

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the short form base shelf prospectus dated January 16, 2023 to which it relates, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated January 16, 2023 from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from PIMCO Canada Corp. at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2 and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

January 20, 2023

**PROSPECTUS SUPPLEMENT  
(TO THE SHORT FORM BASE SHELF PROSPECTUS DATED JANUARY 16, 2023)**

**PIMCO TACTICAL INCOME FUND**

**\$80,000,000  
Class A Units**

This prospectus supplement (the “**Prospectus Supplement**”) and the accompanying short form base shelf prospectus dated January 16, 2023 (the “**Shelf Prospectus**” and together with the Prospectus Supplement, the “**Prospectus**”) qualifies for distribution (the “**Offering**”) Class A units (the “**Units**”) having an aggregate market value of up to \$80,000,000 of PIMCO Tactical Income Fund (the “**Fund**”).

The Fund is a non-redeemable investment fund governed by the laws of the Province of Ontario pursuant to a master trust agreement dated February 26, 2014, as amended, between PIMCO Canada Corp. (the “**Manager**” or “**PIMCO Canada**”), State Street Trust Company Canada, as trustee of the Fund (the “**Trustee**”), and Stuart Graham, as settlor of the trusts (the “**Settlor**”), and an amended and restated supplemental trust agreement between the Manager, the Trustee and the Settlor dated September 25, 2020 (together, the “**Trust Agreement**”). The head office of the Fund is located at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2. PIMCO Canada is the manager, portfolio manager and promoter of the Fund. The Manager is responsible for creating, structuring, managing and promoting the Fund and providing portfolio management services to the Fund. The Manager has retained Pacific Investment Management Company LLC (“**PIMCO**” or the “**Sub-Adviser**”) to provide investment management services to the Fund. The Manager is a wholly owned subsidiary of PIMCO.

The Fund seeks to provide holders of Units (“**Unitholders**”) with current income as a primary objective and capital appreciation as a secondary objective, through various market cycles, by utilizing a dynamic asset allocation strategy among multiple sectors in the global credit markets, including corporate debt, mortgage-related and other asset-backed securities, government and sovereign debt, taxable municipal bonds, other fixed-, variable- and floating-rate income-producing securities of U.S. and global issuers, including emerging market issuers, and real estate-related investments.

The Fund has been created to invest in an actively managed portfolio (“**Portfolio**”) of (i) debt obligations and other income-producing securities and instruments of any type and credit quality with varying maturities and related derivatives, and (ii) real estate-related investments.

In accordance with the Fund’s investment objectives, the Fund intends to make monthly distributions to Unitholders. The Fund does not have a fixed monthly distribution amount and there can be no assurance that the Fund will make any distributions in any particular month. See “*Description of the Units – The Units – Distribution Policy*” in the Shelf Prospectus.

The issued and outstanding Units are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “PTI.UN”. On January 19, 2023, the closing price of the Units on the TSX was \$7.29 and the Net Asset Value per Unit (as defined herein) was \$7.69. The TSX has conditionally approved the listing of the additional Units offered under this Prospectus on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX.

The Fund has entered into an equity distribution agreement dated January 20, 2023 (the “**Distribution Agreement**”) with National Bank Financial Inc. (the “**Agent**”) pursuant to which the Fund may distribute Units from time to time

through the Agent, as agent, in accordance with the terms of the Distribution Agreement. Sales of Units, if any, under this Prospectus are anticipated to be made in transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 *Shelf Distributions* (“**NI 44-102**”), including sales made directly on the TSX or on any other existing trading market for the Units, as applicable, in Canada. The Units will be distributed at the market price prevailing at the time of the sale. As a result, prices at which Units are sold may vary as between purchasers and during the period of any distribution. In accordance with subsection 9.3(2) of National Instrument 81-102 *Investment Funds* (“**NI 81-102**”), the issue price of the Units will not (a), as far as reasonably practicable, be a price that causes dilution of the Net Asset Value (as defined herein) of the Fund’s other outstanding securities at the time of issue and (b) be a price that is less than 100% of the most recently calculated Net Asset Value per Unit. **There is no minimum amount of funds that must be raised under this Offering. This means that the Offering may terminate after raising only a portion of the Offering amount set out above, or none at all. See “Plan of Distribution”.**

The Fund will pay the Agent compensation for its services in acting as agent in connection with the sale of Units pursuant to the Distribution Agreement of up to 2.5% of the gross sale price per Unit sold (the “**Commission**”).

As agent, the Agent will not engage in any transactions to stabilize or maintain the price of the Units. No Agent, or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with such Agent or underwriter may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Units or securities of the same class as the Units distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Units that would result in the Agent or underwriter creating an over-allocation position in the Units. See “*Plan of Distribution*”.

An investment in the Units involves a degree of risk. It is important for a person making an investment in the Units to consider the particular risk factors that may affect the Fund. See the risk factors described on pages 20 to 47 of the Shelf Prospectus, which describe the Fund’s assessment of those risk factors, as well as the potential consequences to a holder of Units if a risk should occur. See “*Risk Factors*”.

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## **IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING SHORT FORM BASE SHELF PROSPECTUS**

This document is in two parts. The first part is the Prospectus Supplement, which describes certain terms of the Units that the Fund is offering and also adds to and updates certain information contained in the Shelf Prospectus and the documents incorporated by reference herein and therein. The second part is the Shelf Prospectus, which provides more general information, some of which may not apply to the Units offered hereunder.

If the description of the Units varies between this Prospectus Supplement and the Shelf Prospectus, you should rely on the information in this Prospectus Supplement.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund and of McCarthy Tétrault LLP, counsel to the Agent provided that on the date hereof (i) the Fund qualifies as a “mutual fund trust” as defined in the Tax Act, or (ii) the Units offered hereunder are listed on the TSX (or another “designated stock exchange” for purposes of the Tax Act), the Units would, if issued on the date hereof, be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), deferred profit sharing plan, registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”) or tax-free savings account (“**TFSA**”), each as defined in the Tax Act (collectively, “**Registered Plans**”).

Notwithstanding that Units may be qualified investments for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP, as the case may be, will be subject to an additional tax in respect of the Units held in such trust if such Units are a “prohibited investment” (as defined in the Tax Act) for such TFSA, RRSP, RRIF, RESP or RDSP. The Units will generally not be a “prohibited investment” for a TFSA, RRSP, RRIF, RESP or RDSP provided the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as the case may be, deals at arm’s length with the Fund for purposes of the Tax Act and does not have a “significant interest” (as defined in the Tax Act for the purposes of the prohibited investment rules) in the Fund. In addition, the Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for trusts governed by such TFSA, RRSP, RRIF, RESP or RDSP. Individuals who hold or intend to hold Units in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own tax advisers regarding the potential application of the prohibited investment rules to their particular circumstances.

Based on the current provisions of the Tax Act, the Units will be a qualified investment for a trust governed by a first home savings account (“**FHSA**”), as defined in the Tax Act, provided one of the requirements noted above in respect of Registered Plans is satisfied. The rules in respect of prohibited investments for a TFSA, RDSP, RRSP, RRIF or RESP will also apply to FHSAs and the holders thereof. Accordingly, holders of a trust governed by an FHSA should consult their own tax advisors to ensure that the Units would not be a prohibited investment for such accounts in their particular circumstances. The rules in the Tax Act applicable to FHSAs come into force on April 1, 2023.

### **FORWARD-LOOKING STATEMENTS**

Certain statements included in this Prospectus and the documents incorporated by reference herein constitute forward-looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions to the extent they relate to the Manager, the Sub-Adviser or the Fund. The forward looking statements are not historical facts but reflect the current expectations regarding future results or events including results of the Fund. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including but not limited to, the matters discussed under “Risk Factors” in the Prospectus.

These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The Fund does not undertake to update any forward-looking statement that is contained in this Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the Shelf Prospectus, solely for the purpose of the Offering. Other documents are also incorporated or deemed to be incorporated by reference into the Shelf Prospectus and reference should be made to the Shelf Prospectus for full particulars.

The following documents, filed with the securities commission or similar authority in each of the provinces and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) the annual information form of the Fund dated March 28, 2022 for the year ended December 31, 2021 (the “**Current AIF**”);
- (b) the annual audited financial statements of the Fund as at December 31, 2021 and December 31, 2020 and for the year ended December 31, 2021 and for the period from October 20, 2020 (commencement of operations) to December 31, 2020, and the report of the independent auditor thereon;
- (c) the annual management report of fund performance of the Fund for the year ended December 31, 2021;
- (d) the interim unaudited financial statements of the Fund as at and for the six-month periods ended June 30, 2022 and June 30, 2021, except for the notice of no auditor review of the interim financial statements on the cover page thereof, which is not incorporated by reference in this Prospectus; and
- (e) the interim management report of fund performance of the Fund for the period ended June 30, 2022.

All documents of the type referred to above, as well as any other documents of the type described in Item 11.1 of Form 44-101F1 to National Instrument 44-101 *Short Form Prospectus Distributions*, filed by the Fund with the securities regulatory authorities after the date of this Prospectus and during the term of this Prospectus shall be deemed to be incorporated by reference into and form an integral part of this Prospectus. In addition, pursuant to Companion Policy 44-102CP to NI 44-102, if the Fund disseminates a news release in respect of previously undisclosed information that, in the Fund’s determination, constitutes a “material fact” (as such term is defined under applicable Canadian securities laws), the Fund will identify such news release as a “designated news release” for the purposes of the Prospectus in writing on the face page of the version of such news release that the Fund files on SEDAR (any such news release, a “**Designated News Release**”), and any such Designated News Release shall be deemed to be incorporated by reference into the Prospectus only for the purposes of the Offering.

**Any statement contained in this Prospectus Supplement, the Shelf Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the Shelf Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement and the Shelf Prospectus to the extent that a statement contained in this Prospectus Supplement, or in any subsequently filed document which is or is deemed to be incorporated by reference in this Prospectus Supplement or the Shelf Prospectus, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus Supplement or the Shelf Prospectus except as so modified or superseded.**

When the Fund files a new annual information form, audited annual financial statements and related management report of fund performance with, and where required, they are accepted by, the applicable securities regulatory authorities during the time that this Prospectus Supplement is valid, the previous annual information form, audited annual financial statements and related management report of fund performance and all unaudited semi-annual financial statements and related management reports of fund performance for such periods filed prior to the

commencement of the Fund's financial year in which the new annual information form is filed will be deemed no longer to be incorporated by reference in this Prospectus Supplement for purposes of future offers and sales of Units under this Prospectus Supplement.

## INVESTMENT OBJECTIVES, STRATEGY AND RESTRICTIONS OF THE FUND

### Investment Objectives and Investment Strategy

The Fund seeks to provide Unitholders with current income as a primary objective and capital appreciation as a secondary objective, through various market cycles, by utilizing a dynamic asset allocation strategy among multiple sectors in the global credit markets, including corporate debt, mortgage-related and other asset-backed securities, government and sovereign debt, taxable municipal bonds, other fixed-, variable- and floating-rate income-producing securities of U.S. and global issuers, including emerging market issuers, and real estate-related investments.

The Fund has been created to invest in the Portfolio of (i) debt obligations and other income-producing securities and instruments of any type and credit quality with varying maturities and related derivatives, and (ii) real estate-related investments.

The Fund takes an opportunistic approach across global credit markets and seeks to take advantage of PIMCO's deep resources across the capital structure and liquidity spectrum in global credit markets. The Fund's investment strategies are designed to use the global credit opportunity set to generate attractive income, while maintaining diversification and limiting interest rate risk. The Fund focuses on what PIMCO considers to be "bend but don't break" credits with cash flow resilience across a wide range of economic scenarios. The Fund also seeks to utilize financing prudently, including when, in PIMCO's view, market conditions are favourable.

The net asset value of the Fund (the "**Net Asset Value**") on a particular date will be equal to the aggregate fair value of the assets of the Fund, less the aggregate fair value of the liabilities of the Fund expressed in Canadian dollars, as determined in accordance with the terms of the Trust Agreement. The net asset value per Unit on any day may be obtained by dividing the Net Asset Value of the Fund on such day by the number of Units then outstanding (the "**Net Asset Value per Unit**").

See "*PIMCO Tactical Income Fund – Investment Objectives and Investment Strategy*" in the Shelf Prospectus for further information regarding the Fund's investment strategies. Additional information with respect to the Fund's business is included in the Current AIF, interim and annual financial statements and the related management report of fund performance.

### Investment Restrictions

The Fund is subject to certain investment restrictions contained in the Trust Agreement that, among other things, limit the securities that the Fund may acquire for the Portfolio. The Fund's investment restrictions may not be changed without the approval of the Unitholders by an extraordinary resolution. In addition, the Fund is subject to the investment restrictions set out in NI 81-102 applicable to non-redeemable investment funds, except in respect of exemptions therefrom that it may obtain from time to time. For further information on the investment restrictions of the Fund, see "*Investment Restrictions*" in the Current AIF.

### Sub-Adviser to the Fund

PIMCO, a Delaware limited liability company and an affiliate of the Manager, serves as the Sub-Adviser for the Fund pursuant to the master investment sub-advisory agreement dated February 26, 2014, as amended on September 3, 2020, between the Manager and the Sub-Adviser. Subject to this agreement and to the supervision of the Manager, PIMCO has full investment discretion and makes all determinations with respect to the investment of the Fund's assets. PIMCO is located at 650 Newport Center Drive, Newport Beach, California 92660. As of December 31, 2022, PIMCO had approximately U.S.\$1.74 trillion in assets under management, including U.S.\$1.38 trillion in third-party client assets. These assets include approximately U.S.\$81.8 billion in assets (as of September 30, 2022) of clients contracted with Allianz Real Estate, an affiliate and wholly-owned subsidiary of PIMCO and PIMCO Europe GmbH.

## DETAILS OF THE OFFERING

This Prospectus qualifies for distribution Units having an aggregate market value of up to \$80,000,000. The issued and outstanding Units are listed on the TSX under the symbol “PTI.UN”. The attributes of the Units are described under “*Description of the Units*” in the Shelf Prospectus.

Sales of Units, if any, under this Prospectus are anticipated to be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the TSX or on any other existing trading market for the Units in Canada. The Units will be distributed at the market price prevailing at the time of the sale. As a result, prices at which Units are sold may vary as between purchasers and during the period of any distribution.

## CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Fund since June 30, 2022, the end of the most recent reporting period for the Fund, which have not been disclosed in the accompanying Shelf Prospectus or in the documents incorporated by reference therein, or elsewhere in this Prospectus Supplement.

The Fund may from time to time during the period that the Offering remains in effect, issue and sell Units under this Prospectus Supplement having an aggregate market value of up to \$80,000,000. See “*Plan of Distribution*”.

## USE OF PROCEEDS

The net proceeds from the Offering are not determinable at this time. The net proceeds of any given distribution of Units through the Agent in an “at-the-market distribution” will represent the gross proceeds after deducting the applicable compensation payable to the Agent under the Distribution Agreement and the expenses of the distribution. See “*Plan of Distribution*”.

The Fund intends to use the net proceeds of the Offering for investment purposes as described in the Shelf Prospectus under “*PIMCO Tactical Income Fund – Investment Objectives and Investment Strategy*”.

## PRIOR SALES

During the 12-month period before the date of this Prospectus Supplement, the Fund issued Units in connection with the Fund’s distribution reinvestment plan (the “**DRIP**”), as follows:

Date of Issuance	Type of Security	Reason for Issuance	Number of Securities Issued	Price per Security
January 14, 2022	Units	DRIP	18,357	\$9.46
February 14, 2022	Units	DRIP	1,160	\$9.31

## TRADING PRICES AND VOLUMES

The outstanding Units are listed and posted for trading on the TSX under the symbol “PTI.UN”. The following table sets forth, for the periods indicated, the reported high and low sale prices and the trading volume for the Units on the TSX.

<u>Month</u>	<u>High(\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
January 2022	10.59	9.63	394,382



<b>Month</b>	<b>High(\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
February 2022	9.72	9.00	671,577
March 2022	9.71	8.60	1,139,025
April 2022	9.19	8.01	776,544
May 2022	8.37	7.53	1,362,917
June 2022	8.32	7.51	949,058
July 2022	7.99	7.41	531,524
August 2022	8.11	7.67	602,446
September 2022	8.27	7.40	489,499
October 2022	7.80	6.80	654,096
November 2022	7.10	6.74	1,282,998
December 2022	7.44	6.81	1,521,322
January 1 – 19, 2023	7.40	6.94	520,704

On January 19, 2023 (the last day of trading prior to the date of this Prospectus Supplement), the closing price of the Units on the TSX was \$7.29. As at January 19, 2023 (the last date prior to the date hereof on which the Net Asset Value was calculated), the Net Asset Value per Unit was \$7.69.

#### **PLAN OF DISTRIBUTION**

The Fund has entered into the Distribution Agreement with the Agent under which the Fund may issue and sell from time to time Units having an aggregate market value of up to \$80,000,000 in each of the provinces and territories of Canada. Sales of Units, if any, will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made by the Agent directly on the TSX or on any other existing trading market for the Units, as applicable, in Canada. Subject to the pricing parameters in a placement notice, the Units will be distributed at the market price prevailing at the time of the sale. As a result, the price may vary as between purchasers and during the period of distribution. The Fund cannot predict the number of Units that the Fund may sell under the Distribution Agreement on the TSX or any other existing trading market for the Units in Canada, or if any Units will be sold.

The Agent will offer the Units subject to the terms and conditions of the Distribution Agreement on a daily basis or as otherwise agreed upon by the Fund and the Agent. The Fund will designate the maximum number of Units to be sold pursuant to any single placement notice to the Agent. In accordance with subsection 9.3(2) of NI 81-102, the issue price of the Units will not (a), as far as reasonably practicable, be a price that causes dilution of the Net Asset Value of the Fund’s other outstanding securities at the time of issue and (b) be a price that is less than 100% of the most recently calculated Net Asset Value per Unit. Subject to the terms and conditions of the Distribution Agreement, the Agent will use its commercially reasonable efforts to sell, on the Fund’s behalf, all of the Units requested to be sold by the Fund in a placement notice delivered to the Agent. The Fund may instruct the Agent not to sell Units if the sales cannot be achieved at or above the price designated by the Fund in a particular placement notice.

Either the Fund or the Agent may suspend the Offering upon proper notice to the other party. The Fund and the Agent each have the right, by giving written notice as specified in the Distribution Agreement, to terminate the Distribution Agreement in each party’s sole discretion at any time. Pursuant to the Distribution Agreement, the Offering will

terminate upon the earliest of: (i) February 16, 2025; (ii) the issuance and sale of all of the Units subject to the Distribution Agreement; and (iii) the termination of the Distribution Agreement as permitted therein.

The Fund will pay the Agent the Commission for its services in acting as agent in connection with the sale of Units pursuant to the Distribution Agreement. The amount of the Commission will be up to 2.5% of the gross sale price per Unit sold.

The Agent will provide written confirmation to the Fund no later than 2:00 p.m. (Toronto time) on the trading day immediately following the trading day on which it has made sales of the Units under the Distribution Agreement. Each confirmation will include the number of Units sold on such day, the average price of the Units sold on such day, the gross proceeds, the Commission payable by the Fund to the Agent with respect to such sales and the net proceeds payable to the Fund. The Agent will also assist the Fund with such other periodic reporting as may be reasonably requested by the Fund with respect to the sales of Units.

The Fund will disclose the number and average price of the Units sold under this Prospectus Supplement, as well as the gross proceeds, Commission and net proceeds from sales hereunder in the Fund's annual and semi-annual financial statements and management report of fund performance filed on SEDAR, for any periods in which sales of Units occur.

Settlement for sales of Units will occur, unless the parties agree otherwise, on the second trading day on the applicable exchange following the date on which any sales were made in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement. Sales of Units will be settled through the facilities of CDS Clearing and Depository Services Inc. or by such other means as the Fund and the Agent may agree.

The Fund has agreed in the Distribution Agreement to provide indemnification and contribution to the Agent against certain liabilities. In addition, the Fund has agreed to pay the reasonable expenses of the Agent in connection with the Offering, pursuant to the terms of the Distribution Agreement. The Agent and its affiliates will not engage in any prohibited transactions to stabilize or maintain the price of the Units in connection with any offer or sales of Units pursuant to the Distribution Agreement. No Agent, or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with such Agent or underwriter may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Units or securities of the same class as the Units distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Units that would result in the Agent or underwriter creating an over-allocation position in the Units.

This Prospectus qualifies the distribution of the Units offered hereunder in each of the provinces and territories of Canada.

