

PCM FUND, INC.
Form N-CSRS
August 27, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-07816

PCM Fund, Inc.

(Exact name of registrant as specified in charter)

1633 Broadway, New York, New York
(Address of principal executive offices)

10019
(Zip code)

Lawrence G. Altadonna 1633 Broadway, New York, New York 10019
(Name and address of agent for service)

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

Date of fiscal year end: December 31, 2012

Date of reporting period: June 30, 2012

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ITEM 1. REPORT TO SHAREHOLDERS

Semi-Annual Report

June 30, 2012

PCM Fund, Inc.

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Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Stockholders:

The U.S. economy slowed during the fiscal six-month reporting period ended June 30, 2012. Growth was held back by a variety of economic and geopolitical factors including increasing gasoline prices and a tepid labor market. Abroad, Europe's deepening sovereign debt crisis also contributed to the slowdown. The increase in corporate earnings since the recession have also appeared to level off, although, U.S. stocks reached their highest levels since early 2008.

The Six Months in Review

For the fiscal six-month period ended June 30, 2012, the PCM Fund returned 13.52% on net asset value (NAV) and 8.05% on market price. The U.S. Treasury market, as measured by the Barclays U.S. Treasury Index, gained 1.08% and the Barclays Mortgage Index, a broad measure of mortgage bond performance, rose 1.67%. The Barclays U.S. Aggregate Index, a broad measure of government and corporate bond performance, advanced 2.37%, while the Barclays U.S. Credit Index, a measure of corporate bond performance, increased 4.55%.

At the beginning of the fiscal period, U.S. gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, was expanding at an annual pace of 3.0%. This growth, the strongest since the second quarter of 2010, declined to 1.9% annually during the first quarter of 2012. Economic data released indicated that the second quarter of 2012 would be similarly anemic.

U.S. consumers, responsible for approximately two-thirds of U.S. economic activity, remained cautious during the period as gasoline prices rose sharply before easing as the period ended. The housing market continued to struggle during the first quarter of 2012, with the Standard & Poor's/Case-Shiller Home Price Index dropping to a new low. Robust hiring experienced at the start of the year also eased, with the economy adding fewer than 100,000 jobs as the reporting period drew to a close. Slight progress was demonstrated during the six month period as the unemployment rate declined from 8.3% to 8.2%.

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U.S. Treasury bond prices rose during the period, as investors perceived the asset class as a safe haven. The benchmark 10-year government bond yield reached historic lows, dropping to as low as 1.47%, and stood at 1.67% at the end of the period.

Market and economic uncertainty contributed to the Federal Reserve's (the Fed's) revelation that it would continue to maintain its closely watched Fed Funds rate

in the 0.0% to 0.25% range through late 2014. In testimony to Congress, Fed Chairman Ben Bernanke indicated that the Fed is prepared to take action to protect the U.S. economy and financial system.

Outlook

There is considerable uncertainty regarding future levels of federal taxes and spending. A series of tax cuts are scheduled to expire on December 31, 2012 and major spending reductions are planned to

begin in January 2013. The possibility of higher taxes, reduced spending, or both, would likely have an adverse impact on the U.S. economy in 2013.

Abroad, the European Union's (E.U.) deepening sovereign debt crisis has had significant ramifications on this side of the Atlantic as the U.S. currently sends approximately 20% of its exports to the E.U. The economic slowdown seen in China also contributed to U.S. economic strains.

For specific information on the Fund and its performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Fund's stockholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources are available on our Web site, www.allianzinvestors.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & CEO

Receive this report electronically and eliminate paper mailings. To enroll, go to www.allianzinvestors.com/edelivery.

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PCM Fund, Inc. Fund Insights

June 30, 2012 (unaudited)

For the fiscal six-month period ended June 30, 2012, PCM returned 13.52% on net asset value (NAV) and 8.05% on market price, outperforming the unmanaged Barclays CMBS Investment Grade Index¹ (the benchmark index), which returned 4.35% during the reporting period.

The U.S. fixed income market experienced periods of volatility during the reporting period, but ultimately generated positive returns amid shifting expectations for the U.S. economy. As the reporting period began, fears of a double-dip recession appeared to be receding as certain economic data was better than expected. This largely continued throughout the first quarter of 2012, as unemployment moved lower and consumer spending accelerated. During this time, both short- and long-term Treasury yields generally rose and most spread sectors (non-U.S. Treasuries) outperformed equal duration Treasuries. Investor sentiment reversed course in April and May 2012 due to fears of contagion from the European sovereign debt crisis and concerns that the U.S. economy may be hitting a soft patch. This triggered increased risk aversion and falling Treasury yields. Spread sectors then rallied in June due to signs of eurozone progress and expectations of additional quantitative easing by the Federal Reserve Board. All told, during the six-months ended June 30, 2012, short-term Treasury yields were relatively flat, long-term Treasury yields declined and the yield curve flattened.

