regional exposure (currency in Dur yrs)	Portfolio (yrs)	Benchmark (yrs)
United States	3.29	2.76
Japan	-0.34	0.94
Eurozone	0.08	1.45
United Kingdom	0.08	0.33
Europe non-EMU	0.00	0.09
Australia	0.14	0.08
Canada	0.02	0.19
New Zealand	0.00	0.01
Other Industrialized Countries	-0.01	0.12
Emerging markets	0.17	0.03
Total	**3.43**	**6.01**

Quality Exposure (MV %)	31 Mar '24
AAA	67.93
AA	4.57
A	6.60
BBB	8.42
Sub Investment Grade	12.48
Average Credit Quality	**AA-**

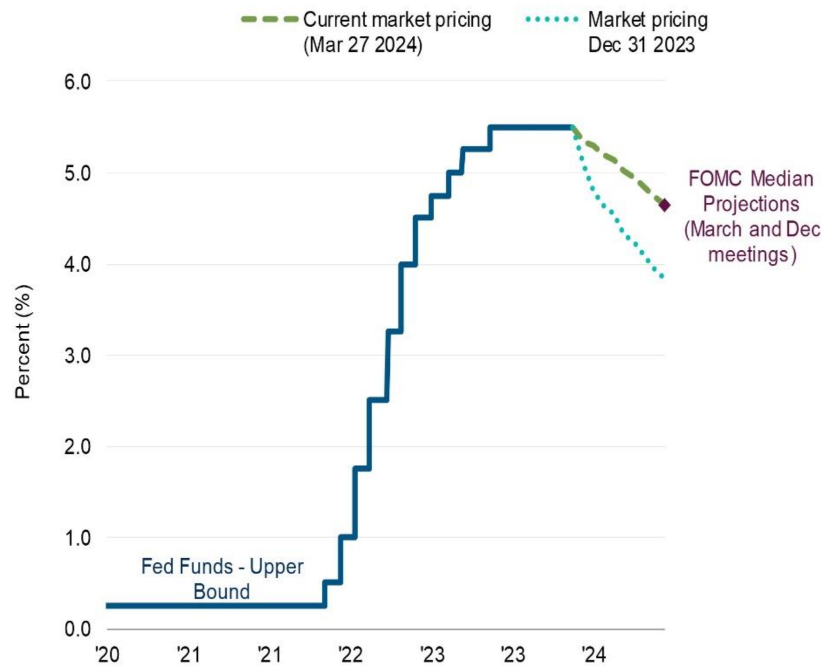
Quarter in Review

Persistent inflation pushed yields and year-end rate projections higher

A perceived “last mile” problem in the Fed’s battle against inflation led bond markets to retrace their Q4’23 rally and bring expectations for 2024 cuts in line with the Fed’s dot plot. Risk sentiment remained robust despite the possibility of “higher-for-longer” rates, with the MSCI World finishing the quarter up 9.01% and credit spreads broadly tightening. The Fed paused once again and maintained its forecast for three 25-basis-point rate cuts in 2024. Global developed central banks largely followed suit, with both the ECB and BoE leaving rates on hold. Meanwhile, in Japan, the BoJ raised its policy rate for the first time since 2007, marking the end of negative interest rate policies.



Inflation in the U.S. remained sticky over the quarter, driven by core services, highlighting the “last mile” problem that the Fed is facing in its attempts to return inflation to 2%.



Persistent inflationary pressures saw bond markets retrace their Q4’23 rally, with market pricing now in line with the Fed’s median dot plot projection for year end 2024 (which remained unchanged relative to December projections).

Source: Haver

Source: Bloomberg

Market Summary

Q1'24: Inflation rebound

The Fund's spread and currency strategies contributed to performance, while interest rate strategies detracted from performance.

