



P I M C O

# PIMCO Variable Insurance Trust

Real Return Portfolio

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

## Dear PIMCO Variable Insurance Trust Shareholder:

We believe that investors should prepare for a challenging journey to what we call the "new normal", marked by the likelihood of secular slower economic growth, lower U.S. consumption, below historically average asset price returns, and greater government regulation and market activity worldwide. To navigate this journey requires a steadfast determination to diversify across multiple and forecast congruent asset classes, and to recognize a new order in financial markets and economies. We remain highly focused and committed to guiding our clients through this period of uncertainty, while staying at the forefront of risk management and opportunities in this demanding investment environment.

On the following pages of this Semiannual Report for the PIMCO Variable Insurance Trust covering the six-month reporting period ended June 30, 2009, please find specific details as to the Portfolio's total return investment performance and a discussion of those factors that affected performance.

Highlights of the financial markets during the reporting period include:

- Global central banks reduced or maintained their key-lending rates at historic lows, while also resorting to a policy of "quantitative easing" in an effort to add significant liquidity to money markets worldwide and encourage bank lending to consumers and businesses. The Federal Reserve maintained a target range for the Federal Funds Rate of 0.00% to 0.25%; the European Central Bank reduced its overnight rate to 1.00%; the Bank of England reduced its key-lending rate to 0.50%; and the Bank of Japan maintained its lending rate at 0.10%.
- As demand to accept risk and assets with more risk returned to the market in the latter part of the reporting period, government bonds underperformed most riskier assets, partially reversing the flight-to-quality that occurred during the second half of 2008. Government bonds of most developed economies fared better than U.S. Treasury securities as investor anxiety regarding fiscal imbalances and potential inflation was especially pronounced in the U.S. The benchmark ten-year U.S. Treasury note yielded 3.53% at the end of the reporting period, or 1.32% higher than at the end of 2008. The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds, returned 1.90% for the reporting period.
- Returns on U.S. Treasury Inflation-Protected Securities ("TIPS") were positive as investors favored this asset class in response to attractive valuations and concerns about long-term inflation risk. The Barclays Capital U.S. TIPS Index returned 6.21% for the reporting period. Commodities index returns were positive over the reporting period, as represented by the Dow Jones-UBS Commodity Index Total Return, which returned 4.62% for the reporting period.
- Agency mortgage-backed securities ("MBS") outperformed like-duration U.S. Treasury securities. Purchases of Agency MBS by the Federal Reserve caused mortgage yields to decline relative to U.S. Treasury securities since the beginning of the year. Non-Agency MBS also performed well during the reporting period due to perceived improvements in the stability of financial markets, which reduced balance sheet pressures and improved liquidity in the MBS sector.
- Amid improved market sentiment and increased appetite for risk, yields on emerging market ("EM") bonds narrowed sharply, helping to produce gains in both local and external EM securities. In U.S. dollar denominated debt, despite generally weak economic data, lower-rated credits outperformed, fueled by the rally in risk sectors. EM local debt posted strong positive returns amid monetary easing, receding inflationary pressures, and appreciating emerging market currencies.
- Equity markets worldwide generally trended higher as investors took on more risk during the latter part of the reporting period. U.S. equities, as measured by the S&P 500 Index, returned 3.16% for the reporting period.

Thank you for the trust you have placed in us. We value that and will continue to work diligently to meet your investment needs.

Sincerely,



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

August 17, 2009

## Important Information About the Portfolio

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

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 after 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 1-866-746-2606, on the Portfolio's website at [www.pimco.com](http://www.pimco.com), and on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

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

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

***The following disclosure provides important information regarding the Portfolio's Expense Example ("Example" or "Expense Example"), which appears in this 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 and Advisor Class only); and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period indicated, which is from January 1, 2009 to June 30, 2009.

## **Actual Expenses**

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

## **Hypothetical Example for Comparison Purposes**

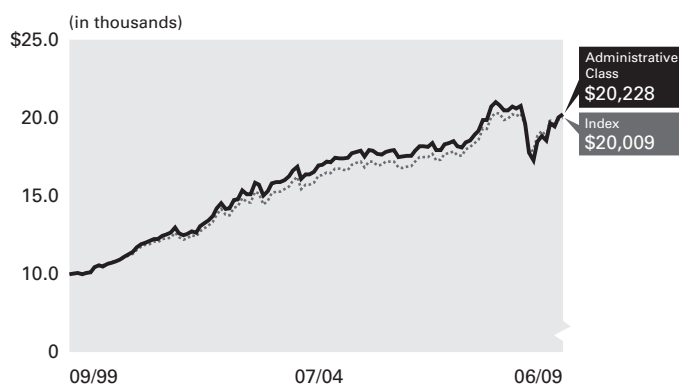
The information in the table under the heading "Hypothetical Performance (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not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

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

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

# PIMCO Real Return Portfolio

## Cumulative Returns Through June 30, 2009



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

## Allocation Breakdown†

U.S. Treasury Obligations	64.5%
Corporate Bonds & Notes	11.6%
U.S. Government Agencies	8.3%
Short-Term Instruments	5.5%
Asset-Backed Securities	4.2%
Other	5.9%

† % of Total Investments as of 06/30/09

## Portfolio Insights

- » The PIMCO Real Return Portfolio seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities and corporations, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. Inflation-indexed bonds are fixed income securities that are structured to provide protection against inflation.
- » Positioning for a steeper nominal yield curve in the U.S. benefited performance as the 30-year U.S. Treasury yield increased more than the two-year U.S. Treasury yield.
- » A nominal yield curve steepening bias in the U.K. benefited performance as the 30-year U.K. Gilt yield increased more than the two-year U.K. Gilt yield.
- » Exposure to U.S. corporate bonds benefited performance as spreads over U.S. Treasuries decreased.
- » Holdings of U.S. Agency mortgage-backed securities benefited performance as mortgage spreads narrowed.
- » An overweight to total U.S. duration from February 2009 to June 2009 detracted from performance as nominal interest rates rose during that period.
- » An emphasis on nominal bonds versus inflation-linked bonds ("ILBs") in Europe detracted from performance as ILBs outperformed their nominal counterparts.
- » Exposure to nominal bonds versus ILBs in the U.K. detracted from performance as ILBs outperformed their nominal counterparts.

## Average Annual Total Return for the period ended June 30, 2009

	6 Months*	1 Year	5 Years	Since Inception (09/30/99)
— PIMCO Real Return Portfolio Administrative Class	9.56%	-2.45%	4.29%	7.49%
..... Barclays Capital U.S. TIPS Index‡	6.21%	-1.11%	4.94%	7.37%

\* Cumulative return. All Portfolio returns are net of fees and expenses.

**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 0.71% for Administrative Class shares.**

‡ Barclays Capital U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation-Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. The index does not reflect deductions for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index. Prior to November 1st, 2008, this index was published by Lehman Brothers.

Expense Example	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value (01/01/09)	\$1,000.00	\$1,000.00
Ending Account Value (06/30/09)	\$1,095.60	\$1,020.93
Expenses Paid During Period†	\$ 4.05	\$ 3.91

† Expenses are equal to the Portfolio's Administrative Class net annualized expense ratio of 0.78%, 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.

# Financial Highlights Real Return Portfolio

Selected Per Share Data for the Year or Period Ended:	06/30/2009+	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
<b>Administrative Class</b>						
Net asset value beginning of year or period	\$ 11.26	\$ 12.57	\$ 11.93	\$ 12.69	\$ 12.92	\$ 12.36
Net investment income (a)	0.20	0.45	0.56	0.53	0.36	0.13
Net realized/unrealized gain (loss) on investments	0.87	(1.30)	0.67	(0.43)	(0.09)	0.97
Total income (loss) from investment operations	1.07	(0.85)	1.23	0.10	0.27	1.10
Dividends from net investment income	(0.18)	(0.44)	(0.56)	(0.53)	(0.36)	(0.13)
Distributions from net realized capital gains	0.00	(0.02)	(0.03)	(0.33)	(0.14)	(0.41)
Total distributions	(0.18)	(0.46)	(0.59)	(0.86)	(0.50)	(0.54)
Net asset value end of year or period	\$ 12.15	\$ 11.26	\$ 12.57	\$ 11.93	\$ 12.69	\$ 12.92
Total return	9.56%	(7.03)%	10.63%	0.71%	2.09%	8.92%
Net assets end of year or period (000s)	\$ 1,405,918	\$ 1,187,217	\$ 1,082,777	\$ 1,033,666	\$ 1,012,042	\$ 636,565
Ratio of expenses to average net assets	0.78%*	0.71%	0.65%	0.65%	0.66%	0.65%
Ratio of expenses to average net assets excluding interest expense	0.65%*	0.65%	0.65%	0.65%	0.65%	0.65%
Ratio of net investment income to average net assets	3.51%*	3.62%	4.69%	4.22%	2.79%	1.03%
Portfolio turnover rate	292%	1,014%	901%	963%	1,102%	1,064%

+ Unaudited

\* Annualized

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

# Statement of Assets and Liabilities Real Return Portfolio

(Amounts in thousands, except per share amounts)

	<b>June 30, 2009</b> <i>(Unaudited)</i>
<b>Assets:</b>	
Investments, at value	\$ 2,164,683
Investments in Affiliates, at value	7,972
Repurchase agreements, at value	101,561
Cash	1
Deposits with counterparty	2
Foreign currency, at value	2,403
Receivable for investments sold	408,481
Receivable for Portfolio shares sold	12,163
Interest and dividends receivable	16,802
Dividends receivable from Affiliates	4
Swap premiums paid	2,183
Unrealized appreciation on foreign currency contracts	146
Unrealized appreciation on swap agreements	5,708
	<b>2,722,109</b>
<b>Liabilities:</b>	
Payable for reverse repurchase agreements	\$ 401,867
Payable for investments purchased	399,050
Payable for investments in Affiliates purchased	4
Payable for investments purchased on a delayed-delivery basis	311,927
Payable for Portfolio shares redeemed	17,479
Payable for short sales	52,499
Written options outstanding	1,843
Dividends payable	178
Deposits from counterparty	16,153
Accrued investment advisory fee	303
Accrued supervisory and administrative fee	303
Accrued distribution fee	5
Accrued servicing fee	169
Variation margin payable	133
Swap premiums received	524
Unrealized depreciation on foreign currency contracts	665
Unrealized depreciation on swap agreements	2,276
Other liabilities	307
	<b>1,205,685</b>
<b>Net Assets</b>	<b>\$ 1,516,424</b>
<b>Net Assets Consist of:</b>	
Paid in capital	\$ 1,591,365
Undistributed net investment income	2,235
Accumulated undistributed net realized (loss)	(89,233)
Net unrealized appreciation	12,057
	<b>\$ 1,516,424</b>
<b>Net Assets:</b>	
Institutional Class	\$ 85,719
Administrative Class	1,405,918
Advisor Class	24,787
<b>Shares Issued and Outstanding:</b>	
Institutional Class	7,055
Administrative Class	115,707
Advisor Class	2,040
<b>Net Asset Value and Redemption Price Per Share (Net Asset Per Share Outstanding)</b>	
Institutional Class	\$ 12.15
Administrative Class	12.15
Advisor Class	12.15
<b>Cost of Investments Owned</b>	<b>\$ 2,155,222</b>
<b>Cost of Investments in Affiliates Owned</b>	<b>\$ 7,972</b>
<b>Cost of Repurchase Agreements Owned</b>	<b>\$ 101,561</b>
<b>Cost of Foreign Currency Held</b>	<b>\$ 2,384</b>
<b>Proceeds Received on Short Sales</b>	<b>\$ 51,937</b>
<b>Premiums Received on Written Options</b>	<b>\$ 2,210</b>

