Municipal Bond Funds

Share Classes

A   B   C

NATIONAL SHORT DURATION TAX-EXEMPT
PIMCO Short Duration Municipal Income Fund

NATIONAL
PIMCO High Yield Municipal Bond Fund
PIMCO Municipal Bond Fund

STATE-SPECIFIC
PIMCO California Intermediate Municipal Bond Fund
PIMCO California Short Duration Municipal Income Fund
PIMCO New York Municipal Bond Fund

This cover is not part of the Prospectus.
Disclosure Related to all Funds (each a “Fund”)

Effective immediately, the following sentence is added to the end of the last paragraph in the “Principal Investments and Strategies” section of each Fund’s “Fund Summary”:

The Fund may also invest up to 10% of its total assets in preferred stocks.

In addition, effective immediately, the following bullet point is added to the “Principal Risks” section of the “Fund Summary” for each of the Funds:

- Equity Risk

Further, effective immediately, the following paragraph is added at the end of the “Summary of Principal Risks” section of the Prospectus:

**Equity Risk**

The values of equity securities 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. They 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. Equity securities generally have greater price volatility than fixed income securities.

Further, effective immediately, the following paragraph is added after the first paragraph in the “Convertible and Equity Securities” subsection of the “Characteristics and Risks of Securities and Investment Techniques” section of the Prospectus:

Preferred stock represents an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Preferred stocks may pay fixed or adjustable rates of return. Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company’s preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company’s financial condition or prospects.

Investors Should Retain This Supplement For Future Reference
Effective immediately, each Fund may invest in shares of the PIMCO Funds Private Account Portfolio Series: Money Market Portfolio to the extent permitted by the Investment Company Act of 1940, as amended and the rules thereunder. As a result, effective immediately, the following paragraph is added before the last paragraph under “Advisory Fees” in the “Management of the Funds” section of each Prospectus:

As more fully described under “Characteristics and Risks of Securities and Investment Techniques – Investment in Other Investment Companies,” each Fund may invest in the PIMCO Funds Private Account Portfolio Series: Money Market Portfolio (“PAPS Money Market Portfolio”), a money market fund advised by PIMCO. In the event a Fund invests in the PAPS Money Market Portfolio, 0.01% of the investment advisory fee the Fund pays to PIMCO under its investment advisory contract is designated as compensation for PIMCO’s services as investment adviser to the PAPS Money Market Portfolio.

Further, the first sentence of the first paragraph under “Investment In Other Investment Companies” in the “Characteristics and Risks of Securities and Investment Techniques” section of each Prospectus is deleted and replaced in its entirety with the following:

Except as described below, each Fund may invest up to 10% of its total assets in securities of other investment companies, such as open-end or closed-end management investment companies, or in pooled accounts or other investment vehicles.

Further, the following paragraph is added after the first paragraph under “Investment In Other Investment Companies” in the “Characteristics and Risks of Securities and Investment Techniques” section of each Prospectus:

Each Fund may invest in the PAPS Money Market Portfolio to the extent permitted by the 1940 Act and rules thereunder. The PAPS Money Market Portfolio is a registered investment company created for use solely by the series of the Trust and series of the PIMCO Variable Insurance Trust, another series of registered investment companies advised by PIMCO, in connection with their cash management activities. The PAPS Money Market Portfolio may incur expenses related to its investment activities, but does not pay investment advisory or administrative fees to PIMCO.
Disclosure Related to All Funds

The last sentence in the paragraph immediately proceeding the subsection captioned “Right of Accumulation and Combined Purchase Privilege (Breakpoints)” contained in the section of each Prospectus titled “Classes of Shares—Class A, B and C Shares” is deleted and replaced in its entirety with the following:

These programs, which apply to purchases of one or more funds that are series of the Trust, Allianz Funds or Allianz Funds Multi-Strategy Trust that offer Class A shares (other than the Money Market Fund) (together, “Eligible Funds”), are summarized below and are described in greater detail in the Guide.

Further, the third sentence of the subsection captioned “Small Account Fee” contained in the section of each Prospectus titled “How to Buy and Sell Shares” is deleted and replaced in its entirety with the following:

However, you will not be charged this fee if the aggregate value of all of your Allianz Funds, Allianz Funds Multi-Strategy Trust and PIMCO Funds accounts is at least $50,000.

Further, the third sentence of the subsection captioned “Minimum Account Size” contained in the section of each Prospectus titled “How to Buy and Sell Shares” is deleted and replaced in its entirety with the following:

Your Fund account will not be liquidated if the reduction in size is due solely to a decline in market value of your Fund shares or if the aggregate value of all your Allianz Funds, Allianz Funds Multi-Strategy Trust and PIMCO Funds accounts exceeds $50,000.

Further, the first sentence of the subsection captioned “Exchanging Shares” contained in the section of each Prospectus titled “How to Buy and Sell Shares” is deleted and replaced in its entirety with the following:

You may exchange your Class A, Class B or Class C shares of any Fund for the same Class of shares of any other fund of the Trust or a fund of Allianz Funds or Allianz Funds Multi-Strategy Trust, subject to any restriction on exchanges set forth in the applicable fund’s prospectus.

Further, the first sentence of the second bullet point of the third paragraph in the section of each Prospectus titled “Fund Distributions” is deleted and replaced in its entirety with the following:

Invest all distributions in shares of the same class of any other fund of the Trust, Allianz Funds, or Allianz Funds Multi-Strategy Trust which offers that class at NAV.

Further, the name of the Allianz Funds and PIMCO Funds Shareholders’ Guide for Class A, B, C and R Shares (“Guide”) is being changed to Allianz Funds, Allianz Funds Multi-Strategy Trust and PIMCO Funds Shareholders’ Guide for Class A, B, C and R Shares. Any reference to the name of the Guide in each Prospectus is hereby updated accordingly.
Effective immediately, the paragraph captioned “Applicability of Redemption Fees in Certain Participant-Directed Retirement Plans” in the “How to Buy and Sell Shares—Redemption Fees” section of each Prospectus is deleted and replaced in its entirety with the following paragraph:

Applicability of Redemption Fees in Certain Participant-Directed Retirement Plans. Redemption fees will not apply to the following transactions in participant-directed retirement plans (such as 401(k), 403(b), 457 and Keogh plans): 1) where the shares being redeemed were purchased with new contributions to the plan (e.g., payroll contributions, employer contributions, loan repayments); 2) redemptions made in connection with taking out a loan from the plan; 3) redemptions in connection with death, disability, forfeiture, hardship withdrawals, or Qualified Domestic Relations Orders; 4) redemptions made by a defined contribution plan in connection with a termination or restructuring of the plan; 5) redemptions made in connection with a participant’s termination of employment; or 6) redemptions or exchanges where the application of a redemption fee would cause a Fund, or an asset allocation program of which the Fund is a part, to fail to be considered a “qualified default investment alternative” under the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder. Redemption fees generally will apply to other participant-directed redemptions and exchanges. For example, if a participant exchanges shares of Fund A that were purchased with new contributions, into Fund B, a redemption fee would not apply to that exchange. However, any subsequent participant-directed exchange of those shares from Fund B into Fund A or another fund may be subject to redemption fees, depending upon the holding period and subject to the exceptions described in this paragraph.
This prospectus describes 6 municipal bond mutual funds (the “Funds”) offered by PIMCO Funds (the “Trust”). The Funds provide access to the professional investment advisory services offered by Pacific Investment Management Company LLC (“PIMCO”). As of June 30, 2007, PIMCO managed approximately $692 billion in assets.

The Municipal Bond Fund offers Class A, Class B and Class C shares, the California Short Duration Municipal Income, High Yield Municipal and Short Duration Municipal Income Funds offer Class A and Class C shares, and the California Intermediate Municipal Bond and New York Municipal Bond Funds offer Class A shares in this prospectus. This prospectus explains what you should know about the Funds before you invest. Please read it carefully.

The Securities and Exchange Commission has not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Table of Contents

Summary Information .......................................................... 2
Fund Summaries
  California Intermediate Municipal Bond Fund ............................... 4
  California Short Duration Municipal Income Fund .......................... 6
  High Yield Municipal Bond Fund .................................................. 8
  Municipal Bond Fund ............................................................... 10
  New York Municipal Bond Fund .................................................. 12
  Short Duration Municipal Income Fund ........................................ 14
Summary of Principal Risks ....................................................... 16
Management of the Funds ......................................................... 18
Classes of Shares ................................................................. 21
How Fund Shares are Priced ....................................................... 27
How to Buy and Sell Shares ....................................................... 28
Fund Distributions ................................................................. 34
Tax Consequences ............................................................... 35
Characteristics and Risks of Securities and Investment Techniques .... 36
Financial Highlights ............................................................. 42
Appendix A—Description of Securities Ratings ........................... A-1
Summary Information

The table below compares certain investment characteristics of the Funds. Other important characteristics are described in the individual Fund Summaries beginning on page 4. Following the table are certain key concepts which are used throughout the prospectus.

<table>
<thead>
<tr>
<th>Category</th>
<th>Fund</th>
<th>Main Investments</th>
<th>Duration</th>
<th>Credit Quality(1)</th>
<th>Non-U.S. Dollar Denominated Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Short Duration Tax-Exempt</td>
<td>Short Duration Municipal Income</td>
<td>Short to intermediate maturity municipal securities (exempt from federal income tax)</td>
<td>≤3 years</td>
<td>Baa to Aaa</td>
<td>0%</td>
</tr>
<tr>
<td>National Tax-Exempt</td>
<td>High Yield Municipal Bond</td>
<td>Intermediate to long-term maturity high yield municipal securities (exempt from federal income tax)</td>
<td>4–11 years</td>
<td>No Limitation</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Municipal Bond</td>
<td>Intermediate to long-term maturity municipal securities (exempt from federal income tax)</td>
<td>3–10 years</td>
<td>Ba to Aaa; max 10% of total assets below Baa</td>
<td>0%</td>
</tr>
<tr>
<td>State-Specific Tax-Exempt</td>
<td>California Short Duration Municipal Income</td>
<td>Short to Intermediate maturity municipal securities (exempt from federal and California income tax)</td>
<td>≤3 years</td>
<td>Caa to Aaa; Maximum 10% of total assets below Baa</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>California Intermediate Municipal Bond</td>
<td>Intermediate maturity municipal securities (exempt from federal and California income tax)</td>
<td>3–7 years</td>
<td>B to Aaa; max 10% of total assets below Baa</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>New York Municipal Bond</td>
<td>Intermediate to long-term maturity municipal securities (exempt from federal and New York income tax)</td>
<td>3–12 years</td>
<td>B to Aaa; max 10% of total assets below Baa</td>
<td>0%</td>
</tr>
</tbody>
</table>

(1) As rated by Moody’s Investors Service, Inc. (“Moody’s”), or equivalently rated by Standard & Poor’s Ratings Services (“S&P”) or Fitch, Inc. (“Fitch”), or, if unrated, determined by PIMCO to be of comparable quality.

Fixed Income Instruments

Consistent with each Fund’s investment policies, each Fund will primarily invest in debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax (“Municipal Bonds”). The California Intermediate Municipal Bond and California Short Duration Municipal Income Funds will primarily invest in debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax and California income tax (“California Municipal Bonds”). The New York Municipal Bond Fund will primarily invest in debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax and New York income tax (“New York Municipal Bonds”). “Fixed Income Instruments,” as used generally in this prospectus, include:

- securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises (“U.S. Government Securities”);
- corporate debt securities of U.S. issuers, including convertible securities and corporate commercial paper;
- mortgage-backed and other asset-backed securities;
- inflation-indexed bonds issued both by governments and corporations;
- structured notes, including hybrid or “indexed” securities and event-linked bonds;
- loan participations and assignments;
- bank certificates of deposit, fixed time deposits and bankers’ acceptances;
- repurchase agreements on Fixed Income Instruments and reverse repurchase agreements on Fixed Income Instruments; and
- debt securities issued by states or local governments and their agencies, authorities and other government-sponsored enterprises.

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury.

The Funds may invest in derivatives based on Fixed Income Instruments.
Summary Information (continued)

Duration

Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of a security’s price to changes in interest rates. The longer a security’s duration, the more sensitive it will be to changes in interest rates. Similarly, a Fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a Fund with a shorter average portfolio duration. By way of example, the price of a bond fund with an average duration of five years would be expected to fall approximately 5% if interest rates rose by one percentage point.

Credit Ratings

In this prospectus, references are made to credit ratings of debt securities, which measure an issuer’s expected ability to pay principal and interest over time. Credit ratings are determined by rating organizations, such as Moody’s, S&P or Fitch. The following terms are generally used to describe the credit quality of debt securities depending on the security’s credit rating, or, if unrated, credit quality as determined by PIMCO:

- high quality
- investment grade
- below investment grade (“high yield securities” or “junk bonds”)

For a further description of credit ratings, see “Appendix A—Description of Securities Ratings.” As noted in Appendix A, Moody’s, S&P and Fitch may modify their ratings of securities to show relative standing within a rating category, with the addition of numerical modifiers (1, 2 or 3) in the case of Moody’s, and with the addition of a plus (+) or minus (-) sign in the case of S&P and Fitch. A Fund may purchase a security, regardless of any rating modification, provided the security is rated at or above the Fund’s minimum rating category. For example, a Fund may purchase a security rated B3 by Moody’s, B- by S&P or B- by Fitch, provided the Fund may purchase securities rated B.

Fund Descriptions, Performance, Fees and Disclosure of Portfolio Holdings

The Funds provide a range of investment choices. The following summaries identify each Fund’s investment objective, principal investments and strategies, principal risks, performance information and fees and expenses. A more detailed “Summary of Principal Risks” describing principal risks of investing in the Funds begins after the Fund Summaries. Investors should be aware that the investments made by a Fund and the results achieved by a Fund at any given time are not expected to be the same as those made by other mutual funds for which PIMCO acts as investment adviser, including mutual funds with names, investment objectives and policies similar to the Funds. Please see “Disclosure of Portfolio Holdings” in the Statement of Additional Information for information about the availability of the complete schedule of each Fund’s holdings.

It is possible to lose money on investments in the Funds.

An investment in a Fund is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency.
The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in California Municipal Bonds. California Municipal Bonds generally are issued by or on behalf of the State of California and its political subdivisions, financing authorities and their agencies. The Fund may invest in debt securities of an issuer located outside of California whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax and California income tax. By concentrating its investments in California, the Fund will be subject to California State Specific Risk.

The Fund may invest without limitation in “private activity” bonds whose interest is a tax-preference item for purposes of the federal alternative minimum tax (“AMT”). For shareholders subject to the AMT, a substantial portion of the Fund’s distributions may not be exempt from federal income tax. The Fund may invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds. The Fund may invest up to 20% of its net assets in other types of Fixed Income Instruments. The average portfolio duration of this Fund normally varies from three to seven years, based on PIMCO’s forecast for interest rates. The portfolio manager focuses on bonds with the potential to offer attractive current income, typically looking for bonds that can provide consistently attractive current yields or that are trading at competitive market prices. Capital appreciation, if any, generally arises from decreases in interest rates or improving credit fundamentals for a particular state, municipality or issuer.

The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities (“junk bonds”) rated B or higher by Moody’s, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund is non-diversified, which means that it may concentrate its assets in a smaller number of issues than a diversified fund.

The Fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage-or asset-backed securities. The Fund may also invest in securities issued by entities whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

The principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return are:

- Interest Rate Risk
- Credit Risk
- High Yield Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Issuer Non-Diversification Risk
- Leveraging Risk
- Management Risk
- California State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Please see “Summary of Principal Risks” following the Fund Summaries for a description of these and other risks of investing in the Fund.

The top of the next page shows summary performance information for the Fund in a bar chart and an Average Annual Total Returns table. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund’s average annual returns compare with the returns of a broad-based securities market index and an index of similar funds. The bar chart and the information to its right show performance of the Fund’s Class A shares, but do not reflect the impact of sales charges (loads). If they did, the returns would be lower than those shown. Unlike the bar chart, performance for Class A shares in the Average Annual Total Returns table reflects the impact of sales charges. For periods prior to the inception date of Class A shares (October 19, 1999), performance information shown in the table is based on the performance of the Fund’s Institutional Class shares, which are offered in a different prospectus. The prior Institutional Class performance has been adjusted to reflect the actual sales charges (in the Average Annual Total Returns table only), distribution and/or service (12b-1) fees, administrative fees and other expenses paid by Class A shares. The Fund’s past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.
Fees and Expenses of the Fund

These tables describe the fees and expenses you may pay if you buy and hold Class A shares of the Fund:

### Shareholder fees (fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Class A</th>
<th>Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)</th>
<th>Maximum Contingent Deferred Sales Charge (Load) (as a percentage of the lower of the original purchase price or redemption price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>0.50%</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes:

(1) Accounts with a minimum balance of $2,500 or less may be charged a fee of $16.

(2) Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.

### Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees</th>
<th>Other Expenses(1)(2)</th>
<th>Total Annual Fund Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.225%</td>
<td>0.25%</td>
<td>0.30%</td>
<td>0.775%</td>
</tr>
</tbody>
</table>

#### Notes:

(1) "Other Expenses" reflect an administrative fee of 0.30%.

(2) Effective October 1, 2007, the Fund’s administrative fee was reduced by 0.05% to 0.30% per annum.

### Examples

The Examples are intended to help you compare the cost of investing in Class A shares of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 5</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>$377</td>
<td>$540</td>
<td>$718</td>
<td>$1,231</td>
</tr>
</tbody>
</table>
The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in California Municipal Bonds. California Municipal Bonds generally are issued by or on behalf of the State of California and its political subdivisions, financing authorities and their agencies. The Fund may invest in debt securities of an issuer located outside of California whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax and California income tax. By concentrating its investments in California, the Fund will be subject to California State Specific Risk.

The Fund does not intend to invest in securities whose interest is subject to the federal alternative minimum tax. The Fund may invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds. The Fund may invest up to 20% of its net assets in other types of Fixed Income Instruments. The average portfolio duration of this Fund varies based on PIMCO's forecast for interest rates and under normal market conditions is not expected to exceed three years. The total return sought by the Fund consists of both income earned on the Fund’s investments and capital appreciation. The portfolio manager focuses on bonds with the potential to offer attractive current income, typically looking for bonds that can provide consistently attractive current yields or that are trading at competitive market prices. Capital appreciation, if any, generally arises from decreases in interest rates or improving credit fundamentals for a particular state, municipality or issuer.

The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities (“junk bonds”) that are rated Caa or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund is non-diversified, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

The Fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities. The Fund may also invest in securities issued by entities, such as trusts, whose underlying assets are California Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

The principal risks of investing in the Fund which could adversely affect its net asset value, yield and total return are:

- Interest Rate Risk
- Credit Risk
- High Yield Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Issuer Non-Diversification Risk
- Leveraging Risk
- Management Risk
- California State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Please see “Summary of Principal Risks” following the Fund Summaries for a description of these and other risks of investing in the Fund.

The Fund does not have a full calendar year of performance. Thus, no bar chart or annual returns table is included for the Fund.
These tables describe the fees and expenses you may pay if you buy and hold Class A shares of the Fund:

**Shareholder fees (fees paid directly from your investment)**

<table>
<thead>
<tr>
<th>Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)</th>
<th>Maximum Contingent Deferred Sales Charge (Load) (as a percentage of the lower of the original purchase price or redemption price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>2.25%</td>
</tr>
</tbody>
</table>

(1) Accounts with a minimum balance of $2,500 or less may be charged a fee of $16.
(2) Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.

