

P I M C O

Quarterly Investment Report

June 30, 2011

## PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

A company of **Allianz**   
Global Investors



**Fund Manager of the Decade**  
Fixed-Income

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## PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

Market Commentary	Market Outlook
<ul style="list-style-type: none"> <li>▪ Europe's deteriorating sovereign crisis continued to fiddle with risk sentiment</li> <li>▪ Economic data disappointed and brought concerns about a global slowdown into view</li> <li>▪ Transitory shocks to growth (e.g. rising oil prices and Japan's earthquake) widened the divide in central bank responses to rising headline inflation</li> </ul>	<ul style="list-style-type: none"> <li>▪ The multi-speed recovery will 'hobble-through' in developed markets while momentum is poised to temper in emerging markets (EM); inflationary pressures will continue to rise</li> <li>▪ The health of public sector balance sheets and pressures for ongoing deleveraging will play increasing roles in the determination of growth outcomes</li> <li>▪ Tail risks from the continuing sovereign crisis in Europe remain major sources of volatility and add significant uncertainty to our baseline expectations</li> </ul>
Portfolio Recap	Portfolio Strategy
<ul style="list-style-type: none"> <li>▪ The Portfolio underperformed its index for the quarter</li> <li>▪ Country and sovereign risk differentiation with respect to interest rate exposure and select positions to high-quality spread assets helped temper losses during the quarter</li> <li>▪ The following strategies contributed to quarterly returns: <ul style="list-style-type: none"> <li>➢ Underweight positions in European peripheral sovereigns such as Spain and Italy where spreads widened relative to bunds</li> <li>➢ Overweight to the New Zealand kiwi, Mexican peso and a basket of EM Asian currencies that appreciated against the U.S. dollar</li> </ul> </li> <li>▪ The following strategies detracted from quarterly returns: <ul style="list-style-type: none"> <li>➢ Duration underweight in the U.K. and Japan as interest rates fell</li> <li>➢ A short-end duration overweight in Germany where government yields proved volatile as investors responded to ongoing political uncertainty about Europe's periphery</li> <li>➢ Positions in high-quality financial names, which lagged the broader corporate market amid rising concerns about systemic banking sector risk in Europe</li> </ul> </li> <li>▪ Positions in Agency mortgage-backed securities (MBS), covered bonds &amp; Pfandbriefe, which underperformed as spreads widened on the back of investor concerns about a global growth slowdown</li> </ul>	<ul style="list-style-type: none"> <li>▪ Target reduced underweight duration in the U.S., U.K., Japan as well as European peripherals. Expect to increase duration in countries like Canada, core-Europe (Germany) and Brazil where sovereign risk remains well-contained</li> <li>▪ Continue to focus on the short-end where markets are pricing in more tightening than we foresee; seek return enhancement via "roll down," or the maturing of bonds along the relatively steep short maturity curve</li> <li>▪ Remain cautious on U.S. Treasury Inflation Protection Securities as currently low to negative real yields represent inadequate compensation for duration risk</li> <li>▪ Plan to retain Agency mortgages and Build-America Bonds (BABs) and continue to diversify sources of yield across non-agency and commercial MBS as well as euro covered bonds</li> <li>▪ Target an overall reduced allocation to credit, while looking to maintain exposure to stable, cash-focused corporate sectors with attractive dividend payments like utilities. Look to avoid positions linked to the European crisis</li> <li>▪ Remain positive on EM opportunities that are supported by strong fundamentals. This includes external credits in Russia, Mexico and Brazil as well as local rates in Brazil and Indonesia</li> <li>▪ Plan to underweight the U.S. dollar, the euro and the Japanese yen against a basket of EM currencies, particularly in Asia. Look to reduce focus on Brazil, Norway and Canada</li> </ul>

## Summary of Performance Data and Portfolio Statistics

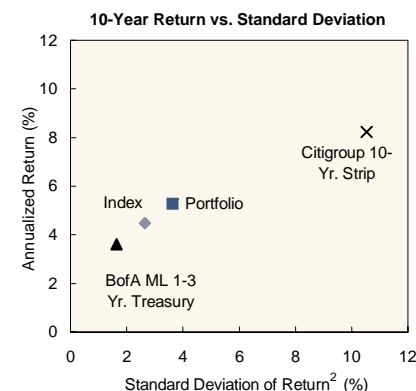
PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)  
Administrative Class