# Statement of Operations Real Return Portfolio

(Amounts in thousands)

	<b>Six Months Ended June 30, 2009 (Unaudited)</b>
<b>Investment Income:</b>	
Interest	\$ 29,156
Dividends	48
Dividends from Affiliate investments	31
Miscellaneous income	4
Total Income	29,239
<b>Expenses:</b>	
Investment advisory fees	1,696
Supervisory and administrative fees	1,696
Servicing fees – Administrative Class	946
Distribution and/or servicing fees – Advisor Class	28
Trustees' fees	10
Interest expense	862
Total Expenses	5,238
<b>Net Investment Income</b>	<b>24,001</b>
<b>Net Realized and Unrealized Gain (Loss):</b>	
Net realized gain on investments	53,905
Net realized gain on Affiliate investments	41
Net realized (loss) on futures contracts, written options and swaps	(5,807)
Net realized (loss) on foreign currency transactions	(3,131)
Net change in unrealized appreciation on investments	35,912
Net change in unrealized appreciation on futures contracts, written options and swaps	16,100
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	5,395
Net Gain	102,415
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 126,416</b>

# Statements of Changes in Net Assets Real Return Portfolio

(Amounts in thousands)

	Six Months Ended June 30, 2009 <i>(Unaudited)</i>	Year Ended December 31, 2008
<b>Increase in Net Assets from:</b>		
<b>Operations:</b>		
Net investment income	\$ 24,001	\$ 50,105
Net realized gain (loss)	44,967	(110,485)
Net realized gain on Affiliate investments	41	0
Net change in unrealized appreciation (depreciation)	57,407	(64,181)
Net increase (decrease) resulting from operations	126,416	(124,561)
<b>Distributions to Shareholders:</b>		
From net investment income		
Institutional Class	(1,255)	(2,152)
Administrative Class	(20,351)	(45,631)
Advisor Class	(347)	(935)
From net realized capital gains		
Institutional Class	0	(105)
Administrative Class	0	(1,861)
Advisor Class	0	(34)
Total Distributions	(21,953)	(50,718)
<b>Portfolio Share Transactions:</b>		
Receipts for shares sold		
Institutional Class	17,440	47,376
Administrative Class	328,983	833,470
Advisor Class	7,203	39,984
Issued as reinvestment of distributions		
Institutional Class	1,255	2,257
Administrative Class	19,678	46,068
Advisor Class	347	969
Cost of shares redeemed		
Institutional Class	(6,515)	(16,587)
Administrative Class	(227,066)	(612,120)
Advisor Class	(6,269)	(28,788)
Net increase resulting from Portfolio share transactions	135,056	312,629
<b>Total Increase in Net Assets</b>	<b>239,519</b>	<b>137,350</b>
<b>Net Assets:</b>		
Beginning of period	1,276,905	1,139,555
End of period*	\$ 1,516,424	\$ 1,276,905
*Including undistributed net investment income of:	\$ 2,235	\$ 187

# Schedule of Investments Real Return Portfolio

(Unaudited)  
June 30, 2009

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>BANK LOAN OBLIGATIONS 0.1%</b>								
<b>Georgia-Pacific Corp.</b>								
2.319% due 12/20/2012	\$ 56	\$ 53						
2.323% due 12/20/2012	190	180						
2.650% due 12/20/2012	619	586						
<b>Total Bank Loan Obligations (Cost \$866)</b>		<b>819</b>						
<b>CORPORATE BONDS &amp; NOTES 17.3%</b>								
<b>BANKING &amp; FINANCE 13.1%</b>								
<b>Allstate Life Global Funding Trusts</b>								
5.375% due 04/30/2013	4,100	4,244						
<b>American Express Bank FSB</b>								
5.500% due 04/16/2013	1,400	1,376						
6.000% due 09/13/2017	1,800	1,644						
<b>American Express Centurion Bank</b>								
6.000% due 09/13/2017	2,300	2,101						
<b>American Express Co.</b>								
7.000% due 03/19/2018	2,310	2,247						
<b>American International Group, Inc.</b>								
5.850% due 01/16/2018	1,300	689						
8.175% due 05/15/2058	4,900	1,399						
8.250% due 08/15/2018	1,600	943						
<b>ANZ National International Ltd.</b>								
6.200% due 07/19/2013	3,200	3,300						
<b>Bank of America Corp.</b>								
1.127% due 11/06/2009	900	898						
1.339% due 04/30/2012	2,000	2,026						
<b>Barclays Bank PLC</b>								
5.450% due 09/12/2012	1,100	1,148						
6.050% due 12/04/2017	2,300	1,998						
7.434% due 09/29/2049	700	470						
<b>Bear Stearns Cos. LLC</b>								
0.842% due 08/21/2009	5,725	5,729						
<b>C10 Capital SPV Ltd.</b>								
6.722% due 12/31/2049	500	256						
<b>Calabash Re Ltd.</b>								
11.524% due 01/08/2010	250	244						
<b>Caterpillar Financial Services Corp.</b>								
1.354% due 06/24/2011	13,200	13,044						
<b>Citibank N.A.</b>								
0.616% due 06/04/2012	30,000	30,107						
<b>Citigroup Capital XXI</b>								
8.300% due 12/21/2077	1,200	937						
<b>Citigroup Funding, Inc.</b>								
2.036% due 05/07/2010	13,900	13,616						
<b>Citigroup, Inc.</b>								
0.631% due 12/28/2009	3,900	3,863						
8.400% due 04/29/2049 (a)	4,600	3,456						
<b>Commonwealth Bank of Australia</b>								
1.108% due 06/25/2014	7,100	7,076						
<b>Credit Suisse USA, Inc.</b>								
0.865% due 11/20/2009	800	799						
<b>Dexia Credit Local</b>								
1.262% due 09/23/2011	2,500	2,494						
<b>DnB NOR Bank ASA</b>								
1.209% due 10/13/2009	1,100	1,093						
<b>Ford Motor Credit Co. LLC</b>								
7.250% due 10/25/2011	1,200	1,039						
7.800% due 06/01/2012	100	86						
<b>Foundation Re II Ltd.</b>								
7.576% due 11/26/2010	800	749						
<b>Genworth Financial, Inc.</b>								
6.515% due 05/22/2018	\$ 2,200	\$ 1,473						
<b>GMAC LLC</b>								
6.750% due 12/01/2014	1,600	1,232						
<b>Goldman Sachs Group, Inc.</b>								
0.901% due 06/28/2010	7,500	7,461						
6.150% due 04/01/2018	1,900	1,853						
<b>Governor &amp; Co. of the Bank of Ireland</b>								
0.663% due 12/18/2009	1,000	991						
<b>HCP, Inc.</b>								
6.700% due 01/30/2018	3,000	2,610						
<b>HSBC Finance Corp.</b>								
1.162% due 10/21/2009	1,900	1,895						
<b>International Lease Finance Corp.</b>								
6.625% due 11/15/2013	900	694						
<b>Lehman Brothers Holdings, Inc.</b>								
6.875% due 05/02/2018 (a)	1,900	313						
7.000% due 09/27/2027 (a)	100	15						
<b>Liberty Mutual Group, Inc.</b>								
5.750% due 03/15/2014	1,000	793						
<b>Longpoint Re Ltd.</b>								
5.874% due 05/08/2010	1,100	1,069						
<b>Marsh &amp; McLennan Cos., Inc.</b>								
5.750% due 09/15/2015	4,000	3,817						
<b>Merna Reinsurance Ltd.</b>								
1.248% due 07/07/2010	4,200	3,909						
<b>Merrill Lynch &amp; Co., Inc.</b>								
6.400% due 08/28/2017	2,400	2,128						
6.875% due 04/25/2018	8,800	8,158						
<b>Morgan Stanley</b>								
1.357% due 01/18/2011	3,000	2,908						
1.399% due 01/09/2012	300	271						
1.449% due 01/09/2014	1,300	1,168						
1.611% due 10/15/2015	1,700	1,459						
5.750% due 10/18/2016	1,600	1,536						
<b>National Australia Bank Ltd.</b>								
5.350% due 06/12/2013	2,600	2,681						
<b>New York Life Global Funding</b>								
4.650% due 05/09/2013	2,900	2,945						
<b>Prcoa Global Funding I</b>								
0.734% due 06/26/2012	15,100	14,036						
<b>ProLogis</b>								
6.625% due 05/15/2018	1,500	1,183						
<b>Prudential Financial, Inc.</b>								
1.570% due 06/10/2013	2,000	1,654						
<b>Santander Perpetual S.A. Unipersonal</b>								
6.671% due 10/29/2049	2,700	2,001						
<b>Santander U.S. Debt S.A. Unipersonal</b>								
0.697% due 11/20/2009	2,700	2,683						
<b>Simon Property Group LP</b>								
5.750% due 12/01/2015	800	738						
<b>TransCapitalInvest Ltd. for OJSC AK Transneft</b>								
7.700% due 08/07/2013	2,400	2,312						
<b>Travelers Cos., Inc.</b>								
5.800% due 05/15/2018	1,500	1,544						
<b>UBS AG</b>								
1.927% due 05/05/2010	7,700	7,725						
<b>Vita Capital III Ltd.</b>								
2.328% due 01/01/2012	700	607						
<b>Vita Capital Ltd.</b>								
2.108% due 01/01/2010	300	293						
<b>Wachovia Bank N.A.</b>								
0.726% due 12/02/2010	\$ 2,400	\$ 2,368						
<b>Wells Fargo &amp; Co.</b>								
4.375% due 01/31/2013	1,600	1,616						
		<b>199,210</b>						
<b>INDUSTRIALS 3.0%</b>								
<b>Alcoa, Inc.</b>								
6.750% due 07/15/2018	4,000	3,554						
<b>AutoZone, Inc.</b>								
5.875% due 10/15/2012	4,400	4,575						
<b>Baxter International, Inc.</b>								
5.375% due 06/01/2018	1,400	1,469						
<b>C8 Capital SPV Ltd.</b>								
6.640% due 12/29/2049	500	257						
<b>Cadbury Schweppes U.S. Finance LLC</b>								
5.125% due 10/01/2013	1,300	1,285						
<b>Cardinal Health, Inc.</b>								
6.000% due 06/15/2017	1,000	941						
<b>CIGNA Corp.</b>								
6.350% due 03/15/2018	2,000	1,773						
<b>DISH DBS Corp.</b>								
7.000% due 10/01/2013	5,000	4,775						
<b>Falconbridge Ltd.</b>								
7.350% due 06/05/2012	1,000	995						
<b>Gaz Capital S.A.</b>								
7.343% due 04/11/2013	500	485						
8.146% due 04/11/2018	700	640						
<b>Marriott International, Inc.</b>								
6.375% due 06/15/2017	5,000	4,758						
<b>Masco Corp.</b>								
6.125% due 10/03/2016	1,500	1,261						
<b>Oracle Corp.</b>								
5.750% due 04/15/2018	2,500	2,642						
<b>Rexam PLC</b>								
6.750% due 06/01/2013	1,200	1,164						
<b>Rockies Express Pipeline LLC</b>								
4.500% due 08/20/2009	5,200	5,201						
<b>Spectra Energy Capital LLC</b>								
5.668% due 08/15/2014	1,500	1,517						
<b>Starwood Hotels &amp; Resorts Worldwide, Inc.</b>								
6.750% due 05/15/2018	1,000	859						
<b>UST, Inc.</b>								
6.625% due 07/15/2012	2,500	2,677						
<b>Waste Management, Inc.</b>								
6.100% due 03/15/2018	3,200	3,158						
<b>Yum! Brands, Inc.</b>								
6.250% due 03/15/2018	2,000	2,061						
		<b>46,047</b>						
<b>UTILITIES 1.2%</b>								
<b>American Electric Power Co., Inc.</b>								
5.250% due 06/01/2015	800	786						
<b>AT&amp;T, Inc.</b>								
1.116% due 02/05/2010	2,800	2,802						
<b>Constellation Energy Group, Inc.</b>								
4.550% due 06/15/2015	200	174						
7.000% due 04/01/2012	4,100	4,239						
<b>Enel Finance International S.A.</b>								
5.700% due 01/15/2013	4,500	4,708						

