PIMCO

Your Global Investment Authority

PIMCO Funds:
Global Investors Series plc

MORNINGSTAR Awards 2015

2015 winner of the award for Best Fund House: Larger Fixed Income across five European countries*

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November 2015

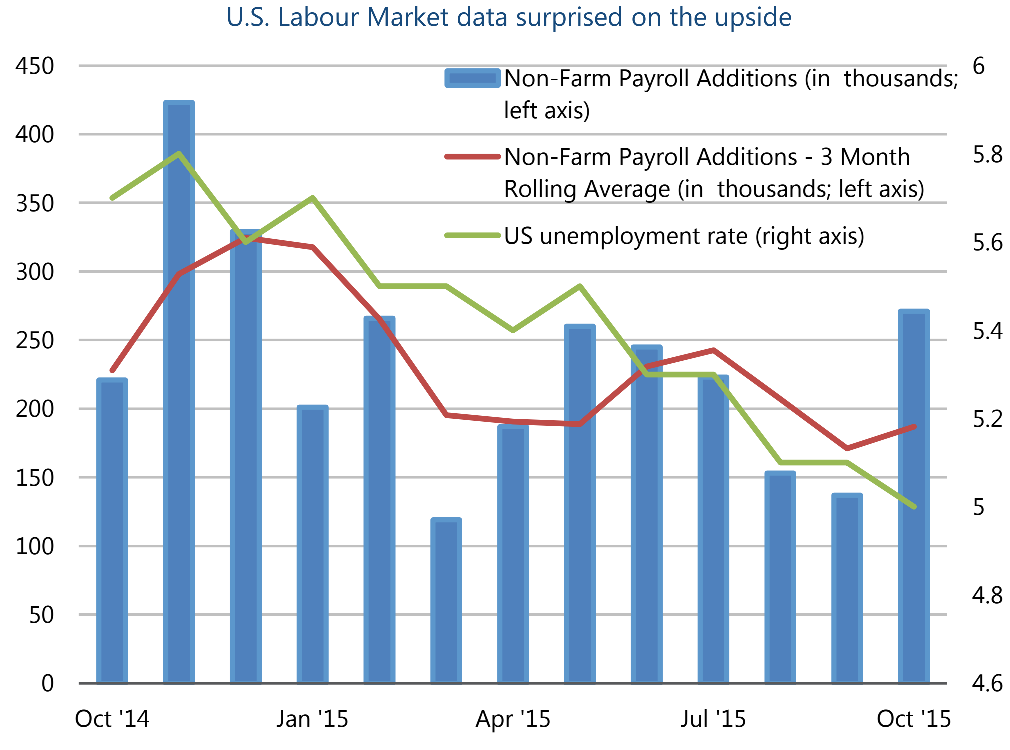
Market and Performance Review

Markets held their breath in November ahead of a largely anticipated move by the Federal Reserve on December 16th.

This month's issue examines potential implications of the impending rate hike as well as other notable developments across the globe.

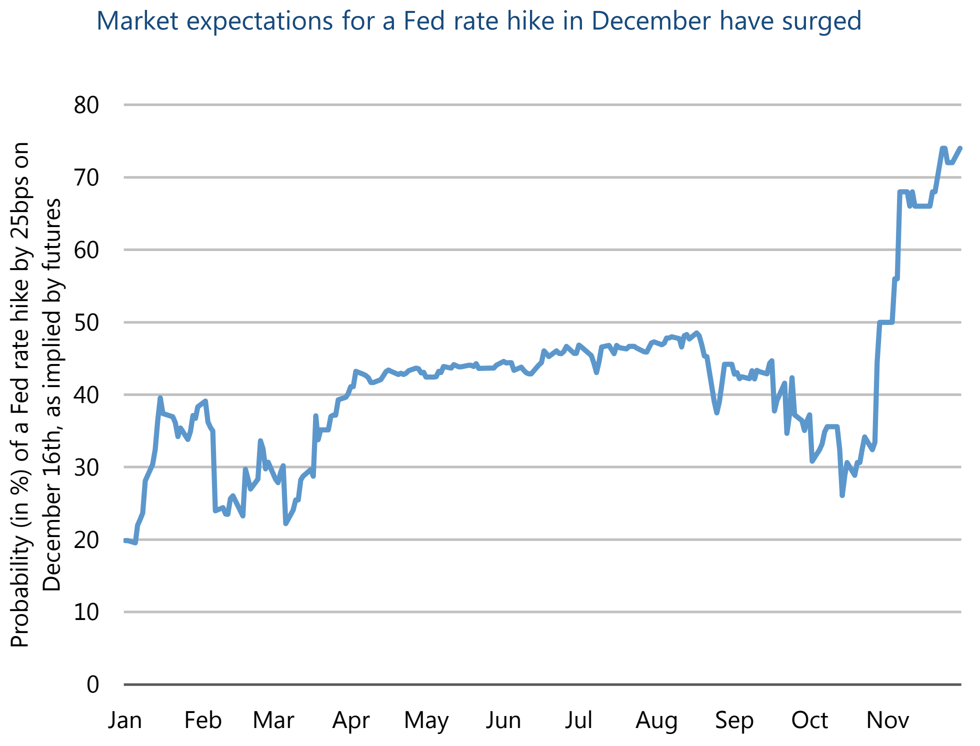
ECONOMIC DATA AND MARKETS POINT TO A FED RATE HIKE IN DECEMBER

Economic developments in the U.S. have been encouraging. Standing out was a 270,000 surge in non-farm payrolls and the associated decline in unemployment to 5.0% reported for October. Morever, there are finally signs of a pick-up in wage growth (+2.5%) as well.



Source: U.S. Bureau of Labour Statistics, Bloomberg as of 30 November 2015

The Federal Open Market Committee looks likely to sanction the first rate hike in more than nine years on 16 December. Thus, markets now price in a 74% probability of a Fed rate hike at its next meeting.

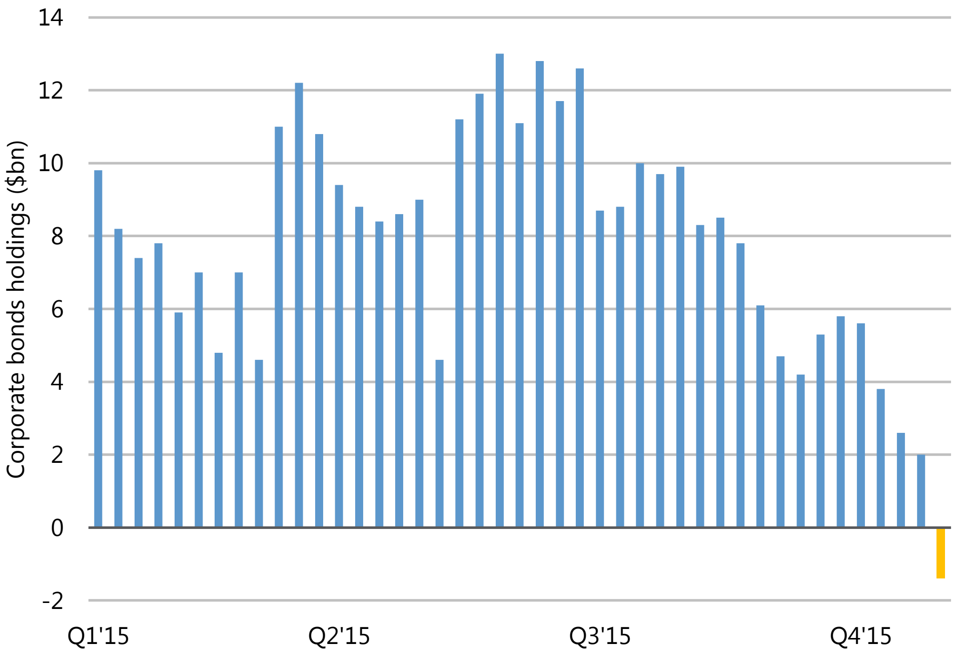


Source: Bloomberg as of 30 November 2015

THE FED'S TIGHTENING CYCLE WILL MEET RISING ILLIQUIDITY AND EM INSTABILITY

As the Fed is about to start its tightening cycle, concerns about illiquidity have been amplified. In November the inventory of corporate bonds held by the Federal Reserve's 22 primary dealers fell below zero for the first time, according to Goldman Sachs.

