PIMCO Dynamic Income Fund
Form DEF 14A
April 21, 2014

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant þ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Joint Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Joint Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

PIMCO Corporate & Income Opportunity Fund

PIMCO Corporate & Income Strategy Fund

PIMCO Dynamic Credit Income Fund

PIMCO Dynamic Income Fund

PIMCO Global StocksPLUS® & Income Fund

PIMCO High Income Fund

PIMCO Income Opportunity Fund

PIMCO Strategic Income Fund, Inc.

PCM Fund, Inc.

PIMCO California Municipal Income Fund

PIMCO California Municipal Income Fund II

PIMCO California Municipal Income Fund III

PIMCO Municipal Income Fund

PIMCO Municipal Income Fund II

PIMCO Municipal Income Fund III

PIMCO New York Municipal Income Fund

PIMCO New York Municipal Income Fund II

PIMCO New York Municipal Income Fund III

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PIMCO CORPORATE & INCOME OPPORTUNITY FUND

PIMCO CORPORATE & INCOME STRATEGY FUND

PIMCO DYNAMIC CREDIT INCOME FUND

PIMCO DYNAMIC INCOME FUND

PIMCO GLOBAL STOCKSPLUS® & INCOME FUND

PIMCO HIGH INCOME FUND

PIMCO INCOME OPPORTUNITY FUND

PIMCO STRATEGIC INCOME FUND, INC.

PCM FUND, INC.

PIMCO CALIFORNIA MUNICIPAL INCOME FUND

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III

PIMCO MUNICIPAL INCOME FUND

PIMCO MUNICIPAL INCOME FUND II

PIMCO MUNICIPAL INCOME FUND III

PIMCO NEW YORK MUNICIPAL INCOME FUND

PIMCO NEW YORK MUNICIPAL INCOME FUND II

PIMCO NEW YORK MUNICIPAL INCOME FUND III

1633 Broadway

New York, New York 10019

For proxy information, please call (877) 361-7967

Dear Shareholder:

On behalf of the Boards of Trustees/Directors of PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO Dynamic Credit Income Fund, PIMCO Dynamic Income Fund, PIMCO Global StocksPLUS® & Income Fund, PIMCO High Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc. (formerly known as PIMCO Strategic Global Government Fund, Inc.), PCM Fund, Inc., PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II and PIMCO New York Municipal Income Fund III (each, a Fund and, collectively, the Funds), we are pleased to invite you to a Joint Special Meeting of Shareholders (the Special Meeting) of each Fund to be held on June 9, 2014, at the offices of Pacific Investment Management Company LLC (PIMCO), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019 at 9:30 A.M., Eastern Time.

As discussed in more detail in the enclosed Proxy Statement, at the Special Meeting, the shareholders of each Fund will be asked to approve a new Investment Management Agreement (the   Proposed Agreement) between the

Fund and PIMCO, which currently serves as sub-adviser to each Fund. Upon shareholder approval and effectiveness of the Proposed Agreement with respect to a Fund, PIMCO will become the Fund s investment manager and begin providing supervisory and administrative services along with the day-to-day portfolio management services it currently provides to the Fund as its sub-adviser. Upon the effectiveness of the Proposed Agreement for a Fund, the current investment management agreement between the Fund and Allianz Global Investors Fund Management LLC (AGIFM) and portfolio management agreement between AGIFM and PIMCO will terminate. If the Proposed Agreement is approved by shareholders with respect to a Fund, the Proposed Agreement will become effective for such Fund at a date and time mutually agreeable to the Fund, PIMCO and AGIFM in order to effect an efficient transition for the Fund and its shareholders.

Your vote is important

After considering the proposal, each Fund s Board of Trustees/Directors unanimously voted to approve the Proposed Agreement for the Fund and to recommend that the shareholders of the Fund vote in favor of the proposal, as more fully described in the accompanying Proxy Statement.

Now it is your turn to review the proposal and vote. For more information about the issues requiring your vote, please refer to the accompanying Proxy Statement.

No matter how many shares you own, your timely vote is important. If you do not expect to attend the Special Meeting, please complete, sign, date and mail the enclosed proxy card(s) promptly in the accompanying postage-prepaid envelope, or give your voting instructions by telephone or via the Internet, in order to avoid the expense of additional mailings or having our proxy solicitor, AST Fund Solutions, LLC, telephone you, and to ensure that the Special Meeting can be held as scheduled. Please call (877) 361-7967 if you have any questions about the Proxy Statement or the proposal, or if you would like additional information.

Thank you in advance for your participation in this Joint Special Meeting of Shareholders.

Sincerely,

Hans W. Kertess

Chairman of the Boards

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 9, 2014

PIMCO CORPORATE & INCOME OPPORTUNITY FUND

PIMCO CORPORATE & INCOME STRATEGY FUND

PIMCO DYNAMIC CREDIT INCOME FUND

PIMCO DYNAMIC INCOME FUND

PIMCO GLOBAL STOCKSPLUS® & INCOME FUND

PIMCO HIGH INCOME FUND

PIMCO INCOME OPPORTUNITY FUND

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PIMCO CALIFORNIA MUNICIPAL INCOME FUND

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III

PIMCO MUNICIPAL INCOME FUND

PIMCO MUNICIPAL INCOME FUND II

PIMCO MUNICIPAL INCOME FUND III

PIMCO NEW YORK MUNICIPAL INCOME FUND

PIMCO NEW YORK MUNICIPAL INCOME FUND II

PIMCO NEW YORK MUNICIPAL INCOME FUND III

1633 Broadway

New York, New York 10019

To the Shareholders of PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO Dynamic Credit Income Fund, PIMCO Dynamic Income Fund, PIMCO Global StocksPLUS® & Income Fund, PIMCO High Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc. (formerly known as PIMCO Strategic Global Government Fund, Inc.), PCM Fund, Inc., PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II and PIMCO New York Municipal Income Fund III (each, a Fund and, collectively, the Funds):

Notice is hereby given that a Joint Special Meeting of Shareholders (the Special Meeting) of the Funds will be held at the offices of Pacific Investment Management Company LLC (PIMCO), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 9, 2014 at 9:30 A.M., Eastern Time, for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. The approval of a new Investment Management Agreement between each Fund and PIMCO; and

2. The transaction of such other business as may properly come before the Special Meeting and any adjournment(s) or postponement(s) thereof.

The Board of Trustees/Directors of each Fund unanimously recommends that you vote FOR the proposal specified in 1. above.

