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PIMCO Municipal Bond Ladder Managed Account

Available via Premium Access Strategies (PAS). Exclusively for Merrill Advisors. PIMCO offers a range of Municipal Bond Ladders for Managed Accounts

Highlights

- Benefits from PIMCO's proprietary credit research, a potential key advantage in a municipal bond market that has become increasingly complex and subject to credit risk
- Seeks to improve market access and pricing to provide best execution based on institutional presence
- Designed to seek an attractive, predictable stream of income with an emphasis on capital preservation; PIMCO's national ladders are exempt from federal taxes while the state-specific ladders are exempt from federal and, in most cases, state income taxes for residents of those states
- Minimum average portfolio rating of A+ (by S&P, Moody's or Fitch)*
- No exposure to issues subject to the alternative minimum tax (AMT) at time of purchase
- Minimum Account Size: $500,000

This managed account is designed to help investors pursue attractive, tax-efficient income while emphasizing capital appreciation by investing in municipal bonds with laddered maturities of 1–6, 1–12, and 1–18 years

Municipal Bond Philosophy

PIMCO focuses on generating tax-efficient income and capital preservation by investing in high quality municipal bonds that are exempt from federal taxes. (In most cases, the state-specific ladders are also exempt from state income taxes for residents of those states). We seek well-structured municipal bonds that provide appropriate compensation for risks relating to calls, credit quality, liquidity, tax liabilities and market supply-demand conditions.

Portfolio Construction

PIMCO Municipal Bond Ladder portfolios seek to diversify sector and issuer exposure and are constructed using high quality municipal bonds whose maturities are staggered from one to six, 12 or 18 years – ranges chosen specifically in an effort to add value.

For example, PIMCO 1–6 Year Municipal Bond Ladders include a sixth year because most short-term municipal investors buy out to five years. Through this modest extension of duration, we aim to capture the pickup in yield that typically arises from lower demand for six-year issues. Similarly, our 1–12 year ladders have the potential to benefit from reduced investor demand for maturities beyond 10 years, and our 1-18 year ladders may provide similar yields to 20-year ladders with lower interest rate risk.

Additionally, the portfolio will not invest in municipal bonds subject to the alternative minimum tax (AMT) at time of purchase.

*As determined by the securities held. The portfolio is not independently rated by the rating agencies.

INVESTMENT PROCESS

As with all of our strategies, PIMCO Municipal Bond Ladder Managed Accounts look to benefit from PIMCO's time-tested investment process, which is powered by five key drivers: macro themes, asset-level research, behavioral science, risk management and quantitative rigor. Portfolio managers draw on all of these inputs to construct portfolios that emphasize multiple sources of value, targeting exposures with the best risk-adjusted return potential while positioning for various scenarios.

PIMCO has been managing municipal assets since 1997, and we are among the largest investors in the space today – our size and breadth in this sector may provide economies-of-scale benefits for investors, such as pricing and transaction cost advantages.

HOW THE MUNICIPAL BOND LADDER WORKS

A ladder is a portfolio of bonds that mature at regular intervals, typically in annual increments. As a bond matures, the principal is reinvested in the longest maturity at the end of the ladder – as shown in the chart below, which uses PIMCO 1–6 Year National Municipal Bond Ladder as an example.

Source: PIMCO. **For illustrative purposes only.**

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Beginning 1 January 2017, the Municipal Bond Ladder Strategy minimum individual bond rating guideline at purchase was expanded to include BBB rated securities for clients who select this option. For clients requesting BBB exposure, minimum average rating is A- vs the standard guideline of minimum average A+. The expanded guidelines may impact portfolio characteristics and performance. Quality ratings generally will be applied using the higher of Moody's, Standard and Poor's, or Fitch.

The managed account strategies described in this material are managed by Pacific Investment Management Company LLC. Managed accounts have a minimum asset level and may not be appropriate for all investors. For more information about this product, contact your financial advisor. Financial professionals seeking more information should contact their managed accounts department or call their PIMCO representative.

Past performance is not a guarantee or a reliable indicator of future results. More information on Wrap Program fees are described in Part 2A of PIMCO's Form ADV. SMA portfolios will be charged a wrap fee which may be all-inclusive of advisory, trading, custodial and administrative fees. There are no fees charged to clients at the commingled level; sponsor and advisory fees apply to the account as a whole. Actual fees will vary by client. Individual results may vary as a result of market conditions, trading costs and other factors, which may be unique to each account. Individual account holdings will vary depending on the size of an account, cash flows and account restrictions. Portfolio holdings are subject to change daily without notice. At any time an individual account managed in this strategy may or may not include securities held by another portfolio. Consequently, any particular account may have portfolio characteristics and performance that differ from another individual account in this strategy.

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. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax; a strategy concentrating in a single or limited number of states is subject to greater risk of adverse economic conditions and regulatory changes. Please consult your tax and/or legal counsel for specific tax questions and concerns. **Build America Bonds** issued by state and local governments are taxable issues.

The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the creditworthiness 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. It is not possible to invest directly in an unmanaged index.

Municipal Bond Ladder Managed Account Fee Schedule: Maximum fee on all assets: 3.00%

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.

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Any tax statements contained herein are not intended or written to be used and cannot be relied upon or used for the purpose of avoiding penalties imposed by the Internal Revenue Service or state and local tax authorities. Individuals should consult their own legal and tax counsel as to matters discussed herein and before entering any estate planning, trust, investment, retirement, or insurance arrangement.

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