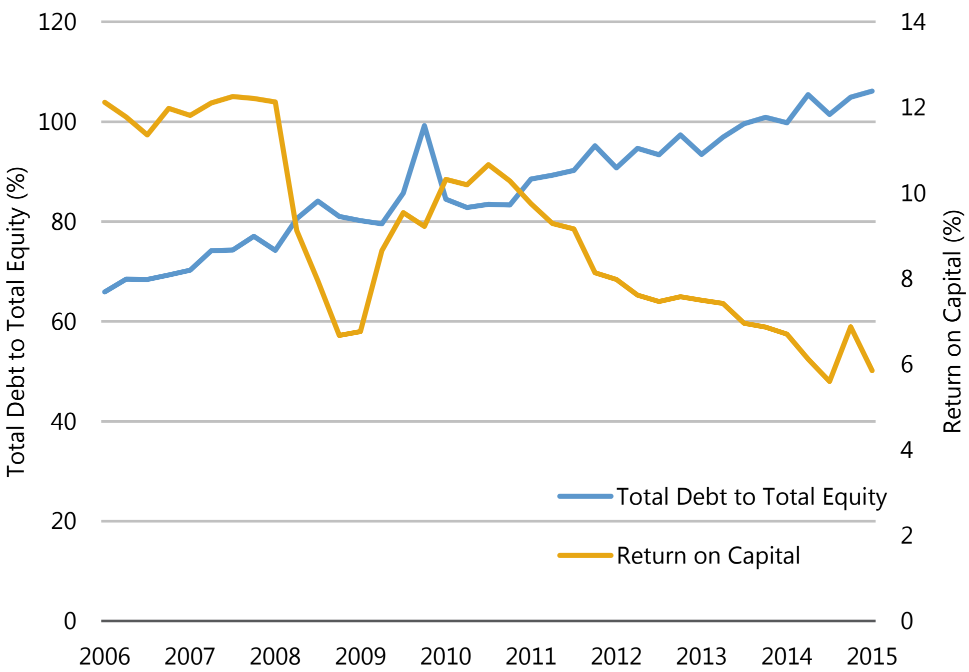
Dealers' corporate debt inventories turn negative for the first time



Source: Goldman Sachs, Bloomberg as of 30 November 2015

The upcoming Fed rate hike may also exacerbate concerns in some emerging market economies. The combination of rising debt, partially denominated in foreign currencies, and falling profits of corporates in emerging markets gives reason to worry.

Emerging market companies are finding it harder to repay loans
(Based on MSCI Emerging Markets Index)

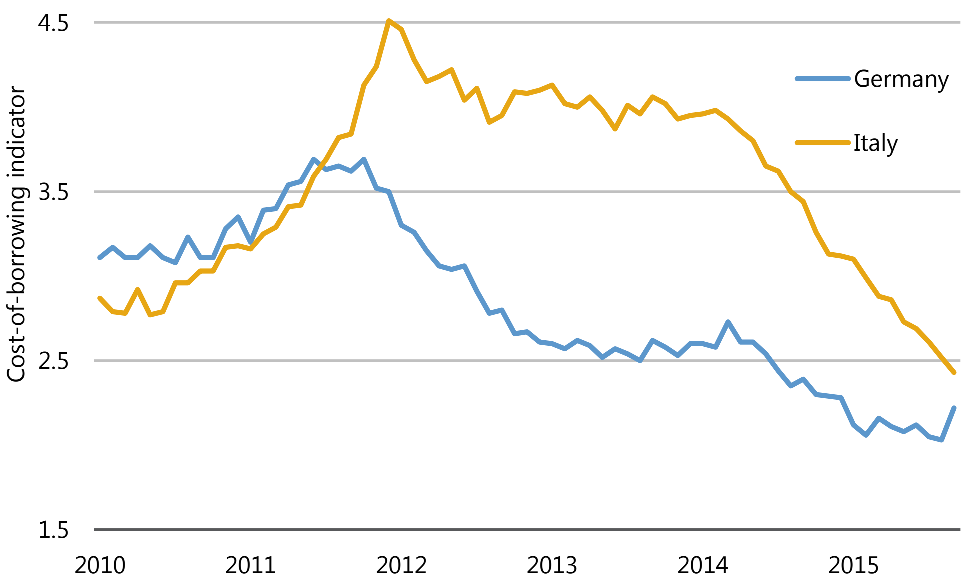


Source: Bloomberg as of 30 November 2015

EUROPEAN FINANCIAL CONDITIONS EASE AND SUPPORT FOR THE EURO IS INCREASING

The dovish policy stance of the ECB continues to have an effect. The decline in borrowing costs for Italian corporates witnessed since 2014 is one indicator of an end to the credit crunch. Indeed, overall bank lending growth to Eurozone businesses finally turned positive this year.

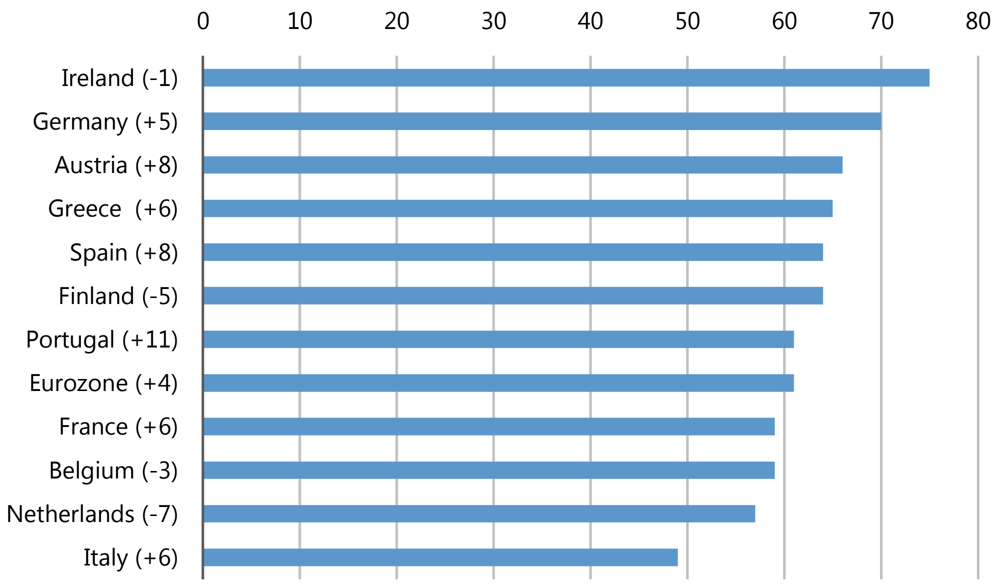
Corporates' cost of borrowing are falling across the Eurozone
(Composite cost-of-borrowing indicator for new loans to non-financial corporations)



Source: ECB as of 30 November 2015

Amid signs of economic recovery, support for Europe's single currency among those populations who use it is the highest ever recorded. Some 61% of eurozone citizens are supportive of the currency, four percentage points more than last year. Among 15 to 24-year-olds, the figure is 71%.

Support for the Euro is strengthening
(% thinking the Euro is a good thing for their country; as of Oct 2015; change since Oct 2014 shown in brackets)



Source: Eurobarometer Survey

PIMCO GIS TOTAL RETURN BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Total Return Bond Fund (Inst, Acc.)	0.00%	0.86%	0.56%	0.98%	2.83%	5.76%
Barclays U.S. Aggregate Index	-0.26%	0.88%	0.97%	1.50%	3.09%	5.19%

Source: PIMCO as of 30 November 2015. Inception date as of 31 January 1998. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Treasury Inflation-Protected Securities (TIPS) held in lieu of nominal Treasuries
- Long dollar positions against the Japanese yen
- Sector and security selection in corporate credit strategies

Detractors

- U.S. interest rate strategies, including duration, yield curve positioning and instrument selection
- Short exposure to the front-end of the U.K. yield curve

POSITIONING AND OUTLOOK

- **Interest Rate Strategies –** We are closer to neutral in duration overall, though still underweight in the U.S., as the Federal Reserve prepares to raise interest rates for the first time in nearly a decade. We remain underweight front-end of the U.S. yield curve given the potential for continued volatility as the Fed's first rate hike approaches. We still see less value in the very long-end of the curve, but have moderated the position somewhat as international developments and the potential for further accommodation by other central banks should continue to provide demand for longer-dated Treasuries. We are maintaining an overweight position to the intermediate part of the curve, which should outperform if the Fed is more aggressive in normalizing policy rates than the market expects. Elsewhere, we have exposure to core eurozone duration, which we believe will benefit from the tailwind provided by the ECB's QE purchases.
- **Mortgages –** PIMCO remains selective across the Agency MBS coupon stack, having covered our previous underweight. These provide attractive, high-quality, and diversifying sources of carry. We also continue to maintain positions in non-agency mortgages given attractive loss-adjusted yields and continued long-term fundamental improvement.
- **Corporate Bonds** – PIMCO remains selective among investment grade corporate bonds. We had previously reduced our underweight as opportunities have emerged amid spread widening during the 3rd quarter but have subsequently increased our underweight as spreads recovered more recently. The underweight position remains partially offset by select non-investment grade financial issues. We are focused on security selection and prefer companies poised to benefit from increased pricing power and industry consolidation.
- **Emerging Markets** – Increasing dispersion among EM countries is likely as growth dynamics will heighten the difference for net consumers and net producers of energy. We currently see Mexican rates as the most attractive opportunity, due to the potential for rates to converge to those in the U.S. and the country's solid fundamentals, high real interest rates and linkages to the strong U.S. economy.
- **Currency** – Though we continue to expect that divergence in economic growth and global central bank policies should provide support for a stronger dollar in the near-term, we have moderated much of our long-dollar positioning given recent favorable market moves. We still maintain a modest long-dollar bias against the Japanese yen and will also tactically express dollar strength positions using a basket of select emerging market currencies. We would note that we will adjust exposures as market conditions warrant, particularly as the dollar's trajectory will likely not be as

smooth as it had been the recent months.

