Global Investment Grade Credit Fund EUR (Hedged)

MARKET COMMENTARY
- The credit component of the Barclays Global Aggregate Index posted a return of -0.29% for the month and underperformed equivalent government issues by 202 basis points
- The Global Investment Grade Credit market’s option adjusted spread (OAS) widened by +40 basis points in May, to end the month at +176 basis points
- Lower quality corporate bonds underperformed their high-quality counterparts as investors opted for safe havens

PORTFOLIO RECAP
- The Fund underperformed its benchmark for the month
- Contributors to portfolio performance included:
  - A curve steepening bias in UK as the curve steepened
  - A flattening bias in Euro as the curve flattened
- Detractors from portfolio performance included:
  - Overweight to banks which underperformed on the back of heightened risk aversion
  - Underweight to supranational debt which outperformed its corporate counterpart

MARKET OUTLOOK AND STRATEGY
- PIMCO continues to expect developed economies to grow much more slowly than emerging markets, owing to disparate pre-crisis economic conditions
- We will continue to overweight sectors that will benefit from the higher growth dynamics in the developing world such as metals, mining and energy
- We will likely retain a focus on large, diversified financial institutions, which continue to trade at a premium relative to industrials and benefit from proven policy support

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About the Benchmark:
Barclays Capital Global Aggregate Credit Index (EUR Hedged) is an unmanaged Index that provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. This index excludes Government and Securitized Securities. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian securities, and USD investment grade 144A securities. It is not possible to invest directly in an unmanaged index.

About PIMCO:
PIMCO, founded in 1971, is a global investment solutions provider managing retirement and other assets for more than 18 million people in the U.S. and millions more around the world. Our clients include state, local and union pension and retirement plans whose beneficiaries come from all walks of life, including educators, healthcare workers and public safety employees. We also serve individual investors, working in partnership with financial intermediaries such as Registered Investment Advisors, broker/dealers, trust banks and insurance companies. We are advisors and asset managers to central banks, corporations, universities, foundations and endowments. PIMCO has offices in North America, Europe, Asia and Australia and is owned by Allianz Global Investors, a subsidiary of the Munich-based Allianz Group, a leading global insurance company.

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