PIMCO

PIMCO Corporate Bond Ladder Managed Account

Available via Premium Access Strategies (PAS). Exclusively for Merrill Advisors

Highlights

- Employs PIMCO's independent credit rating system, which aims to identify compelling opportunities, or unappreciated risk that may not be appreciated by markets
- Seeks to improve market access and pricing on trades based on PIMCO's institutional presence
- Invests in portfolio of corporate bonds with an average credit quality of BBB or higher[1]
- Minimum Account Size: $500,000

This managed account aims to deliver a source of predictable income while preserving capital by investing in investment grade corporate bonds with laddered maturities of 1–5, 1–11, 3–8 and 3–11 years

Portfolio Construction

PIMCO Corporate Bond Ladder portfolios are constructed using investment grade corporate bonds with laddered maturities of 1–5, 1–11, 3–8 and 3–11 years.

Investment Process

PIMCO's global team of credit analysts and asset experts conduct independent, in-depth analysis to uncover relative value across public and private markets globally. This helps us identify both upgrade and downgrade candidates, which may not be priced into markets.

Because PIMCO maintains relationships with more than 30 dealers, we may be able to improve market access and pricing on trades based on our institutional presence, which may lead to better execution for investors.[2]

Importantly, although the portfolios are primarily buy-and-hold-to-maturity strategies, we can sell and replace a bond if our view on the forward-looking credit profile of the issuer is no longer positive. Combined with our unique approach to ongoing credit surveillance, this helps us play both defense, by seeking to avoid defaults and severe downgrades, and offense, by seeking to add risk-adjusted yield.

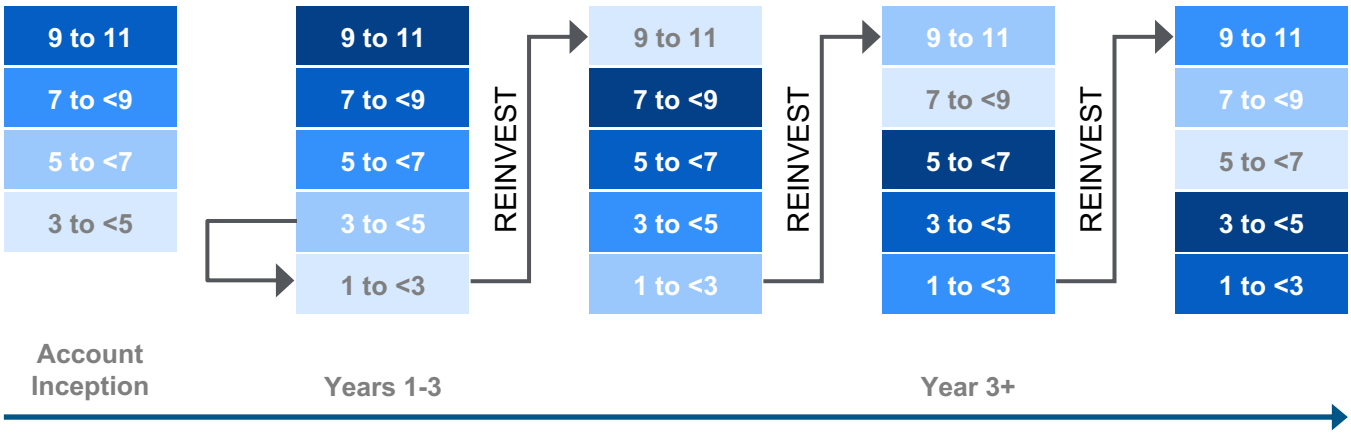
1 As determined by the securities held in a portfolio. The portfolio is not independently rated by a Nationally Recognized Securities Rating Organization. Quality ratings generally will be applied using the higher of Moody's, Standard & Poor's, or Fitch.

2 There is no guarantee that PIMCO will be successful in securing improved pricing or execution

THE MECHANICS OF CORPORATE BOND LADDERS

A ladder is a portfolio of bonds that mature at regular intervals, typically in annual increments. As a bond matures, the principal is typically reinvested in the longest maturity at the end of the ladder – as shown in the chart below, which uses the PIMCO 3–11 Year Corporate Bond Ladder as an example. This approach seeks to generate a predictable income stream and relatively low sensitivity to rising rates.

The mechanics of bond ladders (sample 3–11-year strategy)



No bonds purchased in 0–3-year range

Bonds roll down the curve. As cash from coupon payments accumulates, or if a client makes a cash deposit, additional bonds will be purchased.

After Year 3, bonds start maturing. Proceeds from maturing bonds are typically reinvested in the 8–11-year range. Bonds continue to roll down and generate income.

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

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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 is all-inclusive of advisory, trading, custodial and administrative fees. Actual fees will vary by client. 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.

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. Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. 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- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its 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. **Diversification** does not ensure against loss. Investors should consult their investment professional prior to making an investment decision.

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.

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.

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

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