

PIMCO

Your Global Investment Authority

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The Morningstar Fixed Income Fund Manager of the Year award is based on the strength of the manager, performance, strategy, and firm's stewardship.

Client-specific update – not for public distribution



Fund Manager of the Year
Fixed-Income
2012

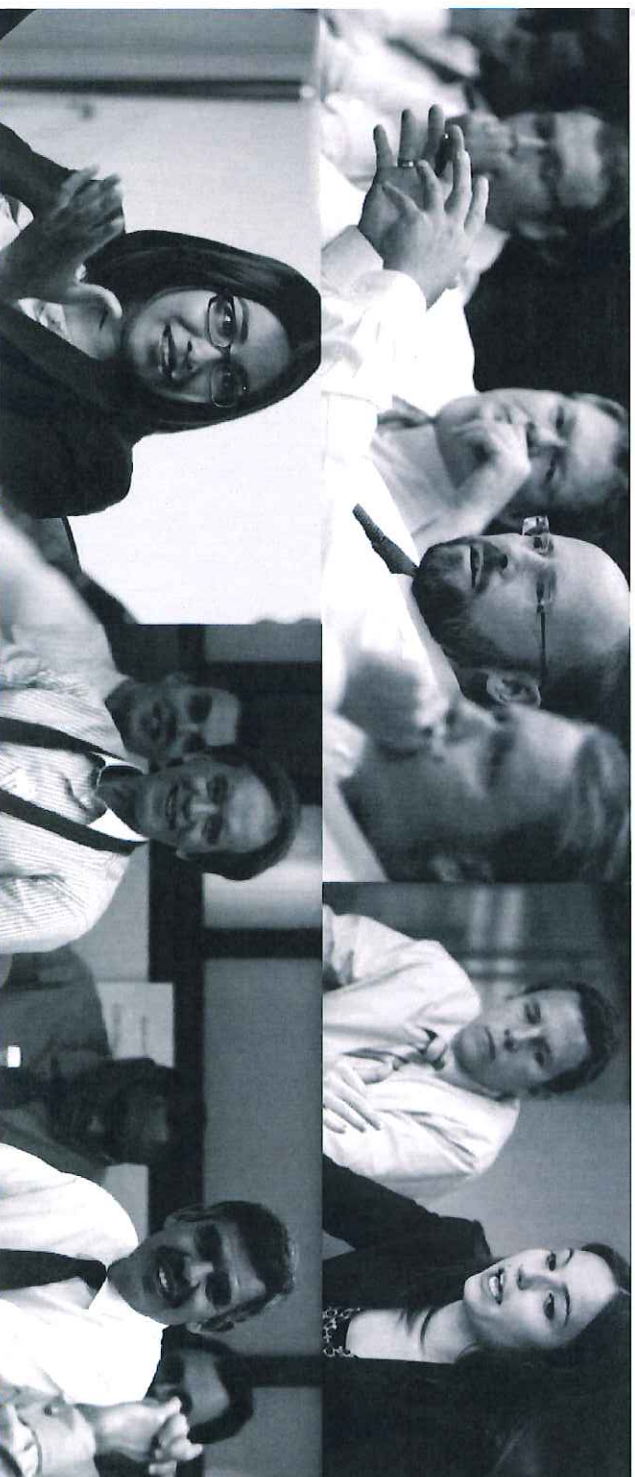
A company of Allianz

Strategy Review

Contra Costa County Employees' Retirement Association

10 July 2013

Meeting Date
07/10/13
Agenda Item
#13



Biography

Richard Fulford, CFA

Mr. Fulford is an executive vice president in the Newport Beach office, account manager and head of PIMCO's public pension channel. He previously spent six years, from 2003-2009, in PIMCO's London office servicing institutional clients throughout Europe. Prior to joining PIMCO in 2000, he worked on the municipal desk at Wells Capital Management and before that, as a civil engineer. He has 14 years of investment experience and holds an MBA from the Paul Merage School of Business at the University of California, Irvine and a bachelor's degree in civil engineering from California Polytechnic State University, San Luis Obispo.

Stephanie L. King, CFA

Ms. King is an executive vice president and account manager in the Newport Beach office, focusing on U.S. institutional investors within the public client practice. Previously at PIMCO, she worked with a variety of institutional client types and co-headed the U.S. corporate client practice. Additionally, she led the firm's global recruiting function as part of PIMCO's business management group and worked on a variety of talent management initiatives. She currently serves on the steering committee for PIMCO's global inclusion, diversity and culture initiative. Prior to joining PIMCO in 2001, she was with Morgan Stanley, Blue Capital Management and Bain & Company. She has 13 years of investment experience and holds an MBA from Stanford University Graduate School of Business and an undergraduate degree from the Wharton School of the University of Pennsylvania.

Agenda

1. Relationship summary
2. Market and performance review
 - Core Plus Fixed Income
 - StocksPLUS
3. All Asset Fund
4. Economic outlook
5. PIMCO update

1. Relationship Summary

Relationship summary

| Account | Benchmark | Inception Date | Market Value as of 30 Jun '13 | 12 Month Return (%) | 12 Month Alpha (bps) | 3 Year Return (%) | 3 Year Alpha (bps) |
|----------------------|-------------------------------------|------------------|-------------------------------|---------------------|----------------------|-------------------|--------------------|
| Core Plus | Barclays U.S. Aggregate Bond Index | 31 May 2002 | \$ 298,548,298 | 1.2 | 185 | 4.4 | 86 |
| StocksPLUS | S&P 500 Index | 31 August 2002 | \$ 230,756,052 | 21.7 | 105 | 20.1 | 168 |
| PIMCO All Asset Fund | Barclays U.S. TIPS: 1-10 Year Index | 26 February 2013 | \$ 94,699,367 | N/A | N/A | N/A | N/A |
| Total: | | | \$ 624,003,717 | | | | |

As of 30 June 2013
After fees

2. Market and performance review

PIMCO's core investment principles for a New Normal world

Active management

- Recognize that beta returns will likely fall short of investor targets
- Look beyond benchmarks that include unattractive assets and risky price levels

Diversified return engines

- Understand and differentiate market risk factors
- Selectively look to extract liquidity premiums

Downside risk mitigation

- Build resilience against policy mistakes and other "tail" events
- Support return-seeking strategies

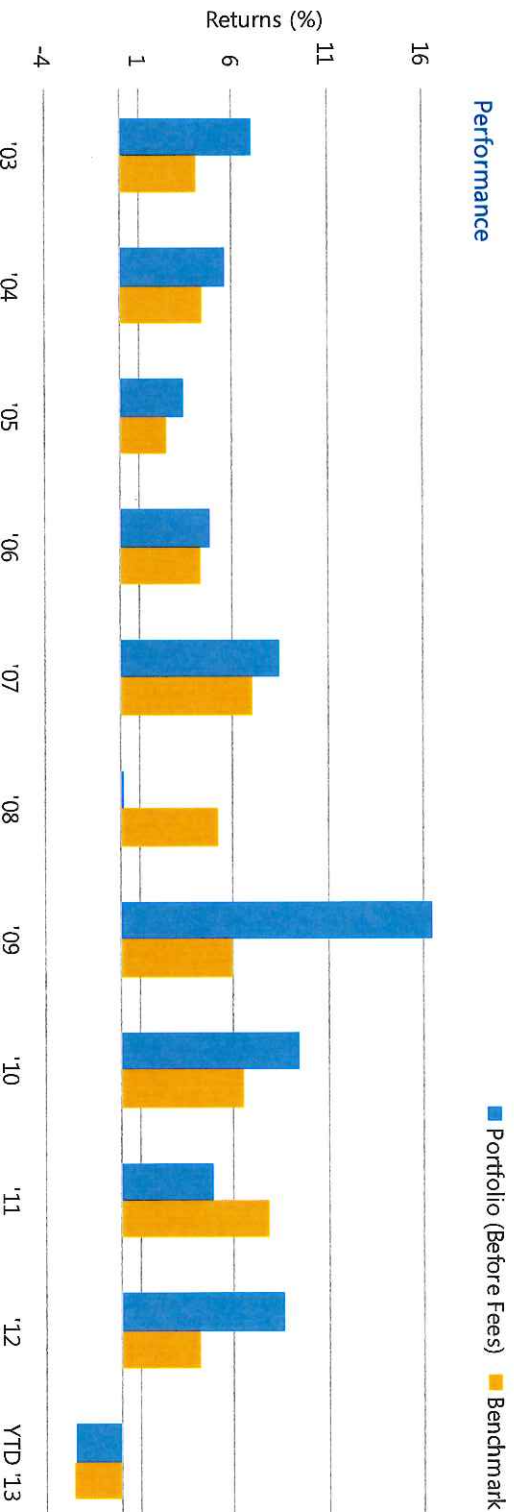
Performance review – Core Plus Portfolio

