

The Importance of Building Strategic Allocations in Emerging Markets

Bret Rosen, Vice President

March 18, 2008

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What are the Emerging Markets?



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- EM Countries are a diverse lot of nations, encompassing the developing countries of Latin America, Southeast Asia, the Middle East/Africa and Eastern Europe...

Why Invest in Emerging Markets Debt?



P I M C O

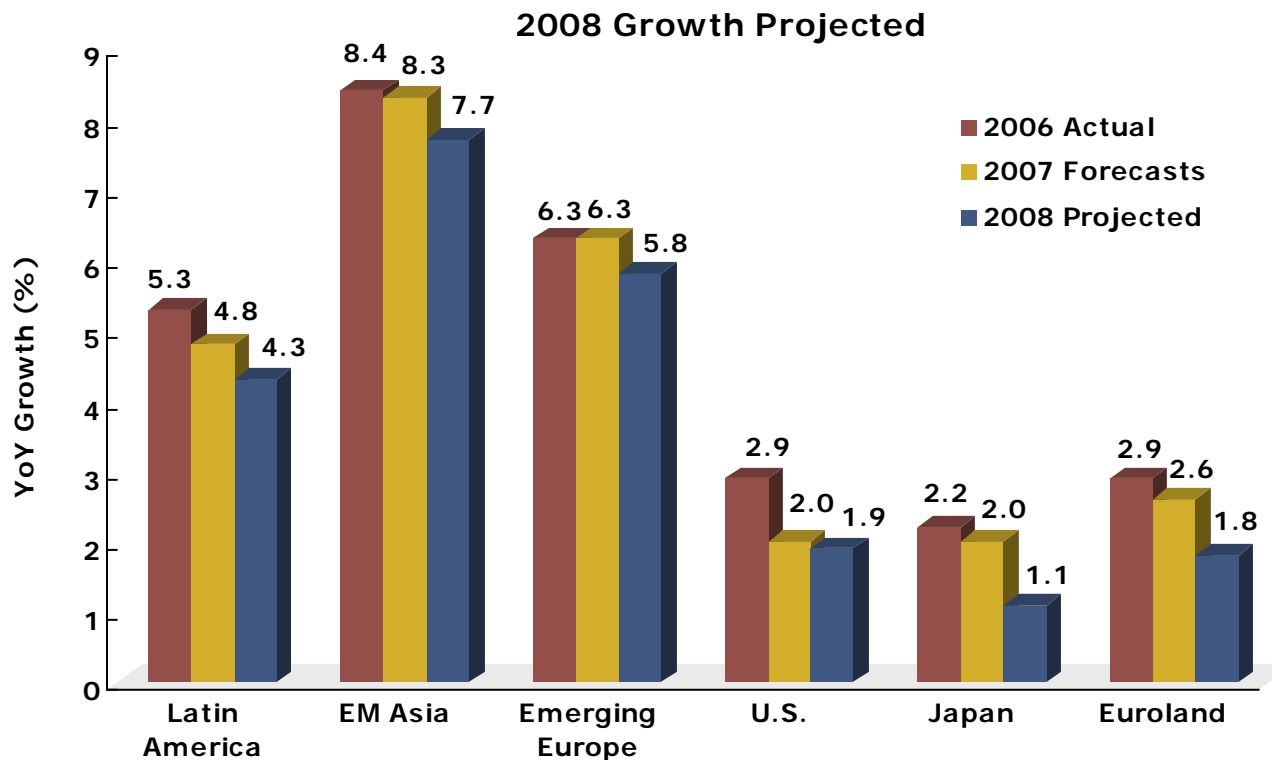
- Emerging economies' growth rates should outperform the developed world
- Credit fundamentals should continue to improve for many Emerging Market countries
- Current spread levels are attractive on a risk adjusted basis and in comparison with many other asset classes
- Strategic inflows into EM are large and increasing
- Continued maturation of asset class provides a growing range of investment opportunities