The Board of Trustees/Directors of each Fund has fixed the close of business on April 9, 2014 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Special Meeting or any adjournment(s) or postponement(s) thereof. The enclosed proxy is being solicited on behalf of the Board of Trustees/Directors of each Fund.

By order of the Board of Trustees/Directors of each Fund,

Thomas J. Fuccillo
Secretary

New York, New York

April 21, 2014

No matter how many shares you own, your timely vote is important. If you do not expect to attend the Special Meeting, please complete, sign, date and mail the enclosed proxy card(s) promptly in the accompanying postage-prepaid envelope, or give your voting instructions by telephone or via the Internet, in order to avoid the expense of additional mailings or having our proxy solicitor, AST Fund Solutions, LLC, telephone you, and to ensure that the Special Meeting can be held as scheduled. Please call (877) 361-7967 if you have any questions about the Proxy Statement or the proposal, or if you would like additional information.

PIMCO CORPORATE & INCOME OPPORTUNITY FUND

PIMCO CORPORATE & INCOME STRATEGY FUND

PIMCO DYNAMIC CREDIT INCOME FUND

PIMCO DYNAMIC INCOME FUND

PIMCO GLOBAL STOCKSPLUS® & INCOME FUND

PIMCO HIGH INCOME FUND

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PIMCO CALIFORNIA MUNICIPAL INCOME FUND III

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PIMCO MUNICIPAL INCOME FUND II

PIMCO MUNICIPAL INCOME FUND III

PIMCO NEW YORK MUNICIPAL INCOME FUND

PIMCO NEW YORK MUNICIPAL INCOME FUND II

PIMCO NEW YORK MUNICIPAL INCOME FUND III

1633 Broadway

New York, New York 10019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE JOINT SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 9, 2014

This proxy statement (the Proxy Statement) and the Annual Report to Shareholders for the most recently completed fiscal year for each of the above listed Funds are also available at us.allianzgi.com/closedendfunds.

PROXY STATEMENT

APRIL 21, 2014

FOR THE JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 9, 2014

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Boards of Trustees/Directors (collectively, the Board) of the shareholders of PIMCO Corporate & Income Opportunity Fund (PTY), PIMCO Corporate & Income Strategy Fund (PCN), PIMCO Dynamic Credit Income Fund (PCI), PIMCO Dynamic Income Fund (PDI), PIMCO Global StocksPLUS® & Income Fund (PGP), PIMCO High Income Fund (PHK), PIMCO Income Opportunity

Fund (PKO), PIMCO Strategic Income Fund, Inc. (formerly known as PIMCO Strategic Global Government Fund, Inc.) (RCS), PCM Fund, Inc. (PCM), PIMCO California Municipal Income Fund (PCQ), PIMCO California Municipal Income Fund II (PCK), PIMCO California Municipal Income Fund III (PZC), PIMCO Municipal Income Fund (PMF), PIMCO Municipal Income Fund II (PML), PIMCO Municipal Income Fund III (PMX), PIMCO New York Municipal Income Fund (PNF), PIMCO New York Municipal Income Fund II (PNI) and PIMCO New York Municipal Income Fund III (PYN) (each, a Fund and, collectively, the Funds) of proxies to be voted at the Joint Special Meeting of Shareholders of the Funds and any adjournment(s) or postponement(s) thereof (the Special Meeting). The Special Meeting will be held at the offices of Pacific Investment Management Company LLC (PIMCO), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 9, 2014, at 9:30 A.M., Eastern Time.

The Notice of Joint Special Meeting of Shareholders (the Notice), this Proxy Statement and the enclosed proxy cards are first being sent to shareholders on or about April 21, 2014.

The Special Meeting is scheduled as a joint meeting of the holders of all shares of each Fund, which consists of holders of common shares of beneficial interest (Common Shares) of each Fund (the Common Shareholders) and holders of preferred shares of beneficial interest (Preferred Shares and, together with the Common Shares, the Shares) of PTY, PCN, PHK, PCQ, PCK, PZC, PMF, PML, PMX, PNF, PNI and PYN (the Preferred Shareholders and, together with the Common Shareholders, the Shareholders). The Shareholders of each Fund are expected to consider and vote on similar matters. The Shareholders of each Fund will vote separately on the proposal set forth herein (the Proposal) and on any other matters that may properly be presented for a vote by the Shareholders of that Fund at the Special Meeting. With respect to the Proposal, and on any other matters to properly come before the Special Meeting, the Preferred Shareholders of a Fund, if any, will have equal voting rights (*i.e.*, one vote per Share) with the applicable Fund s Common Shareholders and will vote together with Common Shareholders as a single class. The outcome of voting by the Shareholders of one Fund does not affect the outcome for the other Funds.

The Board of each Fund has fixed the close of business on April 9, 2014 as the record date (the Record Date) for the determination of Shareholders entitled to receive notice of, and to vote at, the Special Meeting. As summarized below, Shareholders of each Fund have the right to vote on:

1. The approval of a new Investment Management Agreement between the Fund and PIMCO; and

2. The transaction of such other business as may properly come before the Special Meeting.

Section I of this Proxy Statement contains information relating to the Proposal to approve a new Investment Management Agreement between each Fund and PIMCO. Section II contains additional background information about the Funds, their current and proposed investment manager, and other matters. Section III contains general information about the Special Meeting and shareholder voting.

You may vote by mail by returning a properly executed proxy card, by Internet by going to the website listed on the proxy card, by telephone using the toll-free number listed on the proxy card, or in person by attending the Special Meeting. Shares represented by duly executed and timely delivered proxies will be voted as instructed on the proxy. At any time before it has been voted, your proxy may be revoked in one of the following ways: (i) by timely delivering a signed, written letter of revocation to the Secretary of the applicable Fund at 1633 Broadway, New York, New York 10019, (ii) by properly executing and timely submitting a later-dated proxy vote, or (iii) by attending the Special Meeting and voting in person. Please call (877) 361-7967 for information on how to obtain directions to attend the Special Meeting and vote in person. If any proposal for a Fund, other than the Proposal set forth herein, properly comes before the Special Meeting, the persons named as proxies will vote on such proposal in their sole discretion.

The principal executive offices of the Funds are located at 1633 Broadway, New York, New York 10019. Allianz Global Investors Fund Management LLC (AGIFM) currently serves as the investment manager of each Fund and retains its affiliate, PIMCO, to serve as the sub-adviser of each Fund. Additional information about AGIFM and PIMCO may be found under Information about AGIFM and Information about PIMCO, respectively, below.

