



P I M C O

PIMCO Variable Insurance Trust

Total 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 Total 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, mortgage-related and other asset-backed risk, foreign (non-U.S.) investment risk, emerging markets risk, currency 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, 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. 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

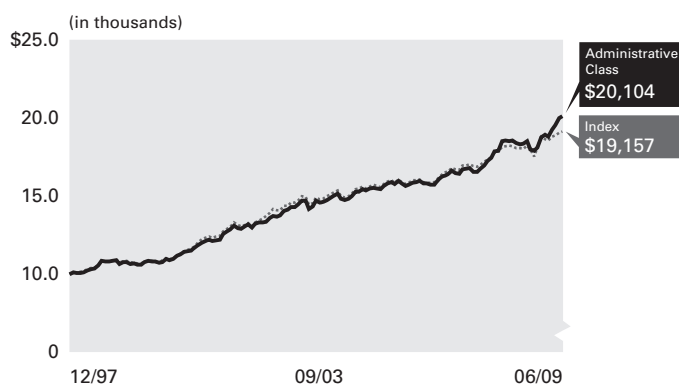
The information in the table under the heading "Hypothetical Performance (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not 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 Total 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. Government Agencies	64.2%
Corporate Bonds & Notes	17.1%
Short-Term Instruments	5.0%
Mortgage-Backed Securities	4.2%
U.S. Treasury Obligations	3.8%
Other	5.7%

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

Portfolio Insights

- » The PIMCO Total Return Portfolio seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of fixed income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements.
- » The Portfolio's above-benchmark U.S. duration detracted from returns as the ten-year U.S. Treasury yield rose during the period.
- » A curve-steepening strategy in the U.S. benefited performance as the yield curve steepened, as measured by the difference between two- and 30-year yields.
- » An overweight to mortgage-backed securities ("MBS") added to returns as the MBS sector outperformed like-duration U.S. Treasuries.
- » An overweight to corporate securities, with a focus on financials, added to performance as corporates outperformed like-duration U.S. Treasuries.
- » Exposure to non-U.S. developed bonds, particularly in the U.K. and Europe, detracted from returns as yields increased in these regions.
- » An allocation to emerging market bonds added to returns as the sector outperformed like-duration U.S. Treasuries.
- » Exposure to a variety of foreign currencies, with an emphasis on emerging market currencies, benefited performance as these currencies appreciated relative to the U.S. dollar.

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

	6 Months*	1 Year	5 Years	10 Years	Since Inception (12/31/97)
— PIMCO Total Return Portfolio Administrative Class	7.06%	9.80%	6.28%	6.54%	6.26%
..... Barclays Capital U.S. Aggregate Index [‡]	1.90%	6.05%	5.01%	5.98%	5.82%

* 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 0.88% for Administrative Class shares.

[‡] Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and U.S. dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. 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)	\$1,070.56	\$1,020.58
Expenses Paid During Period [†]	\$ 4.36	\$ 4.26

[†] Expenses are equal to the Portfolio's Administrative Class net annualized expense ratio of 0.85%, 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 Total 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
Administrative Class						
Net asset value beginning of year or period	\$ 10.31	\$ 10.49	\$ 10.12	\$ 10.24	\$ 10.51	\$ 10.36
Net investment income (a)	0.29	0.46	0.49	0.44	0.35	0.19
Net realized/unrealized gain (loss) on investments	0.43	0.03	0.37	(0.06)	(0.09)	0.31
Total income from investment operations	0.72	0.49	0.86	0.38	0.26	0.50
Dividends from net investment income	(0.32)	(0.47)	(0.49)	(0.45)	(0.36)	(0.20)
Distributions from net realized capital gains	0.00	(0.20)	0.00	(0.05)	(0.17)	(0.15)
Total distributions	(0.32)	(0.67)	(0.49)	(0.50)	(0.53)	(0.35)
Net asset value end of year or period	\$ 10.71	\$ 10.31	\$ 10.49	\$ 10.12	\$ 10.24	\$ 10.51
Total return	7.06%	4.79%	8.74%	3.84%	2.45%	4.89%
Net assets end of year or period (000s)	\$ 4,494,941	\$ 4,057,408	\$ 3,893,715	\$ 3,114,697	\$ 2,704,383	\$ 2,352,679
Ratio of expenses to average net assets	0.85%*	0.88%	0.83%	0.67%	0.65%	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	5.53%*	4.38%	4.78%	4.36%	3.38%	1.79%
Portfolio turnover rate	128%	355%	298%	303%	344%	373%

+ Unaudited

* Annualized

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

Statement of Assets and Liabilities Total Return Portfolio

(Amounts in thousands, except per share amounts)

	June 30, 2009 <i>(Unaudited)</i>
Assets:	
Investments, at value	\$ 5,954,057
Investments in Affiliates, at value	58,104
Repurchase agreements, at value	257,919
Cash	5,075
Foreign currency, at value	8,787
Receivable for investments sold	1,198,638
Receivable for investments sold on a delayed-delivery basis	10,111
Receivable for Portfolio shares sold	145,998
Interest and dividends receivable	35,084
Dividends receivable from Affiliates	13
Variation margin receivable	48
Swap premiums paid	3,424
Unrealized appreciation on foreign currency contracts	1,966
Unrealized appreciation on swap agreements	34,179
	7,713,403
Liabilities:	
Payable for reverse repurchase agreements	\$ 914,105
Payable for investments purchased	1,613,192
Payable for investments in Affiliates purchased	13
Payable for investments purchased on a delayed-delivery basis	214,086
Payable for Portfolio shares redeemed	9,225
Payable for short sales	112,491
Written options outstanding	207
Dividends payable	2,350
Deposits from counterparty	35,734
Accrued investment advisory fee	924
Accrued supervisory and administrative fee	924
Accrued distribution fee	36
Accrued servicing fee	469
Variation margin payable	661
Swap premiums received	6,611
Unrealized depreciation on foreign currency contracts	5,308
Unrealized depreciation on swap agreements	12,623
	2,928,959
Net Assets	\$ 4,784,444
Net Assets Consist of:	
Paid in capital	\$ 4,599,327
Undistributed net investment income	32,669
Accumulated undistributed net realized gain	119,483
Net unrealized appreciation	32,965
	\$ 4,784,444
Net Assets:	
Institutional Class	\$ 165,387
Administrative Class	4,494,941
Advisor Class	124,116
Shares Issued and Outstanding:	
Institutional Class	15,440
Administrative Class	419,636
Advisor Class	11,587
Net Asset Value and Redemption Price Per Share (Net Asset Per Share Outstanding)	
Institutional Class	\$ 10.71
Administrative Class	10.71
Advisor Class	10.71
Cost of Investments Owned	\$ 5,967,737
Cost of Investments in Affiliates Owned	\$ 58,104
Cost of Repurchase Agreements Owned	\$ 257,919
Cost of Foreign Currency Held	\$ 8,692
Proceeds Received on Short Sales	\$ 112,534
Premiums Received on Written Options	\$ 575

Statement of Operations Total Return Portfolio

(Amounts in thousands)

	Six Months Ended June 30, 2009 (Unaudited)
Investment Income:	
Interest	\$ 140,724
Dividends	62
Dividends from Affiliate investments	72
Miscellaneous income	14
Total Income	140,872
Expenses:	
Investment advisory fees	5,487
Supervisory and administrative fees	5,487
Servicing fees – Administrative Class	3,095
Distribution and/or servicing fees – Advisor Class	129
Trustees' fees	32
Interest expense	4,447
Total Expenses	18,677
Net Expenses	18,677
Net Investment Income	122,195
Net Realized and Unrealized Gain (Loss):	
Net realized gain on investments	30,801
Net realized gain on Affiliate investments	33
Net realized gain on futures contracts, written options and swaps	10,384
Net realized (loss) on foreign currency transactions	(6,718)
Net change in unrealized appreciation on investments	86,068
Net change in unrealized appreciation on futures contracts, written options and swaps	52,622
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	7,045
Net Gain	180,235
Net Increase in Net Assets Resulting from Operations	\$ 302,430

Statements of Changes in Net Assets Total Return Portfolio

(Amounts in thousands)

