PIMCO

PIMCO Unconstrained Bond Fund (Canada)

PERFORMANCE SUMMARY

The PIMCO Unconstrained Bond Fund (Canada) returned 1.03% before fees in March, outperforming the Canadian Overnight Repo Rate (CORRA) by 0.60%. Year-to-date the Fund has returned 1.71% before fees.

Equity markets continued their upward trajectory, while bond indices modestly rose as several global central banks sent dovish signals to the market. U.S. credit spreads tightened, and developed sovereign bond yields fell, while the dollar strengthened. In the U.S., the 10-year Treasury fell 5 bps to 4.20% as the Federal Reserve reaffirmed expectations of three rate cuts in 2024. In Germany, the 10-year bund yield fell 11 bps to 2.30%. In the U.K., 10-year Gilt yields fell 19 bps to 3.93%, while 10-year Japanese government bond yields rose 2 bps to 0.73%.

Fund information

Fund Inception Date	30 Sep 2014
Strategy	FIXED INCOME, MULTI SECTOR
Total Net Assets CAD (in millions)	$79.42

Contributors

- Exposure to the cash interest rate in Canada, from carry
- Holdings of securitized assets, primarily US Agency MBS, as spreads tightened, and through carry and selection
- Holdings of investment grade corporate credit, as spreads tightened and through carry

Detractors

- Long exposure to select high yield corporate credit, as spreads on these securities widened and through security selection
- Long exposure to select EM local rates, as yields rose

Portfolio Manager

Mohit Mittal, Marc Seidner

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.

	Month End Performance 31 Mar 2024				Quarter End Performance 31 Mar 2024			
	3 mos.	6 mos.	1 Yr.	YTD	1 Yr.	3 Yrs.	5 Yrs.	Since inception
■	1.71	5.66	8.41	1.71	8.41	1.10	2.23	2.86
■	1.26	2.55	5.16	1.26	5.16	3.10	2.37	1.84

■ PIMCO Unconstrained Bond Fund (Canada) Series I Unit (before management and admin fees) (%)
■ Canadian Overnight Repo Rate (CORRA) (%)

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Performance is net of operating expenses, but does not include management or administrative fees. Management fees for Series I units of a Fund are negotiated and paid directly by the investor, not by the Fund, and will not exceed the Series A management fees of the Fund. Please refer to the prospectus for additional details on applicable fees and expenses.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

PORTFOLIO POSITIONING

The portfolio is positioned across a diverse set of global opportunities in developed and emerging market economies.

Interest Rates

The Fund reduced duration over the month, mainly stemming from a modest decrease in US duration exposure mainly in the intermediate part of the yield curve. Elsewhere, the portfolio added exposure to Australian duration over the month, given the potential for rates to decline more rapidly due to their higher front-end rate sensitivity.

Spreads

Within US Agency MBS, the Fund continues to be dynamic in adjusting exposures across the coupon stack, targeting up-in-coupon MBS, which may offer more compelling spreads and less duration risk versus lower coupons. We also continue to see value in higher quality securitized credit including non-Agency MBS as underlying fundamentals remain compelling and the sector is relatively insulated from key risks facing global markets. Within investment grade corporate credit, the Fund maintains an emphasis on financial sector securities, which benefit from improved fundamentals following years of increased regulation and offer attractive valuation versus the non-financial sector.

Currencies

The Fund remains tactical with currency positioning, holding modest long positions across a diversified selection of both DM and EM currencies. We continue to hold a broad basket of commodity-linked currencies such as the MXN, BRL, ZAR, COP, CLP and AUD where we believe valuations remain attractive.

Sector Allocation (Duration in Years)	
Government Related	-2.74
Securitized[Φ]	3.49
Invest. Grade Credit	0.66
High Yield Credit	0.13
Emerging Markets[Ω]	0.23
Municipal/Other[Δ]	0.00
Net Other Short Duration InstrumentsΓ[ƒƒ]	0.02

MONTH IN REVIEW

PIMCO Unconstrained Bond (Canada) Fund’s performance in March was positive, driven by contributions from spread, currency and duration strategies.

