

Fund information

Total net assets (in millions)	\$9,556.1	
Fund type	UCITS	
Portfolio manager(s)	Philippe Bodereau Matthieu Loriferne Michael Bogecho	
Effective duration (yrs)	3.59	
Benchmark duration (yrs)	0.25	
Average maturity (yrs)	4.44	
Class	CUSIP	ISIN
Accumulation	G7112M633	IE00B6VH4D24

Unified management fee

Institutional class, Accumulation shares	0.79% p.a.
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Performance summary

The PIMCO GIS Capital Securities Fund returned 0.77% (Institutional Class, Accumulation shares net of fees) in August, outperforming the 3 Month USD LIBOR Index by 0.76%. Year-to-date the Fund has returned 5.42% (Institutional Class, Accumulation shares net of fees), outperforming the benchmark by 5.28%.

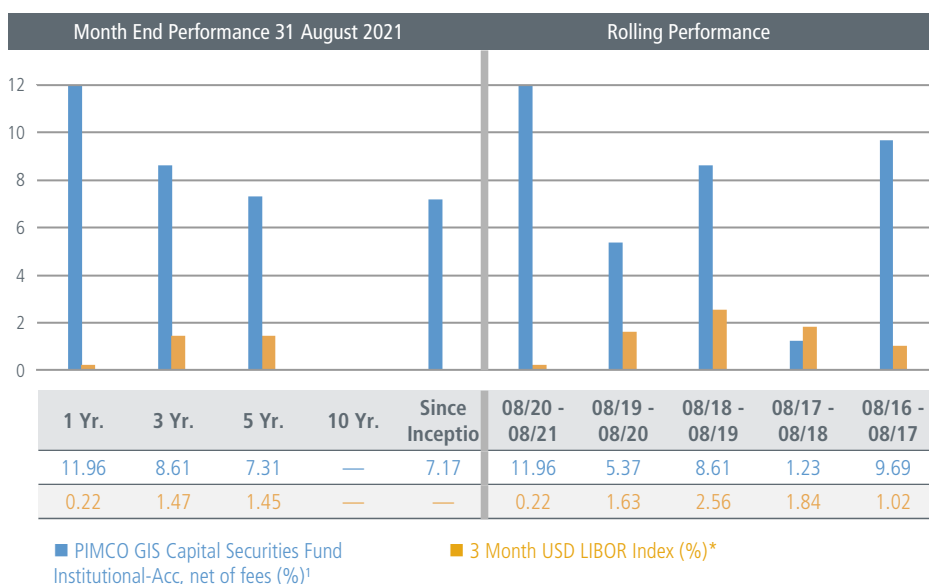
In August, the Barclays European Additional Tier 1 (AT1) Index returned 0.54% (USD hedged) and the Barclays Global Agg Corp Senior Financials Index returned -0.18%. Spreads in European AT1s tightened by 10bps over the month, while spreads in seniors bonds remained flat.

Contributors

- Exposure to Additional Tier 1 bonds, in particular from Dutch, UK and Spanish issuers, as spreads tightened and select issues outperformed
- Tactical allocation to bank stocks, and in particular to large US banks, which outperformed amid constructive risk sentiments
- Security selection within Tier 2 bonds, as select issuers outperformed amid rating upgrades and potential consolidation

Detractors

- Exposure to senior bonds, which lagged during the month alongside tighter initial spread levels and bond yields moving higher



Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. The benchmark is the 3 Month USD LIBOR Index. All periods longer than one year are annualised. SI is the performance since inception.

¹ Accumulation class inception date: 31 July 2013

^{*} Benchmark is shown for performance comparison purposes only.

IMPORTANT NOTICE

Please note that this material 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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Capital Structure Positioning

	% Market Value
Senior	5.8
Tier 2	7.2
Tier 2 CoCo	1.1
Tier 1 & Preferred	8.7
Additional Tier 1	53.2
Equity	4.2
Bank Loans	0.0
Non-Financials	9.7
Net Other Short Duration Instruments ¹	10.2

¹ Net Other Short Duration Instruments includes securities and other instruments (except those instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money, short duration derivatives and derivatives offsets. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position.

Top 5 country exposure by currency of settlement

	% Market Value
United Kingdom	23.9
United States	14.9
Netherlands	11.2
Spain	11.0
Italy	8.6

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

MV% may not equal 100 due to rounding.

Month in review

European banks published 2Q21 results ahead of consensus, with earnings materially higher YoY and relatively stable versus the previous quarter. The increase in profits continues to be driven by lower than expected loan loss provisions and reserve write-backs in select banks. Banks' capital levels remain high and asset quality trends stable, with several banks upgrading their outlook on loan loss provisions in light of the improving macro outlook and ongoing reopening of economies. Provisions are predicted to be lower in 2021 relative to last year, which should continue to support bank earnings and capital ratios, partly offsetting the impact on capital from higher payouts.

