PIMCO

Global Bond Fund

Monthly Commentary

PIMCO Funds: Global Investors Series plc

JAN 2016

- The Fund may invest primarily in a diversified portfolio of fixed income instruments denominated in major world currencies.
- It is subject to risks associated with investments in fixed income securities, emerging markets, mortgage-related and other asset-backed securities.
- The Fund may invest extensively in financial derivative instruments which may involve additional risks (e.g. market, counterparty, liquidity, volatility, and leverage risks).
- Investments involve risks and your investment may suffer significant losses.
- Investors should not rely solely on this material and should read the offering document of the Fund for further details including the risk factors.

The investment objective of the Fund is to seek to maximise total return, consistent with preservation of capital and prudent investment management.

Performance summary

The start to 2016 proved challenging for markets as volatility in Chinese markets renewed fears of a hard landing. Amid declining oil prices, market sentiment soured: equities sold off across the globe and credit spreads widened while developed sovereign bonds rallied considerably. A softening in economic data in the U.S. added to concerns. Volatility finally abated somewhat towards the end of the month as central banks stepped in with supportive rhetoric. A preference for Mexico local duration contributed to performance, while select credit holdings and bearish positions on front-end DM rates detracted.

Contributors include:

- Overweight local duration in Mexico as sovereign yields fell
- Short the euro as the currency fell versus the U.S. dollar
- Country selection in EM external sovereigns

Detractors include:

- Underweight front-end U.S. and U.K. duration as rates fell
- Positions in high yield credit and non-Agency MBS as spreads widened
- Overweight duration in Spain as peripheral sovereign spreads widened
- Exposure to U.S. TIPS as breakeven inflation rates fell

Portfolio information

Summary information	
Total Net Assets (USD in Millions):	7,814.1
Effective duration (yrs):	5.96
Benchmark duration (yrs):	6.56
Effective maturity (yrs):	9.73

Trading information	Class E, Accum	Class E, income	Class H Institutional	E Class EUR, hedged
Bloomberg ticker:	PIMGLBA	PIMGLBE	PIMGHIA	PIMGBEH
ISIN:	IE00B11XZ210	IE00B0MD9M11	IE0032313805	IE00B11XZ103
Inception:	31/03/2006	28/10/2005	15/10/2002	31/03/2006
SEDOL:	B11XZ21	B0MD9M1	3231380	B11XZ10
Valoren:	2502064	2332531	1662939	2502058
WKN:	A0J4FU	A0J2SD	A0DN2Q	A0J4FT
Unified management fee (%):	1.39	1.39	0.66	1.39

	E Class GBP, hedged	E Class USD, unhedged accum	E Class USD, unhedged income
Bloomberg ticker:	PIMGIEG	PGISGBE	PGBEUUI
ISIN:	IE00B5BG2273	IE00B3FNF870	IE00B43QYR74
Inception:	23/11/2009	19/05/2010	19/05/2010
SEDOL:	B5BG227	B3FNF87	B43QYR7
Valoren:	3798068	3798237	11320715
WKN:	A0YESH	A0RK3P	A1CYUZ
Unified management fee (%):	1.39	1.39	1.39

Unified management fee is a single fixed Management Fee out of which the fees of the Investment Advisers, the Administrator and Custodian shall be paid, and certain other expenses including the fees of Paying Agents (and other local representatives) in jurisdictions where the Funds are registered.

Solution:
Global Diversification

Global Bond Fund

Portfolio positioning

The Fund is modestly underweight overall duration while emphasizing relative value opportunities along individual yield curves. The Fund is underweight the front-end in the U.S. given the potential for volatility as we have entered a Fed tightening cycle. The Fund is overweight duration in large peripheral countries in the eurozone, given ECB QE. In Japan, the Fund is overweight the long end of the curve, which may benefit from continued BOJ easing. The Fund also holds local bonds in Mexico, where valuations remain attractive and the yield curve is steep.

The Fund took advantage of recent spread widening to increase corporate credit exposure, limiting exposure to the energy sector while continuing to favor European financials that will likely benefit from the ECB's supportive policy. The Fund maintains exposure to non-Agency MBS, European securitized debt and U.S. TIPS.

In currencies, relatively strong U.S. growth and Fed policy normalization will support the USD. The Fund is overweight the USD versus a basket of currencies, particularly those countries where the impact from a weaker yuan and slower China will be most acutely felt.

