

PIMCO HIGH INCOME FUND
Form N-CSR
June 09, 2008

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)

1345 Avenue of the Americas, New York, NY
(Address of principal executive offices)

10105
(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, NY 10105
(Name and address of agent for service)

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

Date of fiscal year March 31, 2008
end:

Date of reporting period: March 31, 2008

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 REPORT TO SHAREHOLDERS

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PIMCO High Income Fund Letter to Shareholders

May 1, 2008

Dear Shareholder:

We are pleased to provide you with the annual report for PIMCO High Income Fund (the Fund) for the fiscal year ended March 31, 2008.

During the reporting period, higher-income U.S. bonds underperformed the broad bond market. The Merrill Lynch High Yield Master II Index returned (3.53)% during the period, compared with the Lehman Brothers Aggregate Bond Index return of 7.67%.

Since February 2008, industry-wide developments in the auction-rate preferred markets have caused auctions for the Funds' auction-rate preferred shares (ARPS) to fail, as described in Note 5 in the accompanying notes to Financial Statements. At the time this report is being prepared, it is not possible to predict how and when full or partial liquidity will return, if at all, to the closed-end fund ARPS market. Additional information regarding ARPS, failed auctions and potential solutions to address the unprecedented lack of liquidity of the ARPS due to recent failed auctions can be accessed on our Web site, www.allianzinvestors.com/arps.

For performance and specific information on the Fund please refer to the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Fund's shareholder servicing agent at (800) 331-1710. In addition, a wide range of information and resources is available on our Web site, www.allianzinvestors.com/closedendfunds.

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

We remain dedicated to serving your financial needs.

Sincerely,

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Hans W. Kertess

Chairman

Brian S. Shlissel

President & Chief Executive Officer

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PIMCO High Income Fund Fund Insights/Performance & Statistics

March 31, 2008 (unaudited)

- For the fiscal year ended March 31, 2008, the Fund had a net asset value (NAV) return of (9.87)% and a market price return of (10.55)%.
- Both security selection and a strong emphasis on the healthcare sector, which was among the top-performing industry categories, added to performance.
- As significant pressure weighed on the home construction and building products sectors, avoiding those industry categories almost entirely during the 12-month period contributed materially to returns.
- Within the energy sector, a focus on pipeline companies, which outperformed all other sub-categories of the broader sector, was a positive for performance.
- A relatively strong emphasis on the automotive sector, which fell lower as auto manufacturer and captive finance companies came under pressure, detracted from returns.
- As metals and mining bonds outperformed the overall high-yield bond market, alongside the surge in commodity prices, a relatively small weighting to the sector hindered performance.
- An emphasis on B-rated issues within the high-yield market was a negative, as these bonds underperformed BB-rated bonds by approximately 150 basis points.
- Modest exposure to emerging market sovereign debt helped performance, as these bonds outperformed the BB/B-rated corporate market by approximately 600 basis points.

Total Return⁽¹⁾:	Market Price	Net Asset Value (NAV)
1 year	(10.55)%	(9.87)%
3 year	8.09%	4.34%
Commencement of Operations (4/30/03) to 3/31/08	8.17%	8.07%

Common Share Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (4/30/03) to 3/31/08	Market Price	\$11.72
NAV	NAV	\$11.28
Market Price	Premium to NAV	3.90%
	Market Price Yield ⁽²⁾	12.48%

Moody's Rating

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain

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distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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

An investment in the Fund involves risk, including the loss of principal. Investment return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information 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 sold in the open market through a stock exchange. Net asset value is equal to total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at March 31, 2008.

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PIMCO High Income Fund Schedule of Investments

March 31, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
CORPORATE BONDS & NOTES 75.7%			
Airlines 0.9%			
\$8,760	American Airlines, Inc., 8.608%, 4/1/11	Baa3/BB+	\$8,409,600
11,604	Continental Airlines, Inc., 6.92%, 4/2/13 (a) (b) (g)	NR/NR	11,613,661
3,732	7.373%, 12/15/15	Ba1/BB+	3,377,315
138	United Air Lines, Inc., 6.602%, 9/1/13	Ba2/BBB	137,555
			23,538,131
Automotive 3.6%			
12,000	Allison Transmission (a) (d), 11.00%, 11/1/15	Caa1/B-	10,500,000
4,000	11.25%, 11/1/15, PIK ArvinMeritor, Inc., 8.125%, 9/15/15	Caa1/B-	3,380,000
1,500	8.75%, 3/1/12	B2/B	1,230,000
19,525	Cooper-Standard Automotive, Inc., 8.375%, 12/15/14	B2/B	17,963,000
1,000	Ford Motor Co., 7.45%, 7/16/31	Caa1/CCC+	762,500
19,350	7.50%, 8/1/26	Caa1/CCC+	12,867,750
3,900	9.215%, 9/15/21	NR/NR	2,515,500
3,000	General Motors Corp., 8.10%, 6/15/24	Caa1/CCC+	2,377,500
4,000	8.25%, 7/15/23	Caa1/B-	2,800,000
1,300	8.80%, 3/1/21	Caa1/B-	916,500
3,000	9.40%, 7/15/21	Caa1/B-	2,287,500
20,000	Goodyear Tire & Rubber Co., 9.00%, 7/1/15	Caa1/B-	15,300,000
5,596	Tenneco Automotive, Inc., 8.625%, 11/15/14	Ba3/BB-	5,945,750
7,025	10.25%, 7/15/13	B3/B	6,937,188
7,214		Ba3/BB	7,682,910
			93,466,098
Building/Construction 0.5%			
11,985	Ahern Rentals, Inc., 9.25%, 8/15/13	B3/B+	9,558,037
2,000	Grohe Holding GmbH, 8.625%, 10/1/14	B3/CCC+	2,479,821
			12,037,858
Chemicals 1.7%			
\$3,808	ARCO Chemical Co., 9.80%, 2/1/20	B3/B	3,217,760
2,000	10.25%, 11/1/10	B3/B	2,040,000
5,500	Great Lakes Chemical Corp., 7.00%, 7/15/09	Ba2/BB+	5,692,500
21,925	Ineos Group Holdings PLC, 8.50%, 2/15/16 (a) (d)	B3/B-	17,156,312
15,300	Nalco Co., 8.875%, 11/15/13	B3/B-	15,797,250
			43,903,822
Commercial Products 0.8%			
21,200	Hertz Corp., 8.875%, 1/1/14	B1/BB-	20,193,000
Computer Services 2.2%			
20,870	First Data Corp., 9.875%, 9/24/15 (a) (d)	B3/B	17,191,662
21,556	SunGard Data Systems, Inc., 9.125%, 8/15/13	Caa1/B+	21,879,340
17,000	10.25%, 8/15/15	Caa1/B-	17,170,000

