

PCM FUND, INC.  
Form N-CSR  
March 04, 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: 811-07816**

**PCM Fund, Inc.**

**(Exact name of registrant as specified in charter)**

**1633 Broadway, New York, New York 10019**

**(Address of principal executive offices) (Zip code)**

**Lawrence G. Altadonna 1633 Broadway, New York, New York 10019**

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**(Name and address of agent for service)**

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

**Date of fiscal year end: December 31, 2013**

**Date of reporting period: December 31, 2013**

ITEM 1. REPORT TO SHAREHOLDERS

PCM Fund, Inc.

PIMCO Dynamic Credit Income Fund

**Annual Report**

**December 31, 2013**

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\* Consolidated For PIMCO Dynamic Credit Income Fund only

Letter from Chairman of the Board & President

Hans W. Kertess

*Chairman of the Board*

Brian S. Shlissel

*President & Chief Executive Officer*

Dear Stockholders/Shareholders:

The US economy expanded throughout the 12-month fiscal reporting period ended December 31, 2013. In contrast, growth in many other developed countries was generally less robust. Demand for equities and lower-rated/higher-yielding fixed income securities was solid as investors sought incremental returns in the relatively low interest rate environment.

For the annual reporting period ended December 31, 2013:

n PCM Fund, Inc. returned 8.31% on net asset value ( NAV ) and 6.49% on market price.

n PIMCO Dynamic Credit Income Fund returned 9.09% on NAV and -2.79% on market price since its inception on January 31, 2013.

For the 12-month reporting period ended December 31, 2013, the US Treasury market, as measured by the Barclays US Treasury Index, declined 1.34% and the Barclays Fixed Rate MBS Index, which measures the performance of investment grade fixed-rate mortgage backed securities, fell 1.45%. The Barclays US Aggregate Index, a broad measure of government and corporate bond performance, dropped 2.02% and the Barclays US Credit Index, a measure of corporate bond performance, declined 2.03%.

During the reporting period, economic growth in the US accelerated. Looking back, 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 2012, as private inventory investment and federal government spending contracted. Annual GDP growth rose to 1.1% and 2.5% during the first and second quarters of 2013,

respectively. The US Commerce Department reported that GDP growth for the third quarter of 2013 registered 4.1%, the largest rate of growth since the fourth quarter of 2011. This improvement was partially due to an increase in private inventory investment and decelerating imports. Unemployment declined during the reporting period, although this was partially triggered by the reduction in the labor participation rate.

The Federal Reserve (the Fed ) maintained an accommodative monetary policy during the reporting period. However, at its meeting in December 2013, the Fed announced that it would begin tapering the monthly asset purchase program beginning in January 2014. The central bank expects to pare its monthly purchases from \$85 billion to \$75 billion. The Fed also reiterated that tapering does not signify that the Fed would raise interest rates anytime soon, indicating, it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6.5%. Regardless, 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 1.78% to 3.04%, the highest level since July 2011.

## Outlook

Looking at the global economy, the US was highly resilient and appeared to overcome the headwinds associated with higher taxes, the sequestration, a partial federal government shutdown and rising interest rates. Significant monetary policy accommodation, along with a weakening yen, supported Japan's economy. While the euro zone finally emerged from its lengthy recession, growth was lackluster. Elsewhere, growth in many emerging market countries surpassed that of more developed

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countries. Still, the pace of growth for many emerging market countries moderated during the reporting period.

Despite the Fed's recent tapering, we expect the central bank will maintain an easy monetary stance for sometime. While Fed tapering could lead to periods of volatility, policymakers have made it clear they do not intend to raise short term rates for an extended period. That being said, concerns of higher mortgage rates impacting the housing market, ongoing geopolitical issues, and continued dysfunction in Washington DC will likely contribute to market volatility.

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 are 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*

Brian S. Shlissel  
*President & Chief Executive Officer*





## Fund Insights

PCM Fund, Inc.

December 31, 2013 (unaudited)

For the 12-month annual reporting period ended December 31, 2013, PCM returned 8.31% on net asset value and 6.49% on market price, outperforming the unmanaged Barclays Investment Grade CMBS Index<sup>1</sup> (the benchmark index), which returned 0.23% during the reporting period.

The US fixed income market experienced periods of elevated volatility during the reporting period. This was triggered by a number of factors, including the fiscal cliff and sequestration, the Fed's announcement of a shift in monetary policy, the European sovereign debt crisis, geopolitical issues and the 16 day partial federal government shutdown. All told, both short- and long-term Treasury yields rose and the yield curve steepened during the period.

Most spread sectors (non-US Treasuries) posted negative returns, but generally outperformed equal-duration Treasuries during the 12 months ended December 31, 2013. One notable exception was high yield corporate bonds, as the Barclays High Yield Bond Index gained 7.44% during the reporting period. In contrast, the overall US fixed income market (as measured by the Barclays US Aggregate Index) declined 2.02%, while the commercial mortgage-backed securities (CMBS) market,

as measured by the benchmark index, rose 0.23%. The CMBS market's relative outperformance was due to generally solid investor demand and signs that the economy was building some momentum. Within the CMBS market, lower rated securities outperformed higher rated investments, as fixed-rate BBB CMBS returned 30.6%, compared to -0.47% for fixed-rate AAA CMBS.

### Spread sector exposures generally produced positive results

The Fund's exposure to the banking sector contributed to performance during the reporting period. Strong results were generated due to improving fundamentals and ongoing global central bank liquidity injections. An allocation to non-agency mortgage-backed securities also positively contributed to performance. This sector benefited from robust investor demand with investors looking to generate incremental yield in the relatively low interest rate environment. Also supporting non-agency mortgage-backed securities were continuing signs of a rebound in the housing market.

Detracting from performance was the Fund's allocation to super-senior CMBS as CMBS positioned high in the capital structure underperformed the lower rated (less senior) portion of the CMBS capital structure.

(1) The Barclays Investment Grade CMBS Index is an index designed to mirror commercial mortgage-backed securities (CMBS) of investment grade quality (Baa3/BBB-/BBB- or above) using Moody's, S&P, and Fitch respectively, with maturity of at least one year.

## Fund Insights

### PIMCO Dynamic Credit Income Fund

December 31, 2013 (unaudited)

For the period from inception on January 31, 2013 through December 31, 2013 (the reporting period), PIMCO Dynamic Credit Income Fund (the Fund) returned 9.09% on net asset value (NAV) and -2.79% on market price. In comparison, the Barclays Global Credit Index, the Barclays Global High Yield Index and the Credit Suisse Leveraged Loan Index returned 1.23%, 5.77% and 4.98%, respectively, during this period.

The US fixed income market experienced periods of elevated volatility during the reporting period. This was triggered by a number of factors, including the fiscal cliff and sequestration, the Fed's announcement of a shift in monetary policy, the European sovereign debt crisis, geopolitical issues and the 16 day partial federal government shutdown. All told, both short- and long-term Treasury yields rose and the yield curve steepened during the period. Most spread sectors (non-US Treasuries) posted negative returns, but generally outperformed equal-duration Treasuries during the reporting period ended December 31, 2013.

### Sector exposures largely contribute to performance

An allocation to non-agency residential mortgage-backed securities was one of the primary contributors to performance, as prices of non-agency residential mortgage-backed securities continued to appreciate on an improving US housing market. The Fund's emphasis on lower rated corporate bonds also

contributed significantly to performance, as high yield bonds outperformed the broad credit market on higher coupon income and lower rate sensitivity. Within the high yield space, the Fund's short-dated high yield exposure through high yield credit derivatives was positive, as high yield spreads tightened sharply during the period. An overweighting to banking and specialty financial companies, as well as an allocation to construction companies positively contributed to results, as these issues outperformed the broad credit market due to strengthening fundamentals and a close linkage to the improving US housing market. Security selection within telecommunication, media, and raw materials also enhanced Fund performance.

On the downside, tactical exposure to emerging markets (EM) detracted from performance, as EM bonds lagged the overall credit market during the reporting period; EM spreads widened on a weaker economic growth outlook and geopolitical risks. The Fund's long duration positioning hindered performance, as rates increased during the period.

PIMCO remains cautious on the credit sector as the continuation of global de-leveraging, regulatory uncertainty and unknown monetary policy action may lead to future bouts of volatility. We believe a focus on security selection should make the Fund less likely to be adversely impacted by the ongoing de-leveraging process.

**Performance & Statistics**

PCM Fund, Inc.

December 31, 2013 (unaudited)

| <b>Total Return<sup>(1)</sup>:</b>              | <b>Market Price</b> | <b>NAV</b> |
|---|---------------------|------------|
| 1 Year  | 6.49%               | 8.31%      |
| 5 Year  | 27.70%              | 28.76%     |
| 10 Year   | 8.59%               | 10.37%     |
| Commencement of Operations (9/2/93) to 12/31/13 | 8.95%               | 9.39%      |

**Market Price/NAV Performance:**

Commencement of Operations (9/2/93) to 12/31/13

**Market Price/NAV:**

|                                   |         |
|-----------------------------------|---------|
| Market Price                      | \$11.65 |
| NAV                               | \$11.17 |
| Premium to NAV                    | 4.30%   |
| Market Price Yield <sup>(2)</sup> | 8.24%   |
| Leverage Ratio <sup>(3)</sup>     | 30.35%  |

**Moody's Rating**

(as a % of total investments)

(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 income dividends, capital gain and return of capital 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 stock. 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 stock, or changes in the Fund's 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) by the market price per share at December 31, 2013.

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

**Performance & Statistics**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (unaudited)

| <b>Total Return<sup>(1)</sup>:</b>               | <b>Market Price</b> | <b>NAV</b> |
|--|---------------------|------------|
| Commencement of Operations (1/31/13) to 12/31/13 | -2.79%              | 9.09%      |

**Market Price/NAV Performance:**

Commencement of Operations (1/31/13) to 12/31/13

**Market Price/NAV:**

|                                   |         |
|-----------------------------------|---------|
| Market Price                      | \$22.48 |
| NAV                               | \$24.04 |
| Discount to NAV                   | -6.49%  |
| Market Price Yield <sup>(2)</sup> | 8.34%   |
| Leverage Ratio <sup>(3)</sup>     | 28.41%  |

**Moody's Ratings**

(as a % of total investments)

(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 less than one year is not annualized.

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 the Fund's 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 December 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 accrued liabilities (other than liabilities representing Leverage).

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013

| Principal Amount<br>(000s)               |   | Value     |
|--|---|-----------|
| <b>Mortgage-Backed Securities 102.5%</b> |   |           |
| \$442                                    | Adjustable Rate Mortgage Trust, 2.711%, 1/25/36, CMO, IO (i)                  | \$361,462 |
| 603                                      | Banc of America Alternative Loan Trust, 6.878%, 4/25/37, CMO (i)              | 492,355   |
|  | Banc of America Funding Corp., CMO,   |           |
| 756                                      | 2.70%, 12/20/34 (i)   | 612,759   |
| 277                                      | 5.578%, 3/20/36 (i)   | 259,307   |
| 1,016                                    | 7.00%, 10/25/37   | 623,187   |
|  | Banc of America Merrill Lynch Commercial Mortgage, Inc., 5.414%, 9/10/47, CMO |           |
| 2,000                                    | (g)   | 2,172,758 |
|  | Banc of America Mortgage Trust, CMO (i),                                      |           |
| 613                                      | 2.495%, 11/25/34  | 607,788   |
| 673                                      | 2.73%, 6/20/31  | 689,210   |
| 394                                      | 2.807%, 6/25/35   | 379,820   |
|  | BCAP LLC Trust, CMO (a)(c)(i),  |           |
| 87                                       | 0.365%, 7/26/36   | 51,916    |
| 150                                      | 4.996%, 3/26/36   | 144,842   |
| 1,000                                    | BCRR Trust, 5.858%, 7/17/40, CMO (a)(c)(g)(i)                                 | 1,085,147 |
|  | Bear Stearns Adjustable Rate Mortgage Trust, CMO (i),                         |           |
| 1,805                                    | 2.66%, 10/25/35   | 1,814,000 |
| 301                                      | 2.701%, 5/25/34   | 287,677   |
|  | Bear Stearns ALT-A Trust, CMO (i),  |           |
| 509                                      | 2.393%, 5/25/36   | 344,623   |
| 71                                       | 2.409%, 5/25/36   | 40,405    |
| 1,435                                    | 2.484%, 8/25/36   | 1,162,443 |
| 1,195                                    | 2.598%, 11/25/36  | 829,212   |
| 89                                       | 2.784%, 1/25/47   | 62,397    |
| 528                                      | 2.801%, 8/25/36   | 373,748   |
| 261                                      | 3.596%, 9/25/34   | 256,280   |
| 251                                      | 4.393%, 7/25/35   | 196,894   |
| 136                                      | Bear Stearns Asset-Backed Securities Trust, 5.50%, 12/25/35, CMO              | 127,652   |
|  | Bear Stearns Commercial Mortgage Securities Trust, CMO (i),                   |           |
| 635                                      | 5.514%, 3/13/40 (a)(c)  | 635,637   |
| 3,000                                    | 5.694%, 6/11/50   | 3,363,714 |
| 2,000                                    | 5.706%, 6/11/40 (g)   | 2,245,743 |
| 1,000                                    | 6.54%, 5/11/39 (a)(c)   | 1,034,165 |
|  | CBA Commercial Small Balance Commercial Mortgage, 5.54%, 1/25/39, CMO         |           |
| 1,097                                    | (a)(b)(c)(h)  |           |
|  | (acquisition cost-\$618,246; purchased 11/18/09)                              | 636,494   |
| 523                                      | Chase Mortgage Finance Trust, 6.00%, 3/25/37, CMO                             | 464,318   |

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|        |  |           |
|--------|--|-----------|
|        | Citigroup Commercial Mortgage Trust, CMO (i),                                |           |
| 85,868 | 0.481%, 5/15/43, IO (a)(c)   | 421,696   |
| 2,500  | 5.705%, 12/10/49   | 2,799,906 |
|        | Citigroup Mortgage Loan Trust, Inc., CMO (i),                                |           |
| 460    | 2.635%, 9/25/35  | 403,549   |
| 473    | 2.726%, 11/25/36   | 392,340   |
| 343    | 2.735%, 8/25/35  | 301,470   |
| 4,012  | Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/49, CMO (g) | 4,399,569 |
| 103    | CitiMortgage Alternative Loan Trust, 5.50%, 4/25/22, CMO                     | 105,447   |
| 1,925  | COBALT CMBS Commercial Mortgage Trust, 5.223%, 8/15/48, CMO                  | 2,080,024 |

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal Amount<br>(000s) |  | Value     |
|----------------------------|--|-----------|
|                            | <b>Commercial Mortgage Trust, CMO (a)(c),</b>  |           |
| \$690                      | 5.908%, 7/10/46 (i)  | \$724,033 |
| 759                        | 6.586%, 7/16/34  | 856,038   |
| 1,500                      | 6.922%, 7/16/34 (i)  | 1,729,513 |
|                            | <b>Countrywide Alternative Loan Trust, CMO,</b>  |           |
| 1,431                      | 0.345%, 6/25/47 (g)(i)   | 1,095,238 |
| 2,622                      | 0.377%, 7/20/46 (i)  | 1,580,910 |
| 453                        | 0.445%, 2/25/37 (i)  | 344,073   |
| 1,631                      | 0.455%, 2/25/36 (i)  | 1,072,177 |
| 3,558                      | 1.071%, 12/25/35 (g)(i)  | 2,709,015 |
| 288                        | 6.00%, 11/25/35  | 159,516   |
| 1,099                      | 6.00%, 5/25/37   | 854,754   |
|                            | <b>Countrywide Home Loan Mortgage Pass-Through Trust, CMO,</b>   |           |
| 360                        | 0.485%, 3/25/35 (i)  | 268,616   |
| 32                         | 2.417%, 2/20/36 (i)  | 28,116    |
| 261                        | 2.604%, 9/20/36 (i)  | 186,232   |
| 1,070                      | 2.726%, 9/25/47 (i)  | 892,006   |
| 721                        | 6.00%, 5/25/37   | 603,530   |
|                            | <b>Credit Suisse First Boston Mortgage Securities Corp., CMO,</b>  |           |
| 2,282                      | 0.826%, 12/15/35, IO (a)(c)(i)   | 6,231     |
| 122                        | 7.00%, 2/25/33   | 129,169   |
| 192                        | 7.46%, 1/17/35 (i)   | 192,964   |
|                            | <b>Credit Suisse Mortgage Capital Certificates, CMO,</b>   |           |
| 4,683                      | 5.467%, 9/15/39 (g)  | 5,099,888 |
| 1,000                      | 5.467%, 9/16/39 (a)(c)(i)  | 1,088,216 |
|                            | <b>Credit Suisse Mortgage Capital Certificates Mortgage-Backed Trust, CMO,</b>   |           |
| 374                        | 5.896%, 4/25/36  | 327,879   |
| 279                        | 6.50%, 5/25/36   | 192,693   |
| 2,641                      | FFCA Secured Lending Corp., 1.032%, 9/18/27, CMO, IO (a)(b)(c)(h)(i)<br>(acquisition cost-\$610,967; purchased 11/17/00) | 96,033    |
| 258                        | First Horizon Alternative Mortgage Securities Trust, 2.238%, 8/25/35, CMO (i)  | 56,519    |
| 225                        | First Horizon Mortgage Pass-Through Trust, 2.654%, 4/25/35, CMO (i)  | 225,837   |
| 6,423                      | FREMF Mortgage Trust, 0.10%, 5/25/20, CMO, IO (e)  | 29,436    |
|                            | <b>GMAC Commercial Mortgage Securities, Inc., CMO (a)(c)(i),</b>   |           |
| 1,500                      | 6.744%, 5/15/30 (d)  | 250,335   |
| 1,500                      | 8.316%, 9/15/35  | 1,502,784 |
| 2,000                      | Greenwich Capital Commercial Funding Corp., 5.444%, 3/10/39, CMO (g)   | 2,199,872 |
|                            | <b>GS Mortgage Securities Trust, CMO,</b>  |           |
| 17,441                     | 1.519%, 8/10/43, IO (a)(c)(i)  | 1,212,019 |

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|       |  |           |
|-------|--|-----------|
| 6,365 | 2.596%, 5/10/45, IO (b)(i)                                 | 822,855   |
| 5,750 | 5.56%, 11/10/39 (g)  | 6,310,973 |
| 1,670 | 5.979%, 8/10/43 (a)(c)(i)                                  | 1,793,769 |
|       | Harborview Mortgage Loan Trust, CMO (i),                   |           |
| 87    | 0.356%, 1/19/38  | 71,299    |
| 1,204 | 0.416%, 1/19/36  | 805,547   |
| 598   | 5.329%, 6/19/36  | 439,748   |
| 806   | IndyMac INDA Mortgage Loan Trust, 2.963%, 6/25/37, CMO (i) | 742,917   |

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## Schedule of Investments

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal Amount<br>(000s) |   | Value     |
|----------------------------|---|-----------|
|                            | IndyMac Index Mortgage Loan Trust, CMO (i),                             |           |
| \$206                      | 0.965%, 11/25/34  | \$184,163 |
| 314                        | 2.941%, 5/25/36   | 209,442   |
|                            | JPMorgan Chase Commercial Mortgage Securities Corp., CMO (i),           |           |
| 61,000                     | 0.455%, 2/15/46, IO (a)(c)  | 1,954,958 |
| 1,012                      | 1.115%, 3/12/39, IO (a)(c)  | 16,630    |
| 4,100                      | 5.645%, 3/18/51 (a)(c)(g)   | 4,445,076 |
| 1,400                      | 5.706%, 2/12/49 (g)   | 1,556,920 |
| 1,195                      | 5.794%, 2/12/51 (g)   | 1,341,527 |
| 1,147                      | 5.927%, 2/15/51 (g)   | 1,157,808 |
| 5,143                      | 6.45%, 5/12/34  | 5,377,904 |
| 270                        | JPMorgan Mortgage Trust, 2.737%, 7/25/35, CMO (i)                       | 269,125   |
|                            | LB Commercial Mortgage Trust, CMO,                                      |           |
| 520                        | 5.60%, 10/15/35 (a)(c)  | 549,819   |
| 950                        | 5.884%, 7/15/44 (i)   | 1,065,611 |
| 1,278                      | LB-UBS Commercial Mortgage Trust, 5.347%, 11/15/38, CMO                 | 1,404,758 |
|                            | Lehman Mortgage Trust, CMO,   |           |
| 890                        | 6.00%, 5/25/37  | 860,235   |
| 422                        | 6.261%, 4/25/36 (i)   | 403,616   |
| 1,309                      | Luminent Mortgage Trust, 0.335%, 12/25/36, CMO (i)                      | 977,085   |
| 1,173                      | MASTR Asset Securitization Trust, 6.00%, 6/25/36, CMO (i)               | 1,091,212 |
|                            | Merrill Lynch/Countrywide Commercial Mortgage Trust, CMO,               |           |
| 1,500                      | 5.485%, 3/12/51 (g)(i)  | 1,652,447 |
| 2,300                      | 5.70%, 9/12/49  | 2,559,410 |
|                            | MLCC Mortgage Investors, Inc., CMO (i),                                 |           |
| 498                        | 0.585%, 7/25/30   | 470,288   |
| 376                        | 0.825%, 11/25/29  | 366,213   |
| 118                        | 2.135%, 11/25/35  | 115,294   |
| 427                        | 2.681%, 11/25/35  | 417,231   |
|                            | Morgan Stanley Capital I Trust, CMO,                                    |           |
| 63,963                     | 0.236%, 11/12/49, IO (a)(c)(i)  | 538,120   |
| 2,000                      | 5.447%, 2/12/44 (g)(i)  | 2,189,306 |
| 315                        | 5.692%, 4/15/49 (i)   | 349,387   |
| 558                        | 5.809%, 12/12/49  | 624,227   |
| 3,436                      | 6.01%, 11/15/30 (a)(c)  | 3,620,800 |
| 583                        | Morgan Stanley Dean Witter Capital I, Inc., 6.50%, 11/15/36, CMO (a)(c) | 584,876   |
|                            | Morgan Stanley Mortgage Loan Trust, CMO,                                |           |
| 465                        | 3.00%, 1/25/35 (i)  | 24,757    |
| 620                        | 6.00%, 8/25/37  | 561,158   |

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|       |   |           |
|-------|---|-----------|
| 833   | Morgan Stanley Re-Remic Trust, zero coupon, 7/17/56, CMO, PO (a)(b)(c)(h)<br>(acquisition cost-\$800,399; purchased 4/6/11) | 819,323   |
| 363   | Ocwen Residential MBS Corp., 7.00%, 10/25/40, CMO (a)(b)(c)(e)(h)(i)<br>(acquisition cost-\$25,851; purchased 6/25/08)      | 724       |
|       | RBSCF Trust, CMO (a)(c)(i),   |           |
| 1,000 | 5.223%, 8/16/48 (g)   | 1,071,203 |
| 1,000 | 5.331%, 2/16/44   | 1,073,906 |
| 1,000 | 5.336%, 5/16/47 (g)   | 1,085,948 |
| 2,744 | 6.068%, 2/17/51   | 2,756,360 |

