PIMCO

Case Study

The benefits of staying invested

THE CUSHION EFFECT

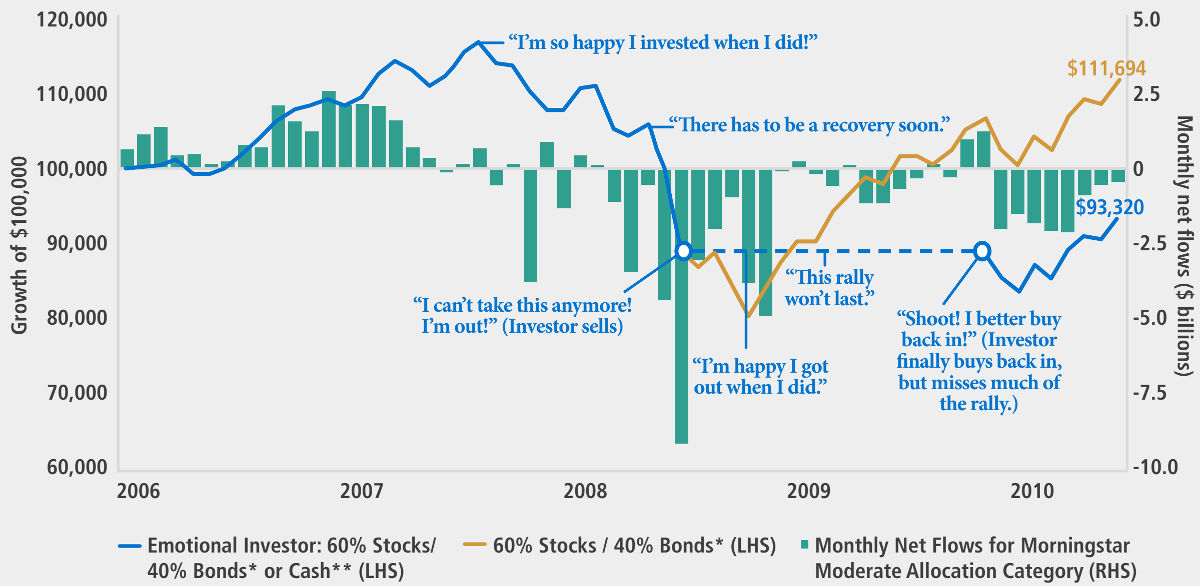
Most investors are familiar with the concept that it's "time in the market, not timing the market" that generates solid long-term returns. But, many find it hard to stay invested when performance weakens, which can have a negative impact on your portfolio.

Take, for example, an investor with a portfolio of stocks and bonds worth $100,000 at the start of 2006. For about 18 months, she would have been pleased as her portfolio grew to more than $111,000. However, her outlook would have changed when markets began to turn in mid-2007.

How she responded at this point in time would have had a big impact on her investment results. Here are two scenarios:

1. Our investor holds her nerve for about a year before selling out when her portfolio drops to around $90,000. While sitting on the sidelines waiting for a recovery, she ends up reinvesting her $90,000 late in the rally. By mid-2010, her portfolio has recovered to roughly $93,000.
2. Our investor holds her nerve through the entire period and never sells down her portfolio. By mid-2010, her portfolio has recovered and is back to its former high of $111,000.

When markets are volatile and performance is weak, investors who hold their nerve may recover their losses more quickly than those who sell out and try to time their re-entry.



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO. **Past performance is not a guarantee or a reliable indicator of future results. Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.**

* Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

** These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks / 40% Bonds on 04/30/2010.

P I M C O

Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. Investing in the **bond** market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions.

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