



UK Income Bond Fund



Quarterly Investment Report | 4Q23

IMPORTANT NOTICE

Please note that this material contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

Executive summary

Portfolio Performance

The Fund posted positive returns in the fourth quarter of 2023. Duration and spread strategies contributed to performance. Long exposure to UK and US rates were the main contributors to performance, as rates significantly rallied due to signs of cooling inflation.

CONTRIBUTORS

- Long exposure to UK rates, as yields rallied
- Long exposure to US rates, as yields rallied
- Exposure to cash interest rate in the UK, from carry
- Long exposure to investment grade and high yield corporate credit, as spreads tightened
- Holdings of European RMBS and Agency MBS

DETRACTORS

- Modest short exposure to European rates, as yields rallied
- Short exposure to Japanese duration, as yields rallied

Performance periods ended 31 Dec '23	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Fund before fees	7.16	8.49	11.63	0.41	2.38	2.96	3.99
Fund after fees	7.03	8.22	11.09	-0.09	1.88	2.46	3.48
Benchmark*	5.07	7.92	5.66	-2.59	-0.15	1.33	2.00

Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.

Unit value can go up as well as down and any capital invested in the fund may be at risk. The fund may invest in non-U.S. and non-eurozone securities which involve potentially higher risks including currency fluctuations and political or economic developments. These may be enhanced when investing in emerging markets. Funds that invest in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. The fund may use derivatives for hedging or as part of its investment strategy which may involve certain costs and risks. Portfolios investing in derivatives could lose more than the principal amount invested. For more details on the fund's potential risks, please read the Prospectus and Key Investor Information Document.

Portfolio strategy

- **Duration:** UK duration exposure is focused on the intermediate and the front end of the curve. We also hold exposure to US duration to enhance diversification.
- **Corporate credit:** We continue to hold exposure to investment grade corporate credit, focusing on senior financial debt. We maintained our high yield exposure, split between cash bonds and index CDS for additional liquidity.
- **Securitized credit:** We continue to hold high quality UK RMBS, AAA structured credit due to attractive fundamentals and valuations. We continue to hold exposure to higher coupon US agency RMBS due to compelling spreads and carry.
- **Currency:** The Fund maintains a long exposure to JPY, which we find attractively valued. The Fund is also long a basket of EM currencies (BRL, IDR, INR, MXN, TRY).

Class:	INST
Inception date:	23 Feb '11
Fund assets (in millions):	£57.76

Summary information	31 Dec '23
Estimated yield to maturity (Gross of fee)	5.60%
Effective duration (yrs)	3.75
Benchmark duration - provider (yrs)	3.90
Benchmark duration - PIMCO (yrs)	3.95
Effective maturity (yrs)	3.59
Average coupon	4.86%
Tracking error (10 yrs)	3.74
Information ratio (10 yrs)	0.31

