



December 23, 2003

Mr. Jonathan G. Katz  
Secretary of the Security Exchange Commission  
450 Fifth Street, NW  
Washington DC 20549-0609



Re: File No. S7-12-03  
Mutual fund "purchase" and "redemption" fees

Dear Mr. Katz:

My firm is a fee-only registered investment advisor that uses Schwab for custody of our client assets.

Through our due diligence process, we recently added a new fund to our recommended list, PIMCO Tax Efficient Structured Emerging Markets fund (ticker: PEFIX). We used our Morningstar Principia Pro software to do our initial quantitative screening which included data points such as return, Sharpe ratios, expense ratios and others. The PIMCO fund showed as an impressive fund with an expense ratio well below the Morningstar category average (0.95% versus 1.80% for the average emerging markets mutual fund). Further, we checked with Schwab to verify if there were any transaction fees, loads or redemption fees on the fund. We did recognize that there was a 1% redemption fee on the fund, however, it has been our experience that many funds charge redemption fees in an attempt to deter market timers. However, these redemption fees generally disappear after a certain amount of time (i.e. 90 days, 180 days, etc).

After reading the prospectus, we uncovered that the fund company assesses a 1% fee upon purchase and a 1% redemption fee that never "goes away". Apparently, this fee is not described as a "load" but as a fee to curtail trading costs associated with the purchase and redemption of shares (as to not subject existing shareholders to costs associated with mutual fund cash in-flows and out-flows). While I understand the rationale for the fee, I also find that the way it is communicated to investors is somewhat misleading. Since this fee is not classified as a load, it is not reported by 3<sup>rd</sup> party mutual fund databases such as Morningstar or Lipper. Therefore, for example, Morningstar does not list the 1% under "deferred load" or "front-end fee" nor does it calculate a "load-adjusted return". The fee is simply not reported in any data point for which Morningstar gathers.

I find this misleading on the part of the mutual fund company since, although it does properly disclose this information in its prospectus, it does not disclose all the costs to mutual fund reporting agencies such as Morningstar upon which investors rely so heavily. Therefore, it is difficult for an investor to make an apples-to-apples comparison of this fund compared to other emerging markets funds.

**As** a co-worker said to me, if it looks like a duck and sounds like a duck, it probably is a duck. If it looks like a load, smells like a load, it probably is a load. Although I understand

the rationale for the purchase and redemption fees (to defray costs, thereby insulating existing shareholders from such costs associated with purchases and redemptions), but I find it difficult to make a fair and accurate comparison between funds since the purchase and redemption fee is not included in any “load-adjusted” return calculations nor the reported expense ratio. Investors should have the tools necessary to evaluate all costs associated with a mutual fund as it compares to other mutual funds, benchmarks and mutual fund category averages, so that they can make informed decisions.

Thank you for your time.

Sincerely,

STONE CARLIE WEALTH ADVISORS, LLC

A handwritten signature in black ink, appearing to read "Amy S. Born". The signature is fluid and cursive, with the first name "Amy" and last name "Born" clearly legible.

**Amy S. Born**  
Manager

# PIMCO PPA Tax-Efficient Structured Emerging Markets Fund

Ticker Symbols:  
PEFIX (Inst. Class)  
N/A (Admin. Class)

<b>Principal Investments and Strategies</b>	<b>Investment Objective</b> Seeks long-term growth of capital; the Fund also seeks to achieve superior after-tax returns for its shareholders by using a variety of tax-efficient management strategies	<b>Fund Focus</b> Common stocks of emerging market issuers	<b>Approximate Capitalization Range</b> All capitalizations
		<b>Approximate Number of Holdings</b> More than 300	<b>Dividend Frequency</b> At least annually

The Fund seeks to achieve its investment objective by normally investing at least 80% of its assets in common stocks of companies located in, or whose principal business operations are based in, emerging markets. The Fund is normally exposed to roughly 20 emerging market countries and invests in more than 300 stocks. The Fund invests most of its assets in foreign securities which trade primarily in currencies other than the U.S. dollar and may also invest directly in foreign currencies.

The Fund considers emerging market issuers to be issuers that are members of the International Finance Corporation's Investable Composite Index or the MSCI Emerging Markets Free Index. The portfolio managers may identify other emerging market countries on the basis of market capitalization and liquidity, as well as their inclusion (or consideration for inclusion) as emerging market countries in other broad-based market indexes.

