

Portfolio Holdings and Characteristics

Account No. 1420

October 31, 2010

P I M C O

State of Montana Public Employee Deferred Comp Plan

The information contained within this report is for informational purposes only and is intended to provide an overview of portfolio risk characteristics and an accounting-based view of portfolio holdings. This report is not intended for use in calculation of exposures for compliance purposes. Individual positions contained in this report reflect single sector exposures only, whereas such positions may impact multiple exposure calculations within compliance tests. The differences in calculating risk characteristics and accounting exposures versus compliance requirements are not captured or reflected within this standardized report.

Pacific Investment Management Company

State of Montana Public Employee Deferred Comp Plan

Account No: 1420

Flash Report
as of October 31, 2010

Summary Information	
Net Market Value	229,627,699.92 USD
Estimated Income	5,808,561.27 USD
Effective Duration	3.97 yrs
Duration Variance to Index	+0.02 yrs
Current Yield	2.53 %
Estimated Yield To Maturity	2.07 %
Effective Maturity ²	4.50 yrs
Average Coupon	2.68 %
Average Quality ²	AA+

	Portfolio Before Fees	Portfolio After Fees	Benchmark ¹
YTD	9.03%	8.81%	7.96%
1 Month	0.60	0.60	0.48
3 Months	2.51	2.44	2.13
6 Months	6.16	6.01	5.40
9 Months	7.19	6.97	6.47
12 Months	9.14	8.84	7.81
2 Years*	13.65	13.34	9.90
3 Years*	7.18	6.88	6.84
5 Years*	6.89	6.59	6.16
10 Years*	N/A	N/A	N/A
Since Inception Dec 31, 2001*	5.98%	5.69%	5.47%
Tracking Error (3 Years)	4.75		
Information Ratio (3 Years)	0.09		

* For periods of 12 months or more, the return is annualized

PIMCO generated performance as of 11/07/2010

¹ Barclays Capital Intermediate Government/Credit Index

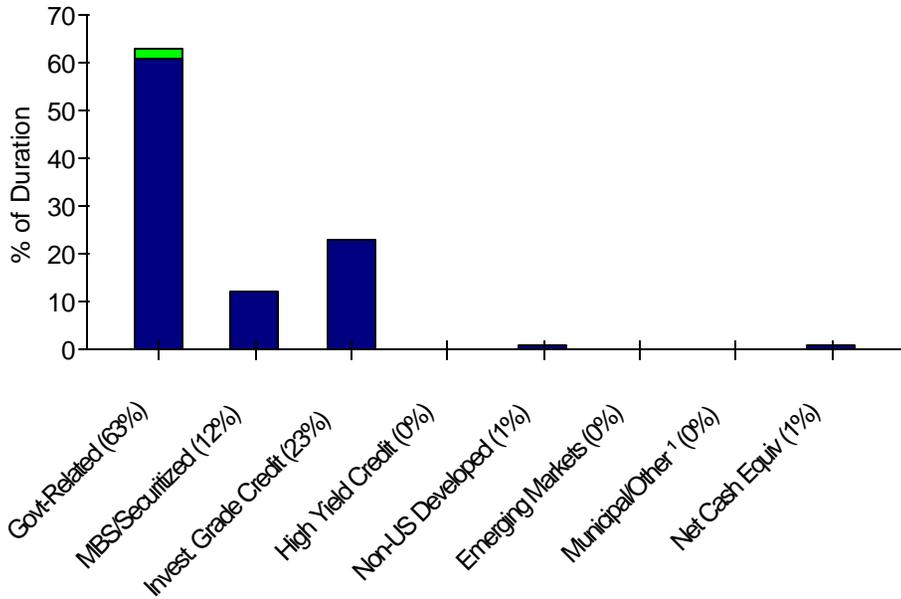
² Portfolio characteristics are calculated using the weighted average characteristics of each individual position. Derivative exposures are integrated into these characteristics at "bond equivalent value", which approximates the delta-adjusted notional exposure. Amortizing assets and those with embedded options (such as mortgage-backed securities and callable bonds) are included in maturity statistics based on the expected life of these instruments. Varying mathematical protocols may be applied across characteristics as needed to best capture the risk profile of each type of exposure. For example, sector allocations will include all positions at bond-equivalent value, whether settled or unsettled, while quality tiers will include only settled positions aggregated at market value. Average quality indicates the portfolio's expected sensitivity to changes in credit spreads; consequently, bond futures and interest rate swaps are included in this calculation at bond equivalent value, rather than market value, to best reflect this sensitivity.

Portfolio Allocation

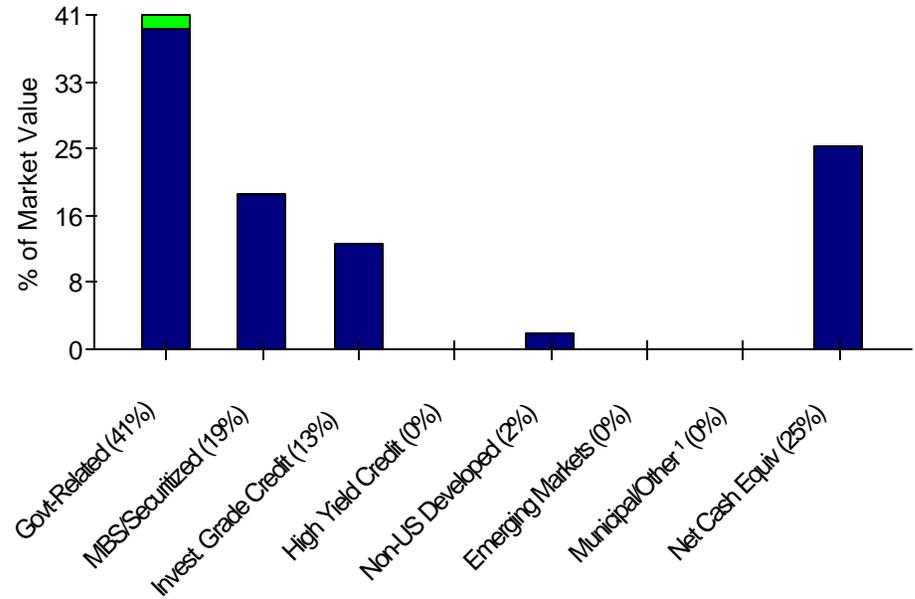
Portfolio Name: State of Montana Public Employee Deferred Comp Plan

