

PIMCO

Your Global Investment Authority

What's Next for Returns?


Breaking with tradition with liquid alternatives

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 and summary prospectus, if available, which may be obtained by contacting your financial advisor or PIMCO representative, or by visiting pimco.com/investments. Please read them carefully before you invest or send money.

PIMCO Investments LLC, distributor,
1633 Broadway, New York, NY 10019,
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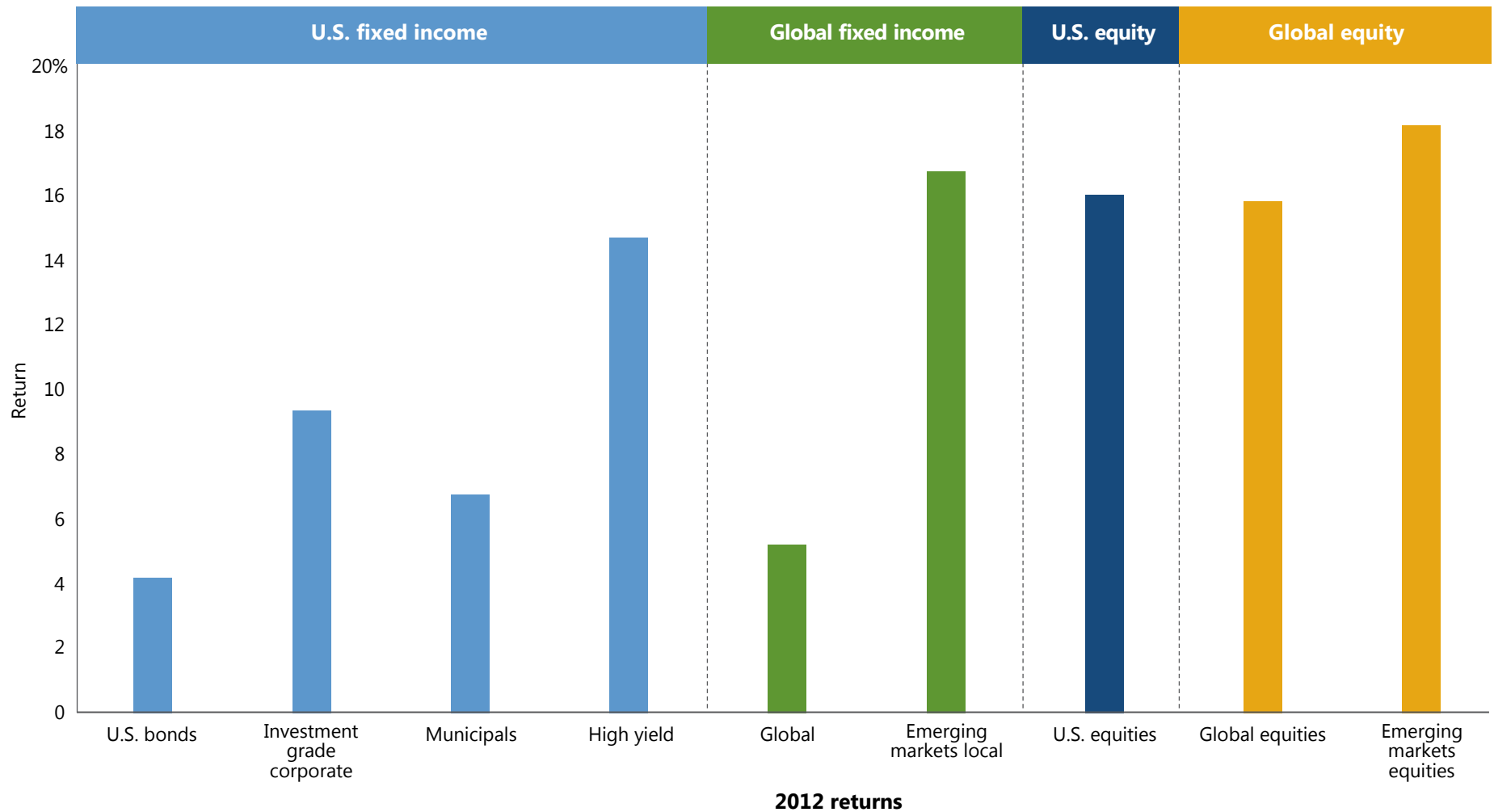
A company of **Allianz** 





Is there a
problem?

Traditional asset classes delivered in 2012

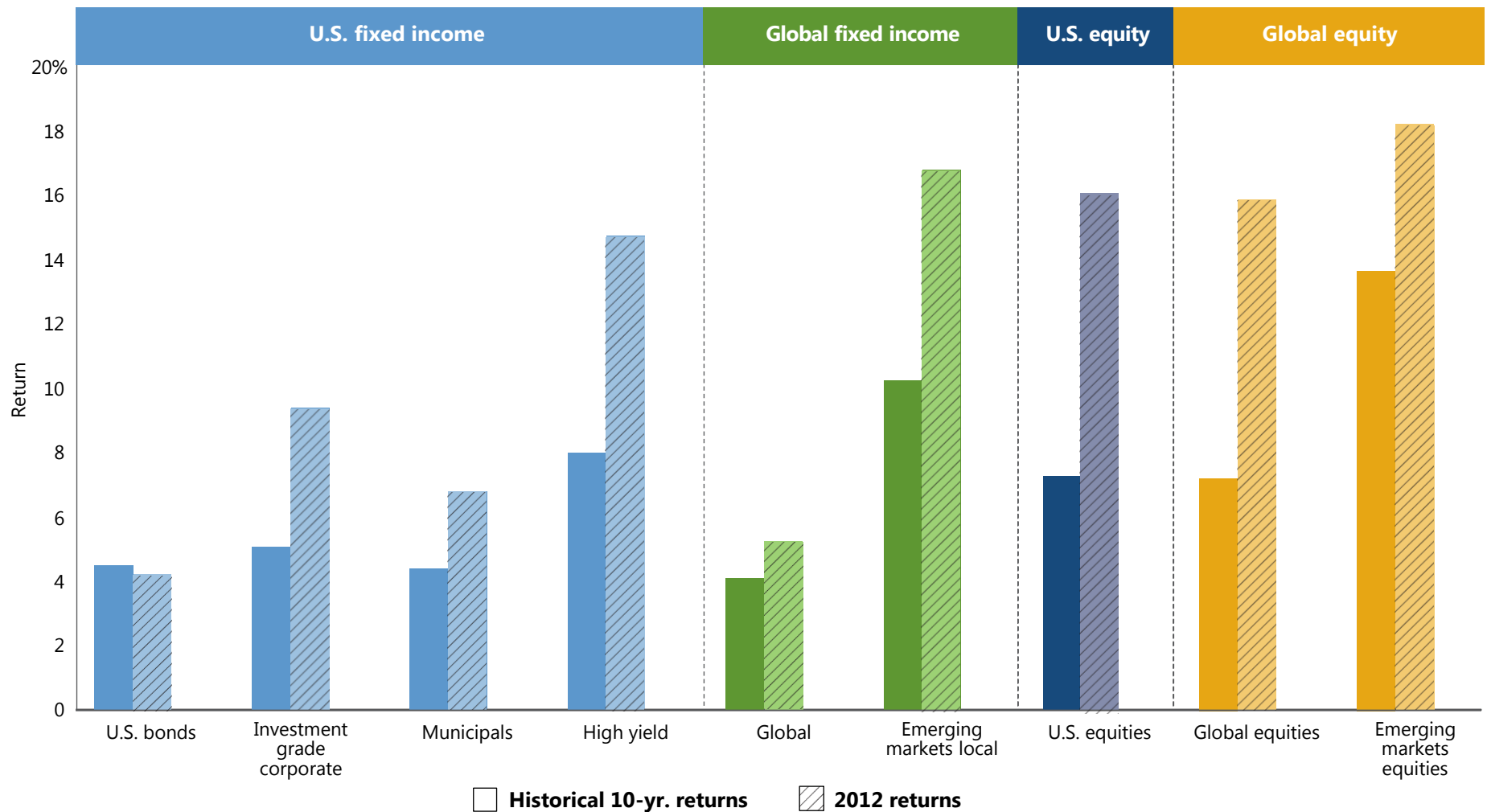


Source: Barclays, Federal Reserve, JPMorgan, Bloomberg, PIMCO

Barclays U.S. Aggregate; Barclays MBS Fixed Rate Mortgage; Barclays Investment Grade Credit; Barclays U.S. Treasury; Barclays Municipal Bond; Barclays U.S. TIPS; BofA Merrill Lynch U.S. High Yield BB-B Rated; Barclays CMBS ERISA-Eligible; JPMorgan EMBI Global; JPMorgan GBI Global ex-U.S. USD Hedged Index; MSCI World; S&P 500; MSCI EM

USD (\$) measured relative to basket of seven currencies on a trade-weighted basis

However, longer-term returns have generally been lower ...