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Consumer Products 0.9%			
\$500	Buhrmann U.S., Inc., 7.875%, 3/1/15	B2/B	\$470,000
6,875	8.25%, 7/1/14	B2/BB-	6,496,875
16,400	NPC International, Inc., 9.50%, 5/1/14	Caa1/B-	14,924,000
			21,890,875
Containers & Packaging 1.0%			
10,750	Berry Plastics Holding Corp., 8.875%, 9/15/14	Caa1/B	9,433,125
1,700	10.25%, 3/1/16	Caa2/CCC+	1,317,500
6,263	Jefferson Smurfit Corp., 8.25%, 10/1/12	B3/B-	5,675,844
	Smurfit-Stone Container, 8.00%, 3/15/17	B3/B-	2,091,375
2,475	8.375%, 7/1/12	B3/B-	6,370,000
7,000			24,887,844
Electronics 1.2%			
14,150	Sanmina-SCI Corp., 8.125%, 3/1/16	B3/B-	12,593,500
20,375	Sensata Technologies BV, 8.00%, 5/1/14	B3/B-	18,031,875
			30,625,375
Financial Services 14.7%			
29,370	AES Ironwood LLC, 8.857%, 11/30/25	B1/B+	32,012,900
7,672	AES Red Oak LLC, 8.54%, 11/30/19	B1/BB-	7,710,055
20,125	American Express Co., 7.00%, 3/19/18	NR/NR	21,180,798
13,000	Bank of America Corp., 8.00%, 1/30/18, FRN (i)	Aa3/A+	13,041,860
	Buffalo Thunder Development Authority, 9.375%, 12/15/14 (a) (d)	B2/B	3,775,000
5,000	Chukchansi Economic Development Authority, 8.00%, 11/15/13 (a) (d)	B2/BB-	6,968,500
7,700	Consolidated Communications Holdings, Inc., 9.75%, 4/1/12	B1/BB-	10,513,264
9,977	Ford Motor Credit Co. LCC, 7.127%, 1/13/12, FRN	B1/B	7,403,430
10,000	8.00%, 12/15/16	B1/B	67,417,633
85,950	General Motors Acceptance Corp. LLC, 8.00%, 11/1/31	B1/B+	26,793,160
37,305	Hexion U.S. Finance Corp., 9.75%, 11/15/14	B3/B	17,024,500
15,800	JET Equipment Trust (a) (d) (f) (g), 7.63%, 8/15/12	NR/NR	30,431
91	10.00%, 6/15/12	NR/NR	225,645
259	KRATON Polymers LLC, 8.125%, 1/15/14	B3/CCC+	15,401,575
18,445	LVB Acquisition Merger Sub., Inc. (a) (d), 10.375%, 10/15/17, PIK	B3/B-	13,943,438
13,375	11.625%, 10/15/17	Caa1/B-	37,813,125
37,625	Nuveen Investments, Inc., 10.50%, 11/15/15 (a) (d)	B3/B-	8,646,562
10,025	Royal Bank of Scotland PLC, 9.37%, 4/6/11, FRN (g)	NR/NR	4,535,386
£2,852	Universal City Development Partners Ltd., 11.75%, 4/1/10	B1/B+	21,839,090
\$21,203	Universal City Florida Holding Co., 8.375%, 5/1/10	B3/B-	7,909,550
8,030			

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1,200	UPC Holding BV, 7.75%, 1/15/14	B3/B-	1,694,676
10,200	8.625%, 1/15/14	B3/B-	14,687,590
\$36,100	Wachovia Corp., 7.98%, 3/15/18, FRN (i)	A2/A	35,577,741
6,100	Yankee Acquisition Corp., 9.75%, 2/15/17	Caa1/CCC+	4,880,000
			381,025,909

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Food 1.7%			
16,850	American Stores Co., 8.00%, 6/1/26	NR/NR	\$5,594,528
1	Dole Foods Co., Inc., 8.875%, 3/15/11	Caa1/CCC+	663
24,925	Ingles Markets, Inc., 8.875%, 12/1/11	B3/B+	25,298,875
15,145	Pilgrim s Pride Corp., 8.375%, 5/1/17	B2/B	13,403,325
			44,297,391
Food Services 0.7%			
16,850	ARAMARK Corp., 8.50%, 2/1/15	B3/B	16,976,375
Healthcare & Hospitals 5.9%			
34,950	Community Health Systems, Inc., 8.875%, 7/15/15	B3/B-	35,255,812
19,631	HCA, Inc., 7.19%, 11/15/15	Caa1/B-	16,749,837
14,124	7.50%, 12/15/23	Caa1/B-	11,162,564
4,130	7.58%, 9/15/25	Caa1/B-	3,253,928
2,000	7.69%, 6/15/25	Caa1/B-	1,595,362
7,900	8.36%, 4/15/24	Caa1/B-	6,598,191
3,994	8.75%, 9/1/10	Caa1/B-	4,013,970
22,052	9.00%, 12/15/14	Caa1/B-	20,533,786
13,000	9.25%, 11/15/16	B2/BB-	13,520,000
14,450	9.625%, 11/15/16, PIK	B2/BB-	15,028,000
4,300	Tenet Healthcare Corp., 9.25%, 2/1/15	Caa1/B	4,042,000
20,575	9.875%, 7/1/14	Caa1/B	20,009,188
			151,762,638
Hotels/Gaming 1.3%			
16,179	Harrah s Operating Co., Inc., 10.75%, 2/1/16 (a) (d)	B3/B-	13,711,702
3,325	Herbst Gaming, Inc., 8.125%, 6/1/12	Caa2/CC	623,438
13,779	Mandalay Resort Group, 9.375%, 2/15/10	B1/B+	14,261,265
6,525	Station Casinos, Inc., 7.75%, 8/15/16	B2/B+	5,285,250
			33,881,655
Machinery 0.3%			
2,600	Chart Industries, Inc., 9.125%, 10/15/15	B3/B	2,561,000
4,025	Terex Corp., 8.00%, 11/15/17	Ba3/B+	4,025,000
			6,586,000
Metals & Mining 0.3%			
8,305	Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/17	Ba2/BB	8,834,444
Miscellaneous 2.9%			
73,824	Dow Jones CDX U.S. High Yield, 8.375%, 12/29/11 (a) (d) (h)	B3/NR	73,362,898
Multi-Media 4.3%			
3,000	Cablemas S.A. de C.V., 9.375%, 11/15/15 (a) (d)	B1/BB-	3,270,000
5,600	Cablevision Systems Corp., 8.00%, 4/15/12	B2/B+	5,474,000
7,700	CanWest MediaWorks L.P., 9.25%, 8/1/15 (a) (d)	B2/CCC+	7,122,500
5,925	CCH I Holdings LLC, 9.92%, 4/1/14	Caa3/CCC	2,844,000
42,850	CCO Holdings LLC, 8.75%, 11/15/13	Caa1/CCC	36,851,000
10,000	Charter Communications Holdings I LLC, 11.00%, 10/1/15	Caa3/CCC	7,000,000
11,325	Charter Communications Operating LLC, 8.375%, 4/30/14 (a) (d)	B3/B-	10,249,125

