

# PACE Government Securities Fixed Income Investments

Morningstar Rating™ ★★★★★

(Overall Rating of 1,786 Domestic Taxable Bond Funds—  
Class P Shares as of 3/31/01)

## Quarterly Review

### Investment Objective

Current income

### Investment Strategy

Pacific Investment Management Company, LLC (PIMCO), the investment advisor, establishes duration targets for the Portfolio based on its expectations for changes in interest rates and then positions the Portfolio to take advantage of yield curve shifts. PIMCO decides to buy or sell specific bonds based on analysis of their values relative to other similar bonds.

The Portfolio invests primarily in mortgage-backed securities issued or guaranteed by U.S. government agencies and in other U.S. government securities of varying maturities, but normally limits its portfolio “duration” between one and seven years. “Duration” is a measure of the Portfolio’s exposure to interest rate risk. A longer duration means that changes in market interest rates are likely to have a larger effect on the value of the assets in the Portfolio.

### PORTFOLIO OVERVIEW *as of March 31, 2001*

#### Portfolio Manager (Tenure)/Advisor:

Scott Mather (*since November 1999*), Pacific Investment Management Company

**Dividend Payment:** Monthly

**Total Net Assets:** \$616.1 million

**Weighted Average Maturity:**<sup>2</sup> 6.25 years

**Weighted Average Duration:**<sup>2</sup> 3.58 years

**Weighted Average Life:**<sup>2</sup> 6.25 years

**Weighted Average Coupon:**<sup>2</sup> 6.22%

**Credit Quality:**<sup>2</sup> AAA

### MORNINGSTAR STYLE BOX

Fixed Income			
Short	Int	Long	
	■		High
			Medium
			Low

Source: Morningstar, Inc.; as of 3/31/01. The Fixed-Income Style Box placement is based on a fund’s average effective maturity or duration and the average credit rating of the bond portfolio. “High-quality” funds are those with an average credit rating of AA or higher. “Intermediate-term” funds are bond portfolios with duration (a measure of a bond fund’s interest-rate sensitivity) between 3.5 and six years. The Style Box does not necessarily represent an exact assessment of the Portfolio’s investment strategies; for more information, see the Portfolio’s current prospectus. Style box placement may vary over different time periods.

### PERFORMANCE<sup>1</sup>

	YTD	AVERAGE ANNUAL RETURN			
		1 Yr	3 Yrs	5 Yrs	Life
<b>Class A at NAV</b>	N/A	N/A	N/A	N/A	1.4%*
<i>after max. sales charge</i>	N/A	N/A	N/A	N/A	-2.7*
<b>Class B at NAV</b>	3.7%	N/A	N/A	N/A	4.0*
<i>after max. sales charge</i>	-1.3	N/A	N/A	N/A	-1.0*
<b>Class C at NAV</b>	3.7	N/A	N/A	N/A	5.2*
<i>after max. sales charge</i>	3.0	N/A	N/A	N/A	4.4*
<b>Class P at NAV</b>	3.9	13.2%	7.1%	7.5%	7.3
<i>after max. program fee</i>	3.5	11.5	5.5	5.9	5.7
<b>Lehman Brothers Mortgage-Backed Securities Index</b>	2.7	12.6	7.0	7.6	—
<b>Lipper Intermediate US Gov’t Median</b>	2.6	11.5	6.0	6.4	6.3
<b># Funds in Group</b>	—	126	109	86	81
<b>Quartile Ranking (P)</b>	—	1	1	1	1

\* Represents Total Return

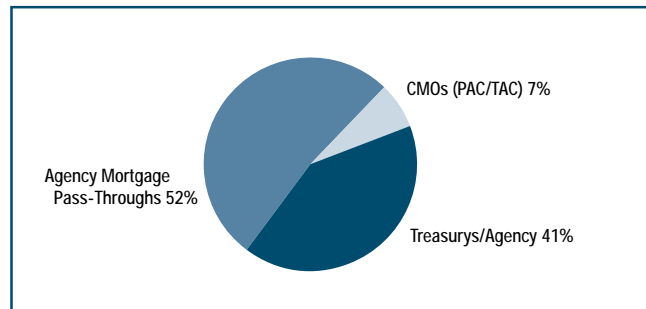
**PRICE AND DISTRIBUTION HISTORY**

	Class A	Class B	Class C	Class P
Net Asset Value	\$12.70	\$12.70	\$12.70	\$12.70
Quarterly NAV Change	N/A	↑ \$ 0.27	↑ \$ 0.27	↑ \$ 0.27
SEC 30-Day Yield <sup>3</sup>	6.30%	5.78%	6.05%	6.90%
Last Dividend paid 3/01	\$ 0.0732	\$ 0.0649	\$ 0.0676	\$ 0.0760
Last 12-month Dividend	\$ 0.1294	\$ 0.2591	\$ 0.2609	\$ 0.9031

