

PIMCO INCOME STRATEGY FUND  
Form N-CSRS  
April 01, 2010

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 811-21374

PIMCO Income Strategy Fund  
(Exact name of registrant as specified in charter)

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

10105  
(Zip code)

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

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

Date of fiscal year July 31, 2010  
end:

Date of reporting period: January 31, 2010

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1. REPORT TO SHAREHOLDERS

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**PIMCO Income Strategy/PIMCO Income Strategy II Funds Letter to Shareholders**

March 15, 2010

Dear Shareholder:

Please find enclosed the semiannual report for PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II (collectively, the Funds ) for the fiscal six-month period ended January 31, 2010. On March 1, 2010, each Fund changed its name and rescinded its non-fundamental investment policy to, under normal market conditions, invest at least 80% of its net assets (plus any borrowings for investment purposes) in a diversified portfolio of floating rate debt instruments, securities with durations of less than or equal to one year, and fixed rate securities with respect to which the Fund has entered into derivative instruments to effectively convert the fixed rate interest payments into floating rate interest payments. Each Fund now seeks to achieve its investment objective by ordinarily investing in a diversified portfolio of floating and/or fixed-rate debt instruments.

Corporate credit securities provided solid returns during the six-month period as investors continued to gravitate toward riskier assets and away from lower-yielding government bonds. The Barclays Capital Investment Grade Credit Index, a measure of high quality corporate bond performance, returned 6.22% and the Barclays Capital U.S. High Yield Bond Index, a measure of below-investment-grade corporate bond performance, returned 15.78%. In contrast, government bonds, represented by the Barclays Capital Long Term Treasury Index, returned 0.92% for the period. The Barclays Capital U.S. Aggregate Index, a broad credit market measure of government and corporate securities, posted a return of 3.87%. Mortgage-backed securities, represented by the Barclays Capital Mortgage Index, returned 3.46%. Stocks also advanced for the six-month period as the Standard & Poor's 500 Index advanced 9.87%.

The Federal Reserve held the Federal Funds Rate, the key target rate on loans between member banks, to a historically low target range of 0.00% to 0.25% during the six-month period and pursued other initiatives designed to inject liquidity into the financial system. Under its policy of quantitative easing, the U.S. monetary authority purchased large amounts of securities (such as mortgage-backed securities and U.S. Treasuries) from commercial banks to encourage lending to consumers and businesses.

For specific information on the Funds and a review of their performance for the reporting period, please see the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman*

Brian S. Shlissel  
*President & Chief Executive Officer*

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

January 31, 2010 (unaudited)

- For the fiscal six-month period ended January 31, 2010, PIMCO Income Strategy Fund returned 33.87% on net asset value ( NAV ) and 53.04% on market price.
- An emphasis on the banking and non-captive consumer and diversified sectors, which were among the top performing corporate industry categories during the period, contributed strongly to performance.
- Security selection in the insurance sector, where select life insurance companies posted outsized gains, was a significant benefit to performance.
- Minimal exposure to the gaming sector, which lagged the broader corporate market during the period, contributed to performance.
- Security selection in the consumer cyclical sector, where automotive related holdings outperformed alongside government sponsored campaigns, added to returns for the period.
- Below market weighting to the broadcasting sector, which benefited significantly from the overall stretch for higher yield during the period, detracted from performance.
- An emphasis on more defensive sectors and higher quality, including exposure to investment-grade holdings, negatively impacted performance given the rally in lower-quality credits during the six-month period.