During the reporting period, higher quality, lower yielding securities generally underperformed lower rated, higher yielding investments. For instance, the overall U.S. fixed income market (as measured by the Barclays U.S. Aggregate Index) rose 2.37%, while the Commercial Mortgage-Backed Securities (CMBS) market, as measured by the benchmark index, advanced 4.35%. Within the CMBS market, lower rated securities outperformed higher rated investments, as fixed-rate BBB CMBS returned 7.14%, compared to 3.31% for fixed-rate AAA CMBS.

Spread sector exposures generally produced positive results

The Fund's exposure to the banking sector contributed to performance as this sector outperformed the market during the six-months ended June 30, 2012. The sector was supported by robust fundamentals and strong overall investor demand. Further enhancing performance was the Fund's allocation to non-agency mortgage-backed securities as the sector benefited from periods of strong risk appetite, positive supply/demand technicals and an improved housing market outlook.

Detracting from performance was the Fund's allocation to super-senior CMBS as CMBS positioned high in the capital structure underperformed the lower rated (less senior) portion of the CMBS capital structure.

¹ The Barclays CMBS Investment Grade Index is an index designed to mirror commercial mortgage backed securities (CMBS) of investment grade quality (Baa3/BBB-/BBB- or above) using Moody's, S&P, and Fitch respectively, with maturity of at least one year.

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June 30, 2012 (unaudited)

Total Return ⁽¹⁾ :	Market Price	NAV
Six Month	8.05%	13.52%
1 Year	8.00%	11.24%
5 Year	13.40%	11.00%
10 Year	7.98%	9.06%
Commencement of Operations (9/2/93) to 6/30/12	8.56%	8.78%

Market Price/NAV Performance:

Commencement of Operations (9/2/93) to 6/30/12

Market Price/NAV:

Market Price	\$11.12
NAV	\$10.26
Premium to NAV	8.38%
Market Price Yield ⁽²⁾	8.63%
Leverage Ratio ⁽³⁾	45.59%

Moody's Rating

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. 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 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 less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

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(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to stockholders by the market price per share at June 30, 2012.

(3) Represents Reverse Repurchase Agreements (Leverage) that are outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

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June 30, 2012 (unaudited)

Principal Amount (000s)		Value
MORTGAGE-BACKED SECURITIES 130.9%		
\$552	Adjustable Rate Mortgage Trust, 2.842%, 1/25/36, CMO (f) Banc of America Alternative Loan Trust, CMO,	\$312,765
10	6.25%, 1/25/37	55
736	6.403%, 4/25/37 (f) Banc of America Funding Corp., CMO,	512,146
1,027	2.816%, 12/20/34 (f)	738,641
370	5.631%, 3/20/36 (f)	287,355
1,026	7.00%, 10/25/37	613,285
1,500	Banc of America Large Loan, Inc., 0.712%, 3/15/22, CMO (a)(c)(f)	1,455,779
2,000	Banc of America Merrill Lynch Commercial Mortgage, Inc., 5.414%, 9/10/47, CMO Banc of America Mortgage Securities, Inc., CMO (f),	2,221,671
764	2.678%, 6/20/31	732,802
857	2.793%, 11/25/34	784,110
581	2.891%, 6/25/35 BCAP LLC Trust, CMO (a)(c)(f),	520,842
87	0.445%, 7/26/36	20,790
150	5.033%, 3/26/36	134,598
1,000	BCRR Trust, 5.858%, 7/17/40, CMO (a)(c)(f)(i) Bear Stearns Adjustable Rate Mortgage Trust, CMO (f),	1,019,594
443	3.125%, 5/25/34	406,904
2,000	3.189%, 10/25/35 Bear Stearns Alt-A Trust, CMO (f),	1,602,290
87	2.751%, 5/25/36	37,514
1,271	2.828%, 11/25/36	680,332
114	2.884%, 1/25/47	59,849
622	2.986%, 5/25/36	299,959
374	3.547%, 9/25/34	324,705
1,689	4.394%, 8/25/36	932,456
290	4.92%, 7/25/35	199,572
682	5.543%, 8/25/36	400,264
202	Bear Stearns Asset-Backed Securities Trust, 5.50%, 12/25/35, CMO Bear Stearns Commercial Mortgage Securities, CMO,	174,297
3,000	5.694%, 6/11/50 (f)(i)	3,476,650
1,300	5.714%, 3/13/40 (a)(c)(f)	1,195,176
2,000	5.906%, 6/11/40 (f)(i)	2,298,873
1,000	5.983%, 5/11/39 (a)(c)(f)	1,004,335
524	6.50%, 2/15/32 (b)	27,105
1,383	CBA Commercial Small Balance Commercial Mortgage, 5.54%, 1/25/39, CMO (a)(c)	721,455
770	Chase Mortgage Finance Corp., 6.00%, 3/25/37, CMO Citigroup Commercial Mortgage Trust, CMO (f),	629,449
101,930	0.241%, 5/15/43, IO (a)(c)	930,215
2,500	5.889%, 12/10/49 (i) Citigroup Mortgage Loan Trust, Inc., CMO (f),	2,904,095
549	2.749%, 8/25/35	394,801
658	4.782%, 9/25/35	519,976
666	5.183%, 11/25/36	464,114

