PIMCO

PIMCO Low Duration ESG Fund

Quarterly Investment Report | 1Q24

IMPORTANT NOTICE
Please note that this material 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.

Executive summary

Portfolio Performance

The Fund's spread strategies contributed to relative performance, while duration and currency strategies detracted from relative performance over the quarter.

CONTRIBUTORS

- Select holdings of securitized credit
- Holdings of Agency MBS
- Holdings of investment grade corporate credit

DETRACTORS

- US duration positioning
- Long currency exposure to the Japanese yen

Performance periods ended 31 Mar '24	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	0.77	3.92	4.54	0.28	1.55	1.64	3.87
Fund after fees	0.64	3.67	4.01	-0.22	1.04	1.13	3.36
Benchmark*	0.30	2.80	2.97	0.08	1.16	1.07	2.81

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month end, visit pimco.com or call 888.87.PIMCO.

Portfolio strategy

- Underweight headline duration: Hold moderate duration and continue to favor U.S. rate exposures over other developed markets
- Corporate Credit: Favor bottom up security selection in corporate credit to find attractive opportunities and actively limit exposure to generic corporate beta.
- Selectively allocate to high quality spread sector: Emphasize opportunities within securitized credit, as a diversifier to corporate credit
- Green / Social Bonds: We continuously seek to identify attractively priced green bonds to address climate change and social issues.

Class:	**INST**
Inception date:	**31 Dec '96**
Fund assets (in millions):	**$323.19**
Gross expense ratio:	**0.52%**
Adjusted expense ratio:	**0.50%**

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.

Summary information	31 Mar '24
30-day SEC yield	4.60%
Distribution yield	3.21%
Effective duration (yrs)	1.56
Benchmark duration - provider (yrs)	1.83
Benchmark duration - PIMCO (yrs)	1.83
Effective maturity (yrs)	1.58
Average coupon	3.87%
Net currency exposure	0.75%
Tracking error (10 yrs)	1.20
Information ratio (10 yrs)	0.06

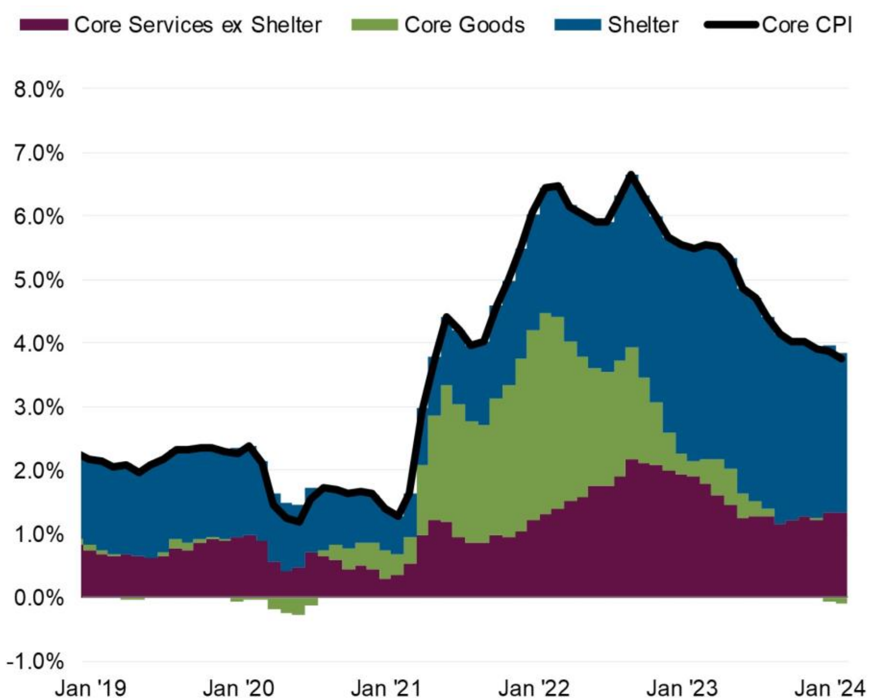
Sector allocation	Dur. (yrs)	MV
US Government Related	0.16	62.18%
Securitized	1.28	27.02%
Invest. Grade Credit	0.22	13.10%
High Yield Credit	0.01	0.46%
Non-USD Developed	-0.21	1.99%
Emerging Markets	0.02	0.59%
Other	0.02	1.03%
Net Other Short Duration Instruments	0.06	-6.36%
Total	**1.56**	**100%**