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4,800	CSC Holdings, Inc., 7.625%, 7/15/18	B1/BB	4,404,000
4,485	7.875%, 2/15/18	B1/BB	4,171,050
2,000	8.125%, 7/15/09	B1/BB	2,025,000
	Lighthouse International Co. S.A., 8.00%, 4/30/14		
6,045	(a) (d)	B2/BB-	7,519,205
\$7,000	Nielsen Finance LLC, 10.00%, 8/1/14	Caa1/B-	7,000,000

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Multi-Media (continued)			
\$7,895	Rogers Cable, Inc., 8.75%, 5/1/32	Baa3/BBB-	\$8,771,874
4,750	Unity Media GmbH, 10.375%, 2/15/15 (a) (d)	Caa2/B-	4,298,750
			111,000,504
Oil & Gas 5.7%			
17,000	Dynegy Holdings, Inc., 8.375%, 5/1/16	B2/B	16,915,000
10,325	Dynergy-Roseton Danskammer, Inc., 7.67%, 11/8/16	Ba3/B	10,344,411
26,000	El Paso Corp., 7.80%, 8/1/31	Ba3/BB-	26,830,986
27,850	8.05%, 10/15/30	Ba3/BB-	29,234,257
3,000	Enbridge Energy Partners L.P., 8.05%, 10/1/37, FRN	Baa3/BB+	2,766,852
	Ferrellgas L.P., 8.75%, 6/15/12	B2/B-	14,629,406
14,325	8.87%, 8/1/09 (a) (b) (g)	NR/NR	21,364,154
20,000	OPTI Canada, Inc., 8.25%, 12/15/14	NR/NR	6,965,000
7,000	SemGroup L.P., 8.75%, 11/15/15 (a) (d)	B1/NR	15,755,000
17,125	Williams Cos., Inc., 7.875%, 9/1/21	Baa3/BB+	1,196,536
1,099			146,001,602
Paper/Paper Products 2.7%			
8,750	Cascades, Inc., 7.25%, 2/15/13	Ba3/BB-	7,765,625
	Georgia-Pacific Corp., 8.00%, 1/15/24	B2/B+	24,580,875
27,775	8.875%, 5/15/31	B2/B+	14,843,575
16,585	Verso Paper Holdings LLC, 9.125%, 8/1/14	B2/B+	11,446,000
11,800	11.375%, 8/1/16	B3/CCC+	11,531,250
12,500			70,167,325
Printing/Publishing 1.6%			
1,131	Dex Media West LLC, 9.875%, 8/15/13	B1/BB-	986,797
1,000	Hollinger, Inc., 11.875%, 3/1/11 (a) (b) (d) (f) (g)	NR/NR	202,180
54,925	RH Donnelley Corp., 8.875%, 1/15/16	B3/B	35,014,688
6,100	TL Acquisitions, Inc., 10.50%, 1/15/15 (a) (d)	Caa1/CCC+	5,276,500
			41,480,165
Real Estate 0.3%			
6,696	Delhaize America, Inc., 9.00%, 4/15/31	Baa3/BBB-	8,080,351
Retail 0.8%			
27,875	Bon-Ton Stores, Inc., 10.25%, 3/15/14	Caa1/CCC+	18,745,937
	Edcon Proprietary Ltd., 7.856%, 6/15/14, FRN (a) (d)	B2/BB-	2,924,089
2,775			21,670,026
Semi-conductors 1.0%			
\$31,675	Freescale Semiconductor, Inc., 8.875%, 12/15/14	B2/B-	24,944,063
550	9.125%, 12/15/14, PIK	B2/B-	404,250
1,490	10.125%, 12/15/16	B3/B-	1,013,200
			26,361,513
Telecommunications 14.8%			
14,555	Centennial Communications Corp., 8.125%, 2/1/14	B2/B	13,827,250

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30,550	Cincinnati Bell, Inc., 8.375%, 1/15/14	B2/B-	28,793,375
24,425	Citizens Communications Co., 9.00%, 8/15/31	Ba2/BB+	21,494,000
16,550	Cricket Communications, Inc., 9.375%, 11/1/14	Caa1/B-	15,763,875

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Telecommunications (continued)			
\$18,175	Digicel Group Ltd. (a) (d), 8.875%, 1/15/15	Caa2/NR	\$15,221,562
2,717	9.125%, 1/15/15, PIK	Caa2/NR	2,248,318
12,225	Hawaiian Telcom Communications, Inc., 9.75%, 5/1/13	B3/CCC	6,662,625
1,250	10.318%, 5/1/13, FRN	B3/CCC	656,250
20,000	Intelsat Bermuda Ltd., 9.25%, 6/15/16	B3/BB-	20,250,000
10,000	11.25%, 6/15/16	Caa2/CCC+	10,187,500
16,850	Intelsat Subsidiary Holding Co., Ltd., 8.625%, 1/15/15	B3/BB-	17,060,625
25,500	MetroPCS Wireless, Inc., 9.25%, 11/1/14	Caa1/B-	23,587,500
2,300	Nordic Telephone Co. Holdings ApS, 8.25%, 5/1/16 (a) (d)	B2/B	3,462,242
5,000	8.25%, 5/1/16	B2/B	7,526,613
\$12,425	8.875%, 5/1/16 (a) (d)	B2/B	12,114,375
21,400	Nortel Networks Ltd., 10.125%, 7/15/13	B3/B-	19,688,000
16,875	10.75%, 7/15/16	NR/NR	15,503,906
14,625	PanAmSat Corp., 6.875%, 1/15/28	B1/BB-	11,626,875
31,000	Qwest Capital Funding, Inc., 7.90%, 8/15/10	B1/B+	31,155,000
2,079	Qwest Communications International, Inc., 7.50%, 2/15/14	Ba3/B+	1,964,655
10,450	Qwest Corp., 8.875%, 3/15/12	Ba1/BBB-	10,711,250
18,020	Rural Cellular Corp., 9.875%, 2/1/10	B3/CCC	18,605,650
4,000	Sprint Capital Corp., 8.75%, 3/15/32	Baa3/BBB-	3,387,556
12,100	Superior Essex Communications LLC, 9.00%, 4/15/12	B3/B+	11,706,750
4,000	TelCordia Technologies, Inc., 8.008%, 7/15/12, FRN (a) (d)	B2/B	3,060,000
24,975	Time Warner Telecom Holdings, Inc., 9.25%, 2/15/14	B3/CCC+	25,349,625
8,280	West Corp., 9.50%, 10/15/14	Caa1/B-	7,452,000
6,500	11.00%, 10/15/16	Caa1/B-	5,525,000
13,000	Wind Acquisition Finance S.A., 10.75%, 12/1/15 (a) (d)	B2/B	13,325,000
2,000	Windstream Corp., 8.625%, 8/1/16	Ba3/BB	1,975,000
3,075	Windstream Regatta Holdings, Inc., 11.00%, 12/1/17 (a) (d)	B2/B	1,891,125
			381,783,502
Transportation 0.1%			
2,400	Grupo Transportacion Ferroviaria Mexicana S.A. de C.V., 9.375%, 5/1/12	B2/NR	2,490,000
Utilities 3.8%			
2,000	Empresa Energetica de Sergipe and Sociedade Anonima de Eletrificacao da Paraiba, 10.50%, 7/19/13 (a) (d)	Ba3/B+	2,357,046

