PIMCO

September 2019

Verbeter de Matching met Actief LDI

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A company of Allianz

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(Presented in the Netherlands)

Biographical information

Jeroen van Bezooijen

Mr. van Bezooijen is an executive vice president in the EMEA client solutions and analytics group based in London. The group works with clients to provide thought leadership and develop multi-asset and hedging solutions. Prior to joining PIMCO in 2008, he worked in the pensions and insurance strategy group at Goldman Sachs, where he focused on developing asset-liability solutions for pension funds and insurers. Prior to that, he was in the Pensions Strategy Group at Morgan Stanley and at Mercer Investment Consulting. He has 23 years of investment experience and holds master's degrees in both economics and econometrics from Erasmus University Rotterdam.

The Matching Dilemma

Interest rate risk needs to be managed…

Lower interest rates

↓

Higher liability values

↓

Lower coverage ratios

↓

Benefit cuts/higher contributions

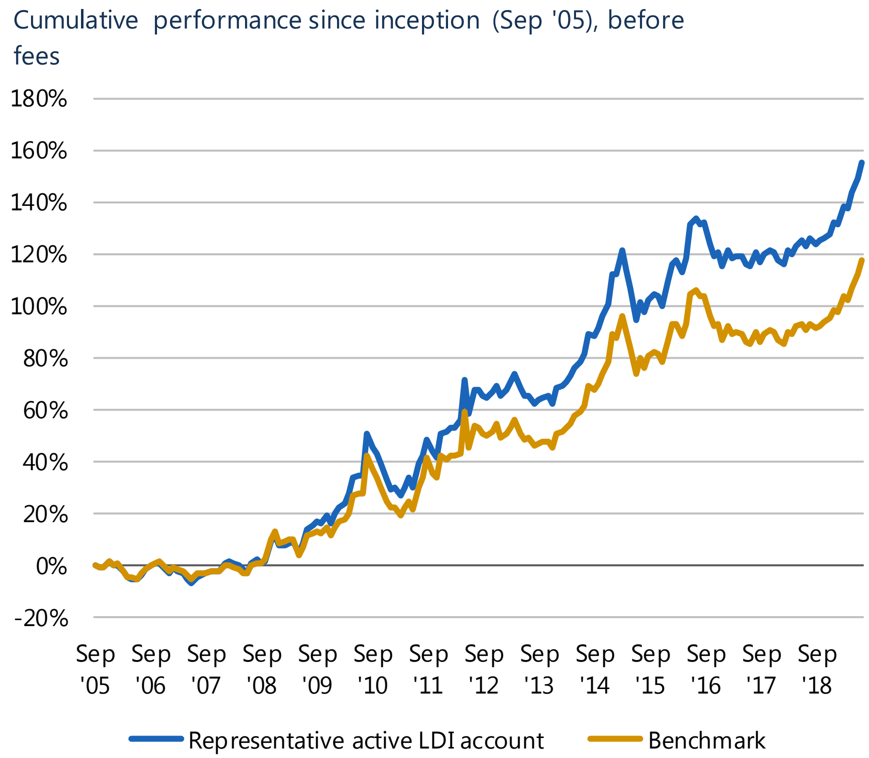
…But interest rates are at historical lows

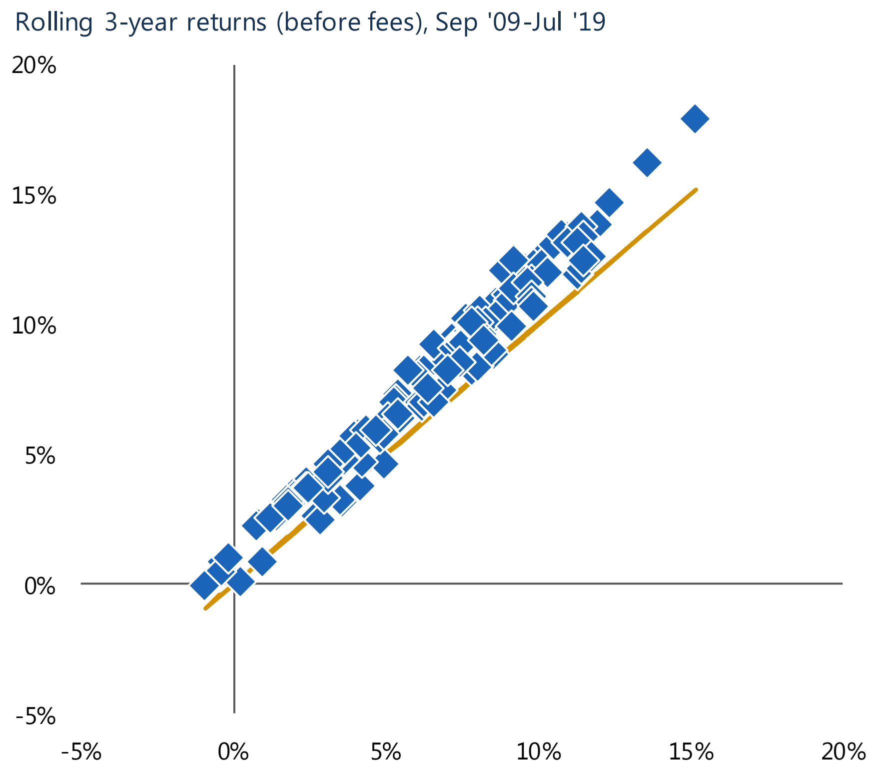
Does it make sense to passively hold long Bunds at negative yields?

