



P I M C O

# PIMCO Variable Insurance Trust

Global Multi-Asset Portfolio

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*This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the “Trust”) prospectus for the Portfolio. Investors should consider the investment objectives, risks, charges and expenses of this Portfolio carefully before investing. Ask your financial professional to explain all charges that may apply. This and other information is contained in the Portfolio’s prospectus. The variable product prospectus may be obtained by contacting your Investment Consultant. Please read the Portfolio and variable product prospectuses carefully before you invest or send money.*

### Dear PIMCO Variable Insurance Trust Shareholder:

After a difficult first quarter of calendar 2009, financial markets and the broader economy began to stabilize through a process of policy-induced healing including unprecedented monetary stimulus and near zero short-term interest rates. These efforts seemingly encouraged investors to migrate toward riskier assets in search of yield, and most asset classes higher on the risk spectrum rebounded significantly from the lows reached in March 2009.

However, the requirements for a sustained global economic recovery are complex and challenging. In the U.S. alone, consumer indebtedness is at a level greater than likely income potential and/or credit availability, while unemployment remains high. Furthermore, many major banking institutions continue to focus on borrowing from the Treasury to rebuild their balance sheets in lieu of lending to consumers and businesses. In this uncertain environment, we believe that an understanding of the many market risk factors is critical to both portfolio allocation and in determining the effectiveness of investment opportunities for our clients. As such, we remain focused on our mission of managing risks and delivering returns to help guide our clients through the lower income and economic deleveraging process.

We are honored that Morningstar® named Bill Gross Fixed-Income Fund Manager of the Decade. This honor is a particularly satisfying recognition reflecting the work of Bill Gross and a very talented and flexible team of PIMCO investment professionals in challenging market conditions over the first decade of this new century.

Highlights of the financial markets during the fiscal reporting period include:

- The Federal Reserve maintained a target range for the Federal Funds Rate of 0.00% to 0.25% and the Bank of England reduced its key-lending rate to 0.50%. The European Central Bank reduced its overnight rate to 1.00%, while the Bank of Japan maintained its lending rate at 0.10%.
- Returns on corporate bonds, mortgage-backed securities, and asset-backed securities were positive as investors moved into higher yielding, riskier asset classes. Yields on U.S. Treasury securities were generally volatile and returns lagged that of most developed government bonds. The benchmark ten-year U.S. Treasury note yielded 3.84% at the end of the reporting period, or 1.63% higher than at the beginning of 2009. The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds, returned 5.93%.
- U.S. Treasury Inflation-Protected Securities ("TIPS") outperformed their nominal U.S. Treasury counterparts as breakeven inflation levels (or the difference between nominal and real yields) moved higher. Real yields declined while nominal yields generally rose in 2009 as investors anticipated an economic recovery and the potential for an increase in inflation. The Barclays Capital U.S. TIPS Index returned 11.41%. In addition, commodities index returns were positive, as represented by the Dow Jones-UBS Commodity Index Total Return, which returned 18.91%.
- Agency mortgage-backed securities ("MBS") performed well due in part to the success of the Federal Reserve's MBS Purchase program, in which total net purchases of mortgages exceeded \$1 trillion by the end of 2009. Non-Agency MBS also performed well as a lack of new issuance over the last two years and anticipated demand from the U.S. Government's Public-Private Investment Program caused prices to move higher. In the asset-backed securities market, the U.S. Government's Term Asset-Backed Securities Loan Facility ("TALF") was successful in restoring liquidity and inducing investor demand.
- Emerging market ("EM") bonds denominated in both U.S. dollars and local EM currencies performed well during the reporting period. Towards the end of the year, adverse news regarding Dubai was a modest negative for EM returns, but reminded investors that country and credit differentiation remains critical in managing EM assets.
- Equity markets worldwide generally trended higher as investors returned due to the low value of certain equities and the peak in the liquidation cycle earlier in the reporting period. U.S. equities, as measured by the S&P 500 Index, returned 26.46% and international equities, as represented by the MSCI World Index, returned 29.99%.

On the following pages of this Annual Report for the PIMCO Variable Insurance Trust covering the twelve-month reporting period ended December 31, 2009, please find specific details as to each Portfolio's total return investment performance and a discussion of those factors that affected performance.

Thank you again for the trust you have placed in us. We never take it lightly and will continue to work diligently to meet your investment needs.

Sincerely,



Brent R. Harris  
President and Chairman, PIMCO Variable Insurance Trust

January 20, 2010

## Important Information About the Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company currently consisting of sixteen separate investment portfolios, including the Global Multi-Asset Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

The Portfolio may invest in any of the funds of PIMCO Funds, an affiliated open-end investment company, except the All Asset, All Asset All Authority, Global Multi-Asset, RealRetirement<sup>®</sup> 2010, RealRetirement<sup>®</sup> 2020, RealRetirement<sup>®</sup> 2030, RealRetirement<sup>®</sup> 2040 and RealRetirement<sup>®</sup> 2050 Funds ("Underlying PIMCO Funds"). The Portfolio may also invest in a combination of affiliated funds and unaffiliated funds, which may or may not be registered under the Investment Company Act of 1940, as amended (the "1940 Act"), fixed income instruments, equity securities, forwards and derivatives, to the extent permitted under the 1940 Act or exemptive relief therefrom. The Underlying PIMCO Funds and other affiliated and unaffiliated funds in which the Portfolio may invest are collectively referred to as Acquired Funds in this Annual Report.

The principal risks of investing in the Portfolio include risks from direct investments and/or indirect exposure through investment in Acquired Funds. Among the principal risks of investing in the Portfolio are allocation risk, Acquired Fund risk, interest rate risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, commodity risk, equity risk, mortgage-related and other asset-backed risk, foreign (non-U.S.) investment risk, European specific risk, far eastern (excluding Japan) specific risk, real estate risk, emerging markets risk, currency risk, issuer non-diversification risk, leveraging risk, smaller company risk, management risk, short sales risk, tax risk and subsidiary risk. A complete description of these risks is contained in the Portfolio's prospectus. The Portfolio or an Acquired Fund may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that the Portfolio may not be able to close out a position when it would be most advantageous to do so. Because the Portfolio or an Acquired Fund may invest in derivatives, it could lose more than the principal amount invested in these instruments. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments; this risk may be increased when investing in emerging markets.

The cost of investing in the Portfolio will generally be higher than the cost of investing in a mutual fund that only invests directly in individual stocks and bonds. By investing in the Portfolio, an investor will indirectly bear fees and expenses charged by the Acquired Funds, which includes the Underlying PIMCO Funds and other funds, in addition to the Portfolio's direct fees and expenses.

On the performance summary page in this Annual Report, the Cumulative Total Return table and Cumulative Returns Chart measures performance assuming that all dividend and capital gain distributions were reinvested.

An investment in the Portfolio is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. It is possible to lose money on investments in the Portfolio.

PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at 1-866-746-2606, on the Portfolio's website at [www.pimco.com](http://www.pimco.com), and on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Trust's Form N-Q is also available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. and is available without charge, upon request, by calling the Trust at 1-866-746-2606 and on the Portfolio's website at [www.pimco.com](http://www.pimco.com). Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

PIMCO Variable Insurance Trust is distributed by Allianz Global Investors Distributors LLC, 1345 Avenue of the Americas, New York, NY 10105.

***The following disclosure provides important information regarding the Portfolio's Expense Example ("Example" or "Expense Example"), which appears in this Annual Report. Please refer to this information when reviewing the Expense Example for the Portfolio.***

## **Example**

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees (Administrative and Advisor Class only); and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period indicated, which is from July 1, 2009 to December 31, 2009.

## **Actual Expenses**

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = \$8.60), then multiply the result by the number in the row titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## **Hypothetical Example for Comparison Purposes**

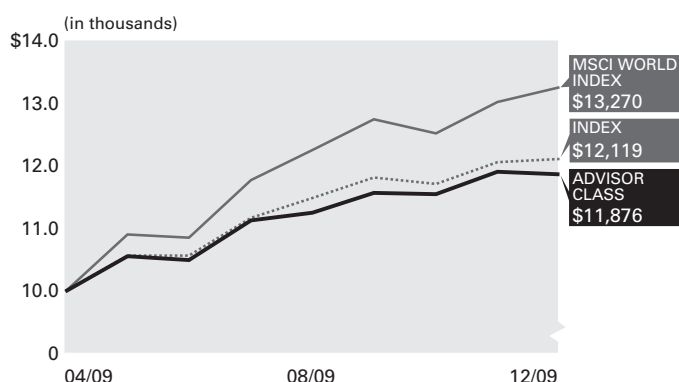
The information in the table under the heading "Hypothetical Performance (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

The expense ratio may vary period to period because of various factors, such as an increase in expenses not covered by the management fees (such as expenses of the independent trustees and their counsel, extraordinary expenses and interest expense).

# PIMCO Global Multi-Asset Portfolio

## Cumulative Returns Through December 31, 2009



\$10,000 invested at the beginning of the first full month following the inception date of the Portfolio's Advisor Class.

## Allocation Breakdown<sup>†</sup>

PIMCO Funds	44.8%
Short-Term Instruments	33.1%
Exchange-Traded Funds	20.4%
U.S. Government Agencies	1.5%
Purchased Options	0.1%
Other	0.1%

<sup>†</sup> % of Total Investments as of 12/31/09

## Portfolio Insights

» The PIMCO Global Multi-Asset Portfolio seeks total return which exceeds that of a blend of 60% MSCI World Index/40% Barclays Capital U.S. Aggregate Index by investing under normal circumstances in a combination of affiliated and unaffiliated funds, which may or may not be registered under the 1940 Act, fixed income instruments, equity securities, forwards and derivatives. The Portfolio will invest in such funds, securities, instruments and other investments to the extent permitted under the 1940 Act, or any exemptive relief therefrom. The Portfolio may invest, without limitation, in any of the Underlying PIMCO Funds (i.e., any of the PIMCO Funds, except the PIMCO All Asset Fund, PIMCO All Asset All Authority Fund, PIMCO Global Multi-Asset Fund and the PIMCO RealRetirement Funds®). The Portfolio will invest either directly or indirectly (through a fund) in instruments that are economically tied to at least three countries (one of which may be the United States).

» The Portfolio commenced operations on April 15, 2009.

» Exposure to emerging markets equities contributed to performance as these securities rallied over the period since inception of the Portfolio.

» Allocations to commodities and gold detracted from relative performance as the Dow Jones-UBS Commodities Index Total Return underperformed the Portfolio's benchmark index during the period since the Portfolio's inception.

» An asset allocation decision to underweight global developed equities detracted from absolute performance as global developed equities rallied over the period since inception of the Portfolio.

» An overweight to duration, or sensitivity to changes in market interest rates, detracted from performance as the ten-year U.S. Treasury yield increased from 2.76% to 3.84% since inception of the Portfolio.

