No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. *This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities are not and will not be offered or sold in the U.S., or to or for the account of U.S. persons as defined by U.S. securities laws. Each purchaser of these securities will be deemed to represent that such purchaser is not a U.S. person, is not receiving the securities in the U.S., and is not acquiring the securities for the account of a U.S. person.*

PROSPECTUS

Initial Public Offering February 17, 2022

PIMCO MULTI-SECTOR INCOME FUND

$650,000,000 Maximum (65,000,000 Class A Units and/or Class F Units)

$50,000,000 Minimum (5,000,000 Class A Units and/or Class F Units)

PIMCO Multi-Sector Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario that proposes to issue Class A Units and Class F Units at a price of $10.00 per Class A Unit and $9.83 per Class F Unit (together with the Class A Units and the Class P Units, the "**Units**").

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, 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. See "Investment Objectives".

PIMCO Canada Corp. ("**PIMCO Canada**" or the "**Manager**") is the investment fund manager, portfolio manager and promoter of the Fund. PIMCO Canada is also the trustee (the "**Trustee**") 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 and the Trustee is a wholly owned subsidiary of PIMCO. See "Organization and Management Details of the Fund".

Price: $10.00 per Class A Unit **Price: $9.83 per Class F Unit**

Minimum Purchase: 100 Class A Units **Minimum Purchase: 100 Class F Units**

	Price to the public(1)	Agents' fees	Reimbursement of Agents' Fees by Manager(2)	Voluntary Cash Contribution to the Fund by Manager(2)	Proceeds to the Fund(2)
Per Class A Unit	$10.00	$0.30	$0.30	$0.00	$10.00
Per Class F Unit	$9.83	$0.13	$0.13	$0.17	$10.00
Total Minimum Offering(3)	$50,000,000	$1,500,000(5)	$1,500,000(5)	$-(5)	$50,000,000
Total Maximum Offering(4)	$650,000,000	$19,500,000(5)	$19,500,000(5)	$-(5)	$650,000,000

1. The price of the Class A Units and the Class F Units was established by negotiation between the Manager on behalf of the Fund and the Agents (as defined herein).

2. The Manager (and not the Fund) will pay all fees and expenses of the Offering. Accordingly, the Manager (and not the Fund) has agreed to pay full compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make an additional voluntary cash contribution of $0.17 per Class F Unit to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively. See “Use of Proceeds” and “Fees and Expenses”.

3. There will be no closing unless an aggregate minimum of 5,000,000 Class A Units and/or Class F Units are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue and subscription proceeds will be returned to subscribers, without interest or deduction, unless an amendment to this prospectus is filed.

4. The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable, in whole or in part, for a period of 30 days following the closing of the Offering, to purchase additional Class A Units, at a price of $10.00 per Class A Unit, in an amount up to 15% of the aggregate number of Class A Units and Class F Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents’ fees and the proceeds to the Fund (including the additional contribution from the Manager) will be $747,500,000, $22,425,000 and $747,500,000, respectively, assuming no Class F Units are sold under this Offering. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents’ over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

5. Assuming no Class F Units are sold under the Offering.

See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Units, including with respect to the Fund’s use of leverage.

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Class A Units and Class F 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.

The Class A Units are available to all investors. The Class A Units have been conditionally approved for listing on the Toronto Stock Exchange (the “**TSX**”) under the symbol “PIX”. Subject to satisfying the TSX’s original listing requirements on or before May 3, 2022, the Class A Units will be listed on the TSX and investors will be able to buy or sell such Class A Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

The Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange. The Class F Units offered under this prospectus will be reclassified as Class A Units on a one-for-one basis immediately following the closing of the Offering. See “Description of the Units – Reclassification of Class F Units Following Closing”. When the Fund receives from the Manager a voluntary cash contribution (the “**Voluntary Cash Contribution**”) in respect of the Class F Units sold in connection with this Offering (expected to be $0.17 per Class F Unit), such amount will be included in the Fund’s income for purposes of the Tax Act and will be paid or made payable to Class F Unitholders in the form of additional Class F Units (and such units will be consolidated with existing Class F Units such that there is no change in the number of Class F Units) immediately prior to the reclassification of such units as Class A Units following the closing of the Offering.

RBC Dominion Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., Canaccord Genuity Corp., Raymond James Ltd., Richardson Wealth Limited, Desjardins Securities Inc., Echelon Wealth Partners Inc., Hampton Securities Limited, iA Private Wealth Inc. and

Manulife Securities Incorporated (collectively, the "**Agents**") have agreed to conditionally offer the Class A Units and the Class F Units, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters by Blake, Cassels & Graydon LLP on behalf of the Fund and McCarthy Tétrault LLP on behalf of the Agents. The Agents may over-allot and effect transactions to cover their over-allotted position. See "Plan of Distribution".

Subscriptions will be received for the Class A Units and the Class F Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing is expected to occur on or about March 10, 2022, but, in any event, not later than 90 days after a receipt for the final prospectus is issued. Registrations and transfers of Units will be effected only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See "Plan of Distribution" and "Description of the Units – Book-Entry Only System".

Subject to the discretion of the Manager and provided that no subscriber will be permitted to hold 20% or more of the aggregate number of outstanding Units of the Fund as at the time of closing the private placement, as of the date hereof, certain institutional investors intend to acquire up to 3,000,000 private placement units of a separate class of the Fund to be offered on a private placement basis (the "**Class P Units**") for gross proceeds to the Fund of $30,000,000. The Class P Units will not be offered or qualified under this prospectus or pursuant to the Agency Agreement and will have the same redemption rights as the Class A Units. The Class P Units, if any, will be reclassified as Class A Units on or about the date that is the first Business Day following the six month anniversary of the closing of the Offering. See "Description of the Units".

Capitalized terms used, but not defined, in the foregoing are defined under "Glossary of Terms" herein.

GLOSSARY OF TERMS 1
PROSPECTUS SUMMARY 6
ORGANIZATION AND MANAGEMENT OF THE FUND 13
AGENTS 13
SUMMARY OF FEES AND EXPENSES 14
INFORMATION REGARDING PUBLIC ISSUERS 15
FORWARD LOOKING STATEMENTS 15
OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND 16
INVESTMENT OBJECTIVES 16
INVESTMENT STRATEGIES 16
- Types of Investments 18
- Investment Rationale 19
- PIMCO Global Income Opportunities Fund and PIMCO Tactical Income Fund 20
- Indicative Portfolio 20
- Currency Hedging 23
- Use of Leverage 24
- Use of Derivatives 24
- Reverse Repurchases Agreements 24
- Securities Lending and Repurchase Transactions 24

OVERVIEW OF THE SECTORS THE FUND INVESTS IN 25
INVESTMENT RESTRICTIONS 44
FEES AND EXPENSES 46
- Agents' Fees 46
- Expenses of the Offering 46
- Management Fee 46
- Ongoing Fees and Expenses 46

RISK FACTORS 46
- No Prior History 46
- No Assurances of Achieving Objectives 47
- Loss on Investment 47
- Market Discount Risk 47
- Limited Term Risk 47
- Performance of the Portfolio 47
- Market Risk 48
- Asset Allocation Risk 48
- Management Risk 48
- Issuer Risk 49
- Interest Rate Risk 49
- Credit Risk 49
- Mortgage-Related and Other Asset-Backed Securities Risk 49
- Mortgage-Related Derivative Instruments Risk 50
- Privately-Issued Mortgage-Related Securities Risk 50
- High Yield Securities Risk 50
- Real Estate Industry Risk 51

Distressed and Defaulted Securities Risk 52
Inflation-Indexed Security Risk 52
Senior Debt Risk 52
Loans, Participations and Assignments Risk 53
Mortgage Market/Subprime Risk 54
Platform Risk 54
"Covenant-lite" Obligations Risk 56
Reinvestment Risk 56
Call Risk 56
Foreign (non-Canadian and non-U.S.) Investment Risk 56
Risk of Investing in China 57
Emerging Markets Risk 58
Foreign Currency Risk 59
Redenomination Risk 59
U.S. Government Securities Risk 60
Foreign (non-Canadian and non-U.S.) Government Securities Risk 60
Convertible Securities Risk 61
Synthetic Convertible Securities Risk 61
Contingent Convertible Securities Risk 61
Valuation Risk 61
Leverage Risk 62
Segregation and Coverage Risk 63
Derivatives Risk 63
Credit Default Swaps Risk 64
Counterparty Risk 64
Equity Securities and Related Market Risk 64
Preferred Securities Risk 65
Private Placements Risk 65
Confidential Information Access Risk 65
Inflation/Deflation Risk 65
Risk of Regulatory Changes 66
Regulatory Risk—LIBOR 66
Liquidity Risk 66
Canadian Tax Risk 67
Issuer Non-Diversification Risk 69
Securities Lending Risk 69
Portfolio Turnover Risk 69
Operational Risk 69
Cyber Security Risk 69
Potential Conflicts of Interest Risk 70
Reverse Repurchase Agreements Risk 70
Structured Investments Risk 71
Collateralized Loan Obligations Risk 71
Highly Volatile Markets Risk 71
Market Disruption Risk 71
Focused Investment Risk 71
Other Investment Fund Risk 72
Short Sale Risk 72
Redemption Risk 72

Reliance on the Manager and the Sub-Adviser ... 73
Status of the Fund for Securities Law Purposes ... 73
Custodian ... 73
Not a Trust Company ... 73
Nature of Units ... 73
No Ownership Interest ... 73
Absence of an Active Market for Class A Units and Lack of Operating History ... 73
Enforcement of Rights ... 74
DISTRIBUTION POLICY ... 74
Distribution Reinvestment Plan ... 75
PURCHASES OF UNITS ... 76
REDEMPTIONS ... 76
Redemptions of Class A Units ... 76
Exercise of Redemption Right ... 77
Suspension of Redemptions ... 77
INCOME TAX CONSIDERATIONS ... 78
Status of the Fund ... 78
Taxation of the Fund ... 79
Taxation of Unitholders ... 82
Taxation of Registered Plans ... 83
Tax Implications of the Fund’s Distribution Policy ... 84
INTERNATIONAL INFORMATION EXCHANGE ... 84
ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND ... 84
Manager and Portfolio Manager of the Fund ... 84
Duties and Services to be Provided by the Manager ... 84
Officers and Directors of the Manager ... 86
Sub-Adviser of the Fund ... 86
Details of the Investment Management Agreement ... 91
Conflicts of Interest ... 92
Independent Review Committee ... 92
The Trustee ... 93
The Custodian ... 94
Auditor ... 94
Transfer Agent and Registrar ... 94
Promoter ... 94
CALCULATION OF NET ASSET VALUE ... 95
Valuation Policies and Procedures of the Fund ... 95
Reporting of Net Asset Value ... 96
DESCRIPTION OF THE UNITS ... 96
Description of the Units Distributed ... 97
Reclassification of Class F Units Following Closing ... 97
Market Purchases ... 97
Take-Over Bids ... 98
Book-Entry Only System ... 98
UNITHOLDER MATTERS ... 98
Meetings of Unitholders ... 98
Matters Requiring Unitholder Approval ... 99
Amendments to the Trust Agreement ... 100
Reporting to Unitholders ... 101
Accounting and Reporting ... 101
Non-Resident Unitholders ... 101
TERMINATION OF THE FUND ... 101
USE OF PROCEEDS ... 102
PLAN OF DISTRIBUTION ... 103
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ... 104
BROKERAGE ARRANGEMENTS ... 104
PROXY VOTING DISCLOSURE FOR PORTFOLIO ASSETS HELD ... 105
EXEMPTIONS AND APPROVALS ... 106
MATERIAL CONTRACTS ... 106
EXPERTS ... 106
PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION ... 106
INDEPENDENT AUDITOR’S REPORT ... F-1
PIMCO MULTI-SECTOR INCOME FUND STATEMENT OF FINANCIAL POSITION ... F-3
PIMCO MULTI-SECTOR INCOME FUND NOTES TO STATEMENT OF FINANCIAL POSITION ... F-4
CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER ... C-1
CERTIFICATE OF THE AGENTS ... C-2

GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**1933 Act**" means the *Securities Act of 1933*, as amended.

"**ABS**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – Asset-Backed Securities".

"**affiliate**" has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

"**Agency Agreement**" means an agreement dated as of February 17, 2022 among the Fund, the Manager and the Agents.

"**Agents**" means, collectively, RBC Dominion Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., Canaccord Genuity Corp., Raymond James Ltd., Richardson Wealth Limited, Desjardins Securities Inc., Echelon Wealth Partners Inc., Hampton Securities Limited, iA Private Wealth Inc. and Manulife Securities Incorporated.

"**ALT Lending ABS**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**ARMs**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – Mortgage-Related and Other Asset-Backed Securities".

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

"**Borrowings**" means any amount that the Fund borrows under a loan facility.

"**Business Day**" means any day on which the TSX is open for business.

"**Capital Gains Refund**" has the meaning ascribed thereto under "Income Tax Considerations – Taxation of the Fund".

"**CBOs**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**CDOs**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**Class A Units**" means the units of the Fund designated as "Class A Units".

"**Class F Units**" means the units of the Fund designated as "Class F Units".

"**Class P Units**" means the units of the Fund designated as "Class P Units".

"**Class A Unitholder**" means a holder of Class A Units.

"**Class F Unitholder**" means a holder of Class F Units.

"**CLOs**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**Closing**" means the closing of the Offering.

"**Closing Date**" means the date of Closing, which is expected to be on or about March 10, 2022, or such later date as the Fund and the Agents may agree, but, in any event, not later than 90 days after a receipt for the final prospectus is issued.

"**Closing Market Price**" in respect of a Class A Unit on a Monthly Redemption Date means (i) the closing price of the Class A Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which

the Class A 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 Class A Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which the Class A 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 Class A Units traded on a particular day; or (iii) the average of the last bid and the last asking prices of the Class A Units on the TSX on such Monthly Redemption Date (or such other principal stock exchange on which the Class A Units are listed) if there was no trading on the applicable Monthly Redemption Date.

"**CMBSs**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**CMOs**" has the meaning ascribed thereto under "Investment Strategies – Types of Investments".

"**Confidential Information**" has the meaning ascribed thereto under "Risk Factors – Confidential Information Access Risk".

"**CRA**" means Canada Revenue Agency.

"**Custodian**" means State Street Trust Company Canada, the custodian of the assets of the Fund, and its successors or assigns.

"**Custodian Agreement**" means the master custodial services agreement dated as of January 4, 2011 and the instrument of accession thereto dated January 26, 2022, among the Manager, on behalf of the Fund, and the Custodian, as it may be amended from time to time.

"**Depositary**" means CDS Clearing and Depository Services Inc. and includes any successor thereto or any other depositary subsequently appointed by the Fund as the depositary in respect of the Units.

"**DFA Rules**" has the meaning ascribed thereto under "Risk Factors – Canadian Tax Risk".

"**DIP financings**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – High Yield Securities".

"**Distribution Payment Date**" has the meaning ascribed thereto under "Distribution Policy".

"**Distribution Record Date**" has the meaning ascribed thereto under "Distribution Policy".

"**EMU**" has the meaning ascribed thereto under "Risk Factors – Redenomination Risk".

"**ETFs**" means exchange traded funds.

"**FHA**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – Mortgage Pass Through Securities".

"**FHFA**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – Mortgage Pass Through Securities".

"**FHLBs**" has the meaning ascribed thereto under "Risk Factors – U.S. Government Securities Risk".

"**FHLMC**" has the meaning ascribed thereto under "Risk Factors – U.S. Government Securities Risk".

"**FNMA**" has the meaning ascribed thereto under "Risk Factors – U.S. Government Securities Risk".

"**Foreign Government Securities**" has the meaning ascribed thereto under "Risk Factors – Foreign (non-Canadian and non-U.S.) Government Securities Risk".

"**Fund**" means PIMCO Multi-Sector Income Fund.

"**GNMA**" has the meaning ascribed thereto under "Risk Factors – U.S. Government Securities Risk".

"**IFRS**" means International Financial Reporting Standards.

"**Independent Review Committee**" or "**IRC**" means the independent review committee of the Fund.

"**Indicative Portfolio**" means the Portfolio Assets that would have been included in the Portfolio if it had been formed and fully invested on January 10, 2022, as described under "Investment Strategies - Indicative Portfolio".

"**International Information Exchange Legislation**" has the meaning ascribed thereto under "International Information Exchange".

"**Investment Management Agreement**" means the master investment sub-advisor agreement dated February 26, 2014, as amended from time to time, between the Manager and the Sub-Adviser.

"**LRE**" has the meaning ascribed thereto under "Risk Factors – Canadian Tax Risk".

"**Management Fee**" has the meaning ascribed thereto under "Fees and Expenses – Management Fee".

"**Manager**" means PIMCO Canada, in its capacity as investment fund manager of the Fund, and any successor thereto.

"**Market Price**" has the meaning ascribed thereto under "Distribution Policy - Distribution Reinvestment Plan".

"**Monthly Redemption Date**" means the second to last Business Day of each month.

"**Net Asset Value of the Fund**" or "**NAV of the Fund**" on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund.

"**Net Asset Value per Unit**" or "**NAV per Unit**" means, for a class of Units on any date, the number obtained by dividing the NAV of the Fund attributable to the class of Units on such date by the total number of Units of the class outstanding on such date.

"**NI 81-102**" means National Instrument 81-102 *Investment Funds*, as amended from time to time.

"**NI 81-106**" means National Instrument 81-106 *Investment Fund Continuous Disclosure*, as amended from time to time.

"**NI 81-107**" means National Instrument 81-107 *Independent Review Committee for Investment Funds*, as amended from time to time.

"**Non-Portfolio Earnings**" has the meaning ascribed thereto under "Income Tax Considerations - Taxation of the Fund".

"**Offering**" means collectively, the offering of Class A Units at a price of $10.00 per Class A Unit and Class F Units at a price of $9.83 per Class F Unit as contemplated by this prospectus.

"**OTC**" has the meaning ascribed thereto under "Risk Factors - Mortgage-Related Derivative Instruments Risk".

"**Over-Allotment Option**" means the option granted by the Fund to the Agents, exercisable, in whole or in part, and from time to time for a period of 30 days following the Closing Date, to purchase additional Class A Units in an amount up to 15% of the aggregate number of Class A Units and Class F Units issued at Closing at a price of $10.00 per Class A Unit.

"**Participant**" means a participant in the Depositary.

"**PCs**" has the meaning ascribed thereto under "Overview of the Sectors the Fund Invests In – Mortgage Pass-Through Securities".

"**Permitted Merger**" has the meaning ascribed thereto under "Unitholder Matters – Matters Requiring Unitholder Approval".

“**PGI**” has the meaning ascribed thereto under “Investment Strategies – PIMCO Global Income Opportunities Fund and PIMCO Tactical Income Fund”.

“**PIKs**” has the meaning ascribed thereto under “Investment Strategies – Types of Investments”.

“**Plan Agent**” has the meaning ascribed thereto under “Distribution Policy - Distribution Reinvestment Plan”.

“**Plan Participant**” has the meaning ascribed thereto under “Distribution Policy - Distribution Reinvestment Plan”.

“**Portfolio**” means an actively managed portfolio comprised primarily of fixed-income securities selected from multiple global fixed-income sectors, as more fully described under “Investment Objectives”.

“**Portfolio Assets**” means the assets included in the Portfolio.

“**Proxy Voting Policy**” means the proxy voting policy established by the Manager.

“**PTI**” has the meaning ascribed thereto under “Investment Strategies – PIMCO Global Income Opportunities Fund and PIMCO Tactical Income Fund”.

“**Redemption Payment Date**” means the Business Day that is on or before the 15th Business Day in the month following a Monthly Redemption Date.

“**Reform Act**” has the meaning ascribed thereto under “Overview of the Sectors the Fund Invests In – Mortgage Pass-Through Securities”.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

“**Reinvestment Plan**” has the meaning ascribed thereto under “Distribution Policy - Distribution Reinvestment Plan”.

“**RDSP**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of Registered Plans”.

“**REIT**” means real estate investment trust.

“**RESP**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of Registered Plans”.

“**RRIF**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of Registered Plans”.

“**RRSP**” has the meaning ascribed thereto under “Income Tax Considerations - Taxation of Registered Plans”.

“**SBPAs”** has the meaning ascribed thereto under “Overview of the Sectors the Fund Invests In – The Fund may invest in municipal lease obligation”.

“**SIFT Partnership**” means a specified investment flow-through partnership for the purposes of the Tax Act.

“**SIFT Rules**” means the specified investment flow-through rules in the Tax Act which apply to a SIFT Trust, a SIFT Partnership and their investors.

“**SIFT Trust**” means a specified investment flow-through trust for purposes of the Tax Act.

“**SMBSs**” has the meaning ascribed thereto under “Risk Factors – Mortgage-Related and Other Asset-Backed Securities Risk”.

“**SPE**” has the meaning ascribed thereto under “Investment Strategies - Types of Investments”.

“**Sponsor**” has the meaning ascribed thereto under “Investment Strategies - Types of Investments”.

“**Sub-Adviser**” or “**PIMCO**” means Pacific Investment Management Company LLC and any successor thereto.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time.

“**Tax Proposals**” means 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.

“**Termination Date**” has the meaning ascribed thereto under “Termination of the Fund”.

“**TFSA**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of Registered Plans”.

“**TIPS**” has the meaning ascribed thereto under “Risk Factors - Inflation-Indexed Security Risk”.

“**Total Assets**” means the aggregate value of the assets of the Fund determined in accordance with the terms of the Trust Agreement.

“**Transfer Agent**” means TSX Trust Company.

“**Trust Agreement**” means the declaration of trust dated as of January 26, 2022 establishing the Fund under the laws of the Province of Ontario.

“**Trustee**” means PIMCO Canada, in its capacity as trustee of the Fund under the Trust Agreement, and any successor thereto.

“**TSX**” means the Toronto Stock Exchange.

“**U.S.**” means the United States of America, its territories and possessions, any state thereof and the District of Columbia.

“**U.S.$**” means the lawful currency of the United States of America.

“**U.S. Treasury**” has the meaning ascribed thereto under “Overview of the Sectors the Fund Invests In – U.S. Government Securities”.

“**Unitholders**” means holders of the Units.

“**Units**” means the Class A Units, Class F Units and Class P Units of the Fund.

“**VA**” has the meaning ascribed thereto under “Overview of the Sectors the Fund Invests In – Mortgage Pass-Through Securities”.

“**Valuation Agent**” means such person as may from time to time be appointed by the Manager to calculate the Net Asset Value per Unit and the Net Asset Value of the Fund. The initial Valuation Agent will be the Trustee.

“**Valuation Date**” has the meaning ascribed thereto under “Calculation of Net Asset Value”.

“**Valuation Time**” has the meaning ascribed thereto under “Calculation of Net Asset Value”.

“**Voluntary Cash Contribution**” means the voluntary cash contribution paid by the Manager to the Fund in respect of the Class F Units sold in connection with this Offering (expected to be $0.17 per Class F Unit).

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined in this summary, are defined in the "Glossary of Terms". Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

Issuer: PIMCO Multi-Sector Income Fund (the "**Fund**") is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to the Trust Agreement. See "Overview of the Legal Structure of the Fund".

Offering: The Fund is offering Class A Units and Class F Units.

The Class A Units are available to all investors.

The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units, and (ii) the Manager will make the Voluntary Cash Contribution to the Fund upon Closing, and (iii) Class F Units will not be listed on a stock exchange but the Class F Units offered under this prospectus will be reclassified as Class A Units on a one-for-one basis immediately following the closing of the Offering. After the reclassification of the Class F Units as Class A Units, only Class A Units and Class P Units of the Fund will be outstanding.

See "Description of the Units".

Price: $10.00 per Class A Unit.

$9.83 per Class F Unit.

Maximum Issue: $650,000,000 (65,000,000 Class A Units and/or Class F Units)

Minimum Issue: $50,000,000 (5,000,000 Class A Units and/or Class F Units)

Minimum Purchase: 100 Class A Units ($1,000)

100 Class F Units ($983)

Investment Objectives 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, 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 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.