*ICE BofAML 1-3 Year U.S. Treasury Index

Quarter in Review

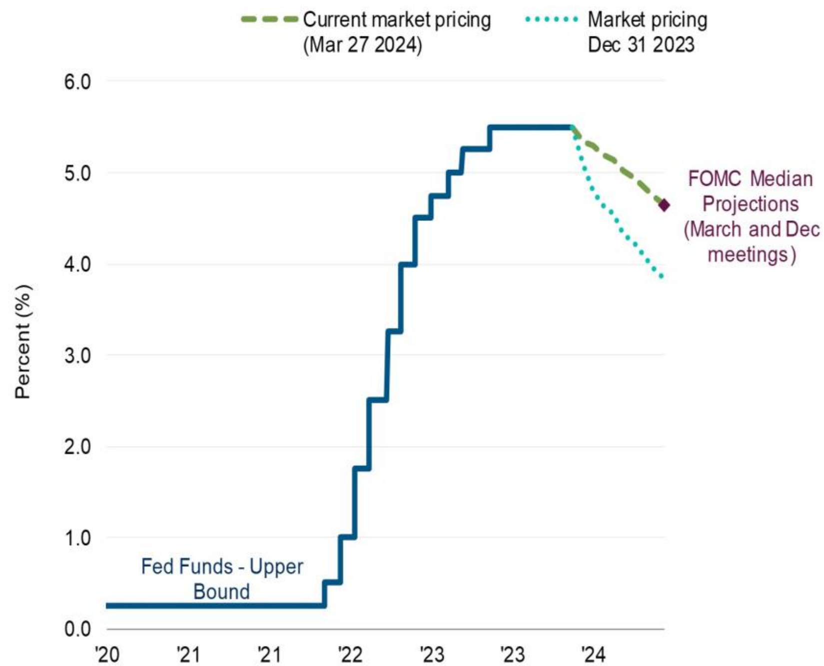
Persistent inflation pushed yields and year-end rate projections higher

A perceived "last mile" problem in the Fed's battle against inflation led bond markets to retrace their Q4'23 rally and bring expectations for 2024 cuts in line with the Fed's dot plot. Risk sentiment remained robust despite the possibility of "higher-for-longer" rates, with the MSCI World finishing the quarter up 9.01% and credit spreads broadly tightening. The Fed paused once again and maintained its forecast for three 25-basis-point rate cuts in 2024. Global developed central banks largely followed suit, with both the ECB and BoE leaving rates on hold. Meanwhile, in Japan, the BoJ raised its policy rate for the first time since 2007, marking the end of negative interest rate policies.



Inflation in the U.S. remained sticky over the quarter, driven by core services, highlighting the "last mile" problem that the Fed is facing in its attempts to return inflation to 2%.

Source: Haver



Persistent inflationary pressures saw bond markets retrace their Q4'23 rally, with market pricing now in line with the Fed's median dot plot projection for year end 2024 (which remained unchanged relative to December projections).

Source: Bloomberg

Market Summary

Q1'24: Inflation rebound

The Fund's spread strategies contributed to relative performance, while duration and currency strategies detracted from relative performance over the quarter.

Developed market debt

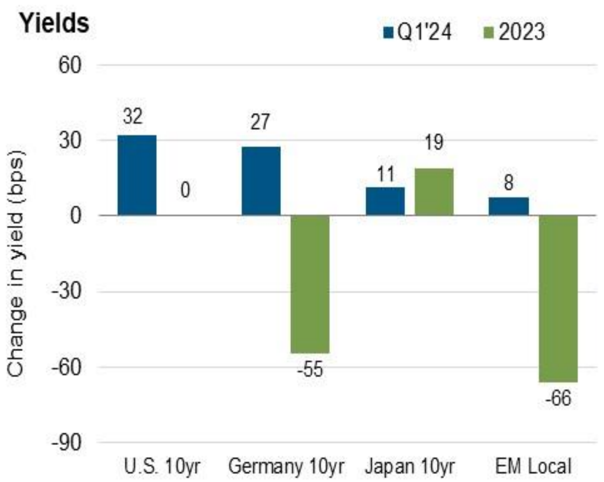
Yields rose broadly across developed markets as inflation remained firm and economic activity robust, particularly in the U.S. While central banks generally held policy rates steady, including in the U.S., U.K., and Europe, dovish remarks from officials bolstered risk sentiment even as investors adjusted expectations for rate cuts in 2024. In Japan, the BoJ hiked rates for the first time in 17 years, ending its negative interest rate policy.