**Annual Fund Operating Expenses (expenses that are deducted from Fund assets)**

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees</th>
<th>Other Expenses(1)(2)</th>
<th>Total Annual Fund Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.20%</td>
<td>0.25%</td>
<td>0.30%</td>
<td>0.75%</td>
</tr>
</tbody>
</table>

(1) “Other Expenses” reflect an administrative fee of 0.30%.
(2) Effective October 1, 2007, the Fund’s administrative fee was reduced by 0.05% to 0.30% per annum.

**Examples.** The Examples are intended to help you compare the cost of investing in Class A shares of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 5</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>$300</td>
<td>$459</td>
<td>$633</td>
<td>$1,134</td>
</tr>
</tbody>
</table>
## Principal Investments and Strategies

<table>
<thead>
<tr>
<th>Investment Objectives</th>
<th>Fund Focus</th>
<th>Credit Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeks high current income exempt from federal income tax. Total return is a secondary objective.</td>
<td>Intermediate to long-term maturity high yield municipal securities (exempt from federal income tax)</td>
<td>No Limitation</td>
</tr>
</tbody>
</table>

**Fund Category**
National Tax-Exempt Bond

**Average Portfolio Duration**
4–11 years

**Dividend Frequency**
Declared daily and distributed monthly

The Fund seeks to achieve its investment objectives by investing under normal circumstances at least 80% of its assets in Municipal Bonds. Municipal Bonds generally are issued by or on behalf of states and local governments and their agencies, authorities and other instrumentalities.

The Fund intends to invest a substantial portion of its assets in high yield Municipal Bonds and “private activity” bonds that are rated (at the time of purchase) below investment grade by Moody’s, S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality (commonly known as “junk bonds”). The Fund may also invest, without limitation, in higher rated Municipal Bonds. The Fund may invest up to 30% of its assets in “private activity” bonds whose interest is a tax-preference item for purposes of the federal alternative minimum tax (“AMT”). For shareholders subject to the AMT, distributions derived from “private activity” bonds must be included in their AMT calculations, and as such a portion of the Fund’s distribution may be subject to federal income tax. The Fund may invest more than 25% of its total assets in bonds of issuers in California and New York. To the extent that the Fund concentrates its investments in California or New York, it will be subject to California or New York State Specific Risk. The Fund may also invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds.

The average portfolio duration of this Fund normally varies from four to eleven years based on PIMCO’s forecast for interest rates. The portfolio manager focuses on Municipal Bonds with the potential to offer high current income, typically looking for Municipal Bonds that can provide consistently attractive current yields or that are trading at competitive market prices. The total return sought by the Fund consists of both income earned on its investments and capital appreciation, if any, generally arising from decreases in interest rates or improving credit fundamentals for a particular state, municipality or issuer. The Fund is non-diversified, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

The Fund may invest in other types of Fixed Income Instruments. The Fund may also invest in derivative instruments, such as options, futures contracts or swap agreements, and invest in mortgage- or asset-backed securities. In addition, the Fund may also invest in securities issued by entities, such as trusts, whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

## Principal Risks

The principal risks of investing in the Fund which could adversely affect its net asset value, yield and total return are:

- Interest Rate Risk
- Credit Risk
- High Yield Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Issuer Non-Diversification Risk
- Leveraging Risk
- Management Risk
- California State-Specific Risk
- New York State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Please see “Summary of Principal Risks” following the Fund Summaries for a description of these and other risks of investing in the Fund.

## Performance Information

The Fund does not have a full calendar year of performance. Thus, no bar chart or annual returns table is included for the Fund.
These tables describe the fees and expenses you may pay if you buy and hold Class A or C shares of the Fund:

### Shareholder fees (fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)</th>
<th>Maximum Contingent Deferred Sales Charge (Load) (as a percentage of the lower of the original purchase price or redemption price)</th>
<th>Redemption Fee(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>4.50%</td>
<td>1.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Class C</td>
<td>None</td>
<td>1.00%</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

1. Accounts with a minimum balance of $2,500 or less may be charged a fee of $16.
2. Shares that are held 30 days or less are subject to a redemption fee. The Trust may waive this fee under certain circumstances.
3. Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.
4. The CDSC on Class C shares is imposed only on shares redeemed in the first year.

### Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees(1)</th>
<th>Other Expenses(2)(3)</th>
<th>Total Annual Fund Operating Expenses</th>
<th>Expense Reduction(4)(5)</th>
<th>Total Annual Fund Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.30%</td>
<td>0.25%</td>
<td>0.30%</td>
<td>0.85%</td>
<td>(0.06)%</td>
<td>0.79%</td>
</tr>
<tr>
<td>Class C</td>
<td>0.30%</td>
<td>1.00%</td>
<td>0.30%</td>
<td>1.60%</td>
<td>(0.06)%</td>
<td>1.54%</td>
</tr>
</tbody>
</table>

1. Due to the 12b-1 distribution fee imposed on Class C shares, a Class C shareholder may, depending on the length of time the shares are held, pay more than the economic equivalent of the maximum front-end sales charges permitted by relevant rules of the Financial Industry Regulatory Authority, Inc. (the “FINRA”).
2. “Other Expenses” reflect an administrative fee of 0.30%.
3. Effective October 1, 2007, the Fund's administrative fee was reduced by 0.10% to 0.30% per annum.
4. PMICO has contractually agreed for the Fund's current fiscal year (3/31) to waive a portion of its administrative fee equal to 0.05% of the average daily net assets attributable in the aggregate to the Fund's Class A and Class C shares.
5. In addition to the administrative fee waiver described in footnote 4 above, PIMICO has contractually agreed for the Fund's current fiscal year (3/31) to waive a portion of its advisory fee equal to 0.01% of average daily net assets.

**Examples.** The Examples are intended to help you compare the cost of investing in Class A or C shares of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Example: Assuming you redeem shares at the end of each period</th>
<th>Example: Assuming you do not redeem your shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
<td>Year 3</td>
</tr>
<tr>
<td>Class A</td>
<td>$527</td>
<td>$691</td>
</tr>
<tr>
<td>Class C</td>
<td>257</td>
<td>486</td>
</tr>
</tbody>
</table>
PIMCO Municipal Bond Fund

Investment Objective
Seeks high current income exempt from federal income tax, consistent with preservation of capital. Capital appreciation is a secondary objective.

Fund Focus
Intermediate to long-term maturity municipal securities (exempt from federal income tax).

Credit Quality
Ba to Aaa; maximum 10% of total assets below Baa.

Dividend Frequency
Declared daily and distributed monthly.

Principal Risks
The principal risks of investing in the Fund which could adversely affect its net asset value, yield and total return are:

- Interest Rate Risk
- Credit Risk
- High Yield Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Leveraging Risk
- Management Risk
- California State-Specific Risk
- New York State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Principal Risks

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in Municipal Bonds. Municipal Bonds generally are issued by or on behalf of states and local governments and their agencies, authorities and other instrumentalities.

The Fund may invest up to 20% of its net assets in U.S. Government Securities, money market instruments and/or “private activity” bonds. For shareholders subject to the federal alternative minimum tax (“AMT”), distributions derived from “private activity” bonds must be included in their AMT calculations, and as such a portion of the Fund’s distribution may be subject to federal income tax. The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in Municipal Bonds or “private activity” bonds which are high yield securities (“junk bonds”) rated at least Ba by Moody’s, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest more than 25% of its total assets in bonds of issuers in California and New York. To the extent that the Fund concentrates its investments in California or New York, it will be subject to California or New York State Specific Risk. The Fund may also invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds. The average portfolio duration of this Fund normally varies from three to ten years, based on PIMCO’s forecast for interest rates. The portfolio manager focuses on bonds with the potential to offer attractive current income, typically looking for bonds that can provide consistently attractive current yields or that are trading at competitive market prices. Capital appreciation, if any, generally arises from decreases in interest rates or improving credit fundamentals for a particular state, municipality or issuer.

The Fund may invest in derivatives, such as options, futures contracts or swap agreements, and invest in mortgage- or asset-backed securities. The Fund may also invest in securities issued by entities whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

Principal Risks

The top of the next page shows summary performance information for the Fund in a bar chart and an Average Annual Total Returns table. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund’s average annual returns compare with the returns of a broad-based securities market index and an index of similar funds. The bar chart and the information to its right show performance of the Fund’s Class A shares, but do not reflect the impact of sales charges (loads). If they did, the returns would be lower than those shown. Unlike the bar chart, performance for Class A, B and C shares in the Average Annual Total Returns table reflect the impact of sales charges. For periods prior to the inception date of Class A, B and C shares (April 1, 1998), performance information shown in the bar chart and table for those classes is based on the performance of the Fund’s Institutional Class shares, which are offered in a different prospectus. The prior Institutional Class performance has been adjusted to reflect the actual sales charges (in the Average Annual Total Returns table only), distribution and/or service (12b-1) fees, administrative fees and other expenses paid by Class A, B and C shares. The Fund’s past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.
The CDSC on Class C shares is imposed only on shares redeemed in the first year. Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.

PIMCO Municipal Bond Fund (continued)

Average Annual Total Returns (for periods ended 12/31/06)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>1 Year (%)</th>
<th>5 Years (%)</th>
<th>Fund Inception (12/31/97)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Return Before Taxes</td>
<td>1.89%</td>
<td>4.12%</td>
<td>4.33%</td>
</tr>
<tr>
<td>Class A Return After Taxes on Distributions at the Time of Purchase</td>
<td>1.85%</td>
<td>4.07%</td>
<td>4.26%</td>
</tr>
<tr>
<td>Class A Return After Taxes on Distributions and Sale of Fund Shares</td>
<td>2.46%</td>
<td>4.04%</td>
<td>4.24%</td>
</tr>
<tr>
<td>Class B Return Before Taxes</td>
<td>-0.74%</td>
<td>3.63%</td>
<td>4.07%</td>
</tr>
<tr>
<td>Class C Return Before Taxes</td>
<td>3.52%</td>
<td>4.24%</td>
<td>4.16%</td>
</tr>
<tr>
<td>Lehman Brothers General Municipal Bond Index</td>
<td>4.48%</td>
<td>5.53%</td>
<td>5.38%</td>
</tr>
<tr>
<td>Lipper Municipal Debt Fund Average</td>
<td>4.50%</td>
<td>4.88%</td>
<td>4.42%</td>
</tr>
</tbody>
</table>

Fees and Expenses of the Fund

These tables describe the fees and expenses you may pay if you buy and hold Class A, B or C shares of the Fund:

Shareholder fees (fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Max Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>3.00%</td>
</tr>
<tr>
<td>Class B</td>
<td>None</td>
</tr>
<tr>
<td>Class C</td>
<td>None</td>
</tr>
</tbody>
</table>

Maximum Contingent Deferred Sales Charge (Load) Imposed on Fund Operating Expenses (expenses that are deducted from Fund assets)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees</th>
<th>Other Expenses</th>
<th>Total Annual Fund Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.25%</td>
<td>0.25%</td>
<td>0.35%</td>
<td>0.825%</td>
</tr>
<tr>
<td>Class B</td>
<td>0.25</td>
<td>1.00</td>
<td>0.36</td>
<td>1.585</td>
</tr>
<tr>
<td>Class C</td>
<td>0.25</td>
<td>0.75</td>
<td>0.36</td>
<td>1.535</td>
</tr>
</tbody>
</table>

Examples

The Examples are intended to help you compare the cost of investing in Classes A, B or C of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.
PIMCO New York Municipal Bond Fund

Principal Investments and Strategies

Investment Objective
Seeks high current income exempt from federal and New York income tax. Capital appreciation is a secondary objective.

Fund Category
State-Specific Tax-Exempt

Fund Focus
Intermediate to long-term maturity municipal securities (exempt from federal and New York income tax)

Average Portfolio Duration
3–12 years

Credit Quality
B to Aa; maximum 10% of total assets below Baa

Dividend Frequency
Declared daily and distributed monthly

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in New York Municipal Bonds. New York Municipal Bonds generally are issued by or on behalf of the State of New York and its political subdivisions, financing authorities and their agencies. The Fund may invest in debt securities of an issuer located outside of New York whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from regular federal income tax and New York income tax. By concentrating its investments in New York, the Fund will be subject to New York State Specific Risk.

The Fund may invest without limit in “private activity” bonds whose interest is a tax-preference item for purposes of the federal alternative minimum tax ("AMT"). For shareholders subject to the AMT, a substantial portion of the Fund’s distributions may not be exempt from federal income tax. The Fund may invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds. The Fund may invest up to 20% of its net assets in other types of Fixed Income Instruments. The average portfolio duration of this Fund normally varies from three to twelve years, based on PIMCO’s forecast for interest rates. The portfolio manager focuses on bonds with the potential to offer attractive current income, typically looking for bonds that can provide consistently attractive current yields or that are trading at competitive market prices. Capital appreciation, if any, generally arises from decreases in interest rates or improving credit fundamentals for a particular state, municipality or issuer.

The Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities (“junk bonds”) rated B or higher by Moody’s, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund is non-diversified, which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

The Fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities. The Fund may also invest in securities issued by entities whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

Principal Risks

The principal risks of investing in the Fund which could adversely affect its net asset value, yield and total return are:

- Interest Rate Risk
- Credit Risk
- High Yield Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Issuer Non-Diversification Risk
- Leveraging Risk
- Management Risk
- New York State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Please see “Summary of Principal Risks” following the Fund Summaries for a description of these and other risks of investing in the Fund.

Performance Information

The top of the next page shows summary performance information for the Fund in a bar chart and an Average Annual Total Returns table. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund’s average annual returns compare with the returns of a broad-based securities market index and an index of similar funds. The bar chart and the information to its right show performance of the Fund’s Class A shares, but do not reflect the impact of sales charges (loads). If they did, the returns would be lower than those shown. Unlike the bar chart, performance for Class A shares in the Average Annual Total Returns table reflects the impact of sales charges. For periods prior to the inception date of Class A shares (October 19, 1999), performance information shown in the table is based on the performance of the Fund’s Institutional Class shares, which are offered in a different prospectus. The prior Institutional Class performance has been adjusted to reflect the actual sales charges (in the Average Annual Total Returns table only), distribution and/or service (12b-1) fees, administrative fees and other expenses paid by Class A shares. The Fund’s past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.
### Fees and Expenses of the Fund

These tables describe the fees and expenses you may pay if you buy and hold Class A shares of the Fund:

#### Shareholder fees (fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees</th>
<th>Other Expenses&lt;sup&gt;(1)(2)&lt;/sup&gt;</th>
<th>Total Annual Fund Operating Expenses&lt;sup&gt;(3)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.225%</td>
<td>0.25%</td>
<td>0.33%</td>
<td>0.805%</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> "Other Expenses" reflect an administrative fee of 0.30% and non-cash interest expense of 0.03%. As more fully discussed under "Characteristics and Risks of Securities and Investment Techniques—Municipal Bonds," the additional non-cash interest expense is attributable to the accounting treatment for certain transactions in residual interest bonds (sometimes referred to as "inverse floaters") and does not reflect actual expenses paid by the Fund. This non-cash interest expense is offset by additional interest income accrued by the Fund in such transactions.

<sup>(2)</sup> Effective October 1, 2007, the Fund’s administrative fee was reduced by 0.05% to 0.30% per annum.

<sup>(3)</sup> Total Annual Fund Operating Expenses excluding interest expense are 0.775%.

#### Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)

- Class A: 3.00%

<sup>(1)</sup> Accounts with a minimum balance of $2,500 or less may be charged a fee of $16.

<sup>(2)</sup> Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.

#### Maximum Contingent Deferred Sales Charge (Load) (as a percentage of the lower of the original purchase price or redemption price)

- Class A: 0.50%

#### More Recent Return Information

<table>
<thead>
<tr>
<th>Period</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/07–6/30/07</td>
<td>-0.11%</td>
</tr>
</tbody>
</table>

#### Calendar Year Total Returns — Class A

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>'00</td>
<td>10.62%</td>
</tr>
<tr>
<td>'01</td>
<td>6.31%</td>
</tr>
<tr>
<td>'02</td>
<td>4.49%</td>
</tr>
<tr>
<td>'03</td>
<td>3.31%</td>
</tr>
<tr>
<td>'04</td>
<td>2.73%</td>
</tr>
<tr>
<td>'05</td>
<td>4.40%</td>
</tr>
<tr>
<td>'06</td>
<td></td>
</tr>
</tbody>
</table>

#### Calendar Year End (through 12/31)

### Average Annual Total Returns (for periods ended 12/31/06)

<table>
<thead>
<tr>
<th>Period</th>
<th>1 Year</th>
<th>5 Years</th>
<th>Fund Inception (8/31/99)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Return Before Taxes</td>
<td>1.27%</td>
<td>4.54%</td>
<td>5.38%</td>
</tr>
<tr>
<td>Class A Return After Taxes on Distributions&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>1.13%</td>
<td>4.33%</td>
<td>5.05%</td>
</tr>
<tr>
<td>Class A Return After Taxes on Distributions and Sale of Fund Shares&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>1.89%</td>
<td>4.31%</td>
<td>4.94%</td>
</tr>
<tr>
<td>Lehman Brothers New York Insured Municipal Bond Index&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>4.87%</td>
<td>5.87%</td>
<td>6.24%</td>
</tr>
<tr>
<td>Lipper New York Municipal Debt Fund Average&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>4.69%</td>
<td>4.99%</td>
<td>5.20%</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> After-tax returns are calculated using the highest historical individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor’s tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. In some cases the return after taxes may exceed the return before taxes due to an assumed tax benefit from any losses on a sale of Fund shares at the end of the measurement period.

<sup>(2)</sup> Lehman Brothers New York Insured Municipal Bond Index is an unmanaged index comprised of a broad selection of insured general obligation and revenue bonds of New York issuers with remaining maturities ranging from one year to 30 years. It is not possible to invest directly in the index. The index does not reflect deductions for fees, expenses or taxes.

<sup>(3)</sup> The Lipper New York Municipal Debt Fund Average is a total return performance average of funds tracked by Lipper, Inc. that invest at least 65% of their assets in municipal debt issues that are exempt from taxation in New York. It does not reflect deductions for fees, expenses or taxes.

#### Examples

The Examples are intended to help you compare the cost of investing in Class A shares of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and that the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 5</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>$380</td>
<td>$549</td>
<td>$733</td>
<td>$1,266</td>
</tr>
</tbody>
</table>

Prospectus 13
PIMCO Short Duration Municipal Income Fund

Ticker Symbols:
PSDAX (A Class)
PSDCX (C Class)

Principal Investments and Strategies

Investment Objective
Seeks high current income exempt from federal income tax, consistent with preservation of capital.

Fund Focus
Short to intermediate maturity municipal securities (exempt from federal income tax)

Fund Category
National Short Duration Tax-Exempt

Average Portfolio Duration
≤ 3 years

Credit Quality
Baa to Aaa

Dividend Frequency
Declared daily and distributed monthly

The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in Municipal Bonds. Municipal Bonds generally are issued by or on behalf of states and local governments and their agencies, authorities and other instrumentalities.

The Fund does not intend to invest in securities whose interest is subject to the federal alternative minimum tax. The Fund may only invest in investment grade debt securities. The Fund may invest more than 25% of its total assets in bonds of issuers in California and New York. To the extent that the Fund concentrates its investments in California or New York, it will be subject to California or New York State Specific Risk. The Fund may also invest 25% or more of its total assets in Municipal Bonds that finance similar projects, such as those relating to education, health care, housing, transportation, and utilities, and 25% or more of its total assets in industrial development bonds. The average portfolio duration of this Fund varies based on PIMCO’s forecast for interest rates and under normal market conditions is not expected to exceed three years. The portfolio manager focuses on bonds with the potential to offer attractive current income, typically looking for bonds that can provide consistently attractive current yields or that are trading at competitive market prices.

The Fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities. The Fund may also invest in securities issued by entities whose underlying assets are Municipal Bonds, including, without limitation, residual interest bonds. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

Principal Risks

The principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return, are:

- Interest Rate Risk
- Credit Risk
- Market Risk
- Issuer Risk
- Liquidity Risk
- Derivatives Risk
- Mortgage-Related and Other Asset-Backed Risk
- Leveraging Risk
- Management Risk
- California State-Specific Risk
- New York State-Specific Risk
- Municipal Project-Specific Risk
- Short Sale Risk

Please see “Summary of Principal Risks” following the Fund Summaries for a description of these and other risks of investing in the Fund.

Performance Information

The top of the next page shows summary performance information for the Fund in a bar chart and an Average Annual Total Returns table. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund’s average annual returns compare with the returns of a broad-based securities market index and an index of similar funds. The bar chart and the information to its right show performance of the Fund’s Class A shares, but do not reflect the impact of sales charges (loads). If they did, the returns would be lower than those shown. Unlike the bar chart, performance for Class A and Class C shares in the Average Annual Total Returns table reflects the impact of sales charges. For periods prior to the inception date of Class A and Class C shares (March 28, 2002), performance information shown in the bar chart and table is based on the performance of the Fund’s Institutional Class shares, which are offered in a different prospectus. The prior Institutional Class performance has been adjusted to reflect the actual sales charges (in the Average Annual Total Returns table only), distribution and/or service (12b-1) fees, administrative fees and other expenses paid by Class A and Class C shares. The Fund’s past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.
### More Recent Return Information

**1/1/07–6/30/07**  
1.64%

**Highest and Lowest Quarter Returns**  
(for periods shown in the bar chart)  
Highest (4th Qtr. '06) 1.91%  
Lowest (2nd Qtr. '04) -0.40%

### Fees and Expenses of the Fund

These tables describe the fees and expenses you may pay if you buy and hold Class A or C shares of the Fund:

#### Shareholder fees (fees paid directly from your investment)(1)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)</th>
<th>Maximum Contingent Deferred Sales Charge (Load) (as a percentage of the lower of the original purchase price or redemption price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>2.25%</td>
<td>0.50%(2)</td>
</tr>
<tr>
<td>Class C</td>
<td>None</td>
<td>1.00%(2)</td>
</tr>
</tbody>
</table>

(1) Accounts with a minimum balance of $2,500 or less may be charged a fee of $16.

(2) Imposed only in certain circumstances where Class A shares are purchased without a front-end sales charge at the time of purchase.

#### Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Advisory Fees</th>
<th>Distribution and/or Service (12b-1) Fees(3)</th>
<th>Other Expenses(2)(3)</th>
<th>Total Annual Fund Operating Expenses(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.20%</td>
<td>0.25%</td>
<td>0.35%</td>
<td>0.80%</td>
</tr>
<tr>
<td>Class C</td>
<td>0.20%</td>
<td>0.55</td>
<td>0.35%</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

(1) Due to the 12b-1 distribution fee imposed on Class C shares, a Class C shareholder may, depending upon the length of time the shares are held, pay more than the economic equivalent of the maximum front-end sales charges permitted by relevant rules of the FINRA.

(2) “Other Expenses” reflect an administrative fee of 0.30% and non-cash interest expense of 0.05% for Class A shares and Class C shares. As more fully discussed under “Characteristics and Risks of Securities and Investment Techniques—Municipal Bonds,” the additional non-cash interest expense is attributable to the accounting treatment for certain transactions in residual interest bonds (sometimes referred to as “inverse floaters”) and does not reflect actual expenses paid by the Fund. This non-cash interest expense is offset by additional interest income accrued by the Fund in such transactions.

(3) Effective October 1, 2007, the Fund’s administrative fee was reduced by 0.05% to 0.30% per annum.

(4) Total Annual Fund Operating Expenses excluding interest expense are 0.75% for Class A shares and 1.05% for Class C shares.

### Examples

**Examples.** The Examples are intended to help you compare the cost of investing in Classes A or C of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest $10,000 in the noted class of shares for the time periods indicated, your investment has a 5% return each year, the reinvestment of all dividends and distributions, and the Fund’s operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Example: Assuming you redeem shares at the end of each period</th>
<th>Example: Assuming you do not redeem your shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
<td>Year 3</td>
</tr>
<tr>
<td>Class A</td>
<td>$505</td>
<td>$475</td>
</tr>
<tr>
<td>Class C</td>
<td>212</td>
<td>350</td>
</tr>
</tbody>
</table>

Prospectus 15
Summary of Principal Risks

The value of your investment in a Fund changes with the values of that Fund’s investments. Many factors can affect those values. The factors that are most likely to have a material effect on a particular Fund’s portfolio as a whole are called “principal risks.” The principal risks of each Fund are identified in the Fund Summaries and are described in this section. Each Fund may be subject to additional risks other than those described below because the types of investments made by a Fund can change over time. Securities and investment techniques mentioned in this summary that appear in bold type are described in greater detail under “Characteristics and Risks of Securities and Investment Techniques.” That section and “Investment Objectives and Policies” in the Statement of Additional Information also include more information about the Funds, their investments and the related risks. There is no guarantee that a Fund will be able to achieve its investment objective. It is possible to lose money by investing in a Fund.

**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 a Fund 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. Inflation-indexed securities, including Treasury Inflation-Protected Securities, decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar durations.

Certain Funds may invest in variable and floating rate securities, which generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Certain Funds may also invest in inverse floating rate securities, which may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a Fund holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the net asset value of the Fund’s shares.

**Credit Risk**
A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Municipal Bonds are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer’s ability to make payments of principal and/or interest.

**High Yield Risk**
Funds that invest in high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) may be subject to greater levels of credit and liquidity risk than funds that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a Fund’s ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, a Fund may lose its entire investment.

**Market Risk**
The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities 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. They 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. Equity securities generally have greater price volatility than fixed income securities.

**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.
Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. A Fund’s investments in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price. To the extent that a Fund’s principal investment strategies involve derivatives or securities with substantial market and/or credit risk, the Fund will tend to have the greatest exposure to liquidity risk.

Derivatives Risk

Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The various derivative instruments that the Funds may use are referenced under “Characteristics and Risks of Securities and Investment Techniques—Derivatives” in this prospectus and described in more detail under “Investment Objectives and Policies” in the Statement of Additional Information. The Funds typically use 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, such as interest rate risk. The Funds may also use derivatives for leverage, in which case their use would involve leveraging risk. A Fund’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, interest rate risk, market risk, credit risk and management risk. They 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 the underlying asset, rate or index. A Fund investing in a derivative instrument could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that a Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Mortgage-Related and Other Asset-Backed Risk

The Funds may invest in a variety of mortgage-related and other asset-backed securities, which are subject to certain additional risks. 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, a Fund that holds mortgage-related securities 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 a Fund because the Fund may have to reinvest that money at the lower prevailing interest rates. The Funds’ 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.

Issuer Non-Diversification Risk

Focusing investments in a small number of issuers, industries or foreign currencies increases risk. Funds that are “non-diversified” may invest a greater percentage of its assets in the securities of a single issuer than funds that are “diversified.” Funds that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified fund might be. Some of those issuers also may present substantial credit or other risks.

Leveraging Risk

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, 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. To mitigate leveraging risk, PIMCO will segregate or “earmark” liquid assets or otherwise cover the transactions that may give rise to such risk. The Funds also may be exposed to leverage risk by borrowing money for investment purposes. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet segregation requirements when it may not be advantageous to do so. Leverage, including borrowing, may cause a Fund to be more volatile than if the Fund had not been leveraged. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of a Fund’s portfolio securities.

Management Risk

Each Fund is subject to management risk because it is an actively managed investment portfolio. PIMCO and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these decisions will produce the desired results.

California State-Specific Risk

A Fund that concentrates its investments in California Municipal Bonds, may be affected significantly by economic, regulatory or political developments affecting the ability of California issuers to pay interest or repay principal. Provisions of the California Constitution and State statutes which limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to pay principal and/or interest on their obligations. While California’s economy is broad, it does have major concentrations in high technology, aerospace and defense-related manufacturing, trade, entertainment, real estate and financial services, and may be sensitive to economic problems affecting those industries. Future California political and economic
New York State-Specific Risk

A Fund that concentrates its investments in New York Municipal Bonds may be affected significantly by economic, regulatory or political developments affecting the ability of New York issuers to pay interest or repay principal. Certain issuers of New York municipal bonds have experienced serious financial difficulties in the past and reoccurrence of these difficulties may impair the ability of certain New York issuers to pay principal or interest on their obligations. The financial health of New York City affects that of the State, and when New York City experiences financial difficulty it may have an adverse affect on New York municipal bonds held by such Fund. The growth rate of New York has at times been somewhat slower than the nation overall. The economic and financial condition of New York also may be affected by various financial, social, economic and political factors.

Municipal Project-Specific Risk

A Fund may be more sensitive to adverse economic, business or political developments if it invests a substantial portion of its assets in the bonds of similar projects (such as those relating to education, health care, housing, transportation, and utilities), industrial development bonds, or in bonds from issuers in a single state.

Short Sale Risk

A Fund’s short sales are subject to special risks. A short sale involves the sale by the Fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. A Fund may also enter into 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 Fund will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. Also, there is the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the Fund.

Management of the Funds

PIMCO serves as the investment adviser and the administrator (serving in its capacity as administrator, the “Administrator”) for the Funds. Subject to the supervision of the Board of Trustees, PIMCO is responsible for managing the investment activities of the Funds and the Funds’ business affairs and other administrative matters.

PIMCO is located at 840 Newport Center Drive, Newport Beach, CA 92660. Organized in 1971, PIMCO provides investment management and advisory services to private accounts of institutional and individual clients and to mutual funds. As of June 30, 2007, PIMCO had approximately $692 billion in assets under management.

Investment Adviser and Administrator

Advisory Fees

Each Fund pays PIMCO fees in return for providing investment advisory services. For the fiscal year ended March 31, 2007, the Funds paid monthly advisory fees to PIMCO at the following annual rates (stated as a percentage of the average daily net assets of each Fund taken separately):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Advisory Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Short Duration Municipal Income and Short Duration Municipal Income Funds</td>
<td>0.20%</td>
</tr>
<tr>
<td>California Intermediate Municipal Bond, Municipal Bond and New York Municipal Bond Funds</td>
<td>0.225%</td>
</tr>
<tr>
<td>High Yield Municipal Bond Fund</td>
<td>0.30%</td>
</tr>
</tbody>
</table>

PIMCO has contractually agreed for the High Yield Municipal Bond Fund’s current fiscal year (3/31) to waive a portion of its advisory fee equal to 0.01% of average daily net assets of the High Yield Municipal Bond Fund.

A discussion of the basis for the Board of Trustees’ approval of the Funds’ investment advisory contract is available in the Funds’ Semi-Annual Report to shareholders for the fiscal half-year ended September 30, 2006.

Administrative Fees

Each Fund pays for the administrative services it requires under what is essentially an all-in fee structure. Class A, Class B and Class C shareholders of a Fund pay an administrative fee to PIMCO, computed as a percentage of the Fund’s assets attributable in the aggregate to that class of shares. PIMCO, in turn, provides or procures administrative services for Class A, Class B and Class C shareholders and also bears the costs of various third-party services required by the Funds, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Funds do bear other expenses which are not covered under the administrative fee which may vary and affect the total level of expenses paid by Class A, Class B and Class C shareholders, such as taxes and governmental fees, brokerage fees, commissions and other transaction expenses, costs of borrowing money,
including interest expenses, extraordinary expenses (such as litigation and indemnification expenses) and fees and expenses of the Trust’s Independent Trustees and their counsel. PIMCO may earn a profit on the administrative fee. Also, under the terms of the administration agreement, PIMCO, and not Fund shareholders, would benefit from any price decreases in third-party services, including decreases resulting from an increase in net assets.

For the fiscal year ended March 31, 2007, the Funds paid monthly administrative fees to PIMCO at the following annual rates (stated as a percentage of the average daily net assets of each Fund taken separately):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Administrative Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Yield Municipal Bond Fund(1)</td>
<td>0.40%</td>
</tr>
<tr>
<td>California Intermediate Municipal Bond, California Short Duration Municipal Income, Municipal Bond, New York Municipal Bond and Short Duration Municipal Income Funds(1)</td>
<td>0.35%</td>
</tr>
</tbody>
</table>

(1) Effective October 1, 2007, the administrative fees for each such Fund were reduced to an annual rate of 0.30%.

PIMCO has contractually agreed for the High Yield Municipal Bond Fund’s current fiscal year (3/31) to waive a portion of its administrative fee equal to 0.05% of the average daily net assets attributable in the aggregate to the Fund’s Class A and Class C shares.

The following individuals have primary responsibility for managing each of the noted Funds.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Portfolio Manager</th>
<th>Since</th>
<th>Recent Professional Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Intermediate Municipal Bond</td>
<td>John Cummings</td>
<td>10/05</td>
<td>Executive Vice President, PIMCO. He joined PIMCO in 2002. Prior to joining PIMCO, he served as Vice President of Municipal Trading at Goldman, Sachs &amp; Co. Mr. Cummings joined Goldman, Sachs &amp; Co. in 1997.</td>
</tr>
<tr>
<td>California Short Duration Municipal Income</td>
<td></td>
<td>8/06*</td>
<td></td>
</tr>
<tr>
<td>High Yield Municipal Bond</td>
<td></td>
<td>7/06*</td>
<td></td>
</tr>
<tr>
<td>Municipal Bond</td>
<td>Mark V. McCray</td>
<td>4/00</td>
<td>Managing Director, PIMCO. He joined PIMCO as a Portfolio Manager in 2000. Prior to joining PIMCO, he was a bond trader from 1992-1999 at Goldman Sachs &amp; Co. where he was appointed Vice President in 1996 and named co-head of municipal bond trading in 1997 with responsibility for the firm’s proprietary account and supervised municipal bond traders.</td>
</tr>
<tr>
<td>New York Municipal Bond</td>
<td></td>
<td>4/00</td>
<td></td>
</tr>
<tr>
<td>Short Duration Municipal Income</td>
<td></td>
<td>4/00</td>
<td></td>
</tr>
</tbody>
</table>

* Since inception of the Fund.

Please see the Statement of Additional Information for additional information about other accounts managed by the portfolio managers, the portfolio managers’ compensation and the portfolio managers’ ownership of shares of the Funds.

The Trust’s Distributor is Allianz Global Investors Distributors LLC (“AGID” or “Distributor”), an indirect subsidiary of Allianz Global Investors America L.P. (“AGI”), PIMCO’s parent company. The Distributor, located at 1345 Avenue of the Americas, New York, NY 10105, is a broker-dealer registered with the Securities and Exchange Commission (“SEC”).

Since February 2004, PIMCO, AGI, AGID, and certain of their affiliates, including the Trust, Allianz Funds (formerly known as PIMCO Funds: Multi-Manager Series), another series of funds managed by affiliates of PIMCO, certain Trustees of the Trust, and certain employees of PIMCO have been named as defendants in fifteen lawsuits filed in various jurisdictions. Eleven of those lawsuits concern “market timing,” and they have been transferred to and consolidated for pre-trial proceedings in a multi-district litigation proceeding in the U.S. District Court for the District of Maryland; the other four lawsuits concern “revenue sharing” and have been consolidated into a single action in the U.S. District Court for the District of Connecticut. The lawsuits have been commenced as putative class actions on behalf of investors who purchased, held or redeemed shares of the various series of the Trust and the Allianz Funds during specified periods, or as derivative actions on behalf of the Trust and Allianz Funds.

The market timing actions in the District of Maryland generally allege that certain hedge funds were allowed to engage in “market timing” in certain funds of the Allianz Funds and of the Trust and this alleged activity was not disclosed. Pursuant to tolling agreements entered into with the derivative and class action plaintiffs, PIMCO, certain Trustees, and certain employees of PIMCO who were previously named as defendants have all been
dropped as defendants in the market timing actions; the plaintiffs continue to assert claims on behalf of the shareholders of the Trust or on behalf of the Trust itself against other defendants. By order dated November 3, 2005, the U.S. District Court for the District of Maryland granted the Trust’s motion to dismiss claims asserted against it in a consolidated amended complaint where the Trust was named, in the complaint, as a nominal defendant. Thus, at present the Trust is not a party to any “market timing” lawsuit. The revenue sharing action in the District of Connecticut generally alleges that fund assets were inappropriately used to pay brokers to promote funds of the Allianz Funds and of the Trust, including directing fund brokerage transactions to such brokers, and that such alleged arrangements were not fully disclosed to shareholders. On September 19, 2007, the U.S. District Court for the District of Connecticut granted on defendants’ motion to dismiss the consolidated amended complaint in the revenue sharing action. The market timing and revenue sharing lawsuits seek, among other things, unspecified compensatory damages plus interest and, in some cases, punitive damages, the rescission of investment advisory contracts, the return of fees paid under those contracts and restitution.

Two nearly identical class action civil complaints have been filed in August 2005, in the Northern District of Illinois Eastern Division, alleging that the plaintiffs each purchased and sold a 10-year Treasury note futures contract and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts. The two actions have been consolidated into one action, and the two separate complaints have been replaced by a consolidated complaint. PIMCO is a named defendant, and the Trust has been added as a defendant, to the consolidated action. PIMCO strongly believes the complaint is without merit and intends to vigorously defend itself.

In April 2006, certain funds of the Trust and certain other funds managed by PIMCO were served in an adversary proceeding brought by the Official Committee of Asbestos Claimants of G-I Holdings, Inc. in G-I Holdings, Inc.’s bankruptcy in the District of New Jersey. In July 2004, PIMCO was named in this lawsuit and remains a defendant. The plaintiff seeks to recover for the bankruptcy estate assets that were transferred by the predecessor entity of G-I Holdings, Inc. to a wholly-owned subsidiary in 1994. The subsidiary has since issued notes, of which certain funds of the Trust and certain other funds managed by PIMCO are alleged to be holders. The complaint alleges that in 2000, more than two hundred noteholders—including certain funds of the Trust and certain other funds managed by PIMCO—were granted a second priority lien on the assets of the subsidiary in exchange for their consent to a refinancing transaction and the granting of a first priority lien to the lending banks. The plaintiff is seeking invalidation of the lien in favor of the noteholders and/or the value of the lien. On June 21, 2006, the District of New Jersey overturned the Bankruptcy Court’s decision granting permission to file the adversary proceeding and remanded the matter to the Bankruptcy Court for further proceedings. Following a motion to reconsider, the District Court upheld its remand on August 7, 2006, and instructed the Bankruptcy Court to conduct a “cost-benefit” analysis of the Committee’s claims, including the claims against the noteholders. The Bankruptcy Court held a status conference on October 25, 2006 and set a briefing schedule relating to this cost-benefit analysis.

It is possible that these matters and/or other developments resulting from these matters could result in increased fund redemptions or other adverse consequences to the Funds. However, PIMCO and AGID believe that these matters are not likely to have a material adverse effect on the Funds or on PIMCO’s or AGID’s ability to perform their respective investment advisory or distribution services relating to the Funds.

The foregoing speaks only as of the date of this prospectus. While there may be additional litigation or regulatory developments in connection with the matters discussed above, the foregoing disclosure of litigation and regulatory matters will be updated only if those developments are material.
The Trust offers investors Class A, Class B and Class C shares of the Municipal Bond Fund, Class A and Class C shares of the High Yield Municipal Bond and Short Duration Municipal Income Funds and Class A shares of the California Intermediate Municipal Bond, California Short Duration Municipal Income and New York Municipal Bond Funds in this prospectus. Each class of shares is subject to different types and levels of sales charges than the other classes and bears a different level of expenses.