- **Municipals and Treasury Inflation-Protected Securities (TIPS)** – PIMCO maintains its taxable municipal positioning, as the sector offers attractive yields relative to similar Treasuries. PIMCO prefers revenue bonds, including taxable Build America Bonds ("BABs"), to tax-backed general obligation bonds. We maintain a position in TIPS as inflation expectations embedded in markets appear far too depressed in light of the Fed's goal to reflate the U.S. economy. Despite the recent decline in breakeven rates alongside falling commodity prices, we continue to believe inflation should move towards the Fed's target. The base effect, underlying trends in core components, and the potential for wage pressures as the labor market continues to tighten should all be supportive of this position going forward.

PIMCO GIS EURO BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Euro Bond Fund (Inst, Acc.)	0.75%	1.82%	2.46%	5.63%	6.69%	5.02%
Citi Euro Broad Investment-Grade Index	0.47%	2.00%	2.83%	5.28%	5.76%	4.90%

Source: PIMCO as of 30 November 2015. Inception date as of 31 December 1998. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Eurozone core interest rate positioning as yields rallied in anticipation of further easing from the ECB
- An overweight to peripheral bonds as spreads continued to tighten vs German Bunds
- An underweight to the euro contributed as the currency depreciated relative to the U.S. dollar, as the latter benefitted from strong non-farm payroll numbers
- A long position in U.S. CPI inflation break-evens, as inflation expectations rose

Detractors

- A contribution from an underweight to U.S. duration was more than offset by losses arising from instrument selection as U.S. swap spreads continued to compress into November
- An underweight to UK duration as yields declined on the back of a dovish BoE that downgraded its inflation forecast

POSITIONING AND OUTLOOK

- For the eurozone, our baseline forecast is of economic growth of 1.5% to 2.0% over the next four quarters with inflation in a range of 1% to 1.5%. This baseline also represents a modest pickup in growth and inflation relative to the paces recorded in recent quarters
- In rates, we continue to see value in intermediate maturities which do not fully discount the possibility of a QE extension beyond Sep 2016 and offer the best carry opportunities. We remain underweight short maturities which are trading at negative yields, and are also underweight longer maturities.
- We remain overweight Italy and Spain as a source of incremental yield. Positive growth, low inflation and supportive monetary policy provide a stable backdrop for peripheral spreads.
- In the corporate sector, we are looking outside of Europe, and particularly in the U.S., where we believe the recent spread widening relative to Europe provides investors with better risk rewards.
- In currencies, we continue to maintain an underweight bias to the euro versus the U.S. dollar. However, in the context of portfolio construction, we focus our attention on position sizing that has to acknowledge the fact that the euro has been developing a price behaviour that is positively correlated to other risk assets.

PIMCO GIS GLOBAL ADVANTAGE FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Advantage Fund (Inst, Acc.)	-1.40%	-5.67%	-7.78%	-2.91%	0.63%	2.83%
Global Advantage Bond Index (GLADI)	-1.69%	-5.39%	-7.55%	-3.22%	0.63%	2.55%

Source: PIMCO as of 30 November 2015. Inception date as of 9 June 2009. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Overweight to core duration in Europe, as Draghi signalled additional potential easing action at the upcoming December ECB meeting
- Overweight to duration in Spain as the ECB hinted to further easing action to address ongoing weak inflation expectations
- An underweight to the euro contributed as the currency depreciated relative to the U.S. dollar, as the latter benefitted from a strong Nonfarm Payrolls print
- A long position in U.S. CPI inflation break-evens, as inflation expectations rose

Detractors

- A contribution from an underweight to U.S. duration was more than offset by losses arising from instrument selection as U.S. swap spreads continued to compress into November
- An underweight to UK duration as yields declined on the back of a dovish BoE that downgraded its inflation forecast
- U.S. High Yield exposure detracted as sector spreads widened

POSITIONING AND OUTLOOK

- In line with our New Neutral thesis, and as a result of a larger degree of uncertainty around the global growth outlook, we aim to run a flat duration position to the benchmark. That said we have tactically shifted to a modest underweight to duration as strong U.S. data should entice the Fed to hike in its December meeting.
- In the U.S. we are positioned for a long end curve steepening, as a result of a flat term premium that we believe is not justified given the supportive economic landscape. This position is partially offset by a short-end flattener that would benefit in a rate hike environment with a lower terminal Fed Funds rate.
- We believe that the recent fall in inflation expectations is overdone and thus prefer real duration over nominal. In light of this, TIPS have become more attractively priced and a good issue selection opportunity.
- In Europe we believe that the probability of further QE from the ECB is high; in light of this we have scaled down our long-end underweight as additional easing action may push investors further out of the maturity spectrum. The fund still favours the periphery over Europe's core.
- Corporate bonds look attractive given the increase in spreads this year. We continue to emphasize the financial sector, but are increasingly finding opportunities in the industrials sector as well. We continue to believe that non-agency mortgage-backed instruments trade at attractive valuations.
- Looking at EM, we remain very tactical in Brazilian and Mexican local duration as we remain cautious during this run-up phase to Fed lift-off.
- We continue to favour the U.S. dollar over a diversified foreign exchange basket that includes the euro, the Australian dollar and a number of Asian currencies.

PIMCO GIS GLOBAL BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Bond Fund (Inst, Acc.)	0.25%	1.49%	2.04%	3.34%	5.54%	5.97%
Barclays Global Aggregate (USD Hedged)	0.05%	1.29%	1.82%	2.89%	3.83%	5.17%

Source: PIMCO as of 30 November 2015. Inception date as of 12 March 1998. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Overweight to core duration in Europe, as Draghi signalled additional potential easing action at the upcoming December ECB meeting
- Overweight to duration in Spain as the ECB hinted to further easing action to address ongoing weak inflation expectations
- An underweight to the euro contributed as the currency depreciated relative to the U.S. dollar, as the latter benefitted from a strong Nonfarm Payrolls print
- A long position in U.S. CPI inflation break-evens, as inflation expectations rose

Detractors

- A contribution from an underweight to U.S. duration was more than offset by losses arising from instrument selection as U.S. swap spreads continued to compress into November
- An underweight to UK duration as yields declined on the back of a dovish BoE that downgraded its inflation forecast
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- In the U.S. we are positioned for a long end curve steepening, as a result of a flat term premium that we believe is not justified given the supportive economic landscape. This position is partially offset by a short-end flattener that would benefit in a rate hike environment with a lower terminal Fed Funds rate.
- We believe that the recent fall in inflation expectations is overdone and thus prefer real duration over nominal. In light of this, TIPS have become more attractively priced and a good issue selection opportunity.
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- Corporate bonds look attractive given the increase in spreads this year. We continue to emphasize the financial sector, but are increasingly finding opportunities in the industrials sector as well. We continue to believe that non-agency mortgage-backed instruments trade at attractive valuations.
- We continue to favour the U.S. dollar over a diversified foreign exchange basket that includes the euro, the Australian dollar and a number of Asian currencies.

PIMCO GIS GLOBAL BOND (EX-US) FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Bond (ex-US) Fund (Inst, Acc.)	0.62%	1.34%	2.46%	4.51%	6.24%	5.46%
Citi World Government Bond Ex-U.S. Index (USD Hedged)	0.28%	1.84%	3.00%	4.33%	4.50%	4.30%

Source: PIMCO as of 30 November 2015. Inception date as of 31 March 2003. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Overweight to core duration in Europe, as Draghi signalled additional potential easing action at the upcoming December ECB meeting
- Overweight to duration in Spain as the ECB hinted to further easing action to address ongoing weak inflation expectations
- An underweight to the euro contributed as the currency depreciated relative to the U.S. dollar, as the latter benefitted from a strong Nonfarm Payrolls print
- A long position in U.S. CPI inflation break-evens, as inflation expectations rose

Detractors

- A contribution from a short U.S. duration position was more than offset by losses arising from instrument selection as U.S. swap spreads continued to compress into November
- An underweight to UK duration as yields declined on the back of a dovish BoE that downgraded its inflation forecast

POSITIONING AND OUTLOOK

- In line with our New Neutral thesis, and as a result of a larger degree of uncertainty around the global growth outlook, we aim to run a flat duration position to the benchmark. That said we have tactically shifted to a modest underweight to duration as strong U.S. data should entice the Fed to hike in its December meeting.
- In the U.S. we are positioned for a long end curve steepening, as a result of a flat term premium that we believe is not justified given the supportive economic landscape. This position is partially offset by a short-end flattener that would benefit in a rate hike environment with a lower terminal Fed Funds rate.
- We believe that the recent fall in inflation expectations is overdone and thus prefer real duration over nominal. In light of this, TIPS have become more attractively priced and a good issue selection opportunity.
- In Europe we believe that the probability of further QE from the ECB is high; in light of this we have scaled down our long-end underweight as additional easing action may push investors further out of the maturity spectrum. The fund still favours the periphery over Europe's core.
- Corporate bonds look attractive given the increase in spreads this year. We continue to emphasize the financial sector, but are increasingly finding opportunities in the industrials sector as well. We continue to believe that non-agency mortgage-backed instruments trade at attractive valuations.
- We continue to favour the U.S. dollar over a diversified foreign exchange basket that includes the euro, the Australian dollar and a number of Asian currencies.

