PIMCO

Your Global Investment Authority

Economic outlook

Fresno County Employees' Retirement Association

22 October 2015

MORNINGSTAR Awards 2013

For Qualified Investor Use Only/Not for Public Distribution

A company of Allianz

Disclosures

PIMCO and YOUR GLOBAL INVESTMENT AUTHORITY are trademarks or registered trademarks of Allianz Asset Management of America L.P. and Pacific Investment Management Company LLC, respectively, in the United States and throughout the world.

Information provided in this presentation must be read in conjunction with the Private Placement Memorandum, which contains additional important risk disclosures and other important information. This is neither an offer to sell nor a solicitation of an offer to buy interest in a fund. Offers are made solely pursuant to the Private Placement Memorandum. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. You should consult your tax or legal adviser regarding such matters. Only qualified investors may invest in the Fund.

PIMCO Investments LLC, 1633 Broadway, New York, NY 10019, is a company of PIMCO. PIMCO Investments LLC ("PI"), a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, serves as the principal underwriter for the U.S. registered PIMCO Funds ("Funds") and placement agent for the PIMCO-sponsored private funds (the "Private Funds").

Biographical information

R. Matthew Clark, CFA

Mr. Clark is a senior vice president and account manager in the Newport Beach office with a focus on institutional client servicing. Prior to joining PIMCO in 2002, he served as an officer in the U.S. Army for eight years, achieving the rank of captain. He has 14 years of investment experience and holds an MBA from Harvard Business School. He received an undergraduate degree from Trinity University, San Antonio.

Christian Stracke

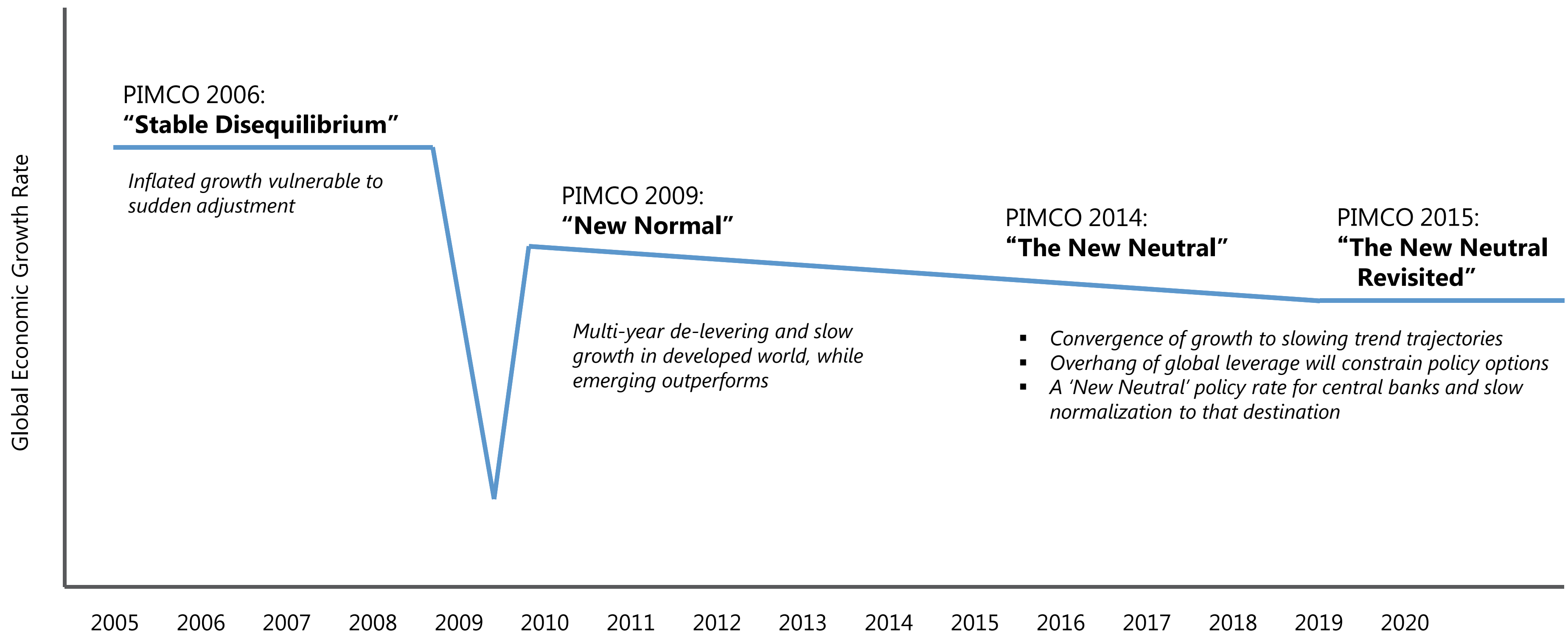
Mr. Stracke is a managing director in the Newport Beach office, a member of the Investment Committee, and global head of the credit research group. The group covers all levels of the debt capital structure for targeted industries, including investment grade and high yield bonds, bank debt and convertibles. Prior to joining PIMCO in 2008, he was a senior credit strategist at CreditSights and also held positions as head of Latin America fixed income strategy with Commerzbank Securities and head of Latin America local markets strategy with Deutsche Bank. He has 16 years of investment experience and holds an undergraduate degree from the University of Chicago.

Sasha Talcott, CFA

Ms. Talcott is a vice president and account manager in the Newport Beach office, focusing on institutional client servicing. Prior to joining PIMCO in 2012, she was director of communications and outreach for Harvard Kennedy School's Belfer Center for Science and International Affairs, a research center that focuses on topics ranging from international security to energy policy. Previously, she was a business reporter for the Boston Globe, where she covered the banking and insurance sectors. She holds an MBA from MIT Sloan School of Management and received an undergraduate degree from Northwestern University.

Agenda

The global landscape over the secular horizon



For illustrative purposes only
As of 31 May 2015
SOURCE: PIMCO

Key themes and tail risks in The New Neutral® Revisited

Six themes driving global markets	
1.	**Converging to New Neutral** potential growth rates in developed and emerging economies
2.	Evolving to a re-regulated, **better capitalized global banking system**
3.	Moving from energy scarcity to **energy abundance** unlocked by the shale revolution
4.	Accelerating from deflation **toward targeted 2% inflation** in the major economies
5.	**A narrowing in global imbalances** as the global savings glut abates
6.	Implementing **better economic policy** in key emerging as well as developed economies

Tail risks	
1.	**A global recession** as few countries can maneuver to deploy countercyclical policy
2.	**Flash crashes**, air pockets and trading volatility, which have a greater likelihood amid diminished liquidity
3.	**Weaker aggregate demand** as “winners” from declining commodity prices save their windfall gains
4.	**A breakout of inflation** to the upside of central bank inflation targets
5.	“Disaster risk” relating to **geopolitical conflicts**
6.	**Policy failures** due to fractured politics or implementation challenges

As of 30 June 2015
Refer to Appendix for additional outlook and risk information

Investment implications of The New Neutral® Revisited

DEVELOPED COUNTRY DURATION
A cautious stance

- U.S. – not enough Fed tightening risk priced in
- Europe – secularly rich, but subject to downward pressure

EMERGING MARKETS
Forget the acronyms, do the homework

- In a multi-speed world, country-by-country analysis (vs. broad exposure to BRICs) is key
- Compared with developed markets, EM currently offers attractive secular valuations

GLOBAL EQUITIES
The New Neutral will support valuations

- A New Neutral for risk-free rates will likely impact all asset classes
- In particular, it should support higher equity multiples

CURRENCIES
U.S. dollar-strength to continue

- Expectations for further appreciation, while more modest, remain
- Central bank policy is key