The class of shares that is best for you depends upon a number of factors, including the amount and the intended length of your investment. The following summarizes key information about each class to help you make your investment decision, including the various expenses associated with each class. More extensive information about the Trust’s multi-class arrangements is included in the Allianz Funds and PIMCO Funds Shareholders Guide for Class A, B, C and R Shares (the “Guide”), which is included as part of the Statement of Additional Information and can be obtained free of charge from the Distributor. See “How to Buy and Sell Shares—Allianz Funds and PIMCO Funds Shareholders Guide” below.

**Class A Shares**

- You pay an initial sales charge when you buy Class A shares of any Fund. The maximum initial sales charge is 2.25% for the California Short Duration Municipal Income and Short Duration Municipal Income Funds, 4.50% for the High Yield Municipal Bond and 3.00% for all of the other Funds. The sales charge is deducted from your investment so that not all of your purchase payment is invested.

- You may be eligible for a reduction or a complete waiver of the initial sales charge under a number of circumstances. For example, you normally pay no sales charge if you purchase $1,000,000 ($250,000 in the case of the California Short Duration Municipal Income and Short Duration Municipal Bond Funds) or more of Class A shares. Please see the Guide for details.

- Class A shares are subject to lower 12b-1 fees than Class B or Class C shares. Therefore, Class A shareholders generally pay lower annual expenses and receive higher dividends than Class B or Class C shareholders.

- You normally pay no contingent deferred sales charge (“CDSC”) when you redeem Class A shares, although you may pay a 0.50% CDSC (1% in the case of the High Yield Municipal Bond and Municipal Bond Funds) if you purchase $1,000,000 ($250,000 in the case of the California Short Duration Municipal Income and Short Duration Municipal Bond Funds) or more of Class A shares and then redeem the shares during the first 18 months after your initial purchase. The Class A CDSC is waived for certain categories of investors and does not apply if you are otherwise eligible to purchase Class A shares without a sales charge. Please see the Guide for details.

**Class B Shares**

- You do not pay an initial sales charge when you buy Class B shares. The full amount of your purchase payment is invested initially. Class B shares of the Municipal Bond Fund may only be (i) acquired through the exchange of Class B shares of other funds of the Trust or of the Allianz Funds; or (ii) purchased by persons who currently hold Class B shares of the Municipal Bond Fund. If you redeem all Class B shares of the Municipal Bond Fund in your account, you cannot purchase new Class B shares thereafter (although you may still acquire Class B shares of this Fund through exchange). The Funds may waive this restriction for certain specified benefit plans that are invested in Class B shares of the Municipal Bond Fund.

- You normally pay a CDSC of up to 5% if you redeem Class B shares during the first six years after your initial purchase. The amount of the CDSC declines the longer you hold your Class B shares. You pay no CDSC if you redeem during the seventh year and thereafter. The Class B CDSC is waived for certain categories of investors. Please see the Guide for details.

- Class B shares are subject to higher 12b-1 fees than Class A shares for the first eight years they are held (seven years for Class B shares purchased prior to January 1, 2002). During this time, Class B shareholders normally pay higher annual expenses and receive lower dividends than Class A shareholders.

- Class B shares automatically convert into Class A shares after they have been held for eight years. After the conversion takes place, the shares are subject to the lower 12b-1 fees paid by Class A shares. (The conversion period for Class B shares purchased prior to January 1, 2002, is seven years.)

**Class C Shares**

- You do not pay an initial sales charge when you buy Class C shares. The full amount of your purchase payment is invested initially.

- You normally pay a CDSC of 1% if you redeem Class C shares during the first year after your initial purchase. The Class C CDSC is waived for certain categories of investors. Please see the Guide for details.

- Class C shares are subject to higher 12b-1 fees than Class A shares. Therefore, Class C shareholders normally pay higher annual expenses and receive lower dividends than Class A shareholders.
Class C shares do not convert into any other class of shares. Because Class B shares convert into Class A shares after eight years (seven years for Class B shares purchased prior to January 1, 2002), Class C shares will normally be subject to higher expenses and will pay lower dividends than Class B shares if the shares are held for more than eight years (or seven years for Class B shares purchased prior to January 1, 2002).

Some or all of the payments described below are paid or “reallowed” to financial intermediaries. The following provides additional information about the sales charges and other expenses associated with Class A, Class B and Class C shares.

This section includes important information about sales charge reduction programs available to investors in Class A shares of the Funds and describes information or records you may need to provide to the Distributor or your financial intermediary in order to be eligible for sales charge reduction programs.

Unless you are eligible for a waiver, the public offering price you pay when you buy Class A shares of the Funds is the net asset value (“NAV”) of the shares plus an initial sales charge. The initial sales charge varies depending upon the size of your purchase, as set forth below. No sales charge is imposed where Class A shares are issued to you pursuant to the automatic reinvestment of income dividends or capital gains distributions. For investors investing in Class A shares of the Funds through a financial intermediary, it is the responsibility of the financial intermediary to ensure that the investor obtains the proper “breakpoint” discount.

### Initial Sales Charges – Class A Shares

<table>
<thead>
<tr>
<th>Amount of Purchase</th>
<th>Initial Sales Charge as % of Net Amount Invested</th>
<th>Initial Sales Charge as % of Public Offering Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$99,999</td>
<td>3.09%</td>
<td>3.00%</td>
</tr>
<tr>
<td>$100,000–$249,999</td>
<td>2.04%</td>
<td>2.00%</td>
</tr>
<tr>
<td>$250,000–$499,999</td>
<td>1.52%</td>
<td>1.50%</td>
</tr>
<tr>
<td>$500,000–$999,999</td>
<td>1.27%</td>
<td>1.25%</td>
</tr>
<tr>
<td>$1,000,000 +</td>
<td>0.00%*</td>
<td>0.00%*</td>
</tr>
</tbody>
</table>

* As shown, investors that purchase $1,000,000 or more of the California Intermediate Municipal Bond, Municipal Bond or New York Municipal Bond Funds' Class A shares will not pay any initial sales charge on the purchase. However, purchasers of $1,000,000 or more of Class A shares may be subject to a CDSC of 0.50% (1% in the case of the Municipal Bond Fund) if the shares are redeemed during the first 18 months after their purchase. See “CDSCs on Class A Shares” below.

<table>
<thead>
<tr>
<th>Amount of Purchase</th>
<th>Initial Sales Charge as % of Net Amount Invested</th>
<th>Initial Sales Charge as % of Public Offering Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$99,999</td>
<td>2.30%</td>
<td>2.25%</td>
</tr>
<tr>
<td>$100,000–$249,999</td>
<td>1.27%</td>
<td>1.25%</td>
</tr>
<tr>
<td>$250,000 +</td>
<td>0.00%**</td>
<td>0.00%**</td>
</tr>
</tbody>
</table>

** As shown, investors that purchase $250,000 or more of the California Short Duration Municipal Income and Short Duration Municipal Income Funds' Class A shares will not pay any initial sales charge on the purchase. However, certain purchasers of $250,000 or more of Class A shares may be subject to a CDSC of 0.50% if the shares are redeemed during the first 18 months after their purchase. See “CDSCs on Class A Shares” below.

<table>
<thead>
<tr>
<th>Amount of Purchase</th>
<th>Initial Sales Charge as % of Net Amount Invested</th>
<th>Initial Sales Charge as % of Public Offering Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$99,999</td>
<td>4.71%</td>
<td>4.50%</td>
</tr>
<tr>
<td>$100,000–$249,999</td>
<td>3.56%</td>
<td>3.25%</td>
</tr>
<tr>
<td>$250,000–$499,999</td>
<td>2.83%</td>
<td>2.75%</td>
</tr>
<tr>
<td>$500,000–$999,999</td>
<td>2.04%</td>
<td>2.00%</td>
</tr>
<tr>
<td>$1,000,000 +</td>
<td>0.00%***</td>
<td>0.00%***</td>
</tr>
</tbody>
</table>

*** As shown, investors that purchase $1,000,000 or more of the High Yield Municipal Bond Fund’s Class A shares will not pay any initial sales charge on the purchase. However, purchasers of $1,000,000 or more of Class A shares may be subject to a CDSC of 1% if the shares are redeemed during the first 18 months after their purchase. See “CDSCs on Class A Shares” below.

Investors in the Funds may reduce or eliminate sales charges applicable to purchases of Class A shares through utilization of the Combined Purchase Privilege, the Cumulative Quantity Discount (Right of Accumulation), a Letter of Intent or the Reinstatement Privilege. These programs, which apply to purchases of one of more funds that are series of the Trust or Allianz Funds that offer Class A shares (other than the Money Market Fund) (together, “Eligible Funds”), are summarized below and are described in greater detail in the Guide.

**Right of Accumulation and Combined Purchase Privilege (Breakpoints).** A Qualifying Investor (as defined below) may qualify for a reduced sales charge on Class A shares (the “Combined Purchase Privilege”) by combining...
concurrent purchases of the Class A shares of one or more Eligible Funds into a single purchase. In addition, a Qualifying Investor may qualify for a reduced sales charge on Class A shares (the “Right of Accumulation” or “Cumulative Quality Discount”) by combining the purchase of Class A shares of an Eligible Fund with the current aggregate net asset value of all Class A, B, and C shares of any Eligible Fund held by accounts for the benefit of such Qualifying Investor.

The term “Qualifying Investor” refers to:

(i) an individual, such individual’s spouse, such individual’s children under the age of 21 years, or such individual’s siblings (each a “family member”) (including family trust* accounts established by such a family member); or

(ii) a trustee or other fiduciary for a single trust (except family trusts* noted above), estate or fiduciary account although more than one beneficiary may be involved; or

(iii) an employee benefit plan of a single employer.

* For the purpose of determining whether a purchase would qualify for a reduced sales charge under the Combined Purchase Privilege or Right of Accumulation, a “family trust” is one in which a family member(s) described in section (i) above is/are a beneficiary/ies and such person(s) and/or another family member is the trustee.

Please see the Guide for details and for restrictions applicable to shares held by certain employer-sponsored benefit programs.

Letter of Intent. An investor may also obtain a reduced sales charge on purchases of Class A shares by means of a written Letter of Intent, which expresses an intent to invest not less than $50,000 within a period of 13 months in Class A shares of any Eligible Fund(s). The maximum intended investment allowable in a Letter of Intent is $1,000,000 (except for the Class A shares of California Short Duration Municipal Income and Short Duration Municipal Income Funds, for which the maximum intended investment amount is $100,000). Each purchase of shares under a Letter of Intent will be made at the public offering price or prices applicable at the time of such purchase to a Single Purchase of the dollar amount indicated in the Letter of Intent. A Letter of Intent is not a binding obligation to purchase the full amount indicated. Shares purchased with the first 5% of the amount indicated in the Letter of Intent will be held in escrow (while remaining registered in your name) to secure payment of the higher sales charges applicable to the shares actually purchased in the event the full intended amount is not purchased.

Reinstatement Privilege. A Class A shareholder who has caused any or all of his shares to be redeemed may reinvest all or any portion of the redemption proceeds in Class A shares of any Eligible Fund at NAV without any sales charge, provided that such investment is made within 120 calendar days after the redemption or repurchase date. The limitations and restrictions of this program are fully described in the Guide.

Method of Valuation of Accounts. To determine whether a shareholder qualifies for a reduction in sales charge on a purchase of Class A shares of Eligible Funds, the offering price of the shares is used for purchases relying on the Combined Purchase Privilege or a Letter of Intent and the amount of the total current purchase (including any sales load) plus the NAV (at the close of business on the day of the current purchase) of shares previously acquired is used for the Cumulative Quantity Discount.

Sales at Net Asset Value. In addition to the programs summarized above, the Funds may sell their Class A shares at NAV without an initial sales charge to certain types of accounts or account holders, including, but not limited to: Trustees of the Funds; employees of PIMCO and the Distributor; employees of participating brokers; certain trustees or other fiduciaries purchasing shares for retirement plans; participants investing in certain “wrap accounts” and investors who purchase shares through a participating broker who has waived all or a portion of the payments it normally would receive from the Distributor at the time of purchase. In addition, Class A shares of the Funds issued pursuant to the automatic reinvestment of income dividends or capital gains distributions are issued at NAV and are not subject to any sales charges.

Required Shareholder Information and Records. In order for investors in Class A shares of the Funds to take advantage of sales charge reductions, an investor or his or her financial intermediary must notify the Distributor that the investor qualifies for such a reduction. If the Distributor is not notified that the investor is eligible for these reductions, the Distributor will be unable to ensure that the reduction is applied to the investor’s account. An investor may have to provide certain information or records to his or her financial intermediary or the Distributor to verify the investor’s eligibility for breakpoint privileges or other sales charge waivers. An investor
may be asked to provide information or records, including account statements, regarding shares of the Funds or other Eligible Funds held in:

- all of the investor’s accounts held directly with the Trust or through a financial intermediary;
- any account of the investor at another financial intermediary; and
- accounts of related parties of the investor, such as members of the same family or household, at any financial intermediary.

The Trust makes available free of charge and in a clear and prominent format, on the Fund’s Web site at www.allianzinvestors.com, information regarding eliminations of and reductions in sales loads associated with Eligible Funds.

Contingent Deferred Sales Charges (CDSCs)—Class B and Class C Shares

Unless you are eligible for a waiver, if you sell (redeem) your Class B or Class C shares of the Municipal Bond Fund or Class C shares of the High Yield Municipal Bond or Short Duration Municipal Income Funds within the time periods specified below, you will pay a CDSC according to the following schedules. For investors investing in Class B or Class C shares of the Funds through a financial intermediary, it is the responsibility of the financial intermediary to ensure that the investor is credited with the proper holding period for the shares redeemed.

<table>
<thead>
<tr>
<th>Class B Shares</th>
<th>Years Since Purchase Payment was Made</th>
<th>Percentage Contingent Deferred Sales Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Second</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Third</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Fourth</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Fifth</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Sixth</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Seventh and thereafter</td>
<td></td>
<td>0*</td>
</tr>
</tbody>
</table>

* After the eighth year, Class B shares convert into Class A shares. As noted above, Class B shares purchased prior to January 1, 2002, convert into Class A shares after seven years.

<table>
<thead>
<tr>
<th>Class C Shares</th>
<th>Years Since Purchase Payment was Made</th>
<th>Percentage Contingent Deferred Sales Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Thereafter</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

CDSCs on Class A Shares

Unless a waiver applies, investors who purchase $1,000,000 ($250,000 in the case of the California Short Duration Municipal Income and Short Duration Municipal Bond Funds) or more of Class A shares (and, thus, pay no initial sales charge) will be subject to a 0.50% CDSC (1% in the case of the High Yield Municipal Bond and Municipal Bond Funds) if the shares are redeemed within 18 months of their purchase. The Class A CDSC does not apply if you are otherwise eligible to purchase Class A shares without an initial sales charge or are eligible for a waiver of the CDSC. See “Reductions and Waivers of Initial Sales Charges and CDSCs” below.

How CDSCs are Calculated—Shares Purchased On or Before December 31, 2001

A CDSC is imposed on redemptions of Class B shares on the amount of the redemption which causes the current value of your account for the particular class of shares of a Fund to fall below the total dollar amount of your purchase payments subject to the CDSC. However, no CDSC is imposed if the shares redeemed have been acquired through the reinvestment of dividends or capital gains distributions or if the amount redeemed is derived from increases in the value of your account above the amount of the purchase payments subject to the CDSC. CDSCs are deducted from the proceeds of your redemption, not from amounts remaining in your account. In determining whether a CDSC is payable, it is assumed that the shareholder will redeem first the lot of shares which will incur the lowest CDSC.

For instance, the following example illustrates the operation of the Class B CDSC:

- Assume that an individual opens an account and makes a purchase payment of $10,000 for Class B shares of a Fund and that six months later the value of the investor’s account for that Fund has grown through investment performance and reinvestment of distributions to $11,000. The investor then may redeem up to $1,000 from that Fund ($11,000 minus $10,000) without incurring a CDSC. If the investor should redeem $3,000, a CDSC would be imposed on $2,000 of the redemption (the amount by which the investor’s account for the Fund was reduced below the amount of the purchase payment). At the rate of 5%, the Class B CDSC would be $100.
How CDSCs are Calculated—Shares Purchased After December 31, 2001

A CDSC is imposed on redemptions of Class B and Class C shares (and where applicable, Class A shares) on the amount of the redemption which causes the current value of your account for the particular class of shares of a Fund to fall below the total dollar amount of your purchase payments subject to the CDSC.

The following rules apply under the method for calculating CDSCs:

- Shares acquired through the reinvestment of dividends or capital gains distributions will be redeemed first and will not be subject to any CDSC.

- For the redemption of all other shares, the CDSC will be based on either your original purchase price or the then current NAV of the shares being sold, whichever is lower. To illustrate this point, consider shares purchased at an NAV of $10. If the Fund’s NAV per share at the time of redemption is $12, the CDSC will apply to the purchase price of $10. If the NAV per share at the time of redemption is $8, the CDSC will apply to the $8 current NAV per share.

- CDSCs will be deducted from the proceeds of your redemption, not from amounts remaining in your account.

- In determining whether a CDSC is payable, it is assumed that the shareholder will redeem first the lot of shares which will incur the lowest CDSC.

For example, the following illustrates the operation of the Class B CDSC:

- Assume that an individual opens an account and makes a purchase payment of $10,000 for 1,000 Class B shares of a Fund (at $10 per share) and that six months later the value of the investor's account for that Fund has grown through investment performance to $11,000 ($11 per share). If the investor should redeem $2,200 (200 shares), a CDSC would be applied against $2,000 of the redemption (the purchase price of the shares redeemed, because the purchase price is lower than the current NAV of such shares ($2,200)). At the rate of 5%, the Class B CDSC would be $100.

Reductions and Waivers of Initial Sales Charges and CDSCs

The initial sales charges on Class A shares and the CDSCs on Class A, Class B and Class C shares may be reduced or waived under certain purchase arrangements and for certain categories of investors. Please see the Guide for details. The Guide is available free of charge from the Distributor. See “How to Buy and Sell Shares—Allianz Funds and PIMCO Funds Shareholders Guide” below.

Distribution and Servicing (12b-1) Plans

The Funds pay fees to the Distributor on an ongoing basis as compensation for the services the Distributor renders and the expenses it bears in connection with the sale and distribution of Fund shares (“distribution fees”) and/or in connection with personal services rendered to Fund shareholders and the maintenance of shareholder accounts (“servicing fees”). These payments are made pursuant to Distribution and Servicing Plans (“12b-1 Plans”) adopted by each Fund pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (“1940 Act”).

There is a separate 12b-1 Plan for each class of shares offered in this prospectus. Class A shares pay only servicing fees. Class B and Class C shares pay both distribution and servicing fees. The following lists the maximum annual rates at which the distribution and/or servicing fees may be paid under each 12b-1 Plan (calculated as a percentage of each Fund’s average daily net assets attributable to the particular class of shares):

<table>
<thead>
<tr>
<th>Class</th>
<th>Servicing Fee</th>
<th>Distribution Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>All Funds</td>
<td>0.25%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class B</th>
<th>Servicing Fee</th>
<th>Distribution Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Bond Fund</td>
<td>0.25%</td>
<td>0.75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class C</th>
<th>Servicing Fee</th>
<th>Distribution Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Yield Municipal Bond Fund</td>
<td>0.25%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Municipal Bond Fund</td>
<td>0.25%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Short Duration Municipal Income Fund</td>
<td>0.25%</td>
<td>0.30%</td>
</tr>
</tbody>
</table>

Because distribution fees are paid out of a Fund’s assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than other types of sales charges, such as sales charges that
are deducted at the time of investment. Therefore, although Class B and Class C shares do not pay initial sales charges, the distribution fees payable on Class B and Class C shares may, over time, cost you more than the initial sales charge imposed on Class A shares. Also, because Class B shares convert into Class A shares after they have been held for eight years (seven years for Class B shares purchased prior to January 1, 2002) and are not subject to distribution fees after the conversion, an investment in Class C shares may cost you more over time than an investment in Class B shares.