Contra Costa County Employees Retirement Association

Market value as of Jun '13

\$ 298,548,298

Performance



Contra Costa County Employees Retirement Association

| | Since inception 31 May '02 | 10 Yrs. | 5 Yrs. | 3 Yrs. | 2 Yrs. | 1 Yr. | 6 Mos. | 3 Mos. | 1 Mo. |
|-----------------|-------------------------------|---------|--------|--------|--------|-------|--------|--------|-------|
| Before fees (%) | 6.3 | 5.9 | 7.1 | 4.7 | 4.0 | 1.4 | -2.4 | -3.1 | -2.5 |
| After fees (%) | 6.1 | 5.6 | 6.8 | 4.4 | 3.7 | 1.2 | -2.5 | -3.2 | -2.5 |
| Benchmark (%) | 5.0 | 4.5 | 5.2 | 3.5 | 3.3 | -0.7 | -2.4 | -2.3 | -1.6 |

As of 30 June 2013. Preliminary data as of 1 July 2013

All periods longer than one year are annualized

Benchmark: Barclays U.S. Aggregate Bond Index

Portfolio positioning – Core Plus Portfolio

Contra Costa County Employees Retirement Association

CHARACTERISTICS

| | 30 Jun '12 | 31 Dec '12 | 31 Mar '13 | 27 Jun '13 |
|---------------------------|-------------------------------|------------|------------|------------|
| Effective duration (yrs.) | Portfolio ¹ 4.8 | 4.6 | 4.8 | 5.6 |
| | Index 5.1 | 5.1 | 5.3 | 5.5 |

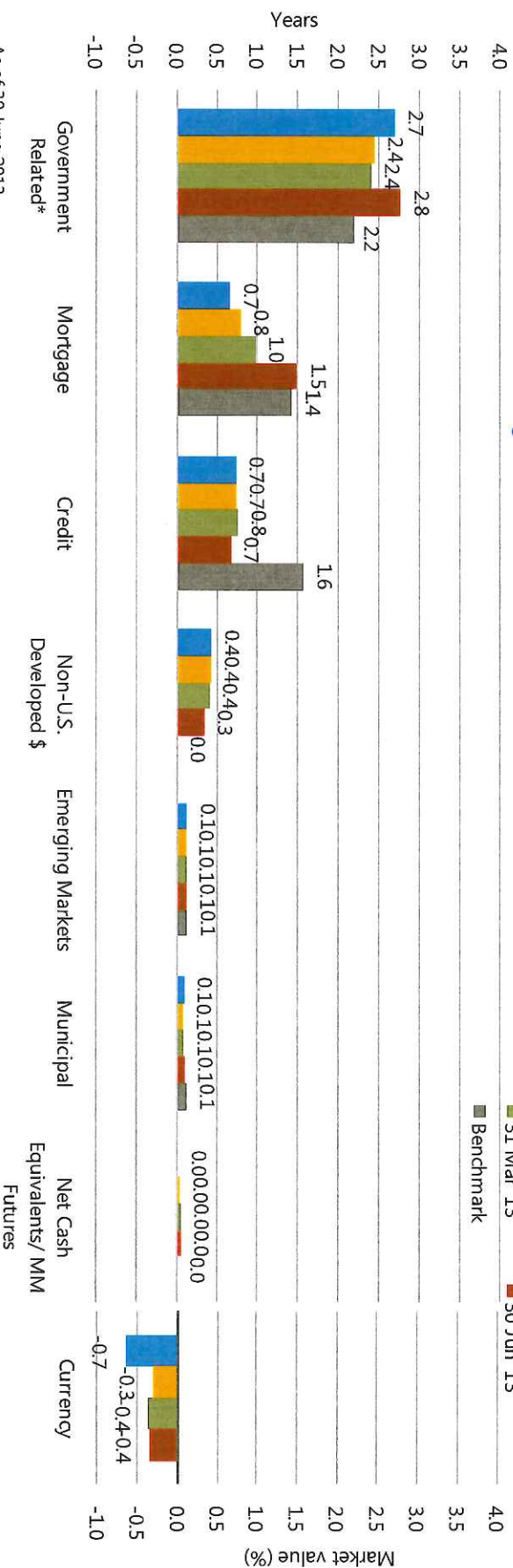
Yield to maturity (%)

Total curve duration²: 0.3

ATTRIBUTION 12 – month 3 – month

| | | |
|-------------------|----|---|
| Interest rates: | | |
| U.S.: | - | - |
| Non-U.S.: | 0 | - |
| Mortgages: | ++ | + |
| Credit: | + | 0 |
| Emerging markets: | 0 | - |
| Municipals: | 0 | 0 |
| Currency: | + | - |

Sector allocations – Duration weighted



As of 30 June 2013

Benchmark is the Barclays U.S. Aggregate Bond Index, formerly known as the Barclays Capital U.S. Aggregate Bond Index
¹ In November 2011, PIMCO modified its duration calculation to account for the potential that holders of securities subject to credit risk may, in the event of default, recover a portion of their investment prior to maturity. The duration for the portfolio reflects the revised calculation.

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

* Gov't-related may include nominal and inflation-protected Treasuries, agency debt, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.
 ** As of 31 Dec '12, 31 Mar '13 and 30 Jun '13; Non-U.S. MM Futures exposure is 0 yrs, 0 yrs, and 0 yrs; U.S. MM Futures exposure is 0 yrs, 0 yrs, and 0 yrs, respectively.

Core Plus portfolio strategy: Reduce risk, focus on duration, and watch for better valuations

Interest rate strategies

| | |
|-------------------------------------|--|
| Neutral duration | Focus on the U.S., with limited tactical non-U.S. exposures |
| Target intermediate U.S. maturities | Overweight the 5–10 year portion of the curve to gain carry; underweight long maturities |
| TIPS: Favor long maturities | Utilize inflation-linked bonds as inflation protection and a hedge on geopolitical risk |

Strategic positioning

| | |
|-------------------------------|---|
| Neutral agency MBS | 1) Agency MBS are attractive based on central bank policies and re-pricing of risk in Q2 2) Continue holding non-agency MBS as valuations are fair on a liquidity-adjusted basis |
| Limit investment grade credit | 1) Reduce exposure to financials 2) Retain up-in-quality bias across IG sectors |

Tactical positioning

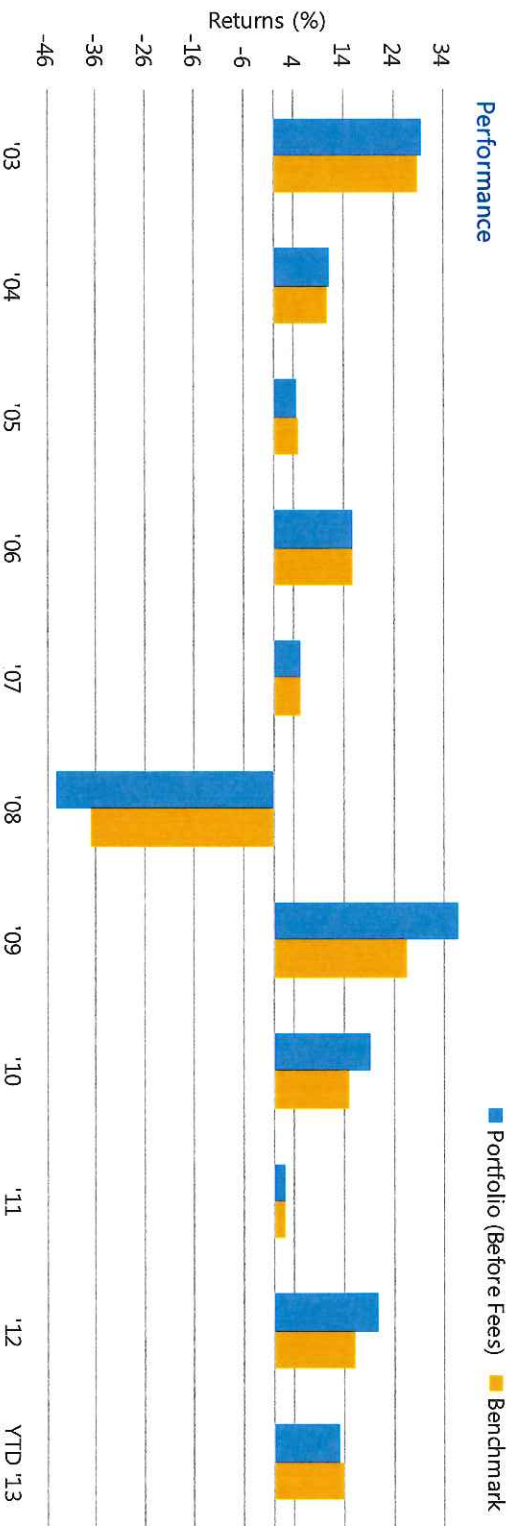
| | |
|-------------------------------|---|
| Tactical currency positioning | Favor USD versus other developed currencies, while taking select long positions in high-quality EM currencies |
| Municipals | Maintain holdings in Build America Bonds |