# Schedule of Investments Real Return Portfolio (Cont.)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>Exelon Corp.</b>								
4.900% due 06/15/2015	\$ 1,000	\$ 933		\$ 64	\$ 64			
<b>FirstEnergy Corp.</b>								
6.450% due 11/15/2011	1,000	1,044		301	304			
<b>NiSource Finance Corp.</b>								
1.231% due 11/23/2009	800	794		5,709	5,879			
<b>Sempra Energy</b>								
6.150% due 06/15/2018	1,000	1,007		8,349	8,525			
<b>Telecom Italia Capital S.A.</b>								
6.999% due 06/04/2018	900	912		503	519			
		<b>17,399</b>		1,101	1,153			
<b>Total Corporate Bonds &amp; Notes</b>								
<b>(Cost \$274,984)</b>		<b>262,656</b>		10,720	11,031			
				5,500% due 05/15/2016-				
				07/01/2039	344	356		
				5.500% due 11/01/2038 (i)				
				6.500% due 06/01/2036 -				
				01/01/2039	18,000	19,153		
				<b>Ginnie Mae</b>				
				6.000% due 12/15/2031 -				
				07/01/2039	2,231	2,333		
				<b>Small Business Administration</b>				
				4.504% due 02/01/2014	784	801		
				4.880% due 11/01/2024	2,745	2,857		
				5.170% due 01/01/2028	1,518	1,603		
				5.902% due 02/10/2018	933	1,014		
				6.020% due 08/01/2028	3,036	3,329		
				<b>Total U.S. Government Agencies</b>				
				<b>(Cost \$187,450)</b>		<b>189,796</b>		
				<b>U.S. TREASURY OBLIGATIONS 96.8%</b>				
				<b>Treasury Inflation Protected Securities (c)</b>				
				0.625% due 04/15/2013	10,088	9,968		
				1.375% due 07/15/2018	3,757	3,644		
				1.625% due 01/15/2015	23,230	23,114		
				1.625% due 01/15/2018	19,541	19,334		
				1.750% due 01/15/2028	83,513	78,816		
				1.875% due 07/15/2013	32,970	33,805		
				1.875% due 07/15/2015 (h)	147,987	149,559		
				2.000% due 04/15/2012	36,777	37,845		
				2.000% due 01/15/2026	73,374	71,792		
				2.000% due 01/15/2014 (h)	92,552	94,634		
				2.000% due 07/15/2014 (h)	107,461	109,946		
				2.000% due 01/15/2016 (h)	46,302	46,982		
				2.125% due 01/15/2019	23,239	23,980		
				2.375% due 04/15/2011	75,519	77,785		
				2.375% due 01/15/2025	64,477	66,209		
				2.375% due 01/15/2027	40,812	42,215		
				2.375% due 01/15/2017 (h)	62,842	65,532		
				2.500% due 07/15/2016	68,573	71,938		
				2.500% due 01/15/2029	1,887	2,002		
				2.625% due 07/15/2017	65,740	69,992		
				3.000% due 07/15/2012 (h)	78,987	83,701		
				3.375% due 01/15/2012	11,768	12,518		
				3.375% due 04/15/2032	1,201	1,504		
				3.500% due 01/15/2011	60,415	63,096		
				3.625% due 04/15/2028	75,502	91,829		
				3.875% due 04/15/2029	89,821	113,679		
				<b>U.S. Treasury Notes</b>				
				0.875% due 04/30/2011 (i)	1,810	1,805		
				<b>Total U.S. Treasury Obligations</b>				
				<b>(Cost \$1,415,243)</b>		<b>1,467,224</b>		
				<b>MORTGAGE-BACKED SECURITIES 5.4%</b>				
				<b>American Home Mortgage Investment Trust</b>				
				5.660% due 09/25/2045	1,041	638		
				<b>Banc of America Commercial Mortgage, Inc.</b>				
				5.492% due 02/10/2051	420	296		
				<b>Banc of America Funding Corp.</b>				
				4.585% due 02/20/2036	2,507	1,906		
				6.102% due 01/20/2047	1,138	606		
				<b>Banc of America Large Loan, Inc.</b>				
				0.829% due 08/15/2029	5,060	3,758		
				<b>Banc of America Mortgage Securities, Inc.</b>				
				5.433% due 02/25/2036	\$ 1,989	\$ 1,334		
				6.500% due 09/25/2033	112	106		
				<b>BCAP LLC Trust</b>				
				0.484% due 01/25/2037	1,233	471		
				<b>Bear Stearns Adjustable Rate Mortgage Trust</b>				
				2.264% due 03/25/2035	584	502		
				2.500% due 08/25/2035	1,096	960		
				2.900% due 03/25/2035	1,583	1,370		
				4.550% due 08/25/2035	876	774		
				4.828% due 01/25/2035	5,793	4,885		
				4.991% due 01/25/2035	1,620	1,201		
				<b>Bear Stearns Alt-A Trust</b>				
				5.490% due 09/25/2035	4,225	2,296		
				5.746% due 03/25/2036	1,366	606		
				<b>Bear Stearns Commercial Mortgage Securities</b>				
				6.440% due 06/16/2030	13	13		
				<b>Bear Stearns Structured Products, Inc.</b>				
				5.644% due 01/26/2036	3,933	2,174		
				<b>Citigroup Commercial Mortgage Trust</b>				
				0.389% due 08/15/2021	1	1		
				5.888% due 12/10/2049	91	72		
				<b>Citigroup Mortgage Loan Trust, Inc.</b>				
				2.850% due 12/25/2035	135	110		
				4.098% due 08/25/2035	144	105		
				4.248% due 08/25/2035	673	536		
				4.700% due 12/25/2035	3,311	2,675		
				4.748% due 08/25/2035	622	495		
				5.994% due 09/25/2037	4,914	2,665		
				<b>Citigroup/Deutsche Bank Commercial Mortgage Trust</b>				
				5.886% due 11/15/2044	200	160		
				<b>Countrywide Alternative Loan Trust</b>				
				0.395% due 09/20/2046	130	127		
				0.494% due 05/25/2047	385	145		
				0.495% due 02/20/2047	1,113	433		
				0.504% due 09/25/2046	13,739	5,254		
				0.594% due 12/25/2035	81	38		
				2.340% due 12/25/2035	411	186		
				6.000% due 01/25/2037	681	372		
				<b>Countrywide Home Loan Mortgage Pass-Through Trust</b>				
				0.654% due 06/25/2035	520	378		
				3.759% due 11/19/2033	157	142		
				5.752% due 05/20/2036	399	202		
				<b>CS First Boston Mortgage Securities Corp.</b>				
				4.938% due 12/15/2040	360	361		
				<b>Deutsche ALT-A Securities, Inc. Alternate Loan Trust</b>				
				0.414% due 10/25/2036	239	205		
				<b>First Horizon Alternative Mortgage Securities</b>				
				3.572% due 06/25/2034	664	430		
				<b>First Horizon Asset Securities, Inc.</b>				
				5.365% due 08/25/2035	746	568		
				<b>GE Capital Commercial Mortgage Corp.</b>				
				4.170% due 07/10/2037	141	141		
				4.229% due 12/10/2037	4,421	4,434		
				<b>Greenpoint Mortgage Funding Trust</b>				
				0.394% due 10/25/2046	373	307		
				0.394% due 01/25/2047	3,155	2,396		
				0.534% due 06/25/2045	702	299		
				0.584% due 11/25/2045	396	189		
				<b>GS Mortgage Securities Corp. II</b>				
				0.408% due 03/06/2020	183	157		
				<b>GSR Mortgage Loan Trust</b>				
				4.469% due 09/25/2035	1,869	1,575		

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>Harborview Mortgage Loan Trust</b>		
0.533% due 05/19/2035	\$ 192	\$ 86
<b>Impac Secured Assets CMN Owner Trust</b>		
0.394% due 01/25/2037	104	98
<b>Indymac Index Mortgage Loan Trust</b>		
0.404% due 11/25/2046	398	371
0.414% due 01/25/2037	65	63
4.976% due 12/25/2034	450	341
<b>JPMorgan Chase Commercial Mortgage Securities Corp.</b>		
5.429% due 12/12/2043	310	251
5.794% due 02/12/2051	1,300	975
<b>JPMorgan Mortgage Trust</b>		
5.009% due 07/25/2035	1,073	821
5.012% due 02/25/2035	2,659	2,327
<b>LB-UBS Commercial Mortgage Trust</b>		
5.372% due 09/15/2039	300	244
5.424% due 02/15/2040	225	164
<b>Lehman Brothers Floating Rate Commercial Mortgage Trust</b>		
0.399% due 09/15/2021	326	289
<b>MASTR Adjustable Rate Mortgages Trust</b>		
3.469% due 11/21/2034	700	442
<b>Mellon Residential Funding Corp.</b>		
0.669% due 11/15/2031	774	563
0.759% due 12/15/2030	700	565
<b>Merrill Lynch Countrywide Commercial Mortgage Trust</b>		
5.700% due 09/12/2049	200	138
<b>Merrill Lynch Floating Trust</b>		
0.389% due 06/15/2022	166	117
<b>Merrill Lynch Mortgage Investors, Inc.</b>		
0.524% due 02/25/2036	2,064	1,115
<b>MLCC Mortgage Investors, Inc.</b>		
0.564% due 11/25/2035	906	614
1.314% due 10/25/2035	533	425
4.250% due 10/25/2035	3,699	2,986
<b>Morgan Stanley Capital I</b>		
0.380% due 10/15/2020	246	183
6.076% due 06/11/2049	600	454
<b>Morgan Stanley Mortgage Loan Trust</b>		
5.380% due 06/25/2036	2,091	1,708
<b>Opteum Mortgage Acceptance Corp.</b>		
0.574% due 07/25/2035	268	184
<b>Residential Accredit Loans, Inc.</b>		
0.614% due 08/25/2035	278	127
<b>Residential Asset Securitization Trust</b>		
6.500% due 08/25/2036	1,000	479
<b>Securitized Asset Sales, Inc.</b>		
4.848% due 11/26/2023	8	7
<b>Sequoia Mortgage Trust</b>		
0.663% due 10/19/2026	226	172
<b>Structured Adjustable Rate Mortgage Loan Trust</b>		
0.554% due 06/25/2035	276	172
2.610% due 01/25/2035	269	114
4.802% due 02/25/2034	476	359
5.516% due 08/25/2035	402	262
<b>Structured Asset Mortgage Investments, Inc.</b>		
0.384% due 08/25/2036	204	195
0.414% due 09/25/2047	1,226	1,143
0.504% due 06/25/2036	218	83
0.524% due 04/25/2036	915	385
0.563% due 07/19/2035	2,685	1,704
0.643% due 10/19/2034	175	134