PIMCO GIS LOW AVERAGE DURATION FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Low Average Duration Fund (Inst, Acc)	-0.07%	0.68%	0.20%	0.69%	1.59%	3.06%
BAML 1-3 Year U.S. Treasury Index	-0.25%	0.64%	0.39%	0.55%	0.68%	2.27%

Source: PIMCO as of 30 November 2015. Inception date as of 5 December 2002. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- U.S. nominal interest rate positioning benefited performance as interest rates increased during the month
- Holdings of U.S. TIPS benefited performance as breakeven inflation rates increased
- Long dollar positions, primarily versus the yen, benefited performance

Detractors

- Exposure to investment grade and high yield credit detracted from performance as spreads widened
- Select holdings of Agency MBS detracted from performance

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – PIMCO will remain defensive against U.S. interest rate risk as we see potential for front-end volatility emanating from likely Fed rate hikes in late 2015. We see more opportunities outside the United States, where business cycles may anchor rates for a considerable period. In Europe, we see selective opportunities in sovereign debt. We believe the ECB will keep monetary policy accommodative for an extended period of time as it combats deflationary forces arising from ongoing fiscal tightening and still-constrained credit conditions.
- **TIPS** – PIMCO will hold U.S. Inflation Protected Securities (TIPS) as an attractive form of high quality, defensive duration. We believe the market currently underestimates the Fed's ability and commitment to reflating the U.S. economy.
- **Mortgages** – We are allocating to high quality securitized debt, such as Agency MBS and CMBS, as the sector provides modest spreads over Treasuries, though we remain cautious due to the potential effects from the reduction in Fed purchases and reinvestments. These exposures may also serve as a hedge during a flight to quality. In select instances, we hold small positions in investment grade, non-Agency MBS as the sector provides attractive yields and potential for optimal risk-adjusted returns.
- **Corporate Bonds** – PIMCO will maintain modest exposure to high quality corporate credits, as these securities provide attractive spreads over Treasuries. We believe that select names in the financial sector offer attractive risk-adjusted returns, given the changes to the regulatory landscape for banks. We are also investing in non-cyclical sectors that have the potential to generate an attractive yield in a modest growth environment.
- **Emerging Markets** – As the pace of economic growth in the developing world slows, PIMCO will become more selective in EM allocations. In emerging markets, an increasingly diverse opportunity set, we are focused on countries such as Mexico and Brazil, which have strong fundamentals and high real interest rates.
- **Currency** – Divergent central bank policies and economic growth are creating opportunities in the currency markets. This has led to opportunities to be long the U.S. dollar versus the euro, yen and a basket of EM currencies, which are under pressure from central bank easing and the potential for additional measures. Currency positions will continue to be small in order to minimize the impact on the portfolio's volatility.

PIMCO GIS DIVERSIFIED INCOME FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Diversified Income Fund (Inst, Acc.)	-0.51%	1.10%	-1.27%	1.75%	5.03%	6.55%
Equally weighted blend of the following three indices: Barclays Global Aggregate Credit Component ex Emerging Markets, USD Hedged; BofA Merrill Lynch Global High Yield, BB-B Rated Constrained Developed Markets Index, USD Hedged; and JPMorgan EMBI Global, USD Hedged	-0.31%	1.57%	0.12%	2.53%	5.56%	6.34%

Source: PIMCO as of 30 November 2015. Inception date as of 30 June 2005. **Past performance is no guarantee of future results.**

MAIN RELATIVE PERFORMANCE DRIVERS

Contributors

- Our relative currency positioning benefitted from market expectations of a FED action in December

Detractors

- Exposure to high yield, where Telecom and Energy related investments suffered in particular
- EM selection, in particular underweights to a Kazakh quasi-sovereign issuer and Ukraine which both saw their debt rally over the month

POSITIONING AND OUTLOOK

- The fund continues to generate attractive carry with total return upside from a highly diversified portfolio of global credits
- We are overweight banks as they continue to de-lever; but shift out focus towards higher layers of the capital structure as valuations in the lower brackets get rich
- Within our spread strategy, we favour peripheral spreads, as ECB should continue to compress peripheral spreads versus core
- Select EM credits suggest relative value at current levels, but elevated market volatility warrants caution. We expect to continue to be tactical in the coming months.
- We continue to believe that a low default rate environment is supportive for HY and favour high-quality BB, secured-debt and rising stars which offer attractive carry income and the potential for further spread tightening. The recent sell-off creates opportunities in selected credits where we see long-term value
- We maintain exposure to US non-agencies. PIMCO views non-Agency mortgage-backed securities favourably due to their attractive yields and downside protection
- Maintain tactical non-USD FX exposure, where we see relative value vs the USD. We have short positions in AUD, BRL, EUR, MXN and JPY as well as in a basket of Asian currencies, including CNY, MYR, KRW, SGD, THB and TWD where we see potential for devaluations.

PIMCO GIS DIVERSIFIED INCOME DURATION HEDGED FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Diversified Income Duration Hedged Fund (Inst, Acc.)	-0.35%	-0.35%	-3.34%	0.54%	-	2.73%
Equally weighted blend of the following three indices, at constant 0.25 year duration, as calculated by PIMCO: Barclays Global Aggregate Credit Component ex Emerging Markets, USD Hedged; BofA Merrill Lynch Global High Yield, BB-B Rated Constrained Developed Markets Index, USD Hedged; and JPMorgan EMBI Global, USD Hedged	-0.35%	-0.86%	-2.50%	1.22%	-	2.15%

Source: PIMCO as of 30 November 2015. Inception date as of 31 May 2011. **Past performance is no guarantee of future results.**

MAIN RELATIVE PERFORMANCE DRIVERS

Contributors

- Our relative currency positioning benefitted from market expectations of a FED action in December

Detractors

- Exposure to high yield, where Telecom and Energy related investments suffered in particular
- EM selection, in particular underweights to a Kazakh quasi-sovereign issuer and Ukraine which both saw their debt rally over the month

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PIMCO GIS GLOBAL HIGH YIELD BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global High Yield Bond Fund (Inst, Acc.)	-1.39%	0.76%	-0.20%	3.90%	6.24%	6.83%
BofA Merrill Lynch BB-B Rated Developed Markets High Yield Hedged USD Index	-1.21%	0.45%	-0.44%	4.12%	6.76%	7.11%

Source: PIMCO as of 30 November 2015. Inception date as of 30 June 2005. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An underweight to the metals and mining sector as the sector continued to experience pressure following the decline in commodities

Detractors

- Exposure to a U.S. telecom company which posted a net loss for its quarterly results
- Security selection within the pharmaceutical sector detracted as select issuers posted weak third quarter results
- An overweight to US versus Europe as US High Yield underperformed the European High Yield market

POSITIONING AND OUTLOOK

- Apart from the commodity related sectors, default rates are expected to remain low and recoveries elevated, leading to minimal default losses for the foreseeable future. Balance sheets remain strong and cash balances are relatively high. Though headline leverage has increased for public high yield companies, if commodity-related sectors are removed, leverage has remained relatively flat in the last couple of years for the rest of the market and coverage ratios are strong given declining cost of debt. Importantly, from a valuation standpoint, spreads in excess of default losses are above long-term averages.
- At the same time, as a risk asset, high yield remains sensitive to volatility from macro headlines. Despite their traditionally negligible correlation to treasuries the potential for volatility as the Fed's first rate hike approaches could adversely impact the high yield market. As a result, broadly, we plan to continue to maintain a defensive approach in our high yield strategies with sufficient liquidity due to potential macroeconomic headwinds.
- PIMCO favors healthcare/pharmaceuticals, and cable, which have high quality underlying assets and high barriers to entry while we remain guarded against the energy and mining sectors, which generally have longer-term demand challenges and are dependent on volatile commodity prices.

PIMCO GIS GLOBAL INVESTMENT GRADE CREDIT FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Investment Grade Credit Fund (Inst, Acc.)	-0.12%	1.22%	0.54%	2.77%	5.06%	6.33%
Barclays Global Aggregate Credit Index (USD Hedged)	0.09%	0.53%	0.61%	2.57%	4.40%	5.31%

Source: PIMCO as of 30 November 2015. Inception date as of 18 April 2008. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An overweight to the banking sector mainly through the subordinated part of the capital structure which outperformed on strong quarterly results
- An underweight to a select emerging market company which underperformed on an operational accident

Detractors

- An overweight to the independent E&P sector which underperformed as the commodity environment remained challenged
- An overweight to a U.S. telecom company which posted a net loss for its quarterly results
- An overweight to the gaming sector which underperformed upon continued concerns

POSITIONING AND OUTLOOK

- PIMCO believes that the economic expansion will likely keep defaults low as credit markets tend to do well in economic expansions and poorly in recessions. In the U.S. credit spreads are near their "sweet spot" given the market is in an economic expansion. Importantly, spreads today look attractive relative to their historical levels and in light of today's economic growth rate.
- In a higher interest rates environment, technicals are expected to improve as new corporate bond issuance should decline while demand for credit-related assets should increase due to higher yields. In addition, historically credit markets tend to outperform after Fed rate hikes with tighter credit spreads as soon as six months after the first rate hike and we think this time will not be different.
- At current valuations, we view the credit market as attractive, given our outlook for supportive economic growth and low defaults. Any credit spread widening or market volatility that occurs around anticipated Fed rate hikes should provide attractive entry points for investors in the credit markets.
- We continue to favour consumer cyclical sectors in the U.S. including the gaming, airlines and lodging sectors which benefit from a recovery in consumption. PIMCO also believes that household formation will pick up given strong job growth and as such we remain focused on housing and housing related sectors such as the building materials sector.
- Conversely PIMCO continues to be underweight the utility sector given reduced growth prospects and political/regulatory risks. We also continue to avoid companies facing re-leveraging risk as modest longer-term growth profiles in industries like the Food & Beverage sector drive issuers to focus more on M&A growth.

