

Quarterly Investment Report

March 31, 2010

PVIT Short-Term Portfolio
Administrative Class

A company of **Allianz** 
Global Investors

P I M C O

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PVIT Short Term Portfolio

Market Commentary	Market Outlook
<ul style="list-style-type: none"> ▪ Politics was a major influence on global bond markets as 2010 began. Faced with an uneven recovery, policymakers wrestled with how long to sustain stimulus programs that could eventually undermine public finances or stoke inflation ▪ Most Treasury yields fell modestly in the first quarter, but yields began to move upward later in the period ▪ Corporates, mortgages and emerging market bonds continued their strong performance versus Treasuries 	<ul style="list-style-type: none"> ▪ PIMCO continues to expect developed economies to grow much more slowly than emerging markets, owing to disparate pre-crisis economic conditions ▪ The U.S. recovery is not expected to be robust in light of structural impediments such as deleveraging of consumer balance sheets, reregulation and deglobalization ▪ The Federal Reserve is unlikely to raise rates until final demand and job creation revive, probably in 2011
Portfolio Recap	Portfolio Strategy
<ul style="list-style-type: none"> ▪ The Portfolio outperformed its index for the quarter ▪ Select exposure to high-quality, non-Treasury assets helped returns during the quarter ▪ The following strategies helped quarterly returns: <ul style="list-style-type: none"> ➢ An overweight to bonds of financial companies, where credit premiums continued to tighten ➢ Holdings of high quality mortgage-backed securities (MBS) and asset-backed securities (ABS), which gained as technical conditions in these markets were strong ➢ Limited emerging market positions, including exposure to Brazilian local rates, high-grade external debt and Asian currencies ➢ A small exposure to Agency MBS, which continued to post positive performance ➢ Interest rate and curve positioning were neutral for performance as the curve steepened which was a positive but duration exposure offset that gain as yields moved higher in the shortest maturities 	<ul style="list-style-type: none"> ▪ PIMCO will remain cautious with risk exposures in light of global economic uncertainty and relatively rich valuations for many fixed income assets ▪ Target minimal duration exposure; short-term rates are unlikely to rise with the Fed on hold, ▪ Emphasize shorter maturities, especially those somewhat longer in duration than where money market funds typically invest. Markets are pricing in more and faster Fed tightening than we expect ▪ De-emphasize Agency MBS, which trade near their most expensive levels ever. Better opportunities to own these securities could arise following the end of the Fed's mortgage purchase program in March ▪ Plan to maintain positions in corporates maintaining an emphasis to financials, where valuations remain relatively attractive. Financials could benefit from a steep yield curve and banks' stronger balance sheets ▪ Seek to own emerging market (EM) credits such as Mexico, Brazil, and Korea that have relatively low debt levels; boost holdings of attractively valued EM corporates and quasi-sovereigns ▪ Favor taxable, longer maturity municipals, such as Build America Bonds, where substantial new issuance should support favorable valuations compared to corporate issues

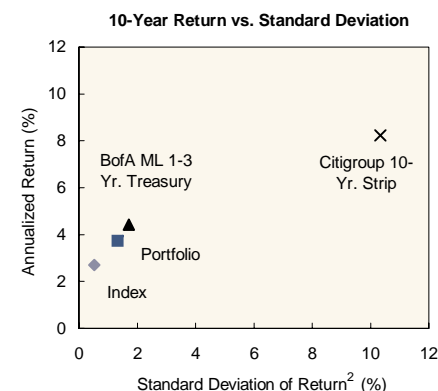
Summary of Performance Data and Portfolio Statistics

PVIT Short Term Portfolio
Administrative Class

Performance Periods Ended 3/31/2010	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	6 mos	3 mos
Total Portfolio¹							
Before Fees (%)	4.43	4.35	4.44	4.46	6.47	1.73	1.02
After Fees (%)	3.80	3.72	3.81	3.84	5.83	1.43	0.87
(Inception 09/30/99)							
Citigroup 3-Month Treasury Bill Index (%)	2.82	2.70	2.76	1.80	0.13	0.04	0.02

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

The performance quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The Portfolio's total annual operating expense ratio is .60%. Details regarding any Portfolio's operating expenses can be found in the Portfolio's prospectus. Performance data current to the most recent month-end is available at www.pimco-funds/VIT or by calling (800) 927-4648.