<b>Total Return(1):</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	53.04%	33.87%
1 Year	67.15%	77.85%
5 Year	0.92%	(0.08)%
Commencement of Operations (8/29/03) to 1/31/10	2.89%	1.40%

<b>Market Price/NAV Performance:</b>	<b>Market Price/NAV:</b>	
Commencement of Operations (8/29/03) to 1/31/10	Market Price	\$11.95
NAV	NAV	\$10.33
Market Price	Premium to NAV	15.68%
	Market Price Yield(2)	6.26%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value ( NAV ) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions if any, have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

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

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

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

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

January 31, 2010 (unaudited)

- For the fiscal six-month period ended January 31, 2010, PIMCO Income Strategy Fund II returned 31.92% on NAV and 44.43% on market price.
- An emphasis on the banking and non-captive consumer and diversified sectors, which were among the top performing corporate industry categories during the period, contributed strongly to performance.
- Security selection in the insurance sector, where select life insurance companies posted outsized gains, was a significant benefit to performance.
- Minimal exposure to the gaming sector, which lagged the broader corporate market during the period, contributed to performance.
- Security selection in the consumer cyclical sector, where automotive related holdings outperformed alongside government sponsored campaigns, added to returns for the period.
- Below market weighting to the broadcasting sector, which benefited significantly from the overall stretch for higher yield during the period, detracted from performance.
- An emphasis on more defensive sectors and higher quality, including exposure to investment grade holdings, negatively impacted performance given the rally in lower-quality credits during the six-month period.

<b>Total Return(1):</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	44.43%	31.92%
1 Year	77.22%	77.20%
5 Year	(1.63)%	(2.55)%
Commencement of Operations (10/29/04) to 1/31/10	(1.75)%	(2.31)%

<b>Market Price/NAV Performance:</b>		<b>Market Price/NAV:</b>	
Commencement of Operations (10/29/04) to 1/31/10	Market Price		\$9.87
NAV	NAV		\$9.14
Market Price	Premium to NAV		7.99%
	Market Price Yield(2)		7.07%



(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value ( NAV ) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions if any, have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

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

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

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

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**PIMCO Income Strategy Fund Schedule of Investments**

January 31, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
<b>CORPORATE BONDS &amp; NOTES 59.6%</b>			
<b>Apparel &amp; Textiles 0.3%</b>			
\$900	Hanesbrands, Inc., 3.831%, 12/15/14, FRN	B1/B+	\$859,500
<b>Banking 15.9%</b>			
1,200	Barclays Bank PLC (i), 7.375%, 12/15/11 (a) (d)	Baa2/BBB+	1,146,000
1,485	7.434%, 12/15/17 (a) (d)	Baa2/BBB+	1,421,888
£4,300	14.00%, 6/15/19	Baa2/BBB+	8,767,930
\$1,000	Den Norske Bank ASA, 7.729%, 6/29/11 (a) (d) (i)	A2/BBB	960,314
600	HBOS PLC, 6.75%, 5/21/18 (a) (d)	Ba1/BBB-	587,684
3,625	HSBC Capital Funding L.P., 9.547%, 6/30/10 (a) (d) (i)	A3/A-	3,697,500
10,000	Rabobank Nederland NV, 11.00%, 6/30/19 (a) (d) (i)	Aa2/AA-	12,817,270
7,200	Regions Financial Corp., 0.421%, 6/26/12, FRN (l)	Baa3/BBB	6,418,750
£31	Royal Bank of Scotland PLC, 4.556%, 4/6/11, VRN	NR/NR	46,520
\$6,260	Swedbank AB, 9.00%, 3/17/10 (a) (d) (i)	Ba1/BB	6,135,057
4,600	UBS Preferred Funding Trust I, 8.622%, 10/1/10 (i)	Baa3/BBB-	4,443,204
			46,442,117
<b>Financial Services 31.3%</b>			
3,900	American General Finance Corp., FRN, 0.504%, 12/15/11	B2/BB+	3,204,505
775	0.553%, 8/17/11	B2/BB+	659,386
£1,700	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/BB	1,893,235
\$4,900	Bank of America Corp., 8.125%, 5/15/18 (i)	Ba3/BB	4,658,430
1,400	Capital One Capital VI, 8.875%, 5/15/40	Baa2/BB	1,467,767
2,500	Chukchansi Economic Dev. Auth., 4.024%, 11/15/12, FRN (a) (d)	B3/B+	2,012,500
	CIT Group, Inc., 7.00%, 5/1/13	NR/NR	2,789,026
3,032	7.00%, 5/1/14	NR/NR	851,408
947	7.00%, 5/1/15	NR/NR	827,725
1,579	7.00%, 5/1/16	NR/NR	1,361,781
2,211	7.00%, 5/1/17	NR/NR	1,892,677
100	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Baa3/B+	93,500
2,500	Credit Agricole S.A., 6.637%, 5/31/17 (a) (d) (i)	Aa3/A-	2,190,625
	Ford Motor Credit Co. LLC, 3.001%, 1/13/12, FRN	B3/B-	9,699,063
10,250	7.25%, 10/25/11	B3/B-	2,227,779
2,200	GMAC, Inc., 6.00%, 12/15/11	Ca/B	489,090
500	6.875%, 9/15/11	Ca/B	1,422,493
1,425	6.875%, 8/28/12	Ca/B	1,603,974
1,625	7.25%, 3/2/11	Ca/B	2,615,584
2,600	7.50%, 12/31/13	Ca/B	5,127,510
5,102	ILFC E-Capital Trust I, 5.90%, 12/21/65, (converts to FRN on 12/21/10) (a) (b) (d) (m) (acquisition cost-\$3,473,750; purchased 11/10/09)	B3/BB	3,990,000
7,000			