The portfolio managers follow a disciplined and systematic investment process that emphasizes diversification and fairly consistent allocation among countries, industries and issuers. They select countries based on factors such as level of economic development (with emphasis on GNP per capita and local economic diversification) and the maturity of equity markets in the country (with emphasis on freedom of investment flows and development of legal, regulatory, banking and settlement systems). They assign equal weight to most countries represented in the portfolio unless the size of a country's equity market is prohibitive. Countries with smaller equity markets (*i.e.*, less than \$5 billion of market capitalization) are assigned one-half the weight of countries with larger equity markets. The portfolio managers divide all issuers in each eligible country into the following five broad economic sector groups: financial, industrial, consumer, utilities and natural resources. The Fund attempts to maintain exposure across all five sectors in each country. The portfolio managers purchase and sell individual stocks based on such factors as liquidity, industry representation, performance relative to industry and long-term profitability. A stock may also be sold when the portfolio managers believe its relative weighting in the portfolio has become excessive.

Aside from certain cash management practices, the Fund intends to invest substantially all of its assets in common stocks and other equity and equity-linked securities (including preferred stocks and convertible securities) and will not make defensive investments in response to unfavorable market and other conditions. The Fund may use derivatives.

**Tax-Efficient Strategies.** The portfolio managers utilize a range of active tax management strategies designed to minimize the Fund's taxable distributions, including low portfolio turnover and favoring investments in low-dividend, growth-oriented companies. The portfolio managers also identify specific shares of stock to be sold that have the lowest tax cost. When prudent, stocks are also sold to realize capital losses in order to offset realized capital gains. In limited circumstances, the Fund may also distribute appreciated securities to shareholders to meet redemption requests so as to avoid realizing capital gains. Despite the use of these tax-efficient strategies, the Fund may realize gains and shareholders will incur tax liability from time to time.

<b>Principal Risks</b>	Among the principal risks of investing in the Fund, which could adversely affect its net asset value, yield and total return, are:		
	<ul style="list-style-type: none"> <li>• Foreign Investment Risk</li> <li>• Emerging Markets Risk</li> <li>• Currency Risk</li> <li>• Market Risk</li> <li>• Issuer Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Value Securities Risk</li> <li>• Growth Securities Risk</li> <li>• Smaller Company Risk</li> <li>• Liquidity Risk</li> <li>• Derivatives Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Focused Investment Risk</li> <li>• Leveraging Risk</li> <li>• Credit Risk</li> <li>• Management Risk</li> </ul>

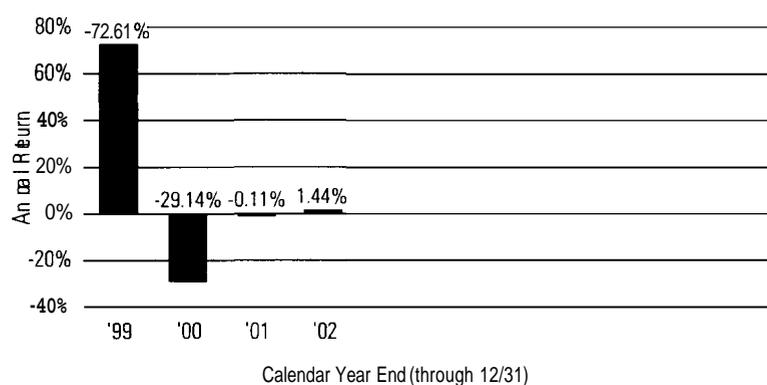
Please see "Summary of Principal Risks" following the Fund Summaries for a description of these and other risks of investing in the Fund.

## PIMCO PPA Tax-Efficient Structured Emerging Markets Fund (continued)

### Performance Information

Shown below is summary performance information for the Fund in a bar chart and an Average Annual Total Returns table. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund's average annual returns compare with the returns of a broad-based securities market index and an index of similar funds. The bar chart and the information to its right show performance of the Fund's Institutional Class shares, but the returns do not reflect the impact of a 1.00% Fund Reimbursement Fee charged both at the time of purchase and at the time of redemption. If they did, the returns would be lower than those shown. The Fund's Administrative Class shares were not outstanding during the periods shown. Performance information shown in the Average Annual Total Returns table for Administrative Class shares is based on the performance of the Fund's Institutional Class shares, adjusted to reflect the actual distribution and/or service (12b-1) fees and other expenses paid by Administrative Class shares. Unlike the bar chart, performance figures for Institutional Class and Administrative Class shares in the Average Annual Total Returns table reflect the impact of Fund Reimbursement Fees. The Fund's past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.