As of 31 May 2013

Performance review – StocksPLUS Portfolio

Contra Costa County Employees Retirement-StocksPLUS

Market value as of Jun '13 \$ 230,756,052



Contra Costa County Employees Retirement-StocksPLUS

| | Since inception 31 Aug '02 | 10 Yrs. | 5 Yrs. | 3 Yrs. | 2 Yrs. | 1 Yr. | 6 Mos. | 3 Mos. | 1 Mo. |
|-----------------|-------------------------------|---------|--------|--------|--------|-------|--------|--------|-------|
| Before fees (%) | 7.9 | 7.6 | 8.1 | 20.5 | 14.2 | 22.0 | 13.1 | 1.9 | -2.3 |
| After fees (%) | 7.6 | 7.3 | 7.8 | 20.1 | 13.9 | 21.7 | 12.9 | 1.8 | -2.3 |
| Benchmark (%) | 7.5 | 7.3 | 7.0 | 18.5 | 12.8 | 20.6 | 13.8 | 2.9 | -1.3 |

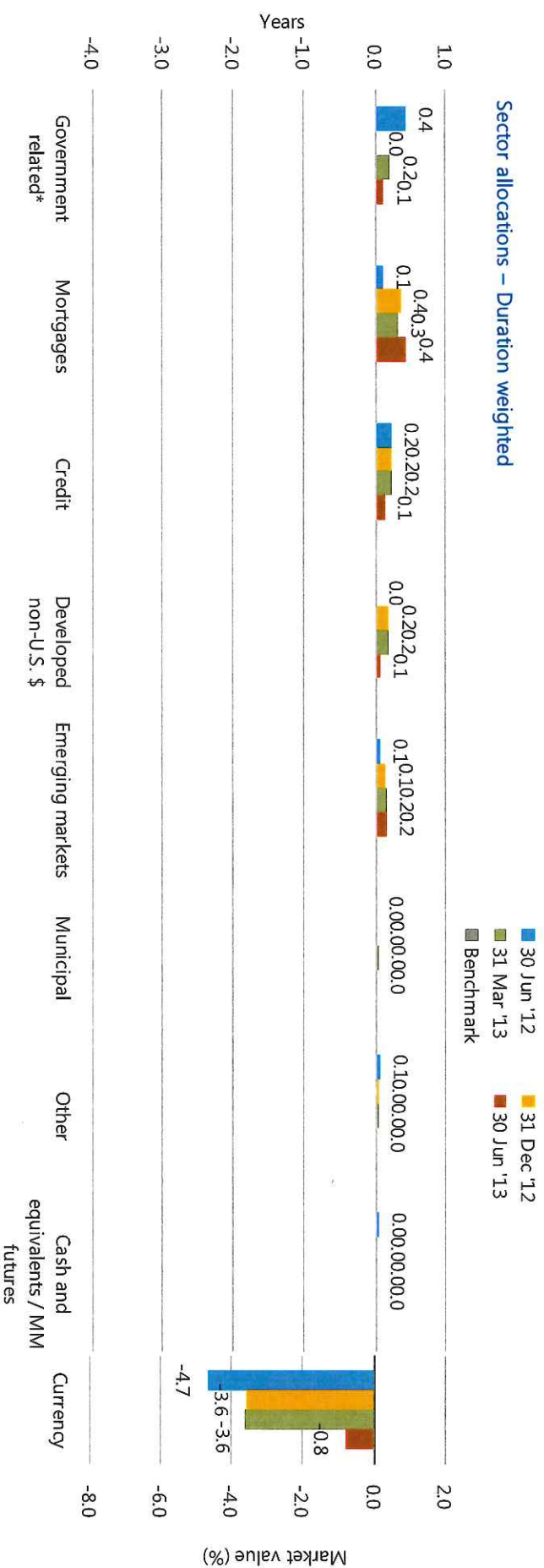
As of 30 June 2013. Preliminary data as of 1 July 2013
All periods longer than one year are annualized.
Benchmark: S&P 500 Index

Portfolio positioning – StocksPLUS Portfolio

Contra Costa County Employees Retirement-StocksPLUS

| CHARACTERISTICS (YRS) | 30 Jun '12 | 31 Dec '12 | 31 Mar '13 | 30 Jun '13 |
|---------------------------------|------------|------------|------------|------------|
| Effective duration ¹ | 0.9 | 1.0 | 1.2 | 0.9 |
| Mortgage spread duration | 0.8 | 1.0 | 1.0 | 0.9 |
| Corporate spread duration | 0.4 | 0.3 | 0.4 | 0.2 |
| EM spread duration | 0.2 | 0.2 | 0.2 | 0.1 |

Sector allocations – Duration weighted



Benchmark is the S&P 500 Index

NOTE: "Other" is comprised of convertibles, euro/yankies, preferred stock
¹ In November 2011 PIMCO modified its duration calculation to account for the potential that holders of securities subject to credit risk may, in the event of default, recover a portion of their investment prior to maturity. The duration for the portfolio reflects the revised calculation.

* Gov't-related may include nominal and inflation-protected Treasuries, agency debt, interest rate swaps, Treasury futures and options, and FDIC-guaranteed corporate securities.
 ** As of 31 Dec '12, 31 Mar '13 and 30 Jun '13, Non-U.S. MM Futures exposure is 0 yrs, 0 yrs, and 0 yrs, U.S. MM Futures exposure is 0 yrs, 0 yrs, and 0 yrs, respectively.

Yield capture over money market rates provided a cushion against rising rates

Contra Costa County Employees'
Retirement – StocksPLUS

| STRATEGY | ATTRIBUTION | |
|---|-------------|-----------|
| | 12 – month | 3 – month |
| Yield advantage relative to LIBOR | + | + |
| Non-U.S. dollar currency exposures | + | + |
| Interest rate strategies | | |
| U.S. duration exposure | - | - |
| Exposure to non-U.S. interest rates | - | - |
| Price impact of spread exposures and other strategies | | |
| Allocations to fixed income securities that offered a yield premium to treasuries | | |
| Agency mortgage-backed securities | + | + |
| Non-agency MBS/ABS | ++ | 0 |
| Corporates | ++ | + |
| Emerging markets | + | + |

As of 30 June 2013

StocksPLUS portfolio strategy:

Reduce risk, watch for potential asset bubbles

Interest rate strategies

| | |
|--|---|
| Emphasize duration | Reduce U.S. exposure while targeting select countries (Canada, Brazil, Mexico) |
| Target short to intermediate U.S. maturities | Focus on the 0-3 year portion of the curve; avoid long maturities |
| TIPS: Favor long maturities | Utilize inflation-linked bonds as inflation protection and a hedge on geopolitical risk |

Strategic positioning

| | |
|-------------------------------|--|
| Focus on non-agency MBS | 1) Non-agency MBS offer compelling loss-adjusted yields 2) Reduce agency MBS holdings as central bank actions leave sector fully priced |
| Limit investment grade credit | 1) Reduce emphasis on financials 2) Retain up-in-quality bias across IG sectors |

