FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Donald C. Kendig, CPA
Retirement Administrator

DATE: September 16, 2015

TO: Board of Retirement

FROM: Donald C. Kendig, CPA
Retirement Administrator

SUBJECT: **Consideration of the Transition of Research Affiliates Separate Account to PIMCO Separate Account – RECEIVE AND FILE; APPROVE**

Background

On May 6, 2015 Research Affiliates representatives, accompanied by PIMCO representatives, presented an investment update on FCERA's Research Affiliates Separate Account to the Board of Retirement. At that time, the representatives announced the transition of the separate Research Affiliate Account to PIMCO. Same great investment professionals, new Investment Management Agreement provisions. This is also reflected in the attached memo received by the Board on January 16, 2014, from Wurts (Verus) announcing the change in advisor/sub-advisor relationship.

In order to prepare for the anticipated transfer, PIMCO initially provided Staff with a draft amendment to PIMCO's existing Investment Management Agreement (IMA) with PIMCO. However, PIMCO's draft amendment raised legal and business issues that ultimately required several revisions to the amendment. Upon this finding, Staff contacted Rafael Stone, of Foster Pepper, for assistance in the review. Both Foster pepper, our Investment Counsel, and Verus, our Investment Consultant, were instrumental in the proposed agreement for approval today.

Discussion

The core purpose of the PIMCO IMA amendment is to reflect the termination of FCERA's existing account with Research Affiliates and the transfer that account to PIMCO, with PIMCO in turn utilizing Research Affiliates and Parametric Associates to continue to provide services with respect to the transferred account.

Many revisions were ministerial in nature, intended to more narrowly tailor the amendment (and the contemplated use of Research Affiliates and Parametric as PIMCO's service providers) to apply to the new account, rather than to both the old account and the new account. Below is a short summary of more substantive, positive revisions that Foster Pepper obtained vs. PIMCO's original draft of the amendment (among others):

1. PIMCO's originally-proposed amendment allowed PIMCO to select Research Affiliates and Parametric as service providers but did not impose any liability upon PIMCO for the actions taken by Research Affiliates or Parametric. In addition, with respect to the hiring of brokerage firms, PIMCO's proposed amendment explicitly stated that PIMCO would not be responsible for obtaining best execution with respect to brokerage firms chosen by Parametric. Now, the final draft of the amendment provides that PIMCO's is responsible for best execution with respect to brokerage firms hired by PIMCO. In addition, the final draft adds that PIMCO's selection of Research Affiliates and Parametric as service providers is subject to PIMCO's fiduciary duties to FCERA, and furthermore that PIMCO will remain responsible and liable for the actions of Research Affiliates and Parametric. PIMCO has also agreed to indemnify FCERA for such actions where Research Affiliates and Parametric do not act in accordance with the same standard of care/fiduciary duty that PIMCO is subject to.

2. PIMCO's originally-proposed amendment stated that PIMCO would pay for any fees charged by Research Affiliates, but the amendment was silent regarding Parametric's fees. The revisions to the final draft of the amendment now provide that PIMCO will pay for Parametric's fees.

3. PIMCO's originally-proposed amendment added new language permitting PIMCO to share FCERA's confidential information and to delegate certain services to Research Affiliates and to Parametric, but in a way that could have applied to both the old account and the new account. Foster Pepper obtained revisions to the final draft of the amendment limiting PIMCO's ability to share FCERA's confidential information and to delegate services to Research Affiliates and to Parametric solely in connection with the new account.

4. PIMCO's originally-proposed amendment included several questions regarding the proper calculation of fees for the new account. In conjunction with Verus, Foster Pepper worked to answer PIMCO's questions to ensure that the fee schedule reflected Verus' expectations. In particular, as compared to PIMCO's originally-proposed fee schedule, the revised fee schedule makes clear that (i) the benchmark return is the MSCI EAFE Index (Net) (i.e. net of foreign withholding taxes, as opposed to MSCI EAFE [gross]), and (ii) PIMCO's required excess return for purposes of calculating PIMCO's performance fee will be 200 basis points per year above the benchmark return, and will also be net of PIMCO's 12 basis point base fee.

Since, if approved, FCERA will be opening a new separate account, PIMCO is required to provide the attached ADV's and the following notice:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR ESTABLISHING A NEW CUSTOMER RELATIONSHIP

To help the government fight the funding of terrorism and money laundering activities, Federal law requires certain financial institutions to obtain, verify, and record information that identifies each client who opens an account or establishes a relationship. What this means for you: When you establish a separate account relationship with PIMCO, PIMCO may ask for your firm's name, address, and other information or documentation (e.g., a formation document) that will allow us to identify and verify you.

All parties involved in the review of the proposed IMA before you believe that it is clearer and more protective of FCERA's interests.

Fiscal and Financial Impacts
There are no anticipated cost increases or decreases from the adoption of the proposed Investment Management Agreement.

Recommended Action(s)

1. Approve the proposed Investment Management Agreement and authorize the Chair to execute it.

Attachment(s)

1. Fresno County Investment Management Agreement Amendment to add RAE Account
2. PIMCO LLC Form ADV Part 2A
3. Research Affiliates Form ADV Part 2A
4. Parametric LLC Form ADV Part 2A
5. January 16, 2014 Wurts (Verus) Board Memo

AMENDMENT
TO
INVESTMENT MANAGEMENT AGREEMENT

This Amendment to the Investment Management Agreement ("Amendment") is entered into this ___ day of _______________, 2015, by and between Fresno County Employees' Retirement Association ("FCERA") and Pacific Investment Management Company LLC, a Delaware limited liability company (the "Manager"), with reference to the following facts:

WHEREAS, FCERA and the Manager entered into an Investment Management Agreement dated as of July 17, 2013, as amended (the "Agreement"), wherein FCERA appointed the Manager, and the Manager accepted the appointment, to provide investment management services with respect to a portion of the assets of FCERA identified as "Account #7967 (the "Existing Account"); and

WHEREAS, FCERA and the Manager intend to amend the Agreement to appoint the Manager to provide investment management services with respect to a new RAE account (individually, the "RAE Account" or "Account #____"), to amend the Agreement to include additional provisions and to replace certain exhibits thereunder, it being understood that the Manager shall continue to provide investment management services with respect to the Existing Account in accordance with the Agreement.

NOW, THEREFORE, it is agreed the Agreement is amended as follows:

A. Additions to the Agreement. The following provisions shall be added to the Agreement:

29. Retention as Manager for the RAE Account

FCERA hereby retains the Manager to provide investment management services with respect to the RAE Account, and the Manager hereby accepts the retention and agrees to provide such investment management services. FCERA and the Manager hereby agree to be bound by the terms and conditions of the Agreement in all aspects with respect to the RAE Account. FCERA and Manager acknowledge that each of its representations and warranties contained in the Agreement are true and correct as of the date of this Amendment. The defined term "Account" in the Agreement shall now refer to both the Existing Account and the RAE Account, unless specified otherwise in this Amendment.

29.1 Investment Guidelines and Fees. The investment guidelines and fees with respect to the RAE Account are set forth in the attached Exhibits D-1 and E-1, respectively. These Exhibits are exclusive to the RAE Account and do not change the fees or investment guidelines as specified in the Agreement for the Existing Account.

29.2 Delivery of Part 2 of Form ADV. FCERA acknowledges that it has received a copy of Part 2 of the Form ADV, as amended, for each of the Manager, Research Affiliates, LLC ("Research Affiliates") and

Parametric Portfolio Associates LLC ("Parametric Associates"), either prior to or at the time of execution of this Amendment.

30. **Termination of Agreement with Research Affiliates. Effective as of the close of business on _______________, 2015, FCERA's separate account managed by Research Affiliates shall close and the investment management agreement between FCERA and Research Affiliates dated March 30, 2011 shall terminate. This termination provision confirms FCERA's instructions to Research Affiliates. To accomplish the termination, Research Affiliates will cease normal trading activity on _______________, 2015.**

31. **Schedule of Accounts. The Account assets to be managed by the Manager pursuant to the Agreement are set forth in the attached Schedule A, which shall be added to the Agreement as an exhibit.**

32. **Aggregation of Client Orders. On occasions when the Manager, and/or Parametric Associates on behalf of the RAE Account only, deems the purchase or sale of a security or other instrument to be in the best interest of the applicable Account as well as other of its clients, the Manager and/or Parametric Associates is hereby authorized, to the extent permitted by applicable law, to aggregate the securities and instruments to be so purchased or sold in order to obtain best execution and to elect, where appropriate, any beneficial regulatory treatment, including real time reporting delays. The Manager and/or Parametric Associates may also on occasion purchase or sell a particular security or instrument for one or more clients in different amounts. On either occasion, and to the extent permitted by applicable law, allocation of the securities or instruments so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Manager and/or Parametric Associates in the manner it considers to be equitable and consistent with its fiduciary obligations to the applicable Account and to such other customers.**

33. **Electronic Delivery. FCERA consents to the delivery of Account statements, reports and other communications (collectively, "Account Communications") via electronic mail and/or other electronic means acceptable to FCERA, in lieu of sending such Account Communications as hard copies via fax, mail or other means. FCERA confirms that it has provided the Manager with at least one valid electronic mail address where Account Communications can be sent. FCERA acknowledges that the Manager reserves the right to distribute certain Account Communications via fax, mail or other means to the extent required by applicable law or otherwise deemed advisable. FCERA may withdraw consent to electronic delivery at any time by giving the Manager notice pursuant to Section 13 of the Agreement.**

B. Revisions to the Agreement. The following provisions of the Agreement shall be revised as follows:

6. Delegation.

6.1 The Manager may delegate portfolio management and administrative duties to its affiliates and may share such information as necessary to accomplish these purposes. Additionally, the Manager will have the ability to delegate back office services to State Street Investment Manager Solutions, LLC and its affiliates ("State Street").

In connection with Manager's management of the RAE Account, FCERA acknowledges and agrees that the Manager will utilize the services of Research Affiliates, LLC ("Research Affiliates"), the RAE Account's sub-adviser, including the use of model portfolios provided by Research Affiliates.

FCERA acknowledges and agrees that the Manager may utilize the services of Parametric Portfolio Associates LLC ("Parametric Associates") to assist with the implementation of the RAE Account's investment strategy, as directed by the Manager or Research Affiliates, including delegation of responsibility for all of the RAE Account's portfolio transactions. Additionally, the Manager will have the ability to delegate middle and back office services for the RAE Account to Parametric Associates in connection with the services Parametric Associates provides to the RAE Account. In accordance with the Manager's fiduciary obligations to the FCERA and the RAE Account, Manager shall be responsible for the selection and supervision of Research Affiliates and Parametric Associates.

For the avoidance of doubt, FCERA acknowledges and agrees that the authorities and rights granted to the Manager throughout the Agreement are also granted to Research Affiliates and Parametric Associates, as applicable in performance of their services for the RAE Account. Any management fees charged by Research Affiliates and Parametric Associates will be paid by Manager and not by the RAE Account.

6.2 The Manager shall remain (i) responsible and liable at all times for the proper and timely performance by its affiliates or by State Street, Research Affiliates or Parametric Associates of all of the Manager's obligations and fiduciary duty under this Agreement, (ii) responsible for the acts and omissions of its affiliates or of State Street, Research Affiliates or Parametric Associates, and shall hold harmless and indemnify FCERA and its officers, agents and employees from such acts and omissions. Notwithstanding the foregoing, the Manager shall not be liable for the acts or omissions of State Street, Research Affiliates or Parametric Associates if such entity acted in accordance with the Manager's fiduciary duty stated in section 7 of the Agreement.

6.3 At no time and under no circumstances shall FCERA have any liability or owe any obligation to Manager's affiliates or to State Street, Research Affiliates or Parametric Associates. Furthermore, no additional fees shall

be imposed for services performed or delegated to Manager's affiliates or to State Street, Research Affiliates or Parametric Associates except as otherwise agreed in advance in writing by FCERA.

5. Use of Brokers.

The Manager shall make reasonable and prudent efforts to utilize brokerage services as requested in writing by FCERA, to the extent consistent with a policy of seeking a combination of best available price and most favorable execution with respect to all Account transactions. The Manager will advise FCERA if in the best judgment of the Manager, "best execution" can be obtained elsewhere, or it is otherwise no longer prudent to continue to utilize brokerage services as requested by FCERA. If FCERA does not request that the Manager utilize any specific brokerage services, the Manager may select brokers, dealers or banks to execute orders for purchase, sale or exchange of securities for the Account, so long as the Manager uses its best efforts in seeking a combination of best available price and most favorable execution. The Manager shall not be liable for any act or omission of any brokerage firm or firms or counterparties designated by FCERA or chosen by the Manager **and/or Parametric Associates** with reasonable care. The abilities of a broker-dealer to obtain best execution of particular Account transaction(s) will be judged by the Manager on the basis of all relevant factors and considerations including, insofar as feasible, the execution capabilities required by the transaction or transactions; the ability and willingness of the broker-dealer to facilitate the Account's transactions by participating therein for its own account; the importance to the Account of speed, efficiency or confidentiality; the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; as well as any other matters relevant to the selection of a broker-dealer for particular and related transactions of the Account. The Manager shall have discretion to allocate brokerage on the Account's transactions to broker-dealers qualified to obtain best execution of such transactions who provide brokerage and/or research services (as such services are defined in Section 28(e)(3) of the Securities Exchange Act of 1934 and any applicable regulatory guidance) for the Account and/or other accounts for which the Manager has "investment discretion" (as that term is defined in Section 3(a)(35) of the Securities Exchange Act of 1934).

8. Voting Authorities.

8.1 Unless otherwise directed in writing by FCERA, the Manager shall (i) take all corporate actions that it deems necessary and reasonable in the best interest of the Account, and (ii) vote proxies solicited by or with respect to the issuers of securities in which assets of the Account may be invested from time to time. **FCERA acknowledges that the Manager may delegate proxy and corporate action authority or employ agents to exercise such authority.**

8.2 The Manager **(including any delegates and/or agents)** shall not take any action or render any advice as to materials received relating to any class action lawsuits and bankruptcy proceedings involving a security purchased or held in the Account.

16. <u>Confidential Information; Consent to Limited Use of FCERA Name</u>.

16.1 All information and advice furnished by either party to the other hereunder, including their respective agents and employees, shall be treated as confidential and shall not be disclosed to third parties except as required by applicable laws, where it is necessary for purposes of performing the Manager' duties and responsibilities under this Agreement, or where FCERA requests or authorizes the Manager to do so. <u>**The Manager may disclose information relating to FCERA and/or the RAE Account to Research Affiliates and/or Parametric Associates in order to assist or enable the proper performance of their respective services for the RAE Account under the Agreement.**</u> Subject to the Investment Guidelines, the Manager, <u>**Parametric Associates**</u> and any trading counterparties are authorized to disclose transaction and other information to data repositories and regulators for the purposes of meeting applicable transaction and other regulatory reporting requirements. Notwithstanding any provision herein to the contrary, the Manager agrees not to use or disclose FCERA's nonpublic information for any purpose other than performance of its responsibilities and duties under this Agreement or as required or permitted by applicable laws and regulations. Notwithstanding the foregoing, in the event that FCERA is required by any law, statute, governmental rule, regulation, or policy, or judicial or governmental order, judgment or decree, to disclose to the public ("Open Records Laws") any information regarding the investments, identity, performance, or value of any fund managed or advised by the Manager or confidential or proprietary business information relating to the services or products of the Manager ("Confidential Information"), FCERA will use its reasonable best efforts to give (i) prior written notice of such requirement to the Manager, and (ii) prior written notice of any request for disclosure under such Open Records Laws to the Manager, provided that FCERA's failure to notify and act as set forth in this sentence will not constitute a breach of this Agreement unless FCERA failed to use reasonable efforts to so notify the Manager. The Manager and FCERA agree to work together to reach an arrangement whereby FCERA is given access to the types of confidential information as FCERA deems reasonably necessary to fulfill the fiduciary duties owed to its members and beneficiaries while protecting the confidentiality of such information. The Manager shall not make any claim against FCERA if FCERA makes available to the public any report, notice or other information FCERA received from the Manager, which was required to be made public pursuant to any Open Records Laws. The Manager acknowledges that a description of this Agreement may be posted on FCERA's website or otherwise disclosed by FCERA, including, without limitation, the name of the Manager, the total amount applicable to this Agreement, the total fees paid or to be paid under this Agreement, and a description of the factors that contributed to the selection of the Manager as investment adviser.

C. No Other Changes. Except as modified herein, the terms and conditions of the Agreement, as amended herein, remain unchanged and in full force and effect. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

EXECUTED on the date first above written.

PACIFIC INVESTMENT MANAGEMENT COMPANY LLC

By: ______________________________
Name:
Title: Managing Director

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By: ______________________________
Name:
Title:

SCHEDULE OF EXHIBITS:

Schedule A Schedule of Accounts
Exhibit D-1 RAE Investment Guidelines
Exhibit E-1 RAE Fee Schedule

<u>SCHEDULE A</u>
SCHEDULE OF ACCOUNTS
OF

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
_______________, 2015

Account Name*	Account No.	Investment Guidelines Exhibit	PIMCO Funds Exhibit	Fee Schedule Exhibit
Emerging Local Bond	7967	D	C	E
RAE		D-1	None	E-1

* Title to all investments shall be held in the name of FCERA. Account names listed above are for reporting purposes only.

EXHIBIT D-1

RAE FUNDAMENTAL INTERNATIONAL FULL AUTHORITY INVESTMENT GUIDELINES

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Account #____

_______________, 2015

It is the intention of FCERA to allow the investment manager full investment discretion within the scope of these mutually agreed upon investment guidelines. The investment manager must adhere to the following investment guidelines unless explicitly authorized in writing by FCERA to do otherwise.

Equity Securities: Equity securities shall be restricted to those issues listed on the major local-country stock exchanges as well as American Depository Receipts (ADRs), and Global Depositary Receipts (GDRs). The markets that Research Affiliates can invest in are those within the Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Index as well as Bermuda, Canada, and Cayman Islands.

Derivatives: Investment in derivative securities is prohibited.

Diversification: The securities should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. No more than 5% of the equity portfolio may be invested in one equity security at market.

Prohibited Investments: The portfolio will not engage in investment transactions involving stock options, short sales, purchase on margin, letter stocks, private placement securities, and commodities without the written consent of FCERA.

Quality and Marketability: Common and convertible preferred stocks should be listed on a major local country exchange which have adequate market liquidity relative to the size of the investment. Further, no single equity position in the portfolio may comprise more than 5% of the company's total market capitalization.

Quality and security should be emphasized over maximum return in all short-term cash investments. Investment managers will have discretion as to the types of securities used except that all commercial paper obligations purchased must have minimum respective ratings of P-2 by Moody's or A-2 by Standard & Poor's.

Capitalization: The weighted average market capitalization of the portfolio should not fall below $1 billion.

Volatility: It is expected that the volatility of the investment manager's portfolio will be reasonably close to the volatility of the customized policy index defined in the Investment Objectives section of the Investment Policy Statement.

Attachment: FCERA Investment Policy Statement dated June 1, 2011, as amended March 19, 2014. FCERA shall provide any amendments to the Policy to the Manager.

* * * * *

<u>EXHIBIT E-1</u>
RAE FEE SCHEDULE

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Account #____
________________, 2015

The components of the Investment Management Fee are defined below:

1. Base Fee (annual):	0.12% The base fee is paid each quarter in arrears based on the Average Market Value of the portfolio during the quarter, multiplied by the base fee percentage divided by 4, and prorated for periods of less than a full calendar quarter.
2. Benchmark Return:	MSCI EAFE Index (Net), as reported by the Investment Manager, to two decimal places (e.g. x.xx%).
3. Required Excess Return:	200 basis points (2.00%) per year above the benchmark return, net of Base Fee
4. Normal Fee:	0.55% on the first $25 million 0.22% on the next $75 million 0.19% on the next $400 million
5. Portfolio Return:	Time weighted total return before investment management fees, as calculated by the custodian, to two decimal places (e.g. x.xx%)
6. Performance Fee:	[(Normal Fee – Base Fee) / Required Excess Return] x (Portfolio Return – Benchmark Return – Base Fee) With the exception of the first four (4) quarters after the Performance Fee Inception Date, the Performance Fee is calculated and billed quarterly in arrears by calculating the applicable Average Market Value and applying 25% of the Performance Fee.
7. Average Market Value:	For the Base Fee calculation, an average of the beginning and the ending market values of each quarter. For the Performance Fee calculation, an average of the quarter-end market values comprising the Measurement Period (defined below) over which the Performance Fee is calculated. The custodian will provide the market values.

8. Total Fee:	[Performance Fee x Average Market Value] + Base Fee This fee is paid quarterly in arrears.
9. Minimum Fee:	The minimum fee is the Base Fee.
10. Maximum Fee:	[(2 x Normal Fee) – Base Fee] This is the maximum Total Fee the Manager can be paid in any one year (defining the year to be consistent with the performance fee inception date).
11. Phase-in Provision:	The Performance Fee and Maximum Fee are subject to the following phase in provisions. At the end of each of the first three (3) quarters after Performance Fee Inception Date, the Investment Manager will receive a fee equal to the Base Fee. At the end of the fourth (4th) quarter after the Performance Fee Inception Date, performance for the four (4) quarters will be used to compute the Performance Fee due for the entire four (4) quarter period. The Performance Fee and Maximum Fee will be computed using the Average Market Value for the four (4) quarters. For the fifth (5th) through twentieth (20th) quarters the Performance Fee calculation shall be based upon cumulative annualized returns from the Performance Fee Inception Date. Thereafter, the calculation will be made on an annualized rolling twenty (20) quarter basis. Each of these periods for the performance returns is a Measurement Period.
12. Calculation:	The Total Fee shall be calculated by the Investment Manager and submitted to Client for verification. Discrepancies in the elements of calculation will be reconciled between the Investment Manager and Client, as required. Any FCERA directed flows exceeding 1% of market value will be prorated for purposes of fee calculation.
13. Performance Fee Inception Date:	Inception date for purposes of calculating the performance fee shall be July 1, 2011.
14. Termination:	In the event of a termination of the investment management agreement, the fee for any period less than a normal quarterly billing cycle shall be the Normal Fee, prorated from the most recent calculation of the Total Fee to the date of termination. If the investment management agreement is terminated within the first four quarters of the agreement, the Normal Fee shall apply for the entire period, prorated to the date of termination.

PIMCO

Your Global Investment Authority

PIMCO ADV Part 2A Brochure

March 31, 2015

Pacific Investment Management Company LLC
650 Newport Center Drive
Newport Beach, California 92660

http://www.pimco.com/

Form ADV Part 2A Brochure
March 31, 2015

This brochure provides information about the qualifications and business practices of PIMCO.

If you have any questions about the contents of this Brochure, please contact us at (949) 720-6000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about PIMCO is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration does not imply a certain level of skill or training.

Item 2. SUMMARY OF MATERIAL CHANGES

This Brochure dated March 31, 2015 serves as an update to the Brochure dated October 20, 2014. While there have been no material changes to the Brochure, we have made certain routine updates.

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ITEM 4. Advisory Business

Our Firm

Pacific Investment Management Company LLC ("PIMCO") is a leading global investment management firm founded in Newport Beach, California in 1971, with more than 2,500 employees in offices in Newport Beach, New York, Amsterdam, Singapore, Tokyo, London, Sydney, Munich, Zurich, Toronto, Milan, Rio de Janeiro, and Hong Kong. We are an indirect subsidiary of Allianz SE ("Allianz"), a global financial services company based in Germany, although our operations are separate from and autonomous of Allianz. Please see Appendix A for a list of PIMCO's principal owners.

PIMCO's Global Offices. As a global investment manager PIMCO may call on the resources of our offices around the world to provide portfolio management, research and trading services for client accounts (each, a "Client"). The PIMCO office with which a client has contracted supervises any services provided by one or more of our global offices.

Our People. PIMCO was founded on the philosophy that hard work, high standards of excellence and the desire to be the best are critical to our success. Biographical information relating to certain key investment management personnel is contained in the supplement to this brochure.

Assets Under Management

As of December 31, 2014, we managed $1,674,605,761,929 on a discretionary basis and $5,782,894,995 on a non-discretionary basis. For purposes of calculating our AUM, we included the assets of clients contracted with the non-U.S. investment advisers affiliated with PIMCO listed in Appendix C (the "Non-U.S. Advisers") in addition to assets we manage on behalf of Allianz-affiliated companies.

Our Services

Our Organization. Since 1971 we have provided discretionary investment management services to clients throughout the world. PIMCO began as a manager of fixed income portfolios and has evolved to include active management of equities, mutual funds, exchange traded funds ("ETFs"), closed-end funds, collective investment trusts ("CITs"), private investment vehicles and structured products. PIMCO is also a provider of consulting services, offering a menu of sophisticated strategies, analysis and advice for clients in all types of market conditions. While these services have greatly evolved over time, one thing that has not changed is our mission to provide the highest quality investment management services.

As a leading provider of discretionary investment management services, PIMCO employs a broad range of portfolio management tools in seeking to control risk, hedge exposures, and seek returns consistent with Client guidelines. We offer considerable expertise in an array of global investment strategies, which include both fixed income and equity strategies. As markets evolve we will seek to employ new strategies and products. Additional information regarding our strategies, methods of analysis, and the material risks associated with our significant strategies is included under Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss."

Portfolio Management. The portfolio management team is devoted primarily to the management of Client accounts. This team includes portfolio managers, research analysts and others who assist in the development of investment ideas, implementation of portfolio strategies and risk analysis.

Account Management. The account management team, which acts as the bridge between separate account clients (each, a "Separate Account") and their PIMCO portfolio managers, is devoted to client service. One of the advantages of this approach is that it permits our portfolio managers to devote the vast majority of their time to investment activities. Account managers work closely with the portfolio management team to make sure each Separate Account's investment guidelines are implemented. Account managers also play an integral role in helping to develop investment ideas and strategies in conjunction with the portfolio management team.

Business Management. Our business management team provides the infrastructure for the operation of the firm and includes the Legal and Compliance Department as well as the Operations and Technology Departments. One key function of the business management team is to manage back-office operations. We have outsourced certain back-office operations to State Street Investment Manager Solutions West and its affiliates (together, "SSIMS"), a firm specializing in back-office trade processing, settlement and accounting operations. This enables us to focus the majority of our people and resources on what we do best: managing investments and servicing clients. SSIMS administers the following functions, among others, on our behalf: (i) coordinating asset transitions, (ii) maintaining and updating our security master database, (iii) processing trades, (iv) communicating trade and settlement directives to the relevant accounts' custodian banks and (v) facilitating failed trade and overdraft compensation claims. While SSIMS provides our back-office services, we actively supervise all work performed on behalf of our Clients in connection with these services.

Non-Discretionary and Consulting Services. In addition to our discretionary investment management services, we also provide non-discretionary investment management services to certain Clients and non-discretionary advisory services to private and public institutions throughout the world through PIMCO's Advisory business. PIMCO's Advisory business is dedicated to making the financial, investment and market expertise of PIMCO available to clients outside of a traditional investment management relationship. PIMCO's Advisory services include asset valuation and pricing, portfolio monitoring, risk migration and liquidation, as well as other customized client-driven services.

Some clients may grant PIMCO limited discretion with respect to the assets in their Account ("Non-Discretionary Accounts"). In these instances our ability to transact in such Account will be limited. Therefore, a Non-Discretionary Account may not be able to obtain comparable discounts that we may negotiate on aggregated transactions, it may pay higher transaction costs or brokerage commissions, and we may be unable to achieve the most favorable execution depending on the limitations of the Account. Similarly, a Non-Discretionary Account may not be able to participate in certain investment opportunities. For these reasons, a Non-Discretionary Account may achieve lower returns compared to a comparable Account that grants PIMCO full discretion. For more information on non-discretionary Accounts, please see "Potential Conflicts Relating to Non-Discretionary Advisory Services" in Item 11.

Other Services. We may from time to time engage in related business activities, including licensing of intellectual property.

Securities Lending. While PIMCO offers a number of investment management services, we generally do not enter into securities lending arrangements for our Clients (other than for the PIMCO Funds, as defined below). Under typical securities lending arrangements, a manager loans a security held in a client's portfolio to a broker-dealer in exchange for collateral. The client may earn potentially enhanced returns from these arrangements by collecting finance charges on the loan or by investing the collateral. Such returns are generally shared between the client and the securities lending agent, and the risk associated with the investment of collateral is generally borne by the client. On occasion, if instructed by a Client, we may enter into securities lending transactions although PIMCO does not manage the investment of collateral in connection with such arrangements (other than securities lending arrangements for the PIMCO Funds). In these instances, we will have entered into a Master Securities Loan Agreement with a counterparty and the transaction must meet all the requirements under the agreement.

Some Clients have established separate securities lending arrangements with their custodian. If a Client has entered into these arrangements, the Client and its custodian are responsible for adhering to the requirements of such arrangements, including ensuring that the securities or other assets in the Client's account are available for any securities lending transactions. For accounts that we actively manage, we execute transactions based on a number of factors, including market conditions and best execution, and generally do not consider factors relating to a Client's securities lending arrangements, such as whether the Client's custodian may need to recall securities on loan to settle the sales transactions. We have established policies and procedures in the event there is a loss or overdraft in connection with a transaction. Please refer to Item 12 for a description of these policies, which would include any loss relating to PIMCO's sale of a security that is not available in a Client's account due to such Client's securities lending activities.

To the extent any pooled investment vehicles that we manage or sponsor ("PIMCO Funds" or "Funds") engage in securities lending, such arrangement is described in their respective offering documents.

Litigation, Class Actions and Bankruptcies. As an investment manager, we may be asked to decide whether to participate in litigation, including by filing claims in class actions, or bankruptcy proceedings for assets held in a Client's account. It is the Client's responsibility to monitor and analyze its portfolio and consult with its own advisers and custodian about whether it may have claims that it should consider pursuing. As a general matter, PIMCO cannot, without Client written authorization, exercise any rights a Client may have in participating in, commencing or defending suits or legal proceedings such as class actions for assets held or previously held in a Client's account, although we may do so for the PIMCO Funds. In the case of Separate Accounts, upon mutual agreement of PIMCO and the Client and receipt of a letter of authorization and Power of Attorney, we will assist Clients or their custodian in assembling transaction information to file a litigation claim (such as a class action or bankruptcy claim). Generally, a Separate Account's custodian should receive all documents for these matters because the securities are held in the Client's name at the custodian and the Separate Account Client should direct its custodian as to the manner in which such matters should be handled. In connection with bankruptcies, reorganizations or other transactions we may enter into releases of claims or take similar actions on behalf of Separate Accounts in order for those Clients to participate (or participate to the extent PIMCO believes desirable) in the bankruptcy, reorganization or other transaction, although we are under no obligation to do so. Any such action will bind the Client with respect to the securities or other investments with respect to which the action was taken.

Tailoring Services to Client Needs

Upon selecting an investment strategy, Clients typically provide PIMCO with specific investment parameters in the form of investment guidelines. The guidelines may include, for example, restrictions on investing in certain securities, such as product types, issuers or securities with certain attributes. The investment guidelines form a part of our management agreement with a Client and we manage the Client's account within these confines. Clients should be aware, however, that certain restrictions can limit our ability to act and as a result, the Account's performance may differ from and may be lower than that of other Accounts that have not limited our discretion.

Important Information About Procedures For Establishing a New Customer Relationship

To help the government fight the funding of terrorism and money laundering activities, federal law requires certain financial institutions to obtain, verify, and record information that identifies each Client who opens an account or establishes a relationship. When we establish a Separate Account relationship with a Client, we may ask for the Client's firm name, address, and other information or documentation (e.g., a formation document) that will allow us to identify and verify the Client.

Wrap Program Services

PIMCO also offers investment management services through wrap fee programs ("Wrap Programs") that are sponsored by banks, broker-dealers or other investment advisers (each a "Sponsor"). Sponsors may or may not be affiliated with PIMCO. In a typical Wrap Program, each Wrap Program Client enters into an agreement with a Sponsor, who provides or arranges for the provision of an array of services, including some or all of the following: assistance with establishing client goals and objectives, asset allocation analysis, security selection and other portfolio management services, selection of investment advisers, sub-advisers, custodians and/or broker-dealers, trade execution and providing ongoing monitoring, reporting and client support, covered by a single "wrap" fee. Clients may access certain Wrap Programs through an intermediary such as a bank, broker-dealer or other investment adviser rather than the Sponsor and the intermediary may provide some or all of the functions generally provided by a Sponsor. The services to be performed by the Sponsor, PIMCO or others in these Wrap Programs, and related fees, are generally detailed in the relevant agreements between or among the Client, the Sponsor, PIMCO and any other parties. With respect to a Sponsor that is a registered investment adviser, the services provided and other terms, conditions and information related to the Wrap Program are also described in the Sponsor's Form ADV, Part 2A, Appendix 1 (or comparable Wrap Program disclosure document). Sponsors that are not registered investment advisers may, but are not required to, provide a similar Wrap Program disclosure document (each Wrap Program disclosure document, whether for a registered investment adviser or another Sponsor, a "Wrap Program Brochure"). All Wrap Program Clients and prospective Wrap Program Clients should carefully review the terms of the relevant Wrap Program Brochure to understand the terms, services, minimum account size and any additional fees or expenses that may be associated with a Wrap Program account.

PIMCO may make available through Wrap Programs the same or similar strategies that are available to institutional clients or through Funds; however not all of PIMCO's strategies are available through Wrap Programs, not every PIMCO strategy that is available through a particular Wrap Program will be available through other Wrap Programs. Further, the manner in which PIMCO executes a strategy through Wrap Programs may differ from how that same or a similar strategy is executed through another Wrap Program or for a Fund or institutional Client. For instance, the execution of a particular strategy in a Wrap Program may differ from the execution of the same or a similar strategy for a Fund or institutional

Client due to the need to adhere to "reasonable restrictions" imposed by the Wrap Program Client or due to the use of affiliated no-fee registered investment companies or other affiliated commingled vehicles rather than individual securities. Accordingly, the performance of a strategy available through a Wrap Program may differ from the performance of the same or a similar strategy that is executed through another Wrap Program or for a Fund or institutional Client.

As a provider of investment advice under a Wrap Program, PIMCO is generally not responsible for determining whether a particular Wrap Program, PIMCO's investment style or a specific PIMCO strategy is suitable or advisable for any particular Wrap Program Client. Rather, such determinations are generally the responsibility of the Sponsor and the Client (or the Client's financial advisor and the Client) and PIMCO is responsible only for managing the account in accordance with the selected investment strategy and any "reasonable restrictions" imposed by the Wrap Program Client, as discussed below. For its services, PIMCO typically receives a portion of the wrap fee. For a further discussion of the nature of Wrap Program arrangements, including the fees charged by the Sponsor and paid to PIMCO, see Item 5, Fees and Compensation, Wrap Programs.

Typically, the investment management services we provide in connection with these Wrap Programs are discretionary ("Discretionary Wrap Programs"). In Discretionary Wrap Programs, PIMCO is generally responsible for causing the portion of each Discretionary Wrap Program Client's account that is managed by PIMCO to engage in transactions that are appropriate for the selected strategy.

Wrap Program accounts within a particular strategy are generally managed similarly, subject to a Wrap Program Client's ability to impose reasonable restrictions (such as a prohibition on holding the securities of a particular issuer within the Wrap Program Client's account). Because PIMCO's advisory services to these accounts are strategy-dependent, PIMCO will not accept a restriction that PIMCO believes would be inconsistent with the investment strategy.

"Reasonable restrictions" imposed by a Wrap Program Client serve to limit PIMCO's freedom of action with respect to an account and, as a result, the performance of accounts for which such investment restrictions are imposed may differ from, and may be worse than, the performance of accounts within the same strategy that lack such restrictions.

PIMCO may participate in Wrap Programs sponsored by unaffiliated, third-party Sponsors as well as Wrap Programs sponsored by an affiliate of PIMCO. PIMCO typically does not compensate Sponsors for PIMCO's inclusion in a Wrap Program or for introductions of Clients through a Wrap Program. However, the portion of the total wrap fee paid to PIMCO may include breakpoints reducing the effective fee rate payable to PIMCO and thus increasing the amount retained by the Sponsor at higher asset levels. These fees may be negotiable, with the relationship size being a factor in negotiation. For certain Wrap Programs, PIMCO may provide or compensate a Sponsor for marketing support or other services provided. Additionally, affiliated Sponsors may have an incentive to recommend PIMCO's services over the services of unaffiliated managers. Sponsors may apply different methods of analysis, use different types of information or apply different thresholds in determining whether to recommend an affiliated manager than are applied when recommending an unaffiliated manager.

Depending upon the particular Wrap Program, accounts may be funded with cash and/or securities. Restrictions as to funding with securities in-kind are described in the relevant Wrap Program brochure and may include certain securities or types of securities that will be liquidated by PIMCO or the Sponsor. Under normal circumstances, accounts will generally be fully invested in accordance with the relevant investment strategy after an account is opened with the Sponsor within 90 days. To the extent that an account is funded with portfolio securities rather than solely cash, implementation may be further delayed because any in-kind contributions that are not consistent with the intended holdings for the account will be liquidated at the Wrap Program Client's risk and expense and without taking into account any adverse tax consequences to the Wrap Program Client.

