

PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC

Form N-CSRS

October 04, 2005

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSRS**

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

Investment Company Act file number: 811-8216

**PIMCO Strategic Global Government Fund, Inc.**

(Exact name of registrant as specified in charter)

**840 Newport Center Drive, Newport Beach, CA 92660**

(Address of principal executive offices)

**John P. Hardaway**

**Treasurer**

**PIMCO Strategic Global**

**Government Fund, Inc.**

**840 Newport Center Drive**

**Newport Beach, CA 92660**

(Name and address of agent for service)

Copies to:

**Joseph B. Kittredge, Jr., Esq.**

**Ropes & Gray LLP**

**One International Place**

**Boston, MA 02110**

Registrant's telephone number, including area code: (866) 746-2606

Date of fiscal year end: January 31

Date of reporting period: February 1, 2005 - July 31, 2005

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

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

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.

**Table of Contents**

**Item 1. Reports to Shareholders.**

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

**Table of Contents**

**PIMCO**

**PIMCO STRATEGIC GLOBAL**

**GOVERNMENT FUND, INC.**

**SEMI-ANNUAL**

**REPORT**

**July 31, 2005**

**Table of Contents**

**Contents**

<u>Chairman's Letter</u>	1
<u>Important Information About the Fund</u>	2-3
<u>Performance Summary</u>	4-5
<u>Financial Highlights</u>	6
<u>Statement of Assets and Liabilities</u>	7
<u>Statement of Operations</u>	8
<u>Statements of Changes in Net Assets</u>	9
<u>Schedule of Investments</u>	10-12
<u>Notes to Financial Statements</u>	13-18
<u>Privacy Policy</u>	19
<u>Dividend Reinvestment Plan</u>	20-21
<u>2005 Shareholder Meeting Results</u>	22

**Table of Contents**

**Chairman's Letter**

**Dear Shareholder:**

We are pleased to present this semi-annual report for PIMCO Strategic Global Government Fund, Inc. (the Fund), which covers the six-month period ended July 31, 2005.

During this period, the Fund returned 1.16% based on its net asset value performance and 0.80% based on its NYSE share price. The Fund's benchmark, the Lehman Brothers Intermediate Aggregate Bond Index, returned 0.77% for the same period.

Since PIMCO assumed responsibility for managing the investment portfolio on February 8, 2002, the Fund has achieved annualized returns of 13.27% based on its NYSE share price and 7.52% based on its net asset value performance through July 31, 2005, while the benchmark has returned 4.83% on an annualized basis during this same period. The Fund's net assets stood at \$390.6 million on July 31, 2005.

Bonds generally rallied worldwide during the first half of 2005, as intermediate and long-term interest rates fell, risk appetites for credit-sensitive assets revived somewhat, and signs of a global economic slowdown emerged. In the U.S., fixed-income returns were also positive overall for the first six months of 2005, as second quarter gains generally offset losses in the first quarter. However, in July the bond market reversed its earlier rally and most fixed-income sectors posted negative returns. The Federal Reserve continued its tightening policy by increasing the federal funds rate four times over the six-month period. As a result, yields increased across the entire curve, except for the longest-maturity yields which decreased slightly. Yields of the shortest maturity securities increased the most.

On the following pages you will find more information on the Fund's portfolio and total return investment performance, including our discussion of the primary factors that affected performance during the six-month reporting period.

We appreciate the trust you have placed in us, and we will strive to meet your investment needs. If you have any questions regarding your investment in the Fund, please contact your account manager or call one of our shareholder associates at 1-866-746-2606. We also invite you to visit the website maintained by PIMCO for the Fund at [www.rcsfund.com](http://www.rcsfund.com).

Sincerely,

Brent R. Harris

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

Chairman of the Board, PIMCO Strategic Global Government Fund, Inc.

August 31, 2005

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **1**



## **Table of Contents**

### **Important Information About the Fund**

### **Background and Investment Objective**

The PIMCO Strategic Global Government Fund, Inc. is a closed-end bond fund which trades on the New York Stock Exchange under the ticker symbol RCS. Formed in 1994, the primary investment objective of the Fund is to generate, over time, a level of income higher than that generated by high-quality, intermediate-term U.S. debt securities. As a secondary objective, RCS seeks to maintain volatility in the net asset value of the shares of the Fund comparable to that of high-quality, intermediate-term U.S. debt securities. PIMCO assumed responsibility as portfolio manager of the Fund on February 8, 2002.

### **Primary Investments**

The Fund attempts to achieve its investment objective by investing primarily in a portfolio of investment grade fixed-income securities of the United States and other countries. The Fund invests, under normal circumstances, at least 80% of its net assets plus borrowings for investment purposes in government securities. Government securities includes bonds issued or guaranteed by the U.S. or foreign governments (including states, provinces, cantons, and municipalities), by their agencies, authorities or instrumentalities, or by supranational entities, and synthetic instruments with economic characteristics similar to such securities. Government securities also include mortgage-backed securities issued or guaranteed by certain U.S. government agencies and government-sponsored enterprises (including Freddie Mac, Fannie Mae and Ginnie Mae). The Fund may invest up to 20% of its assets in below-investment grade securities. The Fund may also invest up to 20% of its total assets in emerging market debt instruments.

### **Dividend Policy**

The Fund currently pays a monthly dividend out of net investment income at a rate of \$0.074 per share. The Fund may also pay a special dividend at the end of each calendar year in order to satisfy tax distribution rules applicable to closed-end bond funds.

Shareholders who wish to have their dividends reinvested may elect to do so through the Fund's Dividend Reinvestment Plan described in this report beginning on page 20. Shareholders who hold their shares through a financial intermediary may or may not be able to participate in the Fund's Dividend Reinvestment Plan and should consult with their financial intermediary to determine eligibility.

### **Risks of Making an Investment in the Fund**

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that it is possible to lose money in an investment in the Fund. The past and current dividend rates are not assured, and because the Fund's shares trade at market value on an exchange, the shares may trade at a discount or premium to the Fund's net asset value (NAV). An investment in the Fund is not a deposit in a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency.

## Summary of Risks

The principal risks of the Fund include, but are not limited to:

Interest rate risk, including the risk that bond prices fall as interest rates rise

Yield curve flattening risk, including the risk of a decrease in the difference between short-term interest rates and long-term interest rates and the risk that financing costs exceed the returns from longer-term investments purchased with borrowed funds

Market price versus NAV (discount risk), including the risk that the Fund's shares may trade at a smaller premium or a larger discount from their NAV

Net investment income risk, including the risk that the Fund may not generate sufficient net income to meet the current monthly dividend rate

Duration risk, including the risk that investments with a longer final maturity may be more sensitive to interest rate changes than investments with a shorter final maturity

Derivative risk, including the risk of defaults by counterparties and the risk that a derivative performs differently from a direct investment in the instrument underlying the derivative

Small company risk, including the risk that securities issued by small companies may be less liquid than securities issued by larger companies

Non-U.S. security risk, including the risk that non-U.S. securities may present different risks (such as political, regulatory, accounting and tax risks) from similar securities issued by U.S. issuers

Credit and high yield security risk, including the risk that offerings of debt securities or derivatives may default and the risk that below-investment grade bonds may be subject to higher default rates than investment grade bonds

Sector-specific risk, including the risk that certain sectors of the bond market may have different risk attributes from the bond market as a whole

Leverage risk, including the risk that certain other risks will be magnified when the Fund pursues leveraging strategies and the risk that investments in excess of capital may increase the volatility of returns

## **Table of Contents**

You should also refer to the Fund's registration statement on Form N-2 for additional information on these and other risks of the Fund. You may review a copy of the Fund's registration statement by visiting the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 942-8090.

In an environment where interest rates may trend upward, rising rates will negatively impact the performance of most bond funds, and fixed-income securities held by a fund are likely to decrease in value. The price volatility of fixed-income securities can also increase during periods of rising interest rates resulting in increased losses to a fund. Bond funds and individual bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. The Fund's duration, a measure of the portfolio's sensitivity to interest rate changes, was 4.44 years as of July 31, 2005, compared to the duration of Lehman Brothers Intermediate Aggregate Bond Index which was 4.39 years. The longer-term performance of most bond funds has benefited from capital gains in part resulting from an extended period of declining interest rates. In the event interest rates increase, these capital gains should not be expected to recur. The Fund may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that the Fund could not close out a position when it would be most advantageous to do so. A Fund investing in derivatives could lose more than the principal amount invested in these instruments. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments; this risk may be enhanced when investing in emerging markets. High yield bonds typically have a lower credit rating than other bonds. Lower rated bonds, such as certain of the Fund's emerging market holdings, generally involve a greater risk to principal than higher rated bonds. As of July 31, 2005, the Fund's holdings of high yield bonds was approximately 5% of its total investments. Smaller companies may be more volatile than larger companies and may entail more risk. Concentrating investments in individual sectors may add additional risk and volatility compared to a diversified portfolio. The credit quality of the investments in the Fund's portfolio does not apply to the stability of the Fund.

