Strategy Review

City of Los Angeles Deferred Compensation Plan

February 15, 2011

MORNINGSTAR 00/09 **Fund Manager of the Decade** Fixed-Income

PIMCO

Biographical Information

Matthew R. Clark, CFA

Mr. Clark is a senior vice president and account manager in the Newport Beach office with a focus on institutional client servicing. Prior to joining PIMCO in 2002, he served as an officer in the U.S. Army for eight years, achieving the rank of captain. He has eight years of investment experience and holds an MBA from Harvard Business School. He received an undergraduate degree from Trinity University, San Antonio.
Mr. Clark can be reached at (949) 720-6287 or at matt.clark@pimco.com.

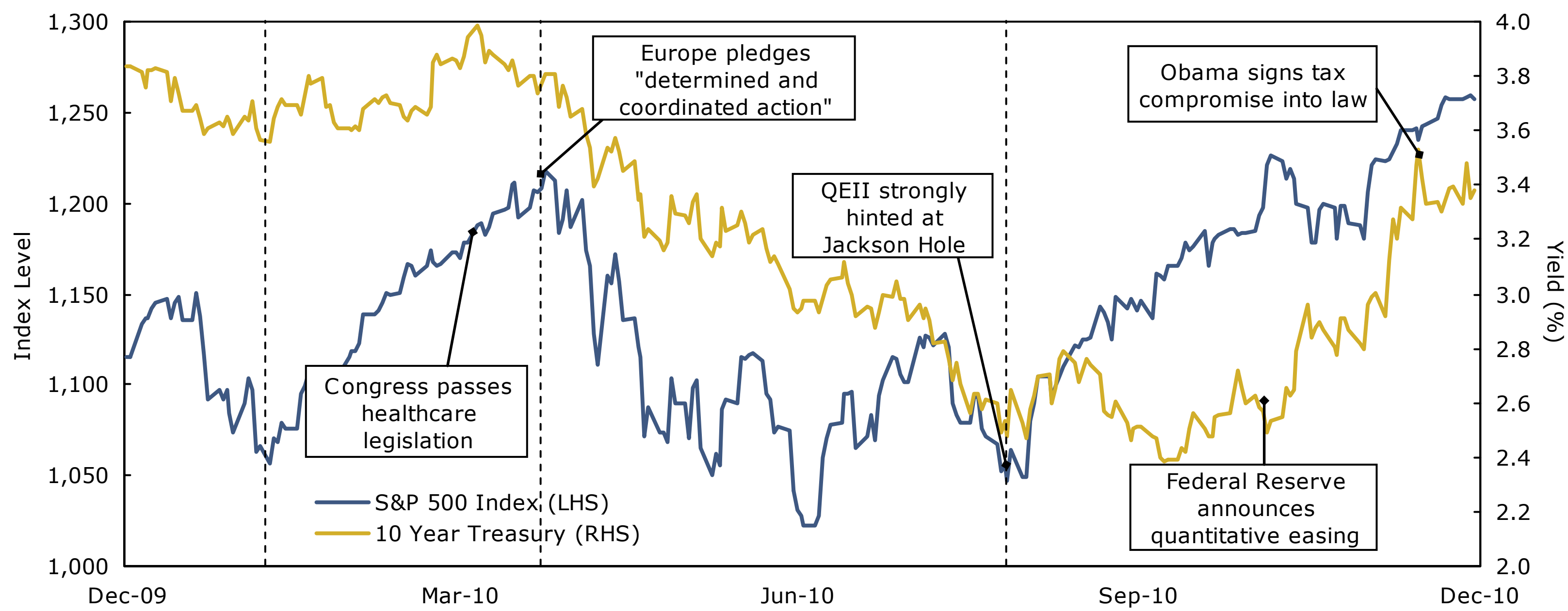
2010: In a Volatile Year, Fixed Income Delivered Consistently Positive Returns

As of December 31, 2010

S&P500 return for 2010: 15.1%

BarCap Agg return for 2010: 6.5%

S&P 500 Returns	↓ -5.2%	↑ 15.2%	↓ -16.0%	↑ 23.0%
BarCap Agg Returns	↑ 1.5%	↑ 0.5%	↑ 3.0%	↑ 1.2%



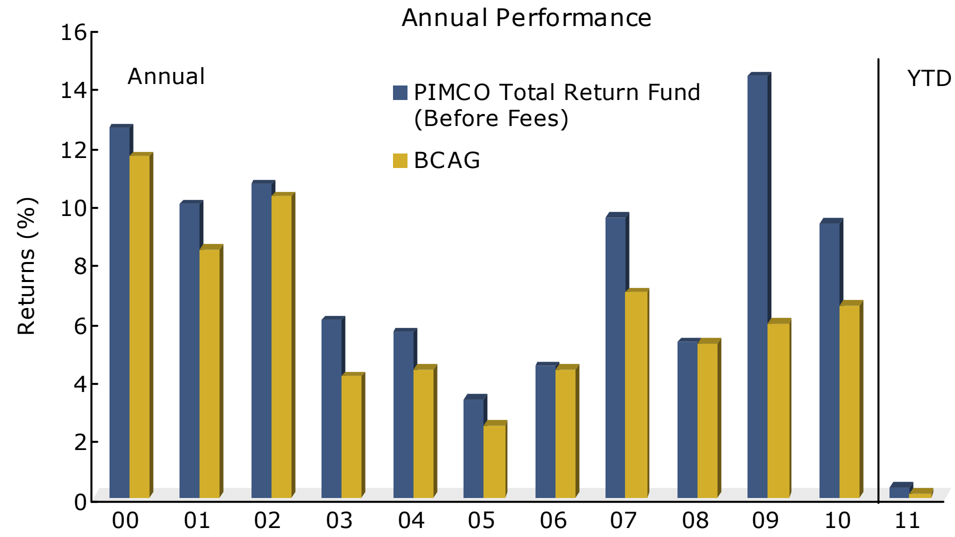
PIMCO protected capital during downturns and added value in rising rate environment