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	International Lease Finance Corp.,		
650	4.75%, 1/13/12	B1/BB+	573,788
650	5.30%, 5/1/12	B1/BB+	568,492
650	5.35%, 3/1/12	B1/BB+	570,725
650	5.45%, 3/24/11	B1/BB+	613,284
2,111	5.625%, 9/20/13	B1/BB+	1,738,928
4,100	5.75%, 6/15/11	B1/BB+	3,844,627
2,947	6.625%, 11/15/13	B1/BB+	2,468,057

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**PIMCO Income Strategy Fund Schedule of Investments**

January 31, 2010 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
<b>Financial Services (continued)</b>			
\$1,500	Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (f)	WR/NR	\$450
11,100	National City Preferred Capital Trust I, 12.00%, 12/10/12 (i) (l)	Baa2/BBB	12,664,734
1,629	NB Capital Trust II, 7.83%, 12/15/26	Baa3/BB	1,551,623
9,650	SLM Corp., 0.479%, 10/25/11, FRN	Ba1/BBB-	8,903,669
4,250	Wells Fargo & Co., 7.98%, 3/15/18 (i)	Ba1/A-	4,313,750
2,550	Wells Fargo Capital XIII, 7.70%, 3/26/13 (i)	Ba1/A-	2,486,250
			91,376,435
<b>Healthcare &amp; Hospitals 1.2%</b>			
3,300	HCA, Inc., 9.625%, 11/15/16, PIK	B2/BB-	3,506,250
<b>Insurance 9.9%</b>			
1,600	American International Group, Inc., 0.353%, 3/20/12, FRN (l)	A3/NR	1,418,310
5,900	0.361%, 10/18/11, FRN (l)	A3/A-	5,373,342
700	0.82%, 4/26/11, FRN	A3/A-	910,155
\$5,000	4.95%, 3/20/12	A3/NR	4,857,130
6,400	5.45%, 5/18/17	A3/A-	5,137,971
700	8.175%, 5/15/68, (converts to FRN on 5/15/38)	Ba2/BBB	476,000
4,400	8.25%, 8/15/18 (l)	A3/A-	4,045,413
£1,300	8.625%, 5/22/68, (converts to FRN on 5/22/18)	Ba2/BBB	1,406,106
\$800	AXA S.A., 6.463%, 12/14/18 (a) (d) (i)	Baa1/BBB+	637,000
2,300	Hartford Financial Services Group, Inc., 8.125%, 6/15/68, (converts to FRN on 6/15/18)	Ba1/BB+	2,282,750
2,440	Progressive Corp., 6.70%, 6/15/67, (converts to FRN on 6/15/17)	A2/A-	2,247,972
			28,792,149
<b>Oil &amp; Gas 0.2%</b>			
600	SandRidge Energy, Inc., 8.00%, 6/1/18 (a) (d)	B3/B+	600,000
<b>Paper/Paper Products 0.7%</b>			
2,500	Verso Paper Holdings LLC, 4.031%, 8/1/14, FRN	B2/B-	2,062,500
<b>Telecommunications 0.0%</b>			
2,500	Hawaiian Telcom Communications, Inc., 8.765%, 5/1/13, FRN (b) (f)	WR/NR	71,875
<b>Utilities 0.1%</b>			
390	Dominion Resources, Inc., 6.30%, 9/30/66, (converts to FRN on 9/30/11) (l)	Baa3/BBB	362,838
Total Corporate Bonds & Notes (cost-\$158,671,428)			174,073,664
<b>MORTGAGE-BACKED SECURITIES 17.2%</b>			
1,100	Banc of America Commercial Mortgage, Inc., 5.451%, 1/15/49, CMO	Aaa/NR	992,271
3,163	Banc of America Funding Corp., 4.503%, 2/20/36, CMO, FRN	NR/AAA	2,754,302
1,400	Banc of America Mortgage Securities, Inc., 4.763%, 5/25/35, CMO, FRN	B3/NR	1,111,191
700	Bear Stearns Commercial Mortgage Securities, 5.70%, 6/11/50, CMO	NR/AA-	643,756
2,161	Chase Mortgage Finance Corp., CMO, 5.422%, 3/25/37, FRN	B3/NR	1,811,047

