

PIMCO Variable Insurance Trust

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

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

Chairman's Letter

Dear PIMCO Variable Insurance Trust Shareholder:

We are living through a remarkable time of change for the global economy and financial markets, marked by what we believe will be an ongoing period of de-leveraging, de-globalization and re-regulation. As such, we remain committed to guiding our clients through the investment journey, while looking for ways to position their portfolios to take advantage of opportunities, yet helping protect against larger risks and uncertainties.

During the six-month reporting period, risk sectors experienced growing volatility brought on by investor concerns over a rising sovereign debt burden in industrialized countries as well as signs of slower global economic growth. European regional debt problems triggered by Greece, for example, caused a tightening of credit availability and increased fears of contagion throughout Europe and the rest of the world. In response, the European Union devised a broad stimulus package to help shore up the most indebted countries by extending "rescue" loans contingent upon fiscal-austerity conditions. This points to what likely may lead to a desynchronized economic recovery and prolonged market volatility.

Highlights of the financial markets during our six-month fiscal reporting period include:

- Yields on U.S. Treasury securities declined, resulting in higher prices for these securities, as increased market volatility and uncertainty drove investors to higher-quality assets. The benchmark ten-year U.S. Treasury note yielded 2.94% at the end of the reporting period, or 0.85% lower than at the beginning of 2010. The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds, returned 5.33%.
- U.S. Treasury Inflation-Protected Securities ("TIPS") posted positive returns as real yields were supported by concerns over European sovereign debt risk and the global flight-to-quality. However, breakeven inflation levels (or the difference between nominal and real yields) narrowed as a result of deflationary pressures emanating from European austerity measures and as a result, TIPS trailed their nominal U.S. Treasury counterparts. The Barclays Capital U.S. TIPS Index returned 4.41%.
- The commodity sector posted negative returns, as measured by the Dow Jones-UBS Commodity Index Total Return, which declined 9.60%. Negative returns in the grains and industrial metals sectors impacted commodity performance overall. Grains futures prices declined amid abundant global stocks and expectations of additional inventories following upcoming harvest seasons. Returns on the industrial metals sector suffered as the European debt crisis and policy tightening in China fueled concerns about future growth and global demand.
- Agency mortgage-backed securities ("MBS") outperformed U.S. Treasury securities on a like-duration basis. Limited Agency MBS issuance combined with demand from non-U.S. buyers supported valuations on these securities. Non-Agency MBS and commercial mortgage-backed securities ("CMBS") outpaced U.S. Treasury securities despite broader market volatility in May. Non-Agency MBS and CMBS tranches senior in the capital structure tended to fare better than their more subordinated counterparts as investors favored higher-quality assets.
- Underlying emerging markets ("EM") credit fundamentals remained relatively strong, although EM bond performance trailed that of U.S. Treasury securities due in part to the flight-to-quality during the latter part of the reporting period. External EM markets performed better than local currency EM markets as the overall flight-to-quality included a move toward the U.S. dollar, which worked against most EM currencies.
- Equity markets worldwide generally posted negative returns as investors focused on higher-quality assets. U.S. equities, as measured by the S&P 500 Index, declined 6.65% and international equities, as represented by the MSCI World Index, declined 9.84%.

On the following pages of this Semiannual Report for PIMCO Variable Insurance Trust covering the six-month reporting period ended June 30, 2010, please find specific details as to each Portfolio's total return investment performance and a discussion of the factors that affected performance.

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

Sincerely,



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

August 10, 2010

Important Information About the Portfolio

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

We believe that bond funds have an important role to play in a well diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a fund are likely to decrease in value. The price volatility of fixed-income securities can also increase during periods of rising interest rates resulting in increased losses to a fund. 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 or funds with shorter durations.

The Portfolio may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: interest rate risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, equity risk, mortgage-related and other asset-backed risk, foreign (non-U.S.) investment risk, emerging markets risk, currency risk, issuer non-diversification risk, leveraging risk, management risk and short sale risk. A complete description of these risks is contained in the Portfolio’s prospectus. The Portfolio may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that the Portfolio may not be able to close out a position when it would be most advantageous to do so. Because the Portfolio may invest in derivatives, it could lose more than the principal amount invested in these instruments. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments; this risk may be increased when investing in emerging markets.

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

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

PIMCO has adopted written proxy voting policies and procedures (“Proxy Policy”) as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at 1-800-927-4648, on the Portfolio’s website at www.pimco-funds.com/vit, and on the Securities and Exchange Commission’s (“SEC”) website at <http://www.sec.gov>.

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Trust’s Form N-Q is also available on the SEC’s website at <http://www.sec.gov> and may be reviewed and copied at the SEC’s Public Reference Room in Washington D.C. and is available without charge, upon request, by calling the Trust at 1-800-927-4648 and on the Portfolio’s website at www.pimco-funds.com/vit. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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

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

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees (Administrative Class only); and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period indicated, which is from January 1, 2010 to June 30, 2010.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

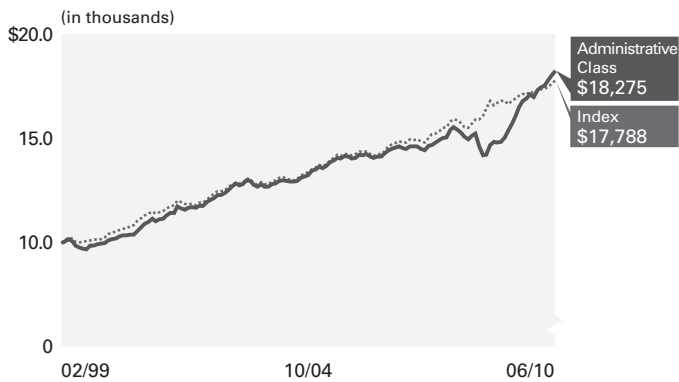
The information in the table under the heading "Hypothetical Performance (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not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

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

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

PIMCO Foreign Bond Portfolio (U.S. Dollar-Hedged)

Cumulative Returns Through June 30, 2010



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

Average Annual Total Return for the period ended June 30, 2010

	6 Months*	1 Year	5 Years	10 Years	Portfolio Inception (02/16/99)
— PIMCO Foreign Bond Portfolio (U.S. Dollar-Hedged) Administrative Class	7.46%	16.30%	5.33%	5.91%	5.43%
..... JPMorgan GBI Global ex-US Index Hedged in USD [±]	3.47%	5.74%	4.57%	5.31%	5.21%**

All Portfolio returns are net of fees and expenses.

* Cumulative return.

** Average annual total return since 02/28/99.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and principal value will fluctuate so the Portfolio shares when redeemed, may be worth more or less than their original cost. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available by calling (800) 927-4648. The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, as supplemented to date, is 0.91% for Administrative Class shares.

[±] JPMorgan GBI Global ex-US Index Hedged in USD is an unmanaged market index 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 an unmanaged index.

Expense Example	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value (01/01/10)	\$1,000.00	\$1,000.00
Ending Account Value (06/30/10)	\$1,074.55	\$1,020.33
Expenses Paid During Period [†]	\$ 4.63	\$ 4.51

[†] Expenses are equal to the Portfolio's Administrative Class net annualized expense ratio of 0.90%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect Variable Contract fees and expenses.

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

Allocation Breakdown[†]

Germany	28.5%
United States	21.7%
France	12.6%
Japan	11.7%
United Kingdom	7.3%
Canada	5.2%
Short-Term Instruments	1.1%
Other	11.9%

[†] % of Total Investments as of 06/30/10

Portfolio Insights

- » The PIMCO Foreign Bond Portfolio (U.S. Dollar-Hedged) seeks maximum total return, consistent with preservation of capital and prudent investment management, by investing under normal circumstances at least 80% of its assets in fixed income instruments that are economically tied to foreign (non-U.S.) countries, representing at least three foreign countries, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements.
- » Portfolios managed to a U.S. dollar-hedged benchmark are primarily hedged to the U.S. dollar. On a total return basis, portfolios that were hedged to the U.S. dollar generally outperformed unhedged portfolios over the reporting period, as the U.S. dollar outperformed most major currencies.
- » An overweight to duration (or sensitivity to changes in market interest rates) in the U.S. and in core Eurozone countries (such as Germany) contributed to performance as yields declined in these regions during the latter part of the reporting period.
- » An underweight to duration in the U.K. and Japan detracted from performance as yields declined in these countries during the latter part of the reporting period.
- » A curve-steepening bias in the U.S. and core Eurozone countries (such as Germany) detracted from performance as yield curves flattened in these regions during the latter part of the reporting period.
- » An underweight to the euro and the pound sterling for most of the period contributed to performance as both currencies underperformed during the reporting period.
- » Exposure to asset-backed securities and commercial mortgage-backed securities contributed to performance as these securities experienced price appreciation during the reporting period.