SOURCE: Bloomberg Financial Markets, PIMCO

Sector Rotation and Security Selection Helped Drive Performance in 2010

As of December 31, 2010

City of Los Angeles Deferred Comp Plan	
Market Value as of Dec. 2010	$ 111,616,292



PIMCO Total Return Fund

	Fund Inception 05/31/87	10 Yrs.	5 Yrs.	Account Inception[1] 01/31/07	3 Yrs.	2 Yrs.	1 Yr.	6 Mos.	3 Mos.	YTD 01/31/11
Before Fees (%)	9.0	7.8	8.5	9.8	9.6	11.8	9.3	3.1	-0.8	0.3
After Fees (%)	8.5	7.3	8.1	9.4	9.1	11.3	8.8	2.9	-0.9	0.3
Barclays Capital U.S. Aggregate Index (%)	7.3	5.8	5.8	6.3	5.9	6.2	6.5	1.2	-1.3	0.1

All periods longer than one year are annualized.

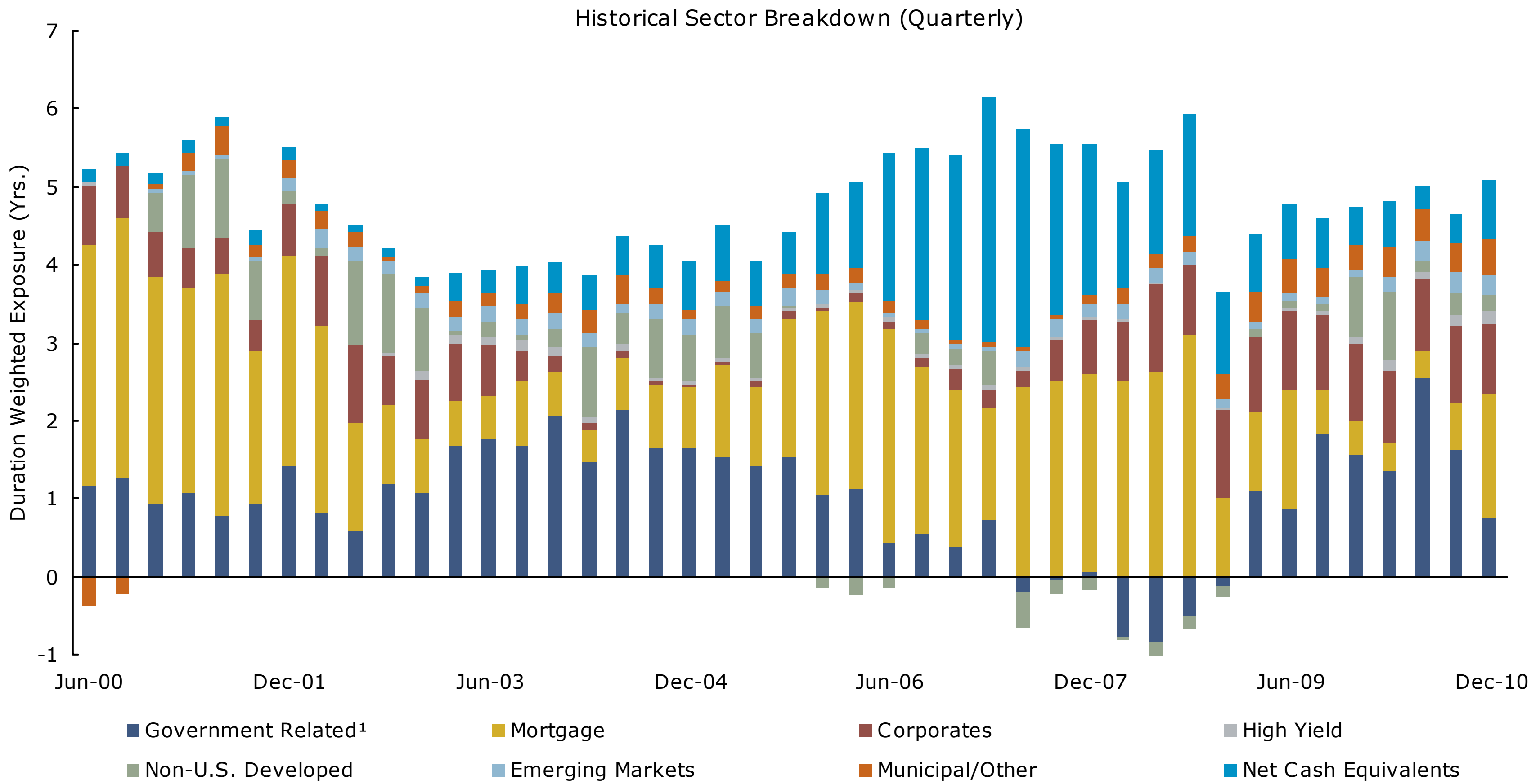
1 Actual inception date: 01/26/07.

