PIMCO

PIMCO Canadian Total Return Bond Fund

Quarterly Investment Report | 1Q24

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

The Canadian Total Return Bond Fund outperformed its benchmark over the quarter mainly due to U.S. and Canadian relative interest rate strategies as well as through an allocation to U.S. securitized credit.

CONTRIBUTORS

• Exposure to U.S. securitized credit including CMBS, non-agency RMBS, and other structured products which offer high quality asset protection alongside an attractive yield profile.
•Relative curve positioning, favouring Canadian duration over U.S., contributed to performance over the quarter.
•Exposure to senior global financial investment grade credit where spreads tightened.

DETRACTORS

•Underweight exposure to Canadian investment grade credit amid spread tightening in the period.

Performance periods ended 31 Mar '24	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund (before management and admin fees)	-0.51	8.31	4.20	-0.81	1.24	2.67	3.41
Benchmark*	-1.22	6.94	2.10	-1.52	0.28	2.01	2.69

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.
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

Interest Rate Strategies – We expect to remain close to overall benchmark duration while exploiting relative value opportunities in global interest rate markets based on our macro thesis. We are overweight the belly of the curve with a steepening bias, and prefer Canadian near-term duration over U.S.

Credit – We are cautious on generic credit and believe that the recent tightening in credit spreads reduces opportunity and has an asymmetric potential for spreads to widen further. Instead, we believe we can find better opportunities within securitized fixed income, senior global financials, and provincials which offer attractive yields given their level of risk.

Non-Canadian Markets and Currency – We seek tactical opportunities that provide attractive risk-reward profiles and the ability to diversify sources of return. We are tactically overweight to select emerging market Latin American currencies and the US Dollar given their strong technical and fundamental characteristics.

Series:	**I**
Inception date:	**20 Jan '11**
Fund assets (in CAD millions):	**CAD409.38**
Series I MER:**	**0.010%**
Series I management fee:**	**0.000%**

Summary information	31 Mar '24
Estimated yield to maturity (Gross of fee)***	4.32%
Effective duration (yrs)	7.02
Benchmark duration - provider (yrs)	7.08
Benchmark duration - PIMCO (yrs)	7.01
Effective maturity (yrs)	10.14
Average coupon	4.28%
Tracking error (10 yrs)	0.94
Information ratio (10 yrs)	0.70

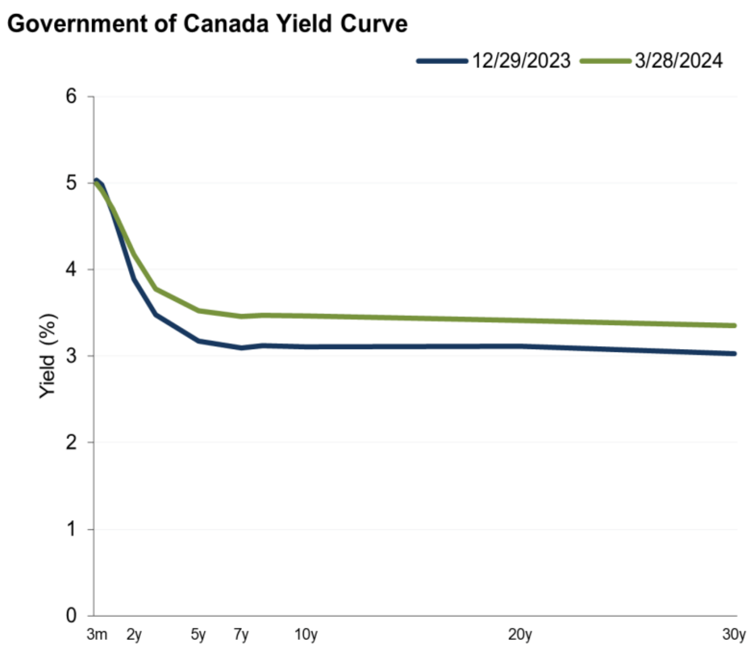
Sector allocation	Dur. (yrs)	MV(%)
Government of Canada	2.27	34.19
Provincials	3.48	27.38
Canadian Corporates	0.71	22.60
Non Canadian	0.15	7.19
Inflation Linked Bonds	0.00	0.00
High Yield	0.02	0.92
Emerging markets	0.01	0.20
Canadian Other	0.37	4.31
Net other short duration instruments	0.01	3.21
Total	**7.02**	**100**