Financial Highlights Foreign Bond Portfolio (U.S. Dollar-Hedged)

Selected Per Share Data for the Year or Period Ended:

	06/30/2010+	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
Administrative Class						
Net asset value beginning of year or period	\$ 9.64	\$ 9.58	\$ 10.12	\$ 10.10	\$ 10.34	\$ 10.15
Net investment income ^(a)	0.10	0.37	0.35	0.35	0.36	0.28
Net realized/unrealized gain (loss) on investments	0.62	1.10	(0.59)	0.01	(0.14)	0.24
Total income (loss) from investment operations	0.72	1.47	(0.24)	0.36	0.22	0.52
Dividends from net investment income	(0.09)	(0.32)	(0.30)	(0.34)	(0.33)	(0.25)
Distributions from net realized capital gains	0.00	(1.07)	0.00	0.00	(0.13)	(0.08)
Tax basis return of capital	0.00	(0.02)	0.00	0.00	0.00	0.00
Total distributions	(0.09)	(1.41)	(0.30)	(0.34)	(0.46)	(0.33)
Net asset value end of year or period	\$ 10.27	\$ 9.64	\$ 9.58	\$ 10.12	\$ 10.10	\$ 10.34
Total return	7.46%	15.60%	(2.40)%	3.62%	2.19%	5.15%
Net assets end of year or period (000s)	\$ 78,846	\$ 69,356	\$ 76,215	\$ 68,312	\$ 61,193	\$ 49,640
Ratio of expenses to average net assets	0.90%*	0.91%	0.91%	0.90%	0.90%	0.90%
Ratio of expenses to average net assets excluding interest expense	0.90%*	0.90%	0.90%	0.90%	0.90%	0.90%
Ratio of net investment income (loss) to average net assets	2.01%*	3.67%	3.56%	3.49%	3.55%	2.70%
Portfolio turnover rate	47%	459%	655%	621%	281%	453%

+ Unaudited

* Annualized

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

Statement of Assets and Liabilities Foreign Bond Portfolio (U.S. Dollar-Hedged)

(Unaudited)

(Amounts in thousands, except per share amounts)

	June 30, 2010
Assets:	
Investments, at value	\$ 80,476
Investments in Affiliates, at value	121
Repurchase agreements, at value	594
Cash	2
Deposits with counterparty	126
Foreign currency, at value	716
Receivable for investments sold	1,247
Interest and dividends receivable	1,159
Dividends receivable from Affiliates	1
Variation margin receivable	70
Swap premiums paid	44
Unrealized appreciation on foreign currency contracts	699
Unrealized appreciation on swap agreements	551
	85,806
Liabilities:	
Payable for reverse repurchase agreements	\$ 5,289
Payable for investments in Affiliates purchased	1
Payable for Portfolio shares redeemed	803
Written options outstanding	172
Deposits from counterparty	40
Accrued related party fees	60
Swap premiums received	56
Unrealized depreciation on foreign currency contracts	482
Unrealized depreciation on swap agreements	39
	6,942
Net Assets	\$ 78,864
Net Assets Consist of:	
Paid in capital	\$ 77,492
(Overdistributed) net investment income	(2,303)
Accumulated undistributed net realized gain	6,358
Net unrealized (depreciation)	(2,683)
	\$ 78,864
Net Assets:	
Institutional Class	\$ 18
Administrative Class	78,846
Shares Issued and Outstanding:	
Institutional Class	2
Administrative Class	7,680
Net Asset Value and Redemption Price Per Share (Net Asset Per Share Outstanding)	
Institutional Class	\$ 10.27
Administrative Class	10.27
Cost of Investments Owned	\$ 83,781
Cost of Investments in Affiliates Owned	\$ 121
Cost of Repurchase Agreements Owned	\$ 594
Cost of Foreign Currency Held	\$ 712
Premiums Received on Written Options	\$ 96

Statement of Operations Foreign Bond Portfolio (U.S. Dollar-Hedged)

(Unaudited)

(Amounts in thousands)	Six Months Ended June 30, 2010
Investment Income:	
Interest	\$ 1,123
Dividends	2
Dividends from Affiliate investments	6
Total Income	1,131
Expenses:	
Investment advisory fees	96
Supervisory and administrative fees	192
Servicing fees – Administrative Class	57
Trustees' fees	1
Interest expense	1
Total Expenses	347
Net Investment Income	784
Net Realized and Unrealized Gain (Loss):	
Net realized (loss) on investments	(677)
Net realized (loss) on Affiliate investments	(1)
Net realized gain on futures contracts, written options and swaps	622
Net realized gain on foreign currency transactions	6,554
Net change in unrealized (depreciation) on investments	(1,663)
Net change in unrealized appreciation on futures contracts, written options and swaps	879
Net change in unrealized (depreciation) on translation of assets and liabilities denominated in foreign currencies	(1,000)
Net Gain	4,714
Net Increase in Net Assets Resulting from Operations	\$ 5,498

Statements of Changes in Net Assets Foreign Bond Portfolio (U.S. Dollar-Hedged)

(Amounts in thousands)	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income	\$ 784	\$ 2,500
Net realized gain	6,499	1,473
Net realized gain (loss) on Affiliate investments	(1)	2
Net change in unrealized appreciation (depreciation)	(1,784)	5,521
Net increase resulting from operations	5,498	9,496
Distributions to Shareholders:		
From net investment income		
Institutional Class	0	(1)
Administrative Class	(676)	(2,156)
From net realized capital gains		
Institutional Class	0	(2)
Administrative Class	0	(6,848)
Tax basis return of capital		
Institutional Class	0	0
Administrative Class	0	(141)
Total Distributions	(676)	(9,148)
Portfolio Share Transactions:		
Receipts for shares sold		
Institutional Class	0	0
Administrative Class	24,445	25,936
Issued as reinvestment of distributions		
Institutional Class	0	2
Administrative Class	676	9,146
Cost of shares redeemed		
Institutional Class	0	0
Administrative Class	(20,451)	(42,289)
Net increase (decrease) resulting from Portfolio share transactions	4,670	(7,205)
Total Increase (Decrease) in Net Assets	9,492	(6,857)
Net Assets:		
Beginning of period	69,372	76,229
End of period*	\$ 78,864	\$ 69,372
*Including (overdistributed) net investment income of:	\$ (2,303)	\$ (2,411)

Schedule of Investments Foreign Bond Portfolio (U.S. Dollar-Hedged)

June 30, 2010 (Unaudited)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
AUSTRALIA 4.4%		
Commonwealth Bank of Australia		
1.038% due 06/25/2014	\$ 300	\$ 302
4.500% due 02/20/2014	AUD 500	410
ING Bank Australia Ltd.		
5.610% due 06/24/2014	800	677
Macquarie Bank Ltd.		
2.600% due 01/20/2012 (d)	\$ 800	818
Medallion Trust		
0.627% due 05/25/2035	116	112
National Australia Bank Ltd.		
0.795% due 07/08/2014	400	404
Puma Finance Ltd.		
4.878% due 08/22/2037	AUD 145	119
Torrens Trust		
5.160% due 10/19/2038	241	200
Westpac Banking Corp.		
0.817% due 09/10/2014	\$ 400	401
Total Australia (Cost \$3,350)		3,443
BERMUDA 0.4%		
Merna Reinsurance Ltd.		
0.940% due 07/07/2010	\$ 300	300
Total Bermuda (Cost \$300)		300
CANADA 5.4%		
Broadway Credit Card Trust		
5.234% due 06/17/2011	CAD 500	484
Canada Government Bond		
2.500% due 06/01/2015	1,400	1,326
Canadian Imperial Bank of Commerce		
5.250% due 09/16/2010	EUR 200	246
Ford Auto Securitization Trust		
4.817% due 10/15/2012	CAD 100	98
Golden Credit Card Trust		
5.106% due 04/15/2011	500	483
Province of Ontario Canada		
4.600% due 06/02/2039	300	283
5.850% due 03/08/2033	88	97
6.200% due 06/02/2031	300	345
Province of Quebec Canada		
5.000% due 12/01/2038	700	689
5.750% due 12/01/2036	200	217
Total Canada (Cost \$4,294)		4,268
DENMARK 0.1%		
Nykredit Realkredit A/S		
6.000% due 10/01/2029	DKK 38	7
Realkredit Danmark A/S		
2.000% due 01/01/2011	400	66
Total Denmark (Cost \$83)		73
FRANCE 13.0%		
CORPORATE BONDS & NOTES 6.3%		
BNP Paribas Home Loan Covered Bonds S.A.		
3.000% due 07/23/2013	EUR 300	379
3.750% due 12/13/2011	200	253
4.750% due 05/28/2013	300	397
BPCE S.A.		
6.117% due 10/29/2049	100	84