The total expenses related to the commencement of the Offering to be paid by the Fund excluding the Commission payable to the Agent under the Distribution Agreement, are estimated to be approximately \$175,000.

The TSX has conditionally approved the listing of the Units offered under this Prospectus on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX.

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The distribution of this Prospectus and the offering and sale of the Units are also subject to certain restrictions under the laws of certain jurisdictions outside of Canada. The Agent has agreed that it will not offer for sale or sell or deliver Units in any such jurisdiction except in accordance with the laws thereof.

#### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agent, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder (as they may be amended from time to time, the "Tax Act") generally applicable to a purchaser who acquires Units pursuant to the Offering who is an individual (other

than a trust) and who, at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada, holds the Units acquired pursuant to the Offering as capital property, deals with the Fund at arm's length, is not affiliated with the Fund (a "**Holder**"). Generally, the Units will be considered capital property to a Holder provided that the Holder does not hold the Units in the course of carrying on a business of trading and dealing in securities and has not acquired them as an adventure or concern in the nature of trade. Certain holders whose Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have their Units, and every other "Canadian security" (as defined in the Tax Act) owned in the taxation year of the election and each subsequent year, deemed to be capital property. Such holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder that has entered or will enter into, with respect to the Units held by such Holder, a "derivative forward agreement" (as defined in the Tax Act). In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money to acquire Units.

This summary is based upon the facts set out herein, the current provisions of the Tax Act in force at the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing by it prior to the date hereof and certificates of the Manager as to certain factual matters. There can be no assurance that the Tax Proposals will be implemented in their current form or at all. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action, or changes in the administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations.

This summary also assumes that the Fund will comply at all times with its investment restrictions, including that (i) none of the issuers of the securities held by the Fund will be foreign affiliates of the Fund, (ii) none of the securities held by the Fund will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, and (iii) the Fund will not hold or make any investments that would result in the Fund being a "SIFT trust" for purposes of the Tax Act.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Units, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.**

### **Status of the Fund**

This summary is based on the assumptions that the Fund qualifies and will continue to qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, that the Fund has elected under the Tax Act to be a mutual fund trust from the date it was established and that the Fund will not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than property that would be "taxable Canadian property" within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition). If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the "**minimum distribution requirements**"). In this regard, the Manager intends to (i) cause the Fund to qualify as a unit trust throughout the existence of the Fund, and (ii) ensure that the Fund's undertaking conforms with the above-

mentioned restrictions for mutual fund trusts. The Manager has no reason to believe that the Fund will not comply with the minimum distribution requirements at all material times and the Manager intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust at all times.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. In addition, the Units will also be qualified investments provided they are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX). Based on the current provisions of the Tax Act, the Units will be qualified investments under the Tax Act for a trust governed by an FHSA provided one of the conditions discussed above in relation to Registered Plans is satisfied. The rules in the Tax Act applicable to FSAs come into force on April 1, 2023. See “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in a Registered Plan or FHSA.

### **Taxation of the Fund**

The Manager has advised counsel that the Fund has elected to have a taxation year that ends on December 15 of each calendar year.

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Manager has advised counsel that the Fund makes distributions to Unitholders as described under “Distribution Policy” and deducts, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year, other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

With respect to indebtedness, the Fund is required to include in its income for each taxation year all interest that accrues to it or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing its income for a preceding taxation year or was otherwise excluded from income and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund’s income for that or another taxation year and such interest will not be included in the proceeds of disposition for purposes of computing any capital gain or loss. Certain investments of the Fund may result in a deemed accrual or receipt of income even though the Fund will not receive the income on a current basis or in cash.

The Fund will enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rate on the date of the transaction determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund and there is sufficient linkage.

The Fund will derive income and capital gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid has not been deducted in computing the Fund’s income, and, in the case of income from property, does not exceed 15% of such income, the Fund may designate foreign source income in respect of a Holder so that such income and a corresponding portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Holder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund on income from property exceeds 15% of such income, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

Generally, subject to the DFA Rules discussed below, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities, including certain short sales of securities that are not “Canadian securities” (as defined in the Tax Act), except where such derivatives (or short sales) are used to hedge securities in the Fund’s Portfolio held on capital account and there is sufficient linkage, and will recognize such gains and losses for tax purposes at the time they are realized.

The derivative forward agreement rules in the Tax Act (the “**DFA Rules**”) target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain derivatives). If the DFA Rules were to apply to derivatives utilized by the Fund the gains in respect of which would otherwise be capital gains, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains. The Tax Act includes rules which clarify that the DFA Rules generally should not apply to currency hedges in relation to investments held on capital account.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act, which may include interest paid on money borrowed to invest in securities in the Portfolio. The Fund may deduct the costs and expenses of an offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

Any losses incurred by the Fund may not be allocated to Holders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules in the Tax Act.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition, net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase securities in the Portfolio with the objective of receiving income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Fund has also advised counsel that the Fund has elected under subsection 39(4) of the Tax Act so that, if applicable, all securities included in the Portfolio that are Canadian securities are deemed to be capital property to the Fund. Such an election will ensure that gains and losses realized by the Fund on the sale of Canadian securities are taxed as capital gains and capital losses.

The Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund, or a person affiliated with the Fund, acquires a property (a “substituted property”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund, or a person affiliated with the Fund, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the Portfolio in connection with the redemption of Units.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the disposition of securities in the Portfolio that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Fund to the extent and under the circumstances described in the Tax Act.

In certain circumstances, the deductibility of interest on money borrowed to invest in a trust or other entity may be reduced on a pro rata basis in respect of distributions from the trust or other entity that are a return of capital and that are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, it is possible that part of the interest payable by the Fund in connection with money borrowed to acquire certain securities held in the Portfolio could be non-deductible where such distributions have been made to the Fund, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Holders.

### **Taxation of Holders**

A Holder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Holder (whether in cash or in Units) in the taxation year. Amounts paid or payable by the Fund to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15. The non-taxable portion of the Fund's net realized capital gains for a taxation year paid or payable to a Holder in that taxation year, the taxable portion of which was designated to the Holder in that taxation year, will not be included in the Holder's income for the year. Any other amount in excess of the Holder's share of the Fund's net income for a taxation year paid or payable to the Holder in the year will not generally be included in the Holder's income, but will generally reduce the adjusted cost base of the Holder's Units. Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Unit and the Holder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, and (ii) the foreign source income of the Fund, as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act and, in the case of foreign source income, the related foreign taxes will be regarded as having been paid by the Holder for foreign tax credit purposes. Any loss incurred by the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

On the disposition or deemed disposition of a Unit, including on a redemption of a Unit, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (which do not include any amounts of capital gains made payable by the Fund to the Holder which represent capital gains realized by the Fund in connection with its disposition of assets in order to fund the redemption) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base to a Holder of a Unit, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all Units owned by the Holder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Holder of Units.

Pursuant to the Trust Agreement, the Fund may, in its discretion, determine what portion, if any, of the amount paid to a redeeming Holder on a redemption of Units is an allocation and designation to the Holder of net realized capital gains of the Fund that were realized by the Fund to facilitate the redemption of Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Holder, and therefore, the Holder's proceeds of disposition. Pursuant to recent amendments to the Tax Act, a taxable capital gain in respect of an amount so allocated and designated to a redeeming Unitholder may only be deductible to the Fund to the extent of one-half of the amount of the gain that would otherwise be realized by the Unitholder on the redemption of Units. Accordingly, the taxable component of distributions by the Fund to non-redeeming Unitholders could be greater than it would be in the absence of such amendments.

If, at any time, the Fund delivers a security held in its Portfolio to any Holder upon a redemption of a Holder's Units on the termination of the Fund, the Holder's proceeds of disposition of the Units will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received. The cost of any property distributed by the Fund in specie will generally be equal to the fair market value of such property at the time of the distribution less any amount that is deductible as interest accrued on such property to the date of distribution and not yet due. Such distributed property may or may not be a qualified investment for Registered Plans. If such distributed property is not a qualified investment for Registered Plans, such Registered Plans (and, in the case of certain Registered Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences.

One-half of any capital gain ("**taxable capital gain**") realized on the disposition of Units or a taxable capital gain designated by the Fund in respect of a Holder for a taxation year of the Holder will be included in the Holder's income and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year of the Holder must be deducted from taxable capital gains realized by the Holder in the taxation year or designated by the Fund in respect of the Holder for the taxation year in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Holder that is designated as net realized taxable capital gains as well as taxable capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

### **Taxation of Registered Plans**

Amounts of income and capital gains distributed by the Fund to a Registered Plan and capital gains realized by a Registered Plan on the disposition of Units are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for such Registered Plan. See "Income Tax Considerations – Status of the Fund". A Holder that is a Registered Plan will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any foreign tax that is deemed paid by the Registered Plan as a result of a designation by the Fund to the Registered Plan in respect of its foreign source income. See "Income Tax Considerations - Taxation of Unitholders". Holders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units are "prohibited investments" for a trust governed by a TFSA, RRSP, RRIF, RDSP or RESP, the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF or the subscriber of the RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Units will generally not be a "prohibited investment" for a trust governed by a TFSA, RRSP, RRIF, RDSP or RESP unless the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act or (ii) has a "significant interest" as defined in the Tax Act in the Fund. A holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Fund unless the holder, annuitant or subscriber, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, the Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for a TFSA, RRSP, RRIF, RDSP or RESP.

Based on the current provisions of the Tax Act, a trust governed by an FHSA will generally be subject to the qualified investment rules in the Tax Act applicable to Registered Plans. The rules in respect of prohibited investments for a TFSA, RDSP, RRSP, RRIF or RESP will also apply to FHSAs and the holders thereof. The rules in the Tax Act applicable to FHSAs come into force on April 1, 2023.

Holders, annuitants and subscribers should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be "excluded property" as defined in the Tax Act.

## **Tax Implications of the Fund's Distribution Policy**

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Holder who acquires Units, including on a distribution in the form of Units, may become taxable on the Holder's share of such income and gains of the Fund notwithstanding that such amounts will have been reflected in the price paid by the Holder for the Units. In particular, where a Unitholder acquires Units in a calendar year after December 15 of such year, such Unitholder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired. The consequences of acquiring Units late in a calendar year will generally depend on whether an additional distribution is necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax under Part I of the Tax Act.

Where the Fund realizes capital gains on the disposition of assets effected to fund the redemption price for Units tendered for redemption during a year, or has otherwise realized gains during the year prior to the time of redemption, such capital gains may be allocated or designated to Holders who hold Units of the Fund at the end of the year rather than to the redeeming Holders.

## **INTERNATIONAL INFORMATION REPORTING**

The Tax Act includes provisions which implement the Organization for Economic Co-operation and Development Common Reporting Standard and the Canada-United States Enhanced Tax Information Exchange Agreement (the "**International Information Exchange Legislation**"). Pursuant to the International Information Exchange Legislation, certain "Canadian financial institutions" (as defined in the International Information Exchange Legislation) are required to have procedures in place to identify accounts held by tax residents of foreign countries or by certain entities the "controlling persons" of which are tax resident in a foreign country (or, in the case of the United States, of which the holder or any such controlling person is a tax resident or citizen) and to report required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with the countries in which the account holder or any such controlling person is tax resident (or of which such holder or person is a citizen, where applicable), where such countries (including the United States) have agreed to a bilateral information exchange with Canada to which the International Information Exchange Legislation applies. Under the International Information Exchange Legislation, Unitholders may be required to provide certain information regarding their tax status for the purpose of such information exchange unless the investment is held within a Registered Plan. As currently drafted, the Tax Act does not address whether FHSAs would be treated in the same way as Registered Plans for these purposes.

## **RISK FACTORS**

Reference is made to the discussion under "*Risk Factors*" in the Shelf Prospectus for a discussion of the risk factors that an investor should consider before making an investment in the Fund generally.

## **INTEREST OF EXPERTS**

Certain legal matters in connection with this distribution have been passed upon on behalf of the Fund by Blake, Cassels & Graydon LLP and on behalf of the Agent by McCarthy Tétrault LLP. As of the date of this Prospectus Supplement, the partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of McCarthy Tétrault LLP as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Fund.

## **AUDITORS**

The Fund's external auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditor's report dated March 11, 2022 in respect of the Fund's financial statements as at December 31, 2021 and December 31, 2020 and for the year ended December 31, 2021 and for the period from October 20, 2020 (commencement of operations) to December 31, 2020. PricewaterhouseCoopers LLP has advised that it is independent with respect to the Fund within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.



## **PURCHASERS' STATUTORY RIGHTS**

The following is a description of a purchaser's statutory rights in connection with any purchase of Units pursuant to the Offering, which supersedes and replaces the statement of purchasers' rights included in the Shelf Prospectus. A purchaser's rights and remedies under applicable securities legislation against the Agent will not be affected by the Agent's decision to effect the distribution directly or through a selling agent.

Securities legislation in certain of the provinces and territories of Canada provides purchasers of securities with the right to withdraw from an agreement to purchase securities and with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser are not sent or delivered to the purchaser. However, purchasers of the Units distributed under an at-the-market distribution by the Fund do not have the right to withdraw from an agreement to purchase the Units and do not have remedies of rescission or, in some jurisdictions, revisions of the price, or damages for non-delivery of the prospectus, prospectus supplement, and any amendment relating to the Units purchased by such purchaser because the prospectus, prospectus supplement, and any amendment relating to the Units purchased by such purchaser will not be sent or delivered, as permitted under Part 9 of NI 44-102.

Securities legislation in certain of the provinces and territories of Canada further provides purchasers with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation. Those remedies must be exercised by the purchaser within the time limit prescribed by securities legislation. Any remedies under securities legislation that a purchaser of the Units distributed under an at-the-market distribution by the Fund may have against the Fund or the Agent for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contain a misrepresentation will remain unaffected by the non-delivery of the prospectus referred to above.

A purchaser should refer to applicable securities legislation for the particulars of these rights and should consult a legal adviser.

**CERTIFICATE OF THE AGENT**

Dated: January 20, 2023

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of a particular distribution of securities under the prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement, as required by the securities legislation of each of the provinces and territories of Canada.

**NATIONAL BANK  
FINANCIAL INC.**

(signed) “*GAVIN BRANCATO*”

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

*This short form base shelf prospectus has been filed under legislation in each of the provinces and territories of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except that delivery is not required where an exemption from the delivery requirements in the legislation is available.*

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from PIMCO Canada Corp. at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2 and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

January 16, 2023

# PIMCO TACTICAL INCOME FUND

**\$150,000,000**  
**Class A Units**

PIMCO Tactical Income Fund (the “**Fund**”) is a non-redeemable investment fund governed by the laws of the Province of Ontario pursuant to a master trust agreement dated February 26, 2014, as amended, between PIMCO Canada Corp. (the “**Manager**” or “**PIMCO Canada**”), State Street Trust Company Canada, as trustee of the Fund (the “**Trustee**”), and Stuart Graham, as settlor of the trusts (the “**Settlor**”), and an amended and restated supplemental trust agreement between the Manager, the Trustee and the Settlor dated September 25, 2020 (together, the “**Trust Agreement**”). The head office of the Fund is located at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2. PIMCO Canada is the manager, portfolio manager and promoter of the Fund. The Manager is responsible for creating, structuring, managing and promoting the Fund and providing portfolio management services to the Fund. The Manager has retained Pacific Investment Management Company, LLC (“**PIMCO**” or the “**Sub-Adviser**”) to provide investment management services to the Fund. The Manager is a wholly owned subsidiary of PIMCO.

The Fund may from time to time offer and issue Class A Units (the “**Units**”) as described in this short form base shelf prospectus, including any amendments hereto (the “**Prospectus**”). This Prospectus may qualify an “at-the-market distribution” as such term is defined in National Instrument 44-102 *Shelf Distributions* (“**NI 44-102**”). The Units offered hereby may be offered in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement (a “**Prospectus Supplement**”).

All shelf information not included in this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus, except where an exemption from the delivery requirements under applicable law is available. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Units to which the Prospectus Supplement pertains. The aggregate initial offering price of the Units that may be sold pursuant to this Prospectus during the 25-month period that this Prospectus, including any amendments hereto, remains valid is limited to \$150,000,000.

The specific terms of the Units in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include the number of Units being offered, the offering price and any other specific terms. A Prospectus Supplement may include specific variable terms pertaining to the Units that are not within the alternatives and parameters described in this Prospectus.

The issued and outstanding Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “PTI.UN”. On January 13, 2023, the last trading day prior to the date of this Prospectus, the closing price of the Units on the TSX was \$7.32 and the Net Asset Value (as defined herein) per Unit was \$7.64.

An investment in the Units involves a degree of risk. It is important for a person making an investment in the Units to consider the particular risk factors that may affect the Fund. See “Risk Factors”.

The Units may be sold to or through underwriters, dealers or by the Fund, directly or through agents designated by the Fund, from time to time. See “Plan of Distribution”. Each Prospectus Supplement will identify each underwriter, dealer or agent engaged in connection with the offering and sale of those Units to which the Prospectus Supplement relates, and will also set forth the terms of the offering of such Units including the net proceeds to the Fund and, to the extent applicable, any fees payable to the underwriters, dealers or agents and any other material terms of the plan of distribution. The Units may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Units may be offered at market prices prevailing at the time of sale, at prices determined by reference to such prevailing market prices or at negotiated prices, which prices may vary as between purchasers and during the period of distribution of the Units. Unless otherwise specified in a Prospectus Supplement, the offerings are subject to approval of certain legal matters by Blake, Cassels & Graydon LLP on behalf of the Fund.

**No underwriter or dealer has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

In connection with any offering of the Units (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Units offered at levels other than those which might otherwise prevail on the open market. These transactions may be commenced, interrupted or discontinued at any time. See “Plan of Distribution”.

The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Fund’s securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and its securities are not insured under the provisions of that Act or any other legislation.

Except as otherwise indicated, all dollar amounts in this Prospectus are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

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## FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus and the documents incorporated by reference herein constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions to the extent they relate to the Manager, the Sub-Adviser or the Fund. The forward looking statements are not historical facts but reflect the current expectations regarding future results or events including results of the Fund. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including but not limited to, the matters discussed under “Risk Factors” in this Prospectus, and the risk factors discussed in the Prospectus Supplement with respect to the issuance of the Units pursuant to such Prospectus Supplement.

These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The Fund does not undertake to update any forward-looking statement that is contained in this Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from PIMCO Canada at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commission or similar authority in each of the provinces and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) the annual information form of the Fund dated March 28, 2022 for the year ended December 31, 2021 (the “**Current AIF**”);
- (b) the annual audited financial statements of the Fund as at December 31, 2021 and December 31, 2020 and for the year ended December 31, 2021 and for the period from October 20, 2020 (commencement of operations) to December 31, 2020, and the report of the independent auditor thereon;
- (c) management report of fund performance for the year ended December 31, 2021;
- (d) the interim unaudited financial statements of the Fund as at and for the six-month periods ended June 30, 2022 and June 30, 2021, except for the notice of no auditor review of the interim financial statements on the cover page thereof, which is not incorporated by reference in this Prospectus; and
- (e) management report of fund performance for the period ended June 30, 2022.

All documents of the Fund of the type described in Section 11.1 of Form 44-101F1 *Short Form Prospectus* to National Instrument 44-101 *Short Form Prospectus Distributions*, if filed by the Fund with the securities regulatory authorities after the date of this Prospectus and during the term of this Prospectus, shall be deemed to be incorporated by reference into and form an integral part of this Prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is**

**required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

Upon a new annual information form, interim or annual financial statements and management report of fund performance being filed with and, where required, accepted by the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, interim or annual financial statements and management report of fund performance and all material change reports filed prior to the commencement of the then current financial year will be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of the Units.

A Prospectus Supplement containing the specific terms in respect of the Units will be delivered, except where an exemption from the delivery requirements under applicable law is available, together with this Prospectus, to purchasers of the Units and will be deemed to be incorporated into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement, but only for the purposes of the distribution of the Units to which such Prospectus Supplement pertains.

## PIMCO TACTICAL INCOME FUND

The Fund is a non-redeemable investment fund governed by the laws of the Province of Ontario pursuant to the Trust Agreement. The Portfolio (as defined below) is actively managed by the Sub-Adviser.

PIMCO Canada acts as the investment manager of the Fund (the “**Manager**”) and PIMCO acts as the portfolio manager of the Fund (the “**Sub-Adviser**”). The head office of the Fund is Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2.

