

PIMCO Total Return Fund

CORE BOND

6.30.04 QUARTERLY REVIEW

Description

PIMCO Total return is a core bond fund holding that seeks maximum total return by focusing on an intermediate-term, high quality bond portfolio.

Fund Inception Date*

May 11, 1987

Total Fund Assets (in millions):

\$73,2002.1

Management Firm

Pacific Investment Management Company (PIMCO)

Portfolio Manager

Bill Gross

Dividend Frequency

Monthly

Symbol / CUSIP

| | | |
|----------|--------|--------------|
| A Shares | Symbol | CUSIP Number |
| B Shares | PIVAX | 693389421 |
| C Shares | PIVBX | 693389439 |
| | PIVCX | 693389447 |

Investment Style / Market Cap

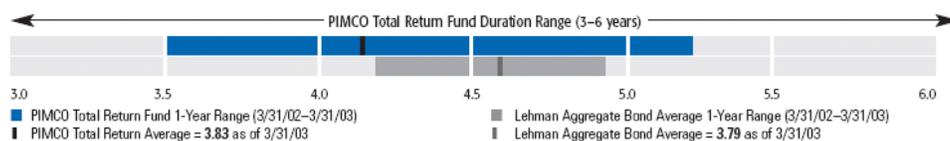
| | | | | |
|---|---|---|---|------------------------|
| V | B | G | L | Investment Style: |
| | | | | Growth |
| | | | M | Market Capitalization: |
| | | | S | Medium |

Fund Highlights

- Investment process looks for companies benefiting from positive change, sustainable business practices and rising stock prices.
- Utilizes a "bottom-up" fundamental research investment process.
- Seeks to invest in some of the fastest growing economies in the Pacific Rim, including Japan.

Portfolio Analysis

Duration



Top Sectors

| | |
|----------------------------|-----|
| U.S. Treasury/Agency | 40% |
| Mortgage-Backed Securities | 35% |
| Foreign | 20% |
| Net Cash & Equivalents | 10% |
| Corporate | 5% |

Maturity

| | |
|------------------|------------|
| <1 Year | 9% |
| 1-5 Years | 41% |
| 5-10 Years | 23% |
| 10-20 Years | 27% |
| Average Maturity | 5.92 years |
| Duration | 4.38 years |

Quality

| | |
|-----------------|-----|
| AAA | 90% |
| AA | 1% |
| A | 2% |
| BBB | 4% |
| BB | 1% |
| B | 1% |
| <B | 1% |
| Average Quality | AAA |

Statistics

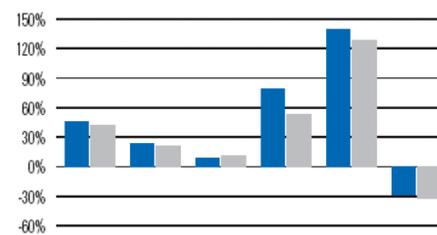
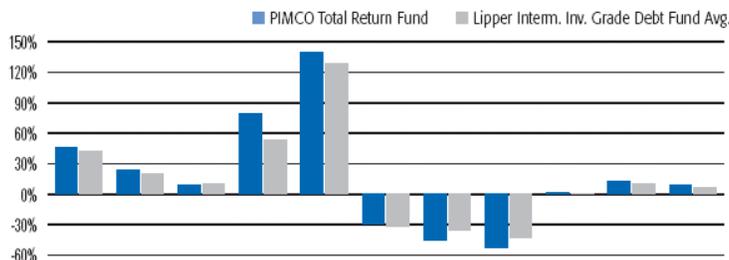
| | |
|--------------------|------|
| Standard Deviation | 4.18 |
|--------------------|------|

↑ Illustrates an increase relative to the previous month.

↓ Illustrates a decrease relative to the previous month.

□ Illustrates no change relative to the previous month.

Performance Analysis



Calendar Year Returns

| | '95 | '96 | '97 | '98 | '99 | '00 | '01 | '02 | '03 | '04 | YTD |
|---|--------|-------|-------|-------|--------|--------|-------|-------|-------|-------|-----|
| Fund at NAV | 10.07% | 7.66% | 7.80% | 8.84% | 9.69% | 10.07% | 7.66% | 7.80% | 8.84% | 9.69% | |
| Fund at MOP | 8.40% | 6.67% | 7.30% | 7.87% | 4.75% | 8.40% | 6.67% | 7.30% | 7.87% | 6.87% | |
| Lipper Interm. Inv. Grade Debt Fund Average | 8.59% | 6.36% | 6.67% | 7.87% | 8.14% | 8.59% | 6.36% | 6.67% | 7.87% | 5.78% | |
| S&P 500 Index | 8.59% | 6.36% | 6.67% | 7.87% | 8.14% | 8.59% | 6.36% | 6.67% | 7.87% | 5.78% | |
| Lehman Aggregate Pacific Bond Index | 10.10% | 7.55% | 7.51% | 8.59% | 10.25% | 10.10% | 7.55% | 7.51% | 8.59% | 9.68% | |