	Six Months Ended June 30, 2009 <i>(Unaudited)</i>	Year Ended December 31, 2008
Increase in Net Assets from:		
Operations:		
Net investment income	\$ 122,195	\$ 193,387
Net realized gain	34,467	226,397
Net realized gain on Affiliate investments	33	0
Net change in unrealized appreciation (depreciation)	145,735	(220,889)
Net increase resulting from operations	302,430	198,895
Distributions to Shareholders:		
From net investment income		
Institutional Class	(5,007)	(9,778)
Administrative Class	(126,740)	(185,493)
Advisor Class	(3,149)	(2,294)
From net realized capital gains		
Institutional Class	0	(3,026)
Administrative Class	0	(79,740)
Advisor Class	0	(1,414)
Total Distributions	(134,896)	(281,745)
Portfolio Share Transactions:		
Receipts for shares sold		
Institutional Class	43,452	74,836
Administrative Class	1,160,698	1,343,001
Advisor Class	76,431	62,477
Issued as reinvestment of distributions		
Institutional Class	5,005	12,803
Administrative Class	112,230	234,388
Advisor Class	3,149	3,708
Cost of shares redeemed		
Institutional Class	(45,756)	(134,610)
Administrative Class	(992,371)	(1,335,400)
Advisor Class	(34,902)	(23,085)
Net increase resulting from Portfolio share transactions	327,936	238,118
Total Increase in Net Assets	495,470	155,268
Net Assets:		
Beginning of period	4,288,974	4,133,706
End of period*	\$ 4,784,444	\$ 4,288,974
*Including undistributed net investment income of:	\$ 32,669	\$ 45,370

Schedule of Investments Total Return Portfolio

(Unaudited)
June 30, 2009

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
BANK LOAN OBLIGATIONS 0.5%								
CSC Holdings, Inc.								
2.069% due 03/29/2016	\$ 2,844	\$ 2,731						
2.250% due 03/29/2016	8	7						
Daimler Finance North America LLC								
4.320% due 08/03/2012	17,685	16,469						
Fresenius Medical Care Capital Trust								
1.972% due 03/31/2013	360	346						
1.985% due 03/22/2013	71	68						
2.514% due 03/22/2013	14	14						
HCA, Inc.								
1.848% due 11/18/2012	3,124	2,845						
Texas Competitive Electric Holdings Co. LLC								
3.810% due 10/10/2014	40	28						
3.821% due 10/10/2014	3,888	2,788						
Total Bank Loan Obligations								
(Cost \$27,160)		25,296						
CORPORATE BONDS & NOTES 22.4%								
BANKING & FINANCE 17.4%								
Allstate Life Global Funding Trusts								
5.375% due 04/30/2013	5,800	6,004						
American Express Bank FSB								
0.375% due 10/20/2009	6,800	6,800						
6.000% due 09/13/2017	3,900	3,563						
American Express Centurion Bank								
0.375% due 09/22/2009	400	399						
0.377% due 03/23/2010	11,600	11,375						
5.550% due 10/17/2012	9,840	9,841						
6.000% due 09/13/2017	3,900	3,563						
American Express Co.								
7.000% due 03/19/2018	200	195						
American Express Credit Corp.								
0.381% due 11/09/2009	6,700	6,655						
0.478% due 06/16/2011	500	466						
0.496% due 12/02/2010	200	191						
American International Group, Inc.								
1.217% due 10/18/2011	100	65						
4.950% due 03/20/2012	1,700	1,157						
5.050% due 10/01/2015	1,800	972						
5.450% due 05/18/2017	400	211						
6.250% due 03/15/2037	2,100	551						
8.175% due 05/15/2058	3,000	856						
8.250% due 08/15/2018	12,000	7,071						
ANZ National International Ltd.								
6.200% due 07/19/2013	7,400	7,632						
Bank of America Corp.								
0.813% due 09/18/2009	6,100	6,089						
1.127% due 11/06/2009	3,900	3,893						
1.213% due 08/15/2016	2,800	2,199						
2.375% due 06/22/2012	6,500	6,572						
6.000% due 09/01/2017	7,000	6,374						
Bank of America N.A.								
6.000% due 10/15/2036	2,100	1,686						
Bank of Scotland PLC								
0.689% due 12/08/2010	6,300	6,003						
1.152% due 07/17/2009	10,400	10,394						
Barclays Bank PLC								
5.450% due 09/12/2012	40,000	41,747						
6.050% due 12/04/2017	16,800	14,591						
Bear Stearns Cos. LLC								
0.842% due 08/21/2009	17,400	17,413						
0.974% due 05/18/2010	12,200	12,185						
1.093% due 08/15/2011	900	877						
1.507% due 07/19/2010	\$ 10,400	\$ 10,411						
6.400% due 10/02/2017	27,900	27,994						
BNP Paribas								
5.186% due 06/29/2049	15,600	10,166						
C10 Capital SPV Ltd.								
6.722% due 12/31/2049	4,300	2,204						
Caelus Re Ltd.								
6.918% due 06/07/2011	2,700	2,456						
CIT Group, Inc.								
0.974% due 08/17/2009	7,100	6,901						
Citibank N.A.								
1.625% due 03/30/2011	5,100	5,143						
Citigroup Capital XXI								
8.300% due 12/21/2077	19,500	15,230						
Citigroup Funding, Inc.								
2.036% due 05/07/2010	16,800	16,457						
Citigroup, Inc.								
0.631% due 12/28/2009	5,300	5,250						
0.749% due 03/16/2012	5,500	4,998						
0.902% due 06/09/2016	13,100	9,327						
2.125% due 04/30/2012	3,100	3,116						
5.300% due 10/17/2012	2,200	2,124						
5.500% due 08/27/2012	5,500	5,335						
5.500% due 04/11/2013	40,900	38,378						
5.625% due 08/27/2012	4,400	4,123						
5.850% due 07/02/2013	1,400	1,326						
6.000% due 02/21/2012	3,789	3,749						
6.125% due 05/15/2018	3,000	2,628						
6.125% due 08/25/2036	15,000	11,189						
Countrywide Financial Corp.								
4.500% due 06/15/2010	2,400	2,377						
5.800% due 06/07/2012	10,300	10,373						
Countrywide Home Loans, Inc.								
4.125% due 09/15/2009	2,100	2,107						
5.625% due 07/15/2009	100	100						
Credit Agricole S.A.								
0.714% due 05/28/2010	6,800	6,765						
DBS Bank Ltd.								
1.074% due 05/16/2017	1,000	878						
Deutsche Bank AG								
6.000% due 09/01/2017	24,600	25,135						
Dexia Credit Local								
1.262% due 09/23/2011	15,200	15,161						
DnB NOR Bank ASA								
1.209% due 10/13/2009	5,700	5,665						
Ford Motor Credit Co. LLC								
5.700% due 01/15/2010	1,000	965						
7.250% due 10/25/2011	200	173						
7.375% due 10/28/2009	5,000	4,958						
7.375% due 02/01/2011	200	181						
7.875% due 06/15/2010	600	570						
8.625% due 11/01/2010	400	376						
General Electric Capital Corp.								
0.655% due 10/06/2010	800	786						
0.953% due 08/15/2011	600	568						
1.122% due 10/26/2009	600	600						
1.177% due 01/20/2010	4,800	4,773						
1.800% due 03/11/2011	2,200	2,221						
3.000% due 12/09/2011	21,200	21,884						
5.875% due 01/14/2038	8,100	6,422						
6.375% due 11/15/2067	12,200	8,151						
GMAC LLC								
6.000% due 12/15/2011	1,100	924						
Goldman Sachs Group, Inc.								
5.950% due 01/18/2018	17,300	16,808						
6.250% due 09/01/2017	14,900	14,766						
HBOS PLC								
5.375% due 11/29/2049	\$ 5,100	\$ 2,467						
HSBC Finance Corp.								
1.162% due 10/21/2009	4,500	4,487						
HSBC Holdings PLC								
6.500% due 05/02/2036	2,300	2,250						
6.500% due 09/15/2037	2,900	2,811						
JPMorgan Chase & Co.								
1.026% due 05/07/2010	9,700	9,687						
6.000% due 01/15/2018	3,900	3,881						
JPMorgan Chase Bank N.A.								
6.000% due 10/01/2017	8,000	7,799						
JPMorgan Chase Capital XX								
6.550% due 09/15/2066	1,200	956						
KeyBank N.A.								
2.906% due 06/02/2010	10,300	10,002						
Lehman Brothers Holdings, Inc.								
2.907% due 11/16/2009 (a)	15,260	2,327						
2.911% due 08/21/2009 (a)	10,600	1,617						
2.950% due 05/25/2010 (a)	5,200	793						
3.005% due 07/18/2011 (a)	4,800	732						
3.053% due 11/10/2009 (a)	4,500	686						
5.625% due 01/24/2013 (a)	3,800	594						
6.875% due 05/02/2018 (a)	3,200	528						
Lloyds Banking Group PLC								
5.920% due 09/29/2049	1,100	391						
Longpoint Re Ltd.								
5.874% due 05/08/2010	2,900	2,819						
Merrill Lynch & Co., Inc.								
0.726% due 12/04/2009	7,300	7,287						
0.996% due 08/14/2009	6,200	6,200						
1.292% due 07/25/2011	8,500	7,875						
6.150% due 04/25/2013	10,000	10,026						
6.875% due 04/25/2018	17,800	16,501						
MetLife, Inc.								
6.400% due 12/15/2066	1,700	1,219						
Metropolitan Life Global Funding I								
0.894% due 05/17/2010	15,200	15,079						
5.125% due 11/09/2011	8,200	8,482						
Morgan Stanley								
1.221% due 01/15/2010	8,200	8,135						
3.006% due 05/14/2010	20,700	20,645						
5.950% due 12/28/2017	10,600	10,188						
Mystic Re Ltd.								
10.668% due 06/07/2011	2,200	2,049						
National Australia Bank Ltd.								
0.688% due 09/11/2009	5,300	5,296						
5.350% due 06/12/2013	6,100	6,290						
National Westminster Bank PLC								
7.375% due 10/01/2009	12,935	12,795						
Osiris Capital PLC								
6.131% due 01/15/2010	3,100	3,056						
Petroleum Export Ltd.								
5.265% due 06/15/2011	529	510						
Principal Life Income Funding Trusts								
5.300% due 04/24/2013	5,200	5,194						
Residential Reinsurance 2007 Ltd.								
10.918% due 06/07/2010	1,200	1,140						
Resona Bank Ltd.								
5.850% due 09/29/2049	1,200	907						
Santander Per								

