PIMCO

PIMCO Monthly Income Fund (Canada)

Quarterly Investment Report | 1Q23

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.

Executive summary

Portfolio Performance

Over the quarter, the Monthly Income Fund generated positive returns. The higher quality portion of the portfolio was positive with holdings of US duration and investment grade corporate credit contributing to performance. Meanwhile, the Fund's holdings of Agency MBS detracted from Fund performance. Within the higher yielding portion of the portfolio, the Fund's exposure to a basket of emerging market currencies contributed to performance as they generally appreciated against the US dollar. Meanwhile, exposure to non-Agency MBS detracted from performance.

CONTRIBUTORS

- Exposure to US duration
- Exposure to investment grade and high yield corporate credit
- Exposure to a basket of emerging market currencies

DETRACTORS

- Exposure to securitized credit, including Agency and non-Agency MBS
- Exposure to emerging market local debt

Performance periods ended 31 Mar '23	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund after fees	2.06	4.91	-1.15	2.55	1.17	3.11	6.40
Benchmark*	2.78	4.63	-5.39	-3.05	0.48	1.27	2.18

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.

Portfolio strategy

Selective credit holdings: Favor housing-related, mortgage credit given resilient fundamentals in the US housing market. We focus on bottom-up security selection in corporate credit, where we continue to find value in systemically important banks with strong capital positions and direct support from central banks, and defensive sectors such as telecommunications and healthcare.

Favor non-Agency MBS: We continue to like senior pools of non-Agency MBS due to their attractive risk-adjusted return profile.

Cautious on duration: We decreased our overall duration exposure as yields fell. Our exposure remains primarily in the US with a focus on the intermediate portion of the curve.

Emerging markets: The Fund slightly decreased its overall exposure to EM over the quarter as a way to limit volatility in the portfolio. We still maintain modest holdings of emerging market debt in higher quality countries, which may provide additional diversification and yield.

Series:	**A**
Inception date:	**20 Jan '11**
Fund assets (in CAD millions):	**CAD22,710.20**
Series A MER:**	**1.390%**
Series A management fee:**	**1.250%**

Summary information	31 Mar '23
Estimated yield to maturity (Gross of fee)***	6.65%
Effective duration (yrs)	2.86
Benchmark duration - provider (yrs)	6.33
Benchmark duration - PIMCO (yrs)	6.28
Effective maturity (yrs)	5.80
Average coupon	4.03%
Tracking error (10 yrs)	4.34
Information ratio (10 yrs)	0.69

Sector allocation	Dur. (yrs)	MV(%)
Government Related	-0.62	27.25
Securitized	2.67	59.17
Invest. Grade Credit	0.65	10.95
High yield	0.14	22.81
Emerging markets	0.13	8.20
Municipal/Other	0.01	1.57
Net other short duration instruments	-0.11	-29.94
Total	**2.86**	**100**

*Bloomberg U.S. Aggregate Index (CAD Hedged)

