

PIMCO MUNICIPAL INCOME FUND II

Form N-CSRS

January 28, 2016

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number: 811-21076

PIMCO Municipal Income Fund II

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY 10019

(Address of principal executive offices)

William G. Galipeau

Treasurer (Principal Financial & Accounting Officer)

650 Newport Center Drive

Newport Beach, CA 92660

(Name and address of agent for service)

Copies to:

David C. Sullivan

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

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

Edgar Filing: PIMCO MUNICIPAL INCOME FUND II - Form N-CSRS

Date of fiscal year end: May 31

Date of reporting period: November 30, 2015

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

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

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 Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30e-1).

Table of Contents

Your Global Investment Authority

PIMCO Closed-End Funds

Semiannual Report

November 30, 2015

PIMCO Municipal Income Fund II

PIMCO California Municipal Income Fund II

PIMCO New York Municipal Income Fund II

Table of Contents

Table of Contents

	Page
<u>Letter from the Chairman of the Board & President</u>	2
<u>Important Information About the Funds</u>	4
<u>Financial Highlights</u>	16
<u>Statements of Assets and Liabilities</u>	18
<u>Statements of Operations</u>	19
<u>Statements of Changes in Net Assets</u>	20
<u>Notes to Financial Statements</u>	38
<u>Glossary</u>	54
<u>Changes to Portfolio Managers</u>	55
<u>Investment Strategy Updates</u>	56
<u>Matters Relating to the Trustees - Consideration of the Annual Renewal of the Investment Management Agreement</u>	57

Fund	Fund Summary	Schedule of Investments
<u>PIMCO Municipal Income Fund II</u>	10	<u>22</u>
<u>PIMCO California Municipal Income Fund II</u>	12	<u>30</u>
<u>PIMCO New York Municipal Income Fund II</u>	14	<u>35</u>

Table of Contents

Letter from the Chairman of the Board & President

Dear Shareholder,

The financial markets experienced periods of volatility during the reporting timeframe. Investor sentiment was challenged at times given mixed economic data, uncertainties surrounding future global monetary policy and geopolitical issues.

For the six-month reporting period ended November 30, 2015

Economic growth in the U.S. was uneven during the reporting period. Looking back, U.S. gross domestic product (GDP), which represents the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at a 0.6% annual pace during the first quarter of 2015. However, economic activity then accelerated, as GDP grew at a 3.9% annual pace during the second quarter of 2015. Finally, the Commerce Department's conclusive reading released after the reporting period had ended showed that third-quarter 2015 GDP grew at an annual pace of 2.0%.

Federal Reserve (Fed) monetary policy remained accommodative during the six months ended November 30, 2015. However, the Fed signaled that it was moving closer to raising interest rates for the first time since 2006. At its March 2015 meeting, the Fed eliminated the word patient from its official statement regarding when it may start raising rates. At its meeting in October, the Fed kept rates on hold between 0% and 0.25% and said, "In determining whether it will be appropriate to raise the target range at its next meeting, the Committee will assess progress both realized and expected toward its objectives of maximum employment and 2 percent inflation." Finally, on December 16, 2015 after the reporting period ended the Fed raised the federal funds rate to a range between 0.25% and 0.50%. In its official statement following the meeting the Fed said, "The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run."

The municipal bond market generated a positive return and significantly outperformed the overall U.S. taxable fixed income market during the six-month reporting period ended November 30, 2015. The municipal market was volatile at times given negative headlines surrounding Puerto Rico after the island's first default and the governor's acknowledgement that the outstanding debt is not payable. After a modest decline in June 2015, the overall municipal market, as measured by the Barclays Municipal Bond Index, posted positive returns during the last five months of the reporting period. Supporting the municipal market were generally improving fundamentals and attractive valuations. All told, the Barclays Municipal Bond Index gained 2.37% during the six months ended November 30, 2015. In comparison, the overall taxable fixed income market, as measured by the Barclays U.S. Aggregate Bond Index, returned -0.12%.

2 PIMCO CLOSED-END FUNDS

Table of Contents

Outlook

PIMCO's baseline view sees U.S. economic growth in the range of 2.25% to 2.75% and CPI inflation of 1.75% to 2.25% over the next four quarters. This represents a modest pickup in growth and inflation relative to the pace recorded in the first half of 2015, and is slightly below the pace of GDP growth over the most recent four quarters. In PIMCO's view, projected employment and labor income gains should support consumption, while historically low mortgage rates and a pent-up demand for housing—driven by household formation and demography—should boost residential construction. In contrast to robust consumption and housing, PIMCO believes business investment confronts headwinds from low oil prices and cutbacks in drilling and exploration, while exports will be challenged by the delayed effects of a stronger U.S. dollar and slower growth in emerging economies. It is PIMCO's view that the Fed is alert to the state of financial conditions and is inclined to go slowly with future rate increases.

