

P I M C O

PIMCO CANADA CORP.

# Interim Management Report of Fund Performance

June 30, 2023

PIMCO Multi-Sector Income Fund



This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 866.341.3350 or by writing to us at PIMCO Canada Corp., 199 Bay Street, Suite 2050, Commerce Court Station, PO Box 363, Toronto, ON M5L 1G2 or by visiting our website at [www.pimco.ca](http://www.pimco.ca) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).



## Management Discussion of Fund Performance

### Investment Objectives and Strategies

PIMCO Multi-Sector Income Fund (“the Fund”) seeks to provide holders of Units with current income as a primary objective and capital appreciation as a secondary objective.

In order to achieve its objectives, the Fund invests primarily in fixed-income securities selected from multiple global fixed-income sectors.

### Risk

No changes affecting the overall risk associated with investing in the Fund were made during the period. The risks of investing in the Fund remain as outlined in the Fund’s Prospectus. Accordingly, the Fund remains suitable for the same investors outlined in the Prospectus.

### Results of Operations

The Fund returned 3.42% on net asset value (“NAV”) for the 6-month reporting period ending June 30, 2023. The Fund’s benchmark, 80% Bloomberg U.S. Credit Index (CAD Hedged) / 20% ICE BofAML High Yield BB/B Index (CAD Hedged), returned 3.08% during the same reporting period. The two separate components of this blended benchmark, Bloomberg U.S. Credit Index (CAD Hedged) and ICE BofAML High Yield BB/B Index (CAD Hedged), returned 2.73% and 4.46%, respectively, during the same reporting period.

The following market conditions were prevalent during the six-month reporting period:

Over the first quarter of 2023, risk assets broadly gained despite the collapse of Silicon Valley Bank (“SVB”) and concerns over the health of the financial sector. Bond yields fell amid a global flight to quality and the yield curve further inverted, while the MOVE index reached its highest level since the peak of the Great Financial Crisis. The collapse of SVB and subsequent merger between UBS and Credit Suisse took center stage. Shockwaves reverberated through markets following the failure of SVB, with the 2-year Treasury posting its largest three-day slide since 1987 as investors flocked to quality. Volatility remained elevated as the market’s confidence in Credit Suisse deteriorated and the Swiss National Bank orchestrated its takeover by UBS. Stock indices fell and bond yields rallied globally as concerns of financial contagion dampened risk sentiment. Despite exceeding expectations, inflation data continued to cool, spurring mixed market reactions. Annualized core Consumer Price Index (CPI) in the U.S. continued its months-long decline, falling to 6.4% and 6.0% in January and February, respectively. In the Eurozone, headline inflation declined to 6.9% year-on-year in March from 8.5% in February given lower energy prices, though core inflation reached an all-time high of 5.7% in March. Instability in the financial sector and broadly cooling inflation led investors to revise their expectations for central bank rate hikes as a sharp pullback in bank lending may slow the economy. The Federal Reserve delivered two 25 bps hikes over the quarter, including one in March despite heightened volatility. The central bank also revised its forward guidance for rates, softening its commitment to future hikes while maintaining the same 5.1% terminal rate projection from December. The Bank of England also raised policy rates twice over the quarter (+50 and +25 bps, respectively), and markets are now pricing in that the central bank will hike just once more as inflation has likely peaked. Similar to the U.S. and U.K., the European

Central Bank raised policy rates twice (each time +50 bps); however, the central bank has signaled that it will continue to raise policy rates to lower core inflation. Bonds acted as safe haven assets in March amid broader market volatility, although returns for global equities and bonds over the quarter were both largely positive. The MSCI World Index and Global Aggregate Bond Index posted quarterly returns of 7.7% and 3.0%, respectively, while the Bloomberg Commodity Index returned -5.4% as energy prices fell. The widening of financial and high yield credit spreads impacted those market segments in March; however, returns over the quarter remained positive.

