



# PIMCO Active Bond Exchange-Traded 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 Fund's interest rate and spread sector strategies contributed to relative performance, while currency strategies were neutral over the quarter.

### CONTRIBUTORS

- Positions within securitized credit, particularly non-agency MBS and ABS
- Selection within investment grade corporate credit
- An overweight to agency MBS
- Tactical U.S. duration positioning

### DETRACTORS

- No notable detractors

Performance periods ended 31 Mar '24	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
NAV total returns (after fees)	-0.05	6.57	3.04	-2.47	0.44	1.88	2.57
Market price returns	0.13	6.89	3.37	-2.39	0.47	1.91	2.59
Benchmark*	-0.78	5.99	1.70	-2.46	0.36	1.54	1.53

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and principal value will fluctuate, so that Fund shares may be worth more or less than their original cost when sold. Performance data current to the most recent month-end is available at [www.pimco.com](http://www.pimco.com) or call 888-400-4ETF.

## Portfolio strategy

**Underweight overall duration:** The fund is modestly underweight U.S. duration versus the benchmark but remains tactical given current valuations and economic fundamentals.

**Selective credit holdings:** Underweight non-financial investment grade corporate credit; instead prefer to hold high-quality senior mortgages and other securitized credit.

**Overweight to agency MBS:** Favoring higher coupons due to ongoing reduction in Fed's mortgage holdings.

Fund ticker	BOND
Fund CUSIP	72201R775
iNAV (indicative NAV)	BOND.IV
Inception date:	29 Feb '12
Exchange	NYSE ARCA
Shares outstanding	45,610,000
Gross expense ratio:	0.58%
Adjusted expense ratio:	0.55%

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

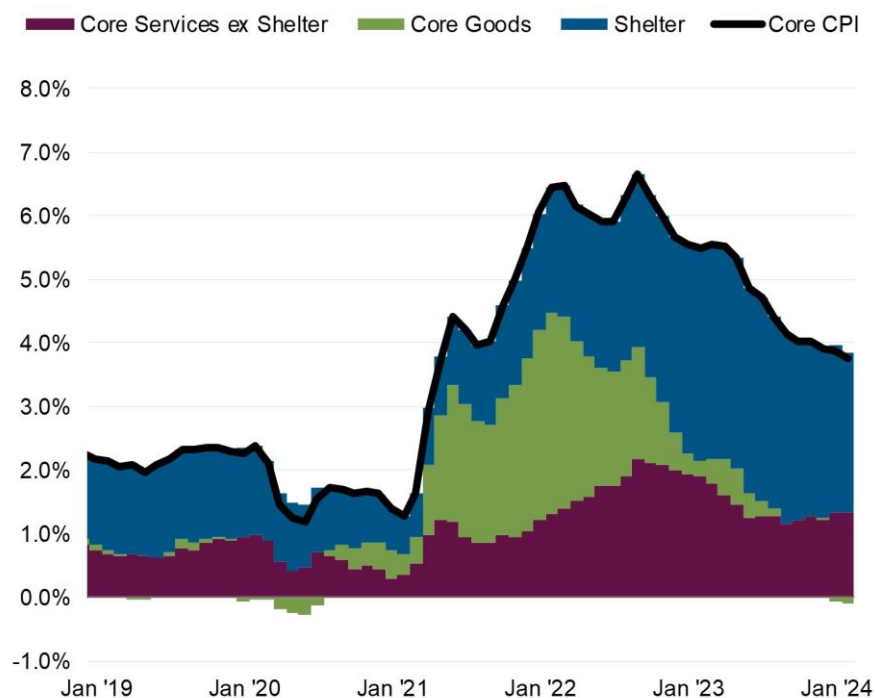
Summary information	31 Mar '24	
Total net assets (USD in MM)	\$4,182.10	
30-day SEC yield	5.24%	
Distribution yield	4.81%	
Effective duration (yrs)	5.61	
Benchmark duration - provider (yrs)	6.21	
Benchmark duration - PIMCO (yrs)	6.05	
Effective maturity (yrs)	8.11	
Average coupon	5.15%	
Net currency exposure	0.01%	
Bid/Ask Spread	0.08%	
Sector allocation	Dur. (yrs)	MV
US Government Related	1.16	12.81%
Securitized	3.16	61.93%
Invest. Grade Credit	1.19	23.31%
High Yield Credit	0.01	0.47%
Non-USD Developed	0.00	0.14%
Emerging Markets	0.04	0.54%
Other	0.04	1.97%
Net Other Short Duration Instruments	0.00	-1.16%
<b>Total</b>	<b>5.61</b>	<b>100%</b>