SOURCE: PIMCO, as of August 2019
Refer to appendix for additional investment strategy and risk information

Active LDI can make a real difference

Representative account: Outperforming by close to 40% since inception, and in 123 of 131 three-year rolling periods





As of August 2019. SOURCE: PIMCO.
*** Bechmark is shown for performance comparison purposes only.**
Past performance is not a guarantee or a reliable indicator of future results.
Refer to Appendix for additional GIS Funds, investment strategy and risk information.

Key Questions

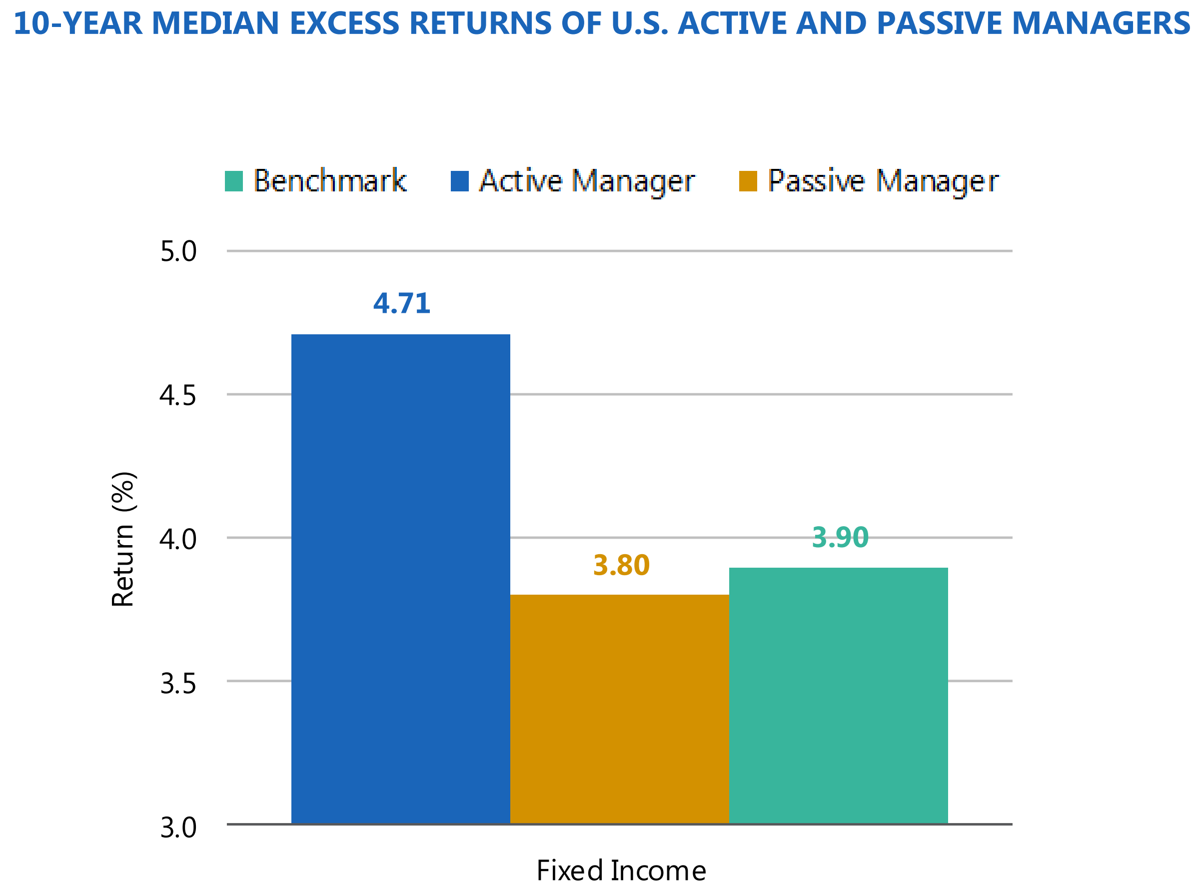
Can active LDI portfolios persistently generate alpha?

Does active LDI not jeopardise matching objective?

Should alpha not reside in Return Portfolio?

SOURCE: PIMCO
Refer to appendix for additional investment strategy and risk information

Active bond managers have outperformed



Past performance is not a guarantee or a reliable indicator of future results. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.
As of 30 June 2019; Source: Morningstar
Based on Morningstar U.S. Fund categories (Institutional shares only).
"Fixed Income" combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories.
The Benchmark for - Fixed Income: Bloomberg Barclays U.S. Aggregate Index
Refer to Appendix for additional index, investment strategy and risk information.

Why is this possible?