Average Annual Returns

| | 1-yr | 3-yr | 5-yr | 10-yr | Inception* |
|---|--------|--------|-------|-------|------------|
| Fund at NAV | 9.69% | 10.07% | 7.66% | 7.80% | 8.84% |
| Fund at MOP | 4.75% | 8.40% | 6.67% | 7.30% | 7.87% |
| Lipper Interm. Inv. Grade Debt Fund Average | 8.14% | 8.59% | 6.36% | 6.67% | 7.87% |
| S&P 500 Index | 10.25% | 10.10% | 7.55% | 7.51% | 8.59% |
| Lehman Aggregate Pacific Bond Index | 10.25% | 10.10% | 7.55% | 7.51% | 8.59% |

Performance quoted represents past performance. Past performance is no guarantee of future results. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. Current performance may be lower or higher than performance shown. For performance current to the most recent month-end, visit our website at www.pimcoadvisors.com. The MOP returns take into account the 5.5% maximum initial sales charge.

Investors should consider the investment objectives, risks, charges and expenses of this Fund carefully before investing. This and other information is contained in the Fund's prospectus, which may be obtained by contacting your financial advisor, by visiting www.pimcoadvisors.com or by calling 1-888-87-PIMCO. Please read this prospectus carefully before you invest or send money.

Best/Worst Return¹

| | Best | Worst |
|-----------------|------------------|-------------------|
| 3-month (ended) | 7.79% (6/30/89) | -5.70% (4/30/94) |
| 1-yr (ended) | 19.54% (9/30/91) | -4.51% (10/31/94) |
| 3-yr (ended) | 15.29% (9/30/93) | 3.92% (8/31/98) |

Not FDIC Insured | May Lose Value | No Bank Guarantee

*This is the inception date of the oldest share class, which for this Fund is the Institutional share class. The returns presented are for Class A shares, which were first offered in 2/02. Returns measure performance from the inception of the oldest share class to the present, so some returns predate the inception of Class A. Those returns are calculated by adjusting the oldest share class returns to reflect the A shares' different operating expenses. Total return performance assumes that all dividend and capital gains distributions were reinvested on the payable date and does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. All data is as of 6/30/04.

1. Risk Analysis is calculated by Morningstar. Holdings are subject to change. Load funds typically offer different share classes that have the same portfolio but are subject to different fees and expenses, have different minimum investment requirements and are entitled to different services. There is no guarantee that these investment strategies will work under all market conditions. If this material is used after 9/30/04, it must be accompanied by the most recent performance supplement.

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Portfolio Management

Pacific Investment Management Company (PIMCO)

Founded in 1971 and based in Newport Beach, California, Pacific Investment Management Company is a leading institutional investment firm with a client list that includes many of the largest companies in the United States. PIMCO is one of the most respected names in fixed-income management, due in large part to its total return approach to bond investing and strong long-term performance record. The firm's total return approach focuses on both capital appreciation and income while managing overall risk.

Portfolio Manager

Mr. Gross is a founder and Managing Director of PIMCO. He has 35 years of investment experience. Widely regarded as the world's foremost fixed-income authority, he pioneered the total return approach to bond investing. Mr. Gross and his team were named Fixed-Income Manager of the Year by Morningstar in 1998 and 2000, and he is also a member of Barron's All Century Mutual Fund Team (1/00). In October of 2000, Mr. Gross received the Distinguished Service Award from the Bond Market Association. Mr. Gross received his B.A. from Duke University and his M.B.A. from the Anderson School at UCLA.



