

PIMCO Income Strategy Fund II  
Form N-CSR  
October 04, 2010

OMB APPROVAL

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21601

PIMCO Income Strategy Fund II  
(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, New York 10105  
(Name and address of agent for service)

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

Date of fiscal year July 31, 2010  
end:

Date of reporting period: July 31, 2010

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, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1. REPORT TO SHAREHOLDERS

July 31, 2010



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Dear Shareholder:

The fiscal year ended July 31, 2010, was a tale of two markets. The first eight months were characterized by cautious optimism, as the U.S. economy grew, stocks posted sharp gains and investors fled low-yielding U.S. Treasury bonds for riskier, and higher-yielding, corporate securities. But fear and uncertainty returned during the last four months of the reporting period, sending stocks tumbling, and causing many bond investors to flee right back to the perceived safe haven of Treasuries. As demand for U.S. Treasuries surged, prices on the benchmark 10-year Treasury bond rose, moving yields (which move in the opposite direction) below 3%.

Tracing economic growth helps tell the story. In the last three months of 2009, the U.S. economy, as measured by gross domestic product (GDP), grew at an annual rate of 5.0% due in part to government stimulus programs. Between January and March of this year, GDP grew, but at a slower pace 3.7%. This deceleration continued between April and June, with the economy expanding at a rate of 2.4%.

This clear trend has been a matter of growing concern for the Federal Reserve (the Fed). Policymakers indicated in late June that it could take up to six years for the U.S. economy to return to what they considered normal. It was also mentioned that new stimulus measures may be necessary if conditions were to worsen appreciably. Officials hinted of one possible remedy: the Fed could resume buying U.S. Treasury bonds to bolster the economy. This would be a reversal of an earlier policy to unwind such investments as the economy recovered.

The Fed also stated that it would keep interest rates low. The closely-watched Federal Funds Rate the interest rate banks charge to lend federal funds to other banks, usually on an overnight basis remained in the 0.0% to 0.25% range, while the discount-rate the interest rate charged to banks for direct loans stayed at 0.75%, though this rate was increased in February from 0.50%.

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## Twelve Months in Review

For the fiscal year ended July 31, 2010:

- PIMCO Income Strategy Fund returned 42.75% on net asset value ( NAV ) and 52.70% on market price.
- PIMCO Income Strategy Fund II returned 39.47% on NAV and 52.97% on market price.

In contrast, the Barclays Capital Credit Investment Grade Index, a measure of high quality corporate bond performance, returned 23.83% and the Barclays Capital U.S. High Yield Bond Index, a measure of below-investment-grade corporate bond performance, returned 23.74%. Government bonds, as represented by the Barclays Capital Long Term Treasury Index, gained 11.44% for the fiscal period.

The Barclays Capital U.S. Aggregate Index, a broad credit market measure of government and corporate securities, posted a return of 8.91%. Mortgage-backed securities, as reflected by the Barclays Capital Mortgage Index, advanced 7.68%. As for stocks, the Standard & Poor's 500 Index rose 13.84% during the fiscal year.

## Positioned to Face Today's Challenges

The slowing U.S. economy, and the see-saw performance in the financial markets are unmistakable signs that the road ahead is likely to be bumpy. Talk of a double-dip recession, once discounted, is being taken more seriously, as is the specter of deflation — when prices of goods and services fall. On the surface, falling prices may sound like a good thing. However, wages can fall as well, as can demand for those goods and services, setting off a potentially harmful spiral. All of this suggests that caution is warranted. Even so, and despite these gloomy possibilities, another scenario is possible: the U.S. economy may sidestep another recession — defined as two consecutive quarters of negative economic growth — and trudge ahead at a lower-than-historic growth rate.

That is our near-term perspective. It may be a good time to look at the long-term perspective as well. For all its travails, all of the ups and downs, the fears and uncertainty we mentioned earlier — the U.S. economy has proven to be resilient over many market cycles and many years.

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During April, the Funds completed rights offerings which were over-subscribed. Net proceeds of the rights offerings aggregated \$57.6 million and \$118.2 million for PIMCO Income Strategy and PIMCO Income Strategy II, respectively. The Funds' Board of Trustees, Investment Manager and Sub-Adviser believe that in offering additional shares, both Funds will be able to take better advantage of current and future investment opportunities.

For specific information on the Funds and a review of their performance for the reporting period, 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 Funds' shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

Receive this report electronically and eliminate paper mailings. To enroll, go to [www.allianzinvestors.com/edelivery](http://www.allianzinvestors.com/edelivery).

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
Chairman

Brian S. Shlissel  
President & CEO

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**PIMCO Income Strategy Fund/PIMCO Income Strategy Fund II Fund Insights/Performance & Statistics**

July 31, 2010 (unaudited)

- For the fiscal year ended July 31, 2010, PIMCO Income Strategy Fund returned 42.75% on NAV and 52.70% on market price.
- For the fiscal year ended July 31, 2010, PIMCO Income Strategy Fund II returned 39.47% on NAV and 52.97% on market price.
- An emphasis on the banking sector was a strong contributor to the Funds' performance, as recapitalization efforts benefited securities within this sector during the reporting period.
- A larger-than-market weighting in the insurance sector, which significantly outperformed the broader credit market, benefited returns.
- Security selection in the insurance sector, where life insurance securities materially outpaced the broader category, benefited the Funds' performance.
- Security selection was also strong in the transportation sector, where airline securities outperformed.
- Exposure to health care, which underperformed alongside other more defensive sectors amid generally elevated risk appetites, was negative for the Funds' performance.
- Tactical exposure to mortgage-backed holdings, which could not keep pace with the rallying corporate market, also detracted from returns.
- Exposure to speculative-grade corporate credits, which outperformed their higher quality counterparts, was positive for performance.

**Income Strategy:**

<b>Total Return(1):</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	52.70%	42.75%
5 Year	2.80%	0.75%
Commencement of Operations (8/29/03) to 7/31/10	2.64%	2.25%

**Market Price/NAV Performance:**

Commencement of Operations (8/29/03) to 7/31/10  
NAV  
Market Price

**Market Price/NAV:**

Market Price	\$11.50
NAV	\$10.62
Premium to NAV	8.29%
Market Price Yield(2)	7.83%



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**PIMCO Income Strategy Fund/PIMCO Income Strategy Fund II Fund Insights/Performance & Statistics**

July 31, 2010 (unaudited) (continued)

**Income Strategy II:**

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	52.97%	39.47%
5 Year	0.64%	(2.08)%
Commencement of Operations (10/29/04) to 7/31/10	(0.62)%	(1.16)%

**Market Price/NAV Performance:**

Commencement of Operations (10/29/04) to 7/31/10  
NAV  
Market Price

**Market Price/NAV:**

Market Price	\$10.05
NAV	\$9.29
Premium to NAV	8.18%
Market Price Yield <sup>(2)</sup>	7.76%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, 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.