*FTSE Canada Universe Bond Index
**As of 31 December 2023. 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.

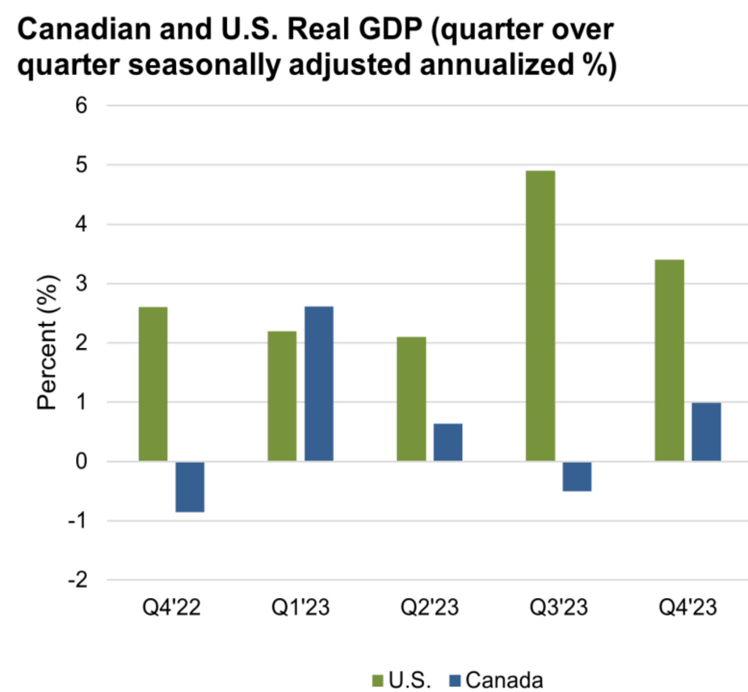
Quarter in Review

Expectations for rate cuts delayed to the Summer as Canada cools and the U.S. heats up.

Both the Fed and BoC held their policy rates in the quarter as expectations for rate cuts were pushed back to the Summer. Canadian CPI exhibited a more than expected cooling with February data showing a 2.8% year-over-year change, marking the second month in a row where inflation stayed within the BoC's 1-3% target. The U.S. economy continued to show signs of resilience amid better-than-expected growth and employment data, accompanied by higher-than-expected inflation. Hot economic indicators in the U.S. may largely be due to their fixed rate mortgage environment which likely dampened the full impact of a higher rates while Canadian policymakers grapple with a more rate-sensitive economy.



Canadian yields broadly rose over the quarter. The Canadian 2yr yield rose by 29 bps in the period to finish the quarter at 4.18 percent. Meanwhile the 10yr and 30yr yield fell by 36 and 32 bps respectively, ending the quarter at 3.47 and 3.35 percent.



Canadian GDP growth continued to lag the U.S. through 2023. As the Canadian economy shows less resilience than the U.S., we expect that the BoC may need to be more forceful with rate cuts than their U.S. counterparts.

Source : Bloomberg

Source: Bloomberg

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Market Summary

Diverse alpha drivers drove outperformance in the first quarter.

The Canadian Total Return Bond Fund outperformed its benchmark over the quarter with outperformance being attributed to multiple alpha generating strategies working concurrently. Within duration, curve positioning biases alongside Canadian vs U.S. interest rate swap trades drove performance while in spread strategies, an allocation to securitized credit, senior global financials, and Canadian provincials contributed to overall outperformance.

