

PIMCO HIGH INCOME FUND
Form N-CSRS
March 29, 2017

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: 811-21311

PIMCO High Income Fund

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY 10019

(Address of principal executive offices)

William G. Galipeau

Treasurer (Principal Financial & Accounting Officer)

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Newport Beach, CA 92660

(Name and address of agent for service)

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Registrant's telephone number, including area code: (844) 337-4626

Date of fiscal year end: July 31

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Date of reporting period: January 31, 2017

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

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

Item 1. Reports to Shareholders.

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

PIMCO Closed-End Funds

Semiannual Report

January 31, 2017

PIMCO Corporate & Income Opportunity Fund

PIMCO Corporate & Income Strategy Fund

PIMCO High Income Fund

PIMCO Income Strategy Fund

PIMCO Income Strategy Fund II

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Letter from the Chairman of the Board & President

Dear Shareholder,

The global financial markets generated mixed results during the reporting period. Investor sentiment fluctuated as investors reacted to incoming economic data, shifting monetary policy, volatile commodity prices and numerous geopolitical issues.

For the six-month reporting period ended January 31, 2017

The U.S. economy continued to expand during the reporting period, although the pace was relatively modest. Looking back, U.S. gross domestic product (GDP), which represents the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at a 0.9% annual pace during the second quarter of 2016. GDP grew at a 3.5% annual pace during the third quarter – the strongest reading in two years. Finally, the Commerce Department’s second reading showed that fourth-quarter 2016 GDP grew at an annual pace of 1.9%.

At its meeting in December 2015, the Federal Reserve (Fed) took its initial step toward normalizing monetary policy. In particular, the Fed raised interest rates from a range between 0% and 0.25% to a range between 0.25% and 0.50%. During its first seven meetings in 2016, the Fed remained on hold as it monitored incoming economic data, as well as several geopolitical events. Then, in a well-telegraphed move, the Fed again raised interest rates in December 2016 to a range between 0.50% and 0.75%. In its official statement following the Fed’s December 2016 meeting it said, “The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.”

Economic activity outside the U.S. was generally tepid during the reporting period. In the eurozone, growth was modest and inflation remained lower than the European Central Bank’s (ECB) target. As a result, the ECB maintained its highly accommodative monetary policy and extended the duration of its bond-buying program through December 2017. In the aftermath of the United Kingdom’s decision to leave the European Union (Brexit), the Bank of England lowered rates in October 2016 from 0.50% to 0.25% – an all-time low. Elsewhere, uneven growth in Japan prompted the Bank of Japan to push the rate on current accounts that commercial banks hold to negative territory.

After weakness earlier in 2016, commodity prices generally stabilized and moved higher during the six months ended January 31, 2017. Crude oil rose from approximately \$42 a barrel when the reporting period began, to roughly \$53 at the end of January 2017. Finally, foreign exchange markets fluctuated given economic data, decoupling central bank policy, Brexit, and the surprise outcome from the U.S. November elections that propelled the U.S. dollar higher.

Outlook

PIMCO’s baseline view is for the aging U.S. economic expansion to continue during the remainder of 2017. PIMCO foresees U.S. GDP growth of 2%–2.5% in 2017, twice the annualized growth rate from the fourth quarter of 2015 through the second quarter of 2016, but below the 3.5% rate during the third quarter of 2016. PIMCO believes business investment will likely increase, helped by higher energy prices and, eventually,

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more clarity on corporate tax reform. In PIMCO's view, consumer spending will be supported by a further decline in unemployment, rising wages and expectations of personal income tax cuts to be enacted by the end of 2017. Meanwhile, PIMCO expects headline Consumer Price Index (CPI) inflation to increase and to converge with core inflation above 2%, with the Fed raising interest rates two or three times during 2017 (with risks to the upside).

Overseas, PIMCO's baseline view is for eurozone growth to be in a 1% - 1.5% range as political uncertainty remains elevated ahead of crucial elections in France, Germany, the Netherlands and, potentially, in Italy. While PIMCO believes that headline inflation will rise above 1%, core inflation should make little headway toward the European

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Central Bank's below but close to 2% objective. In the U.K., PIMCO's baseline view is for growth to moderate into a 0.75% - 1.5% range, reflecting fairly robust momentum so far, but also the ongoing uncertainty over the impact of Brexit. PIMCO's baseline view in Japan is that fiscal stimulus and recent yen weakening will propel GDP growth into a 0.75% - 1.25% range in 2017. However, PIMCO believes inflation will remain subdued and significantly below the Bank of Japan's 2% target. Finally, for China, PIMCO's baseline view is that the public sector credit bubble and its private sector capital outflows will likely remain under control and growth will slow into a 6% - 6.5% range as policymakers prioritize financial stability over economic stimulus, ahead of the 19th National Party Congress in the fourth quarter of 2017.

In the following pages of this PIMCO Closed-End Funds Semiannual Report, please find specific details regarding investment performance and a discussion of factors that most affected the Funds' performance over the six months ended January 31, 2017.

Thank you for investing with us. We value your trust and will continue to work diligently to meet your investment needs. If you have questions regarding any of your PIMCO Closed-End Funds investments, please contact your financial advisor or call the Funds' shareholder servicing agent at (844) 33-PIMCO, or (844) 337-4626. We also invite you to visit our website at www.pimco.com to learn more about our views.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Peter G. Strelow
President

Important Information About the Funds

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a Fund are likely to decrease in value. A number of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). Accordingly, changes in interest rates can be sudden, and there is no guarantee that Fund Management will anticipate such movement. As of the date of this report, interest rates in the U.S. are at or near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with rising interest rates. This is especially true since the Federal Reserve Board has concluded its quantitative easing program and, at its meetings on December 16, 2015 and December 14, 2016, raised interest rates for the first time since 2006. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to make markets in corporate bonds. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in increased losses to a Fund. Bond funds and individual bonds with a longer duration (a measure of the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. In addition, in the current low interest rate environment, the market price of the Funds common shares may be particularly sensitive to changes in interest rates or the perception that there will be a change in interest rates.