Summary Information	12/31/2009	3/31/2010
Total Net Assets (USD in millions)	22.9	26.5
SEC 30-Day Ann. Yield (%)	0.85	0.37
Distribution Yield (%) ³	1.09	0.61
Effective Duration (yrs)	1.0	0.6
Effective Maturity (yrs)	0.8	0.6
Average Coupon (%)	2.1	1.7
Net Currency Exposure (%)	1.0	0.9
Tracking Error (10 yrs, %) ⁵	1.3	1.4
Information Ratio (10 yrs) ⁵	0.7	0.7

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

Sector Allocation	% of Market Value		Duration in Yrs	
	12/31/2009	3/31/2010	12/31/2009	3/31/2010
Government-Related	36	33	0.5	0.2
Mortgage	14	17	0.0	0.2
Invest. Grade Credit	39	35	0.4	0.2
High Yield Credit	0	2	0.0	0.0
Non U.S. Developed	2	0	0.0	0.0
Emerging Markets	2	1	0.0	0.0
Municipal	1	0	0.0	0.0
Other	0	0	0.0	0.0
Net Cash Equivalents: ⁴	6	12	0.1	0.1
Commercial Paper / STIF	2	15	0.0	0.0
ST Government-Related	5	5	0.1	0.0
Certificates of Deposit	0	0	0.0	0.0
U.S. Money Mkt Futures/Options	0	0	0.0	0.0
Non-U.S. Money Market Futures	0	0	0.0	0.0
Other	1	0	0.0	0.0
Less: Liabilities	-2	-8	0.0	0.0
Total	100	100	1.0	0.6

Government-Related may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.

Additional Share Class Performance

March 31, 2010

PVIT Short Term Portfolio

Net of Fees Performance	Gross Expense Ratio	Net Expense Ratio	NAV Currency	Inception Date	Since Inception	10 Year	5 Year	3 Year	1 Year	6 Month	3 Month
INSTITUTIONAL Class:											
Short-Term Portfolio, Institutional	0.45	0.45	USD	Apr-28-00	3.86	-	3.97	4.00	5.99	1.51	0.90
Citigroup 3-Month Treasury Bill Index			-		2.67	-	2.76	1.80	0.13	0.04	0.02
ADVISORY Class:											
Short-Term Portfolio, Advisory	0.70	0.70	USD	Sep-30-09	2.80	-	-	-	-	1.38	0.84
Citigroup 3-Month Treasury Bill Index			-		0.04	-	-	-	-	0.04	0.02

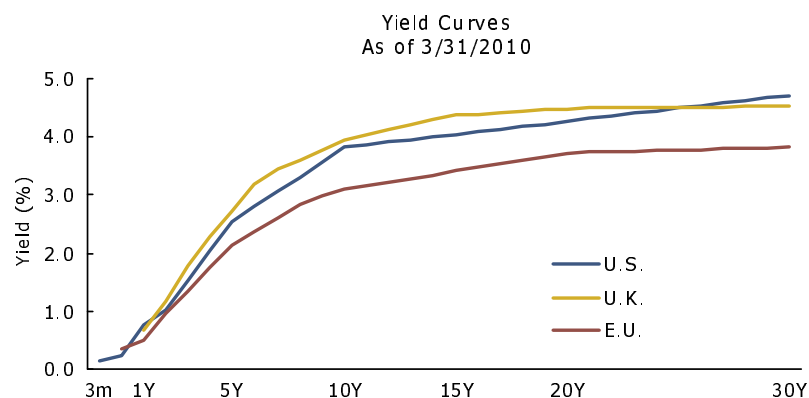
Average total returns do not include fees and charges of the variable product. If these fees and charges were reflected performance would be lower.

The performance quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that Fund shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Details regarding any Fund's operating expenses can be found in the Fund's prospectus. Performance data current to the most recent month-end is available at www.pimco-funds/VIT or by calling (800) 927-4648.

Treasury Yields Fall Modestly in the First Quarter of 2010

Most Treasury yields fell modestly in the first quarter of 2010, though yields began to move upward in the last two weeks of the quarter. Earlier in the period investors sought the relative safety of U.S. bonds amid concern about sovereign debt risk, especially in Greece and other peripheral Eurozone economies. Another factor helping to hold down yields were comments by the Federal Reserve that an increase in the federal funds rate was not imminent given continued weakness in the economy. As the quarter closed, however, sentiment began to shift amid growing awareness that the U.S. could have sovereign debt challenges of its own over the longer run.

The 10-year Treasury yield fell one basis point to close the quarter at 3.83 percent. With short term rates anchored at very low levels, the U.S. yield curve remained steep. At the end of the quarter, the two-year Treasury yield was some 280 basis points lower than the 10-year yield. The graphic below shows the position of the U.S., U.K. and Eurozone yield curves as of March 31, 2010:



SOURCE: Bloomberg Financial Markets

Past performance is no guarantee of future results.

Graphs are for illustrative purposes only and are not indicative of the performance of any particular investment.

Politics was a major influence on fixed income markets around the world as 2010 began. Policymakers wrestled with how long to sustain stimulus programs designed to mitigate the global recession but which threatened to undermine public finances or stoke inflation.

While the Fed kept its main policy rate unchanged, it raised the discount rate at which member banks can borrow during the first quarter. It also ended programs that were designed to support the housing market and the consumer finance sector. The Fed concluded its \$1.25 trillion Agency mortgage purchase program in March and also ended the subscription period for purchasing consumer asset-backed securities under the Term Asset-backed Securities Loan Facility (TALF).

Policy makers in other developed economies where growth is slow or non-existent, such as Japan, the U.K. and the Eurozone, also left key lending rates unchanged in the first quarter. Central banks in faster growing economies where inflation is more of a concern, such as Australia, India and Malaysia, tightened during the period. China was also expected to broaden the policy tools used to curb headline inflation.

Riskier Bonds Continue Their Outperformance

The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds, gained 1.78 percent in the first quarter. Corporate bonds, mortgage-backed securities and emerging market bonds continued their strong performance relative to Treasuries. The following summarizes fixed income sector returns:

- Agency mortgage-backed securities (MBS) continued the rally versus like-duration Treasuries that they enjoyed during 2009 as the Fed's MBS Purchase Program drove valuations to historically rich levels. Non-Agency mortgages also gained as this sector benefitted from the significant amount of cash looking for relatively attractive yields and the continued absence of new supply.

- Commercial mortgage-backed securities (CMBS) continued their rally as well. The sector benefitted from the dual tailwinds of strong demand for higher yielding assets and nearly non-existent CMBS issuance since 2008. Despite these strong technical conditions in the CMBS market, underlying fundamentals in commercial real estate continued to deteriorate throughout the quarter and are expected to decline further into 2010 and 2011.
- Corporate bonds, especially high yield credits, were among the best performing fixed income assets during the first quarter, sustaining their robust performance in 2009. Credit premiums continued to tighten, which prompted brisk new issuance in both the investment grade and high yield markets. Balance sheets of the biggest corporations improved, especially in comparison with the deteriorating U.S. government balance sheet, prompting many investors to prefer corporates to Treasuries. Financial companies, which benefit from a steep yield curve, were among the top performers in the corporate sector.
- Municipal bonds outpaced comparable Treasuries in the first quarter, led by taxable Build American Bonds (BABS) where robust new issuance volume continued to be met by strong demand. While it appears that the BABS program will be extended past 2010, it remains uncertain how much the subsidy will be decreased from the existing 35 percent rate. It is also unclear whether the program will be expanded to include issuance by non-profit entities for operating needs and not just capital projects.
- Treasury Inflation-Protected Securities (TIPS) lagged their nominal counterparts during the first quarter as breakeven inflation levels (the difference between nominal and real yields) for intermediate maturity TIPS narrowed modestly.
- Emerging market (EM) bond performance was strong, comparable to the U.S. high yield market during the quarter. Among external EM bonds, credit premiums were volatile earlier in the quarter amid concern about Greece and other developed countries' sovereign debt. By mid-quarter, markets began to focus more on differences in policy mixes and initial economic conditions among EM countries. Nonetheless, lower quality credits outperformed over the course of the quarter. Locally issued EM bonds had even stronger returns than high yield corporates. Investors perceived that economic recovery in EM countries was taking hold and inflationary pressures - while rising - remained relatively contained.
- U.S. Treasuries were mixed versus other sovereign bond markets in the first quarter of 2010. Eurozone bonds outperformed most other developed markets amid expectations that the European Central Bank would be forced to keep rates low to combat the deflationary impact of sovereign debt problems on the Eurozone periphery.

Economic Recovery To Face Structural Headwinds in 2010

Two core themes create tension and uncertainty in PIMCO's economic outlook over the next year. First, we continue to expect differentiated regional outcomes owing to disparate pre-crisis conditions. Second, positive trends in developed economies such as the U.S. over a cyclical timeframe are likely to face structural or secular headwinds such as high levels of sovereign and consumer debt and excess capacity in labor and product markets. This tension between cyclical and structural factors will be exacerbated by political processes around the world, which means that politics is one of the most critical risk factors in our outlook.

