PIMCO

Variable Annuities: Pursue Retirement Income using a Balanced Asset Allocation

It may be tempting to tilt one's portfolio toward a single asset class, in the hope of maximizing returns or preserving capital. However, maintaining a well-diversified portfolio may be the smarter way to pursue both goals – with stocks potentially providing growth of capital and bonds helping to mitigate portfolio volatility.

This balanced approach is particularly important for variable annuity (VA) investors who intend to use their portfolios for income. The lower volatility of a balanced portfolio (compared to an all-stock portfolio) may help an investor's money last longer during the withdrawal phase of retirement.

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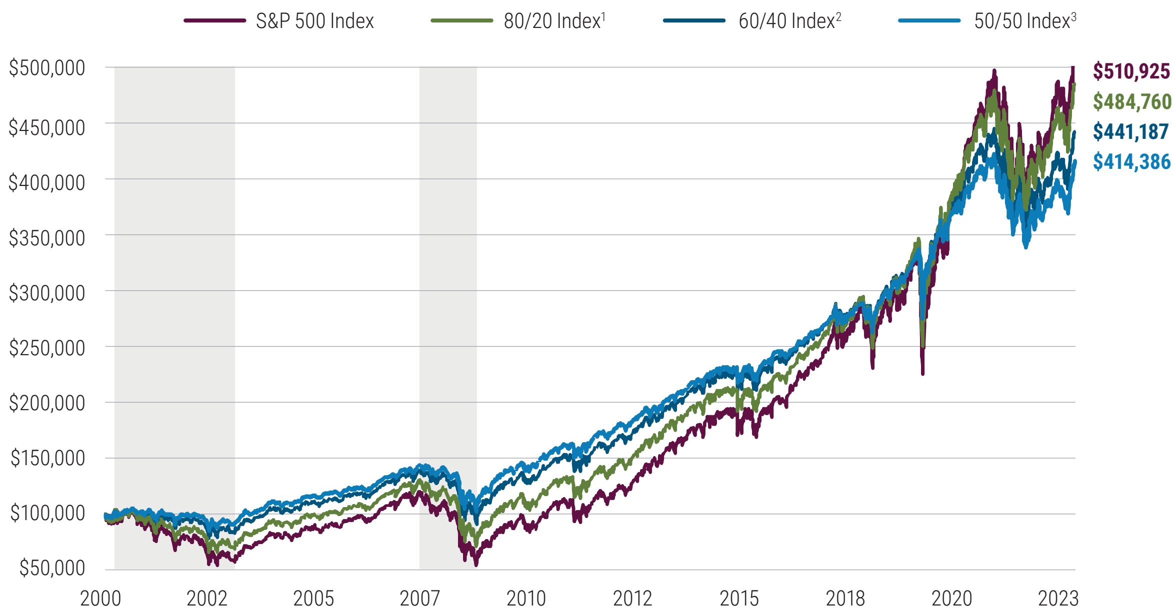
Stocks Have Provided the Highest Capital Appreciation Without Withdrawals

Over the last two decades, an all-stock portfolio that closely mimicked the S&P 500 Index would have outperformed portfolios that were diversified with bonds – provided the investor remained fully invested and didn't take any withdrawals. As shown below, the S&P 500 Index has outperformed hypothetical portfolios made up of 80% stocks/20% bonds, 60% stocks/40% bonds, and 50% stocks/50% bonds over time.

HYPOTHETICAL GROWTH OF $100,000

1 January 2000 - 31 December 2023



As of 12/31/2023. Source: Bloomberg, PIMCO.

For illustrative purposes only. Not indicative of the past or future performance of an PIMCO product or strategy.

1 80% S&P 500 Index, 20% Bloomberg U.S. Aggregate Bond Index

2 60% S&P 500 Index, 40% Bloomberg U.S. Aggregate Bond Index

3 50% S&P 500 Index, 50% Bloomberg U.S. Aggregate Bond Index

How Can an Investor Potentially Maximize Account Value While Taking Income?

