



Behavioral Guidance During Market Volatility



IMPORTANT NOTICE

Please note that the following contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

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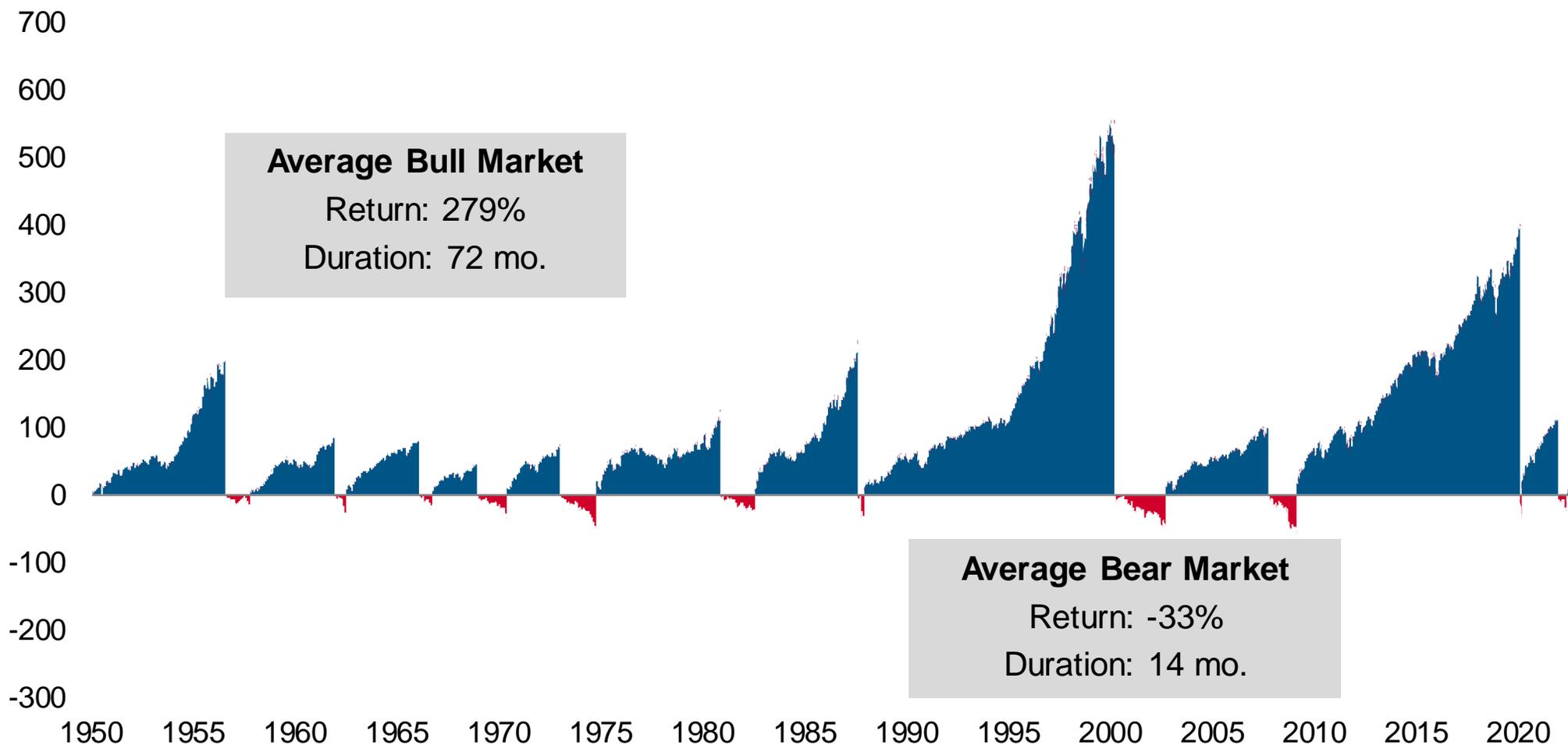
Glossary / Resources / Appendix

Current market landscape



Market landscape

Cumulative price return of each U.S. bull and bear market (%)



For illustrative purposes only

As of 31 July 2022; Source: Bloomberg

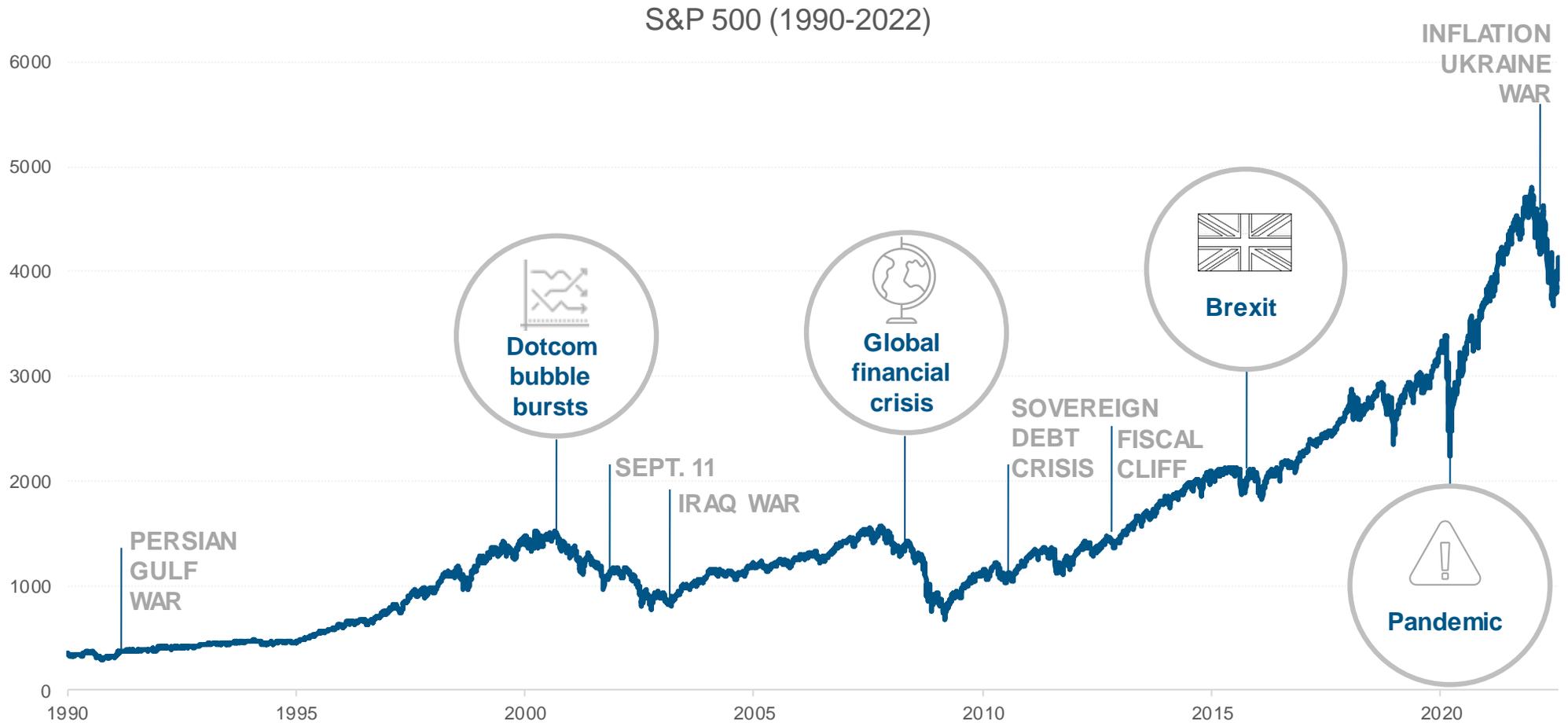
Past performance is not a guarantee or a reliable indicator of future results.

The Q1 bear market is not included in the "average bear market" calculation. In all other periods, bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods in the S&P 500. Returns shown on a logarithmic scale. Returns are in USD. Total return is calculated by using the total return for each bull or bear period and the duration for each period to represent an average cumulative total return for each market.

Refer to Appendix for additional chart, index and risk information.

