BLACK HILLS CORP /SD/
Form 424B2
November 12, 2010

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-150669

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Offered	Amount to be registered(1)	Maximum Offering Price Per Security	Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Common Stock (par value $1.00 per share)	4,600,000	$ 29.75	$ 136,850,000	$ 9,757.41

(1) Includes up to 600,000 shares that may be issued upon exercise of the underwriters' over-allotment option.

(2) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

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Prospectus supplement
To prospectus dated October 22, 2009

4,000,000 Shares

Black Hills Corporation

Common Stock

We have entered into a forward sale agreement with an affiliate of J.P. Morgan Securities LLC, whom we refer to as the forward purchaser. J.P. Morgan Securities LLC, as agent for an affiliate of the forward purchaser, and whom we refer to as the forward seller, is, at our request, borrowing from third parties and selling to the underwriters 4,000,000 shares of our common stock in connection with a forward sale agreement between us and the forward purchaser. If, in the forward seller's commercially reasonable judgment, it is unable to borrow and deliver for sale on the anticipated closing date such number of shares of our common stock, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date such number of shares of our common stock, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date such number of shares of our common stock, then we will issue and sell to the underwriters a number of shares equal to the number of shares that the forward seller does not borrow and sell.

We will not initially receive any proceeds from the sale of the shares of our common stock offered hereby, except in certain circumstances described in this prospectus supplement. Although we expect to fully physically settle the forward sale agreement entirely by delivering shares of our common stock in exchange for cash proceeds on a date or dates specified by us within approximately 12 months of the date of this prospectus supplement, we may elect cash or net share settlement for all or a portion of our obligations under the forward sale agreement if we conclude it is in our best interest to do so. See "Underwriting Forward sale agreement" for a description of the forward sale agreement.

Our common stock is listed on the New York Stock Exchange under the symbol "BKH." On November 10, 2010, the closing price of our common stock on the New York Stock Exchange was $31.00 per share.

	Per share	**Total**
Public offering price	$ 29.75	$ 119,000,000
Underwriting discounts and commissions	$ 1.04125	$ 4,165,000
Proceeds to Black Hills, before expenses(1)	$ 28.70875	$ 114,835,000

(1) Depending on the price of our common stock at the time of settlement of the forward sale agreement and the relevant settlement method, we may receive proceeds upon settlement of the forward sale agreement, which settlement must occur no later than approximately 12 months after the date of this prospectus supplement. For the purposes of

calculating the aggregate net proceeds to us, we have assumed that the forward sale agreement is fully physically settled based on the initial forward sale price of $28.70875 (which is the public offering price of our common stock, less the underwriting discount shown above). The forward sale price is subject to adjustment pursuant to the terms of the forward sale agreement, and the actual proceeds, if any, will be calculated as described in this prospectus supplement. Unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sale agreement.

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase from us directly up to an additional 600,000 shares of common stock, solely to cover over-allotments. We may elect, in our sole discretion if such option is exercised, that such additional shares of common stock be sold by the forward seller to the underwriters (in which case we will enter into an additional forward sale agreement with the forward purchaser in respect of the number of shares that are subject to the exercise of the underwriters' over-allotment option). Unless the context requires otherwise, the term "forward sale agreement" as used in this prospectus supplement includes any additional forward sale agreement that we elect to enter into in connection with the exercise, by the underwriters, of their over-allotment option. In the event that we enter into an additional forward sale agreement and elect that any additional shares be sold by the forward seller to the underwriters, if, in the forward seller's commercially reasonable judgment, it is unable to borrow and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, then we will issue and sell to the underwriters a number of shares equal to the number of shares that the forward seller does not borrow and sell.

Investing in our common stock involves a high degree of risk. See "Risk factors" beginning on page S-14 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriters are offering the shares of our common stock as set forth under "Underwriting." The underwriters expect to deliver the shares to investors on or about November 17, 2010.

Joint Book-Running Managers

J.P. Morgan **BMO Capital Markets** **RBC Capital Markets** **Credit Suisse**

Co-Managers

Credit Agricole CIB	**D.A. Davidson & Co.**	**Mitsubishi UFJ Securities**
Piper Jaffray	**RBS**	**Scotia Capital**

November 10, 2010

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus that we may provide to you. We have not authorized anyone to provide you with different or additional information. Further, you should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock. The second part is the accompanying prospectus, which gives more general information. To the extent the information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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Notice to investors

This prospectus supplement and the accompanying prospectus do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this prospectus supplement or the accompanying prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is permitted to purchase the securities under applicable law.

This prospectus supplement and the accompanying prospectus contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

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Forward-looking statements

This prospectus supplement and the accompanying prospectus include "forward-looking statements" as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this prospectus supplement and the accompanying prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. These forward-looking statements are based on assumptions that we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. Whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the Risk factors set forth in this prospectus supplement and in the reports that we file with the SEC from time to time, and the following:

Macro- and micro-economic changes in the economy and energy industry, including the impact of (i) consolidations and changes in competition and (ii) general economic and political conditions, including tax rates or policies and inflation rates;

The timing, volatility and extent of changes in energy and commodity prices, supply or volume, the cost and availability of transportation of commodities, changes in interest or foreign exchange rates, and the demand for our services, any of which can affect our earnings, our financial liquidity and the underlying value of our assets;

Our ability to comply, or to make expenditures required to comply, with changes in laws and regulations, particularly those relating to energy markets, taxation, safety and protection of the environment, and our ability to recover those expenditures in customer rates, where applicable;

Federal and state laws concerning climate change and air emissions, including emission reduction mandates, carbon emissions and renewable energy portfolio standards, which may materially increase our generation and production costs and could render some of our generating units uneconomical to operate and maintain, or which could require closure of one or more of our generating units;

Changes in business, regulatory compliance and financial reporting practices arising from the enactment of the Energy Policy Act of 2005 and subsequent rules and regulations promulgated thereunder;

The effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and the regulations to be adopted thereunder on our use of oil and natural gas derivative instruments in connection with our energy marketing activities and to hedge our expected production of oil and natural gas and on our use of interest rate derivative instruments;

Changes in state laws or regulations that could cause us to curtail our independent power production or exploration and production activities;

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Our ability to successfully integrate and profitably operate any recent and future acquisitions;

Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and receive favorable rulings in periodic applications to recover costs for fuel, transportation, transmission and purchased power in our regulated utilities;

Our ability to receive regulatory approval to recover in rate base our expenditures for new power generation facilities or other utility infrastructure;

Our ability to recover our borrowing costs, including debt service costs, in our utility customer rates;

The extent of our success in connecting natural gas supplies to gathering, processing and pipeline systems;

Our ability to minimize losses related to defaults on amounts due from customers and counterparties, including counterparties to trading and other commercial transactions;

The timing and extent of scheduled and unscheduled outages of power generation facilities;

Our ability to complete the permitting, construction, start-up and operation of power generating facilities in a cost-effective and timely manner;

Our ability to accurately estimate demand from our customers for natural gas;

Weather and other natural phenomena;

Our ability to meet production targets for our oil and gas properties, which may be dependent upon issuance by federal, state and tribal governments, or agencies thereof, of drilling, environmental and other permits, and the availability of specialized contractors, work force and equipment, or the possibility of reductions in our drilling program resulting from the current economic climate and commodity prices, which also may prevent us from maintaining production rates and replacing reserves for our oil and gas properties;

The amount of collateral required to be posted from time to time in our transactions;

Our ability to effectively use derivative financial instruments to hedge commodity price, currency exchange rate and interest rate risks;

Our ability to provide accurate estimates of proved oil and gas reserves, coal reserves and future production rates and associated costs;

Price risk due to marketable securities held as investments in employee benefit plans;

Our ability to successfully maintain our corporate credit rating;

Our ability to access revolving credit capacity and comply with loan covenants;

Capital market conditions and market uncertainties related to interest rates, which may affect our ability to raise capital on favorable terms;

The amount and timing of capital deployment in new investment opportunities or for the repurchase of debt or stock;

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- Our ability to continue paying a regular quarterly dividend;
- Our ability to obtain permanent financing for capital expenditures on reasonable terms either through long-term debt or the issuance of equity;
- The effect of accounting policies issued periodically by accounting standard-setting bodies;
- The accounting treatment and earnings impact associated with interest rate swaps;
- The possibility that we may be required to take impairment charges to reduce the carrying value of some of our long-lived assets when indicators of impairment emerge;
- The possibility that we may be required to take impairment charges under the SEC's full cost ceiling test for the accumulated costs of our natural gas and oil reserves;
- The outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements on our financial condition or results of operations;
- Additional liabilities for environmental conditions, including remediation and reclamation obligations, under environmental laws;
- Our ability to successfully complete labor negotiations with labor unions with whom we have collective bargaining agreements and for which we are currently in, or are soon to be in, contract renewal negotiations; and
- The cost and effects on our business, including insurance, resulting from terrorist actions or responses to such actions or events.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

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Summary

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein and may not contain all of the information that is important to you. You should carefully read the more detailed information in the rest of this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein about us and the common stock being sold in this offering, including "Risk factors," and the information to which we have referred you, including our consolidated financial statements and the related notes. Unless the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Black Hills," the "Company," "we," "us" and "our" refer to Black Hills Corporation and its subsidiaries.

About Black Hills Corporation

We are a diversified energy company. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941 and began selling and marketing various forms of energy on an unregulated basis in 1956. We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy.

Utilities Group

Our Utilities Group conducts business in two segments: Electric Utilities and Gas Utilities.

Electric Utilities

Our Electric Utilities segment conducts operations through the following subsidiaries: Black Hills Power, Inc. ("Black Hills Power"), which operates in South Dakota, Wyoming and Montana; Cheyenne Light, Fuel & Power Company ("Cheyenne Light"), which operates in Wyoming; and Colorado Electric Utility Company, LP ("Colorado Electric"), which operates in Colorado and was acquired by us as part of our acquisition of Aquila, Inc.'s ("Aquila") regulated electric utility in Colorado and its regulated gas utilities in Colorado, Kansas, Nebraska and Iowa in July 2008 (the "Aquila Transaction"). Cheyenne Light's gas distribution operations are also included in this segment. Our electric utilities generate, transmit and distribute electricity to approximately 201,300 customers in Colorado, Montana, South Dakota and Wyoming, and distribute natural gas to roughly 34,100 customers in the vicinity of Cheyenne, Wyoming. Annual energy sales in 2009 were approximately 6.7 million megawatt-hours of electricity and 4.7 billion cubic feet ("Bcf") of gas. Energy sales for the first three quarters of 2010 were approximately 5.2 million megawatt-hours of electricity and 3.4 Bcf of gas. We supply electricity principally to our own distribution systems and various wholesale customers under long-term contracts utilizing our utilities' electric generating facilities and purchased power contracts. Additionally, we sell excess power to other utilities and marketing companies, including affiliates.

Our owned interests in net electric generation capacity is 687 megawatts ("MW"). We also have long-term power purchase agreements that contribute toward meeting our capacity and electric supply needs.

Colorado Electric currently has a power purchase agreement with the Public Service Company of Colorado ("PSCo") under which Colorado Electric is entitled to purchase up to 300 MW of energy and capacity to supply its customers in each of 2010 and 2011. This agreement expires at the end of

2011. During 2009, Colorado Electric received approval from the Colorado Public Utilities Commission (the "CPUC") to build power generation facilities representing 180 MW. These generation facilities are part of a plan to replace the capacity and energy supplied under the power purchase agreement with PSCo. The remaining 200 MW of capacity and energy needed for Colorado Electric will be provided by our Power Generation segment through a 20-year power purchase agreement.

Black Hills Power owns an electric transmission system of 1,007 miles of high voltage transmission lines (greater than 69 Kilovolts ("KV")) and 2,403 miles of low voltage lines (69 or fewer KV) within South Dakota and Wyoming, and jointly owns with Basin Electric Power Cooperative ("Basin Electric") and Powder River Energy Corporation 47 miles of high voltage lines in southwest South Dakota and northeast Wyoming. Black Hills Power also owns a 35% interest in a transmission tie that interconnects the western and eastern transmission grids, which are independently operated transmission grids serving the western United States and eastern United States, respectively. This transmission tie, which is 65% owned by Basin Electric, is one of only eight direct current ties connecting the two grids. The total transfer capacity of the tie is 400 MW (200 MW from west to east and 200 MW from east to west). Cheyenne Light owns an electric transmission system consisting of 25 miles of high voltage transmission lines and 1,172 miles of low voltage transmission lines in Wyoming. Colorado Electric owns an electric transmission system consisting of 509 miles of high voltage transmission lines and 3,019 miles of low voltage transmission lines in Colorado.

Gas Utilities

Our Gas Utilities segment conducts operations as "Black Hills Energy" through the following subsidiaries: Black Hills Colorado Gas Utility Company, LP, Black Hills Iowa Gas Utility Company, LLC, Black Hills Kansas Gas Utility Company, LLC, and Black Hills Nebraska Gas Utility Company, LLC, all of which we acquired in July 2008 as part of the Aquila Transaction. Our gas utilities distribute natural gas to approximately 518,950 customers in Colorado, Iowa, Kansas and Nebraska. We have stable customer counts and 100% fuel cost pass-through in each jurisdiction in which we operate, which allow for additional cash flow stability. Total natural gas sales for this segment were 112 Bcf in 2009 and 83.5 Bcf in the first three quarters of 2010.

Non-regulated Energy Group

Our Non-regulated Energy Group conducts business through four segments: Oil and Gas, Coal Mining, Energy Marketing and Power Generation.

Oil and Gas

Our Oil and Gas segment acquires, explores for, develops and produces natural gas and crude oil to be sold into the commodity markets. At December 31, 2009, we held operating interests in oil and gas properties, including approximately 628 gross and 580 net wells located in the San Juan Basin of New Mexico and Colorado, the Powder River and Big Horn Basins of Wyoming, the Piceance Basin of Colorado and the Nebraska section of the Denver Julesberg Basin. At December 31, 2009, we held non-operated interests in oil and natural gas properties including approximately 686 gross and 90 net wells located in several states including California, Colorado, Louisiana, Montana, North Dakota, Oklahoma, Texas and Wyoming. At December 31, 2009, we had total reserves of approximately 119 billion cubic feet equivalent ("Bcfe") of natural gas and crude oil. Our 2009 annual production of natural gas and crude oil was approximately 12 Bcfe. Our production of natural gas and crude oil in the first three quarters of 2010 was approximately 8 Bcfe. Additionally,

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we own and operate natural gas gathering, compression and treating facilities in our San Juan and Piceance Basin operations, and a 44.7% non-operated interest in a gas processing plant adjacent to certain of our properties in Wyoming.

Coal Mining

Our Coal Mining segment mines and processes low-sulfur, sub-bituminous coal near Gillette, Wyoming. Our Wyodak mine is located in the Powder River Basin, one of the largest coal reserves in the United States, and had production of approximately 6.0 million tons in 2009 and approximately 4.3 tons in the first three quarters of 2010. Our mining rights to the coal are based on four federal leases and one state lease. As of December 31, 2009, we had coal reserves of approximately 268 million tons, based on internal engineering studies. The reserve life is equal to approximately 41 years at expected production levels. We sell substantially all of our coal production under mid- and long-term contracts to our electric utility subsidiaries and to PacifiCorp, a diversified energy company and co-owner of the Wyodak power plant located adjacent to our Wyodak mine. During 2010, our coal mining operations began selling coal to the 110 MW Wygen III plant which began commercial operations on April 1, 2010. Wygen III is operated by Black Hills Power and is jointly owned by Black Hills Power, Montana Dakota Utilities Co., a public utility division of MDU Resources Group, Inc. and the City of Gillette, Wyoming.

Energy Marketing

Our Energy Marketing segment markets natural gas and crude oil principally in the Rocky Mountain, Western and Mid-continent regions of the United States and Canada. Our energy marketing operations focus primarily on producer services and wholesale natural gas marketing. Our energy marketing operations involve the purchase, sale, storage and transportation of natural gas and crude oil, as well as a variety of services, including asset optimization, price risk management and customized offerings to producer and end-use clients. Our energy marketing customers include natural gas distribution companies, electric utilities, industrial users, oil and gas producers, other energy marketers and retail gas users. Our average daily marketing physical volumes for the year ended December 31, 2009, were approximately 2.0 million "MMBtu," or million British thermal units, of gas and approximately 12,400 barrels of oil. Our average daily marketing physical volumes for the first three quarters of 2010 were approximately 1.6 million MMBtu of gas and approximately 18,000 barrels of oil.

In June 2010, we expanded our energy marketing segment to include coal marketing, with the addition of six new employees to operate the new coal marketing division. Our average daily marketing physical volumes for the first three quarters of 2010 were approximately 28,400 tons of coal. In addition, in the third quarter of 2010, we expanded our energy marketing segment to include power and environmental marketing.

Power Generation

Our Power Generation segment acquires, develops and operates non-regulated power plants. Since 1995, our Power Generation segment has developed 14 power plants. In 2008, we sold seven IPP plants with 974 MW of capacity. Our non-regulated power plant operations currently consist of 120 MW of net generation capacity. The majority of this generation capacity is located at our Gillette, Wyoming site, with smaller plants operating in Idaho. During 2009, our Power Generation segment was awarded the bid through a competitive bidding process to provide 200 MW of capacity and energy to Colorado Electric. Our Power Generation segment is constructing two 100 MW combined-cycle gas-fired power generation facilities which are expected to be completed by the end of 2011 to fulfill a 20-year power purchase agreement with Colorado Electric.

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Our business strategy

We are a customer-focused integrated energy company. Our business is comprised of electric and natural gas utility operations, power generation, and fuel assets and services, including production and marketing operations for crude oil, natural gas and coal. Our focus on customers whether they are utility customers or non-regulated generation, fuel or marketing customers provides opportunities to expand our businesses by constructing additional rate base assets to serve our utility customers and expand our non-regulated energy holdings to provide additional products and services to our wholesale customers.

The diversity of our energy operations reduces reliance on any single business segment to achieve our strategic objectives. It mitigates our overall corporate risk and enhances our ability to earn stronger returns for shareholders over the long term. Despite challenging conditions in the capital markets that began in the latter part of 2008, we have sufficient liquidity and solid cash flows, and expect to have continued access to the capital markets as needed. Consequently, our financial foundation is sound and capable of supporting an expansion of operations in both the near and long term.

During 2009, we focused on the continued integration of the five utility properties acquired from Aquila in mid-2008 and the achievement of certain operating efficiencies made possible by the acquisition. During 2009, we consolidated compensation, performance management, employee benefits, payroll, field resource, and customer information systems and processes. During 2010, we consolidated our accounting and information systems, along with systems and processes for procurement, inventory, outage management, utility engineering, power marketing, resource planning and other areas. We expect to achieve additional operating efficiencies from these changes either through additional cost savings or the ability to more efficiently integrate future acquisitions.

Our long-term strategy focuses on growing both our utility and non-regulated energy businesses, primarily by increasing our customer base and providing superior service to both utility and non-regulated energy customers. In our natural gas and electric utilities, we intend to grow our asset base to serve projected customer demand in our existing utility service territories through expansion of infrastructure and construction of new rate-based power generation facilities. We also plan to pursue acquisitions of additional utility properties, primarily in the Great Plains and Rocky Mountain regions of the country. By maintaining our high customer service and reliability standards in a cost-efficient manner, our goal is to secure appropriate rate recovery to provide solid economic returns on our utility investments.

In our fuel production operations, we expect to prudently grow and develop our existing inventory of oil and gas reserves, while we strive to maintain strong relationships with mineral owners, landowners and regulatory authorities. Our ability to grow both production and reserves may be hindered in the short-term by low price levels for both crude oil and natural gas resulting from the impact on demand from a weakened economy and increasing domestic production of natural gas. In the long-term, however, we believe that demand for both natural gas and crude oil will be strong. Given increased regulatory emphasis on wind and solar power generation, and potential greenhouse gas legislation or regulation that may limit construction of new coal-fired power plants, natural gas will be a primary fuel of choice for power generation. Additional gas-fired peaking resources will also be required to provide back-up supply for renewable technologies.

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We will continue efforts to develop additional markets for our coal production. Nearly 50% of all electricity generated in the United States is currently supplied from coal-fired plants. It will take decades and significant expense before this generation can be replaced with alternative technologies. As a result, coal-fired resources will remain a necessary component of the nation's electric supply for the foreseeable future. Potential greenhouse gas legislation or regulation may limit construction of new conventional coal-fired power plants, but technologies such as carbon capture and sequestration should provide for the long-term economic use of coal. We are investigating the possible deployment of these technologies at our mine site in Wyoming.

We divested of seven independent power production plants in 2008 (the "IPP Transaction") because we were able to capture significant value for shareholders, but we have not exited the non-regulated power generation business. We have expertise in permitting, constructing and operating power generation facilities. These skills, combined with our understanding of electric resource planning and regulatory procedures, provide a significant opportunity for us to add long-term shareholder value. We intend to grow our non-regulated power generation business by continuing to focus on long-term contractual relationships with other load-serving utilities. This was exemplified with the September 2009 announcement that our non-regulated generation subsidiary was selected as the successful bidder to build 200 MWs of combined-cycle gas fired power generation to provide energy and capacity to our Colorado Electric subsidiary, through a 20-year power purchase agreement.

The expertise of our energy marketing business should provide continued long-term profitability through a risk-managed and disciplined approach to producer services, origination, storage, transportation and proprietary marketing strategies. We will also continue to utilize our marketing expertise to enhance the value of our other energy assets, particularly our fuel and power generation assets.

We operate our lines of business within two business groups: Utilities and Non-regulated Energy. The Utilities Group conducts business through two segments: Electric Utilities and Gas Utilities. The Non-regulated Energy Group conducts business through four segments: Oil and Gas, Coal Mining, Energy Marketing and Power Generation.

The following are key elements of our business strategy:

- Exploit our fuel cost advantages and our operating and marketing expertise to produce and sell power at attractive margins;
- Provide stable long-term rates for customers and increase earnings by efficiently planning, constructing and operating rate-base power generation facilities needed to serve our electric utilities;
- Proactively integrate alternative and renewable energy into our utility energy supply while mitigating and remaining mindful of customer rate impacts;
- Complete the integration of the five utility properties acquired in the Aquila Transaction, focusing on the achievement of operating efficiencies and cost reductions;
- Grow our reserves and increase our production of natural gas and crude oil in a cost-effective manner;

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Expand utility operations through selective acquisitions of electric and gas utilities consistent with our regional focus and strategic advantages;

Opportunistically expand our energy marketing operations including producer and end-use origination services and, as warranted by market conditions, natural gas and crude oil storage and transportation opportunities;

Selectively grow our non-regulated power generation business in targeted regional markets by developing assets and selling most of the capacity and energy production through mid- and long-term contracts primarily to load-serving utilities;

Build and maintain strong relationships with wholesale power customers of both our utilities and non-regulated power generation businesses;

Diligently manage the credit, price and operational risks inherent in buying and selling energy commodities; and

Maintain an investment grade credit rating and ready access to debt and equity capital markets.

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The offering

Issuer	Black Hills Corporation, a South Dakota corporation
Common Stock Offered by the Forward Seller	4,000,000 shares, or 4,600,000 shares if the underwriters' over-allotment option is exercised in full
Common Stock to be Outstanding Immediately After the Offering	39,248,927 shares(1)
Common Stock to be Outstanding after Settlement of the Forward Sale Agreement Assuming Physical Settlement	43,248,927 shares or 43,848,927 shares if the underwriters' over-allotment option is exercised in full(2)
Use of Proceeds	Depending on the price of our common stock at the time of settlement and the relevant settlement method, we may receive proceeds from the sale of common stock upon settlement of the forward sale agreement, which settlement must occur within approximately 12 months of the date of this prospectus supplement. At an initial forward sale price of $28.70875 per share, we expect to receive net proceeds of $114,835,000 million (or $132,060,250 million if the underwriters exercise their over-allotment option in full and we elect for the forward seller to sell such shares to the underwriters), subject to the price adjustment and other provisions of the forward sale agreement, in the event of full physical settlement of the forward sale agreement. Unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sale agreement. See "Underwriting Forward sale agreement" for a description of the forward sale agreement.

(1) Based on the number of shares outstanding as of October 29, 2010. This number excludes (i) shares that we may be required to sell to the underwriters in lieu of the forward seller selling our common stock to the underwriters and (ii) shares reserved for issuance pursuant to the exercise of employee stock options, restricted stock units and performance shares under our omnibus incentive plan, and shares reserved for issuance under our dividend reinvestment and direct stock purchase plan and our short-term incentive plan.

(2) Based on the number of shares outstanding as of October 29, 2010. This number excludes shares reserved for issuance pursuant to the exercise of employee stock options, restricted stock units and performance shares under our omnibus incentive plan, and shares reserved for issuance under our dividend reinvestment and direct stock purchase plan and our short-term incentive plan.

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	We intend to use any net proceeds that we receive upon settlement of the forward sale agreement, or from any sales of shares of our common stock to the underwriters in the circumstances described under "Risk factors Risks related to the forward sale agreement" and "Underwriting Forward sale agreement," to repay borrowings under our existing $500 million revolving credit facility (the "Revolving Credit Facility") that were used primarily to finance a portion of the construction costs of our new Colorado Electric and Black Hills Colorado IPP power generation facilities, to fund future capital expenditures to be incurred to complete the construction of the facilities and for general corporate purposes. See "Use of proceeds."
New York Stock Exchange Symbol	BKH
Accounting Treatment	Before any issuance of our common stock upon physical settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale agreement over the number of shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above the per share adjusted forward sale price, which is initially $28.70875 (which is the public offering price of our common stock, less the underwriting discount shown on the cover page of this prospectus supplement), subject to adjustment based on the federal funds rate less a spread, and subject to decrease on each of certain dates specified in the forward sale agreement. However, if we decide to physically or net share settle the forward sale agreement, any delivery of our shares by us upon physical or net share settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.

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Conflicts of Interest	All of the proceeds of this offering (excluding proceeds to us with respect to any common stock that we may sell to the underwriters in lieu of the forward seller selling our common stock to the underwriters and, if the underwriters exercise their over-allotment option and we elect to issue the additional shares to cover over-allotments directly, the proceeds to us from the issuance of such additional shares) will be paid to the forward purchaser. As a result, an affiliate of J.P. Morgan Securities LLC will receive more than 5% of the net proceeds of this offering, not including underwriting compensation. An affiliate of each of J.P. Morgan Securities LLC, BMO Capital Markets Corp., RBC Capital Markets, LLC, Credit Suisse Securities (USA) LLC, Credit Agricole Securities (USA) Inc., Mitsubishi UFJ Securities (USA), Inc., RBS Securities Inc. and Scotia Capital (USA) Inc. is a lender under our Revolving Credit Facility. If we elect physical settlement, we intend to use net proceeds we receive upon physical settlement of the forward sale agreement to, among other things, repay borrowings under our Revolving Credit Facility. As a result, affiliates of certain of the underwriters may receive more than 5% of the net proceeds. Accordingly, this offering is being made in compliance with the requirements of NASD Rule 2720 (Public Offerings of Securities with Conflicts of Interest) of the Financial Industry Regulatory Authority, Inc. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not necessary in connection with this offering, as the shares of common stock have a "bona fide public market" (as such terms are defined in NASD Rule 2720).
Dividend Policy	We have paid a regular quarterly cash dividend each year since the incorporation of our predecessor company in 1941 and expect to continue paying a regular quarterly dividend for the foreseeable future. See "Price range of common stock and dividends."
Transfer Agent and Registrar	The transfer agent and registrar for our common stock is Wells Fargo Shareowner Services.
Risk Factors	Investing in our common stock involves risks. Potential investors are urged to consider the risk factors relating to our business and an investment in our common stock described under "Risk factors" in this prospectus supplement.

Our executive offices

We are incorporated in South Dakota and our headquarters and principal executive offices are located at 625 Ninth Street, Rapid City, South Dakota 57701. Our telephone number is (605) 721-1700.

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Summary historical condensed consolidated financial data

The following summary historical consolidated financial data as of December 31, 2009, 2008, and 2007, and for the years then ended are derived from our audited consolidated financial statements as of these dates and for those years. The summary consolidated financial data presented in the table below as of and for the nine months ended September 30, 2010, and 2009, are derived from our unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of our financial position and the results of operations for these periods. You should read this summary consolidated financial data along with (i) "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk" and our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed on February 26, 2010 and (ii) "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited interim consolidated financial statements and the notes thereto included in our Quarterly Report on Form 10-Q filed on November 4, 2010, which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Year ended December 31,			Nine months ended September 30,	
(dollars in thousands)	**2009**	**2008**	**2007**	**2010**	**2009**
				(unaudited)	
Statement of Income Data					
Operating revenues	$ 1,269,578	$ 1,005,790	$ 574,838	$ 977,978	$ 921,090
Operating expenses	1,142,746	949,913	449,123	829,499	844,897
Operating income	$ 126,832	$ 55,877	$ 125,715	$ 148,479	$ 76,193
Income (loss) from continuing operations	$ 78,756	$ (52,037)	$ 75,658	$ 33,694	$ 44,985
Income from discontinued operations, net of tax	2,799	157,247	23,491		2,439
Net income	81,555	105,210	99,149	33,694	47,424
Net income attributable to non-controlling interest		(130)	(377)	1,471	1,368
Net income available for common stock	$ 81,555	$ 105,080	$ 98,772	$ 35,165	$ 48,792
Consolidated Balance Sheet Data (end of period)					
Total assets	$ 3,317,698	$ 3,379,889	$ 2,469,634	$ 3,540,237	$ 3,168,335
Short-term notes payable	$ 164,500	$ 703,800	$ 37,000	$ 145,000	$ 350,500
Long-term debt, including current maturities	$ 1,051,157	$ 503,330	$ 633,627	$ 1,193,607	$ 751,306
Common stockholders' equity	1,084,837	1,050,536	969,855	1,080,407	1,062,530
Total capitalization	$ 2,300,494	$ 2,257,666	$ 1,640,482	$ 2,419,014	$ 2,164,336

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Risk factors

Before you invest in our common stock, you should be aware that there are various risks including those described below. You should carefully consider these risks together with all of the other information included in this document and the documents to which we have referred you. See "Where You Can Find More Information" in the accompanying prospectus.

Risks related to the forward sale agreement

Settlement provisions contained in the forward sale agreement subject us to certain risks.

The forward purchaser will have the right to accelerate the forward sale agreement and require us to physically settle the forward sale agreement on a date specified by the forward purchaser if:

- in its commercially reasonable judgment, it or its affiliate is unable to hedge its exposure under the forward sale agreement because (i) of the lack of sufficient shares of our common stock being made available for borrowing by lenders, or (ii) it or its affiliate would incur a cost to borrow shares of our common stock to hedge its exposure under the forward sale agreement that is greater than a specified threshold;

- we declare any dividend or distribution on shares of our common stock payable in (i) cash in excess of the specified amount, (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment at less than the prevailing market price, as determined by the forward purchaser;

- certain ownership thresholds applicable to the forward purchaser are exceeded;

- an event is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreement) including, among other things, certain mergers and tender offers, as well as certain events involving our nationalization or delisting of our common stock (each as more fully described in the forward sale agreement); or

- certain other events of default or termination events occur, including, among other things, any material misrepresentation made in connection with entering into the forward sale agreement, our bankruptcy or a change in law (each as more fully described in the forward sale agreement).

The forward purchaser's decision to exercise its right to require us to settle its forward sale agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver our common stock under the terms of the physical settlement provisions of the forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share and return on equity. In addition, upon certain events of bankruptcy, insolvency, or reorganization relating to us, the forward sale agreement will terminate without further liability of either party. Following any such termination, we would not issue any shares and we would not receive any proceeds pursuant to the forward sale agreement.

The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion within approximately 12 months from the date of this prospectus supplement.

The forward sale agreement will be physically settled, unless we elect cash or net share settlement under the forward sale agreement (which we have the right to do, subject to certain conditions, other than in the limited circumstances described above). Subject to the provisions of the forward sale agreement, delivery of our shares upon physical or net share settlement of the forward sale

agreement will result in dilution to our earnings per share and return on equity. If we elect cash or net share settlement for all or a portion of the shares of our common stock underlying the forward sale agreement, we would expect the forward purchaser or one of its affiliates to repurchase the number of shares necessary, based on the number of shares with respect to which we have elected cash or net share settlement, in order to satisfy its obligation to return the shares of our common stock it had borrowed in connection with sales of our common stock under this prospectus supplement and, if applicable in connection with net share settlement, to deliver shares of our common stock to us. If the market value of our common stock at the time of such repurchase is above the forward sale price at that time, we will pay or deliver, as the case may be, to the forward purchaser under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the market value of our common stock at the time of such repurchase is below the forward sale price at that time, the forward purchaser will pay or deliver, as the case may be, to us under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. See "Underwriting Forward sale agreement" for information on the forward sale agreement.

In addition, the purchase of our common stock by the forward purchaser or its affiliate, to unwind their hedge positions, could cause the price of our common stock to increase over time, thereby increasing the amount of cash or the number of shares of our common stock that we would owe to the forward purchaser upon cash settlement or net share settlement, as the case may be, of the forward sale agreement, or decreasing the amount of cash or the number of shares of our common stock that the forward purchaser owes us upon cash settlement or net share settlement, as the case may be, of the forward sale agreement.

Risks related to our business

The recent global financial crisis made the credit markets less accessible and created a shortage of available credit. Should a similar financial crisis occur in the future, we may be unable to obtain the financing needed to refinance debt, fund planned capital expenditures or otherwise execute our operating strategy.

Our ability to execute our operating strategy is highly dependent upon our access to capital. Historically, we have addressed our liquidity needs (including funds required to make scheduled principal and interest payments, refinance debt and fund working capital and planned capital expenditures) with operating cash flow, borrowings under credit facilities, proceeds of debt and equity offerings and proceeds from asset sales. Our ability to access the capital markets and the costs and terms of available financing depend on many factors, including changes in our credit ratings, changes in the Federal or state regulatory environment affecting energy companies, volatility in commodity or electricity prices and general economic and market conditions.

In addition, given that we are a holding company and that our utility assets are owned by our subsidiaries, if we are unable to adequately access the credit markets, we could be required to take additional measures designed to ensure that our utility subsidiaries are adequately capitalized to provide safe and reliable service. Possible additional measures would be evaluated in the context of market conditions then-prevailing, prudent financial management and any applicable regulatory requirements.

The global financial crisis has affected our counterparty credit risk.

As a consequence of the global financial crisis, the creditworthiness of many of our contractual counterparties (particularly financial institutions) has deteriorated.

We have established guidelines, controls and limits to manage and mitigate credit risk. For our energy marketing, production and generation activities, we seek to mitigate our credit risk by conducting a majority of our business with investment grade companies, setting tenor and credit limits commensurate with counterparty financial strength, obtaining netting agreements and securing our credit exposure with less creditworthy counterparties through parent company guarantees, prepayments, letters of credit and other security agreements. Although we aggressively monitor and evaluate changes in our counterparties' credit quality and adjust the credit limits based upon such changes, our credit guidelines, controls and limits may not fully protect us from increasing counterparty credit risk. To the extent that economic conditions cause our credit exposure to contractual counterparties to increase materially, such increased exposure could have a material adverse effect on our results of operations, cash flows and financial condition.

National and regional economic conditions may cause increased late payments and uncollectible accounts, which would reduce earnings and cash flows.

The prolonged recession may lead to an increase in late payments from retail and commercial utility customers, as well as our non-utility customers (including marketing counterparties). If late payments and uncollectible accounts increase, earnings and cash flows from our continuing operations may be reduced.

Our credit ratings could be lowered below investment grade in the future. If this were to occur, it could impact our access to capital, our cost of capital and our other operating costs.

Our issuer credit rating is "Baa3" (stable outlook) by Moody's; "BBB-" (stable outlook) by S&P; and "BBB" (stable outlook) by Fitch. Although we believe the IPP Transaction and the Aquila Transaction have strengthened our financial profile and creditworthiness, we cannot assure that our credit ratings will not be lowered. Reduction of our credit ratings could impair our ability to refinance or repay our existing debt and to complete new financings on acceptable terms, or at all. A downgrade could also result in counterparties requiring us to post additional collateral under existing or new contracts or trades. In addition, a ratings downgrade would increase our interest expense under some of our existing debt obligations, including borrowings under our credit facilities.

Regulatory commissions may refuse to approve some or all of the utility rate increases we have requested or may request in the future, or may determine that amounts passed through to customers were not prudently incurred and are, therefore, not recoverable.

Our regulated electric and gas utility operations are subject to cost-of-service regulation and earnings oversight from federal and state utility commissions. This regulatory treatment does not provide any assurance as to achievement of desired earnings levels. Our rates are regulated on a state-by-state basis by the relevant state regulatory authorities based on an analysis of our costs, as reviewed and approved in a regulatory proceeding. The rates that we are allowed to charge may or may not match our related costs and allowed return on invested capital at any given time. While rate regulation is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that the state public utility commissions will judge all of our costs, including our borrowing and debt service costs, to have been prudently incurred or that the regulatory process in which rates are determined will always result in rates that

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produce a full recovery of our costs and the return on invested capital allowed by the applicable state public utility commission.

To some degree, each of our regulated gas and regulated electric utilities in South Dakota, Wyoming, Colorado, Montana, Nebraska, Iowa and Kansas are permitted to recover certain costs (such as increased fuel and purchased power costs, as applicable) without having to file a rate case. To the extent we are able to pass through such costs to our customers and a state public utility commission subsequently determines that such costs should not have been paid by the customers, we may be required to refund such costs. Any such costs not recovered through rates, or any such refund, could negatively affect our revenues, cash flows and results of operations.

We have deferred a substantial amount of income tax related to various tax planning strategies including the deferral of a gain associated with the assets sold in the IPP Transaction. If the Internal Revenue Service successfully challenges these tax positions, our results of operations, financial position or liquidity could be adversely affected.

We have deferred a substantial amount of tax payments through various tax planning strategies, including the deferral of approximately $125 million in taxes associated with the IPP Transaction and the Aquila Transaction. We had previously deferred approximately $185 million in taxes associated with the IPP Transaction and the Aquila Transaction, and in the third quarter of 2010, we reached an agreement with the Appeals Division of the IRS that resulted in a decrease of amount of such deferral from $185 million to $125 million. The decrease represents the downward adjustment to tax depreciation allowed on certain assets sold, which resulted in a decrease to the gain realized on the sale of those assets and ultimately a decrease in deferred taxes. The remaining $125 million in deferred taxes relating to the IPP Transaction and the Aquila Transaction continues to be subject to IRS review.

We cannot be certain that the IRS will accept our tax positions. If the IRS successfully sought to assert contrary tax positions, we could be required to pay a significant amount of these deferred taxes earlier than currently forecasted. In certain circumstances, the IRS may assess penalties when challenging our tax positions. If we were unsuccessful in defending against these penalties, it may have a material impact on our results of operations.

We could incur additional and substantial write-downs of the carrying value of our natural gas and oil properties, which would adversely impact our earnings.

We review the carrying value of our natural gas and oil properties under the full cost accounting rules of the SEC on a quarterly basis. This quarterly review is referred to as a ceiling test. Under the ceiling test, capitalized costs, less accumulated amortization and related deferred income taxes, may not exceed an amount equal to the sum of the present value of estimated future net revenues (adjusted for cash flow hedges) less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. In calculating future net revenues, SEC-defined commodity prices and recent costs are utilized. Such prices and costs are utilized except when different prices and costs are fixed and determinable from applicable contracts for the remaining term of those contracts. Two primary factors in the ceiling test are natural gas and oil reserve levels and SEC-defined oil and gas prices, both of which impact the present value of estimated future net revenues. Revisions to estimates of natural gas and oil reserves, or an increase or decrease in prices, can have a material impact on the present value of estimated future net revenues. Any excess of the net book value, less deferred income taxes, is generally written off as an expense.

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We recorded non-cash impairment charges in the first quarter of 2009 and fourth quarter of 2008 due to the full cost ceiling limitations in amounts of $27.8 million and $59.0 million after-tax, respectively. We may have to record additional non-cash impairment charges in the future if commodity prices drive the SEC-defined prices below levels that precipitated the 2009 and 2008 impairments. See Note 12 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The SEC adopted new reporting and accounting requirements for oil and gas companies that changed the way we test for potential ceiling test impairments. Under the new rules, testing is based on a 12-month average of first day of the month commodity prices rather than a single date spot price as of the test date. We adopted the new requirements beginning with our fiscal year ended December 31, 2009.

Estimates of the quantity and value of our proved oil and gas reserves may change materially due to numerous uncertainties inherent in estimating oil and natural gas reserves.

There are many uncertainties inherent in estimating quantities of proved reserves and their values. The process of estimating oil and natural gas reserves requires interpretation of available technical data and various assumptions, including assumptions relating to economic factors. Significant inaccuracies in interpretations or assumptions could materially affect the estimated quantities and present value of our reserves. The accuracy of reserve estimates is a function of the quality of available data, engineering and geological interpretations and judgment, and the assumptions used regarding quantities of recoverable oil and gas reserves, future capital expenditures and prices for oil and natural gas. Actual prices, production, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary from those assumed in our estimates. These variances may be significant. Any significant variance from the assumptions used could cause the actual quantity of our reserves, and future net cash flow, to be materially different from our estimates. In addition, results of drilling, testing and production, changes in future capital expenditures and fluctuations in oil and natural gas prices after the date of the estimate may result in substantial upward or downward revisions. The SEC has implemented revised reporting guidelines for reserves that apply to the reserve reports included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. Key revisions include changes to the oil and gas pricing used to estimate reserves, the use of new technology for determining reserves and authorization for optional disclosure of probable and possible reserves.