The use of derivatives may subject the Funds to greater volatility than investments in traditional securities. The Funds may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, call risk, credit risk, management risk and the risk that a Fund could not close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on a Fund. For example, a small investment in a derivative instrument may have a significant impact on a Fund's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility in a Fund's net asset value (NAV). A Fund may engage in such transactions regardless of whether the Fund owns the asset, instrument or components of the index underlying a derivative instrument. A Fund may invest a significant portion of its assets in these types of

instruments. If it does, a Fund's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not directly own. Changes in regulation relating to a mutual fund's use of derivatives and related instruments could potentially limit or impact a Fund's ability to invest in derivatives, limit a Fund's ability to employ certain strategies that use derivatives and adversely affect the value or performance of derivatives and a Fund. For instance, in December 2015, the SEC proposed new regulations applicable to a mutual fund's use of derivatives and related instruments. If adopted as proposed, these regulations could significantly limit or impact a Fund's ability to invest in derivatives and other instruments, limit a Fund's ability to employ certain strategies that use derivatives and adversely affect a Fund's performance, efficiency in implementing its strategy, liquidity and ability to pursue its investment objectives and generate income.

Certain Funds' monthly distributions may include, among other sources, payments and premiums (characterized as capital for financial accounting purposes and as ordinary income for tax purposes) generated by certain types of interest rate derivatives.

Strategies involving interest rate derivatives may attempt to capitalize on differences between short-term and long-term interest rates as part of a Fund's duration and yield curve active management strategies. For instance, in the event that long-term interest rates are higher than short-term interest rates, a Fund may elect to pay a floating short-term interest rate and to receive a long-term fixed interest rate for a stipulated period of time, thereby generating payments as a function of the difference between current short-term interest rates and long-term interest rates, so long as the floating short-term interest rate (which may rise) is lower than the fixed long-term interest rate.

A Fund may also enter into opposite sides of multiple interest rate swaps or other derivatives with respect to the same underlying reference instrument (e.g., a 10-year U.S. treasury) that have different effective dates with respect to interest accrual time periods for the principal purpose of generating distributable gains (characterized as ordinary income for tax purposes) and that are not part of the Fund's duration or yield curve management strategies (paired swap transactions). In a paired swap transaction, a Fund would generally enter into one or more interest rate swap agreements whereby the Fund agrees to make regular payments starting at the time the Fund enters into the agreements equal to a floating

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interest rate in return for payments equal to a fixed interest rate (the initial leg). The Fund would also enter into one or more interest rate swap agreements on the same underlying instrument, but take the opposite position (i.e., in this example, the Fund would make regular payments equal to a fixed interest rate in return for receiving payments equal to a floating interest rate) with respect to a contract whereby the payment obligations do

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not commence until a date following the commencement of the initial leg (the forward leg).

A Fund's income- and gain-generating strategies may generate current income and gains taxable as ordinary income sufficient to support monthly distributions even in situations when the Fund has experienced a decline in net assets due to, for example, adverse changes in the broad U.S. or non-U.S. equity markets or the Fund's debt investments, or arising from its use of derivatives. For instance, a significant portion of a Fund's monthly distributions may be sourced from paired swap transactions utilized to produce current distributable ordinary income for tax purposes on the initial leg, with the expectation that the Fund will later realize a corresponding capital loss and potential decline in its net asset value with respect to the forward leg (to the extent there are not corresponding offsetting capital gains being generated from other sources). Because some or all of these transactions may generate capital losses without corresponding offsetting capital gains, portions of a Fund's distributions recognized as ordinary income for tax purposes (such as from paired swap transactions) may be economically similar to a taxable return of capital when considered together with such capital losses.

The notional exposure of a Fund's interest rate derivatives may represent a multiple of the Fund's total net assets. There can be no assurance a Fund's strategies involving interest rate derivatives will work as intended and such strategies are subject to the risks related to the use of derivatives generally, as discussed above (see also Notes 6 and 7 in the Notes to Financial Statements for further discussion on the use of derivative instruments and certain of the risks associated therewith).

A Fund's use of leverage creates the opportunity for increased income for the Fund's common shareholders, but also creates special risks. Leverage is a speculative technique that may expose a Fund to greater risk and increased costs. If shorter-term interest rates rise relative to the rate of return on a Fund's portfolio, the interest and other costs of leverage to the Fund could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to the Fund's common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by its common shareholders (and not by preferred shareholders, if any) and will reduce the investment return of the Fund's common shares. There can be no assurance that a Fund's use of leverage will result in a higher yield on its common shares, and it may result in losses. Leverage creates several major types of risks for a Fund's common shareholders, including: (1) the likelihood of greater volatility of net asset value and market price of the Fund's common shares, and of the investment return to the Fund's common shareholders, than a comparable portfolio without leverage; (2) the possibility either that the Fund's common share dividends will fall if the interest and other costs of leverage rise,

or that dividends paid on the Fund's common shares will fluctuate because such costs vary over time; and (3) the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the Fund's common shares than if the Fund were not leveraged and may result in a greater decline in the market value of the Fund's common shares.

A Fund's investments in and exposure to foreign securities involve special risks. For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information or economic and financial instability. Foreign securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers. The securities markets of certain foreign countries are relatively small, with a limited number of companies representing a small number of industries. Issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting, auditing and custody standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or other confiscation, currency blockage, political changes or diplomatic developments could adversely affect a Fund's investments in foreign securities. In the event of nationalization, expropriation or other confiscation, a Fund could lose its entire investment in foreign securities. Risks associated with investing in foreign securities may be increased when a Fund invests in emerging markets. For example, if a Fund invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the emerging market.