CORPORATE CREDIT
Seek out secular winners, one company at a time

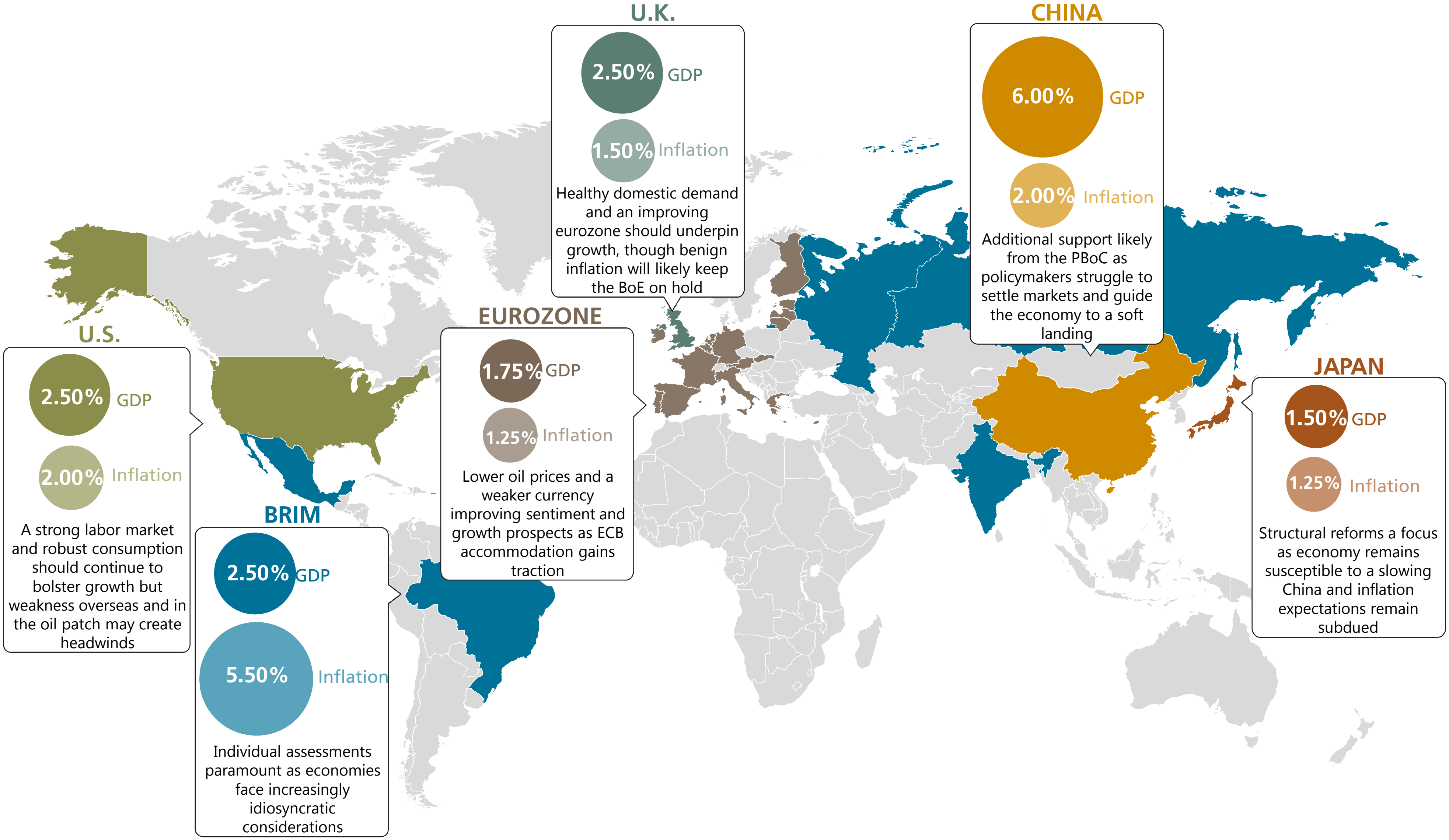
- Credit market valuations are fair, but certainly not cheap
- Bottom-up security selection, framed by our secular views, is key

LIQUIDITY AND ACTIVE MANAGEMENT
Seek out opportunities amid on-going volatility

- Growing role for private credit vehicles that aim to capture credit and liquidity premia
- Modest expected returns increase the importance of alpha and active management

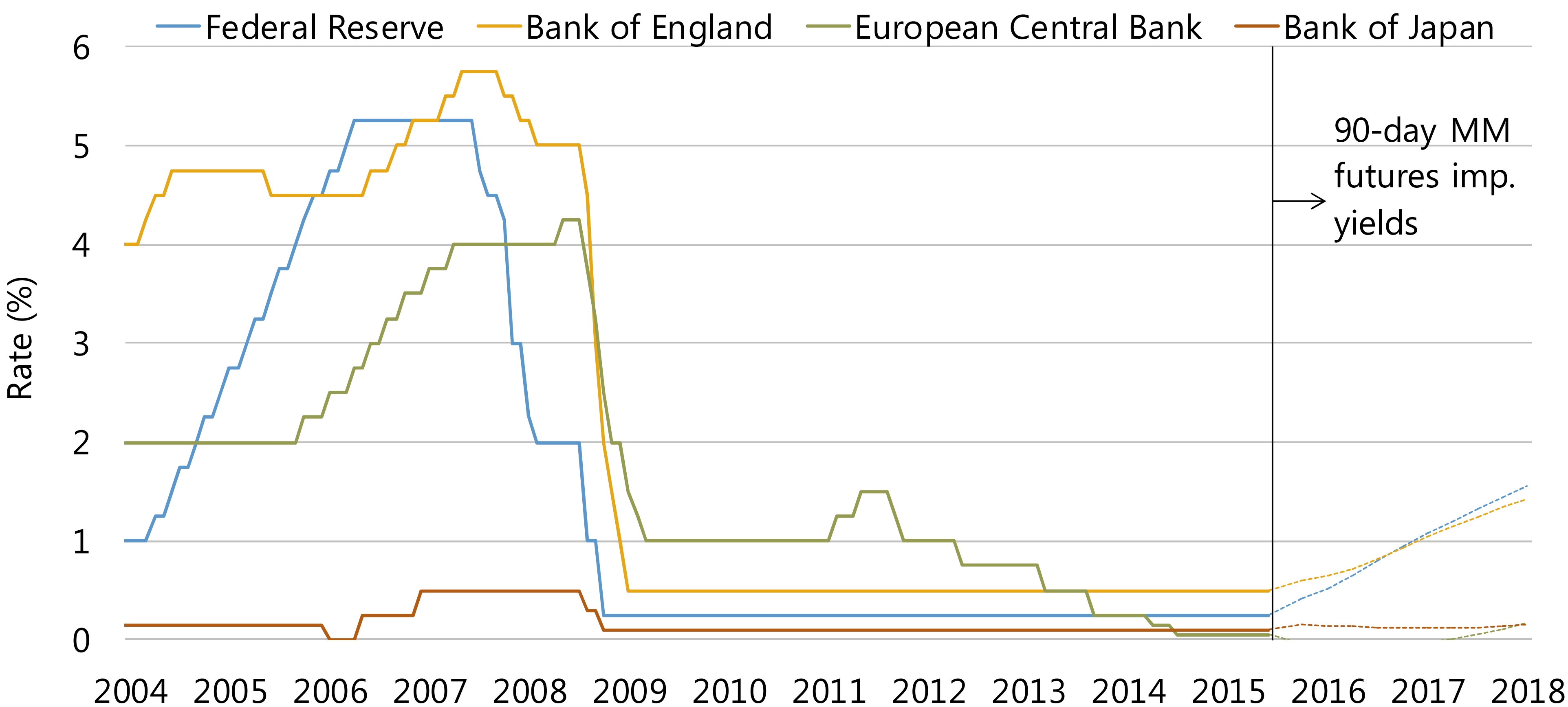
As of 30 June 2015
Refer to Appendix for additional investment strategy, outlook and risk information.

PIMCO's cyclical outlook



PIMCO forecast as of 22 September 2015
BRIM is Brazil, Russia, India and Mexico
Real GDP and inflation projections reflect the midpoints of PIMCO's forecasts for the four quarters ending Q3 2016
Refer to Appendix for additional forecast and outlook information.

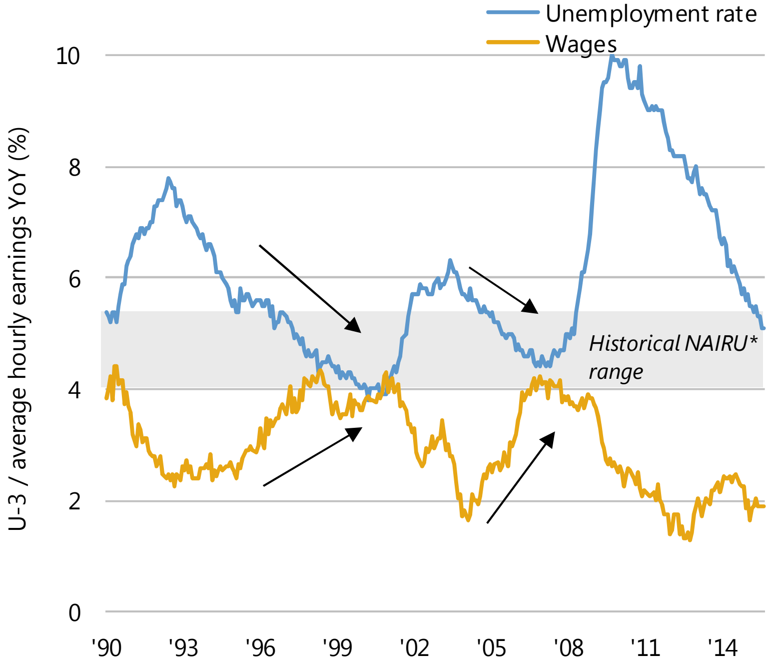
Rate expectations reflect economic divergence



As of 30 September 2015
SOURCE: Bloomberg
Refer to Appendix for additional forecast information.