As of Date: 10/31/2010

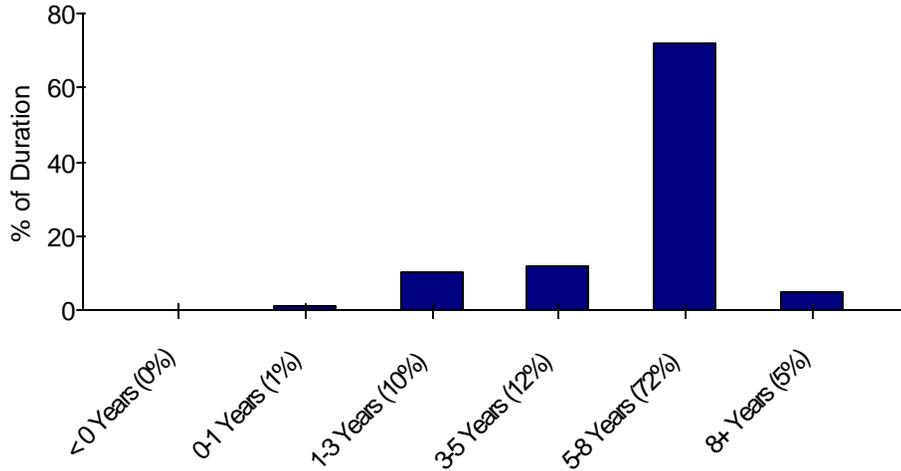
Sector - Duration Weighted



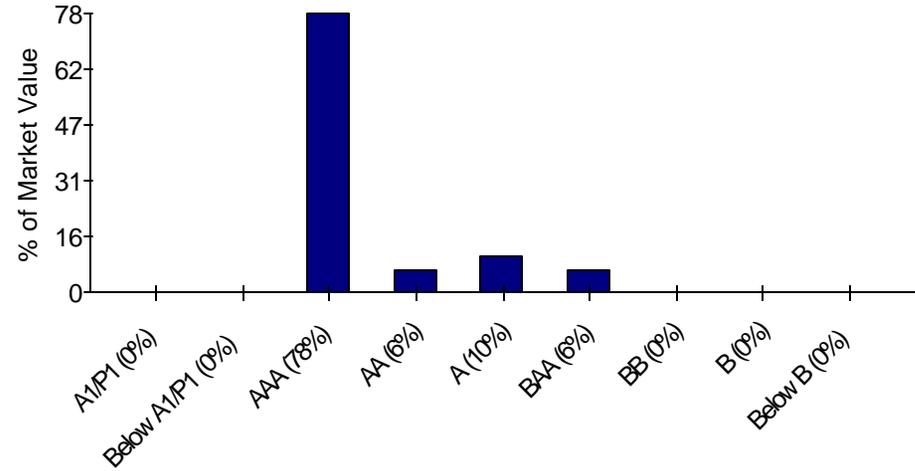
Sector - Market Value Weighted



Maturity - Duration Weighted



Quality² - Market Value Weighted



* Derivatives included at bond-equivalent exposure where appropriate

¹Includes municipals, private placements, preferred stocks, and convertibles

²Credit quality detail statistics are designed to reflect a portfolio's exposure to default risk. Consequently, this calculation includes only settled or funded positions, and incorporates interest rate swaps at market value rather than bond equivalent value.

■ Inflation Protected Securities

	% of Duration	% of Mkt Value	Total Mkt Value ¹
Government Related	63.0 %	41.1 %	94,369,397.29
Treasury	61.0	39.4	90,387,092.90
Inflation Protected Bonds	2.0	1.7	3,982,304.39
Inflation Protected Securities	2.0	1.7	3,982,304
MBS/Securitized	11.9 %	19.2 %	44,170,035.05
FNMA	11.9	19.2	44,130,004.69
GNMA	0.0	0.0	40,030.36
Invest. Grade Credit	23.0 %	12.8 %	29,532,503.72
Energy & Power	5.0	3.1	7,107,049.55
Nominal Bonds	5.0	3.5	7,998,213
Credit Default Swaps	0.0	-0.4	-891,163
Communication	1.4	0.1	239,387.24
Nominal Bonds	1.4	1.0	2,345,559
Credit Default Swaps	0.0	-0.9	-2,106,172
Finance and Real Estate	10.5	8.1	18,719,136.94
Nominal Bonds	10.5	8.2	18,920,717
Credit Default Swaps	0.0	-0.1	-201,580
Commodity related	2.1	1.3	3,064,233.20
Other	4.0	0.2	402,696.79
Nominal Bonds	3.9	2.9	6,680,729
Credit Default Swaps	0.1	-2.7	-6,278,032
Non-U.S. Developed	1.0 %	1.9 %	4,318,627.75
Dollar Block	1.0	1.9	4,318,627.75
Net Cash Equivalents	1.1 %	25.0 %	57,237,136.11
Net Cash Equivalents	1.1	25.0	57,237,136.11
TOTAL	100.0 %	100.0 %	229,627,699.92

¹Swaps and Futures are reported above at bond equivalent exposure and offset in "Net Cash Equivalents". Refer to the Cash Equivalent Summary at the back of the Portfolio Inventory report for details.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Effective Duration	Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest
										Price	USD Total	Price	USD Total	

Currency/American Quote:1.00000

UNITED STATES

Currency/European Quote:1.00000

CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)

CASH EQUIVALENTS

CASH COLLATERAL

CCMYCIUS7	CASH COLLATERAL ISDA MYC USD		0.20%	12/31/2060	A1+	0.00	0.20%	0.12%	280,000	100.000	280,000	100.000	280,000	46
	SUBTOTAL							0.12%			280,000		280,000	46
	TOTAL CASH EQUIVALENTS							0.12%			280,000		280,000	46

SHORT-TERM INVESTMENT FUNDS ¹

SHORT-TERM INVESTMENT FUNDS

9840608A4	STATE STREET REPO		0.01%	12/01/2015	A1+	0.00	0.01%	0.13%	292,696	100.000	292,696	100.000	292,696	4
	SUBTOTAL							0.13%			292,696		292,696	4
	TOTAL SHORT-TERM INVESTMENT FUNDS							0.13%			292,696		292,696	4

TREASURIES/AGENCIES

US TREASURY BILLS

912795UJ8	U S TREASURY BILLS	US912795UJ83	0.14%	11/18/2010	AAA	0.05	0.14%	0.13%	300,000	99.991	299,974	99.995	299,986	0
912795UX7	U S TREASURY BILLS	US912795UX77	0.14%	01/13/2011	AAA	0.20	0.14%	6.79%	15,600,000	99.969	15,595,165	99.980	15,596,833	0
912795W72	U S TREASURY BILLS	US912795W722	0.14%	11/12/2010	AAA	0.03	0.14%	11.54%	26,500,000	99.989	26,496,968	99.997	26,499,179	0
912795W80	U S TREASURY BILLS	US912795W805	0.14%	11/26/2010	AAA	0.07	0.14%	0.30%	700,000	99.980	699,859	99.992	699,942	0
912795W98	U S TREASURY BILLS	US912795W987	0.15%	12/02/2010	AAA	0.08	0.15%	6.01%	13,800,000	99.977	13,796,889	99.990	13,798,675	0
912795X71	U S TREASURY BILLS	US912795X712	0.13%	01/06/2011	AAA	0.18	0.13%	2.92%	6,700,000	99.975	6,698,303	99.982	6,698,774	0
912795X97	U S TREASURY BILLS	US912795X977	0.13%	01/27/2011	AAA	0.24	0.13%	1.61%	3,700,000	99.968	3,698,812	99.974	3,699,042	0
	SUBTOTAL							29.31%			67,285,969		67,292,430	0
	TOTAL TREASURIES/AGENCIES							29.31%			67,285,969		67,292,430	0

1. Short Term Investment Funds (STIF) represent residual cash for month-end reporting purposes. It does not indicate an actual holding of a security.