See "Investment Objectives".

Investment Strategies: *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 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 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

It is expected that 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 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 Fund's portfolio, although there is no assurance that it will do so or that such strategies will be successful.

Currency Hedging: The securities in the Portfolio will be 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 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.

Use of Leverage The Fund may utilize various forms of leverage including borrowings under loan facilities, 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, 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 will be limited to 33 1/3% of the Total Assets, which approximates a ratio of 1.5:1 relative to the NAV of the Fund.

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.

Initially, the Fund is expected to employ leverage of approximately 25% of Total Assets.

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. 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.

Reverse Repurchases 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.

See "Investment Strategies".

Distributions:

The Fund does not have a fixed monthly distribution amount. The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day 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 15th day of the following month for which the distribution is payable (each, a "**Distribution Payment Date**"). The Fund intends to, at least annually beginning in December 2022, 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 and assessment of portfolio and market conditions, including without limitation, the costs of any leverage obtained by the Fund (including interest or other expenses on any total return swaps, credit default swaps, dollar rolls and borrowings). As portfolio and market conditions change, the rate of distributions on the Units and the Fund's distribution policy could change.

While the Fund will not have a fixed distribution, distributions are initially targeted to be 5.5% to 6.25% per annum on the initial NAV of $10.00 per Class A Unit (approximately $0.04583 to $0.05208 per Class A Unit per month or $0.55 to $0.625 per annum). The initial cash distribution of $0.04583 to $0.05208 per Class A Unit will be payable to Unitholders of record on May 31, 2022 and is expected to be paid on or about June 15, 2022.

Assuming (i) gross proceeds of the Offering of $50,000,000, (ii) the use of leverage of 25% of the Total Assets, (iii) the fees and expenses described under "Fees and Expenses", and (iv) foreign exchange rates remain constant, the assets in the Portfolio would have to generate interest and other income (net of applicable withholding tax) of 7.80% to 8.55% in order to pay the expenses of the Fund and distributions at the initial targeted level without returning a portion of the capital of the Fund to Unitholders. Based on the current price and yield of the assets included in the Indicative Portfolio (which may vary from the actual Portfolio), the assets in the Indicative Portfolio would be expected to generate interest and other income (net of any applicable withholding taxes) sufficient to pay the expenses of the Fund and to pay distributions at the initial targeted level without returning a portion of the capital of the Fund to Unitholders. As at January 10, 2022, the net yield to worst on the Indicative Portfolio was approximately 6.09% per annum, net of fees and operating expenses. **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 and the other assumptions noted above. See “Investment Strategies – Use of Leverage”, “Distribution Policy” and “Risk Factors”.

Amounts distributed on the Class A and Class F 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”.

If the Fund’s net income for tax purposes, including net realized capital gains, for any taxation year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (in Units and/or cash), 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). See “Income Tax Considerations”.

Distribution Reinvestment: The Fund intends to provide Unitholders with the opportunity to elect to reinvest monthly cash distributions made by the Fund in additional Units through participation in the distribution reinvestment plan of the Fund described under “Distribution Policy - Distribution Reinvestment Plan”.

Monthly Redemptions: Class A Units may be surrendered 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 Class A 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. Class A Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Class A 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 Class A Unit for redemption on a Monthly Redemption Date, will receive the amount per Class A Unit, if any, equal to the lesser of (i) 94% of the Average Market Price and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, in each case subject to a maximum redemption price per Class A Unit equal to the NAV per Class A Unit on the applicable Monthly Redemption Date, less, any costs associated with the redemption including commissions and such other costs, if any.

Use of Proceeds: The proceeds from the sale of Class A Units and the Class F Units (prior to the exercise of the Over-Allotment Option) will be as follows:

	Maximum Offering[1][2]	Minimum Offering[1]
Gross proceeds to the Fund	$650,000,000	$50,000,000
Agents’ fees[3]	$19,500,000[4]	$1,500,000[4]
Expenses of the Offering[3]	$-	$-
Reimbursement of Agents’ Fees by Manager[3]	$19,500,000[4]	$1,500,000[4]

Voluntary Cash Contribution to the Fund by Manager (3)	$-(4)	$-(4)
Proceeds to the Fund	$650,000,000	$50,000,000

Notes:

(1) There will be no Closing unless an aggregate minimum of 5,000,000 Class A Units and/or Class F Units are sold. The maximum Offering assumes only Class A Units are sold and does not include the Class A Units resulting from the reclassification of Class F Units. If subscriptions for an aggregate minimum of 5,000,000 Class A Units and/or Class F Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue unless an amendment to this prospectus is filed.

(2) The Fund has granted to the Agents an option (the "**Over-Allotment Option**"), exercisable, in whole or in part, for a period of 30 days following the closing of the Offering, to purchase additional Class A Units, at a price of $10.00 per Class A Unit, in an amount up to 15% of the aggregate number of Class A Units and Class F Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the proceeds to the Fund (including the additional contribution from the Manager) will be $747,500,000, $22,425,000 and $747,500,000, respectively, assuming no Class F Units are sold under this Offering. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(3) The Manager (and not the Fund) will pay all fees and expenses of the Offering. Accordingly, the Manager (and not the Fund) has agreed to pay full compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make the Voluntary Cash Contribution to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively. See "Use of Proceeds" and "Fees and Expenses".

(4) Assuming no Class F Units are sold under the Offering.

The Fund will use the proceeds of the Offering (including any proceeds from the exercise of the Over-Allotment Option) and the proceeds from the sale of Class P Units to acquire Portfolio Assets. See "Use of Proceeds".

Reclassification of Class F Units as Class A Units Following Closing:

Purchasers who subscribe for Class F Units are deemed to have requested that the Fund reclassify such Class F Units as Class A Units immediately following the closing of the Offering. The Class F Units issued pursuant to this Offering will be reclassified as Class A Units on a one-for-one basis immediately following the closing of the Offering. After the reclassification of the Class F Units as Class A Units, only Class A Units and Class P Units of the Fund will be outstanding.

See "Description of the Units – Reclassification of Class F Units Following Closing".

Eligibility for Investment:

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that the Fund qualifies, and continues at all times to qualify, as a "mutual fund trust" within the meaning of the Tax Act, the Class A and Class F Units, if issued on the date hereof, would on such date be qualified investments for trusts governed by Registered Plans. Holders or annuitants, as the case may be, of trusts governed by tax-free savings accounts, registered retirement savings plans or registered retirement income funds should consult their own tax advisors to ensure that Units would not be a "prohibited investment" (as defined in the Tax Act) for such accounts in their particular circumstances. See "Income Tax Considerations – Taxation of Registered Plans".

Income Tax Considerations:

A Class A or Class F Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Units or reinvested in additional Units pursuant to the Reinvestment Plan). To the extent that amounts payable to a Class A or Class F Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, the taxable portion of net realized capital gains, or foreign source income, such amounts will retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Class A or Class F Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Class A or Class F Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Class A or Class F Units held as capital property (on a redemption or otherwise) generally will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (which do not include any amounts of capital gains made payable by the Fund to the Unitholder which represent capital gains realized by the Fund in connection with its disposition of assets in order to fund the redemption) exceed (or are less than) the aggregate of the adjusted cost base of the Units disposed of and any reasonable costs of disposition.

When the Fund receives from the Manager the Voluntary Cash Contribution, such amount will be included in the Fund's income for purposes of the Tax Act and will be paid or made payable to Class F Unitholders in the form of additional Class F Units (and such units will be consolidated with existing Class F Units such that there is no change in the number of Class F Units) immediately prior to the reclassification of such units as Class A Units following the closing of the Offering.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Class A or Class F Units by obtaining advice from his or her tax advisor. See "Income Tax Considerations".

Risk Factors

An investment in Class A or Class F Units will be subject to certain risk factors, see "Risk Factors".

Termination Date

In accordance with the Fund's Trust Agreement, the Fund is currently scheduled to terminate as of the first business day following the 12th anniversary of the date hereof, which the Fund currently expects to occur on or about February 17, 2034 (the "**Termination Date**"); provided that the Trustee or 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 Class A Units with a one-time redemption right at a redemption price per Class A Unit equal to the Net Asset Value per Class A Unit on February 17, 2034 (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 and in accordance with applicable securities laws, 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.

ORGANIZATION AND MANAGEMENT OF THE FUND

Management of the Fund	Name and Municipality of Residence	Services Provided to the Fund
Trustee, Manager, Portfolio Manager and Promoter	PIMCO Canada Corp. Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2	PIMCO Canada Corp. ("**PIMCO Canada**" or the "**Manager**") is the investment fund manager, portfolio manager and promoter of the Fund. PIMCO Canada also acts as the trustee (the "**Trustee**") of the Fund in accordance with the Trust Agreement. The Manager will retain the Sub-Adviser to manage the portfolio of the Fund. The Manager and the Trustee is a wholly-owned subsidiary of the Sub-Adviser.
Sub-Adviser	Pacific Investment Management Company LLC California	Pacific Investment Management Company LLC ("**PIMCO**" or the "**Sub-Adviser**"), an affiliate of the Manager, serves as the Sub-Adviser for the Fund pursuant to the Investment Management Agreement between the Manager and PIMCO. Subject to the Investment Management 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. The Manager will be responsible to the Fund for any loss that arises out of the failure of the Sub-Adviser (i) to exercise the powers and discharge its duties under the Investment Management Agreement honestly, in good faith and in the best interests of the Fund, or (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.
Custodian	State Street Trust Company Canada Toronto, Ontario	Providing custodial services to the Fund.
Auditor	PricewaterhouseCoopers LLP Toronto, Ontario	Providing auditing services to the Fund.
Registrar and Transfer Agent	TSX Trust Company Toronto, Ontario	Maintaining the securities register and the register of transfers of Units.

AGENTS

RBC Dominion Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., Canaccord Genuity Corp., Raymond James Ltd., Richardson Wealth Limited, Desjardins Securities Inc., Echelon Wealth Partners Inc., Hampton Securities Limited, iA Private Wealth Inc. and Manulife Securities Incorporated (collectively, the "**Agents**") conditionally offer the Class A Units and the Class F Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Blake, Cassels & Graydon LLP on behalf of the Fund and McCarthy Tétrault LLP on behalf of the Agents.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Class A Units, at a price of $10.00 per Class A Unit, in an amount up to 15% of the aggregate number of Class A Units and Class F Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fee and the proceeds to the Fund (including the additional contribution from the Manager) will be $747,500,000, $22,425,000 and $747,500,000 respectively, assuming no Class F Units are sold under the Offering. See "Plan of Distribution".

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-allotment Option	9,750,000 Class A Units	Within 30 days following the Closing	$10.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable in connection with the Fund. Some of these fees and expenses will be paid for or incurred by the Fund, which will therefore reduce the value of your investment in the Fund. For further particulars, see "Fees and Expenses".

Fees and Expenses Payable by the Fund

Type of Fee	Amount and Description
Management Fee:	An annual management fee (the "**Management Fee**") equal to 1.30% of the Total Assets of the Fund attributable to the Units will be paid to the Manager, calculated daily and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Sub-Adviser out of the Management Fee. In addition, the Manager will pay 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 Closing Date, but excluding the expenses described under "Ongoing Fees and Expenses" below.
Ongoing Fees and Expenses:	The Fund will be responsible for all expenses incurred in connection with the operation and administration of the Fund that are not payable by the Manager. This will include Borrowing, interest and portfolio execution costs, taxes, expenses of complying with certain governmental requirements, extraordinary expenses and any new fees or expenses payable by the Fund after the Closing 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 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.

Fees and Expenses Payable by the Manager

Type of Fee	Amount and Description
Fees Payable to the Agents:	The Manager (and not the Fund) has agreed to pay full compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make the Voluntary Cash Contribution to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively.
Expenses of the Offering:	In addition to the Agents' fees, the Manager (and not the Fund) will pay the expenses incurred in connection with the Offering. See "Fees Payable to the Agents" above.

INFORMATION REGARDING PUBLIC ISSUERS

Certain information contained in this prospectus relating to publicly traded securities, the issuers of those securities and the industry in which the Fund will invest is taken from and based solely upon information published by those issuers. None of the Manager, the Sub-Adviser, the Fund or the Agents has independently verified the accuracy or completeness of any such information.

FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus 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" and in other sections of this 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.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

PIMCO Multi-Sector Income Fund (the "**Fund**") is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to the Trust Agreement. The trustee, manager and promoter of the Fund is PIMCO Canada Corp. ("**PIMCO Canada**", the "**Manager**" or the "**Trustee**"). The principal office of the Fund, the Manager and the Trustee is located at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2.

The sub-adviser of the Fund is Pacific Investment Management Company LLC ("**PIMCO**" or the "**Sub-Adviser**"), an affiliate of the Manager. The principal office of the Sub-Adviser is located at 650 Newport Center Drive, Newport Beach, California 92660.

The Fund is a non-redeemable investment fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as the Manager may determine from time to time. Initially, three classes of Units (the Class A Units, the Class F Units and the Class P Units) have been authorized for issuance and the Fund is authorized to issue an unlimited number of Class A Units, an unlimited number of Class F Units and an unlimited number of Class P Units.

INVESTMENT OBJECTIVES

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, 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.

INVESTMENT STRATEGIES

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 while, in PIMCO's view, borrowing costs are historically attractive.

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 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

It is expected that 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 will invest 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. PIMCO initially intends to focus on: (i) residential mortgage credit; (ii) commercial real estate credit; (iii) corporate credit, including high yield securities and bank loans, (iv) emerging market debt, and (v) specialty finance.

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 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 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 30% 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 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 1933 Act, as set out in Rule 144A of the 1933 Act for resales of certain fixed income securities to "qualified institutional buyers" (as such term is defined in the 1933 Act).

Subject to compliance with NI 81-102, the Fund may also invest in securities of other investment funds, including, without limitation, open-end funds, including ETFs 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.

Investment Rationale

In an uncertain market environment marked by low nominal yields, PIMCO believes that a closed-end fund structure can provide many potential benefits, by permitting PIMCO to expand its multi-sector approach to include high-income opportunities with a specific focus on less liquid public credit markets. In PIMCO's view, a flexible multi-sector approach to income investing can yield greater total return and income potential.

The Fund will seek to capitalize on what PIMCO views as a target rich market environment for the following reasons:

- Income has become increasingly difficult to source in a risk-conscious manner, due to low nominal yields and rising interest rates.

- COVID-19 has resulted in an unprecedented shock affecting global credit markets, including the real estate and corporate sectors.

- PIMCO believes a multi-year wave of evolving opportunities is underway across credit markets.

- While most traditional markets have broadly recovered, opportunities remain for active managers with flexible capital and a longer time horizon to take advantage of more complex and less traditional credit investments.

- In PIMCO's view, the Fund is well-positioned to leverage PIMCO's extensive experience managing through an evolving market landscape and offer investors access to potentially attractive yield and total return opportunities.

PIMCO believes that these changes directly impact opportunities across credit market sectors. PIMCO expects the Fund to leverage its best ideas across the global credit markets in the following ways:

- **Generational disruption across commercial real estate markets with long-lasting impact:** The bifurcated recovery from COVID-induced dislocations in global lodging and office, as well as growing distress in select areas such as retail.
- **Dislocation across corporate credit markets, both public and private:** The Fund expects to take a selective approach with a focus on sectors where liquidity pressures and a slow recovery have created a need for continued "special situation" capital solutions.

- **Emerging market economies face insufficient lending availability:** The Fund expects to focus on less liquid lending to higher quality but credit-constrained borrowers offering large yield premiums and structural downside protection.

- **Residential credit and speciality finance continue to exhibit resilience:** An evolving market opportunity set with a focus on senior and seasoned residential mortgage credit supported by strong fundamentals and relatively strong equity cushions.

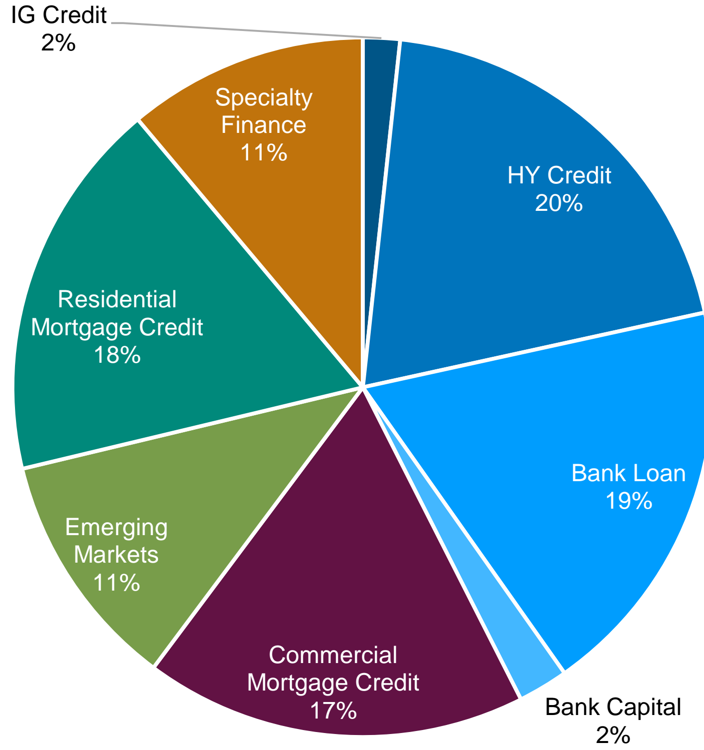
PIMCO Global Income Opportunities Fund and PIMCO Tactical Income Fund

The Fund's investment strategy is substantially similar to the investment strategy that the Sub-Adviser employs in managing the PIMCO Global Income Opportunities Fund ("**PGI**") and the PIMCO Tactical Income Fund ("**PTI**"), each a non-redeemable investment fund governed by the laws of the Province of Ontario. For additional information about PGI and PTI, please see "Organization and Management Details of the Fund – Sub-Adviser of the Fund".

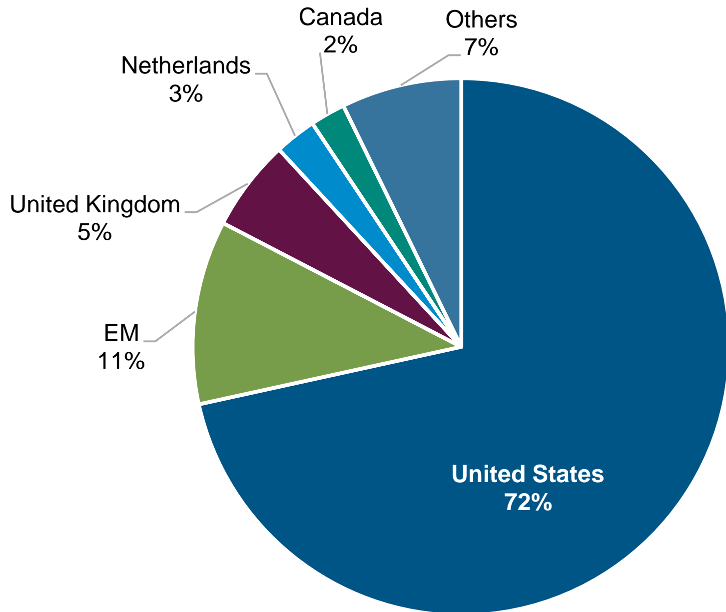
Indicative Portfolio

The indicative portfolio (the "**Indicative Portfolio**") is the list of Portfolio Assets that would have comprised the Portfolio had it existed on January 10, 2022. The following charts show the Indicative Portfolio's exposure by sector, geographic region, currency and rating distribution:

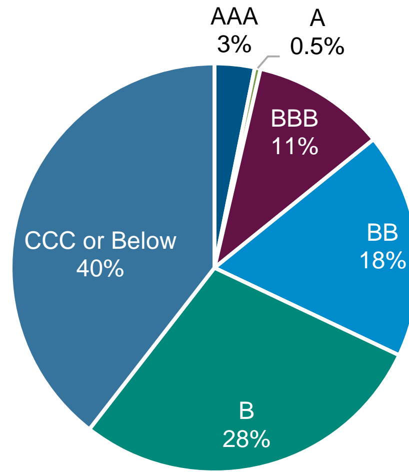
Indicative Portfolio Sector Allocation (% of Total Assets)



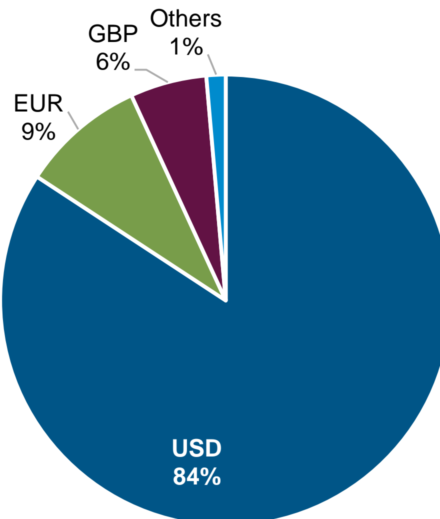
Indicative Portfolio Geographical Breakdown (% of Total Assets)



Indicative Portfolio Rating Breakdown (% of Total Assets)

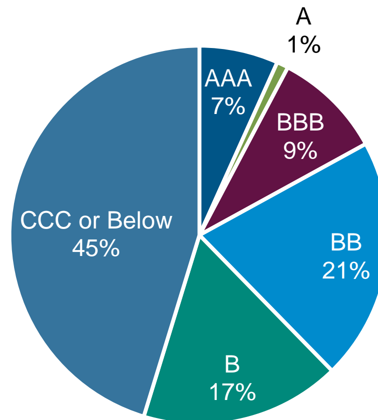


Indicative Portfolio Currency Breakdown (% of Total Assets)

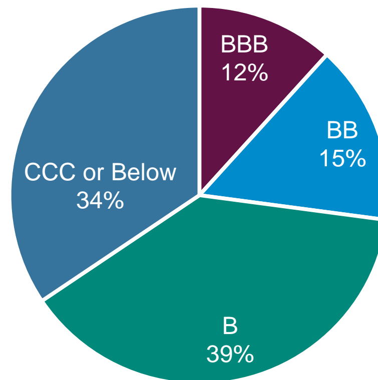


The following charts show the Indicative Portfolio's exposure by ratings distribution of mortgage-related and other asset backed securities and securities other than mortgage-related and other asset backed securities. The mortgage-related and other asset backed securities comprise approximately 46% of the Indicative Portfolio.

Indicative Portfolio Rating Breakdown for Mortgage Related and Other Asset Backed Securities (% of Total Assets) - 46% of Portfolio



Indicative Portfolio Rating Breakdown for Non-Mortgage Related and Other Asset Backed Securities (% of Total Assets) - 54% of Portfolio



The Indicative Portfolio has an average credit rating of B and a portfolio duration of 3.4 years.

The information contained in this section is historical and is not intended to be, nor should it be construed to be, an indication as to the assets that will comprise the Portfolio from time to time. The Portfolio may or may not include issuers considered in compiling the foregoing analysis and will include securities of issuers that were not included in compiling this analysis, as such, the sector, geographic exposure, average credit rating and duration will differ. PIMCO will actively manage the Portfolio to seek to meet the Fund's investment objectives and therefore the composition of the Portfolio will vary from time to time based on PIMCO's assessment of market conditions and other factors.

Currency Hedging

The securities in the Portfolio will be 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 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.

Use of Leverage

The Fund may utilize various forms of leverage including borrowings under loan facilities, 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, 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 will be limited to 33 1/3% of the Total Assets, which approximates a ratio of 1.5:1 relative to the NAV of the Fund.

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.

Initially, the Fund is expected to employ leverage of approximately 25% of Total Assets.

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. 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.

Reverse Repurchases 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 the 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.

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.

OVERVIEW OF THE SECTORS THE FUND INVESTS IN

The Fund invests in an actively managed 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 following is a description of a number of types of investment products which may be utilized by PIMCO. The below description is not intended to be an exhaustive list of the types of investments products which may be utilized and in order to achieve its investment objectives, the Fund may invest in securities, derivatives and instruments not described below.