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Cie de Financement Foncier		
2.000% due 02/17/2012	EUR 100	\$ 123
2.250% due 01/25/2013	200	247
3.625% due 01/16/2012	100	126
4.000% due 07/21/2011	400	503
Dexia Credit Local		
0.544% due 01/12/2012	\$ 600	597
1.188% due 09/23/2011	300	300
2.375% due 09/23/2011 (d)	800	811
2.750% due 01/10/2014 (d)	800	806
Dexia Municipal Agency		
4.750% due 06/06/2011	EUR 100	126
Vivendi S.A.		
5.750% due 04/04/2013	\$ 200	215
		4,967
SOVEREIGN ISSUES 6.7%		
France Government Bond		
3.500% due 04/25/2015	EUR 600	787
4.250% due 04/25/2019	200	271
5.500% due 10/25/2010	600	745
France Treasury Notes		
3.000% due 01/12/2011	1,000	1,239
3.750% due 09/12/2010	1,600	1,969
Societe Financement de l'Economie Francaise		
2.125% due 05/20/2012	200	249
		5,260
Total France (Cost \$11,175)		10,227
GERMANY 29.4%		
ASSET-BACKED SECURITIES 0.2%		
Driver One GmbH		
0.543% due 10/21/2015	EUR 136	165
CORPORATE BONDS & NOTES 0.8%		
IKB Deutsche Industriebank AG		
2.125% due 09/10/2012	500	622
SOVEREIGN ISSUES 28.4%		
Republic of Germany		
1.250% due 03/11/2011	200	246
2.250% due 12/10/2010	1,400	1,726
3.250% due 07/04/2015	1,700	2,249
3.250% due 01/04/2020	400	520
3.500% due 04/08/2011	300	375
3.750% due 07/04/2013	1,300	1,726
3.750% due 01/04/2019	300	405
4.000% due 09/10/2010	500	615
4.000% due 10/11/2013	700	944
4.000% due 01/04/2037	550	756
4.250% due 07/04/2018	4,500	6,281
4.250% due 07/04/2039	100	144
4.750% due 07/04/2034	1,100	1,668
4.750% due 07/04/2040	200	312
5.000% due 07/04/2011	200	256
5.500% due 01/04/2031	1,800	2,922
6.500% due 07/04/2027	700	1,231
		22,376
Total Germany (Cost \$24,476)		23,163
IRELAND 0.7%		
German Postal Pensions Securitisation PLC		
2.750% due 01/18/2011	EUR 400	494
Immeo Residential Finance PLC		
0.879% due 12/15/2016	90	95
Total Ireland (Cost \$691)		589

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
ITALY 0.0%		
Vela Home SRL		
0.924% due 10/24/2027	EUR 9	\$ 11
Total Italy (Cost \$14)		11
JAPAN 12.0%		
MORTGAGE-BACKED SECURITIES 0.1%		
JLOC Ltd.		
0.505% due 02/16/2016	JPY 12,226	105
SOVEREIGN ISSUES 11.9%		
Japan Government International Bond		
0.200% due 02/15/2012	240,000	2,717
0.900% due 03/20/2014	140,000	1,623
1.500% due 12/20/2017	410,000	4,921
1.800% due 06/20/2017	10,000	123
		9,384
Total Japan (Cost \$8,652)		9,489
LIBERIA 0.2%		
Royal Caribbean Cruises Ltd.		
7.250% due 03/15/2018	\$ 200	195
Total Liberia (Cost \$189)		195
NETHERLANDS 4.6%		
ABN AMRO Bank NV		
3.250% due 01/18/2013	EUR 200	253
3.750% due 01/12/2012	100	126
Achmea Hypotheekbank NV		
0.694% due 11/03/2014 (d)	\$ 700	698
Fortis Bank Nederland NV		
3.375% due 05/19/2014	EUR 500	646
LeasePlan Corp. NV		
3.250% due 05/22/2014	100	129
Netherlands Government International Bond		
4.000% due 07/15/2018	600	814
4.500% due 07/15/2017	200	280
NIBC Bank NV		
0.916% due 12/02/2014 (d)	\$ 600	600
Rabobank Nederland NV		
11.000% due 06/29/2049	75	93
Total Netherlands (Cost \$3,775)		3,639
NORWAY 0.3%		
DnB NOR Boligkredit		
4.500% due 05/16/2011	EUR 200	251
Total Norway (Cost \$308)		251
SOUTH KOREA 0.2%		
Export-Import Bank of Korea		
5.750% due 05/22/2013	EUR 100	130
Total South Korea (Cost \$154)		130
SUPRANATIONAL 1.1%		
European Investment Bank		
3.625% due 10/15/2011	EUR 700	887
Total Supranational (Cost \$884)		887

Schedule of Investments Foreign Bond Portfolio (U.S. Dollar-Hedged) (Cont.)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
SWEDEN 0.2%		
Swedbank Hypotek AB		
4.625% due 05/23/2011	EUR 100	\$ 126
Total Sweden (Cost \$127)		126
UNITED KINGDOM 7.5%		
Bank of Scotland PLC		
3.750% due 07/26/2010	EUR 200	245
Bumper 2 S.A.		
2.229% due 06/20/2022	89	108
Granite Master Issuer PLC		
0.518% due 12/20/2054	\$ 100	73
HBOS PLC		
6.750% due 05/21/2018	200	188
Lloyds TSB Bank PLC		
12.000% due 12/29/2049	200	201
Royal Bank of Scotland Group PLC		
1.450% due 10/20/2011 (d)	800	802
4.125% due 11/14/2011	GBP 600	933
United Kingdom Gilt		
2.250% due 03/07/2014	100	153
3.250% due 12/07/2011	20	31
3.750% due 09/07/2019	200	309
4.250% due 06/07/2032	100	152
4.250% due 03/07/2036	200	303
4.250% due 09/07/2039	100	151
4.500% due 03/07/2019	300	492
4.500% due 12/07/2042	500	793
4.750% due 12/07/2038	600	984
Total United Kingdom (Cost \$6,111)		5,918
UNITED STATES 22.3%		
ASSET-BACKED SECURITIES 2.4%		
Amortizing Residential Collateral Trust		
0.927% due 07/25/2032	\$ 1	1
1.047% due 10/25/2031	2	1
Amresco Residential Securities Mortgage Loan Trust		
1.287% due 06/25/2029	1	1
Asset-Backed Funding Certificates		
0.407% due 01/25/2037	18	17
Bear Stearns Asset-Backed Securities Trust		
0.417% due 12/25/2036	78	70
Countrywide Asset-Backed Certificates		
0.427% due 06/25/2037	34	33
Credit Suisse First Boston Mortgage Securities Corp.		
0.967% due 01/25/2032	2	1
First Alliance Mortgage Loan Trust		
0.578% due 12/20/2027	2	1
First Franklin Mortgage Loan Asset-Backed Certificates		
0.397% due 11/25/2036	24	23
Ford Credit Auto Owner Trust		
1.770% due 06/15/2012	72	73
Franklin Auto Trust		
1.928% due 06/20/2012	185	186
Indymac Residential Asset-Backed Trust		
0.797% due 08/25/2035	200	140
Long Beach Mortgage Loan Trust		
0.627% due 10/25/2034	12	11
Nelnet Student Loan Trust		
0.846% due 04/27/2015	47	47

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Residential Asset Securities Corp.		
0.847% due 07/25/2032	\$ 3	\$ 2
SACO I, Inc.		
0.407% due 05/25/2036	7	6
SLM Student Loan Trust		
0.816% due 10/25/2017	400	400
1.816% due 04/25/2023	795	823
Structured Asset Securities Corp.		
0.397% due 10/25/2036	16	15
0.637% due 01/25/2033	3	3
Wells Fargo Home Equity Trust		
0.577% due 10/25/2035	10	10
0.587% due 10/25/2035	7	7
		1,871
CORPORATE BONDS & NOTES 9.4%		
American International Group, Inc.		
5.450% due 05/18/2017	40	36
5.850% due 01/16/2018	200	180
8.000% due 05/22/2038	EUR 400	364
AutoZone, Inc.		
5.875% due 10/15/2012	\$ 1,000	1,081
Bank of America Corp.		
4.000% due 03/28/2018	EUR 200	227
6.500% due 08/01/2016	\$ 200	217
Bear Stearns Cos. LLC		
6.400% due 10/02/2017	100	111
7.250% due 02/01/2018	100	117
Citigroup, Inc.		
5.500% due 10/15/2014	400	412
Computer Sciences Corp.		
5.000% due 02/15/2013	369	393
DR Horton, Inc.		
6.000% due 04/15/2011	100	103
Harris Corp.		
5.950% due 12/01/2017	500	558
International Lease Finance Corp.		
5.400% due 02/15/2012	100	95
iStar Financial, Inc.		
5.150% due 03/01/2012	100	83
JPMorgan Chase & Co.		
3.625% due 12/12/2011	EUR 300	380
JPMorgan Chase & Co., Inc. CPI Linked Bond		
0.615% due 02/15/2012	\$ 10	10
Lehman Brothers Holdings, Inc.		
5.625% due 01/24/2013 (a)	300	62
6.875% due 05/02/2018 (a)	200	42
Marsh & McLennan Cos., Inc.		
5.375% due 07/15/2014	200	212
Merrill Lynch & Co., Inc.		
1.092% due 07/22/2014	EUR 300	334
6.750% due 05/21/2013	200	263
Morgan Stanley		
0.997% due 11/29/2013	340	384
Nationwide Health Properties, Inc.		
6.500% due 07/15/2011	\$ 100	104
Sprint Nextel Corp.		
6.000% due 12/01/2016	100	90
State Street Capital Trust IV		
1.537% due 06/15/2037	100	72
Universal Health Services, Inc.		
7.125% due 06/30/2016	1,000	1,016
Viacom, Inc.		
6.125% due 10/05/2017	200	228