PIMCO's outlook for the municipal market remains positive due to improving credit fundamentals and favorable pre-tax equivalent valuations. That being said, PIMCO acknowledges the potential for interest rate volatility, additional supply pressures and negative credit headlines.

In the following pages of this PIMCO Closed-End Funds Semiannual Report, please find specific details regarding investment performance and a discussion of factors that most affected the Funds' performance over the six months ended November 30, 2015.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Peter G. Strelow
President

SEMIANNUAL REPORT NOVEMBER 30, 2015 3

Table of Contents

Important Information About the Funds

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a Fund are likely to decrease in value. A number of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). Accordingly, changes in interest rates can be sudden, and there is no guarantee that Fund Management will anticipate such movement.

As of the date of this report, interest rates in the U.S. are at or near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with rising interest rates. This is especially true since the Federal Reserve Board has concluded its quantitative easing program, and, at its meeting on December 16, 2015, raised interest rates for the first time since 2006 from a target range of 0% to 0.25% to a target range of 0.25% to 0.50%. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to make markets in corporate bonds. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in increased losses to a Fund. Bond funds and individual bonds with a longer duration (a measure of the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. In addition, in the current low interest rate environment, the market price of the Funds common shares may be particularly sensitive to changes in interest rates or the perception that there will be a change in interest rates.

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

A Fund's use of leverage creates the opportunity for increased income for the Fund's common shareholders, but also creates special risks. Leverage is a speculative technique that may expose a Fund to greater risk and increased costs. If shorter-term interest rates rise relative to the rate of return on a Fund's portfolio, the interest and other costs to the Fund of leverage could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to the Fund's common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by its common shareholders (and not by preferred shareholders, if any) and will reduce the investment return of the Fund's common shares. There can be no

4 PIMCO CLOSED-END FUNDS

Table of Contents

assurance that a Fund's use of leverage will result in a higher yield on its common shares, and it may result in losses. Leverage creates several major types of risks for a Fund's common shareholders, including: (1) the likelihood of greater volatility of net asset value and market price of the Fund's common shares, and of the investment return to the Fund's common shareholders, than a comparable portfolio without leverage; (2) the possibility either that the Fund's common share dividends will fall if the interest and other costs of leverage rise, or that dividends paid on the Fund's common shares will fluctuate because such costs vary over time; and (3) the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the Fund's common shares than if the Fund were not leveraged and may result in a greater decline in the market value of the Fund's common shares.

There is a risk that a Fund investing in a tender option bond program will not be considered the owner of a tender option bond for federal income tax purposes, and thus will not be entitled to treat such interest as exempt from federal income tax. Certain tender option bonds may be illiquid or may become illiquid as a result of, among other things, a credit rating downgrade, a payment default or a disqualification from tax-exempt status. Regulators recently finalized rules implementing Section 619 (the Volcker Rule) and Section 941 (the Risk Retention Rules) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Both the Volcker Rule and the Risk Retention Rules apply to tender option bond programs and may require that such programs be restructured. At this time, the full impact of these rules is not certain, however, in response to these rules, industry participants have begun to explore various structuring alternatives for existing and new trusts. For example, under a new tender option bond structure, a Fund would structure and sponsor a tender option bond trust. As a result, a Fund would be required to assume certain responsibilities and risks as the sponsor of the tender option bond trust. Because of the important role that tender option bond programs play in the municipal bond market, it is possible that implementation of these rules and any resulting impact may adversely impact the municipal bond market and the Funds. For example, as a result of the implementation of these rules, the municipal bond market may experience reduced demand or liquidity and increased financing costs. A Fund's investment in the securities issued by a tender option bond trust may involve greater risk and volatility than an investment in a fixed rate bond, and the value of such securities may decrease significantly when market interest rates increase. Tender option bond trusts could be terminated due to market, credit or other events beyond the Funds' control, which could require the Funds to reduce leverage and dispose of portfolio investments at inopportune times and prices. A Fund may use a tender option bond program as a way of achieving leverage in its portfolio, in which case the Fund will be subject to leverage risk.

High-yield bonds (commonly referred to as junk bonds) typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high yield investments increase the chance that a Fund will lose money on its investment. The Funds may also invest in bonds and other instruments that are not rated, but which PIMCO considers to be equivalent to high-yield investments. The Funds may hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Funds' ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted securities are often illiquid and may not be actively traded. Sale of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material.

Table of Contents

Important Information About the Funds (Cont.)