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UNITED STATES

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CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)

EUROS / YANKEES

FLOATING RATE NOTES

90261XGA4	UBS AG STAMFORD CT GLBL SR UNSEC F US90261XGA46	1.44%	02/23/2012	AA-	0.06	1.43%	0.22%		500,000	100.000	500,000	100.828	504,138	1,399
SUBTOTAL								0.22%			500,000		504,138	1,399
TOTAL EUROS / YANKEES								0.22%			500,000		504,138	1,399
TOTAL CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)								35.05%			80,185,723		80,490,116	101,987

BONDS (Duration > 1 Year, and/or Quality < BAA)

TREASURIES/AGENCIES

US TREASURIES

912810ED6	U S TREASURY BOND	US912810ED64	8.13%	08/15/2019	AAA	7.03	5.58%	2.98%	4,700,000	135.533	6,370,065	145.703	6,848,046	80,941
912810EE4	U S TREASURY BOND	US912810EE48	8.50%	02/15/2020	AAA	7.30	5.66%	0.52%	800,000	138.328	1,106,625	150.047	1,200,375	14,413
912810EG9	U S TREASURY BOND	US912810EG95	8.75%	08/15/2020	AAA	7.57	5.70%	0.27%	400,000	141.313	565,250	153.516	614,062	7,418
912810EJ3	U S TREASURY BOND	US912810EJ35	8.13%	05/15/2021	AAA	8.10	5.43%	0.26%	400,000	140.480	561,922	149.703	598,812	15,014
912810EL8	U S TREASURY BOND	US912810EL80	8.00%	11/15/2021	AAA	8.43	5.35%	0.20%	300,000	137.835	413,504	149.453	448,359	11,087
912810EN4	U S TREASURY BOND	US912810EN47	7.63%	11/15/2022	AAA	9.08	5.16%	0.13%	200,000	136.813	273,625	147.672	295,344	7,045
912810EQ7	U S TREASURY BOND	US912810EQ77	6.25%	08/15/2023	AAA	9.85	4.67%	0.17%	300,000	127.250	381,751	133.703	401,109	3,974
912828HZ6	U S TREASURY NOTE	US912828HZ65	3.88%	05/15/2018	AAA	6.80	3.44%	0.10%	200,000	107.405	214,809	112.742	225,484	3,580
912828JR2	U S TREASURY NOTE	US912828JR22	3.75%	11/15/2018	AAA	7.23	2.02%	0.24%	500,000	107.935	539,677	111.547	557,735	8,662
912828KD1	U S TREASURY NOTE	US912828KD17	2.75%	02/15/2019	AAA	7.67	2.65%	4.01%	8,900,000	101.239	9,010,230	103.586	9,219,154	51,876
912828KQ2	U S TREASURY NOTE	US912828KQ20	3.13%	05/15/2019	AAA	7.78	2.95%	0.46%	1,000,000	102.622	1,026,216	106.063	1,060,625	14,436
912828KW9	U S TREASURY NOTE	US912828KW97	3.25%	05/31/2016	AAA	5.22	2.96%	13.07%	27,300,000	107.576	29,368,344	109.953	30,017,196	373,324
912828LJ7	U S TREASURY NOTE	US912828LJ77	3.63%	08/15/2019	AAA	7.87	3.30%	0.48%	1,000,000	99.937	999,368	109.703	1,097,031	7,683
912828LL2	U S TREASURY NOTE	US912828LL24	3.00%	08/31/2016	AAA	5.47	2.77%	0.33%	700,000	99.391	695,734	108.383	758,680	3,597
912828LY4	U S TREASURY NOTE	US912828LY45	3.38%	11/15/2019	AAA	8.13	2.87%	1.08%	2,300,000	107.329	2,468,565	107.352	2,469,087	35,859
912828MD9	U S TREASURY NOTE	US912828MD98	3.25%	12/31/2016	AAA	5.74	2.97%	8.44%	17,700,000	100.429	17,775,924	109.492	19,380,119	194,893
912828ME7	U S TREASURY NOTE	US912828ME71	2.63%	12/31/2014	AAA	3.99	2.45%	0.42%	900,000	105.915	953,233	107.016	963,140	8,004
912828MK3	U S TREASURY NOTE	US912828MK32	3.13%	01/31/2017	AAA	5.83	2.88%	1.09%	2,300,000	100.063	2,301,438	108.688	2,499,813	18,164
912828NF3	U S TREASURY NOTE	US912828NF38	2.13%	05/31/2015	AAA	4.42	2.03%	0.37%	800,000	103.395	827,156	104.821	838,566	7,114
912828NG1	U S TREASURY NOTE	US912828NG11	2.75%	05/31/2017	AAA	6.17	2.59%	1.43%	3,100,000	105.550	3,272,047	106.024	3,286,729	35,870

PACIFIC INVESTMENT MANAGEMENT COMPANY

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UNITED STATES

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BONDS (Duration > 1 Year, and/or Quality < BAA)

MORTGAGES

PASS-THRU CERTIFICATES

31418QYE7	FNMA PASS THRU DWARF #AD3408	US31418QYE78	4.00%	02/01/2025	AAA	2.06	3.81%	0.03%	68,679	100.883	69,285	104.850	72,010	229
31418SFQ7	FNMA PASS THRU DWARF #AD4674	US31418SFQ75	4.00%	05/01/2025	AAA	2.06	3.81%	0.12%	267,659	101.719	272,260	105.038	281,143	892
36290SHU8	GNMA PASS THRU SGL FAML #615943X	US36290SHU87	4.50%	09/15/2033	AAA	2.49	4.20%	0.02%	37,390	92.688	34,656	107.061	40,030	140
SUBTOTAL								19.24%			43,590,370		44,170,035	33,531
TOTAL MORTGAGES								19.24%			43,590,370		44,170,035	33,531