### **Investment Objectives and Investment Strategy**

The Fund seeks to provide holders of Units with current income as a primary objective and capital appreciation as a secondary objective, through various market cycles, by utilizing a dynamic asset allocation strategy among multiple sectors in the global credit markets, including corporate debt, mortgage-related and other asset-backed securities, government and sovereign debt, taxable municipal bonds, other fixed-, variable- and floating-rate income-producing securities of U.S. and global issuers, including emerging market issuers, and real estate-related investments.

The Fund has been created to invest in an actively managed portfolio (“**Portfolio**”) of (i) debt obligations and other income-producing securities and instruments of any type and credit quality with varying maturities and related derivatives, and (ii) real estate-related investments.

The Fund takes an opportunistic approach across global credit markets and seeks to take advantage of PIMCO’s deep resources across the capital structure and liquidity spectrum in global credit markets. The Fund’s investment strategies are designed to use the global credit opportunity set to generate attractive income, while maintaining diversification and limiting interest rate risk. The Fund focuses on what PIMCO considers to be “bend but don’t break” credits with cash flow resilience across a wide range of economic scenarios. The Fund also seeks to utilize financing prudently, including when, in PIMCO’s view, market conditions are favourable.

The net asset value of the Fund (the “**Net Asset Value**” or “**NAV**”) on a particular date will be equal to the aggregate fair value of the assets of the Fund, less the aggregate fair value of the liabilities of the Fund expressed in Canadian dollars, as determined in accordance with the terms of the Trust Agreement. The net asset value per Unit on any day may be obtained by dividing the Net Asset Value of the Fund on such day by the number of Units then outstanding (the “**Net Asset Value per Unit**” or “**NAV per Unit**”).

Additional information with respect to the Fund’s business is included in the Current AIF, interim and annual financial statements and the related management report of fund performance.

### *Dynamic Allocation Strategy*

PIMCO employs an active approach to allocation among multiple sectors based on, among other things, market conditions, valuation assessments, economic outlook, credit market trends and other economic factors. With PIMCO’s macroeconomic analysis as the basis for top-down investment decisions, including geographic and credit sector emphasis, the Fund focuses on seeking the best income generating investment ideas across multiple fixed income sectors, with an emphasis on seeking opportunities in developed and emerging global credit markets. PIMCO may choose to focus on particular countries/regions (e.g., Canadian vs. U.S. or foreign), asset classes, industries and sectors to the exclusion of others at any time and from time to time based on market conditions and other factors. The relative value assessment within fixed income sectors draws on PIMCO’s regional and sector specialist expertise.

### *Investment Selection Strategies*

Once the Fund’s top-down, portfolio positioning decisions have been made as described above, PIMCO selects particular investments for the Fund by employing a bottom-up, disciplined credit approach which is driven by fundamental, independent research within each sector/asset class represented in the Fund, with a focus on identifying securities and other instruments with solid and/or improving fundamentals.

PIMCO utilizes strategies that focus on credit quality analysis, duration management and other risk management techniques. PIMCO attempts to identify, through fundamental research driven by independent credit analysis and



proprietary analytical tools, debt obligations and other income-producing securities that provide current income and/or opportunities for capital appreciation based on its analysis of the issuer's credit characteristics and the position of the security in the issuer's capital structure.

Consideration of yield is only one component of the portfolio managers' approach in managing the Fund. PIMCO also attempts to identify investments that may appreciate in value based on PIMCO's assessment of the issuer's credit characteristics, forecast for interest rates and outlook for particular countries/regions, currencies, industries, sectors and the global economy and bond markets generally.

### *Credit Quality*

The Fund may invest, directly or indirectly, in debt instruments that are, at the time of purchase, rated below investment grade, or unrated but determined by PIMCO to be of comparable quality. However, the Fund will not invest more than 20% of the aggregate value of the assets of the Fund determined in accordance with the terms of the Trust Agreement, (its "**Total Assets**"), in debt instruments, other than mortgage-related and other asset-backed securities, that are, at the time of purchase, rated CCC+ or lower by S&P and Fitch and Caa1 or lower by Moody's, or that are unrated but determined by PIMCO to be of comparable quality to securities so rated. The Fund may invest, directly or indirectly, without limitation in mortgage-related and other asset-backed securities regardless of rating—i.e., of any credit quality. For purposes of applying the foregoing policies, in the case of securities with split ratings (i.e., a security receiving two different ratings from two different rating agencies), the Fund will apply the higher of the applicable ratings. Subject to the aforementioned investment restrictions, the Fund may invest directly or indirectly in securities of stressed or distressed issuers, which include securities at risk of being in default as to the repayment of principal and/or interest at the time of acquisition by the Fund or that are rated in the lower rating categories by one or more nationally recognized statistical rating organizations (for example, Ca or lower by Moody's or CC or lower by S&P or Fitch) or, if unrated, are determined by PIMCO to be of comparable quality. Debt instruments of below investment grade quality (below Baa3 by Moody's or below BBB- by S&P or Fitch) are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal, and are commonly referred to as "high yield" securities or "junk bonds." Debt instruments in the lowest investment grade category also may be considered to possess some speculative characteristics. The Fund may, for hedging, investment or leveraging purposes, make use of credit default swaps, which are contracts whereby one party makes periodic payments to a counterparty in exchange for the right to receive from the counterparty a payment equal to the par (or other agreed-upon) value of a referenced debt obligation in the event of a default or other credit event by the issuer of the debt obligation.

### *Independent Credit Analysis*

PIMCO relies primarily on its own analysis of the credit quality and risks associated with individual debt instruments considered for the Fund, rather than relying exclusively on rating agencies or third-party research. PIMCO's portfolio managers utilize this information in an attempt to minimize credit risk and to identify issuers, industries or sectors that are undervalued or that offer attractive yields relative to PIMCO's assessment of their credit characteristics. This aspect of PIMCO's capabilities will be particularly important to the extent that the Fund invests in high yield securities and in securities of emerging market issuers.

### *Duration Management*

The Fund normally will have a short to intermediate average portfolio duration (i.e., within a zero to eight (0 to 8) year range), as calculated by PIMCO, although it may be shorter or longer at any time or from time to time depending on market conditions and other factors. While the Fund seeks to maintain a short to intermediate average portfolio duration, there is no limit on the maturity or duration of any individual security in which the Fund may invest. PIMCO believes that maintaining duration within this range offers flexibility and the opportunity for above-average returns while potentially limiting exposure to interest rate volatility and related risks. Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates. The Fund's duration strategy may entail maintaining a negative average portfolio duration from time to time, which would potentially benefit the Portfolio in an environment of rising market interest rates, but would generally adversely impact the Portfolio in an environment of falling or neutral market interest rates. PIMCO may also utilize certain strategies, including without limit, investments in structured notes or interest rate futures contracts or swap, cap, floor or collar transactions, for the purpose of reducing the interest rate sensitivity of the Fund's Portfolio, although there is no assurance that it will do so or that such strategies will be successful.

## *Types of Investments*

Under normal market conditions, the Fund invests worldwide in a Portfolio of (i) debt obligations and other income-producing securities and instruments of any type and credit quality and with varying maturities and related derivative instruments, and (ii) real estate-related investments.

The Fund's Portfolio of debt obligations and other income producing securities and instruments may include, without limitation, bonds, debentures, notes, and other debt securities and similar instruments of varying maturities issued by various Canadian, U.S. and foreign (non-Canadian and non-U.S.) corporate and other issuers, including corporate debt securities; commercial paper; securitizations, mortgage-related and other asset-backed securities issued by government agencies or other governmental entities or by private originators or issuers (including agency and non-agency residential mortgage-backed securities and commercial mortgage-backed securities ("CMBSs"), collateralized bond obligations ("CBOs"), collateralized mortgage obligations ("CMOs"), collateralized loan obligations ("CLOs"), other collateralized debt obligations ("CDOs") and other similarly structured securities); derivatives on mortgage-related instruments; U.S. Government securities; obligations of foreign governments or their sub-divisions, agencies and government sponsored enterprises and obligations of international agencies and supranational entities; municipal securities and other debt securities issued by states or local governments and their agencies, authorities and other government-sponsored enterprises, including taxable municipal securities (such as Build America Bonds); payment-in-kind securities ("PIKs"); zero-coupon bonds; inflation-indexed bonds issued by both governments and corporations; structured notes, including hybrid or indexed securities; catastrophe bonds and other event-linked bonds; credit-linked notes; structured credit products; loans (including, among others, bank loans, whole loans, senior loans, mezzanine loans, delayed funding loans, covenant-lite obligations, revolving credit facilities and loan participations and assignments, loans held and/or originated by private financial institutions, including commercial and residential mortgage loans, corporate loans and consumer loans (such as credit card receivables, automobile loans and student loans)); preferred securities; convertible debt securities (i.e., debt securities that may be converted at either a stated price or stated rate into underlying shares), including synthetic convertible debt securities (i.e., instruments created through a combination of separate securities that possess the two principal characteristics of a traditional convertible security, such as an income-producing security and the right to acquire an equity security) and contingent convertible securities; and bank certificates of deposit, fixed time deposits and bankers' acceptances. The rate of interest on an income-producing security may be fixed, floating or variable. Certain corporate income-producing securities, such as convertible bonds, also may include the right to participate in equity appreciation, and PIMCO will generally evaluate those instruments based primarily on their debt characteristics.

In addition to the types of mortgage-related investments described above, the Fund's real estate-related investments may include, without limitation, other types of public and private real estate loans and debt, as well as direct investments in real estate investment trusts ("REITs").

Subject to the investment limitations described under "Credit Quality" above, at any given time and from time to time, substantially all of the Fund's Portfolio may consist of investment grade debt securities and/or below investment grade securities (commonly referred to as "high yield" securities or "junk bonds") and/or mortgage-related or other types of asset backed securities. The Fund may invest, directly or indirectly, in debt securities of stressed or distressed issuers as well as in defaulted securities and debtor-in-possession financings. The Fund may invest directly or indirectly in any level of the capital structure of an issuer of mortgage-backed or asset-backed securities, including the equity or "first loss" tranche.

The Fund may invest, directly or indirectly, without limit in securities of U.S. issuers. Subject to the limit described below on investments in securities and instruments that are economically tied to "emerging market" countries, the Fund may invest, directly or indirectly, without limit in securities of foreign (non-Canadian and non-U.S.) issuers, securities traded principally outside of Canada or the United States, and/or securities denominated in currencies other than the Canadian or U.S. dollar. The Fund may invest directly or indirectly without limit in short-term investment grade sovereign debt, including short-term investment grade sovereign debt issued by emerging market issuers. The Fund may invest up to 20% of its Total Assets in securities and instruments that are economically tied to "emerging market" countries other than investments in short-term investment grade sovereign debt issued by emerging market issuers, where, as noted above, there is no limit.

The Fund may normally invest up to 40% of its Total Assets in bank loans (including, among others, senior loans, delayed funding loans, covenant-lite obligations, revolving credit facilities and loan participations and assignments).

The Fund will not normally invest more than 10% of its Total Assets in convertible debt securities (i.e., debt securities that may be converted at either a stated price or stated rate into underlying shares).

The Fund may, but is not required to, utilize various derivative strategies (both long and short positions) involving the purchase or sale of futures and forward contracts (including foreign currency exchange contracts), call and put options, credit default swaps, total return swaps, basis swaps and other swap agreements and other derivative instruments for investment purposes, leveraging purposes or in an attempt to hedge against market, credit, interest rate, currency and other risks in the Portfolio. The Fund may purchase and sell securities on a when-issued, delayed delivery or forward commitment basis and may engage in short sales.

The Fund has obtained an exemption from the Canadian securities regulators to permit it to invest more than 20% of its net assets in debt obligations, including mortgage-backed securities, issued or guaranteed by each of the Federal National Mortgage Association (“**Fannie Mae**”) and the Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) (“**Fannie and Freddie Securities**”), provided the Fannie and Freddie Securities have and maintain a credit rating assigned by Standard & Poor’s Rating Services (Canada), or an equivalent rating assigned by one or more other designated rating organizations, that is not less than (i) the credit rating then assigned by such designated rating organization to the debt of the United States government of approximately the same term as the remaining term to maturity of, and denominated in the same currency as, the Fannie or Freddie Security, and (ii) BBB- assigned by Standard & Poor’s Rating Service or an equivalent rating by one or more other designated rating organizations. The exemption does not impose a limit on the amount that the Fund may invest in either Fannie Mae or Freddie Mac; accordingly, all or substantially all of the Fund’s net assets could be invested in Fannie and Freddie Securities at any time.

The Fund may invest, directly or indirectly, in securities that have not been registered for public sale in Canada, the U.S. or relevant foreign jurisdictions, or relevant provisions of applicable other securities issued in private placements. Subject to satisfying certain conditions, the Fund has received an exemption from the requirements relating to purchasing and holding illiquid assets with respect to certain fixed income securities that qualify for, and may be traded pursuant to, the exemption from the registration requirements of the Securities Act of 1933, as amended (the “**U.S. Securities Act**”), as set out in Rule 144A of the U.S. Securities Act for resales of certain fixed income securities to “qualified institutional buyers” (as such term is defined in the U.S. Securities Act).

Subject to compliance with National Instrument 81-102 *Investment Funds*, as amended from time to time (“**NI 81-102**”), the Fund may also invest in securities of other investment funds, including, without limitation, open-end funds, including exchange-traded funds and closed-end funds. The Fund may invest in securities of companies with any market capitalization, including small and medium capitalizations.

The Fund may invest in illiquid investments (i.e., investments that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment), provided that immediately after the purchase, not more than 20% of the Fund’s net asset value would be comprised of illiquid assets. The Fund is not permitted to hold for a period of 90 days or more, more than 25% of its net asset value in illiquid assets. If more than 25% of the Fund’s net asset value is made up of illiquid assets, the Fund will as quickly as commercially reasonable, take all necessary steps to reduce the percentage of its net asset value made up of illiquid assets to 25% of net asset value or less.

The Fund may invest, directly or indirectly, in shares, certificates, notes or other securities issued by a special purpose entity (“**SPE**”) sponsored by an alternative lending platform or its affiliates (the “**Sponsor**”) that represent the right to receive principal and interest payments due on pools of whole loans or fractions of whole loans, which may (but may not) be issued by the Sponsor, held by the SPE (“**Alt Lending ABS**”). Any such Alt Lending ABS may be backed by consumer, commercial, residential or other loans. When acquiring loans, or purchasing Alt Lending ABS, the Fund is not restricted by any particular borrower credit criteria. Accordingly, certain loans acquired by the Fund or underlying any Alt Lending ABS purchased by the Fund may be subprime in quality, or may become subprime in quality.

In attempting to respond to adverse market, economic, political, or other conditions, as determined by PIMCO, when PIMCO deems it appropriate to do so, the Fund may, for temporary defensive purposes, deviate from its investment strategy by investing some or all of its Total Assets in high grade debt securities, including high quality, short-term debt securities, and cash and cash equivalents.

## **Currency Hedging**

The securities in the Portfolio are primarily denominated in non-Canadian currencies and, therefore, the Fund may be exposed to changes in the value of such currencies against the Canadian dollar. The Fund endeavours to hedge all or substantially all of the value of the Portfolio against changes in the value of such currencies against the Canadian dollar.

## **Use of Leverage**

The Fund may utilize various forms of leverage including borrowings under loan facilities or through bank loans or commercial paper, dollar rolls or the issuance of preferred securities. The Fund may also enter into transactions other than those noted above that may give rise to a form of leverage including, among others, futures and forward contracts (including foreign currency exchange contracts), credit default swaps, total return swaps and other derivative transactions, loans of portfolio securities, short sales and when-issued, delayed delivery and forward commitment transactions. The maximum amount of leverage that the Fund can employ is limited to 33 1/3% of the Total Assets.

For these purposes, exposure under derivatives and other instruments will, to the extent that the Fund owns offsetting positions or enters into offsetting transactions to cover its obligations thereunder, not be counted towards the 33 1/3% leverage limit.

If at any time leverage exceeds the 33 1/3% limit, the Manager will, in its sole discretion, as soon as reasonably practicable, cause the leverage to be reduced below such threshold.

The Fund may utilize dollar rolls, borrowings and other forms of leverage, including the issuance of preferred securities, opportunistically and may choose to increase or decrease, or eliminate entirely, its use of leverage over time and from time to time based on PIMCO's assessment of the yield curve environment, interest rate trends, market conditions and other factors. The net proceeds the Fund obtains from various forms of leverage utilized, if any, will be invested in accordance with the Fund's investment objectives and policies as described in this Prospectus. So long as the rate of return, net of applicable Fund expenses, on the debt obligations and other investments purchased by the Fund exceeds the costs to the Fund of the leverage it utilizes, the investment of the Fund's net assets attributable to leverage will generate more income than will be needed to pay the costs of the leverage. If so, and all other things being equal, the excess may be used to pay higher distributions to Unitholders than if the Fund were not so leveraged.

## **Use of Derivatives**

The Fund may use a variety of derivative instruments (both long and short positions) for both investment and risk management purposes. The Fund may use various derivatives transactions to add leverage to its Portfolio. See "Use of Leverage". Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to, among others, individual debt instruments, interest rates, currencies or currency exchange rates, commodities and related indexes. Examples of derivative instruments that the Fund may use include, without limitation, futures and forward contracts (including foreign currency exchange contracts), call and put options (including options on futures contracts), credit default swaps, total return swaps, basis swaps and other swap agreements. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments.

The derivative contracts entered into by or on behalf of the Fund must be in accordance with the investment objective and strategies of the Fund and in compliance with NI 81-102. The Manager supervises and oversees PIMCO in the use of derivatives as investments within the Fund and the Manager has put in place policies and procedures which will set out supervision and oversight processes to ensure that the use of derivatives is adequately monitored and derivatives risk is appropriately managed. The Manager will review these policies and procedures at least annually.

Risk measurement procedures and stress tests are used to examine the Fund's Portfolio under different conditions and may be used by PIMCO in connection with the Fund's use of derivatives. PIMCO may stress test the model for

tracking different types of risk to determine the sensitivity of its results to assumptions and parameters used. Additional tools with many different risk metrics are utilized to manage overall Portfolio risk.

Techniques that PIMCO uses to assess, monitor and control for market risk related specifically to derivatives or forward settling positions include: reviewing unsecured exposure on a daily basis, and regular reviews of counterparties used for derivatives and forward settling positions.

### **Reverse Repurchase Agreements**

In order to generate additional returns, the Fund may enter into reverse repurchase agreements in which the Fund purchases a fixed-income security from a bank or broker-dealer and the bank or broker-dealer agrees to repurchase the security at the Fund's cost plus interest within a specified time.

### **Securities Lending and Repurchase Transactions**

In order to generate additional returns, the Fund may enter into securities lending and repurchase transactions in accordance with applicable securities legislation pursuant to a written agreement. PIMCO Canada will appoint State Street Trust Company Canada, the Fund's custodian, or a sub-custodian to act as the agent of the Fund to enter into securities lending and repurchase transactions. The agency agreement will provide for the types of transactions that may be entered into by the Fund, types of portfolio assets that may be used, collateral requirements, limits on transaction sizes, permitted counterparties to the transactions and investment of any cash collateral. The agency agreement will provide for, and the agent will develop, policies and procedures which are acceptable to the Fund and provide that securities lending and repurchase transactions will be entered into in accordance with the standard investment restrictions and practices set out above. Further, the agent will:

- ensure that collateral is provided in the form of cash, qualified securities or securities that can be converted into the securities which are the subject of the securities lending, repurchase or reverse repurchase transactions;
- value the loaned or purchased securities and the collateral every day to ensure that the collateral is worth at least 102% of the value of the securities;
- invest any cash collateral in accordance with the investment restrictions specified in the agency agreement; and
- invest no more than 50% of the net asset value of the Fund in securities lending or repurchase transactions at any one time.

Repurchase transactions of the Fund will have a maximum term, before any extension or renewal, of 30 days.

PIMCO Canada will review the agency agreement and the agent's policies and procedures on an annual basis to ensure that they comply with applicable laws.

PIMCO Canada is responsible for managing the risks associated with securities lending, repurchase and reverse repurchase transactions.

Risk measurement procedures and stress tests are used to examine the Fund's Portfolio under different conditions and may be used by PIMCO in connection with lending Portfolio securities. PIMCO may stress test the model for tracking different types of risk to determine the sensitivity of its results to assumptions and parameters used. Additional tools with many different risk metrics are utilized to manage overall Portfolio risk.

### **Short Sales**

A short sale is a transaction in which the Fund sells a security or other instrument that it does not own in anticipation that the market price will decline. The Fund may use short sales for investment purposes, provided that the Fund's short exposure (determined on a mark to market basis) does not exceed 50% of net asset value, or for hedging and risk management purposes. As at the date hereof, the Fund does not currently intend to engage in short sales as part of its principal investment strategy.

