

PIMCO

Quarterly Investment Report

June 30, 2010

PVIT CommodityRealReturn Strategy Portfolio

A company of **Allianz** 
Global Investors



Fund Manager of the Decade
Fixed-Income

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Review of CommodityRealReturn Investment Approach

PIMCO uses derivatives linked to commodity indices in an effort to gain exposure to the returns of the commodity markets, without investing directly in physical commodities. PIMCO fully collateralizes these positions with fixed income securities, mainly Treasury Inflation-Protected Securities (TIPS) that are actively managed in an attempt to outperform the cost of gaining commodity exposure (to deliver excess return) and to provide an additional inflation hedge beyond commodities. Comments below focus on the bond market, especially TIPS, and our fixed income strategies.

Market Commentary

- The Dow Jones-UBS Commodity Index (DJ-UBSCI) posted a loss of -4.81 percent in the second quarter of 2010
- TIPS gained 2.29 percent during the second quarter as measured by the Barclays Capital U.S. TIPS 1-10 Year Index
- Treasury yields fell sharply and the yield curve flattened as heightened uncertainty drove a flight to higher quality assets
- High-grade bonds, led by Treasuries, posted solid gains in both the second quarter and first six months of 2010

Actively Managed Portfolio Recap

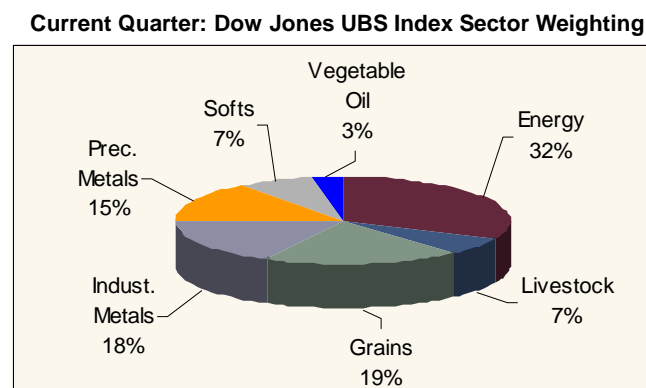
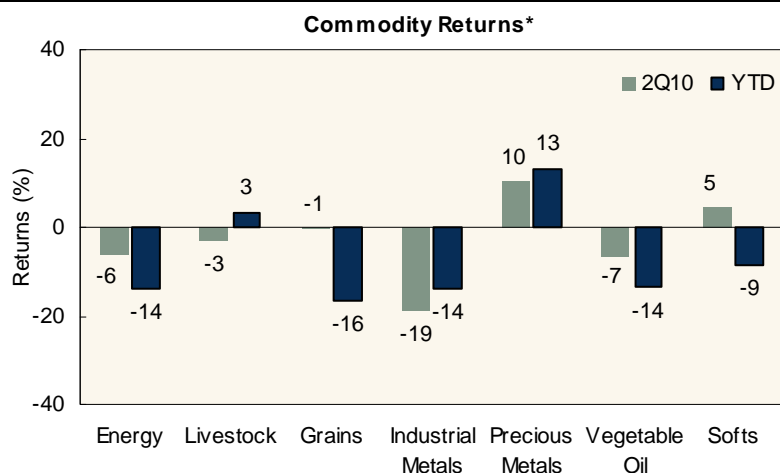
- The Portfolio outperformed its index for the quarter
- Flexible interest rate strategies and limited risk exposures helped protect investors' capital during a highly volatile period
- The following strategies helped quarterly returns:
 - Commodity structural alpha strategies, particularly calendar and alternate roll strategies to mitigate negative roll yield
 - TIPS collateral which outperformed the T-Bill collateral assumed within a commodity index as real yields rallied
 - A duration overweight in the U.S. as nominal rates fell
 - Exposure to longer maturity Build America Bonds, which saw strong demand as an alternative to corporate credit
- The following strategies were negative for quarterly returns:
 - An underweight to U.S. real duration as real yields rallied
 - An emphasis on short-to-intermediate maturities as the yield curve flattened
 - Exposure to bonds of financial companies, which lagged the broader corporate market amid concern about sovereign bond risk within the global banking system

Economic/Market Outlook

- The global economy remains on a multi-year journey toward the "New Normal", but the journey is likely to be bumpier and the destination more unstable than we thought before
- Financial markets will reflect a wider range of potential outcomes and a higher probability of extreme events
- Disinflationary pressure will dominate over the next year as developed economies struggle to achieve self-sustaining growth amid heightened economic and political uncertainty

Collateral Portfolio Strategy

- Maintain 100 percent exposure to the DJ-UBSCI and seek commodity structural strategies that add value
- PIMCO will remain cautious with risk exposures and look to make tactical shifts to protect portfolios in the face of high levels of expected volatility
- Target an overweight to duration with a focus on the U.S., which currently benefits from its reserve currency and perceived safe-haven status
- As heterogeneous sovereign risks continue to evolve, tactically emphasize inflation-linked bond exposure in economies with sound fiscal conditions and less disinflationary threats, such as Australia and Canada
- Seek to maintain money market futures positions for exposure to U.S. short rates, as we expect the Federal Reserve to remain on hold longer than the market anticipates
- Plan to retain exposure to well-capitalized financial companies that may continue to benefit from a steep yield curve and improved asset quality



* Represents returns of the sub-indices of the Dow Jones-UBS Commodity Index

Past performance is no guarantee of future results. Graphs are for illustrative purposes only and are not indicative of the performance of any particular investment.