Estimates of the quality and quantity of our coal reserves may change materially due to numerous uncertainties inherent in three dimensional structural modeling.

There are many uncertainties inherent in estimating quantities of coal reserves. The process of coal volume estimation requires interpretations of drill hole log data and subsequent computer modeling of the intersected deposit. Significant inaccuracies in interpretation or modeling could materially affect the quantity and quality of our reserve estimates. The accuracy of reserve estimates is a function of engineering and geological interpretation and judgment of known data, assumptions used regarding structural limits and mining extents, conditions encountered during actual reserve recovery and undetected deposit anomalies. Variance from the assumptions used and drill hole modeling density could result in additions or deletions from our volume estimates. In addition, future environmental, economic or geologic changes may occur or become known that require reserve revisions either upward or downward from prior reserve estimates.

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Municipal governments may seek to limit or deny franchise privileges.

Municipal governments within our utility service territories possess the power of condemnation, and could establish a municipal utility within a portion of our current service territories by limiting or denying franchise privileges for our operations, and exercising powers of condemnation over all or part of our utility assets within municipal boundaries. Although condemnation is a process that is subject to constitutional protections requiring just compensation, as with any judicial procedure, the outcome is uncertain. If a municipality sought to pursue this course of action, we cannot assure that we would secure adequate recovery of our investment in assets subject to condemnation.

Our current or future development, expansion and acquisition activities may not be successful, which could impair our ability to execute our growth strategy.

Execution of our future growth plan is dependent on successful ongoing and future development, expansion and acquisition activities. We can provide no assurance that we will be able to complete development projects or acquisitions we undertake or continue to develop attractive opportunities for growth. Factors that could cause our activities to be unsuccessful include:

- Our inability to obtain required governmental permits and approvals;
- Our inability to obtain financing on acceptable terms, or at all;
- The possibility that one or more rating agencies would downgrade our issuer credit rating to below investment grade, thus increasing our cost of doing business;
- Our inability to successfully integrate any businesses we acquire;
- Our inability to retain management or other key personnel;
- Our inability to negotiate acceptable acquisition, construction, fuel supply, power sales or other material agreements;
- The trend of utilities building their own generation or looking for developers to develop and build projects for sale to utilities under turnkey arrangements;
- Lower than anticipated increases in the demand for utility services in our target markets;
- Changes in federal, state, local or tribal laws and regulations, particularly those which would make it more difficult or costly to fully develop our coal reserves and our coal-fired generation capacity;
- Fuel prices or fuel supply constraints;
- Pipeline capacity and transmission constraints; and
- Competition.

We can provide no assurance that results from any acquisition will conform to our expectations. There may be additional risks associated with the operation of any newly acquired assets.

Successful acquisitions are subject to a number of uncertainties, many of which are beyond our control. Factors which may cause our actual results to differ materially from expected results include:

- Delay in, and restrictions imposed as part of, any required governmental or regulatory approvals;

- The loss of management or other key personnel;

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- The diversion of our management's attention from other business segments; and
- Integration and operational issues.

Construction, expansion, refurbishment and operation of power generating and transmission and resource extraction facilities involve significant risks which could reduce revenues or increase expenses.

The construction, expansion, refurbishment and operation of power generating and transmission and resource extraction facilities involve many risks, including:

- The inability to obtain required governmental permits and approvals along with the cost of complying with or satisfying conditions imposed upon such approvals;
- Contractual restrictions upon the timing of scheduled outages;
- Cost of supplying or securing replacement power during scheduled and unscheduled outages;
- The unavailability or increased cost of equipment;
- The unavailability and cost of recruiting and retaining skilled labor;
- Supply interruptions, work stoppages and labor disputes;
- Capital and operating costs to comply with increasingly stringent environmental laws and regulations;
- Opposition by members of public or special-interest groups;
- Weather interferences;
- Unexpected engineering, environmental and geological problems; and
- Unanticipated cost overruns.

The ongoing operation of our facilities involves many of the risks described above, in addition to risks relating to the breakdown or failure of equipment or processes and performance below expected levels of output or efficiency. New plants may employ recently developed and technologically complex equipment, including newer environmental emission control technology. Any of these risks could cause us to operate below expected capacity levels, which in turn could reduce revenues, increase expenses or cause us to incur higher maintenance costs and penalties. While we maintain insurance, obtain warranties from vendors and obligate contractors to meet certain performance levels, the proceeds of such insurance and our rights under warranties or performance guarantees may not be timely or adequate to cover lost revenues, increased expenses or liquidated damage payments.

Our operating results can be adversely affected by variations from normal weather conditions.

Our utility businesses are seasonal businesses and weather patterns can have a material impact on our operating performance. Demand for electricity is typically greater in the summer and winter months associated with cooling and heating. Because natural gas is primarily used for residential and commercial heating, the demand for this product depends heavily upon winter weather patterns throughout our service territory and a significant amount of natural gas revenues are recognized in the first and fourth quarters related to the heating seasons. Accordingly, our utility operations have historically generated lower revenues and income when weather conditions are cooler than normal in the summer and warmer than normal in the winter. Unusually mild summers

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and winters therefore could have an adverse effect on our financial condition and results of operations.

Because prices for some of our products and services and operating costs for our business are volatile, our revenues and expenses may fluctuate.

A substantial portion of our net income in recent years was attributable to sales of contract and off-system wholesale electricity and natural gas into a robust market. Energy prices are influenced by many factors outside our control, including, among other things, fuel prices, transmission constraints, supply and demand, weather, general economic conditions, and the rules, regulations and actions of system operators in those markets. Moreover, unlike most other commodities, electricity cannot be stored and therefore must be produced concurrently with its use. As a result, wholesale power markets are subject to significant, unpredictable price fluctuations over relatively short periods of time.

The success of our oil and gas operations is affected by the prevailing market prices of oil and natural gas. Oil and natural gas prices and markets historically have also been, and are likely to continue to be, volatile. A decrease in oil or natural gas prices would not only reduce revenues and profits, but would also reduce the quantities of reserves that are commercially recoverable, and may result in charges to earnings for impairment of the net capitalized cost of these assets. Oil and natural gas prices are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors that are beyond our control. A decline in oil and natural gas price volatility could also affect our revenues and returns from Energy Marketing, which historically tend to increase when markets are volatile.

Our mining operation requires a reliable supply of replacement parts, explosives, fuel, tires and steel-related products. If the cost of any of these increase significantly, or if a source of these supplies or mining equipment was unavailable to meet our replacement demands, our productivity and profitability could be lower than our current expectations. In recent years, industry-wide demand growth exceeded supply growth for certain surface mining equipment and off-the-road tires. As a result, lead times for some items generally increased to several months and prices for these items increased significantly.

Our hedging activities that are designed to protect against commodity price and financial market risks may cause fluctuations in reported financial results.

We use various financial contracts and derivatives, including futures, forwards, options and swaps, to manage commodity price and financial market risks. The timing of the recognition of gains or losses on these economic hedges in accordance with accounting principles generally accepted in the United States does not always match up with the gains or losses on the commodities or assets being hedged. The difference in accounting can result in volatility in reported results, even though the expected profit margin may be essentially unchanged from the dates the transactions were consummated.

Our use of derivative financial instruments could result in material financial losses.

From time to time, we have sought to limit a portion of the adverse effects resulting from changes in natural gas, crude oil, coal and power commodity prices, and interest and foreign exchange rates by using derivative financial instruments and other hedging mechanisms and by the activities we conduct in our trading operations. To the extent that we hedge our commodity price and interest rate exposures, we forego the benefits we would otherwise experience if commodity prices or interest rates were to change in our favor. In addition, even though they are closely monitored by management, our hedging and trading activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is economically imperfect, commodity prices or interest rates move unfavorably related to our physical or financial positions, or hedging policies and procedures are not followed.

Our Energy Marketing and Utility operations rely on storage and transportation assets owned by third parties to satisfy their obligations.

Our energy marketing operations involve contracts to buy and sell natural gas, crude oil and other commodities, many of which are settled by physical delivery. We depend on pipelines and other storage and transportation facilities owned by third parties to satisfy our delivery obligations under these contracts. Our regulated Gas Utilities also rely on pipeline companies and other owners of gas storage facilities to deliver natural gas to ratepayers and to hedge commodity costs. If storage capacity is inadequate or transportation is disrupted, our ability to satisfy our obligations may be hindered. As a result, we may be responsible for damages incurred by our counterparties, such as the additional cost of acquiring alternative supply at then-current market rates, or for penalties imposed by state regulatory authorities.

We may be adversely affected if we fail to achieve or maintain compliance with existing or future governmental regulations or requirements, or by the potentially high cost of complying with such requirements or addressing environmental liabilities.

Our business is subject to extensive energy, environmental and other laws and regulations of federal, state, tribal and local authorities. We generally must obtain and comply with a variety of regulations, licenses, permits and other approvals in order to operate, which can require significant capital expenditure and operating costs. If we fail to comply with these requirements, we could be subject to civil or criminal liability and the imposition of penalties, liens or fines, claims for property damage or personal injury, or environmental clean-up costs. In addition, existing regulations may be revised or reinterpreted, and new laws and regulations may be adopted or become applicable to us or our facilities, which could require additional unexpected expenditures or cause us to reevaluate the feasibility of continued operations at certain sites, and have a detrimental effect on our business.

In connection with certain acquisitions, we assumed liabilities associated with the environmental condition of certain properties, regardless of when such liabilities arose, whether known or unknown, and in some cases agreed to indemnify the former owners of those properties for environmental liabilities. Future steps to bring our facilities into compliance or to address contamination from legacy operations, if necessary, could be expensive and could adversely affect our results of operation and financial condition. We expect our environmental compliance expenditures to be substantial in the future due to the continuing trends toward stricter standards, greater regulation, more extensive permitting requirements and an increase in the number of assets we operate.

Our energy marketing segment may be subject to increased regulation.

In January 2010, the Commodity Futures Trading Commission, or CFTC, proposed regulations aimed at establishing speculative position limits on energy commodities. The proposed regulations would apply to all CFTC-regulated exchanges and would cap the number of contracts a market participant can hold at the New York Mercantile Exchange or Intercontinental Exchange. The position limit would restrict the amount of contracts a market participant can hold at any one time. This proposal

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is intended to curb excessive speculation in the energy markets and is part of a wider push to overhaul the financial markets. Due to uncertainty as to the final outcome of any rulemaking or legislation, we cannot definitively estimate the effect of increased regulation on our results of operations, cash flows or financial position.

Derivatives regulations included in current financial reform legislation could impede our ability to manage business and financial risks by restricting our use of derivative instruments as hedges against fluctuating commodity prices and interest rates.

In July 2010, Dodd-Frank was passed by Congress and signed into law. Dodd-Frank contains significant derivatives regulations, including a requirement that certain transactions be cleared on exchanges and a requirement to post cash collateral (commonly referred to as "margin") for such transactions. Dodd-Frank provides for a potential exception from these clearing and cash collateral requirements for commercial end-users and it includes a number of defined terms that will be used in determining how this exception applies to particular derivative transactions and the parties to those transactions. Dodd-Frank requires the CFTC to promulgate rules to define these terms, however we do not yet know the rules that the CFTC will actually promulgate or whether the definitions will apply to us.

We use crude oil and natural gas derivative instruments in conjunction with our Energy Marketing activities and to hedge a portion of our expected oil and gas production. We also use interest rate derivative instruments to minimize the impact of interest rate fluctuations associated with anticipated debt issuances. Depending on the regulations adopted by the CFTC, we could be required to post additional collateral with our dealer counterparties for our commitments and interest rate derivative transactions. Such a requirement could have a significant impact on our business by reducing our ability to execute derivative transactions to reduce commodity price and interest rate uncertainty and to protect cash flows. Requirements to post collateral may cause significant liquidity issues by reducing our ability to use cash for investment or other corporate purposes, or may require us to increase our level of debt. In addition, a requirement for our counterparties to post collateral could result in additional costs being passed on to us, thereby decreasing our profitability.

Our financial performance depends on the successful operations of our facilities.

Operating electric generating facilities and electric and natural gas distribution systems involves risks, including:

- Operational limitations imposed by environmental and other regulatory requirements.
- Interruptions to supply of fuel and other commodities used in generation and distribution. The Gas Utilities purchase fuel from a number of suppliers. Our results of operations could be negatively impacted by disruptions in the delivery of fuel due to various factors, including but not limited to, transportation delays, labor relations, weather, and environmental regulations which could limit the Gas Utilities' ability to operate their facilities.
- Breakdown or failure of equipment or processes.
- Inability to recruit and retain skilled technical labor.

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Labor relations. Approximately 35% of our employees are represented by a total of six collective bargaining agreements. We are currently in contract renewal negotiations on two of these agreements. Three separate arbitration proceedings have been initiated by the respective union locals concerning changes we made to our pension plans.

Disrupted transmission and distribution. We depend on transmission and distribution facilities, including those operated by unaffiliated parties, to deliver the electricity and gas that we sell to our retail and wholesale customers. If transmission is interrupted, our ability to sell or deliver product and satisfy our contractual obligations may be hindered.

We may be vulnerable to cyber attacks and terrorism.

Man-made problems such as computer viruses, terrorism, theft and sabotage, may disrupt our operations and harm our operating results. We operate in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. Our technology systems may be vulnerable to disability, failures or unauthorized access due to hacking, viruses, acts of war or terrorism and other causes. If our technology systems were to fail or be breached and we were unable to recover in a timely manner, we may be unable to fulfill critical business functions and sensitive, confidential and other data could be compromised, which could have a material adverse effect on our results of operations, financial condition and cash flows. In addition, our generation plants, fuel storage facilities, transmission and distribution facilities may be targets of terrorist activities that could disrupt our ability to produce or distribute some portion of our energy products.

Federal and state laws concerning climate change and air emissions may materially increase our generation and production costs and could render some of our generating units uneconomical to operate and maintain.

We own and operate regulated and non-regulated fossil-fuel generating plants in South Dakota, Wyoming, Colorado and Idaho. We recently completed another fossil-fuel generating plant in Wyoming and are constructing others in Colorado. Recent developments under federal and state laws and regulations governing air emissions from fossil-fuel generating plants will likely result in more stringent emission limitations, which could have a material impact on our costs or operations.

On April 2, 2007, the U.S. Supreme Court issued a decision in the case of Massachusetts v. U.S. Environmental Protection Agency, holding that carbon dioxide and other greenhouse gas ("GHG") emissions are pollutants subject to regulation under the motor vehicle provisions of the Clean Air Act. The case was remanded to the United States Environmental Protection Agency (the "EPA") for further rulemaking to determine whether GHG emissions may reasonably be anticipated to endanger public health or welfare, or alternatively, to explain why GHG emissions should not be regulated. On April 17, 2009, the EPA signed its proposed Endangerment and Cause or Contribute Finding for Greenhouse Gases under Section 202 of the Clean Air Act. Although this proposal does not specifically address stationary sources, such as power generation plants, the general endangerment finding relative to GHGs could support such a proposal by the EPA for stationary sources.

On April 29, 2010, the EPA published proposed Industrial and Commercial Boiler MACT (IB MACT) regulations, which provide for hazardous air pollutant-related emission limits and monitoring requirements. If the IB MACT regulations are adopted as proposed, we could be required to make significant capital expenditures at our Neil Simpson 1, Osage, Ben French and WN Clark facilities and could also be required to implement burdensome operational changes at those facilities. On

June 21, 2010, the EPA also published certain proposed coal combustion residuals regulations. Our largest ash disposal area is the Wyodak Mine where ash is permitted for use as backfill. While the proposed combustion residuals regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will be collaborating with the EPA to address mine backfill in the near future. It is also widely expected that the EPA will propose Electric Utility MACT regulations for control of hazardous air pollutants in the first quarter of 2011. Certain requirements of those regulations, if adopted, could require us to make significant capital expenditures at our Neil Simpson 2 and Wygens 1, 2 and 3 facilities and could also require us to implement burdensome operational changes at those facilities. Also late in 2011, the EPA is scheduled to issue updated regulations for wastewater discharges from electric generating units.

In addition, various climate change bills are under consideration in Congress. Due to uncertainty as to the final outcome of federal climate change legislation, or regulatory changes under the Clean Air Act, we cannot definitively estimate the effect of GHG regulation on our results of operations, cash flows or financial position. The impact of GHG legislation or regulation upon our company will depend upon many factors, including but not limited to the timing of implementation, the GHG sources that are regulated, the overall GHG emissions cap level, and the availability of technologies to control or reduce GHG emissions. If a "cap and trade" structure is implemented, the impact will also be affected by the degree to which offsets are allowed, the allocation of emission allowances to specific sources, and the effect of carbon regulation on natural gas and coal prices.

New or more stringent regulations, including GHG emissions limitations or other energy efficiency requirements, such as the EPA's recently published Greenhouse Gas Tailoring Rule, which will lead to additional monitoring and reporting requirements for existing and new facilities, and a recently passed Colorado state bill requiring use of low emitting fuels, could require us to incur significant additional costs relating to, among other things, the installation of additional emission control equipment, the acceleration of capital expenditures, the purchase of additional emissions allowances or offsets, the acquisition or development of additional energy supply from renewable resources, and the closure of certain generating facilities. To the extent our regulated fossil-fuel generating plants are included in rate base, we will attempt to recover costs associated with complying with emission standards or other requirements. We will also attempt to recover the emission compliance costs of our non-regulated fossil-fuel generating plants from utility and other purchasers of the power generated by our non-regulated power plants. Any unrecovered costs could have a material impact on our results of operations and financial condition. In addition, future changes in environmental regulations governing air emissions could render some of our power generating units more expensive or uneconomical to operate and maintain.

We own regulated electric utilities that serve customers in South Dakota, Wyoming, Colorado and Montana. To varying degrees, Colorado and Montana have each adopted mandatory renewable portfolio standards that require electric utilities to supply a minimum percentage of the power delivered to customers from renewable resources (e.g., wind, solar, biomass) by a certain date in the future. These renewable energy portfolio standards have increased the power supply costs of our electric operations. If these states increase their renewable energy portfolio standards, or if similar standards are imposed by the other states in which we operate electric utilities, our power supply costs will further increase. Although we will seek to recover these higher costs in rates, any unrecovered costs could have a material negative impact on our results of operations and financial condition.

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Governmental authorities may assess penalties on us if it is determined that we have not complied with environmental laws and regulations.

If we fail to comply with environmental laws and regulations, even if caused by factors beyond our control, that failure may result in the assessment of civil or criminal penalties and fines against us. Recent lawsuits by the EPA and various states filed against others within industries in which we operate, including enforcement actions under the EPA's New Source Review rule, highlight the environmental risks faced by generating facilities, in general, and coal-fired generating facilities in particular.

The characteristics of coal may make it difficult for coal users to comply with various environmental standards related to coal combustion or utilization. As a result, coal users may switch to other fuels, which could affect the volume of our sales and the price of our products.

Coal contains impurities, including but not limited to sulfur, mercury, chlorine, carbon and other elements or compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fueled power plants could increase the costs of using coal thereby reducing demand for coal as a fuel source and the volume and price of our coal sales. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of power plants in the future.

Proposed reductions in emissions of mercury, sulfur dioxides, nitrogen oxides, particulate matter or GHGs may require the installation of costly emission control technology or the implementation of other measures. For example, in order to meet the federal Clean Air Act limits for sulfur dioxide emission from power plants, coal users may need to install scrubbers, use sulfur dioxide emission allowances (some of which they may purchase), blend high-sulfur coal with low-sulfur coal or switch to other fuels. Reductions in mercury emissions required by certain states will likely require some power plants to install new equipment, at substantial cost, or discourage the use of certain coals containing higher levels of mercury. Existing or proposed legislation focusing on emissions enacted by the United States or individual states could make coal a less attractive fuel alternative for our customers and could impose a tax or fee on the producer of the coal. If our customers decrease the volume of coal they purchase from us or switch to alternative fuels as a result of existing or future environmental regulations aimed at reducing emissions, our operations and financial results could be adversely impacted.

Our energy production, transmission and distribution activities involve numerous risks that may result in accidents and other operating risks and costs.

Inherent in our natural gas distribution activities, as well as our production, transportation and storage of crude oil and natural gas and our coal mining operations, are a variety of hazards and operating risks, such as leaks, blow-outs, fires, releases of hazardous materials, explosions and mechanical problems that could cause substantial adverse financial impacts. These events could result in injury or loss of human life, significant damage to property or natural resources (including public parks), environmental pollution, impairment of our operations, and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses. The occurrence of any of these events not fully covered by insurance could have a material adverse affect on our financial position and results of operations. Particularly for our distribution lines located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the damages resulting from any such events could be great.

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Increased risks of regulatory penalties could negatively impact our business.

The Energy Policy Act of 2005 increased the Federal Energy Regulatory Commission's ("FERC") civil penalty authority for violation of FERC statutes, rules and orders. FERC can now impose penalties of $1.0 million per violation, per day, and other regulatory agencies that impose compliance requirements relative to our business also have civil penalty authority. In addition, FERC has delegated certain aspects of authority for enforcement of electric system reliability standards to the North American Electric Reliability Corporation, with similar penalty authority for violations. Many rules that were historically subject to voluntary compliance are now mandatory and subject to potential civil penalties for violations. If a serious violation did occur, and penalties were imposed by FERC or another federal agency, this action could have a material adverse effect on our operations or our financial results.

Ongoing changes in the United States electric utility industry, including state and federal regulatory changes, a potential increase in the number or geographic scale of our competitors or the imposition of price limitations to address market volatility, could adversely affect our profitability.

The United States electric utility industry is experiencing increasing competitive pressures as a result of:

- The Energy Policy Act of 2005 and the repeal of the Public Utility Holding Company Act of 1935;
- Industry consolidation;
- Consumer demands;
- Transmission constraints;
- Renewable resource supply requirements;
- Resistance to the siting of utility infrastructure or to the granting of right-of-ways;
- Technological advances; and
- Greater availability of natural gas-fired power generation, and other factors.

FERC has implemented and continues to propose regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity. In addition, a limited number of states have implemented or are considering or currently implementing methods to introduce and promote retail competition. Industry deregulation in some states led to the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses. Deregulation initiatives in a number of states may encourage further disaggregation. As a result, significant additional competitors could become active in the generation, transmission and distribution segments of our industry, which could adversely affect our financial condition or results of operations.

In addition, the independent system operators who oversee many of the wholesale power markets have in the past imposed, and may in the future continue to impose, price limitations and other mechanisms to address some of the volatility in these markets. These price limitations and other mechanisms may adversely affect the profitability of generating facilities that sell energy into the wholesale power markets. Given the extreme volatility and lack of meaningful long-term price

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history in some of these markets, and the imposition of price limitations by independent system operators, we may not be able to operate profitably in all wholesale power markets.

We rely on cash distributions from our subsidiaries to make and maintain dividends and debt payments. Our subsidiaries may not be able or permitted to make dividend payments or loan funds to us.

We are a holding company. Our investments in our subsidiaries are our primary assets. Our operating cash flow and ability to service our indebtedness depend on the operating cash flow of our subsidiaries and the payment of funds by them to us in the form of dividends or advances. Our subsidiaries are separate legal entities that have no obligation to make any funds available for that purpose, whether by dividends or otherwise. In addition, each subsidiary's ability to pay dividends to us depends on any applicable contractual or regulatory restrictions that may include requirements to maintain minimum levels of cash, working capital or debt service funds.

Our utility operations are regulated by state utility commissions in Colorado, Iowa, Kansas, Nebraska, Wyoming, South Dakota and Montana. In connection with the Aquila Transaction, the settlement agreements or acquisition orders approved by CPUC, the Nebraska Public Service Commission, the Iowa Utilities Board and the Kansas Corporation Commission provide that, among other things, (i) our utilities in those jurisdictions cannot pay dividends if they have issued debt to third parties and the payment of a dividend would reduce their equity ratio to below 40% of their total capitalization; and (ii) neither Black Hills Utility Holdings nor any of its utility subsidiaries can extend credit to us except in the ordinary course of business and upon reasonable terms consistent with market terms. In addition to the restrictions described above, each state in which we conduct utility operations imposes restrictions on affiliate transactions, including intercompany loans. If our utility subsidiaries are unable to pay dividends or advance funds to us as a result of these conditions, or if the ability of our utility subsidiaries to make dividends or advance funds to us is further restricted, it could materially and adversely affect our ability to meet our financial obligations or pay dividends to our shareholders.

We expect to continue our policy of paying regular cash dividends. However, there is no assurance as to the amount of future dividends because they depend on our future earnings, capital requirements, and financial conditions, and are subject to declaration by the Board of Directors. Our operating subsidiaries have certain restrictions on their ability to transfer funds in the form of dividends or loans to us. See Note 10 in the Notes to Condensed Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, for further information regarding these restrictions.

Increasing costs associated with our defined benefit retirement plans may adversely affect our results of operations, financial position or liquidity.

We have multiple defined benefit pension and non-pension postretirement plans that cover certain employees. Assumptions related to future costs, return on investments, interest rates and other actuarial assumptions have a significant impact on our funding requirements related to these plans. These estimates and assumptions may change based on actual return on plan assets, changes in interest rates and any changes in governmental regulations. In addition, the Pension Protection Act of 2006 changed the minimum funding requirements for defined benefit pension plans beginning in 2008.

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Increasing costs associated with our health care plans may adversely affect our results of operations, financial position or liquidity.

The costs of providing health care benefits to our employees and retirees have increased substantially in recent years. We believe that our employee benefit costs, including costs related to health care plans for our employees and former employees, will continue to rise. The increasing costs and funding requirements associated with our health care plans may adversely affect our results of operations, financial position or liquidity.

An effective system of internal control may not be maintained, leading to material weaknesses in internal control over financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires management to make an assessment of the design and effectiveness of internal controls. Our independent registered public accounting firm is required to attest to the effectiveness of these controls. During their assessment of these controls, management or our independent auditors may identify areas of weakness in control design or effectiveness, which may lead to the conclusion that a material weakness in internal control exists. Any control deficiencies we identify in the future could adversely affect our ability to report our financial results on a timely and accurate basis, which could result in a loss of investor confidence in our financial reports or have a material adverse effect on our ability to operate our business or access sources of liquidity.

We have recorded a substantial amount of goodwill associated with the Aquila Transaction. Any significant impairment of our goodwill related to these utilities would cause a decrease in our assets and a reduction in our net income and stockholders' equity.

We had approximately $353.7 million of goodwill on our consolidated balance sheet as of September 30, 2010. A substantial portion of the goodwill is related to the Aquila Transaction. If we make changes in our business strategy or if market or other conditions adversely affect operations in any of these businesses, we may be forced to record a non-cash impairment charge, which would reduce our reported assets and net income. Goodwill is tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the goodwill and the implied fair value of the goodwill in the period the determination is made. The testing of goodwill for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including future business operating performance, changes in economic, regulatory, industry or market conditions, changes in business operations, changes in competition or changes in technologies. Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects could affect the fair value of one or more business segments, which may result in an impairment charge.

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Risks related to our common stock

Our common stock, which is listed on the New York Stock Exchange, has from time to time experienced significant price and volume fluctuations. These fluctuations are likely to continue in the future, and you may not be able to resell your shares of common stock at or above the purchase price paid by you.

The market price of our common stock may change significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this prospectus supplement;
- a shortfall in operating revenue or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally; and
- general conditions in the securities markets.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major shareholder, or the perception that these sales could occur, may depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

In the event we issue stock as consideration for certain acquisitions, we may dilute share ownership.

We grow our business organically as well as through acquisitions. One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. If we do issue additional equity securities, such issuances may have the effect of diluting our earnings per share as well as our existing shareholders' individual ownership percentages in our company.

Provisions of South Dakota law and our articles of incorporation and bylaws, and several other factors, could limit another party's ability to acquire us and could deprive our common shareholders of an opportunity to obtain a takeover premium for their shares of common stock.

A number of provisions under South Dakota law and that are contained in our articles of incorporation and bylaws could make it difficult for another company to acquire us and for our shareholders to receive any related takeover premium for their shares. These provisions, among other things:

- provide for a staggered board of directors, which allows only one-third of our directors to be elected each year;
- restrict the ability of shareholders to take action by written consent and to call a special meeting;
- authorize the board of directors to designate the terms of and issue new series of preferred stock; and
- impose restrictions on business combinations with various interested parties.

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In addition, the South Dakota Public Utility Commission may assert jurisdiction to review and authorize certain business combinations or other acquisitions of our capital stock. Any attempt to obtain control of us by means of a tender offer, merger or otherwise could be discouraged, delayed or prevented if the South Dakota Public Utility Commission determines it has the authority or the obligation to review the transaction.

Our board of directors may designate the terms of and issue new series of preferred stock, which may adversely affect the performance of our common stock.

Our articles of incorporation authorize us to issue up to 25,000,000 shares of preferred stock with designations, rights and preferences determined from time-to-time by our board of directors. Accordingly, our board is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights superior to those of our common shareholders. For example, an issuance of shares of preferred stock could:

- adversely affect the voting power of the common shareholders;
- make it more difficult for a third party to gain control of us;
- discourage bids for our common stock at a premium; or
- otherwise adversely affect the market price of our common stock.

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Use of proceeds

We will not receive any proceeds from the sale of the shares of common stock offered by the forward seller pursuant to this prospectus supplement, unless (i) an event occurs that requires us to sell our common stock to the underwriters in lieu of the forward seller selling our common stock to the underwriters, or (ii) the underwriters exercise their over-allotment option and we elect to sell the additional shares of our common stock covered by such option to the underwriters rather than requiring the forward seller to borrow and sell such additional shares to the underwriters. We intend to use any net proceeds we receive from any such sales in the manner described below.

Depending on the price of our common stock at the time of settlement and the relevant settlement method, we may receive proceeds from the sale of common stock upon settlement of the forward sale agreement, which settlement must occur within approximately 12 months of the date of this prospectus supplement. At an initial forward sale price of $28.70875 per share, we expect to receive net proceeds of $114,835,000 million (or $132,060,250 million if the underwriters exercise their over-allotment option in full and we elect for the forward seller to sell such shares to the underwriters), subject to the price adjustment and other provisions of the forward sale agreement, in the event of full physical settlement of the forward sale agreement. For purposes of calculating the proceeds to us upon settlement of the forward sale agreement, we have assumed that the forward sale agreement is fully physically settled based upon the initial forward sale price of $28.70875 (which is the public offering price of our common stock after deducting the applicable underwriting discount and commissions shown on the cover of this prospectus supplement) on the effective date of the forward sale agreement, which will be November 17, 2010, and that the underwriters have not exercised their option to purchase up to an additional 600,000 shares to cover over-allotments. The actual proceeds that we receive will be determined upon final settlement of the forward sale agreement. Unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sale agreement. See "Underwriting Forward sale agreement" for a description of the forward sale agreement.

We intend to use any net proceeds that we receive upon settlement of the forward sale agreement, or from any sales of shares of our common stock to the underwriters in the circumstances described under "Risk factors Risks related to the forward sale agreement" and "Underwriting forward sale agreement," to repay borrowings under our $500 million credit facility (the "Revolving Credit Facility") that were used primarily to finance a portion of the construction costs of our new Colorado Electric and Black Hills Colorado IPP power generation facilities, to fund future capital expenditures to be incurred to complete the construction of the facilities and for general corporate purposes. Our Revolving Credit Facility matures on April 14, 2013. The aggregate principal amount of borrowings outstanding on our Revolving Credit Facility as of September 30, 2010, was $145.0 million. Borrowings under the Revolving Credit Facility bear interest at a floating rate, which at September 30, 2010, was 5.0% for base rate borrowings and 3.1% for Eurodollar borrowings. An affiliate of each of J.P. Morgan Securities LLC, BMO Capital Markets Corp., RBC Capital Markets, LLC, Credit Suisse Securities (USA) LLC, Credit Agricole Securities (USA) Inc., Mitsubishi UFJ Securities (USA), Inc., RBS Securities Inc. and Scotia Capital (USA) Inc. is a lender under our Revolving Credit Facility. If we elect physical settlement, we intend to use net proceeds we receive upon physical settlement of the forward sale agreement to, among other things, repay borrowings under our Revolving Credit Facility. As a result, affiliates of certain of the underwriters may receive more than 5% of the net proceeds.

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Capitalization

The table below shows our cash position and capitalization as of September 30, 2010:

- on a historical basis; and

- on an as adjusted basis to give effect to this offering and the forward sale agreement assuming (i) physical settlement of the forward sale agreement based on the initial forward sale price of $28.70875 per share (which is the public offering price of our common stock, less the underwriting discount shown on the cover page of this prospectus supplement), (ii) no exercise of the underwriters' over-allotment option and (iii) the application of the anticipated net proceeds, including the repayment of indebtedness under our Revolving Credit Facility as described under "Use of proceeds."

The amount of proceeds we ultimately receive from this offering of common stock is dependent upon numerous factors and subject to general market conditions. Among other things, whether we issue any shares of our common stock, and the proceeds that we receive, if any, in each case, upon settlement of the forward sale agreement will depend on the settlement method that applies to the forward sale agreement and the price of our common stock at the time of settlement of the forward sale agreement (which settlement must occur no later than approximately 12 months after the date of this prospectus supplement). At an initial forward sale price of $28.70875 per share, we expect to receive net proceeds of $114,835,000 million (or $132,060,250 million if the underwriters exercise their over-allotment option in full and we elect for the forward seller to sell such shares to the underwriters), subject to the price adjustment and other provisions of the forward sale agreement, in the event of full physical settlement of the forward sale agreement. Unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sale agreement. Also, we may increase or decrease the number of shares in this offering. Accordingly, the actual amounts shown in the "As Adjusted" column may differ materially from those shown below.

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You should read this table in conjunction with our consolidated financial statements and related notes that are incorporated by reference in this prospectus supplement.

(in thousands)	As of September 30, 2010 Actual	As adjusted(1)
	(unaudited)	
Cash and cash equivalents	$ 58,975	$ 58,975
Total debt		
Current portion of long-term debt	5,314	5,314
Notes payable	145,000	30,442
Total short-term debt	150,314	35,756
Long-term debt	1,188,293	1,188,293
Common stock equity		
Common stock $1 par value; 100,000,000 shares authorized; issued: 39,243,257 shares	39,243	43,243
Additional paid-in-capital	597,108	707,666
Retained earnings	466,691	466,691
Treasury stock at cost 7,905 shares	(226)	(226)
Accumulated other comprehensive loss	(22,409)	(22,409)
Total stockholders' equity	1,080,407	1,194,965
Total capitalization	$ 2,419,014	$ 2,419,014

(1) Assumes physical settlement of the forward sale agreement as described above in this "Capitalization" section. Although we expect to settle the forward sale agreement entirely by the delivery of shares of our common stock, subject to certain conditions and except in limited circumstances, we may elect cash settlement or net share settlement for all or a portion of our obligations if we conclude that it is in our interest to cash settle or net share settle. See "Underwriting Forward sale agreement." Settlement of the forward sale agreement will generally occur on a settlement date or dates to be specified at our discretion not later than approximately 12 months after the date of this prospectus supplement.

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Price range of common stock and dividends

Our common stock is traded on the New York Stock Exchange under the symbol "BKH." The following table sets forth the high and low sales prices per share of our common stock as reported in the New York Stock Exchange composite transactions, and the cash dividends paid per share of common stock, for the periods indicated:

	High	Low	Dividend paid
2008			
First Quarter	$ 43.98	$ 33.21	$ 0.350
Second Quarter	$ 39.66	$ 31.70	$ 0.350
Third Quarter	$ 39.23	$ 30.10	$ 0.350
Fourth Quarter	$ 31.59	$ 21.73	$ 0.350
2009			
First Quarter	$ 27.84	$ 14.63	$ 0.355
Second Quarter	$ 23.45	$ 17.36	$ 0.355
Third Quarter	$ 26.90	$ 22.57	$ 0.355
Fourth Quarter	$ 27.98	$ 23.16	$ 0.355
2010			
First Quarter	$ 30.83	$ 25.65	$ 0.360
Second Quarter	$ 34.49	$ 27.34	$ 0.360
Third Quarter	$ 33.31	$ 27.79	$ 0.360
Fourth Quarter (through November 10, 2010)	$ 33.42	$ 30.83	(1)

(1) On October 28, 2010, our Board of Directors declared a quarterly dividend of $0.360 per share payable December 1, 2010.

The last reported sale price of our common stock on the New York Stock Exchange on November 10, 2010 was $31.00 per share. The foregoing table shows only historical comparisons. These comparisons may not provide meaningful information to you in determining whether to purchase shares of our common stock. As of September 30, 2010, we had 4,701 common shareholders of record and approximately 24,000 beneficial owners.

We have paid a regular quarterly cash dividend each year since the incorporation of our predecessor company in 1941 and expect to continue paying a regular quarterly dividend for the foreseeable future. The determination of the amount of future cash dividends, if any, to be declared and paid will depend upon, among other things, our financial condition, funds from operations, the level of our capital expenditures, restrictions under our credit facilities and our future business prospects. The most restrictive financial covenants included in our credit facilities include the following: a recourse leverage ratio not to exceed 0.65 to 1.00; and a minimum consolidated net worth of $625 million plus 50% of aggregate consolidated net income, if positive, since January 1, 2005. In addition, the amount of dividends that our utility subsidiaries are permitted to declare and pay to us is generally limited to the amount of dividends allowed by state regulatory authorities to be paid to a utility holding company and also may be further limited by the Federal Power Act. As of September 30, 2010, the restricted net assets (assets that are not available to be paid out as dividends) at our regulated Electric and regulated Gas Utilities were approximately $245.0 million. At Black Hills Non-regulated Holdings, LLC, one of our direct, wholly-owned subsidiaries, the restricted net assets at September 30, 2010, were approximately $100.0 million, and at Enserco Energy, Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC, the restricted net assets were approximately $104.6 million.

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Material United States federal tax considerations for non-U.S. holders

The following discussion is a general summary of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock applicable to "non-U.S. holders". As used herein, a non-U.S. holder means a beneficial owner of our common stock that is neither a "U.S. holder", as defined below, nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes, and that will hold shares of our common stock as capital assets (i.e., generally, for investment).

For purposes of this summary, a U.S. holder means a beneficial owner of our common stock that is, for U.S. federal income tax purposes, any of the following:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof;
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons has the authority to control all substantial decisions of the trust or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate, the income of which is includible in gross income for U.S. income tax purposes regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its independent tax advisor as to its tax consequences relating to the ownership and disposition of our common stock.

This discussion is based on the Internal Revenue Code of 1986, as amended, United States Treasury Regulations and administrative interpretations as of the date of this prospectus supplement, all of which are subject to change, including changes with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to non-U.S. holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. It also does not consider non-U.S. holders subject to special tax treatment under the U.S. federal income tax laws (including partnerships or other pass-through entities, banks and insurance companies, dealers in securities, holders of our common stock as part of a "straddle," "hedge," "conversion transaction" or other risk-reduction transaction, controlled foreign corporations, passive foreign investment companies, companies that accumulate earnings to avoid U.S. federal income tax, foreign tax exempt organizations, former U.S. citizens or residents, persons who hold or receive common stock as compensation and persons subject to the alternative minimum tax). You should consult your tax advisor with respect to the particular tax consequences to you of owning and disposing of our common stock.

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Dividends

Distributions of cash or property that we pay on our common stock will be taxable as dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Dividends paid to a non-U.S. holder of common stock generally will be subject to withholding of United States federal income tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. If the amount of a distribution exceeds our current and accumulated earnings and profits, such excess first will be treated as a tax-free return of capital to the extent of the non-U.S. holder's tax basis in our common stock, and thereafter will be treated as capital gain. To obtain a reduced rate of withholding for dividends paid, a non-U.S. holder will be required to provide us with an Internal Revenue Service Form W-8BEN certifying its entitlement to benefits under a treaty.

The withholding of U.S. federal income tax does not apply to dividends paid to a non-U.S. holder who provides an Internal Revenue Service Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. holder were a U.S. resident. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower treaty rate) under specific circumstances.

Gain on disposition of common stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of common stock unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, or where a treaty applies, is attributable to a United States permanent establishment of the non-U.S. holder;

- the non-U.S. holder is an individual who is present in the United States for 183 or more days in the taxable year of the disposition and meet other requirements; or

- we are or have been a "United States real property holding corporation" (a "USRPHC"), under certain Internal Revenue Code rules, at any time during the shorter of the five-year period ending on the date of such disposition or the non-U.S. holder's holding period for our common stock.

In general, a corporation is a USRPHC if the fair market value of its "United States real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide (domestic and foreign) real property interests and its other interests used or held for use in a trade or business. For this purpose, real property interests include land, improvements and personal property associated with the use of real property. We currently believe that we are a USRPHC. A non-U.S. holder nonetheless will not be subject to U.S. federal income tax or withholding in respect of any gain realized on a sale or other disposition of our common stock so long as (i) our common stock continues to be "regularly traded on an established securities market" for U.S. federal income tax purposes (as it currently is) and (ii) such non-U.S. holder does not own, directly or indirectly, at any time during the five-year period ending on the date of disposition or such shorter period the shares were held, more than five percent of our outstanding common stock. Accordingly, a non-U.S. holder who owns, directly or indirectly, more than five percent of our common stock would be subject to U.S. federal income tax and withholding on a sale or other disposition of common stock.