Over the second quarter of 2023, risk assets also broadly gained despite concerns surrounding stress within the banking sector and a possible U.S. debt default. Bond yields broadly rose as growth proved resilient and inflation remained sticky, while central banks resumed hawkish forward guidance. Concerns over a possible U.S. debt default prompted yields on short-dated Treasury bills to exceed 5.3%, and the cost of 1-year U.S. Treasury default swaps reached an all-time high. Risk sentiment remained robust, however, as markets were optimistic about negotiations. The S&P 500 hit a 9-month high after the House of Representatives passed a bill to raise the debt ceiling, which then passed through the Senate without much excitement from markets. Signs of easing inflation prompted the Fed to offer dovish rhetoric earlier in the quarter; however, resilient growth and a swifter-than-expected resolution of stresses within the banking sector caused the Fed to signal that at least two additional rate hikes will be needed to combat inflation. U.S. headline inflation continued its decline over the quarter, rising at a 4% annual pace in May, which was the lowest reading in over two years. However, core inflation remained stubbornly high as much of the inflationary decline has been due to easing fuel and energy prices. Growth and inflation metrics have begun to diverge, prompting central banks to take different paths. The Federal Reserve hiked its policy rate once (+25 bps) before pausing in June, only to then signal that at least two additional hikes will be needed to combat inflation. Meanwhile, the Bank of England raised policy rates twice over the quarter (+25 bps and +50 bps, respectively) to a level of 5% as core inflation unexpectedly held steady at 8.7%. Markets are now pricing in a potential peak of 6% as Governor Bailey signaled further hikes will be necessary if inflation does not show signs of moderating. Similar to the U.K., the European Central Bank raised policy rates twice (each time +25 bps) and made it clear that more hikes are on the way. Despite this backdrop, the MSCI World finished the quarter up 6.99%, and credit spreads broadly tightened. The Global Aggregate Bond Index (Unhedged) posted a quarterly return of -1.53%, while the 10-year U.S. Treasury finished the quarter 37 bps higher at 3.84%.

During the first half of 2023, exposure to residential mortgage backed securities was the largest contributor to the Fund’s absolute performance. Holdings related to corporate special situation investments and exposure to high yield corporate credit also contributed to absolute performance. Holdings related to emerging market special situation investments were the largest detractor from the Fund’s absolute performance. Exposure to commercial mortgage credit and long interest rate positioning as rates rose also detracted from absolute performance.

### Recent Developments

Please note that the following contains the opinions of Pacific Investment Management Company LLC ("PIMCO"), the Fund's sub-advisor, as of the time of writing, and may not have been updated to reflect real-time market developments. All opinions are subject to change without notice.

Ongoing disruption — to the global economic and financial order, to the geopolitical balance, and to the scale and scope of government policy interventions — has defined the first three years of this decade and will, we believe, remain a new reality that investors need to recognize over the next five years. The world faced a once-in-a-century pandemic, which authorities countered by locking and shutting down big chunks of the global economy and providing massive monetary and fiscal stimulus. In time, that stimulus, along with the cost of reopening the global economy and restoring supply chains, fueled the sharpest sustained surge in global inflation in 40 years. Central banks eventually responded with the most aggressive global rate-hike cycle in decades, with consequences that included a financial market rout in 2022, a banking crisis, tighter credit conditions, and widespread forecasts of a recession this year or next. It will take time for the ultimate consequences of these shocks to be fully felt. The global economy is exiting a period of massive fiscal and monetary policy interventions that are unlikely to be repeated over our secular horizon. After the post-pandemic surge in global inflation, central bankers are starting to recognize that unconventional monetary policies bear costs as well as deliver benefits, while surging sovereign debt levels will likely limit fiscal capacity to address future downturns. With the era of volatility-suppressing policies possibly over, markets are likely in for a period of heightened volatility, with an unusually large array of potential aftershocks.

### Committed Facility

On April 15, 2022, consistent with its principal investment strategies, the Fund entered into a committed facility agreement (the facility agreement) with an Irish affiliate of a Canadian Schedule II bank ("the Lender").

The Fund is required to pledge portfolio securities as collateral in an amount up to two times the loan balance outstanding (or more depending on the terms of the facility agreement) and has granted a security interest in the securities pledged to, and in favor of, the Lender as security for the loan balance outstanding. If the Fund fails to meet certain requirements, or maintain other financial covenants required under the facility agreement, the Fund may be required to repay immediately, in part or in full, the loan balance outstanding under the facility agreement, necessitating the sale of portfolio securities at potentially inopportune times.