Persistent inefficiencies create opportunities for active bond managers

INVESTOR UNIVERSE

- Not all fixed income participants have the same goals and objectives

MARKET STRUCTURE

- Finite life of bonds means new issuance levels are much higher than in equity markets
- Bond market is large and complex

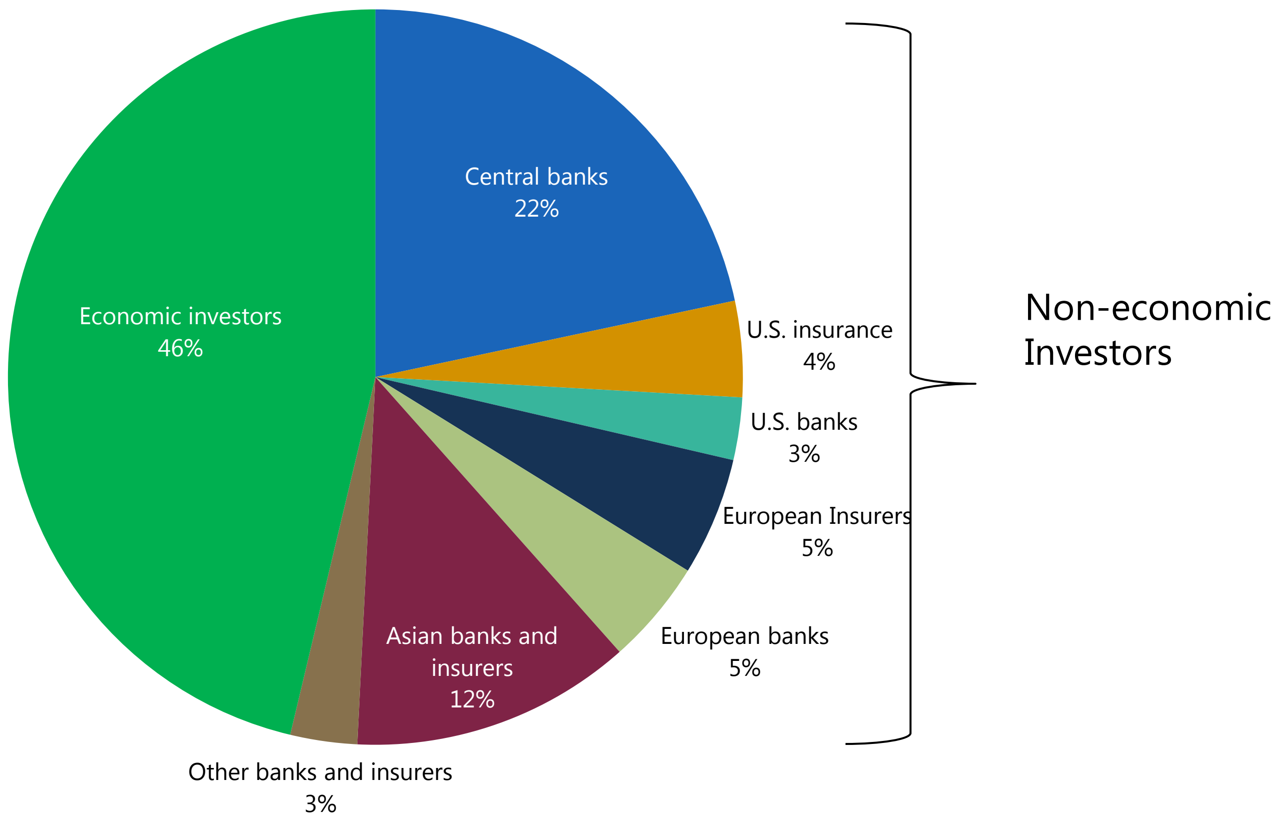
INVESTOR SEGMENTATION

- Investor segmentation can occur based on credit ratings
- Credit research often based on the reviews of a handful of nationally recognized credit rating organizations