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

A Fund that concentrates its investments in California municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of California issuers to pay interest or repay principal. Certain issuers of California municipal bonds have experienced serious financial difficulties in the past and reoccurrence of these difficulties may impair the ability of certain California issuers to pay principal or interest on their obligations. Provisions of the California Constitution and State statutes that limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to pay principal and/or interest on their obligations. While California's economy is broad, it does have major concentrations in high technology, aerospace and defense-related manufacturing, trade, entertainment, real estate and financial services, and may be sensitive to economic problems affecting those industries. Future California political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of California issuers.

A Fund that concentrates its investments in New York municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of New York issuers to pay interest or repay principal. While New York's economy is broad, it does have concentrations in the financial services industry, and may be sensitive to economic problems affecting that industry. Certain issuers of New York municipal bonds have experienced serious financial difficulties in the past and a reoccurrence of these difficulties may impair the ability of certain New York issuers to pay principal or interest on their obligations. The financial health of New York City affects that of the State, and when New York City experiences financial difficulty it may have an adverse effect on New York municipal bonds held by a Fund. The growth rate of New York has at times been somewhat slower than the nation overall. The economic and financial condition of New York also may be affected by various financial, social, economic and political factors.

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

6 PIMCO CLOSED-END FUNDS

Table of Contents

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on each Fund's annual financial statements presented under U.S. GAAP.

The Funds may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: asset allocation risk, credit risk, stressed securities risk, distressed and defaulted securities risk, corporate bond risk, market risk, issuer risk, liquidity risk, equity securities and related market risk, mortgage-related and other asset-backed securities risk, extension risk, prepayment risk, privately issued mortgage-related securities risk, mortgage market/subprime risk, currency risk, redenomination risk, non-diversification risk, management risk, municipal bond risk, tender option bond risk, inflation-indexed security risk, senior debt risk, loans, participations and assignments risk, reinvestment risk, real estate risk, U.S. Government securities risk, foreign (non-U.S.) government securities risk, valuation risk, segregation and cover risk, focused investment risk, credit default swaps risk, event-linked securities risk, counterparty risk, preferred securities risk, confidential information access risk, other investment companies risk, private placements risk, inflation/deflation risk, regulatory risk, tax risk, recent economic conditions risk, market disruptions and geopolitical risk, potential conflicts of interest involving allocation of investment opportunities, repurchase agreements risk, securities lending risk, zero-coupon bond and payment-in-kind securities risk, portfolio turnover risk, smaller company risk, short sale risk and convertible securities risk. A description of certain of these risks is available in the Notes to Financial Statements of this Report.

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

The following table discloses the commencement of operations of each Fund:

Name of Fund	Commencement of Operations
PIMCO Municipal Income Fund II	06/28/02
PIMCO California Municipal Income Fund II	06/28/02
PIMCO New York Municipal Income Fund II	06/28/02

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

Table of Contents

Important Information About the Funds (Cont.)

The Trustees are responsible generally for overseeing the management of the Funds. The Trustees authorize the Funds to enter into service agreements with the Investment Manager and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Funds. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither a Fund's original or any subsequent prospectus or Statement of Additional Information (SAI), any press release or shareholder report, any contracts filed as exhibits to a Fund's registration statement, nor any other communications, disclosure documents or regulatory filings from or on behalf of a Fund creates a contract between or among any shareholder of a Fund, on the one hand, and the Fund, a service provider to the Fund, and/or the Trustees or officers of the Fund, on the other hand. The Trustees (or the Funds and their officers, service providers or other delegates acting under authority of the Trustees) may amend its most recent or use a new prospectus or SAI with respect to a Fund, adopt and disclose new or amended policies and other changes in press releases and shareholder reports and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which a Fund is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to any Fund, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement was specifically disclosed in a Fund's prospectus, SAI or shareholder report and is otherwise still in effect.

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 Funds as the policies and procedures that PIMCO will use when voting proxies on behalf of the Funds. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of each Fund, and information about how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Funds at (844) 33-PIMCO (844-337-4626), on the Funds' website at www.pimco.com, and on the Securities and Exchange Commission's (SEC) website at <http://www.sec.gov>.

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

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

8 PIMCO CLOSED-END FUNDS

Table of Contents

(THIS PAGE INTENTIONALLY LEFT BLANK)

SEMIANNUAL REPORT NOVEMBER 30, 2015 **9**

Table of Contents

PIMCO Municipal Income Fund II

Symbol on NYSE - **PML**

Allocation Breakdown

New York	13.3%
California	12.8%
Texas	11.9%
Arizona	8.4%
Illinois	8.2%
Pennsylvania	6.1%
Ohio	5.6%
Short-Term Instruments	1.9%
Other	31.8%

% of Investments, at value as of 11/30/15. Financial derivative instruments, if any, are excluded.

