PIMCO Flexible Municipal Income Fund ("MuniFlex")
Investment Approach

AIM TO MATCH LIQUIDITY OF THE VEHICLE TO LIQUIDITY OF THE ASSET CLASS

Seeks to mitigate the impact of high velocity retail flows and capitalize on muni market liquidity dynamics to go on offense during outflow cycles.

LEARN MORE

ACCESS LESS LIQUID MUNI BOND OPPORTUNITIES

Attempts to capture potential liquidity and complexity premiums through allocations to less liquid and private placement municipal bonds.

LEARN MORE

CASE STUDY 1: PUERTO RICO

CASE STUDY 2: AIRPORT DURING COVID-19

CASE STUDY 3: INDUSTRIAL DEVELOPMENT PROJECT

CASE STUDY 4: WORKFORCE HOUSING
Match Liquidity of the Vehicle to Liquidity of the Asset Class

A retail heavy market has led to large outflows during periods of market stress, which we believe provides attractive opportunities for funds able to stay invested and make opportunistic purchases during these periods – such as MuniFlex. Over the secular horizon, we expect macroeconomic disruptors to become more pronounced and dislocations to increase in frequency and magnitude. In turn, we expect future investment success to require actively managing portfolios to withstand disruptors and pursue opportunities created by disruptions.

As of 31 May 2022. SOURCE: PIMCO, Bloomberg, ICI

This chart is presented for illustrative purposes only and is not intended to represent the fund's performance or how the fund's portfolio will be invested or allocated at any particular time. Flow data prior to 12/31/2012 do not include ETFs, all data there after include both mutual fund and ETF flow data. Investment Grade (IG) Municipal Bond is represented by the Bloomberg Municipal Bond Index; HY Muni Bond is represented by the Bloomberg High Yield Municipal Bond Index. COVID-19 Crisis measures the period from 03/01/2020 – 04/30/2020. The continued long term impact of COVID-19 on credit markets and global economic activity remains uncertain as events such as development of treatments, government actions, and other economic factors evolve. The views expressed are as of the date recorded, and may not reflect recent market developments.

Past performance is not a guarantee or reliable indicator of future results.
INVESTMENT OVERVIEW

• The team divested Puerto Rico (PR) municipal exposure in 2013 across PIMCO’s muni suite and successfully avoided the volatility that ensued.

• A drastic drop in PR bond valuations in 2017 during Hurricane Maria presented opportunities arising from forced selling; PIMCO began to add back exposure in Q3 2017 as bond prices dropped. Informed by the PR dislocation, and other such outflow cycles common in the muni marketplace, MuniFlex was launched with a structure to better capitalize on future dislocations by enabling PIMCO to take larger positions with higher confidence due to fewer redemptions.

• The restructuring of Puerto Rico’s defaulted debt began in early 2019. COFINA and other reorganized PR liabilities continue to transition out of hedge funds and back into the muni market.

THE PIMCO DIFFERENCE

• As liquid, lower quality securities were quickly repriced, MuniFlex was able to deploy capital as competitors may have been forced to sell.

• Leveraging PIMCO’s active, integrated investment process, the muni and emerging markets teams collaborated on in-depth, bottom-up analysis of both the muni-specific and country-specific risks.

• In applying independent credit research and PIMCO’s proprietary analytics model, the team identified COFINA bonds’ relative attractiveness.
CASE STUDY 2:

U.S. Airport during COVID-19

INVESTMENT OVERVIEW

• During the March sell-off, a AA-rated security – one of the largest airports in the U.S. and a key gateway for international travelers – declined 15-20% alongside expectations of a sharp decrease in demand for air travel due to the pandemic.

• Offered a 3.0% tax-free yield, or 5.1% taxable-equivalent yield\(^1\), when comparable AA corporates were trading at 2.2%.

• Believing much of the COVID-19 sell-off was due to a lack of market liquidity rather than fundamentals, MuniFlex was able to provide liquidity to the market to take advantage of these increased yields.

THE PIMCO DIFFERENCE

• As an interval fund, MuniFlex does not experience pressure to buy at market highs (inflow periods) and sell at market lows (outflow periods) and can stay invested and go on offense when assets are relatively cheap.

• Extensive issuer-specific research capabilities supported quick evaluation of the ultimate risk and return proposition in fast moving markets.

• Robust stress testing estimated that the airport could continue to service debt even with no traffic for more than 1.5 years (worst case scenario) due to a strong liquidity position of more than one year’s cash on hand and eligibility for over $300m in funding through the CARES Act.