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, as applicable, risks associated with mortgage-related securities. In addition, in many cases loans are subject to the risks associated with below-investment grade securities. In the case of a loan participation or

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assignment, a Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, a Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. In the event of the insolvency of the lender selling a loan participation, a Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. 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

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Important Information About the Funds (Cont.)

associated with the loans. To the extent that a Fund originates a loan, it may be responsible for all or a substantial portion of the expenses associated with initiating the loan, irrespective of whether the loan transaction is ultimately consummated or closed. This may include significant legal and due diligence expenses, which will be indirectly borne by a Fund and its shareholders.

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 experience additional volatility since individual mortgage holders are less likely to exercise prepayment options, thereby putting additional downward pressure on the value of these securities and potentially causing the Fund to lose money. This is known as extension risk. Mortgage-backed securities can be highly sensitive to rising interest rates, such that even small movements can cause an investing Fund to lose value. Mortgage-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of the Funds because the Funds may have to reinvest that money at the lower prevailing interest rates. The Funds' investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. Payment of principal and interest on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets.

High-yield bonds (commonly referred to as "junk bonds") typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high yield investments increase the chance that a Fund will lose money on its investment. The Funds may also invest in bonds and other instruments that are not rated, but which PIMCO considers to be equivalent to high-yield investments. The Funds may 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.

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

The global economic crisis brought several small economies in Europe to the brink of bankruptcy and many other economies into recession and weakened the banking and financial sectors of many European countries. For example, the governments of Greece, Spain, Portugal, and the Republic of Ireland have all experienced large public budget deficits, the effects of which are still yet unknown and may slow the overall recovery of the European economies from the global economic crisis. In addition, due to large public deficits, some European countries may be dependent on assistance from other European governments and institutions or other central banks or supranational agencies such as the International Monetary Fund. Assistance may be dependent on a country's implementation of reforms or reaching a certain level of performance. Failure to reach those objectives or an insufficient level of assistance could result in a deep economic downturn which could significantly affect the value of a Fund's European investments. It is possible that one or more Economic and Monetary Union of the European Union (EMU) member countries could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The exit of any country out of the euro may have an extremely destabilizing effect on other eurozone countries and their economies and a negative effect on the global economy as a whole. Such an exit by one country may also increase the possibility that additional

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countries may exit the euro should they face similar financial difficulties. In June 2016, the United Kingdom approved a referendum to leave the European Union. Significant uncertainty remains in the market regarding the ramifications of that development, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

As the use of technology has become more prevalent in the course of business, the Funds have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber

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security refers to both intentional and unintentional cyber events that may cause a Fund to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber security breaches may involve unauthorized access to a Fund's digital information systems (e.g., through hacking or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of a Fund's third party service providers (including but not limited to advisers, sub-advisers, administrators, transfer agents, custodians, distributors and other third parties) or issuers that a Fund invests in can also subject a Fund to many of the same risks associated with direct cyber security breaches. Cyber security failures or breaches may result in financial losses to a Fund and its shareholders. These failures or breaches may also result in disruptions to business operations, potentially resulting in financial losses; interference with a Fund's ability to calculate its net asset value, process shareholder transactions or otherwise transact business with shareholders; impediments to trading; violations of applicable privacy and other laws; regulatory fines; penalties; reputational damage; reimbursement or other compensation costs; or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. Like with operational risk in general, the Funds have established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially since the Funds do not directly control the cyber security systems of issuers or third party service providers. The Funds and their shareholders could be negatively impacted as a result.

The Funds may invest in securities and instruments that are economically tied to Russia. Investments in Russia are subject to various risks such as political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that economic sanctions may be imposed by the United States and/or other countries. Such sanctions which may impact companies in many sectors, including energy, financial services and defense, among others may negatively impact the Funds performance and/or ability to achieve their investment objectives. The Russian securities market is characterized by limited volume of trading, resulting in difficulty in obtaining accurate prices. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. There may be little publicly available information about issuers. Settlement, clearing and registration of securities transactions are subject to risks because of registration systems that may not be subject to effective government

supervision. This may result in significant delays or problems in registering the transfer of securities. Russian securities laws may not recognize foreign nominee accounts held with a custodian bank, and therefore the custodian may be considered the ultimate owner of securities they hold for their clients. Ownership of securities issued by Russian companies is recorded by companies themselves and by registrars instead of through a central registration system. It is possible that the ownership rights of the Funds could be lost through fraud or negligence. While applicable Russian regulations impose liability on registrars for losses resulting from their errors, it may be difficult for the Funds to enforce any rights it may have against the registrar or issuer of the securities in the event of loss of share registration. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

The common shares of the Funds trade on the New York Stock Exchange. As with any stock, the price of a Fund's common shares will fluctuate with market conditions and other factors. If you sell your common shares of a Fund, the price received may be more or less than your original investment. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. The common shares of a Fund may trade at a price that is less than the initial offering price and/or the net asset value of such shares. Further, if a Fund's shares trade at a price that is more than the initial offering price and/or the net asset value of such shares, including at a substantial premium and/or for an extended period of time, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares will not trade at a discount to net asset value thereafter.

The Funds may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: asset allocation risk, credit risk, stressed securities risk, distressed and defaulted securities risk, corporate bond risk, market risk, issuer risk, liquidity risk, equity securities and related market risk, mortgage-related and other asset-backed securities risk, extension risk, prepayment risk, privately issued mortgage-related securities risk, mortgage market/ subprime risk, foreign (non-U.S.) investment risk, emerging markets risk, currency risk, redenomination risk, non-diversification risk, management risk, municipal bond risk, inflation-indexed security risk, senior debt risk, loans, participations and assignments risk, reinvestment risk, real estate risk, U.S. Government securities risk, foreign (non-U.S.) government securities risk, valuation risk, segregation and cover risk, focused investment risk, credit default swaps risk, event-linked

securities risk, counterparty risk, preferred

Important Information About the Funds (Cont.)

securities risk, confidential information access risk, other investment companies risk, private placements risk, inflation/deflation risk, regulatory risk, tax risk, recent economic conditions risk, market disruptions and geopolitical risk, potential conflicts of interest involving allocation of investment opportunities, repurchase agreements risk, securities lending risk, zero-coupon bond and payment-in-kind securities risk, portfolio turnover risk, smaller company risk, short sale risk and convertible securities risk. A description of certain of these risks is available in the Notes to Financial Statements of this Report.