» Purchases within the Portfolio of tail hedge put options on the S&P 500 detracted from performance as the S&P 500 rallied over the period.

## Cumulative Total Return for the period ended December 31, 2009

	Class Inception (04/15/09)
— PIMCO Global Multi-Asset Portfolio Advisor Class	19.11%
..... MSCI World Index <sup>±</sup>	32.70%*
— 60% MSCI World Index/40% Barclays Capital U.S. Aggregate Index <sup>±±</sup>	21.19%*

All Portfolio returns are net of fees and expenses.

\* Average annual total return since 04/30/2009

**Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and principal value will fluctuate so the Portfolio shares when redeemed, may be worth more or less than their original cost. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available by calling (800) 927-4648. The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, as supplemented to date, is 1.97% for Advisor Class shares.**

<sup>±</sup> 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. As of June 2007 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The index does not reflect deductions for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

<sup>±±</sup> 60% MSCI World Index/40% Barclays Capital U.S. Aggregate Index. 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. As of June 2007 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. It is not possible to invest directly in an unmanaged index. The Barclays Capital 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 index does not reflect deductions for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index. Prior to November 1st, 2008, this index was public.

Expense Example	Actual Performance	Hypothetical Performance <sup>**</sup> (5% return before expenses)
Beginning Account Value (07/01/09)	\$1,000.00	\$1,000.00
Ending Account Value (12/31/09)	\$1,131.17	\$1,020.52
Expenses Paid During Period <sup>†</sup>	\$ 5.00	\$ 4.74

<sup>†</sup> Expenses are equal to the Portfolio's Advisor Class net annualized expense ratio of 0.93%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). The annualized expense ratio of 0.93% for the Advisor Class reflects net annualized expenses after application of an expense waiver of 0.27%. Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect Variable Contract fees and expenses.

Please refer to page 3 herein for an explanation of the information presented in the above Expense Example.

# Financial Highlights Global Multi-Asset Portfolio

Selected Per Share Data for the Period Ended:

04/15/2009-12/31/2009

## Advisor Class

Net asset value beginning of period	\$ 10.00
Net investment income (a)	0.34
Net realized/unrealized gain on investments	1.58
Total income from investment operations	1.92
Dividends from net investment income	(0.09)
Distributions from net realized capital gains	(0.04)
Tax basis return of capital	0.00
Total distributions	(0.13)
Net asset value end of period	\$ 11.79
Total return	19.11%
Net assets end of period (000s)	\$ 25,477
Ratio of expenses to average net assets	0.92%*
Ratio of expenses to average net assets excluding waivers	2.15%*
Ratio of expenses to average net assets excluding interest expense	0.92%*
Ratio of expenses to average net assets excluding interest expense and waivers	2.15%*
Ratio of net investment income to average net assets	4.01%*
Portfolio turnover rate	136%

\* Annualized

(a) Per share amounts based on average number of shares outstanding during the period.

# Consolidated Statement of Assets and Liabilities Global Multi-Asset Portfolio

(Amounts in thousands, except per share amounts)

	December 31, 2009
<b>Assets:</b>	
Investments, at value	\$ 11,135
Investments in Affiliates, at value	25,696
Repurchase agreements, at value	251
Cash	97
Deposits with counterparty	234
Receivable for Portfolio shares sold	529
Interest and dividends receivable	2
Dividends receivable from Affiliates	47
Unrealized appreciation on foreign currency contracts	13
Unrealized appreciation on swap agreements	10
	38,014
<b>Liabilities:</b>	
Payable for investments in Affiliates purchased	\$ 660
Written options outstanding	19
Accrued related party fees	26
Variation margin payable	32
Swap premiums received	1
Unrealized depreciation on foreign currency contracts	76
Unrealized depreciation on swap agreements	8
	822
<b>Net Assets</b>	<b>\$ 37,192</b>
<b>Net Assets Consist of:</b>	
Paid in capital	\$ 36,581
Undistributed net investment income	206
Accumulated undistributed net realized gain	193
Net unrealized appreciation	212
	\$ 37,192
<b>Net Assets:</b>	
Administrative Class	\$ 11,715
Advisor Class	25,477
<b>Shares Issued and Outstanding:</b>	
Administrative Class	993
Advisor Class	2,160
<b>Net Asset Value and Redemption Price Per Share (Net Asset Per Share Outstanding)</b>	
Administrative Class	\$ 11.80
Advisor Class	11.79
<b>Cost of Investments Owned</b>	<b>\$ 10,984</b>
<b>Cost of Investments in Affiliates Owned</b>	<b>\$ 25,650</b>
<b>Cost of Repurchase Agreements Owned</b>	<b>\$ 251</b>
<b>Premiums Received on Written Options</b>	<b>\$ 74</b>

# Consolidated Statement of Operations Global Multi-Asset Portfolio

(Amounts in thousands)

	Period from April 15, 2009 to December 31, 2009
<b>Investment Income:</b>	
Interest	\$ 15
Dividends	36
Dividends from Affiliate investments	261
Total Income	312
<b>Expenses:</b>	
Investment advisory fees	65
Supervisory and administrative fees	4
Servicing fees – Administrative Class	5
Distribution and/or servicing fees – Advisor Class	11
Organization Costs	56
Total Expenses	141
Reimbursement by Manager	(76)
Net Expenses	65
<b>Net Investment Income</b>	<b>247</b>
<b>Net Realized and Unrealized Gain (Loss):</b>	
Net realized (loss) on investments	(3)
Net realized gain on Affiliate investments	56
Net capital gain distributions received from Underlying Funds	14
Net realized gain on futures contracts, written options and swaps	342
Net realized gain on foreign currency transactions	33
Net change in unrealized appreciation on investments	151
Net change in unrealized appreciation on Affiliate investments	47
Net change in unrealized appreciation on futures contracts, written options and swaps	77
Net change in unrealized (depreciation) on translation of assets and liabilities denominated in foreign currencies	(63)
Net Gain	654
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 901</b>

# Consolidated Statement of Changes in Net Assets Global Multi-Asset Portfolio

(Amounts in thousands)

	Period from April 15, 2009 to December 31, 2009
<b>Increase in Net Assets from:</b>	
<b>Operations:</b>	
Net investment income	\$ 247
Net realized gain	372
Net realized gain on Affiliate investments	56
Net capital gain distributions received from Underlying Funds	14
Net change in unrealized appreciation	165
Net change in unrealized appreciation on Affiliate investments	47
Net increase resulting from operations	901
<b>Distributions to Shareholders:</b>	
From net investment income	
Administrative Class	(64)
Advisor Class	(126)
From net realized capital gains	
Administrative Class	(35)
Advisor Class	(65)
Tax basis return of capital	
Administrative Class	0
Advisor Class	0
Total Distributions	(290)
<b>Portfolio Share Transactions:</b>	
Receipts for shares sold	
Administrative Class	14,705
Advisor Class	26,474
Issued as reinvestment of distributions	
Administrative Class	99
Advisor Class	191
Cost of shares redeemed	
Administrative Class	(3,572)
Advisor Class	(1,316)
Net increase resulting from Portfolio share transactions	36,581
<b>Total Increase in Net Assets</b>	<b>37,192</b>
<b>Net Assets:</b>	
Beginning of period	0
End of period*	\$ 37,192
*Including undistributed net investment income of:	\$ 206

	SHARES	MARKET VALUE (000s)
<b>PIMCO FUNDS (c)(d) 44.7%</b>		
Emerging Local Bond Fund	125,479	\$ 1,247
Emerging Markets and Infrastructure Bond Fund	130,584	1,416
Emerging Markets Bond Fund	102,853	1,061
Global Advantage Strategy Bond Fund	282,099	3,120
Global Bond Fund (Unhedged)	194,864	1,836
Investment Grade Corporate Bond Fund	151,246	1,653
StocksPLUS® Fund	491,023	3,899
Total Return Fund	220,850	2,385
<b>Total PIMCO Funds (Cost \$16,558)</b>		<b>16,617</b>
	PRINCIPAL AMOUNT (000s)	
<b>U.S. GOVERNMENT AGENCIES 1.5%</b>		
Freddie Mac		
0.141% due 02/01/2011	\$ 150	150
0.208% due 08/05/2011 (e)	400	400
<b>Total U.S. Government Agencies (Cost \$550)</b>		<b>550</b>
<b>U.S. TREASURY OBLIGATIONS 0.1%</b>		
U.S. Treasury Notes		
1.000% due 07/31/2011 (e)	28	28
<b>Total U.S. Treasury Obligations (Cost \$28)</b>		<b>28</b>

	SHARES	MARKET VALUE (000s)
<b>EXCHANGE-TRADED FUNDS 20.3%</b>		
iShares MSCI Emerging Markets Index Fund	101,949	\$ 4,231
PIMCO 1-3 Year U.S. Treasury Index Fund (c)	22,500	1,127
PIMCO 3-7 Year U.S. Treasury Index Fund (c)	6,000	447
SPDR Gold Trust (a)	16,285	1,748
<b>Total Exchange-Traded Funds (Cost \$7,298)</b>		<b>7,553</b>
	PRINCIPAL AMOUNT (000s)	
<b>SHORT-TERM INSTRUMENTS 33.0%</b>		
<b>COMMERCIAL PAPER 10.8%</b>		
Fannie Mae		
0.066% due 02/04/2010	\$ 500	500
0.069% due 02/01/2010	1,300	1,300
0.210% due 03/10/2010	800	800
Freddie Mac		
0.131% due 02/16/2010	900	900
0.140% due 02/18/2010	500	500
<b>Total Short-Term Instruments (Cost \$12,280)</b>		<b>4,000</b>
<b>REPURCHASE AGREEMENTS 0.7%</b>		
Barclays Capital, Inc.		
0.010% due 01/04/2010	100	100
(Dated 12/31/2009. Collateralized by U.S. Treasury Inflation Protected Securities 0.875% due 04/15/2010 valued at \$103. Repurchase proceeds are \$100.)		