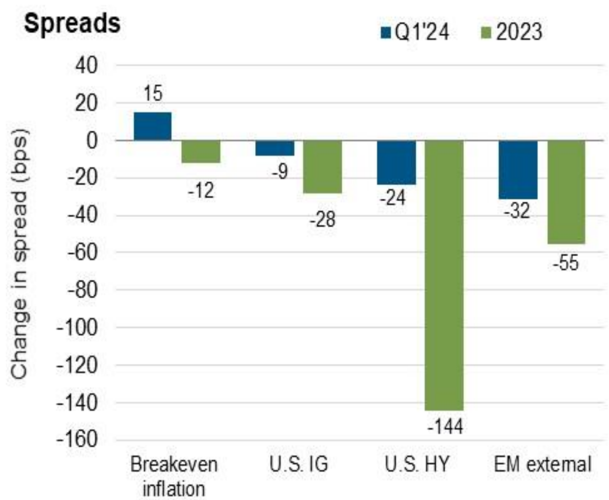
Credit

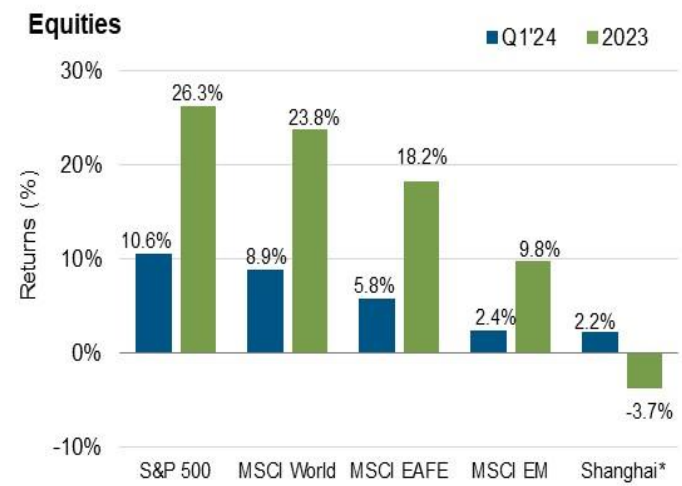
U.S. investment grade credit[1] spreads tightened 8 bps, ending the quarter at 85 bps. The sector returned -0.41%, outperforming like-duration treasuries by 0.83%. Credit spreads continued to tighten amid strong earnings results and heavy issuance to start the year.

Equities

Developed market equities[2] rose 8.9% in the first quarter of 2024 driven by optimism around interest rate cuts, easing inflationary pressures, and economic growth.







Source: U.S. 10yr, Germany 10yr, Japan 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); U.S. investment grade credit (Bloomberg U.S. Credit Index); U.S. high yield credit (ICE BofA High Yield Constrained Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); S&P 500 (S&P 500 Total Return Index); MSCI EAFE (MSCI EAFE Net Total Return USD Index); MSCI EM (MSCI Emerging Net Total Return USD Index); *Shanghai (Shanghai Stock Exchange Composite Index).

1: Bloomberg US Credit Index

2: MSCI World Index

Investment implications:
Opportune time to consider going active in global fixed income

Look global	Greater-than-usual focus on bond markets outside of the U.S.
Lock in elevated yields	Intermediate maturities can offer a “sweet spot” with markets expecting cash rates to fall
Favor high quality	Up-in-quality bias in both public and private credit markets
Go active	Differentiated macro paths present compelling opportunities for active investors

Source: PIMCO

Portfolio Outlook

Strategic outlook

Higher savings balances and a slower pass-through of monetary policy in the U.S. relative to other developed markets could, in our view, keep inflation above the Fed's 2% target over the cyclical horizon. We still expect the Fed to start normalizing policy at midyear, similar to other DM central banks; however, the Fed's subsequent rate-cutting path could be more gradual. Additionally, we believe that an economic soft landing is achievable, but both recessionary and inflationary risks remain elevated in the aftermath of unprecedented global shocks to supply and demand.