EM Economies Set to Outperform Again in 2008



P I M C O

As of January 31, 2008

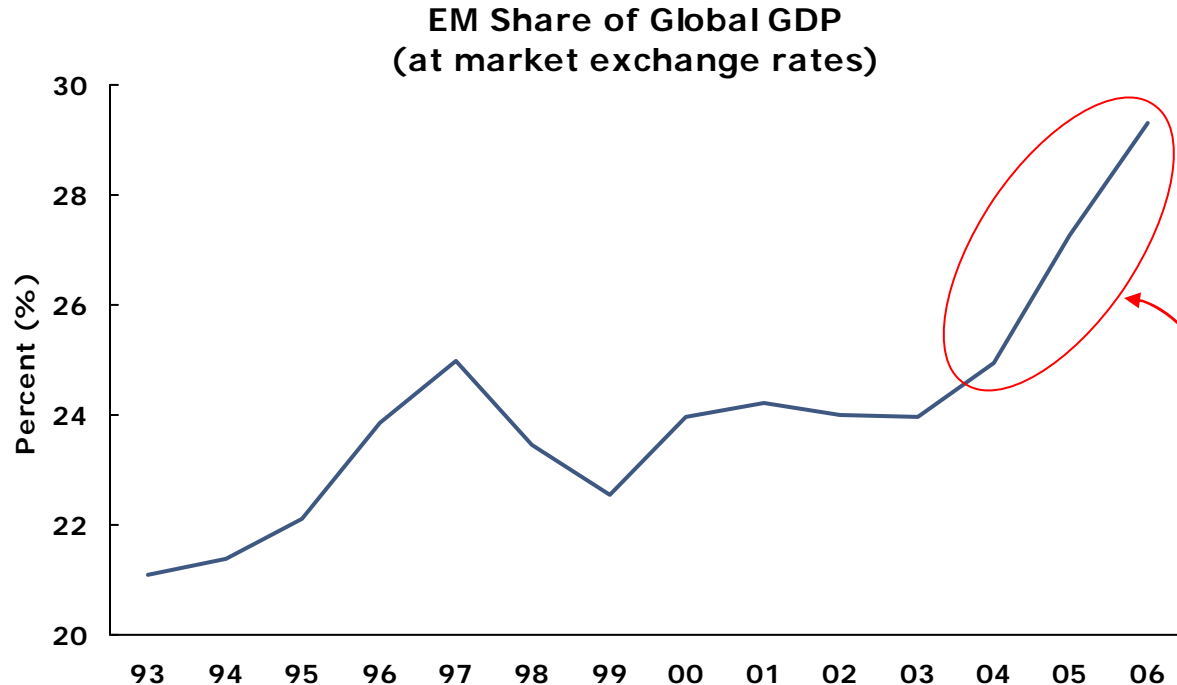


SOURCE: JPMorgan

EM has Become Major Contributor to Global GDP Growth



P I M C O



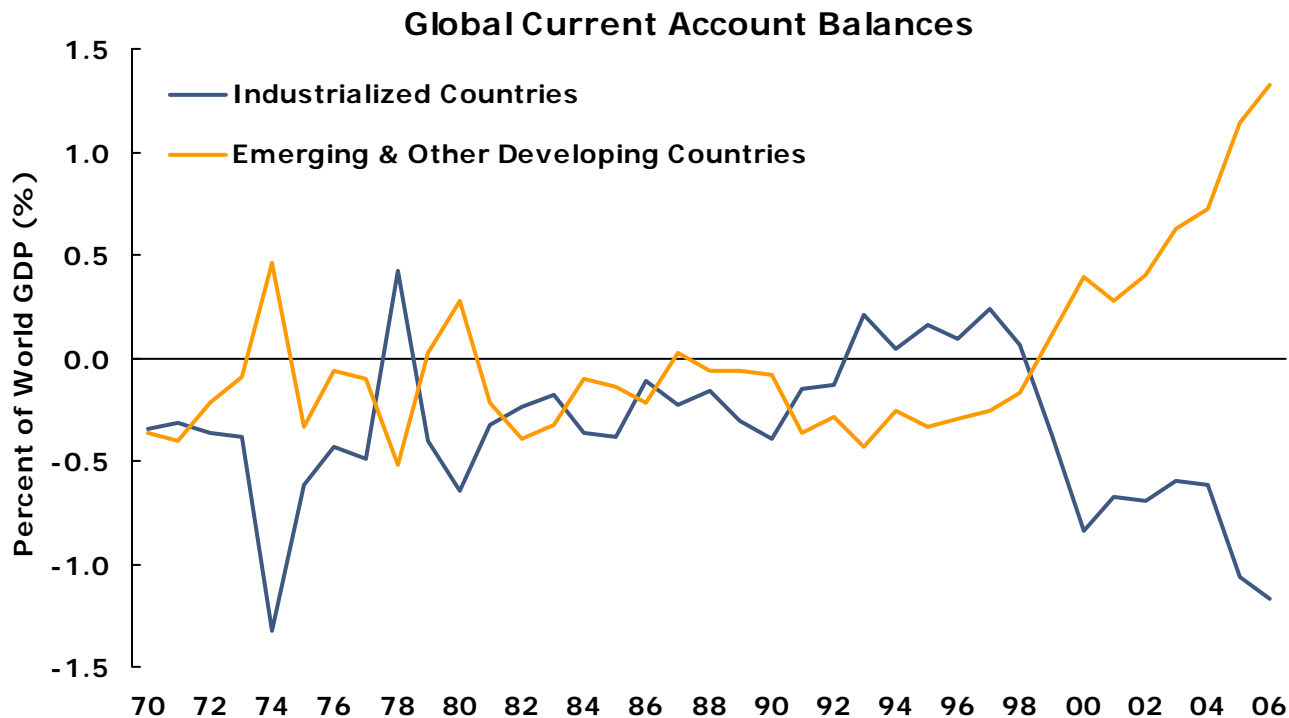
	Annualized Increase in GLOBAL GDP (Real US\$)	Annualized Increase in Industrialized GDP (Real US\$)	Annualized Increase in Emerging Market GDP (Real US\$)	<i>EM Contribution to Increase in Global GDP</i> (Real US\$)
2006	4.4%	1.5%	12.3%	75%
2004 - 2006	6.1%	3.5%	13.4%	57%
2002 - 2006	6.1%	4.6%	10.2%	44%

SOURCE: IMF, PIMCO

Emerging Markets have Become Creditors to the Industrialized World on a Massive Scale

