Fund description

The 1-5 Year U.S. TIPS Index Exchange-Traded Fund is the first exchange-traded fund (ETF) designed to capture, before fees and expenses, the returns of the shorter maturity subset of the Treasury Inflation-Protected Securities (TIPS) market by tracking The BoA Merrill Lynch 1-5 Year US Inflation-Linked Treasury Index. The fund aims to achieve the real return (above inflation), capital preservation, and low volatility level inherent in short maturity TIPS.

Investor benefits

Compared to a broad TIPS index (as represented by The BoA Merrill Lynch US Inflation-Linked Treasury Index), a short maturity TIPS index had less interest rate risk and exhibited (since the inception of the BoA Merrill Lynch 1-5 Year US TIPS Index on January 31, 2002):

- Higher correlation to inflation - The 1-5 Yr U.S. TIPS index had a 47% correlation to inflation over annual periods, while the broad U.S. TIPS index had only a 34% correlation (Due to a lag in data availability, these figures are as of the previous month end)
- Lower volatility - The 1-5 Yr U.S. TIPS index had an annualized volatility of 3.3%, while the broad U.S. TIPS index had a 6.1% annualized volatility

Common to all TIPS, the short maturity TIPS also deliver:

- Inflation protection - TIPS provide a return that is linked to the monthly change in inflation, as measured by the CPI (consumer price index)
- Low default risk - TIPS are backed by the full faith and credit of the U.S. government as to the timely payment of interest and principal
- The ETF structure allows for trading throughout the day and has the same expense ratio for all investors, regardless of size. Fund shares are publicly traded, offering accessibility to any investor who can access a major stock exchange.

The fund advantage

As a market leader and innovator in TIPS investing, PIMCO recognizes that investors may benefit from owning specific segments of the TIPS maturity spectrum. This recognition is a by product of PIMCO’s expertise in TIPS management, a practice which began at the inception of the TIPS market in 1997 and today is one of the largest in the world. This fund seeks to avail investors of the potential benefits of short maturity TIPS exposure.

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1-5 Year U.S. TIPS Index Exchange-Traded Fund

Performance (total returns)

<table>
<thead>
<tr>
<th>PIMCO ETF</th>
<th>Since Inception</th>
<th>1 yr</th>
<th>6 mos</th>
<th>3 mos</th>
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<tbody>
<tr>
<td>NAV</td>
<td>1.92</td>
<td>-1.32</td>
<td>-3.15</td>
<td>-1.62</td>
</tr>
<tr>
<td>Share price (market price)</td>
<td>1.91</td>
<td>-1.43</td>
<td>-3.25</td>
<td>-1.64</td>
</tr>
<tr>
<td>Benchmark (%)</td>
<td>2.15</td>
<td>-1.06</td>
<td>-3.07</td>
<td>-1.55</td>
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</tbody>
</table>

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and principal value will fluctuate, so that Fund shares may be worth more or less than their original cost when sold. Performance data current to the most recent month-end is available at www.pimcoetfs.com or by calling 888.400.4ETF.

Full range of investment strategies

PIMCO offers access to these other investment strategies. To learn more, please visit www.pimco.com/investments.

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Asset Allocation</th>
<th>Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Emerging Markets</td>
<td>Equity</td>
</tr>
<tr>
<td>Global</td>
<td>Inflation Protection</td>
<td>Tax Efficient</td>
</tr>
</tbody>
</table>

Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the Fund’s prospectus, which may be obtained by contacting your PIMCO representative. Please read the prospectus carefully before you invest.

Exchange Traded Funds (“ETFs”) are afforded certain exemptions from the Investment Company Act. The exemptions allow, among other things, for individual shares to trade on the secondary market. Individual shares cannot be directly purchased from or redeemed by the fund. Purchases and redemptions directly with ETFs are only accomplished through creation unit aggregations or “baskets” of shares. Investment policies, management fees and other information can be found in the individual ETF’s prospectus.

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A word about risk: An investment in an ETF involves risk, including the loss of principal. Investment return, price, yield and Net Asset Value (NAV) will fluctuate with changes in market conditions. Investments may be worth more or less than the original cost when redeemed. Sovereign securities are generally backed by the issuing government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. Inflation-linked bonds (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. Government. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

The value of most bond funds and fixed income securities are impacted by changes in interest rates. Bonds and bond funds with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise. Effective duration is the duration for a bond with an embedded option when the value is calculated to include the expected change in cash flow caused by the option as interest rates change. Premiums (when market price is above NAV) or discounts (when market price is below NAV) reflect the differences (expressed as a percentage) between the NAV and the Market Price of the Fund on a given day, generally at the time the NAV is calculated. A discount or premium could be significant. Data in chart format displaying the frequency distribution of discounts and premiums of the Market Price against the NAV can be found on the Premium/Discount tab for each Fund at www.pimcoetfs.com.

Current holdings are subject to risk. Holdings are subject to change at any time. The per share NAV of an ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund’s holdings. The trading prices of an ETF’s shares fluctuate continuously throughout the trading day based on market supply and demand, which may not correlate to NAV.

Barclays Capital U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least $250 million par amount outstanding. Performance data for this index prior to 2007 represents returns of the Barclays Capital Inflation Notes Index.

The fund’s yield calculation includes an adjustment to the principal value of the TIPS securities to reflect changes in the government’s official inflation rate, if any; changes in the government’s official inflation rate can cause the fund’s yield to vary substantially from one month to the next. At times, including during periods of deflation, the SEC yield calculation may result in a negative number. If the current 30-day SEC yield is denoted with a "s", we believe it is attributable to a rise in the inflation rate, and might not be repeated.

In order to provide additional information regarding the intra-day value of shares of the Fund, the NYSE Arca, Inc. or a market data vendor disseminates every 15 seconds through the facilities of the Consolidated Tape Association or other market data vendor. The Fund is not involved in or responsible for any aspect of the calculation or dissemination of the iNAV and makes no representation or warranty as to the accuracy of the iNAV.

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Investment products

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