PIMCO

Annual Report

December 31, 2011

Your Global Investment Authority

PIMCO Variable Insurance Trust

PIMCO Low Duration Portfolio

Share Class

- Administrative

A company of Allianz

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Dear PIMCO Variable Insurance Trust Shareholder,

We are pleased to provide you with the Annual Report for the PIMCO Variable Insurance Trust covering the twelve-month reporting period ended December 31, 2011. On the following pages please find specific details as to the Portfolios' investment performance and a discussion of the factors that affected performance.

During the reporting period, a number of diverse yet inter-related events caused heightened investor nervousness and market volatility, which weighed on financial markets globally. In particular, the European sovereign debt crisis amplified concerns over the potential default of Greece, contagion to the rest of the region and the negative impact such a default (or defaults) would have on the global banking sector. As a result, Europe's sovereign bond markets experienced heightened volatility, forcing yields to increase significantly among peripheral countries amid growing speculation of a possible breakup of the Eurozone. On November 29, 2011, the Federal Reserve enacted targeted liquidity provisions in an effort to provide lower-cost financing to global banks in order to increase the supply of U.S. dollar loans at lower rates to European banks, which may help to ease stress on the European credit markets by increasing liquidity. In addition, a number of Eurozone countries struggled to implement austerity measures mandated by interim technocratic governments, prompting sovereign downgrades by the major rating agencies. And outside of the reporting period on January 13, 2012, Standard & Poor's reduced its credit ratings of nine European countries.

Furthermore, the International Monetary Fund (IMF) announced a liquidity program designed to provide more favorable financing conditions for countries struggling with escalating borrowing costs. Despite the IMF's efforts and the growth in assets of the European Financial Stability Fund (EFSF), many Eurozone countries face increasing unemployment and worsening debt-to-GDP (Gross Domestic Product) ratios. On January 16, 2012, Standard and Poor's reduced its rating on the EFSF European bailout fund from AAA to AA+ in coordination with its previous downgrade on the sovereign debt of nine European nations. As such, the core of the problem remains that a number of European economies continue to suffer from a significant loss of competitiveness, high debt loads and negative demographics.

Within the U.S., Congress flirted with possible default in what turned out to be political theater over the new debt ceiling, and at its end, the U.S. lost its prized AAA credit rating for long-term debt from Standard & Poor's. The polarization in Washington, including the divide in ideologies and in economic vision for the role and efficacy of fiscal policy, was further expressed via the failure of the Congressional Joint Select Committee on Deficit Reduction to reach agreement in November 2011 on required deficit reductions.

Finally, in the Middle East and North Africa, ongoing social unrest and political uncertainty continued to increase concern over stability in the region, which was further amplified recently by Iran's "saber rattling" over a potential embargo of Iranian oil by Western nations.

In sum, these events are clear indicators of significant structural re-alignments—social, political and economic—that are taking place at once throughout the world. Governments worldwide will be required to continue to work in a coordinated effort to address these growing issues of economic power and decline. As such, being prepared for, and vigilant to, multiple scenarios is crucial to first managing the heightened risks and second in finding attractive investment opportunities throughout the global marketplace.

Highlights of the financial markets during our twelve-month fiscal reporting period include:

- Yields on U.S. Treasury securities ended the period significantly lower (with prices on these securities therefore higher) due to a perceived flight-to-quality that was primarily brought on by concern over the European sovereign debt crisis. This combined with a weaker global growth outlook, resulting in increased demand for bonds of nations with stronger balance sheets, top credit ratings, and independent currency and monetary policy. The Federal Reserve kept the Federal Funds Rate anchored within a range of zero to 0.25%; the Bank of England held its key lending rate at 0.50%; and the European Central Bank reduced its main policy rate to 1.00%. The benchmark ten-year U.S. Treasury note yielded 1.95% at the end of the reporting period, as compared to 3.29% on December 31, 2010. The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. investment-grade bonds, returned 7.84%.
- U.S. Treasury Inflation-Protected Securities (TIPS) posted strong positive returns, as measured by the Barclays Capital U.S. TIPS Index, which gained 13.56%. TIPS returns were supported by a rally in real yields which decreased as economic growth prospects continued to wane and as investors sought higher quality investments amid the Eurozone crisis. Despite strong gains, TIPS underperformed nominal U.S. Treasury securities amid narrowing breakeven inflation levels (a proxy for inflation expectations) which compressed amid slowing global growth. A diversified commodity index posted negative returns, as measured by the Dow Jones-UBS Commodity Index Total Return, which declined 13.32%.
- Investment grade corporate bonds and high yield credit generally underperformed like-duration U.S. Treasury securities due to continued volatility as a result of the European sovereign debt crisis, despite resilient corporate earnings during the period. In particular, the financial sector underperformed the broader corporate sector on continued concern over sovereign debt contagion and funding challenges for European banks.
- Returns on emerging market (EM) fixed income assets varied over the period as investors oscillated between being either "risk-on" or "risk-off", depending on changes in sentiment toward the European sovereign debt crisis. In general, EM debt benefited from stronger economic conditions against the back drop of an increasingly uncertain economic outlook in developed countries.
- Equity markets worldwide remained volatile throughout the reporting period as investors responded to muted global economic growth prospects, rising concerns over the European sovereign debt crisis, and political gridlock in Washington. U.S. equities, as measured by the S&P 500 Index, returned 2.11%, while global equities, as represented by the MSCI World Index, declined 5.54%. Emerging market equities, as represented by the MSCI Emerging Markets Index, declined 18.42% and underperformed developed market equities.

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

Sincerely,

Brent R. Harris

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

January 25, 2012

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 PIMCO Low Duration 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 used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations.

The Portfolio may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: interest rate risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, equity risk, mortgage-related and 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.

On the performance summary page in this Annual Report ("Shareholder Report"), the Average Annual Total Return table and Cumulative Return 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 1-800-927-4648, on the Portfolio's website at http://pvit.pimco-funds.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 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 1-800-927-4648 and on the Portfolio's website at http://pvit.pimco-funds.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 PIMCO Investments LLC, 1633 Broadway, New York, New York 10019.

The following disclosure provides important information regarding the Portfolio's Expense Example ("Example" or "Expense Example"), which appears in this Shareholder Report. Please refer to this information when reviewing the Expense Example for the Portfolio.

Expense 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 July 1, 2011 to December 31, 2011.

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.

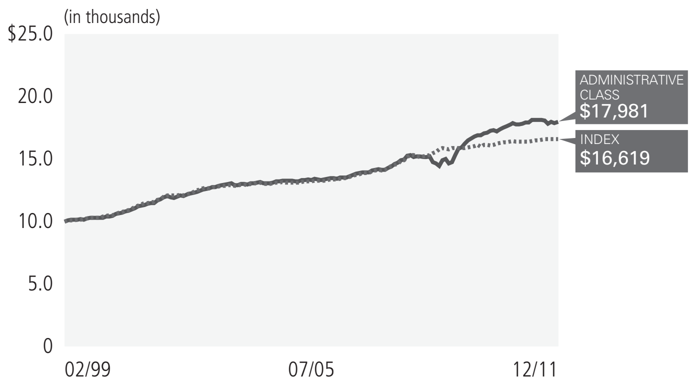
Hypothetical Example for Comparison Purposes

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).

Cumulative Returns Through December 31, 2011



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown‡

U.S. Government Agencies	40.6%
Short-Term Instruments	24.1%
Corporate Bonds & Notes	20.3%
U.S. Treasury Obligations	4.6%
Mortgage-Backed Securities	4.3%
Other	6.1%

‡ % of Total Investments as of 12/31/11

Average Annual Total Return for the period ended December 31, 2011

		1 Year	5 Years	10 Years	Class Inception (02/16/1999)
—	PIMCO Low Duration Portfolio Administrative Class	1.11%	5.22%	4.22%	4.63%
·····	BofA Merrill Lynch 1-3 Year U.S. Treasury Index±	1.55%	3.69%	3.25%	4.03%*

All Portfolio returns are net of fees and expenses.

* Average annual total return since 02/28/1999.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. 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 performance shown. For performance current to the most recent month-end, visit http://pvit.pimco-funds.com. The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, as supplemented to date, is 0.65% for Administrative Class shares.

± The BofA Merrill Lynch 1-3 Year US Treasury Index is an unmanaged index comprised of U.S. Treasury securities, other than inflation-protection securities and STRIPS, with at least $1 billion in outstanding face value and a remaining term to final maturity of at least one year and less than three years. It is not possible to invest directly in an unmanaged index.

Expense Example	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value (07/01/11)	$1,000.00	$1,000.00
Ending Account Value (12/31/11)	$ 993.00	$1,021.88
Expenses Paid During Period*	$ 3.32	$ 3.36
Net Annualized Expense Ratio	0.66%	0.66%

* *Expenses are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (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 the Important Information section for an explanation of the information presented in the above Expense Example.

Portfolio Insights

» The PIMCO Low Duration Portfolio seeks maximum total return, consistent with preservation of capital and prudent investment management, 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. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public or private sector entities.

» Interest rate exposure in Canada added to returns as yields in that region fell during the reporting period.

» Allocations to investment grade corporate securities slightly added to returns as the sector outperformed like duration U.S. Treasuries during the reporting period.

» Allocations to mortgage-backed securities added to performance as the sector outperformed short maturity U.S. Treasuries during the reporting period.

» Exposure to a basket of emerging market (EM) currencies, including the Brazilian real, detracted from performance as these currencies depreciated versus the U.S. dollar.

» An underweight to U.S. duration (or sensitivity to changes in market interest rates) during the early half of the reporting period detracted from returns as the two-year U.S. Treasury yield fell. However, an overweight to U.S. duration during the latter half of the reporting period partially mitigated this negative impact.

Financial Highlights PIMCO Low Duration Portfolio

Selected Per Share Data for the Year Ended:	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Administrative Class					
Net asset value beginning of year	$ 10.44	$ 10.11	$ 9.68	$ 10.30	$ 10.06
Net investment income [(a)]	0.14	0.14	0.31	0.41	0.48
Net realized/unrealized gain (loss)	(0.02)	0.39	0.95	(0.46)	0.24
Total income (loss) from investment operations	0.12	0.53	1.26	(0.05)	0.72
Dividends from net investment income	(0.18)	(0.17)	(0.36)	(0.41)	(0.48)
Distributions from net realized capital gains	0.00	(0.03)	(0.47)	(0.16)	0.00
Total distributions	(0.18)	(0.20)	(0.83)	(0.57)	(0.48)
Net asset value end of year	$ 10.38	$ 10.44	$ 10.11	$ 9.68	$ 10.30
Total return	1.11%	5.29%	13.32%	(0.42)%	7.36%
Net assets end of year (000s)	$ 1,326,770	$ 1,238,086	$ 890,238	$ 1,143,209	$ 1,412,835
Ratio of expenses to average net assets	0.65%	0.65%	0.67%	0.70%	0.65%
Ratio of expenses to average net assets excluding interest expense	0.65%	0.65%	0.65%	0.65%	0.65%
Ratio of net investment income to average net assets	1.37%	1.33%	3.07%	4.00%	4.72%
Portfolio turnover rate	456%*	351%*	662%	293%	72%

* The ratio excludes PIMCO Short-Term Floating NAV Portfolio.
(a) Per share amounts based on average number of shares outstanding during the year.

Statement of Assets and Liabilities PIMCO Low Duration Portfolio

(Amounts in thousands, except per share amounts)	December 31, 2011
Assets:	
Investments, at value	$ 1,679,348
Investments in Affiliates, at value	481,486
Repurchase agreements, at value	5,388
Cash	150
Foreign currency, at value	213
Receivable for investments sold	249,347
Receivable for Portfolio shares sold	3,065
Interest and dividends receivable	7,342
Dividends receivable from Affiliates	112
Variation margin receivable on financial derivative instruments	591
OTC swap premiums paid	5,878
Unrealized appreciation on foreign currency contracts	6,625
Unrealized appreciation on OTC swap agreements	4,277
	2,443,822
Liabilities:	
Payable for investments purchased	$ 501,711
Payable for investments in Affiliates purchased	112
Payable for short sales	139,709
Deposits from counterparty	7,485
Payable for Portfolio shares redeemed	1,209
Written options outstanding	245
Accrued investment advisory fees	400
Accrued supervisory and administrative fees	400
Accrued distribution fees	79
Accrued servicing fees	168
OTC swap premiums received	3,559
Unrealized depreciation on foreign currency contracts	3,074
Unrealized depreciation on OTC swap agreements	6,997
Other liabilities	3
	665,151
Net Assets	$ 1,778,671
Net Assets Consist of:	
Paid in capital	$ 1,812,901
Undistributed net investment income	9,943
Accumulated undistributed net realized (loss)	(37,618)
Net unrealized (depreciation)	(6,555)
	$ 1,778,671
Net Assets:	
Institutional Class	$ 63,047
Administrative Class	1,326,770
Advisor Class	388,854
Shares Issued and Outstanding:	
Institutional Class	6,072
Administrative Class	127,777
Advisor Class	37,450
Net Asset Value and Redemption Price Per Share (Net Asset Value Per Share Outstanding):	
Institutional Class	$ 10.38
Administrative Class	10.38
Advisor Class	10.38
Cost of Investments	$ 1,688,520
Cost of Investments in Affiliates	$ 481,428
Cost of Repurchase Agreements	$ 5,388
Cost of Foreign Currency Held	$ 215
Proceeds Received on Short Sales	$ 138,913
Premiums Received on Written Options	$ 2,996

