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Three potential benefits of an active, multisector short-term strategy

PIMCO emphasizes diversified portfolio construction across high-quality sectors including government, corporate, and securitized credit.

1	**Access a broader opportunity set to optimize liquidity and potential returns**	A multisector approach enables investors to access a wider range of fixed income sectors, aiming to optimize liquidity and return potential across diverse and challenging market environments.
2	**Mitigate concentration risk through sector diversification**	By diversifying across multiple sectors, investors can reduce portfolio concentration risk and improve resilience against sector-specific downturns or liquidity events. Diversification can also allow for opportunistic liquidity management during periods of heightened market sensitivity.
3	**Construct thoughtful portfolios to seek returns beyond traditional solutions**	Active management allows for dynamic adjustments based on structural views and thematic trends. This approach aims to generate additional returns, or opportunistic alpha, beyond passive strategies, while carefully mitigating risk and volatility. Importantly, even for portfolios focused on capital preservation, total return should remain a key goal, as it reflects not only yield but price appreciation, risk management and reinvestment outcomes. In today's environment, we believe carry[1] alone is not sufficient.

Composition of return in an actively managed portfolio

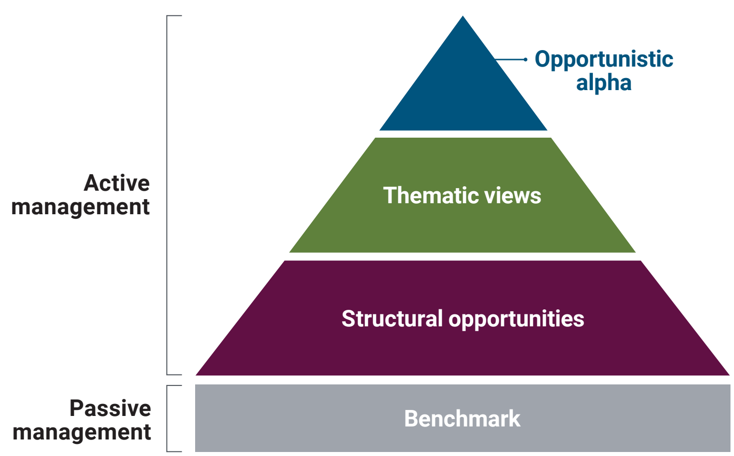
Returns in an actively managed portfolio can be described as a three-tiered structure built upon a passive benchmark foundation:

Structural opportunities: Capture returns from exploiting market inefficiencies caused by factors such as balance sheet constraints, regulatory requirements, liquidity issues, reliance on rating agencies, and the presence of non-economic buyers.

Thematic views: Generate returns through active management by applying macroeconomic insights and fundamental credit research to identify investment themes and trends.

Opportunistic alpha: Represents patient, opportunistic investing aimed at capitalizing on market dislocations often triggered by geopolitical or liquidity events.

Together, these layers illustrate increasing degrees of active management designed to enhance portfolio returns beyond the passive benchmark.



SOURCE: PIMCO
For illustrative purposes only.

[1] Carry is defined as the income or yield generated by an investment, typically from interest or dividends, excluding any capital gains or losses. Carry reflects the return earned from holding an asset over time.

Understanding single-sector concentration

- Single-sector strategies can limit a portfolio's flexibility because they depend heavily on the performance of one market, offering fewer potential opportunities for active managers to diversify or pivot.
- In volatile or stressed markets, this concentration limits the ability to shift investments to different sectors that may offer better liquidity, higher yields or stronger fundamentals – heightening portfolio risk relative to diversified approaches.
- Recently, there has been significant growth in single-sector investment products, and one worth highlighting is Collateralized Loan Obligations (CLOs). CLOs are sometimes misleadingly categorized as "cash alternatives" or "low-risk" short-term investments. However, it's crucial to remember that all investments carry inherent risks and can lose value.
- PIMCO has deep CLO expertise as a historically prominent investor in the asset class. We view CLOs as a valuable tool within a multi-sector strategy toolkit, but they are just one of many available opportunities available to build a well-rounded liquidity management portfolio.