When the Fund engages in a short sale of a security, it must borrow the security sold short and deliver it to the counterparty. The Fund may have to pay a fee to borrow particular securities and would often be obligated to pay over any payments received on such borrowed securities. The Fund's obligation to replace the borrowed security will be secured by collateral deposited with the Fund's custodian in the name of the lender. The Fund may not receive any payments (including interest) on its collateral. Short sales expose the Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. The Fund may engage in so-called "naked" short sales when it does not own or have the immediate right to acquire the security sold short at no additional cost, in which case the Fund's losses theoretically could be unlimited. If the price of the security sold short increases between the time of the short sale and the time that the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and securities being hedged if the short sale is being used for hedging purposes.

### **Investment Restrictions**

The Fund is subject to certain investment restrictions contained in the Trust Agreement that, among other things, limit the securities that the Fund may acquire for the Portfolio. The Fund's investment restrictions may not be changed without the approval of the Unitholders by an extraordinary resolution. In addition, the Fund is subject to the investment restrictions set out in NI 81-102 applicable to non-redeemable investment funds, except in respect of exemptions therefrom that it may obtain from time to time. For further information on the investment restrictions of the Fund, see "*Investment Restrictions*" in the Current AIF.

### **Termination of the Fund**

In accordance with the Fund's Trust Agreement, the Fund is currently scheduled to terminate as of the first business day following September 25, 2032 (the "**Termination Date**"); provided that the Manager may, in its sole discretion and upon not less than 10 days prior written notice to Unitholders, extend the Termination Date (i) once for up to one year, (ii) once for up to an additional six months, to a date up to and including eighteen months after the initial Termination Date, which date shall then become the Termination Date, or (iii) provided that the Fund provides holders of Units with a one-time redemption right at a redemption price per Unit equal to the Net Asset Value per Unit on September 25, 2032 (or as such date may be extended pursuant to (i) and (ii) above), less any costs associated with the redemption, including commissions, if any, to fund such redemption, extend the Termination Date indefinitely.

In addition, pursuant to the Trust Agreement, the Fund may be terminated at any time by the Manager provided that, in the opinion of the Manager, it is no longer economically practical to continue the Fund or it would be in the best interests of the Fund and the Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Manager will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the Termination Date. Any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. See "*Description of the Units*" and "*Unitholder Matters – Matters Requiring Unitholder Approval*" in the Current AIF.

The Trust Agreement provides that prior to the Termination Date, the Manager will dispose of all of the Fund's assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Trust Agreement provides that the Manager may, in its discretion and upon not less than 30 days' prior written notice to Unitholders, postpone any Termination Date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any Termination Date and the Manager determines that it would be in the best interests of Unitholders to do so.

### **Fees and Expenses**

#### *Management Fee*

In consideration for the services performed by the Manager, the Fund pays the Manager an annual management fee (the "**Management Fee**") equal to 1.30% per annum of the Total Assets of the Fund attributable to the Units,

calculated daily and payable monthly in arrears, plus applicable taxes, if any. The Manager is responsible for paying the fees payable to the Sub-Adviser out of the Management Fee. In addition, the Manager pays for all ordinary expenses incurred in connection with the operation and administration of the Fund including trustee, custody, accounting, audit and valuation fees, costs of reporting to holders of Units, registrar and transfer agent fees, costs and expenses of preparing financial and other reports and costs and expenses arising in connection with complying with all applicable laws, regulations and policies that were in place on the inception date of the Fund, but excluding the expenses described under “Ongoing Fees and Expenses” below.

#### *Ongoing Fees and Expenses*

The Fund is responsible for all expenses incurred in connection with the operation and administration of the Fund that are not payable by the Manager. This includes any interest paid on amounts borrowed by the Fund under a loan facility and portfolio execution costs, taxes, the fees and expenses of the independent review committee (the “**IRC**”) of the Fund, extraordinary expenses and any new fees or expenses payable by the Fund after its inception date, including those resulting from compliance with any new governmental and regulatory requirements and any costs and expenses relating to the issuance of additional Units, including without limitation, additional Units issued pursuant to an “at-the-market distribution”.

Any arrangements for additional services provided to the Fund by the Manager, or any affiliate thereof, that have not been described in this Prospectus will be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time (the “**Tax Act**”)) for comparable services and the Fund will pay all expenses associated with such additional services. To the extent required by applicable law, any such arrangements would be approved by the IRC of the Fund.

#### **Directors and Executive Officers of the Manager**

The following table sets out the place of residence, all positions held with the Manager and principal occupations during the preceding five years for the executive officers and the managers of the Manager:

<b>Name and Municipality of Residence</b>	<b>Position with PIMCO Canada Corp.</b>	<b>Principal occupation in the past five years</b>
Stuart Graham Toronto, Ontario	Director, President	Director and President, PIMCO Canada.
David Flattum California, U.S.A	Director	Managing Director and General Counsel of PIMCO.
John Kirkowski California, U.S.A	Director, Chief Financial Officer	Director and Chief Financial Officer of PIMCO Canada since March 2018. Chief Financial Officer of PIMCO since January 2019. Managing Director of PIMCO since August 2006.
Mostafa Asadi Toronto, Ontario	Senior Vice President, Counsel and Chief Compliance Officer	Chief Compliance Officer of PIMCO Canada since May 2021 and Counsel of PIMCO Canada since June 2019. Prior to joining PIMCO Canada, Mr. Asadi was Senior Legal Counsel at CI Investments Inc. from October 2016 to May 2019.

#### **Sub-Adviser to the Fund**

PIMCO, a Delaware limited liability company and an affiliate of the Manager, serves as the Sub-Adviser for the Fund pursuant to the master investment sub-advisory agreement dated February 26, 2014, as amended on September 3, 2020, between the Manager and the Sub-Adviser (the “**Investment Management Agreement**”). Subject to this agreement and to the supervision of the Manager, PIMCO has full investment discretion and makes all determinations with respect to the investment of the Fund’s assets. PIMCO is located at 650 Newport Center Drive, Newport Beach, California 92660. As of June 30, 2022, PIMCO had approximately U.S.\$1.82 trillion in assets under management including U.S.\$1.45 trillion in third party client assets. These assets include approximately

U.S.\$86.0 billion in assets (as of March 31, 2022) of clients contracted with Allianz Real Estate, affiliates and wholly-owned subsidiaries of PIMCO and PIMCO Europe GmbH.

Organized in 1971, PIMCO provides investment management and advisory services to private accounts of institutional and individual clients and to a number of open-end and closed-end investment companies.

Daniel J. Ivascyn is the Group Chief Investment Officer and a managing director of PIMCO. He is the lead portfolio manager for PIMCO's credit hedge fund and mortgage opportunistic strategies. He is a member of PIMCO's Executive Committee and chair of the Investment Committee. Prior to joining PIMCO in 1998, he worked at Bear Stearns in the asset-backed securities group, as well as T. Rowe Price and Fidelity Investments. He has 31 years of investment experience and holds an MBA in analytic finance from the University of Chicago Graduate School of Business and a bachelor's degree in economics from Occidental College.

Alfred T. Murata serves as the lead portfolio manager and is primarily responsible for the day-to-day management of the Fund.

**Alfred T. Murata.** Mr. Murata is a managing director and portfolio manager, managing income-oriented, multi-sector credit, opportunistic and securitized strategies. Prior to joining PIMCO in 2001, he researched and implemented exotic equity and interest rate derivatives at Nikko Financial Technologies. He has 23 years of investment experience and holds a Ph.D. in engineering-economic systems and operations research from Stanford University. He also earned a J.D. from Stanford Law School and is a member of the State Bar of California.

**Joshua Anderson.** Mr. Anderson is a managing director and portfolio manager on the income team. He also leads the global ABS (asset-backed securities) portfolio management team and supports the PIMCO's opportunistic strategies. Previously at PIMCO, he oversaw PIMCO's European opportunistic investments across public and private mortgage, real estate and specialty finance markets, and earlier he was a structured product portfolio manager in the Newport Beach office. Prior to joining PIMCO in 2003, he was an analyst at Merrill Lynch covering both the residential ABS and collateralized debt obligation sectors and was ranked as one of the top analysts by Institutional Investor magazine. He was previously a portfolio manager at Merrill Lynch Investment Managers. He has 27 years of investment experience and holds an MBA from the State University of New York, Buffalo.

**Russell Gannaway.** Mr. Gannaway is a managing director and portfolio manager. He is a senior member of the Tactical Opportunities portfolio management team and a member of various investment committees across PIMCO's alternative credit and private strategies platform. Prior to joining PIMCO in 2009, he served as an associate with JER Partners in New York. He has specialized in commercial real estate and commercial mortgage-backed securities (CMBS), including mezzanine loans, B notes and CMBS B pieces. He has 18 years of investment experience and holds an undergraduate degree in business administration from the University of Georgia.

**Jamie Weinstein.** Mr. Weinstein is a managing director and portfolio manager and head of corporate special situations, focusing on PIMCO's opportunistic and alternative strategies within corporate credit. Prior to joining PIMCO in 2019, he worked for KKR as a portfolio manager for the firm's special situations funds and portfolios, which he managed since their inception in 2009. He was also a member of the firm's special situations, real estate, and India NBFC investment committees and the KKR credit portfolio management committee. Previously, Mr. Weinstein was a portfolio manager with responsibility across KKR's credit strategies. Prior to joining KKR, he was with Tishman Speyer Properties as director of acquisitions for Northern California and at Boston Consulting Group as a consultant. He has 21 years of investment experience and holds an MBA from Stanford University and a bachelor's degree in civil engineering and operations research from Princeton University.

**Sonali Pier.** Ms. Pier is a managing director and portfolio manager, focusing on high yield and multi-sector credit opportunities. She is a member of the diversified income, high yield, and crossover teams, and she has served as a rotating member on the firm's Investment Committee and Americas portfolio committee. Morningstar named her winner of the 2021 U.S. Morningstar Award for Investing Excellence in the Rising Talent category. Prior to joining PIMCO in 2013, she was a senior credit trader at J.P. Morgan, trading cash, recovery, and credit default swaps across various sectors. She has 19 years of investment experience and holds an undergraduate degree in economics from Princeton University.

Within the scope of the investment policy decisions set by the Investment Committee of PIMCO for the Fund, each of the above investment professionals has the authority to make investment decisions on behalf of the Fund and does not require approval from a separate committee. The Sub-Adviser provides investment advice to the Fund in a



manner consistent with the investment objectives, investment strategies and investment restrictions of the Fund pursuant the Investment Management Agreement. The Investment Management Agreement continues for the life of the Fund unless otherwise terminated in accordance with its terms. For additional information regarding the Investment Management Agreement, please refer to “*Responsibility for Fund Operations – Sub-Adviser of the Fund – Details of the Investment Management Agreement*” in the Current AIF.

## DESCRIPTION OF THE UNITS

This following description sets forth certain general terms and provisions of the Units. This description is a summary only. For a full description of the terms and provisions of the Units, please refer to the Trust Agreement, which is available at [www.sedar.com](http://www.sedar.com). The particular terms and provisions of an offering of Units pursuant to a Prospectus Supplement will be described in such Prospectus Supplement.

### The Units

The beneficial interest in the net assets and net income of the Fund is divided into Units. The Fund is authorized to issue an unlimited number of transferable, redeemable Units, issuable in such classes as the Manager may determine, which evidence the proportionate ownership interest of a Unitholder in the capital of the Fund. Initially, only Class A Units and Class F Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Class A Units and an unlimited number of Class F Units.

Subject to the discussion under “Description of the Units – Non-Resident Unitholders” below, each Unit of a class entitles the Unitholder of such class to the same rights and obligations as a holder of any other Unit of such class and no Unitholder of a class is entitled to any privilege, priority or preference in relation to any other Unitholder of such class. Each Unit of a class entitles the Unitholder to one vote at all meetings of all Unitholders and at all meetings of Unitholders of that class. Each Unitholder of a class is entitled to participate equally with respect to any and all distributions to that class made by the Fund, including distributions of net income and net realized capital gains, (other than distributions to a redeeming Unitholder of capital gains realized to facilitate the redemption), if any. Any special distributions of net income and/or realized net capital gains payable in Units will increase the aggregate adjusted cost base of a Unitholder’s Units.

### *Distribution Policy*

The Fund does not have a fixed monthly distribution amount. The Fund makes monthly cash distributions to Unitholders of record on the last “**Business Day**”, meaning any day on which the TSX is open for business, of each month (each, a “**Distribution Record Date**”). Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15<sup>th</sup> day of the following month for which the distribution is payable (each, a “**Distribution Payment Date**”). The Fund will, at least annually, determine and announce expected monthly distributions for the following calendar year based on the Manager’s and Sub-Adviser’s estimate of distributable cash flow in the Fund.

**If the total return on the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund, and if the Manager chooses to nevertheless ensure that the monthly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders, and accordingly, NAV per Unit would be reduced. The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month or months. The amount of monthly distributions may vary if there are changes in any of the factors that affect the net cash flow on the Portfolio, including the amount of leverage employed by the Fund.**

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “*Income Tax Considerations*” in the Current AIF.

If the Fund’s net income for tax purposes, including net realized capital gains, for any taxation year exceeds the aggregate amount of the distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (either in cash or Units), by the end of the calendar year (in the case of a taxation year ending on December 15 of such calendar year) and by the end of such taxation year (in any other case), to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax

Act (after taking into account all available deductions, credits and refunds). Immediately after a *pro rata* distribution of Units to the Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each holder of Units will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distributions, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “*Income Tax Considerations*” in the Current AIF.

There can be no assurance given as to the amount of distributions in the future.

### *Distributions Generally*

The Fund has adopted a distribution reinvestment plan which provides that all cash distributions made by the Fund shall, at the election of each Unitholder, be automatically reinvested in additional Units on each Unitholder’s behalf in accordance with the terms of the distribution reinvestment plan and the distribution reinvestment plan services agreement entered into by the Fund, the Manager and TSX Trust Company, in its capacity as agent under the distribution reinvestment plan establishing the distribution reinvestment plan. See “*Description of the Units Offered by The Fund – Distribution Reinvestment Plan*” in the Current AIF, which is incorporated by reference in this Prospectus. Notwithstanding the foregoing, Unitholders who are non-residents of Canada for purposes of the Tax Act or that are partnerships which are not “Canadian partnerships” (as defined in the Tax Act) will not be able to participate in the distribution reinvestment plan and Unitholders who cease to be resident in Canada for purposes of the Tax Act or cease to be Canadian partnerships (as defined in the Tax Act) will be required to terminate such Unitholders’ participation in the distribution reinvestment plan.

## **Redemption of Units**

### *Monthly Redemptions*

Units may be surrendered at any time for redemption on the second last Business Day of any month (a “**Monthly Redemption Date**”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the 15th day of the month following the Monthly Redemption Date (the “**Redemption Payment Date**”).

A Unitholder who properly surrenders a Unit for redemption on a Monthly Redemption Date, will receive the amount per Unit, if any, equal to the lesser of (i) 94% of the Average Market Price (as defined below), and (ii) 100% of the Closing Market Price (as defined below) of a Unit, on the applicable Monthly Redemption Date, in each case subject to a maximum redemption price per Unit equal to the NAV per Unit on the applicable Monthly Redemption Date, less, any costs associated with the redemption including commissions and such other costs, if any.

“**Average Market Price**” means, in respect of a Unit on a Monthly Redemption Date, the weighted average trading price of the Units on the TSX (or such other stock exchange on which the Units are listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

“**Closing Market Price**” in respect of a Unit on a Monthly Redemption Date means (i) the closing price of the Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which the Units are listed) if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which the Units are listed) if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Units traded on a particular day; or (iii) the average of the last bid and the last asking prices of the Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which the Units are listed) if there was no trading on the applicable Monthly Redemption Date.

Any unpaid distribution payable on or before the date of redemption in respect of the redeemed Units will be paid on the same day as the redemption proceeds are paid.

The Fund may, in its discretion, determine what portion, if any, of the amount paid to a redeeming Unitholder on a redemption of Units is an allocation and designation to the Unitholder of net realized capital gains of the Fund that were realized by the Fund to facilitate the redemption of such Units. Any such allocation and designation will reduce the redemption price (but not the overall amount) otherwise payable to the redeeming Unitholder. Based on recent amendments to the Tax Act, a taxable capital gain in respect of an amount so allocated and designated to a redeeming Unitholder may only be deductible to the Fund to the extent of half of the amount of the gain that would otherwise be realized by the Unitholder on the redemption of Units. Accordingly, the taxable component of distributions by the Fund to non-redeeming Unitholders could be greater than it would be in the absence of such amendments.

### *Suspension of Redemptions*

The Manager may suspend the redemption of Units or payment of redemption proceeds:

- (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Fund and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or
- (ii) for a period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund.

The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

### **Non-Resident Unitholders**

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units (on a number of Units or a fair market value basis) and the Manager shall inform the Transfer Agent (as defined herein) of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on a number of Units or a fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on a number of Units or a fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact

the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

### **PRIOR SALES**

Prior sales will be provided as required in the Prospectus Supplement with respect to the issuance of the Units pursuant to such Prospectus Supplement.

### **TRADING PRICE AND VOLUMES**

Trading prices and volume of the Units will be provided as required for the Units in each Prospectus Supplement to this Prospectus.

### **USE OF PROCEEDS**

The use of proceeds from the sale of the Units will be described in the Prospectus Supplement relating to each specific issuance of the Units. Unless otherwise specified in a Prospectus Supplement, the Fund will invest the net proceeds from the sale of the Units in accordance with the investment objectives and investment strategy of the Fund, subject to the investment restrictions of the Fund.

### **PLAN OF DISTRIBUTION**

The Units offered hereby may be sold (i) to or through underwriters or dealers, (ii) directly to one or more purchasers pursuant to applicable statutory exemptions, or (iii) through agents. The Units may be sold at fixed prices or non-fixed prices, such as prices determined by reference to the prevailing price of the Units in a specified market, at market prices prevailing at the time of sale, or at prices to be negotiated with purchasers, which prices may vary as between purchasers and during the period of distribution of the Units. The Prospectus Supplement for any of the Units being offered thereby will set forth the terms of the offering of such Units, including the name or names of any underwriters, dealers or agents, the purchase price of the Units, the proceeds to, and the portion of expenses borne by the Fund, from such sale, any underwriting discounts and other items constituting underwriters' compensation, any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers. Only underwriters so named in the Prospectus Supplement are deemed to be underwriters in connection with the Units offered thereby.

If underwriters are used in the sale, the Units will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale, at market prices prevailing at the time of sale or at prices related to such prevailing market prices. The obligations of the underwriters to purchase such Units will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Units offered by the Prospectus Supplement if any of such Units are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to underwriters, dealers or agents may be changed from time to time.

The Units may also be sold (i) directly by the Fund at such prices and upon such terms as agreed to by the Fund and the purchaser or (ii) through agents designated by the Fund from time to time including in transactions that constitute "at-the-market distributions" as defined in NI 44-102. Any agent involved in the offering and sale of the Units in respect of which this Prospectus is delivered will be named, and any commissions payable by the Fund to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent is acting on a best efforts basis for the period of its appointment.

The Fund may agree to pay the underwriters, dealers or agents a commission for various services relating to the issue and sale of any Units offered hereby. Any such commission payable by the Fund will be paid out of the general corporate funds of the Fund. Underwriters, dealers and agents who participate in the distribution of the Units may be entitled under agreements to be entered into with the Fund to indemnification by the Fund against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof.

In connection with any offering of the Units (unless otherwise specified in a Prospectus Supplement), the underwriters or agents may over-allot or effect transactions which stabilize, maintain or otherwise affect the market

price of the Units offered at a level higher than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time.

Unless otherwise specified in a Prospectus Supplement, the Units will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly within the United States (as defined in Regulation S under the U.S. Securities Act) or to, or for the account or benefit of U.S. Persons (as defined under Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of those laws.

There are constraints on the ownership of Units by Non-Residents. A description of these constraints, and the mechanism by which ownership by Non-Residents is monitored and maintained, are set forth under “Description of the Units – Non-Resident Unitholders”.

## **RISK FACTORS**

An investment in the Fund is subject to a number of risks, including those described below or in a particular Prospectus Supplement. Additional risks and uncertainties not known to the Manager or that are considered immaterial currently or as at the date of the Prospectus Supplement may also impair the operations of the Fund. If any such risk occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Units could be materially adversely affected.