CORPORATES

DEFAULTED COUNTERPARTY CLAIM

LSIOPNTA5	LBSF OPEN POSITION NET ASSET			12/31/2060		0.00		0.04%	245,943	100.000	245,943	42.000	103,296	0
SLHOPNTA4	LBI OPEN POSITION NET ASSET			12/31/2060		0.00		0.07%	1,522,878	100.000	1,522,878	11.000	167,517	0
SUBTOTAL								0.12%			1,768,822		270,813	0

FINANCE

025816AY5	AMERICAN EXPRESS GBL SR NT	US025816AY50	7.00%	03/19/2018	A-	6.10	5.82%	0.42%	800,000	99.617	796,936	120.293	962,345	6,533
026874BT3	AIG INC	US026874BT38	8.25%	08/15/2018	A-	6.15	6.88%	0.84%	1,600,000	100.000	1,600,000	119.875	1,918,000	27,867
060505DH4	BANK OF AMERICA CORP GBL SR NT	US060505DH44	6.00%	09/01/2017	A	5.81	5.57%	0.28%	600,000	100.457	602,742	107.745	646,468	6,000
07385TAJ5	BEAR STEARNS CO INC GBL NT SDF	US07385TAJ51	5.70%	11/15/2014	AA-	3.70	5.00%	0.15%	300,000	92.338	277,014	114.037	342,110	7,885
172967EH0	CITIGROUP INC GBL NT	US172967EH05	6.00%	08/15/2017	A	5.80	5.43%	0.14%	300,000	100.774	302,322	110.404	331,211	3,800
172967EU1	CITIGROUP INC GBL SR NT	US172967EU16	6.50%	08/19/2013	A	2.61	5.82%	0.10%	200,000	99.534	199,068	111.651	223,303	2,600
38141GFM1	GOLDMAN SACHS GROUP INC SR NT	US38141GFM15	6.15%	04/01/2018	A+	6.22	5.48%	0.20%	400,000	93.885	375,540	112.144	448,576	2,050
46625HHP8	JPMORGAN CHASE & CO SR UNSECURED	US46625HHP82	3.70%	01/20/2015	AA-	3.96	3.50%	0.97%	2,100,000	100.810	2,117,010	105.849	2,222,819	21,799
46625HHU7	JPMORGAN CHASE & CO SR UNSECURED	US46625HHU77	4.25%	10/15/2020	AA-	8.39	4.21%	0.09%	200,000	99.510	199,020	100.933	201,865	236
59018YN64	MERRILL LYNCH & CO NT MTN	US59018YN641	6.88%	04/25/2018	A	6.13	6.12%	0.88%	1,800,000	99.914	1,798,452	112.402	2,023,232	2,063
6174466Q7	MORGAN STANLEY GBL SR UNSEC MTN	US6174466Q77	6.63%	04/01/2018	A	6.14	5.89%	0.44%	900,000	95.601	860,409	112.490	1,012,408	4,969
61744YAD0	MORGAN STANLEY SR UNSEC MTN	US61744YAD04	5.95%	12/28/2017	A	6.05	5.49%	0.80%	1,700,000	99.717	1,695,189	108.401	1,842,814	34,560
78442FEH7	SLM CORP	US78442FEH73	8.45%	06/15/2018	BAA-	5.87	8.06%	0.09%	200,000	74.500	149,000	104.898	209,796	6,384
SUBTOTAL								5.39%			10,972,702		12,384,946	126,746

INDUSTRIALS

13342BAC9	CAMERON INTL CORP GBL SR NT	US13342BAC90	6.38%	07/15/2018	BAA+	6.41	5.50%	0.45%	900,000	101.869	916,821	115.831	1,042,481	16,894
205944AB7	CON-WAY INC SR UNSEC	US205944AB76	7.25%	01/15/2018	BAA-	5.89	6.48%	1.70%	3,500,000	102.683	3,593,905	111.848	3,914,680	74,715
257867AT8	RR DONNELLEY & SONS NT	US257867AT88	6.13%	01/15/2017	BAA	5.33	5.82%	0.78%	1,700,000	100.228	1,703,876	105.271	1,789,610	30,659

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BONDS (Duration > 1 Year, and/or Quality < BAA)

CORPORATES

INDUSTRIALS

260543BV4	DOW CHEMICAL COMPANY NT	US260543BV48	5.70%	05/15/2018	BAA-	6.37	5.21%	1.33%	2,800,000	99.553	2,787,484	109.437	3,064,233	73,593
50075NAS3	KRAFT FOODS INC SR UNSEC	US50075NAS36	6.50%	08/11/2017	BAA	5.77	5.40%	0.10%	200,000	104.831	209,662	120.352	240,704	2,889
620076AZ2	MOTOROLA INC SR NT	US620076AZ29	6.00%	11/15/2017	BAA-	5.98	5.40%	0.24%	500,000	94.765	473,827	111.190	555,949	13,833
761713AD8	REYNOLDS AMERICAN INC GLBL CO GTD	US761713AD83	7.25%	06/01/2013	BAA	2.41	6.45%	0.44%	900,000	104.478	940,302	112.473	1,012,258	27,188
761713AF3	REYNOLDS AMERICAN INC GLBL CO GTD	US761713AF32	7.75%	06/01/2018	BAA	6.10	6.52%	0.36%	700,000	107.822	754,754	118.860	832,018	22,604
761713AU0	REYNOLDS AMERICAN INC BD	US761713AU09	6.75%	06/15/2017	BAA	5.58	5.95%	0.30%	600,000	99.908	599,448	113.512	681,069	15,300
SUBTOTAL								5.72%			11,980,079		13,133,002	277,675
TOTAL CORPORATES								11.23%			24,721,603		25,788,761	404,421

EUROS / YANKEES

EUROS / YANKEES

05565QBN7	BP CAPITAL MARKETS PLC CO GTD	US05565QBN79	3.13%	10/01/2015	A	4.62	3.04%	0.58%	1,300,000	99.716	1,296,308	102.747	1,335,710	3,385
05565QBP2	BP CAPITAL MARKETS PLC CO GTD	US05565QBP28	4.50%	10/01/2020	A	8.31	4.34%	0.45%	1,000,000	99.451	994,510	103.790	1,037,895	3,750
22546QAE7	CREDIT SUISSE NEW YORK NT	US22546QAE70	3.50%	03/23/2015	AA+	4.12	3.30%	0.97%	2,100,000	99.841	2,096,661	105.967	2,225,299	7,758
78010XAC5	RBS PLC GLBL BK GTD	US78010XAC56	4.88%	03/16/2015	AA-	4.01	4.52%	1.88%	4,000,000	99.768	3,990,720	107.762	4,310,472	24,375
85771PAB8	STATOIL ASA CO GTD	US85771PAB85	3.13%	08/17/2017	AA	6.26	3.04%	0.99%	2,200,000	99.782	2,195,204	102.900	2,263,793	14,132
89152UAC6	TOTAL CAPITAL SA CO GTD	US89152UAC62	3.00%	06/24/2015	AA+	4.39	2.85%	1.01%	2,200,000	99.609	2,191,398	105.379	2,318,334	23,283
SUBTOTAL								5.88%			12,764,801		13,491,502	76,684
TOTAL EUROS / YANKEES								5.88%			12,764,801		13,491,502	76,684