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>Structured Asset Securities Corp.</b>		
0.364% due 05/25/2036	\$ 15	\$ 14
4.504% due 10/25/2035	329	227
<b>TBW Mortgage-Backed Pass-Through Certificates</b>		
0.414% due 09/25/2036	9	9
0.424% due 01/25/2037	292	265
<b>Thornburg Mortgage Securities Trust</b>		
0.424% due 11/25/2046	2,860	2,572
0.434% due 09/25/2046	1,638	1,504
<b>Wachovia Bank Commercial Mortgage Trust</b>		
0.399% due 06/15/2020	599	441
5.418% due 01/15/2045	410	329
<b>WaMu Mortgage Pass-Through Certificates</b>		
0.574% due 11/25/2045	410	199
0.604% due 10/25/2045	2,507	1,315
2.070% due 01/25/2047	1,583	702
2.150% due 12/25/2046	206	89
2.340% due 02/25/2046	336	150
2.540% due 11/25/2042	58	33
2.840% due 11/25/2046	226	148
3.127% due 07/25/2046	1,452	612
6.052% due 10/25/2036	3,830	2,669
<b>Wells Fargo Mortgage-Backed Securities Trust</b>		
3.581% due 09/25/2034	396	345
4.722% due 07/25/2034	194	187
<b>Total Mortgage-Backed Securities (Cost \$108,837)</b>		<b>81,724</b>
<b>ASSET-BACKED SECURITIES 6.2%</b>		
<b>Access Group, Inc.</b>		
2.392% due 10/27/2025	14,709	14,831
<b>ACE Securities Corp.</b>		
0.364% due 07/25/2036	14	14
0.364% due 12/25/2036	125	92
<b>American Express Credit Account Master Trust</b>		
1.269% due 08/15/2012	10,300	10,325
<b>Argent Securities, Inc.</b>		
0.364% due 10/25/2036	19	19
<b>Asset-Backed Funding Certificates</b>		
0.374% due 11/25/2036	26	25
0.374% due 01/25/2037	1,238	1,023
0.664% due 06/25/2034	868	426
<b>BA Credit Card Trust</b>		
1.519% due 12/16/2013	400	399
<b>Bear Stearns Asset-Backed Securities Trust</b>		
0.364% due 11/25/2036	51	45
0.644% due 01/25/2036	32	29
0.764% due 03/25/2043	69	62
0.974% due 10/25/2032	41	25
<b>Bravo Mortgage Asset Trust</b>		
0.444% due 07/25/2036	30	30
<b>Carrington Mortgage Loan Trust</b>		
0.364% due 01/25/2037	380	316
<b>Citigroup Mortgage Loan Trust, Inc.</b>		
0.394% due 01/25/2037	852	618
<b>Countrywide Asset-Backed Certificates</b>		
0.364% due 05/25/2037	423	401
0.364% due 05/25/2047	121	110
0.364% due 06/25/2047	1,153	1,070
0.384% due 06/25/2047	2,641	2,448
0.424% due 10/25/2046	266	250
<b>Credit-Based Asset Servicing &amp; Securitization LLC</b>		
0.374% due 11/25/2036	997	815
<b>Equity One Asset-Backed Securities, Inc.</b>		
0.614% due 04/25/2034	96	36

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>First Franklin Mortgage Loan Asset-Backed Certificates</b>		
0.364% due 11/25/2036	\$ 637	\$ 600
0.364% due 12/25/2036	1	1
<b>Ford Credit Auto Owner Trust</b>		
0.919% due 07/15/2010	1,406	1,406
1.739% due 06/15/2012	18,200	18,265
<b>Fremont Home Loan Trust</b>		
0.364% due 10/25/2036	36	22
0.374% due 01/25/2037	215	140
<b>GSAMP Trust</b>		
0.354% due 10/25/2046	45	43
0.384% due 10/25/2036	8	7
0.384% due 12/25/2036	471	250
0.604% due 03/25/2034	36	35
<b>HFC Home Equity Loan Asset-Backed Certificates</b>		
0.385% due 03/20/2036	42	41
<b>HSI Asset Securitization Corp. Trust</b>		
0.364% due 10/25/2036	96	57
0.364% due 12/25/2036	1,699	1,094
<b>Indymac Residential Asset-Backed Trust</b>		
0.364% due 11/25/2036	9	9
0.374% due 04/25/2037	538	511
<b>JPMorgan Mortgage Acquisition Corp.</b>		
0.364% due 07/25/2036	87	83
0.364% due 08/25/2036	127	118
0.364% due 10/25/2036	1,090	847
0.377% due 11/25/2036	33	31
<b>Lehman XS Trust</b>		
0.384% due 05/25/2046	6	6
0.394% due 11/25/2046	428	358
<b>Long Beach Mortgage Loan Trust</b>		
0.354% due 11/25/2036	22	21
0.494% due 08/25/2035	17	16
<b>MASTR Asset-Backed Securities Trust</b>		
0.354% due 08/25/2036	29	28
0.374% due 11/25/2036	554	514
<b>MBNA Credit Card Master Note Trust</b>		
0.419% due 12/15/2011	100	100
<b>Merrill Lynch Mortgage Investors, Inc.</b>		
0.364% due 05/25/2037	131	129
0.384% due 08/25/2036	158	157
0.384% due 07/25/2037	143	134
0.394% due 09/25/2037	58	49
0.434% due 02/25/2037	1,232	647
<b>Morgan Stanley ABS Capital I</b>		
0.354% due 10/25/2036	152	143
0.364% due 09/25/2036	98	94
0.364% due 10/25/2036	78	73
<b>Morgan Stanley IXIS Real Estate Capital Trust</b>		
0.364% due 11/25/2036	481	456
<b>Nationstar Home Equity Loan Trust</b>		
0.434% due 04/25/2037	801	712
<b>Nomura Asset Acceptance Corp.</b>		
0.454% due 01/25/2036	36	32
<b>Option One Mortgage Loan Trust</b>		
0.354% due 02/25/2037	67	66
<b>Park Place Securities, Inc.</b>		
0.574% due 09/25/2035	31	20
<b>Renaissance Home Equity Loan Trust</b>		
0.694% due 12/25/2032	65	37
<b>Residential Asset Mortgage Products, Inc.</b>		
0.394% due 10/25/2036	65	65
<b>Residential Asset Securities Corp.</b>		
0.384% due 11/25/2036	178	175

# Schedule of Investments Real Return Portfolio (Cont.)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>Saxon Asset Securities Trust</b>		
0.374% due 10/25/2046	\$ 159	\$ 153
<b>Securitized Asset-Backed Receivables LLC Trust</b>		
0.364% due 09/25/2036	33	29
0.374% due 12/25/2036	715	401
<b>SJM Student Loan Trust</b>		
1.082% due 07/25/2017	157	157
1.132% due 04/25/2019	6,400	5,883
1.542% due 01/25/2017	1,500	1,468
2.592% due 04/25/2023	22,984	23,471
<b>Soundview Home Equity Loan Trust</b>		
0.374% due 11/25/2036	146	79
1.114% due 10/25/2037	371	350
<b>Specialty Underwriting &amp; Residential Finance</b>		
0.359% due 11/25/2037	9	9
<b>Structured Asset Investment Loan Trust</b>		
0.364% due 07/25/2036	30	27
<b>Structured Asset Securities Corp.</b>		
0.364% due 10/25/2036	286	261
4.900% due 04/25/2035	1,039	616
<b>Truman Capital Mortgage Loan Trust</b>		
0.654% due 01/25/2034	14	13
<b>WaMu Asset-Backed Certificates</b>		
0.364% due 01/25/2037	317	226
<b>Wells Fargo Home Equity Trust</b>		
0.364% due 01/25/2037	62	61
0.564% due 12/25/2035	190	177
<b>Total Asset-Backed Securities (Cost \$98,003)</b>		<b>94,382</b>
<b>SOVEREIGN ISSUES 0.1%</b>		
<b>Colombia Government International Bond</b>		
10.000% due 01/23/2012	350	406
<b>Export-Import Bank of Korea</b>		
1.386% due 10/04/2011	1,600	1,604
<b>Total Sovereign Issues (Cost \$1,950)</b>		<b>2,010</b>

<b>FOREIGN CURRENCY-DENOMINATED ISSUES 2.9%</b>			
<b>General Electric Capital Corp.</b>			
5.500% due 09/15/2067	EUR	3,400	\$ 2,766
<b>Green Valley Ltd.</b>			
5.045% due 01/10/2011		500	679
<b>ING Bank Australia Ltd.</b>			
3.884% due 06/24/2014	AUD	800	641
<b>Japan Government CPI Linked Bond</b>			
0.800% due 12/10/2015	JPY	30,240	277
1.100% due 12/10/2016		942,820	8,644
1.200% due 06/10/2017		1,253,640	11,396
1.200% due 12/10/2017		1,325,280	11,988
1.400% due 06/10/2018		739,260	6,707
<b>Lehman Brothers Holdings, Inc.</b>			
5.125% due 06/27/2014 (a)	EUR	1,750	368
5.316% due 04/05/2011 (a)		23	5
<b>Royal Bank of Scotland Group PLC</b>			
7.092% due 10/29/2049		500	242
<b>Total Foreign Currency-Denominated Issues (Cost \$44,224)</b>			<b>43,713</b>
SHARES			
<b>CONVERTIBLE PREFERRED STOCKS 0.0%</b>			
<b>Wells Fargo &amp; Co.</b>			
7.500% due 12/31/2049		800	628
<b>Total Convertible Preferred Stocks (Cost \$800)</b>			<b>628</b>
PRINCIPAL AMOUNT (000s)			
<b>SHORT-TERM INSTRUMENTS 8.3%</b>			
<b>CERTIFICATES OF DEPOSIT 0.9%</b>			
<b>Sao Paolo IMI NY</b>			
1.272% due 06/09/2010	\$	14,000	13,999