Market Commentary

- The Dow Jones-UBS Commodity Total Return Index lost 4.81 percent, with the industrial metals and energy sectors weighing the most on quarterly returns. Futures' prices in both these sectors were pressured by a stronger U.S. dollar and growing concerns of credit tightening in China. Furthermore, macro demand implications of Europe's sovereign debt crisis outweighed any signs of economic recovery in other developed countries. However, the downside in the energy sector was mitigated by higher natural gas futures prices underpinned by warmer weather in most U.S. territories and rising tropical activity in the Caribbean
- The overall negative index returns were limited by gains in the precious metals and softs sectors. The precious metals sector benefited from safe-haven demand for the bullion driven by continued currency uncertainties and worries about the debt crisis in the Eurozone periphery. The softs sector posted positive returns due to a rally in coffee futures prices as Colombian production for 2010 underperformed expectations and global stocks were at a long-time low. The softs sector gained despite lower sugar futures prices which declined on prospects of large Brazilian crops and a rebound in Indian production

Economic/Market Outlook

- Commodity production and distribution capacity has suffered from years of underinvestment. This should continue to be a supply constraint for some time
- Countries such as China and India continue to export excess manufacturing capacity abroad. As a result, the standards of living within these countries should continue to improve, increasing demand for durable goods and better food, providing support for raw material and commodity prices
- Exposure to commodities may reduce the risk associated with unexpected changes in the rate of inflation and is one of the important diversification benefits of this asset class
- PIMCO foresees continued disinflationary pressures over the cyclical horizon and perceives that Treasury Inflation-Protected Securities (TIPS) are trading above what we view as their fundamental value. However, we believe valuations for TIPS continue to be attractive longer-term as attempts to shift sovereign debt onto central bank balance sheets could fuel inflation expectations
- Over a secular timeframe, the return on TIPS has the potential to exceed the assumed T-Bill return on commodity derivatives

Summary of Performance Data and Portfolio Statistics

PVIT CommodityRealReturn Strategy Portfolio

Administrative Class

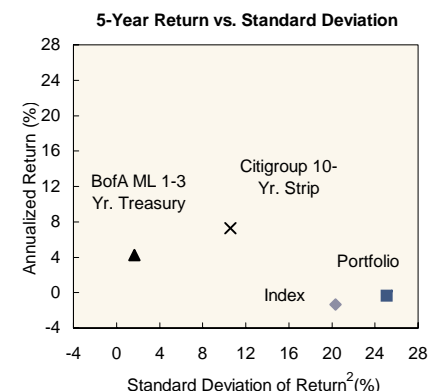
Performance Periods Ended 6/30/2010	Since Inception	5 yrs	3 yrs	1 yr	6 mos	3 mos
Total Portfolio¹						
Before Fees (%)	3.02	0.53	-2.67	15.55	-5.63	-2.87
After Fees (%)	2.09	-0.37	-3.56	14.54	-6.04	-3.08
(Inception 06/30/04)						
Dow Jones-UBS Commodity Index						
Total Return (%)	0.26	-1.32	-8.36	2.75	-9.60	-4.81

Average total returns do not include fees and charges of the variable product. If these fees and charges were reflected performance would be lower.

Expense Ratio	
The Fund's Total Annual Operating Expenses	1.11%
The Fund's Net Operating Expenses	0.89%

Total Net Operating Expenses net out both the contractual fee reduction in place for the Fund and interest expenses incurred by the Fund. Interest expenses are based on the amounts incurred during the Fund's most recent fiscal year as a result of entering into certain investments; the amount of interest expense (if any) will vary.

The performance quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Details regarding any Portfolio's operating expenses can be found in the Portfolio's prospectus. Performance data current to the most recent month-end is available at www.pimco-funds.com/VIT or by calling (800) 927-4648.



Summary Information	3/31/2010	6/30/2010
Total Net Assets (USD in millions)	567.5	502.1
Commodity Exposure (%)	0.0	0.0
Other Commodity Derivatives (%)	0.0	0.0
Effective Duration (yrs.)	4.2	3.1
Infl-Linked Bond Duration (yrs.) ³	2.6	2.0
Nominal Interest Duration (yrs.) ⁴	1.6	1.1
Effective Maturity (yrs.)	5.2	6.1
Average Coupon (%)	3.0	2.3
Net Currency Exposure (%)	3.2	1.2
Tracking Error (5 yrs, %) ⁶	7.9	7.9
Information Ratio (5 yrs) ⁶	0.3	0.3

See example of tracking error / information ratio in Important Information section of the Appendix.