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June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
\$4,012	Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/49, CMO (i)	\$4,476,024
179	Citimortgage Alternative Loan Trust, 5.50%, 4/25/22, CMO	175,630
3,000	Commercial Capital Access One, Inc., 7.853%, 11/15/28, CMO (a)(c)(f)	2,210,914
	Commercial Mortgage Pass Through Certificates, CMO (a)(c),	
2,500	5.605%, 6/9/28	2,561,938
690	6.106%, 7/10/46 (f)	664,344
1,500	6.586%, 7/16/34 (i)	1,622,956
1,500	7.007%, 7/16/34 (f)	1,697,669
	Countrywide Alternative Loan Trust, CMO,	
1,631	0.425%, 6/25/47 (f)(i)	880,087
3,921	0.454%, 7/20/46 (f)(i)	1,465,373
508	0.525%, 2/25/37 (f)	273,068
373	0.535%, 2/25/36 (f)	136,098
4,292	1.147%, 12/25/35 (f)(i)	2,448,172
332	6.00%, 11/25/35	163,403
	Countrywide Home Loan Mortgage Pass Through Trust, CMO,	
388	0.565%, 3/25/35 (f)	197,897
41	2.595%, 2/20/36 (f)	30,193
359	2.744%, 9/20/36 (f)	179,562
1,433	5.533%, 9/25/47 (f)(i)	947,504
1,004	6.00%, 5/25/37	808,099
	Credit Suisse First Boston Mortgage Securities Corp., CMO,	
16,439	1.433%, 12/15/35, IO (a)(c)(f)	37,809
134	7.00%, 2/25/33	145,473
1,705	7.46%, 1/17/35 (f)(i)	1,736,418
	Credit Suisse Mortgage Capital Certificates, CMO,	
1,000	5.467%, 7/18/16 (a)(c)(f)	1,011,496
5,000	5.467%, 9/15/39 (i)	5,556,535
416	5.896%, 4/25/36	262,519
326	6.50%, 5/25/36	178,651
1,925	CW Capital Cobalt Ltd., 5.223%, 8/15/48, CMO (i)	2,135,407
3,132	FFCA Secured Lending Corp., 1.081%, 9/18/27, CMO, IO (a)(c)(f)	129,944
341	First Horizon Alternative Mortgage Securities, 2.592%, 8/25/35, CMO (f)	60,841
269	First Horizon Asset Securities, Inc., 2.625%, 4/25/35, CMO (f)	262,390
15,679	FREMF Mortgage Trust, 0.10%, 5/25/20, CMO, IO (e)(f)	87,919
157	G-Force LLC, 5.158%, 12/25/39, CMO (a)(c)	155,334
	GMAC Commercial Mortgage Securities, Inc., CMO (a)(c),	
725	5.539%, 4/10/40 (f)	734,211
1,720	6.50%, 5/15/35	1,783,128
1,500	7.111%, 5/15/30 (d)(f)	260,551
1,500	8.531%, 9/15/35 (f)	1,490,255
	Greenwich Capital Commercial Funding Corp., CMO,	
1,500	5.419%, 1/5/36 (a)(c)(f)	1,515,824
2,000	5.444%, 3/10/39 (i)	2,227,322
	GS Mortgage Securities Corp. II, CMO,	
17,948	1.69%, 8/10/43, IO (a)(c)(f)	1,502,387
6,500	2.633%, 5/10/45, IO (b)(f)	990,311
2,710	4.805%, 3/6/20 (a)(c)(f)	2,711,257

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June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
\$5,750	5.56%, 11/10/39 (i)	\$6,566,986
1,670	6.136%, 8/10/43 (a)(c)(f)	1,616,560
	Harborview Mortgage Loan Trust, CMO (f),	
104	0.433%, 1/19/38	63,009
1,450	0.493%, 1/19/36	772,339
851	5.595%, 6/19/36	537,204
929	Indymac INDA Mortgage Loan Trust, 3.307%, 6/25/37, CMO (f)	701,959
	Indymac Index Mortgage Loan Trust, CMO (f),	
234	1.045%, 11/25/34	147,228
359	5.194%, 5/25/36	174,224
	JPMorgan Chase Commercial Mortgage Securities Corp., CMO,	
61,000	0.573%, 2/15/46, IO (a)(c)(f)	2,006,138
8,064	1.305%, 3/12/39, IO (a)(c)(f)	57,822
4,100	5.708%, 3/18/51 (a)(c)(f)(i)	4,058,660
1,195	5.794%, 2/12/51 (f)	1,389,805
1,400	5.924%, 2/12/49 (f)	1,593,869
700	6.135%, 7/12/37 (a)(c)	702,259
1,150	6.179%, 2/15/51 (f)	1,223,709
	JPMorgan Mortgage Trust, CMO (f),	
420	2.88%, 7/25/35	402,884
21	4.97%, 10/25/35	21,160
	LB Commercial Conduit Mortgage Trust, CMO,	
520	5.60%, 10/15/35 (a)(c)	564,306
950	6.109%, 7/15/44 (f)	1,101,661
1,278	LB-UBS Commercial Mortgage Trust, 5.347%, 11/15/38, CMO (i)	1,446,465
	Lehman Mortgage Trust, CMO,	
1,333	6.00%, 5/25/37	1,169,519
612	6.457%, 4/25/36 (f)	593,849
1,529	Luminent Mortgage Trust, 0.415%, 12/25/36, CMO (f)	894,886
1,746	MASTR Asset Securitization Trust, 6.00%, 6/25/36, CMO (f)	1,439,240
1,500	Merrill Lynch Mortgage Investors, Inc., 7.008%, 12/15/30, CMO (f)	1,568,174
	Merrill Lynch/Countrywide Commercial Mortgage Trust, CMO (i),	
1,500	5.485%, 3/12/51 (f)	1,639,627
2,300	5.70%, 9/12/49	2,535,584
	MLCC Mortgage Investors, Inc., CMO (f),	
557	0.455%, 7/25/30	465,700
428	0.575%, 11/25/29	370,432
148	2.501%, 11/25/35	125,228
540	2.663%, 11/25/35	448,238
	Morgan Stanley Capital I, Inc., CMO,	
70,123	0.447%, 11/12/49, IO (a)(c)(f)	820,050
2,000	5.447%, 2/12/44 (f)(i)	2,274,113
315	5.692%, 4/15/49 (f)	348,074
558	5.809%, 12/12/49	648,749
4,000	6.01%, 11/15/30 (a)(c)(i)	3,968,108
1,177	Morgan Stanley Dean Witter Capital I, 6.50%, 11/15/36, CMO (a)(c)	1,179,005
	Morgan Stanley Mortgage Loan Trust, CMO,	
722	3.090%, 1/25/35 (f)	55,702
891	6.00%, 8/25/37	792,767

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June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
\$1,200	Morgan Stanley Reremic Trust, zero coupon, 7/17/56, CMO, PO (a)(c)	\$1,044,000
	Ocwen Residential MBS Corp., CMO (a)(c)(f),	
23	6.753%, 6/25/39 (d)	119
692	7.00%, 10/25/40 (e)	58,731
	RALI Trust, CMO,	
248	0.425%, 6/25/46 (f)	84,367
784	3.923%, 1/25/36 (f)	447,257
613	6.00%, 8/25/35	517,496
627	6.50%, 9/25/37	369,780
	RBSCF Trust, CMO (a)(c)(f),	
1,000	5.223%, 8/16/48	1,001,121
1,000	5.331%, 2/16/44	1,023,481
1,000	5.336%, 5/16/47 (i)	1,036,396
2,744	6.068%, 2/17/51 (i)	2,613,191
697	Regal Trust IV, 2.64%, 9/29/31, CMO (a)(c)(f)	616,671
484	Residential Asset Securitization Trust, 6.00%, 3/25/37, CMO	311,880
870	RFMSI Trust, 6.00%, 6/25/36, CMO	716,599
	RMF Commercial Mortgage Pass Through Certificates, CMO (a)(c),	
135	7.471%, 1/15/19	135,612
265	9.35%, 1/15/19 (f)	264,110
	Structured Adjustable Rate Mortgage Loan Trust, CMO (f),	
969	5.214%, 11/25/36	802,253
1,224	5.334%, 4/25/36	816,527
500	5.399%, 9/25/36	332,524
795	5.435%, 1/25/36	543,570
1,581	Structured Asset Mortgage Investments, Inc., 0.455%, 8/25/36, CMO (f)	873,380
323	Structured Asset Securities Corp., 5.00%, 5/25/35, CMO	326,604
325	TBW Mortgage-Backed Pass Through Certificates, 6.00%, 7/25/36, CMO	161,809
1,500	TIAA Retail Commercial Trust, 5.77%, 6/19/33, CMO (a)(c)	1,555,969
	Wachovia Bank Commercial Mortgage Trust, CMO,	
32,414	1.08%, 10/15/41, IO (a)(c)(f)	563,790
2,500	5.188%, 2/15/41 (a)(c)(f)(i)	2,362,760
1,000	5.509%, 4/15/47	1,098,753
5,044	5.605%, 2/15/35 (a)(c)(f)(i)	5,012,896
1,825	6.097%, 2/15/51 (f)(i)	2,036,112
1,000	WaMu Commercial Mortgage Securities Trust, 6.303%, 3/23/45, CMO (a)(c)(f)	754,169
976	WaMu Mortgage Pass Through Certificates, 2.655%, 12/25/36, CMO (f)(i)	673,572
3,385	Washington Mutual Alternative Mortgage Pass Through Certificates,	
	6.50%, 8/25/36, CMO	1,921,058
180	Wells Fargo Alternative Loan Trust, 5.50%, 7/25/22, CMO	170,725
900	Wells Fargo Mortgage-Backed Securities Trust, 5.662%, 10/25/36, CMO (f)	801,426
	WF-RBS Commercial Mortgage Trust, CMO, IO (a)(c)(f),	
2,273	1.042%, 6/15/44	92,489
31,582	1.346%, 2/15/44 (i)	1,665,670
Total Mortgage-Backed Securities (cost-\$142,886,153)		154,245,891

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June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
CORPORATE BONDS & NOTES 29.5%		
Airlines 2.5%		
\$305	Northwest Airlines, Inc., 1.217%, 11/20/15, (MBIA) (f)(i)	\$293,550
	United Air Lines Pass Through Trust (i),	
779	6.636%, 1/2/24	814,304
835	9.75%, 7/15/18	949,683
728	10.40%, 5/1/18	830,916
		2,888,453
Banking 4.0%		
2,200	Discover Bank, 7.00%, 4/15/20 (i)	2,566,018
2,000	Regions Financial Corp., 7.75%, 11/10/14 (i)	2,165,000
		4,731,018
Construction & Engineering 0.9%		
1,111	Alion Science and Technology Corp., 12.00%, 11/1/14, PIK (i)	1,047,117
Diversified Manufacturing 0.5%		
900	Colt Defense LLC, 8.75%, 11/15/17 (i)	563,625
Energy 0.8%		
950	Consol Energy, Inc., 8.00%, 4/1/17 (i)	990,375
Financial Services 10.6%		
	Ally Financial, Inc.,	
10	5.90%, 1/15/19	9,187
20	6.00%, 2/15/19	18,549
106	6.00%, 3/15/19	98,555
30	6.15%, 3/15/16	28,723
20	6.30%, 8/15/19	18,804
16	6.50%, 10/15/16	15,457
23	6.65%, 6/15/18	22,175
25	6.70%, 6/15/18	23,885
19	6.75%, 8/15/16	18,646
12	6.75%, 6/15/17	11,612
18	6.75%, 9/15/18	17,256
35	6.75%, 10/15/18	33,661
2	6.80%, 10/15/18	1,920
12	6.85%, 4/15/16	11,736
174	6.90%, 8/15/18	169,384
30	7.00%, 6/15/17	28,809
3	7.00%, 2/15/18	2,915
100	7.00%, 3/15/18	97,495
5	7.00%, 5/15/18	4,840
55	7.00%, 8/15/18	53,649
14	7.05%, 3/15/18	13,395
32	7.05%, 4/15/18	31,002
6	7.15%, 9/15/18	5,854
60	7.20%, 10/15/17	58,841
5	7.25%, 9/15/17	4,891

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38 7.25%, 4/15/18

37,375

60 7.25%, 8/15/18

58,154

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June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
Financial Services (continued)		
\$30	7.25%, 9/15/18	\$29,475
195	7.30%, 12/15/17	189,700
102	7.30%, 1/15/18	99,284
76	7.35%, 4/15/18	74,987
20	7.375%, 11/15/16	19,614
36	7.40%, 12/15/17	34,853
14	7.50%, 8/15/17	13,694
12	7.50%, 11/15/17	11,654
8	7.75%, 10/15/17	7,891
19	8.00%, 10/15/17	18,792
18	8.00%, 11/15/17	17,709
5	8.20%, 3/15/17	4,998
322	9.00%, 7/15/20	322,176
1,000	Cantor Fitzgerald L.P., 7.875%, 10/15/19 (a)(c)(i)	1,001,179
800	CIT Group, Inc., 5.25%, 4/1/14 (a)(c)(i)	832,000
1,000	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37) (i)	1,005,000
	Ford Motor Credit Co. LLC (i),	
1,000	6.625%, 8/15/17	1,139,224
500	8.00%, 12/15/16	592,854
1,600	International Lease Finance Corp., 7.125%, 9/1/18 (a)(c)(i)	1,772,000
1,200	Morgan Stanley, 0.947%, 10/15/15 (f)(i)	1,069,872
	SLM Corp. (i),	
1,000	8.00%, 3/25/20	1,100,000
1,100	8.45%, 6/15/18	1,237,500
1,000	Stone Street Trust, 5.902%, 12/15/15 (a)(c)(i)	1,023,921
		12,515,147
Hotels/Gaming 1.0%		
1,100	MGM Resorts International, 9.00%, 3/15/20 (i)	1,226,500
Insurance 2.9%		
	American International Group, Inc. (i),	
500	5.45%, 5/18/17	544,193
1,350	6.25%, 5/1/36	1,569,167
1,100	6.40%, 12/15/20	1,247,516
		3,360,876
Oil & Gas 0.2%		
285	Global Geophysical Services, Inc., 10.50%, 5/1/17 (i)	272,888
Paper/Paper Products 1.0%		
1,000	Weyerhaeuser Co., 7.375%, 3/15/32 (i)	1,121,054
Real Estate Investment Trust 1.9%		
2,000	SL Green Realty Corp., 7.75%, 3/15/20 (i)	2,286,408
Retail 2.6%		
	CVS Pass Through Trust (i),	
1,655	5.88%, 1/10/28	1,818,537