High Yield Securities

The Fund may invest without limit in debt instruments that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's or below BBB- by either S&P or Fitch) or unrated but determined by PIMCO to be of comparable quality. However, the Fund will not invest more than 20% of 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 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. The Fund may invest in debt 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. The Fund may invest in defaulted securities and debtor-in-possession financings (commonly known as "**DIP financings**"). Below investment grade securities are commonly referred to as "high yield" securities or "junk bonds." High yield securities involve a greater degree of risk (in particular, a greater risk of default) than, and special risks in addition to the risks associated with, investment grade debt obligations. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. High yield securities may be regarded as predominantly speculative with respect to the issuer's continuing ability to make timely principal and interest payments. They also may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain ratings agencies.

The market values of high yield securities tend to reflect individual developments of the issuer to a greater extent than do higher-quality securities, which tend to react mainly to fluctuations in the general level of interest rates. In addition, lower-quality debt securities tend to be more sensitive to general economic conditions. Certain emerging market governments that issue high yield securities in which the Fund may invest are among the largest debtors to commercial banks, foreign governments and supranational organizations, such as the World Bank, and may not be able or willing to make principal and/or interest payments as they come due.

Credit ratings and unrated securities

Rating agencies are private services that provide ratings of the credit quality of debt obligations. The Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. The ratings of a debt security may change over time. Moody's, S&P and Fitch monitor and evaluate the ratings assigned to securities on an ongoing basis. As a result, debt instruments held by the Fund could receive a higher rating (which would tend to increase their value) or a lower rating (which would tend to decrease their value) during the period in which they are held by the Fund.

PIMCO does not rely solely on credit ratings, and develops its own analysis of issuer credit quality.

The Fund may purchase unrated securities (which are not rated by a rating agency) if PIMCO determines, in its sole discretion, that the security is of comparable quality to a rated security that the Fund may purchase. In making ratings determinations, PIMCO may take into account different factors than those taken into account by rating agencies, and PIMCO's rating of a security may differ from the rating that a rating agency may have given the same security. Unrated securities may be less liquid than comparable rated securities and involve the risk that the portfolio manager may not accurately evaluate the security's comparative credit rating. The Fund may invest a substantial portion of its assets in unrated securities and therefore may be particularly subject to the associated risks. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality fixed income securities. To the extent that the Fund invests in high yield and/or unrated securities, the Fund's success in achieving its investment objectives may depend more heavily on the portfolio manager's creditworthiness analysis than if the Fund invested exclusively in higher-quality and rated securities.

Global (non-Canadian and non-U.S.) Investments

The Fund may invest without limit in instruments of corporate and other global (non-Canadian and non U.S.) issuers and in instruments traded principally outside of Canada or the United States. The Fund may invest in sovereign and other debt securities issued by foreign governments and their respective sub-divisions, agencies or instrumentalities, government sponsored enterprises and supranational government entities. Supranational entities include international organizations that are organized or supported by one or more government entities to promote economic reconstruction or development and by international banking institutions and related governmental agencies. As a holder of such debt securities, the Fund may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. In addition, there are generally no bankruptcy proceedings similar to those in Canada or the United States by which defaulted foreign debt securities may be collected. Investing in foreign securities involves special risks and considerations not typically associated with investing in Canadian or U.S. securities.

The foreign securities in which the Fund may invest include without limitation Eurodollar obligations and "Yankee Dollar" obligations. Eurodollar obligations are U.S. dollar-denominated certificates of deposit and time deposits issued outside the U.S. capital markets by foreign branches of U.S. banks and by foreign banks. Yankee Dollar obligations are U.S. dollar-denominated obligations issued in the U.S. capital markets by foreign banks. Eurodollar and Yankee Dollar obligations are generally subject to the same risks that apply to domestic debt issues, notably credit risk, interest rate risk, market risk and liquidity risk. Additionally, Eurodollar (and to a limited extent, Yankee Dollar) obligations are subject to certain sovereign risks. One such risk is the possibility that a sovereign country might prevent capital, in the form of U.S. dollars, from flowing across its borders. Other risks include adverse political and economic developments; the extent and quality of government regulation of financial markets and institutions; the imposition of foreign withholding or other taxes; and the expropriation or nationalization of foreign issuers.

Emerging Markets Investments

The Fund may invest 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 30% 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 there is no limit. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In exercising such discretion, PIMCO identifies countries as emerging markets consistent with the strategic objectives of the Fund. For example, the Fund may consider a country to be an emerging market country based on a number of factors including, but not limited to, if the country is classified as an emerging or developing economy by any supranational organization such as the World Bank or the United Nations, or related entities, or if the country is considered an emerging market country for purposes of constructing emerging markets indices. In some cases, this approach may result in PIMCO identifying a particular country as an emerging market with respect to the Fund, that may not be identified as an emerging market with respect to other funds managed by PIMCO.

Investing in emerging market securities imposes risks different from, or greater than, risks of investing in domestic securities or in foreign, developed countries. The securities and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities and currency markets of the United States and other developed markets and disclosure and regulatory standards in many respects are less stringent. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Government enforcement of existing securities regulations is limited, and any enforcement may be arbitrary and the results may be difficult to predict. In addition, reporting requirements of emerging market countries with respect to the ownership of

securities are more likely to be subject to interpretation or changes without prior notice to investors than more developed countries.

Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on such countries' economies and securities markets.

Economies of emerging market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of emerging market countries also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in many developed markets, which could reduce the Fund's income from securities or debt instruments of emerging market country issuers.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the Fund's portfolio.

Emerging market countries are more likely than developed market countries to experience political uncertainty and instability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries. No assurance can be given that adverse political changes will not cause the Fund to suffer a loss of any or all of its investments in emerging market countries or interest/dividend income thereon.

Foreign investment in certain emerging market country securities is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain emerging market country securities and increase the costs and expenses of the Fund. Certain emerging market countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain emerging market countries may also restrict investment opportunities in issuers in industries deemed important to national interests. Emerging market countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

Foreign Currencies and Related Transactions

The Fund's Units are priced in Canadian dollars and the distributions paid by the Fund to Unitholders are paid in Canadian dollars. However, a significant portion of the Fund's assets may be denominated in foreign (non-Canadian) currencies and the income received by the Fund from many foreign debt obligations will be paid in foreign currencies. The Fund also may invest in or gain exposure to foreign currencies themselves for investment or hedging purposes. The Fund's investments in securities that trade in, or receive revenues in, foreign currencies will be subject to currency risk, which is the risk that fluctuations in the exchange rates between the Canadian dollar and foreign currencies may negatively affect an investment. The Fund will endeavour to hedge all or substantially all of its exposure to foreign currencies through the use of derivative strategies. For instance, the Fund may enter into forward foreign currency exchange contracts, and may buy and sell foreign currency futures contracts and options on foreign currencies and foreign currency futures. A forward foreign currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, may reduce the Fund's exposure to changes in the value of the currency it will deliver and increase its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities

denominated in one currency and purchasing securities denominated in another currency. Foreign currency transactions, like currency exchange rates, can be affected unpredictably by intervention (or the failure to intervene) by Canadian or foreign governments or central banks, or by currency controls or political developments. Such events may prevent or restrict the Fund's ability to enter into foreign currency transactions, force the Fund to exit a foreign currency transaction at a disadvantageous time or price or result in penalties for the Fund, any of which may result in a loss to the Fund.

Contracts to sell foreign currency would limit any potential gain that might be realized by the Fund if the value of the hedged currency increases. The Fund may enter into these contracts to hedge against foreign exchange risk arising from the Fund's investment or anticipated investment in securities denominated in foreign currencies. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in such transactions at any given time or from time to time when they would be beneficial. Although PIMCO has the flexibility to engage in such transactions for the Fund, it may determine not to do so or to do so only in unusual circumstances or market conditions. Also, these transactions may not be successful and may eliminate any chance for the Fund to benefit from favorable fluctuations in relevant foreign currencies.

The Fund may also use derivatives contracts for purposes of increasing exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. To the extent that it does so, the Fund will be subject to the additional risk that the relative value of currencies will be different than anticipated by PIMCO.

Mortgage-Related and Other Asset-Backed Securities

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.

Mortgage-related securities include mortgage pass-through securities, CMOs, commercial or residential mortgage-backed securities, mortgage dollar rolls, CMO residuals, adjustable rate mortgage-backed securities ("**ARMs**"), SMBSs and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

Mortgage Pass-Through Securities

Interests in pools of mortgage-related securities differ from other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment which consists of both interest and principal payments. In effect, these payments are a "pass through" of the monthly payments made by the individual borrowers on their residential or commercial mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. Some mortgage-related securities (such as securities issued by GNMA) are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether or not the mortgagor actually makes the payment.

The rate of pre-payments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. To the extent that unanticipated rates of pre-payment on underlying mortgages increase the effective duration of a mortgage-related security, the volatility of such security can be expected to increase. The residential mortgage market in the United States has experienced in the past, and could experience in the future, difficulties that may adversely affect the performance and market value of certain of the Fund's mortgage-related investments. Delinquencies, defaults and losses on residential mortgage loans may increase substantially over certain periods. A decline in or flattening of housing values may exacerbate such delinquencies and losses on residential mortgages. Borrowers with adjustable rate mortgage loans are more sensitive to changes in interest rates, which affect their monthly mortgage payments, and may be unable to secure replacement mortgages at comparably low interest rates. As a result of the 2008 financial crisis, a number of residential mortgage loan originators experienced serious financial difficulties or bankruptcy. Owing largely to the foregoing, reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements caused limited liquidity in the secondary market for certain mortgage-related securities, which adversely affected the market value of mortgage-

related securities. It is possible that such limited liquidity in such secondary markets could recur or worsen in the future.

The principal U.S. governmental guarantor of mortgage-related securities is GNMA. GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of mortgages insured by the Federal Housing Administration (the "**FHA**"), or guaranteed by the Department of Veterans Affairs (the "**VA**"). Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and FHLMC. FNMA is a government-sponsored corporation the common stock of which is owned entirely by private stockholders. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC was created by Congress in 1970 for the purpose of increasing the availability of mortgage credit for residential housing. It is a government-sponsored corporation that issues Participation Certificates ("**PCs**"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government. Instead, they are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations.

The Fund has obtained an exemption from the Canadian securities regulators to permit the Fund to invest more than 10% of its net assets in debt obligations, including mortgage-backed securities, issued or guaranteed by each of FNMA and FHLMC, subject to certain conditions. The exemption does not impose a limit on the amount that the Fund may invest in either FNMA or FHLMC; accordingly, all or substantially all of the Fund's net assets could be invested in securities issued by FNMA or FHLMC at any time.

On September 6, 2008, the Federal Housing Finance Agency ("**FHFA**") placed FNMA and FHLMC into conservatorship. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of FNMA and FHLMC and of any stockholder, officer or director of FNMA and FHLMC with respect to FNMA and FHLMC and the assets of FNMA and FHLMC. FHFA selected a new chief executive officer and chairman of the board of directors for each of FNMA and FHLMC. In connection with the conservatorship, the U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of FNMA and FHLMC pursuant to which the U.S. Treasury will purchase up to an aggregate of U.S.$100 billion of each of FNMA and FHLMC to maintain a positive net worth in each enterprise. This agreement contains various covenants that severely limit each enterprise's operations. In exchange for entering into these agreements, the U.S. Treasury received U.S.$1 billion of each enterprise's senior preferred stock and warrants to purchase 79.9% of each enterprise's common stock. In 2009, the U.S. Treasury announced that it was doubling the size of its commitment to each enterprise under the Senior Preferred Stock Program to U.S.$200 billion. The U.S. Treasury's obligations under the Senior Preferred Stock Program are for an indefinite period of time for a maximum amount of U.S.$200 billion per enterprise. On December 24, 2009, the U.S. Treasury announced further amendments to the Senior Preferred Stock Purchase Agreements which included additional financial support to certain governmentally supported entities, including the FHLBs, FNMA and FHLMC. 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 FNMA, FHLMC and the FHLBs, and the values of their related securities or obligations.

FNMA and FHLMC are continuing to operate as going concerns while in conservatorship and each remain liable for all of its obligations, including its guaranty obligations, associated with its mortgage-backed securities.

Under the Federal Housing Finance Regulatory Reform Act of 2008 (the "**Reform Act**"), which was included as part of the Housing and Economic Recovery Act of 2008, FHFA, as conservator or receiver, has the power to repudiate any contract entered into by FNMA or FHLMC prior to FHFA's appointment as conservator or receiver, as applicable, if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of FNMA's or FHLMC's affairs. The Reform Act requires FHFA to exercise its right to repudiate any contract within a reasonable period of time after its appointment as conservator or receiver. FHFA, in its capacity as conservator, has indicated that it has no intention to repudiate the guaranty

obligations of FNMA or FHLMC because FHFA views repudiation as incompatible with the goals of the conservatorship. However, in the event that FHFA, as conservator or if it is later appointed as receiver for FNMA or FHLMC, were to repudiate any such guaranty obligation, the conservatorship or receivership estate, as applicable, would be liable for actual direct compensatory damages in accordance with the provisions of the Reform Act. Any such liability could be satisfied only to the extent of FNMA's or FHLMC's assets available therefor. In the event of repudiation, the payments of interest to holders of FNMA or FHLMC mortgage-backed securities would be reduced if payments on the mortgage loans represented in the mortgage loan groups related to such mortgage-backed securities are not made by the borrowers or advanced by the servicer. Any actual direct compensatory damages for repudiating these guaranty obligations may not be sufficient to offset any shortfalls experienced by such mortgage-backed security holders. Further, in its capacity as conservator or receiver, FHFA has the right to transfer or sell any asset or liability of FNMA or FHLMC without any approval, assignment or consent. Although FHFA has stated that it has no present intention to do so, if FHFA, as conservator or receiver, were to transfer any such guaranty obligation to another party, holders of FNMA or FHLMC mortgage-backed securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party. In addition, certain rights provided to holders of mortgage-backed securities issued by FNMA and FHLMC under the operative documents related to such securities may not be enforced against FHFA, or enforcement of such rights may be delayed, during the conservatorship or any future receivership. The operative documents for FNMA and FHLMC mortgage-backed securities may provide (or with respect to securities issued prior to the date of the appointment of the conservator may have provided) that upon the occurrence of an event of default on the part of FNMA or FHLMC, in its capacity as guarantor, which includes the appointment of a conservator or receiver, holders of such mortgage-backed securities have the right to replace FNMA or FHLMC as trustee if the requisite percentage of mortgage-backed securities holders consent. The Reform Act prevents mortgage-backed security holders from enforcing such rights if the event of default arises solely because a conservator or receiver has been appointed. The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which FNMA or FHLMC is a party, or obtain possession of or exercise control over any property of FNMA or FHLMC, or affect any contractual rights of FNMA or FHLMC, without the approval of FHFA, as conservator or receiver, for a period of 45 or 90 days following the appointment of FHFA as conservator or receiver, respectively.

FHFA and the White House have made public statements regarding plans to consider ending the conservatorships of FNMA and FHLMC. In the event that FNMA and FHLMC are taken out of conservatorship, it is unclear how the capital structure of FNMA and FHLMC would be constructed and what effects, if any, there may be on FNMA's and FHLMC's creditworthiness and guarantees of certain mortgage-backed securities. It is also unclear whether the U.S. Treasury would continue to enforce its rights or perform its obligations under the Senior Preferred Stock Programs. Should FNMA's and FHLMC's conservatorship end, there could be an adverse impact on the value of their securities, which could cause losses to the Fund.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government or agency guarantees of payments in the former pools. However, timely payment of interest and principal of these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit, which may be issued by governmental entities or private insurers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security should be purchased for the Fund. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. The Fund may, however, invest in mortgage-related securities without insurance or guarantees if PIMCO believes that the securities will help to achieve the Fund's investment objectives. Securities issued by certain private organizations may not be readily marketable.

Privately-Issued Mortgage-Related Securities

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government

and government-related pools because there are no direct or indirect government or agency guarantees of payments in the former pools. However, timely payment of interest and principal of these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit, which may be issued by governmental entities or private insurers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets the Fund's investment quality standards. There can be no assurance that insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. The Fund may buy mortgage-related securities without insurance or guarantees if, through an examination of the loan experience and practices of the originators/servicers and poolers, PIMCO determines that the securities meet the Fund's quality standards. Securities issued by certain private organizations may not be readily marketable.

Privately-issued mortgage-related securities are 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. As a result, the mortgage loans underlying privately-issued mortgage-related securities may, and frequently do, have less favorable collateral, credit risk or other underwriting characteristics than government or government-sponsored mortgage-related securities and have wider variances in a number of terms including interest rate, term, size, purpose and borrower characteristics. Mortgage pools underlying privately-issued mortgage-related securities more frequently include second mortgages, high loan-to-value ratio mortgages and manufactured housing loans, in addition to commercial mortgages and other types of mortgages where a government or government-sponsored entity guarantee is not available. The coupon rates and maturities of the underlying mortgage loans in a privately-issued mortgage-related securities pool may vary to a greater extent than those included in a government guaranteed pool, and the pool may include subprime mortgage loans. Subprime loans are loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans. For these reasons, the loans underlying these securities have had in many cases higher default rates than those loans that meet government underwriting requirements.

The risk of non-payment is greater for mortgage-related securities that are backed by loans that were originated under weak underwriting standards, including loans made to borrowers with limited means to make repayment. A level of risk exists for all loans, although, historically, the poorest performing loans have been those classified as subprime. Other types of privately-issued mortgage-related securities, such as those classified as pay-option adjustable rate or Alt-A have also performed poorly. Even loans classified as prime have experienced higher levels of delinquencies and defaults. The substantial decline in real property values across the U.S. has exacerbated the level of losses that investors in privately issued mortgage-related securities have experienced. It is not certain when these trends may reverse. Market factors that may adversely affect mortgage loan repayment include adverse economic conditions, unemployment, a decline in the value of real property, or an increase in interest rates.

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.

The Fund may purchase privately-issued mortgage-related securities that are originated, packaged and serviced by third party entities. It is possible these third parties could have interests that are in conflict with the holders of mortgage-related securities, and such holders (such as the Fund) could have rights against the third parties or their affiliates. For example, if a loan originator, servicer or its affiliates engaged in negligence or willful misconduct in carrying out its duties, then a holder of the mortgage-related security could seek recourse against the originator/servicer or its affiliates, as applicable. Also, as a loan originator/servicer, the originator/servicer or its affiliates may make certain representations and warranties regarding the quality of the mortgages and properties underlying a mortgage-related security. If one or more of those representations or warranties is false, then the holders of the mortgage-related securities (such as the Fund) could trigger an obligation of the originator/servicer or its affiliates, as applicable, to repurchase the mortgages from the issuing trust.

Notwithstanding the foregoing, many of the third parties that are legally bound by trust and other documents have failed to perform their respective duties, as stipulated in such trust and other documents, and investors have had limited success in enforcing terms. To the extent third party entities involved with privately issued mortgage-related securities are involved in litigation relating to the securities, actions may be taken that are adverse to the interests of holders of the mortgage-related securities, including the Fund. For example, third parties may seek to withhold proceeds due to

holders of the mortgage-related securities, including the Fund, to cover legal or related costs. Any such action could result in losses to the Fund.

PIMCO seeks to manage the portion of the Fund's assets committed to privately-issued mortgage-related securities in a manner consistent with the Fund's investment objectives, policies and overall portfolio risk profile. In determining whether and how much to invest in privately-issued mortgage-related securities, and how to allocate those assets, PIMCO will consider a number of factors. These include, but are not limited to: (1) the nature of the borrowers (e.g., residential vs. commercial); (2) the collateral loan type (e.g., for residential: First Lien - Jumbo/Prime, First Lien - Alt-A, First Lien -Subprime, First Lien - Pay-Option or Second Lien; for commercial: Conduit, Large Loan or Single Asset / Single Borrower); and (3) in the case of residential loans, whether they are fixed rate or adjustable mortgages. Each of these criteria can cause privately-issued mortgage-related securities to have differing primary economic characteristics and distinguishable risk factors and performance characteristics.

Collateralized Mortgage Obligations

A CMO is a debt obligation of a legal entity that is collateralized by mortgages and divided into classes. Similar to a bond, interest and prepaid principal is paid, in most cases, on a monthly basis. CMOs may be collateralized by whole mortgage loans or private mortgage bonds, but are generally collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNMA and their income streams. CMOs are structured into multiple classes, often referred to as "tranches," with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. The riskiest portion is the "equity" tranche which bears the bulk of defaults and serves to protect the other, more senior tranches from default in all but the most severe circumstances. Actual maturity and average life will depend upon the pre-payment experience of the collateral. In the case of certain CMOs (known as "sequential pay" CMOs), payments of principal received from the pool of underlying mortgages, including prepayments, are applied to the classes of CMOs in the order of their respective final distribution dates. Thus, no payment of principal will be made to any class of sequential pay CMOs until all other classes having an earlier final distribution date have been paid in full. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage- or asset-backed securities.

Commercial or Residential Mortgage-Backed Securities

Commercial or residential mortgage-backed securities include securities that reflect an interest in, and are secured by, mortgage loans on commercial or residential real property. Many of the risks of investing in CMBSs reflect the risks of investing in the real estate securing the underlying mortgage loans. These risks reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make loan payments and the ability of a property to attract and retain tenants. Commercial or residential mortgage-backed securities may be less liquid and exhibit greater price volatility than other types of mortgage- or asset-backed securities.

Adjustable Rate Mortgage-Backed Securities

ARMs have interest rates that reset at periodic intervals. Acquiring ARMs permits the Fund to participate in increases in prevailing current interest rates through periodic adjustments in the coupons of mortgages underlying the pool on which ARMs are based. Such ARMs generally have higher current yield and lower price fluctuations than is the case with more traditional fixed income debt securities of comparable rating and maturity. In addition, when prepayments of principal are made on the underlying mortgages during periods of rising interest rates, the Fund can reinvest the proceeds of such prepayments at rates higher than those at which they were previously invested. Mortgages underlying most ARMs, however, have limits on the allowable annual or lifetime increases that can be made in the interest rate that the mortgagor pays. Therefore, if current interest rates rise above such limits over the period of the limitation, the Fund, when holding an ARM, does not benefit from further increases in interest rates. Moreover, when interest rates are in excess of coupon rates (i.e., the rates being paid by mortgagors) of the mortgages, ARMs behave more like fixed income securities and less like adjustable-rate securities and are subject to the risks associated with fixed income securities. In addition, during periods of rising interest rates, increases in the coupon rate of adjustable-rate mortgages generally lag current market interest rates slightly, thereby creating the potential for capital depreciation on such securities.

Stripped Mortgage-Backed Securities

SMBSs are derivative multi-class mortgage securities. SMBSs may be issued by agencies or instrumentalities of the U.S. Government, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose entities of the foregoing. SMBSs are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. A common type of SMBS will have one class receiving some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the IO class), while the other class will receive all of the principal (the principal-only or PO class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on the Fund’s yield to maturity from these securities. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to recoup some or all of its initial investment in these securities even if the security is in one of the highest rating categories.

Asset-Backed Securities

Asset-backed securities (“**ABS**”) are bonds backed by pools of loans or other receivables. ABS are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. ABS are typically issued through special purpose vehicles that are bankruptcy remote from the issuer of the collateral. The credit quality of an ABS transaction depends on the performance of the underlying assets. To protect ABS investors from the possibility that some borrowers could miss payments or even default on their loans, ABS may include various forms of credit enhancement. Some ABS, particularly home equity loan ABS, are subject to interest rate risk and prepayment risk. A change in interest can affect the pace of payments on the underlying loans, which in turn affects total return on the securities. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS. In addition, ABS have structural risk due to a unique characteristic known as early amortization, or early payout, risk. Built into the structure of most ABS are triggers for early payout, designed to protect investors from losses. These triggers are unique to each transaction and can include a big rise in defaults on the underlying loans, a sharp drop in the credit enhancement level or even the bankruptcy of the originator. Once early amortization begins, all incoming loan payments (after expenses are paid) are used to pay investors as quickly as possible based upon a predetermined priority of payment. The Fund may invest in any tranche, including the equity tranche, of ABS.