Performance Periods Ended 6/30/2011	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	6 mos	3 mos
<b>Total Portfolio<sup>1</sup></b>							
<b>Before Fees (%)</b>	<b>6.10</b>	<b>6.21</b>	<b>6.68</b>	<b>8.56</b>	<b>3.06</b>	<b>1.61</b>	<b>1.48</b>
<b>After Fees (%)</b>	<b>5.16</b>	<b>5.26</b>	<b>5.73</b>	<b>7.60</b>	<b>2.13</b>	<b>1.16</b>	<b>1.25</b>
<b>(Inception 02/16/99)</b>							
JPMorgan GBI Global ex-US Index Hedged in USD (%)	4.82	4.49	4.67	4.85	0.64	0.67	1.45

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	0.90%

*Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and principal value will fluctuate so that fund shares may be worth more or less than their original cost when redeemed. Performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Performance data current to the most recent month-end is available at [pvit.pimco-funds.com](http://pvit.pimco-funds.com) or call (888) 87-PIMCO.*



Summary Information	3/31/2011	6/30/2011	Benchmark			Benchmark		
			Portfolio	Benchmark	Variance	Portfolio	Benchmark	Variance
Total Net Assets (USD in millions)	73.6	<b>77.3</b>						
SEC 30-Day Ann. Yield (%)	1.89	<b>1.91</b>						
Distribution Yield (%) <sup>3</sup>	2.07	<b>2.10</b>						
Effective Duration (yrs)	5.4	<b>7.2</b>						
Benchmark Duration (yrs)	7.0	<b>7.1</b>						
Effective Maturity (yrs)	6.4	<b>9.8</b>						
Average Coupon (%)	3.5	<b>3.4</b>						
Net Currency Exposure (%)	5.2	<b>4.2</b>						
Tracking Error (10 yrs, %) <sup>4</sup>	2.9	<b>2.9</b>						
Information Ratio (10 yrs) <sup>4</sup>	0.3	<b>0.3</b>						
<b>Regional Allocation</b>								
<b>(% of Duration)</b>								
Europe - EMU	16	35	-19	<b>56</b>	<b>35</b>	<b>21</b>		
Europe - non-EMU	0	1	-1	<b>0</b>	<b>1</b>	<b>-1</b>		
United Kingdom	6	12	-6	<b>11</b>	<b>12</b>	<b>-1</b>		
North America	-4	2	-6	<b>2</b>	<b>3</b>	<b>-1</b>		
Japan	32	49	-17	<b>24</b>	<b>48</b>	<b>-24</b>		
Asia Pacific ex-Japan	2	1	1	<b>3</b>	<b>1</b>	<b>2</b>		
Emerging Markets	2	0	2	<b>3</b>	<b>0</b>	<b>3</b>		
Other / Net Cash	46	0	46	<b>1</b>	<b>0</b>	<b>1</b>		
<b>Total</b>	<b>100</b>	<b>100</b>		<b>100</b>	<b>100</b>			

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

# Additional Share Class Performance

June 30, 2011

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

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
<b>INSTITUTIONAL Class:</b>											
Foreign Bond Portfolio (U.S. Dollar-Hedged), Institutional	0.75	-	USD	Apr-10-00	5.72	5.41	5.88	7.75	2.27	1.23	1.28
JPMorgan GBI Global ex-US Index Hedged in USD			-		4.82	4.49	4.67	4.85	0.64	0.67	1.45

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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## Summary

While the global economy continued to experience differentiated growth, the most salient theme of the second quarter was that of a “global slowdown” in both developed and emerging economies. The soft patch was largely driven by a combination of surging food and energy prices and a global supply chain disruption caused by the earthquake and tsunami in Japan. Most notably the recovery of the U.S. economy appeared increasingly tenuous as structural debt and employment issues are set to be exacerbated by tighter fiscal and monetary policies. Even growth in emerging market (EM) countries decelerated, as policy tightening aimed at reigning in rapidly rising inflationary pressures caused investors to shift focus from concerns about the risks of overheating to fears of a potential hard landing. Meanwhile, European policymakers continued to opt for muddle-through solutions to Greece’s fiscal woes despite a growing consensus that failure acknowledge and address the country’s obvious insolvency threatened to tear the Eurozone from within.

## Growth and Inflation

The second quarter saw global GDP grow at a slower pace, as industrial activity downshifted abruptly and sentiment indicators continued to become less optimistic.