Sector Allocation	% of Market Value		% of Duration	
	3/31/2010	6/30/2010	3/31/2010	6/30/2010
Inflation-Linked Bonds Exposure				
United States	69	73	62	63
United Kingdom	0	0	0	0
Europe	0	0	0	0
Canada	0	0	0	0
Other	1	0	1	2
Non Inflation-Linked Exposure				
United States	28	36	22	20
United Kingdom	0	0	0	0
Europe	3	0	4	0
Canada	1	1	1	1
Other	3	5	1	3
Net Cash Equivalents: ⁵	-5	-16	9	11
Total	100	100	100	100

Additional Share Class Performance

June 30, 2010

PVIT CommodityRealReturn Strategy Portfolio

Net of Fees Performance	Gross Expense Ratio	Net Expense Ratio	NAV Currency	Inception Date	Since Inception	10 Year	5 Year	3 Year	1 Year	6 Month	3 Month
ADVISOR Class:											
CommodityRealReturn Strategy Portfolio®, Advisor	1.21	0.99	USD	Feb-28-06	-1.58	-	-	-3.60	14.52	-6.11	-3.00
Dow Jones-UBS Commodity Index Total Return			-		-3.43	-	-	-8.36	2.75	-9.60	-4.81
DJCmdtyExcess+1-10YrTips-TrnCosts			-		2.14	-	-	-4.39	11.10	-6.82	-2.76

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Average total returns do not include fees and charges of the variable product. If these fees and charges were reflected performance would be lower.

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Treasury Inflation-Protection Securities Post Gains in the Second Quarter of 2010

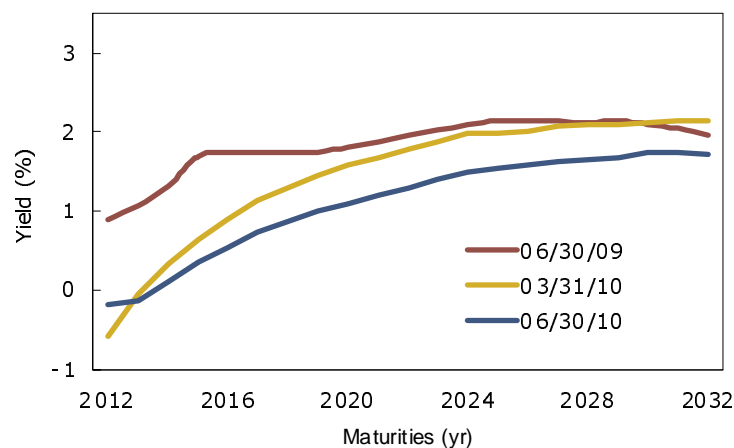
Treasury Inflation-Protected Securities (TIPS) gained 3.82 percent during the second quarter as represented by the Barclays Capital U.S. TIPS Index. Real yields increased in the 2-year sector and experienced a moderate decline across the remaining maturity sectors of the yield curve. Real coupon income helped returns as did positive inflation accruals. TIPS gained despite continued near-term disinflationary pressures weighing on market sentiment, but underperformed comparable maturity nominal bonds overall.

Shorter maturity TIPS experienced price losses as the European debt crisis and continued disappointing U.S. employment figures increased near-term disinflationary pressures, causing the 2-year TIPS sector to sell off. Longer dated issues, however, rallied as the global flight to quality supported U.S. real yields amid the European debt crisis.

Breakeven inflation levels (i.e., the difference between nominal and real yields) narrowed across the entire maturity spectrum as the decline in nominal yields outpaced the decline in real yields, resulting in nominal U.S. Treasuries outperforming TIPS. Although longer-term real yields were supported by the concerns of European sovereign debt risk, accompanying deflationary pressures diminished gains in the TIPS sector relative to nominal U.S. Treasuries.

The graphic below shows recent movements in the TIPS yield curve:

U.S. TIPS Yield Curve



SOURCE: Bloomberg Financial Markets

Past performance is no guarantee of future results.

Graphs are for illustrative purposes only and are not indicative of the performance of any particular investment.

Volatility spiked across financial markets during the quarter after a relatively calm first quarter. Investors' confidence was shaken by a range of macroeconomic events, including signs that the U.S. and Chinese economies might be slowing in addition to the ongoing debt crisis in Europe. A combination of safe-haven and reserve currency status guided inflows into U.S. Treasuries. Treasury yields in the U.S. fell sharply, and the yield curve flattened as uncertainty drove a flight to higher quality assets.

The U.S. Treasury reaffirmed its commitment to the TIPS program by announcing the increased frequency of 10-year TIPS auctions to six per year. The Federal Reserve kept the target range for the federal funds rate at 0 to ¼ percent in response to continued high unemployment, low resource utilization rates, and constrained inflation trends. All remaining special liquidity facilities that were created to support markets during the recent financial crisis were closed this quarter.

Regulation implications for health care, the financial services industry, and the spill in the Gulf of Mexico added to investor uncertainty. The growing budget shortfall in Greece, Spain, and Portugal threaten to derail the global recovery underway since 2008. Greece saw its credit rating cut to junk status while Moody's investor Service put Spain's AAA rating on review for a downgrade. China continued to tighten lending standards to avert real estate and asset price bubbles, raising the risk of an economic downturn. China's decision to allow its currency to appreciate for the first time in almost two years was driven in part by this anti-inflation strategy.