Primary activity remained elevated year to date, with volumes in European banks' issuance in line with the levels seen at this time last year. By capital structure, issuance continues to be driven by senior non-preferred debt, while gross issuance in AT1 bonds has lagged relative to last year's pace, and it remains driven by refinancing of calls, with expected negative net supply in 2021 once accounting also for calls of legacy tier 1 bonds.

An increasing amount of issuance is coming in the form of ESG bonds, with EUR 27bn in ESG issuance in H1'21 which is higher than the full amount recorded in 2020. ESG issuance is mostly in senior debt and driven by green bonds, but issuance in social and sustainability bonds has recently picked up.

Portfolio positioning

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

During the month we have been deploying part of the dry powder built up since the beginning of the year by adding exposure to select AT1 bonds from European banks, partly offsetting issuers' calls. When adding exposure, we favoured select issuers offering price upside as well as outstanding issues in the secondary market with call date in the near term.

Outlook and strategy

Banks are well positioned to favor from a reflationary and pro-cyclical environment, with policies remaining accommodative and prospects for a recovery in economic growth. Banks are not only supported by a decade of unabated balance sheet de-risking but also benefitted from unprecedented policy interventions and regulatory relief measures. Current asset quality trends point to a relatively moderate increase in aggregated nonperforming loans during the next 12 months - very manageable in the context of banks operating at historically high capital levels and with buffers to coupon-skip now at over 450 bps, on average, in Europe.

At a micro level, we see opportunities driven by mergers and acquisitions and consolidation trends within the sector, particularly at a domestic level within peripheral countries, with upside offered by bonds of target banks. Risks are mainly related to broad macro events, such as delays in the distributions of vaccines and extended lockdowns. It will also be important to monitor where rates go, as higher rates and, in particular, steeper curves contribute to higher interest margins, benefitting bank fundamentals. While increasing yields weigh negatively on returns of traditional bonds, including senior bank debt, AT1s are less sensitive given their callable structure with coupons reset at call date.

European AT1s are amongst the highest yielding asset classes within credit markets and senior debt provides a more defensive source of spread. Despite an extreme macro shock, banks' equity cushions have increased in 2020, no bank has gone into resolution, no bank has suspended their AT1 coupons, and only two AT1 bonds have been extended. This should change the market's perceived riskiness of the asset class and help close the gap relative to High Yield bonds which currently trade at tighter spreads despite their lower average credit rating.

Management profile



Philippe Bodereau
Managing Director



Matthieu Loriferne
Executive Vice President



Michael Bogecho
Senior Vice President

\$9.5BN

ASSETS UNDER
MANAGEMENT

11 ANALYSTS

11 analysts: Global team of 11
dedicated financial analysts: 4 in U.S.,
4 in U.K./Europe, 3 in Asia/Pacific

Seeks to capitalize on opportunities in financials across the capital structure

Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future. Performance data shown is the after the effect of fees. All periods longer than one year are annualised.

Share value can go up as well as down and any capital invested in the Fund may be at risk. The Fund may invest in non-U.S and non-Eurozone securities which involve potentially higher risks including currency fluctuations and political or economic developments. These may be enhanced when investing in emerging markets. Funds that invest in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. The Fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. Portfolios investing in derivatives could lose more than the principal amount invested. For more details on the fund's potential risks, please read the Key Investor Information Document.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

The 3 Month USD LIBOR (London Interbank Offered Rate) Index is an average interest rate, determined by the ICE Benchmark Administration, that banks charge one another for the use of short-term money (3 months) in England's Eurodollar market. It is not possible to invest in an unmanaged index. It is not possible to invest directly in an unmanaged index.

Morningstar ratings are only shown for those funds that have achieved a 4 or 5 star rating. Ratings for other share classes are either lower or not available.

PIMCO Capital Securities Fund

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

A word about risk: Contingent Convertible ("Coco") Bonds are bonds that are converted into equity of the issuing company if a pre-specified trigger occurs. Co-cos are subject to a different type of risk from traditional bonds and may result in a partial or total loss of value or may be converted into shares of the issuing company which may also have suffered a loss in 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. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Sovereign securities are generally backed by the issuing government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. Diversification does not ensure against loss.

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Where referenced in the prospectus and relevant key investor information document a benchmark may be used as part of the active management of the Fund including, but not limited to, for duration measurement, as a benchmark which the Fund seeks to outperform, performance comparison purposes and/or relative VaR measurement. Any reference to an index or benchmark in this material, and which is not referenced in the prospectus and relevant key investor information document, is purely for illustrative or informational purposes (such as to provide general financial information or market context) and is not for performance comparison purposes. Please contact your PIMCO representative for further details.

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Investment Restrictions — In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest over 35% of net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC.

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Spreads referenced are the average option adjusted spread (OAS) level as generated by Barclays.