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
WM Covered Bond Program		
4.375% due 05/19/2014	EUR 200	\$ 259
		7,433
MORTGAGE-BACKED SECURITIES 7.8%		
American Home Mortgage Investment Trust		
5.660% due 09/25/2045	\$ 154	134
Banc of America Mortgage Securities, Inc.		
5.409% due 02/25/2036	148	124
BCAP LLC Trust		
0.517% due 01/25/2037	181	94
Bear Stearns Adjustable Rate Mortgage Trust		
2.704% due 08/25/2033	10	10
2.760% due 03/25/2035	161	149
2.934% due 03/25/2035	20	18
5.135% due 08/25/2035	100	95
Bear Stearns Alt-A Trust		
0.507% due 02/25/2034	129	97
4.539% due 09/25/2035	84	63
5.225% due 11/25/2035	85	48
5.496% due 11/25/2036	184	114
5.572% due 03/25/2036	167	88
6.213% due 08/25/2036	116	75
Bear Stearns Structured Products, Inc.		
5.563% due 12/26/2046	70	46
Citigroup Mortgage Loan Trust, Inc.		
2.510% due 08/25/2035	28	25
3.157% due 08/25/2035	49	42
Citigroup/Deutsche Bank Commercial Mortgage Trust		
5.322% due 12/11/2049	300	292
Countrywide Alternative Loan Trust		
0.558% due 03/20/2046	155	81
0.627% due 02/25/2037	128	68
0.670% due 11/20/2035	195	113
1.412% due 12/25/2035	246	141
1.921% due 11/25/2035	37	20
5.250% due 06/25/2035	36	28
6.000% due 04/25/2037	63	41
Countrywide Home Loan Mortgage Pass-Through Trust		
0.577% due 05/25/2035	72	42
0.667% due 03/25/2035	142	76
0.677% due 02/25/2035	18	13
3.385% due 08/25/2034	77	55
3.506% due 11/25/2034	27	23
Credit Suisse First Boston Mortgage Securities Corp.		
6.500% due 04/25/2033	3	3
Credit Suisse Mortgage Capital Certificates		
5.863% due 02/25/2037	293	170
Greenpoint Mortgage Funding Trust		
0.427% due 01/25/2047	90	84
GSR Mortgage Loan Trust		
4.227% due 09/25/2035	300	246
5.034% due 01/25/2036	229	190
Harborview Mortgage Loan Trust		
0.568% due 05/19/2035	67	40
3.004% due 05/19/2033	14	14
Indymac Index Mortgage Loan Trust		
0.587% due 07/25/2035	57	31
JPMorgan Alternative Loan Trust		
5.550% due 10/25/2036	41	39
JPMorgan Mortgage Trust		
5.461% due 02/25/2036	129	115
5.640% due 07/27/2037	302	263

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Mellon Residential Funding Corp.		
0.790% due 12/15/2030	\$ 28	\$ 26
Merrill Lynch Floating Trust		
0.888% due 07/09/2021	200	185
MLCC Mortgage Investors, Inc.		
4.250% due 10/25/2035	44	40
Morgan Stanley Mortgage Loan Trust		
5.330% due 06/25/2036	178	164
Residential Accredit Loans, Inc.		
0.497% due 02/25/2047	73	32
0.527% due 06/25/2046	184	77
0.557% due 04/25/2046	153	63
Structured Adjustable Rate Mortgage Loan Trust		
2.567% due 04/25/2034	21	18
Structured Asset Mortgage Investments, Inc.		
0.557% due 05/25/2046	27	14
0.567% due 05/25/2036	198	106
0.567% due 09/25/2047	200	58
0.577% due 05/25/2045	54	31
0.698% due 03/19/2034	16	14
0.928% due 07/19/2034	8	7
1.008% due 09/19/2032	8	6
1.921% due 08/25/2047	83	47
TBW Mortgage-Backed Pass-Through Certificates		
0.372% due 01/25/2037	16	15
5.970% due 09/25/2036	194	107
Thornburg Mortgage Securities Trust		
0.457% due 11/25/2046	85	81
Wachovia Bank Commercial Mortgage Trust		
0.440% due 09/15/2021	162	147
Wachovia Mortgage Loan Trust LLC		
5.032% due 10/20/2035	300	249
WaMu Mortgage Pass-Through Certificates		
0.577% due 04/25/2045	20	15
0.657% due 01/25/2045	18	14
0.887% due 12/25/2027	47	42
1.392% due 06/25/2046	99	63
1.412% due 02/25/2046	227	153
2.386% due 03/25/2033	35	33
2.727% due 03/25/2035	215	204
3.109% due 02/27/2034	18	18
Washington Mutual Alternative Mortgage Pass-Through Certificates		
1.361% due 07/25/2046	69	32

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Wells Fargo Mortgage-Backed Securities Trust		
2.980% due 04/25/2036	\$ 29	\$ 27
4.598% due 06/25/2035	122	121
4.807% due 03/25/2036	166	147
5.043% due 03/25/2036	265	238
5.462% due 07/25/2036	195	157
		6,161
	SHARES	
PREFERRED STOCKS 0.6%		
DG Funding Trust		
1.199% due 12/31/2049	65	506
SLM Corp.		
4.071% due 01/16/2018	900	15
		521
	PRINCIPAL AMOUNT (000s)	
U.S. GOVERNMENT AGENCIES 1.8%		
Fannie Mae		
0.467% due 03/25/2034	\$ 20	\$ 20
0.497% due 08/25/2034	12	11
0.697% due 09/25/2042	51	50
1.627% due 10/01/2044 (d)	60	60
2.627% due 12/01/2034	22	23
2.817% due 11/01/2034 (d)	142	149
2.885% due 05/25/2035	52	54
5.480% due 07/01/2018 (d)	200	224
6.000% due 07/25/2044	33	36
Freddie Mac		
0.850% due 12/15/2032	90	90
1.621% due 10/25/2044	121	123
2.862% due 02/01/2029	15	15
4.665% due 03/01/2035 (d)	178	186
4.976% due 04/01/2035 (d)	322	338
5.000% due 03/15/2025 - 07/15/2025	10	10
Ginnie Mae		
4.375% due 04/20/2028 - 06/20/2030	8	9
		1,398

U.S. TREASURY OBLIGATIONS 0.3%		
U.S. Treasury Bonds		
4.250% due 05/15/2039	\$ 100	\$ 106
4.500% due 08/15/2039	100	110
		216
Total United States (Cost \$19,031)		17,600

SHORT-TERM INSTRUMENTS 1.1%

REPURCHASE AGREEMENTS 0.7%		
State Street Bank and Trust Co.		
0.010% due 07/01/2010	\$ 594	594
(Dated 06/30/2010. Collateralized by U.S. Treasury Notes 3.125% due 04/30/2017 valued at \$610. Repurchase proceeds are \$594.)		

U.S. TREASURY BILLS 0.2%		
0.190% due 08/19/2010 - 09/02/2010 (b)(e)	167	167

PIMCO SHORT-TERM FLOATING NAV PORTFOLIO (c) 0.2%		
	12,112	121
Total Short-Term Instruments (Cost \$882)		882

Total Investments 102.9% (Cost \$84,496)	\$ 81,191
Written Options (g) (0.2%) (Premiums \$96)	(172)
Other Assets and Liabilities (Net) (2.7%)	(2,155)
Net Assets 100.0%	\$ 78,864

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

* A zero balance may reflect actual amounts rounding to less than one thousand.

- (a) Security is in default.
- (b) Coupon represents a weighted average yield.
- (c) Affiliated to the Portfolio.
- (d) The average amount of borrowings while outstanding during the period ended June 30, 2010 was \$2,429 at a weighted average interest rate of 0.428%. On June 30, 2010, securities valued at \$5,492 were pledged as collateral for reverse repurchase agreements.
- (e) Securities with an aggregate market value of \$167 and cash of \$126 have been pledged as collateral for the following open futures contracts on June 30, 2010:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)
90-Day Euribor June Futures	Long	06/2011	9	\$ (1)
Australia Government 3-Year Bond September Futures	Long	09/2010	56	36
Euro-Bund 10-Year Bond September Futures	Long	09/2010	32	16
Japan Government 10-Year Bond September Futures	Long	09/2010	6	102
U.S. Treasury 10-Year Note September Futures	Long	09/2010	11	30
United Kingdom Government 10-Year Bond September Futures	Long	09/2010	11	35
				\$ 218

Schedule of Investments Foreign Bond Portfolio (U.S. Dollar-Hedged) (Cont.)