\*Bloomberg U.S. Aggregate Index;

# Quarter in Review

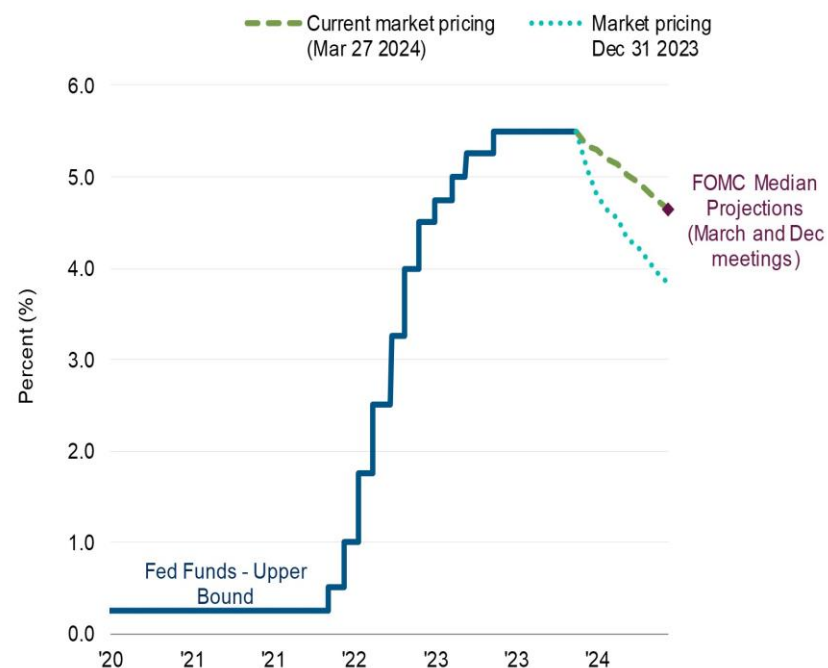
## Persistent inflation pushed yields and year-end rate projections higher

A perceived “last mile” problem in the Fed’s battle against inflation led bond markets to retrace their Q4’23 rally and bring expectations for 2024 cuts in line with the Fed’s dot plot. Risk sentiment remained robust despite the possibility of “higher-for-longer” rates, with the MSCI World finishing the quarter up 9.01% and credit spreads broadly tightening. The Fed paused once again and maintained its forecast for three 25-basis-point rate cuts in 2024. Global developed central banks largely followed suit, with both the ECB and BoE leaving rates on hold. Meanwhile, in Japan, the BoJ raised its policy rate for the first time since 2007, marking the end of negative interest rate policies.



Inflation in the U.S. remained sticky over the quarter, driven by core services, highlighting the “last mile” problem that the Fed is facing in its attempts to return inflation to 2%.

Source: Haver



Persistent inflationary pressures saw bond markets retrace their Q4’23 rally, with market pricing now in line with the Fed’s median dot plot projection for year end 2024 (which remained unchanged relative to December projections).

Source: Bloomberg

# Market Summary

## Q1'24: Inflation rebound

The Fund's interest rate and spread sector strategies contributed to relative performance, while currency strategies were neutral over the quarter.