PIMCO GIS CAPITAL SECURITIES FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Capital Securities Fund (Inst, Acc.)	0.53%	4.94%	4.28%	-	-	7.78%
3-Month USD Libor	0.03%	0.26%	0.28%	-	-	0.26%

Source: PIMCO as of 30 November 2015. Inception date as of 31 July 2013. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Long exposure to the Additional Tier 1 bonds of European banks which outperformed on strong quarterly results
- Long exposure to select Tier 2 debt issued by a UK domiciled bank as the bank continued to show strong earnings and a strong balance sheet
- Long exposure to select emerging market quasi-sovereigns which continued to recover following the recent sell off and recovery in the sovereign situation

Detractors

- Buy protection positions on the CDX Itraxx Subordinated Financials Index as spreads tightened

POSITIONING AND OUTLOOK

- PIMCO remains supportive of investing in capital securities alongside strong fundamentals and attractive valuations. Build-up in capital ratios continues with all global banks now above 10% Basel III CET1 ratios. Furthermore new leverage requirements, a tighter definition of capital ratios and the ongoing review of various risk models will maintain upward pressure on bank capital buffers. Technicals are likely to improve as supply pressure on AT1s issued by EU banks is expected to recede. In addition CoCo and AT1s offer spreads which are 2-3x on average the spread of straight Tier 2 subordinated debt, making their valuations more attractive.
- Fundamentals continue to improve with banks nowhere close to a re-leveraging cycle. PIMCO expects further improvements in balance sheets; improvements in asset quality and normalization of loan loss provisions signal a positive outlook for the European banking system.
- We expect supply pressures on AT1s to diminish as approximately EUR 70bn of AT1s have been issued since 2013 and EU banks are more than 50% done to meet Basel III requirements by 2019. This compares to EUR 60bn of legacy T1s which are coming up for call over the same period.
- Subordination premia remains high and valuations across the capital structure are heavily dislocated, offering exciting relative value opportunities. T2 CoCo and AT1s offer an attractive yield and the potential for price appreciation alongside improvements in fundamentals.

PIMCO GIS CREDIT ABSOLUTE RETURN FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Credit Absolute Return Fund (Inst, Acc.)	-1.07%	-2.47%	-3.99%	0.27%	-	2.49%
3-Month USD Libor	0.03%	0.26%	0.28%	0.27%	-	0.32%

Source: PIMCO as of 30 November 2015. Inception date as of 14 October 2011. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Short exposure to the metals and mining sector which continued to experience pressure following the decline in commodities

Detractors

- Long exposure to a select independent E&P company which underperformed following disappointing third quarter earnings
- Long exposure to a U.S. telecom company which posted a net loss for its quarterly results
- Long exposure to the gaming sector which underperformed upon continued concerns

POSITIONING AND OUTLOOK

- The Fund continues to be constructive on the U.S. housing market, investments in non-agency MBS and building materials. Housing related sectors benefit from strong job growth and consumer confidence as more jobs and higher incomes should lead to rising demand for homes. Low inventories and rising pent-up demand will also add to the favourable dynamics as the U.S. has been under-building when compared to long-term demand.
- The wireless tower industry is also favoured. The last decade has seen the U.S. wireless telecom industry consolidate and the industry is now dominated by four large players. The industry will need additional funding for spectrum purchases in 2016 but barriers to entry for new competitors remain high, requiring a significant portfolio of wireless spectrum licenses; limited supply and secular growth in the demand for mobile data services will benefit the industry for years to come.
- We are maintaining our short exposure to the global technology sector as companies in the sector are holding a substantial amount of cash and activist shareholders are increasingly pressuring them to release that cash to equity holders. The Fund also maintains short exposure to the independent E&P, metals & mining and oilfield service sectors on the back of continued demand weakness from China leading to declining commodity prices.

PIMCO GIS UNCONSTRAINED BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Unconstrained Bond Fund (Inst, Acc.)	0.25%	-2.14%	-2.94%	-0.72%	0.97%	2.52%
1-Month Libor Index	0.02%	0.17%	0.18%	0.18%	0.20%	0.24%

Source: PIMCO as of 30 November 2015. Inception date as of 15 December 2008. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Select positions in Europe, including peripherals
- A short duration position in US rates
- Financial corporate holdings, both HY and IG
- Select non-agency MBS exposure
- Short Asian currency basket exposure
- Short BRL currency exposure

Detractors

- Local rate exposure in Brazil

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** – The fund remains short U.S. interest rate exposure focused on short-dated maturities in anticipation of potential Fed tightening. Although we expect the Fed to keep a gradual approach to rate hikes, we believe the markets are pricing in too slow a cycle. To complement this short duration exposure, the fund has added a modest steepening bias on the US rates curve, taking a long position in 5yr rates and a short position in 30yr rates. Outside of the US, the fund is focused on relative value opportunities across global rates markets. We maintain long exposure in EU peripherals (Italy) as we see further potential for spread compression owing to the ECB's QE programme. As explained below, the fund is also long local market duration in Mexico and Brazil.
- **Treasury Inflation-Protected Securities (TIPS)** – The fund continues to hold a long position in intermediate TIPS as part of a reflation theme. PIMCO believes inflation protection is attractively priced as intermediate maturity inflation breakeven spreads are well below the target of Federal Reserve and will likely benefit from ongoing strong employment dynamics and potential wage pressures.
- Mortgages – PIMCO will hold non-Agency mortgages, as mortgage credit continues to offer attractive loss-adjusted yields relative to other spread sectors and US housing market remains well supported by broader economic growth and favourable financial conditions. PIMCO maintains a modest short exposure to select Agency mortgage-backed securities, as we anticipate potential negative effects on this sector amid increasing supply.
- **Corporate Bonds** – The fund maintained its corporate positioning as PIMCO expects the risks of a near-term tail event to remain relatively low as global financial conditions remain stimulative. PIMCO remains positive on the European financial sector - where issuers continue to bolster their capital buffers - and on other sectors tied to the U.S. recovery, such as consumer finance companies. The fund will keep a part of its high yield corporate exposure in broad market CDS indexes for enhanced liquidity.
- **Emerging Markets** – We have a cautious stance on emerging market risk and continue to evaluate our EM positions in the context of both technical and fundamental factors, especially amid monetary policy shifts in the developed markets. PIMCO sees Mexico as an emerging economy with solid fundamentals and high real interest rates; hence the fund keeps exposure to government bonds. The fund also maintains exposure to Brazilian local

interest rates as we find them attractive given attractive medium term real yields.

- **Currency** – We continue to see enhanced opportunities in the currency markets, due to potentially diverging monetary policy in developed markets and increased differentiation between emerging economies. We maintain a long bias in the U.S. dollar versus a short to the Chinese RMB as well as a basket of Asian currencies.

PIMCO GIS INCOME FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Income Fund (Inst, Acc.)	0.00%	3.77%	2.57%	7.40%	-	7.40%
Barclays U.S. Aggregate Index	-0.26%	0.88%	0.97%	1.50%	-	1.50%

Source: PIMCO as of 30 November 2015. Inception date as of 30 November 2012. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Holdings of securitized debt, primarily in CMBS and non-Agency MBS, benefited performance
- Underweights to the euro and yen benefited performance as both currencies appreciated versus the U.S. dollar
- Exposure to emerging market debt, primarily in Russia, benefited performance

Detractors

- Exposure to high yield credit detracted from performance as spreads widened
- Exposure to Australian duration detracted from performance as interest rates generally increased during the month

POSITIONING AND OUTLOOK

- **Interest Rate Strategies** –The Fund will emphasize high quality countries that we view as having strong balance sheets, such as Australia. We remain concentrated in the intermediate portion of the yield curve where we see the most attractive opportunities.
- **Mortgages** – PIMCO views non-Agency mortgage-backed securities favourably due to their attractive yields and downside protection. PIMCO generally views Agency mortgages as fully priced given the influence of central bank purchases and will look to maintain a modest exposure to Agency mortgages.
- **ABS** – PIMCO views Asset-Backed Securities (ABS) as an attractive source of high quality spread. We prefer securities that benefit from government support and favourable long-term supply-demand technicals, such as student loans and personal loans.
- **Corporate Bonds** – PIMCO will continue to be selective on credit risk in the portfolio due to recent bouts of volatility. The Fund remains judicious in allocations to investment grade and high yield credit, preferring to take exposure through credit derivatives due to their more attractive liquidity profile, and focusing on securities near the top of the capital structure, providing greater downside protection.
- **Emerging Markets** – The Fund plans to retain exposure to corporate and quasi-sovereign bonds in select countries with strong initial conditions and high quality balance sheets such as Brazil, Mexico and Russia.
- **Currency** – Currency positions will continue to be small in order to minimize the impact on the portfolio's income stream. The Fund is maintaining an underweight position to the euro, yen and Australian dollar, which continue to be under pressure from active central bank policies.
- **Strategic Cash** – The Fund is maintaining a significant cash allocation, reducing its sensitivity to interest rate changes as well as providing additional flexibility to potentially deploy capital opportunistically.

