

Bonds are Back - Enhancing the Opportunity in an Annuity

Enhanced yields and tax-deferral create an attractive environment for fixed-income

The Attractive Opportunity in Bonds

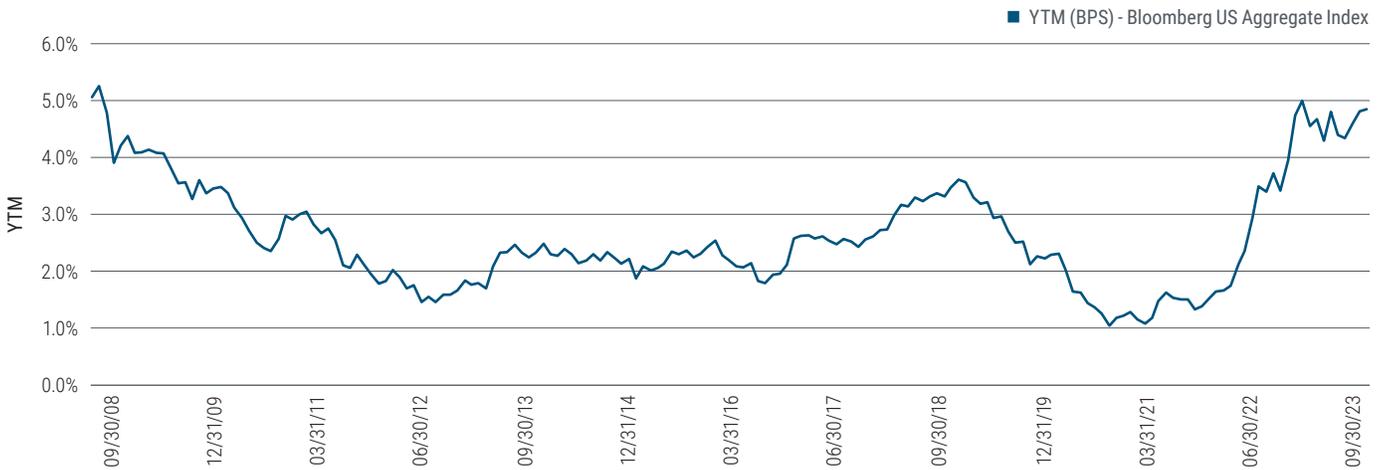
Enhanced yields and tax-deferral create an attractive environment for fixed-income



1. Strong Yields

For years, bond yields remained low, creating obstacles for investors seeking attractive income, but that’s changed. Today, bonds offer yields not seen in more than a decade. They also offer a broad range of opportunities to build resilient portfolios, with the potential for both attractive returns and mitigation against downside risks.

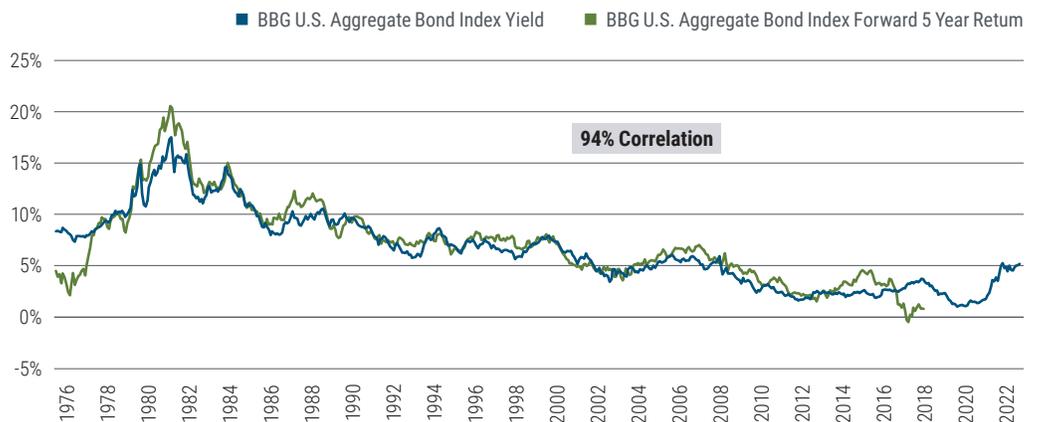
Yields are the highest they have been since 2007



As of 30 September 2023. Source: Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

Yield vs. 5 year forward return

Importantly, higher yields may translate to higher return potential for long-term investors. Starting yields historically show a 94% correlation with future returns. That means a bond with a 5% yield today, will deliver (absent default) a roughly 5% average annual return.

