PIMCO Fund Overview

PIMCO High Yield Municipal Bond Fund

Offering the potential for high tax-free income through PIMCO's municipal bond expertise

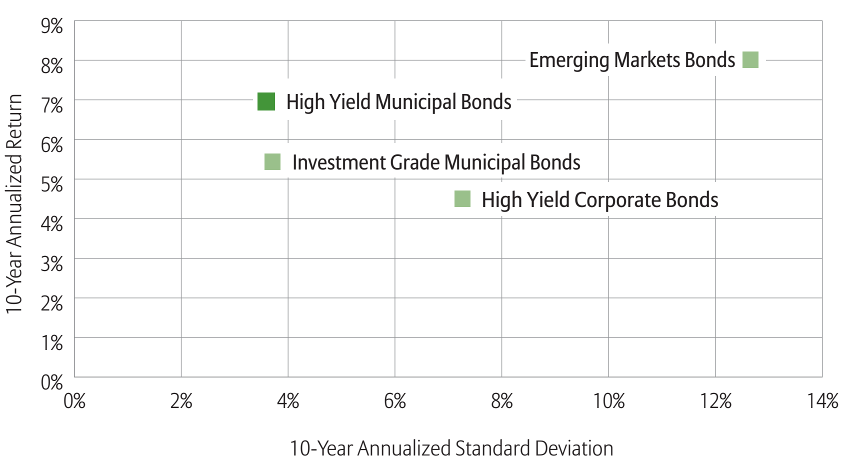
Allianz Global Investors

John Cummings
Portfolio Manager

PIMCO has built its reputation over the past 30 years on its active fixed-income management expertise. And an important part of this impressive history is its management of tax-free municipal bonds. PIMCO High Yield Municipal Bond Fund offers investors access to the firm's considerable municipal bond expertise—along with the potential for higher tax-free income. While investors should carefully consider their individual tax situations with any investments, PIMCO High Yield Municipal Bond Fund may be an attractive complement to a taxable portfolio. Using PIMCO's proven investment approach, the Fund offers income-seeking investors a prudent way to lower their tax burden and enhance portfolio diversification via below-investment-grade municipal securities.

An Attractive Blend of Risk and Reward

Over the 10 years ended June 30, 2007, high yield municipal bonds offered an attractive blend of risk and reward in comparison with other income-producing bonds. Returns for non-municipal bonds are calculated using an assumed 20% federal tax rate.



Source: Lehman Brothers, PIMCO, Bloomberg. Data as of 6/30/07. This chart is not indicative of the past or future performance of any Allianz Global Investors product. Please see last page for more information. High-yield municipal bonds involve more credit risk than investment-grade fixed income securities and less return potential than some non-muni fixed income securities on a pretax basis. Emerging markets securities have been highly volatile and may be speculative, involving different regulatory standards in non-US jurisdictions and potentially less financial information about the issuers.

What is PIMCO High Yield Municipal Bond Fund?

PIMCO High Yield Municipal Bond Fund seeks high current income exempt from federal income tax, with total return as a secondary objective, by investing primarily in intermediate to long-term high yield municipal securities that are exempt from federal income tax. The Fund takes a relatively conservative approach to investing in the sector and may benefit significantly from PIMCO's extensive credit research capabilities to identify issues with the most attractive potential.

What are high yield municipal bonds?

High yield municipal bonds are a rapidly growing segment of the municipal bond market. These bonds are typically issued by government entities to finance economic or industrial development, as well as housing, healthcare and environmental projects. The interest payments are usually covered by a special tax or revenue from the project, and the bonds are often backed by hard assets or mortgage income associated with the project. As with the broader municipal market, high yield municipal bonds provide income that is exempt from federal, and sometimes state, income taxes. In addition, these bonds offer the potential for higher current income because they are below investment grade. While high yield municipal bonds have an average credit quality of Ba (Moody's) or BB (Standard & Poor's), which is just below investment grade, about 54% of these securities are not rated.[1] This makes credit research and analysis all the more important when investing in the sector—an ideal environment for an experienced municipal bond manager such as PIMCO.

1. Lehman Brothers 4/30/06.

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Besides the tax benefit, how are high yield municipal bonds different from other high-yield securities?

Some investors may assume high yield municipal bonds entail much greater risk because of their higher income potential. But if you look at the rate of defaults—one of the primary risks of investing in high yield securities—high yield municipal bonds entail less risk than high yield corporate bonds. For example, according to a study by Moody's Investor Service, the average cumulative default rate of high yield municipal bonds for 10-year periods between 1970 and 2005 was only 4.29%—compared with 32.71% for high yield corporate bonds. This is true even when comparing bonds with the same credit rating. Recovery rates (the percentage of money recouped in case of a default) are also substantially higher for high yield municipal bonds.[2] This may be because high yield municipal bonds typically finance projects with relatively stable revenue streams, and many may use hard assets as collateral. Of course, high yield bonds always carry a greater risk of default than investment-grade bonds.