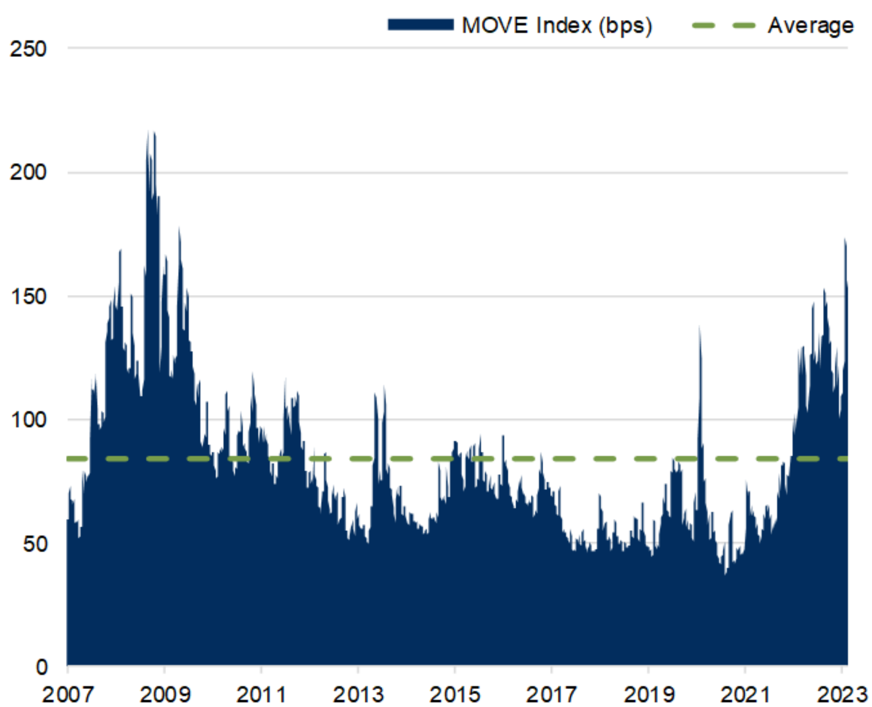
**As of 31 December 2022. Management expense ratio is based on total expenses, including the management fee, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Annual Management Fee is used to pay for investment management services and general administration of the fund, this fee does not include taxes.

***Yield to Maturity (YTM) is the estimated total return of a bond if held to maturity. YTM accounts for the present value of a bond's future coupon payments. Refer to the Important Disclosures at the conclusion of this report for additional important information.

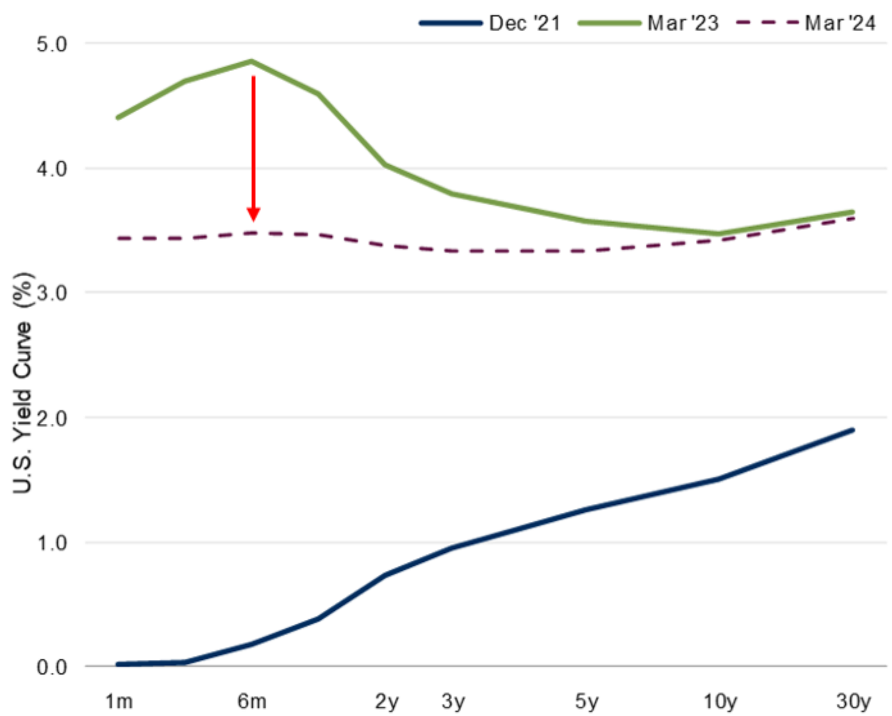
Quarter in Review

Volatility rises, yields end the quarter lower

The fundamental backdrop showed signs of a slowdown amid financial sector instability, while inflation slowed. In response, markets revised their expectations for central bank rate hikes as volatility may lead to a sharp pullback in bank lending. The Fed hiked its policy rate (50 bps over the quarter) and dampened expectations for further hikes. Global central banks largely followed suit with monetary tightening and weakened forward guidance, while developed market yields fell over the quarter. Meanwhile, risk sentiment improved despite the collapse of Silicon Valley Bank and the Credit Suisse-UBS merger, with the MSCI World Index up 7.7%.