Developed market debt

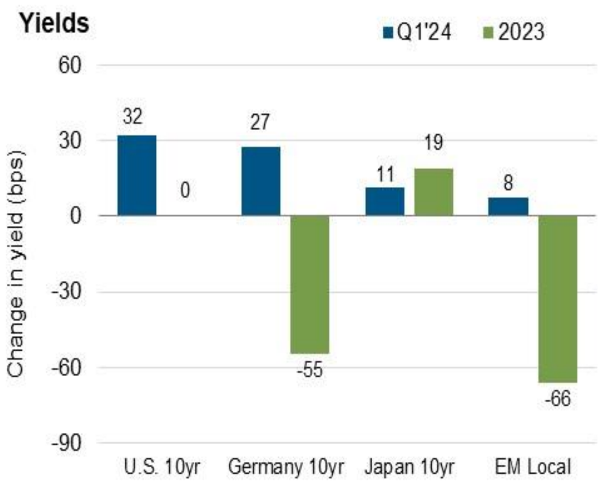
Yields rose broadly across developed markets as inflation remained firm and economic activity robust, particularly in the U.S. While central banks generally held policy rates steady, including in the U.S., U.K., and Europe, dovish remarks from officials bolstered risk sentiment even as investors adjusted expectations for rate cuts in 2024. In Japan, the BoJ hiked rates for the first time in 17 years, ending its negative interest rate policy.

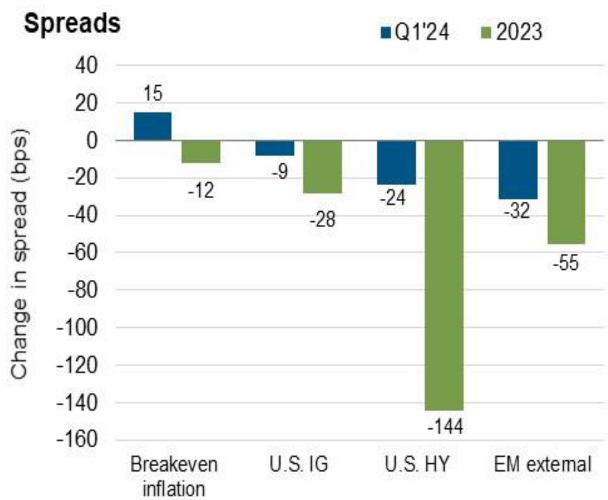
Credit

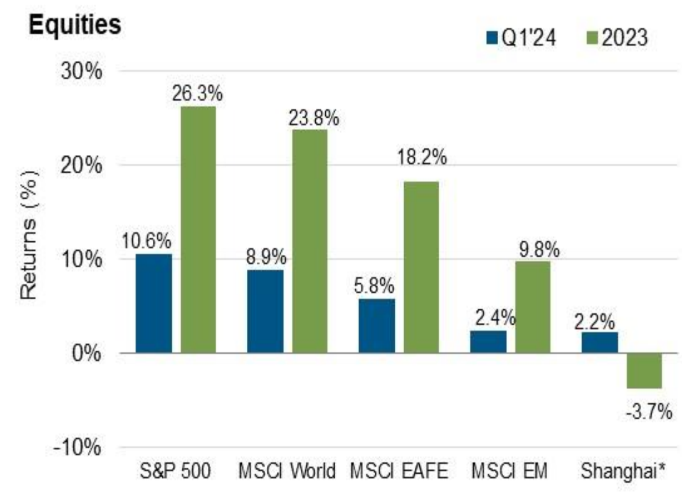
U.S. investment grade credit[1] spreads tightened 8 bps, ending the quarter at 85 bps. The sector returned -0.41%, outperforming like-duration treasuries by 0.83%. Credit spreads continued to tighten amid strong earnings results and heavy issuance to start the year.

Equities

Developed market equities[2] rose 8.9% in the first quarter of 2024 driven by optimism around interest rate cuts, easing inflationary pressures, and economic growth.







Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg U.S. Credit Index); U.S. high yield credit (ICE BofA High Yield Constrained Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); S&P 500 (S&P 500 Total Return Index); MSCI EAFE (MSCI EAFE Net Total Return USD Index); MSCI EM (MSCI Emerging Net Total Return USD Index); *Shanghai (Shanghai Stock Exchange Composite Index).