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16,365	Energy Future Holdings Corp., 10.875%, 11/1/17 (a) (d)	B3/B-	16,610,475
19,450	Legrand Holding S.A., 8.50%, 2/15/25	Baa3/BBB	21,984,257
19,534	Midwest Generation LLC, 8.56%, 1/2/16	Baa3/BB+	21,194,744
21,500	PSE&G Energy Holdings LLC, 8.50%, 6/15/11	Ba3/BB-	22,855,166
12,000	Texas Competitive Electric Holdings Co. LLC, 10.25%, 11/1/15 (a) (d)	B3/CCC	12,015,000
			97,016,688
Total Corporate Bonds & Notes (cost-\$2,097,007,459)			1,949,562,991

PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
U.S. GOVERNMENT AGENCY SECURITIES 14.2%			
	Fannie Mae, MBS, TBA (e),		
\$37,000	5.00%	Aaa/AAA	\$36,543,272
133,600	5.50%	Aaa/AAA	134,873,342
184,300	6.00%	Aaa/AAA	188,821,063
5,000	Freddie Mac, 5.50%, MBS, TBA (e)	Aaa/AAA	5,049,220
Total U.S. Government Agency Securities (cost-\$359,087,375)			365,286,897
SENIOR LOANS (a) (c) 3.7%			
Chemicals 0.0%			
	INEOS Group Ltd., Term A (b),		
386	4.655%, 5/28/08		340,126
1,148	4.635%, 9/28/08		1,006,569
			1,346,695
Commercial Products 0.2%			
7,300	Berry Plastics, 11.646%, 6/5/14 (b)		6,238,764
Entertainment 0.5%			
	Tribune Co.,		
13,482	5.542%, 5/30/14, Term B		9,069,227
3,034	7.396%, 5/30/09, Term X		2,728,374
			11,797,601
Financial Services 0.6%			
19,900	Chrysler Financial Corp., 6.80%, 8/3/12		16,552,939
Healthcare & Hospitals 0.1%			
	HealthSouth Corp.,		
19	5.21%, 2/2/13		17,808
3,979	5.50%, 2/2/13		3,686,649
			3,704,457
Recreation 0.4%			
	Amadeus Global Travel (b),		
809	6.752%, 7/1/14, Term A		1,122,292
\$1,250	6.846%, 7/1/13, Term B		1,061,111
1,250	7.096%, 6/29/12, Term C		1,078,541
6,948	Travelport, 4.954%, 8/23/13, Term DD		6,079,063
			9,341,007
Semi-conductors 0.6%			
10,700	Sensata Technologies Inc., 9.883%, 10/27/13		14,496,256
Telecommunications 0.7%			
	Integra Telecom, Inc., Term T (b),		
1,627	6.946%, 8/31/13		1,496,894
1,345	7.335%, 8/31/13		1,236,975
1,008	7.438%, 8/31/13		927,731
	Nordic Telephone Co. Holdings ApS,		
1,434	6.05%, 11/30/14, Term B		2,139,883
1,485	6.30%, 11/30/14, Term C		2,231,979
\$1,888	NTL Investment, 6.055%, 9/3/12, Term B		1,669,496
	Telesat,		
4,200	11.50%, 10/31/08		4,011,000

1,000

10.00%, 10/31/08

955,000

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Telecommunications (continued)			
\$3,000	West Corp., 7.00%, 10/24/13, Term B (b)		\$2,607,501
			17,276,459
Utilities 0.4%			
10,600	Sandridge Energy, Inc., 8.625%, 4/1/15, Term CD		10,480,750
Wholesale 0.2%			
4,888	Roundy s, Inc., 5.69%, 11/3/11, Term B		4,582,617
Total Senior Loans (cost-\$106,156,005)			95,817,545
MUNICIPAL BONDS & NOTES 0.8%			
California 0.6%			
	Los Angeles Community Redev. Agcy. Rev., Ser. H,		
725	9.00%, 9/1/12	NR/NR	778,578
1,160	9.75%, 9/1/17	NR/NR	1,254,343
1,375	9.75%, 9/1/22	NR/NR	1,464,636
2,170	9.75%, 9/1/27	NR/NR	2,293,386
3,480	9.75%, 9/1/32	NR/NR	3,672,618
	San Diego Redev. Agcy., Tax Allocation,		
1,785	6.59%, 11/1/13	Baa3/NR	1,899,276
1,435	7.49%, 11/1/18	Baa3/NR	1,539,898
1,885	7.74%, 11/1/21	Baa3/NR	2,004,509
			14,907,244
Pennsylvania 0.2%			
	Economic Dev. Financing Auth. Rev., VRN (I),		
5,300	6.75%, 12/1/36, Ser. A	NR/NR	5,286,697
1,000	6.75%, 12/1/36	NR/NR	997,490
Total Municipal Bonds & Notes (cost-\$20,616,961)			6,284,187
			21,191,431
ASSET-BACKED SECURITIES 0.0%			
688	Reliant Energy Mid-Atlantic Power Holdings LLC,		
	9.237%, 7/2/17 (cost-\$723,605)	Ba2/B+	718,980
PREFERRED STOCK 0.0%			
Shares			
Telecommunications 0.0%			
155,565	Superior Essex Holding Corp., 9.50%, Ser. A (cost-\$129,313)	NR/NR	186,678
SHORT-TERM INVESTMENTS 5.6%			
Principal Amount (000)			

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U.S. Treasury Bills (j)	2.8%		
	\$71,500	1.29%-2.13%, 5/29/08-6/26/08 (cost-\$71,327,078)	71,140,278

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PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

Principal Amount (000)				Value
Repurchase Agreements 2.8%				
\$15,258		State Street Bank & Trust Co., dated 3/31/08, 1.90%, due 4/1/08, proceeds \$15,258,805; collateralized by Federal Home Loan Bank, 5.00%, due 4/25/08, valued at \$15,566,119 including accrued interest		\$15,258,000
57,100		Deutsche Bank AG, dated 3/31/08, 1.20%, due 4/1/08, proceeds \$57,101,903; collateralized by U.S. Treasury Inflation Index Bond, 3.00%, due 7/15/12, valued at \$58,243,764 including accrued interest		57,100,000
Total Repurchase Agreements (cost-\$72,358,000)				72,358,000
Total Short-Term Investments (cost-\$143,685,078)				143,498,278
OPTIONS PURCHASED (k) 0.0%				
Contracts/Notional Amount				
Put Options 0.0%				
969		Financial Future Euro 90 day (CME), strike price \$94.63, expires 9/15/08 (cost-\$14,535)		2
Total Investments before options written (cost-\$2,727,420,331) 100.0%				2,576,262,802
OPTIONS WRITTEN (k) (0.0)%				
Call Options (0.0)%				
5,300,000		2-Year Interest Rate Swap (OTC), Pay 3-Month USD-LIBOR Floating Rate Index, strike rate 1.50%, expires 9/20/08		(81,355)
1,100,000		2-Year Interest Rate Swap (OTC), Pay 3-Month USD-LIBOR Floating Rate Index, strike rate 1.50%, expires 9/22/08		(16,885)
				(98,240)
Put Options (0.0)%				
5,300,000		2-Year Interest Rate Swap (OTC), Pay 3-Month USD-LIBOR Floating Rate Index, strike rate 1.50%, expires 9/20/08		(20,900)
		2-Year Interest Rate Swap (OTC), Pay 3-Month USD-LIBOR Floating Rate Index,		

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	1,100,000	strike rate 1.50%, expires 9/22/08	(101,495)
			(122,395)
Total Options Written (premiums received-\$242,140)			(220,635)
Total Investments net of options written (cost-\$2,727,178,191) 100.0%			\$2,576,042,167
Notes to Schedule of Investments:			
*	Unaudited		
(a)	Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$474,423,129, representing 18.42% of total investments.		