(f) Swap agreements outstanding on June 30, 2010:

Credit Default Swaps on Corporate Issues - Buy Protection ⁽¹⁾

Reference Entity	Counterparty	Fixed Deal (Pay) Rate	Maturity Date	Implied Credit Spread at June 30, 2010 ⁽³⁾	Notional Amount ⁽⁴⁾	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation/(Depreciation)
AutoZone, Inc.	BOA	(0.620%)	12/20/2012	0.468%	\$ 1,000	\$ (4)	\$ 0	\$ (4)
Barclays Bank PLC	RBS	(2.350%)	12/20/2017	2.224%	200	(2)	0	(2)
Bear Stearns Cos. LLC	DUB	(0.870%)	03/20/2018	1.129%	300	5	0	5
Computer Sciences Corp.	BOA	(0.570%)	03/20/2013	0.651%	369	1	0	1
DR Horton, Inc.	BNP	(4.030%)	06/20/2011	1.548%	100	(2)	0	(2)
Harris Corp.	BOA	(1.440%)	12/20/2017	0.681%	500	(26)	0	(26)
International Lease Finance Corp.	BCLY	(0.170%)	03/20/2012	6.057%	100	9	0	9
iStar Financial, Inc.	CSFB	(0.450%)	03/20/2012	18.951%	100	22	0	22
JPMorgan Chase & Co.	BOA	(0.750%)	03/20/2018	1.129%	100	3	0	3
JPMorgan Chase & Co.	DUB	(0.720%)	03/20/2018	1.129%	100	3	0	3
JPMorgan Chase & Co.	DUB	(0.740%)	03/20/2018	1.129%	200	5	0	5
Marsh & McLennan Cos., Inc.	BCLY	(1.160%)	09/20/2014	1.192%	200	0	0	0
Nationwide Health Properties, Inc.	DUB	(0.620%)	09/20/2011	0.945%	100	0	0	0
Royal Caribbean Cruises Ltd.	BOA	(3.190%)	03/20/2018	5.431%	200	24	0	24
Sprint Nextel Corp.	JPM	(1.125%)	12/20/2016	4.508%	100	17	0	17
Universal Health Services, Inc.	BOA	(1.250%)	06/20/2016	3.487%	1,000	112	0	112
Viacom, Inc.	BOA	(1.110%)	12/20/2017	1.062%	200	(1)	0	(1)
Vivendi S.A.	BNP	(1.742%)	06/20/2013	1.037%	100	(2)	0	(2)
Vivendi S.A.	BNP	(1.780%)	06/20/2013	1.037%	100	(2)	0	(2)
						\$ 162	\$ 0	\$ 162

Credit Default Swaps on Sovereign Issues - Sell Protection ⁽²⁾

Reference Entity	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2010 ⁽³⁾	Notional Amount ⁽⁴⁾	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation
Australia Government Bond	BOA	1.000%	06/20/2015	0.587%	\$ 500	\$ 9	\$ 8	\$ 1
United Kingdom Gilt	CITI	1.000%	06/20/2015	0.738%	400	5	3	2
United Kingdom Gilt	DUB	1.000%	06/20/2015	0.738%	1,600	21	14	7
						\$ 35	\$ 25	\$ 10

Credit Default Swaps on Credit Indices - Buy Protection ⁽¹⁾

Index/Tranches	Counterparty	Fixed Deal (Pay) Rate	Maturity Date	Notional Amount ⁽⁴⁾	Market Value ⁽⁵⁾	Upfront Premiums Paid/(Received)	Unrealized Appreciation
CDX.IG-12 5-Year Index	MSC	(1.000%)	06/20/2014	\$ 5,952	\$ 11	\$ (35)	\$ 45

⁽¹⁾ If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

⁽²⁾ If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation.

⁽³⁾ Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues and sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

⁽⁴⁾ The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

⁽⁵⁾ The quoted market prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

Interest Rate Swaps

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Counterparty	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation
Pay	3-Month CAD Bank Bill	5.800%	12/19/2023	JPM	CAD 1,000	\$ 15	\$ (6)	\$ 21
Pay	6-Month AUD Bank Bill	6.000%	12/15/2020	DUB	AUD 1,100	25	5	20
Pay	6-Month JPY-LIBOR	1.500%	12/15/2020	BOA	JPY 120,000	30	9	21
Pay	6-Month JPY-LIBOR	1.500%	12/15/2020	RBS	70,000	18	5	13
Pay	6-Month JPY-LIBOR	2.150%	06/16/2035	BOA	220,000	122	(9)	131
Pay	6-Month JPY-LIBOR	2.150%	06/16/2035	UBS	150,000	83	(6)	89
						\$ 293	\$ (2)	\$ 295

(g) Written options outstanding on June 30, 2010:

Options on Exchange-Traded Futures Contracts

Description	Exercise Price	Expiration Date	# of Contracts	Premium	Market Value
Put - CBOT U.S. Treasury 10-Year Note August Futures	\$ 119.500	07/23/2010	6	\$ 2	\$ 1

Interest Rate Swaptions

Description	Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premium	Market Value
Call - OTC 10-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Receive	3.500%	08/31/2010	\$ 1,800	\$ 15	\$ 72
Put - OTC 10-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	4.500%	08/31/2010	1,800	8	0
Put - OTC 5-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	5.500%	08/31/2010	600	6	0
Put - OTC 5-Year Interest Rate Swap	JPM	3-Month USD-LIBOR	Pay	5.500%	08/31/2010	300	2	0
Call - OTC 10-Year Interest Rate Swap	MSC	3-Month USD-LIBOR	Receive	3.250%	10/29/2010	3,800	25	98
Put - OTC 10-Year Interest Rate Swap	MSC	3-Month USD-LIBOR	Pay	5.000%	10/29/2010	3,800	30	1
Put - OTC 10-Year Interest Rate Swap	MSC	3-Month USD-LIBOR	Pay	10.000%	07/10/2012	600	4	0
							\$ 90	\$ 171

Foreign Currency Options

Description	Exercise Price	Expiration Date	Notional Amount	Premium	Market Value
Call - OTC USD versus KRW	KRW 1,500,000	09/01/2010	\$ 100	\$ 1	\$ 0
Call - OTC USD versus MXN	MXN 16.250	09/22/2010	100	3	0
				\$ 4	\$ 0

Transactions in written call and put options for the period ended June 30, 2010:

	# of Contracts	Notional Amount in \$	Notional Amount in AUD	Notional Amount in EUR	Notional Amount in GBP	Premium
Balance at 12/31/2009	117	\$ 10,400	AUD 1,000	EUR 0	GBP 0	\$ 172
Sales	96	12,000	0	2,500	1,200	160
Closing Buys	(207)	(7,500)	(1,000)	(800)	0	(177)
Expirations	0	(2,000)	0	(1,700)	(1,200)	(59)
Exercised	0	0	0	0	0	0
Balance at 06/30/2010	6	\$ 12,900	AUD 0	EUR 0	GBP 0	\$ 96

(h) Foreign currency contracts outstanding on June 30, 2010:

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Sell	AUD	1,631	07/2010	JPM	\$ 47	\$ 0	\$ 47
Buy	BRL	103	08/2010	GSC	0	0	0
Buy	CAD	426	07/2010	CITI	0	(5)	(5)
Sell		1,164	07/2010	CITI	9	0	9
Sell		3,057	07/2010	UBS	168	0	168
Buy	CNY	2,631	11/2010	BCLY	0	(5)	(5)
Sell		892	11/2010	BCLY	0	(1)	(1)
Buy		106	11/2010	CITI	0	0	0
Buy		106	11/2010	DUB	0	0	0
Sell		707	11/2010	DUB	1	0	1
Sell		948	11/2010	HSBC	2	0	2
Buy		212	11/2010	JPM	0	(1)	(1)
Sell		454	11/2010	JPM	1	0	1
Buy		653	11/2010	MSC	0	(3)	(3)
Sell		878	11/2010	RBS	0	(1)	(1)
Buy		1,535	11/2010	UBS	0	(2)	(2)
Sell		891	01/2011	BCLY	0	(1)	(1)
Buy		1,333	01/2011	BOA	0	(2)	(2)
Sell		2,820	01/2011	CITI	0	(2)	(2)
Buy		3,751	01/2011	HSBC	0	(6)	(6)
Buy		1,433	01/2011	JPM	0	(3)	(3)
Sell		2,901	01/2011	JPM	0	(2)	(2)
Buy		1,524	01/2011	MSC	0	(3)	(3)
Buy		583	04/2011	BCLY	0	(1)	(1)
Buy		291	04/2011	CSFB	0	(1)	(1)
Buy		185	04/2011	HSBC	0	0	0
Buy		212	04/2011	JPM	0	0	0
Buy		1,569	04/2011	MSC	0	(3)	(3)
Buy		728	06/2011	BCLY	0	(1)	(1)

Schedule of Investments Foreign Bond Portfolio (U.S. Dollar-Hedged) (Cont.)