Market landscape

Stocks have risen over the long-term despite market pullbacks

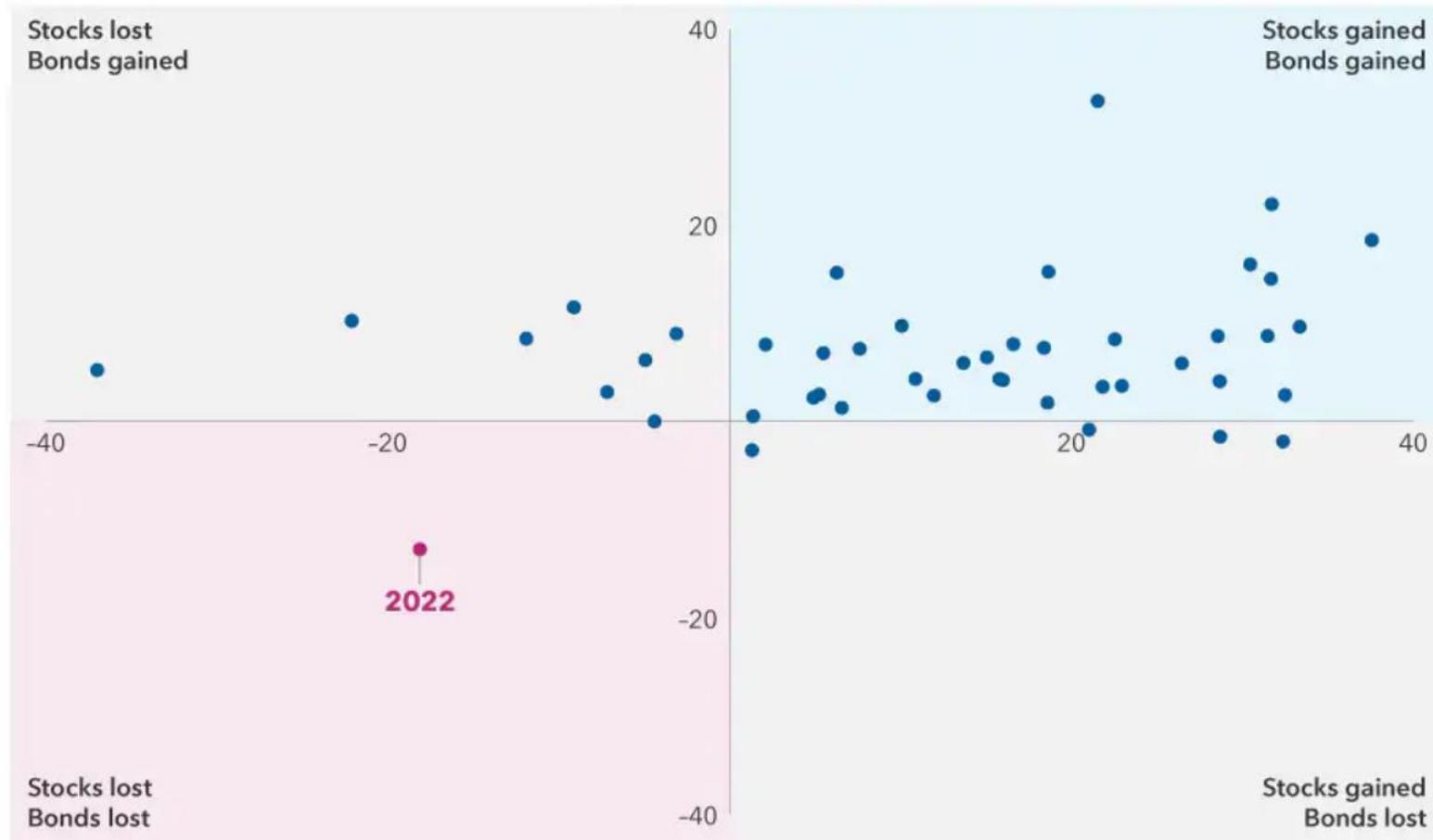


As of 31 July 2022
Source: Bloomberg
Refer to Appendix for additional index and risk information.

Market landscape

Many investors have never faced a year as challenging as 2022

Annual returns for stocks and bonds since 1977 (%)



Sources: Capital Group, Bloomberg Index Services Ltd., Standard & Poor's. Each dot represents an annual stock and bond market return from 1977 through 2022. Stock returns represented by the S&P 500 Index. Bond returns represented by the Bloomberg U.S. Aggregate Index.

Refer to Appendix for additional index and risk information.

Introduction to behavioral finance



Introduction to behavioral finance

Defining behavioral finance

Conventional finance (classical economics) generally ignores how real people make decisions and that people make a difference

Investors do not always process information correctly and therefore can infer incorrect probability distributions about future rates of return

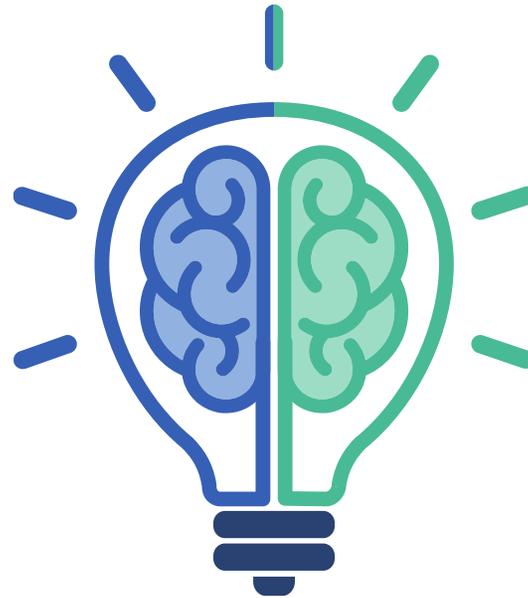
Even given the correct probability distributions, they often make inconsistent or systematically suboptimal decisions

Introduction to behavioral finance

The fight for control over decisions

System 1: The intuitive system

Uncontrolled
Effortless
Associative
Fast
Unconscious
Skilled



System 2: The reflective system

Controlled
Effortful
Deductive
Slow
Self-aware
Rule-following

Source: *Thinking Fast and Slow*, Daniel Kahneman

Introduction to behavioral finance

Benefits to advisors of incorporating behavioral finance



Source: Cerulli Associates, in partnership with the Investments & Wealth Institute, 2019

Introduction to behavioral finance

Breakdown of estimated value of financial advice per year

	Morningstar	Vanguard	Investnet
Financial planning advice/Dynamic withdrawal strategies	0.70%		0.50%
Asset class selection/Allocation & product selection	0.67%		0.28%
(Lower cost) Investment selection		0.45%	0.82%
Systematic rebalancing		0.35%	0.44%
Tax-efficient withdrawal ordering	0.23%	Up to 0.70%	
Asset location	0.23%	Up to 0.75%	
Behavioral coaching		1.50%	
Tax loss harvesting			1.00%
Total advisor value	1.59%/year	>3.00%/year	>3.00%/year

For illustrative purposes only

Source: kites.com; Vanguard Whitepaper September 2016; Alpha, Beta, and Now...Gamma, Morningstar, 2013; Capital Sigma: The Return on Advice, Investnet 2016

Data not intended to be a recommendation for any investor's particular needs. PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.

Refer to Appendix for additional investment strategy and risk information.

Cost of bad behaviors

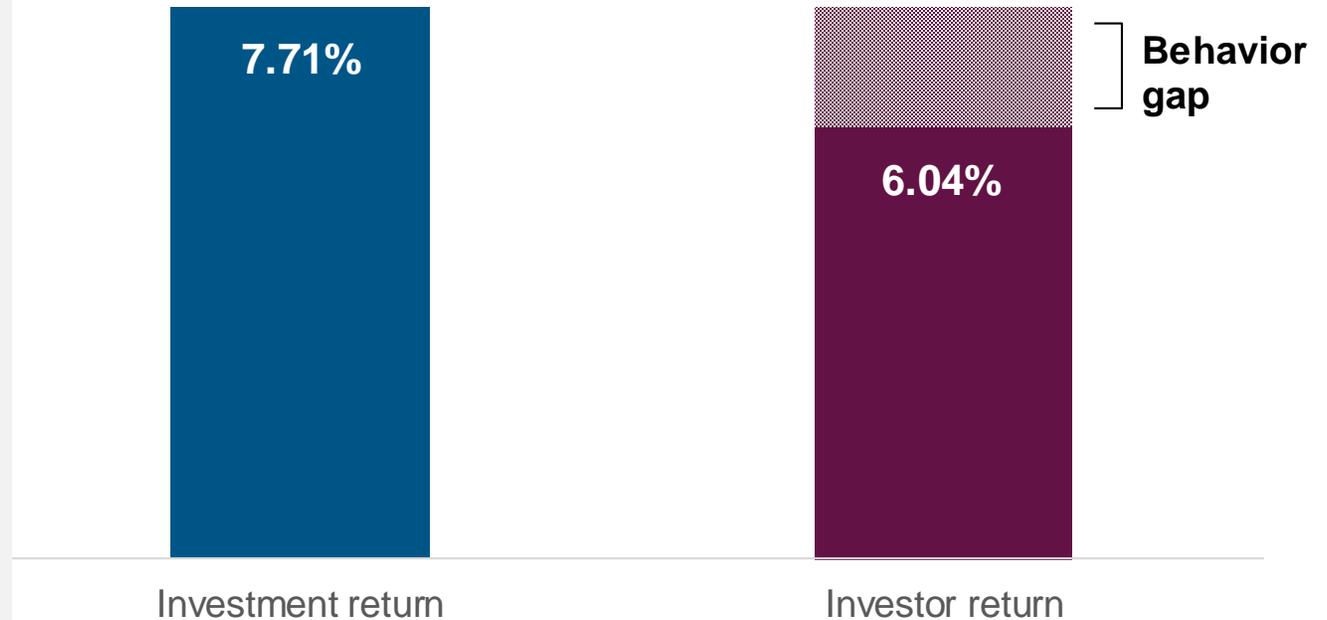


Cost of bad behaviors

All U.S. fund investors

- Investment results are more dependent on investor behavior than on investment performance
- Investors are generally their own worst enemy