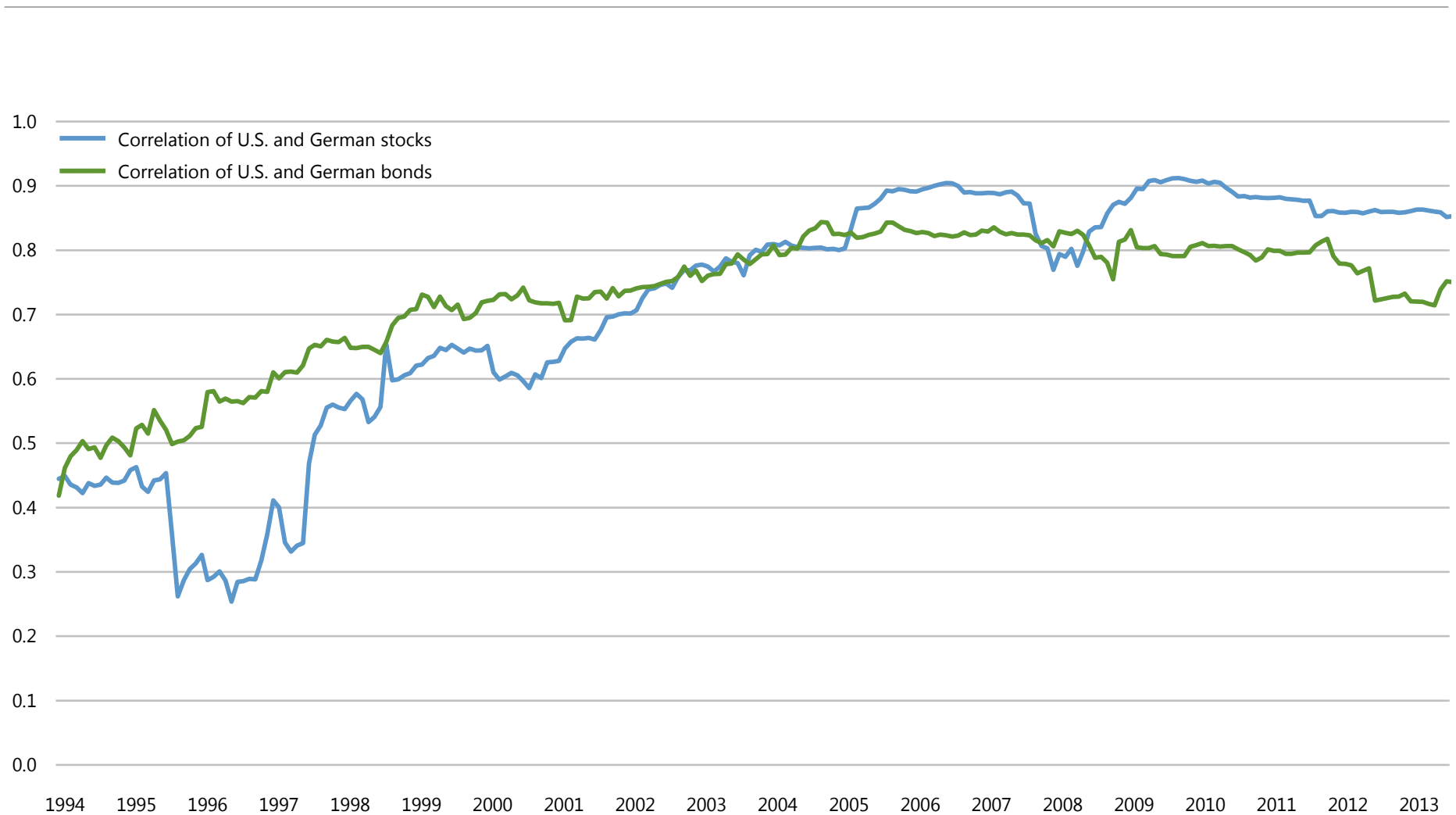


As of 30 June 2013


Source: Barclays, Federal Reserve, JPMorgan, Bloomberg, PIMCO

Barclays U.S. Aggregate; Barclays Investment Grade Credit;; Barclays Municipal Bond; BofA Merrill Lynch U.S. High Yield BB-B Rated;; JPMorgan EMBI Global; JPMorgan GBI Global ex-U.S. USD Hedged Index; S&P 500; MSCI World; MSCI EM

... and correlations are increasing across developed markets

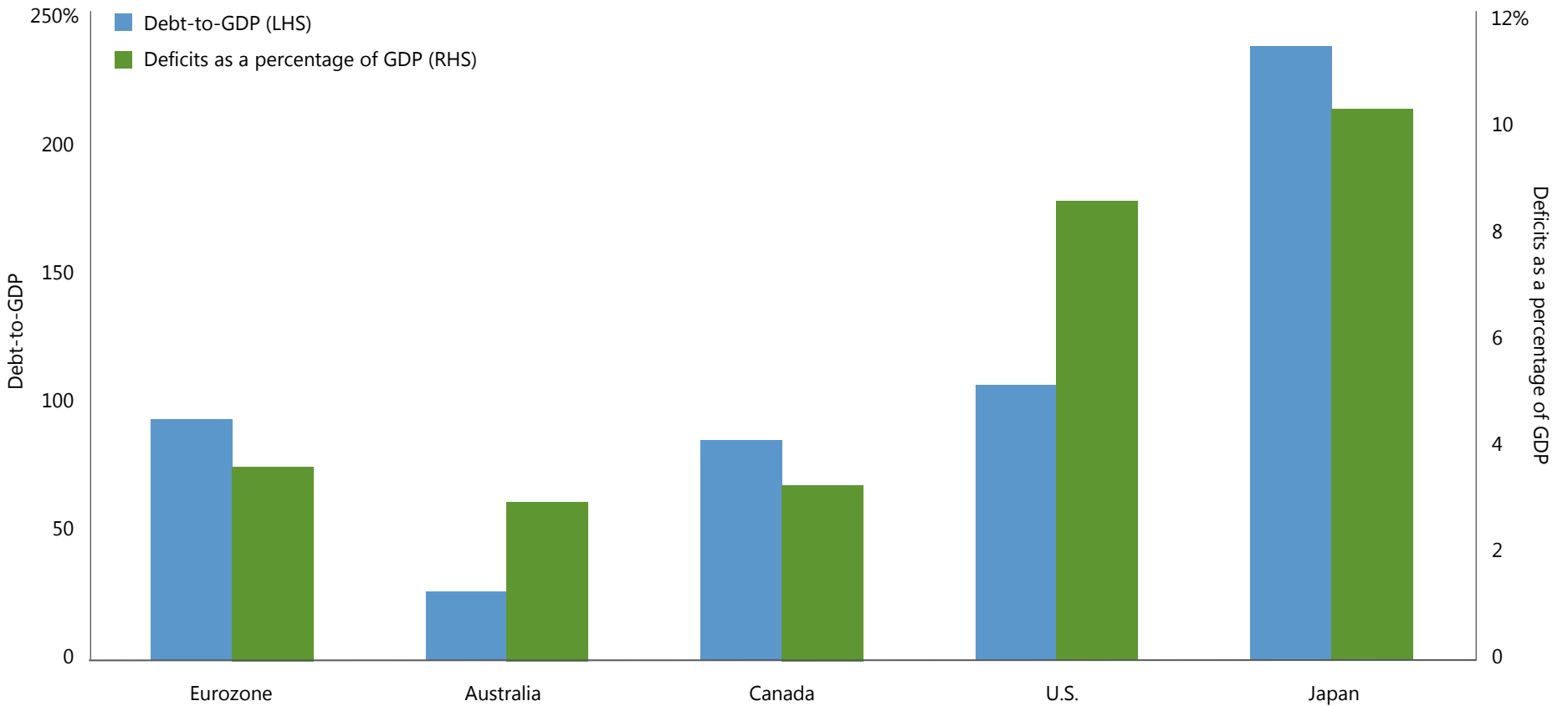


Source: Stocks – S&P 500 Index (U.S.), DAX Index (Germany); bonds – 10-year Treasury Index (U.S.), 10-year Bunds Index (Germany) from 1 January 1994 to 28 June 2013. Chart shows trailing five-year asset class correlations. Correlation is a statistical measure of how two securities move in relation to each other. A correlation of one implies a perfect correlation while a correlation of zero implies the movement of securities has no correlation.



What's next
for returns?

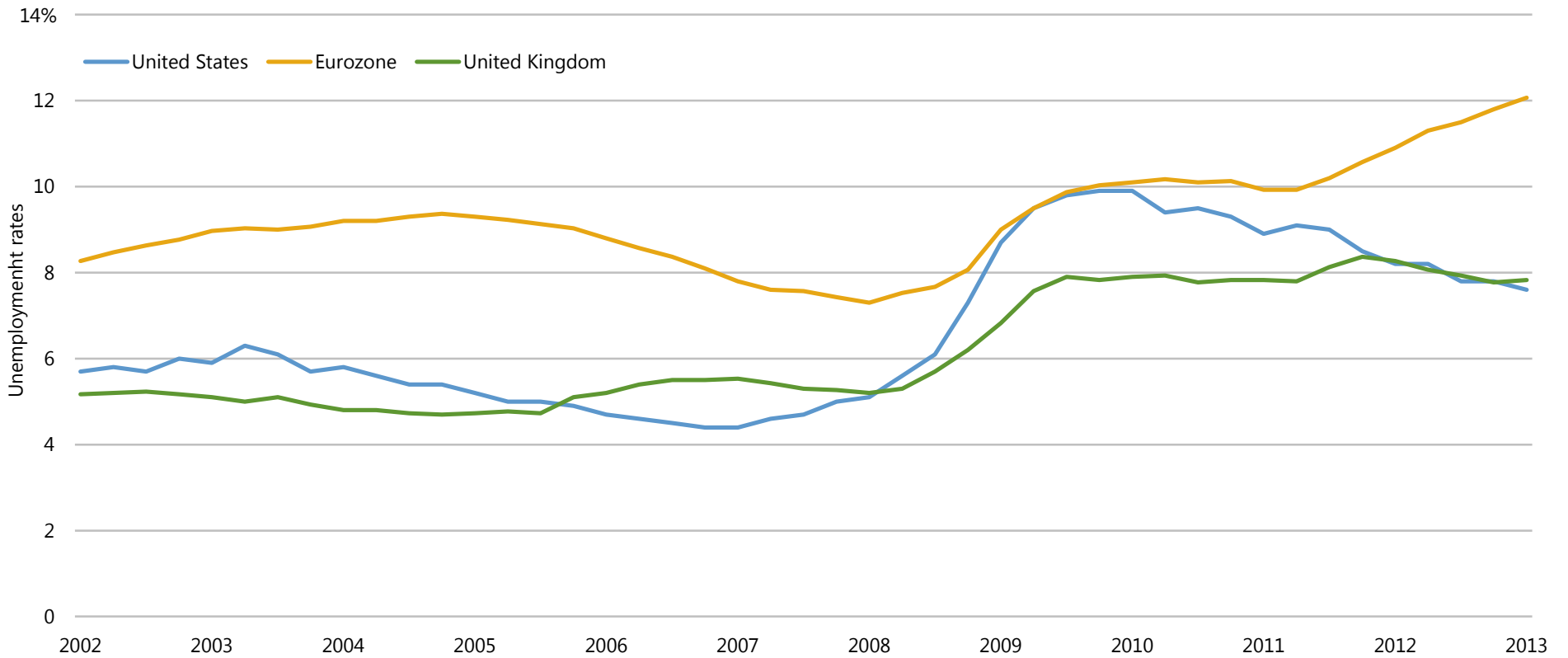
Developed markets burdened by debt



Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.

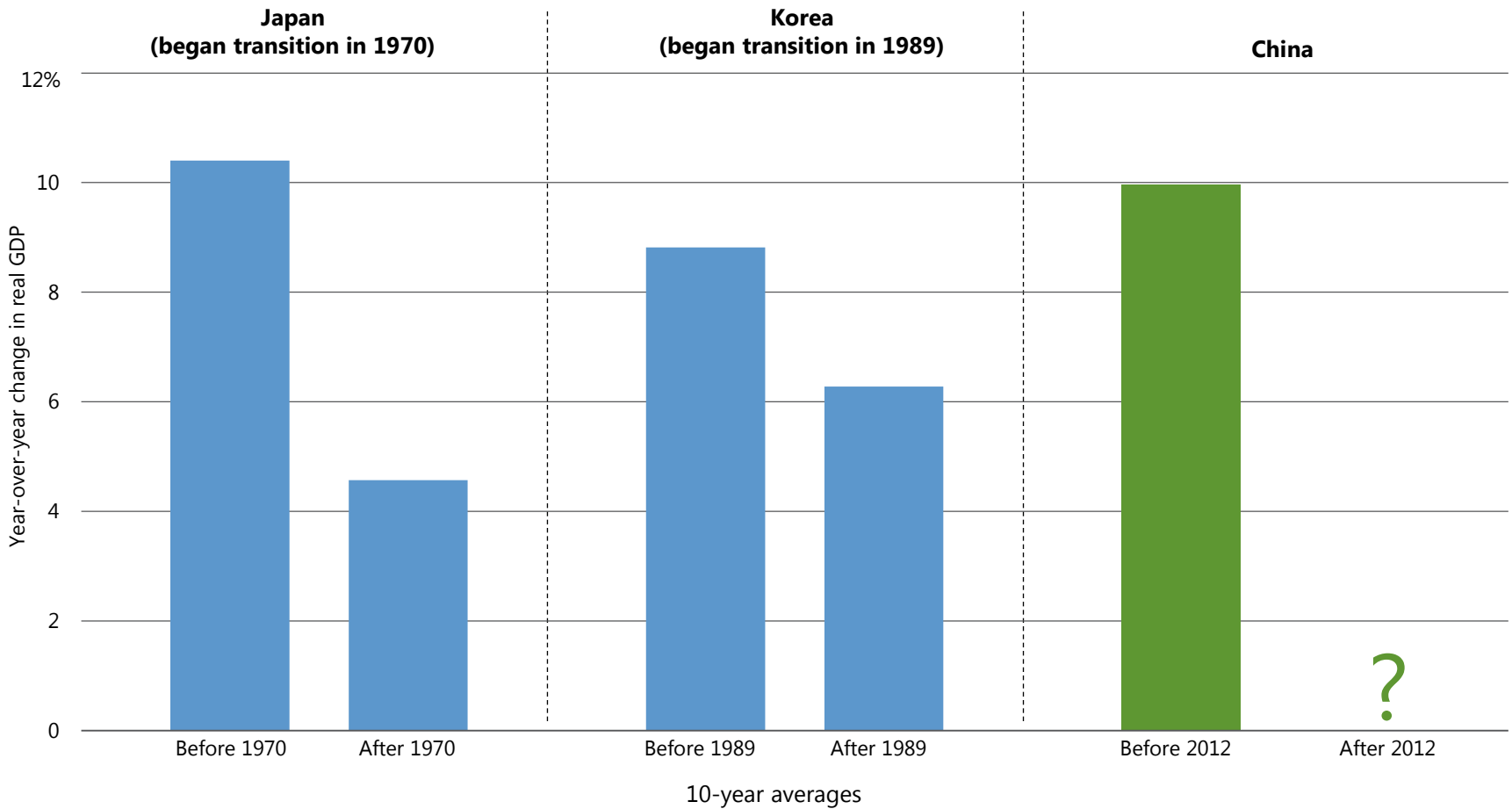
Source: International Monetary Fund (IMF), World Economic Outlook Database, December 2012