Mortgage-Related Derivative Instruments

The Fund may engage in derivative transactions related to mortgage-backed securities, including purchasing and selling exchange-listed and 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 CMBSs), the TRX Index (a tradeable index referencing total return swaps based on CMBSs) 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.

The Fund may invest in municipal lease obligation.

A lease is not a full faith and credit obligation of the issuer and is usually backed only by the borrowing government’s unsecured pledge to make annual appropriations for lease payments. There have been challenges to the legality of lease financing in numerous states, and, from time to time, certain municipalities have considered not appropriating money for lease payments. In deciding whether to purchase a lease obligation for the Fund, PIMCO will assess the financial condition of the borrower or obligor, the merits of the project, other credit characteristics of the obligor, the level of public support for the project and the legislative history of lease financing in the state. These securities may be less readily marketable than other municipal securities.

Some longer-term municipal bonds give the investor the right to “put” or sell the security at par (face value) within a specified number of days following the investor’s request-usually one to seven days. This demand feature enhances a security’s liquidity by shortening its effective maturity and enables it to trade at a price equal to or very close to par.

If a demand feature terminates prior to being exercised, the Fund would hold the longer-term security, which could experience substantially more volatility.

The Fund may invest in municipal warrants, which are essentially call options on municipal bonds. In exchange for a premium, municipal warrants give the purchaser the right, but not the obligation, to purchase a municipal bond in the future. The Fund may purchase a warrant to lock in forward supply in an environment in which the current issuance of bonds is sharply reduced. Like options, warrants may expire worthless and may have reduced liquidity.

The Fund may invest in municipal bonds with credit enhancements such as letters of credit, municipal bond insurance and standby bond purchase agreements ("**SBPAs**"). Letters of credit are issued by a third party, usually a bank, to enhance liquidity and to ensure repayment of principal and any accrued interest if the underlying municipal bond should default. Municipal bond insurance, which is usually purchased by the bond issuer from a private, nongovernmental insurance company, provides an unconditional and irrevocable guarantee that the insured bond's principal and interest will be paid when due. Insurance does not guarantee the price of the bond. The credit rating of an insured bond reflects the credit rating of the insurer, based on its claims-paying ability. The obligation of a municipal bond insurance company to pay a claim extends over the life of each insured bond. Although defaults on insured municipal bonds have been low to date and municipal bond insurers have met their claims, there is no assurance that this will continue. A higher-than expected default rate could strain the insurer's loss reserves and adversely affect its ability to pay claims to bondholders. Because a significant portion of insured municipal bonds that have been issued and are outstanding is insured by a small number of insurance companies, not all of which have the highest credit rating, an event involving one or more of these insurance companies, such as a credit rating downgrade, could have a significant adverse effect on the value of the municipal bonds insured by such insurance company or companies and on the municipal bond markets as a whole. An SBPA is a liquidity facility provided to pay the purchase price of bonds that cannot be re-marketed. The obligation of the liquidity provider (usually a bank) is only to advance funds to purchase tendered bonds that cannot be re-marketed and does not cover principal or interest under any other circumstances. The liquidity provider's obligations under the SBPA are usually subject to numerous conditions, including the continued creditworthiness of the underlying borrower.

Loans and Other Indebtedness; Loan Participations and Assignments

The Fund may purchase indebtedness and participations in loans held by private financial institutions, including commercial and residential mortgage loans, corporate loans and consumer loans, as well as interests and/or servicing or similar rights in such loans. Such investments may be secured or unsecured and may be newly-originated (and may be specifically designed for the Fund). Indebtedness is different from traditional debt securities in that debt securities are part of a large issue of securities to the public whereas indebtedness may not be a security, and may represent a specific loan to a borrower. Loan participations typically represent direct participation, together with other parties, in a loan to a borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a loan, becoming a part lender. When purchasing indebtedness and loan participations, the Fund assumes the credit risk associated with the borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The indebtedness and loan participations that the Fund may acquire may not be rated by any nationally recognized rating service.

A loan is often administered by an agent bank acting as agent for all holders. The agent bank administers the terms of the loan, as specified in the loan agreement. In addition, the agent bank is normally responsible for the collection of principal and interest payments from the borrower and the apportionment of these payments to the credit of all institutions which are parties to the loan agreement. Unless, under the terms of the loan or other indebtedness, the Fund has direct recourse against the borrower, the Fund may have to rely on the agent bank or other financial intermediary to apply appropriate credit remedies against a borrower.

A financial institution's employment as agent bank might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent bank would generally be appointed to replace the terminated agent bank, and assets held by the agent bank under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the agent bank for the benefit of the Fund were determined to be subject to the claims of the agent bank's general creditors, the Fund might incur certain costs and delays in realizing payment on a loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (e.g., an insurance company or governmental agency) similar risks may arise.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. If the Fund does not receive scheduled interest or principal payments on such indebtedness, the NAV of the Fund, market share price and/or yield of the Units 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, there is no assurance that the liquidation of collateral from a secured loan would satisfy the borrower's obligation, or that the collateral could be liquidated. In the event of the bankruptcy of a borrower, the Fund could experience delays or limitations in its ability to realize the benefits of any collateral securing a loan.

The Fund may acquire loans and loan participations with credit quality comparable to that of issuers of its securities investments. Indebtedness of companies whose creditworthiness is poor and/or subprime in quality involves substantially greater risks, and may be highly speculative. Some companies may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Consequently when acquiring indebtedness of companies with poor credit, the Fund bears a substantial risk of losing the entire amount invested of the instrument acquired. The Fund may make purchases of indebtedness and loan participations to achieve income and/or capital appreciation, rather than to seek income.

The Fund limits the amount of its Total Assets that it will invest in any one issuer and the Fund limits the amount of its Total Assets that it will invest in issuers within the same industry (except with respect to the Fund's policy to concentrate in real estate-related and mortgage-related investments issued by government agencies or entities or private originators or issuers). For purposes of these limits, the Fund generally will treat the corporate borrower as the "issuer" of indebtedness held by the Fund.

Loans and other types of direct indebtedness (which the Fund may purchase or otherwise gain exposure to) may not be readily marketable and may be subject to restrictions on resale. 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"). In some cases, negotiations involved in disposing of indebtedness may require weeks to complete. Consequently, some indebtedness may be difficult or impossible to dispose of readily at what PIMCO believes to be a fair price. In addition, valuation of illiquid indebtedness involves a greater degree of judgment in determining the NAV of the Fund than if that value were based on available market quotations, and could result in significant variations in the Fund's daily share price. At the same time, some loan interests are traded among certain financial institutions and accordingly may be deemed liquid. As the market for different types of indebtedness develops, the liquidity of these instruments is expected to improve. Acquisitions of loan participations are considered to be debt obligations for purposes of the Fund's investment restriction relating to the lending of funds or assets by the Fund.

Acquisitions of loans through a purchase of a loan or direct assignment of a financial institution's interests with respect to a loan may involve additional risks to 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. 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 relies on PIMCO's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Fund.

The Fund may make, participate in or acquire DIP financings

DIP financings are arranged when an entity seeks the protections of the bankruptcy court under Chapter 11 of the U.S. Bankruptcy Code. These financings allow the entity to continue its business operations while reorganizing under Chapter 11. Such financings constitute senior liens on unencumbered security (i.e., security not subject to other creditors' claims). There is a risk that the entity will not emerge from Chapter 11 and be forced to liquidate its assets under Chapter 7 of the U.S. Bankruptcy Code. In the event of liquidation, the Fund's only recourse will be against the property securing the DIP financing.

Delayed Funding Loans and Revolving Credit Facilities

The Fund may enter into, or acquire participations in, delayed funding loans and revolving credit facilities, in which a bank or other lender agrees to make loans up to a maximum amount upon demand by the borrower during a specified term. These commitments may have the effect of requiring the Fund to increase its investment in a company at a time when it might not be desirable to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). Delayed funding loans and revolving credit facilities are subject to credit, interest rate and liquidity risk and the risks of being a lender.

Bonds

The Fund may invest in a wide variety of bonds of varying maturities issued by non-Canadian (foreign) and Canadian corporations and other business entities, governments and quasi-governmental entities and municipalities and other issuers. Bonds may include, among other things, fixed or variable/floating-rate debt obligations, including bills, notes, debentures, money market instruments and similar instruments and securities. Bonds generally are used by corporations as well as governments and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are "perpetual" in that they have no maturity date.

Preferred Shares

Preferred securities represent an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other shares such as common shares, dividends and a fixed share of the proceeds resulting from liquidation of the company. Unlike common shares, preferred securities usually do not have voting rights. Preferred securities in some instances are convertible into common shares. Some preferred securities also entitle their holders to receive additional liquidation proceeds on the same basis as holders of a company's common shares, and thus also represent an ownership interest in the company. Some preferred securities offer a fixed rate of return with no maturity date. Because they never mature, these preferred securities may act like long-term bonds, can be more volatile than other types of preferred securities and may have heightened sensitivity to changes in interest rates. Other preferred securities have a variable dividend, generally determined on a quarterly or other periodic basis, either according to a formula based upon a specified premium or discount to the yield on particular U.S. Treasury securities or based on an auction process, involving bids submitted by holders and prospective purchasers of such securities. Although they are equity securities, preferred securities have certain characteristics of both debt securities and common shares. They are like debt securities in that their stated income is generally contractually fixed. They are like common shares in that they do not have rights to precipitate bankruptcy proceedings or collection activities in the event of missed payments. Furthermore, preferred securities have many of the key characteristics of equity due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. Because preferred securities represent an equity ownership interest in a company, their value usually will react more strongly than bonds and other debt instruments to actual or perceived changes in a company's financial condition or prospects, or to fluctuations in the equity markets.

In order to be payable, dividends on preferred securities must be declared by the issuer's board of directors. In addition, distributions on preferred securities may be subject to deferral and thus may not be automatically payable. Income payments on some preferred securities are cumulative, causing dividends and distributions to accrue even if they are not declared by the board of directors of the issuer or otherwise made payable. Other preferred securities are non-cumulative, meaning that skipped dividends and distributions do not continue to accrue. There is no assurance that dividends on preferred securities in which the Fund invests will be declared or otherwise made payable.

Preferred securities have a liquidation value that generally equals their original purchase price at the date of issuance. The market values of preferred securities may be affected by favorable and unfavorable changes affecting the issuers' industries or sectors. Because the claim on an issuer's earnings represented by preferred securities may become disproportionately large when interest rates fall below the rate payable on the securities or for other reasons, the issuer may redeem preferred securities, generally after an initial period of call protection in which the security is not redeemable. Thus, in declining interest rate environments in particular, the Fund's holdings of higher dividend-paying preferred securities may be reduced and the Fund may be unable to acquire securities paying comparable rates with the redemption proceeds.

Convertible Securities and Synthetic Convertible Securities

Convertible securities (i.e., debt securities that may be converted at either a stated price or stated rate into underlying shares) have general characteristics similar to both debt securities and equity securities. Although to a lesser extent than with debt obligations, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common shares and, therefore, also will react to variations in the general market for equity securities.

Convertible securities are investments that provide for a stable stream of income with generally higher yields than common shares. There can be no assurance of current income because the issuers of the convertible securities may default on their obligations. Convertible securities, however, generally offer lower interest or dividend yields than non-convertible debt securities of similar credit quality because of the potential for equity-related capital appreciation. A convertible security, in addition to providing current income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common shares.

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, that is, an income-producing component and the right to acquire a convertible component. The income-producing component is achieved by investing in non-convertible, income-producing securities such as bonds, preferred securities 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 Fund may also purchase synthetic securities created by other parties, typically investment banks, including convertible structured notes. The income-producing and convertible components of a synthetic convertible security may be issued separately by different issuers and at different times. 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

CoCos are a form of hybrid debt security issued primarily by non-US issuers, which have loss absorption mechanisms built into their terms. CoCos have no stated maturity, have fully discretionary coupons and are typically issued in the form of subordinated debt instruments. CoCos generally either convert into equity of the issuer or have their principal written down upon the occurrence of certain triggering events ("triggers") linked to regulatory capital thresholds or regulatory actions relating to the issuer's continued viability. In certain scenarios, investors in CoCos may suffer a loss of capital ahead of equity holders or when equity holders do not. There is no guarantee that the Fund will receive a return of principal on CoCos. Any indication that an automatic write-down or conversion event may occur can be expected to have an adverse effect on the market price of CoCos. CoCos are often rated below investment grade and are subject to the risks of high yield securities.

Because CoCos are issued primarily by financial institutions, CoCos may present substantially increased risks at times of financial turmoil, which could affect financial institutions more than companies in other sectors and industries. Further, the value of an investment in CoCos is unpredictable and will be influenced by many factors and risks, including interest rate risk, credit risk, market risk and liquidity risk. An investment by the Fund in CoCos may result in losses to the Fund.

Some additional risks associated with CoCos include, but are not limited to:

> *Loss absorption risk*. CoCos may be subject to an automatic write-down (i.e., the automatic write-down of the principal amount or value of the securities, potentially to zero, and the cancellation of the securities) under certain circumstances, which could result in the Fund losing a portion or all of its investment in such securities. In addition, the Fund may not have any rights with respect to repayment of the principal amount of the securities that has not become due or the payment of interest or dividends on such securities for any period from (and including) the interest or dividend payment date falling immediately prior to the occurrence

of such automatic write-down. An automatic write-down could also result in a reduced income rate if the dividend or interest payment is based on the security's par value. In addition, CoCos have fully discretionary coupons. This means coupons can potentially be cancelled at the issuer's discretion or at the request of the relevant regulatory authority in order to help the issuer absorb losses and may be suspended in the event there are insufficient distributable reserves.

Subordinated instruments. CoCos will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the CoCos, such as the Fund, against the issuer in respect of or arising under the terms of the CoCos shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer. In addition, if the CoCos are converted into the issuer's underlying equity securities following a conversion event (i.e., a "trigger"), each holder will be subordinated due to their conversion from being the holder of a debt instrument to being the holder of an equity instrument.

Market value will fluctuate based on unpredictable factors. The trading behavior of a given issuer's CoCos may be strongly impacted by the trading behavior of other issuers' CoCos, such that negative information from an unrelated CoCo may cause a decline in value of one or more CoCos held by the Fund. Accordingly, the trading behavior of CoCos may not follow the trading behavior of other similarly structured securities. The value of CoCos is unpredictable and could be influenced by many factors including, without limitation: (i) the creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the CoCos; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Dollar Rolls

As described under "Investment Strategies – Use of Leverage", the Fund may use, among other things, dollar rolls to add leverage to its portfolio. Under a dollar roll, the Fund sells securities to a bank or broker dealer and agrees to repurchase the securities that are "substantially identical", but need not be the same securities as those originally sold by the Fund, at a mutually agreed future date and price. Generally, the effect of dollar roll transaction is that the Fund can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the agreement and still be entitled to the returns associated with those portfolio securities, thereby resulting in a transaction similar to a borrowing and giving rise to leverage for the Fund. The Fund will incur interest expense as a cost of utilizing dollar rolls. In the event the buyer of securities under a dollar roll files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities.

Commercial Paper

Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates.

U.S. Government Securities

U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by GNMA, are supported by the full faith and credit of the United States; others, such as those of the FHLBs, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); others, such as those of FNMA, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; and still others are supported only by the credit of the instrumentality. U.S. Government securities may include zero coupon securities, which do not distribute interest on a current basis and tend to be subject to greater risk than interest-paying securities of similar maturities.

Bank Capital Securities and Bank Obligations

The Fund may invest in bank capital securities of both non-Canadian (foreign) and Canadian issuers. Bank capital securities are issued by banks to help fulfill their regulatory capital requirements. There are three common types of bank capital: Lower Tier II, Upper Tier II and Tier I. Upper Tier II securities are commonly thought of as hybrids of debt and preferred shares. Upper Tier II securities are often perpetual (with no maturity date), callable and have a cumulative interest deferral feature. This means that under certain conditions, the issuer bank can withhold payment of interest until a later date. However, such deferred interest payments generally earn interest. Tier I securities often take the form of trust preferred securities.

The Fund may also invest in other bank obligations including, without limitation, certificates of deposit, bankers' acceptances and fixed time deposits. Certificates of deposit are negotiable certificates that are issued against funds deposited in a commercial bank for a definite period of time and that earn a specified return. Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are generally no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is generally no market for such deposits. The Fund may also hold funds on deposit with its custodian bank in an interest-bearing account for temporary purposes.

Zero-coupon Bonds, Step-ups and Payment-in-kind Securities

Zero-coupon bonds pay interest only at maturity rather than at intervals during the life of the security. Like zero-coupon bonds, "step up" bonds pay no interest initially but eventually begin to pay a coupon rate prior to maturity, which rate may increase at stated intervals during the life of the security. PIKs are debt obligations that pay "interest" in the form of other debt obligations, instead of in cash. Each of these instruments is normally issued and traded at a deep discount from face value. Zero-coupon bonds, step-ups and PIKs allow an issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently or in cash. The Fund may be required to distribute the income on these instruments as it accrues or is deemed to accrue for purposes of the Tax Act, even though the Fund does not receive the income on a current basis or in cash. Thus, the Fund may have to sell investments, including when it may not be advisable to do so, to make income distributions to its Unitholders. See "Distribution Policy".

Variable- and Floating-rate Securities

Variable- and floating-rate instruments are instruments that pay interest at rates that adjust whenever a specified interest rate changes and/or that reset on predetermined dates (such as the last day of a month or calendar quarter). In addition to senior loans, variable- and floating-rate instruments may include, without limitation, instruments such as catastrophe and other event-linked bonds, instruments such as bank capital securities, unsecured bank loans, corporate bonds, money market instruments and certain types of mortgage-related and other asset-backed securities. Due to their variable- or floating-rate features, these instruments will generally pay higher levels of income in a rising interest rate environment and lower levels of income as interest rates decline. For the same reason, the market value of a variable- or floating-rate instrument is generally expected to have less sensitivity to fluctuations in market interest rates than a fixed-rate instrument, although the value of a variable- or floating-rate instrument may nonetheless decline as interest rates rise and due to other factors, such as changes in credit quality.

The Fund also may engage in credit spread trades. A credit spread trade is an investment position relating to a difference in the prices or interest rates of two bonds or other securities, in which the value of the investment position is determined by changes in the difference between the prices or interest rates, as the case may be, of the respective securities.

Derivatives

The Fund may, but is not required to, utilize various derivative strategies (both long and short positions) 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 use various derivatives transactions to add leverage to its portfolio. 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, real estate-related investments, interest rates, currencies or currency exchange rates, commodities and related indexes. Examples of derivative instruments that the Fund may use include, without limit, 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. There is no assurance that these derivative strategies will be available at any time or that PIMCO will determine to use them for the Fund or, if used, that the strategies will be successful. In addition, the Fund may be subject to certain restrictions on its use of derivative strategies imposed by guidelines of one or more rating agencies that may issue ratings for any preferred shares issued by the Fund.

Certain Interest Rate Transactions

In order to reduce the interest rate risk inherent in the Fund's underlying investments and capital structure, the Fund may (but is not required to) enter into interest rate swap transactions. Interest rate swaps involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. These transactions generally involve an agreement with the swap counterparty to pay a fixed or variable rate payment in exchange for the counterparty paying the Fund the other type of payment stream (i.e., variable or fixed). The payment obligation would be based on the notional amount of the swap. Other forms of interest rate swap agreements in which the Fund may invest include, without limitation, interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap;" interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor;" and interest rate "collars," under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. The Fund may (but is not required to) use interest rate swap transactions with the intent to reduce or eliminate the risk that an increase in short-term interest rates could pose for the performance of the Fund's Units as a result of leverage, and also may use these instruments for other hedging or investment purposes. Any termination of an interest rate swap transaction could result in a termination payment by or to the Fund.

Credit Default Swaps

The Fund may enter into credit default swaps for both investment and risk management purposes, as well as to add leverage to the Fund's portfolio. A credit default swap may have as reference obligations one or more securities that are not currently held by the Fund. The protection "buyer" in a credit default swap is generally obligated to pay the protection "seller" an upfront or a periodic stream of payments over the term of the contract provided that no credit event, such as a default, on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the "par value" (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, or the seller may be required to deliver the related net cash amount, if the swap is cash settled. The Fund may be either the buyer or seller in the transaction. If the Fund is a buyer and no credit event occurs, the Fund may recover nothing if the swap is held through its termination date. However, if a credit event occurs, the buyer generally may elect to receive the full notional value of the swap from the seller, who, in turn, generally will recover an amount significantly lower than the equivalent face amount of the obligations of the reference entity, whose value may have significantly decreased, through (i) physical delivery of such obligations by the buyer, (ii) cash settlement or (iii) an auction process. As a seller, the Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap.

The spread of a credit default swap is the annual amount the protection buyer must pay the protection seller over the length of the contract, expressed as a percentage of the notional amount. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the

agreement. For credit default swaps on ABS and credit indexes, the quoted market prices and resulting values, as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

Credit default swaps 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, among other risks associated with derivative instruments. 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, 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. The Fund's obligations under a credit default swap will be accrued daily (offset against any amounts owing to the Fund). In connection with credit default swaps in which the Fund is the buyer, the Fund may segregate or "earmark" cash or liquid assets, or enter into certain offsetting positions, with a value at least equal to the Fund's exposure (any accrued but unpaid net amounts owed by the Fund to any counterparty), on a marked-to-market basis. In connection with credit default swaps in which the Fund is the seller, if the Fund covers its position through asset segregation, the Fund will segregate or "earmark" cash or assets determined to be liquid with a value at least equal to the full notional amount of the Fund's obligation under the swap. Such segregation or "earmarking" will not limit the Fund's exposure to loss.

Hybrid Instruments

A hybrid instrument is a type of potentially high-risk derivative that combines a traditional bond, equity or commodity with an option or forward contract. Generally, the principal amount, amount payable upon maturity or redemption, or interest rate of a hybrid is tied (positively or negatively) to the price of some commodity, currency or securities index or another interest rate or some other economic factor (each a "benchmark"). The interest rate or (unlike most fixed income securities) the principal amount payable at maturity of a hybrid security may be increased or decreased, depending on changes in the value of the benchmark. An example of a hybrid could be a bond issued by an oil company that pays a small base level of interest with additional interest that accrues in correlation to the extent to which oil prices exceed a certain predetermined level. Such a hybrid instrument would be a combination of a bond and a call option on oil.

Hybrids can be used as an efficient means of pursuing a variety of investment goals, including currency hedging, duration management and increased total return. Hybrids may not bear interest or pay dividends. The value of a hybrid or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and move (up or down) more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events, such as commodity shortages and currency devaluations, which cannot be readily foreseen by the purchaser of a hybrid. Under certain conditions, the redemption value of a hybrid could be zero. Thus, an investment in a hybrid may entail significant market risks that are not associated with a similar investment in a traditional, Canadian or U.S. dollar-denominated bond that has a fixed principal amount and pays a fixed rate or floating rate of interest. The purchase of hybrids also exposes the Fund to the credit risk of the issuer of the hybrids. These risks may cause significant fluctuations in the NAV per Unit if the Fund invests in hybrid instruments.

Certain hybrid instruments may provide exposure to the commodities markets. These are derivative securities with one or more commodity-linked components that have payment features similar to commodity futures contracts, commodity options or similar instruments. Commodity-linked hybrid instruments may be either equity or debt securities, leveraged or unleveraged, and are considered hybrid instruments because they have both security and commodity-like characteristics. A portion of the value of these instruments may be derived from the value of a commodity, futures contract, index or other economic variable.

Private Securities

The Fund may invest in securities that have not been qualified by a prospectus for sale to the public, but that are eligible for purchase and sale pursuant to exemptions from the prospectus requirement of Canadian securities laws.

"Covenant-lite" Obligations

The Fund may invest in, or obtain exposure to, obligations that may be "covenant-lite," which means such obligations lack, or possess fewer, financial covenants that protect lenders. Covenant-lite agreements feature incurrence covenants, as opposed to more restrictive maintenance covenants. Under a maintenance covenant, the borrower would

need to meet regular, specific financial tests, while under an incurrence covenant, the borrower only would be required to comply with the financial tests at the time it takes certain actions (e.g., issuing additional debt, paying a dividend, making an acquisition). A covenant-lite obligation contains 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.

