PIMCO

PIMCO Monthly Income Fund (Canada)

SERIES: **A** | AS OF: **31 MARCH 2021** | **Monthly Commentary**

PIMCO Canada Mutual Funds

Fund information	
Fund inception date	20 January 2011
Strategy	Income
Total Net Assets (CAD in millions)	$23,232.2
Portfolio manager(s)	Alfred Murata Dan Ivascyn Joshua Anderson
Effective duration (yrs)	2.61
Benchmark duration (yrs)	6.40
Effective maturity (yrs)	4.71

Expenses	
Series A Management Fee (%)	1.25
Series A MER(%)[1]	1.41

[1] As of 31 December 2020. 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.

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.

Performance summary

The PIMCO Monthly Income Fund (Canada) returned –0.13% after fees in March, outperforming the Bloomberg Barclays U.S. Aggregate Index (CAD Hedged) by 1.12%. Year-to-date the Fund has returned –0.34% after fees, outperforming the benchmark by 3.04%.

The Monthly Income Fund (Canada) continued to provide investors with attractive monthly distributions through March.

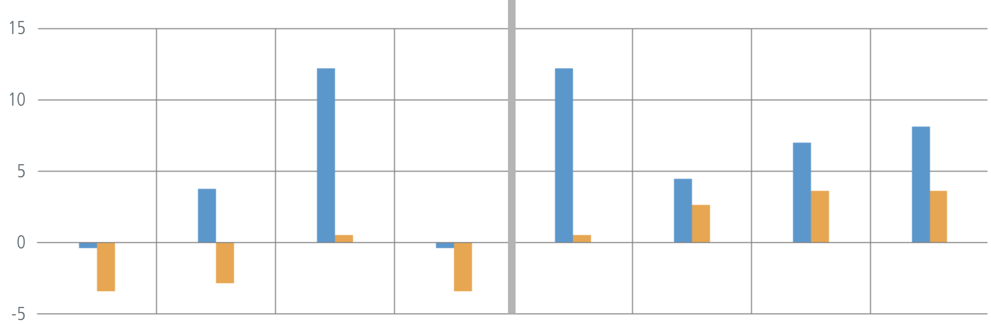
The higher quality portion of the portfolio was negative in March as exposure to U.S. duration detracted from performance as rates continued to rise. The higher yielding portion contributed with the portfolio's holdings of securitized credit and corporate credit both performing strongly. The Fund's emerging market debt and currency strategies detracted from fund performance over the month.

Contributors

- Holdings of investment grade and high yield corporate credit
- Holdings of securitized credit, primarily non-Agency and Agency MBS
- Exposure to Canadian duration
- Holdings of Treasury inflation protected securities ("TIPS")

Detractors

- Exposure to U.S. duration, as yields rose
- Long exposure to a basket of emerging market currencies, as they depreciated versus the U.S. dollar
- Exposure to select emerging market local debt, as spreads widened



	Month End Performance 31 March 2021				Quarter End Performance 31 March 2021			
	3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
PIMCO Monthly Income Fund (Canada) net of fees (%)	-0.34	3.76	12.16	-0.34	12.16	4.42	6.99	8.12
Bloomberg Barclays U.S. Aggregate Index (CAD Hedged) (%)	-3.38	-2.81	0.51	-3.38	0.51	2.63	3.58	3.60

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.

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 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 characteristics as of 31 March 2021	Duration (years)
Government Related	**-1.06**
United Kingdom	-0.22
Australia	0.13
EMU	-0.31
Japan	0.00
United States	-0.54
Other	-0.12
Securitized [1]	**1.36**
Invest. Grade Credit	**1.34**
High Yield Credit	**0.32**
Emerging Markets	**0.51**
Bonds and Other Long Duration Instruments	0.51
Short Duration Instruments [2]	0.00
Municipal/Other	**0.01**
Net Other Short Duration Instruments [3]	**0.13**

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

[1] The Securitized bucket will include Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

[2] Short Duration 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. Includes the value of short duration emerging markets instruments previously reported in "Cash Equivalents".

[3] Net Other Short Duration Instruments includes securities and other instruments (except those 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.

Portfolio positioning

The Fund is divided into two general segments: higher yielding assets that are expected to benefit when economic growth is robust and higher quality assets expected to benefit if economic growth is weak.

Within the higher quality segment, we remain cautious overall as real rates in many markets are close to zero or negative. Our U.S. duration exposure increased slightly over the month, where rates remain higher relative to other developed countries. To balance these positions, we look to hedge some of our duration exposure with a short position in Japan where real yields are already negative.

