PIMCO

Understanding Investing

Interval Funds

An interval fund is a type of closed-end fund that is not listed on an exchange, and that periodically offers to repurchase a limited percentage of outstanding shares, as defined in its prospectus, from its shareholders. Interval funds can provide investors with access to less liquid investment strategies than open-end funds in an attempt to enhance risk-adjusted returns and can be used as an alternative source of return and/or income.

WHAT ARE THE KEY CHARACTERISTICS OF AN INTERVAL FUND?

Interval funds are legally classified as closed-end funds, and are registered under the Investment Company Act of 1940 and typically subject to the Securities Act of 1933 and the Securities Exchange Act of 1934. However, interval funds differ from traditional closed-end funds in several important ways:

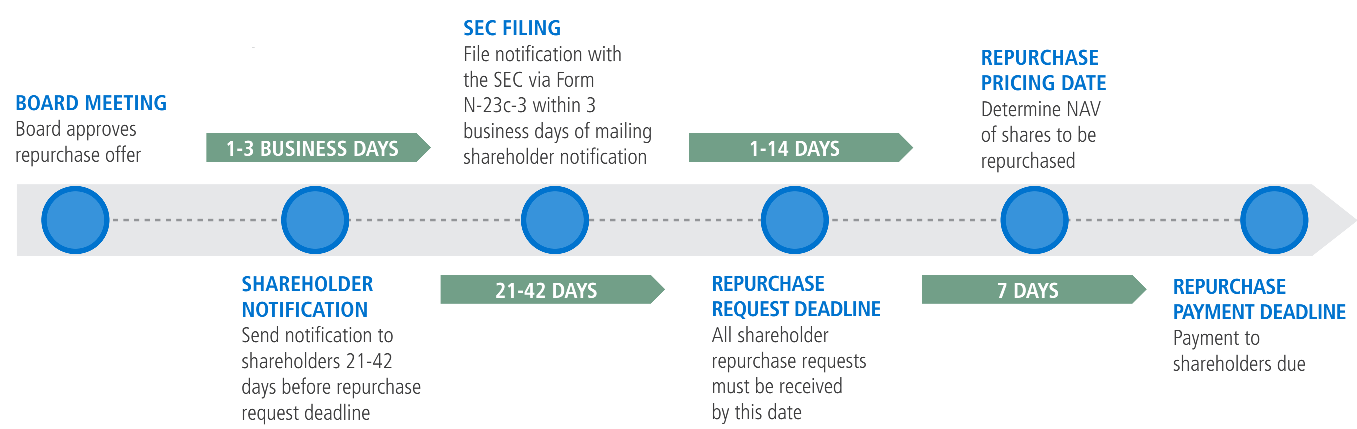
- Interval funds price daily at net asset value but aren't listed on an exchange, so they don't trade above or below net asset value the way regular closed-end funds do.
- Rather than trade on the secondary market, interval funds allow investors to sell a portion of their shares back to the fund at net asset value (NAV) on a periodic (monthly, quarterly, semi-annually and annually) basis.
- Repurchase offers must be made for between 5% and 25% of the interval fund's common shares outstanding; if repurchase requests received are in excess of the stated repurchase amount, shares generally will be repurchased on a pro rata basis.
- Interval funds are permitted to deduct a repurchase fee from the repurchase proceeds, intended to compensate the fund for expenses directly related to the repurchase.

HOW DO INTERVAL FUND WITHDRAWALS/REPURCHASES WORK?

- Fund shares are subject to periodic repurchase offers by the fund at a price based on NAV.
- Shareholders are required to submit repurchase requests to sell their shares back to the fund.
- The fund will specify a date by which shareholders must submit a repurchase request. The actual repurchase will occur at a later, specified date.
- An interval fund's repurchase notice will disclose all details of a particular repurchase offer.

WHAT ARE THE POTENTIAL BENEFITS OF INVESTING IN INTERVAL FUNDS?

One of the challenges facing investors, especially those seeking income, is that some of the highest-yielding securities are often the hardest to buy and sell. Because interval funds do not provide daily liquidity, portfolio managers can invest interval fund capital in more illiquid assets than they could for mutual funds, as they do not need to be concerned with the need to hold as much cash on a daily basis to meet redemption requests.



Source: SEI Investments
Sample for illustrative purposes only.

PIMCO

This structure gives managers the flexibility to invest in assets or execute investment strategies that may be less liquid and more suited to longer holding periods – assets such as private loans, structured credit, or commercial real estate debt.

Some other potential benefits of investing in interval funds may include:

- May be continuously offered
- Lower minimum investments than private funds
- 1099 tax treatment
- Scalability to clients

WHAT TYPE OF INVESTMENTS CAN BE INCLUDED IN INTERVAL FUNDS?

Interval funds may include a wide range of investments and investment strategies, including listed, non-listed, public, and private investments. The types of investments and strategies utilized will be specified in an interval fund's prospectus.

WHO MIGHT CONSIDER INVESTING IN INTERVAL FUNDS?

Due to their limited liquidity structure, interval funds tend to appeal most to long-term investors who do not need access to their principal for an extended period of time. Investors seeking income from their investments may opt for interval funds, as these funds tend to invest in income-producing products and strategies. It is important to note that distributions are not guaranteed and may reconstitute a return of capital.

Characteristics of interval funds based on information from the following source: *U.S. Securities and Exchange Commission, Fast Answers, Interval Funds, https://www.sec.gov/answers/mfinter.htm.*

WHAT ARE THE RISKS?

It's important to keep in mind that interval funds can expose investors to liquidity risk, and that risk is greater in funds that invest in securities of companies with smaller market capitalizations, derivatives or securities with substantial market and/or credit risk.

Even though interval funds make periodic offers to repurchase a portion of outstanding shares, investors should consider interval fund shares to be an illiquid investment. There is no guarantee that investors will be able to sell interval fund shares at any given time or in the quantity that they desire.

Before investing in an interval fund, investors should be knowledgeable to the unique risks associated with the investment vehicle and carefully read all of the fund's available information, including its prospectus and most recent shareholder report.

An investment in an interval fund is not suitable for all investors. Unlike traditional 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 sell all or any of their requested Fund shares in a quarterly repurchase offer.

Interval funds tend to use leverage which 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.

Interval funds can invest in both traditional and speculative securities which may contain significant uncertainties. There is no guarantee that any investment strategy or product will achieve its objectives, avoid losses or generate profits. All investments contain risk and may lose value.

Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, CA 92660, 800-387-4626 is regulated by the United States Securities and Exchange Commission. | **PIMCO Investments LLC,** U.S. distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO.

pimco.com
blog.pimco.com

CMR2018-1210-369507

PU028_61990