Please read the Proxy Statement before voting on the Proposal for your Fund. Please call (877) 361-7967 if you have any questions about the Proxy Statement or the Proposal, or if you would like additional information.

PIMCO (and not the Funds) will bear all expenses associated with the Special Meeting. The proxy materials sent to each Shareholder will include that Shareholder s unique control number needed to vote his, her or its Shares. If you need additional copies of this Proxy Statement, please call (877) 361-7967.

Each Fund s most recent annual and semi-annual reports to Shareholders are available at no cost. You may read, print, or request mail delivery of a copy of such reports through our website at us.allianzgi.com/closedendfunds. You may also request reports by calling (877) 361-7967 or by writing to the Funds at 1633 Broadway, New York, New York, 10019.

I. PROPOSAL: APPROVAL OF THE PROPOSED INVESTMENT MANAGEMENT AGREEMENT

Overview

The following questions and answers provide an overview of the Proposal on which you are being asked to vote. Please read the remainder of this Proxy Statement for additional information and further details about the Proposal and the Board s and PIMCO s rationale for recommending it to Shareholders. Your vote is important.

QUESTIONS AND ANSWERS

Q: WHAT IS BEING PROPOSED?

A: The Board and PIMCO are recommending that PIMCO, the Funds current sub-adviser, replace its affiliate AGIFM as the investment manager of each Fund pursuant to a proposed new investment management agreement between the Fund and PIMCO (the Proposed Agreement). Under the Proposed Agreement, PIMCO would continue to provide the day-to-day portfolio management services it currently provides to each Fund as its sub-adviser and would also assume responsibility for the supervisory and administrative services currently provided by AGIFM to each Fund as its investment manager. The same investment professionals who are currently responsible for managing each Fund s portfolio will continue to do so following the proposed transition, and PIMCO personnel will replace AGIFM personnel as Fund officers and in other roles to provide and/or oversee the administrative, accounting/financial reporting, compliance, legal, marketing, transfer agency, shareholder servicing and other services required for the daily operations of the Funds.

Q: HOW DOES THE BOARD RECOMMEND THAT I VOTE?

A: The Board recommends that you vote FOR the Proposal for your Fund, as described in this Proxy Statement.

Q: WHY ARE THE BOARD AND PIMCO RECOMMENDING THIS CHANGE IN THE FUNDS MANAGEMENT STRUCTURE AT THIS TIME?

A: AGIFM and PIMCO are affiliates that are part of the global asset management business of Allianz SE (ALV.XE) (Allianz); each is a direct or indirect subsidiary of Allianz Asset Management of America L.P.

(AAM). Effective January 1, 2012, Allianz reorganized its asset management business under AAM to give better visibility to its two main brands, PIMCO and Allianz Global Investors, and to better enable each asset management business to serve its clients worldwide. Allianz developed this new approach in an effort to move away from a family of boutiques model to a clear two pillar structure (*i.e.*, with Allianz Global Investors and PIMCO as the two pillars). The reorganization was also designed to allow for clearer branding and product differentiation between PIMCO and Allianz Global Investors for intermediaries, clients and the investing public to allow for greater focus and exposure for the breadth and strength of products of both the PIMCO and Allianz Global Investors brands worldwide.

While AGIFM has served the Funds well for many years, the proposal to replace AGIFM with PIMCO as the Funds investment manager and assume responsibility for supervisory and administrative services for the Funds is a natural next step in the broader PIMCO/Allianz Global Investors reorganization effort initiated in 2012. Following the proposed transition, PIMCO will assume sole management responsibility for the Funds and AGIFM will continue to serve as manager/administrator for numerous other closed- and open-end funds managed within the Allianz Global Investors pillar of the Allianz asset management business.

As described below, the Board and PIMCO also believe that the Proposal will benefit Shareholders of each Fund.

Q: WHAT ARE THE EXPECTED BENEFITS TO SHAREHOLDERS OF MOVING TO THE NEW PIMCO-ONLY MANAGEMENT STRUCTURE?

A: The Board and PIMCO believe that the Funds Shareholders will benefit by moving to a PIMCO-only management structure. This is because PIMCO can offer the Funds an integrated set of high-quality investment management, administrative and distribution/aftermarket support services under a single platform, which we believe will allow for greater efficiencies and enhanced coordination among various investment management and administrative functions. The PIMCO fund administration group is well integrated with all critical functions related to the PIMCO funds business, including portfolio management, compliance, legal, accounting and tax, account management, marketing, shareholder communications/services and technology. We believe that the Funds and Shareholders will benefit by having all these services provided under one roof by the highly experienced team at PIMCO.

Consistent with the rationale behind the broader Allianz Global Investors/PIMCO restructuring mentioned above, the proposed PIMCO-only management structure for the Funds aligns with the two pillar approach adopted by Allianz with respect to other PIMCO and Allianz Global Investors products globally. In this regard, we believe that the change will facilitate clearer branding and marketing of the Funds and will help to avoid potential confusion among intermediaries, analysts and investors as to whether the Funds are PIMCO and/or Allianz Global Investors products.

Q: WILL THE FEES AND EXPENSES CHARGED BY THE FUNDS TO SHAREHOLDERS CHANGE OR INCREASE AS A RESULT OF THE PROPOSAL?

A: In connection with the proposed management transition, the Board and PIMCO are proposing that the Funds adopt a so-called unified management fee structure under the Proposed Agreement, consistent with the fee structure in place for other U.S. registered funds and other products managed by PIMCO.

Currently, each Fund pays an investment management fee under its existing investment management agreement with AGIFM (each, a Current Agreement, and, together, the Current Agreements), which covers portfolio management services and certain administrative services provided by AGIFM. AGIFM, in turn, retains PIMCO as sub-adviser pursuant to a portfolio management agreement for each Fund between AGIFM and PIMCO (each, a Portfolio Management Agreement, and, together, the Portfolio Management Agreements) to provide the portfolio management services required under each Current Agreement, and AGIFM compensates PIMCO for such services out of the investment management fees it receives under the Fund s Current Agreement. In addition to the management fee it pays under its Current Agreement, each Fund directly bears expenses for other administrative services and costs, including expenses associated with various third-party service providers, such as audit, custodial, legal, transfer agency, printing and other services required by the Funds.