The facility resets daily based on combination of a SOFR-based variable rate plus a credit spread and the Fund pays the financing charges monthly. The maximum commitment amount under the facility agreement is USD 150,000,000, or \$203,100,000 (CAD). The maximum amount borrowed under the facility during the periods ended June 30, 2023 and June 30, 2022 was USD 25,100,876, or \$33,774,484 (CAD) and USD 39,000,000, or \$50,302,000 (CAD). The minimum amount borrowed under the facility during the periods

ended June 30, 2023 and June 30, 2022 was USD 17,200,000, or \$23,261,965 (CAD) and USD 25,000,000, or \$31,440,000 (CAD). The borrowed money was used for investment purposes consistent with the Fund's investment objective and strategies.

Borrowings outstanding as of June 30, 2023 and December 31, 2022 are disclosed as payable for committed facility on the Statements of Financial Position. Interest paid by the Fund in relation to the borrowings are disclosed as part of interest expense on the Statements of Comprehensive Income. Legal costs related to the annual renewal of the committed facility, if any, are disclosed as part of legal expense on the Statements of Comprehensive Income.

The Fund's borrowing activity under the agreement for the periods ended June 30, 2023 and June 30, 2022 were as follows (amounts in thousands<sup>†</sup>):

Period Ended June 30, 2023			Period Ended June 30, 2022		
Average Outstanding Principal*	Average Rate of Interest	Interest	Average Outstanding Principal*	Average Rate of Interest	Interest
\$27,578	5.93%	\$821	\$43,231	2.29%	\$80

<sup>†</sup> A zero balance may reflect actual amounts rounding to less than one thousand.

\* The average outstanding principal may be higher or lower than the commitment amount or outstanding principal at period end due to changes in the commitment amount during the period or borrowings and paydowns made during the period.

The Fund's borrowing activity under the agreement as at June 30, 2023 and December 31, 2022 were as follows (amounts in thousands<sup>†</sup>):

As of June 30, 2023			As of December 31, 2022		
Investments Pledged as Collateral	Outstanding Principal	Outstanding Principal as a Percentage of Net Assets	Investments Pledged as Collateral	Outstanding Principal	Outstanding Principal as a Percentage of Net Assets
\$98,989	\$30,435	13.59%	\$100,174	\$25,455	11.23%

<sup>†</sup> A zero balance may reflect actual amounts rounding to less than one thousand.

### Positioning/Outlook

The first few years of the 2020s have seen a number of acute economic, financial, and geopolitical disruptions on a worldwide scale, and it will take time for the ultimate consequences of these shocks to be fully felt. We believe the risks to global growth are skewed to the downside over our five-year secular horizon, and that returns across asset classes are likely to be more differentiated in this new era. Amidst heightened volatility, we believe that our diversified approach, focus on resiliency and patient, flexible capital will become increasingly important.

We expect to continue to focus on non-agency MBS and other high quality global structured products that offer attractive valuations and strong defensive qualities, as was demonstrated by their overall resilience during the pandemic-induced market shock in 2020. We remain focused on residential mortgage backed securities (MBS), which provide a potential source of income and capital appreciation. Residential mortgage credit valuations remain attractive and fundamentals look resilient today as strong equity cushions continue to provide downside support. We are taking a selective approach to risk taking in commercial mortgage-backed securities (CMBS), relying

on PIMCO's capabilities to underwrite properties and the credit worthiness of the underlying tenants.

Within corporate credit, we have primarily focused on senior securities with strong asset coverage. Elevated interest rates, a slowing economy, and tighter lending conditions will continue to create pressure for companies with floating rate debt and fragile balance sheets. The ongoing banking sector uncertainty reinforces our cautious approach towards economically sensitive parts of credit markets, including more generic corporate credit. We see value in opportunities we believe are less correlated to the broader market, specifically special situations.

Within emerging markets, we have been reducing exposure, and have a bias towards higher-quality sovereign and quasi-sovereign names.

Overall, we seek to find the most attractive income-generating opportunities, capture a complexity and liquidity premia and maintain a resilient portfolio across economic scenarios. We remain highly flexible and rigorous in our investment approach, and we want to take advantage of market dislocation and relative value buying opportunities across credit as a result of the ongoing disruption and adjustment.