Prospective investors in a particular offering of Units should carefully consider, in addition to information contained in this Prospectus and in the Prospectus Supplement relating to that offering and the information incorporated by reference herein for the purposes of that offering, the risks described in the documents incorporated by reference in this Prospectus as supplemented by the Prospectus Supplement relating to that offering, including the Fund’s then-current annual information form, as well as the Fund’s then-current annual management report of fund performance and interim management report of fund performance, if applicable, to the extent incorporated by reference herein for the purposes of that particular offering of Units.

### ***No Assurances of Achieving Objectives***

There is no assurance that the Fund will be able to achieve its investment objectives. It is possible that, due to declines in the market value of the Portfolio, the Fund will have insufficient assets to achieve in full its investment objectives.

There is no assurance that the Fund will be able to achieve its distribution objective. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the assets in the Portfolio and the value of the Portfolio. There is no assurance that the Portfolio will earn any return. If the return on the Portfolio or the increase in the value of the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund and if the Manager chooses to nevertheless pay the monthly distributions to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, NAV per Unit would be reduced. The amount of monthly distributions may vary if there are changes in any of the factors that affect the net cash flow on the Portfolio, including the amount of leverage employed by the Fund.

### ***Loss on Investment***

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of a distribution not being made in any period.

### ***Market Discount Risk***

The price of the Units will fluctuate with market conditions and other factors. If you sell your Units, the price received may be more or less than your original investment. The Units are designed for long-term investors and should not be treated as trading vehicles. Units of closed-end investment funds, including in particular investment funds that offer limited redemption rights such as the Fund frequently trade at a discount from their net asset value. The Units may trade at a price that is less than the initial offering price.

### ***Limited Term Risk***

Unless the scheduled Termination Date of September 25, 2032 is amended by Unitholders in accordance with the Trust Agreement or extended by the Manager, the Fund will terminate on or about the Termination Date. The Fund is not a so-called “target date” or “life cycle” fund whose asset allocation becomes more conservative over time as its target date, often associated with retirement, approaches. In addition, the Fund is not a “target term” fund whose investment objective is to return its original net asset value on the Termination Date.

Because the assets of the Fund will be liquidated in connection with the termination, the Fund will incur transaction costs in connection with dispositions of Portfolio securities. The Fund does not limit its investments to securities having a maturity date prior to the Termination Date and may be required to sell Portfolio securities when it otherwise would not, including at times when market conditions are not favourable, which may cause the Fund to lose money. In particular, the Fund’s Portfolio may still have large exposures to illiquid securities as the Termination Date approaches, and losses due to Portfolio liquidation may be significant. During the wind-down period, the Fund may begin liquidating all or a portion of the Portfolio, and the Fund may deviate from its investment strategy and may not achieve its investment objectives.

### ***Performance of the Portfolio***

The NAV per Unit will vary as the fair value of the assets in the Portfolio varies. The Fund, the Manager and the Sub-Adviser have no control over the factors that affect the fair value of the assets in the Portfolio, including factors that affect the debt and equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and some may suffer or have suffered a recession. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Fund will invest in the near to medium term.

### ***Market Risk***

The market price of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. In addition, market risk includes the risk that unexpected and unpredictable events such as war and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally, including Canadian, U.S. and other economies and securities markets. The coronavirus disease (COVID-19), including its variants, has resulted and may continue to result in a slowdown in the global economy and may cause volatility in global financial markets. Coronavirus disease or any pandemic outbreak may adversely affect the performance of the Fund. Any market disruptions could also prevent the Fund from executing advantageous investment decisions in a timely manner.

Current market conditions may pose heightened risks with respect to the Fund’s investment in fixed income securities. Any interest rate increases could cause the value of any Fund that invests in fixed income securities to decrease. As such, fixed income securities markets may experience heightened levels of interest rate, volatility and liquidity risk.

### ***Asset Allocation Risk***

The Fund’s investment performance depends upon how its assets are allocated and reallocated. A principal risk of investing in the Fund is that the Sub-Adviser may make less than optimal or poor asset allocation decisions. The Sub-Adviser employs an active approach to allocation among multiple global fixed-income sectors, but there is no guarantee that such allocation techniques will produce the desired results. It is possible that the Sub-Adviser will

focus on an investment that performs poorly or underperforms other investments under various market conditions. You could lose money on your investment in the Fund as a result of these allocation decisions.

### ***Management Risk***

The Fund is subject to management risk because it is an actively managed investment portfolio. PIMCO and each individual portfolio manager will apply investment techniques and risk analysis in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results. Certain securities or other instruments in which the Fund seeks to invest may not be available in the quantities desired. In addition, regulatory restrictions, actual or potential conflicts of interest or other considerations may cause PIMCO to restrict or prohibit participation in certain investments. In such circumstances, PIMCO or the individual portfolio managers may determine to purchase other securities or instruments as substitutes. Such substitute securities or instruments may not perform as intended, which could result in losses to the Fund. To the extent the Fund employs strategies targeting perceived pricing inefficiencies, arbitrage strategies or similar strategies, it is subject to the risk that the pricing or valuation of the securities and instruments involved in such strategies may change unexpectedly, which may result in reduced returns or losses to the Fund. Additionally, legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to PIMCO and each individual portfolio manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment objectives. There also can be no assurance that all of the personnel of PIMCO will continue to be associated with PIMCO for any length of time. The loss of the services of one or more key employees of PIMCO could have an adverse impact on the Fund's ability to realize its investment objectives.

In addition, the Fund may rely on various third-party sources to calculate the NAV of the Fund. As a result, the Fund is subject to certain operational risks associated with reliance on service providers and service providers' data sources. In particular, errors or systems failures and other technological issues may adversely impact the Fund's calculations of the NAV of the Fund, and such calculation issues may result in inaccurately calculated NAV of the Fund, delays in calculation and/or the inability to calculate the NAV of the Fund over extended periods. The Fund may be unable to recover any losses associated with such failures.

### ***Issuer Risk***

The value of securities may decline for a number of reasons that directly relate to a security's issuer, such as its financial strength, management performance, financial leverage and reduced demand for the issuer's goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. These risks can apply to the Units issued by the Fund and to the issuers of securities and other instruments in which the Fund invests.

### ***Interest Rate Risk***

Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in the Portfolio will decline in value because of increases in market interest rates. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. Because the Fund's normal average Portfolio duration range extends up to eight years (normally in the range of zero to eight (0 to 8) years), as calculated by the Sub-Adviser, the NAV of the Fund and market price per Unit tends to fluctuate more in response to changes in market interest rates than if the Fund invested mainly in short-term debt securities. While PIMCO seeks to maintain a short to intermediate average Portfolio duration, there is no limit on the maturity or duration of any individual security in which the Fund may invest. Securities with longer durations tend to be more sensitive to changes in interest rates than securities with shorter durations, usually making them more volatile. During periods of rising interest rates, the average life of certain types of securities may be extended due to lower than expected rates of prepayments, which could cause the securities' durations to extend and expose the securities to more price volatility. This may lock in a below market yield, increase the security's duration and reduce the security's value. In addition to directly affecting debt securities, rising interest rates may also have an adverse effect on the value of any equity securities held by the Fund. The Fund's duration strategy may entail maintaining a negative average Portfolio duration from time to time, which would potentially benefit the Portfolio in an environment of rising market interest rates, but would generally adversely impact the Portfolio in an environment of falling or neutral market interest rates. The Fund's use of leverage will tend to increase interest rate risk. The Sub-Adviser may utilize certain strategies, including without limitation investments in structured notes or interest rate futures contracts or swap, cap, floor or collar transactions,

for the purpose of reducing the interest rate sensitivity of the Portfolio, although there is no assurance that it will do so or that, if used, such strategies will be successful.

### ***Credit Risk***

Credit risk is the risk that one or more of the Fund's investments in debt securities or other instruments will decline in price, or fail to pay interest, liquidation value or principal when due, because the issuer of the obligation or the issuer of a reference security experiences an actual or perceived decline in its financial status. The downgrade of the credit of a security held by the Fund may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Measures such as average credit quality may not accurately reflect the true credit risk of the Fund. This is especially the case if the Fund consists of securities with widely varying credit ratings. Credit risk is greater to the extent the Fund uses leverage or derivatives in connection with the management of the Fund.

### ***Mortgage-Related and Other Asset-Backed Securities Risk***

The Fund may invest in a variety of mortgage-related and other asset-backed securities issued by government agencies or other governmental entities or by private originators or issuers.

The mortgage-related securities in which the Fund may invest include, without limitation, mortgage pass-through securities, CMOs, commercial or residential mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities ("SMBSs") and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The Fund may also invest in other types of asset-backed securities, including CDOs, which include CBOs, CLOs and other similarly structured securities.

Mortgage-related and other asset-backed securities represent interests in "pools" of mortgages or other assets such as consumer loans or receivables held in trust and often involve risks that are different from or possibly more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, the Fund may exhibit additional volatility since individual mortgage holders are less likely to exercise prepayment options, thereby putting additional downward pressure on the value of these securities and potentially causing the Fund to lose money. The Fund's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. Payment of principal and interest on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets.

The Fund may also invest in the residual or equity tranches of mortgage-related and other asset-backed securities, which may be referred to as subordinate mortgage-backed or asset-backed securities and interest-only mortgage-backed or asset-backed securities. The Fund expects that investments in subordinate mortgage-backed and other asset-backed securities will be subject to risks arising from delinquencies and foreclosures, thereby exposing its investment portfolio to potential losses. Subordinate securities of mortgage-backed and other asset-backed securities are also subject to greater credit risk than those mortgage-backed or other asset-backed securities that are more highly rated.

Because an investment in the residual or equity tranche of a mortgage-related or other asset-backed instrument will be the first to bear losses incurred by such instrument, these investments may involve a significantly greater degree of risk than investments in other tranches of a mortgage-related or other asset-backed instrument.

### ***Mortgage-Related Derivative Instruments Risk***

The Fund may engage in derivative transactions related to mortgage-backed securities, including purchasing and selling exchange-listed and over-the-counter ("OTC") put and call options, futures and forwards on mortgages and mortgage-backed securities. The Fund may also invest in mortgage-backed securities credit default swaps, which include swaps the reference obligation for which is a mortgage-backed security or related index, such as the CMBX Index (a tradeable index referencing a basket of commercial mortgage-backed securities), the TRX Index (a tradeable index referencing total return swaps based on commercial mortgage-backed securities) or the ABX (a



tradeable index referencing a basket of sub-prime mortgage-backed securities). The Fund may invest in newly developed mortgage related derivatives that may hereafter become available.

Mortgage-related derivative instruments involve risks associated with mortgage-related and other asset-backed securities, privately-issued mortgage-related securities, the mortgage market, the real estate industry, derivatives and credit default swaps.

#### ***Privately-Issued Mortgage-Related Securities Risk***

There are no direct or indirect government or agency guarantees of payments in pools created by non-governmental issuers. Privately-issued mortgage-related securities are also not subject to the same underwriting requirements for the underlying mortgages that are applicable to those mortgage-related securities that have a government or government-sponsored entity guarantee.

Privately-issued mortgage-related securities are not traded on an exchange and there may be a limited market for the securities, especially when there is a perceived weakness in the mortgage and real estate market sectors. Without an active trading market, mortgage-related securities held in the Fund's Portfolio may be particularly difficult to value because of the complexities involved in assessing the value of the underlying mortgage loans.

#### ***High Yield Securities Risk***

In general, lower rated debt securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative effect on the Net Asset Value of the Fund. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as "high yield" securities. High yield securities involve a greater risk of default and their prices are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer's revenues or revenues of underlying borrowers or a general economic downturn, than are the prices of higher grade securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. An economic downturn could severely affect the ability of issuers (particularly those that are highly leveraged) to service their debt obligations or to repay their obligations upon maturity. Lower-rated securities are generally less liquid than higher-rated securities, which may have an adverse effect on the Fund's ability to dispose of a particular security. For example, under adverse market or economic conditions, the secondary market for below investment grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and certain securities in the Portfolio may become illiquid or less liquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell these securities only at prices lower than if such securities were widely traded. To the extent the Fund focuses on below investment grade debt obligations, the Sub-Adviser's capabilities in analyzing credit quality and associated risks will be particularly important, and there can be no assurance that the Sub-Adviser will be successful in this regard. Due to the risks involved in investing in high yield securities, an investment in the Fund should be considered speculative.

Analysis of creditworthiness may be more complex for issuers of high yield securities than for issuers of higher quality debt securities. In addition, a rating agency or PIMCO may downgrade its assessment of the credit characteristics associated with a particular security or instrument after it is purchased and held by the Fund. Due to the risks involved in investing in high yield securities, an investment in the Fund should be considered speculative.

#### ***Real Estate Industry Risk***

Investments in issuers principally engaged in the real estate industry, including REITs, are subject to a number of risks, including (i) changes in the general economic climate (such as changes in interest rates or the credit markets) and social and economic trends, (ii) local real estate conditions (such as an oversupply of space or a reduction in demand for space), (iii) the quality and philosophy of management, (iv) competition (such as competition based on rental rates), (v) specific features of properties (such as location), (vi) financial condition of tenants, buyers and sellers of properties, (vii) quality of maintenance, insurance and management services, (viii) changes in operating costs, (ix) government regulations (including those governing usage, improvements, zoning, limitations on rents and taxes), (x) the availability of financing, (xi) difficulties in valuing and disposing of real estate, (xii) risk of casualty or condemnation losses, (xiii) delays in completion of construction, (xiv) losses due to "special hazards" (e.g., floods, earthquakes and hurricanes), (xv) potential liability under environmental and other laws (such as successor liability

if investing in existing entities) and (xvi) the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates.

The yields available from investments in real estate generally depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws, interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by the Fund's investments is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of the Fund to vary its Portfolio in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to such properties may be limited.

To the extent that the Fund invests in real estate related investments, including REITs or real-estate linked derivative instruments, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates. To the extent that the Fund invests in REITs, it will also be subject to the risk that a REIT may default on its obligations or go bankrupt. By investing in REITs indirectly through the Fund, a Unitholder will bear not only his or her proportionate share of the expenses of the Fund, but also, indirectly, similar expenses of the REITs. The Fund's investments in REITs could cause the Fund to recognize income in excess of cash received from those securities and, as a result, the Fund may be required to sell assets in the Portfolio, including when it is not advantageous to do so, in order to make distributions.

### ***Distressed and Defaulted Securities Risk***

The Fund may invest in the debt securities of financially stressed issuers, including those that are in default or the issuers of which are in bankruptcy. Investments in the securities of financially stressed issuers involve substantial risks, including a substantial risk of default. In addition, these securities may fluctuate more in price, and are typically less liquid than other higher-rated debt securities. The Fund also will be subject to significant uncertainty as to when, and in what manner, and for what value obligations evidenced by securities of financially distressed issuers will eventually be satisfied (e.g., through a liquidation of the issuer's assets, an exchange offer or plan of reorganization, or a payment of some amount in satisfaction of the obligation). Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. In any such proceeding relating to a defaulted obligation, the Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment. Moreover, any securities received by the Fund upon completion of a workout or bankruptcy proceeding may be less liquid, speculative, or restricted as to resale. The Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its Portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, the Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment. Among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of such issuer. The Sub-Adviser's judgments about the credit quality of a financially stressed issuer and the relative value of its securities may prove to be wrong.

### ***Inflation-Indexed Security Risk***

Inflation-indexed debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the value of an inflation-indexed security, including U.S. Treasury

Inflation-Protected Securities (“TIPS”), tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the applicable inflation index used will accurately measure the real rate of inflation in the prices of goods and services. Net increases in the principal value of TIPS due to inflation may be considered income for income tax purposes. Additionally, a Consumer Price Index swap can potentially lose value if the realized rate of inflation over the life of the swap is less than the fixed market implied inflation rate (fixed breakeven rate) that the investor agrees to pay at the initiation of the swap. With municipal inflation-indexed securities, the adjustment is integrated into the coupon payment. For municipal inflation-indexed securities, there is no adjustment to the principal value. Because U.S. municipal inflation-indexed securities are a small component of the U.S. municipal bond market, they may be less liquid than conventional U.S. municipal bonds.

### ***Senior Debt Risk***

Because it may invest in below investment-grade senior debt, the Fund may be subject to greater levels of credit risk than funds that do not invest in such debt. The Fund may also be subject to greater levels of liquidity risk than funds that do not invest in senior debt. Restrictions on transfers in loan agreements, a lack of publicly available information and other factors may, in certain instances, make senior debt more difficult to sell at an advantageous time or price than other types of securities or instruments. Additionally, if the issuer of senior debt prepays, the Fund will have to consider reinvesting the proceeds in other senior debt or similar instruments that may pay lower interest rates.

### ***Loans, Participations and Assignments Risk***

Loan interests may take the form of direct interests acquired during a primary distribution and may also take the form of assignments of, novations of or participations in all or a portion of a loan acquired in secondary markets. In addition to credit risk and interest rate risk, the Fund’s exposure to loan interests may be subject to additional risks. For example, purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the corporate borrower for payment of principal and interest. Loans are subject to the risk that scheduled interest or principal payments will not be made in a timely manner or at all, either of which may adversely affect the value of the loan. If the Fund does not receive scheduled interest or principal payments on such indebtedness, the Fund’s share price and yield could be adversely affected. Loans that are fully secured offer the Fund more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, the collateral underlying a loan may be unavailable or insufficient to satisfy a borrower’s obligation, and the Fund could become part owner of any collateral if a loan is foreclosed, subjecting the Fund to costs associated with owning and disposing of the collateral.

Investments in loans through a direct assignment of the financial institution’s interests with respect to the loan may involve additional risks to the Fund. For example, if a loan is foreclosed, the Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that under emerging legal theories of lender liability, the Fund could be held liable as co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities law protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, the Fund will rely on PIMCO’s research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Fund. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender.

In connection with purchasing loan participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and the Fund may not directly benefit from any collateral supporting the loan in which it has purchased the loan participation. As a result, the Fund may be subject to the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. Certain loan participations may be structured in a manner designed to prevent purchasers of participations from being subject to the credit risk of the lender with respect to the participation, but even under such a structure, in the event

of the lender's insolvency, the lender's servicing of the participation may be delayed and the assignability of the participation impaired.

The Fund may have difficulty disposing of loans and loan participations because to do so it will have to assign or sell such securities to a third party. Because there is no liquid market for many such securities, the Fund anticipates that such securities could be sold only to a limited number of institutional investors. The lack of a liquid secondary market may have an adverse impact on the value of such securities and the Fund's ability to dispose of particular loans and loan participations when that would be desirable, including in response to a specific economic event such as a deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for loans and loan participations also may make it more difficult for the Fund to assign a value to these securities for purposes of valuing the Portfolio.

To the extent the Fund acquires loans, including bank loans, the Fund may be subject to greater levels of credit risk, call risk, settlement risk and liquidity risk than funds that do not acquire such instruments. These instruments are considered predominantly speculative with respect to an issuer's continuing ability to make principal and interest payments and may be more volatile than other types of securities. The Fund may also be subject to greater levels of liquidity risk than funds that do not purchase such instruments. In addition, the loans that the Fund may participate in or acquire may not be listed on any exchange and a secondary market for such loans may be comparatively illiquid relative to markets for other more liquid fixed income securities. Consequently, transactions in loans may involve greater costs than transactions in more actively traded securities. In connection with certain loan transactions, transaction costs that are borne by the Fund may include the expenses of third parties that are retained to assist with reviewing and conducting diligence, negotiating, structuring and servicing a loan transaction, and/or providing other services in connection therewith. Furthermore, the Fund may incur such costs in connection with loan transactions that are pursued by the Fund but not ultimately consummated (so-called "broken deal costs"). Restrictions on transfers in loan agreements, a lack of publicly-available information, irregular trading activity and wide bid/ask spreads among other factors, may also, in certain circumstances, make loans more difficult to dispose of at an advantageous time or price than other types of securities or instruments. These factors may result in the Fund being unable to realize full value for the loans and/or may result in the Fund not receiving the proceeds from a sale of a loan for an extended period after such sale, each of which could result in losses to the Fund. Some loans may have extended trade settlement periods, including settlement periods of greater than 7 days, which may result in cash not being immediately available to the Fund. If an issuer of a loan prepays or redeems the loan prior to maturity, the Fund may have to use the proceeds to acquire loans or similar instruments that may pay lower interest rates. Because of the risks involved in acquiring loans, an investment in the Fund should be considered speculative.