In contrast, under the Proposed Agreement, each Fund would pay PIMCO a management fee that covers the portfolio management and administrative services covered under the Current Agreement, and PIMCO, at its expense, would be required to procure most other supervisory and administrative services required by the Funds that are currently paid for or incurred by the Funds directly outside of the Current Agreements (such fees and expenses, Operating Expenses). Operating Expenses include, but are not limited to, expenses of most third-party services providers (*e.g*., audit, custodial, legal, transfer agency, printing) and other expenses, such as those associated with insurance, proxy solicitations and mailings for shareholder meetings, New York Stock Exchange listing and related fees, tax services, valuation services and other services required for the Funds daily operations.

The Board and PIMCO believe that the proposed new unified fee structure would be beneficial for Common Shareholders because it provides a unified management fee (including Operating Expenses) structure that is essentially fixed, making it more predictable under ordinary circumstances in comparison to the current fee and expense structure, under which the Funds Operating Expenses (including certain third-party fees and expenses) not covered by the Current Agreements can vary over time. The proposed unified fee structure also generally insulates the Funds and Common Shareholders from increases in applicable third-party and certain other expenses because PIMCO, rather than the Funds, would bear the risk of such increases (while at the same time PIMCO would benefit from any reductions in such expenses).

Because the proposed unified fee arrangement under the Proposed Agreement covers a greater amount of supervisory and administrative services and related costs than under the Current Agreements, the proposed contractual management fee rates under the Proposed Agreement for each Fund are higher than the management fee rates currently imposed under the corresponding Current Agreement (except for PDI and PCI, whose proposed management fee rates are the same under the Proposed Agreement and the corresponding Current Agreements). However, in determining the proposed unified management fee rate to be paid to PIMCO by each Fund under the Proposed Agreement, PIMCO reviewed the Fund s total expenses, including its current contractual management fee and other expenses currently borne by the Fund outside of the applicable Current Agreement, and the Fund s leverage outstanding during calendar year 2013. Based on this review, PIMCO proposed a management fee rate that PIMCO estimates will result in the Fund s total expenses paid by Common Shareholders being lower under the Proposed Agreement than under the corresponding Current Agreement (based on calendar year 2013 expenses). PIMCO therefore estimates that the proposed new arrangement will result in an overall savings to Common Shareholders of each Fund under ordinary circumstances. In developing the proposed fee structure for each Fund other than PDI and PCI, PIMCO, after discussions with the Board, determined a 20% reduction to the Fund s actual Operating Expenses for calendar year 2013, converted that amount to basis points and rounded to the next lowest half or whole basis point in arriving at a proposed unified fee rate for the Fund. With respect to PDI and PCI, PIMCO, after discussions with the Board, determined to propose a unified management fee rate under the

Proposed Agreement at the same rate that is currently charged under the Current Agreements for those Funds, such that PIMCO will bear all Operating Expenses for those Funds under the proposed new unified fee structure with no increase in the fee rate charged under the current non-unified fee structure.

The proposed fee rates are designed to allow the Funds and their Common Shareholders to share up front in operational efficiencies PIMCO will attempt to realize with respect to the Funds Operating Expenses as a result of the proposed transition. The anticipated savings to each Fund are reflected in the Operating Expenses table below.

There is no assurance that a Fund s total expenses paid under the Proposed Agreement will not exceed what the Fund would incur under its Current Agreement in certain circumstances, including if the Fund s Operating Expenses (which are currently borne by the Fund outside of its Current Agreement and would be borne by PIMCO under the Proposed Agreement) decline in future periods. Also, the proposed unified fee rates under the Proposed Agreement would be charged for applicable Funds on assets attributable to preferred shares and/or certain other forms of leverage that may be obtained and utilized by a Fund. Under the Proposed Agreement, because a Fund s outstanding leverage on which the fee is charged may vary, a Fund s total expenses paid by Common Shareholders could be higher or lower under the Proposed Agreement than is estimated and could exceed what a Fund would incur under its Current Agreement.

The Funds would be required to directly bear certain expenses outside of the Proposed Agreement which the Funds also directly bear under the Current Agreements, including fees and expenses of the Trustees/Directors who are not interested persons of the Funds (each, an Independent Trustee/Director and, collectively, the Independent Trustees/Directors) as defined in the Investment Company Act of 1940, as amended (the 1940 Act), and their counsel, interest expense and other expenses associated with incurring leverage, fees and expenses of any underlying funds or pooled vehicles in which a Fund invests, dividend and interest expense associated with short positions, other portfolio transaction expenses and extraordinary legal expenses, among others. These categories of expenses will be variable under both the Current and Proposed Agreements, and may result in higher or lower total expenses for a Fund in comparison to calendar year 2013 or other periods, but would not be expected to differ as between the current and proposed fee and expense structures.

It is noted that Preferred Shareholders of applicable Funds do not bear any portion of a Fund s management fees or other expenses and therefore should not be impacted economically by the proposed new fee and expense structure.

The tables below are intended to help you understand how the fees and expenses paid by the Funds would differ under each Current Agreement and the Proposed Agreement (*i.e.*, giving effect to the unified fee structure). The Contractual Management Fee Rates table shows the contractual management fee rates under the Current Agreements and the proposed contractual management fee rates under the Proposed Agreement.

The Operating Expenses table shows each Fund s actual aggregate Operating Expenses (expressed in dollars) incurred during calendar year 2013 and compares, for each Fund, the actual aggregate Operating Expenses incurred by the Fund in calendar year 2013 plus its management fee paid to AGIFM under the Current Agreements in calendar year 2013 (*i.e.*, essentially the same fees and expenses that are proposed to be covered in return for the unified fee rate under the Proposed Agreement) to estimates of the aggregate management fee (which includes the Fund s Operating Expenses) that the Fund would have paid PIMCO under the Proposed Agreement if the Proposed Agreement and unified fee had been in place for calendar year 2013, taking into account the effects of the Fund s leverage outstanding for calendar year 2013. The Operating Expenses table does not reflect fees and expenses paid by the Funds during calendar year 2013 that would not be covered under the unified fee rate, as discussed above.

The Effective Management Fees and Annual Expenses table compares the effective management fee rates and total annual expense ratios for each Fund under the Current Agreements for calendar year 2013 and estimates under the Proposed Agreement for the same period, taking into account the effects of the Fund s leverage outstanding for calendar year 2013 (unless otherwise noted).

