

PIMCO CORPORATE & INCOME STRATEGY FUND  
Form N-CSR  
January 07, 2014

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 811-10555

PIMCO Corporate & Income Strategy Fund  
(Exact name of registrant as specified in charter)

1633 Broadway, New York, New York  
(Address of principal executive offices)

10019  
(Zip code)

Lawrence G. Altadonna - 1633 Broadway, New York, New York 10019  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-739-3371

Date of fiscal year end: October 31, 2013

Date of reporting period: October 31, 2013

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Item 1: Report to Shareholders





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**Letter from Chairman of the Board & President**

Dear Shareholder:

The US economy expanded during the 12-month fiscal reporting period ended October 31, 2013. However, the level of growth was far from robust and unemployment, while declining, remained elevated from a historical perspective. The US stock market was resilient and generated very strong results. Lower rated corporate bonds also performed well during the fiscal period.

For the 12-month reporting period ended October 31, 2013:

**Hans W. Kertess**

n PIMCO Corporate & Income Strategy Fund advanced 11.20% on net asset value ( NAV ) and 3.48% on market price. *Chairman*

n PIMCO Income Opportunity Fund rose 13.65% on NAV and 6.81% on market price.

During the reporting period, the US experienced choppy, but continued growth. Gross domestic product ( GDP ), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, grew at an annual pace of 0.1% during the fourth quarter of 2012, as private inventory investment and federal government spending moderated. However, annual GDP growth rose to 1.1% during the first quarter and 2.5% during the second quarter of 2013. The US Commerce Department's estimate for third quarter 2013 GDP growth is 3.6%. Supporting the economy were continuing signs of the long-awaited recovery in the housing market. In addition, while unemployment remained high, the unemployment rate declined during the reporting period.

**Brian S. Shlissel**

*President & CEO*

The Federal Reserve (the Fed ) maintained an accommodative monetary policy throughout the reporting period. However, with unemployment falling and signs of improving economic activity, in June 2013 the Fed announced its intention to begin tapering its monthly \$85 billion asset purchase program. This triggered sharply rising yields and declining bond prices. However, the Fed surprised many investors by choosing not to begin tapering its asset purchase program at its meeting in September 2013. This caused yields to decline somewhat from their reporting period peak that occurred in early September. All told, US Treasury bond interest rates moved sharply higher during the 12-month fiscal period, with the yield on the benchmark 10-year Treasury bond rising from 1.72% to 2.57%.

## Outlook

Market volatility was elevated at times during the reporting period. This was partially triggered by concerns regarding the Fed's plans to taper its asset purchase program, mixed global growth and the 16 day partial US government shutdown that began on October 1, 2013.

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We expect the Fed's policy stance to remain accommodative for longer than some investors currently anticipate. The Fed's tapering of its asset purchase program is likely to create greater volatility, but we believe the Fed will only raise short-term interest rates if it is confident the economic recovery is on solid footing. Concerns of higher mortgage rates impacting the housing market, geopolitical issues, and continued dysfunction in Washington DC may also contribute to market volatility. [us.allianzgi.com/edelivery](http://us.allianzgi.com/edelivery).

With respect to the US economy, in the wake of the Fed's decision in September and October not to taper its bond buying program, some investors may be concerned that the economy is deteriorating. However, recent data indicates continuing improvement in economic conditions, particularly in manufacturing. It appears the Fed's decision was more preventative in nature, intended to avoid derailing the housing recovery and to offset a drag on the economy created by the government shutdown and concerns related to the raising of the debt ceiling.

For specific information on the Funds and their performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Pacific Investment Management Company LLC (PIMCO), the Funds' sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman of the Board of Trustees*

Brian S. Shlissel  
*President & Chief Executive Officer*





## Fund Insights

### PIMCO Corporate & Income Strategy Fund

### PIMCO Income Opportunity Fund

October 31, 2013 (unaudited)

For the 12 months ended October 31, 2013, PIMCO Corporate & Income Strategy Fund returned 11.20% on NAV and 3.48% on market price.

For the 12 months ended October 31, 2013, PIMCO Income Opportunity Fund returned 13.65% on NAV and 6.81% on market price.

The US fixed income market experienced periods of elevated volatility during the 12-month reporting period ended October 31, 2013. This was triggered by a number of factors, including the fiscal cliff and sequestration, the Federal Reserve's (the Fed) announcement of a possible shift in monetary policy, the European sovereign debt crisis, geopolitical issues and the 16 day partial shutdown of the federal government. All told, both short- and long-term Treasury yields rose and the yield curve steepened during the reporting period. Spread sectors (non-US Treasuries) achieved mixed results during the reporting period, with high yield bonds contributing the strongest returns.

Compared to the -1.08% return for the overall US fixed income market (as measured by the Barclays US Aggregate Index), high yield and investment grade bonds returned 8.87% and -1.58%, respectively (as measured by the Barclays US High Yield and Barclays US Credit Indices) for the 12 month fiscal period.

Given strong overall investor demand, on a total return basis, in most cases, lower rated, higher yielding investment grade corporate bonds generally outperformed higher quality corporate bonds. For instance, AAA-, AA-, A and BBB-rated issues, as measured by the Barclays US Credit Index, returned -0.55%, -2.14%, -1.68%, and -1.54%, respectively, during the 12 months ended October 31, 2013. Within the high yield market, BB-rated issues returned 6.25%, versus 8.91% for B-rated securities, as measured by the Barclays US High Yield Index.

## Corporate & Income Strategy

### Sector and duration positioning drive results

An overweighting to the banking and life insurance sectors contributed to results, as these issues outperformed the credit market as measured by the Fund's benchmark, the 80% Barclays Credit/20% BofA Merrill Lynch BB/B Constrained Index (the Index),<sup>1</sup> during the reporting period. An overweighting to electric utilities was positive for returns due to its outperformance versus the Index. An allocation to non-agency residential mortgage-backed securities was positive for performance as this asset class outperformed

<sup>1</sup> The Barclays U.S. Credit Index consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. It includes both corporate and non-corporate sectors. The corporate sectors are Industrial,

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Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. The BofA Merrill Lynch BB/B Constrained Index tracks the performance of BB-B Rated U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. It is not possible to invest directly in an unmanaged index.

the Index. The Fund's duration positioning was also rewarded, as the Fund was targeted to have a shorter duration than that of the Index and rates moved sharply higher during the reporting period.

On the downside, an underweighting to technology and energy was negative for results as these sectors outperformed the Index.

### **PIMCO Income Opportunity**

Sector positioning and duration positioning drive results

The Fund produced strong absolute returns during the 12-month reporting period. An allocation to non-agency mortgage-backed securities was a significant contributor to results, as this asset class generally outperformed the broader market. The sector was supported by a number of factors, including overall strong investor demand for higher yielding assets, improving collateral performance, signs of a bottom in housing and continuing positive supply technicals. An emphasis on select financials issues was beneficial to performance, as these securities generally outperformed the broad credit market during the reporting period. The Fund's allocation to high yield bonds enhanced performance, as spreads tightened amid robust investor demand and continued low defaults. Less sensitivity to rising interest rates and the higher coupons available from high yield bonds also added to returns. Finally, a short duration contributed to the Fund's performance, as rates rose sharply during the reporting period.

On the downside, a tactical allocation to emerging market debt detracted from performance, as the asset class underperformed the broad credit market during the reporting period.

**Performance & Statistics**

**PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (unaudited)

| <b>Total Return<sup>(1)</sup></b>                 | <b>Market Price</b> | <b>NAV</b> |
|---|---------------------|------------|
| 1 Year  | 3.48%               | 11.20%     |
| 5 Year  | 24.96%              | 28.64%     |
| 10 Year   | 12.52%              | 12.42%     |
| Commencement of Operations (12/21/01) to 10/31/13 | 12.35%              | 12.70%     |

**Market Price/NAV Performance**

Commencement of Operations (12/21/01) to 10/31/13

NAV  
Market Price

**Market Price/NAV**

|                                   |         |
|-----------------------------------|---------|
| Market Price                      | \$17.15 |
| NAV                               | \$16.04 |
| Premium to NAV                    | 6.92%   |
| Market Price Yield <sup>(2)</sup> | 7.87%   |
| Leverage Ratio <sup>(3)</sup>     | 21.63%  |

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end

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funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per common share (comprised of net investment income) by the market price per common share at October 31, 2013.

(3) Represents Preferred Shares ( Leverage ) outstanding, as a percentage of total managed assets. Total managed assets refer to the total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

**Performance & Statistics****PIMCO Income Opportunity Fund**

October 31, 2013 (unaudited)

| <b>Total Return(1)</b>                            | <b>Market Price</b> | <b>NAV</b> |
|---|---------------------|------------|
| 1 Year  | 6.81%               | 13.65%     |
| 5 Year  | 22.69%              | 23.03%     |
| Commencement of Operations (11/30/07) to 10/31/13 | 14.07%              | 14.99%     |

**Market Price/NAV Performance**

Commencement of Operations (11/30/07) to 10/31/13

**Market Price/NAV**

Market Price

\$28.90

NAV

\$28.67

NAV

Premium to NAV

0.80%

Market Price

Market Price Yield(2)

7.89%

Leverage Ratio(3)

24.55%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares

outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income and short-term capital gains, if any) by the market price per share at October 31, 2013.

(3) Represents Reverse Repurchase Agreements ( Leverage ) outstanding, as a percentage of total managed assets. Total managed assets refer to the total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

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## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013

| Principal<br>Amount<br>(000s)     |  | Value      |
|-----------------------------------|--|------------|
| <b>Mortgage-Backed Securities</b> | <b>41.2%</b>   |            |
| \$386                             | American Home Mortgage Assets Trust, 0.40%, 9/25/46, CMO (j)             | \$36,906   |
| 9,522                             | Banc of America Alternative Loan Trust, CMO,<br>5.50%, 10/25/35          | 8,448,051  |
| 272                               | 6.00%, 1/25/36   | 214,027    |
| 5,423                             | Banc of America Funding Trust, CMO,<br>6.00%, 3/25/37                    | 4,815,742  |
| 688                               | 6.00%, 7/25/37   | 532,674    |
| 21,318                            | 6.00%, 8/25/37   | 18,439,162 |
| 4,700                             | Banc of America Mortgage Trust, CMO,<br>5.50%, 11/25/35                  | 4,632,311  |
| 418                               | 6.50%, 9/25/33   | 432,460    |
| 2,500                             | BCAP LLC Trust, 5.514%, 3/26/37, CMO (a) (c) (j)                         | 663,694    |
| 11,266                            | Bear Stearns Adjustable Rate Mortgage Trust, 2.752%, 8/25/35, CMO<br>(j) | 9,508,770  |
| 2,441                             | Bear Stearns ALT-A Trust, CMO (j),<br>2.61%, 11/25/36                    | 1,645,627  |
| 1,632                             | 2.804%, 8/25/36  | 1,134,418  |
| 1,622                             | 2.925%, 9/25/35  | 1,283,519  |
| 2,910                             | Bear Stearns Mortgage Funding Trust, 7.00%, 8/25/36, CMO                 | 2,319,047  |
| 24                                | Chase Mortgage Finance Trust, CMO,<br>2.823%, 12/25/35 (j)               | 21,127     |
| 1,940                             | 6.00%, 7/25/37   | 1,736,452  |
| 3,052                             | Citicorp Mortgage Securities Trust, 6.00%, 6/25/36, CMO                  | 3,094,039  |
| 1,877                             | Citigroup Mortgage Loan Trust, Inc., CMO (j),<br>5.273%, 8/25/35         | 1,847,435  |
| 767                               | 5.468%, 4/25/37  | 680,301    |
| 9,192                             | CitiMortgage Alternative Loan Trust, CMO,<br>5.75%, 5/25/37              | 7,819,916  |
| 5,635                             | 6.00%, 1/25/37   | 4,802,341  |
| 4,993                             | 6.00%, 6/25/37   | 4,156,732  |
| 684                               | Countrywide Alternative Loan Trust, CMO,<br>5.50%, 3/25/35               | 608,866    |
| 312                               | 5.50%, 3/25/36   | 242,663    |
| 3,864                             | 5.50%, 5/25/36   | 2,867,046  |
| 908                               | 5.75%, 1/25/35   | 862,391    |
| 1,023                             | 5.75%, 2/25/35   | 965,894    |
| 1,617                             | 5.75%, 3/25/37   | 1,294,158  |
| 805                               | 6.00%, 2/25/35   | 814,620    |
| 11,254                            | 6.00%, 4/25/36   | 10,039,421 |
| 2,886                             | 6.00%, 2/25/37   | 2,131,984  |
| 2,486                             | 6.00%, 4/25/37   | 1,979,974  |
| 895                               | 6.00%, 7/25/37   | 809,693    |
| 2,086                             | 6.00%, 8/25/37   | 1,398,622  |
| 2,864                             | 6.25%, 12/25/36 (j)  | 2,321,282  |
| 971                               | 6.50%, 8/25/36   | 672,636    |





## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value     |
|-------------------------------|--|-----------|
|                               | Countrywide Home Loan Mortgage Pass-Through Trust, CMO,                  |           |
| \$569                         | 2.609%, 9/20/36 (j)  | \$404,225 |
| 1,214                         | 5.50%, 10/25/35  | 1,179,938 |
| 1,827                         | 5.75%, 3/25/37   | 1,618,678 |
| 1,190                         | 6.00%, 2/25/37   | 1,061,549 |
| 1,103                         | 6.00%, 3/25/37   | 1,003,958 |
| 351                           | 6.00%, 4/25/37   | 318,331   |
| 5,855                         | 6.00%, 7/25/37   | 4,767,477 |
|                               | Credit Suisse Mortgage Capital Certificates Mortgage-Backed Trust, CMO,  |           |
| 2,968                         | 5.863%, 2/25/37 (j)  | 1,750,135 |
| 1,104                         | 6.00%, 2/25/37   | 990,386   |
| 2,687                         | 6.00%, 6/25/37   | 2,399,973 |
| 2,738                         | 6.75%, 8/25/36   | 2,068,555 |
| 1,589                         | Deutsche ALT-B Securities Mortgage Loan Trust, 5.945%, 2/25/36, CMO      | 1,255,063 |
| 10,538                        | First Horizon Alternative Mortgage Securities Trust, 6.00%, 8/25/36, CMO | 9,247,867 |
|                               | GSR Mortgage Loan Trust, CMO,  |           |
| 1,217                         | 2.563%, 8/25/34 (j)  | 1,126,838 |
| 2,186                         | 5.043%, 11/25/35 (j)   | 2,150,928 |
| 452                           | 5.50%, 5/25/36   | 415,203   |
| 6,645                         | 6.00%, 2/25/36   | 6,083,326 |
| 4,325                         | IndyMac IMSC Mortgage Loan Trust, 6.50%, 7/25/37, CMO                    | 2,733,133 |
|                               | JPMorgan Alternative Loan Trust, CMO,                                    |           |
| 3,633                         | 5.202%, 3/25/37 (j)  | 2,687,458 |
| 2,500                         | 6.31%, 8/25/36   | 1,839,453 |
|                               | JPMorgan Mortgage Trust, CMO,  |           |
| 7,231                         | 2.805%, 2/25/36 (j)  | 6,253,553 |
| 1,596                         | 3.869%, 1/25/37 (j)  | 1,358,744 |
| 2,678                         | 5.00%, 3/25/37   | 2,386,102 |
| 203                           | 5.75%, 1/25/36   | 185,953   |
| 528                           | 6.00%, 8/25/37   | 461,957   |
|                               | Lehman Mortgage Trust, CMO,  |           |
| 1,815                         | 6.00%, 7/25/36   | 1,395,832 |
| 583                           | 6.00%, 7/25/37   | 500,495   |
| 3,267                         | MASTR Alternative Loans Trust, 6.75%, 7/25/36, CMO                       | 2,432,104 |
| 1,273                         | Merrill Lynch Mortgage Investors Trust, 3.019%, 3/25/36, CMO (j)         | 901,756   |
|                               | Morgan Stanley Mortgage Loan Trust, CMO,                                 |           |
| 5,310                         | 5.023%, 5/25/36 (j)  | 4,104,431 |
| 4,114                         | 6.00%, 2/25/36   | 3,821,267 |
| 8,270                         | New Century Alternative Mortgage Loan Trust, 6.173%, 7/25/36, CMO (j)    | 5,644,167 |
|                               | Residential Accredit Loans, Inc., CMO,                                   |           |
| 692                           | 0.40%, 5/25/37 (j)   | 113,217   |
| 4,411                         | 3.65%, 12/26/34 (j)  | 3,672,165 |
| 2,307                         | 6.00%, 6/25/36   | 1,825,779 |
| 4,309                         | 6.00%, 8/25/36   | 3,348,461 |
| 3,617                         | 6.00%, 9/25/36   | 2,544,657 |
| 4,643                         | 6.00%, 12/25/36  | 3,596,920 |



## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |   | Value       |
|-------------------------------|---|-------------|
| \$1,665                       | Residential Asset Mortgage Products, Inc., 6.50%, 12/25/31, CMO             | \$1,698,769 |
|                               | Residential Asset Securitization Trust, CMO,                                |             |
| 3,193                         | 5.231%, 6/25/46 (j)   | 2,280,630   |
| 1,280                         | 6.00%, 2/25/36  | 1,019,942   |
| 823                           | 6.00%, 9/25/36  | 525,520     |
| 2,660                         | 6.00%, 3/25/37  | 2,084,102   |
| 3,664                         | 6.00%, 5/25/37  | 3,202,226   |
| 3,920                         | 6.25%, 9/25/37  | 2,815,938   |
|                               | Residential Funding Mortgage Securities I, CMO,                             |             |
| 3,490                         | 3.483%, 2/25/37 (j)   | 2,724,012   |
| 1,764                         | 6.00%, 1/25/37  | 1,562,679   |
| 2,182                         | 6.25%, 8/25/36  | 2,008,365   |
| 345                           | 6.50%, 3/25/32  | 364,206     |
|                               | Sequoia Mortgage Trust, CMO (j),  |             |
| 795                           | 2.489%, 2/20/47   | 675,585     |
| 1,571                         | 5.21%, 7/20/37  | 1,397,831   |
|                               | Structured Adjustable Rate Mortgage Loan Trust, CMO (j),                    |             |
| 5,514                         | 4.697%, 11/25/36  | 4,491,586   |
| 8,068                         | 5.063%, 3/25/37   | 6,109,849   |
| 5,073                         | 5.13%, 5/25/36  | 4,296,744   |
| 4,443                         | 5.161%, 1/25/36   | 3,502,183   |
| 2,352                         | 5.226%, 7/25/35   | 2,094,948   |
| 9,456                         | 5.383%, 7/25/36   | 6,769,641   |
| 1,700                         | 5.391%, 7/25/36   | 1,547,355   |
|                               | Suntrust Adjustable Rate Mortgage Loan Trust, CMO (j),                      |             |
| 1,575                         | 5.35%, 4/25/37  | 1,305,180   |
| 861                           | 5.575%, 2/25/37   | 721,343     |
| 13,826                        | Thornburg Mortgage Securities Trust, 5.75%, 6/25/47, CMO (j)                | 13,104,325  |
| 14,879                        | WaMu Commercial Mortgage Securities Trust, 5.804%, 3/23/45, CMO (a) (c) (j) | 15,420,997  |
|                               | WaMu Mortgage Pass-Through Certificates, CMO (j),                           |             |
| 913                           | 2.291%, 7/25/37   | 744,539     |
| 621                           | 2.375%, 9/25/36   | 546,823     |
| 1,523                         | 4.781%, 2/25/37   | 1,419,523   |
| 2,530                         | 4.816%, 7/25/37   | 2,414,879   |
| 5,534                         | 6.085%, 10/25/36  | 4,649,262   |
|                               | Washington Mutual Mortgage Pass-Through Certificates, CMO,                  |             |
| 237                           | 0.923%, 4/25/47 (j)   | 6,773       |
| 902                           | 0.989%, 5/25/47 (j)   | 76,652      |
| 3,714                         | 6.00%, 10/25/35   | 3,018,441   |
| 1,369                         | 6.00%, 6/25/37  | 1,135,862   |
|                               | Wells Fargo Alternative Loan Trust, CMO,                                    |             |
| 1,712                         | 6.00%, 7/25/37  | 1,598,463   |
| 15,716                        | 6.25%, 7/25/37  | 13,988,889  |
|                               | Wells Fargo Mortgage-Backed Securities Trust, CMO,                          |             |
| 191                           | 2.616%, 5/25/36 (j)   | 178,635     |
| 8,636                         | 2.616%, 8/25/36 (j)   | 8,156,825   |



## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                         |  | Value       |
|---|--|-------------|
| \$1,001   | 2.685%, 7/25/36 (j)  | \$911,502   |
| 471   | 2.707%, 4/25/36 (j)  | 456,420     |
| 1,113   | 5.581%, 10/25/36 (j)   | 1,078,913   |
| 1,154   | 6.00%, 7/25/37   | 1,111,590   |
| Total Mortgage-Backed Securities (cost-\$305,510,295) |  | 318,141,982 |
| <b>Municipal Bonds 23.3%</b>                          |  |             |
|   | <b>California 9.6%</b>   |             |
| 4,200   | City & Cnty. of San Francisco, Capital Improvement Projects,<br>CP, 6.487%, 11/1/41, Ser. D  | 4,570,776   |
| 12,300  | Infrastructure & Economic Dev. Bank Rev., 6.486%, 5/15/49                                    | 13,390,149  |
| 1,800   | Long Beach Redev. Agcy., Tax Allocation, 8.36%, 8/1/40                                       | 1,892,016   |
| 20,300  | Los Angeles Department of Water & Power Rev., 6.166%, 7/1/40                                 | 21,632,695  |
| 20,900  | Metropolitan Water Dist. of Southern California Rev., 6.947%, 7/1/40                         | 23,632,048  |
| 2,000   | State Univ. Rev., 6.484%, 11/1/41  | 2,333,600   |
| 7,400   | Stockton Public Financing Auth. Rev., 7.942%, 10/1/38, Ser. B                                | 6,754,498   |
|   |  | 74,205,782  |
|   | <b>Georgia 1.1%</b>  |             |
| 8,300   | Municipal Electric Auth. of Georgia Rev., 6.655%, 4/1/57                                     | 8,648,766   |
|   | <b>Illinois 5.0%</b>   |             |
| 12,700  | Chicago, GO, 7.517%, 1/1/40  | 13,100,050  |
| 23,200  | Municipal Electric Agcy. Rev., 6.832%, 2/1/35  | 25,335,792  |
|   |  | 38,435,842  |
|   | <b>Louisiana 0.2%</b>  |             |
| 800   | New Orleans, Public Improvements, GO, Ser. A,<br>8.30%, 12/1/29                              | 930,384     |
| 820   | 8.55%, 12/1/34   | 963,754     |
|   |  | 1,894,138   |
|   | <b>Nebraska 2.0%</b>   |             |
| 14,000  | Public Power Generation Agcy. Rev., 7.242%, 1/1/41   | 15,316,420  |
|   | <b>Nevada 1.4%</b>   |             |
| 10,485  | Las Vegas Valley Water Dist., GO, 5.65%, 3/1/35  | 10,711,476  |
|   | <b>New Jersey 0.0%</b>   |             |
| 500   | Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1-A                             | 362,415     |
|   | <b>Ohio 1.8%</b>   |             |
| 10,300  | American Municipal Power, Inc. Rev.,<br>Comb Hydroelectric Projects, 8.084%, 2/15/50, Ser. B | 13,510,510  |
|   | <b>Texas 1.9%</b>  |             |
| 12,800  | Dallas Convention Center Hotel Dev. Corp. Rev., 7.088%, 1/1/42                               | 14,976,896  |
|   | <b>Virginia 0.3%</b>   |             |
| 2,000   | Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems,<br>5.00%, 5/15/40            | 2,050,200   |
| Total Municipal Bonds (cost-\$176,037,302)            |  | 180,112,445 |



## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)      |  | Value       |
|------------------------------------|--|-------------|
| <b>Corporate Bonds &amp; Notes</b> | <b>21.0%</b>   |             |
|                                    | <b>Airlines 0.8%</b>                                     |             |
| \$1,577                            | Continental Airlines Pass-Through Trust, 9.798%, 10/1/22 | \$1,758,317 |
| 3,670                              | United Air Lines Pass-Through Trust, 10.40%, 5/1/18      | 4,147,657   |
|                                    |  | 5,905,974   |
|                                    | <b>Auto Manufacturers 1.1%</b>                           |             |
|                                    | Ford Motor Co.,  |             |
| 5,700                              | 7.70%, 5/15/97   | 6,299,247   |
| 1,500                              | 9.98%, 2/15/47   | 2,100,474   |
|                                    |  | 8,399,721   |
|                                    | <b>Banking 13.3%</b>                                     |             |
|                                    | Ally Financial, Inc.,                                    |             |
| 517                                | 6.25%, 12/15/18  | 517,000     |
| 158                                | 6.40%, 12/15/18  | 158,000     |
| 596                                | 6.50%, 12/15/18-5/15/19                                  | 596,015     |
| 476                                | 6.65%, 6/15/18   | 476,000     |
| 1,431                              | 6.70%, 6/15/18-12/15/19                                  | 1,431,365   |
| 209                                | 6.75%, 6/15/19   | 209,000     |
| 30                                 | 6.85%, 5/15/18   | 30,045      |
| 133                                | 6.90%, 6/15/17   | 133,000     |
| 2,822                              | 7.00%, 5/15/18-11/15/23                                  | 2,826,153   |
| 148                                | 7.15%, 6/15/16   | 148,000     |
| 2,000                              | 8.30%, 2/12/15   | 2,172,500   |
| £15,500                            | Barclays Bank PLC, 14.00%, 6/15/19 (f)                   | 34,169,463  |
| \$5,000                            | BPCE S.A., 12.50%, 9/30/19 (a) (c) (f)                   | 6,443,750   |
| 1,750                              | Citigroup, Inc., 6.125%, 8/25/36                         | 1,847,524   |
|                                    | LBG Capital No. 1 PLC,                                   |             |
| 300                                | 7.375%, 3/12/20  | 432,722     |
| £100                               | 7.588%, 5/12/20  | 169,960     |
| 200                                | 7.867%, 12/17/19   | 340,722     |
| 400                                | 7.869%, 8/25/20  | 685,934     |
| \$7,800                            | 8.00%, 6/15/20 (a) (c) (f)                               | 8,314,800   |
| 8,500                              | 8.50%, 12/17/21 (a) (c) (f)                              | 9,067,435   |
| £300                               | 11.04%, 3/19/20  | 558,994     |
|                                    | LBG Capital No. 2 PLC,                                   |             |
| 400                                | 8.875%, 2/7/20   | 600,451     |
| £3,100                             | 9.125%, 7/15/20  | 5,402,875   |
| 500                                | 9.334%, 2/7/20   | 875,456     |
| \$2,600                            | Lloyds Bank PLC, 12.00%, 12/16/24 (a) (c) (f)            | 3,529,500   |
| 3,600                              | Royal Bank of Scotland Group PLC, 7.648%, 9/30/31 (f)    | 3,780,000   |
| 19,100                             | Wachovia Capital Trust III, 5.57%, 12/2/13 (f)           | 17,954,000  |
|                                    |  | 102,870,664 |





## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value                   |
|-------------------------------|--|-------------------------|
|                               | <b>Diversified Financial Services 1.2%</b>   |                         |
| \$2,300                       | AGFC Capital Trust I, 6.00%, 1/15/67 (converts to FRN on 1/15/17)<br>(a) (c)   | \$1,966,500             |
| 1,900                         | General Electric Capital Corp., 6.375%, 11/15/67 (converts to FRN on<br>11/15/17)                                    | 2,068,625               |
| 5,142                         | GSPA Monetization Trust, 6.422%, 10/9/29 (a) (b) (c) (h) (acquisition<br>cost-\$5,080,681; purchased 9/23/13)        | 5,103,819<br>9,138,944  |
|                               | <b>Electric Utilities 0.4%</b>   |                         |
| 2,526                         | Bruce Mansfield Unit, 6.85%, 6/1/34  | 2,677,192               |
| 4,300                         | Dynegy Roseton LLC / Dynegy Danskammer LLC Pass-Through<br>Trust, 7.67%, 11/8/16, Ser. B (b) (d) (e)                 | 106,885                 |
| 632                           | FPL Energy Wind Funding LLC, 6.876%, 6/27/17 (a) (b) (c) (h)<br>(acquisition cost-\$647,513; purchased 8/25/04)      | 552,755<br>3,336,832    |
|                               | <b>Healthcare-Services 0.5%</b>  |                         |
| 3,600                         | HCA, Inc., 8.50%, 4/15/19  | 3,874,500               |
|                               | <b>Insurance 0.7%</b>  |                         |
| 3,400                         | AIG Life Holdings, Inc., 7.57%, 12/1/45 (a) (b) (c) (h) (acquisition<br>cost-\$3,885,360; purchased 7/26/11-1/23/13) | 3,944,000               |
| 1,400                         | American International Group, Inc., 8.175%, 5/15/68 (converts to FRN<br>on 5/15/38)                                  | 1,732,500<br>5,676,500  |
|                               | <b>Lodging 0.4%</b>  |                         |
| 2,071                         | Times Square Hotel Trust, 8.528%, 8/1/26 (a) (c)   | 2,699,334               |
|                               | <b>Miscellaneous Manufacturing 0.3%</b>  |                         |
| 2,300                         | Bombardier, Inc., 4.25%, 1/15/16 (a) (c)   | 2,409,250               |
|                               | <b>Oil &amp; Gas 0.5%</b>  |                         |
| 3,460                         | Anadarko Petroleum Corp., 7.00%, 11/15/27  | 3,678,731               |
|                               | <b>Telecommunications 1.8%</b>   |                         |
| 8,200                         | Mountain States Telephone & Telegraph Co., 7.375%, 5/1/30  | 8,837,809               |
| 5,360                         | Qwest Corp., 7.20%, 11/10/26   | 5,403,196<br>14,241,005 |
|                               | Total Corporate Bonds & Notes (cost-\$148,167,979)   | 162,231,455             |
|                               | <b>U.S. Government Agency Securities (b) 6.3%</b>  |                         |
| 87,883                        | Fannie Mae, CMO, IO,<br>3.00%, 2/25/43   | 15,679,490              |
| 23,464                        | 3.50%, 3/25/42-2/25/43   | 4,322,079               |
| 31,278                        | 4.50%, 1/25/43   | 6,651,910               |
| 3,523                         | 6.43%, 4/25/41 (j)   | 687,809                 |

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## Schedule of Investments

## PIMCO Corporate &amp; Income Strategy Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                               |  | Value        |
|---|--|--------------|
| \$79,290  | Freddie Mac, CMO, IO,<br>3.00%, 2/15/33-12/15/42   | \$14,573,799 |
| 6,825   | 3.50%, 9/15/42   | 1,303,299    |
| 9,105   | 4.50%, 10/15/42  | 1,882,860    |
| 4,897   | 5.826%, 8/15/42 (j)  | 1,146,490    |
| 3,265   | Ginnie Mae, CMO, IO,<br>3.50%, 1/20/42   | 489,364      |
| 11,369  | 4.00%, 5/16/42-8/16/42   | 2,238,705    |
| Total U.S. Government Agency Securities (cost-\$48,008,505) |  | 48,975,805   |
| <b>Asset-Backed Securities 3.5%</b>                         |  |              |
| 457   | Bear Stearns Asset-Backed Securities Trust, 6.50%, 10/25/36  | 387,942      |
| 10,981  | Countrywide Asset-Backed Certificates (j),<br>5.47%, 10/25/46  | 9,126,853    |
| 3,440   | 5.526%, 7/25/36  | 3,466,515    |
| 2,067   | Greenpoint Manufactured Housing, 8.14%, 3/20/30 (j)  | 2,126,278    |
| 2,022   | GSAA Home Equity Trust, 6.295%, 6/25/36  | 1,122,516    |
| 8,400   | JP Morgan Mortgage Acquisition Trust, 5.218%, 1/25/37  | 6,008,974    |
| 2,432   | Mid-State Trust IV, 8.33%, 4/1/30  | 2,551,334    |
| 1,582   | Mid-State Trust VII, 6.34%, 10/15/36   | 1,676,848    |
| 1,185   | Morgan Stanley Mortgage Loan Trust, 6.25%, 7/25/47 (j)   | 893,421      |
| Total Asset-Backed Securities (cost-\$27,449,383)           |  | 27,360,681   |
| <b>Preferred Stock 0.4%</b>                                 |  |              |
| Shares  | <b>Diversified Financial Services 0.4%</b>   |              |
| 120,000   | Citigroup Capital XIII, 7.875%, 10/30/15 (i) (cost-\$3,428,400)  | 3,300,000    |
| <b>Short-Term Investments 4.3%</b>                          |  |              |
| Principal<br>Amount<br>(000s)                               | <b>Repurchase Agreements 4.0%</b>  |              |
| \$17,200  | Citigroup Global Markets, Inc.,<br>dated 10/31/13, 0.13%, due 11/1/13, proceeds \$17,200,062;<br>collateralized by U.S. Treasury Notes, 1.00%, due 8/31/16, valued at<br>\$17,564,469 including accrued interest | 17,200,000   |
| 11,100  | Morgan Stanley & Co., Inc.,<br>dated 10/31/13, 0.13%, due 11/1/13, proceeds \$11,100,040;<br>collateralized by U.S. Treasury Notes, 0.875%, due 12/31/16, valued at<br>\$11,318,945 including accrued interest   | 11,100,000   |

**Schedule of Investments**

**PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                        |   | Value                |
|--|---|----------------------|
| \$2,268  | State Street Bank and Trust Co.,<br>dated 10/31/13, zero coupon, due 11/1/13, proceeds \$2,268,000;<br>collateralized by Fannie Mae, 2.20%, due 10/17/22, valued at<br>\$2,316,375 including accrued interest | \$2,268,000          |
| Total Repurchase Agreements (cost-\$30,568,000)      |   | 30,568,000           |
| <b>U.S. Treasury Obligations (g) (k) 0.3%</b>        |   |                      |
| 2,058  | U.S. Treasury Bills, 0.041%-0.101%, 1/2/14-10/16/14<br>(cost-\$2,057,555)   | 2,057,658            |
| Total Short-Term Investments (cost-\$32,625,555)     |   | 32,625,658           |
| <b>Total Investments (cost-\$741,227,419) 100.0%</b> |   | <b>\$772,748,026</b> |

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$60,115,834, representing 7.8% of total investments.
- (b) Illiquid.
- (c) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (d) In default.
- (e) Fair-Valued Security with a value of \$106,885, representing less than 0.05% of total investments. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (f) Perpetual maturity. The date shown, if any, is the next call date. For Corporate Bonds & Notes the interest rate is fixed until the first call date and variable thereafter.
- (g) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (h) Restricted. The aggregate acquisition cost of such securities is \$9,613,554. The aggregate value is \$9,600,574, representing 1.2% of total investments.
- (i) Dividend rate is fixed until the first call date and variable thereafter.
- (j) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on October 31, 2013.
- (k) Rates reflect the effective yields at purchase date.
- (l) Interest rate swap agreements outstanding at October 31, 2013:

OTC swap agreements:

| Swap<br>Counterparty | Notional<br>Amount<br>(000s) | Termination<br>Date | Rate Type        |                      | Value       | Upfront<br>Premiums<br>Paid (Received) | Unrealized<br>Appreciation |
|----------------------|------------------------------|---------------------|------------------|----------------------|-------------|--|----------------------------|
|                      |                              |                     | Payments<br>Made | Payments<br>Received |             |  |                            |
| Citigroup            | \$132,700                    | 11/20/18            |                  | 2.05%                | \$1,269,511 | \$(241,198)                            | \$1,510,709                |

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|                |         |          |                      |       |             |             |             |  |
|----------------|---------|----------|----------------------|-------|-------------|-------------|-------------|--|
|                |         |          | 3-Month<br>USD-LIBOR |       |             |             |             |  |
| Deutsche Bank  | 101,700 | 11/20/18 | 3-Month<br>USD-LIBOR | 2.05% | 972,940     | (179,835)   | 1,152,775   |  |
| Goldman Sachs  | 100,000 | 11/20/18 | 3-Month<br>USD-LIBOR | 2.05% | 444,197     | 115,481     | 328,716     |  |
| Morgan Stanley | 254,000 | 11/20/18 | 3-Month<br>USD-LIBOR | 2.05% | 2,429,960   | (271,795)   | 2,701,755   |  |
|                |         |          |                      |       | \$5,116,608 | \$(577,347) | \$5,693,955 |  |

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**Schedule of Investments**

**PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (continued)

Centrally cleared swap agreements:

| Broker (Exchange)   | Notional Amount (000s) | Termination Date | Payments Made | Rate Type         |             | Unrealized Appreciation (Depreciation) |
|---------------------|------------------------|------------------|---------------|-------------------|-------------|--|
|                     |                        |                  |               | Payments Received | Value       |  |
| Goldman Sachs (CME) | \$49,800               | 6/19/43          | 2.75%         | 3-Month USD-LIBOR | \$7,785,296 | \$4,342,291                            |
| Goldman Sachs (CME) | 16,800                 | 12/18/43         | 3.50%         | 3-Month USD-LIBOR | 404,395     | (981,857)                              |
|                     |                        |                  |               |                   | \$8,189,691 | \$3,360,434                            |

(m) Forward foreign currency contracts outstanding at October 31, 2013:

|  | Counterparty               | U.S.\$ Value on Origination Date | U.S.\$ Value October 31, 2013 | Unrealized Appreciation (Depreciation) |
|--|----------------------------|----------------------------------|-------------------------------|--|
| <b>Purchased:</b>                          |                            |                                  |                               |  |
| 29,734,542 Brazilian Real settling 11/4/13 | Barclays Bank              | \$13,499,747                     | \$13,273,164                  | \$(226,583)                            |
| 13,226,170 Brazilian Real settling 11/4/13 | Credit Suisse First Boston | 6,095,009                        | 5,904,013                     | (190,996)                              |
| 3,621,901 Brazilian Real settling 11/4/13  | Goldman Sachs              | 1,644,376                        | 1,616,776                     | (27,600)                               |
| 47,596,103 Brazilian Real settling 11/4/13 | Morgan Stanley             | 21,867,179                       | 21,246,363                    | (620,816)                              |
| 13,226,170 Brazilian Real settling 12/3/13 | Morgan Stanley             | 6,037,418                        | 5,862,777                     | (174,641)                              |
| 54,188,982 Brazilian Real settling 1/3/14  | Morgan Stanley             | 24,566,589                       | 23,867,497                    | (699,092)                              |
| 26,900,000 British Pound settling 11/4/13  | Bank of America            | 43,228,300                       | 43,131,439                    | (96,861)                               |
| 628,000 British Pound settling 11/4/13     | BNP Paribas                | 1,007,467                        | 1,006,935                     | (532)                                  |
| 327,000 Canadian Dollar settling 12/23/13  | Royal Bank of Canada       | 316,442                          | 313,216                       | (3,226)                                |
| 681,000 Euro settling 11/4/13              | Goldman Sachs              | 939,780                          | 924,627                       | (15,153)                               |
| 3,118,000 Euro settling 11/4/13            | HSBC Bank                  | 4,222,584                        | 4,233,462                     | 10,878                                 |
| 175,239,459 Mexican Peso settling 12/17/13 | JPMorgan Chase             | 13,217,558                       | 13,385,928                    | 168,370                                |
| <b>Sold:</b>                               |                            |                                  |                               |  |
| 29,734,542 Brazilian Real settling 11/4/13 | Barclays Bank              | 13,299,285                       | 13,273,164                    | 26,121                                 |
| 13,226,170 Brazilian Real settling 11/4/13 | Credit Suisse First Boston | 6,005,126                        | 5,904,013                     | 101,113                                |
| 13,226,170 Brazilian Real settling 12/3/13 | Credit Suisse First Boston | 6,055,246                        | 5,862,777                     | 192,469                                |
| 26,878,047 Brazilian Real settling 1/3/14  | Deutsche Bank              | 11,871,405                       | 11,838,416                    | 32,989                                 |
| 3,621,901 Brazilian Real settling 11/4/13  | Goldman Sachs              | 1,658,000                        | 1,616,776                     | 41,224                                 |

**Schedule of Investments**

**PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (continued)

|   | Counterparty    | U.S.\$ Value on<br>Origination Date | U.S.\$ Value<br>October 31, 2013 | Unrealized<br>Appreciation<br>(Depreciation) |
|---|-----------------|-------------------------------------|----------------------------------|--|
| 27,349,813 Brazilian Real settling 11/4/13    | Morgan Stanley  | \$11,976,884                        | \$12,208,648                     | \$(231,764)                                  |
| 20,246,290 Brazilian Real settling 11/4/13    | Morgan Stanley  | 9,191,996                           | 9,037,716                        | 154,280                                      |
| 27,310,935 Brazilian Real settling 1/3/14     | Morgan Stanley  | 12,084,484                          | 12,029,081                       | 55,403                                       |
| 26,900,000 British Pound settling 12/3/13     | Bank of America | 43,218,616                          | 43,122,077                       | 96,539                                       |
| 1,560,000 British Pound settling 11/4/13      | Citigroup       | 2,525,051                           | 2,501,303                        | 23,748                                       |
| 25,968,000 British Pound settling 11/4/13     | Deutsche Bank   | 41,439,865                          | 41,637,071                       | (197,206)                                    |
| 3,799,000 Euro settling 11/4/13               | Deutsche Bank   | 5,128,989                           | 5,158,090                        | (29,101)                                     |
| 681,000 Euro settling 12/3/13                 | Goldman Sachs   | 939,842                             | 924,687                          | 15,155                                       |
| 176,009,000 Mexican Peso settling<br>12/17/13 | Barclays Bank   | 13,274,881                          | 13,444,710                       | (169,829)                                    |
|   |                 |                                     |                                  | \$(1,765,111)                                |

- (n) At October 31, 2013, the Fund held \$3,680,000 in cash as collateral and U.S. Treasury Obligations valued at \$1,199,225 and pledged cash collateral of \$4,447,000 for derivative contracts. Cash collateral held may be invested in accordance with the Fund's investment strategy. Securities held as collateral will not be pledged and are not reflected in the Schedule of Investments.
- (o) The weighted average daily balance of reverse repurchase agreements during the year ended October 31, 2013 was \$28,948,459, at a weighted average interest rate of 0.57%. There were no open reverse repurchase agreements at October 31, 2013.
- (p) Fair Value Measurements-See Note 1(b) in the Notes to Financial Statements.

|   | Level 1<br>Quoted Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>10/31/13 |
|---|--------------------------|--|--|----------------------|
| <b>Investments in Securities Assets</b> |                          |  |  |                      |
| Mortgage-Backed Securities              | \$                       | \$318,141,982  | \$   | \$318,141,982        |
| Municipal Bonds                         |                          | 180,112,445  |  | 180,112,445          |
| Corporate Bonds & Notes:                |                          |  |  |                      |
| Airlines                                |                          |  | 5,905,974  | 5,905,974            |
| Diversified Financial Services          |                          | 4,035,125  | 5,103,819  | 9,138,944            |
| Electric Utilities                      |                          | 3,229,947  | 106,885  | 3,336,832            |
| All Other                               |                          | 143,849,705  |  | 143,849,705          |
| U.S. Government Agency Securities       |                          | 48,975,805   |  | 48,975,805           |
| Asset-Backed Securities                 |                          | 27,360,681   |  | 27,360,681           |
| Preferred Stock                         | 3,300,000                |  |  | 3,300,000            |
| Short-Term Investments                  |                          | 32,625,658   |  | 32,625,658           |
|   | 3,300,000                | 758,331,348  | 11,116,678                                       | 772,748,026          |

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**Schedule of Investments**

**PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (continued)

|   | Level 1<br>Quoted Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>10/31/13 |
|---|--------------------------|--|--|----------------------|
| <b>Other Financial Instruments* Assets</b>      |                          |  |  |                      |
| Foreign Exchange Contracts                      | \$                       | \$918,289  | \$   | \$918,289            |
| Interest Rate Contracts                         |                          | 10,036,246   |  | 10,036,246           |
|   |                          | 10,954,535   |  | 10,954,535           |
| <b>Other Financial Instruments* Liabilities</b> |                          |  |  |                      |
| Foreign Exchange Contracts                      |                          | (2,683,400)  |  | (2,683,400)          |
| Interest Rate Contracts                         |                          | (981,857)  |  | (981,857)            |
|   |                          | (3,665,257)  |  | (3,665,257)          |
| <b>Totals</b>                                   | \$3,300,000              | \$765,620,626  | \$11,116,678                                     | \$780,037,304        |

At October 31, 2013, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended October 31, 2013, was as follows:

|   | Beginning<br>Balance<br>10/31/12 | Purchases   | Sales         | Accrued<br>Discount<br>(Premiums) | Net<br>Realized<br>Gain<br>(Loss) | Net Change<br>in Unrealized<br>Appreciation/<br>Depreciation | Transfers<br>into<br>Level 3 | Transfers<br>out of<br>Level 3** | Ending<br>Balance<br>10/31/13 |
|---|----------------------------------|-------------|---------------|-----------------------------------|-----------------------------------|--|------------------------------|----------------------------------|-------------------------------|
| <b>Investments in Securities Assets</b> |                                  |             |               |                                   |                                   |  |                              |                                  |                               |
| Mortgage-Backed Securities              | \$591,933                        | \$          | \$(150,514)   | \$107,774                         | \$(103,965)                       | \$218,466  | \$                           | \$(663,694)                      | \$                            |
| Corporate Bonds & Notes:                |                                  |             |               |                                   |                                   |  |                              |                                  |                               |
| Airlines                                | 7,502,811                        | 2,323,436   | (3,772,100)   | (17,772)                          | 36,925                            | (167,326)  |                              |                                  | 5,905,974                     |
| Diversified Financial Services          |                                  | 5,087,521   | (6,923)       | 219                               | 82                                | 22,920   |                              |                                  | 5,103,819                     |
| Electric Utilities                      | 215,000                          |             |               |                                   |                                   | (108,115)  |                              |                                  | 106,885                       |
| <b>Totals</b>                           | \$8,309,744                      | \$7,410,957 | \$(3,929,537) | \$90,221                          | \$(66,958)                        | \$(34,055)   | \$                           | \$(663,694)                      | \$11,116,678                  |

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at October 31, 2013.

|   | Ending Balance<br>at 10/31/13 | Valuation<br>Technique Used                     | Unobservable<br>Inputs                      | Input<br>Values            |
|---|-------------------------------|---|---|----------------------------|
| <b>Investments in Securities Assets</b> |                               |   |   |                            |
| Corporate Bonds & Notes                 | \$11,009,793<br>106,885       | Third-Party pricing vendor<br>Benchmark pricing | Single Broker Quote<br>Security Price Reset | \$99.26 \$113.00<br>\$2.49 |



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Relates to paydown shortfall.

- \* Other financial instruments are derivatives, such as swap agreements and forward foreign currency contracts, which are valued at the unrealized appreciation (depreciation) of the instrument.
- \*\* Transferred out of Level 3 into Level 2 because an evaluated price with observable inputs from a third-party pricing vendor became available.

**Schedule of Investments****PIMCO Corporate & Income Strategy Fund**

October 31, 2013 (continued)

The net change in unrealized appreciation/depreciation of Level 3 investments held at October 31, 2013, was \$(114,776). Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

(q) The following is a summary of the derivative instruments categorized by risk exposure:

The effect of derivatives on the Statement of Assets and Liabilities at October 31, 2013:

| Location  | Interest<br>Rate<br>Contracts | Foreign<br>Exchange<br>Contracts | Total              |
|---|-------------------------------|----------------------------------|--------------------|
| <b>Asset derivatives:</b>                                     |                               |                                  |                    |
| Unrealized appreciation of OTC swaps                          | \$5,693,955                   | \$                               | \$5,693,955        |
| Receivable for variation margin on centrally cleared swaps*   | 123,329                       |                                  | 123,329            |
| Unrealized appreciation of forward foreign currency contracts |                               | 918,289                          | 918,289            |
| <b>Total asset derivatives</b>                                | <b>\$5,817,284</b>            | <b>\$918,289</b>                 | <b>\$6,735,573</b> |
| <b>Liability derivatives:</b>                                 |                               |                                  |                    |
| Unrealized depreciation of forward foreign currency contracts |                               | \$ (2,683,400)                   | \$(2,683,400)      |

\* Included in net unrealized appreciation of \$3,360,434 on centrally cleared swaps as reported in note (l) of the Notes to Schedule of Investments.

The effect of derivatives on the Statement of Operations for the year ended October 31, 2013:

| Location   | Interest<br>Rate<br>Contracts | Foreign<br>Exchange<br>Contracts | Total                 |
|--|-------------------------------|----------------------------------|-----------------------|
| <b>Net realized loss on:</b>                                       |                               |                                  |                       |
| Swaps  | \$(10,016,704)                | \$                               | \$(10,016,704)        |
| Foreign currency transactions (forward foreign currency contracts) |                               | (3,102,877)                      | (3,102,877)           |
| <b>Total net realized loss</b>                                     | <b>\$(10,016,704)</b>         | <b>\$(3,102,877)</b>             | <b>\$(13,119,581)</b> |
| <b>Net change in unrealized appreciation/depreciation of:</b>      |                               |                                  |                       |
| Swaps  | \$8,902,620                   | \$                               | \$8,902,620           |
| Foreign currency transactions (forward foreign currency contracts) |                               | (1,901,253)                      | (1,901,253)           |
| <b>Total net change in unrealized appreciation/depreciation</b>    | <b>\$8,902,620</b>            | <b>\$(1,901,253)</b>             | <b>\$7,001,367</b>    |

The average volume (measured at each fiscal quarter-end) of derivative activity during the year ended October 31, 2013:

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| Forward Foreign<br>Currency Contracts (1) |               | Interest Rate       |
|---|---------------|---------------------|
| Purchased                                 | Sold          | Swap Agreements (2) |
| \$78,271,673                              | \$125,665,792 | \$696,740           |

(1) U.S. \$ Value on origination date

(2) Notional Amount (in thousands)

**Glossary:**

|     |                                      |       |                                  |
|-----|--------------------------------------|-------|----------------------------------|
| £   | - British Pound                      | FRN   | - Floating Rate Note             |
| CME | - Chicago Mercantile Exchange        | GO    | - General Obligation Bond        |
| CMO | - Collateralized Mortgage Obligation | IO    | - Interest Only                  |
| CP  | - Certificates of Participation      | LIBOR | - London Inter-Bank Offered Rate |
|     | - Euro                               | OTC   | - Over-the-Counter               |

See accompanying Notes to Financial Statements | October 31, 2013 | Annual Report **19**

## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013

| Principal<br>Amount<br>(000s)     |  | Value     |
|-----------------------------------|--|-----------|
| <b>Mortgage-Backed Securities</b> | <b>48.3%</b>   |           |
| \$338                             | Adjustable Rate Mortgage Trust, 2.712%, 1/25/36, CMO (n)   | \$288,631 |
| £331                              | Auburn Securities 4 PLC, 0.89%, 10/1/41, CMO (n)   | 497,337   |
|                                   | Banc of America Funding Trust, CMO (n),  |           |
| \$296                             | 2.438%, 12/20/36   | 296,380   |
| 1,716                             | 2.834%, 12/20/34   | 1,388,117 |
| 2,219                             | 2.861%, 3/20/36  | 1,887,470 |
| 471                               | 3.07%, 12/20/34  | 302,344   |
| 1,000                             | 5.801%, 10/20/46   | 800,032   |
| 3,080                             | Banc of America Large Loan Trust, 2.474%, 11/15/15, CMO (a) (d) (n)  | 3,081,418 |
|                                   | Banc of America Mortgage Trust, CMO,   |           |
| 204                               | 2.622%, 10/20/46 (n)   | 127,273   |
| 334                               | 2.753%, 9/25/34 (n)  | 331,724   |
| 45                                | 2.854%, 6/25/35 (n)  | 45,155    |
| 856                               | 5.75%, 8/25/34   | 914,871   |
|                                   | BCAP LLC Trust, CMO (a) (d) (n),   |           |
| 1,403                             | 1.893%, 11/26/37   | 1,388,428 |
| 550                               | 5.023%, 3/26/36  | 528,997   |
|                                   | Bear Stearns Adjustable Rate Mortgage Trust, CMO (n),  |           |
| 164                               | 2.469%, 9/25/34  | 144,214   |
| 1,503                             | 2.658%, 10/25/36   | 1,251,121 |
| 543                               | 2.677%, 1/25/35  | 536,563   |
| 650                               | 2.678%, 8/25/47  | 465,931   |
| 1,105                             | 5.053%, 3/25/35  | 1,063,305 |
| 636                               | 5.151%, 6/25/47  | 563,139   |
| 243                               | 5.268%, 9/25/34  | 238,950   |
|                                   | Bear Stearns ALT-A Trust, CMO (n),   |           |
| 5,986                             | 0.33%, 6/25/46   | 3,268,664 |
| 1,510                             | 0.87%, 1/25/35   | 1,470,815 |
| 104                               | 2.467%, 11/25/35   | 81,445    |
| 542                               | 2.498%, 4/25/35  | 430,570   |
| 5,948                             | 2.544%, 8/25/36  | 4,807,543 |
| 1,672                             | 2.644%, 9/25/34  | 1,476,405 |
| 1,422                             | 2.691%, 5/25/36  | 941,972   |
| 834                               | 2.804%, 8/25/36  | 579,814   |
| 884                               | 2.858%, 5/25/35  | 690,854   |
| 788                               | 3.598%, 9/25/34  | 778,613   |
| 547                               | 4.398%, 7/25/35  | 423,548   |
| 949                               | 4.478%, 11/25/36   | 668,978   |
| 2,500                             | Bear Stearns Commercial Mortgage Securities Trust, 5.522%, 3/13/40,<br>CMO (a) (d) (n)   | 2,504,383 |
| £514                              | Bluestone Securities PLC, 0.736%, 6/9/43, CMO (n)  | 756,780   |
| \$3,405                           | CBA Commercial Small Balance Commercial Mortgage, 5.54%,<br>1/25/39, CMO (a) (b) (d) (l) (acquisition cost \$1,919,549; purchased<br>11/18/09) | 2,184,444 |
| 685                               | Celtic Residential Irish Mortgage Securitisation No. 9 PLC, 0.368%,<br>11/13/47, CMO (n)   | 788,239   |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |   | Value       |
|-------------------------------|---|-------------|
| \$1,600                       | Chase Mortgage Finance Trust, CMO,<br>5.50%, 11/25/21   | \$1,429,925 |
| 1,742                         | 6.00%, 3/25/37  | 1,514,505   |
| 4,284                         | Citigroup Mortgage Loan Trust, Inc., CMO,<br>3.026%, 3/25/37 (n)  | 3,136,601   |
| 948                           | 5.50%, 11/25/35   | 818,884     |
| 2,170                         | Commercial Mortgage Trust, 5.908%, 7/10/46, CMO (a) (d) (n)   | 2,312,732   |
| 1,484                         | Countrywide Alternative Loan Trust, CMO,<br>0.368%, 12/20/46 (n)  | 1,050,791   |
| 1,582                         | 0.42%, 6/25/37 (n)  | 945,570     |
| 3,559                         | 0.51%, 11/20/35 (n)   | 2,776,865   |
| 3,189                         | 0.52%, 5/25/36 (n)  | 1,906,149   |
| 2,841                         | 0.52%, 6/25/36 (n)  | 1,953,383   |
| 771                           | 5.50%, 10/25/35   | 681,662     |
| 3,595                         | 5.50%, 12/25/35   | 3,082,556   |
| 566                           | 5.75%, 5/25/36  | 453,679     |
| 582                           | 6.00%, 11/25/35   | 398,272     |
| 618                           | 6.00%, 4/25/36  | 514,405     |
| 1,080                         | 6.00%, 4/25/37  | 788,206     |
| 5,269                         | 6.00%, 5/25/37  | 4,276,179   |
| 624                           | 6.25%, 8/25/37  | 499,771     |
| 752                           | 6.50%, 9/25/32  | 735,481     |
| 1,909                         | 6.50%, 7/25/35  | 1,147,237   |
| 853                           | 6.50%, 6/25/36  | 636,715     |
| 1,292                         | Countrywide Home Loan Mortgage Pass-Through Trust, CMO,<br>0.49%, 3/25/35 (n)                           | 1,086,467   |
| 199                           | 2.595%, 8/20/35 (n)   | 172,825     |
| 4,718                         | 2.633%, 11/25/35 (n)  | 3,876,942   |
| 562                           | 2.64%, 6/20/35 (n)  | 435,502     |
| 125                           | 2.825%, 8/25/34 (n)   | 110,742     |
| 1,446                         | 2.841%, 9/25/47 (n)   | 1,199,828   |
| 1,785                         | 2.982%, 3/25/37 (n)   | 1,194,544   |
| 221                           | 5.50%, 8/25/35  | 209,213     |
| 2,378                         | Credit Suisse First Boston Mortgage Securities Corp., 7.50%, 5/25/32, CMO                               | 2,474,432   |
| 813                           | Credit Suisse Mortgage Capital Certificates Mortgage-Backed Trust, CMO,<br>0.344%, 10/15/21 (a) (d) (n) | 810,364     |
| 948                           | 0.77%, 7/25/36 (n)  | 479,956     |
| 749                           | 5.896%, 4/25/36   | 660,728     |
| 616                           | 6.50%, 5/25/36  | 428,291     |
| 674                           | 6.50%, 7/26/36  | 343,355     |
| 851                           | DECO 14-Pan Europe 5BV, 0.385%, 10/27/20, CMO (n)   | 1,148,324   |
| \$1,002                       | Deutsche ALT-A Securities Mortgage Loan Trust, 0.32%, 2/25/47, CMO (n)                                  | 700,718     |
| 205                           | Deutsche ALT-B Securities Mortgage Loan Trust, 6.25%, 7/25/36, CMO (n)                                  | 133,368     |
| 412                           | Deutsche Mortgage Securities, Inc. Mortgage Loan Trust, 5.50%, 9/25/33, CMO                             | 425,800     |
| 873                           | Downey Savings & Loan Assoc. Mortgage Loan Trust, 0.353%, 4/19/47, CMO (n)                              | 204,423     |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value     |
|-------------------------------|--|-----------|
|                               | EMF-NL BV, CMO (n),  |           |
| 800                           | 1.225%, 7/17/41  | \$810,848 |
| 1,000                         | 1.475%, 10/17/41   | 1,193,015 |
| \$3,500                       | Extended Stay America Trust, 7.625%, 12/5/19, CMO (a) (d)                    | 3,637,579 |
|                               | First Horizon Alternative Mortgage Securities Trust, CMO,                    |           |
| 2,376                         | 2.189%, 11/25/36 (n)   | 1,762,019 |
| 1,771                         | 2.203%, 5/25/36 (n)  | 1,397,681 |
| 484                           | 2.271%, 8/25/35 (n)  | 108,487   |
| 401                           | 2.314%, 2/25/36 (n)  | 294,653   |
| 203                           | 6.25%, 11/25/36  | 168,773   |
|                               | First Horizon Mortgage Pass-Through Trust, CMO,                              |           |
| 2,003                         | 2.551%, 1/25/37 (n)  | 1,733,511 |
| 270                           | 4.922%, 7/25/37 (n)  | 227,692   |
| 387                           | 5.50%, 8/25/35   | 338,470   |
| 51,932                        | FREMF Mortgage Trust, 0.10%, 5/25/20, CMO, IO (g) (n)                        | 244,228   |
|                               | GMACM Mortgage Loan Trust, CMO (n),  |           |
| 427                           | 3.345%, 6/25/34  | 418,558   |
| 177                           | 3.394%, 7/19/35  | 162,712   |
| 344                           | 3.446%, 6/25/34  | 329,043   |
| 1,848                         | Greenpoint Mortgage Funding Trust, 0.35%, 1/25/37, CMO (n)                   | 1,292,211 |
| 108                           | Greenwich Capital Commercial Funding Corp., 0.314%, 11/5/21, CMO (a) (d) (n) | 106,834   |
| 140                           | GS Mortgage Securities Corp. II Trust, 4.805%, 3/6/20, CMO (a) (d) (n)       | 140,428   |
|                               | GS Mortgage Securities Trust, CMO (a) (d) (n),                               |           |
| 9,932                         | 1.524%, 8/10/43, IO  | 706,559   |
| 2,100                         | 5.981%, 8/10/43  | 2,266,970 |
|                               | GSR Mortgage Loan Trust, CMO,  |           |
| 877                           | 0.62%, 7/25/37 (n)   | 569,947   |
| 2,817                         | 2.778%, 1/25/36 (n)  | 2,643,314 |
| 55                            | 3.038%, 12/25/34 (n)   | 49,870    |
| 160                           | 6.00%, 9/25/34   | 157,638   |
|                               | Harborview Mortgage Loan Trust, CMO (n),                                     |           |
| 3,003                         | 0.363%, 2/19/46  | 2,475,754 |
| 5,274                         | 0.383%, 11/19/36   | 3,906,466 |
| 430                           | 0.493%, 1/19/35  | 367,730   |
| 447                           | 0.733%, 6/19/34  | 416,974   |
| 415                           | 2.773%, 8/19/36  | 313,925   |
| 2,008                         | 5.369%, 6/19/36  | 1,478,658 |
| 675                           | HomeBanc Mortgage Trust, 0.42%, 3/25/35, CMO (n)                             | 569,661   |
| 1,030                         | IM Pastor 4 Fondo de Titulizacion de Activos, 0.361%, 3/22/44, CMO (n)       | 1,075,489 |
| \$552                         | Impac CMB Trust, 0.43%, 11/25/35, CMO (n)                                    | 426,265   |
| 2,337                         | IndyMac INDA Mortgage Loan Trust, 2.807%, 12/25/36, CMO (n)                  | 2,008,749 |
|                               | IndyMac Index Mortgage Loan Trust, CMO (n),                                  |           |
| 343                           | 0.40%, 4/25/35   | 278,022   |
| 352                           | 0.97%, 8/25/34   | 301,658   |
| 720                           | 1.03%, 9/25/34   | 602,785   |





## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value     |
|-------------------------------|--|-----------|
| \$555                         | 2.175%, 6/25/37  | \$406,905 |
| 1,937                         | 2.744%, 5/25/37  | 1,397,649 |
| 175                           | 4.95%, 5/25/37   | 23,773    |
| 2,152                         | 5.018%, 11/25/36   | 1,908,161 |
|                               | JPMorgan Alternative Loan Trust, CMO (n),  |           |
| 794                           | 2.697%, 5/25/36  | 608,582   |
| 132                           | 5.50%, 11/25/36  | 129,661   |
| 4,000                         | JPMorgan Chase Commercial Mortgage Securities Corp., 5.636%, 3/18/51, CMO (a) (d) (n)  | 4,338,640 |
|                               | JPMorgan Mortgage Trust, CMO,  |           |
| 102                           | 2.679%, 10/25/36 (n)   | 83,266    |
| 584                           | 2.746%, 6/25/37 (n)  | 510,693   |
| 1,491                         | 2.766%, 5/25/36 (n)  | 1,286,070 |
| 286                           | 2.786%, 7/25/35 (n)  | 282,173   |
| 3,262                         | 5.50%, 11/25/34  | 3,287,683 |
| 272                           | 6.00%, 8/25/37   | 237,917   |
| 3,316                         | KGS Alpha SBA, 1.00%, 4/25/38, CMO (a) (b) (d) (g) (l)<br>(acquisition cost-\$175,544; purchased 10/18/12)                       | 176,097   |
|                               | Landmark Mortgage Securities PLC, CMO (n),   |           |
| 567                           | 0.443%, 6/17/38  | 738,718   |
| £1,488                        | 0.738%, 6/17/38  | 2,286,368 |
|                               | Lehman Mortgage Trust, CMO,  |           |
| \$2,919                       | 5.50%, 11/25/35  | 2,712,190 |
| 3,364                         | 6.00%, 5/25/37   | 3,251,779 |
| 733                           | 6.361%, 4/25/36 (n)  | 702,491   |
|                               | MASTR Adjustable Rate Mortgages Trust, CMO (n),  |           |
| 1,449                         | 0.38%, 4/25/46   | 1,072,540 |
| 754                           | 0.889%, 1/25/47  | 475,481   |
| 1,122                         | 3.05%, 10/25/34  | 994,051   |
|                               | Morgan Stanley Mortgage Loan Trust, CMO,   |           |
| 3,406                         | 2.623%, 7/25/35 (n)  | 2,790,166 |
| 498                           | 3.097%, 1/25/35 (n)  | 28,225    |
| 975                           | 5.75%, 12/25/35  | 920,699   |
| 654                           | 6.00%, 8/25/37   | 593,462   |
| 5,122                         | Morgan Stanley Re-Remic Trust, zero coupon, 7/17/56, CMO, PO (a) (b) (d) (l)<br>(acquisition cost-\$4,875,650; purchased 4/6/11) | 4,988,924 |
|                               | Prime Mortgage Trust, CMO,   |           |
| 6,029                         | 0.52%, 6/25/36 (n)   | 3,109,697 |
| 262                           | 7.00%, 7/25/34   | 238,523   |
| 2,000                         | RBSCF Trust, 5.223%, 8/16/48, CMO (a) (d) (n)  | 2,157,267 |
| 40                            | Regal Trust IV, 2.456%, 9/29/31, CMO (a) (d) (n)   | 37,704    |
|                               | Residential Accredit Loans, Inc., CMO,   |           |
| 490                           | 0.35%, 6/25/46 (n)   | 227,325   |
| 3,186                         | 0.38%, 6/25/37 (n)   | 2,217,816 |
| 228                           | 5.50%, 4/25/37   | 176,588   |
| 1,109                         | 6.00%, 8/25/35   | 974,901   |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value       |
|-------------------------------|--|-------------|
| \$1,042                       | 6.00%, 1/25/37   | \$819,387   |
| 783                           | Residential Asset Securitization Trust, 6.00%, 3/25/37, CMO                    | 613,136     |
| 567                           | Residential Funding Mortgage Securities I, CMO,                                |             |
| 1,042                         | 5.701%, 7/27/37 (n)  | 516,579     |
| 726                           | 6.00%, 6/25/37   | 906,421     |
| 654                           | Salomon Brothers Mortgage Securities VII, Inc., 6.50%, 2/25/29,<br>CMO         | 737,676     |
| 45                            | Sequoia Mortgage Trust, 2.723%, 1/20/38, CMO (n)                               | 545,007     |
| 1,969                         | Structured Adjustable Rate Mortgage Loan Trust, CMO (n),                       |             |
| 2,078                         | 2.484%, 8/25/34  | 43,585      |
| 3,441                         | 4.891%, 11/25/36   | 1,895,428   |
| 272                           | 5.161%, 1/25/36  | 1,638,275   |
| 910                           | Structured Asset Mortgage Investments II Trust, CMO (n),                       |             |
| 639                           | 0.38%, 8/25/36   | 2,553,162   |
| 84                            | 0.40%, 5/25/45   | 229,597     |
| \$537                         | Structured Asset Securities Corp. Mortgage Pass-Through Certificates,          |             |
| 5,000                         | 2.461%, 1/25/34, CMO (n)   | 887,257     |
| 61                            | Suntrust Adjustable Rate Mortgage Loan Trust, 5.634%, 10/25/37,<br>CMO (n)     | 600,349     |
| 2,919                         | Talisman-7 Finance Ltd., 0.427%, 4/22/17, CMO (n)                              | 112,830     |
| 173                           | TBW Mortgage-Backed Trust, 6.00%, 7/25/36, CMO                                 | 349,640     |
| 1,046                         | WaMu Commercial Mortgage Securities Trust, 6.128%, 3/23/45,<br>CMO (a) (d) (n) | 5,285,976   |
| 3,266                         | WaMu Mortgage Pass-Through Certificates, CMO (n),                              |             |
| 2,963                         | 0.46%, 10/25/45  | 56,959      |
| 2,150                         | 2.202%, 6/25/37  | 2,421,829   |
| 626                           | 2.207%, 3/25/33  | 173,056     |
| 2,338                         | 2.288%, 3/25/37  | 844,498     |
| 1,680                         | 2.456%, 7/25/46  | 3,088,776   |
| 933                           | 2.511%, 7/25/37  | 2,321,031   |
| 5,439                         | 2.534%, 2/25/37  | 1,879,538   |
| 70                            | 4.057%, 11/25/36   | 534,988     |
| 752                           | 4.517%, 7/25/37  | 2,036,275   |
| 62                            | 4.652%, 2/25/37  | 1,397,465   |
| 59                            | Washington Mutual Mortgage Pass-Through Certificates, CMO,                     |             |
| 145                           | 0.999%, 10/25/46 (n)   | 614,383     |
| 1,609                         | 5.50%, 7/25/35   | 4,994,526   |
| 65                            | Washington Mutual MSC Mortgage Pass-Through Certificates Trust,                |             |
|                               | 1.60%, 6/25/33, CMO (n)  | 66,684      |
|                               | Wells Fargo Mortgage-Backed Securities Trust, CMO,                             |             |
|                               | 0.67%, 7/25/37 (n)   | 658,825     |
|                               | 2.608%, 9/25/36 (n)  | 57,152      |
|                               | 2.621%, 10/25/36 (n)   | 52,613      |
|                               | 2.626%, 4/25/36 (n)  | 136,909     |
|                               | 2.741%, 9/25/36 (n)  | 1,478,848   |
|                               | 5.50%, 1/25/36   | 20,867      |
|                               | Total Mortgage-Backed Securities (cost-\$173,379,389)                          | 206,074,745 |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)      |   | Value       |
|------------------------------------|---|-------------|
| <b>Corporate Bonds &amp; Notes</b> | <b>46.8%</b>  |             |
|                                    | <b>Airlines 2.7%</b>  |             |
| \$2,500                            | American Airlines, Inc., 10.50%, 10/15/12 (f)   | \$3,112,500 |
| 1,056                              | Continental Airlines Pass-Through Trust (k),<br>7.707%, 10/2/22   | 1,193,823   |
| 1,039                              | 8.048%, 5/1/22  | 1,178,037   |
| 1,428                              | Delta Air Lines, Inc., 7.75%, 6/17/21 (k)   | 1,646,285   |
| 432                                | Northwest Airlines, Inc., 1.014%, 11/20/15 (MBIA) (n)   | 431,279     |
| 1,977                              | United Air Lines Pass-Through Trust (k),<br>9.75%, 7/15/18  | 2,268,176   |
| 1,644                              | 10.40%, 5/1/18  | 1,857,160   |
|                                    |   | 11,687,260  |
|                                    | <b>Auto Components 0.7%</b>   |             |
| 2,517                              | Commercial Vehicle Group, Inc., 7.875%, 4/15/19   | 2,554,755   |
| 600                                | Pittsburgh Glass Works LLC, 8.00%, 11/15/18 (a) (b) (d) (e) (l)<br>(acquisition cost-\$600,000; purchased 10/29/13) | 613,500     |
|                                    |   | 3,168,255   |
|                                    | <b>Banking 14.4%</b>  |             |
| 1,850                              | Ally Financial, Inc. (k),<br>6.75%, 12/1/14   | 1,951,750   |
| 5,000                              | 8.30%, 2/12/15  | 5,431,250   |
| 3,900                              | Banco Continental SAECA, 8.875%, 10/15/17 (a) (d) (k)   | 4,177,875   |
| £2,100                             | Barclays Bank PLC, 14.00%, 6/15/19 (h)  | 4,629,411   |
| 750                                | BPCE S.A. (h),<br>9.00%, 3/17/15  | 1,088,015   |
| 350                                | 9.25%, 4/22/15  | 506,648     |
| \$300                              | CIT Group, Inc. (a) (d),<br>4.75%, 2/15/15  | 313,500     |
| 3,400                              | 5.25%, 4/1/14 (k)   | 3,463,750   |
| 3,000                              | Cooperatieve Centrale Raiffeisen-Boerenleenbank BA,<br>6.875%, 3/19/20  | 4,551,854   |
| \$6,875                            | 11.00%, 6/30/19 (a) (d) (h) (k)   | 9,100,458   |
| £500                               | Credit Agricole S.A. (h),<br>7.589%, 1/30/20  | 833,075     |
| 1,400                              | 8.125%, 10/26/19  | 2,443,364   |
| \$3,200                            | Credit Suisse AG, 6.50%, 8/8/23 (a) (b) (d) (k) (l)<br>(acquisition cost-\$3,200,000; purchased 8/1/13)             | 3,423,680   |
| 7,300                              | Discover Bank, 7.00%, 4/15/20 (k)   | 8,626,812   |
| £1,200                             | DnB NOR Bank ASA, 6.012%, 3/29/17 (h)   | 2,014,511   |
| 1,600                              | LBG Capital No. 1 PLC,<br>7.588%, 5/12/20   | 2,719,365   |
| 400                                | 7.869%, 8/25/20   | 685,934     |
| 200                                | LBG Capital No. 2 PLC, 15.00%, 12/21/19   | 471,399     |
| \$2,500                            | Morgan Stanley, 0.724%, 10/15/15 (k) (n)  | 2,491,285   |
| 2,500                              | UBS Preferred Funding Trust V, 6.243%, 5/15/16 (h)  | 2,681,250   |
|                                    |   | 61,605,186  |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value      |
|-------------------------------|--|------------|
|                               | <b>Building Materials 0.1%</b>   |            |
|                               | Corporacion GEO S.A.B. de C.V. (a) (d) (f),  |            |
| \$200                         | 8.875%, 3/27/22  | \$32,000   |
| 1,800                         | 9.25%, 6/30/20   | 288,000    |
|                               |  | 320,000    |
|                               | <b>Coal 0.9%</b>   |            |
| 2,100                         | Berau Coal Energy Tbk PT, 7.25%, 3/13/17 (a) (d) (k)   | 2,026,500  |
|                               | Mongolian Mining Corp.,  |            |
| 300                           | 8.875%, 3/29/17 (a) (d)  | 246,750    |
| 2,100                         | 8.875%, 3/29/17  | 1,727,250  |
|                               |  | 4,000,500  |
|                               | <b>Diversified Financial Services 6.6%</b>   |            |
| 2,300                         | AGFC Capital Trust I, 6.00%, 1/15/67 (converts to FRN on 1/15/17) (a) (d) (k)  | 1,966,500  |
| 2,000                         | Cantor Fitzgerald L.P., 7.875%, 10/15/19 (a) (d) (k)   | 2,108,808  |
| 5,000                         | HSBC Finance Corp., 6.676%, 1/15/21 (k)  | 5,817,505  |
| 1,552                         | Jefferies LoanCore LLC, 6.875%, 6/1/20 (a) (b) (d) (l)<br>(acquisition cost-\$1,568,630; purchased 5/16/13-5/17/13)                                | 1,544,240  |
|                               | SLM Corp.,   |            |
| 150                           | 0.538%, 1/27/14 (n)  | 149,398    |
| 200                           | 4.411%, 12/15/13 (n)   | 199,884    |
| 1,000                         | 5.375%, 5/15/14 (k)  | 1,022,500  |
| 1,000                         | 8.00%, 3/25/20   | 1,146,250  |
| 4,700                         | 8.45%, 6/15/18 (k)   | 5,504,875  |
|                               | Springleaf Finance Corp.,  |            |
| 1,100                         | 6.50%, 9/15/17   | 1,171,500  |
| 2,500                         | 6.90%, 12/15/17 (k)  | 2,718,750  |
| 432                           | Stearns Holdings, Inc., 9.375%, 8/15/20 (a) (b) (d) (l)<br>(acquisition cost-\$432,000; purchased 7/30/13)   | 451,980    |
| 22,443                        | Toll Road Investors Partnership II L.P., zero coupon, 2/15/45 (MBIA) (a) (b) (d) (l)<br>(acquisition cost-\$3,904,725; purchased 11/20/12-7/26/13) | 4,115,125  |
|                               |  | 27,917,315 |
|                               | <b>Electric Utilities 0.9%</b>   |            |
| 1,600                         | AES Andres Dominicana Ltd., 9.50%, 11/12/20 (a) (d) (k)  | 1,712,000  |
| 2,000                         | Energy Future Intermediate Holding Co. LLC, 10.00%, 12/1/20 (a) (d)  | 2,100,000  |
|                               |  | 3,812,000  |
|                               | <b>Engineering &amp; Construction 1.0%</b>   |            |
| 4,012                         | Alion Science and Technology Corp., 12.00%, 11/1/14, PIK (k)   | 4,072,265  |
|                               | <b>Food &amp; Beverage 0.2%</b>  |            |
| 972                           | Carolina Beverage Group LLC, 10.625%, 8/1/18 (a) (b) (d) (l)<br>(acquisition cost-\$986,485; purchased 7/23/13-7/24/13)                            | 1,023,030  |
|                               | <b>Healthcare-Services 0.8%</b>  |            |
| 3,000                         | HCA, Inc., 6.50%, 2/15/20 (k)  | 3,345,000  |
|                               | <b>Household Products/Wares 1.3%</b>   |            |
| 5,940                         | Armored Autogroup, Inc., 9.25%, 11/1/18 (k)  | 5,397,975  |





## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |   | Value       |
|-------------------------------|---|-------------|
|                               | <b>Insurance 2.4%</b>   |             |
|                               | American International Group, Inc.,                               |             |
| £546                          | 6.765%, 11/15/17  | \$1,029,160 |
| \$6,400                       | 8.25%, 8/15/18 (k)  | 8,110,797   |
| £550                          | 8.625%, 5/22/68 (converts to FRN on 5/22/18)                      | 1,040,606   |
|                               |   | 10,180,563  |
|                               | <b>Lodging 1.7%</b>   |             |
| \$5,423                       | Times Square Hotel Trust, 8.528%, 8/1/26 (a) (d) (k)              | 7,067,346   |
|                               | <b>Media 0.5%</b>   |             |
| 2,100                         | Radio One, Inc., 12.50%, 5/24/16 (k)                              | 2,136,750   |
|                               | <b>Mining 0.2%</b>  |             |
|                               | AngloGold Ashanti Holdings PLC (k),                               |             |
| 300                           | 5.375%, 4/15/20   | 287,756     |
| 800                           | 6.50%, 4/15/40  | 660,901     |
|                               |   | 948,657     |
|                               | <b>Oil &amp; Gas 5.0%</b>   |             |
|                               | Anadarko Petroleum Corp. (k),                                     |             |
| 600                           | 6.20%, 3/15/40  | 696,492     |
| 4,200                         | 6.45%, 9/15/36  | 4,956,622   |
| 6,900                         | BP Capital Markets PLC, 4.75%, 3/10/19 (k)                        | 7,748,569   |
| 926                           | Ecopetrol S.A., 7.375%, 9/18/43                                   | 1,063,743   |
| 958                           | Global Geophysical Services, Inc., 10.50%, 5/1/17                 | 795,140     |
| 4,625                         | Odebrecht Drilling Norbe VIII/IX Ltd., 6.35%, 6/30/21 (a) (d) (k) | 4,890,937   |
|                               | OGX Austria GmbH (a) (d) (f),                                     |             |
| 3,300                         | 8.375%, 4/1/22  | 330,000     |
| 3,700                         | 8.50%, 6/1/18   | 370,000     |
|                               | Pride International, Inc.,  |             |
| 200                           | 6.875%, 8/15/20 (k)   | 240,217     |
| 200                           | 7.875%, 8/15/40   | 274,099     |
|                               |   | 21,365,819  |
|                               | <b>Paper &amp; Forest Products 0.5%</b>                           |             |
| 2,155                         | Millar Western Forest Products Ltd., 8.50%, 4/1/21                | 2,208,875   |
|                               | <b>Pipelines 2.1%</b>   |             |
| 2,500                         | Kinder Morgan Energy Partners L.P., 6.50%, 9/1/39 (k)             | 2,817,948   |
|                               | NGPL PipeCo LLC (a) (d),  |             |
| 300                           | 7.768%, 12/15/37 (k)  | 263,250     |
| 4,700                         | 9.625%, 6/1/19  | 4,723,500   |
| 1,200                         | Rockies Express Pipeline LLC, 6.875%, 4/15/40 (a) (d) (k)         | 912,000     |
|                               |   | 8,716,698   |
|                               | <b>Real Estate Investment Trust 1.9%</b>                          |             |
| 4,750                         | SL Green Realty Corp., 7.75%, 3/15/20 (k)                         | 5,614,438   |
| 2,000                         | Weyerhaeuser Co., 7.375%, 3/15/32 (k)                             | 2,492,622   |
|                               |   | 8,107,060   |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value       |
|-------------------------------|--|-------------|
|                               | <b>Retail 1.0%</b>   |             |
| £500                          | Aston Martin Capital Ltd., 9.25%, 7/15/18  | \$851,004   |
| \$2,768                       | CVS Pass-Through Trust, 7.507%, 1/10/32 (a) (d) (k)                              | 3,361,137   |
|                               |  | 4,212,141   |
|                               | <b>Telecommunications 1.4%</b>   |             |
| 2,000                         | Frontier Communications Corp., 9.00%, 8/15/31 (k)                                | 2,080,000   |
| 4,181                         | GCI, Inc., 6.75%, 6/1/21 (k)   | 4,066,023   |
|                               |  | 6,146,023   |
|                               | <b>Transportation 0.5%</b>   |             |
| 2,000                         | Aeropuertos Dominicanos Siglo XXI S.A., 9.25%, 11/13/19 (a) (d)                  | 1,990,000   |
| 120                           | Western Express, Inc., 12.50%, 4/15/15 (a) (d)                                   | 72,300      |
|                               |  | 2,062,300   |
|                               | Total Corporate Bonds & Notes (cost-\$180,448,468)                               | 199,501,018 |
|                               | <b>Asset-Backed Securities 20.5%</b>   |             |
| 374                           | Access Financial Manufactured Housing Contract Trust, 7.65%,<br>5/15/21          | 376,824     |
| 1,416                         | Accredited Mortgage Loan Trust (n),<br>0.30%, 2/25/37                            | 1,300,116   |
| 1,113                         | 0.35%, 4/25/36   | 1,081,524   |
| 191                           | ACE Securities Corp. Home Equity Loan Trust, 0.57%, 8/25/45 (n)                  | 190,707     |
| 167                           | Asset-Backed Funding Certificates (n),<br>0.73%, 10/25/33                        | 147,008     |
| 1,635                         | 0.995%, 8/25/33  | 1,580,288   |
| 1,647                         | Associates Manufactured Housing Pass-Through Certificates, 7.15%,<br>3/15/28 (n) | 1,975,683   |
| 1,294                         | Bear Stearns Asset-Backed Securities I Trust, 0.67%, 9/25/34 (n)                 | 1,156,240   |
| 1,262                         | Bear Stearns Asset-Backed Securities Trust, 6.484%, 7/25/36 (n)                  | 579,540     |
| 3,739                         | Bombardier Capital Mortgage Securitization Corp. Trust, 7.83%,<br>6/15/30 (n)    | 2,429,011   |
| 1,341                         | Conseco Finance Securitizations Corp.,<br>7.77%, 9/1/31                          | 1,499,165   |
| 2,022                         | 7.96%, 5/1/31  | 1,670,644   |
| 295                           | 7.97%, 5/1/32  | 213,949     |
| 3,386                         | 8.06%, 5/1/31  | 2,440,299   |
| 3,070                         | 9.163%, 3/1/33 (n)   | 2,851,557   |
| 225                           | Conseco Financial Corp.,<br>6.22%, 3/1/30  | 241,802     |
| 218                           | 6.33%, 11/1/29 (n)   | 228,970     |
| 1,821                         | 6.53%, 2/1/31 (n)  | 1,847,391   |
| 72                            | 6.86%, 3/15/28   | 74,258      |
| 461                           | 7.05%, 1/15/27   | 475,700     |
| 737                           | 7.14%, 3/15/28   | 798,038     |
| 480                           | 7.24%, 6/15/28 (n)   | 509,365     |
| 311                           | 7.40%, 6/15/27   | 318,282     |
| 23                            | Countrywide Asset-Backed Certificates (n),<br>0.32%, 3/25/47                     | 16,801      |
| 1,099                         | 0.51%, 12/25/36 (a) (d)  | 630,124     |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value      |
|-------------------------------|--|------------|
| \$528                         | 0.56%, 11/25/34  | \$524,025  |
| 660                           | 0.73%, 8/25/32   | 547,949    |
| 146                           | 4.693%, 10/25/35   | 145,613    |
| 1,637                         | Credit-Based Asset Servicing and Securitization LLC, 1.49%, 12/25/35 (n)   | 1,280,709  |
| 1,000                         | Greenpoint Manufactured Housing, 8.30%, 10/15/26 (n)   | 1,094,146  |
| 3,101                         | GSAA Home Equity Trust, 5.772%, 11/25/36 (n)   | 1,937,283  |
| 516                           | GSAMP Trust, 0.47%, 5/25/36 (a) (d) (n)  | 507,360    |
| 43                            | Home Equity Asset Trust, 2.57%, 10/25/33 (n)   | 36,603     |
|                               | IndyMac Residential Asset-Backed Trust (n),  |            |
| 18,750                        | 0.41%, 4/25/47   | 10,410,750 |
| 6,500                         | 0.49%, 4/25/47   | 4,144,166  |
|                               | JP Morgan Mortgage Acquisition Trust (n),  |            |
| 11                            | 0.25%, 8/25/36   | 4,107      |
| 1,849                         | 0.36%, 3/25/47   | 994,526    |
| 2,375                         | Legg Mason Mortgage Capital Corp., 7.11%, 3/10/21 (a) (b) (g) (l)<br>(acquisition cost-\$2,273,509; purchased 1/29/13) | 2,390,526  |
| 1,551                         | Legg Mason PT, 6.55%, 3/10/20 (a) (d) (g)  | 1,556,142  |
|                               | Long Beach Mortgage Loan Trust (n),  |            |
| 1,239                         | 0.33%, 10/25/36  | 552,669    |
| 495                           | 2.645%, 3/25/32  | 432,654    |
| 1,249                         | Loomis Sayles CLO I Ltd, 0.468%, 10/26/20, CDO (a) (d) (n)   | 1,222,951  |
| 338                           | MASTR Asset-Backed Securities Trust, 5.233%, 11/25/35  | 341,340    |
| 6,950                         | Merrill Lynch First Franklin Mortgage Loan Trust, 0.41%, 5/25/37 (n)   | 4,238,967  |
| 2,111                         | Merrill Lynch Mortgage Investors Trust, 0.67%, 6/25/36 (n)   | 1,917,732  |
| 1,103                         | Morgan Stanley Dean Witter Capital I, Inc. Trust, 1.595%, 2/25/33 (n)  | 1,050,855  |
| 33                            | Oakwood Mortgage Investors, Inc., 0.404%, 6/15/32 (n)  | 28,092     |
| 65                            | Option One Mortgage Loan Trust, 5.662%, 1/25/37  | 52,388     |
| 3,975                         | Origen Manufactured Housing Contract Trust, 7.65%, 3/15/32   | 4,243,503  |
| 3,230                         | Ownit Mortgage Loan Trust, 3.582%, 12/25/36  | 1,468,015  |
| 1,161                         | Park Place Securities, Inc. Asset-Backed Pass-Through Certificates, 1.42%, 10/25/34 (n)                                | 631,378    |
|                               | Residential Asset Mortgage Products, Inc.,   |            |
| 1,166                         | 1.295%, 8/25/33 (n)  | 976,902    |
| 11                            | 4.02%, 4/25/33 (n)   | 10,648     |
| 427                           | 5.22%, 7/25/34 (n)   | 414,306    |
| 1,609                         | 5.86%, 11/25/33  | 1,735,349  |
|                               | Residential Asset Securities Corp. (n),  |            |
| 13                            | 0.36%, 3/25/36   | 12,613     |
| 22                            | 4.47%, 3/25/32   | 22,593     |
| 487                           | Securitized Asset-Backed Receivables LLC Trust, 0.40%, 2/25/37 (n)   | 243,953    |
|                               | South Coast Funding VII Ltd., CDO (a) (d) (n),   |            |
| 52,455                        | 0.503%, 1/6/41   | 13,638,285 |
| 74                            | 0.503%, 1/6/41 (b) (l) (acquisition cost-\$15,743; purchased 8/16/12)  | 19,094     |
| 1,826                         | 0.503%, 1/6/41 (b) (l) (acquisition cost-\$360,676; purchased 11/8/12)   | 474,814    |
| 754                           | Structured Asset Securities Corp. Mortgage Loan Trust, 0.47%, 6/25/35 (n)  | 647,074    |
| 2,441                         | Talon Funding Ltd., 0.75%, 6/5/35, CDO (a) (d) (n)   | 1,500,922  |



**Schedule of Investments**

**PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                               |   | Value      |
|---|---|------------|
| \$741   | UCFC Home Equity Loan Trust, 7.75%, 4/15/30 (n)   | \$613,279  |
| 532   | Vanderbilt Acquisition Loan Trust, 7.33%, 5/7/32 (n)  | 583,530    |
| Total Asset-Backed Securities (cost-\$72,492,814)           |   | 87,281,097 |
| <b>U.S. Government Agency Securities 11.5%</b>              |   |            |
| 43,000  | Fannie Mae, MBS,<br>3.50%, TBA, 30 Year (e)   | 44,101,875 |
| 4,597   | 4.00%, 11/1/33-7/1/41 (k)   | 4,850,987  |
| Total U.S. Government Agency Securities (cost-\$48,769,942) |   | 48,952,862 |
| <b>Sovereign Debt Obligations 4.8%</b>                      |   |            |
| <b>Brazil 0.4%</b>  |   |            |
| BRL363  | Brazil Notas do Tesouro Nacional, Ser. F,<br>10.00%, 1/1/14   | 162,322    |
| 3,106   | 10.00%, 1/1/17  | 1,339,566  |
| 62  | 10.00%, 1/1/21  | 25,762     |
| 62  | 10.00%, 1/1/23  | 25,300     |
|   |   | 1,552,950  |
| <b>Philippines 1.4%</b>                                     |   |            |
| \$5,000   | Power Sector Assets & Liabilities Management Corp., 7.25%, 5/27/19  | 6,068,750  |
| <b>Turkey 3.0%</b>  |   |            |
| TRY24,369   | Turkey Government Bond, 3.00%, 1/6/21 (i)   | 12,860,347 |
| Total Sovereign Debt Obligations (cost-\$21,224,520)        |   | 20,482,047 |
| <b>Convertible Preferred Stock 3.9%</b>                     |   |            |
| 14,500  | <b>Banking 3.9%</b><br>Wells Fargo & Co., 7.50%, Ser. L (h) (cost-\$9,203,225)  | 16,515,500 |
| <b>Preferred Stock 1.6%</b>                                 |   |            |
| 10,000  | <b>Banking 0.2%</b><br>AgriBank FCB, 6.875%, 1/1/24 (a) (b) (d) (e) (h) (l) (m)<br>(acquisition cost-\$1,000,000; purchased 10/29/13)                       | 1,004,600  |
| 50,000  | <b>Diversified Financial Services 1.4%</b><br>Farm Credit Bank, 6.75%, 9/15/23 (a) (b) (d) (h) (l) (m)<br>(acquisition cost-\$5,000,000; purchased 7/16/13) | 5,010,940  |
| 8,500   | SLM Corp. CPI-Linked MTN, Ser. A,<br>3.235%, 1/16/18  | 201,280    |
| 32,400  | 3.961%, 3/15/17   | 766,260    |
| Total Preferred Stock (cost-\$6,460,125)                    |   | 5,978,480  |
|   |   | 6,983,080  |



## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)            |   | Value       |
|--|---|-------------|
| <b>Convertible Bonds 1.1%</b>            |   |             |
| \$3,800                                  | <b>Real Estate Investment Trust 1.1%</b><br>SL Green Operating Partnership L.P., 3.00%, 10/15/17<br>(a) (d) (cost-\$3,783,169)                                | \$4,842,625 |
| <b>Senior Loans 1.0%</b>                 |   |             |
| 2,800                                    | <b>Diversified Financial Services 0.7%</b><br>Springleaf Financial Funding Co., 4.75%, 9/30/19, Term B2 (a) (c)   | 2,821,000   |
| 1,250                                    | <b>Hotels/Gaming 0.3%</b><br>Stockbridge SBE Holdings LLC, 13.00%, 5/2/17, Term B (a) (b) (c) (l)<br>(acquisition cost-\$1,217,083; purchased 5/1/12-7/10/12) | 1,368,750   |
| Total Senior Loans (cost-\$4,020,374)    |   | 4,189,750   |
| <b>Municipal Bonds 0.6%</b>              |   |             |
| 280                                      | <b>California 0.1%</b><br>Statewide Communities Dev. Auth. Rev., Lancer Student Housing<br>Project, 9.50%, 6/1/14, Ser. B                                     | 283,346     |
| 2,835                                    | <b>West Virginia 0.5%</b><br>Tobacco Settlement Finance Auth. Rev., 7.467%, 6/1/47, Ser. A  | 2,245,632   |
| Total Municipal Bonds (cost-\$2,999,951) |   | 2,528,978   |
| <b>Common Stock 0.1%</b>                 |   |             |
| 5,969                                    | <b>Media 0.1%</b><br>Tribune Co. (p) (cost-\$340,187)   | 399,625     |
| <b>U.S. Treasury Obligations 0.0%</b>    |   |             |
| \$100                                    | U.S. Treasury Notes, 2.375%, 8/31/14 (cost-\$101,043)   | 101,865     |
| <b>Warrants 0.0%</b>                     |   |             |
| 3,575                                    | <b>Engineering &amp; Construction 0.0%</b><br>Alion Science and Technology Corp., expires 11/1/14<br>(a) (d) (p) (cost-\$36)                                  | 36          |
| <b>Short-Term Investments 3.1%</b>       |   |             |
| \$9,887                                  | <b>U.S. Treasury Obligations 3.1%</b><br>U.S. Treasury Bills, 0.02%-0.109%, 1/2/14-10/16/14 (j) (o)   | 9,879,314   |
| 400                                      | U.S. Treasury Notes,<br>0.125%, 7/31/14 (j)   | 400,071     |
| 270                                      | 0.25%, 4/30/14  | 270,195     |



**Schedule of Investments****PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                       |                    | Value                |
|---|--------------------|----------------------|
| \$800   | 0.25%, 5/31/14     | \$800,672            |
| 300   | 0.25%, 8/31/14 (j) | 300,322              |
| 80  | 0.75%, 6/15/14     | 80,320               |
| 1,652   | 1.00%, 1/15/14 (j) | 1,655,195            |
| Total U.S. Treasury Obligations (cost-\$13,383,996) |                    | 13,386,089           |
| <b>Total Investments</b>                            |                    |                      |
| (cost-\$536,607,239) <b>143.3%</b>                  |                    | 611,239,317          |
| Liabilities in excess of other assets (43.3)%       |                    | (184,678,651)        |
| <b>Net Assets 100.0%</b>                            |                    | <b>\$426,560,666</b> |

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$136,330,079, representing 32.0% of net assets.
- (b) Illiquid.
- (c) These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the LIBOR or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted as the Fund is ordinarily contractually obligated to receive approval from the Agent bank and/or borrower prior to disposition. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on October 31, 2013.
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) When-issued or delayed-delivery. To be settled/delivered after October 31, 2013.
- (f) In default.
- (g) Fair-Valued Securities with an aggregate value of \$4,366,993, representing 1.0% of net assets. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (h) Perpetual maturity. The date shown, if any, is the next call date. For Corporate Bonds & Notes the interest rate is fixed until the first call date and variable thereafter.
- (i) Inflationary Bonds Principal amount of security is adjusted for inflation/deflation.
- (j) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.

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- (k) All or partial amount transferred for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (l) Restricted. The aggregate acquisition cost of such securities is \$27,529,594. The aggregate value is \$28,789,744, representing 6.7% of net assets.
- (m) Dividend rate is fixed until the first call date and variable thereafter.
- (n) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on October 31, 2013.
- (o) Rates reflect the effective yields at purchase date.
- (p) Non-income producing.

## Schedule of Investments

## PIMCO Income Opportunity Fund

October 31, 2013 (continued)

(q) Credit default swap agreements outstanding at October 31, 2013:

OTC buy protection swap agreements:

| Swap Counterparty/<br>Referenced Debt Issuer | Notional<br>Amount<br>(000s) (1) | Credit<br>Spread | Termination<br>Date | Payments<br>Made | Value (2) | Upfront<br>Premiums<br>Paid | Unrealized<br>Appreciation |
|--|----------------------------------|------------------|---------------------|------------------|-----------|-----------------------------|----------------------------|
| Credit Suisse First Boston:                  |                                  |                  |                     |                  |           |                             |                            |
| J.C. Penney Corp., Inc.                      | \$1,000                          | 17.04%           | 3/20/14             | (5.00)%          | \$38,628  | \$30,000                    | \$8,628                    |
| Deutsche Bank:                               |                                  |                  |                     |                  |           |                             |                            |
| J.C. Penney Corp., Inc.                      | 1,100                            | 16.67%           | 9/20/14             | (5.00)%          | 96,205    | 67,375                      | 28,830                     |
| Goldman Sachs:                               |                                  |                  |                     |                  |           |                             |                            |
| J.C. Penney Corp., Inc.                      | 2,600                            | 17.04%           | 6/20/14             | (5.00)%          | 170,079   | 140,500                     | 29,579                     |
| Morgan Stanley:                              |                                  |                  |                     |                  |           |                             |                            |
| J.C. Penney Corp., Inc.                      | 1,000                            | 17.04%           | 6/20/14             | (5.00)%          | 65,415    | 47,500                      | 17,915                     |
|  |                                  |                  |                     |                  | \$370,327 | \$285,375                   | \$84,952                   |

OTC sell protection swap agreements:

| Swap Counterparty/<br>Referenced Debt Issuer | Notional<br>Amount<br>(000s) (1) | Credit<br>Spread | Termination<br>Date | Payments<br>Received | Value (2)   | Upfront<br>Premiums<br>Paid<br>(Received) | Unrealized<br>Appreciation<br>(Depreciation) |
|--|----------------------------------|------------------|---------------------|----------------------|-------------|---|--|
| Bank of America:                             |                                  |                  |                     |                      |             |   |  |
| Metlife, Inc.                                | \$6,200                          | 0.32%            | 9/20/15             | 1.00%                | \$87,724    | \$(416,629)                               | \$504,353                                    |
| SLM  | 4,150                            | 0.34%            | 12/20/13            | 5.00%                | 51,017      | (508,375)                                 | 559,392                                      |
| Barclays Bank:                               |                                  |                  |                     |                      |             |   |  |
| Gazprom                                      | 1,250                            | 1.94%            | 12/20/17            | 1.90%                | 6,904       |   | 6,904  |
| VTB Capital                                  | 1,250                            | 2.42%            | 12/20/17            | 2.34%                | 7,032       |   | 7,032  |
| Citigroup:                                   |                                  |                  |                     |                      |             |   |  |
| J.C. Penney Corp., Inc.                      | 5,000                            | 15.67%           | 9/20/17             | 5.00%                | (1,279,993) | (650,000)                                 | (629,993)                                    |
| Majapahit Holding                            | 3,000                            | 2.46%            | 12/20/17            | 2.65%                | 31,591      |   | 31,591                                       |
| Republic of Indonesia                        | 3,000                            | 1.52%            | 12/20/17            | 2.14%                | 81,082      |   | 81,082                                       |
| SLM  | 4,150                            | 0.34%            | 12/20/13            | 5.00%                | 51,016      | 358,731                                   | (307,715)                                    |
| Credit Suisse First Boston:                  |                                  |                  |                     |                      |             |   |  |
| J.C. Penney Corp., Inc.                      | 500                              | 15.38%           | 3/20/18             | 5.00%                | (133,933)   | (90,000)                                  | (43,933)                                     |
| TNK  | 1,500                            | 2.09%            | 12/20/17            | 3.15%                | 80,213      |   | 80,213                                       |
| Deutsche Bank:                               |                                  |                  |                     |                      |             |   |  |
| SLM  | 900                              | 0.34%            | 12/20/13            | 5.00%                | 11,064      | (126,000)                                 | 137,064                                      |
| Morgan Stanley:                              |                                  |                  |                     |                      |             |   |  |
| J.C. Penney Corp., Inc.                      | 2,500                            | 15.38%           | 3/20/18             | 5.00%                | (669,665)   | (450,000)                                 | (219,665)                                    |

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|                         |        |         |       |               |                |             |
|-------------------------|--------|---------|-------|---------------|----------------|-------------|
| Royal Bank of Scotland: |        |         |       |               |                |             |
| Markit ABX.HE AA 06-1   | 19,401 | 7/25/45 | 0.32% | (4,917,576)   | (11,400,654)   | 6,483,078   |
| Markit ABX.HE AAA 07-1  | 7,844  | 8/25/37 | 0.09% | (2,663,910)   | (3,882,965)    | 1,219,055   |
|                         |        |         |       | \$(9,257,434) | \$(17,165,892) | \$7,908,458 |

Credit Spread not quoted for asset-backed securities.

(1) This represents the maximum potential amount the Fund could be required to make available as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

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**Schedule of Investments****PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

(2) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at October 31, 2013 of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement have been closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(r) Interest rate swap agreements outstanding at October 31, 2013:

Centrally cleared swap agreements:

| Broker (Exchange)   | Notional Amount (000s) | Termination Date | Payments Made | Rate Type         |             | Unrealized Appreciation |
|---------------------|------------------------|------------------|---------------|-------------------|-------------|-------------------------|
|                     |                        |                  |               | Payments Received | Value       |                         |
| Barclays Bank (CME) | \$21,300               | 12/18/43         | 3.00%         | 3-Month USD-LIBOR | \$2,597,821 | \$2,566,723             |

(s) Forward foreign currency contracts outstanding at October 31, 2013:

|   | Counterparty               | U.S.\$ Value on Origination Date | U.S.\$ Value October 31, 2013 | Unrealized Appreciation (Depreciation) |
|---|----------------------------|----------------------------------|-------------------------------|--|
| <b>Purchased:</b>                         |                            |                                  |                               |  |
| 3,600,080 Brazilian Real settling 11/4/13 | Credit Suisse First Boston | \$1,659,023                      | \$1,607,035                   | \$(51,988)                             |
| 282,000 British Pound settling 12/3/13    | BNP Paribas                | 456,862                          | 452,060                       | (4,802)                                |
| 12,759,682 British Pound settling 11/4/13 | Deutsche Bank              | 20,619,646                       | 20,458,864                    | (160,782)                              |
| 328,000 Euro settling 11/4/13             | Citigroup                  | 446,830                          | 445,342                       | (1,488)                                |
| 9,327,246 Euro settling 11/4/13           | Goldman Sachs              | 12,871,600                       | 12,664,062                    | (207,538)                              |
| <b>Sold:</b>                              |                            |                                  |                               |  |
| 3,600,080 Brazilian Real settling 11/4/13 | Credit Suisse First Boston | 1,550,556                        | 1,607,035                     | (56,479)                               |
| 3,600,080 Brazilian Real settling 12/3/13 | Credit Suisse First Boston | 1,648,200                        | 1,595,811                     | 52,389                                 |
| 12,681,000 British Pound settling 11/4/13 | Barclays Bank              | 20,350,507                       | 20,332,705                    | 17,802                                 |
| 12,759,682 British Pound settling 12/3/13 | Deutsche Bank              | 20,614,988                       | 20,454,423                    | 160,565                                |
| 433,056 British Pound settling 12/12/13   | Royal Bank of Scotland     | 676,411                          | 694,163                       | (17,752)                               |
| 78,682 British Pound settling 11/4/13     | UBS                        | 127,000                          | 126,159                       | 841                                    |

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|  |                |            |            |             |
|--|----------------|------------|------------|-------------|
| 31,109 Euro settling 11/4/13             | Barclays Bank  | 42,000     | 42,238     | (238)       |
| 30,963 Euro settling 11/4/13             | Citigroup      | 42,000     | 42,040     | (40)        |
| 30,732 Euro settling 11/4/13             | Goldman Sachs  | 42,000     | 41,727     | 273         |
| 9,327,246 Euro settling 12/3/13          | Goldman Sachs  | 12,872,440 | 12,664,874 | 207,566     |
| 9,562,442 Euro settling 11/4/13          | Morgan Stanley | 12,898,601 | 12,983,399 | (84,798)    |
| 91,849 Russian Ruble settling 1/15/14    | UBS            | 2,792      | 2,827      | (35)        |
| 27,013,065 Turkish Lira settling 12/9/13 | JPMorgan Chase | 13,269,669 | 13,443,757 | (174,088)   |
|  |                |            |            | \$(320,592) |

(t) At October 31, 2013, the Fund held \$980,000 in cash as collateral and pledged cash collateral of \$1,516,000 for derivative contracts. Cash collateral held may be invested in accordance with the Fund's investment strategy.



**Schedule of Investments****PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

(u) Open reverse repurchase agreements at October 31, 2013:

| Counterparty         | Rate                       | Trade Date | Due Date  | Principal & Interest | Principal     |
|----------------------|----------------------------|------------|-----------|----------------------|---------------|
| Barclays Bank        | 0.40%                      | 10/15/13   | 11/14/13  | \$5,751,086          | \$5,750,000   |
|                      | 0.50                       | 9/9/13     | 12/9/13   | 6,972,129            | 6,967,000     |
|                      | 0.50                       | 10/8/13    | 1/7/14    | 8,746,915            | 8,744,000     |
|                      | 0.50                       | 10/17/13   | 1/21/14   | 612,000              | 612,000       |
|                      | 0.55                       | 10/15/13   | 11/14/13  | 5,418,407            | 5,417,000     |
|                      | 0.60                       | 8/27/13    | 2/26/14   | 2,026,226            | 2,024,000     |
|                      | 0.625                      | 8/26/13    | 2/26/14   | 9,488,024            | 9,477,000     |
|                      | 0.65                       | 8/5/13     | 11/5/13   | 1,666,644            | 1,664,000     |
|                      | 0.65                       | 9/9/13     | 12/9/13   | 4,648,444            | 4,644,000     |
|                      | 0.65                       | 9/18/13    | 12/18/13  | 10,602,416           | 10,594,000    |
|                      | 0.65                       | 10/17/13   | 1/21/14   | 1,227,332            | 1,227,000     |
|                      | 0.65                       | 10/31/13   | 2/3/14    | 3,765,000            | 3,765,000     |
|                      | 0.71                       | 8/26/13    | 2/26/14   | 1,894,500            | 1,892,000     |
|                      | 0.00                       | 12/20/12   | 12/19/14  | 1,791,000            | 1,791,000     |
|                      | Credit Suisse First Boston |            |           |                      |               |
| Deutsche Bank        | (0.25)                     | 5/16/13    | 5/15/15   | 2,046,595            | 2,049,000     |
|                      | 0.50                       | 8/20/13    | 11/21/13  | 1,244,260            | 1,243,000     |
|                      | 0.50                       | 9/4/13     | 12/3/13   | 1,369,102            | 1,368,000     |
|                      | 0.52                       | 8/8/13     | 11/7/13   | 794,975              | 794,000       |
|                      | 0.58                       | 8/8/13     | 11/7/13   | 1,193,632            | 1,192,000     |
|                      | 0.58                       | 8/29/13    | 11/29/13  | 9,418,702            | 9,409,000     |
|                      | 0.58                       | 9/4/13     | 12/3/13   | 1,078,006            | 1,077,000     |
|                      | 0.58                       | 10/15/13   | 1/7/14    | 1,572,431            | 1,572,000     |
|                      | 0.59                       | 9/13/13    | 12/13/13  | 5,702,576            | 5,698,000     |
|                      | 0.59                       | 9/18/13    | 12/19/13  | 1,485,070            | 1,484,000     |
|                      | 0.60                       | 8/13/13    | 11/1/13   | 1,176,567            | 1,175,000     |
|                      | 0.60                       | 8/13/13    | 11/7/13   | 2,984,975            | 2,981,000     |
|                      | 0.60                       | 8/20/13    | 11/21/13  | 5,129,233            | 5,123,000     |
|                      | 0.60                       | 8/23/13    | 11/1/13   | 2,589,017            | 2,586,000     |
|                      | 0.60                       | 10/31/13   | 11/7/13   | 1,186,000            | 1,186,000     |
| 0.60                 | 10/31/13                   | 11/21/13   | 2,612,000 | 2,612,000            |               |
| Goldman Sachs        | 0.17                       | 10/31/13   | 11/13/13  | 4,701,000            | 4,701,000     |
| Royal Bank of Canada | 0.45                       | 8/19/13    | 11/15/13  | 7,789,198            | 7,782,000     |
|                      | 0.45                       | 8/22/13    | 11/22/13  | 823,730              | 823,000       |
|                      | 0.45                       | 9/5/13     | 12/4/13   | 539,384              | 539,000       |
| UBS                  | 0.45                       | 9/17/13    | 12/17/13  | 3,093,739            | 3,092,000     |
|                      | 0.45                       | 10/23/13   | 1/21/14   | 3,230,363            | 3,230,000     |
|                      | 0.58                       | 8/22/13    | 2/21/14   | 7,358,408            | 7,350,000     |
|                      | 0.60                       | 8/22/13    | 2/21/14   | 5,154,397            | 5,148,000     |
|                      |                            |            |           |                      | \$138,782,000 |

(v) The weighted average daily balance of reverse repurchase agreements during the year ended October 31, 2013 was \$227,302,129 at a weighted average interest rate of 0.49%. Total value of underlying collateral (refer to the Schedule of Investments for positions transferred for the benefit of the counterparty as collateral) for open reverse repurchase agreements at October 31, 2013 was \$135,439,121.

At October 31, 2013, the Fund held U.S. Treasury Obligations valued at \$978,801 as collateral for open reverse repurchase agreements. Securities held as collateral will not be pledged and are not reflected in the Schedule of Investments.

**Schedule of Investments****PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

(w) Fair Value Measurements-See Note 1(b) in the Notes to Financial Statements.

|   | Level 1<br>Quoted Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>10/31/13 |
|---|--------------------------|--|--|----------------------|
| <b>Investments in Securities Assets</b>         |                          |  |  |                      |
| Mortgage-Backed Securities                      | \$                       | \$200,665,496  | \$5,409,249                                      | \$206,074,745        |
| Corporate Bonds & Notes:                        |                          |  |  |                      |
| Airlines  |                          | 3,543,779  | 8,143,481  | 11,687,260           |
| All Other                                       |                          | 187,813,758  |  | 187,813,758          |
| Asset-Backed Securities                         |                          | 83,334,429   | 3,946,668  | 87,281,097           |
| U.S. Government Agency Securities               |                          | 48,952,862   |  | 48,952,862           |
| Sovereign Debt Obligations                      |                          | 20,482,047   |  | 20,482,047           |
| Convertible Preferred Stock                     | 16,515,500               |  |  | 16,515,500           |
| Preferred Stock:                                |                          |  |  |                      |
| Banking   | 1,004,600                |  |  | 1,004,600            |
| Diversified Financial Services                  | 967,540                  | 5,010,940  |  | 5,978,480            |
| Convertible Bonds                               |                          | 4,842,625  |  | 4,842,625            |
| Senior Loans:                                   |                          |  |  |                      |
| Diversified Financial Services                  |                          | 2,821,000  |  | 2,821,000            |
| Hotels/Gaming                                   |                          |  | 1,368,750  | 1,368,750            |
| Municipal Bonds                                 |                          | 2,528,978  |  | 2,528,978            |
| Common Stock                                    | 399,625                  |  |  | 399,625              |
| U.S. Treasury Obligations                       |                          | 101,865  |  | 101,865              |
| Warrants  |                          | 36   |  | 36                   |
| Short-Term Investments                          |                          | 13,386,089   |  | 13,386,089           |
|   | 18,887,265               | 573,483,904  | 18,868,148                                       | 611,239,317          |
| <b>Other Financial Instruments* Assets</b>      |                          |  |  |                      |
| Credit Contracts                                |                          | 9,194,716  |  | 9,194,716            |
| Foreign Exchange Contracts                      |                          | 439,436  |  | 439,436              |
| Interest Rate Contracts                         |                          | 2,566,723  |  | 2,566,723            |
|   |                          | 12,200,875   |  | 12,200,875           |
| <b>Other Financial Instruments* Liabilities</b> |                          |  |  |                      |
| Credit Contracts                                |                          | (1,201,306)  |  | (1,201,306)          |
| Foreign Exchange Contracts                      |                          | (760,028)  |  | (760,028)            |
|   |                          | (1,961,334)  |  | (1,961,334)          |
| <b>Totals</b>                                   | \$18,887,265             | \$583,723,445  | \$18,868,148                                     | \$621,478,858        |

At October 31, 2013, there were no transfers between Levels 1 and 2.



**Schedule of Investments**

**PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended October 31, 2013, was as follows:

|   | Beginning<br>Balance<br>10/31/12 | Purchases          | Sales                | Accrued<br>Discount<br>(Premiums) | Net<br>Realized<br>Gain<br>(Loss) | Net Change<br>in Unrealized<br>Appreciation/<br>Depreciation | Transfers<br>into<br>Level 3 | Transfers<br>out of<br>Level 3** | Ending<br>Balance<br>10/31/13 |
|---|----------------------------------|--------------------|----------------------|-----------------------------------|-----------------------------------|--|------------------------------|----------------------------------|-------------------------------|
| <b>Investments in Securities Assets</b> |                                  |                    |                      |                                   |                                   |  |                              |                                  |                               |
| Mortgage-Backed Securities              | \$10,333,359                     | \$436,098          | \$(1,187,880)        | \$4,445                           | \$55,678                          | \$106,189  | \$                           | \$(4,338,640)                    | \$5,409,249                   |
| Corporate Bonds & Notes:                |                                  |                    |                      |                                   |                                   |  |                              |                                  |                               |
| Airlines                                | 10,587,025                       |                    | (2,182,861)          | 17,242                            | 9,352                             | (287,277)  |                              |                                  | 8,143,481                     |
| Asset-Backed Securities                 | 14,048,213                       | 3,955,497          | (2,638,292)          | 535,987                           | 1,637,542                         | 1,566,022  |                              | (15,158,301)                     | 3,946,668                     |
| Senior Loans:                           |                                  |                    |                      |                                   |                                   |  |                              |                                  |                               |
| Hotels/ Gaming                          | 1,500,000                        |                    | (250,000)            | 10,349                            | 9,434                             | 98,967   |                              |                                  | 1,368,750                     |
| <b>Totals</b>                           | <b>\$36,468,597</b>              | <b>\$4,391,595</b> | <b>\$(6,259,033)</b> | <b>\$568,023</b>                  | <b>\$1,712,006</b>                | <b>\$1,483,901</b>   | <b>\$</b>                    | <b>\$(19,496,941)</b>            | <b>\$18,868,148</b>           |

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at October 31, 2013.

|   | Ending Balance<br>at 10/31/13 | Valuation<br>Technique Used                  | Unobservable<br>Inputs | Input<br>Values   |
|---|-------------------------------|--|------------------------|-------------------|
| <b>Investments in Securities Assets</b> |                               |  |                        |                   |
| Mortgage-Backed Securities              | \$4,988,924                   | Third-Party Pricing Vendor                   | Single Broker Quote    | \$97.40           |
|   | 420,325                       | Interest Only Weighted<br>Average Life Model | Security Price Reset   | \$0.47 \$5.31     |
| Corporate Bonds & Notes                 | 8,143,481                     | Third-Party Pricing Vendor                   | Single Broker Quote    | \$113.00 \$115.25 |
| Asset-Backed Securities                 | 3,946,668                     | Benchmark Pricing                            | Security Price Reset   | \$100.32 \$100.67 |
| Senior Loans                            | 1,368,750                     | Third-Party Pricing Vendor                   | Single Broke Quote     | \$109.50          |

Reduction of cost due to corporate action.

\* Other financial instruments are derivatives, such as swap agreements and forward foreign currency contracts, which are valued at the unrealized appreciation (depreciation) of the instrument.

\*\* Transferred out of Level 3 into Level 2 because an evaluated price with observable inputs from a third-party vendor became available.

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The net change in unrealized appreciation/depreciation of Level 3 investments held at October 31, 2013, was \$618,160. Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

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**Schedule of Investments****PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

(x) The following is a summary of the derivative instruments categorized by risk exposure:

The effect of derivatives on the Statement of Assets and Liabilities at October 31, 2013:

| Location  | Interest<br>Rate<br>Contracts | Credit<br>Contracts | Foreign<br>Exchange<br>Contracts | Total         |
|---|-------------------------------|---------------------|----------------------------------|---------------|
| <b>Asset derivatives:</b>                                     |                               |                     |                                  |               |
| Unrealized appreciation of OTC swaps                          | \$                            | \$9,194,716         | \$                               | \$9,194,716   |
| Receivable for variation margin on centrally cleared swaps*   | 39,832                        |                     |                                  | 39,832        |
| Unrealized appreciation of forward foreign currency contracts |                               |                     | 439,436                          | 439,436       |
| Total asset derivatives                                       | \$39,832                      | \$9,194,716         | \$439,436                        | \$9,673,984   |
| <b>Liability derivatives:</b>                                 |                               |                     |                                  |               |
| Unrealized depreciation of OTC swaps                          | \$                            | \$(1,201,306)       | \$                               | \$(1,201,306) |
| Unrealized depreciation of forward foreign currency contracts |                               |                     | (760,028)                        | (760,028)     |
| Total liability derivatives                                   | \$                            | \$(1,201,306)       | \$(760,028)                      | \$(1,961,334) |

\* Included in net unrealized appreciation of \$2,566,723 on centrally cleared swaps as reported in note (r) of the Notes to Schedule of Investments.

The effect of derivatives on the Statement of Operations for the year ended October 31, 2013:

| Location   | Interest<br>Rate<br>Contracts | Credit<br>Contracts | Foreign<br>Exchange<br>Contracts | Total       |
|--|-------------------------------|---------------------|----------------------------------|-------------|
| <b>Net realized gain on:</b>                                       |                               |                     |                                  |             |
| Swaps  | \$5,518,616                   | \$3,328,041         | \$                               | \$8,846,657 |
| Foreign currency transactions (forward foreign currency contracts) |                               |                     | 16,631                           | 16,631      |
| Total net realized gain  | \$5,518,616                   | \$3,328,041         | \$16,631                         | \$8,863,288 |
| <b>Net change in unrealized appreciation/ depreciation of:</b>     |                               |                     |                                  |             |
| Swaps  | \$2,566,723                   | \$2,035,883         | \$                               | \$4,602,606 |
| Foreign currency transactions (forward foreign currency contracts) |                               |                     | (133,813)                        | (133,813)   |
| Total net change in unrealized appreciation/depreciation           | \$2,566,723                   | \$2,035,883         | \$(133,813)                      | \$4,468,793 |

**Schedule of Investments**

**PIMCO Income Opportunity Fund**

October 31, 2013 (continued)

The average volume (measured at each fiscal quarter-end) of derivative activity during the year ended October 31, 2013:

| Forward Foreign<br>Currency Contracts (1) |              | Credit Default<br>Swap Agreements (2) |                   | Interest<br>Rate Swap<br>Agreements (2) |
|---|--------------|---------------------------------------|-------------------|---|
| Purchased                                 | Sold         | Buy                                   | Sell              |   |
| \$36,124,276                              | \$86,444,891 | \$1,140                               | \$67,703<br>2,390 | \$32,260                                |

(1) U.S. \$ Value on origination date

(2) Notional Amount (in thousands)

**Glossary:**

|        |   |
|--------|---|
| ABX.HE | - Asset-Backed Securities Index Home Equity |
| BRL    | - Brazilian Real                            |
| £      | - British Pound                             |
| CDO    | - Collateralized Debt Obligation            |
| CLO    | - Collateralized Loan Obligation            |
| CME    | - Chicago Mercantile Exchange               |
| CMO    | - Collateralized Mortgage Obligation        |
| CPI    | - Consumer Price Index                      |
|        | - Euro                                      |
| FRN    | - Floating Rate Note                        |
| IO     | - Interest Only                             |
| LIBOR  | - London Inter-Bank Offered Rate            |
| MBIA   | - insured by MBIA Insurance Corp.           |
| MBS    | - Mortgage-Backed Securities                |
| MTN    | - Medium Term Note                          |
| OTC    | - Over-the-Counter                          |
| PIK    | - Payment-in-Kind                           |
| PO     | - Principal Only                            |
| TBA    | - To Be Announced                           |
| TRY    | - Turkish Lira                              |

See accompanying Notes to Financial Statements | October 31, 2013 | Annual Report **39**



## Statements of Assets and Liabilities

## PIMCO Corporate &amp; Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

|   | Corporate &<br>Income Strategy | Income<br>Opportunity |
|---|--------------------------------|-----------------------|
| <b>Assets:</b>  |                                |                       |
| Investments, at value (cost-\$741,227,419 and \$536,607,239, respectively)  | \$772,748,026                  | \$611,239,317         |
| Cash  | 160,519                        | 241,438               |
| Foreign currency, at value (cost-\$9,579 and \$611,036, respectively)   | 9,480                          | 609,831               |
| Interest receivable   | 10,044,139                     | 5,178,872             |
| Unrealized appreciation of OTC swaps  | 5,693,955                      | 9,194,716             |
| Deposits with brokers for swaps collateral  | 4,447,000                      | 1,516,000             |
| Unrealized appreciation of forward foreign currency contracts   | 918,289                        | 439,436               |
| Receivable for variation margin on centrally cleared swaps  | 123,329                        | 39,832                |
| Swap premiums paid  | 115,481                        | 644,106               |
| Receivable from broker  | 52,782                         |                       |
| Receivable for investments sold   |                                | 168,588,458           |
| Unsettled reverse repurchase agreements   |                                | 12,264,000            |
| Prepaid expenses and other assets   | 41,918                         | 15,237                |
| <b>Total Assets</b>   | <b>794,354,918</b>             | <b>809,971,243</b>    |
|   |                                |                       |
| <b>Liabilities:</b>   |                                |                       |
| Payable for investments purchased   | 995,731                        | 220,563,415           |
| Payable for reverse repurchase agreements   |                                | 138,782,000           |
| Payable to brokers for cash collateral received   | 3,680,000                      | 980,000               |
| Payable for terminated swaps  |                                | 18,891                |
| Dividends payable to common and preferred shareholders  | 4,295,116                      | 2,826,899             |
| Unrealized depreciation of forward foreign currency contracts   | 2,683,400                      | 760,028               |
| Swap premiums received  | 692,828                        | 17,524,623            |
| Investment management fees payable  | 495,237                        | 488,015               |
| Unrealized depreciation of OTC swaps  |                                | 1,201,306             |
| Interest payable for reverse repurchase agreements  |                                | 101,483               |
| Accrued expenses and other liabilities  | 287,662                        | 163,917               |
| <b>Total Liabilities</b>  | <b>13,129,974</b>              | <b>383,410,577</b>    |
| <b>Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 6,760 and 0 shares issued and outstanding, respectively)</b> | <b>169,000,000</b>             |                       |
| <b>Net Assets Applicable to Common Shareholders</b>   | <b>\$612,224,944</b>           | <b>\$426,560,666</b>  |
|   |                                |                       |
| <b>Composition of Net Assets Applicable to Common Shareholders:</b>   |                                |                       |
| Common Shares:  |                                |                       |
| Par value (\$0.00001 per share)   | \$382                          | \$149                 |
| Paid-in-capital in excess of par  | 541,982,918                    | 340,792,619           |
| Undistributed (dividends in excess of) net investment income  | (5,218,379)                    | 7,629,087             |
| Accumulated net realized gain (loss)  | 36,610,861                     | (6,751,819)           |
| Net unrealized appreciation   | 38,849,162                     | 84,890,630            |
| <b>Net Assets Applicable to Common Shareholders</b>   | <b>\$612,224,944</b>           | <b>\$426,560,666</b>  |
| Common Shares Issued and Outstanding  | 38,164,960                     | 14,878,418            |

|   |  |         |  |         |
|---|--|---------|--|---------|
| <b>Net Asset Value Per Common Share</b> |  | \$16.04 |  | \$28.67 |
|---|--|---------|--|---------|

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**Statements of Operations****PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

Year ended October 31, 2013

|  | Corporate &<br>Income<br>Strategy | Income<br>Opportunity |
|--|-----------------------------------|-----------------------|
| <b>Investment Income:</b>  |                                   |                       |
| Interest   | \$53,426,073                      | \$49,411,463          |
| Dividends  | 1,629,859                         | 1,264,652             |
| Miscellaneous  | 46,699                            | 70,396                |
| Total Investment Income  | 55,102,631                        | 50,746,511            |
| <b>Expenses:</b>   |                                   |                       |
| Investment management  | 5,855,579                         | 6,561,828             |
| Custodian and accounting agent   | 286,185                           | 197,627               |
| Auction agent and commissions  | 185,252                           |                       |
| Audit and tax services   | 124,199                           | 104,555               |
| Interest   | 52,831                            | 1,137,778             |
| Trustees   | 51,491                            | 25,549                |
| Shareholder communications   | 50,128                            | 68,569                |
| New York Stock Exchange listing  | 31,201                            | 21,932                |
| Transfer agent   | 24,107                            | 26,693                |
| Legal  | 20,540                            | 19,918                |
| Insurance  | 15,873                            | 10,122                |
| Miscellaneous  | 30,246                            | 2,826                 |
| Total Expenses   | 6,727,632                         | 8,177,397             |
| <b>Net Investment Income</b>   | <b>48,374,999</b>                 | <b>42,569,114</b>     |
| <b>Realized and Change in Unrealized Gain (Loss):</b>  |                                   |                       |
| Net realized gain (loss) on:   |                                   |                       |
| Investments  | 106,772,763                       | 2,379,215             |
| Swaps  | (10,016,704)                      | 8,846,657             |
| Foreign currency transactions  | (3,179,429)                       | 120,528               |
| Net change in unrealized appreciation/depreciation of:   |                                   |                       |
| Investments  | (83,853,867)                      | (4,440,507)           |
| Swaps  | 8,902,620                         | 4,602,606             |
| Foreign currency transactions  | (1,874,824)                       | (128,873)             |
| Net Realized and Change in Unrealized Gain   | 16,750,559                        | 11,379,626            |
| <b>Net Increase in Net Assets Resulting from Investment Operations</b>                                   | <b>65,125,558</b>                 | <b>53,948,740</b>     |
| <b>Dividends on Preferred Shares from Net Investment Income</b>  | <b>(200,918)</b>                  |                       |
| <b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations</b> | <b>\$64,924,640</b>               | <b>\$53,948,740</b>   |

See accompanying Notes to Financial Statements | October 31, 2013 | Annual Report 41

**Statement of Changes in Net Assets Applicable to Common Shareholders****PIMCO Corporate & Income Strategy Fund**

|   | Year ended October 31, |               |
|---|------------------------|---------------|
|   | 2013                   | 2012          |
| <b>Investment Operations:</b>   |                        |               |
| Net investment income   | \$48,374,999           | \$59,344,432  |
| Net realized gain   | 93,576,630             | 35,097,341    |
| Net change in unrealized appreciation/depreciation  | (76,826,071)           | 57,649,141    |
| Net increase in net assets resulting from investment operations                                   | 65,125,558             | 152,090,914   |
| <b>Dividends on Preferred Shares from Net Investment Income</b>                                   | (200,918)              | (202,155)     |
| Net increase in net assets applicable to common shareholders resulting from investment operations | 64,924,640             | 151,888,759   |
| <b>Dividends to Common Shareholders from Net Investment Income</b>                                | (59,573,976)           | (68,170,695)  |
| <b>Common Share Transactions:</b>   |                        |               |
| Reinvestment of dividends   | 3,391,026              | 4,724,215     |
| Total increase in net assets applicable to common shareholders                                    | 8,741,690              | 88,442,279    |
| <b>Net Assets Applicable to Common Shareholders:</b>  |                        |               |
| Beginning of year   | 603,483,254            | 515,040,975   |
| End of year*  | \$612,224,944          | \$603,483,254 |
| *Including undistributed (dividends in excess of) net investment income of:                       | \$(5,218,379)          | \$6,539,729   |
| <b>Common Shares Issued in Reinvestment of Dividends</b>  | 198,980                | 302,883       |

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**Statement of Changes in Net Assets**

**PIMCO Income Opportunity Fund**

|   | Year ended October 31, |               |
|---|------------------------|---------------|
|   | 2013                   | 2012          |
| <b>Investment Operations:</b>                                   |                        |               |
| Net investment income   | \$42,569,114           | \$38,430,099  |
| Net realized gain (loss)  | 11,346,400             | (1,118,764)   |
| Net change in unrealized appreciation/depreciation              | 33,226                 | 55,481,693    |
| Net increase in net assets resulting from investment operations | 53,948,740             | 92,793,028    |
| <b>Dividends to Shareholders from Net Investment Income</b>     | (42,005,856)           | (44,988,180)  |
| <b>Share Transactions:</b>                                      |                        |               |
| Reinvestment of dividends                                       | 2,642,134              | 4,262,182     |
| Total increase in net assets                                    | 14,585,018             | 52,067,030    |
| <b>Net Assets:</b>  |                        |               |
| Beginning of year   | 411,975,648            | 359,908,618   |
| End of year*  | \$426,560,666          | \$411,975,648 |
| *Including undistributed net investment income of:              | \$7,629,087            | \$5,934,402   |
| <b>Shares Issued in Reinvestment of Dividends</b>               | 91,068                 | 167,042       |

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**Statement of Cash Flows****PIMCO Income Opportunity Fund**

Year ended October 31, 2013

**Increase in Cash and Foreign Currency from:****Cash Flows provided by Operating Activities:**

|   |              |
|---|--------------|
| Net increase in net assets resulting from investment operations | \$53,948,740 |
|---|--------------|

**Adjustments to Reconcile Net Increase in Net Assets Resulting from Investment Operations to Net Cash provided by Operating Activities:**

|  |                    |
|--|--------------------|
| Purchases of long-term investments                             | (421,202,415)      |
| Proceeds from sales of long-term investments                   | 475,194,990        |
| Sales of short-term portfolio investments, net                 | 17,504,576         |
| Net change in unrealized appreciation/depreciation             | (33,226)           |
| Net realized gain  | (11,346,400)       |
| Net amortization/accretion on investments                      | (4,152,362)        |
| Increase in receivable for investments sold                    | (168,588,458)      |
| Decrease in interest and dividends receivable                  | 502,800            |
| Increase in deposits with brokers for swaps collateral         | (1,516,000)        |
| Increase in prepaid expenses and other assets                  | (1,927)            |
| Increase in payable for investments purchased                  | 220,563,415        |
| Increase in payable to brokers for cash collateral received    | 370,000            |
| Net cash provided by swap transactions                         | 9,655,352          |
| Decrease in interest payable for reverse repurchase agreements | (81,638)           |
| Net cash provided by foreign currency transactions             | 125,467            |
| Decrease in investment management fees payable                 | (80,560)           |
| Decrease in interest payable on cash collateral received       | (5,993)            |
| Increase in accrued expenses and other liabilities             | 774                |
| <b>Net cash provided by operating activities</b>               | <b>170,857,135</b> |

**Cash Flows used for Financing Activities:**

|  |                      |
|--|----------------------|
| Payments for reverse repurchase agreements                               | (1,696,991,000)      |
| Proceeds on reverse repurchase agreements                                | 1,578,539,000        |
| Increase in unsettled reverse repurchase agreements                      | (12,264,000)         |
| Cash dividends paid (excluding reinvestment of dividends of \$2,642,134) | (39,346,420)         |
| <b>Net cash used for financing activities</b>                            | <b>(170,062,420)</b> |
| <b>Net increase in cash and foreign currency</b>                         | <b>794,715</b>       |
| <b>Cash and foreign currency, at beginning of year</b>                   | <b>56,554</b>        |
| <b>Cash and foreign currency, at end of year</b>                         | <b>\$851,269</b>     |

Cash paid for interest primarily related to participation in reverse repurchase agreement transactions was \$1,225,409.

A Statement of Cash Flows is not required for Corporate &amp; Income Strategy.



## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies

PIMCO Corporate & Income Strategy Fund ( Corporate & Income Strategy ) and PIMCO Income Opportunity Fund ( Income Opportunity ), (each a Fund and collectively the Funds ), were organized as Massachusetts business trusts on October 17, 2001 and September 12, 2007, respectively. Prior to commencing operations on December 21, 2001 and November 30, 2007, respectively, the Funds had no operations other than matters relating to their organization and registration as diversified and non-diversified, respectively, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC ( AGIFM or the Investment Manager ) and Pacific Investment Management Company LLC ( PIMCO or the Sub-Adviser ) serve as the Funds' investment manager and sub-adviser, respectively, and are both indirect, wholly-owned subsidiaries of Allianz Asset Management of America L.P. ( AAM ). AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has authorized an unlimited amount of common shares with \$0.00001 par value.

Corporate & Income Strategy's primary investment objective is to seek high current income with capital preservation and capital appreciation as secondary objectives by investing at least 80% of its total assets in a combination of corporate debt obligations of varying maturities, other corporate income-producing securities, and income-producing securities of non-corporate issuers such as U.S. Government securities, municipal securities and mortgage-backed and other asset-backed securities issued on a public or private basis.

Income Opportunity's primary investment objective is to seek current income as a primary focus and also capital appreciation. Under normal market conditions, Income Opportunity will seek to achieve its objective by investing in a global portfolio of corporate debt, government and sovereign debt, mortgage-backed and other asset-backed securities, bank loans and related instruments, convertible securities and income-producing securities of U.S. and foreign issuers, including emerging market issuers.

There can be no assurance that the Funds will meet their stated objectives.

The preparation of the Funds' financial statements in accordance with accounting principles generally accepted in the United States of America requires the Funds' management to make estimates and assumptions that affect the reported amounts and disclosures in each Fund's financial statements. Actual results could differ from those estimates.

In the normal course of business, the Funds enter into contracts that contain a variety of representations that provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.





## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update ( ASU ) No. 2011-11, Disclosures About Offsetting Assets and Liabilities , as amended in January 2013 by ASU No. 2013-01, which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The amendments are effective for fiscal years beginning on or after January 1, 2013. The Funds' management is currently evaluating the effect that the guidance may have on the Funds' financial statements.

The following is a summary of significant accounting policies consistently followed by the Funds:

##### (a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Centrally cleared swaps are valued at the price determined by the relevant exchange. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement date.

The Board of Trustees (the Board ) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Sub-Adviser. The Funds' Valuation Committee was established by the Board to oversee the implementation of the Funds' valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

Benchmark pricing procedures are used as the basis for setting the base price of a fixed-income security and for subsequently adjusting the price proportionally to market value changes of a pre-determined security deemed to be comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Committee. The validity of the fair value is reviewed by the Sub-Adviser on a periodic basis and may be amended as the availability of market data indicates a material change.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the net asset value ( NAV ) of each Fund 's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange ( NYSE ) is closed.

The prices used by the Funds to value investments may differ from the value that would be realized if the investments were sold, and these differences could be material to the Funds ' financial statements. Each Fund 's NAV is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the NYSE on each day the NYSE is open for business.

#### (b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.* the exit price ) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

- i Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
- i Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

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- j Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committee's own assumptions and securities whose price was determined by using a single broker's quote)

The valuation techniques used by the Funds to measure fair value during the year ended October 31, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

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**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

The Funds' policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Funds generally use to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles (GAAP).

**Equity Securities (Common and Preferred Stock)** Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**U.S. Treasury Obligations** U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Government Sponsored Enterprise and Mortgage-Backed Securities** Government sponsored enterprise and mortgage-backed securities are valued by independent pricing services using pricing models based on inputs that include issuer type, coupon, cash flows, mortgage prepayment projection tables and Adjustable Rate Mortgage evaluations that incorporate index data, periodic and life caps and the next coupon reset date. To the extent that these inputs are observable, the values of government sponsored enterprise and mortgage-backed securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

**Municipal Bonds** Municipal bonds are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond, state of issuance, benchmark yield curves, and bond insurance. To the extent that these inputs are observable, the values of municipal bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Sovereign Debt Obligations** Sovereign debt obligations are valued by independent pricing services based on discounted cash flow models that incorporate option adjusted spreads along with benchmark curves and credit spreads. In addition, international bond markets are monitored regularly for information pertaining to the issuer and/or the specific issue. To the extent that these inputs are observable, the values of sovereign debt obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Corporate Bonds & Notes** Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Convertible Bonds** Convertible bonds are valued by independent pricing services based on various inputs and techniques, which include broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of convertible bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

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## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

**Asset-Backed Securities and Collateralized Mortgage Obligations** Asset-backed securities and collateralized mortgage obligations are valued by independent pricing services using pricing models based on a security's average life volatility. The models also take into account tranche characteristics such as coupon, average life, collateral types, ratings, the issuer and tranche type, underlying collateral and performance of the collateral, and discount margin for certain floating rate issues. To the extent that these inputs are observable, the values of asset-backed securities and collateralized mortgage obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Forward Foreign Currency Contracts** Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Credit Default Swaps** Credit default swaps traded over-the-counter (OTC) are valued by independent pricing services using pricing models that take into account, among other factors, information received from market makers and broker-dealers, default probabilities from index specific credit spread curves, recovery rates, and cash flows. To the extent that these inputs are observable, the values of credit default swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Interest Rate Swaps** OTC interest rate swaps are valued by independent pricing services using pricing models that are based on real-time intraday snapshots of relevant interest rate curves that are built using the most actively traded securities for a given maturity. The pricing models also incorporate cash and money market rates. In addition, market data pertaining to interest rate swaps is monitored regularly to ensure that interest rates are properly depicting the current market rate. Centrally cleared interest rate swaps are valued at the price determined by the relevant exchange. To the extent that these inputs are observable, the values of interest rate swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Senior Loans** Senior Loans are valued by independent pricing services based on the average of quoted prices received from multiple dealers or valued relative to other benchmark securities when broker-dealer quotes are unavailable. These quoted prices are based on interest rates, yield curves, option adjusted spreads and credit spreads. To the extent that these inputs are observable, the values of Senior Loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

**(c) Investment Transactions and Investment Income**

Investment transactions are accounted for on the trade date. Securities purchased and sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income adjusted for the accretion of discount and amortization of premiums is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income. Dividend income is recorded on the ex-dividend date. Facility fees and other fees (such as origination fees) received at the settlement date are amortized as income over the expected term of the senior loan. Facility fees and other fees (such as origination fees) received after the settlement date relating to senior loans, consent fees relating to corporate actions and commitment fees received relating to unfunded purchase commitments are recorded as miscellaneous income upon receipt. Paydown gains and losses are netted and recorded as interest income on the Statements of Operations.

**(d) Federal Income Taxes**

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. In accordance with provisions set forth under U.S. GAAP, the Investment Manager has reviewed the Funds' tax positions for all open tax years. As of October 31, 2013, the Funds have recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken. The Funds' federal income tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

**(e) Dividends and Distributions – Common Shares**

Corporate & Income Strategy declares dividends from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually. Income Opportunity declares dividends from net investment income and net short-term capital gains, if any, from the sale of portfolio securities and other sources to common shareholders monthly. Distributions of net long-term realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions to their respective shareholders on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with



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federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To

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**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions to shareholders from return of capital. A Fund may engage in investment strategies, including the use of derivatives, to, among other things, generate current, distributable income without regard to possible declines in the Fund's net asset value. A Fund's income and gain-generating strategies, including certain derivatives strategies, may generate current income and gains for distributions even in situations when the Fund has experienced a decline in net assets, including losses due to adverse changes in securities markets or the Fund's portfolio of investments, including derivatives.

**(f) Foreign Currency Translation**

The Funds' accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market value of investments and other assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the end of the period; and (2) purchases and sales, income and expenses are translated at the prevailing exchange rate on the respective dates of such transactions. The resulting net foreign currency gain (loss) is included in the Funds' Statements of Operations.

The Funds do not generally isolate that portion of the results of operations arising as a result of changes in foreign currency exchange rates from the fluctuations arising from changes in the market prices of securities. Accordingly, such foreign currency gain (loss) is included in net realized and unrealized gain (loss) on investments. However, the Funds do isolate the effect of fluctuations in foreign currency exchange rates when determining the gain (loss) upon the sale or maturity of foreign currency denominated debt obligations pursuant to U.S. federal income tax regulations; such amount is categorized as foreign currency gain (loss) for both financial reporting and income tax reporting purposes.

**(g) Senior Loans**

The Funds may purchase assignments of, and participations in, Senior Loans originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (the Lender). When purchasing an assignment, the Funds succeed to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

**(h) Repurchase Agreements**

The Funds enter into transactions with their custodian bank or securities brokerage firms

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## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

whereby they purchase securities under agreements to resell such securities at an agreed upon price and date ( repurchase agreements ). The Funds, through their custodian, take possession of securities collateralizing the repurchase agreement. Such agreements are carried at the contract amount in the financial statements, which is considered to represent fair value. Collateral pledged (the securities received), which consists primarily of U.S. government obligations and asset-backed securities, is held by the custodian bank for the benefit of the Funds until maturity of the repurchase agreement. Provisions of the repurchase agreements and the procedures adopted by the Funds require that the market value of the collateral, including accrued interest thereon, be sufficient in the event of default by the counterparty. If the counterparty defaults and the value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by the Funds may be delayed or limited.

##### (i) Reverse Repurchase Agreements

In a reverse repurchase agreement, the Funds sell securities to a bank or broker-dealer and agree, to repurchase the securities at a mutually agreed upon date and price. Generally, the effect of such a transaction is that the Funds can recover and reinvest all or most of the cash invested in portfolio securities involved during the term of the reverse repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to the Funds of the reverse repurchase transaction is less than the returns the Funds obtain on investments purchased with the cash. To the extent the Funds do not cover their positions in reverse repurchase agreements (by segregating liquid assets at least equal in amount to the forward purchase commitment), the Funds' uncovered obligations under the agreements will be subject to the Funds' limitations on borrowings. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Funds are obligated to repurchase under the agreements may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds' use of the proceeds of the agreement may be restricted pending determination by the other party, or its trustee or receiver, whether to enforce the Funds' obligation to repurchase the securities.

##### (j) When-Issued/Delayed-Delivery Transactions

When-issued or delayed-delivery transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Funds will set aside and maintain until the settlement date in a designated account, liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations; consequently, such fluctuations are taken into account when determining the



**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

NAV. The Funds may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell when-issued securities before they are delivered, which may result in a realized gain or loss. When a security is sold on a delayed-delivery basis, the Funds do not participate in future gains and losses with respect to the security.

**(k) Securities Traded on To-Be-Announced Basis**

The Funds may from time to time purchase securities on a to-be-announced ( TBA ) basis. In a TBA transaction, the Fund commits to purchasing or selling securities for which all specific information is not yet known at the time of the trade, particularly the face amount and maturity date of the underlying security transactions. Securities purchased on a TBA basis are not settled until they are delivered to the Fund, normally 15 to 45 days later. Beginning on the date the Fund enters into a TBA transaction, cash, U.S. government securities or other liquid securities are segregated in an amount equal in value to the purchase price of the TBA security. These transactions are subject to market fluctuations, and their current value is determined in the same manner as for other securities.

**(l) Mortgage-Related and Other Asset-Backed Securities**

Investments in mortgage-related or other asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations ( CMOs ), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities ( SMBSs ) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The value of some mortgage-related or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose the Funds to a lower rate of return upon reinvestment of principal. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. The decline in liquidity and prices of these types of securities may make it more difficult to determine fair market value. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

**(m) U.S. Government Agencies or Government-Sponsored Enterprises**

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ( GNMA or Ginnie Mae ), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans

Affairs. Government-related guarantors not backed by the full faith

**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

and credit of the U.S. Government include the Federal National Mortgage Association ( FNMA or Fannie Mae ) and the Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac ). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

**(n) Restricted Securities**

The Funds are permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

**(o) Warrants**

The Funds may receive warrants. Warrants are securities that are usually issued together with a debt security or preferred stock and that give the holder the right to buy a proportionate amount of common stock at a specified price. Warrants are freely transferable and are often traded on major exchanges. Warrants normally have a life that is measured in years and entitle the holder to buy common stock of a company at a price that is usually higher than the market price at the time the warrant is issued. Warrants may entail greater risks than certain other types of investments. Generally, warrants do not carry the right to receive dividends or exercise voting rights with respect to the underlying securities, and they do not represent any rights in the assets of the issuer. In addition, their value does not necessarily change with the value of the underlying securities, and they cease to have value if they are not exercised on or before their expiration date. If the market price of the underlying stock does not exceed the exercise price during the life of the warrant, the warrant will expire worthless. Warrants may increase the potential profit or loss to be realized from the investment as compared with investing the same amount in the underlying securities. Similarly, the percentage increase or decrease in the value of an equity security warrant may be greater than the percentage increase or decrease in the value of the underlying common stock. Warrants may relate to the purchase of equity or debt securities. Debt obligations with warrants attached to purchase equity securities have many characteristics of convertible securities and their prices may, to some degree, reflect the performance of the underlying stock. Debt obligations also may be issued with warrants attached to purchase additional debt securities at the same coupon rate. A decline in interest rates would permit a Fund to sell such warrants at a profit. If interest rates rise, these warrants would generally expire with no value.

**(p) Interest Expense**



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Interest expense primarily relates to the Funds' participation in reverse repurchase agreement transactions. Interest expense is recorded as it is incurred.

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## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 1. Organization and Significant Accounting Policies (continued)

##### (q) Custody Credits on Cash Balances

The Funds may benefit from an expense offset arrangement with their custodian bank, whereby uninvested cash balances may earn credits that reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Funds. Cash overdraft charges, if any, are included in custodian and accounting agent fees.

#### 2. Principal Risks

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds are also exposed to other risks such as, but not limited to, interest rate, foreign currency, credit and leverage risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the values of certain fixed income securities held by the Funds are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security's market price to interest rate (*i.e.* yield) movements.

Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a Fund holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the NAV of the Funds' shares.

Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if a Fund holds mortgage-related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of the Funds because the Funds may have to reinvest that money at the lower prevailing interest rates. The Funds' investments in other asset-backed securities are

subject to risks similar to those associated with mortgage-related securities, as well as

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

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#### 2. Principal Risks (continued)

additional risks associated with the nature of the assets and the servicing of those assets.

The Funds are exposed to credit risk, which is the risk of losing money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

To the extent the Funds directly invest in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in derivatives that provide exposure to foreign currencies, they will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including economic growth, inflation, changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or the imposition of currency controls or other political developments in the United States or abroad. As a result, the Funds' investments in foreign currency-denominated securities may reduce the returns of the Funds.

The Funds are subject to elements of risk not typically associated with investments in the U.S., due to concentrated investments in foreign issuers located in a specific country or region. Such concentrations will subject the Funds to additional risks resulting from future political or economic conditions in such country or region and the possible imposition of adverse governmental laws or currency exchange restrictions affecting such country or region, which could cause the securities and their markets to be less liquid and prices more volatile than those of comparable U.S. companies.

The market values of securities may decline due to general market conditions (market risk) which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity-related investments generally have greater market price volatility than fixed income securities.

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds' financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Sub-Adviser seeks to minimize the Funds' counterparty risk by performing reviews of each counterparty and by minimizing concentration of counterparty risk by



**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**2. Principal Risks (continued)**

undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds' shares to be more volatile than if the Funds did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Funds' portfolio securities. The Funds may engage in transactions or purchase instruments that give rise to forms of leverage. Obligations to settle reverse repurchase agreements may be detrimental to the Funds' performance. In addition, to the extent the Funds employ leverage, dividend and interest costs may not be recovered by any appreciation of the securities purchased with the leverage proceeds and could exceed the Funds' investment returns, resulting in greater losses.

The Funds hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Funds' ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted securities are often illiquid and may not be actively traded. Sale of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material.

A Fund may incur additional expenses to the extent it is required to seek recovery upon a portfolio security's default in the payment of principal or interest. In any bankruptcy proceeding relating to a defaulted investment, a Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment.

The Funds are party to International Swaps and Derivatives Association, Inc. Master Agreements ( ISDA Master Agreements ) with select counterparties that govern transactions, over-the-counter derivatives and foreign exchange contracts entered into by the Funds and those counterparties. The ISDA Master Agreements contain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements of the Funds.

The considerations and factors surrounding the settlement of certain purchases and sales made on a delayed-delivery basis are governed by Master Securities Forward Transaction Agreements ( Master Forward Agreements ) between the Funds and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral.

The Funds are also a party to Master Repurchase Agreements ( Master Repo

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 2. Principal Risks (continued)

Agreements ) with select counterparties. The Master Repo Agreements maintain provisions for initiation, income payments, events of default, and maintenance of collateral.

The counterparty risk associated with certain contracts may be reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Funds' overall exposure to counterparty risk with respect to transactions subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Corporate & Income Strategy had security transactions outstanding with Lehman Brothers entities as the counterparty at the time the relevant Lehman Brothers entity filed for bankruptcy protection or was placed in administration. The security transactions associated with Lehman Brothers, Inc. ( SLH ) as counterparty were written down to their estimated recoverable values. Adjustments to anticipated losses for security transactions associated with SLH have been incorporated as net realized gain (loss) on the Fund's Statement of Operations. The remaining balances due, if any, from SLH are included in receivable from broker on the Fund's Statement of Assets and Liabilities. The estimated recoverable value of receivables is determined by independent broker quotes.

#### 3. Financial Derivative Instruments

Disclosure about derivatives and hedging activities requires qualitative disclosure regarding objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivatives, and disclosure about credit-risk-related contingent features in derivative agreements. The disclosure requirements distinguish between derivatives, which are accounted for as hedges, and those that do not qualify for such accounting. Although the Funds at times use derivatives for hedging purposes, the Funds reflect derivatives at fair value and recognize changes in fair value through the Funds' Statements of Operations, and such derivatives do not qualify for hedge accounting treatment.

##### (a) Swap Agreements

Swap agreements are bilaterally negotiated agreements between the Funds and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market or event-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over-the-counter market ( OTC swaps ) or may be executed in a multilateral or other trade facility platform, such as a registered commodities exchange ( centrally cleared swaps ). The Funds may enter into credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements in order to, among other things, manage their exposure to credit, currency and interest rate risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to



provide assets of value and recourse in the event of default or bankruptcy/insolvency.

OTC swap payments received or made at the beginning of the measurement period, if any,

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 3. Financial Derivative Instruments (continued)

are reflected as such on the Funds' Statements of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Funds' Statements of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Funds' Statements of Operations. Net periodic payments received or paid by the Funds are included as part of realized gains or losses on the Funds' Statements of Operations. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation on the Funds' Statements of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable, as applicable, for variation margin on centrally cleared swaps on the Funds' Statements of Assets and Liabilities.

Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognized on the Funds' Statements of Assets and Liabilities. Such risks include the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

**Credit Default Swap Agreements** Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index. As the sellers of protection on credit default swap agreements, the Funds will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the sellers, the Funds would effectively add leverage to their investment portfolios because, in addition to their total net assets, the Funds would be subject to investment exposure on the notional amount of the swap.

If the Funds are sellers of protection and a credit event occurs, as defined under the terms of that particular swap agreement, a Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Funds are buyers of protection and a credit event occurs, as defined under the terms of that particular swap agreement, a Fund will either (i) receive from the seller of protection an

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 3. Financial Derivative Instruments (continued)

amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are assumed by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on corporate or sovereign issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event). The Funds use credit default swaps on corporate or sovereign issues to provide a measure of protection against defaults of the issuers (*i.e.*, to reduce risk where the Funds own or have exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default.

Credit default swap agreements on asset-backed securities involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit events. Unlike credit default swaps on corporate or sovereign issues, deliverable obligations in most instances would be limited to the specific referenced obligation as performance for asset-backed securities can vary across deals. Prepayments, principal paydowns, and other writedown or loss events on the underlying mortgage loans will reduce the outstanding principal balance of the referenced obligation. These reductions may be temporary or permanent as defined under the terms of the swap agreement and the notional amount of the swap agreement will be adjusted by corresponding amounts. The Funds use credit default swaps on asset-backed securities to provide a measure of protection against defaults of the referenced obligation or to take an active long or short position with respect to the likelihood of a particular referenced obligation's default.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 3. Financial Derivative Instruments (continued)

of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index, or in the case of a tranching index credit default swap, the credit event is settled based on the name's weight in the index that falls within the tranche for which the Funds bear exposure. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Funds use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit-default swaps on indices are benchmarks for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end are disclosed in the Notes to Schedules of Investments, serve as an indicator of the current status of the payment/performance risk, and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Wider credit spreads and increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Funds as sellers of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. Notional amounts of all credit default swap agreements outstanding as of October 31, 2013 for which the Funds are sellers of protection are disclosed in the Notes to Schedules of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Funds for the same referenced entity or entities.

## Notes to Financial Statements

### PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund

October 31, 2013

#### 3. Financial Derivative Instruments (continued)

**Interest Rate Swap Agreements** Interest rate swap agreements involve the exchange by the Funds with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or **cap**, (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or **floor**, (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different money markets.

#### (b) Forward Foreign Currency Contracts

A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. The Funds enter into forward foreign currency contracts for the purpose of hedging against foreign currency risk arising from the investment or anticipated investment in securities denominated in foreign currencies. The Funds also enter into these contracts for purposes of increasing exposure to a foreign currency or shifting exposure to foreign currency fluctuations from one country to another. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. All commitments are marked to market daily at the applicable exchange rates and any resulting unrealized appreciation or depreciation is recorded. Realized gains or losses are recorded at the time the forward contract matures or by delivery of the currency. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. In addition, these contracts may involve market risk in excess of the unrealized appreciation (depreciation) reflected in the Funds Statements of Assets and Liabilities.

#### 4. Investment Manager/Sub-Adviser

Each Fund has an Investment Management Agreement (each an **Agreement**) with the Investment Manager. Subject to the supervision of each Fund's Board, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds' investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.75% of Corporate & Income Strategy's average daily



**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**4. Investment Manager/Sub-Adviser (continued)**

net assets, inclusive of net assets attributable to any Preferred Shares outstanding, and 1.00% of Income Opportunity's average daily total managed assets. For Income Opportunity, total managed assets refers to total assets (including any assets attributable to any borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings). For these purposes, borrowings includes amount of leverage attributable to such instruments as reverse repurchase agreements.

The Investment Manager has retained the Sub-Adviser to manage the Funds' investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Funds' investment decisions. The Investment Manager, not the Funds, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

**5. Investments in Securities**

For the year ended October 31, 2013, purchases and sales of investments, other than short-term securities were:

|                             | U.S. Government Obligations |              | All Other     | Sales         |
|-----------------------------|-----------------------------|--------------|---------------|---------------|
|                             | Purchases                   | Sales        |               |               |
| Corporate & Income Strategy | \$96,480,521                | \$45,408,236 | \$645,119,142 | \$774,782,459 |
| Income Opportunity          | 332,929,274                 | 392,746,847  | 86,803,482    | 95,541,576    |

**6. Income Tax Information**

The tax character of dividends paid was:

|                             | Year ended                      | Year ended                      |
|-----------------------------|---------------------------------|---------------------------------|
|                             | October 31, 2013                | October 31, 2012                |
| Corporate & Income Strategy | Ordinary Income<br>\$59,774,894 | Ordinary Income<br>\$68,372,850 |
| Income Opportunity          | 42,005,856                      | 44,988,180                      |

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At October 31, 2013, the components of distributable earnings were:

|                             | Ordinary<br>Income | Long-Term<br>Capital Gains | Capital Loss<br>Carryforwards (1) |
|-----------------------------|--------------------|----------------------------|-----------------------------------|
| Corporate & Income Strategy |                    | \$36,416,762               |                                   |
| Income Opportunity          | \$7,812,859        |                            | \$5,512,544                       |

(1) Capital loss carryforwards available as a reduction, to the extent provided in the regulations, of any future net realized gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be disbursed.



**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**6. Income Tax Information (continued)**

Under the Regulated Investment Company Modernization Act of 2010, the Funds will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010, for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term capital losses.

At October 31, 2013, capital loss carryforward amounts were:

|                             | Year of Expiration<br>2017 |
|-----------------------------|----------------------------|
| Corporate & Income Strategy |                            |
| Income Opportunity          | \$5,512,544                |

For the year ended October 31, 2013, the Funds utilized available capital loss carryforwards as follows:

|                             | Pre-Enactment | Short-Term  | Post-Enactment | Long-Term |
|-----------------------------|---------------|-------------|----------------|-----------|
| Corporate & Income Strategy | \$56,826,834  |             |                |           |
| Income Opportunity          | 8,929,239     | \$1,114,271 |                | \$755,440 |

For the year ended October 31, 2013, permanent book-tax adjustments were:

|  | Undistributed Net<br>Investment Income | Accumulated Net<br>Realized Gain (Loss) | Paid-In-Capital<br>In Excess of Par |
|--|--|---|-------------------------------------|
| Corporate & Income Strategy (a)(b)(c)(d) | \$(358,213)                            | \$358,209                               | \$4                                 |
| Income Opportunity (a)(b)(c)(d)          | 1,131,427                              | (1,131,429)                             | 2                                   |

These permanent book-tax differences were primarily attributable to:

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- (a) Differing treatment of swap payments
- (b) Reclassification of gains and losses on foreign currency transactions
- (c) Reclassification of gains and losses on paydowns
- (d) Reclassification of consent fees

Net investment income, net realized gains or losses and net assets were not affected by these adjustments.

At October 31, 2013, the aggregate cost basis and the net unrealized appreciation of investments for federal income tax purposes were:

|                             | Federal Tax Cost<br>Basis | Unrealized<br>Appreciation | Unrealized<br>Depreciation | Net Unrealized<br>Appreciation |
|-----------------------------|---------------------------|----------------------------|----------------------------|--------------------------------|
| Corporate & Income Strategy | \$741,440,371             | \$37,773,420               | \$6,465,765                | \$31,307,655                   |
| Income Opportunity          | 536,868,772               | 86,673,538                 | 12,302,993                 | 74,370,545                     |

Differences between book and tax cost basis were attributable to the differing treatment of bond amortization/accretion.

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**Notes to Financial Statements****PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**7. Auction-Rate Preferred Shares Corporate & Income Strategy**

Corporate & Income Strategy has 1,352 shares of Preferred Shares Series M, 1,352 shares of Preferred Shares Series T, 1,352 shares of Preferred Shares Series W, 1,352 shares of Preferred Shares Series TH and 1,352 shares of Preferred Shares Series F outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate that is typically re-set every seven days. Distributions of net realized capital gains, if any, are paid annually.

For the year ended October 31, 2013, the annualized dividend rates ranged from:

|           | High   | Low    | At October 31, 2013 |
|-----------|--------|--------|---------------------|
| Series M  | 0.240% | 0.030% | 0.105%              |
| Series T  | 0.195% | 0.030% | 0.090%              |
| Series W  | 0.225% | 0.030% | 0.105%              |
| Series TH | 0.240% | 0.060% | 0.105%              |
| Series F  | 0.240% | 0.060% | 0.090%              |

The Fund is subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Fund from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation preference plus any accumulated, unpaid dividends.

Preferred shareholders, who are entitled to one vote per share, generally vote together with the common shareholders but vote separately as a class to elect two Trustees and on certain matters adversely affecting the rights of the Preferred Shares.

Since mid-February 2008, holders of auction-rate preferred shares ( ARPS ) issued by the Fund have been directly impacted by a lack of liquidity, which has similarly affected ARPS holders in many of the nation's closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Fund have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined maximum rate, the 7-day AA Financial Composite Commercial Paper Rate multiplied by a minimum of 150%, depending on the credit rating of the ARPS (which is a function of short-term interest rates). As of October 31, 2013 the current multiplier for calculating the maximum rate is 150%. If the Fund's ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Fund's common shareholders could be

adversely affected.

**Notes to Financial Statements**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

October 31, 2013

**8. Subsequent Events**

In preparing these financial statements, the Funds' management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On November 1, 2013, the following dividends were declared to common shareholders payable December 2, 2013 to shareholders of record on November 12, 2013.

|                             |                           |
|-----------------------------|---------------------------|
| Corporate & Income Strategy | \$0.1125 per common share |
| Income Opportunity          | \$0.19 per common share   |

On December 2, 2013, the following dividends were declared to common shareholders payable January 2, 2014 to shareholders of record on December 12, 2013.

|                             |                           |
|-----------------------------|---------------------------|
| Corporate & Income Strategy | \$0.1125 per common share |
| Income Opportunity          | \$0.19 per common share   |

On December 20, 2013, Corporate & Income Strategy declared a long-term capital gain distribution of \$ 0.95029 per common share to common shareholders payable January 17, 2014 to shareholders of record on December 30, 2013.

On December 20, 2013, Income Opportunity declared a special income dividend of \$ 0.60 per share to shareholders, payable January 17, 2014 to shareholders of record on December 30, 2013.

There were no other subsequent events identified that require recognition or disclosure.

**Financial Highlights****PIMCO Corporate & Income Strategy Fund**

For a common share outstanding throughout each year:

|  | Year ended October 31, |           |           |           |           |
|--|------------------------|-----------|-----------|-----------|-----------|
|  | 2013                   | 2012      | 2011      | 2010      | 2009      |
| Net asset value, beginning of year   | \$15.90                | \$13.67   | \$15.51   | \$12.88   | \$8.47    |
| <b>Investment Operations:</b>  |                        |           |           |           |           |
| Net investment income  | 1.28                   | 1.57      | 1.72      | 1.61      | 1.42      |
| Net realized and change in unrealized gain (loss)  | 0.44                   | 2.47      | (1.87)    | 2.90      | 4.29      |
| Total from investment operations   | 1.72                   | 4.04      | (0.15)    | 4.51      | 5.71      |
| <b>Dividends on Preferred Shares from Net Investment Income</b>  | (0.01)                 | (0.01)    | (0.01)    | (0.01)    | (0.02)    |
| Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations | 1.71                   | 4.03      | (0.16)    | 4.50      | 5.69      |
| <b>Dividends to Common Shareholders from Net Investment Income</b>   | (1.57)                 | (1.80)    | (1.68)    | (1.87)    | (1.28)    |
| Net asset value, end of year   | \$16.04                | \$15.90   | \$13.67   | \$15.51   | \$12.88   |
| Market price, end of year  | \$17.15                | \$18.17   | \$15.27   | \$16.24   | \$13.06   |
| <b>Total Investment Return (1)</b>   | 3.48%                  | 33.21%    | 4.78%     | 41.86%    | 48.69%    |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>   |                        |           |           |           |           |
| Net assets, applicable to common shareholders, end of year (000s)  | \$612,225              | \$603,483 | \$515,041 | \$579,963 | \$477,195 |
| Ratio of expenses to average net assets, including interest expense (2)(4)                                   | 1.10%                  | 1.32%     | 1.30%     | 1.24%(3)  | 1.52%(3)  |
| Ratio of expenses to average net assets, excluding interest expense (2)                                      | 1.09%                  | 1.14%     | 1.16%     | 1.17%(3)  | 1.48%(3)  |
| Ratio of net investment income to average net assets (2)   | 7.91%                  | 11.03%    | 11.56%    | 11.64%(3) | 15.34%(3) |
| Preferred shares asset coverage per share  | \$115,565              | \$114,270 | \$101,188 | \$110,790 | \$95,590  |
| Portfolio turnover rate  | 108%                   | 28%       | 32%       | 52%       | 117%      |

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares.

(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(3) During the years indicated above, the Investment Manager waived a portion of its investment management fee. The effect of such waiver relative to the average net assets of common shareholders was 0.01% and 0.10% for the years ended October 31, 2010 and October 31, 2009, respectively.

(4) Interest expense primarily relates to participation in reverse repurchase agreement transactions.

**Financial Highlights****PIMCO Income Opportunity Fund**

For a common share outstanding throughout each year:

|   | 2013      | 2012      | Year ended October 31,<br>2011 | 2010      | 2009      |
|---|-----------|-----------|--------------------------------|-----------|-----------|
| Net asset value, beginning of year                                      | \$27.86   | \$24.62   | \$26.97                        | \$21.40   | \$17.90   |
| <b>Investment Operations:</b>   |           |           |                                |           |           |
| Net investment income   | 2.87      | 2.61      | 3.24                           | 3.11      | 2.11      |
| Net realized and change in unrealized gain (loss)                       | 0.77      | 3.69      | (2.20)                         | 4.58      | 3.51      |
| Total from investment operations  | 3.64      | 6.30      | 1.04                           | 7.69      | 5.62      |
| <b>Dividends and Distributions to Shareholders from:</b>                |           |           |                                |           |           |
| Net investment income   | (2.83)    | (3.06)    | (3.39)                         | (2.12)    | (1.21)    |
| Return of capital   |           |           |                                |           | (0.91)    |
| Total dividends and distributions to shareholders                       | (2.83)    | (3.06)    | (3.39)                         | (2.12)    | (2.12)    |
| <b>Common Share Transactions:</b>                                       |           |           |                                |           |           |
| Net asset value, end of year  | \$28.67   | \$27.86   | \$24.62                        | \$26.97   | \$21.40   |
| Market price, end of year   | \$28.90   | \$29.85   | \$26.45                        | \$26.92   | \$21.08   |
| <b>Total Investment Return (1)</b>                                      | 6.81%     | 26.98%    | 11.68%                         | 39.51%    | 31.54%    |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>  |           |           |                                |           |           |
| Net assets, end of year (000s)  | \$426,561 | \$411,976 | \$359,909                      | \$391,730 | \$307,679 |
| Ratio of expenses to average net assets, including interest expense (2) | 1.93%     | 2.29%     | 2.44%                          | 2.36%     | 1.78%     |
| Ratio of expenses to average net assets, excluding interest expense (2) | 1.66%     | 1.86%     | 1.93%                          | 1.86%     | 1.42%     |
| Ratio of net investment income to average net assets                    | 10.03%    | 10.38%    | 12.40%                         | 13.07%    | 12.04%    |
| Portfolio turnover rate   | 65%       | 57%       | 194%                           | 77%       | 292%      |

- (1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares.
- (2) Interest expense primarily relates to participation in reverse repurchase agreement transactions.

See accompanying Notes to Financial Statements | October 31, 2013 | Annual Report 69

**Report of Independent Registered Public Accounting Firm**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

**To the Shareholders and Board of Trustees of  
PIMCO Corporate & Income Strategy Fund  
PIMCO Income Opportunity Fund**

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations, of changes in net assets and cash flows (for PIMCO Income Opportunity Fund only) and the financial highlights present fairly, in all material respects, the financial position of PIMCO Corporate & Income Strategy Fund and PIMCO Income Opportunity Fund (collectively the Funds ) at October 31, 2013, the results of each of their operations and cash flows (for PIMCO Income Opportunity Fund only) for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Funds management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2013 by correspondence with the custodian, agent banks and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
December 23, 2013



**Tax Information/Annual Shareholder Meeting Results/Changes in Investment**

**Policy/Loan Investments and Origination** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

**Tax Information:**

As required by the Internal Revenue Code, shareholders must be notified regarding certain tax attributes of distributions made by each Fund.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, the following percentages of ordinary dividends paid during the fiscal Year ended October 31, 2013, are designated as qualified dividend income :

|                             |       |
|-----------------------------|-------|
| Corporate & Income Strategy | 2.73% |
| Income Opportunity          | 3.01% |

Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund's dividend distribution that qualifies under tax law. The percentage of the following Funds' ordinary income dividends paid during the fiscal year ended October 31, 2013, that qualify for the corporate dividend received deduction is set forth below:

|                             |       |
|-----------------------------|-------|
| Corporate & Income Strategy | 2.73% |
| Income Opportunity          | 3.01% |

Since the Funds' tax year is not the calendar year, another notification will be sent with respect to calendar year 2013. In January 2014, shareholders will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received during calendar year 2013. The amount that will be reported will be the amount to use on the shareholder's 2013 federal income tax return and may differ from the amount which must be reported in connection with the Funds' tax year ended October 31, 2013. Shareholders are advised to consult their tax advisers as to the federal, state and local tax status of the dividend income received from the Funds. In January 2014, an allocation of interest income by state will be provided which may be of value in reducing a shareholder's state and local tax liability, if any.

**Annual Shareholder Meeting Results:**

The Funds held their joint annual meetings of shareholders on April 30, 2013. Common/Preferred shareholders for Corporate Income & Strategy and Common shareholders for Income Opportunity voted as indicated below:

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### Corporate & Income Strategy:

|  | Affirmative | Withheld Authority |
|--|-------------|--------------------|
| Re-election of Deborah A. DeCotis Class II to serve until the annual meeting for the 2015-2016 fiscal year | 33,496,678  | 1,163,087          |
| Re-election of James A. Jacobson* Class II to serve until the annual Meeting for the 2015-2016 fiscal year | 5,184       | 207                |

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Bradford K. Gallagher, Hans W. Kertess\*, John C. Maney , William B. Ogden, IV, and Alan Rappaport continued to serve as Trustees of the Fund.

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**Tax Information/Annual Shareholder Meeting Results/Changes in Investment**

**Policy/Loan Investments and Origination** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

Income Opportunity:

|  | Affirmative | Withheld Authority |
|--|-------------|--------------------|
| Re-election of James A. Jacobson Class II to serve until the annual meeting for the 2015-2016 fiscal year  | 13,191,167  | 269,794            |
| Re-election of John C. Maney+ Class II to serve until the annual meeting for the 2015-2016 fiscal year   | 13,249,274  | 211,687            |
| The other members of the Board of Trustees at the time of the meeting, namely, Ms. Deborah A. DeCotis and Messrs. Bradford K. Gallagher, Hans W. Kertess, William B. Ogden, IV, and Alan Rappaport continued to serve as Trustees of the Fund. |             |                    |

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\* Preferred Shares Trustee

Interested Trustee

**Changes in Investment Policy Corporate & Income Strategy:**

Effective of December 21, 2012, the Fund amended an existing non-fundamental investment policy, which now provides that it may invest up to 5% of its total assets in defaulted bonds when the Sub-Adviser believes that the issuer's potential revenue and prospects for recovery are favorable (except that the Fund may invest in mortgage-related and other asset-backed securities without regard to this limit, subject to the Fund's other investment policies). Prior to the amendment, the Fund's non-fundamental investment policy provided that it could invest up to 5% of its total assets in defaulted bonds when the Sub-Adviser believed that the issuer's potential revenue and prospects for recovery are favorable and did not exempt mortgage-related and other asset-backed securities from the 5% limit.

The amended non-fundamental policy may subject the Fund to additional or heightened levels of risk associated with defaulted bonds high yield bonds and mortgage-related and other asset-backed securities. Securities that are in default or the issuers of which are in bankruptcy involve substantial risks. The Fund may incur additional expenses to the extent it is required to seek recovery on a defaulted security with respect to the payment of principal or interest. In any reorganization or liquidation proceeding relating to such an investment, the Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment. In addition, it frequently may be difficult to obtain information as to the true financial condition of the issuer of a defaulted security, and the Sub-Adviser's judgments about the relative value of these securities may prove to be wrong. Please see also Note 2. Principal Risks in the Notes to Financial Statements for a description of risks associated with mortgage-related and other asset-backed securities.

**Loan Investments and Origination:**

The Funds may invest in loans and related investments, which include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Funds may originate loans or acquire direct interests in loans through primary loan distributions and/or in private

**Tax Information/Annual Shareholder Meeting Results/Changes in Investment**

**Policy/Loan Investments and Origination** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower's obligation to the holder of such a loan, including in the event of the borrower's insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage. Investments in loans are generally subject to risks similar to those of investments in other types of debt obligations, including, among others, credit risk, interest rate risk, variable and floating rate securities risk, and risks associated with mortgage-related securities. For more information on these and other risks, see Note 2 in the Notes to Financial Statements. In addition, in many cases loans are subject to the risks associated with below-investment grade securities. The Funds may be subject to heightened or additional risks and potential liabilities and costs by investing in mezzanine and other subordinated loans or acting as an originator of loans, including those arising under bankruptcy, fraudulent conveyance, equitable subordination, lender liability, environmental and other laws and regulations, and risks and costs associated with debt servicing and taking foreclosure actions associated with the loans.

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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

The Investment Company Act of 1940, as amended, requires that both the full Board of Trustees (the Trustees ) and a majority of the non-interested Trustees (the Independent Trustees ), voting separately, approve each Fund's Management Agreement with the Investment Manager (the Advisory Agreements ) and Portfolio Management Agreement between the Investment Manager and the Sub-Adviser (the Sub-Advisory Agreements, and, together with the Advisory Agreements, the Agreements ). The Trustees met telephonically on June 10, 2013 and in person on June 25, 2013 (the contract review meetings ) for the specific purpose of considering whether to approve the continuation of the Advisory Agreements and the Sub-Advisory Agreements. The Independent Trustees were assisted in their evaluation of the Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately from Fund management during the contract review meetings.

In connection with their deliberations regarding the continuation of the Agreements, the Trustees, including the Independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. As described below, the Trustees considered the nature, quality, and extent of the various investment management, administrative and other services performed by the Investment Manager or the Sub-Adviser under the applicable Agreement.

In connection with their contract review meetings, the Trustees received and relied upon materials provided by the Investment Manager which included, among other items: (i) information provided by Lipper Inc. ( Lipper ), an independent third party, on the total return investment performance (based on net assets) of the Funds for various time periods, the investment performance of a group of funds with investment classifications/objectives comparable to those of the Funds identified by Lipper (the Lipper performance universe ) and the performance of an applicable benchmark index, (ii) information provided by Lipper on the Funds' management fees and other expenses and the management fees and other expenses of comparable funds identified by Lipper, (iii) with respect to Corporate & Income Strategy, information regarding the investment performance and fees for other funds and accounts managed by the Sub-Adviser with similar investment objectives and policies to those of the Fund, (iv) with respect to Income Opportunity, information regarding the investment performance and fees for other funds and accounts with strategies that have similarities (but are not substantially similar) to those of the Fund, (v) the estimated profitability to the Investment Manager from its relationship with the Funds for the one year period ended December 31, 2012, (vi) descriptions of various functions performed by the Investment Manager and the Sub-Adviser for the Funds, such as portfolio management, compliance monitoring and portfolio trading practices, and (vii) information regarding the overall organization of the Investment Manager and the Sub-Adviser, including

**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements** (unaudited) (continued)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

information regarding senior management, portfolio managers and other personnel providing investment management, administrative and other services to the Funds.

The Trustees' conclusions as to the continuation of the Agreements were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, attributing different weights to various factors. The Trustees recognized that the fee arrangements for the Funds are the result of review and discussion in prior years between the Independent Trustees and the Investment Manager, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Fund-specific performance results reviewed by the Trustees are discussed below. The comparative performance information was prepared and provided by Lipper and was not independently verified by the Trustees. Due to the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report. The Trustees reviewed, among other information, comparative information showing performance of each Fund against its Lipper performance universe for the one-year, three-year, five-year and with respect to Corporate & Income Strategy only, ten-year periods ended March 31, 2013.

In addition, it was noted that the Trustees considered matters bearing on the Funds and their advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting.

As part of their review, the Trustees examined the Investment Manager's and the Sub-Adviser's abilities to provide high quality investment management and other services to the Funds. Among other information, the Trustees considered the investment philosophy and research and decision-making processes of the Sub-Adviser; the experience of key advisory personnel of the Sub-Adviser responsible for portfolio management of the Funds; the ability of the Investment Manager and the Sub-Adviser to attract and retain capable personnel; and the capability of the senior management and staff of the Investment Manager and the Sub-Adviser. In addition, the Trustees reviewed the quality of the Investment Manager's and the Sub-Adviser's services with respect to regulatory compliance and compliance with the investment policies of the Funds; the nature and quality of certain administrative services the Investment Manager is responsible for providing to the Funds; and conditions that might affect the Investment Manager's or the Sub-Adviser's ability to provide high quality services to the Funds in the future under the Agreements, including each organization's respective financial condition and operational stability. Based on the foregoing, the Trustees concluded that

**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements** (unaudited) (continued)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

the Sub-Adviser's investment process, research capabilities and philosophy were well suited to each Fund given its investment objective and policies, and that the Investment Manager and the Sub-Adviser would be able to continue to meet any reasonably foreseeable obligations under the Agreements.

In assessing the reasonableness of each Fund's fees under the Agreements, the Trustees considered, among other information, each Fund's management fee and its total expense ratio as a percentage of average net assets attributable to common shares and as a percentage of total managed assets (including assets attributable to common shares and leverage outstanding, including preferred shares in the case of Corporate & Income Strategy, combined), and the management fee and total expense ratios of a peer expense group of funds based on information provided by Lipper. The Fund-specific fee and expense results discussed below were prepared and provided by Lipper and were not independently verified by the Trustees.

The Trustees specifically took note of how each Fund compared to its Lipper peers as to performance, management fee expense and total net expenses. The Trustees noted that while the Funds are not charged separate administration fees (recognizing that their management fees include a component for administrative services), it was not clear in all cases whether the peer funds in the Lipper category were separately charged such a fee by their investment managers, so that the total expense ratio (rather than any individual expense component) represented the most relevant comparison. It was noted that the total expense ratio comparisons reflect the effect of expense waivers/reimbursements (although none exist for the Funds).

**Corporate & Income Strategy**

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of nine closed-end funds, including the Fund and another fund in the Allianz fund complex. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the nine funds in the expense group ranged from \$166 million to \$2.242 billion, and that four of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked sixth out of nine funds in the expense group for total expense ratio based on common share assets and for total expense ratio based on common share and leveraged assets combined, seventh out of nine funds in actual management fees based on common share assets and ninth out of nine funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked ninth having the highest fees/expenses in the expense group).

With respect to Fund total return performance relative to its Lipper performance universe (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year, three-year, five-year and ten-year periods ended March 31, 2013.



**Matters Relating to the Trustees Consideration of the Investment  
Management & Portfolio Management Agreements** (unaudited) (continued)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

**Income Opportunity**

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of five closed-end funds, including the Fund. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the five funds in the expense group ranged from \$123.8 million to \$370.4 million, and that no other fund is larger in asset size than the Fund. The Trustees also noted that the Fund was ranked fifth out of five funds in the expense group for total expense ratio based on common share assets, third out of five funds in the expense group for total expense ratio based on common share and leveraged assets combined, fifth out of five funds in actual management fees based on common share assets and fourth out of five funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked fifth having the highest fees/expenses in the expense group).

With respect to Fund total return performance relative to its Lipper performance universe (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year, three-year and five-year periods ended March 31, 2013.

In addition to their review of Fund performance based on net asset value, the Trustees also considered the market value performance of each Fund's common shares and related share price premium and/or discount information based on the materials provided by Lipper and management.

With respect to Corporate & Income Strategy, the Trustees also considered the management fees charged by the Sub-Adviser to other funds and accounts with similar investment objectives and strategies to those of the Fund, including open-end funds and separate accounts advised by the Sub-Adviser. With respect to Income Opportunity, the Trustees were advised that the Sub-Adviser does not manage any funds or accounts, including institutional or separate accounts, with investment strategies or return profiles similar to those of the Fund. However, the Trustees considered the management fees charged by the Sub-Adviser to other funds and accounts with strategies that have similarities (but are not substantially similar) to those of Income Opportunity, including open-end funds and separate accounts advised by the Sub-Adviser. The Trustees noted that the management fees paid by the Funds are generally higher than the fees paid by such separate account clients. However, the Trustees were advised by the Sub-Adviser that it generally provides broader and more extensive services to the Funds in comparison to separate accounts, and incurs additional expenses in connection with the more extensive regulatory regime to which the Funds are subject in comparison to separate accounts generally. The Trustees noted that the management fees paid by the Funds are higher than the fees paid by the open-end funds offered for comparison, but were advised by the Sub-Adviser that there are additional portfolio management challenges in managing the Funds, such as those associated with the use of leverage and attempting to meet a regular dividend.

**Matters Relating to the Trustees Consideration of the Investment**

**Management & Portfolio Management Agreements** (unaudited) (continued)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

The Trustees also took into account that Corporate & Income Strategy has preferred shares outstanding, which increases the amount of fees received by the Investment Manager and the Sub-Advisor from Corporate & Income Strategy under the Agreements (because Corporate & Income Strategy's fees are calculated based on the Fund's average daily net assets, inclusive of any assets attributable to preferred shares outstanding) and that Income Opportunity makes use of leverage, such as through the use of reverse repurchase agreements, which increase Income Opportunity's total assets and the total amount of fees received by the Investment Manager and the Sub-Advisor from Income Opportunity under the Agreements (because Income Opportunity's fees are calculated based on total managed assets, including any assets attributable to leverage). In this regard, the Trustees took into account that the Investment Manager and the Sub-Advisor have a financial incentive for the Funds to continue to have preferred shares and/or other forms of leverage outstanding, which may create a conflict of interest between the Investment Manager and the Sub-Advisor, on the one hand, and the Funds' common shareholders, on the other. In this regard, the Trustees considered information provided by the Investment Manager and the Sub-Advisor and related presentations as to why each Fund's use of leverage continues to be appropriate and in the best interests of the respective Fund's common shareholders under current market conditions.

Based on a profitability analysis provided by the Investment Manager, the Trustees also considered the estimated profitability to the Investment Manager from its relationship with each Fund and determined that such profitability did not appear to be excessive.

The Trustees also took into account that, as closed-end investment companies, the Funds do not currently intend to raise additional assets, so the assets of the Funds will grow (if at all) only through the investment performance of each Fund. Therefore, the Trustees did not consider potential economies of scale as a principal factor in assessing the fee rates payable under the Agreements.

Additionally, the Trustees considered so-called "fall-out benefits" to the Investment Manager and the Sub-Advisor, such as reputational value derived from serving as Investment Manager and Sub-Advisor to the Funds.

After reviewing these and other factors described herein, the Trustees concluded, with respect to each Fund, within the context of their overall conclusions regarding the Agreements and based on the information provided and related representations made by management, that they were satisfied with the Investment Manager's and the Sub-Advisor's responses and efforts relating to the investment performance of the Fund. The Trustees also concluded that the fees payable under each Agreement represent reasonable compensation in light of the nature, extent and quality of services provided by the Investment Manager or Sub-Advisor, as the case may be. Based on their evaluation of factors that they deemed to be material, including those factors described above, the Trustees, including the Independent Trustees, unanimously concluded that the continuation of the Agreements was in the interests of each Fund and its shareholders, and should be approved.

**Privacy Policy/Proxy Voting Policies & Procedures** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

**Privacy Policy:**

**Our Commitment to You**

We consider customer privacy to be a fundamental aspect of our relationship with shareholders and are committed to maintaining the confidentiality, integrity and security of our current, prospective and former shareholders' personal information. To ensure our shareholders' privacy, we have developed policies that are designed to protect this confidentiality, while allowing shareholders' needs to be served.

**Obtaining Personal Information**

In the course of providing shareholders with products and services, we may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on our internet web sites.

**Respecting Your Privacy**

As a matter of policy, we do not disclose any personal or account information provided by shareholders or gathered by us to non-affiliated third parties, except as required for our everyday business purposes, such as to process transactions or service a shareholder's account, or as otherwise permitted by law. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, and gathering shareholder proxies. We may also retain non-affiliated financial services providers, such as broker-dealers, to market our shares or products and we may enter into joint-marketing arrangements with them and other financial companies. We may also retain marketing and research service firms to conduct research on shareholder satisfaction. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. We may also provide a shareholder's personal and account information to their respective brokerage or financial advisory firm, Custodian, and/or to their financial advisor or consultant.

**Sharing Information with Third Parties**

We reserve the right to disclose or report personal information to non-affiliated third parties, in limited circumstances, where we believe in good faith that disclosure is required under law to cooperate with regulators or law enforcement authorities, to protect our rights or property or upon reasonable request by any Fund in which a shareholder has chosen to invest. In addition, we may disclose information about a shareholder or

shareholder's accounts to a non-affiliated third party only if we receive a shareholder's written request or consent.

**Sharing Information with Affiliates**

We may share shareholder information with our affiliates in connection with our affiliates' everyday business purposes, such as servicing a shareholder's account, but our affiliates may not use this information to market products and services to you except in conformance

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**Privacy Policy/Proxy Voting Policies & Procedures** (unaudited)

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund**

with applicable laws or regulations. The information we share includes information about our experiences and transactions with a shareholder and may include, for example, a shareholder's participation in one of the Funds or in other investment programs, a shareholder's ownership of certain types of accounts (such as IRAs), or other data about a shareholder's transactions or accounts. Our affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

**Procedures to Safeguard Private Information**

We take seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, we have also implemented procedures that are designed to restrict access to a shareholder's non-public personal information only to internal personnel who need to know that information in order to provide products or services to such shareholders. In addition, we have physical, electronic and procedural safeguards in place to guard a shareholder's non-public personal information.

**Disposal of Confidential Records**

We will dispose of records, if any, that are knowingly derived from data received from a consumer reporting agency regarding a shareholder that is an individual in a manner that ensures the confidentiality of the data is maintained. Such records include, among other things, copies of consumer reports and notes of conversations with individuals at consumer reporting agencies.

**Proxy Voting Policies & Procedures:**

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Funds' shareholder servicing agent at (800) 254-5197; (ii) on the Funds' website at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds); and (iii) on the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov).

## Dividend Reinvestment Plan

### **PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund** (unaudited)

Each Fund has adopted a Dividend Reinvestment Plan (the **Plan**) which allows common shareholders to reinvest Fund distributions in additional common shares of the Fund. American Stock Transfer & Trust Company, LLC (the **Plan Agent**) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

**Automatic enrollment/voluntary participation** Under the Plan, common shareholders whose shares are registered with the Plan Agent ( **registered shareholders** ) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, **distributions** ) reinvested by the Plan Agent in additional common shares of the Fund, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent. Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at [www.amstock.com](http://www.amstock.com), by calling (800) 254-5197, by writing to the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to the Fund's next distribution if received by the Plan Agent at least three (3) days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Fund's next distribution and will apply to the Fund's next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

**How shares are purchased under the Plan** For each Fund distribution, the Plan Agent will acquire common shares for participants either (i) through receipt of newly issued common shares from the Fund ( **newly issued shares** ) or (ii) by purchasing common shares of the Fund on the open market ( **open market purchases** ). If, on a distribution payment date, the net asset value per common shares of the Fund ( **NAV** ) is equal to or less than the market price per common shares plus estimated brokerage commissions (often referred to as a **market premium** ), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the market price per common shares plus estimated brokerage commissions (often referred to as a **market discount** ) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares

## Dividend Reinvestment Plan

### **PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund** (unaudited)

at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per common shares on the distribution payment date). No interest will be paid on distributions awaiting reinvestment. Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date. The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the New York Stock Exchange) in accordance with the Fund's then current policies.

**Fees and expenses** No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although the Funds reserve the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.

**Shares held through nominees** In the case of a registered shareholder such as a broker, bank or other nominee (together, a nominee) that holds common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified by the nominee/record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan. If your common shares are held through a nominee and are not registered with the Plan Agent, neither you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

**Tax consequences** Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions i.e., automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions. The Fund and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560; telephone number: (800) 254-5197; web site: [www.amstock.com](http://www.amstock.com).

**Board of Trustees**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund (unaudited)**

**Name, Year of Birth, Position(s) Held with Funds, Length of Service, Other Trusteeships/Directorships Held by Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Director**

The address of each trustee is 1633 Broadway, New York, NY 10019.

**Principal Occupation(s) During Past 5 Years:**

**Hans W. Kertess**

Year of Birth: 1939

Chairman of the Board of Trustees since: 2008

Trustee since: 2002 PCN; 2007 PKO

Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN and PKO s 2014 - 2015 fiscal year.

Trustee/Director of 64 funds in Fund Complex;

Trustee/Director of no funds outside of Fund Complex

President, H. Kertess & Co., a financial advisory company. Formerly, Managing Director, Royal Bank of Canada Capital Markets.

**Deborah A. DeCotis**

Year of Birth: 1952

Trustee since: 2011

Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN s 2015 - 2016 fiscal year and PKO s 2014 -2015 fiscal year.

Trustee/Director of 64 funds in Fund Complex

Trustee/Director of no funds outside of Fund Complex

Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Board Member and Member of the Investment and Finance Committees, Henry Street Settlement (since 2007); Trustee, Stanford University (since 2010). Formerly, Director, Helena Rubenstein Foundation (1997-2012); and Advisory Council, Stanford Business School (2002-2008).

**Bradford K. Gallagher**

Year of Birth: 1944

Trustee since: 2010

Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN and PKO s 2013 - 2014 fiscal year.

Trustee/Director of 64 funds in Fund Complex

Trustee/Director of no funds outside of Fund Complex

Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010)

Retired Chairman and Trustee, Atlantic Maritime Heritage Foundation (since 2007); Chairman and Trustee, The Common Fund (since 2005); Founder, Spyglass Investments LLC, a private investment vehicle (since 2001); and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (since 1995). Formerly, Partner, New Technology Ventures Capital Management LLC, a venture capital fund (2011-2013).

**James A. Jacobson**

Year of Birth: 1945

Trustee since: 2009

Retired. Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange.



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Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN and PKO s 2015 - 2016 fiscal year.

Trustee/Director of 64 funds in Fund Complex

Trustee/Director of 17 funds in Alpine Mutual Funds Complex

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**Board of Trustees**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund (unaudited)**

**Name, Year of Birth, Position(s) Held with Funds, Length of Service, Other Trusteeships/Directorships Held by Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Director**

**Principal Occupation(s) During Past 5 Years:**

**William B. Ogden, IV**

Year of Birth: 1945  
Trustee since: 2006- PCN; 2008 PKO  
Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN and PKO s 2014 2015 fiscal year.  
Trustee/Director of 64 funds in Fund Complex;  
Trustee/Director of no funds outside of Fund Complex

Asset Management Industry Consultant. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc.

**Alan Rappaport**

Year of Birth: 1953  
Trustee since: 2010  
Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN s 2013 2014 2015 fiscal year and PKO s 2013 - 2014 fiscal year.  
Trustee/Director of 64 funds in Fund Complex  
Trustee/Director of no funds outside of Fund Complex

Advisory Director (since 2012), formerly, Vice Chairman, Roundtable Investment Partners (since 2009); Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Adjunct Professor, New York University Stern School of Business (since 2013); Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007).

**John C. Maney**

Year of Birth: 1959  
Trustee since: 2006 PCN; 2007 PKO  
Term of office: Expected to stand for re-election at annual meeting of shareholders for PCN s 2013 2014 2015 fiscal year and PKO s 2015 - 2016 fiscal year.  
Trustee/Director of 84 funds in Fund Complex  
Trustee/Director of no funds outside the Fund Complex

Member of the Management Board and a Managing Director of Allianz Global Investors Fund Management LLC; Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006).

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Mr. Maney is an interested person of the Trusts, as defined in Section 2(a)(19) of the 1940 Act, due to his positions set forth in the table above, among others with the Funds Investment Manager and various affiliated entities.

**Fund Officers**

**PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund (unaudited)**

**Name, Year of Birth, Position(s) Held with Funds.**

**Principal Occupation(s) During Past 5 Years:**

**Brian S. Shlissel**

Year of Birth: 1964  
 President & Chief Executive Officer since:  
 2002-PCN; 2007-PKO

Management Board, Managing Director and Head of Mutual Fund Services, Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 29 funds in the Fund Complex and of The Korea Fund, Inc.; President of 55 funds in the Fund Complex. Formerly, Treasurer, Principal Financial and Accounting Officer of 50 funds in the Fund Complex (2005-2010).

**Lawrence G. Altadonna**

Year of Birth: 1966  
 Treasurer, Principal Financial and Accounting Officer since:  
 2002-PCN; 2007-PKO

Director, Director of Fund Administration Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting Officer of 84 funds in the Fund Complex and The Korea Fund, Inc. Formerly, Assistant Treasurer of 50 funds in the Fund Complex (2005-2010).

**Thomas J. Fuccillo**

Year of Birth: 1968  
 Vice President, Secretary & Chief Legal Officer  
 since: 2004-PCN; 2007-PKO

Managing Director, Chief Legal Officer and Secretary Allianz Global Investors Fund Management LLC and Allianz Global Investors Distributors LLC; Managing Director and Chief Regulatory Counsel of Allianz Global Investors U.S. Holdings LLC; Vice President, Secretary and Chief Legal Officer of 84 funds in the Fund Complex; and Secretary and Chief Legal Officer of The Korea Fund, Inc.

**Scott Whisten**

Year of Birth: 1971  
 Assistant Treasurer since: 2007

Director, Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 84 funds in the Fund Complex.

**Orhan Dzemaili**

Year of Birth: 1974  
 Assistant Treasurer since: 2011

Vice President, Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 84 funds in the Fund Complex.

**Richard J. Cochran**

Year of Birth: 1961  
 Assistant Treasurer since: 2008

Vice President, Allianz Global Investors Fund Management LLC; Assistant Treasurer of 84 funds in the Fund Complex and of The Korea Fund, Inc.

**Thomas L. Harter, CFA**

Year of Birth: 1975  
 Chief Compliance Officer since: 2013

Director, Allianz Global Investors U.S. Holdings LLC; and Chief Compliance Officer of 82 funds in the Fund Complex and of The Korea Fund, Inc. Formerly, Vice President and Compliance Manager (2005-2012).

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**Lagan Srivastava**

Year of Birth: 1977

Assistant Secretary since: 2006-PCN; 2007-PKO

Vice President, Allianz Global Investors U.S. Holdings LLC; Assistant Secretary of 84 funds in the Fund Complex and of The Korea Fund, Inc.

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Officers hold office at the pleasure of the Board and until their successors are appointed and qualified or until their earlier resignation or removal.

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**Trustees**

Hans W. Kertess  
*Chairman of the Board of Trustees*

Deborah A. DeCotis

Bradford K. Gallagher

James A. Jacobson

John C. Maney

William B. Ogden, IV

Alan Rappaport

**Fund Officers**

Brian S. Shlissel  
*President & Chief Executive Officer*

Lawrence G. Altadonna  
*Treasurer, Principal Financial & Accounting Officer*

Thomas J. Fuccillo  
*Vice President, Secretary & Chief Legal Officer*

Scott Whisten  
*Assistant Treasurer*

Richard J. Cochran  
*Assistant Treasurer*

Orhan Dzemaili  
*Assistant Treasurer*

Thomas L. Harter  
*Chief Compliance Officer*

Lagan Srivastava  
*Assistant Secretary*

**Investment Manager**

Allianz Global Investors Fund Management LLC  
1633 Broadway  
New York, NY 10019

**Sub-Adviser**

Pacific Investment Management Company LLC  
840 Newport Center Drive  
Newport Beach, CA 92660

**Custodian & Accounting Agent**

State Street Bank & Trust Co.  
801 Pennsylvania Avenue  
Kansas City, MO 64105

**Transfer Agent, Dividend Paying Agent and Registrar**

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
300 Madison Avenue  
New York, NY 10017

**Legal Counsel**

Ropes & Gray LLP  
Prudential Tower  
800 Boylston Street  
Boston, MA 02199

*This report, including the financial information herein, is transmitted to the shareholders of PIMCO Corporate & Income Strategy Fund and PIMCO Income Opportunity Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Funds or any securities mentioned in this report.*

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*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Funds may purchase their common shares in the open market.*

*The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission ( SEC ) for the first and third quarters of their fiscal year on Form N-Q. Each Fund s Form N-Q is available on the SEC s website at [www.sec.gov](http://www.sec.gov) and 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 (800) SEC-0330. The information on Form N-Q is also available on the Funds website at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).*

*Information on the Funds is available at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds) or by calling the Funds shareholder servicing agent at (800) 254-5197.*

**us.allianzgi.com**

**Receive this report electronically and eliminate paper mailings.**

To enroll, go to [us.allianzgi.com/edelivery](http://us.allianzgi.com/edelivery).

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ITEM 2. CODE OF ETHICS

(a) As of the end of the period covered by this report, the registrant has adopted a code of ethics (the Section 406 Standards for Investment Companies Ethical Standards for Principal Executive and Financial Officers ) that applies to the registrant's Principal Executive Officer and Principal Financial Officer; the registrant's Principal Financial Officer also serves as the Principal Accounting Officer. The registrant undertakes to provide a copy of such code of ethics to any person upon request, without charge, by calling 1-800-254-5197. The code of ethics is included as an Exhibit 99.CODEETH hereto.

(b) During the period covered by this report, there were not any amendments to a provision of the code of ethics adopted in 2 (a) above.

(c) During the period covered by this report, there were not any waivers or implicit waivers to a provision of the code of ethics adopted in 2(a) above.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The registrant's Board has determined that James A. Jacobson, a member of the Board's Audit Oversight Committee is an audit committee financial expert, and that he is independent, for purposes of this Item.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

a) Audit fees. The aggregate fees billed for each of the last two fiscal years (the Reporting Periods ) for professional services rendered by the Registrant's principal accountant (the Auditor ) for the audit of the Registrant's annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were \$80,000 in 2012 and \$82,000 in 2013.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the principal accountant that are reasonably related to the performance of the audit registrant's financial statements and are not reported under paragraph (e) of this Item were \$16,000 in 2012 and \$16,000 in 2013. These services consist of accounting consultations, agreed upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports and comfort letters.

c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax service and tax planning ( Tax Services ) were \$15,530 in 2012 and \$15,990 in 2012. These services consisted of review or preparation of U.S. federal, state, local and excise tax returns and calculation of excise tax distributions.

d) All Other Fees. There were no other fees billed in the Reporting Periods for products and services provided by the Auditor to the Registrant.

e) 1. Audit Committee Pre-Approval Policies and Procedures. The Registrant's Audit Committee has established policies and procedures for pre-approval of all audit and permissible non-audit services by the Auditor for the Registrant, as well as the Auditor's engagements related directly to the operations and financial reporting of the Registrant. The Registrant's policy is stated below.

PIMCO Corporate Income & Strategy Fund (the Fund )

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AUDIT OVERSIGHT COMMITTEE POLICY FOR PRE-APPROVAL OF SERVICES PROVIDED BY THE INDEPENDENT ACCOUNTANTS

The Fund's Audit Oversight Committee ( Committee ) is charged with the oversight of the Fund's financial reporting policies and practices and their internal controls. As part of this responsibility, the Committee must pre-approve any independent accounting firm's engagement to render audit and/or permissible non-audit services, as required by law. In evaluating a proposed engagement by the independent accountants, the Committee will assess the effect that the engagement might reasonably be expected to have on the accountant's independence. The Committee's evaluation will be based on:

a review of the nature of the professional services expected to be provided,

the fees to be charged in connection with the services expected to be provided,

a review of the safeguards put into place by the accounting firm to safeguard independence, and periodic meetings with the accounting firm.

POLICY FOR AUDIT AND NON-AUDIT SERVICES TO BE PROVIDED TO THE FUND

On an annual basis, the Fund's Committee will review and pre-approve the scope of the audit of the Fund and proposed audit fees and permitted non-audit (including audit-related) services that may be performed by the Fund's independent accountants. At least annually, the Committee will receive a report of all audit and non-audit services that were rendered in the previous calendar year pursuant to this Policy. In addition to the Committee's pre-approval of services pursuant to this Policy, the engagement of the independent accounting firm for any permitted non-audit service provided to the Fund will also require the separate written pre-approval of the President of the Fund, who will confirm, independently, that the accounting firm's engagement will not adversely affect the firm's independence. All non-audit services performed by the independent accounting firm will be disclosed, as required, in filings with the Securities and Exchange Commission.

AUDIT SERVICES

The categories of audit services and related fees to be reviewed and pre-approved annually by the Committee are:

Annual Fund financial statement audits  
Seed audits (related to new product filings, as required)  
SEC and regulatory filings and consents

Semiannual financial statement reviews

AUDIT-RELATED SERVICES

The following categories of audit-related services are considered to be consistent with the role of the Fund's independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm's independence:

Accounting consultations

Fund merger support services

Agreed upon procedure reports (inclusive of quarterly review of Basic Maintenance testing associated with issuance of Preferred Shares)

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Other attestation reports  
Comfort letters  
Other internal control reports

Individual audit-related services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm's independence, by the Committee Chair (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed \$250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

#### TAX SERVICES

The following categories of tax services are considered to be consistent with the role of the Fund's independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm's independence:

Tax compliance services related to the filing or amendment of the following:

Federal, state and local income tax compliance; and, sales and use tax compliance  
Timely RIC qualification reviews  
Tax distribution analysis and planning  
Tax authority examination services  
Tax appeals support services  
Accounting methods studies  
Fund merger support service  
Other tax consulting services and related projects

Individual tax services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm's independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed \$250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

#### PROSCRIBED SERVICES

The Fund's independent accountants will not render services in the following categories of non-audit services:

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Bookkeeping or other services related to the accounting records or financial statements of the Fund  
Financial information systems design and implementation  
Appraisal or valuation services, fairness opinions, or contribution-in-kind reports  
Actuarial services  
Internal audit outsourcing services  
Management functions or human resources  
Broker or dealer, investment adviser or investment banking services  
Legal services and expert services unrelated to the audit

Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible

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PRE-APPROVAL OF NON-AUDIT SERVICES PROVIDED TO OTHER ENTITIES WITHIN THE FUND COMPLEX

The Committee will pre-approve annually any permitted non-audit services to be provided to Allianz Global Investors Fund Management LLC or any other investment manager to the Funds (but not including any sub-adviser whose role is primarily portfolio management and is sub-contracted by the investment manager) (the Investment Manager ) and any entity controlling, controlled by, or under common control with the Investment Manager that provides ongoing services to the Fund (including affiliated sub-advisers to the Fund), provided, in each case, that the engagement relates directly to the operations and financial reporting of the Fund (such entities, including the Investment Manager, shall be referred to herein as the Accounting Affiliates ). Individual projects that are not presented to the Committee as part of the annual pre-approval process, may be pre-approved, if deemed consistent with the accounting firm's independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed \$250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

Although the Committee will not pre-approve all services provided to the Investment Manager and its affiliates, the Committee will receive an annual report from the Fund's independent accounting firm showing the aggregate fees for all services provided to the Investment Manager and its affiliates.

DE MINIMUS EXCEPTION TO REQUIREMENT OF PRE-APPROVAL OF NON-AUDIT SERVICES

With respect to the provision of permitted non-audit services to a Fund or Accounting Affiliates, the pre-approval requirement is waived if:

(1) The aggregate amount of all such permitted non-audit services provided constitutes no more than (i) with respect to such services provided to the Fund, five percent (5%) of the total amount of revenues paid by the Fund to its independent accountant during the fiscal year in which the services are provided, and (ii) with respect to such services provided to Accounting Affiliates, five percent (5%) of the total amount of revenues paid to the Fund's independent accountant by the Fund and the Accounting Affiliates during the fiscal year in which the services are provided;

(2) Such services were not recognized by the Fund at the time of the engagement for such services to be non-audit services; and

(3) Such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this Committee Chairman or other delegate shall be reported to the full Committee at its next regularly scheduled meeting.

e) 2. No services were approved pursuant to the procedures contained in paragraph (C) (7) (i) (C) of Rule 2-01 of Registration S-X.

f) Not applicable

g) Non-audit fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to the Adviser, for the 2012 Reporting Period was \$6,996,758 and the 2013 Reporting Period was \$7,493,073.

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h) Auditor Independence. The Registrant's Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Adviser which were not pre-approved is compatible with maintaining the Auditor's independence.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANT

The Fund has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee of the Fund is comprised of Bradford K. Gallagher, James A. Jacobson, Hans W. Kertess, William B. Ogden, IV, Alan Rappaport and Deborah A. DeCortis.

#### ITEM 6. INVESTMENTS

- (a) The registrant's Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.
- (b) Not applicable.

#### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

### **PIMCO CORPORATE & INCOME STRATEGY FUND**

(the TRUST )

#### **PROXY VOTING POLICY**

1. It is the policy of the Trust that proxies should be voted in the interest of its shareholders, as determined by those who are in the best position to make this determination. The Trust believes that the firms and/or persons purchasing and selling securities for the Trust and analyzing the performance of the Trust's securities are in the best position and have the information necessary to vote proxies in the best interests of the Trust and its shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the Trust, on the other. Accordingly, the Trust's policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the Trust.

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2. The Trust delegates the responsibility for voting proxies to Allianz Global Investors Fund Management LLC ( AGIFM ), which will in turn delegate such responsibility to the sub-adviser of the particular Trust. AGIFM's Proxy Voting Policy Summary is attached as Appendix A hereto. Summaries of the detailed proxy voting policies of the Trust's current sub-adviser is set forth in Appendix B attached hereto. Such summaries may be revised from time to time to reflect changes to the sub-adviser's detailed proxy voting policies.

3. The party voting the proxies (i.e., the sub-adviser) shall vote such proxies in accordance with such party's proxy voting policies and, to the extent consistent with such policies, may rely on information and/or recommendations supplied by others.

4. AGIFM and the sub-adviser of the Trust with proxy voting authority shall deliver a copy of its respective proxy voting policies and any material amendments thereto to the applicable Board of the Trust promptly after the adoption or amendment of any such policies.

5. The party voting the proxy shall: (i) maintain such records and provide such voting information as is required for the Trust's regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) shall provide such additional information as may be requested, from time to time, by the Board or the Trust's Chief Compliance Officer.

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6. This Proxy Voting Policy Statement, the Proxy Voting Policy Summary of AGIFM and summaries of the detailed proxy voting policies of each sub-adviser of a Trust with proxy voting authority and how the Trust voted proxies relating to portfolio securities held during the most recent twelve month period ending June 30, shall be made available (i) without charge, upon request, by calling 1-800-254-5197; (ii) on the Trust's website at [us.allianzgi.com](http://us.allianzgi.com); and (iii) on the Securities and Exchange Commission's (SEC's) website at [www.sec.gov](http://www.sec.gov). In addition, to the extent required by applicable law or determined by the Trust's Chief Compliance Officer or Board of Trustees, the Proxy Voting Policy Summary of AGIFM and summaries of the detailed proxy voting policies of the sub-adviser with proxy voting authority shall also be included in the Trust's Registration Statements or Form N-CSR filings.

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**ALLIANZ GLOBAL INVESTORS FUND MANAGEMENT LLC ( AGIFM )**

**PROXY VOTING POLICY SUMMARY**

1. It is the policy of AGIFM that proxies should be voted in the interest of the shareholders of the applicable fund, as determined by those who are in the best position to make this determination. AGIFM believes that the firms and/or persons purchasing and selling securities for the funds and analyzing the performance of the funds' securities are in the best position and have the information necessary to vote proxies in the best interests of the funds and their shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the fund, on the other. Accordingly, AGIFM's policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the funds.
  2. AGIFM, for each fund for which it acts as investment adviser, delegates the responsibility for voting proxies to the sub-adviser for the respective fund.
  3. The party voting proxies (e.g., the sub-adviser) vote the proxies in accordance with their proxy voting policies and, to the extent consistent with their policies, may rely on information and/or recommendations supplied by others.
  4. AGIFM and each sub-adviser of a fund will deliver a copy of their respective proxy voting policies and any material amendments thereto to the board of the relevant fund promptly after the adoption or amendment of any such policies.
  5. The party voting the proxy will: (i) maintain such records and provide such voting information as is required for such funds' regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) will provide additional information as may be requested, from time to time, by the funds' respective boards or chief compliance officers.
  6. Summaries of the proxy voting policies for AGIFM and each sub-adviser of a fund advised by AGIFM and how each fund voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 will be available (i) without charge, upon request, by calling 1-800-254-5197; (ii) on the Allianz Global Investors Distributors Web site at [us.allianzgi.com](http://us.allianzgi.com); and (iii) on the Securities and Exchange Commission's (SEC's) website at [www.sec.gov](http://www.sec.gov). In addition, to the extent required by applicable law or determined by the relevant
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fund's board of directors/trustees or chief compliance officer, summaries of the detailed proxy voting policies of AGIFM, each sub-adviser and each other entity with proxy voting authority for a fund advised by AGIFM shall also be included in the Registration Statement or Form N-CSR filings for the relevant fund.

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**Pacific Investment Management Company LLC ( PIMCO )**

**Description of Proxy Voting Policy and Procedures**

PIMCO has adopted written proxy voting policies and procedures ( Proxy Policy ) as required by Rule 206(4)-6 under the Advisers Act. In addition to covering the voting of equity securities, the Proxy Policy also applies generally to voting and/or consent rights of fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions. The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights (collectively, proxies ) are exercised in the best interests of accounts.

With respect to the voting of proxies relating to equity securities, PIMCO has selected an unaffiliated third party proxy research and voting service ( Proxy Voting Service ), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications of the proposals and provides a recommendation to PIMCO as to how to vote on each proposal based on the Proxy Voting Service s research of the individual facts and circumstances and the Proxy Voting Service s application of its research findings to a set of guidelines that have been approved by PIMCO. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does not provide a recommendation with respect to a proposal, PIMCO may determine to vote on the proposals directly.

With respect to the voting of proxies relating to fixed income securities, PIMCO s fixed income credit research group (the Credit Research Group ) is responsible for researching and issuing recommendations for voting proxies. With respect to each proxy received, the Credit Research Group researches the financial implications of the proxy proposal and makes voting recommendations specific for each account that holds the related fixed income security. PIMCO considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Credit Research Group. In the event that the Credit Research Group does not provide a recommendation with respect to a proposal, PIMCO may determine to vote the proposal directly.

PIMCO may determine not to vote a proxy for an equity or fixed income security if: (1) the effect on the applicable account s economic interests or the value of the portfolio holding is insignificant in relation to the account s portfolio; (2) the cost of voting the proxy outweighs the possible benefit to the applicable account, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the portfolio managers to effect trades in the related security; or (3)

PIMCO otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy.

In the event that the Proxy Voting Service or the Credit Research Group, as applicable, does not provide a recommendation or the portfolio managers of a client account propose to override a recommendation by the Proxy Voting Service, or the Credit Research Group, as applicable, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable account or among PIMCO-advised accounts. If no material conflict exists, the proxy will be voted according to the portfolio managers' recommendation. If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable client account, as provided by the Proxy Policy. The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and a client account, the Proxy Policy permits PIMCO to either: (i) convene a committee to assess and resolve the conflict (the Proxy Conflicts Committee); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Committee and/or other relevant procedures approved by PIMCO's Legal and Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between one or more PIMCO-advised accounts, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each client account's best interests if the conflict exists between client accounts managed by different portfolio managers.

PIMCO will supervise and periodically review its proxy voting activities and the implementation of the Proxy Policy. PIMCO's Proxy Policy, and information about how PIMCO voted a client's proxies, is available upon request.

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ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

(a)(1)

As of January 7, 2014, the following individual has primary responsibility for the day-to-day implementation of the PIMCO Corporate & Income Strategy Fund ( PCN or the Fund ):

**William H. Gross, CFA**

Mr. Gross has been the portfolio manager for the Fund since December 2009. Mr. Gross founded Pacific Investment Management Company LLC ( PIMCO ) more than 40 years ago and is a managing director and co-Chief Investment Officer of PIMCO. He has 43 years of investment experience and holds an MBA from the Anderson School of Management at the University of California, Los Angeles. He received his undergraduate degree from Duke University.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund managed by the Portfolio Manager as of October 31, 2013, including accounts managed by a team, committee, or other group that includes the Portfolio Manager. Unless mentioned otherwise, the advisory fee charged for managing each of the accounts listed below is not based on performance.

| PM                               | Fund | Registered Investment Companies |                | Other Pooled Investment Vehicles |                | Other Accounts |                |
|----------------------------------|------|---------------------------------|----------------|----------------------------------|----------------|----------------|----------------|
|                                  |      | #                               | AUM(\$million) | #                                | AUM(\$million) | #              | AUM(\$million) |
| <b>William H. Gross,<br/>CFA</b> | PCN  | 42                              | 382,636.26     | 19                               | 34,903.67*     | 57             | 32,074.52**    |

\*Of these Other Pooled Investment Vehicles, 1 account totaling \$160.84 million in assets pay an advisory fee that is based in part on the performance of the accounts.

\*\*Of these Other Accounts, 10 accounts totaling \$6,657.94 million in assets pay an advisory fee that is based in part on the performance of the accounts.

From time to time, potential and actual conflicts of interest may arise between a portfolio manager's management of the investments of a Fund, on the one hand, and the management of other accounts, on the other. Potential and actual conflicts of interest may also arise as a result of PIMCO's other business activities and PIMCO's possession of material non-public information about an issuer. Other accounts managed by a portfolio manager might have similar investment objectives or strategies as a Fund, or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the Funds. The other accounts might also have different investment objectives or strategies than the Funds.

Knowledge and Timing of Fund Trades. A potential conflict of interest may arise as a result of the portfolio manager's day-to-day management of a Fund. Because of their positions with the Funds, the portfolio managers know the size, timing and possible market impact of a Fund's trades. It is theoretically

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possible that the portfolio managers could use this information to the advantage of other accounts they manage and to the possible detriment of a Fund.

**Investment Opportunities.** A potential conflict of interest may arise as a result of the portfolio manager's management of a number of accounts with varying investment guidelines. Often, an investment opportunity may be suitable for both a Fund and other accounts managed by the portfolio manager, but may not be available in sufficient quantities for both the Fund and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by a Fund and another account. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

Under PIMCO's allocation procedures, investment opportunities are allocated among various investment strategies based on individual account investment guidelines and PIMCO's investment outlook. PIMCO has also adopted additional procedures to complement the general trade allocation policy that are designed to address potential conflicts of interest due to the side-by-side management of the Funds and certain pooled investment vehicles, including investment opportunity allocation issues.

Conflicts potentially limiting a Fund's investment opportunities may also arise when the Fund and other PIMCO clients invest in different parts of an issuer's capital structure, such as when the Fund owns senior debt obligations of an issuer and other clients own junior tranches of the same issuer. In such circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment may result in conflicts of interest. In order to minimize such conflicts, a portfolio manager may avoid certain investment opportunities that would potentially give rise to conflicts with other PIMCO clients or PIMCO may enact internal procedures designed to minimize such conflicts, which could have the effect of limiting a Fund's investment opportunities. Additionally, if PIMCO acquires material non-public confidential information in connection with its business activities for other clients, a portfolio manager may be restricted from purchasing securities or selling securities for a Fund. When making investment decisions where a conflict of interest may arise, PIMCO will endeavor to act in a fair and equitable manner as between a Fund and other clients; however, in certain instances the resolution of the conflict may result in PIMCO acting on behalf of another client in a manner that may not be in the best interest, or may be opposed to the best interest, of a Fund.

**Performance Fees.** A portfolio manager may advise certain accounts with respect to which the advisory fee is based entirely or partially on performance. Performance fee arrangements may create a conflict of interest for the portfolio manager in that the portfolio manager may have an incentive to allocate the investment opportunities that he or she believes might be the most profitable to such other accounts instead of allocating them to a Fund. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities between the Funds and such other accounts on a fair and equitable basis over time.

(a) (3)

As of October 31, 2013, the following explains the compensation structure of the individual who has primary responsibility for day-to-day portfolio management of the Fund:

PIMCO has adopted a Total Compensation Plan for its professional level employees, including its portfolio managers, that is designed to pay competitive compensation and reward performance, integrity and teamwork consistent with the firm's mission statement. The Total Compensation Plan includes an incentive component that rewards high performance standards, work ethic and consistent individual and team contributions to the firm. The compensation of portfolio managers consists of a base salary and discretionary performance bonuses, and may include an equity or long term incentive component.



Certain employees of PIMCO, including portfolio managers, may elect to defer compensation through PIMCO's deferred compensation plan. PIMCO also offers its employees a non-contributory defined

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contribution plan through which PIMCO makes a contribution based on the employee's compensation. PIMCO's contribution rate increases at a specified compensation level, which is a level that would include portfolio managers.

The Total Compensation Plan consists of three components:

- **Base Salary** - Base salary is determined based on core job responsibilities, positions/levels, and market factors. Base salary levels are reviewed annually, when there is a significant change in job responsibilities or a significant change in the market. Base salary is paid in regular installments throughout the year and payment dates are in line with local practice.
- **Performance Bonus** - Performance bonuses are designed to reward individual performance. Each professional and his or her supervisor will agree upon performance objectives to serve as a basis for performance evaluation during the year. The objectives will outline individual goals according to pre-established measures of the group or department success. Achievement against these goals as measured by the employee and supervisor will be an important, but not exclusive, element of the bonus decision process. Award amounts are determined at the discretion of the Compensation Committee (and/or certain senior portfolio managers, as appropriate) and will also consider firm performance.
- **Equity or Long Term Incentive Compensation** - Equity allows key professionals to participate in the long-term growth of the firm. This program provides mid to senior level employees with the potential to acquire an equity stake in PIMCO over their careers and to better align employee incentives with the firm's long-term results. These options vest over a number of years and may convert into PIMCO equity which shares in the profit distributions of the firm. M Units are non-voting common equity of PIMCO and provide a mechanism for individuals to build a significant equity stake in PIMCO over time. Employees who reach a total compensation threshold are delivered their annual compensation in a mix of cash and option awards. PIMCO incorporates a progressive allocation of option awards as a percentage of total compensation which is in line with market practices.

In certain countries with significant tax implications for employees to participate in the M Unit Option Plan, PIMCO continues to use the Long Term Incentive Plan ( LTIP ) in place of the M Unit Option Plan. The LTIP provides cash awards that appreciate or depreciate based upon PIMCO's performance over a three-year period. The aggregate amount available for distribution to participants is based upon PIMCO's profit growth.

Participation in the M Unit Option Plan and LTIP is contingent upon continued employment at PIMCO.

In addition, the following non-exclusive list of qualitative criteria may be considered when specifically determining the total compensation for portfolio managers:

- 3-year, 2-year and 1-year dollar-weighted and account-weighted, pre-tax investment performance as judged against the applicable benchmarks for each account managed by a portfolio manager (including the Funds) and relative to applicable industry peer groups;

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- Appropriate risk positioning that is consistent with PIMCO's investment philosophy and the Investment Committee/CIO approach to the generation of alpha;

- Amount and nature of assets managed by the portfolio manager;

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- Consistency of investment performance across portfolios of similar mandate and guidelines (reward low dispersion);
- Generation and contribution of investment ideas in the context of PIMCO's secular and cyclical forums, portfolio strategy meetings, Investment Committee meetings, and on a day-to-day basis;
- Absence of defaults and price defaults for issues in the portfolios managed by the portfolio manager;
- Contributions to asset retention, gathering and client satisfaction;
- Contributions to mentoring, coaching and/or supervising; and
- Personal growth and skills added.

A portfolio manager's compensation is not based directly on the performance of any Fund or any other account managed by that portfolio manager.

**Profit Sharing Plan.** Portfolio managers who are Managing Directors of PIMCO receive compensation from a non-qualified profit sharing plan consisting of a portion of PIMCO's net profits. Portfolio managers who are Managing Directors receive an amount determined by the Compensation Committee, based upon an individual's overall contribution to the firm.

(a)(4)

The following summarizes the dollar range of securities the portfolio manager for the Fund beneficially owned of the Fund that he managed as of October 31, 2013.

### PIMCO Corporate & Income Strategy Fund

| Portfolio Manager     | Dollar Range of Equity Securities in the Fund |
|-----------------------|---|
| William H. Gross, CFA | over \$1,000,000                              |

ITEM 9. PURCHASE OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED COMPANIES

None

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Trustees since the Fund last provided disclosure in response to this item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The registrant's President and Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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ITEM 12. EXHIBITS

(a) (1) Exhibit 99.CODE ETH Code of Ethics

(a) (2) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(a) (3) Not applicable

(b) Exhibit 99.906 Cert. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) PIMCO Corporate & Income Strategy Fund

By /s/ Brian S. Shlissel  
Brian S. Shlissel, President and Chief Executive Officer

Date January 7, 2014

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna, Treasurer, Principal Financial & Accounting Officer

Date January 7, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel  
Brian S. Shlissel, President and Chief Executive Officer

Date January 7, 2014

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna, Treasurer, Principal Financial & Accounting Officer

Date January 7, 2014

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