The Fund's investments in securities issued by certain U.S. Government Agencies or U.S. Government-Sponsored Enterprises, may not be guaranteed by the U.S. Treasury. GNMA, a wholly owned U.S. government corporation, is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. government) include the Federal National Mortgage Association ( FNMA or Fannie Mae ) and the Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac ). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. government.

The Fund invests in dollar rolls, a simultaneous agreement to sell a security held in the portfolio with a purchase of a similar, but not identical security at a future date at an agreed-upon price, which may create leveraging risk for the Fund. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so. Because leveraging tends to exaggerate the effect of any increase or decrease in the value of portfolio securities, leverage may cause the Fund to be more volatile than if the Fund had not been leveraged.

## **Sarbanes-Oxley Act and Other Information Available to Shareholders**

On June 30, 2005, the Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting, as applicable.

## Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

PIMCO has adopted written proxy voting policies and procedures ( Proxy Policy ) as required by Rule 206(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Fund as the policies and procedures that PIMCO will use when voting proxies on behalf of the Fund. Copies of the written Proxy Policy and the factors that PIMCO may consider in determining how to vote proxies for the Fund, and information about how the Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Fund at 1-866-746-2606 and on the Securities and Exchange Commission ( SEC ) website at <http://www.sec.gov>. The Fund s proxy voting record is also available on the Fund s website at <http://resfund.com>.

The Fund files a complete schedule of its portfolio holdings with the SEC on Form N-Q for the first and third quarters each fiscal year, which are available on the SEC s website at <http://www.sec.gov>. A copy of the Fund s Form N-Q is also available without charge, upon request, by calling the Fund at 866-746-2606 or visiting the website maintained by PIMCO for the Fund at <http://www.rcsfund.com>. In addition, the Fund s Form N-Q may be reviewed and copied at the SEC s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Holdings are subject to change daily.

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **3**

**Table of Contents**

**PIMCO Strategic Global Government Fund, Inc. Performance Summary**

**NYSE Symbol:**  
RCS

**Primary Investments:**  
Investment grade government securities of the United States and other countries, including mortgage-backed securities not backed by the full faith and credit of the relevant government. The Fund may invest up to 20% of total assets in emerging market debt instruments.

**Fund Inception Date:**  
02/24/1994

**Objective:**

The Fund's primary investment objective is to generate, over time, a level of income higher than that generated by high-quality, intermediate-term U.S. debt securities.

**Total Net Assets:**

\$390.6 million as of July 31, 2005

**Portfolio Managers:**

Dan Ivascyn

Pasi Hamalainen

**INVESTMENT PERFORMANCE (Net of fees and expenses.) For the period ended July 31, 2005**

	<u>6 Months</u>	<u>1 Year</u>	<u>5 Years*</u>	<u>10 Years*</u>	<u>Since Inception</u> <u>2/24/1994*</u>	<u>Since</u> <u>2/8/2002<sup>◊</sup></u>
NYSE Market Value	0.80%	24.08%	16.23%	11.93%	9.47%	13.27%
Net Asset Value ( NAV )	1.16%	6.33%	9.51%	8.49%	7.40%	7.52%
Lehman Brothers Intermediate Aggregate Bond Index	0.77%	3.74%	6.60%	6.42%		

\* Average annual total return

◊ PIMCO assumed responsibility for portfolio management of the Fund on February 8, 2002.

*Past performance is no guarantee of future results. Performance data current to the most recent month-end is available at [www.rcsfund.com](http://www.rcsfund.com) or by calling (866) 746-2606.*

**SECTOR BREAKDOWN**

U.S. Government Agencies**	79.7%
Private Mortgage-Backed Securities	10.3%
Sovereign Issues	6.5%
Other	3.5%

*% of Total Investments as of July 31, 2005.*

\*\* Including mortgage-backed securities issued by U.S. Government Agencies, of which 73.0% are not backed by the full faith and credit of the U.S. government.



**Table of Contents****CUMULATIVE RETURNS THROUGH JULY 31, 2005**

\$10,000 invested at the Fund's inception date

	<u>NYSE Market Value</u>	<u>Net Asset Value</u>	<u>Aggregate Bond Index</u>
			<b>Lehman Brothers</b>
			<b>Intermediate</b>
02/28/1994	10,000	10,000	10,000
03/31/1994	9,800	9,631	9,802
04/30/1994	9,100	9,511	9,734
05/31/1994	8,758	9,507	9,752
06/30/1994	8,515	9,323	9,746
07/31/1994	8,371	9,465	9,905
08/31/1994	8,636	9,443	9,936
09/30/1994	8,388	9,455	9,828
10/31/1994	8,138	9,500	9,826
11/30/1994	8,303	9,403	9,786
12/31/1994	8,279	9,248	9,836
01/31/1995	8,279	9,282	10,017
02/28/1995	8,449	9,457	10,241
03/31/1995	8,514	9,435	10,296
04/30/1995	8,576	9,674	10,430
05/31/1995	9,081	9,958	10,749
06/30/1995	9,034	9,970	10,817
07/31/1995	9,099	10,017	10,825
08/31/1995	9,052	10,119	10,928
09/30/1995	9,119	10,239	11,013
10/31/1995	9,299	10,288	11,127
11/30/1995	9,251	10,520	11,266
12/31/1995	9,319	10,735	11,392
01/31/1996	9,620	10,776	11,486
02/29/1996	9,571	10,547	11,366
03/31/1996	9,346	10,617	11,314
04/30/1996	9,237	10,715	11,277
05/31/1996	9,307	10,682	11,260
06/30/1996	9,256	10,781	11,392
07/31/1996	9,572	10,824	11,429
08/31/1996	9,643	10,943	11,435
09/30/1996	9,777	11,220	11,606
10/31/1996	10,037	11,410	11,819
11/30/1996	10,235	11,709	11,980
12/31/1996	10,669	11,679	11,909
01/31/1997	10,926	11,909	11,970
02/28/1997	11,129	12,044	12,000
03/31/1997	11,075	11,835	11,906
04/30/1997	11,154	12,023	12,065
05/31/1997	11,362	12,232	12,171

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

06/30/1997	11,506	12,422	12,294
07/31/1997	11,714	12,623	12,536
08/31/1997	11,926	12,607	12,486
09/30/1997	12,139	12,759	12,636
10/31/1997	11,946	12,508	12,776
11/30/1997	12,231	12,597	12,809
12/31/1997	12,503	12,747	12,917
01/31/1998	12,538	12,986	13,070
02/28/1998	12,515	13,111	13,074
03/31/1998	12,385	13,182	13,121
04/30/1998	12,469	13,208	13,191
05/31/1998	12,124	13,212	13,285
06/30/1998	12,063	13,126	13,362
07/31/1998	12,221	13,278	13,416
08/31/1998	11,282	12,486	13,592
09/30/1998	11,812	13,109	13,863
10/31/1998	12,197	13,240	13,846
11/30/1998	12,136	13,453	13,874
12/31/1998	12,070	13,461	13,931
01/31/1999	12,147	13,544	14,017
02/28/1999	11,775	13,406	13,871
03/31/1999	11,944	13,770	13,971
04/30/1999	12,113	14,172	14,023
05/31/1999	12,363	13,752	13,927
06/30/1999	12,456	13,611	13,913
07/31/1999	12,390	13,345	13,863
08/31/1999	11,840	13,289	13,869
09/30/1999	11,774	13,692	14,041
10/31/1999	11,870	13,785	14,096
11/30/1999	11,757	13,878	14,110
12/31/1999	12,339	14,054	14,067
01/31/2000	12,518	13,679	13,986
02/29/2000	12,096	13,788	14,120
03/31/2000	12,280	13,831	14,271
04/30/2000	12,298	13,783	14,257
05/31/2000	12,135	13,698	14,271
06/30/2000	12,947	14,264	14,548
07/31/2000	13,236	14,364	14,651
08/31/2000	13,976	14,654	14,846
09/30/2000	13,981	14,892	14,990
10/31/2000	14,367	14,801	15,077
11/30/2000	13,930	14,960	15,293
12/31/2000	15,238	15,400	15,562
01/31/2001	15,789	15,870	15,812
02/28/2001	16,054	15,861	15,937
03/31/2001	16,244	15,881	16,044
04/30/2001	16,094	15,930	16,031
05/31/2001	16,521	16,183	16,127
06/30/2001	16,869	16,291	16,176
07/31/2001	17,287	16,475	16,493
08/31/2001	17,372	16,780	16,653
09/30/2001	17,264	17,011	16,903
10/31/2001	18,075	17,410	17,163
11/30/2001	18,015	17,234	16,993
12/31/2001	17,610	17,173	16,912
01/31/2002	18,230	17,453	17,032
02/28/2002	18,739	17,945	17,195
03/31/2002	18,593	17,731	16,967
04/30/2002	18,667	18,188	17,270
05/31/2002	19,636	18,307	17,422
06/30/2002	19,903	18,152	17,575
07/31/2002	20,886	18,013	17,786



Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

08/31/2002	20,918	18,449	17,999
09/30/2002	21,161	18,352	18,240
10/31/2002	19,970	18,756	18,229
11/30/2002	20,334	18,879	18,207
12/31/2002	21,455	19,278	18,519
01/31/2003	21,868	19,439	18,537
02/28/2003	22,121	19,738	18,744
03/31/2003	21,319	19,849	18,755
04/30/2003	22,185	20,314	18,871
05/31/2003	22,607	20,508	19,106
06/30/2003	22,278	20,533	19,110
07/31/2003	23,163	19,530	18,650
08/31/2003	22,971	19,823	18,731
09/30/2003	22,775	20,530	19,145
10/31/2003	23,467	20,520	19,011
11/30/2003	23,228	20,654	19,043
12/31/2003	24,441	21,046	19,226
01/31/2004	24,575	21,201	19,351
02/29/2004	24,969	21,339	19,535
03/31/2004	25,507	21,534	19,662
04/30/2004	21,111	20,863	19,240
05/31/2004	21,653	20,549	19,172
06/30/2004	21,289	20,958	19,273
07/31/2004	22,630	21,275	19,441
08/31/2004	24,564	21,747	19,759
09/30/2004	24,852	21,833	19,791
10/31/2004	25,496	22,037	19,936
11/30/2004	24,459	22,064	19,808
12/31/2004	25,937	22,333	19,945
01/31/2005	27,857	22,362	20,014
02/28/2005	26,740	22,308	19,910
03/31/2005	25,186	22,072	19,834
04/30/2005	26,431	22,369	20,059
05/31/2005	27,956	22,626	20,232
06/30/2005	27,214	22,676	20,313
07/31/2005	28,078	22,622	20,168

**Past performance is no guarantee of future results.** The line graph depicts the value of a net \$10,000 investment made at the Fund's inception on February 24, 1994 and held through July 31, 2005, compared to the Lehman Brothers Intermediate Aggregate Bond Index, an unmanaged market index representative of the U.S. taxable fixed-income universe. It is not possible to invest directly in the Index. Investment performance assumes the reinvestment of dividends and capital gains distribution, if any. The Fund's NYSE Market Value performance does not reflect the effect of sales loads or broker commissions. The performance data quoted represents past performance. Investment return and share value will fluctuate so that Fund shares, when sold, may be worth more or less than their original cost. Returns shown do not reflect the deduction of taxes that a shareholder would pay (i) on Fund distributions or (ii) the sale of Fund shares.

◇ PIMCO assumed responsibility for portfolio management of the Fund on February 8, 2002.

## PORTFOLIO INSIGHTS

For the six-month period ended July 31, 2005, the Fund outperformed the benchmark Lehman Brothers Intermediate Aggregate Bond Index based on net asset value performance by returning 1.16% versus the 0.77% return of the benchmark. The Fund's 0.80% NYSE market price return was in-line with the benchmark return for the six-month period.

The Fund's above-index duration exposure, or sensitivity to changes in market interest rates, was negative for performance as interest rates rose along all but the longest portion of the yield curve.

## Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

An underweight to long-maturity instruments was negative, as long-term rates were flat or declined.

An overweight to mortgage-backed securities was a slight drag on returns; however, an emphasis on FNMA securities versus GNMA securities benefited the portfolio.

An underweight to corporate bonds was positive for returns, as downgrades among auto manufacturers weighed on the sector.

Emerging markets holdings with an emphasis on Brazil, Mexico, and Russia were a strong positive for performance as these countries continued to benefit from improving fundamentals; holdings of German bunds also boosted returns.

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report 5

**Table of Contents****Financial Highlights****Selected Per Share Data for**

<b>the Year or Period Ended:</b>	<b>07/31/2005+</b>	<b>01/31/2005</b>	<b>01/31/2004</b>	<b>01/31/2003</b>	<b>01/31/2002 (a)</b>	<b>01/31/2001</b>
Net asset value beginning of period	\$ 11.01	\$ 11.41	\$ 11.33	\$ 11.20	\$ 11.14	\$ 10.56
Net investment income (c)	0.38	0.82	0.78	1.01	0.90	0.83
Net realized/unrealized gain (loss) on investments	(0.26)(d)	(0.23)(d)	0.21	0.13	0.16	0.76
Total income from investment operations	0.12	0.59	0.99	1.14	1.06	1.59
Dividends from net investment income (c)	(0.44)	(0.99)	(0.91)	(1.01)	(1.00)	(1.01)
Net asset value end of period	\$ 10.69	\$ 11.01	\$ 11.41	\$ 11.33	\$ 11.20	\$ 11.14
Per share market value end of period	\$ 12.50	\$ 12.88	\$ 12.41	\$ 11.95	\$ 10.90	\$ 10.35
Total investment return (i)						
Per share market value (b)	0.80%	13.36%	12.38%	19.96%	15.46%	26.13%
Per share net asset value (e)	1.16%	5.47%	9.07%	11.38%	10.23%	17.37%
<b>Ratios to average net assets</b>						
Operating expenses (excluding interest expense)	1.09%*	1.05%	1.04%	1.15%	1.15%(f)(g)	1.19%
Total operating expenses	1.32%*	1.06%	1.05%	1.15%	1.15%(f)(g)	1.19%
Net investment income	7.12%*	7.38%	6.84%	9.02%	8.09%(h)	7.79%
<b>Supplemental data</b>						
Net assets end of period (000s)	\$ 390,636	\$ 399,268	\$ 407,099	\$ 395,313	\$ 382,831	\$ 339,872
Portfolio turnover rate	71%	224%	446%	517%	211%	81%

+ Unaudited

\* Annualized

- (a) On January 18, 2002, the Fund acquired all of the assets and liabilities of the Dresdner RCM Global Strategic Income Fund, Inc. in a tax-free exchange valued at \$40,985,851.
- (b) Total investment return on market value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in market price per share during the period. Total investment returns exclude the effects of broker commissions.
- (c) Dividends from net investment income are determined on a tax basis. Net investment income for financial reporting purposes may be higher or lower due to the inclusion of gains and/or losses incurred on paydowns on mortgage-backed securities. Certain paydown gains and losses treated as an adjustment to net income for financial reporting purposes, but treated as capital gains and losses for tax purposes. See the discussion of Dividends and Distributions to Shareholders in the Notes to the Financial Statements on page 14 for more information about the difference between amounts determined for financial reporting and tax purposes.
- (d) Net realized and unrealized losses as determined on a tax basis are deferred and do not reduce taxable net investment income.
- (e) Total investment return on net asset value is the combination of reinvested dividend income on ex-date, reinvested capital gains distributions, if any, and changes in net asset value per share during the period.
- (f) If the investment manager had not reimbursed expenses, the ratio of operating expenses to average net assets would have been 1.18%.
- (g) Ratio includes merger related expenses of 0.04%.
- (h) Ratio of net investment income to average net assets excluding merger related expenses is 8.13%.
- (i) Past performance is no guarantee of future results.

6 PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report | July 31, 2005 | See accompanying notes

**Table of Contents****Statement of Assets and Liabilities**

July 31, 2005 (Unaudited)

Amounts in thousands, except share and per share amounts

<b>Assets:</b>	
Investments, at value	\$ 1,111,377
Foreign currency, at value	976
Receivable for investments sold	203,026
Unrealized appreciation on forward foreign currency contracts	6
Interest and dividends receivable	3,774
Paydown receivable	13
Variation margin receivable	469
Swap premiums paid	33
Unrealized appreciation on swap agreements	1,106
Other assets	14
	<hr/>
	1,320,794
	<hr/>
<b>Liabilities:</b>	
Reverse repurchase agreement	\$ 34,908
Payable for investments purchased	394,198
Payable for financing transactions	314,926
Unrealized depreciation on forward foreign currency contracts	11
Payable for short sales (proceeds \$181,819)	181,541
Dividends payable	2,705
Accrued investment advisory fee	284
Accrued administration fee	17
Accrued printing expense	18
Accrued custodian expense	25
Accrued audit fee	13
Swap premiums received	1,345
Unrealized depreciation on swap agreements	98
Other liabilities	69
	<hr/>
	930,158
	<hr/>
<b>Net Assets</b>	<b>\$ 390,636</b>
	<hr/>
<b>Net Assets Consist of:</b>	
Capital stock authorized 500 million shares, \$.00001 par value; outstanding 36,548,406 shares	\$ 5
Paid in capital	430,764
(Overdistributed) net investment income	(3,453)
Accumulated undistributed net realized (loss)	(53,432)
Net unrealized appreciation	16,752
	<hr/>
	\$ 390,636
	<hr/>
<b>Net Asset Value Per Share Outstanding</b>	<b>\$ 10.69</b>

<b>Cost of Investments Owned</b>	\$ 1,096,393
<b>Cost of Foreign Currency Held</b>	\$ 966

See accompanying notes | July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report 7