Schedule of Investments Total Return Portfolio (Cont.)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Santander U.S. Debt S.A. Unipersonal								
0.697% due 11/20/2009	\$ 10,900	\$ 10,832						
SLM Corp.								
1.322% due 10/25/2011	200	162						
SMFG Preferred Capital USD 1 Ltd.								
6.078% due 01/29/2049	4,100	3,298						
State Street Capital Trust III								
8.250% due 03/15/2042	6,800	5,748						
State Street Capital Trust IV								
1.629% due 06/01/2077	1,000	580						
TNK-BP Finance S.A.								
6.125% due 03/20/2012	1,200	1,113						
UBS AG								
5.750% due 04/25/2018	4,600	4,196						
5.875% due 12/20/2017	4,700	4,384						
UFJ Finance Aruba AEC								
6.750% due 07/15/2013	300	311						
USB Capital IX								
6.189% due 04/15/2049	900	608						
Wachovia Corp.								
0.718% due 12/01/2009	4,400	4,392						
0.749% due 03/15/2011	10,400	10,040						
1.261% due 10/15/2011	8,100	7,698						
5.500% due 05/01/2013	8,300	8,584						
5.750% due 02/01/2018	16,900	16,625						
Wells Fargo & Co.								
0.729% due 09/15/2009	915	916						
ZFS Finance USA Trust I								
5.875% due 05/09/2062	4,400	3,191						
		834,980						
INDUSTRIALS 3.4%								
Amgen, Inc.								
6.150% due 06/01/2018	1,200	1,307						
AstraZeneca PLC								
5.900% due 09/15/2017	2,500	2,681						
6.450% due 09/15/2037	2,400	2,667						
Citigroup Global Markets Deutschland AG for OAO Gazprom								
10.500% due 10/21/2009	6,000	6,158						
CODELCO, Inc.								
6.150% due 10/24/2036	700	689						
Comcast Corp.								
1.439% due 07/14/2009	7,700	7,702						
5.875% due 02/15/2018	1,700	1,726						
6.450% due 03/15/2037	1,700	1,679						
Daimler Finance North America LLC								
1.466% due 08/03/2009	6,300	6,281						
Dell, Inc.								
5.650% due 04/15/2018	11,200	11,397						
El Paso Corp.								
7.800% due 08/01/2031	900	738						
7.875% due 06/15/2012	3,000	2,958						
9.625% due 05/15/2012	800	810						
Gaz Capital S.A.								
6.212% due 11/22/2016	1,200	1,008						
7.343% due 04/11/2013	1,700	1,649						
8.146% due 04/11/2018	6,700	6,130						
International Business Machines Corp.								
5.700% due 09/14/2017	2,400	2,552						
Kinder Morgan Energy Partners LP								
5.950% due 02/15/2018	24,000	23,532						
Morgan Stanley Bank AG for OAO Gazprom								
9.625% due 03/01/2013	100	102						
Oracle Corp.								
4.950% due 04/15/2013	\$ 13,100	\$ 13,734						
5.750% due 04/15/2018	12,900	13,631						
Roche Holdings, Inc.								
7.000% due 03/01/2039	11,800	13,708						
Rohm & Haas Co.								
6.000% due 09/15/2017	3,700	3,313						
Time Warner, Inc.								
1.150% due 11/13/2009	6,600	6,585						
Union Pacific Corp.								
5.700% due 08/15/2018	13,800	13,853						
United Airlines, Inc.								
6.071% due 03/01/2013	146	144						
8.030% due 01/01/2013 (a)	465	461						
UnitedHealth Group, Inc.								
4.875% due 02/15/2013	5,200	5,262						
Vale Overseas Ltd.								
6.250% due 01/23/2017	1,300	1,317						
6.875% due 11/21/2036	1,300	1,240						
Williams Cos., Inc.								
6.375% due 10/01/2010	7,000	7,001						
		162,015						
UTILITIES 1.6%								
AT&T, Inc.								
1.116% due 02/05/2010	3,600	3,603						
4.950% due 01/15/2013	5,200	5,414						
5.500% due 02/01/2018	5,200	5,200						
6.300% due 01/15/2038	3,600	3,486						
Enel Finance International S.A.								
6.250% due 09/15/2017	19,000	19,867						
Entergy Gulf States, Inc.								
5.700% due 06/01/2015	8,300	8,089						
6.000% due 12/01/2012	6,500	6,509						
Korea Electric Power Corp.								
5.125% due 04/23/2034	90	83						
NGPL PipeCo. LLC								
6.514% due 12/15/2012	5,800	6,086						
Public Service Electric & Gas Co.								
5.300% due 05/01/2018	11,600	12,141						
Qwest Capital Funding, Inc.								
7.250% due 02/15/2011	657	641						
Ras Laffan Liquefied Natural Gas Co. Ltd. III								
5.838% due 09/30/2027	2,600	2,184						
Verizon Communications, Inc.								
5.250% due 04/15/2013	1,500	1,576						
		74,879						
Total Corporate Bonds & Notes (Cost \$1,137,439)								
		1,071,874						
CONVERTIBLE BONDS & NOTES 0.3%								
National City Corp.								
4.000% due 02/01/2011	12,900	12,739						
Total Convertible Bonds & Notes (Cost \$11,204)								
		12,739						
MUNICIPAL BONDS & NOTES 3.4%								
Austin Trust Various States Revenue Bonds, (FSA Insured), Series 2008								
7.578% due 10/01/2041	2,550	2,138						
Badger, Wisconsin Tobacco Asset Securitization Corp. Revenue Bonds, Series 2002								
6.000% due 06/01/2017	\$ 3,700	\$ 4,098						
California State General Obligation Bonds, Series 2007								
5.000% due 11/01/2037	14,400	12,095						
Colorado State Health Facilities Authority Revenue Bonds, (FSA Insured), Series 2006								
5.000% due 09/01/2036	6,300	6,189						
Connecticut State General Obligation Bonds, Series 2008								
5.850% due 03/15/2032	17,300	17,404						
Garden State, New Jersey Preservation Trust Revenue Bonds, (FSA Insured), Series 2003								
5.500% due 11/01/2014	7,725	8,860						
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007								
5.125% due 06/01/2047	1,400	758						
Iowa State Tobacco Settlement Authority Revenue Bonds, Series 2005								
6.500% due 06/01/2023	960	719						
Los Angeles, California Unified School District General Obligation Bonds, (FSA Insured), Series 2007								
4.500% due 07/01/2023	11,800	11,237						
New Jersey State Tobacco Settlement Financing Corp. Revenue Bonds, Series 2007								
5.000% due 06/01/2041	2,900	1,571						
New Jersey State Turnpike Authority Revenue Bonds, Series 2009								
7.414% due 01/01/2040	24,500	28,557						
New York City, New York Municipal Water Finance Authority Revenue Bonds, Series 2007								
5.000% due 06/15/2037	10,000	9,822						
New York State Dormitory Authority Revenue Bonds, (AMBAC Insured), Series 2007								
5.000% due 07/01/2037	10,000	9,650						
New York State JPMorgan Chase Putters/Drivers Trust Revenue Bonds, Series 2008								
9.847% due 06/15/2031	5,130	5,414						
Ohio State Buckeye Tobacco Settlement Financing Authority Revenue Bonds, Series 2007								
5.875% due 06/01/2030	100	70						
Phoenix, Arizona Civic Improvement Corp. Revenue Bonds, Series 2008								
5.000% due 07/01/2038	6,200	6,227						
San Francisco, California City & County Airports Commission Revenue Bonds, (MBIA Insured), Series 2002								
5.000% due 05/01/2032	4,185	3,637						
Southern California State Metropolitan Water District Revenue Bonds, Series 2007								
5.000% due 07/01/2024	7,100	7,467						
Southern California State Tobacco Securitization Agency Revenue Bonds, Series 2006								
5.125% due 06/01/2046	655	359						
Texas State JPMorgan Chase Putters/Drivers Trust General Obligation Bonds, (PSF-GTD Insured), Series 2008								
9.798% due 02/15/2031	3,390	3,818						
Texas State JPMorgan Chase Putters/Drivers Trust Revenue Bonds, Series 2008								
9.813% due 02/01/2027	2,575	2,822						
9.902% due 10/01/2031	6,240	6,925						
University of Arkansas Revenue Bonds, (AMBAC Insured), Series 2006								
5.000% due 11/01/2036	5,600	5,575						