PIMCO High Income Fund Schedule of Investments

March 31, 2008 (continued)

(b)	Illiquid security.
(c)	These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the LIBOR or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted as the Fund is ordinarily contractually obligated to receive approval from the agent bank and/or borrower prior to disposition. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on March 31, 2008.
(d)	144A Security Security 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)	Delayed-delivery security. To be delivered after March 31, 2008.
(f)	Security in default.
(g)	Securities with an aggregate value of \$37,971,457, representing 1.47% of total investments, have been fair-valued using modeling tools or methods as described in Note 1(a) in the Notes to Financial Statements.
(h)	Credit-linked trust certificate.
(i)	Perpetual maturity security. Maturity date shown is the first call date. Interest rate is fixed until the first call date and variable thereafter.
(j)	All or partial amount segregated as collateral for options written, delayed-delivery securities and swaps.
(k)	Non-income producing.
(l)	Subject to Alternative Minimum Tax.
Glossary:	
£	British Pound
	Euro
CME	Chicago Mercantile Exchange
FRN	Floating Rate Note. The interest rate disclosed reflects the rate in effect on March 31, 2008.
LIBOR	London Inter-Bank Offered Rate
MBS	Mortgage-Backed Securities
NR	Not Rated
OTC	Over-the-Counter
PIK	Payment-in-Kind
TBA	To Be Announced
VRN	Variable Rate Note. Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on March 31, 2008.

See accompanying Notes to Financial Statements. | 3.31.08 | PIMCO High Income Fund Annual Report 11

PIMCO High Income Fund Statement of Assets and Liabilities

March 31, 2008

Assets:

Investments, at value (cost-\$2,727,420,331)	\$2,576,262,802
Cash (including foreign currency of \$725,402 with a cost of \$720,876)	811,246
Interest receivable	52,930,281
Premium for swaps purchased	39,903,284
Receivable for investments sold	37,333,556
Unrealized appreciation of swaps	31,242,431
Unrealized appreciation on forward foreign currency contracts	5,521,940
Deposits with brokers for futures contracts collateral	2,110,000
Receivable for variation margin on futures contracts	321,525
Receivable for terminated swaps	107,930
Prepaid expenses	97,558
Total Assets	2,746,642,553

Liabilities:

Payable for investments purchased	399,396,793
Unrealized depreciation of swaps	95,644,456
Dividends payable to common and preferred shareholders	14,633,471
Unrealized depreciation of forward foreign currency contracts	5,488,990
Premium for swaps sold	4,961,442
Payable for terminated swaps	4,902,529
Investment management fees payable	1,311,597
Options written, at value (premiums received \$242,140)	220,635
Accrued expenses	356,912
Total Liabilities	526,916,825

Preferred shares (\$25,000 net asset and liquidation value per share applicable to an aggregate of 36,000 shares issued and outstanding)

900,000,000

Net Assets Applicable to Common Shareholders

\$1,319,725,728

Composition of Net Assets Applicable to Common Shareholders:

Common Stock:	
Par value (\$0.00001 per share, applicable to 117,007,308 shares issued and outstanding)	\$1,170
Paid-in-capital in excess of par	1,663,749,872
Dividends in excess of net investment income	(7,940,667)
Accumulated net realized loss	(132,696,454)
Net unrealized depreciation of investments, futures contracts, options written, swaps and foreign currency transactions	(203,388,193)
Net Assets Applicable to Common Shareholders	\$1,319,725,728
Net Asset Value Per Common Share	\$11.28

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PIMCO High Income Fund Statement of Operations

For the Year ended March 31, 2008

Investment Income:

Interest	\$215,510,851
Facility and other fee income	4,916,584
Dividends	1,959,904
Total Investment Income	222,387,339

Expenses:

Investment management fees	17,405,905
Interest expense	3,355,825
Auction agent fees and commissions	2,263,418
Custodian and accounting agent fees	443,245
Shareholder communications	324,748
Trustees fees and expenses	165,472
Audit and tax services	91,800
New York Stock Exchange listing fees	89,856
Insurance expense	45,334
Legal fees	40,762
Transfer agent fees	34,260
Miscellaneous	33,228
Total expenses	24,293,853
Less: custody credits earned on cash balances	(118,767)
Net expenses	24,175,086

Net Investment Income 198,212,253

Realized and Change in Unrealized Gain (Loss):

Net realized gain (loss) on:	
Investments	(6,942,967)
Futures contracts	(957,984)
Options written	252,000
Swaps	36,899,574
Foreign currency transactions	(7,728,840)
Net change in unrealized appreciation/depreciation of:	
Investments	(265,233,113)
Futures contracts	13,183,512
Options written	21,505
Swaps	(76,968,453)
Foreign currency transactions	274,313
Net realized and change in unrealized loss on investments, futures contracts, options written, swaps and foreign currency transactions	(307,200,453)
Net Decrease in Net Assets Resulting from Investment Operations	(108,988,200)

Dividends and Distributions on Preferred Shares from:

Net investment income	(41,838,277)
Net realized gains	(4,379,378)
Total dividends and distributions on preferred shares	(46,217,655)
Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$(155,205,855)

See accompanying Notes to Financial Statements. | 3.31.08 | PIMCO High Income Fund Annual Report **13**