**Table of Contents****Statement of Operations**Six Months Ended July 31, 2005 (*Unaudited*)

Amounts in thousands

<b>Investment Income:</b>	
Interest	\$ 16,513
Miscellaneous income	7
	<hr/>
Total Income	16,520
	<hr/>
<b>Expenses:</b>	
Investment advisory fees	1,664
Administration fees	98
Transfer agent fees	25
Directors' fees	62
Printing expense	38
Legal fees	77
Audit fees	36
Custodian fees	73
Interest expense	448
Miscellaneous expense	57
	<hr/>
Total Expenses	2,578
	<hr/>
<b>Net Investment Income</b>	<b>13,942</b>
	<hr/>
<b>Net Realized and Unrealized Gain (Loss):</b>	
Net realized (loss) on investments	(3,365)
Net realized (loss) on futures contracts, options, and swaps	(5,266)
Net realized gain on foreign currency transactions	1,191
Net change in unrealized (depreciation) on investments	(5,695)
Net change in unrealized appreciation on futures contracts, options, and swaps	3,501
Net change in unrealized (depreciation) on translation of assets and liabilities denominated in foreign currencies	(256)
	<hr/>
Net (Loss)	(9,890)
	<hr/>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 4,052</b>
	<hr/>

8 PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report | July 31, 2005 | See accompanying notes

**Table of Contents****Statements of Changes in Net Assets**

Amounts in thousands, except share amounts

	Six Months Ended	Year Ended
	July 31, 2005	January 31, 2005
	<u>(Unaudited)</u>	
<b>Increase (Decrease) in Net Assets from:</b>		
<b>Operations:</b>		
Net investment income	\$ 13,942	\$ 29,558
Net realized (loss)	(7,440)	(2,260)
Net change in unrealized (depreciation)	(2,450)	(6,076)
	<u>4,052</u>	<u>21,222</u>
Net increase resulting from operations	4,052	21,222
<b>Distributions to Shareholders:</b>		
From net investment income	(16,173)	(35,562)
	<u>(16,173)</u>	<u>(35,562)</u>
<b>Fund Share Transactions:</b>		
Issued as reinvestment of distributions (298,568 and 571,309 shares, respectively)	3,489	6,509
	<u>3,489</u>	<u>6,509</u>
<b>Total Decrease in Net Assets</b>	<b>(8,632)</b>	<b>(7,831)</b>
	<u>(8,632)</u>	<u>(7,831)</u>
<b>Net Assets:</b>		
Beginning of period	399,268	407,099
	<u>399,268</u>	<u>407,099</u>
End of period *	\$ 390,636	\$ 399,268
	<u>\$ 390,636</u>	<u>\$ 399,268</u>
<hr/>		
* Including (overdistributed) net investment income of:	\$ (3,453)	\$ (1,222)
	<u>\$ (3,453)</u>	<u>\$ (1,222)</u>

See accompanying notes | July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report 9

**Table of Contents****Schedule of Investments**

July 31, 2005 (Unaudited)

	<b>Principal</b>	
	<b>Amount</b>	<b>Value</b>
	<b>(000s)</b>	<b>(000s)</b>
	<u>          </u>	<u>          </u>
<b>CORPORATE BONDS &amp; NOTES 1.3%</b>		
<b>Banking &amp; Finance 0.6%</b>		
Banque Centrale de Tunisie		
7.375% due 04/25/2012	\$ 2,000	\$ 2,268
<b>Industrials 0.7%</b>		
Petroliam Nasional Bhd.		
7.625% due 10/15/2026	2,300	2,895
		<u>          </u>
Total Corporate Bonds & Notes (Cost \$4,185)		5,163
		<u>          </u>
<b>U.S. GOVERNMENT AGENCIES 226.7%</b>		
Fannie Mae		
3.885% due 11/01/2033 (a)	1,826	1,803
4.213% due 11/01/2030 (a)	53	54
4.241% due 10/01/2031 (a)	41	42
4.250% due 11/25/2024	340	298
4.275% due 10/01/2031 (a)	108	111
4.565% due 11/01/2027 (a)	167	173
4.589% due 09/01/2028 (a)	135	139
4.781% due 08/01/2031 (a)	336	350
4.839% due 02/01/2028 (a)	218	225
4.884% due 12/01/2028 (a)	333	340
4.904% due 04/01/2030 (a)	109	111
4.915% due 02/01/2032 (a)	83	85
4.940% due 03/01/2032 (a)	433	445
5.000% due 05/25/2016 - 08/11/2035 (b)	95,175	94,419
5.026% due 02/01/2027 (a)	175	180
5.036% due 12/01/2032 (a)	9,258	9,233
5.310% due 08/25/2033	8,200	8,114
5.500% due 08/25/2014 - 07/14/2035 (b)	221,713	222,971
5.750% due 06/25/2033	100	102
5.773% due 12/01/2028 (a)	139	143
5.807% due 08/25/2043	2,500	2,556
6.000% due 02/25/2017 - 01/25/2044 (b)	239,411	244,637
6.500% due 06/25/2023	658	681
6.500% due 05/01/2013 - 06/25/2044 (b)	24,745	25,615
7.000% due 02/01/2015 - 03/25/2045 (b)	30,682	32,158
7.044% due 03/01/2032 (a)	328	327
7.315% due 12/01/2025 (a)	293	299
7.345% due 02/01/2030 (a)	170	177
7.500% due 10/25/2042 (d)	3,329	3,496
7.500% due 10/25/2022 - 06/25/2044 (b)	9,973	10,561
7.750% due 03/01/2031 (a)	91	93



Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

7.815% due 12/01/2030 (a)	257	262
8.000% due 07/19/2030	5,477	5,756
Federal Housing Administration		
7.430% due 06/01/2024	1,580	1,592
Freddie Mac		
3.671% due 04/01/2033 (a)	171	172
4.290% due 12/01/2026 (a)	79	81
4.500% due 09/15/2021	151	151
5.000% due 10/15/2016 - 08/11/2035 (b)	22,027	21,663
5.083% due 03/01/2035	9,314	9,343
5.500% due 07/01/2025 - 03/14/2035 (b)	65,481	65,882
6.000% due 03/15/2035	92	99
6.000% due 10/15/2012 - 04/01/2033 (b)	9,110	9,359
6.500% due 04/15/2018 - 10/25/2043 (b)	9,300	9,787
7.000% due 06/15/2031	5,938	6,083
7.000% due 06/01/2008 - 10/25/2043 (b)	7,387	7,767
7.500% due 06/01/2025 - 10/25/2043 (b)	17,115	18,335
8.000% due 08/15/2022 - 08/01/2024 (b)	405	426
8.250% due 10/01/2007	31	32
8.500% due 10/01/2030	1,290	1,381
Government National Mortgage Association		
5.500% due 03/22/2035 - 06/20/2035 (b)	46,175	46,737
6.500% due 06/20/2032	150	158
7.000% due 02/15/2024 - 03/20/2031 (b)	9,860	10,473
7.500% due 02/15/2006 - 02/15/2028 (b)	2,909	3,116
8.000% due 06/15/2016 - 11/15/2022 (b)	356	383
8.500% due 10/15/2016 - 02/15/2031 (b)	72	78
Small Business Administration		
4.754% due 08/10/2014	1,969	1,969
5.038% due 03/10/2015	1,000	1,018
6.300% due 07/01/2013 - 06/01/2018 (b)	1,830	1,909
6.400% due 08/01/2013	510	526
7.449% due 08/01/2010	386	436
7.540% due 08/10/2009	691	768

Total U.S. Government Agencies (Cost \$890,242)		885,680
--	--	---------

**MORTGAGE-BACKED SECURITIES 29.4%**

Countrywide Home Loan		
6.000% due 11/25/2026	10,000	10,081
7.500% due 11/25/2034 (d)	8,242	8,884
CS First Boston Mortgage Securities Corp.		
7.000% due 02/25/2034 (d)	5,544	5,696
DLJ Commercial Mortgage Corp.		
7.340% due 10/10/2032	1,500	1,649