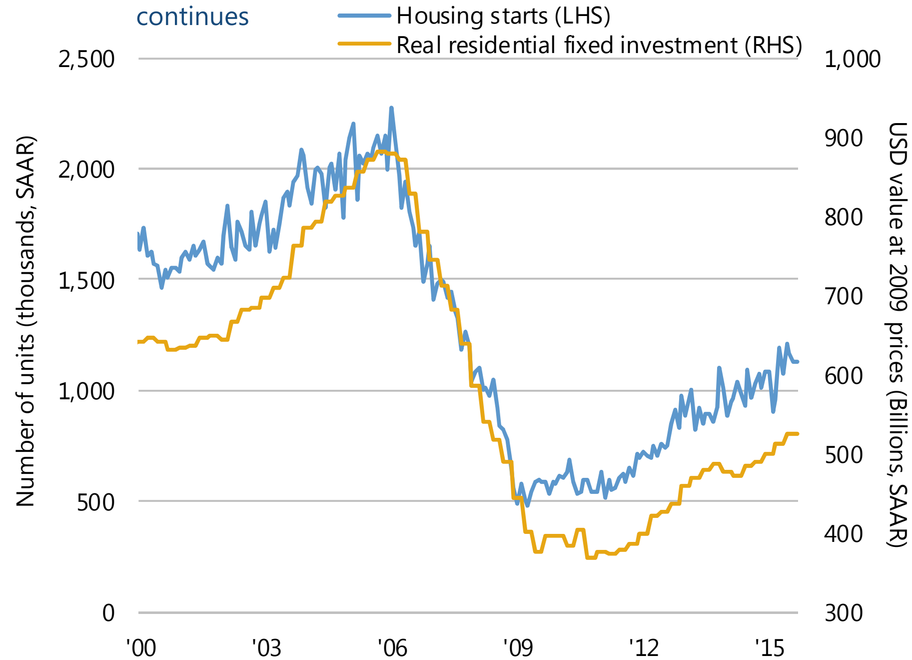
U.S.: Domestic engines of growth continue to show progress

Time for wages to pick up?



- The unemployment rate is reaching the range where wage pressures have built historically

Housing recovery continues



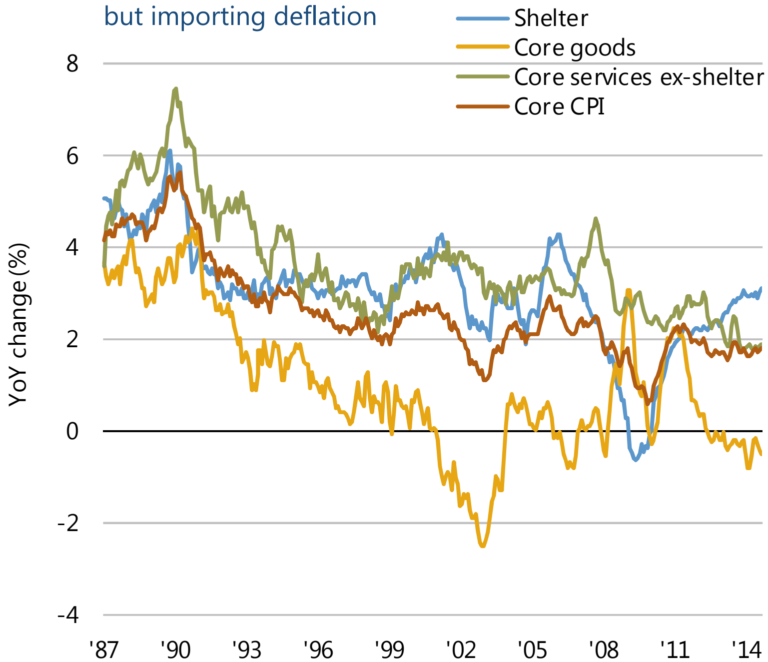
- Momentum in the housing market should continue amid pent-up demand and historically low mortgage rates

A healthy labor market and healing housing sector should support growth

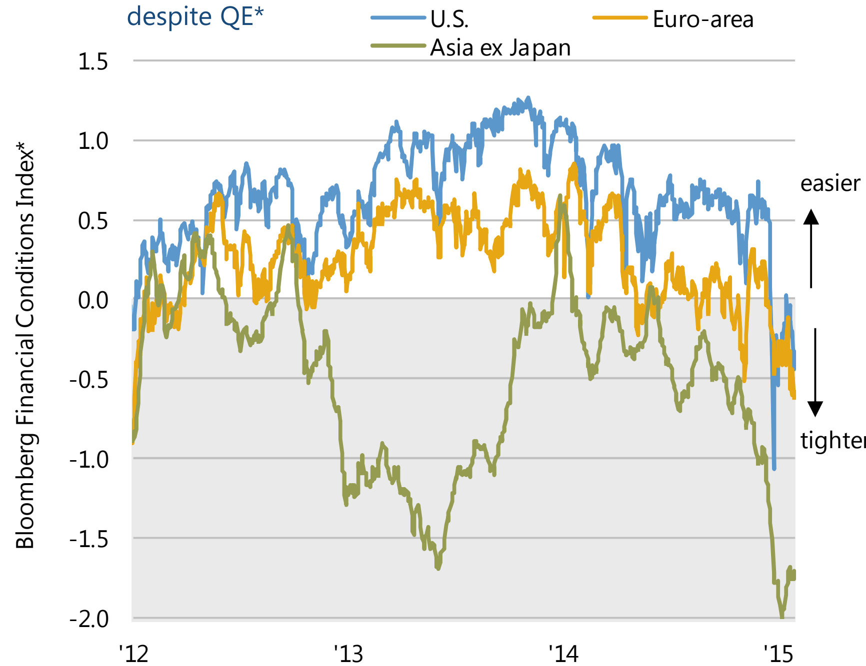
As of 30 September 2015
SOURCE: Bloomberg, PIMCO
* NAIRU represents the Non-Accelerating Inflation Rate of Unemployment.
Refer to appendix for additional outlook and risk information.

U.S.: International factors have held the Fed back

Generating inflation at home, but importing deflation



Financial conditions tightening despite QE*



- Core goods prices have been weighed down by the strong dollar, but domestic components (e.g., rent) likely to increase
- The tightening in domestic and global financial conditions has contributed to Fed caution

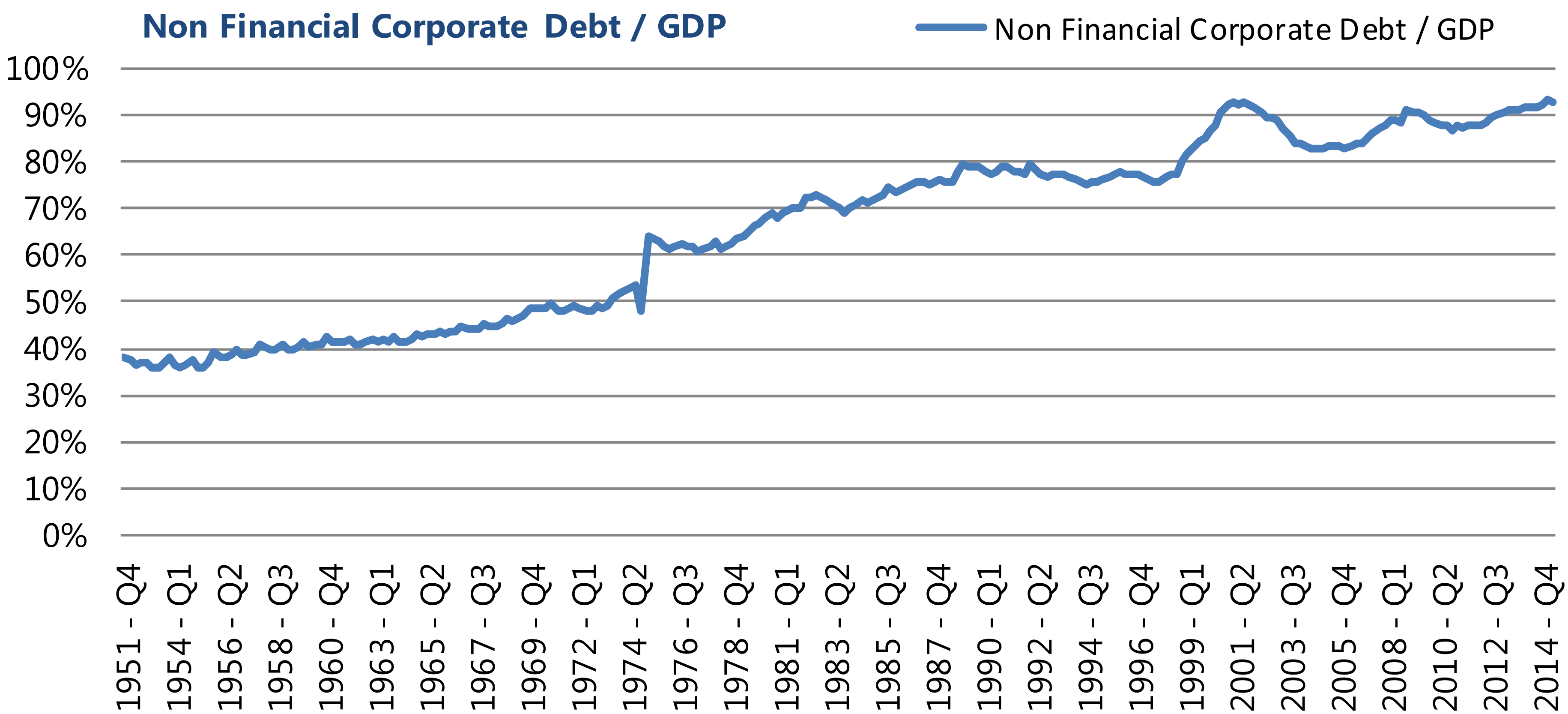
The Fed wants to move off zero soon but is wary of spillover risks emanating from abroad

As of 30 September 2015. SOURCE: Bloomberg, PIMCO

* The Bloomberg Financial Conditions indices track the overall level of financial stress in money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms.

