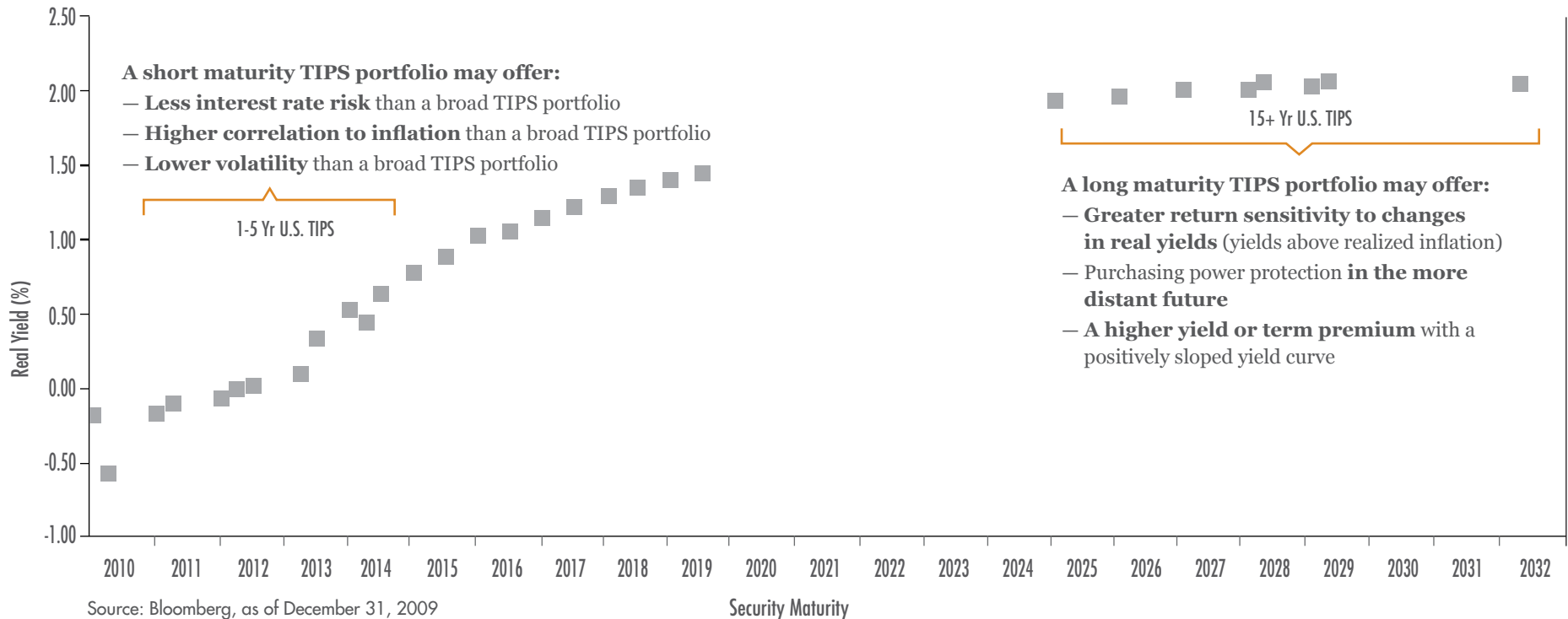


U.S. TIPS Market Characteristics

As of December 31, 2009



U.S. TIPS: Yields and Maturities
(Each point represents a U.S. TIPS – there are 30 total)



A short maturity TIPS portfolio may offer:

- **Less interest rate risk** than a broad TIPS portfolio
- **Higher correlation to inflation** than a broad TIPS portfolio
- **Lower volatility** than a broad TIPS portfolio

A long maturity TIPS portfolio may offer:

- **Greater return sensitivity to changes in real yields** (yields above realized inflation)
- Purchasing power protection **in the more distant future**
- **A higher yield or term premium** with a positively sloped yield curve

All Treasury Inflation Protected Securities (TIPS) may provide:

- **Inflation protection** – One component of TIPS returns comes from the direct link of TIPS principal to the monthly change in inflation, as measured by the CPI (consumer price index)
- **Real yield** – The securities provide return potential that may exceed realized inflation, which is known as real yield
- **Low default risk** – TIPS are backed by the full faith and credit of the U.S. government as to the timely payment of interest and principal
- **Diversification** – TIPS may provide diversification relative to U.S. Treasuries and other investments that may underperform when inflation is high or rising

TIPS Indexes Summary

	BofA ML TIPS 1-5 Yr	BofA ML ML TIPS Full	BofA ML TIPS 15+ Yr
March 31, 2002–December 31, 2009			
Annual Return	5.72%	7.07%	8.48%
Annual Volatility	4.23%	7.51%	12.36%
Monthly Correlation to CPI	27%	5%	-7%
Quarterly Correlation to CPI	48%	14%	-20%
As of December 2009			
Real Yield	0.24%	1.09%	2.02%
Real Duration (years) ⁱ	2.9	7.6	14.0
Nominal Duration (years) ⁱⁱ	1.7	4.9	9.5
Average Maturity	3.0	8.9	17.6
Market Cap % of the TIPS Market	34%	92%	27%

Sources: PIMCO, Bloomberg, BofA Merrill Lynch, Treasury Direct

ⁱ Real duration estimates the price sensitivity of TIPS to changes in real interest rates.

ⁱⁱ Nominal duration allows investors to compare the duration of TIPS with that of nominal bonds. BofA Merrill Lynch calculates nominal duration by multiplying real duration by a rolling 3-month correlation of real and nominal yields.

Investors should consider the investment objectives, risks, charges and expenses of a Fund carefully before investing. This and other information are contained in a Fund's prospectus, which may be obtained by contacting your PIMCO representative. Please read the prospectus carefully before you invest or send money

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The CPI measurement used was the Consumer Price Index for all urban consumers, not seasonally adjusted (CPI-U NSA, ticker: CPURNSA). It is used to measure inflation as the rate of change of prices of consumer goods. The inflation measures are constructed by the U.S. Department of Labor, Bureau of Labor Statistics.

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