Bonds Gain; Treasuries Fare Best Amid Flight to Quality

The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds that includes U.S. Treasuries, gained 3.49 percent in the second quarter and 5.33 percent for the first six months of 2010. Treasuries led virtually all sectors in the second quarter amid the global flight to less risky assets. The following summarizes fixed income sector returns for the second quarter:

- Agency mortgage-backed securities (MBS) performed near Treasuries on a like-duration basis in the second quarter. Limited Agency MBS issuance combined with demand from non-U.S. buyers to support valuations. Non-Agency and commercial mortgage-backed securities (CMBS) overall performed near to somewhat worse than Treasuries of similar duration amid the broader market volatility. Non-Agency and CMBS tranches senior in capital structures tended to fare better than their more subordinated counterparts as investors favored higher quality assets.
- Corporate bonds, including high yield credits, lagged well behind Treasuries during the quarter, as worries over sovereign credit risk in Greece and elsewhere in Europe pressured credit markets across the board. Credit premiums on both investment grade and high yield bonds jumped in

the second quarter. Financial companies were among the worst performers amid concern about contagion effects from European banks' potential losses on sovereign bonds. In an indication of this concern, the three-month London Interbank Offered Rate, or LIBOR, rose above 50 basis points during quarter, up from 25 basis points at the beginning of the year.

- Municipal bonds generally underperformed comparable Treasuries in the second quarter. While municipal yields fell and the sector benefitted from investors' flight to higher quality assets, the municipal sector could not keep pace with Treasuries in this regard. Taxable Build America Bonds (BABS) fared better than the municipal sector overall as investors viewed them as an attractive substitute for corporate credit exposure.
- Emerging market (EM) bond performance also trailed that of the Treasury market during the second quarter. As with the U.S. corporate credit market, credit premiums widened out across the quality spectrum amid heightened global risk aversion that was rooted mainly in Eurozone troubles. However, EM credit fundamentals remained relatively strong. External EM markets fared better than local currency markets as the flight to quality included a move toward the U.S. dollar, which worked against most EM currencies.
- U.S. Treasuries were among the best performing sovereign bond markets in the second quarter of 2010. Core Eurozone bonds also performed well as investors fled the periphery of Europe and moved toward sovereign credits with sound fiscal conditions.

Secular Outlook: Driving Without a Spare

PIMCO continues to believe that the global economy is on a bumpy, multi-year journey toward the “New Normal.” This destination is likely to include: weak growth in developed economies and migration of growth toward emerging markets; a protracted need for private sector balance sheet rehabilitation along with deteriorated public finances; and the increased importance of politics amid heightened government involvement in private markets, especially finance and health care.

The journey will be bumpier and the destination more unstable than PIMCO thought before. It will be a world of shifting risks and opportunities with a wider range of potential outcomes and a higher probability of extreme events. ***An analogy is that of a car driving in unfamiliar territory on an uneven road having used its spare tire(s).*** The analogy is based on an analysis of traditional issues of growth, balance sheets and inflation:

- **Differentiated Growth** – Emerging economies such as China, India and Brazil are likely to maintain rapid growth and broaden their engines for income and employment creation. Developed economies such as Europe and Japan should grow more slowly. Europe is in the midst of a fiscal deflationary drag that calls into question the very makeup of the Eurozone. Japan will face increasing demographic and debt headwinds that will blunt already weakened drivers of sustainable growth. The picture for the U.S. is more mixed. Its reserve currency status and dynamic economy are important assets, but the U.S. faces structural challenges. Chief among these are highly leveraged government and household balance sheets and toxic political polarization.
- **Serial Balance Sheet Contamination** – Governments have moved to support balance sheets that expanded beyond sustainable levels, the latest example being attempts by the European Union to shore up Greece. With public finances of many developed countries stretched to the limit, it will be hard to find an unencumbered balance sheet - ***another***

spare tire – to sustain existing debt levels. Attempts to shift sovereign debt onto central bank balance sheets could raise the risk of debt monetization and fuel inflation expectations.

- **Disinflation to Inflation** – This evolution should proceed at different speeds in different parts of the world. It is already under way in some parts of the emerging markets and will likely remain so. Slack in labor and product markets in developed economies such as the U.S., Europe and Japan will slow the evolution there.

Cyclical Outlook: Near Term Risks Tilt Toward Disinflation

Achieving self-sustaining growth in final demand will prove an elusive target for developed economies over the next year, suggesting that disinflationary pressures will dominate. Several sources of uncertainty are likely to dampen prospects for global growth in the second half of 2010:

- **Fiscal Austerity Measures** – Governments in the U.K., Japan, New Zealand and Germany enacted fiscal austerity measures after observing the reluctance of bond markets to fund Eurozone countries with large deficits. The U.S. has not yet announced an austerity plan. The impact of these initiatives on growth is unclear but is unlikely to be positive.
- **Re-Regulation** – The U.S. has enacted complex new regulations for the health care sector and is likely to do so for banking and finance as well. It is difficult to forecast the consequences of this re-regulation.
- **Municipal Balance Sheets** – Many state balance sheets face large and growing deficits with little prospect of help from the federal government, which remains focused on job creation at the national level.
- **Renminbi Appreciation** – Changes in China’s currency policy should help rebalance global consumption and investment and could support riskier assets, but the pace and extent of renminbi appreciation remains unclear.