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 Funds, market conditions, supply and demand for the Funds' shares, or changes in the Funds' dividends.

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

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at July 31, 2010.

**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010

Principal Amount (000s)			Credit Rating (Moody s/S&P)*	Value
<b>CORPORATE BONDS &amp; NOTES 68.4%</b>				
<b>Airlines 7.0%</b>				
\$900		American Airlines, Inc., 10.50%, 10/15/12 (a) (d)	B2/B	\$963,000
		American Airlines Pass Through Trust,		
4,319		9.73%, 9/29/14	Caa2/CCC+	3,865,699
3,948		10.18%, 1/2/13	Caa1/CCC+	3,938,472
15,690		United Air Lines Pass Through Trust, 10.40%, 5/1/18	Ba1/BBB	17,101,920
				25,869,091
<b>Banking 10.2%</b>				
2,600		AgFirst Farm Credit Bank, 7.30%, 8/30/10 (a) (b) (d) (g) (k) (acquisition cost-\$2,225,000; purchased 2/26/10-4/15/10)	NR/A	2,271,217
		Allied Irish Banks PLC,		
300		10.75%, 3/29/17	A2/BBB+	297,630
2,000		10.75%, 3/29/17	A2/BBB+	2,665,527
£591		11.50%, 3/29/22	A2/BBB+	955,646
		Barclays Bank PLC (g),		
\$1,200		7.375%, 12/15/11 (a) (d)	Baa2/A-	1,152,000
1,885		7.434%, 12/15/17 (a) (d)	Baa2/A-	1,856,725
£7,800		14.00%, 6/15/19	Baa2/A-	16,002,405
\$3,300		BBVA Bancomer S.A., 7.25%, 4/22/20 (a) (d)	A3/NR	3,469,735
1,000		Den Norske Bank ASA, 7.729%, 6/29/11 (a) (d) (g)	Baa3/BBB+	995,612
600		HBOS PLC, 6.75%, 5/21/18 (a) (d)	Ba1/BBB-	577,664
4,400		Rabobank Nederland NV, 11.00%, 6/30/19 (a) (d) (g) (j)	A2/AA-	5,568,878
		Regions Financial Corp.,		
800		7.375%, 12/10/37	Ba1/BB+	724,142
1,500		7.75%, 9/15/24	Ba1/BB+	1,472,880
				38,010,061
<b>Energy 0.3%</b>				
1,100		Dynegy Roseton/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B	B3/B-	1,017,500
<b>Financial Services 35.4%</b>				
		Ally Financial, Inc.,		
304		5.90%, 1/15/19	B3/B	247,626
156		5.90%, 10/15/19	B3/B	126,540
500		6.00%, 12/15/11	B3/B	504,784
55		6.00%, 2/15/19	B3/B	45,014
40		6.00%, 3/15/19	B3/B	32,815

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8		6.00%, 4/15/19		B3/B		6,553	
325		6.00%, 9/15/19		B3/B		266,267	
95		6.05%, 8/15/19		B3/B		77,999	
413		6.05%, 10/15/19		B3/B		343,368	
1,208		6.15%, 8/15/19		B3/B		1,001,683	
1,371		6.25%, 2/15/16		B3/B		1,227,770	
25		6.25%, 1/15/19		B3/B		20,850	
120		6.30%, 8/15/19		B3/B		100,604	
1,168		6.35%, 2/15/16		B3/B		1,051,024	
285		6.35%, 4/15/16		B3/B		256,018	
216		6.40%, 3/15/16		B3/B		194,663	
360		6.40%, 11/15/19		B3/B		303,367	
1,357		6.50%, 2/15/16		B3/B		1,229,888	
20		6.50%, 9/15/16		B3/B		18,028	
442		6.50%, 10/15/16		B3/B		397,959	

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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Financial Services (continued)</b>			
\$150	6.50%, 12/15/18	B3/B	\$127,407
358	6.55%, 12/15/19	B3/B	304,829
14	6.60%, 5/15/18	B3/B	12,155
51	6.65%, 6/15/18	B3/B	44,270
60	6.70%, 6/15/18	B3/B	52,248
329	6.75%, 4/15/13	B3/B	326,960
3	6.75%, 8/15/16	B3/B	2,739
13	6.75%, 6/15/17	B3/B	11,819
89	6.75%, 5/15/19	B3/B	76,953
10	6.75%, 6/15/19	B3/B	8,653
205	6.80%, 9/15/16	B3/B	188,688
3	6.80%, 10/15/18	B3/B	2,618
938	6.85%, 4/15/16	B3/B	871,364
30	6.85%, 5/15/18	B3/B	26,484
1,425	6.875%, 9/15/11	B3/B	1,454,161
336	6.875%, 8/15/16	B3/B	309,076
5	6.875%, 7/15/18	B3/B	4,384
140	6.90%, 6/15/17	B3/B	128,484
32	6.90%, 8/15/18	B3/B	28,095
151	6.95%, 6/15/17	B3/B	138,966
25	7.00%, 12/15/16	B3/B	23,175
27	7.00%, 6/15/17	B3/B	24,917
130	7.00%, 7/15/17	B3/B	119,869
367	7.00%, 2/15/18	B3/B	330,277
12	7.00%, 3/15/18	B3/B	10,759
155	7.00%, 8/15/18	B3/B	136,956
5	7.00%, 9/15/18	B3/B	4,412
42	7.05%, 3/15/18	B3/B	37,772
39	7.05%, 4/15/18	B3/B	34,994
3,812	7.10%, 9/15/12	B3/B	3,811,787
100	7.125%, 8/15/12	B3/B	99,192
160	7.125%, 10/15/17	B3/B	147,089
40	7.15%, 3/15/25	B3/B	33,619
75	7.20%, 10/15/17	B3/B	69,249
288	7.25%, 6/15/16	B3/B	272,084
293	7.25%, 9/15/17	B3/B	272,438
10	7.25%, 4/15/18	B3/B	9,073
10	7.25%, 8/15/18	B3/B	8,964
141	7.25%, 9/15/18	B3/B	126,610
25	7.30%, 1/15/18	B3/B	22,965
396	7.35%, 4/15/18	B3/B	361,838
57	7.50%, 6/15/16	B3/B	54,089
45	7.55%, 5/15/16	B3/B	42,807
47	7.75%, 10/15/17	B3/B	44,777
110	8.125%, 11/15/17	B3/B	107,534
110	9.00%, 7/15/20	B3/B	110,111
	American General Finance Corp.,		
775	0.716%, 8/17/11, FRN	B2/B	714,965
3,900	0.787%, 12/15/11, FRN	B2/B	3,595,488
5,000	5.375%, 10/1/12	B2/B	4,725,000

