

P I M C O

Quarterly Investment Report

June 30, 2010

PVIT High Yield Portfolio

A company of **Allianz** 
Global Investors



Fund Manager of the Decade
Fixed-Income

PIMCO
840 Newport Center Drive
Newport Beach
California 92660
800-927-4648

www.pimco-funds.com/VIT

PVIT High Yield Portfolio

| Market Commentary | Market Outlook |
|--|---|
| <ul style="list-style-type: none"> ▪ Volatility spiked across financial markets during the quarter; investors' confidence was shaken by a range of events, including ongoing concerns over the debt crisis in Europe and signs that the U.S. and Chinese economies might be slowing ▪ Treasury yields fell sharply and the yield curve flattened as heightened uncertainty drove a flight to higher quality assets ▪ High yield bond performance slowed considerably from the pace of the first quarter, amid elevated volatility | <ul style="list-style-type: none"> ▪ 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 ▪ However, strong corporate balance sheets, improved liquidity and extended maturities, and reasonable valuations should bode well for High Yield |
| Portfolio Recap | Portfolio Strategy |
| <ul style="list-style-type: none"> ▪ The Portfolio underperformed its index for the quarter and moderately outperformed for the year-to-date ▪ The following strategies were positive for quarterly returns: <ul style="list-style-type: none"> ➢ An underweight to building products, where construction companies led the decline ➢ A below-index weight to the metals/mining sector, where metals/mining bonds dropped in line with the decline in commodities ➢ Exposure to BBB-rated bonds, as volatility picked up materially across the market, especially in May ▪ The following strategies were negative for quarterly returns: <ul style="list-style-type: none"> ➢ An overweight to financials, led predominantly by multi-line insurance companies, where financial reforms weighed on the sector ➢ A below-index weight to the gaming sector, which was among the top performing sectors for the quarter ➢ Security selection within the utilities sector, where electric generation companies led the decline ➢ Security selection in the healthcare sector, where health facilities underperformed the broader category | <ul style="list-style-type: none"> ▪ We will continue to emphasize a higher quality and defensive focus, while opportunistically investing in higher beta bonds for which we have strong conviction ▪ Plan on continuing to overweight the healthcare sector, which currently benefits from positive demographics, reasonably stable cash flow, and relatively attractive valuations over a secular horizon ▪ Attempt to take advantage of significant dislocation in the energy sector to pick up higher quality energy issues with strong asset value and liquidity profiles ▪ Look to underweight consumer sectors, such as retail, where performance is constrained by high consumer debt levels, poor income growth, and persistent slack in the labor force ▪ Opportunistically add select lower rated credits with improving fundamentals that we believe have the ability to de-lever and thrive in a low growth environment ▪ Plan to retain an overweight to telecom companies, where we continue to see strong cash flows, compelling valuations, and good subscriber growth in wireless ▪ In the European high yield market, attempt to take advantage of opportunities that are attractive to comparable risk in the U.S. |

Summary of Performance Data and Portfolio Statistics

PVIT High Yield Portfolio

Administrative Class

| Performance | Since Inception | 10 yrs | 5 yrs | 3 yrs | 1 yr | 6 mos | 3 mos |
|---|-----------------|--------|-------|-------|-------|-------|-------|
| Periods Ended 6/30/2010 | | | | | | | |
| Total Portfolio¹ | | | | | | | |
| Before Fees (%) | 6.05 | 6.83 | 6.09 | 5.19 | 27.90 | 5.00 | -0.38 |
| After Fees (%) | 5.26 | 6.03 | 5.30 | 4.41 | 26.97 | 4.62 | -0.57 |
| (Inception 04/30/98) | | | | | | | |
| BofA Merrill Lynch U.S. High Yield, BB-B Rated, Constrained Index (%) | 5.63 | 6.65 | 6.10 | 5.60 | 21.65 | 4.53 | 0.31 |

The high performance of this portfolio is due to exceptional performance in the sector. This level of performance is not guaranteed and should not be expected in the future.