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>State Street Bank and Trust Co.</b>		
0.005% due 01/04/2010	\$ 151	\$ 151
(Dated 12/31/2009. Collateralized by U.S. Treasury Bills 0.000% due 01/14/2010 valued at \$155. Repurchase proceeds are \$151.)		
		251
<b>U.S. CASH MANAGEMENT BILLS 0.0%</b>		
0.195% due 04/01/2010 (e)	18	18
<b>U.S. TREASURY BILLS 1.3%</b>		
0.228% due 03/11/2010 - 12/16/2010 (b)	506	505
	SHARES	
<b>PIMCO SHORT-TERM FLOATING NAV PORTFOLIO (c) 20.2%</b>		
	749,614	7,505
<b>Total Short-Term Instruments (Cost \$12,280)</b>		<b>12,279</b>
<b>PURCHASED OPTIONS (g) 0.1%</b>		
(Cost \$171)		55
<b>Total Investments 99.7% (Cost \$36,885)</b>		<b>\$ 37,082</b>
Written Options (h) (0.1%) (Premiums \$74)		(19)
<b>Other Assets and Liabilities (Net) 0.4%</b>		<b>129</b>
<b>Net Assets 100.0%</b>		<b>\$ 37,192</b>

Notes to Schedule of Investments (amounts in thousands\*, except number of contracts):

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- (a) Non-income producing security.
- (b) Coupon represents a weighted average rate.
- (c) Affiliated to the Portfolio.
- (d) Institutional Class Shares of each PIMCO Fund.
- (e) Securities with an aggregate market value of \$174 and cash of \$234 have been pledged as collateral for the following open futures contracts on December 31, 2009:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation
90-Day Eurodollar December Futures	Long	12/2010	2	\$ 3
90-Day Eurodollar June Futures	Long	06/2010	2	3
E-mini MSCI EAFE Index March Futures	Long	03/2010	43	12
S&P 500 Index March Futures	Long	03/2010	1	2
Wheat March Futures	Long	03/2010	2	0
Wheat March Futures	Short	03/2010	(2)	0
				\$ 20

- (f) Swap agreements outstanding on December 31, 2009:

Credit Default Swaps on Corporate, Sovereign, and U.S. Municipal Issues - Sell Protection <sup>(1)</sup>

Reference Entity	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at December 31, 2009 <sup>(2)</sup>	Notional Amount <sup>(3)</sup>	Market Value	Upfront Premiums Paid/(Received)	Unrealized (Depreciation)
TransCapitalInvest Ltd. for OJSC AK Transneft	BCLY	1.000%	12/20/2010	2.070%	\$ 100	\$ (1)	\$ (1)	\$ 0

<sup>(1)</sup> If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation.

<sup>(2)</sup> Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues, U.S. municipal issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads 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.

# Consolidated Schedule of Investments Global Multi-Asset Portfolio (Cont.)

<sup>(3)</sup> The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

## Total Return Swaps on Indices

Pay/Receive	Total Return on Reference Index	Index	# of Shares or Units	Floating Rate <sup>(4)</sup>	Notional Amount	Maturity Date	Counterparty	Unrealized (Depreciation)
Receive	DJUBSTR Index		2,802	3-Month U.S. Treasury Bill rate plus a specified spread	\$ 620	01/27/2010	BCLY	\$ (2)
Receive	DJUBSTR Index		1,928	3-Month U.S. Treasury Bill rate plus a specified spread	540	01/27/2010	GSC	(2)
Receive	DJUBSTR Index		4,768	3-Month U.S. Treasury Bill rate plus a specified spread	1,390	01/27/2010	MSC	(4)
								\$ (8)

<sup>(4)</sup> Floating rate is based upon predetermined notional amounts, which may be a multiple of the number of shares or units disclosed.

## Variance Swaps

Pay/Receive	Variance <sup>(5)</sup>	Underlying Asset	Strike Price	Maturity Date	Counterparty	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation
Pay		London Gold Market Fixing Ltd. Index	\$ 0.077	01/12/2010	GSC	\$ 100	\$ 3	\$ 0	\$ 3
Pay		London Gold Market Fixing Ltd. Index	0.068	05/06/2010	MSC	30	0	0	0
Pay		NYMEX WTI Crude Oil February Futures	0.203	01/14/2010	DUB	50	7	0	7
							\$ 10	\$ 0	\$ 10

<sup>(5)</sup> At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price variance of the underlying asset and the strike price multiplied by the notional amount. As a receiver of the realized price variance, the Portfolio would receive the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would owe the payoff amount when the variance is less than the strike price. As a payer of the realized price variance, the Portfolio would owe the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would receive the payoff amount when the variance is less than the strike price.

## (g) Purchased options outstanding on December 31, 2009:

### Options on Exchange-Traded Futures Contracts

Description	Exercise Price	Expiration Date	# of Contracts	Cost	Market Value
Put - CBOE S&P 500 Index December Futures	\$ 700.000	12/18/2010	10	\$ 88	\$ 12
Put - CBOE S&P 500 Index June Futures	850.000	06/19/2010	12	39	14
				\$ 127	\$ 26

### Options on Securities/Exchange-Traded Funds

Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
Put - OTC Financial Select Sector SPDR	\$ 12.000	06/19/2010	\$ 71	\$ 44	\$ 29

## (h) Written options outstanding on December 31, 2009:

### Options on Exchange-Traded Futures Contracts

Description	Exercise Price	Expiration Date	# of Contracts	Premium	Market Value
Put - CBOE S&P 500 Index December Futures	\$ 600.000	12/18/2010	10	\$ 56	\$ 6

### Options on Securities/Exchange-Traded Funds

Description	Strike Price	Expiration Date	Notional Amount	Premium	Market Value
Put - OTC Financial Select Sector SPDR	\$ 10.000	06/19/2010	\$ 71	\$ 18	\$ 13

## Transactions in written call and put options for the period ended December 31, 2009:

	# of Contracts	Notional Amount	Premium
Balance at 04/15/2009	0	\$ 0	\$ 0
Sales	11	471	77
Closing Buys	(1)	(400)	(3)
Expirations	0	0	0
Exercised	0	0	0
Balance at 12/31/2009	10	\$ 71	\$ 74

## (i) Foreign currency contracts outstanding on December 31, 2009:

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Buy	AUD	249	01/2010	GSC	\$ 0	\$ (6)	\$ (6)
Buy		155	01/2010	RBS	0	(5)	(5)
Buy	CAD	653	01/2010	JPM	11	0	11
Buy	CHF	361	03/2010	CITI	2	0	2
Sell	CNY	20	03/2010	BCLY	0	0	0
Sell		41	03/2010	CITI	0	0	0
Sell		102	03/2010	DUB	0	0	0
Buy		204	03/2010	JPM	0	0	0
Sell		41	03/2010	MSC	0	0	0
Buy		20	11/2010	BCLY	0	0	0
Buy		40	11/2010	CITI	0	0	0
Buy		101	11/2010	DUB	0	0	0
Buy		40	11/2010	MSC	0	0	0
Buy	EUR	410	01/2010	HSBC	0	(31)	(31)
Buy		67	01/2010	UBS	0	(1)	(1)
Buy	GBP	330	01/2010	CITI	0	(16)	(16)
Buy		234	01/2010	GSC	0	(8)	(8)
Buy	JPY	22,208	01/2010	DUB	0	(9)	(9)
Buy	SEK	136	03/2010	CITI	0	0	0
					\$ 13	\$ (76)	\$ (63)

## (j) Fair Value Measurements \*

The following is a summary of the fair valuations according to the inputs used as of December 31, 2009 in valuing the Portfolio's assets and liabilities:

Category**	Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at 12/31/2009
PIMCO Funds	\$ 16,617	\$ 0	\$ 0	\$ 16,617
Exchange-Traded Funds	7,553	0	0	7,553
Short-Term Instruments	7,505	4,774	0	12,279
Other Investments ***	26	607	0	633
Investments, at value	\$ 31,701	\$ 5,381	\$ 0	\$ 37,082
Financial Derivative Instruments ****	\$ 14	\$ (74)	\$ 0	\$ (60)
Total	\$ 31,715	\$ 5,307	\$ 0	\$ 37,022

\* See note 2 in the Notes to Financial Statements for additional information.

\*\* Refer to the Schedule of Investments for additional information.

\*\*\* Sum of all other categories each of which individually has an aggregate market value of less than 5% of net assets.

\*\*\*\* Financial derivative instruments may include open futures contracts, swap contracts, written options, and foreign currency contracts.

## (k) Fair Value of Derivative Instruments ^

The following is a summary of the fair valuations of the Portfolio's derivative instruments categorized by risk exposure:

## Fair Values of Derivative Instruments on the Statement of Assets and Liabilities as of December 31, 2009:

	Derivatives not accounted for as hedging instruments					Total
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	
<b>Assets:</b>						
Investments, at value (purchased options)	\$ 0	\$ 0	\$ 0	\$ 55	\$ 0	\$ 55
Unrealized appreciation on foreign currency contracts	0	13	0	0	0	13
Unrealized appreciation on swap agreements	0	0	0	0	10	10
	\$ 0	\$ 13	\$ 0	\$ 55	\$ 10	\$ 78
<b>Liabilities:</b>						
Written options outstanding	\$ 0	\$ 0	\$ 0	\$ 19	\$ 0	\$ 19
Variation margin payable^^	1	0	0	31	0	32
Unrealized depreciation on foreign currency contracts	0	76	0	0	0	76
Unrealized depreciation on swap agreements	0	0	0	0	8	8
	\$ 1	\$ 76	\$ 0	\$ 50	\$ 8	\$ 135

**The Effect of Derivative Instruments on the Statement of Operations for the Year Ended December 31, 2009:**

	Derivatives not accounted for as hedging instruments					Total
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	
<b>Realized Gain (Loss) on Derivatives Recognized as a Result from Operations:</b>						
Net realized (loss) on investments (purchased options)	\$ 0	\$ 0	\$ 0	\$ (3)	\$ 0	\$ (3)
Net realized gain on futures contracts, written options and swaps	3	0	0	225	114	342
Net realized gain on foreign currency transactions	0	8	0	0	0	8
	<u>\$ 3</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 222</u>	<u>\$ 114</u>	<u>\$ 347</u>
<b>Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized as a Result from Operations:</b>						
Net change in unrealized (depreciation) on investments (purchased options)	\$ (15)	\$ 0	\$ 0	\$ (101)	\$ 0	\$ (116)
Net change in unrealized appreciation on futures contracts, written options and swaps	11	0	0	64	2	77
Net change in unrealized (depreciation) on translation of assets and liabilities denominated in foreign currencies	0	(63)	0	0	0	(63)
	<u>\$ (4)</u>	<u>\$ (63)</u>	<u>\$ 0</u>	<u>\$ (37)</u>	<u>\$ 2</u>	<u>\$ (102)</u>

<sup>^</sup> See note 2 in the Notes to Financial Statements for additional information.

<sup>^^</sup> Only current day's variation margin is reported within the Statement of Assets and Liabilities. The variation margin is included in the open futures cumulative appreciation (depreciation) of \$20 as reported in the Notes to Schedule of Investments.

## 1. ORGANIZATION

The Global Multi-Asset Portfolio (the "Portfolio") is a series of the PIMCO Variable Insurance Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company organized as a Delaware business trust on October 3, 1997. The Portfolio offers two classes of shares: Administrative and Advisor. Information presented on these financial statements pertains to the Advisor Class of the Portfolio. Certain detailed financial information for the Administrative Class is provided separately and is available upon request. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans.

