

# PIMCO GIS Capital Securities Fund

## CAPITALISE ON OPPORTUNITIES IN THE GLOBAL FINANCIAL SECTOR

Some of the highest yielding asset classes within credit markets are issued by financial institutions, such as Additional Tier 1 (“AT1”) bonds<sup>1</sup>. Capital securities tend to have lower correlation with interest rates than traditional fixed income investments and can help diversify a broad fixed income portfolio. PIMCO’s team includes 11 analysts focused exclusively on financials, 6 dedicated financials traders and deep analytics support. This skill set is complemented by PIMCO’s macro expertise, which helps us assess the backdrop for global banks.

## THREE KEY BENEFITS

1

### Attractive Yield

Capital securities are fixed income securities and hybrid bonds issued by financial institutions. Hybrid instruments such as AT1 bonds are amongst the highest yielding asset classes benefitting from attractive subordination premia while remaining invested in large systemic banks.

2

### Resilient Fundamentals

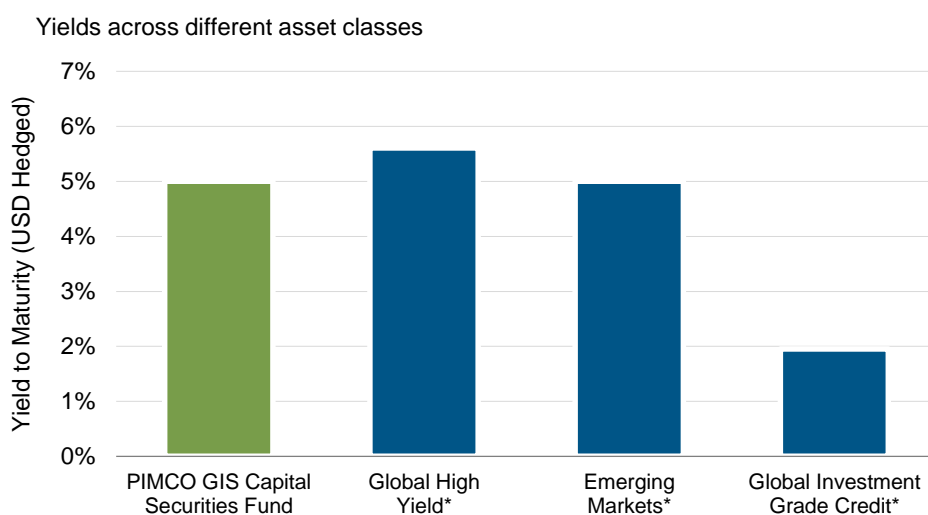
Concerns on bank fundamentals remain subdued given resilient balance sheets and measures taken by central banks, regulators and governments to mitigate the impact of the economic shock related to Covid-19. Banks are not at the center of this crisis, but rather part of the solution.

3

### Diversification

Capital securities tend to have lower correlation with interest rates relative to traditional fixed income investments. As such they may be less sensitive to rising interest rates and can help diversify a broad fixed income portfolio.

## Capital securities may offer higher yields



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

SOURCE: PIMCO, Bloomberg, as of 30 June 2020. \*Emerging Markets is represented by JP Morgan EMBI Global Index, Global High Yield is represented by the BofAML BB-B Rated Developed Markets High Yield Constrained Index, Global IGC is represented by the Bloomberg Barclays Global Aggregate Credit Index. Benchmark is shown for performance comparison purposes only.

<sup>1</sup> Additional Tier 1 (“AT1”) bonds are a form of hybrid subordinated debt securities that are intended to either convert into equity or have their principal written down upon the occurrence of certain ‘triggers’ linked to regulatory capital thresholds or where the issuing banking institution’s regulatory authorities question the continued viability of the entity as a going-concern.

## THE FUND AT A GLANCE:

What your total return p.a. would be if you invested in the fund at inception: 6.8%

Yield to Maturity (USD Hedged) 5.0%

Yield to Next Call (USD Hedged) 5.9%

Investment grade average rating through a focus on global systemic banks and diversification across the capital structure A-

Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.

SOURCE: PIMCO as of 30 June 2020.

Performance is for the USD hedged share class before fees, which inceptioned on 31 July 2013. The average rating is based on the highest rating provided by Moody's, Fitch and S&P for the issues in the Fund.

## INVESTMENT GUIDELINES:

Average duration of 3 to 7 years  
Minimum 80% invested in capital securities  
Maximum 7.5% issuer concentration  
Maximum 10% exposure to equities  
Maximum 10% foreign currency exposure

The fund is actively managed in reference to the 3 month USD LIBOR Index as further outlined in the prospectus and key investor information document.