#### Calendar Year Total Returns — Institutional Class



#### More Recent Return Information

1/1/03-9/30/03 **23.13%**

#### Highest and Lowest Quarter Returns (for periods shown in the bar chart)

Highest (2nd Qtr. '99) **32.11%**

Lowest (3rd Qtr. '01) **-16.56%**

#### Average Annual Total Returns (for periods ended 12/31/02)

	1 Year	Fund Inception (6/30/98) <sup>(4)</sup>
Institutional Class — Before Taxes <sup>(1)</sup>	<b>-0.56%</b>	<b>3.18%</b>
Institutional Class — After Taxes on Distributions <sup>(1)</sup>	<b>4.97%</b>	<b>2.54%</b>
Institutional Class — After Taxes on Distributions and Sale of Fund Shares <sup>(1)</sup>	<b>-0.35%</b>	<b>226%</b>
Administrative Class	<b>4.81%</b>	<b>291%</b>
IFC Investable Composite Index <sup>(2)</sup>	3.93%	0.61%
Lipper Emerging Markets Fund Average <sup>(3)</sup>	-5.07%	-0.92%

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

(2) The IFC Investable Composite Index is an unmanaged index representing the movements of stock prices and total returns in emerging stock markets taking into consideration foreign investment restrictions and stock screening for minimum size and liquidity. It is not possible to invest directly in the index.

(3) The Lipper Emerging Markets Fund Average is a total return performance average of funds tracked by Lipper, Inc. that have an investment objective of long-term capital appreciation through investing at least 65% of their total assets in "emerging markets" (as determined by a country's GNP per capita or other economic measures) securities. It does not take into account sales charges.

(4) The Fund began operations on 6/30/98. Index comparisons begin on 6/30/98.

## PIMCO PPA Tax-Efficient Structured Emerging Markets Fund *(continued)*

### Fees and Expenses of the Fund

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

**Shareholder Fees (fees paid directly from your investment)** None

**Fund Reimbursement Fee (as a percentage of offering or exchange price or amount redeemed)** 1.00%\*

- \* Unless a waiver applies, you will be charged a "Fund Reimbursement Fee" when you purchase, sell (redeem) or exchange Institutional Class or Administrative Class shares of the Fund. The fee will be equal to 1.00% of the net asset value of the shares purchased, redeemed or exchanged. Fund Reimbursement Fees are paid to and retained by the Fund and are not sales charges (loads). See "Purchases, Redemptions and Exchanges—Fund Reimbursement Fees."

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

Share Class	Advisory Fees	Distribution and/or Service (12b-1) Fees	Other Expenses <sup>(1)</sup>	Total Annual Fund Operating Expenses
Institutional	0.45%	None	0.56%	1.01%
Administrative	0.45	0.25%	0.56	1.26

(1) Other Expenses reflects a 0.50% Administrative Fee and 0.06% in tax and trustees' expenses paid by the Institutional Class during the most recent fiscal year and estimated to be attributable to Administrative Class shares.

**Examples.** The Examples below are intended to help you compare the cost of investing in Institutional Class or Administrative Class shares of the Fund with the costs of investing in other mutual funds. The Examples assume that you invest \$10,000 in the noted class of shares for the time periods indicated. The Examples also assume that your investment has a 5% return each year, the reinvestment of all dividends and distributions, and the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, the Examples show what your costs would be based on these assumptions.<sup>1</sup>

Assuming you redeem your shares at the end of each period.

Share Class	Year 1	Year 3	Year 5	Year 10
Institutional	\$305	\$530	\$773	\$1,470
Administrative	330	606	904	1,750

Assuming you do not redeem your shares.

Share Class	Year 1	Year 3	Year 5	Year 10
Institutional	\$202	\$418	\$652	\$1,324
Administrative	227	496	785	1,607

- \* The Examples assume the payment of a 1.00% Fund Reimbursement Fee both at the time of purchase and at the time of redemption even though such fees may be waived for certain investors. See "Purchases, Redemptions and Exchanges—Fund Reimbursement Fees."

An investor may purchase shares without first wiring federal funds if the proceeds of the investment are derived from an advisory account the investor maintains with the Adviser or one of its affiliates, from surrender or other payment from an annuity, insurance, or other contract held by Pacific Life Insurance Company LLC, or from an investment by broker-dealers, institutional clients or other financial intermediaries which have established a shareholder servicing relationship with the Trust on behalf of their customers.

• **Additional Investments.** An investor may purchase additional Institutional Class and Administrative Class shares of the Funds at any time by calling the Trust and wiring federal funds to the Transfer Agent as outlined above.