Look to De-Risk Portfolios; Retain Tactical Flexibility

Amid the uncertainty of the cyclical outlook, PIMCO will remain cautious with risk exposures and look to make tactical shifts to protect portfolios in the face of high levels of expected volatility. PIMCO's planned investment strategies include:

- **Real and Nominal U.S. Interest Rate Strategies** – PIMCO's current longer-than-index duration is a tactical response to heightened risk aversion in financial markets. This exposure will likely focus on the U.S. which currently benefits from its reserve currency and perceived safe-haven status. An underweight to TIPS exposure in favor of nominal bonds will likely be maintained given near-term disinflationary forces.

With respect to nominal yield curve strategies, we plan to emphasize shorter maturities in the U.S. in an effort to benefit from markets' pricing in more and faster central bank tightening than we expect.

- **Real and Nominal Non-U.S. Interest Rate Strategies** – Heterogeneous sovereign risk continues to evolve, requiring greater distinction between real and inflation exposure by country. Where permitted and when market conditions dictate, we intend to diversify our interest rate exposure with holdings in inflation-linked bonds of countries with stronger sovereign balance sheets and higher real yields. A modest allocation to Australia and Canada would likely promote this goal as well as provide a hedge to commodity-induced inflation risk.
- **Other Nominal Sectors** – We plan on continuing to maintain a modest allocation to high quality corporate issuers that offer sovereign-comparable risk at higher implied break-even inflation levels. We plan to retain a small tactical allocation to non-agency mortgages and commercial mortgage-backed securities (CMBS) that occupy senior collateral positions and offer relatively attractive yields. In

addition, we plan on continuing to hold a slight allocation to Build America Bonds (BABs) in the municipal sector as the valuations remain attractive.

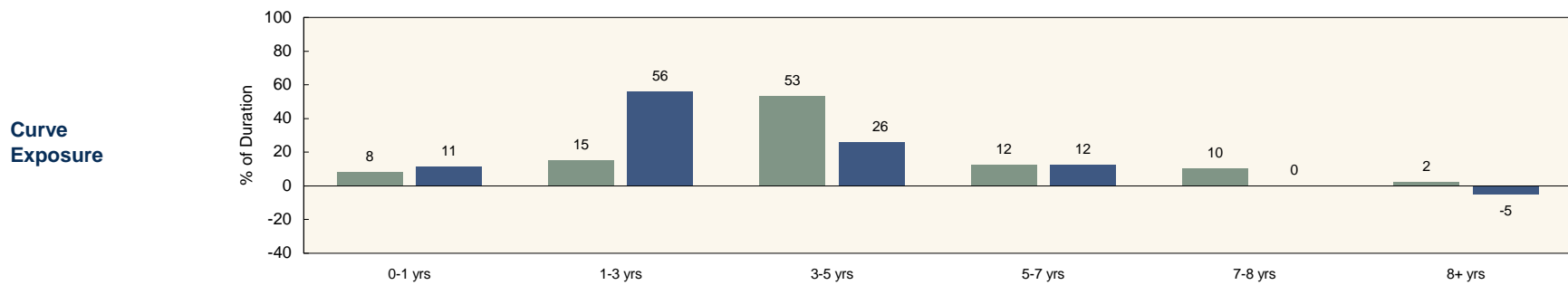
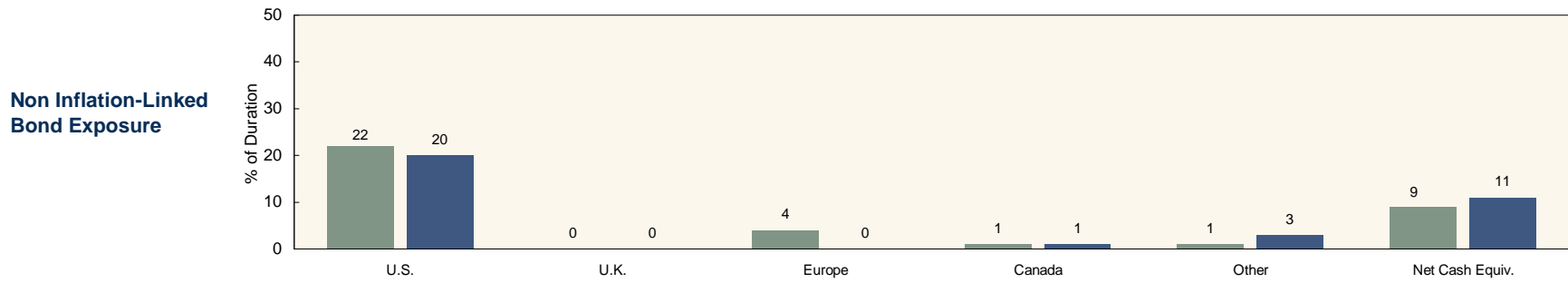
- **Currency** – PIMCO plans to take modest currency exposure to countries with sound fiscal conditions and banking systems, such as Australia. We also plan to hold a basket of Asian currencies including the Chinese renminbi and South Korean won, which are likely to gain versus the U.S. dollar in light of China's potential currency flexibility. Lastly, we plan to take positions that could gain from an expected depreciation of the British pound, euro and yen. These currencies could be challenged by slow growth and deteriorating fiscal conditions.