10 PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report | July 31, 2005 | See accompanying notes

**Table of Contents**

	<b>Principal</b>	
	<b>Amount</b>	<b>Value</b>
	<b>(000s)</b>	<b>(000s)</b>
	<u>          </u>	<u>          </u>
GMAC Mortgage Corp. Loan Trust		
5.249% due 08/19/2034	\$ 1,695	\$ 1,698
GSMPS Mortgage Loan Trust		
7.500% due 06/19/2027	314	328
8.000% due 09/19/2027	4,253	4,544
GSRPM Mortgage Loan Trust		
7.000% due 06/25/2043	12,617	12,933
7.500% due 06/25/2043	7,640	8,079
MASTR Alternative Loans Trust		
6.500% due 03/25/2034	5,631	5,770
Nomura Asset Acceptance Corp.		
7.500% due 03/25/2034 (d)	6,180	6,601
7.000% due 10/25/2034	7,341	7,611
7.500% due 10/25/2034	22,024	23,586
Residential Asset Mortgage Products, Inc.		
7.000% due 08/25/2016 (d)	8,344	8,553
8.500% due 10/25/2031 (d)	3,556	3,695
8.500% due 11/25/2031	3,723	3,953
Washington Mutual MSC Mortgage Pass-Through Certificates		
7.000% due 03/25/2034	1,235	1,268
		<u>          </u>
Total Mortgage-Backed Securities (Cost \$116,244)		<u>114,929</u>
		<u>          </u>
<b>SOVEREIGN ISSUES 18.5%</b>		
Republic of Brazil		
11.500% due 03/12/2008	2,500	2,857
8.000% due 04/15/2014	2,903	2,963
10.125% due 05/15/2027	3,038	3,471
12.250% due 03/06/2030	9,580	12,502
Republic of Chile		
7.125% due 01/11/2012	2,000	2,256
Republic of Ecuador		
12.000% due 11/15/2012	8,000	7,897
8.000% due 08/15/2030 (a)	212	183
Republic of Panama		
8.250% due 04/22/2008	2,000	2,180
9.375% due 07/23/2012	3,325	4,048
Republic of Peru		
9.125% due 02/21/2012	10,000	11,845
Republic of Ukraine		
7.650% due 06/11/2013	500	550
Russian Federation		
11.000% due 07/24/2018	2,680	3,986
12.750% due 06/24/2028	3,227	5,817
5.000% due 03/31/2030 (a)	4,437	4,936
United Mexican States		
8.625% due 03/12/2008	395	434
9.875% due 02/01/2010	5,180	6,203
		<u>          </u>
		72,128

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

Total Sovereign Issues  
(Cost \$52,649)

**FOREIGN CURRENCY-DENOMINATED ISSUES (g) 4.7%**

Gazprom Capital			
5.875% due 06/01/2015	EC	1,000	1,195
Republic of Germany			
4.750% due 07/04/2008	EC	6,500	8,417
United Mexican States			
8.000% due 07/23/2008	DM	12,100	8,573

Total Foreign Currency-Denominated Issues  
(Cost \$17,772) 18,185

# of

Contracts

**PURCHASED CALL OPTIONS 0.0%**

U.S Treasury Bond 30-Year Futures (CBOT)			
Strike @ 130.000 Exp. 08/26/2005		340	5

Total Purchased Call Options  
(Cost \$6) 5

Notional

Amount

(000s)

**PURCHASED PUT OPTIONS 0.0%**

Fannie Mae (OTC)			
5.500% due 08/11/2035			
Strike @ 97.000 Exp. 08/04/2005	\$	25,000	0
5.500% due 08/11/2035			
Strike @ 95.031 Exp. 08/04/2005		2,000	0
5.500% due 11/14/2035			
Strike @ 91.000 Exp. 09/07/2005		45,000	2

Total Purchased Put Options  
(Cost \$8) 2

Principal  
Amount

(000s)

**SHORT-TERM INSTRUMENTS 3.9%**

**Commercial Paper 2.3%**

General Electric Capital Corp.			
3.580% due 10/26/2005		9,200	9,119

**Repurchase Agreement 0.8%**

State Street Bank			
2.900% due 08/01/2005		3,197	3,197

(Dated 07/31/2005. Collateralized by Freddie Mac 2.875% due 09/15/2005 valued at

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

\$3,266. Repurchase proceeds are \$3,198.)

**U.S. Treasury Bills 0.8%**

2.964% due 09/15/2005 (e)	2,980	2,969
---------------------------	-------	-------

Total Short-Term Instruments

(Cost \$15,287)		15,285
-----------------	--	--------

**Total Investments (c) 284.5%**

(Cost \$1,096,393)		<b>\$ 1,111,377</b>
--------------------	--	---------------------

**Other Assets and Liabilities (Net) (184.5%)**

**(720,741)**

**Net Assets 100.0%**

**\$ 390,636**

See accompanying notes | July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report 11

**Table of Contents****Schedule of Investments (Cont.)**

July 31, 2005 (Unaudited)

**Notes to Schedule of Investments (amounts in thousands, except number of contracts):**

- (a) Variable rate security.
- (b) Securities are grouped by coupon or range of coupons and represent a range of maturities.
- (c) As of July 31, 2005, portfolio securities with an aggregate market value of \$11,559 were valued with reference to securities whose prices are more readily obtainable.
- (d) On July 31, 2005, securities valued at \$36,925 were pledged as collateral for reverse repurchase agreements.
- (e) Securities with an aggregate market value of \$727 have been segregated with the custodian to cover margin requirements for the following open futures contracts at July 31, 2005:

<u>Type</u>	<u>Expiration Month</u>	<u># of Contracts</u>	<u>Unrealized Appreciation</u>
U.S. Treasury 10-Year Note Short Futures	09/2005	314	\$ 214
U.S. Treasury 30-Year Bond Short Futures	09/2005	255	264
			<u>\$ 478</u>

- (f) Swap agreements outstanding at July 31, 2005:

## Interest Rate Swaps

<u>Counterparty</u>	<u>Floating Rate Index</u>	<u>Pay/Receive Floating Rate</u>	<u>Fixed Rate</u>	<u>Expiration Date</u>	<u>Notional Amount</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Bank of America	3-month USD-LIBOR	Pay	4.570%	01/27/2015	\$ 12,000	\$ (98)
Goldman Sachs & Co.	3-month USD-LIBOR	Receive	4.000%	12/15/2007	8,300	44
Lehman Brothers, Inc.	3-month USD-LIBOR	Receive	5.000%	12/15/2025	27,400	1,062
						<u>\$ 1,008</u>

Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

(g) Forward foreign currency contracts outstanding at July 31, 2005:

Type	Currency	Amount Covered by Contract	Settlement Month	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)
Sell	EC	15,152	08/2005	\$ 6	\$ 0	\$ 6
Buy	JY	422,122	08/2005	0	(11)	(11)
				\$ 6	\$ (11)	\$ (5)

(h) Short sales open at July 31, 2005 were as follows:

Type	Coupon (%)	Maturity	Par	Value	Proceeds
Fannie Mae	5.500	08/11/2035	\$ 125,000	\$ 125,663	\$ 125,824
Fannie Mae	7.000	08/11/2035	9,800	10,315	10,327
Government National Mortgage Association	5.500	08/18/2035	45,000	45,563	45,668
				\$ 181,541	\$ 181,819

12 PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report | July 31, 2005 | See accompanying notes

## **Table of Contents**

### **Notes to Financial Statements**

July 31, 2005 (*Unaudited*)

#### **1. General Information**

The Fund commenced operations on February 24, 1994. The Fund is registered under the Investment Company Act of 1940, as amended (the Act ), as a closed-end, nondiversified investment management company organized as a Maryland corporation. The stock exchange symbol of the Fund is RCS. Shares of the Fund are traded on the New York Stock Exchange.

#### **2. Significant Accounting Policies**

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of 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 those estimates.

**Security Valuation.** 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 quotes are not readily available are valued at fair value, as determined in good faith and pursuant to guidelines established by the Board of Directors, including certain fixed-income securities which may be valued with reference to securities whose prices are more readily obtainable. Market value is determined at the close of regular trading (normally, 4:00 p.m., Eastern Time) on the New York Stock Exchange on each day the New York Stock Exchange is open. Market value is determined on the basis of last reported sales price, or if no sales are reported, as is the case for most securities traded over-the-counter, the mean between representative bid and asked quotations obtained from a quotation reporting system or from established market makers. The prices of certain portfolio securities or other financial instruments may be determined at a time prior to the close of regular trading on the New York Stock Exchange. Fair valuation may be used if significant events occur after the close of the relevant markets and prior to the close of regular trading on the New York Stock Exchange that materially affect the values of such securities or financial instruments. Effective June 1, 2004, the net asset value per share ( NAV ) is determined on each business day as of 4:00 p.m. Eastern Time. Prior to June 1, 2004, NAV was determined as of 4:15 p.m., Eastern Time, no less frequently than Thursday of each week (except where such Thursday was not a business day, then the first business day immediately succeeding such Thursday). The NAV s are now available on the website maintained by PIMCO on behalf of the Fund at [www.rcsfund.com](http://www.rcsfund.com), by clicking on the Daily NAV link. Fixed-income securities are normally valued on the basis of quotes obtained from brokers and dealers or pricing services. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed-income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement value. Short-term investments, which mature in 60 days or less are valued at amortized cost, which approximates market value. Exchange traded options, futures and options on futures are valued at the settlement price determined by the relevant exchange. The prices used by the Fund may differ from the value that would be realized if the securities were sold and the differences could be material to the financial statements.

**Securities Transactions and Investment Income.** Securities transactions are recorded as of the trade date. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Securities purchased on a when-issued basis are subject to market value fluctuations during this period. On the commitment date of such purchases, the Fund designates specific assets with a value at least equal to the commitment, to be utilized to settle the commitment. The proceeds to be received from delayed-delivery sales are included in the Fund s net assets on the date the commitment is executed. Accordingly, any fluctuation in the value of such assets is excluded from the Fund s net asset value while the commitment is in effect. Realized gains and losses from securities sold are recorded on the identified

cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis. Paydown gains and losses on mortgage-and asset-backed securities are recorded as components of interest income in the Statement of Operations.

**Borrowing Under Mortgage Dollar Rolls and Forward Commitments.** The Fund enters into dollar rolls in which the Fund sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, same or similar interest rate and maturity) securities on a specified future date. The difference between the selling price and the future purchase price is an adjustment to interest income in the



---

**Table of Contents****Notes to Financial Statements (Cont.)**July 31, 2005 (*Unaudited*)

Statement of Operations. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund accounts for dollar rolls as financing transactions. Dollar rolls are intended to enhance the Fund's yield by earning a spread between the yield on the underlying mortgage securities and short-term interest rates. At July 31, 2005, there were \$314,645,945 in dollar roll commitments.

**U.S. Government Agencies or Government-Sponsored Enterprises.** Securities issued by U.S. government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. GNMA, a wholly owned U.S. government corporation, is authorized to guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government related guarantors (i.e., not backed by the full faith and credit of the U.S. government) include the Federal National Mortgage Association (FNMA or Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. government.

**Leverage.** The Fund is authorized to borrow funds and utilize leverage subject to certain limitations under the Act. The Fund's ability to use leverage creates an opportunity for increased net income, but at the same time poses special risks. Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of mortgage-dollar rolls, when-issued, delayed-delivery or forward commitment transactions. The use of leverage increases the overall duration risk of the Fund, and creates an increased sensitivity of the Fund to rising short-term interest rates. The use of leverage, which is generally the economic equivalent of borrowing to purchase securities, thus creates risks of greater volatility of the net asset value and market value of Fund shares. If the income from the securities purchased with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if borrowing has not been used, reducing the amount available for distribution to shareholders. Yield curve flattening reduces the potential benefits to the Fund from borrowing. Conversely, a steep yield curve increases the potential benefit to the Fund from borrowing.

**Dividends and Distributions to Shareholders.** The Fund intends to distribute all of its net investment income monthly. Distributions, if any, of net realized short- or long-term capital gains will be distributed no less frequently than once each year. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America (GAAP). Differences between tax regulations and GAAP may change the fiscal year when income and capital items are recognized for tax and GAAP purposes. Examples of events that give rise to timing differences include wash sales, straddles, net operating losses and capital loss carryforwards. Further, the character of investment income and capital gain may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of mortgage paydowns, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions paid during a fiscal period may differ significantly from the net investment income and realized capital gain reported in a Fund's annual financial statements presented under GAAP.

**Federal Income Taxes.** The Fund intends to qualify as a regulated investment company and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

**Foreign Currency.** The accounting records of the Fund are maintained in U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. dollar based on the current exchange rates each business day. Fluctuations in the value of

## Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

these assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains or losses. Realized gains or losses and unrealized appreciation or depreciation on investment securities and income and expenses are translated on the respective dates of such transactions. The effect of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities. Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and securities of the U.S. government. These risks include revaluation of currencies and

14 PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report | July 31, 2005

## Table of Contents

the risk of expropriation. Moreover, the markets for securities of many foreign companies and foreign governments may be less liquid and the prices of such securities may be more volatile than those of comparable U.S. companies and the U.S. government.

Non-U.S. currency symbols utilized throughout reports are defined as follows:

DM Danish Mark

EC Euro

JY Japanese Yen

**Forward Currency Transactions.** The Fund may enter into forward currency contracts and forward cross-currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Fund's securities or as a part of an investment strategy. A forward currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward currency contract fluctuates with changes in forward currency exchange rates. Forward currency contracts are marked to market daily and the change in value is recorded by the Fund as an unrealized gain or loss. Realized gains or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed are recorded upon delivery or receipt of the currency or, if a forward currency contract is offset by entering into another forward currency contract with the same broker, upon settlement of the net gain or loss. These contracts may involve market risk in excess of the unrealized gain or loss reflected in the Fund's Statement of Assets and Liabilities. In addition, the Fund could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar.

**Futures Contracts.** The Fund is authorized to enter into futures contracts. The Fund may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Fund and the prices of futures contracts, the possibility of an illiquid market, and the inability of the counterparty to meet the terms of the contract. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Fund is required to deposit with its custodian, in a segregated account in the name of the futures broker, an amount of cash or U.S. Government and Agency Obligations in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and an appropriate payable or receivable for the change in value (variation margin) is recorded by the Fund. Gains or losses are recognized but not considered realized until the contracts expire or are closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities.

**Guarantees and Indemnifications.** Under the Fund's organizational documents, each Director, officer, employee or other agent of the Fund (including the Fund's investment manager) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. 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 occurred. However, the Fund has not had prior claims or losses pursuant to these contracts, and believes the risk of loss to be remote.

**Repurchase Agreements.** The Fund may engage in repurchase transactions. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time. The market value of the collateral must be equal at all times to the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the Statement of Assets and Liabilities. Generally, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral. This could involve procedural costs or delays in addition to a loss on

the securities if their value should fall below their repurchase price.

**Reverse Repurchase Agreements.** Reverse repurchase agreements involve the sale of a portfolio-eligible security by the Fund, coupled with an agreement to repurchase the security at a specified date and price. Reverse repurchase agreements involve the risk that the market value of securities retained by the Fund may decline below the repurchase price of the securities sold by the Fund, which is obligated to repurchase. Reverse repurchase

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **15**

## **Table of Contents**

### **Notes to Financial Statements (Cont.)**

July 31, 2005 (*Unaudited*)

agreements are considered to be borrowing by the Fund. To the extent the Fund collateralizes its obligations under reverse repurchase agreements, such transactions will not be deemed subject to the 300% asset coverage requirements imposed by the Act. The Fund will segregate assets determined to be liquid by PIMCO or otherwise cover its obligations under reverse repurchase agreements. The average amount of borrowings outstanding during the period ended July 31, 2005 was \$26,938,270 at a weighted average interest rate of 2.49%.

**Short Sales.** The Fund may enter into short sales transactions. A short sale is a transaction in which the Fund sells securities it does not own in anticipation of a decline in the market price of the securities. Securities sold in short sale transactions and interest payable on such securities, if any, are reflected as a liability in the Statement of Assets and Liabilities. The Fund is obligated to deliver securities at the market price at the time the short position is closed. Possible losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

**Swap Agreements.** The Fund may invest in swap agreements. A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Fund may enter into interest rate swap agreements to manage its exposure to interest rates and credit risks.

Interest rate swap agreements involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to the notional amount of principal.

Swaps are marked to market daily based upon quotations from market makers and the change in value, if any, is recorded as unrealized gain or loss in the Statement of Operations. Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities. These upfront payments are recorded as realized gain or loss in the Statement of Operations upon termination of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss in the Statement of Operations. Net periodic payments received by the Fund are included as part of realized gain (loss) on the Statement of Operations. Entering into these agreements 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 contractual terms in the agreements, and that there may be unfavorable changes in interest rates.

### **3. Fees, Expenses, and Related Party Transactions**

**Investment Advisory Fee.** Pacific Investment Management Company LLC ( PIMCO ) is a majority-owned subsidiary of Allianz Global Investors of America L.P. and serves as investment adviser (the Adviser ) to the Fund, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Fund at an annual rate of 0.85% based on average weekly net assets of the Fund during the month.

## Edgar Filing: PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC - Form N-CSRS

**Administration Fee.** PIMCO serves as administrator (the Administrator), and provides administrative services to the Fund for which it receives from the Fund a monthly administrative fee at an annual rate of 0.05% based on average weekly net assets of the Fund during the month.

**Expenses.** The Fund is responsible for the following expenses: (i) independent auditors' fees; (ii) printing fees; (iii) transfer agent fees; (iv) custody and accounting fees; (v) taxes and governmental fees; (vi) brokerage fees and commissions and other portfolio transaction expenses; (vii) the costs of borrowing money, including interest expenses and bank overdraft charges; (viii) fees and expenses of the Directors who are not interested persons of PIMCO or the Fund (each an Independent Director), and any counsel retained exclusively for their benefit; (ix) legal fees; and (x) extraordinary expenses, including costs of litigation and indemnification expenses.

Each Independent Director receives from the Fund an annual retainer of \$10,000, plus \$2,000 for regular meeting of the Board of Directors, \$1,500 for each special meeting of the Board, and \$1,000 for each committee meeting, in each case attended either in person or telephonically, plus reimbursement related expenses.

#### 4. Purchases and Sales of Securities

The length of time the Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Fund is known as portfolio turnover. The Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover (e.g., over 100%) involves correspondingly greater expenses to the Fund,

**Table of Contents**

including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect the Fund's performance.