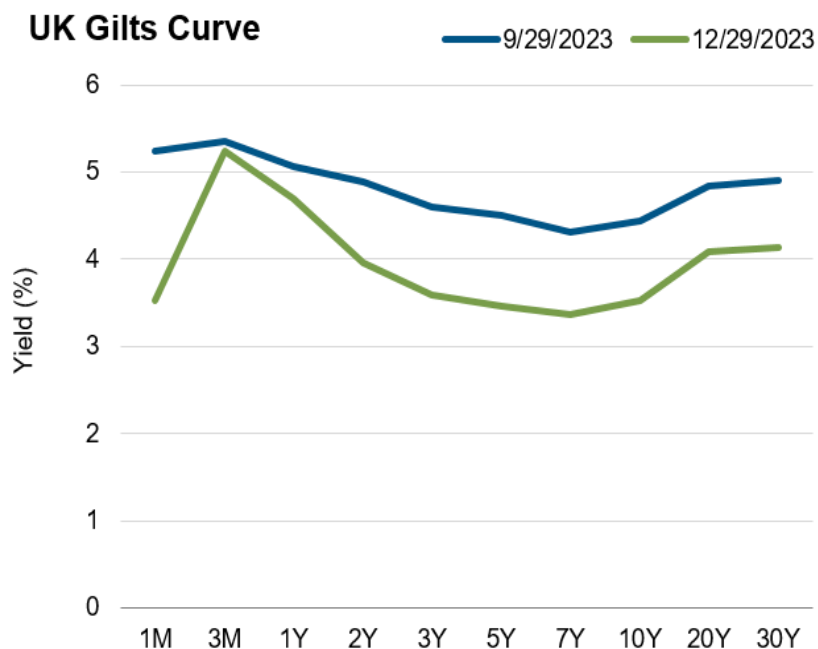
Sector allocation	Dur. (yrs)	MV(%)
Government Bonds	0.00	0.00
Government Related Derivatives	0.83	37.61
Government Other	0.02	0.86
Inflation Linked	0.00	0.00
Securitized	1.69	56.35
Covered Bonds and Pfandbriefe	0.00	0.00
Investment Grade Credit	0.87	20.06
High Yield Credit	0.06	10.52
EM External	0.09	5.37
EM Local	0.16	5.17
Other	0.00	0.01
Net Short Duration Instruments	0.03	-35.96
Total	3.75	100

*The fund is actively managed in reference to the Bloomberg Sterling Aggregate 1-10yr bond index as further outlined in the prospectus and key investor information document/key information document

Quarter in Review

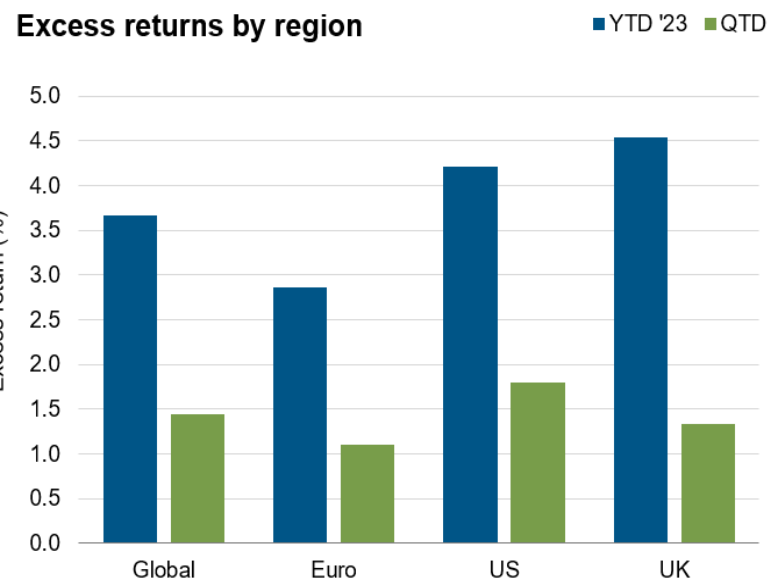
Signs of cooling inflation shift the narrative around interest rates trajectory

Indications of slowing led market participants to price in an accelerated path of rate cuts for 2024, prompting a broad rally across the global bond market. Risk sentiment rebounded, with the MSCI World rising 11.53%, while the dollar weakened. The Fed paused rate hikes for the third consecutive time, while the central bank's dot plot pointed to the potential for 75bps of cuts in 2024. Global developed central banks suggested having potentially reached peak policy rates, but both the ECB and BoE remained cautious, signaling that rates might remain restrictive for longer. Meanwhile, the BoJ maintained its negative interest rate policy and left its guidance unchanged.



Interest rates repriced sharply lower since the end of October, on the backdrop of central banks suggesting having reached peak policy rates, as well as encouraging inflation prints. In the Eurozone, the German Bund 10y fell 82bps. Peripheral European risk premia repriced lower, as the Italian 10yr BTP yield fell 109bps, tightening vs 10yr Bunds by 27bps. U.K. Gilts outperformed other major DM rates, falling 91bps over the quarter.