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£1,700	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/BB	1,970,153
\$4,900	Bank of America Corp., 8.125%, 5/15/18 (g)	Ba3/BB	4,937,338
1,400	Capital One Capital VI, 8.875%, 5/15/40	Baa3/BB	1,491,000

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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Financial Services (continued)</b>			
\$3,032	CIT Group, Inc., 7.00%, 5/1/13	B3/B+	\$3,016,392
947	7.00%, 5/1/14	B3/B+	926,010
1,157	7.00%, 5/1/15	B3/B+	1,120,456
1,579	7.00%, 5/1/16	B3/B+	1,511,775
2,210	7.00%, 5/1/17	B3/B+	2,094,379
100	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Ba1/BB-	103,500
2,500	Credit Agricole S.A., 6.637%, 5/31/17 (a) (d) (g)	A3/A-	2,125,000
10,250	Ford Motor Credit Co. LLC, 3.277%, 1/13/12, FRN	Ba3/B-	10,057,813
2,200	7.25%, 10/25/11	Ba3/B-	2,274,622
4,000	12.00%, 5/15/15	Ba3/B-	4,765,292
3,000	GMAC International Finance BV, 7.50%, 4/21/15	B3/B	3,859,543
\$7,000	ILFC E-Capital Trust I, 5.90%, 12/21/65, (converts to FRN on 12/21/10) (a) (b) (d) (k) (acquisition cost-\$3,473,750; purchased 11/10/09)	B3/BB	4,795,000
650	International Lease Finance Corp., 4.75%, 1/13/12	B1/BB+	630,500
1,400	5.00%, 9/15/12	B1/BB+	1,344,000
650	5.30%, 5/1/12	B1/BB+	633,750
650	5.35%, 3/1/12	B1/BB+	637,000
2,111	5.625%, 9/20/13	B1/BB+	2,005,450
2,947	6.625%, 11/15/13	B1/BB+	2,873,325
500	LBG Capital No.1 PLC, 6.439%, 5/23/20	Ba3/BB-	534,148
200	7.375%, 3/12/20	Ba3/BB-	223,709
£300	7.588%, 5/12/20	Ba3/BB-	406,403
£4,800	7.867%, 12/17/19	Ba3/BB-	6,615,205
£700	7.869%, 8/25/20	Ba3/BB-	953,755
\$2,500	7.875%, 11/1/20	Ba3/BB-	2,262,500
1,400	8.00%, 6/15/20 (a) (d) (g)	NR/B+	1,190,000
2,000	8.50%, 12/17/21 (a) (d) (g)	NR/B+	1,700,000
£900	11.04%, 3/19/20	Ba3/BB-	1,501,106
£2,500	LBG Capital No.2 PLC, 11.25%, 9/14/23	Ba2/BB	4,013,130
\$2,300	LBI Escrow Corp., 8.00%, 11/1/17 (a) (d)	Ba3/BB	2,423,625
1,500	Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (e)	WR/NR	2,625
7,400	MUFG Capital Finance 1 Ltd., 6.346%, 7/25/16 (g)	Ba1/BBB+	7,332,527
1,100	MUFG Capital Finance 2 Ltd., 4.85%, 7/25/16 (g)	Ba1/BBB+	1,275,440
\$1,629	NB Capital Trust II, 7.83%, 12/15/26	Baa3/BB	1,637,145
3,700	Royal Bank of Scotland Group PLC, 7.648%, 9/30/31 (g)	Ba2/BB-	3,117,250
900	SLM Corp., 5.00%, 10/1/13	Ba1/BBB-	851,807



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1,600	5.375%, 5/15/14	Ba1/BBB-	1,469,358
4,900	8.00%, 3/25/20	Ba1/BBB-	4,355,713
2,168	SMFG Preferred Capital USD 3 Ltd., 9.50%, 7/25/18 (a) (d) (g)	Ba1/BBB+	2,465,408
4,250	Wells Fargo & Co., 7.98%, 3/15/18 (g)	Ba1/A-	4,398,750
2,550	Wells Fargo Capital XIII, 7.70%, 3/26/13 (g)	Ba1/A-	2,626,500
			131,454,385

## **Healthcare & Hospitals 1.0%**

3,300	HCA, Inc., 9.625%, 11/15/16, PIK	B2/BB-	3,572,250
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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Insurance 9.2%</b>			
\$10,000	American General Capital II, 8.50%, 7/1/30	Ba2/B	\$9,600,000
2,000	American General Institutional Capital B, 8.125%, 3/15/46 (a) (d)	Ba2/B	1,830,000
1,600	American International Group, Inc., 0.639%, 3/20/12, FRN	A3/A-	1,546,664
2,800	4.875%, 3/15/67, (converts to FRN on 3/15/17)	Ba2/BBB	2,188,703
\$6,400	5.45%, 5/18/17 (j)	A3/A-	6,048,000
1,300	8.175%, 5/15/68, (converts to FRN on 5/15/38)	Ba2/BBB	1,134,250
4,400	8.25%, 8/15/18 (j)	A3/A-	4,741,000
£1,300	8.625%, 5/22/68, (converts to FRN on 5/22/18)	Ba2/BBB	1,720,360
\$800	AXA S.A., 6.463%, 12/14/18 (a) (d) (g)	Baa1/BBB	640,000
2,300	Hartford Financial Services Group, Inc., 8.125%, 6/15/68, (converts to FRN on 6/15/18)	Ba1/BB+	2,294,250
2,440	Progressive Corp., 6.70%, 6/15/67, (converts to FRN on 6/15/17) (j)	A2/A-	2,342,622
			34,085,849
<b>Oil &amp; Gas 5.1%</b>			
7,700	Atlantic Richfield Co., 8.375%, 2/21/12 (j)	A2/A	7,955,979
5,000	NGPL PipeCo LLC (a) (d) (j), 7.119%, 12/15/17	Ba1/BBB-	5,272,680
5,000	7.768%, 12/15/37	Ba1/BBB-	5,238,735
600	SandRidge Energy, Inc., 8.00%, 6/1/18 (a) (d)	B3/B+	603,000
			19,070,394
<b>Utilities 0.2%</b>			
390	Dominion Resources, Inc., 6.30%, 9/30/66, (converts to FRN on 9/30/11)	Baa3/BBB	367,186
400	PPL Capital Funding, Inc., 6.70%, 3/30/67, (converts to FRN on 3/30/17)	Ba1/BB+	357,461
			724,647
Total Corporate Bonds & Notes (cost-\$234,885,164)			253,804,177
<b>MORTGAGE-BACKED SECURITIES 19.2%</b>			
180	Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO	Caa2/NR	123,691
3,100	Banc of America Funding Corp., 6.00%, 3/25/37, CMO	Caa1/CCC	2,377,278
1,461	Bear Stearns Adjustable Rate Mortgage Trust, 4.625%, 10/25/35, CMO, FRN	Caa1/BBB	1,286,993
95	Chase Mortgage Finance Corp., CMO, 5.211%, 12/25/35, FRN	NR/CCC	87,951
1,936	5.424%, 3/25/37, FRN	Caa2/NR	1,592,901
1,600	6.00%, 2/25/37	Caa2/CCC	1,238,674
1,200	6.00%, 7/25/37	NR/CCC	989,954
2,500	6.25%, 10/25/36	Caa1/CCC	2,074,953