### Related Party Transactions

PIMCO Canada Corp. (the "Manager") is an indirect, wholly-owned subsidiary of PIMCO. The Manager has retained PIMCO, a related party, to provide investment advice and make investment decisions for the Fund's investment portfolio. The Manager receives management fees from the Fund. The Manager, not the Fund, pays the fees payable to PIMCO for investment advisory services.

The Manager is a related party as defined by International Accounting Standards 24: Related Party Disclosures. The Fund is permitted to purchase or sell securities from or to certain related affiliated funds or portfolios under specified conditions outlined in the standing instructions of the Fund's independent review committee (the "IRC"), which have been designed to mitigate potential conflicts of interest that may arise from a purchase or sale of securities by the Fund from or to another investment fund managed by PIMCO Canada.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months ended June 30, 2023, and for the prior period since inception.

### The Fund's Net Assets per Unit <sup>^(1)</sup>

Series A	Period ended June 30	Period ended December 31
	2023	2022*^^
<b>Net Assets, beginning of year/period (\$)</b>	8.87	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.45	0.64
Total expenses (excluding distributions)	(0.15)	(0.21)
Realized gains (losses) for the period	(0.13)	(0.49)
Unrealized gain (losses) for the period	0.10	(0.62)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	0.27	(0.68)
<b>Distributions:</b>		
From net investment income (excluding dividends)	(0.39)	(0.48)
<b>Total Annual Distributions <sup>(3)</sup></b>	(0.39)	(0.48)
<b>Net Assets, end of year/period (\$) <sup>(4)</sup></b>	8.74	8.87

### Ratios and Supplemental Data

Series A	Period ended June 30	Period ended December 31
	2023	2022*^^
<b>Total net asset value (\$) (000's) <sup>(5)</sup></b>	223,930	227,137
<b>Number of units outstanding (000's) <sup>(5)</sup></b>	25,613	25,613
<b>Management expense ratio <sup>(6)</sup></b>	3.33%	2.68%
<b>Management expense ratio before waivers or absorptions</b>	3.33%	2.68%
<b>Trading expense ratio <sup>(7)</sup></b>	0.00%	0.00%
<b>Portfolio turnover rate <sup>(8)</sup></b>	14%	67%
<b>Net asset value per unit (\$)</b>	8.74	8.87
<b>Closing market price (\$) <sup>(9)</sup></b>	8.05	8.41

<sup>^</sup> A zero balance may reflect actual amounts rounding to less than \$0.01 or 0.01%.

<sup>^^</sup> Effective September 12, 2022, Class P units were redesignated as Class A units.

\* Information presented is for the period from March 10, 2022 (commencement of operations) to December 31, 2022.

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements.

<sup>(2)</sup> Net assets and distributions are based on the actual number of Fund units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This is not a reconciliation of the beginning and ending net assets per unit.

<sup>(5)</sup> This information is presented as at June 30, 2023 and December 31 of the years or periods shown.

<sup>(6)</sup> Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>(7)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>(8)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>(9)</sup> Closing market price on the last trading day of the period as reported on the Toronto Stock Exchange ("TSX").

## Management Fees

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An annual management fee (the “Management Fee”) equal to 1.30% of the total assets of the Fund attributable to the Class A units is paid to the Manager by the Fund, calculated daily and payable monthly in arrears, plus applicable taxes. PIMCO is compensated for its services to the Fund by the Manager or an affiliate of the Manager without any further cost to the Fund. 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 unitholders, 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 March 10, 2022, 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 borrowing, interest and portfolio execution costs, taxes, the fees and expenses of the IRC of the Fund, extraordinary expenses and any new fees or expenses payable by the Fund, 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”.

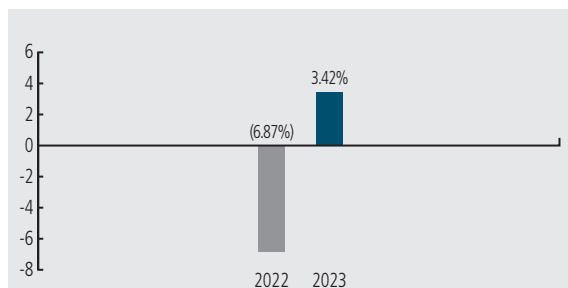
Any arrangements for additional services provided to the Fund by the Manager, or any affiliate thereof, that have not been described above will be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Income Tax Act (Canada) for comparable 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.