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Information reporting requirements and backup withholding

We must report annually to the Internal Revenue Service the amount of dividends paid to each non-U.S. holder, the name and address of the recipient, and the amount of any tax withheld. A similar report is sent to the non-U.S. holder. Under tax treaties or other agreements, the Internal Revenue Service may make its reports available to tax authorities in the recipient's country of residence. A non-U.S. holder must certify its non-U.S. status to avoid backup withholding at the applicable rate on dividends. Generally a non-U.S. holder will provide this certification on Internal Revenue Service Form W-8BEN.

U.S. information reporting and backup withholding generally will not apply to a payment of proceeds of a disposition of common stock where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, a non-U.S. holder must certify its non-U.S. status to avoid information reporting and backup withholding at the applicable rate on disposition proceeds where the transaction is effected by or through a U.S. office of a broker. In addition, U.S. information reporting requirements generally will apply to the proceeds of a disposition effected by or through a non-U.S. office of a U.S. broker, or by a non-U.S. broker with specified connections to the United States.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. When withholding results in an overpayment of taxes, a refund may be obtained if the required information is furnished to the Internal Revenue Service.

Federal estate tax

An individual non-U.S. holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the common stock will be required to include the value of the stock in the individual's gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

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Underwriting

In this offering, J.P. Morgan Securities LLC, as agent for an affiliate of the forward purchaser, and whom we refer to as the forward seller, is, at our request, borrowing and offering 4,000,000 shares of our common stock in connection with the execution of a forward sale agreement between us and an affiliate of J.P. Morgan Securities LLC, whom we refer to as the forward purchaser.

J.P. Morgan Securities LLC, BMO Capital Markets Corp., RBC Capital Markets, LLC and Credit Suisse Securities (USA) LLC are acting as joint book-running managers of the offering and as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters, the forward seller and the forward purchaser. Subject to the terms and conditions of the underwriting agreement, the forward seller has agreed to sell to the underwriters named below, and the underwriters through their representatives have severally agreed to purchase from the forward seller, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

Name	Number of shares
J.P. Morgan Securities LLC	1,080,000
BMO Capital Markets Corp.	960,000
RBC Capital Markets, LLC	960,000
Credit Suisse Securities (USA) LLC	400,000
Credit Agricole Securities (USA) Inc.	100,000
D.A. Davidson & Co.	100,000
Mitsubishi UFJ Securities (USA), Inc.	100,000
Piper Jaffray & Co.	100,000
RBS Securities Inc.	100,000
Scotia Capital (USA) Inc.	100,000
Total	4,000,000

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and the independent auditors. The underwriters are committed to purchase all the shares of common stock to be offered pursuant to the underwriting agreement if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

Forward sale agreement

We have entered into a forward sale agreement on the date of this prospectus supplement with the forward purchaser relating to an aggregate of 4,000,000 shares of our common stock. In connection with the execution of the forward sale agreement, and at our request, the forward seller is borrowing from third parties and selling in this offering 4,000,000 shares of our common stock.

If, in the commercially reasonable judgment of the forward seller, it is unable to borrow and deliver for sale on the anticipated closing date any shares of our common stock, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date any shares of our common stock, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date, any shares of our common stock, then the forward sale agreement will be terminated in its entirety. If, in the commercially reasonable judgment of the forward seller, it is unable to borrow and deliver for sale on the anticipated closing date 4,000,000 shares of our common stock, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date 4,000,000 shares of our common stock, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date 4,000,000 shares of our common stock, then the number of shares of our common stock to which the forward sale agreement relates will be reduced to the number that the forward seller can so borrow and deliver. In the event that the number of shares to which the forward sale agreement relates is so reduced, the commitments of the underwriters to purchase shares of our common stock from the forward seller and the forward seller's obligation to borrow such shares for delivery and sale to the underwriters, as described above, will be replaced with the commitments to purchase from us and our corresponding obligation to issue directly to the underwriters all or such portion of the number of shares not borrowed and delivered by the forward seller. In such event, we or the representatives of the underwriters will have the right to postpone the closing date for one business day to effect any necessary changes to the documents or arrangements in connection with such closing.

We will receive an amount equal to the net proceeds from the sale of the borrowed shares of our common stock sold in this offering, subject to certain adjustments pursuant to the forward sale agreement, from the forward purchaser upon physical settlement of the forward sale agreement. We will only receive such proceeds if we elect to physically settle the forward sale agreement.

The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion within approximately 12 months from the date of this prospectus supplement. On a settlement date or dates, if we decide to physically settle the forward sale agreement, we will issue shares of our common stock to the forward purchaser at the then-applicable forward sale price. The forward sale price will initially be $28.70875 per share, which is the public offering price of our shares of common stock less the underwriting discount shown on the cover page of this prospectus supplement. The forward sale agreement provides that the initial forward sale price will be subject to adjustment based on a floating interest rate factor equal to the federal funds rate less a spread, and will be subject to decrease on each of certain dates specified in the forward sale agreement. The forward sale price will also be subject to decrease if the cost to the forward seller of borrowing our common stock exceeds a specified amount. If the federal funds rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread.

Before any issuance of our common stock upon physical settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale agreement over the number of shares that could be purchased by us in the market (based on the average market price

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during the period) using the proceeds receivable upon settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above the per share adjusted forward sale price. However, if we decide to physically settle or net share settle the forward sale agreement, delivery of our shares on any physical settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.

The forward purchaser will have the right to accelerate the forward sale agreement and require us to physically settle the forward sale agreement on a date specified by the forward purchaser if:

- in its commercially reasonable judgment, it or its affiliate is unable to hedge its exposure under the forward sale agreement because (i) of the lack of sufficient shares of our common stock being made available for borrowing by lenders, or (ii) it or its affiliate would incur a cost to borrow shares of our common stock to hedge its exposure under the forward sale agreement that is greater than a specified threshold;

- we declare any dividend or distribution on shares of our common stock payable in (i) cash in excess of the specified amount, (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment at less than the prevailing market price, as determined by the forward purchaser;

- certain ownership thresholds applicable to the forward purchaser are exceeded;

- an event is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreement) including, among other things, certain mergers and tender offers, as well as certain events involving our nationalization or delisting of our common stock (each as more fully described in the forward sale agreement); or

- certain other events of default or termination events occur, including, among other things, any material misrepresentation made in connection with entering into the forward sale agreement, our bankruptcy or a change in law (each as more fully described in the forward sale agreement).

The forward purchaser's decision to exercise its right to require us to settle the forward sale agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver common stock under the terms of the physical settlement provisions of the forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share and return on equity. In addition, upon certain events of bankruptcy, insolvency, or reorganization relating to us, the forward sale agreement will terminate without further liability of either party. Following any such termination, we would not issue any shares and we would not receive any proceeds pursuant to the forward sale agreement.

The forward sale agreement will be physically settled, unless we elect cash or net share settlement under the forward sale agreement (which we have the right to do, subject to certain conditions, other than in the limited circumstances described above). Although we expect to settle entirely by the delivery of shares of our common stock, we may elect cash settlement or net share settlement for all or a portion of our obligations if we conclude that it is in our interest to cash settle or net share settle. For example, we may conclude that it is in our interest to cash settle or net share settle if we have no current use for all or a portion of the net proceeds. If we elect cash or net share settlement with respect to the forward sale agreement, the forward purchaser or one of its affiliates will purchase shares of our common stock in secondary market transactions over a period of time for delivery to stock lenders in order to unwind its hedge and, if applicable in connection with net share settlement, to deliver shares to us. If the market value of our common stock at the time of such repurchase is above the forward sale price at that time, we will pay or deliver, as the case may be, to the forward purchaser under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the market value of our common stock at the time of such repurchase is below the forward sale price at that time, the forward purchaser will pay or deliver, as the case may be, to us under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference.

If we elect to cash settle or net share settle the forward sale agreement, we would expect the forward purchaser or its affiliate to purchase shares of our common stock in secondary market transactions for delivery to stock lenders in order to close out its short position. The purchase of our common stock by the forward purchaser or its affiliate could cause the price of our common stock to increase over time, thereby increasing the amount of cash we owe to the forward purchaser or decreasing the amount of cash that the forward purchaser owes us, as the case may be, in the event of cash settlement, or increasing the number of shares of our common stock we owe to the forward purchaser or decreasing the number of shares of our common stock that the forward purchaser owes us, as the case may be, in the event of net share settlement.

Underwriting discounts and commissions

The underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $0.62475 per share. After the public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

Over-allotment option

We have granted the underwriters an option to purchase from us directly up to an additional 600,000 shares of common stock to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The shares purchased under this over-allotment option will be purchased at the public offering price, less the underwriting discount and commissions. The underwriters may exercise this option at any time, in whole or in part, until 30 days after the date of this prospectus supplement. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

If the underwriters exercise their over-allotment option, each underwriter will be obligated, subject to the conditions contained in the underwriting agreement, to purchase a number of additional shares of our common stock in approximately the same proportion as shown in the table above. We may elect, in our sole discretion if such option is exercised, that such additional shares of common stock be sold by the forward seller to the underwriters (in which case we will enter into an additional forward sale agreement with the forward purchaser in respect of the number of shares that are subject to the exercise of the underwriters' over-allotment option). In such event, if in the commercially reasonable judgment of the forward seller, it is unable to borrow and deliver for sale any shares of our common stock, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date any shares of our common stock, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date, any shares of our common stock, then such additional forward sale agreement will be terminated in its entirety. In addition, if, in the forward seller's commercially reasonable judgment, it is unable to borrow and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, if the forward seller determines, in its commercially reasonable judgment, that it is impracticable to borrow and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, or if the forward seller determines, in its commercially reasonable judgment, that it is unable to borrow, at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, then the number of shares of our common stock to which the additional forward sale agreement relates will be reduced to the number that the forward seller can so borrow and deliver. In the event that the number of shares to which the additional forward sale agreement relates is so reduced, the commitments of the underwriters to purchase shares of our common stock from the forward seller and the forward seller's obligation to borrow such shares for delivery and sale to the underwriters, as described above, will be replaced with the commitments to purchase from us and our corresponding obligation to issue directly to the underwriters all or such portion of the number of shares not borrowed and delivered by the forward seller. In such event, we or the representatives of the underwriters will have the right to postpone the closing date for the exercise of such option for one business day to effect any necessary changes to the documents or arrangements in connection with such closing.

The underwriting discounts and commissions are equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting discounts and commissions are $1.04125 per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

		Without over-allotment exercise		**With full over-allotment exercise**
Per Share	$	1.04125	$	1.04125
Total	$	4,165,000	$	4,789,750

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately $276,650.

A prospectus supplement and accompanying prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders.

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Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

No sales of similar securities

Except in the case of physical settlement of the forward sale agreement or the offering and/or sale of our common stock in this offering, we have agreed that we will not (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended (the "Securities Act") relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (2) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any shares of common stock or any other such securities (regardless of whether any such transactions described in clause (1) or (2) above is to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities LLC for a period beginning on the date of this prospectus and ending 90 days after the closing date, other than (A) any shares of our common stock issued upon the exercise of options previously granted or delivered upon the lapsing of restrictions on restricted stock units under our omnibus incentive plan, (B) grants of restricted stock, performance shares and phantom stock pursuant to our omnibus incentive plan, (C) offers and sales of our common stock pursuant to our dividend reinvestment and direct stock purchase plan, retirement savings plan and non-qualified deferred compensation plan and (D) the filing of any registration statement under the Securities Act on Form S-8 or Form S-3 with respect to any such plan. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to our company occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Our directors and executive officers have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period beginning on the date of this prospectus and ending 90 days after the closing date, may not, without the prior written consent of J.P. Morgan Securities LLC, (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock, other than (A) transfers of shares of our common stock as a bona fide gift or gifts, (B) the distribution of shares of our common stock to members or stockholders affiliated with such officer or director, (C) any shares of our common stock offered, sold or otherwise disposed of pursuant to a written plan for trading securities in effect on the date hereof, which was established pursuant to and in accordance with Rule 10b5-1(c) under the Exchange Act, (D) any sale of shares of our common stock to us to discharge tax withholding obligations resulting from the vesting of equity awards acquired by such officer or director through our stock and incentive compensation plans, and (E) any sale of shares of our common stock as part of a cashless exercise of stock options held by such officer or director as of the date of this prospectus supplement, which expire on December 12, 2010. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to our company occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Our common stock is listed on the New York Stock Exchange under the symbol "BKH."

Price stabilization and short positions

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Sales outside the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), from and including the date on which the European Union Prospectus Directive (the "EU Prospectus Directive") is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer of securities described in this prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

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to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running manger[s] for any such offer; or

in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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Conflicts of interest

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions.

All of the proceeds of this offering (excluding proceeds to us with respect to any shares of common stock that we sell to the underwriters in lieu of the forward seller selling our common stock to the underwriters, and excluding any proceeds to us if the underwriters exercise their over-allotment option and we elect to issue the additional shares to cover such over-allotments directly) will be paid to the forward purchaser. As a result, an affiliate of J.P. Morgan Securities LLC will receive more than 5% of the net proceeds of this offering, not including underwriting compensation. Accordingly, this offering is being made in compliance with the requirements of NASD Rule 2720 (Public Offerings of Securities with Conflicts of Interest) of the Financial Industry Regulatory Authority, Inc. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not necessary in connection with this offering because the shares of common stock have a "bond fide market" (as such terms are defined in NASD Rule 2720).

In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. An affiliate of each of J.P. Morgan Securities LLC, BMO Capital Markets Corp., RBC Capital Markets, LLC, Credit Suisse Securities (USA) LLC, Credit Agricole Securities (USA) Inc., Mitsubishi UFJ Securities (USA), Inc., RBS Securities Inc. and Scotia Capital (USA) Inc. is a lender under our Revolving Credit Facility. If we elect physical settlement, we intend to use net proceeds we receive upon physical settlement of the forward sale agreement to, among other things, repay borrowings under our Revolving Credit Facility. As a result, affiliates of certain of the underwriters may receive more than 5% of the net proceeds. An affiliate of BMO Capital Markets Corp. is a hedging counterparty for two of our interest rate hedges.

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Legal opinions

The validity of the shares of common stock offered by this prospectus supplement and the accompanying prospectus will be passed upon for us by Steven J. Helmers, Senior Vice President-General Counsel of Black Hills Corporation. Certain other legal matters will be passed upon for us by Conner & Winters, LLP, Tulsa, Oklahoma. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York. Mr. Helmers owns, directly or indirectly, 37,951 shares of our common stock, and holds options to purchase an additional 19,110 shares.

Experts

The financial statements and the related financial statement schedule, incorporated in this prospectus supplement by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of Black Hills Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion on the financial statements and financial statement schedule, and include an explanatory paragraph referring to the Company's change in an accounting principle and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting), which are incorporated herein by reference. Such financial statements and financial statement schedule, have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

We have derived the estimates of proved oil and natural gas reserves and related future net revenues and the present value thereof as of December 31, 2009, 2008 and 2007, included in our Annual Report on Form 10-K filed on February 26, 2010, and incorporated by reference in this prospectus supplement, from the reserve report of Cawley, Gillespie & Associates, Inc., independent petroleum engineers, given on the authority of Cawley, Gillespie & Associates, Inc., as experts in such matters.

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Incorporation of certain documents by reference

The SEC allows us to "incorporate by reference" into this prospectus supplement and the accompanying prospectus the information we file with them, which means we can disclose important business and financial information about us to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus, except for any information that is superseded by information included directly in this prospectus supplement. Information that we file later with the SEC will also automatically update and supersede the information in this prospectus supplement and the accompanying prospectus. We incorporate by reference the documents listed below that we previously filed with the SEC (SEC File No. 1-31303) and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act (other than any portions of such filings that are furnished rather than filed under applicable SEC rules) until the termination of the offering made under this prospectus supplement and the accompanying prospectus:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2009;

- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, respectively;

- Our Current Reports on Form 8-K filed on January 6, 2010, February 3, 2010, April 21, 2010, May 13, 2010, May 26, 2010, June 3, 2010, July 13, 2010, July 15, 2010, September 1, 2010 and September 10, 2010; and

- The description of our common stock contained in our registration statement on Form 8-A, dated April 19, 2002, including any amendment or report filed before or after the date of this prospectus supplement for the purpose of updating the description.

These filings have not been included in or delivered with this prospectus. We will provide to each person, including any beneficial owner to whom this prospectus is delivered, a copy of any or all information that has been incorporated by reference in this prospectus supplement and accompanying prospectus but not delivered with this prospectus supplement and accompanying prospectus. You may obtain a copy of these filings, at no cost, from our Internet website (www.blackhillscorp.com) or by writing or telephoning us at the following address:

Black Hills Corporation
625 Ninth Street
Rapid City, South Dakota 57701
Attention: Investor Relations
(605) 721-1700

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PROSPECTUS

BLACK HILLS CORPORATION

Senior Debt Securities
Subordinated Debt Securities
Preferred Stock
Depositary Shares
Common Stock
Warrants
Purchase Contracts
Units

We may from time to time offer to sell senior debt securities, subordinated debt securities, preferred stock, depositary shares, common stock, warrants, purchase contracts or units. We sometimes refer to the securities listed above as the "securities." Each time we sell securities pursuant to this prospectus, we will provide a supplement to this prospectus that contains specific information about the offering and the specific terms of the securities offered. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our securities.

Our common stock is listed on the New York Stock Exchange under the symbol "BKH."

There are significant risks associated with an investment in our securities. You should read carefully the risks we describe in the accompanying prospectus supplement as well as the risk factors discussed in our periodic reports that we file with the Securities and Exchange Commission, for a better understanding of the risks and uncertainties that investors in our securities should consider.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

The date of this prospectus is October 22, 2009.

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You should rely only on the information contained in this prospectus or any prospectus supplement to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus or any prospectus supplement may only be accurate on the date of those documents.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, utilizing a "shelf" registration process. Under this shelf process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings. For further information about our business and the securities, you should refer to the registration statement and its exhibits. The exhibits to the registration statement and the documents incorporated by reference in the registration statement contain the full text of the contracts and other important documents summarized in this prospectus. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities that we may offer, you should review the full text of these documents. The registration statement can be obtained from the SEC as indicated under the heading "Where You Can Find More Information."

This prospectus provides you with only a general description of the securities we may offer. Each time we offer to sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update, or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information." Unless the context otherwise requires, references in this prospectus to "Black Hills," the "Company," "we," "us" and "our" generally refer to Black Hills Corporation and all of its subsidiaries collectively.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein and therein may contain "forward-looking statements" within the meaning of the Federal securities laws. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein and therein that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation the Risk Factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, and in other reports that we file with the SEC from time to time, and the following:

- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and receive favorable rulings in periodic applications to recover costs for fuel and purchased power in our regulated utilities;

- Our ability to obtain permanent financing for our recent acquisition and other capital expenditures on reasonable terms;

- Our ability to successfully integrate and profitably operate any recent and future acquisitions;

- The amount and timing of capital deployment in new investment opportunities or for the repurchase of debt or stock;

- Our ability to successfully maintain our corporate credit rating;

- Our ability to complete the permitting, construction, start-up and operation of power generating facilities in a cost-effective and timely manner;

- The timing, volatility and extent of changes in energy and commodity prices, supply or volume, the cost and availability of transportation of commodities, changes in interest or foreign exchange rates, and the demand for our services, any of which can affect our earnings, our financial liquidity and the underlying value of our assets;

- Our ability to meet production targets for our oil and gas properties, which may be dependent upon issuance by Federal, state and tribal governments, or agencies thereof, of drilling, environmental and other permits, and the availability of specialized contractors, work force and equipment, or the possibility of reductions in our drilling program resulting from the current economic climate and commodity prices, which also may prevent us from maintaining production rates and replacing reserves with respect to our oil and gas properties;

- Our ability to accurately estimate demand from our customers for natural gas;

- Our ability to provide accurate estimates of proved oil and gas reserves, coal reserves and future production rates and associated costs;

- The extent of our success in connecting natural gas supplies to gathering, processing and pipeline systems;

The timing and extent of scheduled and unscheduled outages of power generation facilities;

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The possibility that we may be required to take impairment charges to reduce the carrying value of some of our long-lived assets when indicators of impairment emerge;

The possibility that that we may be required to take impairment charges under the SEC's full cost ceiling test for the accumulated costs of our natural gas and oil reserves;

Changes in business and financial reporting practices arising from the enactment of the Energy Policy Act of 2005 and subsequent rules and regulations promulgated thereunder;

Our ability to effectively use derivative financial instruments to hedge commodity, currency exchange rate and interest rate risks;

Our ability to minimize losses related to defaults on amounts due from customers and counterparties, including counterparties to trading and other commercial transactions;

The amount of collateral required to be posted from time to time in our transactions;

Our ability to comply, or to make expenditures required to comply, with changes in laws and regulations, particularly those relating to taxation, safety and protection of the environment and to recover those expenditures in our customer rates, where applicable;

Our ability to recover our borrowing costs, including debt service costs, in our customer rates;

Liabilities for environmental conditions, including remediation and reclamation obligations, under environmental laws;

Changes in state laws or regulations that could cause us to curtail our independent power production or exploration and production activities;

Weather and other natural phenomena;

Macro- and micro-economic changes in the economy and energy industry, including the impact of (i) consolidations and changes in competition, (ii) changing conditions in the capital and credit markets, which affect our ability to raise capital on favorable terms, and (iii) general economic and political conditions, including tax rates or policies and inflation rates;

The effect of accounting policies issued periodically by accounting standard-setting bodies;

The cost and effects on our business, including insurance, resulting from terrorist actions or responses to such actions or events;

The outcome of any ongoing or future litigation or similar disputes and the impact of any such outcome or related settlements on our financial condition or results of operations;

- Federal and state laws concerning climate change and air emissions, including emission reduction mandates and renewable energy portfolio standards, may materially increase our generation and production costs and could render some of our generating units uneconomical to operate and maintain;

- Price risk due to marketable securities held as investments in benefit plans; and

- Risk factors discussed in any accompanying prospectus supplement.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

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BLACK HILLS CORPORATION

We are a diversified energy company. Our predecessor company, Black Hills Power and Light Company was incorporated and began providing electric utility service in 1941 and began selling and marketing various forms of energy on an unregulated basis in 1956. We operate principally in the United States with two major business groups: utilities and non-regulated energy.

Our utilities group conducts business in two segments:

Electric Utilities. Our electric utilities, which include Black Hills Power, Inc., Cheyenne Light, Fuel & Power Company, and Colorado Electric Utility Company, LP, generate, transmit and distribute electricity to customers in Colorado, Montana, South Dakota and Wyoming, and Cheyenne Light's gas distribution operations which are included in this segment distribute natural gas to customers in the vicinity of Cheyenne, Wyoming.

Gas Utilities. Our gas utilities, which include Black Hills Colorado Gas Utility Company, LP, Black Hills Iowa Gas Utility Company, LLC, Black Hills Kansas Gas Utility Company, LLC, and Black Hills Nebraska Gas Utility Company, LLC, distribute natural gas to customers in Colorado, Iowa, Kansas and Nebraska.

Our non-regulated energy group conducts business in four segments:

Oil and Gas. Black Hills Exploration and Production, Inc. and its subsidiaries acquire and develop natural gas and crude oil properties and produce natural gas and crude oil, primarily in the Rocky Mountain region of the United States.

Coal Mining. Wyodak Resources Development Corporation mines and sells coal at our coal mine located near Gillette, Wyoming.

Energy Marketing. Enserco Energy, Inc. is engaged in the marketing of natural gas and crude oil, primarily in the Rocky Mountain, Western and Mid-continent regions of the United States and in Canada.

Power Generation. Black Hills Electric Generation, LLC, and its subsidiaries, including Black Hills Wyoming, LLC, produce and sell electric capacity and energy through a portfolio of generating plants in Wyoming and Idaho.

We are a South Dakota corporation. Our headquarters and principal executive offices are located at 625 Ninth Street, Rapid City, South Dakota 57701 and our telephone number is (605) 721-1700. Our Internet address is *www.blackhillscorp.com*. Information on our website does not constitute part of this prospectus.

Recent Development

New generation facility to be built by our Black Hills Colorado independent power subsidiary. Our Black Hills Colorado independent power subsidiary ("BHCI") has been selected to provide 200 megawatts ("MW") of power to our indirect, wholly-owned subsidiary, Black Hills Colorado Electric Utility Company, LP ("Black Hills Energy-Colorado Electric"). BHCI plans to build the 200 MW natural gas-fired electric generation facility in Colorado and sell the power to Black Hills Energy-Colorado Electric through a 20-year power purchase agreement. The new generation facility is expected to cost between $240 million and $265 million and we anticipate that the facility will be completed by January 1, 2012. Our non-regulated power plant operations currently consist of 120 MW of net generation capacity.

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RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratio of earnings to fixed charges and our ratio of earnings to fixed charges and preferred stock dividends for each period indicated. The ratios were computed by dividing earnings by either fixed charges or combined fixed charges and preferred stock dividends. For this purpose, earnings consist of income (loss) from continuing operations (before adjustment for income taxes, non-controlling interests or income or loss from equity investees), plus fixed charges, amortization of capitalized interest and distributed income of equity investees and less interest capitalized, preference security dividend requirements of consolidated subsidiaries and minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of interest expensed and capitalized, amortization of debt issuance costs and an estimate of the interest within rental expense.

	Years Ended December 31,					Six Months Ended June 30,	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Ratio of earnings to fixed charges	3.77	3.70	3.29	4.21	N/A(2)	2.69	2.61
Ratio of earnings to fixed charges and preferred stock dividends(1)	3.70	3.67	3.29	4.21	N/A(2)	2.69	2.61

(1) No shares of preferred stock were outstanding during any of the periods subsequent to 2005.

(2) In 2008, earnings were insufficient to cover fixed charges by $85.3 million.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, we intend to use the net proceeds from the sale of any securities described in this prospectus for working capital and general corporate purposes, which may include:

- repayment or refinancing of outstanding debt;
- capital expenditures;
- acquisitions;
- investments; and
- other business opportunities.

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DESCRIPTION OF SENIOR DEBT SECURITIES

General

The following description applies to the senior debt securities offered by this prospectus. The senior debt securities will be direct, unsecured obligations of Black Hills and will rank on a parity with all of our outstanding unsecured senior indebtedness. The senior debt securities may be issued in one or more series. The senior debt securities will be issued under that certain indenture dated as of May 21, 2003, between us and Wells Fargo Bank, National Association, as successor trustee, as supplemented by that certain First Supplemental Indenture thereto dated as of May 21, 2003, and as further supplemented by that certain Second Supplemental Indenture dated as of May 14, 2009.

The statements under this caption are brief summaries of the provisions contained in the indenture, do not claim to be complete and are qualified in their entirety by reference to the indenture, a copy of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Whenever defined terms are used but not defined in this prospectus, those terms have the meanings given to them in the indenture.

The following describes the general terms and provisions of the senior debt securities to which any prospectus supplement may relate. The particular terms of any senior debt security and the extent, if any, to which these general provisions may apply to the senior debt securities will be described in the prospectus supplement relating to the senior debt securities.

The indenture does not limit the aggregate principal amount of senior debt securities which may be issued under it. Rather, the indenture provides that senior debt securities of any series may be issued under it up to the aggregate principal amount which we may authorize from time to time. Senior debt securities may be denominated in any currency or currency unit we designate. Neither the indenture nor the senior debt securities will limit or otherwise restrict the amount of other debt which we may incur or the other securities which we may issue.

Senior debt securities of a series may be issuable in registered form without coupons, which we refer to as "registered securities," or in the form of one or more global securities in registered form, which we refer to as "global securities."

You must review the prospectus supplement for a description of the following terms, where applicable, of each series of senior debt securities for which this prospectus is being delivered:

- the title of the senior debt securities;
- the limit, if any, on the aggregate principal amount or aggregate initial public offering price of the senior debt securities;
- the priority of payment of the senior debt securities;
- the price or prices, which may be expressed as a percentage of the aggregate principal amount, at which the senior debt securities will be issued;
- the date or dates on which the principal of the senior debt securities will be payable;
- the interest rate or rates, which may be fixed or variable, for the senior debt securities, if any, or the method of determining the same;
- the date or dates from which interest, if any, on the senior debt securities will accrue, the date or dates on which interest, if any, will be payable, the date or dates on which payment of interest, if any, will commence and the regular record dates for the interest payment dates;

the extent to which any of the senior debt securities will be issuable in temporary or permanent global form, or the manner in which any interest payable on a temporary or permanent global senior debt security will be paid;

each office or agency where the senior debt securities may be presented for registration of transfer or exchange;

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- the place or places where the principal of and any premium and interest on the senior debt securities will be payable;
- the date or dates, if any, after which the senior debt securities may be redeemed or purchased in whole or in part, (1) at our option or (2) mandatorily pursuant to any sinking, purchase or similar fund or (3) at the option of the holder, and the redemption or repayment price or prices;
- the terms, if any, upon which the senior debt securities may be convertible into or exchanged for any other kind of our securities or indebtedness and the terms and conditions upon which the conversion or exchange would be made, including the initial conversion or exchange price or rate, the conversion period and any other additional provisions;
- the authorized denomination or denominations for the senior debt securities;
- the currency, currencies or units based on or related to currencies for which the senior debt securities may be purchased and the currency, currencies or currency units in which the principal of and any premium and interest on the senior debt securities may be payable;
- any index used to determine the amount of payments of principal of and any premium and interest on the senior debt securities;
- the payment of any additional amounts with respect to the senior debt securities;
- whether any of the senior debt securities will be issued with original issue discount;
- information with respect to book-entry procedures, if any;
- any additional covenants or events of default not currently included in the indenture relating to the senior debt securities; and
- any other terms of the senior debt securities not inconsistent with the provisions of the indenture.

If any of the senior debt securities are sold for one or more foreign currencies or foreign currency units or if the principal of or any premium or interest on any series of senior debt securities is payable in one or more foreign currencies or foreign currency units, the restrictions, elections, tax consequences, specific terms and other information with respect to that issue of senior debt securities and those currencies or currency units will be described in the applicable prospectus supplement.

A judgment for money damages by courts in the United States, including a money judgment based on an obligation expressed in a foreign currency, will ordinarily be rendered only in U.S. dollars. New York statutory law provides that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree.

Senior debt securities may be issued as original issue discount senior debt securities, which bear no interest or interest at a rate which at the time of issuance is below market rates, to be sold at a substantial discount below their stated principal amount due at the stated maturity of the senior debt securities. There may be no periodic payments of interest on original issue discount securities. In the event of an acceleration of the maturity of any original issue discount security, the amount payable to the holder of the original issue discount security upon acceleration will be determined in accordance with the prospectus supplement, the terms of the security and the indenture, but will be an amount less than the amount payable at the maturity of the principal of the original issue discount security.

If the senior debt securities are issued with "original issue discount" within the meaning of the Internal Revenue Code of 1986, as amended, then a holder of those senior debt securities will be required under the Internal Revenue Code to include original issue discount in ordinary income for federal income tax purposes as it accrues, in accordance with a constant interest method that takes into account the compounding of interest, in advance of receipt of cash attributable to that income. Generally, the total amount of original issue discount on a senior debt security will be the excess of the stated redemption price at maturity of the security over the price at which the security is sold to the public. To the extent a holder of a senior debt security receives a payment (at the time of acceleration of maturity, for example) that represents payment of original issue discount already included by the holder in ordinary income or reflected in the holder's tax basis in the security, that holder generally will not be required to include the payment in income. The specific terms of any senior debt securities that are issued with original issue discount and the application of the original discount rules under the Internal Revenue Code to those securities will be described in a prospectus supplement for those securities.

Registration and Transfer

Unless otherwise indicated in the applicable prospectus supplement, senior debt securities will be issued only as registered securities. Senior debt securities issued as registered securities will not have interest coupons.

Registered securities (other than a global security) may be presented for transfer, with the form of transfer endorsed thereon duly executed, or exchanged for other senior debt securities of the same series at the office of the security registrar specified in the indenture. The indenture provides that, with respect to registered securities having The City of New York as a place of payment, we will appoint a security registrar or co-security registrar located in The City of New York for such transfer or exchange. Transfer or exchange will be made without service charge, but we may require payment of any taxes or other governmental charges.

Book-Entry Senior Debt Securities

Senior debt securities of a series may be issued in whole or in part in the form of one or more global securities. Each global security will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement. Global securities will be issued in registered form and in either temporary or permanent form. Until exchanged in whole or in part for the individual securities which it represents, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee to a successor depositary or any nominee of the successor. The specific terms of the depositary arrangement for a series of senior debt securities will be described in the applicable prospectus supplement.

Payment and Paying Agents

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of and any premium and interest on registered securities will be made at the office of such paying agent or paying agents as we may designate from time to time. In addition, at our option, payment of any interest may be made by:

- check mailed to the address of the person entitled to the payment at the address in the applicable security register; or
- wire transfer to an account maintained by the person entitled to the payment as specified in the applicable security register.

Unless otherwise indicated in an applicable prospectus supplement, payment of any installment of interest on registered securities will be made to the person in whose name the senior debt security is registered at the close of business on the regular record date for the payment.

Consolidation, Merger or Sale of Assets

The indenture relating to the senior debt securities provides that we may, without the consent of the holders of any of the senior debt securities outstanding under the indenture, consolidate with, merge into or transfer our assets substantially as an entirety to any person, provided that:

- any successor assumes our obligations on the senior debt securities and under the indenture; and after giving effect to the consolidation, merger or transfer, no event of default (as defined in the indenture) will have happened and be continuing.

Any consolidation, merger or transfer of assets substantially as an entirety, which meets the conditions described above, would not create an event of default which would entitle holders of the senior debt securities, or the trustee acting on their behalf, to take any of the actions described below under " Events of Default, Waivers, Etc."

Leveraged and Other Transactions

The indenture and the senior debt securities do not contain provisions which would protect holders of the senior debt securities in the event we engaged in a highly leveraged or other transaction which could adversely affect the holders of senior debt securities.

Modification of the Indenture

The indenture provides that, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding senior debt securities of each affected series, modifications and alterations of the indenture may be made which affect the rights of the holders of the senior debt securities. However, no modification or alteration may be made without the consent of the holder of each senior debt security affected which would, among other things,

modify the terms of payment of principal of or any premium or interest on the senior debt securities; or

reduce the percentage in principal amount of outstanding senior debt securities required to modify or alter the indenture.

Events of Default, Waivers, Etc.

An "event of default" with respect to senior debt securities of any series is defined in the indenture to include:

(1) default in the payment of principal of or any premium on any of the outstanding senior debt securities of that series when due;

(2) default in the payment of interest on any of the outstanding senior debt securities of that series when due and continuance of such default for 30 days;

(3) default in the performance of any of our other covenants in the indenture with respect to the senior debt securities of that series and continuance of such default for 60 days after written notice;

(4) certain events of bankruptcy, insolvency or reorganization relating to us; and

(5) any other event that may be specified in a prospectus supplement with respect to any series of senior debt securities.

If an event of default with respect to any series of outstanding senior debt securities occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding senior debt securities of that series may declare the principal amount (or with respect to original issue discount securities, the portion of the principal amount as may be specified in the terms of that series) of all senior debt securities of that series to be immediately due and payable. The holders of a majority in aggregate principal amount of the outstanding senior debt securities of any series may waive an event of default resulting in acceleration of the senior debt securities, but only if all events of default with respect to senior debt securities of such series have been remedied and all payments due, other than those due as a result of acceleration, have been made.

If an event of default occurs and is continuing, the trustee may, in its discretion, and at the written request of holders of not less than a majority in aggregate principal amount of the outstanding senior debt securities of any series and upon reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request and subject to certain other conditions set forth in the indenture will, proceed to protect the rights of the holders of all the senior debt securities of that series. Prior to acceleration of maturity of the outstanding senior debt securities of any series, the holders of a majority in aggregate principal amount of the senior debt securities may waive any past default under the indenture except a default in the payment of principal of or any premium or interest on the senior debt securities of that series.

The indenture provides that upon the occurrence of an event of default specified in clauses (1) or (2) of the first paragraph in this subsection, we will, upon demand of the trustee, pay to it, for the benefit of the holders of any senior debt securities, the whole amount then due and payable on the affected senior debt securities for principal, premium, if any, and interest, if any. The indenture further provides that if we fail to pay such amount upon demand, the trustee may, among other things, institute a judicial proceeding for the collection of those amounts.

The indenture also provides that notwithstanding any of its other provisions, the holder of any senior debt security of any series will have the right to institute suit for the enforcement of any payment of principal of or any premium or interest on the senior debt securities when due and that such right will not be impaired without the consent of that holder.

We are required to file annually with the trustee a written statement of our officers as to the existence or non-existence of defaults under the indenture or the senior debt securities.

Satisfaction and Discharge

The indenture provides, among other things, that when all senior debt securities not previously delivered to the trustee for cancellation (1) have become due and payable or (2) will become due and payable at their stated maturity within one year, we may deposit with the trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the senior debt securities not previously delivered to the trustee for cancellation. Those funds will include all principal, premium, if any, and interest, if any, to the date of the deposit or to the stated maturity, as applicable. Upon such deposit, the indenture will cease to be of further effect except as to our obligations to pay all other sums due under the indenture and to provide the officers' certificates and opinions of counsel required under the indenture. At such time we will be deemed to have satisfied and discharged the indenture.

Governing Law

The indenture and the senior debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Regarding the Trustee

Information concerning the trustee for a series of senior debt securities will be set forth in the prospectus supplement relating to that series of senior debt securities.

We may have normal banking relationships with the trustee in the ordinary course of business.

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DESCRIPTION OF SUBORDINATED DEBT SECURITIES

General

The following description applies to the subordinated debt securities offered by this prospectus. The subordinated debt securities will be unsecured, subordinated obligations of Black Hills. The subordinated debt securities may be issued in one or more series. The subordinated debt securities will be issued under an indenture between us and the trustee specified in the applicable prospectus supplement.

The statements under this caption are brief summaries of the provisions contained in the indenture, do not claim to be complete and are qualified in their entirety by reference to the indenture, a copy of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Whenever defined terms are used but not defined in this prospectus, those terms have the meanings given to them in the indenture.

The following describes the general terms and provisions of the subordinated debt securities to which any prospectus supplement may relate. The particular terms of any subordinated debt security and the extent, if any, to which these general provisions may apply to the subordinated debt securities will be described in the prospectus supplement relating to the subordinated debt securities.

The indenture does not limit the aggregate principal amount of subordinated debt securities which may be issued under it. Rather, the indenture provides that subordinated debt securities of any series may be issued under it up to the aggregate principal amount which we may authorize from time to time. Subordinated debt securities may be denominated in any currency or currency unit we designate. Neither the indenture nor the subordinated debt securities will limit or otherwise restrict the amount of other debt which we may incur or the other securities which we may issue.

Subordinated debt securities of a series may be issuable in the form of registered securities or global securities.

You must review the prospectus supplement for a description of the following terms, where applicable, of each series of subordinated debt securities for which this prospectus is being delivered:

- the title of the subordinated debt securities;
- the limit, if any, on the aggregate principal amount or aggregate initial public offering price of the subordinated debt securities;
- the priority of payment of the subordinated debt securities;
- the price or prices, which may be expressed as a percentage of the aggregate principal amount, at which the subordinated debt securities will be issued;
- the date or dates on which the principal of the subordinated debt securities will be payable;
- the interest rate or rates, which may be fixed or variable, for the subordinated debt securities, if any, or the method of determining the same;
- the date or dates from which interest, if any, on the subordinated debt securities will accrue, the date or dates on which interest, if any, will be payable, the date or dates on which payment of interest, if any, will commence and the regular record dates for the interest payment dates;

the extent to which any of the subordinated debt securities will be issuable in temporary or permanent global form, or the manner in which any interest payable on a temporary or permanent global subordinated debt security will be paid;

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the place or places where the principal of and any premium and interest on the subordinated debt securities will be payable;

each office or agency where the subordinated debt securities may be presented for registration of transfer or exchange;

the date or dates, if any, after which the subordinated debt securities may be redeemed or purchased in whole or in part, (1) at our option or (2) mandatorily pursuant to any sinking, purchase or similar fund or (3) at the option of the holder, and the redemption or repayment price or prices;

the terms, if any, upon which the subordinated debt securities may be convertible into or exchanged for any other kind of our securities or indebtedness and the terms and conditions upon which the conversion or exchange would be made, including the initial conversion or exchange price or rate, the conversion period and any other additional provisions;

the authorized denomination or denominations for the subordinated debt securities;

the currency, currencies or units based on or related to currencies for which the subordinated debt securities may be purchased and the currency, currencies or currency units in which the principal of and any premium and interest on the subordinated debt securities may be payable;

any index used to determine the amount of payments of principal of and any premium and interest on the subordinated debt securities;

the payment of any additional amounts with respect to the subordinated debt securities

whether any of the subordinated debt securities will be issued with original issue discount;

information with respect to book-entry procedures, if any;

the terms of subordination;

any additional covenants or events of default not currently included in the indenture relating to the subordinated debt securities; and

any other terms of the subordinated debt securities not inconsistent with the provisions of the indenture.

If any of the subordinated debt securities are sold for one or more foreign currencies or foreign currency units or if the principal of or any premium or interest on any series of subordinated debt securities is payable in one or more foreign currencies or foreign currency units, the restrictions, elections, tax consequences, specific terms and other information with respect to that issue of subordinated debt securities and those currencies or currency units will be described in the applicable prospectus supplement.