Portfolio Characteristics

PVIT CommodityRealReturn Strategy Portfolio

The statistics below represent the fixed income portion of the Fund.

Portfolio (%)¹



Direct Country and Currency Exposure

PVIT CommodityRealReturn Strategy Portfolio

Country Exposure (by currency of settlement)¹

	Portfolio 03/31/2010				Portfolio 06/30/2010			
	Market Value Weighted (%)				Market Value Weighted (%)			
(settlement currency)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)
North America	90.2	97.3	24.6	0.0	92.1	109.8	54.6	0.1
Canada	0.7	0.8	0.0	0.0	1.3	0.8	0.0	0.1
United States	89.5	96.5	24.6	0.0	90.8	109.0	54.6	0.0
Europe - EMU	6.5	3.4	12.3	-0.3	3.3	0.0	11.1	-0.2
France	0.0	0.0	0.0	-	0.0	0.0	0.1	-
Germany	3.8	3.4	0.0	-	0.0	0.0	0.0	-
Other ³	2.7	0.0	12.3	-	3.3	0.0	11.0	-
United Kingdom	0.2	0.0	1.0	-0.3	0.0	0.0	0.0	-0.3
Europe - Non-EMU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-1.0
Asia Pacific ex-Japan	1.4	0.9	0.0	2.1	1.6	1.0	0.0	1.8
Australia	1.4	0.9	0.0	0.9	1.6	1.0	0.0	1.0
Singapore	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
South Korea	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.8
Emerging Markets	1.7	3.4	0.0	1.6	3.0	5.2	0.0	0.8
Brazil	1.7	3.4	0.0	0.0	3.0	5.2	0.0	0.1
China	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.8
Mexico	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0
Net Liabilities ⁴	<u>0.0</u>	<u>0.0</u>	<u>-42.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-81.7</u>	<u>0.0</u>
Total Direct Exposure	100.0	105.0	-5.0	3.2	100.0	116.0	-16.0	1.2

Small allocations may round to zero.

Direct Emerging Markets Bond Exposure

PVIT CommodityRealReturn Strategy Portfolio

Emerging Markets Exposure (by country of issuer)

	3/31/2010			6/30/2010		
	<u>% of MV Cash Equiv.</u>	<u>% of MV Bonds</u>	<u>% of Duration</u>	<u>% of MV Cash Equiv.</u>	<u>% of MV Bonds</u>	<u>% of Duration</u>
Brazil	0.00	3.40	1.60	0.29	5.57	2.83
China	-0.01	0.00	0.00	-0.01	0.00	0.00
Malaysia	0.00	0.00	0.00	0.00	0.00	0.00
Mexico	0.07	0.00	0.00	0.04	0.00	0.00
Philippines	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Direct Emerging Markets	0.06	3.40	1.60	0.32	5.57	2.83

Small allocations may round to zero.

PIMCO Proprietary Portfolio Level Risk Measures

PVIT CommodityRealReturn Strategy Portfolio

Risk Measures (yrs) ¹	3/31/2010	6/30/2010	Definitions of Risk Measures:
Interest Rate Exposures:			
Effective Duration			
Portfolio	4.2	3.1	A portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall (rise) in interest rates, a portfolio with duration of 1 year will rise (fall) in price by 1 bp.
- Infl-Linked Bond Duration	2.6	2.0	
- Nominal Interest Duration	1.6	1.1	
Yield Beta			Duration is defined as the price sensitivity of a bond to changes in nominal yields. Inflation-linked bonds are sensitive to changes in real yields. To relate the price sensitivity of ILBs to changes in nominal yields, a yield beta is applied to nominal changes to arrive at a price sensitivity of ILBs to changes in nominal rates. A yield beta of 0.90 implies that if nominal yields move 100 basis points, real yields will move 90 basis points. ILBs with long maturity may respond differently to changes in nominal rates than shorter maturity ILBs.
Less than or equal to 10 years to maturity	0.80	0.50	
Greater than 10 years to maturity	0.80	0.50	
Bull Market Duration			A portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
Portfolio	3.7	2.9	
Bear Market Duration			A portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
Portfolio	4.9	3.3	
Total Curve Duration	0.4	0.4	A portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Government yields, holding the 10-year yield constant. For every 1 bp of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 bp relative to the benchmark.
Sector Exposures*:			
Mortgage Spread Duration			The contribution of mortgages to spread duration. For every 1 bp of mortgage spread tightening (widening), a portfolio with mortgage spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	0.3	0.4	
Corporate Spread Duration			The contribution of corporate bonds to spread duration. For every 1 bp of corporate spread tightening (widening), a portfolio with corporate spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	0.4	0.5	
Emerging Markets Spread Duration			The contribution of emerging market bonds to spread duration. For every 1 bp of emerging market spread tightening (widening), a portfolio with an emerging market spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	0.1	0.1	
Swap Spread Duration			The contribution of swaps to spread duration. Includes the impact of non-swap instruments such as agencies that are sensitive to swap spreads. For every 1 bp of swap spread tightening (widening), a portfolio with swap spread duration of 1 year will rise (fall) in price by 1 bp. A negative swap spread duration indicates that the portfolio will benefit from widening swap spreads.
Portfolio	0.8	0.0	

* As measured by spread duration, which represents a portfolio's price sensitivity to changes in spreads, or yield premiums, that affect the value of bonds that trade at a spread to Governments. These include mortgage-backed, corporate and emerging market bonds, as well as swaps.