While the Sponsor is responsible for most aspects of the relationship with a Wrap Program Client, our personnel who are knowledgeable about the Wrap Program account and its management will be reasonably available to Clients for consultation (either individually or in conjunction with Sponsor personnel), upon a Client's request, as required by applicable law or as agreed between PIMCO and the Sponsor. Because the Sponsor is generally responsible for reports to Wrap Program Clients, typically we will supply the Sponsor with information necessary for the Sponsor to provide such reports directly to Wrap Program Clients. Upon request or as agreed with a Sponsor, we may provide investment holdings, transactions, and performance reports directly to Discretionary Wrap Program Clients on a periodic basis. Moreover, with respect to each Discretionary Wrap Program Client, PIMCO reviews each managed portfolio periodically to ensure it is managed in accordance with the applicable investment objectives, guidelines and restrictions.

In addition, with respect to Discretionary Wrap Programs, PIMCO has entered into an arrangement with SEI Global Services, Inc. ("SEI") under which SEI performs certain administrative and operational functions, such as accounting, reconciliation, trade settlement, recordkeeping, billing and reporting. Typically these services are paid for by PIMCO, not the Discretionary Wrap Program Clients.

In addition to the advisory services we provide in the Discretionary Wrap Programs, we may provide non-discretionary investment management services to a Sponsor who exercises investment discretion ("Non-Discretionary Wrap Programs"). In Non-Discretionary Wrap Programs, we typically provide a model portfolio to be analyzed and implemented by the Sponsor or another manager. Further, in Non-Discretionary Wrap Programs, the Sponsor or other manager is typically responsible for applying any client-imposed restrictions to the model portfolio. In certain Non-Discretionary Wrap Programs, the Sponsor who exercises investment discretion may direct PIMCO to place orders for the execution of purchase and sale transactions for Client portfolios.

Stable Value Management Services

PIMCO offers a wide variety of stable value investment services, including 1) full-service stable value management, in which PIMCO handles all aspects of the stable value investment strategy, 2) an investment-only fixed income manager hired directly by plan sponsors for their stable value portfolio or 3) a fixed income sub-adviser hired by other stable value managers and insurance companies to manage the assets of a fixed income portfolio. PIMCO manages separate account portfolios for large institutional defined contribution plans as well as a stable value commingled vehicle for the small- and mid-sized defined contribution marketplace.

ITEM 5. Fees And Compensation

Generally, PIMCO's fees for providing discretionary investment management services are based upon a percentage of the market value of assets under management. Accounts are generally subject to a minimum account size, as noted in Appendix B. PIMCO also provides customized products and services, including non-discretionary investment management services, upon request, and fees for such products and services are separately negotiated. As described below, PIMCO may also charge performance-based fees. Our fees are generally billed quarterly in arrears; however, some Clients may pay fees in advance at their own discretion. If a Client opts to pay its management fees in advance and the applicable agreement is ultimately terminated prior to the end of the billing period, the management fees will be pro-rated for the portion of the billing period in which the agreement was in effect and PIMCO will issue the Client a refund for any excess fees.

Separate Accounts. For discretionary investment management services to Separate Accounts, we typically charge a fee that is based on a percentage of the Separate Account's assets under management. Customized fee arrangements, such as for Clients with performance-based fees or for strategies for which fees are based on notional assets, may be available. Fees are individually negotiated in such cases or in the case of larger accounts, accounts whose service needs deviate markedly from the types of service typically required by Separate Accounts, and accounts that may involve other special circumstances or restrictions. Our fees may take into account, among other things, a Separate Account's investment strategy, the level of account discretion given to PIMCO, the extent of the Separate Account's servicing requirements, the assets under management aggregated across the Client's relationship with PIMCO and the nature of the Separate Account.

With respect to Separate Accounts over which we have investment discretion, if a client gives us discretion to use Client assets on which we charge an asset-based management fee to purchase interests in the Funds, we will generally rebate a portion of the Separate Account fees back to the Client in an amount equal to the advisory fee of the Fund in which the Client invested, unless otherwise agreed or disclosed to the Client. In some circumstances, no such rebate is provided, such as in cases where the Separate Account's assets are invested in a Fund that does not charge an advisory fee (and the only advisory fees charged to the Client are charged at the Separate Account level). If a Separate Account's investment guidelines permit investments in our Funds, we will provide the Client with a list of the Funds in which the Client's account may be invested, together with a schedule showing the applicable fee rates. If we purchase interests in funds, such as ETFs or other funds, that are not advised or sub-advised by PIMCO, the Separate Account will pay the fees and expenses of these funds in addition to the Separate Account fees.

PIMCO Registered Funds. We provide discretionary investment management services to U.S. registered and non-U.S. registered funds (each, a "Registered Fund"). Each Registered Fund's offering documents will include information about the fees and expenses paid by the Registered Fund. Portfolio management fees and any additional compensation paid to PIMCO may be waived by PIMCO in its sole discretion, both voluntarily and on a negotiated basis with a Registered Fund's Board or similar body, or a Registered Fund's sponsor (though not with individual investors in a U.S. Registered Fund). We may receive additional compensation for any administrative or other services provided to these Registered Funds as described in the respective Registered Fund's offering documents.

PIMCO Unregistered Funds. We provide discretionary investment management services to U.S. and non-U.S. private funds that are not registered (each, a "Private Fund"). Each Private Fund's offering documents will include information about the fees and expenses paid by the Private Fund. For discretionary investment management services to Private Funds, we are paid portfolio management fees generally ranging from 0.00% to 1.60%, which are typically based on invested and reinvested capital or net asset value, as applicable. We may be paid administration fees generally ranging from 0.00% to 0.30%, which are typically based on invested and reinvested capital or net asset value.

The portfolio management and administration fees for certain Private Funds may be based on notional value, as described in the offering documents for such fund. In addition, we may receive performance-based fees or investment profit allocations (e.g., "carried interest") with respect to our Private Funds, as further discussed in Item 6. Each Private Fund also ordinarily bears additional fees and expenses (including organizational, operational and transactional fees and expenses), which are described in the Private Fund's offering documents. Certain Private Funds may invest in other PIMCO Funds. Depending on the terms of the investing Private Fund, we may or may not rebate a portion of any additional fees paid by the investing Private Fund as a result of its investment in the underlying PIMCO Fund.

PIMCO also serves as an investment manager to CITs. For discretionary investment management services to these funds, we are paid portfolio management fees generally ranging from 0.08% to 1.02%. Investments in certain of the CITs managed by PIMCO may be subject to additional fees on account of their underlying investments.

PIMCO's Advisory and Other Business Initiatives. Fees for these services are individually negotiated and depend on the type and complexity of the services requested. Clients should contact their PIMCO account representative for additional information.

Additional Costs. With respect to investment management services, a Client may also incur brokerage commissions, mark-ups or mark-downs and other transaction costs associated with transactions that are executed in the Client's account. Please see Item 12, "Brokerage Practices," for a discussion of our brokerage practices.

Wrap Programs. As discussed above, Wrap Program Clients typically pay a fee to the Sponsor based on assets managed through the Wrap Program. This fee generally covers most or all of the services provided through the Wrap Program, including PIMCO's advisory services. Each Sponsor pays to PIMCO a negotiated fee, generally based on Wrap Program assets managed by PIMCO. Thus, in effect, PIMCO receives a portion of the wrap fee paid by each Wrap Program Client to the Sponsor. Because, among other things, the scope of services provided by PIMCO through a Wrap Program is narrower than PIMCO might provide to a Client that receives PIMCO's services directly, the effective fee rates charged by PIMCO to Sponsors are typically less than what would be applicable to accounts managed directly.

In some Wrap Programs, PIMCO's advisory fees are not included within the wrap fee. Instead, PIMCO contracts directly with the Wrap Program Client for such advisory services.

Although the Wrap Program fee generally covers the Wrap Program services, Wrap Program Clients may be subject to additional fees and expenses such as: (i) commissions and other expenses on trades executed away from the Sponsor or the Sponsor's designated broker-dealer(s); (ii) mark-ups and mark-downs on fixed income transactions; (iii) expenses related to cash sweep services or vehicles; and (iv) taxes and charges such as exchange fees and transfer taxes. In addition, assets managed pursuant to certain Wrap Program strategies that have the ability to invest in a PIMCO ETF will bear the fees and expenses of such PIMCO ETF, which include fees that are paid to PIMCO for services it provides to the PIMCO ETF. Such fees may be in addition to the fees PIMCO receives for managing the Wrap Program.

Clients should carefully review the Sponsor's Wrap Program Brochure prior to participating in any Wrap Program and, in particular, consider the services that are covered by the wrap fee as they relate to the management styles and trading methods being employed by portfolio managers within the Wrap Program. Depending upon the wrap fee charged, the amount and type of account activity (for example, whether transactions must frequently be executed away from the Sponsor or the Sponsor's designated broker-dealer at an increased charge), the value of custodial and other services provided and other factors, the wrap fee may exceed the aggregate fees that the Client might pay other parties for these services, if they were obtained separately. In this respect, Clients should be aware that certain PIMCO strategies (e.g., municipal bond and other fixed income strategies) may require frequent trading away from the Sponsor or the Sponsor's designated broker-dealer as Sponsors may not be willing to execute fixed income transactions on a principal basis. Also, some Sponsors may not include commissions, commission equivalents (such as mark-ups or mark-downs) or other transaction related expenses with respect to fixed income transactions within the wrap fee or may have limited capability to execute such transactions. As noted above, the wrap fee typically covers only certain transactions executed through the Sponsor or the designated broker- dealer, so Wrap Program clients may not get the full benefit of the wrap fee to the extent that trades are executed away from the Sponsor or the Sponsor's designated broker-dealer. However, as noted in Item 7, PIMCO typically requires non-Wrap Program accounts managed by it directly to meet minimum account sizes that are typically significantly higher than the minimum account size required by a Wrap Program.

Basic fee schedules for PIMCO's investment management services are outlined in Appendix B. Such fee schedules are subject to change and may be negotiable.

ITEM 6. Performance-Based Fees And Side-By-Side Management

As discussed above, certain Funds and other accounts will pay us or our affiliates performance-based fees or investment profit allocations in the form of carried interest. Such performance-based fees and investment profit allocations may create potential conflicts of interest because we manage accounts with such fee arrangements side-by-side with accounts that we charge a standard fee based on assets under management. Please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" for a discussion of how PIMCO addresses these matters.

ITEM 7. Types Of Clients

Our Clients. Our global client base includes corporate pension plans, foundations, endowments, public retirement plans, corporate treasury assets, governments, insurance companies, high net-worth individuals, multi-employer retirement plans, financial institutions, intermediaries, retail investors and pooled investment vehicles, including both affiliated and unaffiliated U.S. and non-U.S. registered and unregistered funds, among others. PIMCO also acts as an investment adviser to a number of unregistered structured product vehicles including but not limited to Collateralized Debt Obligations ("CDOs"), Collateralized Loan Obligations ("CLOs") and similar structured finance products. We have minimum account size requirements for Separate Accounts. As noted in Item 4, Clients may access our investment management services directly or they may be obtained through Wrap Programs. Certain Wrap Programs also impose overall Wrap Program minimums and/or minimums required to maintain an investment option. Please see our basic fee schedules outlined in Appendix B for more information regarding Separate Account minimums, which may be waived at our discretion.

Privacy Policy. We are strongly committed to protecting the privacy of our Client's non-public personal information and will not as a matter of policy disclose such information except as required or permitted by law or for our everyday business purposes, such as to process transactions or to service a Client's account. In the ordinary course of our business, we and certain of our service providers need to obtain non-public personal information from Clients. We will not sell such Client information to anyone; however, in certain instances, we may share such Client information with affiliated and unaffiliated third parties. For example, we will provide such Client information to SSIMS so that SSIMS may provide services to a Client's account. We may also provide such Client information to a third party where a Client has given us consent to do so, at the request of a regulator or where we are required to disclose the information by law or regulation. We have adopted privacy policies and procedures that are designed to prevent the unauthorized disclosure and use of Client non-public personal information. Please refer to Appendix E for PIMCO's full Privacy Policy, which the above summarizes.

ITEM 8. Methods Of Analysis, Investment Strategies And Risk Of Loss

Methods of Analysis and Investment Strategies

PIMCO's macroeconomic forecasting, comprehensive sector and security analysis and rigorous risk management address the challenges of a rapidly changing world. In evaluating securities we take into account a number of factors, including the fundamental, technical and cyclical characteristics of each security. For example, PIMCO's analysis of mortgage-backed securities includes analysis of security structures and mortgage prepayment rates using in-house and third party analytic tools and databases. Our analysis of investments in public and private foreign issuers, particularly in emerging market countries, may include country risk analysis, consideration of global trading relationships such as free trade agreements, visits with company management and meetings with official creditors, government officers, business leaders, academics and politicians. PIMCO's analysis of senior loans and bank loans include direct contact with the agent bank, issuer and/or borrower. Like our fixed income strategies, our analysis of equities also involves various sources and types of research and includes visits with company management, and we seek to identify securities that are undervalued by the market in comparison to our own determination of the company's value, taking into account criteria such as assets, book value, cash flow and earnings estimates. As part of our analysis, PIMCO conducts its own research on issuers and assigns internally-generated credit ratings ("Internal Ratings"), which may differ from ratings provided by third-party credit rating agencies ("Agency Ratings") or may be used where no Agency Rating is available. Internal Ratings reflect PIMCO's view of an issuer's creditworthiness and PIMCO utilizes a process that differs from the process used by third-party rating agencies. Internal Ratings are designed to reflect current economic and market conditions applicable to each asset, and take into account a range of factors, including but not limited to the nature of the asset, the operational history of the issuer, the issuer's cash position, leverage and cash flow, the issuer's position in the industry, the structure of the issuer's debt obligations and political dynamics. Unlike Agency Ratings, Internal Ratings assess not only probabilities of default, but also expected loss upon default. PIMCO monitors the factors influencing the rating and periodically re-evaluates Internal Ratings to determine whether changes are necessary. Because Internal Ratings may emphasize certain factors or apply different methodologies than Agency Ratings, there may be occasions when an Internal Rating is higher or lower than a corresponding Agency Rating for the same issue or issuer. Similarly, events resulting in changes in Agency Ratings will not necessarily result in changes to Internal Ratings, or result in changes at similar times.

Please see Appendix D for a description of PIMCO's methods of analysis and investment strategies. Certain PIMCO Funds or investment products use a combination of strategies or strategies not described in Appendix D. Notwithstanding the foregoing, PIMCO may engage in methods of analysis and investment strategies of any and all types, which exist now or are hereafter created, and may use subadvisers at times to effectuate any such methods of analysis or investment strategies.

Material Risks of Significant Strategies and Significant Methods of Analysis

Below is a summary of the material risks associated with the significant strategies and significant methods of analysis used by PIMCO. Investing in securities involves risk of loss that Clients should be prepared to bear; however, Clients should be aware that not all of the risks listed below will pertain to every Client account (each, an "Account") as certain risks may only apply to certain investment strategies. Furthermore, the risks listed below are not intended to be a complete description or enumeration of the risks associated with the significant strategies and significant methods of analysis used by PIMCO.

Arbitrage Risk. An Account that invests in securities purchased pursuant to an arbitrage strategy in order to take advantage of a perceived relationship between the values of two securities presents certain risks. Securities purchased or sold short pursuant to an arbitrage strategy may not perform as intended, which may result in a loss to the Account. Forecasting market movements is difficult, and securities may be mispriced or improperly valued by PIMCO. Securities issued by the same entity, or securities otherwise considered similar, may not be priced or valued similarly across markets or in the same market, and attempts to profit from pricing differences may not be successful for several reasons, including unexpected changes in pricing and valuation. To the extent an Account uses derivatives to pursue certain strategies, the Account is subject to the additional risk that the derivative's performance does not correlate perfectly, if at all, with the value of an underlying asset, reference rate or index. Additionally, issuers of a security purchased using an arbitrage strategy are often engaged in significant corporate events, such as restructurings, acquisitions, mergers, takeovers, tender offers or exchanges, or liquidations that may not be completed as initially planned or may fail.

Call Risk. An Account that invests in fixed income securities will be subject to the risk that an issuer may exercise its right to redeem the security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that an Account has invested in, the Account may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

Collateralized Debt Obligation Risks and Other Structured Products. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Fund invests. Due to the complex nature of a CDO, an investment in a CDO may not perform as expected. An investment in a CDO also is subject to the risk that the issuer and the investors may interpret the terms of the instrument differently, giving rise to disputes. Normally, collateralized bond obligations ("CBOs"), CLOs and other CDOs are privately offered and sold, and thus, are not registered under the securities laws. CDOs are subject to the typical risks associated with fixed income securities. In addition to the other risks associated with investment in fixed income securities, investing in CDOs may entail a variety of unique risks. Among other risks, CDOs may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates). Additional risks include, (i) the possibility that distributions from collateral securities will be insufficient to make interest or other payments, (ii) the possibility that the quality of the collateral may decline in value or default, and (iii) the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

Commodity Risk. An Account's investments in physical commodity-linked derivative instruments may be subject to greater volatility than investments in traditional securities. The value of physical commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Because an Account may concentrate assets in a particular sector of the commodities market (such as oil, metal or agricultural products), it may be more susceptible to risks associated with those sectors.

Control Positions Risk. An Account may seek investment opportunities that allow the Account to have a meaningful influence on the management, operations and strategic direction of one or more portfolio investments in which it invests. The exercise of control over an investment may impose additional risks of liability for environmental damage, product defects, failure to supervise management, pension and other fringe benefits, violation of governmental regulations (including securities laws) or other types of liabilities. The exercise of control and/or meaningful influence over a portfolio company could expose the assets of an Account to claims by such portfolio company, its security holders and its creditors, which may lead to losses for the Account.

Corporate Debt Securities Risk. Corporate debt securities include corporate bonds, debentures, notes (which are transferable securities listed or traded on a regulated market) and other similar corporate debt instruments, including convertible securities. Debt securities may be acquired with warrants attached. Corporate income-producing securities may also include forms of preferred or preference stock. The rate of interest on a corporate debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the USD and a different currency or currencies. In addition, corporate debt securities may be highly customized and as a result may be subject to, among others, liquidity risk and pricing transparency risks.

Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

Credit Risk. An Account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, or the issuer or guarantor of collateral, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of security held by the Account may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. A portfolio's average credit quality may not accurately reflect the risk of the portfolio, especially if the portfolio consists of securities with widely varying credit ratings.

Currency Risk. If an Account invests directly in non-U.S. currencies or in securities that trade in, and receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, an Account's investments in non-U.S. currency-denominated securities may reduce the returns of the Account.

Cyber Security Risk. As the use of technology has become more prevalent in the ordinary course of business, Accounts have become potentially more susceptible to operational and other risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause an Account to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause an Account and/or PIMCO to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the digital information systems that support an Account (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of third party service providers that provide services to an Account (e.g., administrators, transfer agents, custodians and sub-advisers) or issuers that an Account invests in can also subject an Account and/or PIMCO to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, PIMCO has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially because PIMCO does not directly control the cyber security systems of issuers or third party service providers.

Derivatives Risk. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. A variety of derivatives may be available to an Account, depending on the specific type of Account and the applicable offering documents and/or investment guidelines. In implementing certain of its significant investment strategies, PIMCO typically uses derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks. PIMCO may also use derivatives for leverage, in which case their use would involve leveraging risk. An Account's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, market risk, call risk, credit risk and management risk, as well as the risks associated with the underlying asset, reference rate or index. Swaps, forwards, futures, options and other "synthetic" or derivative instruments that are cleared by a central clearing organization, which generally are supported by guarantees of the clearing organization's members, daily marking-to-market and settlement and segregation and minimum capital requirements applicable to intermediaries, are still subject to different risks, including the creditworthiness of the central clearing organization and its members. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with, or may be more sensitive to market events than, its underlying asset, rate or index. In that event, hedging transactions entered into for an account might not accomplish their objective and could result in losses to an Account or increased losses incurred on a portfolio asset. An Account investing in a derivative instrument could lose more than the principal amount invested. Derivatives are also subject to the risk that the other party to the transaction will not fulfill its contractual obligations. It is important to consider that certain derivative transactions may be modified or terminated only by mutual consent of an Account and its counterparty and certain derivative transactions may be terminated by the counterparty or an Account, as the case may be, upon the occurrence of certain Account-related or counterparty-related events, which may result in losses or gains to an Account based on the market value of the derivative transactions entered into between the Account and the counterparty. Upon the expiration or termination of a particular contract, an Account may wish to retain the Account's position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other appropriate counterparty can be found, which could cause the Account not to be able to maintain certain desired investment exposures or not to be able to hedge other investment positions or risks, which could cause losses to the Account. Furthermore, after such an expiration or termination of a particular contract, an Account may have fewer counterparties with which to engage in additional derivative transactions, which could lead to potentially greater counterparty risk exposure to one or more counterparties and which could increase the cost of entering into certain derivatives. In such cases, the Account may lose money. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that PIMCO will engage in these transactions to reduce exposure to other risks or otherwise when doing so would be beneficial for a particular Account. Due to continuing regulatory initiatives both in the United States and abroad, derivatives are also subject to enhanced government and regulatory risk. Please see "Government and Regulatory Risk" below.

Distressed Company Risk. An Account that invests in securities of distressed companies may be subject to greater levels of credit, issuer and liquidity risk than a portfolio that does not invest in such securities. Securities of distressed companies include both debt and equity securities. Debt securities of distressed companies are considered predominantly speculative with respect to the issuers' continuing ability to make principal and interest payments. These issuers may also be involved in restructurings or bankruptcy proceedings that may not be successful. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the Account's ability to sell these securities (liquidity risk). If the issuer of a debt security is in default with respect to interest or principal payments, the Account may lose the value of its entire investment. Investments in distressed securities often involve increased control position risk and litigation risk.

Emerging Markets Risk. Foreign investment risk may be particularly high to the extent that an Account invests in securities and other investments that are economically tied to countries with developing economies (often referred to as emerging market securities). These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries. Emerging market securities are often more vulnerable to market and economic events than are developed market securities. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on such countries' economies and securities markets. In determining whether an instrument is economically tied to an emerging market country, PIMCO will use such factors and criteria as it deems reasonable in its discretion, which may differ from the factors and criteria used by others.

Equity Securities Risk. Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities also include, among other things, common stocks, preferred stocks, convertible stocks and warrants. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Equity securities generally have greater price volatility than most fixed income securities. Additionally, issuers that have paid regular dividends may decrease or eliminate dividend payments in the future, which may result in a decrease in the value of the security and/or an investor receiving less income.

Focused Investment Risk. To the extent that an Account focuses its investments in a particular industry, the Account's portfolio will be more susceptible to events or factors affecting companies in that industry. These may include, but are not limited to, governmental regulation, inflation, rising interest rates, cost increases in raw materials, fuel and other operating expenses, technological innovations that may render existing products and equipment obsolete, competition from new entrants, high research and development costs, increased costs associated with compliance with environmental or other regulation and other economic, market, political or other developments specific to that industry. Also, an Account may invest a substantial portion of its assets in companies in related sectors that may share common characteristics, are often subject to similar business risks and regulatory burdens and whose securities may react similarly to the types of events and factors described above, which will subject the Account to greater risk. An Account also will be subject to focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region. Please see also "Foreign Investment Risk" and "Emerging Markets Risk."

Foreign Investment Risk. An Account that invests in non-U.S. securities may experience more rapid and extreme changes in value than an Account that invests exclusively in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect an Account's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, an Account could lose the value of its entire investment in foreign securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated.

Government and Regulatory Risk. Recent instability in the financial markets has led the U.S. government to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Most significantly, the U.S. government has enacted a broad-reaching new regulatory framework over the financial services industry and consumer credit markets, the potential impact of which on the value of securities and other assets held by an Account is unknown. However, the greater level of regulation, and the costs of compliance required to be borne by market participants, can generally be expected to increase the cost of investing and trading activities. Federal, state, and non-U.S. governments, their regulatory agencies, or self- regulatory organizations may take actions that affect the regulation of the instruments in which an Account invests, or the issuers of such instruments, in ways that are unforeseeable. Governments or their agencies may also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear, and such a program may have positive or negative effects on the liquidity, valuation and performance of an Account's holdings. Furthermore, volatile financial markets can expose Accounts to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by Accounts. The value of an Account's holdings is also generally subject to the risk of future local, national, or global economic disturbances based on unknown weaknesses in the markets in which an Account invests. In the event of such a disturbance, issuers of securities held by an Account may experience significant declines in the value of their assets and even cease operations, or may receive government assistance accompanied by increased restrictions on their business operations or other government intervention. In addition, it is not certain that the U.S. government will intervene in response to a future market disturbance and the effect of any such future intervention cannot be predicted. It is difficult for issuers to prepare for the impact of future financial downturns, although companies can seek to identify and manage future uncertainties through risk management programs. Laws and regulations affecting PIMCO and its clients may cause PIMCO to take actions or forgo actions or investments that PIMCO thinks might otherwise benefit an Account.

Hedging Risk. PIMCO has, and may in the future, engage in hedging transactions. To the extent PIMCO employs a hedging strategy, the success of any such hedging strategy will depend, in part, upon PIMCO's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of such hedging strategy will also be subject to PIMCO's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While PIMCO may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if PIMCO had not engaged in such hedging transactions. Additionally, PIMCO may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Moreover, there is no guarantee that such intended hedging strategy will be successful in hedging out the subject risks.

High Yield Risk. Accounts that invest in high yield securities and unrated securities of similar credit quality (commonly known as "high yield securities" or "junk bonds") may be subject to greater levels of credit risk, call risk and liquidity risk than funds that do not invest in such securities. These securities are considered predominately speculative with respect to an issuer's continuing ability to make principal and interest payments, and may be more volatile than other types of securities. An economic downturn or individual corporate developments could adversely affect the market for these securities and reduce an Account's ability to sell these securities at an advantageous time or price. An economic downturn would generally lead to a higher non-payment rate and a high yield security may lose significant market value before a default occurs. High yield securities structured as zero-coupon bonds or pay-in-kind securities tend to be especially volatile as they are particularly sensitive to downward pricing pressures from rising interest rates or widening spreads and may require an Account to make taxable distributions of imputed income without receiving the actual cash currency. Issuers of high yield securities may have the right to "call" or redeem the issue prior to maturity, which may result in the Account having to reinvest the proceeds in other high yield securities or similar instruments that may pay lower interest rates. In addition, the high yield securities in which an Account invests may not be listed on any exchange and a secondary market for such securities may be comparatively illiquid relative to markets for other more liquid fixed income securities. Consequently, transactions in high yield securities may involve greater costs than transactions in more actively traded securities. A lack of publicly-available information, irregular trading activity and wide bid/ask spreads among other factors, may, in certain circumstances, make high yield debt more difficult to sell at an advantageous time or price than other types of securities or instruments. These factors may result in an Account being unable to realize full value for these securities and/or may result in an Account not receiving the proceeds from a sale of a high yield security for an extended period after such sale, each of which could result in losses to the Account. Because of the risks involved in investing in high yield securities, an Account that invests in such securities should be considered speculative. Please also see "Senior Loan Risk" for a description of certain other risks associated with high yield securities.

Inflation-Indexed Security Risk. Inflation-indexed debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the value of an inflation-indexed security, including Treasury inflation-protected securities, tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation or falling inflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the inflation index used (i.e., the Consumer Price Index ("CPI")) will accurately measure the real rate of inflation in the prices of goods and services. Because municipal and corporate inflation-indexed securities are a small component of their respective bond markets, they may be subject to liquidity risk.

Inflation and Deflation Risk. An Account may be subject to inflation and deflation risk. Inflation risk is the risk that the present value of assets or income of an Account will be worth less in the future as inflation decreases in the present value of money. Deflation risk is the risk that prices throughout the economy decline over time creating an economic recession, which could make issuer default more likely and may result in a decline in the value of a Fund's assets.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by an Account is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. A portfolio's average duration may not accurately reflect the interest rate risk of the portfolio, especially if the portfolio consists of securities with widely varying durations. Under current market conditions fixed income portfolios currently face a heightened level of interest rate risk because interest rates are at or near historically low levels. PIMCO may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. Additionally, any hedges may not work as intended. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates. Rising interest rates could also affect the value of an Account's investment in a PIMCO Fund. If rising interest rates cause a PIMCO Fund to lose enough value, the PIMCO Fund could face increased shareholder redemptions, which could force the PIMCO Fund to liquidate investments at disadvantageous times or prices, therefore adversely affecting the Account's investment in the PIMCO Fund.

Investments in the People's Republic of China. Certain Accounts that may invest in emerging market countries may invest in securities and instruments that are economically tied to the People's Republic of China ("PRC"). In determining whether an instrument is economically tied to the PRC, PIMCO uses the criteria for determining whether an instrument is economically tied to an emerging market country as set forth above under "Emerging Markets Risk." In addition to the risks listed above under "Foreign Investment Risk," including those associated with investing in emerging markets, investing in the PRC presents additional risks. These additional risks include (without limitation): (a) inefficiencies resulting from erratic growth; (b) the unavailability of consistently-reliable economic data; (c) potentially high rates of inflation; (d) dependence on exports and international trade; (e) relatively high levels of asset price volatility; (f) small market capitalization and less liquidity; (g) greater competition from regional economies; (h) fluctuations in currency exchange rates, particularly in light of the relative lack of currency hedging instruments and controls on the ability to exchange local currency for U.S. dollars; (i) the relatively small size and absence of operating history of many Chinese companies; (j) the developing nature of the legal and regulatory framework for securities markets, custody arrangements and commerce; and (k) uncertainty with respect to the commitment of the government of the PRC to economic reforms. As a result of PRC regulatory requirements, an Account may be limited in its ability to invest in securities or instruments tied to the PRC and/or may be required to liquidate its holdings in securities or instruments tied to the PRC. Under certain instances, such liquidations may result in losses for an Account.

Issuer Risk. The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

Leveraging Risk. Accounts may generate investment leverage by borrowing money. In addition, certain investment transactions may give rise to a form of leverage including, but not limited to, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions. The use of derivatives may also create leveraging risk. As a result, leveraging may cause an Account to set aside or liquidate portfolio assets to satisfy its obligations, including at times when it may be disadvantageous to do so. Leveraging, including borrowing, may cause an Account to be more volatile than if the Account had not been leveraged because leverage tends to exaggerate the effect of any increase or decrease in the value of an Account's portfolio securities and may lead to a loss in the Account in excess of the capital commitment.

Limited Assets Risk. When the value of an Account falls below the PIMCO minimum account size established by PIMCO for a particular strategy, PIMCO may be limited in pursuing the objectives of the Account. For example, PIMCO may be constrained in its ability to gain exposure to certain instruments because the allocation may not be meaningful (i.e., an odd lot allocation). Therefore, the Account may be less diversified than other accounts with assets that exceed the minimum account size. Similarly, the Account may have performance dispersion that is greater than other Accounts in the same investment strategy due to variations in portfolio holdings.

Liquidity Risk. Liquidity risk exists when particular investments are difficult to purchase or sell. An Account's investments in illiquid securities may reduce the returns of the Account because it may be unable to sell the illiquid securities at an advantageous time or price. Additionally, the market for certain investments or types of investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, an Account, due to potential limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain sector. Illiquid securities may be difficult to value, especially under changing market conditions.

Management Risk. Each actively managed Account is subject to management risk. PIMCO and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for actively managed Accounts, but there can be no guarantee that these decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing an Account. There also can be no assurance that all of the personnel of PIMCO, including the portfolio manager(s) for an Account, will continue to be associated with PIMCO for any length of time. The loss of the services of one or more key employees of PIMCO could have an adverse impact on an Account's ability to realize its investment objective.

Market Risk. The market price of securities owned by an Account may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities or credit markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The value of a security may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously even if the performance of those asset classes is not otherwise historically correlated. Investments may also be negatively impacted by market disruptions and by attempts by other market participants to manipulate the prices of particular investments.

Mortgage Loans Risk. Residential mortgage loans are secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. An Account may hold or be exposed to "non-prime" or "sub-prime" residential mortgage loans made to borrowers who have poor or limited credit histories and, as a result, do not qualify for traditional mortgage products. Non-prime and sub-prime mortgages have materially higher rates of delinquency, foreclosure and risk of loss. Commercial mortgage loans are generally secured by multi-family or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that may be greater than similar risks associated with residential mortgage loans that are secured by single-family residential property. The ability of a borrower to repay a loan secured by income-producing property is dependent primarily upon the successful operation of such property. If the net operating income of the property is reduced (as can occur as a result of property management decisions, competition from other properties and changes in law or regulation, among other factors), the borrower's ability to repay the loan may be impaired. Please see also "Mortgage-Related and Other Asset-Backed Securities Risk" and "Real Estate Risk" for a description of certain other risks associated with investing in mortgage loans.

Mortgage-Related and Other Asset-Backed Securities Risk. Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage- related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if an Account holds mortgage-related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an Account because the Account may have to reinvest that money at the lower prevailing interest rates. In addition, the creditworthiness, servicing practices, and financial viability of the servicers of the underlying mortgage pools present significant risks. For instance, a servicer may be required to make advances in respect of delinquent loans underlying the mortgage-related securities; however, servicers experiencing financial difficulties may not be able to perform these obligations. Additionally, both mortgage-related securities and asset-backed securities are subject to risks associated with fraud or negligence by, or defalcation of, their servicers. These securities are also subject to the risks of the underlying loans. In some circumstances, a servicer's or originator's mishandling of documentation related to the underlying collateral (e.g., failure to properly document a security interest in the underlying collateral) may affect the rights of security holders in and to the underlying collateral. In addition, the underlying loans may have been extended pursuant to inappropriate underwriting guidelines, to no underwriting guidelines at all, or to fraudulent origination practices. The owner of a mortgage-backed security's ability to recover against the sponsor, servicer or originator is uncertain and is often limited. An Account's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. Direct investments in mortgages and other types of collateral are subject to risks similar (and in some cases to a greater degree) than those described above.

Municipal Securities Risk. Municipal securities are issued by or on behalf of states, territories and possessions of the United States, and may be secured by the issuer's general obligations or by the revenue associated with a specific capital project. Both "general obligation" municipal bonds and "revenue" bonds are subject to interest rate, credit and market risk, and uncertainties related to the tax status of a municipal bond or the rights of investors invested in these securities. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. In addition, imbalances in supply and demand in the municipal market may result in a deterioration of liquidity and lack of price transparency in the market. At certain times, this may affect pricing, execution, and transaction costs associated with a particular trade. The value of certain municipal securities, in particular obligation debt, may also be adversely affected by right health care costs, increasing unfunded pension liabilities, changes in accounting standards, and by the phasing out of federal programs providing financial support.

Operational Risk. Accounts are subject to operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, fraud, failure in systems and technology, changes in personnel and errors caused by third-party service providers. These factors may result in losses to an Account.

Passive ETF Risk. Investments in exchange-traded funds ("ETFs") entail certain risks; in particular, investments in passive ETFs involve the risk that the ETF's performance may not track the performance of the index the ETF is designed to track. Unlike the index, an ETF incurs advisory and administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and the index it is designed to track also may diverge because the composition of the index and the securities held by the ETF may occasionally differ.

Portfolio Holdings Risk. PIMCO serves as investment adviser to various Funds, that may have investment objectives, strategies and portfolio holdings that are substantially similar to or overlap with those of an Account, and in some cases, the Funds may publicly disclose portfolio holdings. For example, portfolio holdings for PIMCO advised actively managed ETFs are required, by the terms of the applicable SEC exemptive relief, to be publicly disclosed each business day. Similarly, PIMCO serves as an investment adviser to Separate Accounts that may have investment objectives, strategies and portfolio holdings that are substantially similar to or overlap with those of an Account, and the Separate Account holdings that are disclosed to the Client or others under the terms of the Client's investment management agreement could be similar or identical to Account holdings. As a result, it is possible that other market participants may use such information for their own benefit, which could negatively impact an Account's execution of purchase and sale transactions.