Critical elements of PIMCO's cyclical outlook include.

- **Three-Stage U.S. Recovery** – The U.S. is now in the second stage of a three-stage recovery. First the economy was propped up by fiscal and monetary stimulus. Next came the current stage of inventory rebuilding. The final stage, not yet in evidence, involves job creation and emergence of self-sustaining final demand.
- **Structural Headwinds** – Even when final demand does revive, we do not expect the U.S. recovery to be very robust in light of structural forces standing in the way. These include deleveraging of consumer and ultimately sovereign balance sheets, in addition to the secular trends of reregulation and deglobalization.
- **Range-Bound U.S. Interest Rates** - The Federal Reserve is unlikely to raise interest rates until the final stage of recovery starts to emerge, probably in 2011. Longer term U.S. rates should be range-bound over this period.
- **Deflationary Headwinds Stronger in Eurozone** – Severe austerity measures expected on the periphery of the Eurozone (Greece, Spain, already underway in Ireland) are not likely to be counterbalanced by expansion in the core. This is particularly true in Germany, which will remain

unwilling to adjust its export-driven economic model to stimulate more consumption. The U.K. has the monetary and currency flexibility to contribute to regional growth but is constrained by its sovereign debt burden.

- **Pressure on the Euro** - Problems in the periphery introduce fiscal uncertainty into the Eurozone, but PIMCO does not expect this to affect Eurozone interest rates meaningfully. Deflationary forces will keep the European Central Bank on hold for even longer than the Fed. The Eurozone's fiscal risk premium is more likely to be reflected in downward pressure on the euro.
- **Prospects Brighter in China and EM** – Prospects are brighter in China and most emerging economies, which have benefitted from more favorable pre-crisis conditions. Now some of these economies may face risks of overinflating and asset bubbles. PIMCO believes these risks are manageable for China given the range of policy tools available to deal with them. Compared to other “bubble” economies – Japan in the 1980s and the U.S. more recently – China has stronger economic fundamentals and less of a debt burden.
- **Chinese Renminbi – U.S. Dollar Peg** - Another China risk, and sign of the importance of politics, is the dispute over the renminbi-U.S. dollar peg. While China is likely to allow appreciation of its currency over the next year, the timing is hard to forecast because of potential intervention by the U.S. Congress.

Limit Risk, Pursue Select Opportunities Amid Uncertainty

PIMCO will remain cautious with portfolio risk exposures in light of global economic uncertainty and relatively rich valuations for many fixed income assets. There are, however, a number of prudent strategies available in our efforts to enhance returns. The following is a summary of PIMCO's planned investment strategies:

- **Interest Rate Strategies** – We will target an overall overweight to duration but this will likely come from exposure to core European interest rates and a modest allocation to Brazilian local rates, where guidelines permit. Such exposure currently offers relatively attractive yields but potentially less price risk than a comparable U.S. position, which could be vulnerable to the unwinding of the Fed's unorthodox monetary policies and indigestion in Treasury markets. We plan on continuing to avoid exposure to debt-laden peripheral Europe – particularly Greece and Spain.

PIMCO plans to maintain a neutral duration position in the U.S. as we expect range-bound intermediate and long maturity U.S. interest rates. With respect to yield curve, we will emphasize shorter maturities in the U.S. and Europe, especially those somewhat longer in duration than where money market funds typically invest, as markets are pricing in more and faster central bank tightening than we expect.

- **Retain Underweight in Agency Mortgages** – PIMCO plans to remain underweight to Agency mortgage backed securities (MBS), which now trade near their most expensive levels ever. More favorable opportunities to own these securities could arise following the end of the Fed's mortgage purchase program in March. Despite this underweight, there will likely continue to be opportunities to reap gains from mortgage coupon selection and limited exposure to attractively priced and high quality non-agency and commercial mortgage backed securities (CMBS).
- **Target Select Corporate Bond Holdings** – Corporate bonds have rallied strongly so PIMCO will target a neutral to underweight position in this sector. We plan on continuing to overweight well capitalized financial institutions that offer value versus the broader market. These holdings are a way to take advantage of the steep yield curve and banks' stronger balance sheets. PIMCO plans to underweight consumer dependent sectors such as retailers, home builders and lodging as high unemployment and weak

consumer spending are likely to persist even as the economy recovers.