See Accompanying Notes

Statement of Operations PIMCO Low Duration Portfolio

(Amounts in thousands)	Year Ended December 31, 2011
Investment Income:	
Interest	$ 32,745
Dividends	852
Dividends from Affiliate investments	1,440
Total Income	35,037
Expenses:	
Investment advisory fees	4,331
Supervisory and administrative fees	4,331
Servicing fees – Administrative Class	1,973
Distribution and/or servicing fees – Advisor Class	885
Trustees' fees	26
Interest expense	12
Miscellaneous expense	1
Total Expenses	11,559
Net Investment Income	23,478
Net Realized and Unrealized Gain (Loss):	
Net realized (loss) on investments	(5,344)
Net realized (loss) on Affiliate investments	(199)
Net realized gain on futures contracts, written options and swaps	10,213
Net realized gain on foreign currency transactions	1,839
Net change in unrealized (depreciation) on investments	(9,051)
Net change in unrealized appreciation on Affiliate investments	130
Net change in unrealized (depreciation) on futures contracts, written options and swaps	(5,259)
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	1,493
Net (Loss)	(6,178)
Net Increase in Net Assets Resulting from Operations	$ 17,300

Statements of Changes in Net Assets PIMCO Low Duration Portfolio

(Amounts in thousands)	Year Ended December 31, 2011	Year Ended December 31, 2010
Increase in Net Assets from:		
Operations:		
Net investment income	$ 23,478	$ 18,254
Net realized gain	6,708	29,736
Net realized gain (loss) on Affiliate investments	(199)	170
Net change in unrealized appreciation (depreciation)	(12,817)	20,250
Net change in unrealized appreciation (depreciation) on Affiliate investments	130	(8)
Net increase resulting from operations	17,300	68,402
Distributions to Shareholders:		
From net investment income		
Institutional Class	(1,163)	(973)
Administrative Class	(22,065)	(17,598)
Advisor Class	(5,563)	(3,897)
From net realized capital gains		
Institutional Class	0	(178)
Administrative Class	0	(3,924)
Advisor Class	0	(899)
Total Distributions	(28,791)	(27,469)
Portfolio Share Transactions:		
Net increase resulting from Portfolio share transactions**	217,564	395,699
Total Increase in Net Assets	206,073	436,632
Net Assets:		
Beginning of year	1,572,598	1,135,966
End of year*	$ 1,778,671	$ 1,572,598
*Including undistributed net investment income of:	$ 9,943	$ 4,205

**See note 11 in the Notes to Financial Statements.

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
BANK LOAN OBLIGATIONS 0.1%			
Charter Communications, Inc.			
3.830% due 09/06/2016	$	597	$ 585
HCA, Inc.			
2.546% due 11/17/2013		2,200	2,169
Total Bank Loan Obligations (Cost $2,766)			2,754
CORPORATE BONDS & NOTES 24.7%			
BANKING & FINANCE 15.0%			
Ally Financial, Inc.			
3.649% due 02/11/2014		1,000	950
3.963% due 06/20/2014		1,200	1,128
4.500% due 02/11/2014		1,200	1,161
6.000% due 05/23/2012		500	502
7.000% due 02/01/2012		1,000	1,005
ANZ National International Ltd.			
6.200% due 07/19/2013		1,000	1,062
Australia & New Zealand Banking Group Ltd.			
1.288% due 05/08/2013		4,200	4,212
Banco Bradesco S.A.			
2.561% due 05/16/2014		7,100	6,974
Banco do Brasil S.A.			
4.500% due 01/22/2015		800	831
Banco Mercantil del Norte S.A.			
4.375% due 07/19/2015		1,600	1,622
Banco Santander Chile			
1.659% due 04/20/2012		2,300	2,301
2.875% due 11/13/2012		4,500	4,529
3.750% due 09/22/2015		2,900	2,906
Bank of America Corp.			
6.000% due 09/01/2017		1,250	1,223
7.375% due 05/15/2014		1,500	1,556
Bank of Montreal			
1.300% due 10/31/2014		6,300	6,294
Bank of Tokyo-Mitsubishi UFJ Ltd.			
3.850% due 01/22/2015		2,200	2,336
Banque PSA Finance S.A.			
2.481% due 04/04/2014		2,500	2,317
Bear Stearns Cos. LLC			
0.619% due 02/01/2012		2,500	2,501
BNP Paribas S.A.			
0.791% due 04/08/2013		5,200	4,891
BPCE S.A.			
2.375% due 10/04/2013		400	388
BRFkredit A/S			
0.653% due 04/15/2013		4,200	4,202
Citigroup, Inc.			
1.307% due 02/15/2013		2,500	2,454
1.848% due 01/13/2014		2,600	2,530
5.500% due 04/11/2013		7,100	7,251
5.625% due 08/27/2012		2,800	2,843
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.			
4.200% due 05/13/2014		2,000	2,097
Credit Agricole S.A.			
1.862% due 01/21/2014		5,200	4,809
DanFin Funding Ltd.			
1.103% due 07/16/2013		9,700	9,701
Dexia Credit Local			
0.927% due 03/05/2013		9,100	8,617
Dexia Credit Local S.A.			
0.908% due 04/29/2014		4,200	3,813
FIH Erhvervsbank A/S			
0.912% due 06/13/2013		15,700	15,692
First Horizon National Corp.			
5.375% due 12/15/2015	$	1,400	$ 1,419
Ford Motor Credit Co. LLC			
5.875% due 08/02/2021		300	313
7.000% due 10/01/2013		50	53
7.000% due 04/15/2015		1,100	1,185
7.800% due 06/01/2012		300	306
8.000% due 06/01/2014		100	109
Fortis Bank Nederland NV			
3.000% due 04/17/2012	EUR	400	521
Golden West Financial Corp.			
4.750% due 10/01/2012	$	600	616
Goldman Sachs Group, Inc.			
1.884% due 02/04/2013	EUR	300	373
1.940% due 01/30/2017		7,900	8,301
4.500% due 05/09/2016		200	247
5.250% due 07/27/2021	$	6,100	5,960
6.125% due 02/14/2017	GBP	200	318
Industrial Bank of Korea			
3.750% due 09/29/2016	$	2,200	2,218
ING Bank NV			
1.596% due 03/15/2013		6,000	5,862
1.940% due 06/09/2014		1,500	1,438
3.900% due 03/19/2014		1,100	1,161
International Lease Finance Corp.			
6.500% due 09/01/2014		11,200	11,508
6.625% due 11/15/2013		1,805	1,805
Intesa Sanpaolo SpA			
2.906% due 02/24/2014		2,300	2,026
JPMorgan Chase & Co.			
3.150% due 07/05/2016		3,000	3,018
4.650% due 06/01/2014		1,000	1,057
Kreditanstalt fuer Wiederaufbau			
2.000% due 09/07/2016	EUR	1,200	1,588
3.875% due 01/21/2019		2,700	3,884
4.375% due 07/04/2018		2,300	3,388
Lehman Brothers Holdings, Inc.			
5.625% due 01/24/2013 ^	$	1,700	455
Lloyds TSB Bank PLC			
2.766% due 01/24/2014		3,400	3,218
Merrill Lynch & Co., Inc.			
5.571% due 10/04/2012		7,800	7,815
6.500% due 07/15/2018		100	97
6.875% due 11/15/2018		100	97
MetLife Institutional Funding II			
1.481% due 04/04/2014		9,500	9,485
Metropolitan Life Global Funding I			
0.796% due 03/15/2012		425	425
National Australia Bank Ltd.			
1.111% due 04/11/2014		9,000	8,916
Nationwide Building Society			
2.500% due 08/17/2012		1,200	1,213
PNC Preferred Funding Trust I			
6.517% due 03/29/2049		1,100	797
Qatari Diar Finance QSC			
3.500% due 07/21/2015		4,300	4,472
5.000% due 07/21/2020		5,000	5,350
Regions Financial Corp.			
6.375% due 05/15/2012		15,515	15,709
Royal Bank of Scotland Group PLC			
1.181% due 10/14/2016		400	277
7.640% due 03/29/2049		4,500	2,436
SLM Corp.			
1.756% due 06/17/2013	EUR	1,100	1,359
UBS AG			
1.425% due 01/28/2014	$	1,000	$ 974
1.595% due 02/23/2012		1,300	1,302
Wachovia Corp.			
4.810% due 05/25/2012	AUD	5,200	5,297
Waha Aerospace BV			
3.925% due 07/28/2020	$	5,040	5,186
Wells Fargo & Co.			
7.980% due 03/29/2049		11,500	12,377
Westpac Banking Corp.			
2.250% due 11/19/2012		6,900	6,970
			267,599
INDUSTRIALS 6.6%			
Anheuser-Busch InBev Worldwide, Inc.			
0.972% due 01/27/2014		6,400	6,416
Cadbury Schweppes U.S. Finance LLC			
5.125% due 10/01/2013		5,015	5,347
Caterpillar, Inc.			
0.649% due 05/21/2013		6,000	6,010
Chesapeake Energy Corp.			
7.625% due 07/15/2013		1,000	1,063
9.500% due 02/15/2015		300	345
Comcast Cable Communications Holdings, Inc.			
8.375% due 03/15/2013		6,100	6,636
COX Communications, Inc.			
4.625% due 06/01/2013		1,675	1,767
7.125% due 10/01/2012		8,000	8,378
Daimler Finance North America LLC			
1.742% due 09/13/2013		1,600	1,580
7.300% due 01/15/2012		7,300	7,314
Deutsche Telekom International Finance BV			
5.250% due 07/22/2013		8,869	9,325
Dow Chemical Co.			
6.000% due 10/01/2012		2,272	2,360
EOG Resources, Inc.			
1.182% due 02/03/2014		6,600	6,623
Florida Gas Transmission Co. LLC			
4.000% due 07/15/2015		1,700	1,782
Gazprom OAO Via Gaz Capital S.A.			
7.510% due 07/31/2013		2,500	2,656
Gazprom OAO Via Royal Bank of Scotland Group AG			
9.625% due 03/01/2013		200	214
General Mills, Inc.			
5.250% due 08/15/2013		3,500	3,742
Hewlett-Packard Co.			
0.786% due 05/24/2013		3,800	3,764
Hutchison Whampoa International Ltd.			
6.500% due 02/13/2013		5,000	5,238
Kraft Foods, Inc.			
2.625% due 05/08/2013		8,100	8,279
6.250% due 06/01/2012		1,096	1,120
MeadWestvaco Corp.			
6.850% due 04/01/2012		1,600	1,614
Noble Group Ltd.			
6.750% due 01/29/2020		5,000	4,350
Pearson Dollar Finance PLC			
5.500% due 05/06/2013		7,000	7,363
Pemex Project Funding Master Trust			
7.500% due 12/18/2013	GBP	100	167
Reynolds American, Inc.			
7.250% due 06/01/2012	$	2,300	2,356
Time Warner Cable, Inc.			
6.200% due 07/01/2013		3,000	3,221

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Time Warner, Inc.		
3.150% due 07/15/2015	$ 2,200	$ 2,291
Volkswagen International Finance NV		
1.031% due 10/01/2012	5,500	5,496
WM Wrigley Jr. Co.		
3.050% due 06/28/2013	500	509
		117,326

UTILITIES 3.1%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
AK Transneft OJSC Via TransCapitalInvest Ltd.		
7.700% due 08/07/2013	4,800	5,175
BP Capital Markets PLC		
2.750% due 02/27/2012	4,900	4,914
Centrais Eletricas Brasileiras S.A.		
6.875% due 07/30/2019	700	798
Dominion Resources, Inc.		
5.000% due 03/15/2013	3,000	3,147
Gazprom OAO Via White Nights Finance BV		
10.500% due 03/08/2014	5,850	6,593
10.500% due 03/25/2014	3,800	4,281
NextEra Energy Capital Holdings, Inc.		
5.350% due 06/15/2013	4,000	4,221
NGPL PipeCo LLC		
6.514% due 12/15/2012	4,000	4,042
NRG Energy, Inc.		
8.250% due 09/01/2020	1,900	1,919
Qtel International Finance Ltd.		
3.375% due 10/14/2016	2,300	2,329
Qwest Corp.		
3.796% due 06/15/2013	8,800	8,870
Shell International Finance BV		
3.100% due 06/28/2015	5,500	5,903
Vodafone Group PLC		
5.350% due 02/27/2012	3,054	3,075
		55,267
Total Corporate Bonds & Notes (Cost $445,593)		440,192

MUNICIPAL BONDS & NOTES 0.5%

ILLINOIS 0.3%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Illinois State General Obligation Notes, Series 2010		
2.766% due 01/01/2012	5,800	5,800

NEW JERSEY 0.2%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
New Jersey Economic Development Authority Revenue Notes, (BABs), Series 2010		
1.546% due 06/15/2013	3,300	3,301
Total Municipal Bonds & Notes (Cost $9,100)		9,101

U.S. GOVERNMENT AGENCIES 49.4%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Fannie Mae		
0.354% due 12/25/2036 - 07/25/2037	1,211	1,171
0.604% due 04/25/2037	873	870
0.644% due 07/25/2037 - 03/25/2044	4,845	4,830
0.694% due 05/25/2031 - 11/25/2032	742	742
0.813% due 12/25/2022	130	130
1.034% due 03/25/2040	7,293	7,353
1.113% due 04/25/2023	141	142
1.163% due 02/25/2023	7	7
1.213% due 05/25/2022 - 06/17/2027	$ 79	$ 80
1.418% due 07/01/2042	123	123
1.420% due 06/01/2043	451	454
1.468% due 09/01/2041	360	366
1.618% due 09/01/2040	3	3
2.167% due 11/01/2035	103	107
2.275% due 09/01/2035	533	562
2.390% due 07/01/2035	161	170
4.000% due 03/01/2023 - 01/01/2042	283,015	297,552
4.500% due 04/01/2013 - 01/01/2042	152,091	162,089
4.527% due 12/01/2036	41	43
4.699% due 09/01/2034	32	34
5.000% due 05/01/2027 - 01/01/2042	136,046	147,076
5.500% due 07/01/2028 - 01/01/2042	48,402	52,756
6.000% due 03/01/2017 - 02/01/2042	40,995	45,130
6.292% due 12/25/2042	13	15
6.500% due 04/01/2036 - 11/01/2036	627	707
FDIC Structured Sale Guaranteed Notes		
2.980% due 12/06/2020	4,610	4,809
Federal Housing Administration		
7.430% due 10/01/2020	6	6
Freddie Mac		
0.334% due 12/25/2036	1,686	1,677
0.428% due 07/15/2019 - 08/15/2019	2,701	2,696
0.554% due 08/25/2031	218	212
0.578% due 05/15/2036	641	640
0.628% due 12/15/2030	62	62
0.678% due 06/15/2018	60	60
1.418% due 02/25/2045	447	428
2.494% due 07/01/2035	315	332
5.000% due 01/01/2036 - 12/01/2041	130,000	139,803
5.500% due 12/01/2022 - 07/01/2038	2,862	3,112
6.000% due 09/01/2016 - 01/01/2042	1,037	1,139
6.500% due 07/25/2043	94	107
Small Business Administration		
5.600% due 09/01/2028	744	844
Total U.S. Government Agencies (Cost $872,172)		878,439