CREDIT DEFAULT SWAPS

BUY PROTECTION

SWPC01T87	CAMERON INTL NS BP DUB PAY		-0.82%	09/20/2018	BAA+	-0.03		0.00%	900,000	0.000	0	0.982	8,837	-820
SWPC30F99	REYNOLDS AMERICAN NS BP BRC PAY		-1.20%	06/20/2013	BAA	0.02		-0.00%	900,000	0.000	0	-1.148	-10,328	-1,200
SWPC331G2	SLM CORP (SALLIE MAE) SNR S* BP GST P		-5.00%	06/20/2018	BAA-	0.06		-0.00%	200,000	-7.084	-14,168	-0.790	-1,580	-1,111
SWPC36423	CON-WAY INC NEGB NS BP BOA PAY		-1.83%	03/20/2018	BAA-	-0.19		0.09%	3,500,000	0.000	0	5.658	198,033	-7,132
SWPC39567	KRAFT FOODS NEGB SNR NS BP DUB PAY		-0.59%	09/20/2017	BAA	0.00		0.00%	200,000	0.000	0	0.259	519	-131
SWPC40292	RR DONNELLEY NEGB NS BP BOA PAY		-0.80%	03/20/2017	BAA	-0.33		0.08%	1,700,000	0.000	0	10.172	172,918	-1,511
SWPC44278	MOTOROLA NS BP RYL PAY		-3.60%	12/20/2017	BAA-	0.50		-0.01%	200,000	0.000	0	-16.014	-32,029	-800

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Effective Duration	Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest
										Price	USD Total	Price	USD Total	

Currency/American Quote:1.00000

UNITED STATES

Currency/European Quote: 1.00000

BONDS (Duration > 1 Year, and/or Quality < BAA)

CREDIT DEFAULT SWAPS

BUY PROTECTION

SWPC501C5	CDX IG12 5Y BP DUB PAY	-1.00%	06/20/2014	BAA+	0.02	-0.01%	1,587,200	3.373	53,529	-0.897	-14,242	-1,764
SWPC82310	CDX IG9 10Y BP BRC PAY	-0.80%	12/20/2017	BAA+	-0.10	0.01%	774,400	1.308	10,129	3.120	24,163	-688
SWPC95C12	MOTOROLA NS BP MYC PAY	-3.55%	12/20/2017	BAA-	0.49	-0.02%	300,000	0.000	0	-15.687	-47,060	-1,183
SWPC95R16	CDX IG10 10Y BP DUB PAY	-1.50%	06/20/2018	BAA+	0.06	-0.00%	677,600	-1.743	-11,813	-1.459	-9,883	-1,129
SWPC95R73	CDX IG10 10Y BP MYC PAY	-1.50%	06/20/2018	BAA+	0.06	-0.01%	1,064,800	-1.075	-11,446	-1.459	-15,530	-1,775
SWPC96W83	CDX IG9 10Y BP RYL PAY	-0.80%	12/20/2017	BAA+	-0.10	0.01%	677,600	1.457	9,875	3.120	21,142	-602
SUBTOTAL									36,106		294,958	-19,847

SELL PROTECTION

SWPC032G4	GOLDMAN SACHS GROUP INC SNR S* SP	1.00%	03/20/2012	A+	0.00	0.00%	500,000	-0.051	-255	0.162	811	556
SWPC034G2	GOLDMAN SACHS GROUP INC SNR S* SP	1.00%	03/20/2011	A+	0.00	0.00%	500,000	0.161	805	0.119	596	556
SWPC213J9	CDX IG15 5Y SP DUB RECEIVE	1.00%	12/20/2015	BAA+	0.01	0.01%	10,800,000	-0.675	-72,861	0.272	29,391	12,000
SWPC422E7	CDX IG13 10Y SP BOA RECEIVE	1.00%	12/20/2019	BAA+	-0.01	-0.00%	400,000	-1.366	-5,464	-0.519	-2,075	444
SWPC686H1	FRANCE GOV'T SW SP MYC RECEIVE	0.25%	06/20/2011	AAA	0.00	-0.00%	5,000,000	-0.188	-9,388	-0.012	-588	1,389
SUBTOTAL									-87,164		28,135	14,944
TOTAL CREDIT DEFAULT SWAPS									-51,058		323,093	-4,903

TOTAL BONDS (Duration > 1 Year, and/or Quality < BAA)

77.58%

171,489,364

178,142,789

1,440,284

TOTAL UNITED STATES

112.63%

251,675,086

258,632,905

1,542,270

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Duration	Effective Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest
										Price	USD Total	Price	USD Total	
Currency/American Quote:1.02020						AUSTRALIA				Currency/European Quote:0.98020				
CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)										AUD		AUD		
SHORT-TERM INVESTMENT FUNDS ¹														
SHORT-TERM INVESTMENT FUNDS														
908142094	STIF FUND (AUD)		0.45%	12/31/2015	A1+	0.00	0.43%	0.00%	9	100.000	9	100.000	9	0
							SUBTOTAL				9		9	0
							TOTAL SHORT-TERM INVESTMENT FUNDS				9		9	0
							TOTAL CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)				9		9	0
BONDS (Duration > 1 Year, and/or Quality < BAA)										AUD		AUD		
SOVEREIGN														
SOVEREIGN NOTES														
EI3151277	AUSTRALIAN GOVERNMENT	AU3TB0000077	4.75%	06/15/2016	AAA	4.88	4.82%	0.38%	900,000	101.089	828,829	98.492	868,877	15,914
							SUBTOTAL				828,829		868,877	15,914
							TOTAL SOVEREIGN				828,829		868,877	15,914
							TOTAL BONDS (Duration > 1 Year, and/or Quality < BAA)				828,829		868,877	15,914

1. Short Term Investment Funds (STIF) represent residual cash for month-end reporting purposes. It does not indicate an actual holding of a security.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Duration	Effective Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest
										Price	USD Total	Price	USD Total	

Currency/American Quote:1.02020

AUSTRALIA

Currency/European Quote:0.98020

AUSTRALIAN DOLLARS

AUD

AUD

CURRENCY²

CURRENCY

AUD0337B9	AUSTRALIAN DOLLARS (SELL vs.USD)			12/03/2010		0.00	-0.39%	-919,000	1.020	-901,124	1.025	-896,990	0
	SUBTOTAL						-0.39%			-901,124		-896,990	0
	TOTAL CURRENCY						-0.39%			-901,124		-896,990	0
	TOTAL AUSTRALIAN DOLLARS						-0.39%			-901,124		-896,990	0
	TOTAL AUSTRALIA						-0.01%			-72,286		-28,104	15,914

Currency/American Quote:1.01760

CANADA

Currency/European Quote:0.98270

CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)

CAD

CAD

SHORT-TERM INVESTMENT FUNDS¹

SHORT-TERM INVESTMENT FUNDS

920142098	STIF FUND (CAD)			12/31/2015	A1+	0.00	0.00%	251	100.000	244	100.000	247	0
	SUBTOTAL						0.00%			244		247	0
	TOTAL SHORT-TERM INVESTMENT FUNDS						0.00%			244		247	0
	TOTAL CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)						0.00%			244		247	0

1. Short Term Investment Funds (STIF) represent residual cash for month-end reporting purposes. It does not indicate an actual holding of a security.