### Developed market debt

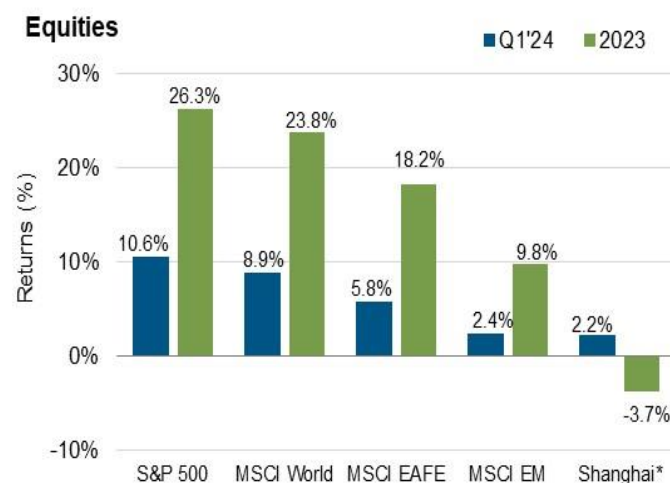
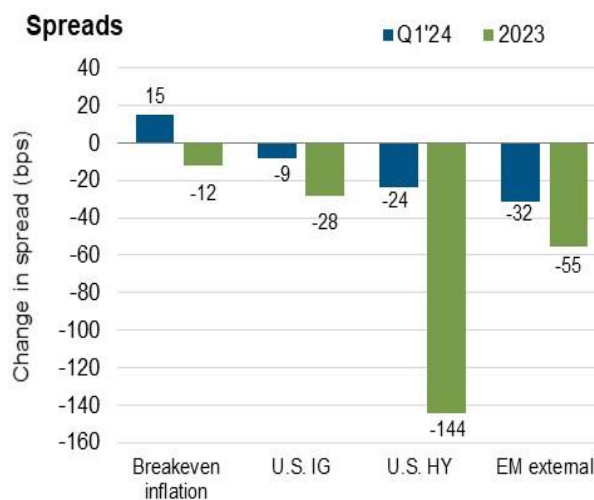
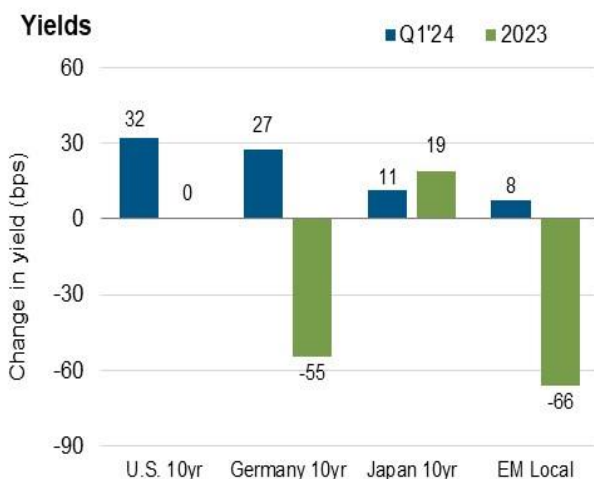
Yields rose broadly across developed markets as inflation remained firm and economic activity robust, particularly in the U.S. While central banks generally held policy rates steady, including in the U.S., U.K., and Europe, dovish remarks from officials bolstered risk sentiment even as investors adjusted 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<sup>1</sup> 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<sup>2</sup> 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).

1: Bloomberg US Credit Index

2: MSCI World Index

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

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### 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

# Portfolio Outlook

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## 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

The fund is modestly underweight U.S. duration versus the benchmark but remains tactical given current valuations and economic fundamentals.

### Curve

The Fund has a curve-steepening bias with respect to the long-end of the curve. The Fund continues to be long TIPS as a hedge against the possibility of an inflation overshoot.