High and persistent unemployment



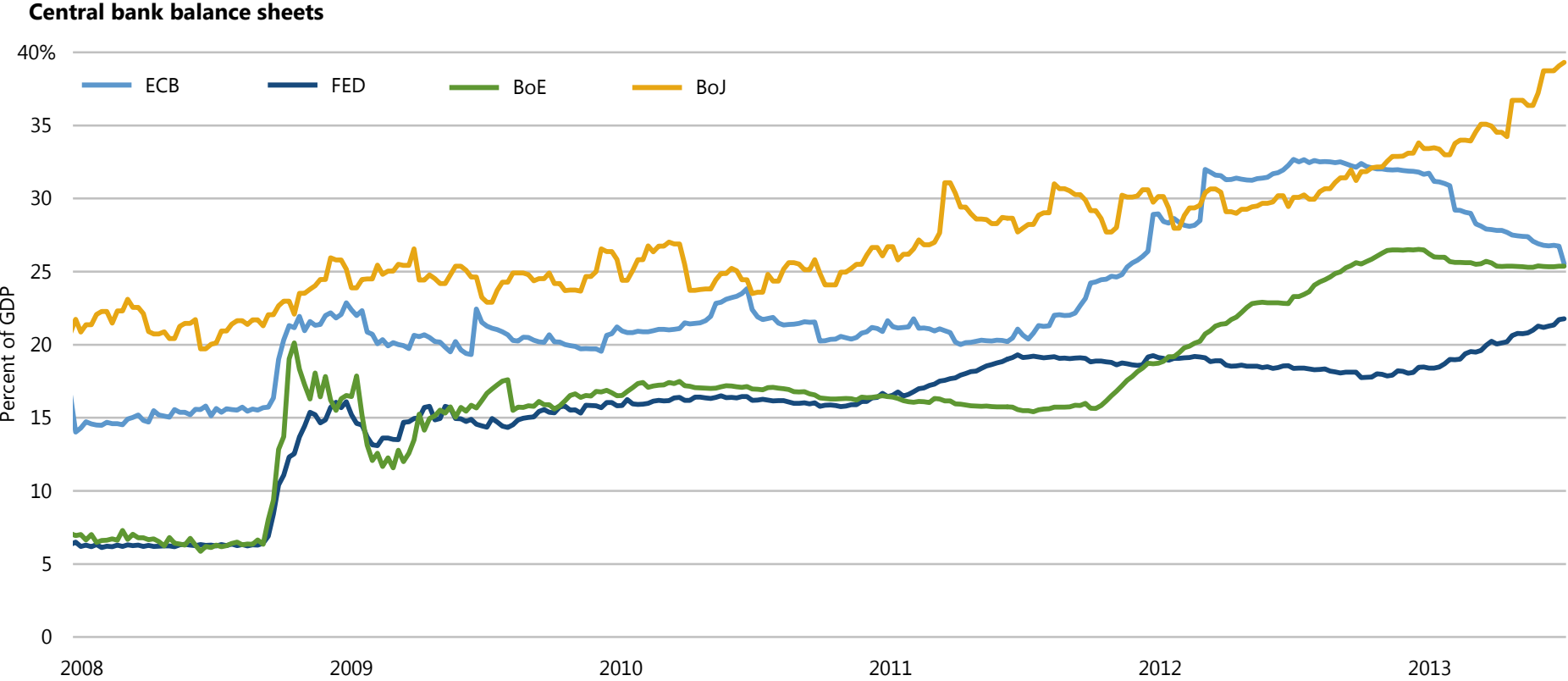
Source: Bloomberg. As of 30 June 2012

Emerging markets face middle-income transition



Source: Haver

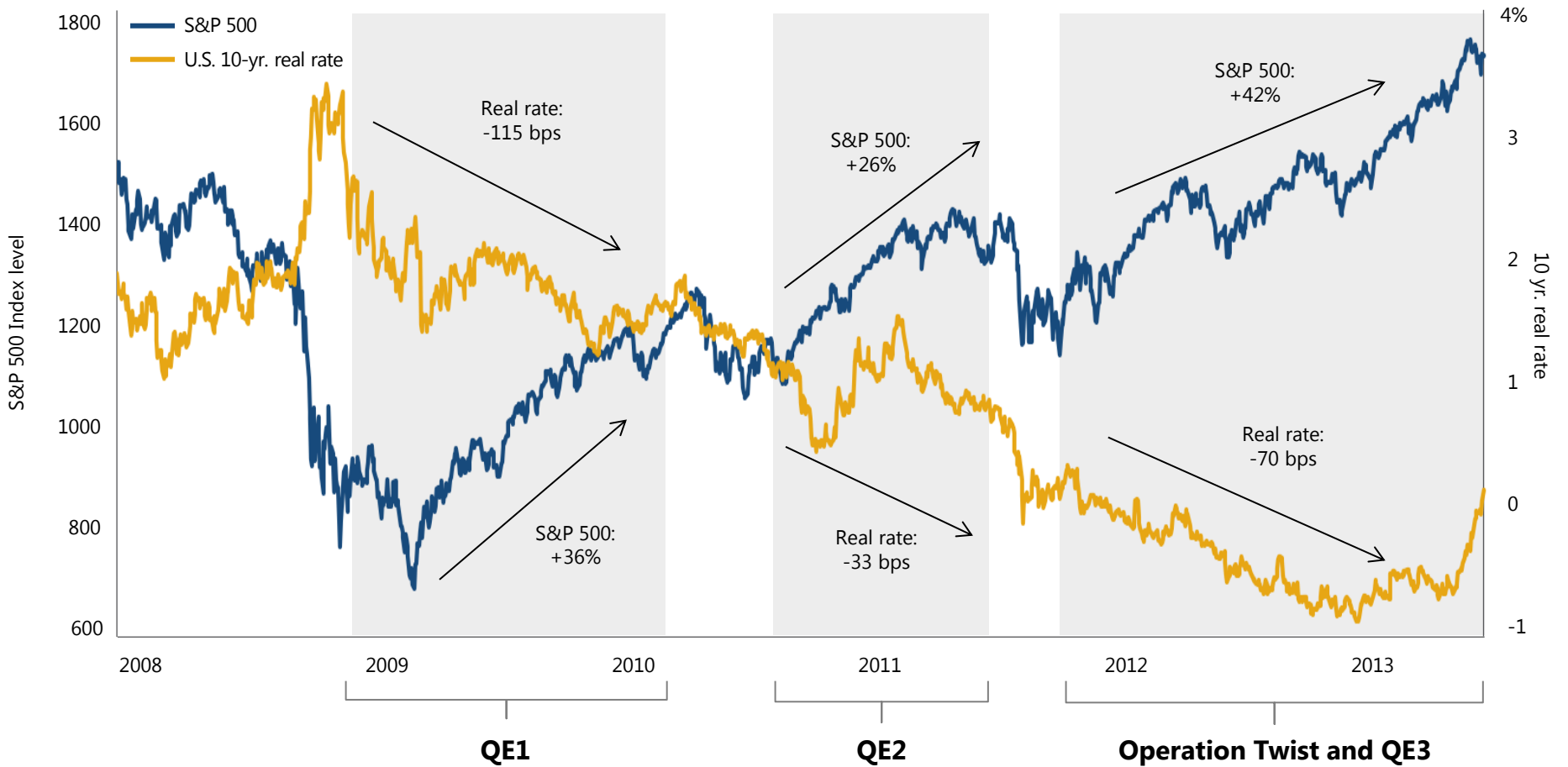
Unprecedented central bank action



As of 30 June 2013
Source: European Central Bank, Federal Reserve, Bank of England, Bank of Japan
Central bank balance sheet is measured by total assets/liabilities of each central bank.