Developed market debt

Yields rose broadly across developed markets as inflation remained firm and economic activity robust, particularly in the U.S. While central banks generally held policy rates steady, including in the U.S., U.K., and Europe, dovish remarks from officials bolstered risk sentiment even as investors adjusted expectations for rate cuts in 2024. In Japan, the BoJ hiked rates for the first time in 17 years, ending its negative interest rate policy.

Credit

U.S. investment grade credit spreads tightened 8 bps, ending the quarter at 85 bps. The sector returned -0.41%, outperforming like-duration treasuries by 0.83%. Credit spreads continued to tighten amid strong earnings results and heavy issuance to start the year.

Equities

Developed market equities rose 8.9% in the first quarter of 2024 driven by optimism around interest rate cuts, easing inflationary pressures, and economic growth.

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 (ICE BofA High Yield Constrained Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); S&P 500 (S&P 500 Total Return Index); MSCI EAFE (MSCI EAFE Net Total Return USD Index); MSCI EM (MSCI Emerging Net Total Return USD Index); Shanghai (Shanghai Stock Exchange Composite Index).

Investment implications:
Opportune time to consider going active in global fixed income

Look global	Greater-than-usual focus on bond markets outside of the U.S.
Lock in elevated yields	Intermediate maturities can offer a “sweet spot” with markets expecting cash rates to fall
Favor high quality	Up-in-quality bias in both public and private credit markets
Go active	Differentiated macro paths present compelling opportunities for active investors

Source: PIMCO

Portfolio Outlook

Strategic Outlook

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.

Key strategies

Duration

We are neutral to slightly overweight overall benchmark duration with a preference for Canada over the U.S. and a bias for the belly of the curve. The portfolio has a modest steepening bias given the possibility for more aggressive than expected rate cuts in Canada and the re-emergence of term premium.

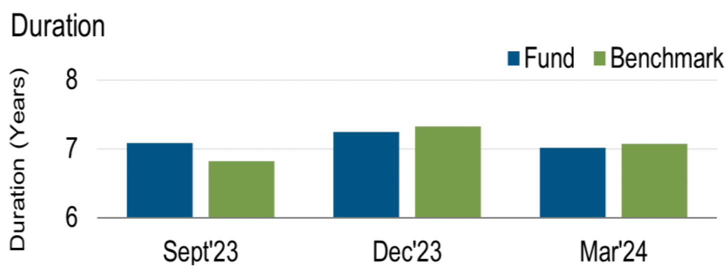
Spread Sector Strategies

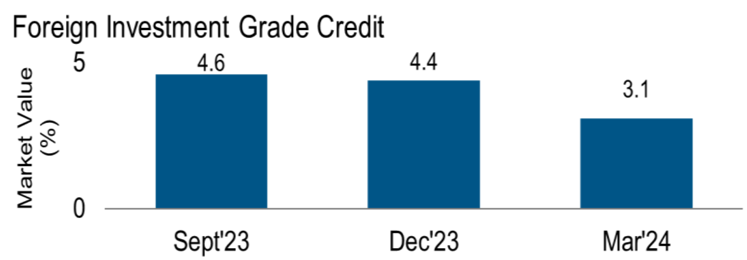
We remain cautious on generic corporate credit which may underperform in scenarios involving an economic downturn. Instead, we prefer a selective approach, seeing value in Canadian provincials given their attractive spreads given their perceived level of risk. We also remain constructive on high quality securitized credit which offer high quality asset protection combined with a strong yield profile.