Common Shares and Other Equity Securities

The Fund will not normally invest directly in common shares of operating companies. However, the Fund may own and hold common shares of operating companies in its portfolio from time to time in connection with a corporate action, or the restructuring of a debt instrument or through the conversion of a convertible security held by the Fund. For instance, in connection with the restructuring of a debt instrument, either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept common shares or other equity securities in exchange for all or a portion of the debt instrument. Depending upon, among other things, PIMCO's evaluation of the potential value of such securities in relation to the price that could be obtained by the Fund at any given time upon sale thereof, the Fund may determine to hold these equity securities in its portfolio.

Although common shares and other equity securities have historically generated higher average returns than debt securities over the long term, they also have experienced significantly more volatility in those returns and in certain years have significantly underperformed relative to debt securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by the Fund. Also, prices of common shares and other equity securities are sensitive to general movements in the equity markets and a decline in those markets may depress the prices of the equity securities held by the Fund. The prices of equity securities fluctuate for many different reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market or when political or economic events affecting the issuer occur. In addition, prices of equity securities may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. The Fund may invest in common shares of pooled vehicles, such as those of other investment funds, and in securities of REITs.

Alternative Lending ABS

The Fund may invest, either directly or indirectly in Alt Lending ABS backed by consumer, residential or other loans, issued by an SPE sponsored by an online or alternative lending platform or an affiliate thereof.

When purchasing Alt Lending ABS collateralized by loans, the Fund is not restricted by any particular borrower credit criteria. Accordingly, certain loans underlying any Alt Lending ABS purchased by the Fund may be subprime in quality, or may become subprime in quality. Alternative lending, which may include or sometimes be referred to as peer-to-peer lending, online lending or marketplace lending, is a method of financing in which an alternative lending platform (i.e., an online lending marketplace or lender that is not a traditional lender, such as a bank) facilitates the borrowing and lending of money while generally not relying on deposits for capital to fund loans. It is considered an alternative to more traditional debt financing done through a bank. There are several different models of alternative lending but, very generally, a platform typically matches consumers, small or medium-sized businesses or other types of borrowers with investors that are interested in gaining investment exposure to the loans made to such borrowers. Prospective borrowers are usually required to provide or give access to certain financial information to the platform, such as the intended purpose of the loan, income, employment information, credit score, debt-to-income ratio, credit history (including defaults and delinquencies) and home ownership status, and, in the case of small business loans, business financial statements and personal credit information regarding any guarantor, some of which information is made available to prospective lenders. Often, platforms charge fees to borrowers to cover these screening and administrative costs. Based on this and other relevant supplemental information, the platform usually assigns its own credit rating to the borrower and sets the interest rate for the requested borrowing. Platforms then post the borrowing requests online and investors may choose among the loans, based on the interest rates the loans are expected to yield less any servicing or origination fees charged by the platform or others involved in the lending arrangement, the background data provided on the borrowers and the credit rating assigned by the platform. In some cases, a platform partners with a bank to originate a loan to a borrower, after which the bank sells the loan to the platform or directly to the investor; alternatively, some platforms may originate loans themselves. Some investors, including the Fund, may not review the particular characteristics of the loans in which they invest at the time of investment, but rather negotiate

in advance with platforms the general criteria of the investments, as described above. 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.

Platforms may set minimum eligibility standards for borrowers to participate in alternative lending arrangements and may limit the maximum permitted borrowings. Depending on the purpose and nature of the loan, its term may, for example, be as short as six months or shorter, or as long as thirty years or longer.

Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreements, in which the Fund purchases a 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. If the party agreeing to repurchase should default, the Fund will seek to sell the securities it holds. This could involve transaction costs or delays in addition to a loss on the securities if their value should fall below their repurchase price.

When-Issued, Delayed Delivery and Forward Commitment Transactions

The Fund may purchase securities that it is eligible to purchase on a when-issued basis, may purchase and sell such securities for delayed delivery and may make contracts to purchase such securities for a fixed price at a future date beyond normal settlement time (forward commitments). When-issued transactions, delayed delivery purchases and forward commitments involve a risk of loss if the value of the securities declines prior to the settlement date. The risk is in addition to the risk that the Fund's other assets will decline in value. Therefore, these transactions may result in a form of leverage and increase the Fund's overall investment exposure. Typically, no income accrues on securities the Fund has committed to purchase prior to the time delivery of the securities is made, although the Fund may earn income on securities it has segregated to cover these positions. When the Fund has sold a security on a when-issued, delayed delivery or forward commitment basis, the Fund does not participate in future gains or losses with respect to the security. If the other party to a transaction fails to pay for the securities, the Fund could suffer a loss. Additionally, when selling a security on a when-issued, delayed delivery or forward commitment basis without owning the security, the Fund will incur a loss if the security's price appreciates in value such that the security's price is above the agreed-upon price on the settlement date.

INVESTMENT RESTRICTIONS

The Fund is subject to certain investment restrictions and practices contained in Canadian securities legislation, including NI 81-102 (subject to any exemptions), and the additional investment restrictions set out below that, among other things, limit the securities that the Fund may acquire for the Portfolio. The Fund's investment restrictions provide that the Fund may not:

(i) invest more than 20% of Total Assets, determined at the time of investment, in securities of any one borrower or issuer (excluding U.S. and Canadian Government securities);

(ii) invest more than 30% of the Total Assets, determined at the time of investment, in securities of issuers that are economically tied to emerging markets (defined for this purpose as any country that is included in the MSCI Emerging Market Index or a replacement index);

(iii) invest more than 40% of Total Assets, determined at the time of investment, in bank loans (including, among others, senior loans, delayed funding loans, covenant-lite obligations, revolving credit facilities and loan participations and assignments);

(iv) invest more than 10% of Total Assets, determined at the time of investment, in convertible debentures (i.e., debt securities that may be converted at either a stated price or stated rate into underlying shares);

(v) invest more than 20% of Total Assets, determined at the time of investment, in securities 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, excluding mortgage-related and other asset backed securities (for purposes of applying the foregoing policy, in the case of securities with

split ratings (i.e., a security receiving more than one different rating from the different rating agencies), the Fund will apply the higher of the applicable ratings);

(vi) invest in securities of an issuer if, as a result of such investment, the Fund would be required to make a take-over bid that is a "formal bid" for purposes of the *Securities Act* (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;

(vii) enter into a short sale for purposes other than hedging if after such short sale the Fund's aggregate market value of the securities sold short by the Fund (determined on a mark to market basis), other than for hedging purposes, would exceed 50% of the Fund's net asset value**;**

(viii) employ leverage in amounts exceeding 33 1/3% of the Total Assets. 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;

(ix) engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act;

(x) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act (or pursuant to any amendments to such provisions);

(xi) make any investment or conduct any activity that would result in the Fund failing to qualify as a "unit trust" or "mutual fund trust" within the meaning of the Tax Act;

(xii) acquire or hold any property that would be "taxable Canadian property" within the meaning of the Tax Act if the definition were read without reference to paragraph (b) thereof (or any amendments to that definition) if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund;

(xiii) enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a "dividend rental arrangement" for the purposes of the Tax Act;

(xiv) make or hold any investments that would result in the Fund itself being a SIFT Trust for purposes of the SIFT Rules;

(xv) make or hold any investments in entities that would be "foreign affiliates" of the Fund for purposes of the Tax Act; or

(xvi) invest in any security that would be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act.

Notwithstanding the foregoing, the Fund shall not be restricted in any way from holding cash or cash equivalents within 60 days after the Closing Date, within 60 days prior to the Fund's termination and to facilitate the redemption of Units. The Fund may also hold cash and cash equivalents from time to time.

If a percentage restriction on investment or use of assets or Borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (xi) and (xiv) above, which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund's holdings of securities of that issuer

would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Unitholder approval is required to change the investment restrictions and investment objectives of the Fund. See "Unitholder Matters – Matters Requiring Unitholder Approval". The Fund has also received an exemption from requirements relating to purchasing and holding illiquid assets. See "Exemptions and Approvals".

FEES AND EXPENSES

Agents' Fees

The Manager (and not the Fund) has agreed to pay full compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make the Voluntary Cash Contribution to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively.

Expenses of the Offering

In addition to the Agents' fees, the Manager (and not the Fund) will pay the expenses incurred in connection with the Offering. See "Use of Proceeds".

Management Fee

An annual management fee (the "**Management Fee**") equal to 1.30% of the Total Assets of the Fund attributable to the Units will be paid to the Manager, calculated daily and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Sub-Adviser out of the Management Fee. In addition, the Manager will pay 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 Closing Date, but excluding the expenses described under "Ongoing Fees and Expenses" below.

Ongoing Fees and Expenses

The Fund will be responsible for all expenses incurred in connection with the operation and administration of the Fund that are not payable by the Manager. This will include 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 after the Closing 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 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.

RISK FACTORS

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units:

No Prior History

The Fund is a newly organized, closed-end investment fund with no history of operations. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the offering.

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 Portfolio Assets 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, Net Asset Value 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 and the other assumptions noted under “Distribution Policy”.

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. This risk may be greater for investors who sell their Units relatively shortly after completion of the Offering.

Limited Term Risk

Unless the scheduled Termination Date of February 17, 2034 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. The Fund’s investment objectives and policies are not designed to seek to return to investors that purchase Units in this Offering their initial investment on the Termination Date, and such investors that purchase Units after the completion of this Offering may receive more or less than their original investment upon termination.

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 Portfolio Assets varies. The Fund, the Manager and the Sub-Adviser have no control over the factors that affect the fair value of the Portfolio Assets, 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 spread of coronavirus disease (COVID-19) has resulted in a slowdown in the global economy and has caused 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. Interest rates in Canada and the U.S. are currently near historically low levels. Any interest rate increases in the future 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. This risk may be particularly acute in the current market environment because market interest rates are currently at historically low levels. 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 Net Asset Value of the Fund and market price per Class A Unit will tend to fluctuate more in response to changes in market interest rates than if the Fund invested mainly in short-term debt securities. While PIMCO will seek 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 Portfolio Assets, 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 Portfolio Assets 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 favorable features.

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

Foreign (non-Canadian and non-U.S.) securities may experience more rapid and extreme changes in value than 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 foreign (non-Canadian and non-U.S.) 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 foreign (non-Canadian and non-U.S.) 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 foreign (non-Canadian and non-U.S.) investments. Foreign (non-Canadian and non-U.S.) securities may also be less liquid and more difficult to value than securities of Canadian or U.S. issuers.

The Fund may face potential risks associated with the United Kingdom's departure from the European Union ("EU"). The departure may result in substantial volatility in financial and foreign exchange markets and a sustained weakness in the British pound, the euro and other currencies, which may impact Fund returns. It may also destabilize some or all of the other EU member countries and/or the Eurozone. 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. Adverse events triggered by the departure, 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.

Risk of Investing in China

Investments in securities of companies domiciled in the People's Republic of China ("**China**" or the "**PRC**") involve a high degree of risk and special considerations not typically associated with investing in the Canadian or U.S. securities markets. Such heightened risks include, among others, an authoritarian government, popular unrest associated with demands for improved political, economic and social conditions, the impact of regional conflict on the economy and hostile relations with neighboring countries.

Military conflicts, either in response to internal social unrest or conflicts with other countries, could disrupt economic development. The Chinese economy is vulnerable to the long-running disagreements with Hong Kong related to integration. China has a complex territorial dispute regarding the sovereignty of Taiwan; Taiwan-based companies and individuals are significant investors in China. Potential military conflict between China and Taiwan may adversely affect securities of Chinese issuers. In addition, China has strained international relations with Japan, India, Russia and other neighbors due to territorial disputes, historical animosities and other defense concerns. China could be affected by military events on the Korean peninsula or internal instability within North Korea. These situations may cause uncertainty in the Chinese market and may adversely affect the performance of the Chinese economy.

The Chinese government has implemented significant economic reforms in order to liberalize trade policy, promote foreign investment in the economy, reduce government control of the economy and develop market mechanisms. But there can be no assurance that these reforms will continue or that they will be effective. Despite reforms and privatizations of companies in certain sectors, the Chinese government still exercises substantial influence over many aspects of the private sector and may own or control many companies. The Chinese government continues to maintain a major role in economic policy making and investing in China involves risks of losses due to expropriation, nationalization, confiscation of assets and property, and the imposition of restrictions on foreign investments and on repatriation of capital invested.

The Chinese government may intervene in the Chinese financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. This may affect market price and liquidity of these stocks, and may have an unpredictable impact on the investment activities of the Fund. Furthermore, such market interventions may have a negative impact on market sentiment which may in turn affect the performance of the securities markets and as a result the performance of the Fund.

In addition, there is less regulation and monitoring of the securities markets and the activities of investors, brokers and other participants in China than in Canada or the United States. Accordingly, issuers of securities in China are not subject to the same degree of regulation as those in Canada and the United States with respect to such matters as insider trading rules, tender offer regulation, stockholder proxy requirements and the requirements mandating timely and accurate disclosure of information. Stock markets in China are in the process of change and further development. This may lead to trading volatility, and difficulties in the settlement and recording of transactions and interpretation and application of the relevant regulations. Custodians may not be able to offer the level of service and safe-keeping in relation to the settlement and administration of securities in China that is customary in more developed markets. In particular, there is a risk that the Fund may not be recognized as the owner of securities that are held on behalf of the Fund by a sub-custodian.

The Renminbi ("**RMB**") is currently not a freely convertible currency and is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. The imposition of currency controls may negatively impact performance and liquidity of the Fund as capital may become trapped in the PRC. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Fund of any restrictions on investments. Investing in entities either in, or which have a substantial portion of their operations in, the PRC may require the Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs and delays to the Fund.

While the Chinese economy has grown rapidly in recent years, there is no assurance that this growth rate will be maintained. China may experience substantial rates of inflation or economic recessions, causing a negative effect on the economy and securities market. China's economy is heavily dependent on export growth. Reduction in spending on Chinese products and services, institution of tariffs or other trade barriers or a downturn in any of the economies of China's key trading partners may have an adverse impact on the securities of Chinese issuers.

The tax laws and regulations in the PRC are subject to change, including the issuance of authoritative guidance or enforcement, possibly with retroactive effect. The interpretation, applicability and enforcement of such laws by the PRC tax authorities are not as consistent and transparent as those of more developed nations, and may vary over time and from region to region. The application and enforcement of the PRC tax rules could have a significant adverse effect on the Fund and its investors, particularly in relation to capital gains withholding tax imposed upon non-residents. In addition, the accounting, auditing and financial reporting standards and practices applicable to Chinese companies may be less rigorous, and may result in significant differences between financial statements prepared in accordance with PRC accounting standards and practices and those prepared in accordance with international accounting standards.

From time to time and as recently as January 2020, China has experienced outbreaks of infectious illnesses, and the country may be subject to other public health threats, infectious illnesses, diseases or similar issues in the future. Any spread of an infectious illness, public health threat or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the Chinese economy, which in turn could adversely affect the Fund's investments and could result in increased premiums or discounts to the Fund's NAV.

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 Portfolio Assets will not affect interest income on existing Portfolio Assets 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 sub-divisions, 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 CoCos 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. CoCos 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 CoCos 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 Trust Agreement. 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 Borrowings (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 Borrowings (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 Portfolio Assets 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 Borrowings 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 Borrowings, the Fund may engage in other transactions that may give rise to a form of leverage including, 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 Class A and Class F 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 Class A and Class F 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, Borrowings 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 Borrowings), 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 (e.g., pending investment of the proceeds of this offering in individual securities, as well as on an ongoing basis). 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 unfavorable 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 Class A and Class F 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 Portfolio Assets, 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 favorable 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 out 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 unfavorable 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 1933 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 will be subject to certain tax risks generally applicable to investment funds that hold Canadian and/or non-Canadian securities, including the following.

If the Fund fails to or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

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, including certain short sales of securities, except where such derivatives (or short sales) are used to hedge Portfolio Assets 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 in 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; and (ii) less favourable to the Fund or Class A and Class F 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 Class A and Class F 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 Class A and Class F 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 Class A and Class F 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 Class A or Class F Unit and/or the trading prices of the Class A 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" 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 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, the Sub-Adviser, the Trustee 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 1933 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 Class A Units exercise their redemption rights, the number of Class A 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.

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 Class A Units and Lack of Operating History

Although the Fund may, subject to satisfying the TSX's original listing requirements, be listed on the TSX there is no assurance that an active public market for Class A Units of the Fund will develop or be sustained. The Fund is a newly organized investment trust with no previous operating history. New and smaller funds may require a period of time before they are invested in securities that meet their investment objectives and policies and achieve a representative portfolio composition. Fund performance may be lower or higher during this "ramp-up" period, and may also be more volatile, than would be the case after the fund is fully invested. Similarly, a new or smaller fund's investment strategy may require a longer period of time to show returns that are representative of the strategy. New funds have limited performance histories for investors to evaluate and new and smaller funds may not attract sufficient assets to achieve investment and trading efficiencies. If a new or smaller fund were to fail to successfully implement its investment strategies or achieve its investment objectives, performance may be negatively impacted, and any resulting liquidation could create negative transaction costs for the fund and tax consequences for investors.

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.

DISTRIBUTION POLICY

The Fund does not have a fixed monthly distribution amount. The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day 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 15th day of the following month for which the distribution is payable (each, a "**Distribution Payment Date**"). The Fund intends to, at least annually beginning in December 2022, 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.

While the Fund will not have a fixed distribution, distributions are initially targeted to be 5.5% to 6.25% per annum on the initial NAV of $10.00 per Class A Unit (approximately $0.04583 to $0.05208 per Class A Unit per month or $0.55 to $0.625 per annum). The initial cash distribution of $0.04583 to $0.05208 per Class A Unit will be payable to Unitholders of record on May 31, 2022 and is expected to be paid on or about June 15, 2022.

Assuming (i) gross proceeds of the Offering of $50,000,000, (ii) the use of leverage of 25% of Total Assets, (iii) the fees and expenses described under "Fees and Expenses", and (iv) foreign exchange rates remain constant, the assets in the Portfolio would have to generate interest and other income (net of applicable withholding tax) of 7.80% to 8.55% in order to pay the expenses of the Fund and distributions at the initial targeted level without returning a portion of the capital of the Fund to Unitholders. Based on the current price and yield of the assets included in the Indicative Portfolio (which may vary from the actual Portfolio), the assets in the Indicative Portfolio would be expected to generate interest and other income (net of any applicable withholding taxes) sufficient to pay the expenses of the Fund and to pay distributions at the initial targeted level without returning a portion of the capital of the Fund to Unitholders. As at January 10, 2022, the net yield to worst on the Indicative Portfolio was approximately 6.09% per annum, net of fees and operating expenses. **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 and the other assumptions noted above.** See "Investment Strategies – Use of Leverage", "Distribution Policy" and "Risk Factors".

Amounts distributed on the Class A Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Class A Units for tax purposes.

If the Fund's net income for tax purposes, including net realized capital gains, for any taxation year exceeds the aggregate amount of the regular monthly 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 Class A Units to the Unitholders in satisfaction of any non-cash distribution, the number of outstanding Class A Units will automatically be consolidated such that each holder of Class A Units will hold, after the consolidation, the same number of Class A 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".

When the Fund receives from the Manager the Voluntary Cash Contribution, such amount will be included in the Fund's income for purposes of the Tax Act and will be paid or made payable to Class F Unitholders in the form of additional Class F Units (and such units will be consolidated with existing Class F Units such that there is no change

in the number of Class F Units, except in the case of any non-resident Unitholders to the extent tax was required to be withheld in respect of the distribution) immediately prior to the reclassification of such units as Class A Units following the closing of the Offering. There can be no assurance given as to the amount of targeted distributions in the future.

Distribution Reinvestment Plan

The Fund intends to adopt a distribution reinvestment plan (the "**Reinvestment Plan**") which will provide that all cash distributions made by the Fund shall, at the election of each Class A Unitholder, be automatically reinvested in additional Class A Units on each Class A Unitholder's behalf in accordance with the terms of the Reinvestment Plan and the distribution reinvestment plan services agreement to be entered into by the Fund, the Manager and TSX Trust Company, in its capacity as agent under the Reinvestment Plan (the "**Plan Agent**") to establish the Reinvestment Plan. Notwithstanding the foregoing, Class A 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 Reinvestment Plan and Class A 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 Class A Unitholders' participation in the Reinvestment Plan. The Manager expects that the Reinvestment Plan will commence in respect of the distributions beginning on May 31, 2022.

Subject to the foregoing, all cash distributions will be automatically reinvested in additional Class A Units on behalf of those Class A Unitholders who are residents of Canada for purposes of the Tax Act or that are Canadian partnerships (as defined in the Tax Act) and elect to participate in the Reinvestment Plan (each such Class A Unitholder being a "**Plan Participant**"). Such distributions due to Plan Participants will be paid to the Plan Agent and applied to the purchase of Class A Units on behalf of Plan Participants in the following manner. If the trading price of the Class A Units on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) (the "**Market Price**") on the relevant Distribution Payment Date plus estimated brokerage fees and commissions is below the NAV per Class A Unit determined on the previous Business Day, the Plan Agent will purchase the Class A Units on the TSX (or such other exchange or market on which the Class A Units are trading) except the Plan Agent will endeavor to terminate purchases in the open market and cause the Fund to issue the remaining Class A Units if, following commencement of the purchases, the Market Price, plus brokerage fees and commissions, exceeds the NAV per Class A Unit determined on the previous Business Day. Provided the Plan Agent can terminate purchases on the open market, the remaining Class A Units will be issued by the Fund from treasury at a price equal to the greater of (i) the NAV per Class A Unit on the relevant Distribution Payment Date or (ii) 95% of the Market Price on the Distribution Payment Date. It is possible that the average purchase price per Class A Unit paid by the Plan Agent may exceed the Market Price at the relevant Distribution Payment Date, resulting in the purchase of fewer Class A Units than if the distribution had been paid entirely by Class A Units issued by the Fund. Applicable brokerage fees and commissions incurred in connection with purchases of Units made in the market pursuant to the Reinvestment Plan will be paid by and from the accounts of Plan Participants.

The Class A Units purchased in the market or from the Fund will be allocated on a pro rata basis to the Plan Participants. The Plan Agent will credit a Plan Participant's account in respect of Class A Units acquired on behalf of such Plan Participant under the Reinvestment Plan. The Fund will not issue fractional Class A Units. Accordingly, Plan Participants will not be permitted to reinvest the portion of a cash distribution that would otherwise result in fractional Class A Units being issued. In such circumstances, the Plan Participants will be paid the portion of the cash distribution that is not reinvested. No certificates representing Class A Units issued or purchased pursuant to the Reinvestment Plan will be issued. **The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions.** See "Income Tax Considerations".

If the Class A Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions by Class A Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Plan Agent's fees for administering the Reinvestment Plan will be paid by the Manager.

To participate in the Reinvestment Plan, beneficial holders may elect to participate under the Reinvestment Plan by notifying their investment advisor, or any other broker, dealer, bank or trust company through which they hold their Class A Units. Class A Unitholders should consult their Participant to determine the procedures for participation in

the Reinvestment Plan. The administrative practices of Participants may vary and, accordingly, the various dates by which actions must be taken and the required documentation may not be the same.

Participants, on behalf of Class A Unitholders, must notify CDS of a Class A Unitholder's intention to participate in the Reinvestment Plan no later than the Distribution Record Date (and by the cut-off time on the Distribution Record Date established by CDS in its sole discretion) in order for the cash distribution to which such Distribution Record Date relates to be reinvested under the Reinvestment Plan. CDS must, in turn, notify the Plan Agent by no later than 2:00 p.m. (Toronto time) on the Business Day immediately following the Distribution Record Date of such Class A Unitholder's participation in the Plan. Otherwise, reinvestment will not occur for such period. Class A Unitholders who wish to participate in the Reinvestment Plan will need their Participant to elect to participate on their behalf every distribution period. A failure to elect will result in withdrawal of participation in respect of such distribution. Some Participants will automatically continue a Class A Unitholder's participation in the Reinvestment Plan unless otherwise instructed by the Class A Unitholder. A Class A Unitholder should confirm with its Participant regarding its particular practice.