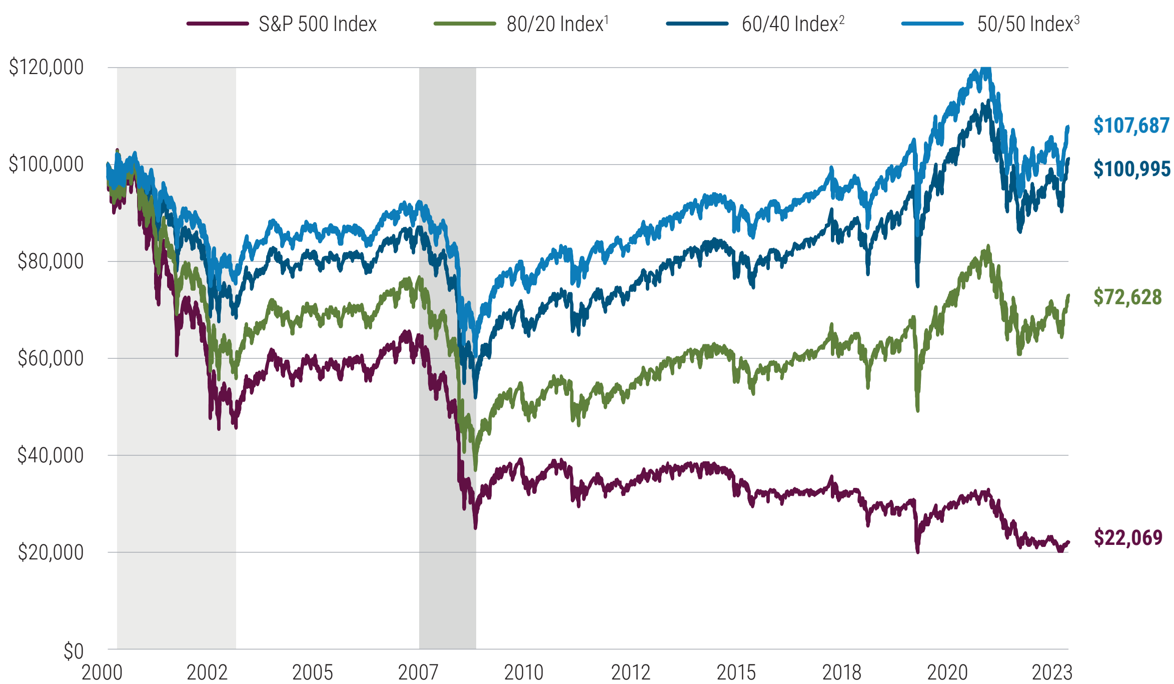
While stocks may have provided the highest capital appreciation during the accumulation/growth phase of a hypothetical portfolio, the income phase is different. When an investor is taking withdrawals, a more balanced asset allocation may support higher account values than a stock-only asset allocation.

The reason is that stocks exhibit a high degree of volatility, or fluctuation in value. The grey-shaded sections of the chart below show periods during which the S&P 500 Index declined by at least 30%. A fully invested portfolio would have had the chance to recover from these sharp drops in value. However, if an investor withdraws funds during a market downturn, she would crystallize a loss by “selling low”, and the withdrawn funds would never have the opportunity to recover.

As shown below, a hypothetical portfolio with 50% stocks and 50% bonds provided the highest ending balance among the three hypothetical portfolios, when an investor took regular 5% withdrawals over time.

HYPOTHETICAL GROWTH OF $100,000 WITH 5% ANNUAL WITHDRAWALS

1 January 2000 - 31 December 2023



As of 12/31/2023. Source: Bloomberg, PIMCO.