## HOW THE CAPITAL SECURITIES FUND CAN FIT IN YOUR PORTFOLIO

## COMPLEMENT TO OTHER CREDIT SECTORS

Capital Securities can serve as a complement to traditional investment grade credit and high yield strategies where AT1 bonds are not included in typical benchmarks.

## STRATEGIC ALLOCATION TO GLOBAL FINANCIALS

By focusing on capital securities issued by global financial institutions, the fund offers the potential to capitalise on the de-leveraging and re-regulation trend that is bolstering the sector.

## EQUITY SUBSTITUTE

Capital securities have historically provided a better risk-adjusted return than financial stocks, despite remaining more senior in the capital structure than equity.

## FUND DETAILS

Share class	Style	ISIN	Ticker	Unified Fee	Inception date	Fund Type
Institutional USD	Accumulation	IE00B6VH4D24	PIMCINA	0,79%	31.07.2013	UCITS
Institutional USD	Income	IE00BLZHVR37	PIMCIU	0,79%	07.03.2013	UCITS
Inst Euro Hedged	Accumulation	IE00B83VRW62	PIMCIEU	0,79%	25.05.2011	UCITS
Inst Euro Hedged	Income	IE00B4193603	PIMCIEH	0,79%	25.05.2011	UCITS

The primary benchmark for the USD share classes is the 3 Month USD Libor Index, the primary benchmark for the Euro hedged share classes is 3 Month Euribor.

## PORTFOLIO MANAGEMENT TEAM



**Philippe Bodereau**  
Portfolio Manager  
Global Head of Financial  
Research  
24 years of investment  
experience



**Matthieu Loriferne**  
Portfolio Manager  
Capital Securities and  
Financials  
17 years of investment  
experience



**Michael Bogecho**  
Portfolio Manager  
Capital Securities and  
Financials  
15 years of investment  
experience

For the latest performance and relevant insights, please visit the [Capital Securities Fund page](#)

To read more about our portfolio management team visit  
<https://global.pimco.com/en-gbl/experts>

For questions regarding the PIMCO Funds: Global  
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**WHAT ARE THE RISKS?**

**Contingent convertible securities risk:** Holdings in contingent convertible bonds ('CoCos'), may expose the fund to equity related risks following a conversion to equity and or loss of capital associated with principal write-down features.

**Credit and default risk:** A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a loan or meet a contractual obligation. This could cause the value of its bonds to fall or become worthless. Funds with high exposures to non-investment grade securities have a higher exposure to this risk.

**Currency risk:** Changes in exchange rates may cause the value of investments to decrease or increase.

**Derivatives and counterparty risk:** The use of certain derivatives could result in the fund having a greater or more volatile exposure to the underlying assets and an increased exposure to counterparty risk. This may expose the fund to larger gains or losses associated with market movements or in relation to a trade counterparty being unable to meet its obligations.

**Interest rate risk:** Changes in interest rates will usually result in the values of bond and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices).

**Liquidity risk:** Difficult market conditions could result in certain securities becoming hard to sell at a desired time and price.

**Mortgage and asset backed securities risk:** Mortgage or asset backed securities are subject to similar risks as other fixed income securities, and may also be subject to prepayment risk and higher levels of credit and liquidity risk.

**FOR PROFESSIONAL USE ONLY.****All data as of 31 March 2020 unless otherwise stated.****Past performance is not a guarantee or a reliable indicator of future results.**

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**Benchmark:** Unless referenced in the prospectus and relevant key investor information document, a benchmark or index in this material is not used in the active management of the Fund, in particular for performance comparison purposes. 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.

**Correlation:** As outlined under "Benchmark", 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. In such instances, certain of the Fund's securities may be components of and may have similar weightings to the benchmark and the Fund may from time to time show a high degree of correlation with the performance of any such benchmark. However the benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark. Investors should note that a Fund may from time to time show a high degree of correlation with the performance of one or more financial indices not referenced in the prospectus and relevant key investor information document. Such correlation may be coincidental or may arise because any such financial index may be representative of the asset class, market sector or geographic location in which the Fund is invested or uses a similar investment methodology to that used in managing the Fund.

**Benchmark:** The fund is actively managed without reference to a benchmark.

**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.

**Risk:** 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 the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Commodities contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. Derivatives may involve certain costs and risks, such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Equities may decline in value due to both real and perceived general market, economic and industry conditions. Investing in foreign-denominated and/or -domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Sovereign securities are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. High yield, lower-rated securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Mortgage- and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Swaps are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. Inflation-linked bonds (ILBs) issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. government. Certain U.S. government securities are backed by the full faith of the government. Obligations of U.S. government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value.

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