U.S. first quarter GDP grew by 1.9 percent, much lower than fourth quarter’s 3.1 percent figure, with the disappointing outcome primarily driven by weak consumer spending and construction activity. Moreover, higher frequency data such as the ISM indexes and auto sales indicated that the soft patch continued into June. News on the employment front was hardly any better: monthly payroll gains dropped to 25,000 in May and 18,000 in June, compared to an average increase of 179,000 per month in the first four months of 2011. The unemployment rate climbed to 9.2 percent while housing market data continued to disappoint, calling into question the durability of the cyclical rebound.

The growth picture in Europe was equally challenging: while first quarter GDP surprised on the upside with a 3.1 percent print owing to the region’s general lags to the global cycle, more recent data on manufacturing and retail sales confirmed the slowdown. Moreover, sentiment surveys continued to fall, with Portugal and Greece experiencing the sharpest drop on the back of renewed stress of their public balance sheets. Meanwhile, the U.K. economy showed little improvement: consumer spending remained challenged amid rising value-added taxes (VAT) and still-weak real household incomes. Also, bank lending to businesses declined again, and the availability of credit to smaller businesses remained tight.

Japan’s economy experienced a cyclical recovery from earthquake-related shocks. Production and consumption indicators were the most upbeat: core machinery orders bounced back to pre-quake levels and consumer-oriented business sentiment surged ahead. However, a larger-than-expected portion of domestic demand was met via imports which led to wider trade deficit: the current account surplus fell for the third consecutive month in May and reached its lowest level since 1996. Australia, meanwhile, saw business and consumer optimism waver. The recent disappointing domestic data hinted that non-mining sectors of the economy were struggling under the weight of the Reserve Bank of Australia’s (RBA) earlier rate hikes, the effects of recent flooding, a stronger Australian dollar, and uncertainty surrounding offshore events.

EM economies, while continuing to grow faster than their developed counterparts, also experienced significant moderation during the quarter. In China, the supply chain disruption emanating from Japan was compounded by significant policy tightening aimed at constraining money supply and credit growth, resulting in a notable cooling-off both there and in the rest of EM and rising hard landing concerns. One “bright spot” was the leveling off of commodity prices towards the end of the quarter, which provided some breathing room in the face of persistently high food prices.

### Government Policy

Facing crosscurrents of elevated headline CPI and economic slowdown, policymakers were pushed in different directions. The Fed, the Bank of England and the Bank of Japan were more focused on the economic weakness and left rates unchanged. Even the RBA, after raising rates by a total of 175 basis points through November, has remained on hold since then. By contrast, the European Central Bank focused more on the unintended consequences of “too low for too long” and, in keeping with its sole inflation objective, broke its two-year easing streak and delivered two 25 basis points hikes. Meanwhile, Brazil, Russia, China and several other EM countries continued to couple rate hikes with macro-prudential measures in order to contain rising inflation pressure.

On the fiscal side, Greece had another near-default moment as the government struggled to secure additional European Union and IMF loans, though towards the end of the quarter it appeared to have approved the pound of flesh in austerity measures demanded by official creditors. Still, continued widening of peripheral spreads, as well as rising alarm regarding the political impasse regarding the U.S. debt ceiling showed that markets expect “grand bargains” to remain elusive.

### Financial Markets

While news that Greece managed to dodge an imminent default led to pockets of optimism, for the most part signs of global slowdown and continued fiscal stress were the major drivers of financial markets during the second quarter, driving risk assets down and bond prices up. Ten-year Treasury yields dropped to as low as 2.90 percent and though they later reversed course to 3.16 percent this was still 31 basis points lower on the quarter. Government bonds in Germany, U.K. and Japan also rallied as 10-year yields decreased 33, 31 and 12 basis points, respectively. European peripherals underperformed German bunds, with Greek and Portuguese spreads widening the most.

Inflation-linked bonds posted positive returns as real yields fell across most maturities. Breakeven inflation rates (the difference between nominal and real yields) declined in major markets, led by a sharp pullback of commodity prices.

Agency mortgage-backed securities (MBS) outperformed U.S. Treasuries, driven by muted prepayment speeds and strong demand from foreign investors and banks. Non-Agency mortgages and commercial mortgage-backed securities (CMBS) underperformed as European sovereign debt concerns and the growth slowdown resulted in reduced risk appetite in the commercial and residential mortgage sectors.

