PIMCO

PIMCO Monthly Income Fund (Canada)

SERIES: **A** | AS OF: **28 FEBRUARY 2023** | **Monthly Commentary**

PIMCO Canada Mutual Funds

Fund information	
Fund inception date	20 January 2011
Strategy	Income
Total Net Assets (CAD in millions)	$22,431.0
Portfolio manager(s)	Alfred Murata Dan Ivascyn Joshua Anderson
Effective duration (yrs)	3.40
Benchmark duration (yrs)	6.26
Effective maturity (yrs)	6.57

Expenses	
Series A Management Fee (%)	1.25
Series A MER(%)[1]	1.38

[1] 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.

Performance summary

The PIMCO Monthly Income Fund (Canada) returned –1.49% after fees in February, outperforming the Bloomberg U.S. Aggregate Index (CAD Hedged) by 1.17%. Year-to-date the Fund has returned 1.20% after fees, outperforming the benchmark by 0.92%.

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

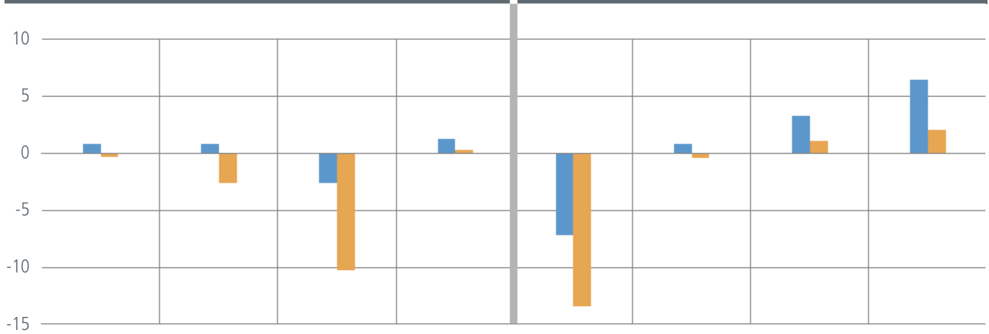
The portfolio's duration strategies detracted from performance in February, specifically, the fund's exposure to US duration as rates rose in this market. The fund's holdings of Agency mortgage backed securities also detracted to performance. Meanwhile, the higher yielding portion of the portfolio was positive in February with the Fund's exposure to non-Agency mortgage backed securities and basket of emerging market currencies contributing to performance. The fund's exposure to emerging market local debt detracted from performance primarily through security selection.

Contributors

- Exposure to non-Agency MBS
- Exposure to European RMBS
- Exposure to a basket of emerging market currencies

Detractors

- Exposure to US duration
- Exposure to emerging market local debt
- Exposure to Agency MBS



Month End Performance 28 February 2023				Quarter End Performance 31 December 2022			
3 Mos.	6 Mos.	1 Yr.	YTD	1 Yr.	5 Yr.	10 Yr.	Since Inception
0.79	0.76	-2.61	1.20	-7.13	0.75	3.22	6.36
-0.24	-2.54	-10.23	0.28	-13.39	-0.40	1.00	1.99

■ PIMCO Monthly Income Fund (Canada) net of fees (%) ■ Bloomberg U.S. Aggregate Index (CAD Hedged) (%)

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 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 28 February 2023	Duration (years)
Government Related	**-0.11**
United Kingdom	-0.10
Australia	0.08
EMU	-0.24
Japan	0.00
United States	0.26
Other	-0.10
Securitized [1]	**2.68**
Invest. Grade Credit	**0.62**
High Yield Credit	**0.15**
Emerging Markets	**0.14**
Bonds and Other Long Duration Instruments	0.14
Short Duration Instruments [2]	0.00
Municipal/Other	**0.01**
Net Other Short Duration Instruments [3]	**-0.10**

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 can be divided into two broad segments: higher yielding assets, which are typically expected to benefit when economic growth is robust and higher quality assets, which are expected to perform well in risk-off scenarios.

Within the higher quality segment, net portfolio duration increased modestly as we remain cautious given the volatility potential across global rate markets. We continue to favor US duration provided nominal rates remain higher relative to other developed countries. Within investment grade corporate credit, we continue to like financials' fundamentals and favor defensive sector such as telecomm and healthcare.

