

May 2010

Fund Commentary - PIMCO Emerging Markets Bond Fund



- The Fund invests at least 80% of its assets in fixed income instruments of issuers that are tied to emerging securities markets.
- The Fund may invest wholly through financial derivative instruments collateralized debt obligations, credit default swaps and asset-backed securities in order to meet its investment objective and such investment policies or portfolio management techniques may as a result lead to a higher volatility to the net asset value of the Fund. Please refer to the "General Risk Factors" of the respective prospectus for details.
- Financial derivative instruments may be used to reduce risk but may involve risks different from, or possibly greater than, the risks associated with investing in bonds. Therefore the Fund may not be suitable for investors who wish to invest in funds that invest solely in bonds, which are commonly perceived as low-risk products.
- Investing in any of the instruments mentioned above may involve substantial credit/counterparty, market and liquidity risks. Given the nature of this Fund, an investment in the Fund may not be suitable to hold as a substantial part of an investor's assets and the entire value of your investment may be lost.
- The investment decision is yours, but unless the intermediary and/or investment adviser who sells it to you has explained why and how investing in it would be consistent with your investment objective, risk profile, and unique situation, and has thereupon advised you that it is suitable for you, you should not enter into this investment.
- In making investment decisions, investors should not solely rely on the information contained in this material.

Investment Objective

The Fund invests at least 80% of its assets in fixed income instruments of issuers that are tied to emerging securities markets.

What happened in the market

Amid elevated concerns over peripheral Europe's sovereign debts, Emerging Markets (EM) debts posted a -1.58% return, as measured by the JP Morgan Emerging Markets Bond Index Global. Amid increased risk aversion, higher quality credits outperformed during the month of May 2010 with a -0.69% return, BB and B rated credits followed with a -2.61% and -3.00% returns respectively. Asia and the Middle East outperformed, returning -0.09% and -0.42% respectively. Africa and EM Europe followed with -0.98% and -1.33%. Latin America lagged with -2.51%.

Outlook and strategy

EM countries' growth is likely to be relatively robust compared to the developed world. Emerging economies, especially China, should continue to grow at a faster pace. Retain structural allocations to higher-rated countries with solid fundamentals.

Past performance, or any prediction, projection or forecast, is not indicative of future performance.

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Unit value and income therefrom may fall or rise. Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Investors should read the fund prospectus, available from the local representative or any of its appointed distributors, for further details including the risk factors, before investing.

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