

High Yield Municipal Bond Fund

| | |
|---------------------------------|---------------|
| CLASS: | INSTITUTIONAL |
| FUND INCEPTION DATE: | 31 JULY 2006 |
| TICKER: | PHMIX |
| CUSIP: | 72201F672 |
| TOTAL NET ASSETS (IN MILLIONS): | \$2,097.5 |

PORTFOLIO MANAGERS

David Hammer, Rachel Betton

FUND STATISTICS

| | |
|--------------------------|-------|
| Effective duration (yrs) | 7.02 |
| Effective maturity (yrs) | 10.35 |

SECTOR DIVERSIFICATION (%)

| | Market value weighted |
|--|-----------------------|
| State/Local GO | 10.0 |
| Pre-Refunded | 0.4 |
| Education Rev. | 5.3 |
| Hospital Rev. | 16.0 |
| Housing Rev. | 2.4 |
| Ind Dev/Pollution Ctrl | 18.0 |
| Lease Rev. | 1.6 |
| Power Rev. | 5.9 |
| Resource Recovery | 0.5 |
| Special Tax | 12.9 |
| Transportation | 7.6 |
| Water & Sewer | 3.1 |
| Tobacco | 3.1 |
| Net Other Short Duration Instruments Muni | 0.0 |
| Other Muni | 2.0 |
| Net Other Short Duration Instruments ex-Muni | 9.6 |
| Non-Municipal Sectors | 1.5 |

TOP 10 STATE EXPOSURES (%)

| | Market value weighted |
|--------------|-----------------------|
| New York | 11.5 |
| Illinois | 11.2 |
| California | 7.5 |
| Texas | 6.4 |
| Ohio | 5.3 |
| Pennsylvania | 4.1 |
| New Jersey | 3.6 |
| Georgia | 3.5 |
| Florida | 2.8 |
| Michigan | 2.8 |

Fund description

PIMCO High Yield Municipal Bond Fund is an actively managed portfolio of intermediate to longer duration high yield municipal bonds, which carry interest payments that are exempt from federal tax and, in some cases, state tax. The fund will invest across the speculative and investment grade municipal bond universe in order to maximize current tax exempt income while seeking total return as a secondary objective.

INVESTOR BENEFITS

The fund offers investors active exposure to high yield municipal credit. High yield municipal investments may provide portfolio diversification and the ability to gain exposure to different segments of the U.S. economy. When combined with core municipal bonds, the strategy may help improve a portfolio's efficient frontier.

Potential benefits of this fund include:

- A competitive after-tax yield
- Tax-exempt income as well as capital appreciation
- Limited exposure to alternative minimum tax (AMT) municipals
- Low correlations to equities and most taxable fixed income sectors
- Relative value opportunities resulting from fundamental credit research
- Efficient trading execution and lower trading costs as a result of PIMCO's market presence

THE FUND ADVANTAGE

The fund looks for high income opportunities across the investment grade, speculative grade, and non-rated segments of the U.S. municipal market. The fund benefits from PIMCO's investment process, which combines our global top-down macroeconomic views with bottom-up analysis of credit quality and market factors, including supply, demand and liquidity, by our dedicated municipal credit research analysts and global credit research team. PIMCO's experienced portfolio management team and forward-looking fundamental credit analysis give the fund a potential edge in navigating the municipal bond market.

VALUE OF TAX-EFFICIENT STRATEGIES

An allocation to PIMCO's municipal strategies may be beneficial as part of a diversified portfolio, particularly for a taxable investor. Interest income on municipal bonds is exempt from federal income tax and, in some cases, state income tax. For investors facing higher marginal tax rates, municipals can offer greater after-tax yields than taxable debt securities of similar maturities and credit quality, including Treasuries and corporate bonds.

| Performance (net of fees) | 10 yrs. | 5 yrs. | 3 yrs. | 1 yr. | YTD | 3 mos. |
|---------------------------|---------|--------|--------|-------|-------|--------|
| PIMCO Fund (%) | 5.69 | 5.89 | 5.38 | 2.55 | 1.90 | 1.94 |
| Benchmark 1 (%) | 5.97 | 6.00 | 5.82 | 1.27 | 0.37 | 3.09 |
| Benchmark 2 (%) | 4.82 | 4.53 | 4.21 | 0.75 | -0.02 | 2.21 |

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. Current performance may be lower or higher than performance shown. For performance current to the most recent month-end, visit PIMCO.com or by calling 888.87.PIMCO.

Differences in the Fund's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index. There is no assurance that any fund, including any fund that has experienced **high or unusual performance** for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) a fund's total return in excess of that of the fund's benchmark between reporting periods or 2) a fund's total return in excess of the fund's historical returns between reporting periods. Unusual performance is defined as a significant change in a fund's performance as compared to one or more previous reporting periods.

| Lipper rankings* (High Yield Municipal Debt Funds) | 10 yrs. | 5 yrs. | 3 yrs. | 1 yr. |
|--|---------|--------|--------|-------|
| Fund rank | 16 | 7 | 6 | 10 |
| Number of funds | 98 | 143 | 168 | 189 |
| Quartile | 1 | 1 | 1 | 1 |

* Based on total return performance, with distributions reinvested, and operating expenses deducted.

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

MV% may not equal 100 due to rounding.

Performance reflects changes in share price, reinvestment of dividends and capital gains distributions. All periods longer than one year are annualized.

Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change.

Investments made by a Fund and the results achieved by a Fund are not expected to be the same as those made by any other PIMCO-advised Fund, including those with a similar name, investment objective or policies. A new or smaller Fund's performance may not represent how the Fund is expected to or may perform in the long-term. New Funds have limited operating histories for investors to evaluate and new and smaller Funds may not attract sufficient assets to achieve investment and trading efficiencies. A Fund may be forced to sell a comparatively large portion of its portfolio to meet significant shareholder redemptions for cash, or hold a comparatively large portion of its portfolio in cash due to significant share purchases for cash, in each case when the Fund otherwise would not seek to do so, which may adversely affect performance.

A word about risk: High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax; a fund **concentrating in a single state** is subject to greater risk of adverse economic conditions and regulatory changes. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The Fund is **non-diversified**, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

The value of most bond funds and fixed income securities are impacted by **changes in interest rates**. Bonds and bond funds with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise.

Past rankings are no guarantee of future rankings. Rankings begin with the inception of the actual share class. Lipper does not take into account sales charges.

The minimum initial investment for institutional class shares is \$1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors.

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BASIC FACTS

Dividend frequency **Daily accrual**

FUND EXPENSES

Gross Expense Ratio **0.63%**

Adjusted Expense Ratio **0.55%**

The Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying PIMCO Funds (if applicable), none of which are paid to PIMCO.

PERFORMANCE CHARACTERISTICS

SEC 30-day yield (%) **2.44%**

ABOUT THE BENCHMARK

Benchmark 1

The Bloomberg Barclays High Yield Municipal Bond Index measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

Benchmark 2

Lipper High Yield Municipal Debt Funds Index consists of Funds that typically invest 50% or more of their assets in municipal debt issues rated BBB or less. It does not reflect deductions for fees, expenses or taxes. It is not possible to invest directly

ABOUT PIMCO

PIMCO is one of the world's premier fixed income investment managers. Since our founding in 1971 in Newport Beach, California, we have continued to bring innovation and expertise to our partnership with clients seeking the best investment solutions. Today our professionals work in 17 offices across the globe, united by a single purpose: creating opportunities for investors in every environment.

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