The Portfolio seeks to achieve its investment objective by investing under normal circumstances in a combination of affiliated and unaffiliated funds, which may or may not be registered under the 1940 Act, fixed income instruments, equity securities, forwards and derivatives. The Portfolio will invest in such funds, securities, instruments and other investments to the extent permitted under the 1940 Act, or any exemptive relief therefrom. The Portfolio may invest, without limitation, in any of the Underlying PIMCO Funds with the exception of CommodityRealReturn Strategy Fund® as defined under Important Information About the Portfolio. The Portfolio will invest either directly or indirectly (through a fund) in instruments that are economically tied to at least three countries (one of which may be the United States).

The Portfolio seeks concurrent exposure to a broad spectrum of asset classes and other investments. The Portfolio will typically invest 20% to 80% of its total assets in equity-related investments (including investment in common stock, preferred stock, equity securities of real estate investment trusts and/or investment in the Domestic Equity-Related Underlying PIMCO Funds, the International Equity-Related Underlying PIMCO Funds and the RealEstateRealReturn Strategy Fund, an Underlying PIMCO Fund, each as more fully described in the "Description of the Underlying PIMCO Funds" in the Portfolio's prospectus, and in other equity-related Acquired Funds as defined under Important Information About the Portfolio). With respect to its direct or indirect (through a fund) investments in equity securities, there is no limitation on the market capitalization range of the issuers in which the Portfolio may invest. The Portfolio may invest up to 25% of its total assets in commodity-related investments (including investment in the PIMCO Cayman Commodity Portfolio II Ltd., a wholly-owned subsidiary of the Portfolio organized under the laws of the Cayman Islands (the "GMA Subsidiary"), and the CommodityRealReturn Strategy Fund®, an Underlying PIMCO Fund). The GMA Subsidiary is advised by PIMCO and primarily invests in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other fixed income instruments. The GMA Subsidiary (unlike the Portfolio) may invest without limitation in commodity-linked swap agreements and other commodity-linked derivative instruments. The Portfolio may invest up to 25% of its total assets in the GMA Subsidiary. The Underlying PIMCO Funds and other affiliated and unaffiliated funds in which the Portfolio may invest are collectively referred to as "Acquired Funds." The Portfolio is classified as "non-diversified" for purposes of the 1940 Act because it may invest in a limited number of Acquired Funds and other investments. However, since certain of the Acquired Funds in which the Portfolio may invest are classified as diversified for purposes of the 1940 Act, the Portfolio may indirectly diversify its portfolio.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in accordance with U.S. GAAP may require management to make estimates and assumptions that

affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**(a) Determination of Net Asset Value** The Net Asset Value ("NAV") of the Portfolio's shares is valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the "NYSE Close") on each day that the New York Stock Exchange ("NYSE") is open. Information that becomes known to the Portfolio or its agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

**(b) Investment Valuation** For purposes of calculating the NAV, portfolio securities and other 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.

Domestic and foreign fixed income securities and non-exchange traded derivatives are normally valued on the basis of quotes obtained from brokers and dealers or pricing services. 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 which approximates fair value. Exchange traded options, futures and options on futures are valued at the settlement price determined by the relevant exchange. With respect to any portion of the Portfolio's assets that are invested in one or more open-end management investment companies, the Portfolio's NAV will be calculated based upon the NAVs of such investments. The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the NYSE is closed and the NAV may change on days when an investor is not able to purchase, redeem or exchange shares.

Securities and other assets for which market quotes are not readily available are valued at fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the investment adviser, Pacific Investment Management Company LLC ("PIMCO") 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 Board of Trustees, 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 Valuation Committee of the Board of Trustees, generally based upon recommendations provided by PIMCO.

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 or broker quotes), including where events occur after the close of the relevant

market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or 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. The Board of Trustees has delegated to PIMCO the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be re-evaluated in light of such significant events.

When the Portfolio uses fair value pricing to determine its NAV, 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 Board of Trustees or persons acting at their direction believe accurately reflects fair value. Fair value pricing may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board of Trustees or persons acting at their direction would accurately reflect the price that the Portfolio 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 by the Portfolio may differ from the value that would be realized if the securities were sold.

U.S. GAAP defines fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes and requires disclosure of a fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Levels 1, 2, and 3). Categorization of fair value measurements is determined by the nature of the inputs as follows: inputs using quoted prices in active markets for identical assets or liabilities ("Level 1"), significant other observable inputs ("Level 2"), and significant unobservable inputs ("Level 3"). Valuation levels are not necessarily an indication of the risk associated with investing in those securities. For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported market values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in/out of the Level 3 category during the period. In accordance with the requirements of U.S. GAAP, a fair value hierarchy and Level 3 reconciliation have been included in the Notes to the Schedule of Investments for the Portfolio.

**(c) Securities Transactions and Investment Income** Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statement of Operations.

**(d) Cash and Foreign Currency** The functional and reporting currency for the Portfolio is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. Dollars based on the current exchange rates each business day. Fluctuations in the value of currency holdings and other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains or losses. Realized gains or losses and unrealized appreciation or depreciation on investment

securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated on the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

**(e) Multiclass Operations** Each class offered by the Portfolio has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). For daily dividend Portfolios, income and non-class specific expenses are allocated daily to each class on the basis of the relative value of settled shares. For non-daily dividend Portfolios, income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains and losses of each class are allocated daily based on the relative net assets of each class of the respective Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative, distribution and servicing fees.

**(f) Dividends and Distributions to Shareholders** Dividends from net investment income, if any, are declared and distributed to shareholders quarterly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may change the fiscal year when income and capital items are recognized for tax and U.S. GAAP purposes. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of mortgage paydowns, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions declared during a fiscal period may differ significantly from the net investment income and realized capital gain reported on the Portfolio's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the accompanying Statements of Changes in Net Assets and have been reclassified to paid in capital. In addition, other amounts have been reclassified between undistributed net investment income, accumulated undistributed net realized gains or losses and/or paid in capital to more appropriately conform financial accounting to tax characterizations of dividend distributions.

### 3. SECURITIES AND OTHER INVESTMENTS

**(a) Repurchase Agreements** The Portfolio may engage in repurchase transactions. Under the terms of a typical repurchase agreement, the Portfolio takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for receipt of collateral, which may result in interest expense to the Portfolio. Generally, in the event of counterparty default, the Portfolio has the right to use

the collateral to offset losses incurred. If the counterparty should default, the Portfolio will seek to sell the securities which it holds as collateral. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price.

**(b) U.S. Government Agencies or Government-Sponsored Enterprises** The Portfolio may invest in U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. The U.S. Government does not guarantee the net asset value of the Portfolio's shares. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the United States Government; others, such as those of the Federal Home Loan Bank, 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 the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), 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 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.

Government-related guarantors (i.e., not backed by the full faith and credit of the United States Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). 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 United States Government. FHLMC 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 United States Government.

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. On September 7, 2008, the U.S. Treasury announced three additional steps taken by it in connection with the conservatorship. First, 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 \$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 \$1 billion of each enterprise's senior preferred stock and warrants to purchase 79.9% of each enterprise's common stock. Second, the U.S. Treasury announced the creation of a new secured lending facility which is available to each of FNMA and FHLMC as a liquidity backstop. Third, the U.S. Treasury announced the creation of a temporary program to purchase mortgage-backed securities issued by each of FNMA and FHLMC. On February 18, 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 \$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 \$200 billion per enterprise. Both the liquidity backstop and the mortgage-backed securities purchase program expired December 31, 2009. 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. The Senior Preferred Stock Purchase Agreement is intended to enhance each of FNMA's and FHLMC's ability to meet its obligations. The FHFA has indicated that the conservatorship of each enterprise will end when the director of FHFA determines that FHFA's plan to restore the enterprise to a safe and solvent condition has been completed.

#### 4. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Portfolio uses derivative instruments, the credit-risk-related contingent features in certain derivative instruments, and how derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statement of Assets and Liabilities and the realized and changes in unrealized gains and losses on the Statement of Operations, each categorized by type of derivative contract, are included in a table in the Notes to Schedule of Investments. The derivative instruments outstanding as of period end as disclosed in the Notes to Schedule of Investments and the amounts of realized and changes in unrealized gains and losses on derivative instruments during the period as disclosed in the Statement of Operations serve as indicators of the volume of derivative activity for the Portfolio.

**(a) Foreign Currency Contracts** The Portfolio may enter into foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as a part of an investment strategy. A foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a foreign currency contract fluctuates with changes in foreign currency exchange rates. Foreign currency contracts are marked to market daily and the change in value is recorded by the Portfolio as an unrealized gain or loss. Realized gains or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain or loss reflected on the Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. In connection with these contracts, securities may be identified as collateral in accordance with the terms of the respective contracts.

**(b) Futures Contracts** The Portfolio may enter into futures contracts. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker, an amount of cash or U.S. Government and Agency Obligations in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and an appropriate payable or receivable for the change in value ("variation margin") is recorded by the Portfolio. Gains or losses are recognized but not considered realized until the contracts expire or are closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed on the Statement of Assets and Liabilities.

**(c) Options Contracts** The Portfolio may write call and put options on futures, swaps (“swaptions”), securities, commodities or currencies it owns or in which it may invest. Writing put options tends to increase the Portfolio’s exposure to the underlying instrument. Writing call options tends to decrease the Portfolio’s exposure to the underlying instrument. When the Portfolio writes a call or put option, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are reflected as written options outstanding on the Statement of Assets and Liabilities. Certain options may be written with premiums to be determined on a future date. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain or loss. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

The Portfolio may also purchase put and call options. Purchasing call options tends to increase the Portfolio’s exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio’s exposure to the underlying instrument. The Portfolio pays a premium which is included on the Statement of Assets and Liabilities as an investment and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain or loss.

**(d) Swap Agreements** The Portfolio may invest in swap agreements. Swap agreements are privately negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. The Portfolio may enter into credit default, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate and commodity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Swaps are marked to market daily based upon values from third party vendors or quotations from market makers to the extent available and the change in value, if any, is recorded as an unrealized gain or loss on the Statement of Assets and Liabilities. In the event that market quotations are not readily available or deemed unreliable, certain swap agreements may be valued pursuant to guidelines established by the Board of Trustees. In the event that market quotes are not readily available and the swap cannot be valued pursuant to one of the valuation methods, the value of the swap will be determined in good faith by the Valuation Committee of the Board of Trustees, generally based upon recommendations provided by PIMCO.

Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and

other relevant factors). These upfront payments are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gains or losses on the Statement of Operations.

Entering into these agreements involves, to varying degrees, elements of credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

The Portfolio’s maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract’s remaining life, to the extent that amount is positive. The risk is mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio’s exposure to the counterparty.

**Credit Default Swap Agreements** Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on corporate issues, sovereign issues of an emerging country or U.S. municipal issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other

obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event). The Portfolio may use credit default swaps on corporate issues, sovereign issues of an emerging country or U.S. municipal issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default.