On each Fund Summary page in this Shareholder Report, the Average Annual Total Return table measures performance assuming that all dividend and capital gain distributions were reinvested. Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions. 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 tend to reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about a Fund, market conditions, supply and demand for the Fund's shares, or changes in the Fund's dividends. Performance shown is net of fees and expenses.

The following table discloses the commencement of operations and diversification status of each Fund:

Fund Name	Commencement of Operations	Diversification Status
PIMCO Corporate & Income Opportunity Fund	12/27/02	Diversified
PIMCO Corporate & Income Strategy Fund	12/21/01	Diversified
PIMCO High Income Fund	04/30/03	Diversified
PIMCO Income Strategy Fund	08/29/03	Diversified
PIMCO Income Strategy Fund II	10/29/04	Diversified

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

The Trustees are responsible generally for overseeing the management of the Funds. The Trustees authorize the Funds to enter into service agreements with the Investment Manager and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Funds. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither a Fund's original or any subsequent prospectus or Statement of Additional Information (SAI), any press release or shareholder report, any contracts filed as exhibits

to a Fund's registration statement, nor any other communications, disclosure documents or regulatory filings from or on behalf of a Fund creates a contract between or among any shareholders of a Fund, on the one hand, and the Fund, a service provider to the Fund, and/or the Trustees or officers of the Fund, on the other hand, other than pursuant to any rights under federal or state law that cannot be waived. The Trustees (or the Funds and their officers, service providers or other delegates acting under authority of the Trustees) may amend its most recent or use a new prospectus or SAI with respect to a Fund, adopt and disclose new or amended policies and other changes in press releases and shareholder reports and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which a Fund is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to any Fund, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement was specifically disclosed in a Fund's prospectus, SAI or shareholder report and is otherwise still in effect.

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PIMCO has adopted written proxy voting policies and procedures (Proxy Policy) as required by Rule 10b(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Funds as the policies and procedures that PIMCO will use when voting proxies on behalf of the Funds. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of each Fund, and information about how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Funds at (844) 33-PIMCO (844-337-4626), on the Funds' website at www.pimco.com, and on the Securities and Exchange Commission's (SEC) website at <http://www.sec.gov>.

Each Fund files a complete schedule of its portfolio holdings with the SEC for the first and third quarters of its fiscal year on Form N-Q. A copy of each Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and is available without charge, upon request by calling the Funds at (844) 33-PIMCO (844-337-4626) and on the Funds' website at www.pimco.com.

Updated portfolio holdings information about a Fund will be available at www.pimco.com approximately 15 calendar days after such Fund's most recent fiscal quarter end, and will remain accessible until such Fund files a Form N-Q or a shareholder report for the period which includes the date of the information. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

8 PIMCO CLOSED-END FUNDS

PIMCO Corporate & Income Opportunity Fund

Symbol on NYSE - **PTY**

Allocation Breakdown as of 01/31/2017 [§]

Corporate Bonds & Notes	44.7%
Non-Agency Mortgage-Backed Securities	21.3%
Asset-Backed Securities	13.4%
Short-Term Instruments	6.7%
Municipal Bonds & Notes	5.5%
Other	8.4%
% of Investments, at value.	

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of January 31, 2017)⁽¹⁾

Market Price	\$15.45
NAV	\$13.81
Premium/(Discount) to NAV	11.88%
Market Price Distribution Yield ⁽²⁾	10.10%
NAV Distribution Yield ⁽²⁾	11.30%
Total Effective Leverage ⁽³⁾	44%

Average Annual Total Return⁽¹⁾ for the period ended January 31, 2017

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (12/27/02)
Market Price	12.12%	33.85%	10.30%	12.97%	13.76%
NAV	11.61%	23.49%	14.81%	14.21%	14.14%

All Fund returns are net of fees and expenses.

* Cumulative return

⁽¹⁾ Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

⁽²⁾ Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated

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composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

Investment Objective and Strategy Overview

PIMCO Corporate & Income Opportunity Fund's primary investment objective is to seek maximum total return through a combination of current income and capital appreciation.

Fund Insights at NAV

The following impacted performance during the reporting period:

- » The Fund's exposure to non-agency mortgage-backed securities contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to high yield corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to U.S. dollar-denominated Brazilian corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's selection of collateralized loan obligations (CLOs) contributed to performance, as select senior tranches outperformed the broader CLO sector.
- » The Fund's selection of agency collateralized mortgage obligations (CMOs) contributed to performance, as select floating-rate positions outperformed the broader agency CMO sector.
- » The Fund's exposure to U.S. duration detracted from performance, as U.S. interest rates increased.
- » The Fund's exposure to the middle of the U.K. yield curve modestly detracted from performance, as intermediate-term U.K. interest rates increased.

PIMCO Corporate & Income Strategy Fund

Symbol on NYSE - **PCN**

Allocation Breakdown as of 01/31/2017 [§]

Corporate Bonds & Notes	47.7%
Non-Agency Mortgage-Backed Securities	22.7%
Asset-Backed Securities	15.0%
Municipal Bonds & Notes	3.5%
Short-Term Instruments	2.2%
Other	8.9%
% of Investments, at value.	

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of January 31, 2017)⁽¹⁾

Market Price	\$15.61
NAV	\$14.46
Premium/(Discount) to NAV	7.95%
Market Price Distribution Yield ⁽²⁾	8.65%
NAV Distribution Yield ⁽²⁾	9.34%
Total Effective Leverage ⁽³⁾	20%

Average Annual Total Return⁽¹⁾ for the period ended January 31, 2017

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (12/21/01)
Market Price	9.04%	30.93%	10.29%	11.65%	11.87%
NAV	9.23%	18.91%	13.84%	12.79%	12.13%

All Fund returns are net of fees and expenses.

* Cumulative return

⁽¹⁾ Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

⁽²⁾ Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099-DIV sent to shareholders each January.

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⁽³⁾ Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively Total Effective Leverage). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

Investment Objective and Strategy Overview

PIMCO Corporate & Income Strategy Fund's primary investment objective is to seek high current income, with capital preservation and appreciation as secondary objectives.

Fund Insights at NAV

The following impacted performance during the reporting period:

- » The Fund's exposure to non-agency mortgage-backed securities contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to high yield corporate bonds contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to U.S. dollar-denominated Brazilian corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's selection of collateralized loan obligations (CLOs) contributed to performance, as select senior tranches outperformed the broader CLO sector.
- » The Fund's selection of investment grade banking issuers benefited performance, as select subordinated positions outperformed the broader banking sector.
- » The Fund's exposure to U.S. duration detracted from performance, as U.S. interest rates increased.
- » The Fund's exposure to the middle of the U.K. yield curve modestly detracted from performance, as intermediate-term U.K. interest rates increased.

10 PIMCO CLOSED-END FUNDS

PIMCO High Income Fund

Symbol on NYSE - **PHK**

Allocation Breakdown as of 01/31/2017 [§]

Corporate Bonds & Notes	54.5%
Non-Agency Mortgage-Backed Securities	13.4%
Asset-Backed Securities	12.8%
Short-Term Instruments	8.1%
Municipal Bonds & Notes	6.1%
Other	5.1%
% of Investments, at value.	

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of January 31, 2017)⁽¹⁾

Market Price	\$9.88
NAV	\$6.57
Premium/(Discount) to NAV	50.38%
Market Price Distribution Yield ⁽²⁾	12.57%
NAV Distribution Yield ⁽²⁾	18.90%
Total Effective Leverage ⁽³⁾	28%

Average Annual Total Return⁽¹⁾ for the period ended January 31, 2017

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (04/30/03)
Market Price	5.51%	44.74%	8.51%	9.96%	11.02%
NAV	8.87%	21.80%	16.72%	11.01%	11.59%

All Fund returns are net of fees and expenses.

* Cumulative return

⁽¹⁾ Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

⁽²⁾ Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated

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composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

Investment Objective and Strategy Overview

PIMCO High Income Fund's primary investment objective is to seek high current income, with capital appreciation as a secondary objective.

Fund Insights at NAV

The following impacted performance during the reporting period:

- » The Fund's exposure to non-agency mortgage-backed securities contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to high yield corporate bonds contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to U.S. dollar-denominated Brazilian corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's selection of collateralized loan obligations (CLOs) contributed to performance, as select senior tranches outperformed the broader CLO sector.
- » The Fund's selection of investment grade financial issuers benefited performance, as select subordinated banking positions and senior brokerage positions outperformed the broader financial sector.
- » The Fund's exposure to U.S. duration detracted from performance, as U.S. interest rates increased.
- » The Fund's exposure to the middle of the U.K. yield curve modestly detracted from performance, as intermediate-term U.K. interest rates increased.

PIMCO Income Strategy Fund

Symbol on NYSE - **PFL**

Allocation Breakdown as of 01/31/2017 [§]

Corporate Bonds & Notes	52.5%
Asset-Backed Securities	19.0%
Non-Agency Mortgage-Backed Securities	13.0%
Short-Term Instruments	4.0%
Municipal Bonds & Notes	4.0%
Other	7.5%
% of Investments, at value.	

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of January 31, 2017)⁽¹⁾

Market Price	\$10.87
NAV	\$10.97
Premium/(Discount) to NAV	(0.91)%
Market Price Distribution Yield ⁽²⁾	9.94%
NAV Distribution Yield ⁽²⁾	9.85%
Total Effective Leverage ⁽³⁾	26%

Average Annual Total Return⁽¹⁾ for the period ended January 31, 2017

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (08/29/03)
Market Price	9.12%	29.93%	10.27%	5.23%	6.15%
NAV	9.55%	20.75%	11.94%	6.41%	6.65%

All Fund returns are net of fees and expenses.

* Cumulative return

⁽¹⁾ Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

⁽²⁾ Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated

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composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

Investment Objective and Strategy Overview

PIMCO Income Strategy Fund's primary investment objective is to seek high current income, consistent with the preservation of capital.

Fund Insights at NAV

The following impacted performance during the reporting period:

- » The Fund's exposure to non-agency mortgage-backed securities contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to high yield corporate bonds contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to U.S. dollar-denominated Brazilian corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's selection of agency collateralized mortgage obligations (CMOs) contributed to performance, as select floating-rate positions outperformed the broader agency CMO sector.
- » The Fund's selection of investment grade banking issuers benefited performance, as select subordinated positions outperformed the broader banking sector.
- » The Fund's selection of collateralized loan obligations (CLOs) contributed to performance, as select senior tranches outperformed the broader CLO sector.
- » The Fund's exposure to U.S. duration detracted from performance, as U.S. interest rates increased.
- » The Fund's exposure to the middle of the U.K. yield curve modestly detracted from performance, as intermediate-term U.K. interest rates increased.

12 PIMCO CLOSED-END FUNDS

PIMCO Income Strategy Fund II

Symbol on NYSE - **PFN**

Allocation Breakdown as of 01/31/2017 [§]

Corporate Bonds & Notes	45.5%
Non-Agency Mortgage-Backed Securities	19.6%
Asset-Backed Securities	16.1%
Municipal Bonds & Notes	5.5%
Short-Term Instruments	5.0%
Other	8.3%
% of Investments, at value.	