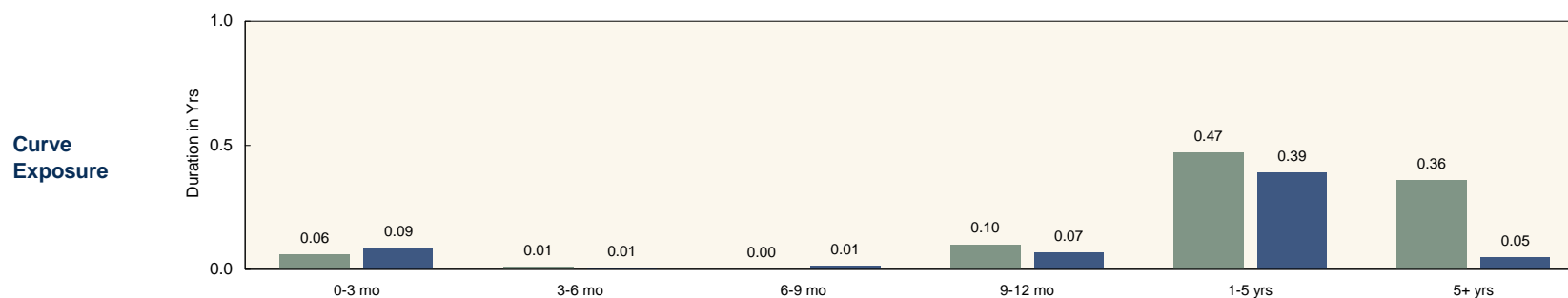
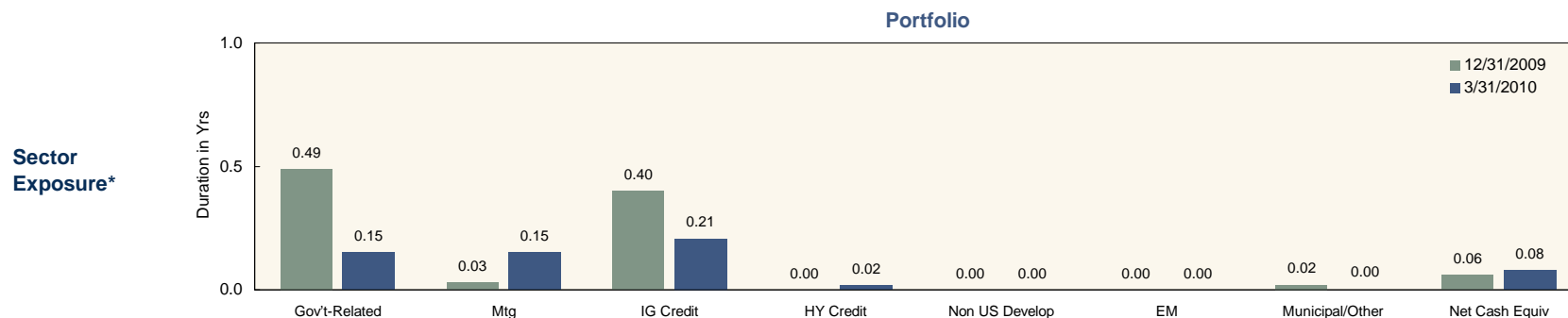
- **Emerging Markets and Currency** – PIMCO plans to hold high quality EM sovereign credits such as Mexico, Brazil, Korea and Russia, which have low levels of debt relative to the size of their economies. In addition, we plan to increase our EM corporate and quasi-sovereign exposure in credits from high quality countries. These bonds stand to benefit from improved economic conditions in EM and offer attractive value compared to U.S. corporates.

We plan to take modest currency exposure to countries with sound fiscal conditions and banking systems, such as Brazil, Australia and Canada. We also plan on holding a basket of Asian currencies including the Chinese renminbi, which are likely to gain versus the U.S. dollar owing to relatively fast growth and favorable trade balances. Lastly, we plan to take positions that could gain from an expected depreciation of the British pound, euro and yen. These currencies could be challenged by slow growth and deteriorating fiscal conditions.

- **Municipals and TIPS** – In the municipal sector we will continue to favor longer maturity taxable issues, especially Build America Bonds (BABs). Substantial new issuance should support favorable valuations for BABs versus comparably rated corporate issues. TIPS offer a potential hedge against inflation risk, but their valuations are unappealing over a cyclical time frame. As a consequence, our TIPS holdings will likely be light.

Portfolio Characteristics

PVIT Short Term Portfolio



Small allocations may round to zero. The duration contribution from equity futures is not included.