Fund Information (as of November 30, 2015)⁽¹⁾

Market Price	\$12.30
NAV	\$12.29
Premium/(Discount) to NAV	0.08%
Market Price Distribution Yield ⁽²⁾	6.34%
NAV Distribution Yield ⁽²⁾	6.35%
Total Effective Leverage ⁽³⁾	35%

Average Annual Total Return ⁽¹⁾ for the period ended November 30, 2015

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (06/28/02)
Market Price	4.22%	10.20%	10.25%	4.68%	5.44%
NAV	4.83%	7.13%	10.53%	5.27%	5.82%

All Fund returns are net of fees and expenses.

*Cumulative return

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

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

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

10 PIMCO CLOSED-END FUNDS

Table of Contents

Investment Objective and Strategy Overview

- » PIMCO Municipal Income Fund II's primary investment objective is to seek current income exempt from federal income tax.

Fund Insights

- » The Fund's long duration contributed to performance, as municipal yields moved lower across the yield curve during the reporting period.
- » An overweight to the revenue-backed sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An overweight to the tobacco sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the education sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the transportation sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the water & sewer utility sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.

Table of Contents

PIMCO California Municipal Income Fund II

Symbol on NYSE - **PCK**

Allocation Breakdown

California	94.4%
Short-Term Instruments	2.7%
Illinois	1.9%
New Jersey	0.7%
New York	0.3%

% of Investments, at value as of 11/30/15. Financial derivative instruments, if any, are excluded.

Fund Information (as of November 30, 2015)⁽¹⁾

Market Price	\$9.82
NAV	\$8.85
Premium/(Discount) to NAV	10.96%
Market Price Distribution Yield ⁽²⁾	6.57%
NAV Distribution Yield ⁽²⁾	7.29%
Total Effective Leverage ⁽³⁾	40%

Average Annual Total Return ⁽¹⁾ for the period ended November 30, 2015

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (06/28/02)
Market Price	4.31%	9.54%	10.38%	3.08%	4.26%
NAV	5.71%	7.88%	12.03%	3.45%	4.32%

All Fund returns are net of fees and expenses.

* Cumulative return

- (1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.
- (2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099-DIV sent to shareholders each January.
- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

12 PIMCO CLOSED-END FUNDS

Table of Contents

Investment Objective and Strategy Overview

- » PIMCO California Municipal Income Fund II's primary investment objective is to seek current income exempt from federal and California income tax.

Fund Insights

- » The Fund's long duration contributed to performance, as municipal yields moved lower across the yield curve during the reporting period.
- » An overweight to the revenue-backed sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An overweight to the tobacco sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the transportation sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the education sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the water & sewer utility sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.

Table of Contents

PIMCO New York Municipal Income Fund II

Symbol on NYSE - **PNI**

Allocation Breakdown

New York	94.8%
Short-Term Instruments	2.0%
Illinois	1.0%
Ohio	0.6%
Florida	0.5%
Other	1.1%

% of Investments, at value as of 11/30/15. Financial derivative instruments, if any, are excluded.
Fund Information (as of November 30, 2015)⁽¹⁾

Market Price	\$12.30
NAV	\$11.33
Premium/(Discount) to NAV	8.56%
Market Price Distribution Yield ⁽²⁾	6.46%
NAV Distribution Yield ⁽²⁾	7.02%
Total Effective Leverage ⁽³⁾	41%

Average Annual Total Return ⁽¹⁾ for the period ended November 30, 2015

	6 Month*	1 Year	5 Year	10 Year	Commencement of Operations (06/28/02)
Market Price	3.36%	9.90%	9.02%	4.65%	5.42%
NAV	4.07%	7.08%	9.27%	4.73%	5.27%

All Fund returns are net of fees and expenses.

*Cumulative return

- (1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.
- (2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.
- (3) Represents total effective leverage outstanding, as a percentage of total managed assets. Total effective leverage consists of preferred shares, reverse repurchase agreements and other borrowings, credit default swap notional and floating rate notes issued in tender option bond transactions, as applicable (collectively "Total Effective Leverage"). The Fund may engage in other transactions not included in Total Effective Leverage disclosed above that may give rise to a form of leverage, including certain derivative transactions. For the purpose of calculating Total Effective Leverage outstanding as a percentage of total managed assets, total managed assets refer to total assets (including assets attributable to Total Effective Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Total Effective Leverage).