Tactical positioning

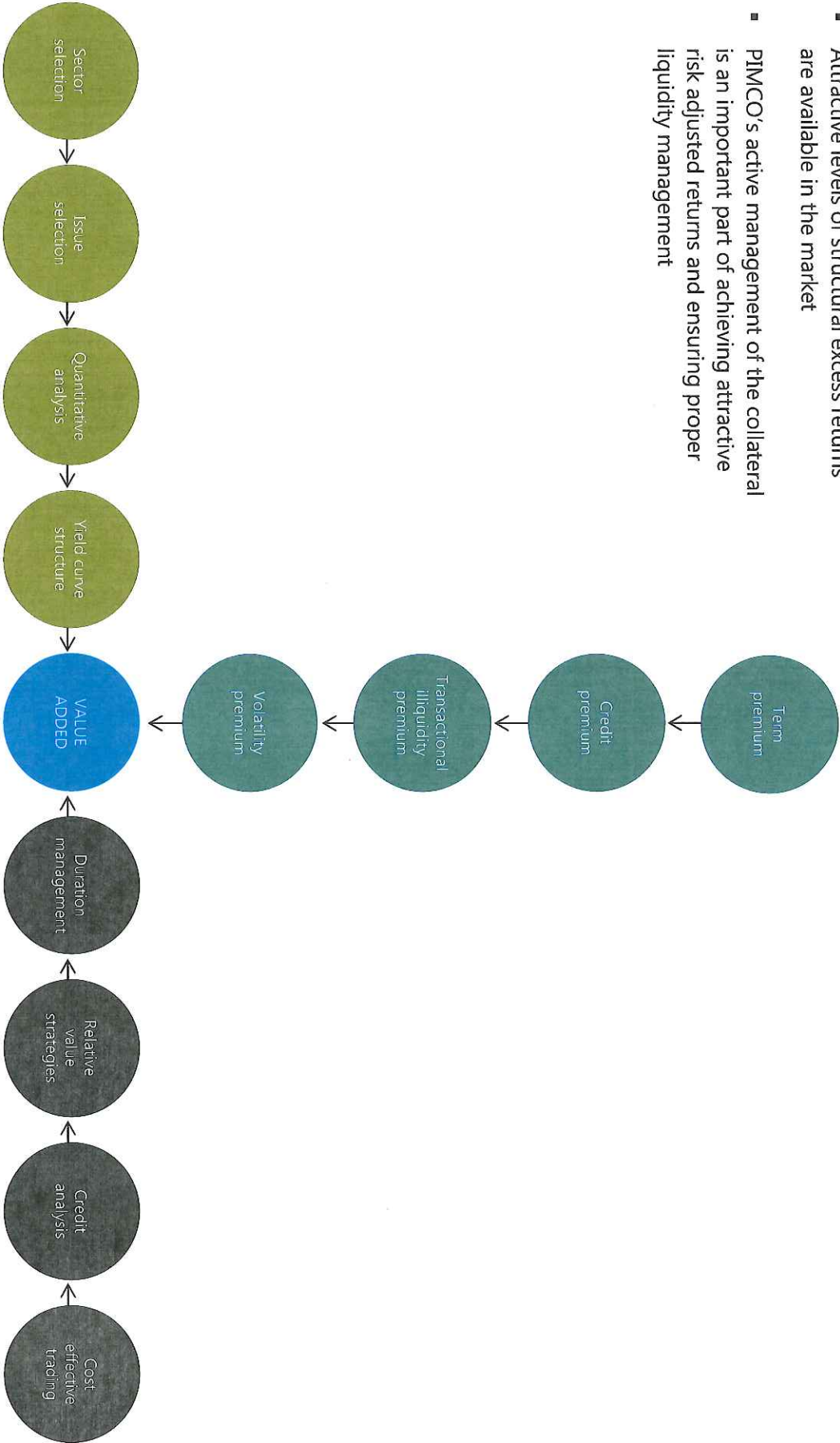
| | |
|---------------------------------|--|
| Tactical currency positioning | Utilize countries where central banks are actively employing QE as funding currencies, with long positions in high-quality EM currencies |
| Municipals and Emerging Markets | Favor high quality Municipals and EM local debt |

As of 31 May 2013

Outlook for StocksPLUS® attractive over near and longer term

- Attractive levels of structural excess returns are available in the market
- PIMCO's active management of the collateral is an important part of achieving attractive risk adjusted returns and ensuring proper liquidity management

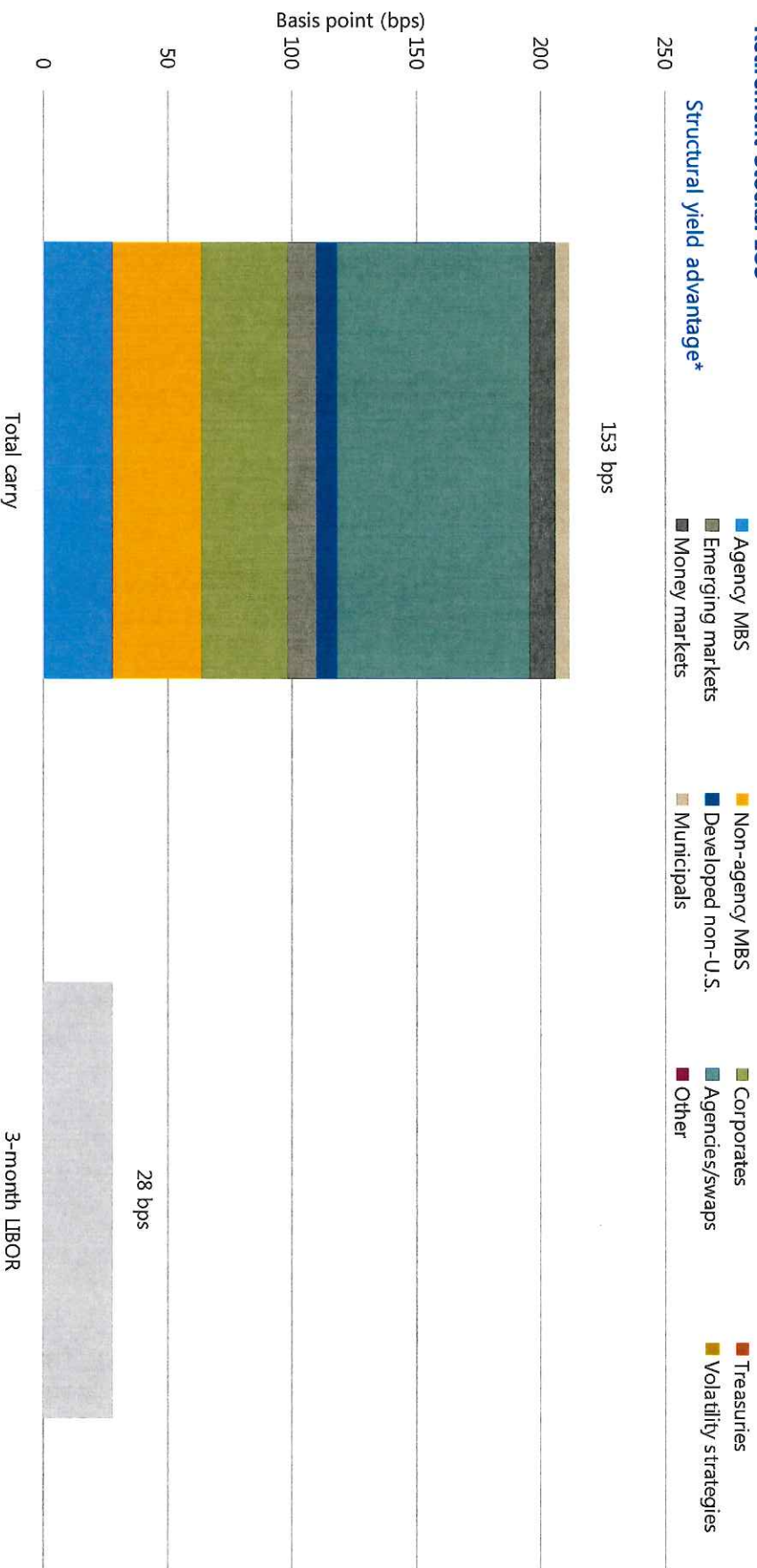
STRUCTURAL MARKET SOURCES



PIMCO ACTIVE MANAGEMENT

Opportunities to capture high quality sources of structural yield persist

Contra Costa County Employees Retirement-StocksPLUS



As of 30 June 2013

* "Structural yield advantage" is a proprietary PIMCO measure of potential total return in excess of LIBOR associated with the amount of extra yield earned by a portfolio plus any additional return garnered (or given up) through yield curve roll down, option positions, and financing