¹ Data in years except for Yield Beta

Summary of Derivatives

PVIT CommodityRealReturn Strategy Portfolio

Derivatives (% of Market Value)	3/31/2010	6/30/2010	Characteristics of Derivatives:	Control Measures
Commodity Exposure	99.8	100.7	Includes index and other swaps used to gain commodity exposure. Cash-settled at maturity, the market value of commodity swaps increase in value as the value of the Dow Jones - UBS Commodity Index increases in value.	Monitor notional plus market value of swaps to maintain 100% exposure to market value of account.
(Duration in Years)				
Government Futures	0.2	0.1	Used to adjust interest rate exposures and to replicate government bond positions. Frequently offers the opportunity to outperform government securities due to cheapness of futures contracts and active management of the liquid, short duration securities backing the futures.	Bond-equivalent exposure included in portfolio duration. Back long futures positions with high grade, liquid debt securities.
Other Futures	0.0	0.0	Includes municipal, mortgage-backed and interest rate swap futures.	See Government Futures.
Interest Rate Swaps	0.1	0.2	Includes swaps with duration greater than 1 year. Used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("receive fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure.	Bond-equivalent exposure included in portfolio duration. Back long swaps positions with high grade, liquid debt securities.
Credit Default Swaps**	-2.2	-0.4	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure ("selling protection"), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure ("buying protection"), providing the right to "put" bonds to the counterparty in the event of a default.	Bond-equivalent exposure included in portfolio credit risk measures. Back long exposures with high grade, liquid debt securities. Continually monitor underlying credit exposure.
Written	0.0	1.7		
Purchased	-2.2	-2.1		
Options	0.0	-0.4	Written options generate income in expected rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Purchased options are used to manage interest rate and volatility exposures. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option.	Bond-equivalent exposure (weighted by probability of exercise) included in portfolio duration. Back underlying exposure with high grade, liquid debt securities.
Written	0.0	-0.4		
Purchased	0.0	0.0		
Mortgage Derivatives	0.0	0.0	Used to manage portfolio duration and/or enhance yield. Includes securities determined by PIMCO to have potentially less stable duration characteristics, such as Interest Only strips (IOs), Principal Only strips (POs), Support Class CMOs and Inverse Floaters. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Bond exposure included in portfolio duration, convexity, and prepayment risk measures. Use IO's and PO's in moderation and in an overall portfolio context.
Money Market Derivatives	0.2	0.1	Used to manage exposures at the short end of the yield curve and express PIMCO's expectations for future short-term rates. Includes swaps with duration of 1 year or less, and Eurodollar, Euribor and other futures based on short-term interest rates.	Bond-equivalent exposure included in portfolio duration. MM derivatives are not backed by other assets as they represent short-maturity exposures and have no deliverable at expiration.
Futures	0.2	0.1		
Interest Rate Swaps	0.0	0.0		

** Credit default swaps are shown as percentage of market value to reflect potential default risk.

Past performance is no guarantee of future results. Forecasts are based on proprietary research and should not be interpreted as investment advice or as an offer or solicitation for the purchase or sale of any financial instrument.

The performance figures presented reflect the total return performance for the stated share class (after fees) and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. The Before Fees performance figures presented herein do not reflect the deduction of the Portfolio's total annual operating expenses, which includes, but is not necessarily limited to, advisory fees, administrative fees, and 12b-1 fees (where applicable). The After Fees performance figures reflect the deduction of all such fees. Details regarding any Portfolio's fees and expenses can be found in the Portfolio's prospectus.

Risk Disclosures

Summary of Performance Data and Portfolio Statistics

- 1 All time periods longer than one year are annualized and returns include reinvestment of dividends, income and capital gains, if any. The Portfolio can invest a portion of its assets in non-U.S. securities, which can entail greater risks due to non-U.S. economic and political developments. This risk may be enhanced when investing in Emerging Markets. Investment in a Portfolio that invests in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. This Portfolio is non-diversified, which means it may concentrate its assets in a smaller number of issuers than a diversified fund. In an environment where interest rates may trend upward, rising rates will negatively impact the performance of most bond funds, and fixed income securities held by a fund are likely to decrease in value. Bond funds and individual bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter duration. The CommodityRealReturn Strategy Portfolio is intended for long-term investors and an investment in the Portfolio should be no more than a small part of a typical diversified portfolio. The Portfolio's share price is expected to be more volatile than that of other funds. This Portfolio will typically seek to gain exposure to the commodity markets by investing in commodity-linked derivative instruments such as index- and commodity-linked "structured" notes. These instruments and commodities in general may subject the Portfolio to greater volatility than investments in traditional securities. Commodities and commodity-index-linked securities may be affected by changes in overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, or political and regulatory developments, as well as the trading activity of speculators and arbitrageurs in the underlying commodities.
- 2 Standard deviation is a statistical measure of dispersion about an average, which for a mutual fund, depicts how widely the returns varied over a certain period of time.
- 3 The duration contribution of inflation-linked to the overall duration of the Portfolio as adjusted by a yield beta.
- 4 The duration contribution of nominal bonds to the overall duration of the Portfolio.
- 5 Net cash equivalents includes STIF, CP, ST Government, BAs and CDs, less the amount used to back liabilities such as futures, forwards and unsettled trades. Money Market Futures/Options include Eurodollar and Euribor futures that are based on short term interest rates and represent short maturity exposures. They are not backed by other assets and have no deliverable at expiration as they are cash settled. The notional amount of money market futures, captured in the column labeled "% of Market Value", is based on an annualized 3-month interest rate and follows the industry convention of dividing the notional amount by 4 to reflect the underlying 3-month rate exposure. Money market futures' contribution to overall portfolio duration is captured in the column labeled "Duration in Yrs" Other includes repurchase agreements, accrued interest and bankers acceptances.
- 6 Tracking error, a measure of risk, is defined as the standard deviation of the portfolio's excess return vs.the benchmark expressed in percent. The information ratio is defined as the portfolio's excess return per unit of risk, or tracking error. For example, an information ratio of 1 means that a portfolio manager generates 100 basis points, or one percent of excess return for every 100 basis points of risk taken.