PIMCO GIS EURO INCOME BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Euro Income Bond Fund (Inst., Acc)	0.54%	1.48%	0.54%	4.55%	-	5.76%
Barclays Euro Aggregate 1-10 Year Bond Index	0.53%	1.51%	1.92%	3.96%	-	5.07%

Source: PIMCO as of 30 November 2015. Inception date as of 28 February 2011. **Past performance is no guarantee of future results.**

MAIN ABSOLUTE PERFORMANCE DRIVERS

Contributors

- EUR duration as rates came down on signals from the ECB on potential additional easing measures in December
- Exposure to selected Greek government and government related credits
- Currency positioning, as the USD appreciated against most shorts over the period on market expectations of a potential Federal Reserve rate hike in December

Detractors

- No significant absolute detractors over the month

POSITIONING AND OUTLOOK

- Overall duration position remains unchanged at 4.16yrs. In EUR we slightly added to our exposure at the front-end of the curve, while reducing duration in selected intermediate parts and at the long-end of the curve.
- Within high-yield, we remain selective focusing on the relatively safer carry provided by higher quality BB-rated bonds, 1st lien secured debt and rising stars.
- We continue to like bank capital securities on account of attractive valuations, improving earnings for banks and a regulatory regime that is driving long-term structural deleveraging. We may consider adding on weakness in selected names.
- We continue to retain our holdings in US non-agency RMBS given our positive outlook on the sector due attractive yields, a favourable technical backdrop and continued tailwinds from housing.
- Within EM we retain a small exposure to a basket of select, mostly quasi-sovereign, credits that benefit from strong liquidity, limited financing needs and an ability to reduce cash costs to preserve liquidity.

  In FX, we maintain tactical short positions in a basket of Asia Pacific currencies vs the US dollar, which we expect to weaken in line with the Chinese Renminbi. We retain an underweight to the JPY but reduced it from 2% to 1%.

PIMCO GIS STRATEGIC INCOME FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Strategic Income Fund (Inst., Acc)	-0.64%	-0.46%	-1.36%	-	-	4.26%
75% Barclays Global Aggregate Index Hedged USD / 25% MSCI All Country World Index	-0.17%	1.00%	0.90%	-	-	4.33%

Source: PIMCO as of 30 November 2015. Inception date as of 16 December 2013. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- Our holdings of European RMBS benefitted from market expectations of further ECB easing
- Our relative currency positioning benefitted from market expectations of a FED action in December

Detractors

- An overweight to equities versus fixed income deducted as global equities underperformed IG Credit (MSCI ACWI -0.83% versus Barclays Global Aggregate Index +0.05% over the month)
- Exposure to US high yield, driven by spread widening on a more cautious sentiments around commodities and issuer/sector specific news
- EM holdings, in particular local exposure in Asia and Latin America

POSITIONING AND OUTLOOK

- Relative to the benchmark, we are overweight equities at 34%. We see our relative overweight in equities supported by the incremental value and yield opportunities the team has found
- Our fixed income exposure is diversified across a broad range of sectors and global regions
  - We continue to emphasize exposure to non-agency mortgages as they have attractive base case yields and the potential for capital appreciation if housing prices continue to appreciate
  - We diversified our duration exposure outside of the U.S. by investing in high quality, Australian securities but also tactically in Brazil. In addition, we take tactical short positions if we see the potential for short-term corrections
  - The Fund plans to retain Emerging Market exposure to corporate and quasi-sovereign bonds in select countries with strong initial conditions and high quality balance sheets such as Brazil, Mexico, Russia
- Within equities the portfolio is globally diversified across countries and sectors
  - Developed equities at 32.2%, emerging market equities at 2.2%
  - We are focused on valuation discipline given risks among higher yielding stocks globally that carry more interest rate sensitivity

PIMCO GIS DIVIDEND AND INCOME BUILDER FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Dividend and Income Builder Fund (Inst., Inc.)	-1.87%	-6.35%	-7.35%	5.00%	-	7.14%
75% MSCI All Country World Index/25% Barclays Global Aggregate Index (USD Unhedged)	-1.03%	-1.19%	-2.79%	6.36%	-	8.45%

Source: PIMCO as of 30 November 2015. Inception date as of 14 December 2011. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- **G8 Education** – A daycare owner and operator located in Australia, G8 rallied during the month as the company declined to pay a higher premium for a proposed acquisition. A key growth strategy going forward will include acquisitions which will allow the company to use its scale and organization to accrete value. Investors will look to G8 to be disciplined on price.
- **NN Group** – The Dutch insurance company, formerly an arm of ING rallied during November as earnings came in well above consensus estimates. During the third quarter, NN Group protected margins and bought back shares as parent company ING continues to sell out of its ownership position.

Detractors

- **Targa Resources** – The U.S. natural gas pipeline company announced it would acquire its related MLP. The stock sold off in reaction, based on concerns for future dividend growth if commodity prices are flat beyond 2016. We believe the transaction is an important step in allowing Targa to compete over the long term, sustainably grow its business and maintain its dividend in a depressed commodity environment.
- **Qualcomm** – The U.S manufacturer of digital wireless communications equipment was down in November as uncertainty regarding a deal with China increased. Qualcomm's ability to monetize their intellectual property in China will be a big driver of future growth. We see long-term growth for the company as negotiations with China continue and its chipset business improves.

POSITIONING AND OUTLOOK

- After strong performance in 2013 and 2014, the global equity market in 2015 is no longer cheap, but we do not believe valuations are stretched as long as the economic recovery stays on track and interest rates stay low.
- Our outlook for the U.S. economy is relatively positive as household finances and confidence are improving. Monetary easing in Europe and Japan also continue to support equity markets in those regions.
- During the second half of this year, market volatility associated with Chinese equity market and economic instability led to broad-based selling pressure during which defensive stocks outperformed while offensive, pro-cyclical stocks underperformed, working against the strategy's positioning.
- We continue to expect equities to outperform fixed income as the market is likely to be driven by company-specific results rather than broad-based multiple expansion. Consequently, we believe there will be more dispersion in individual stock performance, providing opportunities for an active stock picker to add value. We believe volatility will continue to be higher given divergent levels of growth, uncertain central bank policies, geopolitical turmoil, and a stronger dollar which is a headwind for U.S. earnings.

PIMCO GIS EMERGING LOCAL BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Emerging Local Bond Fund (Inst, Acc.)	-2.18%	-14.05%	-19.75%	-9.79%	-3.41%	0.93%
JP Morgan GBI-EM Global Diversified Index (USD Unhedged)	-2.16%	-12.98%	-18.14%	-8.62%	-2.44%	1.57%

Source: PIMCO as of 30 November 2015. Inception date as of 11 December 2007. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An underweight to Hungarian Forint which underperformed amid Euro weakness
- An overweight to Brazilian rates which outperformed despite hawkish central bank minutes

Detractors

- An underweight to Thai Baht which outperformed alongside other Asian currencies given broad anticipation of CNY inclusion into the SDR basket
- An overweight to Polish Zloty which underperformed together with other Eastern European currencies

POSITIONING AND OUTLOOK

- Net flows in EM Local strategies YTD continued to move further into negative territory as investors remain concerned about ongoing currency weakness and potential negative reaction function around the Fed hike. Further, recent volatility in the Chinese equity markets and sell-off in oil and currency have kept investor sentiment shaky. We remain defensively positioned in the EM local debt as EM currencies are likely to continue playing a role of a release valve and local markets will remain volatile in the current market environment.
- Stronger growth trends in EM, recovery in commodity prices, a reduction in geopolitical tensions and an orderly lift-off by the Fed would be the catalyst for EM currency rebound. We remain defensive with EM currency risk by maintaining net long USD exposure but keep selective exposure to the currencies that have the potential to perform well in the current environment, either on the basis of attractive carry or nominal appreciation. Active positioning in the fund also allows us to benefit from underweight positions where we see cyclical trends to be unfavorable.
- Conversely, we underweight countries with currency pegs and reliance on oil where the pressure to devalue is increasing. Based on the differing starting conditions (amount of FX reserves, debt fundamentals) we position ourselves to take advantage of market dislocations. We tend to underweight most Asian currencies as the recent Yuan devaluation puts pressure on trading partners to devalue.
- Within EM local duration, we still see pockets of value. We have repositioned part of the risk towards the front end of the Brazilian yield curve as we expect the inflation to subside next year and the Central Bank start cutting. We remain very tactical in Brazil duration amid ongoing political uncertainty. Going forward, we also remain cautious on EM FX in particular in Eastern Europe and Asia as we believe that a weaker Euro and CNY will put pressure on currencies in the region.
- Recent oil price declines call for further differentiation in positioning as the impact on EM countries will vary based on their dependency on oil exports or imports. Longer term, the impact of lower energy prices has a potential to moderate inflation and shrink current account deficits of importing countries and result in rates compression providing support for the asset class.
- Over the longer term, we remain positive on EM local debt overall. We believe it will benefit from the attractive nominal and real yield levels, secular appreciation of EM currencies, convergence with developed market interest rates and the support of a growing dedicated investor base. Longer term benefits of risk factor diversification

further remain a valuable feature of the EM Local debt allocation.