3. All Asset Fund

PIMCO All Asset Fund: A compelling asset allocation strategy

The PIMCO All Asset Fund seeks to deliver multiple concurrent benefits to investors:

- Attractive level of total returns
- Explicit orientation towards inflation hedging
- Diversification away from equity risk
- Modest volatility
- Daily liquidity

Tactically managing to dual long-term investment characteristics

CPI + 5% annualized*
(over a business cycle)

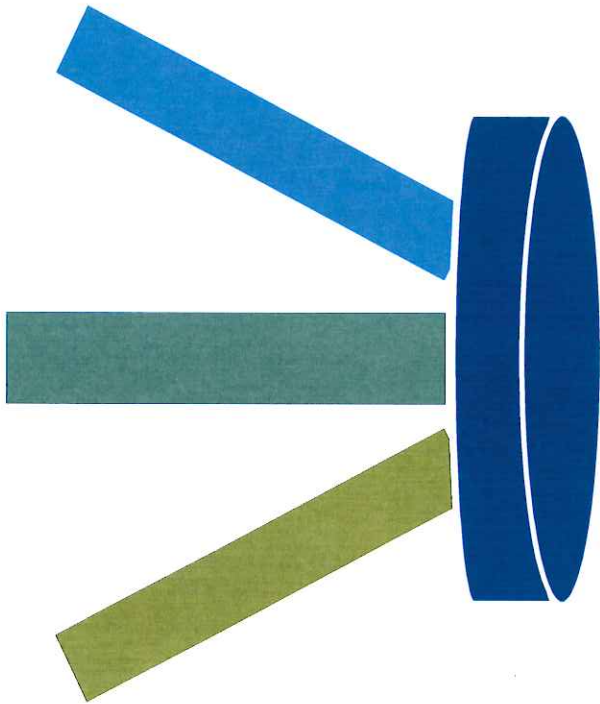
Modest volatility
(volatility in between that of
stocks and bonds)

The All Asset investment process seeks to achieve these long-term characteristics by:

- Considering a very broad and globally diversified opportunity set
- Incorporating excess return potential from active PIMCO management
- Tactically allocating using a value-oriented, contrarian investment process

* Consumer Price Index (CPI) + 5% represents the long-term secondary benchmark of the strategy through a full business cycle

Understanding the “Third Pillar” concept



FIRST PILLAR

Core stocks

- Participate in economic growth
- Disinflationary bias

SECOND PILLAR

Core bonds

- Reduce volatility and provide income
- Disinflationary bias

THIRD PILLAR

Diversifiers

- Provide low/negative correlation
- Inflationary bias

60/40

All Asset

PIMCO All Asset Fund portfolio positioning: Emphasis on higher yielding sectors and modestly trimming risk

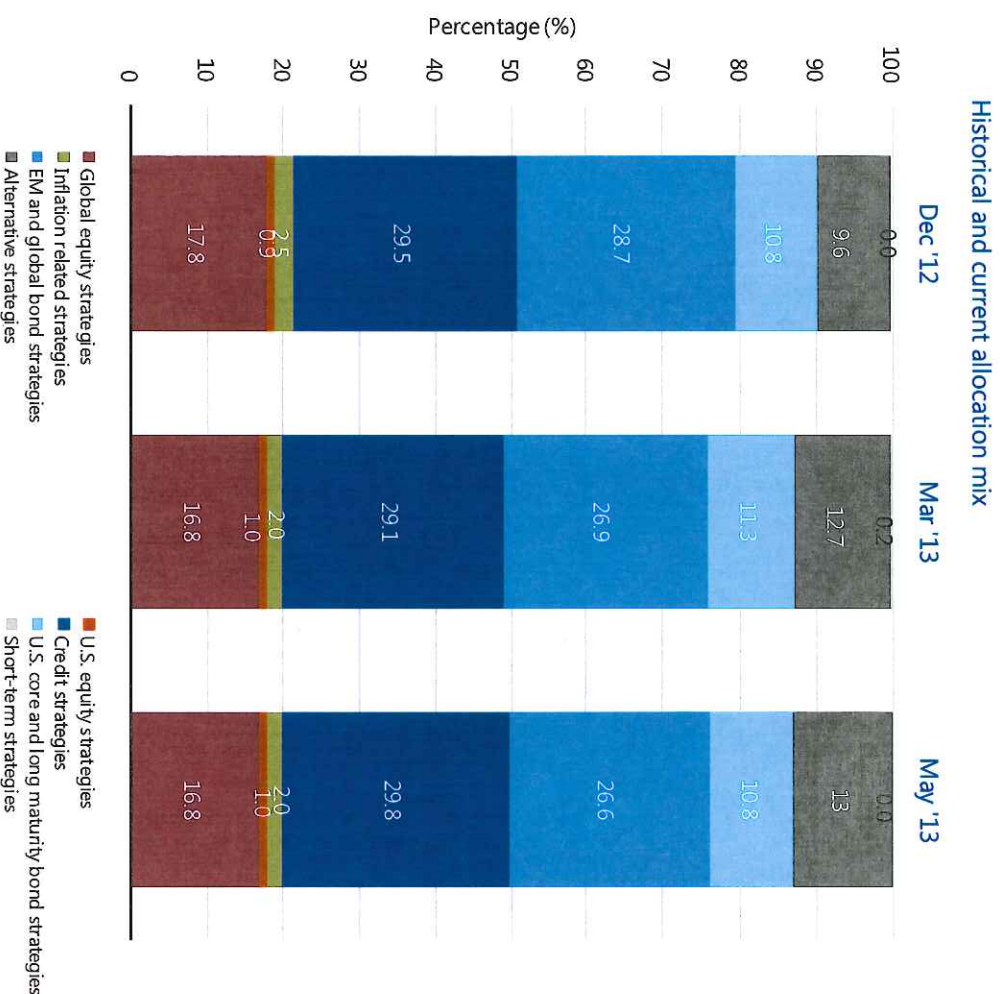
Areas of emphasis:

- **EM and global bonds:** 27% (EM external, local and FX), higher real yields versus developed markets bonds
- **Credit:** 30% (HY, non-agency MBS, bank loans), attractive yield spreads with “stealth” inflation protection
- **EM equities:** 9% (RAFI EM), attractive valuations near historical average, stronger growth prospects
- **Alternatives:** 13% (UBF, Fundamental Advantage), reduces duration and equity beta amid possible economic slowdown