Market Commentary and Market Outlook

Mortgage bonds are susceptible to risks such as default and prepayment of principal, and taxable at the state and federal levels, while Treasuries are guaranteed by the United States government and are only taxable at the Federal level. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

Treasuries are guaranteed by the United States government and are only taxable at the Federal level. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

Bonds issued by a government outside of the United States are guaranteed by the issuing government. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds. Also, governments outside of the United States have different credit ratings which directly correlate to the risks associated with securities.

Real Return bonds, more commonly known as Treasury Inflation Protected Securities or TIPS, are issued and guaranteed by the U.S. government at a fixed rate that is adjusted based on the change of the Non-Seasonally Adjusted Consumer Price Index. Guarantee does not eliminate market risk. TIPS sacrifice some yield for the benefit of inflation protection. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds. TIPS are only taxable at the Federal level.

Investment grade corporate bonds are considered among the higher rated in the corporate bond sector. These securities are not guaranteed by the federal government and are thus more susceptible to default risk. Generally most corporate bonds are taxable at the state and federal level.

Continued

Market Commentary and Market Outlook continued

High Yield bonds involve greater volatility and risk to principal than investments in higher-rated securities as the issuing entity has a lower credit rating possibly making the security more susceptible to default. Generally these types of bonds are taxable at the state and federal level.

Municipal bonds are guaranteed by the United States Government, state or locality in which they are issued. Guarantee does not eliminate market risk. Municipal bonds are not taxable at the Federal level. The issuing state or locality have the right to demand tax; however, many states and localities forgo tax on municipal bonds to entice investment. State and locality municipal bonds are not guaranteed by the Federal Government.

Emerging Market bonds are susceptible to market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the risks of investing in developed foreign countries.

Corporate bonds are debt securities issued by a corporation. These securities are not guaranteed by the federal government and are thus more susceptible to default risk. Generally most corporate bonds are taxable at the state and federal level. Treasuries are guaranteed by the United States government and are only taxable at the Federal level. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

Asset backed securities are financial securities backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. These securities can be an alternative to investing in corporate debt.

Portfolio Characteristics

1 Market value data based on percentage of net assets of the mutual fund. Data differs from compliance calculations based on total assets of the mutual fund. All mutual funds are separately monitored for compliance with prospectus and regulatory requirements. Other includes Yankee/Euro bonds, convertibles and municipal bonds. Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades. In the duration weighted category also includes money market futures, which consist of Eurodollar and Euribor futures.

Direct Country and Currency Exposure

- 1 Country exposures reflect the portfolio's effective exposure to non-U.S. markets, inclusive of forward settled holdings. Small allocations may round to zero.
- 2 Includes currency exposure due to non-U.S. holdings, hedging transactions and outright currency transactions. Positive numbers reflect long currency positions relative to base currency. Allocations may not add to totals due to rounding.
- 3 Other includes swaps and securities issued in euros by issuers outside of core Europe.
- 4 Includes liabilities associated with futures, forwards and unsettled trades.

Summary of Derivatives

1 This Portfolio may use derivative instruments for hedging purposes or as part of its 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 a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested.

Index Descriptions

Citigroup 1- 10 Year Treasury STRIPS Index represents a composition of outstanding Treasury Bond and Notes with a maturity of at least one year but less than ten years. The index is rebalanced each month in accordance with underlying Treasury figures and profiles provided as of the previous month- end. The included STRIPS are derived only from bonds in the Citigroup U. S. Treasury Bond Index, which include coupon strips with less than one year remaining to maturity. It is not possible to invest directly in an unmanaged index.

Dow Jones UBS Commodity Total Return is an unmanaged index composed of futures contracts on 19 physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class. It is not possible to invest directly in an unmanaged index.

Federal Funds Rate is the federal rate at which banks borrow reserves from each other. This rate is set by the United States Federal Open Market Committee.

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

The BofA Merrill Lynch 1-3 Year U.S. Treasury Index is an unmanaged index that tracks the performance of the direct Sovereign debt of the US Government having a maturity of at least 1 year and less than 3 years. It is not possible to invest directly in an unmanaged index.

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