2. Currency positions may reflect forward or spot purchases/sells to settle pending trades or to increase/decrease currency exposure. Forward positions display maturity dates equal to the forward settlement date. Spot positions display no maturity date as these trades represent imminent cash conversion.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Duration	Effective Yield	Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest	
											Price	USD Total	Price	USD Total		
Currency/American Quote:1.01760						CANADA						Currency/European Quote:0.98270				
BONDS (Duration > 1 Year, and/or Quality < BAA)											CAD			CAD		
SOVEREIGN																
SOVEREIGN NOTES																
135087ZB3	CANADA GOVT NT	CA135087ZB34	1.50%	03/01/2012	AAA	1.31	1.50%	1.50%		3,500,000	100.507	3,288,120	100.299	3,449,751	8,694	
							SUBTOTAL	1.50%				3,288,120		3,449,751	8,694	
							TOTAL SOVEREIGN	1.50%				3,288,120		3,449,751	8,694	
							TOTAL BONDS (Duration > 1 Year, and/or Quality < BAA)	1.50%				3,288,120		3,449,751	8,694	
CANADIAN DOLLARS											CAD			CAD		
CURRENCY²																
CURRENCY																
CAD0322A0	CANADIAN DOLLAR (SELL vs.USD)			11/18/2010		0.00	-1.49%			-3,489,000	1.035	-3,370,355	1.018	-3,427,130	0	
							SUBTOTAL	-1.49%				-3,370,355		-3,427,130	0	
							TOTAL CURRENCY	-1.49%				-3,370,355		-3,427,130	0	
							TOTAL CANADIAN DOLLARS	-1.49%				-3,370,355		-3,427,130	0	
TOTAL CANADA								0.01%				-81,991		22,868	8,694	

2. Currency positions may reflect forward or spot purchases/sells to settle pending trades or to increase/decrease currency exposure. Forward positions display maturity dates equal to the forward settlement date. Spot positions display no maturity date as these trades represent imminent cash conversion.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

As Of Date: 10/31/2010

CUSIP	Description	ISIN	Coupon	Maturity	Rating	Duration	Effective Current Yield	% of Mkt Val	Par/Shares	Cost		Market		Accrued Interest
										Price	USD Total	Price	USD Total	

Currency/American Quote:0.71948

EURO M. UNION

Currency/European Quote:1.38990

CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)

EUR

EUR

SHORT-TERM INVESTMENT FUNDS¹

SHORT-TERM INVESTMENT FUNDS

929072692	STATE STREET STIF FUND (EUR)	0.10%	12/01/2015	A1+	0.00	0.10%	0.00%	3,450	100.000	5,381	100.000	4,796	0
							SUBTOTAL	0.00%		5,381		4,796	0
							TOTAL SHORT-TERM INVESTMENT FUNDS	0.00%		5,381		4,796	0
							TOTAL CASH EQUIVALENTS (Duration <= 1 Year, Quality >= BAA)	0.00%		5,381		4,796	0
							TOTAL EURO M. UNION	0.00%		5,381		4,796	0

1. Short Term Investment Funds (STIF) represent residual cash for month-end reporting purposes. It does not indicate an actual holding of a security.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

USD Market Value

As Of Date: 10/31/2010

<u>TOTAL ACCOUNT SUMMARY</u>	
TOTAL POSITIONS HELD <i>(excluding Cash Equivalents)</i>	182,184,963.81
CASH EQUIVALENT ASSETS	
CASH EQUIVALENT SECURITIES	80,771,622.90
CURRENCY FORWARD POSITIONS	(4,324,119.69)
NET MONEY MARKET FUTURES POSITIONS ¹	0.00
INTEREST AND DIVIDENDS ACCRUED / RECEIVABLE	1,566,878.44
RESIDUAL CASH	6.26
OTHER ASSETS / LIABILITIES	
NET MONEY MARKET FUTURES (DUE TO) / DUE FROM BROKER ¹	0.00
NET BOND/STOCK EQUIVALENT FUTURES (DUE TO) / DUE FROM BROKER	0.00
NET UNSETTLED TRADES (DUE TO) / DUE FROM BROKER <i>(including Currency)</i>	(29,831,529.90)
BROKER CASH COLLATERAL RECEIVED	(740,121.90)
NET ACCOUNTING VALUE (USD)	<u>229,627,699.92</u>

1. The notional amount of money market futures is divided by the term of the underlying interest rate to properly reflect exposure. Eurodollar futures, based on an annualized 3-month interest rate, are divided by 4; Fed funds futures, based on an annualized 1-month rate, are divided by 12.

PACIFIC INVESTMENT MANAGEMENT COMPANY

Account No: 1420 State of Montana Public Employee Deferred Comp Plan

Portfolio Inventory

USD Market Value

As Of Date: 10/31/2010

<u>CASH EQUIVALENT SUMMARY</u>	
CASH EQUIVALENT SECURITIES HELD	
SHORT TERM INVESTMENT FUNDS	297,747.08
OTHER CASH EQUIVALENT SECURITIES	80,473,875.82
TOTAL CASH EQUIVALENT SECURITIES HELD	80,771,622.90
OTHER CASH EQUIVALENTS	
RESIDUAL CASH	6.26
INTEREST AND DIVIDENDS ACCRUED / RECEIVABLE	1,566,878.44
TOTAL OTHER CASH EQUIVALENTS	1,566,884.70
TOTAL CASH AND CASH EQUIVALENT ASSETS	82,338,507.60
OTHER ASSETS AND LIABILITIES	
CURRENCY FORWARD POSITIONS	(4,324,119.69)
NET CURRENCY FORWARDS (DUE TO) / DUE FROM BROKER	4,271,478.80
NET UNSETTLED TRADES (DUE TO) / DUE FROM BROKER	(34,103,008.70)
NET MONEY MARKET FUTURES POSITIONS	0.00
NET MONEY MARKET FUTURES (DUE TO) / DUE FROM BROKER	0.00
NET BOND/STOCK EQUIVALENT FUTURES (DUE TO) / DUE FROM BROKER	0.00
BROKER CASH COLLATERAL RECEIVED	(740,121.90)
EXCHANGE TRADED CREDIT DEFAULT SWAPS (DUE TO) / DUE FROM BROKER	0.00
SWAPS ADJUSTMENT TO BOND EXPOSURE ²	9,794,400.00
TOTAL OTHER ASSETS AND LIABILITIES	(25,101,371.49)
NET CASH EQUIVALENTS AVAILABLE FOR INVESTMENT (USD)	57,237,136.11

2. Represents the offsetting exposure of the floating-rate leg of interest rate, index, and total return swaps, and the implied liability/asset associated with credit default swaps.