Refer to Appendix for additional investment strategy and risk information

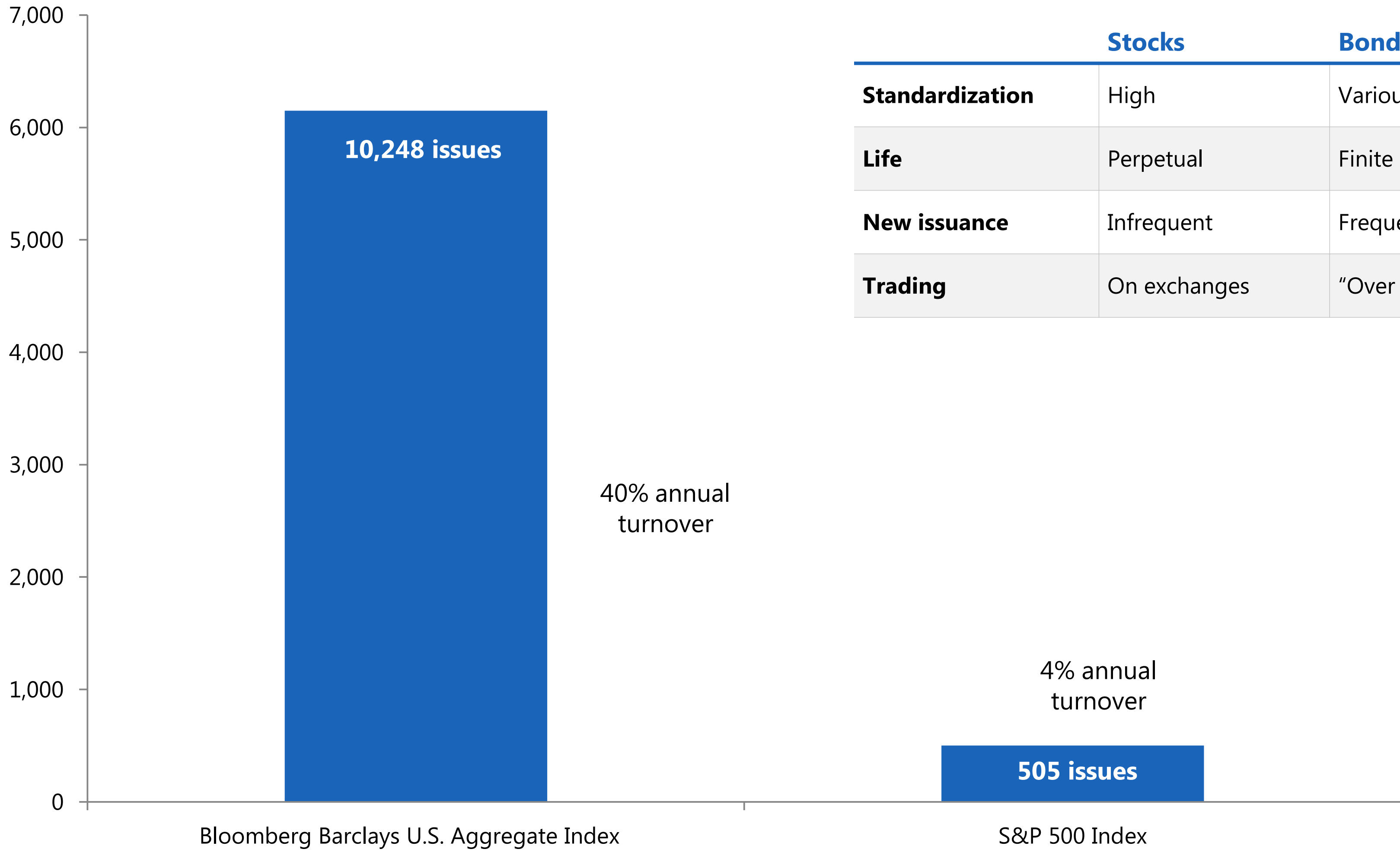
Investor universe: Not all investors are total-return oriented

More than half of $100+ trillion global bond market is controlled by noneconomic investors



Source: Corporate filings, European Federation, EIOPA, EBA, PIMCO, SNL Financial, Bloomberg. Based on most recently available data as of 30 April 2018.

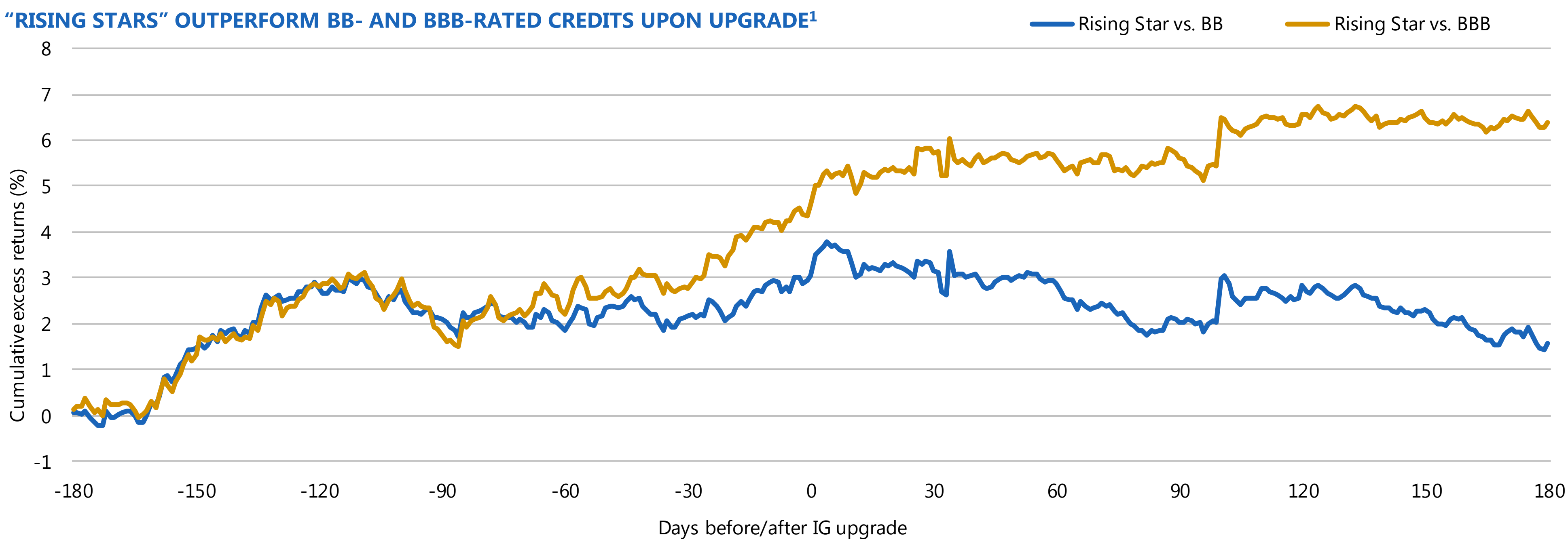
Market structure: radically different than equity market



	Stocks	Bonds
Standardization	High	Various
Life	Perpetual	Finite
New issuance	Infrequent	Frequent
Trading	On exchanges	"Over the counter"

As of 30 June 2019; Source: Bloomberg, provider websites
Refer to Appendix for additional index, investment strategy and risk information.