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

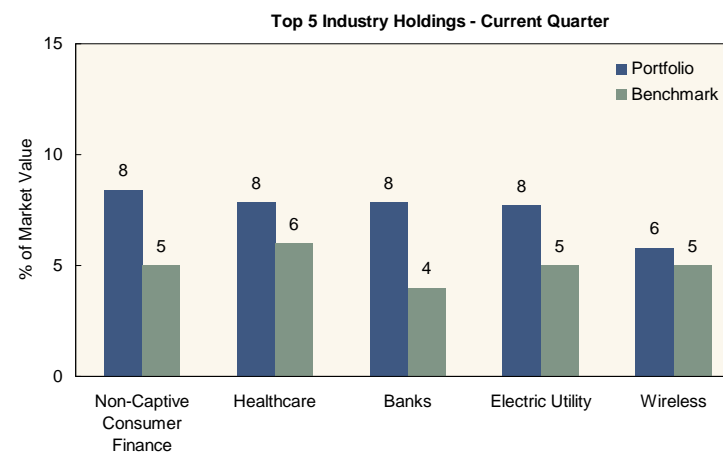
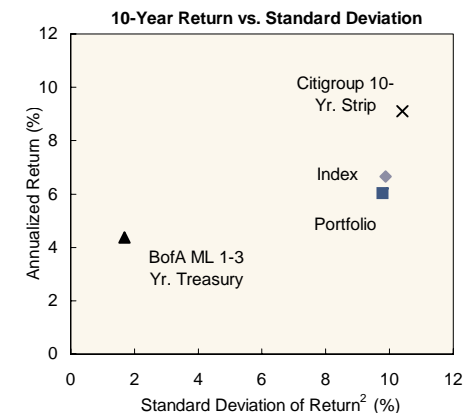
| Expense Ratio | |
|--|-------|
| The Fund's Total Annual Operating Expenses | 0.76% |
| The Fund's Net Operating Expenses | 0.75% |

Total net annual fund operating expenses exclude interest expenses. 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) | 568.1 | 533.1 |
| SEC 30-Day Ann. Yield (%) | 6.83 | 7.12 |
| Distribution Yield (%) ³ | 7.38 | 7.31 |
| Effective Duration (yrs) | 4.3 | 4.5 |
| Benchmark Duration (yrs) | 4.5 | 4.5 |
| Effective Maturity (yrs) | 6.5 | 6.8 |
| Average Coupon (%) | 7.3 | 7.4 |
| Net Currency Exposure (%) | 0.7 | 0.5 |
| Tracking Error (10 yrs, %) ⁴ | 3.2 | 3.2 |
| Information Ratio (10 yrs) ⁴ | -0.1 | -0.2 |

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



Additional Share Class Performance

June 30, 2010

PVIT High Yield 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 |
|---|---------------------|-------------------|--------------|----------------|-----------------|---------|--------|--------|--------|---------|---------|
| INSTITUTIONAL Class: | | | | | | | | | | | |
| High Yield Portfolio, Institutional | 0.61 | 0.60 | USD | Jul-01-02 | 8.05 | - | 5.46 | 4.56 | 27.16 | 4.69 | -0.53 |
| BofA Merrill Lynch U.S. High Yield, BB-B Rated, Constrained Index | | | - | | 8.45 | - | 6.10 | 5.60 | 21.65 | 4.53 | 0.31 |
| ADVISORY Class: | | | | | | | | | | | |
| High Yield Portfolio, Advisory | 0.86 | 0.85 | USD | Mar-31-06 | 5.03 | - | - | 4.30 | 26.85 | 4.56 | -0.59 |
| BofA Merrill Lynch U.S. High Yield, BB-B Rated, Constrained Index | | | - | | 6.22 | - | - | 5.60 | 21.65 | 4.53 | 0.31 |

Total net annual fund operating expenses exclude interest expenses. 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.