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678	Citicorp Mortgage Securities, Inc., 5.50%, 4/25/37, CMO	Caa1/NR	582,131
	Countrywide Alternative Loan Trust, CMO,		
4,545	6.00%, 5/25/36	Caa3/NR	3,020,406
3,472	6.129%, 4/25/36, VRN	Caa2/CCC	2,352,110
1,430	6.25%, 11/25/36	Caa2/NR	1,019,623
700	6.50%, 8/25/36	Ca/CC	456,012

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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	Countrywide Home Loan Mortgage Pass Through Trust, CMO,		
\$132	3.189%, 2/20/35, VRN	A3/AA-	\$112,535
2,091	5.50%, 10/25/35	Caa1/NR	1,824,585
1,882	5.75%, 3/25/37	NR/CCC	1,560,457
1,434	6.00%, 5/25/36	NR/CCC	1,268,698
900	6.00%, 2/25/37	NR/CCC	682,686
438	6.00%, 4/25/37	NR/CCC	354,129
1,870	6.25%, 9/25/36	B3/NR	1,522,670
800	Credit Suisse Mortgage Capital Certificates, 6.00%, 2/25/37, CMO	NR/CCC	657,997
	GSR Mortgage Loan Trust, CMO,		
469	5.50%, 5/25/36	NR/CCC	403,882
8,689	6.00%, 2/25/36	NR/CCC	7,649,292
84	Harborview Mortgage Loan Trust, 2.960%, 7/19/35, CMO, VRN	Caa3/B	66,887
3,500	JPMorgan Chase Commercial Mortgage Securities Corp., 5.654%, 3/18/51, CMO, VRN (a) (d)	Aa3/NR	2,889,063
	JPMorgan Mortgage Trust, CMO,		
2,503	5.00%, 3/25/37	NR/CCC	2,086,235
1,000	5.664%, 1/25/37, VRN	Caa2/NR	812,167
587	6.00%, 8/25/37	NR/CCC	481,281
1,000	Morgan Stanley Reremic Trust, 5.808%, 8/12/45, CMO, VRN (a) (d)	A1/NR	856,389
7,361	RBSCF Trust, 5.223%, 11/16/16, CMO, VRN (a) (d) (f)	NR/NR	6,534,423
	Residential Asset Securitization Trust, CMO,		
1,500	5.75%, 2/25/36	Caa3/CC	1,044,837
638	6.00%, 9/25/36	Caa3/D	341,709
1,600	6.00%, 7/25/37	NR/CCC	1,185,851
	Residential Funding Mortgage Securities I, CMO,		
793	6.00%, 9/25/36	Caa1/CCC	689,042
1,200	6.00%, 1/25/37	Caa2/NR	992,671
8,439	6.00%, 6/25/37	NR/CC	6,960,780
	Suntrust Adjustable Rate Mortgage Loan Trust, CMO, FRN,		
4,772	5.673%, 4/25/37	NR/CCC	3,906,840
645	5.832%, 2/25/37	NR/CCC	499,001
	WaMu Mortgage Pass Through Certificates, CMO,		
1,000	5.816%, 2/25/37, FRN	NR/CCC	799,490
366	5.867%, 9/25/36, VRN	NR/CCC	285,603
	Wells Fargo Mortgage Backed Securities Trust, CMO,		
394	5.216%, 4/25/36, VRN	NR/BB+	341,648
6,083	5.460%, 7/25/36, FRN	NR/CCC	4,782,572
641	5.468%, 7/25/36, FRN	NR/CCC	500,090
1,000	5.75%, 3/25/37	Caa2/NR	795,433
673	6.00%, 6/25/37	Caa1/NR	595,316

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700	6.00%, 7/25/37	B3/BB	629,655
Total Mortgage-Backed Securities (cost-\$68,822,595)			71,316,591

## **MUNICIPAL BONDS 2.8%**

### **California 0.3%**

1,100	Oakland Unified School Dist., Alameda Cnty., GO, 9.50%, 8/1/34	A1/BBB+	1,166,759
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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)			Credit Rating (Moody s/S&P)*	Value
<b>Texas 2.5%</b>				
\$9,000	North Texas Tollway Auth. Rev., 8.91%, 2/1/30		Baa3/NR	\$9,056,970
Total Municipal Bonds (cost-\$10,147,371)				10,223,729
<b>CONVERTIBLE BONDS 2.7%</b>				
<b>Oil &amp; Gas 2.7%</b>				
11,000	Transocean, Inc., 1.50%, 12/15/37, Ser. B (cost-\$9,847,086)		Baa2/BBB+	10,175,000
<b>SENIOR LOANS (a) (c) 1.6%</b>				
<b>Consumer Products 0.2%</b>				
1,000	National Mentor, Inc., 2.783%, 6/29/12 (b) (k) (acquisition cost-\$998,250; purchased 9/26/06)			830,000
<b>Financial Services 0.6%</b>				
550	CIT Group, Inc., 9.50%, 1/20/12, Term 2A			563,129
69	13.00%, 1/18/12, Term 2B			70,391
880	13.00%, 1/20/12, Term 1B			901,006
481	13.00%, 1/20/12, Term 2B			492,738
				2,027,264
<b>Multi-Media 0.8%</b>				
AUD2,766	Seven Media Group, Term T1, 7.04%, 2/7/13			2,302,331
AUD660	7.43%, 12/28/12			549,388
				2,851,719
<b>Printing/Publishing 0.0%</b>				
\$42	American Media, Inc., 10.00%, 1/30/13 (b) (k) (acquisition cost-\$42,434; purchased 4/30/10-7/28/10)			40,790
Total Senior Loans (cost-\$5,809,256)				5,749,773
<b>CONVERTIBLE PREFERRED STOCK 1.3%</b>				
Shares				
<b>Financial Services 0.7%</b>				
2,700	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (g)		Ba1/A-	2,632,500
<b>Utilities 0.6%</b>				
40,000	PPL Corp., 9.50%, 7/1/13		NR/NR	2,229,324
Total Convertible Preferred Stock (cost-\$3,920,945)				4,861,824
<b>ASSET-BACKED SECURITIES 1.0%</b>				
Principal Amount (000s)				