Gov't-Related may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.

* Net cash equivalents include U.S. and non-U.S. money market futures, where permitted. See Sector Allocation on Summary of Performance Data and Portfolio Statistics Page.

Direct Country and Currency Exposure

PVIT Short Term Portfolio

Country Exposure (by currency of settlement)¹

(settlement currency)	Portfolio 12/31/2009				Portfolio 03/31/2010			
	Duration in Yrs.	Market Value Weighted (%)			Duration in Yrs.	Market Value Weighted (%)		
		Bonds	Cash Equiv.	Currency Exposure ² (%)		Bonds	Cash Equiv.	Currency Exposure ² (%)
North America	1.0	92.0	2.2	0.0	0.6	87.9	15.5	0.0
United States	1.0	92.0	2.2	0.0	0.6	87.9	15.5	0.0
Europe - EMU	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other ³	0.0	0.0	0.1	-	0.0	0.0	0.0	-
United Kingdom	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	-0.3
Europe - Non-EMU	0.0	2.0	0.0	0.0	0.0	0.1	0.0	0.0
Denmark	0.0	2.0	0.0	0.0	0.0	0.1	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asia Pacific ex-Japan	0.1	0.0	5.4	0.1	0.0	0.0	4.8	0.1
Australia	0.1	0.0	5.4	0.1	0.0	0.0	4.8	0.0
Singapore	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emerging Markets	0.0	0.0	0.0	1.2	0.0	0.0	0.0	1.1
Chile	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
China	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.4
Mexico	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.5
South Africa	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Net Liabilities ⁴	<u>0.0</u>	<u>0.0</u>	<u>-1.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-8.3</u>	<u>0.0</u>
Total Direct Exposure	1.0	94.0	6.0	1.0	0.6	88.0	12.0	0.9

Small allocations may round to zero.

Direct Emerging Markets Bond Exposure

PVIT Short Term Portfolio

Emerging Markets Exposure (by country of issuer)

	12/31/2009			3/31/2010		
	<u>% of MV Cash Equiv.</u>	<u>% of MV Bonds</u>	<u>% of Duration</u>	<u>% of MV Cash Equiv.</u>	<u>% of MV Bonds</u>	<u>% of Duration</u>
Brazil	0.00	0.87	0.00	0.00	0.76	0.00
Chile	0.01	0.00	0.00	0.00	0.00	0.00
China	-0.01	0.00	0.00	-0.01	0.00	-0.01
Mexico	0.01	0.87	0.00	0.04	0.76	0.01
South Africa	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.01</u>	<u>0.00</u>	<u>0.00</u>
Total Direct Emerging Markets	0.01	1.74	0.00	0.04	1.52	0.00

Small allocations may round to zero.

PIMCO Proprietary Portfolio Level Risk Measures

PVIT Short Term Portfolio

Risk Measures (yrs)	12/31/2009	3/31/2010	Definitions of Risk Measures:
Interest Rate Exposures:			
Effective Duration	1.0	0.6	A portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall (rise) in interest rates, a portfolio with duration of 1 year will rise (fall) in price by 1 bp.
Bull Market Duration	0.5	0.0	A portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
Bear Market Duration	1.4	1.1	A portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
Total Curve Duration	0.3	0.2	A portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Treasury yields, holding the 10-year yield constant. For every 1 bp of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 bp relative to the benchmark.
Sector Exposures*:			
Mortgage Spread Duration	0.5	0.6	The contribution of mortgages to spread duration. For every 1 bp of mortgage spread tightening (widening), a portfolio with mortgage spread duration of 1 year will rise (fall) in price by 1 bp.
Corporate Spread Duration	0.5	0.6	The contribution of corporate bonds to spread duration. For every 1 bp of corporate spread tightening (widening), a portfolio with corporate spread duration of 1 year will rise (fall) in price by 1 bp.
Emerging Markets Spread Duration	0.0	0.0	The contribution of emerging market bonds to spread duration. For every 1 bp of emerging market spread tightening (widening), a portfolio with an emerging market spread duration of 1 year will rise (fall) in price by 1 bp.
Swap Spread Duration	0.8	0.6	The contribution of swaps to spread duration. Includes the impact of non-swap instruments such as agencies that are sensitive to swap spreads. For every 1 bp of swap spread tightening (widening), a portfolio with swap spread duration of 1 year will rise (fall) in price by 1 bp. A negative swap spread duration indicates that the portfolio will benefit from widening swap spreads.