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

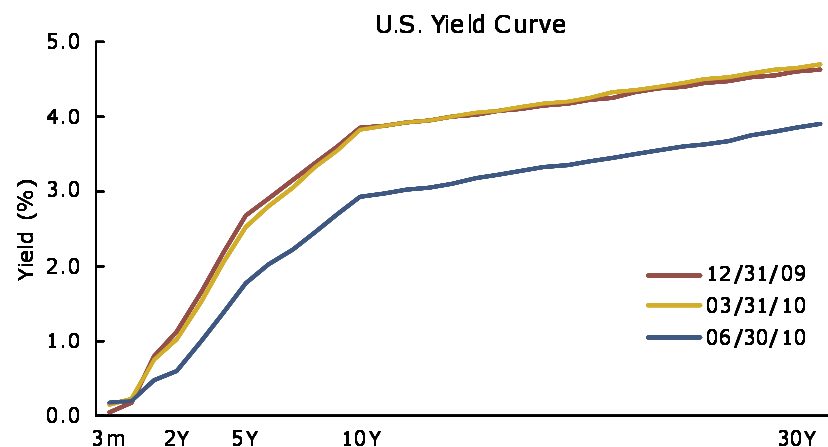
The performance quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that Fund shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Details regarding any Fund's operating expenses can be found in the Fund'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.

The high performance of this portfolio is due to exceptional performance in the sector. This level of performance is not guaranteed and should not be expected in the future.

Volatility Spikes, Risk Appetites Wane in Second Quarter

Volatility spiked across global financial markets during the second quarter of 2010 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 and the ongoing debt crisis in Europe.

Yields fell sharply as heightened uncertainty drove a flight to higher quality assets. The 10-year Treasury yield fell 90 basis points during the quarter, closing at 2.94 percent on June 30 after barely moving in the first three months of the year. The two-year Treasury note touched an all-time low of 0.59 percent before finishing the quarter at 0.61 percent. In an indication that concerns about disinflation or even deflation were on the rise, the Treasury yield curve flattened during the second quarter as 10 and 30-year Treasury yields fell by more than their shorter maturity counterparts. The graphic below shows recent positions of the Treasury 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.

Investors had plenty to worry about worldwide. In the U.S., concerns centered on the waning effects of policy stimulus as unemployment remained stubbornly high, consumer confidence appeared to weaken and housing sales fell after the expiration of special tax credits for home buyers. A host of other issues added to the anxiety, including the uncertain impact of new regulations for the health care and financial services industries, the Gulf of Mexico oil spill and weak fiscal conditions of many state and local governments.

Europe was perhaps the biggest problem as growing budget shortfalls in Greece, Spain and Portugal raised fears that the region might derail the global economy's recovery from the crisis that began in 2008. Greece saw its credit rating cut to junk status during the second quarter while Moody's Investors Service put Spain's AAA rating on review for a downgrade.

China, whose growth has supported the global economy while developed countries pulled themselves out of recession, took steps late in the quarter to liberalize its exchange rate regime. The move followed recent tightening in lending standards to avert real estate and asset price bubbles. China's decision to allow its currency to appreciate for the first time in almost two years was partly driven by this anti-inflation strategy.

Heightened Volatility Amid Sovereign Risk Curbed Demand for High Yield Bonds

- Market volatility, European sovereign risk, financial reforms, weak U.S. macroeconomic data and the cooling of Chinese growth weighed on risk appetite for high yield bonds
- Spurred by a flight-to-safety as the quarter wound down, investors began emphasizing quality over the stretch for yields as Treasuries and higher grade bonds outperformed
- Although triple C-rated bonds began the quarter significantly outperforming their double B-rated and single B-rated counterparts, returning 3.8 percent in April, triple C-rated

- bonds ended the quarter underperforming as investors de-risked¹
- The primary market began the quarter with strong momentum as \$34.1 billion of new deals priced, but as market volatility picked up, the new issuance market slowed dramatically, with only \$14.1 billion priced over the May/June period
 - Even with weak issuance activity in May and June, YTD issuance of \$125 billion is still easily on pace to eclipse last year's record \$180 billion, reflecting investor's broad reception for the asset class throughout the year²
 - Consistent with 2009 and the first quarter of 2010, refinancing activity dominated proceeds from new issuance, a level well above historical norms
 - With record levels of issuance in 2009 and year-to-date 2010, issuers have significantly improved near-term liquidity and given themselves a long runway with maturity extensions
 - Earnings growth momentum, improved liquidity and maturity extensions provided a strong backdrop for low defaults, with Moody's twelve month rolling global default rate falling to 6.1 percent and 12-month baseline forecast calling for a 1.8 percent default rate
 - While corporate fundamentals remain sound, recent macroeconomic data have deteriorated, reigniting fear about the sustainability of the fragile economic recovery
- With increasing uncertainty and volatility towards the latter part of the quarter, the high yield asset class saw retail fund outflows of \$2.7 billion for the second quarter, bringing total year-to-date fund outflows to \$0.3 billion¹
 - Reflecting increased risk aversion, spreads widened dramatically throughout the quarter, with triple C-rated bonds widening 261 basis points from 878 basis points at the end of April to 1139 basis points by the end of the quarter¹
 - Despite heightened risk aversion, high yield bonds, as represented by the Bank of America Merrill Lynch High Yield Master II Index, were down only 0.07 percent for the quarter, compared to a decline of 11.43 percent for the S&P 500
 - Over the course of the quarter, sector performance varied widely from the beginning to the end of the three month period as investors strategically repositioned sector exposures based on a shifting market outlook
 - Consumer cyclicals began the quarter with strong performance, but persistent slack in the labor force coupled with the deterioration in macroeconomic data led investors to de-risk from cyclically sensitive sectors
 - Healthcare emerged from April as a notable outperformer as investors became increasingly defensive
 - Financial reforms weighed on the finance sector throughout the quarter, but with passage of the financial reform bill, the sector was able to recoup some of May's losses in June