14 PIMCO CLOSED-END FUNDS

Table of Contents

Investment Objective and Strategy Overview

- » PIMCO New York Municipal Income Fund II's primary investment objective is to seek current income exempt from federal, New York State and New York City income tax.

Fund Insights

- » The Fund's long duration contributed to performance, as municipal yields moved lower across the yield curve during the reporting period.
- » An overweight to the tobacco sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An overweight to the industrial revenue sector contributed to performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the water & sewer utility sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the transportation sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.
- » An underweight to the special tax sector detracted from performance, as the sector outperformed the general municipal bond market during the reporting period.

Table of Contents

Financial Highlights

Selected Per Common Share Data for the Year or Period Ended:	Net Asset Value Beginning of Year or Period	Net Investment Income (a)	Net Realized/ Unrealized Gain (Loss)	Total from Investment Operations	Distributions on Preferred Shares from Net Investment Income	Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	Distributions to Common Shareholders from Net Investment Income	Tax Basis Return of Capital
PIMCO Municipal Income Fund II								
06/01/2015 - 11/30/2015+	\$ 12.11	\$ 0.40	\$ 0.17	\$ 0.57	\$ (0.00)^	\$ 0.57	\$ (0.39)	\$ 0.00
05/31/2015	11.94	0.81	0.15	0.96	(0.01)	0.95	(0.78)	0.00
05/31/2014	12.17	0.81	(0.25)	0.56	(0.01)	0.55	(0.78)	0.00
05/31/2013	11.91	0.82	0.23	1.05	(0.01)	1.04	(0.78)	0.00
05/31/2012	10.12	0.88	1.70	2.58	(0.01)	2.57	(0.78)	0.00
05/31/2011	10.77	0.91	(0.75)	0.16	(0.03)	0.13	(0.78)	0.00
PIMCO California Municipal Income Fund II								
06/01/2015 - 11/30/2015+	\$ 8.69	\$ 0.33	\$ 0.15	\$ 0.48	\$ (0.00)^	\$ 0.48	\$ (0.32)	\$ 0.00
05/31/2015	8.61	0.66	0.08	0.74	(0.01)	0.73	(0.65)	0.00
05/31/2014	8.93	0.68	(0.26)	0.42	(0.01)	0.41	(0.66)	(0.07)
05/31/2013	8.65	0.69	0.35	1.04	(0.01)	1.03	(0.68)	(0.07)
05/31/2012	7.38	0.71	1.32	2.03	(0.01)	2.02	(0.70)	(0.05)
05/31/2011	8.11	0.74	(0.70)	0.04	(0.02)	0.02	(0.75)	0.00
PIMCO New York Municipal Income Fund II								
06/01/2015 - 11/30/2015+	\$ 11.28	\$ 0.37	\$ 0.09	\$ 0.46	\$ (0.01)	\$ 0.45	\$ (0.40)	\$ 0.00
05/31/2015	10.98	0.75	0.36	1.11	(0.01)	1.10	(0.80)	0.00
05/31/2014	11.32	0.75	(0.28)	0.47	(0.01)	0.46	(0.80)	0.00
05/31/2013	11.37	0.79	(0.02)	0.77	(0.02)	0.75	(0.80)	0.00
05/31/2012	10.10	0.85	1.24	2.09	(0.02)	2.07	(0.80)	0.00
05/31/2011	10.90	0.88	(0.85)	0.03	(0.03)	0.00	(0.80)	0.00

+ Unaudited

* Annualized

^ Reflects an amount rounding to less than one cent.

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

(b) Determined in accordance with federal income tax regulations, see Note 2(b) in the Notes to Financial Statements for more information.

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

(d) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

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

16 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Table of Contents

Total Distributions to Common Shareholders	Net Asset Value End of Year or Period	Market Price End of Year or Period	Total Investment Return (c)	Net Assets Applicable to Common Shareholders End of Year or Period (000s)	Ratio of Expenses to Average Net Assets (d)(e)	Ratio of Expenses to Average Net Assets Excluding Interest Expense (d)	Ratio of Expenses to Average Net Assets Excluding Interest Expense (d)	Ratio of Expenses to Average Net Assets Excluding Interest Expense and Waivers (d)	Ratio of Net Investment Income to Average Net Assets (d)	Preferred Shares Asset Coverage Per Share	Portfolio Turnover Rate
\$ (0.39)	\$ 12.29	\$ 12.30	4.22%	\$ 753,731	1.12%*	1.12%*	1.10%*	1.10%*	6.63%*	\$ 76,343	9%
(0.78)	12.11	12.19	6.15	742,133	1.16	1.16	1.11	1.11	6.65	75,553	10
(0.78)	11.94	12.25	7.76	730,088	1.21						