High Yield Municipal Bonds:
Potential to Lower Risk and Enhance Diversification

	Average Cumulative Annual Default Rate (10-Year Periods 1970-2005)	**Recover Rate** (the % of money recouped in cases of a default) (10-Year Period 1970-2000)	**10 Year 6/30/07 Correlation to the S&P 500 Index** (1.0 indicates perfect correlation; 0 indicates no correlation)
High yield municipal bonds	4.29%	66%	0.13
High yield corporate bonds	32.71%	42%	0.49

Source: Moody's Investor Service, Standard & Poor's, PIMCO, Lehman Brothers.

2. Moody's, October 2002.
3. PIMCO, S&P, Lehman Brothers.

How can an allocation to high yield municipal bonds enhance portfolio diversification?

High yield municipal bonds have a relatively low correlation to stocks and bonds, as well as other asset classes. In fact, over the 10-year period ended June 2007, high yield municipal bond returns had only a 0.13 correlation to returns of the S&P 500 Index. High yield corporate bond returns, on the other hand, had a 0.49 correlation with S&P 500 returns in the same time period.[3] (One indicates perfect correlation, while 0 indicates no correlation). As a result, an allocation to this sector can help investors enhance portfolio diversification and manage overall risk.

What special expertise does PIMCO bring to the Fund?

PIMCO has been investing in the municipal bond market for more than a decade, and as of June 30, 2007, had approximately $11 billion in municipal bond assets under management, including 16 open-and closed-end mutual funds. The firm's municipal bond team includes two senior portfolio managers, two tax-sensitive product managers and analysts with an average of 19 years of experience. Importantly, the Fund's manager and primary credit analyst have spent most of their careers in high yield municipal bonds. The Fund may also benefit from PIMCO's extensive credit analysis capabilities and broad fixed-income capabilities as one of the nation's premier bond managers.

Who is the manager of the Fund?

John Cummings is the Fund's manager. An Executive vice president and member of the PIMCO Municipal Bond Team, he has more than 19 years of investment experience in municipal bond trading.
Prior to coming to PIMCO in 2001, Mr. Cummings was vice president of municipal trading for Goldman Sachs, focusing on high yield municipal bonds as well as a number of other sectors.
He has a bachelor's degree in economics and an MBA in finance from Rutgers University.

What type of investors might be interested in the Fund?

High yield municipal bonds offer an attractive option for income-seeking investors who are looking to reduce their tax burden. But this sector is not easily accessible to individual investors. With so many unrated issues and unique structures, the high yield municipal bond market is limited in liquidity, and trading is often dictated by due diligence and negotiation. PIMCO High Yield Municipal Fund can provide the intensive credit analysis and experienced management that can help identify the most attractive opportunities. Investors should carefully consider their individual tax situations before investing.

What is the Fund's investment process?

As with all PIMCO bond portfolios, the Fund's investment process begins with PIMCO's annual Secular Forum, at which the firm develops a 3-5 year outlook for the global economy and interest rates. This helps set basic portfolio parameters, including duration, yield-curve positioning, sector weightings and credit quality. PIMCO portfolios all utilize multiple top-down and bottom-up strategies to seek to enhance returns and reduce portfolio risk. Within the high yield municipal bond sector, PIMCO's credit analysis focuses on specific projects, rather than broad industry groups or sectors. The Fund assesses credit worthiness based on the specific financial characteristics of each project, such as the quality of the collateral, call structures and the ability to meet interest payments. Overall, the Fund focuses on bonds that provide attractive yield with price appreciation potential.

What are some of the risks of investing in this Fund?

Below-investment-grade bonds carry a greater risk of default than higher-rated bonds. Moreover, if an issuer's financial health deteriorates, credit rating agencies may downgrade the bonds, which can reduce their value. Issuers rated below investment grade may also be more negatively affected by adverse market conditions than those with higher ratings. Other risks, such as interest rate risk, may also apply. Please see the prospectus for more important information about the risks of investing.

PIMCO High Yield Municipal Bond Fund **Quick Facts**

Objective: High current income exempt from federal income tax. Total return is a secondary objective

Fund Inception: July 31, 2006

Dividend Frequency: Declared and distributed monthly

Portfolio Managers: John Cummings

Symbol/CUSIP:
A: PYMAX/72201F730
C: PYMCX/72201F524

Primary Portfolio:
Intermediate to long-term maturity high yield municipal securities (exempt from federal income tax)

Benchmark: 60% Lehman High Yield Municipal Bond Index, 40% Lehman Municipal Bond Index

Credit Quality: No limitation

Duration: 4-11 years

Role in an Investor's Portfolio:

- Provides attractive after-tax income potential.
- Can complement other income-producing investments.
- May enhance overall portfolio diversification and total return potential.