Real Estate Risk. An Account that invests in real estate, real estate related securities or real estate-linked derivative instruments is subject to risks directly or indirectly associated with ownership of real estate generally. The real estate industry is extensively regulated and subject to frequent regulatory change. In addition, real estate investments are subject to a variety of inherent risks that may have an adverse impact on the values of, and returns (if any) from, such investments, including risks related to: lack of liquidity; difficulty in valuation; changes in local, national and international economic conditions; supply and demand; interest rate fluctuations; zoning laws; regulatory overlays; environmental liabilities; energy prices; title risks; the ongoing need for capital improvements; patent or latent defect in improvements; the ongoing need for capital improvements; availability of financing; bankruptcy and other credit risks of tenants, operating partners or other relevant parties; natural catastrophes, war, terrorism, and vandalism; risk of uninsurable losses; breach of contract relating to real estate; and the quality and strategy of third party operators, managers, servicers or controlling parties. An investment in a real estate investment trust ("REIT") or in a security or derivative instrument that is linked to the value of a REIT is subject to additional risks, such as poor performance by the manager of the REIT, adverse changes to the tax laws or failure by the REIT to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended. In addition, some REITs have limited diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property. Also, the organizational documents of a REIT may contain provisions that make changes in control of the REIT difficult and time-consuming. Investments in non-traded REITs are generally subject to greater risks than investments in publicly-traded REITs. An account or some of the REITs in which an Account may invest may be permitted to hold senior or residual interests in real estate mortgage investment conduits ("REMICs") or debt or equity interests in taxable mortgage pools ("TMPs"). An Account may also hold interests in "Re-REMICS", which are interests in securitizations formed by the contribution of asset backed or other similar securities into a trust which then issues securities in various tranches. An Account may participate in the creation of a Re-REMIC by contributing assets to the trust and receiving junior and/or senior securities in return. An interest in a Re-REMIC security may be riskier than the securities originally held by and contributed to the trust, and the holders of the Re-REMIC securities will bear the costs associated with the securitization. Please see also "Mortgage Loans Risk" and "Mortgage-Related and Other Asset-Backed Securities Risk."

Restricted Securities Risk. An Account's investments may include securities ("restricted securities") that have not been registered for sale to the public under the U.S. Securities Act pursuant to an exemption from registration. Restricted securities are generally only sold to institutional investors in private sales from the issuer or from an affiliate of the issuer. These securities may be less liquid than securities registered for sale to the general public. The liquidity of a restricted security may be affected by a number of factors, including: (i) the credit quality of the issuer; (ii) the frequency of trades and quotes for the security; (iii) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; (iv) dealer undertakings to make a market in the security; and (v) the nature of the security and the nature of marketplace trades. Also, restricted securities may be difficult to value because market quotations may not be readily available.

Securitization Risk. In connection with the acquisition, financing or disposition of certain investments, an Account may participate in the securitization of certain investments, including through the formation of one or more collateralized debt obligations, collateralized loan obligations or repackaged securities, while sometimes retaining the exposure to the performance of these investments. This would sometimes involve creating a special purpose vehicle, contributing a pool of assets to such special purpose vehicle (each, a "Securitized Vehicle"), and selling debt interests in such Securitized Vehicle to purchasers (including potentially other clients of PIMCO, which may result in conflicts of interest). An Account may retain equity of the Securitized Vehicle, together possibly with other tranches as well. In the case of loans or securities that the Securitized Vehicle has sold instead of retained, the Securitized Vehicle may be required to indemnify purchasers for losses or expenses incurred as a result of a breach of a representation or warranty. Any significant repurchases or indemnification payments could materially and adversely affect the liquidity, financial condition and operating results of the Securitized Vehicle and/or any Account which participated or invested in the securitization.

Senior Loan Risk. An Account that invests in senior loans may be subject to greater levels of credit risk, call risk, settlement risk, and liquidity risk, than Accounts that do not invest in such securities. These instruments are considered predominately speculative with respect to an issuer's continuing ability to make principal and interest payments, and may be more volatile than other types of securities. An economic downturn or individual corporate developments could adversely affect the market for these instruments and reduce an Account's ability to sell these instruments at an advantageous time or price. An economic downturn would generally lead to a higher non-payment rate and, a senior loan may lose significant market value before a default occurs. In addition, the senior loans in which an Account invests may not be listed on any exchange and a secondary market for such loans may be comparatively illiquid relative to markets for other more liquid fixed income securities. Consequently, transactions in senior loans may involve greater costs than transactions in more actively traded securities. Restrictions on transfers in loan agreements, a lack of publicly-available information, irregular trading activity and wide bid/ask spreads among other factors, may, in certain circumstances, make senior loans difficult to sell at an advantageous time or price than other types of securities or instruments. These factors may result in an Account being unable to realize full value for the senior loans and/or may result in an Account not receiving the proceeds from a sale of a senior loan for an extended period after such sale, each of which could result in losses to the Account. Senior loans may have extended trade settlement periods which may result in cash not being immediately available to an Account. If an issuer of a senior loan prepays or redeems the loan prior to maturity, an Account will have to reinvest the proceeds in other senior loans or similar instruments that may pay lower interest rates.

Short Position Risk. Short sales are subject to special risks. A short sale involves the sale by an Account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An Account may also enter into a short position, for example, through a forward commitment or a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the Account will incur a loss corresponding to the increase in price from the time that the short position was entered into plus any premiums and interest paid to the third party. Therefore, short positions involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment, especially in the case of leveraged short positions. Also, there is the risk that the third party to the short position may fail to honor its contract terms, causing a loss to the Account.

Small-Cap and Mid-Cap Company Risk. Investments in small-capitalization and mid-capitalization companies involve greater risk than investments in large-capitalization companies. PIMCO considers a small-cap company to be a company with a market capitalization of up to $1.5 billion and a mid-cap company to be a company with a market capitalization of between $1.5 billion and $10 billion. The value of securities issued by small- and mid-cap companies may go up or down, sometimes rapidly and unpredictably, due to narrower markets and more limited managerial and financial resources than large-cap companies and therefore may increase the volatility of the Account's portfolio.

Stable Value Risk. Although stable value investments seek to reduce the risk of principal loss, investing in such an option involves risk, including loss of principal. These risks could result in a decline of an Account's portfolio value or cause a withdrawal or transfer from the portfolio to occur at less than a participant's invested value. An investment in a stable value portfolio may be worth more or less than the original cost when redeemed. Diversification does not ensure against loss. Stable value investment contracts involve several unique risks, which include but are not limited to: a stable value investment contract issuer could default, become insolvent, file for bankruptcy protection, or otherwise be deemed by the plan's auditor to no longer be financially responsible; an event or condition outside the normal operation of the plan may occur (including but not limited to plan changes, employer bankruptcy, significant layoffs, plant closings, corporate spin-offs, divestitures, or restructurings); some portfolio securities could become impaired or default; or certain communications from the plan or the plan's agents may cause an investment contract to not pay benefits at contract value; or there could be a change in tax law or accounting rules. Any of these risks, if realized, may cause a write-down in the value of the Account and a risk of loss of all or a part of a participant's invested value in a Client's portfolio. Stable value pooled funds have similar risks and, additionally, the risk that the pooled fund may fail to make a timely payment to the Portfolio or may pay less than the Portfolio's invested value in the pooled fund.

State-Specific Risk. An Account that concentrates its investments in a particular state's municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of the state's issuers to pay interest or repay principal. Any provisions of the state's constitution and statutes which limit the taxing and spending authority of the state governmental entities may impair the ability of the state's issuers to pay principal and/or interest on their obligations. Each state's economy may be sensitive to economic problems affecting particular industries. Future state political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of the state's issuers.

Sub-Adviser Risk. In accordance with the terms of the applicable governing documents for a Separate Account or PIMCO Fund, PIMCO may from time to time utilize other investment advisers, which may or may not be affiliated with PIMCO (collectively, "Sub-Advisers"), for the purpose of participating in particular market opportunities that PIMCO believes can be effectively accessed and/or managed by such Sub-Advisers. In general, the methods of analysis and investment strategies undertaken on behalf of a Separate Account or PIMCO Fund will be subject to the same material risks whether performed by PIMCO or a Sub-Adviser. To the extent that PIMCO utilizes Sub-Advisers to effectuate the investment objectives of a Separate Account or PIMCO Fund, PIMCO may not be involved in the day-to-day management of such Separate Account or PIMCO Fund, and such Separate Account or PIMCO Fund will be subject to the possible defaults or misconduct of such Sub-Advisers. Although in some cases PIMCO may pay a Sub-Adviser's fees from fees that it receives from an Account, in other cases an Account may pay fees directly to the Sub-Adviser as well as to PIMCO.

Tax Risk. Tax laws and regulations applicable to an Account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Separate Account, Registered Fund, CIT or Private Fund.

Third Party Involvement Risk. An Account may hold a portion of its investments through partnerships, joint ventures, securitization vehicles or other entities with third-party investors (collectively, "joint ventures"). Joint venture investments involve various risks, including the risk that the Account will not be able to implement investment decisions or exit strategies because of limitations on the Account's control under applicable agreements with joint venture partners, the risk that a joint venture partner may become bankrupt or may at any time have economic or business interests or goals that are inconsistent with those of the Account, the risk that a joint venture partner may be in a position to take action contrary to the Account's objectives, the risk of liability based upon the actions of a joint venture partner and the risk of disputes or litigation with such partner and the inability to enforce fully all rights (or the incurrence of additional risk in connection with enforcement of rights) one partner may have against the other, including in connection with foreclosure on partner loans because of risks arising under state law. In addition, an Account may be liable for actions of its joint venture partners.

Turnover/Frequent Trading Risk. A change in the securities held by an Account is known as "portfolio turnover." Higher portfolio turnover is a result of frequent trading and involves correspondingly greater expenses to an Account, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also represent tax risk. The trading costs and tax risk associated with portfolio turnover may adversely affect an Account's performance. The use of futures or other forward settling derivatives may result in the appearance of higher portfolio turnover as positions are "rolled forward" in order to maintain a specific exposure. Accordingly, portfolio turnover rates may vary based on how such rates are calculated.

Valuation Risk. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had readily available market quotations been available for such securities. As a result, the values placed on such securities by PIMCO may differ from values placed on such securities by other investors and from prices at which such securities may ultimately be sold. Where appropriate, third-party pricing information, which may be indicative of, or used as an input in determining, fair value may be used, but such information may at times not be available regarding certain assets or, if available, may not be considered reliable. Even if considered reliable, such third-party information might not ultimately reflect the price obtained for that security in a market transaction, which could be higher or lower than the third-party pricing information. Disruptions in the credit markets have from time to time resulted in a severe lack of liquidity for many securities, making them more difficult to value and, in many cases, putting significant downward pressure on prices.

Value Investing Risk. Value investing attempts to identify companies that a portfolio manager believes to be undervalued. Value stocks typically have prices that are low relative to factors such as the company's earnings, cash flow or dividends. A value stock may decrease in price or may not increase in price as anticipated by PIMCO if it continues to be undervalued by the market or the factors that the portfolio manager believes will cause the stock price to increase do not occur. A value investing style may perform better or worse than equity portfolios that focus on growth stocks or that have a broader investment style.

ITEM 9. Disciplinary Information

PIMCO and its management persons have no reportable disciplinary history.

ITEM 10. Other Financial Industry Activities And Affiliations

Registration of Management Persons as Registered Representatives of a Broker-Dealer

Certain of PIMCO's management persons are registered, or have an application pending to register, as registered representatives of PIMCO's affiliated, registered broker-dealer, PIMCO Investments ("PI").

Registration as Commodity Pool Operator and Commodity Trading Advisor

PIMCO is registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a commodity pool operator and commodity trading advisor, and in certain circumstances qualifies as an exempt commodity pool operator. Certain of PIMCO's personnel are listed as principals of PIMCO and/or as associated persons of PIMCO with the CFTC.

Affiliations and Conflicts of Interest

We are committed to providing Clients with service of the highest quality and we are guided by the principle that we act in the best interests of our Clients. Nevertheless, there are circumstances where Client interests conflict with PIMCO's interests, the interests of our affiliates or the interests of other Clients. Some of these conflicts of interest are inherent to our business and are encountered by other large financial services firms that offer similar services. We have policies and procedures that are designed to address conflicts of interest.

Because we are majority owned by Allianz, a global financial services company, we are affiliated with various U.S. and non-U.S. investment advisers, broker-dealers and pooled investment vehicles, among other financial entities. For additional information regarding our affiliates, please refer to Appendix C. From time to time PIMCO may engage in business activities with some or all of these companies, subject to our policies and procedures governing how we handle conflicts of interest. We may use our affiliates to provide other services to our Clients in accordance with applicable law.

PIMCO provides advice for a number of Clients, including PIMCO affiliates. PIMCO may advise some Clients or take actions for them that differ from recommendations or actions taken for other Clients. PIMCO is not obligated to recommend to any or all Clients any investments that it may recommend to, or purchase or sell for, certain other clients. PIMCO's employees regularly share information, perceptions, advice and recommendations about market trends, the valuations of individual securities, and investment strategies, except where prohibited by ethical walls established by PIMCO or by applicable law or regulation. Persons associated with PIMCO may themselves have investments in securities that are recommended to Clients or held in Client accounts, subject to compliance with our policies regarding personal securities trading. Additional information regarding potential conflicts of interest arising from our relationships and activities with our affiliates is provided under Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

Broker-Dealers. Although we generally do not use affiliated broker-dealers to execute transactions for our Clients, we may, on occasion, execute agency trades with affiliated broker-dealers. Any such trades are executed in compliance with applicable laws, regulations and PIMCO policies. In addition, certain PIMCO products may be distributed by PI. PI is a limited purposes broker-dealer and currently serves as the distributor and principal underwriter of the PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO ETF Trust, and PIMCO Managed Accounts Trust. PI also provides services such as investor relations and marketing support for PIMCO managed closed-end funds, performs marketing and shareholder services with respect to certain offshore funds (such as PIMCO Funds: Global Investor Series plc), acts as placement agent for PIMCO private funds and provides marketing and shareholder services with respect to the CITs. PI may act as solicitor for certain Client Accounts (including the Wrap Programs). PIMCO employees who are involved in marketing or soliciting these products are also licensed, registered representatives of PI. These employees, in appropriate circumstances and consistent with Clients' objectives, may recommend to investment management Clients or prospective clients the purchase of shares in PIMCO Funds or other PIMCO-managed investment companies or pooled investment vehicles that PI distributes or underwrites. These investment companies or pooled investment vehicles may pay investment management and administrative fees to PIMCO, and may pay distribution and/or service fees to PI, including 12b-1 fees, sales loads, and/or contingent deferred sales charges. In addition to these fees and charges, PIMCO pays, from its own profits, a fee to PI for marketing and related services that PI provides to certain PIMCO-managed registered investment companies. Certain of PI's registered representatives are employees of PI, in which case such PI employees are also supervised persons of PIMCO. PI employees may receive commissions or other compensation for the sale of certain products, such as certain PIMCO-managed mutual funds and closed-end funds and Wrap Programs. The compensation may be paid at different levels for different products, which may provide an incentive to PI employees to promote, recommend or solicit the sale of a particular product over another. Pursuant to policy, no PI employee is permitted to promote, recommend or solicit the sale of one product over another solely because that product will provide higher revenue or compensation to the employee, PI or PIMCO.

Other Investment Advisers or Financial Planners. PIMCO acts as a subadviser for certain open-end registered investment companies sponsored by third parties. In addition, PIMCO and/or certain of the investment adviser affiliates listed in Appendix C (the "Investment Adviser Affiliates") may act as subadviser to accounts advised by the the Non-U.S. Advisers. Certain of the Non-U.S. Advisers may also provide administrative services in relation to accounts advised by PIMCO and/or the Investment Adviser Affiliates. Furthermore, in rendering investment management services to its Clients, PIMCO may use the resources of the Investment Adviser Affiliates to provide certain services, including but not limited to portfolio management, research and trading services. Client fees are allocated between PIMCO and/or the Investment Adviser Affiliate and the Non-U.S. Adviser, generally based on relevant U.S. and foreign tax laws and the types of services provided in the relevant jurisdiction.

In rendering investment management services to Clients, including U.S. registered investment companies, PIMCO may use the resources of the Non-U.S. Advisers to provide portfolio management, research and trading services to PIMCO clients. Under Memoranda of Understanding ("MOUs") between PIMCO and the Non-U.S. Advisers, each of the Non- U.S. Advisers are Participating Affiliates of PIMCO as that term is used in relief granted by the staff of the U.S. Securities and Exchange Commission (the "SEC") allowing U.S. registered advisers to use investment management and trading resources of unregistered advisory affiliates subject to the regulatory supervision of the registered adviser. Each Participating Affiliate and any of their respective employees who provide services to clients of PIMCO are considered under the MOUs to be "associated persons" of PIMCO as that term is defined in the Advisers Act for purposes of PIMCO's required supervision. The Participating Affiliates have agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment management services they provide for any PIMCO clients. To the extent an associated person of a Participating Affiliate has discretionary authority over the assets of a Client contracted with PIMCO, the Client will receive a brochure supplement for such associated person. The names and biographical information for other employees of the Participating Affiliates who provide services to Clients under an MOU is available upon request.

Sponsor or Syndicator of Limited Partnerships. PIMCO may from time to time manage assets for Allianz and other direct and indirect equity holders in Allianz Asset Management of America L.P. The amounts of such assets managed by PIMCO may from time to time be material to PIMCO's investment management business, and may present potential conflicts of interest relating to PIMCO's activities involving its affiliates, the allocation of PIMCO's personnel or other resources among Clients, trade allocations and other matters. Please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," for additional information.

Other Activities and Relationships. The employees of PIMCO and its affiliates may serve on the boards of directors of portfolio companies of investment management Clients. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of an investment management Client, and may increase the risk that the relevant Clients will be subject to control person liabilities. Any such conflicts will be handled on a case-by-case basis.

ITEM 11. Code Of Ethics, Participation Or Interest In Client Transactions and Personal Trading

Code of Ethics

We have implemented policies and procedures relating to, among other things, portfolio management and trading practices, personal investment transactions and insider trading that are designed to prevent or address conflicts of interest. Our policies and procedures, including the PIMCO Code of Ethics (the "Code"), are intended to help appropriately mitigate conflicts of interest with respect to Clients if they occur. The Code is available to any Client or prospective client upon request.

Our employees are required to follow the Code, which sets out standards of conduct and helps us detect and prevent or address potential conflicts of interest. The Code covers personal investment transactions of all employees and their immediate family members, which includes most persons sharing the same household as the employee. Although the Code permits employees to trade in securities for their own accounts, employees are required to follow the Code, which contains preclearance procedures, reporting requirements and other provisions that restrict trading by employees. Employees are required to disclose their personal brokerage accounts upon hire and submit duplicate broker account statements and confirmations. We also conduct an active monitoring program of personal trading. Employees must agree to use a broker-dealer that has been approved by our Compliance Department and must grant our Compliance Department access to personal brokerage account information.

Blackout Periods. Certain employees, such as certain employees that are involved in executing Client transactions or who are involved in researching or recommending securities, are subject to more restrictive trading prohibitions when such employee or the firm is also trading in the security for Clients.

Violations of the Code of Ethics. Any employee who violates the Code may be subject to remedial actions including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. Employees are required to annually certify compliance with the Code.

Gifts and Entertainment

Our Policy on Hosting Entertainment, Giving Gifts and Other Anti-Bribery Measures and our Policy Regarding the Receipt of Gifts and Entertainment limit the giving and receiving of certain gifts and entertainment by our employees. Our personnel occasionally may participate in or provide entertainment for legitimate business purposes, subject to applicable law and limitations set forth in our policies.

Political Contributions

PIMCO's policies prohibit PIMCO from making any political or charitable contributions for the purpose of obtaining or retaining potential or existing public clients or their personnel. Employees are permitted to make personal political or charitable contributions in accordance with applicable law and PIMCO's policies. Employees are required to obtain pre-approval before they (or their spouse or their dependent children) make any contributions to a political candidate, government official, political party or political action committee.

Potential Conflicts Relating to Advisory Activities

The results of our investment activities for a Client may differ significantly from the results achieved by us for other current or future Clients. We will manage the assets of a Client in accordance with the investment mandate and investment guidelines selected by such Client.

However, we may give advice, and take action, with respect to a Client that may compete or conflict with the advice we may give to, or an investment action we may take on behalf of, other Clients. For example, we may buy or sell positions for one Client while we are undertaking for another Client the same or a differing, including potentially opposite, strategy.

Similarly, our management of Client assets may benefit us or our affiliates. For example, we may buy or sell positions for one Client while we are undertaking for another Client the same or a differing, including potentially opposite, strategy. Similarly, our management of Clients may benefit us or our affiliates. For example, and as discussed further below, Clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which PIMCO or an affiliate, for itself or its clients, has an equity, debt, or other interest. In addition, to the extent permitted by applicable law, Clients may engage in investment transactions that may result in other Clients being relieved of obligations, or that may cause other Clients to divest certain investments. The purchase, holding, and sale of investments by Clients may enhance or reduce the profitability or increase or decrease the value of other Clients' investments. In addition, because certain of our Clients are affiliates of PIMCO, we may have incentives to resolve conflicts of interest in favor of certain Clients over others. This gives rise to certain potential conflicts of interest, as discussed in more detail below. We have established policies and related procedures that seek to identify, manage and/or mitigate such potential conflicts of interest.

Overview of Trade Aggregation and Allocation Process. PIMCO typically aggregates client orders where appropriate in an effort to obtain more favorable execution, to the extent permitted by the Clients' investment management agreements and applicable law. The overriding objective of our trade allocation policy is to achieve fair and equitable treatment of client accounts over time. We have adopted procedures that are designed to ensure that trade allocations are timely, that no set of trade allocations is accomplished to unfairly advantage one client over another and that over time our Clients are treated equitably, subject to any contractual or other considerations as may be applicable in the particular circumstance.

Fixed Income. Pursuant to these policies and procedures, we may, in appropriate circumstances, aggregate fixed income trades for a Client with trades in the same security for other Clients. We determine whether aggregation of such transactions is appropriate and allocate the securities among participating accounts with the general purpose of maintaining consistent concentrations across similar accounts in order to achieve, as nearly as possible, portfolio characteristic parity among such accounts. Accounts furthest from achieving a portfolio characteristic parity typically receive priority in allocations.

Equity. Pursuant to our policies and procedures, we may also, in appropriate circumstances, aggregate equity trades for a Client with trades in the same security for other Clients. If there are multiple orders in the same security placed at or around the same time and on the same terms (e.g., market order), the orders will be aggregated if it is determined that aggregation is consistent with our duty of best execution. With respect to orders for the same equity investment opportunity of limited availability, we allocate that equity investment opportunity based on the number of orders by each participating portfolio manager for his or her participating accounts. Allocations are then generally made on a pro rata basis by reference to the portion of the aggregate assets of the participating accounts. When transactions are aggregated and it is not possible, due to prevailing trading activity or otherwise, to receive the same price or execution on the entire volume of securities purchased or sold, the participating accounts will receive weighted average execution price and shall bear commissions, fees and charges pro rata.

Trade Allocation. Each portfolio manager allocates trades among his or her eligible accounts. In allocating trades, portfolio managers allocate orders across accounts with similar investment guidelines and investment styles fairly and equitably, taking into consideration relevant factors, including without limitation: applicable account investment restrictions and guidelines; regulatory restrictions; account-specific investment restrictions and other Client instructions; risk tolerances; amounts of available cash; the need to rebalance a Client's portfolio (e.g., due to investor contributions and redemptions); whether the allocation would result in an account receiving an amount lower than the typical transaction size or an "odd lot;" and other account-specific factors. On a regular basis, portfolio managers review all Client accounts to identify those whose current risk exposures and/or portfolio characteristics differ significantly from targets.

Some Private Funds or other Clients may be limited or restricted in their ability to participate in certain initial public offerings ("IPOs") pursuant to certain restrictions, such as IPO allocation rules issued by the Financial Industry Regulatory Authority, Inc. ("FINRA"). This may result in some Clients not being able to fully participate, or to participate at all, in such opportunities. The offering documents for relevant Private Funds contain more information about how investment opportunities may be allocated.

Trade Aggregation and Allocation Potential Conflicts of Interest. Although allocating orders among Clients may create potential conflicts of interest because we may receive greater fees or compensation (including performance fees or similar incentive compensation) from some Clients than other Clients, or because we may be affiliated or have other relationships with certain Clients, we will not make allocation decisions based on greater fees or compensation. Notwithstanding the foregoing, and considering our policy to treat all Clients fairly and equitably over time, any particular allocation decision among accounts may be more or less advantageous to any one Client or group of Clients and certain allocations may, to the extent consistent with our fiduciary obligations, deviate from a pro rata basis among Clients in order to address, for example, differences in legal, tax, regulatory, risk management, concentration, exposure and/or mandate considerations for the relevant Clients. We may determine that an investment opportunity or particular purchases or sales are appropriate for one or more Clients, but not for other Clients, or are appropriate for, or available to, Clients but in different sizes, terms, or timing than is appropriate for other Clients. We also may determine not to allocate to or purchase or sell for certain Clients all investment transactions for which all Clients may be eligible. In addition, regulatory issues applicable to PIMCO or one or more Clients may result in certain Clients not receiving securities that may otherwise be appropriate for them or may result in PIMCO selling securities out of Client accounts even if it might otherwise be beneficial to continue to hold them. Given all of the foregoing factors, the amount, timing, structuring, or terms of an investment by a Client may differ from, and performance may be lower than, investments and performance of other Clients, including those which may provide greater fees or other compensation (including performance-based fees or allocations) to PIMCO.

From time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all accounts seeking the investment opportunity or a Client may be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements or other factors. Also, an issuer in which Clients wish to invest may have threshold limitations on aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions (e.g., poison pills or other restrictions in organizational documents), which may have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable Clients to participate in the opportunity.

Wrap Program Allocations. Generally, a Wrap Program's fee arrangements include structural features, such as "all inclusive" fee arrangements that effectively discount commissions to zero on trades executed with the Sponsor or the Sponsor's designated broker-dealers in consideration of the Wrap Program fee paid. These arrangements cause transactions executed away from the Sponsor or the Sponsor's designated broker-dealer to be more costly to a Wrap Program Client from a commission viewpoint than the same order would be if not executed away. As a result, Wrap Program Clients may receive less favorable net prices or poorer executions than might be the case if PIMCO had full discretion to select broker-dealers to execute these transactions. However, with regard to transactions in fixed income securities, dealer spreads on such transactions are generally not included in Wrap Program fee arrangements. In such cases, PIMCO may aggregate fixed income securities orders among the Wrap Programs of different Sponsors and then execute such orders according to its trade allocation policy and procedures. Please see Item 12, "Brokerage Practices."

Potential Conflicts Relating to Non-Discretionary Advisory Services. We may provide non-discretionary investment management services, pursuant to which we may advise a Client with respect to purchasing, selling, holding, valuing, or exercising rights associated with particular investments. In these circumstances, we may not execute purchases or sales on behalf of the Client. Discretionary and non-discretionary Clients may hold the same or similar securities. Where PIMCO is given authority to execute transactions upon the approval of a non-discretionary Client, there may be timing differences related to the provision of advice to a non-discretionary Client for consideration and that Client's determination of whether or not to act on the advice. As a result, trades may be executed for discretionary Clients in advance of executions for non-discretionary Clients, potentially disadvantaging the non-discretionary Clients. Non-discretionary Clients may not be able to participate in aggregated transactions due to such timing differences. As a result, non-discretionary Clients may not be able to benefit from the most favorable price for a particular investment or may not be able to participate in certain investment opportunities. This may also occur with respect to trades executed for Non-Discretionary Wrap Programs where PIMCO provides a model portfolio to be analyzed and implemented by the Sponsor or another manager.

Inconsistent Investment Positions, Timing of Competing Transactions and Other Conflicts. From time to time, we may take an investment position or action for one or more Clients that may be different from, or inconsistent with, an action or position taken for one or more other Clients having similar or differing investment objectives. These positions and actions may adversely impact, or in some instances may benefit, one or more affected Clients, including Clients that are our affiliates, in which we have an interest, or which pay us higher fees or a performance fee. For example, a Client may buy a security and another Client may establish a short position in that same security. The subsequent short sale may result in a decrease in the price of the security that the first Client holds Similarly, transactions or investments by one or more Clients may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another Client.

When we implement for one Client a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies of another Client, market impact, liquidity constraints or other factors could result in one or more Clients receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased or such Clients could otherwise be disadvantaged. On the other hand, potential conflicts may also arise because portfolio decisions regarding a Client may benefit other Clients. For example, the sale of a long position or establishment of a short position for a Client may decrease the price of the same security sold short by (and therefore benefit) other Clients, and the purchase of a security or covering of a short position in a security for a Client may increase the price of the same security held by (and therefore benefit) other Clients.

Under certain circumstances, a Client may invest in a transaction in which one or more other Clients are expected to participate, or already have made or will seek to make, an investment. Such Clients (or groups of Clients) may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment and the timeframe for, and method of, exiting the investment. Further, potential conflicts may be inherent in our use of multiple strategies. For example, conflicts will arise in cases where different Clients invest in different parts of an issuer's capital structure, including circumstances in which one or more Clients may own private securities or obligations of an issuer and other Clients may own public securities of the same issuer. For example, a Client may acquire a loan, loan participation or a loan assignment of a particular borrower in which one or more other Clients have an equity investment, or may invest in senior debt obligations of an issuer for one Client and junior debt obligations of the same issuer for another Client.

We may also, for example, direct a Client to invest in a tranche of a structured finance vehicle, such as a collateralized loan or debt obligation, where we are also, at the same or different time, directing another Client to make investments in a different tranche of the same vehicle, which tranche's interests may be adverse to other tranches. We may also cause a Client to purchase from, or sell assets to, an entity, such as a structured finance vehicle, in which other Clients may have an interest, potentially in a manner that will have an adverse effect on the other Clients. There may also be conflicts where, for example, a Client holds certain debt or equity securities of an issuer, and that same issuer has issued other debt, equity or other instruments that are owned by other Clients or by an entity, such as a structured finance vehicle, in which other Clients have an interest. PIMCO may also cause Clients to invest in structured finance vehicles or other entities managed or serviced by PIMCO or to which PIMCO, its affiliates or other Clients contributed assets. This could lead to conflicts where, for example, Clients that own securities of the issuer may benefit from pursuing claims against the Clients or PIMCO affiliates that contributed assets.

In each of the situations described above, we may take actions with respect to the assets held by one Client that are adverse to the other Clients, for example, by foreclosing on loans or by putting an issuer into default. In negotiating the terms and conditions of any such investments, or any subsequent amendments or waivers, we may find that the interests of a Client and the interests of one or more other Clients could conflict. In these situations, decisions over items such as whether to make the investment, proxy voting, corporate reorganization, how to exit an investment, or bankruptcy or similar matters (including, for example, whether to trigger an event of default or the terms of any workout) may result in conflicts of interest. Similarly, if an issuer in which a Client and one or more other Clients directly or indirectly hold different classes of securities (or other assets, instruments or obligations issued by such issuer or underlying investments of such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it may be paid in full, whereas an equity or junior bond holder might prefer a reorganization that holds the potential to create value for the equity holders. Although in some cases

PIMCO may refrain from taking certain actions or making investments on behalf of Clients because of conflicts of interest or in order to prevent adverse regulatory or other effects on PIMCO, or may sell investments for certain Clients (in each case potentially disadvantaging the Clients on whose behalf the actions are not taken, investments not made, or investments sold), in other cases PIMCO will not refrain from taking actions or making investments on behalf of some Clients that have the potential to disadvantage other Clients.

As discussed in Item 17 "Voting Client Securities," PIMCO may have conflicts with respect to the exercise of proxies, consents and similar rights.

The foregoing is not a complete list of conflicts to which PIMCO or Clients may be subject. Any conflict of interest will be reviewed on a case-by-case basis. Any review will take into consideration the interests of the relevant Clients, the circumstances giving rise to the conflict and applicable laws. Clients (and investors in Funds) should be aware that conflicts will not necessarily be resolved in favor of their interests and may in fact be resolved in a manner adverse to their interests. PIMCO will attempt to resolve such matters fairly, but even so, matters may be resolved in favor of other Clients, including Funds, which pay PIMCO higher fees or performance fees or in which PIMCO or its affiliates have a significant proprietary interest. There can be no assurance that any actual or potential conflicts of interest will not result in a particular Client or group of Clients receiving less favorable investment terms in or returns from certain investments than if such conflicts of interest did not exist.

Conflicts like those described above may also occur between Clients, on the one hand, and PIMCO or its affiliates, on the other. These conflicts will not always be resolved in favor of the Client. In addition, because PIMCO is affiliated with Allianz, a large multi-national financial institution, conflicts similar to those described above may occur between clients of PIMCO and PIMCO's affiliates or Accounts managed by those affiliates. Those affiliates (or their clients), which generally operate autonomously from PIMCO, may take actions that are adverse to PIMCO's Clients. In many cases PIMCO will have limited or no ability to mitigate those actions or address those conflicts, which could adversely affect Client performance.

Performance-Based Fees and Side-By-Side Management. As discussed under Item 6, "Performance-Based Fees and Side-by-Side Management," we may manage different types of accounts having different fee arrangements. Side-by-side management of different types of accounts may raise potential conflicts of interest. Registered Funds, for example, generally pay management fees based on a fixed percentage of assets under management, while Separate Accounts and Private Funds may have more varied fee structures, including a combination of asset- and performance-based compensation (for example, carried interest) or wrap fees. Where (i) the actions taken on behalf of one Account may affect other similar or different Accounts (e.g., because such Accounts have the same or similar investment styles or otherwise compete for investment opportunities, have potentially conflicting investments or investment styles, or have differing ability to engage in short sales and economically similar transactions) and (ii) PIMCO and its personnel have different interests in such Accounts (e.g., PIMCO or its related persons are exposed to differing potential for gain or loss through different compensation structures – including circumstances where some accounts pay only asset-based fees while others are subject to performance-based or incentive fees or allocations), PIMCO may have an incentive to favor certain Accounts over others that may be less lucrative, or to favor Accounts in which it or its affiliates have a significant proprietary interest. Similarly, when PIMCO receives performance-based fees or allocations, or PIMCO personnel have a financial incentive to achieve gains in excess of the disincentive to suffer losses, PIMCO and/or such personnel may have an incentive to choose investments that are riskier or more speculative than might otherwise be chosen. Depending on the structure of the arrangement, performance-based fees and allocations may provide for compensation to PIMCO on unrealized gains, and may provide a financial disincentive to the client to terminate the advisory arrangement. To mitigate these conflicts, PIMCO's policies and procedures seek to provide that investment decisions are made based on the best interests of Clients and without consideration of PIMCO's (or such personnel's) pecuniary, investment or other financial interests.

Certain Principal Transactions in Connection with the Organization of a Private Fund. On occasion and subject to applicable law and a Private Fund's governing documents, PIMCO or a related person (including its affiliates, officers, directors or employees) may purchase investments on behalf of and in anticipation of opening a Private Fund to hold such investment. Such investments may be transferred to the Private Fund. Generally, to the extent permitted by law, the Private Fund would pay a market rate of interest and purchase the investment at cost. More information on these arrangements can be found in the offering documents of the particular Private Fund.

Potential Restrictions and Conflicts Relating to Information Possessed or Provided By PIMCO

Availability of Proprietary Information. In connection with its activities, certain persons within PIMCO may receive information regarding proposed investment activities for PIMCO and Clients that is not generally available to the public. There will be no obligation on the part of PIMCO to make available for use by a Client, or to effect transactions on behalf of a Client on the basis of, any such information. In many cases, such persons will be prohibited from disclosing or using such information for their own benefit or for the benefit of any other person, including Clients. Similarly, one or more Clients may have, as a result of receiving client reports or otherwise, access to information regarding PIMCO's transactions or views that are not available to other Clients, and may act on such information through accounts managed by persons other than PIMCO. Such transactions may negatively impact Clients through market movements or by decreasing the pool of available securities or liquidity. Clients may also be adversely affected by cash flows and market movements arising from purchase and sale transactions, as well as increases of capital in, and withdrawals of capital from, accounts of other Clients. These effects can be more pronounced in thinly traded securities and less liquid markets.

A potential conflict of interest may arise as a result of the portfolio manager's day-to-day management of an Account. Because of their positions with the Accounts, the portfolio managers know the size, timing and possible market impact of an Account's trades. It is possible that the portfolio managers could use this information to the advantage of other Accounts they manage and to the possible detriment of an Account.

Material Non-Public Information/ Insider Trading. From time to time, PIMCO personnel may come into possession of material, non-public information ("MNPI") which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, PIMCO personnel may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is a Client. Accordingly, should a PIMCO employee come into possession of MNPI with respect to an issuer, it may be prohibited from communicating such information to, or using such information for the benefit of, Clients, which could limit the ability of Clients to buy, sell or hold certain investments. PIMCO shall have no obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including Clients). We have implemented procedures, including those described below relating to information barriers, that prohibit the misuse of such information (e.g., illegal securities trading based on the information) by PIMCO, our employees and on behalf of our Clients. Similarly, no employee who is aware of MNPI which relates to any other company or entity in circumstances in which such person is deemed to be an insider or is otherwise subject to restrictions under federal securities laws may buy or sell securities of that company or otherwise take advantage of, or pass on to others, such MNPI.