### Credit selection

The Fund maintains an underweight to non-financial investment grade corporate credit. The Fund instead prefers to hold exposure to high-quality securitized assets, such as U.S. non-agency Residential MBS and AAA tranches of CLOs.

# 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
<b>US Government Related</b>	13.71	12.81	1.34	1.16	43.59	2.63
Government - Treasury	12.44	10.60	1.27	1.01	42.70	2.60
US Agency	0.26	0.24	0.05	0.04	0.89	0.03
Swaps and Liquid Rates	1.01	1.97	0.02	0.12	-	-
<b>Securitized*</b>	61.07	61.93	3.05	3.16	28.04	1.66
<b>Invest. Grade Credit</b>	21.34	23.31	1.16	1.19	24.74	1.73
<b>High Yield Credit</b>	0.62	0.47	0.01	0.01	-	-
<b>Non-USD Developed</b>	0.14	0.14	-0.00	-0.00	-	-
<b>Emerging Markets**</b>	0.37	0.54	0.02	0.04	0.90	0.08
Bonds and Other Long Duration Instruments	0.37	0.54	0.02	0.04	0.90	0.08
EM Short Duration Instruments	0.00	0.00	0.00	0.00	-	-
<b>Other***</b>	2.47	1.97	0.14	0.04	2.73	0.12
<b>Net Other Short Duration Instruments****</b>	0.28	-1.16	0.00	0.00	-	-
Commingled Cash Vehicles	0.00	0.60	0.00	0.00	-	-
Certificate of Deposit/Commercial Paper/STIF	0.01	0.07	-0.00	-0.00	-	-
Government Related	0.00	0.00	0.00	0.00	-	-
MBS/ABS	2.63	2.92	0.00	0.01	-	-
Credit	0.00	0.02	0.00	0.00	-	-
Bankers Acceptance	0.00	0.00	0.00	0.00	-	-
Other***	9.89	2.98	-0.00	-0.00	-	-
Short Duration Derivatives and Derivative Offsets	-2.41	0.42	0.00	0.00	-	-
Net Unsettled Trades	-9.84	-8.18	0.00	0.00	-	-
<b>Total</b>	<b>100</b>	<b>100</b>	<b>5.72</b>	<b>5.60</b>	<b>100</b>	<b>6.22</b>

\*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

\*\*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.

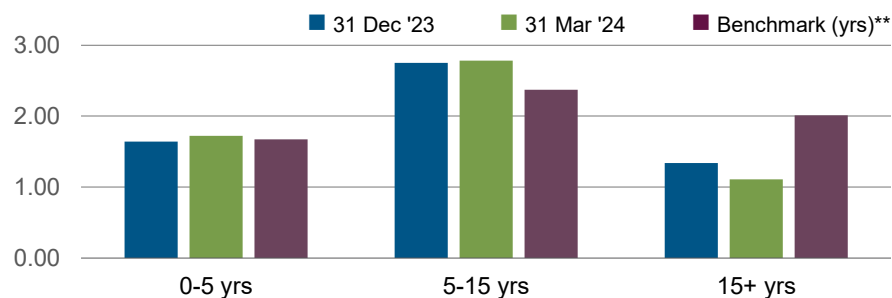
\*\*\*Investment vehicles not listed, allowed by prospectus.

\*\*\*\*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: Bloomberg U.S. Aggregate Index

# Portfolio characteristics

## Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-5 yrs	1.64	1.72	1.67
5-15 yrs	2.75	2.78	2.37
15+ yrs	1.34	1.11	2.01
<b>Total</b>	<b>5.73</b>	<b>5.61</b>	<b>6.05</b>

## Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	5.73	5.61	6.05
Bull market duration	5.46	5.19	6.00
Bear market duration	6.21	5.96	6.00
<b>Spread duration</b>			
Mortgage spread duration	3.36	3.43	1.56
Corporate spread duration	1.52	1.43	1.79
Emerging markets spread duration	0.03	0.04	0.12
Swap spread duration	0.02	0.12	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.05	0.05	0.11

