

The benefits of staying invested

THE CUSHION EFFECT

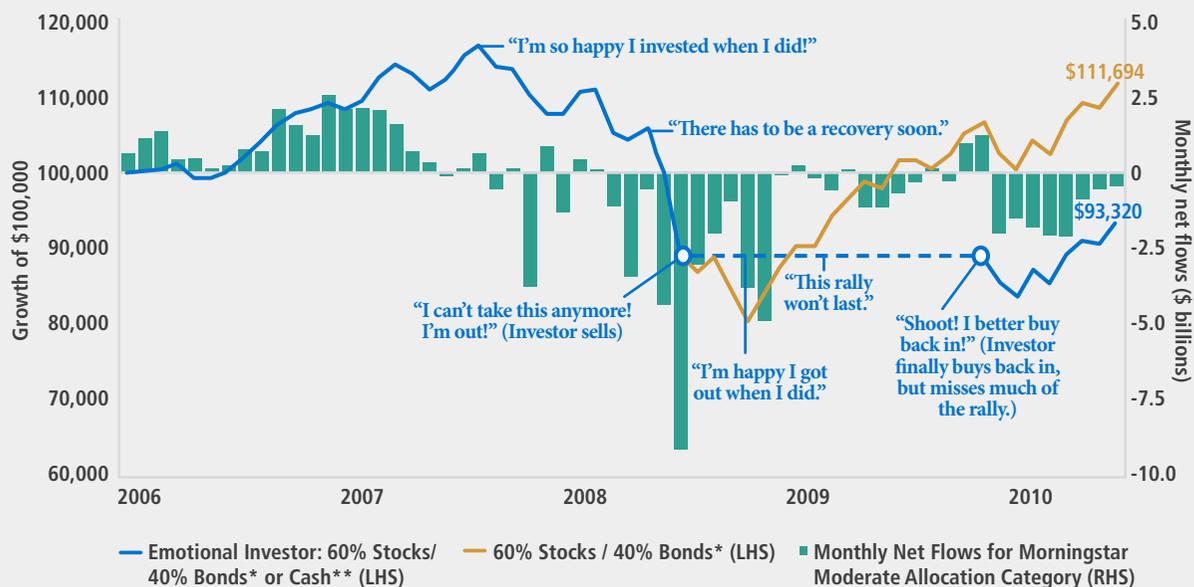
Most investors are familiar with the concept that it's "time in the market, not timing the market" that generates solid long-term returns. But, many find it hard to stay invested when performance weakens, which can have a negative impact on your portfolio.

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.

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