PIMCO

PIMCO Alternatives

31 August 2022

PIMCO Flexible Credit Income Fund (PFFLX)

FUND DESCRIPTION

The PIMCO Flexible Credit Income Fund seeks to provide attractive risk-adjusted returns and current income. The Fund dynamically manages exposure to broad global consumer, corporate, emerging market and mortgage credit sectors, utilizing a disciplined, value-oriented strategy within a closed-end interval fund structure.

KEY TERMS

Symbol: PFFLX

Repurchase Frequency:
Quarterly share repurchases expected to equal 5% of outstanding shares

Subscriptions / NAV: Daily

Dividend frequency: Quarterly

Portfolio Management Team:
Alfred Murata, Dan Ivascyn, Christian Stracke, Mark Kiesel, Marc Seidner, Eve Tournier, Jamie Weinstein

Registered: 1940-Act / 1933-Act

Tax treatment: 1099

Gross expense ratio 3.81%

Adjusted expense ratio: 3.05%
The Adjusted Expense excludes certain investment expenses, such as expense from borrowings and repurchase agreements, any dividend and other costs paid on preferred shares issued by the Fund, 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.

Expected repurchase dates:

February, May, August, November

MARKET COMMENTARY

Risk assets retreated in late August alongside hawkish central bank rhetoric and continued concerns over economic growth. In line with this sentiment, the S&P 500[1], high yield[2], and emerging market debt[3] returned -4.1%, -2.4% and -1.2%, respectively, while bank loans[4] were up 1.5%.

Delinquencies in residential mortgages were mixed across subsectors over the month. Non-agency RMBS[5] and CMBS[6] spreads tightened modestly alongside the broader rally in credit assets. The CMBS delinquency rate decreased 24bps to end the month at 3.4%. New issuance picked up in August, with six private-label deals across conduit and SASB[7] pricing for $6.1bn, a 29% year-over-year increase. Projected issuance for the rest of 2022 continued to moderate in relation to 2021 volumes alongside persistent market volatility[8].

High yield bonds pulled back from the post-June rally towards the end of the month, with spreads widening by 6bps and yields increasing 67bps to 535bps and 8.7%. Lower rated bonds outperformed higher rated counterparts, with triple C (+0.2%) outperforming both single B (-1.7%) and double B (-3.1%) issues. The Metals/Mining (+0.5%) and Diversified Media (-0.6%) industries outperformed, while Healthcare (-3.7%) and Cable/Satellite (-3.4%) were the biggest detractors. Capital markets activity for high yield bonds experienced the lightest August since 2014 with $8.1bn in issuance, while also remaining muted for leveraged loans ($12.1bn in volume) during the month[9].

High yield mutual funds resumed their outflows (-$1.3bn) in August. Default activity rose over the month, with year-to-date default volume totaling $32.5bn. Including distressed exchanges, the U.S. high-yield default rate increased to 1.2% and the loan default rate increased to 1.4% by end of August. Default rates remain well below their historical averages of 3.2% (HY) and 3.1% (loans), respectively[9].

PERFORMANCE

As of 30 June'22 returns (%)	1m	3m	YTD	1yr	3yr	5yr	S.I.*
PFFLX, net (NAV)*	-5.89%	-9.35%	-13.23%	-11.56%	0.35%	2.94%	3.52%
PFFLX, net (MOP)*	-7.75%	-11.15%	-14.94%	-13.36%	-0.65%	2.32%	2.93%
As of 31 August'22 returns (%)	**1m**	**3m**	**YTD**	**1yr**	**3yr**	**5yr**	**S.I.***
PFFLX, net (NAV)*	0.26%	-3.38%	-10.92%	-10.58%	1.93%	3.11%	3.90%
PFFLX, net (MOP)*	-1.70%	-5.29%	-12.67%	-12.39%	0.91%	2.48%	3.33%

Performance quoted represents past performance, which is not a guarantee or a reliable indicator of future results. *Investment return and principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month-end, visit www.pimco.com or call (888) 87-PIMCO.*

*Fund inception: 22 February 2017. Historical performance may have been positively impacted by fee waivers or expense limitations in place during some or all of the periods shown, if applicable. Future performance (including total return or yield) and distributions may be negatively impacted by the expiration or reduction of any such fee waivers or expense limitations.