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Buy	CNY	977	06/2011	DUB	\$ 0	\$ (3)	\$ (3)
Buy		1,512	06/2011	JPM	0	(4)	(4)
Buy		670	06/2011	RBS	0	0	0
Sell	EUR	32,819	07/2010	BCLY	201	0	201
Buy		339	07/2010	BNP	0	(5)	(5)
Buy		298	07/2010	CITI	0	(6)	(6)
Sell		1,721	07/2010	CITI	19	(3)	16
Sell		394	07/2010	CSFB	0	(8)	(8)
Buy		238	07/2010	DUB	6	0	6
Buy		43	07/2010	JPM	0	0	0
Sell		88	07/2010	JPM	0	0	0
Buy		273	07/2010	RBC	0	(8)	(8)
Buy		361	07/2010	RBS	0	(2)	(2)
Sell		1,418	07/2010	RBS	11	(2)	9
Buy		207	07/2010	UBS	1	0	1
Sell		36	07/2010	UBS	1	0	1
Sell		617	08/2010	CITI	7	0	7
Sell		33,517	08/2010	RBS	173	0	173
Sell	GBP	3,156	09/2010	BOA	0	(38)	(38)
Sell	HKD	10	07/2010	BOA	0	0	0
Buy		2	07/2010	HSBC	0	0	0
Buy		8	07/2010	JPM	0	0	0
Buy	IDR	1,287,100	09/2010	JPM	18	0	18
Buy		293,190	11/2010	BCLY	2	0	2
Buy		389,200	11/2010	CITI	2	0	2
Buy		161,720	11/2010	DUB	0	0	0
Buy		306,000	11/2010	HSBC	1	0	1
Sell	JPY	596,062	07/2010	BOA	0	(232)	(232)
Sell		7,270	07/2010	HSBC	0	0	0
Sell		240,223	08/2010	CITI	0	(96)	(96)
Buy	KRW	32,000	07/2010	BCLY	0	(1)	(1)
Sell		114,415	07/2010	BCLY	5	0	5
Buy		116,870	07/2010	CITI	0	(6)	(6)
Buy		62,767	07/2010	DUB	0	(2)	(2)
Buy		52,121	07/2010	MSC	0	(1)	(1)
Sell		149,344	07/2010	MSC	6	0	6
Sell		140,070	08/2010	BCLY	6	0	6
Buy		124,759	08/2010	MSC	0	(4)	(4)
Sell		59,517	08/2010	MSC	2	0	2
Buy		56,105	11/2010	BCLY	0	(2)	(2)
Sell		24,541	11/2010	BCLY	1	0	1
Buy		20,515	11/2010	BOA	0	(1)	(1)
Buy		88,882	11/2010	CITI	0	(4)	(4)
Sell		140,824	11/2010	CITI	7	0	7
Buy		11,626	11/2010	DUB	0	(1)	(1)
Buy		11,730	11/2010	GSC	0	0	0
Buy		57,528	11/2010	JPM	0	(3)	(3)
Buy		34,533	11/2010	MSC	0	(2)	(2)
Sell		68,773	11/2010	RBS	2	0	2
Buy	MXN	2,213	09/2010	HSBC	0	(2)	(2)
Buy	MYR	1	10/2010	CITI	0	0	0
Buy		1	10/2010	DUB	0	0	0
Buy	NOK	1,398	09/2010	CITI	0	(3)	(3)
Buy	SEK	80	09/2010	CITI	0	0	0
Sell		468	09/2010	CITI	0	0	0
Buy	SGD	3	09/2010	CITI	0	0	0
Sell		24	09/2010	GSC	0	0	0
Sell	TWD	5	10/2010	CITI	0	0	0
Sell		26	01/2011	DUB	0	0	0
					\$ 699	\$ (482)	\$ 217

(i) Fair Value Measurements ⁽¹⁾

The following is a summary of the fair valuations according to the inputs used as of June 30, 2010 in valuing the Portfolio's assets and liabilities:

Category ⁽²⁾	Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at 06/30/2010
Australia	\$ 0	\$ 3,443	\$ 0	\$ 3,443
Bermuda	0	300	0	300
Canada	0	4,268	0	4,268
Denmark	0	73	0	73
France				
Corporate Bonds & Notes	0	4,967	0	4,967
Sovereign Issues	0	5,260	0	5,260
Germany				
Asset-Backed Securities	0	165	0	165
Corporate Bonds & Notes	0	622	0	622
Sovereign Issues	0	22,376	0	22,376
Ireland	0	589	0	589
Italy	0	11	0	11
Japan				
Mortgage-Backed Securities	0	105	0	105
Sovereign Issues	0	9,384	0	9,384
Liberia	0	195	0	195
Netherlands	0	3,639	0	3,639
Norway	0	251	0	251
South Korea	0	130	0	130
Supranational	0	887	0	887
Sweden	0	126	0	126
United Kingdom	0	5,918	0	5,918
United States				
Asset-Backed Securities	0	1,871	0	1,871
Corporate Bonds & Notes	0	7,433	0	7,433
Mortgage-Backed Securities	0	5,898	263	6,161
Preferred Stocks	0	15	506	521
U.S. Government Agencies	0	1,398	0	1,398
U.S. Treasury Obligations	0	216	0	216
Short-Term Instruments	121	761	0	882
Investments, at value	\$ 121	\$ 80,301	\$ 769	\$ 81,191
Financial Derivative Instruments ⁽³⁾	\$ 218	\$ 557	\$ 0	\$ 775
Totals	\$ 339	\$ 80,858	\$ 769	\$ 81,966

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Portfolio during the period ending June 30, 2010:

Category ⁽²⁾	Beginning Balance at 12/31/2009	Net Purchases/ (Sales)	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation)	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 06/30/2010	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 06/30/2010
Japan									
Mortgage-Backed Securities	\$ 99	\$ (12)	\$ 0	\$ 3	\$ 15	\$ 0	\$ (105)	\$ 0	\$ 0
United Kingdom	196	0	0	0	5	0	(201)	0	0
United States									
Mortgage-Backed Securities	0	247	0	2	14	0	0	263	14
Preferred Stocks	577	0	0	0	(71)	0	0	506	(71)
Investments, at value	\$ 872	\$ 235	\$ 0	\$ 5	\$ (37)	\$ 0	\$ (306)	\$ 769	\$ (57)

⁽¹⁾ See note 2 in the Notes to Financial Statements for additional information.

⁽²⁾ Refer to the Schedule of Investments for additional information.

⁽³⁾ Financial derivative instruments may include open futures contracts, swap contracts, written options, and foreign currency contracts.

(j) **Fair Value of Derivative Instruments** ⁽¹⁾

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

Fair Values of Derivative Instruments on the Statement of Assets and Liabilities as of June 30, 2010:

	Derivatives not accounted for as hedging instruments					Total
	Interest Rate Contracts	Foreign Exchange Contracts	Credit Contracts	Equity Contracts	Other Contracts	
Assets:						
Variation margin receivable ⁽²⁾	\$ 70	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70
Unrealized appreciation on foreign currency contracts	0	699	0	0	0	699
Unrealized appreciation on swap agreements	295	0	256	0	0	551
	<u>\$ 365</u>	<u>\$ 699</u>	<u>\$ 256</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,320</u>
Liabilities:						
Written options outstanding	\$ 172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 172
Unrealized depreciation on foreign currency contracts	0	482	0	0	0	482
Unrealized depreciation on swap agreements	0	0	39	0	0	39
	<u>\$ 172</u>	<u>\$ 482</u>	<u>\$ 39</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 693</u>

The Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended June 30, 2010:

	Derivatives not accounted for as hedging instruments					Total
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	
Realized Gain (Loss) on Derivatives Recognized as a Result from Operations:						
Net realized gain (loss) on futures contracts, written options and swaps	\$ 743	\$ 91	\$ (212)	\$ 0	\$ 0	\$ 622
Net realized gain on foreign currency transactions	0	6,482	0	0	0	6,482
	<u>\$ 743</u>	<u>\$ 6,573</u>	<u>\$ (212)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,104</u>
Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized as a Result from Operations:						
Net change in unrealized appreciation (depreciation) on futures contracts, written options and swaps	\$ 442	\$ (34)	\$ 471	\$ 0	\$ 0	\$ 879
Net change in unrealized (depreciation) on translation of assets and liabilities denominated in foreign currencies	0	(661)	0	0	0	(661)
	<u>\$ 442</u>	<u>\$ (695)</u>	<u>\$ 471</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 218</u>

⁽¹⁾ See note 4 in the Notes to Financial Statements for additional information.

⁽²⁾ Only current day's variation margin is reported within the Statement of Assets and Liabilities. The variation margin is included in the open futures cumulative appreciation/(depreciation) of \$218 as reported in the Notes to Schedule of Investments.

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in accordance with U.S. GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

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

(b) Investment Valuation For purposes of calculating the NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services.

Domestic and foreign fixed income securities and non-exchange traded derivatives are normally valued on the basis of quotes obtained from brokers and dealers or pricing services. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Short-term investments having a maturity of 60 days or less are generally valued at amortized cost which approximates fair value. Exchange traded options, futures and options on futures are valued at the settlement price determined by the relevant exchange. With respect to any portion of the Portfolio's assets that are invested in one or more open-end management investment companies, the Portfolio's NAV will be calculated based upon the NAVs of such investments. The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be

affected significantly on a day that the NYSE is closed and the NAV may change on days when an investor is not able to purchase, redeem or exchange shares.

Securities and other assets for which market quotes are not readily available are valued at fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the investment adviser, Pacific Investment Management Company LLC ("PIMCO") the responsibility for applying the valuation methods. For instance, certain securities or investments for which daily market quotes are not readily available may be valued, pursuant to guidelines established by the Board of Trustees, with reference to other securities or indices. In the event that market quotes are not readily available, and the security or asset cannot be valued pursuant to one of the valuation methods, the value of the security or asset will be determined in good faith by the Valuation Committee of the Board of Trustees, generally based upon recommendations provided by PIMCO.

Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information or broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade, do not open for trading for the entire day and no other market prices are available. The Board of Trustees has delegated to PIMCO the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be re-evaluated in light of such significant events.

When the Portfolio uses fair value pricing to determine its NAV, securities will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board of Trustees or persons acting at their direction believe accurately reflects fair value. Fair value pricing may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board of Trustees or persons acting at their direction would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Portfolio may differ from the value that would be realized if the securities were sold.