Source: Bloomberg



On an excess return basis, all regional credit markets posted positive returns during the fourth quarter as spreads tightened amid improved risk sentiment. The U.S. credit market outperformed over the quarter, supported by healthy economic growth indicators alongside a continued moderation in inflation.

Source Bloomberg, Barclays, ICE BofA. Global Credit is represented by the Bloomberg Global Aggregate Credit index; Euro Credit is represented by the Bloomberg Euro-Aggregate Credit index; US Credit is represented by the Bloomberg U.S. Credit index; UK Credit is represented by the ICE BofA Sterling Non-Gilt index.

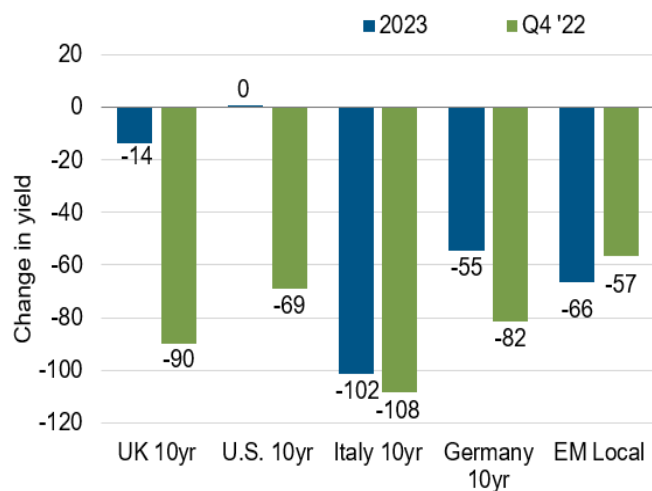
Market Summary

Rates strategies and spread strategies contributed to performance over the quarter.

The Fund posted a positive return as interest rates and spread strategies contributed to performance over the quarter.

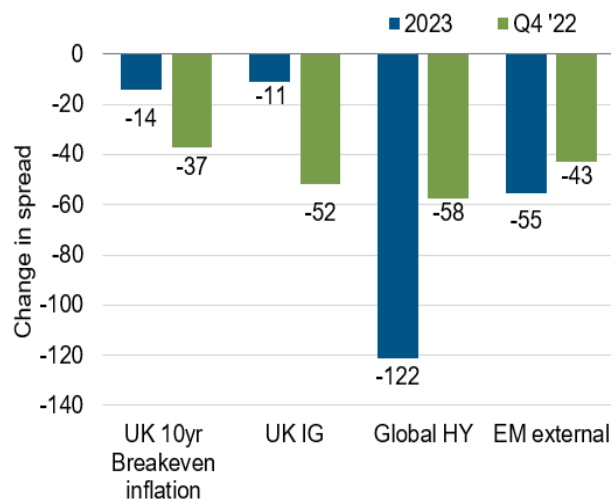
Developed market debt

Indications of slowing inflation in the second half of the quarter prompted markets to price in accelerated expectations of rate cuts for next year. Yields fell broadly in developed markets as central banks held rates steady, including in the U.S., UK, and Germany. The 10yr Bund yield was down 82bps to 2.02% while the 2yr yield fell 81bp to 2.39%. The UK sovereign bond market outperformed other major DM rates, with the 2y Gilt yield rallying 93bps and the 10y yield rallying 91bps.