PIMCO

PIMCO Total Return Fund Exposures Adjust Dynamically Over Time

As of December 31, 2010

- Risk positions actively managed and sized in an effort to target market opportunities and mitigate risk



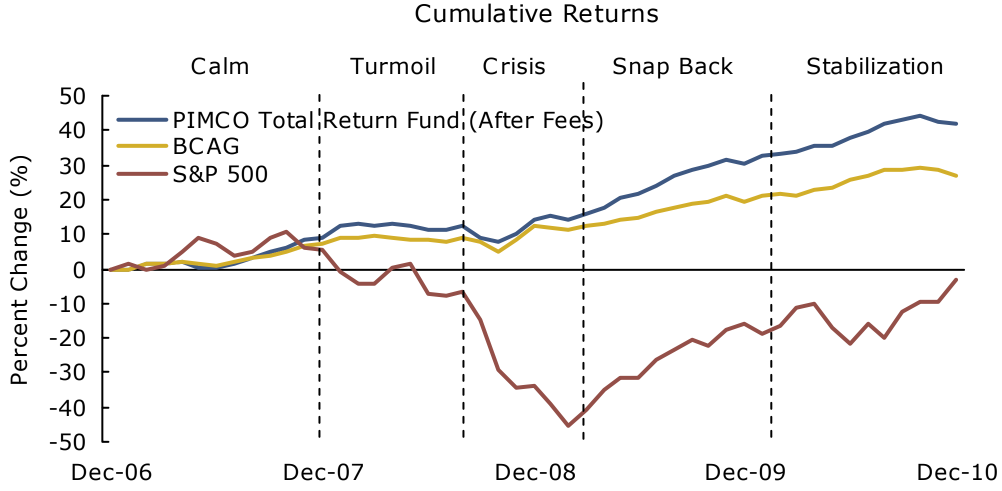
SOURCE: PIMCO

[1] Government Related may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, FDIC-guaranteed and government-guaranteed corporate securities.

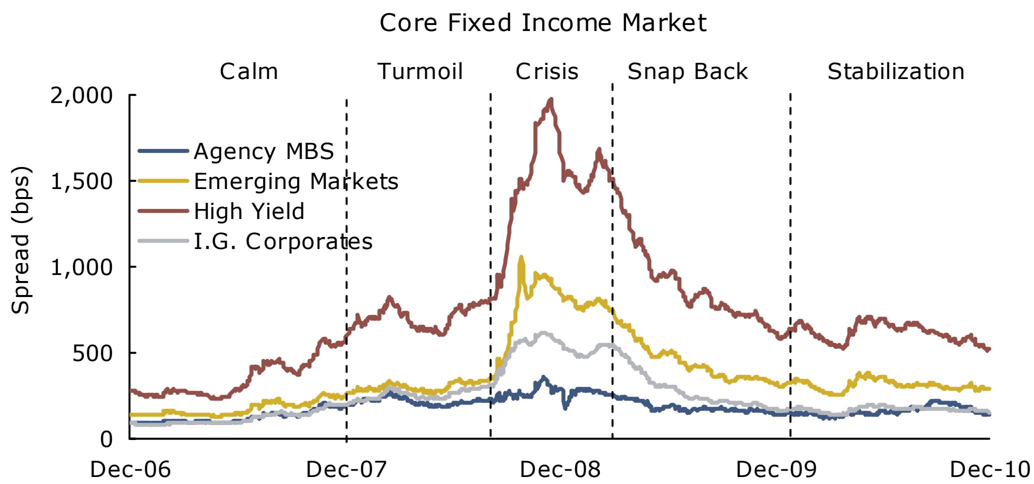
Throughout the Crisis, Total Return Preserved Capital and Generated Alpha

As of December 31, 2010

- A diversified allocation to fixed income played an important role through the crisis
- PIMCO's prudent and fundamental approach enabled outperformance when markets rebounded



- Credit markets challenged investors as spreads rose to record-wide levels
- Policy responses halted market slide and set stage for rebound



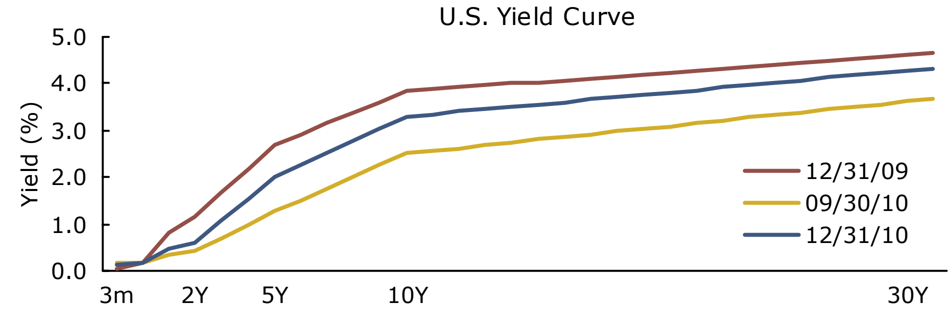
SOURCE: PIMCO, Bloomberg Financial Markets, Barclays Capital
Agency MBS is represented by Barclays Capital MBS Fixed Rate Mortgage Index; Emerging Markets is represented by Barclays Capital Global Emerging Markets Index; High Yield is represented by Barclays Capital U.S. High Yield Index; Investment Grade (IG) Corporates is represented by Barclays Capital U.S. Corporate Investment Grade Credit Index.

PIMCO

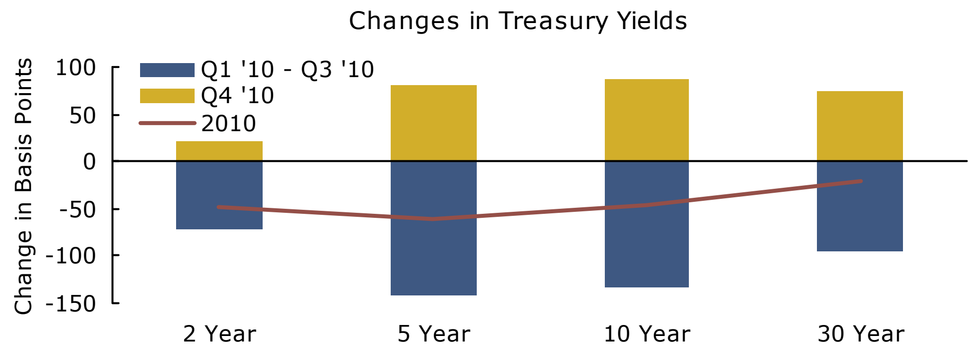
Treasuries Sold Off Sharply in Q4; Markets Are Anticipating Higher Rates in 2011