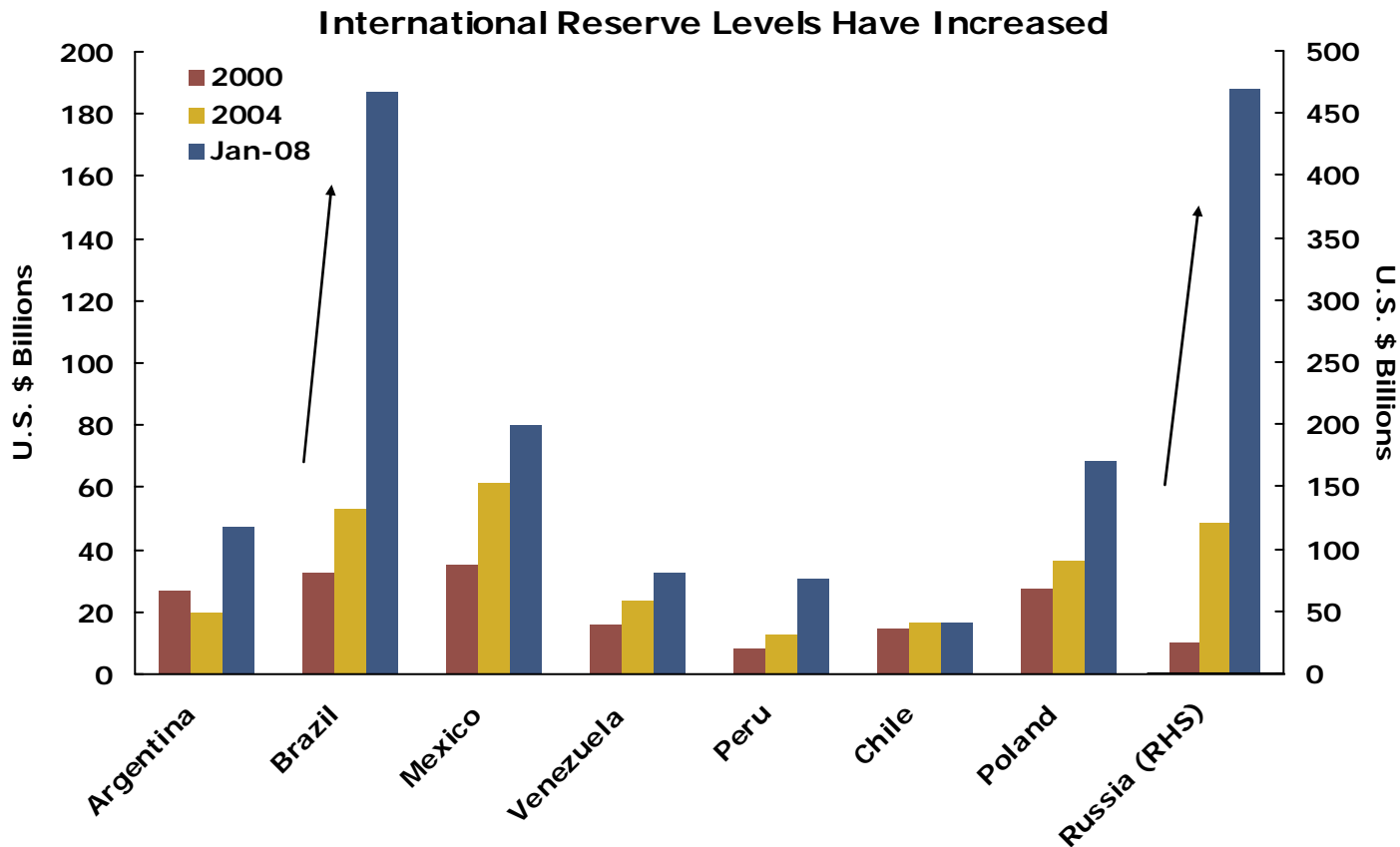


P I M C O



SOURCE: International Monetary Fund, PIMCO
Note: 3 year moving average

International Reserves at Record Levels for Many EM Countries

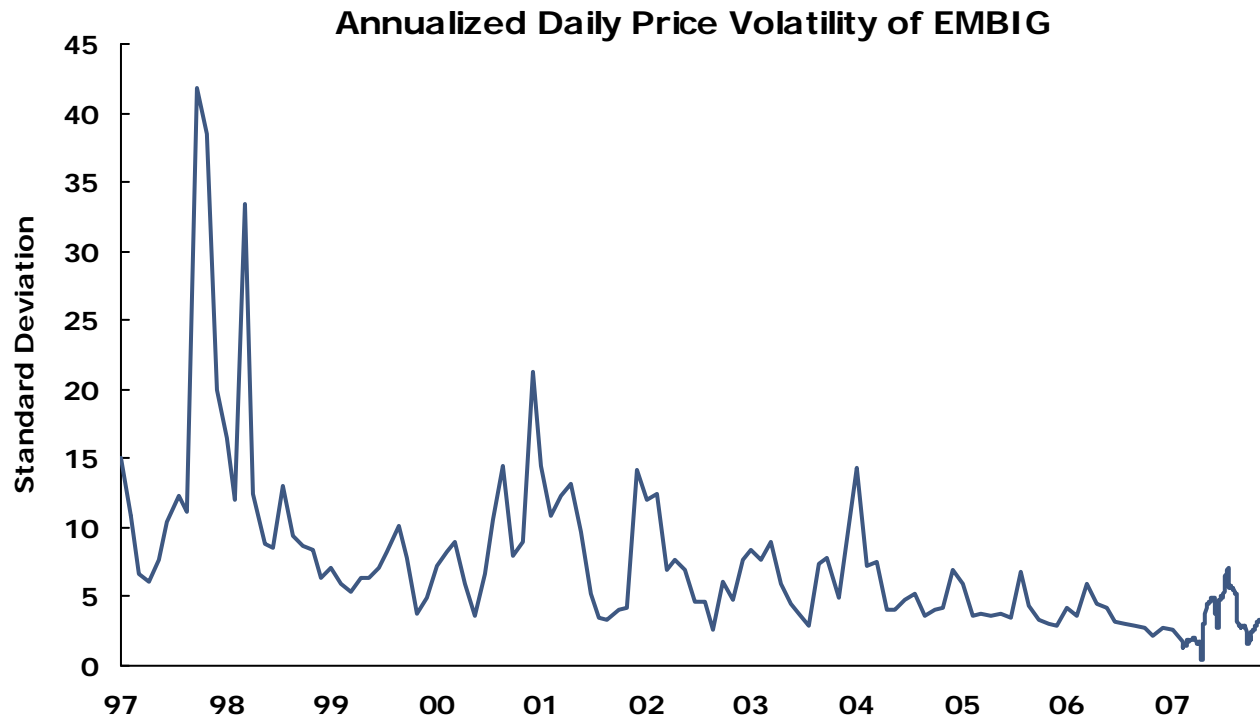


SOURCE: JPMorgan, Bloomberg Financial Markets

A Significant Decline in Volatility...