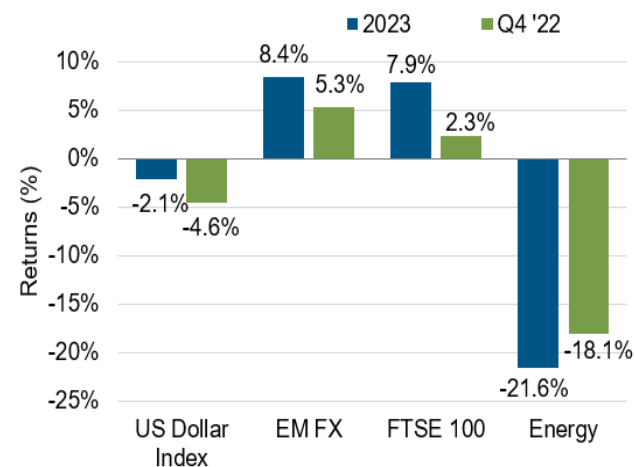
Credit

Sterling credit markets posted positive excess returns across the quality spectrum, as the year-end rally led to notable spread compression, with lower rated segments of the market outperforming amid improved risk sentiment. Additionally, all ratings segments of the Sterling Credit market posted strong positive total returns for the last quarter of the year.



Currencies

The US dollar depreciated over the quarter returning -4.56% (DXY) vs. developed market peers, fueled by the anticipation of the end of the Fed's rate hiking cycle. The British pound appreciated +4.36% versus the dollar due to dollar weakness, in addition to more promising economic data than expected and a higher for longer rate stance by the Bank of England. The euro strengthened by +4.41% versus the dollar due to dollar weakness, in addition to the European Central Bank's aggressive stance on inflation and easing regional geopolitics.



Source: UK 10Yr, US 10yr, Germany 10yr, Italy 10yr, Breakeven inflation (Bloomberg); EM local (JPMorgan GBI-EM Global Diversified Composite Yield to Maturity Index); UK investment grade credit (ICE BAML Sterling Corporates Index); Global high yield credit (Bloomberg High Yield Average OAS Index); EM external (JPMorgan Emerging Bond Index Global Sovereign Spread); EM currencies (JPMorgan ELMI Plus Composite); Energy (Bloomberg Energy Subindex Total Return Index); Industrial metals (Bloomberg Industrial Metals Subindex Total Return Index).

Navigating the Descent: Four economic themes



Peak inflation and rising unemployment consistent with rate cuts



Soft landings are possible, but risks remain



Markets already price a substantial cutting cycle



Global divergence in monetary policy

Portfolio Outlook

Strategic outlook

Further disinflation and the potential for a faster cutting cycle should, in our view, raise the prospects for a soft landing. However, this is not to say that we believe that the path toward a soft landing is the only possible path. It is our view that the tighter-for-longer strategy that central banks have been communicating along with the strong possibility of stagnation in developed market supply and demand growth leave recession risks elevated.

Key strategies

Interest Rate Strategies

We added to UK duration. As rates significantly rallied, we reduced our US duration exposure, from the intermediate portion of the curve, taking profits. We retain our short to Japan.

Securitized Credit

We continue to hold high quality UK RMBS, AAA structured credit due to attractive fundamentals and valuations. We maintain exposure to higher coupon US agency RMBS due to compelling spreads and carry, whilst adding resiliency to the portfolio.

Credit Opportunities

In corporate credit, we continue to like the financials and real estate sectors. We modestly reduced exposure to high yield credit, with exposure split between select bottom up credits as well as CDX indices for additional liquidity.

Currencies

The Fund maintains a long exposure to JPY, which we find attractively valued. The Fund is also long a basket of EM currencies (BRL, IDR, INR, MXN, TRY).

Sector exposure

	Portfolio				Benchmark	
	% of Market value		Duration in years		% of Market value	Duration in years
	30 Sep '23	31 Dec '23	30 Sep '23	31 Dec '23	31 Dec '23	31 Dec '23
Government Bonds	0.00	0.00	0.00	0.00	66.18	2.69
Government Related Derivatives	27.89	37.61	0.82	0.83	-	-
Government Other	0.86	0.86	0.02	0.02	10.49	0.32
Inflation Linked	0.00	0.00	0.00	0.00	-	-
Securitized*	58.48	56.35	2.75	1.69	0.63	0.02
Covered Bonds and Pfandbriefe	0.00	0.00	0.00	0.00	0.73	0.02
Investment Grade Credit	14.90	20.06	0.71	0.87	21.59	0.84
High Yield Credit	10.50	10.52	0.04	0.06	-	-
EM External	6.94	5.37	0.13	0.09	0.35	0.01
EM Local	4.53	5.17	0.15	0.16	-	-
Other***	0.01	0.01	0.00	0.00	0.02	0.00
Net Short Duration Instruments****	-24.12	-35.96	0.07	0.03	-	-
Total	100	100	4.69	3.75	100	3.90