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal Amount<br>(000s) |   | Value              |
|----------------------------|---|--------------------|
| \$451                      | Regal Trust IV, 2.457%, 9/29/31, CMO (a)(c)(i)                            | \$418,008          |
|                            | Residential Accredit Loans, Inc., CMO,                                    |                    |
| 220                        | 0.345%, 6/25/46 (i)   | 103,170            |
| 673                        | 3.777%, 1/25/36 (i)   | 503,057            |
| 531                        | 6.00%, 8/25/35  | 464,542            |
| 525                        | 6.50%, 9/25/37  | 393,463            |
| 385                        | Residential Asset Securitization Trust, 6.00%, 3/25/37, CMO               | 291,738            |
| 663                        | Residential Funding Mortgage Securities I, 6.00%, 6/25/36, CMO            | 611,262            |
|                            | Structured Adjustable Rate Mortgage Loan Trust, CMO (i),                  |                    |
| 597                        | 4.892%, 11/25/36  | 552,136            |
| 620                        | 5.089%, 1/25/36   | 485,550            |
| 487                        | 5.245%, 9/25/36   | 411,397            |
| 856                        | 5.96%, 4/25/36  | 699,378            |
| 1,357                      | Structured Asset Mortgage Investments II Trust, 0.375%, 8/25/36, CMO (i)  | 1,000,595          |
| 173                        | Structured Asset Securities Corp., 5.00%, 5/25/35, CMO                    | 177,814            |
| 261                        | TBW Mortgage-Backed Trust, 6.00%, 7/25/36, CMO                            | 167,084            |
| 1,500                      | TIAA Retail Commercial Trust, 5.77%, 6/19/33, CMO (a)(c)                  | 1,578,507          |
|                            | Wachovia Bank Commercial Mortgage Trust, CMO,                             |                    |
| 29,698                     | 0.881%, 10/15/41, IO (a)(c)(i)  | 138,335            |
| 2,500                      | 5.188%, 2/15/41 (a)(c)(i)   | 2,501,457          |
| 1,000                      | 5.509%, 4/15/47   | 1,093,333          |
| 1,825                      | 5.924%, 2/15/51 (g)(i)  | 2,053,970          |
| 1,000                      | WaMu Commercial Mortgage Securities Trust, 6.111%, 3/23/45, CMO (a)(c)(i) | 1,028,953          |
| 779                        | WaMu Mortgage Pass-Through Certificates, 2.374%, 12/25/36, CMO (g)(i)     | 686,119            |
| 2,753                      | Washington Mutual Mortgage Pass-Through Certificates, 6.50%, 8/25/36, CMO | 1,781,130          |
| 92                         | Wells Fargo Alternative Loan Trust, 5.50%, 7/25/22, CMO                   | 92,844             |
| 694                        | Wells Fargo Mortgage-Backed Securities Trust, 5.584%, 10/25/36, CMO (i)   | 665,798            |
|                            | WF-RBS Commercial Mortgage Trust, CMO, IO (a)(c)(i),                      |                    |
| 2,211                      | 0.795%, 6/15/44   | 66,662             |
| 30,805                     | 1.12%, 2/15/44 (g)  | 1,205,964          |
|                            | <b>Total Mortgage-Backed Securities (cost-\$112,055,935)</b>              | <b>131,879,837</b> |
|                            | <b>Corporate Bonds &amp; Notes 24.4%</b>                                  |                    |
|                            | <b>Airlines 1.6%</b>  |                    |
|                            | United Air Lines Pass-Through Trust,                                      |                    |
| 716                        | 6.636%, 1/2/24 (g)  | 759,178            |
| 659                        | 9.75%, 7/15/18  | 757,706            |
| 463                        | 10.40%, 5/1/18 (g)  | 524,987            |
|                            |   | 2,041,871          |
|                            | <b>Banking 4.6%</b>   |                    |

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|       |  |           |
|-------|--|-----------|
| 2,200 | Discover Bank, 7.00%, 4/15/20 (g)  | 2,559,166 |
| 1,200 | Morgan Stanley, 0.724%, 10/15/15 (g)(i)  | 1,197,997 |
| 2,000 | Regions Financial Corp., 7.75%, 11/10/14 (g)   | 2,110,546 |
|       |  | 5,867,709 |
|       | <b>Diversified Financial Services 8.2%</b>   |           |
| 1,000 | Cantor Fitzgerald L.P., 7.875%, 10/15/19 (a)(c)(g)<br>Ford Motor Credit Co. LLC (g), | 1,055,000 |
| 1,000 | 6.625%, 8/15/17  | 1,158,943 |
| 500   | 8.00%, 12/15/16  | 592,187   |

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal Amount<br>(000s) |   | Value       |
|----------------------------|---|-------------|
|                            | <b>Diversified Financial Services (continued)</b>   |             |
| \$1,600                    | International Lease Finance Corp., 7.125%, 9/1/18 (a)(c)  | \$1,860,000 |
| 800                        | Jefferies LoanCore LLC, 6.875%, 6/1/20 (a)(b)(c)(h)<br>(acquisition cost-\$809,250; purchased 5/16/13-5/17/13)                                | 796,000     |
| 1,000                      | SLM Corp. (g),<br>8.00%, 3/25/20  | 1,136,250   |
| 1,100                      | 8.45%, 6/15/18  | 1,285,625   |
| 455                        | Springleaf Finance Corp.,<br>6.50%, 9/15/17 (g)   | 489,125     |
| 1,200                      | 6.90%, 12/15/17   | 1,317,600   |
| 5,391                      | Toll Road Investors Partnership II L.P., zero coupon, 2/15/45 (MBIA) (a)(b)(c)(h)<br>(acquisition cost-\$954,576; purchased 11/20/12-7/26/13) | 935,101     |
|                            |   | 10,625,831  |
|                            | <b>Electric Utilities 0.4%</b>  |             |
| 500                        | Energy Future Intermediate Holding Co. LLC, 10.00%, 12/1/20 (a)(c)(g)   | 532,500     |
| 250                        | Escrow Dynege Holdings, Inc., 7.125%, 5/15/18 (d)(e)  | 1,390       |
|                            |   | 533,890     |
|                            | <b>Engineering &amp; Construction 1.0%</b>  |             |
| 1,247                      | Alion Science and Technology Corp., 12.00%, 11/1/14, PIK (g)  | 1,274,724   |
|                            | <b>Household Products/Wares 0.1%</b>  |             |
| 100                        | Armored Autogroup, Inc., 9.25%, 11/1/18   | 96,750      |
|                            | <b>Insurance 3.0%</b>   |             |
| 500                        | American International Group, Inc. (g),<br>5.45%, 5/18/17   | 559,094     |
| 2,700                      | 8.175%, 5/15/68 (converts to FRN on 5/15/38)  | 3,280,500   |
|                            |   | 3,839,594   |
|                            | <b>Media 0.7%</b>   |             |
| 900                        | Radio One, Inc., 12.50%, 5/24/16 (g)  | 904,500     |
|                            | <b>Metal Fabricate/Hardware 0.3%</b>  |             |
| 400                        | Wise Metals Group LLC, 8.75%, 12/15/18 (a)(b)(c)(h)<br>(acquisition cost-\$400,000; purchased 11/26/13)                                       | 423,000     |
|                            | <b>Oil &amp; Gas 0.2%</b>   |             |
| 285                        | Global Geophysical Services, Inc., 10.50%, 5/1/17   | 218,025     |
|                            | <b>Pipelines 0.3%</b>   |             |
| 100                        | NGPL PipeCo LLC, 7.768%, 12/15/37 (a)(c)  | 86,000      |
| 400                        | Rockies Express Pipeline LLC, 6.875%, 4/15/40 (a)(c)  | 333,000     |
|                            |   | 419,000     |
|                            | <b>Real Estate Investment Trust 1.8%</b>  |             |
| 2,000                      | SL Green Realty Corp., 7.75%, 3/15/20 (g)   | 2,350,284   |

| <b>Retail 2.2%</b>                                |   |            |
|---|---|------------|
|   | CVS Pass-Through Trust (g),                   |            |
| 1,553   | 5.88%, 1/10/28                                | 1,684,949  |
| 918   | 7.507%, 1/10/32 (a)(c)                        | 1,095,277  |
|   |   | 2,780,226  |
| <b>Transportation 0.0%</b>                        |   |            |
| 40  | Western Express, Inc., 12.50%, 4/15/15 (a)(c) | 25,600     |
| Total Corporate Bonds & Notes (cost-\$28,632,608) |   | 31,401,004 |



**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal Amount<br>(000s)                        |   | Value             |
|---|---|-------------------|
| <b>Asset-Backed Securities 11.8%</b>              |   |                   |
| \$34  | Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates, 5.79%, 2/25/33 (i)             | \$1,337           |
| 156   | Asset Backed Securities Corp Home Equity Loan Trust, 3.415%, 6/21/29 (i)                                    | 122,865           |
| 437   | Associates Manufactured Housing Pass-Through Certificates, 7.15%, 3/15/28 (i)                               | 524,068           |
| 366   | Bayview Financial Acquisition Trust, 0.447%, 12/28/36 (i)   | 347,049           |
| 60  | Bear Stearns Asset-Backed Securities Trust (i), 0.545%, 6/25/36   | 59,390            |
| 663   | 2.93%, 7/25/36  | 636,010           |
| 1,243   | Bombardier Capital Mortgage Securitization Corp. Trust, 7.83%, 6/15/30 (i)                                  | 769,232           |
| 444   | Conseco Finance Securitizations Corp., 7.96%, 5/1/31  | 363,581           |
| 970   | 9.163%, 3/1/33 (i)  | 899,563           |
| 212   | Denver Arena Trust, 6.94%, 11/15/19 (a)(b)(c)(h) (acquisition cost-\$215,715; purchased 1/4/05-7/21/11)     | 220,200           |
| 650   | EMC Mortgage Loan Trust, 0.815%, 2/25/41 (a)(c)(i)  | 594,816           |
| 232   | GE Capital Mortgage Services, Inc. Trust, 6.705%, 4/25/29 (i)   | 228,206           |
| 162   | GSAA Trust, 0.435%, 6/25/35 (i)   | 149,581           |
| 6,250   | IndyMac Residential Asset-Backed Trust, 0.405%, 4/25/47 (i)   | 3,632,613         |
| 56  | Keystone Owner Trust, 9.00%, 1/25/29 (a)(b)(c)(e)(h) (acquisition cost-\$49,551; purchased 2/25/00)         | 53,099            |
| 2,358   | Legg Mason MTG Capital Corp., 7.11%, 3/10/21 (a)(b)(e)(h) (acquisition cost-\$2,257,338; purchased 1/29/13) | 2,328,410         |
| 472   | Legg Mason PT, 6.55%, 3/10/20 (a)(c)(e)   | 466,589           |
| 538   | Lehman XS Trust, 5.42%, 11/25/35  | 530,082           |
| 2,286   | Merrill Lynch First Franklin Mortgage Loan Trust, 0.405%, 5/25/37 (i)                                       | 1,427,175         |
| 630   | Merrill Lynch Mortgage Investors Trust, 0.665%, 6/25/36 (i)   | 573,834           |
| 693   | Oakwood Mortgage Investors, Inc., 6.89%, 11/15/32 (i)   | 245,481           |
| 69  | Residential Asset Mortgage Products, Inc., 0.535%, 9/25/32 (i)  | 62,533            |
| 51  | Southern Pacific Secured Asset Corp., 0.505%, 7/25/29 (i)   | 45,592            |
| 68  | Structured Asset Investment Loan Trust, 4.665%, 10/25/33 (i)  | 6,403             |
| 891   | UCFC Manufactured Housing Contract, 7.90%, 1/15/28 (i)  | 885,905           |
| 1,856   | UPS Capital Business Credit, 3.456%, 4/15/26 (b)(e)(i)  | 60,211            |
|   | <b>Total Asset-Backed Securities (cost-\$14,258,082)</b>  | <b>15,233,825</b> |
| <b>U.S. Government Agency Securities (i) 1.8%</b> |   |                   |
| 3,086   | Freddie Mac, CMO, IO, 0.665%, 1/25/21   | 103,856           |
| 10,500  | 3.615%, 6/25/41   | 2,175,747         |
|   | <b>Total U.S. Government Agency Securities (cost-\$2,094,557)</b>   | <b>2,279,603</b>  |

**Municipal Bonds 1.2%**

|   |   |                  |
|---|---|------------------|
| <b>Arkansas 0.5%</b>                            |   |                  |
| 705   | Little Rock Municipal Property Owners Multipurpose Improvement Dist. No 10,<br>Special Tax, Capital Improvement Projects, 7.20%, 3/1/32, Ser. B | 654,804          |
| <b>Virginia 0.2%</b>                            |   |                  |
| 245   | Lexington Industrial Dev. Auth. Rev., Kendall at Lexington, 8.00%, 1/1/15, Ser. C   | 244,819          |
| <b>West Virginia 0.5%</b>                       |   |                  |
| 880   | Tobacco Settlement Finance Auth. Rev., 7.467%, 6/1/47, Ser. A   | 684,473          |
| <b>Total Municipal Bonds (cost-\$1,771,094)</b> |   | <b>1,584,096</b> |

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Principal<br>Amount<br>(000s)                              |  | Value        |
|--|--|--------------|
| <b>U.S. Treasury Obligations 0.1%</b>                      |  |              |
| \$100  | U.S. Treasury Notes, 0.25%, 1/31/15 (cost-\$100,080)   | \$100,088    |
| Shares   |  |              |
| <b>Common Stock 0.1%</b>                                   |  |              |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b>                |  |              |
| 1,294  | SemGroup Corp., Class A (cost-\$33,637)  | 84,391       |
| <b>Equity-Linked Security 0.0%</b>                         |  |              |
| <b>Oil, Gas &amp; Consumable Fuels 0.0%</b>                |  |              |
| 1,362  | SemGroup Corp. (k) (cost-\$6,128)  | 58,055       |
| Units  |  |              |
| <b>Warrants 0.0%</b>                                       |  |              |
| <b>Engineering &amp; Construction 0.0%</b>                 |  |              |
| 1,100  | Alion Science and Technology Corp. (a)(c)(k) (cost-\$11)   | 11           |
| Principal<br>Amount<br>(000s)                              |  |              |
| <b>Short-Term Investments 4.4%</b>                         |  |              |
| <b>U.S. Treasury Obligations 2.8%</b>                      |  |              |
| \$2,733  | U.S. Treasury Bills, 0.099%-0.137%, 5/29/14-9/18/14 (f)(j)   | 2,731,684    |
| 200  | U.S. Treasury Notes,<br>0.25%, 11/30/14  | 200,191      |
| 600  | 0.375%, 11/15/14   | 601,184      |
| Total U.S. Treasury Obligations (cost-\$3,532,431)         |  | 3,533,059    |
| <b>U.S. Government Agency Securities (j) 1.2%</b>          |  |              |
| 100  | Freddie Mac Discount Notes, 0.117%, 6/5/14   | 99,970       |
| 1,400  | Freddie Mac Discount Notes, 0.122%, 7/11/14  | 1,399,409    |
| Total U.S. Government Agency Securities (cost-\$1,499,059) |  | 1,499,379    |
| <b>Repurchase Agreements 0.4%</b>                          |  |              |
| 574  | State Street Bank and Trust Co., dated 12/31/13, 0.00%, due 1/2/14, proceeds<br>\$574,000; collateralized by Freddie Mac, 2.00%, due 1/30/23, valued at \$586,646<br>including accrued interest (cost-\$574,000) | 574,000      |
| Total Short-Term Investments (cost-\$5,605,490)            |  | 5,606,438    |
| <b>Total Investments (cost-\$164,557,622) 146.3%</b>       |  | 188,227,348  |
| Liabilities in excess of other assets (46.3)%              |  | (59,555,543) |

|                   |               |                      |
|-------------------|---------------|----------------------|
| <b>Net Assets</b> | <b>100.0%</b> | <b>\$128,671,805</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 \$49,529,100, representing 38.5% of net assets.
- (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.

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

- (e) Fair-Valued Securities with an aggregate value of \$2,939,859, representing 2.3% of net assets. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (f) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (g) All or partial amount transferred for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (h) Restricted. The aggregate acquisition cost of such securities is \$6,741,893. The aggregate value is \$6,308,384, representing 4.9% of net assets.
- (i) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on December 31, 2013.
- (j) Rates reflect the effective yields at purchase date.
- (k) Non-income producing.

(l) Credit default swap agreements outstanding at December 31, 2013:

**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>Received | Unrealized<br>Appreciation |
|--|---------------------------------|------------------|---------------------|----------------------|-------------|---------------------------------|----------------------------|
| <b>Deutsche Bank:</b>                        |                                 |                  |                     |                      |             |                                 |                            |
| SLM Corp.                                    | \$3,000                         | 2.55%            | 3/20/19             | 5.35%                | \$404,346   | \$                              | \$404,346                  |
| <b>Royal Bank of Scotland:</b>               |                                 |                  |                     |                      |             |                                 |                            |
| Markit ABX.HE AA 06-1                        | 6,772                           |                  | 7/25/45             | 0.32%                | (1,758,415) | (3,978,865)                     | 2,220,450                  |
| Markit ABX.HE AAA<br>07-1                    | 2,490                           |                  | 8/25/37             | 0.09%                | (774,841)   | (1,232,655)                     | 457,814                    |

\$(2,128,910)    \$(5,211,520)    \$3,082,610

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.
- (2) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at December 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.
- (m) At December 31, 2013, the Fund held \$260,000 in cash as collateral for derivative contracts. Cash collateral held may be invested in accordance with the Fund's investment strategy.
- (n) Open reverse repurchase agreements at December 31, 2013:

| Counterparty   | Rate  | Trade Date | Due Date | Principal &<br>Interest | Principal   |
|----------------|-------|------------|----------|-------------------------|-------------|
| Barclays Bank  | 0.60% | 8/27/13    | 2/26/14  | \$1,014,142             | \$1,012,000 |
|                | 0.625 | 8/26/13    | 2/26/14  | 1,666,696               | 1,663,000   |
|                | 0.65  | 10/22/13   | 1/21/14  | 1,292,655               | 1,291,000   |
|                | 0.65  | 12/18/13   | 3/14/14  | 482,122                 | 482,000     |
|                | 0.65  | 12/20/13   | 3/19/14  | 2,165,469               | 2,165,000   |
|                | 0.71  | 8/26/13    | 2/26/14  | 4,852,218               | 4,840,000   |
|                | 0.991 | 12/2/13    | 3/3/14   | 1,066,880               | 1,066,000   |
|                | 1.017 | 11/6/13    | 2/7/14   | 2,032,210               | 2,029,000   |
|                | 1.04  | 10/31/13   | 1/30/14  | 1,501,685               | 1,499,000   |
|                | 1.046 | 10/3/13    | 1/6/14   | 1,983,172               | 1,978,000   |
| Citigroup      | 0.92  | 12/6/13    | 1/8/14   | 2,511,668               | 2,510,000   |
|                | 0.924 | 12/11/13   | 1/8/14   | 2,535,366               | 2,534,000   |
| Deutsche Bank  | 0.59  | 11/7/13    | 2/5/14   | 1,035,933               | 1,035,000   |
|                | 0.59  | 11/21/13   | 2/14/14  | 2,283,533               | 2,282,000   |
| Morgan Stanley | 1.10  | 10/15/13   | 1/15/14  | 2,000,757               | 1,996,000   |
|                | 1.15  | 10/15/13   | 1/15/14  | 5,670,093               | 5,656,000   |

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

| Counterparty           | Rate  | Trade Date | Due Date | Principal &<br>Interest | Principal    |
|------------------------|-------|------------|----------|-------------------------|--------------|
| Royal Bank of Canada   | 0.45% | 10/3/13    | 1/6/14   | \$ 574,645              | \$ 574,000   |
|                        | 0.45  | 11/29/13   | 3/3/14   | 1,011,417               | 1,011,000    |
|                        | 0.45  | 12/17/13   | 3/14/14  | 1,457,273               | 1,457,000    |
|                        | 0.45  | 12/31/13   | 4/4/14   | 561,000                 | 561,000      |
|                        | 0.46  | 12/4/13    | 1/29/14  | 666,238                 | 666,000      |
|                        | 0.48  | 11/15/13   | 2/13/14  | 550,345                 | 550,000      |
|                        | 0.48  | 11/22/13   | 2/13/14  | 3,010,739               | 3,009,000    |
|                        | 1.24  | 12/24/13   | 3/24/14  | 2,079,573               | 2,079,000    |
| Royal Bank of Scotland | 0.96  | 11/15/13   | 1/13/14  | 5,652,075               | 5,645,000    |
|                        | 0.99  | 11/7/13    | 2/7/14   | 1,482,239               | 1,480,000    |
|                        | 1.14  | 10/17/13   | 1/17/14  | 1,995,792               | 1,991,000    |
|                        | 1.14  | 11/20/13   | 2/20/14  | 1,999,656               | 1,997,000    |
|                        | 1.14  | 11/20/13   | 2/20/14  | 1,010,342               | 1,009,000    |
|                        |       |            |          |                         | \$56,067,000 |

(o) The weighted average daily balance of reverse repurchase agreements during the year ended December 31, 2013 was \$77,782,441, at a weighted average interest rate of 0.89%. 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 December 31, 2013 was \$61,301,311.

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

|   | Level 1<br>Quoted<br>Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>12/31/13 |
|---|-----------------------------|--|--|----------------------|
| <b>Investments in Securities Assets</b> |                             |  |  |                      |
| Mortgage-Backed Securities              | \$                          | \$131,030,354  | \$849,483  | \$131,879,837        |
| Corporate Bonds & Notes:                |                             |  |  |                      |
| Airlines                                |                             |  | 2,041,871  | 2,041,871            |
| Electric Utilities                      |                             | 532,500  | 1,390  | 533,890              |
| All Other                               |                             | 28,825,243   |  | 28,825,243           |
| Asset-Backed Securities                 |                             | 12,325,516   | 2,908,309  | 15,233,825           |
| U.S. Government Agency Securities       |                             | 2,279,603  |  | 2,279,603            |
| Municipal Bonds                         |                             | 1,584,096  |  | 1,584,096            |

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|                                     |                  |                       |                     |                       |
|-------------------------------------|------------------|-----------------------|---------------------|-----------------------|
| U.S. Treasury Obligations           |                  | 100,088               |                     | 100,088               |
| Common Stock                        | 84,391           |                       |                     | 84,391                |
| Equity Linked Security              |                  | 58,055                |                     | 58,055                |
| Warrants                            |                  | 11                    |                     | 11                    |
| Short-Term Investments              |                  | 5,606,438             |                     | 5,606,438             |
|                                     | 84,391           | 182,341,904           | 5,801,053           | 188,227,348           |
| <b>Other Financial Instruments*</b> | <b>Assets</b>    |                       |                     |                       |
| Credit Contracts                    |                  | 3,082,610             |                     | 3,082,610             |
| <b>Totals</b>                       | <b>\$ 84,391</b> | <b>\$ 185,424,514</b> | <b>\$ 5,801,053</b> | <b>\$ 191,309,958</b> |

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



**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

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

|   | Beginning<br>Balance<br>12/31/12 | Purchases          | Sales              | Accrued<br>Discount<br>(Premiums) | Net<br>Realized<br>Gain<br>(Loss) | Net<br>Change<br>in Unrealized<br>Appreciation/<br>Depreciation | Transfers<br>into<br>Level<br>3** | Transfers<br>out of<br>Level 3*** | Ending<br>Balance<br>12/31/13 |
|---|----------------------------------|--------------------|--------------------|-----------------------------------|-----------------------------------|---|-----------------------------------|-----------------------------------|-------------------------------|
| <b>Investments in Securities Assets</b> |                                  |                    |                    |                                   |                                   |   |                                   |                                   |                               |
| Mortgage-Backed Securities              | \$5,767,657                      | \$80,913           | \$(460,457)        | \$33,315                          | \$(12,827)                        | \$(114,042)   | \$                                | \$(4,445,076)                     | \$849,488                     |
| Corporate Bonds & Notes:                |                                  |                    |                    |                                   |                                   |   |                                   |                                   |                               |
| Utilities                               | 2,469,745                        |                    | (353,557)          |                                   |                                   | (74,317)  |                                   |                                   | 2,041,871                     |
| Electric Utilities                      | 1,403                            |                    |                    |                                   |                                   | (13)  |                                   |                                   | 1,390                         |
| Asset-Backed Securities                 | 74,173                           | 2,857,268          | (134,084)          | 14,025                            | 4,722                             | 39,106  | 53,099                            |                                   | 2,908,309                     |
| Warrants                                |                                  |                    |                    |                                   |                                   |   |                                   |                                   |                               |
| Engineering & Construction              | 11                               |                    |                    |                                   |                                   |   |                                   | (11)                              |                               |
| <b>Totals</b>                           | <b>\$8,312,989</b>               | <b>\$2,938,181</b> | <b>\$(948,098)</b> | <b>\$47,340</b>                   | <b>\$(8,105)</b>                  | <b>\$(149,266)</b>  | <b>\$53,099</b>                   | <b>\$(4,445,087)</b>              | <b>\$5,801,051</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 December 31, 2013.

| Investments in Securities Assets | Ending Balance | Valuation<br>Technique Used                  | Unobservable<br>Inputs | Input Values |          |
|----------------------------------|----------------|--|------------------------|--------------|----------|
|                                  | at 12/31/13    |  |                        |              |          |
| Mortgage-Backed Securities       | \$819,323      | Third-Party Pricing Vendor                   | Single Broker Quote    | \$98.36      |          |
|                                  | 29,436         | Interest Only Weighted<br>Average Life Model | Security Price Reset   | \$0.46       |          |
|                                  | 724            | Benchmark Pricing                            | Security Price Reset   | \$0.20       |          |
| Corporate Bonds & Notes          | 2,041,871      | Third-Party Pricing Vendor                   | Single Broker Quote    | \$106.03     | \$114.93 |
|                                  | 1,390          | Benchmark Pricing                            | Security Price Reset   | \$0.56       |          |
| Asset-Backed Securities          | 2,908,309      | Benchmark Pricing                            | Security Price Reset   | \$3.24       | \$98.92  |

\*

Other financial instruments are derivatives, such as swap agreements, which are valued at the unrealized appreciation (depreciation) of the instrument.

\*\* Transferred out of Level 2 into Level 3 because an evaluated price from a third-party pricing vendor was not available.

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

The net change in unrealized appreciation/depreciation of Level 3 investments held at December 31, 2013, was \$55,087. 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 December 31, 2013:

| Location                             | Credit<br>Contracts |
|--------------------------------------|---------------------|
| <b>Asset derivatives:</b>            |                     |
| Unrealized appreciation of OTC swaps | \$3,082,610         |

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

| Location  | Credit<br>Contracts |
|---|---------------------|
| <b>Net realized gain on:</b>                                  |                     |
| Swaps   | \$526,242           |
| <b>Net change in unrealized appreciation/depreciation of:</b> |                     |
| Swaps   | \$666,548           |

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

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

## Credit Default Swap Agreements(1)

Sell

\$15,028

(1) Notional Amount (in thousands)

Financial Assets and Derivative Assets, and Collateral Received at December 31, 2013:

| Counterparty           | Gross Amounts Not Offset in the Statement of Assets and Liabilities |                         |                                    |                                 |
|------------------------|---|-------------------------|------------------------------------|---------------------------------|
|                        | Gross Asset Derivatives   |                         |                                    | Net Amount<br>(not less than 0) |
|                        | Assets and<br>Liabilities   | Financial<br>Instrument | Collateral<br>Received/<br>Pledged |                                 |
| <b>Swaps</b>           |   |                         |                                    |                                 |
| Deutsche Bank          | 404,346   |                         | (260,000)                          | 144,346                         |
| Royal Bank of Scotland | 2,678,264   |                         | (2,480,301)#                       | 197,963                         |
| <b>Totals</b>          | \$3,082,610   | \$                      | \$(2,740,301)                      | \$342,309                       |

| Counterparty                  | Gross Amounts Not Offset in the Statement of Assets and Liabilities |                         |                        |                                    |
|-------------------------------|---|-------------------------|------------------------|------------------------------------|
|                               | Gross Financial Assets  |                         |                        | Net<br>Amount<br>(not less than 0) |
|                               | Assets and<br>Liabilities   | Financial<br>Instrument | Collateral<br>Received |                                    |
| <b>Repurchase Agreements</b>  |   |                         |                        |                                    |
| State Street Bank & Trust Co. | \$574,000   | \$                      | \$(574,000)( )         | \$                                 |

Financial Liabilities and Derivative Liabilities, and Collateral Pledged at December 31, 2013:

| Counterparty      | Payable for                         |            | Collateral<br>Pledged( ) | Net<br>Amount<br>(not less than 0) |
|-------------------|-------------------------------------|------------|--------------------------|------------------------------------|
|                   | Reverse Repurchase<br>Agreements( ) |            |                          |                                    |
| Barclays Bank plc | \$                                  | 18,057,249 | \$(18,057,249)           | \$                                 |
| Citigroup         |                                     | 5,047,034  | (5,047,034)              |                                    |

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|                        |                      |                        |           |
|------------------------|----------------------|------------------------|-----------|
| Deutsche Bank          | 3,319,466            | (3,319,466)            |           |
| Morgan Stanley         | 7,670,850            | (7,670,850)            |           |
| Royal Bank of Canada   | 9,911,230            | (9,911,230)            |           |
| Royal Bank of Scotland | 12,140,104           | (12,140,104)           |           |
| <b>Totals</b>          | <b>\$ 56,145,933</b> | <b>\$ (56,145,933)</b> | <b>\$</b> |

The actual collateral received is greater than the amount shown here due to over collateralization

The actual collateral pledged is greater than the amount shown due to over collateralization.

The amount includes interest payable for Reverse Repurchase Agreements.

# Includes upfront premiums received

**Glossary:**

- ABX.HE - Asset-Backed Securities Index Home Equity
- CMBS - Commercial Mortgage-Backed Security
- CMO - Collateralized Mortgage Obligation
- FRN - Floating Rate Note
- IO - Interest Only
- MBIA - insured by MBIA Insurance Corp.
- MBS - Mortgage-Backed Security
- OTC - Over-the-Counter
- PIK - Payment-in-Kind
- PO - Principal Only

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013

Principal

| Amount<br>(000s)                         |  | Value       |
|--|--|-------------|
| <b>Corporate Bonds &amp; Notes 58.1%</b> |  |             |
| <b>Advertising 0.3%</b>                  |  |             |
| \$3,525                                  | inVentiv Health, Inc., 9.00%, 1/15/18 (a)(d)   | \$3,701,250 |
| 5,500                                    | Sitel LLC, 11.00%, 8/1/17 (a)(d)   | 5,898,750   |
|  |  | 9,600,000   |
| <b>Apparel &amp; Textiles 0.1%</b>       |  |             |
| 2,000                                    | Quiksilver, Inc., 7.875%, 8/1/18 (a)(b)(d)(l)<br>(acquisition cost-\$1,989,660; purchased 7/11/13)                 | 2,180,000   |
| <b>Auto Components 1.2%</b>              |  |             |
| 14,332                                   | Commercial Vehicle Group, Inc., 7.875%, 4/15/19 (k)  | 14,367,830  |
| 2,750                                    | Pittsburgh Glass Works LLC, 8.00%, 11/15/18 (a)(b)(d)(l)<br><br>(acquisition cost-\$2,750,000; purchased 10/29/13) | 2,908,125   |
|  | Schaeffler Finance BV,   |             |
| 4,000                                    | 4.25%, 5/15/18   | 5,736,666   |
| \$4,500                                  | 4.75%, 5/15/21 (a)(d)  | 4,511,250   |
|  | Schaeffler Holding Finance BV, PIK,  |             |
| 5,400                                    | 6.875%, 8/15/18  | 7,976,649   |
| \$5,250                                  | 6.875%, 8/15/18 (a)(d)(k)  | 5,591,250   |
|  |  | 41,091,770  |
| <b>Banking 8.3%</b>                      |  |             |
| £2,600                                   | Barclays Bank PLC, 14.00%, 6/15/19 (i)(k)  | 5,748,577   |
| \$36,500                                 | BPCE S.A., 12.50%, 9/30/19 (a)(d)(i)(k)  | 47,997,500  |
| 1,200                                    | CIT Group, Inc., 4.75%, 2/15/15 (a)(d)   | 1,246,500   |
| 25,000                                   | Citigroup, Inc., 5.875%, 2/22/33 (k)   | 25,700,075  |
| 1,300                                    | Eksporthfinans ASA, 2.00%, 9/15/15   | 1,283,750   |
| 30,000                                   | Goldman Sachs Group, Inc., 6.75%, 10/1/37 (k)  | 33,382,800  |
| 2,500                                    | ICICI Bank Ltd., 5.00%, 1/15/16  | 2,639,000   |
|  | LBG Capital No. 2 PLC,   |             |
| 1,900                                    | 8.875%, 2/7/20   | 2,942,779   |
| £4,100                                   | 15.00%, 12/21/19 (k)   | 9,866,620   |
| 7,052                                    | 15.00%, 12/21/19   | 14,600,655  |
| \$50,000                                 | Lloyds Bank PLC, 12.00%, 12/16/24 (a)(d)(i)(k)   | 67,935,350  |
| 17,375                                   | Regions Financial Corp., 7.375%, 12/10/37 (k)  | 18,755,583  |
| 4,000                                    | Societe Generale S.A., 9.375%, 9/4/19 (i)  | 6,586,849   |
| \$2,500                                  | Sophia Holding Finance L.P., 9.625%, 12/1/18 (a)(b)(d)(l)<br>(acquisition cost-\$2,475,000; purchased 11/14/13)    | 2,587,500   |
|  | UBS AG (k),  |             |

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|        |  |             |
|--------|--|-------------|
| 10,000 | 7.25%, 2/22/22 (n)   | 10,988,670  |
| 19,000 | 7.625%, 8/17/22  | 21,767,274  |
|        |  | 274,029,482 |
|        | <b>Building Materials 0.2%</b>   |             |
| 2,000  | Associated Materials LLC, 9.125%, 11/1/17  | 2,145,000   |
|        | Corporacion GEO S.A.B. de C.V. (a)(d)(f),  |             |
| 5,200  | 8.875%, 3/27/22  | 780,000     |
| 2,500  | 9.25%, 6/30/20   | 375,000     |
| 1,500  | Headwaters, Inc., 7.25%, 1/15/19 (a)(b)(d)(l)<br>(acquisition cost-\$1,500,000; purchased 12/5/13) | 1,548,750   |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value       |
|------------------|---|-------------|
|                  | <b>Building Materials (continued)</b>   |             |
| \$1,500          | USG Corp., 5.875%, 11/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$1,500,000; purchased 10/28/13)                                   | \$1,561,875 |
| 1,000            | Xella Holdco Finance S.A., 9.125%, 9/15/18  | 1,446,204   |
|                  |   | 7,856,829   |
|                  | <b>Chemicals 1.6%</b>   |             |
| \$4,500          | INEOS Group Holdings S.A.,<br>6.125%, 8/15/18 (a)(d)  | 4,533,750   |
| 6,500            | 6.50%, 8/15/18  | 9,187,952   |
| \$34,385         | Perstorp Holding AB, 8.75%, 5/15/17 (a)(d)(k)   | 37,135,800  |
| 3,500            | Phosagro OAO via Phosagro Bond Funding Ltd., 4.204%, 2/13/18 (a)(d)(k)  | 3,478,125   |
|                  |   | 54,335,627  |
|                  | <b>Coal 1.8%</b>  |             |
| 4,500            | Arch Coal, Inc., 8.00%, 1/15/19 (a)(b)(d)(l)<br>(acquisition cost-\$4,500,000; purchased 12/12/13)                              | 4,500,000   |
| 4,500            | Mongolian Mining Corp.,<br>8.875%, 3/29/17 (a)(d)   | 3,577,500   |
| 8,675            | 8.875%, 3/29/17   | 6,896,625   |
| 6,000            | Walter Energy, Inc., 8.50%, 4/15/21   | 5,025,000   |
| 35,104           | Westmoreland Coal Co., 10.75%, 2/1/18 (k)   | 38,702,160  |
|                  |   | 58,701,285  |
|                  | <b>Commercial Services 2.5%</b>   |             |
| 12,000           | American Residential Services LLC, 12.00%, 4/15/15 (a)(d)(k)  | 12,360,000  |
| 4,000            | Brand Energy & Infrastructure Services, Inc., 8.50%, 12/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$4,000,000; purchased 11/22/13) | 4,075,000   |
| 2,250            | Ceridian HCM Holding, Inc., 11.00%, 3/15/21 (a)(b)(d)(l)<br>(acquisition cost-\$2,250,000; purchased 3/14/13)                   | 2,604,375   |
| 45,650           | DynCorp International, Inc., 10.375%, 7/1/17 (k)  | 46,905,375  |
| 11,045           | Harland Clarke Holdings Corp., 9.75%, 8/1/18 (a)(d)(k)  | 12,025,244  |
| 4,000            | PHH Corp., 6.375%, 8/15/21  | 4,020,000   |
|                  |   | 81,989,994  |
|                  | <b>Computers 0.2%</b>   |             |
| 2,000            | NCR Escrow Corp. (a)(b)(d)(l),<br>5.875%, 12/15/21 (acquisition cost-\$2,000,000; purchased 12/5/13)                            | 2,047,500   |
| 4,000            | 6.375%, 12/15/23 (acquisition cost-\$4,000,000; purchased 12/5/13)  | 4,105,000   |
|                  |   | 6,152,500   |
|                  | <b>Containers &amp; Packaging 0.2%</b>  |             |
|                  | Beverage Packaging Holdings Luxembourg II S.A. (a)(b)(d)(l),  |             |

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|        |   |            |
|--------|---|------------|
| 1,750  | 5.625%, 12/15/16 (acquisition cost-\$1,750,000; purchased 11/12/13)         | 1,789,375  |
| 4,750  | 6.00%, 6/15/17 (acquisition cost-\$4,750,000; purchased 12/4/13)            | 4,821,250  |
|        |   | 6,610,625  |
|        | <b>Distribution/Wholesale 0.4%</b>  |            |
| 2,000  | American Builders & Contractors Supply Co., Inc., 5.625%, 4/15/21 (a)(d)    | 2,015,000  |
| 10,000 | HD Supply, Inc., 11.50%, 7/15/20 (k)  | 11,962,500 |
|        |   | 13,977,500 |
|        | <b>Diversified Financial Services 5.3%</b>                                  |            |
| 20,300 | AGFC Capital Trust I, 6.00%, 1/15/67 (converts to FRN on 1/15/17) (a)(d)(k) | 17,153,500 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |  | Value        |
|------------------|--|--------------|
|                  | <b>Diversified Financial Services (continued)</b>  |              |
| \$13,175         | Cantor Fitzgerald L.P., 7.875%, 10/15/19 (a)(d)(k)   | \$13,899,625 |
|                  | International Lease Finance Corp.,   |              |
| 300              | 6.75%, 9/1/16 (a)(d)   | 336,000      |
| 3,000            | 8.625%, 9/15/15 (k)  | 3,341,250    |
| 7,250            | Jefferies Finance LLC, 7.375%, 4/1/20 (a)(d)   | 7,576,250    |
| 16,700           | KION Finance S.A., 6.75%, 2/15/20 (k)  | 25,162,470   |
| \$3,200          | MPH Intermediate Holding Co. 2, 8.375%, 8/1/18, PIK (a)(d)   | 3,340,000    |
| 8,000            | Outerwall, Inc., 6.00%, 3/15/19  | 8,200,000    |
| 12,000           | Patriot Merger Corp., 9.00%, 7/15/21 (a)(b)(d)(k)(l)<br>(acquisition cost-\$12,000,000; purchased 6/19/13)               | 12,660,000   |
| 15,550           | SLM Corp., 5.625%, 8/1/33 (k)  | 12,964,813   |
|                  | Springleaf Finance Corp.,  |              |
| 21,400           | 5.40%, 12/1/15 (k)   | 22,309,500   |
| 600              | 5.75%, 9/15/16   | 637,500      |
| 19,100           | 6.50%, 9/15/17 (k)   | 20,532,500   |
| 20,900           | 6.90%, 12/15/17 (k)  | 22,948,200   |
| 4,250            | Stearns Holdings, Inc., 9.375%, 8/15/20 (a)(b)(d)(l)<br>(acquisition cost-\$4,250,000; purchased 7/30/13)                | 4,356,250    |
|                  |  | 175,417,858  |
|                  | <b>Electric Utilities 2.2%</b>   |              |
|                  | Energy Future Intermediate Holding Co. LLC (k),  |              |
| 47,500           | 10.00%, 12/1/20  | 50,706,250   |
| 15,057           | 12.25%, 3/1/22 (a)(d)  | 17,767,260   |
| 4,813            | Yellowstone Energy L.P., 5.75%, 12/31/26 (a)(b)(d)(g)(l)<br>(acquisition cost-\$5,000,000; purchased 4/5/13)             | 4,497,696    |
|                  |  | 72,971,206   |
|                  | <b>Electronics 0.1%</b>  |              |
| 4,000            | Flextronics International Ltd., 4.625%, 2/15/20  | 3,920,000    |
|                  | <b>Engineering &amp; Construction 0.7%</b>   |              |
| 4,000            | Aguila 3 S.A., 7.875%, 1/31/18 (a)(d)  | 4,260,000    |
| 14,434           | Alion Science and Technology Corp., 12.00%, 11/1/14, PIK (k)   | 14,759,189   |
| 2,000            | Deutsche Raststaetten Gruppe IV GmbH, 6.75%, 12/30/20 (a)(b)(d)(l)<br>(acquisition cost-\$2,713,899; purchased 11/26/13) | 2,888,969    |
|                  |  | 21,908,158   |
|                  | <b>Entertainment 0.5%</b>  |              |
| \$12,200         | GLP Capital L.P., 4.375%, 11/1/18 (a)(b)(d)(k)(l)<br>(acquisition cost-\$12,200,000; purchased 10/23/13)                 | 12,505,000   |

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|        |  |            |
|--------|--|------------|
| 3,000  | Penn National Gaming, Inc., 5.875%, 11/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$3,000,000; purchased 10/21/13)         | 2,970,000  |
|        |  | 15,475,000 |
|        | <b>Food &amp; Beverage 1.0%</b>  |            |
| 7,000  | Carolina Beverage Group LLC, 10.625%, 8/1/18 (a)(b)(d)(l)<br>(acquisition cost-\$7,134,114; purchased 7/23/13-7/24/13) | 7,385,000  |
| 24,000 | HJ Heinz Finance Co., 7.125%, 8/1/39 (a)(d)(k)   | 24,780,000 |
| 2,250  | Post Holdings, Inc., 6.75%, 12/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$2,250,000; purchased 11/13/13)                 | 2,334,375  |
|        |  | 34,499,375 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value       |
|------------------|---|-------------|
|                  | <b>Food Service 0.1%</b>  |             |
| £1,500           | Brakes Capital, 7.125%, 12/15/18 (a)(b)(d)(l)<br>(acquisition cost-\$2,415,899; purchased 11/20/13)                       | \$2,483,676 |
|                  | <b>Hand/Machine Tools 0.1%</b>  |             |
| \$3,000          | Milacron LLC, 7.75%, 2/15/21 (a)(d)   | 3,165,000   |
|                  | <b>Healthcare-Products 0.6%</b>   |             |
| 6,380            | Accellent, Inc., 10.00%, 11/1/17  | 6,619,250   |
| 9,500            | ConvaTec Finance International S.A., 8.25%, 1/15/19, PIK (a)(b)(d)(l)<br>(acquisition cost-\$9,405,000; purchased 8/6/13) | 9,749,375   |
| 2,200            | Ontex IV S.A., 7.50%, 4/15/18   | 3,189,366   |
|                  |   | 19,557,991  |
|                  | <b>Healthcare-Services 0.2%</b>   |             |
| \$6,000          | Tenet Healthcare Corp., 4.50%, 4/1/21   | 5,707,500   |
|                  | <b>Holding Companies-Diversified 0.1%</b>   |             |
| 2,700            | CeramTec Group GmbH, 8.25%, 8/15/21   | 4,048,683   |
|                  | <b>Household Products/Wares 0.4%</b>  |             |
| \$7,725          | Armored Autogroup, Inc., 9.25%, 11/1/18   | 7,473,938   |
| 4,750            | Sun Products Corp., 7.75%, 3/15/21 (a)(d)   | 4,203,750   |
|                  |   | 11,677,688  |
|                  | <b>Insurance 1.2%</b>   |             |
| 28,145           | American International Group, Inc., 8.175%, 5/15/68<br>(converts to FRN on 5/15/38) (k)                                   | 34,196,175  |
| 4,000            | Hockey Merger Sub 2, Inc., 7.875%, 10/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$4,000,000; purchased 9/17/13)              | 4,130,000   |
|                  |   | 38,326,175  |
|                  | <b>Internet 0.4%</b>  |             |
| 8,250            | Ancestry.com, Inc., 9.625%, 10/15/18, PIK (a)(b)(d)(l)<br>(acquisition cost-\$8,167,500; purchased 9/11/13)               | 8,580,000   |
| 4,100            | 11.00%, 12/15/20  | 4,776,500   |
|                  |   | 13,356,500  |
|                  | <b>Iron/Steel 0.1%</b>  |             |
| 4,500            | Bluescope Steel Ltd., 7.125%, 5/1/18 (a)(d)   | 4,736,250   |
|                  | <b>Leisure 0.5%</b>   |             |
| £10,000          | Soho House Bond Ltd., 9.125%, 10/1/18 (e)(g)  | 16,973,235  |
|                  | <b>Lodging 0.2%</b>   |             |
| \$5,000          | Station Casinos LLC, 7.50%, 3/1/21 (k)  | 5,350,000   |
|                  | <b>Machinery-Diversified 0.4%</b>   |             |
| 7,500            | CNH Capital LLC, 3.625%, 4/15/18  | 7,640,625   |

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|          |   |            |
|----------|---|------------|
| 4,100    | Gardner Denver, Inc., 6.875%, 8/15/21 (a)(b)(d)(l)<br>(acquisition cost-\$4,100,000; purchased 7/22/13-7/24/13) | 4,110,250  |
|          |   | 11,750,875 |
|          | <b>Media 6.8%</b>   |            |
| £7,000   | Arqiva Broadcast Finance PLC, 9.50%, 3/31/20  | 12,924,689 |
| \$17,500 | Clear Channel Communications, Inc., 9.00%, 3/1/21 (k)   | 17,762,500 |
| 52,650   | McClatchy Co., 9.00%, 12/15/22 (k)  | 58,178,250 |
| 26,700   | Nara Cable Funding II Ltd., 8.50%, 3/1/20 (k)   | 42,791,817 |
| \$58,654 | Radio One, Inc., 12.50%, 5/24/16 (k)  | 58,947,444 |
| 10,555   | Spanish Broadcasting System, Inc., 12.50%, 4/15/17 (a)(d)(k)  | 11,557,725 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value        |
|------------------|---|--------------|
|                  | <b>Media (continued)</b>  |              |
| 13,500           | Unitymedia KabelBW GmbH, 9.625%, 12/1/19  | \$20,661,285 |
|                  |   | 222,823,710  |
|                  | <b>Metal Fabricate/Hardware 0.1%</b>  |              |
| \$3,500          | Wise Metals Group LLC, 8.75%, 12/15/18 (a)(b)(d)(l)<br>(acquisition cost-\$3,500,000; purchased 11/26/13)                   | 3,701,250    |
|                  | <b>Mining 0.3%</b>  |              |
| 7,000            | Freeport-McMoRan Copper & Gold, Inc., 5.45%, 3/15/43 (k)  | 6,700,736    |
| 3,500            | St. Barbara Ltd., 8.875%, 4/15/18 (a)(b)(d)(l)<br>(acquisition cost-\$3,482,255; purchased 3/22/13)                         | 2,931,250    |
|                  |   | 9,631,986    |
|                  | <b>Miscellaneous Manufacturing 0.0%</b>   |              |
| 1,000            | Trinseo Materials Operating SCA, 8.75%, 2/1/19 (a)(d)   | 1,037,500    |
|                  | <b>Oil &amp; Gas 3.8%</b>   |              |
| 3,000            | Antero Resources Finance Corp., 5.375%, 11/1/21 (a)(b)(d)(l)<br>(acquisition cost-\$3,000,000; purchased 10/24/13)          | 3,031,875    |
| 2,200            | Chesapeake Energy Corp., 9.50%, 2/15/15   | 2,395,250    |
| 16,000           | Continental Resources, Inc., 4.50%, 4/15/23 (k)   | 16,240,000   |
| 1,280            | Denbury Resources, Inc., 4.625%, 7/15/23  | 1,161,600    |
| 9,000            | Ecopetrol S.A., 7.375%, 9/18/43 (k)   | 9,778,500    |
| 5,000            | Expro Finance Luxembourg SCA, 8.50%, 12/15/16 (a)(d)(k)   | 5,237,500    |
| 6,000            | Forbes Energy Services Ltd., 9.00%, 6/15/19   | 5,910,000    |
| 3,500            | Hiland Partners L.P., 7.25%, 10/1/20 (a)(d)   | 3,771,250    |
| 1,500            | LBC Tank Terminals Holding Netherlands BV, 6.875%, 5/15/23 (a)(b)(d)(l)<br>(acquisition cost-\$1,500,000; purchased 5/8/13) | 1,558,125    |
| 20,000           | Millennium Offshore Services Superholdings LLC, 9.50%, 2/15/18 (a)(d)(k)  | 20,900,000   |
| 3,000            | Murphy Oil USA, Inc., 6.00%, 8/15/23 (a)(b)(d)(l)<br>(acquisition cost-\$3,000,000; purchased 8/9/13)                       | 3,030,000    |
|                  | OGX Austria GmbH (a)(f),  |              |
| 5,600            | 8.375%, 4/1/22 (d)  | 476,000      |
| 400              | 8.375%, 4/1/22  | 34,000       |
| 46,150           | 8.50%, 6/1/18 (d)   | 3,922,750    |
| 15,000           | Penn Virginia Corp., 8.50%, 5/1/20 (k)  | 16,200,000   |
| 30,000           | Sierra Hamilton LLC, 12.25%, 12/15/18 (a)(b)(d)(g)(l)<br>(acquisition cost-\$30,000,000; purchased 12/19/13)                | 29,941,647   |
| 740              | Welltec A/S, 8.00%, 2/1/19 (a)(d)   | 788,100      |
|                  |   | 124,376,597  |
|                  | <b>Paper &amp; Forest Products 2.2%</b>   |              |

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|        |   |            |
|--------|---|------------|
| 21,000 | Millar Western Forest Products Ltd., 8.50%, 4/1/21 (k)  | 21,682,500 |
| 47,010 | Tembec Industries, Inc., 11.25%, 12/15/18 (k)   | 51,711,000 |
|        |   | 73,393,500 |
|        | <b>Pharmaceuticals 0.2%</b>   |            |
| 1,000  | Capsugel S.A., 7.00%, 5/15/19 (a)(b)(d)(l)<br>(acquisition cost-\$1,000,000; purchased 10/31/13)            | 1,020,625  |
| 5,000  | Pinnacle Merger Sub, Inc., 9.50%, 10/1/23 (a)(b)(d)(l)<br>(acquisition cost-\$5,000,000; purchased 9/18/13) | 5,350,000  |
|        |   | 6,370,625  |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value       |
|------------------|---|-------------|
|                  | <b>Pipelines 0.4%</b>   |             |
| \$1,500          | Genesis Energy L.P., 5.75%, 2/15/21   | \$1,524,375 |
| 4,750            | Regency Energy Partners L.P., 4.50%, 11/1/23  | 4,346,250   |
| 7,000            | Sabine Pass Liquefaction LLC, 5.625%, 4/15/23 (a)(d)  | 6,580,000   |
|                  |   | 12,450,625  |
|                  | <b>Retail 0.6%</b>  |             |
|                  | Enterprise Inns PLC,  |             |
| £742             | 6.50%, 12/6/18  | 1,280,935   |
| 2,360            | 6.875%, 2/15/21   | 3,927,582   |
| 1,950            | 6.875%, 5/9/25  | 3,148,375   |
| 8,007            | Spirit Issuer PLC, 5.472%, 12/28/34 (n)   | 12,364,196  |
|                  |   | 20,721,088  |
|                  | <b>Software 0.5%</b>  |             |
|                  | Activision Blizzard, Inc. (a)(b)(d)(l),   |             |
| \$3,500          | 5.625%, 9/15/21 (acquisition cost-\$3,500,000; purchased 9/12/13)   | 3,631,250   |
| 3,500            | 6.125%, 9/15/23 (acquisition cost-\$3,500,000; purchased 9/12/13)   | 3,657,500   |
| 5,000            | BMC Software Finance, Inc., 8.125%, 7/15/21 (a)(b)(d)(k)(l)<br>(acquisition cost-\$5,000,000; purchased 8/7/13)                   | 5,175,000   |
| 5,000            | Healthcare Technology Intermediate, Inc., 7.375%, 9/1/18, PIK (a)(b)(d)(k)(l)<br>(acquisition cost-\$5,000,000; purchased 8/1/13) | 5,225,000   |
|                  |   | 17,688,750  |
|                  | <b>Storage/Warehousing 0.8%</b>   |             |
|                  | Algeco Scotsman Global Finance PLC (a)(d),  |             |
| 19,000           | 8.50%, 10/15/18 (k)   | 20,662,500  |
| 5,000            | 10.75%, 10/15/19 (b)(l) (acquisition cost-\$5,175,000; purchased 10/18/13-10/21/13)   | 5,300,000   |
|                  |   | 25,962,500  |
|                  | <b>Telecommunications 10.7%</b>   |             |
| 5,000            | Alcatel-Lucent USA, Inc., 4.625%, 7/1/17 (a)(b)(d)(l)<br>(acquisition cost-\$4,979,650; purchased 12/5/13)                        | 5,031,250   |
| 33,300           | GCI, Inc., 6.75%, 6/1/21 (k)  | 32,051,250  |
|                  | Intelsat Luxembourg S.A. (a)(d)(k),   |             |
| 5,000            | 6.75%, 6/1/18   | 5,337,500   |
| 17,000           | 8.125%, 6/1/23  | 18,296,250  |
| 18,000           | MetroPCS Wireless, Inc., 6.625%, 4/1/23 (a)(d)(k)   | 18,652,500  |
| 15,000           | Sprint Corp., 7.875%, 9/15/23 (a)(d)(k)   | 16,162,500  |
|                  | T-Mobile USA, Inc.,   |             |
| 10,500           | 6.542%, 4/28/20 (k)   | 11,221,875  |
| 5,000            | 6.731%, 4/28/22 (k)   | 5,231,250   |

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|        |   |            |
|--------|---|------------|
| 1,000  | 6.836%, 4/28/23   | 1,041,250  |
|        | Verizon Communications, Inc.,                                   |            |
| 10,960 | 4.50%, 9/15/20 (k)  | 11,737,075 |
| 5,600  | 5.15%, 9/15/23  | 6,014,736  |
| 4,370  | 6.40%, 9/15/33 (k)  | 5,026,946  |
| 9,200  | 6.55%, 9/15/43 (k)  | 10,766,006 |
|        | Vimpel Communications Via VIP Finance Ireland Ltd. OJSC (a)(d), |            |
| 10,000 | 7.748%, 2/2/21  | 10,887,500 |
| 15,000 | 9.125%, 4/30/18   | 17,662,500 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |  | Value                |
|------------------|--|----------------------|
|                  | <b>Telecommunications (continued)</b>  |                      |
| \$25,000         | VimpelCom Holdings BV, 5.95%, 2/13/23 (a)(d)   | \$23,687,500         |
|                  | Virgin Media Secured Finance PLC (k),  |                      |
| £47,379          | 5.50%, 1/15/21   | 79,222,209           |
| 43,100           | 6.00%, 4/15/21   | 73,691,013           |
|                  |  | 351,721,110          |
|                  | <b>Tobacco 0.3%</b>  |                      |
| \$9,750          | Vector Group Ltd., 7.75%, 2/15/21 (k)  | 10,359,375           |
|                  | <b>Transportation 0.5%</b>   |                      |
| 5,727            | Aviation Capital Group Corp., 6.75%, 4/6/21 (a)(b)(d)(k)(l)<br>(acquisition cost-\$6,196,614; purchased 2/4/13)        | 6,270,464            |
| 7,941            | Hapag-Lloyd AG, 9.00%, 10/15/15  | 11,432,604           |
|                  |  | 17,703,068           |
|                  | <b>Total Corporate Bonds &amp; Notes (cost-\$1,890,520,241)</b>  | <b>1,915,792,466</b> |
|                  | <b>Senior Loans (a)(c) 34.1%</b>   |                      |
|                  | <b>Auto Components 0.3%</b>  |                      |
| \$9,077          | Keystone Automotive Operations, Inc., 7.00%, 8/13/19 (b)(l)<br>(acquisition cost-\$8,941,091; purchased 8/8/13)        | 9,128,310            |
|                  | <b>Chemicals 2.2%</b>  |                      |
|                  | Al Chem & Cy S.C.A.,   |                      |
| 4,913            | 4.50%, 10/3/19, Term B1  | 4,965,454            |
| 2,549            | 4.50%, 10/3/19, Term B2 (b)(l) (acquisition cost-\$2,536,503; purchased 3/12/13)                                       | 2,576,335            |
| 5,000            | 8.25%, 4/3/20  | 5,168,750            |
| 14,888           | Axalta Coating Systems U.S. Holdings, Inc., 4.75%, 2/1/20  | 15,013,627           |
| 24,875           | Tronox, Inc., 4.50%, 3/19/20   | 25,232,578           |
| 19,796           | Univar, Inc., 5.00%, 6/30/17, Term B   | 19,629,255           |
|                  |  | 72,585,999           |
|                  | <b>Commercial Services 0.9%</b>  |                      |
| 29,675           | ServiceMaster Corp., 4.25%, 1/31/17  | 29,355,171           |
|                  | <b>Computers &amp; Peripherals 1.2%</b>  |                      |
| 40,000           | Dell International LLC, 4.50%, 4/29/20, Term B   | 40,150,000           |
|                  | <b>Construction &amp; Engineering 0.1%</b>   |                      |
| 3,000            | Brickman Group Holdings, Inc., 7.50%, 12/18/21, Term B (b)(e)(l)<br>(acquisition cost-\$2,985,000; purchased 12/11/13) | 3,074,064            |
|                  | <b>Containers &amp; Packaging 0.1%</b>   |                      |
| 2,500            | Ardagh Holdings, 4.25%, 12/17/19, Term B (e)   | 2,518,750            |
|                  | <b>Diversified Financial Services 0.5%</b>   |                      |
| 10,000           | CityCenter Holdings, LLC, 5.00%, 10/16/20, Term B  | 10,165,140           |

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|        |   |            |
|--------|---|------------|
| 6,965  | National Financial Partners Corp., 5.25%, 7/1/20, Term B      | 7,060,769  |
| 210    | Nuveen Investments, Inc., 4.167%, 5/13/17                     | 209,325    |
|        |   | 17,435,234 |
|        | <b>Entertainment 2.2%</b>                                     |            |
| 9,581  | Caesars Entertainment Operating Co., 5.488%, 1/28/18, Term B6 | 9,166,719  |
|        | Pinnacle Entertainment, Inc.,                                 |            |
| 970    | 3.75%, 8/15/16, Term B1                                       | 976,530    |
| 3,632  | 3.75%, 8/14/20, Term B2                                       | 3,654,448  |
| 39,700 | Station Casinos LLC, 5.00%, 3/1/20, Term B                    | 40,202,443 |
| 19,788 | Zuffa LLC, 4.50%, 2/25/20, Term B                             | 19,979,158 |
|        |   | 73,979,298 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |  | Value       |
|------------------|--|-------------|
|                  | <b>Environmental Services 0.1%</b>   |             |
|                  | WTG Holdings Corp. (b)(e)(1),  |             |
| \$4,000          | 4.75%, 12/12/20 (acquisition cost-\$3,980,000; purchased 12/12/13)   | \$4,026,668 |
| 1,000            | 8.50%, 12/12/21 (acquisition cost-\$995,000; purchased 12/12/13)   | 1,015,000   |
|                  |  | 5,041,668   |
|                  | <b>Food &amp; Beverage 4.1%</b>  |             |
| 22,643           | Albertson's, LLC, 4.25%, 3/21/16, Term B   | 22,822,588  |
| 10,735           | Candy Intermediate Holdings, Inc., 7.50%, 6/18/18, Term B  | 10,188,928  |
| 99,998           | HJ Heinz Co., 3.50%, 6/5/20, Term B2   | 100,889,078 |
|                  |  | 133,900,594 |
|                  | <b>Healthcare-Products 2.5%</b>  |             |
| \$40,000         | Alliance Boots Ltd., 3.47%, 7/9/17, Term B   | 66,289,331  |
| \$9,950          | Biomet, Inc., 3.665%, 7/25/17, Term B2   | 10,041,699  |
| 5,000            | Rite Aid Corp., 5.75%, 8/21/20   | 5,146,875   |
|                  |  | 81,477,905  |
|                  | <b>Healthcare-Services 2.4%</b>  |             |
| 10,895           | Air Medical Group Holdings, Inc., 5.00%, 6/30/18 (b)(1)<br>(acquisition cost-\$11,152,218; purchased 2/1/13-2/13/13) | 11,031,017  |
| 25,805           | American Renal Holdings, Inc., 4.50%, 8/20/19  | 25,917,897  |
| 14,925           | Apria Healthcare Group, Inc., 6.75%, 4/5/20  | 14,999,625  |
|                  | Catalent Pharma Solutions, Inc.,   |             |
| 9,900            | 4.25%, 9/15/17, Term B2  | 9,974,250   |
| 2,000            | 6.50%, 12/31/17  | 2,030,000   |
| 4,353            | Covis Pharmaceuticals Holdings, 6.00%, 4/4/19  | 4,350,929   |
| 9,925            | United Surgical Partners International, Inc., 4.75%, 4/3/19, Term B  | 9,988,520   |
|                  |  | 78,292,238  |
|                  | <b>Household Products/Wares 0.7%</b>   |             |
| 23,902           | Sun Products Corp., 5.50%, 3/18/20   | 22,707,178  |
|                  | <b>Insurance 0.8%</b>  |             |
| 14,857           | AmWINS Group, Inc., 5.00%, 9/6/19  | 14,953,992  |
| 9,900            | Asurion LLC, 4.50%, 5/24/19, Term B1   | 9,907,979   |
|                  |  | 24,861,971  |
|                  | <b>Internet 0.4%</b>   |             |
|                  | Ancestry.com, Inc.,  |             |
| 2,475            | 4.25%, 5/15/18, Term B2  | 2,482,220   |
| 7,270            | 5.25%, 12/28/18  | 7,309,565   |
| 4,950            | WaveDivision Holdings LLC, 4.00%, 10/15/19, Term B   | 4,970,582   |
|                  |  | 14,762,367  |

|        |  |            |
|--------|--|------------|
|        | <b>Internet Software &amp; Services 0.1%</b>   |            |
| 2,488  | Getty Images, Inc., 4.75%, 10/18/19 (e)  | 2,326,908  |
|        | <b>Leisure 0.2%</b>  |            |
| 5,000  | Regent Seven Seas Cruises, Inc., 4.75%, 12/21/18, Term B (b)(1)<br>(acquisition cost-\$5,050,000; purchased 2/13/13) | 5,068,750  |
|        | <b>Lodging 0.1%</b>  |            |
| 2,494  | Playa Resorts Holding B.V., 4.75%, 8/9/19, Term B  | 2,531,156  |
|        | <b>Machinery 0.4%</b>  |            |
| 14,306 | Gardner Denver, Inc., 4.25%, 7/30/20 (e)   | 14,350,539 |

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

| Principal<br>Amount<br>(000s) |  | Value        |
|-------------------------------|--|--------------|
|                               | <b>Media 1.0%</b>  |              |
| \$24,875                      | CSC Holdings LLC, 2.669%, 4/17/20, Term B  | \$24,668,438 |
| 7,281                         | Salem Communications Corp., 4.50%, 3/14/20, Term B   | 7,335,859    |
|                               |  | 32,004,297   |
|                               | <b>Mining 2.2%</b>   |              |
| 29,559                        | Fortescue Metals Group Ltd., 4.25%, 6/30/19, Term B  | 30,008,926   |
| 29,698                        | Noranda Aluminum Acquisition Corp., 5.75%, 2/28/19, Term B   | 27,940,607   |
| 14,919                        | Walter Energy, Inc., 6.75%, 4/1/18, Term B   | 14,663,671   |
|                               |  | 72,613,204   |
|                               | <b>Miscellaneous Manufacturing 0.2%</b>  |              |
| 4,988                         | CPG International, Inc., 4.75%, 9/30/20, Term B  | 5,018,672    |
| 1,909                         | Freedom Group, Inc., 5.50%, 4/19/19, Term B2 (e)   | 1,930,170    |
|                               |  | 6,948,842    |
|                               | <b>Oil &amp; Gas 0.8%</b>  |              |
| 11,000                        | NFR Energy LLC, 8.75%, 12/31/18  | 11,114,587   |
| 14,888                        | Saxon Energy Services, Inc., 5.50%, 2/15/19, Term B  | 15,072,046   |
|                               |  | 26,186,633   |
|                               | <b>Pharmaceuticals 2.7%</b>  |              |
| 19,950                        | Aptalis Pharma, Inc., 6.00%, 10/2/20, Term B   | 20,324,062   |
| 7,920                         | Par Pharmaceutical Companies, Inc., 4.25%, 9/28/19, Term B   | 7,975,440    |
| 9,975                         | PRA Holdings, Inc., 5.00%, 9/23/20   | 10,023,798   |
| 49,625                        | Valeant Pharmaceuticals International, Inc., 4.50%, 8/5/20, Term B   | 50,012,720   |
|                               |  | 88,336,020   |
|                               | <b>Pipelines 1.3%</b>  |              |
| 46,916                        | NGPL PipeCo LLC, 6.75%, 9/15/17, Term B  | 43,881,404   |
|                               | <b>Plumbing &amp; HVAC Equipment 0.6%</b>  |              |
| 22,050                        | AMPAM Parks Mechanical, Inc., 8.375%, 10/31/18 (b)(d)(g)(l)<br>(acquisition cost-\$21,609,000; purchased 10/30/13) | 21,623,732   |
|                               | <b>Real Estate 0.5%</b>  |              |
| 16,873                        | Realogy Corp., 4.50%, 3/5/20   | 17,070,229   |
|                               | <b>Retail 0.3%</b>   |              |
| 3,500                         | Advantage Sales & Marketing, 8.25%, 6/18/18  | 3,550,312    |
| 7,481                         | American Builders & Contractors Supply Co., Inc., 3.50%, 4/16/20, Term B   | 7,506,380    |
|                               |  | 11,056,692   |
|                               | <b>Semiconductors 0.5%</b>   |              |
| 14,888                        | Freescale Semiconductor, Inc., 5.00%, 3/1/20, Term B4  | 15,072,045   |
|                               | <b>Software 1.1%</b>   |              |
| 4,988                         | Activision Blizzard, Inc., 3.25%, 10/11/20, Term B   | 5,026,223    |

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|        |  |             |
|--------|--|-------------|
|        | First Data Corp.,                                      |             |
| 9,500  | 4.164%, 3/24/17  | 9,530,428   |
| 12,000 | 4.164%, 3/24/18, Term B                                | 12,029,256  |
| 9,925  | SunGard Data Systems, Inc., 4.00%, 3/8/20, Term E      | 10,016,499  |
|        |  | 36,602,406  |
|        | <b>Telecommunications 3.2%</b>                         |             |
| 24,750 | Alcatel-Lucent USA, Inc., 5.75%, 1/30/19, Term C       | 24,922,730  |
| 25,550 | Intelsat Jackson Holdings, 3.75%, 6/30/19              | 25,805,855  |
| 9,950  | Light Tower Fiber LLC, 4.50%, 4/1/20, Term B           | 10,022,555  |
| 4,848  | Syniverse Holdings, Inc., 4.00%, 4/23/19, Term B       | 4,871,846   |
| 39,700 | Univision Communications, Inc., 4.50%, 3/1/20, Term C2 | 39,997,750  |
|        |  | 105,620,736 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value                |
|------------------|---|----------------------|
|                  | <b>Transportation 0.4%</b>  |                      |
| \$4,211          | Commercial Barge Line Co., 7.50%, 9/15/19, Term B                     | \$4,179,666          |
| 10,000           | Maxim Crane Works LP, 10.25%, 11/26/18 (e)                            | 10,062,500           |
|                  |   | 14,242,166           |
|                  | <b>Total Senior Loans (cost-\$1,116,829,626)</b>                      | <b>1,124,806,506</b> |
|                  | <b>Mortgage-Backed Securities 24.5%</b>                               |                      |
|                  | Adjustable Rate Mortgage Trust, CMO (n),                              |                      |
| 7,800            | 3.56%, 3/25/37  | 6,051,155            |
| 2,167            | 4.594%, 11/25/37 (a)(d)   | 1,415,855            |
| 880              | American Home Mortgage Assets Trust, 6.25%, 6/25/37, CMO              | 558,660              |
| 7,034            | American Home Mortgage Investment Trust, 6.10%, 1/25/37, CMO (a)(d)   | 4,647,956            |
|                  | Banc of America Alternative Loan Trust, CMO,                          |                      |
| 353              | 6.00%, 7/25/35  | 330,304              |
| 2,266            | 6.00%, 11/25/35   | 1,953,648            |
| 2,966            | 6.00%, 4/25/36  | 2,274,117            |
| 3,949            | 6.00%, 7/25/46  | 3,273,665            |
| 6,396            | 6.50%, 2/25/36  | 5,271,333            |
| 1,054            | 16.578%, 9/25/35 (b)(n)   | 1,302,411            |
|                  | Banc of America Funding Corp., CMO,                                   |                      |
| 4,842            | 0.375%, 4/25/37 (n)   | 3,186,338            |
| 6,724            | 2.589%, 9/20/46 (n)   | 5,515,603            |
| 8,216            | 5.921%, 8/26/36 (a)(d)(n)   | 4,650,007            |
| 10,560           | 6.00%, 10/25/37   | 7,476,156            |
| 613              | Banc of America Mortgage Trust, 6.00%, 10/25/36, CMO                  | 542,688              |
|                  | BCAP LLC Trust, CMO (a)(d),   |                      |
| 6,841            | 0.335%, 9/26/35 (n)   | 6,685,172            |
| 9,886            | 4.695%, 11/27/35 (n)  | 7,783,274            |
| 15,688           | 5.50%, 12/26/35 (n)   | 10,960,439           |
| 937              | 17.00%, 7/26/36   | 956,966              |
| 2,860            | Bear Stearns Adjustable Rate Mortgage Trust, 2.401%, 2/25/36, CMO (n) | 2,003,496            |
|                  | Bear Stearns ALT-A Trust, CMO (n),                                    |                      |
| 6,679            | 0.505%, 8/25/36   | 3,899,477            |
| 7,549            | 0.665%, 1/25/36   | 4,637,233            |
| 5,040            | 2.438%, 3/25/36   | 3,639,919            |
| 9,109            | 2.556%, 8/25/46   | 5,652,366            |
| 12,753           | 2.599%, 4/25/37   | 8,637,952            |
| 2,876            | 2.931%, 5/25/36   | 1,682,339            |
| 9,960            | 5.088%, 9/25/35   | 8,018,456            |

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|          |   |            |
|----------|---|------------|
| 8,538    | Bear Stearns Mortgage Funding Trust, 7.00%, 8/25/36, CMO                      | 6,851,909  |
|          | Celtic Residential Irish Mortgage Securitisation No. 12 Ltd., 0.49%, 3/18/49, |            |
| 10,000   | CMO (n)   | 11,125,499 |
| \$23,465 | Chase Mortgage Finance Trust, 4.834%, 1/25/36, CMO (n)                        | 22,245,829 |
|          | Citigroup Mortgage Loan Trust, Inc., CMO,                                     |            |
| 2,139    | 2.591%, 7/25/46 (n)   | 1,702,027  |
| 8,178    | 2.728%, 7/25/36 (n)   | 5,202,378  |
| 6,817    | 4.695%, 3/25/37 (n)   | 5,307,521  |
| 2,176    | 5.531%, 4/25/37 (n)   | 1,908,284  |
| 1,972    | 6.50%, 9/25/36 (a)(d)   | 1,397,449  |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

## Principal

| Amount<br>(000s) |   | Value      |
|------------------|---|------------|
|                  | Countrywide Alternative Loan Trust, CMO,                                  |            |
| \$601            | 0.357%, 3/20/47 (n)   | \$443,364  |
| 493              | 0.467%, 11/20/35 (n)  | 391,958    |
| 2,997            | 0.865%, 10/25/35 (n)  | 2,316,550  |
| 18,133           | 5.50%, 12/25/35   | 16,135,260 |
| 4,179            | 5.50%, 2/25/36  | 3,594,815  |
| 4,482            | 5.50%, 5/25/36  | 3,833,028  |
| 3,769            | 5.50%, 5/25/37  | 3,160,865  |
| 17,723           | 5.601%, 5/25/36 (n)   | 14,512,174 |
| 1,029            | 6.00%, 3/25/35  | 859,680    |
| 1,428            | 6.00%, 4/25/36  | 1,168,943  |
| 3,025            | 6.00%, 1/25/37  | 2,595,118  |
| 13,052           | 6.00%, 2/25/37  | 10,301,993 |
| 30,465           | 6.00%, 4/25/37  | 23,888,138 |
| 17,949           | 6.00%, 8/25/37  | 14,807,534 |
| 1,386            | 6.25%, 12/25/36 (n)   | 1,122,252  |
| 2,195            | 6.50%, 9/25/37  | 1,710,961  |
| 333              | 19.347%, 7/25/35 (b)(n)   | 439,170    |
| 1,414            | Countrywide Asset-Backed Certificates, 0.405%, 4/25/36, CMO (n)           | 969,462    |
|                  | Countrywide Home Loan Mortgage Pass-Through Trust, CMO,                   |            |
| 55,216           | 2.035%, 3/25/46 (n)   | 41,303,263 |
| 14,011           | 2.461%, 3/20/36 (n)   | 14,159,905 |
| 10,196           | 6.00%, 1/25/38  | 9,011,969  |
| 732              | Credit Suisse First Boston Mortgage Securities Corp., 6.00%, 1/25/36, CMO | 564,385    |
|                  | Credit Suisse Mortgage Capital Certificates, CMO (a)(d),                  |            |
| 23,628           | 2.42%, 10/26/36 (n)   | 14,235,505 |
| 7,481            | 4.839%, 12/29/37 (n)  | 4,201,859  |
| 32,140           | 5.75%, 5/26/37  | 27,501,092 |
|                  | Credit Suisse Mortgage Capital Certificates Mortgage-Backed Trust, CMO,   |            |
| \$845            | 6.00%, 7/25/36  | \$656,503  |
| 887              | 6.50%, 10/25/21   | 748,857    |
| 6,079            | 6.50%, 5/25/36  | 4,450,321  |
| 5,504            | 6.75%, 8/25/36  | 4,164,275  |
|                  | Debussy DTC 1, CMO (a)(d),  |            |
| £55,000          | 5.93%, 7/12/25  | 92,442,939 |
| 10,000           | 8.25%, 7/12/25  | 15,649,641 |
| \$1,793          | Deutsche ALT-A Securities, Inc. Mortgage Loan Trust, 5.50%, 12/25/35, CMO | 1,571,400  |
|                  | First Horizon Alternative Mortgage Securities Trust, CMO, PO (b),         |            |

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|        |   |            |
|--------|---|------------|
| 55     | zero coupon, 2/25/20  | 47,040     |
| 57     | zero coupon, 5/25/20  | 49,427     |
| 42     | zero coupon, 6/25/20  | 36,720     |
| 348    | zero coupon, 3/25/35  | 254,859    |
| 10,773 | GSR Mortgage Loan Trust, 5.50%, 11/25/35, CMO<br>Harborview Mortgage Loan Trust, CMO (n), | 10,297,640 |
| 1,970  | 2.806%, 6/19/45   | 1,308,162  |
| 1,681  | 5.329%, 6/19/36   | 1,235,693  |
| 8,336  | HomeBanc Mortgage Trust, 2.499%, 4/25/37, CMO (n)   | 4,717,078  |
| 21,128 | HSI Asset Loan Obligation Trust, 6.00%, 6/25/37, CMO                                      | 18,638,380 |
| 11,639 | Impac Secured Assets Trust, 0.335%, 1/25/37, CMO (n)                                      | 9,384,113  |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value      |
|------------------|---|------------|
|                  | IndyMac Index Mortgage Loan Trust, CMO (n),                       |            |
| \$492            | 0.375%, 11/25/36  | \$406,567  |
| 2,258            | 2.939%, 6/25/36   | 1,696,784  |
| 4,945            | Jefferies Resecuritization Trust, 6.00%, 12/26/36, CMO (a)(d)     | 2,008,993  |
|                  | JPMorgan Alternative Loan Trust, CMO,                             |            |
| 15,981           | 0.665%, 6/27/37 (a)(d)(n)   | 13,622,106 |
| 1,862            | 2.637%, 5/25/36 (n)   | 1,450,881  |
| 2,523            | 6.00%, 12/25/35   | 2,245,141  |
| 1,954            | 6.05%, 11/25/36 (n)   | 1,636,136  |
|                  | JPMorgan Resecuritization Trust, CMO (a)(d)(n),                   |            |
| 8,904            | 2.615%, 3/21/37   | 6,611,588  |
| 7,287            | 5.173%, 4/26/36   | 3,733,762  |
| 10,341           | Lehman Mortgage Trust, 6.00%, 1/25/38, CMO                        | 9,624,023  |
| 1,098            | Lehman XS Trust, 1.065%, 8/25/47, CMO (n)                         | 771,183    |
| 3,504            | MASTR Adjustable Rate Mortgages Trust, 0.865%, 2/25/36, CMO (n)   | 2,230,698  |
| 19,928           | Merrill Lynch Mortgage Investors Trust, 2.948%, 3/25/36, CMO (n)  | 13,872,899 |
| 10,000           | Morgan Stanley Capital I, Inc., 5.862%, 7/12/44, CMO (n)          | 9,992,120  |
| 4,182            | Morgan Stanley Mortgage Loan Trust, 2.475%, 11/25/37, CMO (n)     | 3,212,331  |
| 27               | PHH Alternative Mortgage Trust, zero coupon, 2/25/37, CMO, PO (b) | 19,452     |
|                  | RBSSP Resecuritization Trust, CMO (a)(d),                         |            |
| 8,526            | 2.964%, 9/26/35 (n)   | 5,232,152  |
| 5,079            | 5.50%, 5/26/36  | 3,737,141  |
| 1,500            | 8.904%, 6/26/37 (n)   | 886,341    |
|                  | Residential Accredit Loans, Inc., CMO,                            |            |
| 1,308            | 0.315%, 2/25/37 (n)   | 1,011,706  |
| 4,416            | 5.75%, 1/25/34  | 4,549,016  |
| 6,512            | 6.00%, 12/25/35   | 5,437,335  |
| 3,278            | 6.00%, 4/25/36  | 2,557,519  |
| 9,029            | 6.00%, 5/25/36  | 7,206,109  |
| 3,352            | 6.00%, 6/25/36  | 2,607,459  |
| 6,405            | 6.00%, 8/25/36  | 4,875,646  |
| 7,208            | 6.00%, 11/25/36   | 5,532,260  |
| 5,910            | 6.00%, 3/25/37  | 4,647,705  |
| 9,766            | 6.25%, 2/25/37  | 7,741,407  |
| 2,510            | 6.50%, 9/25/37  | 1,879,799  |
|                  | Residential Asset Securitization Trust, CMO,                      |            |
| 6,899            | 5.50%, 9/25/35  | 6,033,812  |
| 1,384            | 6.00%, 2/25/36  | 1,078,762  |

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|   |  |            |
|---|--|------------|
| 2,379   | 6.00%, 5/25/36   | 2,140,104  |
| 420   | 6.00%, 2/25/37   | 331,915    |
| Residential Funding Mortgage Securities I, CMO, |  |            |
| 11,422  | 5.50%, 3/25/36   | 10,138,556 |
| 2,628   | 6.00%, 10/25/36  | 2,354,905  |
| Sequoia Mortgage Trust, CMO (n),                |  |            |
| 1,505   | 0.998%, 2/20/34  | 1,466,340  |
| 1,473   | 1.961%, 9/20/32  | 1,394,152  |
| 28,455  | 5.383%, 6/20/37  | 25,830,825 |
| 2,714   | Structured Adjustable Rate Mortgage Loan Trust, 2.515%, 4/25/36, CMO (n) | 2,391,772  |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |  | Value              |
|------------------|--|--------------------|
|                  | Structured Asset Mortgage Investments II Trust, CMO (n),                         |                    |
| \$20             | 0.375%, 5/25/46  | \$15,567           |
| 16,815           | 1.624%, 2/25/36  | 14,021,357         |
| 15,897           | Structured Asset Securities Corp., 5.50%, 10/25/35, CMO                          | 13,457,800         |
| 8,768            | Suntrust Adjustable Rate Mortgage Loan Trust, 6.014%, 2/25/37, CMO (n)           | 7,397,372          |
| 568              | WaMu Mortgage Pass-Through Certificates, 2.463%, 7/25/46, CMO (n)                | 536,201            |
|                  | Washington Mutual Mortgage Pass-Through Certificates, CMO,                       |                    |
| 4,196            | 0.405%, 1/25/47 (n)  | 2,494,264          |
| 15,376           | 1.109%, 6/25/46 (n)  | 8,778,361          |
| 13,966           | 4.885%, 5/25/36  | 9,469,176          |
| 3,685            | 5.75%, 11/25/35  | 3,021,538          |
| 18,974           | 6.221%, 7/25/36  | 10,309,361         |
| 3,266            | 6.449%, 7/25/36  | 1,773,796          |
| 8,773            | Wells Fargo Mortgage Loan Trust, 2.625%, 3/27/37, CMO (a)(d)(n)                  | 5,981,589          |
|                  | <b>Total Mortgage-Backed Securities (cost-\$786,781,617)</b>                     | <b>809,083,956</b> |
|                  | <b>Asset-Backed Securities 12.6%</b>   |                    |
|                  | Accredited Mortgage Loan Trust (n),  |                    |
| 4,520            | 0.445%, 4/25/36  | 3,194,632          |
| 3,900            | 0.63%, 9/25/35   | 3,112,278          |
| 1,300            | ACE Securities Corp. Home Equity Loan Trust, 0.465%, 2/25/36 (n)                 | 1,014,385          |
| 7,500            | Aegis Asset-Backed Securities Trust, 0.595%, 12/25/35 (n)                        | 3,966,187          |
| 3,600            | Aircraft Certificate Owner Trust, 7.001%, 9/20/22 (a)(d)(g)                      | 3,594,900          |
| 9,000            | Ameritrust Mortgage Securities Trust, 0.555%, 3/25/36 (n)                        | 7,165,908          |
|                  | Ameritrust Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates (n), |                    |
| 2,868            | 0.685%, 5/25/34  | 2,494,027          |
| 7,000            | 0.775%, 9/25/35  | 3,974,859          |
| 1,115            | Amortizing Residential Collateral Trust, 1.29%, 8/25/32 (n)                      | 965,578            |
| 42,853           | Anthracite CDO I Ltd., 6.00%, 5/24/37 (a)(d)                                     | 44,138,590         |
|                  | Argent Securities Trust (n),   |                    |
| 812              | 0.255%, 7/25/36  | 327,566            |
| 21,828           | 0.315%, 7/25/36  | 8,862,303          |
| 799              | 0.315%, 9/25/36  | 323,713            |
|                  | Argent Securities, Inc. Asset-Backed Pass-Through Certificates (n),              |                    |
| 4,496            | 0.395%, 1/25/36  | 2,972,503          |
| 9,031            | 1.44%, 11/25/34  | 6,641,238          |
| 2,243            | Asset Backed Funding Certificates, 1.215%, 3/25/34 (n)                           | 1,773,175          |
| 5,150            | Asset Backed Securities Corp. Home Equity Loan Trust, 0.615%, 11/25/35 (n)       | 4,106,667          |
|                  | Bear Stearns Asset-Backed Securities Trust,                                      |                    |

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|       |  |           |
|-------|--|-----------|
| 1,304 | 3.953%, 10/25/36 (n)                                 | 1,161,848 |
| 1,431 | 6.00%, 12/25/35                                      | 1,137,518 |
| 1,672 | Carrington Mortgage Loan Trust, 0.245%, 10/25/36 (n) | 829,624   |
| 9,213 | Centex Home Equity, 0.645%, 10/25/35 (n)             | 7,569,253 |
|       | Citigroup Mortgage Loan Trust, Inc. (n),             |           |
| 650   | 0.365%, 1/25/37                                      | 539,111   |
| 7,000 | 0.575%, 10/25/35                                     | 5,896,296 |
|       | Countrywide Asset-Backed Certificates (n),           |           |
| 687   | 0.265%, 5/25/47                                      | 676,642   |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

## Principal

| Amount<br>(000s) |  | Value       |
|------------------|--|-------------|
| \$13,600         | 0.305%, 7/25/37  | \$9,576,807 |
| 23,182           | 0.325%, 5/25/36  | 19,556,560  |
| 7,200            | 0.805%, 10/25/35   | 5,475,478   |
| 4,500            | 0.815%, 7/25/35  | 3,697,236   |
| 1,600            | 0.915%, 3/25/34  | 1,522,195   |
| 372              | 5.427%, 10/25/46   | 305,969     |
| 8,800            | Credit-Based Asset Servicing and Securitization LLC, 0.405%, 5/25/36 (n) | 5,522,922   |
| 9,207            | Fieldstone Mortgage Investment Trust, 0.335%, 7/25/36 (n)                | 4,985,422   |
|                  | First Franklin Mortgage Loan Trust (n),                                  |             |
| 1,800            | 0.975%, 4/25/35 (a)(d)   | 1,670,251   |
| 2,960            | 1.065%, 1/25/35  | 2,229,714   |
| 5,158            | GSAA Trust, 5.058%, 5/25/35  | 4,385,904   |
|                  | GSAMP Trust (n),   |             |
| 1,602            | 0.255%, 1/25/37  | 852,231     |
| 2,000            | 0.435%, 4/25/36  | 1,020,420   |
| 1,154            | 2.715%, 10/25/33   | 1,072,880   |
|                  | HSI Asset Securitization Corp. Trust (n),                                |             |
| 3,490            | 0.335%, 12/25/36   | 1,551,350   |
| 1,347            | 0.455%, 11/25/35   | 1,112,663   |
| 5,100            | IndyMac Residential Asset-Backed Trust, 0.405%, 4/25/47 (n)              | 2,964,212   |
|                  | JPMorgan Mortgage Acquisition Trust,                                     |             |
| 2,699            | 0.315%, 7/25/36 (n)  | 1,339,225   |
| 20,000           | 5.118%, 10/25/36   | 15,804,400  |
| 2,000            | 5.338%, 11/25/36   | 1,996,416   |
| 19,977           | Lehman XS Trust, 5.419%, 5/25/37 (n)                                     | 16,566,816  |
| 4,000            | Merrill Lynch Mortgage Investors Trust, 0.475%, 8/25/36 (n)              | 3,407,136   |
|                  | Morgan Stanley ABS Capital I, Inc. Trust (n),                            |             |
| 11,835           | 0.315%, 6/25/36  | 7,847,617   |
| 12,403           | 0.315%, 11/25/36   | 6,934,560   |
| 6,500            | 0.595%, 9/25/35  | 5,544,948   |
| 400              | 0.635%, 7/25/35  | 344,924     |
| 26,137           | Morgan Stanley Capital I, Inc., 0.455%, 1/25/36 (n)                      | 21,462,511  |
| 800              | Morgan Stanley Home Equity Loan Trust, 0.635%, 8/25/35 (n)               | 729,899     |
| 959              | New Century Home Equity Loan Trust, 3.165%, 1/25/33 (n)                  | 846,094     |
|                  | Option One Mortgage Loan Trust (n),                                      |             |
| 1,000            | 0.305%, 1/25/37  | 555,452     |
| 1,200            | 0.385%, 1/25/37  | 670,918     |
| 962              | 0.415%, 3/25/37  | 506,907     |

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|        |   |            |
|--------|---|------------|
|        | Park Place Securities, Inc. Asset-Backed Pass-Through Certificates (n), |            |
| 9,350  | 0.715%, 7/25/35   | 6,104,727  |
| 4,427  | 0.995%, 1/25/36   | 3,715,026  |
| 8,978  | 1.045%, 1/25/36   | 6,005,256  |
| 3,333  | Renaissance Home Equity Loan Trust, 5.612%, 4/25/37                     | 1,771,728  |
| 14,303 | Residential Asset Mortgage Products, Inc., 0.485%, 1/25/36 (n)          | 9,708,619  |
|        | Residential Asset Securities Corp. (n),                                 |            |
| 17,800 | 0.425%, 7/25/36   | 13,294,126 |
| 5,270  | 0.445%, 4/25/36   | 3,833,050  |
| 5,775  | 0.505%, 5/25/37   | 3,795,792  |
| 1,000  | 0.565%, 12/25/35  | 892,156    |
| 68,666 | Saxon Asset Securities Trust, 1.915%, 12/25/37 (a)(d)(n)                | 57,698,134 |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value       |
|------------------|---|-------------|
|                  | Securitized Asset-Backed Receivables LLC Trust (n),                   |             |
| \$14,003         | 0.415%, 5/25/36   | \$7,925,069 |
| 6,467            | 0.435%, 3/25/36   | 4,904,720   |
|                  | Soundview Home Equity Loan Trust (n),                                 |             |
| 4,936            | 0.315%, 6/25/37   | 2,697,848   |
| 4,660            | 0.425%, 2/25/37   | 2,207,291   |
|                  | Specialty Underwriting & Residential Finance Trust (n),               |             |
| 908              | 0.515%, 3/25/37   | 474,038     |
| 4,620            | 1.965%, 5/25/35   | 3,787,346   |
|                  | Structured Asset Investment Loan Trust (n),                           |             |
| 5,600            | 0.655%, 8/25/35   | 4,879,672   |
| 1,700            | 1.065%, 9/25/34   | 1,620,355   |
| 11,800           | Wells Fargo Home Equity Asset-Backed Securities, 0.625%, 12/25/35 (n) | 10,004,630  |
|                  | Total Asset-Backed Securities (cost-\$406,952,664)                    | 413,818,421 |

Shares

|  |   |            |
|--|---|------------|
| <b>Preferred Stock 2.0%</b>                |   |            |
| <b>Banking 1.5%</b>                        |   |            |
|  | Ally Financial, Inc.,   |            |
| 40,000                                     | 7.00%, 1/30/14, Ser. G (a)(d)(i)  | 38,403,752 |
| 15,000                                     | 8.50%, 5/15/16, Ser. A (i)(m)   | 402,750    |
| 331,800                                    | GMAC Capital Trust I, 8.125%, 2/15/40, Ser. 2 (m)   | 8,872,332  |
|  |   | 47,678,834 |
| <b>Diversified Financial Services 0.5%</b> |   |            |
| 170,000                                    | Farm Credit Bank, 6.75%, 9/15/23 (a)(b)(d)(i)(l)(m)<br>(acquisition cost-\$17,000,000; purchased 7/16/13) | 17,095,625 |
|  | Total Preferred Stock (cost-\$65,166,496)   | 64,774,459 |

Principal

| Amount<br>(000s)                              |                            |           |
|---|----------------------------|-----------|
| <b>U.S. Government Agency Securities 1.6%</b> |                            |           |
|   | Fannie Mae, CMO (b),       |           |
| \$37,092                                      | 3.00%, 1/25/42-1/25/43, IO | 5,235,096 |
| 5,100   | 3.50%, 8/25/32, IO         | 900,303   |
| 41,552  | 5.735%, 10/25/43, IO (n)   | 9,340,946 |
| 4,363   | 5.835%, 8/25/38, IO (n)    | 605,824   |

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|        |                                |           |
|--------|--------------------------------|-----------|
| 9,866  | 5.985%, 2/25/43, IO (n)        | 2,075,131 |
| 9,365  | 6.475%, 12/25/36, IO (n)       | 1,369,353 |
| 16,589 | 6.485%, 4/25/37, IO (n)        | 2,689,576 |
| 3,631  | 8.716%, 10/25/42 (n)           | 3,390,379 |
|        | Freddie Mac, CMO, IO,          |           |
| 41,150 | 2.50%, 11/15/27                | 4,482,839 |
| 6,682  | 3.00%, 2/15/33 (b)             | 1,115,758 |
| 9,470  | 3.50%, 8/15/42 (b)             | 1,975,762 |
| 24,751 | 4.00%, 3/15/27-9/15/39 (b)     | 4,187,739 |
| 14,713 | 5.833%, 8/15/42 (b)(n)         | 3,033,624 |
| 7,077  | 6.033%, 9/15/41-9/15/42 (b)(n) | 1,354,962 |
| 5,930  | 6.333%, 12/15/34 (b)(n)        | 695,448   |

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Principal

| Amount<br>(000s) |   | Value                |
|------------------|---|----------------------|
|                  | <b>Ginnie Mae, CMO, IO (b),</b>   |                      |
| \$3,705          | 3.50%, 6/20/42  | \$672,601            |
| 9,668            | 4.00%, 3/20/42-9/20/42  | 1,811,014            |
| 19,859           | 4.50%, 10/16/42   | 4,316,668            |
| 5,863            | 5.953%, 8/20/42 (n)   | 1,225,380            |
| 946              | 6.033%, 10/16/42 (n)  | 170,032              |
| 5,878            | 6.083%, 12/20/40 (n)  | 1,150,290            |
| 7,003            | 6.483%, 1/20/41 (n)   | 1,460,308            |
| 8,463            | 6.533%, 8/16/39 (n)   | 1,551,326            |
|                  | <b>Total U.S. Government Agency Securities (cost-\$53,419,606)</b>  | <b>54,810,359</b>    |
|                  | <b>U.S. Treasury Obligations 1.4%</b>   |                      |
| 45,703           | U.S. Treasury Notes, 0.25%, 1/31/15 (j)(k) (cost-\$45,686,409)  | 45,743,173           |
|                  | <b>Municipal Bonds 0.5%</b>   |                      |
|                  | <b>Ohio 0.5%</b>  |                      |
| 22,805           | Buckeye Tobacco Settlement Financing Auth. Rev., 6.50%, 6/1/47, Ser. A-2<br>(cost-\$21,416,549)   | 18,440,807           |
|                  | <b>Short-Term Investments 0.8%</b>  |                      |
|                  | <b>U.S. Treasury Obligations 0.5%</b>   |                      |
| 6,129            | U.S. Treasury Bills, 0.099%-0.129%, 9/18/14-11/13/14 (h)(j)   | 6,124,053            |
|                  | U.S. Treasury Notes,  |                      |
| 3,300            | 0.25%, 8/31/14  | 3,303,029            |
| 4,800            | 0.375%, 11/15/14  | 4,809,471            |
| 1,844            | 0.50%, 10/15/14   | 1,849,331            |
|                  | <b>Total U.S. Treasury Obligations (cost-\$16,083,373)</b>  | <b>16,085,884</b>    |
|                  | <b>Repurchase Agreements 0.3%</b>   |                      |
| 7,600            | Banc of America Securities LLC,<br>dated 12/31/13, 0.01%, due 1/2/14,<br>proceeds \$7,600,004; collateralized by<br>U.S. Treasury Notes, 0.375%, due 1/15/16,<br>valued at \$7,752,577 including accrued interest | 7,600,000            |
| 1,918            | State Street Bank and Trust Co.,<br>dated 12/31/13, 0.00%, due 1/2/14,<br>proceeds \$1,918,000; collateralized by<br>Freddie Mac, 2.08%, due 10/17/22,<br>valued at \$1,959,862 including accrued interest        | 1,918,000            |
|                  | <b>Total Repurchase Agreements (cost-\$9,518,000)</b>   | <b>9,518,000</b>     |
|                  | <b>Total Short-Term Investments (cost-\$25,601,373)</b>   | <b>25,603,884</b>    |
|                  | <b>Total Investments (cost-\$4,412,374,581) 135.6%</b>  | <b>4,472,874,031</b> |

|                                       |               |                        |
|---------------------------------------|---------------|------------------------|
| Liabilities in excess of other assets | (35.6)%       | (1,174,200,705)        |
| <b>Net Assets</b>                     | <b>100.0%</b> | <b>\$3,298,673,326</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 \$2,220,017,639, representing 67.3% 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

## Consolidated Schedule of Investments

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

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 December 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 December 31, 2013.
- (f) In default.
- (g) Fair-Valued Securities with an aggregate value of \$76,631,210, representing 2.3% of net assets. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (h) Rates reflect the effective yields at purchase date.
- (i) 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.
- (j) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (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 \$268,183,403. The aggregate value is \$272,874,078, representing 8.3% of net assets.
- (m) Dividend rate is fixed until the first call date and variable thereafter.

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(n) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on December 31, 2013.

(o) Futures contracts outstanding at December 31, 2013:

| Type   | Contracts | Market Value (000s) | Expiration Date | Unrealized Appreciation |
|--|-----------|---------------------|-----------------|-------------------------|
| Short: 5-Year Deliverable Interest Rate Swap |           |                     |                 |                         |
| Futures                                      | (4,120)   | \$ (413,416)        | 3/17/14         | \$ 3,493,651            |

(p) At December 31, 2013, the Fund pledged cash collateral of \$5,770,000 for futures contracts.

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

**OTC sell protection swap agreements:**

| Swap Counterparty/<br>Referenced Debt Issuer | Notional Amount (000s)(1) | Credit Spread | Termination Date | Payments Received | Value(2)  | Upfront Premiums Received | Unrealized Appreciation |
|--|---------------------------|---------------|------------------|-------------------|-----------|---------------------------|-------------------------|
| <b>BNP Paribas:</b>                          |                           |               |                  |                   |           |                           |                         |
| Barclays Bank                                | 5,000                     | 1.11%         | 6/20/18          | 3.00%             | \$573,238 | \$(15,070)                | \$588,308               |

**Centrally cleared buy protection swap agreements:**

| Broker (Exchange)                | Notional Amount (000s)(1) | Credit Spread | Termination Date | Payments Made | Value(2)      | Unrealized Depreciation |
|----------------------------------|---------------------------|---------------|------------------|---------------|---------------|-------------------------|
| <b>Citigroup (ICE):</b>          |                           |               |                  |               |               |                         |
| Dow Jones CDX.HY-20 5-Year Index | \$18,100                  | 1.10%         | 6/20/18          | (5.00)%       | \$(1,752,181) | \$(278,841)             |

**Centrally cleared sell protection swap agreements:**

| Broker (Exchange)/Referenced<br>Debt Issuer | Notional Amount (000s)(1) | Credit Spread | Termination Date | Payments Received | Value(2)    | Unrealized Appreciation |
|---|---------------------------|---------------|------------------|-------------------|-------------|-------------------------|
| <b>Citigroup (ICE):</b>                     |                           |               |                  |                   |             |                         |
| Dow Jones CDX.HY-21 5-Year Index            | \$50,000                  | 1.09%         | 12/20/18         | 5.00%             | \$4,343,378 | \$893,378               |

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Credit Suisse First Boston (ICE):

|                                  |         |       |          |       |            |           |
|----------------------------------|---------|-------|----------|-------|------------|-----------|
| Dow Jones CDX.HY-20 5-Year Index | 145,700 | 1.10% | 6/20/18  | 5.00% | 14,104,569 | 6,136,294 |
| Dow Jones CDX.HY-21 5-Year Index | 104,900 | 1.09% | 12/20/18 | 5.00% | 9,112,407  | 1,945,782 |

UBS (ICE):

|                                  |        |       |          |       |           |           |
|----------------------------------|--------|-------|----------|-------|-----------|-----------|
| Dow Jones CDX.HY-19 5-Year Index | 79,500 | 1.10% | 12/20/17 | 5.00% | 8,107,136 | 6,286,436 |
| Dow Jones CDX.HY-20 5-Year Index | 28,500 | 1.10% | 6/20/18  | 5.00% | 2,758,959 | 1,235,990 |

\$38,426,449    \$16,497,880

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

(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.

(2) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at December 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 December 31, 2013:

**Centrally cleared swap agreements:**

| Broker<br>(Exchange) | Notional<br>Amount<br>(000s) | Termination<br>Date | Rate Type            |                      | Value          | Unrealized<br>Appreciation<br>(Depreciation) |
|----------------------|------------------------------|---------------------|----------------------|----------------------|----------------|--|
|                      |                              |                     | Payments<br>Made     | Payments<br>Received |                |  |
| UBS<br>(CME)         | \$1,200,000                  | 7/31/18             | 3-Month<br>USD-LIBOR | 1.57%                | \$4,507,572    | \$(704,615)                                  |
| UBS<br>(CME)         | 100                          | 12/18/18            | 1.50%                | 3-Month USD-LIBOR    | 1,279          | 732  |
| UBS<br>(CME)         | 550,000                      | 3/20/23             | 3-Month<br>USD-LIBOR | 2.00%                | (41,835,875)   | (39,790,294)                                 |
|                      |                              |                     |                      |                      | \$(37,327,024) | \$(40,494,177)                               |

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

| Counterparty      | U.S.\$ Value on<br>Origination Date | U.S.\$ Value<br>December 31, 2013 | Unrealized<br>Appreciation<br>(Depreciation) |
|-------------------|-------------------------------------|-----------------------------------|--|
|                   |                                     |                                   |  |
| <b>Purchased:</b> |                                     |                                   |  |



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|  |                               |             |             |               |
|--|-------------------------------|-------------|-------------|---------------|
| 1,114,000 British Pound settling<br>1/2/14   | BNP Paribas                   | \$1,821,355 | \$1,844,728 | \$23,373      |
| 151,297,000 British Pound settling<br>1/2/14 | Deutsche Bank                 | 247,831,005 | 250,540,254 | 2,709,249     |
| 78,992,000 Euro settling 1/2/14              | Citigroup                     | 108,748,287 | 108,669,245 | (79,042)      |
| <b>Sold:</b>                                 |                               |             |             |               |
| 109,472,630 British Pound settling<br>1/2/14 | BNP Paribas                   | 176,717,178 | 181,281,192 | (4,564,014)   |
| 41,465,370 British Pound settling<br>1/2/14  | Credit Suisse First<br>Boston | 67,150,762  | 68,664,576  | (1,513,814)   |
| 149,346,000 British Pound settling<br>2/4/14 | Deutsche Bank                 | 244,582,125 | 247,256,904 | (2,674,779)   |
| 1,473,000 British Pound settling<br>1/2/14   | HSBC Bank                     | 2,386,436   | 2,439,214   | (52,778)      |
| 78,992,000 Euro settling 1/2/14              | Bank of America               | 108,993,162 | 108,669,245 | 323,917       |
| 78,992,000 Euro settling 2/4/14              | Citigroup                     | 108,745,838 | 108,667,637 | 78,201        |
| 2,386,000 Euro settling 2/4/14               | JPMorgan Chase                | 3,266,563   | 3,282,370   | (15,807)      |
|  |                               |             |             | \$(5,765,494) |

(t) At December 31, 2013, the Fund held \$240,000 in cash as collateral and pledged cash collateral of \$55,250,000 for derivative contracts. Cash collateral held may be invested in accordance with the Fund's investment strategy.

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

| Counterparty  | Rate  | Trade Date | Due Date | Principal & |             |
|---------------|-------|------------|----------|-------------|-------------|
|               |       |            |          | Interest    | Principal   |
| Barclays Bank | 0.40% | 12/3/13    | 1/9/14   | \$6,361,049 | \$6,359,000 |
|               | 0.49  | 11/7/13    | 2/7/14   | 38,414,213  | 38,385,803  |
|               | 0.55  | 11/5/13    | 2/5/14   | 20,911,194  | 20,893,000  |
|               | 0.58  | 12/6/13    | 3/6/14   | 23,055,941  | 23,046,318  |
|               | 0.65  | 10/22/13   | 1/21/14  | 66,275,853  | 66,191,000  |
|               | 0.65  | 11/5/13    | 2/5/14   | 56,130,708  | 56,073,000  |
|               | 0.65  | 11/21/13   | 2/13/14  | 72,742,810  | 72,689,000  |
|               | 0.65  | 12/20/13   | 3/19/14  | 33,700,300  | 33,693,000  |
| Citigroup     | 0.00  | 9/9/13     | 1/16/14  | 7,259,684   | 7,259,684   |

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

| Counterparty               | Rate                 | Trade Date | Due Date | Principal &  |              |            |
|----------------------------|----------------------|------------|----------|--------------|--------------|------------|
|                            |                      |            |          | Interest     | Principal    |            |
| Credit Suisse First Boston | 0.75%                | 12/2/13    | 1/6/14   | \$ 5,126,632 | \$ 5,123,509 |            |
| Deutsche Bank              | (0.25)               | 4/29/13    | 4/29/15  | 2,958,918    | 2,964,000    |            |
|                            | (0.25)               | 5/16/13    | 5/16/15  | 2,045,732    | 2,049,000    |            |
|                            | 0.55                 | 12/3/13    | 1/7/14   | 47,458,018   | 47,437,000   |            |
|                            | 0.59                 | 10/28/13   | 1/28/14  | 38,101,546   | 38,061,000   |            |
|                            | 0.59                 | 11/7/13    | 2/5/14   | 38,143,055   | 38,108,000   |            |
|                            | 0.59                 | 12/16/13   | 1/15/14  | 104,651,435  | 104,624,000  |            |
|                            | 0.59                 | 12/19/13   | 1/15/14  | 26,860,338   | 26,854,000   |            |
|                            | 0.59                 | 12/31/13   | 1/28/14  | 63,352,000   | 63,352,000   |            |
|                            | Royal Bank of Canada | 0.40       | 12/6/13  | 1/6/14       | 2,950,852    | 2,950,000  |
|                            |                      | 0.43       | 12/4/13  | 1/29/14      | 3,944,319    | 3,943,000  |
| 0.45                       |                      | 10/3/13    | 1/6/14   | 43,176,519   | 43,128,000   |            |
| 0.45                       |                      | 12/31/13   | 3/14/14  | 3,386,000    | 3,386,000    |            |
| 0.45                       |                      | 12/31/13   | 4/4/14   | 47,853,000   | 47,853,000   |            |
| 0.46                       |                      | 12/4/13    | 1/29/14  | 8,788,143    | 8,785,000    |            |
| 0.47                       |                      | 10/16/13   | 1/3/14   | 3,358,373    | 3,355,000    |            |
| 0.48                       |                      | 11/15/13   | 2/13/14  | 11,827,407   | 11,820,000   |            |
| 0.56                       |                      | 11/13/13   | 2/18/14  | 19,908,163   | 19,893,000   |            |
| 0.56                       |                      | 11/14/13   | 2/18/14  | 59,215,181   | 59,171,000   |            |
| 0.56                       |                      | 11/25/13   | 2/18/14  | 26,882,463   | 26,867,000   |            |
| 0.56                       |                      | 12/3/13    | 2/26/14  | 31,765,323   | 31,751,000   |            |
| 0.56                       |                      | 12/6/13    | 3/5/14   | 24,095,741   | 24,086,000   |            |
| Royal Bank of Scotland     | 0.68                 | 10/28/13   | 4/29/14  | 52,253,076   | 52,189,000   |            |
|                            | 0.72                 | 8/23/13    | 2/20/14  | 103,918,555  | 103,647,000  |            |
|                            | 0.75                 | 11/20/13   | 2/20/14  | 64,859,918   | 64,804,772   |            |
|                            | 0.75                 | 12/6/13    | 3/6/14   | 76,661,827   | 76,621,351   |            |
|                            | UBS                  | 0.40       | 12/13/13 | 1/14/14      | 17,766,750   | 17,763,000 |
| 0.42                       |                      | 12/20/13   | 1/23/14  | 26,245,674   | 26,242,000   |            |
| 0.45                       |                      | 12/13/13   | 1/14/14  | 27,795,600   | 27,789,000   |            |

\$1,309,206,437

- (v) The weighted average daily balance of reverse repurchase agreements during the period ended December 31, 2013 was \$641,732,809, at a weighted average interest rate of 0.57%. 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 December 31, 2013 was \$1,373,082,906.

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At December 31, 2013, the Fund held \$8,099,908, of Corporate Bonds, \$675,898 in U.S. Treasury Obligations and pledged cash collateral of \$1,420,000 for open reverse repurchase agreements. 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.

(w) The weighted average borrowing for sale-buybacks during the period ended December 31, 2013 was \$7,964,738 at a weighted average interest rate of 0.09%. There were no open sale-buybacks at December 31, 2013.

(x) At December 31, 2013 the Fund had the following unfunded loan commitment which could be extended at the option of the borrower:

| Borrower                    | Principal   |
|-----------------------------|-------------|
| Alinta Ltd.                 | \$185,592   |
| Darling International, Inc. | 7,974,118   |
|                             | \$8,159,710 |

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

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

|  | Level 1<br>Quoted<br>Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>12/31/13 |
|--|-----------------------------|--|--|----------------------|
| <b>Investments in Securities Assets</b>    |                             |  |  |                      |
| Corporate Bonds & Notes:                   |                             |  |  |                      |
| Electric Utilities                         | \$                          | \$68,473,510   | \$4,497,696                                      | \$72,971,206         |
| Leisure                                    |                             |  | 16,973,235                                       | 16,973,235           |
| Oil & Gas                                  |                             | 94,434,950   | 29,941,647                                       | 124,376,597          |
| All Other                                  |                             | 1,701,471,428  |  | 1,701,471,428        |
| Senior Loans:                              |                             |  |  |                      |
| Chemicals                                  |                             | 67,417,249   | 5,168,750  | 72,585,999           |
| Containers & Packaging                     |                             |  | 2,518,750  | 2,518,750            |
| Diversified Financial Services             |                             | 10,374,465   | 7,060,769  | 17,435,234           |
| Environmental Services                     |                             | 4,026,668  | 1,015,000  | 5,041,668            |
| Healthcare-Services                        |                             | 67,261,221   | 11,031,017                                       | 78,292,238           |
| Leisure                                    |                             |  | 5,068,750  | 5,068,750            |
| Lodging                                    |                             |  | 2,531,156  | 2,531,156            |
| Media                                      |                             | 24,668,438   | 7,335,859  | 32,004,297           |
| Plumbing & HVAC Equipment                  |                             |  | 21,623,732                                       | 21,623,732           |
| Transportation                             |                             | 10,062,500   | 4,179,666  | 14,242,166           |
| All Other                                  |                             | 873,462,516  |  | 873,462,516          |
| Mortgage-Backed Securities                 |                             | 809,083,956  |  | 809,083,956          |
| Asset-Backed Securities                    |                             | 410,223,521  | 3,594,900  | 413,818,421          |
| Preferred Stock:                           |                             |  |  |                      |
| Banking                                    | 9,275,082                   | 38,403,752   |  | 47,678,834           |
| Diversified Financial Services             |                             | 17,095,625   |  | 17,095,625           |
| U.S. Government Agency Securities          |                             | 54,810,359   |  | 54,810,359           |
| U.S. Treasury Obligations                  |                             | 45,743,173   |  | 45,743,173           |
| Municipal Bonds                            |                             | 18,440,807   |  | 18,440,807           |
| Short-Term Investments                     |                             | 25,603,884   |  | 25,603,884           |
|  | 9,275,082                   | 4,341,058,022  | 122,540,927                                      | 4,472,874,031        |
| <b>Other Financial Instruments* Assets</b> |                             |  |  |                      |
| Credit Contracts                           |                             | 17,086,188   |  | 17,086,188           |
| Foreign Exchange Contracts                 |                             | 3,134,740  |  | 3,134,740            |
| Interest Rate Contracts                    | 3,493,651                   | 732  |  | 3,494,383            |
|  | 3,493,651                   | 20,221,660   |  | 23,715,311           |

| <b>Other Financial Instruments*</b> |                      | <b>Liabilities</b>      |                       |
|-------------------------------------|----------------------|-------------------------|-----------------------|
| Credit Contracts                    | (278,841)            |                         | (278,841)             |
| Foreign Exchange Contracts          | (8,900,234)          |                         | (8,900,234)           |
| Interest Rate Contracts             | (40,494,909)         |                         | (40,494,909)          |
|                                     | (49,673,984)         |                         | (49,673,984)          |
| <b>Totals</b>                       | <b>\$ 12,768,733</b> | <b>\$ 4,311,605,698</b> | <b>\$ 122,540,927</b> |
|                                     |                      | <b>\$ 4,446,915,358</b> |                       |

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

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

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

|   | Beginning<br>Balance<br>1/31/13** | 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<br>3 | Transfers<br>out<br>of<br>Level<br>3 | Ending<br>Balance<br>12/31/13 |
|---|-----------------------------------|----------------|---------------|-----------------------------------|-----------------------------------|--|---------------------------------|--------------------------------------|-------------------------------|
| <b>Investments in Securities Assets</b> |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Corporate                               |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Bonds & Notes:                          |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Electric Utilities                      | \$                                | \$5,000,000    | \$(187,014)   | \$                                | \$                                | \$(315,290)  | \$                              | \$                                   | \$4,497,696                   |
| Leisure                                 |                                   | 16,248,681     |               |                                   |                                   | 724,554  |                                 |                                      | 16,973,235                    |
| Oil & Gas                               |                                   | 30,000,000     |               |                                   |                                   | (58,353)   |                                 |                                      | 29,941,647                    |
| Senior Loans:                           |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Chemicals                               |                                   | 4,975,000      |               | 2,431                             |                                   | 191,319  |                                 |                                      | 5,168,750                     |
| Containers &<br>Packaging               |                                   | 2,487,500      |               |                                   |                                   | 31,250   |                                 |                                      | 2,518,750                     |
| Diversified                             |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Financial Services                      |                                   | 6,930,000      | (35,000)      | 3,319                             | 340                               | 162,110  |                                 |                                      | 7,060,769                     |
| Environmental                           |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Services                                |                                   | 995,000        |               |                                   |                                   | 20,000   |                                 |                                      | 1,015,000                     |
| Healthcare-Services                     |                                   | 11,253,609     | (98,919)      | (39,180)                          | (2,267)                           | (82,226)   |                                 |                                      | 11,031,017                    |
| Leisure                                 |                                   | 5,050,000      |               | (7,274)                           |                                   | 26,024   |                                 |                                      | 5,068,750                     |
| Lodging                                 |                                   | 2,487,500      | (6,250)       | 725                               | 29                                | 49,152   |                                 |                                      | 2,531,156                     |
| Media                                   |                                   | 7,462,500      | (218,750)     | 3,724                             | 1,039                             | 87,346   |                                 |                                      | 7,335,859                     |
| Plumbing & HVAC                         |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Equipment                               |                                   | 21,609,000     |               | 14,740                            |                                   | (8)  |                                 |                                      | 21,623,732                    |
| Transportation                          |                                   | 6,370,000      | (2,269,150)   | 14,011                            | 20,176                            | 44,629   |                                 |                                      | 4,179,666                     |
| Asset-Backed                            |                                   |                |               |                                   |                                   |  |                                 |                                      |                               |
| Securities                              |                                   | 3,636,000      |               | (1,037)                           |                                   | (40,063)   |                                 |                                      | 3,594,900                     |
| <b>Totals</b>                           | \$                                | \$ 124,504,790 | \$(2,815,083) | \$ (8,541)                        | \$ 19,317                         | \$ 840,444   | \$                              | \$                                   | \$ 122,540,927                |

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 December 31, 2013.

|   | Ending Balance<br>at 12/31/13 | Valuation<br>Technique Used | Unobservable<br>Inputs | Input Values |
|---|-------------------------------|-----------------------------|------------------------|--------------|
| <b>Investments in Securities Assets</b> |                               |                             |                        |              |

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|                         |               |                            |                      |         |          |
|-------------------------|---------------|----------------------------|----------------------|---------|----------|
| Corporate Bonds & Notes | \$ 34,439,343 | Benchmark Pricing          | Security Price Reset | \$93.45 | \$99.81  |
|                         | 16,973,235    | Benchmark Pricing          | Security Price Reset | £102.50 |          |
| Asset-Backed Securities | 3,594,900     | Benchmark Pricing          | Security Price Reset | \$99.86 |          |
| Senior Loans            | 45,909,717    | Third-Party Pricing Vendor | Single Broker Quote  | \$99.26 | \$103.38 |
|                         | 21,623,732    | Amortization of Discount   | Discount             |         | 0.07%    |

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

\*\* Commencement of operations.

The net change in unrealized appreciation/depreciation of Level 3 investments held at December 31, 2013, was \$840,444. Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

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**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

(z) 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 December 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                          | \$                            | \$588,308           | \$                               | \$588,308             |
| Receivable for variation margin on centrally cleared swaps**  |                               | 1,114,204           |                                  | 1,114,204             |
| Receivable for variation margin on futures contracts*         | 579,396                       |                     |                                  | 579,396               |
| Unrealized appreciation of forward foreign currency contracts |                               |                     | 3,134,740                        | 3,134,740             |
| <b>Total asset derivatives</b>                                | <b>\$579,396</b>              | <b>\$1,702,512</b>  | <b>\$3,134,740</b>               | <b>\$5,416,648</b>    |
| <b>Liability derivatives:</b>                                 |                               |                     |                                  |                       |
| Payable for variation margin on centrally cleared swaps**     | \$(4,881,968)                 | \$                  | \$                               | \$(4,881,968)         |
| Unrealized depreciation of forward foreign currency contracts |                               |                     | (8,900,234)                      | (8,900,234)           |
| <b>Total liability derivatives</b>                            | <b>\$ (4,881,968)</b>         | <b>\$</b>           | <b>\$ (8,900,234)</b>            | <b>\$(13,782,202)</b> |

\* Included in net unrealized appreciation of \$3,493,651 on futures contracts as reported in note (p) of the Notes to Schedule of Investments.

\*\* Included in net unrealized depreciation of \$24,275,138 on centrally cleared swaps as reported in notes (r) and (s) of the Notes to Schedule of Investments.

The effect of derivatives on the Statement of Operations for the period ended December 31, 2013:

| Location                            | Interest<br>Rate<br>Contracts | Credit<br>Contracts | Foreign<br>Exchange<br>Contracts | Total       |
|-------------------------------------|-------------------------------|---------------------|----------------------------------|-------------|
| <b>Net realized gain (loss) on:</b> |                               |                     |                                  |             |
| Futures contracts                   | \$1,406,596                   | \$                  | \$                               | \$1,406,596 |



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|  |                        |                       |                        |                        |
|--|------------------------|-----------------------|------------------------|------------------------|
| Swaps  | (23,060,163)           | 131,320,372           |                        | 108,260,209            |
| Foreign currency transactions (forward foreign currency contracts) |                        |                       | (15,650,845)           | (15,650,845)           |
| <b>Total net realized gain (loss)</b>                              | <b>\$ (21,653,567)</b> | <b>\$ 131,320,372</b> | <b>\$ (15,650,845)</b> | <b>\$94,015,960</b>    |
| <b>Net change in unrealized appreciation/depreciation of:</b>      |                        |                       |                        |                        |
| Futures contracts  | \$3,493,651            |                       | \$                     | \$ 3,493,651           |
| Swaps  | (40,494,177)           | 16,807,347            |                        | (23,686,830)           |
| Foreign currency transactions (forward foreign currency contracts) |                        |                       | (5,765,494)            | (5,765,494)            |
| <b>Total net change in unrealized appreciation/depreciation</b>    | <b>\$ (37,000,526)</b> | <b>\$16,807,347</b>   | <b>\$ (5,765,494)</b>  | <b>\$ (25,958,673)</b> |

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

| Futures<br>Contracts(1)<br>Long | Forward Foreign<br>Currency Contracts(2) |                | Credit Default<br>Swap Agreements(3) |            |       | Interest<br>Rate Swap<br>Agreements(3) |
|---------------------------------|--|----------------|--------------------------------------|------------|-------|--|
|                                 | Purchased                                | Sold           | Buy                                  | Sell       | Sell  |  |
| \$(1,493)                       | \$ 272,299,181                           | \$ 694,022,716 | \$ 4,525                             | \$ 972,375 | 5,000 | \$ 2,866,275                           |

(1) Number of contracts

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

(3) Notional Amount (in thousands)

**Consolidated Schedule of Investments**

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

Financial Assets and Derivative Assets, and Collateral Received at December 31, 2013:

| Gross Amounts Not Offset in the Statement of Assets and Liabilities |                           |                         |                        |                                 |
|---|---------------------------|-------------------------|------------------------|---------------------------------|
| Gross Asset Derivatives   |                           |                         |                        |                                 |
| Presented in Statement of   |                           |                         |                        |                                 |
| Counterparty  | Assets and<br>Liabilities | Financial<br>Instrument | Collateral<br>Received | Net Amount<br>(not less than 0) |
| <b>Foreign Currency Exchange Contracts</b>                          |                           |                         |                        |                                 |
| Bank of America   | \$323,917                 | \$                      | \$                     | \$323,917                       |
| BNP Paribas   | 23,373                    | (23,373)                |                        |                                 |
| Citigroup   | 78,201                    | (78,201)                |                        |                                 |
| Deutsche Bank   | 2,709,249                 | (2,674,779)             |                        | 34,470                          |
| <b>Swaps</b>  |                           |                         |                        |                                 |
| BNP Paribas   | 588,308                   |                         |                        | 588,308                         |
| <b>Totals</b>   | <b>\$3,723,048</b>        | <b>\$(2,776,353)</b>    | <b>\$</b>              | <b>\$946,695</b>                |

Financial Assets and Derivative Assets, and Collateral Received at December 31, 2013:

| Gross Amounts Not Offset in the Statement of Assets and Liabilities |                           |                         |                        |                                    |
|---|---------------------------|-------------------------|------------------------|------------------------------------|
| Gross Financial Assets  |                           |                         |                        |                                    |
| Presented in Statement of   |                           |                         |                        |                                    |
|   | Assets and<br>Liabilities | Financial<br>Instrument | Collateral<br>Received | Net<br>Amount<br>(not less than 0) |
| <b>Repurchase Agreements</b>  |                           |                         |                        |                                    |
| Bank of America   | 7,600,000                 |                         | (7,600,000)            | ( )                                |
| State Street Bank & Trust Co.                                       | 1,918,000                 |                         | (1,918,000)            | ( )                                |
| <b>Totals</b>   | <b>\$9,518,000</b>        |                         | <b>\$(9,518,000)</b>   |                                    |

Financial Liabilities and Derivative Liabilities, and Collateral Pledged at December 31, 2013:

| Gross Amounts Not Offset in the Statement of Assets and Liabilities |                           |                         |                       |                                 |
|---|---------------------------|-------------------------|-----------------------|---------------------------------|
| Gross Liability Derivatives   |                           |                         |                       |                                 |
| Presented in Statement of   |                           |                         |                       |                                 |
| Counterparty  | Assets and<br>Liabilities | Financial<br>Instrument | Collateral<br>Pledged | Net Amount<br>(not less than 0) |
| <b>Foreign Currency Exchange<br/>Contracts</b>                      |                           |                         |                       |                                 |
| BNP Paribas   | \$4,564,014               | \$(23,373)              | \$(3,614,034)         | \$926,607                       |

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|                            |                    |                      |                      |                    |
|----------------------------|--------------------|----------------------|----------------------|--------------------|
| Citigroup                  | 79,042             | (78,201)             |                      | 841                |
| Credit Suisse First Boston | 1,513,814          |                      | (1,118,421)          | 395,393            |
| Deutsche Bank              | 2,674,779          | (2,674,779)          |                      |                    |
| HSBC Bank                  | 52,778             |                      |                      | 52,778             |
| JPMorgan Chase             | 15,807             |                      |                      | 15,807             |
| <b>Totals</b>              | <b>\$8,900,234</b> | <b>\$(2,776,353)</b> | <b>\$(4,732,455)</b> | <b>\$1,391,426</b> |

| Counterparty               | Payable for<br>Reverse Repurchase<br>Agreements( ) | Collateral<br>Pledged    | Net Amount<br>(not less than 0) |
|----------------------------|--|--------------------------|---------------------------------|
| Barclays Bank plc          | \$317,592,068                                      | \$(317,592,068)( )       | \$                              |
| Citigroup                  | 7,259,684  | (7,219,478)              | 40,206                          |
| Credit Suisse First Boston | 5,126,632  | (5,126,632)( )           |                                 |
| Deutsche Bank              | 323,571,042  | (323,571,042)( )         |                                 |
| Royal Bank of Canada       | 443,323,115  | (438,014,847)            | 5,308,268                       |
| Royal Bank of Scotland     | 141,521,745  | (141,521,745)( )         |                                 |
| UBS AG                     | 71,808,024   | (71,808,024)( )          |                                 |
| <b>Totals</b>              | <b>\$1,310,202,310</b>                             | <b>\$(1,304,853,836)</b> | <b>\$5,348,474</b>              |

( ) The actual collateral received is greater than the amount shown here due to over collateralization

( ) The actual collateral pledged is greater than the amount shown here due to over collateralization.

( ) The amount includes interest payable for Reverse Repurchase Agreements.

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

## Consolidated Schedule of Investments

PIMCO Dynamic Credit Income Fund

December 31, 2013 (continued)

### Glossary:

|        |                                       |
|--------|---------------------------------------|
| £      | - British Pound                       |
| CDX.HY | - Credit Derivatives Index High Yield |
| CME    | - Chicago Mercantile Exchange         |
| CMO    | - Collateralized Mortgage Obligation  |
|        | - Euro                                |
| FRN    | - Floating Rate Note                  |
| ICE    | - Intercontinental Exchange           |
| IO     | - Interest Only                       |
| LIBOR  | - London Inter-Bank Offered Rate      |
| OTC    | - Over-the-Counter                    |
| PIK    | - Payment-in-Kind                     |
| PO     | - Principal Only                      |

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**Statements of Assets and Liabilities**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

|  | PCM Fund,<br>Inc.    | Dynamic<br>Credit*<br>Income |
|--|----------------------|------------------------------|
| <b>Assets:</b>   |                      |                              |
| Investments, at value (cost-\$164,557,622 and \$4,412,374,581, respectively) | \$188,227,348        | \$4,472,874,031              |
| Foreign currency, at value (cost-\$0 and \$160,345, respectively)            |                      | 161,056                      |
| Unsettled reverse repurchase agreements                                      | 561,000              | 114,591,000                  |
| Deposits with brokers for swaps collateral                                   |                      | 55,250,000                   |
| Interest and dividends receivable  | 1,178,348            | 47,972,602                   |
| Receivable for investments sold  |                      | 41,848,242                   |
| Deposits with brokers for futures contracts collateral                       |                      | 5,770,000                    |
| Unrealized appreciation of OTC swaps   | 3,082,610            | 588,308                      |
| Unrealized appreciation of forward foreign currency contracts                |                      | 3,134,740                    |
| Receivable for variation margin on centrally cleared swaps                   |                      | 1,114,204                    |
| Receivable for variation margin on futures contracts                         |                      | 579,396                      |
| Tax reclaims receivable  |                      | 238,856                      |
| Receivable from broker   | 26,130               |                              |
| Unrealized appreciation of unfunded loan commitments                         |                      | 24,596                       |
| Receivable for principal paydowns  |                      | 2,153                        |
| Deposits with brokers for reverse repurchase agreements                      |                      | 1,420,000                    |
| Prepaid expenses   | 5,261                | 47,936                       |
| <b>Total Assets</b>  | <b>193,080,697</b>   | <b>4,745,617,120</b>         |
| <b>Liabilities:</b>  |                      |                              |
| Payable for investments purchased  | 502                  | 46,249,058                   |
| Payable for reverse repurchase agreements                                    | 56,067,000           | 1,309,206,437                |
| Payable to custodian for cash overdraft                                      | 4,608                | 41,836                       |
| Payable to brokers for cash collateral received                              | 260,000              | 240,000                      |
| Payable for variation margin on centrally cleared swaps                      |                      | 4,881,968                    |
| Payable for terminated swaps   | 8,781                |                              |
| Dividends payable  | 2,475,752            | 71,466,263                   |
| Unrealized depreciation of forward foreign currency contracts                |                      | 8,900,234                    |
| Swap premiums received   | 5,211,520            | 15,070                       |
| Investment management fees payable   | 129,272              | 4,420,806                    |
| Interest payable for reverse repurchase agreements                           | 78,933               | 995,873                      |
| Interest payable for cash collateral received                                | 2                    | 8,351                        |
| Accrued expenses   | 172,522              | 517,898                      |
| <b>Total Liabilities</b>   | <b>64,408,892</b>    | <b>1,446,943,794</b>         |
| <b>Net Assets</b>  | <b>\$128,671,805</b> | <b>\$3,298,673,326</b>       |

**Composition of Net Assets:**

Common Stock/Shares:

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|  |                      |                        |
|--|----------------------|------------------------|
| Par value (\$0.001 per common stock and \$0.00001 per share, respectively) | \$11,515             | \$1,372                |
| Paid-in-capital in excess of par   | 143,644,042          | 3,274,248,501          |
| Undistributed (dividends in excess of) net investment income               | 14,754               | (13,703,546)           |
| Accumulated net realized gain (loss)                                       | (41,750,842)         | 7,489,193              |
| Net unrealized appreciation  | 26,752,336           | 30,637,806             |
| <b>Net Assets</b>  | <b>\$128,671,805</b> | <b>\$3,298,673,326</b> |
| Common Stock/Shares Issued and Outstanding                                 | 11,515,125           | 137,221,372            |
| <b>Net Asset Value Per Common Stock/Share</b>                              | <b>\$11.17</b>       | <b>\$24.04</b>         |

\* Consolidated For PIMCO Dynamic Credit Income

See accompanying Notes to Financial Statements | December 31, 2013 | Annual Report 43

**Statements of Operations**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

Period or Year ended December 31, 2013

|  | PCM Fund, Inc.      | Dynamic Credit<br>Income* <sup>a</sup> |
|--|---------------------|--|
| <b>Investment Income:</b>  |                     |  |
| Interest   | \$15,564,977        | \$219,526,184                          |
| Dividends  | 776                 | 2,552,625                              |
| Miscellaneous  |                     | 6,461,580                              |
| <b>Total Investment Income</b>   | <b>15,565,753</b>   | <b>228,540,389</b>                     |
| <b>Expenses:</b>   |                     |  |
| Investment management  | 1,701,380           | 41,246,804                             |
| Interest   | 703,126             | 3,229,562                              |
| Audit and tax services   | 81,879              | 95,960                                 |
| Legal  | 64,079              | 151,253                                |
| Custodian and accounting agent   | 47,792              | 523,784                                |
| Stockholder/Shareholder communications                                 | 46,447              | 273,812                                |
| Transfer agent   | 25,028              | 23,029                                 |
| New York Stock Exchange listing  | 21,326              | 100,316                                |
| Directors/Trustees   | 7,670               | 193,805                                |
| Insurance  | 6,274               | 22,309                                 |
| Miscellaneous  | 1,875               | 64,226                                 |
| <b>Total Expenses</b>  | <b>2,706,876</b>    | <b>45,924,860</b>                      |
| <b>Net Investment Income</b>   | <b>12,858,877</b>   | <b>182,615,529</b>                     |
| <b>Realized and Change in Unrealized Gain (Loss):</b>                  |                     |  |
| Net realized gain (loss) on:   |                     |  |
| Investments  | (301,797)           | (20,944,103)                           |
| Futures contracts  |                     | 1,406,596                              |
| Swaps  | 526,242             | 108,260,209                            |
| Foreign currency transactions  |                     | (13,144,868)                           |
| Net change in unrealized appreciation/depreciation of:                 |                     |  |
| Investments  | (3,168,053)         | 60,499,450                             |
| Futures contracts  |                     | 3,493,651                              |
| Swaps  | 666,548             | (23,686,830)                           |
| Unfunded loan commitments  |                     | 24,596                                 |
| Foreign currency transactions  |                     | (9,693,061)                            |
| <b>Net Realized and Change in Unrealized Gain (Loss)</b>               | <b>(2,277,060)</b>  | <b>106,215,640</b>                     |
| <b>Net Increase in Net Assets Resulting from Investment Operations</b> | <b>\$10,581,817</b> | <b>\$288,831,169</b>                   |

\* For the period January 31, 2013 (commencement of operations) through December 31, 2013.

a Consolidated for PIMCO Dynamic Credit Income.

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**Statements of Changes in Net Assets**

PCM Fund, Inc.

|   | Year ended<br>December 31, 2013 | Year ended<br>December 31, 2012 |
|---|---------------------------------|---------------------------------|
| <b>Investment Operations:</b>   |                                 |                                 |
| Net investment income   | \$12,858,877                    | \$12,164,228                    |
| Net realized gain (loss)  | 224,445                         | (1,435,262)                     |
| Net change in unrealized appreciation/depreciation                          | (2,501,505)                     | 23,497,440                      |
| Net increase in net assets resulting from investment operations             | 10,581,817                      | 34,226,406                      |
| <b>Dividends to Stockholders from Net Investment Income</b>                 | (12,601,663)                    | (12,809,055)                    |
| <b>Capital Stock Transactions:</b>  |                                 |                                 |
| Reinvestment of dividends   | 230,526                         | 233,480                         |
| Total increase (decrease) in net assets                                     | (1,789,320)                     | 21,650,831                      |
| <b>Net Assets:</b>  |                                 |                                 |
| Beginning of year   | 130,461,125                     | 108,810,294                     |
| End of year*  | \$128,671,805                   | \$130,461,125                   |
| *Including undistributed (dividends in excess of) net investment income of: | \$14,754                        | \$(249,112)                     |
| Common Stock Issued in Reinvestment of Dividends                            | 19,696                          | 21,592                          |

See accompanying Notes to Financial Statements | December 31, 2013 | Annual Report 45

**Consolidated Statement of Changes in Net Assets**

PIMCO Dynamic Credit Income Fund

|   | For the Period<br>January 31,<br>2013**<br>through<br>December 31, 2013 |
|---|---|
| <b>Investment Operations:</b>                                   |   |
| Net investment income   | \$182,615,529   |
| Net realized gain   | 75,577,834  |
| Net unrealized appreciation/depreciation                        | 30,637,806  |
| Net increase in net assets resulting from investment operations | 288,831,169   |
| <b>Dividends and Distributions to Shareholders from:</b>        |   |
| Net investment income   | (230,872,977)   |
| Net realized gains  | (33,558,859)  |
| Total dividends and distributions to shareholders               | (264,431,836)   |
| <b>Share Transactions:</b>                                      |   |
| Net proceeds from the sale of shares                            | 3,275,757,438   |
| Offering costs charged to paid-in capital in excess of par      | (1,895,440)   |
| Reinvestment of dividends and distributions                     | 311,983   |
| Net increase in net assets from share transactions              | 3,274,173,981   |
| Total increase in net assets                                    | 3,298,573,314   |
| <b>Net Assets:</b>  |   |
| Beginning of period   | 100,012   |
| End of period*  | \$3,298,673,326   |
| *Including dividends in excess of net investment income of:     | \$(13,703,546)  |
| <b>Shares Issued and Reinvested:</b>                            |   |
| Issued  | 137,204,500   |
| Issued in Reinvestment of Dividends and Distributions           | 12,683  |
| Net Increase  | 137,217,183   |
| ** Commencement of operations.                                  |   |

**Statements of Cash Flows**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

Period or Year ended December 31, 2013

|  | PCM Fund, Inc.    | Dynamic Credit<br>Income* |
|--|-------------------|---------------------------|
| <b>Increase (Decrease) in Cash and Foreign Currency from:</b>  |                   |                           |
| <b>Cash Flows provided by (used for) Operating Activities:</b>   |                   |                           |
| Net increase in net assets resulting from investment operations  | \$10,581,817      | \$288,831,169             |
| <b>Adjustments to Reconcile Net Increase in Net Assets Resulting from<br/>Investment Operations to Net Cash provided by (used for) Operating<br/>Activities:</b> |                   |                           |
| Purchases of long-term investments   | (11,962,847)      | (7,248,943,818)           |
| Proceeds from sales of long-term investments   | 42,591,680        | 2,942,419,502             |
| (Purchases) sales of short-term portfolio investments, net   | 3,246,289         | (129,433,007)             |
| Net change in unrealized appreciation/depreciation   | 2,501,505         | (30,637,806)              |
| Net realized gain  | (224,445)         | (75,577,834)              |
| Net amortization/accretion on investments  | (878,378)         | 2,638,639                 |
| Increase in receivable for investments sold  |                   | (41,848,242)              |
| (Increase) decrease in interest and dividends receivable   | 234,265           | (47,972,602)              |
| Increase in tax reclaims receivable  |                   | (238,856)                 |
| Increase in receivable for principal paydown   |                   | (2,153)                   |
| Proceeds from futures contracts transactions   |                   | 4,320,851                 |
| Increase in deposits with brokers for futures contracts collateral   |                   | (5,770,000)               |
| Increase in deposits with brokers for swaps collateral   |                   | (55,250,000)              |
| Increase in deposits with brokers for reverse repurchase agreements  |                   | (1,420,000)               |
| Increase in receivable from broker   | (2,103)           |                           |
| Increase in prepaid expenses   | (1,364)           | (47,936)                  |
| Increase in payable for investments purchased  | 502               | 46,249,058                |
| Increase in payable to brokers for cash collateral received  |                   | 240,000                   |
| Net cash provided by swap transactions   | 110,025           | 87,767,905                |
| Net cash used for foreign currency transactions  |                   | (17,072,435)              |
| Increase (decrease) in interest payable for reverse repurchase agreements  | (17,711)          | 995,873                   |
| Increase (decrease) in investment management fees payable  | (24,642)          | 4,420,806                 |
| Increase in interest payable on cash collateral  | 2                 | 8,351                     |
| Increase in accrued expenses   | 51,976            | 517,898                   |
| <b>Net cash provided by (used for) operating activities**</b>  | <b>46,206,571</b> | <b>(4,275,804,637)</b>    |
| <b>Cash Flows provided by (used for) Financing Activities:</b>   |                   |                           |
| Payments for reverse repurchase agreements   | (523,214,000)     | (5,111,468,032)           |
| Proceeds on reverse repurchase agreements  | 488,096,000       | 6,420,674,469             |
| Increase (decrease) in unsettled reverse repurchase agreements   | 1,503,000         | (114,591,000)             |
| Cash dividends paid (excluding reinvestment of dividends of \$230,526, and \$311,983, respectively)  | (12,596,912)      | (192,653,590)             |

|   |              |               |
|---|--------------|---------------|
| Proceeds from common shares sold                            |              | 3,275,757,438 |
| Offering costs and underwriting discount paid               |              | (1,895,440)   |
| Increase in payable to custodian for cash overdraft         | 4,608        | 41,836        |
| <b>Net cash provided by (used for) financing activities</b> | (46,207,304) | 4,275,865,681 |
| <b>Net increase (decrease) in cash and foreign currency</b> | (733)        | 61,044        |
| <b>Cash at beginning of period/year</b>                     | 733          | 100,012       |
| <b>Cash and foreign currency, end of period or year</b>     | \$           | \$161,056     |

\* For the period January 31, 2013 (commencement of operations) through December 31, 2013.

\*\* Cash paid for interest primarily related to participation in reverse repurchase agreement transactions was \$720,835, and \$2,225,338, respectively.

Consolidated for PIMCO Dynamic Credit Income

See accompanying Notes to Financial Statements | December 31, 2013 | Annual Report 47

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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 1. Organization and Significant Accounting Policies

PCM Fund, Inc. ( PCM ) and PIMCO Dynamic Credit Income Fund ( Dynamic Credit Income ), (each a Fund and collectively the Funds ) commenced operations on September 2, 1993 and January 31, 2013, respectively. Prior to commencing operations, the Funds had no operations other than matters relating to their organization as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Dynamic Credit Income sold and issued 4,189 shares at an aggregate price of \$100,012 to Allianz Asset Management of America L.P. ( AAM ). PCM is organized as a Maryland corporation. Dynamic Credit Income is organized as a Massachusetts business trust. Allianz Global Investors Fund Management LLC (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 indirect, wholly-owned subsidiaries of AAM. AAM is an indirect, whollyowned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. PCM has the authority to issue 300 million shares of \$0.001 par value common stock. Dynamic Credit Income has authorized an unlimited amount of shares with \$0.00001 par value.

Dynamic Credit Income issued 121,000,000 shares in its initial public offering. An additional 16,204,500 shares were issued in connection with the underwriter s over-allotment option. These shares were all issued at \$25.00 per share before an underwriting discount of \$1.125 per share. Offering costs of \$1,895,440 (representing approximately \$0.01 per share) were offset against the proceeds of the offering and over-allotment option and have been charge to paid-in capital

in excess of par. The Sub-Adviser paid all organizational costs of approximately \$25,000.

PCM s primary investment objective is to achieve high current income. Capital gain from the disposition of investments is a secondary objective of the Fund. Dynamic Credit Income s primary investment objective is to seek current income. Capital appreciation is a secondary objective of the Fund. 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 the Funds 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.

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

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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 and exchange traded futures 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 Directors/Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial 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.

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 61<sup>st</sup> 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.



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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

#### (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:

- n Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
- n 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
- n 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 period or year ended December 31, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

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

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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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.

**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.

**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.

**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

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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.

Centrally cleared credit default swaps are valued at the price determined by the relevant exchange. 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.

#### (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 on the settlement date are amortized as income over the expected term of the senior loan. Facility fees and other 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.

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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 December 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, as applicable, remain subject to examination by the Internal Revenue Service.

#### (e) Dividends and Distributions

PCM declares dividends from net investment income to stockholders monthly and distributions of net realized capital gains, if any, are paid at least annually.

Dynamic Credit Income intends to declare monthly distributions from net investment income but may fund a portion of distributions with gains from the sale of portfolio securities and other sources.

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

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 stockholders/shareholders from return of capital.

#### (f) Foreign Currency Translation

Dynamic Credit Income's accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market values 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 Fund's Statement of Operations.

Dynamic Credit Income does 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 Fund does 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



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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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. The Funds may also enter into unfunded loan commitments, which are contractual obligations for future funding. Unfunded loan commitments may include revolving credit facilities, which may obligate the Funds to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the principal amounts will never be utilized by the borrower.

#### (h) Repurchase Agreements

The Funds are a party to Master Repurchase Agreements ( Master Repo Agreements ) with select counterparties. The Master Repo Agreements maintain provisions for initiation, income payments, events of default, and maintenance of collateral.

The Funds enter into transactions with their custodian bank or securities brokerage firms 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. At December 31, 2013, PCM and PCI had investments in repurchase agreements with a gross values of \$574,000 and \$9,518,000 on the Statements of Assets and Liabilities. The values of the related collateral exceeded the value of the repurchase agreements at December 31, 2013.

#### (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

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**Notes to Financial Statements**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

market value of the securities that the Fund is 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) Equity-Linked Securities**

The Funds may purchase equity-linked securities, also known as participation notes. Participation notes are used to gain exposure to issuers in certain countries with a costly or lengthy registration process. They are generally traded over-the-counter and constitute general unsecured contractual obligations of the banks or broker-dealers that issue them. Generally, banks and broker-dealers associated with non-U.S.-based brokerage firms buy securities listed on certain foreign exchanges and then issue participation notes which are designed to replicate the performance of certain issuers and markets. To the extent that the Funds invest in equity-linked securities whose return corresponds to the performance of a foreign securities index or one or more foreign stocks, investing in equity-linked securities will involve risks similar to the risks of investing in foreign securities. In addition, the Funds bear the risk that the issuer of an equity-linked security may default on its obligation under the terms of the arrangement with the counterparty.