1: Bloomberg US Credit Index

2: MSCI World Index

Investment implications:
Opportune time to consider going active in global fixed income

Look global	Greater-than-usual focus on bond markets outside of the U.S.
Lock in elevated yields	Intermediate maturities can offer a "sweet spot" with markets expecting cash rates to fall
Favor high quality	Up-in-quality bias in both public and private credit markets
Go active	Differentiated macro paths present compelling opportunities for active investors

Source: PIMCO

Portfolio Outlook

Strategic outlook

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed's subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Key strategies

Duration Positioning

We have maintained a cautious duration profile in the strategy and selectively added exposure as rates rose during the quarter. The Fund continues to emphasize US rates over other developed markets. We have also continued to hold our short position in Japanese rates as a cost effective duration hedge.

Currency Positioning

We remain diversified and tactical in our currency positioning, with the Fund mostly maintaining exposure to a basket of EM currencies over the quarter. The Fund maintained long exposure to the Japanese yen and a short position in the Canadian dollar, given valuations relative to the U.S. dollar.

Housing Related Credit

We remain confident in the underlying fundamentals of housing related securities, especially senior tranches of non-Agency MBS. The Fund continued to increase its exposure to Agency MBS given attractive valuations, as the sector remains a key area of conviction for the strategy.

Corporate Credit

We continue to seek bottom-up opportunities in corporate credit favoring systemically important banks with direct central bank support, with a focus on the senior most part of the capital structure. We are selective in high yield cash bonds with a focus on senior secured debt. Within high yield, we continue to utilize HY CDX given its advantageous liquidity profile versus cash bonds but have adjusted exposure over the quarter.

Source: PIMCO

Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	31 Dec '23	31 Mar '24	31 Dec '23	31 Mar '24	31 Mar '24	31 Mar '24
Government	15.79	15.55	-1.07	-0.90	44.37	3.29
Semi-Gov	0.11	-0.83	0.01	-0.01	5.20	0.36
Agency	0.00	0.00	0.00	0.00	3.14	0.15
IG Corporates	13.88	16.53	0.69	0.77	17.89	1.09
Financial	9.43	11.78	0.44	0.54	7.40	0.34
Industrial	2.31	2.94	0.13	0.12	9.03	0.63
Utilities	2.14	1.81	0.12	0.10	1.45	0.11
Other Investment Grade Credit	0.00	0.00	0.00	0.00	0.01	0.00
High Yield	10.89	9.26	0.11	0.10	0.00	0.00
Financial	0.69	0.55	0.01	0.01	0.00	0.00
Industrial	4.57	3.58	0.10	0.08	0.00	0.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00
Other High Yield Credit	5.63	5.13	0.01	0.01	0.00	0.00
Securitized*	87.07	84.64	2.96	3.06	13.78	0.78
Agency Mortgages	61.42	61.33	2.43	2.57	11.03	0.67
Non-Agency Mortgages	12.17	11.01	0.49	0.46	0.38	0.02
Asset-Backed Securities	0.49	0.42	0.01	0.01	0.19	0.00
Covered Bonds	0.00	0.00	0.00	0.00	2.18	0.10
Emerging Markets**	11.62	11.34	0.33	0.35	15.58	0.98
Sovereigns	10.48	10.24	0.29	0.30	9.63	0.70
Quasi-Sovereigns	0.93	0.88	0.04	0.05	5.17	0.24
Corporates	0.22	0.22	0.01	0.01	0.78	0.04
Cash Equiv & Other	-39.35	-36.49	0.23	0.07	0.04	0.00
Total	**100**	**100**	**3.26**	**3.44**	**100**	**6.65**