PIMCO GIS EMERGING MARKETS BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Emerging Markets Bond Fund (Inst, Acc.)	-0.03%	0.31%	-4.15%	-1.06%	3.85%	9.82%
JP Morgan EMBI Global Index	-0.06%	2.77%	-0.17%	0.75%	5.36%	9.03%

Source: PIMCO as of 30 November 2015. Inception date as of 31 July 2001. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An overweight to Kazakh quasi-sovereign and corporate bonds that were supported by a quasi-sovereign bond buy-back highlighting financial strength in the sector
- An overweight to Russian corporate and quasi-sovereign bonds as international and local investor demand remained strong
- An underweight to sovereign bonds from Philippines which underperformed as spreads are already trading at tight levels

Detractors

- An overweight to Brazilian quasi-sovereign and corporate issuers as ongoing corruption scandal and political uncertainty weigh on investor sentiment
- An overweight to quasi-sovereign and corporate bonds from Mexico which underperformed due to a downgrade of state-owned oil company Pemex

POSITIONING AND OUTLOOK

- The long maturity of the asset class and the trends towards normalization of U.S. Treasury rates based on growth momentum make us cautious on interest rate duration in EM external debt portfolios, and we remain underweight.
- Although flows into the asset class have turned negative over last couple of months, flows into EM external bonds remain positive YTD reflecting investor's preference for hard currency denominated strategies.
- While valuations in EM external remain attractive, a sizable contribution to them comes from highly volatile countries so investors should be selective choosing where to invest their capital
- Lower energy prices call for further differentiation in positioning as the impact on EM countries will vary based on their dependency on oil exports or imports. As a majority of countries in the index are energy importers, the impact on the market overall may not be as dire as was initially priced in. PIMCO outlook for oil remains in the range of $50-60 which calls for thorough analysis of the ability to withstand lower energy prices for oil producers. Weak commodity prices put pressure on resource exports dependent countries with challenging funding dynamics which we tend to underweight as possible credit deterioration/ default candidates.
- Policy developments have been driving changes in the positioning, and we prefer to be exposed to the markets where structural reform implementation has potential to improve fundamentals and stay away from those where policy measures are unorthodox, haphazard and lacking in proper response while valuations remain below the level of risk.
- The fund reduced exposure to select Brazilian issuers and switched into sovereign exposure which tends to remain more stable during bouts of market volatility. Nevertheless, we remain overweight to select quasi-sovereign and corporate issuers that will be able to weather the temporary storm due to solid cash balances, a manageable debt profile and strong sovereign support.
- We remain underweight or in some cases overall void debt of distressed, fundamentally weak countries where we have debt sustainability concerns such as Argentina or Ukraine

- Off-benchmark positions in local debt proved to be a good diversifier for external debt portfolios, and we retain off-benchmark allocation in local duration. We have been more defensive and tactical in the currency space as currencies remain the most volatile part of the EM universe.

PIMCO GIS EMERGING MARKETS CORPORATE BOND FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Emerging Markets Corporate Bond Fund (Inst, Acc.)	-0.70%	-2.29%	-6.91%	-1.17%	2.54%	4.17%
JP Morgan CEMBI Diversified Index	-0.68%	2.61%	0.40%	2.50%	5.26%	6.56%

Source: PIMCO as of 30 November 2015. Inception date as of 12 November 2009. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An overweight to Ukrainian corporate bonds which were uplifted by the continuing outperformance of sovereign bonds on the back of the restructuring
- An overweight to Russian corporate and quasi-sovereign bonds as international and local investor demand remained strong

Detractors

- An overweight to Brazilian quasi-sovereign and corporate issuers as ongoing corruption scandal and political uncertainty weigh on investor sentiment
- An overweight to quasi-sovereign and corporate bonds from Mexico which underperformed due to a downgrade of state-owned oil company Pemex

POSITIONING AND OUTLOOK

- Over the cyclical horizon, we are cautious on EM corporates given vulnerabilities to the technical environment and Fed tightening – although the case for EM corporates and liquidity in the sector remains positive on a secular basis.
- Many EM corporates still offer a significant yield advantage compared to their sovereign counterparts, without a commensurate increase in risk. The broader EM corporate debt asset class still retains a strong relative value advantage to its developed market peers. While EM investment grade corporates appear attractive compared to their DM IG peers the valuation advantage is especially pronounced in the corporate HY segment.
- We focus on state-backed oil & gas companies with stable cash flow streams. Brazilian issuers have come under pressure lately due to a series of downgrades following the sovereign downgrade. However, we believe that latest extreme spread widening is not fundamentally driven but rather a technical outcome as IG-only investors exit their positions. We continue to hold these bonds and believe that these bonds will be a long-term contributor to excess return despite temporary bouts of volatility in the meantime.
- In the environment of low dedicated investor base and overall uncertainty about EM, the corporate segment of the market exhibits relatively low liquidity. Our positioning reflects the focus on volatility and liquidity risk premia.
- We prefer to have positions in companies which are world class operators with strong business models, solid credit quality and are likely to maintain their quality in the environment of increased volatility and dearer capital.
- Apart from a few exceptions in Asian markets, the new issue pipeline is decelerating amid global spread widening and concerns over leverage among EM corporates. We focus on credit selection to find opportunities in the primary market that offer compelling risk/reward profiles.

PIMCO GIS GLOBAL REAL RETURN FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Real Return Fund (Inst, Acc.)	0.39%	-0.17%	-1.04%	0.64%	4.05%	4.98%
Barclays World Gov Inflation-Linked Index (USD Hedged)	0.47%	0.61%	0.43%	1.20%	4.02%	4.83%

Source: PIMCO as of 30 November 2015. Inception date as of 30 September 2009. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An overweight to intermediate maturity UK linkers, where real yields rallied
- An overweight to intermediate Italian ILBs, where real yields rallied on some improved European inflation prints, successful auctions and potential additional easing from the ECB

Detractors

- An underweight to French ILBs, where real yields also rallied on these themes
- Overall short exposure to UK nominal rates, which rallied over the month

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**
  - Our base case view is that global inflation will increase gradually from the current very low levels toward central bank target of around 2% over the coming quarters, with the US leading the way. We believe the nadir of oil prices is behind us, but we believe oil prices are likely to stay lower for longer. This should over time lead to a narrowing of the spread between core and headline inflation over the cyclical horizon, with headline inflation rates converging towards core.
- **Secular Inflation Outlook**
  - Over the secular horizon we anticipate inflation rates to rebound to central bank target levels. Whilst we see inflation averaging at or near central bank target levels, we believe that inflation is more likely to surprise to the upside, overshooting central bank targets. This is a very real possibility over the secular horizon in the US, less so in Europe or Japan. This view is counter to the prevailing view of many economists and market participants who still factor in significant deflation risk.
  - The drivers of global inflation will be more balanced, with both services and goods contributing to higher prices. Pass-through from commodity prices is likely to be more muted than in recent years. We believe that commodity prices will be more stable going forward because, in our view, the commodity super-cycle of the 2000s and the ensuing price correction of recent years are largely behind us. Service sector inflation should be supported by growing economies, higher wages and higher real estate prices.
  - What this also means is the we no longer expect to see gaps of the same magnitude and frequency between headline inflation and core inflation that characterized the past five or ten years.
- **Inflation-Linked Bonds**
  - We believe that an allocation to global inflation-linked bonds makes sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be appropriate to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario.

- Second, while our base case secular outlook sees inflation rising towards central bank targets, our risk case over the next five years is tilted towards higher inflation – as opposed to the last five years, when the risk case for lower inflation or even deflation.
- We see many inflation-linked bonds, such as US TIPS, as attractively priced inflation hedges. This is probably because many market participants are still "stuck in the past" when they were more justifiably worried about deflation or "lowflation". In our view, US TIPS are pricing in insufficient risk premium for future inflation risks.
- Several other global ILB markets also offer attractive valuations to long-term investors. These include peripheral inflation-linked bond markets in Europe, where credit spread risks look attractive to us given ECB actions. Real yields on offer from Mexican and New Zealand ILBs offer investor potential for real capital appreciation as well as a way to hedge against inflation risks.