The Fund's investments in subordinated and unsecured loans generally are subject to similar risks as those associated with investments in secured loans. Subordinated or unsecured loans are lower in priority of payment to secured loans and are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Subordinated and unsecured loans generally have greater price volatility than secured loans and may be less liquid. There is also a possibility that originators will not be able to sell participations in subordinated or unsecured loans, which would create greater credit risk exposure for the holders of such loans. Subordinate and unsecured loans share the same risks as other below investment grade securities.

There may be less readily available information about most loans and the underlying borrowers than is the case for many other types of securities, including securities issued in public transactions and borrowers subject to the periodic public reporting requirements. Loans may be issued by companies that are not subject to public reporting requirements and therefore may not be required to file reports with the applicable securities regulators or may file reports that are not required to comply with securities regulatory form requirements. In addition, such companies may be subject to a less stringent liability disclosure regime than companies subject to securities regulatory reporting requirements. Because there is limited public information available regarding loan investments, the Fund is particularly dependent on the analytical abilities of the Sub-Adviser.

Economic exposure to loan interests through the use of derivative transactions may involve greater risks than if the Fund had invested in the loan interest directly during a primary distribution or through assignments of, novations of or participations in a loan acquired in secondary markets since, in addition to the risks described above, certain derivative transactions may be subject to leverage risk and greater illiquidity risk, counterparty risk, valuation risk and other risks.

### ***Mortgage Market/Subprime Risk***

The mortgage markets in the United States and in various foreign countries have experienced extreme difficulties over the past few years that may adversely affect the performance and market value of certain of the Fund's mortgage-related investments. Should similar market events occur, delinquencies and losses on residential and commercial mortgage loans (especially subprime and second-lien mortgage loans) may increase again, and a decline in or flattening of housing and other real property values may exacerbate such delinquencies and losses. In addition, reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements have caused limited liquidity in the secondary market for certain mortgage-related securities, which can adversely affect the market value of mortgage-related securities. It is possible that such limited liquidity in such secondary markets could continue or worsen.

### ***Platform Risk***

If the Fund purchases Alt Lending ABS on an alternative lending platform, the Fund will have the right to receive principal and interest payments due on loans underlying the Alt Lending ABS only if the platform servicing the loans receives the borrower's payments on such loans and passes such payments through to the Fund. If a borrower is unable or fails to make payments on a loan for any reason, the Fund may be greatly limited in its ability to recover any outstanding principal or interest due, as (among other reasons) the Fund may not have direct recourse against the borrower or may otherwise be limited in its ability to directly enforce its rights under the loan, whether through the borrower or the platform through which such loan was originated, the loan may be unsecured or under-collateralized and/or it may be impracticable to commence a legal proceeding against the defaulting borrower.

The Fund may have limited knowledge about the underlying loans and is dependent upon the platform for information regarding underlying loans. PIMCO may perform diligence on the platforms that issue the Alt Lending ABS or the underlying loans. Among other factors, PIMCO may evaluate the process by which each platform extends loans and loan-related services to borrowers, as well as general characteristics of the loans made available through each platform. PIMCO may also engage a loan verification agent or other third party to perform confirmatory diligence on samples of loans, either prior to or following purchase. Although PIMCO may conduct this diligence on the platforms, the Fund generally does not have the ability to independently verify the information provided by the platforms, other than payment information regarding loans underlying the Alt Lending ABS owned by the Fund, which the Fund observes directly as payments are received. With respect to Alt Lending ABS that the Fund purchases in the secondary market (i.e., not directly from an alternative lending platform), the Fund may not perform the same level of diligence on such platform or at all. The Fund may not review the particular characteristics of the loans collateralizing an Alt Lending ABS, but rather negotiate in advance with platforms the general criteria of the underlying loans. As a result, the Fund is dependent on the platforms' ability to collect, verify and provide information to the Fund about each loan and borrower.

The Fund relies on the borrower's credit information, which is provided by the platforms. However, such information may be out of date, incomplete or inaccurate and may, therefore, not accurately reflect the borrower's actual creditworthiness. Platforms may not have an obligation to update borrower information, and, therefore, the Fund may not be aware of any impairment in a borrower's creditworthiness subsequent to the making of a particular loan. The platforms' credit decisions and scoring models may be based on algorithms that could potentially contain programming or other errors or prove to be ineffective or otherwise flawed. This could adversely affect loan pricing data and approval processes and could cause loans to be mispriced or misclassified, which could ultimately have a negative impact on the Fund's performance.

In addition, the underlying loans, in some cases, may be affected by the success of the platforms through which they are facilitated. Therefore, disruptions in the businesses of such platforms may also negatively impact the value of the Fund's investments. In addition, disruption in the business of a platform could limit or eliminate the ability of the Fund to invest in loans originated by that platform, and therefore the Fund could lose some or all of the benefit of its diligence effort with respect to that platform.

Platforms are for-profit businesses that, as a general matter, generate revenue by collecting fees on funded loans from borrowers and by assessing a loan servicing fee on investors, which may be a fixed annual amount or a percentage of the loan or amounts collected. This business could be disrupted in multiple ways; for example, a platform could file for bankruptcy or a platform might suffer reputational harm from negative publicity about the platform or alternative lending more generally and the loss of investor confidence in the event that a loan facilitated

through the platform is not repaid and the investor loses money on its investment. Many platforms and/or their affiliates have incurred operating losses since their inception and may continue to incur net losses in the future, particularly as their businesses grow and they incur additional operating expenses.

Platforms may also be forced to defend legal action taken by regulators or governmental bodies. Alternative lending is a newer industry operating in an evolving legal environment. Platforms may be subject to risk of litigation alleging violations of law and/or regulations, including, for example, consumer protection laws, whether in Canada, the U.S. or other foreign jurisdictions. Platforms may be unsuccessful in defending against such lawsuits or other actions and, in addition to the costs incurred in fighting any such actions, platforms may be required to pay money in connection with the judgments, settlements or fines or may be forced to modify the terms of its borrower loans, which could cause the platform to realize a loss or receive a lower return on a loan than originally anticipated. Platforms may also be parties to litigation or other legal action in an attempt to protect or enforce their rights or those of affiliates, including intellectual property rights, and may incur similar costs in connection with any such efforts.

The Fund's investments in Alt Lending ABS may expose the Fund to the credit risk of the issuer. Generally, such instruments are unsecured obligations of the issuer; an issuer that becomes subject to bankruptcy proceedings may be unable to make full and timely payments on its obligations to the Fund, even if the payments on the underlying loan or loans continue to be made timely and in full. In addition, when the Fund owns Alt Lending ABS, the Fund and its custodian generally does not have a contractual relationship with, or personally identifiable information regarding, individual borrowers, so the Fund will not be able to enforce underlying loans directly against borrowers and may not be able to appoint an alternative servicing agent in the event that a platform or third-party servicer, as applicable, ceases to service the underlying loans. Therefore, the Fund is more dependent on the platform for servicing than if the Fund had owned whole loans through the platform. Where such interests are secured, the Fund relies on the platform to perfect the Fund's security interest. In addition, there may be a delay between the time the Fund commits to purchase an instrument issued by a platform, its affiliate or a special purpose entity sponsored by the platform or its affiliate and the issuance of such instrument and, during such delay, the funds committed to such an investment will not earn interest on the investment nor will they be available for investment in other alternative lending-related instruments, which will reduce the effective rate of return on the investment.

#### ***“Covenant-lite” Obligations Risk***

Covenant-lite obligations contain fewer maintenance covenants than other obligations, or no maintenance covenants, and may not include terms that allow the lender to monitor the performance of the borrower and declare a default if certain criteria are breached. Covenant-lite loans may carry more risk than traditional loans as they allow individuals and corporations to engage in activities that would otherwise be difficult or impossible under a covenant-heavy loan agreement. In the event of default, covenant-lite loans may exhibit diminished recovery values as the lender may not have the opportunity to negotiate with the borrower prior to default.

#### ***Reinvestment Risk***

Income from the Fund's Portfolio will decline if and when the Fund invests the proceeds from matured, traded or called debt obligations at market interest rates that are below the Portfolio's then current earnings rate. For instance, during periods of declining interest rates, an issuer of debt obligations may exercise an option to redeem securities prior to maturity, forcing the Fund to invest in lower-yielding securities. The Fund also may choose to sell higher yielding assets in the Portfolio and to purchase lower yielding securities to achieve greater portfolio diversification, because the Sub-Adviser believes the current holdings are overvalued or for other investment-related reasons. A decline in income received by the Fund from its investments is likely to have a negative effect on distribution levels and the market price, net asset value and/ or overall return of the Units.

#### ***Call Risk***

Call risk refers to the possibility that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security in which the Fund has invested, the Fund may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favourable features.

### *Foreign (non-Canadian and non-U.S.) Investment Risk*

The Fund may invest in global securities and may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of Canadian or U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of global securities are usually not subject to the same degree of regulation as Canadian or U.S. issuers. Reporting, accounting, auditing and custody standards of foreign countries differ, in some cases significantly, from Canadian or U.S. standards. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect the Fund's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, the Fund could lose its entire investment in global securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. To the extent that the Fund invests a significant portion of its assets in a specific geographic region, the Fund will generally have more exposure to regional economic risks associated with global investments. Global securities may also be less liquid and more difficult to value than securities of Canadian or U.S. issuers.

The global economic crisis brought several small economies in Europe to the brink of bankruptcy and many other economies into recession and weakened the banking and financial sectors of many European countries. For example, the governments of Greece, Spain, Portugal, and the Republic of Ireland have all experienced large public budget deficits, the effects of which are still yet unknown and may slow the overall recovery of European economies from the global economic crisis. In addition, due to large public deficits, some European countries may be dependent on assistance from other European governments and institutions or other central banks or supranational agencies such as the International Monetary Fund. Assistance may be dependent on a country's implementation of reforms or reaching a certain level of performance. Failure to reach those objectives or an insufficient level of assistance could result in a deep economic downturn which could significantly affect the value of the Fund's European investments. It is possible that one or more Economic and Monetary Union member countries could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The exit of any country out of the euro may have an extremely destabilizing effect on other eurozone countries and their economies and a negative effect on the global economy as a whole. Such an exit by one country may also increase the possibility that additional countries may exit the euro should they face similar financial difficulties.

The Fund may face potential risks associated with the decision made in the United Kingdom's referendum to leave the European Union (commonly known as "Brexit"). The United Kingdom withdrew from the EU on January 31, 2020, but remained in the EU's customs union and single market for a transition period that expired on December 31, 2020. On December 24, 2020, the United Kingdom and the EU entered into a trade and cooperation agreement (the "**Trade and Cooperation Agreement**"), which was applied on a provisional basis from January 1, 2021. While the economic integration does not reach the level that existed during the time the United Kingdom was a member state of the EU, the Trade and Cooperation Agreement sets out preferential arrangements in areas such as trade in goods and in services, digital trade and intellectual property. Negotiations between the United Kingdom and the EU are expected to continue in relation to the relationship between the United Kingdom and the EU in certain other areas which are not covered by the Trade and Cooperation Agreement. The long term effects of Brexit will depend on the effects of the implementation and application of the Trade and Cooperation Agreement and any other relevant agreements between the United Kingdom and the EU. The effects of Brexit remain uncertain and, as a result, the Fund may face risks associated with the potential uncertainty and disruptions that may follow Brexit and the implementation and application of the Trade and Cooperation Agreement, including with respect to volatility in exchange rates and interest rates. The uncertainty concerning the United Kingdom's future legal, political and economic relationship with the EU could adversely affect political, regulatory, economic or market conditions in the EU, the United Kingdom and worldwide and could contribute to instability in global economies and markets. These developments could result in losses to the Fund, as there may be negative effects on the value of the Fund's investments and/or on the Fund's ability to enter into certain transactions or value certain investments, and these developments may make it more difficult for the Fund to exit certain investments at an advantageous time or price. Such events could result from, among other things, increased uncertainty and volatility in the United Kingdom, the EU and other financial markets; fluctuations in asset values; fluctuations in exchange rates; decreased liquidity of investments located, traded or listed within the United Kingdom, the EU or elsewhere; changes in the willingness or ability of financial and other counterparties to enter into transactions or the price and terms on which other counterparties are willing to transact; and/or changes in legal and regulatory regimes to which Fund investments are

or become subject. Any of these events, as well as an exit or expulsion of an EU member state other than the United Kingdom from the EU, could negatively impact Fund returns.

The Fund may invest in securities and instruments that are economically tied to Russia. Investments in Russia are subject to various risks such as political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that economic sanctions may be imposed by the United States and/or other countries. Such sanctions — which may impact companies in many sectors, including energy, financial services and defense, among others — may negatively impact the Fund's performance and/or ability to achieve its investment objectives. The Russian securities market is characterized by limited volume of trading, resulting in difficulty in obtaining accurate prices. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. There may be little publicly available information about issuers. Settlement, clearing and registration of securities transactions are subject to risks because of registration systems that may not be subject to effective government supervision. This may result in significant delays or problems in registering the transfer of securities. Russian securities laws may not recognize foreign nominee accounts held with a custodian bank, and therefore the custodian may be considered the ultimate owner of securities they hold for their clients. Ownership of securities issued by Russian companies is recorded by companies themselves and by registrars instead of through a central registration system. It is possible that the ownership rights of the Fund could be lost through fraud or negligence. While applicable Russian regulations impose liability on registrars for losses resulting from their errors, it may be difficult for the Fund to enforce any rights it may have against the registrar or issuer of the securities in the event of loss of share registration. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

The Russian government may also exercise substantial influence over many aspects of the private sector and may own or control many companies. Government actions could have a significant effect on the economic conditions in Russia, which could have a negative impact on private sector companies. Diplomatic developments could also adversely affect investments in Russia. The Russian government has taken to take bolder steps to re-assert its regional geopolitical influence (including military steps) and launched a large-scale invasion on Ukraine on February 24, 2022. Such steps have increased tensions between Russia and its neighbors and Western countries and may negatively affect economic growth.

*Russian Invasion:* Russia launched a large-scale invasion of Ukraine on February 24, 2022. The extent and duration of the military action, resulting sanctions and resulting future market disruptions, including declines in its stock markets and the value of the ruble against foreign currencies, in the region are impossible to predict, but could be significant. Any such disruptions caused by Russian military action or other actions (including cyberattacks and espionage) or resulting actual and threatened responses to such activity, including purchasing and financing restrictions, boycotts or changes in consumer or purchaser preferences, sanctions, tariffs or cyberattacks on Russian entities or individuals, including politicians, could have a severe adverse effect on the region, including significant negative impacts on the economy and the markets for certain securities and commodities, such as oil and natural gas, as well as other sectors. How long such military action and related events will last cannot be predicted. These and any related events could have significant impact on the performance of the Fund. In addition, Canada, the U.S., and the European Union, among other jurisdictions, and regulatory bodies have imposed economic sanctions on certain Russian individuals, including politicians, and Russian corporate and banking entities. Broader sanctions have also been imposed on Russia, including banning Russia from global payments systems that facilitate cross-border payments. These sanctions, or even the threat of further sanctions, may result in the decline of the value and liquidity of Russian securities, a weakening of the ruble or other adverse consequences to the Russian economy. These sanctions could also result in the immediate freeze of Russian securities and/or funds invested in prohibited assets, impairing the ability of the Fund to buy, sell, receive or deliver those securities and/or assets. Sanctions could also result in Russia taking counter measures or retaliatory actions which may further impair the value and liquidity of Russian securities. The sanctions against certain Russian issuers include prohibitions on transacting in or dealing in issuances of debt or equity of such issuers. Compliance with each of these sanctions may impair the ability of the Fund to buy, sell, hold, receive or deliver the affected securities or other securities of such issuers.



### ***Emerging Markets Risk***

Foreign investment risk may be particularly high to the extent that the Fund invests in securities of issuers based in or doing business in emerging market countries or invests in securities denominated in the currencies of emerging market countries. Investing in securities of issuers based in or doing business in emerging markets entails all of the risks of investing in foreign securities noted above, but to a heightened degree.

Investments in emerging market countries pose a greater degree of systemic risk (i.e., the risk of a cascading collapse of multiple institutions within a country, and even multiple national economies). The inter-relatedness of economic and financial institutions within and among emerging market economies has deepened over the years, with the effect that institutional failures and/or economic difficulties that are of initially limited scope may spread throughout a country, a region or even among all or most emerging market countries. This may undermine any attempt by the Fund to reduce risk through geographic diversification of its Portfolio investments among emerging market countries.

There is also a greater risk that an emerging market government may take action that impedes or prevents the Fund from taking income and/or capital gains earned in the local currency and converting into Canadian or U.S. dollars (i.e., “repatriating” local currency investments or profits). Certain emerging market countries have sought to maintain foreign exchange reserves and/or address the economic volatility and dislocations caused by the large international capital flows by controlling or restricting the conversion of the local currency into other currencies. This risk tends to become more acute when economic conditions otherwise worsen. There can be no assurance that if the Fund earns income or capital gains in an emerging market currency or the Sub-Adviser otherwise seeks to withdraw the Fund’s investments from a given emerging market country, capital controls imposed by such country will not prevent, or cause significant expense in, doing so.

### ***Foreign Currency Risk***

The Fund may engage in practices and strategies that will result in exposure to fluctuations in foreign exchange rates, in which case the Fund will be subject to foreign currency risk. The Units are priced in Canadian dollars and the distributions paid by the Fund to Unitholders are paid in Canadian dollars. However, because a substantial portion of the Fund’s assets may be denominated directly in foreign non-Canadian currencies or in securities that trade in, or receive revenues in, foreign currencies, or in derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the Canadian dollar, in the case of hedging positions (if utilized), that the Canadian dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, rates of inflation, balance of payments and governmental surpluses or deficits, intervention (or the failure to intervene) by Canada or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in Canada or abroad. These fluctuations may have a significant adverse impact on the value of the Fund’s Portfolio and/or the level of Fund distributions made to Unitholders. The Fund will endeavour to hedge all or substantially all of the value of the Portfolio against changes in the value of such currencies against the Canadian dollar. The practice of hedging can reduce the risk of loss due to fluctuations in currency exchange rates relative to the Canadian dollar. The use of hedges involves special risks, including, to the extent the Sub-Adviser’s assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Sub-Adviser’s expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### ***Redenomination Risk***

Continuing uncertainty as to the status of the euro and the European Monetary Union (the “EMU”) has created significant volatility in currency and financial markets generally. Any partial or complete dissolution of the EMU could have significant adverse effects on currency and financial markets, and on the values of the Fund’s Portfolio investments. If one or more EMU countries were to stop using the euro as its primary currency, the Fund’s investments in such countries may be redenominated into a different or newly adopted currency. As a result, the value of those investments could decline significantly and unpredictably. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in euros. To the extent a currency used for redenomination purposes

is not specified in respect of certain EMU-related investments, or should the euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. The Fund may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities. There can be no assurance that if the Fund earns income or capital gains in a foreign country or PIMCO otherwise seeks to withdraw the Fund's investments from a given country, capital controls imposed by such country will not prevent, or cause significant expense in doing so.

### ***U.S. Government Securities Risk***

The Fund may invest in debt securities issued or guaranteed by agencies, instrumentalities and sponsored enterprises of the U.S. Government. Some U.S. Government securities, such as U.S. Treasury bills, notes and bonds, and mortgage-related securities guaranteed by the Government National Mortgage Association (“GNMA”), are supported by the full faith and credit of the United States; others, such as those of the Federal Home Loan Banks (“FHLBs”) or the Federal Home Loan Mortgage Corporation (“FHLMC”), are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association (“FNMA”), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the issuing agency, instrumentality or enterprise. Although U.S. Government-sponsored enterprises, such as the FHLBs, FHLMC, FNMA and the Student Loan Marketing Association, may be chartered or sponsored by U.S. Congress, they are not funded by U.S. Congressional appropriations, and their securities are not issued by the U.S. Treasury or supported by the full faith and credit of the U.S. Government and involve increased credit risks. Although legislation has been enacted to support certain government sponsored entities, including the FHLBs, FHLMC and FNMA, there is no assurance that the obligations of such entities will be satisfied in full, or that such obligations will not decrease in value or default. It is difficult, if not impossible, to predict the future political, regulatory or economic changes that could impact the government sponsored entities and the values of their related securities or obligations. In addition, certain governmental entities, including FNMA and FHLMC, have been subject to regulatory scrutiny regarding their accounting policies and practices and other concerns that may result in legislation, changes in regulatory oversight and/or other consequences that could adversely affect the credit quality, availability or investment character of securities issued by these entities.