Refer to appendix for additional outlook and risk information.

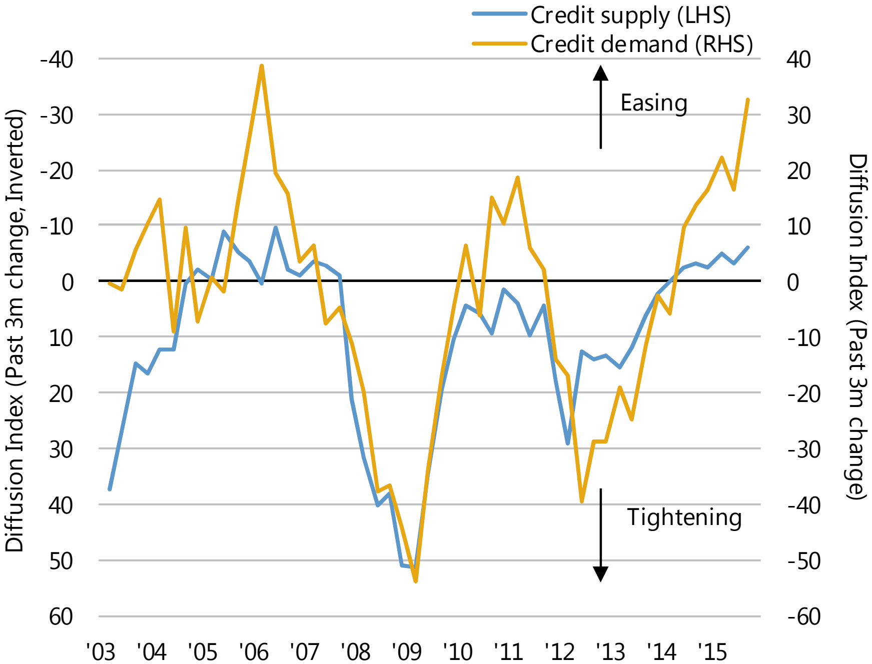
U.S. corporate debt/GDP



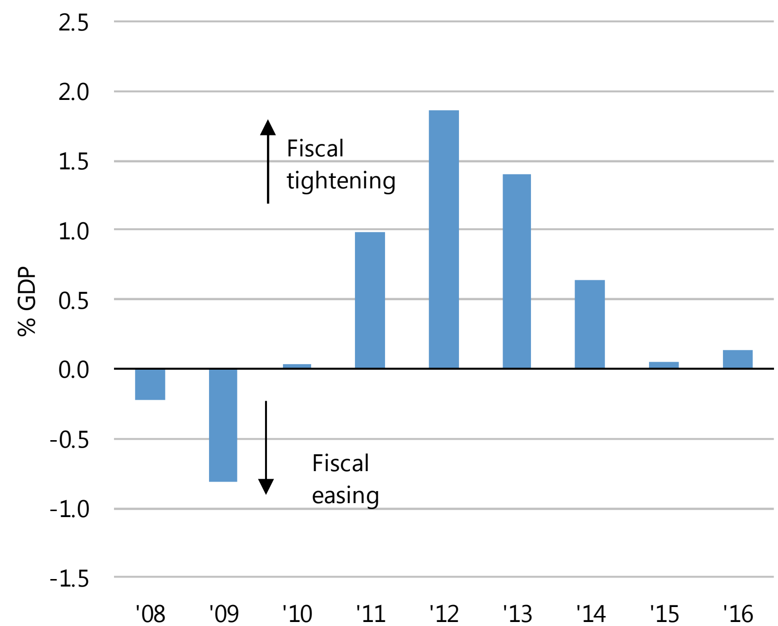
As of 31 December 2014
SOURCE: PIMCO

Eurozone: Growth prospects brightening amid ECB QE

European credit easier to come by*



Addition by the elimination of subtraction

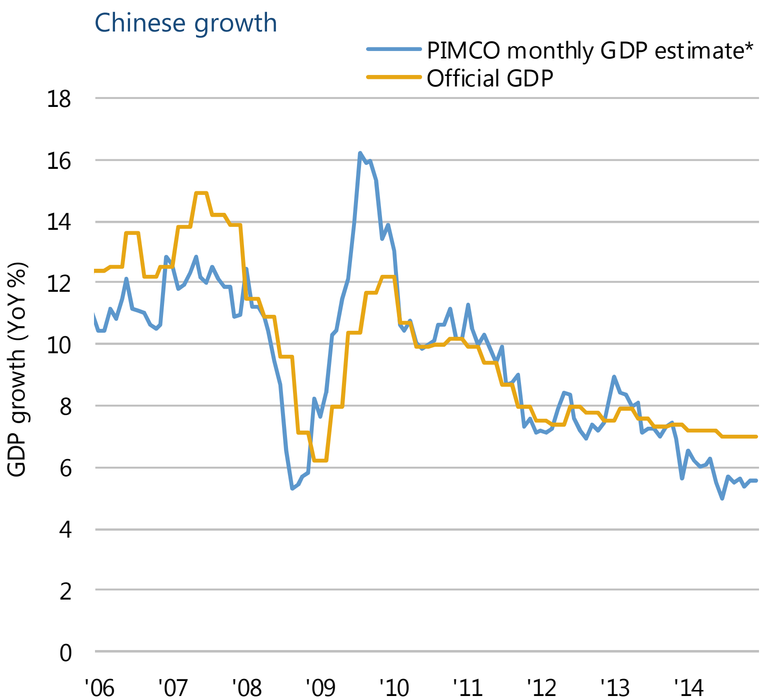


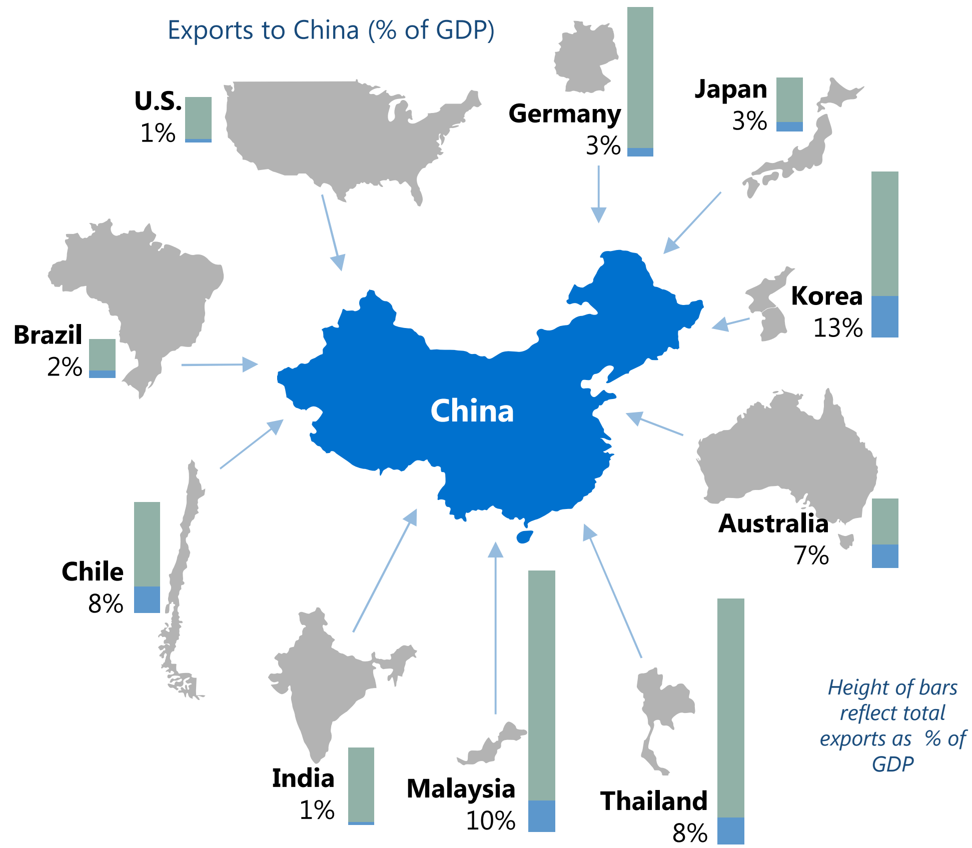
- The impact of ECB accommodation is visible in a marked improvement in credit conditions
- Over the cyclical horizon euro area austerity will finally be less of a drag than in recent years

Tailwinds from low oil prices and a weaker currency should support demand, while fiscal policy moves back to neutral

As of 30 September 2015
SOURCE: PIMCO, Eurostat, European Commission, IMF, National Governments, Bloomberg.
* From ECB Euro Area Bank Lending Survey of credit standards and conditions at 120 euro area banks.
Refer to appendix for additional outlook and risk information.

