

# Q1 Market Commentary: A Recalibration of Credit as Growth and Liquidity Assumptions Reset

Markets entered 2026 with a sanguine view for risk assets driven by optimism for AI and lower rates. The crosswinds of conflict in the Middle East and software disruptions, coupled with heightened scrutiny of private credit, challenged these assumptions.



## Fund Performance

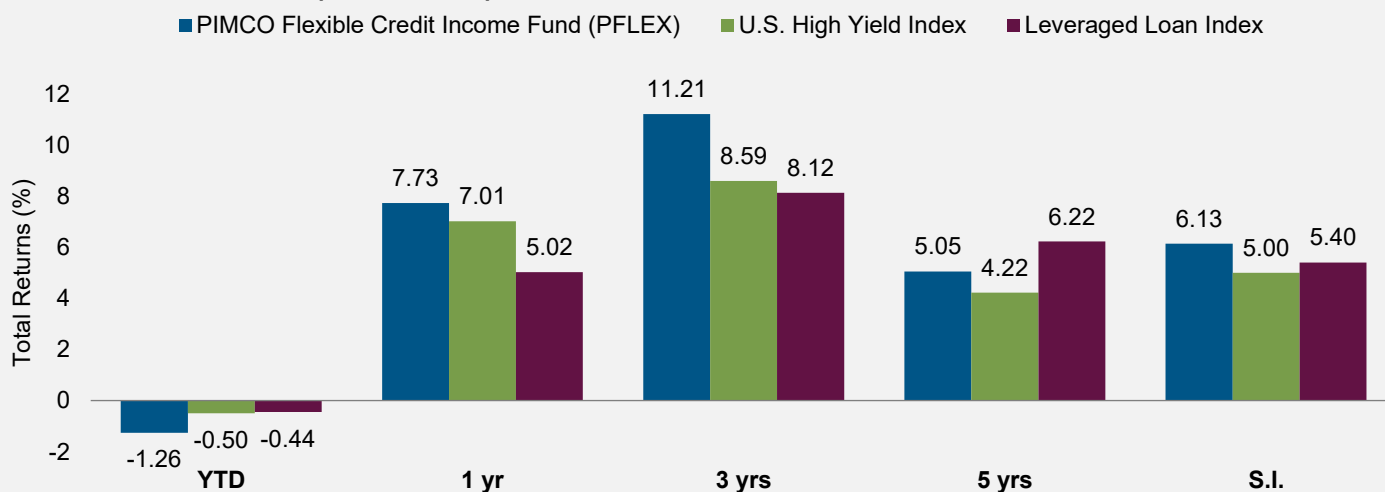
- PFLEX returned **-1.26%** after fees in Q1, underperforming both high yield <sup>1</sup> and leveraged <sup>2</sup> loans by **-76bps** and **-82bps YTD**, respectively
- Duration, as rates rose amid geopolitical uncertainty, and mark-to-market volatility in the corporate book with heightened scrutiny on the software sector were the primary detractors. The fund's diversified profile, most notably within asset backed credit was a contributor, mitigating further downside.
- We believe the Fund's **expansive opportunity set** provides the ability to generate elevated returns in an environment where valuations are full across many risk assets



## Market Commentary

- Risk assets broadly sold off throughout the quarter with bank loans, high yield, and equities **all posting negative performance** in Q1
- Within credit markets, performance was highly **bifurcated by exposure** to software, duration, and quality as investors processed the impact of events in the Middle East and AI disruption
- Direct lending in particular has come under heightened scrutiny amid **elevated redemptions and asset quality concerns** following years of substantial asset growth and declining premia

### PFLEX Performance (net of fees)



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 redeemed. Performance data current to the most recent month-end is available at [www.pimco.com](http://www.pimco.com) or by calling 888.87.PIMCO.

As of 31 March 2026. Source: PIMCO.

<sup>1</sup> High yield is represented by the ICE BofA Merrill Lynch High Yield Index (H0A0). <sup>2</sup> Leveraged Loan Index: JP Morgan Leveraged Loan Index.

The Fund inception on 22 February 2017. Data shown is for Institutional class shares. Institutional class shares have no sales charge. Performance for periods longer than one year is annualized and for periods less than one year is cumulative. Performance figures presented reflect the total return performance after management fees and other expenses, and reflect changes in share price and reinvestment of dividends and capital gains distributions on the payable date. Institutional class shares do not have a sales charge. 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. High Yield Index: ICE BofA Merrill Lynch High Yield Index (H0A0). Leveraged Loan Index: JP Morgan Leveraged Loan Index. Index returns are shown for comparison purposes to reflect a representative allocation matching the asset classes in which the Fund seeks to invest. The PIMCO Flexible Credit Income Fund is not managed to a benchmark. If the investment parameters of the Fund change, the comparison may be less meaningful. It is not possible to invest directly in an unmanaged index.