Information Barriers. To control the flow of MNPI within the firm and to prevent its misuse, PIMCO has established policies and procedures that are designed to control receipt of MNPI and, where appropriate, erect information barriers. These information barriers may include, as dictated by the applicable facts and circumstances, the physical, technological and operational separation ("walling off") of certain of PIMCO's business units or personnel, as well as other policies and procedures designed to prevent the unauthorized access to, or dissemination of, MNPI.

Other Trading Restrictions. In addition, PIMCO maintains one or more restricted lists of companies whose securities are subject to certain trading prohibitions due to PIMCO's business activities. We may restrict trading in an issuer's securities if the issuer is on a restricted list or if we otherwise have MNPI about that issuer. An Account may be unable to buy or sell certain securities until the restriction is lifted, which could disadvantage the Account. In some cases we may not initiate or recommend certain types of transactions, or may otherwise restrict or limit our advice relating to certain securities if a security is restricted due to MNPI or if we are seeking to limit receipt of MNPI.

Other Potential Conflicts

Clients, Service Providers, and Vendors that Issue Securities. PIMCO and its affiliates provide a variety of services for, and render advice to, various Clients, including issuers of securities that PIMCO or its affiliates may recommend for purchase or sale to Clients. We may from time to time recommend to or purchase or sell on behalf of Clients, securities or other investment products in which PIMCO, its affiliates, or other related persons have a financial interest as the investment manager, broker-dealer, general partner, or trustee, or as a co-investor in such investment products. For instance, PIMCO may from time to time trade in investments issued by our Clients, or in investments issued by clients of PIMCO affiliates. A potential conflict may arise in such circumstances because PIMCO may be incentivized to favor its Clients that issue securities, or such clients of its affiliates, over the Client on whose behalf PIMCO is making the investment. Similarly, some of our service providers, certain distributors of our Funds, and/or vendors are issuers of securities that PIMCO may trade in from time to time. We may determine that it is in the best interests of our Clients to purchase securities issued by one of these entities. We may from time to time recommend that certain of our Clients file claims or threaten action against other parties. To the extent such party is a Client, service provider, distributor or other vendor, we may have a disincentive to recommend such action. It is PIMCO's general policy not to take into account the fact that an issuer is our Client, service provider, distributor, or vendor when making investment decisions.

PIMCO may cause a Client to utilize, transact with and pay compensation to, loan origination companies, operating partners, servicers, asset managers and other service providers that are owned by, or otherwise affiliated with, PIMCO or its affiliates (including other Clients). For example, a Client may acquire mortgages serviced by an affiliated servicer. There can be no guarantee that a Client's use of service providers affiliated with PIMCO will produce better results than those that could have been achieved through the use of unaffiliated service providers. Unless otherwise agreed to with a Client, payments to affiliated service providers will not reduce the advisory fees borne by such Client.

PIMCO and its affiliates may arrange for or provide financing or leverage for a Private Fund's investment program and/or investments.

PIMCO believes that the nature and range of clients to whom PIMCO's affiliates render investment banking and other services, as well as the nature and range of PIMCO's own Clients, is such that it generally would be inadvisable to exclude such Clients that are also issuers or that act as distributors of PIMCO products from a Client's portfolio. Accordingly, unless a Client instructs PIMCO or its affiliates to the contrary, it is likely that the Client holdings will include the securities of issuers for whom PIMCO or its affiliates perform investment management and other services. Moreover, Client portfolios may include the securities of companies in which PIMCO's affiliates make a market or in which PIMCO or its affiliates, its officers and employees and its affiliates' other related persons and their officers or employees have positions.

Co-Investments. PIMCO may from time to time offer co-investment opportunities to investors in its Private Funds and to third parties. PIMCO is under no obligation to provide co-investment opportunities to investors or its Clients, and any such co-investment opportunity may be offered to one or more third parties and/or some and not other investors. Co-investment opportunities will not necessarily be offered to Clients of PIMCO. Co-investment opportunities will be allocated as determined by PIMCO in its sole discretion, and any such allocations as between investors may not correspond to their pro rata interests in the relevant Private Fund or the size of their accounts. In determining such allocations, PIMCO may take into account any facts or circumstances it deems appropriate, including the size of the prospective co-investor's investment in the fund and any other PIMCO Funds; PIMCO's evaluation of the financial resources, sophistication, experience and expertise of the potential co-investor; the ability of any such co-investor to respond promptly and appropriately to potential investment opportunities; and any strategic value or other benefit to the Private Fund, other PIMCO Funds or PIMCO resulting from offering such co-investment opportunity to a prospective co-investor. Co-investments may result in conflicts between the Private Fund and other co-investors (for example, over the price and other terms of such investment, exit strategies and related matters, including the exercise of remedies of their respective investments). Furthermore, to the extent that the relevant Private Fund holds interests that are different (or more senior) than those held by such other co-investors, PIMCO may be presented with decisions involving circumstances where the interests of such co-investors are in conflict with those of the Private Fund.

Investments in Affiliated Funds. As noted above, if permitted by the relevant investment guidelines and applicable law, we may purchase for Accounts (including Wrap Program accounts) interests in mutual or other registered and unregistered funds or vehicles that are offered by PIMCO or its affiliates for short-term investment purposes (i.e., a cash management vehicle), as part of the Account's investment strategy, or when we otherwise believe it is in the relevant Client's best interest to do so. The details of any fee offsets, rebates or other reduction arrangements in connection with such investments are provided in the documentation relating to the relevant Account and/or underlying fund or vehicle. Wrap Program Clients should be aware that fee offsets may not always be offered where the Sponsor, or another manager within the Wrap Program, elects to invest in certain affiliated funds.

In choosing between funds and managers affiliated with PIMCO and those not affiliated with PIMCO, we may have a financial incentive to choose PIMCO-affiliated funds and managers over third parties by reason of the additional investment management, advisory and other fees or compensation we or our affiliates may earn. Under certain conditions, we may offset, rebate or otherwise reduce our fees or other compensation with respect to investments in PIMCO-affiliated funds and managers; however, this reduction or rebate, if available, will not necessarily eliminate the conflict, and PIMCO may nevertheless have a financial incentive to favor investments in PIMCO-affiliated funds and managers. Furthermore, although we may be permitted to invest in PIMCO-affiliated funds, Clients should not expect us to have better information with respect to such PIMCO-affiliated funds than other investors have. Even if we have such information we may not be permitted to act upon it in a way that disadvantages the other investors in such funds.

Managing Proprietary Capital. We generally do not actively trade or manage assets on our own behalf. We may, however, manage assets for our affiliates, including, as noted above in Item 10, insurance and other assets of our indirect parent company, Allianz and other Allianz affiliates. In addition, our affiliates may trade or manage assets on their own behalf. PIMCO employees are generally permitted to invest in funds and portfolios managed by us and/or our affiliates. From time to time, we may buy or sell the same securities and products for affiliated accounts that we also buy or sell for our Clients, or we may pursue investment strategies for our affiliated accounts that are the same as those of our Clients. We may serve as investment adviser to certain Funds where PIMCO, our employees, or an affiliate provided the initial investment, or seed capital. We may also from time to time recommend to or purchase or sell on behalf of Clients, certain Private Funds in which PIMCO, our affiliates or other related persons serve as the general partner, managing member, or trustee to the fund. If our affiliates invest in PIMCO Private Funds, we may maintain or hedge such exposure, to the extent we manage such affiliates' assets, by trading in another of our Private Funds or affiliated accounts or through other methods. The foregoing activities may give rise to a potential conflict of interest in the allocation of investment opportunities (such as limited offerings) as between our affiliates' accounts and our Accounts. As previously described, we have adopted trade allocation policies and procedures that seek to ensure fair and equitable access to investment opportunities for all Accounts. Additionally, in connection with our employee benefits plans, certain PIMCO employees, or employees of our affiliates, may hold interests in funds that we may recommend to or purchase or sell on behalf of Clients.

Related Persons. PIMCO is a related person of Allianz, our indirect parent, and as such, under certain circumstances may be restricted from entering into agency and other transactions with affiliates of Allianz. PIMCO has undertaken certain procedures to identify broker-dealers affiliated with Allianz and certain affiliates of Allianz. PIMCO has also adopted a policy to generally prevent the purchase of securities for certain of our Clients that have been issued by Allianz, its insurance company subsidiaries, or any control affiliate. In addition, PIMCO may be restricted from making certain investments on behalf of some (but not necessarily all) Clients as a result of these affiliations or as a result of PIMCO or its Clients owning a certain percentage of an underlying issuer. PIMCO may also be subject to additional restrictions based upon the particular characteristics of the account. In addition, these affiliates may take actions, on their own behalf or on behalf of their clients or other related persons, that are adverse to our Clients (including many of the actions discussed above). PIMCO will typically not have any advance knowledge of these actions by its affiliates and, even if it does, will typically not have any ability to influence its affiliates' actions.

Cross Trades. In an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities, we may execute cross trades, or sell a security for one of our Clients to another Client, without the use of a broker-dealer.

We will only perform a cross trade when it complies with our cross trade policy and procedures, when it is not prohibited under the applicable Client's investment restrictions or applicable law, and when we believe it is in the best interests of both the selling Account and the buying Account. However, cross trades present an inherent conflict of interest because we represent the interests of both the selling Account and the buying Account in the same transaction. As a result, Clients for whom we execute cross trades bear the risk that one counterparty to the cross trade may be treated more favorably by us than the other party, particularly in cases where the first party pays us a higher management or performance-based fee or allocation. Additionally, there is a risk that the price of a security bought or sold through a cross trade may not be as favorable as it might have been had the trade been executed in the open market. This could happen, for example, if market quotations used to determine the cross trade price do not reflect the price that would be obtained in an actual market transaction.

To address these and other concerns associated with cross trades, our policy generally requires that cross trades be effected at the independent "current market price" of the security, as determined by reference to independent third party sources, and that we will execute cross trades only in the best interests of the buying Account and the selling Account. Under certain circumstances we may execute cross trades on behalf of our Private Funds in investments that do not have an independent current market price. Under our policy, cross trades are currently not permitted in Accounts that are subject to ERISA. We may not engage in cross trades for Accounts in which we act as principal in the transaction.

For regulatory or other reasons we may choose not to execute cross trades for one or more Clients, which could disadvantage those Clients as compared to Clients for whom we perform cross trades.

Allocation of PIMCO Resources. In order for us to adhere to applicable fiduciary obligations to our Clients as well as to address and/or mitigate conflicts of interest or regulatory issues, it may not be possible or appropriate to make available all of our resources that might be relevant to particular investment decisions by the investment professionals responsible for a particular portfolio or investment program. Such restrictions could result in such investment professionals making investment or other decisions for a particular portfolio or investment program that are different from the decisions they would make if there were no such limits or restrictions. Although our personnel will devote as much time to each portfolio and investment program as we deem appropriate, they may have conflicts in allocating their time and services among each portfolio and investment program and the other accounts now or in the future advised by us and/or our affiliates.

PI registered representatives may receive differing levels of compensation from the sale of various products (including Wrap Programs), which may create conflicts of interest. Under policies applicable to all registered representatives of PI, no registered representative is permitted to recommend one Fund or Wrap Program over another solely because the recommended Fund or Wrap Program will provide higher revenue or compensation to PIMCO, PI, or to the registered representative.

Investments By Our Employees and Affiliates. Certain of our qualified employees and affiliates may invest in vehicles managed by us (or our affiliates) either through general partner entities or as limited partners, shareholders or otherwise. These vehicles may in their discretion reduce all or a portion of the management fee, performance allocation, or other costs and expenses related to the investments held by such persons.

ITEM 12. Brokerage Practices

We have policies and procedures to help ensure that our trading practices are conducted in our Clients' best interests.

PIMCO's Broker-Dealer Selection Process

An important aspect of our discretionary investment management services includes the selection of broker-dealers. It is our policy to seek to obtain the best execution on Client transactions. We seek to select broker-dealers and route orders to broker-dealers based on our evaluation of the broker-dealer's ability to achieve best execution of Client transactions and the level of commissions or other compensation charged by the broker-dealers, among other relevant factors. When we select broker-dealers and determine the reasonableness of their compensation, we consider the price of the security, any mark-up or mark-down on the security, and/or any commission paid to the broker-dealer (including, as relevant to a particular Wrap Program, the extent to which the Wrap Program fee includes commissions or commission equivalents when executed through the Sponsor or a designated broker-dealer while transactions executed away from the Sponsor or the Sponsor's designated broker-dealer may incur these and other expenses), as well as the broker-dealer's ability to provide favorable execution services for the transaction under the circumstances. Complicated high volume transactions in securities, derivatives, or other investments require a broker-dealer with a higher level of competence and infrastructure to help ensure Client transactions are executed without error, delay or needless expense. As a result, in selecting broker-dealers, we may take into account many factors, including but not limited to the following: the likelihood of execution within a desired time frame, market conditions, the ability and willingness of a broker-dealer to execute in desired volumes, responsiveness, the ability of a broker-dealer to act on a confidential basis, the ability of a broker-dealer to act with minimal market effect, the creditworthiness of a broker-dealer in relation to risk created by the transaction, the level and experience of operational coordination between the broker-dealer and PIMCO, the willingness and ability of the broker-dealer to make a market in particular securities, the broker-dealer's reputation for ethical and trustworthy behavior, infrastructure, the willingness of a broker-dealer to commit capital to a particular transaction, the market knowledge of the broker-dealer, the ability of a broker-dealer to execute difficult transactions in unique and/or complex securities, the adequacy and reliability of recordkeeping, whether the broker-dealer treats PIMCO fairly in resolving disputes, any contractual arrangements with the broker-dealer, whether the broker-dealer can provide access to underwritten offerings and secondary markets, and, under appropriate circumstances, the availability of research and brokerage services provided by the broker-dealer. In addition, we periodically and systematically review the execution performance of the broker-dealers we use to execute Client trades.

Soft Dollars. Under current regulations, an investment manager may cause clients to pay a broker-dealer effecting a securities transaction a commission (which includes a markup, markdown, commission equivalent or other fee) that is higher than the commission another broker-dealer might have charged if the investment manager determines in good faith that the commission paid was reasonable given the research and/or brokerage services provided by the broker-dealer. An investment manager is typically in a position to make the necessary determination with agency transactions in equity securities and in other circumstances where there is sufficient transparency to objectively determine the transaction price and commission (e.g., where the commission and transaction price are fully and separately disclosed on the confirmation and the transaction is reported under conditions that provide independent and objective verification of the transaction price), which currently does not exist generally with principal transactions in fixed income securities. Specifically, Section 28(e) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), permits investment managers such as PIMCO to cause a Client to pay a broker-dealer a commission that is higher than another broker-dealer might have charged when the investment manager believes that is reasonable given the value of any research and/or brokerage services provided by the broker-dealer that provide lawful and appropriate assistance to the investment manager in its investment decision-making or trade execution processes. In such circumstances, the investment manager may be deemed to be paying for such research and/or brokerage services with client commissions (sometimes called "soft dollars"). PIMCO generally does not negotiate specific soft dollar commission payment amounts with broker-dealers or have arrangements with broker-dealers under which a specified portion of a commission is set aside for PIMCO to use in paying for third-party research and/or third-party brokerage services. Nevertheless, broker-dealers may and do provide PIMCO with research and/or third-party brokerage services, including, among other things, research reports, analyses of credit, economic and market data, access to broker-dealer research analysts and analyst earnings estimates, which may be created or developed by the broker-dealer, including at our request. There may be circumstances where PIMCO may determine that it is appropriate to use a broker-dealer that has provided research on a topic of interest or other products or services and to pay commissions higher than those charged by other broker-dealers in return for such benefits. PIMCO may do this when it believes a higher commission is reasonable given the value of the research or brokerage services received. From time to time PIMCO may ask, or may accept certain offers from, brokers to arrange for meetings with senior management of corporate issuers. In such instances, PIMCO compensates the broker directly for any agreed upon costs and does not pay for such services with client commissions. When PIMCO believes a number of broker-dealers are capable of providing best execution for Client transactions and PIMCO has negotiated commission rates with those broker-dealers that are similarly favorable to Clients, we may select a broker-dealer that provides us with research or brokerage services that, in our view, offers value in connection with our investment decision-making and trading processes. Research or other brokerage services received may not always be used by or for the benefit of the Client that pays the commissions used to obtain the research or brokerage services.

In selecting broker-dealers that provide research or brokerage services that are paid for with soft dollars, potential conflicts of interest may arise between PIMCO and its Clients because PIMCO does not produce or pay for these research or brokerage services, but rather uses brokerage commissions generated by Client transactions to pay for them. In addition, PIMCO may have an incentive to select a broker-dealer based upon the broker dealer's research or brokerage services instead of the broker-dealer's ability to achieve best execution.

Brokerage for Client Referrals. PIMCO does not consider as a factor in selecting or recommending broker-dealers, whether it or a PIMCO affiliate receives client referrals from the broker-dealer. However, PIMCO may execute transactions through Wrap Program Sponsors or other broker-dealers that also bring clients to PIMCO. Additionally, as noted below, a Client may direct PIMCO to use the services of a particular broker-dealer in executing transactions for that Client's account. In some cases, the directed broker may have recommended PIMCO as a manager for that account.

Directed Brokerage. Some Clients may direct us to use specific broker-dealers for their Account transactions. If a Client directs us to use a specific broker-dealer, it may lose any discounts that we may negotiate on aggregated transactions, it may pay higher transaction costs or brokerage commissions, and we may be unable to achieve the most favorable execution. We typically can negotiate better prices or terms with broker-dealers when we include a Client's trade as part of a larger block of Clients trading the same security. A Client might also not be able to participate in certain investment opportunities because Client's broker-dealer may not have access to certain securities, such as new issues or limited inventory bonds. For many securities, it is often to a Client's advantage to transact with the broker- dealer who is a known market-maker in the security. Directing us to use a particular broker-dealer might also affect the timing of a Client's transaction. There may be times when we may not trade with a Client's directed broker-dealer until all non-directed brokerage orders are completed and this can result In the Client's order being executed on less favorable terms than we obtain for non-directed orders. In addition, not all broker- dealers have the systems or expertise to effectively process transactions that may be beneficial for an Account. An Account also may achieve lower returns compared to accounts of Clients that do not ask us to use a specific broker-dealer.

As discussed above, Wrap Program fees typically include transaction- specific commissions on agency trades executed by the Sponsor or a broker-dealer designated under the Wrap Program (i.e., such trades executed through the Sponsor or designated broker-dealer are effectively at a zero commission rate), but generally do not include dealer commissions, commission equivalents or spreads on fixed income security transactions. PIMCO will typically execute fixed income security transactions for Wrap Program Client accounts according to its trade allocation policy and procedures, which will in most cases result in such trades being executed away from the Sponsor or its designated broker-dealer. Discretionary Wrap Program Clients generally will pay transaction-specific commissions, commission equivalents or spreads on such trades in addition to the Wrap Program fees. These transaction fees or charges may be separately charged to the Client's account or reflected in the security net price paid or received. Transactions in mutual fund shares will typically be submitted directly to the transfer agent or distributor of the mutual fund. To the extent PIMCO invests in securities other than fixed income securities, or mutual funds for a Discretionary Wrap Program Client, it is anticipated that PIMCO will typically effect a large percentage of those transactions for a Discretionary Wrap Program Client's account with the Sponsor or its designated broker-dealer. In some Wrap Programs, PIMCO may be prohibited from effecting transactions away from the Sponsor or the designated broker-dealer or a Wrap Program Client may direct that the Sponsor or the designated broker- dealer be used.

Counterparty Review Process. Our Counterparty Risk Committee evaluates the creditworthiness of our counterparties on an ongoing basis. For certain transactions (such as commercial real estate transactions) we may evaluate the creditworthiness of a counterparty in the context of the transaction rather than having the counterparty considered by the Counterparty Risk Committee. In addition to information provided by credit agencies, our team of experienced credit analysts evaluates each approved counterparty using various methods of analysis, including company visits, earnings updates, the broker-dealer's reputation, our past experience with the broker-dealer, market levels for the counterparty's debt and equity, the counterparty's liquidity and its share of market participation.

Claims Policy. From time to time custodians or broker counterparties may make a claim or claim payment in connection with transactions entered into by PIMCO for an Account. Claim payments are typically transaction expenses assessed by custodian banks as overdraft charges or broker counterparties for compensation related to the counterparty's use of funds or other related claims unique to certain markets. PIMCO maintains policies and procedures addressing such claims. Generally, unless PIMCO is responsible for the fail or claim, we will not reimburse an Account and will treat the fail or claim as an unrecoverable cost of doing business if it is less than $500. Any claims over $500 are reviewed to determine the source of the charge for appropriate resolution.

Foreign Currency Transactions. In managing an Account PIMCO may engage in foreign currency transactions. Where available, we believe it is in a Client's best interests to deal directly with a broker-dealer; however, third party transactions may not be available for certain emerging market or certain restricted foreign currencies. In these instances, we may trade foreign currency through a Client's custodian via fax and/ or standing instructions. We will not be responsible for overseeing charges of or execution quality provided by a Client's custodian; Clients should contact their custodians directly for this information.

Aggregation of Orders

Please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," for a discussion of our trade aggregation policies.

Trade Errors. Trade errors ("Trade Errors") may occur in connection with PIMCO's management of Accounts and PIMCO Funds. PIMCO has policies and procedures that address identification and correction of Trade Errors, consistent with applicable standards of care and any relevant offering documents. PIMCO makes its determinations regarding Trade Errors pursuant to its policies and procedures on a case-by-case basis, in its discretion. Not all mistakes or other issues will be considered Trade Errors, and not all Trade Errors will be considered compensable to the Account or PIMCO Fund.

When PIMCO determines that reimbursement is appropriate, the Account or PIMCO Fund will be compensated as determined by PIMCO in its discretion. Resolution of Trade Errors may include, but is not limited to, permitting Accounts and PIMCO Funds to retain gains or reimbursing Accounts or PIMCO Funds for losses resulting from the Trade Error. The calculation of the amount of any loss will depend on the particular facts surrounding the Trade Error, and the methodology used by PIMCO may vary. Compensation is generally expected to be limited to direct and actual monetary losses (in certain circumstances, net of any associated gains) and will not include any amounts that PIMCO deems to be uncertain or speculative, nor will it cover investment losses not caused by the Trade Error or other opportunity costs.

ITEM 13. Review Of Accounts

PIMCO strives to ensure compliance with a Client's investment guidelines consistent with its fiduciary responsibility to manage the Client's portfolio in the best interest of the Client. Accordingly, PIMCO maintains a proprietary compliance system that captures the investment parameters from each Client's guidelines and facilitates automated pre- and post-trade testing for compliance with those parameters. PIMCO's account managers also work closely with the portfolio management team to make sure each Client's guidelines are implemented where applicable. As part of the review process, account managers review key risk characteristics (e.g., portfolio duration) across all of their portfolios for consistency as compared with firm- wide targets for each of our investment strategies and discuss any potential issues with the relevant portfolio managers.

Reviews of Accounts also occur when investment strategies and objectives are changed by the Client or PIMCO and when significant events occur that are expected to affect the value of the Accounts. PIMCO furnishes to Separate Account Clients written quarterly reports concerning their Accounts. Separate Account reports may include a detailed inventory of all holdings, a performance summary, a written review of past and present strategy together with a current economic forecast and statistical portfolio analyses. Monthly accounting reports are also provided upon request by Separate Account Clients.

For Wrap Program Clients, Account reviews and reports may differ and are discussed in Item 4.

ITEM 14. Client Referrals And Other Compensation

Compensation from Non-Clients

From time to time, PIMCO or its affiliates, financial firms or their affiliated companies for certain services, including technology, operations, tax or audit consulting services, may pay or reimburse financial firms for certain technology enhancements relevant to selling or servicing the Funds, and may pay such firms for permitting PIMCO to attend investment forums and conferences sponsored by such consultants, or for access to studies, surveys, industry data, research and access to information about, and contact information for, particular financial advisors who have sold, or may in the future sell, shares of the Registered Funds (i.e., "leads"). If permitted by an Account's documentation or organizational documents, PIMCO may cause a Client to pay for these services. In addition, we may engage consultants for investment-related consulting services, including in connection with the identification, analysis and execution of investment opportunities or to provide overall strategic guidance for certain Clients. These consulting firms may include our Clients or their affiliates. We may execute brokerage transactions for our Clients with such investment consultants or their affiliates. These consultants or their affiliates may, in the ordinary course of their business, recommend that their clients ("Consultant Clients") hire us or invest in products that we, or one of our affiliates, sponsor. In some circumstances, a Consultant Client might not compensate PIMCO directly. Rather, PIMCO may be compensated by the Consultant Client's investment consultant or its affiliates out of fees paid by the Consultant Client to the consultant or its affiliates.

Referral and Other Compensation Arrangements

Although not a general practice, PIMCO may, from time to time, pay compensation for client referrals. To the extent required by law, we require that the person referring a client to us (the "Referral Agent") enter into a written agreement with us. Under this written agreement, the Referral Agent would be obligated to provide the prospective client with a separate disclosure document before an Account is opened for such prospective client. This separate disclosure document provides the prospective client with information regarding the nature of our relationship with the Referral Agent and any referral fees we pay to such Referral Agent. Referral fees are paid by PIMCO and not by our clients.

PIMCO employees and employees of affiliates of PIMCO, as well as persons unaffiliated with PIMCO, may serve as Referral Agents and may be compensated by us or our affiliates for referral activities. However, when our employees or affiliates serve as Referral Agents, we will not necessarily provide the separate disclosure document mentioned above. PIMCO, the Registered Funds and/or PI may also pay various fees to broker-dealers and other financial intermediaries that provide distribution and other services related to such funds, including but not limited to distribution and servicing fees payable in connection with plans adopted pursuant to Rule 12b-1 under the 1940 Act, upfront commissions on sales of certain classes of the Registered Funds, administrative, recordkeeping, sub-accounting and/or networking fees, marketing support payments and payments in support of training and educational seminars sponsored by such financial intermediaries, as well as occasional tickets to events or other entertainment, meals, as well as small gifts to such firms' representatives and charitable contributions to charitable organizations to the extent permitted by applicable law, rules and regulations. In addition, a Private Fund may contract with one or more broker-dealers or placement agents to assist in the placement of interests in such Private Fund. Information about any such engagement, including the compensation payable by PIMCO and/or the Private Fund to the broker-dealer or placement agent, is disclosed in the Private Fund's offering documents or is otherwise disclosed to the relevant investors. Similarly, with respect to investment consultants we may engage from time to time, as described above, if any referral arrangements existed between PIMCO and such consultants, we would require the consultant to disclose to clients any compensation they receive for their referrals. Currently, no such referral arrangements are in place between PIMCO and any investment consultants or their affiliates.

ITEM 15. Custody

We do not act as a custodian for Client assets. However, under Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), PIMCO may be deemed to have custody of Client assets in certain instances.

In the case of Registered Funds and Private Funds advised by PIMCO, such Funds have made arrangements with qualified custodians as disclosed in the relevant offering and other Fund documents.

In the case of Separate Accounts, appointment of a custodian is a prerequisite to PIMCO's management of Client assets. Clients must select and appoint their own custodian, whose services and fees will be separate from our fees. Clients are responsible for independently arranging for all custodial services, including negotiating custody agreements and fees and opening custodial accounts. We have a process to confirm that custodians selected by Separate Accounts satisfy the requirements applicable to qualified custodians. For Separate Accounts where we are deemed to have custody, we confirm on an annual basis that each Separate Account's custodian sends required periodic account statements. Whether PIMCO is deemed to have custody or not, if a Separate Account Client does not receive its custodian statements, the Client should contact its PIMCO account representative and we will work with the Client and the Client's custodian to ensure that the Client receives this information. Clients should carefully review their custodian statements to ensure they reflect appropriate activity in their Account. Separate Accounts may also receive statements from PIMCO. Clients should compare the account statements that they receive from their qualified custodian with those that they receive from PIMCO. If there are discrepancies between a Client's custodian statement and their PIMCO account statement, Clients should contact their custodian or PIMCO account representative for more information.

In the case of Wrap Programs where PIMCO contracts directly with the Wrap Program Client for services, PIMCO generally will not be deemed to have custody of such Wrap Program Client's assets. The Sponsor or a qualified custodian will send required periodic account statements to Wrap Program Clients in such Wrap Programs. The Wrap Program Client should carefully review the custodian statements to ensure they reflect appropriate activity in the Wrap Program account. Such Wrap Program Clients may also receive statements from PIMCO, and they should compare the account statements received from the qualified custodian with those received from PIMCO.

ITEM 16. Investment Discretion

PIMCO provides discretionary investment management services to a Client only if the Client or its agent and PIMCO have signed a written investment management agreement or other document showing the Client's grant of discretion or other authority for its portfolio. PIMCO generally receives discretionary authority from Clients (or a Client's agent, such as the Sponsor in the context of Discretionary Wrap Programs) to select, and to determine the quantity of, securities or financial instruments to be bought or sold for the Client's portfolio. In exercising its discretionary authority to make investment decisions for a Client's portfolio, PIMCO adheres to the investment policies, limitations and restrictions of the portfolio. For Wrap Program Accounts, PIMCO's discretionary authority is limited by the selected mandate's investment strategy and may be further limited by reasonable, client- imposed restrictions, as described in Item 4. With respect to certain Accounts, such as Registered Funds, PIMCO's authority to trade securities may also be limited by certain securities, tax, and other laws that may, for example, require diversification of investments and impose other limitations.

Unless otherwise instructed by a Client, PIMCO typically utilizes Agency Ratings for purposes of credit quality limitations or, in the absence of such ratings, Internal Ratings. A Client may authorize PIMCO to utilize Internal Ratings as a primary credit quality source. In such instances, a Client may allow PIMCO to invest in securities or financial instruments that have Agency Ratings that are lower than those permitted by the Client's guidelines (if the Internal Rating is higher than the Agency Rating).

As discussed in Item 4, "Non-Discretionary and Consulting Services," PIMCO also furnishes investment management services to some Clients on a non-discretionary basis, which may include, without limitation, evaluation and risk assessment of Client portfolios.

ITEM 17. Voting Client Securities

PIMCO's Proxy Voting Policies and Procedures

PIMCO has adopted written proxy voting policies and procedures (the "Proxy Policy") as required by Rule 206(4)-6 under the Advisers Act. In addition to covering the voting of equity securities, the Proxy Policy also applies generally to voting and/or consent rights of fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights of fixed income securities including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemptions and Dutch auctions. The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights are exercised in the best interests of Clients, including Funds and their shareholders.

With respect to the voting of proxies relating to equity securities, PIMCO has selected an unaffiliated third-party proxy research and voting service ("Proxy Voting Service"), to assist us in researching and voting proxies. With respect to each proxy received, thenProxy Voting Service researches the financial and other implications of the proposals and provides a recommendation to PIMCO as to how to vote on each proposal based on the Proxy Voting Service's research of the individual facts and circumstances and the Proxy Voting Service's application of its research findings to a set of guidelines that have been approved by PIMCO. Upon the recommendation of the applicable Account's portfolio manager(s), PIMCO may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does notnprovide a recommendation with respect to a proposal, PIMCO may determine to vote on the proposals directly.

With respect to the voting of proxies relating to fixed income securities, PIMCO's Credit Research Group is responsible for researching and issuing recommendations for voting proxies. With respect to each proxy received, the Credit Research Group researches the financial implications of the proxy proposal and makes voting recommendations specific for each Client Account that holds the related fixed income security. PIMCO considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Credit Research Group. In the event that the Credit Research Group does not provide a recommendation with respect to a proposal, PIMCO may determine to vote the proposal directly.

PIMCO may determine not to vote a proxy for an equity or fixed income security if: (1) the effect on the applicable account's economic interests or the value of the portfolio holding isninsignificant in relation to the account's portfolio; (2) the cost of voting the proxy outweighs the possible benefitnto the applicable account, including, without limitation, situations where a jurisdiction imposes share blocking restrictions that may affect the ability of the portfolio managers to effect trades in the related security; or (3) PIMCO otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy. PIMCO will also not vote a proxy for any instrument that PIMCO did not purchase on a Client (e.g., a short-term investment fund), which is not subject to PIMCO's supervision under the investment management agreement. In addition, voting proxies of issuers in non-U.S. markets may give rise to a number of administrative issues that may prevent PIMCO from voting proxies within these jurisdictions. For example, PIMCO may receive meeting notices without enough time to fully consider the proxy or after the cut-off date for voting. Other markets may require PIMCO to provide local agents with power of attorney prior to implementing PIMCO's voting instructions. Although, except as described above, it is PIMCO's policy to vote all proxies for securities held in Client Accounts for which PIMCO has voting authority, in the case of non-U.S. issuers, PIMCO votes proxies on a best efforts basis.

In the event that the Proxy Voting Service or the Credit Research Group, as applicable, does not provide a recommendation or the portfolio manager(s) of an Account proposes to override a recommendation by the Proxy Voting Service, or the Credit Research Group, as applicable, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable Account or among PIMCO-advised accounts. If no material conflict exists, the proxy will be voted according to the portfolio manager's recommendation. If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable Account, as provided by the Proxy Policy. The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and an Account, the Proxy Policy permits PIMCO to either: (i) convene a committee to assess and resolve the conflict (the "Proxy Conflicts Committee"); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Committee and/or other relevant procedures approved by PIMCO's Legal and Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between one or more PIMCO-advised accounts, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two Accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each Account's best interests if the conflict exists between accounts managed by different portfolio managers. These conflicts can favor one Client over another, or favor PIMCO over a Client. This may also result in PIMCO exercising proxies or consents for some Clients in a different manner than it does for other Clients. Similarly, PIMCO may exercise investment decision consents differently for some Clients than for others. For additional information regarding such potential conflicts, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading." PIMCO will supervise and periodically review its proxy voting activities and the implementation of the Proxy Policy.

Except as required by law, PIMCO will not disclose to third parties how it voted on behalf of a Client. However, upon request from an appropriately authorized individual, PIMCO will disclose to its Clients how PIMCO voted such Client's proxy. In addition, a Client may obtain copies of PIMCO's Proxy Policy and information as to how its proxies have been voted by contacting PIMCO.

Alternative Proxy Voting Arrangements

With respect to those Client portfolios for which PIMCO is not authorized to vote proxies or to give consents in connection with corporate actions, such Clients should arrange to receive proxy solicitation materials directly from their custodian. If Clients have questions with respect to a particular proxy solicitation, please contact your PIMCO account representative. In certain Wrap Programs, PIMCO may not be delegated the responsibility to vote proxies held by the Wrap Program accounts and, instead, the Sponsor or another service provider will generally vote such proxies. Clients in such Wrap Programs should contact the Sponsor for a copy of the Sponsor's proxy voting policies.

ITEM 18. Financial Information

Because PIMCO does not require or solicit prepayment of more than $1,200 in fees per Client six months or more in advance, this item is inapplicable to us.

Appendix A Principal Owners

The following affiliated entities own 25% or more of PIMCO indirectly.

Principal Owner of PIMCO	Entity in Which Interest is Owned
Allianz SE	Allianz Europe B.V.
Allianz Europe B.V.	Allianz of America Inc.
Allianz of America Inc.	Allianz Asset Management of America LLC
Allianz Asset Management of America LLC	Allianz Asset Management of America L.P.
Allianz Asset Management of America L.P.	Pacific Investment Management Company LLC

Appendix B Fee Schedules

Our basic Separate Account fee schedules are listed below and are based on a percentage of an account's assets. The fee schedules, which are subject to change, may be negotiated under certain circumstances. When determining fee rates, we will take into account, among other things, a Client's composite, strategy, account discretion, servicing levels and contracting counterparties. Fee rates are listed on a per annum basis. Clients may pay higher or lower fees than outlined below. The fee schedules for Wrap Programs where we contract directly with a Wrap Program Client for advisory services (as opposed to a Wrap Program where our advisory fee is included within the Wrap Program fee) can be found after the Separate Account fee schedules as follows.