Key strategies

Duration

- The fund is underweight headline duration, though we maintain our preference for U.S. duration and favor international hedges in regions where yields look rich, particularly Japan.
- Limit headline interest rate risk as market expectations for 2024 rate cuts are currently in line with the Fed's dot plot.

Corporate Credit

- Favor bottom up security selection in corporate credit to find attractive opportunities and actively limit exposure to generic corporate beta
- Maintain defensive, tactical positioning to minimize overall credit risk in the portfolio.

Securitized Credit

- Emphasize risk and liquidity management to appropriately size select opportunities in securitized credit including ABS, CMBS, and CLOs
- Diversifier to generic corporate credit as we expect weakening of the economy into the first half of the year

ESG

- We are focusing on security selection with a bias toward high quality, liquid names, and avoiding sectors with structural challenges from an ESG perspective, such as the oil industry
- We continuously seek to identify attractively priced green bonds to address climate change issues and support leading environmental practices

Source: PIMCO

Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	31 Dec '23	31 Mar '24	31 Dec '23	31 Mar '24	31 Mar '24	31 Mar '24
US Government Related	56.88	62.18	0.05	0.16	100.00	1.83
Government - Treasury	48.43	55.50	-0.04	0.20	100.00	1.83
US Agency	7.34	7.65	0.12	0.11	-	-
Swaps and Liquid Rates	1.11	-0.97	-0.04	-0.16	-	-
Securitized*	26.91	27.02	1.20	1.28	-	-
Invest. Grade Credit	13.28	13.10	0.24	0.22	-	-
High Yield Credit	0.44	0.46	0.01	0.01	-	-
Non-USD Developed	2.31	1.99	-0.21	-0.21	-	-
Emerging Markets**	0.51	0.59	0.02	0.02	-	-
Bonds and Other Long Duration Instruments	0.55	0.58	0.02	0.02	-	-
EM Short Duration Instruments	-0.04	0.01	-0.00	-0.00	-	-
Other***	4.03	1.03	0.02	0.02	-	-
Net Other Short Duration Instruments****	-4.37	-6.36	0.30	0.06	-	-
Commingled Cash Vehicles	0.00	0.00	0.00	0.00	-	-
Certificate of Deposit/Commercial Paper/STIF	0.26	0.42	-0.00	-0.00	-	-
Government Related	10.45	0.93	0.06	0.00	-	-
MBS/ABS	17.69	18.25	0.02	0.02	-	-
Credit	1.34	1.40	0.01	0.00	-	-
Bankers Acceptance	0.00	0.00	0.00	0.00	-	-
Other***	0.59	11.46	0.02	0.01	-	-
Short Duration Derivatives and Derivative Offsets	-37.16	-40.71	0.20	0.03	-	-
Net Unsettled Trades	2.47	1.88	0.00	0.00	-	-
Total	**100**	**100**	**1.63**	**1.56**	**100**	**1.83**

*Securitized includes Agency MBS, non-Agency MBS, CMBS, ABS, CDO, CLO, and Pooled Funds.

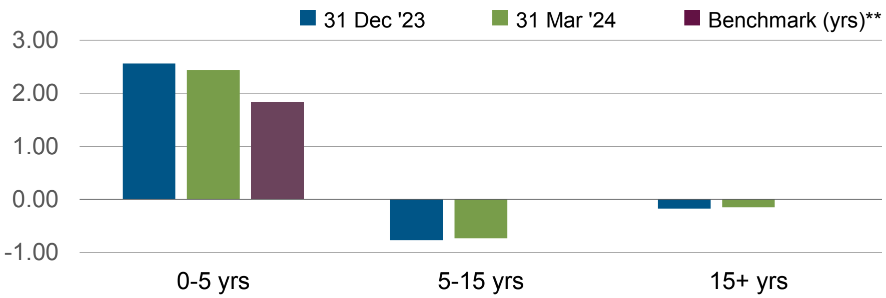
**Emerging markets instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Emerging Markets includes the value of short duration emerging markets instruments previously reported in another category.
***Investment vehicles not listed, allowed by prospectus.