Investor segmentation: Credit research can help capture opportunity



Source: Barclays Capital. **Past performance is not a guarantee nor a reliable indicator of future performance.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

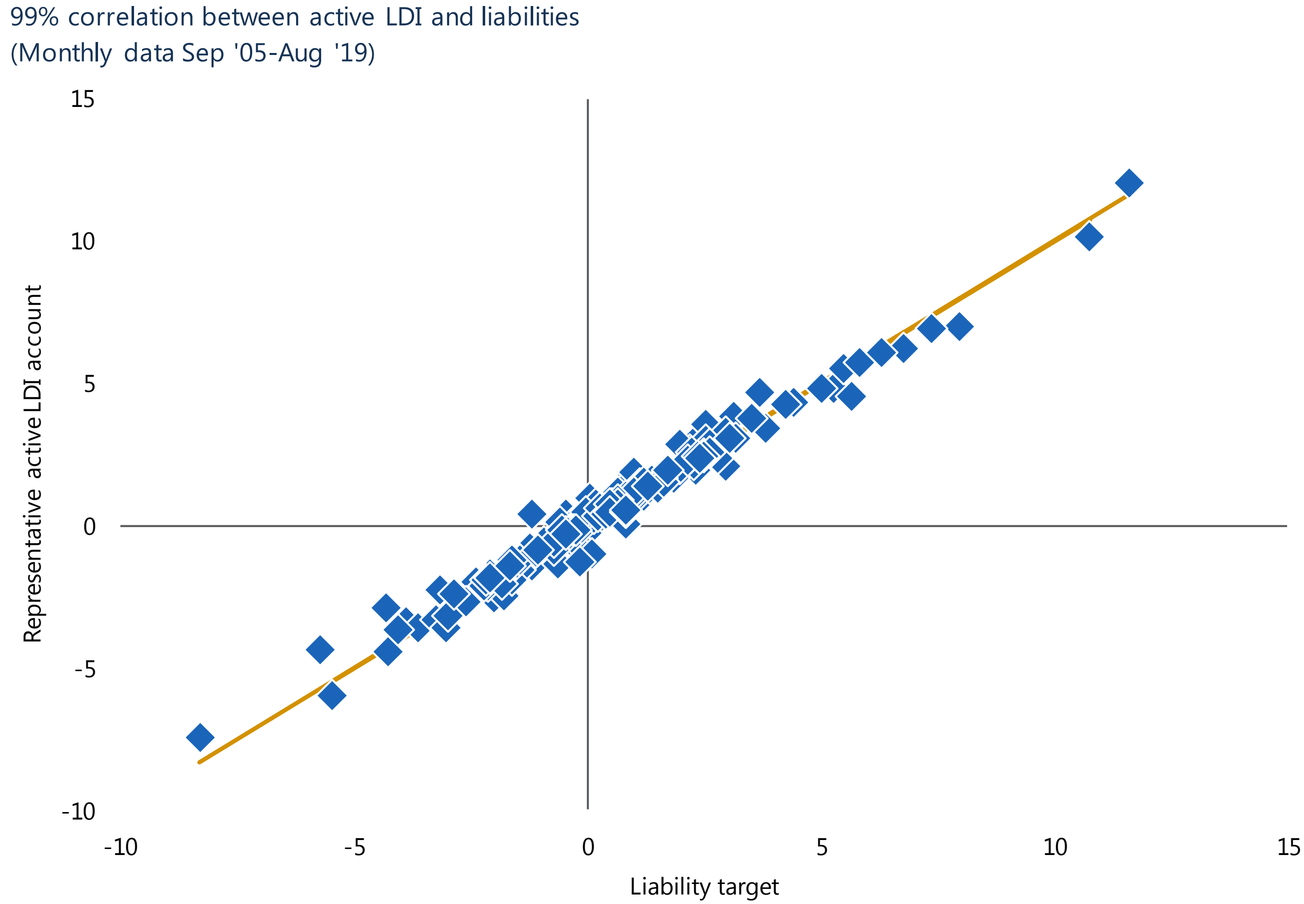
[1] Originally published in Barclays Capital, Credit Strategy Focus, "When Stars Align," 19 November 2010, p. 6.

"Rising star" is the term given to a bond that shifts from being rated BB to BBB; or, in other words, one that shifts from being high yield to investment grade. As the Barclays research paper notes: "The market generally foresees which credits will rise from high yield to investment grade. As a result, rising stars tend to outperform the BB index during the three-month period prior to the ratings change. However, the demand technical from crossing the investment grade threshold still usually results in strong outperformance in the week immediately following the upgrade. Thereafter, rising stars trade like strong BBB credits."

Refer to Appendix for additional credit quality , investment strategy and risk information.