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\$1,607	Asset Backed Funding Certificates, 0.549%, 5/25/37, FRN (a) (d)	B3/B-	1,378,004
1,200	GSAA Trust, 6.295%, 6/25/36	Caa1/CCC	681,460

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**PIMCO Income Strategy Fund Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$1,199	MASTR Asset Backed Securities Trust, 5.233%, 11/25/35	A1/BBB	\$1,073,127
800	Morgan Stanley Mortgage Loan Trust, 6.25%, 2/25/37, VRN	B3/CCC	532,100
Total Asset-Backed Securities (cost-\$3,502,586)			3,664,691

**PREFERRED STOCK 0.6%**

Shares

**Banking 0.1%**

5,000	CoBank Acb, 11.00%, 7/1/13, Ser. C (a) (b) (d) (g) (k) (l) (acquisition cost-\$267,500; purchased 2/26/10)	NR/A	278,750
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**Real Estate Investment Trust 0.5%**

1,800	Sovereign Real Estate Investment Trust, 12.00%, 5/16/20 (a) (d) (g)	Baa3/BBB+	1,975,500
Total Preferred Stock (cost-\$2,216,000)			2,254,250

**SHORT-TERM INVESTMENTS 2.4%**

Principal  
Amount  
(000s)

**U.S. Treasury Bills (h) 0.3%**

\$1,203	0.16%, 8/12/10 (cost-\$1,202,942)		1,202,942
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**Repurchase Agreements 2.1%**

7,300	JPMorgan Securities, Inc., dated 7/30/10, 0.22%, due 8/2/10, proceeds \$7,300,134; collateralized by U.S. Treasury Notes, 1.50%, due 12/31/13, valued at \$7,451,640, including accrued interest		7,300,000
542	State Street Bank & Trust Co., dated 7/30/10, 0.01%, due 8/2/10, proceeds \$542,000; collateralized by U.S. Treasury Notes, 3.125%, due 4/30/17, valued at \$556,553, including accrued interest		542,000

Total Repurchase Agreements (cost-\$7,842,000) 7,842,000

Total Short-Term Investments (cost-\$9,044,942) 9,044,942

**Total Investments (cost-\$348,195,945) 100.0% \$371,094,977**



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**PIMCO Income Strategy Fund II Schedule of Investments**

July 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>CORPORATE BONDS &amp; NOTES 68.3%</b>			
<b>Airlines 2.3%</b>			
\$8,798	American Airlines Pass Through Trust, 9.73%, 9/29/14	Caa2/CCC+	\$7,874,000
8,133	10.18%, 1/2/13	Caa1/CCC+	8,112,673
953	United Air Lines Pass Through Trust, 10.40%, 5/1/18	Ba1/BBB	1,039,163
			17,025,836
<b>Banking 9.1%</b>			
5,500	AgFirst Farm Credit Bank, 7.30%, 8/30/10 (a) (b) (d) (g) (k) (acquisition cost-\$4,709,000; purchased 2/26/10-4/15/10)	NR/A	4,804,498
700	Allied Irish Banks PLC, 10.75%, 3/29/17	A2/BBB+	694,470
4,232	10.75%, 3/29/17	A2/BBB+	5,640,256
£1,168	11.50%, 3/29/22	A2/BBB+	1,888,654
\$2,600	Barclays Bank PLC (g), 7.375%, 12/15/11 (a) (d) (j)	Baa2/A-	2,496,000
3,700	7.434%, 12/15/17 (a) (d)	Baa2/A-	3,644,500
£13,600	14.00%, 6/15/19	Baa2/A-	27,901,630
\$6,700	BBVA Bancomer S.A., 7.25%, 4/22/20 (a) (d)	A3/NR	7,044,614
2,000	Den Norske Bank ASA, 7.729%, 6/29/11 (a) (d) (g)	Baa3/BBB+	1,991,224
1,400	HBOS PLC, 6.75%, 5/21/18 (a) (d)	Ba1/BBB-	1,347,882
1,675	Regions Financial Corp., 7.375%, 12/10/37	Ba1/BB+	1,516,171
9,400	UBS Preferred Funding Trust I, 8.622%, 10/1/10 (g)	Baa3/BBB-	9,452,076
			68,421,975
<b>Energy 1.8%</b>			
10,762	AES Red Oak LLC, 8.54%, 11/30/19	B1/BB-	11,057,890
2,300	Dynegy Roseton/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B	B3/B-	2,127,500
			13,185,390
<b>Financial Services 38.0%</b>			
25	Ally Financial, Inc., 1.966%, 9/15/11, FRN	B3/B	24,281
30	2.052%, 10/15/11, FRN	B3/B	29,138
81	2.112%, 8/15/11, FRN	B3/B	78,671
360	2.162%, 8/15/11, FRN	B3/B	349,650
250	2.162%, 11/15/11, FRN	B3/B	242,812
33	2.212%, 11/15/11, FRN	B3/B	32,051
38	2.262%, 11/15/11, FRN	B3/B	36,908
155	2.266%, 12/15/11, FRN	B3/B	150,544
100	2.312%, 11/15/11, FRN	B3/B	97,125
30	2.816%, 3/15/12, FRN	B3/B	29,138
416	5.25%, 1/15/14	B3/B	386,390
315	5.35%, 1/15/14	B3/B	293,518
130	5.70%, 6/15/13	B3/B	125,645
561	5.75%, 1/15/14	B3/B	529,428
565	5.90%, 1/15/19	B3/B	460,225
3	5.90%, 2/15/19	B3/B	2,440
585	6.00%, 12/15/13	B3/B	556,560
1,437	6.00%, 2/15/19	B3/B	1,179,148

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119	6.00%, 3/15/19	B3/B	97,396
9	6.00%, 9/15/19	B3/B	7,374
486	6.10%, 9/15/19	B3/B	402,326