<b>REPURCHASE AGREEMENTS 6.7%</b>			
<b>Greenwich Capital Markets, Inc.</b>			
0.100% due 07/01/2009	\$	7,000	\$ 7,000
(Dated 06/30/2009. Collateralized by Federal Home Loan Bank 0.550% due 06/04/2010 valued at \$7,147. Repurchase proceeds are \$7,000.)			
<b>JPMorgan Chase Bank N.A.</b>			
0.160% due 07/08/2009		91,906	91,906
(Dated 05/29/2009. Collateralized by U.S. Treasury Inflation Protected Securities 1.875% due 07/15/2015 valued at \$94,938. Repurchase proceeds are \$91,907.)			
<b>State Street Bank and Trust Co.</b>			
0.010% due 07/01/2009		2,655	2,655
(Dated 06/30/2009. Collateralized by U.S. Treasury Bills 0.000% due 08/06/2009 valued at \$2,710. Repurchase proceeds are \$2,655.)			
			<b>101,561</b>
<b>U.S. TREASURY BILLS 0.1%</b>			
0.100% due 07/02/2009 - 07/23/2009 (b)(e)(f)(g)(i)		1,817	1,817
SHARES			
<b>SHORT-TERM FLOATING NAV PORTFOLIO (d) 0.6%</b>			
			796,442
			7,972
<b>Total Short-Term Instruments (Cost \$125,350)</b>	<b>125,349</b>		
<b>Total Investments 150.0% (Cost \$2,264,755)</b>	<b>\$ 2,274,216</b>		
<b>Written Options (k) (0.1%) (Premiums \$2,210)</b>	<b>(1,843)</b>		
<b>Other Assets and Liabilities (Net) (49.9%)</b>	<b>(755,949)</b>		
<b>Net Assets 100.0%</b>	<b>\$ 1,516,424</b>		

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

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- (a) Security is in default.
- (b) Coupon represents a weighted average rate.
- (c) Principal amount of security is adjusted for inflation.
- (d) Affiliated to the Portfolio.
- (e) Securities with an aggregate market value of \$1,130 have been pledged as collateral for swap and swaption contracts on June 30, 2009.
- (f) Securities with an aggregate market value of \$210 have been pledged as collateral for delayed-delivery securities on June 30, 2009.
- (g) Securities with an aggregate market value of \$200 have been pledged as collateral for delayed-delivery mortgage-backed securities on June 30, 2009.
- (h) The average amount of borrowings while outstanding during the period ended June 30, 2009 was \$328,807 at a weighted average interest rate of 0.466%. On June 30, 2009, securities valued at \$417,904 were pledged as collateral for reverse repurchase agreements.
- (i) Securities with an aggregate market value of \$2,797 and cash of \$2 have been pledged as collateral for the following open futures contracts on June 30, 2009:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)
90-Day Euribor December Futures	Long	12/2010	74	\$ (32)
90-Day Euribor June Futures	Long	06/2010	61	30
90-Day Euribor September Futures	Long	09/2010	134	1
90-Day Eurodollar December Futures	Long	12/2009	31	(3)
United Kingdom 90-Day LIBOR Sterling Interest Rate June Futures	Long	06/2010	248	(71)
				<b>\$ (75)</b>

## (j) Swap agreements outstanding on June 30, 2009:

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

Reference Entity	Counterparty	Fixed Deal (Pay) Rate	Maturity Date	Implied Credit Spread at June 30, 2009 <sup>(3)</sup>	Notional Amount <sup>(4)</sup>	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation/(Depreciation)
Alcoa, Inc.	GSC	(1.320%)	09/20/2018	4.093%	\$ 1,000	\$ 168	\$ 0	\$ 168
American Electric Power Co., Inc.	MSC	(0.470%)	06/20/2015	0.623%	800	7	0	7
AutoZone, Inc.	BOA	(0.620%)	12/20/2012	0.502%	4,400	(18)	0	(18)
Baxter International, Inc.	BOA	(0.310%)	06/20/2018	0.284%	1,400	(3)	0	(3)
Cadbury Schweppes U.S. Finance LLC	BOA	(0.460%)	12/20/2013	0.340%	1,300	(7)	0	(7)
Cardinal Health, Inc.	DUB	(0.590%)	06/20/2017	0.486%	1,000	(7)	0	(7)
CIGNA Corp.	MSC	(1.210%)	03/20/2018	1.672%	2,000	63	0	63
Constellation Energy Group, Inc.	JPM	(0.665%)	06/20/2012	1.822%	4,100	133	0	133
Constellation Energy Group, Inc.	JPM	(0.960%)	06/20/2015	1.799%	200	9	0	9
DISH DBS Corp.	BOA	(3.650%)	12/20/2013	3.465%	1,200	(10)	0	(10)
DISH DBS Corp.	CITI	(3.650%)	12/20/2013	3.465%	1,500	(12)	0	(12)
DISH DBS Corp.	MLP	(3.650%)	12/20/2013	3.465%	2,300	(19)	0	(19)
Exelon Corp.	CITI	(0.960%)	06/20/2015	2.226%	1,000	64	0	64
Falconbridge Ltd.	BOA	(0.910%)	06/20/2012	2.181%	1,000	35	0	35
FirstEnergy Corp.	RBS	(0.500%)	12/20/2011	1.861%	1,000	32	0	32
Genworth Financial, Inc.	BCLY	(0.960%)	06/20/2018	7.880%	900	323	0	323
Genworth Financial, Inc.	DUB	(0.980%)	06/20/2018	7.880%	1,300	466	0	466
HCP, Inc.	GSC	(2.910%)	03/20/2018	3.339%	3,000	77	0	77
International Lease Finance Corp.	DUB	(1.600%)	12/20/2013	9.030%	900	209	0	209
Liberty Mutual Group, Inc.	BOA	(1.390%)	03/20/2014	3.887%	1,000	97	0	97
Marrriott International, Inc.	BOA	(1.730%)	06/20/2017	1.919%	5,000	58	0	58
Marsh & McLennan Cos., Inc.	BOA	(0.830%)	09/20/2015	0.552%	2,000	(32)	0	(32)
Marsh & McLennan Cos., Inc.	DUB	(0.600%)	09/20/2015	0.552%	2,000	(6)	0	(6)
Masco Corp.	CITI	(1.910%)	12/20/2016	3.379%	1,500	121	0	121
ProLogis	MSC	(1.320%)	06/20/2018	4.347%	1,500	265	0	265
Rexam PLC	BCLY	(1.450%)	06/20/2013	2.041%	1,200	26	0	26
Sempra Energy	DUB	(0.670%)	06/20/2018	0.947%	1,000	20	0	20
Simon Property Group LP	RBS	(1.010%)	12/20/2015	2.294%	800	55	0	55
Spectra Energy Capital LLC	BOA	(0.830%)	09/20/2014	0.575%	1,500	(19)	0	(19)
Starwood Hotels & Resorts Worldwide, Inc.	BOA	(1.490%)	06/20/2018	3.358%	1,000	116	0	116
Telecom Italia Capital S.A.	GSC	(1.550%)	06/20/2018	1.962%	900	25	0	25
UST, Inc.	BOA	(0.340%)	09/20/2012	0.289%	2,500	(4)	0	(4)
Waste Management, Inc.	JPM	(0.790%)	03/20/2018	0.785%	3,200	(2)	0	(2)
Yum! Brands, Inc.	BOA	(1.245%)	03/20/2018	0.722%	2,000	(78)	0	(78)
						\$ 2,152	\$ 0	\$ 2,152

Credit Default Swaps on Corporate, Sovereign, and U.S. Municipal Issues - Sell Protection <sup>(2)</sup>

Reference Entity	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2009 <sup>(3)</sup>	Notional Amount <sup>(4)</sup>	Market Value	Upfront Premiums Paid/(Received)	Unrealized (Depreciation)
Ford Motor Credit Co. LLC	BCLY	3.800%	09/20/2012	10.284%	\$ 200	\$ (32)	\$ 0	\$ (32)
Ford Motor Credit Co. LLC	JPM	3.850%	09/20/2012	10.284%	300	(48)	0	(48)
General Electric Capital Corp.	RBS	1.100%	09/20/2009	3.899%	1,000	(6)	0	(6)
GMAC LLC	GSC	3.400%	06/20/2011	11.039%	700	(88)	0	(88)
GMAC LLC	MSC	7.300%	09/20/2012	10.203%	4,200	(291)	0	(291)
						\$ (465)	\$ 0	\$ (465)

Credit Default Swaps on Credit Indices - Buy Protection <sup>(1)</sup>

Index/Tranches	Counterparty	Fixed Deal (Pay) Rate	Maturity Date	Notional Amount <sup>(4)</sup>	Market Value <sup>(5)</sup>	Upfront Premiums Paid/(Received)	Unrealized (Depreciation)
CDX.IG-12 5-Year Index	GSC	(1.000%)	06/20/2014	\$ 39,200	\$ 556	\$ 947	\$ (391)
CDX.IG-12 5-Year Index	MSC	(1.000%)	06/20/2014	27,200	387	1,039	(652)
					\$ 943	\$ 1,986	\$ (1,043)

<sup>(1)</sup> 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.

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

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

# Schedule of Investments Real Return Portfolio (Cont.)

(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 asset-backed securities and 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			Maturity		Notional	Market	Upfront Premiums	Unrealized	
Floating Rate	Floating Rate Index	Fixed Rate	Date	Counterparty	Amount	Value	Paid/(Received)	Appreciation/Depreciation	
Receive	1-Month EUR-CPTFEMU Index	2.275%	10/15/2016	UBS	EUR 2,700	\$ 28	\$ 0	\$ 28	
Pay	1-Month EUR-FRCPXTOB Index	2.090%	10/15/2010	BNP	2,500	120	0	120	
Pay	1-Month EUR-FRCPXTOB Index	2.103%	10/15/2010	BCLY	2,500	140	(7)	147	
Pay	1-Month EUR-FRCPXTOB Index	2.146%	10/15/2010	UBS	3,700	212	4	208	
Pay	1-Month EUR-FRCPXTOB Index	2.150%	01/19/2016	BNP	15,000	95	9	86	
Pay	1-Month EUR-FRCPXTOB Index	2.350%	10/15/2016	UBS	2,700	(86)	0	(86)	
Pay	1-Month EUR-FRCPXTOB Index	2.353%	10/15/2016	JPM	2,500	(82)	0	(82)	
Pay	1-Year BRL-CDI	12.410%	01/04/2010	UBS	BRL 3,000	39	9	30	
Pay	1-Year BRL-CDI	10.115%	01/02/2012	MSC	12,500	(275)	(222)	(53)	
Pay	1-Year BRL-CDI	10.575%	01/02/2012	UBS	18,400	(247)	(5)	(242)	
Pay	1-Year BRL-CDI	10.680%	01/02/2012	BCLY	14,400	(168)	(125)	(43)	
Pay	1-Year BRL-CDI	12.540%	01/02/2012	MLP	8,500	133	(35)	168	
Pay	1-Year BRL-CDI	12.540%	01/02/2012	MSC	5,200	81	(15)	96	
Pay	1-Year BRL-CDI	14.765%	01/02/2012	HSBC	400	15	3	12	
Pay	1-Year BRL-CDI	14.765%	01/02/2012	MLP	2,200	83	4	79	
Pay	3-Month USD-LIBOR	4.000%	12/16/2014	JPM	\$ 11,000	339	87	252	
Pay	3-Month USD-LIBOR	4.000%	12/16/2014	RBS	1,200	37	9	28	
Pay	3-Month USD-LIBOR	3.500%	06/24/2016	DUB	200	1	0	1	
Pay	6-Month EUR-LIBOR	5.000%	09/17/2010	BCLY	EUR 2,100	147	(22)	169	
Pay	6-Month EUR-LIBOR	4.500%	03/18/2011	GSC	8,500	647	(18)	665	
Pay	6-Month GBP-LIBOR	5.000%	09/15/2010	CSFB	GBP 2,500	194	(74)	268	
Pay	6-Month GBP-LIBOR	5.000%	03/18/2014	HSBC	6,500	732	59	673	
Pay	GBP-UKRPI Index	3.103%	11/14/2016	UBS	5,000	98	0	98	
Pay	GBP-UKRPI Index	3.250%	12/14/2017	BCLY	1,400	64	6	58	
Pay	GBP-UKRPI Index	3.183%	12/19/2017	RBS	3,400	96	6	90	
Pay	GBP-UKRPI Index	3.110%	01/03/2018	GSC	3,200	63	0	63	
Pay	GBP-UKRPI Index	3.440%	09/10/2027	RBS	1,100	(45)	0	(45)	
							\$ 2,461	\$ (327)	\$ 2,788