# Q1 Portfolio Statistics and Performance Attribution

## Summary Portfolio Statistics

Net Assets (\$M)	\$4,239
Current Distribution Rate (%) <sup>1</sup>	10.28%
Yield to Worst <sup>2</sup>	11.77%
Floating Rate (%)	52.56%
Duration	3.67
Leverage Ratio	33.52%

## Attribution Commentary

The quarter was primarily driven by **rate volatility**, with **duration** emerging as the primary detractor of performance as rates moved higher amid inflation uncertainty and evolving geopolitical risks. Software experienced elevated **mark-to-market volatility** earlier in the period but has since stabilized following February's sell-off.

- **Residential real estate credit** was a meaningful contributor to performance, driven by strong income generation throughout the quarter, particularly within non-Agency mortgage-backed securities
- **Commercial real estate credit** contributed to performance, led primarily by price accretion and income generation, most notably from single-asset single-borrower (SASB) office and hotel CMBS
- **Corporate credit** detracted from performance, due to credit spread widening driven by market concerns in the software sector, as well as geopolitical events resulting in expectations of increasing inflation and slowing growth
- **Specialty finance** modestly detracted from performance, most notably due to an idiosyncratic development tied to a litigation claim

Sector	Q1	YTD	Attribution Legend	
Residential Real Estate Credit	+	+	0	Neutral
Commercial Real Estate Credit	++	++	+/-	1 - 50 bps
Corporate	---	---	++/--	51 - 100 bps
Specialty Finance	-	-	+++/--	+100 bps
Emerging Markets	+	+		
Other	-	-		
Total without Financing Cost	--	--		
<i>Financing Cost</i>	-	-		
Total with Financing Cost	--	--		

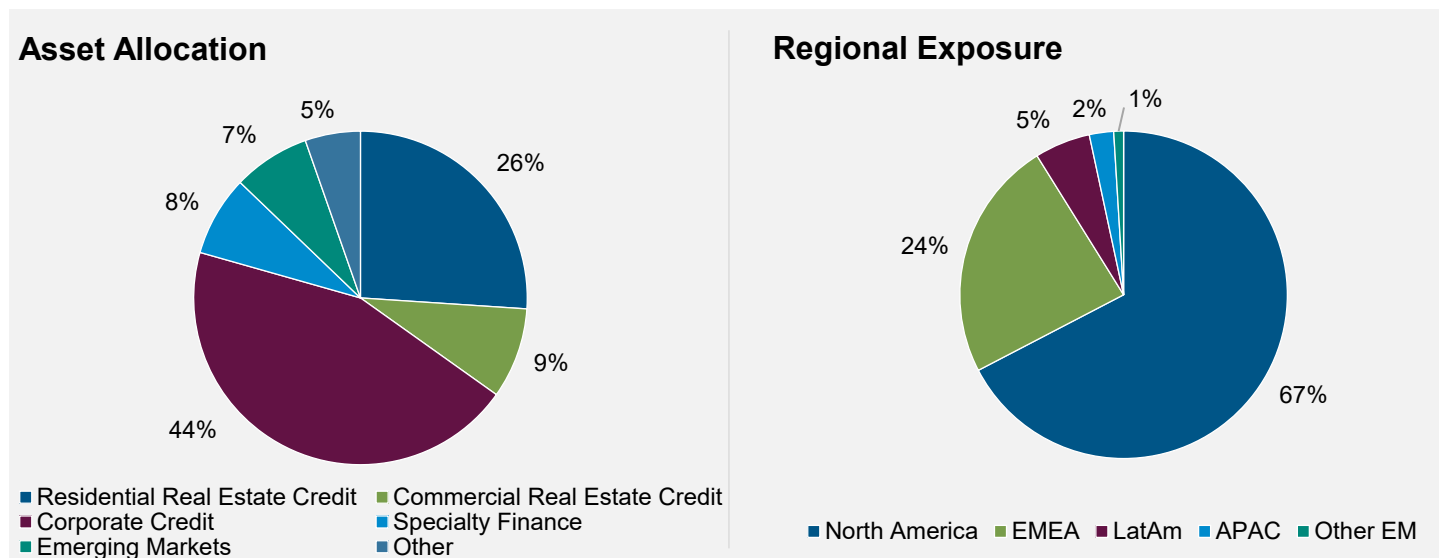
As of 31 March 2026. Source: PIMCO

<sup>1</sup> Distributions are declared daily and paid monthly and the distribution rate is calculated by annualizing the most recent distribution per share (with such annualizing based on dividing the number of calendar days during the year by the number of calendar days over which the most recent distribution accumulated) and dividing it by the NAV as of the reported date. Distribution rate information is current as of the latest month end. 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.