As discussed below, the management fees with respect to certain Funds are, and would continue to be under the Proposed Agreement, calculated based on the Fund s average daily net assets, which include assets attributable to preferred shares outstanding, while the management fees with respect to certain other Funds are, and under the Proposed Agreement would continue to be, calculated based on the average daily total managed assets, which include assets attributable to preferred shares and other types of leverage (such as borrowings, reverse repurchase agreements and/or dollar rolls). Additional information about the Current Agreements and Proposed Agreement may be found under Description of the Current Agreements and Description of the Proposed Agreement, respectively, in this Proxy Statement. Please see Description of the Proposed Agreement Annual Expenses and *Pro Forma* Annual Expenses for additional information regarding fees and expenses under the Current and Proposed Agreements.

Contractual Management Fee Rates

Fund	Contractual Management Fee Rate under Current Agreements	Proposed Contractual Management Fee Rate under Proposed Agreement
PTY[1]	0.600%	0.650%
PCN[1]	0.750%	0.810%
PCI[2]	1.150%	1.150%
PDI[2]	1.150%	1.150%
PGP[3]	1.000%	1.105%
PHK[1]	0.700%	0.760%
PKO[4]	1.000%	1.055%
RCS[1]	0.850%	0.955%
PCM[4]	0.800%	0.900%
PCQ[1]	0.650%	0.705%
PCK[1]	0.650%	0.705%
PZC[1]	0.650%	0.715%
PMF[1]	0.650%	0.705%
PML[1]	0.650%	0.685%
PMX[1]	0.650%	0.705%
PNF[1]	0.650%	0.770%
PNI[1]	0.650%	0.735%
PYN[1]	0.650%	0.860%

1. Management fees calculated based on the Fund s average daily net assets (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

2. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, dollar rolls, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements, dollar rolls and borrowings).

3. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any preferred shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings).

4. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings).

Operating Expenses

Fund	Actual Aggregate Operating Expenses[1] in Calendar Year 2013	Actual Aggregate Operating Expenses Plus Management Fees Paid to AGIFM in Calendar Year 2013 Under Current Agreements	Estimated *Pro Forma* Aggregate Management Fees PIMCO Would Have Been Paid in Calendar Year 2013 Under Proposed Agreement[2]	% Difference Between the Actual Aggregate Operating Expenses Plus Management Fees Paid to AGIFM and Estimated *Pro Forma* Aggregate Management Fees PIMCO Would Have Been Paid
PTY	$ 988,694	$ 9,840,757	$ 9,584,004	-2.6%
PCN	$ 579,060	$ 6,432,696	$ 6,316,884	-1.8%
PCI[3]	$ 1,275,867	$ 46,216,415	$ 44,940,548	-2.8%
PDI	$ 587,028	$ 29,969,400	$ 29,382,372	-2.0%
PGP	$ 302,956	$ 2,523,081	$ 2,453,608	-2.8%
PHK	$ 1,055,201	$ 10,290,448	$ 10,026,635	-2.6%
PKO	$ 449,108	$ 6,802,801	$ 6,706,622	-1.4%
RCS	$ 518,635	$ 3,791,150	$ 3,675,870	-3.0%
PCM	$ 272,138	$ 1,973,519	$ 1,914,838	-3.0%
PCQ	$ 291,863	$ 2,902,294	$ 2,831,876	-2.4%
PCK	$ 308,847	$ 3,079,960	$ 3,005,405	-2.4%
PZC	$ 274,191	$ 2,460,423	$ 2,405,585	-2.2%
PMF	$ 363,725	$ 3,675,541	$ 3,592,609	-2.3%
PML	$ 480,320	$ 7,449,436	$ 7,342,653	-1.4%
PMX	$ 356,874	$ 3,749,931	$ 3,678,556	-1.9%
PNF	$ 204,024	$ 1,063,541	$ 1,017,449	-4.3%
PNI	$ 215,462	$ 1,489,206	$ 1,440,236	-3.3%
PYN	$ 220,442	$ 757,327	$ 710,761	-6.1%

1. As noted above, Operating Expenses do not include certain expenses that would not be covered under the unified fee rate (and which the Funds also directly bear under the Current Agreements), including fees and expenses of the Independent Trustees/Directors of the Funds and their counsel, interest expense and other expenses associated with incurring leverage, fees and expenses of any underlying funds or pooled vehicles in which a Fund invests, dividend and interest expense associated with short positions, other portfolio transaction expenses and extraordinary legal expenses, among others.

2. Assuming that a Fund was subject to the Proposed Agreement (rather than its Current Agreement) during the entire calendar year ended December 31, 2013. The *pro forma* aggregate management fees also assume that the unified fee under the Proposed Agreement was imposed, as applicable, on

assets attributable to preferred shares and/or other forms of leverage outstanding during the period pursuant to the terms of the Proposed Agreement for the particular Fund (as discussed above).

3. Annualized. PCI commenced operations on January 31, 2013.

Effective Management Fees and Annual Expenses

(expressed as a percentage of net assets attributable to Common Shares)

	Current Fees and Expenses[1]		Proposed Fees and Expenses[2]	
Fund	Effective Management Fee Rate Paid to AGIFM Under Current Agreements	Total Annual Expenses in Calendar Year 2013 Under Current Agreements	Estimated *Pro Forma* Effective Management Fee Rate Paid to PIMCO Assuming the Proposed Agreement Had Been in Effect	Estimated *Pro Forma* Total Annual Expenses in Calendar Year 2013 Assuming the Proposed Agreement Had Been in Effect
PTY[3]	0.770%	0.913%	0.833%	0.891%
PCN[3]	0.957%	1.098%	1.033%	1.079%
PCI[4, 7]	1.373%	1.540%	1.373%	1.501%
PDI[4]	2.099%	3.194%	2.099%	3.152%
PGP[5]	1.494%	1.994%	1.652%	1.947%
PHK[3]	0.899%	1.106%	0.976%	1.081%
PKO[6]	1.493%	1.845%	1.576%	1.822%
RCS[3]	0.850%	1.404%	0.955%	1.374%
PCM[6]	1.291%	2.053%	1.453%	2.009%
PCQ[3]	1.038%	1.355%[8]	1.126%	1.327%[8]
PCK[3]	1.053%	1.399%[8]	1.142%	1.370%[8]
PZC[3]	1.035%	1.380%[8]	1.139%	1.354%[8]
PMF[3]	1.037%	1.288%[8]	1.125%	1.262%[8]
PML[3]	0.989%	1.202%[8]	1.042%	1.186%[8]
PMX[3]	1.019%	1.296%[8]	1.105%	1.274%[8]
PNF[3]	1.009%	1.417%[8]	1.194%	1.363%[8]
PNI[3]	1.090%	1.489%[8]	1.232%	1.448%[8]
PYN[3]	1.062%	1.724%[8]	1.405%	1.632%[8]

1. Except in the case of PCI as noted in footnote 7 below, reflects each Fund s actual management fees and total expenses during the calendar year ended December 31, 2013. The management fee rates and total expense ratios reflect that the management fee under the Current Agreement was imposed, as applicable, on assets attributable to preferred shares and/or other forms of leverage outstanding during the period pursuant to the terms of the Current Agreement for the particular Fund (as specified in the footnotes below).