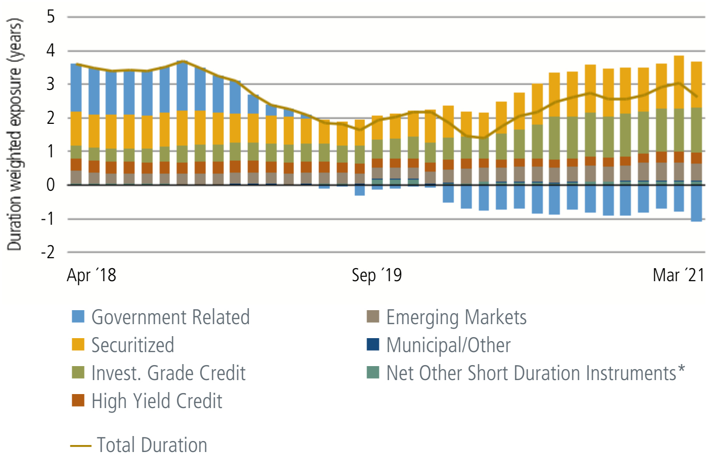
The higher yielding segment is weighted toward senior positions in the capital structure. We seek to be diversified across credit exposures within corporate, securitized, and emerging market debt. Within investment grade corporate credit, we continue to look to take advantage of attractive valuations in certain sectors. We remain cautious in allocation to high yield corporates and are mindful of liquidity. We continue to look for opportunities to add senior securitized credit exposure, particularly in non-Agency U.S. and UK mortgages, which feature strong "bend but don't break" resilience and attractive loss-adjusted yields through a range of downside economic scenarios.

Month in review

More stimulus and stronger growth expectations bolstered market optimism in March. The U.S. 10yr Treasury rose sharply, ending the month 34 bps higher at 1.74%, while other developed yield movements were more modest. Global equities posted gains - the S&P rose 4.38%, bolstered by President Biden's $1.9 trillion stimulus package - and credit spreads were little changed. Meanwhile, the Fed upgraded its growth outlook but signaled no change to policy rates through 2023, while the ECB set a plan to increase the pace of its asset purchases in response to renewed restrictions amidst rising infections in Europe.

Against this backdrop, performance was flat over the month. Exposure to U.S. duration was the largest detractor to fund performance as U.S. interest rates continued to rise in the belly and long-end of the curve. Exposure to local rates in select emerging markets also detracted over the month. Meanwhile, exposure to Canadian duration contributed modestly.

Holdings of high yield and investment grade corporate credit contributed the most to performance over the month, as spreads tightened modestly. The Fund's securitized positions also contributed to performance with holdings of non-Agency and Agency MBS contributing to performance as home price fundamentals remained solid. The Fund's holdings of inflation-linked securities were also positive for performance over the month. Exposure to a basket of emerging market currencies detracted from performance in March as they depreciated versus the U.S. dollar.



*Prior to 31 December 2014 these categories were reported separately.
Portfolio allocations and other information in the charts are based on the fund's net assets. These percentages may differ from those used for the fund's compliance calculations, including the fund's prospectus, regulatory, and other investment limitations and policies, which may be based on total assets of the fund or other measurements, may include or exclude various categories of investments from those covered in the portfolio allocation categories shown in this report, and may be based on different classifications and measurements of the fund's investments and other criteria.

Outlook and strategy

We expect the global economy to continue its transition from hurting to healing in 2021 and make good progress on the long climb back to its pre-crisis trend. We believe the current renewed weakness due to lockdowns in major economies will give way to accelerating economic growth from around the second quarter, driven by the broadening rollout of vaccines and continued fiscal and monetary support. The key risks to our economic outlook include fiscal fatigue or gridlock in some advanced economies, the likely transition in China from credit easing to tightening in the course of this year, and economic scarring that could impede the return of pre-pandemic activity levels and make the recovery bumpy and uneven across countries and sectors.

Within the Income Strategy, we remain focused on diversification and staying senior in the capital structure. We remain focused on bend but not break exposures, where we may experience some price volatility but seek to avoid defaults.

Management profile

Alfred Murata
Managing Director

Dan Ivascyn
Managing Director and Group CIO

Joshua Anderson
Managing Director

2011
20 JAN
INCEPTION DATE

★★★★★
MORNINGSTAR RATING

Category: **Global Fixed Income**
Number of funds in category: **441**
Criteria: **Risk-Adjusted Return**

Targets high, consistent income

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

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.
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 the current low interest rate environment increases this risk. Current 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 supported by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. **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. **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. **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 result in a loss that is greater than the amount invested. **Diversification** does not ensure against loss. Distributions are subject to market risk.

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

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.

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.

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 suitable 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.

Morningstar ratings are only shown for those funds that have achieved a 4 or 5 star rating. Ratings for other funds or series are either lower or not available. A rating is not a recommendation to buy, sell or hold a fund. Past performance is no guarantee of future results.

Bloomberg Barclays 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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Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio.

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

Mortgage-and asset-backed securities (MBS) 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.

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. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government.