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953 7.507%, 1/10/32 (a)(c)

1,187,328

3,005,865

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Table of Contents**PCM Fund, Inc. Schedule of Investments**

June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
Utilities	0.6%	
\$250	Dynegy Holdings, Inc., 7.125%, 5/15/18 (d)	\$168,750
500	Energy Future Holdings Corp., 10.00%, 1/15/20 (i)	536,250
		705,000
Total Corporate Bonds & Notes (cost-\$30,933,357)		34,714,326
ASSET-BACKED SECURITIES	8.7%	
181	Advanta Business Card Master Trust, 0.494%, 6/20/14 (b)(f)	172,468
97	Ameriquest Mortgage Securities, Inc., 5.87%, 2/25/33 (f)	6,686
154	Asset-Backed Securities Corp. Home Equity, 2.994%, 6/21/29 (f)	32,016
448	Associates Manufactured Housing Pass Through Certificates, 7.15%, 3/15/28 (f)	449,993
515	Bayview Financial Acquisition Trust, 0.525%, 12/28/36 (f)	376,944
	Bear Stearns Asset-Backed Securities Trust (f),	
88	0.625%, 6/25/36	69,366
959	3.183%, 7/25/36	651,305
1,298	Bombardier Capital Mortgage Securitization Corp., 7.83%, 6/15/30 (f)	714,546
762	Denver Arena Trust, 6.94%, 11/15/19 (a)(c)	781,267
777	EMC Mortgage Loan Trust, 0.895%, 2/25/41 (a)(c)(f)	650,520
303	GE Mortgage Services LLC, 6.705%, 4/25/29 (f)	274,139
199	GSAA Trust, 0.515%, 6/25/35 (f)	175,008
6,250	Indymac Residential Asset Backed Trust, 0.485%, 4/25/47 (f)(i)	2,264,734
56	Keystone Owner Trust, 9.00%, 1/25/29 (a)(c)	54,271
709	Lehman XS Trust, 5.42%, 11/25/35	672,941
2,455	Merrill Lynch First Franklin Mortgage Loan Trust, 0.485%, 5/25/37 (f)	1,047,158
630	Merrill Lynch Mortgage Investors, Inc., 0.745%, 6/25/36 (f)	340,791
797	Oakwood Mortgage Investors, Inc., 6.89%, 11/15/32 (f)	245,632
85	RAMP Trust, 0.615%, 9/25/32 (f)	55,652
66	Southern Pacific Secured Asset Corp., 0.585%, 7/25/29 (f)	50,674
68	Structured Asset Investment Loan Trust, 4.745%, 10/25/33 (f)	7,343
1,000	UCFC Manufactured Housing Contract, 7.90%, 1/15/28 (f)	1,010,406
1,856	UPS Capital Business Credit, 3.489%, 4/15/26 (b)(f)	112,289
Total Asset-Backed Securities (cost-\$11,682,967)		10,216,149
U.S. GOVERNMENT AGENCY SECURITIES	2.0%	
	Freddie Mac, CMO, IO (f),	
3,150	0.837%, 1/25/21	128,521
10,500	3.615%, 6/25/46	2,223,078
Total U.S. Government Agency Securities (cost-\$2,374,622)		2,351,599
MUNICIPAL BONDS	1.6%	
Arkansas	0.7%	
795	Little Rock Municipal Property Owners Multipurpose Improvement Dist. No. 10, Special Tax, Capital Improvement Projects, 7.20%, 3/1/32, Ser. B	791,693
Virginia	0.3%	

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355 Lexington Industrial Dev. Auth. Rev., 8.00%, 1/1/15, Ser. C

354,734

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Table of Contents**PCM Fund, Inc. Schedule of Investments**