* Class A-4 was formerly called Class A. Class A-4 common shares launched on 30 November 2018, which is later than the inception date of the fund. For all periods prior to the launch of the Class A-4 shares, performance information shown is that of the Fund's Institutional Class shares, adjusted to reflect the distribution and/or servicing fees and other expenses paid by the Class A-4 shares. The maximum offering price (MOP) returns take into account a 2.00% maximum initial sales charge. MOP returns for the periods prior to the conversion of Class A to Class A-4 are based on a maximum initial sales charge of 3.00%..

[1]S&P 500; [2]ICE BofA Merrill Lynch U.S. High Yield Index; [3] JPMorgan EMBI Global; [4]JPMorgan Leveraged Loan Index; [5]**RMBS** = Residential Mortgage Backed Securities; [6]**CMBS** = Commercial Mortgage Backed Securities**;** [7]**SASB** = Single-Asset/Single-Borrower CMBS; [8]Morgan Stanley; [9]J.P. Morgan.
All data is as of 8/31/22 and source is PIMCO unless otherwise indicated.

PERFORMANCE ATTRIBUTION

Sector	MTD	YTD
Mortgage	+	---
U.S. Residential Mortgage	+	---
U.S. Commercial Mortgage	+	-
Non-U.S. Residential Mortgage	-	-
Mortgage Mixed	0	-
Corporate	+	---
Leveraged Credit/Special Situations	+	---
Bank Capital	-	---
Emerging Markets	+	---
Specialty Finance	-	+
Other	-	+++
Total	+	---

PORTFOLIO HIGHLIGHTS AND INVESTMENT THEMES

During August, the following were representative themes and investments in the Fund and drivers of performance:

Mortgage

- U.S. RMBS and CMBS positions contributed to performance alongside resilient income generation
- Legacy European non-conforming RMBS positions detracted from performance

Corporate Credit

- Exposure to bank loans contributed to performance as the asset class posted positive returns amid strong corporate earnings and light supply
- A special situations bank loan to a healthcare business contributed to performance
- Exposure to fixed-rate high yield and investment grade bonds detracted from performance as rates rose throughout the month

Emerging Markets

- Select local currency EM bonds contributed modestly to performance
- External EM debt remained flat throughout the month, as strong income generation was largely offset by rising rates

Specialty Finance

- Exposure to auto, aircraft and consumer ABS detracted modestly from performance

"+++/---" denotes magnitude of impact greater than 100bps, "++/--" denotes magnitude of impact greater than 50bps, "+/-" denotes magnitude of impact greater than 5bps and below 50bps, "0" denotes magnitude of impact of 0 – 5bps.

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

The attribution analysis is calculated by PIMCO and is intended to provide an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio's performance. Attribution analysis is not a precise measure and should not be relied upon for investment decisions. Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

INVESTMENT OUTLOOK

Amid global uncertainty surrounding rising inflation, a slowdown in economic growth prospects and geopolitical conflicts, we continue to emphasize a "bend-but-don't-break" philosophy, taking a patient and deliberate approach in deploying capital to assets with resilient cash flows across multiple economic scenarios. We remain mindful of mark-to-market volatility and anticipate buying opportunities as the long term effects of the COVID crisis, hawkish central bank policies, and rising economic uncertainty continue to impact markets. Housing credit remains attractive, as strong equity cushions and a structural undersupply in housing continue to provide downside support, even in highly adverse economic scenarios. We are cognizant of the limited opportunities to source new issue loans as issuance has slowed.

Within corporate credit, we have primarily focused on senior securities with strong asset coverage. We see value in sectors that should benefit from a broad economic recovery, special situations / restructurings, and financial related credits. Within special situations, we anticipate that the lingering economic effects of the pandemic, rising interest rates, and high inflation will create pressure for companies with fragile balance sheets, creating opportunities to provide capital to companies needing to restructure their debt. We have focused on private financing opportunities to stressed/distressed borrowers as well as where traditional lenders / liquidity providers are pulling back, which may provide an idiosyncratic source of return. In regards to financials, we believe that healthy balance sheets and elevated capital ratios will continue to support an attractive risk/reward profile in the banking sector, where regulations have curbed risk-taking.

In specialty finance, we have focused on consumer-related risks with short weighted-average lives and low payment-to-income ratios. While U.S. consumers exhibit healthy balance sheets, the Fund continues to cautiously approach risk in the space, with a preference for assets with seniority in the capital structure and higher-quality collateral. Within emerging markets, we have a bias towards higher-quality sovereign and quasi-sovereign names with attractive relative yield potential.