Credit default swap agreements on asset-backed securities involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. Unlike credit default swaps on corporate issues, sovereign issues of an emerging country or U.S. municipal issues, deliverable obligations in most instances would be limited to the specific referenced obligation as performance for asset-backed securities can vary across deals. Prepayments, principal paydowns, and other writedown or loss events on the underlying mortgage loans will reduce the outstanding principal balance of the referenced obligation. These reductions may be temporary or permanent as defined under the terms of the swap agreement and the notional amount for the swap agreement will be adjusted by corresponding amounts. The Portfolio may use credit default swaps on asset-backed securities to provide a measure of protection against defaults of the referenced obligation or to take an active long or short position with respect to the likelihood of a particular referenced obligation's default.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit-default swaps on indices are benchmarks for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues, sovereign issues of an emerging country or U.S. municipal issues as of period end are disclosed in the footnotes to the Schedule of Investments and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Wider credit spreads 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.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. Notional amounts of each individual credit default swap agreements outstanding as of December 31, 2009 for which the Portfolio is the seller of protection are disclosed in the notes to the Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

**Total Return Swap Agreements** The Portfolio may enter into total return swap agreements to gain or mitigate exposure of the underlying reference securities. Total return swap agreements on commodities involve commitments where cash flows are exchanged based on the price of a commodity and based on a fixed or variable rate. One party would receive payments based on the market value of the commodity involved and pay a fixed amount. Total return swap agreements on indices involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may be an equity, index, or bond, and in return receives a regular stream of payments. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Portfolio will receive a payment from or make a payment to the counterparty.

**Variance Swap Agreements** The Portfolio may invest in variance swap agreements to gain or mitigate exposure of the underlying reference securities. Variance swap agreements involve two parties agreeing to exchange cash flows based on the measured variance (or square of volatility) of a specified underlying asset. One party agrees to exchange a "fixed rate" or strike price payment for the "floating rate" or realized price variance on the underlying asset with respect to the notional amount. At inception, the strike price is generally chosen such that the fair value of the swap is zero. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price variance of the underlying asset and the strike price multiplied by the notional amount. As a receiver of the realized price variance, the Portfolio would receive the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would owe the payoff amount when the variance is less than the strike. As a payer of the realized price variance the Portfolio would owe the payoff amount when the realized price variance of the underlying asset is greater than the strike price and would receive the payoff amount when the variance is less than the strike. This type of agreement is essentially a forward contract on the future realized price variance of the underlying asset.

## 5. PRINCIPAL RISKS

In the normal course of business the Portfolio trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk), or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select Principal Risks. For a complete list of all Principal Risks, please see the Important Information About the Portfolio.

**Market Risks** The Portfolio may invest in shares of the Acquired Funds, the risk of investing in the Portfolio may be closely related to the risks associated with the Acquired Funds and their investments. The Portfolio may also invest its assets directly in stocks or bonds of other issuers and in other instruments such as forwards, options, futures contracts or swap agreements.

Investing in the Acquired Funds involves certain additional expenses and tax results that would not be present in a direct investment in the Acquired Funds.

The investment performance depends upon how its assets are allocated and reallocated according to the Portfolio's asset allocation targets and ranges. A principal risk of investing in each Portfolio is that the Portfolio's asset allocation sub-adviser will make less than optimal or poor asset allocation decisions. The asset allocation sub-adviser attempts to identify investment allocations for the Underlying PIMCO Funds that will provide consistent, quality performance for the Portfolio, but there is no guarantee that such allocation techniques will produce the desired results. It is possible that the asset allocation sub-adviser will focus on an Underlying PIMCO Fund that performs poorly or underperforms other Underlying PIMCO Funds under various market conditions.

The Portfolio's investments in derivatives and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Portfolio is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is useful primarily as a measure of the sensitivity of a fixed income's market price to interest rate (i.e. yield) movements.

If the Portfolio invests directly in foreign currencies or in securities that trade in, and 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 base currency of the Portfolio, or, in the case of hedging positions, that the Portfolio's base currency 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, intervention (or the failure to intervene) by U.S. 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 the United States or abroad. As a result, the Portfolio's investments in foreign currency denominated securities may reduce the returns of the Portfolio.

The market values of equities, such as common stocks and preferred stocks or equity related investments such as futures, options, may decline due to general market conditions which 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 or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

The Portfolio's investments in commodity-linked derivative instruments may subject the Portfolio to greater market price volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Credit and Counterparty Risks** The Portfolio will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default. The Portfolio minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges. The Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Similar to credit risk, the Portfolio may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio has unsettled or open transactions will default. Financial assets, which potentially expose the Portfolio to counterparty risk, consist principally of cash due from counterparties and investments. PIMCO, as the investment adviser, minimizes counterparty risks to the Portfolio by performing extensive reviews of each counterparty and obtaining approval from the Counterparty Risk Committee prior to entering into transactions with a third party. Furthermore, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold agreed to with the counterparty, such counterparty shall advance collateral to the Portfolio in the form of cash or cash equivalents equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently falls, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced to the Portfolio.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the Portfolio has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Portfolio is subject to various Master Agreements, which govern the terms of certain transactions with select counterparties. These Master Agreements reduce the counterparty risk associated with relevant transactions by allowing the Portfolio to net contracts in the event of default. All amounts with the counterparty are terminated and settled on a net basis. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements ("Master Repo Agreements") govern transactions between the Portfolio and select counterparties. The Master Repo Agreements maintain provisions for, initiation, income payments, events of default, and maintenance of collateral for Repurchase Agreements.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern the considerations and factors surrounding the settlement of certain purchases and sales made on a delayed-delivery basis by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral.

International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Master Agreements") govern transactions, over-the-counter derivative and foreign exchange contracts, entered into by the Portfolio and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to

terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to early terminate could be material to the financial statements.

## 6. BASIS FOR CONSOLIDATION OF THE PIMCO GLOBAL MULTI-ASSET PORTFOLIO

The GMA Subsidiary, a Cayman Islands exempted company, was incorporated on November 21, 2008 as a wholly owned subsidiary acting as an investment vehicle for the Portfolio in order to effect certain investments for the Portfolio consistent with the Portfolio's investment objectives and policies specified in its prospectus and statement of additional information. A subscription agreement was entered into between the Portfolio and the GMA Subsidiary on January 14, 2009, comprising the entire issued share capital of the GMA Subsidiary with the intent that the Portfolio will remain the sole shareholder and retain all rights. Under the Articles of Association of the GMA Subsidiary, shares issued by the GMA Subsidiary confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the GMA Subsidiary and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the GMA Subsidiary. As of December 31, 2009, net assets of the Portfolio were approximately \$37 million, of which approximately \$1 million, or approximately 2.7%, represented the Portfolio's ownership of all issued shares and voting rights of the GMA Subsidiary.

## 7. FEES AND EXPENSES

**(a) Investment Advisory Fee** PIMCO is a majority-owned subsidiary of Allianz Global Investors of America L.P. ("AGI"), and serves as investment adviser (the "Adviser") to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio, at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.90%.

**(b) Supervisory and Administrative Fee** PIMCO serves as administrator (the "Administrator"), and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Supervisory and Administrative Fee for all classes is charged at the annual rate of 0.05%.

**(c) Distribution and Servicing Fees** Allianz Global Investors Distributors LLC ("AGID") is an indirect wholly-owned subsidiary of AGI and serves as the distributor (the "Distributor") of the Trust's shares. The Trust is permitted to reimburse AGID on a quarterly basis, out of the Administrative Class assets of the Portfolio in the amount of 0.15% on an annual basis of the average daily net assets of that class, for payments made to financial intermediaries that provide services in connection with the distribution of shares or administration of plans or programs that use Portfolio shares as their funding medium. The effective rate paid to AGID was 0.15% during the current fiscal year.

The Trust has adopted a Distribution Plan for the Advisor Class shares of the Portfolio (the "Plan"). The Plan has been adopted pursuant to Rule 12b-1 under the Act. The Plan permits payments for expenses in connection with the distribution and marketing of Advisor Class shares and/or the provision of shareholder services to Advisor Class shareholders. The Plan permits the Portfolio to make total payments at an annual rate of 0.25% of its average daily net assets attributable to its Advisor Class shares.

**(d) Portfolio Expenses** The Trust is responsible for the following expenses: (i) salaries and other compensation of any of the Trust's executive officers and employees who are not officers, directors, stockholders or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees; (iii) brokerage fees and commissions and other portfolio transaction expenses; (iv) the costs of borrowing money, including interest expenses and bank overdraft charges; (v) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (vi) extraordinary expenses, including costs of litigation and indemnification expenses; (vii) organization expenses and (viii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multiple Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class as disclosed in the Prospectus for the reasons set forth above.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of \$15,000, plus \$2,375 for each Board of Trustees meeting attended in person, \$500 for each committee meeting attended and \$750 for each Board of Trustees meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of \$2,000 and each other committee chair receives an additional annual retainer of \$500. These expenses are allocated on a pro-rata basis to the various portfolios of the Trust according to their respective net assets. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

**(e) Expense Limitation** PIMCO has contractually agreed, through May 1, 2010, to reduce total annual portfolio operating expenses for the Portfolio by waiving a portion of its Supervisory and Administrative Fee or reimbursing the Portfolio, to the extent that they would exceed, due to the payment of organizational expenses and pro rata Trustees' Fees, the sum of such Portfolio's Investment Advisory Fee, service fees, distribution fees (with respect to Advisor Class only), Supervisory and Administrative Fees and other expenses borne by the Portfolio not covered by the Supervisory and Administrative Fee as described above (other than organizational expenses and pro rata Trustees' Fees), plus 0.49 basis points. PIMCO may recoup these waivers and reimbursements for a period not exceeding three years, provided that total expenses, including such recoupment, do not exceed the annual expense limit. As of December 31, 2009, the recoverable amount to PIMCO was \$56,242.

**(f) Acquired Fund Fees and Expenses** The Acquired Fund Fees and Expenses for the Portfolio are based upon an allocation of the Portfolio's assets among the Acquired Funds, which includes the total annual operating expenses of the Institutional Class shares of the Underlying PIMCO Funds and other funds. Acquired Fund Expenses will vary with changes in the expenses of the Acquired Funds, as well as allocation of the Portfolio's assets.