**PIMCO High Income Fund Statement of Changes in Net Assets
Applicable to Common Shareholders**

	Year ended March 31, 2008	Year ended March 31, 2007
Investment Operations:		
Net investment income	\$198,212,253	\$193,219,352
Net realized gain on investments, futures contracts, options written, swaps and foreign currency transactions	21,521,783	17,630,470
Net change in unrealized appreciation/depreciation of investments, futures contracts, options written, swaps and foreign currency transactions	(328,722,236)	59,953,003
Net increase (decrease) in net assets resulting from investment operations	(108,988,200)	270,802,825
Dividends and Distributions on Preferred Shares from:		
Net investment income	(41,838,277)	(41,072,292)
Net realized gains	(4,379,378)	(3,925,740)
Total dividends and distributions to preferred shareholders	(46,217,655)	(44,998,032)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(155,205,855)	225,804,793
Dividends and Distributions to Common Shareholders from:		
Net investment income	(169,914,803)	(168,270,342)
Net realized gains	(129,803,096)	(37,751,236)
Total dividends and distributions to common shareholders	(299,717,899)	(206,021,578)
Capital Share Transactions:		
Reinvestment of dividends and distributions	18,376,680	16,386,960
Total increase (decrease) in net assets applicable to common shareholders	(436,547,074)	36,170,175
Net Assets Applicable to Common Shareholders:		
Beginning of year	1,756,272,802	1,720,102,627
End of year (including dividends in excess of net investment income of \$(7,940,667) and \$(8,312,245), respectively)	\$1,319,725,728	\$1,756,272,802
Common Shares Issued in Reinvestment of Dividends and Distributions		
	1,417,741	1,094,235

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PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

1. Organization and Significant Accounting Policies

PIMCO High Income Fund (the Fund), was organized as a Massachusetts business trust on February 18, 2003. Prior to commencing operations on April 30, 2003, the Fund had no operations other than matters relating to its organization and registration as a diversified, closed-end management investment company registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Fund's Investment Manager and is an indirect wholly-owned subsidiary of Allianz Global Investors of America L.P. (Allianz Global). Allianz Global is an indirect, majority-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. The Fund has an unlimited amount of \$0.00001 par value common stock authorized.

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund attempts to achieve these objectives by investing in a diversified portfolio of U.S. dollar-denominated debt obligations and other income-producing securities that are primarily rated below investment grade.

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

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet been asserted. However, the Fund expects the risk of any loss to be remote.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (the Interpretation). The Interpretation establishes for all entities, including pass-through entities such as the Fund, 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. Fund management has determined that its evaluation of the Interpretation has resulted in no material impact to the Fund's financial statements at March 31, 2008. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Fund is in the process of reviewing SFAS 157 against its current valuation policies to determine future applicability.

In March 2008, the Financial Accounting Standards board (FASB) issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about a fund s derivative and hedging activities. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund s financial statement disclosures.

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

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to guidelines established by the Board of Trustees, or person acting at their discretion pursuant to guidelines established by the Board of Trustees, including certain fixed income securities which may be valued with reference to securities whose prices are more readily available. The Fund s investments, including over-the-counter options, are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from

PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

1. Organization and Significant Accounting Policies (continued)

yield data relating to investments or securities with similar characteristics. The Fund's investments in senior floating rate loans (Senior Loans) for which a secondary market exists will be valued at the mean of the last available bid and asked prices in the market for such Senior Loans, as provided by an independent pricing service. Other Senior Loans are valued at fair value pursuant to procedures approved by the Board of Trustees. At March 31, 2008, no Senior Loans were fair valued. Exchange traded options, futures and options on futures are valued at the settlement 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 value. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and the differences could be material to the financial statements. The Fund's net asset value is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

(b) 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 the identified cost basis. Interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date. Facility fees and other fees (such as origination fees) received by the Fund are amortized as income over the expected term of the senior loan. Commitment fees received by the Fund relating to unfunded purchase commitments are deferred and amortized to facility fee income over the period of the commitment.

(c) Federal Income Taxes

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

(d) Dividends and Distributions - Common Stock

The Fund declares dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. 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 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 of paid-in capital in excess of par.

(e) Foreign Currency Translation

The Fund's accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market value of investments and other assets and liabilities denominated in foreign currency 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 or loss is included in the Statement of Operations.

The Fund does not generally isolate that portion of the results of operations arising as a result of changes in the 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 or 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 or loss for both financial reporting and income tax reporting purposes.

(f) Futures Contracts

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 Fund is required to pledge to the broker an amount of cash or securities

PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

1. Organization and Significant Accounting Policies (continued)

equal to the minimum initial margin requirements of the exchange. Pursuant to the contracts, the Fund agrees to receive from or pay to the broker an amount of cash 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 Fund as unrealized appreciation or depreciation. When the contracts are closed, the Fund records 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 the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and the underlying hedged assets, and the possible inability of counterparties to meet the terms of their contracts.

(g) Option Transactions

The Fund may purchase and write (sell) put and call options, for hedging purposes, risk management purposes or as a part of its investment strategy. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premiums paid. The proceeds from the securities sold through the exercise of put options is decreased by the premiums paid.

When an option is written, the premium received is recorded as an asset with an equal liability and is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statement of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the security. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security underlying the written option. Exercise of a written option could result in the Fund purchasing a security at a price different from its current market value.

(h) Interest Rate/Credit Default Swaps

The Fund enters into interest rate and credit default swap contracts (swaps) for investment purposes, to manage its interest rate and credit risk or to add leverage.

As a seller in the credit default swap contract, the Fund would be required to pay the notional amount or other agreed-upon value of a referenced debt obligation to the counterparty in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the referenced debt obligation. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. Such

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periodic payments are accrued daily and recorded as realized gain (loss).

The Fund may also purchase credit default swap contracts in order to hedge against the risk of default of debt securities held, in which case the Fund would function as the counterparty referenced in the preceding paragraph. As a purchaser of a credit default swap contract, the Fund would receive the notional amount or other agreed upon value of a referenced debt obligation from the counterparty in the event of default by a third party, such as a U.S. or foreign corporate issuer on the referenced obligation. In return, the Fund would make periodic payments to the counterparty over the term of the contract provided no event of default has occurred. Such periodic payments are accrued daily and recorded as realized gain (loss).

Interest rate swap agreements involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. Net periodic payments received (paid) by the Fund are included as part of realized gain (loss) and net periodic payments accrued, but not yet received (paid) are included in the change in unrealized appreciation/depreciation on the Statement of Operations.

Swaps are marked to market daily based upon quotations from brokers or market makers and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Fund's Statement of Operations. For a credit default

PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

1. Organization and Significant Accounting Policies (continued)

swap sold by the Fund, payment of the agreed upon amount made by the Fund in the event of default of the referenced debt obligation is recorded as the cost of the referenced debt obligation purchased/received. For a credit default swap purchased by the Fund, the agreed upon amount received by the Fund in the event of default of the referenced debt obligation is recorded as proceeds from sale/ delivery of the referenced debt obligation and the resulting gain or loss realized on the referenced debt obligation is recorded as such by the Fund.

Entering into swaps involves, to varying degrees, elements of credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in net interest rates.

(i) Senior Loans

The Fund purchases assignments of Senior Loans originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (the Lender). When purchasing an assignment, the Fund succeeds 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.

(j) Forward Foreign Currency Contracts

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

(k) Credit-Linked Trust Certificates

Credit-linked trust certificates are investments in a limited purpose trust or other vehicle formed under state law which, in turn, invests in a basket of derivative instruments, such as credit default swaps, interest rate swaps and other securities, in order to provide exposure to the high

yield or another fixed income market.

Similar to an investment in a bond, investments in credit-linked trust certificates represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the certificate. However, these payments are conditioned on the trust's receipt of payments from, and the trust's potential obligations to, the counterparties to the derivative instruments and other securities in which the trust invests.