U.S. TREASURY OBLIGATIONS 5.6%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
U.S. Treasury Inflation Protected Securities (c)		
0.125% due 04/15/2016 (f)(h)(i)	73,444	76,634
0.625% due 07/15/2021	6,027	6,451
U.S. Treasury Notes		
0.250% due 12/15/2014 (e)	400	399
0.875% due 12/31/2016 (a)	15,000	15,033
1.375% due 11/30/2018	800	803
Total U.S. Treasury Obligations (Cost $99,422)		99,320

MORTGAGE-BACKED SECURITIES 5.3%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Adjustable Rate Mortgage Trust		
2.847% due 09/25/2035	1,490	1,025
American Home Mortgage Investment Trust		
2.294% due 02/25/2045	259	192
2.434% due 10/25/2034	584	497
Banc of America Funding Corp.		
0.574% due 07/25/2037	$ 1,965	$ 1,264
5.743% due 01/20/2047	925	587
Banc of America Large Loan, Inc.		
2.028% due 11/15/2015	764	692
Banc of America Mortgage Securities, Inc.		
2.748% due 07/25/2034	1,692	1,494
2.879% due 05/25/2033	829	695
6.500% due 10/25/2031	17	17
BCRR Trust		
4.230% due 12/22/2035	2,771	2,774
Bear Stearns Adjustable Rate Mortgage Trust		
2.250% due 08/25/2035	3,446	2,956
2.723% due 04/25/2033	8	7
2.733% due 08/25/2035	606	334
2.819% due 01/25/2035	373	301
2.821% due 02/25/2033	2	2
2.827% due 07/25/2034	581	418
2.905% due 01/25/2034	43	39
3.016% due 03/25/2035	3,560	3,367
5.579% due 04/25/2033	15	14
Bear Stearns Alt-A Trust		
0.454% due 02/25/2034	720	529
Bear Stearns Commercial Mortgage Securities		
5.331% due 02/11/2044	400	423
5.471% due 01/12/2045	1,200	1,357
Bear Stearns Structured Products, Inc.		
2.553% due 01/26/2036	1,434	844
3.618% due 12/26/2046	785	465
Citigroup Mortgage Loan Trust, Inc.		
2.660% due 05/25/2035	343	295
2.700% due 08/25/2035	1,479	673
Commercial Mortgage Pass-Through Certificates		
5.306% due 12/10/2046	3,600	3,919
Countrywide Alternative Loan Trust		
0.474% due 05/25/2047	810	413
6.000% due 10/25/2033	27	26
Countrywide Home Loan Mortgage Pass-Through Trust		
2.610% due 02/20/2036	724	429
2.745% due 02/20/2035	1,883	1,450
2.751% due 11/25/2034	1,120	809
Credit Suisse First Boston Mortgage Securities Corp.		
0.884% due 03/25/2032	2	1
Credit Suisse Mortgage Capital Certificates		
0.348% due 02/15/2022	2,321	2,228
5.661% due 03/15/2039	400	431
CW Capital Cobalt Ltd.		
5.334% due 04/15/2047	1,848	1,885
First Horizon Alternative Mortgage Securities		
2.199% due 09/25/2034	2,166	1,842
First Horizon Asset Securities, Inc.		
2.746% due 08/25/2035	613	472
GMAC Mortgage Corp. Loan Trust		
2.789% due 11/19/2035	354	260
Gracechurch Mortgage Financing PLC		
0.559% due 11/20/2056	9,479	9,444
Granite Master Issuer PLC		
0.385% due 12/20/2054	956	914
0.425% due 12/20/2054	6,153	5,882
0.892% due 12/20/2054	GBP 998	1,468
Granite Mortgages PLC		
1.354% due 01/20/2044	161	238
1.450% due 09/20/2044	1,142	1,693
1.959% due 01/20/2044	EUR 185	232

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Greenpoint Mortgage Funding Trust			
0.374% due 10/25/2046	$	104	$ 96
0.374% due 01/25/2047 ^		96	91
Greenpoint Mortgage Pass-Through Certificates			
2.798% due 10/25/2033		2,081	1,660
Greenwich Capital Commercial Funding Corp.			
4.799% due 08/10/2042		200	215
5.444% due 03/10/2039		1,900	2,065
GS Mortgage Securities Corp.			
1.142% due 03/06/2020		1,670	1,657
GSR Mortgage Loan Trust			
2.685% due 09/25/2035		1,570	1,373
Harborview Mortgage Loan Trust			
0.505% due 05/19/2035		176	94
2.768% due 07/19/2035		962	626
Holmes Master Issuer PLC			
2.922% due 10/15/2054	EUR	1,200	1,548
Impac CMB Trust			
1.294% due 07/25/2033	$	285	260
Indymac Index Mortgage Loan Trust			
2.592% due 12/25/2034		473	328
JPMorgan Chase Commercial Mortgage Securities Corp.			
5.420% due 01/15/2049		600	651
5.882% due 02/15/2051		1,300	1,418
JPMorgan Mortgage Trust			
5.024% due 02/25/2035		341	332
5.750% due 01/25/2036		73	67
MASTR Asset Securitization Trust			
5.500% due 09/25/2033		25	26
Mellon Residential Funding Corp.			
0.758% due 06/15/2030		218	191
Merrill Lynch Mortgage Investors, Inc.			
0.504% due 02/25/2036		544	354
Merrill Lynch/Countrywide Commercial Mortgage Trust			
5.485% due 03/12/2051		2,700	2,852
MLCC Mortgage Investors, Inc.			
0.544% due 11/25/2035		427	323
1.270% due 10/25/2035		252	201
1.935% due 01/25/2029		34	32
2.420% due 10/25/2035		1,030	837
Morgan Stanley Capital			
0.339% due 10/15/2020		656	653
5.809% due 12/12/2049		300	332
Morgan Stanley Re-REMIC Trust			
5.790% due 08/12/2045		700	788
Opera Finance PLC			
1.215% due 04/25/2017	GBP	1,008	1,389
Prime Mortgage Trust			
0.694% due 02/25/2019	$	3	3
0.694% due 02/25/2034		23	21
Residential Funding Mortgage Securities			
3.033% due 09/25/2035		1,440	903
Salomon Brothers Mortgage Securities, Inc.			
4.000% due 12/25/2018		66	69
Structured Adjustable Rate Mortgage Loan Trust			
1.618% due 01/25/2035		391	221
2.480% due 02/25/2034		553	497
2.495% due 08/25/2034		770	673
2.532% due 08/25/2035		425	304
Structured Asset Mortgage Investments, Inc.			
0.574% due 02/25/2036		248	121
0.945% due 09/19/2032		8	7
Structured Asset Securities Corp.			
2.650% due 10/25/2035		442	350

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
UBS Commercial Mortgage Trust			
1.178% due 07/15/2024	$	1,551	$ 1,466
Wachovia Bank Commercial Mortgage Trust			
0.358% due 06/15/2020		1,793	1,605
0.368% due 09/15/2021		4,761	4,528
WaMu Mortgage Pass-Through Certificates			
0.564% due 12/25/2045		212	153
0.584% due 10/25/2045		3,390	2,448
0.938% due 01/25/2047		508	278
1.408% due 11/25/2042		86	67
1.414% due 05/25/2041		44	37
1.608% due 06/25/2042		51	37
1.608% due 08/25/2042		222	178
2.468% due 02/27/2034		38	37
Wells Fargo Mortgage-Backed Securities Trust			
2.661% due 12/25/2034		683	643
2.666% due 03/25/2036		757	588
2.721% due 10/25/2035		1,430	1,235
2.948% due 01/25/2035		928	856
4.871% due 09/25/2035		661	638
Total Mortgage-Backed Securities (Cost $101,520)			93,719

ASSET-BACKED SECURITIES 2.5%

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
ACE Securities Corp.			
0.354% due 10/25/2036		136	35
AMMC CDO			
0.798% due 08/08/2017		3,426	3,322
Amortizing Residential Collateral Trust			
0.874% due 07/25/2032		13	10
Asset-Backed Securities Corp. Home Equity			
0.569% due 09/25/2034		286	253
1.928% due 03/15/2032		184	133
Atrium CDO Corp.			
0.852% due 06/27/2015		3,475	3,402
Babson CLO Ltd.			
0.777% due 11/15/2016		1,811	1,763
Bear Stearns Asset-Backed Securities Trust			
1.294% due 10/25/2037		3,220	1,786
Countrywide Asset-Backed Certificates			
0.554% due 05/25/2036		1,878	1,602
0.774% due 12/25/2031		40	20
Credit Suisse First Boston Mortgage Securities Corp.			
0.914% due 01/25/2032		9	7
Dryden Leveraged Loan CDO			
0.738% due 05/22/2017		2,934	2,805
1.110% due 12/22/2015		710	703
Equity One ABS, Inc.			
0.854% due 11/25/2032		11	9
GE-WMC Mortgage Securities LLC			
0.334% due 08/25/2036		18	5
Halcyon Structured Asset Management Long/Short CLO Ltd.			
0.660% due 08/07/2021		8,500	8,109
HSBC Home Equity Loan Trust			
0.575% due 01/20/2034		1,501	1,368
Landmark CDO Ltd.			
0.873% due 01/15/2016		353	352
Long Beach Mortgage Loan Trust			
0.854% due 10/25/2034		34	25
Panhandle-Plains Higher Education Authority, Inc.			
1.711% due 10/01/2035		2,563	2,560
SLM Student Loan Trust			
1.835% due 10/25/2023	EUR	5,500	6,383
1.928% due 12/15/2017	$	2,610	$ 2,619
3.500% due 08/17/2043		3,438	3,390
4.500% due 11/16/2043		1,115	1,058
South Carolina Student Loan Corp.			
1.277% due 03/02/2020		2,000	1,990
Structured Asset Investment Loan Trust			
0.654% due 10/25/2035		808	559
Total Asset-Backed Securities (Cost $46,991)			44,268

SOVEREIGN ISSUES 3.5%

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Brazil Notas do Tesouro Nacional			
10.000% due 01/01/2013	BRL	128	69
10.000% due 01/01/2014		585	311
10.000% due 01/01/2017		4,500	2,319
Canada Government Bond			
2.000% due 06/01/2016	CAD	11,000	11,147
2.750% due 09/01/2016		800	837
3.250% due 06/01/2021		3,900	4,256
3.750% due 06/01/2019		400	449
Canada Housing Trust No. 1			
3.750% due 03/15/2020		5,900	6,447
3.800% due 06/15/2021		200	220
Export-Import Bank of Korea			
1.050% due 03/03/2012	SGD	3,000	2,312
Hydro Quebec			
2.000% due 06/30/2016	$	12,800	13,084
Korea Development Bank			
3.250% due 03/09/2016		5,300	5,248
8.000% due 01/23/2014		1,700	1,872
Korea Government Bond			
4.875% due 09/22/2014		600	648
5.125% due 12/07/2016		500	560
5.750% due 04/16/2014		500	545
Province of British Columbia Canada			
3.250% due 12/18/2021	CAD	100	102
Province of Ontario Canada			
3.150% due 06/02/2022		8,100	8,118
4.000% due 06/02/2021		1,200	1,295
4.200% due 06/02/2020		100	110
Province of Quebec Canada			
4.250% due 12/01/2021		100	109
4.500% due 12/01/2017		600	668
4.500% due 12/01/2018		200	223
Societe Financement de l'Economie Francaise			
0.603% due 07/16/2012	$	1,000	1,002
2.125% due 05/20/2012	EUR	700	908
Total Sovereign Issues (Cost $62,605)			62,859

CONVERTIBLE PREFERRED SECURITIES 0.4%

BANKING & FINANCE 0.4%

	SHARES	
Wells Fargo & Co.		
7.500% due 12/31/2049	7,463	7,875

INDUSTRIALS 0.0%

	SHARES	
Motors Liquidation Co.		
5.250% due 03/06/2032	4,000	2
Total Convertible Preferred Securities (Cost $6,010)		7,877

PREFERRED SECURITIES 0.3%

BANKING & FINANCE 0.3%

	SHARES	
DG Funding Trust		
2.700% due 12/31/2049	420	3,155

	SHARES	MARKET VALUE (000S)
Farm Credit Bank		
10.000% due 12/31/2049	1,900	$ 2,224
Total Preferred Securities (Cost $6,419)		5,379

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SHORT-TERM INSTRUMENTS 29.5%		
CERTIFICATES OF DEPOSIT 1.7%		
Banco Bradesco S.A.		
1.950% due 01/24/2013	$ 1,200	1,209
Banco do Brasil S.A.		
0.000% due 02/15/2012	7,900	7,885
Bank of Nova Scotia		
0.700% due 10/18/2012	4,600	4,609
Intesa Sanpaolo SpA		
2.375% due 12/21/2012	7,200	6,699
Itau Unibanco Holding S.A.		
0.000% due 01/11/2012	3,300	3,299
0.000% due 02/06/2012	6,000	5,991
		29,692
COMMERCIAL PAPER 0.3%		
Vodafone Group PLC		
0.880% due 01/19/2012	$ 4,800	$ 4,798
REPURCHASE AGREEMENTS 0.3%		
Banc of America Securities LLC		
0.060% due 01/03/2012	2,000	2,000
(Dated 12/30/2011. Collateralized by U.S. Treasury Bonds 6.000% due 02/15/2026 valued at $2,072. Repurchase proceeds are $2,000.)		
State Street Bank and Trust Co.		
0.010% due 01/03/2012	3,388	3,388
(Dated 12/30/2011. Collateralized by Federal Home Loan Bank 0.230% due 08/28/2012 valued at $3,460. Repurchase proceeds are $3,388.)		
		5,388
U.S. TREASURY BILLS 0.1%		
0.024% due 02/09/2012 - 06/07/2012 (b)(f)	$ 950	$ 950

	SHARES	MARKET VALUE (000S)
PIMCO SHORT-TERM FLOATING NAV PORTFOLIO (d) 27.1%		
	48,076,488	481,486
Total Short-Term Instruments (Cost $522,738)		522,314
Total Investments 121.8% (Cost $2,175,336)		**$ 2,166,222**
Written Options (k) (0.0%) (Premiums $2,996)		**(245)**
Other Assets and Liabilities (Net) (21.8%)		**(387,306)**
Net Assets 100.0%		**$ 1,778,671**

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.

