SHINING A LIGHT ON THE……
PIMCO GIS Income Fund

AT A GLANCE

Investment Objective
The primary investment objective of the Fund is to seek high current income, consistent with prudent investment management. Long-term capital appreciation is a secondary objective. The Fund will utilise a global multi-sector strategy that seeks to combine the Investment Advisor's total return investment process and philosophy with income maximization. Portfolio construction is founded on the principle of diversification across a broad range of global fixed income securities. Top-down and bottom-up strategies are used to identify multiple sources of value to generate consistent returns. Topdown strategies are deployed taking into account a macro view of the forces likely to influence the global economy and financial markets over the medium term. Bottom-up strategies drive the security selection process and facilitate the identification and analysis of undervalued securities.

Inception Date	30/11/2012
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000014PU6

Management	
Manager Name	**Start Date**
Daniel Ivascyn	30th November 2012
Alfred Murata	30th November 2012

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2022:

	2016	2017	2018	2019	2020	2021	2022
PIMCO GIS Income Fund	29.18%	-1.93%	6.44%	4.93%	3.24%	3.53%	0.23%
Bloomberg US Agg Bond TR USD	22.44%	-5.42%	6.23%	4.52%	4.19%	-0.63%	-2.12%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
PIMCO GIS Income Fund	6.19%	5.93%	17.48%	102.57%
Bloomberg US Agg Bond TR USD	3.52%	0.02%	8.59%	47.84%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Credit Quality
6.02	101.15	70.12	66.67	0.91	1.78	Medium/Low

Volatility Measurements	
3-Yr Std Dev (volatility)	7.80%
3-Yr Mean Return (average)	1.94%

Credit Quality	
AAA	45.25%
AA	4.98%
A	3.82%
BBB	16.79%
BB	18.32%
B	3.25%
Below B	7.58%
Not Rated	0.00%

Top 5 Holdings – 4,900 bond holdings, 618 other holdings		
CDX HY37 5Y ICE	-	8.21%
Federal National Mortgage Association 3%	-	4.69%
Federal National Mortgage Association 3.5%	-	4.69%
IRS USD 0.75000 06/16/21-10Y CME Receive	-	4.42%
PIMCO US Dollar S/T Fl NAV Z USD...	-	4.04%

Fixed Income	
Effective Maturity	6.45
Effective Duration	2.55

UPDATE….

This was a new introduction for us. This is a flagship strategy from PIMCO who are specialists in the bond (debt) market. The returns shown are using USD rather than using a currency hedge version, where the returns are a lot lower.

This was a brief overview. We started by looking at the macro picture and they indicated that where they had confidence coming into the year, this has all but gone. Expectations for growth are around 1%, and they are expecting higher interest rates with the US around 3.5% to 4.0% and the UK 3% to 3.5%.

The bond market has sold off aggressively, down nearly -9%. To put this into perspective, in the taper tantrum in 2012 the decline was -3.8%. However, they feel that markets are close to the end of the sell-off and all past history shows strong returns from the point that yields peak.

The strategy has been set up as a “go anywhere” bond fund, which aims to deliver an attractive and sustainable level of income. This was around 4%, but they have recently increased this to around 5%.

Risk management is key and capturing upside returns is important, but protecting on the downside is equally important. This means that they like quality assets as these provide the downside protection, but they are happy to mix with high yield and emerging markets as this gives the yield they are looking to achieve. Getting that balance right is crucial to the management of the strategy.

They have “levers” in terms of where they can invest and the duration. They had reduced this down to under 2 years to be more defensive and this has helped protect the returns this year, but they have started to increase this over 3 years.

The types of assets they use are government, agency mortgage, non-US develop, ABS, CMBS, non-US RMBS, corporates, high yield, bank loans, non-agency mortgage and emerging markets. Being active in moving across these asset classes is how they can deliver the returns.

In emerging markets, they like Mexico and Brazil, and with specialist sectors they like non-agency mortgages. They have modest exposure to US Agency MBS which offers a safe spread over treasuries, and they are finding some opportunities within financials.

In summary, this is a flagship strategy from PIMCO who are specialists within the debt market. This strategy is not immune to down periods but the team looks to get the balance right between protecting and delivering on the target income. The bond market has been difficult this year and not to be dragged down with it has to be commended! We would want to do further research before we consider adding to our watchlist, but we did find this an interesting option for investors.

The source of information in this note has been provided by PIMCO and is correct as of June 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.