FIXED-INCOME

Convertible Bonds

On All Assets 0.500%
Minimum Account Size: $75 million

Commodities

Fixed Fee:

First $50 million 0.490%
Next $100 million 0.450%
Thereafter 0.400%
Minimum Account Size: $75 million

Performance Fee:

Base Fee (Full Authority Guidelines) of 0.150% plus 22.5% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size: $100 million

Commodity Short:

On All Assets 0.490%
Minimum Account Size: $75 million

Credit

Bank Loans:

First $100 million 0.475%
Thereafter 0.400%
Minimum Account Size: $100 million

Credit Absolute Return

On All Assets 0.600%
Minimum Account Size: $100 million

U.S. Investment Grade:

First $100 million 0.300%
Next $100 million 0.275%
Thereafter 0.250%
Minimum Account Size: $100 million

Global Investment Grade:

First $100 million 0.350%
Next $100 million 0.300%
Thereafter 0.250%
Minimum Account Size: $100 million

High Yield:

First $100 million 0.500%
Thereafter 0.300%
Minimum Account Size: $75 million

Long Credit:

First $100 million 0.300%
Next $100 million 0.275%
Thereafter 0.250%
Minimum Account Size: $75 million

Diversified Income:

First $100 million 0.500%
Next $100 million 0.450%
Thereafter 0.400%
Minimum Account Size: $100 million

Developing Local Markets

On All Assets 0.450%
Minimum Account Size: $100 million

Emerging Local Bonds

Standard:

First $100 million 0.500%
Thereafter 0.450%
Minimum Account Size: $100 million

Asia Local Bond:

First $100 million 0.450% Thereafter 0.400%
Minimum Account Size: $75 million

Emerging Market Bonds

Fixed Fee:

First $100 million 0.450%
Thereafter 0.350%
Minimum Account Size: $100 million

Performance Fee:

Base Fee (Full Authority Guidelines) of 0.250% plus 25.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size: $100 million

Emerging Market Corporate Bonds

First $100 million 0.850%
Thereafter 0.750%
Minimum Account Size: $100 million

Floating Income

First $100 million 0.450%
Thereafter 0.400%
Minimum Account Size: $75 million

Global Government (Global Aggregate)

Fixed:

First $100 million 0.350%
Next $100 million 0.300%
Thereafter 0.250%
Minimum Account Size: $75 million

Performance Fee:

Base Fee of 0.150% plus 15.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling
Minimum Account Size: 100 million

Global Advantage®

Fixed Fee:

First $100 million 0.500%
Next $100 million 0.450%
Thereafter 0.400%
Minimum Account Size: $100 million

Performance Fee:

Base Fee (Full Authority Guidelines) of 0.150% plus 20% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size: $100 million

Global Advantage® Real Return

(Full Discretion)

On All Assets 0.425%
Minimum Account Size: $100 million

Long Duration

Fixed Fee:

First $100 million 0.300%
Next $100 million 0.275%
Thereafter 0.250%
Minimum Account Size: $75 million

Low/Moderate Duration

Fixed Fee:

First $50 million 0.375%
Thereafter 0.250%
Minimum Account Size: $75 million

Performance Fee:

Base Fee of 0.150% plus 15.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.
Minimum Account Size: $100 million

Low Duration Restricted

Fixed Fee:

First $100 million 0.200%
Next $300 million 0.150%
Next $300 million 0.125%
Thereafter 0.100%
Minimum Account Size: $75 million

Money Market

On All Assets 0.1125%
Minimum Account Size: $150 million

Money Market Plus:

First $200 million 0.125%
Thereafter 0.100%
Minimum Account Size: $150 million

Mortgage

Mortgage:

On All Assets	0.250%
Minimum Account Size:	$75 million

Mortgage LIBORPlus:

First $200 million	0.270%
Thereafter	0.250%
Minimum Account Size:	$75 million

Mortgage BOLI:

First $600 million	0.200%
Next $700 million	0.175%
Thereafter	0.150%
Minimum Account Size:	$75 million

Mortgage LIBORPlus BOLI:

First $600 million	0.230%
Next $700 million	0.205%
Thereafter	0.180%
Minimum Account Size:	$75 million

Municipal Bonds

On All Assets	0.250%
Minimum Account Size:	$50 million

Municipal Cash/Short Term:

First $100 million	0.150%
Next $100 million	0.140%
Thereafter	0.130%
Minimum Account Size:	$25 million

Municipal Focus

Fees will vary

Minimum Account Size:	$50 million

Real Return

U.S.:

On All Assets	0.250%
Minimum Account Size:	$75 million

Global:

On All Assets	0.290%
Minimum Account Size:	$75 million

Region/Single Currency:

On All Assets	0.250%
Minimum Account Size:	$75 million

Short Term

First $200 million	0.200%
Next $200 million	0.150%
Thereafter	0.125%
Minimum Account Size:	$100 million

Short Term Full Authority

Performance Fee:

Base Fee of 0.150% plus 15.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size: $100 million

Short Term Restricted

First $200 million	0.150%
Next $300 million	0.125%
Thereafter	0.100%
Minimum Account Size:	$100 million

Stable Value

Standard:

First $100 million	0.250%
Next $300 million	0.200%
Next $900 million	0.175%
Thereafter	0.150%
Minimum Account Size:	$75 million

In addition to asset management fees, stable value portfolios may incur fees or other charges associated with stable value investment contracts issued by insurance companies, banks, and other financial institutions,

Fixed Maturity/Restricted:

On All Assets	0.200%
Minimum Account Size:	$75 million

Total Return

Fixed Fee:

First $25 million	0.500%
Next $25 million	0.375%
Thereafter	0.250%
Minimum Account Size:	$75 million

Performance Fee:

Base Fee (Full Authority Guidelines) of 0.150% plus 15.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size:	$100 million

Unconstrained Bond

First $200 million	0.600%
Thereafter	0.550%
Minimum Account Size:	$75 million

Active Equities

Emerging Market Equity

First $50 million	0.950%
Next $50 million	0.900%
Thereafter	0.850%
Minimum Account Size:	$50 million

Pathfinder

First $50 million	0.700%
Next $50 million	0.550%
Next $100 million	0.500%
Thereafter	0.450%
Minimum Account Size:	$25 million

Dividend Strategies

U.S.:

First $50 million	0.700%
Next $50 million	0.550%
Next $100 million	0.500%
Thereafter	0.450%
Minimum Account Size:	$25 million

European:

First $50 million	0.700%
Next $50 million	0.550%
Next $100 million	0.500%
Thereafter	0.450%
Minimum Account Size:	$25 million

Performance Fee:

Base Fee of 0.100% plus 20.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size:	$100 million

StocksPLUS®

Fixed Fee:

First $150 million	0.350%
Next $150 million	0.300%
Thereafter	0.250%
Minimum Account Size:	$100 million

StocksPLUS® Absolute Return

Fixed Fee:

First $150 million	0.450%
Thereafter	0.400%
Minimum Account Size:	$150 million

Russell 2000 Small Cap

First $150 million	0.500%
Thereafter	0.450%
Minimum Account Size:	$150 million

EAFE International:

First $150 million	0.450%
Thereafter	0.400%
Minimum Account Size:	$150 million

EAFE Hedged International:

First $150 million	0.500%
Thereafter	0.450%
Minimum Account Size:	$150 million

Performance Fee:

Base Fee of 0.150% plus 15.0% of outperformance over the applicable index plus the Base Fee; subject to quarterly draw on the Base Fee; no cap; rolling 12-month measurement period.

Minimum Account Size:	$100 million

International:

First $50 million	0.800%
Next $50 million	0.650%
Next $100 million	0.600%
Thereafter	0.550%
Minimum Account Size:	$25 million

StocksPLUS® Long Duration

First $300 million	0.375%
Thereafter	0.350%
Minimum Account Size:	$75 million

StocksPLUS® PARS® III

On All Assets	1.480%
Minimum Account Size:	$300 million

RAE Fundamental PLUS Absolute Return

U.S. Large:

First $150 million	0.600%
Thereafter	0.550%
Minimum Account Size:	$150 million

U.S. Small

First $150 million	0.650%
Thereafter	0.600%
Minimum Account Size:	$150 million

International:

First $150 million	0.650%
Thereafter	0.600%
Minimum Account Size:	$150 million

EM:

First $150 million	0.900%
Thereafter	0.850%
Minimum Account Size:	$150 million

Wrap Program Fee Schedule

For Wrap Programs where we contract directly with a Wrap Program Client for advisory services (as opposed to a Wrap Program where our advisory fee is included within the Wrap Program fee), a Wrap Program Client may pay us between 0.15% and 0.40% of the assets in the Wrap Program account.

Appendix C Information Regarding PIMCO Affiliates

PIMCO, a Delaware limited liability company, is a majority owned subsidiary of Allianz Asset Management of America L.P., a Delaware limited partnership, with minority interests held by Allianz Asset Management U.S. Holding II LLC, a Delaware limited liability company, Allianz Asset Management of America LLC, a Delaware limited liability company ("AAM LLC") and PIMCO Partners, LLC, a California limited liability company. PIMCO Partners, LLC is owned by certain current and former officers of PIMCO. AAM LLC is the sole general partner of Allianz Asset Management of America L.P. Allianz of America, Inc., a Delaware corporation, has a non- managing interest in AAM LLC. Allianz Europe B.V. wholly-owns Allianz of America, Inc. Allianz SE wholly-owns Allianz Europe B.V. and is the indirect 100% owner of the sole managing member of AAM LLC.

Broker-Dealer Affiliates

PIMCO Investments LLC

Allianz Global Investors Distributors LLC

PIMCO (Schweiz) GmbH

Investment Adviser Affiliates

Allianz Global Investors Fund Management LLC

Allianz Global Investors U.S. LLC

PIMCO Asia Pte Ltd.

PIMCO Australia Pty Ltd.

PIMCO Europe Ltd.

PIMCO Japan Ltd.

PIMCO Global Advisors (Ireland) Limited

PIMCO Global Advisors (Luxembourg) S.A.

PIMCO Canada Corp.

PIMCO Asia Limited

PIMCO Deutschland GmbH

PIMCO Latin America Administradora de Carteiras Ltda.

Non-U.S. Advisers

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Appendix D Methods of Analysis and Investment Strategies

Introduction

PIMCO combines top-down macroeconomic forecasting with rigorous bottom-up credit analysis in its investment process. PIMCO's cyclical and secular economic forums drive the top-down element of the firm's investment process which begins with an annual secular forum in which investment professionals from all our offices convene. Industry experts give presentations on various global economic and financial topics, followed by discussions among PIMCO's investment professionals regarding the outlook for the global economy and interest rates over the next three to five years. At the completion of the discussions, the investment professionals collectively determine a bullish, neutral or bearish outlook. In addition to the secular three to five year horizon, PIMCO's investment professionals hold quarterly economic forums to discuss near term trends and to establish a cyclical outlook. The portfolio management group considers these outlooks in a separate quarterly meeting to translate global economic themes and specific views on market conditions and relative value into interest rate, sector, quality, and volatility strategies. PIMCO's bottom-up research on individual securities considers such factors as finances, credit quality, call risks and structures. Additionally, PIMCO is a signatory to the United Nations-backed Principles for Responsible Investment ("UNPRI"). The UNPRI recognize that environmental, social and corporate governance ("ESG") issues can affect the performance of investment portfolios, and must be given appropriate consideration by investors. Accordingly, PIMCO has formally incorporated ESG factors into our investment process when evaluating the long-term sustainability of a company. Individual PIMCO strategies are discussed below.

I. Traditional Fixed Income Strategies

Convertible Bond Strategy portfolios seek to add value through in-depth fundamental credit research and analytical modeling of equity options and warrants, within the context of our macro-economic forecasting process. We seek to maintain a balanced risk/reward profile; emphasize modest participation with rising equity prices while shielding against significant declines; emphasize issues with capital appreciation potential and good credit fundamentals; diversify risk across multiple industries and sectors; and use an option-adjusted duration, which will typically not exceed three years. The portfolio's weighted average delta (a measure of the portfolio's sensitivity to changing equity values) will generally not exceed 70%.

We assess the value of convertible bonds by considering trends in demographics, political factors, and structural changes in the global economy refined by quarterly cyclical economic forecasts. We seek to identify companies with stable or improving credit fundamentals and prospects for improving equity prices by evaluating the strength and predictability of each company's cash flow, the quality of assets, the strength of the management team, the company's competitive stance and financial flexibility, and the covenants of the convertible security. Finally, we analyze the convertible's attached equity option or warrant using financial models. Traditionally, we limit investment in any given issuer to under 5% and in a single industry to under 15%. Although higher concentrations may provide enhanced relative performance in the short-run, over our secular horizon, broad diversification seeks to add value without additional risk.

Investment-Grade Credit Strategy portfolios invest primarily in creditworthy corporate issuers having a debt rating of BBB- or greater by at least one of the nationally recognized credit rating agencies or, if unrated, determined by PIMCO to be of comparable quality. This strategy utilizes a disciplined approach in the credit selection process, as issuer and industry decisions will contribute meaningfully to the performance of the product. In addition to corporate bonds, the strategy may invest in investment-grade sovereign bonds, as well as supranational issuers. While macroeconomic strategies that influence sector and industry decisions are important, bottom-up security selection will most likely be the primary driver of long-term performance.

PIMCO's credit strategy focuses on adding value through a disciplined approach to credit selection combined with top-down macroeconomic forecasts for region and sector rotation. PIMCO's philosophy and approach to global credit markets is consistent with our conservative, yet innovative, approach toward fixed income markets.

Specifically, the philosophy for investing in corporate and sovereign credit markets embodies three key principles:

- Major shifts in portfolio strategy are driven by longer-term or secular trends as opposed to short-term aberrations in market conditions.
- An emphasis is placed on adding value through combining bottom-up fundamental credit research with top-down macroeconomic analysis.

- Consistent investment performance is pursued by emphasizing independent research and prudent diversification with respect to industries and issuers.

The strategy is managed in the context of the PIMCO outlook for the global economy and markets, but investment decisions and value-added opportunities come primarily from traditional bottom-up credit analysis.

Credit Absolute Return Strategy uses a global approach to credit selection with a focus on generating attractive absolute returns without the constraint of a benchmark. In an effort to achieve this goal, the strategy's portfolio is constructed from PIMCO's best bottom-up corporate credit ideas across investment grade, high yield, bank loans and other corporate securities.

While the strategy is designed to adhere to PIMCO's investment philosophy and risk management process, it will have significant flexibility to increase and reduce its sensitivity to credit markets in an effort to achieve its absolute return objective in various market environments. In periods when credit offers attractive relative value, for example, the strategy will likely have a greater exposure to the credit markets. In periods where credit spreads are likely to widen, the strategy would likely significantly reduce its sensitivity to credit markets through various hedging strategies and focus more on relative value between sectors in an effort to achieve its absolute return objective.

Total Return Strategy portfolios use a core bond strategy that seeks to maximize price appreciation and current income with index-like volatility. We use all major sectors of the bond market to implement a diversified set of strategies including sector rotation, yield curve positioning, and duration management. Duration is managed within a moderate range (between three and six years) around the broadest bond market indices. Our investment process uses both "top-down" strategies focused on duration, yield curve positioning, volatility, and sector rotation, and "bottom-up" strategies driving security selection process and facilitating the identification and analysis of undervalued securities.

The Unconstrained Bond Strategy is an absolute return-oriented fixed income strategy that is not tied to a benchmark nor has significant sector/ instrument limitations. The strategy is designed to offer the traditional benefits of a core bond approach – capital preservation, liquidity and diversification – but with higher alpha potential and the opportunity to mitigate downside risk to a greater degree than what is reasonably possible from traditional active fixed income management approaches. The strategy focuses on long-term economic, social and political trends that may have lasting impacts on investment returns. Over shorter cyclical time frames, the unconstrained nature of the strategy allows us to take on more risk when we identify tactical opportunities, and it allows for reduction and diversification of risk when the outlook may be more challenging for traditional fixed income benchmarks.

II. Asset-Backed Strategies

Mortgage LIBOR Plus Strategy

The Mortgage LIBOR Plus strategy aims to generate consistent excess returns over a LIBOR benchmark with limited volatility through active cash management and relative value strategies in mortgages, governments and derivative instruments. The strategy seeks to capture relative value through long/short strategies by opportunistically extracting value from structural and tactical market mispricings. While we emphasize agency pass-throughs, our mortgage investment process still looks to all segments of the vast MBS market to add value.

Mortgage-Backed Securities Strategy This strategy emphasizes actively managed exposure to agency pass-throughs, which we believe offer the greatest potential for risk-adjusted excess returns in a larger MBS portfolio. PIMCO's dedicated mortgage portfolios will be primarily concentrated in Agency MBS holdings. We seek securities that offer the highest total return potential for the lowest amount of risk. We take a multi-faceted approach to MBS valuation, with three major components:

- Option-Adjusted Spread ("OAS"): We use OAS modeling as a relative valuation tool when comparing securities, together with supplemental analysis.
- Empirical Modeling: Empirical modeling serves as a tool designed to systematically exploit market opportunities. Market prices can reflect prepayment information, and the extent of prepayment information embedded in market prices combined with the liquidity of MBS make empirical analysis a useful tool.
- Technical Analysis: The major MBS investors, such as banks, mortgage servicers and insurance companies, are often driven by accounting motives rather than value. As a total return value investor PIMCO seeks to profit from this type of trading.

III. Duration Strategies

Our duration philosophy is founded on the principle of diversification and we seek to maximize total return, consistent with the preservation of capital. PIMCO focuses on credit analysis by performing country, industry, company and issue analysis to determine which credits to add to the clients' portfolios. We limit risk taking by focusing on managing excess return versus tracking error, seeking to minimize the volatility of portfolios' excess returns in relation to their benchmarks.

Long Duration Strategy primarily composed of long-term investment grade credit fixed income securities and seek to maximize total return, consistent with the preservation of capital and prudent investment management. The strategy utilizes a disciplined approach in the credit selection process and focuses on credits demonstrating solid or improving fundamentals, as issuer and industry decisions will contribute meaningfully to the performance of the product. In addition to long-term corporate bonds, the credit universe includes long-term investment grade sovereign bonds, as well as supranational issuers. While macroeconomic strategies that influence duration, sector and industry decisions are important, bottom-up security selection will most likely be the primary driver of long-term performance.

Moderate Duration Strategy portfolios are intermediate core portfolios that seek maximum total return through both current income and price appreciation, consistent with the preservation of capital and prudent risk taking. We utilize all major sectors of the bond market while managing an average portfolio duration ranging between two and five years. This strategy seeks to consistently add value, while maintaining an overall risk level similar to the Barclays Capital Intermediate Government/Credit Index.

Low Duration Strategy portfolios seek low volatility of returns and minimal credit risk without sacrificing liquidity. Low duration strategies invest within a diversified range of fixed income securities while maintaining average portfolio duration of one to three years under most market conditions. The strategy extends duration beyond traditional money market and short-term vehicles to develop a greater opportunity set from which to invest. The Low Duration strategy focuses on the higher yielding sectors while attempting to maximize expected total return.

The Low Duration Strategy embodies three key principles. First, major shifts in portfolio strategy should be driven by longer-term views, not by short- term aberrations in interest rates. Second, consistent investment performance may be achieved by avoiding extreme swings in the duration of the portfolio. Third, value may be added through futures and options, as well as through adjustments to traditional variables such as sector, coupon, and quality.

IV. Enhanced Equity Strategies

PIMCO's enhanced equity strategies combine the best of what passive indexing and active management aim to deliver: broadly representative, transparent equity exposure plus the potential for meaningful equity market outperformance. Further, the strategies may appeal to investors for the following reasons:

1) Magnitude of excess returns: Drawing on PIMCO's core competencies, the enhanced equity approach benefits from tapping into structurally based sources of alpha that allows PIMCO to achieve a reasonably high magnitude of excess returns which we believe may be particularly attractive to clients.

2) Consistency of outperformance: The combination of passive replication of equity exposure and independent, structurally based alpha strategies allows us to outperform the market with a high degree of consistency over three year periods.

In addition to offering enhanced equity strategies managed with capitalization weighted equity index exposures, the **PIMCO RAE Fundamental PLUS Strategy** incorporates an equity strategy developed by Research Affiliates ("RA"), a global leader in asset allocation strategies and a pioneer in smart beta solutions. The Research Affiliates Equity strategy builds on RA's groundbreaking work on Fundamental Indexation by adding additional enhancements and active insights.

Our investment philosophy for the enhanced equity strategies, including the RAE Fundamental PLUS Strategy described above and other versions described below, is based on the principle that equity swaps and futures, when used to obtain long-term equity exposure, offer an attractive means for seeking to enhance equity market returns. As the equity swaps/futures that capture the returns of the equity exposure require very little capital, the majority of the cash that an investor allocates to the strategy is available to be invested in an absolute return-bond alpha strategy. This bond alpha strategy is designed to capitalize on PIMCO's more than four decades of active fixed income management.

StocksPLUS AR Strategy combines the absolute return bond alpha strategy described above with traditional, capitalization weighted index exposures such as the S&P 500, MSCI EAFE, Russell 2000 and others.

StocksPLUS
is the original version of enhanced equity at PIMCO and combines a short duration fixed income portfolio with capitalization weighted index exposures. StocksPLUS is designed to appeal to clients seeking modest excess returns with low tracking error.

StocksPLUS Long Duration and StocksPLUS PARS
are two additional specialty strategies, in which capital not deployed to equity index exposures is invested in a long duration style bond portfolio and the PIMCO Absolute Return Strategies, respectively.

V. Active Equity Strategies

PIMCO offers a number of actively managed equity strategies that seek to capture attractive risk adjusted returns using a rigorous investment process and comprehensive industry, company and security analysis to select stocks with the potential to outperform the broader market.

Pathfinder Strategy utilizes a deep value equity investing approach. This approach seeks attractive risk-adjusted returns by investing in stocks trading at significant discounts to their intrinsic value. Deep value investing utilizes fundamental bottom-up security analysis to identify businesses available at steeply discounted prices with a "margin of safety" (referring to the difference between the intrinsic value of a stock and its market price) built into the price of the stock. Over full market cycles, the strategy aims to deliver attractive excess returns with lower volatility than the global equity market.

Emerging Markets Equity Strategy
combines the firm's emerging markets (EM) expertise with the stock-picking prowess of a team of experienced emerging market equity investors to deliver a compelling opportunity for investors to capture attractive risk-adjusted returns. Because so many linked variables – including country, currency, industry and stock-specific risk factors – affect market performance, a holistic investment process that links bottom-up equity selection with top-down macroeconomic analysis is the best way to capture the opportunities available in emerging market equities. The strategy's goal is to outperform the MSCI Emerging Markets Index over a full market cycle by utilizing a comprehensive and risk-managed framework.

Dividend and Income Builder Strategy is intended for investors seeking current income, growth of income, and potential for capital appreciation. The PIMCO Dividend and Income Builder Strategy is a global, integrated strategy aimed at delivering an attractive yield today, the potential for a growing income stream over time, while also seeking long-term capital appreciation by investing in dividend-paying equities and select fixed income securities.

VI. Global Bond Strategies

PIMCO offers a number of developing markets, emerging markets, and global strategies. PIMCO's approach to global bond investing has three key principles:

- Multiple Strategies. We employ multiple concurrent strategies and take only moderate risk in each, thereby seeking to reduce risk of poor performance arising from any single source. Strategies utilized include duration management, yield curve or maturity structuring, sector rotation and all bottom-up techniques using our in-house credit and quantitative research.
- Long-Term Orientation. We maintain a disciplined focus on our secular views to better identify long-term value and prevent our trading decisions from being overly influenced by emotion and short-term market sentiment.
- Broad Universe. We select from a broad universe that includes all conventional fixed income sectors as well as newer, less traditional sectors, PIMCO considers a developing market to be any non-U.S. country, excluding those countries that have been classified by the World Bank as high- income Organisation for Economic Cooperation and Development ("OECD") economies. PIMCO may consider additional countries as developing market countries, based on a broader assessment on their development stage. Our emerging markets and developing markets strategies emphasize high quality countries that offer the most attractive risk-adjusted-return opportunities over a market cycle. We seek to avoid countries with a high risk of default or credit deterioration. The following key principles guide our disciplined investment process:
- Favor countries with strong or improving underlying fundamentals, attractive valuations, and potential return catalysts.
- Synthesize PIMCO's top-down macroeconomic forecasts with individual country assessments to gauge risks from the external environment and global economy.
- Avoid countries that lack an economic and policy framework supportive of their fundamentals as well as those that are susceptible to a de facto deterioration in credit quality or financial contagion due to imbalanced market technicals.
- Complement fundamental analysis with a rigorous security selection process to both ensure consistency between views and portfolio

positioning and take advantage of relative value opportunities across and within markets.

The Emerging Local Bond Strategy invests primarily in fixed income instruments denominated in the currencies of the emerging markets.

The Emerging Markets Bond Strategy uses a multi-step process to guide our emerging markets investment decisions. First, we identify countries with strong, underlying credit fundamentals (including strong fiscal positions, stable/improving political situations, comfortable reserve levels, and debt profiles that can withstand financial shocks, among others). We then consider the impact of our global outlook on these countries, including prospects for demand from advanced economies, commodity prices, interest rate trends and other components of the external environment. Finally, we evaluate the technical conditions of the credit to identify both the upside and the imbalances that could potentially lead to market dislocations. This process provides the basis for our country weighting, duration, curve, currency and instrument selection decisions, as well as relative value assessments.

Emerging Markets Corporate Bond Strategy is designed for investors seeking to capitalize on the secular factors which favor a strategic allocation to emerging markets more generally: their rising contribution to global economic activity and a trend improvement in creditworthiness. Continued growth--a high priority--will require investment, particularly in infrastructure. In addition, as emerging country governments seek to utilize the fiscal credibility they have built over the past decade to preserve growth amidst a global recession, their fiscal stimulus measures have been largely directed at infrastructure. This suggests that the strategy may benefit further from cyclical forces currently at work in emerging markets.

Emerging markets infrastructure bonds, used tactically, seek to increase performance within both core total return type bond portfolios and dedicated emerging markets accounts. Strategically, the characteristics of emerging markets infrastructure bonds complement traditional asset classes in terms of alpha generation, while providing the additional benefit of diversification.

The Global Advantage Strategy is designed to help fixed-income investors seize opportunities produced by dramatic secular shifts in the global economy. The strategy invests in fixed-income securities from both developed and developing markets, and is benchmarked to the proprietary PIMCO Global Advantage Bond Index (GLADI™), a GDP-weighted index intended to offer investors an improved fixed-income market "beta."

The Global Bond Strategy is actively managed to maximize total return potential while minimizing any increase in risk relative to the market benchmark. Our approach seeks to outperform a broad fixed income benchmark on a consistent basis, while maintaining overall risk similar to the index.

The Global Credit Opportunity Strategy ("GCOS") aims to provide investors with pure credit alpha across multiple credit markets by investing assets including U.S. corporate credit, European corporate debt, high yield bonds, emerging market debt and a broad range of asset-backed securities. The strategy focuses on relative value strategies and seeks to own highly diversified assets, and is expected to have very low correlation to traditional market betas.

VII. High Yield Strategies

High Yield and High Yield Spectrum Strategies seek to lower portfolio volatility while enhancing returns by investing in below-investment grade fixed income securities. Our global fixed income philosophy embodies these key principles:

- Bottom-up credit research incorporating top-down economic framework.
- Total return approach, not just yield focused.
- Focus on credits with best risk/return profile.
- Seek to limit risk through issuer and industry diversification.

In addition, the High Yield Spectrum Strategy focuses on global credit opportunity set resulting from expertise in many regions and credit sectors. PIMCO's credit analysts focus on: 1) business model 2) cash flow 3) balance sheet, and 4) security structure. The specific metrics and financial ratios will vary based on the industry and as a result the format of reporting the analysis will also vary. In addition, emphasis on the four factors listed above will also depend on the industry.

VIII. Income Strategies

The Diversified Income Strategy is a multi-sector strategy that invests across a broad spectrum of credit market sectors including global corporate credit both investment grade and high yield, and emerging market debt. The allocation among each of these markets will vary based on PIMCO's assessment of global trends and relative valuations. This active and dynamic approach allows for increased responsiveness in asset allocation to changing economic and market conditions while remaining anchored by PIMCO's investment process and longer-term orientation. The ability to invest globally helps to improve diversification and may allow investors to benefit from differences in business cycles across regions and credit quality trends across credit sectors.

The Floating Income Strategy is a multi-sector strategy that invests across a broad spectrum of credit market sectors including global corporate credit (investment grade and high yield) and emerging market debt. It seeks to capitalize on attractive investment opportunities offered by these sectors while minimizing interest rate exposure. The strategy primarily invests in floating and variable rate securities, short duration securities, or combinations of fixed-rate bonds and derivative instruments that together create floating income exposure. The strategy focuses on securities whose income tends to rise when interest rates are rising, which helps mitigate interest rate risk.

IX. Money Market Strategies

PIMCO's Money Market strategies seek to enhance short term yields with a diversified portfolio of high quality commercial paper and other short maturity, fixed income investments. Emphasis is on principal preservation and maintaining the highest credit rating.

The Government Money Market Strategy traditionally invests in short-term, high-quality fixed income securities issued by the U.S. government or its agencies. These include Treasury notes and bills, agency debentures and discount notes, and repurchase agreements collateralized by these securities. Our government money market investment strategy combines a simple core investment philosophy, extensive research analytics, and a highly effective decision-making process. We have traditionally used internal modeling and our knowledge of broad market sectors, both domestic and non-U.S., to construct portfolios consistent with client return and volatility objectives. To contain relative performance volatility, we have attempted to manage portfolio return volatility to approximate that of an associated benchmark.

The Prime Money Market Strategy is designed to maximize current income while preserving capital and providing daily liquidity. To meet these goals, money market strategies traditionally invest in short-term, high-quality, fixed-income securities with minimal volatility and credit risk. These include, but are not limited to, U.S. Treasury securities, federal agency securities, commercial paper, banker's acceptances, certificates of deposit, short-term corporate debt, and variable and floating rate debt securities.

The objective is to consistently outperform both a passive and active benchmark without taking on excess risk. The passive benchmark is represented by the Citigroup 3 Month Treasury Bill Index and the active benchmark is represented by the Lipper Money Market Index of the 30 largest money market mutual funds.

The Short-Term Strategy is designed to improve on the return provided by a typical money market vehicle. The strategy invests in high quality money market and short maturity fixed income securities, and also may invest a very modest portion of the portfolio in global securities issued outside of the U.S. and can have non-U.S. dollar currency exposure. It differs from traditional money market strategies because it invests in longer maturities and a broader opportunity set of securities which may generate excess relative returns with only a modest increase in risk compared to traditional money market instruments.

X. Municipal Bond Strategies

We manage municipal bond portfolios with the same core investment process used for all of our strategies: maximize after-tax total returns; minimize tax liabilities; use a longer-term horizon for decision making; employ extensive risk analytics; and emphasize multiple value-added techniques.

We customize our analytics for municipal-specific factors, such as municipal yield volatility, call option costs, and tax exposures. We concentrate on relative value opportunities across global debt sectors, selecting the most fairly valued securities. We seek to hold well-structured municipal bonds, being compensated appropriately for risks relating to calls, credit quality, liquidity, tax liabilities, and market supply-demand conditions. We avoid undue reliance on a limited set of strategies, which could lead to greater return volatilities and large tracking errors relative to the stated benchmark.

We offer the following municipal bond strategies: California, High Yield, National, New York, Short Duration, and Tax-Managed Real Return.

National Municipal Bond Strategy portfolios seek to generate and retain a competitive after-tax rate of interest income. A secondary, and important, goal is to generate long- term capital appreciation, consistent with capital preservation.

Short Duration Municipal Bond Strategy portfolios are designed to be appropriate for investors seeking tax-exempt income. The strategy consists of a diversified portfolio of primarily short duration, high credit quality municipal bonds that carry interest income that is exempt from federal tax and in some cases state tax.

XI. Real Asset Strategies

Real Return Strategies incorporate real assets that have a positive correlation to inflation. These assets diversify traditional stock and bond holdings, which historically have not performed well in higher inflationary environments. The key real assets we focus on are: Treasury Inflation-Protected Securities ("TIPS") and global inflation-linked securities; commodities, which historically have provided both diversification and inflation hedging; and real estate, with a focus on securitized real estate. All of PIMCO's real return products rely on our core competency in fixed income management, with the objective of maximizing real return while seeking preservation of the real capital of a portfolio.

Commodities-Based Strategies use indices that calculate the returns to a hypothetical portfolio that contain only long positions in commodity futures contracts, passively managed, on a fully collateralized basis. The index represents holding positions according to a set of rules that we passively administer. These rules typically require that commodities that are more important in world trade have greater weight in the index. The index also assumes that positions are consistently rolled forward, so that the investor seeking index-like returns is always exposed to changes in the expected future prices of the actual commodities. Moreover, the index assumes unleveraged investment. Finally, a commodity index captures return from multiple sources, including the return on assets that collateralize the futures positions and the price risk assumed by long positions in commodity futures markets that commodity producers seek to avoid. Exposure to commodity indices is obtained through positions in commodity interests, which may consist of swaps, baskets of futures contracts or options on futures contracts designed to replicate the index.

The Diversified Real Asset Strategy seeks to gain strategic exposure to TIPS, commodities, and real estate. These asset classes individually and collectively achieve the goals of diversification and inflation-hedging. Diversified Real Asset provides actively managed, strategic exposure to these real return asset classes (Triple Real® approach) by tracking a benchmark that is composed of equal one-third weights of Barclays Capital U.S. TIPS Index, Dow Jones-UBS Commodity Index, and Dow Jones U.S. REIT Index.

Global Real Return Strategies include several types of non-U.S. inflation-adjusted products.

Real Estate Strategies use derivatives linked to a real estate index to gain basic exposure to the asset class. This provides exposure to the investment returns of the REIT market, without investing directly in individual REIT securities. Investments in real estate-linked derivative instruments may subject the portfolio to greater volatility than investments in traditional securities. We attempt to enhance this approach by fully collateralizing those derivatives, and then managing the collateral in a way that seeks to outperform the financing rate built into the derivatives. We back our REIT swaps with TIPS, which should provide an effective inflation hedge. With a longer duration than money markets, TIPS also provide a closer match to the longer duration of liabilities of most investors.

XII. Asset Allocation

Emerging Multi-Asset Strategy is designed to provide a comprehensive portfolio solution for investors seeking diversified exposure to the broad emerging markets opportunity set. This includes EM equities, local and external EM sovereign debt, EM corporate bonds and EM currencies. It can also include the tactical use of commodities to express targeted EM investment themes. PIMCO actively manages the overall asset allocation as well as the underlying exposures, in an effort to enhance returns relative to a static, passive approach. PIMCO also seeks to enhance returns by incorporating tail-risk hedging strategies, which are designed to limit the impact of periodic market stresses that may affect emerging economies. By combining these potential benefits, Emerging Multi-Asset can serve as a compelling comprehensive investment for those seeking to participate in the upside potential of emerging markets while mitigating downside risk.

The Global Multi-Asset Strategy invests in global equities, global bonds, diversified commodities and real estate. The strategy uses a differentiated "risk factor"-based approach to asset allocation and our strategic insight on the global macroeconomy to construct a portfolio that is highly diversified across asset classes and global risk factors. The strategy also uses "tail risk" hedging that seeks to protect the portfolio against sudden market shocks by purchasing inexpensive hedges across various liquid markets. The strategy features a qualitative, forward-looking asset allocation process.

Inflation Response Multi-Asset Strategy is designed to provide a comprehensive portfolio solution for investors seeking diversified exposure to the broad opportunity set of inflation-related investments, including assets that respond to different types of inflation. These include Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs) and gold. The strategy may also tactically employ floating rate securities in the event of deflation or extreme market shock. PIMCO actively manages the overall asset allocation as well as the underlying exposures in an effort to enhance returns relative to a static, passive approach. PIMCO also seeks to enhance returns by incorporating tail risk hedging strategies, which are designed to limit the impact of periodic market stresses that may affect inflation-related assets. By combining these potential benefits, the strategy can serve as a compelling comprehensive investment for those seeking to not only hedge inflation, but also potentially benefit from inflation dynamics.

RealPath™ Target Date Strategy portfolios are client-tailored target date portfolios that dynamically manage various asset class exposures to help balance risk and return as the portfolios move toward investors' expected retirement dates. RealPath™ Strategies are differentiated by target retirement dates (e.g. 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055). The portfolios combine PIMCO's risk management strategies across asset classes, our long-standing experience in inflation-hedging Real Return investments, and our approach of highly diversified long- term investing.

PIMCO's RealPath™ Strategies are designed to maximize growth in the inflation-adjusted purchasing power of retirement savings and to minimize the chance that a retiree will face a bad outcome due to financial market volatility.

RealPath™ differs from many first generation target date portfolios primarily by adding broader asset diversification and reducing exposure to equities. Although equities can play an important role in generating attractive long-term returns, an overemphasis on equities has often left investors with highly concentrated risk, even as they approach their retirement date – the point at which they are least able to tolerate a market downturn. In contrast, RealPath™ diversifies across asset classes, incorporating real assets (inflation-linked bonds, real estate and commodities) in addition to equities and fixed income, to help provide a well-rounded asset allocation aimed at mitigating the effects of inflation and market volatility as individuals save toward their retirement.

Tail Risk Strategy utilizes asymmetric hedge overlay portfolios that help clients mitigate downside risk. Hedge portfolios can be constructed for traditional and non-traditional portfolios and for portfolios that contain assets, liabilities or combinations of the two.

XIII. Other Strategies

Bank Loan Strategy portfolios invest primarily in the upper tiers of the U.S. bank loan market that are mainly secured by first-lien asset obligations, but also may invest in second-lien debt at much more modest levels, when valuations relative to associated risks merit investment. We take a moderate approach with respect to risk in our bank loan portfolios, emphasizing three key principles: (1) higher-quality focus; (2) diversification; and (3) focus on improving credits. The loan selection process finishes with thorough, traditional, fundamental credit research on companies within the industries we find attractive, which includes on-site visits.