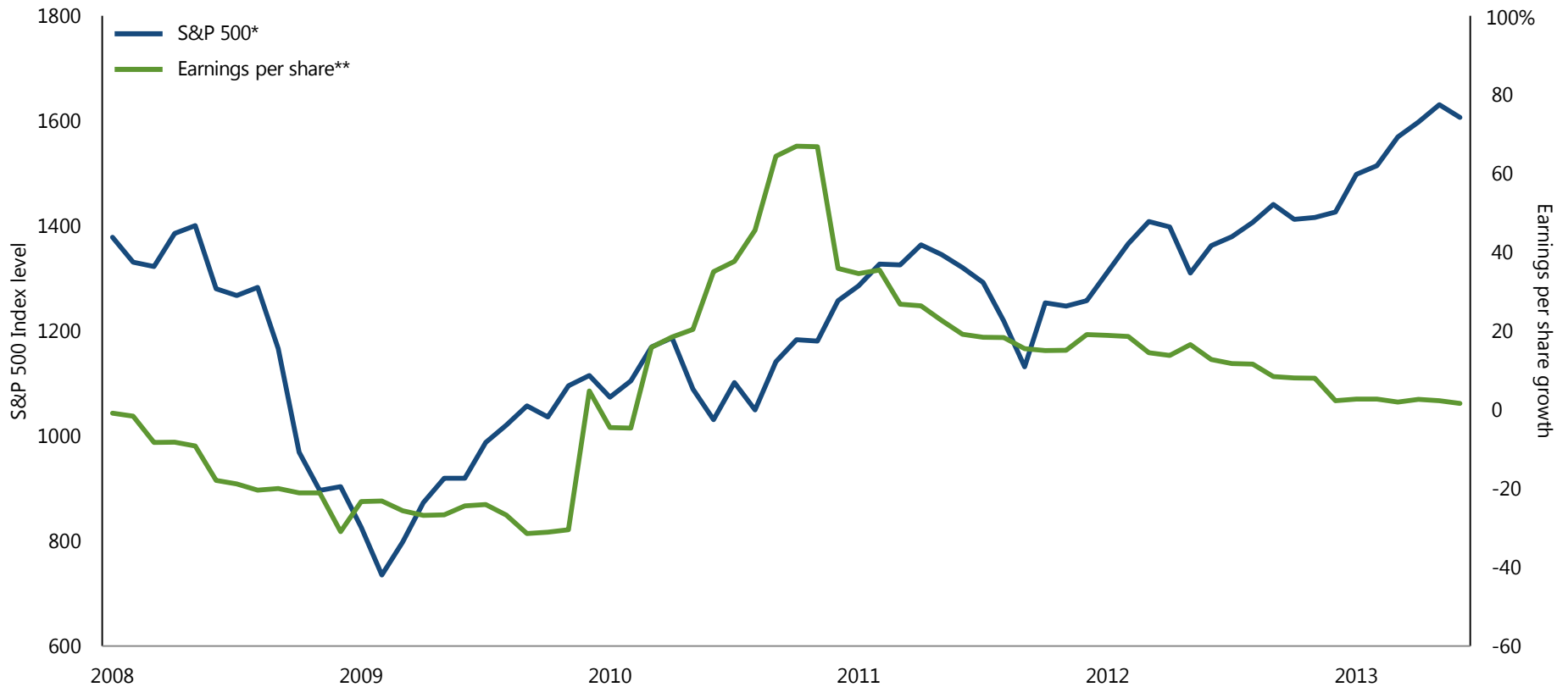
Distorting the markets

Stimulus programs, S&P 500 and 10-yr. real rate



As of 30 June 2013
Source: Bloomberg, PIMCO
QE: Quantitative Easing

Impact on stock market: Fundamentals don't support prices



Earnings per share represent the portion of a company's profit allocated to each outstanding share of common stock.

Source: Bloomberg, PIMCO

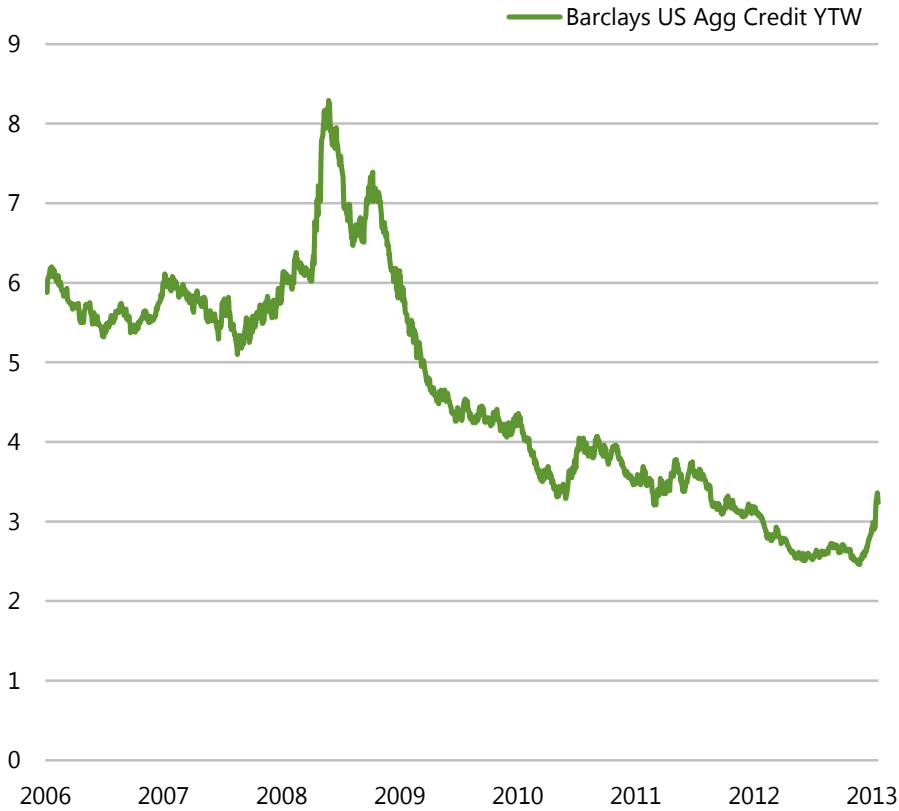
* As of 30 June 2013

** Standard & Poor's, Bloomberg L.P., Empirical Research Partners analysis. Data through 30 June 2013.

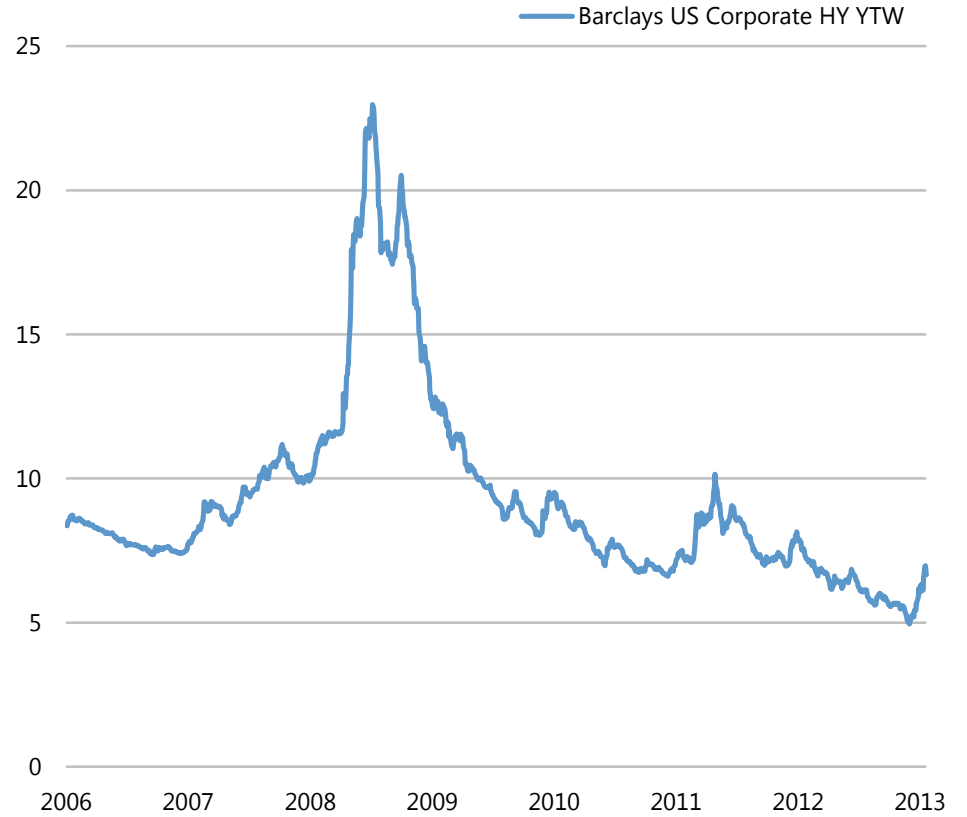
Refer to Appendix for addition index and risk information

Impact on bond market: Credit spreads are tight

U.S. Investment Grade Credit



U.S. High Yield Credit



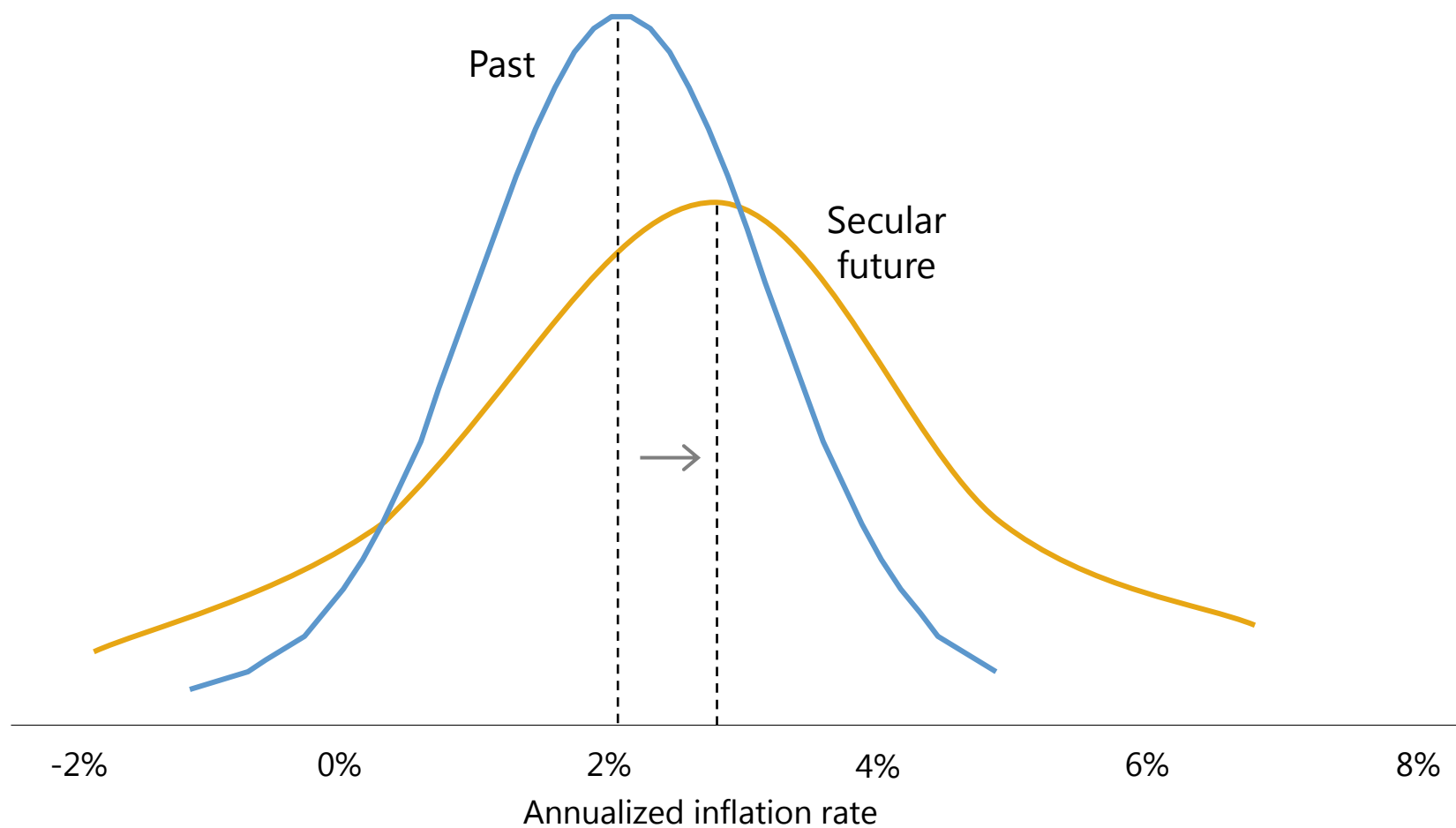
Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

As of 30 June 2013

Source: Bloomberg

Refer to Appendix for additional index information.