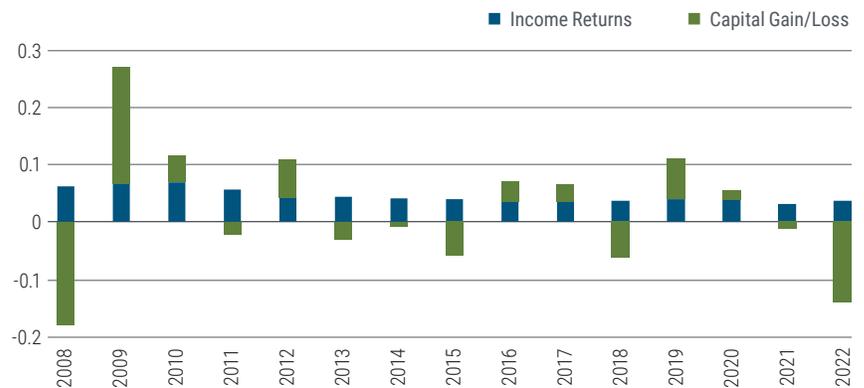


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2. Total Return Opportunity

The total return of fixed income investments is composed of income and capital appreciation. The interest paid by bonds is contractually owed to the bond holder, making income the cornerstone of bond investing. While capital gains and losses can significantly add or detract from annual returns, income is consistent and, over time, is the main driver of fixed income returns.

Yields as an anchor for strong, long-term returns



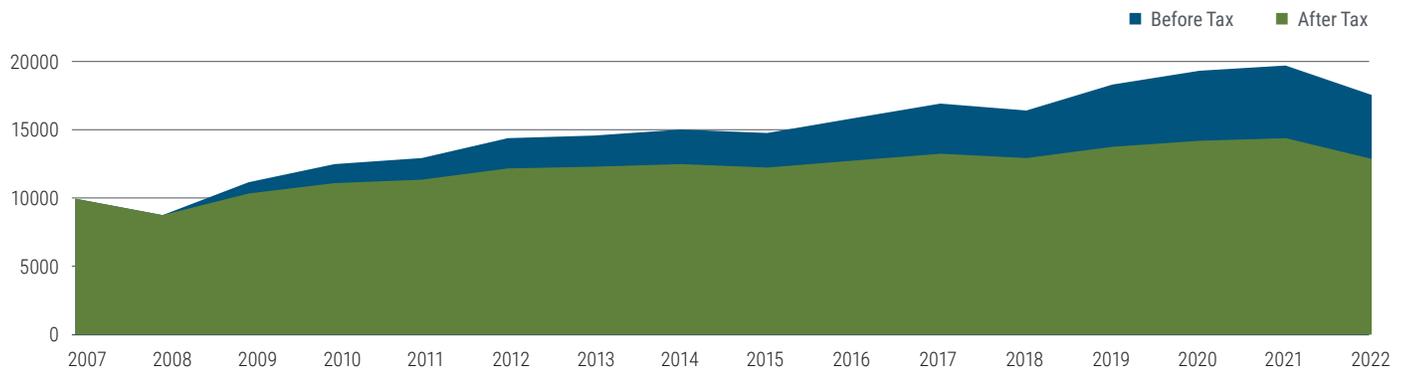
Source: Morningstar, PIMCO as of 31 December 2022. Morningstar US Insurance Multisector Bond peer group average. **Past performance is not a guarantee or a reliable indicator of future results.** Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

3. Power of Compounding

In a taxable investment vehicle, interest earned from investments, such as bonds, is taxed as ordinary income rather than the lower capital gains rate paid on dividends. However, in a qualified investment vehicle such as a tax-deferred variable annuity or 401(k) account, tax obligations are postponed until the investor begins taking distributions. This deferral gives investors the opportunity to enhance their long-term performance through the power of compounded growth.

Allocating a portion of your portfolio to actively managed fixed income may help you take advantage of today's higher starting yield. Deferring tax enables investors the opportunity to benefit from compounding growth, further enhancing the investment opportunity. Combined, these factors present long-term investors a strong opportunity for long-term growth and capital appreciation.

Enhanced Long-Term Performance Through Tax-Deferral



Source: Morningstar, PIMCO as of 31 December 2022. Morningstar US Insurance Multisector Bond peer group average. **Past performance is not a guarantee or a reliable indicator of future results.** Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product. After tax data assumes an effective tax rate of 40.8% determined using the top Federal Marginal Tax Rate of 37%, in addition a Medicare Tax of 3.8% for top earners for the period of 2018 - 2022, an effective tax rate of 43.4% determined using the top Federal Marginal Tax Rate of 39.6%, in addition a Medicare Tax of 3.8% for top earners for the period of 2013-2017, and the top Tax Federal Marginal Rate of 35% for the period of 2007-2012.

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

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