## Derivative exposure (% of duration)

	31 Dec '23	31 Mar '24
<b>Government futures</b>	1.73	-7.15
<b>Interest rate swaps</b>	1.63	2.78
<b>Credit default swaps*</b>	1.54	1.42
Purchased swaps	0.00	0.00
Written swaps	1.54	1.42
<b>Options</b>	-1.25	-0.69
Purchased Options	0.00	-0.41
Written Options	-1.25	-0.28
<b>Mortgage Derivatives</b>	0.78	0.59
<b>Money Market Derivatives</b>	0.00	0.00
Futures	0.00	0.00
Interest rate swaps	0.00	0.00
<b>Other Derivatives</b>	0.00	0.00

\* Shown as a percentage of market value

\*\*Benchmark duration is calculated by PIMCO  
Benchmark: Bloomberg U.S. Aggregate Index



# Country and currency exposure

## Country exposure by currency of settlement

	31 Dec '23		31 Mar '24	
	Duration (yrs)	FX (%)	Duration (yrs)	FX (%)
<b>United States</b>	<b>5.73</b>	<b>99.99</b>	<b>5.61</b>	<b>99.99</b>
<b>Japan</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Eurozone</b>	<b>-0.00</b>	<b>0.04</b>	<b>0.00</b>	<b>0.04</b>
Euro Currency	0.00	0.04	0.00	0.04
<b>United Kingdom</b>	<b>-0.00</b>	<b>-0.01</b>	<b>-0.00</b>	<b>-0.01</b>
<b>Dollar Block</b>	<b>-0.00</b>	<b>-0.02</b>	<b>-0.00</b>	<b>-0.02</b>
Canada	-0.00	-0.02	-0.00	-0.02
<b>Other Industrialized Countries</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EM - Asia</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EM - Latin America</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
Brazil	0.00	0.01	0.00	0.01
<b>EM - CEEMEA</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>5.73</b>	<b>100</b>	<b>5.61</b>	<b>100</b>

## 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	0.00	0.00	0.00	0.00	0.20	0.01
Mexico	0.00	0.31	0.02	0.00	0.29	0.02
Turkey	0.00	0.06	0.00	0.00	0.05	0.00
<b>Total</b>	<b>0.00</b>	<b>0.37</b>	<b>0.02</b>	<b>0.00</b>	<b>0.54</b>	<b>0.04</b>

# Important Disclosures

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*This material is authorized for use only when preceded or accompanied by the current PIMCO funds prospectus or summary prospectus, if available.*

**Past performance is not a guarantee or a reliable indicator of future results.** The performance figures presented reflect the total return performance, unless otherwise noted, after fees and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Periods less than one year are cumulative.

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 shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

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.

Bloomberg U.S. Aggregate Index 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.

Current holdings are subject to risk. Holdings are subject to change at any time. An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed.

In order to provide additional information regarding the intra-day value of shares of the Fund, the NYSE Arca, Inc., New York Stock Exchange or a market data vendor disseminates every 15 seconds through the facilities of the Consolidated Tape Association or other widely disseminated means an updated Indicative NAV ("iNAV") for the Fund as calculated by an information provider or market data vendor. The Fund is not involved in or responsible for any aspect of the calculation or dissemination of the iNAV and makes no representation or warranty as to the accuracy of the iNAV.

Exchange Traded Funds ("ETF") are afforded certain exemptions from the Investment Company Act. The exemptions allow, among other things, for individual shares to trade on the secondary market. Individual shares cannot be directly purchased from or redeemed by the ETF. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or "baskets" of shares. Shares of an ETF, traded on the secondary market, are bought and sold at market price (not NAV). Brokerage commissions will reduce returns. Investment policies, management fees and other information can be found in the individual ETF's prospectus.