Rate volatility rose to levels not seen since the Great Financial Crisis on the back of banking sector fragility, with March resulting in the largest monthly drop for the 2-year Treasury since 2008.



Volatility in the financial sector may lead to a sharp pullback in bank lending, causing markets to price in only one additional rate hike in 2023 before expecting the Fed to cut in the latter half of 2023.

Source: Bloomberg

Source: Bloomberg

PIMCO

Market Summary

Q1'23: Volatility rises, yields end the quarter lower

The Fund's interest rate, spread and currency strategies contributed to performance over the quarter.

Developed market debt

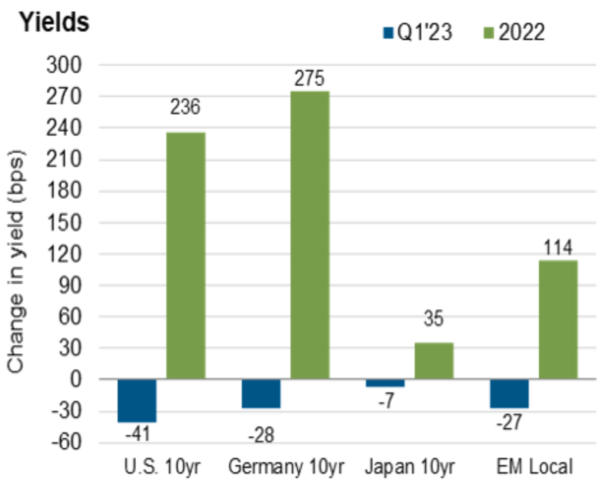
The emergence of financial contagion risks in March prompted an abrupt shift in expectations for U.S. monetary policy as yields fell meaningfully for most maturities across the U.S. Treasury curve. In developed markets outside of the U.S., including the U.K. and Japan, yields similarly fell against a backdrop of increasing risk aversion.