¹ BofA ML High Yield Master II Index. Spreads of the BofA Merrill Lynch U.S. High Yield Master II Index reflect the market value weighted average spread (or difference in yield) of every individual issue within the index relative to its duration-neutral "risk free" counterpart (typically U.S. Treasuries). The High Yield issues in the index outperformed the duration-neutral "risk free" counterparts on a total return basis for the period.

² JPMorgan

Secular Outlook: Driving Without a Spare Tire

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 period of 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 stronger 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 will 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.

Strong Corporate Balance Sheets, Improved Liquidity and Reasonable Valuation Should Bode Well for High Yield

Earlier in the year, a steady stream of better than expected U.S. economic data, earnings momentum and strong capital markets underpinned healthy risk appetites, even as structural macroeconomics issues lurked in the shadow. In May, however, leading economic indicators began rolling over, pointing to a potential growth relapse in the second half of the year. In June, coincident indicators such as the manufacturing and service ISM further warned of a slowdown in the pace of growth. Finally, back-to-back sluggish payroll data in May and June reinforced the uncertainty regarding the final hand-off between an inventory-led recovery and consumer-driven final demand. Earnings season is right around the corner and investors will have the opportunity to see whether the momentum in corporate fundamentals have indeed been impacted by macro events. Even more important, investors will weigh further deterioration in macroeconomic data against corporate guidance for the second half of 2010 and the calendar year 2011.

Despite increased risk aversion and heightened uncertainty, we remain constructive on high yield as valuations remain relatively attractive. Even under a slow growth environment, strong corporate balance sheets, improved liquidity and extended maturities will help provide an environment with low expected defaults, which is generally supportive of the asset class. Having peaked in late 2009 around 13.5%, Moody's twelve month rolling global default rate has fallen to 6.1% and their 12-month baseline forecast is calling for a 1.8% default rate. Although the annualized default rate, based on the first six months of 2010, would indicate something materially lower, we conservatively estimate something closer to the Moody's forecast, which is still in a range very supportive of current valuations. Moreover, issuers should benefit from improved balance sheets, following record levels of issuance in 2009/early 2010 that were centered on refinancing and extending debt maturities. As a result, near-term refinancing risk concerns are