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1,200	6.00%, 7/25/37	NR/CCC	954,544
1,500	Citicorp Mortgage Securities, Inc., 6.00%, 6/25/36, CMO	Baa3/NR	1,314,280

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**PIMCO Income Strategy Fund Schedule of Investments**

January 31, 2010 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
\$1,500	Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/49, CMO	Aaa/A-	\$1,353,546
	Commercial Mortgage Pass Through Certificates, CMO,		
1,900	5.306%, 12/10/46	Aaa/NR	1,719,383
6,550	5.816%, 12/10/49, VRN	Aaa/A	6,232,763
143	Countrywide Home Loan Mortgage Pass Through Trust, 3.401%, 2/20/35, CMO, VRN	A3/AA-	122,545
	Credit Suisse Mortgage Capital Certificates, CMO,		
800	6.00%, 2/25/37	NR/CCC	622,832
900	6.216%, 2/15/41, VRN	NR/AA	775,526
2,330	GS Mortgage Securities Corp. II, 5.56%, 11/10/39, CMO	Aaa/NR	2,163,533
520	GSR Mortgage Loan Trust, 5.50%, 5/25/36, CMO	NR/B	439,869
90	Harborview Mortgage Loan Trust, 5.033%, 7/19/35, CMO, VRN	Baa2/BBB+	64,848
4,600	JPMorgan Chase Commercial Mortgage Securities Corp., 5.44%, 6/12/47, CMO	Aaa/A+	4,318,182
2,657	JPMorgan Mortgage Trust, 5.00%, 3/25/37, CMO	NR/CCC	2,022,578
2,100	LB-UBS Commercial Mortgage Trust, 5.43%, 2/15/40, CMO, VRN	NR/A+	1,891,975
1,103	Mellon Residential Funding Corp., 0.583%, 11/15/31, CMO, FRN	Aaa/AAA	1,041,566
8,069	Morgan Stanley Capital I, 5.88%, 6/11/49, CMO, VRN	NR/BBB+	7,378,853
3,848	Suntrust Adjustable Rate Mortgage Loan Trust, 5.689%, 4/25/37, CMO, FRN	NR/CCC	3,079,786
394	WaMu Mortgage Pass Through Certificates, 5.921%, 9/25/36, CMO, VRN	NR/CCC	294,989
	Wells Fargo Mortgage Backed Securities Trust, CMO,		
6,274	5.587%, 7/25/36, FRN	NR/CCC	5,057,639
2,300	6.00%, 8/25/37	B1/NR	1,894,187
	<b>Total Mortgage-Backed Securities (cost-\$45,446,055)</b>		<b>50,055,991</b>