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**PIMCO Income Strategy Fund II Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Financial Services</b> (continued)			
\$159	6.125%, 10/15/19	B3/B	\$131,372
394	6.15%, 8/15/19	B3/B	326,708
454	6.15%, 10/15/19	B3/B	375,815
675	6.20%, 4/15/19	B3/B	561,708
500	6.25%, 12/15/18	B3/B	417,486
47	6.25%, 7/15/19	B3/B	39,257
7	6.35%, 4/15/16	B3/B	6,288
792	6.35%, 10/15/16	B3/B	707,474
303	6.35%, 4/15/19	B3/B	254,842
1,142	6.35%, 7/15/19	B3/B	960,782
463	6.375%, 1/15/14	B3/B	445,567
256	6.50%, 7/15/12	B3/B	251,282
249	6.50%, 9/15/16	B3/B	224,450
608	6.50%, 10/15/16	B3/B	547,419
5	6.50%, 6/15/18	B3/B	4,296
449	6.50%, 11/15/18	B3/B	383,465
190	6.50%, 12/15/18	B3/B	161,237
15	6.50%, 5/15/19	B3/B	12,752
45	6.60%, 6/15/12	B3/B	44,318
208	6.60%, 8/15/16	B3/B	188,438
864	6.60%, 5/15/18	B3/B	750,137
100	6.60%, 6/15/19	B3/B	85,631
76	6.625%, 10/15/11	B3/B	74,974
132	6.65%, 10/15/18	B3/B	114,059
190	6.70%, 5/15/14	B3/B	182,076
256	6.70%, 6/15/18	B3/B	222,927
335	6.70%, 12/15/19	B3/B	288,388
160	6.75%, 9/15/12	B3/B	157,501
844	6.75%, 10/15/12	B3/B	830,671
555	6.75%, 6/15/14	B3/B	530,323
215	6.75%, 8/15/16	B3/B	196,528
1,136	6.75%, 11/15/16	B3/B	1,040,369
210	6.75%, 6/15/17	B3/B	190,929
831	6.75%, 7/15/18	B3/B	723,734
3	6.75%, 9/15/18	B3/B	2,609
612	6.75%, 10/15/18	B3/B	531,431
107	6.75%, 11/15/18	B3/B	93,007
92	6.80%, 9/15/16	B3/B	84,220
12	6.80%, 9/15/18	B3/B	10,470
207	6.85%, 4/15/16	B3/B	190,527
7	6.875%, 7/15/18	B3/B	6,137
319	6.90%, 7/15/18	B3/B	280,491
326	6.90%, 8/15/18	B3/B	286,219
135	6.95%, 6/15/17	B3/B	124,241
201	7.00%, 8/15/16	B3/B	187,148
1,729	7.00%, 11/15/16	B3/B	1,604,137
580	7.00%, 12/15/16	B3/B	537,668
1,729	7.00%, 1/15/17	B3/B	1,601,386
601	7.00%, 2/15/17	B3/B	556,421

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1,087	7.00%, 6/15/17	B3/B	1,003,149
1,073	7.00%, 7/15/17	B3/B	989,377
43	7.00%, 2/15/18	B3/B	38,697
506	7.00%, 3/15/18	B3/B	453,681

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July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Financial Services</b> (continued)			
\$15	7.00%, 5/15/18	B3/B	\$13,366
400	7.00%, 9/15/18	B3/B	352,994
134	7.00%, 6/15/22	B3/B	114,946
2,035	7.00%, 11/15/24	B3/B	1,699,776
325	7.05%, 3/15/18	B3/B	292,281
4	7.05%, 4/15/18	B3/B	3,589
2,637	7.10%, 9/15/12	B3/B	2,612,040
28	7.15%, 11/15/12	B3/B	27,760
6	7.15%, 9/15/18	B3/B	5,354
477	7.20%, 10/15/17	B3/B	440,421
339	7.25%, 8/15/12	B3/B	336,860
1,998	7.25%, 12/15/12	B3/B	1,984,226
55	7.25%, 6/15/16	B3/B	51,569
653	7.25%, 9/15/17	B3/B	606,799
329	7.25%, 1/15/18	B3/B	301,543
255	7.25%, 4/15/18	B3/B	231,304
39	7.30%, 12/15/17	B3/B	35,958
503	7.30%, 1/15/18	B3/B	462,058
165	7.35%, 1/15/17	B3/B	155,641
58	7.35%, 4/15/18	B3/B	52,997
25	7.375%, 11/15/16	B3/B	23,750
55	7.375%, 4/15/18	B3/B	50,331
166	7.40%, 12/15/17	B3/B	153,953
1,828	7.50%, 11/15/16	B3/B	1,747,701
15	7.50%, 8/15/17	B3/B	14,195
559	7.50%, 11/15/17	B3/B	523,262
290	7.50%, 12/15/17	B3/B	270,524
40	8.00%, 3/15/17	B3/B	38,992
3	8.125%, 11/15/17	B3/B	2,933
25	8.20%, 3/15/17	B3/B	24,615
24	8.40%, 8/15/15	B3/B	23,669
224	9.00%, 7/15/20	B3/B	224,226
	American General Finance Corp. FRN,		
1,625	0.716%, 8/17/11	B2/B	1,499,119
8,450	0.787%, 12/15/11	B2/B	7,790,224
£2,100	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/BB	2,433,719
\$10,100	Bank of America Corp., 8.125%, 5/15/18 (g)	Ba3/BB	10,176,962
2,900	Capital One Capital VI, 8.875%, 5/15/40	Baa3/BB	3,088,500
	CIT Group, Inc.,		
2,912	7.00%, 5/1/13	B3/B+	2,897,343
1,068	7.00%, 5/1/14	B3/B+	1,043,830
1,068	7.00%, 5/1/15	B3/B+	1,034,485
2,129	7.00%, 5/1/16	B3/B+	2,038,091
2,492	7.00%, 5/1/17	B3/B+	2,360,858
200	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Ba1/BB-	207,000
	Ford Motor Credit Co. LLC,		
8,400	3.277%, 1/13/12, FRN	Ba3/B-	8,242,500
7,000	7.25%, 10/25/11	Ba3/B-	7,237,433

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3,300	7.80%, 6/1/12	Ba3/B-	3,455,423
11,000	ILFC E-Capital Trust II, 6.25%, 12/21/65, (converts to FRN on 12/21/15) (a) (b) (d) (k) (acquisition cost-\$5,582,500; purchased 9/22/09)	B3/BB	7,535,000

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July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
<b>Financial Services</b> (continued)			
	International Lease Finance Corp.,		
\$1,350	4.75%, 1/13/12	B1/BB+	\$1,309,500
1,350	5.30%, 5/1/12	B1/BB+	1,316,250
1,350	5.35%, 3/1/12	B1/BB+	1,323,000
4,950	5.625%, 9/20/13	B1/BB+	4,702,500
5,950	6.625%, 11/15/13	B1/BB+	5,801,250
2,000	8.625%, 9/15/15 (a) (d)	B1/BB+	2,040,000
15,900	JPMorgan Chase & Co., 7.90%, 4/30/18 (g)	Baa1/BBB+	16,664,472
	LBG Capital No.1 PLC,		
500	6.439%, 5/23/20	Ba3/BB-	534,148
500	7.375%, 3/12/20	Ba3/BB-	559,272
£300	7.588%, 5/12/20	Ba3/BB-	406,403
£10,200	7.867%, 12/17/19	Ba3/BB-	14,057,310
£1,000	7.869%, 8/25/20	Ba3/BB-	1,362,507
\$4,500	7.875%, 11/1/20	Ba3/BB-	4,072,500
£4,700	11.04%, 3/19/20	Ba3/BB-	7,839,111
	LBG Capital No.2 PLC,		
8,900	8.875%, 2/7/20	Ba2/BB	10,754,281
£300	12.75%, 8/10/20	Ba2/BB	514,464
1,100	15.00%, 12/21/19	Ba2/BB	1,787,766
\$4,800	LBI Escrow Corp., 8.00%, 11/1/17 (a) (d)	Ba3/BB	5,058,000
2,500	Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (e)	WR/NR	4,375
2,000	Mellon Capital IV, 6.244%, 6/20/12 (g) (j)	A3/A-	1,745,000
15,400	MUFG Capital Finance 1 Ltd., 6.346%, 7/25/16 (g)	Ba1/BBB+	15,259,583
1,600	MUFG Capital Finance 2 Ltd., 4.85%, 7/25/16 (g)	Ba1/BBB+	1,855,186
\$22,600	National City Preferred Capital Trust I, 12.00%, 12/10/12 (g) (j)	Baa3/BBB	25,173,688
3,500	NB Capital Trust II, 7.83%, 12/15/26	Baa3/BB	3,517,500
5,965	NSG Holdings LLC, 7.75%, 12/15/25 (a) (d)	Ba2/BB	5,398,325
	SLM Corp.,		
14,350	0.728%, 10/25/11, FRN	Ba1/BBB-	13,751,978
10,000	4.386%, 9/15/15, FRN	Ba1/BBB-	7,291,800
1,900	5.00%, 10/1/13	Ba1/BBB-	1,798,259
3,400	5.375%, 5/15/14 (j)	Ba1/BBB-	3,122,387
10,100	8.00%, 3/25/20	Ba1/BBB-	8,978,102
6,750	Wells Fargo & Co., 7.98%, 3/15/18 (g)	Ba1/A-	6,986,250
9,900	Wells Fargo Capital XIII, 7.70%, 3/26/13 (g)	Ba1/A-	10,197,000
			284,227,274
<b>Healthcare &amp; Hospitals 1.0%</b>			
6,700	HCA, Inc., 9.625%, 11/15/16, PIK	B2/BB-	7,252,750
<b>Insurance 16.1%</b>			
3,000	American General Institutional Capital A, 7.57%, 12/1/45 (a) (d)	Ba2/B	2,625,000
10,000	American General Institutional Capital B, 8.125%, 3/15/46 (a) (d)	Ba2/B	9,150,000
3,400	American International Group, Inc., 0.639%, 3/20/12, FRN (j)	A3/A-	3,286,661
17,600	4.875%, 3/15/67, (converts to FRN on 3/15/17)	Ba2/BBB	13,757,560
\$10,000	5.05%, 10/1/15 (j)	A3/A-	9,625,000



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13,600	5.45%, 5/18/17 (j)	A3/A-	12,852,000
£5,000	5.75%, 3/15/67, (converts to FRN on 3/15/17)	Ba2/BBB	4,894,061
10,000	8.00%, 5/22/38, (converts to FRN on 5/22/18) (a) (d)	Ba2/BBB	10,943,513

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## PIMCO Income Strategy Fund II Schedule of Investments

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Insurance (continued)</b>			
\$14,550	8.175%, 5/15/68, (converts to FRN on 5/15/38)	Ba2/BBB	\$12,694,875
1,300	8.25%, 8/15/18 (j)	A3/A-	1,400,750
£14,100	8.625%, 5/22/68, (converts to FRN on 5/22/18)	Ba2/BBB	18,659,294
\$1,700	AXA S.A., 6.463%, 12/14/18 (a) (d) (g)	Baa1/BBB	1,360,000
4,700	Hartford Financial Services Group, Inc., 8.125%, 6/15/68, (converts to FRN on 6/15/18)	Ba1/BB+	4,688,250
15,000	Metlife Capital Trust IV, 7.875%, 12/15/67, (converts to FRN on 12/15/37) (a) (d) (j)	Baa2/BBB	15,075,000
			121,011,964
Total Corporate Bonds & Notes (cost-\$469,314,740)			511,125,189
<b>MORTGAGE-BACKED SECURITIES 18.3%</b>			
419	Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO	Caa2/NR	288,612
5,861	Banc of America Funding Corp., CMO, 4.251%, 2/20/36, FRN	NR/CCC	5,455,611
135	5.972%, 1/20/47, VRN	NR/CCC	96,640
14,600	6.00%, 3/25/37	Caa1/CCC	11,196,214
189	Chase Mortgage Finance Corp., CMO, 5.211%, 12/25/35, FRN	NR/CCC	175,903
4,038	5.424%, 3/25/37, FRN	Caa2/NR	3,322,337
4,233	5.50%, 5/25/36	B3/NR	3,618,746
1,356	Citicorp Mortgage Securities, Inc., CMO, 5.50%, 4/25/37	Caa1/NR	1,164,262
10,334	6.00%, 9/25/37	B3/NR	9,270,530
2,519	Countrywide Alternative Loan Trust, CMO, 5.50%, 1/25/36	Caa3/CCC	1,757,106
2,730	5.75%, 12/25/36	NR/CC	1,732,588
9,332	6.00%, 5/25/36	Caa3/NR	6,202,051
1,608	6.00%, 4/25/37	NR/CC	892,376
7,163	6.129%, 4/25/36, VRN	Caa2/CCC	4,852,448
2,939	6.25%, 11/25/36	Caa2/NR	2,095,891
1,400	6.50%, 8/25/36	Ca/CC	912,024
3,935	Countrywide Home Loan Mortgage Pass Through Trust, CMO, 5.75%, 3/25/37	NR/CCC	3,262,774
2,912	6.00%, 5/25/36	NR/CCC	2,575,841
1,800	6.00%, 2/25/37	NR/CCC	1,365,372
7,700	6.00%, 3/25/37	NR/CCC	6,218,027
3,844	6.25%, 9/25/36	B3/NR	3,129,934
818	First Horizon Alternative Mortgage Securities, 2.319%, 9/25/34, CMO, FRN	Aa3/AAA	722,008
3,756	First Horizon Asset Securities, Inc., 3.00%, 11/25/35, CMO, FRN	NR/B	2,862,094
5,204	JPMorgan Alternative Loan Trust, 5.904%, 5/25/36, CMO, VRN	NR/CCC	3,313,800
7,500	JPMorgan Chase Commercial Mortgage Securities Corp., 5.654%, 3/18/51, CMO, VRN (a) (d)	Aa3/NR	6,190,850
	JPMorgan Mortgage Trust, CMO,		

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2,436	5.341%, 10/25/35, VRN	B2/NR	2,324,252
1,028	6.00%, 8/25/37	NR/CCC	842,241
405	6.50%, 9/25/35	NR/B+	373,743

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**PIMCO Income Strategy Fund II Schedule of Investments**

July 31, 2010 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$2,535	MASTR Asset Securitization Trust, 6.50%, 11/25/37, CMO	NR/CCC	\$2,079,855
2,100	Morgan Stanley Reremic Trust, 5.808%, 8/12/45, CMO, VRN (a) (d)	A1/NR	1,798,417
90	Nomura Asset Acceptance Corp., 4.976%, 5/25/35, CMO	Caa2/CCC	57,478
	Residential Asset Securitization Trust, CMO,		
3,102	5.75%, 2/25/36	Caa3/CC	2,160,723
1,277	6.00%, 9/25/36	Caa3/D	683,418
3,400	6.00%, 7/25/37	NR/CCC	2,519,934
	Residential Funding Mortgage Securities I, CMO,		
6,970	5.388%, 9/25/35, VRN	Caa2/CCC	5,726,710
17,297	6.00%, 6/25/37	NR/CC	14,267,131
4,535	6.25%, 8/25/36	Caa1/CCC	3,863,717
1,464	Sequoia Mortgage Trust, 0.908%, 5/20/34, CMO, FRN	A1/AAA	1,132,786
1,291	Suntrust Adjustable Rate Mortgage Loan Trust, 5.832%, 2/25/37, CMO, FRN	NR/CCC	998,001
	WaMu Mortgage Pass Through Certificates, CMO,		
2,000	5.816%, 2/25/37, FRN	NR/CCC	1,598,980
783	5.867%, 9/25/36, VRN	NR/CCC	612,007
	Wells Fargo Mortgage Backed Securities Trust, CMO,		
788	5.216%, 4/25/36, VRN	NR/BB+	683,296
12,376	5.460%, 7/25/36, FRN	NR/CCC	9,729,399
1,340	5.468%, 7/25/36, FRN	NR/CCC	1,045,644
2,000	5.75%, 3/25/37	Caa2/NR	1,590,865
Total Mortgage-Backed Securities (cost-\$132,933,704)			136,762,636
<b>SENIOR LOANS (a) (c) 3.1%</b>			
<b>Consumer Products 0.3%</b>			
3,000	National Mentor, Inc., 2.783%, 6/29/12 (b) (k) (acquisition cost-\$2,994,751; purchased 9/26/06)		2,490,000
<b>Financial Services 1.0%</b>			
3,000	American General Finance Corp., 7.25%, 4/21/15		2,966,718
1,870	CIT Group, Inc., 13.00%, 1/20/12, Term 1B		1,914,638
2,115	International Lease Finance Corp., 7.00%, 3/17/16, Term B2		2,122,435
			7,003,791
<b>Hotels/Gaming 0.3%</b>			
2,088	MotorCity Casino, Term B (b) (k), 8.50%, 7/23/12 (acquisition cost-\$1,978,924; purchased 10/5/09)		2,063,772
<b>Multi-Media 1.0%</b>			
	Seven Media Group, Term T1,		
AUD7,150	7.04%, 2/7/13		5,952,050
AUD1,706	7.43%, 12/28/12		1,420,292
			7,372,342
<b>Printing/Publishing 0.0%</b>			
\$106	American Media, Inc., 10.00%, 1/30/13 (b) (k) (acquisition cost-\$105,661; purchased 4/30/10-7/28/10)		101,567

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**PIMCO Income Strategy Fund II Schedule of Investments**

July 31, 2010 (continued)

	Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
<b>Utilities 0.5%</b>				
	\$4,950	Texas Competitive Electric Holdings Co. LLC,		\$3,832,619
	25	3.845%, 10/10/14		19,406
		4.033%, 10/10/14		3,852,025
Total Senior Loans (cost-\$23,504,455)				22,883,497
<b>MUNICIPAL BONDS 2.5%</b>				
<b>California 0.3%</b>	2,400	Oakland Unified School Dist., Alameda Cnty., GO,		
		9.50%, 8/1/34	A1/BBB+	2,545,656
<b>Texas 2.2%</b>	16,500	North Texas Tollway Auth. Rev., 8.91%, 2/1/30	Baa3/NR	16,604,445
Total Municipal Bonds (cost-\$19,006,256)				19,150,101
<b>PREFERRED STOCK 2.5%</b>				
Shares				
<b>Automotive Products 0.0%</b>	20,275	Dura Automotive Systems, Inc., 20.00% (b) (f) (i)	NR/NR	10,137
<b>Banking 0.0%</b>	5,000	CoBank Acb, 11.00%, 7/1/13, Ser. C		
		(a) (b) (d) (g) (k) (l)		
		(acquisition cost-\$267,500; purchased 2/26/10)	NR/A	278,750
<b>Insurance 2.0%</b>	21,655	ABN AMRO North America Capital Funding Trust I,		
		6.968%, 9/15/10 (a) (d) (g) (l)	Ba3/BB	15,212,638
<b>Real Estate Investment Trust 0.5%</b>	3,000	Sovereign Real Estate Investment Trust, 12.00%,		
		5/16/20 (a) (d) (g)	Baa3/BBB+	3,292,500
Total Preferred Stock (cost-\$14,772,513)				18,794,025
<b>CO</b>				