As of 31 March 2022. SOURCE: Bloomberg. For illustrative purposes only.\(^1\)

\(^1\) Taxable equivalent yield assumes a maximum tax rate of 40.8%.

The above is presented for illustrative purposes only, as a general example of PIMCO credit research and is not intended to represent any particular product or strategy’s performance or how any particular product or strategy will be invested or allocated at any particular time.

Past performance is not a guarantee or a reliable indicator of future results.

The continued long term impact of COVID-19 on credit markets and global economic activity remains uncertain as events such as development of treatments, government actions, and other economic factors evolve. The views expressed are as of the date recorded, and may not reflect recent market developments. COVID-19 Crisis impact to markets began on March 2020 and is still considered an ongoing and continuously evolving issue. Refer to Appendix for additional case studies, credit quality, investment strategy, outlook and risk information.
MuniFlex’s interval fund structure and broad mandate allow the Fund to seek to capitalize on non-traditional muni opportunities, such as private 144a and unrated municipal bonds.

• 144a and unrated municipal bond issuance may benefit from liquidity and complexity premia and may offer a sizeable yield pickup over public securities.

• Complex structures are common in the muni market and an integrated, cross-collaborative investment process and deep analytical research capabilities enable PIMCO to source, evaluate, and structure deals to uncover value.
CASE STUDY 3: Industrial development project

INVESTMENT OVERVIEW

• In July 2019, the municipal, commodity, and energy teams sourced, evaluated, and structured a deal with a private equity firm that could issue tax-exempt debt to finance an industrial development project.

• The project allowed refineries to recycle converters rather than putting them into a landfill where the company is subject to liability.

• Our muni credit team worked with the issuer to design the deal and its accompanying covenants, resulting in an attractive 9% tax-free coupon.

THE PIMCO DIFFERENCE

• As a strategically vital partner for lenders, our relationship with the private equity owner gave us preferential access to the deal via a reverse inquiry.

• Leveraging PIMCO’s integrated portfolio management process, the PIMCO muni team worked closely with the PIMCO commodities team and credit analysts covering refineries in the area, to determine if there would be stable demand and provided context on the region and company-specific outlook.

As of 31 March 2022. SOURCE: Bloomberg. For illustrative purposes only. The above is presented for illustrative purposes only, as a general example of PIMCO credit research and is not intended to represent any particular product or strategy’s performance or how any particular product or strategy will be invested or allocated at any particular time. Past performance is not a guarantee or a reliable indicator of future results. Refer to Appendix for additional case studies, investment strategy, issuer, outlook and risk information.
INVESTMENT OVERVIEW

• Issuance proceeds were used to finance a workforce housing project involving an existing 126-unit multifamily housing facility. Workforce housing is considered essential housing, offering discounted rentals for low to average income earners. The property is located near a metropolitan city, was recently renovated, and has a history of strong occupancy rates.

• The deal was offered as a private non-rated deal because of its complex credit structure, with underwriters increasingly more hesitant to offer such deals directly to the public.

• Against the backdrop of inflation as well as housing market supply and demand dynamics, PIMCO believed the securities offered attractive qualities including a built in inflation hedge, as rent increases are passed through the security.

• Offered a 5.0% tax-free yield, or 8.35% taxable-equivalent yield.

THE PIMCO DIFFERENCE

• PIMCO’s scale, dealer relationships, and proprietary technology enabled the team to analyze a private deal not available to the broad market.

• Structured with the flexibility to invest across the municipal asset class and provide liquidity into a dislocated market, MuniFlex can capture potentially higher yields common in less liquid private investments – a growing part of the market.

• PIMCO’s integrated portfolio management and credit research process allowed the municipal team to leverage specialized credit research resources – across state and local governments, real estate, corporations, and financial institutions – in order to analyze and understand this complex deal.

As of 31 March 2022. SOURCE: Bloomberg. For illustrative purposes only.
1 Taxable equivalent yield assumes a maximum tax rate of 40.8%.
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Refer to Appendix for additional case studies, investment strategy, issuer, outlook and risk information.
PIMCO’s municipal bond capabilities

- $70+ billion in firm-wide municipal AUM*
- 30+ team members across portfolio management and credit research
- 20+ years managing municipal assets
- 80+ full integration with PIMCO’s global team of credit research analysts

As of 31 March 2022. SOURCE: Bloomberg.
Represents the combined dedicated and non-dedicated municipal assets managed by PIMCO.
Glossary of Key Terms

**Duration:** Duration is a measurement of a bond's interest rate risk that considers a bond's maturity, yield, coupon and call features. These many factors are calculated into one number that measures how sensitive a bond's value may be to interest rate changes.

