From risk premia-aware macro investing to macro-aware risk premia investing

Mihir Worah, Ph.D.
*CIO Asset Allocation and Real Return*
*JP Morgan Quant Conference, May 2016*
Global Macro and Alternative Spectrum is not clearly divided
Roughly 1/3rd of PIMCO’s alpha in our total return representative account is attributable to systematic quant based strategies.

Source: PIMCO as of 31 March 2016.

The representative account information presented is provided as supplemental information to the PIMCO Core Plus - Total Return Full Authority Composite performance presentation included in the Appendix.

Refer to Appendix for additional performance and fee, attribution analysis, representative account and risk information.
PIMCO has a long history of utilizing systematic strategies in an effort to enhance returns across asset class strategies.

**1980’s**
- Core fixed income
- Global fixed income
- Mortgages

**1990’s**
- Credit
- Equities
- Inflation-linked bonds

**2000’s**
- Equity Value
- Asset Allocation
- Alternatives

**2010’s**
- Merger Arbitrage
- Tail Risk & Managed Vol
- Momentum

Evolution and implementation of PIMCO’s quant based strategies designed to enhance returns:

- Rates Value
- Curve
- Volatility Sales
- Credit Value
- FX Carry
- Rating Migration
- Equity Value
- Momentum
- Commodity Carry
- Merger Arbitrage
- Dispersion

PIMCO’s strategy evolution:

- Core fixed income
- Global fixed income
- Mortgages
- Credit
- Equities
- Inflation-linked bonds
- Commodities
- Asset Allocation
- Alternatives
- Opportunistic
- Tail Risk & Managed Vol
- Momentum
Alternative risk premia strategies are gaining mainstream acceptance as they may provide meaningful portfolio diversification benefits.

As of 31 March 2016

Hypothetical example for illustrative purposes only.


Refer to Appendix section “Model Descriptions” for more model information
...while potentially providing attractive risk-adjusted returns

As of 31 March 2016

Hypothetical example for illustrative purposes only.


Refer to Appendix section “Model Descriptions” for more model information
PIMCO’s discretionary macro decisions are informed by robust quantitative analysis

Forward estimates of Sharpe ratios for traditional risk premia given the current macroeconomic backdrop

As of 31 March 2016

Hypothetical example for illustrative purposes only.


US IG Corporate Spread: Barclays US Corporate Credit (ex financials and energy); US 5yr x 5yr: Barclays US Treasury Index; Estimated recession probability: PIMCO research estimate
Implementation and timing of alternative risk premia strategies can be enhanced by macroeconomic insights

Performance of select alternative risk premium strategies (1999-2016)

As of 31 March 2016
Hypothetical example for illustrative purposes only.
Source: PIMCO

1 Refer to Appendix section “Model Descriptions” for more model information
Quantitative expertise is necessary but not sufficient for achieving long-term success in systematic risk premia investing

Quantitative expertise

- Quantitative analysts dissect large data sets to apply and test proprietary systematic investment strategies across asset classes

Global Macro Insights

- Strategies are enhanced by global macro insights to ensure the purest application of the fundamental rationale for a systematic strategy

Sector Specialists

- Sector specialist help in strategy implementation as underlying markets evolve

Systematic strategies are enhanced through the collaboration of PIMCO quantitative research, global macro forecasting and sector specialists
Macro insights can help to avoid risks

Macro insights can help to avoid risks

Decomposition of Estimated Returns of rates model

Source: PIMCO, as of March 31, 2016

Hypothetical example for illustrative purposes only.
Simple USD/CHF Trend-Following strategy uses a 200-day moving average and scales positions targeting 1% volatility. When an asset’s price is above its recent moving average, the model is long. When it’s below, the model is short.
Rates value and carry: Interest Rate Risk Premium calculated using market data in each G6 country and nominal rate data in each G6 country
Refer to Appendix for additional hypothetical example and risk information.
Macro insights can also help inform portfolio construction decisions

The correlation between stocks and bonds tends to increase when bond yields are rising

- Yields Falling: -39%
- Yields Rising: 4%
- Yields Falling: -63%
- Yields Rising: -15%

MSCI World
Full Sample (1988-2015)