Duration strategies were positive last month. US Base rate exposure contributed to performance, driven by US cash interest rates and carry. Outside of the US, the fund’s long exposure to Australian duration in the intermediate part of the curve also contributed to performance as yields fell.

Spread strategies were positive in March. Long exposure to US Agency MBS and investment grade corporate credit contributed to performance as spreads tightened, and through carry and selection. The fund continues to emphasize its Agency MBS position as a way to maintain a high quality, very liquid position which offers a "safe spread" over US Treasuries. The allocation is focused primarily on higher coupons, which offer compelling spreads and less duration risk versus lower coupons. Meanwhile, long exposure to select high yield corporate credit slightly detracted, as spreads on these securities widened and through security selection.

Currency strategies were positive last month, with the fund’s tactical exposure to a basket of emerging market currencies contributing to performance, primarily through FX carry. Elsewhere, long exposure to the Japanese yen modestly detracted from performance, as it depreciated against the US dollar. Overall, the Fund has kept its overall exposure to currency risk at a modest level, as our near term conviction remains low versus the potential for volatility.

OUTLOOK AND STRATEGY

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed’s 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed’s subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

The Unconstrained Bond strategy continues to emphasize flexibility, as the strategy seeks to provide investors a well-equipped fixed income process that can be nimble in a challenging market environment. DBF utilizes a time-tested approach that has allowed the fund to remain resilient across a variety of market cycles, including periods of rising rates. The strategy reacts tactically as yield curves continue to shift around the globe.

FUND STATISTICS

Effective Duration (yrs)	1.80
Effective Maturity (yrs)	1.37
Sharpe Ratio (5 year)	0.04
Volatility (5 year)	0.05

No offering is being made by this material. Interested investors should obtain a copy of the prospectus, which is available from your Financial Advisor.

ᶲThe Securitized bucket will include Agency MBS, nonAgency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

ΩShort duration emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.

ᴦᵻᵻNet Other Short Duration Instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money, short duration derivatives and derivatives offsets. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position.

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 **Sharpe Ratio** measures the risk-adjusted performance. The risk-free rate is subtracted from the rate of return for a portfolio and the result is divided by the standard deviation of the portfolio returns.

Volatility is measured by the standard deviation, or dispersion of a set of data from its mean, based on historical portfolio returns. A larger spread of data indicates higher standard deviation and higher volatility.

Past performance is not a guarantee or a reliable indicator of future results. The performance figures presented reflect the total return performance and reflect changes in unit price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Funds typically offer different series, which are subject to different fees and expenses (which may affect performance), having different minimum investment requirements and are entitled to different services.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 Fund may be forced to sell a comparatively large portion of its portfolio to meet significant unitholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant unit purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

Although the Fund may seek to maintain stable distributions, the Fund's distribution rates may be affected by numerous factors, including but not limited to changes in realized and projected market returns, fluctuations in market interest rates, 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's distribution rate or that the rate will be sustainable in the future.
For instance, during periods of low or declining interest rates, the Fund's distributable income and dividend levels may decline for many reasons. For example, the Fund may have to deploy uninvested assets (whether from purchases of Fund units, proceeds from matured, traded or called debt obligations or other sources) in new, lower yielding instruments. Additionally, payments from certain instruments that may be held by the Fund (such as variable and floating rate securities) may be negatively impacted by declining interest rates, which may also lead to a decline in the Fund's distributable income and dividend levels.
Funds typically offer different series, which are subject to different fees and expenses (which may affect performance), having different minimum investment requirements and are entitled to different services.
A word about risk: Absolute return portfolios may not fully participate in strong positive market rallies. 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. **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.
Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

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 long-term, especially during periods of downturn in the market.
Duration is a measure of a portfolio's price sensitivity expressed in years.

Canadian Overnight Repo Rate (CORRA) measures the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions.

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.

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For more information about the risk rating and specific risks that can affect the fund's returns, see the "What are the Risks of Investing in the Fund?" section of the fund's simplified prospectus.
Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.
References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States.
Developed Marked (DM); Emerging Market (EM); Australian Dollar (AUD); Brazilian Real (BRL); Chilean Peso (CLP); Colombian Peso (COP); Foreign exchange (FX); Mexican Peso (MXN); South African Rand (ZAR).