^ Security is in default.

(a) When-issued security.

(b) Coupon represents a weighted average yield to maturity.

(c) Principal amount of security is adjusted for inflation.

(d) Affiliated to the Portfolio.

(e) Securities with an aggregate market value of $344 have been pledged as collateral for delayed-delivery securities as governed by Master Securities Forward Transaction Agreements as of December 31, 2011.

(f) Securities with an aggregate market value of $3,631 have been pledged as collateral as of December 31, 2011 for OTC swap, swaption and foreign currency contracts as governed by International Swaps and Derivatives Association, Inc. Master Agreements.

(g) The average amount of borrowings while outstanding during the period ended December 31, 2011 was $11,203 at a weighted average interest rate of (0.095%). On December 31, 2011, there were no open reverse repurchase agreements.

(h) Securities with an aggregate market value of $3,761 have been pledged as collateral for the following open futures contracts on December 31, 2011:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)
90-Day Eurodollar December Futures	Long	12/2012	14	$ 7
90-Day Eurodollar June Futures	Long	06/2013	478	506
90-Day Eurodollar June Futures	Long	06/2014	67	7
90-Day Eurodollar March Futures	Long	03/2013	2,716	(1,651)
90-Day Eurodollar March Futures	Long	03/2014	38	115
90-Day Eurodollar September Futures	Long	09/2013	129	164
U.S. Treasury 5-Year Note March Futures	Long	03/2012	346	38
U.S. Treasury 10-Year Note March Futures	Long	03/2012	531	619
				$ (195)

(i) Centrally cleared swap agreements outstanding on December 31, 2011: Securities with an aggregate market value of $91 have been pledged as collateral for centrally cleared swaps as of December 31, 2011. On December 31, 2011, there were no open centrally cleared swap agreements.

(j) OTC swap agreements outstanding on December 31, 2011:

Credit Default Swaps on Corporate Issues - Buy Protection (1)

Reference Entity	Counterparty	Fixed Deal (Pay) Rate	Maturity Date	Implied Credit Spread at December 31, 2011 (3)	Notional Amount (4)	Market Value	Premiums Paid/(Received)	Unrealized (Depreciation)
Credit Agricole S.A.	CBK	(1.000%)	03/20/2014	2.289%	$ 1,000	$ 27	$ 28	$ (1)

Credit Default Swaps on Corporate, Sovereign, and U.S. Treasury Obligation Issues - Sell Protection (2)

Reference Entity	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at December 31, 2011 (3)	Notional Amount (4)	Market Value	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)
Berkshire Hathaway Finance Corp.	BOA	1.000%	03/20/2016	1.640%	$ 1,100	$ (27)	$ (14)	$ (13)
Brazil Government International Bond	BRC	1.000%	09/20/2015	1.350%	5,100	(62)	(39)	(23)
Brazil Government International Bond	CBK	1.000%	09/20/2015	1.350%	1,000	(12)	(16)	4
Brazil Government International Bond	CBK	1.000%	06/20/2016	1.476%	27,000	(541)	(52)	(489)
Brazil Government International Bond	HUS	1.000%	09/20/2015	1.350%	1,000	(12)	(10)	(2)
Brazil Government International Bond	HUS	1.000%	03/20/2016	1.422%	1,300	(22)	(6)	(16)
Brazil Government International Bond	JPM	1.000%	09/20/2015	1.350%	400	(5)	(4)	(1)
Brazil Government International Bond	UAG	1.000%	09/20/2015	1.350%	500	(6)	(5)	(1)
Credit Agricole S.A.	DUB	3.000%	06/20/2016	5.563%	EUR 4,500	(559)	150	(709)
Credit Agricole S.A.	FBF	3.000%	06/20/2016	5.563%	3,400	(422)	106	(528)
Emirate of Abu Dhabi Government International Bond	MYC	1.000%	12/20/2015	1.090%	$ 2,600	(8)	1	(9)
Export-Import Bank of China	DUB	1.000%	12/20/2016	2.229%	2,300	(128)	(186)	58
Export-Import Bank of Korea	DUB	1.000%	12/20/2016	1.865%	1,000	(40)	(64)	24
France Government Bond	CBK	0.250%	12/20/2015	1.997%	500	(33)	(13)	(20)
France Government Bond	CBK	0.250%	09/20/2016	2.128%	2,100	(172)	(121)	(51)
France Government Bond	DUB	0.250%	09/20/2016	2.128%	400	(33)	(25)	(8)
France Government Bond	HUS	0.250%	09/20/2016	2.128%	5,100	(417)	(195)	(222)
France Government Bond	JPM	0.250%	09/20/2016	2.128%	3,300	(270)	(209)	(61)
France Government Bond	MYC	0.250%	09/20/2016	2.128%	8,400	(687)	(294)	(393)
France Government Bond	UAG	0.250%	09/20/2016	2.128%	2,800	(229)	(176)	(53)
General Electric Capital Corp.	BPS	1.250%	03/20/2013	1.612%	700	(3)	0	(3)
General Electric Capital Corp.	CBK	4.000%	12/20/2013	1.936%	2,200	91	0	91
General Electric Capital Corp.	CBK	4.320%	12/20/2013	1.936%	1,600	76	0	76
General Electric Capital Corp.	DUB	4.230%	12/20/2013	1.936%	2,400	110	0	110
General Electric Capital Corp.	DUB	4.900%	12/20/2013	1.936%	1,900	112	0	112
General Electric Capital Corp.	DUB	1.000%	03/20/2016	2.368%	100	(5)	(6)	1
General Electric Capital Corp.	JPM	1.000%	03/20/2014	1.952%	1,000	(20)	(29)	9
General Electric Capital Corp.	MYC	1.000%	06/20/2016	2.404%	200	(12)	(1)	(11)
Germany Government Bond	CBK	0.250%	09/20/2016	0.956%	13,300	(425)	(287)	(138)
Germany Government Bond	MYC	0.250%	09/20/2016	0.956%	16,400	(525)	(473)	(52)
Japan Government International Bond	BOA	1.000%	12/20/2015	1.219%	1,400	(11)	24	(35)
Japan Government International Bond	BOA	1.000%	03/20/2016	1.254%	5,900	(58)	82	(140)
Japan Government International Bond	BRC	1.000%	06/20/2015	1.133%	2,400	(10)	37	(47)
Japan Government International Bond	BRC	1.000%	12/20/2015	1.219%	1,400	(11)	25	(36)
Japan Government International Bond	BRC	1.000%	03/20/2016	1.254%	4,400	(44)	59	(103)
Japan Government International Bond	DUB	1.000%	09/20/2015	1.180%	9,000	(55)	149	(204)
Japan Government International Bond	GST	1.000%	03/20/2015	1.080%	3,700	(7)	36	(43)
Japan Government International Bond	JPM	1.000%	03/20/2016	1.254%	1,200	(12)	10	(22)
Japan Government International Bond	MYC	1.000%	12/20/2015	1.219%	1,500	(12)	26	(38)
Japan Government International Bond	UAG	1.000%	12/20/2015	1.219%	1,400	(12)	22	(34)
Mexico Government International Bond	BRC	1.000%	09/20/2015	1.281%	5,100	(49)	(39)	(10)
Mexico Government International Bond	DUB	1.000%	03/20/2016	1.362%	3,400	(48)	(19)	(29)
Mexico Government International Bond	DUB	1.000%	06/20/2016	1.410%	7,900	(136)	19	(155)
Petrobras International Finance Co.	DUB	1.000%	09/20/2012	0.868%	1,900	2	(17)	19
Republic of Italy Government Bond	BPS	1.000%	06/20/2016	4.846%	6,200	(883)	(129)	(754)
Rio Tinto Finance USA Ltd.	DUB	1.000%	12/20/2012	0.724%	5,000	15	17	(2)
SLM Corp.	BOA	5.000%	03/20/2016	6.047%	9,000	(311)	16	(327)
Spain Government Bond	BOA	1.000%	03/20/2016	3.724%	300	(30)	(20)	(10)
Spain Government Bond	CBK	1.000%	06/20/2016	3.736%	1,200	(127)	(74)	(53)
Spain Government Bond	GST	1.000%	03/20/2016	3.724%	200	(20)	(13)	(7)
U.S. Treasury Notes	BPS	0.250%	09/20/2016	0.480%	EUR 6,500	(87)	(124)	37
United Kingdom Gilt	BPS	1.000%	03/20/2015	0.648%	$ 1,400	17	9	8
United Kingdom Gilt	CBK	1.000%	03/20/2016	0.828%	1,200	9	16	(7)
United Kingdom Gilt	DUB	1.000%	03/20/2016	0.828%	900	6	17	(11)
United Kingdom Gilt	GST	1.000%	03/20/2015	0.648%	300	4	2	2
United Kingdom Gilt	GST	1.000%	03/20/2016	0.828%	2,300	17	38	(21)
United Kingdom Gilt	GST	1.000%	09/20/2016	0.911%	4,400	20	76	(56)
United Kingdom Gilt	JPM	1.000%	03/20/2015	0.648%	1,600	18	8	10
United Kingdom Gilt	MYC	1.000%	06/20/2016	0.872%	200	1	3	(2)
United Kingdom Gilt	MYC	1.000%	09/20/2016	0.911%	22,100	98	205	(107)
United Kingdom Gilt	UAG	1.000%	06/20/2016	0.872%	2,000	12	35	(23)
						$ (5,990)	$ (1,472)	$ (4,518)

Credit Default Swaps on Credit Indices - Sell Protection [(2)]

Index/Tranches	Counterparty	Fixed Deal Receive Rate	Maturity Date	Notional Amount [(4)]	Market Value [(5)]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)
CDX.EM-12 5-Year Index	BRC	5.000%	12/20/2014	$ 1,900	$ 123	$ 190	$ (67)
CDX.EM-12 5-Year Index	UAG	5.000%	12/20/2014	1,000	64	99	(35)
CDX.EM-13 5-Year Index	BRC	5.000%	06/20/2015	12,200	893	1,439	(546)
CDX.EM-13 5-Year Index	GST	5.000%	06/20/2015	400	29	50	(21)
CDX.EM-13 5-Year Index	HUS	5.000%	06/20/2015	6,100	446	678	(232)
CDX.EM-13 5-Year Index	JPM	5.000%	06/20/2015	500	36	56	(20)
CDX.EM-13 5-Year Index	MYC	5.000%	06/20/2015	8,300	608	966	(358)
CDX.EM-14 5-Year Index	BOA	5.000%	12/20/2015	1,800	145	235	(90)
CDX.EM-14 5-Year Index	BRC	5.000%	12/20/2015	700	56	90	(34)
CDX.EM-14 5-Year Index	DUB	5.000%	12/20/2015	200	16	25	(9)
CDX.EM-14 5-Year Index	HUS	5.000%	12/20/2015	800	64	104	(40)
CDX.EM-14 5-Year Index	MYC	5.000%	12/20/2015	3,700	297	481	(184)
CDX.EM-15 5-Year Index	BRC	5.000%	06/20/2016	800	68	96	(28)
CDX.HY-8 5-Year Index 35-100%	CBK	0.360%	06/20/2012	4,742	6	0	6
CDX.HY-8 5-Year Index 35-100%	CBK	0.400%	06/20/2012	1,043	2	0	2
CDX.IG-9 5-Year Index 30-100%	DUB	0.700%	12/20/2012	8,198	59	0	59
CDX.IG-9 10-Year Index 30-100%	GST	0.540%	12/20/2017	193	3	0	3
CDX.IG-9 10-Year Index 30-100%	JPM	0.550%	12/20/2017	386	5	0	5
iTraxx Europe 14 Index	BPS	1.000%	12/20/2015	EUR 29,000	(1,036)	(783)	(253)
					$ 1,884	$ 3,726	$ (1,842)

[(1)] If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

[(2)] If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or 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.

[(3)] Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, sovereign, or U.S. Treasury obligation issues 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. The implied credit spread data is unaudited.