PIMCO has contractually agreed, through May 1, 2010, to waive, first, the Supervisory and Administrative Fee and, to the extent necessary, the Investment Advisory Fee it receives from the Portfolio in an amount equal to the expenses attributable to Investment Advisory and Supervisory and Administrative Fees of Underlying PIMCO Funds indirectly incurred by the Portfolio in connection with its investments in Underlying PIMCO Funds, to the extent the Supervisory and Administrative Fee or the Supervisory and Administrative Fee and Investment Advisory Fee taken together are greater than or equal to the Investment Advisory Fees and Supervisory and Administrative Fees of the Underlying PIMCO Funds. The

## Notes to Financial Statements (Cont.)

waiver is reflected in the Statement of Operations as a component of Reimbursement by Manager. For the period ended December 31, 2009, the amount was \$18,996. PIMCO may recoup these waivers in future periods, not exceeding three years, provided total expenses, including such recoupment, do not exceed the annual expense limit.

The GMA Subsidiary has entered into a separate contract with PIMCO for the management of the GMA Subsidiary's portfolio pursuant to which the GMA Subsidiary pays PIMCO a management fee, and administrative services fee at the annual rates of 0.49% and 0.20%, respectively, of its net assets. PIMCO has contractually agreed to waive the Investment Advisory Fee and the Supervisory and Administrative Fee it receives from the Portfolio in an amount equal to the management fee and administrative services fee, respectively, paid to PIMCO by

The Global Multi-Asset Portfolio may invest assets in Institutional Class shares of PIMCO Funds, an affiliated open-end investment company. The Underlying PIMCO Funds are considered to be affiliated with the Portfolio. The table below shows the transactions in and earnings from investments in these affiliated Funds for the period ended December 31, 2009 (amounts in thousands):

Underlying PIMCO Funds	Market Value 04/15/2009	Purchases at Cost	Proceeds from Sales	Unrealized Appreciation/ (Depreciation)	Market Value 12/31/2009	Dividend Income	Net Capital and Realized Gain (Loss)
1-3 Year U.S. Treasury Index Fund	\$ 0	\$ 3,409	\$ 2,274	\$ (4)	\$ 1,127	\$ 3	\$ (3)
3-7 Year U.S. Treasury Index Fund	0	454	0	(7)	447	1	0
CommodityRealReturn Strategy Fund®	0	371	410	0	0	8	40
Emerging Local Bond Fund	0	1,235	0	12	1,247	13	0
Emerging Markets and Infrastructure Bond Fund	0	1,416	0	0	1,416	16	0
Emerging Markets Bond Fund	0	1,048	0	13	1,061	11	0
Global Advantage Strategy Bond Fund	0	3,198	0	(78)	3,120	61	0
Global Bond Fund (Unhedged)	0	1,875	0	(40)	1,836	46	0
Investment Grade Corporate Bond Fund	0	1,671	0	(18)	1,653	56	0
Real Return Fund	0	144	149	0	0	2	5
RealEstateRealReturn Strategy Fund	0	39	52	0	0	0	13
Short-Term Floating NAV Portfolio	0	10,306	2,800	(1)	7,505	6	0
StocksPLUS® Fund	0	3,714	0	185	3,899	0	0
Total Return Fund	0	2,599	200	(15)	2,385	38	1
<b>Totals</b>	<b>\$ 0</b>	<b>\$ 31,479</b>	<b>\$ 5,885</b>	<b>\$ 47</b>	<b>\$ 25,696</b>	<b>\$ 261</b>	<b>\$ 56</b>

### 9. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

### 10. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover". The Portfolio may engage in frequent

the GMA Subsidiary. This waiver may not be terminated by PIMCO and will remain in effect for as long as PIMCO's contract with the GMA Subsidiary is in place. The waiver is reflected in the Statement of Operations as a component of Reimbursement by Manager. For the period ended December 31, 2009, the amount was \$471.

### 8. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 7 and the accrued related party fees amounts are disclosed in the Statements of Assets and Liabilities.

and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover (e.g., over 100%) involves correspondingly greater expenses to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect the Portfolio's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2009, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
\$ 8,071	\$ 7,418	\$ 37,858	\$ 5,935

## 11. SHARES OF BENEFICIAL INTEREST

The Portfolio may issue an unlimited number of shares of beneficial interest with a \$0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands):

	Period from 04/15/2009 to 12/31/2009	
	Shares	Amount
<b>Receipts for shares sold</b>		
Administrative Class	1,286	\$ 14,705
Advisor Class	2,256	26,474
<b>Issued as reinvestment of distributions</b>		
Administrative Class	9	99
Advisor Class	16	191
<b>Cost of shares redeemed</b>		
Administrative Class	(302)	(3,572)
Advisor Class	(112)	(1,316)
<b>Net increase resulting from Portfolio share transactions</b>	<b>3,153</b>	<b>\$ 36,581</b>

The following schedule shows the number of shareholders each owning 5% or more of the Portfolio and the total percentage of the Portfolio held by such shareholders:

	Number of Shareholders	% of Portfolio Held
Administrative Class	2	100*
Advisor Class	2	100

\* Allianz Life Insurance Co. of North America, a direct subsidiary of Allianz of America, Inc. and a related party to the Portfolio, owned 25% or more of the outstanding shares of beneficial interest of the Portfolio and therefore may be presumed to "control" the Portfolio, as that term is defined in the 1940 Act.

## 12. REGULATORY AND LITIGATION MATTERS

PIMCO, a subsidiary of AGI, and PIMCO Funds are the subject of a lawsuit in the Northern District of Illinois Eastern Division, in which the complaint alleges that the plaintiffs each purchased and sold a 10-year Treasury note futures contract and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts in violation of the federal Commodity Exchange Act provisions on market manipulation. In July 2007, the District Court granted class certification of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005. On July 7, 2009, the Court of Appeals affirmed the District Court's order granting class certification. On October 29, 2009, PIMCO and PIMCO Funds filed a petition for certiorari with the United States Supreme Court, further challenging the class certification order. Management believes the complaint is without merit and PIMCO and PIMCO Funds intend to vigorously defend against this action. The outcome of this action cannot be predicted at this time.

In April 2006, certain registered investment companies and other funds managed by PIMCO were served in an adversary proceeding brought by the Official Committee of Asbestos Claimants of G-I Holdings, Inc. in G-I Holdings, Inc.'s bankruptcy in the District of New Jersey. In July 2004, PIMCO was named in this lawsuit and remains a defendant. The plaintiff seeks to recover for the bankruptcy estate assets that were transferred by the predecessor entity of G-I Holdings, Inc. to a wholly-owned subsidiary in 1994. The subsidiary has since issued notes, of which certain registered investment companies and other funds managed by PIMCO are alleged to be holders. The complaint alleges that in 2000, more than two hundred noteholders—including certain registered investment companies and

other funds managed by PIMCO—were granted a second priority lien on the assets of the subsidiary in exchange for their consent to a refinancing transaction and the granting of a first priority lien to the lending banks. The plaintiff is seeking invalidation of the lien in favor of the noteholders and/or the value of the lien. On November 12, 2009, the District Court and Bankruptcy Court issued an order confirming a Plan of Reorganization (the "Plan") in the underlying bankruptcy case. As part of the Plan, the adversary proceeding to which PIMCO and other funds managed by PIMCO ("PIMCO Entities") are parties will be dismissed. In confirming the Plan, the Courts overruled certain objections (unrelated to the dismissal of claims against PIMCO and PIMCO Entities) made by the IRS. The IRS sought a stay pending appeal to the Third Circuit, the stay was granted and GI-Holdings, Inc. has asked the Third Circuit to dismiss the stay. This matter is not expected to have a material adverse effect on the relevant PIMCO Entities.

## 13. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under sub-chapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

As of December 31, 2009, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. tax returns. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The Portfolio may gain exposure to the commodities markets primarily through index-linked notes, and may invest in other commodity-linked derivative instruments, including commodity swap agreements, options, futures contracts, options on futures contracts and foreign funds investing in similar commodity-linked derivatives.

One of the requirements for favorable tax treatment as a regulated investment company under the Code is that the Portfolio derive at least 90% of its gross income from certain qualifying sources of income. The IRS has issued a revenue ruling which holds that income derived from commodity index-linked swaps is not qualifying income under Subchapter M of the Code. Subsequently, the IRS issued a private letter ruling to the Portfolio in which the IRS specifically concluded that

income from certain commodity index-linked notes is qualifying income. In addition, the IRS issued another private letter ruling to the Portfolio in which the IRS specifically concluded that income derived from the Portfolio's investment in the GMA Subsidiary, which invests primarily in commodity index-linked swaps, will also constitute qualifying income to the Portfolio. Based on such rulings, the Portfolio will continue to seek to gain exposure to the commodity markets primarily through investments in commodity-linked notes and through investments in its subsidiary.

If, during a taxable year, the GMA Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Portfolio as a deductible amount for Federal income tax purposes. Note that

the loss from the GMA Subsidiary's contemplated activities also cannot be carried forward to reduce future GMA Subsidiary's income in subsequent years. However, if the GMA Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Portfolio as income for Federal income tax purposes.

Shares of the Portfolio currently are sold to segregate asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding federal income tax treatment of distributions to the Separate Account.

As of December 31, 2009, the components of distributable taxable earnings are as follows (amounts in thousands):

Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation) <sup>(1)</sup>	Other Book-to-Tax Accounting Differences	Accumulated Capital Losses	Post-October Deferral
\$ 187	\$ 161	\$ 263	\$ 0	\$ 0	\$ 0

<sup>(1)</sup> Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts and ETF Trust adjustments.

As of December 31, 2009, the aggregate cost and the net unrealized appreciation/ (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation) <sup>(2)</sup>
\$36,885	\$476	\$(279)	\$197

<sup>(2)</sup> Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals and ETF Trust adjustments.

For the fiscal years ended December 31, 2009 and December 31, 2008, respectively, the Portfolio made the following tax basis distributions (amounts in thousands):

Fiscal Year Ended	Ordinary Income Distributions <sup>(3)</sup>	Long-Term Capital Gain Distributions	Return of Capital
12/31/2009	\$290	\$ 0	\$ 0
12/31/2008	\$ 0	\$ 0	\$ 0

<sup>(3)</sup> Includes short-term capital gains, if any, distributed.

## 14. SUBSEQUENT EVENTS

The investment adviser has evaluated the possibility of subsequent events existing in the Portfolio's financial statements through February 19, 2010, the date that the financial statements were available to be issued. The investment adviser has determined that there are no additional material events that would require disclosure in the Portfolio's financial statements through this date.