Some or all of the sales charges, distribution fees and servicing fees described above are paid or “reallowed” to the broker, dealer or financial adviser (collectively, “financial firms”) through which you purchase your shares. With respect to Class B and Class C shares, the financial firms are also paid at the time of your purchase a commission, depending upon the Fund involved, of up to 4.00% and 1.00%, respectively, of your investment in such share classes. Please see the Statement of Additional Information and Guide for more details. A financial firm is one that, in exchange for compensation, sells, among other products, mutual fund shares (including the shares offered in this prospectus) or provides services for mutual fund shareholders. Financial firms include brokers, dealers, insurance companies and banks.

In addition, AGID, PIMCO and their affiliates (for purposes of this subsection only, collectively, the “Distributor”) may from time to time make payments such as cash bonuses or provide other incentives to financial firms as compensation for services such as, without limitation, providing the Funds with “shelf space” or a higher profile for the financial firms’ financial consultants and their customers, placing the Funds on the financial firms’ preferred or recommended fund list, granting the Distributor access to the financial firms’ financial consultants, providing assistance in training and educating the financial firms’ personnel, and furnishing marketing support and other specified services. These payments may be significant to the financial firms and may also take the form of sponsorship of seminars or informational meetings or payment for attendance by persons associated with the financial firms at seminars or informational meetings.

A number of factors will be considered in determining the amount of these payments to financial firms. On some occasions, such payments may be conditioned upon levels of sales, including the sale of a specified minimum dollar amount of the shares of a Fund, all other series of the Trust, other funds sponsored by the Distributor and/or a particular class of shares, during a specified period of time. The Distributor may also make payments to one or more participating financial firms based upon factors such as the amount of assets a financial firm’s clients have invested in the Funds and the quality of the financial firm’s relationship with the Distributor.

The payments described above are made at the Distributor’s expense. These payments may be made to financial firms selected by the Distributor, generally to the financial firms that have sold significant amounts of shares of the Funds. The level of payments made to a financial firm in any future year will vary and generally will not exceed the sum of (a) 0.10% of such year’s fund sales by that financial firm and (b) 0.06% of the assets attributable to that financial firm invested in equity funds sponsored by the Distributor and 0.03% of the assets invested in fixed-income funds sponsored by the Distributor. In certain cases, the payments described in the preceding sentence may be subject to certain minimum payment levels. In lieu of payments pursuant to the foregoing formulae, the Distributor may make payments of an agreed upon amount which normally will not exceed the amount that would have been payable pursuant to the formulae. There are a few existing relationships on different bases that are expected to terminate, although the actual termination date is not known. In some cases, in addition to the payments described above, the Distributor will make payments for special events such as a conference or seminar sponsored by one of such financial firms.

If investment advisers, distributors or affiliates of mutual funds pay bonuses and incentives in differing amounts, financial firms and their financial consultants may have financial incentives for recommending a particular mutual fund to other mutual funds. In addition, depending on the arrangements in place at any particular time, a financial firm and its financial consultants may also have a financial incentive for recommending a particular share class over other share classes. **You should consult with your financial advisor and review carefully any disclosure by the financial firm as to compensation received by your financial advisor.**

Wholesale representatives of the Distributor visit brokerage firms on a regular basis to educate financial advisors about the Funds and to encourage the sale of Fund shares to their clients. The costs and expenses associated with these efforts may include travel, lodging, sponsorship at educational seminars and conferences, entertainment and meals to the extent permitted by law.

Although a Fund may use financial firms that sell Fund shares to effect transactions for the Fund’s portfolio, the Fund and PIMCO will not consider the sale of Fund shares as a factor when choosing financial firms to effect those transactions.
For further details about payments made by the Distributor to financial firms, please see the Statement of Additional Information and Guide.

From time to time, PIMCO or its affiliates may pay investment consultants or their parent or affiliated companies for certain services including technology, operations, tax, or audit consulting services, and may pay such firms for PIMCO’s attendance at investment forums sponsored by such firms or for various studies, surveys, or access to databases. Subject to applicable law, PIMCO and its affiliates may also provide investment advisory services to investment consultants and their affiliates and may execute brokerage transactions on behalf of the Funds with such investment consultants or their affiliates. These consultants or their affiliates may, in the ordinary course of their investment consultant business, recommend that their clients utilize PIMCO’s investment advisory services or invest in the Funds or in other products sponsored by PIMCO and its affiliates.

How Fund Shares Are Priced

The NAV of a Fund’s Class A, Class B and Class C shares is determined by dividing the total value of a Fund’s portfolio investments and other assets attributable to that class, less any liabilities, by the total number of shares outstanding of that class.

Fund shares are valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the “NYSE Close”) on each day that the New York Stock Exchange (“NYSE”) is open. Domestic fixed income and foreign securities are normally priced using data reflecting the earlier closing of the principal markets for those securities. Information that becomes known to the Funds or their agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

For purposes of calculating NAV, portfolio securities and other assets for which market quotations are readily available are valued at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotations obtained from a quotation reporting system, established market makers, or pricing services. Short-term investments having a maturity of 60 days or less are generally valued at amortized cost. Exchange traded options, futures and options on futures are valued at the settlement price determined by the exchange. The Funds normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close.

Securities and other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted methods for valuing securities and other assets in circumstances where market quotations are not readily available, and has delegated to PIMCO the responsibility for applying the valuation methods. For instance, certain securities or investments for which daily market quotations are not readily available may be valued, pursuant to guidelines established by the Board of Trustees, with reference to other securities or indices. In the event that market quotations are not readily available, and the security or asset cannot be valued pursuant to one of the valuation methods, the value of the security or asset will be determined in good faith by the Valuation Committee of the Board of Trustees, generally based upon recommendations provided by PIMCO.

Market quotations are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/asked information, broker quotations), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of a Fund’s securities or assets. In addition, market quotations are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to PIMCO the responsibility for monitoring significant events that may materially affect the values of a Fund’s securities or assets and for determining whether the value of the applicable securities or assets should be re-evaluated in light of such significant events.

When a Fund uses fair value pricing to determine its NAV, securities will not be priced on the basis of quotations from the primary market in which they are traded, but rather may be priced by another method that the Board of Trustees or persons acting at their direction believe accurately reflects fair value. While the Trust’s policy is intended to result in a calculation of a Fund’s NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board of Trustees or persons acting at their direction would
accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The Funds’ use of fair valuation may also help to deter “stale price arbitrage” as discussed below under “Abusive Trading Practices.” Fair value pricing may require subjective determinations about the value of a security.

How to Buy and Sell Shares

The following section provides basic information about how to buy, sell (redeem) and exchange shares of the Funds.

More detailed information about purchase, redemption and exchange arrangements for Fund shares is provided in the Guide, which can be obtained free of charge from the Distributor by written request or by calling 1-800-426-0107. The Guide provides technical information about the basic arrangements described below and also describes special purchase, sale and exchange features and programs offered by the Trust, including:

- Automated telephone and wire transfer procedures
- Automatic purchase, exchange and withdrawal programs
- Programs that establish a link from your Fund account to your bank account
- Special arrangements for tax-qualified retirement plans
- Investment programs which allow you to reduce or eliminate the initial sales charges
- Categories of investors that are eligible for waivers or reductions of initial sales charges and CDSCs

When you buy shares of the Funds, you pay a price equal to the NAV of the shares, plus any applicable sales charge. When you sell (redeem) shares, you receive an amount equal to the NAV of the shares, minus any applicable CDSC and/or redemption fees. NAVs are determined at the close of regular trading (normally, 4:00 p.m. Eastern time) on each day the NYSE is open. See “How Fund Shares Are Priced” above for details.

Generally, purchase and redemption orders for Fund shares are processed at the NAV next calculated after your order is received by the Distributor. There are certain exceptions where an order is received by a broker or dealer prior to the NYSE Close and then transmitted to the Distributor after the NAV has been calculated for that day (in which case the order may be processed according to that day’s NAV). Please see the Guide for details.

The Trust does not calculate NAVs or process orders on days when the NYSE is closed. If your purchase or redemption order is received by the Distributor on a day when the NYSE is closed, it will be processed on the next succeeding day when the NYSE is open (according to the succeeding day’s NAV).

You can buy Class A, Class B or Class C shares of the Funds in the following ways:

- **Through your broker, dealer or other financial intermediary.** Your broker, dealer or other intermediary may establish higher minimum investment requirements than the Trust and may also independently charge you transaction fees and additional amounts (which may vary) in return for its services, which will reduce your return. Shares you purchase through your broker, dealer or other intermediary will normally be held in your account with that firm.

- **Directly from the Distributor.** To make direct investments, you must open an account with the Distributor and send payment for your shares either by mail or through a variety of other purchase options and plans offered by the Trust.

If you wish to invest directly by mail, please send a check payable to Allianz Global Investors Distributors LLC, along with a completed application form to:

Allianz Global Investors Distributors LLC  
P.O. Box 9688  
Providence, RI 02940-0926

The Distributor accepts all purchases by mail subject to collection of checks at full value and conversion into federal funds. You may make subsequent purchases by mailing a check to the address above with a letter describing the investment or with the additional investment portion of a confirmation statement. Checks for subsequent purchases should be payable to Allianz Global Investors Distributors LLC and should clearly indicate your account number. Please call the Distributor at 1-800-426-0107 if you have any questions regarding purchases by mail.

The Guide describes a number of additional ways you can make direct investments, including through the Allianz Funds and PIMCO Funds Auto-Invest and Allianz Funds and PIMCO Funds Fund Link programs. You can obtain a Guide free of charge from the Distributor by written request or by calling 1-800-426-0107. See “Allianz Funds and PIMCO Funds Shareholders’ Guide” above.
The Distributor, in its sole discretion, may accept or reject any order for purchase of Fund shares. No share certificates will be issued unless specifically requested in writing.

**Abusive Trading Practices**

The Distributor, in its sole discretion, may accept or reject any order for purchase of Fund shares. No share certificates will be issued unless specifically requested in writing.

**Investment Minimums.** The following investment minimums apply for purchases of Class A, Class B and Class C shares.

<table>
<thead>
<tr>
<th>Initial Investment</th>
<th>Subsequent Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000 per Fund</td>
<td>$100 per Fund</td>
</tr>
</tbody>
</table>

Lower minimums may apply for certain categories of investors, including certain tax-qualified retirement plans, and asset based fee programs, and for special investment programs and plans offered by the Trust, such as the Allianz Funds and PIMCO Funds Auto-Invest and Allianz Funds and PIMCO Funds Fund Link programs. Please see the Guide for details.

The Trust encourages shareholders to invest in the Funds as part of a long-term investment strategy and discourages excessive, short-term trading and other abusive trading practices, sometimes referred to as “market timing.” However, because the Trust will not always be able to detect market timing or other abusive trading activity, investors should not assume that the Trust will be able to detect or prevent all market timing or other trading practices that may disadvantage the Funds.

Certain of the Funds’ investment strategies may expose the Funds to risks associated with market timing activities. For example, since the Funds invest in high yield securities, which are thinly traded and therefore may have actual values that differ from their market price, the Funds may be subject to the risk that an investor may seek to take advantage of a delay between the change in value of the Funds’ investment in these securities and the determination of the Funds’ NAV.

To discourage excessive, short-term trading and other abusive trading practices, the Trust’s Board of Trustees has adopted policies and procedures reasonably designed to detect and prevent short-term trading activity that may be harmful to a Fund and its shareholders. Such activities may have a detrimental effect on a Fund and its shareholders. For example, depending upon various factors such as the size of a Fund and the amount of its assets maintained in cash, short-term or excessive trading by Fund shareholders may interfere with the efficient management of the Fund’s portfolio, increase transaction costs and taxes, and may harm the performance of the Fund and its shareholders.

The Trust seeks to deter and prevent abusive trading practices, and to reduce these risks, through several methods. First, the Trust imposes redemption fees on shares of the High Yield Municipal Bond Fund redeemed or exchanged within a given period after their purchase. The purpose of redemption fees is to deter excessive, short-term trading and other abusive trading practices and to help offset the costs associated with the sale of portfolio securities to satisfy redemption and exchange requests. See “Redemption Fees” below for further information. In certain situations, the High Yield Municipal Bond Fund has elected not to impose redemption fees. See “Waiver of Redemption Fees” below for a discussion on the specific situations in which this Fund will not impose redemption fees.

Second, to the extent that there is a delay between a change in the value of a mutual fund’s portfolio holdings, and the time when that change is reflected in the NAV of the fund’s shares, the fund is exposed to the risk that investors may seek to exploit this delay by purchasing or redeeming shares at NAV that do not reflect appropriate fair value prices. The Trust seeks to deter and prevent this activity, sometimes referred to as “stale price arbitrage,” by the appropriate use of “fair value” pricing of a Fund’s portfolio securities. See “How Fund Shares Are Priced” above for more information.

Third, the Trust seeks to monitor shareholder account activities in order to detect and prevent excessive and disruptive trading practices. The Trust and PIMCO each reserve the right to restrict or refuse any purchase or exchange transaction if, in the judgment of the Trust or of PIMCO, the transaction may adversely affect the interests of a Fund or its shareholders. Among other things, the Trust may monitor for any patterns of frequent purchases and sales that appear to be made in response to short-term fluctuations in share price, and may also monitor for any attempts to improperly avoid the imposition of redemption fees, if applicable. Notice of any restrictions or rejections of transactions may vary according to the particular circumstances.

Although the Trust and its service providers seek to use these methods to detect and prevent abusive trading activities, and although the Trust will consistently apply such methods, there can be no assurances that such activities can be mitigated or eliminated. By their nature, omnibus accounts, in which purchases and sales of
Fund shares by multiple investors are aggregated for presentation to a Fund on a net basis, conceal the identity of the individual investors from the Fund. This makes it more difficult for a Fund to identify short-term transactions in the Fund.

Small Account Fee
Because of the disproportionately high costs of servicing accounts with low balances, you will be charged a fee at the annual rate of $16 if your account balance for any Fund falls below a minimum level of $2,500, except for Uniform Gift to Minors, IRA, Roth IRA, employer-sponsored retirement plan accounts, Money Purchase and/or Profit Sharing plans, 401(k) plans, 403(b)(7) custodial accounts, SIMPLE IRAs, SEPs, SAR/SEPs, Auto-Invest and Auto-Exchange accounts, for which the minimum balance is $1,000. (A separate custodial fee may apply to IRAs, Roth IRAs and other retirement accounts.) However, you will not be charged this fee if the aggregate value of all of your Allianz Funds and PIMCO Funds accounts is at least $50,000. Any applicable small account fee will be deducted automatically from your below-minimum Fund account in quarterly installments and paid to the Administrator. Each Fund account will normally be valued, and any deduction taken, during the last five business days of each calendar quarter. Lower minimum balance requirements and waivers of the small account fee apply for certain categories of investors. Please see the Guide for details.

Minimum Account Size
Due to the relatively high cost to the Funds of maintaining small accounts, you are asked to maintain an account balance in each Fund in which you invest of at least the minimum investment necessary to open the particular type of account. If your balance for any Fund remains below the minimum for three months or longer, the Administrator has the right (except in the case of employer-sponsored retirement accounts) to redeem your remaining shares and close that Fund account after giving you 60 days to increase your balance. Your Fund account will not be liquidated if the reduction in size is due solely to a decline in market value of your Fund shares or if the aggregate value of all your Allianz Funds and PIMCO Funds accounts exceeds $50,000.

Exchanging Shares
You may exchange your Class A, Class B or Class C shares of any Fund for the same Class of shares of any other fund of the Trust or a fund of Allianz Funds, subject to any restriction on exchanges set forth in the applicable fund’s prospectus. In addition, you may exchange your Class A shares of any Fund for Class A shares of Allianz RCM Global EcoTrends℠ Fund (the “RCM EcoTrends℠ Fund”), a closed-end “interval” fund for which Allianz Global Investors Fund Management LLC (“AGIFM”), an affiliate of PIMCO, serves as investment manager and certain affiliates of AGIFM serve as sub-advisors, as well as any other interval fund that my be established and managed by AGIFM and its affiliates in the future. See “Exchanges for Interval Funds” below. Unless eligible for a waiver, shareholders who exchange (or redeem) shares of the High Yield Municipal Bond Fund held less than a certain number of days may be subject to a redemption fee. See “Redemption Fees” below. Shares are exchanged on the basis of their respective NAVs, minus the redemption fee, if any, next calculated after your exchange order is received by the Distributor (except if Class A shares of the Money Market Fund are exchanged for Class A shares of any other fund, the usual sales charges applicable to investments in such other fund apply on shares for which no sales load was paid at the time of purchase). Currently, the Trust does not charge any other exchange fees or charges. Exchanges are subject to the $5,000 minimum initial purchase requirements for each Fund, except with respect to tax-qualified programs and exchanges effected through the PIMCO Funds and Allianz Funds Auto-Exchange plan. In addition, an exchange is generally a taxable event which will generate capital gains or losses, and special rules may apply in computing tax basis when determining gain or loss. See “Tax Consequences” in this prospectus and “Taxation” in the Statement of Additional Information. If you maintain your account with the Distributor, you may exchange shares by completing a written exchange request and sending it to Allianz Global Investors Distributors LLC, P.O. Box 9688, Providence, RI 02940-0926. You can get an exchange form by calling the Distributor at 1-800-426-0107.

The Trust reserves the right to refuse exchange purchases (or purchase and redemption and/or redemption and purchase transactions) if, in the judgment of PIMCO, the transaction would adversely affect a Fund and its shareholders. Although the Trust has no current intention of terminating or modifying the exchange privilege, it reserves the right to do so at any time. Except as otherwise permitted by the SEC, the Trust will give you 60 days’ advance notice if it exercises its right to terminate or materially modify the exchange privilege with respect to Class A, B and C shares.

Exchanges for Interval Funds. As noted above, you may exchange your Class A shares of any Fund for Class A shares of the RCM EcoTrends℠ Fund and other “interval” funds that may be established and managed by AGIFM and its affiliates in the future. Like other exchanges, your shares of a Fund will be exchanged for shares of the RCM EcoTrends℠ Fund or another interval fund on the basis of their respective NAVs, minus any redemption fee applicable to your investment in a Fund, next calculated after your exchange order is received by the Distributor. Unlike the Funds and other open-end investment companies, the RCM EcoTrends℠ Fund and other interval funds do not allow for daily redemptions, and instead make quarterly offers to repurchase from 5%
Selling Shares

You can sell (redeem) Class A, Class B or Class C shares of the Funds in the following ways:

- **Through your broker, dealer or other financial intermediary.** Your broker, dealer or other intermediary may independently charge you transaction fees and additional amounts in return for its services, which will reduce your return.

- **Directly from the Trust by Written Request.** To redeem shares directly from the Trust by written request (whether or not the shares are represented by certificates), you must send the following items to the Trust’s Transfer Agent, PFPC Inc., P.O. Box 9688, Providence, RI 02940-9688:
  1. a written request for redemption signed by all registered owners exactly as the account is registered on the Transfer Agent’s records, including fiduciary titles, if any, and specifying the account number and the dollar amount or number of shares to be redeemed;
  2. for certain redemptions described below, a guarantee of all signatures on the written request or on the share certificate or accompanying stock power, if required, as described under “Signature Guarantee” below;
  3. any share certificates issued for any of the shares to be redeemed (see “Certificated Shares” below); and
  4. any additional documents which may be required by the Transfer Agent for redemption by corporations, partnerships or other organizations, executors, administrators, trustees, custodians or guardians, or if the redemption is requested by anyone other than the shareholder(s) of record. Transfers of shares are subject to the same requirements.