Class A Unitholders should consult their Participant to determine the procedures for terminating participation in the Reinvestment Plan. The administrative practices of Participants may vary and, accordingly, the various dates by which actions must be taken and required documentation may not be the same.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants (via the Participants through which the Class A Unitholders hold their Class A Units) and the Plan Agent. The Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Class A Unitholders, which notice may be given by the Fund by issuing a press release. All amendments to the Reinvestment Plan are subject to pre-approval of the TSX. The Fund will not be required to issue Class A Units into any jurisdiction where that issuance would be contrary to applicable laws.

PURCHASES OF UNITS

Prospective purchasers may purchase Class A Units and/or Class F Units through any one of the Agents or any member of a sub-agency group that the Agents may form. Prospective purchasers may acquire Class A Units and/or Class F Units by cash payment only. Closing of the Offering will take place on or about March 10, 2022, or such later date as may be agreed upon by the Fund and the Agents, but, in any event, not later than 90 days after a receipt for the final prospectus is issued. The offering price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution".

REDEMPTIONS

Redemptions of Class A Units

Class A Units may be surrendered 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 Class A 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. Class A Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Class A 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 Class A Unit for redemption on a Monthly Redemption Date, will receive the amount per Class A Unit, if any, equal to the lesser of (i) 94% of the Average Market Price and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, in each case subject to a maximum redemption price per Class A Unit equal to the NAV per Class A Unit on the applicable Monthly Redemption Date, less, any costs associated with the redemption including commissions and such other costs, if any.

Any unpaid distribution payable on or before the date of redemption in respect of the redeemed Class A 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 Class A 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 Class A Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Unitholder. Based on recent amendments to the Tax Act, an amount so allocated and designated to a redeeming Unitholder will only be deductible to the Fund to the extent of the gain that would otherwise be realized by the Unitholder on the redemption of Class A Units.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges thereunder must do so by causing a Participant to advise the Depositary on behalf of the Unitholder of the Unitholder's intention to redeem Class A Units. A Unitholder who desires to redeem Class A Units should ensure that the Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the Participant to deliver notice to the Depositary and so as to permit the Depositary to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. Any expense associated with the preparation and delivery of such notice will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under "Suspension of Redemptions", by causing a Participant to deliver to the Depositary a notice of the owner's intention to redeem Class A Units, an owner shall be deemed to have irrevocably surrendered his or her Class A Units for redemption and appointed such Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

A notice delivered by a Participant regarding an owner's intent to redeem which the Depositary determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the Participant or to the owner.

Any and all Class A Units which have been properly surrendered to the Fund for redemption are deemed to be outstanding until (but not after) the close of business on the applicable Valuation Date, unless the redemption proceeds are not paid on or before the applicable payment date in which event such Class A Units will remain outstanding.

Suspension of Redemptions

The Manager or the Trustee may suspend the redemption of Class A 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.

INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to investors who acquire Units pursuant to this prospectus.

For the purposes of this section, the terms "Unit" or "Units" shall include only the Class A and Class F Units and the terms "Unitholder" or "Unitholders" shall include only the Class A and Class F Unitholders.

This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and the Agents, is not affiliated with the Fund or the Agents and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and all other "Canadian securities" owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary does not apply to a Unitholder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to any Units.

This summary is also based on the facts set out in this prospectus and the assumption that the Fund will at all times comply with its investment restrictions. This summary assumes that the Fund will at no time be a SIFT Trust as defined in the Tax Act. This summary is also based on the advice of the Manager and of the Agents respecting certain factual matters.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of CRA made publicly available prior to the date hereof and 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 (such proposals being referred to as the "**Tax Proposals**"). This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance can be given that the Tax Proposals will be enacted as currently proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, governmental or judicial action; nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, that the Fund will elect 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 advised counsel that it has no reason to believe that, following the Closing, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing Date and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust from the date it was established.

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 Class A 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). See "Income Tax Considerations - Taxation of Registered Plans" for the consequences of holding Units in Registered Plans.

Taxation of the Fund

The Fund intends to elect to have a taxation year that ends on December 15 of each calendar year.

The Fund will be 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 intends to make distributions to Unitholders as described under "Distribution Policy" and to deduct, 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.

The Fund will be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio Asset and, with respect to indebtedness, 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 is 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 transactions 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 Unitholder 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 Unitholder 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.

The Manager has informed counsel that, 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 Portfolio Assets 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 DFA Rules in the Tax Act 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. Subject to the following sentence, the Fund may deduct the costs and expenses of the 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. Notwithstanding the foregoing, the Manager will pay all costs and expenses of the Offering. The amount of such costs and expenses paid by the Manager may be included in the Fund's income for purposes of the Tax Act, except that the Fund may reduce or eliminate such income inclusion subject to correspondingly reducing its costs and expenses of the Offering that may be deducted by it as described in the previous sentence. The Fund expects to so reduce or eliminate any income inclusion in respect of costs and expenses paid by the Manager, as a result of which its deductible costs and expenses of the Offering will be correspondingly reduced or eliminated, to the extent possible under the Tax Act. Any losses incurred by the Fund may not be allocated to Unitholders 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 distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Manager has also advised counsel that the Fund will elect under subsection 39(4) of the Tax Act (if available) so that 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, including short sales of such 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.

To the extent the Fund holds units issued by a trust resident in Canada on capital account and the trust is not at any time in the relevant taxation year a SIFT Trust, the Fund will be required to include in the calculation of its income for a taxation year the net income, including net realized taxable capital gains, paid or payable to the Fund by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, foreign source income, net realized taxable capital gains realized by the trust and taxable dividends from taxable Canadian corporations received by the trust that are paid or payable by the trust to the Fund will effectively retain their character in the hands of the Fund. The Fund will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable in a year by the trust to the Fund except to the extent that the amount was included in calculating the income of the Fund for the year or was the Fund's share of the non-taxable portion of capital gains of the trust for the year, the taxable portion of which was designated in respect of the Fund in the year. If the adjusted cost base to the Fund of such units becomes a negative amount at any time in a taxation year of the Fund, that negative amount will be deemed to be a capital gain realized by the Fund in that taxation year and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to an investment in a limited partnership held by the Fund on capital account that is not a SIFT Partnership at any time in the relevant taxation year, the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss (and capital gain or capital loss) for tax purposes of the limited partnership allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the units of a limited partnership at a particular time will be equal to the actual cost of such units plus the share of the income and capital gains of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time less the share of losses and capital losses of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time, and less the Fund's share of any distributions received from the limited partnership before the particular time. If the adjusted cost base to the Fund of such units would otherwise be negative at the end of the fiscal year of the limited partnership, such negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

Under the SIFT Rules, each security held by the Fund of an issuer that is a SIFT Trust or SIFT Partnership (which will generally include Canadian resident income trusts, other than certain REITs, and certain Canadian resident partnerships, the units of which are listed or traded on a stock exchange or other public market) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income (other than taxable dividends) and capital gains in respect of "non-portfolio properties"(collectively, "**Non-Portfolio Earnings**"). The SIFT Rules provide that Non-Portfolio Earnings that are earned by a partnership that is a SIFT Partnership, or are distributed by a trust that is a SIFT Trust to its unitholders, will be taxed at a rate that is equivalent to the federal general corporate tax rate plus a prescribed amount on account of provincial tax. The SIFT Rules stipulate that any Non-Portfolio Earnings that become payable by a trust that is a SIFT Trust, or that are earned by a partnership that is a SIFT Partnership, will generally be taxed as though they were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" subject to the enhanced gross-up and dividend tax credit rules 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 Unitholders.

Taxation of Unitholders

A Unitholder 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 Unitholder (whether in cash or in Units or reinvested in additional Units pursuant to the Reinvestment Plan) in the taxation year. Amounts paid or payable by the Fund to a Unitholder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Unitholder on December 15. The non-taxable portion of the Fund's net realized capital gains for a taxation year paid or payable to a Unitholder in that taxation year, the taxable portion of which was designated to the Unitholder in that taxation year, will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder'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 calendar 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 Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder'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 Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

When the Fund receives from the Manager the Voluntary Cash Contribution, such amount will be included in the Fund's income for purposes of the Tax Act and will be paid or made payable to Class F Unitholders in the form of additional Class F Units (and such units will be consolidated with existing Class F Units such that there is no change in the number of Class F Units) immediately prior to the reclassification of such units as Class A Units following the closing of the Offering.

Based in part on the current published administrative policies and assessing practices of the CRA, the reclassification of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund, and (iii) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder 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 Unitholder for foreign tax credit purposes. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules in the Tax Act will apply, including the enhanced gross-up and tax credit applicable to designated eligible dividends. 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 Unitholder.

On the disposition or deemed disposition of a Unit, including on a redemption of a Unit, a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (which do not include any amounts of capital gains made payable by the Fund to the Unitholder 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 Unitholder 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 other Class A Units or Class F Units, as the case may be, owned by the Unitholder 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 Unitholder of Units.

Any additional Units acquired by a Unitholder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. If a Unitholder participates in the Reinvestment Plan and the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased.

Pursuant to the Trust Agreement, 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 Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Unitholder, and therefore, the Unitholder`s proceeds of disposition. Based on recent amendments to the Tax Act, an amount so allocated and designated to a redeeming Unitholder will only be deductible to the Fund to the extent of the gain that would otherwise be realized by the Unitholder on the redemption of Class A Units.

If, at any time, the Fund delivers Portfolio Assets to any Unitholder upon a redemption of a Unitholder's Units on the termination of the Fund, the Unitholder'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, less any capital gain realized by the Fund on the disposition of such distributed property. 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 Unitholder for a taxation year of the Unitholder will be included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized by the Unitholder in a taxation year of the Unitholder must be deducted from taxable capital gains realized by the Unitholder in the taxation year or designated by the Fund in respect of the Unitholder 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 Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized on the disposition of Units may increase the Unitholder'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. A Unitholder 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. Unitholders 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 tax-free savings account ("**TFSA**"), a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan ("**RESP**") or registered disability savings plan ("**RDSP**"), each as respectively defined in the Tax Act, 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, RESP or RDSP, 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, subscriber, or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder, subscriber, or annuitant, 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, subscriber, or annuitant, 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 trust governed by a TFSA, RRSP, RRIF, RESP or RDSP.

Holders, subscribers, or annuitants 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 Unitholder who acquires Units, including on a distribution in the form of Units or a reinvestment in additional Units pursuant to the Reinvestment Plan, may become taxable on the Unitholder's share of such income and gains of the Fund notwithstanding that such amounts will have been reflected in the price paid by the Unitholder 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.

INTERNATIONAL INFORMATION EXCHANGE

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.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Manager and Portfolio Manager of the Fund

PIMCO Canada is the investment fund manager, portfolio manager and promoter of the Fund. Its principal place of business is located at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2.

Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreement, the Manager will be appointed as the manager of the Fund.

Under the terms of the Trust Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation (a) being responsible for formulating the investment objectives and overall investment policies of the Fund, including any restrictions or guidelines in addition to those required by applicable securities laws; (b) being responsible for determining the terms under which the Fund shall be offered to the public and the fees and expenses payable by the Fund, including the initial fees payable by the Fund to the Manager; (c) determining the contents of the offering documents of the Fund; (d) providing or causing to be provided to the Fund, adequate for carrying on the undertaking and business of the Fund, all requisite office accommodation, office facilities and personnel, telephone

and telecommunication services, stationery. office supplies, statistical and research services; (e) providing or causing to be provided to the Fund all services required by the Fund, including portfolio management, custody, valuation, accounting, taxation, marketing and distribution, registry and transfer agency, dividend and distribution crediting services; (f) coordinating, monitoring and supervising the services of any person, firm or corporation engaged by the Manager to provide services to or on behalf of the Funds, including trustees, custodians, registrar and transfer agents, public accounting firms, law firms, printers and other third party service providers; (g) supervising compliance by the Fund with provincial, federal and foreign laws applicable to the operation of the Fund (excluding any laws applicable to the Trustee), the Fund's investment objectives, policies and restrictions and other policies adopted in respect of the Fund; (h) preparing or causing to be prepared, sent or filed, all reports to Unitholders of the Fund and to regulators of the Fund, in accordance with applicable laws; (i) approving expenses of the Funds and monitoring and enforcing agreements entered into by the Manager on behalf of the Fund and enforcing any rights of the Fund and defending any claims against the Fund on such terms and conditions as to indemnification of the Manager and the reimbursement of its expenses as the Manager may in its sole discretion deem satisfactory; (j) supervising compliance by the Fund with recordkeeping requirements under applicable laws and maintaining or causing to be maintained books and records for the Fund as required by applicable laws to be maintained by or in respect of the Fund; (k) causing the financial statements of the Fund to be prepared and audited; (l) establishing an IRC for the Fund, appointing the initial members of the IRC, settling the initial arrangements between the Fund and the members of the IRC in relation to compensation, expenses and other costs and liabilities, recommending a charter to the IRC and, on an ongoing basis, interacting with, and assisting the IRC with respect to its mandate and duties and all other matters in relation thereto, all as required by NI 81-107, as amended from time to time; and (m) providing, or causing to be provided, to the Fund all other services necessary or desirable to conduct and operate the day-to-day business of the Fund.

The Manager may delegate certain of its duties to others. The Manager intends to appoint the Sub-Adviser and enter into the Investment Management Agreement with the Sub-Adviser. The Manager will be responsible to the Fund for any loss that arises out of the failure of the Sub-Adviser to (i) to exercise the powers and discharge its duties under the Investment Management Agreement honestly, in good faith and in the best interests of the Fund, or (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Trust Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied its standard of care, set forth above.

In consideration for these services, the Fund will pay to the Manager the Management Fee plus applicable taxes and the Manager will be responsible for the fees of the Sub-Adviser and all ordinary expenses 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 the Closing Date, but excluding the expenses described under "Fees and Expenses - Ongoing Fees and Expenses". In addition, the Manager shall at all times be indemnified and saved harmless by the Fund from and against all claims whatsoever, including costs (including but not limited to legal costs), charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about in relation to the execution of its duties as Manager under the Trust Agreement, including any loss or diminution in the NAV of the Fund and also from and against all other costs, charges and expenses it may sustain or incur in or about or in relation to the Affairs of the Fund, except if the Fund is prohibited from doing so by law or because the Manager has not satisfied the standard of care required by it.

The appointment of the Manager continues in effect until the termination of the Fund unless terminated earlier in accordance with the Trust Agreement. The Manager may resign as investment fund manager of the Fund at any time upon such prior notice as is required under applicable securities law and under the constating documents of the Fund. The Manager is deemed to have resigned in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act or carry out its functions of managing the Fund in Canada. If the Manager resigns, or is deemed to have resigned, and no replacement Manager is appointed, the Fund will terminate. Upon termination, the Manager is entitled to the payment of its fee and the reimbursement of the Manager's expenses up to the date of its termination.

Officers and Directors of the Manager

The board of directors of the Manager currently consists of three members. Directors are appointed to serve on the board of directors until such time as they retire or are removed and their successors are appointed.

The names and municipalities of residence of the directors and executive officers of the Manager, their principal occupations over the past five years, and the positions and offices held with the Manager are as follows:

Name and Municipality of Residence	Position with PIMCO Canada Corp.	Principal occupation in the past five years
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 since November 2006.
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 of the Fund

PIMCO, a Delaware limited liability company and an affiliate of the Manager, serves as the Sub-Adviser for the Fund pursuant to an investment management agreement between the Manager and PIMCO. 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 September 30, 2021, PIMCO had approximately U.S.$2.20 trillion in assets under management including U.S.$1.68 trillion in third party client assets. These assets include approximately U.S.$19.6 billion in assets of clients contracted with Gurtin Fixed Income Management, LLC and U.S. $81.9 billion in assets of clients contracted with Allianz Real Estate, affiliates and wholly-owned subsidiaries of PIMCO and PIMCO Europe GmbH.

Grounded by a rigorous investment process and global fixed-income research platform, PIMCO is one of the largest fixed-income managers in the world. PIMCO has an over 30-year track record managing income-focused strategies that target resilient cash flow profiles with high cash coupons and seek stable income which can provide natural downside protection. PIMCO has deep resources and decades of investment experience across credit markets. As of September 30, 2021, PIMCO managed approximately U.S.$542 billion in traditional credit assets and has participated in over 95 corporate restructurings. As of September 30, 2021 PIMCO managed approximately U.S.$145 billion in alternative strategies assets. PIMCO has over 270 portfolio management professionals, over 80 credit analysts, over 60 portfolio analytics resources and continuous risk management coverage 24 hours each day.

PIMCO believes that the Fund will provide investors with access to PIMCO's:

(a) global integration, which provides a robust relative value framework across sectors and cross-pollination of idea flow globally in areas of commercial real estate, residential mortgage credit, corporate credit, specialty finance and emerging market debt; and

(b) investment process, which includes time-tested macroeconomic insights, that guide a bottom-up focus to the investment process.

PIMCO seeks to increase return and yield potential via illiquidity and complexity premia and leverage instead of increased credit risk. PIMCO also focuses on investment opportunities with structural seniority and strong asset coverage that have the potential to secure sufficient lender protections and compensation for risk. The Fund has a flexible mandate targeting opportunities across a variety of fixed income sectors, each with unique return drivers, and PIMCO believes that the Fund's global approach will leverage PIMCO's market footprint.

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. PIMCO has over 50 years of experience navigating challenging markets and helping its clients reach their financial goals, and over 25 years of experience managing closed-end funds. PIMCO currently manages 25 closed-end funds globally.

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 29 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.

The individuals at PIMCO who will be primarily responsible for managing the Portfolio are a highly experienced team with an average of 20 years of investment experience. Mr. 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 22 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 firm'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 26 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 and co-head of CMBS (commercial mortgage-backed securities) portfolio management. 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 17 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 19 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. 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 18 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 will have the authority to make investment decisions on behalf of the Fund and do not require approval from a separate committee.

PGI and PTI

The Sub-Advisor provides investment management services to PGI and PTI, each 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 at November 30, 2021, PGI and PTI had net assets of approximately $374 million and $389 million, respectively. PIMCO Canada is the manager, portfolio manager and promoter of PGI and PTI.

Each of PGI's and PTI's investment objectives are to provide Unitholders with monthly cash distributions; maximize total return to Unitholders through distributions and capital appreciation; and preserve capital. Each of PGI and PTI has been created to invest in an actively managed portfolio comprised primarily of fixed-income securities selected from multiple global fixed-income sectors. Each of PGI and PTI seek to achieve their respective investment objectives by investing primarily in fixed-income securities that the Sub-Adviser believes represent its best income-generating ideas across multiple global fixed-income sectors. To carry out the strategy, the Sub-Adviser invests in global fixed-income markets, including mortgage-related securities, investment grade corporate securities, high-yield securities, bank loans and emerging markets corporate securities, and may, from time to time, invest in government securities and other fixed-, variable- and floating-rate income-producing securities of global issuers. The Fund, PGI and PTI differ in the following respects: (i) unlike PGI, the Fund and PTI do not offer Unitholders an annual redemption right, (ii) the Fund and PTI each have a fixed termination date whereas PGI is structured to have an indefinite term, (iii) the management fee rate, (iv) given their different launch dates, different investment opportunities will be available to the Fund than were available to PGI and PTI. PGI and PTI are the only investment funds in Canada that are managed by the Sub-Adviser that have an investment strategy that is substantially similar to the Fund's investment strategy and that have been in existence for more than one year.

The following table sets out the annualized returns of PGI and PTI for the following periods: 1-year, 3-year, 5-year, and since inception, as compared to the annualized returns of PGI's and PTI's benchmark, which is a blend of 80% Bloomberg U.S. Credit Index and 20% ICE BofAML high Yield BB/B Index.

Annualized Returns of PGI and PTI
(Reported as at November 30, 2021)

	1-Year	3-Year	5-Year	Since Inception
PGI – Class A Units(1)	8.22%	7.04%	9.46%	8.05%
PTI – Class A Units(2)	7.33%	--	--	9.63%
80% Bloomberg U.S. Credit Index (CAD Hedged) /20% ICE BofAML High Yield BB/B Index (CAD Hedged)(3)	0.38%	7.05%	4.75%	4.41%(4)

Source: PIMCO, Bloomberg and ICE BofA Merrill Lynch.

(1) Performance shown is net of fees and expenses incurred by the investment fund, and reflects the net asset value of PGI (Class A Units since inception returns from March 21, 2014) – assumes that all distributions made by PGI in the periods shown were reinvested in additional units of PGI. The performance figures do not take into account sales, redemption, distribution or other

optional charges that could have reduced returns or performance. Past performance is not indicative of future results. Returns of the Fund may be different than those of PGI.

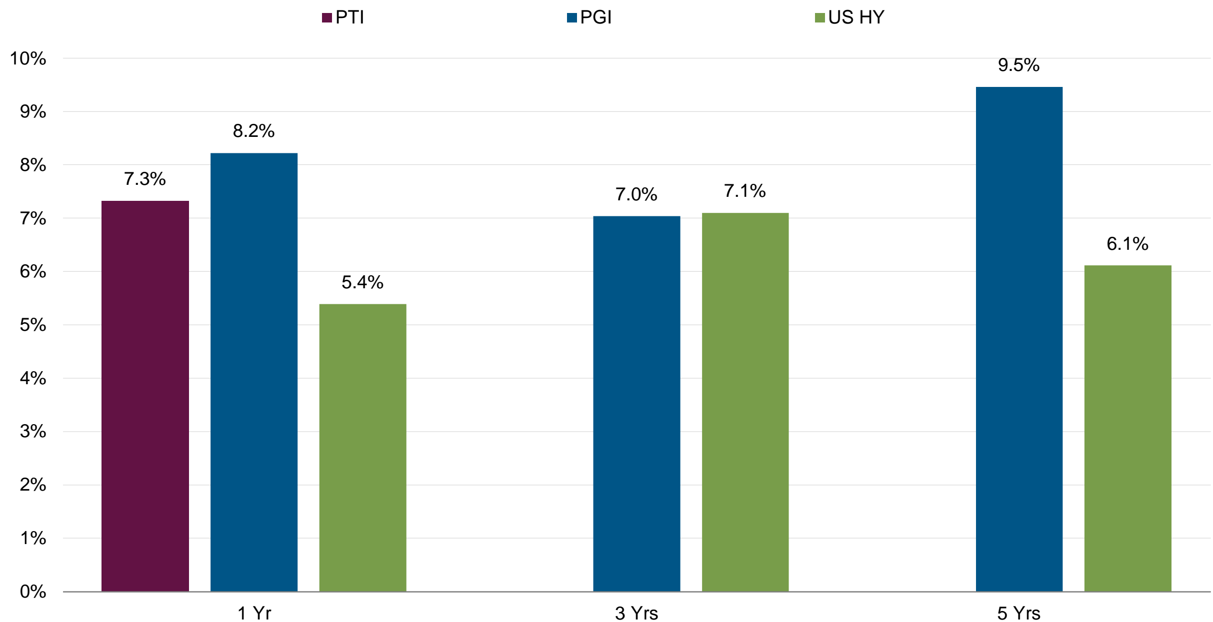
(2) Performance shown is net of fees and expenses incurred by the investment fund, and reflects the net asset value of PTI (Class A Units since inception returns from October 20, 2020) – assumes that all distributions made by PTI in the periods shown were reinvested in additional units of PTI. The performance figures do not take into account sales, redemption, distribution or other optional charges that could have reduced returns or performance. Past performance is not indicative of future results. Returns of the Fund may be different than those of PTI.

(3) The benchmark is a blend of 80% Bloomberg U.S. Credit Index and 20% ICE BofAML High Yield BB/B Index. The Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index. The ICE BofAML U.S. High Yield, BB-B Rated Index is comprised of fixed income securities rated BB and B. The index tracks the performance of below investment grade U.S. Dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Prior to 1/97, data represents that of ICE BofAML High Yield Cash Pay, BB-B rated. ICE BofAML High Yield Cash Pay, BB-B rated. ICE BofAML High Yield Cash Pay, BB-B rated is comprised of fixed income securities rated BB and B and excludes pay-in-kind bonds and deferred interest bonds that are not yet accruing a coupon.