As of December 31, 2007

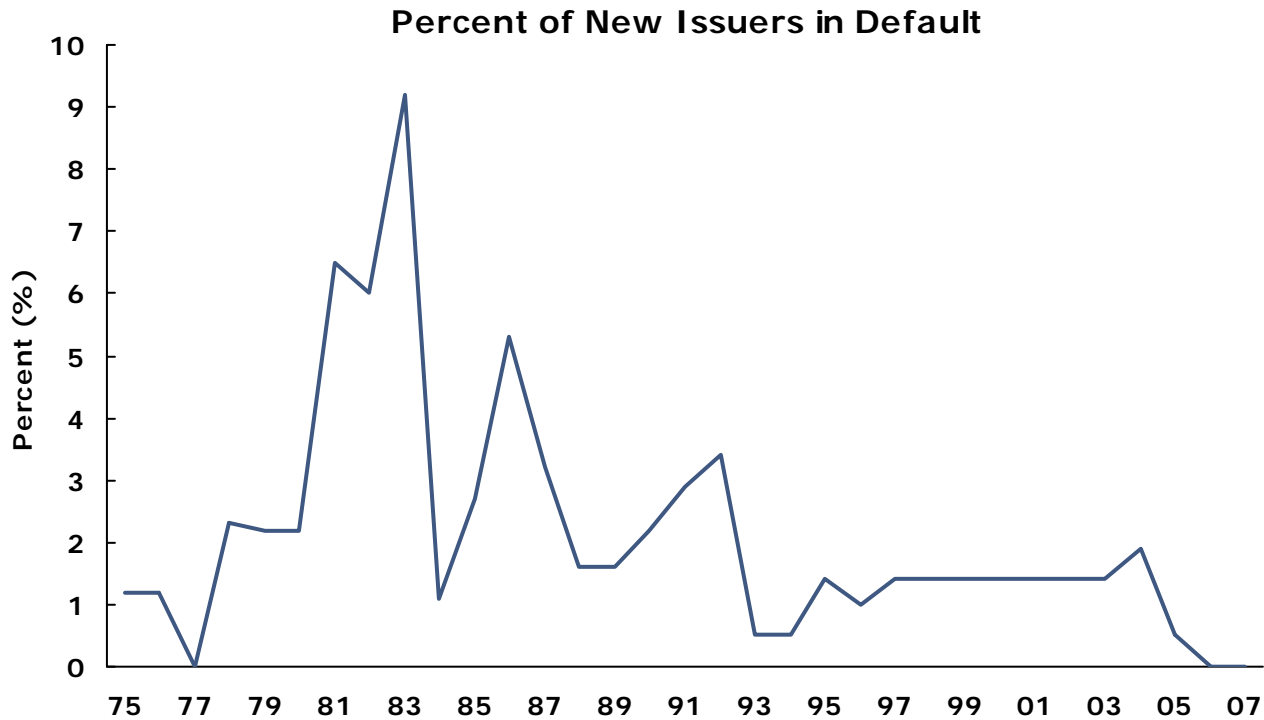


SOURCE: JPMorgan

...And Historically Low Default Rates



As of December 31, 2007

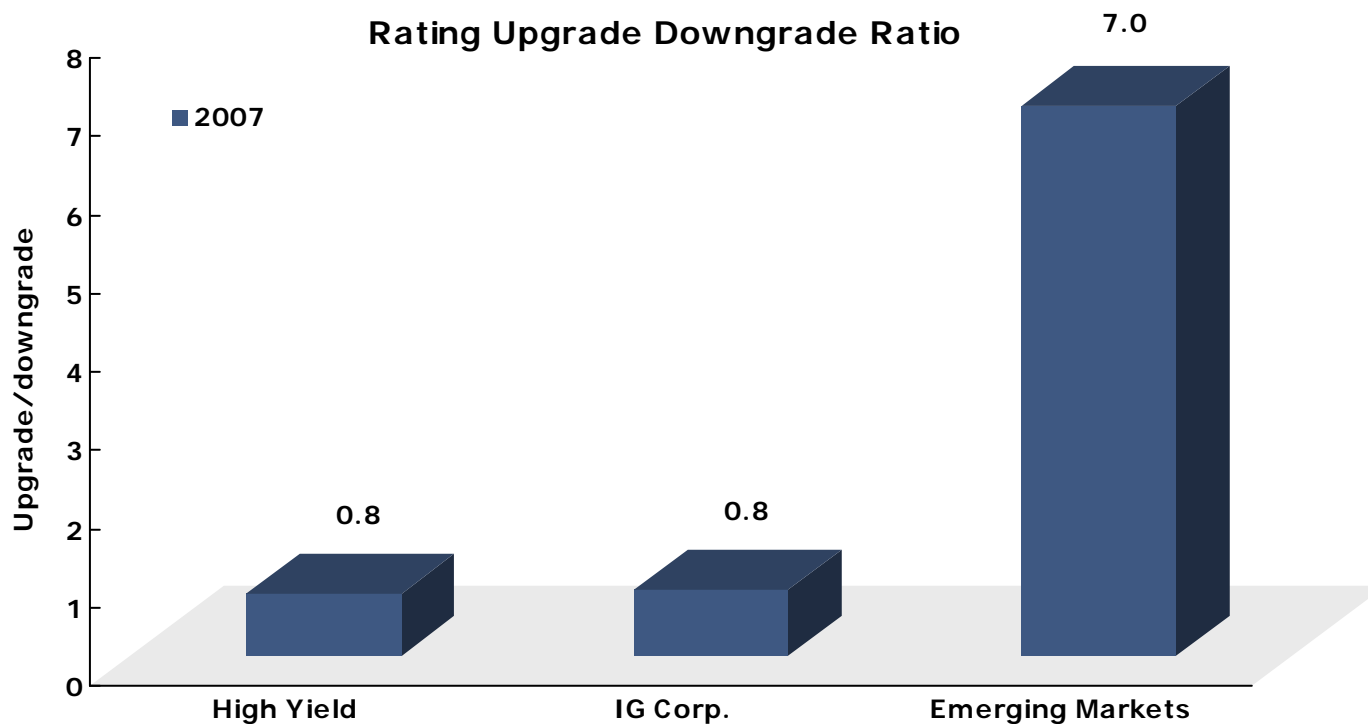


SOURCE: Standard & Poor's

EM Asset Class on Verge of Becoming Majority Investment Grade Credits



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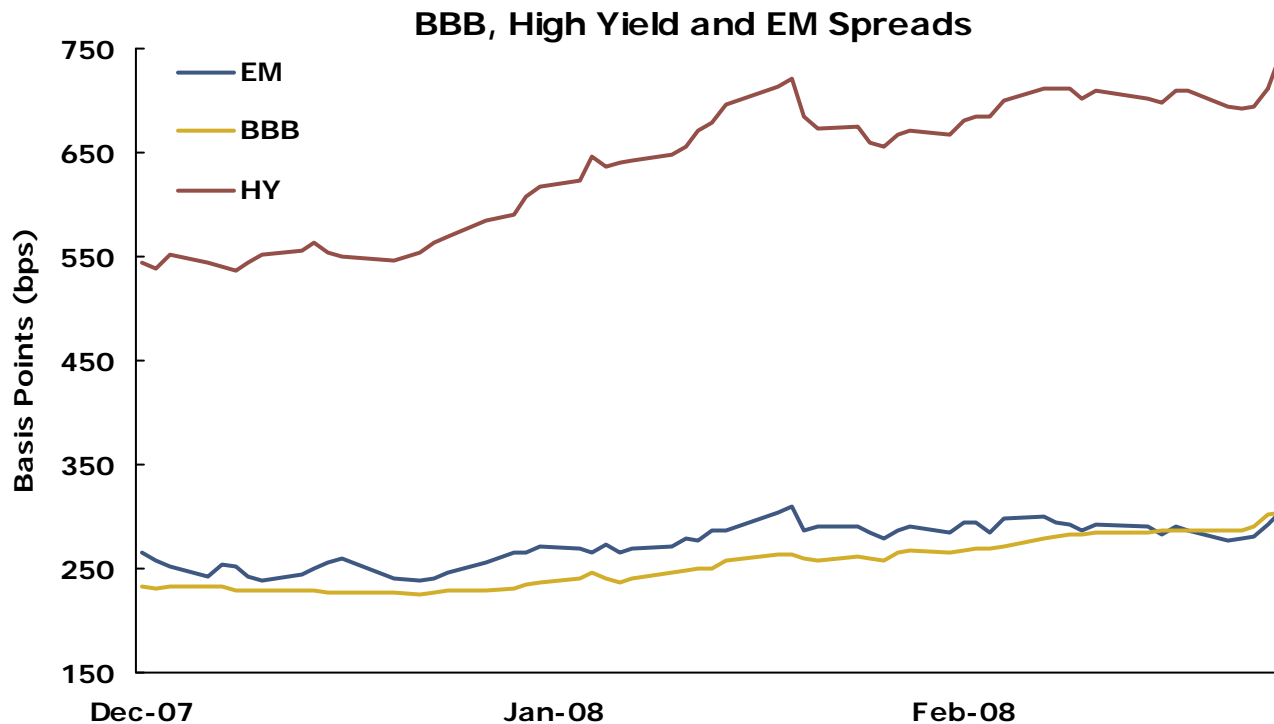


SOURCE: JPMorgan

EM Spreads have Been Relatively Resilient to Ongoing Financial Turmoil



P I M C O



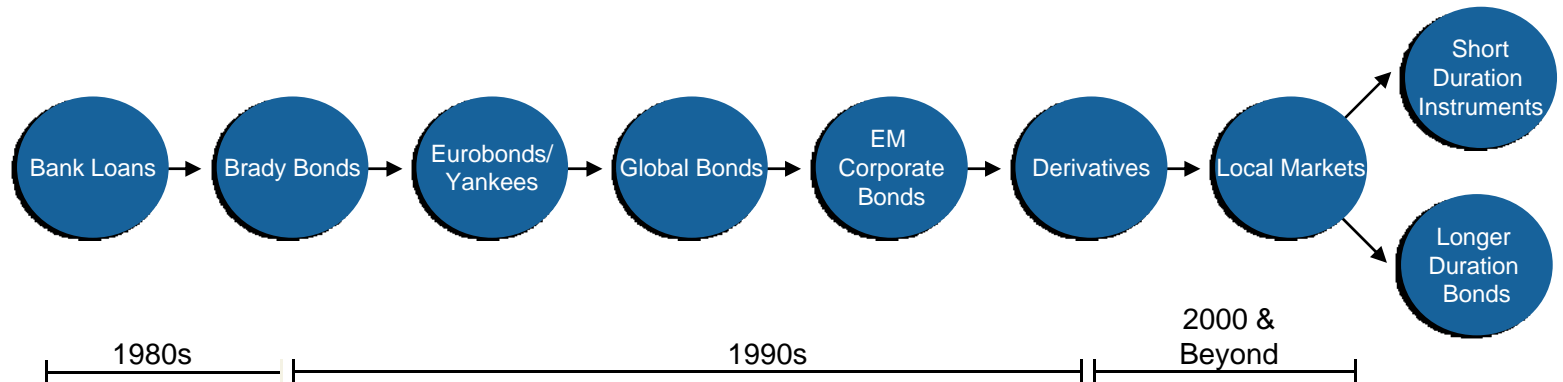
SOURCE: Lehman Brothers, JPMorgan

The categories above are represented by the following indices: EM by the JPMorgan EMBIG; BBB by the Lehman Brothers U.S. Credit BBB Index; HY by the Lehman Brothers U.S. Corporate High Yield Index