A signature guarantee is not required for redemptions, requested by and payable to all shareholders of record for the account, and to be sent to the address of record for that account. To avoid delay in redemption or transfer, if you have any questions about these requirements you should contact the Transfer Agent in writing or call 1-800-426-0107 before submitting a request. Written redemption or transfer requests will not be honored until all required documents in the proper form have been received by the Transfer Agent. You cannot redeem your shares by written request if they are held in broker “street name” accounts—you must redeem through your broker.

If the proceeds of your redemption (i) are to be paid to a person other than the record owner, (ii) are to be sent to an address other than the address of the account on the Transfer Agent’s records, and/or (iii) are to be paid to a corporation, partnership, trust or fiduciary, the signature(s) on the redemption request and on the certificates, if any, or stock power must be guaranteed as described under “Signature Guarantee” below. The Distributor may, however, waive the signature guarantee requirement for redemptions up to $2,500 by a trustee of a qualified retirement plan, the administrator for which has an agreement with the Distributor.

The Guide describes a number of additional ways you can redeem your shares, including:

- Telephone requests to the Transfer Agent
- Allianz Funds and PIMCO Funds Automated Telephone System (ATS)
- Expedited wire transfers
- Automatic Withdrawal Plan
- Allianz Funds and PIMCO Funds Fund Link

Unless you specifically elect otherwise, your initial account application permits you to redeem shares by telephone subject to certain requirements. To be eligible for ATS, expedited wire transfer, Automatic Withdrawal Plan, and Fund Link privileges, you must specifically elect the particular option on your account application and satisfy certain other requirements. The Guide describes each of these options and provides additional information about selling shares. You can obtain a Guide free of charge from the Distributor by written request or by calling 1-800-426-0107.

Other than an applicable CDSC or redemption fee, you will not pay any special fees or charges to the Trust or the Distributor when you sell your shares. However, if you sell your shares through your broker, dealer or other financial intermediary, that firm may charge you a commission or other fee for processing your redemption request.
Redemption Fees

Redemptions of Fund shares may be suspended when trading on the NYSE is restricted or during an emergency which makes it impracticable for the Funds to dispose of their securities or to determine fairly the value of their net assets, or during any other period as permitted by the SEC for the protection of investors. Under these and other unusual circumstances, the Trust may suspend redemptions or postpone payment for more than seven days, as permitted by law.

For shareholder protection, a request to change information contained in an account registration (for example, a request to change the bank designated to receive wire redemption proceeds) must be received in writing, signed by the minimum number of persons designated on the completed application that are required to effect a redemption, and accompanied by a signature guarantee from any eligible guarantor institution, as determined in accordance with the Trust’s procedures, as more fully described below. A signature guarantee cannot be provided by a notary public. In addition, corporations, trusts, and other institutional organizations are required to furnish evidence of the authority of the persons designated on the completed application to effect transactions for the organization.

Shareholders of the High Yield Municipal Bond Fund will be subject to a “redemption fee” on redemptions and exchanges of 2.00% of the NAV of the shares redeemed or exchanged (based on the total redemption proceeds after any applicable deferred sales charges). Redemption fees will only be charged on shares redeemed or exchanged within 30 days (the “Holding Period”) after their acquisition, including shares acquired through exchanges.

Redemption fees are not currently imposed on redemptions and exchanges of the other Funds in this prospectus.

When calculating the redemption fee, shares that are not subject to a redemption fee (“Free Shares”), including, but not limited to, shares acquired through the reinvestment of dividends and distributions, will be considered redeemed first. If Free Shares are not sufficient to fulfill the redemption order, and in cases where a shareholder holds shares acquired on different dates, the first-in/first-out ("FIFO") method will be used to determine which additional shares are being redeemed, and therefore whether a redemption fee is payable. As a result, Free Shares will be redeemed prior to Fund shares that are subject to the fee. In cases where redemptions are processed through financial intermediaries, there may be a delay between the time the shareholder redeems his or her shares and the payment of the redemption fee to the Fund, depending upon such financial intermediaries’ trade processing procedures and systems.

A new Holding Period begins the day following each acquisition of shares through a purchase or exchange (other than a Share Class Conversion (as defined below)). For example, a series of transactions in which shares of Fund A, which is subject to the 7-day Holding Period, are exchanged for shares of Fund B, which is subject to the 30-day Holding Period, 5 days after the purchase of the Fund A shares, followed in 29 days by an exchange of the Fund B shares for shares of Fund C, will be subject to two redemption fees (one on each exchange). With respect to a Share Class Conversion (as defined below), a shareholder’s Holding Period for the class of shares purchased will include the Holding Period of the other class of shares redeemed.

The purpose of redemption fees is to deter excessive, short-term trading and other abusive trading practices as described above under “Abusive Trading Practices” and to help offset the costs associated with the sale of portfolio securities to satisfy redemption and exchange requests made by “market timers” and other short-term shareholders, thereby insulating longer-term shareholders from such costs. Redemption fees are not paid separately, but are deducted from the amount to be received in connection with a redemption or exchange. Redemption fees are paid to and retained by the Funds to defray certain costs described below and are not paid to or retained by PIMCO or the Distributor. Redemption fees are not sales loads or contingent deferred sales charges.

Waivers of Redemption Fees. In the following situations, the High Yield Municipal Bond Fund has elected not to impose the redemption fee:

- redemptions and exchanges of Fund shares acquired through the reinvestment of dividends and distributions;
- redemptions or exchanges in connection with a systematic withdrawal plan (including an automatic exchange plan);
- certain types of redemptions and exchanges of Fund shares owned through participant-directed retirement plans (see below for details);
- redemptions or exchanges that are initiated by the sponsor of a program as part of a periodic rebalancing, provided that such rebalancing occurs no more frequently than monthly;
Timing of Redemption Payments

Redemption proceeds will normally be mailed to the redeeming shareholder within seven calendar days or, in the case of wire transfer or Fund Link redemptions, sent to the designated bank account within one business day. Fund Link redemptions may be received by the bank on the second or third business day. In cases where shares have recently been purchased by personal check, redemption proceeds may be withheld until the check has been collected, which may take up to 15 days. To avoid such withholding, investors should purchase shares by certified or bank check or by wire transfer.

Redemptions In Kind

The Trust has agreed to redeem shares of each Fund solely in cash up to the lesser of $250,000 or 1% of the Fund’s net assets during any 90-day period for any one shareholder. In consideration of the best interests of the remaining shareholders, the Trust may pay any redemption proceeds exceeding this amount in whole or in part by a distribution in kind of securities held by a Fund in lieu of cash. It is highly unlikely that your shares would ever be redeemed in kind. If your shares are redeemed in kind, you should expect to incur transaction costs upon the disposition of the securities received in the distribution.

Certificated Shares

If you are redeeming shares for which certificates have been issued, the certificates must be mailed to or deposited with the Trust, duly endorsed or accompanied by a duly endorsed stock power or by a written request for redemption. Signatures must be guaranteed as described under “Signature Guarantee” below. The Trust may
When a signature guarantee is called for, a “medallion” signature guarantee will be required. A medallion signature guarantee may be obtained from a domestic bank or trust company, broker, dealer, clearing agency, savings association or other financial institution which is participating in a medallion program recognized by the Securities Transfer Association. The three recognized medallion programs are the Securities Transfer Agents Medallion Program, Stock Exchanges Medallion Program and New York Stock Exchange, Inc. Medallion Signature Program. Signature guarantees from financial institutions which are not participating in one of these programs will not be accepted. Please note that financial institutions participating in a recognized medallion program may still be ineligible to provide a signature guarantee for transactions of greater than a specified dollar amount. The Trust may change the signature guarantee requirements from time to time upon notice to shareholders, which may be given by means of a new or supplemented prospectus.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person that opens a new account, and to determine whether such person’s name appears on government lists of known or suspected terrorists and terrorist organizations. As a result, a Fund must obtain the following information for each person that opens a new account:

1. Name;
2. Date of birth (for individuals);
3. Residential or business street address; and
4. Social security number, taxpayer identification number, or other identifying number.

**Federal law prohibits the Funds and other financial institutions from opening a new account unless they receive the minimum identifying information listed above.**

Individuals may also be asked for a copy of their driver’s license, passport or other identifying document in order to verify their identity. In addition, it may be necessary to verify an individual’s identity by cross-referencing the identification information with a consumer report or other electronic database. Additional information may be required to open accounts for corporations and other entities.

After an account is opened, a Fund may restrict your ability to purchase additional shares until your identity is verified. A Fund may also close your account and redeem your shares or take other appropriate action if it is unable to verify your identity within a reasonable time.

**To reduce expenses, it is intended that only one copy of the Funds’ prospectus and each annual and semi-annual report will be mailed to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents and your shares are held directly with the Trust, call the Trust at 1-800-426-0107. Alternatively, if your shares are held through a financial institution, please contact it directly. Within thirty days after receipt of your request by the Trust, the Trust will begin sending you individual copies.**

**Fund Distributions**

Each Fund distributes substantially all of its net investment income to shareholders in the form of dividends. You begin earning dividends on Fund shares the day after the Trust receives your purchase payment. Dividends paid by each Fund with respect to each class of shares are calculated in the same manner and at the same time, but dividends on Class B and Class C shares are expected to be lower than dividends on Class A shares as a result of the distribution fees applicable to Class B and Class C shares. Each Fund intends to declare income dividends daily and distribute them monthly to shareholders of record.

In addition, each Fund distributes any net capital gains it earns from the sale of portfolio securities to shareholders no less frequently than annually. Net short-term capital gains may be paid more frequently.

**You can choose from the following distribution options:**

- Reinvest all distributions in additional shares of the same class of your Fund at NAV. *This will be done unless you elect another option.*
• Invest all distributions in shares of the same class of any other fund of the Trust or Allianz Funds which offers that class at NAV. You must have an account existing in the fund selected for investment with the identical registered name. You must elect this option on your account application or by a telephone request to the Transfer Agent at 1-800-426-0107.

• Receive all distributions in cash (either paid directly to you or credited to your account with your broker or other financial intermediary). You must elect this option on your account application or by a telephone request to the Transfer Agent at 1-800-426-0107.

You do not pay any sales charges on shares you receive through the reinvestment of Fund distributions.

If you elect to receive Fund distributions in cash and the postal or other delivery service is unable to deliver checks to your address of record, the Trust’s Transfer Agent will hold the returned check for your benefit in a non-interest bearing account.

Tax Consequences

The following information is meant as a general summary for U.S. taxpayers. Please see the Statement of Additional Information for additional information. You should rely on your own tax adviser for advice about the particular federal, state and local tax consequences to you of investing in each Fund.

Each Fund will distribute substantially all of its income and gains to its shareholders every year, and shareholders will be taxed on distributions they receive unless the distribution is derived from tax-exempt income and is designated as an “exempt-interest dividend.”

• Dividends paid to shareholders of each Fund and derived from Municipal Bond interest are expected to be designated by each Fund as “exempt-interest dividends” and shareholders may generally exclude such dividends from gross income for federal income tax purposes. The federal tax exemption for “exempt-interest dividends” from Municipal Bonds does not necessarily result in the exemption of such dividends from state and local taxes although the California Intermediate Municipal Bond, California Short Duration Municipal Income, and the New York Municipal Bond Funds intend to arrange their affairs so that a portion of such distributions will be exempt from state taxes in the respective state. Each Fund may invest a portion of its assets in securities that generate income that is not exempt from federal or state income tax. Dividends derived from taxable interest or capital gains will be subject to federal income tax. If a Fund invests in “private activity bonds,” certain shareholders may become subject to alternative minimum tax on the part of the Fund’s distributions derived from interest on such bonds.

• If you are subject to U.S. federal income tax, you will be subject to tax on Fund distributions derived from taxable interest or capital gains whether you received them in cash or reinvested them in additional shares of the Funds. For federal income tax purposes, Fund distributions that are taxable will be taxable to you as either ordinary income or capital gains. Ordinary taxable Fund dividends (i.e., distributions of investment income) are taxable to you as ordinary income. If the Fund designates a dividend as a capital gain distribution, you will pay tax on that dividend at the long-term capital gains tax rate, no matter how long you have held your Fund shares. Distributions of gains from investments that the Fund owned for one year or less will generally be taxable to you as ordinary income.

You will generally have a taxable capital gain or loss if you dispose of your Fund shares by redemption, exchange or sale. The amount of the gain or loss and the rate of tax will depend primarily upon how much you pay for the shares, how much you sell them for, and how long you hold them. When you exchange shares of a Fund for shares of another series, the transaction will be treated as a sale of the Fund shares for these purposes, and any gain on those shares will generally be subject to federal income tax.

The Funds seek to produce income that is generally exempt from U.S. income tax and will not benefit investors in tax-sheltered retirement plans or individuals not subject to U.S. income tax. Further, the California Intermediate Municipal Bond, California Short Duration Municipal Income and New York Municipal Bond
Funds seek to produce income that is generally exempt from the relevant state’s income tax and will not provide any state tax benefit to individuals that are not subject to that state’s income tax.

This “Tax Consequences” section relates only to federal income tax; the consequences under other tax laws may differ. Shareholders should consult their tax advisers as to the possible application of foreign, state and local income tax laws to Fund dividends and capital distributions. Please see the Statement of Additional Information for additional information regarding the tax aspects of investing in the Funds.

Characteristics and Risks of Securities and Investment Techniques

This section provides additional information about some of the principal investments and related risks of the Funds described under “Summary Information” and “Summary of Principal Risks” above. It also describes characteristics and risks of additional securities and investment techniques that may be used by the Funds from time to time. Most of these securities and investment techniques are discretionary, which means that PIMCO can decide whether to use them or not. This prospectus does not attempt to disclose all of the various types of securities and investment techniques that may be used by the Funds. As with any mutual fund, investors in the Funds rely on the professional investment judgment and skill of PIMCO and the individual portfolio managers. Please see “Investment Objectives and Policies” in the Statement of Additional Information for more detailed information about the securities and investment techniques described in this section and about other strategies and techniques that may be used by the Funds.

Securities Selection

In selecting securities for a Fund, PIMCO develops an outlook for interest rates and the economy; analyzes credit and call risks, and uses other security selection techniques. The proportion of a Fund’s assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate or maturity) varies based on PIMCO’s outlook for the U.S. economy, the financial markets and other factors.

PIMCO attempts to identify areas of the bond market that are undervalued relative to the rest of the market. PIMCO identifies these areas by grouping bonds into sectors. Sophisticated proprietary software then assists in evaluating sectors and pricing specific securities. Once investment opportunities are identified, PIMCO will shift assets among sectors depending upon changes in relative valuations and credit spreads. There is no guarantee that PIMCO’s security selection techniques will produce the desired results.

U.S. Government Securities

U.S. Government Securities are obligations of, or guaranteed by, the U.S. Government, its agencies or government-sponsored enterprises. U.S. Government Securities are subject to market and interest rate risk, and may be subject to varying degrees of credit risk. U.S. Government Securities include zero coupon securities, which tend to be subject to greater market risk than interest-paying securities of similar maturities.

Municipal Bonds

Municipal Bonds are generally issued by states and local governments and their agencies, authorities and other instrumentalities. Municipal Bonds are subject to interest rate, credit and market risk. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. Lower rated Municipal Bonds are subject to greater credit and market risk than higher quality municipal bonds. The types of Municipal Bonds in which the Funds may invest include municipal lease obligations. The Funds may also invest in industrial development bonds, which are Municipal Bonds issued by a government agency on behalf of a private sector company and, in most cases, are not backed by the credit of the issuing municipality and may therefore involve more risk. The Funds may also invest in securities issued by entities whose underlying assets are Municipal Bonds.

The Funds may invest, without limitation, in residual interest bonds (sometimes referred to as inverse floaters) (“RIBs”), which brokers create by depositing a Municipal Bond in a trust. The trust in turn issues a variable rate security and RIBs. The interest rate for the variable rate security is determined by an index or an auction process held approximately every 7 to 35 days, while the RIB holder receives the balance of the income from the underlying Municipal Bond less an auction fee. The market prices of RIBs may be highly sensitive to changes in market rates and may decrease significantly when market rates increase.

In a transaction in which a Fund purchases a RIB from a trust, and the underlying Municipal Bond was held by the Fund prior to being deposited into the trust, the Fund treats the transaction as a secured borrowing for financial reporting purposes. As a result, the Fund will incur a non-cash interest expense with respect to interest paid by the trust on the variable rate securities, and will recognize additional interest income in an amount directly corresponding to the non-cash interest expense. Therefore, the Fund’s net asset value per share and
Mortgage-Related and Other Asset-Backed Securities

Each Fund may invest in mortgage- or other asset-backed securities. Mortgage-related securities include mortgage pass-through securities, collateralized mortgage obligations (“CMOs”), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities (“SMBSs”) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose a Fund to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If unanticipated rates of prepayment on underlying mortgages increase the effective maturity of a mortgage-related security, the volatility of the security can be expected to increase. The value of these securities may fluctuate in response to the market’s perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

One type of SMBS has one class receiving all of the interest from the mortgage assets (the interest-only, or “IO” class), while the other class will receive all of the principal (the principal-only, or “PO” class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on a Fund’s yield to maturity from these securities. Each Fund may invest up to 5% of its total assets in any combination of mortgage-related or other asset-backed IO, PO, or inverse floater securities.

Each Fund may invest in collateralized debt obligations (“CDOs”), which include collateralized bond obligations (“CBOs”), collateralized loan obligations (“CLOs”) and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The Funds may invest in other asset-backed securities that have been offered to investors.

Loan Participations and Assignments

Each Fund may invest in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest rate risk, liquidity risk, and the risks of being a lender. If a Fund purchases a participation, it may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower.

Corporate Debt Securities

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.

High Yield Securities

Securities rated lower than Baa by Moody’s, or equivalently rated by S&P or Fitch, are sometimes referred to as “high yield” or “junk bonds”. Investing in these securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. High yield securities may be regarded as predominate speculatively with respect to the issuer’s continuing ability to meet principal and interest payments. They may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Issuers of securities in default may fail to resume principal or interest payments, in which case a Fund may lose its entire investment. The High Yield Municipal Bond Fund may invest in securities (including, without limitation, Municipal Bonds) that are in default with respect to the payment of interest or repayment of principal, or presenting an imminent risk of default with respect to such payment.
Variable and Floating Rate Securities

Variable and floating rate securities provide for a periodic adjustment in the interest rate paid on the obligations. Each Fund may invest in floating rate debt instruments (“floaters”) and engage in credit spread trades. Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Each Fund may also invest in inverse floating rate debt instruments (“inverse floaters”). An inverse floater may exhibit greater price volatility than a fixed rate obligation of similar credit quality. Each Fund may invest up to 5% of its total assets in any combination of mortgage-related or other asset-backed IO, PO, or inverse floater securities. Additionally, each Fund may also invest, without limitation, in RIBs.

Inflation-Indexed Bonds

Inflation-indexed bonds (other than municipal inflation-indexed bonds and certain corporate inflation-indexed bonds, which are more fully described below) are fixed income securities whose principal value is periodically adjusted according to the rate of inflation. If the index measuring inflation falls, the principal value of inflation-indexed bonds (other than municipal inflation indexed bonds and certain corporate inflation-indexed bonds) will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

With regard to municipal inflation-indexed bonds and certain corporate inflation-indexed bonds, the inflation adjustment is reflected in the semi-annual coupon payment. As a result, the principal value of municipal inflation-indexed bonds and such corporate inflation-indexed bonds does not adjust according to the rate of inflation.

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates may rise, leading to a decrease in value of inflation-indexed bonds. Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income, even though investors do not receive their principal until maturity.