* As measured by spread duration, which represents a portfolio's price sensitivity to changes in spreads, or yield premiums, that affect the value of bonds that trade at a spread to Governments. These include mortgage-backed, corporate and emerging market bonds, as well as swaps.

Summary of Derivatives

PVIT Short Term Portfolio

(Duration in Years) ¹	12/31/2009	3/31/2010	Characteristics of Derivatives:	Control Measures
Government Futures	0.0	0.0	Used to adjust interest rate exposures and to replicate government bond positions. Frequently offers the opportunity to outperform government securities due to cheapness of futures contracts and active management of the liquid, short duration securities backing the futures.	Bond-equivalent exposure included in portfolio duration. Back long futures positions with high grade, liquid debt securities.
Other Futures	0.0	0.0	Includes municipal, mortgage-backed and interest rate swap futures.	See Government Futures.
Interest Rate Swaps	0.0	0.0	Includes swaps with duration greater than 1 year. Used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("receive fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure.	Bond-equivalent exposure included in portfolio duration. Back long swaps positions with high grade, liquid debt securities.
Credit Default Swaps*	4.0	3.4	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure ("selling protection"), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure ("buying protection"), providing the right to "put" bonds to the counterparty in the event of a default.	Bond-equivalent exposure included in portfolio credit risk measures. Back long exposures with high grade, liquid debt securities. Continually monitor underlying credit exposure.
Written	4.0	3.4		
Purchased	0.0	0.0		
Options	0.3	0.1	Written options generate income in expected rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Purchased options are used to manage interest rate and volatility exposures. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option.	Bond-equivalent exposure (weighted by probability of exercise) included in portfolio duration. Back underlying exposure with high grade, liquid debt securities.
Written	0.3	0.1		
Purchased	0.0	0.0		
Mortgage Derivatives	0.0	0.0	Used to manage portfolio duration and/or enhance yield. Includes securities determined by PIMCO to have potentially less stable duration characteristics, such as Interest Only strips (IOs), Principal Only strips (POs), Support Class CMOs and Inverse Floaters. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Bond exposure included in portfolio duration, convexity, and prepayment risk measures. Use IO's and PO's in moderation and in an overall portfolio context.
Money Market Derivatives	0.0	0.0	Used to manage exposures at the short end of the yield curve and express PIMCO's expectations for future short-term rates. Includes swaps with duration of 1 year or less, and Eurodollar, Euribor and other futures based on short-term interest rates.	Bond-equivalent exposure included in portfolio duration. MM derivatives are not backed by other assets as they represent short-maturity exposures and have no deliverable at expiration.
Futures	0.0	0.0		
Interest Rate Swaps	0.0	0.0		

* Credit default swaps are shown as percentage of market value to reflect potential default risk.

Past performance is no guarantee of future results. Forecasts are based on proprietary research and should not be interpreted as investment advice or as an offer or solicitation for the purchase or sale of any financial instrument.

The performance figures presented reflect the total return performance for the stated share class (after fees) and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. The Before Fees performance figures presented herein do not reflect the deduction of the Portfolio's total annual operating expenses, which includes, but is not necessarily limited to, advisory fees, administrative fees, and 12b-1 fees (where applicable). The After Fees performance figures reflect the deduction of all such fees. Details regarding any Portfolio's fees and expenses can be found in the Portfolio's prospectus.

Risk Disclosures

Summary of Performance Data and Portfolio Statistics

- 1 All time periods longer than one year are annualized and returns include reinvestment of dividends, income and capital gains, if any. The Portfolio can invest a portion of its assets in non-U.S. securities, which can entail greater risks due to non-U.S. economic and political developments. This risk may be enhanced when investing in Emerging Markets. Investment in a Portfolio that invests in high-yield, lower-rated securities, will generally involve greater volatility and risk to principal than investments in higher-rated securities. In an environment where interest rates may trend upward, rising rates will negatively impact the performance of most bond funds, and fixed income securities held by a fund are likely to decrease in value. Bond funds and individual bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations.
- 2 Standard deviation is a statistical measure of dispersion about an average, which for a mutual fund, depicts how widely the returns varied over a certain period of time.
- 3 Distribution yield is calculated by annualizing actual dividends for the month ended on the date shown and dividing by net asset value per share on the last business day of the same period.
- 4 Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades. Money Market Futures/Options include Eurodollar and Euribor futures that are based on short term interest rates and represent short maturity exposures. They are not backed by other assets and have no deliverable at expiration as they are cash settled. The notional amount of money market futures, captured in the column labeled "% of Market Value", is based on an annualized 3-month interest rate and follows the industry convention of dividing the notional amount by 4 to reflect the underlying 3-month rate exposure. Money market futures' contribution to overall portfolio duration is captured in the column labeled "Duration in Yrs" Other includes repurchase agreements, accrued interest and bankers acceptances.
- 5 Tracking error, a measure of risk, is defined as the standard deviation of the portfolio's excess return vs.the benchmark expressed in percent. The information ratio is defined as the portfolio's excess return per unit of risk, or tracking error. For example, an information ratio of 1 means that a portfolio manager generates 100 basis points, or one percent of excess return for every 100 basis points of risk taken.