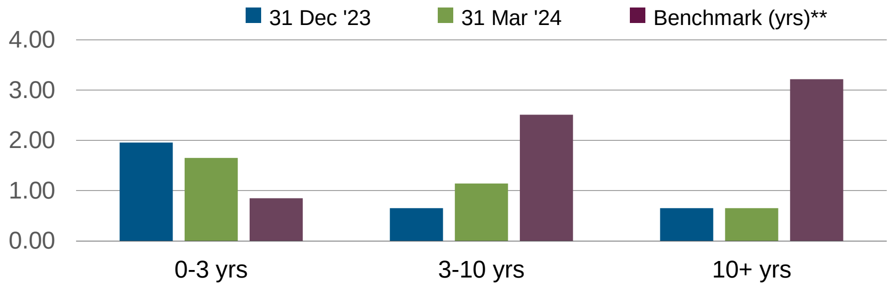
*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

**Emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.

Benchmark: Bloomberg Global Aggregate Bond Index hedged into AUD

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-3 yrs	1.96	1.65	0.85
3-10 yrs	0.65	1.14	2.51
10+ yrs	0.65	0.65	3.22
Total	**3.26**	**3.44**	**6.58**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	3.27	3.43	6.58
Spread duration			
Mortgage spread duration	3.95	3.74	0.64
Corporate spread duration	1.25	1.28	1.17
Emerging markets spread duration	0.42	0.43	1.00
Swap spread duration	-2.07	-1.92	0.00
Covered bond spread duration	0.00	0.00	0.10
Sovereign related spread duration	0.00	0.00	0.47

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg Global Aggregate Bond Index hedged into AUD

Country exposure

Country exposure by country of risk

	31 Dec '23		31 Mar '24		31 Dec '23	
	% of Market value	% of Duration	% of Market value	% of Duration	% of Market value	% of Duration
United States	**189.57**	**92.43**	**173.98**	**82.93**	**40.14**	**37.56**
Japan	**-4.05**	**-12.64**	**-6.26**	**-9.67**	**10.49**	**14.43**
Belgium	0.14	0.27	0.18	0.38	0.94	1.19
Euro Currency	0.71	-3.56	0.97	-3.02	0.00	0.00
France	2.50	1.73	2.71	1.95	5.20	5.10
Germany	0.05	-1.22	0.49	-0.26	4.76	4.51
Greece	0.12	0.10	0.09	0.09	0.13	0.14
Ireland	3.76	0.65	4.68	0.57	0.30	0.31
Italy	0.50	0.42	0.49	0.41	3.10	2.90
Luxembourg	0.54	0.51	0.46	0.48	0.10	0.08
Netherlands	0.62	1.63	0.97	2.20	1.25	1.22
Portugal	0.09	0.09	0.01	0.00	0.29	0.27
Spain	0.39	0.34	0.97	1.05	2.32	2.19
Eurozone	**9.45**	**1.01**	**12.03**	**3.86**	**19.65**	**19.18**
United Kingdom	**8.58**	**3.86**	**10.12**	**6.11**	**4.29**	**5.22**
Jersey Channel Islands	0.00	0.00	0.01	0.00	0.00	0.00
Poland	0.00	0.00	0.26	0.61	0.30	0.22
Switzerland	1.33	1.78	1.39	1.77	0.78	0.81
Europe non-EMU	**1.34**	**1.78**	**1.67**	**2.38**	**2.54**	**1.98**
Australia	2.07	2.71	1.99	4.10	1.63	1.33
Canada	1.50	0.78	7.33	0.60	3.51	3.48
Dollar Block	**3.57**	**3.49**	**9.33**	**4.70**	**5.34**	**4.96**
Bermuda	0.11	0.00	0.13	0.00	0.02	0.02
Cayman Islands	0.02	0.00	0.02	0.00	0.00	0.00
Israel	1.35	1.74	1.26	1.53	0.19	0.19
South Korea	-0.02	-0.20	0.14	-0.05	1.38	1.60
Taiwan	-0.09	-0.13	0.05	-0.11	0.03	0.02
Puerto Rico	0.04	0.08	0.04	0.07	0.00	0.00
Other Industrialized Countries	**1.51**	**1.56**	**1.66**	**1.45**	**5.19**	**5.29**
China	0.00	-0.11	0.08	0.03	9.66	8.64
Indonesia	0.02	0.06	0.02	0.04	0.62	0.59
India	0.00	0.09	-0.01	0.10	0.06	0.04
EM - Asia	**0.03**	**0.04**	**0.10**	**0.17**	**11.11**	**10.21**
Argentina	0.51	0.43	0.59	0.55	0.00	0.00
Brazil	2.45	1.36	2.45	1.27	0.03	0.03
Colombia	0.31	-0.00	0.29	-0.00	0.12	0.09
Mexico	1.72	3.41	1.57	3.06	0.54	0.53
Peru	0.06	0.05	0.06	0.04	0.12	0.12
Venezuela	0.08	0.00	0.07	0.00	0.00	0.00
EM - Latin America	**5.14**	**5.26**	**5.03**	**4.92**	**0.86**	**0.84**