Event-Linked Exposure

Each Fund may obtain event-linked exposure by investing in “event-linked bonds” or “event-linked swaps” or implement “event-linked strategies.” Event-linked exposure results in gains or losses that typically are contingent, or formulaically related to defined trigger events. Examples of trigger events include hurricanes, earthquakes, weather-related phenomena, or statistics relating to such events. Some event-linked bonds are commonly referred to as “catastrophe bonds.” If a trigger event occurs, a Fund may lose a portion or its entire principal invested in the bond or notional amount on a swap. Event-linked exposure often provides for an extension of maturity to process and audit loss claims where a trigger event has, or possibly has, occurred. An extension of maturity may increase volatility. Event-linked exposure may also expose a Fund to certain unanticipated risks including credit risk, counterparty risk, adverse regulatory or jurisdictional interpretations, and adverse tax consequences. Event-linked exposures may also be subject to liquidity risk.

Convertible and Equity Securities

Each Fund may invest in convertible securities or equity securities. Convertible securities are generally preferred stocks and other securities, including fixed income securities and warrants, that are convertible into or exercisable for common stock at a stated price or rate. The price of a convertible security will normally vary in some proportion to changes in the price of the underlying common stock because of this conversion or exercise feature. However, the value of a convertible security may not increase or decrease as rapidly as the underlying common stock. A convertible security will normally also provide income and is subject to interest rate risk. Convertible securities may be lower-rated securities subject to greater levels of credit risk. A Fund may be forced to convert a security before it would otherwise choose, which may have an adverse effect on the Fund’s ability to achieve its investment objective.

While some companies may be regarded as favorable investments, pure fixed income opportunities may be unattractive or limited due to insufficient supply, or legal or technical restrictions. In such cases, subject to its applicable investment restrictions, a Fund may consider convertible securities or equity securities to gain exposure to such investments.

At times, in connection with the restructuring of a Fixed Income Instrument either outside of bankruptcy court or in the context of bankruptcy court proceedings, a Fund may determine or be required to accept equity securities in exchange for all or a portion of a Fixed Income Instrument. Depending upon, among other things, PIMCO’s evaluation of the potential value of such securities in relation to the price that could be obtained by a Fund at any given time upon sale thereof, a Fund may determine to hold such securities in its portfolio.
Derivatives

Derivatives are financial instruments whose value is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples of derivative instruments include options contracts, futures contracts, options on futures contracts and swap agreements (including, but not limited to, credit default swaps and swaps on exchange traded funds). A portfolio manager may decide not to employ any of these strategies and there is no assurance that any derivatives strategy used by a Fund will succeed. A description of these and other derivative instruments that the Funds may use are described under “Investment Objectives and Policies” in the Statement of Additional Information.

A Fund’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other more traditional investments. A description of various risks associated with particular derivative instruments is included in “Investment Objectives and Policies” in the Statement of Additional Information. The following provides a more general discussion of important risk factors relating to all derivative instruments that may be used by the Funds.

Management Risk. Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

Credit Risk. The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a “counterparty”) to make required payments or otherwise comply with the contract’s terms. Additionally, credit default swaps could result in losses if a Fund does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.

Liquidity Risk. Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Leverage Risk. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When a Fund uses derivatives for leverage, investments in that Fund will tend to be more volatile, resulting in larger gains or losses in response to market changes. To limit leverage risk, each Fund will segregate

Prospectus 39
or “earmark” assets determined to be liquid by PIMCO in accordance with procedures established by the Board of Trustees (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations under derivative instruments.

**Lack of Availability.** Because the markets for certain derivative instruments are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, a portfolio manager may wish to retain the Fund’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 suitable counterparty can be found. There is no assurance that a Fund will engage in derivatives transactions at any time or from time to time. A Fund’s ability to use derivatives may also be limited by certain regulatory and tax considerations.

**Market and Other Risks.** Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to a Fund’s interest. If a portfolio manager incorrectly forecasts the values of securities, currencies or interest rates or other economic factors in using derivatives for a Fund, the Fund might have been in a better position if it had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favorable price movements in other Fund investments. A Fund may also have to buy or sell a security at a disadvantageous time or price because the Fund is legally required to maintain offsetting positions or asset coverage in connection with certain derivatives transactions.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indexes. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to a Fund. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track. For example, a swap agreement on an exchange traded fund would not correlate perfectly with the index upon which the exchange traded fund is based, because the fund’s return is net of fees and expenses. In addition, a Fund’s use of derivatives may cause the Fund to realize higher amounts of short-term capital gains (generally taxed at ordinary income tax rates) than if the Fund had not used such instruments.

**When-Issued, Delayed Delivery and Forward Commitment Transactions**

Each Fund may purchase securities which it is eligible to purchase on a when-issued basis, may purchase and sell such securities for delayed delivery and may make contracts to purchase such securities for a fixed price at a future date beyond normal settlement time (forward commitments). When-issued transactions, delayed delivery purchases and forward commitments involve a risk of loss if the value of the securities declines prior to the settlement date. This risk is in addition to the risk that the Fund’s other assets will decline in value. Therefore, these transactions may result in a form of leverage and increase a Fund’s overall investment exposure. Typically, no income accrues on securities a Fund has committed to purchase prior to the time delivery of the securities is made, although a Fund may earn income on securities it has segregated or “earmarked” to cover these positions.

**Investment in Other Investment Companies**

Each Fund may invest up to 10% of its total assets in securities of other investment companies, such as open-end or closed-end management investment companies, or in pooled accounts or other investment vehicles. As a shareholder of an investment company, a Fund may indirectly bear service and other fees which are in addition to the fees the Fund pays its service providers.

Subject to the restrictions and limitations of the 1940 Act, each Fund may elect to pursue its investment objective either by investing directly in securities, or by investing in one or more underlying investment vehicles or companies that have substantially similar investment objectives and policies as the Fund. The Funds may also invest in exchange traded funds, subject to the restrictions and limitations of the 1940 Act.

**Short Sales**

Each Fund may make short sales as part of its overall portfolio management strategies or to offset a potential decline in value of a security. A short sale involves the sale of a security that is borrowed from a broker or other institution to complete the sale. Short sales expose a Fund to the risk that it will be required to acquire, convert or exchange securities to replace the borrowed securities (also known as “covering” the short position) at a time when the securities sold short have appreciated in value, thus resulting in a loss to the Fund. A Fund making a short sale must segregate or “earmark” assets determined to be liquid by PIMCO in accordance with procedures established by the Board of Trustees or otherwise cover its position in a permissible manner.

**Illiquid Securities**

Each Fund may invest up to 15% of its net assets in illiquid securities. Certain illiquid securities may require pricing at fair value as determined in good faith under the supervision of the Board of Trustees. A portfolio manager may be subject to significant delays in disposing of illiquid securities, and transactions in illiquid
securities may entail registration expenses and other transaction costs that are higher than those for transactions in liquid securities. The term “illiquid securities” for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which a Fund has valued the securities. Restricted securities, i.e., securities subject to legal or contractual restrictions on resale, may be illiquid. However, some restricted securities (such as securities issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and certain commercial paper) may be treated as liquid, although they may be less liquid than registered securities traded on established secondary markets.

**Loans of Portfolio Securities**

For the purpose of achieving income, each Fund may lend its portfolio securities to brokers, dealers, and other financial institutions provided a number of conditions are satisfied, including that the loan is fully collateralized. Please see “Investment Objectives and Policies” in the Statement of Additional Information for details. When a Fund lends portfolio securities, its investment performance will continue to reflect changes in the value of the securities loaned, and the Fund will also receive a fee or interest on the collateral. Securities lending involves the risk of loss of rights in the collateral or delay in recovery of the collateral if the borrower fails to return the security loaned or becomes insolvent. A Fund may pay lending fees to a party arranging the loan.

**Portfolio Turnover**

The length of time a Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by a Fund is known as “portfolio turnover.” Each Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover (e.g., over 100%) involves correspondingly greater expenses to a Fund, 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 result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect a Fund’s performance.

**Temporary Defensive Strategies**

For temporary or defensive purposes, each fund may invest without limit in U.S. debt securities, including taxable and short-term money market securities, when PIMCO deems it appropriate to do so. When a Fund engages in such strategies, it may not achieve its investment objective.

**Changes in Investment Objectives and Policies**

The investment objectives of the California Short Duration Municipal Income and the High Yield Municipal Bond Funds are non-fundamental and may be changed by the Board of Trustees without shareholder approval. The investment objective of each other Fund is fundamental and may not be changed without shareholder approval. Unless otherwise stated, all other investment policies of the Funds may be changed by the Board of Trustees without shareholder approval.

**Percentage Investment Limitations**

Unless otherwise stated, all percentage limitations on Fund investments listed in this prospectus will apply at the time of investment. A Fund would not violate these limitations unless an excess or deficiency occurs or exists immediately after and as a result of an investment. Each Fund has adopted a fundamental investment policy to invest at least 80% of its assets in investments suggested by its name. For purposes of this policy, the term “assets” means net assets plus the amount of any borrowings for investment purposes.

**Credit Ratings and Unrated Securities**

Rating agencies are private services that provide ratings of the credit quality of fixed income securities, including convertible securities. Appendix A to this prospectus describes the various ratings assigned to fixed income securities by Moody’s, S&P and Fitch. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer’s current financial condition may be better or worse than a rating indicates. A Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. PIMCO does not rely solely on credit ratings, and develops its own analysis of issuer credit quality.

A Fund may purchase unrated securities (which are not rated by a rating agency) if its portfolio manager determines that the security is of comparable quality to a rated security that the Fund may purchase. Unrated securities may be less liquid than comparable rated securities and involve the risk that the portfolio manager may not accurately evaluate the security’s comparative credit rating. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality fixed income securities. To the extent that a Fund invests in high yield and/or unrated securities, the Fund’s success in achieving its investment objective may depend more heavily on the portfolio manager’s creditworthiness analysis than if the Fund invested exclusively in higher-quality and rated securities.

**Other Investments and Techniques**

The Funds may invest in other types of securities and use a variety of investment techniques and strategies which are not described in this prospectus. These securities and techniques may subject the Funds to additional risks. Please see the Statement of Additional Information for additional information about the securities and investment techniques described in this prospectus and about additional securities and techniques that may be used by the Funds.
The financial highlights table is intended to help you understand the financial performance of Class A, Class B and Class C shares (as applicable) of each Fund for the last five fiscal years or, as relevant, the period since a Fund or class commenced operations. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in a particular class of shares of a Fund, (assuming reinvestment of all dividends and distributions). This information has been audited by PricewaterhouseCoopers LLP, whose report, along with each Fund’s financial statements, are included in the Trust’s annual report to shareholders. The annual report is available free of charge upon request from the Distributor. The annual report is also available for download free of charge at www.allianzinvestors.com. Note: All footnotes to the financial highlights table appear at the end of the tables.

<table>
<thead>
<tr>
<th>Selected Per Share Data for the Year or Period Ended</th>
<th>Net Asset Value Beginning of Year or Period</th>
<th>Net Investment Income</th>
<th>Net Realized/ Unrealized Gain (Loss) on Investments</th>
<th>Total Income from Investment Operations</th>
<th>Dividends from Net Investment Income</th>
<th>Distributions from Net Realized Capital Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>California Intermediate Municipal Bond Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>$9.83</td>
<td>$0.36</td>
<td>$0.10</td>
<td>$0.46</td>
<td>$(0.36)</td>
<td>$0.00</td>
</tr>
<tr>
<td>03/31/2006(i)</td>
<td>9.96</td>
<td>0.35</td>
<td>(0.13)</td>
<td>0.22</td>
<td>(0.35)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005(i)</td>
<td>10.22</td>
<td>0.38</td>
<td>(0.26)</td>
<td>0.12</td>
<td>(0.38)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.22</td>
<td>0.37</td>
<td>0.00</td>
<td>0.37</td>
<td>(0.37)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.16</td>
<td>0.40</td>
<td>0.12</td>
<td>0.52</td>
<td>(0.41)</td>
<td>(0.05)</td>
</tr>
<tr>
<td><strong>California Short Duration Municipal Income Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/31/2006 – 03/31/2007</td>
<td>$10.00</td>
<td>$0.15</td>
<td>$0.06</td>
<td>$0.21</td>
<td>$(0.17)</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>High Yield Municipal Bond Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/31/2006 – 03/31/2007</td>
<td>$10.00</td>
<td>$0.30</td>
<td>$0.65</td>
<td>$0.95</td>
<td>$(0.31)</td>
<td>$(0.01)</td>
</tr>
<tr>
<td>Class C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/29/2006 – 03/31/2007</td>
<td>10.52</td>
<td>0.09</td>
<td>0.12</td>
<td>0.21</td>
<td>(0.10)</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Municipal Bond Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>$10.18</td>
<td>$0.38</td>
<td>$0.13</td>
<td>$0.51</td>
<td>$(0.38)</td>
<td>$0.00</td>
</tr>
<tr>
<td>03/31/2006(i)</td>
<td>10.14</td>
<td>0.37</td>
<td>0.02</td>
<td>0.39</td>
<td>(0.35)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005(i)</td>
<td>10.32</td>
<td>0.39</td>
<td>(0.19)</td>
<td>0.20</td>
<td>(0.38)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.18</td>
<td>0.38</td>
<td>0.13</td>
<td>0.51</td>
<td>(0.37)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.03</td>
<td>0.42</td>
<td>0.18</td>
<td>0.60</td>
<td>(0.42)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Class B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>10.18</td>
<td>0.30</td>
<td>0.14</td>
<td>0.44</td>
<td>(0.31)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2006(i)</td>
<td>10.14</td>
<td>0.30</td>
<td>0.02</td>
<td>0.32</td>
<td>(0.28)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005(i)</td>
<td>10.32</td>
<td>0.31</td>
<td>(0.19)</td>
<td>0.12</td>
<td>(0.30)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.18</td>
<td>0.30</td>
<td>0.14</td>
<td>0.44</td>
<td>(0.30)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.03</td>
<td>0.34</td>
<td>0.19</td>
<td>0.53</td>
<td>(0.35)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Class C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>10.18</td>
<td>0.33</td>
<td>0.13</td>
<td>0.46</td>
<td>(0.33)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2006(i)</td>
<td>10.14</td>
<td>0.32</td>
<td>0.02</td>
<td>0.34</td>
<td>(0.30)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005(i)</td>
<td>10.32</td>
<td>0.34</td>
<td>(0.19)</td>
<td>0.15</td>
<td>(0.33)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.18</td>
<td>0.32</td>
<td>0.14</td>
<td>0.46</td>
<td>(0.32)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.03</td>
<td>0.37</td>
<td>0.18</td>
<td>0.55</td>
<td>(0.37)</td>
<td>(0.03)</td>
</tr>
<tr>
<td><strong>New York Municipal Bond Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>$10.76</td>
<td>$0.37</td>
<td>$0.14</td>
<td>$0.51</td>
<td>$(0.37)</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>03/31/2006</td>
<td>10.77</td>
<td>0.33</td>
<td>0.00</td>
<td>0.33</td>
<td>(0.33)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>03/31/2005</td>
<td>10.87</td>
<td>0.33</td>
<td>(0.10)</td>
<td>0.23</td>
<td>(0.33)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.68</td>
<td>0.32</td>
<td>0.21</td>
<td>0.55</td>
<td>(0.32)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.55</td>
<td>0.37</td>
<td>0.48</td>
<td>0.85</td>
<td>(0.40)</td>
<td>(0.12)</td>
</tr>
</tbody>
</table>

* Annualized
(i) Per share amounts based on average number of shares outstanding during the period.
(ii) Effective January 1, 2003, the administrative expense was increased to 0.40%.
(iii) Effective October 1, 2004, the administrative expense was reduced to 0.35%.
(iv) Effective October 1, 2005, the Fund’s advisory fee was reduced by 0.025% to 0.225%.
(v) PIMCO and the Distributor have contractually agreed to waive 0.05% of the Fund’s administrative fee and distribution and/or service/12b-1 Fees.
(vi) If the investment manager did not reimburse expenses, the ratio of expenses to average net assets would have been 5.01%.
<table>
<thead>
<tr>
<th>Tax Basis Return of Capital</th>
<th>Total Distributions</th>
<th>Net Asset Value End of Year or Period</th>
<th>Total Return</th>
<th>Net Assets End of Year or Period (000s)</th>
<th>Ratio of Expenses to Average Net Assets</th>
<th>Ratio of Expenses to Average Net Assets Excluding Interest Expense</th>
<th>Ratio of Net Investment Income to Average Net Assets</th>
<th>Portfolio Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00</td>
<td>$(0.36)</td>
<td>$ 9.93</td>
<td>4.74%</td>
<td>$34,107</td>
<td>0.825%</td>
<td>0.825%</td>
<td>3.64%</td>
<td>59%</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.35)</td>
<td>9.83</td>
<td>2.25</td>
<td>46,314</td>
<td>0.84% (d)</td>
<td>0.84% (d)</td>
<td>3.53%</td>
<td>131</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.38)</td>
<td>9.96</td>
<td>1.17</td>
<td>44,676</td>
<td>1.03% (t)</td>
<td>0.87% (t)</td>
<td>3.75%</td>
<td>43</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.37)</td>
<td>10.22</td>
<td>3.73</td>
<td>47,407</td>
<td>0.90%</td>
<td>0.90%</td>
<td>3.69%</td>
<td>137</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.46)</td>
<td>10.22</td>
<td>5.13</td>
<td>58,325</td>
<td>0.87% (t)</td>
<td>0.87% (t)</td>
<td>3.86%</td>
<td>101</td>
</tr>
<tr>
<td>$0.00</td>
<td>$(0.17)</td>
<td>$10.04</td>
<td>2.11%</td>
<td>2,470</td>
<td>0.70% * (e)(f)</td>
<td>0.70% * (e)(f)</td>
<td>2.52%*</td>
<td>83%</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.10)</td>
<td>10.63</td>
<td>9.61%</td>
<td>24,068</td>
<td>0.95% * (e)(f)</td>
<td>0.95% * (e)(f)</td>
<td>4.31%*</td>
<td>94%</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.38)</td>
<td>10.31</td>
<td>5.12%</td>
<td>76,698</td>
<td>0.875%</td>
<td>0.825%</td>
<td>3.70%</td>
<td>76%</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.35)</td>
<td>10.18</td>
<td>3.94</td>
<td>65,423</td>
<td>1.07% (d)</td>
<td>0.84% (d)</td>
<td>3.64%</td>
<td>63</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.38)</td>
<td>10.14</td>
<td>1.96</td>
<td>54,983</td>
<td>1.06% (d)</td>
<td>0.88% (d)</td>
<td>3.83%</td>
<td>56</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.37)</td>
<td>10.32</td>
<td>5.15</td>
<td>60,742</td>
<td>0.90%</td>
<td>0.90%</td>
<td>3.66%</td>
<td>115</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.45)</td>
<td>10.18</td>
<td>6.08</td>
<td>65,254</td>
<td>0.86% (d)</td>
<td>0.86% (d)</td>
<td>4.05%</td>
<td>108</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.31)</td>
<td>10.31</td>
<td>4.36</td>
<td>30,371</td>
<td>1.635%</td>
<td>1.575%</td>
<td>2.97%</td>
<td>76</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.28)</td>
<td>10.18</td>
<td>3.17</td>
<td>34,401</td>
<td>1.82% (d)</td>
<td>1.59% (d)</td>
<td>2.91%</td>
<td>63</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.30)</td>
<td>10.14</td>
<td>1.20</td>
<td>40,015</td>
<td>1.81% (d)</td>
<td>1.63% (d)</td>
<td>3.07%</td>
<td>56</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.30)</td>
<td>10.32</td>
<td>4.36</td>
<td>46,467</td>
<td>1.65%</td>
<td>1.65%</td>
<td>2.90%</td>
<td>115</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.38)</td>
<td>10.18</td>
<td>5.29</td>
<td>45,553</td>
<td>1.61% (d)</td>
<td>1.61% (d)</td>
<td>3.32%</td>
<td>108</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.33)</td>
<td>10.31</td>
<td>4.60</td>
<td>67,140</td>
<td>1.385%</td>
<td>1.325%</td>
<td>3.20%</td>
<td>76</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.30)</td>
<td>10.18</td>
<td>3.42</td>
<td>65,179</td>
<td>1.57% (d)</td>
<td>1.34% (d)</td>
<td>3.16%</td>
<td>63</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.35)</td>
<td>10.14</td>
<td>1.45</td>
<td>69,950</td>
<td>1.56% (t)</td>
<td>1.58% (t)</td>
<td>3.33%</td>
<td>56</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.32)</td>
<td>10.32</td>
<td>4.62</td>
<td>81,894</td>
<td>1.40%</td>
<td>1.40%</td>
<td>3.16%</td>
<td>115</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.40)</td>
<td>10.18</td>
<td>5.55</td>
<td>92,101</td>
<td>1.36% (d)</td>
<td>1.36% (d)</td>
<td>3.59%</td>
<td>108</td>
</tr>
<tr>
<td>$0.00</td>
<td>$(0.39)</td>
<td>$10.88</td>
<td>4.81%</td>
<td>$19,184</td>
<td>0.855%</td>
<td>0.825%</td>
<td>3.43%</td>
<td>29%</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.34)</td>
<td>10.76</td>
<td>3.08</td>
<td>17,856</td>
<td>0.84% (d)</td>
<td>0.84% (d)</td>
<td>3.02%</td>
<td>48</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.33)</td>
<td>10.77</td>
<td>2.14</td>
<td>16,135</td>
<td>0.87% (t)</td>
<td>0.87% (t)</td>
<td>3.04%</td>
<td>42</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.34)</td>
<td>10.87</td>
<td>5.04</td>
<td>16,328</td>
<td>0.90%</td>
<td>0.90%</td>
<td>2.96%</td>
<td>147</td>
</tr>
<tr>
<td>0.00</td>
<td>(0.52)</td>
<td>10.68</td>
<td>8.36</td>
<td>11,759</td>
<td>0.88% (d)</td>
<td>0.88% (d)</td>
<td>3.49%</td>
<td>227</td>
</tr>
</tbody>
</table>