[(4)] The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

[(5)] The prices and resulting values for credit default swap agreements on 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 Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Counterparty	Notional Amount	Market Value	Premiums Paid/(Received)	Unrealized Appreciation
Pay	1-Day USD-Federal Funds Rate Compounded-OIS	1.000%	09/19/2014	BPS	$ 62,200	$ 899	$ (17)	$ 916
Pay	1-Year BRL-CDI	10.450%	01/02/2013	HUS	BRL 2,400	1	(2)	3
Pay	1-Year BRL-CDI	10.450%	01/02/2013	MYC	3,200	2	(2)	4
Pay	1-Year BRL-CDI	10.600%	01/02/2013	UAG	3,200	5	0	5
Pay	1-Year BRL-CDI	11.510%	01/02/2013	HUS	10,900	75	(19)	94
Pay	1-Year BRL-CDI	11.850%	01/02/2013	UAG	1,600	14	0	14
Pay	1-Year BRL-CDI	11.880%	01/02/2013	BPS	1,000	16	0	16
Pay	1-Year BRL-CDI	11.880%	01/02/2013	HUS	2,600	40	(2)	42
Pay	1-Year BRL-CDI	11.890%	01/02/2013	GLM	7,100	119	1	118
Pay	1-Year BRL-CDI	11.890%	01/02/2013	HUS	3,400	58	1	57
Pay	1-Year BRL-CDI	11.900%	01/02/2013	BOA	14,800	239	32	207
Pay	1-Year BRL-CDI	11.950%	01/02/2013	RBC	2,600	34	3	31
Pay	1-Year BRL-CDI	11.950%	01/02/2013	RYL	2,400	31	3	28
Pay	1-Year BRL-CDI	11.980%	01/02/2013	MYC	2,200	39	3	36
Pay	1-Year BRL-CDI	12.070%	01/02/2013	JPM	8,000	119	0	119
Pay	1-Year BRL-CDI	12.070%	01/02/2013	UAG	1,100	21	3	18
Pay	1-Year BRL-CDI	12.170%	01/02/2013	JPM	2,300	47	8	39
Pay	1-Year BRL-CDI	12.300%	01/02/2013	HUS	11,300	252	11	241
Pay	1-Year BRL-CDI	12.480%	01/02/2013	FBF	8,900	178	28	150
Pay	1-Year BRL-CDI	12.590%	01/02/2013	MYC	23,500	500	23	477

See Accompanying Notes

Interest Rate Swaps (Cont.)

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Counterparty	Notional Amount	Market Value	Premiums Paid/(Received)	Unrealized Appreciation
Pay	1-Year BRL-CDI	10.530%	01/02/2014	HUS	BRL 2,900	$ 2	$ (8)	$ 10
Pay	1-Year BRL-CDI	10.580%	01/02/2014	MYC	6,500	7	(12)	19
Pay	1-Year BRL-CDI	10.770%	01/02/2014	UAG	1,600	4	(1)	5
Pay	1-Year BRL-CDI	10.830%	01/02/2014	BRC	77,100	261	(47)	308
Pay	1-Year BRL-CDI	10.870%	01/02/2014	JPM	1,700	6	0	6
Pay	1-Year BRL-CDI	11.760%	01/02/2014	UAG	12,400	143	7	136
Pay	1-Year BRL-CDI	11.890%	01/02/2014	MYC	2,300	38	(0)	38
Pay	1-Year BRL-CDI	11.990%	01/02/2014	BRC	2,500	51	11	40
Pay	1-Year BRL-CDI	12.110%	01/02/2014	BPS	1,100	25	0	25
Pay	1-Year BRL-CDI	12.200%	01/02/2014	JPM	2,500	60	(1)	61
Pay	1-Year BRL-CDI	12.250%	01/02/2014	UAG	1,200	30	3	27
Pay	1-Year BRL-CDI	12.510%	01/02/2014	MYC	600	18	3	15
Pay	1-Year BRL-CDI	12.540%	01/02/2014	HUS	600	18	4	14
Pay	1-Year BRL-CDI	12.560%	01/02/2014	BPS	11,800	307	0	307
Pay	1-Year BRL-CDI	12.650%	01/02/2014	GLM	600	19	4	15
						$ 3,678	$ 37	$ 3,641

(k) Written options outstanding on December 31, 2011:

Options on Exchange-Traded Futures Contracts

Description	Exercise Price	Expiration Date	# of Contracts	Premium	Market Value
Put - CME 90-Day Eurodollar March Futures	$ 99.000	03/19/2012	170	$ 139	$ (14)

Interest Rate Swaptions

Description	Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premium	Market Value
Put - OTC 1-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	1.750%	07/11/2013	$ 79,400,000	$ 407	$ (108)
Put - OTC 2-Year Interest Rate Swap	BOA	3-Month USD-LIBOR	Pay	2.250%	09/24/2012	15,400,000	129	(6)
Put - OTC 2-Year Interest Rate Swap	CBK	3-Month USD-LIBOR	Pay	2.250%	09/24/2012	1,800,000	12	(1)
Put - OTC 2-Year Interest Rate Swap	CBK	3-Month USD-LIBOR	Pay	0.915%	11/14/2012	3,000,000	14	(11)
Put - OTC 2-Year Interest Rate Swap	MYC	3-Month USD-LIBOR	Pay	0.915%	11/14/2012	20,800,000	58	(73)
Put - OTC 2-Year Interest Rate Swap	RYL	3-Month USD-LIBOR	Pay	2.250%	09/24/2012	62,000,000	537	(25)
Put - OTC 3-Year Interest Rate Swap	BOA	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	26,500,000	254	(1)
Put - OTC 3-Year Interest Rate Swap	BRC	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	5,500,000	49	0
Put - OTC 3-Year Interest Rate Swap	CBK	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	15,300,000	168	0
Put - OTC 3-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	2.750%	06/18/2012	23,500,000	244	(1)
Put - OTC 3-Year Interest Rate Swap	DUB	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	8,300,000	90	0
Put - OTC 3-Year Interest Rate Swap	JPM	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	9,300,000	88	0
Put - OTC 3-Year Interest Rate Swap	RYL	3-Month USD-LIBOR	Pay	2.750%	06/18/2012	18,200,000	178	(1)
Put - OTC 3-Year Interest Rate Swap	RYL	3-Month USD-LIBOR	Pay	3.000%	06/18/2012	29,600,000	239	(1)
Put - OTC 5-Year Interest Rate Swap	CBK	3-Month USD-LIBOR	Pay	3.250%	07/16/2012	11,800,000	292	(2)
Put - OTC 5-Year Interest Rate Swap	RYL	3-Month USD-LIBOR	Pay	3.250%	07/16/2012	3,900,000	98	(1)
							$ 2,857	$ (231)

Transactions in written call and put options for the period ended December 31, 2011:

	# of Contracts	Notional Amount in $	Notional Amount in EUR	Premium
Balance at 12/31/2010	260	$ 329,800	EUR 15,600	$ 3,182
Sales	3,635	845,200	29,000	4,884
Closing Buys	(3,673)	(696,400)	(44,600)	(4,254)
Expirations	0	(1,200)	0	(5)
Exercised	(52)	(143,100)	0	(811)
Balance at 12/31/2011	170	$ 334,300	EUR 0	$ 2,996

(l) Short sales outstanding on December 31, 2011:

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Market Value
Freddie Mac	5.500%	12/01/2042	$ 130,000	$ 138,913	$ (139,709)

(m) Foreign currency contracts outstanding on December 31, 2011:

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Sell	AUD	600	01/2012	FBL	$ 0	$ (9)	$ (9)
Sell		400	01/2012	HUS	0	(6)	(6)
Sell		2,434	02/2012	CBK	4	(27)	(23)
Sell		5,018	02/2012	JPM	0	(173)	(173)
Buy	BRL	1,523	01/2012	HUS	5	0	5
Sell		1,523	01/2012	HUS	3	0	3
Buy		24,917	01/2012	JPM	75	0	75
Sell		24,917	01/2012	JPM	0	(16)	(16)
Buy		39,578	01/2012	MSC	14	(923)	(909)
Sell		39,578	01/2012	MSC	13	(114)	(101)
Buy		4,036	01/2012	UAG	12	0	12
Sell		4,036	01/2012	UAG	12	(6)	6
Buy		24,917	03/2012	JPM	8	0	8
Buy	CAD	3,052	02/2012	BRC	23	0	23
Sell		2,139	02/2012	BRC	3	(16)	(13)
Sell		3,827	02/2012	CBK	0	(43)	(43)
Sell		30,682	02/2012	DUB	0	(58)	(58)
Sell		309	02/2012	GST	0	(3)	(3)
Sell		6,928	02/2012	JPM	7	(36)	(29)
Buy		11,135	02/2012	MSC	120	0	120
Sell		1,028	02/2012	MSC	0	(7)	(7)
Sell		2,775	02/2012	RBC	0	(24)	(24)
Sell		412	02/2012	UAG	0	(5)	(5)
Buy	CNY	20,903	02/2012	BRC	30	0	30
Buy		6,426	02/2012	HUS	14	0	14
Sell		1,279	02/2012	JPM	0	(2)	(2)
Buy		58,210	06/2012	BRC	17	0	17
Sell		2,562	06/2012	BRC	0	(3)	(3)
Buy		5,726	06/2012	CBK	3	(3)	0
Buy		4,466	06/2012	DUB	0	(5)	(5)
Buy		26,827	06/2012	HUS	16	0	16
Buy		44,703	06/2012	JPM	36	(10)	26
Sell		9,599	06/2012	JPM	0	(9)	(9)
Buy		7,647	06/2012	MSC	2	0	2
Sell		1,929	06/2012	UAG	0	(3)	(3)
Buy		5,050	02/2013	CBK	0	(9)	(9)
Buy		1,893	02/2013	GST	0	(4)	(4)
Buy	EUR	1,864	01/2012	BRC	0	(98)	(98)
Sell		19,414	01/2012	BRC	1,437	0	1,437
Buy		13,338	01/2012	CBK	0	(158)	(158)
Sell		4,700	01/2012	CBK	63	0	63
Sell		23,102	01/2012	DUB	1,490	0	1,490
Sell		34,700	01/2012	FBL	1,446	0	1,446
Buy		34,700	01/2012	GST	0	(616)	(616)
Sell		6,300	01/2012	GST	218	0	218
Buy		1,106	01/2012	JPM	0	(8)	(8)
Sell		3,600	01/2012	JPM	202	0	202
Buy		881	01/2012	MSC	0	(88)	(88)
Sell		500	01/2012	MSC	7	0	7
Sell		1,500	01/2012	RBC	40	0	40
Buy		7,289	01/2012	UAG	0	(72)	(72)
Sell		3,663	01/2012	UAG	164	0	164
Sell		34,700	02/2012	GST	618	0	618
Sell	GBP	1,409	01/2012	BRC	21	0	21
Sell		73	01/2012	DUB	0	0	0
Sell		5,644	01/2012	GST	66	0	66
Buy		7,126	01/2012	RBC	0	(93)	(93)
Sell		287	02/2012	CBK	0	(1)	(1)
Sell		7,126	02/2012	RBC	93	0	93
Sell	IDR	10,003,000	01/2012	BRC	28	0	28
Buy		27,250,071	01/2012	CBK	0	(56)	(56)
Sell		11,257,975	01/2012	MSC	24	0	24
Sell		6,943,000	01/2012	UAG	15	0	15
Sell		2,175,000	07/2012	BRC	3	0	3
Sell		312,796	07/2012	GST	0	0	0

 See Accompanying Notes

Type	Currency	Principal Amount Covered by Contract	Settlement Month	Counterparty	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Buy	IDR	22,631,700	07/2012	HUS	$ 0	$ (106)	$ (106)
Sell		19,190,000	07/2012	HUS	26	0	26
Buy	MXN	8,896	03/2012	HUS	0	(24)	(24)
Sell		9,304	03/2012	UAG	37	0	37
Sell	MYR	6,950	04/2012	CBK	65	0	65
Buy		6,950	04/2012	UAG	0	(108)	(108)
Sell	PHP	170,928	03/2012	BRC	97	0	97
Buy		223,269	03/2012	CBK	0	(12)	(12)
Sell		8,000	03/2012	CBK	0	(2)	(2)
Sell		12,855	03/2012	GST	7	0	7
Buy		26,505	03/2012	HUS	0	(5)	(5)
Sell		70,549	03/2012	JPM	3	(12)	(9)
Buy		12,558	03/2012	MSC	0	(2)	(2)
Sell	SGD	3,024	02/2012	CBK	36	0	36
Sell	TWD	11,607	01/2012	BRC	0	(4)	(4)
Buy		26,872	01/2012	CBK	0	(49)	(49)
Sell		15,265	01/2012	MSC	0	(4)	(4)
Sell	ZAR	540	01/2012	BRC	0	0	0
Buy		3,040	01/2012	JPM	0	(42)	(42)
Sell		2,500	01/2012	JPM	2	0	2
					$ 6,625	$ (3,074)	$ 3,551

(n) Fair Value Measurements [(1)]

The following is a summary of the fair valuations according to the inputs used as of December 31, 2011 in valuing the Portfolio's assets and liabilities [(2)]:

Category and Subcategory [(3)]	Level 1 [(4)]	Level 2 [(5)]	Level 3 [(6)]	Fair Value at 12/31/2011
Investments, at value				
Bank Loan Obligations	$ 0	$ 2,754	$ 0	$ 2,754
Corporate Bonds & Notes				
Banking & Finance	0	267,599	0	267,599
Industrials	0	117,326	0	117,326
Utilities	0	55,267	0	55,267
Municipal Bonds & Notes				
Illinois	0	5,800	0	5,800
New Jersey	0	3,301	0	3,301
U.S. Government Agencies	0	878,433	6	878,439
U.S. Treasury Obligations	0	99,320	0	99,320
Mortgage-Backed Securities	0	93,719	0	93,719
Asset-Backed Securities	0	44,268	0	44,268
Sovereign Issues	0	62,859	0	62,859
Convertible Preferred Securities				
Banking & Finance	7,875	0	0	7,875
Industrials	0	0	2	2
Preferred Securities				
Banking & Finance	0	2,224	3,155	5,379
Short-Term Instruments				
Certificates of Deposit	0	29,692	0	29,692
Commercial Paper	0	4,798	0	4,798
Repurchase Agreements	0	5,388	0	5,388
U.S. Treasury Bills	$ 0	$ 950	$ 0	$ 950
PIMCO Short-Term Floating NAV Portfolio	481,486	0	0	481,486
	$ 489,361	$ 1,673,698	$ 3,163	$ 2,166,222
Short Sales, at value	$ 0	$ (139,709)	$ 0	$ (139,709)
Financial Derivative Instruments [(7)] - Assets				
Credit Contracts	0	636	0	636
Foreign Exchange Contracts	0	6,625	0	6,625
Interest Rate Contracts	1,456	3,641	0	5,097
	$ 1,456	$ 10,902	$ 0	$ 12,358
Financial Derivative Instruments [(7)] - Liabilities				
Credit Contracts	0	(6,997)	0	(6,997)
Foreign Exchange Contracts	0	(3,074)	0	(3,074)
Interest Rate Contracts	(1,651)	(245)	0	(1,896)
	$ (1,651)	$ (10,316)	$ 0	$ (11,967)
Totals	$ 489,166	$ 1,534,575	$ 3,163	$ 2,026,904

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Portfolio during the period ended December 31, 2011:

Category and Subcategory [3]	Beginning Balance at 12/31/2010	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) [8]	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 12/31/2011	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 12/31/2011 [8]
Investments, at value										
U.S. Government Agencies	$ 17,647	$ 0	$ (13,165)	$ 1	$ 5	$ 327	$ 0	$ (4,809)	$ 6	$ 0
Asset-Backed Securities	14,740	0	(8,212)	33	153	362	0	(7,076)	0	0
Convertible Preferred Securities	0	0	0	0	0	0	2	0	2	0
Preferred Securities										
Banking & Finance	3,206	0	0	0	0	(51)	0	0	3,155	(52)
	35,593	0	(21,377)	34	158	638	2	(11,885)	3,163	(52)
Financial Derivative Instruments [7] - Liabilities										
Interest Rate Contracts	$ (590)	$ 0	$ 0	$ 0	$ 384	$ 206	$ 0	$ 0	$ 0	$ 0
Totals	$ 35,003	$ 0	$ (21,377)	$ 34	$ 542	$ 844	$ 2	$ (11,885)	$ 3,163	$ (52)

[1] See note 3 in the Notes to Financial Statements for more information regarding pricing inputs and valuation techniques.
[2] There were no significant transfers into or out of level 1, 2, and 3 during the period ended December 31, 2011.
[3] Refer to the Schedule of Investments for additional information.
[4] Quoted prices in active markets for identical investments.
[5] Significant other observable inputs.
[6] Significant unobservable inputs.
[7] Financial Derivative Instruments may include open futures contracts, swap agreements, written options, and foreign currency contracts.
[8] Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at 12/31/2011 may be due to an investment no longer held or categorized as level 3 at period end.