****Net Other Short Duration Instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category.

Benchmark: ICE BofAML 1-3 Year U.S. Treasury Index

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
0-5 yrs	2.56	2.44	1.83
5-15 yrs	-0.77	-0.73	0.00
15+ yrs	-0.17	-0.15	0.00
Total	**1.62**	**1.56**	**1.83**

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	31 Dec '23	31 Mar '24	31 Mar '24
Effective duration	1.62	1.56	1.83
Bull market duration	1.48	1.40	1.84
Bear market duration	1.83	1.67	1.83
Spread duration			
Mortgage spread duration	1.74	1.75	0.00
Corporate spread duration	0.33	0.29	0.00
Emerging markets spread duration	0.07	0.05	0.00
Swap spread duration	-0.08	-0.36	0.00
Covered bond spread duration	0.00	0.00	0.00
Sovereign related spread duration	0.14	0.12	0.00

Derivative exposure (% of duration)

	31 Dec '23	31 Mar '24
Government futures	-19.23	-9.25
Interest rate swaps	-17.40	-24.08
Credit default swaps*	0.00	0.00
Purchased swaps	0.00	0.00
Written swaps	0.00	0.00
Options	0.75	-2.31
Purchased Options	0.00	-3.40
Written Options	0.75	1.09
Mortgage Derivatives	0.67	0.67
Money Market Derivatives	11.27	2.66
Futures	4.49	0.00
Interest rate swaps	6.78	2.66
Other Derivatives	0.00	0.00

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: ICE BofAML 1-3 Year U.S. Treasury Index

Country and currency exposure

Country exposure by currency of settlement

	31 Dec '23		31 Mar '24	
	Duration (yrs)	**FX (%)**	**Duration (yrs)**	**FX (%)**
United States	**1.75**	**98.38**	**1.75**	**99.25**
Japan	**-0.26**	**0.85**	**-0.25**	**-0.00**
Eurozone	**0.04**	**0.02**	**0.02**	**0.09**
Euro Currency	0.00	0.02	0.00	0.09
European Union	0.02	0.00	0.01	0.00
Italy	0.01	0.00	0.00	0.00
Netherlands	0.01	0.00	0.01	0.00
United Kingdom	**0.00**	**0.09**	**-0.00**	**0.01**
Europe non-EMU	**0.00**	**0.01**	**0.00**	**0.01**
Switzerland	0.00	0.01	0.00	0.01
Dollar Block	**0.07**	**-0.02**	**0.02**	**-0.04**
Australia	0.00	0.01	0.00	0.01
Canada	0.00	0.01	0.00	0.01
New Zealand	0.07	-0.04	0.02	-0.05
Other Industrialized Countries	**0.00**	**0.00**	**0.00**	**0.00**
EM - Asia	**-0.00**	**-0.04**	**-0.00**	**-0.04**
China	-0.00	-0.01	-0.00	-0.01
Indonesia	-0.00	-0.03	-0.00	-0.03
EM - Latin America	**0.01**	**0.68**	**0.01**	**0.66**
Brazil	0.01	0.61	0.01	0.58
Mexico	0.00	0.07	0.00	0.09
EM - CEEMEA	**0.01**	**0.05**	**0.01**	**0.06**
South Africa	0.01	0.05	0.01	0.06
Total	**1.62**	**100**	**1.56**	**100**

Emerging markets exposure by country of risk

	31 Dec '23			31 Mar '24		
	% of MV short duration Instruments	**% of MV bonds**	**Duration (yrs)**	**% of MV short duration Instruments**	**% of MV bonds**	**Duration (yrs)**
Brazil	-0.03	0.00	0.00	0.00	0.00	0.00
India	0.00	0.55	0.02	0.00	0.58	0.02
Indonesia	0.03	0.00	0.00	0.00	0.00	0.00
Mexico	-0.02	0.00	0.00	0.00	0.00	0.00
South Africa	-0.02	0.00	0.00	0.01	0.00	0.00
Total	**-0.04**	**0.55**	**0.02**	**0.01**	**0.58**	**0.02**

Additional share class performance

PIMCO Low Duration ESG Fund (net of fees performance)

Performance periods ended: 31 Mar '24	Gross expense ratio	Net expense ratio	Adjusted expense ratio	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Class I-2	0.62	-	0.60	USD	19 Nov '10	0.62	3.61	3.91	-0.32	0.94	1.03	3.25
Class INST	0.52	-	0.50	USD	31 Dec '96	0.64	3.67	4.01	-0.22	1.04	1.13	3.36
ICE BofAML 1-3 Year U.S. Treasury Index						0.30	2.80	2.97	0.08	1.16	1.07	2.81

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.