(l) Repurchase Agreements

The Fund enters into transactions with its custodian bank or securities brokerage firms whereby it purchases securities under agreements to resell at an agreed upon price and date (repurchase agreements). Such agreements are carried at the contract amount in the financial statements. Collateral pledged (the securities received), which consists primarily of U.S. government obligations and asset-backed securities, are held by the custodian bank until maturity of the repurchase agreement. Provisions of the repurchase agreements and the procedures adopted by the Fund require that the market value of the collateral, including accrued interest thereon, is 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 Fund may be delayed or limited.

(m) Reverse Repurchase Agreements

In a reverse repurchase agreement, the Fund sells securities to a bank or broker-dealer and agrees to repurchase the securities at a mutually agreed upon date and price. Generally, the effect of such a transaction is that the Fund can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the reverse

PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

1. Organization and Significant Accounting Policies (continued)

repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to the Fund of the reverse repurchase transaction is less than the returns it obtains on investments purchased with the cash. Unless the Fund covers its positions in reverse repurchase agreements (by segregating liquid assets at least equal in amount to the forward purchase commitment), its obligations under the agreements will be subject to the Fund's limitations on borrowings. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Fund is obligated to repurchase under the agreement 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 Fund's 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 Fund's obligation to repurchase the securities. At March 31, 2008 the Fund had no reverse repurchase agreements outstanding. The weighted average daily balance of reverse repurchase agreements outstanding for the year ended March 31, 2008 was \$74,927,885 at a weighted average interest rate of 4.93% (for 327 days open during the year).

(n) When-Issued/Delayed-Delivery Transactions

The Fund may purchase or sell securities on a when-issued or delayed-delivery basis. The 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 Fund 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 Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its net asset value. The Fund 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 on a delayed-delivery basis is sold, the Fund does not participate in future gains and losses with respect to the security.

(o) Custody Credits on Cash Balances

The Fund benefits from an expense offset arrangement with its custodian bank whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income producing securities, they would have generated income for the Fund.

2. Investment Manager/Sub-Adviser

The Fund has entered into an Investment Management Agreement (the Agreement) with the Investment Manager. Subject to the supervision of the Fund's Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund's investment activities, business affairs and administrative matters. Pursuant to the Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.70% of the Fund's average daily net assets, including assets attributable to any preferred shares that may be outstanding.

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The Investment Manager has retained its affiliate, Pacific Investment Management Company LLC (the Sub-Adviser), to manage the Fund's investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Fund's investment decisions. The Investment Manager and not the Fund pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

3. Investment in Securities

For the year ended March 31, 2008, purchases and sales of investments, other than short-term securities and U.S. government obligations, were \$2,587,452,180 and \$2,531,425,603, respectively.

(a) Futures contracts outstanding at March 31, 2008:

Type		Contracts	Market Value (000)	Expiration Date	Unrealized Appreciation
Long:	Financial Future Euro 90 day	749	\$182,999	6/16/08	\$3,050,028
	Financial Future Euro 90 day	859	210,251	9/15/08	4,185,325
	Financial Future Euro 90 day	763	186,582	3/16/09	4,338,544
	Financial Future Euro 90 day	95	23,072	12/14/09	458,771
					\$12,032,668

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PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

3. Investments in Securities (continued)

(b) Transactions in options written for the year ended March 31, 2008:

	Notional/Contracts	Premiums
Options outstanding, March 31, 2007		\$
Options written	28,800,000	494,140
Options terminated in closing purchase transactions	(16,000,000)	(252,000)
Options outstanding, March 31, 2008	12,800,000	\$242,140

(c) Credit default swaps contracts outstanding at March 31, 2008:

Swap Counterparty/ Referenced Debt Issuer	Notional Amount Payable on Default (000)	Termination Date	Payments Received (Paid) By Fund	Unrealized Appreciation (Depreciation)
Bank of America:				
AES	\$5,000	6/20/10	(2.60)%	\$(32,161)
Georgia-Pacific	9,500	6/20/13	6.00%	194,819
GMAC	1,000	3/20/09	5.00%	40,476
HCA	8,000	9/1/10	(3.73)%	43,784
Reliant Energy	5,000	6/20/10	(2.95)%	8,507
Barclays Bank:				
ARAMARK	5,000	6/20/10	(3.95)%	1,523
Dow Jones CDX	10,000	12/20/12	0.758%	105,462
MGM	2,000	6/20/13	(4.60)%	10,454
Citigroup:				
Avis Rent-A-Car	3,000	3/20/13	(6.25)%	28,659
Celestica	5,000	6/20/10	(3.85)%	(73,861)
Community Health Systems	5,000	6/20/10	(3.90)%	22,122
First Data	5,000	6/20/10	(6.95)%	(26,413)
GMAC	10,000	6/20/12	7.28%	(1,431,194)
LCDX	15,000	12/20/12	2.25%	(617,149)
SunGard Data Systems	5,000	6/20/10	(4.10)%	(36,013)
SunGard Data Systems	1,950	9/20/12	2.92%	(154,208)
Williams Co.	4,000	10/1/10	(0.77)%	7,637

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Credit Suisse First Boston:				
Forest Oil	5,000	9/20/12	3.06%	62,732
Sanmina	2,800	9/20/12	4.22%	(238,076)
Deutsche Bank:				
Dow Jones CDX	2,000	12/20/12	0.76%	22,400
Dow Jones CDX	5,000	12/20/17	(7.90)%	(158,537)
Goldman Sachs:				
Allied Waste	5,000	6/20/10	(2.50)%	(7,600)
American Axle & Manufacturing	10,000	6/20/13	(6.25)%	(31,373)
ArvinMeritor	5,000	6/20/10	(6.98)%	28,829
Dow Jones CDX	11,500	12/20/12	0.60%	130,371
Georgia-Pacific	5,000	6/20/10	(4.50)%	(69,523)
GMAC	15,000	3/20/12	6.45%	(2,430,392)
HCA	5,000	6/20/10	(4.19)%	(34,008)
Masco	10,000	6/20/13	(3.15)%	(93,793)
Mirant	8,000	6/20/13	(4.95)%	(123,922)
RadioShack	8,000	6/20/13	(2.45)%	(227,662)

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PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