Higher secular inflation risk



As of 31 December 2012

Sample for illustrative purposes only

Past is referring to 1992–2007 (15 years pre-crisis)

Refer to the Appendix for additional forecast information.

Where does this leave investors?

Slow real growth over next 3–5 years

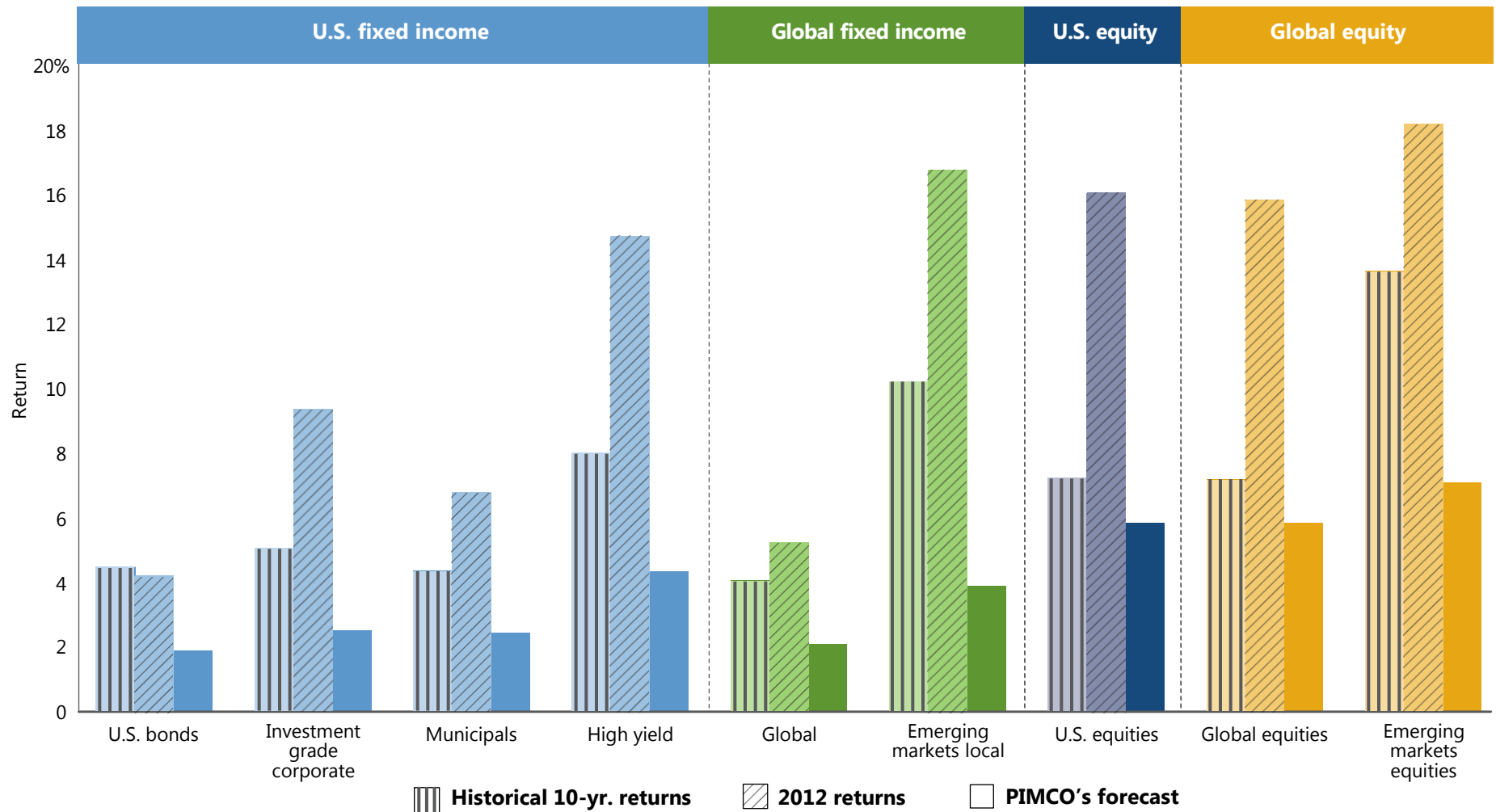
- Developed economies: 2% to 1%
- Emerging economies: 6% to 5%

Global inflationary pressures increasing over the longer term

Policy-dependent markets

Potential for muted returns

PIMCO's forecast for traditional asset classes



Source: Barclays, Federal Reserve, JPMorgan, Bloomberg, PIMCO relative to basket of seven currencies on a trade-weighted basis



What can
investors do?

Adjust investment strategies for New Normal

Add allocation to nontraditional asset classes and strategies

Increase diversification with risk factor analysis

Favor an absolute return approach

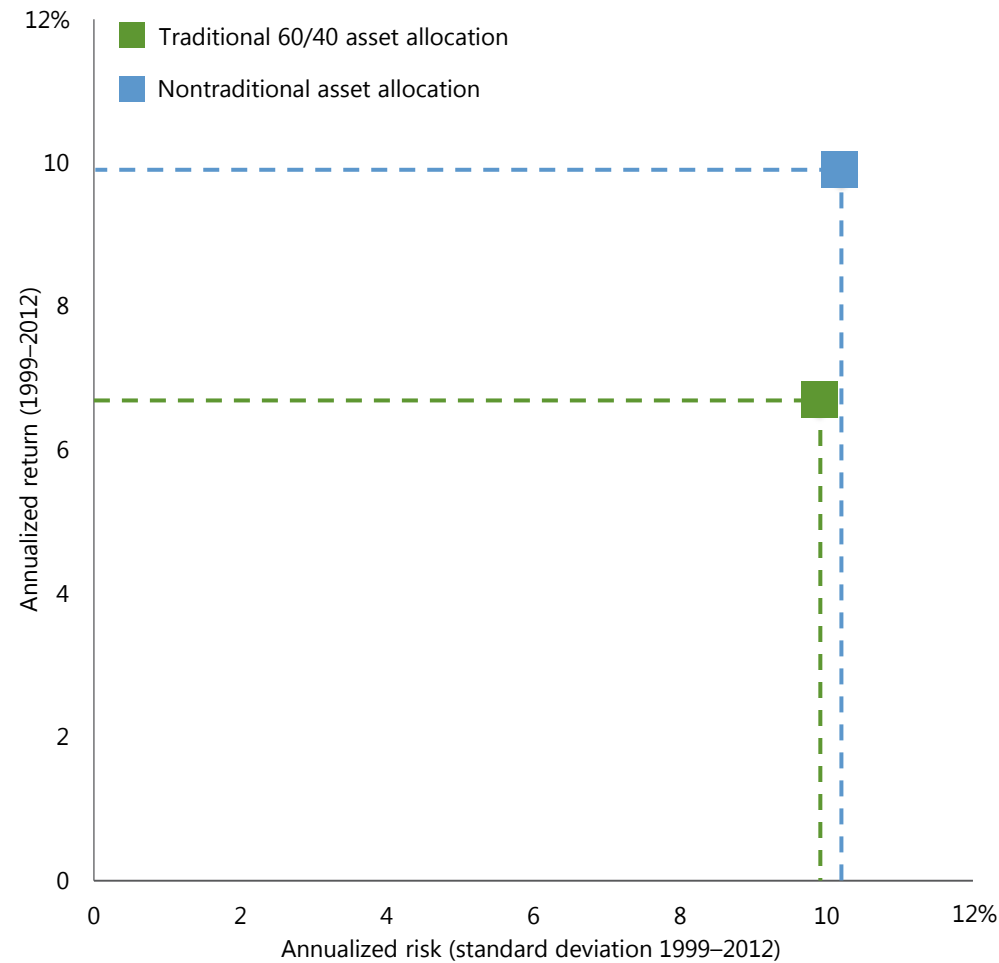
Move beyond traditional benchmarks

Broaden the alpha opportunity set

Employ active risk management

There is no guarantee that these strategies will be successful

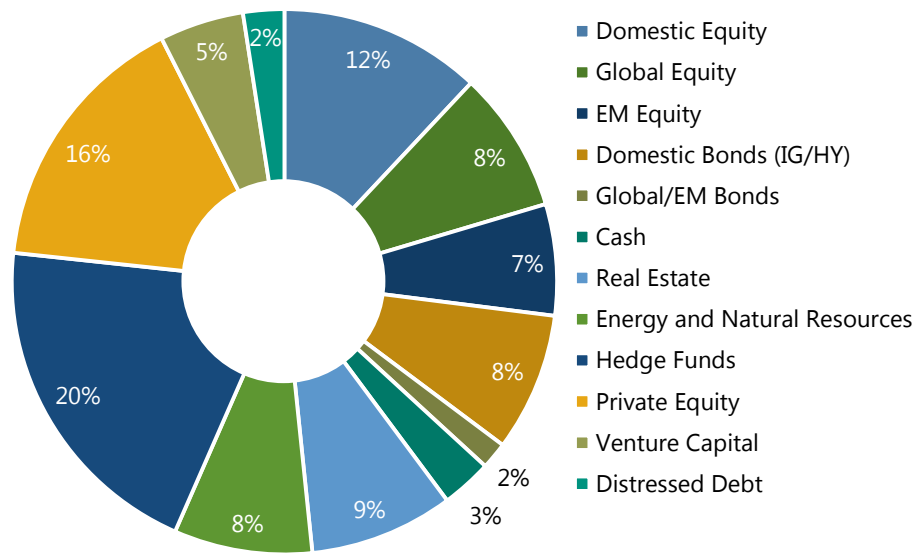
Nontraditional exposure was historically beneficial



Source: Chart shows annualized returns and standard deviations from 9/30/1999 to 9/30/2012. The 60/40 portfolio is based on a blend of the S&P 500 and Barclays U.S. Aggregate Indexes. The NACUBO portfolio is represented by a blend of the following indexes, based on asset allocation weightings from the 2011 NACUBO-Commonfund Study of Endowments® (NCSE): S&P 500 (U.S. equity), MSCI EAFE (global equity), MSCI EM (EM equity), Barclays U.S. Aggregate (U.S. bonds), Barclays Global Aggregate ex-U.S. (global bonds), NCREIF Property (real estate), HFRI Fund of Funds (hedge funds), Cambridge Associates PE (private equity), Cambridge Associates VC (venture capital), DJ UBS Commodity (energy/natural resources), HFRI Distressed/Restructuring (distressed debt), and 3-month LIBOR (cash).