## Past Performance

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### Year-by-Year Returns

The following bar chart shows the Fund’s performance for the 6-month period ended June 30, 2023, and for each of the previous periods ended December 31 and illustrate how the Fund’s performance has changed from year to year. In percentage terms, the bar charts indicate how much an investment made on the first day of the period would have grown or decreased by the end of the period.



<sup>(1)</sup> Returns are from inception date of March 10, 2022 to December 31, 2022.

## Summary of Investment Portfolio as at June 30, 2023

The Summary of Investment Portfolio may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. To obtain a copy, please contact a member of our client services team at 1-866-341-3350.

Country Allocation	% of NAV	Top 25 Holdings	% of NAV
United States	83.0	Cash and Cash Equivalents	9.7
Luxembourg	5.4	Carrington Mortgage Loan Trust 5.915% 12/25/2035	4.6
Spain	5.2	Steenbok Lux Finco 2 SARL 10.000% 06/30/2026	3.7
United Kingdom	3.9	JP Morgan Mortgage Acquisition Trust 5.750% 01/25/2037	3.7
France	3.5	Syniverse Holdings, Inc. 12.242% 05/13/2027	2.8
Italy	3.1	Envision Healthcare Corp. 16.695% 04/28/2028	2.6
Other	9.6	Promotora de Informaciones SA 8.189% 06/30/2026	2.5
Total Investments (Long Positions)	113.7	MASTR Asset-Backed Securities Trust 5.410% 10/25/2036	2.4
Cash and Cash Equivalents	9.7	Comexposium 4.969% 03/28/2026	2.4
Financial Derivative Positions (Long Positions) <sup>(1)</sup>	(1.4)	Nomura Home Equity Loan, Inc. Home Equity Loan Trust 6.230% 09/25/2035	2.3
Financial Derivative Positions (Short Positions) <sup>(1)</sup>	0.8	WaMu Mortgage Pass-Through Certificates Trust 6.200% 12/25/2045	2.3
Liabilities Less Other Assets	(22.8)	Wesco Aircraft Holdings, Inc. (7.500% Cash and 3.000% PIK) 10.500% 11/15/2026	2.2
Total Portfolio Allocation	100.0	225 Liberty Street Trust 4.803% 02/10/2036	2.1
		Countrywide Asset-Backed Certificates Trust 5.410% 06/25/2047	2.1
		Envision Healthcare Corp. 16.070% 04/29/2027	2.1
		Auto Abs Spanish Loans Fondo Titulizacion 7.679% 02/28/2032	2.0
		Fremont Home Loan Trust 5.825% 01/25/2036	2.0
		BAMLL Commercial Mortgage Securities Trust 8.943% 09/15/2038	1.9
		Bear Stearns ALT-A Trust 5.470% 08/25/2036	1.8
		Adler Financing SARL 12.500% 06/30/2025	1.7
		Banca Monte dei Paschi di Siena SpA 7.677% 01/18/2028	1.7
		Merrill Lynch Mortgage Investors Trust 6.200% 04/25/2036	1.7
		Uniti Group LP 6.000% 01/15/2030	1.6
		U.S. Renal Care, Inc. 10.193% 06/26/2026	1.5
		New Residential Mortgage Loan Trust 3.885% 11/25/2059	1.5
		Total Net Assets Attributable to Holders of Redeemable Units (amount in thousands)	\$223,930

<sup>(1)</sup> % of NAV Represents unrealized gain (loss).



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**Caution Regarding Forward Looking Notes.** This document may contain forward-looking statements about the Fund (including its performance, strategies, risks, prospects, condition and actions) and other anticipated future events, results, circumstances and expectations. Speculation or stated beliefs about future events, such as market and economic conditions, security performance or other projections are "forward-looking statements". Forward-looking statements may include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "may", "will", "should", "expects", "anticipates", "intends", "plans", "believes", "estimates", "predicts", "suspect", "potential" or "continue", "forecast", "objective", "preliminary", "typical", and other similar expressions. Forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, without limitation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events. The foregoing list of important risks that may affect future results is not exhaustive. We caution you not to place undue reliance on forward-looking statements. Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward looking statements. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility. There is no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise.