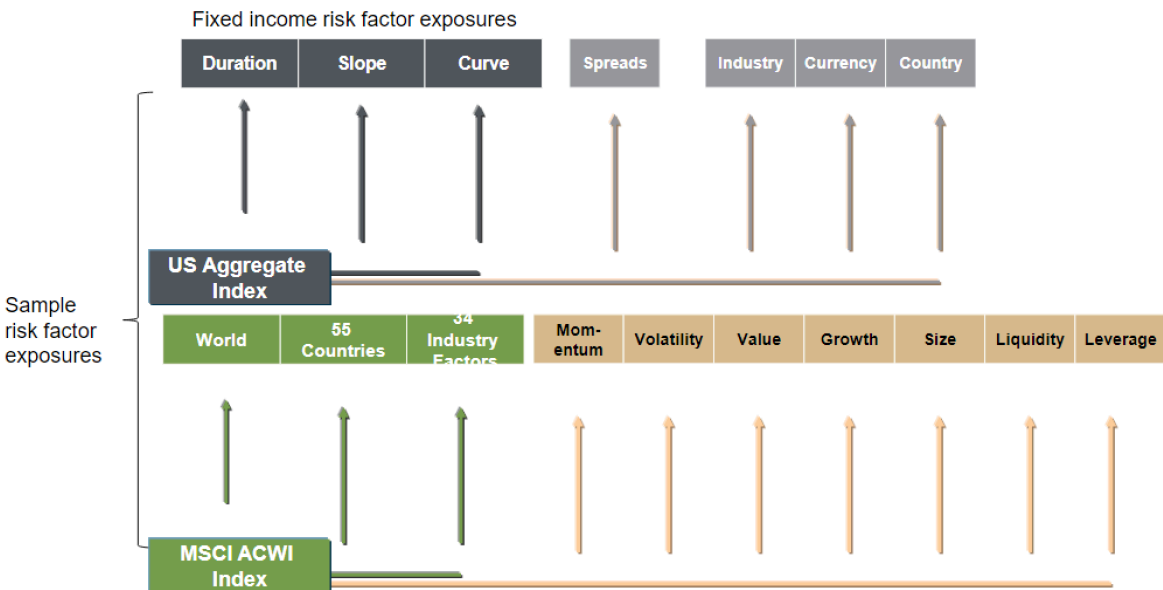


Risk Factors

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Overview of sample PIMCO risk factors



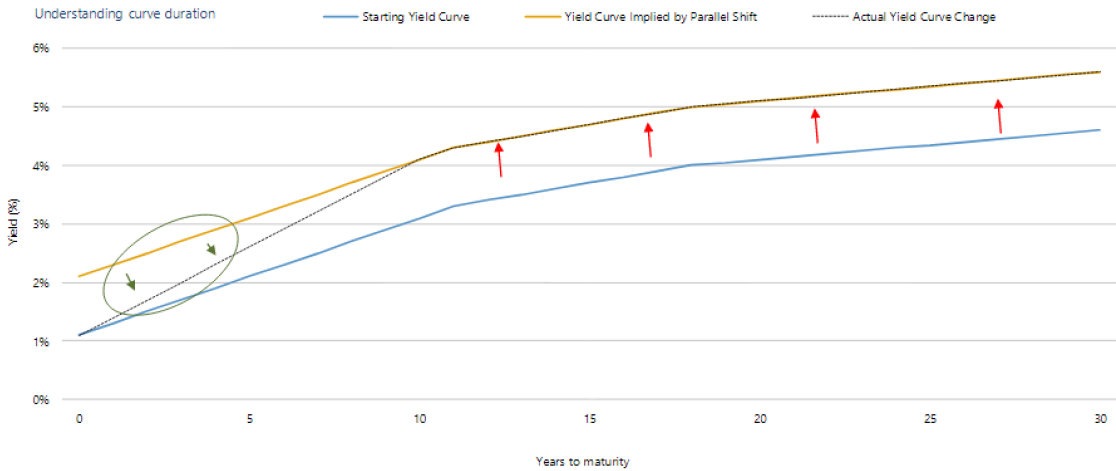
Key Fixed Income Risk Factors

Duration

- Generally expressed as portfolio price sensitivity to 100bps parallel shift of par yield curve
- PIMCO has developed several internal duration measures:

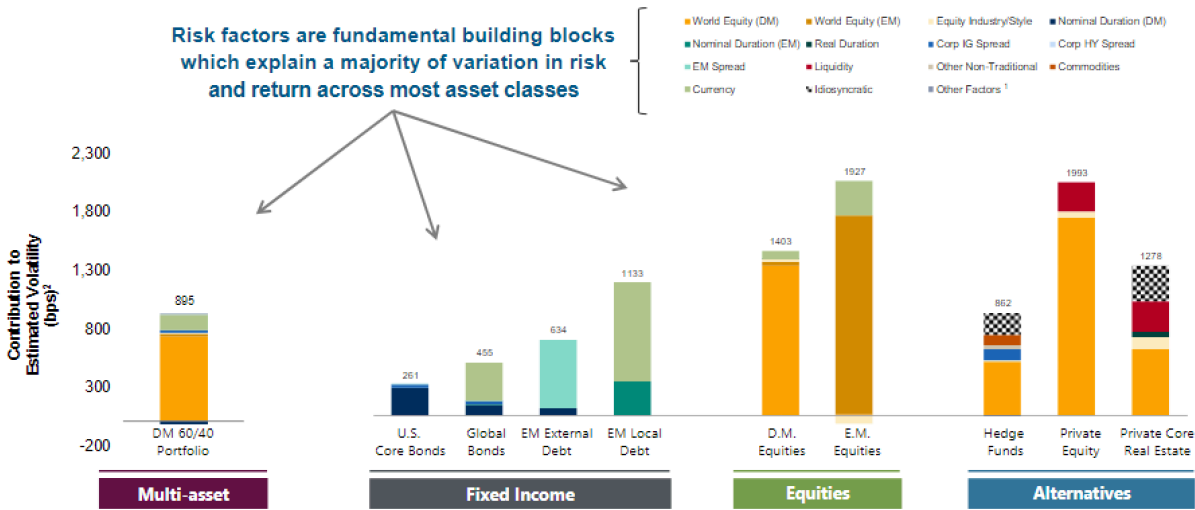
Duration measure	Description
Traditional duration	"Textbook" effective duration
Modified duration	"Textbook" modified duration
PIMCO duration	Default-risk adjusted effective duration
Key rate duration	"Partial duration" for subset of key rates
Hard duration	OAS-adjusted duration
Curve duration	Sensitivity to changed in yield curve shape
Cyclical duration	Interest rate volatility-adjusted duration

- Curve duration: impact of positioning along the yield curve, net of a parallel shift implied by duration
  - o Example:
    - In the illustrative example below, the short-end of the yield curve rises less than the parallel shift implied by duration
    - Therefore, a portfolio with positive 2-10 slope, indicating exposures are focused at the short-end of the curve, would realize positive returns net of the effect of a parallel shift in the yield curve

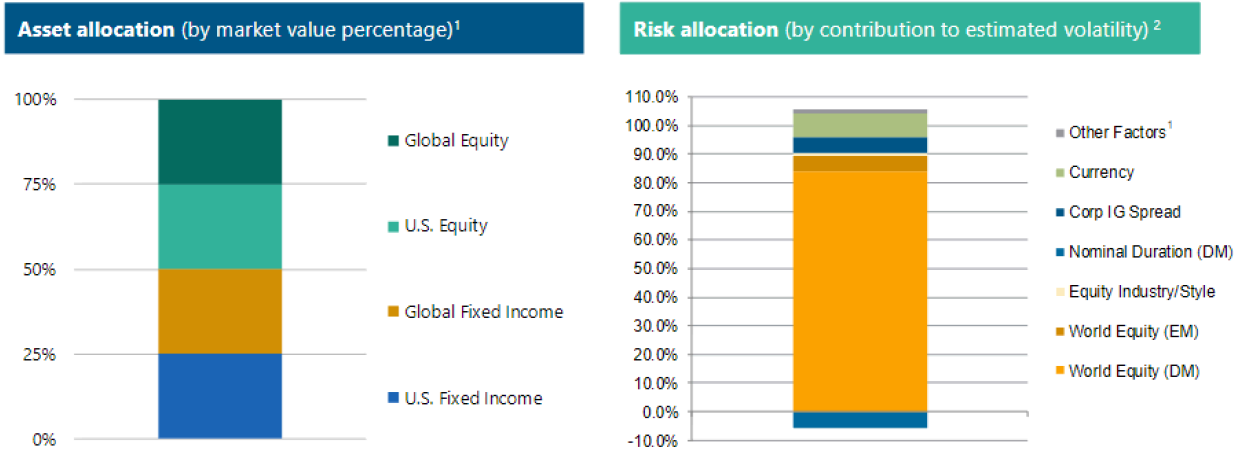


PIMCO's risk factor approach overview

For many years, PIMCO has used a risk factor-based approach to construct portfolios and manage risks...



- Asset class diversification not equal to risk factor diversification
- A sample portfolio:



Estimated Return Decomposition