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of January 31, 2017)⁽¹⁾

Market Price	\$9.79
NAV	\$9.83
Premium/(Discount) to NAV	(0.41)%
Market Price Distribution Yield ⁽²⁾	9.81%
NAV Distribution Yield ⁽²⁾	9.77%
Total Effective Leverage ⁽³⁾	24%

Average Annual Total Return⁽¹⁾ for the period ended January 31, 2017

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (10/29/04)
Market Price	9.64%	29.13%	11.14%	4.70%	5.19%
NAV	9.69%	19.58%	12.33%	5.15%	5.59%

All Fund returns are net of fees and expenses.

* Cumulative return

⁽¹⁾ Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

⁽²⁾ Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated

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composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

Investment Objective and Strategy Overview

PIMCO Income Strategy Fund II's primary investment objective is to seek high current income, consistent with the preservation of capital.

Fund Insights at NAV

The following impacted performance during the reporting period:

- » The Fund's exposure to non-agency mortgage-backed securities contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to high yield corporate bonds contributed to performance, as the asset class generated a positive return.
- » The Fund's exposure to U.S. dollar-denominated Brazilian corporate debt contributed to performance, as the asset class generated a positive return.
- » The Fund's selection of agency collateralized mortgage obligations (CMOs) contributed to performance, as select floating-rate positions outperformed the broader agency CMO sector.
- » The Fund's selection of investment grade banking issuers benefited performance, as select subordinated positions outperformed the broader banking sector.
- » The Fund's selection of collateralized loan obligations (CLOs) contributed to performance, as select senior tranches outperformed the broader CLO sector.
- » The Fund's exposure to U.S. duration detracted from performance, as U.S. interest rates increased.
- » The Fund's exposure to the middle of the U.K. yield curve modestly detracted from performance, as intermediate-term U.K. interest rates increased.

Financial Highlights

	Investment Operations			Less Distributions to Preferred Shareholders ^(b)			Less Distributions to Common Shareholders ^(b)			Net Increase (Decrease) in Net Assets Applicable to Common Shareholders		
	Net Asset Value Beginning of Period	Net Investment Income ^(a)	Net Realized/Unrealized Gain (Loss)	From Net Investment Income	From Net Realized Capital Gains	From Net Investment Income	From Net Realized Capital Gains	From Net Investment Income	From Net Realized Capital Gains	Tax Basis Return of Capital	Total	
PIMCO Corporate & Income Opportunity Fund												
08/01/2016 - 01/31/2017+	\$ 13.27	\$ 0.60	\$ 0.91	\$ (0.02)	\$ 0.00	\$ 1.49	\$ (0.95)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.95)	
07/31/2016	14.23	1.30	(0.65)	(0.02)	0.00	0.63	(1.59)	0.00	0.00	0.00	(1.59)	
12/01/2014 - 07/31/2015 ^(g)	15.41	0.68	(0.33)	(0.00) [^]	0.00	0.35	(1.69)	0.00	0.00	0.00	(1.69) ^(j)	
11/30/2014	16.62	1.14	1.06	(0.00) [^]	(0.01)	2.19	(1.56)	(1.84)	0.00	0.00	(3.40)	
11/30/2013	17.58	1.43	0.19	(0.00) [^]	(0.00) [^]	1.62	(1.82)	(0.76)	0.00	0.00	(2.58)	
11/30/2012	14.22	1.68	3.87	(0.01)	0.00	5.54	(2.18)	0.00	0.00	0.00	(2.18)	
11/30/2011	16.29	1.88	(1.87)	(0.01)	0.00	0.00	(2.07)	0.00	0.00	0.00	(2.07)	
PIMCO Corporate & Income Strategy Fund												
08/01/2016 - 01/31/2017+	\$ 14.28	\$ 0.55	\$ 0.73	\$ (0.00) [^]	\$ 0.00	\$ 1.28	\$ (1.10)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (1.10)	
07/31/2016	14.75	1.24	(0.84) ^(k)	(0.01)	0.00	0.39 ^(l)	(1.37)	0.00	0.00	0.00	(1.37)	
11/01/2014 - 07/31/2015 ^(h)	15.60	0.73	(0.21)	(0.00) [^]	0.00	0.52	(1.37)	0.00	0.00	0.00	(1.37) ^(j)	
10/31/2014	16.04	0.99	0.87	(0.00) [^]	(0.00) [^]	1.86	(1.35)	(0.95)	0.00	0.00	(2.30)	
10/31/2013	15.90	1.28	0.44	(0.01)	0.00	1.71	(1.57)	0.00	0.00	0.00	(1.57)	
10/31/2012	13.67	1.57	2.47	(0.01)	0.00	4.03	(1.80)	0.00	0.00	0.00	(1.80)	
10/31/2011	15.51	1.72	(1.87)	(0.01)	0.00	(0.16)	(1.68)	0.00	0.00	0.00	(1.68)	
PIMCO High Income Fund												
08/01/2016 - 01/31/2017+	\$ 6.63	\$ 0.34	\$ 0.22	\$ (0.00) [^]	\$ 0.00	\$ 0.56	\$ (0.62)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.62)	
07/31/2016	7.37	0.74	(0.48) ^(k)	(0.00) [^]	0.00	0.26 ^(l)	(1.18)	0.00	(0.08)	0.00	(1.26)	
04/01/2015 - 07/31/2015 ⁽ⁱ⁾	7.59	0.21	0.06	(0.00) [^]	0.00	0.27	(0.33)	0.00	(0.16)	0.00	(0.49) ^(j)	
03/31/2015	8.23	0.94	(0.12)	(0.00) [^]	0.00	0.82	(1.46)	0.00	0.00	0.00	(1.46)	
03/31/2014	8.65	0.84	0.20	(0.00) [^]	0.00	1.04	(1.35)	0.00	(0.11)	0.00	(1.46)	
03/31/2013	7.87	0.81	1.43	(0.00) [^]	0.00	2.24	(1.42)	0.00	(0.04)	0.00	(1.46)	
03/31/2012	9.42	0.96	(1.05)	(0.00) [^]	0.00	(0.09)	(1.39)	0.00	(0.07)	0.00	(1.46)	
PIMCO Income Strategy Fund												
08/01/2016 - 01/31/2017+	\$ 10.53	\$ 0.43	\$ 0.57	\$ (0.02)	\$ 0.00	\$ 0.98	\$ (0.54)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.54)	
07/31/2016	11.46	0.88	(0.70)	(0.03)	0.00	0.15	(1.08)	0.00	0.00	0.00	(1.08)	
07/31/2015	12.15	0.79	(0.34)	(0.03)	0.00	0.42	(1.22)	0.00	0.00	0.00	(1.22)	
07/31/2014	11.70	0.79	0.78	(0.04)	0.00	1.53	(1.08)	0.00	0.00	0.00	(1.08)	
07/31/2013	11.35	0.92	0.87	(0.04)	0.00	1.75	(1.40)	0.00	0.00	0.00	(1.40)	
07/31/2012	11.39	1.16	(0.04)	(0.05)	0.00	1.07	(1.11)	0.00	0.00	0.00	(1.11)	
PIMCO Income Strategy Fund II												
08/01/2016 - 01/31/2017+	\$ 9.42	\$ 0.41	\$ 0.49	\$ (0.01)	\$ 0.00	\$ 0.89	\$ (0.48)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.48)	
07/31/2016	10.27	0.87	(0.67)	(0.02)	0.00	0.18	(1.03)	0.00	0.00	0.00	(1.03)	
07/31/2015	10.88	0.70	(0.29)	(0.03)	0.00	0.38	(1.11)	0.00	0.00	0.00	(1.11)	
07/31/2014	10.29	0.72	0.87	(0.04)	0.00	1.55	(0.96)	0.00	0.00	0.00	(0.96)	
07/31/2013	10.23	0.88	0.68	(0.04)	0.00	1.52	(1.46)	0.00	0.00	0.00	(1.46)	
07/31/2012	10.04	1.03	0.03	(0.04)	0.00	1.02	(0.83)	0.00	0.00	0.00	(0.83)	