(o) Fair Value of Financial Derivative Instruments [1]

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

Fair Values of Financial Derivative Instruments on the Statement of Assets and Liabilities as of December 31, 2011:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Assets:						
Variation margin receivable on financial derivative instruments [2]	$ 0	$ 0	$ 0	$ 0	$ 591	$ 591
Unrealized appreciation on foreign currency contracts	0	0	0	6,625	0	6,625
Unrealized appreciation on OTC swap agreements	0	636	0	0	3,641	4,277
	$ 0	$ 636	$ 0	$ 6,625	$ 4,232	$ 11,493
Liabilities:						
Written options outstanding	$ 0	$ 0	$ 0	$ 0	$ 245	$ 245
Unrealized depreciation on foreign currency contracts	0	0	0	3,074	0	3,074
Unrealized depreciation on OTC swap agreements	0	6,997	0	0	0	6,997
	$ 0	$ 6,997	$ 0	$ 3,074	$ 245	$ 10,316

The Effect of Financial Derivative Instruments on the Statement of Operations for the Period Ended December 31, 2011:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Realized Gain on Derivatives Recognized as a Result from Operations:						
Net realized gain on futures contracts, written options and swaps	$ 0	$ 4,651	$ 0	$ 5	$ 5,557	$ 10,213
Net realized gain on foreign currency transactions	0	0	0	1,879	0	1,879
	$ 0	$ 4,651	$ 0	$ 1,884	$ 5,557	$ 12,092
Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized as a Result of Operations:						
Net change in unrealized appreciation (depreciation) on futures contracts, written options and swaps	$ 0	$ (8,866)	$ 0	$ 0	$ 3,607	$ (5,259)
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	0	0	0	1,549	0	1,549
	$ 0	$ (8,866)	$ 0	$ 1,549	$ 3,607	$ (3,710)

(1) See note 5 in the Notes to Financial Statements for additional information.

(2) Only current day's variation margin is reported within the Statement of Assets and Liabilities. The variation margin is included in the open futures cumulative appreciation/(depreciation) of $(195) as reported in the Notes to Schedule of Investments.

(p) Collateral (Received)/Pledged for OTC Financial Derivative Instruments

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of December 31, 2011:

Counterparty	Total Market Value of OTC Derivatives	Collateral (Received)/Pledged	Net Exposures [1]
BOA	$ (60)	$ 0	$ (60)
BPS	(745)	950	205
BRC	2,814	(2,640)	174
CBK	(1,302)	1,349	47
DUB	634	(690)	(56)
FBF	(244)	341	97
FBL	1,437	(1,430)	7
GLM	138	0	138
GST	332	(330)	2
HUS	428	(570)	(142)
JPM	9	0	9
MSC	(958)	686	(272)
MYC	291	(630)	(339)
RBC	50	0	50
RYL	3	0	3
UAG	92	0	92

(1) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. See note 6, Principal Risks, in the Notes to Financial Statements for more information regarding credit and counterparties at risk.

1. ORGANIZATION

The PIMCO Low Duration 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.

(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) 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 from settlement date. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or a net change in unrealized gain/loss on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain/loss on investments on the Statement of Operations. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statement of Operations. Income or short-term capital gain distributions received from underlying funds are recorded as dividend income. Long-term capital gain distributions received from underlying funds are recorded as realized gains.

(c) 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.

(d) 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). Income and non-class specific expenses are allocated daily to each class on the basis of the relative value of settled shares. 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 and distribution and servicing fees.

(e) 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.

(f) New Accounting Pronouncements In April 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") related to the accounting for repurchase agreements and similar agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The ASU modifies the criteria for determining effective control of transferred assets and as a result certain agreements may now be accounted for as secured borrowings. The ASU is effective prospectively for new transfers and existing transactions that are modified in the first interim or annual period beginning on or after December 15, 2011. Management anticipates the Portfolio may incur additional borrowing expenses (interest expense) as a result of the change of accounting treatment. The magnitude of this change has not been determined at this time.

In May 2011, FASB issued an ASU to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). FASB concluded that the amendments in this ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The ASU is effective prospectively during interim or annual periods beginning on or after December 15, 2011. At this time, management is evaluating the implications of these changes and their impact on the financial statements have not been determined.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

For purposes of calculating the NAV, portfolio securities and other assets for which market quotes are readily available are valued at fair market value. Fair 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.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing service providers. 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.

U.S. GAAP defines fair market 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 a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, and 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1—Inputs using quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2—Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3—Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board of Trustees (the "Board") or persons acting at their direction that are used in determining the fair market value of investments.

Level 1 and Level 2 trading assets and trading liabilities, at fair market value The valuation techniques and significant inputs used in determining the fair market values of financial instruments classified as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued by pricing service providers that use broker dealer quotations, reported trades or valuation estimates from their internal pricing models. The service providers' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker dealer quotations or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, exchange-traded funds and financial derivative instruments, such as futures contracts or options contracts that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the close of the NYSE. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment management companies will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end management investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted. Investments in privately held investment funds will be valued based upon the NAVs of such investments and are categorized as Level 2 of the fair value hierarchy. Investments in privately held investment funds where the inputs of the NAVs are unobservable will be calculated based upon the NAVs of such investments and are categorized as Level 3 of the fair value hierarchy.

Short-term investments having a maturity of 60 days or less are generally valued at amortized cost which approximates fair market value. These investments are categorized as Level 2 of the fair value hierarchy.

Over-the-counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued on the basis of broker dealer quotations or by pricing service providers. Depending on the product and the terms of the transaction, the value of financial derivatives can be estimated by a pricing service provider using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as issuer details, indices, spreads, interest rates, curves, dividends and exchange rates. Financial derivatives that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange are valued by the respective exchange. For centrally cleared credit default swaps the clearing facility requires its members to provide actionable levels across complete term structures. These levels along with external third party prices are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and LIBOR forward rate. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair market value The valuation techniques and significant inputs used in determining the fair market values of financial instruments classified as Level 3 of the fair value hierarchy are as follows:

Securities and other assets for which market quotes are not readily available are valued at fair market value as determined in good faith by the Board or persons acting at their direction and are categorized as Level 3 of the fair value hierarchy.

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 or 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 has delegated to the investment adviser, Pacific Investment Management Company LLC ("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.

The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to PIMCO. For instances in which daily market quotes are not readily available, investments may be valued, pursuant to guidelines established by the Board, with reference to other securities or indices. In the event that the security or asset cannot be valued pursuant to one of the valuation methods established by the Board, the value of the security or asset will be determined in good faith by the Valuation Committee of the Board, generally based upon recommendations provided by PIMCO. When the Portfolio uses fair valuation methods applied by PIMCO that use significant unobservable inputs to determine its NAV, securities will be priced by another method that the Board or persons acting at their direction believe accurately reflects fair market value and are categorized as Level 3 of the fair value hierarchy. These methods may require subjective determinations about the value of the 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 guarantee that values determined by the Board 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.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair market values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The end of period timing recognition is used for the significant transfers between Levels of the Portfolio's assets and liabilities. In accordance with the requirements of U.S. GAAP, a fair value hierarchy and Level 3 reconciliation, if any, have been included in the Notes to the Schedule of Investments for the Portfolio.

4. SECURITIES AND OTHER INVESTMENTS

(a) 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.

(b) 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 or paid are recorded as a component of interest income or interest expense, respectively, on the Statement of Operations. As of December 31, 2011, the Portfolio had no unfunded loan commitments.

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

(d) Repurchase Agreements The Portfolio may engage in repurchase agreements. 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. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for receipt of collateral, which may result in interest expense to the Portfolio. 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.

(e) 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. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. 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.

(f) 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.

(g) U.S. Government Agencies or Government-Sponsored Enterprises The Portfolio may invest in securities of 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. 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 U.S. 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"); and 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. 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 U.S. 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 U.S. 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 U.S. Government.

(h) When-Issued Transactions The Portfolio may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security, although authorized, has not yet been issued in the market. A commitment by the Portfolio is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. The Portfolio may sell when-issued securities before they are delivered, which may result in a capital gain or loss.

5. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, the credit-risk-related contingent features in certain financial derivative instruments, and how financial 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 financial derivative contract, are included in a table in the Notes to Schedule of Investments. The financial 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 financial derivative instruments during the period as disclosed on the Statement of Operations serve as indicators of the volume of financial derivative activity for the Portfolio.

(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 securities and financial derivative instruments 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, 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. 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. Certain options may be written with premiums to be determined on a future date. 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 Portfolio's 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 when the underlying transaction is sold.

Options on Exchange-Traded Futures Contracts The Portfolio may write or purchase options on exchange-traded futures contracts ("Futures Option"). A Futures Option is an option contract in which the underlying is a single futures contract. The Portfolio may write a Futures Option for income purposes or to hedge an existing position or future investment. The Portfolio may purchase Futures Options for speculative purposes or to manage exposure to market movements.

Interest Rate Swaptions The Portfolio may enter into interest rate swaption agreements. A swaption is an option to enter into a pre-defined swap agreement by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed rate payer.

(d) Swap Agreements The Portfolio may invest in swap agreements. Swap agreements are bilaterally 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. Swap agreements are privately negotiated in the over-the-counter market ("OTC swaps") or may be executed in a multilateral or other trade facility platform, such as a registered exchange ("centrally cleared swaps"). The Portfolio may enter into credit default, interest rate and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin 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, which may include a registered exchange, or quotations from market makers to the extent available. 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. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/(depreciation) on the Statement of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable for the change in value as appropriate ("variation margin") on the Statement of Assets and Liabilities. OTC swap payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent premiums paid 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 premiums 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 interest, 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 estimated 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 or sovereign 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 or sovereign 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 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 or sovereign issues as of period end are disclosed in the Notes 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 agreement outstanding as of December 31, 2011 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 rate 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 for their respective commitment to pay or receive interest on 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.

6. 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). See below for a detailed description of select principal risks. For a list of potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

Market Risks The Portfolio's investments in financial derivatives and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign currency and equity 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 financial 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 securities or equity related investments such as futures and 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.

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 financial 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 counterparty risk, consist principally of cash due from counterparties and investments. PIMCO, as the investment adviser, minimizes counterparty risks to the Portfolio by performing extensive reviews of each counterparty and obtaining approval from the PIMCO Counterparty Risk Committee prior to entering into transactions with a third party. Furthermore, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold agreed to with the counterparty, such counterparty shall advance collateral to the Portfolio in the form of cash or cash equivalents equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently decreases, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced to the Portfolio.

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 counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Since different types of forward and OTC financial derivative transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different Master Agreement and result in the need for multiple agreements with a single counterparty. Therefore, exposure cannot be netted and collateralized across all types of transactions. Exposures can only be netted across transactions governed under the same Master Agreement with the same legal entity.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant master agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper may be used. The Portfolio's overall exposure to counterparty 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, among other things, 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 OTC financial derivative transactions entered into by the Portfolio and select 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. The market value of OTC financial derivative transactions net of collateral received in or pledged by counterparty as of period end is disclosed in the Notes to the Schedule of Investments.

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.

Anticipated losses for securities and financial 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 on the Statement of Assets and Liabilities where there is a legally enforceable right to set off the recognized amounts.

7. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") formerly known as Allianz Global Investors of America L.P., 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 PIMCO Investments LLC ("PI"), a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares. Prior to February 14, 2011, Allianz Global Investors Distributors LLC, an indirect wholly-owned subsidiary of Allianz Asset Management, was the Distributor of the Trust's shares. The Trust is permitted to reimburse the Distributors 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 the Distributors 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 $30,000, plus $3,500 for each Board of Trustees meeting attended in person, $500 ($750 in the case of the audit committee chair with respect to audit committee meetings) 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 will receive an additional annual retainer of $4,000 and each other committee chair will receive 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 except PIMCO All Asset Portfolio does not bear any Trustee Fees. 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.

8. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributors are related parties. Fees payable to these parties are disclosed in Note 7 and the accrued related party fees amounts are disclosed on the Statement of Assets and Liabilities.