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Wisconsin State Public Power, Inc. Revenue Bonds, (FSA Insured), Series 2008		
5.000% due 07/01/2037	\$ 6,600	\$ 6,454
Total Municipal Bonds & Notes (Cost \$149,528)		161,866
U. S. GOVERNMENT AGENCIES 84.1%		
Fannie Mae		
0.374% due 12/25/2036 - 07/25/2037	12,209	10,873
0.664% due 03/25/2044	4,167	3,929
2.638% due 06/01/2043 - 07/01/2044	4,407	4,374
2.838% due 09/01/2040	20	20
4.000% due 10/01/2018	302	309
4.042% due 01/01/2025	21	21
4.187% due 10/01/2032	1,171	1,173
4.308% due 11/01/2035	220	222
4.500% due 03/01/2023 - 04/01/2035	5,399	5,496
4.631% due 05/25/2035	954	954
4.647% due 12/01/2036	1,814	1,826
4.721% due 04/01/2035	3,323	3,401
4.752% due 04/01/2035	2,086	2,153
4.805% due 08/01/2035	4,034	4,147
4.845% due 09/01/2034 - 09/01/2039	1,770	1,781
5.000% due 02/25/2017 - 07/01/2039	425,114	434,824
5.051% due 09/01/2035	1,634	1,700
5.145% due 11/01/2025	1	1
5.154% due 08/01/2035	1,695	1,766
5.500% due 04/01/2014 - 07/01/2039	652,727	675,466
5.500% due 11/01/2034 (h)	27,664	28,684
5.500% due 07/01/2036 - 09/01/2038 (g)	687,817	712,324
5.500% due 06/01/2038 (e)	77,878	80,494
6.000% due 04/01/2016 - 07/01/2039	1,029,378	1,078,088
6.000% due 12/01/2036 (h)	27,610	28,926
6.000% due 10/01/2038 (g)	212,691	222,632
6.500% due 06/01/2029 - 07/01/2039	34,570	36,826
7.000% due 04/25/2023 - 06/01/2032	2,269	2,468
Federal Home Loan Bank		
3.375% due 06/24/2011	1,400	1,453
Federal Housing Administration		
7.430% due 01/25/2023	47	47
Freddie Mac		
0.469% due 07/15/2019 - 10/15/2020	40,692	39,872
0.619% due 05/15/2036	4,099	3,960
0.702% due 03/09/2011 (e)	4,771	4,789
0.769% due 11/15/2030	25	25
0.819% due 09/15/2030	21	21
0.926% due 05/04/2011 (e)	2,210	2,216
0.937% due 08/05/2011 (e)	69,500	69,525
1.125% due 06/01/2011	8,800	8,789
1.625% due 04/26/2011	6,200	6,251
2.639% due 02/25/2045	540	514
4.204% due 07/01/2027	1	1
4.500% due 04/01/2018 - 10/01/2018	1,619	1,676
4.751% due 07/01/2030	1	1
4.895% due 01/01/2028	1	1
5.000% due 04/01/2018 - 08/01/2039	238,557	242,933
5.250% due 07/18/2011	800	864

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
5.500% due 10/01/2034 - 01/01/2039	\$ 107,150	\$ 110,748
5.500% due 02/01/2038 (g)	117,689	121,642
6.000% due 07/01/2016 - 07/01/2039	47,614	49,748
6.500% due 03/01/2013 - 10/01/2037	604	643
7.000% due 06/15/2023	1,286	1,404
7.500% due 07/15/2030 - 03/01/2032	202	218
8.500% due 08/01/2024	12	13
Ginnie Mae		
0.815% due 09/20/2030	17	17
0.918% due 02/16/2030	183	183
3.750% due 02/20/2032	421	426
4.125% due 10/20/2029 - 11/20/2029	164	167
4.375% due 02/20/2027	4	3
4.625% due 07/20/2030	8	8
5.375% due 04/20/2026 - 05/20/2030	73	76
5.500% due 04/15/2033 - 09/15/2033	400	416
6.000% due 02/15/2038 - 11/15/2038	8,744	9,123
6.500% due 03/15/2031 - 04/15/2032	147	158
Small Business Administration		
5.130% due 09/01/2023	58	61
6.030% due 02/01/2012	1,911	1,999
6.290% due 01/01/2021	131	140
6.344% due 08/01/2011	144	150
7.449% due 08/01/2010	5	5
7.500% due 04/01/2017	526	576
8.017% due 02/10/2010	39	40
Total U.S. Government Agencies (Cost \$3,919,274)		4,025,780

U. S. TREASURY OBLIGATIONS 5.0%

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Treasury Inflation Protected Securities (c)		
1.625% due 01/15/2015 (g)	24,348	24,226
1.625% due 01/15/2018	13,852	13,705
1.750% due 01/15/2028 (g)	8,651	8,165
1.875% due 07/15/2015 (g)	52,748	53,308
2.000% due 01/15/2014	12,587	12,871
2.000% due 01/15/2016 (g)	11,066	11,228
2.375% due 04/15/2011	13,447	13,850
2.375% due 01/15/2025 (g)	55,767	57,266
2.500% due 01/15/2029	18,982	20,139
2.625% due 07/15/2017	16,781	17,867
U.S. Treasury Notes		
0.875% due 04/30/2011 (h)	5,368	5,354
0.875% due 05/31/2011 (h)	2,400	2,392
Total U.S. Treasury Obligations (Cost \$237,151)		240,371

MORTGAGE-BACKED SECURITIES 5.5%

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
American Home Mortgage Investment Trust		
4.390% due 02/25/2045	2,386	1,881
Banc of America Commercial Mortgage, Inc.		
4.128% due 07/10/2042	331	330
4.875% due 06/10/2039	27	27
5.451% due 01/15/2049	11,600	8,686
5.929% due 05/10/2045	6,400	5,356
5.935% due 02/10/2051	3,200	2,590
Banc of America Funding Corp.		
3.781% due 05/25/2035	3,791	3,224