We continue to closely monitor the global geopolitical developments and potential left-tail economic scenarios. We are cautiously approaching interest rate and credit risk, with an emphasis on assets that may demonstrate resiliency during periods of stress. We remain highly flexible and rigorous in our investment approach, and we anticipate attractive buying opportunities across an array of credit sectors as hawkish central bank policies and elevated redemptions in daily-liquidity vehicles may drive sharp dislocations in relative value.

IMPORTANT NOTICE: Please note that the commentary 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.

FUND PROFILE

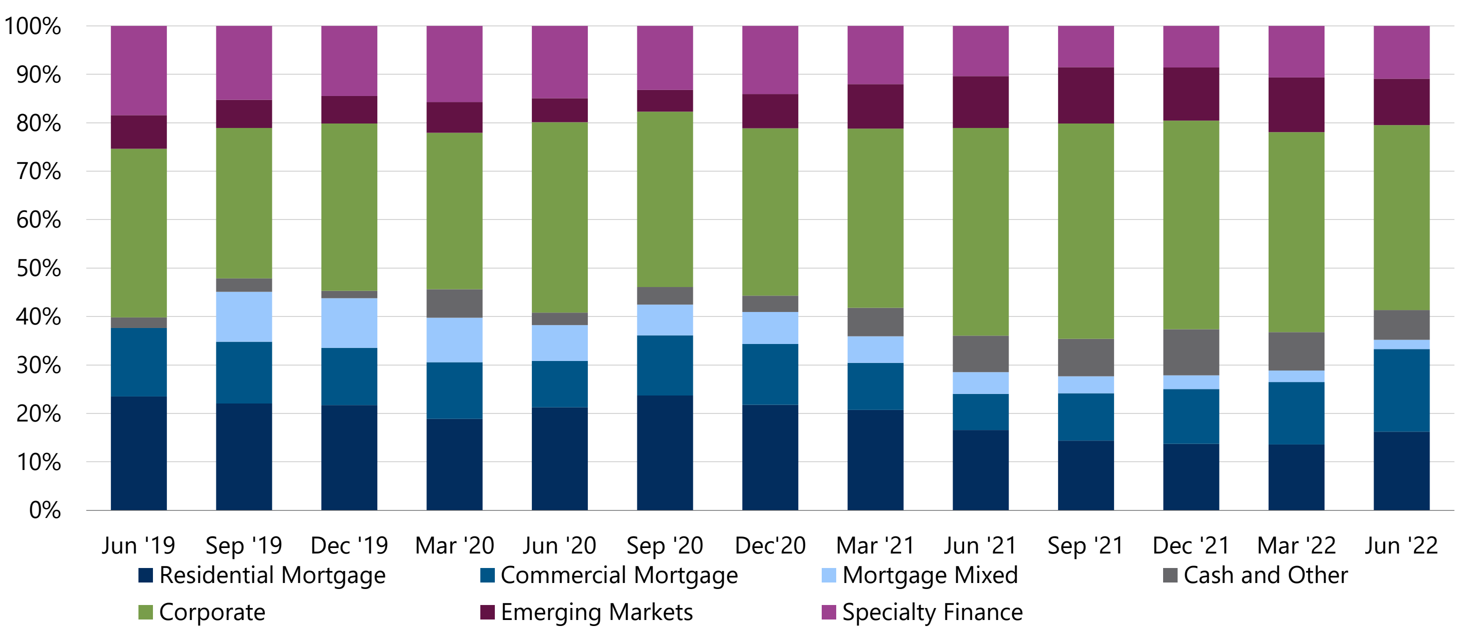
Fund AUM:	$2,979 million
Inception Date	22 February 2017
Distribution rate	8.12%[10]
Duration (years)	3.39
Total Effective Leverage	43.45%
Preferred Shares:	0.00%
Reverse Repurchase Agreements	41.30%
Floating Rate Notes Issued	0.00%
Credit Default Swaps	2.15%

PORTFOLIO CONCENTRATIONS

Credit Vertical	Total	Private*	Public
Mortgage	38%	5%	33%
Corporate	39%	12%	27%
Emerging Markets	10%	3%	7%
Specialty Finance	10%	6%	4%
Other	3%	2%	1%
Total	100%	28%	72%

*For purposes of this table, portfolio holdings in this Fund have been categorized, in PIMCO's discretion, as either "Private" or "Public" based on various factors including, among others, the investment's structure, method of origination and offering, trading frequency and history, and liquidity profile, and not strictly based on whether a holding is registered or publicly offered/traded for securities law purposes. These categorizations are made post-trade and do not factor into security selection or other portfolio management decisions made for the Fund.