Derivatives Summary

State of Montana Public Employee Deferred Comp Plan

Derivatives As of 10/31/2010	% of Duration	% of Mkt Value	Characteristics of Derivatives	Control Measures
<u>Bond-Equivalent Derivatives</u>				
Government Futures	0.0	0.0	Used to adjust interest rate exposures and replicate government bond positions. May offer opportunity to outperform due to active management of the liquid portfolio backing the exposure.	Bond-equivalent exposure included in portfolio duration. Back net long futures positions with high grade, liquid debt securities.
U.S.	0.0	0.0		
Non - U.S.	0.0	0.0		
Interest Rate Swaps	0.0	0.0	Includes Swaps with duration greater than 1 year. Used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("receive fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure.	Bond-equivalent exposure included in portfolio duration. Back net long swaps positions with high grade, liquid debt securities.
Receive	0.0	0.0		
Pay	0.0	0.0		
Credit Default Swaps	0.1	2.1	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure ("selling protection"), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure ("buying protection"), providing the right to "put" bonds to the counterparty in the event of a default.	Bond-equivalent exposure included in portfolio credit risk measures. Back net long exposures with high grade, liquid debt securities. Continually monitor underlying credit exposure.
Written	0.0	7.5		
Purchased	0.1	-5.4		
Option Premiums	0.0	0.0	Purchased options are used to manage interest rate and volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option.	Bond-equivalent exposure included in portfolio duration (weighted by volatility relative to underlying instrument). In-the-money portion of written options covered by high grade, liquid debt securities.
Written	0.0	0.0		
Purchased	0.0	0.0		
Mortgage Derivatives	0.0	0.0	Used to manage portfolio duration and/or enhance yield. Includes securities determined by PIMCO to have potentially less stable duration characteristics, such as Interest Only strips (IOs), Principal Only strips (POs), Support Class CMOs and Inverse Floaters. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Bond exposure included in portfolio duration, convexity, and prepayment risk measures. Use IOs' and POs' in moderation and in an overall portfolio context.
Total Bond-Equiv. Derivatives:	0.1 %	2.1 %		
<u>Money Market Derivatives</u>	0.0	0.0	Used to manage exposures at the front end of the yield curve. Includes Swaps with duration of 1 year or less, and Eurodollar, Euribor and other futures based on short-term interest rates. The notional amount of money market futures is divided by the term of the underlying interest rate to properly reflect the exposure. Eurodollar futures, based on an annualized 3-month interest rate, are divided by 4; Fed funds futures, based on an annualized 1-month rate, are divided by 12.	Bond-equivalent exposure included in portfolio duration. Money market futures are based on short-term interest rates and don't require delivery of an asset at expiration, therefore do not require cash backing.
Futures	0.0	0.0		
Interest Rate Swaps	0.0	0.0		

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Past performance is not a guarantee or reliable indicator of future results. 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. Swaps are a type of derivative; while some swaps trade through a clearinghouse there is generally no central exchange or market for swap transactions and therefore they tend to be less liquid than exchange-traded instruments. Credit default swap (CDS) is an over-the-counter (OTC) agreement between two parties to transfer the credit exposure of fixed income securities; CDS is the most widely used credit derivative instrument. All investments contain risk and may lose value. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations.

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.

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Portfolio Risk Measures

State of Montana Public Employee Deferred Comp Plan

Risk Measures (yrs)	10/31/2010	Definitions of Risk Measures
<u>Interest Rate Exposures:</u>		
<u>Effective Duration</u>		
Portfolio	3.97	A portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall (rise) in interest rates, a portfolio with duration of 1 year will rise (fall) in price by 1 bp.
Benchmark	3.95	
<u>Bull Market Duration</u>		
Portfolio	3.69	A portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
Benchmark	3.96	
<u>Bear Market Duration</u>		
Portfolio	4.25	A portfolio's effective duration after a 50 bp rise in rates. The extent to which a Portfolio's bear market duration exceeds its duration is a gauge of extension risk.
Benchmark	3.95	
<u>Total Curve Duration</u>		
	-0.37	A portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Treasury yields, holding the 10-year yield constant. For every 1 bp of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 bp relative to the benchmark.
<u>Sector Exposures:</u>		
<u>Mortgage Spread Duration</u>		
Portfolio	0.81	Spread duration represents a portfolio's sensitivity to changes in option-adjusted spread (OAS), which affects the value of bonds that trade at a yield spread to Treasuries. Corporate, Mortgage, and Emerging Markets spread duration represents the contribution of each sector to the overall portfolio spread duration. For every 1 year of spread duration, portfolio value should rise (fall) by 1 basis point with every 1 basis point of OAS tightening (widening). Negative spread duration indicates the portfolio will benefit from widening spreads relative to Treasuries.
Benchmark	0.00	
<u>Corporate Spread Duration</u>		
Portfolio	0.89	
Benchmark	1.17	
<u>EM Spread Duration</u>		
Portfolio	0.00	
Benchmark	0.09	
<u>Swap Spread Duration</u>		
Portfolio	0.00	The contribution of provincials, agencies, and swaps to spread duration. Includes the impact of non-swap instruments that are sensitive to swap spreads.
Benchmark	0.45	

DISCLOSURE

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DISCLOSURES, CONTINUED

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³ PIMCO Asia Pte Ltd is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence for fund management and an exempt financial adviser. The services and products provided by PIMCO Asia Pte Ltd are available only to accredited investors, expert investors and institutional investors as defined in the Securities and Futures Act.

⁴ PIMCO Japan Ltd’s Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No.382. PIMCO Japan Ltd is a member of Japan Securities Investment Advisers Association and Investment Trusts Association.

Investment management products and services offered by PIMCO Japan Ltd are offered only to persons within its respective jurisdiction, and are not available to persons where provision of such products or services is unauthorized.

The value of assets fluctuate based upon prices of securities in the portfolio, market conditions, interest rates, and credit risk, among others. Investments in foreign currency denominated assets will be affected by foreign exchange rates. All profits and losses incur to the investor. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. The fee charged will vary depending on the investment trust acquired or the investment advisory agreement entered into; these materials do not set forth specific fee amounts or their calculation methodologies.

