



Source: Bloomberg, as of 30 September 2011  
 Chart is not indicative of past or future performance of any PIMCO product

**A) A short maturity Treasury Inflation Protected Securities (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

**B) 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

**C) All 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

The CPI measurement used was the Consumer Price Index for all urban consumers, non-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.

The BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury Index<sup>SM</sup> is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of at least 1 year and less than 5 years. The BofA Merrill Lynch 15+ Year US Inflation-Linked Treasury Index<sup>SM</sup> is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity greater than or equal to 15 years. The BofA Merrill Lynch US Inflation-Linked Treasury Index<sup>SM</sup> is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of greater than one year. It is not possible to invest in an unmanaged index.

TIPS Indexes Summary	BofA ML TIPS 1-5 Yr	BofA ML TIPS Full	BofA ML TIPS 15+ Yr
<b>31 March 2002 - 30 September 2011</b>			
Annualized Return	5.50%	7.60%	9.89%
Annual Volatility	3.95%	7.09%	11.96%
Monthly Correlation to Inflation (CPI)	27%	6%	-6%
Quarterly Correlation to Inflation (CPI)	49%	13%	-18%
<b>As of 30 September 2011</b>			
Real Yield	-0.63%	0.02%	0.82%
Real Duration (years) <sup>i</sup>	3.1	8.4	15.5
Nominal Duration (years) <sup>ii</sup>	1.9	5.6	11.1
Average Maturity	3.3	9.8	19.6
Market Cap % of the TIPS Market	34%	92%	17%

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

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

<sup>ii</sup> 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.

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An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed. Certain U.S. Government securities are backed by the full faith of the government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. Inflation-linked bonds (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. Government. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

Individual shares cannot be directly purchased from or redeemed by an ETF. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or "baskets" of shares. Investors may sell or purchase individual shares in secondary market transactions that do not involve the ETF. Individual shares of an ETF are bought and sold at market price (not NAV).

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