A judgment for money damages by courts in the United States, including a money judgment based on an obligation expressed in a foreign currency, will ordinarily be rendered only in U.S. dollars. New York statutory law provides that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree.

Subordinated debt securities may be issued as original issue discount securities, to be sold at a substantial discount below their stated principal amount due at the stated maturity of the subordinated debt securities. There may be no periodic payments of interest on original issue discount securities. In the event of an acceleration of the maturity of any original issue discount security, the amount payable to the holder of the original issue discount security upon acceleration will be determined in accordance with the prospectus supplement, the terms of the security and the indenture, but will be an amount less than the amount payable at the maturity of the principal of the original issue discount security.

If the subordinated debt securities are issued with "original issue discount" within the meaning of the Internal Revenue Code of 1986, as amended, then a holder of those subordinated debt securities will be required under the Internal Revenue Code to include original issue discount in ordinary income for federal income tax purposes as it accrues, in accordance with a constant interest method that takes into account the compounding of interest, in advance of receipt of cash attributable to that income. Generally, the total amount of original issue discount on a subordinated debt security will be the excess of the stated redemption price at maturity of the security over the price at which the security is sold to the public. To the extent a holder of a subordinated debt security receives a payment (at the time of acceleration of maturity, for example) that represents payment of original issue discount already included by the holder in ordinary income or reflected in the holder's tax basis in the security, that holder generally will not be required to include the payment in income. The specific terms of any subordinated debt securities that are issued with original issue discount and the application of the original discount rules under the Internal Revenue Code to those securities will be described in a prospectus supplement for those securities.

Registration and Transfer

Unless otherwise indicated in the applicable prospectus supplement, subordinated debt securities will be issued only as registered securities. Subordinated debt securities issued as registered securities will not have interest coupons.

Registered securities (other than a global security) may be presented for transfer, with the form of transfer endorsed thereon duly executed, or exchanged for other subordinated debt securities of the same series at the office of the security registrar specified in the indenture. The indenture provides that, with respect to registered securities having The City of New York as a place of payment, we will appoint a security registrar or co-security registrar located in The City of New York for such transfer or exchange. Transfer or exchange will be made without service charge, but we may require payment of any taxes or other governmental charges.

Book-Entry Subordinated Debt Securities

Subordinated debt securities of a series may be issued in whole or in part in the form of one or more global securities. Each global security will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement. Global securities will be issued in registered form and in either temporary or permanent form. Until exchanged in whole or in part for the individual securities which it represents, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee to a successor depositary or any nominee of the successor. The specific terms of the depositary arrangement for a series of subordinated debt securities will be described in the applicable prospectus supplement.

Payment and Paying Agents

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of and any premium and interest on registered securities will be made at the office of such paying agent or paying agents as we may designate from time to time. In addition, at our option, payment of any interest may be made by:

- check mailed to the address of the person entitled to the payment at the address in the applicable security register; or

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wire transfer to an account maintained by the person entitled to the payment as specified in the applicable security register.

Unless otherwise indicated in an applicable prospectus supplement, payment of any installment of interest on registered securities will be made to the person in whose name the subordinated debt security is registered at the close of business on the regular record date for the payment.

Subordination

The subordinated debt securities will be subordinated and junior in right of payment to some of our other indebtedness (which may include senior indebtedness for money borrowed) to the extent described in the applicable prospectus supplement. At June 30, 2009, we had an aggregate amount of approximately $1.0 billion of indebtedness that would be senior to any subordinated debt securities that we may issue.

Consolidation, Merger or Sale of Assets

The indenture relating to the subordinated debt securities provides that we may, without the consent of the holders of any of the subordinated debt securities outstanding under the indenture, consolidate with, merge into or transfer our assets substantially as an entirety to any person, provided that:

- any successor assumes our obligations on the subordinated debt securities and under the indenture; and
- after giving effect to the consolidation, merger or transfer, no event of default (as defined in the indenture) will have happened and be continuing.

Any consolidation, merger or transfer of assets substantially as an entirety, which meets the conditions described above, would not create an event of default which would entitle holders of the subordinated debt securities, or the trustee acting on their behalf, to take any of the actions described below under " Events of Default, Waivers, Etc."

Leveraged and Other Transactions

The indenture and the subordinated debt securities do not contain provisions which would protect holders of the subordinated debt securities in the event we engaged in a highly leveraged or other transaction which could adversely affect the holders of subordinated debt securities.

Modification of the Indenture

The indenture provides that, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding subordinated debt securities of each affected series, modifications and alterations of the indenture may be made which affect the rights of the holders of the subordinated debt securities. However, no modification or alteration may be made without the consent of the holder of each subordinated debt security affected which would, among other things,

- modify the terms of payment of principal of or any premium or interest on the subordinated debt securities;
- adversely modify the subordination terms of the subordinated debt securities; or
- reduce the percentage in principal amount of outstanding subordinated debt securities required to modify or alter the indenture.

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Events of Default, Waivers, Etc.

An "event of default" with respect to subordinated debt securities of any series is defined in the indenture to include:

(1) default in the payment of principal of or any premium on any of the outstanding subordinated debt securities of that series when due;

(2) default in the payment of interest on any of the outstanding subordinated debt securities of that series when due and continuance of such default for 30 days;

(3) default in the performance of any of our other covenants in the indenture with respect to the subordinated debt securities of that series and continuance of such default for 60 days after written notice;

(4) certain events of bankruptcy, insolvency or reorganization relating to us; and

(5) any other event that may be specified in a prospectus supplement with respect to any series of subordinated debt securities.

If an event of default with respect to any series of outstanding subordinated debt securities occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding subordinated debt securities of that series may declare the principal amount (or with respect to original issue discount securities, the portion of the principal amount as may be specified in the terms of that series) of all subordinated debt securities of that series to be immediately due and payable. The holders of a majority in aggregate principal amount of the outstanding subordinated debt securities of any series may waive an event of default resulting in acceleration of the subordinated debt securities, but only if all events of default with respect to subordinated debt securities of such series have been remedied and all payments due, other than those due as a result of acceleration, have been made.

If an event of default occurs and is continuing, the trustee may, in its discretion, and at the written request of holders of not less than a majority in aggregate principal amount of the outstanding subordinated debt securities of any series and upon reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request and subject to certain other conditions set forth in the indenture will, proceed to protect the rights of the holders of all the subordinated debt securities of that series. Prior to acceleration of maturity of the outstanding subordinated debt securities of any series, the holders of a majority in aggregate principal amount of the subordinated debt securities may waive any past default under the indenture except a default in the payment of principal of or any premium or interest on the subordinated debt securities of that series.

The indenture provides that upon the occurrence of an event of default specified in clauses (1) or (2) of the first paragraph in this subsection, we will, upon demand of the trustee, pay to it, for the benefit of the holders of any subordinated debt securities, the whole amount then due and payable on the affected subordinated debt securities for principal, premium, if any, and interest, if any. The indenture further provides that if we fail to pay such amount upon demand, the trustee may, among other things, institute a judicial proceeding for the collection of those amounts.

The indenture also provides that notwithstanding any of its other provisions, the holder of any subordinated debt security of any series will have the right to institute suit for the enforcement of any payment of principal of or any premium or interest on the subordinated debt securities when due and that such right will not be impaired without the consent of that holder.

We are required to file annually with the trustee a written statement of our officers as to the existence or non-existence of defaults under the indenture or the subordinated debt securities.

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Satisfaction and Discharge

The indenture provides, among other things, that when all subordinated debt securities not previously delivered to the trustee for cancellation (1) have become due and payable or (2) will become due and payable at their stated maturity within one year, we may deposit with the trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the subordinated debt securities not previously delivered to the trustee for cancellation. Those funds will include all principal, premium, if any, and interest, if any, to the date of the deposit or to the stated maturity, as applicable. Upon such deposit, the indenture will cease to be of further effect except as to our obligations to pay all other sums due under the indenture and to provide the officers' certificates and opinions of counsel required under the indenture. At such time we will be deemed to have satisfied and discharged the indenture.

Governing Law

The indenture and the subordinated debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Regarding the Trustee

Information concerning the trustee for a series of subordinated debt securities will be set forth in the prospectus supplement relating to that series of subordinated debt securities.

We may have normal banking relationships with the trustee in the ordinary course of business.

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DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 100,000,000 shares of common stock, par value $1.00 per share, and 25,000,000 shares of preferred stock, without par value. As of July 31, 2009, 38,842,133 shares of common stock and no shares of preferred stock were outstanding.

Common Stock

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Holders may use cumulative voting for the election of directors. Subject to preferences that may be applicable to any outstanding series of preferred stock, holders of our common stock are entitled to receive equally dividends as they may be declared by our board of directors out of funds legally available for the payment of dividends. In the event of our liquidation or dissolution, holders of our common stock are entitled to share equally in all assets remaining after payment of liabilities and the liquidation preference of any outstanding series of preferred stock.

Holders of our common stock have no preemptive rights and have no rights to convert their common stock into any other securities. All of the outstanding shares of our common stock are, and the shares of common stock we sell in any offering will be, duly authorized, validly issued, fully paid and nonassessable.

Preferred Stock

Our board of directors has the authority, without further action by our shareholders, to issue shares of undesignated preferred stock from time to time in one or more series and to fix the related number of shares and the designations, voting powers, preferences, optional and other special rights, and restrictions or qualifications of that preferred stock. The particular terms of any series of preferred stock will be described in the prospectus supplement relating to that series of preferred stock. The rights, preferences, privileges and restrictions or qualifications of different series of preferred stock may differ from common stock and other series of preferred stock with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. The issuance of additional series of preferred stock could:

- decrease the amount of earnings and assets available for distribution to holders of common stock;
- adversely affect the rights and powers, including voting rights, of holders of common stock; and
- have the effect of delaying, deferring or preventing a change in control.

Depositary Shares

We may issue fractional shares of preferred stock rather than full shares of preferred stock. If we exercise this option, we will issue receipts for depositary shares, and each of these depositary shares will represent a fraction (to be set forth in the prospectus supplement relating to such depositary shares) of a share of a particular series of preferred stock.

The shares of any series of preferred stock underlying the depositary shares will be deposited under a deposit agreement between us and a bank or trust company selected by us. The depositary will have its principal office in the United States and a combined capital and surplus of at least $50,000,000. Subject to the terms of the deposit agreement, each owner of a depositary share will be entitled, in proportion to the applicable fraction of a share of preferred stock underlying the depositary share, to

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all of the rights and preferences of the preferred stock underlying that depositary share. Those rights may include dividend, voting, redemption, conversion and liquidation rights.

The depositary shares will be evidenced by depositary receipts issued under a deposit agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock underlying the depositary shares, in accordance with the terms of the offering. We will describe the material terms of the deposit agreement, the depositary shares and the depositary receipts in a prospectus supplement relating to the depositary shares. You should also refer to the forms of the deposit agreement and depositary receipts that will be filed with the SEC in connection with the offering of the specific depositary shares.

Anti-Takeover Effects of South Dakota Law and Provisions of Our Charter and Bylaws

South Dakota law and our articles of incorporation and bylaws contain certain provisions that may be characterized as anti-takeover provisions. These provisions may make it more difficult to acquire control of us or remove our management.

Control Share Acquisitions

The control share acquisition provisions of the South Dakota Domestic Public Corporation Takeover Act provide generally that the shares of a publicly held South Dakota corporation acquired by a person that exceed the thresholds of voting power described below will have the same voting rights as other shares of the same class or series only if approved by:

- the affirmative vote of the majority of all outstanding shares entitled to vote, including all shares held by the acquiring person; and
- the affirmative vote of the majority of all outstanding shares entitled to vote, excluding all interested shares.

Each time an acquiring person reaches a threshold, an election must be held as described above before the acquiring person will have any voting rights with respect to shares in excess of such threshold. The thresholds which require shareholder approval before voting powers are obtained with respect to shares acquired in excess of such thresholds are 20%, $33^1/_3$% and 50%, respectively. We have elected in our articles of incorporation not to be subject to these provisions of South Dakota law.

Business Combinations

We are subject to the provisions of Section 47-33-17 of the South Dakota Domestic Public Corporation Takeover Act. In general, Section 47-33-17 prohibits a publicly held South Dakota corporation from engaging in a "business combination" with an "interested shareholder", unless the business combination or the transaction in which the person became an interested shareholder is approved in a prescribed manner. Unless the interested shareholder has been an interested shareholder for at least four years, a business combination with the interested shareholder must be approved by the board of directors of the corporation prior to the date of the interested shareholder's acquisition of the corporation's voting stock, by the affirmative vote of all of the holders of all of the outstanding voting shares, or, under some circumstances, by the affirmative vote of the holders of a majority of the outstanding voting shares exclusive of those shares beneficially owned by the interested shareholder or any of its affiliates or associates. After the four year period has elapsed, the business combination must still be approved, if not previously approved in the manner prescribed, by the affirmative vote of the holders of a majority of the outstanding voting shares exclusive, in some instances, of those shares beneficially owned by the interested shareholder or any of its affiliates or associates. Generally, an "interested shareholder" is a person who, together with affiliates and associates, beneficially owns, directly or indirectly, 10% or more of the corporation's voting stock. A "business combination" includes a merger, a transfer of 10% or more of the corporation's assets, the issuance or transfer of stock equal to 5% or more of the aggregate market value of all of the corporation's outstanding shares, the adoption of a plan of liquidation or dissolution, or other transaction resulting in a financial benefit to the interested shareholder. The provisions of Section 47-33-17 of the South Dakota Domestic Public Corporation Takeover Act may delay, defer or prevent a change in control of us without the shareholders taking further action.

The South Dakota Domestic Public Corporation Takeover Act further provides that our board, in determining whether to approve a merger or other change of control, may take into account both the long-term as well as short-term interests of us and our shareholders, the effect on our employees, customers, creditors and suppliers, the effect upon the community in which we operate and the effect on the economy of the state and nation. This provision may permit our board to vote against some proposals that, in the absence of this provision, it would otherwise have a fiduciary duty to approve.

Fair Price Provision

Our articles of incorporation require the affirmative vote of the holders of 80% or more of the outstanding shares of our voting stock to approve any "business transaction" with any "related person" or any "business transaction" in which a "related person" has an interest. However, if a majority of the members of our board who are not affiliated with the related party approve the business transaction, or if the cash or fair market value of any consideration received by our shareholders pursuant to a business transaction meets certain enumerated requirements, then the 80% voting requirement will not be applicable. Generally, our articles of incorporation define a "business transaction" to include a merger, asset or stock sale. Our articles of incorporation generally define a "related person" as any person or entity that, together with its affiliates and associates, beneficially owns 10% or more of our outstanding voting stock. The likely effect of this provision is to delay, defer or prevent a change in control.

Board Composition

Our articles of incorporation and bylaws provide for a staggered board of directors divided into three classes, with the term of office of one class expiring each year. Our articles of incorporation and bylaws also provide that our directors may be removed only for cause and by the affirmative vote of the majority of the remaining members of the board of directors. The likely effect of our staggered board of directors and the limitation on the removal of directors is an increase in the time required for the shareholders to change the composition of our board of directors.

Authorized but Unissued Shares

The authorized but unissued shares of our common stock and preferred stock are available for future issuance without shareholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could also render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Our board of directors has no present intention to issue any new series of preferred stock; however, our board has the authority, without further shareholder approval, to issue one or more series of preferred stock that could, depending on the terms of the series, either impede or facilitate the completion of a merger, tender offer or other takeover attempt. Although our board of directors is required to make any determination to issue such stock based on its judgment as to the best interest of our shareholders, our board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the shareholders might believe to be in their best

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interests or in which shareholders might receive a premium for their stock over the then market price of such stock. Our board of directors does not intend to seek shareholder approval prior to any issuance of stock, unless otherwise required by law or the rules of the stock exchange on which our common stock is listed.

Shareholder Action by Written Consent Must Be Unanimous

South Dakota law provides that any action which may be taken at a meeting of shareholders may be taken without a meeting if a written consent, setting forth the action taken, is signed by all of the shareholders entitled to vote with respect to the action taken. This provision prevents holders of less than all of our common stock from unilaterally using the written consent procedure to take shareholder action.

Advance Notice

Our bylaws provide that proposals and director nominations made by a shareholder to be voted upon at any annual meeting or special meeting of shareholders may be taken only if such proposal or director nomination is "properly brought" before such meeting. In order for any matter to be considered "properly brought" before an annual meeting or a special meeting, a shareholder must comply with certain requirements regarding advance notice to the company. The advance notice provisions could have the effect of delaying until the next shareholders meeting shareholder actions which are favored by the holders of a majority of our outstanding voting securities.

Transfer Agent

The transfer agent and registrar for our common stock is Wells Fargo Shareowner Services. Its address is P.O. Box 64856, St. Paul, Minnesota 55164-0856, and its telephone number for shareholder services is (800) 468-9716.

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DESCRIPTION OF WARRANTS

Offered Warrants

We may issue warrants that are debt warrants or equity warrants. We may offer warrants separately or together with one or more additional warrants or debt or equity securities or any combination of those securities in the form of units, as described in the applicable prospectus supplement. If we issue warrants as part of a unit, the accompanying prospectus supplement will specify whether those warrants may be separated from the other securities in the unit prior to the warrants' expiration date.

Debt Warrants

We may issue, together with debt securities or separately, warrants for the purchase of debt securities on terms to be determined at the time of sale.

Equity Warrants

We may also issue, together with equity securities or separately, warrants to purchase, including warrant spreads, shares of our common or preferred stock on terms to be determined at the time of sale.

General Terms of Warrants

The applicable prospectus supplement will contain, where applicable, the following terms of and other information relating to the warrants and warrant spreads:

- the specific designation and aggregate number of, and the price at which we will issue, the warrants;
- the currency with which the warrants may be purchased;
- the date on which the right to exercise the warrants will begin and the date on which that right will expire or, if you may not continuously exercise the warrants throughout that period, the specific date or dates on which you may exercise the warrants;
- whether the warrants will be issued in fully registered form or bearer form, in definitive or global form or in any combination of these forms, although, in any case, the form of a warrant included in a unit will correspond to the form of the unit and of any debt security included in that unit;
- any applicable material United States federal income tax consequences;
- the identity of the warrant agent for the warrants and of any other depositaries, execution or paying agents, transfer agents, registrars, determination agents or other agents;
- the proposed listing, if any, of the warrants or any securities purchasable upon exercise of the warrants on any securities exchange;
- if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

the antidilution provisions of the warrants, if any;

any redemption or call provisions;

the exercise price and procedures for exercise of the warrants;

- the terms of any warrant spread and the market price of our common stock which will trigger our obligation to issue shares of our common stock in settlement of a warrant spread;
- whether the warrants are to be sold separately or with other securities as part of units; and
- any other terms of the warrants.

Significant Provisions of the Warrant Agreements

We will issue the warrants under one or more warrant agreements to be entered into between us and a bank or trust company, as warrant agent, in one or more series, which will be described in the prospectus supplement for the warrants. The following summaries of significant provisions of the warrant agreements and the warrants are not intended to be comprehensive, and holders of warrants should review the detailed description of the relevant warrant agreement included in any prospectus supplement.

Modifications Without Consent of Warrantholders

We and the warrant agent may amend the terms of the warrants and the warrant certificates without the consent of the holders to:

- cure any ambiguity;
- cure, correct or supplement any defective or inconsistent provision; or
- amend the terms in any other manner which we may deem necessary or desirable and which will not adversely affect the interests of the affected holders in any material respect.

Enforceability of Rights of Warrantholders

The warrant agents will act solely as our agents in connection with the warrant certificates and will not assume any obligation or relationship of agency or trust for or with any holders of warrant certificates or beneficial owners of warrants. Any holder of warrant certificates and any beneficial owner of warrants may, without the consent of any other person, enforce by appropriate legal action, on its own behalf, its right to exercise the warrants evidenced by the warrant certificates in the manner provided for in that series of warrants or pursuant to the applicable warrant agreement. No holder of any warrant certificate or beneficial owner of any warrants will be entitled to any of the rights of a holder of the debt securities or any other warrant property, if any, purchasable upon exercise of the warrants, including, without limitation, the right to receive the payments on those debt securities or other warrant property or to enforce any of the covenants or rights in the relevant indenture or any other similar agreement.

Registration and Transfer of Warrants

Subject to the terms of the applicable warrant agreement, warrants in registered, definitive form may be presented for exchange and for registration of transfer at the corporate trust office of the warrant agent for that series of warrants, or at any other office indicated in the prospectus supplement relating to that series of warrants, without service charge. However, the holder will be required to pay any taxes and other governmental charges as described in the warrant agreement. The transfer or exchange will be effected only if the warrant agent for the series of warrants is satisfied with the documents of title and identity of the person making the request.

New York Law to Govern

The warrants and each warrant agreement will be governed by, and construed in accordance with, the laws of the State of New York.

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DESCRIPTION OF PURCHASE CONTRACTS

We may issue purchase contracts, including contracts obligating holders to purchase from us and us to sell to the holders, a specified principal amount of debt securities or a specified number of shares of common stock or preferred stock or any of the other securities that we may sell under this prospectus (or a range of principal amount or number of shares pursuant to a predetermined formula) at a future date or dates. The consideration payable upon settlement of the purchase contracts may be fixed at the time the purchase contracts are issued or may be determined by a specific reference to a formula set forth in the purchase contracts. The purchase contracts may be issued separately or as part of units consisting of a purchase contract and other securities or obligations issued by us or third parties, including United States treasury securities, securing the holders' obligations to purchase the relevant securities under the purchase contracts. The purchase contracts may require us to make periodic payments to the holders of the purchase contracts or units or vice versa, and the payments may be unsecured or prefunded on some basis. The purchase contracts may require holders to secure their obligations under the purchase contracts in a specified manner and in some circumstances we may deliver newly issued prepaid purchase contracts, often referred to as "prepaid securities," upon release to a holder of any collateral securing such holder's obligations under the original purchase contract.

The applicable prospectus supplement will describe the terms of any purchase contracts or purchase units and, if applicable, such other securities or obligations. The description in the prospectus supplement will not necessarily be complete and will be qualified in its entirety by reference to the purchase contracts, and, if applicable, collateral arrangements, relating to the purchase contracts.

DESCRIPTION OF UNITS

We may issue units consisting of one or more purchase contracts, warrants, debt securities, shares of preferred stock, shares of common stock or any combination of such securities. The applicable prospectus supplement will describe:

- the terms of the units and of the purchase contracts, warrants, debt securities, preferred stock and/or common stock comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;
- a description of the terms of any unit agreement governing the units; and
- a description of the provisions for the payment, settlement, transfer or exchange of the units.

PLAN OF DISTRIBUTION

From time to time, we may sell the securities offered by this prospectus:

- through underwriters or dealers;
- through agents;
- directly to purchasers; or
- through a combination of any of these methods of sale.

This prospectus may be used in connection with any offering of our securities through any of these methods or other methods described in the applicable prospectus supplement. Any underwriter, dealer or agent may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933.

The applicable prospectus supplement relating to the securities will set forth:

- their offering terms, including the name or names of any underwriters, dealers or agents;
- the purchase price of the securities and the net proceeds we may receive from the sale;

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any underwriting discounts, fees, commissions and other items constituting compensation to underwriters, dealers or agents;

any initial public offering price;

any discounts, commissions or concessions allowed or reallowed or paid by underwriters or dealers to other dealers; and

any securities exchanges on which the securities may be listed.

If underwriters or dealers are used in the sale, the securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions,

at a fixed price or prices which may be changed;

at market prices prevailing at the time of sale;

at prices related to such prevailing market prices; or

at negotiated prices.

The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of such firms. Unless otherwise set forth in the applicable prospectus supplement, the obligations of underwriters or dealers to purchase the offered securities will be subject to certain conditions precedent, and the underwriters or dealers will be obligated to purchase all the offered securities if any are purchased. Any public offering price and any discounts or concessions allowed or reallowed or paid by underwriters or dealers to other dealers may be changed from time to time.

Securities may be sold directly by us or through agents designated by us from time to time. Any agent involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to the agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

If so indicated in the applicable prospectus supplement, we will authorize underwriters, dealers or agents to solicit offers from certain specified institutions to purchase securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to any conditions set forth in the applicable prospectus supplement and the prospectus supplement will set forth the commission payable for solicitation of such contracts. The underwriters and other persons soliciting such contracts will have no responsibility for the validity or performance of any such contracts.

Underwriters, dealers and agents may be entitled under agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution by us to payments which they may be required to make. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, us in the ordinary course of business.

Each class or series of securities will be a new issue of securities with no established trading market, other than our common stock, which is listed on the New York Stock Exchange. We may elect to list any other class or series of securities on any exchange, but are not obligated to do so. Any underwriters to whom securities are sold by us for public offering and sale may make a market in such securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for any securities.

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LEGAL OPINIONS

The validity of the securities offered by this prospectus will be passed upon for Black Hills Corporation by Steven J. Helmers, Senior Vice President-General Counsel of Black Hills, with respect to matters governed by South Dakota law, and by Conner & Winters, LLP, Tulsa, Oklahoma, special counsel to Black Hills, with respect to matters governed by New York law. Certain legal matters will be passed upon for Black Hills by Conner & Winters, LLP, Tulsa, Oklahoma, and for the underwriters, dealers, or agents, if any, by their own legal counsel. Mr. Helmers owns, directly or indirectly, 34,077 shares of our common stock, and holds options to purchase an additional 19,110 shares.

EXPERTS

The financial statements and the related financial statement schedule, incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K, and the effectiveness of Black Hills Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The combined balance sheets as of December 31, 2007, and 2006, of the Aquila, Inc. Utilities to be Acquired by Black Hills and the related statements of income, changes in parent company investment, and cash flows for the years then ended, included in our Current Report on Form 8-K dated September 29, 2008, have been incorporated in the registration statement by reference, in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and in reliance upon the authority of said firm as experts in accounting and auditing. The audit report refers to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes*, and FASB Staff Position (FSP) AUG AIR-1, *Accounting for Planned Major Maintenance Activities*.

We have derived the estimates of proved oil and natural gas reserves and related future net revenues and the present value thereof as of December 31, 2008 and 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated by reference in this prospectus from the reserve report of Cawley, Gillespie & Associates, Inc., independent petroleum engineers, given on the authority of Cawley, Gillespie & Associates, Inc. as experts in such matters.

We have derived the estimates of proved oil and natural gas reserves and related future net revenues and the present value thereof as of December 31, 2006 included in our Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated by reference in this prospectus from the reserve report of Ralph E. Davis Associates, Inc., independent petroleum engineers, given on the authority of Ralph E. Davis Associates, Inc. as experts in such matters.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments, supplements, schedules and exhibits to the registration statement, referred to as the registration statement) that we have filed with the SEC under the Securities Act of 1933 with respect to the securities offered by this prospectus. This prospectus does not contain all the information which is in the registration statement. Certain parts of the registration statement are omitted as allowed by the rules and regulations of the SEC. We refer you to the registration statement for further information about our company and the securities offered by this prospectus. Statements contained in this prospectus concerning the provisions of documents are not necessarily complete, and each statement is qualified in its entirety by reference to the copy of the applicable document filed with the SEC.

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We also file annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect and copy the registration statement and the reports and other information we file with the SEC at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You can obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website which provides online access to reports, proxy and information statements and other information regarding companies that file electronically with the SEC at the address *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with them, which means we can disclose important business and financial information about us to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, except for any information that is superseded by information included directly in this prospectus and any prospectus supplement. Information that we file later with the SEC will also automatically update and supersede the information in this prospectus. We incorporate by reference the documents listed below that we previously filed with the SEC (SEC File No. 1-31303) and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (other than any portions of such filings that are furnished rather than filed under applicable SEC rules) until the termination of the offering made under this prospectus:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009;

The information included under Items 5.03 and 8.01 of our Current Report on Form 8-K filed on February 3, 2009, our Current Report on Form 8-K/A filed on September 29, 2008, and our Current Reports on Form 8-K filed on May 14, 2009, May 28, 2009, October 20, 2009 and October 22, 2009; and

The description of our common stock contained in our registration statement on Form 8-A, dated April 19, 2002, includD HEIGHT="5" COLSPAN="4"> $0.00 $(1.11) $0.12[j] $10.27 $9.41 (0.12)% $606,974 1.16% 1.13% 6.58% 189,105 63% 0.00 (0.96) 0.00

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Statements of Assets and Liabilities

July 31, 2015

(Amounts in thousands, except per share amounts)	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund	PIMCO Income Strategy Fund	PIMCO Income Strategy Fund II
Assets:					
Investments, at value					
Investments in securities*	$ 1,305,179	$ 741,235	$ 1,249,379	$ 345,872	$ 704,420
Financial Derivative Instruments					
Exchange-traded or centrally cleared	3,873	1,816	5,747	1,177	2,627
Over the counter	7,780	2,467	23,927	1,385	3,918
Cash	4,093	1,079	1	0	0
Deposits with counterparty	24,587	7,472	10,384	5,946	9,444
Foreign currency, at value	2,320	170	1,116	185	478
Receivable for investments sold	247	147	1,425	1,726	14,655
Interest and dividends receivable	12,100	5,675	14,361	2,963	6,538
Other assets	6	3	40	2	5
Total Assets	1,360,185	760,064	1,306,380	359,256	742,085
Liabilities:					
Borrowings & Other Financing Transactions					
Payable for reverse repurchase agreements	$ 13,551	$ 0	$ 37,237	$ 5,596	$ 13,417
Financial Derivative Instruments					
Exchange-traded or centrally cleared	3,461	1,688	5,828	1,025	2,372
Over the counter	41,469	3,875	4,214	2,446	5,137
Payable for investments purchased	42,471	8,254	2,759	4,523	8,736
Deposits from counterparty	4,470	2,090	22,401	1,000	2,980
Distributions payable to common shareholders	9,198	4,350	15,299	2,277	4,728
Distributions payable to preferred shareholders	6	3	5	8	18
Overdraft due to custodian	0	0	0	561	4,202
Accrued management fees	734	544	844	272	533
Other liabilities	391	138	195	364	538
Total Liabilities	115,751	20,942	88,782	18,072	42,661
Preferred Shares ($0.00001 par value and $25,000 liquidation preference per share applicable to an aggregate of 9,518, 6,760, 11,680, 2,051, 3,698 shares issued and outstanding, respectively)	237,950	169,000	292,000	51,275	92,450
Net Assets Applicable to Common Shareholders	$ 1,006,484	$ 570,122	$ 925,598	$ 289,909	$ 606,974
Composition of Net Assets Applicable to Common Shareholders:					
Common Shares:					
Par value ($0.00001 per share)	$ 1	$ 0	$ 1	$ 0	$ 1
Paid in capital in excess of par	1,026,094	549,761	1,655,748	419,477	950,671
(Overdistributed) net investment income	(8,639)	(4,556)	(39,740)	(1,974)	(2,589)
Accumulated undistributed net realized (loss)	(90,337)	(17,390)	(819,888)	(145,869)	(381,439)
Net unrealized appreciation	79,365	42,307	129,477	18,275	40,330
	$ 1,006,484	$ 570,122	$ 925,598	$ 289,909	$ 606,974
Common Shares Issued and Outstanding	70,756	38,665	125,528	25,300	59,103
Net Asset Value Per Common Share	$ 14.23	$ 14.75	$ 7.37	$ 11.46	$ 10.27

Cost of Investments in securities	$	1,262,717	$	720,406	$	1,210,914	$	338,083	$	690,335
Cost of Foreign Currency Held	$	2,345	$	171	$	1,136	$	198	$	507
Cost or Premiums of Financial Derivative Instruments, net	$	(36,208)	$	(1,110)	$	(144)	$	(763)	$	(1,599)
* Includes repurchase agreements of:	$	30,731	$	98,739	$	8,584	$	0	$	0

A zero balance may reflect actual amounts rounding to less than one thousand.

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Statements of Operations

(Amounts in thousands)	PIMCO Corporate & Income Opportunity Fund Period from December 1, 2014 to July 31, 2015 [(b)]	PIMCO Corporate & Income Opportunity Fund Year Ended November 30, 2014	PIMCO Corporate & Income Strategy Fund Period from November 1, 2014 to July 31, 2015 [(c)]	PIMCO Corporate & Income Strategy Fund Year Ended October 31, 2014
Investment Income:				
Interest	$ 51,537	$ 83,525	$ 30,930	$ 43,441
Dividends	2,432	6,298	1,959	1,075
Total Income	53,969	89,823	32,889	44,516
Expenses:				
Management fees	5,607	8,628	4,529	5,852
Auction agent fees and commissions	383	521	140	201
Trustee fees and related expenses	69	102	43	50
Interest expense	73	35	4	5
Auction rate preferred shares related expenses	93	20	7	32
Miscellaneous expense	0	0	0	2
Operating expenses pre-transition[(a)]				
Custodian and accounting agent	0	272	0	185
Audit and tax services	0	86	0	62
Shareholder communications	0	98	0	79
New York Stock Exchange listing	0	41	0	25
Transfer agent	0	19	0	21
Legal	0	49	0	9
Insurance	0	31	0	21
Other expenses	0	1	0	4
Total Expenses	6,225	9,903	4,723	6,548
Net Investment Income	47,744	79,920	28,166	37,968
Net Realized Gain (Loss):				
Investments in securities	24,639	20,828	10,936	23,674
Exchange-traded or centrally cleared financial derivative instruments	(38,600)	(38,505)	(10,029)	(23,734)
Over the counter financial derivative instruments	8,647	45,375	2,910	17,577
Foreign currency	318	395	136	94
Net Realized Gain (Loss)	(4,996)	28,093	3,953	17,611
Net Change in Unrealized Appreciation (Depreciation):				
Investments in securities	(36,582)	41,910	(16,394)	5,701
Exchange-traded or centrally cleared financial derivative instruments	21,492	779	6,213	12,196
Over the counter financial derivative instruments	(3,374)	164	(1,974)	(2,252)
Foreign currency assets and liabilities	95	(165)	23	(55)
Net Change in Unrealized Appreciation (Depreciation)	(18,369)	42,688	(12,132)	15,590
Distributions on Preferred Shares from Net Investment Income and Net Realized Capital Gains	$ (313)	$ (421)	$ (160)	$ (163)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	$ 24,066	$ 150,280	$ 19,827	$ 71,006

A zero balance may reflect actual amounts rounding to less than one thousand.

(a) These expenses were incurred by the Fund prior to the close of business on September 5, 2014. Subsequent to the close of business on September 5, 2014, any such operating expenses are borne by PIMCO.

(b) Fiscal year end changed from November 30th to July 31st.

(c) Fiscal year end changed from October 31st to July 31st.

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Statements of Operations (Cont.)

(Amounts in thousands)	PIMCO High Income Fund Period from April 1, 2015 to July 31, 2015 [(b)]	PIMCO High Income Fund Year Ended March 31, 2015	PIMCO Income Strategy Fund Year Ended July 31, 2015	PIMCO Income Strategy Fund II Year Ended July 31, 2015
Investment Income:				
Interest	$ 28,921	$ 127,958	$ 22,566	$ 45,398
Dividends	770	1,540	1,240	2,999
Total Income	29,691	129,498	23,806	48,397
Expenses:				
Management fees	3,198	9,612	3,268	6,343
Auction agent fees and commissions	111	334	209	274
Trustee fees and related expenses	36	87	29	55
Interest expense	68	1,661	140	182
Auction rate preferred shares related expenses	2	11	181	359
Miscellaneous expense	0	0	0	0
Operating expenses pre-transition[(a)]				
Custodian and accounting agent	0	114	18	23
Audit and tax services	0	30	12	12
Shareholder communications	0	90	7	10
New York Stock Exchange listing	0	62	3	6
Transfer agent	0	11	2	2
Legal	0	15	5	8
Insurance	0	3	1	2
Other expenses	0	0	35	20
Total Expenses	3,415	12,030	3,910	7,296
Net Investment Income	26,276	117,468	19,896	41,101
Net Realized Gain (Loss):				
Investments in securities	2,468	52,437	6,733	13,770
Exchange-traded or centrally cleared financial derivative instruments	(19,889)	(116,469)	(16,497)	(43,466)
Over the counter financial derivative instruments	(12,038)	35,308	6,013	25,519
Foreign currency	137	(1,138)	236	423
Net Realized (Loss)	(29,322)	(29,862)	(3,515)	(3,754)
Net Change in Unrealized Appreciation (Depreciation):				
Investments in securities	(13,587)	(27,718)	(11,804)	(21,574)
Exchange-traded or centrally cleared financial derivative instruments	34,777	38,997	5,695	16,291
Over the counter financial derivative instruments	15,116	(634)	1,057	(7,467)
Foreign currency assets and liabilities	(349)	221	(14)	(14)
Net Change in Unrealized Appreciation (Depreciation)	35,957	10,866	(5,066)	(12,764)
Distributions on Preferred Shares from Net Investment Income	$ (130)	$ (356)	$ (815)	$ (1,538)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	$ 32,781	$ 98,116	$ 10,500	$ 23,045

A zero balance may reflect actual amounts rounding to less than one thousand.

(a) These expenses were incurred by the Fund prior to the close of business on September 5, 2014. Subsequent to the close of business on September 5, 2014, any such operating expenses are borne by PIMCO.

(b) Fiscal year end changed from March 31st to July 31st.

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Statements of Changes in Net Assets

(Amounts in thousands)	PIMCO Corporate & Income Opportunity Fund Period from December 1, 2014 to July 31, 2015 [(a)]	PIMCO Corporate & Income Opportunity Fund Year Ended November 30, 2014	PIMCO Corporate & Income Opportunity Fund Year Ended November 30, 2013	PIMCO Corporate & Income Strategy Fund Period from November 1, 2014 to July 31, 2015 [(b)]	PIMCO Corporate & Income Strategy Fund Year Ended October 31, 2014	PIMCO Corporate & Income Strategy Fund Year Ended October 31, 2013
Increase (Decrease) in Net Assets from:						
Operations:						
Net investment income	$ 47,744	$ 79,920	$ 98,201	$ 28,166	$ 37,968	$ 48,375
Net realized gain (loss)	(4,996)	28,093	129,672	3,953	17,611	93,577
Net change in unrealized appreciation (depreciation)	(18,369)	42,688	(116,841)	(12,132)	15,590	(76,826)
Net increase in net assets resulting from operations	24,379	150,701	111,032	19,987	71,169	65,126
Distributions on preferred shares from net investment income	(313)	(125)	(290)	(160)	(41)	(201)
Distributions on preferred shares from net realized capital gains	0	(296)	(192)	0	(122)	0
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	24,066	150,280	110,550	19,827	71,006	64,925
Distributions to Common Shareholders:						
From net investment income	(119,032)	(109,083)	(124,978)	(52,644)	(51,774)	(59,574)
From net realized capital gains	0	(127,359)	(52,475)	0	(36,294)	0
Total Distributions to Common Shareholders[(c)]	(119,032)[(d)]	(236,442)	(177,453)	(52,644)[(d)]	(88,068)	(59,574)
Preferred Share Transactions:						
Net increase resulting from tender and repurchase of Auction-Rate Preferred Shares***	11,317	0	0	0	0	0
Common Share Transactions:**						
Issued as reinvestment of distributions	8,133	18,383	11,592	2,959	4,817	3,391
Total Increase (Decrease) in Net Assets	(75,516)	(67,779)	(55,311)	(29,858)	(12,245)	8,742
Net Assets Applicable to Common Shareholders:						
Beginning of year or period	1,082,000	1,149,779	1,205,090	599,980	612,225	603,483
End of year or period*	$ 1,006,484	$ 1,082,000	$ 1,149,779	$ 570,122	$ 599,980	$ 612,225
* Including undistributed (overdistributed) net investment income of:	$ (8,639)	$ 36,794	$ (17,126)	$ (4,556)	$ 11,115	$ (5,218)
**** Common Share Transactions:**						
	530	1,058	615	197	303	199

Shares issued as reinvestment of distributions	

A zero balance may reflect actual amounts rounding to less than one thousand.
(a) Fiscal year end changed from November 30th to July 31st.
(b) Fiscal year end changed from October 31st to July 31st.
(c) Determined in accordance with federal income tax regulations, see Note 2(c) in the Notes to Financial Statements for more information.
(d) Total distributions for the period ended July 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended July 31, 2015.
*** See Note 12 in the Notes to Financial Statements.

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Statements of Changes in Net Assets (Cont.)

