

PIMCO COMMERCIAL MORTGAGE SECURITIES TRUST INC

Form N-CSR

March 08, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number: 811-07816

PIMCO Commercial Mortgage Securities Trust, Inc.

(Exact name of registrant as specified in charter)

840 Newport Center Drive, Newport Beach, CA 92660

(Address of principal executive offices)

John P. Hardaway

Treasurer

PIMCO Funds

840 Newport Center Drive

Newport Beach, CA 92660

(Name and address of agent for service)

Copies to:

Brendan Fox

Dechert LLP

1775 I Street, N.W.

Washington, D.C. 20006

Registrant's telephone number, including area code: (866) 746-2606

Date of fiscal year end: December 31

Date of reporting period: January 1, 2006 – December 31, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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Item 1. Reports to Shareholders.

The following is a copy of the report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30e-1).

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Pacific Investment Management Company LLC (PIMCO), an investment adviser with in excess of \$667 billion of assets under management as of December 31, 2006, is responsible for the management and administration of the PIMCO Commercial Mortgage Securities Trust, Inc. (the Fund). Founded in 1971, PIMCO manages assets on behalf of mutual fund and institutional clients located around the world. Renowned for its fixed-income management expertise, PIMCO manages assets for many of the largest corporations, foundations, endowments and governmental bodies in the United States and the world.

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Chairman's Letter

Dear PIMCO Commercial Mortgage Securities Trust, Inc., Shareholder:

It is our pleasure to present to you the annual report for the PIMCO Commercial Mortgage Securities Trust, Inc. (the Fund), covering the fiscal year ended December 31, 2006.

For the twelve-month reporting period, the Fund outperformed its benchmark on both a share price and net asset value performance basis. The Fund returned 11.17% based on its NYSE share price and 9.17% based on its net asset value during the year. In comparison, the benchmark Lehman Brothers Aggregate Bond Index, which includes Treasury, investment-grade corporate and mortgage-backed securities, returned 4.33% during the same period. On December 31, 2006, the Fund's net assets stood at \$134.2 million.

Highlights of the financial markets during the reporting period include:

- n During 2006, most bond markets struggled in the first half of the year as the Federal Reserve raised the Federal Funds Rate four times to an eventual rate of 5.25% and inflation pressures increased due to rising oil prices. However, during the second half of the year, the economic backdrop was more benign and the Federal Reserve decided to keep the Federal Funds Rate steady, citing declines in housing activity and energy prices as the primary reasons for keeping the Federal Funds Rate unchanged. Towards the end of the reporting period, investor confidence in a continued softening of the economy was dampened by strength in retail sales, lower gasoline prices and higher-than expected housing starts. As a result, interest rates trended upward as 2006 came to a close.
- n The yield on the benchmark ten-year Treasury, increased by 0.31% to end the period at 4.70%.

In these pages please find a more complete Fund review as it relates to financial-market activities, as well as details about total return investment performance for the twelve-month reporting period.

If you have any questions regarding your Fund investment, please contact us at 1-866-746-2606. Additionally, please visit the Fund's website at www.pcmfund.com. Thank you for the trust you have placed in us. We will continue to work diligently to meet your investment needs.

Sincerely,

Brent R. Harris

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Chairman, PIMCO Commercial Mortgage Securities Trust, Inc.

January 31, 2007

Annual Report December 31, 2006

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Important Information About the Fund

The Fund is a non-diversified, closed-end bond fund that trades on the New York Stock Exchange under the symbol PCM. Formed in 1993, the Fund's primary investment objective is to achieve high current income by investing in a portfolio comprised primarily of commercial mortgage-backed securities. These securities are fixed income instruments representing an interest in mortgage loans on commercial real estate properties such as office buildings, shopping malls, hotels, apartment buildings, nursing homes and industrial properties. Capital gains from the disposition of investments is a secondary objective of the Fund.

Summary of Risks

We believe that bond funds have an important role to play in a well diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a fund are likely to decrease in value. The price volatility of fixed-income securities can also increase during periods of rising interest rates resulting in increased losses to a fund. Bond funds and individual bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations.

The Fund may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: mortgage risk, prepayment risk, real rate risk, derivative risk, small company risk, non-U.S. security risk, high yield security risk and specific sector investment risks. The Fund may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, leveraging risk and the risk that the Fund could not close out a position when it would be most advantageous to do so. The Fund's investments in derivatives could result in losses greater than the principal amount. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments; this risk may be enhanced when investing in emerging markets. High-yield bonds typically have a lower credit rating than other bonds. Lower rated bonds generally involve a greater risk to principal than higher rated bonds. Smaller companies may be more volatile than larger companies and may entail more risk. Concentrating investments in individual sectors, such as the real estate sector, may add additional risk and volatility compared to a diversified portfolio. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio.

An investment in the Fund is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. It is possible to lose money on an investment in the Fund.

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Sarbanes-Oxley Act and Other Information Available to Shareholders

PIMCO has adopted written proxy voting policies and procedures (Proxy Policy) as required by Rule 206(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Fund as the policies and procedures that PIMCO will use when voting proxies on behalf of the Fund. Copies of the written Proxy Policy and the factors that PIMCO may consider in determining how to vote proxies for the Fund, and information about how the Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Fund at 1-866-746-2606 and on the Securities Exchange Commission's (SEC) web site at <http://www.sec.gov>. The Fund's proxy voting record is also available on the Fund's web site at <http://www.pcmfund.com>.

The Fund files a complete schedule of its portfolio holdings with the SEC on Form N-Q for the first and third quarters of each fiscal year, which are available on the SEC's web site at <http://www.sec.gov>. A copy of the Fund's Form N-Q is available without charge, upon request, by calling the Fund at 1-866-746-2606 or visiting our web site at <http://www.pcmfund.com>. In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Holdings are subject to change daily.

On May 5, 2006, the Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting, as applicable.

Fund Benchmark

Lehman Brothers Aggregate Bond Index represents securities that are SEC-registered, taxable, and U.S. dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in this index.

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Fund Summary PIMCO Commercial Mortgage Securities Trust, Inc.

Objective: The Fund's primary investment objective is to achieve high current income, with capital gains from the disposition of investments as a secondary objective.

Primary Investments: Commercial mortgage-backed securities

Inception Date: September 2, 1993

Total Net Assets: \$134.2 million

Portfolio Manager: Dan Ivascyn

Cumulative Returns Through December 31, 2006

	Net Asset Value	PCM Based on NYSE Share Price	Lehman Brothers Aggregate Bond Index
	-----	-----	-----
08/31/1993	\$10,000	\$10,000	\$10,000
09/30/1993	9,993	10,000	10,027
10/31/1993	10,014	10,484	10,065
11/30/1993	10,022	9,767	9,979
12/31/1993	10,043	9,946	10,033
01/31/1994	10,131	9,672	10,169
02/28/1994	9,970	9,399	9,992
03/31/1994	9,898	9,422	9,746
04/30/1994	9,786	8,955	9,668
05/31/1994	9,853	9,328	9,667
06/30/1994	9,802	9,165	9,645
07/31/1994	9,893	9,260	9,837
08/31/1994	10,023	9,547	9,849
09/30/1994	9,916	9,666	9,704
10/31/1994	9,803	8,983	9,695
11/30/1994	9,780	8,690	9,674
12/31/1994	9,882	8,910	9,741
01/31/1995	10,068	9,285	9,934
02/28/1995	10,408	9,663	10,170
03/31/1995	10,516	9,740	10,232
04/30/1995	10,739	10,124	10,375
05/31/1995	11,143	10,408	10,777

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06/30/1995	11,246	10,799	10,856
07/31/1995	11,166	10,668	10,831
08/31/1995	11,286	10,852	10,962
09/30/1995	11,407	10,400	11,069
10/31/1995	11,631	10,802	11,213
11/30/1995	11,771	10,775	11,381
12/31/1995	11,989	10,857	11,540
01/31/1996	12,122	11,378	11,617
02/29/1996	11,943	11,682	11,415
03/31/1996	11,797	11,376	11,336
04/30/1996	11,844	11,179	11,272
05/31/1996	11,856	11,038	11,249
06/30/1996	11,931	11,124	11,400
07/31/1996	12,134	11,714	11,431
08/31/1996	12,219	11,917	11,412
09/30/1996	12,379	11,771	11,611
10/31/1996	12,697	12,154	11,868
11/30/1996	12,990	12,421	12,072
12/31/1996	13,003	12,438	11,959
01/31/1997	12,968	12,771	11,996
02/28/1997	13,144	12,618	12,026
03/31/1997	13,099	12,894	11,892
04/30/1997	13,287	13,048	12,070
05/31/1997	13,554	13,142	12,185
06/30/1997	13,695	13,799	12,329
07/31/1997	14,024	13,956	12,662
08/31/1997	13,939	14,051	12,554
09/30/1997	14,193	14,083	12,739
10/31/1997	14,297	14,051	12,924
11/30/1997	14,342	14,472	12,983
12/31/1997	14,478	14,479	13,114
01/31/1998	14,607	14,644	13,282
02/28/1998	14,694	15,010	13,272
03/31/1998	14,740	14,909	13,318
04/30/1998	14,723	14,943	13,387
05/31/1998	14,961	14,705	13,514
06/30/1998	15,265	14,876	13,629
07/31/1998	15,387	15,324	13,658
08/31/1998	15,380	15,359	13,880
09/30/1998	15,559	15,114	14,205
10/31/1998	15,475	14,939	14,130
11/30/1998	15,480	15,186	14,210
12/31/1998	15,528	15,907	14,253
01/31/1999	15,668	15,943	14,355
02/28/1999	15,559	15,688	14,104
03/31/1999	15,712	15,505	14,182
04/30/1999	15,832	15,542	14,227
05/31/1999	15,789	15,727	14,103
06/30/1999	15,653	16,439	14,058
07/31/1999	15,776	16,100	13,998
08/31/1999	15,839	15,910	13,991
09/30/1999	15,808	15,566	14,153
10/31/1999	15,752	15,681	14,205
11/30/1999	15,878	14,788	14,204
12/31/1999	15,907	15,203	14,136
01/31/2000	15,862	15,084	14,090
02/29/2000	15,954	15,204	14,260
03/31/2000	16,159	16,049	14,448
04/30/2000	16,214	16,170	14,407
05/31/2000	15,990	15,558	14,400
06/30/2000	16,482	16,093	14,699
07/31/2000	16,680	16,383	14,833

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08/31/2000	16,867	16,339	15,048
09/30/2000	16,898	16,299	15,143
10/31/2000	17,035	15,535	15,243
11/30/2000	17,265	16,990	15,492
12/31/2000	17,578	17,727	15,779
01/31/2001	17,788	18,194	16,037
02/28/2001	18,055	18,470	16,177
03/31/2001	18,337	19,391	16,258
04/30/2001	18,468	19,368	16,191
05/31/2001	18,502	19,983	16,289
06/30/2001	18,663	20,237	16,350
07/31/2001	18,854	20,537	16,716
08/31/2001	19,290	20,498	16,907
09/30/2001	19,614	21,026	17,104
10/31/2001	19,882	21,692	17,462
11/30/2001	19,535	21,154	17,221
12/31/2001	19,456	22,016	17,112
01/31/2002	19,674	22,224	17,250
02/28/2002	19,771	22,215	17,417
03/31/2002	19,593	22,079	17,128
04/30/2002	19,970	22,640	17,460
05/31/2002	20,287	23,557	17,608
06/30/2002	20,529	23,450	17,760
07/31/2002	21,104	24,266	17,975
08/31/2002	21,238	24,207	18,279
09/30/2002	21,516	24,327	18,574
10/31/2002	21,409	22,800	18,490
11/30/2002	21,204	23,238	18,485
12/31/2002	21,590	24,568	18,867
01/31/2003	21,613	25,244	18,883
02/28/2003	21,977	25,112	19,144
03/31/2003	22,017	24,562	19,129
04/30/2003	22,041	24,901	19,287
05/31/2003	22,395	26,352	19,647
06/30/2003	22,454	25,331	19,608
07/31/2003	21,720	25,052	18,948
08/31/2003	21,780	25,131	19,074
09/30/2003	22,521	25,969	19,579
10/31/2003	22,491	25,739	19,397
11/30/2003	22,734	26,479	19,443
12/31/2003	23,107	26,965	19,641
01/31/2004	23,428	27,343	19,799
02/29/2004	23,713	27,873	20,013
03/31/2004	24,132	27,805	20,163
04/30/2004	23,555	23,821	19,638
05/31/2004	23,448	24,591	19,560
06/30/2004	23,495	25,174	19,670
07/31/2004	24,024	25,316	19,865
08/31/2004	24,518	27,232	20,244
09/30/2004	24,662	27,867	20,299
10/31/2004	24,926	28,111	20,469
11/30/2004	24,715	27,602	20,306
12/31/2004	25,204	26,529	20,493
01/31/2005	25,455	28,491	20,622
02/28/2005	25,360	28,985	20,500
03/31/2005	25,266	27,544	20,395
04/30/2005	25,687	28,641	20,671
05/31/2005	26,029	29,228	20,894
06/30/2005	26,163	29,361	21,008
07/31/2005	25,896	29,914	20,817
08/31/2005	26,395	30,534	21,084
09/30/2005	26,188	29,841	20,867

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10/31/2005	26,088	30,234	20,701
11/30/2005	26,226	30,586	20,793
12/31/2005	26,410	30,616	20,991
01/31/2006	26,374	31,148	20,992
02/28/2006	26,762	30,761	21,062
03/31/2006	26,770	30,924	20,855
04/30/2006	26,711	31,222	20,817
05/31/2006	26,695	31,051	20,795
06/30/2006	26,775	31,059	20,839
07/31/2006	27,365	31,295	21,121
08/31/2006	27,819	32,653	21,444
09/30/2006	28,228	33,376	21,632
10/31/2006	28,428	33,269	21,776
11/30/2006	28,773	33,511	22,028
12/31/2006	28,831	34,036	21,900

Past performance is no guarantee of future results. The line graph depicts the value of a net \$10,000 investment made at the Fund's inception on September 2, 1993 and held through December 31, 2006, compared to the Lehman Brothers Aggregate Bond Index, an unmanaged market index. Investment performance assumes the reinvestment of dividends and capital gains distribution, if any. The Fund's NYSE Share Price performance does not reflect the effect of sales loads or broker commissions. The performance data quoted represents past performance. Investment return and share value will fluctuate so that Fund shares, when sold, may be worth more or less than their original cost. Returns shown do not reflect the deduction of taxes that a shareholder would pay on the sale of Fund shares.

Average Annual Total Return for the period ended December 31, 2006

	1 Year	5 Years	10 Years	Fund Inception*
— PCM Based on NYSE Share Price	11.17%	9.10%	10.59%	9.65%
— PCM Based on Net Asset Value	9.17%	8.18%	8.29%	8.29%
- - - Lehman Brothers Aggregate Bond Index	4.33%	5.06%	6.24%	6.06%

All Fund returns are net of fees and expenses.

* The Fund began operations on 09/02/93. Index comparisons began on 08/31/93.

Past performance is no guarantee of future results. Performance data current to the most recent month-end is available at www.pcmfund.com or by calling 1-866-746-2606.

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	NYSE Symbol	PCM
Allocation Breakdown % of Total Investments as of December 31, 2006		
Commercial Mortgage-Backed Securities		77.8%
Real Estate Asset-Backed Securities		15.7%
Corporate Bonds & Notes		6.3%
Short-Term Instruments		0.2%

Portfolio Insights

- » The PIMCO Commercial Mortgage Securities Trust, Inc. (the Fund) seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets plus the amount of borrowings for investment purposes in commercial mortgage-backed securities.
- » Commercial mortgage-backed securities (CMBS) posted a strong year and were the best performing sector in the Lehman Brothers Aggregate Bond Index in 2006.
- » Duration positioning above the index for most of the year detracted from returns.
- » A curve steepening bias also detracted from returns as the two-year Treasury yield rose more than the 30-year Treasury yield in 2006.
- » An emphasis on BBB-rated CMBS added to returns as such securities outperformed the other investment grade tiers due to heavy demand from collateralized debt obligation issuers.
- » Exposure to below-investment grade CMBS also added to returns as they outperformed investment grade issues.
- » An allocation to high yield corporate debt benefited performance as it significantly outperformed the investment grade market.
- » Positions in floating rate asset-backed securities benefited returns as the sector outperformed Treasuries during the twelve-month period.

