

# PIMCO Global Advantage Strategy Bond Fund

A fundamental transformation in core bond investing



**Mohamed El-Erian**  
Portfolio Manager  
CEO, Co-CIO

PIMCO believes the global economy and financial markets are evolving rapidly, leading to a fundamental transformation in opportunities for bond investors. PIMCO Global Advantage Strategy Bond Fund is designed to capitalize on this age of change by adopting a new strategic approach based on the firm's recently launched Global Advantage™ Bond Index (GLADI™). The Fund takes advantage of PIMCO's four decades of active bond management experience, employing the same investment and risk management processes that guide all PIMCO portfolios.

## What is PIMCO Global Advantage Strategy Bond Fund?

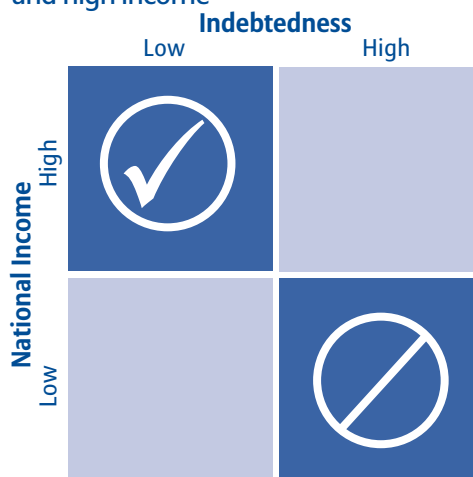
PIMCO Global Advantage Strategy Bond Fund invests in a broad range of U.S. and non-U.S. fixed-income securities. While its primary benchmark is the Barclays Capital U.S. Aggregate Index—a traditional capitalization-weighted index—the key distinguishing feature of the Fund will be its secondary benchmark: PIMCO's GLADI. PIMCO believes this unique benchmark will ultimately best reflect the Fund's overall investment strategy.

## Why this departure from a traditional benchmark index?

The Fund's manager believes the GLADI has two main advantages over traditional bond indices.

First, the GLADI is GDP-weighted rather than market capitalization-weighted. Because economic development tends to precede market development, the GLADI helps the Fund seek to strategically position its portfolio for where opportunities are likely to be, not where they have been. And by focusing on GDP rather than outstanding debt, the GLADI tends to emphasize countries with low debt-to-GDP ratios and underweight those that borrow excessively (see diagram, above right).

A preference for countries with low debt and high income



The second main advantage of the GLADI is that it seamlessly covers the spectrum of opportunities and sectors—from developed to emerging markets, nominal to real assets, and cash to derivative instruments. As a result, the GLADI has the potential to increase both yield and diversification, and thus improve risk-adjusted returns. Of course, there is no guarantee that these goals will be met.

## What makes PIMCO Global Advantage Strategy Bond Fund different from other global bond funds?

The Fund is distinguished by several features, all of which play an important role in its forward-looking strategy:

- The Fund employs the new GLADI to drive portfolio allocations. This avoids the above-mentioned pitfalls of capitalization-weighted indices and allows for the adjustment of index weights over the business cycle to potentially boost bond returns.
- Because the GLADI, and therefore the Fund, covers the continuum from developed to emerging markets, it is more representative of the global opportunity set.

- The Fund provides exposure to both nominal and real (inflation-linked) assets, thereby providing a hedge against potential inflationary pressures.
- The Fund avoids the disproportionate allocation to government bonds that dominates many existing funds because of the capitalization-weighted indices they employ.

### What are the potential benefits of investing in the Fund?

There are a number of reasons an investor might consider the Fund:

- Its unique, forward-looking benchmark may help position portfolios for tomorrow's opportunities.
- The Fund aims to provide an all-in-one core bond solution across global markets and sectors, potentially putting investors in a better position to benefit from long-term economic transformations.
- Managed by PIMCO, the Fund leverages the firm's global presence, decades of active bond management expertise and reputation for innovation.

### What are some of the risks?

The Fund may involve concentrated exposure in areas of the bond market that entail greater risks. For example, investing in emerging markets may entail risk due to foreign economic and political developments. Also, foreign currency exposure can entail significant volatility—and this may be amplified with the currencies of developing countries. Other risks also apply, which are outlined below as well as in the Fund's prospectus.

### Who is the Fund's manager?

The Fund is managed by Mohamed El-Erian, who rejoined PIMCO as co-CEO and co-CIO in December 2007 after serving for two years as president and CEO of Harvard Management Company. El-Erian also served as a member of the faculty of Harvard Business School and as deputy treasurer of the university. He holds a B.A. in economics from Cambridge University and an M.A. and Ph.D. in economics from Oxford University. He first joined PIMCO in 1999, where he was a managing director and a senior member of PIMCO's portfolio management and investment strategy group. He is the author of the award-winning business book, *When Markets Collide*.

#### PIMCO Global Advantage Strategy Bond Fund Quick Facts

**Objective:** Seeks total return that exceeds that of its benchmarks, consistent with prudent investment management.

**Fund Inception:** 02/05/2009

**Dividend Frequency:** Declared daily and distributed monthly.

**Portfolio Manager:** Mohamed El-Erian

#### Symbol/CUSIP

Class A: PGSAX / 72201M321

Class P: PGBPX / 72201P886

Class C: PAFCX / 72201M271

Class R: PSBRX / 72201M263

Class D: PGSDX / 72201M313

**Primary Portfolio:** Broadly diversified portfolio of fixed-income instruments.

**Average Portfolio Duration:** Not expected to exceed eight years.

#### Role in an Investor's Portfolio

- As a fundamental transformation in core bond investing, it can complement existing core stock and bond holdings.
- Helps investors seek out where fixed-income opportunities are likely to be, not where they have been.
- Provides exposure to multiple sectors in the global fixed-income opportunity set, with expert guidance from PIMCO's Mohamed El-Erian.

*Investors should consider the investment objectives, risks, charges, and expenses of this Fund carefully before investing. This and other information are contained in the Fund's prospectus, which may be obtained by contacting your financial advisor or by calling 1-888-877-4626. Please read this prospectus carefully before you invest or send money.*

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in fixed-income instruments that are economically tied to at least three countries (one of which may be the United States), which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements.

In addition to the risk factors described above, the Fund may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested in those instruments. High-yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Mortgage-backed securities are subject to prepayment risk and may be sensitive to changes in prevailing interest rates. When interest rates rise, the value of fixed-income securities generally declines.

Duration is a measure of a portfolio's price sensitivity expressed in years. Gross Domestic Product (GDP) is the value of all final goods and services produced in a specific country. It is the broadest measure of economic activity and the principal indicator of economic performance. Diversification does not guarantee a profit or protect against a loss.

The Barclays Capital U.S. Aggregate Index is composed of securities from the Barclays Capital Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index. It is generally considered to be representative of the domestic, investment-grade, fixed-rate, taxable bond market. It is not possible to invest directly in an index.

Certain features of the PIMCO Global Advantage Bond Index (GLADI) are patent pending. GLOBAL ADVANTAGE and GLADI are trademarks of Pacific Investment Management Company LLC.

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