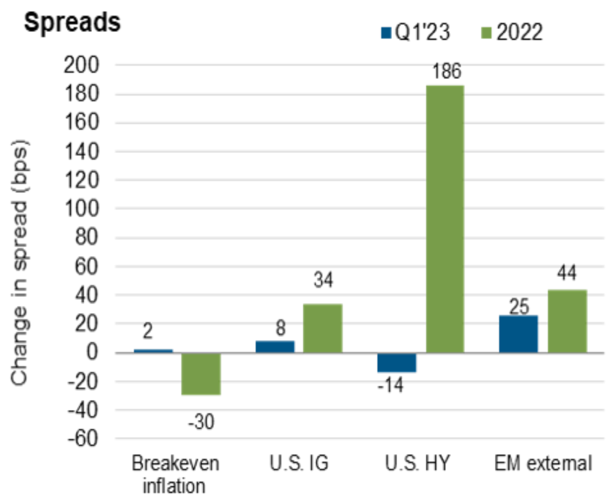
Credit

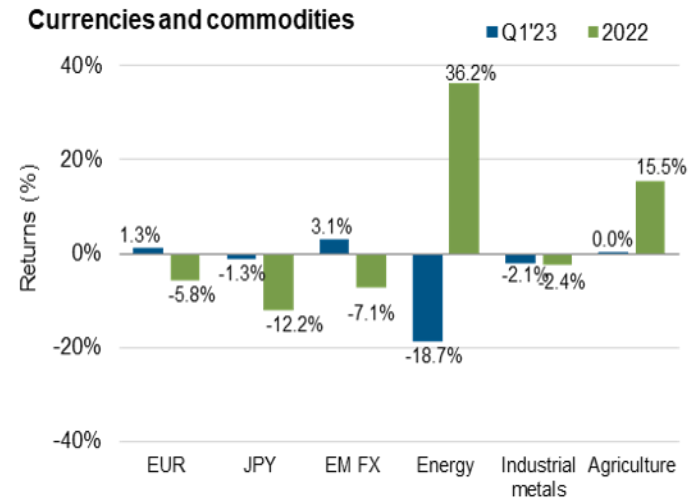
U.S. investment grade credit spreads widened 8 bps, ending the quarter at 129 bps. The sector returned 3.45%, outperforming like-duration treasuries by 0.21%. Credit spreads widened amid late-quarter volatility in the global banking sector, while returns were positive given the coinciding rally in rates.

Commodities

Commodities delivered negative returns in Q1. Oil prices fell 7% over the quarter to $79.77/barrel as banking fears heightened global growth concerns. Natural gas prices fell as warm weather led to lower demand and high inventories in Europe. Agricultural commodities were flat over the quarter, as gains in softs were offset by losses in wheat. Base metals fell over the quarter while gold was higher amid strong demand for safe-haven assets.







Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg U.S. Credit Index); U.S. high yield credit (Bloomberg U.S. Corporate High Yield Average OAS Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); EUR (EUR/USD Spot Exchange Rate - Price of 1 EUR in USD); JPY (USD/JPY Spot Exchange Rate - Price of 1 USD in JPY); EM currencies (JPMorgan ELMI Plus Composite); Energy (Bloomberg Energy Subindex Total Return Index); Industrial metals (Bloomberg Industrial Metals Subindex Total Return Index); Agriculture (Bloomberg Agriculture Total Return Index); Agency MBS (Bloomberg US Agency Fixed Rate Index); Non-Agency commercial MBS (Bloomberg Investment Grade Non-Agency CMBS Index); Like-duration treasuries or global government bonds are calculated by the index provider by comparing the index return to a hypothetical matched position of treasuries or global government bond, respectively.

Fractured Markets, Strong Bonds: Macro outlook

Three Economic Themes Through 2023 Across Developed Markets (DM)

Potentially deeper recession, sooner

Central banks: Less tightening, but slower easing

Fiscal policy and regulation: Focus on moral hazard?

As of April 2023. Source: PIMCO

For illustrative purposes only

Portfolio Outlook

Strategic outlook

Recent volatility in the banking sector has raised the prospect of a significant tightening of credit conditions, particularly in the U.S., and therefore the risk of a sooner and deeper recession. These recent events will likely act as yet another headwind that could very well pull Europe into recession as well. Meanwhile, annualized core inflation rates in the U.S. have fallen for 5 consecutive months, and headline inflation has declined for 8 consecutive months. The combination of a higher cost of lending and early signs of easing inflation likely puts global central banks near to or already at the end of their tightening cycles.

Key strategies

Duration Positioning

We have maintained a defensive duration profile in the strategy with an emphasis on US rates over other developed markets.

Currency Positioning

We remain diversified and tactical in our currency positioning, maintaining the Fund's exposure to a basket of EM currencies over the quarter. The Fund maintained long positions in the Japanese Yen and the Norwegian Krone given attractive valuations.

Housing Related Credit

We remain confident in the underlying fundamentals of housing related securities, especially senior tranches of non-Agency MBS which is one of our highest conviction sectors. The Fund also increased its exposure to Agency MBS given attractive valuations.

Corporate Credit

We continue to seek bottom-up opportunities in corporate credit favoring systemically important banks with direct central bank support, with a focus on the senior most part of the capital structure. We are selective in high yield cash bonds with a focus on senior secured debt. The Fund modestly increased exposure to HY CDX given its superior liquidity profile versus cash bonds over the quarter.