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 adviser (or affiliated investment advisers), 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 December 31, 2011, the Portfolio engaged in purchases and sales of securities pursuant to Rule 17a-7 of the Act (amounts in thousands):

Purchases	Sales
$32,376	$246,793

The Portfolio may invest in the PIMCO Short-Term Floating NAV Portfolio to the extent permitted by the Act and rules thereunder. The PIMCO 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, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, and other series of registered investment companies advised by PIMCO, in connection with their cash management activities. The main investments of the PIMCO Short-Term Floating NAV Portfolio are money market instruments and short maturity fixed income instruments. The PIMCO 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 PIMCO 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 PIMCO Short-Term Floating NAV Portfolio for the period ended December 31, 2011 (amounts in thousands):

Market Value 12/31/2010	Purchases at Cost	Proceeds from Sales	Net Capital and Realized (Loss)	Change in Unrealized Appreciation	Market Value 12/31/2011	Dividend Income
$ 319,715	$ 1,255,840	$ (1,094,000)	$ (199)	$ 130	$ 481,486	$ 1,440

9. 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 has not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

10. 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 December 31, 2011, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 5,975,700	$ 5,568,351	$ 499,803	$ 635,160

11. 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):

	Year Ended 12/31/2011		Year Ended 12/31/2010	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	2,045	$ 21,403	760	$ 7,884
Administrative Class	36,426	381,598	57,827	597,893
Advisor Class	19,540	204,573	15,797	163,102
Issued as reinvestment of distributions				
Institutional Class	111	1,163	111	1,151
Administrative Class	2,109	22,064	2,070	21,522
Advisor Class	532	5,563	462	4,796
Cost of shares redeemed				
Institutional Class	(1,385)	(14,518)	(1,412)	(14,561)
Administrative Class	(29,366)	(306,883)	(29,346)	(303,093)
Advisor Class	(9,367)	(97,399)	(7,978)	(82,995)
Net increase resulting from Portfolio share transactions	20,645	$ 217,564	38,291	$ 395,699

As of December 31, 2011, three shareholders each owned 10% or more of the total Portfolio's outstanding shares comprising 57% of the Portfolio.

12. REGULATORY AND LITIGATION MATTERS

The Trust is not engaged in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened by or against it.

13. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter 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 under U.S. GAAP, the Investment Adviser has reviewed the Portfolio's tax positions for all open tax years. As of December 31, 2011, 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.

The Portfolio files U.S. tax returns. While the statute of limitations remains open to examine the Portfolio's U.S. tax returns filed for the fiscal years from 2007-2010, no examinations are in progress or anticipated at this time. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of December 31, 2011, the components of distributable taxable earnings are as follows (amounts in thousands):

Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation) (1)	Other Book-to-Tax Accounting Differences (2)	Accumulated Capital Losses (3)	Post-October Deferral	Qualified Late-Year Loss Deferral
$ 14,206	$ —	$ (9,837)	$ (373)	$ (38,225)	$ —	$ —

(1) Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts.

(2) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, namely for straddle loss deferrals and distributions payable at fiscal year-end.

(3) Capital losses available to offset future net capital gains expire in varying amounts in the years shown below.

As of December 31, 2011, the Portfolio had accumulated capital losses expiring in the following years (amounts in thousands). The Portfolio will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

Expiration of Accumulated Capital Losses						
12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
$ —	$ —	$ —	$ —	$ —	$ 24,387	$ —

Under the recently enacted Regulated Investment Company Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law. As of December 31, 2011, the Portfolio had the following post-effective capital losses with no expiration:

Short-Term	Long-Term
$ 13,292	$ 546

As of December 31, 2011, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation) (4)
$ 2,175,738	$ 16,758	$ (26,274)	$ (9,516)

(4) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals, convertible preferred debt instruments, and passive foreign investment companies.

For the fiscal years ended December 31, 2011 and December 31, 2010, respectively, the Portfolio made the following tax basis distributions (amounts in thousands):

Fiscal Year Ended	Ordinary Income Distributions (5)	Long-Term Capital Gain Distributions	Return of Capital
12/31/2011	$ 28,791	$ —	$ —
12/31/2010	$ 27,469	$ —	$ —

(5) Includes short-term capital gains, if any, distributed.

14. SUBSEQUENT EVENTS

The investment adviser has evaluated the possibility of subsequent events and has determined that there are no material events that would require disclosure in the Portfolio's financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and Administrative Class Shareholders of PIMCO Low Duration Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights for the Administrative Class present fairly, in all material respects, the financial position of PIMCO Low Duration Portfolio (one of the portfolios constituting PIMCO Variable Insurance Trust, hereinafter referred to as the "Portfolio") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for the Administrative Class for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Kansas City, Missouri
February 17, 2012

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

(Unaudited)

Counterparty Abbreviations:

BOA	Bank of America N.A.	**FBL**	Credit Suisse AG	**MSC**	Morgan Stanley & Co., Inc.
BPS	BNP Paribas S.A.	**GLM**	Goldman Sachs Bank USA	**MYC**	Morgan Stanley Capital Services, Inc.
BRC	Barclays Bank PLC	**GST**	Goldman Sachs International	**RBC**	Royal Bank of Canada
CBK	Citibank N.A.	**HUS**	HSBC Bank USA N.A.	**RYL**	Royal Bank of Scotland Group PLC
DUB	Deutsche Bank AG	**JPM**	JPMorgan Chase Bank N.A.	**UAG**	UBS AG Stamford
FBF	Credit Suisse International				

Currency Abbreviations:

AUD	Australian Dollar	**GBP**	British Pound	**SGD**	Singapore Dollar
BRL	Brazilian Real	**IDR**	Indonesian Rupiah	**TWD**	Taiwanese Dollar
CAD	Canadian Dollar	**MXN**	Mexican Peso	**USD**	United States Dollar
CNY	Chinese Renminbi	**MYR**	Malaysian Ringgit	**ZAR**	South African Rand
EUR	Euro	**PHP**	Philippine Peso		

Exchange Abbreviations:

OTC	Over-the-Counter

Index Abbreviations:

CDX.EM	Credit Derivatives Index - Emerging Markets	**CDX.HY**	Credit Derivatives Index - High Yield	**CDX.IG**	Credit Derivatives Index - Investment Grade

Other Abbreviations:

ABS	Asset-Backed Security	**CDI**	Brazil Interbank Deposit Rate	**FDIC**	Federal Deposit Insurance Corporation
ALT	Alternate Loan Trust	**CDO**	Collateralized Debt Obligation	**LIBOR**	London Interbank Offered Rate
BABs	Build America Bonds	**CLO**	Collateralized Loan Obligation	**OIS**	Overnight Index Swap

Federal Income Tax Information

(Unaudited)

As required by the Internal Revenue Code ("Code") and Treasury Regulations, if applicable, shareholders must be notified within 60 days of the Portfolio's fiscal year end regarding the status of qualified dividend income and the dividend received deduction.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the following percentage of ordinary dividends paid during the calendar year was designated as "qualified dividend income", as defined in the Act, subject to reduced tax rates in 2011:

4.20%

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Portfolio's dividend distribution that qualifies under tax law. The percentage of the following Portfolio's calendar year ordinary income dividend that qualifies for the corporate dividend received deduction is set forth below:

2.96%

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. However, income received by tax-exempt recipients need not be reported as taxable income.

Management of the Trust

The chart below identifies the Trustees and Officers of the Trust. Each "interested" Trustee as defined by the 1940 Act, is indicated by an asterisk (*). Unless otherwise indicated, the address of all persons below is 840 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio's Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at (800) 927-4648 or visit our website at http://pvit.pimco-funds.com.

Name, Year of Birth and Position Held with Trust	Term of Office** and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Interested Trustee				
Brent R. Harris* (1959) *Chairman of the Board and Trustee*	08/1997 to present	Managing Director and member of Executive Committee, PIMCO.	156	Chairman and Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Director, StocksPLUS® Management, Inc; and member of Board of Governors, Investment Company Institute. Board Member and Owner, Harris Holdings, LLC; Formerly, Chairman and Director, PCM Fund, Inc. Formerly, Chairman and Director, PIMCO Strategic Global Government Fund, Inc.
Douglas M. Hodge* (1957) *Trustee*	02/2010 to present	Managing Director; Chief Operating Officer (since 7/09); Member of Executive Committee and Head of PIMCO's Asia Pacific region. Member Global Executive Committee, Allianz Asset Management.	150	Trustee, PIMCO Funds and PIMCO ETF Trust.
Independent Trustees				
E. Philip Cannon (1940) *Trustee*	05/2000 to present	Private Investor; Formerly, President, Houston Zoo.	156	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Formerly, Trustee Allianz Funds (formerly, PIMCO Funds: Multi-Manager Series); Formerly, Director, PCM Fund, Inc.
Vern O. Curtis (1934) *Trustee*	08/1997 to present	Private Investor.	156	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Formerly, Director, PCM Fund, Inc.
J. Michael Hagan (1939) *Trustee*	05/2000 to present	Private Investor and Business Advisor (primarily to manufacturing companies).	150	Trustee, PIMCO Funds and PIMCO ETF Trust; Formerly, Director, Ameron International (manufacturing). Formerly, Director, Fleetwood Enterprises (manufacturer of housing and recreational vehicles); Formerly, Director, PCM Fund, Inc; Formerly, Director, Remedy Temp (staffing).
Ronald C. Parker (1951) *Trustee*	07/2009 to present	Adjunct Professor, Linfield College; Chairman of the Board, The Ford Family Foundation. Formerly President, Chief Executive Officer, Hampton Affiliates (forestry products)	150	Trustee, PIMCO Funds and PIMCO ETF Trust.
William J. Popejoy (1938) *Trustee*	08/1997 to present	Private Investor.	150	Trustee, PIMCO Funds and PIMCO ETF Trust; Formerly, Director, PCM Fund, Inc.

* Mr. Harris and Mr. Hodge are "interested persons" of the Trust (as that term is defined in the 1940 Act) because of their affiliation with PIMCO.
** Trustees serve until their successors are duly elected and qualified

Name, Year of Birth and Position Held with Trust	Term of Office*** and Length of Time Served	Principal Occupation(s) During Past 5 Years
Officers		
Brent R. Harris (1959) *President*	03/2009 to present	Managing Director and member of Executive Committee, PIMCO.
David C. Flattum (1964) *Chief Legal Officer*	11/2006 to present	Managing Director and General Counsel, PIMCO. Formerly, Executive Vice President, PIMCO, Managing Director, Chief Operating Officer and General Counsel, Allianz Asset Management of America L.P. and Partner at Latham & Watkins LLP.
Jennifer E. Durham (1970) *Chief Compliance Officer*	07/2004 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President, Vice President and Legal/ Compliance Manager, PIMCO.
William H. Gross (1944) *Senior Vice President*	08/1997 to present	Managing Director and Co-Chief Investment Officer, PIMCO.
Mohamed El-Erian (1958) *Senior Vice President*	05/2008 to present	Managing Director, Co-Chief Investment Officer and Co-Chief Executive Officer, PIMCO. Formerly, President and CEO of Harvard Management Company. Formerly, Managing Director, PIMCO.
Douglas M. Hodge (1957) *Senior Vice President*	05/2010 to present	Managing Director; Chief Operating Officer (since 7/09); Member of Executive Committee and Head of PIMCO's Asia Pacific region. Member Global Executive Committee, Allianz Asset Management.
J. Stephen King (1962) *Vice President - Senior Counsel and Secretary*	05/2005 to present	Senior Vice President and Attorney, PIMCO. Formerly, Vice President, PIMCO; and Associate, Dechert LLP.
Eric D. Johnson (1970) *Vice President*	05/2011 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.
Henrik P. Larsen (1970) *Vice President*	02/1999 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.
Peter G. Strelow (1970) *Vice President*	05/2008 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President and Vice President, PIMCO
Greggory S. Wolf (1970) *Vice President*	05/2011 to present	Senior Vice President, PIMCO. Formerly, Vice President and Manager, PIMCO.
John P. Hardaway (1957) *Treasurer*	08/1997 to present	Executive Vice President, PIMCO. Formerly, Senior Vice President, PIMCO.
Stacie D. Anctil (1969) *Assistant Treasurer*	11/2003 to present	Senior Vice President, PIMCO. Formerly, Vice President and Specialist, PIMCO.
Erik C. Brown (1967) *Assistant Treasurer*	02/2001 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.
Trent W. Walker (1974) *Assistant Treasurer*	05/2007 to present	Senior Vice President, PIMCO. Formerly, Vice President, PIMCO.

*** The Officers of the Trust are re-appointed annually by the Board of Trustees.

Privacy Policy

The Portfolio considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' personal information. To ensure its 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 adviser ("Adviser"), 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. The 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 its rights or property or upon reasonable request by the 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 its affiliates in connection with servicing its shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Portfolio or its Adviser, principal underwriters or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Portfolio shares may include, for example, a shareholder's participation in 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, subject to applicable law. 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.

On August 15-16, 2011, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including all of the independent Trustees, approved the Trust's Amended and Restated Investment Advisory Contract with Pacific Investment Management Company LLC ("PIMCO"), on behalf of each of the Trust's portfolios (the "Portfolios"), for an additional one-year term through August 31, 2012. The Board also considered and approved for an additional one-year term through August 31, 2012, the Supervision and Administration Agreement (together with the Amended and Restated Investment Advisory Contract, the "Agreements") with PIMCO, on behalf of the Portfolios. The Board also considered and approved the renewal of the Asset Allocation Sub-Advisory Agreements (the "Asset Allocation Agreements") with Research Affiliates, LLC ("RALLC"), on behalf of the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, for an additional one-year term through August 31, 2012.

The information, material factors and conclusions that formed the basis for the Board's approvals of the Agreements and the Asset Allocation Agreements are described below.