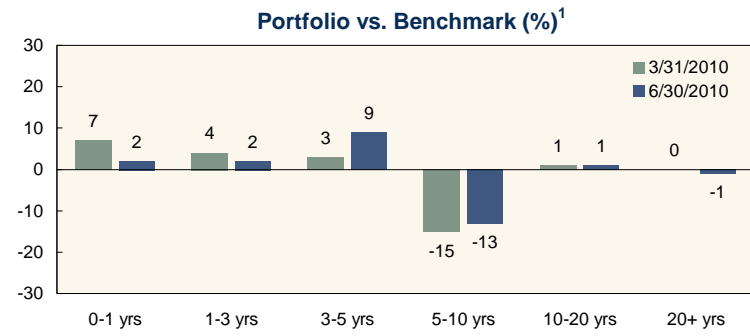
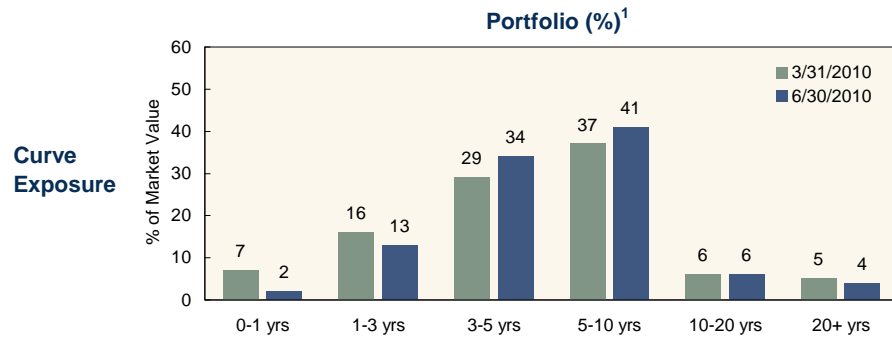
quite limited, but the longer term wall of maturities, especially among high yield loans, remains a concern.

After dramatic spread widening in the second quarter, we expect spreads to remain range bound in the coming months, widening on increased volatility and tightening on decreased volatility. As long as cyclical and structural issues remain uncertain, we do not expect spreads to tighten considerably. As a result, we expect high yield bond returns to be driven primarily by the yield component and less so by price appreciation. Across the credit spectrum, we believe investors will continue to emphasize higher quality over the stretch for yield and defensive sectors over cyclically sensitive ones, as they navigate an environment with a potential growth relapse on top of ongoing structural macroeconomic issues.

Our purchase decisions are likely to continue to resemble a barbell, acquiring higher quality and senior bonds issued to replace bank loans and adding select lower rated credits with improving fundamentals. More so than in recent years, we believe the success of an actively managed high yield portfolio will be derived from strong bottom-up security selection relative to industry selection. However, we do plan to continue to focus on defensive sectors that should be able to weather potential difficulties associated with subdued growth and the removal of liquidity by policymakers. Furthermore, we plan to continue to avoid industries that are overly dependent on the consumer, where de-levering is likely to continue.

Portfolio Characteristics and Benchmark Variance

PVIT High Yield Portfolio



Direct Country and Currency Exposure

PVIT High Yield 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 | 93.0 | 91.3 | 28.0 | 0.0 | 93.3 | 93.8 | 29.7 | 0.0 |
| United States | 93.0 | 91.3 | 28.0 | 0.0 | 93.3 | 93.8 | 29.7 | 0.0 |
| Europe - EMU | 2.8 | 3.5 | 0.3 | 0.2 | 3.6 | 3.7 | 0.3 | 0.0 |
| Germany | 0.4 | 0.5 | 0.0 | - | 0.4 | 0.4 | 0.0 | - |
| Italy | 0.2 | 0.1 | 0.0 | - | 0.0 | 0.1 | 0.0 | - |
| Luxembourg | 0.2 | 0.4 | 0.0 | - | 0.2 | 0.3 | 0.0 | - |
| Netherlands | 0.2 | 0.7 | 0.0 | - | 0.8 | 1.0 | 0.0 | - |
| Other ³ | 1.8 | 1.8 | 0.3 | - | 2.2 | 1.9 | 0.3 | - |
| United Kingdom | 2.3 | 1.9 | 0.3 | 0.1 | 1.3 | 1.0 | 0.3 | 0.1 |
| Europe - Non-EMU | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Japan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Asia Pacific ex-Japan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Emerging Markets | 1.9 | 5.3 | 0.0 | 0.4 | 1.8 | 5.5 | 0.0 | 0.4 |
| Brazil | 1.9 | 5.3 | 0.0 | 0.0 | 1.8 | 5.5 | 0.0 | 0.0 |
| China | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.4 |
| Net Liabilities ⁴ | <u>0.0</u> | <u>0.0</u> | <u>-30.6</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>-34.3</u> | <u>0.0</u> |
| Total Direct Exposure | 100.0 | 102.0 | -2.0 | 0.7 | 100.0 | 104.0 | -4.0 | 0.5 |

Small allocations may round to zero.

