

PIMCO Canadian Total Return Bond Fund

PERFORMANCE SUMMARY

The PIMCO Canadian Total Return Bond Fund returned 1.80% after fees in May, outperforming the FTSE Canada Universe Bond Index by 0.03%. Year-to-date the Fund has returned -0.85% after fees.

Developed market yield movements were mixed as inflation data varied across regions. Equity markets broadly rose, driven by technology stocks, while bond indices saw modest increases. Weaker than expected Canadian economic data released in May bolstered market expectations for rate cuts which are currently priced in as early as June, prompting declining yields, while in the U.S. the 10-year Treasury yield fell by 18 bps to 4.50% as inflation data met expectations and consumer spending softened. Still, the theme of monetary divergence continues to be prevalent as the Fed is priced to cut both less aggressively and later than the Bank of Canada (BoC).

Contributors

- Positioning within Canadian investment grade credit, particularly by underweighting select names within the utilities and industrial sectors where spreads widened
- Overweight exposure to Canadian duration as yields declined
- U.S. interest rate positioning, favouring the belly of the yield curve

Detractors

- Exposure to select securitized credit holdings, including U.S. non-agency RMBS
- Short exposure to U.S. duration as yields declined

Series F Morningstar Rating™

★★★★

Overall Morningstar Rating™

Fund information

Fund Inception Date	20 Jan 2011
Strategy	FIXED INCOME, CORE
Total Net Assets CAD (in millions)	\$404.35

Expenses

Management Fee	0.50
MER ¹	0.55

¹As of December 31 2023. Management expense ratio is based on total expenses (excluding distributions, 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.

Portfolio Manager

Marc Seidner, Vinayak Seshasayee, Michael Kim, David Braun

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 May 2024

Quarter End Performance 31 Mar 2024

	3 mos.	6 mos.	1 Yr.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since inception
■	0.53	2.83	4.05	-0.85	3.64	-1.36	0.67	2.04	2.73
■	0.22	1.89	2.57	-1.49	2.10	-1.52	0.28	2.01	2.69

■ PIMCO Canadian Total Return Bond Fund Series F Unit net of fees (%)

■ FTSE Canada Universe Bond Index (%)

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 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

Strategies we expect to pursue include:

Interest Rate Strategies – We seek to be dynamic with our duration exposure, seeing relative value opportunities between Canadian and U.S. rates while running a neutral to modestly overweight profile to overall benchmark duration.

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 U.S. dollar and select emerging market Latin American currencies given their strong technical and fundamental characteristics.

Sector Diversification (Duration%)

Canada	34.24
Provincial	51.16
Canadian Credit	10.53
Foreign	-2.01
High Yield Credit	0.31
Emerging Markets ^Ω	0.63
Canadian Other	5.09
Net Other Short Duration Instruments [¶]	0.05

MONTH IN REVIEW

The Canadian 2-year fell by 16 bps to end the month at 4.18 percent while the 10-year yield fell by 19 bps to end the month at 3.63 percent. Meanwhile, the Canadian 30-year yield fell by 19 bps to end the month at 3.48 percent.

The FTSE Canada Universe Bond Index returned 1.77 percent overall. Government of Canada and corporate bonds underperformed the index by returning 1.48 percent and 1.39 percent respectively, while provincials outperformed the index returning 2.37 percent, largely due to their higher duration profile within the benchmark as yields broadly fell.

Canadian economic data released in the month of May continued to show signs of cooling, re-affirming the view of potentially earlier and more rapid cuts in Canada compared to the U.S. In the month, April CPI came in at 2.7 percent, within the Bank of Canada's 1 to 3 percent target. While unemployment beat expectations in April, coming in below consensus estimates at 6.1 percent, GDP growth came in at a disappointing pace. Q4 2023 annualized GDP growth was revised down to 0.1 percent while Q1 2024 annualized GDP growth came in below survey expectations at 1.7 percent (survey 2.2 percent).

OUTLOOK AND STRATEGY

We do not see value in taking excessive interest rate risk. We will seek to be neutral to slightly overweight with yields at their current levels.

We favour high quality corporate and U.S. securitized credit, and we continue to hold a high conviction in global financials at the senior level of the capital structure. We are also increasing our exposure to Canadian provincial bonds, which offer attractive spreads relative to their fundamental risk profiles.

PIMCO will seek to maintain duration and tactical currency exposure to countries that have strong fundamentals and offer the potential for higher yield and diversification.

FUND STATISTICS

Effective Duration (yrs)	7.23
Effective Maturity (yrs)	10.40
Sharpe Ratio (10 year)	0.09
Volatility (10 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.

^QShort 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.

^RNet 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 bond's 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: 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 supported 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. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Entering into **short sales** includes the potential for loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the portfolio. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **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. The Fund is **non-diversified**, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

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.

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.

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The Morningstar Rating™ for the F Series; other units may have different performance characteristics. The PIMCO Canadian Total Return Bond Fund was rated against the following numbers of Canadian Fixed Income funds over the following time periods: Overall 4 Stars (475 funds rated); 3 Yrs. 4 Stars (475 funds rated); 5 Yrs. 4 Stars (427 funds rated); 10 Yrs. 4 stars (277 funds rated). Past performance is no guarantee of future results. A rating is not a recommendation to buy, sell or hold a fund. The Morningstar Rating™ is calculated from a fund's 3, 5, and 10-year returns measured against a peer group of similar funds. Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to their peer group. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. Funds are rated for up to three time periods—three-, five-, and 10 years—and these ratings are combined to produce The Overall Morningstar Rating™. Funds with less than three years of history are not rated. The Morningstar Rating™ is based on an objective, mathematical calculation and is not to be construed as an endorsement of any fund(s). A rating is not a recommendation to buy, sell or hold a fund and ratings are subject to change monthly. For additional information please visit, www.morningstar.ca/

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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.

Commercial mortgage-backed securities (CMBS); Collateralized Debt Obligations (CDOs); Collateralized Loan Obligations (CLOs); Residential Mortgage-Backed Securities (RMBS); References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States.