<sup>2</sup> Yield to Worst (YTW) is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. The measure is not necessarily indicative of the portfolio's worst possible performance.

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

# Portfolio Positioning and Market Outlook



## Market Outlook

- **A flexible, relative value strategy like PFLEX allows clients to potentially benefit from active exposure across a variety of sectors and structures, and shift in response to episodic stress, dispersion, and evolving relative value**
- Markets entered the year with a supportive macro backdrop, but geopolitical developments in the Middle East and rising scrutiny around private credit altered growth and inflation expectations, creating **elevated dispersion** and **volatility** across credit markets
- Continued expectations of a **“K-shaped” economy** is reinforcing the view that **higher quality borrowers** remain resilient while lower quality segments face pressure
- **Yields** across the credit continuum **remain elevated** even as credit spreads trade near the lower end of historical ranges, including within lower quality private corporate lending where **underwriting standards have loosened** in recent years
- This dynamic increases the risk of **asymmetric outcomes** in more **narrow mandates**, emphasizing the importance of diversification, credit selection and liquidity discipline as cyclical returns to markets

### Portfolio Positioning

- In a market with tight credit spreads, PFLEX’s **flexible mandate is providing increasing value**, sourcing attractive one-off opportunities across the broad credit landscape
- Idiosyncratic repricings in more liquid credit have created opportunities to capture risk at elevated yields while **preserving flexibility and transparency**
- Expanding beyond pure corporate credit to also **emphasize asset backed credit**, supported by hard collateral backing and self amortizing structures, has enhanced liquidity and diversification
- **Ample liquidity and modest leverage** positions PFLEX to navigate near-term volatility while maintaining flexibility to deploy capital opportunistically as compelling entry points emerge

### Bottom line

The playbook for credit investing has changed and places an emphasis back on **active management** where **our relative value mandate** can demand proper compensation for risk across the continuum of risk and liquidity

As of 31 March 2026. Source: PIMCO

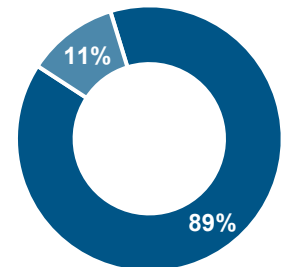
Portfolio structure is subject to change without notice and may not be representative of current or future allocations. **Diversification** does not ensure against loss.

# Underlying Sector Positioning & Recent Transactions

## Residential Real Estate Credit

### Sub-Sector Breakdown

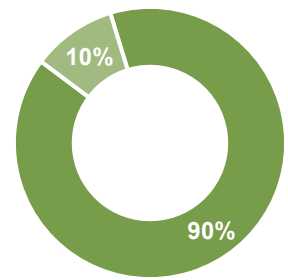
- Residential real estate credit **continues to look compelling** amid elevated geopolitical uncertainty and potential inflationary shocks, supported by **strong housing fundamentals** and years of home **price appreciation**
- Recent Activity:** PFLEX invested in multiple non-qualified mortgage (non-QM) pools, backed by over 1,000+ current pay, fixed rate US loans. These opportunities are underwritten to high single digit yields supported by ~70% LTVs and borrow profiles average 750+ FICO scores



- Structured Mortgage Credit
- Whole Loans

## Commercial Real Estate Credit

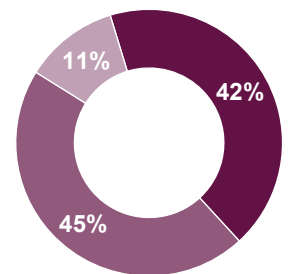
- While the Fund saw robust opportunities in dislocated commercial real estate in 2022 and 2023, it has since continued to **decrease this exposure** through a combination of **paydowns and tactical sales** as spreads have rallied materially in public markets.
- While there were no material additions over the quarter, we are seeing a growing opportunity set in private debt originations and more idiosyncratic CMBS investments, supported by a ~\$1.5tn maturity wall<sup>1</sup> through 2027 and reduced bank appetite