Market Commentary and Market Outlook

Mortgage bonds are susceptible to risks such as default and prepayment of principal, and taxable at the state and federal levels, while Treasuries are guaranteed by the United States government and are only taxable at the Federal level. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

Real Return bonds, more commonly known as Treasury Inflation Protected Securities or TIPS, are issued and guaranteed by the U.S. government at a fixed rate that is adjusted based on the change of the Non-Seasonally Adjusted Consumer Price Index. Guarantee does not eliminate market risk. TIPS sacrifice some yield for the benefit of inflation protection. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds. TIPS are only taxable at the Federal level.

Bonds issued by a government outside of the United States that are guaranteed by the issuing government. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds. Also, governments outside of the United States have different credit ratings which directly correlate to the risks associated with securities.

Corporate bonds are debt securities issued by a corporation. These securities are not guaranteed by the federal government and are thus more susceptible to default risk. Generally most corporate bonds are taxable at the state and federal level. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

Treasuries are guaranteed by the United States government and are only taxable at the Federal level. Guarantee does not eliminate market risk. It is important to note that longer maturity bonds have greater volatility and risk when compared to shorter maturity bonds.

High Yield bonds involve greater volatility and risk to principal than investments in higher-rated securities as the issuing entity has a lower credit rating possibly making the security more susceptible to default. Generally these types of bonds are taxable at the state and federal level.

Investment grade corporate bonds are considered among the higher rated in the corporate bond sector. These securities are not guaranteed by the federal government and are thus more susceptible to default risk. Generally most corporate bonds are taxable at the state and federal level.

Continued

Portfolio Characteristics

1 Market value data based on percentage of net assets of the mutual fund. Data differs from compliance calculations based on total assets of the mutual fund. All mutual funds are separately monitored for compliance with prospectus and regulatory requirements. Other includes Yankee/Euro bonds, convertibles and municipal bonds. Net Cash / Money Markets includes STIF, CP, ST Government, Bas and CDs, less amount used to back futures, forwards and unsettled trades.

Direct Country and Currency Exposure

- 1 Country exposures reflect the portfolio's effective exposure to non-U.S. markets, inclusive of forward settled holdings. Small allocations may round to zero.
- 2 Includes currency exposure due to non-U.S. holdings, hedging transactions and outright currency transactions. Positive numbers reflect long currency positions relative to base currency. Allocations may not add to totals due to rounding.
- 3 Other includes swaps and securities issued in euros by issuers outside of core Europe.
- 4 Includes liabilities associated with futures, forwards and unsettled trades.

Summary of Derivatives

1 This Portfolio may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested.

Index Descriptions

Citigroup 1- 10 Year Treasury Strips Index represents a composition of outstanding Treasury Bond and Notes with a maturity of at least one year but less than ten years. The index is rebalanced each month in accordance with underlying Treasury figures and profiles provided as of the previous month- end. The included STRIPS are derived only from bonds in the Citigroup U. S. Treasury Bond Index, which include coupon strips with less than one year remaining to maturity.

Citigroup 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues. It is not possible to invest directly in an unmanaged index.

Consumer Price Index is an unmanaged index representing the rate of inflation of the U. S. consumer prices as determined by the US Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time. It is not possible to invest directly in an unmanaged index.

Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in an unmanaged index.

BofA Merrill Lynch 1-3 Year U.S. Treasury Index is a subset of The Bof A Merrill Lynch US Treasury Index including all securities with a remaining term to final maturity less than 3 years. The BofA Merrill Lynch US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Bills, inflation-linked debt and strips are excluded from the Index; however, original issue zero coupon bonds are included in the index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped. Prior to September 25th, 2009, the BofA Merrill Lynch Indices were known as the Merrill Lynch Indices.

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