Emerging Markets Fixed Income: An Expanding Opportunity Set



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We continue to search for value through prudent innovation and market expansion

Benefits of EM Local Markets



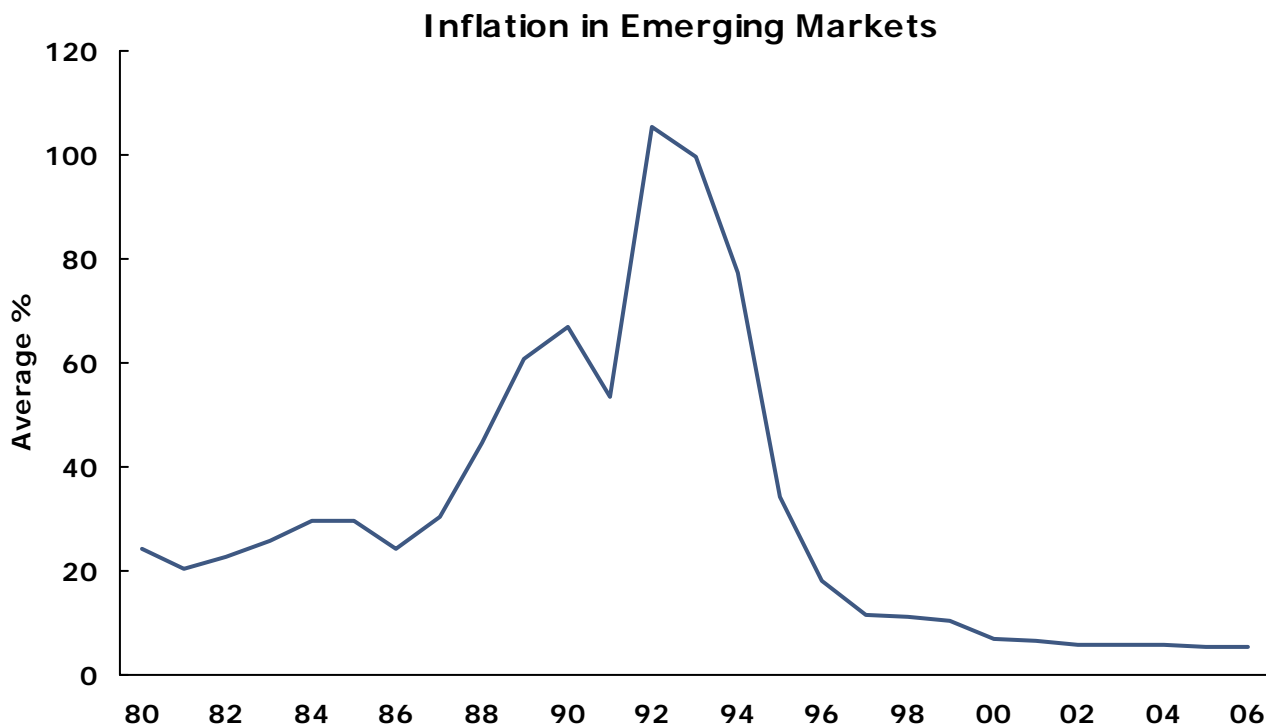
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- Diversification out of dollar-denominated assets
- Interest rates in EM local markets remain high relative to U.S.
- Low correlation with other asset classes
- History of favorable return/risk ratios
- Asset class undergoing long-term secular maturation process

Inflation has Fallen to Near Industrialized Country Levels



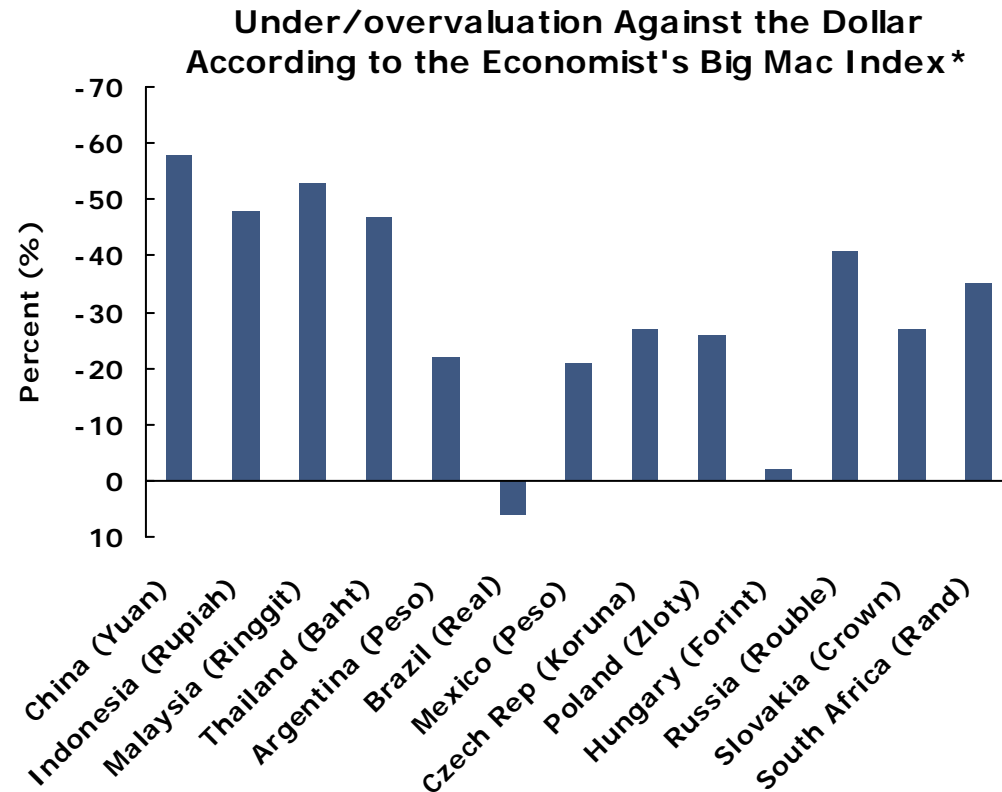
P I M C O



SOURCE: IMF

Why Invest in Local Markets?