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Banc of America Mortgage Securities, Inc.		
3.919% due 05/25/2033	\$ 4,136	\$ 3,431
6.500% due 10/25/2031	660	649
6.500% due 09/25/2033	305	289
Bear Stearns Adjustable Rate Mortgage Trust		
3.859% due 11/25/2030	5	4
4.179% due 07/25/2034	3,104	2,476
4.740% due 10/25/2035	9,835	9,488
4.808% due 11/25/2034	2,591	2,147
4.965% due 01/25/2035	3,207	2,708
5.021% due 04/25/2033	774	693
5.063% due 11/25/2034	7,725	6,489
5.088% due 02/25/2033	100	90
5.409% due 01/25/2034	1,589	1,281
5.609% due 02/25/2033	172	160
Bear Stearns Alt-A Trust		
5.362% due 05/25/2035	5,116	3,319
5.490% due 09/25/2035	3,051	1,658
Bear Stearns Commercial Mortgage Securities		
5.331% due 02/11/2044	1,000	812
5.471% due 01/12/2045	2,800	2,333
5.700% due 06/11/2050	9,400	7,493
5.703% due 06/11/2050	8,600	7,695
Bear Stearns Structured Products, Inc.		
5.644% due 01/26/2036	6,246	3,452
5.714% due 12/26/2046	3,673	2,238
Citigroup Commercial Mortgage Trust		
0.389% due 08/15/2021	36	31
Citigroup Mortgage Loan Trust, Inc.		
4.700% due 12/25/2035	1,419	1,147
Citigroup/Deutsche Bank Commercial Mortgage Trust		
5.322% due 12/11/2049	3,000	2,222
Commercial Mortgage Pass-Through Certificates		
5.306% due 12/10/2046	4,900	3,587
Countrywide Alternative Loan Trust		
0.494% due 05/25/2047	4,546	1,709
Countrywide Home Loan Mortgage Pass-Through Trust		
4.711% due 02/20/2035	9,415	7,495
4.786% due 11/25/2034	5,261	3,998
5.250% due 02/20/2036	1,608	1,093
5.750% due 05/25/2033	156	154
Credit Suisse Mortgage Capital Certificates		
5.846% due 03/15/2039	900	646
CS First Boston Mortgage Securities Corp.		
5.329% due 06/25/2032	22	18
First Nationwide Trust		
6.750% due 08/21/2031	6	6
Greenpoint Mortgage Funding Trust		
0.394% due 10/25/2046	3,727	3,071
0.394% due 01/25/2047	4,148	3,150
Greenpoint Mortgage Pass-Through Certificates		
4.826% due 10/25/2033	3,299	2,497
Greenwich Capital Commercial Funding Corp.		
4.799% due 08/10/2042	400	342
5.317% due 06/10/2036	915	847
5.444% due 03/10/2039	4,400	3,519
GS Mortgage Securities Corp. II		
0.408% due 03/06/2020	7,096	6,088
5.396% due 08/10/2038	905	809
5.993% due 08/10/2045	6,300	4,779
GSR Mortgage Loan Trust		
4.469% due 09/25/2035	16,416	13,827
5.241% due 11/25/2035	6,697	5,217

Schedule of Investments Total Return Portfolio (Cont.)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)		PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
Harborview Mortgage Loan Trust				Wells Fargo Mortgage-Backed Securities Trust				
0.403% due 01/19/2038	\$ 3,587	\$ 3,316		4.947% due 01/25/2035	\$ 6,663	\$ 5,578		
0.503% due 01/19/2038	11,299	4,830		4.950% due 03/25/2036	6,456	4,568		
0.533% due 05/19/2035	1,009	452		4.981% due 12/25/2034	4,982	4,443		
5.143% due 07/19/2035	4,406	2,564						
Impac Secured Assets CMN Owner Trust				Total Mortgage-Backed Securities (Cost \$326,987)				260,778
0.394% due 01/25/2037	1,355	1,272		ASSET-BACKED SECURITIES 1.0%				
Indymac ARM Trust				ACE Securities Corp.				
3.708% due 01/25/2032	3	2		0.364% due 12/25/2036	1,000	735		
Indymac Index Mortgage Loan Trust				Amortizing Residential Collateral Trust				
0.404% due 11/25/2046	2,055	1,914		0.584% due 06/25/2032	239	111		
JPMorgan Chase Commercial Mortgage Securities Corp.				Asset-Backed Funding Certificates				
5.336% due 05/15/2047	6,800	5,232		0.374% due 11/25/2036	1,143	1,093		
5.420% due 01/15/2049	20,956	15,485		0.374% due 01/25/2037	1,513	1,250		
5.882% due 02/15/2051	2,300	1,729		Bear Stearns Asset-Backed Securities Trust				
6.007% due 06/15/2049	300	256		0.394% due 10/25/2036	1,084	961		
JPMorgan Mortgage Trust				0.404% due 06/25/2047	2,144	1,630		
5.012% due 02/25/2035	4,308	3,770		Countrywide Asset-Backed Certificates				
Lehman Brothers Floating Rate Commercial Mortgage Trust				0.364% due 05/25/2037	1,493	1,413		
0.399% due 09/15/2021	773	684		0.364% due 12/25/2046	187	183		
Merrill Lynch Countrywide Commercial Mortgage Trust				0.364% due 05/25/2047	1,485	1,352		
2.986% due 07/09/2009	12,200	10,991		Credit-Based Asset Servicing & Securitization LLC				
5.485% due 03/12/2051	5,500	3,705		0.374% due 11/25/2036	1,856	1,518		
Merrill Lynch Mortgage Investors, Inc.				EMC Mortgage Loan Trust				
0.524% due 02/25/2036	2,889	1,561		0.684% due 05/25/2040	492	344		
Merrill Lynch Mortgage Trust				First Franklin Mortgage Loan Asset-Backed Certificates				
4.353% due 02/12/2042	211	204		0.364% due 11/25/2036	2,675	2,520		
MLCC Mortgage Investors, Inc.				Fremont Home Loan Trust				
0.564% due 11/25/2035	794	548		0.374% due 01/25/2037	2,010	1,304		
1.314% due 10/25/2035	1,446	1,153		HFC Home Equity Loan Asset-Backed Certificates				
Morgan Stanley Capital I				0.605% due 01/20/2034	5,923	4,104		
0.380% due 10/15/2020	1,723	1,278		HSI Asset Securitization Corp. Trust				
4.050% due 01/13/2041	302	306		0.364% due 12/25/2036	1,106	670		
5.809% due 12/12/2049	600	459		Indymac Residential Asset-Backed Trust				
6.076% due 06/11/2049	3,100	2,344		0.374% due 04/25/2037	807	766		
Prime Mortgage Trust				JPMorgan Mortgage Acquisition Corp.				
0.714% due 02/25/2019	119	112		0.364% due 08/25/2036	380	353		
0.714% due 02/25/2034	727	589		0.374% due 03/25/2047	4,119	2,965		
Residential Funding Mortgage Securities I				Lehman XS Trust				
6.500% due 03/25/2032	614	618		0.384% due 05/25/2046	6	6		
Sovereign Commercial Mortgage Securities Trust				Long Beach Mortgage Loan Trust				
5.835% due 07/22/2030	1,200	1,058		0.594% due 10/25/2034	156	100		
Structured Adjustable Rate Mortgage Loan Trust				MASTR Asset-Backed Securities Trust				
5.497% due 07/25/2035	1,277	875		0.374% due 11/25/2036	1,422	1,320		
Structured Asset Mortgage Investments, Inc.				Merrill Lynch Mortgage Investors, Inc.				
0.563% due 07/19/2035	6,178	3,889		0.384% due 08/25/2036	499	496		
0.973% due 09/19/2032	118	89		Morgan Stanley ABS Capital I				
Structured Asset Securities Corp.				0.354% due 10/25/2036	761	714		
4.093% due 07/25/2032	12	9		0.364% due 10/25/2036	564	525		
4.687% due 02/25/2032	18	16		Nelnet Student Loan Trust				
Thornburg Mortgage Securities Trust				0.669% due 12/22/2016	6,256	6,198		
0.424% due 11/25/2046	3,670	3,299		Park Place Securities, Inc.				
Wachovia Bank Commercial Mortgage Trust				0.626% due 10/25/2034	2,583	1,930		
0.399% due 06/15/2020	8,092	5,959		Residential Asset Securities Corp.				
0.409% due 09/15/2021	17,864	12,874		0.384% due 11/25/2036	617	609		
5.308% due 11/15/2048	2,000	1,533		Saxon Asset Securities Trust				
5.509% due 04/15/2047	3,200	2,132		0.374% due 10/25/2046	370	356		
WaMu Mortgage Pass-Through Certificates				SBI HELOC Trust				
0.604% due 10/25/2045	1,139	598		0.484% due 08/25/2036	1,175	1,057		
2.540% due 11/25/2042	606	350						
2.740% due 08/25/2042	1,393	883						
				Securitized Asset-Backed Receivables LLC Trust				
				0.444% due 05/25/2037	\$ 4,604	\$ 2,873		
				SLM Student Loan Trust				
				1.092% due 10/25/2016	3,832	3,819		
				Structured Asset Securities Corp.				
				0.364% due 10/25/2036	2,039	1,863		
				0.604% due 01/25/2033	73	52		
				Wells Fargo Home Equity Trust				
				0.364% due 01/25/2037	168	165		
				Total Asset-Backed Securities (Cost \$54,679)				45,355
				SOVEREIGN ISSUES 0.6%				
				China Development Bank Corp.				
				5.000% due 10/15/2015	900	932		
				Export-Import Bank of China				
				4.875% due 07/21/2015	900	938		
				Korea Development Bank				
				1.317% due 04/03/2010	25,000	24,478		
				South Africa Government International Bond				
				5.875% due 05/30/2022	500	460		
				Total Sovereign Issues (Cost \$27,287)				26,808
				FOREIGN CURRENCY-DENOMINATED ISSUES 0.9%				
				Brazil Government International Bond				
				10.250% due 01/10/2028	BRL 4,400	2,223		
				Countrywide Financial Corp.				
				5.125% due 02/17/2011	GBP 600	970		
				Fortis Bank Nederland Holding NV				
				3.000% due 04/17/2012	EUR 7,900	11,206		
				General Electric Capital Corp.				
				5.500% due 09/15/2067	24,100	19,609		
				Lehman Brothers Holdings, Inc.				
				5.125% due 06/27/2014 (a)	950	200		
				5.316% due 04/05/2011 (a)	10	2		
				MUFG Capital Finance 5 Ltd.				
				6.299% due 01/25/2049	GBP 700	823		
				SLM Corp.				
				1.531% due 11/15/2011	EUR 1,000	1,101		
				Wachovia Corp.				
				1.449% due 02/13/2014	5,200	6,315		
				1.465% due 08/01/2011	400	531		
				Total Foreign Currency-Denominated Issues (Cost \$54,610)				42,980
				SHARES				
				CONVERTIBLE PREFERRED STOCKS 0.0%				
				General Motors Corp.				
				5.250% due 03/06/2032	316,000	910		
				Total Convertible Preferred Stocks (Cost \$988)				910
				PREFERRED STOCKS 0.2%				
				DG Funding Trust				
				1.343% due 12/31/2049	1,239	10,717		
				Total Preferred Stocks (Cost \$13,056)				10,717