Reported total returns vs. investor return (10-year period ended Dec. 31, 2022)



Period ended 31 December 2022

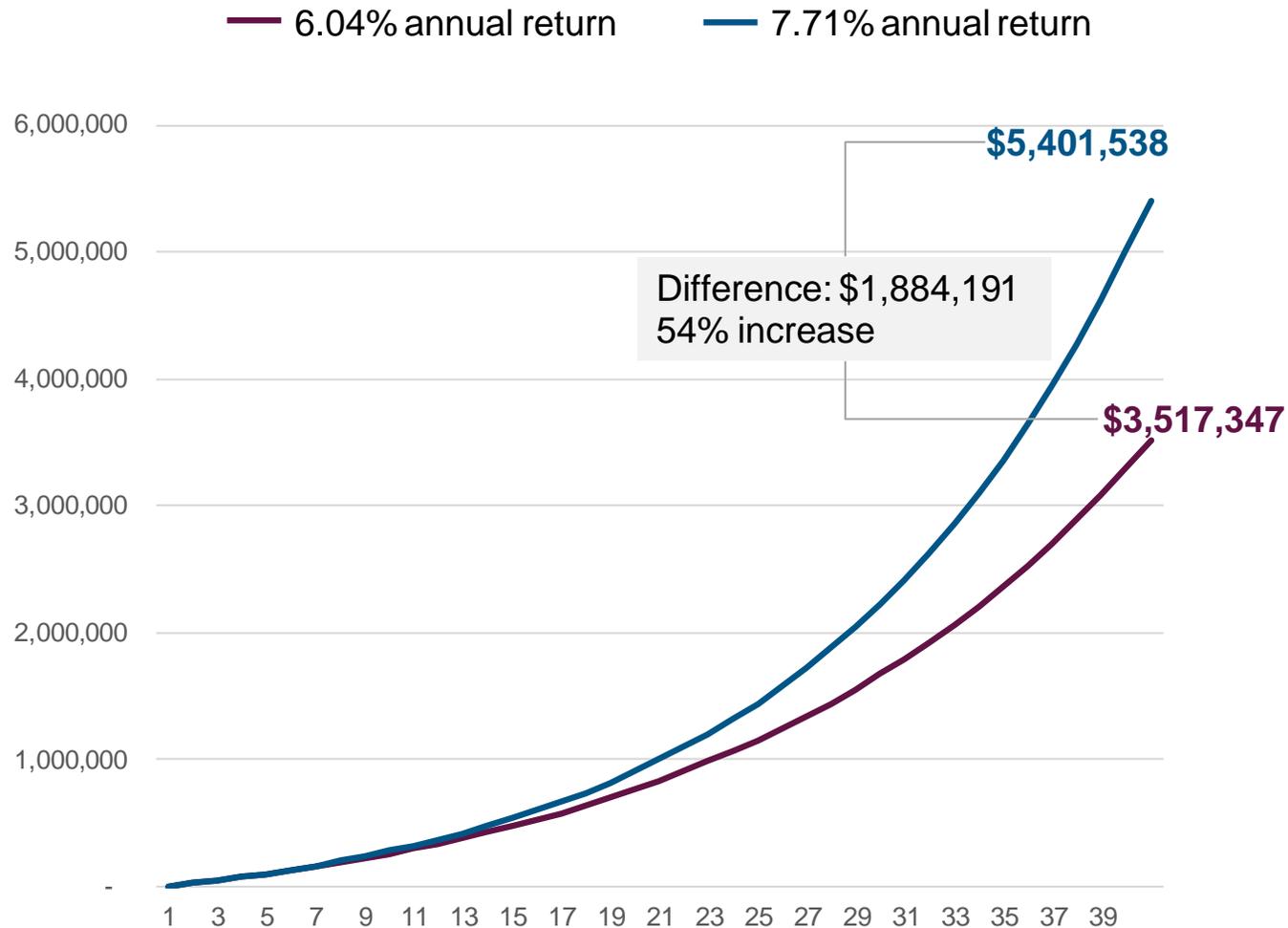
Source: Morningstar Mind the Gap 2023 (July 2023). The Morningstar study is designed to compare dollar-weighted internal rate-of-return calculations with time-weighted total returns to see how large the gap, or difference has been over time. In contrast to total returns, investor returns account for all cash flows into and out of the fund to measure how the average investor performed over time.

Cost of bad behaviors

The impact of compounding on investor wealth

Assumptions

- Annual contribution: \$22,500
- 40 years
- Investor return: 6.04%
- Investment return: 7.71%



Source: PIMCO

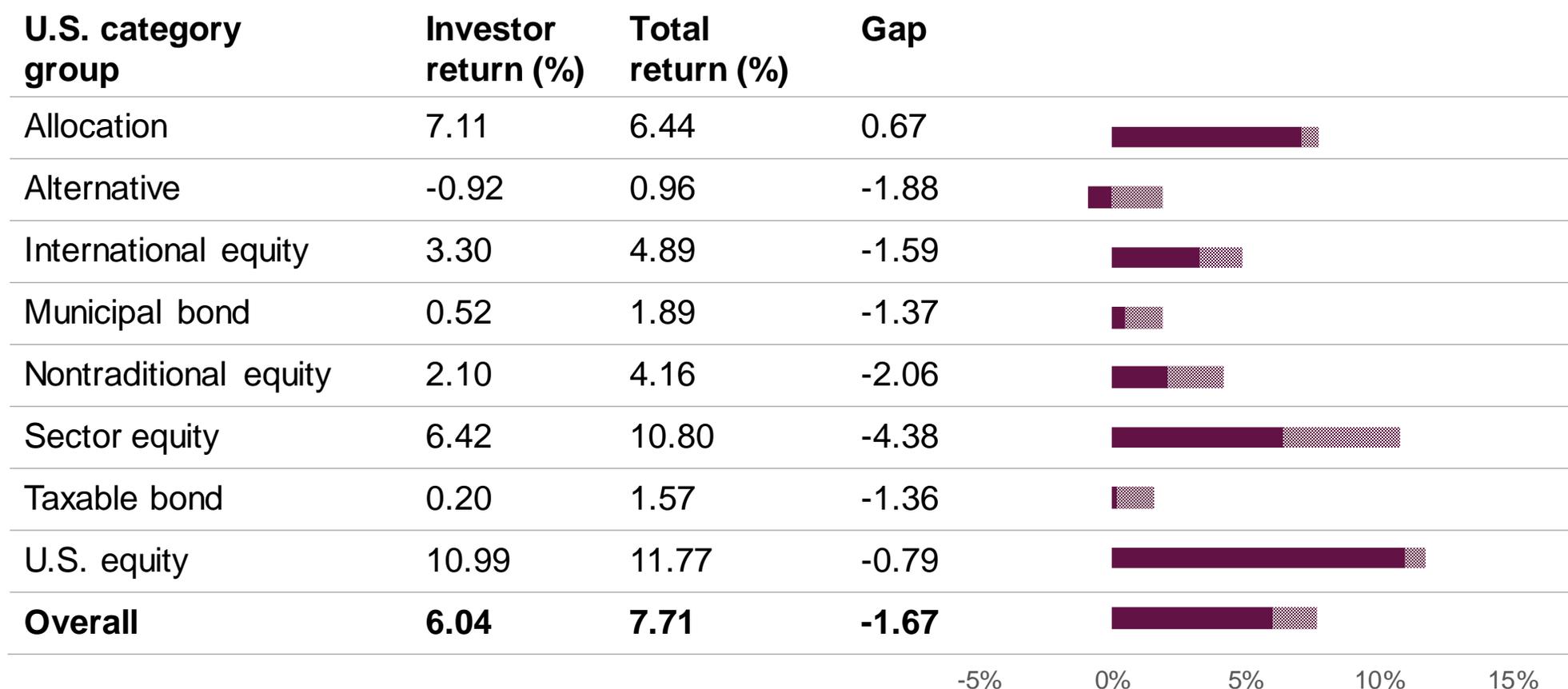
Hypothetical example for illustrative purposes only. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product. Hypothetical compounding example assumes all contributions are made on an annual basis and reinvested over 40 years using the Morningstar Mind the Gap 2023 study results shown on the previous slide.

Refer to Appendix for additional hypothetical example, investment strategy and risk information.

Cost of bad behaviors

Impact by U.S. category group

The gap by U.S. category group (10-year returns)



As of 31 December 2022

Source: Morningstar Direct. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.