**FUND INCEPTION AND SYMBOLS**

	Class A	Class B	Class C	Class P
Inception Date	1/31/01	12/18/00	12/4/00	8/24/95
Wall Street Journal Symbol	N/A	N/A	N/A	N/A
Billing Symbol	MFPWEA	MFPWEB	MFPWEC	MFPCGT
Quotron Symbol	PFXAX	PFXBX	PFXCX	PCGTX

**ASSET ALLOCATION<sup>2</sup>**



**Special Considerations**

The Portfolio may be appropriate for long-term investors seeking current income who are able to withstand short-term fluctuations in the fixed income markets in return for potentially high returns over the long term. The yield and value of the Portfolio change every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the issuers in which the Portfolio invests. It is important to note that an investment in the Portfolio is only one component of a balanced investment plan.

**For More Information**

For more information on PACE Government Securities Fixed Income Investments, contact your Financial Advisor. He or she can send you a current prospectus, which includes a discussion of risks, all charges, expenses and other matters of interest. Please read it carefully before investing; it is important you have all the information you need to make a sound investment decision.

Morningstar Note: Morningstar proprietary ratings reflect historical risk-adjusted performance as of March 31, 2001. The Fund's Class P three- and five-year rating (which are used to calculate the overall rating) was five stars against 1,786 and 1,319 domestic taxable bond funds, respectively. While all classes have a common portfolio, ratings for other classes may vary. Ratings may change monthly based on new data. Morningstar ratings are calculated from the Fund's three-, five- and ten-year average annual returns (if available) in excess of 90-day Treasury bill returns with appropriate fee adjustments and a risk factor that reflects the Fund's performance below 90-day Treasury bill returns. The top 10% of funds in an investment category receive a five-star rating, the next 22.5% receive a four-star rating, the next 35% receive a three-star rating, the next 22.5% receive a two-star rating, and the bottom 10% receive a one-star rating. The performance data quoted represents past performance and does not guarantee future results.

1. As of March 31, 2001. Lipper Peer Groups, Fund rankings and comparative indices are calculated by Lipper Inc.; used with permission. Lipper Quartile Ranking: 1-Top 25% 4-Bottom 25%. The Lipper Median is the return of the fund that places in the middle of the peer group. Rankings for other classes may vary. Performance is historical and does not represent future performance. Performance figures represent the Portfolio's Class A, Class B, Class C and Class P shares. Prior to December 4, 2000, Class P shares were the only shares outstanding during the periods shown. The Lipper Peer Group Median return for the life of the Fund is calculated based on Class P shares of PACE Government Securities Fixed Income Investments. Performance would be different for other share classes, which have applicable sales charges and higher expenses.

The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance results assume reinvestment of all dividends and capital gains. The maximum program fee for the Class P shares is 1.50%. Class A shares are subject to a maximum 4.0% initial sales charge, plus an ongoing 12b-1-service fee of 0.25%. There is a 1% contingent deferred sales charge ("CDSC") for redemptions of purchases of \$1 million or more made within one year. Class B shares are not subject to an initial sales charge. However, they are subject to a maximum CDSC of 5%, which generally declines by 1% over 6 years, and ongoing 12b-1 service and distribution fees. Class B shares convert into Class A shares after 6 years. Class C shares are subject to a 0.75% CDSC on redemptions made within one year of purchase and ongoing 12b-1 service and distribution fees. Class C shares are not subject to an initial sales charge.

The inception date for the PACE Portfolio was August 24, 1995.

2. As of March 31, 2001. Portfolio is actively managed and its composition will differ over time.

3. As of March 31, 2001. Prices and yields will fluctuate. The Fund's SEC yield represents its investment income net of expenses and is expressed as an annualized percentage of the maximum offering price.