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
SHORT-TERM INSTRUMENTS 6.6%		
REPURCHASE AGREEMENTS 5.4%		
Barclays Capital, Inc.		
0.020% due 07/01/2009	\$ 26,000	\$ 26,000
(Dated 06/30/2009. Collateralized by U.S. Treasury Inflation Protected Securities 2.000% due 01/15/2016 valued at \$26,916. Repurchase proceeds are \$26,000.)		
Goldman Sachs & Co.		
0.050% due 07/01/2009	22,700	22,700
(Dated 06/30/2009. Collateralized by Fannie Mae 4.000% due 06/01/2024 valued at \$23,262. Repurchase proceeds are \$22,700.)		
0.250% due 07/13/2009	145,000	145,000
(Dated 06/25/2009. Collateralized by Fannie Mae 6.000% due 10/01/2038 valued at \$145,679. Repurchase proceeds are \$145,001.)		

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
JPMorgan Chase Bank N.A.		
0.170% due 07/08/2009	\$ 64,219	\$ 64,219
(Dated 06/08/2009. Collateralized by U.S. Treasury Inflation Protected Securities 2.000% - 2.375% due 01/15/2016 - 01/15/2025 valued at \$68,533. Repurchase proceeds are \$64,219.)		
		257,919
U.S. TREASURY BILLS 0.0%		
0.178% due 07/09/2009 - 12/24/2009 (b)(f)(h)	629	629
		SHARES
SHORT-TERM FLOATING NAV PORTFOLIO (d) 1.2%		
	5,805,191	58,104
Total Short-Term Instruments (Cost \$316,652)		316,652

	MARKET VALUE (000s)
PURCHASED OPTIONS (j) 0.6%	
(Cost \$7,745)	\$ 27,954
Total Investments 131.1% (Cost \$6,283,760)	\$ 6,270,080
Written Options (k) (0.0%) (Premiums \$575)	(207)
Other Assets and Liabilities (Net) (31.1%)	(1,485,429)
Net Assets 100.0%	\$ 4,784,444

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 \$11,053 have been pledged as collateral for swap and swaption contracts on June 30, 2009.
- (f) Securities with an aggregate market value of \$150 have been pledged as collateral for delayed-delivery mortgage-backed securities on June 30, 2009.
- (g) The average amount of borrowings while outstanding during the period ended June 30, 2009 was \$1,427,856 at a weighted average interest rate of 0.628%. On June 30, 2009, securities valued at \$954,437 were pledged as collateral for reverse repurchase agreements.
- (h) Securities with an aggregate market value of \$9,088 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	12/2009	117	\$ 105
90-Day Euribor March Futures	Long	03/2010	205	283
90-Day Eurodollar December Futures	Long	12/2009	2,322	9,047
90-Day Eurodollar December Futures	Long	12/2010	855	(597)
90-Day Eurodollar June Futures	Long	06/2010	749	471
90-Day Eurodollar March Futures	Long	03/2010	1,028	6,416
90-Day Eurodollar September Futures	Long	09/2009	1,980	11,593
90-Day Eurodollar September Futures	Long	09/2010	119	284
United Kingdom 90-Day LIBOR Sterling Interest Rate December Futures	Long	12/2009	66	449
United Kingdom 90-Day LIBOR Sterling Interest Rate December Futures	Long	12/2010	122	(102)
United Kingdom 90-Day LIBOR Sterling Interest Rate June Futures	Long	06/2010	122	(12)
United Kingdom 90-Day LIBOR Sterling Interest Rate March Futures	Long	03/2010	62	39
United Kingdom 90-Day LIBOR Sterling Interest Rate March Futures	Long	03/2011	60	(78)
United Kingdom 90-Day LIBOR Sterling Interest Rate September Futures	Long	09/2010	122	(60)
				\$ 27,838

(i) Swap agreements outstanding on June 30, 2009:

Credit Default Swaps on Corporate, Sovereign, and U.S. Municipal Issues - Sell Protection ⁽¹⁾

Reference Entity	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2009 ⁽²⁾	Notional Amount ⁽³⁾	Market Value	Upfront Premiums Paid/(Received)	Unrealized Appreciation/(Depreciation)
American International Group, Inc.	BCLY	1.670%	03/20/2013	16.024%	\$ 1,100	\$ (386)	\$ 0	\$ (386)
American International Group, Inc.	DUB	5.000%	12/20/2013	15.312%	9,700	(2,734)	(873)	(1,861)
Berkshire Hathaway Finance Corp.	DUB	0.850%	03/20/2013	2.416%	3,900	(205)	0	(205)
Brazil Government International Bond	CSFB	3.350%	12/20/2009	0.793%	2,000	26	0	26
El Paso Corp.	CITI	5.000%	06/20/2012	6.705%	900	(38)	(45)	7
Ford Motor Credit Co. LLC	BCLY	4.150%	09/20/2012	10.284%	2,500	(377)	0	(377)
Ford Motor Credit Co. LLC	BCLY	5.800%	09/20/2012	10.284%	500	(55)	0	(55)
Ford Motor Credit Co. LLC	GSC	3.850%	09/20/2012	10.284%	500	(79)	0	(79)
Ford Motor Credit Co. LLC	JPM	3.900%	09/20/2012	10.284%	2,500	(392)	0	(392)
Ford Motor Credit Co. LLC	JPM	5.750%	09/20/2012	10.284%	500	(55)	0	(55)