Source: PIMCO

Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	31 Dec '22	31 Mar '23	31 Dec '22	31 Mar '23	31 Mar '23	31 Mar '23
Government Related	12.76	27.25	-0.06	-0.62	45.41	2.79
Securitized*	51.89	59.17	2.63	2.67	29.35	1.70
Invest. Grade Credit	11.25	10.95	0.59	0.65	24.29	1.76
High Yield Credit	21.03	22.81	0.16	0.14	0.00	-
Emerging Markets	9.96	8.20	0.17	0.13	0.95	0.08
Municipal/Other	1.85	1.57	0.01	0.01	0.00	-
Net Other Short Duration Instruments**	-8.75	-29.94	-0.08	-0.11	0.00	-
Total	**100**	**100**	**3.42**	**2.87**	**100**	**6.33**

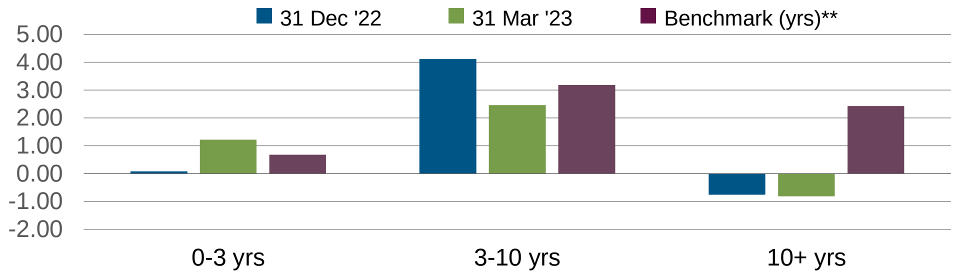
*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

**Net 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 and derivatives offset. 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.

Benchmark: Bloomberg U.S. Aggregate Index (CAD Hedged)

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '22	31 Mar '23	31 Mar '23
0-3 yrs	0.08	1.22	0.68
3-10 yrs	4.11	2.46	3.18
10+ yrs	-0.76	-0.82	2.42
Total	**3.43**	**2.86**	**6.28**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '22	31 Mar '23	31 Mar '23
Effective duration	3.42	2.86	6.28
Bull market duration	3.23	2.57	6.26
Bear market duration	3.66	3.24	6.28
Spread duration			
Mortgage spread duration	3.11	3.24	1.73
Corporate spread duration	1.29	1.47	1.83
Emerging markets spread duration	0.33	0.26	0.11
Swap spread duration	-2.24	-2.60	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.00	0.00	0.11

Quality exposure (MV%)

	Portfolio		Benchmark
	31 Dec '22	31 Mar '23	31 Mar '23
A1/P1	15.52	7.98	0.00
AAA	44.77	53.78	72.95
AA	2.15	2.20	3.06
A	2.60	3.05	11.24
Below A1/P1	0.00	0.00	0.00
BAA	10.61	9.39	12.75
BB	12.80	13.18	0.00
B	3.33	3.26	0.00
Below B	8.21	7.16	0.00
Total	**100**	**100**	**100**

Derivative exposure (duration in yrs)

	31 Dec '22	31 Mar '23
Government futures	0.89	0.47
Interest rate swaps	-2.10	-2.47
Credit default swaps*	16.68	19.28
Purchased swaps	0.00	0.00
Written swaps	16.69	19.28
Options	0.00	0.00
Purchased options	0.00	0.00
Written options	0.00	0.00
Mortgage derivatives	0.02	0.02
Money market derivatives	-0.13	-0.12
Futures	-0.07	-0.06
Interest rate swaps	-0.06	-0.06
Other Derivatives	0.00	0.00

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg U.S. Aggregate Index (CAD Hedged)

