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Alternative Credit: Answers to Investor Questions on Market Volatility

WHAT?

WHAT IS ALTERNATIVE CREDIT?

Alternative credit is a type of financing provided to corporate borrowers or against real estate assets that may be otherwise hard to secure in traditional, public credit markets. These financings may require non-standard, customized lending terms and are typically illiquid, or not easily turned into cash, so investments in alternative credit strategies are typically longer-term.

After the global financial crisis, traditional lenders like banks looked to reduce risk by changing their lending practices. Alternative credit providers stepped in, filling the gap with different types of direct or private lending, and creating new opportunities for investors.

WHY?

WHY IS ALTERNATIVE CREDIT ESPECIALLY ATTRACTIVE IN TODAY'S MARKETS?

Recent market dislocations have turned what were once relatively illiquid markets into extremely illiquid ones, making it even more difficult for many businesses to access capital. This has created potentially compelling opportunities for alternative credit providers, who may have greater flexibility in developing novel lending structures.

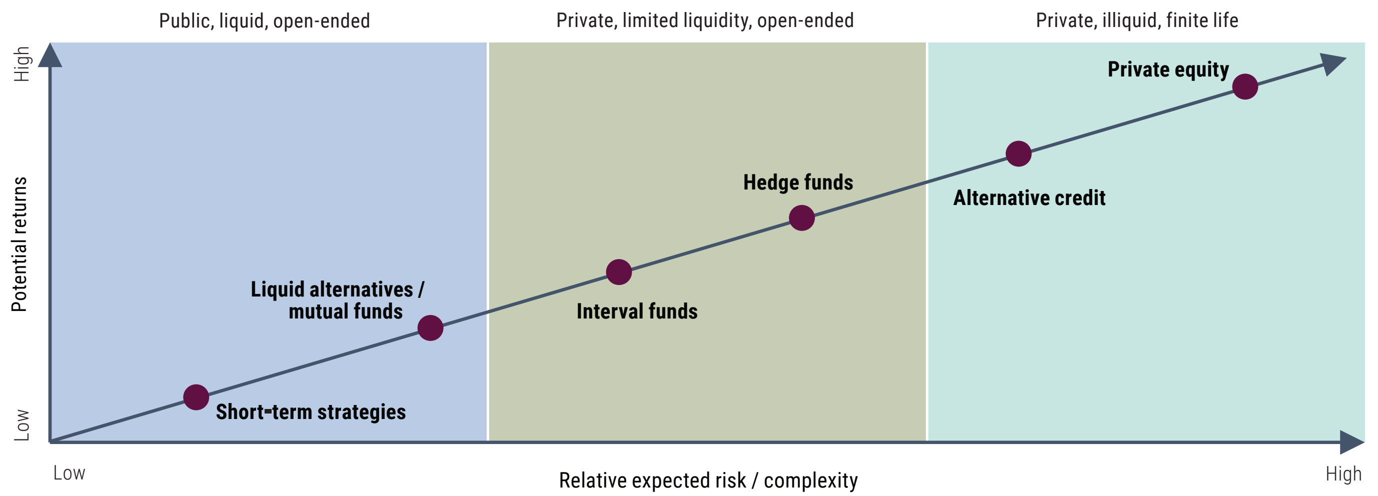
HOW?

HOW CAN ALTERNATIVE CREDIT BENEFIT YOUR PORTFOLIO?

Especially during times of uncertainty, investors may want to consider looking beyond traditional asset classes for new ways to help meet their financial objectives. By adding alternative credit to the mix and capturing these opportunities from liquidity-constrained sellers, investors may be able to enhance portfolio performance and boost diversification. However, alternative investments are not without risks, so it's important to carefully consider them before investing.

Learn more about alternative credit, global.pimco.com/resources/education/understanding-alternative-investments.

Compared to other strategies and vehicle types, alternative credit is typically an illiquid investment, and offers opportunities for enhanced returns.



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All investments contain risk and may lose value. **Alternative investments and hedge funds** involve a high degree of risk and can be **illiquid** due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, **speculative and volatile**, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings. Complex tax structures often result in delayed tax reporting. Compared to mutual funds, private funds are subject to less regulation and often charge higher fees. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification. Trading may occur outside the United States which may pose greater risks than trading on U.S. exchanges and in U.S. markets. **Private credit** involves an investment in non-publicly traded securities which are subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss. Investments in Private Credit may also be subject to **real estate-related risks**, which include new regulatory or legislative developments, the attractiveness and location of properties, the financial condition of tenants, potential liability under environmental and other laws, as well as natural disasters and other factors beyond a manager's control. Diversification does not ensure against loss.

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CMR2020-0825-1312898