As of December 31, 2010

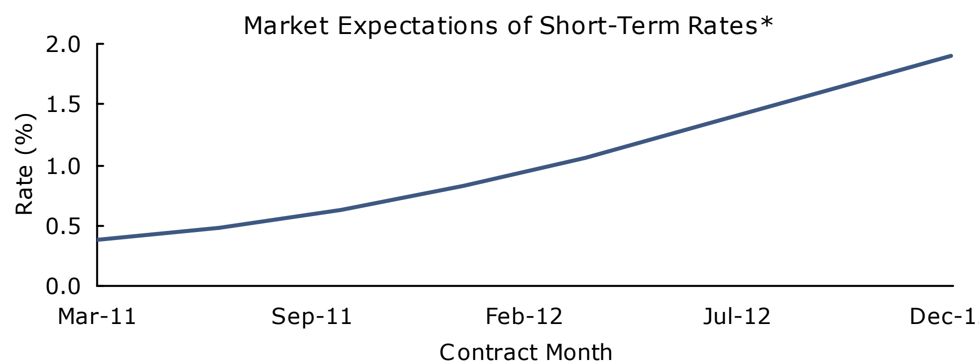
- The Treasury curve steepened in 2010 as measured by changes in 2s-30s
- Short-rates remained anchored as the Fed signaled low rates for an "extended period"



- Despite the Q4 rate increases, nominal yields fell in 2010
- PIMCO expects the 10-year Treasury to remain range-bound in 2011



- By year-end, investors began to anticipate higher LIBOR and Fed Funds rates in 2011
- PIMCO does not expect the Fed to raise rates in 2011 due to economic uncertainty



SOURCE: Bloomberg Financial Markets

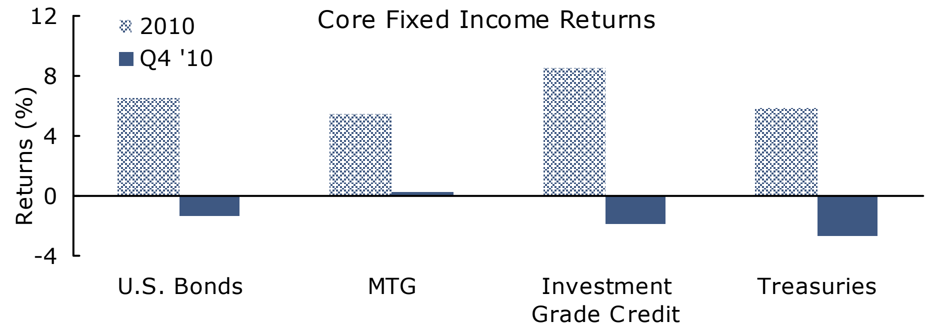
* 3 month LIBOR rates implied by Eurodollar Futures.

PIMCO

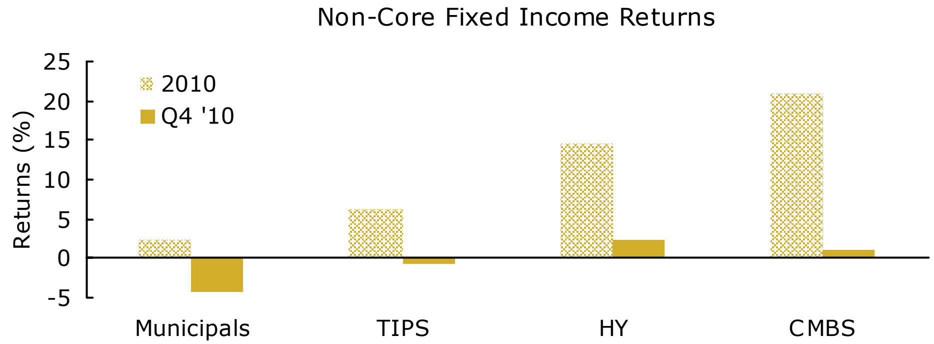
Lower Quality Spread Sectors Dominate in Q4

As of December 31, 2010

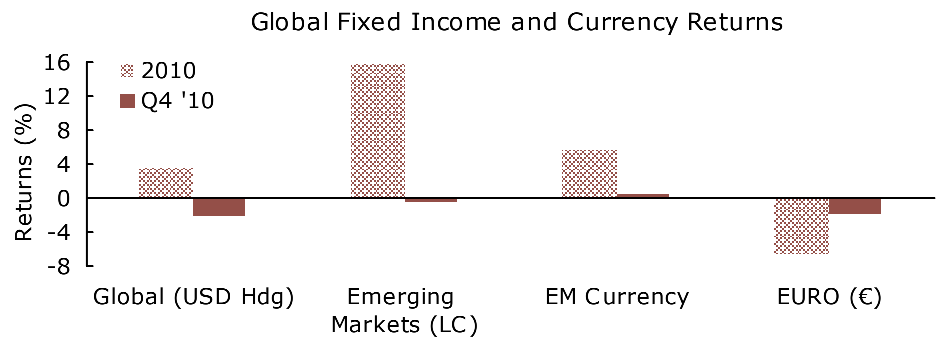
- Treasuries sold off sharply in Q4 on debt and deficit concerns, continued stimulus
- U.S. bonds managed to deliver a return of close to 6.5% in 2010



- CMBS outperformed, driven by strong demand and limited supply
- Municipals weakened on funding concerns and technical factors in Q4



- Emerging markets outperformed developed markets on improving fundamentals
- The Euro lost ground in 2010 as peripheral problems raised fears of contagion in the core