Country exposure

Country exposure by country of risk

	31 Dec '22		31 Mar '23	
	% of Market value	**Duration (yrs)**	**% of Market value**	**Duration (yrs)**
United States	**77.67**	**3.10**	**102.70**	**2.60**
Japan	**5.43**	**0.01**	**4.97**	**0.01**
Eurozone	**6.56**	**-0.11**	**6.50**	**-0.10**
Austria	0.04	0.00	0.03	0.00
Euro Currency	-3.71	-0.25	-3.79	-0.25
France	0.66	0.00	1.17	0.02
Germany	0.50	0.02	0.80	0.02
Greece	0.16	-0.00	0.17	0.00
Ireland	5.59	0.00	5.19	0.00
Italy	0.99	0.02	1.04	0.02
Luxembourg	1.51	0.03	1.14	0.03
Netherlands	0.51	0.06	0.49	0.06
Portugal	0.11	0.00	0.09	0.00
Slovenia	0.03	0.00	0.00	0.00
Spain	0.15	0.00	0.17	0.00
United Kingdom	**9.03**	**0.11**	**8.04**	**0.08**
Europe non-EMU	**1.26**	**0.05**	**1.63**	**0.08**
Czech Republic	0.10	0.01	0.08	0.01
Norway	0.01	0.00	-0.01	0.00
Poland	0.05	0.00	0.05	0.00
Sweden	0.03	0.00	0.03	0.00
Switzerland	1.06	0.04	1.47	0.07
Dollar Block	**25.30**	**0.05**	**27.49**	**0.04**
Australia	0.87	0.08	0.86	0.08
Canada	24.43	-0.03	26.63	-0.04
Other Industrialized Countries	**0.92**	**0.04**	**0.45**	**0.02**
Chile	0.01	0.00	0.00	0.00
Israel	0.01	0.00	0.01	0.00
Macao	0.75	0.03	0.33	0.01
Puerto Rico	0.11	0.01	0.10	0.00
Saudi Arabia	0.02	0.00	0.00	0.00
Supranational	0.02	0.00	0.02	0.00
Taiwan	0.01	-0.00	-0.00	-0.00
EM - Asia	**0.30**	**0.02**	**0.25**	**0.01**
China	0.29	0.02	0.25	0.01
Indonesia	0.00	0.00	0.00	0.00
EM - Latin America	**3.31**	**0.05**	**2.70**	**0.03**
Argentina	0.71	0.01	0.64	0.01
Brazil	0.86	0.01	0.73	0.01
Colombia	0.56	-0.00	0.53	-0.00
Mexico	0.75	0.01	0.56	0.00

Country exposure

Country exposure by country of risk

	31 Dec '22		31 Mar '23	
	% of Market value	Duration (yrs)	% of Market value	Duration (yrs)
Peru	0.39	0.02	0.22	0.01
Venezuela	0.04	0.00	0.04	0.00
EM - CEEMEA	**4.06**	**0.11**	**3.18**	**0.08**
Cote dIvoire	0.14	0.00	0.13	0.00
Romania	0.13	0.01	0.11	0.01
Russia	0.94	0.02	0.39	0.01
Serbia & Montenegro	0.03	0.00	0.03	0.00
South Africa	1.60	0.04	1.37	0.03
Turkey	1.21	0.03	1.14	0.03
Ukraine	0.01	0.00	0.01	0.00
EM - Other	**2.29**	**-0.00**	**2.06**	**-0.00**
EM Index Product	2.29	-0.00	2.06	-0.00
Liabilities	**-36.13**	**0.00**	**-59.97**	**0.00**
Total	**100**	**3.42**	**100**	**2.86**

Additional series unit performance

PIMCO Monthly Income Fund (Canada) (net of fees performance)