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For the periods prior to the inception date of a share class, performance information is based on the performance of the Fund's oldest class shares, adjusted to reflect the fees and expenses paid by that class of shares.

Important Disclosures

This material is authorized for use only when preceded or accompanied by the current PIMCO funds prospectus or summary prospectus, if available.

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, 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. The minimum initial investment for Institutional, I-2, I-3 and Administrative class shares is $1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

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.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index.

Investments made by a Fund and the results achieved by a 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. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

A word about risk: Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, call risk, 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 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. **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. **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. **Diversification** does not ensure against loss. A Fund's **ESG investing strategy** may select or exclude securities of certain issuers for reasons other than financial performance. Such strategy carries the risk that the Fund's performance will differ from similar funds that do not utilize an ESG investing strategy. For example, the application of this strategy could affect the Fund's exposure to certain sectors or types of investments, which could negatively impact the Fund's performance. **ESG investing is qualitative and subjective by nature**, and there is no guarantee that the factors utilized by PIMCO or any judgment exercised by PIMCO will reflect the opinions of any particular investor, and the factors utilized by PIMCO may differ from the factors that any particular investor considers relevant in evaluating an issuer's ESG practices. In evaluating an issuer, PIMCO is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, or present conflicting information and data with respect to an issuer, which in each case could cause PIMCO to incorrectly assess an issuer's business practices with respect to its ESG practices. Socially responsible norms differ by region, and an issuer's ESG practices or PIMCO's assessment of an issuer's ESG practices may change over time. There is no assurance that the ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results.
Green Bonds are those issues with proceeds specifically earmarked to be used for climate and environmental projects. **Social Bonds** are use-of-proceeds bonds earmarked to finance new and existing projects or activities with positive social impacts.

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Important Disclosures

PIMCO Low Duration ESG Fund is a diversified portfolio of short- and intermediate-term bonds that is actively managed to maximize return in a risk-controlled framework while focusing on environmental-, social-, and governance oriented (ESG) principles.[1] Please see the Fund's prospectus for more detailed information related to its investment objectives, investment strategies and approach to ESG.

[1] The Fund considers ESG factors to choose securities that comprise the fund and to proactively engage with issuers to realize ESG-objectives. Environmental ("E") factors can include matters such as climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include how an issuer manages its relationships with individuals, such as its employees, shareholders, customers and its community. Governance ("G") factors can include how an issuer operates, such as its leadership, pay and incentive structures, internal controls, and the rights of equity and debt holders.

Portfolio allocations and other information in the charts in this Quarterly Investment Report are based on the fund's net assets. These percentages may differ from those used for the fund's compliance calculations, including the fund's prospectus, regulatory, and other investment limitations and policies, which may be based on total assets of the fund or other measurements, may include or exclude various categories of investments from those covered in the portfolio allocation categories shown in this report, and may be based on different classifications and measurements of the fund's investments and other criteria. All funds are separately monitored for compliance with prospectus and regulatory requirements.

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.

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

The ICE BofAML 1-3 Year U.S. Treasury Index is an unmanaged index comprised of U.S. Treasury securities, other than inflation-protection securities and STRIPS, with at least $1 billion in outstanding face value and a remaining term to final maturity of at least one year and less than three years. It is not possible to invest directly in an unmanaged index.

The following defined terms are used throughout the report. Emerging market short duration instruments includes an emerging market security or other instrument economically tied to an emerging market country by country of risk with an effective duration less than one year and rated investment grade or higher or if unrated, determined to be similar quality by PIMCO. Net other short duration instruments includes securities and other instruments (except instruments tied to emerging markets by country of risk) with an effective duration less than one year and rated investment grade or higher or, if unrated, determined by PIMCO to be of comparable quality, commingled liquidity funds, uninvested cash, interest receivables, net unsettled trades, broker money and derivatives offset. With respect to certain categories of short duration securities, the Adviser reserves the discretion to require a minimum credit rating higher than investment grade for inclusion in this category. Short duration derivatives and derivatives offsets include: 1) derivatives with an effective duration less than one year and where the country of risk is not an emerging market country (for example, Eurodollar futures) and 2) offsets associated with investments in futures, swaps and other derivatives. Such offsets may be taken at the notional value of the derivative position which in certain instances may exceed the actual amount owed on such positions. Municipals/Other may include convertibles, preferred and yankee bonds.