PIMCO Absolute Return Strategy ("PARS") is a fundamentally driven discretionary global macro hedge fund strategy. It is afforded significant flexibility in pursuit of its objective to deliver absolute returns.
The strategy combines:

- Tactically implemented trades based upon PIMCO's secular and cyclical macroeconomic insights.
- Opportunistic, conditional and relative value trades.
- Core: fixed income, credit, and currency exposures with opportunistic positions in equities and commodities.

In addition to the strategies discussed above, PIMCO also may, at the client's request, employ a Tail Risk Strategy by constructing asymmetric hedge overlay portfolios that help mitigate portfolio downside risk. Hedge portfolios can be constructed for traditional and non-traditional portfolios and for portfolios that contain assets, liabilities or combinations of the two.

Stable Value portfolios are actively managed, diversified strategies that primarily invest in investment grade fixed income securities and a variety of stable value investment contracts issued by insurance companies, banks and other financial institutions. Contracts, such as wrap contracts, are intended to help reduce principal volatility of, while providing steady income from, associated fixed income investments. The average duration of a portfolio's investments will vary over time, but will typically have an average duration of two to four years. The portfolio may also invest in cash or other liquid investments, such as a short-term investment-fund, to help meet portfolio liquidity needs.

Appendix E PIMCO Privacy Policy

We consider customer privacy to be a fundamental aspect of our relationship with clients. We are committed to maintaining the confidentiality, integrity, and security of our current, prospective and former clients non- public personal information. We have developed policies that are designed to protect this confidentiality, while allowing client needs to be served.

In the course of providing you with products and services, we and certain of our service providers may obtain non-public personal information about you. This information may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from your transactions, from your brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on applicable websites.

As a matter of policy, we do not disclose any non-public personal information provided by you or gathered by us to non-affiliated third parties, except as required or permitted by law or for our everyday business purposes, such as to process transactions or service your account. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on client satisfaction, and gathering shareholder proxies. We (or our affiliates) may also retain non-affiliated companies, to market our products, and may enter into joint marketing arrangements with them and other companies. These companies may have access to your personal and account information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide your personal and account information to your brokerage or financial advisory firm and/or to your financial adviser or consultant.

We reserve the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any of our mutual funds in which you have invested. In addition, we may disclose information about you or your accounts to a non-affiliated third party at your request or if you consent in writing to the disclosure.

We may share client information with our affiliates in connection with servicing your account, and subject to applicable law may provide you with information about products and services that we or our affiliates believe may be of interest to you. The information that we may share may include, for example, information about our or our mutual funds' experiences and transactions with you, your participation in our mutual funds or other investment programs, your ownership of certain types of accounts (such as IRAs), information captured on applicable websites, or other data about your accounts, subject to applicable law. Our affiliates, in turn, are not permitted to share your information with non-affiliated entities, except as required or permitted by law.

We take seriously the obligation to safeguard your non-public personal information. In addition to this policy, we have implemented procedures that are designed to restrict access to your non-public personal information to our personnel who need to know that information to perform their jobs, such as servicing your account or notifying you of new products and services. Physical, electronic, and procedural safeguards are in place to guard your non-public personal information.

Websites maintained by us or our service providers may use a variety of technologies to collect information that help us and our service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as "cookies") allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, we or certain of our service providers may use third parties to place advertisements for our products on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address.

You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly.

From time to time, we may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

FORM ADV PART 2B: BROCHURE SUPPLEMENT

Supervised Person: Mr. Curtis A. Mewbourne

Contact Information: Pacific Investment Management Company LLC
650 Newport Center Drive
Newport Beach, California 92660
949-720-6000
949-720-1376 (Facsimile)

Date of Brochure Supplement: November 12, 2014

This brochure supplement provides information about Mr. Mewbourne that supplements the Pacific Investment Management Company LLC ("PIMCO") brochure. You should have received a copy of that brochure. Please contact a PIMCO Compliance Officer at 949-720-6000 if you did not receive PIMCO's brochure or if you have any questions about the contents of this brochure supplement.

Item 2: Educational Background and Business Experience
Curtis A. Mewbourne (born 1966) is a managing director and head of portfolio management in PIMCO's New York office. Previously at PIMCO, he served as an executive vice president from March 2003 to January 2008. As a generalist portfolio manager, he manages institutional accounts and mutual funds across a wide range of strategies. Mr. Mewbourne also serves as a senior member of the PIMCO Foundation investment committee and PIMCO's portfolio management and strategy group, specializing in credit portfolios. Prior to joining PIMCO in 1999, he was a bond trader at Salomon Brothers and at Lehman Brothers. Mr. Mewbourne holds a bachelor's degree in computer science from the University of Pennsylvania.

Item 3: Disciplinary Information
Mr. Mewbourne has no reportable disciplinary history.

Item 4: Other Business Activities
Mr. Mewbourne is a registered representative of PIMCO Investments LLC, a U.S. registered broker-dealer affiliated with PIMCO.

Item 5: Additional Compensation
Mr. Mewbourne receives no additional compensation for providing advisory services to PIMCO's clients.

Item 6: Supervision
While your portfolio manager is responsible for managing the individual investments in your account, PIMCO's Investment Committee is responsible for developing key portfolio strategies that are implemented across PIMCO's account base. This process is led by PIMCO's Group Chief Investment Officer, Daniel J. Ivascyn, with the assistance of PIMCO's Chief Investment Officers ("CIOs"), who each oversee specific segments of assets. The team of six CIOs includes Andrew Balls (CIO Global), Mark R. Kiesel (CIO Global Credit), Virginie Maisonneuve (CIO Equities), Scott A. Mather (CIO Core Strategies), Mihir P. Worah (CIO Real Return and Asset Allocation), and Marc P. Seidner (CIO Non-traditional Strategies). Your portfolio manager reports up to an appropriate asset segment CIO, who can be reached at 949-720-6000.

Item 7: Requirements for State-Registered Advisers
Not applicable.

FORM ADV PART 2B: BROCHURE SUPPLEMENT

Supervised Person: Mr. Mihir P. Worah

Contact Information: Pacific Investment Management Company LLC
650 Newport Center Drive
Newport Beach, California 92660
949-720-6000
949-720-1376 (Facsimile)

Date of Brochure Supplement: November 12, 2014

This brochure supplement provides information about Mr. Worah that supplements the Pacific Investment Management Company LLC ("PIMCO") brochure. You should have received a copy of that brochure. Please contact a PIMCO Compliance Officer at 949-720-6000 if you did not receive PIMCO's brochure or if you have any questions about the contents of this brochure supplement.

Item 2: Educational Background and Business Experience
Mihir P. Worah (born 1966) is CIO Real Return and Asset Allocation, a member of the Investment Committee and a managing director in PIMCO's Newport Beach office. He is a portfolio manager and head of the real return and multi-asset portfolio management teams. Prior to joining PIMCO in 2001, he was a postdoctoral research associate at the University of California, Berkeley, and the Stanford Linear Accelerator Center, where he built models to explain the difference between matter and anti-matter. In 2012 he co-authored "Intelligent Commodity Indexing," published by McGraw-Hill. He has 13 years of investment experience and holds a Doctor of Philosophy degree (Ph.D.) in theoretical physics from the University of Chicago.

Item 3: Disciplinary Information
Mr. Worah has no reportable disciplinary history.

Item 4: Other Business Activities
Mr. Worah is not actively engaged in any other investment-related business or occupation.

Item 5: Additional Compensation
Mr. Worah receives no additional compensation for providing advisory services to PIMCO's clients.

Item 6: Supervision
While your portfolio manager is responsible for managing the individual investments in your account, PIMCO's Investment Committee is responsible for developing key portfolio strategies that are implemented across PIMCO's account base. This process is led by PIMCO's Group Chief Investment Officer, Daniel J. Ivascyn, with the assistance of PIMCO's Chief Investment Officers ("CIOs"), who each oversee specific segments of assets. The team of six CIOs includes Andrew Balls (CIO Global), Mark R. Kiesel (CIO Global Credit), Virginie Maisonneuve (CIO Equities), Scott A. Mather (CIO Core Strategies), Mihir P. Worah (CIO Real Return and Asset Allocation), and Marc P. Seidner (CIO Non-traditional Strategies). Mr. Worah reports to the Group Chief Investment Officer, who can be reached at 949-720-6000.

Item 7: Requirements for State-Registered Advisers
Not applicable.

Pacific Investment Management Company LLC ("PIMCO") Compensation Disclosure Statement

This disclosure statement provides information regarding the compensation expected to be received by PIMCO for providing certain investment advisory services that PIMCO, an investment adviser registered under the Investment Advisers Act of 1940, provides to sponsors (each, a "Sponsor") of wrap fee programs (each, a "Program") pursuant to an investment advisory agreement between the Sponsor and PIMCO (an "Advisory Agreement"). PIMCO is furnishing this disclosure statement to Program clients that are employee benefit plans subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") (each, a "Plan," and collectively, the "Plans"). This disclosure statement is intended to be read in conjunction with the ERISA 408(b)(2) fee disclosure notice provided by the Sponsor, the applicable client agreement between the Plan and the Sponsor, and the applicable Program Form ADV disclosure brochure.

Description of Services

Depending on the structure of the Program, PIMCO may provide investment advisory services to Program clients for the PIMCO investment strategies that are available under the Program ("discretionary advisory services"), or, alternatively, PIMCO may provide non-discretionary investment recommendations to the Sponsor in the form of model portfolios for the PIMCO investment strategies that are available under the Program ("model delivery services"). Such PIMCO investment strategies are described in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Appendix D of PIMCO's enclosed Form ADV disclosure brochure.

Discretionary Advisory Services. Where PIMCO provides discretionary advisory services under a Program, PIMCO acknowledges that it may be treated as an ERISA fiduciary with respect to Plans in connection with the services provided pursuant to an Advisory Agreement, although PIMCO's provision of services under an Advisory Agreement does not create any contractual relationship between PIMCO and any Program client.

Model Delivery Services. Where PIMCO provides model delivery services under a Program, PIMCO does not provide investment management or advisory services to Plans or exercise discretionary authority with respect to the investment or reinvestment of any Plan's assets pursuant to an Advisory Agreement. Accordingly, with respect to model delivery services provided under a Program, PIMCO is not a "fiduciary," as such term is defined in Section 3(21) of ERISA, with respect to any Program client that is a Plan, and PIMCO's provision of model delivery services under an Advisory Agreement does not create any contractual, fiduciary or investment advisory relationship between PIMCO and any Program client. Under Programs where PIMCO provides model delivery services, the Sponsor has responsibility for exercising investment discretion over the assets in a Program client's account and determining the securities to be held and sold for each such account.

Compensation

PIMCO receives an asset-based fee from the Sponsor pursuant to an Advisory Agreement for the investment advisory services PIMCO provides under the Program. For a description of the fee PIMCO receives from the Sponsor in connection with the services PIMCO provides under the Program and for information regarding the Sponsor's services, fees and other compensation, please refer to the applicable client agreement between the Plan and the Sponsor and to the applicable Program Form ADV disclosure brochure.

Research Affiliates, LLC

620 Newport Center Drive, Suite 900
Newport Beach, CA 92660

July 1, 2014

www.researchaffiliates.com
(949) 325-8700

This Form ADV Part 2A (Brochure) provides information about the qualifications and business practices of Research Affiliates, LLC. If you have any questions about the contents of this Brochure, please contact us at (949) 325-8700 or info@rallc.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Research Affiliates, LLC is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply a certain level of skill or training.

Additional information about Research Affiliates, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure, dated July 1, 2014, is a document amended at least annually and is prepared by Research Affiliates, LLC according to the SEC's requirements and rules relating to Form ADV Part 2A. This item describes the material changes made to the Brochure since it was previously amended. The date of our last annual amendment to this Brochure was March 28, 2014.

- Updated Item 4 (Advisory Business) - Robert D. Arnott, founder, Chairman and CEO, is the trustee of our principal owner, the Arnott Family Trust, which owns more than 25% of Research Affiliates Global Holdings, LLC.

- Updated Item 4 (Advisory Business) - Effective July 1, 2014, Research Affiliates changed the names of its investment strategies. Each investment strategy name was changed from "Enhanced RAFI®" to "Research Affiliates Equity™". Each underlying investment strategy did not change.

- Updated Item 10 (Other Financial Industry Activities and Affiliations) – Effective July 1, 2014, Research Affiliates changed the names of its affiliated limited partnerships. Each "Enhanced RAFI®" limited partnership name was changed to "Research Affiliates Equity™". Each underlying investment strategy did not change.

As required by the SEC, we will ensure that clients receive a summary of material changes to this Brochure as applicable and subsequent annual Brochures within 120 days of the close of our fiscal year. We will provide this information to existing clients without charge.

If you would like a copy of our Brochure, please contact our Chief Compliance Officer, Jeffrey A. Smith at (949) 325-8700 or smith@rallc.com. Additional information about Research Affiliates, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 3 – Table of Contents

Item 4 – Advisory Business

Research Affiliates, LLC was founded in 2002 and is a global leader in innovative investing and asset allocation strategies. Our competitive advantage rests in the strength of our research and product development capabilities to respond to the current needs of the global investment community. Leveraging our strong research focus, we distribute products and services directly and in partnership with some of the world's leading financial institutions. These affiliations take the form of direct asset management, sub-advisory services, and licensing agreements.

During 2011, Research Affiliates Global Holdings, LLC was formed as a holding company. Effective January 1, 2012, Research Affiliates Global Holdings, LLC acquired 100% ownership of Research Affiliates, LLC, when the owners of Research Affiliates, LLC exchanged all ownership interests in Research Affiliates, LLC for equivalent interests in Research Affiliates Global Holdings, LLC. Investment advisory activities continue to be provided by Research Affiliates, LLC as the SEC registered investment adviser. Robert D. Arnott, founder and CEO, is the trustee of our principal owner, the Arnott Family Trust, which owns more than 25% of Research Affiliates Global Holdings, LLC. Our office is located in Newport Beach, California.

Direct Asset Management

We offer direct asset management services and custom solutions to meet a client's investment needs. Our direct clients include institutional funds, pension and profit sharing plans, charitable organizations, state or municipal government entities, investment companies, and high net worth individuals. We offer a broad array of investment strategies for institutional investors through affiliated limited partnerships and separately managed accounts. Separately managed account clients may impose investment restrictions on investing in certain securities or types of securities.

We provide investment management services under a wrap fee arrangement offered by an unaffiliated broker dealer. Similar to other accounts that we manage, wrap fee clients may impose investment restrictions on investing in certain securities or types of securities, in the management of their account. In a wrap fee arrangement, we receive a portion of the wrap fee for providing investment management services.

Sub-Advisory Services

We provide investment sub-advisory services to registered investment companies by creating a model portfolio, and providing updated input data and consulting services regarding the models. We also develop custom solutions to meet client needs. Many services described and offered by the firm are based on our patented and patent-pending intellectual property.

Licensing

We license our intellectual property for use by third parties, including mutual funds, exchange traded funds and index providers for a fee. Licensees may use our intellectual property to develop investment strategies for managing accounts. In addition, services may include the development of model portfolios and indexes for a licensee's use.

Strategies

We offer multiple investment strategies, many based on our patented and patent-pending intellectual property. Our research has shown that an index based on market capitalization has the characteristic of overweighting overvalued stocks and underweighting undervalued stocks, resulting in a performance drag. The RAFI® Fundamental Index® methodology is designed to capture the benefits of indexing while avoiding the performance drag associated with cap-weighting. It does this by selecting and weighting stocks in an index using fundamental measures of company size (e.g., cash flow, book value, sales, and dividends). The Research Affiliates Equity™ strategies incorporate additional information (e.g., quality of earnings or financial distress) along with more frequent rebalancing in comparison to the RAFI® Fundamental Index® and other index strategies.

The current investment strategies offered include the following:

Research Affiliates Equity™ US Large - The Research Affiliates Equity™ US Large Strategy applies our Fundamental Index® concept to large U.S. listed equities.

Research Affiliates Equity™ US Small - The Research Affiliates Equity™ US Small Strategy applies our Fundamental Index® concept to small U.S. listed equities.

Research Affiliates Equity™ International - The Research Affiliates Equity™ International Strategy applies our Fundamental Index® concept to internationally listed equities.

Research Affiliates Equity™ Small International - The Research Affiliates Equity™ Small International Strategy applies our Fundamental Index® concept to internationally listed small equities.

Research Affiliates Equity™ Emerging Markets - The Research Affiliates Equity™ Emerging Markets Strategy applies our Fundamental Index® concept to listed equities in the emerging markets.

Research Affiliates Equity™ Global All Country - The Research Affiliates Equity™ Global All Country Strategy applies our Fundamental Index® concept to global, including emerging market equities.

Research Affiliates Equity™ Global All Country ex US - The Research Affiliates Equity™ Global All Country ex US Strategy applies our Fundamental Index® concept to foreign developed and emerging market equities.

From time to time, we may also develop a customized investment strategy based on specific parameters from a client, including facilitating certain investment restrictions. We may tailor such strategies around a client's investment policy statement, objectives and unique restrictions.

As of December 31, 2013, Research Affiliates, LLC managed approximately $76.8 billion in regulatory assets under management, $8.0 billion on a discretionary basis, and $68.8 billion on a non-discretionary basis. In addition, licensees of Research Affiliates, LLC managed approximately $89.2 billion.

Education and business background of our senior management:

ROBERT D. ARNOTT — Year of Birth: 1954

(Member of Investment Committee)

Education: B.A. Applied Mathematics, Computer Science and Economics, University of California, Santa Barbara. Business Background: Member, Chairman and CEO, Research Affiliates, LLC, since May 2002; Registered representative, PA Distributors LLC, February 2003 - December 2004; Chairman, First Quadrant, L.P. ("FQ"), May 2002 - April 2004; Chief Executive Officer, FQ, March 1996 - May 2002; President and Board Director, First Quadrant Corp., April 1988 - March 1996; Strategist, Salomon Brothers, March 1987 - April 1988; President, TSA Capital Management, March 1984 - February 1987; Vice President, The Boston Company, June 1977 - March 1984.

JASON C. HSU, PhD — Year of Birth: 1974

(Member of Investment Committee)

Education: B.S., Summa Cum Laude, Physics, California Institute of Technology, 1996; Ph.D., Finance, University of California, Los Angeles, 2004. Business Background: Managing Director, Vice Chairman, Research Affiliates, LLC, since April 2014; Managing Director, Chief Investment Officer, Research Affiliates, LLC, January 2009 – April 2014; Managing Director, Research & Investment Management, Research Affiliates, LLC, May 2002 - January 2009; Assistant VP, Derivatives Research and Trading, Far Eastern Securities 1998 - 1999; Consultant to Farmers Insurance Group, Global Window Partners, the VirtualStockExchange.com, Taiwan National Association of Securities Dealers; Instructor Financial Management, Taiwan National University of Political Science (NCCU) 1997 - 1998; Instructor Financial Economics, Shanghai University, 1998; Research fellow, Center for Business Economics and Computational Finance at NCCU.

KATRINA F. SHERRERD, PhD, CFA — Year of Birth: 1957

(Member of Investment Committee)

Education: B.S. Finance, McIntire School of Commerce, University of Virginia, 1979; M.S. Transportation Studies, Massachusetts Institute of Technology, 1983; Ph.D. Finance, Darden School, University of Virginia 1987. Business Background: Managing Director, President, Research Affiliates, LLC, since April 2014; Managing Director, Chief Operating Officer, Research Affiliates, LLC, since January 2009; Managing Director, Strategic Planning and Affiliate Relations, Research Affiliates, LLC, November 2006 - January 2009; Managing Director, CFA Institute, 1987 - 2007. Visiting professor, Darden School, University of Virginia, 2004 - 2006. Lecturer, McIntire School of Commerce, University of Virginia, 1983 - 1992.

FEIFEI LI, PhD Year of Birth: 1978

(Member of Investment Committee)

Education: B.A. Finance, Tsinghua University, 2000; Ph.D. Finance, University of California, Los Angeles, 2005. Business Background: Director, Research, Research Affiliates, LLC, since January 2009; Associate Director, Research, Research Affiliates, LLC, December 2007 - December 2008; Vice President, Manager, Research, Research Affiliates, LLC, May 2007 - December 2007; Vice President, Research, Research Affiliates, LLC, January 2007 - April 2007; Senior Research Associate, Research, Research Affiliates, LLC, July 2005 - December 2006.

JOHN M. WEST, CFA Year of Birth: 1973

(Member of Investment Committee)

Education: B.S. Finance, University of Arizona, Business Administration, 1996. Business Background: Managing Director, GTAA Product Management, Research Affiliates, LLC, since January 2013; Director, Product Specialist, Research Affiliates, LLC, January 2009 - December 2012; Associate Director and Product Specialist, Research Affiliates, LLC, April 2008 - December 2008; Associate Director, Marketing and Affiliate Relations, Research Affiliates, LLC, December 2007 - March 2008; Vice President and Product Specialist, Research Affiliates, LLC, September 2007 - December 2007; Vice President, Research Affiliates, LLC, June 2006 - August 2007; Senior Consultant and Vice President, Research, Wurts & Associates, 1997 - 2006; Performance Analyst, Wurts & Associates, 1996 - 1997.

CHRISTOPHER BRIGHTMAN, CFA Year of Birth: 1961

(Member of Investment Committee)

Education: B.A. Finance, Virginia Tech, 1983; MBA, Loyola University Maryland, 1989. Business Background: Managing Director, Chief Investment Officer, Research Affiliates, LLC, since April 2014; Managing Director, Head of Investment Management, Research Affiliates, LLC, January 2013 – April 2014; Director, Strategy, Research Affiliates, LLC, May 2010 – December 2012; Chief Executive Officer, UVIMCO, December 2004 – March 2010; Chief Investment Officer, Strategic Investment Group, March 2001 – December 2004.

MICHAEL LARSEN Year of Birth: 1962

(Member of Investment Committee)

Education: B.S. Business and Accounting, University of Nebraska, 1985; M.A. Asian Studies, Darden School, University of Virginia 1991. Business Background: Director, Global Head of Affiliate Relations, Research Affiliates, LLC, since January 2013; Director, Affiliate Relations, Research Affiliates, LLC, January 2011 – December 2012; Associate Director, Affiliate Relations, Research Affiliates, LLC, January 2009 – January 2011; Vice President, Affiliate Relations, Research Affiliates, LLC, September 2007 – January 2009; Independent Consultant, October 2005 – September 2007; Managing Director, Investment Advisory Services and Chief

Investment Officer, The Threshold Group, LLP, June 2004 – October 2005; Managing Director, Private Client Services, Trust Company of the West, June 1998 – May 2004.

DANIEL M. HARKINS Year of Birth: 1949

Education: B.A. History, University of Kansas, 1971; J.D. University of Kansas Law School, 1974. Business Background: Chief Legal Officer, Research Affiliates, LLC, since September 2009; Chief Compliance Officer, Research Affiliates, LLC, September 2009 – September 2013; Associate Director, Investment Operations, Research Affiliates, LLC, May 2009 - February 2012; Chief Compliance Officer and Senior Counsel, Research Affiliates, LLC, March 2008 - May 2009; Compliance Counsel, Research Affiliates, LLC, November 2006 - March 2008; Partner, The Feldhake Law Firm, 2001 - 2006.

JEFFREY S. WILSON Year of Birth: 1971

Education: B.S. Business Administration, University of Southern California, 1993; MBA, University of Southern California, 1995. Business Background: Head of Institutional Relations, Research Affiliates, LLC, since January 2013; Senior Vice President, Institutional Client Group, Research Affiliates, LLC, June 2010 - December 2012; Senior Associate, Maverick Capital, January 2008 - December 2009; Senior Vice President, The TCW Group, Inc. July 1997 - October 2007.

JOSEPH D. HATTESOHL, CFA Year of Birth: 1963

Education: B.S. Accounting and Business Administration, University of Kansas, 1986; Business Background: Chief Financial Officer, Research Affiliates, LLC, since January 2012; Managing Director, Trust Company of the West, February 2010 - November 2010; Managing Director, Chief Financial Officer, Metropolitan West Asset Management, LLC, November 2000 - February 2010.

JEFFREY A. SMITH Year of Birth: 1973

Education: B.S. Accounting, University of Kentucky, 1996; J.D., University of Kentucky College of Law, 1999; LL.M. Securities & Financial Regulation, Georgetown University Law Center, 2011; CRCP, University of Pennsylvania, Wharton School of Business/FINRA Institute, 2008; CRM, IIPER Business School, 2008; IACCP, NRS/IAA, 2010; Business Background: Chief Compliance Officer, Research Affiliates, LLC, since October 2013; Assistant General Counsel, Research Affiliates, LLC, since August 2013; Director of Compliance, Athene Asset Management, LLC, July 2012 – August 2013; Senior Counsel, The Rock Creek Group, LLC, July 2010 – July 2012; Investigative Attorney, Financial Crisis Inquiry Commission, April 2010 – July 2010; LSOP, U.S. Securities and Exchange Commission, Office of Director of Enforcement, January 2010 – April 2010; Legal Officer, Risk Officer, and Compliance Team Leader, Consulting Services Support Corporation, May 2006 – April 2009; Managing Partner, Smith & Associates, November 2001 – May 2006; Manager, Crowe Horwath, July 2000 – November 2001; Associate, Deloitte & Touche, August 1999 – June 2000.

Item 5 – Fees and Compensation

Separately managed account fees are based on the terms of individual investment management agreements. Fees are negotiated on a case-by-case basis. Most separately managed accounts are billed quarterly, in arrears, based on a percentage of assets under management. Accounts may have fees based on a combination of a percentage of assets under management and a performance fee based on returns above a specific market benchmark. Each separately managed account may have its own fee schedule and structure for calculating assets under management for billing purposes. The majority of our separately managed account clients are billed based on the average of the three month-ending custodian market values of the applicable quarter. Clients receive quarterly fee invoices and are responsible for arranging payment to us. Typically, we receive payments by wire for the fees due.

As described in Item 4 Advisory Business, we provide investment management services within a wrap fee program offered by an unaffiliated broker dealer. Wrap fee client accounts are charged a single quarterly fee, for the management and trading of their account assets. We receive a portion of the fee collected by the wrap account sponsor, as compensation for providing investment management services. Wrap fee accounts may have different fee schedules and billing structures that require payment of fees in advance. Clients that terminate their contract prior to the end of a billing period are entitled to a pro-rata refund of any unearned fees, based on the number of days remaining from the date of termination notice to the end of the billing period.

Fees for a limited partnership are calculated at the limited partner level, collected by the limited partnership, and paid to Research Affiliates, LLC monthly in arrears. Investors may select the option to have management fees calculated based on a percentage of assets under management or a combination of a percentage of assets under management and a performance fee based on returns above a specific market benchmark. The applicable Private Placement Memorandum contains a standard fee schedule, but fees may be negotiated on a case-by-case basis.

For investment companies or collective investment trusts that we sub-advise, fees are paid by the fund advisor/manager to Research Affiliates, LLC in arrears based on a percentage of the average daily asset value of assets under management. Each sub-advisory agreement is negotiated on a case-by-case basis with the respective manager.

For licensing arrangements, compensation is received in arrears. In general, fees are based on a percentage of average daily asset value of applicable assets under management of the licensee. In other cases, our fee may be based on a portion of the fee collected by the Licensee from its client. Each licensing arrangement, including fee compensation structure, is negotiated on a case-by-case basis.

For direct management accounts, in addition to the advisory fees payable to us, clients will incur brokerage and other transaction costs in connection with the management of their account. The costs are paid directly to an unaffiliated broker dealer, custodian, or other service provider. We do not receive, directly or indirectly any of these costs charged to the clients. Please refer to Item 12 Brokerage Practices for more information.

None of our employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for client accounts. As a result, we are a "fee only" investment adviser. We do not have any potential conflicts of interest that relate to any additional and undisclosed compensation from our clients or the assets that we manage.

Item 6 – Performance Based Fees and Side-By-Side Management

Within any given investment strategy that we offer, we may have direct management clients, separately managed accounts and limited partnership investors, with different fee schedules. One client may have an asset-based fee, while another client has an incentive-based fee. While there is a potential conflict of interest due to the possibility we could earn a higher fee on one account versus another, our investment discipline is quantitative and rules based, and where possible, all accounts within a strategy are traded at the same time, which mitigates the conflicts.

Conflicts that may potentially arise between one strategy and another are also mitigated by our quantitative and rules based investment discipline. Changes in portfolio construction and transactions are based on a stated timetable or on client controlled contributions and withdrawals.

Item 7 – Types of Clients

We provide investment advisory services to institutional investors including pension and profit sharing plans, foundations, endowments, state or municipal government entities, registered investment companies, collective investment trusts, affiliated limited partnerships, and high-net-worth individuals.

Minimum investment in our limited partnerships is typically $10,000,000. Certain of our limited partnerships may have lower minimum investment requirements. Minimum investment for our separately managed accounts is $100,000,000. We reserve the right to waive the minimum investment on a case-by-case basis.

The general partner of each of our limited partnerships is an affiliate of ours. Limited partnership interests are not offered or sold through any public offerings, and are offered to qualified investors only by Private Placement Memorandum and Limited Partnership Agreement and are not registered securities under the Securities Act of 1933.

Privacy Notice to Clients

We do not disclose nonpublic personal information about our current or former clients except as permitted or required by law. We restrict access to nonpublic personal information about our clients to those employees who need to know the information to perform specific job functions. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard nonpublic information. With client permission, clients may be identified on our firm's representative client lists.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

As discussed in Item 4 Advisory Business, we offer several investment strategies to clients, including many based on a variation of our patented and patent-pending, Fundamental Index® methodology. The RAFI® Fundamental Index® methodology uses measures of company size to gauge the economic footprint of a company (e.g. cash flow, sales, book value and dividends), rather than market capitalization, to select and weight stocks and create an indicative portfolio or index. The Research Affiliates Equity™ strategies incorporate additional information (e.g., quality of earnings or financial distress) along with more frequent rebalancing in comparison to the RAFI® Fundamental Index® and other index strategies.

To assist in the portfolio construction process, we utilize a broad spectrum of information from industry vendors including, financial publications, corporate activities, third-party research materials, annual reports, prospectuses and regulatory filings. Each strategy offered is rules based and offers broad market exposures, investment diversification, and a relatively low cost investment alternative compared to similar investment strategies.

Investing in securities involves risk of loss that each client should be prepared and able to bear. Stock and bond markets fluctuate significantly over time, and certain strategies may impose more risk than others. As a result, clients investing in our strategies risk loss of the assets we manage. We do not guarantee any level of performance or that clients will not experience a loss in the value of their assets.

In general, the strategies we offer involve more trading activity and related costs as compared to traditional passive indexing strategies, but involve less trading activity compared to traditional active management strategies. Within the RAFI® Fundamental Index® strategies, individual portfolio weights are rebalanced quarterly and reconstituted annually. When comparing investment managers or strategies, trading frequency is one of many factors to consider. Frequent trading of securities can have a negative effect on investment performance due to the increased brokerage commissions and related costs involved.

Investments in our affiliated limited partnerships present risks such as: dependence on key individuals, increased regulatory scrutiny, lack of liquidity, restrictions on resale, heavy reliance on market data and investment selection process, activities of the affiliated general partner and Investment Adviser, changing economic conditions, index calculation errors, misapplication of corporate actions, data errors, and general investment and trading risks.

Item 9 – Disciplinary Information

We are obligated to disclose any disciplinary event that would be material to clients and prospective clients evaluating Research Affiliates, LLC. At this time, we do not have any disciplinary events to report. This statement applies to our firm and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

We license our intellectual property to registered investment advisers, investors and index providers on a customized basis. The terms, fees and services provided under each arrangement are negotiated on a case-by-case basis.

Research Affiliates, LLC is the investment adviser for and provides investment management services to each of the following affiliated limited partnerships: Research Affiliates Capital, L.P., Research Affiliates Equity™ International, L.P., Research Affiliates Equity™ US Large, L.P., Research Affiliates Equity™ US Small, L.P., Research Affiliates Equity™ Emerging Markets, L.P., Research Affiliates Equity™ Small International, L.P., Research Affiliates Equity™ Global All Country Ex-US L.P., and Research Affiliates Equity™ Global All Country, L.P. Each limited partnership is considered a single client.

A related affiliate, Research Affiliates Management, LLC, which is a wholly owned subsidiary of Research Affiliates Global Holdings, LLC is the general partner of Research Affiliates Equity™ International, L.P., Research Affiliates Equity™ US Large, L.P., Research Affiliates Equity™ US Small, L.P., Research Affiliates Equity™ Emerging Markets, L.P., Research Affiliates Equity™ Small International, L.P., Research Affiliates Equity™ Global All Country Ex-US, L.P., and Research Affiliates Equity™ Global All Country, L.P. Arnott Family Trust, a related person of Research Affiliates Global Holdings, LLC, Research Affiliates, LLC, and Research Affiliates Management, LLC, is the general partner of Research Affiliates Capital, L.P. Other investment strategies may be developed and brought to market as necessary.

Research Affiliates Global Advisors Limited is a Hong Kong based company, providing support services to certain, non-advisory licensees of Research Affiliates, LLC in greater Asia. Research Affiliates Global Advisors (Europe) Limited is a Europe based company, providing support services to certain, non-advisory licensees of Research Affiliates, LLC in the United Kingdom. Research Affiliates Global Advisors Limited and Research Affiliates Global Advisors (Europe) Limited, both wholly owned subsidiaries of Research Affiliates Global Holdings, LLC, do not have any clients other than Research Affiliates, LLC.

A conflict of interest exists when we, as an investment adviser, recommend that a perspective client purchase an interest in one or more of our affiliated limited partnerships. We (or one of our affiliates) will receive, directly or indirectly, fees paid by clients that invest in our affiliated limited partnerships. The fee may be higher or lower than the fee a client may pay elsewhere for similar investment strategies or services. Although not eliminated, the conflict of interest is minimized, so long as a recommendation to purchase our affiliated limited partnership is suitable for the client based on a review of a Qualifying Questionnaire, Limited Partnership Agreement, Subscription Agreement, and the belief that the client may benefit from investing in such offerings.

Item 11 – Code of Ethics

We do not, directly or indirectly, buy from or sell securities to any client. However, our employees may purchase, sell or hold positions in securities recommended to clients. We have developed policies and procedures requiring pre-approval of certain securities transactions by our Compliance Department. Our employees are restricted from any transactions in their own account, or accounts they are related to or control, where such transactions may be detrimental to a client. In general, employees are prohibited from purchasing and selling the same security within any 30-day period. Any exceptions must be approved by our Chief Compliance Officer.

All employees are required to provide authorization for the firm to receive brokerage account activity and/or duplicate copies of brokerage statements. Daily brokerage account trading activity is fed into a web-based personal trading compliance application and monitored for compliance with personal trading policies and restrictions. As applicable, duplicate copies of brokerage account statements are reviewed quarterly by our Compliance Department to monitor compliance with personal trading policies and restrictions. All employees perform periodic personal trading electronic certifications, such as quarterly reporting of transactions, annual holdings reports, and annual brokerage accounts reports.

We have adopted policies and procedures concerning the possession of and use of material non-public information. All employees receive a copy of our Compliance Manual, including the Code of Ethics and any updates, which include written policies and procedures relevant to personal trading and material non-public information.

We believe that our Code of Ethics complies with the Investment Advisers Act of 1940 and the Investment Company Act of 1940 (if applicable). The Code of Ethics establishes standards of business conduct, states that we will conduct our business in accordance with all applicable laws, rules and regulations, and outlines our duties and responsibilities as a fiduciary to our clients. A copy of our Code of Ethics is available upon request.

Item 12 – Brokerage Practices

For certain limited partnerships and all separately managed accounts, we have engaged the services of an unaffiliated third-party, Parametric Portfolio Associates LLC (Parametric), a Seattle, Washington based SEC Registered Investment Adviser, to handle front, middle and back office support functions for our clients. Please refer to Parametric's disclosure document for more information on this Item. Parametric's disclosure document can be found on the SEC's website at www.adviserinfo.sec.gov.

Parametric generally has the authority to make investment decisions without prior consultation with the client. At any time, clients may place limitations or restrictions on our discretionary authority in the management of their account. Clients communicate such limitations or restrictions in writing to us. In the management of client assets, we observe the investment policies, limitations, and restrictions of each client for which we advise.

A client may give us discretion for selecting a broker on their behalf. In such cases, we consider the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities, financial stability, and commission rates and cost. Considering the circumstances, our overall objective in effecting portfolio transactions is to obtain the best combination of price and execution for our clients.

In some cases, we provide investment management services under a wrap-fee arrangement offered by an unaffiliated broker dealer. Within a wrap-fee arrangement, a client pays a single fee that covers the management fee and the broker's execution costs of all portfolio transactions.

For mutual funds or collective investment trusts which we sub-advise, we have no authority to determine the specific securities bought or sold, the amount of such securities, the broker dealer used, or the commission rate to be paid.

We have a policy that we do not engage in "soft dollar" arrangements that are related to securities brokerage transactions. We may receive the use of products, research or services from third parties, but they are not paid for through brokerage activities. We do not receive compensation, benefits, products, research or services from any broker dealer to whom we direct brokerage transactions beyond normal brokerage services.

Item 13 – Review of Accounts

Estimated performance of portfolios delegated to Parametric is reviewed daily. This review includes performance over various time horizons and summary position information such as valuation ratios, weighted average market capitalization, and beta estimates. Evidence of unusual performance or positions prompts a review of detailed portfolio positions. Detailed position reports are sent to us daily by Parametric.

Final performance calculations for all portfolios and composites are reviewed and approved monthly by our Investment Operations and Compliance Departments. Our GIPS Committee meets on a quarterly basis to review the performance of composites and related portfolios. Evidence of unusual individual portfolio performance compared to its composite prompts a review to explain the performance. The individuals participating in the GIPS Committee may include representatives from Investment Management, Investment Operations, Accounting, Legal and Compliance, Client Services, Affiliate Relations and Strategic Operations.

The nature and frequency of written reports provided to clients are determined primarily by the particular needs of each client and client instructions. Generally, clients (including limited partners), receive monthly reports from us. In addition, clients receive at a minimum, separate quarterly or more frequent, account statements from the broker dealer, bank or other qualified custodian detailing all cash and asset transactions and activity within their account. In general, meetings with clients are held according to the stated desires of each client. Client reports may include a written analysis of all assets under management, portfolio characteristics, and current and historical performance.

For mutual funds and collective investment trusts that we sub-advise, we provide daily, monthly and annual reports relating to portfolio construction, portfolio performance, and/or other reports as required by the respective manager or SEC rules. Actual holdings in a fund's portfolio are under the control of the fund manager.

Item 14 – Client Referrals and Other Compensation

Currently, we do not have any third party referral relationships.

Item 15 – Custody

Under federal securities law, we are deemed to have custody of client assets because an affiliate acts as the general partner to the limited partnerships offered to clients. We do not have, and do not accept, physical care, or custody of any assets of any client. Limited partnership assets are held in the name of each limited partnership. Separately managed account assets are held in the name of each separately managed account client. Each limited partnership and separately managed account select a custodian and may be required to pay custodian fees. In the course of managing each limited partnership and separately managed account, clients incur brokerage and other transaction costs. See Item 12 Brokerage Practices for a discussion of how we make brokerage decisions that affect client accounts.

In all cases, custody shall be maintained with a qualified custodian (brokers/dealers, banks, trust companies, or other qualified institutions). The qualified custodian will maintain client assets and typically send directly to each limited partnership and separately managed account quarterly or more frequent account statements detailing all cash and asset transactions and activity within their accounts. We urge clients to compare the account statements they receive from their qualified custodian to the statements provided by us. Account statement balances may occasionally differ from custodial statements due to accounting practices, reporting dates, or security valuation methodologies of certain securities. For tax and other purposes, the custodial statement is the official record for the account and assets.

Item 16 – Investment Discretion

For the limited partnerships and separately managed accounts, we generally have the authority to make investment decisions without prior consultation with the client. Our contract with each client provides for such authority. Client directed investment guidelines may limit the scope of investment discretion. As a result, clients can impose restrictions on investing in certain securities or types of securities. Clients communicate such restrictions to us in writing.

In one case, we provide investment management services under a wrap-fee arrangement offered by an unaffiliated broker dealer. Within a wrap-fee arrangement, a client pays a single fee that covers the management fee and the broker's execution costs of all portfolio transactions. We receive a portion of this fee as compensation for providing our discretionary investment management services. Our contract with the client provides for such authority. Client investment guidelines may or may not limit the scope of potential investments. As a result, the client can impose restrictions on investing in certain securities or types of securities. The Client communicates such restrictions in writing to us.

A client may give us discretion for selecting a broker on their behalf. In such cases, we consider the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities of the broker, its financial stability, and commissions and cost.

For mutual funds and collective investment trusts to which we are a sub-advisor, we have no authority to determine the specific securities bought or sold, the amount of such securities, the broker dealer used, or the commission rate to be paid.

As of December 31, 2013, we managed approximately $8.0 billion in regulatory assets under management on a discretionary basis.

Item 17 – Voting Client Securities

For certain limited partnerships and separately managed accounts, we have retained the services of a third party vendor to vote proxies absent any prior client directive. To the extent we vote proxies in-house, we are responsible to act in the best interest of our clients. To the extent that an engaged third party votes proxies on behalf of the firm and our clients, the third party provider shall vote proxies in a manner consistent with our proxy voting policies and procedures. Each client retains the right at all times to withdraw the proxy voting authority by providing us a written notice of withdrawal of authorization. A copy of our proxy voting policies and procedures is available upon request.

The policies provide guidance so that the third party and we act in a manner intended to be prudent, diligent and in the best interest of our clients. In the event that we are required to vote a proxy that could result in a conflict between a client's best interests and the interests of our firm, we may seek the advice of a knowledgeable, independent third party as to how to vote. If a client would like to know how we voted any proxy in their account, a client may contact us and we will provide the information. The third party provider and we are not responsible or liable for failing to vote any proxy where receipt of proxy materials or related shareholder communications is untimely.

Due to the significant cost associated with voting proxies in relation to international equities, such proxies are generally not voted. Domestic proxies for which we, or the third party are authorized to vote will be voted "with management", unless otherwise directed by the client.

Item 18 – Financial Information

We are required in this Item to provide certain financial information or disclosures about our financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of any bankruptcy proceeding.

FORM ADV PART 2A

Parametric Portfolio Associates LLC

1918 Eighth Avenue, Suite 3100

Seattle, WA 98101

206-694-5575

www.parametricportfolio.com

November 30, 2014

This brochure provides information about the qualifications and business practices of Parametric Portfolio Associates LLC ("Parametric"). If you have any questions about the contents of this brochure, please contact Parametric at 206-694-5575. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Parametric is a registered investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you determine to hire or retain an adviser.

Additional information about Parametric is also available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website provides information about any persons affiliated with Parametric who are registered as investment adviser representatives of Parametric.

Item 2 – Material Changes

This brochure dated November 30, 2014 is an annually amended document prepared by Parametric according to the SEC's requirements and rules relating to the Form ADV and contains the following material changes from the brochure dated January 28, 2014.

Item 4

- On August 26, 2014, Parametric announced that David Stein, the Seattle Investment Center's Chief Investment Officer ("CIO"), will retire on October 31, 2015. In order to ensure a seamless transition, Parametric has announced changes to its investment leadership. Effective November 1, 2014, Paul Bouchey became Co-CIO and effective April 1, 2015, Mr. Bouchey will become sole CIO. Mr. Stein will continue in a supporting role until October 31, 2015, at which time he will retire.

- Effective November 3, 2014, Parametric relocated its Sydney, Australia office to:

  Parametric Portfolio Associates LLC
  Suite 6502, Level 65
  MLC Centre
  19 Martin Place
  Sydney, NSW, Australia
  T +61 2 8229 0222
  M +61 413 597 010
  www.parametricportfolio.com

Item 5

- Enhanced disclosure regarding revenue sharing and solicitation agreements, and compensation arrangements for sales personnel.

Item 8

- The Systematic Income, Liability Driven Investing, DeltaShift, Dynamic Hedged Equity and Option Absolute Return strategies were added as significant investment strategies. The Passive or Custom Beta strategies were renamed Specialty Index strategies. The Enhanced Beta strategies were removed as they are no longer significant investment strategies offered by Parametric.

- Defined Option Strategy Risk, and identified it as a material risk to certain investment strategies. Quantitative Management Risk was renamed Structured Management Risk.

Item 10

- Enhanced disclosure regarding affiliate relationships

Item 11

- Disclosed potential conflicts of interest caused by Parametric investing client assets into mutual funds affiliated with Eaton Vance.

Item 12

- Enhanced disclosure regarding brokerage practices including trade error corrections, trade rotation practices, trading on behalf of wrap accounts and the existence of multiple Trading desks.

Item 14

- Clarified disclosure regarding client referrals and other compensation arrangements.

Item 15

- Clarified that Parametric may be deemed to have custody of certain affiliated private funds for which it serves as the manager or general partner and sub-adviser.

Item 17

- Enhanced disclosure regarding proxy voting practices, specifically the process for addressing potential conflicts of interest, the responsibilities of the Proxy Voting Committee and firm oversight of proxy voting.

Item 3 – Table of Contents

Item 4 – Advisory Business

Parametric Portfolio Associates LLC (“Parametric”) is organized as a limited liability company under the laws of the State of Delaware. Parametric has been providing investment advisory services since its formation in 1987. Parametric serves its clients through Investment Centers located in Seattle, WA and Minneapolis, MN, as well as through its wholly-owned subsidiary, Parametric Risk Advisors LLC (“PRA”), an SEC-registered investment adviser located in Westport, CT. Parametric is a majority-owned subsidiary of Eaton Vance Corp. (“EVC”), a publicly held company that is traded on the New York Stock Exchange under the ticker symbol EV. Parametric’s principal owners are EVA Holdings, LLC and Eaton Vance Acquisitions. Each is a privately-held subsidiary of EVC.

Parametric is a leading global asset management firm offering various portfolio management services and strategies to individual and institutional investors around the world. Parametric’s investment decision processes are guided by structured, mathematic and rules-based methodologies and proprietary technology. Parametric’s portfolio management services and strategies assist clients in meeting their market exposure, risk management, tax management and return objectives in a cost-effective manner. These services may be tailored to meet specific client needs which include but are not limited to: tax-managed core equity portfolios for taxable investors, centralized portfolio management, futures and options-based overlay services for clients seeking to securitize cash, balanced asset allocations, managed currency and duration exposure, and specialty index strategies. Parametric collaborates with clients to design and implement customized solutions through the application of equities and derivative programs. Clients may impose restrictions on investments in securities or types of securities and set additional investment guidelines as they deem necessary.

Parametric provides portfolio management services to various wrap fee programs sponsored by broker-dealers, banks or other investment advisers. Parametric receives a portion of the wrap fee collected by the program sponsor for its services. Wrap accounts are generally managed in the same or similar manner to other separately managed accounts. However, wrap programs may impose specific restrictions and investment guidelines that are more restrictive than fully discretionary client accounts. In addition, wrap programs may mandate that Parametric direct transactions to a specific broker-dealer which may prohibit Parametric from seeking best execution or aggregating trades. As a result, wrap accounts may not achieve the same performance as fully discretionary accounts.

Parametric and PRA jointly formed a GIPS® compliant firm effective December 31, 2013. In doing so, Parametric was divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with GIPS®, the firm is defined and held out to the public as “Parametric Investment & Overlay Strategies”. Parametric Investment & Overlay Strategies provides global rules-based investment management services to institutional investors, individual clients and registered investment vehicles. Included in this segment are the Systematic Alpha Strategies, Specialty Index, and Policy Implementation Overlay Services. The Parametric Custom Tax-Managed & Centralized Portfolio Management segment provides global rules-based investment management services to individuals and institutional clients. These strategies are separately managed, highly subjective, customized, non-discretionary and do not participate in the GIPS® defined firm.

Parametric manages several business locations; all of which are integral divisions of the firm and not separate entities. These divisions may have customized investment policies and procedures, separate investment guidelines and management teams, and individualized operations and management structures but all remain part of the Parametric organization. The locations are:

- Seattle, WA Investment Center (herein referred to as "Parametric Seattle" or "Seattle")
- Minneapolis, MN Investment Center (herein referred to as "Parametric Minneapolis" or "Minneapolis")
- Sydney, Australia office ("Parametric Australia" or "Australia")

Parametric currently advises or sub-advises clients in Ontario, Canada and also markets to qualified institutional "permitted" prospective clients in the province of Quebec. Parametric complies with and has filed under the International Adviser Exemption of the Canadian Securities Administrators ("CSA") Section 8.26 of National Instrument ("NI") 31-103 in Quebec and Ontario.

Parametric is registered as a foreign company in Australia, but is exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 (Cth) (Corporations Act) in respect of the provision of financial services to wholesale clients as defined in the Corporations Act and the Australian Securities and Investments Commission's ("ASIC") Class Order 03/1100. SEC rules and regulations may differ from Australian law. Parametric is not a licensed tax agent or adviser and does not provide tax advice in Australia or any other country. This office is managed by Christopher ("Chris") Briant, CEO Australasia.

Parametric has registered the name Parametric Portfolio Associates with ASIC.

Parametric Portfolio Associates LLC markets under the following names:

- Parametric Portfolio Associates LLC;
- Parametric Portfolio Associates;
- Parametric; and
- PPA.

Parametric is a trademark registered in the United States and Australia.

As of October 31, 2014, Parametric held approximately $136.3 billion in total client assets under management ("AUM"), including the AUM of PRA (approximately $3.7 billion). This is comprised of roughly $128.9 billion (including all of PRA) in discretionary AUM and $7.4 billion in non-discretionary AUM.

Material Events in 2014

On August 26, 2014, Parametric announced that David Stein, the Seattle Investment Center's Chief Investment Officer ("CIO"), will retire on October 31, 2015. In order to ensure a seamless transition, Parametric has announced changes to its investment leadership. Effective November 1, 2014, Thomas ("Tom") Seto was appointed Head of Investment Management – Seattle Investment Center and continues to lead the Seattle Investment Center's portfolio management and trading activities. Paul Bouchey has been appointed Seattle Investment Center Co-CIO alongside Mr. Stein, who will serve in such capacity until April 30, 2015, at which time Mr. Bouchey will become the Seattle Investment Center's sole CIO. In addition, Timothy ("Tim") Atwill was appointed Head of Investment Strategy, reporting to Paul Bouchey. Parametric does not anticipate any changes to its investment philosophy or processes as a result of these changes or Mr. Stein's retirement.

Effective November 1, 2014, David Stein became a non-voting participant on the Executive Committee ("EC") and will remain on the EC until his retirement in October 2015. Also effective November 1, 2014, Paul Bouchey and Tom Seto joined the EC as voting members. The EC is now comprised of Brian Langstraat, CEO; Aaron Singleton, CFO; Christine Smith, CAO; Paul Bouchey, Co-CIO-Seattle Investment Center; and Tom Seto, Head of Investment Management – Seattle Investment Center. Mr. Stein retains his position as manager of Parametric Portfolio Associates LLC and remains as an active participant in all other business related activities until October 31, 2015.

In 2014, Parametric increased its staff in Sydney, Australia and relocated its Sydney, Australia office to:

Parametric Portfolio Associates LLC
Suite 6502, Level 65
MLC Centre
19 Martin Place
Sydney, NSW, Australia
T +61 2 8229 0222
M +61 413 597 010
www.parametricportfolio.com

Item 5 – Fees and Compensation

All advisory fee schedules are negotiable and will vary by product type, account size, and customization requirements. The standard annual fee ranges are generally as follows:

- Parametric's annual fees for Customized Exposure Management strategies, as defined in Item 8, are typically between 0.15% and 0.50% of assets under management.

- Parametric's annual fees for Alpha Strategies, as defined in Item 8, are typically between 0.30% and 1.00% of assets under management.

Certain client portfolios may be customized with specialized index benchmarks which may carry additional fees for individual client use. These fees may be passed on to the individual clients. These pass-through fees will be agreed to in writing prior to implementation of the benchmark strategy. These fees may be charged on a percentage of client portfolio AUM or a flat fee depending on the index or indexes chosen. Fees for these services generally range between 0.05% and 0.10% of client AUM. The fees charged by Parametric are initially confirmed in writing in the client's investment agreement with Parametric. Fees across all Parametric products are typically charged as a percentage of the client portfolio's AUM. Parametric may assess a minimum quarterly fee to accounts which do not trade or fall below the stated asset minimum during a given period. This minimum account fee is acknowledged in the written client agreement. A monthly reporting fee may also be charged to clients requesting enhanced or specialized monthly or quarterly reports. This monthly or quarterly fee may be added to the quarterly fee. A fixed dollar fee pricing custom quotation is also available. Fees are generally payable quarterly in arrears, but some clients may pay in advance. Clients may be billed directly for fees or authorize Parametric to directly bill fees to the client's custodial account. Parametric must have written authorization from the client to invoice the custodial account and the client must receive statements from the custodian in order to comply with regulations. Invoicing the client account does not create a custodial relationship for Parametric as it will have no other authority to direct the removal of funds or securities from the client's custodial account except to direct the custodian to settle trading activities.

Clients or Parametric may terminate a contract for any reason. Normally, clients may cancel Parametric's services upon 30 days written notice. During the 30-day period, Parametric's ordinary fees are earned and payable. Parametric may terminate an investment advisory contract by giving 30 days' prior written notice to the client. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of an account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

As a general policy, Parametric negotiates fees with Wrap Sponsors or Wrap Providers and not with individuals participating in such programs. However, for specialized portfolio customization, additional fees may be allocated based on the size and complexity of the accounts. In the event of fee schedule changes, Parametric reserves the right to continue a pre-established fee schedule with current clients that may be more advantageous than the new or changed schedule.

Parametric's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Such expenses will be assessed to the client. Clients may incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge management fees which are disclosed in the fund's or ETF's prospectus or offering memorandum. These fees are incremental to Parametric's investment management fee. Clients should consider all fees and expenses prior to investing in any disciplines or securities. External legal fees incurred by Parametric on behalf of the client to establish trading accounts, or incremental fees to create specialized securities such as swaps, are generally billed to the client separately. Such costs are exclusive of and in addition to Parametric's fee, and Parametric does not receive any portion of these payments. Please refer to Item 12 of this brochure regarding Parametric's brokerage practices and the factors that Parametric considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Some custody relationships require a minimum account size or annual fee. Wrap fee and sub-advisory program clients receive a brochure from the introducing sponsor detailing all aspects of the wrap fee or sub-advisory program before selecting Parametric as the sub-adviser. Fees and features of each program offered by the various introducing sponsors will vary. Wrap fee or sub-advisory program clients should consult the introducing sponsor's brochure for the specific fees and features applicable to their program.

For wrap or sub-advised accounts, introducing sponsors and Parametric generally share in a combined service fee charged by the introducing sponsor. Parametric is generally paid a portion of the fee by the introducing sponsor for advisory services, while the introducing sponsor retains the remainder of the fee for trade execution, custody, and additional services.

In addition to investment advisory fees received from clients, Parametric and its employees may receive compensation and fees from affiliates for the sale of securities or other investment products. Parametric has entered into revenue sharing and/or solicitation agreements with the following affiliated firms:

- Parametric Risk Advisors LLC ("PRA"), a wholly owned subsidiary;
- Eaton Vance Distributors, Inc. ("EVD"), an affiliated broker-dealer and distributor of affiliated mutual funds;
- Eaton Vance Management ("EVM"), an affiliated registered investment adviser; and
- Eaton Vance Management (International) Limited ("EVMI"), an affiliated investment manager registered under the United Kingdom Financial Conduct Authority.

PRA, EVD, EVM and EVMI offer services and products that may be cross-marketed with products and services offered by Parametric. Parametric personnel who are registered representatives of EVD may receive compensation from EVD for selling affiliated registered mutual funds sub-advised by Parametric. Licensed personnel may also receive commissions for selling commingled funds sub-advised by Parametric. In all such associations, Parametric and the related party or parties share the client fee. Parametric believes it adequately addresses potential conflicts of interest that may arise out of such arrangements.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-Based Fees

Parametric has entered into performance-based fee arrangements with a limited number of qualified clients. These arrangements are subject to negotiation with each individual client. Parametric will structure any performance or incentive-based fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the exemptions available thereunder, including the exemption set forth in Rule 205-3. In measuring a client's assets for the calculation of performance-based fees, Parametric shall include realized and unrealized capital gains and losses. Although such fee arrangements create an incentive to favor higher fee paying accounts over other accounts when allocating investment opportunities, Parametric has implemented procedures designed to ensure that all clients are treated fairly and equitably. Parametric is a rules-based manager and, as such, accounts subject to performance-based fees are integrated with all other accounts in the optimization process. The optimization process is tracked as an aid in addressing the inherent conflicts associated with the allocation of investment opportunities across all accounts, regardless of their corresponding fee structure.

The performance-based component of a fee may be negotiated for any part of the fee up to 100%. Performance-based fees are dependent on the achievement of an annualized performance objective relative to an agreed upon external index or benchmark (e.g., S&P 500® Index, Barclays Capital Intermediate Government Corporate Index, or 90-Day Treasury Bills). Fees for custom designed or specialized strategies, and strategies comprised of more than one Parametric product are negotiable and are dependent upon the degree of complexity and creativity involved, the expected time period over which the service is to be performed, and the value of portfolio assets to be managed.

Side-by-Side Management

Parametric manages private funds and separately managed accounts ("SMAs") in the same or similar strategies. This may give rise to potential conflicts of interest if the private funds and SMAs have, among other things, different objectives, benchmarks or fees (i.e., performance fees). For example, potential conflicts may arise in the following examples:

- The portfolio manager must allocate time and investment ideas across private funds and SMAs;
- Private funds' or SMAs' orders are not fully executed on the same day;
- Trades get executed for an SMA that may adversely impact the value of securities held by a private fund;
- SMAs or private funds receive an allocation of an investment opportunity when other SMAs do not for various reasons, including but not limited to, cash flow availability; and/or
- Trading and securities selected for a particular private fund or SMA cause differences in the performance of different SMAs or private funds that have similar strategies.

Parametric has adopted trade allocation procedures and monitors transactions to help ensure Parametric's portfolio managers do not favor private funds or SMAs over each other, as well as to help ensure fair and equitable treatment of both the private funds and SMAs. During periods of unusual market conditions, Parametric may deviate from its stated trade allocation practices. There can be no assurance, however, that all conflicts have been identified or addressed for all situations.

Item 7 – Types of Clients

Parametric provides portfolio management services to high net-worth individuals; corporations; corporate pension and profit-sharing plans; Taft-Hartley plans; banking and thrift institutions; charitable institutions, foundations and endowments; state, municipal and federal government entities; registered investment companies; trust programs; other investment advisers; sovereign funds; foreign registered and private funds; other pooled investment vehicles; other U.S. and international institutions; and individual accounts. Parametric generally has a minimum account size of $10 million for opening a direct account.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

In providing investment advisory services to its clients, Parametric utilizes structured, mathematic and rules-based methods of analysis. Parametric has designed proprietary models and technology that guide its investment decision making processes. Investment strategies employed are generally customized to address the specific needs of the client. As a result, the client's portfolio will typically be constructed using only the securities from the client's specified benchmark. For an account using an overlay strategy, the securities or derivatives selected for inclusion are based on the client's underlying portfolio. Parametric's rules-based methodologies consider risks, expenses and other portfolio characteristics when making investment decisions. Parametric does not conduct fundamental analysis nor does it rely on security-specific research, analysis or forecasting.

Investment Strategies

Parametric offers a variety of rules-based, risk-controlled investment strategies to address the specific investment objectives of its clients. In pursuing these strategies, Parametric may invest in a wide range of securities and other financial instruments across various asset classes. Parametric recognizes that no investment strategy will achieve positive performance results in every political, economic and market environment. Investing in securities and other financial instruments involves the risk of total loss of all assets under management and, in certain circumstances, experience losses which exceed the value of the assets managed. Parametric serves clients through two categories of offerings: Customized Exposure Management and Systematic Alpha Strategies. Although many strategies are customized to fit the client's needs, the primary investment strategies offered by Parametric, including material risks relevant to each, are described below.

The investment methodologies and material risks described below for each investment strategy are not intended to be comprehensive. Parametric executes its investment strategies on behalf of individual and institutional investors around the world, each with its own set of investment objectives, restrictions, tax considerations and risk tolerances. As such, Parametric may modify a strategy to meet the specific needs of a client. As a result, a particular investment strategy may involve additional risks not identified below.

Customized Exposure Management

Tax-Managed Core

Parametric offers Tax-Managed Core ("TMC") strategies to taxable investors. The investment objective of each TMC strategy is to provide pre-tax performance that tracks the assigned index, while minimizing net realized capital gains to provide improved returns over the designated benchmark on an after-tax basis. This is achieved by utilizing tax-efficient trading methodologies whenever possible. TMC strategies can be benchmarked to any standard or customized index, including but not limited to, the S&P 500®, the Russell 1000®, and MSCI EAFE®. TMC strategies will typically invest directly in a subset of the securities which make up the client-selected index. TMC strategies generally invest in equity securities but may also invest in other securities to the extent they are a member of the client-selected index.

TMC strategies are subject to material risks, including one or more of the following: Active Management Risk, Equity Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax-Managed Investing Risk, Tax Risk and Tracking Error Risk. Not all of these risks apply to each TMC strategy. The specific risks associated with each TMC strategy depends on the client-selected index, portfolio management techniques and tax considerations.

For a summary of each risk, see *Summary of Material Risks* below. Parametric does not hold itself out as a tax advisor or consultant and does not provide such services.

When calculating after-tax returns, Parametric applies the client's individual tax rate (which may include federal and state income taxes), if provided by the client. If the individual tax rate is not provided by the client, Parametric applies the highest U.S. federal tax rates. Applying the highest U.S. federal tax rate may cause the after-tax performance shown to be different than an investor's actual experience. There is a material risk that investors' actual tax rates, the presence of current or future capital loss carry forwards, and other investor tax circumstances may materially and negatively affect the investor's actual net returns.

Policy Implementation Overlay Services ("PIOS®")

PIOS is a comprehensive set of custom overlay strategies designed to achieve investment objectives through information technology and adherence to detailed investment management guidelines. The program's objectives are to increase expected portfolio returns, improve fund liquidity, and reduce performance risk relative to policy benchmarks. PIOS is intended to be a risk neutral strategy relative to the target mix defined by the client. When a PIOS portfolio is combined with a client's underlying portfolio, it is expected to produce volatility similar to that of the benchmark portfolio. Overlays of client designated "cash equivalent" positions may also be a part of the program. Leverage is not employed unless desired by the client. Clients may use PIOS for cash securitization, rebalancing, transition management, interest rate management and currency management tools. PIOS utilizes exchange-traded instruments, over-the-counter ("OTC") instruments, and other financial products to achieve its objective.

PIOS strategies are subject to material risks, including one or more of the following: Active Management Risk, Currency Risk, Derivatives Risk, Equity Risk, ETF Risk, ETN Risk, General Investing Risk, Market Risk and Tracking Error Risk. Not all of these risks apply to each PIOS strategy. The specific risks associated with each PIOS strategy depends on the client's investment objective and the types of instruments used to achieve that client's investment objective. For a summary of each risk, see *Summary of Material Risks* below.

Specialty Index

Parametric offers customized Specialty Index strategies to individual and institutional investors. The Specialty Index strategies enable investors to build custom, or non-standard, index-based equity portfolios that are tailored to the unique, individual needs of each client. Specialty Index strategies may target alternative indexes, non-capitalization weighted indexes, or any combinations thereof. The Specialty Index strategies will use physical securities and/or synthetic instruments to obtain the desired exposure to the targeted index. These instruments may include, but are not limited to, equity securities, sovereign securities, treasuries and exchange-traded funds. Specialty Index strategies may be subject to the following material risks: Active Management Risk, Concentration Risk, Currency Risk, Derivative Risk, Duration Risk, Equity Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Centralized Portfolio Management

Centralized Portfolio Management ("CPM") is an investment management offering that is customized to address the investment objective, risk tolerance, and tax considerations of each client. The investment objective of a CPM portfolio is to provide—within a single coordinated portfolio—the pre-tax return of a combination of asset managers or styles while seeking to maintain control over total portfolio risk and taxes. CPM utilizes the expertise of multiple third-party managers who deliver their investment recommendations for their respective asset class to Parametric, who then serves as the centralized portfolio manager. Parametric considers all of the third-party managers' recommendations and, using proprietary technology, executes trades that best serve the overall portfolio's needs. The benefits of CPM include coordinated account rebalancing, enhanced tax lot management, and processes designed to improve risk management. CPM portfolios generally invest exclusively in equity securities but may also invest in other security types to the extent that the customized strategy permits the use of non-equity securities.

CPM strategies are subject to material risks, including one or more of the following: Active Management Risk, Equity Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax-Managed Investing Risk and Tracking Error Risk. Not all of these risks apply to each CPM strategy. The specific risks associated with each CPM strategy depend on the client's investment objective and the types of instruments used to achieve that client's investment objective. For a summary of each risk, see *Summary of Material Risks* below.

Systematic Alpha Strategies

Parametric offers the following Systematic Alpha strategies, each of which is designed to outperform a capitalization-weighted index by investing in a core equity portfolio that is less concentrated and bears lower expected risk. To achieve this objective, Parametric uses systems of modified equal-weight with systematic rebalancing. Systematic Alpha strategies do not rely on forecasting. These strategies derive their extra growth from systematic diversification and by rebalancing the client's portfolio.

The Parametric U.S. Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in the U.S. The strategy's primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric U.S. Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, ETF Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric International Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in developed markets outside of the U.S. The strategy may also invest in equity securities of companies located in emerging market countries. The strategy's primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets.

The Parametric International Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Global Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in the U.S. and the developed markets outside of the U.S. The strategy may also invest in equity securities of companies located in emerging market countries. The strategy's primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric Global Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Global Small-Cap Equity strategy invests primarily in a diversified portfolio of equity securities of small-cap companies in various foreign countries and in the U.S. The strategy may also invest in equity securities of small-cap companies located in emerging market countries. The strategy's primary investment objective is to seek long-term capital appreciation. The Parametric Global Small-Cap Equity strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Emerging Markets Equity strategy invests in a diversified portfolio of equity securities of companies located in emerging and frontier market countries. Emerging and frontier market countries are generally countries not considered to be developed market countries, and therefore are not included in the MSCI World Index. There are two investment disciplines: (1) the Emerging Markets approach, which emphasizes broad coverage and diversification among emerging and frontier equities using a four-tiered investment allocation approach designed to allow for greater exposure to smaller markets; and (2) the Emerging Markets Core approach, which emphasizes exposure and diversification among the larger market cap weighted securities in the top three tiers of designated investment opportunities. Portfolios invested in the Parametric Emerging Markets Equity strategy are designed to capture returns with less volatility and concentration risk than the benchmark. The investment objective of this strategy is to buy and hold securities that are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric Emerging Markets Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Commodity strategy invests primarily in a portfolio comprised of commodity futures contracts, which are fully backed by cash collateral invested in U.S. Treasury bonds. The investment objective of this strategy is to provide a broad-based, long-only portfolio of commodities to capture the potential diversifying and inflation-fighting characteristics of the asset class. The Parametric Commodity strategy is subject to the following material risks: Active Management Risk, Commodities Risk, Concentration Risk, Credit Risk, Derivatives Risk, Duration Risk, ETF Risk, General Investing Risk, Income Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Systematic Income

The Parametric Dividend Income strategy invests in a diversified portfolio of equity securities of companies domiciled in the U.S. The strategy constructs portfolios consisting of approximately 200 securities. Sectors are equal-weighted and generally consist of 20-25 securities. The investment objective of the Parametric Dividend Income strategy is to seek a portfolio of durable dividend payers to provide a steady source of dividend income while outperforming the designated index on a total return basis by one to two percent. This strategy is subject to the following material risks: Active Management Risk, Equity Risk, General Investing Risk, Income Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Enhanced Income and Enhanced Income Core strategies invest in portfolios of closed-end funds and exchange-traded funds across multiple asset classes. The strategies use an engineered, rules-based approach with systematic reconstitution, and are designed to provide a high level of return and the ability to target an investor's particular income needs. The Enhanced Income strategy will typically hold a larger portfolio of securities than the Enhanced Income Core strategy. The strategies are subject to the following material risks: Active Management Risk, Equity Risk, ETF Risk, General Investing Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Energy MLP strategy invests in a portfolio consisting of master limited partnerships ("MLPs") operating in the energy industry. The strategy's investment objective is to efficiently deliver the risk and return of the designated index in a tax-sensitive manner. The strategy typically invests in ten MLPs, which are rebalanced on an annual basis, thus providing the investor with exposure to the energy industry. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Equity Risk, General Investing Risk, Income Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Alternatives

Risk Parity – Global Balanced Risk

Parametric offers the Risk Parity strategies to institutional investors. These asset allocation strategies seek to evenly spread portfolio risk across an array of risk exposures, with the objective of creating portfolios that are balanced and thus have greater expected risk-adjusted returns than typical institutional portfolios. This approach combines a disciplined, risk-balanced allocation structure with passive implementation through the exclusive use of physical securities, futures-based instruments, or centrally cleared swaps. The Risk Parity strategies are subject to the following material risks: Active Management Risk, Commodities Risk, Credit Risk, Derivatives Risk, Equity Risk, ETF Risk, General Investing Risk, Hedge Correlation Risk, Inflation-Linked Security Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Structured Management Risk, Swap Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Liability Driven Investing

Parametric's Liability Driven Investing ("LDI") strategy is intended to assist pension plan clients in the design and implementation of a plan that seeks to reduce risk and manage pension surplus volatility within a defined range. The strategy seeks to manage the key drivers of pension surplus volatility through the use of Treasury futures, interest rate swaps, swaptions, nominal Treasuries, STRIPs and Investment Grade Bonds. Parametric seeks to incorporate the client's objectives and constraints in the design, implementation and ongoing management of a custom LDI risk management solution. The LDI strategy is subject to Active Management Risk, Commodities Risk, Credit Risk, Derivatives Risk, Duration Risk, General Investing Risk, Hedge Correlation Risk, Income Risk, Inflation-Linked Security Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Options Strategy Risk, Structured Management Risk, Swap Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Defensive Equity

The Defensive Equity strategy uses derivatives which seek to produce significantly lower return volatility and consistently favorable risk-adjusted returns compared to a fully invested equity portfolio. Over a full market cycle, the return objective of the strategy is to outperform a fully invested equity portfolio by 100-150 basis points annualized, with 40% lower risk as measured by standard deviation of returns. The Defensive Equity strategy creates implicit downside protection through a core position in the designated index and Treasury Bills, combined with fully covered short equity index call and put options. The strategy does not utilize leverage. The Defensive Equity strategy uses a disciplined implementation process that adapts to changing market volatility without the need for market timing or forecasts. The strategy is subject to the following material risks: Active Management Risk, Derivatives Risk, ETF Risk, General Investing Risk, Hedge Correlation Risk, Interest Rate Risk, Market Risk, Maturity Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

DeltaShift

Through its wholly-owned subsidiary, PRA, Parametric offers DeltaShift, a managed covered call writing program for investors who hold concentrated stock positions or equity portfolios. The DeltaShift strategy seeks to improve expected performance through the sale of equity or equity index call options. Portfolio volatility is reduced in exchange for the willingness to limit upside profit potential. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity

Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Dynamic Hedged Equity

Through its wholly-owned subsidiary, PRA, Parametric offers the Dynamic Hedged Equity strategy to investors seeking to employ a systematic hedging strategy to their existing equity portfolios. The strategy seeks to reduce portfolio risk and volatility through the purchase of index put options and the sale of index call options in a repeatable, methodical manner. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Option Absolute Return Strategy

Through its wholly-owned subsidiary, PRA, Parametric offers the Option Absolute Return strategy ("OARS"), which is designed to serve as an overlay solution for a client's underlying equity or bond portfolio. OARS seeks to generate excess returns through the sale of index call spreads and index put spreads. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Summary of Material Risks

Active Management Risk. The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

Commodities Risk. The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, which may include weather, embargoes, tariffs, and health, political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

Concentration Risk. A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than that of a less concentrated portfolio.

Credit Risk. Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at its own expense.

Currency Risk. In general, the value of investments in, or denominated in, foreign currencies increase when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the *Derivatives Risks* described below.

Derivatives Risk. The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative, due to failure of the counterparty or due to tax or regulatory constraints. In this context, Derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that may be valued based upon another or related asset. Derivatives may create economic leverage in a client portfolio, which magnifies the portfolio's exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and may be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions may substantially exceed the initial investment. Certain strategies may use derivatives extensively.

Duration Risk. Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

Equity Risk. Portfolios may be sensitive to stock market volatility and the stocks in which it invests may be more volatile than the stock market as a whole. The value of stocks and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations, as well as issuer or sector specific events. Market conditions may affect certain types of stocks (such as large-cap or growth stocks) to a greater extent than other types of stocks. If the stock market declines, the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.

ETF Risk. Investing in an exchange-traded fund ("ETF") exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on the demand in the market for them, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track, and a client account may not be able to liquidate ETF holdings at the time and price desired, which may impact its performance.

ETN Risk. An exchange-traded note ("ETN") is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and may lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN may exceed the cost of investing directly in the referenced investment. The market trading price of an ETN may be more volatile than the referenced investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value. A client account may not be able to liquidate ETN holdings at the time and price desired, which may impact its performance.

Foreign, Emerging and Frontier Markets Risk. The value of a client portfolio can be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant. Investment markets in emerging and frontier countries are typically substantially smaller, less liquid and more volatile than the major markets in developed countries, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market countries may have relatively unstable governments and economies. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Trading in foreign, emerging and frontier markets typically involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks.

General Investing Risks. Most investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

Hedge Correlation Risk. Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

Income Risk. A portfolio's ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

Inflation-Linked Security Risk. Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities may vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.

Interest Rate Risk. As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

Leverage Risk. Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it may not be advantageous to do so. Leverage may cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. The loss on leveraged transactions may substantially exceed the initial investment.

Market Risk. Economic and other events (whether real or perceived) can reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability of the portfolio manager to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.

Maturity Risk. Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

Option Strategy Risk. A client portfolio may employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified index over the realized index volatilities. This market observation is often attributed to an excess of natural buyers over natural sellers of specified index options. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which could have an adverse effect on the client portfolio's ability to achieve its investment objective. Call and put spreads employed by certain strategies may be based on a specified index or on exchanged-traded funds that replicate the performance of certain indexes. In the case of an index, returns realized on call and put spread positions over each roll cycle will be determined by the performance of the index. If the index appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options, and the notional value of the positions. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index. All options and other derivatives must be carefully considered.

Small Companies Risk. Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. Such companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group, or lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

Structured Management Risk. Parametric uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by Parametric, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance that they will achieve the desired results.

Swap Risk. The use of swap transactions is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events may significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely affect the manager's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

Tax-Managed Investing Risk. Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation or regulation.

Tax Risk. The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

Tracking Error Risk. Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that may be material to the evaluation of Parametric or the integrity of Parametric's management. Parametric has no disciplinary information to disclose that is applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

In addition to its registration with the SEC as an investment adviser under the Investment Advisers Act of 1940, Parametric is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the Commodity Futures Trading Commission (the "CFTC") through the National Futures Association ("NFA"). Certain management and sales personnel are registered with the NFA as Principals and/or Associated Persons.

As detailed in Item 4, Parametric is a majority-owned subsidiary of Eaton Vance Corp. ("EVC"), a publicly held company that is traded on the New York Stock Exchange. Parametric's principal owners are EVA Holdings LLC and Eaton Vance Acquisitions, who collectively own approximately 97% of Parametric. EVA Holdings LLC and Eaton Vance Acquisitions are wholly-owned subsidiaries of EVC. As a subsidiary of EVC, Parametric has several relationships with affiliates that are material to its advisory business and its clients.

Parametric provides investment advisory services to various private and public pooled investment vehicles sponsored by EVC or its subsidiaries (the "EV Funds"). The EV Funds include various registered investment companies ("EV Mutual Funds"), investment companies exempt from registration ("Private Funds"), and investment companies domiciled and distributed outside the United States ("Offshore Funds").

Parametric is under common control with Eaton Vance Distributors, Inc. ("EVD"), a broker-dealer registered with the SEC and a FINRA member firm. EVD is a wholly-owned subsidiary of EVC. EVD is the principal underwriter and distributor of certain EV Funds. Parametric currently does not conduct any brokerage business with EVD. Parametric and EVD have entered into a revenue sharing agreement under which Parametric compensates EVD with a portion of the advisory fees earned by Parametric for certain client accounts. Certain Parametric sales personnel may be registered representatives of EVD and receive compensation for promoting sales of EV Funds sub-advised by Parametric and for which Parametric receives a separate advisory fee.

Parametric is under common control with Eaton Vance Management ("EVM"), an investment adviser registered with the SEC. EVM is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the CFTC through the NFA. EVM is a wholly-owned subsidiary of EVC. Parametric has entered into an agreement with EVM whereby EVM provides to Parametric certain services such as accounting, human resources and legal. Parametric compensates EVM for the costs of these services. EVM serves as the investment adviser and/or administrator to certain EV Funds and other unaffiliated client portfolios. Parametric has entered into sub-advisory agreements with EVM with respect to certain EV Funds and other unaffiliated client portfolios. Parametric also provides investment overlay services to EVM for certain client accounts utilizing certain EVM investment strategies. Pursuant to a revenue sharing agreement between EVM and Parametric, Parametric receives a portion of the total fees paid to EVM for such accounts. Parametric and EVM have also entered into a mutual solicitation agreement whereby one party will compensate the other for certain institutional client referrals.

Parametric is under common control with Boston Management and Research ("BMR"), an investment adviser registered with the SEC. BMR is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the CFTC through the NFA. BMR is a wholly-owned subsidiary of EVM. BMR serves as the investment adviser to certain EV Funds. Parametric has entered into sub-advisory agreements with BMR with respect to certain EV Funds.

Parametric is under common control with Eaton Vance Advisers (Ireland) Limited ("EVAIR") and Eaton Vance Management (International) Limited ("EVMI"). EVAIR and EVMI are subsidiaries of EVM. EVAIR and EVMI each serve as the investment adviser or distributor to certain Offshore Funds. Parametric has entered into sub-advisory agreements with EVAIR and EVMI with respect to certain Offshore Funds and other unaffiliated client portfolios.

Parametric is under common control with Eaton Vance Trust Company ("EVTC"), a limited purpose trust company organized under the laws of Maine. EVTC is owned by EVC. EVTC serves as trustee to common trust funds and collective investment trusts for which Parametric serves as the investment adviser.

Parametric has organized and serves as the investment adviser to certain private investment companies that are exempt from registration (the "PPA Private Funds"). Parametric serves as the managing member of the Clifton Defensive Equity Fund LLC and Clifton Equal Sector Commodity Strategy Fund LLC.

Parametric also serves as the general partner of the Clifton Commodities Fund LP and as the manager of the Clifton Global Balanced Risk Fund Ltd. The PPA Private Funds are only offered to institutional investors. Parametric's conflicts of interest are fully disclosed to potential investors in each fund's private placement memorandum.

PRA is a wholly-owned subsidiary of Parametric and an SEC-registered investment adviser. Parametric provides PRA with various resources and services, including but not limited to, accounting, legal, compliance, human resources, sales and marketing, and information technology. PRA serves as a sub-adviser to Parametric with regard to certain client portfolios.

Investment strategies and products of Parametric, PRA, EVM and other affiliates may be cross marketed. Parametric works closely with its affiliates to jointly market advisory services and strategic investment strategies to institutional investors and high-net-worth individuals, and may refer clients to its affiliates when appropriate. These shared marketing efforts and sales referrals may result in intercompany transfers and cost-sharing payments between Parametric and its affiliates. Pursuant to a written agreement between Parametric and EVD, Parametric compensates EVD with a percentage of the investment advisory fee earned by Parametric on certain accounts for EVD's joint marketing efforts. As mentioned elsewhere in this brochure, certain Parametric employees are compensated by EVD for marketing Eaton Vance Funds and other separate account products.

Item 11 – Code of Ethics

In accordance with Rule 204A-1, Parametric has adopted a written Code of Ethics (the "Code") that is applicable to all supervised persons of the firm. The Code sets a high standard of business conduct and emphasizes each employee's fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, the prohibition of insider trading, guidance on the provision or receipt of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees of Parametric must acknowledge, in writing, that they have read, understand and fully agree to comply with the Code.

The Code requires supervised persons and their immediate family members to promptly report all non-exempt personal securities transactions. The Code further requires that all reportable personal investment accounts be disclosed, that Compliance receive duplicate transaction information for all reportable investment accounts, and that all covered persons certify compliance with the Code at least annually. In addition to reporting and recordkeeping requirements, the Code also imposes various substantive and procedural restrictions on all non-exempt personal securities transactions.

Parametric anticipates that, in appropriate circumstances and consistent with the client's investment objectives, it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Parametric and/or its clients, directly or indirectly, have a position or interest. From time to time, Parametric or its affiliates may also recommend to investment advisory clients the purchase or sale of mutual funds in which Parametric receives a sub-advisory fee. Parametric's employees and persons associated with Parametric are required to comply with the Code. Subject to satisfying this company policy and applicable laws, employees of Parametric may trade for their own accounts in securities that are recommended to and/or purchased for the firm's clients. The Code is designed to assure that the activities, interests and relationships of Parametric's employees will not interfere with their ability to make decisions in the best interest of advisory clients, whilst allowing employees to invest for their own accounts. Thus, the Code designates certain classes of securities as exempt securities and certain classes of transactions as exempt transactions, based upon a determination that these securities and transactions would not materially interfere with the best interests of Parametric's clients. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably ensure employees comply with the Code, and to reasonably address conflicts of interest between Parametric and its clients.

Parametric may trade in securities of issuers of which persons related to its employees may be considered to be insiders. Parametric's investment recommendations and trading activities will not be based on material, non-public information, as defined in Parametric's Insider Trading Policy and Procedures.

Parametric or its employees may give charitable contributions to client organizations, such as through sponsorships at events. Parametric may also support educational endeavors of industry or client trade organizations.

A client or prospective client may obtain a copy of Parametric's Code of Ethics upon request by contacting Deborah Lamb at 206-694-5575 or ppa-compliance@paraport.com.

In special circumstances and consistent with a client's investment objectives, Parametric may invest a portion of a client's assets in shares of registered investment companies, including funds sponsored and managed by Eaton Vance Management ("EVM"), an affiliate. This strategy may create a conflict of interest with respect to the allocation of affiliated funds. Since EVM receives management and/or administrative fees for serving as the adviser to the funds, Parametric may have an incentive to allocate more client assets to funds managed by EVM. However, Parametric does not consider the fee structures of the underlying investment companies during trade allocation.

Item 12 – Brokerage Practices

Parametric is generally assigned full investment authority and discretion to purchase, sell or exchange client assets in accordance with the client's specified investment objective or strategy. Unless directed otherwise, Parametric is also authorized to select the broker-dealers to be used to execute securities transactions on behalf of client accounts. As noted earlier, Parametric advises its clients from Investment Centers located in Seattle and Minneapolis. Parametric maintains separate Trading desks at each Investment Center. These Trading desks operate independently of one another as they support investment strategies that utilize different asset classes. Parametric Seattle trades primarily in equity securities, including stocks of issuers located in developed and emerging markets, participatory notes, exchange-traded funds, closed-end funds and foreign currencies. Parametric Minneapolis trades primarily in futures, options, and Treasury securities. The two Trading desks generally do not share information and it is unlikely that one Trading desk would compete with the other when implementing buy and sell transactions. Each Investment Center has established a Best Execution Committee, which is responsible for monitoring the trading activities at its respective Investment Center.

Best Execution

Parametric has a fiduciary obligation to act, at all times, in the best interest of its clients and to seek best overall execution in client trading. The firm has the authority to execute a trade through any broker-dealer, dealer and/or exchange it deems appropriate, and may negotiate commission and similar fees and expenses. Parametric carefully monitors and evaluates transaction costs and the quality of execution across all strategies and client portfolios. Parametric utilizes the services of third-party service providers, such as ITG, to assist with best execution analysis. In analyzing best overall execution, Parametric will consider factors, including but not limited to: specific market and trading impact, number of shares being traded, share price, trading costs, exchange costs, and other material inputs.

Parametric will always seek to effect transactions at the price and commission that provides the most favorable total overall cost or proceeds reasonably attainable given the circumstances. Parametric may consider various factors when selecting a broker-dealer, including but not limited to: the nature of the portfolio transaction; the size of the transaction; the execution, clearing and settlement capabilities of the broker-dealer; the reputation, financial strength and stability of the broker-dealer; availability of alternative trading platforms; the desired timing of the transaction; confidentiality; and, under appropriate circumstances, the availability of research and research-related services provided through such broker-dealer.

Soft Dollars

Parametric may pay brokerage fees in excess of that which another broker-dealer may charge for effecting the same transaction if Parametric, in good faith, determines that such commissions or fees are reasonable in relation to the value of brokerage and research provided. In limited circumstances, Parametric may utilize commission dollars to pay for research services provided in the form of written reports, verbal communications, economic and market data, credit analyses, news services, electronic information, analytic software, analyst earnings revisions, etc. Such services may also contain information concerning securities markets, the economy, individual companies, pricing information and services, performance studies, and other information intended to enhance Parametric's investment decision-making abilities.

As authorized in Section 28(e) of the Securities Exchange Act of 1934, Parametric may cause its clients to pay a broker-dealer that provides brokerage and research services to Parametric an amount of commissions in excess of the commissions that another broker-dealer would have charged for effecting a transaction. If utilized, these services may reduce Parametric's expenses, depending on the extent to which they are used. Not all services must benefit all clients to the same degree. Research services furnished by broker-dealers with whom Parametric and its affiliates effect transactions may be beneficial to certain accounts advised by Parametric. At times, the commissions paid under such arrangements may be higher than the commission paid to a broker-dealer who provides no research capabilities or services. A particular account may be charged commissions by a firm who supplied research services not utilized by such account. Parametric will only utilize soft dollars to the extent permissible under the regulations. Parametric expects that each account will benefit overall by the utilization of soft dollars because each is receiving the benefit of research services and the execution of transactions not otherwise available to the account without the allocation of transactions based upon the recognition of the value of the research services provided. On a routine basis, Parametric assesses its commission policies, rates and allocations. This review considers the contributions and value of research services received from broker-dealers.

In certain instances, Parametric may receive products or services from broker-dealers which are used by Parametric both for investment research and for administrative, marketing or other non-research purposes. In such instances, Parametric makes a good faith effort to determine the relative proportion of such product or service's use for investment research. That portion of the cost may be defrayed through brokerage commissions generated by client transactions, while the remaining portion of the cost of obtaining the product or service is paid by Parametric in cash. Parametric Seattle does not currently utilize soft dollars.

Client Directed Brokerage

Clients may request in writing that Parametric direct some or all trading activity to a single broker-dealer or group of broker-dealers to accommodate an external agreement between those parties. If a client decides to direct trading activity to a broker-dealer and its brokerage is placed by Parametric, the client should first consider the following information:

- Parametric has existing integrated trading and reporting systems with some broker-dealers which reduce the cost of transacting business with those broker-dealers;
- A client who directs Parametric to use a specific broker-dealer may pay higher commissions on some transactions than might be attainable by Parametric, or may receive less favorable execution on some transactions, or both;
- A client who directs Parametric to use a specific broker-dealer may forego any benefit from savings on execution costs that Parametric could obtain for its clients through negotiating volume discounts on batched transactions;
- A client who directs Parametric to use a specific broker-dealer may restrict Parametric from receiving research-related products and services available from other broker-dealers;
- Parametric may not begin to execute client securities transactions with broker-dealers which have been directed by clients until all non-directed brokerage orders are complete; and
- Clients directing commissions may not generate returns equal to clients which do not direct commissions.

FX Transactions

Portfolio transactions in foreign currencies or in overseas markets often involve foreign currency transactions when settling trades, or when converting or repatriating dividends. In situations where currency transactions are not required or otherwise mandated by the custodian, Parametric conducts foreign exchange transactions for portfolios with approved counterparties. When executing these transactions for clients, Parametric recognizes its responsibility to seek best execution for the portfolio and to pursue favorable rates with foreign exchange broker-dealers.

Trade Aggregation and Allocation

Parametric may aggregate or "block" trades if, in Parametric's reasonable judgment, such aggregation may result in an overall economic benefit to each participating client's account, taking into consideration the more advantageous purchase or selling price, brokerage commissions, and the execution capabilities of the selected broker-dealer. By aggregating trades for multiple client accounts into a larger, single block order, Parametric may be able to obtain a better price and more favorable trade execution for all participating client accounts.

Although certain client accounts are subject to directed brokerage requirements, Parametric may conduct step-out transactions, whereby it will place a trade order for one or more client accounts with a broker-dealer who executes the trade and then steps-out portions of the trade to the applicable directed broker-dealer(s) for clearance and settlement. In certain cases, the executing broker-dealer will receive commissions from the participating discretionary client accounts, but will not receive commissions from participating directed brokerage accounts. There are also instances where Parametric may execute a step-out transaction on a net basis, whereby the negotiated price is marked-up or marked-down to compensate the executing broker-dealer for its services. Although mark-up/mark-downs may independently be more costly to the client in terms of commissions, Parametric believes that the selected broker-dealer being paid for these additional services offers the best combination of price and cost execution. That is, the combination of directed brokerage and discretionary accounts in one block order benefits all participating accounts because concentrating the execution of the orders with one broker-dealer can result in a better overall price and execution for all participating accounts.

Parametric is the manager for several limited liability investment partnerships. Parametric trades these portfolios in the same manner as other portfolios, using the same broker-dealers who charge the same rates. These portfolios participate in the same block trade allocation procedures and do not receive any benefits not accorded to other managed accounts.

In the event that trade allocation is required, Parametric's trade allocation policy is designed to ensure fair and equitable allocation of investment opportunities among accounts over time and to ensure compliance with applicable regulatory requirements. Accounts are treated in a non-preferential manner, such that allocations are not based upon account performance, fee structure or the portfolio manager. This policy is not intended to provide mathematical precision in all instances.

The trade allocation process is automated within the order management system. When an aggregated order is completed in its entirety, the order will then be allocated to accounts in accordance with the preliminary allocation schedule, or on a pro-rata basis if the order is only partially filled. For certain securities and derivatives which may have liquidity or other trading limitations, it may be necessary to place the order before setting the allocation among the participating accounts. In such instances, the allocation will be completed as soon as reasonably possible after execution. In any event, allocations must be placed no later than the end of the trading day. Fully executed orders will receive the average price obtained in the trades. Partially filled orders will be allocated pro-rata based on the original predetermined allocation, on an average price basis, subject to certain limited exceptions. If the allocation is de minimis (i.e., disproportionately small in relation to the size of the account or strategy), the allocation may be reallocated to other participating accounts which remain unfilled. There may be situations in the Emerging Markets portfolios where non pro-rata trade allocations can occur due to limited liquidity, or market rules. Records shall be kept by traders and/or portfolio managers supporting the reason for any such reallocation.

Trade Rotation

Parametric Seattle's Trading desk has adopted trade rotation procedures for those instances when it is required to submit competing trades for equity securities. These procedures are designed to ensure that participating client accounts are treated fairly and equitably. Parametric will generally block equity trades on behalf of multiple client accounts and submit the order to the broker-dealer for execution as market-on-close ("MOC"). However, certain circumstances may arise that require a deviation from this practice, such as client accounts subject to directed brokerage requirements that prevent them from participating in blocked trades, directed broker-dealers who do not accept MOC orders, and certain security types that cannot be executed MOC. When Parametric is required to submit competing trades to multiple broker-dealers, it will submit the orders following a randomly generated rotation schedule. By staggering the release of orders into the market, Parametric will attempt to limit the impact on the market price of the securities.

Parametric's trade rotation procedures are generally applicable to equity securities only. Parametric Minneapolis has trading procedures that are designed to ensure that participating client accounts are treated fairly and equitably within its investment strategies, which utilize fixed income securities, derivatives and other financial instruments that are typically provided to clients who are not subject to directed brokerage requirements or allocation restrictions. As such, Parametric Minneapolis follows the firm's trade allocation and aggregation procedures when trading non-equity securities.

Wrap Accounts

Parametric serves as an investment manager to separate accounts in various wrap fee programs. While Parametric may have discretion to select broker-dealers other than the wrap program sponsor to execute trades for wrap accounts in a particular program, trades are generally executed through the financial institution sponsoring the wrap program. A wrap program sponsor may instruct Parametric not to execute transactions on behalf of the wrap accounts in that program with certain broker-dealers. When a sponsor restricts Parametric in this way, it may affect Parametric's ability to negotiate favorable commission rates or volume discounts, the availability of certain spreads, and the timeliness of execution. This may consequently result in a less advantageous price being realized by the account. Parametric endeavors to treat all wrap accounts fairly and equitably over time in the execution of client orders. Depending on factors such as the size of the order, and the type and availability of a security, orders for wrap accounts may be executed throughout the day. When orders are placed with broker-dealers, such trades may experience sequencing delays and market impact costs, which the firm will attempt to minimize. When the Trading desk deems it appropriate, trades for wrap accounts may be rotated in accordance with Parametric's trade rotation policy to treat all clients fairly and equitably over time.

Counterparties

Parametric may enter into agreements with other financial intermediaries for trading in client portfolios. To assess counterparty risk, Parametric will conduct initial due diligence on the counterparty prior to the execution of the trading agreement and continue monitoring each financial counterparty for the life of the agreement. Counterparty arrangements for swaps, forwards, certain participatory notes, and similar transactions involve greater counterparty risk than execution through a registered exchange. Parametric will attempt to reduce the risk of non-performance or default by the counterparty by dealing primarily with established, well-financed organizations that continually demonstrate creditworthiness.

Trade Errors

On occasion, Parametric or a broker-dealer may make an error in executing a securities transaction on behalf a client account. Parametric seeks to correct each trade error promptly and in the client's best interest. Parametric will reimburse the client for losses resulting from an error or subsequent actions taken to correct the error in the client account. Parametric will not correct an error in a manner which favors one client at the expense of another client. Parametric will not intentionally profit or benefit from the resolution of a trade error. Soft dollars and commissions from client transactions will not be used to correct trade errors or compensate broker-dealers for erroneous trades.

Item 13 – Review of Accounts

Parametric Seattle

In addition to the ongoing daily management of accounts, Parametric Seattle reviews all of its investment advisory accounts on an exception basis in the monthly Portfolio Management Committee meetings. The individuals performing this review include Parametric Seattle's Co-Chief Investment Officers, Head of Investment Management, Managing Directors of Portfolio Management, Managing Director of Research, Directors of Research, Senior Researchers, and Directors of Portfolio Management. As part of such review, an account's investment strategy, performance and other factors are analyzed. A determination is then made as to whether an account's respective strategy requires alteration in light of its investment objectives and restrictions.

Reviews of accounts will also occur when investment strategies and objectives are changed by the investment advisory client or Parametric, or when significant events occur which are expected to impact the value of the account.

Parametric Seattle may, upon specific arrangements, furnish certain clients with quarterly reports directly or via a password protected internet site. Such reports generally consist of an account valuation combined with both a pre- and post-tax performance summary and analysis. Reporting to clients in sub-advisory or wrap fee programs where Parametric is the sub-adviser is likely to be done by the program sponsor; content will vary by program. Upon request, Parametric will provide a detailed inventory of all holdings, a transaction summary, a listing of all dividend and income payments received, and a realized gain and loss report. If a client chooses not to receive a statement from Parametric, the firm has a reasonable belief that the custodian is sending statements in accordance with SEC Rule 206.

Parametric Minneapolis

Parametric Minneapolis enters applicable client restrictions into its trading systems and additionally evaluates client account performance relative to mutually agreed upon objectives on a monthly basis, or more frequently should market actions dictate. Parametric Minneapolis's investment staff meets monthly to review market activity, discuss developments affecting short-term strategies, present updated market outlooks, discuss potential strategy changes, and discuss matters affecting client portfolios. Parametric Minneapolis's Senior Portfolio Managers have primary responsibility for the specific investments in client portfolios. Parametric Minneapolis's investment staff includes Minneapolis's Chief Investment Officer, Managing Director – Customized Exposure Management, Managing Director – Investment Strategy and Research, Senior Portfolio Managers and Portfolio Managers.

Reviews of accounts will also occur when investment strategies and objectives are changed by the investment advisory client or Parametric, or when significant events occur which are expected to impact the value of the account.

Parametric Minneapolis's clients receive comprehensive reporting of their account, either directly or via access to a password protected internet site, at least quarterly. These reports detail the account's current holdings broken down by type of investment, a list all cash transactions for the past quarter, a summary of all transactions which resulted in realized gain or loss, and a summary of the account performance for the current period and year to date. Indexed equity, fixed income and specialty derivative securities accounts may elect to receive reporting on a monthly basis. If a client chooses not to receive a statement from Parametric, the firm has a reasonable belief that the custodian is sending statements in accordance with SEC Rule 206.

Item 14 – Client Referrals and Other Compensation

Parametric has entered into revenue sharing and mutual solicitation agreements with certain affiliates, including EVD, EVM and EVMI, with regard to certain investment products or services that are jointly marketed and promoted. Under such agreements, Parametric may receive from or pay to the affiliate a portion of the advisory fee received. Clients do not pay higher advisory fees to compensate for any payments made pursuant to these agreements. Parametric has written arrangements with sales personnel that detail incentive-based compensation to be paid in connection with the sale of Parametric's investment products and services. Parametric employees may also be registered representatives of EVD and receive compensation for promoting Eaton Vance sponsored mutual funds sub-advised by Parametric.

Parametric may, from time to time, engage third parties to solicit business on its behalf. Solicitors may be paid a portion of the fee charged by Parametric to the individual client. Parametric will participate in such arrangements only if written signed documents are in place, and all parties are in full compliance with all requirements under the Adviser's Act Rule 206(4)-3.

Parametric does not engage in any other type of referral or compensation arrangements except as defined elsewhere in this brochure.

Item 15 – Custody

Parametric does not maintain custody of separate account client funds and securities. Client assets are generally maintained with unaffiliated qualified custodians. However, in connection with the management of certain private pooled investment vehicles ("Private Funds"), Parametric is deemed to have custody of client assets under Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). Each of the Private Funds has made arrangements with a qualified custodian to maintain their assets. The annual financial statements of the Private Funds are audited by an independent public accountant registered with the Public Company Accounting Oversight Board as required by the Custody Rule. Parametric is not deemed to have custody of the assets of any other clients.

Clients generally receive quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains custody of the specified client assets. Clients are encouraged to carefully review such statements and to compare such official custodial records to the account statements that Parametric may provide to clients or their advisers. Parametric statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies for certain securities.

Item 16 – Investment Discretion

Parametric receives discretionary authority from the client during the onset of the advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Parametric observes the investment policies, limitations and restrictions of the clients for which it advises. For registered pooled investment vehicles, Parametric's authority to trade securities may also be limited by certain federal or country-specific securities and tax laws that require diversification of investments and favor the holding of investments made for a Fund account.

Certain client relationships are non-discretionary. In these cases, Parametric executes transactions as specifically directed by the client.

Investment guidelines and restrictions must be provided to Parametric in writing.

Item 17 – Voting Client Securities

Parametric has adopted and implemented policies and procedures with respect to voting proxies on behalf of clients for which Parametric has voting responsibility. The Proxy Voting Policies and Procedures are designed to ensure that Parametric votes proxies in the best interest of its clients, complies with Rule 206(4)-6 and maintains its fiduciary obligations to its clients. The policies and procedures are also intended to reflect the fiduciary standards and responsibilities set forth by the Department of Labor for ERISA accounts.

Parametric recognizes and acknowledges its fiduciary responsibility to exercise voting authority over client shares. Proxies increasingly contain controversial issues involving shareholder rights, corporate governance and social concerns, among others, which deserve careful review and consideration. Voting proxies has economic value for Parametric's clients, and therefore, Parametric considers it to be its fiduciary duty to preserve and protect the assets of its clients, including proxy votes for its clients' exclusive benefit.

It is Parametric's policy to vote proxies in a prudent and diligent manner after careful review of each company's proxy statement. Parametric votes on an individual basis and bases its voting decision exclusively on its reasonable judgment of what will serve the best financial interests of its clients, the beneficial owners of the security. Where economic impact is judged to be immaterial, Parametric will typically vote in accordance with management's recommendations. In determining its vote, Parametric will not and does not subordinate the economic interests of its clients to any other entity or interested party.

The responsibility for voting proxies on behalf of a client account is typically assigned to Parametric in the investment management agreement or other documentation. Once Parametric has agreed to vote proxies on behalf of a client account, it will instruct custodians to forward all proxy materials to Parametric.

For those clients for whom Parametric has undertaken the responsibility to vote proxies, Parametric will retain final authority and responsibility for such voting. In addition to voting proxies, Parametric will:

- Provide clients with the Proxy Voting Policies and Procedures, which may be updated and supplemented from time to time;
- Apply the policy consistently and keep records of votes for each client in order to verify the consistency of such voting;
- Keep records of such proxy voting available for inspection by the client or governmental agencies to determine whether such votes were consistent with policy and demonstrate that all proxies were voted; and
- Monitor such voting for any potential conflicts of interest and maintain procedures to deal with these issues appropriately.

Parametric's proxy voting is administered on a daily basis by a Proxy Voting Coordinator (the "Coordinator"), who is responsible for ensuring that proxies are received and voted in accordance with Parametric's predetermined Proxy Voting Guidelines. In the event that a proxy issue is received which is not addressed by the firm's Proxy Voting Guidelines, the Coordinator will forward the proxy to appropriate portfolio managers for their determination as to how to vote the proxy in the client's best interest. The Coordinator may recommend that a client refrain from voting: (i) if the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant, e.g., proxies in connection with securities no longer held in the portfolio of a client or proxies being considered on behalf of a client that is no longer in existence; or (ii) if the cost of voting a proxy outweighs the benefits, e.g., certain international proxies, particularly in cases in which share blocking practices may impose trading restrictions on the relevant portfolio security. In such instances, the Coordinator may instruct the Agent not to vote such proxy.

Proxy Voting Committee

Parametric has established a Proxy Voting Committee (the "Committee"), which meets on a quarterly basis to oversee and monitor the firm's proxy voting practices. On an annual basis, the Committee will review and, if necessary, revise the firm's Proxy Voting Guidelines to ensure they are current, appropriate and designed to serve the best interests of clients and fund shareholders. The Committee will consider requests from clients, portfolio managers, etc. to vote a proxy contrary to the firm's voting guidelines. The Committee is comprised of senior managers representing Operations, Compliance and applicable Portfolio Management areas of expertise.

The Committee may deem it to be in a client's best interest to engage a third party to vote the client's proxies. In such cases, the Committee will exercise due diligence to ensure that the third-party firm can make recommendations and/or vote proxies in an impartial manner and in the best interest of the client. This evaluation will consider the proxy voting firm's business and conflict of interest procedures, and confirm that the procedures appropriately address the firm's conflicts. On an annual basis, the Committee will evaluate the performance any third-party proxy voting firm and reconsider if changes have impacted their conflict of interest procedures.

Conflicts of Interest

The Committee will identify and actively monitor potential material conflicts of interest which may compromise Parametric's ability to vote a proxy issue in the best interest of clients. Since Parametric's voting guidelines are predetermined and designed to serve the best interest of clients, application of the guidelines should, in most cases, adequately address any possible conflict of interest. Regardless, Parametric will monitor situations that may result in a conflict of interest by and among its clients, Parametric or any affiliates by maintaining a list of actual or potential conflicted companies. The Coordinator will review this list when reviewing proxy statements. If Parametric is to vote a proxy for a company on the list, the Coordinator will report the potential conflict to the Committee to determine if a material conflict of interest exists. If it is determined that a material conflict of interest exists, Parametric will report the proxy issue and seek instruction on how to vote the proxy from: (1) the client, if an individual or a corporation; (2) the board of directors or committee thereof, if a mutual fund; or (3) the adviser in arrangements where Parametric serves as the sub-adviser. The Committee will document its rationale when making determinations regarding potential conflicts of interest.

Record Keeping

Proxy voting records are maintained for six years. Records can be retrieved and accessed online by Parametric via its third-party vendor.

In addition to maintaining voting records, Parametric maintains the following:

- Proxy Voting Policy and Procedures;
- All written client requests as they relate to proxy voting; and
- Any material research documentation related to proxy voting.

To Obtain Proxy Voting Information

Clients have the right to access any proxy voting activity taken on their behalf. Upon written request, this information will be provided free of charge.

Phone number (you may place a collect call if you wish): 1-206-694-5575
E-mail address: proxyinfo@paraport.com

In order to maintain confidentiality, Parametric will not provide voting records to any third party unless authorized by the client.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Parametric has no financial commitment that impair its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

PARAMETRIC PRIVACY NOTICE

Parametric Portfolio Associates LLC ("Parametric") considers client privacy to be a fundamental aspect of its relationship with clients and is committed to safeguarding all client related "personal" information as defined under the privacy rules published under Section 504 of the Gramm-Leach-Bliley Act, as amended. Parametric does not disclose non-public personal information concerning its clients, former clients, or investors in certain limited partnerships over which the firm acts as a general partner, to any other party or person except as permitted and/or required by law, an applicable regulatory authority, or as outlined below.

Parametric may, in limited circumstances, have the need to collect non-public personal information about its clients and investors in certain limited partnerships over which the firm acts as a general partner. This information may include but is not limited to:

- Name, address, telephone number, tax identification and verification;
- Assets, income, bank and investment accounts, credit information, custodian, IRS tax status and/or other specific financial, investment or related information;
- Application, subscriptions, suitability and similar forms or questionnaires; and
- Legal documents such as trust agreements, financials, ownership records or similar information.

Parametric may collect personal information when an individual account is opened or when the information is provided by that client's advisor. This material may be accumulated from sources such as account applications and related documents; other written, electronic or verbal correspondence; transactions; a brokerage or financial advisory firm, financial adviser or consultant; and/or information captured on Parametric's internet web site. Parametric retains the personal information of current and former clients in accordance with Rule 204-2 of the Investment Advisers Act of 1940.

Parametric may share client information with its affiliates or subsidiaries as needed to conduct business. From time to time, Parametric may engage the services of third-party vendors or consultants to assist with the management of client portfolios. In that respect, information will be provided on a need-to-know basis only and the external parties will agree to hold all such information confidential. Parametric may also disclose or share information, to the extent permitted by law, with other financial institutions with which the firm and/or its clients have a joint business arrangement in managing and/or servicing the client.

Parametric's procedures are designed to restrict access to non-public personal information to appropriate personnel. Parametric maintains physical, electronic and procedural safeguards that comply with federal standards to safeguard current and past client related personal information.

Parametric does not sell non-public personal information to any external source and does not distribute this information to unrelated third-party providers unless necessary for business related purposes in connection with the servicing and management of client assets. Parametric cannot, however, guarantee clients against information theft which is beyond its reasonable technological abilities and controls.

Clients are provided with Parametric's Privacy Notice at the time their account is incepted and annually thereafter until the account is closed. Parametric reserves the right to periodically review and revise its Privacy Notice and will provide updates annually and/or when materially amended. At all times, a client may notify Parametric in writing to restrict all non-public personal information from being distributed (except to regulators and/or by law) to any external parties including affiliates, consultants, and client related financial advisors. Clients are forewarned, however, that doing so may severely inhibit Parametric's ability to properly manage the client's assets and/or appropriately conduct business on behalf of the client. Please direct any questions or concerns to Parametric Compliance at 1918 8th Avenue, Suite 3100, Seattle, WA 98101, or 206-694-5575.

Revised: November 30, 2014

WURTS ASSOCIATES
INSTITUTIONAL INVESTMENT CONSULTANTS

MEMORANDUM

To: Fresno County Employees' Retirement Association

From: Manager Research Group

CC: Jeffrey MacLean, CEO & Senior Consultant

Date: January 16, 2014

RE: Upcoming Research Affiliates Process Change

Executive Summary

In an effort to concentrate on its core mission, which emphasizes investment research and product design, Research Affiliates recently announced a new partnership with PIMCO. Going forward, PIMCO will provide administrative, operational oversight and supervisory services and serve as advisor to Research Affiliates' equity portfolios. Research Affiliates will serve as a full discretion sub-advisor and will continue to manage its equity strategies in the same way it does now. Importantly, investment discretion will remain with Research Affiliates. **No changes to the portfolio team, senior management team, or investment process are anticipated. Furthermore, fees are expected to remain the same at least through year-end 2015.**

The transition of RAFI Equity products to PIMCO vehicles will occur by May 31, 2015, upon completion of all legal and regulatory requirements. PIMCO will be creating new vehicles for RAFI equity clients that mirror the same strategy in which they are currently invested. Specific to FCERA, approximately $170 million invested with Research Affiliates in their International Equity strategy will be going through this transition process during Q1 2015.

Considering the successful long-term partnership between Research Affiliates and PIMCO, PIMCO's resources and established platform, as well as the familiarity of PIMCO professionals with RAFI products, we are comfortable with the upcoming transition. We will closely monitor the transition and update FCERA in a timely manner.

Discussion

PIMCO and Research Affiliates have collaborated since 2002. PIMCO eventually incorporated the RAFI approach into their StocksPLUS portable alpha strategies and launched the All Asset allocation strategies beginning in July 2002. Today, the two firms oversee about $60 billion in joint products. Whereas Research Affiliates has historically focused on the research and portfolio implementation design, they have relied on affiliate partners to establish products for distribution to investors. The legacy fundamental equity strategies were unique in the sense they were administered and serviced by Research Affiliates rather than an outside partner. An additional benefit of the proposed relationship is the expectation that PIMCO will launch mutual fund vehicles for the RAFI suite of equity strategies which are currently only available in commingled or separate account structures from Research Affiliates.

Research Affiliates' portfolio managers, product specialists, and institutional relations professionals will continue to be available to the clients along with newly assigned PIMCO account managers. In February 2015, each client will receive specific instructions on required legal documentation and actions needed to complete the transition. After the transition, Research Affiliates will have full investment discretion to manage the portfolios, subject to PIMCO's fiduciary duty and responsibility to provide oversight and supervision.

Conclusion

Given our discussion with Research Affiliates and our understanding of the new partnership, we are comfortable with the transition.