- (2) 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.
- (3) 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.
- (4) 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					Notional	Market	Upfront Premiums	Unrealized	
Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Counterparty	Amount	Value	Paid/(Received)	Appreciation/(Depreciation)	
Pay	1-Month EUR-FRCPXTOB Index	2.090%	10/15/2010	BNP	EUR 10,200	\$ 492	\$ (6)	\$ 498	
Pay	1-Month EUR-FRCPXTOB Index	2.103%	10/15/2010	BCLY	1,400	78	0	78	
Pay	1-Month EUR-FRCPXTOB Index	2.146%	10/15/2010	UBS	1,900	109	0	109	
Pay	1-Month EUR-FRCPXTOB Index	1.948%	03/15/2012	JPM	8,400	165	3	162	
Pay	1-Month EUR-FRCPXTOB Index	1.955%	03/28/2012	RBS	1,800	31	0	31	
Pay	1-Month EUR-FRCPXTOB Index	1.950%	03/30/2012	RBS	1,500	25	0	25	
Pay	1-Month EUR-FRCPXTOB Index	1.960%	03/30/2012	GSC	2,400	45	0	45	
Pay	1-Month EUR-FRCPXTOB Index	1.960%	04/05/2012	BCLY	1,200	21	0	21	
Pay	1-Month EUR-FRCPXTOB Index	1.958%	04/10/2012	JPM	700	12	0	12	
Pay	1-Year BRL-CDI	11.360%	01/04/2010	BCLY	BRL 16,700	12	0	12	
Pay	1-Year BRL-CDI	11.430%	01/04/2010	MLP	11,000	17	0	17	
Pay	1-Year BRL-CDI	11.465%	01/04/2010	GSC	4,300	8	0	8	
Pay	1-Year BRL-CDI	12.410%	01/04/2010	UBS	9,800	125	(18)	143	
Pay	1-Year BRL-CDI	12.670%	01/04/2010	MSC	9,800	127	(14)	141	
Pay	1-Year BRL-CDI	12.780%	01/04/2010	MSC	14,200	245	15	230	
Pay	1-Year BRL-CDI	12.948%	01/04/2010	MLP	5,900	114	5	109	
Pay	1-Year BRL-CDI	10.575%	01/02/2012	UBS	23,400	(314)	(422)	108	
Pay	1-Year BRL-CDI	10.600%	01/02/2012	BCLY	2,100	(10)	0	(10)	
Pay	1-Year BRL-CDI	10.600%	01/02/2012	JPM	1,300	(6)	0	(6)	
Pay	1-Year BRL-CDI	10.610%	01/02/2012	HSBC	3,200	(14)	0	(14)	
Pay	1-Year BRL-CDI	11.980%	01/02/2012	MLP	20,800	177	0	177	
Pay	1-Year BRL-CDI	12.540%	01/02/2012	MLP	24,000	375	(160)	535	
Pay	1-Year BRL-CDI	12.540%	01/02/2012	UBS	22,600	353	(12)	365	
Pay	1-Year BRL-CDI	14.765%	01/02/2012	HSBC	1,200	45	8	37	
Pay	1-Year BRL-CDI	14.765%	01/02/2012	MLP	4,100	155	17	138	
Pay	3-Month AUD Bank Bill	4.500%	06/15/2011	DUB	AUD 134,200	(397)	51	(448)	
Pay	3-Month USD-LIBOR	3.150%	12/17/2010	RBS	\$ 306,400	9,142	0	9,142	
Pay	3-Month USD-LIBOR	4.000%	12/17/2010	BOA	29,800	1,266	582	684	
Pay	3-Month USD-LIBOR	3.000%	02/04/2011	BCLY	210,300	7,307	(2,068)	9,375	
Pay	3-Month USD-LIBOR	3.000%	02/04/2011	RBS	97,200	3,377	(288)	3,665	
Pay	3-Month USD-LIBOR	4.000%	06/17/2011	BOA	9,700	484	354	130	
Pay	3-Month USD-LIBOR	4.000%	06/17/2011	CSFB	17,700	882	670	212	
Pay	3-Month USD-LIBOR	4.000%	06/17/2011	DUB	12,800	638	403	235	
Pay	3-Month USD-LIBOR	4.000%	06/17/2011	MLP	10,000	499	360	139	
Pay	3-Month USD-LIBOR	4.000%	06/17/2011	RBS	17,300	862	396	466	
Pay	6-Month AUD Bank Bill	4.250%	09/15/2011	UBS	AUD 49,300	(171)	414	(585)	
Pay	6-Month AUD Bank Bill	5.000%	06/15/2013	DUB	8,700	(179)	33	(212)	
Pay	6-Month EUR-LIBOR	4.500%	03/18/2014	BNP	EUR 8,800	1,007	(133)	1,140	
Pay	6-Month GBP-LIBOR	6.000%	12/19/2009	GSC	GBP 6,300	232	(66)	298	
Pay	6-Month GBP-LIBOR	5.100%	09/15/2013	HSBC	2,600	308	(6)	314	
Pay	6-Month GBP-LIBOR	5.000%	09/17/2013	GSC	1,600	178	14	164	
Pay	6-Month GBP-LIBOR	5.000%	09/17/2013	HSBC	9,600	1,071	97	974	
Pay	6-Month GBP-LIBOR	5.000%	03/18/2014	DUB	3,600	406	2	404	
Pay	6-Month GBP-LIBOR	5.250%	03/18/2014	GSC	2,600	343	0	343	
Pay	6-Month GBP-LIBOR	5.250%	03/18/2014	RBS	6,000	790	(5)	795	
							\$ 30,432	\$ 226	\$ 30,206

(j) Purchased options outstanding on June 30, 2009:

Interest Rate Swaptions

Description	Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
Call - OTC 2-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	3.450%	08/03/2009	\$ 125,100	\$ 1,338	\$ 4,485
Call - OTC 2-Year Interest Rate Swap	JPM	3-Month USD-LIBOR	Pay	3.450%	08/03/2009	86,100	917	3,086
Call - OTC 2-Year Interest Rate Swap	MLP	3-Month USD-LIBOR	Pay	3.450%	08/03/2009	33,500	375	1,201
Call - OTC 2-Year Interest Rate Swap	MSC	3-Month USD-LIBOR	Pay	3.450%	08/03/2009	207,000	1,956	7,421
Call - OTC 2-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	3.600%	07/02/2009	50,600	486	2,058
Call - OTC 2-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	3.450%	08/03/2009	122,300	1,386	4,384
Call - OTC 2-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	3.850%	08/03/2009	121,700	1,287	5,319
							\$ 7,745	\$ 27,954

Schedule of Investments Total Return Portfolio (Cont.)