(4) Reflects annualized returns since PGI's inception date of March 31, 2014. The benchmark's annualized returns from October 20, 2020, being PTI's inception date, is 2.27%.

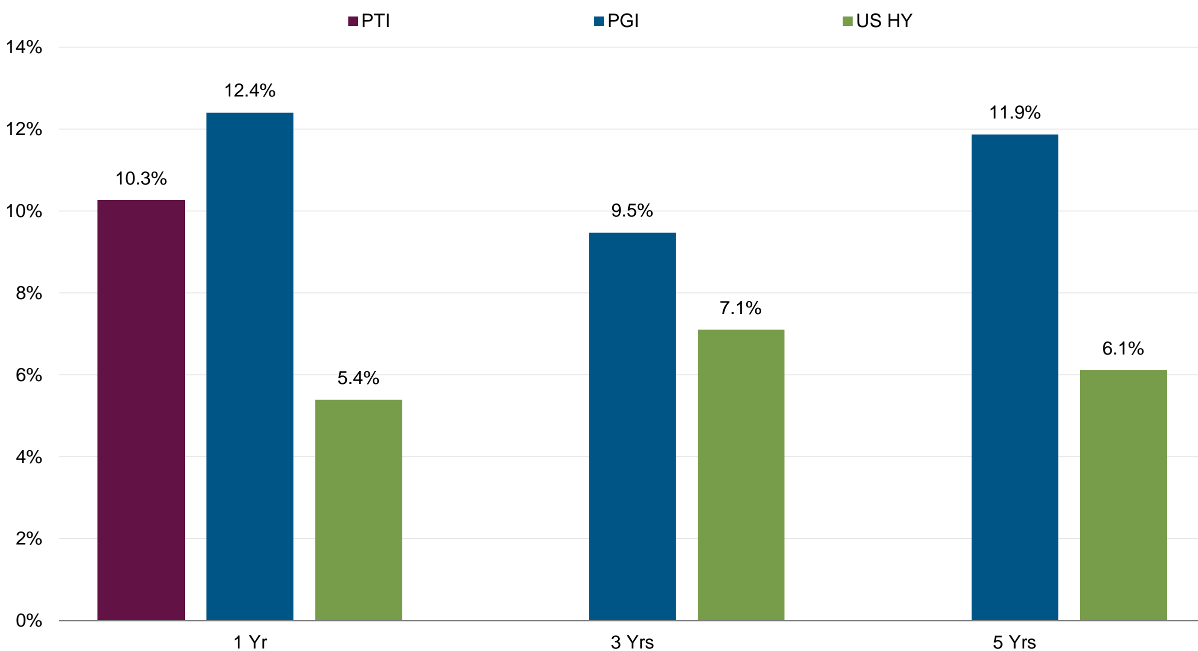
The following graph compares the returns on a NAV basis of the Class A units of each of PGI and PTI to the returns of U.S. high yield securities (represented by the BofA Merrill Lynch US High Yield Index).

NAV Total Return (%) – As of 30 Nov 2021



Source: PIMCO, Bloomberg, Toronto Stock Exchange.

The following graph compares the returns on a market price basis of the Class A units of each of PGI and PTI to the returns of U.S. high yield securities (represented by the BofA Merrill Lynch US High Yield Index).



Source: PIMCO, Bloomberg, Toronto Stock Exchange. Since inception price total return for PGI is 8.59% and for PTI is 12.57%.

The performance and trading price relative to net asset value of the Fund may differ substantially from the performance of PGI and PTI. There are important differences between the Fund and PGI and PTI, including (in the case of PGI) the absence of an annual redemption right based on net asset value for the Fund, which may have a significant impact on the trading price of the Units. The information above is historical and is not intended to be, nor should it be construed to be, a forecast or an indication as to the future performance of the Fund. The information is provided for illustrative purposes only, does not reflect future performance of this Fund and should not be construed as a forecast or projection. There can be no assurance that the performance of the Fund will equal or exceed the performance of PGI or PTI. While the Sub-Advisor will employ a substantially similar investment strategy with respect to the Fund as it employs in managing PGI and PTI, the investments in the Fund and of PGI and PTI will not be identical and may differ significantly from time to time. Past performance does not guarantee future results.

Details of the Investment Management Agreement

The Sub-Adviser will provide investment advice to the Fund in a manner consistent with the investment objectives, investment strategies and investment restrictions of the Fund pursuant to the Investment Management Agreement. The Investment Management Agreement has a term commencing on January 26, 2022 and continues for the life of the Fund unless otherwise terminated in accordance with its terms.

Under the terms of the Investment Management Agreement, the Sub-Adviser is responsible for managing on a day-to-day basis, or causing to be managed, the assets of the Fund, including, without limitation (a) implementing portfolio purchases and sales for the Fund, including selection of market and broker or dealer and, where applicable, negotiating of compensation for such dealers and brokers; (b) buying, selling or exercising rights and warrants to subscribe for securities and to exercise conversion and redemption, extension and retraction privileges pertaining to securities held and exercise, or direct the exercise of, any and all rights, powers and directions in connection with such securities including, without limitation, the power to consent to any reorganization or similar transaction; (c) providing that the Custodian has properly provided to the Sub-Adviser, the proxy materials, determining in what manner to vote, or executing proxies respecting the voting of, securities held in the Fund at all meetings of holders of such securities; (d) retaining any assets contributed to the Fund in-kind and directing the sale or other disposition of any assets by private contract or at public auction; (e) giving such directions and instructions to the Custodian and others as may be necessary and appropriate to carry out the investment management mandate; (f) entering into derivatives contracts on behalf of the Fund, purchasing derivatives for hedging and non-hedging purposes and entering into securities lending arrangements, repurchase agreements and reversing repurchase agreements; (g) engaging in short-selling; (h) submitting to the Manager such periodic reports relating to the management and investment of the Fund as are reasonably requested by the Manager from time to time; (i) making representatives knowledgeable with the Sub-Adviser’s activities in respect of the assets of the Fund available to discuss such activities and to review the investments and past performance of the Fund with the Manager; (j) maintaining accurate and complete records of all transactions effected by or at the request of the Sub-Adviser in a manner that complies with applicable securities laws; (k) carrying out the performance of its duties in compliance with the terms and conditions of its registrations, and forthwith notifying the Manager if any of such registrations should at any time lapse, be suspended or terminated for any reason whatsoever or if it should become aware of any requirement under any applicable law to obtain or maintain any registration or qualification not already held or maintained by it in order to carry out its duties; (l) complying with its written code of ethics and policies dealing with personal trading by its employees; (m) providing the Manager with copies of the Sub-Adviser’s internal policies and procedures and such other information with respect to its operations as an investment adviser as the Manager may reasonably request from time to time; (n) providing such information as the Manager may reasonably require for reports to unitholders of the Fund or to meet regulatory requirements or requests relating in any manner to the Sub-Adviser and the Fund; and (o) maintaining policies and procedures that adequately address business continuity and recovery in the event of problems affecting the Sub-Adviser’s operations, including systems breakdown, natural disasters, and other events.

The Sub-Adviser is required to exercise its powers as investment sub-adviser and discharge its duties honestly, in good faith and in the best interests of the Fund and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreement provides that the Sub-Adviser will not be liable to the Manager, the Fund or any Unitholder for any loss or damage relating to any matter regarding the Fund if it has satisfied its standard of care, set forth above.

The Sub-Adviser shall at all times be indemnified and saved harmless by the Fund from and against all claims whatsoever, including costs (including but not limited to legal costs), charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about in relation to the execution of its duties as Sub-Adviser under the Investment Management Agreement, including any loss or diminution in the NAV of the Fund and also from and against all other costs, charges and expenses it may sustain or incur in or about or in relation to the affairs of the Fund, except where there has been a breach of the standard of care required by it under the Investment Management Agreement.

To the extent applicable, there may be difficulty in enforcing legal rights against the Sub-Adviser because it is not a resident of Canada and all or a substantial portion of its assets are located outside of Canada.

The Sub-Adviser may be terminated in respect of the Fund by the Manager upon prior written notice to the Sub-Adviser. The termination shall be effective on the date specified in the notice, which shall not be less than 90 days after delivery of the notice, or such earlier date as may be agreed upon by the parties.

The Sub-Adviser may resign in respect of the Fund upon prior written notice to the Manager. Such resignation shall be effective on the date specified in the notice, which shall not be less than 90 days after delivery of the notice, or such earlier date as may be agreed upon by the parties.

The Manager is responsible for payment of the investment management fees of the Sub-Adviser out of the Management Fee. See "Fees and Expenses - Ongoing Fees and Expenses".

Conflicts of Interest

From time to time, potential and actual conflicts of interest may arise between the Sub-Adviser's management of the investments of the Fund, on the one hand, and the management of other accounts, on the other. Potential and actual conflicts of interest may also arise as a result of PIMCO's other business activities and PIMCO's possession of material non-public information about an issuer. Other accounts managed by the Sub-Adviser might have similar investment objectives or strategies as the Fund or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the Fund. The other accounts might also have different investment objectives or strategies than the Fund. Potential and actual conflicts of interest may also arise as a result of PIMCO serving as investment adviser to accounts that invest in the Fund. In this case, such conflicts of interest could in theory give rise to incentives for PIMCO to, among other things, vote proxies of the Fund in a manner beneficial to the investing account but detrimental to the Fund. Conversely, PIMCO's duties to the Fund, as well as regulatory or other limitations applicable to the Fund, may affect the courses of action available to PIMCO-advised accounts (including certain funds) that invest in the Fund in a manner that is detrimental to such investing accounts. In addition, regulatory restrictions, actual or potential conflicts of interest or other considerations may cause PIMCO to restrict or prohibit participation in certain investments.

A potential conflict of interest may arise as a result of the Sub-Adviser's day-to-day management of the Fund. Because of their positions with the Fund, the Sub-Adviser knows the size, timing and possible market impact of the Fund's trades. It is theoretically possible that the Sub-Adviser could use this information to the advantage of other accounts they manage and to the possible detriment of the Fund.

The services of the Manager and the Sub-Adviser, and their respective officers and directors are not exclusive to the Fund. The Manager and the Sub-Adviser currently act and may in the future act as the investment fund manager and/or portfolio manager, as applicable, of other funds and may, at any time, engage in the promotion, management or investment management of any other investment fund or account, and provide similar services to other investment funds and other clients and engage in other activities.

Securities held by the Fund may also be held by other investment funds or clients for which the Sub-Adviser or its affiliates provide investment advice. Because of different investment objectives or other factors, a particular security may be bought for one or more investment funds or clients when one or more other investments funds or clients are selling the same security. If opportunities for purchase or sale of securities by the Sub-Adviser for the Fund or for other investment funds or clients for which the Sub-Adviser renders investment advice arise for consideration at or about the same time, transactions in such securities will be effected, insofar as feasible, for the respective investment funds or clients on an equitable basis in accordance with the Sub-Adviser's trade allocation policy in effect from time to time.

The Fund will refer conflict of interest matters to the Independent Review Committee for review or approval. See "Organization and Management Details of the Fund - Independent Review Committee".

Independent Review Committee

NI 81-107 requires all publicly offered investment funds, such as the Fund, to establish an independent review committee (the "**IRC**"). The IRC will be required to be comprised of a minimum of three members, each of whom must be independent of the Manager, entities related to the Manager and the Fund.

The IRC acts as a review committee for a number of mutual funds managed by the Manager. Set out below is a list of the individuals who comprise the IRC for the Fund.

Joanne De Laurentiis (Chair), Ms. De Laurentiis retired in 2016 as President and CEO of the Investment Funds Institute of Canada. She joined the Investment Funds Institute of Canada in 2006.

Anthony Cox, Mr. Cox has held past positions including board, consulting and senior level management positions for various Canadian financial firms.

Michèle McCarthy, Michèle is a lawyer with experience in leading and implementing strategic acquisitions in the financial services industry and managing change within organizations. Since October 2003, she has been running her own law practice. She serves, and has served, as a member of various boards and has held past positions with global financial services companies.

John Lockbaum, John has 25 years of experience across Canadian and offshore financial services industries. His previous work experience includes executive roles in wealth management and at institutions providing global custodian services and financial solutions.

The IRC functions in accordance with applicable securities law, including NI 81-107. The mandate of the IRC is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the IRC for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest.

In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The IRC will report annually to Unitholders which report will be available free of charge upon request to the Manager and will also be posted on the Manager's website at www.pimco.ca.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members, will be paid by the Fund and other applicable funds managed by the Manager. The chair of the IRC, receives $37,559 and each of the other IRC members receives $29,510 as an annual retainer for their services. These fees and other reasonable expenses of the IRC will be paid *pro rata* out of the assets of the Fund, as well as out of the assets of the other investment funds managed by the Manager for which the IRC acts as the independent review committee (currently consisting of ten mutual funds, four pooled funds and one other non-redeemable investment fund).

The Trustee

PIMCO Canada is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee is required to exercise its powers and carry out its functions, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that the Trustee would exercise in dealing with its own assets.

The Trustee shall at all times be indemnified and saved harmless by the Fund from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about in relation to the execution of its duties as Trustee under the Trust Agreement, including against all other costs, charges (other than fees) and expenses it may sustain or incur in or about or in relation to the affairs of the Fund, except where there has been a breach of the standard of care required of it under the Trust Agreement.

The Trustee may resign by giving written notice to the Manager not less than 90 days prior to the date when such resignation shall take effect, unless prior to that date a successor Trustee has been appointed in accordance with the terms of the Trust Agreement. If, after notice of resignation has been received from the Trustee or a vacancy occurs in the office of the Trustee, no successor has been appointed by the Manager within 30 days after the notice is given

or the vacancy occurs, the Manager shall call a meeting of Unitholders within 30 days thereafter for the purpose of appointing a successor Trustee. If upon the expiry of the further 30 day period, the Unitholders have not appointed a successor Trustee, the Fund shall be terminated forthwith. In addition, the Manager may remove the Trustee at any time, without Unitholder approval, by notice in writing delivered to the trustee not later than 90 days prior to the date that the removal is to take effect and appoint a successor. The Trustee is deemed to have resigned in the event the Trustee ceases to (i) be resident in Canada for the purposes of the Tax Act or (ii) exercise the main powers and discretions of the trustee in respect of the Fund in Canada.

The Trustee is entitled to receive fees from the Manager as described under "Fees and Expenses – Management Fee" and to be reimbursed by the Manager for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

The Custodian

State Street Trust Company Canada (the "**Custodian**"), at its principal offices in Toronto, Ontario, will be appointed the custodian of the Fund's assets on or prior to the Closing Date pursuant to the Custodian Agreement. The Custodian may employ sub-custodians as considered appropriate in the circumstances.

The Custodian shall exercise the same degree of care, diligence and skill in the safekeeping of the Fund's accounts and providing the services described under the Custodian Agreement that a reasonably prudent person would exercise in the circumstances, or, if higher, the degree of care, diligence and skill that the Custodian uses in respect of its own property of a similar nature in its custody.

The Fund shall indemnify and hold harmless the Custodian from and against any direct loss, liability, judgments and amounts paid in settlement, claim or expense (including reasonable legal fees and disbursements) reasonably suffered or incurred by the Custodian arising from or in connection with the performance of its duties under the Custodian Agreement; provided, however, that such indemnity shall not apply to any liability or expense occasioned by or resulting from the fraud, willful default, negligence, breach of the standard of care set forth above or wrongful act of the Custodian or any of its employees, directors or officers in the performance of the Custodian's duties under the Custodian Agreement.

The Custodian shall indemnify and hold the Fund harmless from and against all direct losses, damages, fines, penalties, charges or expenses, including an amount paid to settle an action or to satisfy a judgment and all reasonable legal fees relating thereto resulting from or caused by reason of the fraud, willful default, negligence, breach of the Custodian's standard of care set forth above or wrongful act of the Custodian or its employees, directors or officers in the performance of the Custodian's duties under the Custodian Agreement.

The Manager or the Custodian may terminate the Custodian Agreement without any penalty upon at least 90 days' written notice or such lesser notice as the other may agree to.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, at its principal address PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

Transfer Agent and Registrar

TSX Trust Company will be appointed the registrar, transfer agent and distribution agent for the Units on or prior to the Closing Date. The register and transfer ledger for the Units will be kept by the Transfer Agent, at their principal offices located in Toronto, Ontario.

Promoter

PIMCO Canada has taken the initiative in founding and organizing the Fund and accordingly may be considered to be a "promoter" of the Fund within the meaning of applicable securities legislation of certain provinces and territories of Canada. Except as otherwise described herein, PIMCO Canada will not receive any benefits, directly or indirectly, from the issuance of the Units offered hereunder. See "Fees and Expenses".

CALCULATION OF NET ASSET VALUE

The NAV of the Fund 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. The NAV per Unit of a particular class on any day will be obtained by dividing the NAV of the Fund attributable to that class on such day by the number of Units of the applicable class then outstanding.

NI 81-106 requires the Fund to calculate its net asset value by determining the fair value of its assets and liabilities. In doing so, the Fund calculates the fair value of its assets and liabilities on the basis of the valuation principles described above. The financial statements of the Fund are required to be prepared in accordance with IFRS. The Fund's accounting policies for measuring the fair value of their investments under IFRS are similar to those used in measuring the net asset value under NI 81-106. However, if the closing sale price of a security falls outside of its bid-ask spread, it may be adjusted by the Manager for financial reporting purposes to a point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. As a result of this potential adjustment, the fair value of investments of the Fund reported in the financial statements may differ.

The NAV of the Fund and NAV per Unit will be calculated as of 4:00 p.m. (Toronto time), or such other time as the Manager deems appropriate (the "**Valuation Time**"), on each Business Day and any other day on which the Manager elects, in its discretion, to calculate the NAV per Unit (each, a "**Valuation Date**"). Information that becomes known after the net asset value has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the net asset value determined earlier that day.

Valuation Policies and Procedures of the Fund

For purposes of calculating NAV of the Fund at any time, Portfolio Assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. The Valuation Agent will normally use pricing data for domestic equity securities received shortly after the Valuation Time and does not normally take into account trading, clearances or settlements that take place after the Valuation Time. A non-Canadian equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Manager to be the primary exchange. A non-Canadian equity security will be valued as of the close of trading on the foreign exchange, or the Valuation Time, if the Valuation Time occurs before the end of trading on the foreign exchange, provided that a fair adjustment service may be used to provide an estimated price for a non-Canadian equity security as of the Valuation Time. A non-Canadian equity security will be valued as of the close of trading on the foreign exchange, or the Valuation Time, if the Valuation Time occurs before the end of trading on the foreign exchange. The Valuation Agent may use a fair value adjustment service from a pricing vendor to produce an estimated price for a non-Canadian equity security as of the Valuation Time. Fixed income securities and non-exchange traded derivatives are normally valued on the basis of quotes obtained from brokers and dealers or pricing services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Short term investments having a maturity of 60 days or less are generally valued at amortized cost. Exchange traded options, futures and options on futures are valued at the settlement price determined by the relevant exchange. If a non-Canadian security's value has materially changed after the close of the security's primary exchange or principal market but before the Valuation Time, the security will be valued at fair value based on procedures established and approved by the Manager. Non-Canadian securities that do not trade when the TSX is open are also valued at fair value. The Fund may determine the fair value of investments based on information provided by pricing services and other third-party vendors, which may recommend fair value prices or adjustments with reference to other securities, indices or assets. In considering whether fair value pricing is required and in determining fair values, the Fund may, among other things, consider significant events (which may be considered to include changes in the value of securities or securities indices) that occur after the close of the relevant market and before the Valuation Time. The Manager may utilize modeling tools provided by third-party vendors to determine fair values of non-Canadian securities.

Bank loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a loan pricing service. Bank loans for which an

active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a bank loan at fair value, the factors considered include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments initially valued in currencies other than the Canadian dollar are converted to the Canadian dollar using exchange rates obtained from pricing services. As a result, the NAV per Unit may be affected by changes in the value of currencies in relation to the Canadian dollar. The value of securities traded in markets outside Canada or denominated in currencies other than the Canadian dollar may be affected significantly on a day that the stock exchange is closed.

Securities and other assets for which market quotes are not readily available are valued at fair value as determined in good faith by the Manager. The Manager has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Trustee the responsibility for applying the valuation methods. For instance, certain securities or investments for which daily market quotes are not readily available may be valued, pursuant to guidelines established by the Manager, with reference to other securities or indices. In the event that market quotes are not readily available, and the security or asset cannot be valued pursuant to one of the valuation methods, the value of the security or asset will be determined in good faith by the Manager.

Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, broker quotes), including where events occur after the close of the relevant market, but prior to the Valuation Time, that materially affect the values of the Portfolio Assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. When fair value pricing is used to determine NAV per Unit, securities will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Manager believes reflects fair value. Fair value pricing may require subjective determinations about the value of a security. While the Manager's policy is intended to result in a calculation of the NAV per Unit that fairly reflects security values as of the time of pricing, the Manager cannot ensure that fair values determined would accurately reflect the price that the Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used may differ from the value that would be realized if the securities were sold.

The NAV of the Fund and NAV per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

Reporting of Net Asset Value

The NAV of the Fund and the NAV per Unit will be calculated as of the Valuation Time on each Valuation Date. Such information will be provided to Unitholders at no cost via the internet, at www.pimco.ca.

DESCRIPTION OF THE UNITS

The Offering consists of a minimum of 5,000,000 Class A Units and/or Class F Units and a maximum of 65,000,000 Class A Units and/or Class F Units, excluding any additional Class A Units issued pursuant to the Over-Allotment Option. The following is a summary of the material attributes and characteristics of the Class A Units and the Class F Units as set out in the Trust Agreement. This summary does not purport to be complete and is subject to, and qualified by, the terms of the Trust Agreement.

Subject to the discretion of the Manager and provided that no subscriber will be permitted to hold 20% or more of the aggregate number of outstanding Units as at the time of closing the private placement, as of the date hereof, certain institutional investors intend to acquire up to 3,000,000 Class P Units on a private placement basis for gross proceeds to the Fund of $30,000,000. The Class P Units will not be offered or qualified under this prospectus or pursuant to the Agency Agreement and will have the same redemption rights as the Class A Units. The Class P Units, if any, will be reclassified as Class A Units on or about the date that is the first Business Day following the six month anniversary of the closing of the Offering.

Description of the Units Distributed

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, Class F Units and Class P Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Class A Units, an unlimited number of Class F Units and an unlimited number of Class P Units.

The Class A Units and Class F Units are freely transferable, except as restricted in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities or to obtain, maintain or renew any licences, rights, status or powers pursuant to any applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authorities. The number of Class A Units and Class F Units may be consolidated or subdivided on the direction of the Manager.

Except as provided under "Unitholder Matters - Non-Resident Unitholders", 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, if any. Any special distributions of net income and/or realized net capital gains payable in Class A or Class F Units will increase the aggregate adjusted cost base of a Class A or Class F Unitholder's Units. See "Income Tax Considerations" and "Unitholder Matters - Matters Requiring Unitholder Approval".

No holder of a fraction of a Unit, as such, is entitled to notice of, or to attend or to vote at, meetings of Unitholders, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Units are transferable and, in certain circumstances, redeemable at the option of the Fund. Unitholders have rights of redemption and will be entitled to receive distributions declared by the Fund. See "Redemption of Units" and "Distribution Policy".

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises (i) the trust is a reporting issuer under the *Securities Act* (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of Ontario as a result of the provisions of the Trust Agreement.

Reclassification of Class F Units Following Closing

Purchasers who subscribe for Class F Units are deemed to have requested for the Fund to reclassify such Class F Units as Class A Units immediately following the closing of the Offering. Class F Units will be reclassified as Class A Units on a one-for-one basis immediately following the closing of the Offering. Accordingly, investors purchasing Class F Units will following the closing of the Offering become holders of Class A Units. No fractions of Class A Units will be issued upon any reclassification of Class F Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units. After the reclassification of the Class F Units as Class A Units, only Class A Units and Class P Units of the Fund will be outstanding. A reclassification of Class F Units as Class A Units following the closing of the Offering will not constitute a disposition of such Class F Units for the purposes of the Tax Act. See "Income Tax Considerations".