## (k) Written options outstanding on June 30, 2009:

### Options on Exchange-Traded Futures Contracts

Description	Exercise Price	Expiration Date	# of Contracts	Premium	Market Value
Call - CBOT U.S. Treasury 10-Year Note September Futures	\$ 120.000	08/21/2009	269	\$ 99	\$ 111
Put - CBOT U.S. Treasury 10-Year Note September Futures	110.000	08/21/2009	269	178	60
Put - CME 90-Day Eurodollar September Futures	98.500	09/14/2009	131	34	6
Put - CME 90-Day Eurodollar September Futures	98.625	09/14/2009	164	30	8
				\$ 341	\$ 185

## Interest Rate Swaptions

Description	Counterparty	Floating Rate Index	Pay/Receive	Exercise Rate	Expiration Date	Notional Amount	Premium	Market Value
			Floating Rate					
Put - OTC 7-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	4.250%	08/21/2009	\$ 16,000	\$ 81	\$ 89
Call - OTC 5-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Receive	3.420%	11/23/2009	6,300	110	153
Put - OTC 5-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	3.420%	11/23/2009	6,300	145	115
Call - OTC 7-Year Interest Rate Swap	BNP	3-Month USD-LIBOR	Receive	2.950%	08/21/2009	3,000	22	17
Put - OTC 7-Year Interest Rate Swap	BNP	3-Month USD-LIBOR	Pay	4.250%	08/21/2009	3,000	15	16
Call - OTC 5-Year Interest Rate Swap	BNP	3-Month USD-LIBOR	Receive	3.420%	11/23/2009	6,800	95	166
Put - OTC 5-Year Interest Rate Swap	BNP	3-Month USD-LIBOR	Pay	3.420%	11/23/2009	6,800	192	124
Put - OTC 7-Year Interest Rate Swap	GSC	3-Month USD-LIBOR	Pay	5.365%	09/20/2010	6,000	193	108
Put - OTC 2-Year Interest Rate Swap	MLP	3-Month USD-LIBOR	Pay	1.750%	08/21/2009	11,800	24	43
Put - OTC 7-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	4.250%	08/21/2009	62,300	557	346
Call - OTC 5-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Receive	3.420%	11/23/2009	3,700	59	90
Put - OTC 5-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	3.420%	11/23/2009	3,700	87	67
Put - OTC 7-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	5.365%	09/20/2010	18,000	289	324
							\$ 1,869	\$ 1,658

## Transactions in written call and put options for the period ended June 30, 2009:

	# of Contracts	Notional Amount	Premium
Balance at 12/31/2008	90	\$ 68,300	\$ 1,496
Sales	1,950	270,100	2,559
Closing Buys	(725)	(148,200)	(1,572)
Expirations	(482)	(36,500)	(273)
Exercised	0	0	0
Balance at 06/30/2009	833	\$ 153,700	\$ 2,210

## (l) Short sales outstanding on June 30, 2009:

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Market Value <sup>(6)</sup>
Fannie Mae	5.000%	07/01/2039	\$ 2,900	\$ 2,906	\$ 2,951
Fannie Mae	5.500%	07/01/2039	27,000	27,572	27,865
Fannie Mae	6.500%	07/01/2039	2,400	2,554	2,556
Treasury Inflation Protected Securities	1.875%	07/15/2015	18,759	18,905	19,127
				\$ 51,937	\$ 52,499

<sup>(6)</sup> Market value includes \$169 of interest payable on short sales.

## (m) Foreign currency contracts outstanding on June 30, 2009:

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Sell	AUD	800	07/2009	BCLY	\$ 0	\$ 0	\$ 0
Sell		1,710	07/2009	DUB	0	(16)	(16)
Buy		2,184	07/2009	GSC	41	0	41
Buy	BRL	491	08/2009	HSBC	25	0	25
Sell	CHF	910	07/2009	JPM	15	0	15
Sell		910	10/2009	RBC	4	0	4
Sell	CNY	11,806	07/2009	BCLY	0	0	0
Buy		13,392	07/2009	DUB	0	(117)	(117)
Sell		15,493	07/2009	DUB	4	(1)	3
Buy		13,907	07/2009	HSBC	0	(94)	(94)
Buy		24,191	09/2009	BCLY	1	(32)	(31)
Buy		5,860	09/2009	CITI	9	0	9
Buy		5,392	09/2009	DUB	0	0	0
Buy		18,841	09/2009	HSBC	0	(30)	(30)
Sell		8,256	09/2009	JPM	0	(28)	(28)
Buy		5,904	03/2010	BCLY	0	(2)	(2)
Buy		3,644	03/2010	BOA	0	0	0
Buy		2,997	03/2010	CITI	0	(2)	(2)
Buy		12,028	03/2010	DUB	0	(10)	(10)
Buy		2,884	03/2010	HSBC	0	(1)	(1)
Buy		27	03/2010	JPM	0	0	0
Sell	EUR	4,939	07/2009	BCLY	0	(37)	(37)
Sell	GBP	84	07/2009	BCLY	0	(1)	(1)
Sell		2,364	07/2009	CITI	0	(232)	(232)
Sell		105	07/2009	GSC	0	(4)	(4)
Buy		792	07/2009	RBS	34	0	34
Sell		1,761	08/2009	MSC	12	0	12
Sell	JPY	2,492,004	07/2009	BNP	0	(29)	(29)
Sell		19,523	07/2009	CSFB	0	(4)	(4)
Sell		2,511,527	08/2009	MSC	0	0	0
Sell	MXN	531	11/2009	CITI	0	(4)	(4)
Buy		186	11/2009	JPM	1	0	1
Sell	MYR	141	08/2009	BCLY	0	0	0
Buy	PHP	2,834	08/2009	CITI	0	0	0
Sell	SGD	984	07/2009	CITI	0	(20)	(20)
Buy		984	07/2009	HSBC	0	(1)	(1)
					\$ 146	\$ (665)	\$ (519)

# Schedule of Investments Real Return Portfolio (Cont.)

## (n) Fair Value Measurements \*

The following is a summary of the fair valuations according to the inputs used as of June 30, 2009 in valuing the Portfolio's assets and liabilities:

	Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at 06/30/2009
Corporate Bonds & Notes	\$ 0	\$ 257,679	\$ 4,977	\$ 262,656
U.S. Government Agencies	0	189,796	0	189,796
U.S. Treasury Obligations	0	1,467,224	0	1,467,224
Mortgage-Backed Securities	0	81,497	227	81,724
Asset-Backed Securities	0	94,382	0	94,382
Short-Term Instruments	7,972	117,377	0	125,349
Other Investments **	628	52,457	0	53,085
Investments, at value	\$ 8,600	\$ 2,260,412	\$ 5,204	\$ 2,274,216
Short Sales, at value	\$ 0	\$ (52,499)	\$ 0	\$ (52,499)
Financial Derivative Instruments ***	\$ (75)	\$ 592	\$ 478	\$ 995
Total	\$ 8,525	\$ 2,208,505	\$ 5,682	\$ 2,222,712

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Portfolio during the period ending June 30, 2009:

	Beginning Balance at 12/31/2008	Net Purchases/ (Sales)	Accrued Discounts/ (Premiums)	Total Realized Gain/(Loss)	Total Unrealized Appreciation/ (Depreciation)	Net Transfers In/ (Out) of Level 3	Ending Balance at 06/30/2009
Corporate Bonds & Notes	\$ 0	\$ 0	\$ 7	\$ 0	\$ 115	\$ 4,855	\$ 4,977
Mortgage-Backed Securities	0	(24)	1	0	(6)	256	227
Investments, at value	\$ 0	\$ (24)	\$ 8	\$ 0	\$ 109	\$ 5,111	\$ 5,204
Financial Derivative Instruments ***	\$ 3,483	\$ 0	\$ 0	\$ 0	\$ (2,797)	\$ (208)	\$ 478
Total	\$ 3,483	\$ (24)	\$ 8	\$ 0	\$ (2,688)	\$ 4,903	\$ 5,682

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

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

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

## (o) Fair Value of Derivative Instruments ^

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

### Fair Values of Derivative Instruments on the Statement of Assets and Liabilities as of June 30, 2009:

	Derivatives not accounted for as hedging instruments under Statement 133					Total
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	
<b>Assets:</b>						
Variation margin receivable ^^	\$ 31	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31
Unrealized appreciation on foreign currency contracts	0	146	0	0	0	146
Unrealized appreciation on swap agreements	3,340	0	2,368	0	0	5,708
	\$ 3,371	\$ 146	\$ 2,368	\$ 0	\$ 0	\$ 5,885
<b>Liabilities:</b>						
Written options outstanding	\$ 1,843	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,843
Variation margin payable ^^	106	0	0	0	0	106
Unrealized depreciation on foreign currency contracts	0	665	0	0	0	665
Unrealized depreciation on swap agreements	552	0	1,724	0	0	2,276
	\$ 2,501	\$ 665	\$ 1,724	\$ 0	\$ 0	\$ 4,890

**The Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended June 30, 2009:**

	Derivatives not accounted for as hedging instruments under Statement 133					
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	Total
<b>Realized Gain (Loss) on Derivatives Recognized as a Result from Operations:</b>						
Net realized gain on investments (purchased options)	\$ 236	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236
Net realized gain (loss) on futures contracts, written options and swaps	(11,276)	0	5,474	0	0	(5,802)
Net realized (loss) on foreign currency transactions	0	(3,012)	0	0	0	(3,012)
	<u>\$ (11,040)</u>	<u>\$ (3,012)</u>	<u>\$ 5,474</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (8,578)</u>
<b>Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized as a Result from Operations:</b>						
Net change in unrealized (depreciation) on investments (purchased options)	\$ (232)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (232)
Net change in unrealized appreciation (depreciation) on futures contracts, written options and swaps	28,518	0	(12,418)	0	0	16,100
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	0	4,393	0	0	0	4,393
	<u>\$ 28,286</u>	<u>\$ 4,393</u>	<u>\$ (12,418)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,261</u>

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

<sup>^^</sup> The Fair Values of Derivative Instruments may include cumulative appreciation/depreciation of futures contracts as reported in the Notes to Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

# Notes to Financial Statements

## 1. ORGANIZATION

The Real Return Portfolio (the "Portfolio") is a series of the PIMCO Variable Insurance Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company organized as a Delaware business trust on October 3, 1997. The Portfolio offers three classes of shares: Institutional, Administrative and Advisor. Information presented on these financial statements pertains to the Administrative Class of the Portfolio. Certain detailed financial information for the Institutional Class and Advisor 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.