Active LDI closely correlated to liability hedging target

Correlation typically 98-99%



As of August 2019. SOURCE: PIMCO

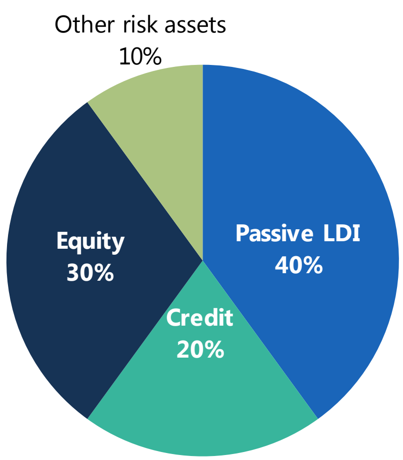
*** Bechmark is shown for performance comparison purposes only.**

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

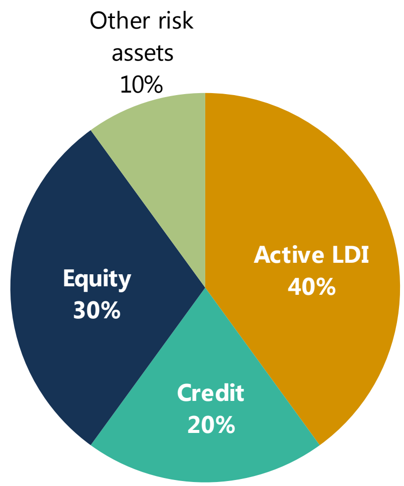
Active LDI can therefore add return without meaningful increase in risk

Or, additional return creates opportunity to reduce risk by reducing risk assets

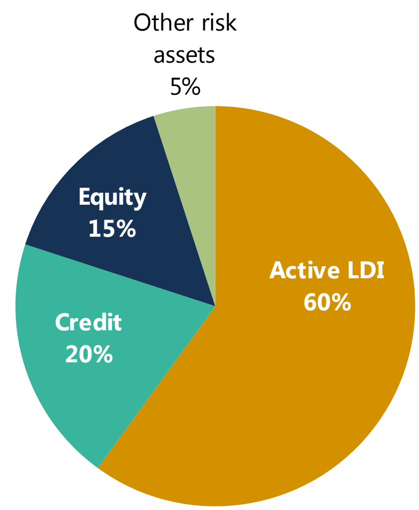
Typical allocation, passive LDI



Active LDI



Active LDI, reduce risk assets



	Expected return	Typical allocation Passive LDI	Active LDI	Active LDI Reduce risk assets
Passive LDI	1.0%	40%		
Active LDI	2.0%		40%	60%
Credit	1.5%	20%	20%	20%
Equity	4.0%	30%	30%	15%
Other risk assets	3.5%	10%	10%	5%
Total		**100%**	**100%**	**100%**
Expected return		2.3%	2.7%	2.3%
Mismatch risk		8.0%	8.1%	5.8%

Higher Return, Same Risk

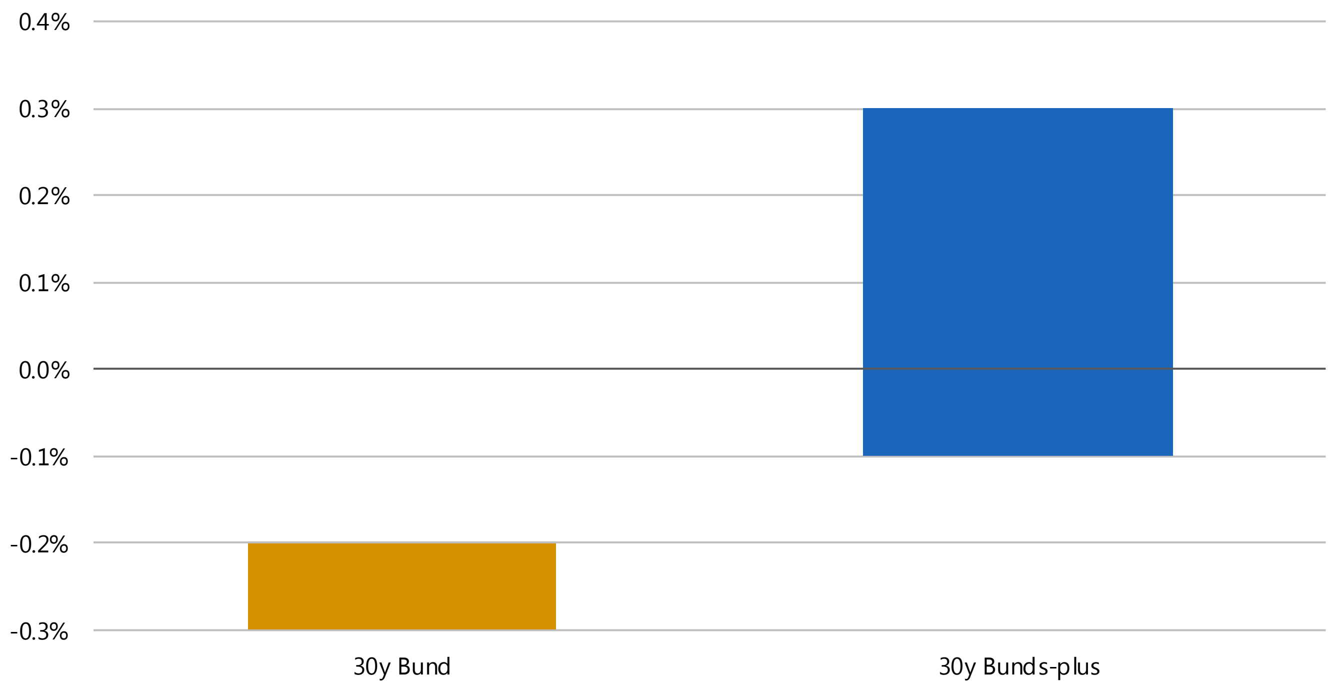
Same Return, Lower Risk

SOURCE: PIMCO

Sample for illustrative purposes only.