June 30, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
West Virginia 0.6%		
\$930	Tobacco Settlement Finance Auth. Rev., 7.467%, 6/1/47, Ser. A	\$701,210
Total Municipal Bonds (cost-\$2,016,395)		1,847,637
Shares		
COMMON STOCK 0.0%		
Oil, Gas & Consumable Fuels 0.0%		
1,294	SemGroup Corp., Class A (h) (cost-\$33,638)	41,309
Units		
WARRANTS 0.0%		
Construction & Engineering		
1,100	Alion Science and Technology Corp., expires 11/1/14 (a)(c)(h)	11
Oil, Gas & Consumable Fuels 0.0%		
1,362	SemGroup Corp., expires 11/30/14 (h)	12,325
Total Warrants (cost-\$6,139)		12,336
Principal Amount (000s)		
SHORT-TERM INVESTMENTS 9.0%		
U.S. Treasury Obligations (g)(j) 4.9%		
\$5,791	U.S. Treasury Bills, 0.13%, 8/23/12 (cost-\$5,789,911)	5,789,911
Repurchase Agreements 2.2%		
2,100	JPMorgan Securities, Inc., dated 6/29/12, 0.20%, due 7/2/12, proceeds \$2,100,035; collateralized by U.S. Treasury Notes, 1.125%, due 12/15/12, valued at \$2,145,456 including accrued interest	2,100,000
500	Morgan Stanley & Co., dated 6/29/12, 0.20%, due 7/2/12, proceeds \$500,008; collateralized by U.S. Treasury Bonds, 6.125%, due 11/15/27, valued at \$510,249 including accrued interest	500,000
Total Repurchase Agreements (cost-\$2,600,000)		2,600,000
Corporate Notes 1.8%		
Financial Services 0.1%		
100	Ally Financial, Inc., 7.125%, 8/15/12	99,994
Insurance 1.7%		
2,000	American International Group, Inc., 4.25%, 5/15/13 (i)	2,042,014
Total Corporate Notes (cost-\$1,937,214)		2,142,008

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Municipal Bonds	0.1%		
Iowa	0.1%		
		55 Dickinson Cnty. Rev., Spirit Lake, 7.75%, 12/1/12, Ser. B (cost-\$55,000)	55,781
Total Short-Term Investments (cost-\$10,382,125)			10,587,700
Total Investments (cost-\$200,315,396)			214,016,947
Liabilities in excess of other assets (81.7%)			(96,217,785)
Net Assets			100%
			\$117,799,162

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PCM Fund, Inc. Notes to Schedule of Investments

June 30, 2012 (unaudited) (continued)

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$68,648,539, representing 58.3% of net assets.
- (b) Illiquid.
- (c) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (d) In default.
- (e) Fair-Valued Securities with an aggregate value of \$146,650, representing 0.1% of net assets. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (f) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on June 30, 2012.
- (g) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (h) Non-income producing.
- (i) All or partial amount transferred for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (j) Rates reflect the effective yields at purchase date.

Glossary:

CMO	-	Collateralized Mortgage Obligation
FRN	-	Floating Rate Note
IO	-	Interest Only
MBIA	-	insured by Municipal Bond Investors Assurance
MBS	-	Mortgage-Backed Securities
PIK	-	Payment-in-Kind
PO	-	Principal Only

14 PCM Fund, Inc. Semi-Annual Report 6.30.12 **See accompanying Notes to Financial Statements**

Table of Contents**PCM Fund, Inc. Statement of Assets and Liabilities**

June 30, 2012 (unaudited)

Assets:	
Investments, at value (cost-\$200,315,396)	\$214,016,947
Cash	96,140
Unsettled reverse repurchase agreements	7,308,000
Interest receivable	1,478,498
Unrealized appreciation of OTC swaps	643,858
Swap premiums paid	146,950
Receivable from broker	15,017
Receivable for terminated swaps	11
Prepaid expenses	12,882
Total Assets	223,718,303
Liabilities:	
Payable for reverse repurchase agreements	98,701,000
Swap premiums received	5,871,755
Dividends payable to stockholders	918,919
Investment management fees payable	141,124
Interest payable for reverse repurchase agreements	110,528
Unrealized depreciation of OTC swaps	70,974
Payable for terminated swaps	8,166
Accrued expenses	96,675
Total Liabilities	105,919,141
Net Assets	\$117,799,162
Composition of Net Assets:	
Common Stock:	
Par value (\$0.001 per share, applicable to 11,486,496 shares issued and outstanding)	\$11,486
Paid-in-capital in excess of par	147,238,089
Undistributed net investment income	987,453
Accumulated net realized loss	(44,712,301)
Net unrealized appreciation of investments and swaps	14,274,435
Net Assets	\$117,799,162
Net Asset Value Per Share	\$10.26

See accompanying Notes to Financial Statements 6.30.12 PCM Fund, Inc. Semi-Annual Report 15

Table of Contents**PCM Fund, Inc. Statement of Operations**

Six months ended June 30, 2012 (unaudited)

Investment Income:	
Interest	\$7,637,188
Expenses:	
Investment management fees	847,849
Interest expense	516,206
Audit and tax services	32,970
Stockholder communications	32,129
Custodian and accounting agent fees	25,869
Transfer agent fees	18,162
Legal fees	14,425
New York Stock Exchange listing fees	8,471
Directors' fees and expenses	5,857
Insurance expense	2,506
Miscellaneous	7,872
Total Expenses	1,512,316
Net Investment Income	6,124,872
Realized and Change in Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments	(553,184)
Swaps	278,150
Net change in unrealized appreciation/depreciation of:	
Investments	7,772,198
Swaps	745,836
Net realized and change in unrealized gain on investments and swaps	8,243,000
Net Increase in Net Assets Resulting from Investment Operations	\$14,367,872