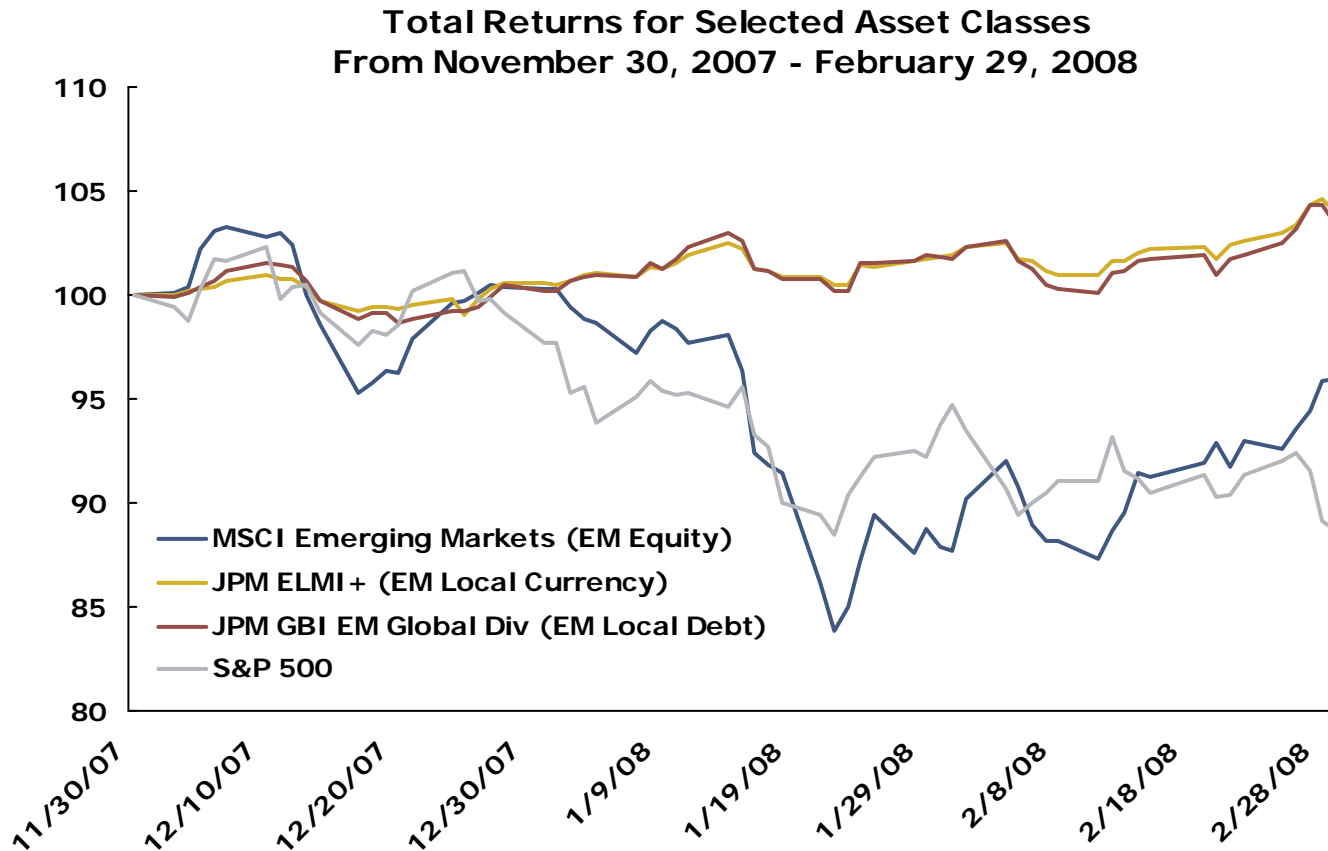
- EM currencies appear undervalued via most quantitative analyses
- Alternative to USD assets, and a vehicle to hedge dollar exposure
- Higher yields than apparent in developed markets
- PIMCO expects rates in EM to converge toward developed market levels



Local Markets have Performed Relatively Well During Volatile Markets



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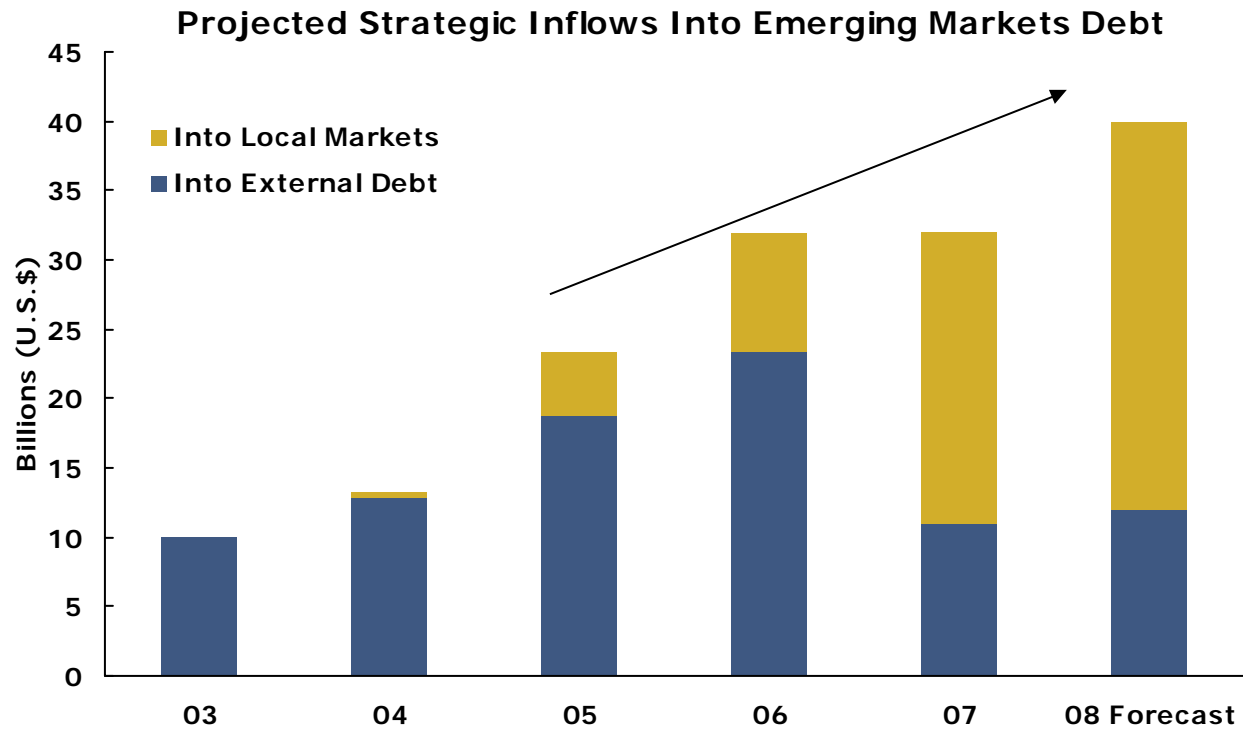
SOURCE: Bloomberg Financial Markets.
Refer to Appendix for additional index information.