The Portfolio has adopted the following new accounting standards and position issued by the Financial Accounting Standards Board ("FASB"):

- FASB Staff Position No. 157-4 ("FAS 157-4"), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*

FAS 157-4 provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FAS 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. In accordance with the requirements of FAS 157-4, the inputs and valuation technique(s) used to measure fair value are included in the Notes to Schedule of Investments for the Portfolio.

- FASB Statement of Financial Accounting Standards No. 161 ("FAS 161"), *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*, ("FAS 133")

FAS 161 requires disclosures about the objectives and strategies for using derivative instruments, credit-risk-related contingent features in derivative instruments, location of fair value amounts of and gains and losses on derivative instruments as reported within the financial statements, and volume of derivative activity. The disclosures within Note 4, Financial Derivative Instruments, 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.

- FASB Statement of Financial Accounting Standards No. 165, *Subsequent Events*, ("FAS 165")

FAS 165 requires the Portfolio to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet through the date that the financial statements are available to be issued, including the estimates inherent in the process of preparing financial statements.

**(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) Security 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 advisor, 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, 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.

FAS 157 defines fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes and requires disclosure of a fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Levels 1, 2, and 3). Categorization of fair value measurements is determined by the nature of the inputs as follows: inputs using quoted prices in active markets for identical assets or liabilities ("Level 1"), significant other observable inputs ("Level 2"), and significant unobservable inputs ("Level 3"). Valuation levels are not necessarily an indication of the risk associated with investing in those securities. For fair valuations using significant unobservable inputs, FAS 157 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 FAS 157, a fair value hierarchy and Level 3 reconciliation have been included in the Notes to the Schedule of Investments for the Portfolio.

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

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

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

**(f) Dividends and Distributions to Shareholders** Dividends from net investment income, if any, are declared 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.

### 3. SECURITIES AND OTHER INVESTMENTS

**(a) Delayed-Delivery Transactions** The Portfolio may purchase or sell securities on a delayed-delivery basis. These transactions involve a commitment by the Portfolio to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Portfolio will designate liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Portfolio assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and

takes such fluctuations into account when determining its NAV. The Portfolio may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell delayed-delivery securities before they are delivered, which may result in a capital gain or loss. When the Portfolio has sold a security on a delayed-delivery basis, the Portfolio does not participate in future gains and losses with respect to the security.

**(b) Inflation-Indexed Bonds** The Portfolio may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted to the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value, which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity.

**(c) Loan Participations and Assignments** The Portfolio may invest in direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. The Portfolio's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Portfolio may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. The Portfolio generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Portfolio may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. When the Portfolio purchases assignments from lenders it acquires direct rights against the borrower of the loan. The Portfolio may also enter into unfunded loan commitments, which are contractual obligations for future funding. Unfunded loan commitments may include revolving credit facilities, which may obligate the Portfolio to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the notional loan amounts will never be utilized by the borrower. When investing in a loan participation, the Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan agreement and only upon receipt of payments by the lender from the borrower. The Portfolio may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a floating rate loan. In certain circumstances, the Portfolio may receive a prepayment penalty fee upon the prepayment of a floating rate loan by a borrower. Fees earned/paid are recorded as a component of interest income or interest expense on the Statement of Operations.

**(d) 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, stripped 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 include securities that reflect an interest in, and are secured by, mortgage loans on commercial real property. Many of the risks of investing in commercial mortgage-backed securities 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 commercial mortgage-backed securities may be less liquid and may exhibit greater price volatility than other types of mortgage- or asset-backed securities.

Stripped Mortgage-Backed Securities ("SMBS") are derivative multi-class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. A common type of SMBS will have one class receiving some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive the entire principal (the principal-only or "PO" class). Payments received for IOs are included in interest income on the Statement of Operations. Because little to no principal will be received at the maturity of an IO, adjustments are made to the book value of the security on a monthly basis until maturity. These adjustments are included in interest income on the Statement of Operations. Payments received for POs are treated as reductions to the cost and par value of the 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.

**(e) 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 on the Statement of Assets and Liabilities. 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.

**(f) 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. 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.

**(g) Short Sales** The Portfolio may enter into short sales transactions. A short sale is a transaction in which the Portfolio sells securities it does not own in anticipation of a decline in the market price of the securities. Securities sold in short sale transactions and the interest payable on such securities, if any, are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio is obligated to deliver securities at the market price at the time the short position is closed. Possible losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

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

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

which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the United States Government.

On September 6, 2008, the Federal Housing Finance Agency ("FHFA") placed FNMA and FHLMC into conservatorship. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of FNMA and FHLMC and of any stockholder, officer or director of FNMA and FHLMC with respect to FNMA and FHLMC and the assets of FNMA and FHLMC. FHFA selected a new chief executive officer and chairman of the board of directors for each of FNMA and FHLMC. On September 7, 2008, the U.S. Treasury announced three additional steps taken by it in connection with the conservatorship. First, the U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of FNMA and FHLMC pursuant to which the U.S. Treasury will purchase up to an aggregate of \$100 billion of each of FNMA and FHLMC to maintain a positive net worth in each enterprise. This agreement contains various covenants that severely limit each enterprise's operations. In exchange for entering into these agreements, the U.S. Treasury received \$1 billion of each enterprise's senior preferred stock and warrants to purchase 79.9% of each enterprise's common stock. Second, the U.S. Treasury announced the creation of a new secured lending facility which is available to each of FNMA and FHLMC as a liquidity backstop. Third, the U.S. Treasury announced the creation of a temporary program to purchase mortgage-backed securities issued by each of FNMA and FHLMC. Both the liquidity backstop and the mortgage-backed securities purchase program are scheduled to expire in December 2009. FNMA and FHLMC are continuing to operate as going concerns while in conservatorship and each remain liable for all of its obligations, including its guaranty obligations, associated with its mortgage-backed securities.

#### 4. FINANCIAL DERIVATIVE INSTRUMENTS

**(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, commodity 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 and commodity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

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

Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent

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

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

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

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

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

Credit default swap agreements on corporate issues, sovereign issues of an emerging country or U.S. municipal issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in

the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event). The Portfolio may use credit default swaps on corporate issues, sovereign issues of an emerging country or U.S. municipal issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default.

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

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

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues or sovereign issues of an emerging country 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, 2009 for which the Portfolio is the seller of protection are disclosed in the notes to the Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

**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 a transaction to perform (credit and counterparty risk).

**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, equity and commodity risks.

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

If the Portfolio invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in derivatives that provide exposure

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

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

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

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

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

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 and the provisions of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* ("FIN 39") have been met. A facilitated auction occurred on October 10, 2008 comprising multiple pre-approved brokerage agencies to determine the estimated recovery rate for holdings and credit default swap agreements with Lehman Brothers Holdings Inc. as referenced entity. These recovery rates have been utilized in determining estimated recovery values.

PIMCO has 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 has terminated the trades, has obtained quotations from brokers for replacement trades and, where deemed appropriate, has re-opened positions with new counterparties.

## 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 0.25%.

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

The Trust has adopted a Distribution Plan for the Advisor Class shares of the Portfolio (the "Plan"). The Plan has been adopted pursuant to Rule 12b-1 under the Act. The Plan permits payments for expenses in connection with the distribution

## 7. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties as defined by FASB Statement of Financial Accounting Standards No. 57, *Related Party Disclosures*. Fees payable to these parties are disclosed in Note 6.

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 the 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, 2009 (amounts in thousands):

Fund Name	Market Value 12/31/2008	Purchases at Cost	Proceeds from Sales	Unrealized Appreciation	Market Value 06/30/2009	Dividend Income	Net Capital and Realized Gain
Real Return Portfolio	\$ 0	\$ 755,731	\$ 747,800	\$ 0	\$ 7,972	\$ 31	\$ 41

## 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

and marketing of Advisor Class shares and/or the provision of shareholder services to Advisor Class shareholders. The Plan permits the Portfolio to make total payments at an annual rate of 0.25% of its average daily net assets attributable to its Advisor Class shares.

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

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

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, 2009, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
\$ 5,982,424	\$ 6,242,100	\$ 902,686	\$ 1,004,924

**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 06/30/2009		Year Ended 12/31/2008	
	Shares	Amount	Shares	Amount
<b>Receipts for shares sold</b>				
Institutional Class	1,471	\$ 17,440	3,770	\$ 47,376
Administrative Class	27,990	328,983	65,795	833,470
Advisor Class	616	7,203	3,127	39,984
<b>Issued as reinvestment of distributions</b>				
Institutional Class	105	1,255	186	2,257
Administrative Class	1,643	19,678	3,757	46,068
Advisor Class	29	347	79	969
<b>Cost of shares redeemed</b>				
Institutional Class	(558)	(6,515)	(1,363)	(16,587)
Administrative Class	(19,391)	(227,066)	(50,219)	(612,120)
Advisor Class	(536)	(6,269)	(2,347)	(28,788)
<b>Net increase resulting from Portfolio share transactions</b>	<b>11,369</b>	<b>\$ 135,056</b>	<b>22,785</b>	<b>\$ 312,629</b>

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

	Number of Shareholders	% of Portfolio Held
Institutional Class	3	96
Administrative Class	5	63
Advisor Class	4	87

**11. REGULATORY AND LITIGATION MATTERS**

Since February 2004, PIMCO, AGI (PIMCO's parent company), and certain of their affiliates, including PIMCO Funds (a complex of mutual funds managed by PIMCO) and Allianz Funds (formerly known as PIMCO Funds: Multi-Manager Series) (a complex of mutual funds managed by affiliates of PIMCO), certain trustees of PIMCO Funds, and certain employees of PIMCO have been named as defendants in eleven lawsuits filed in various jurisdictions. These lawsuits concern "market timing," and they have been transferred to and consolidated for pre-trial proceedings in a multi-district litigation proceeding in the U.S. District Court for the District of Maryland. The lawsuits have been commenced as putative class actions on behalf of investors who purchased, held or redeemed shares of the various series of PIMCO Funds and Allianz Funds during specified periods, or as derivative actions on behalf of PIMCO Funds and Allianz Funds. These lawsuits seek, among other things, unspecified compensatory damages, plus interest, and in some cases, punitive damages, the rescission of investment advisory contracts, the return of fees paid under those contracts and restitution.

These actions generally allege that certain hedge funds were allowed to engage in "market timing" in certain funds of PIMCO Funds and Allianz Funds and this alleged activity was not disclosed. Pursuant to tolling agreements dated January 14, 2005 entered into with the derivative and class action plaintiffs, PIMCO, certain trustees of PIMCO Funds, and certain employees of PIMCO who were previously named as defendants have all been removed as defendants in the market timing actions; however, the plaintiffs continue to assert claims on behalf of the shareholders of PIMCO Funds or on behalf of PIMCO Funds itself against other defendants. By order dated November 3, 2005, the U.S. District Court for the District of Maryland granted PIMCO Funds' motion to dismiss claims asserted against it in a consolidated amended complaint where PIMCO Funds was named as a nominal defendant. Thus, at present PIMCO Funds is not a party to any "market timing" lawsuit.