Unique alpha opportunities: Bunds/OATs-Plus

Replacing Bunds or OATs with futures, and investing cash in high quality paper for yield pick-up



Yield
-0.2%

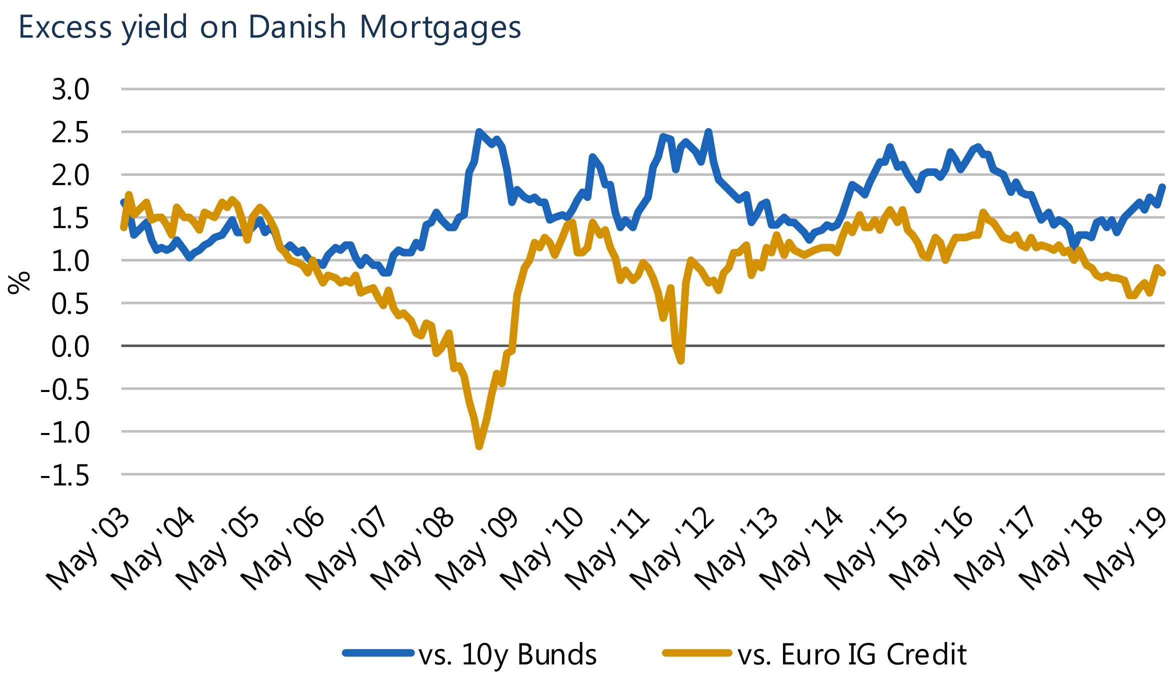
Yield
-0.1% to 0.3%[1]

As of 31 May 2019
SOURCE: PIMCO
[1] Assumptions: -0.7% implied financing costs, and yield on cash between -0.6% (French T-bills) and -0.2% (Enhanced cash, covered bonds)
Refer to the Appendix for additional outlook and risk information**. For illustrative purposes only**

Unique alpha opportunities: Danish mortgages

Danish mortgages

- AAA rated, 200-year history without default
- Attractive spread as reward for providing insurance: mortgage borrower has option to redeem early (pre-payment option)
- Historically high yield pick up versus Bunds (10y) and Euro IG credit



As of 31 May 2019
SOURCE: PIMCO, Bloomberg, BofA Merrill Lynch Euro Credit (ER00) indices, NyKredit Danish Mortgage Bond Index.
Refer to appendix for additional investment strategy and risk information

Key Questions

Can active LDI portfolios persistently generate alpha?	Yes, because of structural market inefficiencies
Does active LDI not jeopardise matching objective?	No, only marginal increase in risk, if any
Should alpha not reside in Return Portfolio?	No, unique alpha sources

SOURCE: PIMCO
Refer to appendix for additional investment strategy and risk information

Appendix

PERFORMANCE AND FEE
Past performance is not a guarantee or a reliable indicator of future results. The "gross of fees" performance figures are presented before management fees and custodial fees, but do reflect commissions, other expenses and reinvestment of earnings. The "net of fees" performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized.

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.

COMPOSITE
Composite performance is preliminary until the 12th business day of the month.

CREDIT QUALITY
The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio.

DEFINED BENEFIT GLIDE PATH
De-risking strategy based on a function of plan funded status. As plan funded status improves, clients may be interested in reducing their plan funded status volatility by shifting out of risk assets and into liability hedging fixed income.