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

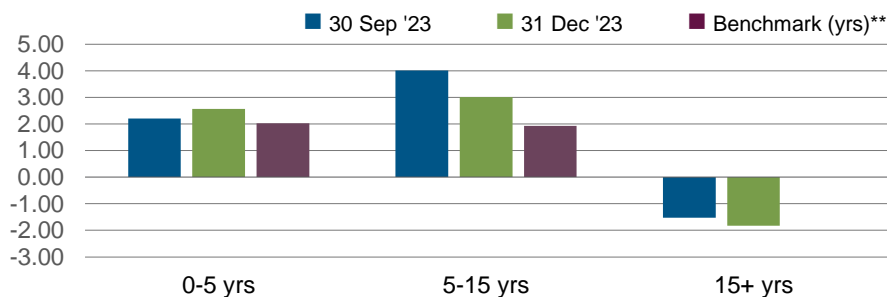
***Investment vehicles not listed, allowed by prospectus.

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

Benchmark: Bloomberg Sterling Aggregate 1-10yr bond index

Portfolio characteristics

Key rate duration exposure



	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '23	31 Dec '23	31 Dec '23
0-5 yrs	2.21	2.56	2.03
5-15 yrs	4.01	3.01	1.93
15+ yrs	-1.53	-1.82	0.00
Total	4.69	3.75	3.96

Interest rate exposure

	Portfolio (yrs)		Benchmark (yrs)**
	30 Sep '23	31 Dec '23	31 Dec '23
Effective duration	4.69	3.75	3.95
Bull market duration	4.18	3.33	3.97
Bear market duration	5.48	5.04	3.93
Spread duration			
Mortgage spread duration	3.74	2.86	0.02
Corporate spread duration	1.18	1.50	0.98
Emerging markets spread duration	0.27	0.25	0.01
Swap spread duration	-0.76	-0.75	0.00
Covered bond spread duration	0.04	0.04	0.02
Sovereign related spread duration	0.03	0.02	0.30

Derivative exposure (% of duration)

	30 Sep '23	31 Dec '23
Government futures	33.59	41.25
Interest rate swaps	-14.59	-11.98
Credit default swaps*	8.54	10.36
Purchased swaps	0.00	0.00
Written swaps	8.54	10.36
Options	1.63	-3.32
Purchased Options	0.00	0.00
Written Options	1.63	-3.32
Mortgage Derivatives	0.03	0.07
Money Market Derivatives	0.54	-0.01
Futures	0.00	0.00
Interest rate swaps	0.54	-0.01
Other Derivatives	0.00	0.00

* Shown as a percentage of market value

**Benchmark duration is calculated by PIMCO
Benchmark: Bloomberg Sterling Aggregate 1-10yr bond index

Country exposure

Country exposure by country of risk

	30 Sep '23	31 Dec '23
	% of Duration	% of Duration
United States	42.90	0.19
Japan	-11.17	-8.77
Eurozone	3.12	5.27
Euro Currency	-4.96	-7.06
France	3.81	4.82
Germany	1.97	2.39
Ireland	0.65	1.46
Italy	1.57	2.00
Luxembourg	0.05	0.04
Spain	0.04	0.79
United Kingdom	56.20	92.90
Europe non-EMU	2.58	2.91
Czech Republic	0.14	0.15
Poland	1.27	1.39
Sweden	0.31	0.35
Switzerland	0.87	1.02
Dollar Block	1.55	2.00
Australia	1.05	1.38
Canada	0.50	0.62
Other Industrialized Countries	1.52	0.87
Singapore	1.15	0.45
Supranational	0.37	0.41
EM - Asia	0.09	0.08
China	0.01	0.02
India	0.03	0.03
Indonesia	0.05	0.03
EM - Latin America	2.12	3.18
Brazil	1.02	1.23
Mexico	1.10	1.95
EM - CEEMEA	1.10	1.37
Russia	0.00	0.00
South Africa	1.10	1.32
Total	100	100