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and Advisor Class Shareholders of the Global Multi-Asset Portfolio:

In our opinion, the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, and the related consolidated statements of operations and of changes in net assets and the financial highlights for the Advisor Class present fairly, in all material respects, the consolidated financial position of the Global Multi-Asset Portfolio (one of the portfolios constituting PIMCO Variable Insurance Trust, hereinafter referred to as the "Portfolio") and its wholly owned subsidiary at December 31, 2009, and the results of their operations, the changes in their net assets and the financial highlights for the period indicated for the Advisor Class in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at December 31, 2009 by correspondence with the custodian, transfer agent and counterparties, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Kansas City, Missouri  
February 19, 2010

**Counterparty Abbreviations:**

<b>BCLY</b>	Barclays Bank PLC	<b>GSC</b>	Goldman Sachs & Co.	<b>MSC</b>	Morgan Stanley
<b>CITI</b>	Citigroup, Inc.	<b>HSBC</b>	HSBC Bank USA	<b>RBS</b>	Royal Bank of Scotland Group PLC
<b>DUB</b>	Deutsche Bank AG	<b>JPM</b>	JPMorgan Chase & Co.	<b>UBS</b>	UBS Warburg LLC

**Currency Abbreviations:**

<b>AUD</b>	Australian Dollar	<b>CNY</b>	Chinese Renminbi	<b>JPY</b>	Japanese Yen
<b>CAD</b>	Canadian Dollar	<b>EUR</b>	Euro	<b>SEK</b>	Swedish Krona
<b>CHF</b>	Swiss Franc	<b>GBP</b>	British Pound		

**Exchange Abbreviations:**

<b>CBOE</b>	Chicago Board Options Exchange	<b>NYMEX</b>	New York Mercantile Exchange	<b>OTC</b>	Over-the-Counter
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**Index Abbreviations:**

<b>DJUBSTR</b>	Dow Jones-UBS Commodity Index Total Return	<b>EAFE</b>	Europe, Australasia, and Far East Stock Index
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**Municipal Bond or Agency Abbreviations:**

<b>FHLMC</b>	Federal Home Loan Mortgage Corporation	<b>FNMA</b>	Federal National Mortgage Association	<b>GNMA</b>	Government National Mortgage Association
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**Other Abbreviations:**

<b>ISDA</b>	International Swaps and Derivatives Association, Inc.	<b>SPDR</b>	Standard & Poor's Depository Receipts	<b>WTI</b>	West Texas Intermediate
<b>MSCI</b>	Morgan Stanley Capital International				

The Portfolio considers customer privacy to be a fundamental aspect of their relationships with shareholders and are committed to maintaining the confidentiality, integrity and security of their current, prospective and former shareholders' personal information. To ensure their shareholders' privacy, the Portfolio has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

## Obtaining Personal Information

In the course of providing shareholders with products and services, the Portfolio and certain service providers to the Portfolio, such as the Portfolio's investment advisers ("Advisers"), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on the Portfolio's internet websites.

## Respecting Your Privacy

As a matter of policy, the Portfolio does not disclose any personal or account information provided by shareholders or gathered by the Portfolio to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Portfolio. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. A Portfolio's Distributor may also retain non-affiliated companies to market the Portfolio's shares or products which use the Portfolio's shares and enter into joint marketing agreements with other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Portfolio may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm.

## Sharing Information with Third Parties

The Portfolio reserves the right to disclose or report personal information to non-affiliated third parties, in limited circumstances, where the Portfolio believes in good faith that disclosure is required under law to cooperate with regulators or law enforcement authorities, to protect their rights or property or upon reasonable request by any Portfolio in which a shareholder has chosen to invest. In addition, the Portfolio may disclose information about a shareholder's accounts to a non-affiliated third party with the consent of the shareholder.

## Sharing Information with Affiliates

The Portfolio may share shareholder information with their affiliates in connection with servicing their shareholders' accounts or to provide shareholders with information about products and services that the Portfolio or its Advisers, principal underwriters or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Portfolio share may include, for example, a shareholder's participation in one of the Portfolio or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), or other data about a shareholder's accounts. The Portfolio's Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

## Procedures to Safeguard Private Information

The Portfolio takes seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Portfolio has also implemented procedures that are designed to restrict access to a shareholder's non-public personal information only to internal personnel who need to know that information in order to provide products or services to such shareholders. In order to guard a shareholder's non-public personal information, physical, electronic and procedural safeguards are in place.

# Management of the Trust

The chart below identifies the Trustees and Officers of the Trust. Each “interested” Trustee as defined by the 1940 Act, is indicated by an asterisk (\*). Unless otherwise indicated, the address of all persons below is 840 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio’s Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at 1-800-927-4648 or visit our Website at [www.pimco.com](http://www.pimco.com).

Name, Age and Position Held with Trust	Term of Office** and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
<b>Interested Trustee</b>				
<b>Brent R. Harris* (50)</b> <i>Chairman of the Board and Trustee</i>	08/1997 to present	Managing Director and member of Executive Committee, PIMCO; Formerly, Chairman and Director, PCM Fund, Inc.	131	Chairman and Trustee, PIMCO Funds and PIMCO ETF Trust.
<b>Independent Trustees</b>				
<b>E. Philip Cannon (69)</b> <i>Trustee</i>	05/2000 to present	Proprietor, Cannon & Company (an investment firm); Formerly, President, Houston Zoo. Formerly, Trustee Allianz Funds (formerly, PIMCO Funds: Multi-Manager Series); Formerly, Director, PCM Fund, Inc.	131	Trustee, PIMCO Funds and PIMCO ETF Trust.
<b>Vern O. Curtis (75)</b> <i>Trustee</i>	08/1997 to present	Private Investor; Formerly, Director, PCM Fund, Inc.	131	Trustee, PIMCO Funds and PIMCO ETF Trust.
<b>J. Michael Hagan (70)</b> <i>Trustee</i>	05/2000 to present	Private Investor and Business Advisor (primarily to manufacturing companies); Formerly, Director, Remedy Temp (staffing); Formerly, Director, PCM Fund, Inc.	131	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, Ameron International (manufacturing); and Director, Fleetwood Enterprises (manufacturer of housing and recreational vehicles).
<b>Ronald C. Parker (58)</b> <i>Trustee</i>	07/2009 to present	Adjunct Professor, Linfield College; Chairman of the Board, The Ford Family Foundation. Formerly President, Chief Executive Officer, Hampton Affiliates (forestry products)	131	Trustee, PIMCO Funds and PIMCO ETF Trust.
<b>William J. Popejoy (71)</b> <i>Trustee</i>	08/1997 to present	Private Investor; Formerly, Director, New Century Financial Corporation (mortgage banking); Formerly, Director, PCM Fund, Inc.	131	Trustee, PIMCO Funds and PIMCO ETF Trust.

*Richard M. Weil served as Trustee of the Trust from February 2009 to January 2010. Effective January 22, 2010, Mr. Weil resigned as Trustee of the Trust. Mr. Weil also served as Managing Director and member of the Executive Committee at PIMCO. Total number of Portfolios in Fund Complex overseen by Mr. Weil was 131. Other Directorships held by Mr. Weil included Trustee of PIMCO Funds and PIMCO ETF Trust.*

\* Mr. Harris is an “interested person” of the Trust (as that term is defined in the 1940 Act) because of his affiliation with PIMCO.

\*\* Trustees serve until their successors are duly elected and qualified

Name, Age and Position Held with Trust	Term of Office**** and Length of Time Served	Principal Occupation(s) During Past 5 Years
<b>Officers</b>		
<b>Brent R. Harris (50)</b> <i>President</i>	03/2009 to present	Managing Director, PIMCO.
<b>David C. Flattum (45)</b> <i>Chief Legal Officer</i>	11/2006 to present	Managing Director and General Counsel, PIMCO. Formerly, Executive Vice President, PIMCO, Managing Director, Chief Operating Officer and General Counsel, Allianz Global Investors of America L.P. and Partner at Latham & Watkins LLP.
<b>Jennifer E. Durham (39)</b> <i>Chief Compliance Officer</i>	07/2004 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President, Vice President and Legal/Compliance Manager, PIMCO.
<b>William H. Gross (65)</b> <i>Senior Vice President</i>	08/1997 to present	Managing Director and Co-Chief Investment Officer, PIMCO.
<b>Mohamed El-Erian (51)</b> <i>Senior Vice President</i>	05/2008 to present	Managing Director, Co-Chief Investment Officer and Co-Chief Executive Officer, PIMCO. Formerly, President and CEO of Harvard Management Company. Formerly, Managing Director, PIMCO.
<b>J. Stephen King (47)</b> <i>Vice President - Senior Counsel and Secretary</i>	05/2005 to present	Senior Vice President and Attorney, PIMCO. Formerly, Vice President, PIMCO; and Associate, Dechert LLP.
<b>Henrik P. Larsen (39)</b> <i>Vice President</i>	02/1999 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.
<b>Peter G. Strelow (39)</b> <i>Vice President</i>	05/2008 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President and Vice President, PIMCO
<b>Joshua D. Ratner (33)</b> <i>Assistant Secretary</i>	10/2007 to present	Vice President and Attorney, PIMCO. Formerly Associate, Skadden, Arps, Slate, Meagher & Flom LLP.
<b>John P. Hardaway (52)</b> <i>Treasurer</i>	08/1997 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President, PIMCO.
<b>Stacie D. Anctil (40)</b> <i>Assistant Treasurer</i>	11/2003 to present	Senior Vice President, PIMCO. Formerly, Vice President and Specialist, PIMCO.
<b>Erik C. Brown (42)</b> <i>Assistant Treasurer</i>	02/2001 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.
<b>Trent W. Walker (35)</b> <i>Assistant Treasurer</i>	05/2007 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO; and Senior Manager, PricewaterhouseCoopers LLP.

Richard M. Weil served as Senior Vice President of the Trust from May 2009 to January 2010. Effective January 22, 2010, Mr. Weil resigned as Senior Vice President of the Trust. Mr. Weil's principal occupation during the past 5 years was Managing Director at PIMCO.

\*\*\*\* The Officers of the Trust are re-appointed annually by the Board of Trustees.

# Approval of Renewal of the Amended and Restated Investment Advisory Contract, Asset Allocation Sub-Advisory Agreements, and Renewal of Supervision and Administration Agreement

On August 10-11, 2009, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including all of the independent Trustees, approved the Trust's Amended and Restated Investment Advisory Contract with Pacific Investment Management Company LLC ("PIMCO") on behalf of each of the Trust's portfolios (the "Portfolios") for an additional one-year term through August 31, 2010. The Board also considered and approved for an additional one-year term through August 31, 2010, the Supervision and Administration Agreement (together with the Investment Advisory Contract, the "Agreements") with PIMCO on behalf of the Trust. The Board also considered and approved the renewal of the Asset Allocation Sub-Advisory Agreements (the "Asset Allocation Agreements") with Research Affiliates, LLC ("RALLC"), on behalf of the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, for an additional one-year term through August 31, 2010.

The information, material factors and conclusions that formed the basis for the Board's approvals of the Agreements and the Asset Allocation Agreements are described below.