Cost of bad behaviors

Impact by investment approach: Active funds vs. passive funds

U.S. category group	Management style	Average return % (10-year returns)		
		Investor	Total	Gap
Alternative	Active	0.50	1.58	-1.07
	Passive	-17.84	-15.71	-2.13
International equity	Active	4.70	5.32	-0.61
	Passive	1.03	3.91	-2.88
Municipal bond	Active	0.61	1.89	-1.28
	Passive	-1.53	1.67	-3.21
Nontraditional equity	Active	1.99	3.98	-1.99
	Passive	5.62	8.91	-3.30
Sector equity	Active	7.22	9.83	-2.62
	Passive	5.70	11.44	-5.74
Taxable bond	Active	0.71	1.68	-0.97
	Passive	-1.05	1.32	-2.37
U.S. equity	Active	11.24	11.47	-0.24
	Passive	10.68	12.11	-1.43

As of 31 December 2022

Source: Morningstar Direct. Excludes allocation category group.

Key observations

Summary

- ▶ Return gap for 10-year period ended 12/31/22 of 1.67% consistent with prior periods
- ▶ Causality: poor investor timing decisions (dollar weighted vs. time weighted)
- ▶ Allocation funds fared best; sector funds fared worst
- ▶ Investors in more volatile sectors experienced greater underperformance
- ▶ Gaps in passive funds were generally wider than active funds
- ▶ Fees were not a primary determinant

Source: PIMCO

Common biases



Common biases



Cognitive

- Anchoring
- Confirmation
- Framing
- Mental accounting

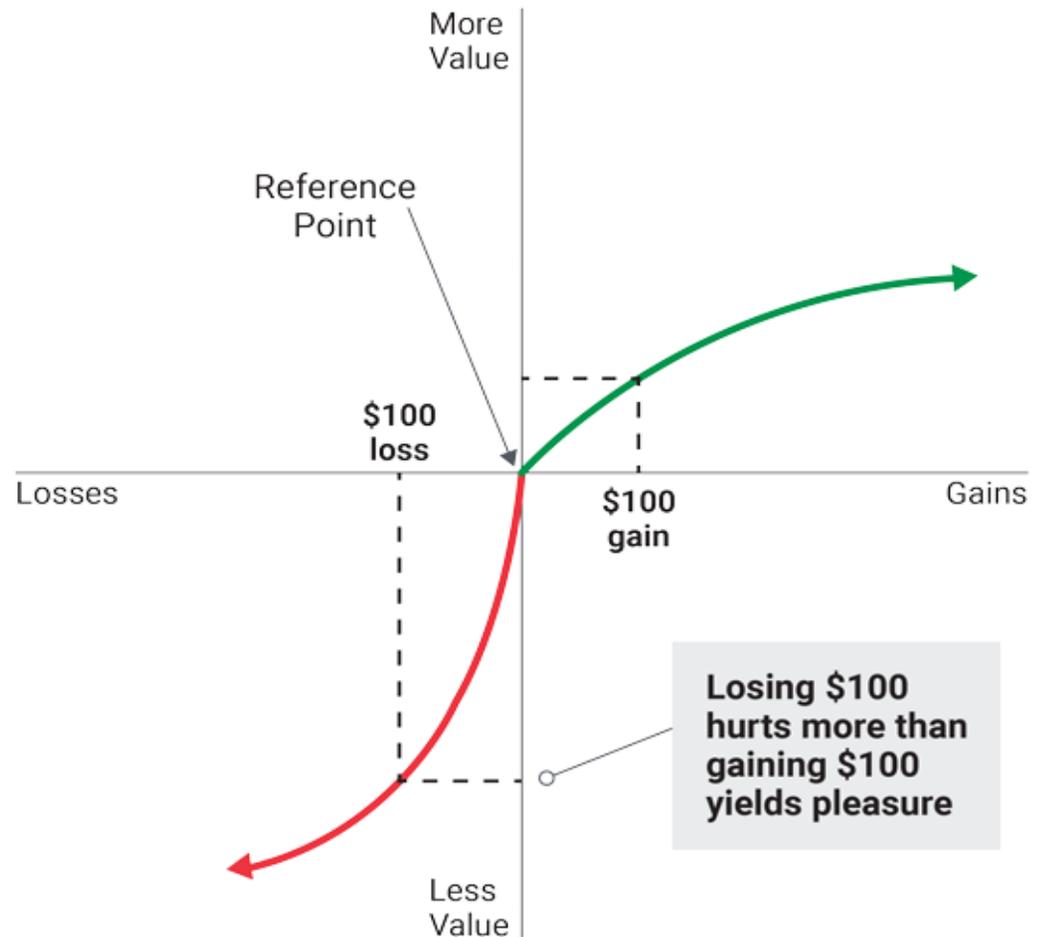


Emotional

- Loss aversion
- Recency
- Overconfidence
- Status quo

Loss aversion

- The pain of losses is twice as painful as the pleasure of gains
- Prevents investors from unloading unprofitable investments (also known as “get-even-itis”)
- Causes investors to take additional risk to avoid pain from losses



Source: Daniel Kahneman and Amos Tversky (1979) "Prospect Theory: An Analysis of Decision under Risk," *Econometrica*, XLVII (1979), 263-291. For illustrative purposes only.

Loss aversion

Examples

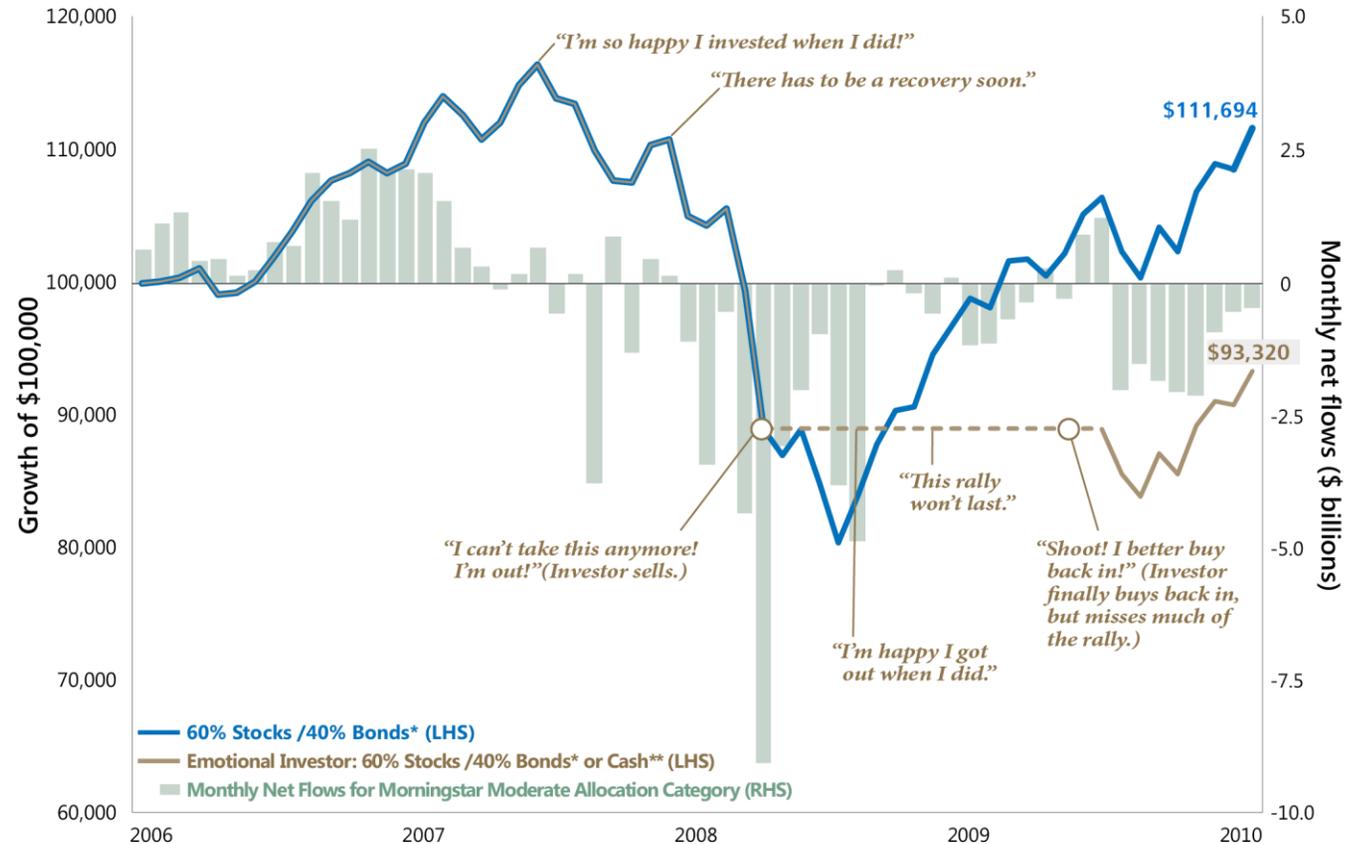
- ▶ Investing only in safe investments with low returns, reducing future purchasing power
- ▶ Holding a stock below purchase price solely to avoid taking a loss
- ▶ The unwillingness to sell a home for less than it was purchased for
- ▶ Focusing only on positions that are underwater while ignoring total portfolio holdings
- ▶ Holding the belief that an investment loss doesn't exist until it's sold
- ▶ Selling winning positions instead of losing investments to avoid accepting defeat

Source: PIMCO

Recency bias – trend chasing

Investor's behavior and thoughts during a volatile market (2006–2010)

- Investors often look at recent returns when making important financial decisions
- It's easier to emotionally validate a choice when we follow a trend
- Causes investors to chase performance, buy high, sell low



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.

* Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

** These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks / 40% Bonds on 30 April 2010.

Refer to Appendix for additional hypothetical example, investment strategy and risk information.

Framing

- Investor tendency to respond to various situations differently based on context in which a choice is presented (framed)
- Risk tolerance questionnaires:
 - “gain” framed questions = more risk-taking response
 - “loss” framed questions = more risk-averse response

Investor visits advisor seeking investment advice, and after an examination of circumstances, he recommends...

Gain framing

+

Investors who choose this investment have a **75%** chance of a positive return in **1** year

Loss framing

–

Investors who choose this investment have a **37%** chance of a negative return in **1** month

Overconfidence

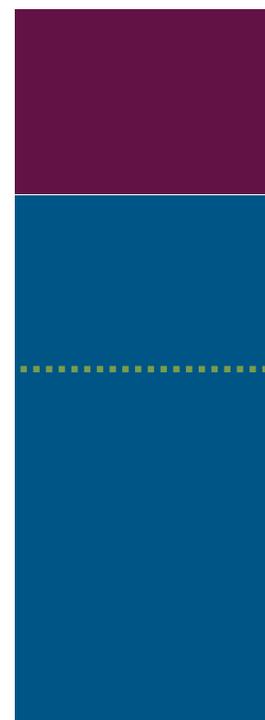
- The tendency to overestimate or exaggerate one's ability to successfully perform a given task – common among people in all profession areas
- Irrationally high level of overconfidence

“Behaving Badly” landmark study of 300 fund managers by James Montier

Nearly
100%
felt their
performance
was
average
or better

26%
believed they
were average

74%
believed they
delivered above-
average job
performance



Of course,
only 50%
of a sample
can be above
average

Date of study: February 2006

Source: Investopedia; Montier, James, Behaving Badly (2006). Over 300 professional fund managers participated in a test to measure the scale of behavioral biases.

Anchoring

- Occurs when investors are influenced by purchase points or arbitrary price levels
- They cling to these numbers as they decide whether to buy or sell
- Prevents investors from viewing investments holistically

Investors anchor a stock's valuation to stock price



Lower anchor price leads to a lower valuation

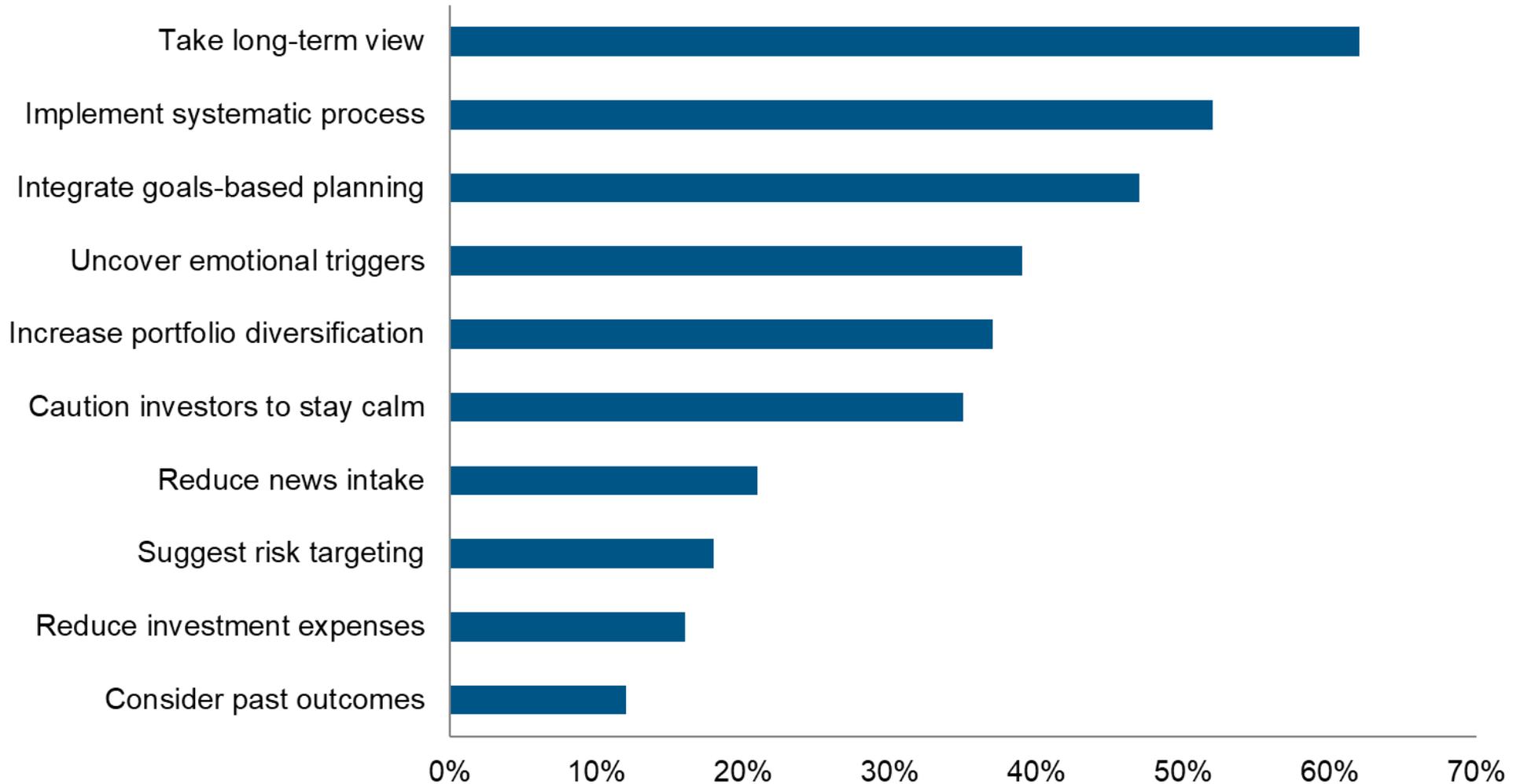


Higher anchor price leads to a higher valuation

Best practices to mitigate behavioral biases



Behavioral bias mitigation techniques



Source: Cerulli Associates, in partnership with the Investments & Wealth Institute, 2019

Best practices to mitigate behavioral biases

1 Identify behavioral risk framework

2 Create an investment policy statement

3 Enroll in automated investment programs

4 Diversify to reduce portfolio volatility

5 Consider asset bucketing

6 Encourage a long-term perspective

7 Rebalance portfolios regularly

Source: PIMCO

Defining risk effectively

Risk is abstract



Risks are often expressed in the form of probabilities.
But for many people, probabilities are less important than **consequences** and **exposure**.

