PIMCO

7 August 2011

Dear Valued PIMCO Client:

As you know, S&P announced Friday evening that it was downgrading the US sovereign credit rating from AAA to AA+, and it assigned a negative outlook to this new rating. This once- unthinkable step has naturally raised many questions among our client base - including: what has happened so far; what is PIMCO planning to do; and what, if anything, do I need to do?

Naturally, S&P's unprecedented step has triggered immense debate, interest and concern. The markets that were open this weekend, including Israel, have been choppy and nervous - coming after a couple of weeks in which investors digested unsettling information about the US debt ceiling debate, the European debt crisis, and data pointing to a synchronized global slowing.

Looking forward, we anticipate markets to be both volatile and, at instances, lacking normal liquidity. Given that we are in uncharted waters, it is of course difficult to be both precise and accurate about movements in specific markets. Sentiment will also be impacted by what is taking place in Europe, and by what we expect to be a series of further US downgrade announcements, as S&P turns its attention to issuers who rely on US Government support for their ratings.

These are markets where you do not want to be forced to transact unless there is a changed view of fundamentals or emergency liquidity needs to be raised. Instead, the key is to have the ability to react to exceptional opportunities.

As you know, PIMCO has not, and does not rely on the ratings services for its due diligence work. We maintain our own rating methodology based on our analysis, but also planned for the potential of a downgrade by one or more of the ratings services. As such, the S&P action does not involve a major change to our investment positioning.

Needless to say, PIMCO's plan is to continue to diligently watch both fundamentals and technicals and, as always, be well-guided by our investment objectives. Consistent with these, we look to protect principal and seek attractive return opportunities that may present themselves. Our Portfolio Managers, some of whom are on the trade floor this weekend, are working diligently to meet objectives - managing risk and generating returns.

In closing, while the ratings change is a newsworthy event that will be with us for years to come, let us hope that the "silver lining" is greater attention to a longer term solution that will put the United States back on a path to economic prosperity. Please rest assured that, irrespective of what happens in Washington (and Europe!), we will do our utmost to continue to deliver to you the investment management quality that has been associated with PIMCO for over 40 years.

Thank you.

With our best personal regards

Bill Gross, Co-Chief Investment Officer

Mohamed A. El-Erian, Co-Chief Investment Officer and Chief Executive Officer

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A word about risk:

Credit ratings indicate the credit worthiness of issues/issuers and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. All investments contain risk and may lose value.

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