We are underweight the front-end in the U.S. as the market is pricing insufficient risk premium for a Fed tightening cycle. In the eurozone, persistent low inflation may put pressure on the ECB to further expand easing. While we remain overweight European peripheral sovereign bonds, we've reduced the size of our position in favor of adding credit risk among select IG corporates. We are also underweight the long-end of core rates, which remain rich relative to long-end rates in other countries such as Japan and may be underestimating future inflation. Among emerging markets, we hold modest local bond positions in Mexico.

In credit sectors, we have taken advantage of recent spread widening to opportunistically add select corporate exposure, as we believe that the underlying default risk has not increased for the sector (ex-energy). We continue to prefer European financials that stand to benefit from supportive ECB policy and healthier balance sheets. We continue to maintain exposure to non-Agency mortgages, government-related debt in Europe and Canada and U.S. TIPS.

Month in review

The start to 2016 proved challenging for markets as volatility in Chinese currency and equity markets renewed fears of a hard landing in the country. As oil prices fell to lows not seen since 2003, market sentiment soured: equities sold off across the globe and credit spreads widened while developed sovereign bonds rallied considerably. A softening in economic data in the U.S. added to concerns. Volatility finally abated somewhat towards the end of the month as central banks stepped in with supportive rhetoric.

Spread sector strategies led the underperformance in a month during which negative sentiment weighed on several risk assets, as positions in non-Agency MBS and high-yield financials were among the largest drivers. Country selection among EM external sovereign debt offset some of these losses.

In sovereign rate strategies, underperformance was generated by bearish positioning on the front-end of the U.S. and U.K. curves, where yields declined sharply as the market pushed back Fed rate hike expectations. A preference for European peripheral debt, particularly Spain, added to underperformance as peripheral spreads over core eurozone rates widened. Exposure to U.S. TIPS detracted as inflation expectations followed oil prices lower. Some gains came from an overweight to local duration in Mexico, where sovereign yields followed core DM rates lower.

Currency strategies were positive for performance as the dollar rallied against most other currencies, benefiting short positions to the yen, euro and Australian dollar.

Outlook and strategy

Despite recent weakness in economic sentiment, a strong labor market should underpin U.S. growth. Over the cyclical horizon, we expect the U.S. economy to expand between 2.0% and 2.5%, in line with its stable post-crisis recovery while growth is also steady in Europe and picks up slightly in Japan. Given the scope for upward pressure on global core yields as the Fed proceeds with policy normalization, we expect to maintain a modest underweight to overall duration while also emphasizing relative value positions along individual yield curves.

Global Bond Fund

Past performance is not indicative of future performance.

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that the Fund may achieve**.**

A word about risk: Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; 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. 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. 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. Diversification does not ensure against loss.

Investment involves risk including possible loss of the principal amount invested.The value of shares of the Fund and the income accruing to them, if any, may fall or rise. Investment returns denominated in non-local currency may be exposed to exchange rate fluctuations. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This and other information is contained in the Fund's prospectus which is available and can be obtained from www.pimco.com or by contacting PIMCO, a Fund distributor or your financial advisor. This website has not been reviewed by the SFC and may contain information of Funds not authorized by the SFC. Prospective investors should read the Fund's prospectus before deciding whether to subscribe for or purchase shares in any of the Funds. Investors may wish to seek advice from a financial adviser before making a commitment to invest and in the event you choose not to seek advice, you should consider whether the investment is suitable for you.

PIMCO Funds: Global Investors Series plc is an umbrella type open-ended investment company with variable capital and is incorporated with limited liability under the laws of Ireland with registered number 276928. The Funds typically offer different share classes, which are subject to different fees and expenses (which may affect performance), have different minimum investment requirements and are entitled to different services.

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JPMorgan GBI Global Hedged in USD is an unmanaged index market representative of the total return performance in U.S. dollars on a hedged basis of major world bond markets. The JPMorgan Emerging Markets Bond Index Global is an unmanaged index which tracks the total return of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds, and local market instruments. Barclays Global Aggregate (USD Unhedged) Index 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. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian Government securities, and USD investment grade 144A securities. It is not possible to invest directly in an unmanaged index.

Yield refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Effective duration is a calculation for bonds with embedded options. For a portfolio of bonds, average effective maturity is the weighted average of the maturities of the underlying bonds. Duration is a measure of a portfolio's sensitivity to price, expressed in years.

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