Benchmark: Bloomberg Sterling Aggregate 1-10yr bond index

Additional share class performance

Performance (Institutional class, Accumulation Shares)

Past performance does not predict future results

Performance	31 Dec '18	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22
	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	31 Dec '23
Before fees (%)	7.58	3.28	0.56	-9.83	11.63
After fees (%)	7.07	2.77	0.06	-10.27	11.09
Bloomberg Sterling Aggregate 1-10yr bond index (%)*	3.58	3.66	-2.60	-10.20	5.66
Before fees alpha (bps)	400	-39	316	37	597
After fees alpha (bps)	349	-89	266	-7	542

The following information is additional to, and should be read only in conjunction with, the calendar year performance data presented below.

Past performance does not predict future results

Calendar Year (Net of Fees)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
After fees (%)	6.90	1.08	6.00	2.80	-1.32	7.07	2.77	0.06	-10.27	11.09	11.09
Bloomberg Sterling Aggregate 1-10yr bond index (%)*	6.56	1.00	5.23	1.29	0.25	3.58	3.66	-2.60	-10.20	5.66	5.66

As of 31 December 2023. SOURCE: PIMCO.

The fund is actively managed in reference to the Bloomberg Sterling Aggregate 1-10yr bond index Index as further outlined in the prospectus and key investor information document/key information document

*The benchmark is shown for performance comparison purpose only. Benchmark: Bloomberg Sterling Aggregate 1-10yr bond index Index.

Past performance is not a guarantee or a reliable indicator of future results. All periods longer than one year are annualised

Refer to Important Disclosures and the relevant sections of the Fund prospectus for additional performance and fee, chart, GIS funds, index, and risk information

Additional share class performance

Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.

Performance (Net of Fees)	31 Dec '18	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	SI
	31 Dec '19	31 Dec '20	31 Dec '21	31 Dec '22	31 Dec '23	
UK Income Bond Fund Institutional Accumulation	7.07	2.77	0.06	-10.27	11.09	3.48
UK Income Bond Fund Institutional Income	7.18	2.65	0.11	-10.25	11.04	3.48
Bloomberg Sterling Aggregate 1-10yr bond index	3.58	3.66	-2.60	-10.20	5.66	-

Additional share class performance

Past Performance is not a guarantee or reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.

UK Income Bond Fund (net of fees performance)

Performance periods ended: 31 Dec '23	Unified Management Fee	NAV currency	Class Inception date	3 mos.	6 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	SI
Class INST	0.000	GBP	23 Feb '11	7.03	8.22	11.09	-0.09	1.88	2.46	3.48
Class INST	0.000	GBP	23 Feb '11	6.96	8.23	11.04	-0.08	1.88	2.45	3.48
Bloomberg Sterling Aggregate 1-10yr bond index	-	-	-							2.00

Important Disclosures

Marketing Communication

This is a marketing communication. This is not a contractually binding document and its issuance is not mandated under any law or regulation of the European Union or the United Kingdom. This marketing communication does not include sufficient detail to enable the recipient to make an informed investment decision. Please refer to the Prospectus of the UCITS and to the KIID/KID before making any final investment decisions.