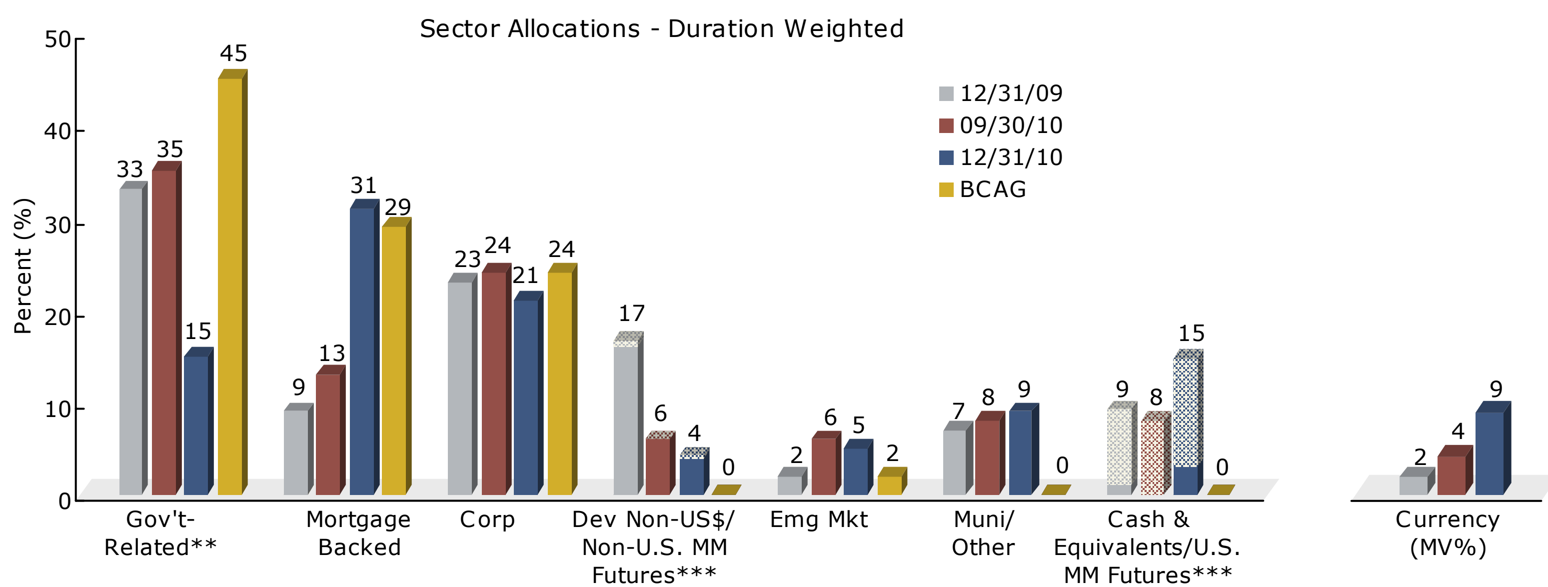
SOURCE: Barclays Capital Live, Federal Reserve, JPMorgan, Bloomberg Financial Markets, PIMCO
Barclays Capital U.S. Aggregate; Barclays Capital MBS Fixed Rate Mortgage; Barclays Capital Investment Grade Credit; Barclays Capital U.S. Treasury; Barclays Capital Municipal Bond; Barclays Capital US TIPS; BofA Merrill Lynch U.S. High Yield BB-B Rated; Barclays Capital CMBS ERISA-Eligible; JPMorgan GBI Global ex-US USD Hedged Index, JP Morgan GBI-EM Global Diversified; JP Morgan ELMI+ Unhedged.

Focus on High Quality Sources of Safe Spread

Total Return Fund

Characteristics		12/31/09	09/30/10	12/31/10
Effective Duration (yrs.)	Portfolio	4.7	4.7	5.1
	Index	4.6	4.7	5.0
Total Curve Duration*		0.3	0.4	0.7
Yield to Maturity (%)		4.1	3.6	4.7

Attribution	2010	4Q `10
Interest Rates:		
U.S.:	+	-
Non U.S.:	+	-
Mortgages:	+	+
Credit:	+	+
Emerging Markets:	+	+
Currency:	+	+



* Measures a portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Government yields, holding the 10 year yield constant. For every 1 basis point of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 basis point relative to the benchmark.

** Gov't-Related may include nominal and inflation-protected Treasuries, agency debt, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.

*** Boxed portion represents Money Market Futures.

PIMCO

PIMCO’s Framework for Developed World Economic Outlook

SECULAR (3-5 Years)	Description	CYCLICAL (6-12 Months)
A	▪ Developed economies reflate to a long-term 4-6% nominal growth ▪ Old Normal, V-shaped recovery	A
B	▪ Nominal growth of 4-6% in 2011 ▪ Old Normal growth achieved in the short-term	B
C	▪ Partial recovery only as the forces of de-leveraging, de-globalization and re-regulation restrain nominal growth to 1-3% ▪ New Normal scenario and PIMCO’s Secular base case	C
D	▪ The economy stalls or re-enters a recession ▪ Deflationary risks coming to the fore	D

Deteriorating Economic Conditions

Improving Economic Conditions

2011 Outlook Upgraded on Tax Stimulus, Although New Normal Headwinds Remain

Bi-Polar Cyclical Growth Will Delay, But Not Prevent, U.S. Structural Issues

Positives

2011

- U.S. tax stimulus feeds into stronger levels of consumption, growth
- Strong emerging market balance sheets power robust emerging market growth

Longer Term

- Emerging market growth continues
- Improving corporate balance sheets spur new business investment

Negatives

2011

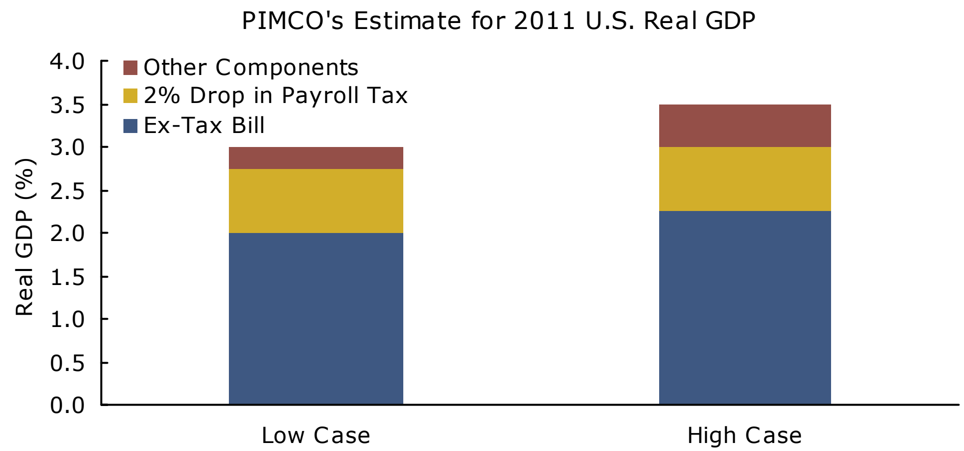
- European austerity risks both economic weakness and sovereign debt crisis
- U.S. state and local governments confront severe budget situations

Longer Term

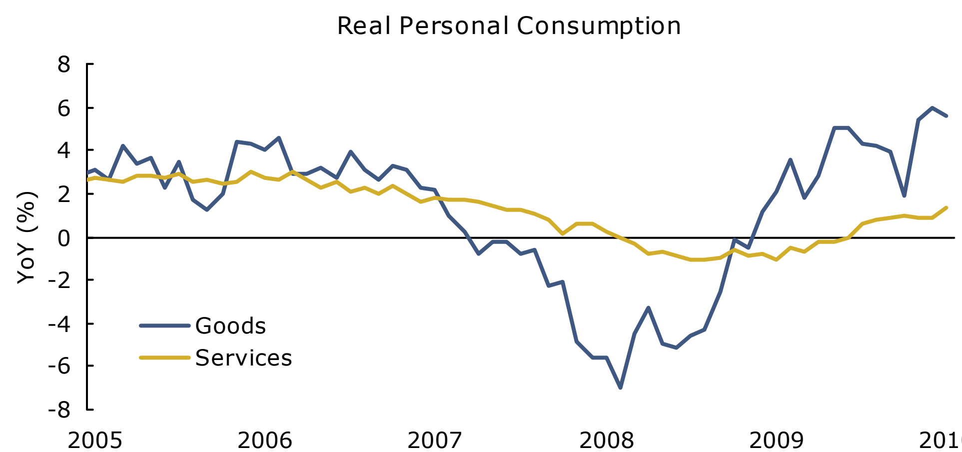
- New Normal scenario ushers in slower growth, higher unemployment
- Stimulus and policy tools lose effectiveness

Cyclical Outlook: PIMCO Has Raised Its Outlook for the U.S. Economy

- At the most recent cyclical forum, PIMCO expected U.S. real GDP of between 2% and 2.25% in 2011
- Following the tax bill's passage, PIMCO upgraded its forecast for U.S. growth to a range between 3% and 3.5%



- Outside of the tax bill, brighter prospects for modest growth in 2011 include:
  - Growing strength in personal consumption
  - Expansion across manufacturing and servicing sectors
  - Momentum in industrial production and increased capacity utilization



SOURCE: PIMCO, BEA

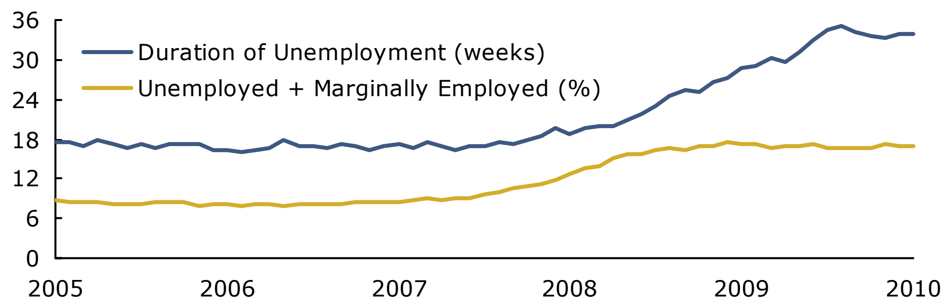
PIMCO

Structural Headwinds: Hurdles Remain High for Self-sustaining Rebound

As of December 31, 2010

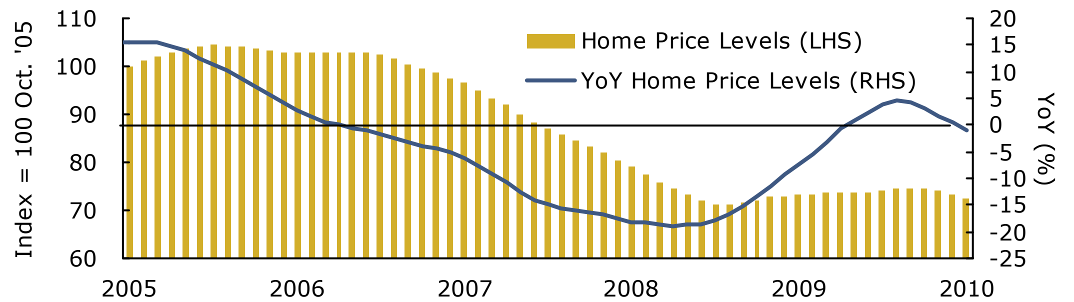
Headwind #1: Unemployment

- Despite the broad cyclical economic recovery, unemployment levels remain at multi-decade high levels



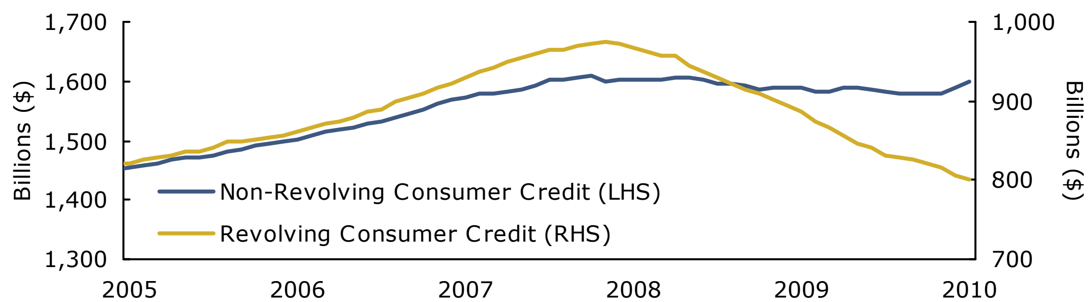
Headwind #2: Housing

- The annual change in home prices has again turned negative in spite of record low mortgage rates



Headwind #3: Deleveraging

- The consumer continues to de-lever to rebuild personal balance sheets

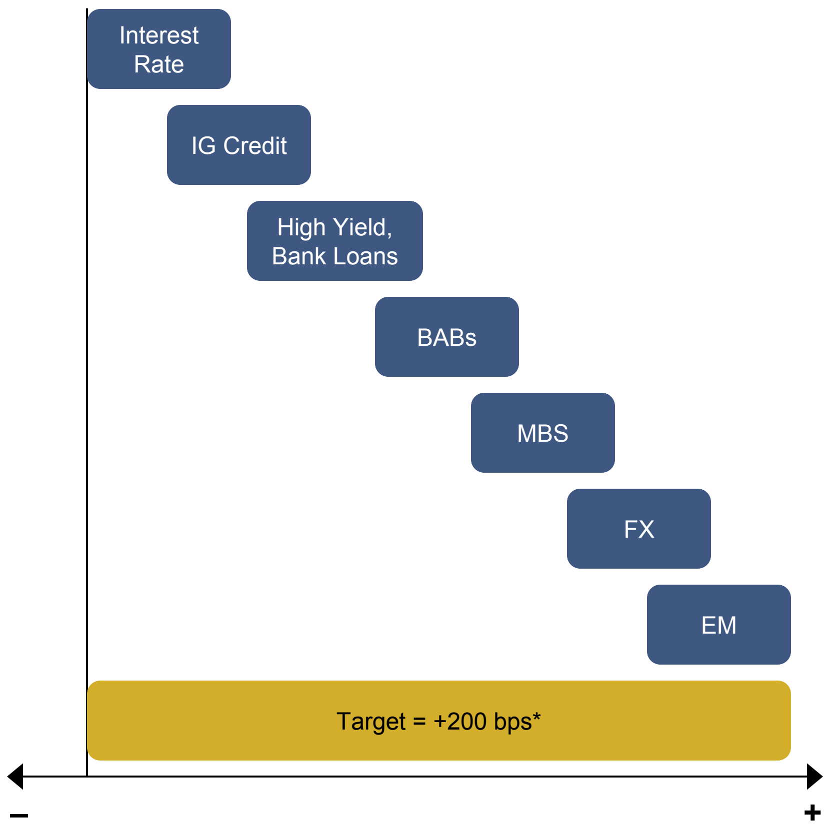


SOURCE: Case Shiller, Federal Reserve, Bureau of Labor Statistics

PIMCO

Portfolio Strategy: Increase Yield Through High Quality Spread

Sources of Yield



Strategy

- Target short to intermediate rates with attractive yield and roll-down characteristics
- Overweight credit spread duration, emphasizing high quality financials
- Focus on short-dated high yield debt and bank loans that have higher sensitivity to positive economic growth
- Continue to add BABs; expiration of BABs program should lead to spread compression
- Overweight mortgage spread duration for yield; agency MBS offers a positive risk-adjusted substitute to Treasuries
- Gain exposure to EM currencies with improving fundamentals and to developed commodity currencies (AUD, CAD)
- Overweight EM, targeting select countries such as Brazil with higher real yields

In a low interest rate environment, emphasize high quality spread & high real yields

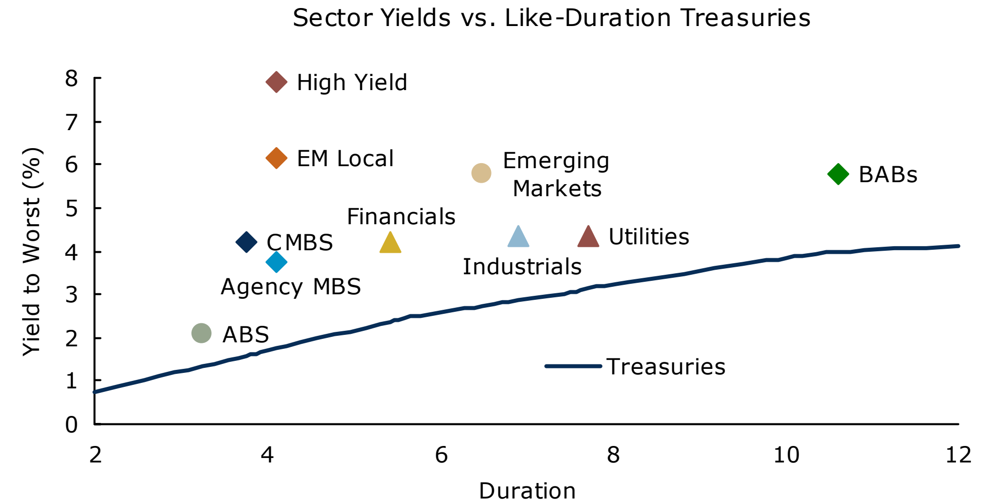
* As defined as total carry in a high discretion model portfolio target.