3. Investments in Securities (continued)

Swap Counterparty/ Referenced Debt Issuer	Notional Amount Payable on Default (000)	Termination Date	Payments Received (Paid) By Fund	Unrealized Appreciation (Depreciation)
Sears, Roebuck & Co.	\$5,000	6/20/13	(4.35)%	\$(104,282)
TRW Automotive	5,000	6/20/10	(3.69)%	(47,711)
Waste Management	10,000	6/20/13	(1.13)%	(82,223)
JPMorgan Chase:				
CenturyTel	8,000	3/20/13	(1.99)%	(177,667)
Dow Jones CDX	32,800	12/20/12	0.60%	298,073
Eastman Kodak	2,000	6/20/13	(4.61)%	(33,642)
Eastman Kodak	7,000	6/20/13	(4.50)%	(84,783)
GMAC	3,000	3/20/12	2.11%	(785,611)
Hertz	5,000	6/20/10	(4.95)%	14,461
Smurfit-Stone Container	4,700	12/20/09	2.30%	(212,721)
Lehman Brothers:				
ARAMARK	5,000	9/20/08	2.25%	(15,833)
ArvinMeritor	3,000	12/20/09	2.35%	(214,549)
Avis Rent-A-Car	5,000	3/20/13	(6.25)%	47,766
Celestica	6,400	9/20/12	4.25%	(184,193)
CSC Holdings	2,000	9/20/12	2.52%	(171,233)
Dow Jones CDX	4,950	12/20/12	3.75%	(256,761)
Dynegy	5,000	9/20/08	2.00%	4,141
Freescall Semiconductor	5,000	9/20/08	3.25%	(76,558)
GMAC	3,900	12/20/12	7.95%	(500,184)
GMAC	4,000	12/20/12	8.00%	(507,964)
Harrah's Operating	5,000	9/20/08	3.75%	(66,087)
HCA	2,000	9/20/12	3.04%	(162,654)
L-3 Communications	5,000	9/20/08	1.00%	6,651
LCDX	6,548	6/20/12	1.20%	(536,559)
LCDX	5,000	12/20/12	2.25%	(208,216)
MGM	8,000	3/20/13	(4.58)%	24,981
NRG Energy	5,000	9/20/11	2.25%	(276,441)
Sanmina	5,000	9/20/08	3.25%	(1,836)
Merrill Lynch & Co.:				
Dow Jones CDX	4,968	12/20/10	1.55%	27,312
Dow Jones CDX	25,200	12/20/10	4.53%	506,575
Dow Jones CDX	56,000	12/20/11	3.55%	
Dow Jones CDX	19,300	12/20/12	3.23%	(2,106,893)
Dow Jones CDX	10,000	12/20/12	3.51%	(976,836)
Dow Jones CDX	6,000	6/20/13	1.55%	(23,245)

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GMAC	2,700	9/20/08	6.40%	(81,555)
GMAC	14,000	12/20/12	6.30%	(2,378,304)
Residential Capital LLC	7,300	12/20/08	5.00%	(896,418)
Morgan Stanley:				
Albertsons LLC	3,600	8/1/09	(0.85)%	(5,849)
ARAMARK	3,350	9/20/12	2.68%	(317,326)
Dow Jones CDX	4,950	12/20/12	3.75%	(437,673)
Great Lakes Chemical	5,500	7/15/09	(0.37)%	(18,126)
NRG Energy	5,000	6/20/10	(3.09)%	(25,601)
Nucor	10,000	3/20/13	(0.80)%	(32,562)

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PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

3. Investments in Securities (continued)

Swap Counterparty/ Referenced Debt Issuer	Notional Amount Payable on Default (000)	Termination Date	Payments Received (Paid) By Fund	Unrealized Appreciation (Depreciation)
Qwest	\$5,000	6/20/10	(5.00)%	\$(14,934)
Russian Federation	1,400	6/20/08	0.245%	38
TXU Energy	5,000	6/20/10	(4.75)%	(81,783)
Royal Bank of Scotland: Nortel Networks	5,000	6/20/10	(7.45)%	17,444
UBS: V.F. BP	10,000	3/20/13	(0.73)%	28,789 \$(16,206,692)

(d) Interest rate swap agreements outstanding at March 31, 2008:

Swap Counterparty	Notional Amount (000)		Termination Date	Rate Type		Unrealized Appreciation (Depreciation)
				Payments made by Fund	Payments received by Fund	
Barclays Bank	\$	17,700	6/18/10	3-Month USD-LIBOR	4.00%	\$494,298
Barclays Bank	BRL	141,100	1/2/12	BRL-CDI-Compounded	10.68%	(4,711,400)
Citigroup	MXN	133,000	5/14/09	28-Day Mexico Interbank TIE Banxico	7.91%	44,929
Deutsche Bank	\$	205,900	6/18/09	3-Month USD-LIBOR	4.00%	3,245,030
Deutsche Bank		105,900	6/18/10	3-Month USD-LIBOR	4.00%	2,626,708
Deutsche Bank	£	400	9/15/10	6-Month GBP-LIBOR	5.00%	2,553
Goldman Sachs	BRL	18,000	1/2/12	BRL-CDI-Compounded	10.15%	(658,252)
Lehman Brothers	\$	660,000	4/21/17	4.648%	3-Month USD-LIBOR	(33,502,462)
Lehman Brothers		660,000	4/21/17	3-Month USD-LIBOR	5.815%	3,757,013
Lehman Brothers		400,000	7/20/17	4.93%	3-Month USD-LIBOR	(31,565,538)
Lehman Brothers		400,000	7/20/17	3-Month USD-LIBOR	6.245%	5,816,557

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Morgan Stanley	MXN	162,000	5/14/09		28-Day Mexico Interbank TIE Banxico		7.91%	54,460	
Morgan Stanley	\$	39,400	6/18/09		3-Month USD-LIBOR		4.00%	619,306	
Morgan Stanley		1,118,300	6/18/10		3-Month USD-LIBOR		4.00%	6,611,234	
Morgan Stanley	BRL	174,100	1/2/12		BRL-CDI-Compounded		10.115%	(7,316,106)	
Morgan Stanley	\$	138,700	6/18/15		3-Month USD-LIBOR		5.00%	2,567,793	
Morgan Stanley		71,600	6/18/18		3-Month USD-LIBOR		5.00%	1,909,551	
Royal Bank of Scotland		4,000	6/18/09		3-Month USD-LIBOR		5.00%	52,271	
Royal Bank of Scotland		72,000	6/18/10		3-Month USD-LIBOR		4.00%	1,678,916	
UBS		6,000	6/18/09		3-Month USD-LIBOR		5.00%	77,806	
								\$(48,195,333)	

The Fund received \$41,250,000 par value in U.S. Treasury Bills as collateral for swap contracts.

BRL Brazilian Real

CDI Inter-bank Deposit Certificate

GBP/£ British Pound

MXN Mexican Peso

LIBOR London Inter-Bank Offered Rate

TIE Inter-bank Equilibrium Interest Rate

PIMCO High Income Fund Notes to Financial Statements

March 31, 2008

3. Investments in Securities (continued)

(e) Forward foreign currency contracts outstanding at March 31, 2008:

	U.S.\$ Value Origination Date	U.S.\$ Value March 31, 2008	Unrealized Appreciation (Depreciation)
Purchased:			
34,557,900 Brazilian Real settling 7/2/08	\$18,609,532	\$19,405,450	\$795,918
1,004,212,915 Indian Rupee settling 5/12/08	25,000,000	24,936,524	(63,476)
279,687,500 Mexican Peso settling 7/10/08	25,000,000	25,897,275	897,275
633,250,000 Russian Ruble settling 7/10/08	25,000,000	26,799,099	1,799,099
22,875,000,000 South Korean Won settling 8/4/08			