PIMCO

PIMCO Multi-Sector Income Fund

PERFORMANCE SUMMARY

The PIMCO Multi-Sector Income Fund returned 3.58% at NAV in December, and Year-to-date the Fund has returned 8.50% at NAV.

Risk assets broadly gained over the quarter as early signs of slowing inflation led markets to price in an accelerated pace of rate cuts in 2024. Bond yields rallied and financial conditions eased, while central bank forward guidance diverged.

The MSCI World Index returned 11.53% over the quarter, bringing the index's total return for 2023 up to 24.44%. The Global Aggregate Bond Index (USD-Hedged) also posted a positive quarterly return of 5.99%, and the 10-year U.S. Treasury yield ended the quarter 69 bps lower at 3.88%.

Contributors

- Holdings related to corporate special situation investments
- Exposure to residential mortgage credit
- Exposure to corporate credit

Detractors

- Holdings related to emerging market (EM) special situation investments
- There were no other material detractors

	Month End Performance 31 Dec 2023				Quarter End Performance 31 Dec 2023	
	3 mos.	6 mos.	1 Yr.	YTD	1 Yr.	Since inception
■	5.95	4.91	8.50	8.50	8.50	0.57
■	0.22	-2.30	-2.13	-2.13	-2.13	-6.40

■ PIMCO Multi-Sector Income Fund at NAV
■ PIMCO Multi-Sector Income Fund at Market Price

Fund information

Fund Inception Date	10 Mar 2022
Strategy	FIXED INCOME, MULTI SECTOR
Total Net Assets CAD (in millions)	$224.54

Expenses

Management Fee[1]	1.30
MER	3.33
Distribution Rates	
Market Price Distribution Rate[2]	0.00 %
NAV Distribution Rate[2]	0.00 %
at NAV Distribution ($/Unit)	$0.06538

[1]The Management Fee is applied to the Fund's total assets. Total assets is the aggregate value of the assets of the Fund.
[2]Distribution rates are not performance and are calculated by annualizing the most recent distribution per unit and dividing by the NAV or Market Price as of the reported date.

Portfolio Manager

Alfred Murata, Joshua Anderson, Russell Gannaway, Jamie Weinstein, Sonali Pier

IMPORTANT NOTICE
Please note that this material contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

You will usually pay brokerage fees to your dealer if you purchase or sell units of the investment fund on Toronto Stock Exchange (the "TSX"). If the units are purchased or sold on the TSX, investors may pay more than the current net asset value when buying units of the investment fund and may receive less than the current net asset value when selling them. There are ongoing fees and expenses associated with owning units of an investment fund. An investment fund must prepare disclosure documents that contain key information about the fund. You can find more detailed information about the fund in these documents.
The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account certain fees such as redemption fees or optional charges or income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

PORTFOLIO POSITIONING

With a flexible multisector approach across public and private markets, we seek relative value by investing in opportunities where spreads have widened and yields are high, but where we think credit risk hasn't increased meaningfully.
We continue to be focused on residential mortgage backed securities (MBS), which provide a potential source of income and capital appreciation. Residential mortgage credit valuations remain attractive and fundamentals look resilient today as strong equity cushions continue to provide downside support. We are taking a selective approach to risk taking in commercial mortgage-backed securities (CMBS), focusing on high conviction opportunities at attractive valuations and most importantly, deals with strong underwriting fundamentals.
We have also been investing in corporate credit, notably in special situation rather than generic opportunities, by leveraging the size and scale of the PIMCO platform to obtain control of credit documentation and maintain seniority in the capital structure.
Within emerging markets, we have relatively limited exposure, and have a bias towards higher-quality sovereign and quasi-sovereign names.
Overall, we seek to find the most attractive income-generating opportunities, capture a complexity and liquidity premia and maintain a resilient portfolio across economic scenarios.

QUARTER IN REVIEW

Holdings related to corporate special situation investments and exposure to residential mortgage credit contributed to performance as select securities posted positive returns.
Exposure to corporate credit contributed to performance as the sector posted positive returns.
Exposure to holdings related to emerging market (EM) special situation investments detracted from performance as select securities posted negative returns.
Global high yield bond spreads tightened 60 bps for Q4 '23, ending the month at 355 bps. The asset class returned 6.8% amid benign inflation data and market expectations of ending the rate-hiking cycle in the U.S.
Legacy non-Agency residential MBS spreads widened modestly during the quarter while non-Agency CMBS returned 4.90%, outperforming like-duration Treasuries by 73 bps.
The EM asset class posted positive returns for the quarter as the dovish pivot from the Fed signaling a rate cutting cycle likely ahead in 2024 revived appetite for risk assets.

OUTLOOK AND STRATEGY

The steepest interest-rate-hiking cycle in decades has set global economic activity on a course that remains difficult to map, making it especially important to respect risks and to look to build portfolios capable of performing well in a variety of conditions. After major economies showed surprising resilience in 2023, we anticipate a downshift toward stagnation or mild contraction in 2024. We think our opportunistic, relative value approach, focus on resiliency, and patient capital will become increasingly important in navigating this market environment.