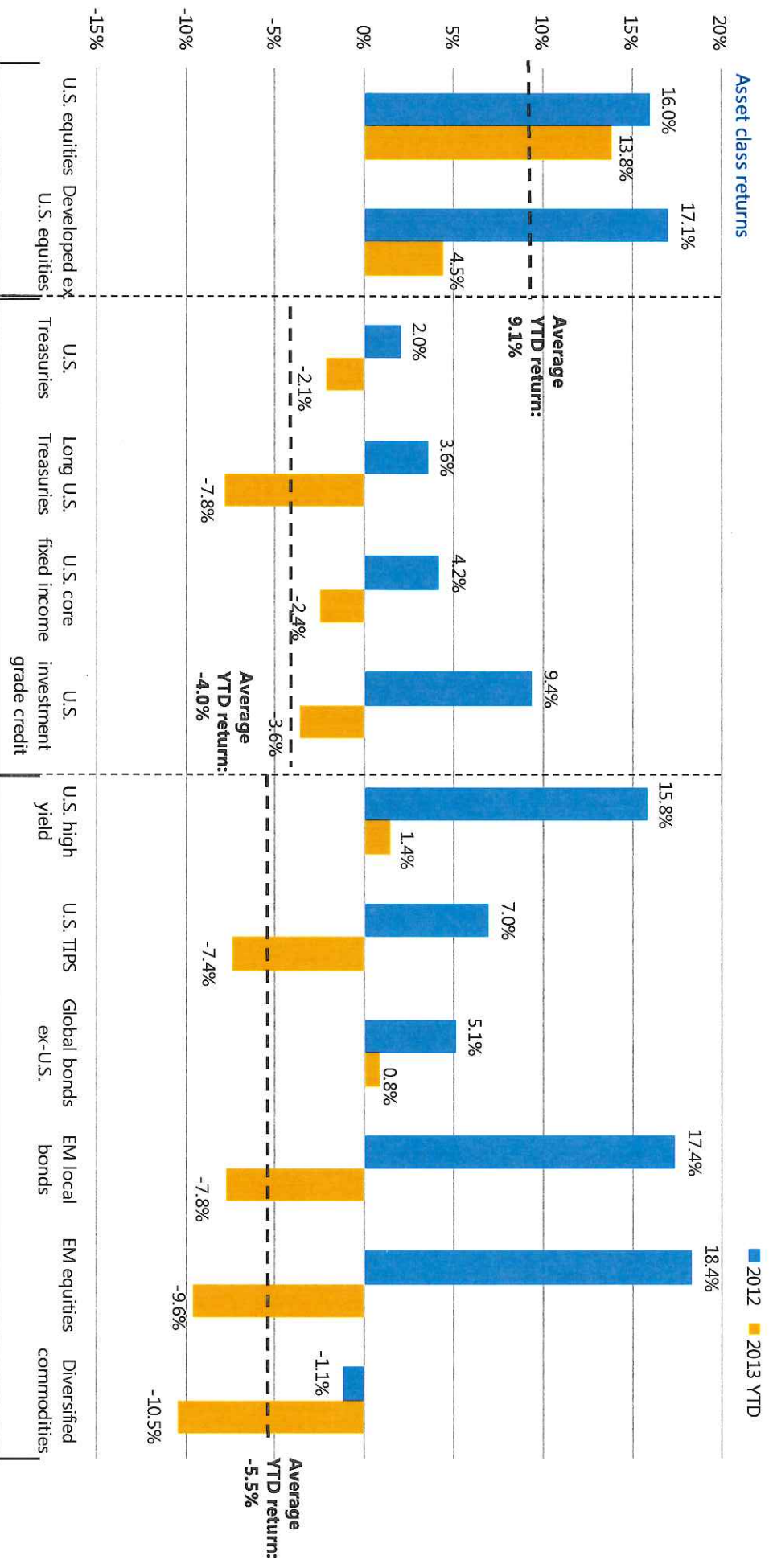
Areas we de-emphasize:

- **U.S. equities:** Low dividend yields, high starting EPS and P/E, demographic headwinds
- **U.S. TIPS:** Negative real yields, other assets more attractive for inflation protection
- **Commodities:** Favor less pro-cyclical exposures given reasonable chance of slowdown

Overall, positioned to weather stock market volatility and capture returns more evenly over the full year



Developed equities rallied YTD while other risk assets had muted returns; Sharp contrast to the “risk on” market of 2012



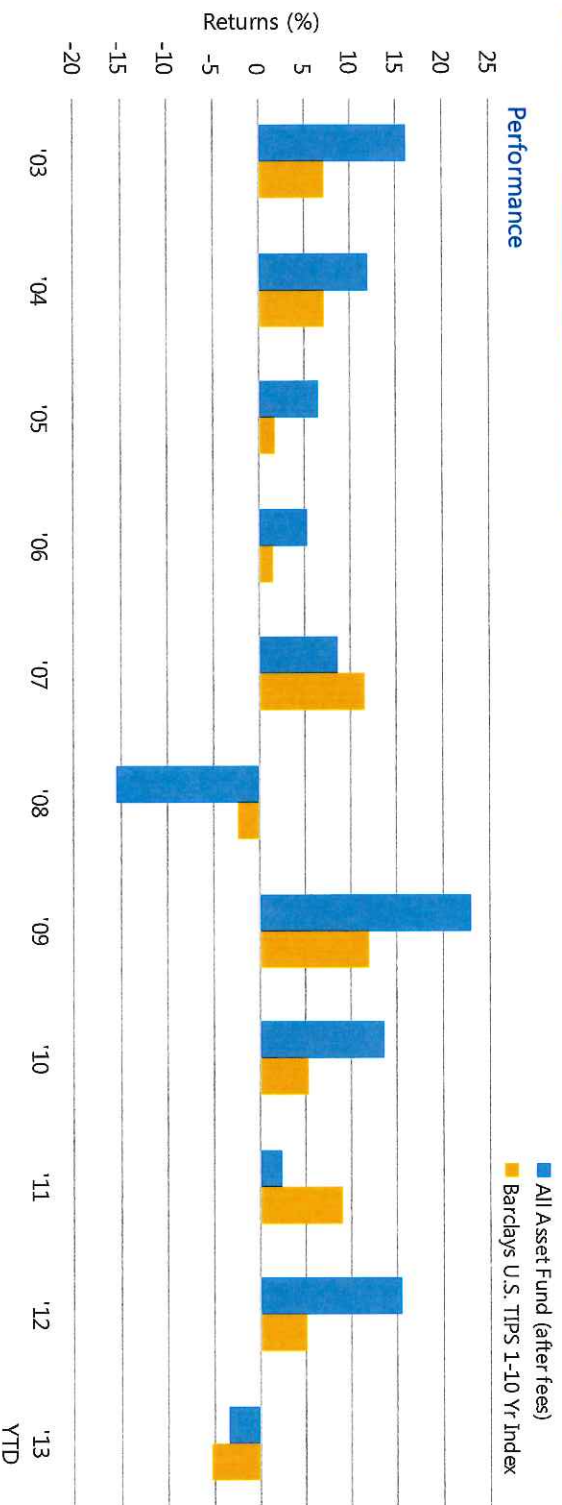
As of 30 June 2013
SOURCE: Barclays, BofA, JPMorgan, Bloomberg