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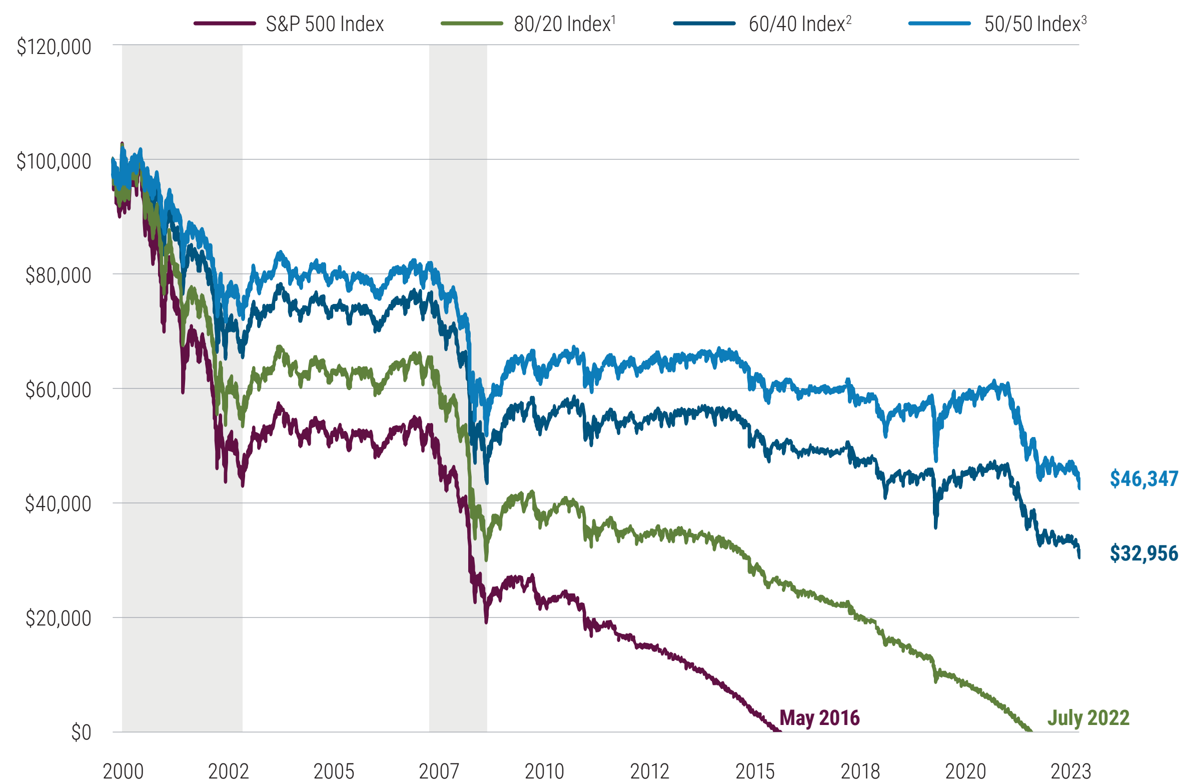
Prefer a Higher Withdrawal Rate? Go for Balance.

Higher withdrawal rates increase the likelihood that a portfolio will ultimately run out of money. Furthermore, the higher the withdrawal rate, the greater the risk of investing in an all-equity portfolio.

As shown below, a hypothetical S&P 500 Index portfolio would have run out of money in less than 20 years if an investor took 6% annual withdrawals. However, hypothetical portfolios of 60% stocks/40% bonds and 50% stocks/50% bonds would have maintained a positive balance over the 22-year timeframe shown below.