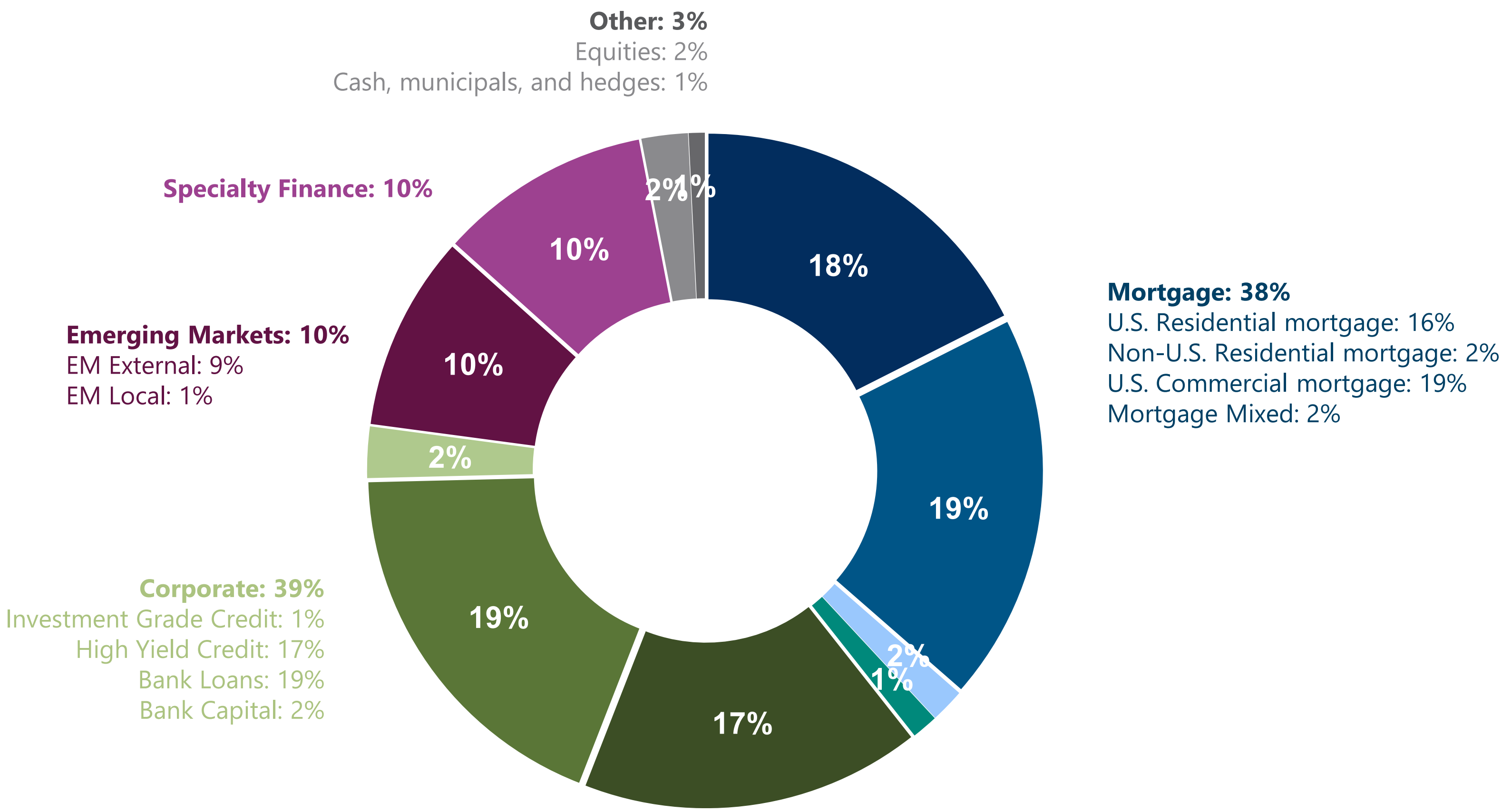
PORTFOLIO CONCENTRATIONS



[10]As of 30 June 2022. PFLEX distributions are declared daily and paid quarterly and the distribution rate is calculated by annualizing the most recent distribution per share and dividing by the NAV as of the reported date. Distribution rate information is current as of the latest quarter end. Distributions may include ordinary income, net capital gains and/or a return of capital. The distribution rate is not estimated to include, and is not estimated to result in, a return of capital ("ROC"). Because a distribution may at times include a ROC, the distribution rate should not be confused with yield or performance. Please see the disclosures for additional information regarding distributions and the distribution rate.