• **Other Purchase Information.** Purchases of a Fund's Institutional Class and Administrative Class shares will be made in full and fractional shares. In the interest of economy and convenience, certificates for shares will not be issued.

The Trust and the Distributor each reserves the right, in its sole discretion, to suspend the offering of shares of the Funds or to reject any purchase order, in whole or in part, when, in the judgment of management, such suspension or rejection is in the best interests of the Trust.

An investor should invest in the Funds for long-term investment purposes only. The Trust and the Adviser each reserves the right to restrict purchases of Fund shares (including exchanges) when a pattern of frequent purchases and sales made in response to short-term fluctuations in share price appears evident. Notice of any such restrictions, if any, will vary according to the particular circumstances.

Institutional Class and Administrative Class shares of the Trust may not be qualified or registered for sale in all states. Investors should inquire as to whether shares of a particular Fund are available for offer and sale in the investor's state of residence. Shares of the Trust may not be offered or sold in any state unless registered or qualified in that jurisdiction or unless an exemption from registration or qualification is available.

Subject to the approval of the Trust, an investor may purchase shares of a Fund with liquid securities that are eligible for purchase by the Fund (consistent with the Fund's investment policies and restrictions) and that have a value that is readily ascertainable in accordance with the Trust's valuation policies. These transactions will be effected only if the Adviser or a Sub-Adviser intends to retain the security in the Fund as an investment. Assets purchased by a Fund in such a transaction will be valued in generally the same manner as they would be valued for purposes of pricing the Fund's shares, if such assets were included in the Fund's assets at the time of purchase. The Trust reserves the right to amend or terminate this practice at any time.

• **Retirement Plans.** Shares of the Funds are available for purchase by retirement and savings plans, including Keogh plans, 401(k) plans, 403(b) custodial accounts, and Individual Retirement Accounts. The administrator of a plan or employee benefits office can provide participants or employees with detailed information on how to participate in the plan and how to elect a Fund as an investment option. Participants in a retirement or savings plan may be permitted to elect different investment options, alter the amounts contributed to the plan, or change how contributions are allocated among investment options in accordance with the plan's specific provisions. The plan administrator or employee benefits office should be consulted for details. For questions about participant accounts, participants should contact their employee benefits office, the plan administrator, or the organization that provides recordkeeping services for the plan. Investors who purchase shares through retirement plans should be aware that plan administrators may aggregate purchase and redemption orders for participants in the plan. Therefore, there may be a delay between the time the investor places an order with the plan administrator and the time the order is forwarded to the Transfer Agent for execution.

• **Fund Reimbursement Fees.** Investors in Institutional Class and Administrative Class shares of the PPA Tax-Efficient Structured Emerging Markets Fund are subject to a "Fund Reimbursement Fee," both at the time of purchase and at the time of redemption, equal to 1.00% of the net asset value of the shares purchased or redeemed. Fund Reimbursement Fees are not paid separately, but are deducted automatically from the amount invested or the amount to be received in connection with a redemption. Fund Reimbursement Fees are paid to and retained by the Funds to defray certain costs described below and are not paid to or retained by the Adviser, the Fund's Sub-Adviser, or the Distributor. Fund Reimbursement Fees are not sales loads or contingent deferred sales charges. Reinvestment of dividends and capital gains distributions paid to shareholders by the Funds are not subject to Fund Reimbursement Fees, but redemptions and exchanges of shares acquired by these reinvestments are subject to Fund Reimbursement Fees unless a waiver applies.

The purpose of the Fund Reimbursement Fees is to defray the costs associated with investing the proceeds of the sale of the Fund's shares (in the case of purchases) or the costs associated with the sale of portfolio securities to satisfy redemption requests (in the case of redemptions), thereby insulating existing shareholders from such costs. The amount of a Fund Reimbursement Fee represents the Sub-Adviser's estimate of the costs reasonably anticipated to be incurred by the Funds in connection with the purchase or sale of portfolio securities, including international stocks, associated with an investor's purchase or redemption. These costs include brokerage costs, market impact costs (i.e., the increase

in market prices which may result when a Fund purchases or sells thinly traded stocks) and the effect of "bid/asked" spreads in international markets. Transaction costs incurred when purchasing or selling stocks of companies in foreign countries, and particularly emerging market countries, may be significantly higher than those in more developed countries. This is due, in part, to less competition among brokers, underutilization of technology on the part of foreign exchanges and brokers, the lack of less expensive investment options (such as derivative instruments) and lower levels of liquidity in foreign and underdeveloped markets.