(1) If the investment manager did not reimburse expenses, the ratio of expenses to average net assets would have been 1.84%.
(2) If the investment manager did not reimburse expenses, the ratio of expenses to average net assets would have been 3.49%.
(3) As restated. Prior to the issuance of the March 31, 2007 financial statements, it was determined that the criteria for sale accounting in Statement of Financial Accounting Standards No. 140 had not been met for certain transfers of Municipal Bonds and should have been accounted for as secured borrowings rather than as sales for certain funds. Accordingly, the PIMCO Municipal Bond Fund and PIMCO California Intermediate Municipal Bond Fund have restated its Financial Highlights for the years ending March 31, 2006 and 2005, the PIMCO Short Duration Municipal Income Fund has restated its Financial Highlights for the year ended March 31, 2006 and each fund has restated the Statement of Changes in Net Assets for the year ended March 31, 2006. These restatements give effect to recording the transfers of the Municipal Bonds as secured borrowings, including recording interest on the bonds as interest income and interest on the secured borrowings as interest expense in the Statement of Operations.

Prospectus 43
<table>
<thead>
<tr>
<th>Selected Per Share Data for the Year or Period Ended</th>
<th>Net Asset Value Beginning of Year</th>
<th>Net Investment Income(a)</th>
<th>Net Realized/Unrealized Gain (Loss) on Investments(a)</th>
<th>Total Income (Loss) from Investment Operations</th>
<th>Dividends from Net Investment Income</th>
<th>Distributions from Net Realized Capital Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Duration Municipal Income Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Class A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>$ 9.96</td>
<td>$0.31</td>
<td>$(0.01)</td>
<td>$ 0.30</td>
<td>$(0.31)</td>
<td>$0.00</td>
</tr>
<tr>
<td>03/31/2006</td>
<td>9.95</td>
<td>0.31</td>
<td>0.01</td>
<td>0.32</td>
<td>(0.31)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005</td>
<td>10.17</td>
<td>0.24</td>
<td>(0.22)</td>
<td>0.02</td>
<td>(0.24)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.16</td>
<td>0.17</td>
<td>0.01</td>
<td>0.18</td>
<td>(0.17)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.17</td>
<td>0.22</td>
<td>(0.01)</td>
<td>0.21</td>
<td>(0.22)</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Class C</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/31/2007</td>
<td>9.96</td>
<td>0.29</td>
<td>(0.01)</td>
<td>0.28</td>
<td>(0.29)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2006</td>
<td>9.95</td>
<td>0.28</td>
<td>0.01</td>
<td>0.29</td>
<td>(0.28)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2005</td>
<td>10.17</td>
<td>0.21</td>
<td>(0.22)</td>
<td>(0.01)</td>
<td>(0.21)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2004</td>
<td>10.16</td>
<td>0.14</td>
<td>0.01</td>
<td>0.15</td>
<td>(0.14)</td>
<td>0.00</td>
</tr>
<tr>
<td>03/31/2003</td>
<td>10.17</td>
<td>0.19</td>
<td>(0.01)</td>
<td>0.18</td>
<td>(0.19)</td>
<td>0.00</td>
</tr>
</tbody>
</table>

* Annualized

(a) Per share amounts based on average number of shares outstanding during the period.

(b) Effective January 1, 2003, the administrative expense was increased to 0.40%.

(c) Effective October 1, 2004, the administrative expense was reduced to 0.35%.

(d) PIMCO and the Distributor have contractually agreed to waive 0.05% of the Fund’s administrative fee and distribution and/or service/12b-1 Fees.

(e) As restated. Prior to the issuance of the March 31, 2007 financial statements, it was determined that the criteria for sale accounting in Statement of Financial Accounting Standards No. 140 had not been met for certain transfers of Municipal Bonds and should have been accounted for as secured borrowings rather than as sales for certain funds. Accordingly, the PIMCO Municipal Bond Fund and PIMCO California Intermediate Municipal Bond Fund have restated the Financial Highlights for the years ending March 31, 2006 and 2005, the PIMCO Short Duration Municipal Income Fund has restated its Financial Highlights for the year ended March 31, 2006 and each fund has restated the Statement of Changes in Net Assets in its Annual Report for the year ended March 31, 2006. These restatements give effect to recording the transfers of the Municipal Bonds as secured borrowings, including recording interest on the bonds as interest income and interest on the secured borrowings as interest expense in the Statement of Operations.
<table>
<thead>
<tr>
<th>Total Distributions</th>
<th>Net Asset Value End of Year</th>
<th>Total Return</th>
<th>Net Assets End of Year (000s)</th>
<th>Ratio of Expenses to Average Net Assets</th>
<th>Ratio of Expenses to Average Net Assets Excluding Interest Expense</th>
<th>Ratio of Net Investment Income to Average Net Assets</th>
<th>Portfolio Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5(0.31)</td>
<td>$ 9.95</td>
<td>3.09 %</td>
<td>$ 86,895</td>
<td>0.75% (a)</td>
<td>0.70% (a)</td>
<td>3.16%</td>
<td>71%</td>
</tr>
<tr>
<td>(0.31)</td>
<td>9.96</td>
<td>3.24</td>
<td>120,178</td>
<td>0.80 (a)</td>
<td>0.70 (a)</td>
<td>3.09</td>
<td>79%</td>
</tr>
<tr>
<td>(0.24)</td>
<td>9.95</td>
<td>0.20</td>
<td>199,843</td>
<td>0.81 (a)(d)</td>
<td>0.81 (a)(d)</td>
<td>2.37</td>
<td>104%</td>
</tr>
<tr>
<td>(0.17)</td>
<td>10.17</td>
<td>1.78</td>
<td>261,909</td>
<td>0.85</td>
<td>0.85</td>
<td>1.65</td>
<td>226%</td>
</tr>
<tr>
<td>(0.22)</td>
<td>10.16</td>
<td>2.07</td>
<td>207,709</td>
<td>0.82 (b)</td>
<td>0.82 (b)</td>
<td>2.16</td>
<td>152%</td>
</tr>
<tr>
<td>(0.29)</td>
<td>9.95</td>
<td>2.80</td>
<td>26,052</td>
<td>1.05 (a)</td>
<td>1.00 (a)</td>
<td>2.87</td>
<td>71%</td>
</tr>
<tr>
<td>(0.28)</td>
<td>9.96</td>
<td>2.94</td>
<td>35,294</td>
<td>1.10 (a)</td>
<td>1.00 (a)</td>
<td>2.79</td>
<td>79%</td>
</tr>
<tr>
<td>(0.21)</td>
<td>9.95</td>
<td>(0.10)</td>
<td>49,751</td>
<td>1.11 (a)(d)</td>
<td>1.11 (a)(d)</td>
<td>2.07</td>
<td>104%</td>
</tr>
<tr>
<td>(0.14)</td>
<td>10.17</td>
<td>1.47</td>
<td>67,984</td>
<td>1.15</td>
<td>1.15</td>
<td>1.35</td>
<td>226%</td>
</tr>
<tr>
<td>(0.19)</td>
<td>10.16</td>
<td>1.77</td>
<td>45,755</td>
<td>1.12 (b)</td>
<td>1.12 (b)</td>
<td>1.88</td>
<td>152%</td>
</tr>
</tbody>
</table>
Appendix A
Description of Securities Ratings

A Fund’s investments may range in quality from securities rated in the lowest category in which the Fund is permitted to invest to securities rated in the highest category (as rated by Moody’s, S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality). The percentage of a Fund’s assets invested in securities in a particular rating category will vary. The following terms are generally used to describe the credit quality of fixed income securities:

**High Quality Debt Securities** are those rated in one of the two highest rating categories (the highest category for commercial paper) or, if unrated, deemed comparable by PIMCO.

**Investment Grade Debt Securities** are those rated in one of the four highest rating categories or, if unrated, deemed comparable by PIMCO.

**Below Investment Grade, High Yield Securities (“Junk Bonds”)** are those rated lower than Baa by Moody’s, BBB by S&P or Fitch and comparable securities. They are considered predominantly speculative with respect to the issuer’s ability to repay principal and interest.

The following is a description of Moody’s, S&P’s and Fitch’s rating categories applicable to fixed income securities.

**Moody’s Long-Term Ratings: Bonds and Preferred Stock**

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as “gilt edge.” Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present that make the long-term risks appear somewhat larger than with Aaa securities.

A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present that suggest a susceptibility to impairment sometime in the future.

Baa: Bonds which are rated Baa are considered as medium-grade obligations (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds which are rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca: Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C: Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody’s applies numerical modifiers, 1, 2, and 3 in each generic rating classified from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

**Corporate Short-Term Debt Ratings**

Moody’s short-term debt ratings are opinions of the ability of issuers to repay punctually senior debt obligations which have an original maturity not exceeding one year. Obligations relying upon support mechanisms such as letters of credit and bonds of indemnity are excluded unless explicitly rated.
Moody’s employs the following three designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

PRIME-1: Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics: leading market positions in well-established industries; high rates of return on funds employed; conservative capitalization structure with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

PRIME-2: Issuers rated Prime-2 (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

PRIME-3: Issuers rated Prime-3 (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

NOT PRIME: Issuers rated Not Prime do not fall within any of the Prime rating categories.

Short-Term Municipal Bond Ratings
There are three rating categories for short-term municipal bonds that define an investment grade situation, which are listed below. In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned. The first element represents an evaluation of the degree of risk associated with scheduled principal and interest payments, and the other represents an evaluation of the degree of risk associated with the demand feature. The short-term rating assigned to the demand feature of VRDOs is designated as VMIG. When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1. MIG ratings terminate at the retirement of the obligation while VMIG rating expiration will be a function of each issue’s specific structural or credit features.

MIG 1/VMIG 1: This designation denotes superior quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.

MIG 2/VMIG 2: This designation denotes strong quality. Margins of protection are ample although not so large as in the preceding group.

MIG 3/VMIG 3: This designation denotes acceptable quality. All security elements are accounted for but there is lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.

SG: This designation denotes speculative quality. Debt instruments in this category lack margins of protection.

Corporate and Municipal Bond Ratings
Investment Grade
AAA: Debt rated AAA has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA: Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A: Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB: Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions, or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

Speculative Grade
BB: Debt rated BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BBB- rating.
B: Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB or BB- rating.

CCC: Debt rated CCC has a currently identifiable vulnerability to default and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or B- rating.

CC: The rating CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied CCC-debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

CI: The rating CI is reserved for income bonds on which no interest is being paid.

D: Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Provisional ratings: The letter “p” indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise his own judgment with respect to such likelihood and risk.

r: The “r” is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks. Examples of such obligations are: securities whose principal or interest return is indexed to equities, commodities, or currencies; certain swaps and options; and interest only and principal only mortgage securities.

The absence of an “r” symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

N.R.: Not rated.

Debt obligations of issuers outside the United States and its territories are rated on the same basis as domestic corporate and municipal issues. The ratings measure the creditworthiness of the obligor but do not take into account currency exchange and related uncertainties.

Commercial Paper Rating Definitions
An S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into several categories, ranging from A for the highest quality obligations to D for the lowest. These categories are as follows:

A-1: This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

A-2: Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated A-1.

A-3: Issues carrying this designation have adequate capacity for timely payment. They are, however, more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

B: Issues rated B are regarded as having only speculative capacity for timely payment.

C: This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

D: Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period.

A commercial paper rating is not a recommendation to purchase, sell or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained from other sources it considers reliable. S&P does not perform an audit in

Prospectus A-3
connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information.

**Long-Term Credit Ratings**

**Investment Grade**

AAA: Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB: Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

**Speculative Grade**

BB: Speculative. “BB” ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

B: Highly speculative. “B” ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

CCC, CC, C: High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. A “CC” rating indicates that default of some kind appears probable. “C” ratings signal imminent default.

DDD, DD, D: Default. The ratings of obligations in this category are based on their prospects for achieving partial or full recovery in a reorganization or liquidation of the obligor. While expected recovery values are highly speculative and cannot be estimated with any precision, the following serve as general guidelines. “DDD” obligations have the highest potential for recovery, around 90%-100% of outstanding amounts and accrued interest. “DD” indicates potential recoveries in the range of 50%-90%, and “D” the lowest recovery potential, i.e., below 50%. Entities rated in this category have defaulted on some or all of their obligations. Entities rated “DDD” have the highest prospect for resumption of performance or continued operation with or without a formal reorganization process. Entities rated “DD” and “D” are generally undergoing a formal reorganization or liquidation process; those rated “DD” are likely to satisfy a higher portion of their outstanding obligations, while entities rated “D” have a poor prospect for repaying all obligations.

**Short-Term Credit Ratings**

A short-term rating has a time horizon of less than 12 months for most obligations, or up to three years for U.S. public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

F1: Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

F2: Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

F3: Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

B: Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near-term adverse changes in financial and economic conditions.

C: High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.

D: Default. Denotes actual or imminent payment default.

“+” or “-” may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” long-term rating category, to categories below “CCC,” or to short-term ratings other than “F1.”

“NR” indicates that Fitch does not rate the issuer or issue in question.
Withdrawn: A rating is withdrawn when Fitch deems the amount of information available to be inadequate for rating purposes, or when an obligation matures, is called, or refinanced.

Rating Watch: Ratings are placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and the likely direction of such change. These are designated as “Positive”, indicating a potential upgrade, “Negative,” for a potential downgrade, or “Evolving,” if ratings may be raised, lowered or maintained. Rating Watch is typically resolved over a relatively short period.

A Rating Outlook indicates the direction a rating is likely to move over a one to two year period. Outlooks may be positive, stable, or negative. A positive or negative Rating Outlook does not imply a rating change is inevitable. Similarly, companies whose outlooks are “stable” could be downgraded before an outlook moves to positive or negative if circumstances warrant such an action. Occasionally, Fitch may be unable to identify the fundamental trend. In these cases, the Rating Outlook may be described as evolving.
PIMCO Funds

The Trust’s Statement of Additional Information (“SAI”) includes additional information about the Funds. The SAI is incorporated by reference into this prospectus, which means it is part of this prospectus for legal purposes.

The SAI includes the Allianz Funds and PIMCO Funds Shareholders Guide for Class A, B, C and R Shares, a separate booklet which contains more detailed information about Fund purchase, redemption and exchange options and procedures and other information about the Funds. You can get a free copy of the Guide together with or separately from the rest of the SAI.

You may get free copies of the SAI, request other information about a Fund, or make shareholder inquiries by calling the Trust at 1-800-426-0107, or PIMCO Infolink Audio Response Network at 1-800-987-4626, or by writing to:

    Allianz Global Investors Distributors LLC
    1345 Avenue of the Americas
    New York, NY 10105-4800

You can also visit our Web site at www.allianzinvestors.com for additional information about the Funds, including the SAI and the Annual and Semi-Annual Reports.

You may review and copy information about the Trust, including its SAI, at the Securities and Exchange Commission’s public reference room in Washington, D.C. You may call the Commission at 1-202-551-8090 for information about the operation of the public reference room. You may also access reports and other information about the Trust on the EDGAR Database on the Commission’s Web site at www.sec.gov. You may get copies of this information, with payment of a duplication fee, by writing the Public Reference Section of the Commission, Washington, D.C. 20549-0102, or by e-mailing your request to publicinfo@sec.gov.

Allianz Global Investors

Investment Company Act File number: 811-5028
| **INVESTMENT ADVISER AND ADMINISTRATOR** | PIMCO, 840 Newport Center Drive, Newport Beach, CA 92660 |
| **DISTRIBUTOR** | Allianz Global Investors Distributors LLC, 1345 Avenue of the Americas, New York, NY 10105-4800 |
| **CUSTODIAN** | State Street Bank & Trust Co., 801 Pennsylvania, Kansas City, MO 64105 |
| **SHAREHOLDER SERVICING AGENT AND TRANSFER AGENT** | PFPC Inc., P.O. Box 9688, Providence, RI 02940-9688 |
| **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM** | PricewaterhouseCoopers LLP, 1055 Broadway, Kansas City, MO 64105 |
| **LEGAL COUNSEL** | Dechert LLP, 1775 I Street N.W., Washington, D.C. 20006-2401 |

For further information about the PIMCO Funds, call 1-800-426-0107 or visit our Web site at www.allianzinvestors.com.
Allianz Global Investors is one of the world’s largest asset management companies, with over $1 trillion under management. Our investment solutions—including the PIMCO Funds and Allianz Funds, separately managed accounts and closed-end funds—offer access to a premier group of institutional investment firms, carefully assembled by Allianz to represent a broad spectrum of asset classes and investment styles.

- PIMCO
- Cadence Capital Management
- Nicholas-Applegate
- NFJ Investment Group
- RCM
- Oppenheimer Capital

Investors should consider the investment objectives, risks, charges and expenses of any mutual fund carefully before investing. This and other information is contained in the fund’s prospectus, which may be obtained by contacting your financial advisor. Please read the prospectus carefully before you invest or send money.

Assets under management as of 3/31/07. Allianz Global Investors Fund Management LLC serves as the investment manager for the Allianz Funds and for the closed-end funds. PIMCO is the investment manager for the PIMCO Funds. Managed accounts are available through Allianz Global Investors Managed Accounts LLC. The PIMCO Funds and Allianz Funds are distributed by Allianz Global Investors Distributors LLC. © 2007. For information about any product, contact your financial advisor.

This cover is not part of the Prospectus