**Illiquidity:** Refers to the degree to which a fund or a security may not be quickly bought or sold on the market. Securities and funds that are illiquid cannot be easily or readily sold without having a potentially significant impact on the price.

**Illiquidity and complexity premiums:** A premium return sought by investors to compensate for an investment's low-liquidity and/or complexity and the associated risks.

**Interval Fund:** An interval fund is a type of closed-end fund that is not listed on an exchange that periodically offers to repurchase a limited percentage of outstanding shares, as defined in its prospectus, from its shareholders. Interval funds can provide investors with access to less liquid investment strategies in an attempt to enhance risk-adjusted returns and can be used to seek an alternative source of return and/or income.

**Private credit:** Debt that is not offered publicly, not filed or registered with any regulatory agency and typically available only to a small subset of large institutional buyers.

**Private equity:** Capital, not listed on a public exchange, that is raised to directly invest in private companies, real estate, and usually consists of debt and equity investments.

**Private Placement:** Unregistered securities that are not sold through a public offering, typically offered to a limited pool of investors.

**Public credit:** Typically debt that is registered with a regulatory agency and offered publicly. In most cases, public credit (corporate bonds, high yield bonds, etc.) will have a CUSIP and is typically liquid.

**Risk premia:** The amount by which a risky asset is expected to outperform the known return of a “risk-free” asset.

**Time to maturity:** Remaining life of a bond or other type of debt instrument.

**Traditional investments:** Long investments within core asset classes, including stocks, bonds and cash.

**Yield to Worst (YTW)** is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the bond’s issuer.

*Source: PIMCO*
Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information is contained in the fund’s prospectus and summary prospectus, if available, which may be obtained by contacting your investment professional or PIMCO representative or by visiting www.pimco.com. Please read them carefully before you invest or send money.

The fund is an unlisted closed-end “interval fund.” Limited liquidity is expected to be provided to shareholders only through the fund’s quarterly offers to repurchase between 5% to 25% (expected to be 10%) of its outstanding common shares at net asset value. There is no secondary market for the fund’s shares and none is expected to develop. Investors should consider shares of the fund to be an illiquid investment.

PERFORMANCE
Past performance is not a guarantee or a reliable indicator of future results. No assurance can be given that the Fund’s investment objectives will be achieved, and you could lose all of your investment in the Fund.

CASE STUDIES
This presentation contains examples of the firm’s internal investment research capability. The data contained within the reports may not be related to the product discussed herein, may be stale and should not be relied upon as investment advice or a recommendation of any particular security, strategy or investment product.

In selecting case studies, PIMCO considers investment performance in addition to other factors, including, but not limited to, whether the example illustrates the particular investment strategy being featured and processes applied by PIMCO to making investment decisions. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Case studies shown represent a variety of investments PFLEX has access to across the global public and private credit universe. Examples selected are investment opportunities which we believe showcase PIMCO’s ability to source complex and illiquid alternative credit across different credit sectors (commercial real estate credit, corporate credit, emerging markets, and specialty finance).

Deals presented represent 11% of the portfolio - roughly $175mm of gross value - as of 31 March 2022.

CREDIT QUALITY
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/issuers and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody’s, and Fitch respectively.

INVESTMENT STRATEGY
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. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

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.

RISK
Investing in municipal bonds involves the risks of investing in debt securities generally and certain other risks. Investors will, at times, incur a tax liability. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. High yield, lower-rated securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The use of leverage may cause a portfolio to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a portfolio to be more volatile than if the portfolio had not been leveraged.

An investment in an interval fund is not appropriate for all investors. Unlike typical closed-end funds an interval fund’s shares are not typically listed on a stock exchange. Although interval funds provide limited liquidity to investors by offering to repurchase a limited amount of shares on a periodic basis, investors should consider shares of the Fund to be an illiquid investment. Investments in interval funds are therefore subject to liquidity risk as an investor may not be able to sell the shares at an advantageous time or price. The Fund anticipates that no secondary market will develop for its shares. There is no guarantee that an investor will be able to tender all of their requested Fund shares in a periodic repurchase offer.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This material contains the current opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. in the United States and throughout the world. ©2022, PIMCO.

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