(Amounts in thousands)	PIMCO High Income Fund Period from April 1, 2015 to July 31, 2015 [(a)]	PIMCO High Income Fund Year Ended March 31, 2015	PIMCO High Income Fund Year Ended March 31, 2014	PIMCO Income Strategy Fund Year Ended July 31, 2015	PIMCO Income Strategy Fund Year Ended July 31, 2014	PIMCO Income Strategy Fund II Year Ended July 31, 2015	PIMCO Income Strategy Fund II Year Ended July 31, 2014
Increase (Decrease) in Net Assets from:							
Operations:							
Net investment income	$ 26,276	$ 117,468	$ 103,264	$ 19,896	$ 19,940	$ 41,101	$ 42,061
Net realized gain (loss)	(29,322)	(29,862)	104,341	(3,515)	14,120	(3,754)	35,833
Net change in unrealized appreciation (depreciation)	35,957	10,866	(81,613)	(5,066)	5,796	(12,764)	15,693
Net increase in net assets resulting from operations	32,911	98,472	125,992	11,315	39,856	24,583	93,587
Distributions on preferred shares from net investment income	(130)	(356)	(286)	(815)	(1,090)	(1,538)	(2,217)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	32,781	98,116	125,706	10,500	38,766	23,045	91,370
Distributions to Common Shareholders:							
From net investment income	(41,672)	(182,280)	(167,013)	(30,835)	(27,203)	(65,838)	(56,598)
From net realized capital gains	0	0	0	0	0	0	0
Tax basis return of capital	(19,452)	0	(13,720)	0	0	0	0
Total Distributions to Common Shareholders[(b)]	(61,124)[(c)]	(182,280)	(180,733)	(30,835)	(27,203)	(65,838)	(56,598)
Preferred Share Transactions:							
Net increase resulting from tender and repurchase of Auction-Rate Preferred Shares***	0	0	0	2,770	0	6,855	0
Common Share Transactions:**							
Issued as reinvestment of distributions	4,061	12,924	12,285	999	895	793	1,504
Total Increase (Decrease) in Net Assets	(24,282)	(71,240)	(42,742)	(16,566)	12,458	(35,145)	36,276
Net Assets Applicable to Common Shareholders:							
Beginning of year or period	949,880	1,021,120	1,063,862	306,475	294,017	642,119	605,843
End of year or period*	$ 925,598	$ 949,880	$ 1,021,120	$ 289,909	$ 306,475	$ 606,974	$ 642,119
* Including (overdistributed) net investment income of:	$ (39,740)	$ (32,887)	$ (31,891)	$ (1,974)	$ (1,643)	$ (2,589)	$ (8,851)

**** Common Share Transactions:**

Shares issued as reinvestment of distributions	374	1,088	1,076	86	76	79	143

A zero balance may reflect actual amounts rounding to less than one thousand.

(a) Fiscal year end changed from March 31st to July 31st.

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

(c) Total distributions for the period ended July 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended July 31, 2015.

*** See Note 12 in the Notes to Financial Statements.

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Schedule of Investments PIMCO Corporate & Income Opportunity Fund

July 31, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 129.7%				
BANK LOAN OBLIGATIONS 2.7%				
Clear Channel Communications, Inc.				
6.940% due 01/30/2019	$	8,198	$	7,549
FMG Resources Pty. Ltd.				
3.750% due 06/30/2019		3,788		3,113
Sequa Corp.				
5.250% due 06/19/2017		8,838		7,844
Westmoreland Coal Co.				
7.500% due 12/16/2020		9,566		8,897
Total Bank Loan Obligations (Cost $27,628)				**27,403**
CORPORATE BONDS & NOTES 49.1%				
BANKING & FINANCE 24.5%				
AGFC Capital Trust				
6.000% due 01/15/2067		1,800		1,341
Banco do Brasil S.A.				
9.000% due 06/18/2024 (d)		15,355		13,239
Banco Santander S.A.				
6.250% due 09/11/2021 (d)	EUR	400		436
Barclays Bank PLC				
14.000% due 06/15/2019 (d)	GBP	12,550		25,846
BGC Partners, Inc.				
5.375% due 12/09/2019	$	10,780		11,324
Cantor Fitzgerald LP				
6.500% due 06/17/2022 (g)		14,000		14,642
Citigroup, Inc.				
5.950% due 05/15/2025 (d)		15,900		15,522
Co-operative Group Holdings Ltd.				
6.875% due 07/08/2020	GBP	400		674
7.500% due 07/08/2026		3,200		5,449
Credit Agricole S.A.				
6.500% due 06/23/2021 (d)	EUR	700		796
7.875% due 01/23/2024 (d)	$	16,500		17,246
ERB Hellas PLC				
4.250% due 06/26/2018	EUR	250		94
Fort Gordon Housing LLC				
6.124% due 05/15/2051	$	12,825		14,218
GSPA Monetization Trust				
6.422% due 10/09/2029		9,361		10,454
LBG Capital No.2 PLC				
9.125% due 07/15/2020	GBP	3,400		5,734
12.750% due 08/10/2020		400		766
15.000% due 12/21/2019	EUR	7,800		12,892
15.000% due 12/21/2019	GBP	2,000		4,434
Lloyds Bank PLC				
12.000% due 12/16/2024 (d)	$	6,000		8,655
Lloyds Banking Group PLC				
7.625% due 06/27/2023 (d)	GBP	2,300		3,764
Navient Corp.				

5.500% due 01/15/2019	$	20,050		19,749
5.625% due 08/01/2033		230		166
8.450% due 06/15/2018		8,200		8,877
Novo Banco S.A.				
2.625% due 05/08/2017	EUR	500		546
4.750% due 01/15/2018		1,000		1,137
5.000% due 04/04/2019		371		426
5.000% due 04/23/2019		152		175
5.000% due 05/14/2019		315		362
5.000% due 05/21/2019		73		84
5.000% due 05/23/2019		213		245
5.875% due 11/09/2015		1,500		1,660
Tesco Property Finance PLC				
5.411% due 07/13/2044	GBP	5,953		8,959
6.052% due 10/13/2039		921		1,505
		PRINCIPAL AMOUNT (000S)		**MARKET VALUE (000S)**
TIG FinCo PLC				
8.500% due 03/02/2020	GBP	1,154	$	1,892
8.750% due 04/02/2020		6,539		9,956
Vnesheconombank Via VEB Finance PLC				
5.375% due 02/13/2017	$	2,700		2,748
6.800% due 11/22/2025		8,500		7,879
Western Group Housing LP				
6.750% due 03/15/2057		10,600		12,311
				246,203
INDUSTRIALS 16.9%				
BMC Software Finance, Inc.				
8.125% due 07/15/2021		2,447		1,924
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (b)		8,810		5,848
Caesars Entertainment Operating Co., Inc.				
9.000% due 02/15/2020 ^		27,145		22,558
CCO Safari LLC				
6.484% due 10/23/2045		10,321		10,704
6.834% due 10/23/2055		1,473		1,516
Chesapeake Energy Corp.				
3.539% due 04/15/2019		170		144
Communications Sales & Leasing, Inc.				
8.250% due 10/15/2023		3,300		3,168
Continental Airlines Pass-Through Trust				
6.703% due 12/15/2022		2,347		2,482
7.373% due 06/15/2017		698		708
Forbes Energy Services Ltd.				
9.000% due 06/15/2019		2,858		2,108
Ford Motor Co.				
7.700% due 05/15/2097		31,901		39,566
Gulfport Energy Corp.				
7.750% due 11/01/2020		500		515
Hampton Roads PPV LLC				
6.171% due 06/15/2053		1,800		1,856
iHeartCommunications, Inc.				
9.000% due 09/15/2022		2,000		1,807
Intrepid Aviation Group Holdings LLC				
6.875% due 02/15/2019		6,590		6,178
Numericable-SFR S.A.S.				
6.250% due 05/15/2024		14,000		14,272
Russian Railways via RZD Capital PLC				
3.374% due 05/20/2021	EUR	23,000		22,351
Scientific Games International, Inc.				
10.000% due 12/01/2022	$	5,600		5,460
Sequa Corp.				
7.000% due 12/15/2017		10,862		7,495
Tembec Industries, Inc.				
9.000% due 12/15/2019		1,500		1,222
UAL Pass-Through Trust				

7.336% due 01/02/2021		2,084		2,182
UCP, Inc.				
8.500% due 10/21/2017		10,900		10,941
Unique Pub Finance Co. PLC				
5.659% due 06/30/2027	GBP	3,332		5,356
				170,361
UTILITIES 7.7%				
Gazprom OAO Via Gaz Capital S.A.				
9.250% due 04/23/2019	$	20,800		23,297
Illinois Power Generating Co.				
6.300% due 04/01/2020		4,570		4,159
7.000% due 04/15/2018		8,355		7,958
7.950% due 06/01/2032		900		850

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Mountain States Telephone & Telegraph Co.				
7.375% due 05/01/2030	$	15,730	$	17,887
Odebrecht Drilling Norbe Ltd.				
6.350% due 06/30/2022		574		416
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023		5,308		3,398
6.750% due 10/01/2023		4,963		3,214
Petrobras Global Finance BV				
2.750% due 01/15/2018	EUR	790		815
3.163% due 03/17/2020	$	420		379
4.250% due 10/02/2023	EUR	1,200		1,147
4.875% due 03/17/2020	$	760		708
5.750% due 01/20/2020		360		348
6.250% due 12/14/2026	GBP	6,100		8,122
6.625% due 01/16/2034		800		1,020
6.750% due 01/27/2041	$	4,100		3,434
7.875% due 03/15/2019		100		104
				77,256
Total Corporate Bonds & Notes (Cost $481,515)				**493,820**
MUNICIPAL BONDS & NOTES 10.1%				
CALIFORNIA 6.0%				
Los Angeles Community Redevelopment Agency, California Tax Allocation Bonds, (NPFGC Insured), Series 2006				
6.020% due 09/01/2021		6,480		6,662
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010				
7.500% due 10/01/2030		3,425		3,745
San Diego Redevelopment Agency, California Tax Allocation Bonds, Series 2010				
7.750% due 09/01/2040		21,545		23,801
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009				
7.942% due 10/01/2038		23,500		26,452
				60,660
ILLINOIS 2.3%				
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010				
7.517% due 01/01/2040		23,700		23,601
PENNSYLVANIA 0.4%				
Philadelphia Authority for Industrial Development, Pennsylvania Revenue Bonds, (AGM Insured), Series 1999				
6.350% due 04/15/2028		3,400		3,770
TEXAS 0.7%				
Texas State Public Finance Authority Charter School Finance Corp. Revenue Bonds, Series 2010				
8.125% due 02/15/2027		6,075		7,055

VIRGINIA 0.1%		
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007		
6.706% due 06/01/2046	1,400	1,046
WEST VIRGINIA 0.6%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
7.467% due 06/01/2047	6,885	5,863
Total Municipal Bonds & Notes (Cost $95,911)		**101,995**

See Accompanying Notes

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Schedule of Investments PIMCO Corporate & Income Opportunity Fund (Cont.)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
U.S. GOVERNMENT AGENCIES 6.7%		
Fannie Mae		
3.000% due 01/25/2042 (a)	$ 1,924	$ 188
3.500% due 02/25/2033 (a)	4,256	627
5.188% due 07/25/2025	11,770	11,929
5.910% due 07/25/2040 (a)	2,413	458
9.427% due 01/25/2042	3,507	3,627
Freddie Mac		
6.913% due 02/15/2034 (a)	3,995	699
7.741% due 12/25/2027	8,500	8,685
8.898% due 07/15/2039	7,405	7,596
9.380% due 08/15/2044	10,260	12,261
10.159% due 03/15/2044	3,183	3,507
10.941% due 03/25/2025	2,400	2,836
11.236% due 09/15/2043	1,195	1,199
11.501% due 04/15/2044	2,136	2,286
11.502% due 02/15/2036	10,030	10,780
Ginnie Mae		
3.000% due 12/20/2042 (a)	356	32
3.500% due 09/16/2041 - 06/20/2042 (a)	2,974	423
6.562% due 01/20/2042 (a)	3,838	653
Total U.S. Government Agencies (Cost $66,290)		**67,786**
U.S. TREASURY OBLIGATIONS 0.4%		
U.S. Treasury Notes		
1.250% due 08/31/2015 (k)	3,704	3,707
Total U.S. Treasury Obligations (Cost $3,707)		**3,707**
MORTGAGE-BACKED SECURITIES 38.6%		
American Home Mortgage Assets Trust		
0.421% due 09/25/2046 ^	3	0
6.250% due 06/25/2037	5,750	3,966
Banc of America Alternative Loan Trust		
6.000% due 01/25/2036 ^	349	297
6.000% due 04/25/2036 ^	5,439	4,696
Banc of America Funding Trust		
5.500% due 01/25/2036	741	782
6.000% due 03/25/2037 ^	7,619	6,517
6.000% due 07/25/2037 ^	978	787
6.000% due 08/25/2037 ^	9,944	8,762
BCAP LLC Trust		
4.471% due 07/26/2037	1,471	91
5.368% due 03/26/2037	3,125	1,024
7.214% due 12/26/2036	8,635	7,648
11.311% due 10/26/2036	6,114	5,789
Bear Stearns ALT-A Trust		
2.593% due 11/25/2036	1,146	837
2.655% due 11/25/2034	736	629
2.714% due 08/25/2046	7,816	5,917
2.784% due 08/25/2036 ^	4,996	3,764
2.959% due 09/25/2035 ^	2,351	1,938

4.013% due 09/25/2035 ^	3,449	2,628
Bear Stearns Mortgage Funding Trust		
7.000% due 08/25/2036	3,778	3,574
Bellemeade Re Ltd.		
4.489% due 07/25/2025	8,291	8,290
Chase Mortgage Finance Trust		
2.425% due 12/25/2035 ^	38	36
6.000% due 02/25/2037 ^	3,294	2,824
6.000% due 03/25/2037 ^	695	627
6.000% due 07/25/2037 ^	2,600	2,262
Citigroup Mortgage Loan Trust, Inc.		
5.356% due 04/25/2037 ^	7,759	6,850

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.390% due 03/25/2037 ^	$ 2,004	$ 1,921
6.000% due 11/25/2036	15,004	12,031
6.000% due 02/25/2037	10,450	8,452
CitiMortgage Alternative Loan Trust		
5.750% due 04/25/2037 ^	3,191	2,759
6.000% due 01/25/2037 ^	3,259	2,806
Countrywide Alternative Loan Trust		
4.403% due 06/25/2047	6,190	5,406
5.060% due 04/25/2037 ^(a)	37,551	5,028
5.250% due 05/25/2021 ^	36	35
5.500% due 03/25/2035	1,050	947
5.500% due 09/25/2035 ^	8,145	7,631
5.500% due 03/25/2036 ^	317	270
5.750% due 01/25/2035	1,224	1,244
5.750% due 02/25/2035	1,371	1,349
6.000% due 02/25/2035	1,182	1,230
6.000% due 04/25/2036	2,885	2,509
6.000% due 05/25/2036 ^	3,124	2,685
6.000% due 01/25/2037 ^	3,517	3,340
6.000% due 02/25/2037	3,857	3,258
6.000% due 02/25/2037 ^	1,020	812
6.000% due 04/25/2037 ^	11,275	9,294
6.000% due 05/25/2037 ^	4,360	3,567
6.000% due 08/25/2037 ^	18,492	15,331
6.000% due 08/25/2037	13,723	11,544
6.250% due 10/25/2036 ^	4,401	3,977
6.250% due 12/25/2036 ^	5,281	4,340
6.500% due 08/25/2036 ^	1,395	1,084
6.500% due 09/25/2036 ^	759	670
6.500% due 12/25/2036 ^	2,880	2,329
20.935% due 02/25/2036	3,400	4,288
Countrywide Home Loan Mortgage Pass-Through Trust		
5.500% due 07/25/2037 ^	1,323	1,183
5.750% due 12/25/2035 ^	766	722
5.750% due 03/25/2037 ^	4,801	4,352
5.750% due 06/25/2037 ^	1,827	1,676
6.000% due 04/25/2036 ^	1,088	1,041
6.000% due 05/25/2036 ^	292	269
6.000% due 03/25/2037 ^	4,126	3,798
6.000% due 04/25/2037 ^	475	442
Credit Suisse Mortgage Capital Mortgage-Backed Trust		
5.750% due 04/25/2036 ^	2,821	2,409
6.000% due 02/25/2037 ^	3,098	2,756
6.000% due 06/25/2037 ^	3,420	3,145
6.750% due 08/25/2036 ^	4,551	3,695
First Horizon Alternative Mortgage Securities Trust		
6.000% due 08/25/2036 ^	4,016	3,332
GSR Mortgage Loan Trust		
2.585% due 03/25/2037 ^	5,372	4,513
4.714% due 11/25/2035 ^	3,441	3,131
4.859% due 11/25/2035	754	728
5.500% due 05/25/2036 ^	533	495
6.000% due 07/25/2037 ^	644	592
IndyMac Mortgage Loan Trust		
2.615% due 08/25/2035 ^	5,249	4,472

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
6.500% due 07/25/2037 ^	7,779	5,137
JPMorgan Alternative Loan Trust		
6.310% due 08/25/2036 ^	4,675	3,849
JPMorgan Mortgage Trust		
2.528% due 01/25/2037 ^	2,533	2,257
2.597% due 02/25/2036 ^	4,443	3,883
4.858% due 10/25/2035	96	94
4.966% due 06/25/2036 ^	1,862	1,641
5.000% due 03/25/2037 ^	4,330	3,715
6.000% due 08/25/2037 ^	771	716
Lehman Mortgage Trust		
6.000% due 07/25/2036 ^	2,687	2,034
6.000% due 07/25/2037 ^	$ 622	$ 568
28.377% due 11/25/2035 ^	570	797
MASTR Alternative Loan Trust		
6.750% due 07/25/2036	5,414	4,061
Merrill Lynch Mortgage Investors Trust		
2.734% due 03/25/2036 ^	5,304	3,593
Morgan Stanley Mortgage Loan Trust		
4.824% due 05/25/2036 ^	14,242	11,218
RBSSP Resecuritization Trust		
0.407% due 10/27/2036	3,609	332
0.427% due 08/27/2037	8,000	666
Residential Accredit Loans, Inc. Trust		
0.421% due 05/25/2037 ^	755	196
6.000% due 06/25/2036 ^	3,362	2,800
6.000% due 08/25/2036 ^	1,252	1,041
6.000% due 09/25/2036 ^	4,723	3,371
6.000% due 12/25/2036 ^	2,771	2,287
6.000% due 03/25/2037 ^	4,819	4,065
6.000% due 05/25/2037 ^	4,057	3,434
Residential Asset Securitization Trust		
5.750% due 02/25/2036 ^	718	595
6.000% due 02/25/2036	1,996	1,604
6.000% due 02/25/2037 ^	3,032	2,342
6.000% due 03/25/2037 ^	4,321	3,158
6.000% due 05/25/2037 ^	5,178	4,552
6.250% due 09/25/2037 ^	6,372	4,578
Residential Funding Mortgage Securities, Inc. Trust		
3.342% due 02/25/2037	5,248	4,223
6.250% due 08/25/2036 ^	3,148	2,873
Structured Adjustable Rate Mortgage Loan Trust		
2.454% due 11/25/2036 ^	8,530	7,002
2.712% due 07/25/2035 ^	4,863	4,230
4.728% due 03/25/2037 ^	1,728	1,249
4.952% due 01/25/2036 ^	11,626	9,113
5.226% due 07/25/2036 ^	2,163	1,835
Structured Asset Mortgage Investments Trust		
0.311% due 08/25/2036	299	234
Suntrust Adjustable Rate Mortgage Loan Trust		
2.571% due 02/25/2037 ^	1,236	1,081
2.714% due 04/25/2037 ^	1,511	1,285
6.005% due 02/25/2037 ^	12,129	10,300
WaMu Mortgage Pass-Through Certificates Trust		
2.032% due 12/25/2036 ^	795	706
2.166% due 06/25/2037 ^	3,680	3,271
2.217% due 07/25/2037 ^	1,435	1,228
2.244% due 09/25/2036 ^	957	869
4.363% due 02/25/2037 ^	2,156	2,012
4.536% due 07/25/2037 ^	3,670	3,422
6.041% due 10/25/2036 ^	2,828	2,383
Washington Mutual Mortgage Pass-Through Certificates Trust		
1.010% due 05/25/2047 ^	971	73
6.000% due 10/25/2035 ^	2,735	2,112
6.000% due 03/25/2036 ^	4,062	3,803
Wells Fargo Mortgage-Backed Securities Trust		
2.655% due 04/25/2036 ^	1,390	1,367

6.000% due 07/25/2037 ^	1,388	1,370
Total Mortgage-Backed Securities (Cost $369,468)		**388,048**
ASSET-BACKED SECURITIES 10.6%		
AMAC CDO Funding		
1.485% due 11/23/2050	5,000	4,619
Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates		
1.541% due 03/25/2033	112	107

 See Accompanying Notes

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July 31, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
CIFC Funding Ltd.				
0.010% due 05/24/2026	$	2,700	$	2,276
Countrywide Asset-Backed Certificates				
0.501% due 09/25/2037		19,068		9,428
5.126% due 10/25/2046 ^		6,327		5,663
Credit-Based Asset Servicing and Securitization LLC				
4.142% due 12/25/2035 ^		231		229
Greenpoint Manufactured Housing				
8.140% due 03/20/2030		3,389		3,481
8.300% due 10/15/2026		8,300		8,816
8.450% due 06/20/2031		5,090		5,213
IndyMac Home Equity Mortgage Loan Asset-Backed Trust				
0.351% due 07/25/2037		4,111		2,601
JPMorgan Mortgage Acquisition Trust				
4.768% due 11/25/2036		10,400		10,379
5.830% due 07/25/2036 ^		168		102
Lehman XS Trust				
5.319% due 06/24/2046		5,749		4,819
Mid-State Trust				
6.340% due 10/15/2036		2,686		2,927
Morgan Stanley Mortgage Loan Trust				
6.250% due 07/25/2047 ^		1,834		1,372
Renaissance Home Equity Loan Trust				
5.612% due 04/25/2037		11,979		6,699
7.238% due 09/25/2037		3,806		2,511
Residential Asset Securities Corp. Trust				
0.767% due 08/25/2034		13,475		10,419
Taberna Preferred Funding Ltd.				
0.704% due 02/05/2036		13,639		10,513
Tropic CDO Ltd.				
1.189% due 04/15/2034		25,000		14,500
Total Asset-Backed Securities (Cost $102,528)				**106,674**

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
SOVEREIGN ISSUES 0.4%				
Republic of Greece Government International Bond				
3.800% due 08/08/2017	JPY	695,000	$	4,038
4.750% due 04/17/2019	EUR	600		443
Total Sovereign Issues (Cost $5,418)				**4,481**

	SHARES	
COMMON STOCKS 0.1%		
FINANCIALS 0.1%		
TIG TopCo Ltd. (e)	794,831	832
Total Common Stocks (Cost $1,179)		**832**

PREFERRED SECURITIES 4.1%		
BANKING & FINANCE 4.1%		
Farm Credit Bank of Texas		
10.000% due 12/15/2020 (d)	13,900	17,410
GMAC Capital Trust		
8.125% due 02/15/2040	923,868	24,233
Total Preferred Securities (Cost $40,284)		**41,643**
SHORT-TERM INSTRUMENTS 6.9%		
REPURCHASE AGREEMENTS (f) 3.1%		
		30,731

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SHORT-TERM NOTES 0.4%		
Federal Home Loan Bank		
0.144% due 11/04/2015	$ 1,700	$ 1,700
0.194% due 01/20/2016	2,300	2,298
		3,998
U.S. TREASURY BILLS 3.4%		
0.104% due 10/01/2015 - 01/28/2016 (c)(i)(k)	34,077	34,061
Total Short-Term Instruments (Cost $68,789)		**68,790**
Total Investments in Securities (Cost $1,262,717)		**1,305,179**
Total Investments 129.7% (Cost $1,262,717)		$ **1,305,179**
Financial Derivative Instruments (g)(i) (3.3%) (Cost or Premiums, net $(36,208))		**(33,277)**
Preferred Shares (23.6%)		**(237,950)**
Other Assets and Liabilities, net (2.8%)		**(27,468)**
Net Assets Applicable to Common Shareholders 100.0%		$ **1,006,484**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.
^ Security is in default.
(a) Interest only security.
(b) Payment in-kind bond security.
(c) Coupon represents a weighted average yield to maturity.
(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(e) RESTRICTED SECURITIES:

Issuer Description	Cost

	Acquisition Date		Market Value	Market Value as Percentage of Net Assets
TIG TopCo Ltd.	04/02/2015	$ 1,179	$ 832	0.08%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(f) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral Received, at Value	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received [(1)]
IND	0.200%	07/31/2015	08/03/2015	$ 5,000	U.S. Treasury Notes 2.000% due 05/31/2021	$ (5,106)	$ 5,000	$ 5,000
MSC	0.290%	07/31/2015	08/03/2015	22,900	U.S. Treasury Bonds 3.125% due 02/15/2042	(23,415)	22,900	22,901
SSB	0.000%	07/31/2015	08/03/2015	2,831	Fannie Mae 2.170% due 10/17/2022	(2,892)	2,831	2,831
Total Repurchase Agreements						**$ (31,413)**	**$ 30,731**	**$ 30,732**

[(1)] Includes accrued interest.

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Schedule of Investments PIMCO Corporate & Income Opportunity Fund (Cont.)

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed [(2)]	Payable for Reverse Repurchase Agreements
RDR	0.420%	07/24/2015	08/20/2015	$ (13,549)	$ (13,551)
Total Reverse Repurchase Agreements					**$ (13,551)**

(2) The average amount of borrowings outstanding during the period ended July 31, 2015 was $18,379 at a weighted average interest rate of 0.305%.

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of July 31, 2015:

(g) Securities with an aggregate market value of $14,642 have been pledged as collateral under the terms of the following master agreements as of July 31, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure [(3)]
Global/Master Repurchase Agreement							
IND	$ 5,000	$ 0	$ 0	$ 0	$ 5,000	$ (5,107)	$ (107)
MSC	22,901	0	0	0	22,901	(23,415)	(514)
RDR	0	(13,551)	0	0	(13,551)	14,463	912
SSB	2,831	0	0	0	2,831	(2,892)	(61)
Total Borrowings and Other Financing Transactions	**$ 30,732**	**$ (13,551)**	**$ 0**	**$ 0**			

(3) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

(h) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [1]

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount [2]	Market Value [3]	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	$ 43,659	$ 2,969	$ (392)	$ 52	$ 0
CDX.IG-23 5-Year Index	1.000%	12/20/2019	11,800	172	(20)	6	0
CDX.IG-24 5-Year Index	1.000%	06/20/2020	58,400	876	(209)	29	0
				$ 4,017	$ (621)	$ 87	$ 0

[1] If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

[2] The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

[3] The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	2.250%	12/17/2019	$ 331,400	$ 10,629	$ 1,195	$ 1,037	$ 0
Pay	3-Month USD-LIBOR	3.500%	06/19/2044	305,100	49,673	59,627	2,374	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045	514,800	4,243	(24,090)	0	(3,461)
Pay	6-Month AUD-BBR-BBSW	3.500%	06/17/2025	AUD 13,400	352	20	38	0
Pay	28-Day MXN-TIIE	7.580%	04/05/2034	MXN 560,000	2,965	(1,707)	337	0
					$ 67,862	$ 35,045	$ 3,786	$ (3,461)
Total Swap Agreements					**$ 71,879**	**$ 34,424**	**$ 3,873**	**$ (3,461)**

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July 31, 2015

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of July 31, 2015:

(i) Securities with an aggregate market value of $2,269 and cash of $24,587 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2015. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 0**	**$ 3,873**	**$ 3,873**	**$ 0**	**$ 0**	**$ (3,461)**	**$ (3,461)**

(j) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
BOA	08/2015	$	86,898	GBP	55,558	$ 0	$ (136)
	09/2015	GBP	55,558	$	86,880	136	0
	09/2015	$	139	MXN	2,205	0	(3)
	06/2016	EUR	1,430	$	1,958	377	0
	06/2016	$	84	EUR	62	0	(15)
BPS	08/2015	BRL	6,140	$	1,809	16	0
	08/2015	$	1,956	BRL	6,140	0	(163)
	09/2015		323	MXN	5,115	0	(6)
BRC	06/2016	EUR	268	$	369	72	0
CBK	08/2015		245		269	0	0
	08/2015	GBP	3,203		4,977	0	(25)
	09/2015	MXN	16,934		1,071	25	0
	09/2015	$	157	MXN	2,487	0	(3)

DUB	06/2016	EUR	149	$	204	39	0
GLM	08/2015	AUD	979		752	37	0
	09/2015	$	1,977	MXN	32,328	21	0
HUS	08/2015	GBP	52,355	$	82,441	680	0
	08/2015	$	4,816	JPY	595,545	0	(10)
	09/2015	JPY	595,545	$	4,817	10	0
JPM	08/2015	EUR	418		458	0	(1)
	08/2015	$	768	EUR	709	10	0
MSB	08/2015	BRL	7,385	$	2,312	155	0
	08/2015	EUR	37,610		42,106	801	0
	08/2015	JPY	595,545		4,829	24	0
	08/2015	$	2,195	BRL	7,385	0	(38)
	09/2015		1,924		6,140	0	(150)
	06/2016	EUR	376	$	517	101	0
NAB	06/2016		818		1,123	219	0
SCX	08/2015	$	41,488	EUR	37,564	0	(234)
	09/2015	EUR	37,564	$	41,504	234	0
	09/2015	MXN	34,954		2,229	69	0
UAG	08/2015	BRL	7,385		2,205	48	0
	08/2015	$	2,176	BRL	7,385	0	(19)
	09/2015		2,181		7,385	0	(48)
Total Forward Foreign Currency Contracts						**$ 3,074**	**$ (851)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION (1)

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 (2)	Notional Amount (3)	Premiums (Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	$ 1,800	$ (352)	$ (155)	$ 0	$ (507)
BRC	Novo Banco S.A.	5.000%	12/20/2015	2.683%	EUR 3,900	(61)	125	64	0
CBK	Russia Government International Bond	1.000%	06/20/2019	3.101%	$ 25,000	(1,496)	(359)	0	(1,855)

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Schedule of Investments PIMCO Corporate & Income Opportunity Fund (Cont.)

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 (2)	Notional Amount (3)	Premiums (Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
GST	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	$ 20	$ (3)	$ (1)	$ 0	$ (4)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	2,400	(476)	(200)	0	(676)
HUS	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	60	(9)	(1)	0	(10)
	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	500	(41)	(31)	0	(72)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	3,000	(623)	(223)	0	(846)
JPM	Russia Government International Bond	1.000%	06/20/2019	3.101%	28,600	(1,957)	(165)	0	(2,122)
MYC	Novo Banco S.A.	5.000%	12/20/2015	2.683%	EUR 1,100	(17)	35	18	0
	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	$ 14,500	(1,342)	(737)	0	(2,079)
						$ (6,377)	$ (1,712)	$ 82	$ (8,171)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION (1)

Counterparty	Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount (3)	Premiums (Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value (4) Asset	Swap Agreements, at Value (4) Liability
BOA	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	$ 71,161	$ (13,524)	$ 427	$ 0	$ (13,097)
BRC	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	35,269	(7,026)	535	0	(6,491)
GST	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	6,227	(1,241)	95	0	(1,146)
MEI	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	21,915	(4,027)	(9)	0	(4,036)
MYC	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	22,238	(4,209)	116	0	(4,093)
					$ (30,027)	$ 1,164	$ 0	$ (28,863)

(1)

If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(4) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 149,200	$ 125	$ (1,594)	$ 0	$ (1,469)
CBK	Pay	1-Year BRL-CDI	11.500%	01/04/2021	80,300	(77)	(714)	0	(791)
	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	$ 46,800	26	446	472	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	37,900	28	480	508	0
DUB	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	132,600	123	1,216	1,339	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	51,100	16	668	684	0
GLM	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	136,600	104	1,275	1,379	0
MYC	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	24,000	7	235	242	0
UAG	Pay	1-Year BRL-CDI	11.250%	01/04/2021	BRL 105,000	(156)	(1,168)	0	(1,324)
						$ 196	$ 844	$ 4,624	$ (3,584)
Total Swap Agreements						**$ (36,208)**	**$ 296**	**$ 4,706**	**$ (40,618)**

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July 31, 2015

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of July 31, 2015:

(k) **Securities with an aggregate market value of $35,500 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2015.**

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	**Forward Foreign Currency Contracts**	**Purchased Options**	**Swap Agreements**	**Total Over the Counter**	**Forward Foreign Currency Contracts**	**Written Options**	**Swap Agreements**	**Total Over the Counter**	**Net Market Value of OTC Derivatives**	**Collateral (Received)/ Pledged**	**Net Exposure (5)**
BOA	$ 513	$ 0	$ 0	$ 513	$ (154)	$ 0	$ (14,566)	$ (14,720)	$ (14,207)	$ 15,129	$ 922
BPS	16	0	0	16	(169)	0	(507)	(676)	(660)	431	(229)
BRC	72	0	64	136	0	0	(6,491)	(6,491)	(6,355)	6,740	385
CBK	25	0	980	1,005	(28)	0	(2,646)	(2,674)	(1,669)	1,853	184
DUB	39	0	2,023	2,062	0	0	0	0	2,062	(2,290)	(228)
GLM	58	0	1,379	1,437	0	0	0	0	1,437	(1,200)	237
GST	0	0	0	0	0	0	(1,826)	(1,826)	(1,826)	1,684	(142)
HUS	690	0	0	690	(10)	0	(928)	(938)	(248)	0	(248)
JPM	10	0	0	10	(1)	0	(2,122)	(2,123)	(2,113)	2,105	(8)
MEI	0	0	0	0	0	0	(4,036)	(4,036)	(4,036)	0	(4,036)
MSB	1,081	0	0	1,081	(188)	0	0	(188)	893	(1,160)	(267)
MYC	0	0	260	260	0	0	(6,172)	(6,172)	(5,912)	6,038	126
NAB	219	0	0	219	0	0	0	0	219	(260)	(41)
SCX	303	0	0	303	(234)	0	0	(234)	69	0	69
UAG	48	0	0	48	(67)	0	(1,324)	(1,391)	(1,343)	1,521	178
Total Over the Counter	**$ 3,074**	**$ 0**	**$ 4,706**	**$ 7,780**	**$ (851)**	**$ 0**	**$ (40,618)**	**$ (41,469)**			

(5) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Fund s derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Statements of Assets and Liabilities as of July 31, 2015 [(1)]:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 87	$ 0	$ 0	$ 3,786	$ 3,873
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 3,074	$ 0	$ 3,074
Swap Agreements	0	82	0	0	4,624	4,706
	$ 0	$ 82	$ 0	$ 3,074	$ 4,624	$ 7,780
	$ 0	$ 169	$ 0	$ 3,074	$ 8,410	$ 11,653
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 3,461	$ 3,461
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 851	$ 0	$ 851
Swap Agreements	0	37,034	0	0	3,584	40,618
	$ 0	$ 37,034	$ 0	$ 851	$ 3,584	$ 41,469
	$ 0	$ 37,034	$ 0	$ 851	$ 7,045	$ 44,930

See Accompanying Notes

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Schedule of Investments PIMCO Corporate & Income Opportunity Fund (Cont.)

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 618	$ 0	$ 0	$ (39,218)	$ (38,600)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 9,782	$ 0	$ 9,782
Swap Agreements	0	51	0	0	(1,186)	(1,135)
	$ 0	$ 51	$ 0	$ 9,782	$ (1,186)	$ 8,647
	$ 0	$ 669	$ 0	$ 9,782	$ (40,404)	$ (29,953)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (961)	$ 0	$ 0	$ 22,453	$ 21,492
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (3,442)	$ 0	$ (3,442)
Swap Agreements	0	1,451	0	0	(1,383)	68
	$ 0	$ 1,451	$ 0	$ (3,442)	$ (1,383)	$ (3,374)
	$ 0	$ 490	$ 0	$ (3,442)	$ 21,070	$ 18,118

(1) Fiscal year end changed from November 30th to July 31st.

The Effect of Financial Derivative Instruments on the Statement of Operations for the period ended November 30, 2014:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 11,657	$ 0	$ 0	$ (50,162)	$ (38,505)

Over the counter												
Forward Foreign Currency Contracts	$	0	$	0	$	0	$	(1,577)	$	0	$	(1,577)
Swap Agreements		0		133		0		0		46,819		46,952
	$	0	$	133	$	0	$	(1,577)	$	46,819	$	45,375
	$	0	$	11,790	$	0	$	(1,577)	$	(3,343)	$	6,870
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments												
Exchange-traded or centrally cleared												
Swap Agreements	$	0	$	(5,078)	$	0	$	0	$	5,857	$	779
Over the counter												
Forward Foreign Currency Contracts	$	0	$	0	$	0	$	6,723	$	0	$	6,723
Swap Agreements		0		(2,000)		0		0		(4,559)		(6,559)
	$	0	$	(2,000)	$	0	$	6,723	$	(4,559)	$	164
	$	0	$	(7,078)	$	0	$	6,723	$	1,298	$	943

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 18,506	$ 8,897	$ 27,403
Corporate Bonds & Notes				
Banking & Finance	0	235,749	10,454	246,203
Industrials	0	159,420	10,941	170,361
Utilities	0	77,256	0	77,256
Municipal Bonds & Notes				
California	0	60,660	0	60,660
Illinois	0	23,601	0	23,601
Pennsylvania	0	3,770	0	3,770
Texas	0	7,055	0	7,055

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Virginia	$ 0	$ 1,046	$ 0	$ 1,046
West Virginia	0	5,863	0	5,863
U.S. Government Agencies	0	67,786	0	67,786
U.S. Treasury Obligations	0	3,707	0	3,707
Mortgage-Backed Securities	0	379,758	8,290	388,048
Asset-Backed Securities	0	106,674	0	106,674
Sovereign Issues	0	4,481	0	4,481
Common Stocks				
Financials	0	0	832	832
Preferred Securities				
Banking & Finance	24,233	17,410	0	41,643

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July 31, 2015

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Short-Term Instruments				
Repurchase Agreements	$ 0	$ 30,731	$ 0	$ 30,731
Short-Term Notes	0	3,998	0	3,998
U.S. Treasury Bills	0	34,061	0	34,061
Total Investments	$ 24,233	$ 1,241,532	$ 39,414	$ 1,305,179
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	3,873	0	3,873
Over the counter	0	7,780	0	7,780
	$ 0	$ 11,653	$ 0	$ 11,653

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	$ 0	$ (3,461)	$ 0	$ (3,461)
Over the counter	0	(41,469)	0	(41,469)
	$ 0	$ (44,930)	$ 0	$ (44,930)
Totals	$ 24,233	$ 1,208,255	$ 39,414	$ 1,271,902

There were no significant transfers between Levels 1 and 2 during the period ended July 31, 2015.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2015:

Category and Subcategory	Beginning Balance at 11/30/2014	Net Purchases	Net Sales	Accrued Discounts/(Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/(Depreciation) [1]	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 07/31/2015	Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at 07/31/2015 [1]
Investments in Securities, at Value										
Bank Loan Obligations	$ 0	$ 8,753	$ 0	$ 0	$ 0	$ 144	$ 0	$ 0	$ 8,897	$ 144
Corporate Bonds & Notes										
	11,030	0	(148)	3	2	(433)	0	0	10,454	(407)

Banking & Finance										
Industrials	21,353	0	(4,771)	12	170	(451)	0	(5,372)	10,941	12
Utilities	4,888	0	(4,682)	(2)	88	(292)	0	0	0	0
Mortgage-Backed Securities	0	8,291	0	0	0	(1)	0	0	8,290	(1)
Common Stocks										
Financials	0	1,179	0	0	0	(347)	0	0	832	(347)
Totals	$ 37,271	$ 18,223	$ (9,601)	$ 13	$ 260	$ (1,380)	$ 0	$ (5,372)	$ 39,414	$ (599)

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 07/31/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Bank Loan Obligations	$ 8,897	Third Party Vendor	Broker Quote	93.00
Corporate Bonds & Notes				
Banking & Finance	10,454	Proxy Pricing	Base Price	115.50
Industrials	10,941	Proxy Pricing	Base Price	100.00
Mortgage-Backed Securities	8,290	Proxy Pricing	Base Price	100.00
Common Stocks				
Financials	832	Other Valuation Techniques (2)		
Total	$ 39,414			

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(2) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques are not considered significant to the Fund.