Increasing Inflows into Local Markets



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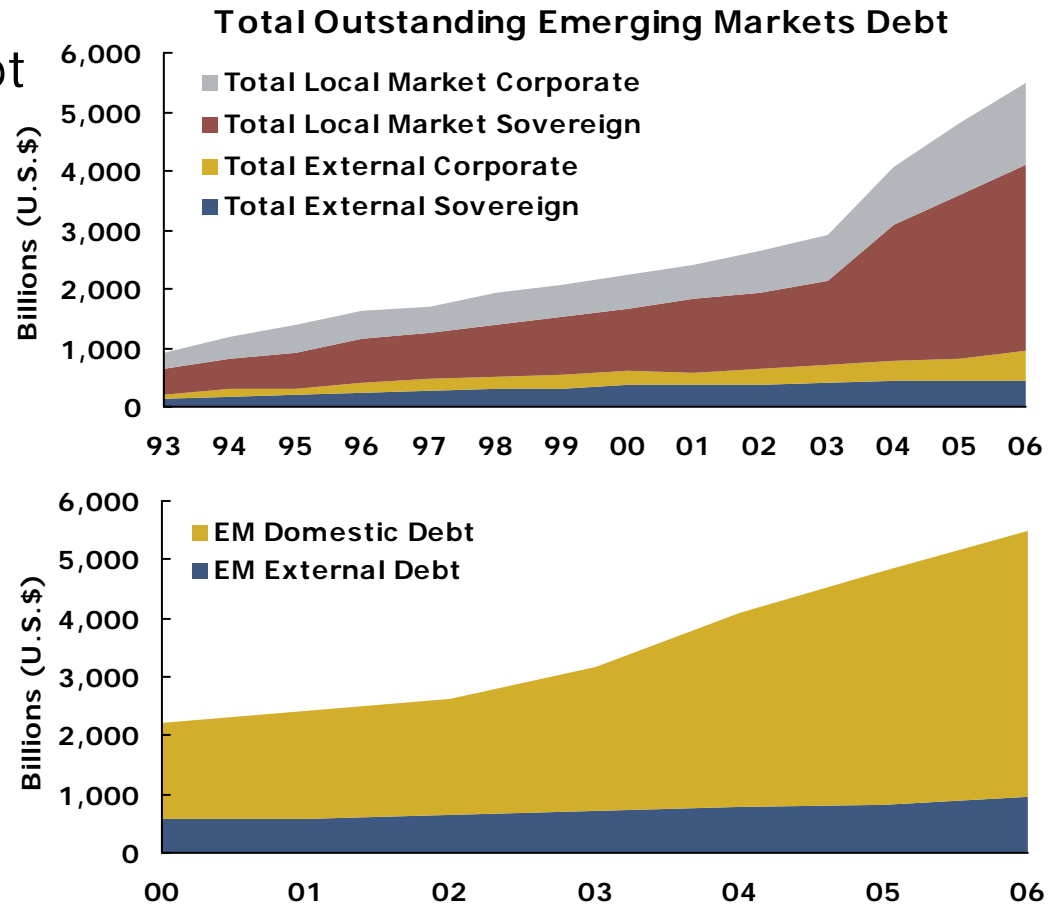
As of December 31, 2007



SOURCE: JPMorgan

EM Asset Class Dominated by Local Markets

- Of \$5.5 trillion in EM debt outstanding, 83% is in local markets
- Domestic markets growing 13% per year
- External debt characterized by buybacks, less issuance

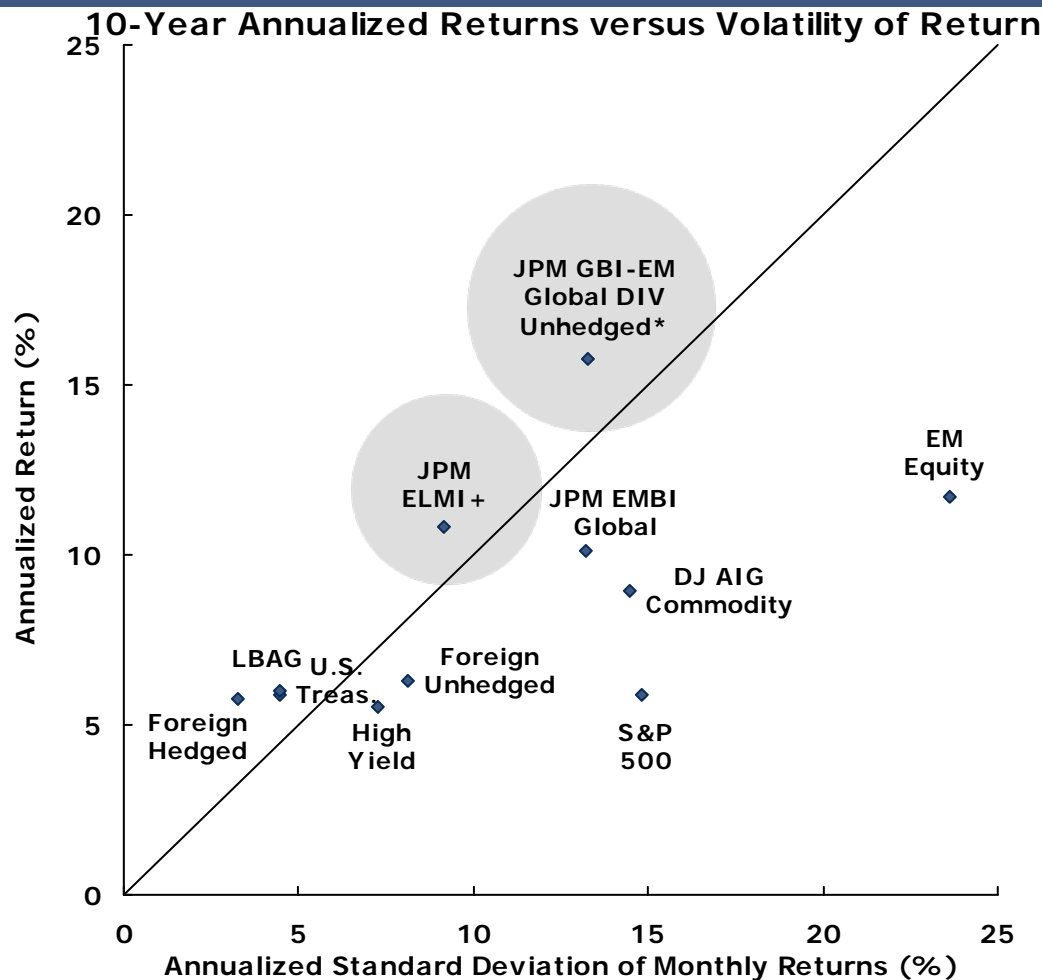


Attractive Returns on Risk Adjusted Basis



P I M C O

As of December 31, 2007



The categories above are represented by the following indices: U.S. Treasuries by the Citigroup U.S. Treasury Index; High Yield by the Merrill Lynch High Yield Master II Index; Foreign Hedged by the JPMorgan GBI Non-U.S. Hedged Index; Foreign Un-Hedged by the JPMorgan GBI Non-U.S. Un-Hedged Index; EM Equity by the Morgan Stanley MSCI Emerging Markets Free Index. Refer to Appendix for additional index information.

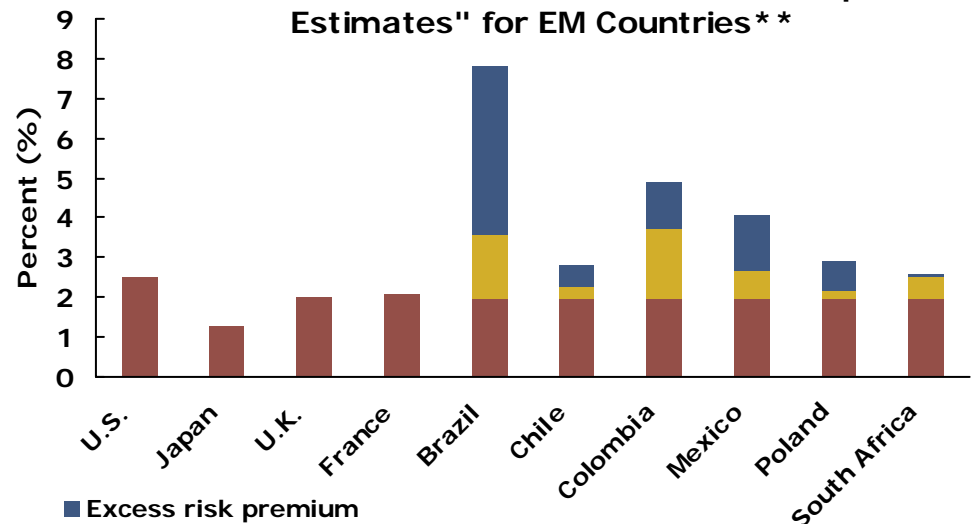
Local Markets Can Belong in Many Well Diversified Portfolios

- Local Markets have had lower correlations with most other asset classes
- Potential to provide a higher-yield alternative to other areas of fixed income
- Play on global growth

December 31, 2002 - December 31, 2007

	JPM ELMI+	JPM GBI EM GI Div	LBAG	S&P 500	DJ AIG Commodity
JPM ELMI+	1				
JPM GBI EM GI Div	0.94	1			
LBAG	0.31	0.38	1		
S&P 500	0.54	0.46	-0.03	1	
DJ AIG Commodity	0.26	0.26	0.06	0.08	1

Real Yields for Various Countries with "Component Estimates" for EM Countries**



SOURCE: Bloomberg Financial Markets.