As of 31 December 2015
PIMCO Calculations; Barclays US Treasury 7-10y Index, and MSCI World Index
Refer to Appendix for additional investment strategy, correlation, index and risk information.
Policy-level considerations for asset owners

1. Should I be strategic or tactical

2. How should I customize my allocation?

3. Where do I pull capital from to fund my allocation to these strategies?
Alternative risk premia as building blocks for strategic asset allocation

The case for structural allocations

- Alternative risk premia are likely to persist and may provide attractive risk adjusted returns
- Alternative risk premia may continue to offer returns with low correlations to traditional markets
- Strategies are increasingly available as stand alone products

High frequency timing is challenging

- Tactical allocations of alternative risk premia can be informed by macroeconomic or sector specialist insights
- Nevertheless high frequency timing can be challenging and counterproductive
- Many high frequency signals work in back tests but fail in actual implementation

Refer to Appendix for additional investment strategy, outlook and risk information.
Alternative risk premia strategies can be customized to meet your investment objectives and constraints

<table>
<thead>
<tr>
<th>Strategy Selection</th>
<th>Target Volatility</th>
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</thead>
<tbody>
<tr>
<td>• Select strategies consistent with the role of the allocation in the portfolio</td>
<td>• Target volatility can be adjusted to be consistent with portfolio risk and return objectives</td>
</tr>
<tr>
<td>• For example, an emphasis on trend following strategies may amplify diversification benefits relative to procyclical risk factors and allocations</td>
<td>• A returns generation focus may lead to a higher target volatility</td>
</tr>
<tr>
<td></td>
<td>• A fixed income replacement role may call for lower target volatility</td>
</tr>
</tbody>
</table>

Refer to Appendix for additional investment strategy, outlook and risk information.
The role of the allocation can help to inform the funding source

- **Desired role in the portfolio**
  - Returns
    - Fund from growth assets
  - Diversification
    - Fund from fixed-income or absolute return component
  - Policy allocation
    - Fund pro-rata from liquid component of the policy portfolio
PIMCO’s asset allocation framework includes alternative risk premia strategies within our broader toolkit

<table>
<thead>
<tr>
<th>Traditional market factors</th>
<th>Non-traditional market factors</th>
<th>Alternative risk premia</th>
<th>Skilled alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Equities beta</td>
<td>• Commodities</td>
<td>• Value</td>
<td>• Macro discretionary</td>
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<td>• Duration</td>
<td>• EM spread</td>
<td>• Carry</td>
<td>• Bottom up selection</td>
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<td>• FX</td>
<td>• Momentum</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Etc.</td>
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</tr>
</tbody>
</table>

**SELECTION AND COMBINATION**

PIMCO Investment Strategies
PIMCO uses alternative risk premia to enhance traditional and alternatives strategies and offers them as stand alone solutions.
Conclusions

• Macro insights can enhance tactical allocation to both traditional and alternative risk premia

• Alternative risk premia represent an attractive opportunity to potentially enhance portfolio returns and diversification

• Asset owners should consider alternative risk premia strategies as essential building blocks of their strategic asset allocation

Refer to Appendix for additional investment strategy, outlook and risk information.
Appendix: Details of the Basic Trend-Follower

- For the purposes of this analysis we set up a simple, transparent hypothetical trend-following strategy. The strategy trades twenty markets: five each in equity index, bond, currency and commodity futures. The strategy trades once per week, taking a long position if the current futures price is above the one year moving average price, and taking a short position if it is below. Each position is scaled inversely to the recent 3-month daily realized volatility of the contract, and the overall strategy is scaled to target 10% volatility using trailing 10-year windows to estimate volatility of the strategy. Some futures markets were unavailable in the early parts of the sample. In those periods, risk allocated to each asset class is kept roughly constant over long periods of time by scaling up the underrepresented sectors. Over short periods, risk can be skewed to some asset classes. Fixed transaction costs estimated from available market data for each futures market, of between 1bp and 10bp, are subtracted from returns.