⁵ PIMCO Australia Pty Ltd, AFSL 246862 and ABN 54084280508, offers services to wholesale clients as defined in the Corporations Act 2001.

⁶ PIMCO Canada Corp provides services only to accredited investors within certain provinces or territories in accordance with applicable law.

Past performance is not a guarantee or a reliable indicator of future results.

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ACCOUNTING REPORT GLOSSARY

Pacific Investment Management Company employs a TRADE DATE-BASIS, ACCRUAL-BASIS, double-entry accounting system. Since many custodian statements are based on settlement date-basis, or cash-basis accounting systems, there may be some confusion as to what information is contained under various headings in our accounting reports. Therefore, we have defined many of the terms as we use them in our statements.

Amount -	Value given / received when security was bought / sold.
Broker -	PIMCO internal code.
Broker Cash Collateral Received -	In the form of cash, the amount of collateral that has been pledged & received from authorized Counterparties (Initial Cash Collateral Amount + Accrued Interest).
Cash Equivalents (Duration <=1 year) -	<p>PIMCO defines Cash Equivalent securities as liquid securities of investment grade quality with duration of 1 year or less. Duration of 1 year or less is usually attributed to the following classes of securities:</p> <ul style="list-style-type: none">• Overnight securities and instruments with final maturity dates within one year, including but not limited to Short Term Investment Funds, repurchase agreements, commercial paper, certificates of deposit, Treasury bills, etc.• Adjustable Rate and Floating Rate instruments with interest reset periods of 1 year or less exhibiting price volatility commensurate with the reset frequency.• Fixed rate instruments with coupon rates and/or prepayment features leading to market expectations of substantial repayment within 1 year and exhibiting price volatility commensurate with this expectation.
Cost Amount -	This is the original cost of a position. When a position consists of several "lots" purchased at different prices, it is the total cost of the lots. Any expenses associated with an acquisition (i.e., postage, insurance, commissions) are included in Cost Amount.
Dividend Rate -	In the case of bonds, it is the coupon rate on the bonds. In the case of stocks, it is the current annual dividend amount per share expressed in dollars. Finally, in the case of cash equivalents, it is the annualized yield. The rate reported for commingled short-term investment funds is the annualized yield as of the date of the statement.
Dividends Receivable -	When a stock goes ex-dividend, we show the dividend as receivable. It is automatically posted to cash on the dividend payment date.
Due To/From Broker -	This aggregates items which have been bought/sold, including short sales (forward pass-through buys/sales). They are included/removed from the inventory as of the Trade Date, but posting to cash does not occur until Settlement Date.
Duration -	Measures the sensitivity of a bond or portfolio's price to changes in interest rates. The calculation of duration incorporates yield, coupon, final maturity and call features into one measure.
Exchange rate -	The relative value of one currency to the U.S. dollar.
Factor -	The multiple of original face outstanding at the time of purchase or sale.
Futures Long / Futures Short -	Refers to aggregate market value positions in financial futures contracts either held for future delivery into account (Futures Long) or the future delivery of financial instruments from account (Futures Short).
IND % -	Refers to percent of asset classification (i.e., Cash and Cash equivalents, Bonds, Equities).
Int. B/S -	Interest bought or sold.
Interest Receivable -	Interest income impacts the portfolio as soon as it is earned.
Market Amount -	Market Price times Quantity.
Market Price -	Closing prices on most securities are obtained from vendors such as Interactive Data Corp., Merrill Lynch, and Bear Street Software. PIMCO also has an internal duration model that calculates prices based on a treasury yield spread. Market prices are also obtained from other services such as Bloomberg, Reuters and various market makers.
NAV % -	Refers to percent of Total Account Market Value.
Net Unsettled Trades -	This is the sum of any Due-To-Broker and Due-From-Broker amounts. The actual item purchased shows in the inventory listing as of the Trade Date. The payable is automatically posted against cash on Settlement Date.
Original Face -	Value of asset pool at time of origination.
Pay Code -	"S" indicates transaction has settled.
Paydowns -	Include all pass-through principal payments.
Payups -	Included are regular additions to GNMA Graduated-Payment Mortgage principal balances, as well as some CMOs.

Price -	Value of security at the time of purchase or sale.
Principal -	Original face multiplied by factor price.
Share / Par -	Refers to par value in the case of bonds, and number of shares in the case of stocks.
Short Sales -	We are using this feature of our system to reflect forward pass-through sales prior to the availability of pool factors. They are reflected in the portfolio inventory beneath the long position as negative.
Total Cash Less Unsettled Trades -	This refers to all items in the Cash Accounts section of the inventory, less any Due-To-Broker and Due-From-Broker Amounts.
Total Cost -	This is the total original cost of positions. When positions consists of several "lots" purchased at different prices, it is the total cost of the lots.
Unit Cost -	This is Cost Amount divided by Quantity times 100.
Yield -	The rate of annual income return on an investment expressed as a percentage. Current yield is obtained by dividing the coupon rate of interest by the market price. Estimated yield to maturity is obtained by applying discounts and premiums from par to the income return. Bond yields move inversely to market prices. As market prices rise, yields on existing securities fall, and vice versa.

EXPLANATION OF PIMCO'S ACCOUNTING TREATMENT OF FINANCIAL FUTURES POSITIONS

Accounting conventions for handling futures contract positions require that all open futures positions be disclosed as memo items on balance sheet statements (i.e., there is no cost or market value associated with a position). Although this approach discloses the existence of futures positions, it is not helpful in gauging the volatility characteristics of the portfolio. For example, a \$100,000 portfolio of cash that is also "long" one Treasury Bond futures contract at a price of 100 (equates to owning \$100,000 of Treasury Bonds) would look as follows:

PORTFOLIO INVENTORY AS OF October 31, 2010

Cash	\$100,000
Long One Treasury Bond Future	<u> - -</u>
TOTAL	\$100,000

Viewing the above statement may give the impression that the portfolio is a conservative one, because all of its assets are in cash. However, being long the bond futures contract means that the value of the portfolio will fluctuate similar to a 30-year bond. Therefore, in order to reflect the economic impact of our futures positions, we prefer to value them for portfolio inventory purposes at their market value. Then, to avoid double-counting, the value of the futures positions is offset with a contra-account liability (Futures - Long Positions).

The example above would look as follows according to our methodology :

PORTFOLIO INVENTORY AS OF October 31, 2010

Cash	\$100,000
Long One Treasury Bond Future	\$100,000
Futures - Long Positions	<u>(100,000)</u>
TOTAL	\$100,000

By valuing the portfolio's futures positions in this manner, it is easy to grasp their impact and size. In this case, comparing the \$100,000 futures positions to the total portfolio value of \$100,000 indicates that the portfolio is essentially 100% invested in long bonds.