**SENIOR LOANS (a) (c) 4.5%**

**Consumer Products 0.3%**

1,000	National Mentor, Inc., 2.512%, 6/29/12 (b) (m) (acquisition cost-\$995,688; purchased 9/26/06)		905,000
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**Diversified Manufacturing 0.7%**

4,522	Grant Forest Products, 10.75%, 9/16/13 (b) (f) (m) (acquisition cost-\$4,539,385; purchased 3/16/07-7/2/09)		223,287
1,253	KION Group GmbH (b) (m), 2.481%, 12/20/14, Term B (acquisition cost-\$1,253,057; purchased 3/5/07-12/30/09)		968,613
1,253	2.731%, 12/20/15, Term C (acquisition cost-\$1,253,057; purchased 3/5/07-12/30/09)		968,613
			2,160,513

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<b>Electronics</b>	<b>0.4%</b>			
		982	Sensata Technologies, Inc., 2.728%, 4/27/13	1,209,582
<b>Financial Services</b>	<b>1.3%</b>			
		\$1,000	CIT Group, Inc., Term DD, 9.50%, 1/20/12 (e)	1,024,063
		1,000	13.00%, 1/20/12 (e)	1,024,063
		1,600	13.00%, 1/20/12 (b) (m) (acquisition cost-\$1,327,427; purchased 12/23/09)	1,638,501
				3,686,627

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**PIMCO Income Strategy Fund Schedule of Investments**

January 31, 2010 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
<b>Multi-Media 1.0%</b>			
	Seven Media Group, Term T		
AUD 660	5.73%, 12/28/12		\$533,812
AUD 2,766	6.058%, 2/7/13		2,237,058
			2,770,870
<b>Paper/Paper Products 0.1%</b>			
\$448	Verso Paper Holdings LLC (b) (m), 6.531%, 2/1/13 (acquisition cost-\$443,630; purchased 1/25/07-5/1/09)		229,600
41	7.281%, 2/1/13 (acquisition cost-\$40,370; purchased 1/25/07-11/03/09)		20,725
			250,325
<b>Recreation 0.0%</b>			
	Cedar Fair L.P.,		
(h)	2.231%, 8/30/12		291
1	4.231%, 8/30/14		1,162
			1,453
<b>Telecommunications 0.7%</b>			
2,589	Hawaiian Telcom Communications, Inc., 4.75%, 6/1/14, Term C (b) (f) (m) (acquisition cost-\$2,589,039; purchased 6/1/07-1/15/10)		2,174,793
			13,159,163
<b>Total Senior Loans (cost-\$19,044,637)</b>			
<b>ASSET-BACKED SECURITIES 1.9%</b>			
1,858	Asset Backed Funding Certificates, 0.451%, 5/25/37, FRN (a) (d)	Ba1/B-	1,555,071
12	Credit Suisse First Boston Mortgage Securities Corp., FRN, 0.931%, 7/25/32	Aaa/AAA	7,608
426	0.971%, 8/25/32	Aaa/AAA	313,624
1,881	Lake Country Mortgage Loan Trust, 0.691%, 12/25/32, FRN (a) (d)	Aaa/AAA	1,739,251
3,033	Popular ABS Mortgage Pass-Through Trust, 0.511%, 7/25/35, FRN	Aaa/AAA	1,926,051
			5,541,605
<b>Total Asset-Backed Securities (cost-\$5,405,807)</b>			
<b>PREFERRED STOCK 0.9%</b>			
Shares			
<b>Financial Services 0.9%</b>			
30	Richmond Cnty. Capital Corp., 3.501%, Ser. C, FRN (a) (b) (d) (m) (acquisition cost-\$3,068,307; purchased 3/04/04) (cost-\$3,068,307)	NR/NR	2,683,127
<b>CONVERTIBLE PREFERRED STOCK 0.9%</b>			
<b>Financial Services 0.9%</b>			
2,700	Wells Fargo & Co., 7.50%, 12/31/49, Ser. L (cost-\$1,869,885)	Ba1/A-	2,545,020