Corporate bonds, especially high yield, saw wider spreads across sectors as a result of general risk aversion while most companies reported growing revenues, strong profit margins and increasing cash balances. The corporate sector performed even worse in Europe, as investors were concerned about the potential for the sovereign crisis increasing systemic risk in the banking sector.

EM bonds continued to outperform, benefitting from stronger initial conditions against the backdrop of an increasingly uncertain economic outlook, ongoing challenges in Greece, and the end of QE2. Spreads on EM external bonds narrowed, with Latin America outperforming the most. EM local bonds outperformed on a total return basis, supported by higher coupons and currency appreciation on the back of either actual tightening or hawkish language from central banks.

While the U.S. dollar underperformed most developed and EM currencies, the Swiss franc (+9.4 percent) and yen (+3.2 percent) benefitted from their safe-haven status. The euro (+2.4 percent) ended the quarter stronger after see-sawing in the face of headlines around Greek debt restructuring. Commodity currencies such as the Australian dollar (+3.8 percent) and the Brazilian real (+4.4 percent) continued to surge against the U.S. dollar.

## Summary

PIMCO expects the multi-speed recovery to ‘hobble-through’ in developed markets while momentum is poised to temper in emerging markets (EM). While transitory obstacles to growth should fade, secular headwinds are poised to return to the spotlight, especially as parts of the developed world realize the weight of exhausted stimulus and constrained policy options.

The health of public sector balance sheets and pressures for ongoing deleveraging will play increasing roles in the determination of growth outcomes—systemic implications for deteriorating debt-dynamics in advanced economies remain. On a slow path toward fiscal and monetary policy normalization, we do not expect policymakers to address structural problems boldly, instead favoring stop-gap measures over comprehensive solutions. *De rigueur* fiscal pain is increasingly unavoidable across developed markets; policy, however, will continue to target negative real interest rates that undermine the “real return” contract expected by savers.

Against this backdrop, our baseline expectation remains clouded by uncertainty stemming from geopolitical events, particularly in Europe where the specter of sovereign default in the periphery continues to fiddle with market sentiment.

## Growth and Inflation

Cyclical tailwinds have faded and economic data suggest that the global economy is slowing in line with our secular outlook for imbalanced growth and rising inflationary pressures. Developed economies are unlikely to keep pace with EM, though in the latter we expect growth rates to slow and possibly, in a tail scenario, fall below potential. Commodity pressures will continue to challenge this trajectory, particularly where national currencies remain coupled to the U.S. dollar.

Growth in the U.S. is likely to become sluggish, as the effects of the 2010 fiscal package that boosted household income and

animal spirits fade. The multiplier effect of the cyclical bounce has been low and structural issues have been left unaddressed: public debt levels remain extremely high and unemployment elevated. With government revenues growing too slowly to close deficits, fiscal contraction and mini-bargains are likely outcomes as the U.S. political system struggles to find its Sputnik moment and rekindle consumer and business optimism.

By comparison, Europe is likely to see generally weaker growth alongside sizable fiscal austerity and a continued deterioration of its public sector balance sheets. Although inflation remains under the European Central Bank’s (ECB’s) tight reign, the eurozone faces a stern test as serious economic imbalances persist across countries. While Germany and France, exposed to stronger growth in EM, are poised to outperform, peripheral countries will struggle with anemic growth and, for some, default. The U.K. economic outlook faces similar uncertainties as growth remains fragile, real disposable incomes erode in the face of fiscal cutbacks, and the Bank of England (BOE) maintains its tolerance for higher-than anticipated inflation, which will continue to be buffeted by food and energy prices.

Japan’s economy is likely to recover from the Tōhoku earthquake, but national politics continue to cloud the outlook. The sustainability of a V-shaped recovery thus depends partly on Diet support for a second supplementary budget. Developed commodity-linked economies, such as Australia’s, will continue to benefit from soaring resource prices and EM demand, although inflationary pressures and central bank hawkishness pose risks.

While we expect economic growth in major emerging economies (e.g. China, Brazil, Russia, India and Mexico) to remain solid during 2011, persistent policy tightening will slow this trajectory to potential, with downside risks. Although trade linkages mean distinct spill-over risks remain with softening in the developed world and broad market de-risking, a hard-

landing scenario is improbable. Moreover, improving financial conditions should make traditional interest-rate/credit distinctions between developed and emerging sovereigns increasingly obsolete.