Performance periods ended: 31 Mar '23	MER*	Management Fee**	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	SI
Series ETF	0.840	0.750	CAD	29 Sep '17	2.20	5.20	-0.60	3.08	1.69	1.62
Series A	1.390	1.250	CAD	20 Jan '11	2.06	4.91	-1.15	2.55	1.17	6.40
Series F	0.840	0.750	CAD	20 Jan '11	2.20	5.20	-0.60	3.08	1.69	6.92
Series M	0.670	0.600	CAD	31 Jan '12	2.24	5.28	-0.44	3.24	1.84	5.44
Series O	1.220	1.100	CAD	20 Jan '11	2.10	4.99	-0.99	2.71	1.33	6.55
Series N	0.560	0.500	CAD	18 Sep '20	2.27	5.34	-0.32	-	-	0.55
Bloomberg U.S. Aggregate Index	-	-	-	-	2.96	4.89	-4.78	-2.77	0.91	0.00
Series ETF - USD Hedged	0.830	0.750	USD	28 Sep '18	2.35	5.26	-0.23	3.33	-	2.33
Series A - USD Hedged	1.390	1.250	USD	31 Jul '13	2.20	4.94	-0.84	2.74	1.56	3.33
Series F - USD Hedged	0.840	0.750	USD	31 Jul '13	2.34	5.24	-0.26	3.31	2.11	3.83
Series M - USD Hedged	0.670	0.600	USD	31 Jul '13	2.38	5.32	-0.09	3.48	2.27	3.98
Series O - USD Hedged	1.230	1.100	USD	31 Jul '13	2.24	5.03	-0.67	2.91	1.73	3.48
Bloomberg U.S. Aggregate Index (CAD Hedged)	-	-	-	-	2.78	4.63	-5.39	-3.05	0.48	2.18

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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.

Important Disclosures

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

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

There is no assurance that any fund, including any fund that has experienced **high or unusual performance** for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) a fund's total return in excess of that of the fund's benchmark between reporting periods or 2) a fund's total return in excess of the fund's historical returns between reporting periods. Unusual performance is defined as a significant change in a fund's performance as compared to one or more previous reporting periods.

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.

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 shares, 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.

Important Disclosures

Yield to Maturity (YTM) is the estimated total return of a bond if held to maturity. YTM accounts for the present value of a bond's future coupon payments. PIMCO calculates a Fund's Estimated YTM by averaging the YTM of each security held in the Fund on a market-weighted basis. PIMCO pulls each security's YTM from PIMCO's Portfolio Analytics database. In general, the calculation will incorporate the yield based on the notional value of all derivative instruments held by a Fund. The measure does not reflect the deduction of fees and expenses and is not necessarily indicative of the Fund's actual performance. A portfolio's actual yield or distribution rate may be significantly lower than its estimated YTM in practice. Also, estimated YTM is not intended to indicate that a portfolio will actually hold any or all of its portfolio securities to maturity in practice, and various securities may be sold or otherwise disposed of prior to maturity. Estimated YTM is not a projection or prediction of the actual yield or return that a portfolio may achieve or any other future performance results. There can be no assurance that a portfolio will achieve any particular level of yield or return and actual results may vary significantly from estimated YTM.

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. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their 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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **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.

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.

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

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

Differences in the Fund's performance versus the Bloomberg Barclays U.S. Aggregate Index (CAD Hedged) (the "Index") and related attribution information with respect to categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the Index.

Bloomberg U.S. Aggregate Index (CAD Hedged) 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. It is not possible to invest directly in an unmanaged index.

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Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

Average coupon is the average of the coupon payments of the underlying bonds within the portfolio.

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

"Bend-but-not-break" refers to credits that PIMCO would not expect to default in a credit-stressed environment.

Beta is a measure of price sensitivity to market movements. Market beta is 1.

Breakeven inflation rate (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.

Carry is the rate of interest earned by holding the respective securities.

The terms **"cheap" and "rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

CPI is the Consumer Price Index.

The **credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

Dividend yield is represented by the weighted average coupon divided by the weighted average price.

Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.

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.

Forward curve is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

Information ratio is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

Like-duration Securities are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

"Risk assets" are any financial security or instrument that are likely to fluctuate in price.

Risk premia is the return in excess of the risk-free rate of return an investment is expected to yield.

Roll yield is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

"Safe haven" is an investment that is expected to retain or increase in value during times of market turbulence.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The **Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

Tracking error measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)

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