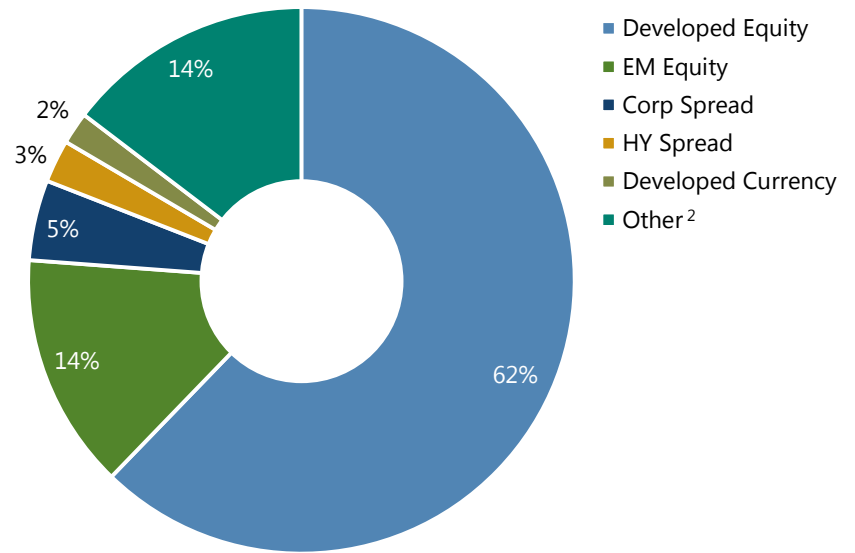
However, investors need to consider risk factor concentrations

Asset allocation (By market value weight)¹



Average endowment greater than \$1bn

Risk allocation (By contribution to estimated volatility)



Average endowment greater than \$1bn

As of 31 December 2012

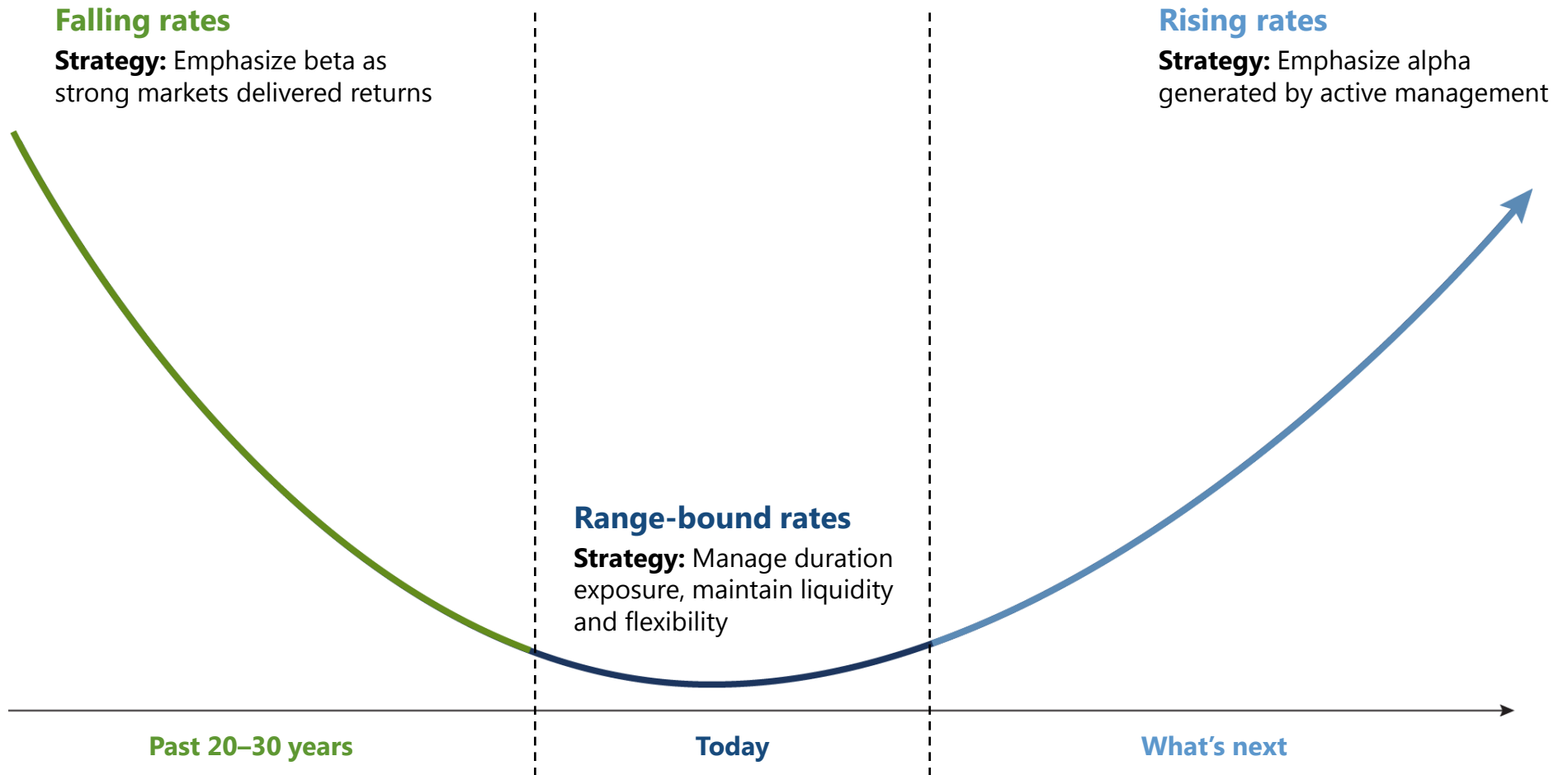
Source: NCSE, PIMCO

Hypothetical example for illustrative purposes only

¹ Average endowment portfolio information from the 2012 NACUBO-Commonfund Study of Endowments (NCSE). This study is based on information collected as of 30 June 2012. The asset percentages shown are based on the average endowment portfolio as of 30 June 2012 for endowments >\$1 billion.

² Other factors include: idiosyncratic (specific), country, industry, sector and “style” factors such as value, size, momentum, liquidity and leverage. Refer to Appendix for additional endowment style portfolio index source information.

Pivot strategy for changing market conditions



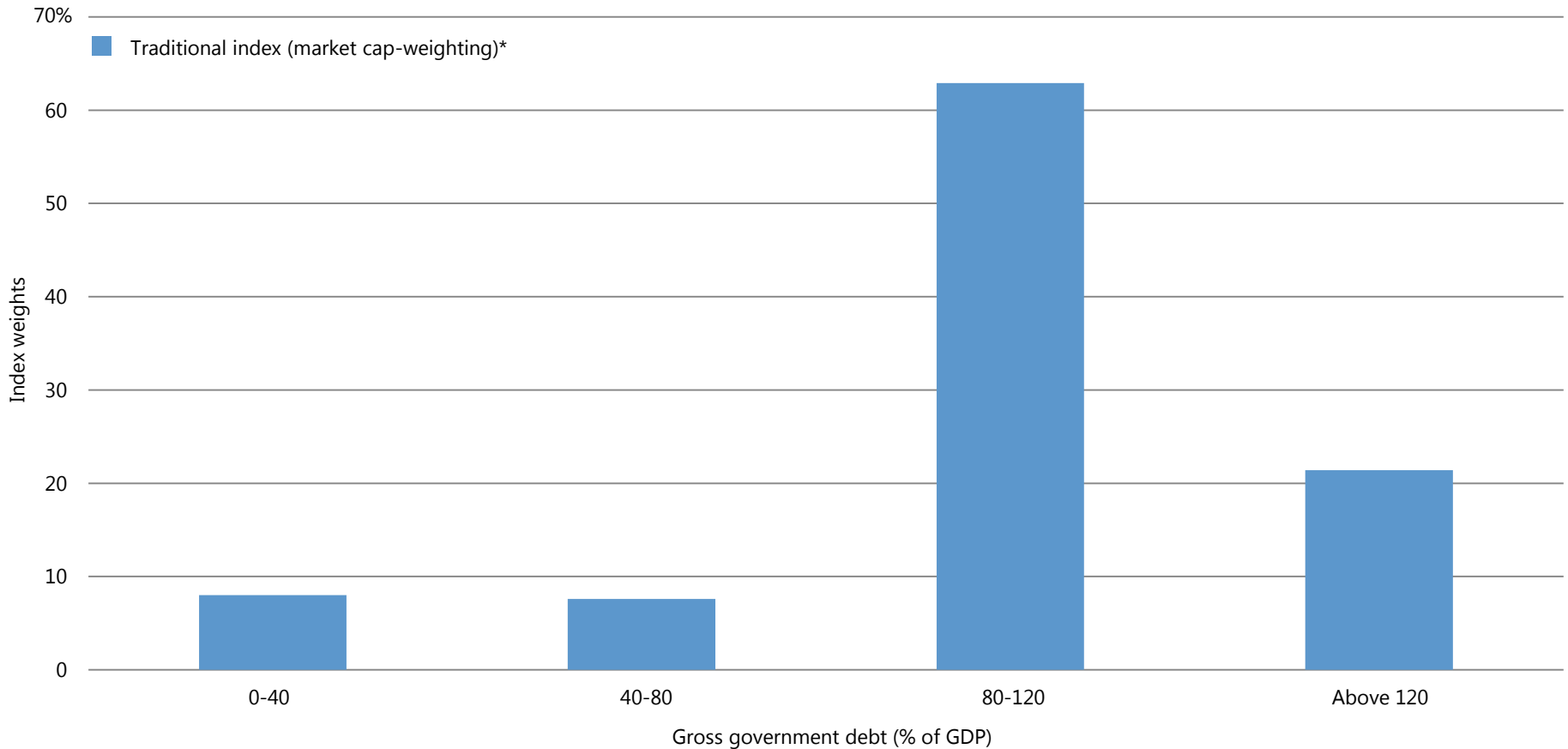
Source: PIMCO

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

* Mortgage-backed securities; asset-backed securities

Barclays Global Aggregate: Market cap-weighting favors higher debt countries

Index distribution by government debt level

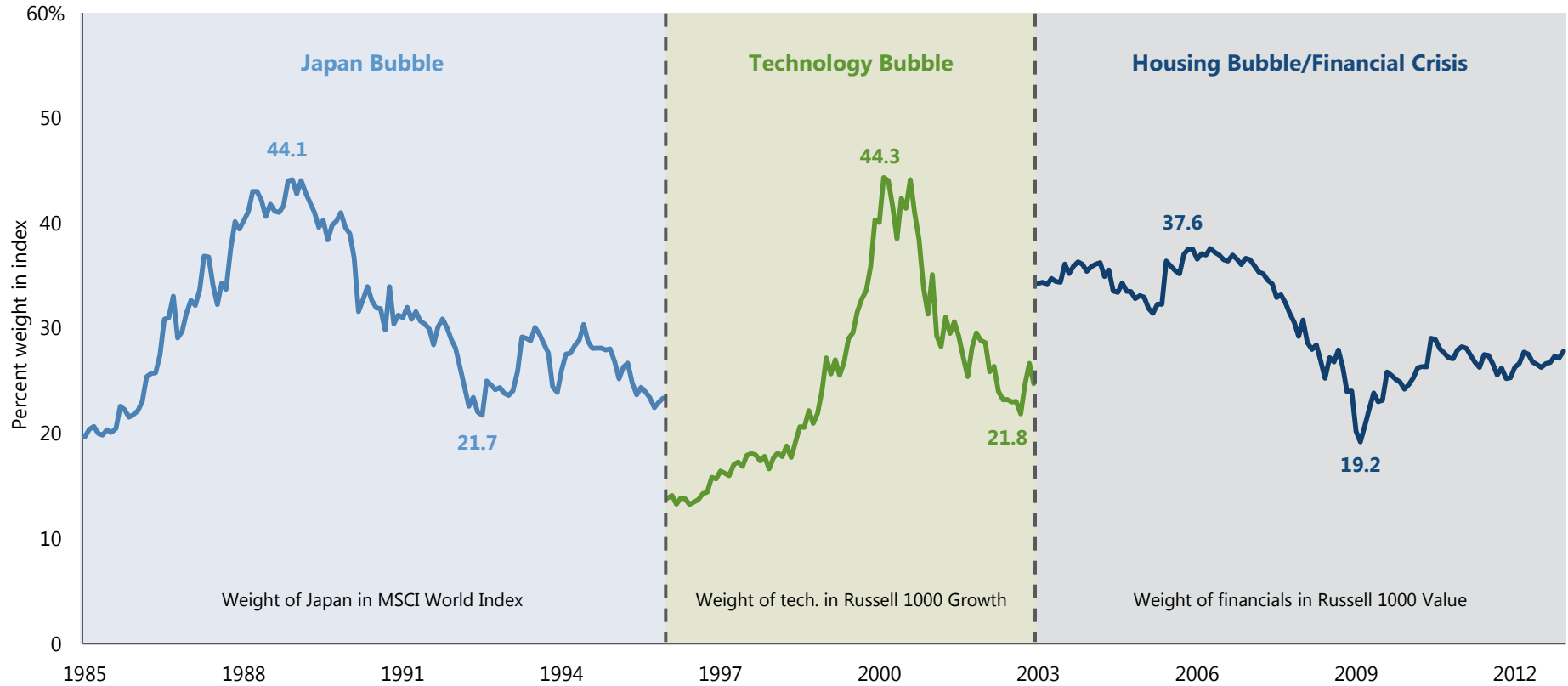


As of 30 June 2013

Source: BofA Merrill Lynch, Barclays, International Monetary Fund (IMF)