### Government Policy

Monetary and fiscal policy are likely to proceed down a normalizing pathway, although limited coordination between debt-laden developed countries and more fundamentally sound EM will continue to amplify prevailing growth-rate differentials. In this context, a widening gap between headline and core inflation heightens the risks of monetary policy error as central banks manage fading economic momentum. Meanwhile, growing market pressure on sovereign balance sheets continues to push governments in the direction of fiscal belt-tightening.

Central bankers will become increasingly cautious on rate hikes. We expect the Fed and the BOE to focus on the transitory factors driving near-term inflation, with rate-hike expectations scaled back sharply for the remainder of 2011. Still, prospects for quantitative easing three (QE3) in the U.S. remain low, and contingent on lower inflation expectations and commodity prices. By contrast, a deteriorating sovereign crisis in Europe is likely to see the ECB pause despite its inflation-only mandate.

Policy maneuver will be limited by willingness and ability to correct structural issues. As the political costs of utilizing public balance sheets to stimulate consumption grow, bureaucrats are likely to pivot toward fiscal re-adjustment, albeit in bite-sized chunks, particularly in the U.S. Meanwhile, the constraints of a single currency area will continue to challenge governments and an anxious ECB to execute anything beyond 'stop-gap' measures for a degenerating sovereign debt crisis.

Financial repression will enjoy a new period of influence. More broadly, governments are poised to 'hobble-through' the

worsening trade-off between growth and inflation, employing macro and regulatory policies that induce low or negative (i.e. confiscatory) real yields on sovereign debt.

### Portfolio Strategy

PIMCO will focus on high-quality, income-producing strategies in an effort to avoid both financial repression and the effects of global slowdown. Uncertain market conditions drive our focus on yield curve, safe-spread<sup>1</sup> and currency positions as we shield portfolios and manage risk across the New Normal:

- **Interest rate strategies** – We are focused on reducing our underweight to duration and moving toward the benchmark, ever-mindful of sovereign risk. Where this is well-contained, for example in countries like Canada, Germany and Brazil, we expect to increase our duration. To the extent that the cyclical outlook deteriorates, these countries help cover our global duration underweight in the U.S., Japan, as well as in European peripherals. We continue to focus on the short-end of yield curves where markets are pricing in more tightening than we foresee, and seek return enhancement via “roll down,” along relatively steep short maturity curves.
- **Inflation-linked** – We remain cautious on U.S. Treasury Inflation Protection Securities (TIPS) as currently low to negative real yields represent inadequate compensation for duration risk.
- **Mortgages and Municipals** – We plan to retain Agency mortgage-backed securities (MBS) and Build America Bonds (BABs) in the municipal sector, as they both currently offer attractive sources of high-quality yield. Meanwhile, we continue to take advantage of relative value opportunities across non-Agency and commercial MBS (CMBS), as well as euro covered bonds.
- **Corporates** – Although we have reduced allocations to credit, we plan to maintain exposure to stable, cash-

focused corporate sectors with attractive dividend payments like utilities. On the back of stronger banking regulations and higher capital requirements, we also plan to maintain a positive outlook on select financial names. Meanwhile, we will look to avoid positions linked to the European crisis.

- **Emerging Markets** – We remain positive on EM opportunities with strong fundamentals and low correlation to potential crisis in the developed world. We expect to focus on high real interest rates, particularly in Brazil and Indonesia, where confiscatory policies lie ahead of the curve with respect to future expectations for inflation. We also continue to pick-up “safe-spread” with external quasi-sovereign and corporate bonds in Mexico, Brazil and Russia<sup>1</sup>.
- **Currency** - We expect that a basket of higher-yielding EM currencies will continue to outperform the U.S. dollar, the euro and the Japanese yen. With that said, we expect to reduce our focus on Brazil, Norway and Canada with a move toward Asian currencies where expected monetary tightening should produce increasingly positive real yields.

Against this backdrop, our secular baseline portfolio positioning may help minimize exposure to the negative impact of financial repression, aid in adequately hedging against higher inflation and currency depreciation and help exploit continued differentiation in balance sheets and growth potential.