PIMCO, a subsidiary of AGI and PIMCO Funds are the subject of a lawsuit in the Northern District of Illinois Eastern Division in which the complaint alleges that 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 July 2007, the 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 currently believes that the complaint is without merit and PIMCO and PIMCO Funds intend to vigorously defend against this action.

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. A Plan of Reorganization (the "Plan") is currently under consideration by the Court in the underlying bankruptcy case. If the Plan is approved, it is expected that the adversary proceeding to which PIMCO and other funds managed by PIMCO ("PIMCO Entities") are parties will be dismissed. It is not known at this time when the Plan may be approved, if at all. In the meantime, the adversary proceeding is stayed. 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.

In accordance with provisions set forth in the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* ("FIN 48"), management has reviewed the Portfolio's tax positions for all open tax years and concluded that adoption had no effect on the Portfolio's financial position or results of operations. As of June 30, 2009, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

As of June 30, 2009, 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 Appreciation
\$ 61,785	\$ (52,324)	\$ 9,461

## 13. SUBSEQUENT EVENTS

In accordance with the provisions set forth in FAS 165, PIMCO has evaluated the possibility of subsequent events existing in the Portfolio's financial statements through August 18, 2009, the date that the financial statements were available to be issued. PIMCO has determined that there are no additional material events that would require disclosure in the Portfolio's financial statements through this date.

# GLOSSARY: (abbreviations that may be used in the preceding statements)

## Counterparty Abbreviations:

<b>ABN</b>	ABN AMRO Bank, N.V.	<b>CBA</b>	Commonwealth Bank of Australia	<b>MLP</b>	Merrill Lynch & Co., Inc.
<b>AIG</b>	AIG International, Inc.	<b>CITI</b>	Citigroup, Inc.	<b>MSC</b>	Morgan Stanley
<b>BCLY</b>	Barclays Bank PLC	<b>CSFB</b>	Credit Suisse First Boston	<b>RBC</b>	Royal Bank of Canada
<b>BEAR</b>	Bear Stearns & Co., Inc. (acquired by JPMorgan & Co.)	<b>DUB</b>	Deutsche Bank AG	<b>RBS</b>	Royal Bank of Scotland Group PLC
<b>BNP</b>	BNP Paribas Bank	<b>GSC</b>	Goldman Sachs & Co.	<b>SOG</b>	Societe Generale
<b>BOA</b>	Bank of America	<b>HSBC</b>	HSBC Bank USA	<b>UBS</b>	UBS Warburg LLC
<b>BSN</b>	Bank of Nova Scotia	<b>JPM</b>	JPMorgan Chase & Co.	<b>WAC</b>	Wachovia Bank N.A.

## Currency Abbreviations:

<b>AED</b>	UAE Dirham	<b>HKD</b>	Hong Kong Dollar	<b>PLN</b>	Polish Zloty
<b>ARS</b>	Argentine Peso	<b>HUF</b>	Hungarian Forint	<b>RON</b>	Romanian New Leu
<b>AUD</b>	Australian Dollar	<b>IDR</b>	Indonesian Rupiah	<b>RUB</b>	Russian Ruble
<b>BRL</b>	Brazilian Real	<b>ILS</b>	Israeli Shekel	<b>SAR</b>	Saudi Riyal
<b>CAD</b>	Canadian Dollar	<b>INR</b>	Indian Rupee	<b>SEK</b>	Swedish Krona
<b>CHF</b>	Swiss Franc	<b>JPY</b>	Japanese Yen	<b>SGD</b>	Singapore Dollar
<b>CLP</b>	Chilean Peso	<b>KRW</b>	South Korean Won	<b>THB</b>	Thai Baht
<b>CNY</b>	Chinese Renminbi	<b>KWD</b>	Kuwaiti Dinar	<b>TRY</b>	Turkish New Lira
<b>COP</b>	Colombian Peso	<b>MXN</b>	Mexican Peso	<b>TWD</b>	Taiwanese Dollar
<b>CZK</b>	Czech Koruna	<b>MYR</b>	Malaysian Ringgit	<b>UAH</b>	Ukrainian Hryvnia
<b>DKK</b>	Danish Krone	<b>NOK</b>	Norwegian Krone	<b>USD</b>	United States Dollar
<b>EGP</b>	Egyptian Pound	<b>NZD</b>	New Zealand Dollar	<b>UYU</b>	Uruguayan Peso
<b>EUR</b>	Euro	<b>PEN</b>	Peruvian New Sol	<b>ZAR</b>	South African Rand
<b>GBP</b>	British Pound	<b>PHP</b>	Philippine Peso		

## Exchange Abbreviations:

<b>AMEX</b>	American Stock Exchange	<b>ICE</b>	IntercontinentalExchange®	<b>NYBEX</b>	New York Board of Trade
<b>CBOE</b>	Chicago Board Options Exchange	<b>ICEX</b>	Iceland Stock Exchange	<b>NYMEX</b>	New York Mercantile Exchange
<b>CBOT</b>	Chicago Board of Trade	<b>KCBT</b>	Kansas City Board of Trade	<b>NYFE</b>	New York Futures Exchange
<b>CME</b>	Chicago Mercantile Exchange	<b>LIFFE</b>	London International Financial Futures Exchange	<b>NYSE</b>	New York Stock Exchange
<b>FTSE</b>	Financial Times Stock Exchange	<b>LMEX</b>	London Metal Exchange	<b>OTC</b>	Over-the-Counter

## Index Abbreviations:

<b>ABX.HE</b>	Asset-Backed Securities Index - Home Equity	<b>DJAIGCI</b>	Dow Jones-AIG Commodity Index	<b>eRAFI EM</b>	eRAFI Emerging Markets Index
<b>CDX.EM</b>	Credit Derivatives Index - Emerging Markets	<b>DJAIGTR</b>	Dow Jones-AIG Total Return Commodity Index	<b>FRCPTXOB</b>	France Consumer Price ex-Tobacco Index
<b>CDX.HV</b>	Credit Derivatives Index - High Volatility	<b>DJAIHGTR</b>	Dow Jones-AIG Copper Total Return Sub-Index	<b>GSCITR</b>	Goldman Sachs Commodity Total Return Index
<b>CDX.HY</b>	Credit Derivatives Index - High Yield	<b>DJAIWHTR</b>	Dow Jones-AIG Wheat Total Return Sub-Index	<b>HICP</b>	Harmonized Index of Consumer Prices
<b>CDX.IG</b>	Credit Derivatives Index - Investment Grade	<b>DJUBHGTR</b>	Dow Jones-UBS Copper Subindex Total Return	<b>LCDX</b>	Liquid Credit Derivative Index
<b>CDX.NA</b>	Credit Derivatives Index - North America	<b>DJUBS</b>	Dow Jones-UBS Commodity Index	<b>MCDX</b>	Municipal Bond Credit Derivative Index
<b>CDX.XO</b>	Credit Derivatives Index - Crossover	<b>DJUBSTR</b>	Dow Jones-UBS Commodity Index Total Return	<b>SPGCCLP</b>	S&P GSCI Crude Oil Index
<b>CMBX</b>	Commercial Mortgage-Backed Index	<b>DWRRT</b>	Dow Jones Wilshire REIT Total Return Index	<b>TUCPI</b>	Turkey Consumer Price Index
<b>CPI</b>	Consumer Price Index	<b>EAFE</b>	Europe, Australasia, and Far East Stock Index	<b>UKRPI</b>	United Kingdom Retail Price Index
<b>CPTFEMU</b>	Eurozone HICP ex-Tobacco Index	<b>eRAFI</b>	enhanced Research Affiliates Fundamental Index	<b>USSP</b>	USD Swap Spread

## Municipal Bond or Agency Abbreviations:

<b>ACA</b>	American Capital Access Holding Ltd.	<b>FHLMC</b>	Federal Home Loan Mortgage Corporation	<b>MAIA</b>	Michigan Association of Insurance Agents
<b>AGC</b>	Assured Guaranty Corp.	<b>FNMA</b>	Federal National Mortgage Association	<b>MBIA</b>	Municipal Bond Investors Assurance
<b>AMBAC</b>	American Municipal Bond Assurance Corp.	<b>FSA</b>	Financial Security Assurance, Inc.	<b>PSF</b>	Public School Fund
<b>BHAC</b>	Berkshire Hathaway Assurance Corporation	<b>GNMA</b>	Government National Mortgage Association	<b>Q-SBLF</b>	Qualified School Bond Loan Fund
<b>CM</b>	California Mortgage Insurance	<b>GTD</b>	Guaranteed	<b>Radian</b>	Radian Guaranty, Inc.
<b>CR</b>	Custodial Receipts	<b>HUD</b>	U.S. Department of Housing and Urban Development	<b>ST</b>	State
<b>FGIC</b>	Financial Guaranty Insurance Co.	<b>ICR</b>	Insured Custodial Receipts	<b>VA</b>	Department of Veterans Affairs
<b>FHA</b>	Federal Housing Administration	<b>IBC</b>	Insured Bond Certificate	<b>XLCA</b>	XL Capital Assurance

## Other Abbreviations:

<b>ABS</b>	Asset-Backed Security	<b>HIBOR</b>	Hong Kong Interbank Offered Rate	<b>PRIBOR</b>	Prague Interbank Offered Rate
<b>BRIBOR</b>	Bratislava Interbank Offered Rate	<b>ISDA</b>	International Swaps and Derivatives Association, Inc.	<b>REIT</b>	Real Estate Investment Trust
<b>CDI</b>	Brazil Interbank Deposit Rate	<b>JIBOR</b>	Johannesburg Interbank Offered Rate	<b>SIFMA</b>	Securities Industry and Financial Markets Association
<b>CLO</b>	Collateralized Loan Obligation	<b>JSC</b>	Joint Stock Company	<b>SPDR</b>	Standard & Poor's Depository Receipts
<b>CMBS</b>	Collateralized Mortgage-Backed Security	<b>KLIBOR</b>	Kuala Lumpur Interbank Offered Rate	<b>STIBOR</b>	Stockholm Interbank Offered Rate
<b>CMM</b>	Constant Maturity Mortgage Rate	<b>LIBOR</b>	London Interbank Offered Rate	<b>THBFIX</b>	Thai Baht Floating-Rate Fix
<b>CMO</b>	Collateralized Mortgage Obligation	<b>MBS</b>	Mortgage-Backed Security	<b>TIIE</b>	Tasa de Interés Interbancaria de Equilibrio
<b>EURIBOR</b>	Euro Interbank Offered Rate	<b>MSCI</b>	Morgan Stanley Capital International	<b>WIBOR</b>	Warsaw Interbank Offered Rate
<b>FFR</b>	Federal Funds Rate	<b>NSERO</b>	India National Stock Exchange Interbank Offer Rate	<b>WTI</b>	West Texas Intermediate

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

## Obtaining Personal Information

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

## Respecting Your Privacy

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

## Sharing Information with Third Parties

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

## Sharing Information with Affiliates

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

## Procedures to Safeguard Private Information

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

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