Strategy

Identify behavioral risk

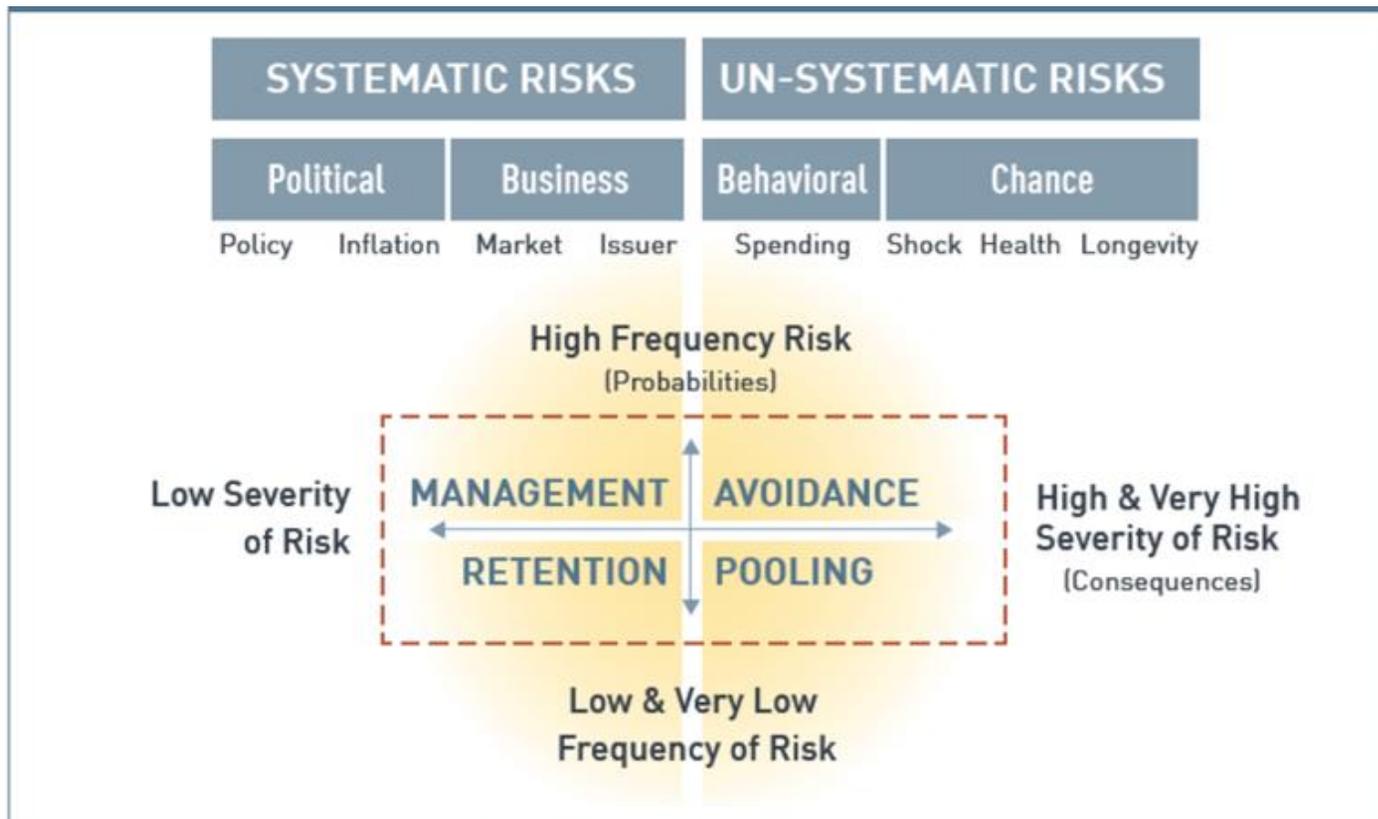
Discovery questions

- How has the recent volatility affected you? Has it changed any of your personal goals?
- Are you comfortable with your current allocation and holdings?
What specific changes are you considering?
- How do you define risk? How do you measure it? How do you try to manage it?
- What risk is causing you the greatest concern today?
- If you received new funds today, how would you invest them?
- What's more important to you now: regaining the value recently lost, or protecting the capital you have today?
- What action would you take if your portfolio increased 10% next month?
Declined 10% next month?
- What would be more disturbing: holding securities that continue to decline in value, or selling securities that eventually rise?
- Which would you prefer: a portfolio with lower volatility and lower returns, or one with higher returns and greater volatility?

Source: PIMCO

Risks

- The risk involves an identifiable **hazard** and the client has **exposure** to the hazard
- The **consequences** are too severe and the **probability** of occurrence is high



Source: Investments & Wealth Institute RMA Curriculum textbook, 6th Edition, 2017

Strategy

Create an investment policy statement

An investment policy statement can help

- Implement selected guidelines and methodology
- Maintain asset allocation
- Confirm benchmarks for performance monitoring
- Provide a disciplined approach during periods of volatility
- Reduce behavioral tendencies
- Manage risk

Create an investment policy statement

Key components

I. Executive summary and purpose

- Mission
- Type of plan

II. Background and investment objectives

- Objectives
- Time horizon

III. Roles and responsibilities

- Advisor and manager
- Investment committees, trustees, family members

IV. Investment guidelines and allocations

- Risk tolerance
- Benchmarks
- Asset allocation
- Rebalancing

V. Investment selection criteria

- Performance: Absolute, Relative
- Expenses

VI. Monitoring and reporting requirements

- Schedule
- Manager change process

Source: PIMCO

Strategy

Enroll in automated investment programs

Dollar cost averaging at \$100 per month

Rising market

	When the share price is:	You buy:
January	\$10	10.00 shares
February	\$15	6.67 shares
March	\$20	5.00 shares
April	\$25	4.00 shares

- Avg. cost per share: **\$15.58** (\$400/25.67 shares)
- Avg. market price per share: **\$17.50** (\$70/4 purchases)

Declining market

	When the share price is:	You buy:
January	\$25	4.00 shares
February	\$20	5.00 shares
March	\$10	10.00 shares
April	\$5	20.00 shares

- Avg. cost per share: **\$10.26** (\$400/39 shares)
- Avg. market price per share: **\$15.00** (\$60/4 purchases)

Source: PIMCO

For Illustrative Purposes Only.

Refer to Appendix for additional investment strategy and risk information.

Enroll in automated investment programs

Potential benefits of model investing

Streamlines practice to save time

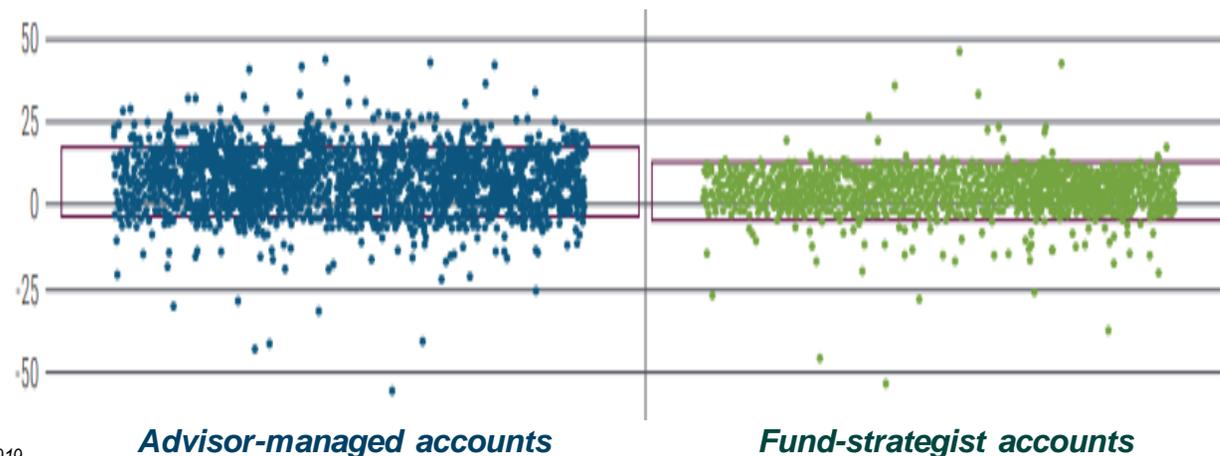
- Additional time to broaden services and increase competency to deepen credibility with clients

Helps avoid cognitive biases

- Helps avoid the temptation of allocating capital based on trailing returns (i.e., recency bias) by emphasizing forward-looking returns

Potential for more predictable outcomes

- Model accounts have roughly half the dispersion of Representative as Portfolio Manager (advisor managed) accounts



For Illustrative Purposes Only

Source: Envestnet, as of 30 September 2019

Data covers 3-year performance for accounts in the "moderate" risk category, net of fees

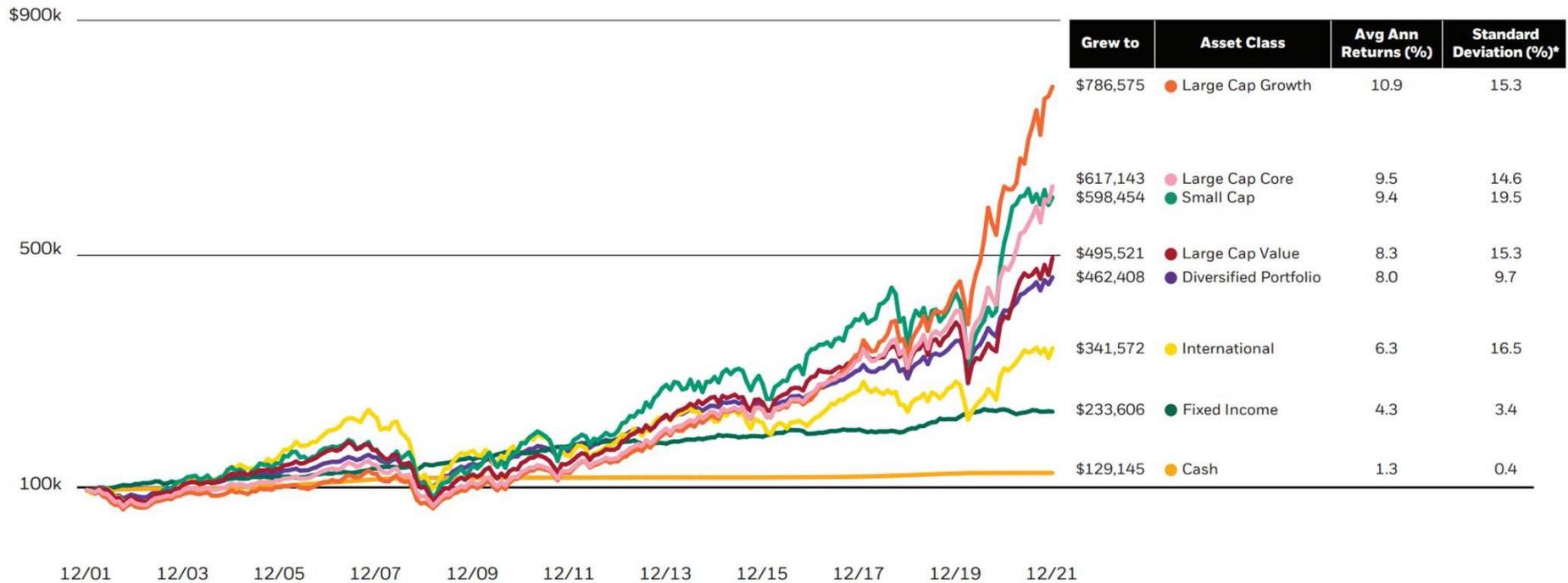
Past performance is not a guarantee or a reliable indicator of future results. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