The potential risks of single-sector CLO-concentrated strategies

Distinctive risk profiles: CLOs, even AAA-rated tranches, have fundamentally different risk profiles than money market funds and other traditional short-term investments and **should not** be conflated with cash equivalents.

Concentration generally magnifies risks: Single-sector CLO strategies may expose investors to risks specific to that market, including but not limited to:

- Liquidity constraints during periods of elevated market volatility relative to cash-equivalent alternatives
- Embedded optionality that can impact returns (e.g. extension risk, callability, reinvestment flexibility, and prepayment variability)

Over the 30+ year history of CLOs, investment grade tranches, particularly those rated AAA, have performed well without experiencing defaults.[2] However, although AAA CLOs have not experienced defaults, concentrated single-sector strategies can result in losses in the event of forced selling during broader market and sector-specific downturns.

PIMCO multisector opportunity set[3]

Government-related
- Treasuries
- Agencies
- Repurchase agreements

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Corporate
- Commercial paper
- Investment grade bonds

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Securitized
- Asset-backed securities (ABS)
- Collateralized loan obligations (CLOs)
- Mortgage-backed securities (MBS)

SOURCE: PIMCO
For illustrative purposes only.

[2] The AAA tranche of a CLO has never taken a loss in the 30+ year history of the product.

[3] Multisector portfolios may invest across different fixed income sectors, such as government securities, corporate bonds, and securitized credit – in an effort to balance capital preservation, maintain liquidity, and pursue yield enhancement opportunities.

The value of PIMCO's multisector short-term strategy

PIMCO considers CLOs as **one potential component** within our broader multisector short-term strategies, rather than as a standalone allocation. We believe this approach helps to:

1. **Benefit from sector-specific attributes** while maintaining diversification. This includes CLO attributes such as historical structural protections and floating rate characteristics.
2. **Reduce concentration risk** by diversifying across multiple fixed income sectors, and aiming to prevent over-reliance on any single market segment.
3. **Maintain appropriate risk profiles** by seeking to disaggregate risks and reduce overall portfolio volatility.

Why PIMCO for short-term investments

Strong expertise and scale

With nearly 40 years of managing short-term strategies, PIMCO oversees more than $284 billion in short duration securities and over $129 billion in dedicated mandates.[4]

Specialized portfolio managers

Our global team comprises 24 dedicated short-term portfolio managers, with 13 focused on U.S. short-term fixed income markets.[4]

Diversified, balanced approach

PIMCO's multisector strategy aims to mitigate risk, emphasize portfolio stability, and pursue great return potential over passive or single-sector strategies.

[4] PIMCO as of 31 March 2025

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IMPORTANT NOTICE

Please note that the following 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.

Past performance is not a guarantee or a reliable indicator of future results.

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha. **Cash equivalents** are defined as any security with a duration less than one year. **Duration** is the measure of a bond's price sensitivity to interest rates and is expressed in years. **Government related** may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.

A word on risk: All investments contain risk and may lose value. 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. **Collateralized Loan Obligations (CLOs)** involve a high degree of risk and are intended for sale to qualified investors only. The amount of distributions, if any, on CLOs will be affected by, among other things, the timing of purchases of loans, rates of repayment of or distributions on the underlying assets, the timing of reinvestment in substitute underlying assets and the interest rates available at the time of reinvestment. Investments in subordinated tranches of CLOs often represent highly leveraged investments in the underlying assets, and may lose all or a significant portion of their value, even if other tranches of the CLO do not. CLOs are typically illiquid, and holders may not be able to sell these securities at an attractive time or price, or at all. CLOs are also exposed to risks such as credit, default, liquidity, management, volatility, interest rate and credit risk. **Mortgage and asset-backed securities** 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. **U.S. agency mortgage-backed securities** issued by Ginnie Mae (GNMA) are backed by the full faith and credit of the United States government. Securities issued by Freddie Mac (FHLMC) and Fannie Mae (FNMA) provide an agency guarantee of timely repayment of principal and interest but are not backed by the full faith and credit of the U.S. government. **Sovereign securities** are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. **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. **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. Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha. **Diversification** does not ensure against loss. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy.

The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The Quality ratings of individual issues/issuers are provided to indicate the credit worthiness 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.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. 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 the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

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