We expect to continue to focus on non-agency MBS and other high quality global structured products that offer attractive valuations and strong defensive qualities, as was demonstrated by their overall resilience during the pandemic-induced market shock in 2020. Specifically, we are constructive on non-agency MBS as it remains supported by a strong U.S. housing market and underlying credit support. We continue to be selective within CMBS, relying on PIMCO's capabilities to underwrite properties and the credit worthiness of the underlying tenants.

Within corporate credit, we have primarily focused on senior securities with strong asset coverage. Elevated interest rates, a slowing economy, and tighter lending conditions are already beginning to strain corporate borrowers with floating rate debt and fragile balance sheets. We are strongly favoring corporate special situations opportunities by being a liquidity provider or a provider of rescue financing where downside risk is limited and strong upside potential remains.

FUND STATISTICS

Effective Duration (yrs)	3.78
Average Coupon (%)	5.43
Effective Maturity (yrs)	5.99

No offering is being made by this material.

Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

Effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bonds effective maturity by the market value of the security.

The fund mentioned is a closed-end exchange traded investment fund. The material presented here is only to provide information and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, units are sold on the open market through a stock exchange. Closed-end funds may be leveraged and carry various risks depending upon the underlying assets owned by a fund. Investment policies, management fees and other matters of interest to prospective investors may be found in each closed-end funds annual and semi-annual report. For additional information, please contact your investment professional.

This is not an offer to sell these securities and not a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. Before you invest, you should carefully read the fund's offering documents and consider carefully the risks you assume when you invest in the fund's units. There can be no assurance that the fund will achieve its investment objectives or be able to structure its investment portfolio as anticipated.

A significant portion of the fund's monthly distributions may be sourced from the fund's derivatives transactions. Some or all of these transactions, such as paired swap transactions, may also generate capital losses without corresponding offsetting capital gains, such that portions of the fund's distributions recognized as ordinary income for tax purposes may be economically similar to a taxable return of capital when considered together with such capital losses.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies.

A word about 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 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. 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. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its 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. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. The **use of leverage** may cause a portfolio to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a portfolio to be more volatile than if the portfolio had not been leveraged. **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.

The Fund may invest directly or indirectly in securities of stressed or distressed issuers, which include securities at risk of being in default as to the repayment of principal and/or interest at the time of acquisition by the Fund or that are rated in the lower rating categories by one or more nationally recognized statistical rating organizations (for example, Ca or lower by Moody's or CC or lower by S&P or Fitch) or, if unrated, are determined by PIMCO to be of comparable quality. Debt instruments of below investment grade quality (below Baa3 by Moody's or below BBB- by S&P or Fitch) are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal, and are commonly referred to as "high yield" securities or "junk bonds." Debt instruments in the lowest investment grade category also may be considered to possess some speculative characteristics. The Fund may, for hedging, investment or leveraging purposes, make use of credit default swaps, which are contracts whereby one party makes periodic payments to a counterparty in exchange for the right to receive from the counterparty a payment equal to the par (or other agreed upon) value of a referenced debt obligation in the event of a default or other credit event by the issuer of the debt obligation.

Total net asset value (NAV) return measures the change in NAV per unit over the period indicated. Total market value return is computed based upon the Fund's TSX market price per unit and excludes the effects of brokerage commissions. Distributions are assumed, for purposes of these calculations, to be reinvested at prices obtained under the Fund's distribution-reinvestment plan. As with any stock, the price of the fund's common shares will fluctuate with market conditions and other factors. Securities of closed-end funds frequently trade at a price that is less than (a "discount") or more than (a "premium") from their net asset value. If the fund's units trade at a premium to net asset value, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the units will not trade at a discount to net asset value thereafter. Additionally, the fund's distribution rate may be affected by numerous factors, including changes in realized and projected market returns, fund performance, and other factors. There can be no assurance that a change in market conditions or other factors will not result in a change in the fund distribution rate at a future time.

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

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Any tax statements contained herein are not intended or written to be used, and cannot be relied upon or used for the purpose of avoiding penalties imposed by the Canada Revenue Agency or provincial, territorial and local tax authorities. Individuals should consult their own legal and tax counsel as to matters discussed herein and before entering into any estate planning, trust, investment, retirement, or insurance arrangement.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. 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. 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 is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world. ©2024, PIMCO

PIMCO Canada has retained PIMCO LLC as sub-adviser. PIMCO Canada will remain responsible for any loss that arises out of the failure of its sub-adviser.

The products and services provided by PIMCO Canada Corp. may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose.

PIMCO Canada Corp. 199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2, 416-368-3350

Global High Yield is represented by the ICE BofAML Developed Market High Yield Index, USD Hedged. External EM debt is represented by the JP Morgan EMBI Global Index. Local EM debt is represented by the JP Morgan GBI-EM Global Diversified Index. Emerging Market (EM) Non-agency commercial MBS is represented by the Bloomberg Investment Grade Non-Agency CMBS Index.

References to agency and non-agency mortgage-backed securities refer to mortgages issued in the United States.