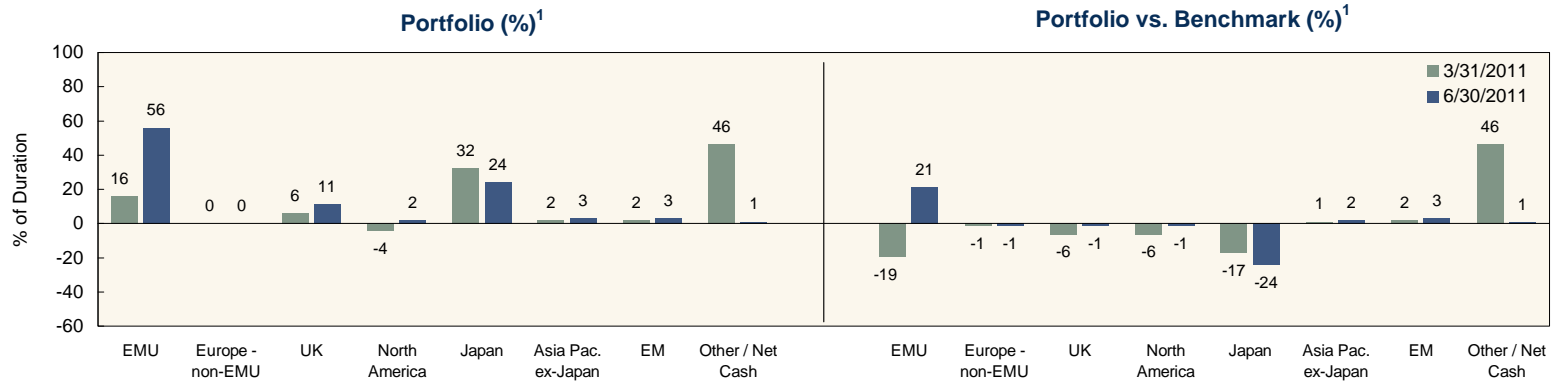
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<sup>1</sup> “Safe Spread” is defined as sectors that we believe are most likely to withstand the vicissitudes of a wide range of possible economic scenarios. All investments contain risk and may lose value.

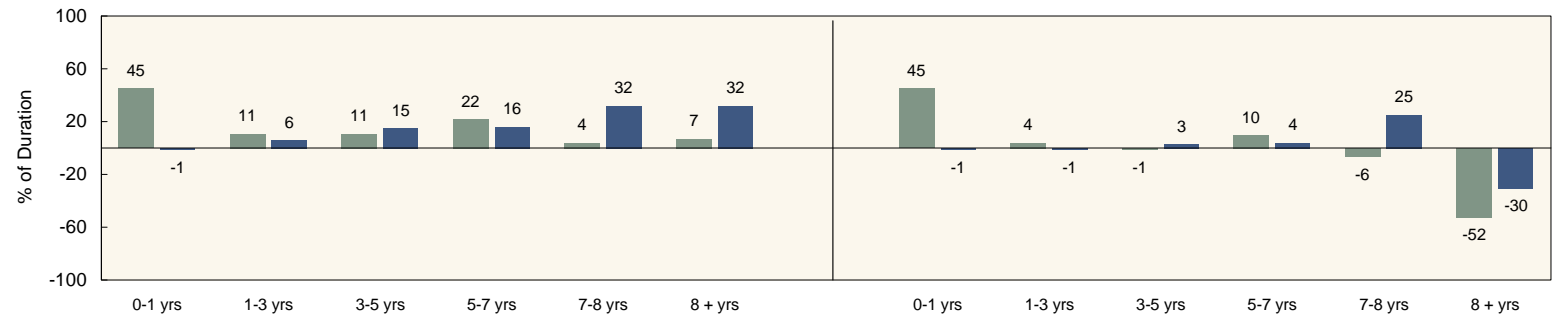
# Portfolio Characteristics and Benchmark Variance