Portfolio holdings are subject to change without notice and may not be representative of current or future allocations.
All data is as of 8/31/22 unless otherwise indicated.

PORTFOLIO CONCENTRATIONS



Portfolio structure is subject to change without notice and may not be representative of current or future allocations.
Performance in securitized investment strategies can be impacted from the benefits of purchasing odd lot positions. The impact of these investments can be particularly meaningful when funds have limited AUM, and may not be a sustainable source of performance as the fund grows in size.
Source: Bloomberg, PIMCO

All data is as of 8/31/22 unless otherwise indicated.

Investors should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained by contacting your investment professional or PIMCO representative or by visiting www.pimco.com. Please read the prospectus carefully before you invest or send money.

The fund is an unlisted closed-end "interval fund." Limited liquidity is provided to shareholders only through the fund's quarterly offers to repurchase between 5% to 25% of its outstanding shares at net asset value (subject to applicable law and approval of the Board of Trustees, the Fund currently expects to offer to repurchase 5% of outstanding shares per quarter).

Past performance is not a guarantee or a reliable indicator of future results. The performance figures presented reflect changes in share price and reinvestment of dividend and capital gain distributions. Institutional Class Common Shares do not have a sales charge.

Investments made by the Fund and the results achieved by the 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.

It is important to note that differences exist between the Fund's daily internal accounting records, the fund's financial statements prepared in accordance with U.S. GAAP, and reporting practices under income tax regulations. It is possible that the Fund may not issue a Section 19 Notice in situations where the Fund's financial statements prepared later and in accordance with U.S. GAAP or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Please see the fund's most recent shareholder report for more details.

The Fund's distribution rate may be affected by numerous factors, including, but not limited to, changes in realized and projected market returns, 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 distribution rate at a future time. Distribution rates are not performance. The distribution rate is calculated by annualizing the most recent distribution per share and dividing by the NAV as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the fund. Because a distribution may include a ROC, the distribution rate should not be confused with yield. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Final determination of a distribution's tax character will be provided to shareholders when such information is available.

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.

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-related assets and other asset-backed instruments** 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. **Bank loans** are often less liquid than other types of debt instruments and general market and financial conditions may affect the prepayment of bank loans, as such the prepayments cannot be predicted with accuracy. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated.

Investments in **distressed loans and bankrupt companies** are speculative and the repayment of default obligations contains significant uncertainties. The value of **real estate** and portfolios that invest in real estate may fluctuate due to: losses from casualty or condemnation, changes in local and general economic conditions, supply and demand, interest rates, property tax rates, regulatory limitations on rents, zoning laws, and operating expenses. **Structured products** such as collateralized debt obligations are also highly complex instruments, typically involving a high degree of risk; use of these instruments may involve derivative instruments that could lose more than the principal amount invested. **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 use of **leverage** may cause a portfolio to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a portfolio to be more volatile than if the portfolio had not been leveraged.

An investment in an **interval fund** is not appropriate for all investors. Unlike typical closed-end funds an interval fund's shares are not typically listed on a stock exchange. Although interval funds provide limited liquidity to investors by offering to repurchase a limited amount of shares on a periodic basis, investors should consider shares of the Fund to be an illiquid investment. Investments in interval funds are therefore subject to **liquidity risk** as an investor may not be able to sell the shares at an advantageous time or price. There is also **no secondary market** for the Fund's shares and none is expected to develop. There is no guarantee that an investor will be able to tender all or any of their requested Fund shares in a periodic repurchase offer.

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 a long-term especially during periods of downturn in the market. Investors should consult their investment professional prior to making an investment decision. An investment in the Fund is speculative involving a high degree of risk, including the risk of a substantial loss of investment.

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.

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CMR2022-0912-2421419