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Financial Highlights

Selected Per Share Data for the Year

Ended:	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Net Asset Value Beginning of Year	\$ 11.94	\$ 12.49	\$ 12.53	\$ 12.80	\$ 12.85
Net Investment Income (a)	0.90	0.98	1.01	1.09	1.22
Net Realized/Unrealized Gain (Loss) on Investments (a)	0.14	(0.40)	0.08	(0.23)	0.14
Total Income from Investment Operations	1.04	0.58	1.09	0.86	1.36
Dividends from Net Investment Income	(1.13)	(1.13)	(1.13)	(1.13)	(1.41)
Net Asset Value End of Year	\$ 11.85	\$ 11.94	\$ 12.49	\$ 12.53	\$ 12.80
NYSE Share Price End of Year	\$ 14.40	\$ 14.03	\$ 13.17	\$ 14.53	\$ 14.32
Total Investment Return					
Per Share NYSE Share Price (b)	11.17%	15.40%	(1.62)%	9.76%	11.59%
Total Investment Return					
Per Share Net Asset Value (c)	9.17%	4.78%	9.07%	7.03%	10.97%
Net Assets End of Year (000s)	\$ 134,259	\$ 134,792	\$ 140,267	\$ 139,891	\$ 142,063
Ratio of Expenses to Average Net Assets	3.69%	2.77%	1.75%	1.52%	1.94%
Ratio of Expenses to Average Net Assets Excluding Interest Expense	1.03%	1.07%	1.00%	1.05%	1.08%
Ratio of Net Investment Income to Average Net Assets	7.64%	8.00%	8.09%	8.62%	9.34%
Amount of Borrowings Outstanding End of Year (000s)	\$ 69,574	\$ 67,880	\$ 67,702	\$ 71,025	\$ 50,993
Portfolio Turnover Rate	21%	8%	24%	40%	42%

(a) Per share amounts based on average number of shares outstanding during the period.

(b) Total investment return on market value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in market price per share. Total investment returns exclude the effects of sales loads.

(c) Total investment return on net asset value is the combination of reinvested dividend income, reinvested capital gains distribution, if any, and changes in net asset value per share.

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December 31, 2006

(Amounts in thousands, except per share amounts)

Assets:

Investments, at value	\$ 202,808
Cash	17
Receivable for investments sold	1
Interest and dividends receivable	1,612
Variation margin receivable	3
Swap premiums paid	5,670
Unrealized appreciation on swap agreements	9,726
	219,837

Liabilities:

Payable for the reverse repurchase agreements	\$ 69,574
Dividends payable	1,063
Accrued investment advisory fee	249
Accrued administration fee	34
Accrued custodian expense	9
Accrued audit fee	16
Accrued printing expense	2
Swap premiums received	35
Unrealized depreciation on swap agreements	14,547
Other liabilities	49
	85,578

Net Assets	\$ 134,259
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Net Assets Consist of:

Capital stock authorized 300 million shares, \$0.001 par value; outstanding 11,334,275 shares	\$ 11
Paid in capital	154,935
(Overdistributed) net investment income	(792)
Accumulated undistributed net realized (loss)	(13,341)
Net unrealized (depreciation)	(6,554)
	\$ 134,259

Net Asset Value Per Share Outstanding	\$ 11.85
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Cost of Investments Owned	\$ 204,599
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See Accompanying Notes

Annual Report December 31, 2006

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December 31, 2006

(Amounts in thousands)

Investment Income:

Interest	\$ 14,127
Miscellaneous income	1,032
Total Income	15,159

Expenses:

Investment advisory fees	969
Administration fees	134
Transfer agent fees	29
Directors' fees	58
Printing expense	43
Proxy expense	22
Legal fees	34
Audit fees	28
Custodian fees	45
Interest expense	3,549
Miscellaneous expense	30
Total Expenses	4,941

Net Investment Income	10,218
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Net Realized and Unrealized Gain (Loss):

Net realized gain on investments	337
Net realized gain on futures contracts, options and swaps	2,360
Net change in unrealized appreciation on investments	674
Net change in unrealized (depreciation) on futures contracts, options and swaps	(2,047)
Net Gain	1,324

Net Increase in Net Assets Resulting from Operations	\$ 11,542
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8 PIMCO Commercial Mortgage Securities Trust, Inc.

See accompanying notes

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Statement of Changes in Net Assets

(Amounts in thousands, except share amounts)

Increase (Decrease) in Net Assets from:	Year Ended December 31, 2006	Year Ended December 31, 2005
Operations:		
Net investment income	\$ 10,218	\$ 11,058
Net realized gain	2,697	2,345
Net change in unrealized (depreciation)	(1,373)	(6,971)
Net increase resulting from operations	11,542	6,432
Distributions to Shareholders:		
From net investment income	(12,726)	(12,667)

Total Distributions