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

## Regional Allocation



## Curve Exposure



## Direct Country and Currency Exposure

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

### Country Exposure (by currency of settlement)<sup>1</sup>

	Portfolio 03/31/2011				Portfolio 06/30/2011				Benchmark 06/30/2011
	Market Value Weighted (%)				Market Value Weighted (%)				
(settlement currency)	% of Duration	Bonds	Cash Equiv.	Currency Exposure <sup>2</sup> (%)	% of Duration	Bonds	Cash Equiv.	Currency Exposure <sup>2</sup> (%)	% of Duration
<b>North America</b>	<b>-1.1</b>	<b>19.5</b>	<b>43.8</b>	<b>95.8</b>	<b>2.0</b>	<b>25.4</b>	<b>28.3</b>	<b>95.7</b>	<b>2.6</b>
Canada	1.7	4.0	1.4	1.0	3.9	6.8	0.2	-0.1	2.5
United States	-2.8	15.5	42.4	94.8	-1.9	18.6	28.1	95.8	0.1
<b>Europe - EMU</b>	<b>46.2</b>	<b>19.6</b>	<b>169.9</b>	<b>-3.4</b>	<b>55.7</b>	<b>62.5</b>	<b>8.5</b>	<b>-0.9</b>	<b>35.4</b>
Belgium	0.0	0.0	0.0	-	0.0	0.0	0.0	-	2.3
France	5.4	6.2	1.3	-	3.7	5.4	1.1	-	9.3
Germany	4.5	4.1	1.1	-	47.4	47.0	1.0	-	8.4
Ireland	0.0	0.0	0.1	-	0.0	0.0	0.1	-	0.0
Italy	0.0	0.0	0.0	-	0.2	0.9	0.0	-	9.4
Luxembourg	0.0	0.2	0.0	-	0.0	0.2	0.0	-	0.0
Netherlands	2.4	3.2	0.5	-	1.7	3.1	0.4	-	2.3
Spain	0.0	0.0	0.2	-	0.0	0.0	0.2	-	3.7
Other <sup>3</sup>	33.9	5.9	166.7	-	2.7	5.9	5.7	-	0.0
<b>United Kingdom</b>	<b>6.3</b>	<b>4.3</b>	<b>1.5</b>	<b>0.5</b>	<b>10.9</b>	<b>2.5</b>	<b>1.6</b>	<b>-0.1</b>	<b>11.4</b>
<b>Europe - Non-EMU</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>1.5</b>
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.9
Norway	0.0	0.0	0.0	0.9	0.0	0.0	0.1	0.0	0.0
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.6
<b>Japan</b>	<b>43.4</b>	<b>16.4</b>	<b>61.7</b>	<b>-2.8</b>	<b>24.0</b>	<b>16.2</b>	<b>5.7</b>	<b>0.1</b>	<b>48.4</b>
<b>Asia Pacific ex-Japan</b>	<b>2.0</b>	<b>1.4</b>	<b>1.5</b>	<b>1.8</b>	<b>2.6</b>	<b>2.8</b>	<b>1.7</b>	<b>0.2</b>	<b>0.7</b>
Australia	0.0	0.0	1.5	0.1	0.0	0.0	1.5	-0.2	0.7
New Zealand	2.0	1.4	0.0	0.0	2.6	2.8	0.2	0.1	0.0
Singapore	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0
South Korea	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0
Taiwan	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.2	0.0
<b>Emerging Markets</b>	<b>3.2</b>	<b>0.8</b>	<b>9.6</b>	<b>7.3</b>	<b>4.8</b>	<b>4.6</b>	<b>9.7</b>	<b>5.0</b>	<b>0.0</b>
Brazil	1.1	0.0	9.6	0.2	0.6	0.0	9.7	0.2	0.0
China	1.3	0.0	0.0	3.6	1.2	0.0	0.0	4.0	0.0
India	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.1	0.0
Indonesia	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.2	0.0
Malaysia	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0
Mexico	0.8	0.8	0.0	0.5	3.0	4.6	0.0	0.1	0.0
Philippines	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.2	0.0
Net Liabilities <sup>4</sup>	<u>0.0</u>	<u>0.0</u>	<u>-250.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-69.8</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Direct Exposure</b>	<b>100.0</b>	<b>62.0</b>	<b>38.0</b>	<b>100.0</b>	<b>100.0</b>	<b>114.0</b>	<b>-14.0</b>	<b>100.0</b>	<b>100.0</b>

Small allocations may round to zero.

## Direct Emerging Markets Bond Exposure

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

### Emerging Markets Exposure (by country of issuer)

	3/31/2011			6/30/2011		
	<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	11.19	0.98	2.32	<b>11.28</b>	<b>0.29</b>	<b>0.91</b>
Chile	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
China	1.32	0.00	1.20	<b>1.21</b>	<b>0.00</b>	<b>1.22</b>
India	0.04	0.00	0.08	<b>0.04</b>	<b>0.00</b>	<b>0.00</b>
Indonesia	0.04	0.00	0.05	<b>0.04</b>	<b>0.00</b>	<b>0.02</b>
Malaysia	0.00	0.00	0.01	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Mexico	1.02	0.77	0.70	<b>0.95</b>	<b>4.54</b>	<b>3.05</b>
Philippines	0.02	0.00	0.05	<b>0.01</b>	<b>0.00</b>	<b>0.04</b>
Russia	<u>0.68</u>	<u>0.49</u>	<u>0.23</u>	<b><u>0.65</u></b>	<b><u>0.46</u></b>	<b><u>0.15</u></b>
<b>Total Direct Emerging Markets</b>	<b>14.31</b>	<b>2.24</b>	<b>4.64</b>	<b>14.18</b>	<b>5.29</b>	<b>5.39</b>

Small allocations may round to zero.