+ Unaudited

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* Annualized

^ Reflects an amount rounding to less than one cent.

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

(b) The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid is determined at the end of the fiscal year. See Note 2 in the Notes to Financial Statements for more information.

(c) See Note 12 in the Notes to Financial Statements.

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

(e) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders. The expense ratio and net investment income do not reflect the effects of dividend payments to preferred shareholders.

(f) Interest expense primarily relates to participation in borrowing and financing transactions. See Note 5 in the Notes to Financial Statements for more information.

(g) Fiscal year end changed from November 30th to July 31st.

(h) Fiscal year end changed from October 31st to July 31st.

(i) Fiscal year end changed from March 31st to July 31st.

(j) Total distributions for the period ended July 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended July 31, 2015.

(k) The amount previously reported in the Funds' Annual Report has been revised due to a misstatement. The misstatement was not considered material to the prior period Annual Report. In the Funds' Annual Report, PIMCO Corporate & Income Strategy Fund and PIMCO High Income Fund reported amounts of (0.33) and (0.22), respectively.

(l) The amount previously reported in the Funds' Annual Report has been revised due to a misstatement. The misstatement was not considered material to the prior period Annual Report. In the Funds' Annual Report, PIMCO Corporate & Income Strategy Fund and PIMCO High Income Fund reported amounts of 0.90 and 0.52, respectively.

14 PIMCO CLOSED-END FUNDS

See Accompanying Notes

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Common Share				Ratios/Supplemental Data Ratios to Average Net Assets						
Increase Resulting from Tender and Repurchase of Auction-Rate Preferred Shares ^(c)	Net Asset Value End of Year or Period	Market Price End of Year or Period	Total Investment Return ^(d)	Net Assets Applicable to Common Shareholders (000s)	Expenses ^{(e)(f)}	Expenses Excluding Interest Expense ^(e)	Net Investment Income ^(e)	Preferred Shares Asset Coverage Per Share	Portfolio Turnover Rate	
\$ 0.00	\$ 13.81	\$ 15.45	12.12%	991,181	1.01%*	0.85%*	8.80%*	129,122	22%	
0.00	13.27	14.75	16.09	946,843	0.89	0.85	9.93	124,468	45	
0.16	14.23	14.31	(13.61)	1,006,484	0.91*	0.90*	7.01*	130,743	34	
0.00	15.41	18.50	26.04	1,082,000	0.91	0.91	7.36	108,229	44	
0.00	16.62	17.75	(0.15)	1,149,779	0.91	0.91	8.49	113,443	118	
0.00	17.58	20.37	36.86	1,205,090	1.05	0.93	10.63	117,697	29	
0.00	14.22	16.78	9.24	967,195	1.09	0.94	11.76	99,399	53	
\$ 0.00	\$ 14.46	\$ 15.61	9.04%	563,695	1.17%*	0.94%*	7.53%*	278,772	23%	
0.51	14.28	15.43	24.21	553,569	1.10	1.02	8.91	274,223	43	
0.00	14.75	13.71	(7.12)	570,122	1.07*	1.07*	6.51*	109,336	40	
0.00	15.60	16.18	8.84	599,980	1.09	1.09	6.32	113,753	48	
0.00	16.04	17.15	3.48	612,225	1.10	1.09	7.91	115,565	108	
0.00	15.90	18.17	33.21	603,483	1.32	1.14	11.03	114,270	28	
0.00	13.67	15.27	4.78	515,041	1.30	1.16	11.56	101,188	32	
\$ 0.00	\$ 6.57	\$ 9.88	5.51%	838,173	1.26%*	0.90%*	10.21%*	230,459	18%	
0.26	6.63	10.03	19.92	841,102	1.08	0.95	11.20	231,185	42	
0.00	7.37	9.71	(18.40)	925,598	1.05*	1.03*	8.14*	104,245	8	
0.00	7.59	12.48	12.30	949,880	1.18	1.02	11.53	106,324	58	
0.00	8.23	12.56	15.51	1,021,120	1.14	1.03	10.14	112,424	159	
0.00	8.65	12.35	8.53	1,063,863	1.06	1.05	10.00	116,082	70	
0.00	7.87	12.84	3.28	960,496	1.16	1.07	11.76	107,233	24	
\$ 0.00	\$ 10.97	\$ 10.87	9.12%	277,765	1.33%*	1.18%*	7.99%*	160,384	22%	
0.00	10.53	10.48	12.41	266,347	1.17	1.13	8.49	154,837	38	
0.11	11.46	10.39	(2.62)	289,909	1.30	1.25	6.67	166,328	67	
0.00	12.15	11.87	9.95	306,475	1.19	1.18	6.71	122,004	113	
0.00	11.70	11.83	5.69	294,017	1.24	1.21	7.59	118,058	63	
0.00	11.35	11.52	12.02	283,285	1.85	1.65	10.93	114,654	23	
\$ 0.00	\$ 9.83	\$ 9.79	9.64%	581,071	1.29%*	1.12%*	8.37%*	182,094	15%	
0.00	9.42	9.39	11.92	556,840	1.14	1.07	9.25	175,544	38	
0.12	10.27	9.41	(0.12)	606,974	1.16	1.13	6.58	189,105	63	
0.00	10.88	10.50	12.39	642,119	1.14	1.14	6.79	124,695	119	
0.00	10.29	10.24	6.80	605,843	1.16	1.14	8.20	119,060	71	
0.00	10.23	10.96	16.33	597,683	1.48	1.37	10.87	117,792	17	