Refer to Appendix for additional investment strategy and risk information.

Strategy

Diversify to reduce portfolio volatility

Growth of a hypothetical \$100,000 investment over the last 20 years (2002-2021)



As of 31 December 2021

*Standard deviation is calculated using monthly returns.

For illustrative purposes only.

Source: Informa Investment Solutions

Cash is represented by the ICE BofA 3-month Treasury Bill Index. **Diversified portfolio** is composed of 35% of the Bloomberg U.S. Aggregate Bond Index, 10% of the MSCI EAFE Index, 10% of the Russell 2000 Index, 22.5% of the Russell 1000 Growth Index and 22.5% of the Russell 1000 Value Index. **Fixed income** is represented by the Bloomberg U.S. Aggregate Bond Index. **International** is represented by the Morgan Stanley Capital International (MSCI) EAFE Index. **Large cap core** is represented by the S&P 500 Index. **Large cap growth** is represented by the Russell 1000 Growth Index. **Large cap value** is represented by the Russell 1000 Value Index. **Small cap** is represented by the Russell 2000 Index.

Past performance is not a guarantee or a reliable indicator of future results.

Refer to Appendix for additional index and risk information.

Strategy

Consider asset bucketing

Goal	Time horizon	Dollar amount	Priority level	Strategy
Purchase second home	6 months	\$1.5 million	High	
Education for four children	4 years each; 5 years out	\$1.0 million	High	
Lifestyle	25 years out	\$2.5 million	Low	
Bequest for children	50 years out	\$2.0 million	Low	

■ Cash
 ■ Fixed income
 ■ Equities
 ■ Alternatives

Sample for illustrative purposes only.

Source: PIMCO

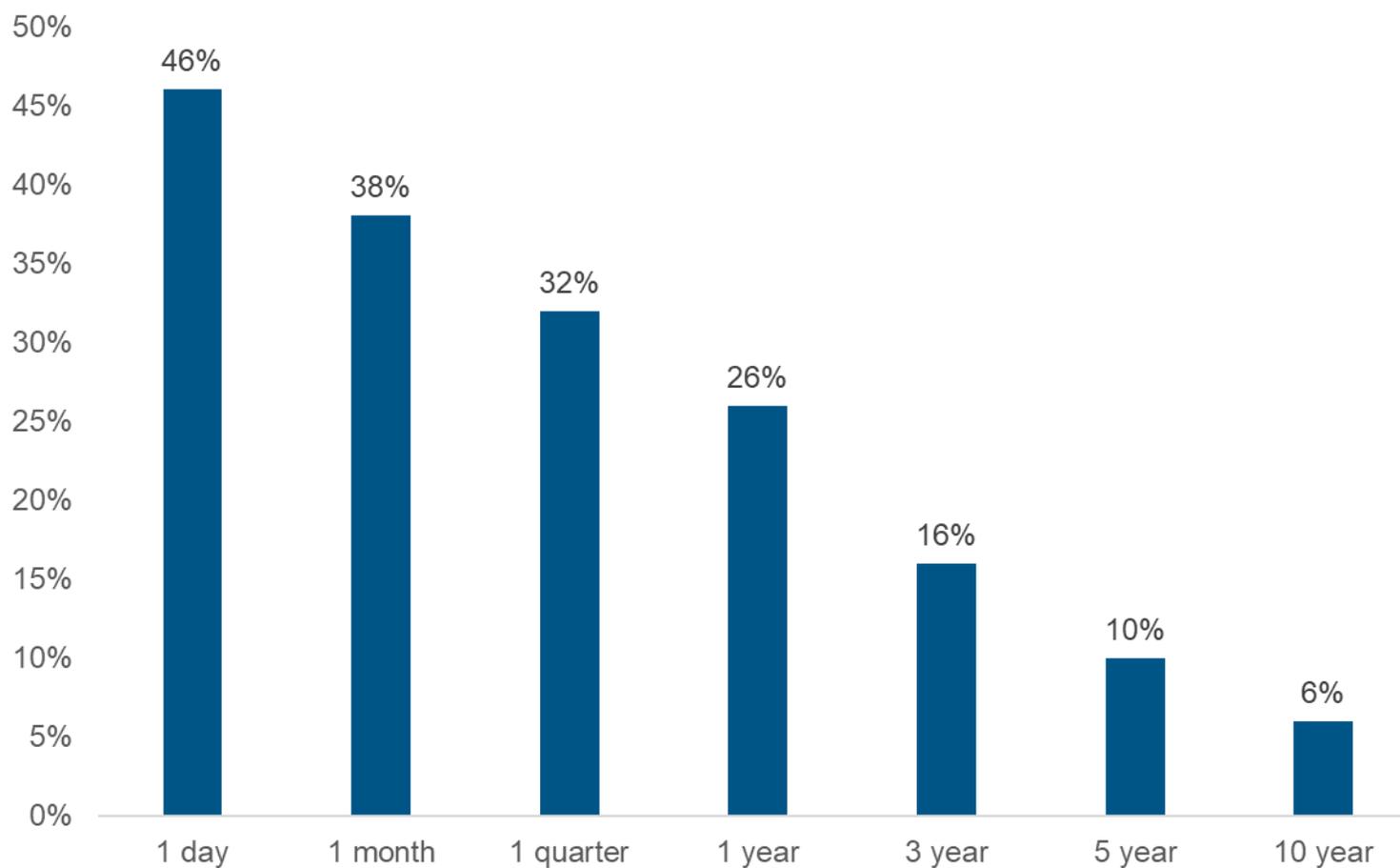
Refer to Appendix for additional investment strategy and risk information.

Strategy

Encourage a long-term perspective

As time horizons grew, equity losses plummeted

Probability of negative returns, based on S&P 500 total returns from 1929-6/2022



Data as of June 2022

Sources: S&P 500, Bloomberg, BofA Global Research

Refer to Appendix for additional index and risk information.

Encourage a long-term perspective

Communicating effectively beyond "Stay the course"

“Stay the course” is intended to mean:

- The client should **stick with their solid, long-term financial plan**
- The client should **not make any drastic portfolio changes** that could have a long-term effect
- **Timing the market in counterproductive.**
Focus on time in the market instead
- The client’s **long-term plan and approach is valid**

What clients hear:

- My financial advisor is **ignoring the pain** I am enduring with this volatility
- My financial advisor **isn’t concerned or doesn’t care** about my individual situation
- My financial advisor is **unwilling to spend the time and energy** necessary to make appropriate portfolio changes
- My financial advisor **lacks the skill and acumen** to provide appropriate guidance during these market conditions

Source: PIMCO
Refer to Appendix for additional investment strategy and risk information.