1. Information Received

A. Materials Reviewed

During the course of each year, the Trustees receive a wide variety of materials relating to the services provided by PIMCO and RALLC. At each of its quarterly meetings, the Board reviews the Portfolios' investment performance and a significant amount of information relating to Portfolio operations, including the Portfolios' compliance program, shareholder services, valuation, custody, distribution, and other information relating to the nature, extent and quality of services provided by PIMCO and RALLC to the Trust. In considering whether to approve the renewal of the Agreements and Asset Allocation Agreements, the Board also reviewed supplementary information, including, but not limited to, comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial and profitability information regarding PIMCO and RALLC, information about the personnel providing investment management services and supervisory and administrative services to the Portfolios and, if available, information about the fees charged and services provided by PIMCO to other clients with similar investment mandates as the Portfolios. The Board also reviewed material provided by counsel to the Trust and the independent Trustees, which included, among other things, a memorandum outlining legal duties of the Board in considering the continuation of the Agreements.

B. Review Process

In connection with the approval of the renewal of the Agreements and the Asset Allocation Agreements, the Board reviewed written materials prepared by PIMCO and RALLC in response to requests from counsel to the Trust. The Board also requested and received assistance and advice regarding applicable legal standards from Trust counsel, and reviewed comparative fee and performance data prepared at the Board's request by Lipper, Inc. ("Lipper"), an independent provider of investment company performance and fee and expense data. The Board also heard oral presentations on matters related to the Agreements and Asset Allocation Agreements and met both as a full Board and as the independent Trustees, without management present, at the August 15-16, 2011 meeting. The independent Trustees also met with counsel to the Trust on August 4, 2011 to discuss the materials presented.

The approval determinations were made on the basis of each Trustee's business judgment after consideration of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to approve the renewal of the Agreements and Asset Allocation Agreements, the Board did not identify any single factor or particular information that, in isolation, was controlling. This summary describes the most important, but not all, of the factors considered by the Board.

2. Nature, Extent and Quality of Services

A. PIMCO, RALLC, their Personnel, and Resources

The Board considered the depth and quality of PIMCO's investment management process, including: the experience, capability and integrity of its senior management and other personnel; the low turnover rates of its key personnel; the overall financial strength and stability of its organization; and the ability of its organizational structure to address the recent growth in assets under management. The Board also considered that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board considered PIMCO's commitment to investing in information technology supporting investment management and compliance, as well as PIMCO's continuing efforts to attract and retain qualified personnel and to maintain and enhance its resources and systems. The Board considered PIMCO's policies, procedures and systems to assure compliance with applicable laws and regulations and its commitment to these programs; its efforts to keep the Trustees informed about matters relevant to the Portfolios and their shareholders; and its attention to matters that may involve conflicts of interest.

The Trustees considered the steps that PIMCO has taken in recent years with respect to active management of counterparty risk, such as implementing procedures requiring daily collateral adjustments and frequent communication between credit analysts and the counterparty risk committee. The Trustees considered that, over the last year, PIMCO has continued to strengthen the process it uses to assess the financial stability of broker-dealers with which the Portfolios do business, to manage collateral and to protect portfolios from an unforeseen deterioration in the creditworthiness of trading counterparties. The Trustees considered that PIMCO continued to invest in automated documentation management systems to better track trade documentation with broker-dealers.

The Trustees also considered new services and service enhancements that PIMCO has implemented since the Agreements were last renewed in 2010, including, but not limited to, undertaking significant technology initiatives; broadening the PIMCO Retail Oversight ("PRO") group to include oversight of institutional classes; implementing a quality management system for processes/activities; converting to a prospectus content management system; developing a "Pricing Portal" to streamline and automate certain pricing functions; continuing to implement fair valuation level assignments per FAS 157; planning to outsource net asset value delivery to another service provider to accelerate delivery timing to intermediaries; improving the review of Boston Financial Data Services' large trade processing; implementing new cost basis reporting obligations; and creating the PIMCO Risk Committee, which is the global risk oversight committee at PIMCO.

Similarly, the Board considered the asset-allocation services provided by RALLC to the PIMCO All Asset Portfolio. The Board noted that the PIMCO All Asset All Authority Portfolio had not commenced offering shares as of the date of the meeting. The Board considered the depth and quality of RALLC's investment management and research capabilities, the experience and capabilities of its portfolio management personnel, and in particular the experience and capabilities of Robert Arnott, RALLC's principal, and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services proposed to be provided by PIMCO under the Agreements and by RALLC under the Asset Allocation Agreements are likely to benefit the Portfolios and their shareholders.

B. Other Services

The Board considered PIMCO's policies, procedures and systems to assure compliance with applicable laws and regulations and its commitment to these programs; its efforts to keep the Trustees informed about matters relevant to each Portfolio and its shareholders; and its attention to matters that may involve conflicts of interest. The Board also considered the nature, extent, quality and cost of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement. The Board noted that the Supervision and Administration Agreement was approved at the August 2008 Board meeting to replace the Trust's previous Administration Agreement. The purpose of the change was to reflect the increased scope and complexity of supervisory and administrative services that PIMCO had been providing to the Trust. The Board considered the terms of the Trust's Supervision and Administration Agreement, under which the Trust pays for the supervisory and administrative services it requires under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board noted that the scope and complexity of the supervisory and administrative services provided by PIMCO under the Supervision and Administration Agreement continue to increase. The Board considered PIMCO's provision of these services and supervision of the Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives in the market.

Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited and will likely continue to benefit the Portfolios and their shareholders.

3. Investment Performance

The Board received and examined information from PIMCO concerning the Portfolios' one-, three-, five- and ten-year performance, as available, for the periods ended May 31, 2011 and other performance data, as available, for the periods ended June 30, 2011 (the "PIMCO Report") and from Lipper concerning the Portfolios' one-, three-, five-, and ten-year performance, as available, for the periods ended May 31, 2011 (the "Lipper Report"). The Board considered information regarding both the short-term and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and the Lipper Report, which were provided in advance of the August 15-16, 2011 meeting.

The Board noted that, for periods ending May 31, 2011, the Administrative Class of 71%, 92% and 92% of the Portfolios outperformed their Lipper category median in the one-year, three-year and five-year periods. The Board considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of the relevant Portfolio on a relative basis because all of the classes are invested in the same portfolio of securities and that differences in performance among classes could principally be attributed to differences in the distribution and servicing expenses of each class. The Board also considered that the investment objectives of certain of the Portfolios may not always be identical to those of the other funds in their respective peer groups and that the Lipper categories do not separate funds based upon maturity or duration, do not account for the Portfolios' hedging strategies, do not distinguish between enhanced index and actively managed equity strategies, do not include as many subsets as the Portfolios offer (*i.e.,* Portfolios may be placed in a "catch-all" category to which they do not properly belong) and do not account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may be inexact.

The Board noted that 92% or more of the assets of the Trust had outperformed their respective benchmarks on a net-of-fees basis over the three-year, five-year and ten-year periods ending May 31, 2011 (based on the performance of the Administrative Class). The Board also noted that ten of 12 Portfolios, representing 94% of the total assets of the Trust, had outperformed their respective benchmark index over the five-year period ending May 31, 2011. The Board discussed actions that have been taken by PIMCO to improve performance and took note of PIMCO's plans to monitor performance going forward. The Board also considered that the Trust has experienced an increase in net assets, with assets managed within the Trust exceeding $18.5 billion as of June 30, 2011.

The Board considered the intensive nature of managing bond funds, noting that it requires a number of factors, including, varying maturities, prepayments, collateral management, counter-party management, pay-downs, credit events, workouts, derivatives and net new issuance in the bond market. Despite these challenges, the Board noted that PIMCO has generated "alpha" (*i.e.,* non-market correlated excess performance) for its clients, including the Trust.

The Board ultimately determined, within the context of all of its considerations in connection with the Agreements, that the Trust's overall investment performance was strong, and concluded that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the continuation of the Agreements.

4. Advisory Fees, Supervisory and Administrative Fees and Total Expenses

The Board considered that PIMCO strives to price funds with total expense ratios at or below the respective Lipper median, while providing premium investment offerings. PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including the type and complexity of the services provided, the cost of providing services, the risk assumed by PIMCO in the provision of services, the impact on potential returns from different levels of fees, the competitive marketplace for financial products, and the attractiveness of potential Portfolio returns to current and potential investors. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors. The Board also noted that PIMCO reviews the Portfolios' fee levels and carefully considers reductions where appropriate.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. With respect to advisory fees, the Board reviewed data from Lipper that compared the average and median advisory fees of other funds in an "Expense Group" of comparable funds, as well as the universe of other similar funds. The Board noted that most Portfolios have total expense ratios that fall below the median expenses of their Lipper universe.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard fee rate PIMCO charges to separate accounts and other investment companies with a similar investment strategy, and found them to be comparable. The Trustees noted that the advisory fees for the Portfolios were the same or lower than PIMCO separate account fees in nine out of 14 strategies. In cases where the fees for other clients were lower than those charged to the Portfolios, the Trustees noted that the differences in fees were attributable to various factors, including differences in the services provided by PIMCO to the Portfolios, the manner in which similar portfolios may be managed, different requirements with respect to liquidity management and the implementation of other regulatory requirements, and the fact that separate accounts may have other contractual arrangements that justify different levels of fees.

The Board also considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Lipper. The Board considered that as the Portfolios' business has become increasingly complex, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. The Board considered the Trust's unified fee structure, under which each Portfolio pays for the supervisory and administrative services it requires for one set fee, and in return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board noted that many other funds pay for these services separately, and thus it is difficult to directly compare the Portfolios' unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board considered that the unified supervisory and administrative fee leads to fund fees that are fixed, rather than variable, and that the fixed fees were viewed by many in the industry as a positive attribute of the Portfolios. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervision and Administration Agreement represent, in effect, a cap on overall fund expenses which is beneficial to the Portfolios and their shareholders.

With respect to overall levels of Portfolio expenses, the Board observed that bond funds are more fee- and expense-ratio sensitive than equity funds, given the tangible impact of fees and expenses on yield, and that investors appear to be satisfied with the Portfolios' performance, as evidenced by the continued growth in Portfolio assets. The Board noted that the total expenses for the Administrative Class shares of most of the Portfolios falls below the median total expense of their respective Lipper Expense Group. The Board discussed with PIMCO those Portfolios and/or classes of Portfolios that have above median expenses. The Board noted that several Portfolios launched in recent years have been unique products that have few, if any peers, and cannot easily be grouped with comparable funds. Upon comparing the Portfolios' total expenses to other funds in the Expense Groups provided by Lipper, the Board found the Portfolios' total expenses to be reasonable.

The Trustees also considered the advisory fees charged to the Portfolios that operate as funds of funds (the "Funds of Funds") and the advisory services provided in exchange for such fees. The Trustees determined that such services were in addition to the advisory services provided to the underlying series in which the Funds of Funds may invest and, therefore, such services were not duplicative of the advisory services provided to the underlying series. The Board also considered the various fee waiver agreements in place for the Funds of Funds.

The Board noted that, with few exceptions, PIMCO has maintained Portfolio fees at the same guaranteed level as implemented when the unified fee was adopted, and has reduced fees on a number of Portfolios in prior years. The Board further noted that, although the unified fee structure does not have break points, it implicitly reflects economies of scale by fixing the absolute level of Portfolio fees at competitive levels even if the Portfolios' operating costs rise when assets remain flat or decrease over time.

Based on the information presented by PIMCO, RALLC and Lipper, members of the Board then determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of the Portfolios, are reasonable and renewal of the Agreements and the Asset Allocation Agreements will likely benefit the Portfolios and their shareholders.

5. Adviser Costs, Level of Profits and Economies of Scale

The Board reviewed information regarding PIMCO's costs of providing services to the Portfolios as a whole, as well as the resulting level of profits to PIMCO, noting that those results were similar to the previous year, and within the ranges, but above the median of publicly held investment management companies reported by Lipper and Strategic Insight. The Board noted that it had also received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in technology, infrastructure and staff to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board found that because the unified fee protects shareholders against unanticipated increases in expense ratios due to redemptions, declines in asset values, or increases in the costs of services provided or procured by PIMCO, economies of scale are implicitly recognized in the level of the unified fee (which, together with the advisory fee, serves as a proxy for each Portfolio's overall expense ratio). The Board noted that PIMCO may share the benefits of economies of scale with the Portfolios and their shareholders in a number of ways, including through fee reductions or waivers, the pricing of funds to scale from inception and the enhancement of services provided in return for fees paid. The Trustees also considered that the unified fee has provided inherent economies of scale by maintaining fixed fees even if a particular Portfolio's operating costs rise. The Board reviewed the history of the Portfolios' fee structure, noting that the unified supervisory and administrative services fee was an extension of the initial "expense guarantee" under which PIMCO had agreed to maintain the expense ratio of each Portfolio at specified levels for a period of time to make the Portfolios attractive to an institutional shareholder base. The Board noted that additional Portfolios and share classes have been "built" on that institutional platform, which has meant that, overall, the Portfolios have traditionally had lower fees than many competitors. The Board noted that, in general, fee rates for the Portfolios had been set competitively, had been reduced for some Portfolios over time, had been held steady for most Portfolios as assets grew and continued to be competitive compared with peers. Finally, the Board considered that during the recent market downturn the Portfolios' unified fee has protected shareholders against an increase in expenses that may accompany declines in assets.

The Board concluded that the Portfolios' cost structure was reasonable and that the unified fee structure inherently involves the sharing of economies of scale between PIMCO and the Portfolios, to the benefit of Portfolio shareholders.

6. Ancillary Benefits

The Board considered other benefits received by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust, including possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Portfolios. The Board also considered that affiliates of PIMCO provide distribution and shareholder services to the Portfolios and their shareholders, for which they may be compensated under the unified fee, or through distribution fees paid pursuant to the Portfolios' Rule 12b-1 plans. The Board reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to enter into contractual soft dollar arrangements.

7. Conclusions

Based on its review, including its consideration of each of the factors referred to above, the Board concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and RALLC continued to be excellent and favored the renewal of the Agreements and the Asset Allocation Agreements. The Board concluded that the Agreements and the Asset Allocation Agreements continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements, and the fees paid to RALLC by PIMCO under the Asset Allocation Agreements, and that the renewal of the Agreements and the Asset Allocation Agreements was in the best interests of the Portfolios and their shareholders.

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This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

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