## PIMCO Proprietary Portfolio Level Risk Measures

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

Risk Measures (yrs)	3/31/2011	6/30/2011	Definitions of Risk Measures:
<b>Interest Rate Exposures:</b>			
<b>Effective Duration</b>			
Portfolio	5.4	<b>7.2</b>	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.
Benchmark	7.0	<b>7.1</b>	
<b>Bull Market Duration</b>			
Portfolio	5.2	<b>7.1</b>	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.
Benchmark	7.1	<b>7.2</b>	
<b>Bear Market Duration</b>			
Portfolio	5.7	<b>7.4</b>	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.
Benchmark	6.9	<b>7.0</b>	
<b>Total Curve Duration</b>			
	1.8	<b>0.5</b>	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.
<b>Sector Exposures*:</b>			
<b>Mortgage Spread Duration</b>			
Portfolio	1.0	<b>1.0</b>	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.
Benchmark	0.0	<b>0.0</b>	
<b>Corporate Spread Duration</b>			
Portfolio	0.7	<b>0.5</b>	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.
Benchmark	0.0	<b>0.0</b>	
<b>Emerging Markets Spread Duration</b>			
Portfolio	0.4	<b>0.5</b>	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.
Benchmark	0.0	<b>0.0</b>	
<b>Swap Spread Duration</b>			
Portfolio	3.2	<b>0.9</b>	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.
Benchmark	0.0	<b>0.0</b>	

\* 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.

## Summary of Derivatives

PVIT Foreign Bond Portfolio (U.S. Dollar Hedged)

Derivatives <sup>1</sup> (% of Duration)	3/31/2011	6/30/2011	Characteristics of Derivatives:	Control Measures
<b>Government Futures</b>	4.3	<b>38.7</b>	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.
<b>Other Futures</b>	0.0	<b>0.0</b>	Includes municipal, mortgage-backed and interest rate swap futures.	See Government Futures.
<b>Interest Rate Swaps</b>	-0.1	<b>6.4</b>	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.
<b>Credit Default Swaps*</b>	12.3	<b>12.6</b>	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	17.4	<b>17.3</b>		
Purchased	-5.1	<b>-4.7</b>		
<b>Options</b>	5.8	<b>1.5</b>	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	5.8	<b>1.5</b>		
Purchased	0.0	<b>0.0</b>		
<b>Mortgage Derivatives</b>	0.0	<b>0.0</b>	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.
<b>Money Market Derivatives</b>	44.1	<b>-0.1</b>	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	42.9	<b>-0.7</b>		
Interest Rate Swaps	1.2	<b>0.6</b>		

\* 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.

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The Morningstar Fund Manager of the Decade award is based on risk-adjusted results over the past 10 years (2000-2009), and other considerations, including the strength of the manager, strategy, and stewardship.

## 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, and may concentrate its assets in a smaller number of issuers than a diversified Portfolio. 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 durations.
- 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 Distribution yield is calculated by annualizing actual dividends for the month ended on the date shown and dividing by net asset value per share on the last business day of the same period.
- 4 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.

### Global Commentary and Global Outlook

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.

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.

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.

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.

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.

### Portfolio Characteristics and Benchmark Variance

- 1 Other includes emerging markets and cash equivalents. Cash equivalents include liquid assets such as net payables/receivables, money market securities, and other high quality, short-duration instruments. Europe - EMU represents the 12 "Euro-in" countries; Europe Non -EMU includes Switzerland, Denmark, Norway and Sweden; North America includes US and Canada.

### 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.

Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation of the U. S. consumer prices as determined by the US Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

JPMorgan GBI Global ex-US Index Hedged in USD is an unmanaged index market representative of the total return performance in U.S. dollars of major non-U.S. bond markets. It is not possible to invest directly in such an unmanaged index.

BofA Merrill Lynch 1-3 Year U.S. Treasury Index is an Unmanaged market index made up of U.S. Treasury issues with maturities from one to three years. It is not possible to invest directly in such an unmanaged index.

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