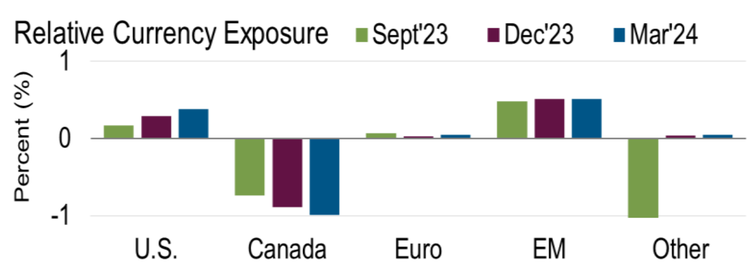
Currency Positioning

We remain tactical in currency exposure to countries that have strong fundamentals and offer the potential for higher yield and diversification.

Position







Source: PIMCO

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Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	31 Dec '23	31 Mar '24	31 Dec '23	31 Mar '24	31 Mar '24	31 Mar '24
Government of Canada	40.62	34.19	2.49	2.27	39.11	2.36
Provincials	26.16	27.38	3.48	3.48	34.20	3.20
Canadian Corporates	23.77	22.60	0.79	0.71	26.68	1.52
Non Canadian	6.45	7.19	0.19	0.15	-	-
Government - Related	-7.08	-4.36	-0.30	-0.26	-	-
Corporates	4.39	3.13	0.17	0.10	-	-
Mortgages	9.05	8.30	0.31	0.30	-	-
Other***	0.10	0.12	0.00	0.00	-	-
Inflation Linked Bonds	0.00	0.00	0.00	0.00	-	-
High Yield	1.98	0.92	0.03	0.02	-	-
Emerging Markets**	0.20	0.20	0.01	0.01	-	-
Bonds and Other Long Duration Instruments	0.17	0.20	0.01	0.01	-	-
EM Short Duration Instruments	0.03	-0.01	0.00	0.00	-	-
Canadian Other	1.74	4.31	0.22	0.37	-	-
Net Other Short Duration Instruments******	-0.92	3.21	0.04	0.01	-	-
Commingled Cash Vehicles	0.00	0.00	0.00	0.00	-	-
Certificate of Deposit/Commercial Paper/STIF	1.91	0.38	0.00	0.00	-	-
Short Duration Derivatives and Derivative Offsets	-22.78	-27.39	0.01	-0.01	-	-
Other***	21.82	30.28	0.03	0.02	-	-
Net Unsettled Trades	-1.86	-0.07	0.00	0.00	-	-
Total	**100**	**100**	**7.25**	**7.02**	**100**	**7.08**

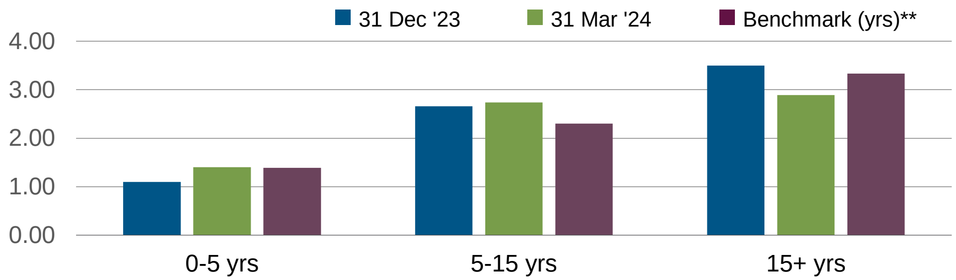
**Emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.
***Investment vehicles not listed, allowed by prospectus.

****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: FTSE Canada Universe Bond Index

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-5 yrs	1.10	1.40	1.39
5-15 yrs	2.66	2.74	2.30
15+ yrs	3.50	2.89	3.33
Total	**7.26**	**7.03**	**7.02**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	7.25	7.02	7.01
Bull market duration	7.28	7.07	7.13
Bear market duration	7.19	6.96	6.90
Spread duration			
Mortgage spread duration	0.80	0.73	0.01
Corporate spread duration	1.15	0.92	1.53
Emerging markets spread duration	0.01	0.02	0.00
Swap spread duration	-0.29	-1.04	0.00
Covered bond spread duration	0.00	0.00	0.01
Sovereign related spread duration	3.93	3.97	3.81