2. Assumes that the Fund was subject to the Proposed Agreement (rather than its Current Agreement) during the calendar year ended December 31, 2013 and incurred the same level of expenses that are not covered under the proposed unified fee (such as interest expense, fees and expenses of the Independent Trustees/Directors and their counsel and any extraordinary expenses) during the period. The *pro forma* management fee rates and total expense ratios also assume that the unified fee under the Proposed Agreement was imposed, as applicable, on assets attributable to preferred shares and/or other forms of leverage outstanding during the period pursuant to the terms of the Proposed Agreement for the particular Fund (as specified in the footnotes below). These expenses are only estimates. The actual expenses could vary and could exceed the amounts shown and/or the amounts the Funds would have incurred under the Current Agreements under certain circumstances. See the discussion above for further information on why these estimates may vary.

3. Management fees calculated based on the Fund s average daily net assets (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

4. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, dollar rolls, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements, dollar rolls and borrowings).

5. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any preferred shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings).

6. Management fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings).

7. Annualized. PCI commenced operations on January 31, 2013.

8. The total annual expense ratio in calendar year 2013 under the Current Agreements and estimated *pro forma* total annual expense ratio under the Proposed Agreement reflects the interest expense on inverse floating rate investments deemed to be paid by the Fund for accounting purposes during its most recently completed fiscal year. The interest expenses from inverse floating rate investments incurred during calendar year 2013 may have been, and in the future may be, higher or lower.

Q: WILL THE FUNDS PAY FOR THIS PROXY SOLICITATION?

A: No. PIMCO (and not the Funds) has agreed to bear all costs relating to the proxy solicitation and related costs in connection with the Proposal.

Q: HOW DO I VOTE MY SHARES?

A: ***Voting by Internet and Touch-Tone Telephone:*** You may give your voting instructions via the Internet or by touch-tone telephone by following the instructions on the proxy card.

Telephone Voting: You may give your voting instructions over the telephone by calling the phone number listed on your proxy card. If you have any questions regarding the Proxy Statement or the Proposal please call (877) 361-7967. When receiving your instructions by telephone, the representative may ask you for your full name and address to confirm that you have received the Proxy Statement in the mail. If the information you provide matches the information provided to AST Fund Solutions, LLC (AST Fund Solutions) by the applicable Fund, then a representative can record your instructions over the phone and transmit them to the official tabulator.

As the Special Meeting date approaches, you may receive a call from a representative of AST Fund Solutions if your vote has not yet been received.

Voting by Mail: If you wish to participate in the Special Meeting, but do not wish to give a proxy by telephone or via the Internet, you can still complete, sign and mail the proxy card received with the Proxy Statement by following the instructions on the proxy card, or you can attend the Special Meeting and vote in person.

Q: WHAT HAPPENS IF ADDITIONAL MATTERS ARE PRESENTED AT THE SPECIAL MEETING?

A: As of the date of this Proxy Statement, the Funds officers, PIMCO and AGIFM are not aware of any business to come before the Special Meeting other than the Proposal. If any proposal for a Fund, other than the Proposal set forth herein, properly comes before the Special Meeting, the persons named as proxies will vote on such proposal in their sole discretion.

The Board s and PIMCO s Rationale for the Proposal

Background. AGIFM and PIMCO are affiliates that are part of the global asset management business of Allianz; each is a direct or indirect subsidiary of AAM. Effective January 1, 2012, Allianz reorganized its asset management business under AAM to give better visibility to its two main brands, PIMCO and Allianz Global Investors, and to better enable each asset management business to serve its clients worldwide. Among other significant changes resulting from this reorganization was the establishment of a U.S. registered broker-dealer subsidiary of PIMCO in the United States, known as PIMCO Investments LLC (PIMCO Investments), which now distributes all funds managed and administered exclusively by PIMCO in the United States. PIMCO Investments assumed this role from another Allianz affiliate that previously distributed both Allianz Global Investors funds and products and funds and products managed and administered exclusively by PIMCO. PIMCO, through non-U.S. PIMCO affiliates, has also assumed responsibility for distributing PIMCO funds and products outside of the United States. Allianz developed this new approach in an effort to move away from a family of boutiques model to a clear two pillar structure (*i.e.*, with Allianz Global Investors and PIMCO as the two pillars). The reorganization was also designed to allow for clearer branding and product differentiation between PIMCO and Allianz Global Investors for intermediaries, clients and the investing public to allow for greater focus and exposure for the breadth and strength of products of both the PIMCO and Allianz Global Investors brands worldwide.

While AGIFM has served the Funds well for many years, the proposal to replace AGIFM with PIMCO as the Funds investment manager and assume responsibility for supervisory and administrative services for the Funds is a natural next step in the broader PIMCO/Allianz Global Investors reorganization effort initiated in 2012. Following the proposed transition, PIMCO will assume sole management responsibility for the Funds and AGIFM will continue to serve as manager/administrator for numerous other closed- and open-end funds managed within the Allianz Global Investors pillar of the Allianz asset management business.

Operational and Administrative Efficiencies. The Board and PIMCO believe that the Funds Shareholders will benefit by moving to a PIMCO-only management structure due, in part, to the operational and administrative efficiencies that are expected to result from the transition. In coming to this conclusion, the Board and PIMCO considered, among other things, the following factors:

PIMCO can offer the Funds an integrated set of high-quality investment management, administrative and distribution/aftermarket support services under a single platform, which the Board and PIMCO believe will allow for greater efficiencies and enhanced coordination among various investment management and administrative functions.

The fund administration group at PIMCO, currently comprised of approximately 140 professionals worldwide, provides administrative services for approximately $860 billion in assets under management globally (as of October 31, 2013), including over 150 PIMCO open-end funds and exchange-traded funds (ETFs) which, like the Funds, are U.S. registered investment companies.