PIMCO GIS GLOBAL ADVANTAGE REAL RETURN FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Advantage Real Return Fund (Inst, Acc.)	-1.52%	-11.54%	-14.76%	-7.20%	-	-3.86%
GLADI ILB (USD Unhedged)	-1.42%	-9.84%	-12.58%	-5.91%	-	-2.93%

Source: PIMCO as of 30 November 2015. Inception date as of 29 August 2011. **Past performance is no guarantee of future results.**

MAIN PERFORMANCE DRIVERS

Contributors

- An overweight to intermediate maturity UK linkers, where real yields rallied
- An overweight to intermediate Italian ILBs, where real yields rallied on some improved European inflation prints, successful auctions and potential additional easing from the ECB

Detractors

- An underweight to German ILBs, where real yields also rallied on these themes
- Overall short exposure to UK nominal rates, which rallied over the month

POSITIONING AND OUTLOOK

- **Cyclical Inflation Outlook**
  - Our base case view is that global inflation will increase gradually from the current very low levels toward central bank target of around 2% over the coming quarters, with the US leading the way. We believe the nadir of oil prices is behind us, but we believe oil prices are likely to stay lower for longer. This should over time lead to a narrowing of the spread between core and headline inflation over the cyclical horizon, with headline inflation rates converging towards core.
- **Secular Inflation Outlook**
  - Over the secular horizon we anticipate inflation rates to rebound to central bank target levels. Whilst we see inflation averaging at or near central bank target levels, we believe that inflation is more likely to surprise to the upside, overshooting central bank targets. This is a very real possibility over the secular horizon in the US, less so in Europe or Japan. This view is counter to the prevailing view of many economists and market participants who still factor in significant deflation risk.
  - The drivers of global inflation will be more balanced, with both services and goods contributing to higher prices. Pass-through from commodity prices is likely to be more muted than in recent years. We believe that commodity prices will be more stable going forward because, in our view, the commodity super-cycle of the 2000s and the ensuing price correction of recent years are largely behind us. Service sector inflation should be supported by growing economies, higher wages and higher real estate prices.
  - What this also means is the we no longer expect to see gaps of the same magnitude and frequency between headline inflation and core inflation that characterized the past five or ten years.
- **Inflation-Linked Bonds**
  - We believe that an allocation to global inflation-linked bonds makes sense for two reasons. First, in general, a well-diversified portfolio should hedge against the full range of long-term risks, including inflation risks. For example, even if the base case is not for runaway inflation, it may still be appropriate to hedge against an inflation surprise as neither stocks nor bonds would do well in this scenario.

- Second, while our base case secular outlook sees inflation rising towards central bank targets, our risk case over the next five years is tilted towards higher inflation – as opposed to the last five years, when the risk case for lower inflation or even deflation.
- We see many inflation-linked bonds, such as US TIPS, as attractively priced inflation hedges in the current environment, probably because many market participants are still stuck in the past when they were more justifiably worried about deflation or "lowflation". In our view, US TIPS are pricing in insufficient risk premium for future inflation risks.
- Several other global ILB markets also offer attractive valuations to long-term investors. These include peripheral inflation-linked bond markets in Europe, where credit spread risks look attractive to us given ECB actions. Real yields on offer from Mexican and New Zealand ILBs offer investor potential for real capital appreciation as well as a way to hedge against inflation risks.

PIMCO GIS GLOBAL MULTI-ASSET FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS Global Multi-Asset Fund (Inst, Acc.)	-0.55%	0.62%	-0.75%	0.72%	2.26%	5.84%
60% MSCI All Country World Index/40% Barclays Global Aggregate USD Hedged*	-0.48%	0.39%	-0.56%	6.76%	6.54%	9.36%

Source: PIMCO as of 30 November 2015. Inception date as of 15 April 2009. **Past performance is no guarantee of future results.**

*The PIMCO GIS Global Multi-Asset Fund utilised various market indicators for performance comparison purposes prior to September 30th 2014. Effective September 30th 2014, these have been replaced with a 60% MSCI ACWI, 40% Barclays Global Aggregate weighted reference index, shown since inception of the fund, for performance comparison purposes.

MAIN PERFORMANCE DRIVERS

Contributors

- Overweight U.S. bank stocks and European equities as they outperformed the broader equity market
- Select spread exposures added to returns
- Underweight EM currency exposure vs. the USD as the USD appreciated

Detractors

- A modest overweight EM equity exposure as MSCI EM underperformed the broader equity market
- U.S. curve positioning detracted as the yield curve flattened (2 vs. 30 YR rates)
- Underweight the long end of the UK nominal curve detracted as 30 year UK rates decreased

POSITIONING AND OUTLOOK

- **Equities** – We are modestly underweight equities, focusing on country and sector selection, which remain critical. We are underweight U.S. equities given risks of an earnings growth slowdown, especially for multinational corporations. We like U.S. banks, however, given their ties to domestic economic strength, cheaper valuations and earnings momentum. Beyond the U.S., we are neutral Europe and slightly overweight Japan. Within EM, we prefer emerging Asia and continue to retain our exposure to offshore "H-shares" in China and have built a position in Taiwanese equities.
- **Fixed Income** – Within fixed income we are underweight duration in the U.K., while we have neutral exposure in U.S. and Europe.
- **Credit –** We continue to see value in capital securities issued by European banks, U.S. non-agency mortgage-backed securities and select EM sovereign rates.
- **Real Assets** – We like exposure to inflation breakevens in the U.S. as we expect improvements in the labor market will continue to feed positive inflationary pressures. We maintain our net neutral position in commodities.
- **Currency –** Divergences in global growth and policy should continue to fuel the relative strength of the U.S. dollar versus global currencies. We have rotated away from our shorts in the euro and yen toward a basket of emerging Asia currencies. With the yuan likely to depreciate as China seeks to navigate economic weakness, currencies across Asia are likely to follow suit.

PIMCO GIS STOCKSPLUS FUND

Performance (% net of fees)	Nov '15	YTD	1-yr	3-yr	5-yr	SI
PIMCO GIS StocksPLUS Fund (Inst, Acc.)	0.21%	2.05%	1.60%	15.78%	14.78%	5.17%
S&P 500 Index	0.30%	3.01%	2.75%	16.09%	14.39%	5.11%

Source: PIMCO as of 30 November 2015. Inception date as of 31 December 1998. **Past performance is no guarantee of future results.**

MARKET SUMMARY

- The S&P 500 Index gained 0.3% in November, helped by strong jobs and GDP figures. The strong economic data fuelled further speculation of a December lift-off by the U.S. Fed. From an equity sector perspective, interest rate sensitive sectors such as utilities and consumer staples lagged while financials led the market.

EQUITY INDEX PORTFOLIO/BENCHMARK

Summary characteristics	Index
Number of stocks	506
Dividend Yield	2.1
Weighted avg market cap (USD Mm)	129,032
Trailing P/E ratio	19.1
Forward P/E ratio	17.4

Top 5 sector diversification	(MV%)
Information Technology	21.0
Financials	16.6
Health Care	14.6
Consumer Discretionary	13.1
Industrials	10.1

Note: PIMCO GIS StocksPLUS Fund passively replicates the S&P500 through the use of equity index derivatives. Any potential excess returns are generated by actively managing a high quality, short duration bond alpha portfolio. As such, the statistics above pertain to the Fund's S&P 500 index exposure and the attribution commentary below pertains to how the bond alpha strategy performed.

MAIN PERFORMANCE DRIVERS

Contributors

- Currency strategies, specifically short euro, yen, and yuan positions vs. the U.S. dollar
- Holdings of investment grade corporate bonds, primarily within the financials and industrial sectors

Detractors

- US duration exposure detracted from performance as yields increased
- Long positions in Brazilian local rates detracted due to ongoing political and economic challenges
- Holdings of high yield corporate bonds as high yield credit spreads widened

POSITIONING AND OUTLOOK

- **Equities –** Over the secular horizon, the macroeconomic backdrop remains favourable for equities. As the global economy converges to slower but more stable growth, as debt and growth dynamics keep real interest rates low and as inflation remains muted, we expect equities to deliver positive returns. However, full valuations coupled with expectations for only moderate growth should lead to returns that are lower than the past few years. In addition, given valuations and the potential for periodic unfavourable macro or earnings news flow, the equity market should exhibit periods of higher volatility.
- **Bond Alpha Strategy** – The fund is currently positioned across a diverse set of global opportunities as monetary policies diverge across developed and emerging market economies. We will continue to seek to de-emphasize U.S. interest rate risk as we seek more opportunities outside the U.S. The fund has long positions in corporate credit and non-Agency mortgages and is short Agency mortgage spreads.

FOR PROFESSIONAL USE ONLY

All data as at 30 November 2015 unless otherwise specified.

London
PIMCO Europe Ltd
11 Baker Street
London W1U 3AH England
+44 20 3640 1000

Amsterdam

Hong Kong

Milan

Munich

Newport Beach Headquarters

New York

Rio de Janeiro

Singapore

Sydney

Tokyo

Toronto

Zurich

europe.pimco.com