

P I M C O

# 2016 Annual IRC Report to Securityholders

*For the year ended December 31, 2016*

---

PIMCO CANADA FUNDS



## Chairwoman's Letter

---

March 24, 2017

Dear Securityholder:

The Independent Review Committee of the funds listed in Schedule A (collectively, the "PIMCO Canada Funds" or the "Funds" and individually, a "Fund") managed by PIMCO Canada Corp. (the "Manager") is pleased to provide you with our annual report in accordance with National Instrument 81-107 (NI 81-107) for the period from January 1, 2016 to December 31, 2016.

The IRC was formed pursuant to NI 81-107 and became operational on December 17, 2010. The IRC was comprised of three members, all of whom are independent of the Manager and its affiliated companies.

The IRC's mandate is to review conflict of interest matters identified and referred to it by PIMCO Canada and to give its approval or recommendation, depending on the nature of the conflict of interest matter. A "conflict of interest matter" arises where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager's ability to act honestly, in good faith and in the best interest of the Funds. The IRC's objective is to determine whether the Manager's proposed action achieves a fair and reasonable result for the Fund.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the Manager's policies and procedures relating to conflict of interest matters in respect of the Funds, and conducts a self-assessment of the IRC's independence, effectiveness and compensation. The IRC also reviews annually the written charter that outlines its mandate, responsibilities and functions, and the procedures it will follow when performing its functions.

The IRC looks forward to continuing to work with the Manager in order to serve in the best interests of the PIMCO Canada Funds.

You may request a copy of this report at no charge by calling toll-free 1-877-506-8126 (416 506-8187 in Toronto), by emailing the Manager at [infocanada@pimco.com](mailto:infocanada@pimco.com) or visiting [www.canada.pimco.com](http://www.canada.pimco.com) or [www.sedar.com](http://www.sedar.com).

Sincerely,



Karen Fisher

Chair of the Independent Review Committee

---

## Reporting Period

The Independent Review Committee (“**IRC**”) for the funds listed in Schedule A (the “**Funds**”) managed by PIMCO Canada Corp. (the “**Manager**”) became operational on December 17, 2010. The information disclosed in this report covers the period beginning January 1, 2016 and ending December 31, 2016 (inclusively, the “**Period**”).

## Members of the Independent Review Committee (“**IRC**”)

The members of the IRC are listed below. All members of the IRC were appointed to the IRC on December 14, 2010.

NAME	RESIDENCE
Karen Fisher	Newcastle, Ontario
Margaret Isberg	Toronto, Ontario
Peter Copestake	Kingston, Ontario

The members of the IRC also serve as members of an independent review committee for the non-prospectused investment funds managed by the Manager.

Two members of the IRC serve as independent review committee members for other investment fund companies: Karen Fisher sits on the IRC for Wisdom Tree Canada ETFs, Harvest Portfolios and Excel Funds Management and Peter Copestake sits on the IRC for First Trust Portfolios Canada.

Since their appointment, there have been no changes in the composition or membership of the IRC. Having completed a self-assessment process, the IRC has concluded that none of the IRC members has any relationship that would cause a reasonable person to question the independence of any of the IRC members.

## Holdings of Securities

**Funds:** As at January 1, 2017, the percentage of each class or series of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

**Manager:** As at January 1, 2017, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager.

**Service Providers:** As at January 1, 2017, no member of the IRC beneficially owned, directly or indirectly, more than 10% of any class or series of voting or equity securities of any person or company that provides services to the Funds or the Manager.

## IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The compensation paid to the IRC during the Period was set by the IRC.

The aggregate compensation paid to the members of the IRC by all investment funds managed by PIMCO Canada for the Period was \$90,000. The amount of compensation paid was consistent with PIMCO Canada’s recommendation as to the appropriate level of compensation for the IRC members. Each Fund paid its share of this compensation pursuant to the Funds’ prospectus and Expense Allocation Policy.

The IRC reviews and determines its own compensation on an annual basis. In determining the appropriate amount of compensation, the IRC considers:

- 1) the Manager’s recommendations on reasonable compensation for the IRC;
- 2) the nature and extent of the work load of the IRC and the contribution made by each of its members;
- 3) the results of its annual assessment of compensation and effectiveness;
- 4) the benefit accruing to the Funds as a result of the IRC activity;
- 5) the best interests of the Funds;
- 6) the nature, number and complexity of the Funds;
- 7) industry practices and compensation data related to other Canadian IRC’s in comparable circumstances during the relevant time period.

The members of the IRC were not paid any indemnities by the Funds during the Period.

---

## Conflict of Interest Matters

NI 81-107 requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or recommendation, depending on the nature of the conflict of interest matter.

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval.

## Policies and Standing Instructions

Where appropriate, the IRC gives the Manager Standing Instructions which enable the Manager to act in a particular conflict of interest matter on a continuing basis provided the Manager complies with its policies and procedures established to address that conflict of interest matter and reports periodically to the IRC on the matter.

During the period, the Manager relied upon Standing Instructions with respect to the conflict of interest matters addressed by certain of the policies.

## Compliance

No conflict of interest matters, aside from the matters addressed by Standing Instructions, were brought to the IRC for recommendation or approval during the Period.

Schedule B sets out the list of conflicts identified to the IRC during the period and the name of the Manager's policy that the IRC reviewed and provided its recommendations for the Manager to follow.

The IRC is not aware of any instance where the Manager acted contrary to its recommendations or did not follow the applicable policies and procedures in all material respects.

## Schedule A

### Funds covered by this report

#### PIMCO Canada Funds

PIMCO Canadian Short Term Bond Fund

PIMCO Canadian Total Return Bond Fund

PIMCO Canadian Real Return Bond Fund (terminated as of June 15, 2016)

PIMCO Monthly Income Fund (Canada)

PIMCO Global Advantage Strategy Bond Fund (Canada)

PIMCO Unconstrained Bond Fund (Canada)

PIMCO Investment Grade Credit Fund (Canada)

PIMCO Balanced Income Fund (Canada)

PIMCO Global Income Opportunities Fund

## Schedule B

### Conflict of Interest Matter

### Related Policy and Procedure

1. Allocation of securities amongst the funds	Trade allocation policy
2. Valuation of securities	Pricing policy
3. Best execution of portfolio transactions for the funds	Best execution policy
4. Gifts and entertainment	Gifts & entertainment policy
5. Frequent trading in fund securities	Market timing policy
6. Employee trading in securities	Code of ethics
7. Proxy voting and other corporate actions	Proxy voting policy & procedures
8. Allocation of operating expenses amongst the funds	Fund expense allocation policy
9. Correction of errors made in calculating net asset value	NAV errors and adjustments
10. Correction of trade errors	Trade error policy
11. Inter-fund trading	Cross trading policy
12 Mutual fund sales practices	Marketing materials and sales practices

#### Toronto

PIMCO Canada Corp  
199 Bay Street, Suite 2050  
Commerce Court Station  
P.O. Box 363  
Toronto, ON  
M5L 1G2  
416.368.3350

#### Hong Kong

---

#### London

---

#### Milan

---

#### Munich

---

#### Newport Beach (Headquarters)

---

#### New York

---

#### Rio de Janeiro

---

#### Singapore

---

#### Sydney

---

#### Tokyo

---

#### Zurich

---

[pimco.ca](http://pimco.ca)