Direct Emerging Markets Bond Exposure

PVIT High Yield 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 | 0.33 | 5.77 | 2.72 | 0.36 | 6.06 | 2.45 |
| China | -0.01 | 0.00 | 0.00 | -0.01 | 0.00 | 0.00 |
| Indonesia | 0.00 | 0.18 | 0.00 | 0.00 | 0.19 | 0.00 |
| Mexico | 0.52 | 0.15 | 0.13 | 0.56 | 0.03 | 0.00 |
| Russia | <u>0.00</u> | <u>0.41</u> | <u>0.42</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Direct Emerging Markets | 0.84 | 6.51 | 3.27 | 0.91 | 6.28 | 2.45 |

Small allocations may round to zero.

PIMCO Proprietary Portfolio Level Risk Measures

PVIT High Yield Portfolio

| Risk Measures (yrs) | 3/31/2010 | 6/30/2010 | Definitions of Risk Measures: |
|---|-----------|------------|--|
| Interest Rate Exposures: | | | |
| Effective Duration | | | |
| Portfolio | 4.3 | 4.5 | 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 | 4.5 | 4.5 | |
| Bull Market Duration | | | |
| Portfolio | 4.2 | 4.4 | 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 | 4.4 | 4.5 | |
| Bear Market Duration | | | |
| Portfolio | 4.4 | 4.5 | 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 | 4.6 | 4.6 | |
| Total Curve Duration | | | |
| | -0.1 | 0.0 | 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 | | | |
| Portfolio | 0.2 | 0.1 | 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 | 0.0 | |
| Corporate Spread Duration | | | |
| Portfolio | 4.1 | 4.4 | 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 | 4.0 | 4.1 | |
| Emerging Markets Spread Duration | | | |
| Portfolio | 0.2 | 0.1 | 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 | 0.3 | 0.4 | |
| Swap Spread Duration | | | |
| Portfolio | 0.3 | 0.2 | 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 | 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.

Summary of Derivatives

PVIT High Yield Portfolio

| Derivatives ¹ (% of Duration) | 3/31/2010 | 6/30/2010 | Characteristics of Derivatives: | Control Measures |
|---|-----------|------------|---|--|
| Government Futures | 0.0 | 0.0 | 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 | 1.9 | 1.7 | 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* | 4.8 | 9.7 | 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 | 6.5 | 9.7 | | |
| Purchased | -1.7 | 0.0 | | |
| Options | 0.2 | 0.0 | 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 | 0.2 | 0.0 | | |
| 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 | 4.7 | 4.5 | 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 | 4.7 | 4.5 | | |
| 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. 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.

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.

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.

Market Commentary and Market Outlook

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.

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.

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. 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 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.

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.

Continued

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.

Barclays Capital Corporate Index is an unmanaged index comprised of publicly issued U. S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC- registered. It is not possible to invest directly in an unmanaged index.

Barclays Capital Universal Bond Index represents the union of the U. S. Aggregate Index, the U. S. High- Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non- ERISA portion of the CMBS Index, and the CMBS High- Yield Index. Municipal debt, private placements, and non- dollar- denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating- rate debt is the Emerging Markets Index. It is not possible to invest directly in an unmanaged index.

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

BofA Merrill Lynch U.S. High Yield, BB-B Rated, Constrained Index tracks the performance of BB-B Rated US Dollar-denominated corporate bonds publicly issued in the US domestic market. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. It is not possible to invest directly in an unmanaged index.

BofA Merrill Lynch U.S. High Yield Master II Index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million. Bonds must be rated below investment grade based on a composite of Moody's and S&P. It is not possible to invest directly in an unmanaged index.

The BofA Merrill Lynch 1-3 Year 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 the index.

This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the "Portfolio") prospectus. Investors should consider the investment objectives, risks, charges and expenses of these Portfolios 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 prospectus carefully before you invest or send money.

This report includes information as of 06/30/10 and contains the current opinions of the manager and such opinions are subject to change. This report is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. The Fund offers different share classes, which are subject to different fees & expenses (which may affect performance), have different minimum investment requirements and are entitled to different services. PIMCO funds are distributed by **Allianz Global Investors Distributors LLC**, 840 Newport Center Drive, Newport Beach, CA 92660, (800) 927-4648.

No part of this report may be reproduced in any form, or referred to in any other publication, without express written permission. ©2010, Pacific Investment Management Company LLC.

P I M C O