U.S. GAAP defines fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes and requires disclosure of a fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Levels 1, 2, and 3). Categorization of fair value measurements is determined by the nature of the inputs as follows:

- Level 1—Inputs using quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2—Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

- Level 3—Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board of Trustees or persons acting at their direction that are used in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported market values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in/out of the Level 3 category during the period. In accordance with the requirements of U.S. GAAP, a fair value hierarchy and Level 3 reconciliation have been included in the Notes to the Schedule of Investments for the Portfolio.

In January 2010, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update, effective for interim and annual reporting periods beginning after December 15, 2009, requiring reporting entities to make new disclosures about amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements and input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The end of period timing recognition is being adopted for the significant transfers between levels of the Portfolio's assets and liabilities at June 30, 2010. There were no significant transfers into and out of Level 1, 2 and 3 during the period ended June 30, 2010.

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

(d) Cash and Foreign Currency The functional and reporting currency for the Portfolio is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. Dollars based on the current exchange rates each business day. Fluctuations in the value of currency holdings and other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains or losses. Realized gains or losses and unrealized appreciation or depreciation on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated on the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

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

expenses, where applicable, currently include supervisory and administrative, distribution and servicing fees.

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

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

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

(g) New Accounting Pronouncement In January 2010, FASB issued an Accounting Standards Update with respect to fair value measurements and the reconciliation of Level 3 assets and liabilities for interim and annual reporting periods beginning after December 15, 2010. The update requires additional disclosures about purchases, sales, issuances, and settlements in the Level 3 reconciliation of fair value measurements. At this time, management is evaluating the implications of this change and its impact on the financial statements has not been determined.

3. SECURITIES AND OTHER INVESTMENTS

(a) Mortgage-Related and Other Asset-Backed Securities The Portfolio may invest in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. Mortgage-related and other asset-backed securities are interests in pools of loans or other receivables. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. These securities provide a monthly payment which consists of both interest and principal payments. Interest payments may be determined by fixed or adjustable rates. The rate of pre-payments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the United States Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements.

Collateralized Mortgage Obligations (“CMOs”) are debt obligations of a legal entity that is collateralized by mortgages and divided into classes. CMOs are structured into multiple classes, often referred to as “tranches,” with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including pre-payments. Commercial Mortgage-Backed Securities (“CMBS”) include securities that reflect an interest in, and are secured by, mortgage loans on commercial real property. Many of the risks of investing in CMBS reflect the risks of investing in the real estate securing the underlying mortgage loans. These risks reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make loan payments, and the ability of a property to attract and retain tenants. CMOs and CMBS may be less liquid and may exhibit greater price volatility than other types of mortgage- or asset-backed securities.

Collateralized Debt Obligations (“CDOs”) include Collateralized Bond Obligations (“CBOs”), Collateralized Loan Obligations (“CLOs”) and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Portfolio may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

(b) Repurchase Agreements The Portfolio may engage in repurchase transactions. Under the terms of a typical repurchase agreement, the Portfolio takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Portfolio’s custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for receipt of collateral, which may result in interest expense to the Portfolio. Generally, in the event of counterparty default, the Portfolio has the right to use the collateral to offset losses incurred. If the counterparty should default, the Portfolio will seek to sell the securities which it holds as collateral. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price.

(c) Reverse Repurchase Agreements The Portfolio may enter into reverse repurchase agreements. In a reverse repurchase agreement, the Portfolio sells to a financial institution a security that it holds with an agreement to repurchase the same security at an agreed-upon price and date. Securities sold under reverse repurchase agreements are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. A reverse repurchase agreement involves the risk that the market value of the security sold by the Portfolio may decline below the repurchase price of the security. The Portfolio will segregate assets determined to be liquid by the investment adviser or otherwise cover its obligations under reverse repurchase agreements.

(d) U.S. Government Agencies or Government-Sponsored Enterprises The Portfolio may invest in U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. The U.S. Government does not guarantee the net asset value of the Portfolio’s shares. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), are supported by the full faith and credit of the United States Government; others, such as those of the Federal Home Loan Bank, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the “U.S. Treasury”); others, such as those of the Federal National Mortgage Association (“FNMA” or “Fannie Mae”), are supported by the discretionary authority of the U.S. Government to purchase the agency’s obligations. U.S. Government securities may include zero coupon securities, which do not distribute interest on a current basis and tend to be subject to greater risk than interest-paying securities of similar maturities.

Government-related guarantors (i.e., not backed by the full faith and credit of the United States Government) include FNMA and the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”). FNMA is a government-sponsored corporation, the common stock of which is owned entirely by private stockholders. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the United States Government. FHLMC issues Participation Certificates (“PCs”), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the United States Government.

On September 6, 2008, the Federal Housing Finance Agency (“FHFA”) placed FNMA and FHLMC into conservatorship. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of FNMA and FHLMC and of any stockholder, officer or director of FNMA and FHLMC with respect to FNMA and FHLMC and the assets of FNMA and FHLMC. FHFA selected a new chief executive officer and chairman of the board of directors for each of FNMA and FHLMC. In connection with the conservatorship, the U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of FNMA and FHLMC pursuant to which the U.S. Treasury will purchase up to an aggregate of \$100 billion of each of FNMA and FHLMC to maintain a positive net worth in each enterprise. This agreement contains various covenants that severely limit each enterprise’s operations. In exchange for entering into these agreements, the U.S. Treasury received \$1 billion of each enterprise’s senior preferred stock and warrants to purchase 79.9% of each enterprise’s common stock. On February 18, 2009, the U.S. Treasury announced that it was doubling the size of its commitment to each enterprise under the Senior Preferred Stock Program to \$200 billion. The U.S. Treasury’s obligations under the Senior Preferred Stock Program are for an indefinite period of time for a maximum amount of \$200 billion per enterprise. FNMA and FHLMC are continuing to operate as going concerns while in conservatorship and each remain liable for all of its obligations, including its guaranty obligations, associated with its mortgage-backed securities. The Senior Preferred Stock Purchase Agreement is intended to enhance each of FNMA’s and FHLMC’s ability to meet its obligations. The FHFA has indicated that the conservatorship of each enterprise will end when the director of FHFA determines that FHFA’s plan to restore the enterprise to a safe and solvent condition has been completed.

4. FINANCIAL DERIVATIVE INSTRUMENTS

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

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

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

(c) Options Contracts The Portfolio may write call and put options on futures, swaps ("swaptions"), securities, commodities or currencies it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put option, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are reflected as written options outstanding on the Statement of Assets and Liabilities. Certain options may be written with premiums to be determined on a future date. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain or loss. The Portfolio as a writer of an option has no control over

whether the underlying instrument may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

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

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

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

Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gains or losses on the Statement of Operations.

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

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

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

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

Credit default swap agreements on corporate issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event). The Portfolio may use credit default swaps on corporate issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default.

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

Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are benchmarks for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

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

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. Notional amounts of each individual credit default swap agreements outstanding as of June 30, 2010 for which the Portfolio is the seller of protection are disclosed in the notes to the Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements The Portfolio is subject to interest risk exposure in the normal course of pursuing its investment objectives. Because the Portfolio holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party of their respective commitments to pay or receive interest with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swap, under which two parties can exchange variable interest rates based on different money markets.

5. PRINCIPAL RISKS

In the normal course of business the Portfolio trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk), or failure or inability of the other party to

transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a list of potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

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

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

If the Portfolio invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Portfolio, or, in the case of hedging positions, that the Portfolio's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Portfolio's investments in foreign currency denominated securities may reduce the returns of the Portfolio.

The market values of equities, such as common stocks and preferred stocks or equity related investments such as futures and options, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

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

Similar to credit risk, the Portfolio may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio has unsettled or open transactions will default. Financial assets, which potentially expose the Portfolio to counterparty risk, consist principally of cash due from counterparties and investments. PIMCO, as the investment adviser, minimizes counterparty risks to the Portfolio by performing extensive reviews of each counterparty and obtaining approval from the PIMCO Counterparty Risk Committee prior to entering into transactions with a third party. Furthermore, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold agreed to with the

counterparty, such counterparty shall advance collateral to the Portfolio in the form of cash or cash equivalents equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently falls, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced to the Portfolio.

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

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

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

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

International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Master Agreements") govern transactions, over-the-counter derivative and foreign exchange contracts, entered into by the Portfolio and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to early terminate could be material to the financial statements.

On September 15, 2008, Lehman Brothers Holdings Inc. filed for protection under Chapter 11 of the United States Bankruptcy Code. On September 19, 2008, a proceeding under the Securities Investor Protection Act (SIPA) was commenced with respect to Lehman Brothers Inc., a broker-dealer. A trustee appointed under SIPA is administering the bankruptcy estate of Lehman Brothers Inc. Lehman Brothers International (Europe) was placed in administration under the UK Insolvency Act on September 15, 2008. Lehman Brothers Special Financing Inc. filed for protection under Chapter 11 of the United States Bankruptcy Code on October 3, 2008. In connection with these filings, the Lehman Brothers group of companies (collectively "Lehman Brothers") will be reorganized and/or liquidated in an orderly fashion, subject to court approval. Each Lehman Brothers entity is a separate legal entity that is subject to its own bankruptcy proceeding.