U.S. Government debt securities generally involve lower levels of credit risk than other types of debt securities of similar maturities, although, as a result, the yields available from U.S. Government debt securities are generally lower than the yields available from such other securities. Like other debt securities, the values of U.S. Government securities change as interest rates fluctuate. Fluctuations in the value of assets in the Portfolio will not affect interest income on existing assets in the Portfolio but will be reflected in the NAV of the Fund.

### ***Foreign (non-Canadian and non-U.S.) Government Securities Risk***

The Fund's investments in debt obligations of foreign (non-Canadian and non-U.S.) governments or their subdivisions, agencies and government sponsored enterprises and obligations of international agencies and supranational entities (together “**Foreign Government Securities**”) can involve a high degree of risk. The foreign governmental entity that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Foreign governmental entities also may be dependent on expected disbursements from other governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on the implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the foreign governmental entity, which may further impair such debtor's ability or willingness to timely service its debts. Consequently, foreign governmental entities may default on their debt. Holders of Foreign Government Securities may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. In the event of a default by a governmental entity, there may be few or no effective legal remedies for collecting on such debt. These risks are particularly severe with respect to the Fund's investments in Foreign Government Securities of emerging market

countries. Among other risks, if the Fund's investments in Foreign Government Securities issued by an emerging market country need to be liquidated quickly, the Fund could sustain significant transaction costs. Also, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the Fund's holdings in emerging market Foreign Government Securities and the currencies in which they are denominated and/or pay revenues.

### ***Convertible Securities Risk***

Convertible securities are fixed income securities, preferred securities or other securities that are convertible into or exercisable for common shares of the issuer (or cash or securities of equivalent value) at either a stated price or a stated rate. The market values of convertible securities may decline as interest rates increase and, conversely, to increase as interest rates decline. However, a convertible security's market value tends to reflect the market price of the common shares of the issuing company when that share price approaches or is greater than the convertible security's "conversion price." The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated shares. As the market price of the underlying common shares declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, it may not decline in price to the same extent as the underlying common shares. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company's common shareholders but after holders of any senior debt obligations of the company. Consequently, the issuer's convertible securities generally entail less risk than its common shares but more risk than its debt obligations. Convertible securities are often rated below investment grade or not rated because they fall below debt obligations and just above common equity in order of preference or priority on the issuer's balance sheet.

### ***Synthetic Convertible Securities Risk***

The Fund may invest in synthetic convertible securities, which are created through a combination of separate securities that possess the two principal characteristics of a traditional convertible security, i.e., an income-producing security ("income-producing component") and the right to acquire an equity security ("convertible component"). The income-producing component is achieved by investing in non-convertible, income-producing securities such as bonds, preferred shares and money market instruments. The convertible component is achieved by purchasing warrants or options to buy common shares at a certain exercise price, or options on a stock index. The values of synthetic convertible securities will respond differently to market fluctuations than a traditional convertible security because a synthetic convertible is composed of two or more separate securities or instruments, each with its own market value. Synthetic convertible securities are also subject to the risks associated with derivatives. In addition, if the value of the underlying common shares or the level of the index involved in the convertible element falls below the strike price of the warrant or option, the warrant or option may lose all value.

### ***Contingent Convertible Securities Risk***

The risks of investing in contingent convertible securities include, without limitation, the risk that interest payments will be cancelled by the issuer or a regulatory authority, the risk of ranking junior to other creditors in the event of a liquidation or other bankruptcy-related event as a result of holding subordinated debt, the risk of the Fund's investment becoming further subordinated as a result of conversion from debt to equity, the risk that the principal amount due can be written down to a lesser amount, and the general risks applicable to fixed income investments, including interest rate risk, credit risk, market risk and liquidity risk, any of which could result in losses to the Fund. Contingent convertible securities may experience a loss absorption mechanism trigger event, which would likely be the result of, or related to, the deterioration of the issuer's financial condition (e.g., a decrease in the issuer's capital ratio) and status as a going concern. In such a case, with respect to contingent convertible securities that provide for conversion into common stock upon the occurrence of the trigger event, the market price of the issuer's common stock received by the Fund will have likely declined, perhaps substantially, and may continue to decline, which may adversely affect the NAV of the Fund.

### ***Valuation Risk***

When market quotations are not readily available or are deemed to be unreliable, the Fund values its investments at fair value as determined in good faith pursuant to the Manager's obligations under the master management agreement dated February 26, 2014, as amended on September 3, 2020, between the Manager and the Fund. Fair

value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset.

### ***Leverage Risk***

The Fund's use of leverage creates the opportunity for increased returns but also creates risk for the Fund. To the extent used, there is no assurance that the Fund's leveraging strategies will be successful. Leverage is a speculative technique that may expose the Fund to greater risk and increased costs. The net proceeds that the Fund obtains from its use of dollar rolls and/or amounts borrowed under a loan facility (as well as from any future issuance of preferred shares) will be invested in accordance with the Fund's investment objectives and policies as described in this Prospectus. It is anticipated that interest expense payable by the Fund with respect to its dollar rolls and amounts borrowed under a loan facility (or dividends payable with respect to any outstanding preferred shares) will generally be based on shorter-term interest rates that would be periodically reset. So long as the Fund's assets in its Portfolio provide a higher rate of return (net of applicable Fund expenses) than the interest expenses and other costs to the Fund of such leverage, the investment of the proceeds thereof will generate more income than will be needed to pay the costs of the leverage. If so, and all other things being equal, the excess may be used to pay higher distributions to Unitholders than if the Fund were not so leveraged. If, however, shorter-term interest rates rise relative to the rate of return on the Fund's Portfolio, the interest and other costs to the Fund of leverage (including interest expenses on dollar rolls and amounts borrowed under a loan facility and the dividend rate on any outstanding preferred shares) could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to Unitholders. In addition, fees and expenses of any form of leverage used by the Fund will be borne entirely by the Fund and will reduce the investment return of the Fund. Therefore, there can be no assurance that the Fund's use of leverage will result in a higher yield on the Units, and it may result in losses.

Leverage creates several major types of risks for Unitholders, including:

- the likelihood of greater volatility of Net Asset Value of the Fund and market price of Units, and of the investment return to Unitholders, than a comparable portfolio without leverage;
- the possibility either that distributions on the Units will fall if the interest and other costs of leverage rise, or that distributions on the Units will fluctuate because such costs vary over time; and
- the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the Net Asset Value of the Fund than if the Fund were not leveraged and may result in a greater decline in the market value of the Units.

In addition, the counterparties to the Fund's leveraging transactions will have priority of payment over the Fund's Unitholders.

The use by the Fund of dollar rolls to obtain leverage also involves special risks. For instance, the market value of the securities that the Fund is obligated to repurchase under a dollar roll may decline below the repurchase price.

In addition to dollar rolls, issuance of preferred shares and/or amounts borrowed under a loan facility, the Fund may engage in other transactions that may give rise to a form of leverage including, among others, futures and forward contracts (including foreign currency exchange contracts), credit default swaps, total return swaps, basis swaps and other derivative transactions, loans of portfolio securities, short sales and when-issued, delayed delivery and forward commitment transactions. The Fund's use of such transactions gives rise to associated leverage risks described above, and may adversely affect the Fund's income, distributions and total returns to Unitholders. The Fund manages some of its derivative positions by posting collateral to the applicable counterparties. The Fund may also offset derivatives positions against one another or against other assets to manage effective market exposure resulting from derivatives in its Portfolio. To the extent that any offsetting positions do not behave in relation to one another as expected, the Fund may perform as if it is leveraged through use of these derivative strategies.

The Fund may in the future issue preferred securities as a means of adding leverage, which may take the form of a separate class of units of the Fund with a preferential entitlement to the repayment of the subscription price for such securities and to a fixed annual return thereon. The Tax Act includes rules which may subject the Fund to income tax on its income in a year notwithstanding that the Fund may have paid or made payable such income to its unitholders in the year (including holders of Units as well as holders of such preferred securities), where it is reasonable to consider that one of the main purposes for the existence of any term, right or other attribute of an interest in the Fund is to give a beneficiary a percentage interest in the property of the Fund that is greater than the beneficiary's interest in the income of the Fund. If such rules applied to the Fund then it would be subject to income tax on its income and the amount available to be distributed to Unitholders would be affected. Although the potential application of such rules to the Fund if it issues preferred securities is at present uncertain, the Fund intends to take the potential application of such rules into account prior to issuing any preferred securities with a view to mitigating any risk to the Fund or its Unitholders in relation to such rules. However, there can be no certainty in this regard.

Because the fees received by the Manager are based on the Total Assets of the Fund (including assets attributable to any dollar rolls, amounts borrowed under a loan facility and preferred shares that may be outstanding), the Manager has a financial incentive for the Fund to use certain forms of leverage (e.g., dollar rolls and other amounts borrowed under a loan facility), which may create a conflict of interest between the Manager, on the one hand, and the Unitholders, on the other hand.

### ***Segregation and Coverage Risk***

Certain portfolio management techniques, such as, among other things, using dollar rolls, purchasing securities on a when-issued or delayed delivery basis, entering into swap agreements, futures contracts or other derivative transactions, or engaging in short sales, may be considered senior securities unless steps are taken to segregate the Fund's assets or otherwise cover its obligations. To avoid having these instruments considered senior securities, the Fund may segregate liquid assets with a value equal (on a daily mark-to-market basis) to its obligations under these types of leveraged transactions, enter into offsetting transactions or otherwise cover such transactions. The Fund may be unable to use such segregated assets for certain other purposes, which could result in the Fund earning a lower return on its Portfolio than it might otherwise earn if it did not have to segregate those assets in respect of, or otherwise cover such Portfolio positions. To the extent the Fund's assets are segregated or committed as cover, it could limit the Fund's investment flexibility. Segregating assets and covering positions will not limit or offset losses on related positions.

### ***Derivatives Risk***

The Fund may utilize a variety of derivative instruments (both long and short positions) for investment or risk management purposes, as well as to leverage its Portfolio. The Fund may use derivatives to gain exposure to securities markets or other assets, such as real-estate related investments, in which it may invest. The Fund may also use derivatives to add leverage to its Portfolio. Derivatives transactions that the Fund may utilize include, but are not limited to, purchases or sales of futures and forward contracts (including foreign currency exchange contracts), call and put options, credit default swaps, total return swaps, basis swaps and other swap agreements. The Fund may also have exposure to derivatives, such as interest rate or credit-default swaps, through investment in credit-linked trust certificates and other securities issued by special purpose or structured vehicles. The Fund's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this Prospectus, such as liquidity risk, interest rate risk, issuer risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation, the risk of unfavourable or ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. The Fund's use of derivatives also may increase the amount and affect the character and/or timing of taxes payable by Unitholders. OTC derivatives are also subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally-cleared derivatives might not be available for OTC derivatives. For derivatives traded on an exchange or through a central counterparty, credit risk resides with the creditworthiness of the Fund's clearing broker, or the clearinghouse itself, rather than with a counterparty in an OTC derivative.

The regulation of the derivatives markets has increased over the past several years, and additional future regulation of the derivatives markets may make derivatives more costly, may limit the availability or reduce the liquidity of derivatives, or may otherwise adversely affect the value or performance of derivatives. Any such adverse future developments could impair the effectiveness of the Fund's derivative transactions and cause the Fund to lose value.

### ***Credit Default Swaps Risk***

Credit default swap agreements may involve greater risks than if the Fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk. A buyer generally also will lose its investment and recover nothing should no credit event occur and the swap is held to its termination date. If a credit event were to occur, the value of any deliverable obligation received by the seller (if any), coupled with the upfront or periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the seller. When the Fund acts as a seller of a credit default swap, it is exposed to many of the same risks of leverage described herein since if an event of default occurs, the seller must pay the buyer the full notional value of the reference obligation.

Although the Fund may seek to realize gains by selling credit default swaps that increase in value, to realize gains on selling credit default swaps, an active secondary market for such instruments must exist or the Fund must otherwise be able to close out these transactions at advantageous times. In addition to the risk of losses described above, if no such secondary market exists or the Fund is otherwise unable to close out these transactions at advantageous times, selling credit default swaps may not be profitable for the Fund.

The market for credit default swaps has become more volatile in recent years as the creditworthiness of certain counterparties has been questioned and/or downgraded.

The Fund will be subject to credit risk with respect to the counterparties to the derivative contract (whether a clearing corporation in the case of a cleared credit default swap or another third party in the case of an uncleared credit default swap). If a counterparty's credit becomes significantly impaired, multiple requests for collateral posting in a short period of time could increase the risk that the Fund may not receive adequate collateral. The Fund may exit its obligations under a credit default swap only by terminating the contract and paying applicable breakage fees, or by entering into an offsetting credit default swap position, which may cause the Fund to incur more losses.

### ***Counterparty Risk***

The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts and other instruments entered into by the Fund or held by special purpose or structured vehicles in which the Fund invests. In the event that the Fund enters into a derivative transaction with a counterparty that subsequently becomes insolvent or becomes the subject of a bankruptcy case, the derivative transaction may be terminated in accordance with its terms and the Fund's ability to realize its rights under the derivative instrument and its ability to distribute the proceeds could be adversely affected. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery (including recovery of any collateral it has provided to the counterparty) in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy, or other analogous proceeding. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If the Fund is owed this fair market value in the termination of the derivative transaction and its claim is unsecured, the Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to any underlying security or asset. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

### ***Equity Securities and Related Market Risk***

Subject to the Fund's investment policies, the Fund may hold common shares and other equity securities (both exchange-traded and non-exchange traded) from time to time, including those that it has received through the conversion of a convertible security held by the Fund or in connection with the restructuring of a debt security. The market price of common shares and other equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets, or the issuer itself. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse

economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Equity securities generally have greater price volatility than bonds and other debt securities. Credit ratings downgrades may also negatively affect securities held by the Fund. Even when markets perform well, there is no assurance that the investments held by the Fund will increase in value along with the broader market.

### ***Preferred Securities Risk***

In addition to equity securities risk, credit risk and possibly high yield risk, investment in preferred securities involves certain other risks. Certain preferred securities contain provisions that allow an issuer under certain conditions to skip or defer distributions. If the Fund owns a preferred security that is deferring its distribution, the Fund may be required to include the amount of the deferred distribution in its taxable income for tax purposes although it does not currently receive such amount in cash. In order to avoid income tax at the fund level, the Fund may be required to distribute this income to Unitholders in the tax year in which the income is recognized (without a corresponding receipt of cash). Therefore, the Fund may be required to pay out as an income distribution in any such tax year an amount greater than the total amount of cash income the Fund actually received, and to sell assets in its Portfolio, including at potentially disadvantageous times or prices, to obtain cash needed for these income distributions. Preferred securities often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred securities may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common shares, corporate debt securities and U.S. Government securities.

### ***Private Placements Risk***

A private placement involves the sale of securities that have not been qualified for distribution to the public under applicable securities laws to certain institutional and qualified individual purchasers, such as the Fund. In addition to the general risks to which all securities are subject, securities received in a private placement generally are subject to strict restrictions on resale, and there may be no liquid secondary market or ready purchaser for such securities. Therefore, the Fund may be unable to dispose of such securities when it desires to do so, or at the most favourable time or price. Private placements may also raise valuation risks.

### ***Confidential Information Access Risk***

In managing the Fund, the Sub-Adviser may from time to time have the opportunity to receive material, non-public information (“**Confidential Information**”) about the issuers of certain investments, including, without limitation, senior floating rate loans, other bank loans and related investments being considered for acquisition by the Fund or held in the Fund's Portfolio. For example, a bank issuer of privately placed senior floating rate loans considered by the Fund may offer to provide the Sub-Adviser with financial information and related documentation regarding the bank issuer that is not publicly available. Pursuant to applicable policies and procedures, the Sub-Adviser may (but is not required to) seek to avoid receipt of Confidential Information from the issuer so as to avoid possible restrictions on its ability to purchase and sell investments on behalf of the Fund and other clients to which such Confidential Information relates (e.g., other securities issued by the bank used in the example above). In such circumstances, the Fund (and other clients of the Sub-Adviser) may be disadvantaged in comparison to other investors, including with respect to the price the Fund pays or receives when it buys or sells an investment. Further, the Sub-Adviser's and the Fund's abilities to assess the desirability of proposed consents, waivers or amendments with respect to certain investments may be compromised if they are not privy to available Confidential Information. The Sub-Adviser may also determine to receive such Confidential Information in certain circumstances under its applicable policies and procedures. If the Sub-Adviser intentionally or unintentionally comes into possession of Confidential Information, it may be unable, potentially for a substantial period of time, to purchase or sell investments to which such Confidential Information relates.

### ***Inflation/Deflation Risk***

Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of the Fund's Portfolio could decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's Portfolio and the Units.

### ***Risk of Regulatory Changes***

To the extent that legislation or national or sub-national bank or other regulators in Canada, the U.S. or other relevant foreign jurisdiction impose additional requirements or restrictions on the ability of certain financial institutions to make loans, particularly in connection with highly leveraged transactions, the availability of investments sought after by the Fund may be reduced. Further, such legislation or regulation could depress the market value of investments held by the Fund.

Legislative, regulatory or tax developments may affect the investment techniques available to the Sub-Adviser in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment objectives. The futures, options and swaps markets are subject to comprehensive statutes, regulations, and margin requirements. In addition, exchanges such as the SEC and the U.S. Commodity Futures Trading Commission are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of futures, options and swaps transactions in the U.S. is a rapidly changing area of law and is subject to modification by government and judicial action.

Current rules related to credit risk retention requirements for asset backed securities may increase the cost to originators, securitizers and, in certain cases, asset managers of securitization vehicles in which the Fund may invest. The impact of the risk retention rules on the securitization markets is uncertain. These requirements may increase the costs to originators, securitizers, and, in certain cases, collateral managers of securitization vehicles in which the Fund may invest, which costs could be passed along to such Fund as an investor in such vehicles. In addition, the costs imposed by the risk retention rules on originators, securitizers and/or collateral managers may result in a reduction of the number of new offerings of asset-backed securities and thus in fewer investment opportunities for the Fund. A reduction in the number of new securitizations could also reduce liquidity in the markets for certain types of financial assets that are typically held by securitization vehicles, which in turn could negatively affect the returns on the Fund's investment in asset-backed securities.

### ***Regulatory Risk—LIBOR***

The Fund's investments, payment obligations and financing terms may rely in some fashion on LIBOR. LIBOR is an average interest rate, determined by the ICE Benchmark Administration, that banks charge one another for the use of short-term money. LIBOR was phased at the end of 2021 and market participants may choose from various alternatives for a replacement rate. Any potential effects of the transition away from LIBOR on the Fund or on certain instruments in which the Fund invests can be difficult to ascertain, and they may vary depending on factors that include, but are not limited to: (i) existing fallback or termination provisions in individual contracts and (ii) whether, how, and when industry participants develop and adopt new reference rates and fallbacks for both legacy and new products and instruments. For example, certain of the Fund's investments may involve individual contracts that have no existing fallback provision or language that contemplates the discontinuation of LIBOR, and those investments could experience increased volatility or illiquidity as a result of the transition process. In addition, interest rate provisions included in such contracts, or in contracts or other arrangements entered into by the Fund, may need to be renegotiated. The transition may also result in a reduction in the value of certain instruments held by the Fund, a change in the cost of borrowing or the dividend rate for any preferred shares that may be issued by the Fund, or a reduction in the effectiveness of related Fund transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to the Fund.



### ***Liquidity Risk***

The Fund may invest in illiquid investments, provided that immediately after the purchase, not more than 20% of the Fund's net asset value would be comprised of illiquid assets. The Fund is not permitted to hold for a period of 90 days or more, more than 25% of its net asset value in illiquid assets. If more than 25% of the Fund's net asset value is made up of illiquid assets, the Fund will as quickly as commercially reasonable, take all necessary steps to reduce the percentage of its net asset value made up of illiquid assets to 25% of net asset value or less.

Liquidity risk exists when particular investments are difficult to purchase or sell at the time that the Fund would like or at the price that the Fund believes such investments are currently worth. Illiquid investments may become harder to value, especially in changing markets. The Fund's investments in illiquid investments may reduce the returns of the Fund because it may be unable to sell the illiquid investments at an advantageous time or price or possibly require the Fund to dispose of other investments at unfavourable times or prices in order to satisfy its obligations, which could prevent the Fund from taking advantage of other investment opportunities. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer.