- Single Asset
- Multi Asset

## Corporate Credit

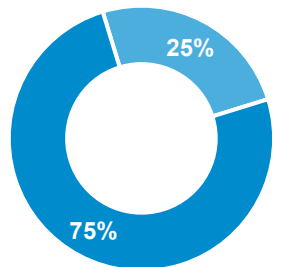
- Elevated redemption pressures and scrutiny on software allocations in direct lending may result in selling pressures and slower deployment from strategies focused on that market. PFLEX is well-positioned to **capitalize on more fragile liquidity** given the strategy's liquidity and broadly-diversified profile. The Fund today has prioritized idiosyncratic expressions of corporate risk where **discounted entry points** and **sizable equity cushions** support more loss-remote investments
- Recent Activity:** PIMCO anchored a large senior secured debt transaction backed by investments in seven global sports leagues, sourced through our proprietary relationship with the sponsor. The investment offers high yield-equivalent yields externally rated investment grade with a tight covenant package and substantial equity cushion



- Special Situations
- Opportunistic Credit
- Direct Lending

## Specialty Finance

- Deployment in recent quarters has focused on **adding risk less correlated to traditional financial markets** given recent macro-related volatility, particularly through insurance-linked securities in non-consumer markets. These investments are correlated to event-based risk, such as earthquakes and hurricanes, adding risk that is less correlated to other PFLEX investments
- Recent Activity:** PFLEX invested in 20+ distinct catastrophe bonds, offering high single digit-to-low double digit yield profiles, underwritten to low probability tail outcomes. These exposures intentionally span various event types and geographies to reduce concentration risk



- Consumer
- Non-Consumer

As of 31 March 2026. Source: PIMCO

<sup>1</sup> As of 30 September 2025. Source: PIMCO, Newmark Research. There can be no assurance that the trends described herein will continue or benefit the Fund. Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

Diversification does not ensure against loss.

# PFLEX: A Multi-Sector Credit Strategy Spanning the Continuum of Risk and Liquidity

## PFLEX's Key Differentiators



### Relative Value

Navigate rapidly evolving market conditions to potentially **identify undervalued sectors** and securities and **avoid rich valuations**



### Diversification

**Expand** beyond pure corporate credit to include asset-backed opportunities, **enhancing portfolio diversification**



### Yield+

**Mid 80's average price** of investments supports high starting yields and potentially **attractive entry** point for capital appreciation

**PFLEX is an interval fund that seeks to provide attractive risk adjusted return driven by high current income with upside through capital appreciation**

The Fund is designed to utilize its flexible, relative value-oriented mandate to express high conviction views across the global credit landscape, spanning the entirety of risk and liquidity in search of higher yielding credit opportunities.

## Fund Highlights

- Diversified multi-sector strategy seeking to identify attractive relative value opportunities across the credit market continuum
- Seeks consistent cash flow generation with compelling total return potential supported by resilient income coupled with strong capital appreciation potential
- Interval fund structure supports ease of access:
  - No minimum accreditation requirements
  - Daily subscriptions
  - Quarterly repurchases
  - Monthly income distributions
  - Simplified 1099 tax reporting
- Broad, flexible mandate across global credit markets supports opportunities to source attractive yields and high current income while utilizing modest external leverage to express conviction in select opportunities

**Symbol:** PFLEX

**Inception Date:** February 22, 2017

**Total Net Assets:** \$4,239

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

**Subscriptions/NAV:** Daily

**Dividend frequency:** Monthly

**Registered:** 1940-Act/1933-Act

**Tax treatment:** 1099

**Gross Expense Ratio:** 4.91%<sup>1</sup>

**Adjusted Expense Ratio:** 1.76%<sup>1</sup>

**Management Fee:** 1.75% on net assets

See prospectus for additional information regarding fees and expenses.

**Expected repurchase dates:**

February, May, August, November

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.

## How Investors are utilizing PFLEX today

PFLEX can potentially fill a variety of needs within investor portfolios



### Core

of an alternative credit portfolio



### Complement

to existing private credit exposure



### De-Risk

from traditional public equities

As of 31 March 2026. Source: PIMCO. <sup>1</sup> As of 31 October 2025, latest available.

A Yield+ strategy is a strategy that seeks to provide attractive current income and capital appreciation.