The Portfolio had select holdings, credit default swap agreements, and securities and derivatives transactions outstanding with Lehman Brothers entities as issuer, referenced entity, counterparty or guarantor at the time the relevant Lehman Brothers entity filed for protection or was placed in administration. The security holdings, credit default swap agreements, and securities and derivatives

transactions associated with Lehman Brothers have been written down to their estimated recoverable values. Anticipated losses for securities and derivatives transactions associated with Lehman Brothers have been incorporated as components of receivable for investments sold or payable for investments purchased on the Statement of Assets and Liabilities and net realized gain/(loss) on investments on the Statement of Operations. Financial assets and liabilities may be offset and the net amount may be reported in the Statement of Assets and Liabilities where there is a legally enforceable right to set off the recognized amounts.

PIMCO delivered notices of default to the relevant Lehman Brothers entities in accordance with the terms of the applicable agreements. For transactions with Lehman Brothers counterparties, PIMCO terminated the trades, obtained quotations from brokers for replacement trades and, where deemed appropriate, re-opened positions with new counterparties.

Where relevant the Portfolio has filed claims with certain Lehman Brothers entities, in accordance with the applicable bankruptcy proceedings. In addition, the Portfolio had exposure to Lehman Brothers Special Financing Inc. and has entered into a settlement agreement and has paid such amounts pursuant to the terms of the settlement agreement.

6. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Global Investors of America L.P. ("AGI"), and serves as investment adviser (the "Adviser") to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio, at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.25%.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator"), and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Supervisory and Administrative Fee for all classes is charged at the annual rate of 0.50%.

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

The Portfolio may invest in the PIMCO Funds Private Account Portfolio Series: Short-Term Floating NAV Portfolio ("PAPS Short-Term Floating NAV Portfolio") to the extent permitted by the Act and rules thereunder. The PAPS Short-Term Floating NAV Portfolio is a registered investment company created for use solely by the series of the Trust and series of PIMCO funds in connection with their cash management activities. The main investments of the PAPS Short-Term Floating NAV Portfolio are money market instruments and short maturity fixed income instruments. The PAPS Short-Term Floating NAV Portfolio may incur expenses related to its investment activities, but does not pay Investment Advisory or Supervisory and Administrative Fees to PIMCO. The PAPS Short-Term Floating NAV Portfolio is considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the PAPS Short-Term Floating NAV Portfolio for the period ended June 30, 2010 (amounts in thousands):

Market Value 12/31/2009	Purchases at Cost	Proceeds from Sales	Unrealized Appreciation	Market Value 06/30/2010	Dividend Income	Net Capital and Realized (Loss)
\$ 1,616	\$ 34,006	\$ 35,500	\$ 0	\$ 121	\$ 6	\$ (1)

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

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of \$20,000, plus \$3,000 for each Board of Trustees meeting attended in person, \$500 (\$750 in the case of the audit committee chair with respect to audit committee meetings) for each committee meeting attended and \$750 for each Board of Trustees meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of \$4,000 and each other committee chair receives an additional annual retainer of \$500. These expenses are allocated on a pro-rata basis to the various portfolios of the Trust according to their respective net assets. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

7. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 6 and the accrued related party fees amounts are disclosed in the Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another portfolio that are, or could be, considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the period ended June 30, 2010, the Portfolio engaged in purchases and sales of securities pursuant to the Rule 17a-7 of the Act (amounts in thousands):

Purchases	Sales
\$ 61	\$ 2,899

8. GUARANTEES AND INDEMNIFICATIONS

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

9. PURCHASES AND SALES OF SECURITIES

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

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

Purchases and sales of securities (excluding short-term investments) for the period ended June 30, 2010, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
\$ 207	\$ 141	\$ 49,112	\$ 34,228

10. SHARES OF BENEFICIAL INTEREST

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

	Six Months Ended 06/30/2010		Year Ended 12/31/2009	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	0	\$ 0	0	\$ 0
Administrative Class	2,463	24,445	2,556	25,936
Issued as reinvestment of distributions				
Institutional Class	0	0	1	2
Administrative Class	67	676	937	9,146
Cost of shares redeemed				
Institutional Class	0	0	0	0
Administrative Class	(2,043)	(20,451)	(4,254)	(42,289)
Net increase (decrease) resulting from Portfolio share transactions	487	\$ 4,670	(760)	\$ (7,205)

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

	Number of Shareholders	% of Portfolio Held
Institutional Class	1	100*
Administrative Class	6	81

* Allianz Global Investors of America L.P., an indirect wholly owned subsidiary of AGI and a related party to the Portfolio, owned 25% or more of the outstanding shares of beneficial interest of the Portfolio and therefore may be presumed to “control” the Portfolio, as that term is defined in the 1940 Act.

11. REGULATORY AND LITIGATION MATTERS

PIMCO, a subsidiary of Allianz Global Investors of America L.P., and PIMCO Funds are the subject of a lawsuit in the Northern District of Illinois Eastern Division, in which the complaint alleges that the plaintiffs each purchased and sold a 10-year Treasury note futures contract and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts in violation of the federal Commodity Exchange Act provisions on market manipulation. In July 2007, the District Court granted class certification

of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005. Management believes the complaint is without merit and PIMCO and PIMCO Funds intend to vigorously defend against this action. The outcome of this action cannot be predicted at this time.

In April 2006, certain registered investment companies and other funds managed by PIMCO were served in an adversary proceeding brought by the Official Committee of Asbestos Claimants of G-I Holdings, Inc. in G-I Holdings, Inc.’s bankruptcy in the District of New Jersey. In July 2004, PIMCO was named in this lawsuit and remains a defendant. The plaintiff seeks to recover for the bankruptcy estate assets that were transferred by the predecessor entity of G-I Holdings, Inc. to a wholly-owned subsidiary in 1994. The subsidiary has since issued notes, of which certain registered investment companies and other funds managed by PIMCO are alleged to be holders. The complaint alleges that in 2000, more than two hundred noteholders—including certain registered investment companies and other funds managed by PIMCO—were granted a second priority lien on the assets of the subsidiary in exchange for their consent to a refinancing transaction and the granting of a first priority lien to the lending banks. The plaintiff is seeking invalidation of the lien in favor of the noteholders and/or the value of the lien. On November 12, 2009, the District Court and Bankruptcy Court issued an order confirming a Plan of Reorganization (the “Plan”) in the underlying bankruptcy

case. As part of the Plan, the adversary proceeding to which PIMCO and other funds managed by PIMCO ("PIMCO Entities") are parties will be dismissed. In confirming the Plan, the Courts overruled certain objections (unrelated to the dismissal of claims against PIMCO and PIMCO Entities) made by the IRS. The IRS sought a stay pending appeal to the Third Circuit, the stay was granted and GI Holdings, Inc. has asked the Third Circuit to dismiss the stay. This matter is not expected to have a material adverse effect on the relevant PIMCO Entities.

12. FEDERAL INCOME TAX MATTERS

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

As of June 30, 2010, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

As of June 30, 2010, the aggregate cost of investments was the same for federal income tax and financial statement purposes. The net unrealized appreciation (depreciation) of investment securities for federal income tax purposes is as follows (amount in thousands):

Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized (Depreciation)	Net Unrealized (Depreciation)
\$ 1,895	\$ (5,200)	\$ (3,305)

13. SUBSEQUENT EVENTS

The investment adviser has evaluated the possibility of subsequent events and has determined that there are no additional material events that would require disclosure in the Portfolio's financial statements.

Counterparty Abbreviations:

BCLY	Barclays Bank PLC	DUB	Deutsche Bank AG	MSC	Morgan Stanley
BNP	BNP Paribas Bank	GSC	Goldman Sachs & Co.	RBC	Royal Bank of Canada
BOA	Bank of America	HSBC	HSBC Bank USA	RBS	Royal Bank of Scotland Group PLC
CITI	Citigroup, Inc.	JPM	JPMorgan Chase & Co.	UBS	UBS Warburg LLC
CSFB	Credit Suisse First Boston				

Currency Abbreviations:

AUD	Australian Dollar	GBP	British Pound	MYR	Malaysian Ringgit
BRL	Brazilian Real	HKD	Hong Kong Dollar	NOK	Norwegian Krone
CAD	Canadian Dollar	IDR	Indonesian Rupiah	SEK	Swedish Krona
CNY	Chinese Renminbi	JPY	Japanese Yen	SGD	Singapore Dollar
DKK	Danish Krone	KRW	South Korean Won	TWD	Taiwanese Dollar
EUR	Euro	MXN	Mexican Peso	USD	United States Dollar

Exchange Abbreviations:

CBOT	Chicago Board of Trade	OTC	Over-the-Counter
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Index Abbreviations:

CDX.IG	Credit Derivatives Index - Investment Grade
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Other Abbreviations:

ALT	Alternate Loan Trust	EURIBOR	Euro Interbank Offered Rate	LIBOR	London Interbank Offered Rate
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The Portfolio considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' personal information. To ensure its shareholders' privacy, the Portfolio has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

Obtaining Personal Information

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

Respecting Your Privacy

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

Sharing Information with Third Parties

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

Sharing Information with Affiliates

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

Procedures to Safeguard Private Information

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

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General Information

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