China: Concerns over slowdown and policymakers' effectiveness build





- Regardless of what the "real" growth rate is, China has been slowing for some time
- Exposures to China vary depending on geography and the extent of commodity production

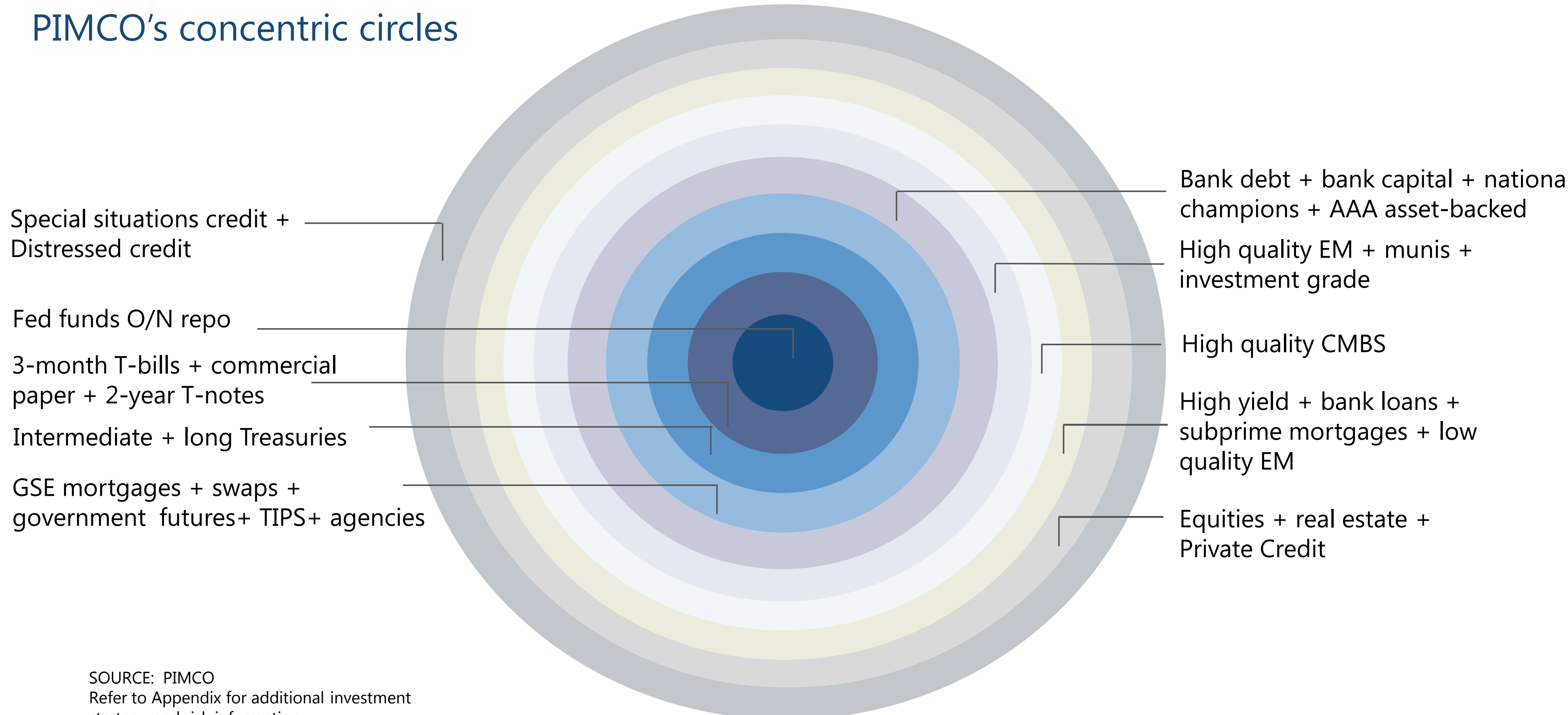
Chinese policymakers recognize the need to do more to support growth, but skepticism has risen over implementation

As of 30 September 2015. Countries not drawn to scale.
SOURCE: Bloomberg, HAVER, PIMCO
* The PIMCO monthly GDP Estimate uses a weighted average of underlying economic indicators such as bank loans, railway, electricity production, and others.
Refer to appendix for additional forecast, outlook and risk information.

Outer perimeter assets have been well-rewarded

- Global central bank policies and investors' reach for yield make it harder to find high absolute returns
- Investment opportunities exist in industries and firms with high barriers to entry and less liquid sectors
- Future investment success will likely depend on bottom-up analysis

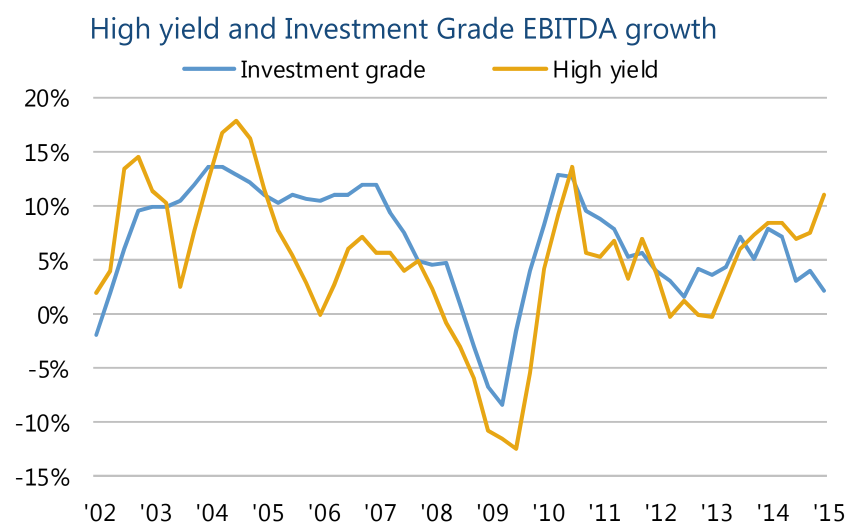
PIMCO's concentric circles



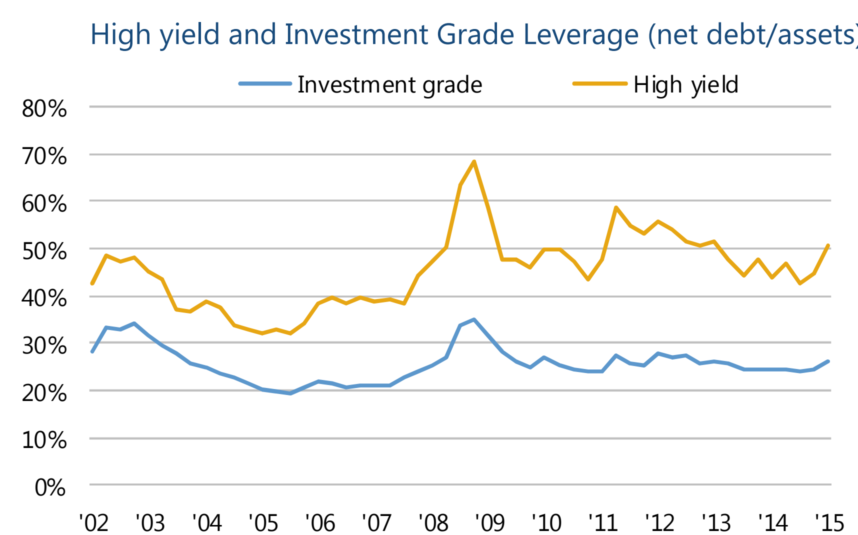
SOURCE: PIMCO
Refer to Appendix for additional investment strategy and risk information.