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Schedule of Investments PIMCO Corporate & Income Strategy Fund

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 130.0%				
BANK LOAN OBLIGATIONS 1.7%				
Clear Channel Communications, Inc.				
6.940% due 01/30/2019	$	5,800	$	5,341
Sequa Corp.				
5.250% due 06/19/2017		4,963		4,405
Total Bank Loan Obligations (Cost $9,839)				**9,746**
CORPORATE BONDS & NOTES 50.5%				
BANKING & FINANCE 28.3%				
AGFC Capital Trust				
6.000% due 01/15/2067		2,300		1,714
AIG Life Holdings, Inc.				
7.570% due 12/01/2045		3,400		4,445
American International Group, Inc.				
6.250% due 03/15/2087		1,826		2,013
8.175% due 05/15/2068		300		403
Banco do Brasil S.A.				
6.250% due 04/15/2024 (d)		3,000		2,042
9.000% due 06/18/2024 (d)		6,510		5,613
9.250% due 04/15/2023 (d)		300		271
Banco Santander S.A.				
6.250% due 09/11/2021 (d)	EUR	1,300		1,417
Barclays Bank PLC				
7.625% due 11/21/2022	$	3,900		4,504
Barclays PLC				
8.000% due 12/15/2020 (d)	EUR	1,900		2,288
BGC Partners, Inc.				
5.375% due 12/09/2019	$	5,960		6,261
Cantor Fitzgerald LP				
6.500% due 06/17/2022		8,000		8,367
Citigroup, Inc.				
5.950% due 05/15/2025 (d)		1,500		1,464
Co-operative Group Holdings Ltd.				
7.500% due 07/08/2026	GBP	6,000		10,217
Credit Agricole S.A.				
6.625% due 09/23/2019 (d)	$	21,600		21,600
7.875% due 01/23/2024 (d)		1,300		1,361
Depository Trust & Clearing Corp.				
4.875% due 06/15/2020 (d)		1,250		1,259
ERB Hellas PLC				
4.250% due 06/26/2018	EUR	750		283
GSPA Monetization Trust				
6.422% due 10/09/2029	$	4,956		5,535
LBG Capital No.2 PLC				
9.125% due 07/15/2020	GBP	3,100		5,228
Lloyds Bank PLC				
12.000% due 12/16/2024 (d)	$	8,900		12,838
Navient Corp.				
5.500% due 01/15/2019		11,850		11,672
5.625% due 08/01/2033		2,648		1,907
8.450% due 06/15/2018		2,300		2,490
Novo Banco S.A.				
2.625% due 05/08/2017	EUR	200		218
4.750% due 01/15/2018		600		682
5.000% due 04/04/2019		298		342

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
5.000% due 04/23/2019		608		699
5.000% due 05/14/2019		402		461
5.000% due 05/21/2019		225		259
5.000% due 05/23/2019		224		258
5.875% due 11/09/2015		900		996
OneMain Financial Holdings, Inc.				
7.250% due 12/15/2021	$	3,364		3,515
Sberbank of Russia Via SB Capital S.A.				
5.717% due 06/16/2021		8,300		8,106
6.125% due 02/07/2022	$	10,200	$	10,068
Tesco Property Finance PLC				
5.411% due 07/13/2044	GBP	4,039		6,078
6.052% due 10/13/2039		1,262		2,062
TIG FinCo PLC				
8.500% due 03/02/2020		252		413
8.750% due 04/02/2020		2,089		3,180
Vnesheconombank Via VEB Finance PLC				
6.902% due 07/09/2020	$	8,900		8,756
				161,285
INDUSTRIALS 15.2%				
Anadarko Petroleum Corp.				
7.000% due 11/15/2027		3,460		3,883
BMC Software Finance, Inc.				
8.125% due 07/15/2021		1,380		1,085
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (b)		4,650		3,086
Caesars Entertainment Operating Co., Inc.				
9.000% due 02/15/2020 ^		1,885		1,569
11.250% due 06/01/2017 ^		7,400		6,142
CCO Safari LLC				
6.484% due 10/23/2045		5,842		6,059
6.834% due 10/23/2055		835		860
Chesapeake Energy Corp.				
3.539% due 04/15/2019		80		68
Communications Sales & Leasing, Inc.				
8.250% due 10/15/2023		1,900		1,824
Continental Airlines Pass-Through Trust				
9.798% due 10/01/2022		1,263		1,396
Forbes Energy Services Ltd.				
9.000% due 06/15/2019		308		227
Ford Motor Co.				
7.700% due 05/15/2097		7,830		9,711
9.980% due 02/15/2047		1,500		2,299
Gulfport Energy Corp.				
7.750% due 11/01/2020		600		618
Harvest Operations Corp.				
6.875% due 10/01/2017		1,012		939
iHeartCommunications, Inc.				
9.000% due 09/15/2022		1,200		1,085
Intrepid Aviation Group Holdings LLC				
6.875% due 02/15/2019		3,720		3,487
Pertamina Persero PT				
6.450% due 05/30/2044		6,233		6,093
Russian Railways via RZD Capital PLC				
3.374% due 05/20/2021	EUR	1,400		1,360
5.700% due 04/05/2022	$	3,700		3,533
7.487% due 03/25/2031	GBP	1,000		1,453
Sequa Corp.				
7.000% due 12/15/2017	$	6,230		4,299
Tembec Industries, Inc.				
9.000% due 12/15/2019		1,900		1,549
Times Square Hotel Trust				
8.528% due 08/01/2026		1,903		2,445
UCP, Inc.				

8.500% due 10/21/2017		6,000	6,022
Unique Pub Finance Co. PLC			
5.659% due 06/30/2027	GBP	4,039	6,494
6.542% due 03/30/2021		2,181	3,591
Westmoreland Coal Co.			
8.750% due 01/01/2022	$	5,955	5,300
			86,477

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
UTILITIES 7.0%				
AK Transneft OJSC Via TransCapitalInvest Ltd.				
8.700% due 08/07/2018	$	900	$	991
FPL Energy Wind Funding LLC				
6.876% due 06/27/2017		333		327
Gazprom Neft OAO Via GPN Capital S.A.				
4.375% due 09/19/2022		5,800		4,959
6.000% due 11/27/2023		2,900		2,679
Illinois Power Generating Co.				
6.300% due 04/01/2020		6,400		5,824
7.000% due 04/15/2018		1,600		1,524
7.950% due 06/01/2032		500		472
Mountain States Telephone & Telegraph Co.				
7.375% due 05/01/2030		8,200		9,325
Odebrecht Drilling Norbe Ltd.				
6.350% due 06/30/2022		328		238
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023		2,938		1,881
6.750% due 10/01/2023		3,125		2,024
Petrobras Global Finance BV				
2.750% due 01/15/2018	EUR	450		464
3.163% due 03/17/2020	$	270		244
4.875% due 03/17/2020		420		391
5.750% due 01/20/2020		220		213
6.250% due 12/14/2026	GBP	4,800		6,391
6.625% due 01/16/2034		100		127
6.750% due 01/27/2041	$	2,300		1,926
7.875% due 03/15/2019		100		104
				40,104
Total Corporate Bonds & Notes (Cost $282,004)				**287,866**
MUNICIPAL BONDS & NOTES 7.5%				
CALIFORNIA 1.7%				
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010				
7.750% due 10/01/2037		1,220		1,344
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009				
7.942% due 10/01/2038		7,400		8,330
				9,674
ILLINOIS 2.2%				
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010				
7.517% due 01/01/2040		12,700		12,647
NEBRASKA 2.9%				
Public Power Generation Agency, Nebraska Revenue Bonds, (BABs), Series 2009				
7.242% due 01/01/2041		14,000		16,684
VIRGINIA 0.1%				
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007				
6.706% due 06/01/2046		785		586

WEST VIRGINIA 0.6%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
7.467% due 06/01/2047	3,740	3,185
Total Municipal Bonds & Notes		
(Cost $40,341)		**42,776**

 See Accompanying Notes

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July 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
U.S. GOVERNMENT AGENCIES 4.8%		
Fannie Mae		
3.000% due 02/25/2043 (a)	$ 76,829	$ 15,811
5.188% due 07/25/2025	6,680	6,770
Freddie Mac		
7.741% due 12/25/2027	4,800	4,904
Total U.S. Government Agencies (Cost $25,100)		**27,485**
MORTGAGE-BACKED SECURITIES 36.1%		
American Home Mortgage Assets Trust		
0.421% due 09/25/2046 ^	2	0
Banc of America Alternative Loan Trust		
5.500% due 10/25/2035 ^	7,003	6,213
6.000% due 01/25/2036 ^	188	160
6.000% due 07/25/2046 ^	1,745	1,450
Banc of America Funding Trust		
6.000% due 03/25/2037 ^	3,939	3,369
6.000% due 07/25/2037 ^	506	407
Banc of America Mortgage Trust		
5.500% due 11/25/2035 ^	3,946	3,748
6.000% due 03/25/2037 ^	707	647
6.500% due 09/25/2033	325	328
BCAP LLC Trust		
5.368% due 03/26/2037	1,635	536
11.798% due 07/26/2036	1,799	1,848
Bear Stearns Adjustable Rate Mortgage Trust		
2.705% due 08/25/2035 ^	8,990	8,117
Bear Stearns ALT-A Trust		
2.593% due 11/25/2036	5,238	3,828
2.784% due 08/25/2036 ^	1,402	1,056
2.959% due 09/25/2035 ^	1,216	1,002
Bear Stearns Mortgage Funding Trust		
7.000% due 08/25/2036	2,034	1,924
Chase Mortgage Finance Trust		
2.425% due 12/25/2035 ^	19	18
6.000% due 07/25/2037 ^	1,338	1,164
Citigroup Mortgage Loan Trust, Inc.		
5.356% due 04/25/2037 ^	572	505
5.371% due 09/25/2037 ^	5,092	4,597
CitiMortgage Alternative Loan Trust		
6.000% due 01/25/2037 ^	4,493	3,869
Countrywide Alternative Loan Trust		
5.500% due 03/25/2035	541	488
5.500% due 03/25/2036 ^	254	216
5.500% due 05/25/2036 ^	3,088	2,513
5.750% due 01/25/2035	666	677
5.750% due 02/25/2035	743	731
5.750% due 03/25/2037 ^	1,281	1,136
6.000% due 02/25/2035	1,659	1,727
6.000% due 04/25/2036	8,179	7,493
6.000% due 02/25/2037 ^	8,187	6,497
6.000% due 04/25/2037 ^	1,966	1,624
6.000% due 05/25/2037 ^	2,933	2,400

6.000% due 07/25/2037 ^	646	664
6.000% due 08/25/2037 ^	1,749	1,357
6.250% due 12/25/2036 ^	2,276	1,871
6.500% due 08/25/2036 ^	781	607
Countrywide Home Loan Mortgage Pass-Through Trust		
2.519% due 09/20/2036 ^	474	422
5.750% due 03/25/2037 ^	1,246	1,129
6.000% due 03/25/2037 ^	733	706
6.000% due 04/25/2037 ^	251	233
6.000% due 07/25/2037	7,679	6,541
Credit Suisse Mortgage Capital Mortgage-Backed Trust		
6.000% due 02/25/2037 ^	805	716

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
6.000% due 06/25/2037 ^	$ 1,762	$ 1,620
6.750% due 08/25/2036 ^	2,407	1,955
First Horizon Alternative Mortgage Securities Trust		
6.000% due 08/25/2036 ^	7,935	6,583
GSR Mortgage Loan Trust		
2.711% due 08/25/2034	1,001	948
4.859% due 11/25/2035	1,313	1,267
5.500% due 05/25/2036 ^	800	742
6.000% due 02/25/2036	5,197	4,481
IndyMac Mortgage Loan Trust		
6.500% due 07/25/2037 ^	4,001	2,642
Jefferies Resecuritization Trust		
6.000% due 05/26/2036	17,584	14,401
JPMorgan Alternative Loan Trust		
2.525% due 03/25/2037 ^	3,017	2,378
6.000% due 12/25/2035 ^	2,937	2,832
6.310% due 08/25/2036 ^	2,435	2,005
JPMorgan Mortgage Trust		
2.528% due 01/25/2037 ^	1,317	1,174
2.577% due 04/25/2037	16	15
2.597% due 02/25/2036 ^	5,363	4,687
5.000% due 03/25/2037 ^	2,239	1,921
6.000% due 08/25/2037 ^	372	346
Lehman Mortgage Trust		
6.000% due 07/25/2036 ^	1,465	1,110
6.000% due 07/25/2037 ^	428	391
MASTR Alternative Loan Trust		
6.750% due 07/25/2036	2,783	2,087
Merrill Lynch Mortgage Investors Trust		
2.734% due 03/25/2036 ^	1,095	742
Morgan Stanley Mortgage Loan Trust		
4.824% due 05/25/2036 ^	4,178	3,291
6.000% due 02/25/2036 ^	3,509	3,475
Residential Accredit Loans, Inc. Trust		
0.421% due 05/25/2037 ^	373	97
3.430% due 12/26/2034 ^	3,603	3,057
6.000% due 06/25/2036 ^	1,794	1,494
6.000% due 08/25/2036 ^	601	500
6.000% due 09/25/2036 ^	2,705	1,931
6.000% due 12/25/2036 ^	3,630	2,996
Residential Asset Mortgage Products Trust		
6.500% due 12/25/2031	1,168	1,226
Residential Asset Securitization Trust		
6.000% due 02/25/2036	1,057	849
6.000% due 11/25/2036 ^	3,554	2,543
6.000% due 03/25/2037 ^	2,173	1,588
6.000% due 05/25/2037 ^	2,658	2,338
6.250% due 09/25/2037 ^	3,296	2,368
6.250% due 06/25/2046	2,268	1,909
Residential Funding Mortgage Securities, Inc. Trust		
3.342% due 02/25/2037	2,779	2,236
6.250% due 08/25/2036 ^	1,629	1,487
6.500% due 03/25/2032	278	290
Sequoia Mortgage Trust		
2.536% due 02/20/2047	607	530

4.900% due 07/20/2037 ^		1,218		1,105
Structured Adjustable Rate Mortgage Loan Trust				
2.454% due 11/25/2036 ^		4,459		3,661
2.712% due 07/25/2035 ^		1,679		1,461
4.728% due 03/25/2037 ^		5,121		3,700
4.952% due 01/25/2036 ^		3,659		2,868
5.225% due 07/25/2036 ^		9,109		6,038
5.226% due 07/25/2036 ^		1,141		968
Suntrust Adjustable Rate Mortgage Loan Trust				
2.571% due 02/25/2037 ^		645		564
2.714% due 04/25/2037 ^		1,152		979

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
WaMu Mortgage Pass-Through Certificates Trust				
2.217% due 07/25/2037 ^	$	752	$	643
2.244% due 09/25/2036 ^		512		464
2.374% due 02/25/2037 ^		717		632
4.363% due 02/25/2037 ^		1,078		1,006
4.536% due 07/25/2037 ^		1,948		1,816
6.041% due 10/25/2036 ^		3,770		3,177
Washington Mutual Mortgage Pass-Through Certificates Trust				
1.010% due 05/25/2047 ^		480		36
6.000% due 10/25/2035 ^		2,879		2,223
Wells Fargo Mortgage-Backed Securities Trust				
2.612% due 07/25/2036 ^		766		729
2.732% due 05/25/2036 ^		150		143
6.000% due 07/25/2037 ^		735		725
Total Mortgage-Backed Securities (Cost $195,794)				**206,004**
ASSET-BACKED SECURITIES 5.6%				
Bear Stearns Asset-Backed Securities Trust				
6.500% due 10/25/2036		410		334
CIFC Funding Ltd.				
0.010% due 05/24/2026		1,500		1,265
Countrywide Asset-Backed Certificates				
5.126% due 10/25/2046 ^		8,890		7,956
Fremont Home Loan Trust				
1.121% due 06/25/2035 ^		6,000		4,237
Greenpoint Manufactured Housing				
8.140% due 03/20/2030		1,798		1,847
IndyMac Home Equity Mortgage Loan Asset-Backed Trust				
0.351% due 07/25/2037		12,675		8,019
JPMorgan Mortgage Acquisition Trust				
4.905% due 01/25/2037 ^		7,820		5,983
Mid-State Trust				
6.340% due 10/15/2036		1,368		1,490
Morgan Stanley Mortgage Loan Trust				
6.250% due 07/25/2047 ^		978		732
Residential Asset Mortgage Products Trust				
1.282% due 12/25/2033		255		236
Total Asset-Backed Securities (Cost $31,544)				**32,099**
SOVEREIGN ISSUES 0.4%				
Athens Urban Transportation Organisation				
4.851% due 09/19/2016	EUR	200		155
Republic of Greece Government International Bond				
3.000% due 02/24/2023		142		86
3.000% due 02/24/2024		142		84
3.000% due 02/24/2025		142		83
3.000% due 02/24/2026		142		80
3.000% due 02/24/2027		142		79
3.000% due 02/24/2028		142		78
3.000% due 02/24/2029		142		77

3.000% due 02/24/2030	142	75
3.000% due 02/24/2031	142	75
3.000% due 02/24/2032	142	73
3.000% due 02/24/2033	142	73
3.000% due 02/24/2034	142	72
3.000% due 02/24/2035	142	71
3.000% due 02/24/2036	142	70
3.000% due 02/24/2037	142	70
3.000% due 02/24/2038	142	70
3.000% due 02/24/2039	142	70
3.000% due 02/24/2040	142	70
3.000% due 02/24/2041	142	70
3.000% due 02/24/2042	142	70

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Schedule of Investments PIMCO Corporate & Income Strategy Fund (Cont.)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
3.800% due 08/08/2017	JPY	47,000	$	273
4.750% due 04/17/2019	EUR	400		295
Total Sovereign Issues (Cost $2,462)				**2,219**
		SHARES		
COMMON STOCKS 0.1%				
FINANCIALS 0.1%				
TIG TopCo Ltd. (e)		182,606		191
Total Common Stocks (Cost $271)				**191**
PREFERRED SECURITIES 4.6%				
BANKING & FINANCE 4.6%				
Citigroup Capital				
7.875% due 10/30/2040		120,000		3,056
Farm Credit Bank of Texas				
10.000% due 12/15/2020 (d)		15,300		19,163
GMAC Capital Trust				
8.125% due 02/15/2040		144,400		3,788
Total Preferred Securities (Cost $26,209)				**26,007**
SHORT-TERM INSTRUMENTS 18.7%				
REPURCHASE AGREEMENTS (f) 17.3%				
				98,739

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
U.S. TREASURY BILLS 1.4%				
0.093% due 10/08/2015 - 01/28/2016 (c)(h)(j)	$	8,106	$	8,103
Total Short-Term Instruments (Cost $106,842)				**106,842**
Total Investments in Securities (Cost $720,406)				**741,235**
Total Investments 130.0% (Cost $720,406)			$	**741,235**
Financial Derivative Instruments (g)(i) (0.2%)				
(Cost or Premiums, net $(1,110))				**(1,280)**
Preferred Shares (29.6%)				**(169,000)**
Other Assets and Liabilities, net (0.2%)				**(833)**
Net Assets Applicable to Common Shareholders 100.0%			$	**570,122**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.
^ Security is in default.
(a) Interest only security.
(b) Payment in-kind bond security.
(c) Coupon represents a weighted average yield to maturity.
(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(e) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
TIG TopCo Ltd.	04/02/2015	$ 271	$ 191	0.03%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(f) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral Received, at Value	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received [1]
MBC	0.280%	07/31/2015	08/03/2015	$ 21,000	U.S. Treasury Inflation Protected Securities 0.125% due 04/15/2019	$ (21,685)	$ 21,000	$ 21,001
MSC	0.290%	07/31/2015	08/03/2015	10,400	U.S. Treasury Bonds 3.750% due 11/15/2043	(10,645)	10,400	10,400
RDR	0.290%	07/31/2015	08/03/2015	53,300	U.S. Treasury Notes 1.500% due 10/31/2019	(54,424)	53,300	53,301
SAL	0.290%	07/31/2015	08/03/2015	11,100	U.S. Treasury Notes 1.750% due 02/28/2022	(11,348)	11,100	11,100
SSB	0.000%	07/31/2015	08/03/2015	2,939	Fannie Mae 2.170% due 10/17/2022	(3,000)	2,939	2,939
Total Repurchase Agreements						**$ (101,102)**	**$ 98,739**	**$ 98,741**

[1] Includes accrued interest.

As of July 31, 2015, there were no open reverse repurchase agreements or sale-buyback transactions. The average amount of borrowing outstanding during the period ended July 31, 2015 was $1,230 at a weighted average interest rate of (2.761%).

July 31, 2015

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received) as of July 31, 2015:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)	Net Exposure [2]
Global/Master Repurchase Agreement							
MBC	$ 21,001	$ 0	$ 0	$ 0	$ 21,001	$ (21,685)	$ (684)
MSC	10,400	0	0	0	10,400	(10,645)	(245)
RDR	53,301	0	0	0	53,301	(54,424)	(1,123)
SAL	11,100	0	0	0	11,100	(11,348)	(248)
SSB	2,939	0	0	0	2,939	(3,000)	(61)
Total Borrowings and Other Financing Transactions	**$ 98,741**	**$ 0**	**$ 0**	**$ 0**			

[2] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

(g) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [1]

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount [2]	Market Value [3]	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	$ 24,948	$ 1,697	$ (224)	$ 30	$ 0

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	2.250%	12/17/2019	$ 142,900	$ 4,583	$ 659	$ 447	$ 0
Pay	3-Month USD-LIBOR	3.500%	06/19/2044	169,400	27,580	33,106	1,318	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045	250,800	2,076	(11,784)	0	(1,688)
Pay	6-Month AUD-BBR-BBSW	3.500%	06/17/2025	AUD 7,600	200	12	21	0
					$ 34,439	$ 21,993	$ 1,786	$ (1,688)
Total Swap Agreements					**$ 36,136**	**$ 21,769**	**$ 1,816**	**$ (1,688)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of July 31, 2015:

(h) Securities with an aggregate market value of $3,478 and cash of $7,472 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2015. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

	Financial Derivative Assets: Market Value Purchased Options	Variation Margin Asset: Futures	Variation Margin Asset: Swap Agreements	Total	Financial Derivative Liabilities: Market Value Written Options	Variation Margin Liability: Futures	Variation Margin Liability: Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 0**	**$ 1,816**	**$ 1,816**	**$ 0**	**$ 0**	**$ (1,688)**	**$ (1,688)**

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Schedule of Investments PIMCO Corporate & Income Strategy Fund (Cont.)

(i) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
BOA	06/2016	EUR	93	$	127	$ 25	$ 0
	06/2016	$	5	EUR	4	0	(1)
BPS	08/2015	BRL	3,700	$	1,090	10	0
	08/2015	$	1,179	BRL	3,700	0	(98)
BRC	08/2015	AUD	78	$	58	1	0
	06/2016	EUR	17		23	5	0
CBK	08/2015	GBP	692		1,073	0	(8)
	08/2015	$	989	GBP	638	7	0
	09/2015	MXN	170	$	11	0	0
DUB	06/2016	EUR	10		14	3	0
GLM	08/2015	JPY	5,200		42	0	0
JPM	08/2015	GBP	368		574	0	0
	08/2015	JPY	27,900		227	2	0
	08/2015	$	46,515	GBP	29,746	0	(62)
	09/2015	GBP	29,746	$	46,505	62	0
MSB	08/2015	BRL	3,741		1,184	91	0
	08/2015	EUR	10,985		12,298	234	0
	08/2015	$	1,112	BRL	3,741	0	(19)
	08/2015		267	JPY	33,100	1	0
	09/2015	JPY	33,100	$	267	0	(1)
	09/2015	$	1,159	BRL	3,700	0	(91)
	06/2016	EUR	24	$	33	6	0
NAB	06/2016		53		73	14	0
SCX	08/2015	$	12,132	EUR	10,985	0	(68)
	09/2015	EUR	10,985	$	12,137	68	0
UAG	08/2015	BRL	3,741		1,117	24	0
	08/2015	GBP	29,324		46,030	236	0
	08/2015	$	1,102	BRL	3,741	0	(10)
	09/2015		1,105		3,741	0	(24)
Total Forward Foreign Currency Contracts						**$ 789**	**$ (382)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION [1]

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 [2]	Notional Amount [3]	Premiums (Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	$ 2,400	$ (247)	$ (97)	$ 0	$ (344)
GST	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	10	(1)	(1)	0	(2)
	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	8,900	(912)	(364)	0	(1,276)
	Russia Government International Bond	1.000%	06/20/2020	3.304%	200	(27)	7	0	(20)
HUS	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	40	(6)	(1)	0	(7)
MYC	Novo Banco S.A.	5.000%	12/20/2015	2.683%	EUR 2,700	(42)	86	44	0
						$ (1,235)	$ (370)	$ 44	$ (1,649)

[1] If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

[2] Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

[3] The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

 See Accompanying Notes

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July 31, 2015

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/(Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 37,800	$ 31	$ (403)	$ 0	$ (372)
BPS	Pay	1-Year BRL-CDI	11.500%	01/04/2021	33,400	46	(375)	0	(329)
CBK	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	$ 13,700	8	130	138	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	3,900	3	49	52	0
DUB	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	19,700	18	181	199	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	45,500	14	596	610	0
GLM	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	62,900	54	581	635	0
MYC	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 42,200	37	(453)	0	(416)
UAG	Pay	1-Year BRL-CDI	11.250%	01/04/2021	57,700	(86)	(641)	0	(727)
						$ 125	$ (335)	$ 1,634	$ (1,844)
Total Swap Agreements						**$ (1,110)**	**$ (705)**	**$ 1,678**	**$ (3,493)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of July 31, 2015:

(j) **Securities with an aggregate market value of $2,938 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2015.**

Financial Derivative Assets **Financial Derivative Liabilities**

Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure (4)
BOA	$ 25	$ 0	$ 0	$ 25	$ (1)	$ 0	$ (372)	$ (373)	$ (348)	$ 305	$ (43)
BPS	10	0	0	10	(98)	0	(673)	(771)	(761)	667	(94)
BRC	6	0	0	6	0	0	0	0	6	0	6
CBK	7	0	190	197	(8)	0	0	(8)	189	0	189
DUB	3	0	809	812	0	0	0	0	812	(1,190)	(378)
GLM	0	0	635	635	0	0	0	0	635	(570)	65
GST	0	0	0	0	0	0	(1,298)	(1,298)	(1,298)	1,108	(190)
HUS	0	0	0	0	0	0	(7)	(7)	(7)	0	(7)
JPM	64	0	0	64	(62)	0	0	(62)	2	0	2
MSB	332	0	0	332	(111)	0	0	(111)	221	(330)	(109)
MYC	0	0	44	44	0	0	(416)	(416)	(372)	285	(87)
NAB	14	0	0	14	0	0	0	0	14	0	14
SCX	68	0	0	68	(68)	0	0	(68)	0	0	0
UAG	260	0	0	260	(34)	0	(727)	(761)	(501)	574	73
Total Over the Counter	**$ 789**	**$ 0**	**$ 1,678**	**$ 2,467**	**$ (382)**	**$ 0**	**$ (3,493)**	**$ (3,875)**			

(4) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Fund s derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Statements of Assets and Liabilities as of July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 30	$ 0	$ 0	$ 1,786	$ 1,816
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 789	$ 0	$ 789
Swap Agreements	0	44	0	0	1,634	1,678
	$ 0	$ 44	$ 0	$ 789	$ 1,634	$ 2,467
	$ 0	$ 74	$ 0	$ 789	$ 3,420	$ 4,283

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Schedule of Investments PIMCO Corporate & Income Strategy Fund (Cont.)

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 1,688	$ 1,688
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 382	$ 0	$ 382
Swap Agreements	0	1,649	0	0	1,844	3,493
	$ 0	$ 1,649	$ 0	$ 382	$ 1,844	$ 3,875
	$ 0	$ 1,649	$ 0	$ 382	$ 3,532	$ 5,563

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2015 (1):

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 21	$ 0	$ 0	$ (10,050)	$ (10,029)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,511	$ 0	$ 2,511
Swap Agreements	0	260	0	0	139	399
	$ 0	$ 260	$ 0	$ 2,511	$ 139	$ 2,910
	$ 0	$ 281	$ 0	$ 2,511	$ (9,911)	$ (7,119)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (224)	$ 0	$ 0	$ 6,437	$ 6,213
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (643)	$ 0	$ (643)
Swap Agreements	0	(415)	0	0	(916)	(1,331)
	$ 0	$ (415)	$ 0	$ (643)	$ (916)	$ (1,974)
	$ 0	$ (639)	$ 0	$ (643)	$ 5,521	$ 4,239

(1) Fiscal year end changed from October 31st to July 31st.

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended October 31, 2014:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ (23,734)	$ (23,734)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (3,179)	$ 0	$ (3,179)
Swap Agreements	0	(6)	0	0	20,762	20,756
	$ 0	$ (6)	$ 0	$ (3,179)	$ 20,762	$ 17,577
	$ 0	$ (6)	$ 0	$ (3,179)	$ (2,972)	$ (6,157)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 12,196	$ 12,196
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,815	$ 0	$ 2,815
Swap Agreements	0	46	0	0	(5,113)	(5,067)
	$ 0	$ 46	$ 0	$ 2,815	$ (5,113)	$ (2,252)
	$ 0	$ 46	$ 0	$ 2,815	$ 7,083	$ 9,944

 See Accompanying Notes

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July 31, 2015

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 9,746	$ 0	$ 9,746
Corporate Bonds & Notes				
Banking & Finance	0	155,750	5,535	161,285
Industrials	0	80,455	6,022	86,477
Utilities	0	40,104	0	40,104
Municipal Bonds & Notes				
California	0	9,674	0	9,674
Illinois	0	12,647	0	12,647
Nebraska	0	16,684	0	16,684
Virginia	0	586	0	586
West Virginia	0	3,185	0	3,185
U.S. Government Agencies	0	27,485	0	27,485
Mortgage-Backed Securities	0	206,004	0	206,004
Asset-Backed Securities	0	32,099	0	32,099
Sovereign Issues	0	2,219	0	2,219
Common Stocks				
Financials	0	0	191	191
Preferred Securities				
Banking & Finance	6,844	19,163	0	26,007

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Short-Term Instruments				
Repurchase Agreements	$ 0	$ 98,739	$ 0	$ 98,739
U.S. Treasury Bills	0	8,103	0	8,103
Total Investments	$ 6,844	$ 722,643	$ 11,748	$ 741,235
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	1,816	0	1,816
Over the counter	0	2,467	0	2,467
	$ 0	$ 4,283	$ 0	$ 4,283
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	0	(1,688)	0	(1,688)
Over the counter	0	(3,875)	0	(3,875)
	$ 0	$ (5,563)	$ 0	$ (5,563)

Totals	$ 6,844	$ 721,363	$ 11,748	$ 739,955

There were no significant transfers between Levels 1 and 2 during the period ended July 31, 2015.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2015:

Category and Subcategory	Beginning Balance at 10/31/2014	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) [1]	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 07/31/2015	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2015 [1]
Investments in Securities, at Value										
Corporate Bonds & Notes										
Banking & Finance	$ 5,797	$ 0	$ (88)	$ 2	$ 1	$ (177)	$ 0	$ 0	$ 5,535	$ (163)
Industrials	10,418	0	(2,978)	(10)	52	(64)	0	(1,396)	6,022	84
Utilities	2,625	0	(2,514)	(1)	47	(157)	0	0	0	0
Common Stocks										
Financials	0	271	0	0	0	(80)	0	0	191	(30)
Totals	$ 18,840	$ 271	$ (5,580)	$ (9)	$ 100	$ (478)	$ 0	$ (1,396)	$ 11,748	$ (109)

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 07/31/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 5,535	Proxy Pricing	Base Price	115.50
Industrials	6,022	Proxy Pricing	Base Price	100.00
Common Stocks				
Financials	191	Other Valuation Techniques [2]		
Total	$ 11,748			

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(2) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques are not considered significant to the Fund.

See Accompanying Notes

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Schedule of Investments PIMCO High Income Fund

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 135.0%			
BANK LOAN OBLIGATIONS 1.3%			
Clear Channel Communications, Inc.			
6.940% due 01/30/2019	$	10,450	$ 9,623
Sequa Corp.			
5.250% due 06/19/2017		2,600	2,307
Total Bank Loan Obligations (Cost $12,115)			**11,930**
CORPORATE BONDS & NOTES 66.9%			
BANKING & FINANCE 34.9%			
AGFC Capital Trust			
6.000% due 01/15/2067		27,410	20,420
American International Group, Inc.			
6.250% due 03/15/2087 (g)		1,839	2,027
Banco do Brasil S.A.			
6.250% due 04/15/2024 (d)		7,350	5,003
9.000% due 06/18/2024 (d)		21,500	18,537
Banco Santander S.A.			
6.250% due 09/11/2021 (d)	EUR	2,300	2,507
Barclays PLC			
8.000% due 12/15/2020 (d)		17,140	20,636
BGC Partners, Inc.			
5.375% due 12/09/2019	$	10,160	10,673
Cantor Fitzgerald LP			
6.500% due 06/17/2022		13,100	13,701
Co-operative Group Holdings Ltd.			
7.500% due 07/08/2026	GBP	3,000	5,108
Credit Agricole S.A.			
6.500% due 06/23/2021 (d)	EUR	700	796
6.625% due 09/23/2019 (d)	$	10,000	10,000
7.875% due 01/23/2024 (d)		17,550	18,287
Doctors Co.			
6.500% due 10/15/2023		10,000	10,857
ERB Hellas PLC			
4.250% due 06/26/2018	EUR	700	264
GSPA Monetization Trust			
6.422% due 10/09/2029	$	8,260	9,224
ING Groep NV			
6.500% due 04/16/2025 (d)		600	592
International Lease Finance Corp.			
6.980% due 10/15/2018		18,000	18,562
LBG Capital No.2 PLC			
9.000% due 12/15/2019	GBP	284	477
9.125% due 07/15/2020		1,900	3,205
Lloyds Bank PLC			
12.000% due 12/16/2024 (d)	$	27,700	39,957
Midwest Family Housing LLC			
6.631% due 01/01/2051		4,951	3,957
Millennium Offshore Services Superholdings LLC			
9.500% due 02/15/2018		7,220	6,931
Navient Corp.			
5.500% due 01/15/2019		7,500	7,388
5.625% due 08/01/2033		12,357	8,897
Novo Banco S.A.			
2.625% due 05/08/2017	EUR	400	437

4.750% due 01/15/2018		1,000		1,137
5.000% due 04/04/2019		439		504
5.000% due 04/23/2019		1,045		1,202
5.000% due 05/14/2019		792		909
5.000% due 05/21/2019		387		445
5.000% due 05/23/2019		384		442
5.875% due 11/09/2015		3,100		3,430
Rio Oil Finance Trust				
6.250% due 07/06/2024	$	28,300		26,390

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Russian Agricultural Bank OJSC Via RSHB Capital S.A.				
5.298% due 12/27/2017	$	4,800	$	4,788
6.299% due 05/15/2017		8,900		9,109
Sberbank of Russia Via SB Capital S.A.				
3.352% due 11/15/2019	EUR	6,000		6,278
5.717% due 06/16/2021	$	10,100		9,864
Tesco Property Finance PLC				
5.411% due 07/13/2044	GBP	2,992		4,502
6.052% due 10/13/2039		1,758		2,873
TIG FinCo PLC				
8.500% due 03/02/2020		937		1,537
8.750% due 04/02/2020		4,815		7,331
Tri-Command Military Housing LLC				
5.383% due 02/15/2048	$	4,686		4,282
				323,466
INDUSTRIALS 22.1%				
Anadarko Petroleum Corp.				
7.000% due 11/15/2027 (g)		5,700		6,396
BMC Software Finance, Inc.				
8.125% due 07/15/2021		2,250		1,769
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (b)		8,709		5,781
Caesars Entertainment Operating Co., Inc.				
9.000% due 02/15/2020 ^		19,100		15,901
11.250% due 06/01/2017 ^		10,700		8,881
CCO Safari LLC				
6.484% due 10/23/2045		9,637		9,994
6.834% due 10/23/2055		1,377		1,418
Chesapeake Energy Corp.				
3.539% due 04/15/2019		150		127
Communications Sales & Leasing, Inc.				
8.250% due 10/15/2023		3,100		2,976
Enterprise Inns PLC				
6.875% due 05/09/2025	GBP	5,000		8,023
Forbes Energy Services Ltd.				
9.000% due 06/15/2019	$	1,977		1,458
Ford Motor Co.				
7.700% due 05/15/2097		16,610		20,601
General Shopping Finance Ltd.				
10.000% due 11/09/2015 (d)		5,300		2,557
General Shopping Investments Ltd.				
12.000% due 03/20/2017 (d)		2,500		919
GTL Trade Finance, Inc.				
7.250% due 04/16/2044		4,500		3,892
Gulfport Energy Corp.				
7.750% due 11/01/2020		500		515
Hampton Roads PPV LLC				
6.621% due 06/15/2053		20,614		19,874
Harvest Operations Corp.				
6.875% due 10/01/2017		28,618		26,543
Hellenic Railways Organization S.A.				
4.028% due 03/17/2017	EUR	300		232
4.500% due 12/06/2016	JPY	10,000		56
Intrepid Aviation Group Holdings LLC				
6.875% due 02/15/2019	$	9,030		8,466

Russian Railways via RZD Capital PLC				
7.487% due 03/25/2031	GBP	19,600		28,471
Scientific Games International, Inc.				
10.000% due 12/01/2022	$	5,200		5,070
Sequa Corp.				
7.000% due 12/15/2017		17,273		11,918
Tembec Industries, Inc.				
9.000% due 12/15/2019		1,500		1,222
UCP, Inc.				
8.500% due 10/21/2017		10,300		10,339

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Warren Resources, Inc.				
9.000% due 08/01/2022	$	3,000	$	1,087
				204,486
UTILITIES 9.9%				
AK Transneft OJSC Via TransCapitalInvest Ltd.				
8.700% due 08/07/2018		7,300		8,039
CenturyLink, Inc.				
7.200% due 12/01/2025		1,122		1,100
Gazprom Neft OAO Via GPN Capital S.A.				
4.375% due 09/19/2022		10,100		8,635
6.000% due 11/27/2023		9,900		9,146
Gazprom OAO Via Gaz Capital S.A.				
5.999% due 01/23/2021		360		355
Illinois Power Generating Co.				
7.000% due 04/15/2018 (g)		16,800		16,002
7.950% due 06/01/2032		900		850
Mountain States Telephone & Telegraph Co.				
7.375% due 05/01/2030 (g)		15,200		17,285
NRG REMA LLC				
9.237% due 07/02/2017		175		184
Odebrecht Drilling Norbe Ltd.				
6.350% due 06/30/2022		5,248		3,805
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023		5,546		3,550
6.750% due 10/01/2023		11,838		7,665
Petrobras Global Finance BV				
3.163% due 03/17/2020		2,520		2,274
6.250% due 12/14/2026	GBP	8,600		11,450
6.625% due 01/16/2034		200		255
7.875% due 03/15/2019	$	700		730
				91,325
Total Corporate Bonds & Notes (Cost $601,415)				**619,277**
MUNICIPAL BONDS & NOTES 16.6%				
CALIFORNIA 2.1%				
Anaheim Redevelopment Agency, California Tax Allocation Bonds, (AGM Insured), Series 2007				
6.506% due 02/01/2031		2,000		2,344
Sacramento County, California Revenue Bonds, Series 2013				
7.250% due 08/01/2025		1,500		1,720
San Diego Redevelopment Agency, California Tax Allocation Bonds, Series 2010				
7.625% due 09/01/2030		7,500		8,271
7.750% due 09/01/2040		6,500		7,180
San Diego Tobacco Settlement Funding Corp., California Revenue Bonds, Series 2006				
7.125% due 06/01/2032		290		286
				19,801
DISTRICT OF COLUMBIA 1.1%				
District of Columbia Revenue Bonds, Series 2011				

7.625% due 10/01/2035	9,740	10,543
ILLINOIS 4.8%		
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010		
6.257% due 01/01/2040	11,000	9,466
7.517% due 01/01/2040	34,805	34,659
		44,125

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		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
NEBRASKA 2.4%				
Public Power Generation Agency, Nebraska Revenue Bonds, (BABs), Series 2009				
7.242% due 01/01/2041	$	18,500	$	22,047
NEVADA 0.4%				
North Las Vegas, Nevada General Obligation Bonds, (BABs), Series 2010				
6.572% due 06/01/2040		3,900		3,540
NEW YORK 0.4%				
Erie Tobacco Asset Securitization Corp., New York Revenue Bonds, Series 2005				
6.000% due 06/01/2028		3,595		3,547
PENNSYLVANIA 3.8%				
School District of Philadelphia, Pennsylvania General Obligation Bonds, (BABs), Series 2010				
6.615% due 06/01/2030		7,000		7,753
6.765% due 06/01/2040		24,870		27,251
				35,004
TEXAS 0.9%				
El Paso Downtown Development Corp., Texas Revenue Bonds, Series 2013				
7.250% due 08/15/2043		7,535		8,347
VIRGINIA 0.1%				
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007				
6.706% due 06/01/2046		1,375		1,027
WEST VIRGINIA 0.6%				
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007				
7.467% due 06/01/2047		6,680		5,689
Total Municipal Bonds & Notes (Cost $146,906)				**153,670**
U.S. GOVERNMENT AGENCIES 6.5%				
Fannie Mae				
3.500% due 09/25/2027 (a)		790		91
4.000% due 05/25/2020 (a)		769		16
5.188% due 07/25/2025		10,920		11,068
5.960% due 09/25/2042 (a)		2,536		419
6.480% due 10/25/2017 - 01/25/2018 (a)		105,022		5,491
9.619% due 10/25/2041		1,860		2,045
10.000% due 01/25/2034		220		264
15.238% due 05/25/2043		3,050		3,243
Freddie Mac				
4.000% due 08/15/2020 (a)		968		59
4.500% due 10/15/2037 (a)		1,557		155
5.000% due 06/15/2033 (a)		2,774		423
5.913% due 07/15/2035 (a)		2,067		343
6.013% due 02/15/2042 (a)		3,198		588
6.953% due 08/15/2036 (a)		1,150		263
7.741% due 12/25/2027		7,900		8,072