**PIMCO Income Strategy Fund Schedule of Investments**

January 31, 2010 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
<b>SHORT-TERM INVESTMENTS 15.0%</b>			
<b>Corporate Notes 12.8%</b>			
<b>Financial Services 8.4%</b>			
\$4,800	American General Finance Corp., 0.307%, 3/2/10, FRN	B2/NR	\$4,754,640
900	4.875%, 5/15/10	B2/BB+	890,217
2,000	International Lease Finance Corp., 0.482%, 5/24/10, FRN	B1/BB+	1,960,814
1,350	4.875%, 9/1/10	B1/BB+	1,316,164
4,450	5.00%, 4/15/10	B1/BB+	4,420,901
650	5.125%, 11/1/10	B1/BB+	631,335
7,150	5.625%, 9/15/10 (l)	B1/BB+	6,969,019
3,600	SLM Corp., 0.34%, 3/15/10, FRN	Ba1/BBB-	3,589,132
			24,532,222
<b>Insurance 4.4%</b>			
10,000	American International Group, Inc., 0.321%, 9/27/10, FRN	A3/A-	9,522,310
1,500	4.70%, 10/1/10	A3/A-	1,494,714
1,300	Residential Reinsurance Ltd., FRN (a) (b) (d) (m), 7.506%, 6/7/10 (acquisition cost-\$1,300,000; purchased 5/16/07)	NR/BB	1,314,365
500	8.006%, 6/7/10 (acquisition cost-\$500,000; purchased 5/16/07)	NR/BB-	507,075
			12,838,464
			37,370,686
Total Corporate Notes (cost-\$35,362,992)			
<b>U.S. Treasury Bills (j) 0.1%</b>			
393	0.06%-0.25%, 2/18/10-3/4/10 (cost-\$392,995)		392,995
<b>Repurchase Agreements 2.1%</b>			
1,000	Barclays Capital, Inc., dated 1/29/10, 0.11%, due 2/1/10, proceeds \$1,000,009; collateralized by U.S. Treasury Inflation Index Notes, 3.50%, due 1/15/11, valued at \$1,029,851 including accrued interest		1,000,000
4,200	Deutsche Bank Securities, Inc., dated 1/29/10, 0.10%, due 2/1/10, proceeds \$4,200,035; collateralized by U.S. Treasury Bonds, 4.375%, due 11/15/39, valued at \$4,306,848 including accrued interest		4,200,000
918	State Street Bank & Trust Co., dated 1/29/10, 0.01%, due 2/1/10, proceeds \$918,001; collateralized by U.S. Treasury Bills, zero coupon, due 2/11/10, valued at \$940,000		918,000
Total Repurchase Agreements (cost-\$6,118,000)			
Total Short-Term Investments (cost-\$41,873,987)			
<b>Total Investments (cost-\$275,380,106) 100.0%</b>			<b>\$291,940,251</b>

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

January 31, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
<b>CORPORATE BONDS &amp; NOTES 60.1%</b>			
<b>Banking 14.9%</b>			
\$2,600	Barclays Bank PLC (i), 7.375%, 12/15/11 (a) (d)	Baa2/BBB+	\$2,483,000
3,000	7.434%, 12/15/17 (a) (d)	Baa2/BBB+	2,872,500
£8,600	14.00%, 6/15/19	Baa2/BBB+	17,535,862
\$2,000	Den Norske Bank ASA, 7.729%, 6/29/11 (a) (d) (i)	A2/BBB	1,920,628
1,400	HBOS PLC, 6.75%, 5/21/18 (a) (d)	Ba1/BBB-	1,371,262
12,175	HSBC Capital Funding L.P., 9.547%, 6/30/10 (a) (d) (i)		