PIMCO

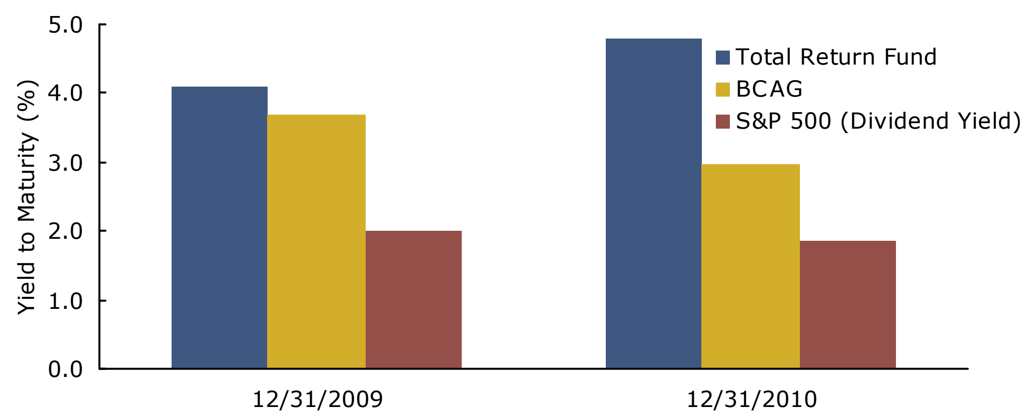
Opportunities Exist for Capturing Attractive Yields

As of December 31, 2010

- Fixed Income sectors provide yield pickup over Treasuries across all durations



- Prudent sector and security selection is essential to protect principal



SOURCE: Bloomberg Financial Markets, Barclays Capital
Financials, Industrials, and Utilities are sub-indices of the Barclays Capital Credit Index. Agency MBS is represented by the Barclays Capital U.S. MBS index; ABS and CMBS are components of the Barclays Capital U.S. Aggregate Index; Emerging Markets is represented by the Barclays Capital Global Emerging Markets Index; EM Local is represented by JPMorgan GBI-EM Global Diversified Unhedged Index; High Yield is represented by Barclays Capital High Yield Index; BABs is represented by Barclays Capital Taxable Municipals Index.

PIMCO

PIMCO Snapshot

As of December 31, 2010

History

- Founded in 1971
- Specialty fixed income manager
- Assets under management: $ 1,242.1 B

People

- 1,484 employees: 496 investment professionals; 988 technical and support

	Average Years Experience	Average Years at PIMCO
Highly experienced		
– All investment professionals	13	7
– Senior professionals	19	10

Global Presence

PIMCO

PIMCO Continues to Enhance Services and Resources to Meet Client Needs

As of December 31, 2010

PIMCO Solutions

- Risk Factor Analysis
  - Customized analysis of target asset allocation
  - Decompose and identify sources of portfolio risk
  - Focused portfolio analysis

- Client Analytics
  - Simple and accessible reporting
  - Breakdown of allocation and assumptions
  - Summary of factors and volatility

- Solutions by Client-type, and Allocation Goals
  - Liability Driven Investing
  - Retirement, including Target Date
  - Inflation and Rising Rates
  - Portfolio and Tail Risk Hedging

- Product Solutions
  - Existing and customized
  - Evaluation of impact on allocation

PIMCO Institute Educational Programs

- Newport Beach Seminars
  - 2-day Fundamentals
  - 5-day Investment Seminars
  - Both sessions available in June and September
- Regional Offerings
- Topical Conference Calls

Robust Recruitment of Top Talent

Global Equity

Anne Gudefin
20 years experience

Charles Lahr
16 years experience

Emerging Markets Equity

Masha Gordon
13 years experience

Assets Under Management by Strategy

As of December 31, 2010

PIMCO's expertise spans asset classes to provide effective solutions that meet investor needs

Alternative Investments:	Absolute Return Strategies	Long/short or unconstrained bond strategies, benchmarked to LIBOR indices	$28.61
	Commodities	Commodity-linked exposures enhanced with active bond portfolios	27.12
	Real Estate	Real Estate-linked exposure backed by inflation index bonds	0.22
	CBO / CLO	Collateralized bonds / loan obligations	6.19
Asset Allocation:	Asset Allocation Strategies	Global Multi Asset, All Asset, All Asset All Authority	35.80
Equities:	StocksPLUS®	Combines derivatives-based equity exposure with active bond management	16.59
	Pathfinder	Active global deep value equity strategy	0.83
Fixed Income:	Intermediate*	Total Return, Moderate Duration	509.76
	Cash Management*	Money Market, Short-Term, Low Duration	101.90
	Long Duration	Focus on long-term bonds; asset liability management	80.96
	Real Return	TIPS and other inflation-hedging strategies	65.39
	Credit	Investment Grade Corporates, High Yield	121.09
	Mortgages	Emphasis on management of mortgage pass-throughs	44.01
	Global	Non-U.S. and global multiple currency formats	95.40
	Emerging Markets	Emerging market debt, EM local currency, active EM currency	45.92
	Diversified Income	Global credit combining corporate and emerging markets debt	19.71
	Municipals	Tax-efficient total return management	13.17
	Other		29.37
		Total Assets Under Management:	**$ 1,242.12 B**

Potential differences in asset totals are due to rounding.

* Stable Value assets have not been netted from US Total Return, US Moderate Duration and US Low Duration assets. Total Stable Value assets equal $27.4 B