

Comparing Mutual Funds and Exchange-Traded Funds

While mutual funds and exchange-traded funds (ETFs) share many attributes, there are also distinct differences between the two investment vehicles. The following discussion and table below highlight certain differentiating characteristics.

PORTFOLIO TRANSPARENCY

Mutual funds and ETFs publicly disclose their portfolio holdings – securities and other instruments – according to a regular schedule. Typically, mutual funds disclose their portfolio holdings quarterly with a 60-day lag. ETFs generally disclose their portfolio holdings each business day.

PRICING OF FUND SHARES

Orders for mutual fund shares are forward priced, meaning that all orders received on a given day are processed at the next Net Asset Value (NAV) calculated at the close of the business day. ETF shares are traded on an exchange like individual stocks, so ETF shares trade at market prices that vary throughout the business day at prices that may be greater or lesser than the ETF's NAV.

BUYING AND SELLING FUND

Shares All mutual fund investors may place orders for fund shares directly with the fund, generally in any quantity or value, to be processed at the next-calculated NAV. ETFs issue and redeem shares at the next-calculated NAV only in large amounts (at least 20,000 shares) with certain large institutional investors (Authorized Participants), who in turn facilitate the trading of individual ETF shares in the secondary market (i.e., an exchange).

FUND FEES AND EXPENSES

Fees and expenses – both transaction fees paid at the time of purchase or sale and ongoing expenses deducted directly from fund performance – vary widely from fund to fund. Investors should carefully consider all of the fees and expenses associated with any fund they may purchase, including fees and expenses charged directly by the fund and transaction fees charged by financial intermediaries that deal in fund shares.

Mutual funds may be offered in multiple share classes of the same fund portfolio where each class has different eligibility criteria and provides different marketing and/or shareholder services subject to different levels of fees and expenses. ETF portfolios are not divided into multiple classes. Certain classes of mutual funds may charge an ongoing marketing (12b-1) fee, while ETFs typically do not charge 12b-1 fees.

Mutual funds may be subject to sales charges (either at the time of purchase or redemption) in lieu of brokerage commissions charged by a financial intermediary, as well as redemption fees applicable to frequent trading in fund shares. ETFs do not impose sales charges or redemption fees on shares traded on an exchange, but brokerage commissions are often charged by financial intermediaries dealing in ETF shares.

These and other key differences between mutual funds and ETFs are highlighted below:

	Mutual Fund	ETF
Portfolio transparency	• Typically disclosed quarterly with 60-day lag	• Daily disclosure
Pricing of shares	• Buy/sell orders are forward priced to next NAV once per day	• Shares are bought/sold at market prices throughout the trading day
Purchases and sales of shares	• Buy/sell at NAV direct with fund • Sales charges and redemption fees may apply at fund level • Minimums on new/subsequent purchases and account sizes may apply at fund level • Eligibility varies for each share class of fund	• Only Authorized Participants may buy/sell creation units (20,000+ share increments) at NAV direct with ETF, subject to transaction fees • No sales charges or redemption fees at ETF level for share transactions on exchange (brokerage commissions may apply) • No minimums on new/subsequent purchases or account sizes at ETF-level for transactions on an exchange • No eligibility restrictions at ETF level given single class structure
Fractional shares	• Yes	• No
Primary market trading	• Cash creation/redemption of shares	• In-kind or cash creation/redemption of shares
Secondary market (exchange) trading	• No	• Yes (majority of trades take place here)
Secondary market trading	• No	• Yes
Dividend accrual and distribution	• Generally declared daily, but may be declared quarterly depending on fund • Generally paid monthly, but may be paid quarterly depending on fund	• Generally declared daily, but may be declared quarterly depending on fund • Generally paid monthly, but may be paid quarterly depending on fund
Dividend reinvestment	• DRIP plans typically offered by fund	• No DRIP plans offered by ETF, although brokers may offer a DRIP plan
Investing in other funds	• May invest in broad range of registered and unregistered funds subject to 1940 Act limits	• May invest only in funds that provide daily portfolio transparency (typically, other ETFs) subject to 1940 Act limits
Order types for shares	• Buy or sell orders only	• Buy or sell orders • Market orders • Limit orders • Stop orders
Settlement timing for shares	• Typically T+1	• Typically T+2 for share transactions on exchange
Buy shares on margin	• No	• Yes
Options trading on shares	• No	• Yes
Ability to lend shares	• No	• Yes
Ability to sell shares short	• No	• Yes
Share classes available	• Multiple share classes with varying distribution (12b-1) and/or servicing arrangements	• Single share class without 12b-1 fee
Visibility of trading volume in shares	• No	• Yes
Visibility of order flow data for shares	• Buy/sell orders not reported externally	• Trades at bid, ask and mid are reported in Bloomberg
401(k) plan access	• Commonly available	• Typically accessible only through an opt-out window

Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained by contacting your PIMCO representative or by visiting pimco.com. Please read the prospectus carefully before you invest or send money.

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Exchange Traded Funds ("ETF") are afforded certain exemptions from the Investment Company Act. The exemptions allow, among other things, for individual shares to trade on the secondary market. Individual shares cannot be directly purchased from or redeemed by the ETF. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or "baskets" of shares. Shares of an ETF are bought and sold at market price (not NAV). Brokerage commissions will reduce returns. Investment policies, management fees and other information can be found in the individual ETF's prospectus.

Different fund types (e.g. ETFs, open-ended investment companies) and fund share classes are subject to different fees and expenses (which may affect performance). They may also have different minimum investment requirements and be entitled to different services.

Current holdings are subject to risk. Holdings are subject to change at any time.

An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed.

ETF shares may be bought or sold throughout the day at their market price on the exchange on which they are listed. However, there can be no guarantee that an active trading market for PIMCO ETF shares will develop or be maintained, or that their listing will continue or remain unchanged.

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Buying or selling ETF shares on an exchange may require the payment of brokerage commissions. Due to the costs inherent in buying or selling fund shares, frequent trading may detract significantly from investment returns. Investment in fund shares may not be advisable for investors who expect to engage in frequent trading.

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