Quality exposure (MV%)

	Portfolio		Benchmark
	31 Dec '23	31 Mar '24	31 Mar '24
A1/P1	3.06	1.44	0.00
AAA	45.00	54.93	41.38
AA	25.78	24.43	32.26
A	11.39	8.17	15.31
Below A1/P1	0.00	0.00	0.00
BAA	9.76	7.35	11.06
BB	2.00	1.08	0.00
B	0.39	0.41	0.00
Below B	2.62	2.19	0.00
Total	**100**	**100**	**100**

Derivative exposure (% of duration)

	31 Dec '23	31 Mar '24
Government futures	15.53	35.83
Interest rate swaps	-3.45	-14.62
Credit default swaps*	1.05	0.00
Purchased swaps	0.00	0.00
Written swaps	1.05	0.00
Options	-1.00	0.54
Purchased Options	-0.44	0.68
Written Options	-0.56	-0.14
Mortgage Derivatives	0.00	0.00
Money Market Derivatives	0.13	-0.16
Futures	0.00	0.00
Interest rate swaps	0.13	-0.16
Other Derivatives	0.00	0.00

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: FTSE Canada Universe Bond Index

Country and currency exposure

Country exposure by currency of settlement

	31 Dec '23		31 Mar '24	
	Duration (yrs)	FX (%)	Duration (yrs)	FX (%)
United States	**0.01**	**0.29**	**-0.04**	**0.38**
Japan	**0.00**	**0.00**	**0.00**	**0.00**
Eurozone	**-0.02**	**0.03**	**-0.03**	**0.05**
Euro Currency	0.00	0.03	0.00	0.05
European Union	0.01	0.00	0.01	0.00
Germany	-0.04	0.00	-0.04	0.00
Italy	0.01	0.00	0.00	0.00
United Kingdom	**0.00**	**0.02**	**0.00**	**0.00**
Europe non-EMU	**0.00**	**0.00**	**0.00**	**0.00**
Dollar Block	**7.26**	**99.16**	**7.09**	**99.06**
Australia	0.04	0.05	0.05	0.05
Canada	7.21	99.11	7.04	99.01
Other Industrialized Countries	**-0.00**	**-0.00**	**-0.00**	**-0.00**
Taiwan	-0.00	-0.00	-0.00	-0.01
EM - Latin America	**0.00**	**0.51**	**0.00**	**0.51**
Brazil	0.00	0.51	0.00	0.51
EM - CEEMEA	**0.00**	**0.00**	**0.00**	**0.00**
Total	**7.25**	**100**	**7.02**	**100**

Emerging markets exposure by country of risk

	31 Dec '23			31 Mar '24		
	% of MV short duration Instruments	% of MV bonds	Duration (yrs)	% of MV short duration Instruments	% of MV bonds	Duration (yrs)
Brazil	0.03	0.00	0.00	-0.01	0.00	0.00
Romania	0.00	0.17	0.01	0.00	0.20	0.01
Total	**0.03**	**0.17**	**0.01**	**-0.01**	**0.20**	**0.01**

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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 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.

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 FTSE Canada Universe Bond Index (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.

FTSE Canada Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bonds market value. It is intended to be a transparent index, with individual security holdings disclosed electronically each day. The Universe Index is divided into a variety of sub-indexes according to term and credit. The main term subsectors are Short, Mid, and Long. There are four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), Provincial bonds (including provincially-guaranteed securities), Municipal Bonds, and Corporate Bonds. The Corporate sector is further divided into sub-sectors based on credit rating: a combined AAA/AA sector, a single-A sector, and a BBB sector. It is not possible to invest directly in an unmanaged index.

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

Important Disclosures

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

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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.

Fallen angel is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

GFC is the Global Financial Crisis.

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.

LNG is Liquefied Natural Gas.

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.

Rising star is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

"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.

"Safe Spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

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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