Additional issuances of Class F Units, if any, will be reclassified as Class A Units immediately following such issuance based on the relative net asset values of the Class A Units and Class F Units at that time.

Market Purchases

The Fund will have the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Class A Units in the market, subject to any applicable regulatory and stock exchange requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities

and under the rules of the exchange or market on which the Class A Units are listed, if applicable, as provided for in the Trust Agreement or as otherwise permitted by applicable securities laws.

Following the closing of this Offering, the Fund may submit an application to the Canadian securities regulatory authorities to obtain the necessary regulatory approvals in order that the Fund may arrange for one or more securities dealers to find purchasers for any such Class A Units. There is no guarantee that the Fund will make such application or, if made, receive the necessary regulatory and stock exchange approvals.

Take-Over Bids

The Trust Agreement contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Book-Entry Only System

Registration of interests in, and transfers of, the Units will be made only through non-certificated interests issued under the Book-Entry Only System. On the Closing Date, non-certificated interests representing the aggregate number of Units subscribed for under the Offering will be recorded in the name of the Depositary, or its nominee, on the register of the Fund maintained by the Transfer Agent. Units must be purchased, converted, transferred and surrendered for redemption through a Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by, the Depositary or the Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a Participant and from or through which the Units are purchased.

The Fund, the Manager, and the Agents will not have any liability for (i) records maintained by the Depositary relating to the beneficial interests in the Units or the book-based entry accounts maintained by the Depositary, (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests or (iii) any advice or representation made or given by the Depositary and made or given with respect to the rules and regulations of the Depositary or any action taken by the Depositary or at the direction of the Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such holder's interest in such Units (other than through a Participant) may be limited due to the lack of a physical certificate.

UNITHOLDER MATTERS

The following description of the Trust Agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of the Trust Agreement.

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager at any time and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding entitled to vote on the matter by a written requisition specifying the purpose of the meeting. The Trustee or the Manager may convene a meeting of a specific class if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class.

Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any such meeting is one or more Unitholders present in person or by proxy holding not less than 5% of the outstanding Units entitled to vote on the matter. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not more than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders:

(i) a change in the investment objectives of the Fund as described under "Investment Objectives" or any a change in the investment restrictions of the Fund as described under "Investment Restrictions", unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

(ii) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;

(iii) except as described under "Organization and Management Details of the Fund – Duties and Services to be Provided by the Manager ", a change in the Manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;

(iv) the removal of the Trustee, other than a change resulting in an affiliate of such person assuming such position or as otherwise permitted by the Trust Agreement;

(v) the liquidation, dissolution or early termination of the Fund, other than in accordance with the provisions of the Trust Agreement;

(vi) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, another issuer, if:

  (a) the Fund ceases to continue after the reorganization or transfer of assets; and

  (b) the transaction results in Unitholders becoming securityholders in the other issuer;

(vii) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another issuer, if:

  (a) the Fund continues after the reorganization or acquisition of assets;

  (b) the transaction results in the securityholders of the other issuer becoming Unitholders; and

  (c) the transaction would be a material change to the Fund;

(viii) the issuance of Units for net proceeds less than the most recently calculated NAV per Unit prior to the date upon which the price of the Units for such issuance is determined;

(ix) any material amendment, modification or variation in the provisions or rights attaching to the Units; and

(x) a reduction in the frequency of calculating the NAV per Unit.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a "**Permitted Merger**") with another fund or funds, provided that:

(i) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;

(ii) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the applicable NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;

(iii) the funds being merged have similar investment objectives as set forth in their respective declarations of trust or trust agreements, as determined in good faith by the Manager in its sole discretion (for greater certainty, the funds to be merged may have different investment strategies, guidelines and restrictions);

(iv) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;

(v) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and

(vi) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders.

If the Manager determines that a Permitted Merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Trust Agreement, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least thirty (30) Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units that would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Trust Agreement which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Trust Agreement

Notwithstanding the foregoing, the Trustee is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

(i) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;

(ii) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(iii) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;

(iv) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;

(v) add additional classes of units whose rights and privileges are not greater than the existing classes of units of the Fund; or

(vi) provide added protection or benefit to Unitholders,

provided that such amendments may be made only if they will not materially adversely affect the interest of any Unitholder.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Such financial statements and reports will also be available on the Manager's website at www.pimco.ca.

The Fund will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Unitholders, the Fund will provide to Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Unitholders.

Accounting and Reporting

The Fund's fiscal year will be the calendar year. The annual financial statements of the Fund shall be audited by the Fund's auditor in accordance with Canadian GAAS. The auditor will be asked to report on the fair presentation of the annual financial statements which have been prepared in accordance with IFRS. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

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 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 45% or more 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.

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 the 12th anniversary of the date hereof, which the Fund currently expects to occur on or about February 17, 2034 (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 Class A Units with a one-time redemption right at a redemption price per Class A Unit equal to the Net Asset Value per Class A Unit on February 17, 2034 (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".

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.

USE OF PROCEEDS

Following the reclassification of Class F Units into Class A Units following the closing of the Offering, the proceeds from the sale of Class A Units and the Class F Units (prior to the exercise of the Over-Allotment Option) will be as follows:

	Maximum Offering(1)(2)(4)	**Minimum Offering**(1)(4)
Gross proceeds to the Fund	$650,000,000	$50,000,000
Agents' Fee(3)	$19,500,000	$1,500,000
Expenses of the Offering(3)	$-	$-
Reimbursement of Agents' Fees by Manager(3)	$19,500,000	$1,500,000
Voluntary Cash Contribution to the Fund by Manager (3)	$-	$-
Proceeds to the Fund	$650,000,000	$50,000,000

(1) There will be no Closing unless an aggregate minimum of 5,000,000 Class A Units and/or Class F Units are sold. The maximum Offering assumes only Class A Units are sold and does not include the Class A Units resulting from the reclassification of Class F Units. If subscriptions for a aggregate minimum of 5,000,000 Class A Units and/or Class F Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue unless an amendment to this prospectus is filed.

(2) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Class A Units, at a price of $10.00 per Class A Unit, in an amount up to 15% of the aggregate number of Class A Units and Class F Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fee and the proceeds to the Fund (including the additional contribution from the Manager) will be $747,500,000, $22,425,000 and $747,500,000 respectively, assuming no Class F Units are sold under the Offering. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(3) The Manager (and not the Fund) will pay all fees and expenses of the Offering. Accordingly, the Manager (and not the Fund) has agreed to pay full compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make the Voluntary Cash Contribution to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively. See "Fees and Expenses".

(4) Assuming no Class F Units are sold under the Offering.

The Fund will use the proceeds of the Offering (including any proceeds from the exercise of the Over-Allotment Option) and the proceeds from the sale of the Class P Units, together with any Borrowings, to acquire Portfolio Assets in accordance with the investment objectives and restrictions of the Fund as soon as possible after Closing.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to conditionally offer the Class A Units and the Class F Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund.

The Manager (and not the Fund) has agreed to pay compensation to the Agents of $0.30 per Class A Unit and $0.13 per Class F Unit sold in connection with this Offering. In addition, the Manager will make the Voluntary Cash Contribution to the Fund upon Closing. As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Class A Units and Class F Units offered hereby, the Agents will not be obligated to purchase Class A Units or Class F Units that are not sold.

The Offering price of $10.00 per Class A Unit and $9.83 per Class F Unit was established by negotiation between the Agents and the Manager. There is currently no market through which the Class A Units or the Class F Units can be sold.

The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days from the closing of the Offering to purchase up to 15% of the aggregate number of the Class A Units issued at the Closing on the same terms as set forth above. This prospectus also qualifies the distribution of the Over-Allotment Option and the Class A Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the Closing.

If subscriptions for a minimum of 5,000,000 Class A Units and/or Class F Units ($50,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus is filed and a receipt therefor has been issued. There will be no Closing unless a minimum number of 5,000,000 Class A Units and/or Class F Units have been sold. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved by the Fund and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Units and Class F Units will be received subject to rejection or allotment in whole or in part. Subscription proceeds pursuant to the Offering will be received by the Agents and held in trust in a segregated account until subscriptions for the minimum Offering are received and the other closing conditions of the Offering have been satisfied. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on or about March 10, 2022, but, in any event, not later than 90 days after a receipt for the final prospectus is issued.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Class A Units or Class F Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Class A Units or the Class F Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws an Agent may, in connection with this Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

The Class P Units will be offered on a private placement basis and will not be offered, qualified or issued under this prospectus or pursuant to the Agency Agreement. The Class P Units, if any, will be reclassified as Class A Units on or about the date that is the first Business Day following the six month anniversary of the closing of the Offering.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of the Manager and the Sub-Adviser will receive fees for its services and will be reimbursed for all reasonable expenses and liabilities incurred in connection with the operation and management of the Fund. The Manager is responsible for paying the fees payable to the Sub-Adviser out of the Management Fee. See “Fees and Expenses”.

BROKERAGE ARRANGEMENTS

The Manager has authorized PIMCO, as Sub-Adviser, to execute trades on behalf of the Fund. PIMCO places orders for the purchase and sale of portfolio investments for the Fund’s accounts with brokers or dealers selected by it in its discretion. In effecting purchases and sales of portfolio securities for the account of the Fund, PIMCO will seek the best execution of the Fund’s orders. PIMCO places all orders for the purchase and sale of portfolio securities, options and futures contracts for the Fund and buys and sells such securities, options and futures through a substantial number of brokers and dealers. In so doing, PIMCO uses its best efforts to obtain the best execution available. In seeking best execution, PIMCO, having in mind the Fund’s best interests, considers all factors it deems relevant, including, price, size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction, taking into account market prices and trends, the reputation, experience and financial stability of the broker dealer involved and the quality of service rendered by the broker dealer in other transactions.

Changes in the aggregate amount of brokerage commissions paid by the Fund from year to year may be attributable to changes in the asset size of the Fund, the volume of portfolio transactions effected by the Fund, the types of instruments in which the Fund invests, or the rates negotiated by PIMCO on behalf of the Fund. There is generally no stated commission in the case of fixed income securities, which are traded in the over the counter markets, but the price paid by the Fund usually includes an undisclosed dealer commission or mark up. In underwritten offerings, the price paid by the Fund includes a disclosed, fixed commission or discount retained by the underwriter or dealer. Transactions on Canadian or U.S. stock exchanges and other agency transactions involve the payment by the Fund of negotiated brokerage commissions. Such commissions vary among different brokers. Also, a particular broker may charge different commissions according to such factors as the difficulty and size of the transaction. Transactions in foreign securities generally involve the payment of fixed brokerage commissions, which are generally higher than those in Canada and the U.S.

The Fund may pay higher commission rates than the lowest available when PIMCO believes it is reasonable to do so in light of the value of the brokerage and research services provided by the broker effecting the transaction.

PIMCO may receive research services from many broker dealers with which PIMCO places the Fund’s portfolio transactions. PIMCO also may receive research or research related credits from brokers which are generated from underwriting commissions when purchasing new issues of fixed income securities or other assets for the Fund. These services, which in some cases also may be purchased for cash, include such matters as general economic and security market reviews, industry and company reviews, evaluations of securities and recommendations as to the purchase and sale of securities. In obtaining any such services, PIMCO is required to adhere to Canadian securities laws.

Such information may be provided in the form of meetings with analysts, telephone contacts and written materials. Some of these services are of value to PIMCO in advising various of its clients and the Fund, although not all of these services are necessarily useful and of value in managing the Fund. The management fee paid by the Fund will not be reduced in the event that PIMCO and its affiliates received such services. Although PIMCO considers the research products and services it receives from broker dealers to be supplemental to its own internal research, PIMCO would likely incur additional costs if it had to generate these research products and services through its own efforts or if it paid for these products or services itself.

PIMCO may cause the Fund to pay a broker dealer which provides brokerage and research services to PIMCO an amount of disclosed commission or spread for effecting a securities transaction for the Fund in excess of the commission or spread which another broker dealer would have charged for effecting that transaction.

PIMCO may purchase new issues of securities for the Fund in underwritten fixed price offerings. In these situations, the underwriter or selling group member may provide PIMCO with research in addition to selling the securities (at the fixed public offering price) to the Fund. Because the offerings are conducted at a fixed price, the ability to obtain research from a broker dealer in this situation provides knowledge that may benefit the Fund, other PIMCO clients, and PIMCO without incurring additional costs. As a general matter in these situations, the underwriter or selling group member will provide research credits at a rate that is higher than that which is available for secondary market transactions.

Since the Fund's inception, all brokerage commissions incurred by the Fund were used to pay for order execution only. None of the broker commissions were used to pay for goods and services, such as those listed above.

Additional information concerning PIMCO's policy regarding the allocation of brokerage transactions will be provided upon request by contacting us toll-free at 1-866-341-3350.

PROXY VOTING DISCLOSURE FOR PORTFOLIO ASSETS HELD

The Manager has delegated the right and obligation to vote proxies relating to the Portfolio Assets to the Sub-Adviser as part of the Sub-Adviser's investment management responsibilities.

The Sub-Adviser has established a proxy voting policy (the "**Proxy Voting Policy**") that provides that the Sub-Adviser will vote the securities in the Portfolio in the best interests of its clients, including the Fund and its Unitholders. The Proxy Voting Policy is administered through the Sub-Adviser's proxy voting committee. The Sub-Adviser has established detailed proxy voting guidelines covering both routine and non-routine matters and maintains procedures to monitor for upcoming votes.

The Proxy Voting Policy also outlines the specific responsibilities of third party service providers for administration and recordkeeping services. The Sub-Adviser will identify any conflicts in voting proxies which may exist between the interests of the Sub-Adviser and its clients, including the Fund. If a material conflict exists the Sub-Adviser will determine whether voting in accordance with its voting guidelines is in the best interests of its clients (or particular affected clients).

As part of its oversight, the Manager will establish guidelines which provide a framework for the Sub-Adviser on how to approach the voting of securities held by the Fund. The Manager's guidelines are to be followed by the Sub-Adviser, in conjunction with the Sub-Adviser's own Proxy Voting Policy in determining how to vote on any matter. The Sub-Adviser may depart from the Manager's guidelines where the Sub-Adviser believes it is necessary to do so in the best interests of the Fund and the Unitholders.

The guidelines to be established by the Manager will include:

(a) a standing policy for dealing with routine matters on which a fund may vote: The Manager's proxy voting policy establishes guidelines for a number of routine matters. These guidelines vary, depending on the specific matter involved. Routine matters include: election of directors; appointment of auditors; changes in capital structure; and an increase in authorized stock. While votes will be made on a case-by-case basis, with consideration given to the protection of shareholder rights and positive economic shareholder value, the Fund will typically vote in favour of routine matters unless there are specific circumstances for voting against;

(b) the circumstances under which the Fund will deviate from the standing policy for routine matters: The Manager's proxy voting policy provides that the Sub-Adviser may depart from the general guidelines with respect to routine matters, in order to avoid voting decisions that may be contrary to the best interests of the Fund and the Unitholders;

(c) the policies under which, and the procedures by which, the Fund will determine how to vote or refrain from voting on non-routine matters: These policies vary depending on the specific matter involved. Non-routine matters include: corporate restructurings; mergers and acquisitions; proposals affecting shareholder rights; corporate governance; executive compensation; and social and environmental issues; and

(d) procedures to ensure that Portfolio Assets are voted in accordance with the instructions of the Manager: The procedures developed aim to ensure that the Sub-Adviser votes in accordance with the Manager's instructions.

The Manager's proxy voting policy includes procedures to identify conflicts of interest. If the potential for a conflict of interest arises in connection with proxy voting, the Manager's proxy voting policy provisions related to conflicts of interest apply. In all cases where there is an actual or apparent conflict of interest, proxies are to be voted in a manner consistent with, and uninfluenced by considerations other than, the best interest of the Fund and the Unitholders.

The Manager will publish these records on an annual basis, commencing in August 2022, on its website at www.pimco.ca. A copy of the Proxy Voting Policy is available on request by contacting the Manager at 866-341-3350.

EXEMPTIONS AND APPROVALS

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 1933 Act, as set out in Rule 144A of the 1933 Act for resales of certain fixed income securities to "qualified institutional buyers" (as such term is defined in the 1933 Act).

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

(a) the Trust Agreement described under "Organization and Management Details of the Fund", "Description of the Units" and "Unitholder Matters";

(b) the Agency Agreement described under "Plan of Distribution";

(c) the Investment Management Agreement described under "Organization and Management Details of the Fund – Sub-Adviser of the Fund – Duties and Services to be Provided by the Sub-Adviser"; and

(d) the Custodian Agreement described under "Organization and Management Details of the Fund".

Copies of the foregoing documents, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the units offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

EXPERTS

The matters referred to under "Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Fund and McCarthy Tétrault LLP, on behalf of the Agents. The partners and associates of each of Blake, Cassels & Graydon LLP and McCarthy Tétrault LLP, respectively, as a group, beneficially own, directly or indirectly, less than one percent of any class of security of the Fund.

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who have prepared an independent auditor's report dated February 17, 2022 on the statement of financial position of the Fund as of February 17, 2022. PricewaterhouseCoopers LLP 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 OF WITHDRAWAL AND RESCISSION

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. 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, revisions 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.

Independent auditor's report

To the Unitholder and Trustee of
PIMCO Multi-Sector Income Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Fund as at February 17, 2022 in accordance with those requirements of International Financial Reporting Standards (IFRS) relevant to preparing a statement of financial position.

What we have audited
The Fund's financial statement comprises the statement of financial position as at February 17, 2022 and the notes to the financial statement, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statement* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - basis of accounting

We draw to users' attention the fact that the financial statement does not comprise a full set of financial statements prepared in accordance with IFRS. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of IFRS relevant to preparing a statement of financial position, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 17, 2022

PIMCO MULTI-SECTOR INCOME FUND

STATEMENT OF FINANCIAL POSITION

As at February 17, 2022

ASSETS

Current Assets

Cash	$10.00
Total Assets	$10.00

NET ASSETS ATTRIBUTABLE TO THE HOLDER OF THE UNIT

Class A Unit	$10.00

NET ASSETS ATTRIBUTABLE TO THE HOLDER OF THE UNIT PER CLASS A UNIT

$10.00

The accompanying notes are an integral part of this statement of financial position.

PIMCO MULTI-SECTOR INCOME FUND

NOTES TO STATEMENT OF FINANCIAL POSITION

1. GENERAL INFORMATION

PIMCO Multi-Sector Income Fund (the "Fund") is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 26, 2022. The manager and promoter of the Fund is PIMCO Canada Corp. ("**PIMCO Canada**" or the "**Manager**"). The principal office of the Fund and the Manager is located at Commerce Court West, 199 Bay Street, Suite 2050, Toronto, Ontario M5L 1G2. The beneficial interest in the net assets and net income of the Fund is divided into units. Initially, only Class A Units, Class F Units and Class P Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Class A Units, Class F Units and Class P Units. On January 26, 2022, the Fund was settled and issued one Class A Unit for $10 cash to a director of the Manager. The trustee of the Fund is PIMCO Canada.

The Fund's investment objectives are 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, 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.

Pacific Investment Management Company LLC ("**PIMCO**" or the "**Sub-Adviser**"), an affiliate of the Manager, serves as the Sub-Adviser for the Fund pursuant to the Investment Management Agreement between the Manager and PIMCO. 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. The Fund has retained State Street Trust Company Canada (the "Custodian") under a custodial services agreement between the Manager and the Custodian, as it may be amended from time to time.

The statement of financial position as at February 17, 2022 was authorized for issue by PIMCO Canada, on behalf of the Fund, on February 17, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this financial statement are set out below.

Basis of Presentation:

The statement of financial position of the Fund has been prepared in accordance with International Financial Reporting Standards ("IFRS") relevant to preparing such a statement of financial position. The statement of financial position has been prepared under the historical cost convention.

Functional and Presentation Currency:

The financial statement is presented in Canadian dollars, which is the Fund's functional currency.

Financial Instruments:

The Fund recognizes financial instruments at fair value upon initial recognition. Regular way purchases and sales of financial assets are recognized on the trade date.

Cash is comprised of a deposit with a financial institution.

The Fund's obligation for net assets attributable to the holder of the redeemable Class A unit is presented at the redemption amount of $10.

Classification of Redeemable Unit:

International Accounting Standard 32: Financial Instruments: Presentation ("IAS 32") outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The Fund's Class A Unit's entitlements include multiple redemption features, and therefore there are multiple contractual obligations. Consequently, the Fund's Class A Unit is classified as a financial liability in accordance with the requirements of IAS 32.

3. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of cash and the Fund's obligation for net assets attributable to the holder of the redeemable unit approximate their fair values.

4. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

Credit Risk:

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at February 17, 2022, the credit risk is considered limited as the cash balance represents a deposit with State Street Trust Company Canada.

Liquidity Risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund maintains sufficient cash on hand to fund anticipated redemptions.

Capital Risk Management:

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than a minimum subscription requirement of 100 Class A Units or 100 Class F Units for units purchased under the initial public offering of Class A and Class F Units.

5. REDEEMABLE 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, Class F Units and Class P Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Class A Units, Class F Units and Class P Units. As of the date of this financial statement, no Class F Units or Class P Units are issued and outstanding. Subject to the discretion of the Manager and provided that no subscriber will be permitted to hold 20% or more of the aggregate number of outstanding Units of the Fund as at the time of closing the private placement, as of the date hereof, certain institutional investors intend to acquire up to 3,000,000 Class P Units to be offered on a private placement basis.

The Class F Units are being offered at $9.83 and the Manager intends to make a voluntary cash contribution of $0.17 per Class F Unit to the Fund upon closing of the initial offering of the Fund's Class A and Class F Units (the "Closing"). As a result, the net asset value per Class A Unit and the net asset value per Class F Unit immediately following the Closing will be $10.00 and $10.00, respectively. The Class F Units offered under the prospectus will be reclassified as Class A Units on a one-for-one basis following the Closing. The Class P Units, if any, will be

reclassified as Class A Units on or about the date that is the first Business Day following the six month anniversary of the Closing.

6. RELATED PARTY TRANSACTIONS

An annual management fee (the “Management Fee”) equal to 1.30% of the Total Assets of the Fund attributable to the Units will be paid to the Manager, calculated daily and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Sub-Adviser out of the Management Fee. In addition, the Manager will pay 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 the closing date of the offering.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: February 17, 2022

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

PIMCO Multi-Sector 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.

(*Signed*) "Stuart Graham"

Stuart Graham
Director

(*Signed*) "John Kirkowski"

John Kirkowski
Director

(*Signed*) "David Flattum"

David Flattum
Director

CERTIFICATE OF THE AGENTS

Dated: February 17, 2022

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC.	**NATIONAL BANK FINANCIAL INC.**	**CIBC WORLD MARKETS INC.**
(*Signed*) "Valerie Tan"	(*Signed*) "Gavin Brancato"	(*Signed*) "Richard Finkelstein"

TD SECURITIES INC.

(*Signed*) "Adam Luchini"

BMO NESBITT BURNS INC.	**SCOTIA CAPITAL INC.**
(*Signed*) "Rob Turnbull"	(*Signed*) "Robert Hall"

CANACCORD GENUITY CORP.	**RAYMOND JAMES LTD.**	**RICHARDSON WEALTH LIMITED**
(*Signed*) "Michael Sardo"	(*Signed*) "Matthew Cowie"	(*Signed*) "Nargis Sunderji"

DESJARDINS SECURITIES INC.	**ECHELON WEALTH PARTNERS INC.**	**HAMPTON SECURITIES LIMITED**	**IA PRIVATE WEALTH INC.**	**MANULIFE SECURITIES INCORPORATED**
(*Signed*) "Nikolas Javaheri"	(*Signed*) "Beth Shaw"	(*Signed*) "Andrew M. Deeb"	(*Signed*) "Richard Kassabian"	(*Signed*) "William Porter"