PIMCO has substantial prior experience in the administration of U.S. registered closed-end funds (including RCS and PCM prior to 2009).

The PIMCO fund administration group is well integrated with all critical functions related to the PIMCO funds business, including portfolio management, compliance, legal, accounting and tax, account management, marketing, shareholder communications/services and technology. The Board and PIMCO believe that the Funds and Shareholders will benefit by having all such services provided under one roof by the highly experienced team at PIMCO.

Consistent with the rationale behind the broader Allianz Global Investors/PIMCO restructuring mentioned above, the proposed PIMCO-only management structure for the Funds aligns with the two pillar approach adopted by Allianz with respect to other PIMCO and Allianz Global Investors products globally. In this regard, the Board and PIMCO believe that the change will facilitate clearer branding and marketing of the Funds and will help to avoid potential confusion among intermediaries, analysts and investors as to whether the Funds are PIMCO and/or Allianz Global Investors products.

The same investment professionals who are currently responsible for managing each Fund s portfolio will continue to do so following the proposed transition, and each Fund will continue to have the same investment objective(s) and policies following the transition.

Unified Fee. In addition to the expected benefits of the operational and administrative efficiencies described above, the Board and PIMCO also expect that the unified fee structure will provide benefits to the Common Shareholders, including, among others:

The unified fee structure provides a management fee (including Operating Expenses) structure that is essentially fixed, making it more predictable under ordinary circumstances in comparison to the current fee and expense rate structure, under which the Funds Operating Expenses (including certain third-party fees and expenses) not covered by the Current Agreements can vary over time.

The unified fee structure generally insulates the Funds and Common Shareholders from increases in applicable third-party and certain other expenses because PIMCO, rather than the Funds, would bear the risk of such increases (while at the same time PIMCO would benefit from any reductions in such expenses).

The unified fee structure limits the potential risk to the Funds Common Shareholders of increased expenses resulting from the constantly evolving regulatory environment.

In determining the proposed unified management fee rate to be paid to PIMCO by each Fund under the Proposed Agreement, PIMCO reviewed the Fund s total expenses, including its current contractual management fee and other expenses currently borne by the Fund outside of the applicable Current Agreement, and the Fund s leverage outstanding during calendar year 2013. Based on this review, PIMCO proposed a management fee rate that PIMCO estimates will result in the Fund s total expenses paid by Common Shareholders being lower under the Proposed Agreement than under the corresponding Current Agreement. PIMCO therefore estimates that the proposed new arrangement will result in an overall savings to Common Shareholders of each Fund under ordinary circumstances. The proposed fee rates are designed to allow the Funds and their Common Shareholders to share up front in operational efficiencies PIMCO will attempt to realize with respect to the Funds Operating Expenses as a result of the proposed transition. As discussed above in the Questions and Answers section, there is no assurance that a Fund s total expenses paid under the Proposed Agreement will not exceed what the Fund would incur under its Current Agreement in certain circumstances.

Description of the Current Agreements

AGIFM currently serves as the investment manager for each Fund pursuant to the applicable Current Agreement. The Board of each Fund (other than PDI and PCI), including a majority of the Independent Trustees/Directors of each Fund, most recently approved the continuation of each Fund s Current Agreement on June 25, 2013. The Current Agreement for PDI was last approved by the Board on March 10-11, 2014, and the Current Agreement for PCI was last approved by the Board on December 12, 2012. The following chart provides the date of the Current Agreement with respect to each Fund and the date such agreement was last submitted to such Fund s Shareholders for approval. The Current Agreement for each Fund (other than PCM and RCS) was last submitted to the Fund s sole initial Shareholder in connection with such Fund s organization. The Current Agreements for PCM and RCS were last submitted to Shareholders in connection with AGIFM becoming the investment manager of those Funds in 2008.

	Date of Current Agreement	Date Submitted to Shareholders
PTY	11/19/2002	12/16/2002
PCN	11/13/2001	12/13/2001
PCI	12/17/2012	01/25/2013
PDI	05/16/2012	05/23/2012
PGP	05/16/2005	05/23/2005
PHK	04/08/2003	04/08/2003
PKO	11/20/2007	12/20/2007
RCS	08/27/2008	08/27/2008
PCM	04/24/2008	04/23/2008
PCQ	06/20/2001	06/20/2001
PCK	06/18/2002	06/18/2002
PZC	09/17/2002	10/22/2002
PMF	06/20/2001	06/20/2001
PML	06/18/2002	06/18/2002
PMX	09/17/2002	10/22/2002
PNF	06/20/2001	06/20/2001
PNI	06/18/2002	06/18/2002
PYN	09/17/2002	10/22/2002

PIMCO formerly served as the investment manager to PCM and RCS pursuant to separate investment management agreements with those Funds. The investment management agreements between PIMCO and PCM and PIMCO and RCS were terminated on April 23, 2008 and June 10, 2008, respectively, in connection with AGIFM becoming the investment manager, and PIMCO becoming the sub-adviser, to those Funds. Between June 10, 2008 and August 27, 2008, AGIFM and PIMCO served as the investment manager and sub-adviser, respectively, to RCS pursuant to an interim investment management agreement and an interim portfolio management agreement, respectively.

Services. Under the terms of each Current Agreement, AGIFM, subject to the supervision of the Board, is obligated to furnish continuously an investment program for the applicable Fund, to make investment decisions on behalf of the applicable Fund, to place all orders for the purchase and sale of portfolio securities, and to provide administrative services reasonably necessary for the operation of the applicable Fund, including but not limited to furnishing office space and equipment, providing bookkeeping and clerical services (excluding determination of net asset value and shareholder accounting services) and paying all salaries, fees and expenses of the officers and Trustees/Directors of the applicable Fund who are affiliated with AGIFM. Each Current Agreement provides that AGIFM may alternatively, at its expense, select and contract with portfolio managers to perform investment management services for the applicable Fund, in which case the obligation of AGIFM under a Current Agreement with respect to the investment management of a Fund is to determine and review with the portfolio manager the investment policies of the Fund. In such cases, the portfolio manager shall have the obligation of furnishing continuously an investment program, making investment decisions and placing trades for the Fund, adhering to applicable investment objectives, policies and restrictions, and placing all orders for the purchase and sale of portfolio securities and other investments for the Fund. AGIFM (and not the Fund) is responsible for compensating any such portfolio manager under the Current Agreements. AGIFM, with the Board s approval, has entered into such agreements (*i.e.,* the Portfolio Management Agreements) with PIMCO with respect to each Fund, as discussed in more detail below.