Private sector growth has supported corporate balance sheets

- Earnings have been supportive for balance sheet strength



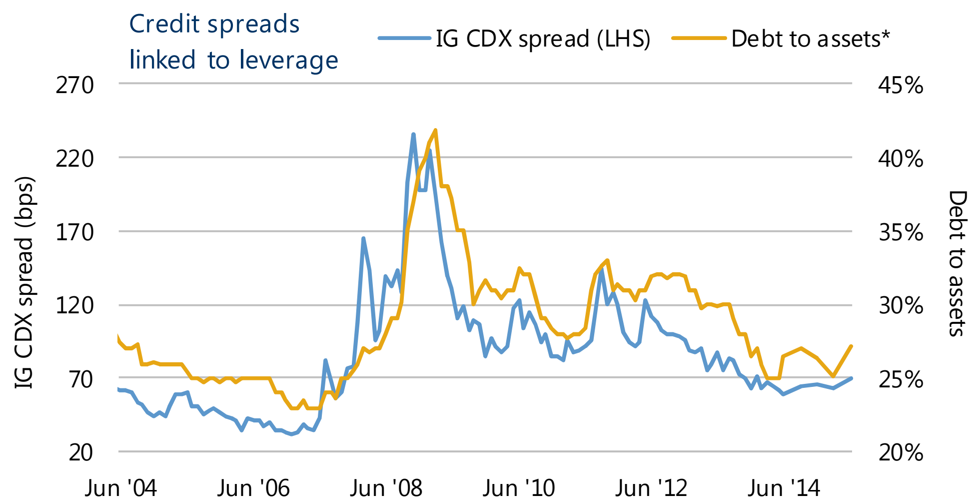
- Growth and multiple expansion have been supportive for deleveraging



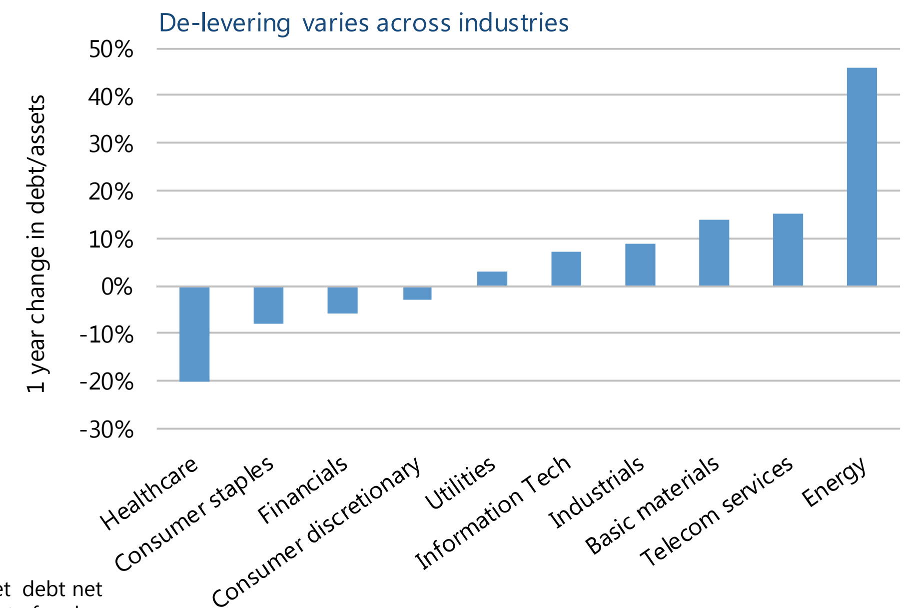
As of 30 June 2015
SOURCE: Capital IQ, PIMCO, CDX companies
Investment Grade represented by IG CDX, High Yield represented by HY CDX
Refer to Appendix for index and risk information.

Growth and rising asset prices generally support spread narrowing

- Assets on corporate balance sheets have risen faster than liabilities for several years



- Commodity sensitive sectors have seen leverage increase where consumer and financial companies have seen leverage fall



As of 30 June 2015
SOURCE: Bloomberg, S&P Global Industry Classification Standard (GICS) for various sub-industry groups.
IG CDX spread represented by on-the-run IG CDX markit
* Debt to assets = net debt to enterprise value. The numerator uses the balance sheet debt net of cash and the denominator includes market cap, plus debt and preferred stock net of cash.
Refer to Appendix for additional investment strategy, outlook and risk information.

What company specific attributes can create long-term advantages?

Barriers to entry

Patent	Intellectual property	Regulated industry	Low cost structure
License	Permit	High switching cost	Superior product quality
Brand	Real estate/ land	High capital intensity	Innovation
Content	Contracts		

Refer to Appendix for additional investment strategy and risk information.

Sectors with high barriers to entry and growth

Industry or sector	Barrier to entry
Banks/financials	Regulatory/re-capitalization
Healthcare/hospitals/pharma	Patents/licenses
Wireless/cell towers/cable	Licenses/industry consolidation
REITs/lodging	Real estate/zoning
Airlines	Routes/regulation/gate access
Pipelines	Permits/real estate

Refer to Appendix for additional outlook and risk information.

PIMCO's framework for uncovering credit opportunities

EQUITY

		Positive	Negative
DEBT	**Positive**	**Higher growth** **De-levering**	**Lower growth** **De-levering**
DEBT	**Negative**	**Higher growth** **Risk of re-levering**	**Lower growth** **Risk of re-levering**

What to own today

- Housing
- Banks/bank capital
- Airlines
- REITs/lodging
- Wireless/cell towers
- Healthcare/pharma
- Pipelines

What to avoid today

- Industries vulnerable to rising shareholder activism
- Metals and mining
- Drillers/oilfield services
- EM corporates (ex. special situations)

As of 18 September 2015
For illustrative purposes only
Refer to Appendix for additional investment strategy, outlook and risk information.

Investment process links the bottom-up and the top-down with valuations

MACRO RISKS MATTER MORE THAN EVER

Investments are evaluated within the context of PIMCO's investment committee views

Top-down evaluation

- Assess country-level macro risks
- Evaluate regulatory environment / regime

→

Bottom-up evaluation

- Scour debt agreements and work with legal counsel to understand risks and opportunities
- Independently stress test banks for capital adequacy
- Meet with senior management of banks
- Financials analysts evaluate balance sheet strength, sustainable profitability, management quality etc.

→

Valuation

- Identify the most attractive instruments:
  - Across currencies
  - Across capital structures
  - Cash vs. CDS
  - Equity vs. Debt

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

Responding to key changes in market intermediation

	Market capability/development	PIMCO strategy
2004	Over 30 year history of macro research and discretionary portfolio management	Launched discretionary global macro hedge fund[1]
2006	Expanding credit derivatives market	Launched credit relative value hedge fund
2008	Mortgage credit at the epicenter of the financial crisis	Began deploying the first in a series of mortgage credit and real estate funds
2010	Contraction in middle market corporate credit	Launched distressed corporate fund
2011	Banks retreat from proprietary trading	Launched volatility relative value hedge fund
2013	Banks exit commodity businesses	Launched commodity relative value hedge fund
2015	Re-leveraging of corporate credit	Launching an opportunistic corporate credit fund

As of 31 August 2015.

[1] Original inception date of the fund was April 2002 and at such time it was named the Global Relative Value Fund. The fund was restructured, renamed PARS IV, and re-launched on 30 September 2004. The portfolio manager, strategy, and guidelines were also changed at that time.

The above illustrates only certain fund launches in response to certain market developments, and does not include all alternative funds launched by PIMCO.

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

Multiple catalysts for compelling investments

Capital markets

- Middle market leverage multiples are at all-time highs and valuations are increasingly distorted
- BDCs and CLOs are leading the way in increasingly aggressive lending

Regulatory

- Regulatory aggressiveness has redefined the financing landscape
- Financing gap is most acute in Europe

Industry

- Technology-driven disruption fundamentally changing industries: e.g. energy, retail, transportation
- Elevated price volatility in commodities and energy

Economic

- The path to policy normalization is expected to be bumpy and expose companies with weak financials
- Economic recession may occur during the Fund's investment period

Multiple sources for continued dislocation

As of 30 June 2015
Refer to Appendix for additional outlook and risk information.