The performance figures presented reflect the performance for the institutional class unless otherwise noted.

A note about Sector exposure: Other indicates swaps and securities issued in euros.

A note about Emerging markets exposure by country of risk: country of risk reflects the country of incorporation of the ultimate parent company.

PIMCO uses an internal model for calculating effective duration, which may result in a different value for the duration of an index compared to the duration calculated by the index provider or another third party.

Important Disclosures

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Important Disclosures

Acronyms and definitions of investment terms used throughout the report:

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.

Average coupon is the average of the coupon payments of the underlying bonds within the portfolio.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.

"Bend-but-not-break" refers to credits that PIMCO would not expect to default in a credit-stressed environment.

Beta is a measure of price sensitivity to market movements. Market beta is 1.

Breakeven inflation rate (or expectation) is a market-based measure of expected inflation or the difference between the yield of a nominal and an inflation-linked bond of the same maturity.

Carry is the rate of interest earned by holding the respective securities.

The terms **"cheap" and "rich"** as used herein generally refer to a security or asset class that is deemed to be substantially under- or overpriced compared to both its historical average as well as to the investment manager's future expectations. There is no guarantee of future results or that a security's valuation will ensure a profit or protect against a loss.

CPI is the Consumer Price Index.

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.

Dividend yield is represented by the weighted average coupon divided by the weighted average price.

Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years.

Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

Forward curve is a function graph that defines the prices at which a contract for future delivery or payment can be concluded today.

Fallen angel is a bond that was initially given an investment grade rating but has since been reduced to below investment grade status.

GFC is the Global Financial Crisis.

Information ratio is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns.

Like-duration Securities are calculated by the index provider by comparing the index return to a hypothetical matched position in the security.

LNG is Liquefied Natural Gas.

The **Option Adjusted Spread (OAS)** measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account. The OAS is the net spread over the swap curve that will on average be earned if the security is held to maturity.

Rising star is the term given to a bond that was rated high yield but has since been upgraded to investment grade.

"Risk assets" are any financial security or instrument that are likely to fluctuate in price.

Risk premia is the return in excess of the risk-free rate of return an investment is expected to yield.

Roll yield is the yield that a futures investor captures as their long position in a futures contract converges to the spot price.

"Safe haven" is an investment that is expected to retain or increase in value during times of market turbulence.

"Safe Spread" is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

The **SEC yield** is an annualized yield based on the most recent 30 day period. The subsidized yield includes contractual expense reimbursements and it would be lower without those reimbursements. The **Unsubsidized 30 day SEC Yield** excludes contractual expense reimbursements.

Tracking error measures the dispersion or volatility of excess returns relative to a benchmark.

To relate the price sensitivity of ILBs to changes in nominal yields, yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A **yield beta** of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.

The distribution yield for monthly paying Funds is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The distribution yield for quarterly paying Funds is calculated by taking the average of the prior four quarterly distribution yields. The quarterly distribution yields are calculated by annualizing actual dividends distributed for the quarterly period ended on the most recent quarterly distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Asset-Backed Security (ABS); Bank of England (BOE); Bank of Japan (BOJ); Breakeven Inflation (BEI); Collateralized Debt Obligation (CDO); Collateralized Loan Obligation (CLO); Commercial Mortgage-Backed Security (CMBS); Developed Markets (DM); Emerging Markets (EM); Federal Reserve Board (The Fed); Europe Central Bank (ECB); Federal Open Market Committee (FOMC); Foreign Exchange (FX); Gross Domestic Product (GDP); Gulf Cooperation Council (GCC); High Yield (HY); Inflation-Linked Bond (ILS); Investment Grade (IG); Leveraged-buyout (LBO); Loan-to-Value (LTV); Master Limited Partnership (MLP); Mortgage-Backed Security (MBS); Market Weighted Spread (MWS); Real Estate Investment Trust (REIT); Residential Mortgage-Backed Security (RMBS); Treasury Inflation-Protected Security (TIPS); Year-over-Year (YoY)

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