To balance these positions, we hedge some of our interest rate exposure with a short position in European duration.

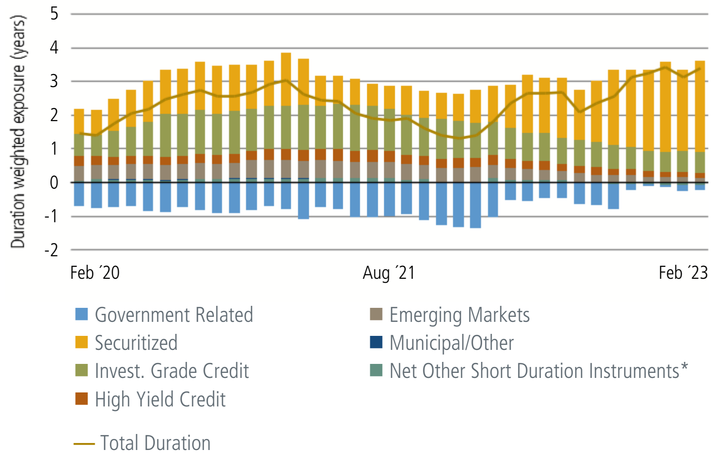
In the higher yielding segment, we seek to stay diversified across corporate, securitized, and emerging market credit. Within high yield credit, we remain selective and mindful of liquidity conditions favoring senior secured and shorter dated bonds. In securitized credit, we continue to look for opportunities to add senior exposure, particularly in US non-Agency and UK mortgages.

Month in review

Financial markets broadly retreated in February amid fears that policy rates would remain higher for longer in response to elevated inflation. Global equities fell - with the MSCI world down 2.36% - and credit spreads widened, while the dollar strengthened. Developed sovereign yields broadly rose as markets digested surprise inflation metrics and hawkish central bank sentiment. In the U.S., the 10-year Treasury yield rose 41 bps as the Personal Consumption Expenditures (PCE) Index showed a reacceleration of inflation in January. U.K. gilt yields and German bunds rose 49 bps and 37 bps, respectively, after both central banks delivered 50 bps rate hikes.

Against this backdrop, performance was negative over the month. Within the higher quality portion of the portfolio, the fund's exposure to US duration detracted from performance as rates rose in this market. The fund's holdings of Agency mortgage backed securities also detracted to performance.

Within the higher yielding portion of the portfolio, non-Agency mortgage backed securities contributed to performance as spreads tightened. Meanwhile, the fund's exposure to emerging market local debt detracted from performance primarily through security selection.



*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 a modest recession in the near-term across developed markets as central banks continue to battle inflation, yet uncertainty remains. Central banks are expected to remain restrictive with higher policy rates likely resulting in tighter financial conditions. We expect DM central banks to continue to hike for the next quarter or so and believe the U.S. Federal Reserve may need to exceed 5% nominal federal funds rate before pausing/slowing. We continue to see a strong case for investing in bonds, after yields reset higher in 2022 and with an economic downturn looking likely in 2023.

Within the Income Strategy, we are focused on quality, diversification, and seniority in the capital structure. The strategy has an income-oriented approach that aims to be flexible and resilient in times of market volatility over the longer term.

Management profile

Alfred Murata
Managing Director

Dan Ivascyn
Managing Director and Group CIO

Joshua Anderson
Managing Director

2011
20 JAN
INCEPTION DATE

★★★★★
OVERALL MORNINGSTAR RATING*

Category: **Global Fixed Income**
Number of funds in category: **437**
Criteria: **Risk-Adjusted Return**

Targets high, consistent income

*As of 28 February 2023

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 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. **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 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.

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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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The PIMCO Monthly Incomes Fund (Canada) has issued a distribution for each month since inception. No guarantee is being made that a future distribution will be issued.

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

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.

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

The Personal Consumption Expenditures (PCE) deflator is published by the Bureau of Economic Analysis as part of the GDP report. It measures inflation across the basket of goods purchased by households, and is computed by taking the difference between current dollar PCE and chained dollar PCE.

Residential Mortgage Backed Security (RMBS); Developed Market (DM)