**Waiver of Fund Reimbursement Fees.** Former participants in the Parametric Portfolio Associates Emerging Markets Trust will not be subject to Fund Reimbursement Fees with respect to any shares of the PPA Tax-Efficient Structured Emerging Markets Fund they acquired through June 30, 1998, and will not be subject to Fund Reimbursement Fees upon the subsequent redemption (including any redemption in connection with an exchange) of any shares acquired by any such participant through June 30, 1998. Such participants will be subject to such Fund Reimbursement Fees to the same extent as any other shareholder on any shares of the Fund acquired (whether by reinvestment of dividends or capital gain distributions or otherwise) after June 30, 1998.

• **Redemption Fees.** Investors in Institutional Class and Administrative Class shares of the Funds (except the PPA Tax-Efficient Structured Emerging Markets Fund) will be subject to a "Redemption Fee" on redemptions and exchanges of 2.00% (1.00% until the close of business on February 6, 2004) of the net asset value of the shares redeemed or exchanged. Redemption Fees will only be charged on shares redeemed or exchanged within 60 days of their acquisition (*i.e.*, beginning on the 61st day after their acquisition, such shares will no longer be subject to the Redemption Fee), including shares acquired through exchanges. A new 60 day time period begins with each acquisition of shares through a purchase or exchange. For example, a series of transactions in which shares of Fund A are exchanged for shares of Fund B 40 days after the purchase of the Fund A shares, followed in 40 days by an exchange of the Fund B shares for shares of Fund C, will be subject to two redemption fees (one on each exchange). In determining whether a redemption fee is payable, the first-in first-out, or "FIFO," method will be used to determine which shares are being redeemed. The Redemption Fees may be waived for certain categories of investors, as described below.

Redemption Fees are not paid separately, but are deducted automatically from the amount to be received in connection with a redemption or exchange. Redemption Fees are paid to and retained by the Funds to defray certain costs described below and are not paid to or retained by the Adviser, the Fund's Sub-Adviser, or the Distributor. Redemption Fees are not sales loads or contingent deferred sales charges. Redemptions and exchanges of shares acquired through the reinvestment of dividends and distributions are not subject to Redemption Fees.

The purpose of the Redemption Fees is to defray the costs associated with the sale of portfolio securities to satisfy redemption and exchange requests made by "market timers" and other short-term shareholders, thereby insulating longer-term shareholders from such costs. The amount of a Redemption Fee represents the Adviser's estimate of the costs reasonably anticipated to be incurred by the Funds in connection with the purchase or sale of portfolio securities, including international stocks, associated with an investor's redemption or exchange. These costs include brokerage costs, market impact costs (*i.e.*, the increase in market prices which may result when a Fund purchases or sells thinly traded stocks) and the effect of "bid/asked" spreads in international markets. Transaction costs incurred when purchasing or selling stocks of companies in foreign countries, and particularly emerging market countries, may be significantly higher than those in more developed countries. This is due, in part, to less competition among brokers, underutilization of technology on the part of foreign exchanges and brokers, the lack of less expensive investment options (such as derivative instruments) and lower levels of liquidity in foreign and underdeveloped markets.

**Waiver of Redemption Fees.** Redemptions and exchanges by shareholders that are investing through qualified retirement plans such as 401(k) plans will not be subject to the Redemption Fee. In addition, redemptions and exchanges by shareholders that are investing through financial institutions (for example, through broker-dealer omnibus accounts) that have not agreed to assess the Redemption Fees against such shareholders will not be subject to Redemption Fees. The Redemption Fee is also waived for transactions by the PIMCO Asset Allocation Fund. The Trust may waive the Redemption Fee in other circumstances. The Trust reserves the right to modify or eliminate Redemption Fee waivers at any time.

#### Redeeming Shares

• **Redemptions by Mail.** An investor may redeem (sell) Institutional Class and Administrative Class shares by submitting a written request to PIMCO Funds at 840 Newport Center Drive, Newport Beach, California 92660. The redemption request should state the Fund from which the shares are to be redeemed, the class of shares, the number or dollar amount of the shares to be redeemed and the account number. The request must be signed exactly as the names of the registered owners appear on the Trust's account records, and the request must be signed by the minimum number of persons designated on the Client Registration Application that are required to effect a redemption.

• **Redemptions by Telephone or Other Wire Communication.** An investor that elects this option on the Client Registration Application (or subsequently in writing) may request redemptions of shares by calling the Trust at 1-800-927-4648, by sending a facsimile to 1-949-725-6830, by sending an e-mail to [shareholder.services@pimco.com](mailto:shareholder.services@pimco.com) or