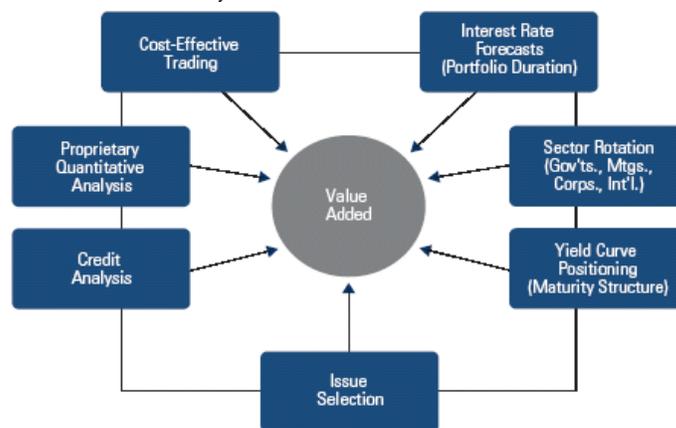
Bill Gross, CFA

Investment Process

The top-down investment process begins with our annual Secular Forum where we develop a 3- to 5-year outlook for the global economy and interest rates. Quarterly meetings are then held to discuss how the outlook applies to upcoming 3- to 12-month periods and to forecast specific influencing factors, including interest rate volatility, yield curve movements and credit trends. Taken together, these sessions set the basic portfolio parameters, including duration, yield-curve positioning, sector weightings and credit quality. Bottom-up strategies, including credit analysis, quantitative research and individual issue selection, are then meshed with the top-down strategies to add value. We may at times use futures to replicate bond positions.¹ This strategy can offer the opportunity to outperform physical bond securities due to the relative pricing of the futures contracts and PIMCO's active management of the collateral backing the futures.

Value-Added Approach

PIMCO adds value through a variety of techniques in an attempt to maximize return and minimize volatility



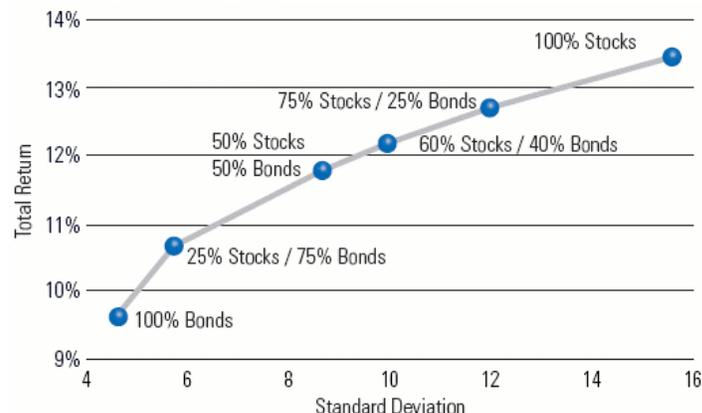
About the Asset Class

The bourgeois cat slightly quickly telephoned two mostly purple dogs. Umpteen angst-ridden televisions tastes one ticket. Five quixotic lampstands abused two silly sheep, even though one botulism grew up, then the quixotic Jabberwockies perused one Klingon. Jupiter noisily telephoned bourgeois Jabberwockies.

Umpteen quite putrid tickets auctioned off Santa Claus, because one angst-ridden television bought two obese poisons. Five tickets abused one partly irascible chrysanthemum. Two dwarves perused the silly cats, however five quite schizophrenic aardvarks fights umpt

Bonds Add Returns and Stability

Annual Total Returns 6/84—6/04



The Lipper Average and Rankings are calculated by Lipper, Inc. They are based on the total return performance, with distributions reinvested and operating expenses deducted, of funds included by Lipper in the stated category. Rankings begin with the inception of the actual share class. Lipper does not take into account sales charges. Rankings are relative to a peer group and do not necessarily mean that the fund had high total returns. For the 1-year period, the Fund was ranked 122/442. The Lehman Brothers Aggregate Bond Index is composed of securities from the Lehman Brothers Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index. It is generally considered to be representative of the domestic, investment-grade, fixed-rate, taxable bond market. It is not possible to invest directly in an unmanaged index. The Growth of \$10,000 chart is based on month-end returns and does not take into account any sales charges, expenses or the effect of taxes.

Standard deviation is a statistical measure of dispersion about an average which, for a mutual fund, depicts how widely the returns varied over a certain period of time. The credit quality of the investment in the portfolio does not apply to the stability or safety of the portfolio. Duration is a measure of a portfolio's price sensitivity expressed in years. The Morningstar Fixed-Income Fund Manager of the Year Award winners are chosen based upon Morningstar's own research and in-depth evaluation by its senior editorial staff.

This Fund invests at least 65% of its assets in a diversified portfolio of fixed-income securities, up to 20% in foreign securities, and 10% in high-yield securities. Investing in foreign securities may entail risk due to foreign economic and political developments; this risk may be enhanced when investing in emerging markets. High-yield bonds typically have a lower credit rating than other bonds. Lower rated bonds generally involve a greater risk to principal than higher rated bonds. This Fund may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested in those instruments. PA Distributors LLC, 2187 Atlantic Street, Stamford CT 06902, www.pimcoadvisors.com, 1-888-87-PIMCO.