8.141% due 05/25/2025		9,700		9,920
9.391% due 10/25/2027		4,350		5,114
10.941% due 03/25/2025		2,200		2,600
11.502% due 12/15/2043 - 03/15/2044		4,875		5,034
12.625% due 05/15/2033		78		92
		PRINCIPAL AMOUNT (000S)		**MARKET VALUE (000S)**
Ginnie Mae				
3.500% due 06/20/2042 - 03/20/2043 (a)	$	6,381	$	891
4.500% due 07/20/2042 (a)		392		67
5.000% due 09/20/2042 (a)		694		137
5.942% due 10/20/2041 (a)		4,628		803
6.062% due 02/20/2042 (a)		22,881		2,659
11.499% due 02/20/2044		570		578
Total U.S. Government Agencies (Cost $65,417)				**60,435**
MORTGAGE-BACKED SECURITIES 25.5%				
American Home Mortgage Assets Trust				
6.250% due 06/25/2037		1,194		824
Banc of America Alternative Loan Trust				
5.410% due 06/25/2046 ^(a)		12,691		2,019
6.000% due 03/25/2036 ^		5,593		4,441
6.000% due 06/25/2046 ^		100		86
6.000% due 07/25/2046 ^		3,135		2,605
Banc of America Funding Trust				
6.000% due 07/25/2037 ^		877		706
6.250% due 10/26/2036		14,412		10,910
Banc of America Mortgage Trust				
2.650% due 02/25/2036 ^		36		33
BCAP LLC Trust				
5.368% due 03/26/2037		3,073		1,007
9.740% due 10/26/2036		8,309		6,995
10.584% due 09/26/2036		8,324		7,340
20.623% due 06/26/2036		1,886		599
Bear Stearns Adjustable Rate Mortgage Trust				
2.779% due 05/25/2047 ^		564		507
2.812% due 11/25/2034		208		201
Bellemeade Re Ltd.				
6.489% due 07/25/2025		1,250		1,250
Chase Mortgage Finance Trust				
2.425% due 12/25/2035 ^		39		37
5.466% due 09/25/2036 ^		211		189
5.500% due 05/25/2036 ^		11		10
Citigroup Mortgage Loan Trust, Inc.				
0.537% due 07/25/2036		25		25
2.491% due 07/25/2046 ^		131		115
2.803% due 07/25/2037 ^		250		235
2.832% due 08/25/2037 ^		1,191		1,033
6.500% due 09/25/2036		4,822		3,603
CitiMortgage Alternative Loan Trust				
6.000% due 12/25/2036 ^		817		742
Countrywide Alternative Loan Trust				
0.361% due 07/25/2046		20,334		20,368
2.612% due 02/25/2037 ^		514		459
3.252% due 07/25/2046 ^		1,414		1,190
4.796% due 07/25/2021 ^		653		642
4.810% due 04/25/2035 (a)		7,849		924
5.500% due 03/25/2036 ^		460		391
6.000% due 05/25/2036 ^		7,520		6,525
6.000% due 11/25/2036 ^		341		303
6.000% due 02/25/2037 ^		8,572		6,791
6.000% due 03/25/2037 ^		6,673		5,456
6.000% due 05/25/2037 ^		9,075		7,506
6.000% due 02/25/2047		3,153		2,728
6.250% due 12/25/2036 ^		4,776		3,925
6.250% due 08/25/2037 ^		417		359

6.500% due 06/25/2036 ^	1,365	1,119
6.500% due 09/25/2037 ^	8,060	6,427
6.500% due 11/25/2037 ^	10,297	8,674
Countrywide Home Loan Mortgage Pass-Through Trust		
2.519% due 09/20/2036 ^	836	746
2.545% due 09/25/2047 ^	95	85

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.160% due 12/25/2036 (a)	$ 6,194	$ 963
5.750% due 06/25/2037 ^	1,806	1,657
6.000% due 04/25/2037 ^	469	436
6.000% due 05/25/2037 ^	7,208	6,634
6.000% due 07/25/2037	3,274	2,838
Credit Suisse First Boston Mortgage Securities Corp.		
6.000% due 01/25/2036	3,384	2,668
First Horizon Alternative Mortgage Securities Trust		
6.000% due 05/25/2036 ^	2,884	2,448
GMAC Commercial Mortgage Asset Corp.		
6.107% due 08/10/2052	1,975	2,177
HarborView Mortgage Loan Trust		
2.561% due 08/19/2036 ^	811	601
4.779% due 08/19/2036 ^	57	52
IndyMac Mortgage Loan Trust		
2.894% due 05/25/2037 ^	3,435	2,435
JPMorgan Alternative Loan Trust		
2.525% due 03/25/2037 ^	11,848	9,341
JPMorgan Mortgage Trust		
2.528% due 01/25/2037 ^	507	459
6.430% due 01/25/2037 ^(a)	29,465	6,580
Morgan Stanley Mortgage Loan Trust		
6.000% due 10/25/2037 ^	2,614	2,200
Nomura Asset Acceptance Corp Alternative Loan Trust		
3.038% due 04/25/2036 ^	7,192	5,122
RBSSP Resecuritization Trust		
9.589% due 06/26/2037	6,392	3,727
Residential Accredit Loans, Inc. Trust		
6.000% due 06/25/2036 ^	2,543	2,117
6.000% due 12/25/2036 ^	6,206	5,122
Residential Asset Securitization Trust		
6.250% due 10/25/2036 ^	852	714
6.250% due 09/25/2037 ^	6,219	4,468
6.500% due 08/25/2036 ^	1,062	710
6.500% due 04/25/2037 ^	24,517	15,615
Residential Funding Mortgage Securities, Inc. Trust		
6.250% due 08/25/2036 ^	3,129	2,856
Structured Adjustable Rate Mortgage Loan Trust		
2.741% due 04/25/2047	1,156	917
4.952% due 01/25/2036 ^	291	228
WaMu Mortgage Pass-Through Certificates Trust		
1.798% due 01/25/2037 ^	181	155
1.953% due 04/25/2037 ^	159	139
1.974% due 11/25/2036 ^	1,465	1,306
2.032% due 12/25/2036 ^	116	103
2.147% due 05/25/2037 ^	242	199
2.178% due 02/25/2037 ^	310	261
2.291% due 02/25/2037 ^	348	301
Washington Mutual Mortgage Pass-Through Certificates Trust		
6.000% due 07/25/2036 ^	7,706	6,130
6.000% due 06/25/2037 ^	11,981	10,533
6.490% due 04/25/2037 (a)	16,855	5,544
6.500% due 03/25/2036 ^	10,067	7,142
Wells Fargo Mortgage-Backed Securities Trust		
2.332% due 09/25/2036 ^	133	124
Total Mortgage-Backed Securities (Cost $219,932)		**235,152**

ASSET-BACKED SECURITIES 11.1%

Apidos CLO		
0.010% due 07/22/2026	3,000	2,283
Argent Securities, Inc. Asset-Backed Pass-Through Certificates		
0.421% due 01/25/2036	2,680	2,072
CIFC Funding Ltd.		
0.010% due 05/24/2026	4,000	3,372

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Schedule of Investments PIMCO High Income Fund (Cont.)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Citigroup Mortgage Loan Trust, Inc.				
0.291% due 12/25/2036	$	9,936	$	6,197
Countrywide Asset-Backed Certificates				
5.024% due 07/25/2036		13,700		10,667
GSAA Home Equity Trust				
5.772% due 11/25/2036 ^		2,897		1,714
5.917% due 03/25/2037 ^		3,305		1,602
5.983% due 03/25/2037 ^		8,856		5,127
JPMorgan Mortgage Acquisition Trust				
4.905% due 01/25/2037 ^		3,631		2,778
Morgan Stanley Mortgage Loan Trust				
5.750% due 11/25/2036 ^		978		503
5.965% due 09/25/2046 ^		10,838		7,635
6.250% due 07/25/2047 ^		1,834		1,372
NovaStar Mortgage Funding Trust				
0.351% due 10/25/2036		41,743		21,041
People s Financial Realty Mortgage Securities Trust				
0.351% due 09/25/2036		24,134		7,512
Renaissance Home Equity Loan Trust				
5.812% due 11/25/2036		9,905		6,207
6.998% due 09/25/2037		8,688		5,736
7.238% due 09/25/2037		7,327		4,834
Sherwood Funding CDO Ltd.				
0.548% due 11/06/2039		37,269		12,112
Washington Mutual Asset-Backed Certificates Trust				
0.341% due 05/25/2036		338		241
Total Asset-Backed Securities (Cost $99,663)				**103,005**
SOVEREIGN ISSUES 0.4%				
Athens Urban Transportation Organisation				
4.851% due 09/19/2016	EUR	800		622
Republic of Greece Government International Bond				
3.000% due 02/24/2023		25		15
3.000% due 02/24/2024		25		15

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
3.000% due 02/24/2025	EUR	25	$	15
3.000% due 02/24/2026		25		14
3.000% due 02/24/2027		25		14
3.000% due 02/24/2028		25		14
3.000% due 02/24/2029		25		14
3.000% due 02/24/2030		25		13
3.000% due 02/24/2031		25		13
3.000% due 02/24/2032		25		13
3.000% due 02/24/2033		25		13
3.000% due 02/24/2034		25		13
3.000% due 02/24/2035		25		13
3.000% due 02/24/2036		25		12
3.000% due 02/24/2037		25		12
3.000% due 02/24/2038		25		12
3.000% due 02/24/2039		25		12
3.000% due 02/24/2040		25		12
3.000% due 02/24/2041		25		12
3.000% due 02/24/2042		25		12

4.500% due 11/08/2016	JPY	50,000	282
4.750% due 04/17/2019	EUR	3,000	2,215
Total Sovereign Issues (Cost $3,733)			**3,382**
		SHARES	
COMMON STOCKS 0.1%			
FINANCIALS 0.1%			
TIG TopCo Ltd. (e)		828,934	867
Total Common Stocks (Cost $1,229)			**867**
PREFERRED SECURITIES 2.1% (d)			
BANKING & FINANCE 2.1%			
Farm Credit Bank of Texas			
10.000% due 12/15/2020		15,400	19,289
Total Preferred Securities (Cost $18,133)			**19,289**

				MARKET VALUE (000S)
SHORT-TERM INSTRUMENTS 4.5%				
REPURCHASE AGREEMENTS (f) 0.9%				
			$	8,584
		PRINCIPAL AMOUNT (000s)		
SHORT-TERM NOTES 1.4%				
Federal Home Loan Bank				
0.092% due 10/09/2015	$	600		600
0.100% due 10/23/2015		5,200		5,199
0.124% due 10/30/2015		7,300		7,299
				13,098
U.S. TREASURY BILLS 2.2%				
0.111% due 10/08/2015 - 01/28/2016 (c)(i)(k)		20,700		20,690
Total Short-Term Instruments (Cost $42,371)				**42,372**
Total Investments in Securities (Cost $1,210,914)				**1,249,379**
Total Investments 135.0% (Cost $1,210,914)			$	**1,249,379**
Financial Derivative Instruments (g)(i) 2.1%				
(Cost or Premiums, net $(144))				**19,632**
Preferred Shares (31.5%)				**(292,000)**
Other Assets and Liabilities, net (5.6%)				**(51,413)**
Net Assets Applicable to Common Shareholders 100.0%			$	**925,598**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

*** A zero balance may reflect actual amounts rounding to less than one thousand.**
^ Security is in default.
(a) Interest only security.
(b) Payment in-kind bond security.
(c) Weighted average yield to maturity.
(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(e) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
TIG TopCo Ltd.	04/02/2015	$ 1,229	$ 867	0.09%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(f) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral Received, at Value	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received (1)
IND	0.200%	07/31/2015	08/03/2015	$ 5,600	U.S. Treasury Notes 2.000% due 05/31/2021	$ (5,719)	$ 5,600	$ 5,600
SSB	0.000%	07/31/2015	08/03/2015	2,984	Fannie Mae 2.170% due 10/17/2022	(3,044)	2,984	2,984
Total Repurchase Agreements						**$ (8,763)**	**$ 8,584**	**$ 8,584**

(1) Includes accrued interest.

 See Accompanying Notes

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July 31, 2015

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed [2]	Payable for Reverse Repurchase Agreements
MSC	0.550%	05/21/2015	08/21/2015	$ (16,838)	$ (16,857)
	0.600%	07/08/2015	10/08/2015	(5,457)	(5,459)
BCY	(1.500%)	06/17/2015	01/23/2017	(1,756)	(1,753)
	(1.500%)	04/16/2015	04/16/2017	(3,648)	(3,632)
	(1.500%)	04/21/2015	04/21/2017	(4,649)	(4,629)
FOB	(4.000%)	07/17/2015	07/17/2017	(4,915)	(4,907)
Total Reverse Repurchase Agreements					**$ (37,237)**

[2] The average amount of borrowings outstanding during the period ended July 31, 2015 was $40,014 at a weighted average interest rate of (0.020%).

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of July 31, 2015:

(g) Securities with an aggregate market value of $39,412 have been pledged as collateral under the terms of the following master agreements as of July 31, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure [3]
Global/Master Repurchase Agreement							
BCY	$ 0	$ (10,014)	$ 0	$ 0	$ (10,014)	$ 10,153	$ 139
FOB		(4,907)	0	0	(4,907)	4,763	(144)
IND	5,600	0	0	0	5,600	(5,719)	(119)
MSC	0	(22,316)	0	0	(22,316)	24,172	1,856
SSB	2,984	0	0	0	2,984	(3,044)	(60)
Total Borrowings and Other Financing Transactions	**$ 8,584**	**$ (37,237)**	**$ 0**	**$ 0**			

(3) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Reverse Repurchase Agreements					
Corporate Bonds & Notes	$ 0	$ (16,857)	$ (5,459)	$ (14,921)	$ (37,237)
Total Borrowings	**$ 0**	**$ (16,857)**	**$ (5,459)**	**$ (14,921)**	**$ (37,237)**
Gross amount of recognized liabilities for reverse repurchase agreements					**$ (37,237)**

(h) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION (1)

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount (2)	Market Value (3)	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	$ 21,186	$ 1,441	$ (193)	$ 76	$ 0

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

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Schedule of Investments PIMCO High Income Fund (Cont.)

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	2.250%	12/17/2019	$ 276,600	$ 8,871	$ 1,957	$ 865	$ 0
Pay	3-Month USD-LIBOR	3.500%	06/19/2044	617,800	100,584	109,994	4,806	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045	866,600	7,152	(40,602)	0	(5,828)
					$ 116,607	$ 71,349	$ 5,671	$ (5,828)
Total Swap Agreements					**$ 118,048**	**$ 71,156**	**$ 5,747**	**$ (5,828)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of July 31, 2015:

(i) Securities with an aggregate market value of $17,758 and cash of $10,384 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2015. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 0**	**$ 5,747**	**$ 5,747**	**$ 0**	**$ 0**	**$ (5,828)**	**$ (5,828)**

(j) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
BOA	06/2016	EUR	3,698	$	5,063	$ 975	$ 0
	06/2016	$	216	EUR	160	0	(39)
BRC	06/2016	EUR	692	$	952	186	0
CBK	08/2015		741		809	1	(5)
DUB	02/2016		6,750		9,083	1,647	0
	06/2016		386		529	102	0
HUS	08/2015	GBP	50,773		79,950	660	0
JPM	08/2015	JPY	41,400		337	3	0
	08/2015	$	79,396	GBP	50,773	0	(106)
	09/2015	GBP	50,773	$	79,379	106	0
MSB	08/2015	EUR	23,892		26,749	509	0
	08/2015	$	333	JPY	41,400	1	0
	09/2015	JPY	41,400	$	334	0	(1)
	06/2016	EUR	971		1,335	262	0
NAB	06/2016		2,113		2,901	565	0
	07/2016		268		364	67	0
SCX	08/2015	$	27,207	EUR	24,633	0	(153)
	09/2015	EUR	24,634	$	27,217	153	0
Total Forward Foreign Currency Contracts						**$ 5,237**	**$ (304)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION [(1)]

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 [(2)]	Notional Amount [(3)]	Premiums (Received)	Unrealized (Depreciation)	Swap Agreements, at Value Asset	Liability
BPS	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	$ 1,700	$ (332)	$ (147)	$ 0	$ (479)
GST	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	2,200	(437)	(183)	0	(620)
HUS	Petrobras International Finance Co.	1.000%	12/20/2019	4.087%	400	(33)	(24)	0	(57)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	2,800	(581)	(208)	0	(789)
MYC	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	13,700	(1,268)	(697)	0	(1,965)
						$ (2,651)	$ (1,259)	$ 0	$ (3,910)

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

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July 31, 2015

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid	Unrealized Appreciation	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Pay	3-Month USD-LIBOR	2.000%	08/24/2020	$ 600,000	$ 934	$ 4,539	$ 5,473	$ 0
CBK	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	600,000	433	5,623	6,056	0
DUB	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	400,000	838	3,295	4,133	0
GLM	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	300,000	302	2,726	3,028	0
						$ 2,507	$ 16,183	$ 18,690	$ 0
Total Swap Agreements						**$ (144)**	**$ 14,924**	**$ 18,690**	**$ (3,910)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of July 31, 2015:

(k) Securities with an aggregate market value of $2,932 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2015.

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure (4)
BOA	$ 975	$ 0	$ 5,473	$ 6,448	$ (39)	$ 0	$ 0	$ (39)	$ 6,409	$ (6,230)	$ 179
BPS	0	0	0	0	0	0	(479)	(479)	(479)	360	(119)

BRC	186	0	0	186	0	0	0	0	186	(280)	(94)
CBK	1	0	6,056	6,057	(5)	0	0	(5)	6,052	(5,700)	352
DUB	1,749	0	4,133	5,882	0	0	0	0	5,882	(6,430)	(548)
GLM	0	0	3,028	3,028	0	0	0	0	3,028	(2,750)	278
GST	0	0	0	0	0	0	(620)	(620)	(620)	697	77
HUS	660	0	0	660	0	0	(846)	(846)	(186)	0	(186)
JPM	109	0	0	109	(106)	0	0	(106)	3	0	3
MSB	772	0	0	772	(1)	0	0	(1)	771	(920)	(149)
MYC	0	0	0	0	0	0	(1,965)	(1,965)	(1,965)	1,875	(90)
NAB	632	0	0	632	0	0	0	0	632	(530)	102
SCX	153	0	0	153	(153)	0	0	(153)	0	0	0
Total Over the Counter	**$ 5,237**	**$ 0**	**$ 18,690**	**$ 23,927**	**$ (304)**	**$ 0**	**$ (3,910)**	**$ (4,214)**			

(4) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Fund s derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Statements of Assets and Liabilities as of July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	**Credit Contracts**	**Equity Contracts**	**Foreign Exchange Contracts**	**Interest Rate Contracts**	**Total**
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 76	$ 0	$ 0	$ 5,671	$ 5,747
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 5,237	$ 0	$ 5,237
Swap Agreements	0	0	0	0	18,690	18,690
	$ 0	$ 0	$ 0	$ 5,237	$ 18,690	$ 23,927
	$ 0	$ 76	$ 0	$ 5,237	$ 24,361	$ 29,674

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Schedule of Investments PIMCO High Income Fund (Cont.)

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 5,828	$ 5,828
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 304	$ 0	$ 304
Swap Agreements	0	3,910	0	0	0	3,910
	$ 0	$ 3,910	$ 0	$ 304	$ 0	$ 4,214
	$ 0	$ 3,910	$ 0	$ 304	$ 5,828	$ 10,042

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2015 [(1)]:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (146)	$ 0	$ 0	$ (19,743)	$ (19,889)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,036	$ 0	$ 1,036
Swap Agreements	0	28	0	0	(13,102)	(13,074)
	$ 0	$ 28	$ 0	$ 1,036	$ (13,102)	$ (12,038)
	$ 0	$ (118)	$ 0	$ 1,036	$ (32,845)	$ (31,927)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (193)	$ 0	$ 0	$ 34,970	$ 34,777
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (5,392)	$ 0	$ (5,392)
Swap Agreements	0	877	0	0	19,631	20,508
	$ 0	$ 877	$ 0	$ (5,392)	$ 19,631	$ 15,116
	$ 0	$ 684	$ 0	$ (5,392)	$ 54,601	$ 49,893

(1) Fiscal year end changed from March 31st to July 31st.

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended March 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ (116,469)	$ (116,469)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,345	$ 0	$ 2,345
Swap Agreements	0	1,163	0	0	31,800	32,963
	$ 0	$ 1,163	$ 0	$ 2,345	$ 31,800	$ 35,308
	$ 0	$ 1,163	$ 0	$ 2,345	$ (84,669)	$ (81,161)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 38,997	$ 38,997
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 10,594	$ 0	$ 10,594
Swap Agreements	0	(2,136)	0	0	(9,092)	(11,228)
	$ 0	$ (2,136)	$ 0	$ 10,594	$ (9,092)	$ (634)
	$ 0	$ (2,136)	$ 0	$ 10,594	$ 29,905	$ 38,363

See Accompanying Notes

July 31, 2015

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 11,930	$ 0	$ 11,930
Corporate Bonds & Notes				
Banking & Finance	0	314,242	9,224	323,466
Industrials	0	194,147	10,339	204,486
Utilities	0	91,325	0	91,325
Municipal Bonds & Notes				
California	0	19,801	0	19,801
District of Columbia	0	10,543	0	10,543
Illinois	0	44,125	0	44,125
Nebraska	0	22,047	0	22,047
Nevada	0	3,540	0	3,540
New York	0	3,547	0	3,547
Pennsylvania	0	35,004	0	35,004
Texas	0	8,347	0	8,347
Virginia	0	1,027	0	1,027
West Virginia	0	5,689	0	5,689
U.S. Government Agencies	0	54,944	5,491	60,435
Mortgage-Backed Securities	0	231,725	3,427	235,152
Asset-Backed Securities	0	103,005	0	103,005
Sovereign Issues	0	3,382	0	3,382
Common Stocks				
Financials	0	0	867	867

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Preferred Securities				
Banking & Finance	$ 0	$ 19,289	$ 0	$ 19,289
Short-Term Instruments				
Repurchase Agreements	0	8,584	0	8,584
Short-Term Notes	0	13,098	0	13,098
U.S. Treasury Bills	0	20,690	0	20,690
Total Investments	$ 0	$ 1,220,031	$ 29,348	$ 1,249,379
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	5,747	0	5,747
Over the counter	0	23,927	0	23,927
	$ 0	$ 29,674	$ 0	$ 29,674

Financial Derivative Instruments - Liabilities

Exchange-traded or centrally cleared		0		(5,828)		0		(5,828)
Over the counter		0		(4,214)		0		(4,214)
	$	0	$	(10,042)	$	0	$	(10,042)
Totals	$	0	$	1,239,663	$	29,348	$	1,269,011

There were no significant transfers between Levels 1 and 2 during the period ended July 31, 2015.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2015:

Category and Subcategory	Beginning Balance at 03/31/2015	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) (1)	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 07/31/2015	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2015 (1)
Investments in Securities, at Value										
Corporate Bonds & Notes										
Banking & Finance	$ 32,645	$ 0	$ (81)	$ 274	$ 3	$ (1,098)	$ 0	$ (22,519)	$ 9,224	$ (368)
Industrials	10,343	0	0	4	0	(8)	0	0	10,339	(9)
Utilities	3,850	0	(3,843)	0	74	(81)	0	0	0	0
U.S. Government Agencies	8,164	0	0	(2,176)	0	(497)	0	0	5,491	(497)
Mortgage-Backed Securities	2,148	1,250	(5)	0	0	34	0	0	3,427	34
Common Stocks										
Financials	0	1,229	0	0	0	(362)	0	0	867	(362)
Totals	$ 57,150	$ 2,479	$ (3,929)	$ (1,898)	$ 77	$ (2,012)	$ 0	$ (22,519)	$ 29,348	$ (1,202)

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 07/31/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 9,224	Proxy Pricing	Base Price	115.50
Industrials	10,339	Proxy Pricing	Base Price	100.00
U.S. Government Agencies	5,491	Third Party Vendor	Broker Quote	5.23
Mortgage-Backed Securities	3,427	Proxy Pricing	Base Price	100.00-108.50
Common Stocks				
Financials	867	Other Valuation Techniques (2)		
Total	$ 29,348			

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(2) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques are not considered significant to the Fund.

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Schedule of Investments PIMCO Income Strategy Fund

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 119.3%				
BANK LOAN OBLIGATIONS 1.8%				
Clear Channel Communications, Inc.				
6.940% due 01/30/2019	$	3,100	$	2,854
Sequa Corp.				
5.250% due 06/19/2017		2,547		2,261
Total Bank Loan Obligations (Cost $5,170)				**5,115**
CORPORATE BONDS & NOTES 59.6%				
BANKING & FINANCE 32.9%				
American International Group, Inc.				
6.250% due 03/15/2087		5,476		6,036
8.175% due 05/15/2068		693		930
Banco do Brasil S.A.				
6.250% due 04/15/2024 (d)		900		613
9.000% due 06/18/2024 (d)		4,000		3,449
Banco Santander S.A.				
6.250% due 09/11/2021 (d)	EUR	500		545
Barclays Bank PLC				
14.000% due 06/15/2019 (d)	GBP	3,700		7,620
BGC Partners, Inc.				
5.375% due 12/09/2019	$	3,040		3,194
Cantor Fitzgerald LP				
6.500% due 06/17/2022		4,000		4,183
Citigroup, Inc.				
5.950% due 05/15/2025 (d)		2,100		2,050
Co-operative Group Holdings Ltd.				
7.500% due 07/08/2026	GBP	3,050		5,193
Credit Agricole S.A.				
6.500% due 06/23/2021 (d)	EUR	200		227
7.500% due 06/23/2026 (d)	GBP	1,600		2,524
7.875% due 01/23/2024 (d)	$	1,500		1,567
Depository Trust & Clearing Corp.				
4.875% due 06/15/2020 (d)		750		755
GSPA Monetization Trust				
6.422% due 10/09/2029		2,386		2,665
Jefferies Finance LLC				
6.875% due 04/15/2022		3,800		3,667
LBG Capital No.2 PLC				
9.125% due 07/15/2020	GBP	1,134		1,913
Lloyds Bank PLC				
12.000% due 12/16/2024 (d)	$	400		577
Lloyds Banking Group PLC				
7.625% due 06/27/2023 (d)	GBP	3,600		5,892
Millennium Offshore Services Superholdings LLC				
9.500% due 02/15/2018	$	2,100		2,016
Navient Corp.				
5.500% due 01/15/2019		6,700		6,600
5.625% due 08/01/2033		100		72
8.450% due 06/15/2018		1,500		1,624
Novo Banco S.A.				
2.625% due 05/08/2017	EUR	100		109
4.750% due 01/15/2018		400		455
5.000% due 04/04/2019		101		116
5.000% due 04/23/2019		311		358
5.000% due 05/14/2019		206		236

5.000% due 05/21/2019		115		132
5.000% due 05/23/2019		115		132
5.875% due 11/09/2015		900		996
OneMain Financial Holdings, Inc.				
7.250% due 12/15/2021	$	1,757		1,836
Rabobank Group				
8.400% due 06/29/2017 (d)		300		327
Rio Oil Finance Trust				
6.250% due 07/06/2024		8,200		7,646
Russian Agricultural Bank OJSC Via RSHB Capital S.A.				
5.298% due 12/27/2017		1,500		1,496
6.299% due 05/15/2017		2,600		2,661

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Sberbank of Russia Via SB Capital S.A.				
5.717% due 06/16/2021	$	3,000	$	2,930
Tesco Property Finance PLC				
5.411% due 07/13/2044	GBP	1,775		2,671
6.052% due 10/13/2039		921		1,505
TIG FinCo PLC				
8.500% due 03/02/2020		111		183
8.750% due 04/02/2020		932		1,420
Vnesheconombank Via VEB Finance PLC				
5.942% due 11/21/2023	$	1,500		1,343
6.902% due 07/09/2020		5,100		5,017
				95,481
INDUSTRIALS 16.1%				
Anadarko Petroleum Corp.				
7.000% due 11/15/2027		1,600		1,795
BMC Software Finance, Inc.				
8.125% due 07/15/2021		710		558
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (b)		2,360		1,566
Caesars Entertainment Operating Co., Inc.				
9.000% due 02/15/2020 ^		3,855		3,210
11.250% due 06/01/2017 ^		1,600		1,328
CCO Safari LLC				
6.484% due 10/23/2045		2,979		3,089
6.834% due 10/23/2055		426		439
Chesapeake Energy Corp.				
3.539% due 04/15/2019		40		34
Communications Sales & Leasing, Inc.				
8.250% due 10/15/2023		900		864
Continental Airlines Pass-Through Trust				
9.798% due 10/01/2022		1,010		1,117
Forbes Energy Services Ltd.				
9.000% due 06/15/2019		612		451
Ford Motor Co.				
7.700% due 05/15/2097		9,030		11,200
Gulfport Energy Corp.				
7.750% due 11/01/2020		300		309
Harvest Operations Corp.				
6.875% due 10/01/2017		515		478
iHeartCommunications, Inc.				
9.000% due 09/15/2022		600		542
Intrepid Aviation Group Holdings LLC				
6.875% due 02/15/2019		1,930		1,809
Pertamina Persero PT				
6.450% due 05/30/2044		5,249		5,131
Russian Railways via RZD Capital PLC				
7.487% due 03/25/2031	GBP	700		1,017
Scientific Games International, Inc.				
10.000% due 12/01/2022	$	1,600		1,560
Sequa Corp.				
7.000% due 12/15/2017		3,174		2,190
Tembec Industries, Inc.				

9.000% due 12/15/2019		1,000	815
Unique Pub Finance Co. PLC			
5.659% due 06/30/2027	GBP	2,073	3,333
6.542% due 03/30/2021		727	1,197
Westmoreland Coal Co.			
8.750% due 01/01/2022	$	3,026	2,693
			46,725
UTILITIES 10.6%			
AK Transneft OJSC Via TransCapitalInvest Ltd.			
8.700% due 08/07/2018		2,100	2,313
Gazprom Neft OAO Via GPN Capital S.A.			
4.375% due 09/19/2022		3,000	2,565
6.000% due 11/27/2023		7,400	6,836

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Gazprom OAO Via Gaz Capital S.A.				
5.999% due 01/23/2021	$	200	$	197
Illinois Power Generating Co.				
6.300% due 04/01/2020		1,420		1,292
7.000% due 04/15/2018		2,400		2,286
7.950% due 06/01/2032		200		189
Northwestern Bell Telephone				
7.750% due 05/01/2030 (f)		7,000		7,794
Odebrecht Drilling Norbe Ltd.				
6.350% due 06/30/2022		246		178
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023		1,422		910
6.750% due 10/01/2023		1,471		953
Petrobras Global Finance BV				
2.750% due 01/15/2018	EUR	230		237
3.163% due 03/17/2020	$	130		117
4.875% due 03/17/2020		210		196
5.750% due 01/20/2020		70		68
6.625% due 01/16/2034	GBP	100		128
6.750% due 01/27/2041	$	1,200		1,005
7.875% due 03/15/2019		3,200		3,336
				30,600
Total Corporate Bonds & Notes (Cost $172,359)				**172,806**
MUNICIPAL BONDS & NOTES 8.1%				
CALIFORNIA 1.6%				
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010				
7.500% due 10/01/2030		600		656
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009				
7.942% due 10/01/2038		3,600		4,052
				4,708
ILLINOIS 2.1%				
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010				
7.517% due 01/01/2040		6,000		5,975
NEBRASKA 2.6%				
Public Power Generation Agency, Nebraska Revenue Bonds, (BABs), Series 2009				
7.242% due 01/01/2041		6,400		7,627
VIRGINIA 0.1%				
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007				
6.706% due 06/01/2046		395		295

WEST VIRGINIA 1.7%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
7.467% due 06/01/2047	5,685	4,842
Total Municipal Bonds & Notes (Cost $22,414)		**23,447**
U.S. GOVERNMENT AGENCIES 2.5%		
Fannie Mae		
3.500% due 12/25/2032 (a)	983	133
4.000% due 11/25/2042 (a)	3,480	571
5.188% due 07/25/2025	3,410	3,456
14.440% due 12/25/2040	132	201
Freddie Mac		
7.741% due 12/25/2027	2,400	2,452

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July 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
9.627% due 11/15/2040	$ 405	$ 429
Total U.S. Government Agencies (Cost $7,074)		**7,242**
MORTGAGE-BACKED SECURITIES 19.0%		
Banc of America Alternative Loan Trust		
6.000% due 01/25/2036 ^	81	68
Banc of America Funding Trust		
6.000% due 08/25/2036 ^	2,745	2,673
6.000% due 03/25/2037 ^	1,607	1,374
6.000% due 08/25/2037 ^	2,542	2,240
BCAP LLC Trust		
5.368% due 03/26/2037	785	257
20.623% due 06/26/2036	166	53
Bear Stearns ALT-A Trust		
2.593% due 11/25/2036	327	239
2.959% due 09/25/2035 ^	595	490
Bear Stearns Mortgage Funding Trust		
7.000% due 08/25/2036	976	923
Chase Mortgage Finance Trust		
2.425% due 12/25/2035 ^	9	8
6.000% due 02/25/2037 ^	823	706
6.000% due 07/25/2037 ^	520	452
6.250% due 10/25/2036 ^	1,569	1,412
Citicorp Mortgage Securities Trust		
5.500% due 04/25/2037	96	96
Countrywide Alternative Loan Trust		
5.500% due 03/25/2035	271	244
5.500% due 12/25/2035 ^	3,191	2,800
5.500% due 03/25/2036 ^	127	108
5.534% due 04/25/2036 ^	1,039	810
5.750% due 01/25/2035	321	326
6.000% due 02/25/2035	299	312
6.000% due 05/25/2036 ^	2,084	1,832
6.000% due 08/25/2036 ^	153	142
6.000% due 04/25/2037 ^	983	812
6.000% due 08/25/2037 ^	875	679
6.250% due 11/25/2036 ^	642	609
6.250% due 12/25/2036 ^	1,384	1,137
6.500% due 08/25/2036 ^	391	304
Countrywide Home Loan Mortgage Pass-Through Trust		
2.503% due 02/20/2035	58	58
5.500% due 10/25/2035 ^	726	685
5.750% due 03/25/2037 ^	501	455
6.000% due 05/25/2036 ^	1,187	1,093
6.000% due 04/25/2037 ^	106	98
6.250% due 09/25/2036 ^	574	535
Credit Suisse Mortgage Capital Mortgage-Backed Trust		
6.000% due 02/25/2037 ^	322	286
6.750% due 08/25/2036 ^	1,187	964
Deutsche Mortgage Securities, Inc. Mortgage Loan Trust		
1.491% due 06/25/2034	2,030	1,471
GSR Mortgage Loan Trust		
5.500% due 05/25/2036 ^	112	104
6.000% due 02/25/2036	4,145	3,574

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
HarborView Mortgage Loan Trust		
0.908% due 01/19/2035	319	286
2.671% due 07/19/2035	52	47
IndyMac Mortgage Loan Trust		
6.500% due 07/25/2037 ^	1,956	1,292
JPMorgan Alternative Loan Trust		
2.525% due 03/25/2037 ^	1,508	1,189
2.596% due 03/25/2036 ^	1,615	1,290
6.310% due 08/25/2036 ^	1,169	962
JPMorgan Mortgage Trust		
2.528% due 01/25/2037 ^	507	451
2.597% due 02/25/2036 ^	476	416
5.000% due 03/25/2037 ^	896	769
6.000% due 08/25/2037 ^	213	198
	PRINCIPAL AMOUNT (000S)	**MARKET VALUE (000S)**
Merrill Lynch Mortgage Investors Trust		
2.734% due 03/25/2036 ^	$ 1,436	$ 972
Residential Accredit Loans, Inc. Trust		
6.000% due 06/25/2036 ^	876	730
Residential Asset Securitization Trust		
5.750% due 02/25/2036 ^	911	755
6.000% due 03/25/2037 ^	629	460
6.000% due 05/25/2037 ^	1,308	1,150
6.000% due 07/25/2037 ^	956	704
6.250% due 09/25/2037 ^	1,595	1,146
Residential Funding Mortgage Securities, Inc. Trust		
3.747% due 08/25/2036 ^	1,694	1,492
6.000% due 09/25/2036 ^	215	198
6.000% due 06/25/2037 ^	2,801	2,478
Structured Adjustable Rate Mortgage Loan Trust		
2.454% due 11/25/2036 ^	1,519	1,247
4.728% due 03/25/2037 ^	512	370
4.952% due 01/25/2036 ^	1,253	982
5.226% due 07/25/2036 ^	561	476
Suntrust Adjustable Rate Mortgage Loan Trust		
2.571% due 02/25/2037 ^	269	235
2.714% due 04/25/2037 ^	1,631	1,387
WaMu Mortgage Pass-Through Certificates Trust		
2.180% due 12/25/2046	437	405
2.244% due 09/25/2036 ^	199	181
4.363% due 02/25/2037 ^	539	503
6.041% due 10/25/2036 ^	721	607
Wells Fargo Mortgage-Backed Securities Trust		
2.612% due 07/25/2036 ^	301	286
5.750% due 03/25/2037 ^	323	316
6.000% due 06/25/2037 ^	184	185
6.000% due 07/25/2037 ^	286	282
Total Mortgage-Backed Securities (Cost $50,557)		**54,876**
ASSET-BACKED SECURITIES 18.5%		
Asset-Backed Funding Certificates Trust		
0.341% due 10/25/2036	7,936	6,971
Bear Stearns Asset-Backed Securities Trust		
6.500% due 10/25/2036	256	208
CIFC Funding Ltd.		
0.010% due 05/24/2026	800	675
Countrywide Asset-Backed Certificates		
0.447% due 09/25/2046	3,189	2,164
0.751% due 12/25/2035	3,500	3,305
Countrywide Asset-Backed Certificates Trust		
5.192% due 08/25/2035	3,000	2,965
GSAA Home Equity Trust		
5.772% due 11/25/2036 ^	7,490	4,432
GSAMP Trust		
1.166% due 03/25/2035 ^	8,673	5,600

JPMorgan Mortgage Acquisition Trust				
0.507% due 04/25/2036		6,000		4,127
Lehman XS Trust				
5.319% due 06/24/2046		3,220		2,699
MASTR Asset-Backed Securities Trust				
5.233% due 11/25/2035		254		257
Mid-State Trust				
6.340% due 10/15/2036		673		733
Morgan Stanley ABS Capital, Inc. Trust				
0.481% due 01/25/2036		4,300		3,891
1.181% due 06/25/2035		500		451
Morgan Stanley Mortgage Loan Trust				
6.250% due 07/25/2047 ^		489		366
Residential Asset Mortgage Products Trust				
0.471% due 09/25/2036		400		340

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Residential Asset Securities Corp. Trust				
0.661% due 09/25/2035	$	13,627	$	10,950
Securitized Asset-Backed Receivables LLC Trust				
0.331% due 05/25/2036		6,568		3,731
Total Asset-Backed Securities (Cost $52,332)				**53,865**
SOVEREIGN ISSUES 0.5%				
Republic of Greece Government International Bond				
3.800% due 08/08/2017	JPY	201,000		1,168
4.750% due 04/17/2019	EUR	300		221
Total Sovereign Issues (Cost $1,679)				**1,389**
		SHARES		
COMMON STOCKS 0.0%				
FINANCIALS 0.0%				
TIG TopCo Ltd. (e)		91,836		96
Total Common Stocks (Cost $136)				**96**
PREFERRED SECURITIES 5.3%				
BANKING & FINANCE 4.5%				
Farm Credit Bank of Texas				
10.000% due 12/15/2020 (d)		6,000		7,515
GMAC Capital Trust				
8.125% due 02/15/2040		207,100		5,432
				12,947
UTILITIES 0.8%				
Entergy Texas, Inc.				
5.625% due 06/01/2064		93,975		2,408
Total Preferred Securities (Cost $14,682)				**15,355**
		PRINCIPAL AMOUNT (000S)		
SHORT-TERM INSTRUMENTS 4.0%				
SHORT-TERM NOTES 2.6%				
Federal Home Loan Bank				
0.096% due 11/04/2015 - 11/12/2015	$	5,100		5,099
0.144% due 11/04/2015		900		900
0.193% due 01/22/2016		800		800
0.213% due 01/27/2016		800		799

			7,598
U.S. TREASURY BILLS 1.4%			
0.077% due 08/06/2015 - 01/28/2016 (c)(h)(j)	4,084		4,083
Total Short-Term Instruments (Cost $11,680)			**11,681**
Total Investments in Securities (Cost $338,083)			**345,872**
Total Investments 119.3% (Cost $338,083)		$	**345,872**
Financial Derivative Instruments (g)(i) (0.3%)			
(Cost or Premiums, net $(763))			**(909)**
Preferred Shares (17.7%)			**(51,275)**
Other Assets and Liabilities, net (1.3%)			**(3,779)**
Net Assets Applicable to Common Shareholders 100.0%		$	**289,909**

See Accompanying Notes

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Schedule of Investments PIMCO Income Strategy Fund (Cont.)

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.
^ Security is in default.
(a) Interest only security.
(b) Payment in-kind bond security.
(c) Coupon represents a weighted average yield to maturity.
(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(e) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
TIG TopCo Ltd.	04/02/2015	$ 136	$ 96	0.03%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed (1)	Payable for Reverse Repurchase Agreements
MSC	0.600%	07/08/2015	10/08/2015	$ (5,594)	$ (5,596)
Total Reverse Repurchase Agreements					**$ (5,596)**

(1) The average amount of borrowings outstanding during the period ended July 31, 2015 was $26,860 at a weighted average interest rate of 0.420%.

