

# PIMCO Flexible Global Bond Fund (Canada)

## PERFORMANCE SUMMARY

The PIMCO Flexible Global Bond Fund (Canada) returned 0.96% after fees in May, outperforming the Bloomberg Global Aggregate (CAD Hedged) Index by 0.13%. Year-to-date the Fund has returned -0.06% 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. U.S. investment-grade credit spreads tightened, while U.S. high-yield spreads widened. In the U.S., the 10-year Treasury yield fell 18 bps to 4.50% as inflation data met expectations and consumer spending softened, while the dollar weakened. In Germany, the 10-year Bund yield rose 8 bps to 2.66%. In the U.K., the 10-year Gilt yield fell 3 bps to 4.32%, while the 10-year Japanese government bond yield rose 19 bps to 1.07%.

### Contributors

- Exposure to the Canadian cash rate, as the Canadian Overnight Lending Rate remained elevated.
- Long exposure to duration in the U.S., as yields fell.
- Long exposure to duration in the dollar bloc, as yields fell.

### Detractors

- Short exposure to the Swedish krona and Swiss franc, as the currencies appreciated against the Canadian dollar.
- Long exposure to non-agency RMBS, as spreads widened.
- Short exposure to duration in China, as yields fell.

## Fund information

Fund Inception Date	20 Jan 2011
Strategy	FIXED INCOME, FOREIGN / GLOBAL
Total Net Assets CAD (in millions)	\$252.86

## Expenses

Management Fee	1.15
MER <sup>1</sup>	1.32

<sup>1</sup>As 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

Sachin Gupta, Andrew Balls, Pramol Dhawan

## 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
■	0.83	3.09	4.04	-0.06	4.29	-0.46	1.14	1.82	2.31
■	-0.02	2.03	2.42	-1.00	3.33	-1.70	0.40	1.97	2.72

■ PIMCO Flexible Global Bond Fund (Canada) Series A Unit net of fees (%)

■ Bloomberg Global Aggregate (CAD Hedged) 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

The Fund is long overall duration with a focus on country, maturity and instrument selection. We are long duration in aggregate in Europe, where we maintain our preference for the intermediate section of the curve. We maintain long exposure to duration in the U.S., U.K. and dollar bloc, namely Australia and Canada. The Fund has short exposure to duration in Japan, given the end to negative interest rate policy, and to a lesser extent in China.

We are more constructive on corporate credit given a relatively resilient macro backdrop, but remain cautious in our overall spread exposure given tight valuations. We favor senior securitized assets, like non-agency mortgages and maintain a long to financials, particularly senior issues from global systemically important banks. We maintain exposure to U.S. TIPS as valuations are attractive. Within sovereign spread strategies, we continue to hold high quality EM external debt, focusing exposure in Eastern Europe where spreads widened following the Russian invasion.

We continue to focus on relative value, with longs to select currencies with attractive valuations, high real carry and/or supportive fundamentals. We use a diversified basket of funding currencies from developed markets and Asia.

## MONTH IN REVIEW

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. U.S. investment-grade credit spreads tightened, while U.S. high-yield spreads widened. In the U.S., the 10-year Treasury yield fell 18 bps to 4.50% as inflation data met expectations and consumer spending softened, while the dollar weakened. In Germany, the 10-year Bund yield rose 8 bps to 2.66%. In the U.K., the 10-year Gilt yield fell 3 bps to 4.32%, while the 10-year Japanese government bond yield rose 19 bps to 1.07%.

Sovereign rate strategies contributed to absolute performance over the month. Contributions from long exposure to duration in the U.S. and dollar bloc more than offset detractions from short exposure to duration in China.

Spread sector strategies contributed to absolute performance over the month. Contributions from long exposure to senior financials and non-financials within corporate credit as well as selection across the coupon stack within agency MBS more than offset detractions from long exposure to non-agency RMBS. Currency strategies contributed to absolute performance over the month. Contributions from exposure to the Canadian cash rate more than offset detractions from short exposure to the Swedish krona and Swiss franc.