DIVERSIFICATION
Diversification does not ensure against loss.

Benchmark - Unless otherwise stated in the prospectus or in the relevant key investor information document, the Fund referenced in this material is not managed against a particular benchmark or index, and any reference to a particular benchmark or index in this material is made solely for risk or performance comparison purposes.

Additional information - This material may contain additional information, not explicit in the prospectus, on how the Fund or strategy is currently managed. Such information is current as at the date of the presentation and may be subject to change without notice.

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.

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.

Appendix

INDEX
It is not possible to invest directly in an unmanaged index.

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. 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.

OUTLOOK
Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, 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.

PIMCO OPTIMIZER
This material contains hypothetical results based on a proprietary tool, PIMCO OPTIMIZER. PIMCO OPTIMIZER enables PIMCO to: (1) analyze client liability streams; (2) construct a customized benchmark to help meet the client's liability streams; (3) calculate tracking error; (4) graphically display the differences between the client's liability stream and PIMCO OPTIMIZER customized benchmark. Like any model, PIMCO OPTIMIZER may be useful to help identify portfolio strategies, but it does not represent a prediction of actual portfolio results. The results may vary with each use and over time.

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

RETURN TARGET
The return target[s] presented is [are] not a prediction or a projection of return. Return volatility may be significant in shorter time periods. There can be no assurance that the portfolio[s] will be successful in meeting [its or their] proposed target[s]. The target[s] [is or are] not a guarantee and actual results may be lower.

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 bond**s 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.

Appendix

INDEX DESCRIPTIONS

1 Month LIBOR +5% benchmark is created by adding 5% to the annual return of 1 Month LIBOR. The 1 Month USD LIBOR (London Interbank Offered Rate) Index is an average interest rate, determined by the British Bankers Association, that banks charge one another for the use of short-term money (1 month) in England's Eurodollar market. It is not possible to invest directly in an unmanaged index.

Eonia® - Euro OverNight Index Average is the effective overnight reference rate for the euro. It is computed as a weighted average of all overnight unsecured lending transactions undertaken in the interbank market, initiated within the euro area by the contributing banks.

Euribor(Euro Interbank Offered Rate) is the benchmark rate of the large euro money market. It is sponsored by the European Banking Federation, which represents 2,800 banks in the fifteen Member States of the European Union and the EMU division of ACI, the financial Markets Association. A representative sample of prime banks will provide daily quotes - for thirteen maturities from one week to one year - at which interbank term deposits denominated in euro are being offered within the euro zone between prime banks. The average rate is calculated after elimination of the highest/lowest quotations (15% each side). Euribor is quoted for spot value (T+2) and on an actual/360 day-count convention, and are displayed from 4 January 1999 to three decimals. It will be disseminated at 11:00 a.m., Brussels time.

Barclays Euro Aggregate ex Treasury 1-3 Year Index is the 1-3 year component of the Barclays Euro-Aggregate Index excluding Treasuries. The Barclays Euro-Aggregate Index consists of bonds issued in the euro or the legacy currencies of the sovereign countries participating in the European Monetary Union (EMU). All issues must be investment grade rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products. German Schuldscheine (quasi-loan securities) are also excluded because of their trading restrictions and unlisted status, which results in illiquidity. The country of issue is not an index criterion, and securities of issuers from outside the Eurozone are included if they meet the index criteria. It is not possible to invest directly in an unmanaged index.

Barclays Euro Government (AAA + AA) Inflation-Linked Bond Index has been designed as a benchmark for the growing eurozone inflation-linked bond markets. The Euro Inflation-Linked Bond Index currently includes government bonds from Germany and France. It is not possible to invest directly in an unmanaged index.

Barclays Euro Government (Germany, France, Netherlands) over 15 years Index represents the Germany, France and Netherlands Government exposure with maturity over 15 years component of the Barclays Euro-Aggregate Index consists of bonds issued in the euro or the legacy currencies of the 17 sovereign countries participating in the European Monetary Union (EMU). All issues must be investment grade rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products. German Schuldscheine (quasi-loan securities) are also excluded because of their trading restrictions and unlisted status, which results in illiquidity. The country of issue is not an index criterion, and securities of issuers from outside the Eurozone are included if they meet the index criteria.

Barclays Euro Inflation-Linked Bond Index has been designed as a benchmark for the growing eurozone inflation-linked bond markets. The Euro Inflation-Linked Bond Index currently includes government bonds from France, Italy and Greece and nongovernment bonds issued by CADES, RESFER and ISPA. It is not possible to invest directly in an unmanaged index

Barclays Euro-Aggregate Credit Index is the Credit component of the Barclays Euro-Aggregate Index . The Barclays Euro-Aggregate Index consists of bonds issued in the euro or the legacy currencies of the 17 sovereign countries participating in the European Monetary Union (EMU). All issues must be investment grade rated, fixed-rate securities with at least one year remaining to maturity. The Euro-Aggregate Index excludes convertible securities, floating rate notes, perpetual notes, warrants, linked bonds, and structured products. German Schuldscheine (quasi-loan securities) are also excluded because of their trading restrictions and unlisted status, which results in illiquidity. The country of issue is not an index criterion, and securities of issuers from outside the Eurozone are included if they meet the index criteria. It is not possible to invest directly in an unmanaged index.