Median Bid/Ask Spread is the difference between the bid price for a security and its ask price. It is expressed as a percentage (rounded to the nearest hundredth) that is computed by identifying the fund's national best bid and national best offer as of the end of each 10-second interval during each trading day for the last 30 calendar days, dividing the difference between each such bid and offer by the midpoint of the national best bid and national best offer, and identifying the median of those values.

# Important Disclosures

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Net Asset Value (NAV) represents an ETF's per-share value. The per-share value of an ETF is calculated by dividing the total value of the securities in its portfolio, less any liabilities, by the number of ETF shares outstanding. ETF shares are valued as of the close of regular trading on the New York Stock Exchange (normally 4:00 P.M. Eastern Time) (The "NYSE Close") on each business day.

Market Price is the Official Closing Price on NYSE Arca or the New York Stock Exchange, as applicable, or if it more accurately reflects market value at the time as of which NAV is calculated, the midpoint between the national best bid and national best offer as of that time.

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.

No dividend reinvestment service is provided by the Trust. Financial intermediaries may make available the DTC book-entry Dividend Reinvestment Service for use by beneficial owners of Fund shares for reinvestment of their dividend distributions. Beneficial owners should contact their financial intermediary to determine the availability and costs of the service and the details of participation therein. Financial intermediaries may require beneficial owners to adhere to specific procedures and timetables. If this service is available and used, dividend distributions of both income and net capital gains will be automatically reinvested in additional whole shares of the Fund purchased in the secondary market.

The Fund distributes substantially all of its net investment income to shareholders in the form of dividends. Dividend payments are made through DTC participants and indirect participants to beneficial owners then of record with proceeds received from the Fund.

Buying or selling ETF shares on an exchange may require the payment of fees, such as brokerage commissions, and other fees to financial intermediaries. In addition, an investor may incur costs attributed to the difference between the highest price a buyer is willing to pay to purchase shares of the Fund (bid) and the lowest price a seller is willing to accept for shares of the Fund (ask) when buying or selling shares in the secondary market (the bid-ask spread). Due to the costs inherent in buying or selling Fund shares, frequent trading may detract significantly from investment returns. Investment in Fund shares may not be advisable for investors who expect to engage in frequent trading.

ETFs are subject to secondary market trading risks. Shares of an ETF will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that an ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of an ETF may trade on an exchange at prices at, above or below their most recent NAV. The per share NAV of an ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund's holdings. The trading prices of an ETF's shares fluctuate continuously throughout the trading day based on market supply and demand, which may not correlate to NAV. The trading prices of an ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the Fund's shares trading at a premium or discount to NAV.

Foreign (non-U.S.) fixed income securities will settle in accordance with the normal rules of settlement in the applicable foreign (non-U.S.) market. Foreign holidays that may impact a foreign market may extend the period of time between the date of receipt of a redemption order and the redemption settlement date. Please see the Funds Statement of Additional Information at [www.pimcoetfs.com](http://www.pimcoetfs.com). Current holdings are subject to risk. Holdings are subject to change at any time. The per share NAV of an ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund's holdings. The trading prices of an ETF's shares fluctuate continuously throughout the trading day based on market supply and demand, which may not correlate to NAV.

The Fund's Net Asset Value, shares outstanding and total net assets are calculated as of the close of regular trading on each day that the New York Stock Exchange is open, and do not reflect security transactions or Fund shares created or redeemed on the date stated. Such transactions are recorded on the next business day and reported on the website the following business day.

# Important Disclosures

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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 Investments LLC, distributor**, 1633 Broadway, New York, NY, 10019 is a company of PIMCO ©2024 PIMCO.

Premium/Discount is the difference between the market price and NAV expressed as a percentage of NAV.

Returns are average annualized total returns, except for those periods of less than one year, which are cumulative. Market returns are based upon the midpoint of the bid/ask spread at 4:00 pm Eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times.

# 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)