### Sector Allocation (% Duration Weighted Exposure)

Government Related	49.67
Inflation Linked	2.84
Securitized <sup>†</sup>	30.26
Covered Bonds and Pfandbriefe	2.59
Investment Grade Credit	30.59
High Yield Credit	0.29
Municipals	0.48
EM External	9.49
EM Local	-15.23
Other <sup>‡</sup>	0.00
Net Other Short Duration Instruments <sup>¶</sup>	-11.00

### Top 10 Country Exposure (Duration %)

United States	35.41
United Kingdom	26.20
Euro Currency	23.10
Australia	22.66
Canada	13.55
India	9.11
France	-6.71
China	-7.88
Thailand	-8.63
Japan	-14.86

## OUTLOOK AND STRATEGY

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. The lack of progress on inflation in the first quarter could delay rate cuts until later this year or even into 2025, with the Fed's subsequent rate-cutting path also potentially being more gradual than other DM central banks. 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. In this uncertain environment, we favor portfolio flexibility and liquidity to respond to events and potentially take advantage of opportunities. We are long duration in the Fund, specifically in the belly of the curve given valuations. From a country relative value standpoint, we have favored taking duration in the U.K and dollar bloc countries (Australia and Canada) vs. the U.S. and Japan. Within currency strategies, we continue to focus on relative value, with longs to select emerging markets currencies and a diversified basket of funding currencies.

In spread sectors, we continue to be selective within corporate credit, favoring senior issues from global systemically important banks. We remain focused on securitized assets, such as U.S. non-agency mortgages, which we believe offer defensive qualities in addition to reasonable risk premia for liquidity, complexity, and uncertainty over the timing of cash flows.

## FUND STATISTICS

Effective Duration (yrs)	3.12
Effective Maturity (yrs)	3.15
Sharpe Ratio (10 year)	0.05
Volatility (10 year)	0.04

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

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

‡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, short duration derivatives and derivatives offsets. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Derivatives Offsets includes offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position.

**Effective duration** is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

**Effective maturity** is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bonds effective maturity by the market value of the security.

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

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

**Past performance is not a guarantee or a reliable indicator of future results.** The performance figures presented reflect the total return performance and reflect changes in unit price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Funds typically offer different series, which are subject to different fees and expenses (which may affect performance), having different minimum investment requirements and are entitled to different services. Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant unitholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant unit purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

Although the Fund may seek to maintain stable distributions, the Fund's distribution rates may be affected by numerous factors, including but not limited to changes in realized and projected market returns, fluctuations in market interest rates, Fund performance, and other factors. There can be no assurance that a change in market conditions or other factors will not result in a change in the Fund's distribution rate or that the rate will be sustainable in the future.

For instance, during periods of low or declining interest rates, the Fund's distributable income and dividend levels may decline for many reasons. For example, the Fund may have to deploy uninvested assets (whether from purchases of Fund units, proceeds from matured, traded or called debt obligations or other sources) in new, lower yielding instruments.

Additionally, payments from certain instruments that may be held by the Fund (such as variable and floating rate securities) may be negatively impacted by declining interest rates, which may also lead to a decline in the Fund's distributable income and dividend levels.

Funds typically offer different series, which are subject to different fees and expenses (which may affect performance), having different minimum investment requirements and are entitled to different services.

**A word about risk:** 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.

Bloomberg Global Aggregate (CAD Hedged) Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian Government securities, and USD investment grade 144A securities. It is not possible to invest directly in an unmanaged index.

The PIMCO Global Advantage Bond Index (GLADI) (CAD, Partially Hedged) (NY Close) is a diversified global index that covers a wide spectrum of global fixed income opportunities and sectors, from developed to emerging markets, nominal to real asset, and cash to derivative instruments. Unlike traditional indices, which are frequently comprised of bonds weighted according to their market capitalization, GLADI uses GDP-weighting which puts an emphasis on faster-growing areas of the world and thus makes the index forward-looking in nature. PIMCO's GLADI methodology is intellectual property covered by U.S. Patent No. 8,306,892. GLOBAL ADVANTAGE and GLADI are trademarks of Pacific Investment Management Company LLC. It is not possible to invest directly in an unmanaged index.

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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.

References to agency and non-agency mortgage-backed securities refer to mortgages issued in the United States.

Emerging Market (EM); Mortgage-backed securities (MBS)

Developed market (DM); Non-agency residential mortgage-backed securities (RMBS); Brazilian real (BRL); Indian rupee (INR); Indonesia rupiah (IDR); Mexican peso (MXN); Polish zloty (PLN).