Strategy

Rebalance portfolios regularly

Potential benefits

- Addresses unintentional portfolio allocation “drift.” Seeks adherence to stated investment policy guidelines
- Can reduce overall portfolio volatility with the potential for higher returns
- Instills a disciplined approach to investment decisions, aims to minimize behavioral tendencies
- Requires investor to do what is emotionally uncomfortable, but often financially productive: buy low, sell high

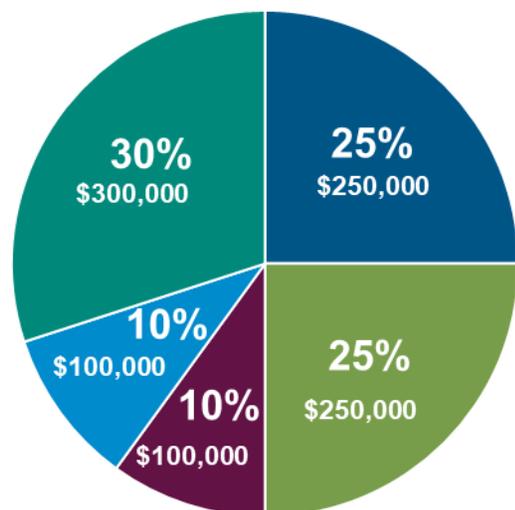
Additional considerations

- Impact of taxes and fees
- Sources of funds: deposits and withdrawals
- Methodology:
 - Calendar: portfolio rebalanced to target at pre-determined intervals (month/quarter/year) regardless of interim deviations
 - Threshold: portfolio allocations rebalanced to target only when exceed pre-determined range (ex: 35% +/-5%)

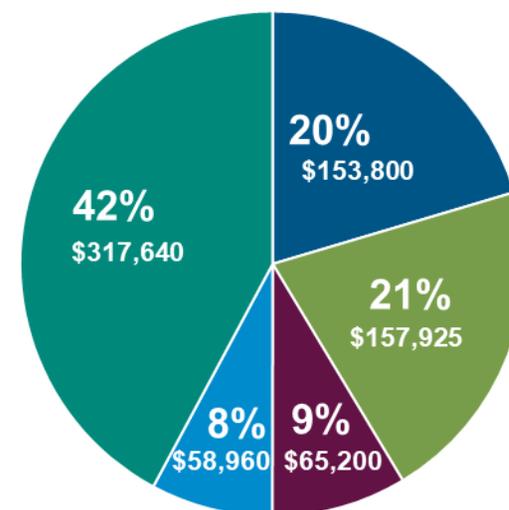
Source: PIMCO
Refer to Appendix for additional investment strategy, tax and risk information.

Portfolio rebalancing after market decline

Initial allocation January 2008 \$1,000,000 → Performance 2008 → Allocation January 2009 \$753,525



Category	Performance 2008
Large growth	-38.48%
Large value	-36.83%
Small cap	-34.80%
International	-41.04%
Fixed income	+5.88%



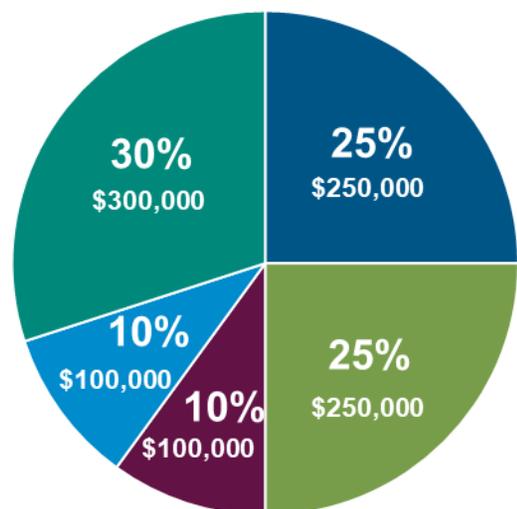
2009 portfolio → Target allocation → Required change

Category	2009 portfolio	Target allocation	Required change
Large growth	\$153,800	\$188,381	+\$34,581
Large value	\$157,925	\$188,381	+\$30,456
Small cap	\$65,200	\$75,353	+\$10,153
International	\$58,960	\$75,353	+\$16,393
Fixed income	\$317,640	\$226,057	-\$91,583

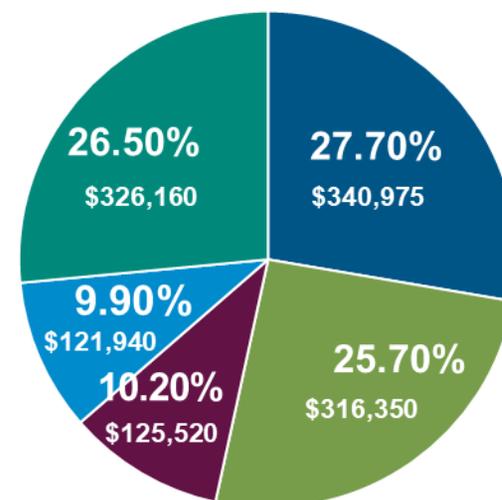
Source: PIMCO; Large growth = Russell 1000 Growth Index, Large value = Russell 1000 Value Index, Small Cap = Russell 2000 Index; International = MSCI EAFE; Fixed Income = Bloomberg US Aggregate Bond Index. Hypothetical example for illustrative purposes only. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown. Refer to Appendix for additional hypothetical example, index and risk information.

Portfolio rebalancing after market gain

Initial allocation January 2019 \$1,000,000 → Performance 2019 → Allocation January 2020 \$1,230,945



Category	Percentage
Large growth	36.39%
Large value	26.54%
Small cap	25.52%
International	21.94%
Fixed income	8.72%



2020 portfolio → Target allocation → Required change

Category	2020 portfolio	Target allocation	Required change
Large growth	\$340,975	\$307,736	-\$33,239
Large value	\$316,350	\$307,736	-\$8,614
Small cap	\$125,520	\$123,095	-\$2,425
International	\$121,940	\$123,095	+\$1,155
Fixed income	\$326,160	\$369,283	+\$43,123

Source: PIMCO; Large growth = Russell 1000 Growth Index, Large value = Russell 1000 Value Index, Small Cap = Russell 2000 Index; International = MSCI EAFE; Fixed Income = Bloomberg US Aggregate Bond Index. Hypothetical example for illustrative purposes only. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown. Refer to Appendix for additional hypothetical example, index and risk information.

Glossary

Anchoring

Tendency to rely too heavily on one piece of information as a reference point when making a decision.

Behavioral Finance

The integration of classical economics and finance with psychology and the decision-making sciences that seeks to describe how people really behave and make decisions.

Cognitive Dissonance

Mental discomfort felt by an individual simultaneously holding two contradictory beliefs.

Confirmation Bias

Only acknowledging information that confirms one's opinions or beliefs.

Familiarity Bias

Preference to invest in what is familiar instead of what is new.

Framing

Presenting information in such a way to achieve a desired outcome. People tend to reach conclusions based on the way the scenario is presented, or framed.

Herd Bias

Tendency to follow a course of action because others are also doing it.

Hindsight Bias

Gives a false sense of security and can lead to excessive risk-taking. Tendency to view events as having been more predictable, and thus actions more correct or incorrect, than was apparent as the situation was unfolding.

Home Bias

Tendency to overweight exposure to their domestic market or industry sector and invest less in foreign markets or other sectors.

Source: PIMCO

Glossary

Information Overload	Increasing choices results in greater indecision.
Loss Aversion	Tendency to strongly prefer avoiding losses to acquiring gains.
Mental Accounting	Dividing assets into separate groups based on where they originated or are located and assigning different levels of utility.
Overconfidence	Overestimating one's own abilities and knowledge. People acquire too much confidence from the information that is available to them, and they think they are right more often than they actually are.
Prospect Theory	People choose between probabilistic alternatives that involve risk, where probabilities of outcomes are unknown.
Recency Bias	Using only recent data to make future decisions.
Self attribution	Take credit for good outcomes and pass on blame for bad outcomes.
Status quo	Tendency to stay with current investments, faced with an array of options, select the one that keeps conditions the same.
Substitution	Process of subconsciously replacing, or substituting, a complex scenario or judgment with a more straightforward scenario that is easier to comprehend.

Source: PIMCO

Resources

- *The Behavior Gap*, Carl Richards
- *Why Smart People Make Big Money Mistakes*, Gilovich and Belsky
- *The Behavioral Investor*, Daniel Crosby
- *Nudge*, Richard Thaler
- *Predictably Irrational*, Dan Ariely
- *Thinking Fast and Slow*, Daniel Kahneman

Source: PIMCO

Appendix



Dynamic communication

Philosophy of probability vs. safety

Your approach depends on the client's dominating view of the **probability** of failure vs. the **magnitude** of failure of the financial plan.

Probability-based approach

Plan recommendations, risk management techniques based on **odds** rather than consequences.

Safety-first approach

Plan recommendations, risk management techniques based on **consequences** rather than odds.

Clinical approach to risk

Communication framework

Framework	Description
Scenario	What is the client's <i>stated</i> concern?
Category	Is it systematic or unsystematic?
Hazard	Be as specific as you can
Exposure	Financially, geographically, jurisdictionally
Consequences	State the range of consequences from best case to worse case, and everything in between. Can it be ignored?
Probabilities	Very low low medium high very high
Predictability	Is it possible to reliably predict, and with what confidence?
Methods to address risk	Manage, mitigate, hedge, transfer, self-insure? What are the pros and cons of each method
Products available to address risk	What are the tradeoffs and costs?

Source: Investments & Wealth Institute RMA Curriculum textbook, 6th Edition, 2017

Appendix

HYPOTHETICAL EXAMPLE

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

INVESTMENT STRATEGY

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 long-term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

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It is not possible to invest directly in an unmanaged index.

RISK

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions.

TAX

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Appendix

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