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Table of Contents**PCM Fund, Inc. Statement of Changes in Net Assets**

	Six Months ended June 30, 2012 (unaudited)	Year ended December 31, 2011
Investment Operations:		
Net investment income	\$6,124,872	\$12,966,180
Net realized gain (loss) on investments and swaps	(275,034)	690,814
Net change in unrealized appreciation/depreciation of investments and swaps	8,518,034	(6,017,074)
Net increase in net assets resulting from investment operations	14,367,872	7,639,920
Dividends to Stockholders from Net investment income	(5,511,286)	(12,153,003)
Capital Share Transactions:		
Reinvestment of dividends	132,282	303,054
Total increase (decrease) in net assets	8,988,868	(4,210,029)
Net Assets:		
Beginning of period	108,810,294	113,020,323
End of period (including undistributed net investment income of \$987,453 and \$373,867, respectively)	\$117,799,162	\$108,810,294
Shares issued in reinvestment of dividends	12,659	29,412

See accompanying Notes to Financial Statements 6.30.12 PCM Fund, Inc. Semi-Annual Report 17

Table of Contents**PCM Fund, Inc. Statement of Cash Flows**

Six months ended June 30, 2012 (unaudited)

Increase in Cash from:**Cash Flows provided by Operating Activities:**

Net increase in net assets resulting from investment operations \$14,367,872

Adjustments to reconcile net increase in net assets resulting from investment operations to net cash provided by operating activities:

Purchases of long-term investments (16,049,217)

Proceeds from sales of long-term investments 13,941,629

Sales of short-term portfolio investments, net 617,464

Net change in unrealized appreciation/depreciation of investments and swaps (8,518,034)

Net realized loss on investments and swaps 275,034

Net amortization premium on investments (506,121)

Decrease in receivable for investments sold 70,000

Increase in unsettled reverse repurchase agreements 412,000

Increase in interest receivable (36,748)

Increase in prepaid expenses (10,376)

Increase in periodic and termination payments of swaps 5,782,866

Increase in investment management fees payable 874

Decrease in interest payable for reverse repurchase agreements (3,754)

Decrease in accrued expenses (23,386)

Net cash provided by operating activities* 10,320,103**Cash Flows used for Financing Activities:**

Decrease in payable for reverse repurchase agreements (3,700,000)

Cash dividends paid (excluding reinvestment of dividends of \$132,282) (6,525,376)

Net cash used for financing activities (10,225,376)**Net increase in cash** 94,727**Cash at beginning of period** 1,413**Cash at end of period** \$96,140

* Included in operating expenses is cash paid by the Fund for interest primarily related to participation in reverse repurchase agreement transactions of \$519,960.

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PCM Fund, Inc. Notes to Financial Statements

June 30, 2012 (unaudited)

1. Organization and Significant Accounting Policies

PCM Fund, Inc. (the Fund) commenced operations on September 2, 1993. The Fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company organized as a Maryland corporation. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Fund's investment manager and is an indirect, wholly-owned subsidiary of Allianz Asset Management of America L.P. (AAM). AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. The Fund has the authority to issue 300 million shares of \$0.001 par value common stock.

The Fund's primary investment objective is to achieve high current income. Capital gain from the disposition of investments is a secondary objective of the Fund. There can be no assurance that the Fund will meet its stated objectives.

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

In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

In December 2011, the FASB issued ASU No. 2011-11, "Disclosures About Offsetting Assets and Liabilities," which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial and derivative instruments. The amendments are effective for fiscal years beginning on or after January 1, 2013. Fund management is currently evaluating the effect that the guidance may have on its financial statements.

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

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. 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.

The Board of Directors has adopted methods for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Pacific Investment Management

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Company LLC (the Sub-Adviser), an affiliate of the Investment Manager. The Valuation Committee has been established by the Board to oversee the implementation of the Fund s valuation methods and to make fair value determinations on behalf of the Board as instructed. The Sub-Adviser monitors the continual appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Benchmark pricing procedures are used as the basis for setting the base price of a fixed-income security and for subsequently adjusting the price proportionally to market value changes of a pre-determined security deemed to be

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PCM Fund, Inc. Notes to Financial Statements

June 30, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Committee. The validity of the fair value is reviewed by the Sub-Adviser on a periodic basis and may be amended as the availability of market data indicates a material change.

If third party evaluated vendor pricing is neither available nor deemed to be reliable of fair value, the Sub-Adviser may elect to obtain market quotations (broker quotes) directly from a broker-dealer.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold, and these differences could be material to the Fund's financial statements. The Fund's net asset value (NAV) is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.* the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committee's own assumptions and single source broker quotes in determining the fair value of investments)

The inputs or methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with GAAP:

Equity Securities (Common and Preferred Stock) Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

U.S. Treasury Obligations U.S. Treasury obligations are valued by independent pricing services based on pricing m