# Active Management by an Experienced Investment Committee



**Dan Ivascyn**  
Managing Director  
Group CIO



**Alfred Murata**  
Managing Director  
Portfolio Manager

**20+ years**

Investing in alternatives



**Josh Anderson**  
Managing Director  
Asset-Backed Credit



**Jamie Weinstein**  
Managing Director  
Corporate Special Situations

**\$270bn+**

Deployed in private credit <sup>1</sup>



**Jason Steiner**  
Managing Director  
Portfolio Manager



**Russ Gannaway**  
Managing Director  
Portfolio Manager

**\$720bn+**

AUM in credit and private strategies <sup>1</sup>

**80+**

Credit research analysts

## Supported by a Team of Dedicated Sector Specialists

**Jason Duko**

**Matt Tuten**

**Michael Chiao**

**Vineet Agrawal**

**William Dionisio**

**PFLEX benefits from PIMCO's 50+ years of managing fixed income through every market cycle**

- One fully integrated platform that combines industry-leading active fixed income business with organically built private lending capabilities
- Global credit portfolio management and research teams focused on uncovering value across the full spectrum of credit quality and liquidity
- Entrenched expertise in asset-backed markets developed over 30+ years, leveraging longstanding relationships and market presence in sourcing

As of 31 March 2026. Source: PIMCO.

<sup>1</sup> As of 31 December 2025. Source: PIMCO. PIMCO manages \$2.26 trillion in assets, including \$1.84 trillion in third-party client assets as of 31 December 2025. Assets include \$82.0 billion in real estate, as measured by net asset value (which excludes uncalled capital) as of 31 December 2025 (gross asset value equivalent of \$91.9 billion), managed by Prime Real Estate, an affiliate and wholly-owned subsidiary of PIMCO and PIMCO Europe GmbH, that includes PIMCO Prime Real Estate GmbH, PIMCO Prime Real Estate LLC and their subsidiaries and affiliates. PIMCO Prime Real Estate LLC investment professionals provide investment management and other services as dual personnel through Pacific Investment Management Company LLC. PIMCO Prime Real Estate GmbH operates separately from PIMCO.

## PIMCO FLEXIBLE CREDIT INCOME FUND (PFLEX) Q1 2026 UPDATE

*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](http://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). 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.

**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, for the Institutional Class shares (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.

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 (with such annualizing based on dividing the number of calendar days during the year by the number of calendar days over which the most recent distribution accumulated) and dividing it 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 or performance. 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 sent 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. Private placements involve 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. 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. Leveraging transactions, including borrowing, typically will cause a portfolio to be more volatile than if the portfolio had not been leveraged. Leveraging transactions typically involve expenses, which could exceed the rate of return on investments purchased by a fund with such leverage and reduce fund returns. The use of **leverage** may cause a portfolio to liquidate positions when it may not be advantageous to do so. Leveraging transactions may increase a fund's duration and sensitivity to interest rate movements.

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.**

## PIMCO FLEXIBLE CREDIT INCOME FUND (PFLEX) Q1 2026 UPDATE

Yield to Worst (YTW) is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the bond's issuer. PIMCO calculates a portfolio's Estimated YTW by averaging the YTW of each security held in the portfolio on a market-weighted basis. PIMCO pulls each security's YTW from PIMCO's Portfolio Analytics database. In general, the calculation will incorporate the yield based on the notional value of all derivative instruments held by a Fund. The measure does not reflect the deduction of fees and expenses and is not necessarily indicative of the portfolio's worst possible performance. A portfolio's actual yield or distribution rate may be significantly lower than its estimated YTW in practice. Estimated YTW is not a projection or prediction of the actual yield or return that a portfolio may achieve or any other future performance results. There can be no assurance that a portfolio will achieve any particular level of yield or return and actual results may vary significantly from estimated YTW.

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 Investments LLC ("PI") does not provide legal or tax advice and is not recommending any action to you or any of your obligated persons. PI does not act as an advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 with respect to the information and material contained in this communication. PI acts for its own interests only. You or your obligated persons should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you or your obligated persons deem appropriate before acting on this information or material. Please consult your tax and/or legal counsel for specific tax or legal questions and concerns.

The **ICE BofA Merrill Lynch High Yield Index** is an unmanaged index consisting of bonds that are issued in U.S. Domestic markets with at least one year remaining until maturity. All bonds must have a credit rating below investment grade but not in default. The **JP Morgan Leveraged Loan Index** tracks the performance of the U.S. dollar-denominated, senior, floating-rate bank loans market. It is a market-weighted index that reflects the activity and returns within the leveraged loan market, which includes loans issued to companies with higher debt levels or weaker credit profiles. It is not possible to invest directly in an unmanaged index.

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. ©2026, PIMCO.

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

CMR2026-0424-5429446