* Represented by country inflation link bonds indices provided by Bloomberg

** As of September 31, 2007

Refer to Appendix for additional correlation and index information.

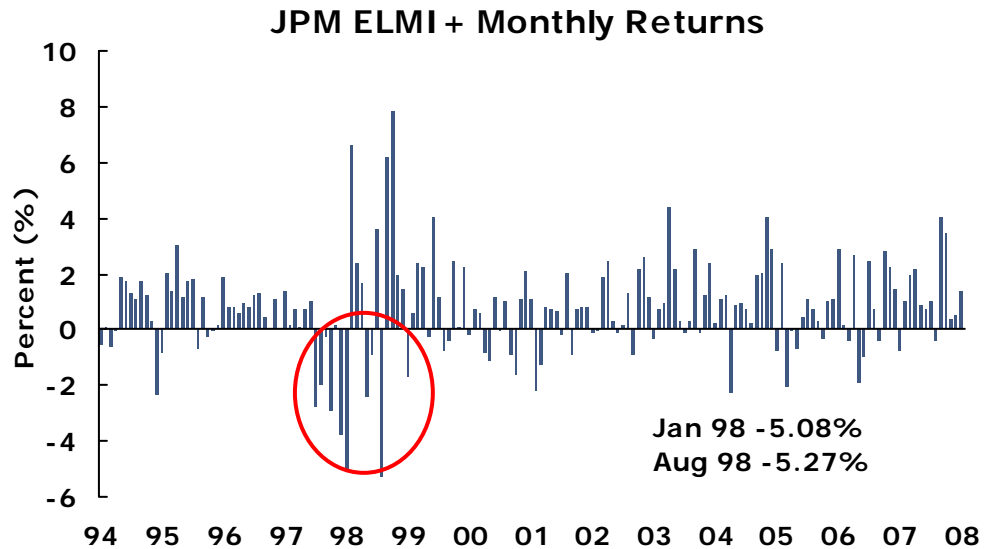
Risks to Local Markets



P I M C O

As of January 31, 2008

- Further risk aversion in global markets
- Major slowdown in global growth
- Tighter monetary conditions
- Rebound in the U.S. dollar



SOURCE: JPMorgan
Refer to Appendix for additional index information.

Appendix

Performance and Fee

Past performance is not a guarantee or a reliable indicator of future results. The performance figures presented reflect the total return performance for Institutional Class shares (after fees) and reflect changes in share price and reinvestment of dividend and capital gain distributions. Performance shown does not reflect any applicable redemption fees, the performance figures would be lower if the fee was applied. All periods longer than one year are annualized. The redemption fee of 2% may apply to shares that are redeemed or exchanged within 7 or 30 days of acquisition, depending on the Fund. Redemption fees are paid to and retained by the Fund and are not sales charges. Details regarding any Fund's redemption fees can be found in the Fund's prospectus. In performance graphs with a 45-degree line, such a line represents the point at which the Fund performance is equal to the index.

Chart

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs, different time periods may produce different results.

Correlation

The correlation of various indices or securities against one another or against inflation is based upon data over a long time period. These correlations may vary substantially in the future or over shorter time periods, resulting in greater volatility.

Investment Strategies

There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

Outlook and Strategy

Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Risk

Investing in non-U.S. securities involves heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk; investments may be worth more or less than the original cost when redeemed. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. 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. High-yield, lower-rated, securities involve greater risk than higher-rated securities. The Emerging Markets Bond 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.

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Appendix

Index Descriptions

Citigroup U.S. Treasury is an unmanaged market index comprising of a universe of US Govt Treasury securities.

The Dow Jones AIG Commodity Total Return Index is an unmanaged index composed of futures contracts on 19 physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class.

The JPM ELMI+ (JPMorgan Emerging Markets Local Markets Index Plus) tracks total returns for Emerging Markets local-currency-denominated money market instruments. The benchmark instrument of the index is FX forward contracts and these are laddered with maturities ranging from one to three months. Country weights are based on a trade-weighted allocation, with maximum weight of 10% for countries with convertible currencies and 2% for countries with non-convertible currencies.

The JPMorgan Government Bond Index- Emerging Markets Global Diversified (GBI- EM Global Div) tracks local currency government bonds issued by emerging markets. The GBI- EM consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The index is market capitalization weighted with a cap of 10% to any one country. Peru was added to the index on Nov 30, 2006.

The J.P. Morgan Global Index (Hedged) is an unmanaged market index representative of the total return performance in U.S. dollars on a hedged basis of major world bond markets.

The J.P. Morgan Global (Unhedged) is an unmanaged market index representative of the total return performance in U.S. dollars on an unhedged basis of major world bond markets.

The J.P. Morgan Emerging Markets Bond Index Global (EMBIG) is an unmanaged index that tracks total returns for dollar-denominated Brady Bonds, Eurobonds and traded loans issued by sovereign and quasi-sovereign entities.

The Lehman Brothers Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Lehman Brothers U.S. Credit Index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specific foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

The Lehman Brothers U.S. Treasury Inflation Notes: 10+ Years Index is an unmanaged market index comprised of U.S. Treasury Inflation Linked Indexed securities with maturities of over 10 years.

Merrill Lynch Emerging Market Credit Plus Index: U.S. dollar denominated fixed rate debt of corporate issuers domiciled in emerging market countries. It is an unmanaged index generally representative of the emerging market quasi sovereign and corporate bonds.

The Merrill Lynch High Yield Master II Index is an unmanaged index consisting of U.S. dollar denominated bonds that are issued in countries having a BBB3 or higher debt rating with at least one year remaining till maturity. All bonds must have a credit rating below investment grade but not in default.

Appendix

Index Descriptions

The Morgan Stanley Capital International Emerging Markets Index is an unmanaged index that measures equity market performance in the global emerging markets. As of May 2005, the Emerging Markets Index (float-adjusted market capitalization index) consisted of indices in 26 emerging countries: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, and Venezuela.

The MSCI Emerging Markets Free Index is an unmanaged group of international stocks representing emerging markets countries whose Gross National Product is substantially below the average of developed countries.

The Standard & Poor's 500 Stock Price Index is an unmanaged market index generally considered representative of the stock market as a whole. The index focuses on the Large-Cap segment of the U.S. equities market.

It is not possible to invest directly in an unmanaged index.