Opportunities go beyond the default cycle

Company

- Capital structure policy
- Failed mergers and/or acquisitions
- Legacy costs / liabilities
- Litigation / fraud / aggressive accounting

Industry

- Changes in input costs / pricing power
- Supply disruptions
- Shifts in consumer preferences
- LBO activity / consolidation

Dislocation and mispriced assets

Cyclical

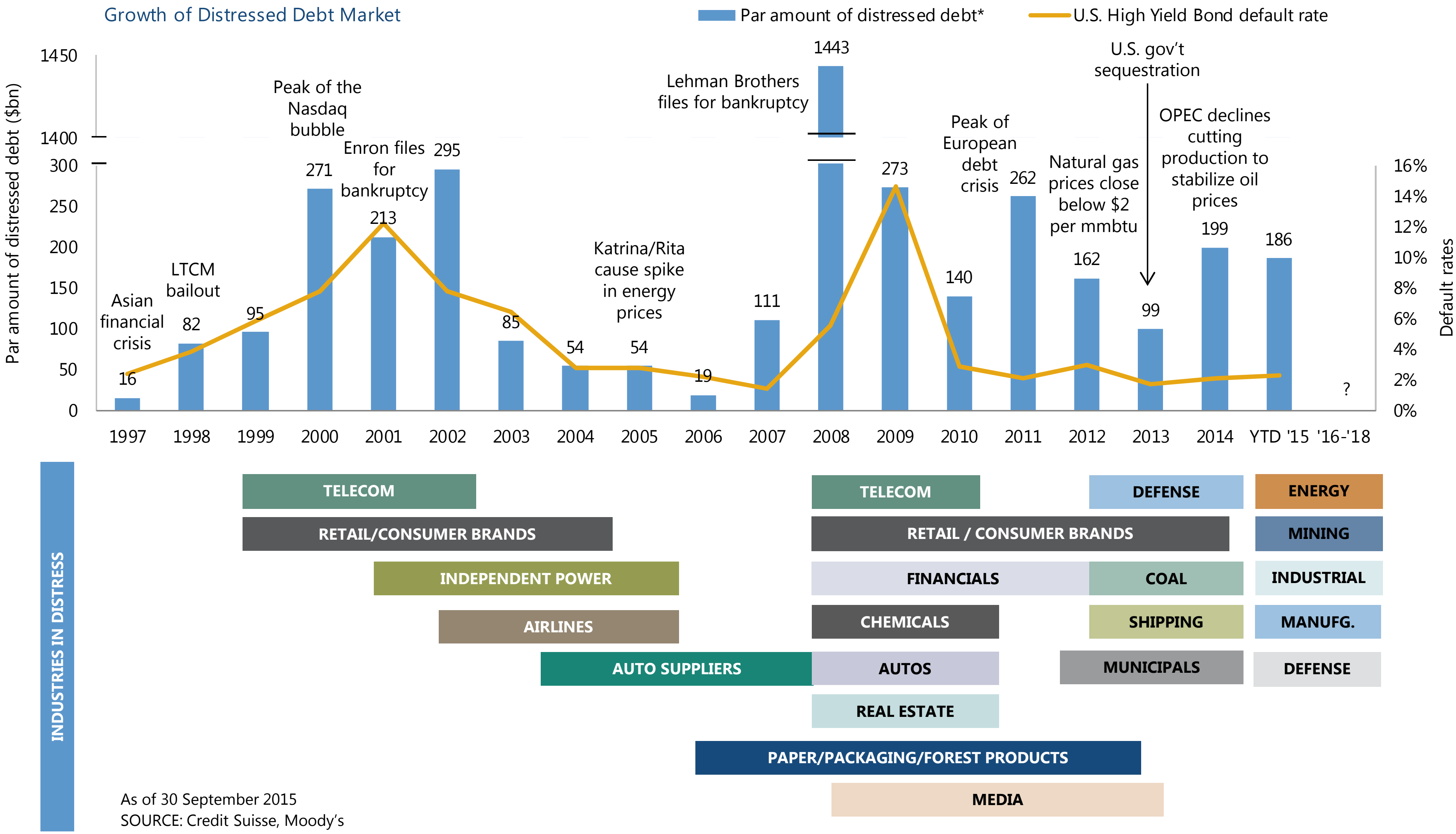
- Global economy / business cycle
- Central bank policy / FX volatility
- Capital markets access
- Natural disasters / weather

Secular

- Regulatory environment
- Global competition
- Demographic shifts
- Disruptive innovations

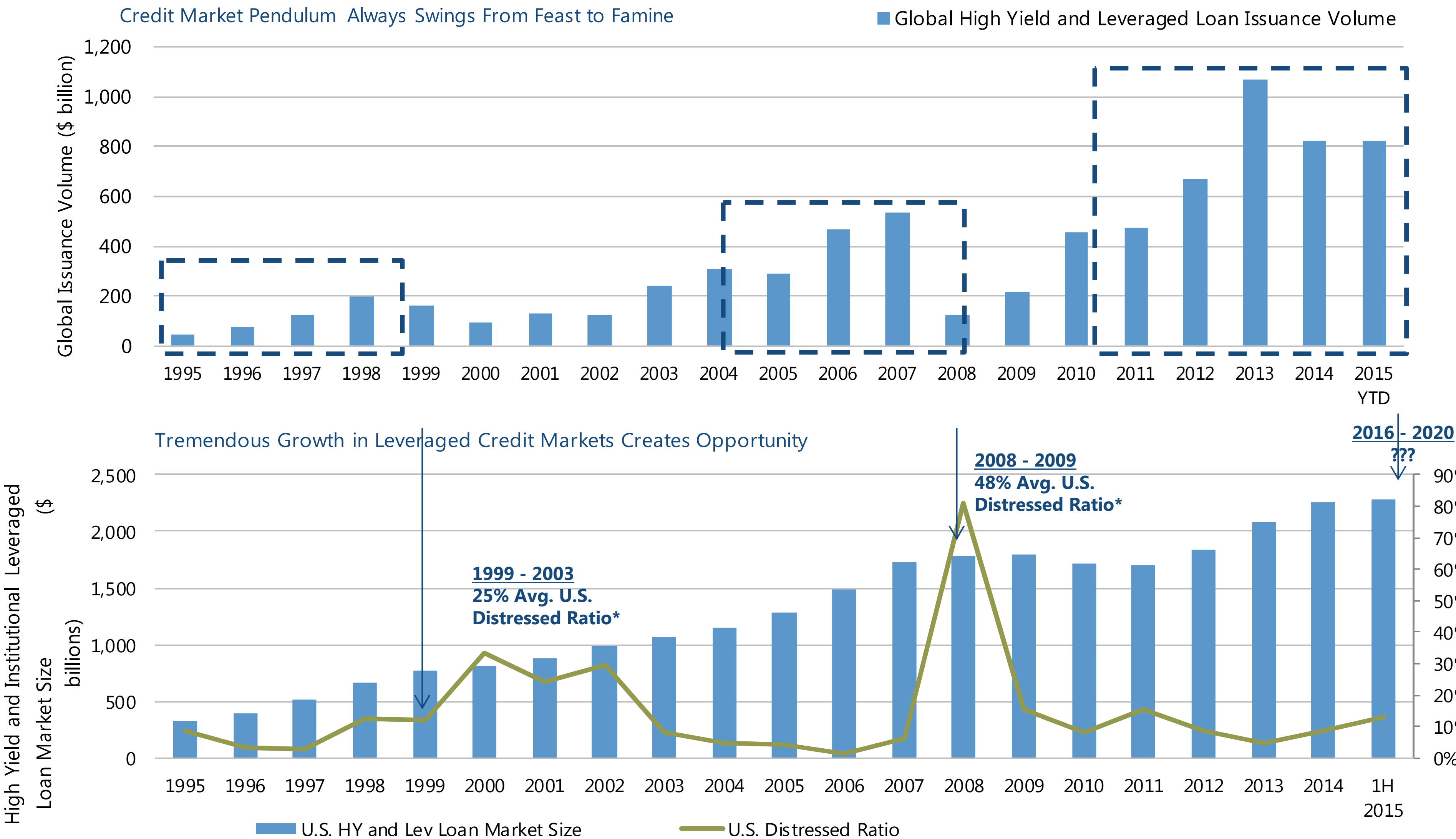
Refer to Appendix for additional investment strategy, outlook and risk information.

Multiple industries are in distress at any given time



As of 30 September 2015
SOURCE: Credit Suisse, Moody's
* Distressed debt market size measured by high yield bonds trading at spreads greater than 1000 bps and institutional leveraged loans trading below a price of 80.
Refer to Appendix for additional outlook and risk information.

Seeds of the next default cycle



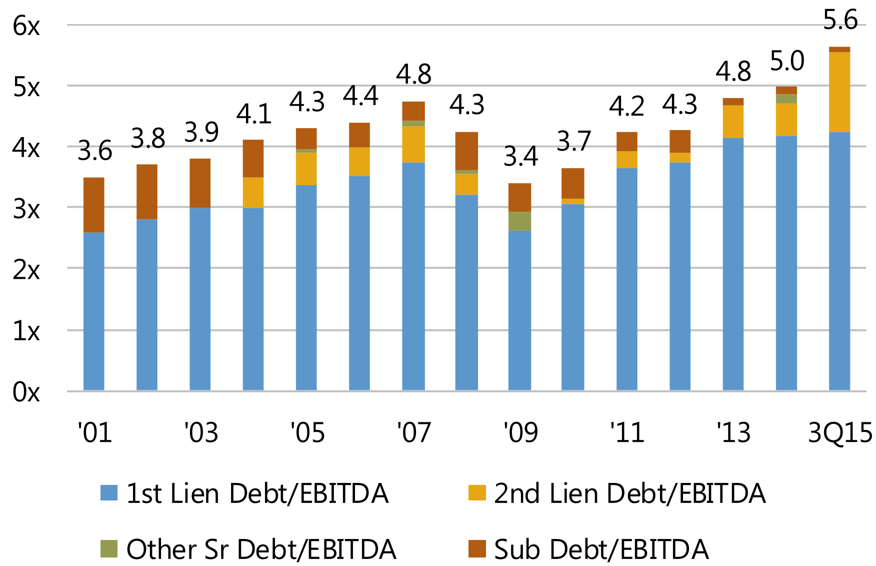
As of 30 September 2015
SOURCE: J.P. Morgan, Credit Suisse, Bank of America
*Distressed debt ratio calculated by dividing the size of the U.S. High Yield and Leveraged Loan markets by the size of the U.S. distressed debt market defined as high yield bonds trading at spreads greater than 1000 bps and institutional leveraged loans trading below a price of 80.
Refer to Appendix for additional investment strategy, outlook and risk information.