HYPOTHETICAL GROWTH OF $100,000 WITH 6% ANNUAL WITHDRAWALS

1 January 2000 - 31 December 2023



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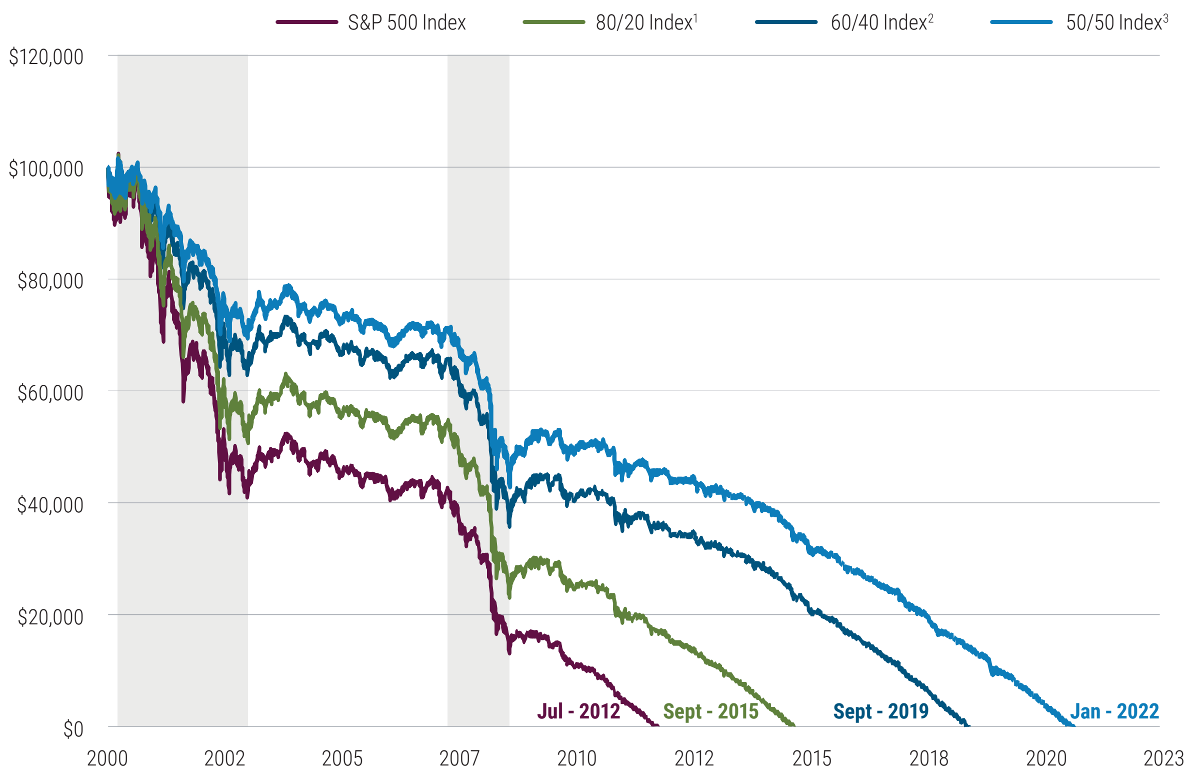
At the Highest Withdrawal Rate, a Balanced Portfolio Lasted Longer

At an even higher withdrawal rate of 7%, all of the hypothetical portfolios were depleted within 22 years, but the 50/50 portfolio lasted longer than the less diversified portfolios.

HYPOTHETICAL GROWTH OF $100,000 WITH 7% ANNUAL WITHDRAWALS

1 January 2000 - 31 December 2023



As of 12/31/2023. Source: Bloomberg, PIMCO.

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3 50% S&P 500 Index, 50% Bloomberg U.S. Aggregate Bond Index

In summary, diversifying a stock portfolio with bond investments may help lower volatility to make capital last longer during the income phase of retirement.

About PIMCO

As a global leader in active fixed income investing for over 50 years, PIMCO has helped millions of investors pursue their financial goals, creating opportunities for our clients in every market environment. We believe that active fixed income management has an important role to play in a well-diversified portfolio—offering the potential for income, capital preservation and attractive risk-adjusted returns.

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

All investments contain risk and may lose value. 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 low interest rate environments increase this risk. 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. Equities may decline in value due to both real and perceived general market, economic and industry conditions. Diversification does not ensure against loss.

Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In additional, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation if any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

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

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 appropriate 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.

The portfolio structure is a representation of a sample portfolio and no guarantee is being made that the structure of the portfolio will remain the same or that similar returns will be achieved.

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