* Traditional index (market cap-weighting) is represented by the Barclays Global Aggregate Bond Index. Refer to Appendix for additional index information.

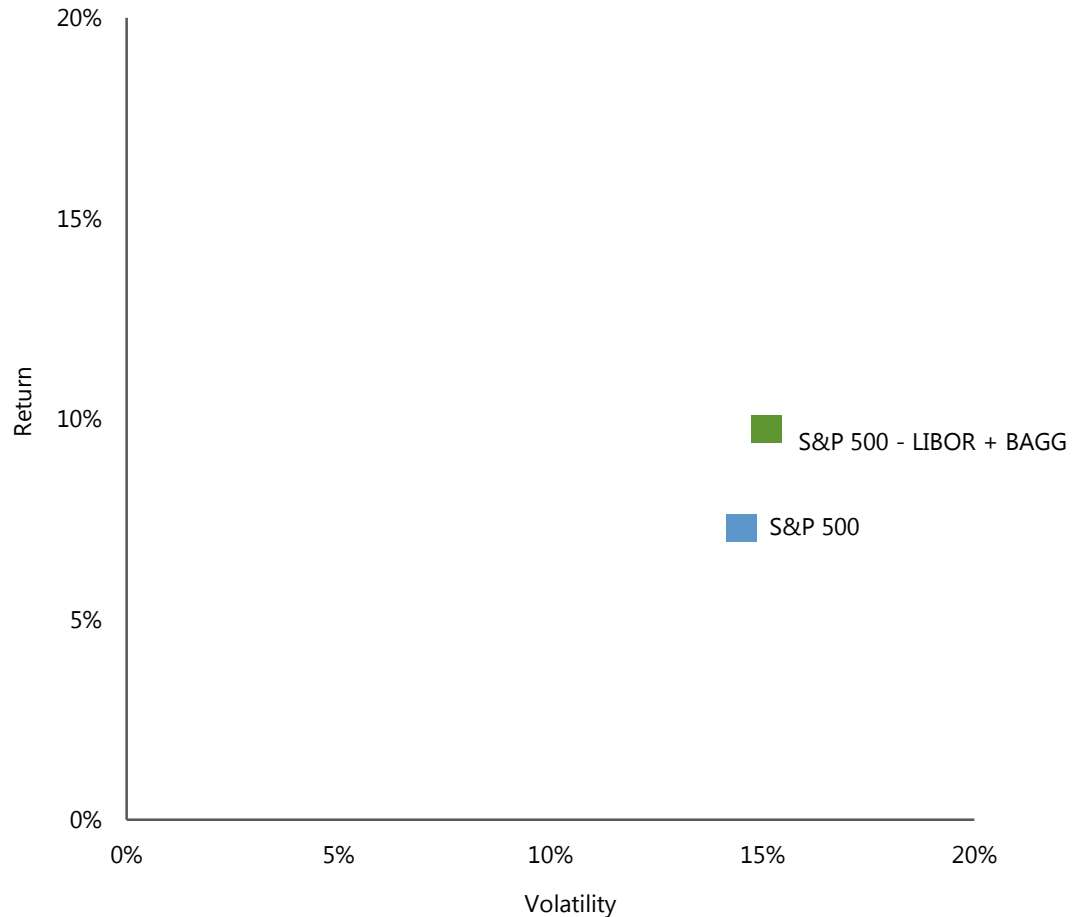
Cap-weighted stock market indexes: Prone to bubbles



As of 31 December 2012
Source: PIMCO, MSCI, Bloomberg
Refer to the Appendix for additional index, investment strategy, outlook and risk information.

Think outside the index: Broaden and diversify alpha opportunity set

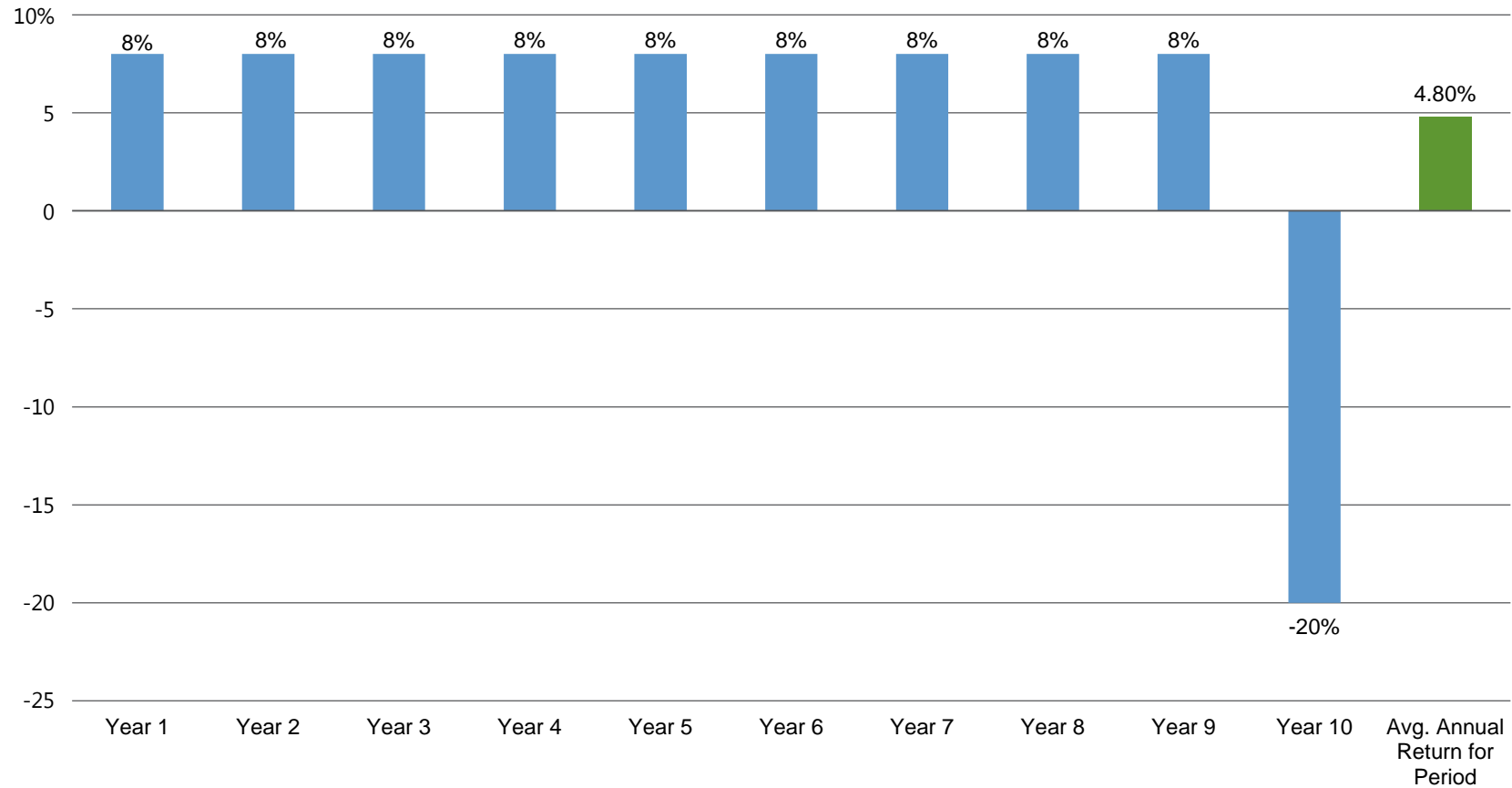
10-year historical risk vs. return



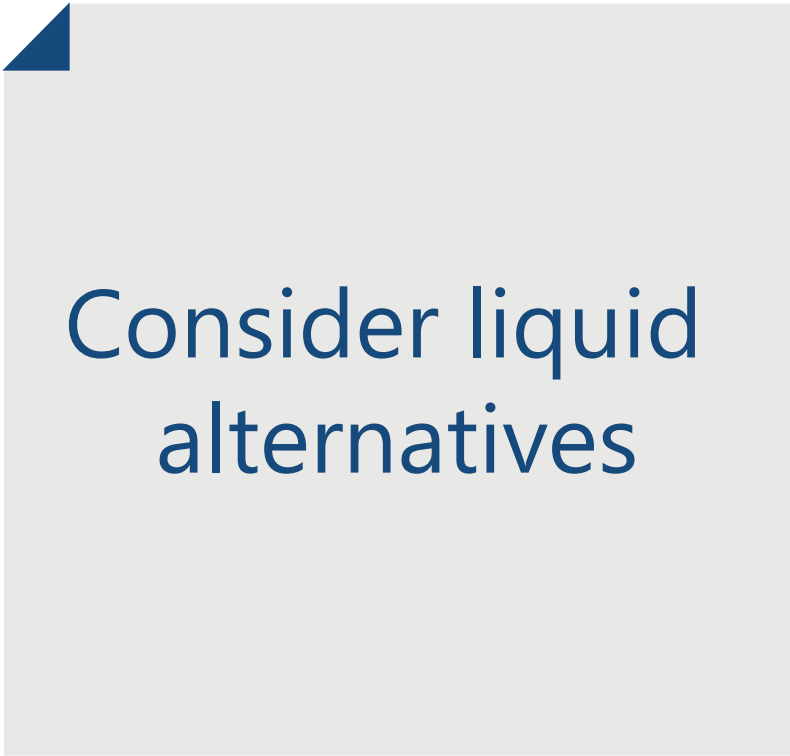
Source: Bloomberg and Barclays as of 30 June 2013

Hypothetical example for illustrative purposes only. Figure is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. No manager fees were taken into account and performance would be lower if applied.