Benchmark: Bloomberg Global Aggregate Bond Index hedged into AUD

Country exposure

Country exposure by country of risk

	31 Dec '23		31 Mar '24		31 Dec '23	
	% of Market value	% of Duration	% of Market value	% of Duration	% of Market value	% of Duration
Romania	0.39	0.78	0.63	1.23	0.20	0.17
Russia	1.12	0.39	0.92	0.31	0.00	0.00
South Africa	1.70	1.38	1.48	1.07	0.00	0.00
Turkey	1.08	0.69	0.97	0.55	0.00	0.00
Ukraine	0.01	0.00	0.01	0.00	0.00	0.00
EM - CEEMEA	**4.46**	**3.24**	**4.02**	**3.16**	**0.38**	**0.31**
EM Index Product	1.85	-0.01	1.69	-0.01	0.00	0.00
EM - Other	**1.85**	**-0.01**	**1.69**	**-0.01**	**0.00**	**0.00**
Total	**100**	**100**	**100**	**100**	**100**	**100**

Benchmark: Bloomberg Global Aggregate Bond Index hedged into AUD

Important Disclosures

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Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

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.

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.

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.

The Bloomberg Global Aggregate Bond Index hedged into AUD is an unmanaged market index representative of the total return performance of major world bond markets on a AUD hedged basis. It is not possible to invest in an unmanaged index.

Portfolio allocations and other information in the charts in this Quarterly Investment Report are based on the fund's net assets.

All $ amounts referenced are in USD and source citations are PIMCO unless stated otherwise.

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Important Disclosures

The following defined terms are used throughout the report. **Emerging market short duration instruments** includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. **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 and derivatives offset. 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. **Short duration derivatives and derivatives offsets** include: 1) derivatives with an effective duration less than one year and where the country of risk is not an emerging market country (for example, Eurodollar futures) and 2) offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position which in certain instances may exceed the actual amount owed on such positions.

The performance figures presented reflect the performance for the institutional class unless otherwise noted.

PIMCO uses an internal model for calculating effective duration, which may result in a different value for the duration of an index compared to the duration calculated by the index provider or another third party.

Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

Average coupon is the average of the coupon payments of the underlying bonds within the portfolio.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

"Bend-but-not-break" refers to credits that PIMCO would not expect to default in a credit-stressed environment.

Beta is a measure of price sensitivity to market movements. Market beta is 1.

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.

Carry is the rate of interest earned by holding the respective securities.

The terms **"cheap" and "rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

CPI is the Consumer Price Index.

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, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

Dividend yield is represented by the weighted average coupon divided by the weighted average price.

Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.

Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

Forward curve is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

Fallen angel is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

GFC is the Global Financial Crisis.

Information ratio is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

Like-duration Securities are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

LNG is Liquefied Natural Gas.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

Rising star is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

"Risk assets" are any financial security or instrument that are likely to fluctuate in price.

Risk premia is the return in excess of the risk-free rate of return an investment is expected to yield.

Roll yield is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

"Safe haven" is an investment that is expected to retain or increase in value during times of market turbulence.

"Safe Spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The **Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

Tracking error measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)

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