Heightened financial risk in an already inefficient middle market

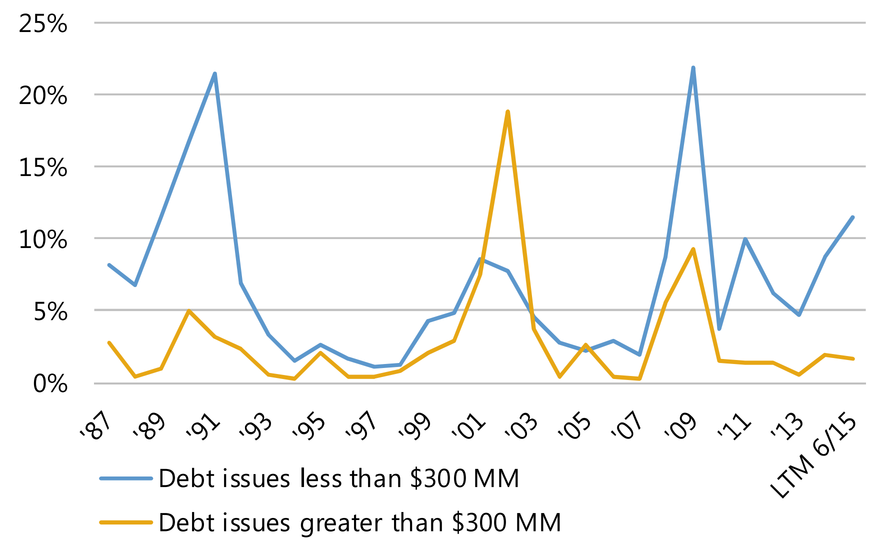
Drivers of middle market inefficiency

- Defaults historically 2x-4x higher than the traditional market
- Technical factors restrict demand for broader investor universe
- Information asymmetries

Middle market leverage multiples at all-time high



Middle market default rates persistantly higher



The middle market opportunity is greater than $1 trillion globally

As of 30 September 2015
SOURCE: S&P LCD, Credit Suisse
Refer to Appendix for additional investment strategy, outlook and risk information.

Summary and conclusion

PIMCO's economic outlook

- Growth rates positive but converging to lower levels
- Implications: "lower for longer" for policy rates

Opportunities in public credit markets

- Emphasize sectors with high barriers to entry and growth

Opportunities in private markets

- Middle market companies offer a multitude of opportunities not dependent on default cycle

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

Additional information

Global corporate research team

HEAD OF GLOBAL CREDIT RESEARCH
Christian Stracke

HEAD OF EUROPEAN CREDIT RESEARCH	HEAD OF ASIA CREDIT RESEARCH
Philippe Bodereau	Raja Mukherji

60 CREDIT ANALYSTS: U.S. 39 U.K. 8 GERMANY 2 ASIA 9 SOUTH AMERICA 2

FINANCIALS		INDUSTRIALS		CONSUMER PRODUCTS	
Del Anderson	Jiaying Huang	Yishan Cao	Ronald Jin	Tyler Blackwell	Nima Shayeg
Matteo Bertolo	Ray Huang	Tracy Chin	Maren Proeve	Yishan Cao	ZJ Shao
Suhasini Bhargava	Matthieu Loriferne	Juergen Dahlhoff	Nima Shayeg	Mark Chin	Joseph Silva
Philippe Bodereau	Takanori Miyoshi	Natalia Lima	Michael Watchorn	Juergen Dahlhoff	Jackson Thies
Dorris Chen	Christian Stracke	Jules Naters	Charles Watford	David Gluckman	Michael Watchorn
Tracy Chin	David Werthan	John Pollakowski	Alexis Yannas	Jiaying Huang	Charles Watford
Richard Hofmann	Taosha Wang	Maiko Tamura	Charles Zhang	Ronald Jin	Elizabeth Wegener
		Jessica Tom		Joe Pattaphongse	Jinhy Yoon
				Steve Pawliczek	

TELECOM / MEDIA	ENERGY	UTILITIES	MUNICIPALS	SPECIALISTS	METALS/MINING	DISTRESSED CREDIT
Suhasini Bhargava	Alessandro Baldoni	Tyler Blackwell	Steven Chuang	**Commercial paper** Sean McCarthy	Emily Au-Yeung	Sai Devabhaktuni
Yishan Cao	Tyler Blackwell	David Gluckman	Sean McCarthy		Alessandro Baldoni	Adam Gubner
Armen Karakashian	Zeljka Bosner	Christian Schuetz	Michael O'Connor	**Workouts** David Behenna	David Gluckman	Greg Kennedy
Jackson Thies	John Devir	Joseph Silva	Laura Robinson		Raja Mukherji	Chris Neumeyer
Christian Wild	David Gluckman	Scott Striegel	Matthew Sinni	**Special situations** Zubin Kapadia	Maren Proeve	Ethan Schwartz
Elizabeth Wegener	Mirette Kouchouk	Taosha Wang			Jinhy Yoon	
Jinhy Yoon	Christian Schuetz					
	ZJ Shao					
	Joseph Silva					
	Taosha Wang					

As of 30 September 2015

Appendix

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

FORECAST
Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. There is no guarantee that results will be achieved.

INVESTMENT STRATEGY
There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a 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. Investors should consult their investment professional prior to making an investment decision.

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, 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.

RISK
The funds are not be subject to the same regulatory requirements as mutual funds. The funds may be, and are expected to be, leveraged and may engage in speculative investment practices that may increase the risk of investment loss. The funds' performance could be volatile; an investor could lose all or a substantial amount of its investment. A fund's manager will have broad trading authority over a fund. The use of a single adviser applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is no secondary market for a fund's interest and none is expected to develop. There will be restrictions on transferring interests in a fund and limited liquidity provisions. A fund's fees and expenses may offset its trading profits. The funds will not be required to provide periodic pricing or valuation information to investors. A substantial portion of the trades executed for certain funds are in **non-U.S. securities** and take place on non-U.S. exchanges. Certain funds may invest in **non-publically traded securities** which may be subject to illiquidity risk. **Investing in the bond market** is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk. **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.

Appendix

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. **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. **Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. 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. **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. Collateralized Loan Obligations (CLOs) may involve a high degree of risk and are intended for sale to qualified investors only. Investors may lose some or all of the investment and there may be periods where no cash flow distributions are received. CLOs are exposed to risks such as credit, default, liquidity, management, volatility, interest rate, and credit risk.
Investing in distressed loans and bankrupt companies are speculative and the repayment of default obligations contains significant uncertainties. Tail risk hedging may involve entering into financial derivatives that are expected to increase in value during the occurrence of tail events. Investing in a tail event instrument could lose all or a portion of its value even in a period of severe market stress. A tail event is unpredictable; therefore, investments in instruments tied to the occurrence of a tail event are speculative.

A purchase of these interests involves a high degree of risk that each prospective investor must carefully consider prior to making such an investment. Investors should thoroughly review the investment considerations and risk factors section of the offering memorandum for a more complete description of these risks. Prospective investors are advised that investment in the funds is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk, including the possible complete loss, of their investment.

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO and YOUR GLOBAL INVESTMENT AUTHORITY are registered and unregistered trademarks of Allianz Asset Management of America L.P. and PIMCO, respectively, in the United States and throughout the world. PIMCO Investments LLC, distributor, 1633 Broadway, New York, NY 10019, is a company of PIMCO.

STRATEGY AVAILABILITY

Strategy availability may be limited to certain investment vehicles; not all investment vehicles may be available to all investors. Please contact your PIMCO representative for more information.

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. This material has been distributed for informational purposes only. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO and YOUR GLOBAL INVESTMENT AUTHORITY are trademarks or registered trademarks of Allianz Asset Management of America L.P. and Pacific Investment Management Company LLC, respectively, in the United States and throughout the world. Pacific Investment Management Company LLC,650 Newport Center Drive, Newport Beach, CA 92660, 800-387-4626.

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