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

Interest Rate Swaptions

Description	Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premium	Market Value
Put - OTC 2-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	2.000%	07/27/2009	\$ 12,000	\$ 50	\$ 10
Put - OTC 7-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	4.400%	08/03/2009	19,200	91	40
Put - OTC 7-Year Interest Rate Swap	BCLY	3-Month USD-LIBOR	Pay	4.550%	08/03/2009	26,000	117	35
Put - OTC 2-Year Interest Rate Swap	CITI	3-Month USD-LIBOR	Pay	2.000%	07/27/2009	12,000	48	10
Put - OTC 2-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	2.000%	07/27/2009	16,500	71	13
Put - OTC 2-Year Interest Rate Swap	JPM	3-Month USD-LIBOR	Pay	2.000%	07/27/2009	6,000	26	5
Put - OTC 7-Year Interest Rate Swap	RBS	3-Month USD-LIBOR	Pay	4.400%	08/03/2009	45,500	172	94
							\$ 575	\$ 207

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

	# of Contracts	Notional Amount	Premium
Balance at 12/31/2008	1,807	\$ 445,600	\$ 12,824
Sales	1,067	206,700	1,460
Closing Buys	0	(403,600)	(11,543)
Expirations	(2,874)	(111,500)	(2,166)
Exercised	0	0	0
Balance at 06/30/2009	0	\$ 137,200	\$ 575

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

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Market Value
Freddie Mac	5.500%	07/01/2039	\$ 109,000	\$ 112,534	\$ 112,491

(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)
Buy	AUD	1,010	07/2009	DUB	\$ 9	\$ 0	\$ 9
Buy		9,238	07/2009	GSC	173	0	173
Buy	BRL	37,754	08/2009	HSBC	1,503	0	1,503
Buy	CAD	8,313	08/2009	JPM	0	(443)	(443)
Buy	CNY	34,581	07/2009	BCLY	0	(284)	(284)
Sell		19,373	07/2009	BCLY	0	(129)	(129)
Sell		56,062	07/2009	CITI	0	(211)	(211)
Buy		117,459	07/2009	DUB	0	(956)	(956)
Sell		91,586	07/2009	DUB	0	(341)	(341)
Buy		37,534	07/2009	HSBC	0	(264)	(264)
Sell		40,019	07/2009	HSBC	0	(147)	(147)
Buy		36,762	07/2009	JPM	0	(322)	(322)
Sell		19,296	07/2009	JPM	0	(129)	(129)
Buy		11,649	09/2009	BCLY	23	0	23
Sell		29,103	09/2009	BCLY	0	(105)	(105)
Buy		7,496	09/2009	CITI	18	0	18
Sell		22,056	09/2009	CITI	0	(75)	(75)
Buy		33,884	09/2009	DUB	74	0	74
Buy		15,116	09/2009	HSBC	35	0	35
Sell		9,302	09/2009	HSBC	0	(36)	(36)
Buy		6,144	09/2009	JPM	10	0	10
Sell		13,827	09/2009	JPM	0	(54)	(54)
Buy		7,168	03/2010	BCLY	0	(5)	(5)
Buy		7,185	03/2010	HSBC	0	(2)	(2)
Buy		43,733	03/2010	JPM	0	(21)	(21)
Sell	EUR	17,348	07/2009	BCLY	0	(130)	(130)
Sell		662	07/2009	GSC	0	(1)	(1)
Sell	GBP	14,472	07/2009	CITI	0	(1,418)	(1,418)
Sell		344	07/2009	GSC	0	(14)	(14)
Buy		14,613	07/2009	MSC	0	(100)	(100)
Buy		203	07/2009	RBS	16	0	16
Sell		14,613	08/2009	MSC	100	0	100
Buy	JPY	432,350	07/2009	BNP	5	0	5
Buy		432,350	08/2009	MSC	0	0	0
Buy	SGD	3,558	07/2009	HSBC	0	(4)	(4)
Sell		3,558	07/2009	HSBC	0	(117)	(117)
					\$ 1,966	\$ (5,308)	\$ (3,342)

(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	\$ 1,065,994	\$ 5,880	\$ 1,071,874
U.S. Government Agencies	0	4,025,733	47	4,025,780
U.S. Treasury Obligations	0	240,371	0	240,371
Mortgage-Backed Securities	0	260,778	0	260,778
Short-Term Instruments	58,104	258,548	0	316,652
Other Investments **	0	354,625	0	354,625
Investments, at value	\$ 58,104	\$ 6,206,049	\$ 5,927	\$ 6,270,080
Short Sales, at value	\$ 0	\$ (112,491)	\$ 0	\$ (112,491)
Financial Derivative Instruments ***	\$ 27,838	\$ 17,135	\$ 872	\$ 45,845
Total	\$ 85,942	\$ 6,110,693	\$ 6,799	\$ 6,203,434

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	\$ (935)	\$ 0	\$ 0	\$ (75)	\$ 6,890	\$ 5,880
U.S. Government Agencies	22,780	(23,071)	(1)	651	(312)	0	47
Investments, at value	\$ 22,780	\$ (24,006)	\$ (1)	\$ 651	\$ (387)	\$ 6,890	\$ 5,927
Financial Derivative Instruments ***	\$ 1,421	\$ 0	\$ 0	\$ 0	\$ (440)	\$ (109)	\$ 872
Total	\$ 24,201	\$ (24,006)	\$ (1)	\$ 651	\$ (827)	\$ 6,781	\$ 6,799

* 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	
Assets:						
Investments, at value (purchased options)	\$ 27,954	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,954
Variation margin receivable ^^	28,687	0	0	0	0	28,687
Unrealized appreciation on foreign currency contracts	0	1,966	0	0	0	1,966
Unrealized appreciation on swap agreements	31,481	0	2,698	0	0	34,179
	\$ 88,122	\$ 1,966	\$ 2,698	\$ 0	\$ 0	\$ 92,786
Liabilities:						
Written options outstanding	\$ 207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 207
Variation margin payable ^^	849	0	0	0	0	849
Unrealized depreciation on foreign currency contracts	0	5,308	0	0	0	5,308
Unrealized depreciation on swap agreements	1,275	0	11,348	0	0	12,623
	\$ 2,331	\$ 5,308	\$ 11,348	\$ 0	\$ 0	\$ 18,987

Schedule of Investments Total Return Portfolio (Cont.)

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					Total
	Interest rate contracts	Foreign exchange contracts	Credit contracts	Equity contracts	Other contracts	
Realized Gain (Loss) on Derivatives Recognized as a Result from Operations:						
Net realized (loss) on investments (purchased options)	\$ (262)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (262)
Net realized gain (loss) on futures contracts, written options and swaps	21,287	0	(10,894)	0	0	10,393
Net realized (loss) on foreign currency transactions	0	(6,667)	0	0	0	(6,667)
	<u>\$ 21,025</u>	<u>\$ (6,667)</u>	<u>\$ (10,894)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,464</u>
Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized as a Result from Operations:						
Net change in unrealized (depreciation) on investments (purchased options)	\$ (11,542)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (11,542)
Net change in unrealized appreciation on futures contracts, written options and swaps	40,211	0	12,411	0	0	52,622
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	0	6,964	0	0	0	6,964
	<u>\$ 28,669</u>	<u>\$ 6,964</u>	<u>\$ 12,411</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,044</u>

[^] See note 2 in the Notes to Financial Statements for additional information.

^{^^} 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 Asset and Liabilities.

1. ORGANIZATION

The Total 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 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.

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 is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another portfolio that are, or could be, considered an affiliate by virtue of having a common investment advisor (or affiliated investment advisors), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the period ended June 30, 2009, the Portfolio engaged in purchases and sales of securities pursuant to the Rule 17a-7 of the Act (amounts in thousands):

Purchases	Sales
\$ 44,202	\$ 0

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
Total Return Portfolio	\$ 0	\$ 651,772	\$ 593,700	\$ 0	\$ 58,104	\$ 72	\$ 33

8. GUARANTEES AND INDEMNIFICATIONS

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

9. PURCHASES AND SALES OF SECURITIES

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

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

Purchases and sales of securities (excluding short-term investments) for the period ended June 30, 2009, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
\$ 7,705,475	\$ 7,448,105	\$ 888,681	\$ 862,220

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
Receipts for shares sold				
Institutional Class	4,152	\$ 43,452	7,090	\$ 74,836
Administrative Class	110,466	1,160,698	128,060	1,343,001
Advisor Class	7,321	76,431	6,006	62,477
Issued as reinvestment of distributions				
Institutional Class	477	5,005	1,231	12,803
Administrative Class	10,702	112,230	22,615	234,388
Advisor Class	300	3,149	359	3,708
Cost of shares redeemed				
Institutional Class	(4,387)	(45,756)	(12,881)	(134,610)
Administrative Class	(94,928)	(992,371)	(128,367)	(1,335,400)
Advisor Class	(3,288)	(34,902)	(2,226)	(23,085)
Net increase resulting from Portfolio share transactions	30,815	\$ 327,936	21,887	\$ 238,118

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	95
Administrative Class	5	58
Advisor Class	5	85

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 (Depreciation)
\$ 172,945	\$ (186,625)	\$ (13,680)

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.

Counterparty Abbreviations:

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

Currency Abbreviations:

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

Exchange Abbreviations:

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

Index Abbreviations:

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

Municipal Bond or Agency Abbreviations:

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

Other Abbreviations:

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