Managing against market shocks can be critical to long-term goals



Source: Michael Spence, PIMCO. "Periodic Systemic Risk and Investment Strategy," October 2009.
Hypothetical example for illustrative purposes only. Chart aims to illustrate that one severe market shock can erase many years of good gains and be detrimental to long-term investment returns.



Consider liquid
alternatives

What are liquid alternatives?

Liquid alternatives are U.S. mutual fund or ETF versions of non-traditional investment strategies.

These strategies employ one or more of the following:

- Nontraditional risk exposures
- A broader opportunity set beyond traditional asset classes
- An absolute return focus
- Use of shorter-term, dynamic trading strategies
- Long and short positions
- Explicit downside risk mitigation

PIMCO's liquid alternative strategies are without the principal lock-ups of traditional alternative vehicles and are mutual funds that can be liquidated at NAV on a daily basis.

Versus traditional 60/40 portfolio

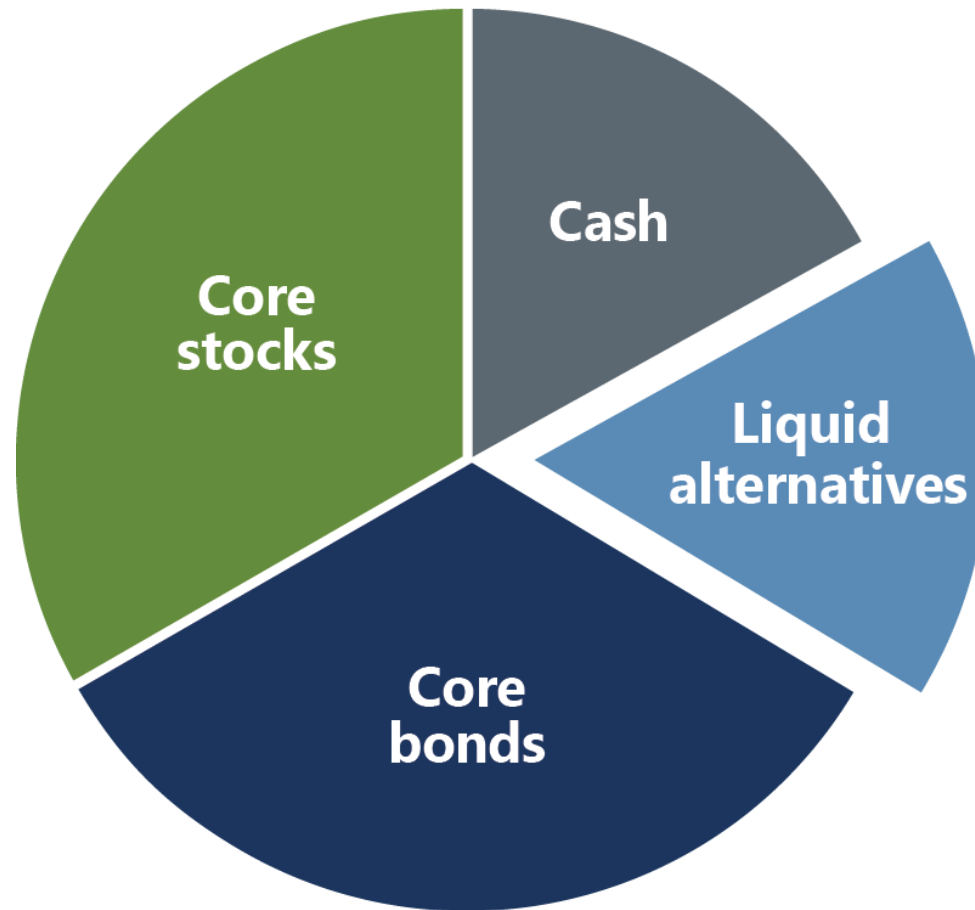
	Traditional 60/40 portfolio*	Liquid Alternatives**
Potential diversification benefits vs. traditional 60/40 portfolio	N/A	Moderate/High
Access to return potential of nontraditional asset classes	Low	High
Ability to use long/short strategies	None/Limited	Yes
Daily liquidity	Yes	Yes
Transparency	High	High
Accessibility	Broad	Broad

Source: PIMCO

* Portfolio composed of 60% traditional stock strategies and 40% traditional bond strategies, as represented by U.S. index-based mutual funds, commonly benchmarked against the S&P 500 and Barclays U.S. Aggregate Bond Index.

** As represented by investment companies under the U.S. Investment Company Act of 1940.

Role in an investor's portfolio



For illustrative purposes only

PIMCO: Experience and expertise

PIMCO currently manages more than \$100* billion in liquid alternatives, bringing to bear 40 years of experience, a rigorous investment process and a long history of innovation.

* As of 30 June 2013

PIMCO: Liquid alternative strategies across a range of styles

		I-share	A-share
Absolute return	Unconstrained Bond Fund	PFIUX	PAUAX
	Credit Absolute Return Fund	PCARX	PGMAX
	Mortgage Opportunities Fund	PMZIX	PZRMX
Multi-asset	All Asset All Authority Fund	PAUIX	PAUAX
	Global Multi-Asset Fund	PGAIX	PGMAX
	Inflation Response Multi-Asset Fund	PIRMX	PZRMX
Long/short equity	EqS [®] Long/Short Fund	PMHIX	PMHAX
Equity market-neutral	Fundamental Advantage Absolute Return Strategy Fund**	PFATX	PTFAX
	Worldwide Fundamental Advantage AR Strategy Fund**	PWWIX	PWWAX
Bear market	StocksPLUS [®] AR Short Strategy Fund**	PSTIX	PSSAX
Commodity	CommodityRealReturn Strategy Fund [®]	PCRIX	PCRAX
	CommoditiesPLUS [®] Strategy Fund	PCLIX	PCLAX
Real estate-linked	RealEstateRealReturn Strategy Fund	PRRSX	PETAX
Currency	Emerging Markets Currency Fund	PLMIX	PLMAX
	Foreign Currency Strategy ETF Fund	FORX*	—

* ETF share class

** On 22 March 2013, the fund's name and objective was changed from "Total Return" or "TR" to "Absolute Return" or "AR." Refer to Appendix for risk information.



Appendix

Appendix

PERFORMANCE

Past performance is no guarantee of future results

CHART

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results.

ENDOWMENT STYLE PORTFOLIO INDEX SOURCES

Domestic Equities: S&P 500; Global Equities: MSCI EAFE Net Dividend Index in USD; EM Equities: MSCI Emerging Markets Index; Domestic (IG/HY) Bonds (IG bonds, HY bonds): 7.5% Investment Grade Bonds - Barclays Capital US Aggregate Index, 0.72% High Yield Bonds - Barclays Capital US High Yield Index; Global Bonds: Barclays Capital Global Aggregate Index; EM Bonds: JP Morgan EMBI Global Index; Real Estate: NCREIF Property Index; Hedge Funds: HFRI Fund Weighted Composite Index; Private Equity: Cambridge Associates LLC U.S. Private Equity Index®; Venture Capital: Cambridge Associates LLC U.S. Venture Capital Index®; Energy and Natural Resources (Energy, Timber, Commodities, Managed Futures): 4.2% Energy - Dow Jones UBS Commodity Energy Index, 2.01% Timber - NCREIF Timberland Index, 1% Commodities - Dow Jones UBS Commodity Index, 1% Managed Futures: DJCS Managed Futures Index; Distressed Debt: HFRI ED: Distressed/Restructuring Index; Cash: Citigroup 3 Month US T-Bill Index.

HYPOTHETICAL

Hypothetical examples for illustrative purposes only. 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. Hypothetical or simulated performance results have several inherent limitations. Unlike an actual performance record, simulated results do not represent actual performance and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular account, product or strategy. In addition, since trades have not actually been executed, simulated results cannot account for the impact of certain market risks such as lack of liquidity. There are numerous other factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results, and all of which can adversely affect actual results.

INVESTMENT STRATEGY

There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long term, especially during periods of downturn in the market.

PORTFOLIO STRUCTURE

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

RISK

In managing the strategy's investments in fixed income instruments, PIMCO utilizes an **absolute return** approach; the absolute return approach does not apply to the equity-index-replicating component of the strategy. Absolute return portfolios may not necessarily fully

participate in strong (positive) market rallies. Investing in the **bond market** is subject to certain risks including market, interest rate, issuer, credit and inflation risk; investments may be worth more or less than the original cost when redeemed. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee, there is no assurance that private guarantors will meet their obligations. **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. Entering into **short sales** includes the potential for loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the portfolio. Investing in securities of **smaller companies** tends to be more volatile and less liquid than securities of larger companies. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **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. Diversification does not ensure against loss.

Exchange-traded funds (ETFs) 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.

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Appendix

INDEX DESCRIPTIONS

The 3-Month LIBOR (London Interbank Offered Rate) Index is an average interest rate, determined by the British Bankers Association, that banks charge one another for the use of short-term money (3 months) in England's Eurodollar market.

The Barclays Commercial Mortgage-Backed Securities Index is an unmanaged index comprised of the CMBS Investment-Grade Index, CMBS High-Yield Index, CMBS Interest-Only Index, and Commercial Conduit Whole Loan Index (all bond classes and interest-only classes).

Barclays Credit Investment Grade 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.

The Barclays Global Credit Index is a subset of the Global Aggregate Index, and contains investment grade credit securities from the U.S. Aggregate, Pan-European Aggregate, Asian-Pacific Aggregate, Eurodollar, 144A, and Euro-Yen indices. The index is denominated in U.S. dollars.

The Barclays Global Aggregate Credit Index provides a broad-based measure of the global investment-grade fixed income markets.

The Barclays Mortgage-Backed Securities Index is composed of all fixed-rate securitized mortgage pools by GNMA, FNMA, and the FHLMC, including GNMA Graduated Payment Mortgages.

The Barclays Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment-grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

The BofA Merrill Lynch Global High Yield BB-B Rated Index tracks the performance of BB-B rated bonds of corporate issuers domiciled in countries having an investment grade foreign currency long term debt rating (based on a composite of Moody's and S&P). The Index includes bonds denominated in US dollars, Canadian dollars, sterling, euro (or euro legacy currency), but excludes all multi-currency denominated bonds.

The BofA Merrill Lynch U.S. High Yield BB-B Rated Index is an unmanaged market index comprised of various fixed income securities rated BB and B.

Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. Performance data for this index prior to 10/97 represents returns of the Barclays Inflation Notes Index.

The DAX 100 Index is a total rate of return index of the 100 most highly capitalized stocks traded on the Frankfurt Stock Exchange.

The Barclays U.S. Treasury Index is a measure of the public obligations of the U.S. Treasury.

The Dow Jones-UBS Commodity Index is composed of futures contracts on 19 physical commodities. It reflects the return of underlying commodity futures price movements only. It is quoted in USD.

Barclays 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.

Appendix

INDEX DESCRIPTIONS (continued)

The JPMorgan Emerging Markets Bond Index (EMBI) Global is an unmanaged index that tracks total returns for dollar-denominated Brady Bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities of emerging markets countries.

JPMorgan EMBI Global tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities.

The JPMorgan Government Bond Indices Global ex-US Index Hedged in USD is an unmanaged index representative of the total return performance in U.S. dollars of major non-U.S. bond markets.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets

The S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The index focuses on the Large-Cap segment of the U.S. equities market.

It is not possible to invest directly in an unmanaged index.