Many of the Fund's real estate-related investments will be less liquid. Accordingly, the Fund will tend to have heightened exposure to liquidity risk. Bond markets have consistently grown over the past three decades while the capacity for traditional dealer counterparties to engage in fixed income trading has not kept pace and in some cases has decreased. As a result, dealer inventories of corporate bonds, which provide a core indication of the ability of financial intermediaries to "make markets," are at or near historic lows in relation to market size. Because market makers seek to provide stability to a market through their intermediary services, the significant reduction in dealer inventories could potentially lead to decreased liquidity and increased volatility in the fixed income markets. Such issues may be exacerbated during periods of economic uncertainty. In such cases, the Fund, due to limitations on investments in illiquid investments and the difficulty in purchasing and selling such investments or instruments, may be unable to achieve its desired level of exposure to a certain sector. To the extent that the Fund's principal investment strategies involve securities of companies with smaller market capitalizations, foreign securities, Rule 144A securities, Regulation S securities, senior loans, illiquid sectors of fixed income securities, derivatives or securities with substantial market and/or credit risk, the Fund will tend to have the greatest exposure to liquidity risk. Further, fixed income securities with longer durations until maturity face heightened levels of liquidity risk as compared to fixed income securities with shorter durations until maturity. It may also be the case that other market participants may be attempting to liquidate fixed income holdings at the same time as the Fund, causing increased supply in the market and contributing to liquidity risk and downward pricing pressure.

The Alt Lending ABS in which the Fund invests are typically not listed on any securities exchange and not registered under the U.S. Securities Act. In addition, the Fund anticipates that these instruments may only be sold to a limited number of investors and may have a limited or non-existent secondary market. Accordingly, the Fund currently expects that certain of its investments in Alt Lending ABS will face heightened levels of liquidity risk. Although currently, there is generally no active reliable, secondary market for certain Alt Lending ABS, a secondary market for these alternative lending-related instruments may develop.

### ***Canadian Tax Risk***

The Fund is subject to certain tax risks generally applicable to investment funds that hold Canadian and/or non-Canadian securities, including the following.

If the Fund does not qualify as a mutual fund trust or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "*Income Tax Considerations*" in the Current AIF would be materially and adversely different in certain respects.

In determining its income for tax purposes, the Fund treats gains or losses realized on the disposition of securities held in its Portfolio as capital gains and losses. Generally, subject to the DFA Rules discussed below, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge assets in the Portfolio held on capital account provided there is sufficient linkage, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. The taxation of certain investments of the Fund may be (i) uncertain under Canadian tax law as to amount and timing of recognition of income, gains or losses and characterization of income, gains or losses; and (ii) may be less

favourable to the Fund or Unitholders as Canadian taxpayers than to taxpayers in the jurisdiction of the investment having regard to, among other things, tax credits or subsidies, withholding tax or the fact that the investment structure is designed with investors resident in the jurisdiction of the investment in mind and not Canadian resident investors like the Fund. Certain investments of the Fund may result in a deemed accrual or receipt of income even if the Fund does not receive the income on a current basis or in cash. This may result in the Fund having to sell other investments, including when it is not advisable to do so. The Fund may also use derivative instruments to hedge the value of the Portfolio denominated in non-Canadian currency back to the Canadian dollar. Gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where there is sufficient linkage, be treated and reported for purposes of the Tax Act on capital account if the securities in the Portfolio are capital property to the Fund and designations with respect to the Fund's capital gains will be made and reported to Unitholders on this basis.

The Tax Act contains rules (the “**DFA Rules**”) that target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain derivatives). If the DFA Rules were to apply to derivatives utilized by the Fund the gains in respect of which would otherwise be capital gains, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains. The Tax Act includes rules which clarify that the DFA Rules generally should not apply to currency hedges in relation to investments held on capital account.

If some or all of the transactions undertaken by the Fund in respect of derivatives and securities in the Portfolio are reported on capital account but are subsequently determined to be on income account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV of the Fund, NAV per Unit and/or the trading prices of the Units.

CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT Trust (as defined in the Tax Act). If the Fund were to qualify as a SIFT Trust within the meaning of the Tax Act, the income tax considerations described under the heading “*Income Tax Considerations*” in the Current AIF would be materially and adversely different in certain respects.

There can be no assurance that Canadian federal and provincial income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts or SIFT Trusts will not be changed in a manner that adversely affects the Unitholders.

As the Portfolio will consist of securities issued by foreign issuers, distributions and interest received by the Fund on the securities in the Portfolio and gains realized on dispositions of securities in the Portfolio may be subject to foreign withholding tax. The return on the Portfolio will be net of such foreign withholding tax unless the terms of the securities in the Portfolio require the issuers of such securities to “gross-up” distributions and gains, as applicable, so that a holder of such securities receives the amount that it would have received in the absence of such withholding tax. There can be no assurances that (i) distributions, interest and gains on securities held in the Portfolio will not be subject to foreign withholding tax, or (ii) the terms of securities held in the Portfolio will provide for the gross-up referred to above.

The Tax Act contains “loss restriction event” (“**LRE**”) rules that are broadly drafted and could potentially apply to certain trusts including the Fund. In general, a LRE occurs to the Fund if a person (or group of persons) acquires units of the Fund worth more than 50% of the fair market value of all the units of the Fund. If a LRE occurs (i) the Fund will be deemed to have a year-end for tax purposes, (ii) to the extent possible, any net income and net realized capital gains of the Fund at such year-end will be distributed to Unitholders of the Fund, and (iii) the Fund will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE. However, the Fund will be exempt from the application of the LRE rules in most circumstances provided that the Fund is an “investment fund” which requires the Fund to satisfy certain investment diversification rules. The Fund expects to be an “investment fund”.

In certain circumstances, the deductibility of interest on money borrowed to invest in a trust or other entity may be reduced on a pro rata basis in respect of distributions from the trust or other entity that are a return of capital and that are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, it is possible that part of the interest payable by the Fund in connection with money borrowed to acquire certain securities held in the Portfolio could be non-deductible where such distributions have been made to the Fund, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

### ***Issuer Non-Diversification Risk***

Focusing investments in a small number of issuers, industries or foreign currencies increases risk. Funds that are non-diversified may invest a greater percentage of their assets in the securities of a single issuer (such as bonds issued by a particular sovereign) than funds that are “diversified”. Funds that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be. Some of those issuers also may present substantial credit or other risks.

### ***Securities Lending Risk***

There may be risks of delay and costs involved in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. These delays and costs could be greater with respect to foreign securities. Securities lending involves the risk of loss of rights in the collateral or delay in recovery of the collateral should the borrower fail to return the securities loaned or become insolvent. The Fund may pay lending fees to the party arranging the loan. The Fund bears the risk of investments made with the cash collateral received by the Fund in securities lending transactions. Investments of cash collateral may lose value and/or become illiquid, although the Fund remains obligated to return the collateral amount to the borrower upon termination or maturity of the securities loan and may realize losses on the collateral investments and/or be required to liquidate other portfolio assets in order to satisfy its obligations. Due to continuing adverse conditions in the mortgage and credit markets, liquidity and related problems in the broader markets for commercial paper and other factors, any investments of securities lending collateral by the Fund, including investments in asset-backed commercial paper and notes issued by structured investment vehicles, would present increased credit and liquidity risks. To the extent the Fund invests collateral in instruments that become illiquid, efforts to recall securities and return collateral may force the Fund to liquidate other portfolio holdings in an effort to generate cash.

### ***Portfolio Turnover Risk***

The Sub-Adviser manages the Fund without regard generally to restrictions on portfolio turnover. The use of futures contracts and other derivative instruments with relatively short maturities may tend to exaggerate the portfolio turnover rate for the Fund. Trading in fixed-income securities does not generally involve the payment of brokerage commissions, but does involve indirect transaction costs. The use of futures contracts may involve the payment of commissions to futures commission merchants. Higher portfolio turnover involves correspondingly greater expenses to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. The higher the rate of portfolio turnover of the Fund, the higher these transaction costs borne by the Fund generally will be. Such sales may result in realization of taxable capital gains and may adversely impact the Fund’s returns.

### ***Operational Risk***

An investment in the Fund, like any fund, can involve operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology, changes in personnel and errors caused by third-party service providers. The occurrence of any of these failures, errors or breaches could result in a loss of information, regulatory scrutiny, reputational damage or other events, any of which could have a material adverse effect on the Fund. While the Fund seeks to minimize such events through controls and oversight, there may still be failures that could cause losses to the Fund.

### ***Cyber Security Risk***

As the use of technology has become more prevalent in the course of business, the Fund has become potentially more susceptible to operational and informational security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional cyber events that may, among other things, cause the

Fund to lose proprietary information, suffer data corruption and/or destruction, lose operational capacity, result in the unauthorized release or other misuse of confidential information, or otherwise disrupt normal business operations. Cyber security breaches may involve unauthorized access to the Fund's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches involving the Fund's third party service providers (including but not limited to advisers, sub-advisers, administrators, transfer agents, custodians, distributors and other third parties), trading counterparties or issuers in which the Fund invests can also subject the Fund to many of the same risks associated with direct cyber security breaches. Moreover, cyber security breaches involving trading counterparties or issuers in which the Fund invests could adversely impact such counterparties or issuers and cause the Fund's investment to lose value.

Cyber security failures or breaches may result in financial losses to the Fund and its Unitholders. These failures or breaches may also result in disruptions to business operations, potentially resulting in financial losses; interference with the Fund's ability to calculate the NAV of the Fund, process Unitholder transactions or otherwise transact business with Unitholders; impediments to trading; violations of applicable privacy and other laws; regulatory fines; penalties; reputational damage; reimbursement or other compensation costs; additional compliance and cyber security risk management costs and other adverse consequences. In addition, substantial costs may be incurred in an attempt to prevent any cyber incidents in the future.

Like with operational risk in general, the Fund has established risk management systems and business continuity plans designed to reduce the risks associated with cyber security. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because the Fund does not directly control the cyber security systems of issuers in which the Fund may invest, trading counterparties or third party service providers to the Fund.

There is also a risk that cyber security breaches may not be detected. The Fund and its Unitholders could be negatively impacted as a result.

#### ***Potential Conflicts of Interest Risk***

The Manager and the Sub-Adviser and their respective directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

The Sub-Adviser is involved worldwide with a broad spectrum of financial services and asset management activities and may engage in the ordinary course of business in activities in which its interests or the interests of its clients may conflict with those of the Fund. The Sub-Adviser may provide investment management services to other funds and discretionary managed accounts that follow an investment program similar to that of the Fund. The Sub-Adviser intends to engage in such activities and may receive compensation from third parties for its services. The results of the Fund's investment activities may differ from those of the Fund's affiliates, or another account managed by the Fund's affiliates, and it is possible that the Fund could sustain losses during periods in which one or more of the Fund's affiliates and/or other accounts managed by the Sub-Adviser or its affiliates, including proprietary accounts, achieve profits on their trading. Often, an investment opportunity may be suitable for one or more funds or other accounts managed by the Sub-Adviser, but may not be available in sufficient quantities for all accounts to participate fully. The Sub-Adviser has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

Although officers, directors and professional staff of the Manager and the Sub-Adviser will devote as much time to the Fund as is deemed appropriate to perform their duties, they may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Sub-Adviser, as the case may be.

#### ***Reverse Repurchase Agreements Risk***

The Fund may enter into reverse repurchase agreements, in which the Fund purchases a security from a bank or broker-dealer, which agrees to repurchase the security at the Fund's cost plus interest within a specified time. If the party agreeing to repurchase should default, the Fund will seek to sell the securities which it holds. This could

involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price.

### ***Structured Investments Risk***

The Fund may invest in structured products, including, structured notes, credit-linked notes and other types of structured products. Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to counterparty risk. The Fund may have the right to receive payments only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to be securitized. Although it is difficult to predict whether the prices of indices and securities underlying structured products will rise or fall, these prices (and, therefore, the prices of structured products) are generally influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. Structured products generally entail risks associated with derivative instruments.

### ***Collateralized Loan Obligations Risk***

The Fund may invest in CLOs. A CLO is a trust typically collateralized by a pool of loans issued by banks, corporations or any other public or private entity or person, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate or mezzanine loans, including loans that may be rated below investment grade or equivalent unrated loans. CLOs may charge management fees and administrative expenses. The cash flows from the trust are split into two or more portions, called tranches, varying in risk and yield. The riskiest portion is the equity tranche which generally bears losses in connection with the first defaults, if any, on the bonds or loans in the trust and serves to provide some measure of protection to the other, more senior tranches from defaults. A senior tranche from a CLO trust typically has higher ratings and lower yields than the underlying securities, and can be rated investment grade. Despite the protection from the equity tranche, CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults and aversion to CLO securities as a class. The risks of an investment in a CLO depend largely on the type of the collateral securities and the class of the CLO in which the Fund invests. Normally, CLOs are privately offered and sold, and thus are not registered under the securities laws. As a result, investments in CLOs may be characterized by the Fund as illiquid investments; however, an active dealer market may exist for CLOs allowing a CLO to qualify under Rule 144A under the U.S. Securities Act. In addition to the normal risks associated with debt instruments (e.g., interest rate risk and credit risk), CLOs carry additional risks including, but not limited to: (i) the possibility that distributions from the collateral will not be adequate to make interest or other payments; (ii) the risk that the quality of the collateral may decline in value or default; (iii) the risk that the Fund may invest in CBOs, CLOs or other CDOs that are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or others and may produce unexpected investment results.

### ***Highly Volatile Markets Risk***

The prices of financial instruments in which the Fund may invest can be highly volatile. Price movements of derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund is subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

### ***Market Disruption Risk***

War and occupation, terrorism, pandemics and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time.

### ***Focused Investment Risk***

To the extent that the Fund focuses its investments in a particular industry, the Net Asset Value of the Fund will be more susceptible to events or factors affecting companies in that industry. These may include, but are not limited to,

governmental regulation, inflation, rising interest rates, cost increases in raw materials, fuel and other operating expenses, technological innovations that may render existing products and equipment obsolete, competition from new entrants, high research and development costs, increased costs associated with compliance with environmental or other regulation and other economic, market, political or other developments specific to that industry. Also, the Fund may invest a substantial portion of its assets in companies in related sectors that may share common characteristics, are often subject to similar business risks and regulatory burdens and whose securities may react similarly to the types of events and factors described above, which will subject the Fund to greater risk. The Fund also will be subject to focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region.

### ***Other Investment Fund Risk***

The Fund may invest in securities of other open- or closed-end investment funds, including without limitation ETFs, to the extent that such investments are consistent with the Fund's investment objectives and policies. As an investor in an investment fund, the Fund will bear its ratable share of that investment fund's expenses, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Unitholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment funds. In addition, these other investment funds may utilize leverage, in which case an investment would subject the Fund to additional risks associated with leverage.

### ***Short Sale Risk***

The Fund may use short sales for investment and risk management purposes, including when the Sub-Adviser anticipates that the market price of securities will decline or will underperform relative to other securities held in the Fund's Portfolio. Short sales are transactions in which the Fund sells a security or other instrument (such as an option, forward, futures or other derivative contract) that it does not own. Short exposure with respect to securities or market segments may also be achieved through the use of derivative instruments, such as forwards, futures or swaps on indices or on individual securities. When the Fund engages in a short sale on a security or other instrument, it must, to the extent required by law, borrow the security or other instrument sold short and deliver it to the counterparty. The Fund will ordinarily have to pay a fee or premium to borrow particular securities and be obligated to repay the lender of the security any dividends or interest that accrue on the security during the period of the loan. The amount of any gain from a short sale will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the Fund pays in connection with the short sale. Short sales expose the Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. The Fund may, to the extent permitted by law, engage in short sales where it does not own or have the right to acquire the security (or basket of securities) sold short at no additional cost. The Fund's loss on a short sale could theoretically be unlimited in a case in which the Fund is unable, for whatever reason, to close out its short position. The use by the Fund of short sales in combination with long positions in its Portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the Fund held only long positions. It is possible that the Fund's long positions will decline in value at the same time that the value of the securities underlying its short positions increase, thereby increasing potential losses to the Fund. In addition, the Fund's short selling strategies may limit its ability to fully benefit from increases in the relevant securities markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by the Fund. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund. To the extent the Fund seeks to obtain some or all of its short exposure by using derivative instruments instead of engaging directly in short sales on individual securities, it will be subject to many of the foregoing risks.

As at the date hereof, the Fund does not currently intend to engage in short sales as part of its principal investment strategy.

### ***Redemption Risk***

If Unitholders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV of the Fund could be significantly reduced. A significant number of redemptions would increase the management expense ratio of the Fund. The Manager may terminate the Fund upon notice to Unitholders if, in the opinion of the Manager, it is no longer economically practical to continue the Fund or it would be in the best interest of the Fund and the Unitholders to terminate the Fund.

### ***Fannie Mae and Freddie Mac Risk***

The Fund has received permission to invest more than 20% of its assets in Fannie and Freddie Securities. Fannie Mae and Freddie Mac are U.S. government-sponsored enterprises that provide liquidity to the U.S. residential mortgage market by issuing securities and using the proceeds primarily to purchase mortgages from financial institutions. Fannie and Freddie Securities are not expressly guaranteed by the U.S. government, but are widely believed to be implicitly guaranteed by the U.S. government and have the same credit rating as the U.S. government. If Fannie Mae or Freddie Mac default on their obligations, there is a risk that the U.S. government will not guarantee payment of those obligations. Any investment fund that holds Fannie and Freddie Securities has credit risk. This risk is greater when the Fund that invests more than 20% of its assets in the securities of Fannie Mae or Freddie Mac because of the concentration of the Fund's assets in these securities.

### ***Reliance on the Manager and the Sub-Adviser***

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the Sub-Adviser, which provides investment advisory services to the Fund. There is no certainty that the individuals who are principally responsible for providing administration and investment advisory services to the Fund will continue to be employed by the Manager and the Sub-Adviser respectively.

### ***Status of the Fund for Securities Law Purposes***

The Fund is a “non-redeemable” investment fund for securities law purposes. As a result, some of the protections provided to investors in “mutual funds” under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws will not apply to the Fund.

### ***Custodian***

Although the Custodian of the Portfolio is in Canada and some of the assets of the Fund may be held in Canada, some of the Fund's assets may be held in accounts with sub-custodians in other jurisdictions and, accordingly, there may be additional defences available to any judgment obtained by the Fund in Canada which may affect enforcement in any such jurisdiction.

### ***Not a Trust Company***

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

### ***Nature of Units***

The Units are neither fixed-income nor equity securities of a company. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

### ***No Ownership Interest***

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund. Unitholders will have no recourse or rights against the assets of the Fund.

### ***Absence of an Active Market for Units***

Although the Fund is listed on the TSX there is no assurance that an active public market for Units of the Fund will be sustained.

### ***Enforcement of Rights***

The Sub-Adviser is a U.S. entity. Accordingly, there may be difficulty in enforcing legal rights against the Sub-Adviser, or its individual representatives, because it and all or substantially all of its assets are located outside of Canada.

### **PRINCIPAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement will include a general summary of the principal Canadian federal income tax considerations which may be applicable to a purchaser of Units offered thereunder.

### **LEGAL MATTERS**

Unless otherwise specified in a Prospectus Supplement, certain legal matters in connection with the Units offered hereby will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Fund.

### **INTEREST OF EXPERTS**

As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially own, directly or indirectly, less than 1% of the Units.

### **AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN**

The Fund's external auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants at its principal address PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

PricewaterhouseCoopers LLP, the external auditors of the Fund, has advised that it is independent with respect to the Fund within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

The transfer agent and registrar for the Units is TSX Trust Company, located at its principal office in Toronto, Ontario.

State Street Trust Company Canada acts as custodian of the Fund (the "**Custodian**") pursuant to the master custodial services agreement dated as of January 4, 2011 and the instrument of accession thereto dated September 3, 2020, among the Manager, on behalf of the Fund, and the Custodian, as it may be amended from time to time. The Custodian is located in Toronto, Ontario.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.



**CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER**

Dated: January 16, 2023

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of a particular distribution of securities under this prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces and territories of Canada.

**PIMCO TACTICAL INCOME FUND**  
By its manager and promoter, **PIMCO CANADA CORP.**

(signed) "STUART GRAHAM"

Stuart Graham  
President, acting in the capacity of Chief Executive Officer

(signed) "JOHN KIRKOWSKI"

John Kirkowski  
Chief Financial Officer

On behalf of the board of directors of  
**PIMCO CANADA CORP.**  
(as Manager and on behalf of the Fund)

(signed) "STUART GRAHAM"

Stuart Graham  
Director

(signed) "JOHN KIRKOWSKI"

John Kirkowski  
Director

(signed) "DAVID FLATTUM"

David Flattum  
Director