**(k) 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 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.

**(l) Sale-Buybacks**

A Fund may enter into financing transactions referred to as sale-buybacks. A sale-buyback transaction consists of a sale of a security by a Fund to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. A Fund is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by a Fund are reflected as a liability on the Statements of Assets and Liabilities. A Fund will recognize net income represented by the price differential between the price

received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the price drop . A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, a Fund would have otherwise received had the security not been sold and (ii) the negotiated financing terms between a Fund and the counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as

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**Notes to Financial Statements**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

components of interest income on the Statements of Operations. Interest payments based upon negotiated financing terms made by a Fund to counterparties are recorded as a component of interest expense on the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. A Fund will segregate assets determined to be liquid by the Investment Manager or otherwise cover its obligations under sale-buyback transactions.

**(m) 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.

**(n) 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 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.

**(o) Special Purpose Vehicle**

The PCILS I LLC (the PCILS Subsidiary ), a Delaware Corporation exempted company, was incorporated as a wholly owned subsidiary acting as an investment vehicle for the Fund in order to effect certain investments for the Fund consistent with the Fund's investment objectives and policies as specified in its prospectus and statement of additional information. The Fund's investment portfolio has been consolidated and includes the portfolio holdings of the Fund and the PCILS Subsidiary. The consolidated financial statements include the accounts of the fund and the PCILS Subsidiary. All inter-company transactions and balances have been eliminated.

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

A subscription agreement was entered into between the Fund and the PCILS Subsidiary, comprising the entire issued share capital of the PCILS Subsidiary with the intent that the Fund will remain the sole shareholder and retain all rights. Under the Articles of Association, shares issued by the PCILS Subsidiary confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the PCILS Subsidiary and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the PCILS Subsidiary.

#### (p) 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.

#### (q) Interest Expense

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

### 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 the Funds hold 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



## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 2. Principal Risks (continued)

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 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 Dynamic Credit Income directly invests in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in derivatives that provide exposure to foreign currencies, it 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, Dynamic Credit Income investments in foreign currency-denominated securities may reduce the returns of the Fund.

Dynamic Credit Income is 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 Dynamic

Credit Income 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 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.

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 2. Principal Risks (continued)

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds' stock 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 Dynamic Credit Income 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 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.

PCM 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

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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 2. Principal Risks (continued)

net realized gain (loss) on the Fund's Statement of Operations. The remaining balances due 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 an independent broker quote.

### 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) Futures Contracts

The Funds use futures contracts to manage their exposure to the securities markets or the movements in interest rates and currency values. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange. Pursuant to the contracts, the Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as variation margin and are recorded by the Funds as unrealized appreciation or depreciation. When the

contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves various risks, including the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and underlying hedging assets, and possible inability or unwillingness of counterparties to meet the terms of their contracts.

#### (b) 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, 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,

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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 3. Financial Derivative Instruments (continued)

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, the Funds will either (i) receive from the seller of protection an 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



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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 3. Financial Derivative Instruments (continued)

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 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

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## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

### 3. Financial Derivative Instruments (continued)

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 December 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.

**Interest Rate Swap Agreements** Interest rate swap agreements involve the exchange by the Funds with a counterparty of its 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.

### 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 0.80% and 1.15%

of the average daily total managed assets for PCM and Dynamic Credit Income, respectively. Total managed assets refer to the total assets of each Fund (including assets attributable to any reverse repurchase agreements and borrowings)

## Notes to Financial Statements

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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 period or year ended December 31, 2013, purchases and sales of investments, other than short-term securities were:

|                       | U.S. Government Obligations |                 | All Other     |               |
|-----------------------|-----------------------------|-----------------|---------------|---------------|
|                       | Purchases                   | Sales           | Purchases     | Sales         |
| PCM                   | \$600,570                   |                 | \$11,192,816  | \$44,517,897  |
| Dynamic Credit Income | 1,610,659,713               | \$1,504,874,035 | 5,638,233,784 | 1,475,821,777 |

### 6. Income Tax Information

The tax character of dividends and distributions paid was:

|                            | Year ended December 31, 2013 |             | Year ended December 31, 2012 |            |
|----------------------------|------------------------------|-------------|------------------------------|------------|
|                            | Ordinary Income(1)           |             | Ordinary Income(1)           |            |
| PCM                        | \$                           | 12,601,663  | \$                           | 12,809,055 |
| Dynamic Credit Income Fund |                              | 264,431,836 |                              |            |

(1) Includes short-term capital gains, if any.

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

|                               | Ordinary Income | Long-Term<br>Capital Gains | Capital Loss<br>Carryforwards(2) | Late Year<br>Ordinary Loss(3) |
|-------------------------------|-----------------|----------------------------|----------------------------------|-------------------------------|
| PCM                           | \$ 1,060,912    | \$                         | \$ 41,546,211                    | \$                            |
| Dynamic Credit<br>Income Fund | 12,633,286      | 2,940,149                  |                                  | 15,263,637                    |

(2) 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.

(3) Certain ordinary losses realized during the period November 1, 2013 through December 31, 2013, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

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.

**Notes to Financial Statements**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

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

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

|                            | 2015          | 2016       | 2017          | 2018         | No Expiration(4) |              |
|----------------------------|---------------|------------|---------------|--------------|------------------|--------------|
|                            |               |            |               |              | Short-Term       | Long-Term    |
| PCM                        | \$ 21,701,310 | \$ 915,674 | \$ 16,167,576 | \$ 1,418,505 | \$ 193,964       | \$ 1,149,182 |
| Dynamic Credit Income Fund |               |            |               |              |                  |              |

(4) Carryforward amounts are subject to the provisions of the Regulated Investment Company Modernization Act of 2010.

For the year ended December 31, 2013, capital loss carryforwards were utilized as follows:

|     | Post-Enactment Utilized |            |
|-----|-------------------------|------------|
|     | Short-Term              | Long-Term  |
| PCM | \$                      | \$ 461,510 |

For the period or year ended December 31, 2013, permanent book-tax adjustments were:

|   | Undistributed<br>(Dividends in Excess of)<br>Net Investment Income | Accumulated<br>Net Realized<br>Gain (Loss) | Paid-in<br>Capital |
|---|--|--|--------------------|
| PCM(a)(b)                                 | \$ 6,652   | \$ (6,652)                                 | \$                 |
| Dynamic Credit Income Fund(a)(b)(c)(d)(e) | 34,553,902   | (34,529,782)                               | (24,120)           |

These permanent book-tax differences were primarily attributable to:

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

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

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

|                            | Federal Tax<br>Cost Basis(6) | Unrealized<br>Appreciation | Unrealized<br>Deprecation | Net Unrealized<br>Appreciation<br>(Depreciation) |
|----------------------------|------------------------------|----------------------------|---------------------------|--|
| PCM                        | \$ 165,597,575               | \$ 27,667,176              | \$ 5,037,403              | \$ 22,629,773                                    |
| Dynamic Credit Income Fund | 4,412,408,771                | 141,408,004                | 80,942,743                | 60,465,261                                       |

(6) Differences, if any, between book and tax cost basis is primarily attributable to wash sale loss deferrals, basis adjustments to Interest only securities held by the Funds, differences in the book and tax treatment of bond amortization and sale-buyback adjustment.

## 7. 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.



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**Notes to Financial Statements**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

December 31, 2013

**7. Subsequent Events (continued)**

On January 2, 2014, the following dividends were declared to stockholders/shareholders payable February 3, 2014 to stockholders/shareholders of record on January 13, 2014.

|                       |                            |
|-----------------------|----------------------------|
| PCM                   | \$0.08 per common stock    |
| Dynamic Credit Income | \$0.15625 per common share |

On February 3, 2014, the following dividends were declared to stockholders/shareholders payable March 3, 2014 to stockholders/shareholders of record on February 13, 2014.

|                       |                            |
|-----------------------|----------------------------|
| PCM                   | \$0.08 per common stock    |
| Dynamic Credit Income | \$0.15625 per common share |

On January 29, 2014, Mr. Alfred Murata replaced Mr. Mark Seidner as lead portfolio manager primarily responsible for the day-to-day management of Dynamic Credit Income. Mr. Murata is a managing director and portfolio manager in the Newport Beach office on the mortgage credit team. Prior to joining PIMCO in 2001, he researched and implemented exotic equity and interest rate derivatives at Nikko Financial Technologies. He has 14 years of investment experience and holds a PH. D. in engineering-economic systems and operations research from Stanford University. He also earned a J.D. from Stanford Law School and is a member of the State Bar of California. Mr. Murata has been part of the portfolio management team of Dynamic Income since its inception in 2013.

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

## Financial Highlights

PCM Fund, Inc.

For a share of common stock outstanding throughout each year:

|  | Year ended December 31, |           |           |           |          |
|--|-------------------------|-----------|-----------|-----------|----------|
|  | 2013                    | 2012      | 2011      | 2010      | 2009     |
| Net asset value, beginning of year   | \$11.35                 | \$9.48    | \$9.88    | \$7.73    | \$5.77   |
| <b>Investment Operations:</b>  |                         |           |           |           |          |
| Net investment income  | 1.12                    | 1.06      | 1.13      | 1.12      | 0.81     |
| Net realized and change in unrealized gain (loss)                                  | (0.20)                  | 1.93      | (0.47)    | 2.29      | 2.18     |
| Total from investment operations   | 0.92                    | 2.99      | 0.66      | 3.41      | 2.99     |
| <b>Dividends to Stockholders from Net Investment Income</b>                        |                         |           |           |           |          |
|  | (1.10)                  | (1.12)    | (1.06)    | (1.26)    | (1.03)   |
| Net asset value, end of year   | \$11.17                 | \$11.35   | \$9.48    | \$9.88    | \$7.73   |
| Market price, end of year  | \$11.65                 | \$12.02   | \$10.77   | \$10.80   | \$7.97   |
| <b>Total Investment Return</b> <sup>(1)</sup>                                      | 6.49%                   | 23.34%    | 10.43%    | 54.01%    | 52.01%   |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>   |                         |           |           |           |          |
| Net assets, end of year (000s)   | \$128,672               | \$130,461 | \$108,810 | \$113,020 | \$88,290 |
| Ratio of expenses to average net assets, including interest expense <sup>(2)</sup> | 2.05%                   | 2.59%     | 2.44%     | 2.41%     | 2.67%    |
| Ratio of expenses to average net assets, excluding interest expense                | 1.52%                   | 1.76%     | 1.75%     | 1.75%     | 1.71%    |
| Ratio of net investment income to average net assets                               | 9.75%                   | 10.05%    | 11.30%    | 11.91%    | 12.86%   |
| Portfolio turnover rate  | 6%                      | 13%       | 26%       | 28%       | 57%      |

(1) Total investment return is calculated assuming a purchase of a share of common stock at the market price on the first day and a sale of a share of common stock 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 stock.

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

See accompanying Notes to Financial Statements | December 31, 2013 | Annual Report 67

**Consolidated Financial Highlights**

## PIMCO Dynamic Credit Income Fund

For a share of common stock outstanding throughout each period:

|  | For the Period<br>January 31, 2013*<br>through<br>December 31, 2013 |
|--|---|
| Net asset value, beginning of period   | \$23.88**   |
| <b>Investment Operations:</b>  |   |
| Net investment income  | 1.33  |
| Net realized and unrealized gain   | 0.76  |
| Total from investment operations   | 2.09  |
| <b>Dividends and Distributions to Shareholders from:</b>                           |   |
| Dividends to shareholders from net investment income                               | (1.68)  |
| Net realized gains   | (0.24)  |
| <b>Total dividends and distributions to shareholders</b>                           | <b>(1.92)</b>   |
| <b>Share Transactions:</b>   |   |
| Offering costs charged to paid-in-capital in excess of par                         | (0.01)  |
| Net asset value, end of period   | \$24.04   |
| Market price, end of period  | \$22.48   |
| <b>Total Investment Return</b> <sup>(1)</sup>                                      | <b>(2.79)%</b>  |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>   |   |
| Net assets, end of period (000s)   | \$3,298,673   |
| Ratio of expenses to average net assets, including interest expense <sup>(2)</sup> | 1.52% <sup>(3)</sup>  |
| Ratio of expenses to average net assets, excluding interest expense                | 1.42% <sup>(3)</sup>  |
| Ratio of net investment income to average net assets                               | 6.06% <sup>(3)</sup>  |
| Portfolio turnover rate  | 76%   |

\* Commencement of operations.

\*\* Initial public offering price of \$25.00 per share less underwriting discount of \$1.125 per share.

(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 period 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. Total investment return for a period of less than one year is not annualized.

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

(3) Annualized.

**Report of Independent Registered Public Accounting Firm**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

**To the Stockholders/Shareholders and Board of Directors/Trustees of**

**PCM Fund, Inc. and**

**PIMCO Dynamic Credit Income Fund**

In our opinion, the accompanying statements of assets and liabilities (consolidated statement of assets and liabilities for PIMCO Dynamic Credit Income Fund), including the schedules of investments (consolidated schedule of investments for PIMCO Dynamic Credit Income Fund), and the related statements of operations (consolidated statement of operations for PIMCO Dynamic Credit Income Fund), of changes in net assets (consolidated changes in net assets for PIMCO Dynamic Credit Income Fund) and of cash flows (consolidated cash flows for PIMCO Dynamic Credit Income Fund) and the financial highlights (consolidated financial highlights for PIMCO Dynamic Credit Income Fund) present fairly, in all material respects, the financial position of PCM Fund, Inc. and PIMCO Dynamic Credit Income Fund (collectively the Funds ) at December 31, 2013, the results of each of their operations and cash flows, the changes in their net assets and the financial highlights for periods presented, 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 December 31, 2013 by correspondence with the custodian, agent banks and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

February 26, 2014

**Tax Information/Annual Stockholder Meeting Results/Proxy Voting Policies & Procedures/ Loan Investments and Origination** (unaudited)

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

**Federal Income 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 December 31, 2013, are designated as qualified dividend income :

|                            |       |
|----------------------------|-------|
| PCM Fund, Inc.             | 0.01% |
| Dynamic Credit Income Fund | 1.19% |

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 December 31, 2013, that qualify for the corporate dividend received deduction is set forth below:

|                            |       |
|----------------------------|-------|
| PCM Fund, Inc.             | 0.01% |
| Dynamic Credit Income Fund | 1.07% |

In January 2014, shareholders were 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 December 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 fund.

**Annual Stockholder Meeting Results:**

PCM held its annual meeting of stockholders on April 30, 2013. Stockholders voted as indicated below:

|                                  |  | Affirmative | Withheld<br>Authority |
|----------------------------------|--|-------------|-----------------------|
| Re-election of James A. Jacobson | Class I to serve until the annual meeting for the 2016 fiscal year | 10,103,933  | 219,295               |

|  |            |         |
|--|------------|---------|
| Re-election of William B. Ogden, IV Class I to serve until the annual meeting for the 2016 fiscal year | 10,128,658 | 194,570 |
|--|------------|---------|

The other members of the Board of Directors at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, John C. Maney\*, Alan Rappaport and Ms. Deborah A. DeCotis continued to serve.

\* Interested Director

**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).

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**Tax Information/Annual Stockholder Meeting Results/Proxy Voting Policies & Procedures/ Loan Investments and Origination** (unaudited) (continued)

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

**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 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.

## **Privacy Policy (unaudited)**

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

### **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 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

**Privacy Policy** (unaudited) (continued)

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

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.

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**Dividend Reinvestment Plan** (unaudited)

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

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 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



**Dividend Reinvestment Plan** (unaudited) (continued)

PCM Fund, Inc./PIMCO Dynamic Credit Income Fund

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/Directors** (unaudited)

PIMCO Dynamic Credit Income Fund/PCM Fund, Inc.

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

**Length of Service, Other Trusteeships/Directorships Held by Trustee/Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Trustee/Director**

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

**Hans W. Kertess**

Year of Birth: 1939

Chairman of the Board of Trustees/Directors since: 2008

Trustee/Director since: 2013-PCI; 2008-PCM

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

Trustee/Director of 65 funds in Fund Complex;

Trustee/Director of no funds outside of Fund Complex

**Deborah A. DeCotis**

Year of Birth: 1952

Trustee/Director since: 2013-PCI; 2011-PCM

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

Trustee/Director of 65 funds in Fund Complex

Trustee/Director of no funds outside of Fund Complex

**Bradford K. Gallagher**

Year of Birth: 1944

Trustee/Director since: 2013-PCI; 2010-PCM

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

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

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

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).

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

Trustee/Director of 65 funds in Fund Complex (2011-2013).

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)

**James A. Jacobson**

Year of Birth: 1945

Trustee/Director since: 2013-PCI; 2009-PCM

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

Trustee/Director of 65 funds in Fund Complex

Trustee/Director of 17 funds in Alpine Mutual Funds Complex

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

**Board of Trustees/Directors** (unaudited) (continued)

PIMCO Dynamic Credit Income Fund/PCM Fund, Inc.

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

**Length of Service, Other Trusteeships/Directorships Held by Trustee/Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Trustee/Director**

**William B. Ogden, IV**

Year of Birth: 1945

Trustee/Director since: 2013-PCI; 2008-PCM

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

Trustee/Director of 65 funds in Fund Complex;

Trustee/Director of no funds outside of Fund Complex

**Alan Rappaport**

Year of Birth: 1953

Trustee/Director since: 2013-PCI, 2010-PCM

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

Trustee/Director of 65 funds in Fund Complex

Trustee/Director of no funds outside of Fund Complex

**John C. Maney**

Year of Birth: 1959

Trustee/Director since 2013-PCI; 2008-PCM

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

Trustee/Director of 85 funds in Fund Complex

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

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

Advisory Director, (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).

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).



Trustee/Director of no funds outside the Fund Complex

Mr. Maney is an interested person of the Trust, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

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**Fund Officers** (unaudited)

PIMCO Dynamic Credit Income Fund/PCM Fund, Inc.

| <b>Name, Year of Birth, Position(s) Held with Fund.</b>   | <b>Principal Occupation(s) During Past 5 Years:</b>  |
|---|--|
| <b>Brian S. Shlissel</b><br>Year of Birth: 1964<br>President & Chief Executive Officer<br>since: 2013-PCI; 2008-PCM                       | Management Board, Managing Director and Head of Mutual Fund Services of Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 29 funds in the Fund Complex and of The Korea Fund, Inc.; and President of 56 funds in the Fund Complex. Formerly, Treasurer, Principal Financial and Accounting Officer of 50 funds in the Fund Complex (2005-2010).               |
| <b>Lawrence G. Altadonna</b><br>Year of Birth: 1966<br>Treasurer, Principal Financial and Accounting Officer<br>since: 2013-PCI; 2008-PCM | Director, Director of Fund Administration of Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting Officer of 85 funds in the Fund Complex and of The Korea Fund, Inc. Formerly, Assistant Treasurer of 50 funds in the Fund Complex (2005-2010).  |
| <b>Thomas J. Fuccillo</b><br>Year of Birth: 1968<br>Vice President, Secretary & Chief Legal Officer<br>Since: 2013-PCI; 2008-PCM          | Managing Director, Chief Legal Officer and Secretary of 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 85 funds in the Fund Complex; and Secretary and Chief Legal Officer of The Korea Fund, Inc. |
| <b>Scott Whisten</b><br>Year of Birth: 1971<br>Assistant Treasurer since: 2013-PCI; 2008-PCM  | Director of Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 85 funds in the Fund Complex.   |
| <b>Orhan Dzemaili</b><br>Year of Birth: 1974<br>Assistant Treasurer since: 2013-PCI; 2011-PCM   | Director of Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 85 funds in the Fund Complex.   |
| <b>Richard J. Cochran</b><br>Year of Birth: 1961<br>Assistant Treasurer since: 2013-PCI; 2008-PCM   | Vice President of Allianz Global Investors Fund Management LLC; Assistant Treasurer of 85 funds in the Fund Complex and of The Korea Fund, Inc.  |
| <b>Thomas L. Harter, CFA</b><br>Year of Birth: 1975   | Director of Allianz Global Investors U.S. Holdings LLC; and Chief Compliance Officer of 83 funds in the Fund Complex and of The Korea Fund, Inc. Formerly, Vice President and Compliance Manager   |

Chief Compliance Officer since: 2013

**Lagan Srivastava**

Year of Birth: 1977

(2005-2012).

Vice President of Allianz Global Investors U.S. Holdings LLC; Assistant Secretary of 85 funds in the Fund Complex and of The Korea Fund, Inc.

Assistant Secretary since: 2013-PCI; 2008-PCM

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

**Directors/Trustees**

Hans W. Kertess

*Chairman of the Board of Directors/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

1100 Walnut Street, Suite 1300

Kansas City, MO 64106

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 stockholders of the PCM Fund, Inc. and to the shareholders of PIMCO Dynamic Credit Income 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.*

*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 stockholder/shareholder servicing agent at (800) 254-5197.*

[us.allianzgi.com](http://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 Period, was \$64,000 in 2012 and \$65,000 for 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 \$0 in 2012 and \$0 for 2013. These services consist of accounting consultations, agreed upon procedure reports, 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 \$15,000 in 2012 and \$15,990 for 2013. 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.

PCM Fund, Inc. (the Fund )  
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

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:

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 \$9,712,670 and \$8,858,060 for 2013.
  
- 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.

**PCM FUND, INC.**

**(the FUND )**

**PROXY VOTING POLICY**

1. It is the policy of the Fund 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 Fund believes that the firms and/or persons purchasing and selling securities for the Fund and analyzing the performance of the Fund's securities are in the best position and have the information necessary to vote proxies in the best interests of the Fund 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 Fund, on the other. Accordingly, the Fund's policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the Fund.
2. The Fund 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 Fund. AGIFM's Proxy Voting Policy Summary is attached as Appendix A hereto. Summaries of the detailed proxy voting policies of the Fund'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 Fund 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 Fund 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 Fund'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 Director's Chief Compliance Officer.
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 Fund with proxy voting authority and how the Fund 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 Fund'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 Fund's Chief Compliance Officer or Board of Directors, 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 Fund's Registration Statements or Form N-CSR filings.

**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 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.

**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.

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

(a)(1)

As of March 4, 2014, the following individual has primary responsibility for the day-to-day implementation of the PCM Fund, Inc. ( PCM or the Fund ):

**Daniel J. Ivascyn**

Mr. Ivascyn has been the portfolio manager since inception (May 2005). Mr. Ivascyn is a managing director, a member of the Executive Committee and head of the mortgage credit portfolio management team and a lead portfolio manager for the credit hedge fund and mortgage and opportunistic strategies of Pacific Investment Management Company LLC ( PIMCO ) in the Newport Beach office. Prior to joining PIMCO in 1998, he was in the asset-backed securities group at Bear Stearns, as well as T. Rowe Price and Fidelity Investments. He has 22 years of investment experience and holds an MBA in analytic finance from the University of Chicago Graduate School of Business. He received his undergraduate degree from Occidental College.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund managed by the Portfolio Manager as of December 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>Daniel J. Ivascyn</b> | PCM  | 9                               | 34,425.51      | 9                                | 6,335.11*      | 101            | 9,336.21**     |

\* Of these Other Pooled Investment Vehicles, 2 accounts totaling \$1,524.19 million in assets pay an advisory fee that is based in part on the performance of the accounts.

\*\* Of these Other Accounts, 3 accounts totaling \$3,213.02 million in assets pays an advisory fee that is based in part on the performance of the account.

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

### **Portfolio Manager Compensation**

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 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;

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;

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 December 31, 2013.

PCM Fund, Inc.

| Portfolio Manager        | Dollar Range of Equity Securities in the Fund |
|--------------------------|---|
| <b>Daniel J. Ivascyn</b> | 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.

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

**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) PCM Fund, Inc.

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

Date: March 4, 2014

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

Date: March 4, 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: March 4, 2014

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

Date: March 4, 2014