- For historical data before 1987, extended hypothetical futures time series are constructed for S&P 500, five-year note futures and currency futures (JPY, DEM, AUD, GBP) before actual trading in those futures markets began. For S&P 500 futures we use daily excess return data from the Ken French database for the top 30% of U.S. stocks with reinvested dividends. For five-year note futures we use the Gurkaynak, Sack, Wright constant maturity Treasury yield data set to estimate daily returns, including roll-down and carry. Delivery option effects are not included in the modelling but would not be expected to bias results. Proxy currency future returns are calculated using risk-free rate data from Dimson, Marsh and Staunton and Bloomberg spot rates, starting in 1973.

- A useful comparison is with the SG Trend Index*, a composite of the top 10 trend-following hedge funds. In order to make a meaningful comparison we add to the returns of the Basic Trend Follower a proxy for collateral returns (we use the Barclays Short Term Treasury index total returns) and adjust for assumed fees equal 2% running plus 20% of gains assessed annually. Annual correlation of these two series is 64% over this period. Average annual total returns are similar at 5.2% and 6.3% for the basic trend follower and SG Index respectively.

* Formerly Newedge Trend Index. Renamed as of January 2016
PERFORMANCE AND FEE
Past performance is not a guarantee or a reliable indicator of future results. Certain performance figures do not reflect the deduction of investment advisory fees (for Pacific Investment Management Company LLC described in Part 2 of its Form ADV) in the case of both separate investment accounts and mutual funds; but they do reflect commissions, other expenses (except custody), and reinvestment of earnings. Such fees that a client may incur in the management of their investment advisory account may reduce the client’s return. For example, over a five-year period, annual advisory fees of 0.425% would reduce compounding at 10% annually from 61.05% before fees to 57.96% after fees. The "net of fees" performance figures reflect the deduction of actual investment advisory fees but do not reflect the deduction of custodial fees. All periods longer than one year are annualized. Separate account clients may elect to include PIMCO sector funds in their portfolio; sector funds may be subject to additional terms and fees. For a copy of net of fees performance, unless included otherwise, please contact your PIMCO representative.

ATTRIBUTION ANALYSIS
The attribution analysis contained herein is calculated by PIMCO and is intended to provide an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio’s performance. Attribution analysis is not a precise measure and should not be relied upon for investment decisions.

CHART
Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results.

CORRELATION
The statements contained in this presentation regarding the correlation of various indices or securities against one another or against inflation are based upon data over a long time period. These correlations may vary substantially in the future or over shorter time periods, resulting in greater volatility.

HYPOTHETICAL EXAMPLE
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. Hypothetical or simulated performance results have several inherent limitations. Unlike an actual performance record, simulated results do not represent actual performance and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular account, product or strategy. In addition, since trades have not actually been executed, simulated results cannot account for the impact of certain market risks such as lack of liquidity. There are numerous other factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results and all of which can adversely affect actual results.

INVESTMENT STRATEGY
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 long-term, especially during periods of downturn in the market.

Model descriptions:
Multi-strategy: The multi-asset risk premium model is constructed by combining underlying risk factor models across asset classes and scaling the overall portfolio to a target volatility and does not represent the portfolio characteristics or performance of an actual account. The model portfolio was created on March 31, 2016 and was created utilizing underlying risk factor models to target equal risk contributions and scaling the overall portfolio to target a 7.5% volatility. The model portfolio does not represent actual trading and does not reflect the impact that economic and market factors might have on management of the portfolio.

Momentum: Time-Series Momentum Risk Premium is based on a simple trend following model across equities, bonds, FX, and commodities futures. When an asset’s price is above its recent moving average, the model is long. When it’s below, the model is short. The futures universe for Equities: SPX, TSX, Eurostoxx, FTSE, CAC, MIB, ASX, Nikkei 225, VIX; Rates: USD 30y swaps, USD 10y swaps, USD 5y swaps, Eurodollars, CAD 10y swaps, EUR 10y swaps, GBP 10y swaps, OATs, BTPs, JPY 10y swaps, Aussie bonds; FX: GBP, CAD, EUR, JPY, CHF, AUD, MXN; Commodities: Copper, Gold, WTI, Corn, Natural Gas

Commodity Carry: Commodity Risk Premium seeks to maximize carry across a basket of 19 commodities subject to constant ex-ante volatility and sector exposure limits. Commodities include: Aluminum, Cocoa, Coffee, Copper, Corn, Cotton, WTI Crude, Brent Crude, Gas Oil, Gold, Heating Oil, Lead, Natural Gas, Nickel, Silver, Soybeans, Sugar, Wheat, Zinc.