PIMCO All Asset Fund performance review

Contra Costa County Employees Retirement Association

Market value as of Jun '13

\$ 94,699,367

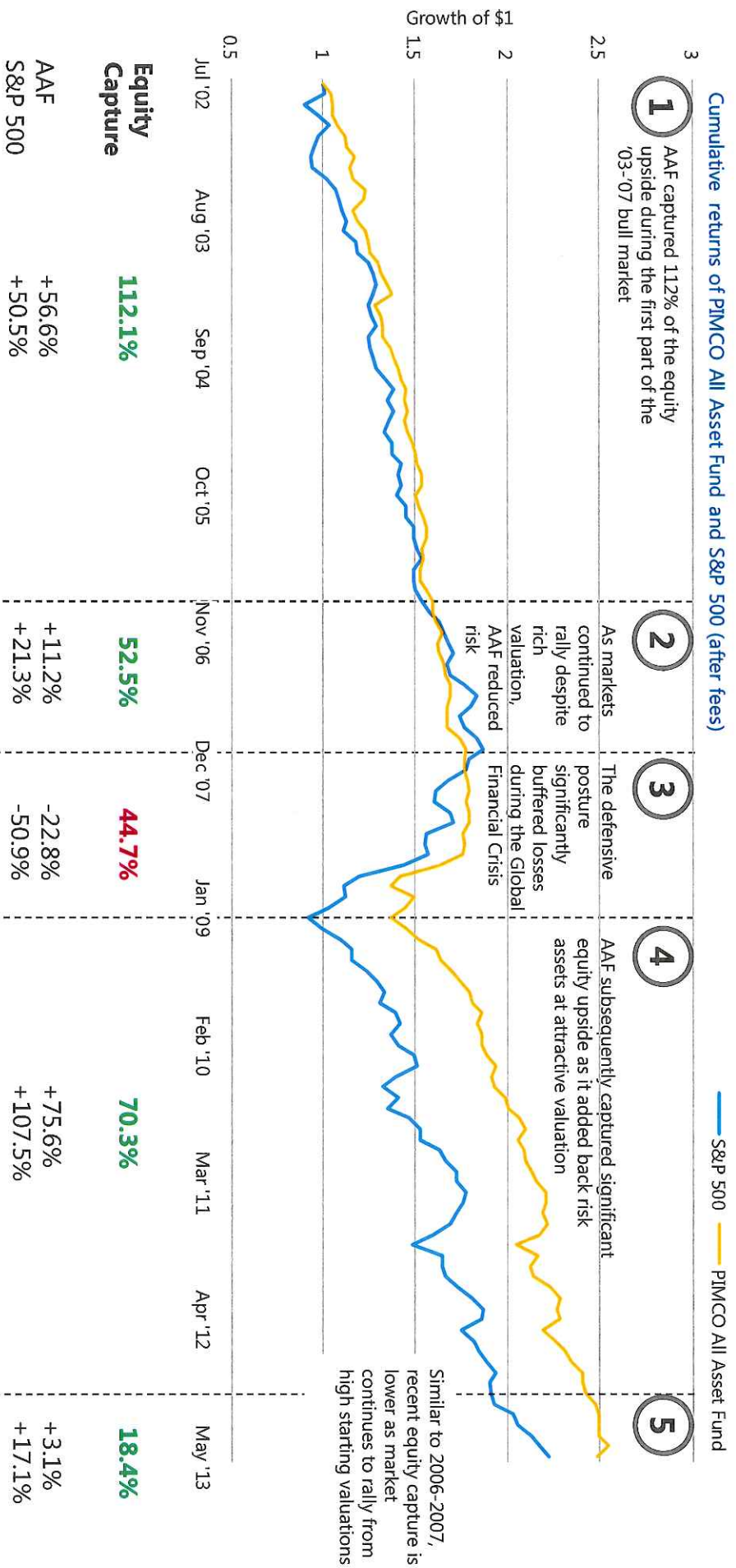


PIMCO All Asset Fund

| | Fund inception 31 Jul '02 | 10 Yrs. | 5 Yrs. | 3 Yrs. | 2 Yrs. | 1 Yr. | 9 Mos. | 6 Mos. | Account inception ¹ 28 Feb '13 |
|--|---------------------------|---------|--------|--------|--------|-------|--------|--------|---|
| After fees (%) | 8.3 | 6.9 | 6.2 | 7.3 | 4.4 | 5.8 | -0.6 | -3.4 | -4.2 |
| Barclays U.S. TIPS 1-10 Years Index (%) | 5.2 | 4.5 | 3.3 | 3.4 | 1.5 | -3.1 | -4.8 | -5.2 | -5.5 |
| S&P 500 (60%) / Barclays Aggregate (40%) | 6.8 | 6.5 | 6.7 | 12.5 | 9.2 | 11.7 | 7.0 | 7.1 | 0.8 |

As of 30 June 2013. Preliminary data as of 1 July 2013
All periods longer than one year are annualized

All Asset de-risks as valuations become expensive – protection during downturns may result in potential for better long-term performance



As of 31 May 2013
SOURCE: Bloomberg, PIMCO

PIMCO All Asset Fund remains well positioned to achieve long-term goals

Designed as a “third-pillar” diversifier

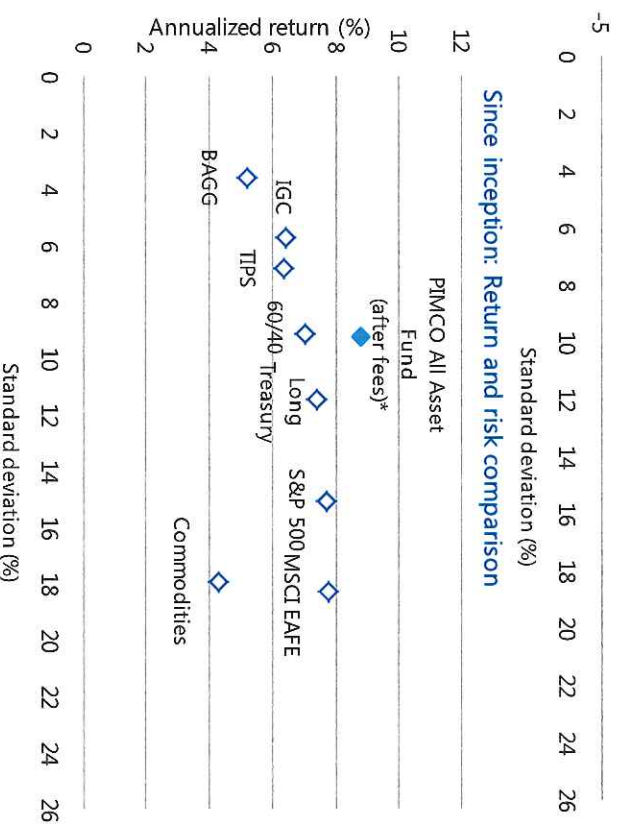
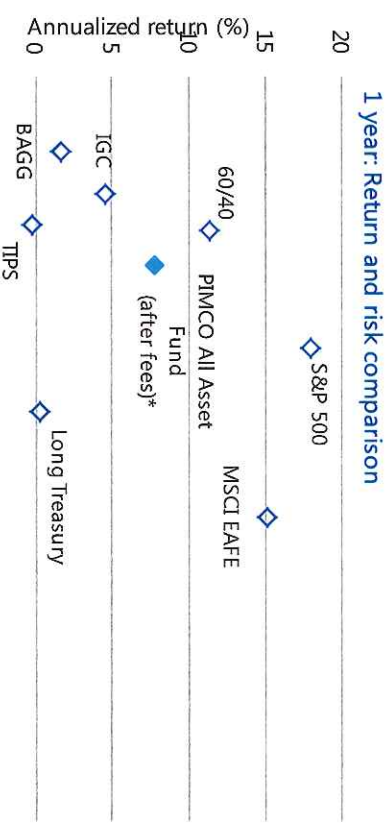
- Designed to diversify, not amplify, the core stock and bond exposures that tend to dominate investors’ portfolios, especially when they are fully valued

Positioning maintains broad diversification

- Higher-yielding asset classes that offer attractive risk-adjusted returns
- Avoid asset classes where full valuations do not support sustained forward looking returns, like U.S. equities

Compelling long-term return and volatility

- Superior long-term total return and risk-adjusted return versus single asset classes driven by:
 - Broad diversification
 - Active allocation shifts
 - PIMCO alpha



As of 31 May 2013

SOURCE: PIMCO

* All Asset Fund inception date: 31 July 2002

4. Economic outlook

2013 Secular Outlook: The New Normal has morphed into a series of multi-speed dynamics

UNITED STATES

(~ 2% annual real GDP growth)

- Fiscal policy impact diminishes; central bank actions drive modest healing
- Sector-driven stories such as housing will be critical to growth
- Worries about level and composition of U.S. potential may grow

EUROPE

(-1% to 1% annual real GDP growth)

- Risk of “zombification” and a retreat from global competitiveness
- Additional debt restructuring likely
- Balance of risk tilted to downside

JAPAN

(0% to 2% annual real GDP growth)

- Reflationary experiment to cause initial growth surge but face challenges from:
 - Demographics
 - Limits on structural reform
 - Less accommodating global and regional context

EMERGING ECONOMIES

(3% to 4% annual real GDP growth)

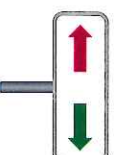
- China to maintain 6-7.5% real growth, supported by gradual rebalancing from production to consumption
- Brazil, India, and Russia face significant secular headwinds
- Competitive currency devaluations in developed world may limit EM potential