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Statements of Assets and Liabilities

January 31, 2017 (Unaudited)

	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund	PIMCO Income Strategy Fund	PIMCO Income Strategy Fund II
(Amounts in thousands, except per share amounts)					
Assets:					
<i>Investments, at value</i>					
Investments in securities*	\$ 1,326,021	\$ 697,129	\$ 1,161,940	\$ 361,023	\$ 733,372
<i>Financial Derivative Instruments</i>					
Exchange-traded or centrally cleared	2,828	1,537	5,270	855	1,975
Over the counter	962	485	3,969	299	583
Cash	118	1	1	0	0
Deposits with counterparty	93,445	5,814	8,946	5,292	7,597
Foreign currency, at value	647	53	624	689	419
Receivable for investments sold	21,228	13,714	23,316	2,286	9,605
Interest and/or dividends receivable	12,781	6,344	12,584	3,820	6,570
Other assets	5	3	40	2	6
Total Assets	1,458,035	725,080	1,216,690	374,266	760,127
Liabilities:					
<i>Borrowings & Other Financing Transactions</i>					
Payable for reverse repurchase agreements	\$ 149,643	\$ 87,974	\$ 226,859	\$ 34,842	\$ 63,539
<i>Financial Derivative Instruments</i>					
Exchange-traded or centrally cleared	3,251	1,597	6,686	958	2,297
Over the counter	43,654	3,158	7,970	2,334	4,759
Payable for investments purchased	21,747	8,270	17,723	4,400	10,269
Deposits from counterparty	460	0	3,466	0	170
Distributions payable to common shareholders	9,328	4,386	13,195	2,278	4,728
Distributions payable to preferred shareholders	36	7	13	17	21
Accrued management fees	631	395	561	247	479
Other liabilities	154	73	69	150	344
Total Liabilities	228,904	105,860	276,542	45,226	86,606
Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share)	237,950	55,525	101,975	51,275	92,450
Net Assets Applicable to Common Shareholders	\$ 991,181	\$ 563,695	\$ 838,173	\$ 277,765	\$ 581,071
Net Assets Applicable to Common Shareholders Consist of:					
<i>Common Shares:</i>					
Par value (\$0.00001 per share)	\$ 1	\$ 0	\$ 1	\$ 0	\$ 1
Paid in capital in excess of par	1,040,387	574,254	1,500,516	419,625	950,673
Undistributed (overdistributed) net investment income	(14,574)	(12,540)	(53,144)	(2,039)	1,392
Accumulated undistributed net realized (loss)	(197,904)	(70,807)	(545,039)	(158,668)	(416,174)
Net unrealized appreciation (depreciation)	163,271	72,788	(64,161)	18,847	45,179
Net Assets Applicable to Common Shareholders	\$ 991,181	\$ 563,695	\$ 838,173	\$ 277,765	\$ 581,071
Net Asset Value Per Common Share	\$ 13.81	\$ 14.46	\$ 6.57	\$ 10.97	\$ 9.83
Common Shares Issued and Outstanding	71,750	38,990	127,534	25,313	59,103
Preferred Shares Issued and Outstanding	10	2	4	2	4
Cost of investments in securities	\$ 1,310,901	\$ 695,269	\$ 1,171,271	\$ 362,115	\$ 738,293
Cost of foreign currency held	\$ 643	\$ 53	\$ 629	\$ 686	\$ 424
Cost or premiums of financial derivative instruments, net	\$ (57,609)	\$ (1,210)	\$ (1,282)	\$ (801)	\$ (1,679)
* Includes repurchase agreements of:	\$ 11,582	\$ 8,056	\$ 48,400	\$ 2,581	\$ 21,636

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A zero balance may reflect actual amounts rounding to less than one thousand.

16 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Statements of Operations

Six Months Ended January 31, 2017 (Unaudited)

(Amounts in thousands)	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund	PIMCO Income Strategy Fund	PIMCO Income Strategy Fund II
Investment Income:					
Interest, net of foreign taxes*	\$ 47,360	\$ 24,135	\$ 48,122	\$ 12,565	\$ 27,032
Dividends	518	471	231	188	627
Total Income	47,878	24,606	48,353	12,753	27,659
Expenses:					
Management fees	3,957	2,520	3,595	1,529	