Rates value and carry: Interest Rate Risk Premium calculated using market data in each G6 country and nominal rate data in each G6 country.
Appendix

MODEL

Equity value: Equity risk premium calculated as the RAE Low Volatility US model and 70% short exposure to a US capitalization-weighted index.

FX value and carry: Currency Risk Premium calculated using 1M currency forwards, currency spot, market cap weighted equity market data in each G10 country and nominal rate data in each G10 country.

Volatility: Volatility Risk Premium is calculated by selling a constant USD premium of 1M at-the-money S&P 500 and 1M at-the-money US 10yr rates straddles on a weekly basis and delta hedges at the close.

OUTLOOK

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.

RETURN ASSUMPTIONS

Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

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 is 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. 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. Commodities contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market’s perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their 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. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. 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. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. Investing in distressed companies (both debt and equity) is speculative and may be subject to greater levels of credit, issuer and liquidity risks, and the repayment of default obligations contains significant uncertainties; such companies may be engaged in restructuring or bankruptcy proceedings. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. Derivatives and commodity-linked 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. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested.

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Appendix

INDEX AND MODEL DESCRIPTIONS

Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

The HFRI Fund of Funds index is an unmanaged index that invests with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a Fund of Funds may be lower than an investment in an individual hedge fund or managed account.

The HFRI Macro index is an unmanaged index that involves investing by making leveraged bets on anticipated price movements of stock markets, interest rates, foreign exchange and physical commodities. Macro managers employ a “top-down” global approach, and may invest in any markets using any instruments to participate in expected market movements. These movements may result from forecasted shifts in world economies, political fortunes or global supply and demand for resources, both physical and financial. Exchange-traded and over-the-counter derivatives are often used to magnify these price movements.

The HFRI Relative Value Arbitrage index is an unmanaged index that attempts to take advantage of relative pricing discrepancies between instruments including equities, debt, options and futures. Managers may use mathematical, fundamental, or technical analysis to determine misvaluations. Securities may be mispriced relative to the underlying security, related securities, groups of securities, or the overall market. Many funds use leverage and seek opportunities globally. Arbitrage strategies include dividend arbitrage, pairs trading, options arbitrage and yield curve trading.

The HFRI Equity Hedge index is an unmanaged index that consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options. Some managers maintain a substantial portion of assets within a hedged structure and commonly employ leverage. Where short sales are used, hedged assets may be comprised of an equal dollar value of long and short stock positions. Other variations use short sales unrelated to long holdings and/or puts on the S&P 500 index and put spreads. Conservative funds mitigate market risk by maintaining market exposure from zero to 100 percent. Aggressive funds may magnify market risk by exceeding 100 percent exposure and, in some instances, maintain a short exposure. In addition to equities, some funds may have limited assets invested in other types of securities.

The HFRI Event Driven Hedge Index is an unmanaged index that involves investing in Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

The RA E Fundamental US Large model portfolio contains stocks of large U.S.-listed companies weighted by the Fundamental Index® methodology with additional factors (e.g., quality of earnings, economic profitability, momentum etc.). Prior to 15 April 2015, this benchmark was known as the Enhanced RAFI U.S. Large Total Return. The RA E Low Volatility US model portfolio contains stocks of large U.S.-listed companies ranked by the Fundamental Index® methodology and further screened by a composite score of yield, volatility, and leverage. Companies are weighted by the product of the fundamental score of each company and a factor that reduces the weight for higher beta companies (and increases those for lower beta companies). The portfolio is rebalanced on a monthly staggered basis. Prior to 15 April 2015, this benchmark was known as the US RA Low Volatility Equity Income.

The RA E Fundamental Worldwide Fundamental Advantage model portfolio includes country portfolios constructed with the Fundamental Index® methodology. Country weights are based on an algorithm that balances capacity & potential for excess return. Constituents are selected from the proprietary RA global equity universe. Prior to 15 April 2015, this benchmark was known as the RAFI Country Neutral Long/Short Global. The RA E Fundamental Global Developed model portfolio contains large companies weighted by the Fundamental Index® methodology with additional factors (e.g., quality of earnings, economic profitability, momentum etc.). Companies in Developed Market countries including the U.S. are eligible. Prior to 15 April 2015, this benchmark was known as the Enhanced RAFI Global Developed. The S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The index focuses on the Large-Cap segment of the U.S. equities market.