Compensation. As compensation for AGIFM s services rendered, and for the facilities furnished and for the expenses borne by AGIFM, each Fund pays AGIFM a management fee under the applicable Current Agreement. The management fees are accrued daily and paid monthly, at the annual rates set forth in the table below.

	Annual Management Fee Rate Under each Current Agreement
PTY[1]	0.600%
PCN[1]	0.750%
PCI[2]	1.150%
PDI[2]	1.150%
PGP[3]	1.000%
PHK[1]	0.700%
PKO[4]	1.000%
RCS[1]	0.850%
PCM[4]	0.800%
PCQ[1]	0.650%
PCK[1]	0.650%
PZC[1]	0.650%
PMF[1]	0.650%
PML[1]	0.650%
PMX[1]	0.650%
PNF[1]	0.650%
PNI[1]	0.650%
PYN[1]	0.650%

1. Fees calculated based on the Fund s average daily net assets (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

2. Fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, dollar rolls, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements, dollar rolls and borrowings).

3. Fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any preferred shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings).

4. Fees calculated based on the Fund s average daily total managed assets, which means the total assets of the Fund (including assets attributable to any reverse repurchase agreements, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings).

In addition to the investment management fees paid by each Fund under its Current Agreement as described above, the Fund currently directly bears expenses for other administrative services and costs outside of its Current Agreement, including expenses associated with various third-party service providers, such as audit, custodial, legal, transfer agency, printing and other services required by the Funds. The fees and expenses for these services are currently included in each Fund s total expenses and are borne by the Common Shareholders of the Fund.

Term/Termination/Amendment. Each Current Agreement took full force and effect as to the applicable Fund for an initial two-year period, and has been subject thereafter to annual approval in accordance with the 1940 Act (*i.e.*, approval by the Board of Trustees/Directors, or a majority of the Fund s outstanding voting securities and, in either event, by the vote cast in person by a majority of the Independent Trustees/Directors). Each Current Agreement can also be terminated without penalty at any time (i) by the applicable Fund (either by vote of a majority of the Fund s outstanding voting securities or by vote of a majority of Trustees/Directors); or (ii) by AGIFM, in each case on 60 days written notice delivered to the other party. Additionally, each Current Agreement terminates automatically in the event of its assignment (as defined in the 1940 Act). A Current Agreement may not be materially amended unless such material amendment is approved at a meeting by the affirmative vote of a majority of the outstanding voting securities of the applicable Fund, and by the vote, cast in person at a meeting called for the purpose of voting on such approval, of a majority of the Independent Trustees/Directors of the applicable Fund.

If the Proposal is approved with respect to a Fund, the Fund s Current Agreement will be terminated in connection with the effectiveness of the Fund s Proposed Agreement.

Liability. Each Current Agreement provides that, in the absence of willful misfeasance, bad faith or gross negligence on the part of AGIFM, or reckless disregard of its obligations and duties under the applicable Current Agreement, AGIFM, including its officers, directors and partners, will not be subject to any liability to the applicable Fund, or to any shareholder, officer, partner or Trustee/Director thereof, for any act or omission in the course of, or in connection with, rendering services under such Current Agreement.

Description of the Portfolio Management Agreements

PIMCO currently serves as the sub-adviser of each Fund pursuant to the applicable Portfolio Management Agreement between AGIFM and PIMCO. If the Proposal is approved with respect to a Fund, the Fund s Portfolio Management Agreement will terminate in connection with the effectiveness of the Fund s Proposed Agreement and the Fund will no longer have a sub-adviser. It is expected that, following the approval of the Proposed Agreement, the same PIMCO investment professionals who are currently responsible for managing each Fund s portfolio will continue to do so in PIMCO s capacity as investment manager under the Proposed Agreement. For additional information regarding the terms of the Portfolio Management Agreements, please refer to Appendix B.

Description of the Proposed Agreement

At an in-person meeting held on March 10-11, 2014, the Board of each Fund, including the Independent Trustees/Directors, unanimously approved, subject to the approval of the Shareholders of the applicable Fund, the Proposed Agreement between the Fund and PIMCO, a form of which is attached to this Proxy Statement as Appendix A. The description of the Proposed Agreement below is qualified in its entirety by reference to the actual terms of the form of agreement in Appendix A.

Services. Pursuant to the Proposed Agreement, PIMCO shall provide to each Fund investment guidance and policy direction in connection with the management of the Fund, including oral and written research, analysis, advice and statistical and economic data and information. Consistent with the investment objective(s), policies and restrictions applicable to each Fund, PIMCO will determine the securities and other assets to be purchased or sold or other techniques to be utilized (including, but not limited to, the incurrence of leverage and securities lending) by the Fund and will determine what portion of the Fund shall be invested in securities or other assets, and what portion, if any, should be held uninvested. Under the Proposed Agreement, each Fund will have the benefit of the investment analysis and research, the review of current economic conditions and trends and the consideration of long-range investment policy generally available to investment advisory clients of PIMCO. If the Proposed Agreement is approved, PIMCO intends for the same teams of investment professionals to continue to manage each Fund s investment portfolio and, as such, it is not expected that the day-to-day portfolio management services provided to the Funds will change. Unlike the Current Agreements, the Proposed Agreement does not contemplate that PIMCO will select and contract with third-party portfolio managers for the Funds.

In addition, under the terms of the Proposed Agreement, subject to the general supervision of the Board of Trustees/Directors, PIMCO shall provide or cause to be furnished all supervisory and administrative and other services reasonably necessary for the operation of each Fund, including but not limited to the following:

- the supervision and coordination of matters relating to the operation of each Fund, including any necessary coordination among the custodian, transfer agent, dividend disbursing agent, and recordkeeping agent (including pricing and valuation of the Fund), accountants, attorneys, auction agents and other parties performing services or operational functions for each Fund;

- the provision of adequate personnel, office space, communications facilities, and other facilities necessary for the effective supervision and administration of each Fund, as well as the services of a sufficient number of persons competent to perform such supervisory and administrative and clerical functions as are necessary for compliance with federal securities laws and other applicable laws;

- the maintenance of the books and records of each Fund;

- the preparation of all federal, state, local and foreign tax returns and reports for each Fund;