## 1. Information Received

### A. Materials Reviewed

During the course of each year, the Trustees receive a wide variety of materials relating to the services provided by PIMCO and RALLC. At each of its quarterly meetings, the Board reviews portfolio investment performance and a significant amount of information relating to portfolio operations, including the Portfolios' compliance program, shareholder services, valuation, custody, distribution, and other information relating to the nature, extent and quality of services provided by PIMCO and RALLC to the Trust. In considering whether to approve renewal of the Agreements and Asset Allocation Agreements, the Board also reviewed supplementary information, including comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial and profitability information regarding PIMCO and RALLC and information about the personnel providing investment management services and supervisory and administrative services to the Portfolios. The Board also reviewed material provided by counsel to the Trust and the independent Trustees, which included, among other things, memoranda outlining legal duties of the Board.

### B. Review Process

In connection with the approval of the renewal of the Agreements and the Asset Allocation Agreements, the Board reviewed written materials prepared by PIMCO and RALLC in response to requests from counsel to the Trust. The Board also requested and received assistance and advice regarding applicable legal standards from Trust counsel, and reviewed comparative fee and performance data prepared at the Board's request by Lipper, Inc. ("Lipper"), an independent provider of investment company performance and fee and expense data. The Board also heard oral presentations on matters related to the Agreements and Asset Allocation Agreements and met both as a full Board and as the independent Trustees alone, without management present, at the August 10-11, 2009 meeting. The independent Trustees also met telephonically with counsel to the Trust on August 3, 2009 to discuss the materials presented.

The approval determinations were made on the basis of each Trustee's business judgment after consideration of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to recommend the renewal of the Agreements and Asset Allocation Agreements, the Board did not identify any single factor or particular information that, in isolation, was controlling. This discussion is not intended to be all-inclusive. This summary describes the most important, but not all, of the factors considered by the Board.

## 2. Nature, Extent and Quality of Services

### A. PIMCO, RALLC, their Personnel, and Resources

The Board considered the depth and quality of PIMCO's investment management process, including: its global research capabilities; the experience, capability and integrity of its senior management and other personnel; the low turnover rates of its key personnel; and the overall financial strength and stability of its organization. The Board also considered that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board considered PIMCO's commitment to investing in information technology supporting investment management and compliance, as well as PIMCO's continuing efforts to attract and retain qualified personnel and to maintain and enhance its resources and systems. The Board also considered PIMCO's responses to the recent challenging market environment and noted the high level of service provided during these market events, including active liquidity and collateral management, frequent pricing committee meetings and adding personnel to the pricing team, additional client communications and providing appropriate staffing and operational resources to support record trade volumes. The Board also noted that PIMCO has a Best Execution Committee and a best execution policy, which assists the Portfolios in obtaining the most advantageous combination of price and execution for trades.

Similarly, the Board considered the asset-allocation services provided by RALLC to the PIMCO All Asset Portfolio. The Board noted that the PIMCO All Asset All Authority Portfolio had not commenced offering shares as of the date of the meeting. The Board considered the depth and quality of RALLC's investment management and research capabilities, the experience and capabilities of its portfolio management personnel, and in particular the experience and capabilities of Robert Arnott, and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services proposed to be provided by PIMCO under the Agreements and by RALLC under the Asset Allocation Agreements are likely to benefit the Portfolios and their shareholders.

### B. Other Services

The Board considered PIMCO's policies, procedures and systems to assure compliance with applicable laws and regulations and its commitment to these programs; its efforts to keep the Trustees informed about matters relevant to the Trust and its shareholders; and its attention to matters that may involve conflicts of interest with the Trust. The Board also considered the nature, extent, quality and cost of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement. The Board noted that the Supervision and Administration Agreement was approved at the August 2008 Board meeting to replace the Trust's previous Administration Agreement. The purpose of the change was to reflect the increased scope and complexity of supervisory and administrative services that PIMCO has been providing to the Trust. The Board considered the terms of Trust's Supervision and Administration Agreement, under which the Trust pays for the administrative services it requires under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board noted that, in recent years, the scope and complexity of the supervisory and administrative services provided by PIMCO under the Supervision and Administration Agreement has increased. The Board considered PIMCO's provision of these services and supervision of the

Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives in the market. Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited and will likely continue to benefit the Portfolios and their shareholders.

### 3. Investment Performance

The Board received and examined information from PIMCO concerning the Portfolios' one-, three-, five- and ten-year performance, as available, for the periods ended March 31, 2009 and other performance data, as available, for the period ended June 30, 2009 (the "PIMCO Report") and from Lipper concerning the Portfolios' one-, three-, five-, and ten-year performance, as available, for the periods ended May 31, 2009 (the "Lipper Report"). The Board considered information regarding both the short-term and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and Lipper Report, which were provided in advance of the August 10-11, 2009 meeting.

The Board noted that a majority of the Portfolios of the Trust had generally and fairly consistently outperformed their respective benchmarks on a net-of-fees basis over the one-year period. The Board also noted that as of May 31, 2009, 64% of the Portfolios outperformed their Lipper category median in the one-year period, and more than 81% of the Portfolios outperformed their Lipper category median over the three-year and five-year periods (based on the performance of the Administrative Class). The Board considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of each Portfolio because all of the classes are invested in the same portfolio of securities and that differences in performance among classes could be attributed to differences in each class's different expenses.

Although the Portfolios generally performed well versus competitors during the recent liquidity crisis, the Board noted that some of the Portfolios had underperformed in comparison to their respective benchmark indexes on a net-of-fees basis over the three-, five- and ten-year periods. The Board discussed with PIMCO the reasons for the underperformance of certain Portfolios. The Board also discussed actions that had been taken by PIMCO to attempt to improve performance and took note of PIMCO's plans to monitor and address performance going forward. The Board noted that despite the underperformance of certain Portfolios, the Trust has experienced an increase in net assets during the first six months of 2009.

The Board also considered that the investment objectives of certain of the Portfolios may not be identical to those of the other funds in their respective peer groups, that the Lipper categories do not separate funds based upon maturity or duration, do not account for hedging strategies, do not distinguish between enhanced index and actively managed equity strategies, do not include as many subsets as the Portfolios offer (*i.e.*, Portfolios may be placed in a "catch-all" category) and do not account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may be inexact.

The Board ultimately determined, within the context of all of its considerations in connection with the Agreements, that the Trust's overall investment performance was strong, and concluded that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the continuation of the Agreements.

### 4. Advisory Fees, Supervisory and Administrative Fees and Total Expenses

PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including the type and complexity of the

services provided, the cost of providing services, the risk assumed by PIMCO in the provision of services, the impact on potential returns from different levels of fees, the competitive marketplace for financial products, and the attractiveness of potential Portfolio returns to current and potential investors. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. With respect to advisory fees, the Board reviewed data from Lipper that compared the average and median advisory fees of other funds in an "Expense Group" of comparable funds, as well as the universe of other similar funds. The Board noted that most Portfolios have total expense ratios that fall below the median expenses of their Lipper universe.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard fee rates PIMCO charges to separate accounts with a similar investment strategy, and found them to be comparable. In cases where the separate account fees were lower, the Trustees noted that the differences in fees were attributable to various factors, including differences in the services provided by PIMCO to the Portfolios, the manner in which similar funds may be managed, differences in liquidity and other regulatory requirements, and the fact that separate accounts may have other contractual arrangements that justify different levels of fees.

The Board also considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Lipper. The Board considered that as the Portfolios' business has become increasingly complex, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. The Board considered the Trust's unified fee structure, under which the Trust pays for the supervisory and administrative services it requires for one set fee, and in return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board noted that many other funds pay for these services separately, and thus it is difficult to directly compare the Portfolios' unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board noted that the unified supervisory and administrative fee leads to fund fees that are fixed, rather than variable, and that the fixed fees were viewed by many in the industry as a positive attribute of the Portfolios. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervisory and Administration Agreement represent, in effect, a cap on fund fees that is beneficial to the Portfolios and their shareholders.

With respect to overall levels of Portfolio expenses, the Board observed that bond funds are more fee- and expense-ratio sensitive than equity funds, given the tangible impact of fees and expenses on yield, and that investors appear to be satisfied with the Portfolios' performance, as evidenced by the continued growth in Portfolio assets. The Board noted that the total expenses for 87% of the Portfolios' Administrative Class shares fall below the median total expense of their respective Lipper Expense Group. The Board discussed with PIMCO those Portfolios and/or classes of Portfolios that have above median expenses. The Board noted that several Portfolios launched in recent years have been unique products that have few, if any peers, and cannot easily be grouped with comparable funds. Upon comparing the Portfolios' total expenses to other funds in the Expense Groups provided by Lipper, the Board found the Portfolios' total expenses to be reasonable. The Board noted that PIMCO has maintained at the same level or reduced the Portfolios' fees since the inception of the Trust. The Board further noted that, although the unified fee structure does not have break

points, it implicitly reflects the sharing of economies of scale by fixing the absolute level of Portfolio fees at competitive levels even if the Portfolios' operating costs rise when assets remain flat or decrease over time.

Based on the information presented by PIMCO, RALLC and Lipper, members of the Board then determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of the Portfolios, are reasonable and renewal of the Agreements and the Asset Allocation Agreements will likely benefit the Portfolios and their shareholders.

#### **5. Adviser Costs, Level of Profits and Economies of Scale**

The Board reviewed information regarding PIMCO's costs of providing services to the Portfolios as a whole, as well as the resulting level of profits to PIMCO, noting that those results were comparable to the reported results of several publicly held investment management companies. The Board noted that it had also received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in technology, infrastructure and staff to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board found that because the unified fee protects shareholders against unanticipated increases in fees due to redemptions, declines in asset values, or increases in the costs of services provided or procured by PIMCO, economies of scale are implicitly recognized in the level of the unified fee (which, together with the advisory fee, serves as a proxy for the Portfolios' overall expense ratios). The Board reviewed the history of the Portfolios' fee structure. The Board noted that PIMCO had taken on the risk that Portfolio expenses would increase or that assets would decline over time. The Board considered that during the recent market downturn the Portfolios' unified fee has protected shareholders against an increase in expenses that may

accompany significant declines in assets. The Board concluded that the Portfolios' cost structure was reasonable and that the unified fee structure inherently involves the sharing of economies of scale between PIMCO and the Portfolios, to the benefit of Portfolio shareholders.

#### **6. Ancillary Benefits**

The Board considered other benefits received by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust, including possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Portfolios. The Board also considered that affiliates of PIMCO provide distribution and shareholder services to the Portfolios and their shareholders, for which they may be compensated under the unified fee, or through distribution fees paid pursuant the Portfolios' Rule 12b-1 plans. The Board also reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to accept soft dollars.

#### **7. Conclusions**

Based on their review, including their consideration of each of the factors referred to above, the Board concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and RALLC continued to be excellent and favored the renewal of the Agreements and the Asset Allocation Agreements. The Board concluded that the Agreements and the Asset Allocation Agreements continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements, and the fees paid to RALLC by PIMCO under the Asset Allocation Agreements, and that the renewal of the Agreements and the Asset Allocation Agreements was in the best interests of the Portfolios and their shareholders.

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