It is not possible to invest in an unmanaged index.

CMR2016-0518-188380
### PIMCO CORE PLUS - TOTAL RETURN FULL AUTHORITY COMPOSITE

<table>
<thead>
<tr>
<th></th>
<th>COMPOSITE RETURN (%) BEFORE FEES</th>
<th>COMPOSITE RETURN (%) AFTER FEES</th>
<th>BENCHMARK RETURN (%)</th>
<th>COMPOSITE DISPERSION (%) BEFORE FEES</th>
<th>COMPOSITE 3-YR STD DEV</th>
<th>BENCHMARK 3-YR STD DEV</th>
<th>NUMBER OF PORTFOLIOS</th>
<th>TOTAL ASSETS (USD) MILLIONS</th>
<th>PERCENTAGE OF FIRM ASSETS</th>
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**Note:**
- COMPOSITE RETURN (%) BEFORE FEES
- COMPOSITE RETURN (%) AFTER FEES
- BENCHMARK RETURN (%)
- COMPOSITE DISPERSION (%) BEFORE FEES
- COMPOSITE 3-YR STD DEV
- BENCHMARK 3-YR STD DEV
- NUMBER OF PORTFOLIOS
- TOTAL ASSETS (USD) MILLIONS
- PERCENTAGE OF FIRM ASSETS

### Pacific Investment Management Company LLC (PIMCO)

Pacific Investment Management Company LLC (PIMCO) is an investment adviser registered with the Securities and Exchange Commission that provides global investment solutions to institutions, individuals, and government entities worldwide. For GIPS compliance purposes, PIMCO has been defined to include its investment management activities as well as those of its subsidiaries, which include PIMCO Australia Pty Ltd, PIMCO Canada Corp., PIMCO Europe Ltd, PIMCO Japan Ltd, PIMCO Asia Pty Ltd, and PIMCO Asia Limited, as well as those of its affiliate PIMCO Deutschland GmbH. In March 2012, the firm was redefined to include assets managed by PIMCO on behalf of Allianz’s affiliated companies. In addition, in January 2010, the firm definition was expanded to include fixed income assets managed in collaboration with Allianz Global Investors using the PIMCO investment process. Prior to 2010, country-specific limitations restricted the full implementation of the PIMCO investment process for these assets. A complete list of composite descriptions is available upon request.

PIMCO claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. This report has been independently verified for the period January 1987 through December 2015 by PricewaterhouseCoopers LLP. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Core Plus - Total Return Full Authority Composite has been examined for the period December 1989 through December 2015. Benchmark returns and composite returns after fees were not examined and are not covered by the report of independent accountants. The verification and performance examination reports are available upon request.

### The Core Plus - Total Return Full Authority Composite

The Core Plus - Total Return Full Authority Composite includes all discretionary, fee-paying, U.S. dollar based, Total Return accounts that meet the U.S. Total Return Core Plus Full Authority criteria. PIMCO’s Total Return accounts are managed to a core bond strategy that seeks to maximize price appreciation and current income with index-like volatility. The composite does not include accounts that are charged an all-inclusive wrap fee. Beginning January 1983, accounts must allow futures (long & short), options (long & short), non-U.S. dollar investments (permitted allocation of at least 25%), high yield (permitted allocation of at least 10%) and emerging markets to meet the Full Authority criteria. Beginning January 2013, the composite excludes tax-sensitive accounts with a primary objective of maximizing after-tax returns. Beginning January 2014, the composite was redefined to include accounts that gain exposure to the investment types necessary to satisfy the Full Authority criteria through pooled investment vehicles. The composite creation date is December 2002.

The Barclays U.S. Aggregate Index is the firm’s benchmark index. The Barclays U.S. Aggregate Index is designed to be high-quality, investment grade bond market index. It includes both investment-grade and lower quality bonds (below-investment grade). The index is rebalanced quarterly and is updated to reflect changes in the underlying market. It is designed to be representative of the fixed-income market and is calculated by Barclays Capital.

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