SECULAR RISKS

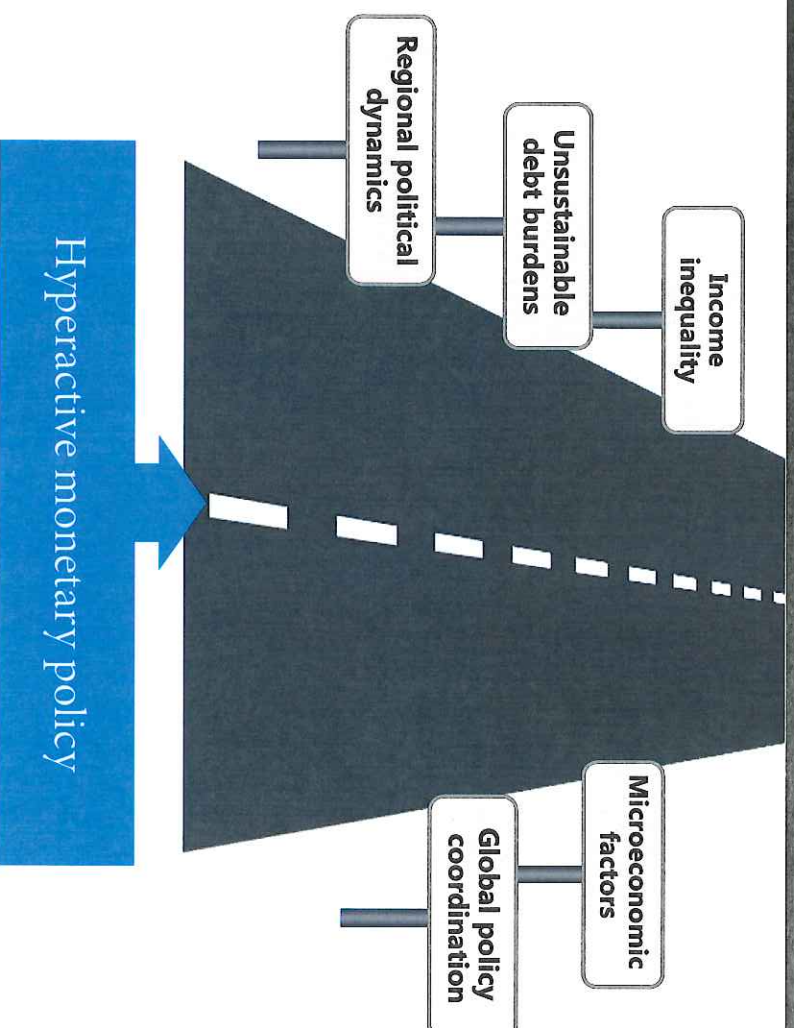
| |
|--|
| Artificially assisted growth and purchased financial stability may breed shortfalls and asset bubbles |
| International and regional systems may fragment, and growing income inequality may destabilize geopolitics |
| Supply shocks and currency debasements may lead to higher and less stable inflation |
| Absent a growth revolution, haircuts may increase over the secular horizon |

Hyperactive monetary policy has ushered in a “stable disequilibrium”

- Economic stagnation and contraction
- Social instability
- Regional fragmentation



- Robust, sustainable growth
- Political renewal and structural reforms
- Stronger global linkages



Investment implications: Stable disequilibrium demands intellectual and operational agility

Guard against decoupling of fundamentals from asset prices

- Seek opportunities to move away from the central bank “wave”
- Focus on risks, rather than prices, of potential investments
- Prepare for lower revisions to consensus return expectations

Seek alternatives to artificially supported market levels

- Utilize active management and alpha extraction to meet return targets
- Re-evaluate backward-looking labels, benchmarks, and guidelines
- Evolve risk management approaches:
 - Explicit downside management
 - Solutions orientation

Be mindful of absolute (not just relative) risks

- Recognize the importance of liquidity in times of uncertainty
- Be wary of currencies of hyperactive central banks
- Take note of the potential for inflationary pressures to rise

Investors should aim to avoid haircuts (financial repression, restructurings, devaluations and confiscations)

5. | PIMCO update

Assets under management by strategy

| Alternatives | | Billions (\$) |
|-------------------------------|---|---------------|
| Liquid Absolute Return | Unconstrained bond strategies, credit absolute return, other absolute return strategies | 39.63 |
| Hedge Funds | Global macro, long/short credit, multi-asset volatility/arbitrage strategies | 11.24 |
| Opportunistic/Distressed | Opportunistic strategies focusing on real estate related assets (residential, commercial), corporate credit | 6.70 |
| Asset Allocation | | |
| Asset Allocation Strategies | Global Multi Asset, All Asset, EM Multi Asset, Real Retirement, Inflation-Response Multi Asset, DRA | 93.29 |
| Equities | | |
| StocksPLUS® | Combines derivatives-based equity exposure with active bond management | 16.12 |
| Active Equities | Pathfinder, Emerging Markets, Dividend, Global Long/Short | 3.79 |
| Real Return | | |
| Inflation-Linked Bonds | U.S., Global | 87.74 |
| Commodities | Actively managed commodity exposure enhanced with actively managed collateral portfolios | 27.95 |
| Real Estate | Real-estate linked exposure enhanced with actively managed collateral portfolios | 1.83 |
| Fixed Income | | |
| Intermediate* | Total Return, Moderate Duration | 594.06 |
| Credit | Investment Grade Corporates, Bank Loans, High Yield Corporates, Convertibles | 182.31 |
| Cash Management* | Money Market, Short-Term, Low Duration | 138.25 |
| Long Duration | Focus on long-term bonds; asset liability management | 115.75 |
| Global | Non-U.S. and global multiple currency formats | 123.31 |
| Emerging Markets | Local debt, external debt, currency | 82.41 |
| Mortgages | Agency MBS, structured credit (non-Agency MBS, CMBS, and ABS) | 51.43 |
| Income | Income-oriented, insurance income | 42.49 |
| Diversified Income | Global credit combining corporate and emerging markets debt | 27.52 |
| Municipals | Tax-efficient total return management | 14.49 |
| Other | | 10.23 |
| Total assets under management | | \$ 1,670.55 B |
| Stable Value | | |
| Stable Value | Stable income with emphasis on principal stability | 31.04 |
| Tail-Risk Hedging** | | |
| Tail-Risk Hedging** | Pooled and customized portfolios of actively managed tail-risk hedges | 47.06 |

As of 31 March 2013

SOURCE: PIMCO

Assets reflect those managed on behalf of third-party clients and exclude affiliated assets. Fund of funds assets have been netted from each strategy. Potential differences in asset totals are due to rounding.

* Stable value assets have not been netted from U.S. Total Return, U.S. Moderate Duration and U.S. Low Duration assets

** Tail-risk hedging assets reflect total notional value of dedicated mandates and are not counted towards PIMCO total assets under management

PIMCO snapshot

History

- Founded in 1971
- Investment solutions include fixed income, active equities, alternatives and asset allocation
- Assets under management: \$2.04 trillion
 - \$1.67 trillion in third-party client assets
 - Full complement of vehicles to meet client needs (mutual funds, separate accounts, LPs, ETFs)

People

Employees

2,312

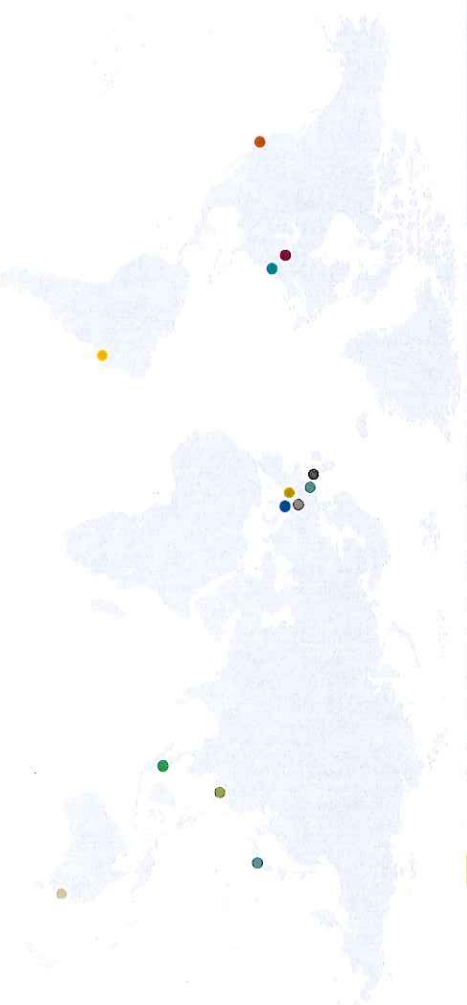
- Investment professionals 683
- Technical and support 1,629

Highly experienced Avg Yrs Experience at PIMCO

- All investment professionals 13
- Senior professionals 19

Global presence

| Offices | IPs |
|----------------|-----|
| Amsterdam | 2 |
| Hong Kong | 15 |
| London | 121 |
| Milan | 2 |
| Munich | 62 |
| New York | 103 |
| Newport Beach | 324 |
| Rio de Janeiro | 2 |
| Singapore | 12 |
| Sydney | 10 |
| Tokyo | 23 |
| Toronto | 4 |
| Zurich | 3 |



As of 31 March 2013
Effective 31 March 2012, PIMCO began reporting the assets managed on behalf of its parent's affiliated companies as part of its assets under management