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Additional Information/Documentation

A Prospectus is available for PIMCO Funds and UCITS Key Investor Information Documents (KIIDs) (for UK investors) and Packaged retail and insurance-based investment products (PRIIPS) key information document (KIDs) are available for each share class of each the sub-funds of the Company. The Company's Prospectus can be obtained from www.fundinfo.com and is available in English, French, German, Italian, Portuguese and Spanish. The KIIDs and KIDs can be obtained from www.fundinfo.com and are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the UCITS Directive). In addition, a summary of investor rights is available from www.pimco.com. The summary is available in English. The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. PIMCO Global Advisors (Ireland) Limited can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

PERFORMANCE AND FEE

Past performance is not a guarantee or a reliable indicator of future results. The "gross of fees" performance figures, if included, are presented before management fees and custodial fees, but do not reflect commissions, other expenses and reinvestment of earnings. The "net of fees" performance figures reflect the deduction of ongoing charges. All periods longer than one year are annualized.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

Outlook

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

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

Important Disclosures

Benchmark

Unless referenced in the prospectus and relevant key investor information document /Key Information Document, a benchmark or index in this material is not used in the active management of the Fund, in particular for performance comparison purposes.

Where referenced in the prospectus and relevant key investor information document /Key Information Document a benchmark may be used as part of the active management of the Fund including, but not limited to, for duration measurement, as a benchmark which the Fund seeks to outperform, performance comparison purposes and/or relative VaR measurement. Any reference to an index or benchmark in this material, and which is not referenced in the prospectus and relevant key investor information document /Key Information Document, is purely for illustrative or informational purposes (such as to provide general financial information or market context) and is not for performance comparison purposes. Please contact your PIMCO representative for further details.

The fund is actively managed in reference to the J.P. Morgan Corporate Emerging Markets Bond Index Diversified (CEMBI) as further outlined in the prospectus and key investor information document /Key Information Document.

Correlation

As outlined under "Benchmark", where disclosed herein and referenced in the prospectus and relevant key investor information document /Key Information Document, a benchmark may be used as part of the active management of the Fund. In such instances, certain of the Fund's securities may be components of and may have similar weightings to the benchmark and the Fund may from time to time show a high degree of correlation with the performance of any such benchmark. However the benchmark is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.

Investors should note that a Fund may from time to time show a high degree of correlation with the performance of one or more financial indices not referenced in the prospectus and relevant key investor information document /Key Information Document. Such correlation may be coincidental or may arise because any such financial index may be representative of the asset class, market sector or geographic location in which the Fund is invested or uses a similar investment methodology to that used in managing the Fund.

ESG Category Article 6 Funds: Article 6 funds do not have sustainable investment as its objective, nor do they promote environmental and/or social characteristics.

While such funds integrate sustainability risks into its investment policy (as further outlined in the Prospectus) and this integration process forms part of the investment level due diligence of the fund, ESG information is not the sole or primary consideration for any investment decision with respect to the fund. As the Fund is actively managed and does not promote environmental or social characteristics, the climate related holdings are not static and may vary considerably overtime.

PIMCO SELECT FUNDS: Past performance is not a guarantee or a reliable indicator of future results. PIMCO Select Funds plc is an umbrella type open-ended investment company with variable capital and with segregated liability between Funds incorporated with limited liability under the laws of Ireland with registered number 480045. The information is not for use within any country or with respect to any person(s) where such use could constitute a violation of the applicable law. The information contained in this communication is intended to supplement information contained in the prospectus for this Fund and must be read in conjunction therewith. Investors should consider the investment objectives, risks, charges and expenses of these Funds carefully before investing. This and other information is contained in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. For additional information and/or a copy of the Fund's prospectus, please contact the Administrator: State Street Fund Services (Ireland) Limited, Telephone +353.1.776.0142, Fax +353.1.562.5517. © 2024

Investment restrictions —In accordance with the UCITS regulations and subject to any investment restrictions outlined in the Fund's prospectus, the Fund may invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by any of the following: OECD Governments (provided the relevant issues are investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development (The World Bank), The Inter American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC, Government of the People's Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade).

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Acronyms and definitions of investment terms used throughout the report:

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

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

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

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

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

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

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

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

CPI is the Consumer Price Index.

The **credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

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

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

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

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

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

GFC is the Global Financial Crisis.

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

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

LNG is Liquefied Natural Gas.

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

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

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

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

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

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

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

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

Unsubsidized 30 day SEC Yield excludes contractual expense reimbursements.

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

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

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

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

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