How can I learn more?

Ask your financial advisor for more information, including a copy of the prospectus. Please read the prospectus carefully before you invest or send money. You can also contact your Allianz Global Investors wholesaler or visit www.allianzinvestors.com.

PIMCO manages a broad range of mutual funds that can help investors access the attractive opportunities available in today's expanding municipal bond market. These include 16 open- and closed-end mutual funds that focus on short-, intermediate- and long-term national and state-specific municipal bonds.

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

Past performance is no guarantee of future results. This is not an offer or solicitation for the purchase or sale of any financial instrument. It is presented only to provide information on investment strategies and opportunities. References to specific securities and issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. 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. The credit quality of the investment in the portfolio does not apply to the stability or safety of the portfolio. Diversification does not ensure against loss. Duration is a measure of a portfolio's price sensitivity expressed in years. The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the U.S. stock market.

In the An Attractive Blend of Risk and Reward chart, the returns for High Yield Corporate Bonds and Emerging Markets Bonds are reduced by taxes at an assumed 20% federal tax rate. Because municipal bonds are generally exempt from federal taxes, returns for the municipal bonds in the chart are not reduced for taxes. It should be noted, however, that income from municipal bonds may be subject to the alternative minimum tax, as well as state and local taxes. Index performance is for illustrative purposes only; it is not possible to invest directly in an index. In the chart, asset classes are represented by the following:

Investment Grade Municipal Bonds are represented by The Lehman Brothers Municipal Bond Index, a broad market benchmark for the long-term tax-exempt bond market. It is rules-based, market-value weighted and is comprised of the Investment-Grade Municipal Index, the Non-Investment Grade Municipal Index & "Enhanced" State-Specific Indices, the Managed Money Municipal Indices and the Insurance Mandate Indices. High Yield Municipal Bonds are represented by The Lehman Brothers Non-Investment Grade Municipal Bond Index, which is composed of non-rated municipal bonds or municipal bonds rated Ba1 or below. The bonds must have an outstanding par value of at least $3 million, be issued as part of a transaction of at least $20 million, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Emerging Markets Bonds are represented by The U.S. Lehman Brothers Emerging Markets Index (US Dollar Hedged), which includes fixed and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below using the middle rating of Moody's, S&P, and Fitch. The index was launched on January 1, 1997 with index history backfilled to January 1, 1993 from the predecessor Emerging Americas Bond Index. High Yield Corporate Bonds are represented by The Lehman Brothers U.S. High-Yield Index, which covers the universe of fixed-rate, non-investment-grade debt. All bonds must be corporate, USD denominated and non-convertible. Securities must be rated speculative grade: Ba1/BB+/BB+ or lower. A small number of unrated bonds are included in the index; to be eligible they must have previously held a speculative rating or have been associated with a high-yield issuer, and must trade accordingly. Bonds must have at least one year remaining to maturity. Defaulted securities are removed from the index at the end of the month after a default occurs.

The PIMCO High Yield Municipal Bond Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from federal income tax ("Municipal Bonds"). The Fund intends to invest a substantial portion of its assets in high yield Municipal Bonds and "private activity" bonds that are rated (at the time of purchase) below investment grade. Lower rated bonds generally involve a greater risk to principal than higher rated bonds. In an environment where interest rates may trend upward, rising rates will negatively impact most bond funds, and fixed-income securities held by a fund are likely to decrease in value.

The Fund may invest up to 30% of its assets in "private activity" bonds whose interest is a tax-preference item for purposes of the federal alternative minimum tax ("AMT"). For shareholders subject to the AMT, distributions derived from "private activity" bonds must be included in their AMT calculations, and as such a portion of the Fund's distribution may be subject to federal income tax.

The Fund may invest more than 25% of its total assets in bonds of issuers in California and New York. It is important to note that a fund concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes than a fund with broader geographical diversification. The Fund is non-diversified, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund. In addition, the Fund may also invest in securities issued by entities, such as trusts, whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

The Fund may invest in derivative instruments and certain transactions which may give rise to a form of leverage. The use of leverage may cause the Fund to liquidate portfolio positions to satisfy its obligations or to meet segregation requirements when it may not be advantageous to do so. Leverage, including borrowing, may create the potential for greater gains during favorable market conditions and the risk of magnified losses during adverse market conditions. Use of derivative 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.

Allianz Global Investors Fund Management LLC serves as the Closed-End Funds' investment manager, and the sub-advisor is Pacific Investment Management Company LLC (PIMCO). Managed accounts are available through Allianz Global Investors Managed Accounts LLC, 1345 Avenue of the Americas, New York, NY 10105-4800. The funds are distributed by Allianz Global Investors Distributors LLC, 1345 Avenue of the Americas, New York, NY 10105 © 2007. For information about any product, contact your financial advisor.

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