Purchases and sales of securities (excluding short-term investments) for the period ended July 31, 2005 were as follows (amounts in thousands):

Purchases	U.S. Government/Agency		Non-U.S. Government/Agency	
	Purchases	Sales	Purchases	Sales
\$3,383,515		\$ 3,064,556	\$ 69,225	\$ 23,193

**5. Federal Income Tax Matters**

As of July 31, 2005, the aggregate cost of investments was the same for federal income tax and financial statement purposes. The net unrealized appreciation (depreciation) of investments securities for federal income tax purposes were as follows (amounts in thousands):

Aggregate Gross	Unrealized	Aggregate Gross Unrealized (Depreciation)	Net Unrealized Appreciation
	Appreciation		
	\$ 22,531	\$ (7,547)	\$ 14,984

**6. Regulatory and Litigation Matters**

On June 1, 2004, the Attorney General of the State of New Jersey announced that it had dismissed PIMCO from a complaint filed by the New Jersey Attorney General on February 17, 2004, and that it had entered into a settlement agreement (the New Jersey Settlement) with PIMCO's parent company, Allianz Global Investors (AGI) (formerly known as Allianz Dresdner Asset Management of America L.P.), PEA Capital LLC (an entity affiliated with PIMCO through common ownership) (PEA) and Allianz Global Investors Distributors LLC (AGID), in connection with the same matter. In the New Jersey Settlement, AGI, PEA and AGID neither admitted nor denied the allegations or conclusions of law, but did agree to pay New Jersey a civil fine of \$15 million and \$3 million for investigative costs and further potential enforcement initiatives against unrelated parties. They also undertook to implement certain governance changes. The complaint relating to the New Jersey Settlement alleged, among other things, that AGI, PEA and AGID had failed to disclose that they improperly allowed certain hedge funds to engage in market timing in certain funds. The complaint sought injunctive relief, civil monetary penalties, restitution and disgorgement of profits.

Since February 2004, PIMCO, AGI, PEA, AGID, and certain of their affiliates, PIMCO Funds, and Allianz Funds (formerly known as PIMCO Funds: Multi-Manager Series), have been named as defendants in 14 lawsuits filed in U.S. District Court in the Southern District of New York, the Central District of California and the Districts of New Jersey and Connecticut. Ten of those lawsuits concern market timing, and they have been transferred to and consolidated for pre-trial proceedings in the U.S. District Court for the District of Maryland; four of those lawsuits concern revenue sharing and have been consolidated into a single action in the U.S. District Court for the District of Connecticut. The lawsuits have been commenced as putative class actions on behalf of investors who purchased, held or redeemed shares of the various series of the PIMCO Funds and the Allianz Funds during specified periods, or as derivative actions on behalf of the PIMCO Funds and the Allianz Funds.

The market timing actions in the District of Maryland generally allege that certain hedge funds were allowed to engage in market timing in certain of the PIMCO Funds and the Allianz Funds and this alleged activity was not disclosed. Pursuant to tolling agreements entered into with the derivative and class action plaintiffs, PIMCO, the Trustees of the PIMCO Funds, and certain employees of PIMCO who were previously named as defendants have all been dropped as defendants in the market timing actions; the plaintiffs continue to assert claims on behalf of the shareholders of the PIMCO Funds or on behalf of the PIMCO Funds themselves against other defendants. The revenue sharing action in the District of Connecticut generally alleges that fund assets were inappropriately used to pay brokers to promote the PIMCO Funds or the Allianz Funds, including directing fund brokerage transactions to such brokers, and that such alleged arrangements were not fully disclosed to shareholders. The market timing and revenue sharing lawsuits seek, among other things, unspecified compensatory damages plus interest and, in some cases, punitive damages, the rescission of investment advisory contracts, the return of fees paid under those

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **17**



**Table of Contents**

**Notes to Financial Statements (Cont.)**

July 31, 2005 (*Unaudited*)

contracts and restitution. On April 11, 2005, the Attorney General of the State of West Virginia filed a complaint in the Circuit Court of Marshall County, West Virginia (the West Virginia Complaint ) against Allianz Global Investors Fund Management LLC (formerly PA Fund Management LLC) ( AGIF ), PEA and AGID alleging, among other things, that they improperly allowed broker-dealers, hedge funds and investment advisers to engage in frequent trading of various open-end funds advised or distributed by AGIF and certain of its affiliates in violation of the funds' stated restrictions on market timing. On May 31, 2005, AGIF, PEA and AGID, along with the other mutual fund defendants in the action, removed the action to the U.S. District Court for the District of West Virginia. The West Virginia Complaint also names numerous other defendants unaffiliated with AGIF in separate claims alleging improper market timing and/or late trading of open-end management investment companies advised or distributed by such other defendants. The West Virginia Complaint seeks injunctive relief, civil monetary penalties, investigative costs and attorney's fees.

Under Section 9(a) of the Act, if the New Jersey Settlement or any of the lawsuits described above were to result in a court injunction against AGI, PEA, AGID and/or their affiliates, PIMCO could, in the absence of exemptive relief granted by the SEC, be barred from serving as an investment adviser to any registered investment company, including the Fund. In connection with an inquiry from the SEC concerning the status of the New Jersey Settlement under Section 9(a), PEA, AGID, AGI and certain of their affiliates (including PIMCO) (together, the Applicants ) have sought exemptive relief from the SEC under Section 9(c) of the Act. The SEC has granted the Applicants a temporary exemption from the provisions of Section 9(a) with respect to the New Jersey Settlement until the earlier of (i) September 13, 2006 and (ii) the date on which the SEC takes final action on their application for a permanent order. There is no assurance that the SEC will issue a permanent order. If the West Virginia Complaint were to result in a court injunction against AGIF, PEA or AGID, the Applicants would, in turn, seek exemptive relief under Section 9(c) with respect to that matter, although there is no assurance that such exemptive relief would be granted.

The foregoing speaks only as of the date of this report. None of the aforementioned complaints alleges that any improper activity took place in the Fund. PIMCO believes that these developments will not have a material adverse effect on the Fund or on PIMCO's ability to perform its investment advisory services on behalf of the Fund.

## **Table of Contents**

### **\* Privacy Policy (Unaudited)**

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

### **Obtaining Personal Information**

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

### **Respecting Your Privacy**

As a matter of policy, the Funds do not disclose any personal or account information provided by shareholders or gathered by the Funds to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Funds. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. A Fund's Distributor may also retain non-affiliated companies to market the Fund's shares or products which use the Fund's shares and enter into joint marketing agreements with other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Funds may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm.

### **Sharing Information with Third Parties**

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

### **Sharing Information with Affiliates**

The Funds may share shareholder information with their affiliates in connection with servicing their shareholders' accounts or to provide shareholders with information about products and services that the Funds or their Advisers, principal underwriters or their affiliates (Service Affiliates) believe may be of interest to such shareholders. The information that the Funds share may include, for example, a shareholder's

participation in one of the Funds or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), or other data about a shareholder's accounts. The Funds' Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

### **Procedures to Safeguard Private Information**

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

The foregoing Policies and/or Procedures were approved and adopted by the Board of Trustees/Directors of PIMCO Funds, PIMCO Commercial Mortgage Securities Trust, Inc. and PIMCO Variable Insurance Trust, including a majority of the Independent Trustees/Directors, at a meeting held on September 29, 2004, and to become effective by October 5, 2004.

---

\* *This Privacy Policy applies to the following entities: PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO Commercial Mortgage Securities Trust, Inc. and PIMCO Strategic Global Government Fund, Inc.*

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **19**

## **Table of Contents**

### **Dividend Reinvestment Plan (Unaudited)**

#### **What is the Dividend Reinvestment Plan for the Fund?**

The Dividend Reinvestment Plan (the *Plan*) offers shareholders in the Fund an efficient and simple way to reinvest dividends and capital gains distributions, if any, in additional shares of the Fund. Each month the Fund will distribute to shareholders substantially all of its net investment income. The Fund expects to distribute at least annually any net realized long-term or short-term capital gains. EquiServe Trust Co., N.A. acts as the Plan Agent for shareholders in administering the Plan.

#### **Who can participate in the Plan?**

All shareholders in the Fund may participate in the Plan by following the instructions for enrollment provided later in this section.

#### **What does the Plan offer?**

The Plan offers shareholders a simple and convenient means to reinvest dividends and capital gains distributions in additional shares of the Fund.

#### **How is the reinvestment of income dividends and capital gains distributions accomplished?**

If you are a participant in the Plan, your dividends and capital gains distributions will be reinvested automatically for you, increasing your holding in the Fund. If the Fund declares a dividend or capital gains distribution payable either in cash or in shares of the Fund, you will automatically receive shares of the Fund. If the market price of shares is equal to or exceeds the net asset value per share on the Valuation Date (as defined below), Plan participants will be issued shares valued at the net asset value most recently determined or, if net asset value is less than 95% of the then current market price, then at 95% of the market price.

If the market price is less than the net asset value on the Valuation Date, EquiServe (the *Plan Agent*) will buy shares in the open market, on the New York Stock Exchange ( *NYSE* ) or elsewhere, for the participants' accounts. If, following the commencement of the purchase and before the Plan Agent has completed its purchases, the market price exceeds the net asset value, the average per share purchase price paid by the Plan Agent may exceed the net asset value, resulting in the acquisition of fewer shares than if the dividend or capital gains distribution had been paid in shares issued by the Fund at net asset value. Additionally, if the market price exceeds the net asset value before the Plan Agent has completed its purchases, the Plan Agent is permitted to cease purchasing shares and the Fund may issue the remaining shares at a price equal to the greater of net asset value or 95% of the then current market price. In a case where the Plan Agent has terminated open market purchases and the Fund has issued the remaining shares, the number of shares received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. The Plan Agent will apply all cash received to purchase shares as soon as practicable after the payment date of the dividend or capital gains distribution, but in no event later than 30 days after that date, except when necessary to comply with applicable provisions of the federal securities laws.

The Valuation Date is the dividend or capital gains distribution payment date or, if that date is not a NYSE trading day, the immediately preceding trading day. All reinvestments are in full and fractional shares, carried to three decimal places.

**Is there a cost to participate?**

There is no direct charge to participants for reinvesting dividends and capital gains distributions, since the Plan Agent's fees are paid by the Fund. There are no brokerage charges for shares issued directly by the Fund. Whenever shares are purchased on the NYSE or elsewhere in connection with the reinvestment of dividends or capital gains distributions, each participant will pay a pro rata portion of brokerage commissions. Brokerage charges for purchasing shares through the Plan are expected to be less than the usual brokerage charges for individual transactions, because the Plan Agent will purchase shares for all participants in blocks, resulting in lower commissions for each individual participant.

**What are the tax implications for participants?**

You will receive tax information annually for your personal records to help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gains distributions does not affect the tax characterization of the dividends and capital gains. Other questions should be directed to your tax adviser.

## **Table of Contents**

### **How do participating shareholders benefit?**

You will build holdings in the Fund easily and automatically at reduced costs.

You will receive a detailed account statement from the Plan Agent, showing total dividends and distributions, dates of investments, shares acquired and price per share, and total shares of record held by you and by the Plan Agent for you. The proxy you receive in connection with the Fund's shareholder meetings will include shares purchased for you by the Plan Agent according to the Plan.

As long as you participate in the Plan, shares acquired through the Plan will be held for you in safekeeping in non-certificated form by EquiServe Trust Co., N.A., the Plan Agent. This convenience provides added protection against loss, theft or inadvertent destruction of certificates.

### **Whom should I contact for additional information?**

If you hold shares in your own name, please address all notices, correspondence, questions or other communications regarding the Plan to:

PIMCO Strategic Global Government Fund, Inc.

c/o EquiServe Trust Co., N.A.

P.O. Box 43011

Providence, RI 02940-3011

Telephone: 800-426-5523

If your shares are not held in your name, you should contact your brokerage firm, bank or other nominee for more information.

### **How do I enroll in the Plan?**

If you hold shares of the Fund in your own name, you are already enrolled in this Plan. Your reinvestments will begin with the first dividend after you purchase your shares. If your shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it will participate in the Plan on your behalf. If your nominee is unable to participate in the Plan on your behalf, you may want to request that your shares be registered in your name so that you can participate in the Plan.

**Once enrolled in the Plan, may I withdraw from it?**

You may withdraw from the Plan without penalty at any time by providing written notice to EquiServe Trust Co., N.A. Elections to withdraw from the Plan will be effective for distributions with a Record Date of at least ten days after such elections are received by the Plan Agent.

If you withdraw, you will receive, without charge, a share certificate issued in your name for all full shares accumulated in your account from dividend and capital gains distributions, plus a check for any fractional shares based on market price.

Experience under the Plan may indicate that changes are desirable. Accordingly, either the Fund or the Plan Agent may amend or terminate the Plan. Participants will receive written notice at least 30 days before the effective date of any amendment. In the case of termination, participants will receive written notice at least 30 days before the record date of any dividend or capital gains distribution by the Fund.

July 31, 2005 | PIMCO Strategic Global Government Fund, Inc. Semi-Annual Report **21**

**Table of Contents**

**2005 Shareholder Meeting Results (Unaudited)**

The Fund's annual shareholders meeting was held on June 9, 2005. The results of votes taken among shareholders on the proposals presented at the meeting are listed below.

**Proposal 1**

To re-elect two Directors to the Board of Directors of the Fund

	<b># of</b>	<b>% of</b>
	<b>Shares Voted</b>	<b>Shares Voted</b>
	<u>                    </u>	<u>                    </u>
<b>Carter W. Dunlap, Jr.</b>		
For	34,705,893	99.5%
Withheld	171,751	0.5%
	<u>                    </u>	<u>                    </u>
Total	34,877,644	100.0%
	<u>                    </u>	<u>                    </u>
<b>James M. Whitaker</b>		
For	34,710,104	99.5%
Withheld	167,540	0.5%
	<u>                    </u>	<u>                    </u>
Total	34,877,644	100.0%
	<u>                    </u>	<u>                    </u>

Brent R. Harris, Francis E. Lundy and Gregory S. Young continued in office as Directors.



**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**(This Page Intentionally Left Blank)**

**Table of Contents**

**OTHER INFORMATION**

***Investment Adviser and Administrator***

Pacific Investment Management Company LLC

840 Newport Center Drive

Newport Beach, California 92660

***Transfer Agent***

EquiServe Trust Company, N.A.

P.O. Box 43011

Providence, Rhode Island 02940

***Custodian***

State Street Bank & Trust Co.

801 Pennsylvania Avenue

Kansas City, Missouri 64105

***Legal Counsel***

Ropes & Gray LLP

One International Place

Boston, Massachusetts 02110

***Independent Registered Public Accounting Firm***

PricewaterhouseCoopers LLP

1055 Broadway

Kansas City, Missouri 64105



**Table of Contents**

PIMCO STRATEGIC GLOBAL

GOVERNMENT FUND, INC.

This report, including the financial statements herein, is provided to the shareholders of PIMCO Strategic Global Government Fund, Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

3675-SAR-05

**Table of Contents**

- Item 2. Code of Ethics** Not applicable.
- Item 3. Audit Committee Financial Expert** Not applicable.
- Item 4. Principal Accountant Fees and Services** Not applicable.
- Item 5. Audit Committee of Listed Registrants** Not applicable.
- Item 6. Schedule of Investments.** The schedule of investments is included as part of the report to shareholders under Item 1.
- Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies** Not applicable.
- Item 8. Portfolio Managers of Closed-End Management Investment Companies** Not applicable.
- Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchases.**

**Registrant Purchases of Equity Securities**

Period	(a) Total Number of Shares (or Units) Purchased*	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs*	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the
				Plans or Programs
Month #1 (February 1, 2005 - February 28, 2005)	48,320.34	\$ 12.38	48,320.34 <sup>(1)</sup>	N/A
Month #2 (March 1, 2005 - March 31, 2005)	52,028.38	\$ 11.24	52,028.38 <sup>(1)</sup>	N/A
Month #3 (April 1, 2005 - April 30, 2005)	51,810.49	\$ 11.28	51,810.49 <sup>(1)</sup>	N/A
Month #4 (May 1, 2005 - May 31, 2005)	50,899.20	\$ 11.38	50,899.20 <sup>(1)</sup>	N/A
Month #5 (June 1, 2005 - June 30, 2005)	47,957.30	\$ 11.95	47,957.30 <sup>(1)</sup>	N/A
Month #6 (July 1, 2005 - July 31, 2005)	47,553.22	\$ 11.99	47,553.22 <sup>(1)</sup>	N/A
Total	298,568.93	\$ 11.70**	298,568.93	N/A

\* Shares purchased include purchases made at NAV as well as open market by the agent of the Fund's Dividend Reinvestment Plan pursuant to such plan.

\*\* Average price paid per share (or unit) based on the 6-months data above.

<sup>(1)</sup> Purchased from original issue at 95% of market price.

**Item 10. Submission of Matters to a Vote of Security Holders** Not applicable.

**Item 11. Controls and Procedures.**

(a) The chief executive officer and chief financial officer of PIMCO Strategic Global Government Fund, Inc. (the Fund) have concluded that the Fund's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act) provide reasonable assurances that material information relating to the Fund is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

(b) There were no changes in the Fund's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Code of Ethics Not applicable.

(a)(2) Exhibit 99.CERT Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

**Table of Contents**

**Signatures**

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

PIMCO Strategic Global Government Fund, Inc.

By: /s/ BRENT R. HARRIS

---

Brent R. Harris  
President, Chief Executive Officer

Date: October 3, 2005

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

By: /s/ BRENT R. HARRIS

---

Brent R. Harris  
President, Chief Executive Officer

Date: October 3, 2005

By: /s/ JOHN P. HARDAWAY

---

John P. Hardaway  
Treasurer, Chief Financial Officer

Date: October 3, 2005