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of July 31, 2015:

(f) Securities with an aggregate market value of $6,124 have been pledged as collateral under the terms of the following master agreements as of July 31, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral Pledged	Net Exposure (2)
Global/Master Repurchase Agreement							
MSC	$ 0	$ (5,596)	$ 0	$ 0	$ (5,596)	$ 6,124	$ 528
Total Borrowings and Other Financing Transactions	**$ 0**	**$ (5,596)**	**$ 0**	**$ 0**			

(2) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

(g) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION (1)

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount (2)	Market Value (3)	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	$ 12,474	$ 849	$ (112)	$ 15	$ 0

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

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July 31, 2015

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date		Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	1.900%	06/18/2019	$	35,800	$ 692	$ 542	$ 98	$ 0
Pay	3-Month USD-LIBOR	2.000%	06/18/2019		99,400	2,312	965	275	0
Pay	3-Month USD-LIBOR	2.250%	12/17/2019		41,300	1,325	286	129	0
Pay	3-Month USD-LIBOR	3.500%	06/19/2044		83,100	13,529	16,240	646	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045		152,400	1,256	(7,134)	0	(1,025)
Pay	6-Month AUD-BBR-BBSW	3.000%	12/17/2019	AUD	6,200	103	10	3	0
Pay	6-Month AUD-BBR-BBSW	3.500%	06/17/2025		3,900	102	6	11	0
						$ 19,319	$ 10,915	$ 1,162	$ (1,025)
Total Swap Agreements						**$ 20,168**	**$ 10,803**	**$ 1,177**	**$ (1,025)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of July 31, 2015:

(h) **Securities with an aggregate market value of $2,510 and cash of $5,946 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2015. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.**

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 0**	**$ 1,177**	**$ 1,177**	**$ 0**	**$ 0**	**$ (1,025)**	**$ (1,025)**

(i) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
BOA	08/2015	$	35,040	GBP	22,403	$ 0	$ (55)
	09/2015	GBP	22,403	$	35,033	55	0
	06/2016	EUR	26		36	7	0
	06/2016	$	1	EUR	1	0	0
BPS	08/2015	BRL	1,764	$	520	5	0
	08/2015	$	562	BRL	1,764	0	(47)
BRC	06/2016	EUR	5	$	7	1	0
CBK	08/2015		131		144	0	0
	08/2015	GBP	344		533	0	(4)
	08/2015	$	313	GBP	202	2	0
DUB	06/2016	EUR	3	$	4	1	0
GLM	08/2015	AUD	266		204	10	0
HUS	08/2015	EUR	3,334		3,717	56	0
	08/2015	$	1,363	JPY	168,500	0	(3)
	09/2015	JPY	168,500	$	1,363	3	0
JPM	08/2015	GBP	228		356	0	0
MSB	08/2015	BRL	2,157		674	44	0
	08/2015	JPY	168,500		1,366	7	0
	08/2015	$	641	BRL	2,157	0	(11)
	09/2015		553		1,764	0	(43)
	06/2016	EUR	7	$	10	2	0
NAB	06/2016		15		21	4	0
SCX	08/2015	$	3,827	EUR	3,465	0	(21)
	09/2015	EUR	3,465	$	3,828	22	0
UAG	08/2015	BRL	2,157		644	14	0
	08/2015	GBP	22,238		34,907	179	0
	08/2015	$	635	BRL	2,157	0	(6)
	08/2015		321	GBP	205	0	(1)
	09/2015		637	BRL	2,157	0	(14)
Total Forward Foreign Currency Contracts						**$ 412**	**$ (205)**

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Schedule of Investments PIMCO Income Strategy Fund (Cont.)

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION [(1)]

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 [(2)]	Notional Amount [(3)]	Premiums (Received)	Unrealized (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	$ 500	$ (98)	$ (43)	$ 0	$ (141)
GST	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	700	(139)	(58)	0	(197)
HUS	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	20	(3)	0	0	(3)
	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	200	(17)	(12)	0	(29)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	800	(166)	(60)	0	(226)
MYC	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	4,100	(379)	(209)	0	(588)
						$ (802)	$ (382)	$ 0	$ (1,184)

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/(Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 6,100	$ 8	$ (68)	$ 0	$ (60)
CBK	Pay	1-Year BRL-CDI	11.500%	01/04/2021	23,000	(22)	(204)	0	(226)
	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	$ 10,400	6	99	105	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	3,700	3	46	49	0
DUB	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	18,000	17	165	182	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	22,600	7	296	303	0
GLM	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	33,100	28	306	334	0
MYC	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 40,500	36	(435)	0	(399)
UAG	Pay	1-Year BRL-CDI	11.250%	01/04/2021	29,500	(44)	(328)	0	(372)
						$ 39	$ (123)	$ 973	$ (1,057)
Total Swap Agreements						**$ (763)**	**$ (505)**	**$ 973**	**$ (2,241)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of July 31, 2015:

(j) Securities with an aggregate market value of $1,572 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2015.

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/Pledged	Net Exposure [4]
BOA	$ 62	$ 0	$ 0	$ 62	$ (55)	$ 0	$ 0	$ (55)	$ 7	$ (10)	$ (3)
BPS	5	0	0	5	(47)	0	(201)	(248)	(243)	183	(60)
BRC	1	0	0	1	0	0	0	0	1	(10)	(9)
CBK	2	0	154	156	(4)	0	(226)	(230)	(74)	0	(74)
DUB	1	0	485	486	0	0	0	0	486	(680)	(194)
GLM	10	0	334	344	0	0	0	0	344	(290)	54
GST	0	0	0	0	0	0	(197)	(197)	(197)	0	(197)
HUS	59	0	0	59	(3)	0	(258)	(261)	(202)	351	149
MSB	53	0	0	53	(54)	0	0	(54)	(1)	(10)	(11)
MYC	0	0	0	0	0	0	(987)	(987)	(987)	1,039	52
NAB	4	0	0	4	0	0	0	0	4	0	4
SCX	22	0	0	22	(21)	0	0	(21)	1	0	1
UAG	193	0	0	193	(21)	0	(372)	(393)	(200)	0	(200)
	$ 412	**$ 0**	**$ 973**	**$ 1,385**	**$ (205)**	**$ 0**	**$ (2,241)**	**$ (2,446)**			

Total Over the Counter

(4) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

 See Accompanying Notes

July 31, 2015

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Fund s derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Statements of Assets and Liabilities as of July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 15	$ 0	$ 0	$ 1,162	$ 1,177
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 412	$ 0	$ 412
Swap Agreements	0	0	0	0	973	973
	$ 0	$ 0	$ 0	$ 412	$ 973	$ 1,385
	$ 0	$ 15	$ 0	$ 412	$ 2,135	$ 2,562
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 1,025	$ 1,025
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 205	$ 0	$ 205
Swap Agreements	0	1,184	0	0	1,057	2,241
	$ 0	$ 1,184	$ 0	$ 205	$ 1,057	$ 2,446
	$ 0	$ 1,184	$ 0	$ 205	$ 2,082	$ 3,471

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2015:

Derivatives not accounted for as hedging instruments

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 1	$ 0	$ 0	$ (16,498)	$ (16,497)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 3,119	$ 0	$ 3,119
Swap Agreements	0	126	0	0	2,768	2,894
	$ 0	$ 126	$ 0	$ 3,119	$ 2,768	$ 6,013
	$ 0	$ 127	$ 0	$ 3,119	$ (13,730)	$ (10,484)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (112)	$ 0	$ 0	$ 5,807	$ 5,695
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 53	$ 0	$ 53
Swap Agreements	0	(382)	0	0	1,386	1,004
	$ 0	$ (382)	$ 0	$ 53	$ 1,386	$ 1,057
	$ 0	$ (494)	$ 0	$ 53	$ 7,193	$ 6,752

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Schedule of Investments PIMCO Income Strategy Fund (Cont.)

July 31, 2015

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 5,115	$ 0	$ 5,115
Corporate Bonds & Notes				
Banking & Finance	0	92,816	2,665	95,481
Industrials	0	46,725	0	46,725
Utilities	0	30,600	0	30,600
Municipal Bonds & Notes				
California	0	4,708	0	4,708
Illinois	0	5,975	0	5,975
Nebraska	0	7,627	0	7,627
Virginia	0	295	0	295
West Virginia	0	4,842	0	4,842
U.S. Government Agencies	0	7,242	0	7,242
Mortgage-Backed Securities	0	54,876	0	54,876
Asset-Backed Securities	0	53,865	0	53,865
Sovereign Issues	0	1,389	0	1,389
Common Stocks				
Financials	0	0	96	96
Preferred Securities				
Banking & Finance	5,432	7,515	0	12,947
Utilities	2,408	0	0	2,408

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Short-Term Instruments				
Short-Term Notes	$ 0	$ 7,598	$ 0	$ 7,598
U.S. Treasury Bills	0	4,083	0	4,083
Total Investments	$ 7,840	$ 335,271	$ 2,761	$ 345,872
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	1,177	0	1,177
Over the counter	0	1,385	0	1,385
	$ 0	$ 2,562	$ 0	$ 2,562
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	0	(1,025)	0	(1,025)
Over the counter	0	(2,446)	0	(2,446)
	$ 0	$ (3,471)	$ 0	$ (3,471)

Totals	$	7,840	$	334,362	$	2,761	$	344,963

There were no significant transfers between Levels 1, 2, or 3 during the period ended July 31, 2015.

See Accompanying Notes

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Schedule of Investments PIMCO Income Strategy Fund II

July 31, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 116.1%				
BANK LOAN OBLIGATIONS 1.8%				
Clear Channel Communications, Inc.				
6.940% due 01/30/2019	$	6,800	$	6,262
Sequa Corp.				
5.250% due 06/19/2017		5,303		4,707
Total Bank Loan Obligations (Cost $11,090)				**10,969**
CORPORATE BONDS & NOTES 54.6%				
BANKING & FINANCE 29.4%				
AGFC Capital Trust				
6.000% due 01/15/2067		1,800		1,341
American International Group, Inc.				
6.250% due 03/15/2087		11,608		12,794
8.175% due 05/15/2068		300		403
Banco do Brasil S.A.				
6.250% due 04/15/2024 (d)		2,400		1,634
9.000% due 06/18/2024 (d)		8,630		7,441
9.250% due 04/15/2023 (d)		300		271
Banco Santander S.A.				
6.250% due 09/11/2021 (d)	EUR	1,600		1,744
Barclays Bank PLC				
7.625% due 11/21/2022	$	2,200		2,541
Barclays PLC				
6.500% due 09/15/2019 (d)	EUR	1,500		1,680
8.000% due 12/15/2020 (d)		3,900		4,695
BGC Partners, Inc.				
5.375% due 12/09/2019	$	6,370		6,692
Cantor Fitzgerald LP				
6.500% due 06/17/2022 (f)		8,500		8,890
Co-operative Group Holdings Ltd.				
7.500% due 07/08/2026	GBP	6,150		10,472
Credit Agricole S.A.				
6.500% due 06/23/2021 (d)	EUR	400		455
7.500% due 06/23/2026 (d)	GBP	3,500		5,521
7.875% due 01/23/2024 (d)	$	3,200		3,344
Depository Trust & Clearing Corp.				
4.875% due 06/15/2020 (d)		1,500		1,510
ERB Hellas PLC				
4.250% due 06/26/2018	EUR	250		94
GSPA Monetization Trust				
6.422% due 10/09/2029 (f)	$	4,956		5,535
Jefferies Finance LLC				
6.875% due 04/15/2022		7,950		7,672
LBG Capital No.2 PLC				
12.750% due 08/10/2020	GBP	300		575
15.000% due 12/21/2019	EUR	1,100		1,818
Lloyds Banking Group PLC				
7.625% due 06/27/2023 (d)	GBP	6,100		9,983
Millennium Offshore Services Superholdings LLC				

9.500% due 02/15/2018	$	4,500		4,320
Navient Corp.				
5.500% due 01/15/2019		13,750		13,544
5.625% due 08/01/2033		150		108
8.450% due 06/15/2018		3,400		3,680
Novo Banco S.A.				
2.625% due 05/08/2017	EUR	200		218
4.750% due 01/15/2018		600		682
5.000% due 04/04/2019		311		357
5.000% due 04/23/2019		653		751
5.000% due 05/14/2019		431		495
5.000% due 05/21/2019		241		277
5.000% due 05/23/2019		240		276
5.875% due 11/09/2015		1,800		1,992

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
OneMain Financial Holdings, Inc.				
7.250% due 12/15/2021	$	3,610	$	3,772
Rabobank Group				
8.400% due 06/29/2017 (d)		700		763
Russian Agricultural Bank OJSC Via RSHB Capital S.A.				
5.298% due 12/27/2017		2,900		2,893
6.299% due 05/15/2017		5,500		5,629
Sberbank of Russia Via SB Capital S.A.				
5.717% due 06/16/2021		6,100		5,958
Tesco Property Finance PLC				
5.411% due 07/13/2044	GBP	3,590		5,403
6.052% due 10/13/2039		1,962		3,206
TIG FinCo PLC				
8.500% due 03/02/2020		687		1,126
8.750% due 04/02/2020		3,804		5,792
Vnesheconombank Via VEB Finance PLC				
5.942% due 11/21/2023	$	3,000		2,685
6.902% due 07/09/2020		11,000		10,822
Western Group Housing LP				
6.750% due 03/15/2057		5,500		6,388
				178,242
INDUSTRIALS 14.8%				
Anadarko Petroleum Corp.				
7.000% due 11/15/2027		3,400		3,815
BMC Software Finance, Inc.				
8.125% due 07/15/2021		1,470		1,156
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (b)		4,980		3,305
Caesars Entertainment Operating Co., Inc.				
9.000% due 02/15/2020 ^		2,300		1,915
11.250% due 06/01/2017 ^		9,000		7,470
CCO Safari LLC				
6.484% due 10/23/2045		6,221		6,452
6.834% due 10/23/2055		889		915
Chesapeake Energy Corp.				
3.539% due 04/15/2019		90		76
Communications Sales & Leasing, Inc.				
8.250% due 10/15/2023		2,000		1,920
Forbes Energy Services Ltd.				
9.000% due 06/15/2019		1,164		858
Ford Motor Co.				
7.700% due 05/15/2097		10,460		12,973
Gulfport Energy Corp.				
7.750% due 11/01/2020		600		618
Harvest Operations Corp.				
6.875% due 10/01/2017		1,073		995
Hellenic Railways Organization S.A.				
4.028% due 03/17/2017	EUR	1,400		1,084
iHeartCommunications, Inc.				
9.000% due 09/15/2022	$	1,200		1,085

Intrepid Aviation Group Holdings LLC				
6.875% due 02/15/2019		4,030		3,778
Pertamina Persero PT				
6.450% due 05/30/2044		11,154		10,903
Russian Railways via RZD Capital PLC				
7.487% due 03/25/2031	GBP	1,300		1,888
Scientific Games International, Inc.				
10.000% due 12/01/2022	$	3,300		3,218
Sequa Corp.				
7.000% due 12/15/2017		6,588		4,546
Spirit Issuer PLC				
6.582% due 12/28/2027	GBP	1,000		1,651
Tembec Industries, Inc.				
9.000% due 12/15/2019	$	2,100		1,712

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
UCP, Inc.				
8.500% due 10/21/2017	$	2,000	$	2,008
Unique Pub Finance Co. PLC				
5.659% due 06/30/2027	GBP	4,254		6,839
6.542% due 03/30/2021		1,696		2,793
Westmoreland Coal Co.				
8.750% due 01/01/2022	$	6,335		5,638
				89,611
UTILITIES 10.4%				
AK Transneft OJSC Via TransCapitalInvest Ltd.				
8.700% due 08/07/2018		4,500		4,955
Gazprom Neft OAO Via GPN Capital S.A.				
4.375% due 09/19/2022		6,100		5,215
6.000% due 11/27/2023		15,900		14,689
Gazprom OAO Via Gaz Capital S.A.				
5.999% due 01/23/2021		300		296
Illinois Power Generating Co.				
6.300% due 04/01/2020		3,035		2,762
7.000% due 04/15/2018		5,100		4,858
7.950% due 06/01/2032		500		472
Northwestern Bell Telephone				
7.750% due 05/01/2030		12,625		14,057
Odebrecht Drilling Norbe Ltd.				
6.350% due 06/30/2022		410		297
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023		4,360		2,791
6.750% due 10/01/2023		3,424		2,217
Petrobras Global Finance BV				
2.750% due 01/15/2018	EUR	470		485
3.163% due 03/17/2020	$	270		244
4.875% due 03/17/2020		450		419
5.750% due 01/20/2020		220		213
6.625% due 01/16/2034	GBP	100		128
6.750% due 01/27/2041	$	2,400		2,010
7.875% due 03/15/2019		6,900		7,193
				63,301
Total Corporate Bonds & Notes (Cost $334,017)				**331,154**
MUNICIPAL BONDS & NOTES 10.0%				
CALIFORNIA 2.5%				
La Quinta Financing Authority, California Tax Allocation Bonds, Series 2011				
8.070% due 09/01/2036		3,000		3,426
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010				
7.500% due 10/01/2030		1,200		1,312
San Francisco, California City & County Redevelopment Agency Tax Allocation Bonds, Series 2009				
8.406% due 08/01/2039		1,650		2,089

Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009		
7.942% due 10/01/2038	7,500	8,442
		15,269
ILLINOIS 0.1%		
Chicago, Illinois General Obligation Bonds, Series 2015		
7.375% due 01/01/2033	180	182
7.750% due 01/01/2042	330	327
		509

See Accompanying Notes

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Schedule of Investments PIMCO Income Strategy Fund II (Cont.)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
NEBRASKA 1.3%				
Public Power Generation Agency, Nebraska Revenue Bonds, (BABs), Series 2009				
7.242% due 01/01/2041	$	6,500	$	7,746
OHIO 4.3%				
Ohio State University Revenue Bonds, Series 2011				
4.800% due 06/01/2111		27,300		26,221
VIRGINIA 0.1%				
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007				
6.706% due 06/01/2046		835		624
WEST VIRGINIA 1.7%				
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007				
7.467% due 06/01/2047		11,815		10,062
Total Municipal Bonds & Notes (Cost $55,305)				**60,431**
U.S. GOVERNMENT AGENCIES 2.9%				
Fannie Mae				
3.500% due 02/25/2042 (a)		1,549		216
4.500% due 11/25/2042 (a)		4,084		675
5.188% due 07/25/2025		7,100		7,196
6.060% due 01/25/2040 (a)		597		111
Freddie Mac				
3.000% due 02/15/2033 (a)		3,320		430
3.500% due 12/15/2032 (a)		6,287		1,045
7.741% due 12/25/2027		5,100		5,211
11.502% due 09/15/2035		2,036		2,118
Ginnie Mae				
3.500% due 06/20/2042 - 10/20/2042 (a)		1,420		175
4.000% due 10/16/2042 - 10/20/2042 (a)		747		120
Total U.S. Government Agencies (Cost $16,999)				**17,297**
MORTGAGE-BACKED SECURITIES 29.1%				
Banc of America Alternative Loan Trust				
6.000% due 01/25/2036 ^		188		160
6.000% due 07/25/2046 ^		954		793
Banc of America Funding Trust				
3.117% due 01/20/2047 ^		54		46
6.000% due 01/25/2037		9,581		6,792
6.000% due 08/25/2037 ^		7,374		6,498
BCAP LLC Trust				
2.685% due 05/26/2036		425		9
2.834% due 08/26/2037		14,610		8,948
4.471% due 07/26/2037		17,246		15,386
5.368% due 03/26/2037		1,635		536
6.250% due 11/26/2036		5,798		4,872
6.471% due 12/26/2035		5,391		4,358
6.807% due 05/26/2037		1,365		554
12.180% due 09/26/2036		5,639		4,647
20.623% due 06/26/2036		332		105

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Bear Stearns ALT-A Trust		
2.468% due 11/25/2035	10,004	7,899
2.593% due 11/25/2036	532	389
2.959% due 09/25/2035 ^	1,243	1,025
Chase Mortgage Finance Trust		
2.425% due 12/25/2035 ^	17	16
5.500% due 05/25/2036 ^	68	65

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Citicorp Mortgage Securities Trust		
5.500% due 04/25/2037	$ 192	$ 193
6.000% due 09/25/2037	2,346	2,458
Countrywide Alternative Loan Trust		
5.500% due 03/25/2035	557	502
5.500% due 01/25/2036	1,379	1,234
5.500% due 03/25/2036 ^	206	175
5.534% due 04/25/2036 ^	2,144	1,671
5.750% due 01/25/2035	666	677
5.750% due 02/25/2035	743	731
5.750% due 12/25/2036 ^	1,227	975
6.000% due 02/25/2035	623	649
6.000% due 04/25/2036	848	738
6.000% due 05/25/2036 ^	4,279	3,763
6.000% due 04/25/2037 ^	2,953	2,361
6.000% due 05/25/2037 ^	3,845	3,145
6.000% due 08/25/2037 ^	1,822	1,414
6.250% due 11/25/2036 ^	1,321	1,251
6.250% due 12/25/2036 ^	893	734
6.500% due 08/25/2036 ^	781	607
Countrywide Home Loan Mortgage Pass-Through Trust		
0.481% due 03/25/2035 ^	7,803	6,330
5.750% due 03/25/2037 ^	1,048	950
6.000% due 05/25/2036 ^	781	720
6.000% due 07/25/2037	3,622	3,140
6.250% due 09/25/2036 ^	1,180	1,099
Credit Suisse First Boston Mortgage Securities Corp.		
6.000% due 11/25/2035 ^	763	644
Credit Suisse Mortgage Capital Mortgage-Backed Trust		
5.750% due 04/25/2036 ^	305	260
6.750% due 08/25/2036 ^	2,407	1,955
First Horizon Alternative Mortgage Securities Trust		
6.000% due 05/25/2036 ^	1,309	1,112
6.000% due 08/25/2036 ^	2,155	1,788
First Horizon Mortgage Pass-Through Trust		
2.625% due 11/25/2035 ^	1,754	1,425
2.795% due 05/25/2037 ^	656	527
IndyMac Mortgage Loan Trust		
6.500% due 07/25/2037 ^	4,134	2,730
JPMorgan Alternative Loan Trust		
2.525% due 03/25/2037 ^	2,074	1,635
2.596% due 03/25/2036 ^	3,410	2,724
2.642% due 05/25/2036 ^	3,127	2,559
6.310% due 08/25/2036 ^	2,435	2,005
JPMorgan Mortgage Trust		
2.597% due 02/25/2036 ^	825	721
4.858% due 10/25/2035	501	489
6.000% due 08/25/2037 ^	372	346
6.500% due 09/25/2035	148	153
Lehman Mortgage Trust		
6.000% due 07/25/2036 ^	1,465	1,110
6.000% due 07/25/2037 ^	2,423	2,214
6.500% due 09/25/2037 ^	4,614	3,904
MASTR Asset Securitization Trust		
6.500% due 11/25/2037 ^	793	667
Merrill Lynch Mortgage Investors Trust		
2.734% due 03/25/2036 ^	2,798	1,895
Morgan Stanley Mortgage Loan Trust		
4.824% due 05/25/2036 ^	4,178	3,291
Nomura Asset Acceptance Corp Alternative Loan Trust		

4.976% due 05/25/2035	24	23
RBSSP Resecuritization Trust		
0.345% due 02/26/2047	8,144	6,929
Residential Accredit Loans, Inc. Trust		
3.430% due 12/26/2034 ^	2,165	1,837
6.000% due 06/25/2036 ^	1,773	1,477
6.000% due 08/25/2036 ^	601	500
6.000% due 12/25/2036 ^	1,247	1,029

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Residential Asset Securitization Trust		
5.750% due 02/25/2036 ^	$ 1,885	$ 1,562
6.000% due 02/25/2036	1,057	849
6.000% due 03/25/2037 ^	2,287	1,672
6.000% due 05/25/2037 ^	2,728	2,398
6.000% due 07/25/2037 ^	2,034	1,497
6.250% due 09/25/2037 ^	3,402	2,444
Residential Funding Mortgage Securities, Inc. Trust		
3.395% due 09/25/2035	2,606	2,271
3.747% due 08/25/2036 ^	2,945	2,595
6.250% due 08/25/2036 ^	1,352	1,234
Structured Adjustable Rate Mortgage Loan Trust		
2.454% due 11/25/2036 ^	4,459	3,660
4.952% due 01/25/2036 ^	3,759	2,946
5.226% due 07/25/2036 ^	1,141	968
Suntrust Adjustable Rate Mortgage Loan Trust		
2.571% due 02/25/2037 ^	537	470
WaMu Mortgage Pass-Through Certificates Trust		
4.363% due 02/25/2037 ^	1,078	1,006
4.474% due 05/25/2037 ^	2,663	2,511
4.536% due 07/25/2037 ^	1,915	1,785
6.041% due 10/25/2036 ^	1,441	1,215
Wells Fargo Mortgage-Backed Securities Trust		
2.612% due 07/25/2036 ^	629	599
5.750% due 03/25/2037 ^	647	633
Total Mortgage-Backed Securities (Cost $167,297)		**176,879**
ASSET-BACKED SECURITIES 9.4%		
Apidos CLO		
3.930% due 07/22/2026	1,500	1,141
Bear Stearns Asset-Backed Securities Trust		
6.500% due 10/25/2036	410	334
Countrywide Asset-Backed Certificates		
0.331% due 12/25/2046	23,944	18,776
Fremont Home Loan Trust		
0.341% due 01/25/2037	17,732	9,281
Greenpoint Manufactured Housing		
8.140% due 03/20/2030	1,729	1,776
GSAA Home Equity Trust		
5.772% due 11/25/2036 ^	2,317	1,371
IndyMac Home Equity Mortgage Loan Asset-Backed Trust		
0.351% due 07/25/2037	3,854	2,438
Lehman XS Trust		
5.319% due 06/24/2046	5,429	4,550
MASTR Asset-Backed Securities Trust		
5.233% due 11/25/2035	519	525
Mid-State Trust		
6.340% due 10/15/2036	1,411	1,537
Morgan Stanley Mortgage Loan Trust		
6.250% due 07/25/2047 ^	978	732
Specialty Underwriting & Residential Finance Trust		
0.691% due 09/25/2036	14,080	9,201
Taberna Preferred Funding Ltd.		
0.639% due 12/05/2036	6,959	5,462

Total Asset-Backed Securities (Cost $56,268)			**57,124**
SOVEREIGN ISSUES 0.7%			
Autonomous Community of Valencia			
2.360% due 09/03/2017	EUR	2,500	2,830
Republic of Greece Government International Bond			
3.800% due 08/08/2017	JPY	204,000	1,185
4.750% due 04/17/2019	EUR	300	222
Total Sovereign Issues (Cost $4,761)			**4,237**

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July 31, 2015

	SHARES		MARKET VALUE (000S)
COMMON STOCKS 0.1%			
FINANCIALS 0.1%			
TIG TopCo Ltd. (e)	496,900	$	520
Total Common Stocks (Cost $737)			**520**
PREFERRED SECURITIES 5.4%			
BANKING & FINANCE 4.6%			
Citigroup Capital			
7.875% due 10/30/2040	260,000		6,622
Farm Credit Bank of Texas			
10.000% due 12/15/2020 (d)	16,900		21,168
			27,790

	SHARES		MARKET VALUE (000S)
UTILITIES 0.8%			
Entergy Texas, Inc.			
5.625% due 06/01/2064	197,400	$	5,057
Total Preferred Securities (Cost $30,899)			**32,847**

		PRINCIPAL AMOUNT (000S)	
SHORT-TERM INSTRUMENTS 2.1%			
SHORT-TERM NOTES 0.4%			
Federal Home Loan Bank			
0.090% due 10/16/2015	$	400	400
0.144% due 11/04/2015		1,200	1,200
0.193% due 01/22/2016		900	899
			2,499

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
U.S. TREASURY BILLS 1.7%				
0.106% due 10/08/2015 - 01/28/2016 (c)(h)(j)	$	10,468	$	10,463
Total Short-Term Instruments (Cost $12,962)				**12,962**
Total Investments in Securities (Cost $690,335)				**704,420**
Total Investments 116.1% (Cost $690,335)			$	**704,420**

Financial Derivative Instruments (g)(i) (0.2%)		
(Cost or Premiums, net $(1,599))		**(964)**
Preferred Shares (15.2%)		**(92,450)**
Other Assets and Liabilities, net (0.7%)		**(4,032)**
Net Assets Applicable to Common Shareholders 100.0%	$	**606,974**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

*** A zero balance may reflect actual amounts rounding to less than one thousand.**
^ Security is in default.
(a) Interest only security.
(b) Payment in-kind bond security.
(c) Coupon represents a weighted average yield to maturity.
(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(e) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
TIG TopCo Ltd.	04/02/2015	$ 737	$ 520	0.09%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed [(1)]	Payable for Reverse Repurchase Agreements
MSC	0.600%	07/30/2015	10/30/2015	$ (4,940)	$ (4,940)
RDR	0.420%	08/03/2015	08/25/2015	(8,477)	(8,477)
Total Reverse Repurchase Agreements					**$ (13,417)**

(1) The average amount of borrowings outstanding during the period ended July 31, 2015 was $34,653 at a weighted average interest rate of 0.419%.

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of July 31, 2015:

(f) Securities with an aggregate market value of $14,424 have been pledged as collateral under the terms of the following master agreements as of July 31, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral Pledged	Net Exposure (2)
Global/Master Repurchase Agreement							
MSC	$ 0	$ (4,940)	$ 0	$ 0	$ (4,940)	$ 5,535	$ 595
RDR	0	(8,477)	0	0	(8,477)	8,890	413
Total Borrowings and Other Financing Transactions	**$ 0**	**$ (13,417)**	**$ 0**	**$ 0**			

(2) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

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Schedule of Investments PIMCO Income Strategy Fund II (Cont.)

(g) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [(1)]

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount [(2)]	Market Value [(3)]	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	$ 26,433	$ 1,798	$ (238)	$ 32	$ 0

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date		Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	2.000%	06/18/2019	$	275,000	$ 6,395	$ 2,798	$ 758	$ 0
Pay	3-Month USD-LIBOR	2.250%	12/17/2019		77,100	2,473	491	241	0
Pay	3-Month USD-LIBOR	3.500%	06/19/2044		201,500	32,806	39,381	1,567	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045		352,400	2,917	(16,556)	0	(2,372)
Pay	6-Month AUD-BBR-BBSW	3.000%	12/17/2019	AUD	12,900	214	20	6	0
Pay	6-Month AUD-BBR-BBSW	3.500%	06/17/2025		8,100	213	12	23	0
						$ 45,018	$ 26,146	$ 2,595	$ (2,372)

Total Swap Agreements	**$ 46,816**	**$ 25,908**	**$ 2,627**	**$ (2,372)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of July 31, 2015:

(h) **Securities with an aggregate market value of $6,502 and cash of $9,444 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2015. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.**

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 0**	**$ 2,627**	**$ 2,627**	**$ 0**	**$ 0**	**$ (2,372)**	**$ (2,372)**

(i) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
BOA	08/2015	$	56,875	GBP	36,363	$ 0	$ (89)
	09/2015	GBP	36,363	$	56,863	89	0
	06/2016	EUR	1,940		2,656	511	0
	06/2016	$	113	EUR	84	0	(21)
BPS	08/2015	BRL	3,597	$	1,060	9	0
	08/2015	$	1,146	BRL	3,597	0	(95)
BRC	06/2016	EUR	368	$	506	99	0
CBK	08/2015		112		121	0	(2)
	08/2015	GBP	742		1,150	0	(8)
	08/2015	$	628	GBP	405	5	0
DUB	06/2016	EUR	205	$	281	54	0
	06/2016	$	23	EUR	17	0	(4)

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July 31, 2015

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
GLM	08/2015	AUD	1,087	$	835	$ 41	$ 0
HUS	08/2015	$	1,357	JPY	167,800	0	(3)
	09/2015	JPY	167,800	$	1,357	3	0
JPM	08/2015	EUR	197		216	0	(1)
	08/2015	GBP	1,063		1,659	0	(1)
MSB	08/2015	BRL	4,492		1,403	91	0
	08/2015	EUR	14,183		15,878	302	0
	08/2015	JPY	167,800		1,361	7	0
	08/2015	$	1,335	BRL	4,492	0	(23)
	09/2015		1,127		3,597	0	(88)
	06/2016	EUR	516	$	710	139	0
NAB	06/2016		1,123		1,542	300	0
	07/2016		70		95	18	0
SCX	08/2015	$	16,006	EUR	14,492	0	(90)
	09/2015	EUR	14,492	$	16,012	90	0
UAG	08/2015	BRL	4,492		1,341	29	0
	08/2015	GBP	35,367		55,516	285	0
	08/2015	$	1,323	BRL	4,492	0	(11)
	08/2015		632	GBP	404	0	(1)
	09/2015		1,327	BRL	4,492	0	(29)
Total Forward Foreign Currency Contracts						**$ 2,072**	**$ (466)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION [(1)]

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2015 [(2)]	Notional Amount [(3)]	Premiums (Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Liability
BPS	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	$ 1,000	$ (195)	$ (87)	$ 0	$ (282)
GST	Petrobras Global Finance BV	1.000%	09/20/2020	4.965%	10	(1)	(1)	0	(2)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	1,400	(278)	(116)	0	(394)
HUS		1.000%	09/20/2020	4.965%	40	(6)	(1)	0	(7)

	Petrobras Global Finance BV								
	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	300	(25)	(18)	0	(43)
	Petrobras International Finance Co.	1.000%	12/20/2024	5.297%	1,700	(353)	(126)	0	(479)
MYC	Petrobras International Finance Co.	1.000%	12/20/2019	4.755%	8,700	(805)	(443)	0	(1,248)
						$ (1,663)	$ (792)	$ 0	$ (2,455)

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 12,500	$ 17	$ (140)	$ 0	$ (123)
CBK	Pay	1-Year BRL-CDI	11.500%	01/04/2021	49,000	(47)	(436)	0	(483)
	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	$ 16,100	9	154	163	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	6,200	5	78	83	0
DUB	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	28,100	26	258	284	0
	Pay	3-Month USD-LIBOR	2.800%	08/24/2025	47,500	14	622	636	0
GLM	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	67,400	58	622	680	0
MYC	Pay	1-Year BRL-CDI	11.500%	01/04/2021	BRL 84,300	74	(904)	0	(830)
UAG	Pay	1-Year BRL-CDI	11.250%	01/04/2021	61,900	(92)	(688)	0	(780)
						$ 64	$ (434)	$ 1,846	$ (2,216)
Total Swap Agreements						**$ (1,599)**	**$ (1,226)**	**$ 1,846**	**$ (4,671)**

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Schedule of Investments PIMCO Income Strategy Fund II (Cont.)

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of July 31, 2015:

(j) Securities with an aggregate market value of $3,961 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2015.

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure (4)
BOA	$ 600	$ 0	$ 0	$ 600	$ (110)	$ 0	$ 0	$ (110)	$ 490	$ (470)	$ 20
BPS	9	0	0	9	(95)	0	(405)	(500)	(491)	273	(218)
BRC	99	0	0	99	0	0	0	0	99	0	99
CBK	5	0	246	251	(10)	0	(483)	(493)	(242)	350	108
DUB	54	0	920	974	(4)	0	0	(4)	970	(1,370)	(400)
GLM	41	0	680	721	0	0	0	0	721	(600)	121
GST	0	0	0	0	0	0	(396)	(396)	(396)	272	(124)
HUS	3	0	0	3	(3)	0	(529)	(532)	(529)	577	48
JPM	0	0	0	0	(2)	0	0	(2)	(2)	0	(2)
MSB	539	0	0	539	(111)	0	0	(111)	428	(540)	(112)
MYC	0	0	0	0	0	0	(2,078)	(2,078)	(2,078)	2,107	29
NAB	318	0	0	318	0	0	0	0	318	(270)	48
SCX	90	0	0	90	(90)	0	0	(90)	0	0	0
UAG	314	0	0	314	(41)	0	(780)	(821)	(507)	383	(124)
Total Over the Counter	**$ 2,072**	**$ 0**	**$ 1,846**	**$ 3,918**	**$ (466)**	**$ 0**	**$ (4,671)**	**$ (5,137)**			

(4) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Fund s derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Statements of Assets and Liabilities as of July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 32	$ 0	$ 0	$ 2,595	$ 2,627
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,072	$ 0	$ 2,072
Swap Agreements	0	0	0	0	1,846	1,846
	$ 0	$ 0	$ 0	$ 2,072	$ 1,846	$ 3,918
	$ 0	$ 32	$ 0	$ 2,072	$ 4,441	$ 6,545
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 0	$ 0	$ 0	$ 2,372	$ 2,372
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 466	$ 0	$ 466
Swap Agreements	0	2,455	0	0	2,216	4,671
	$ 0	$ 2,455	$ 0	$ 466	$ 2,216	$ 5,137
	$ 0	$ 2,455	$ 0	$ 466	$ 4,588	$ 7,509

 See Accompanying Notes

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July 31, 2015

The Effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2015:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ 2	$ 0	$ 0	$ (43,468)	$ (43,466)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 8,068	$ 0	$ 8,068
Swap Agreements	0	240	0	0	17,211	17,451
	$ 0	$ 240	$ 0	$ 8,068	$ 17,211	$ 25,519
	$ 0	$ 242	$ 0	$ 8,068	$ (26,257)	$ (17,947)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	$ 0	$ (237)	$ 0	$ 0	$ 16,528	$ 16,291
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,165	$ 0	$ 1,165
Swap Agreements	0	(791)	0	0	(7,841)	(8,632)
	$ 0	$ (791)	$ 0	$ 1,165	$ (7,841)	$ (7,467)
	$ 0	$ (1,028)	$ 0	$ 1,165	$ 8,687	$ 8,824

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2015
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 10,969	$ 0	$ 10,969

Corporate Bonds & Notes				
Banking & Finance	0	172,707	5,535	178,242
Industrials	0	87,604	2,007	89,611
Utilities	0	63,301	0	63,301
Municipal Bonds & Notes				
California	0	15,269	0	15,269
Illinois	0	509	0	509
Nebraska	0	7,746	0	7,746
Ohio	0	26,221	0	26,221
Virginia	0	624	0	624
West Virginia	0	10,062	0	10,062
U.S. Government Agencies	0	17,297	0	17,297
Mortgage-Backed Securities	0	176,879	0	176,879
Asset-Backed Securities	0	57,124	0	57,124
Sovereign Issues	0	4,237	0	4,237
Common Stocks				
Financials	0	0	520	520
Preferred Securities				

Category and Subcategory	**Level 1**	**Level 2**	**Level 3**	**Fair Value at 07/31/2015**
Banking & Finance	$ 6,622	$ 21,168	$ 0	$ 27,790
Utilities	5,057	0	0	5,057
Short-Term Instruments				
Short-Term Notes	0	2,499	0	2,499
U.S. Treasury Bills	0	10,463	0	10,463
Total Investments	$ 11,679	$ 684,679	$ 8,062	$ 704,420
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	2,627	0	2,627
Over the counter	0	3,918	0	3,918
	$ 0	$ 6,545	$ 0	$ 6,545
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	0	(2,372)	0	(2,372)
Over the counter	0	(5,137)	0	(5,137)
	$ 0	$ (7,509)	$ 0	$ (7,509)
Totals	$ 11,679	$ 683,715	$ 8,062	$ 703,456

There were no significant transfers between Levels 1 and 2 during the period ended July 31, 2015.

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Schedule of Investments PIMCO Income Strategy Fund II (Cont.)

July 31, 2015

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2015:

Category and Subcategory	Beginning Balance at 07/31/2014	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) (1)	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 07/31/2015	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2015 (1)
Investments in Securities, at Value										
Corporate Bonds & Notes										
Banking & Finance	$ 5,261	$ 0	$ (113)	$ 3	$ 1	$ 383	$ 0	$ 0	$ 5,535	$ 389
Industrials	2,328	1,993	(2,259)	(65)	100	(90)	0	0	2,007	13
Utilities	2,448	0	(2,341)	(2)	44	(149)	0	0	0	0
U.S. Government Agencies	42,379	0	0	0	0	31	0	(42,410)	0	0
Common Stocks										
Financials	0	737	0	0	0	(217)	0	0	520	(217)
Totals	$ 52,416	$ 2,730	$ (4,713)	$ (64)	$ 145	$ (42)	$ 0	$ (42,410)	$ 8,062	$ 185

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 07/31/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 5,535	Proxy Pricing	Base Price	115.50
Industrials	2,007	Proxy Pricing	Base Price	100.00
Common Stocks				
Financials	520	Other Valuation Techniques (2)		

Total	$	8,062

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(2) Includes valuation techniques not defined in the Notes to Financial Statements as the securities valued using such techniques are not considered significant to the Fund.

See Accompanying Notes

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Notes to Financial Statements

July 31, 2015

1. ORGANIZATION

PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO High Income Fund, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II (each a Fund and collectively the Funds) are organized as closed-end management investment companies registered under the Investment Company Act of 1940, as amended (the Act), and the rules and regulations thereunder. PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO High Income Fund, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II were organized as Massachusetts business trusts on the dates shown in the table below. Each fund is classified as a diversified fund. Pacific Investment Management Company LLC (PIMCO or the Manager) serves as the Funds investment manager.

Fund Name	Formation Date
PIMCO Corporate & Income Opportunity Fund	September 13, 2002
PIMCO Corporate & Income Strategy Fund	October 17,2001
PIMCO High Income Fund	February 18, 2003
PIMCO Income Strategy Fund	June 19, 2003
PIMCO Income Strategy Fund II	June 30, 2004

Prior to the close of business on September 5, 2014, Allianz Global Investors Fund Management LLC (AGIFM) and PIMCO served as the Funds investment manager and sub-adviser, respectively. Effective at the close of business on September 5, 2014, each Fund entered into a new investment management agreement (the Agreement) with PIMCO, pursuant to which PIMCO replaced AGIFM as the investment manager to the Funds. Under the Agreement, PIMCO continues to provide the day-to-day portfolio management services it provided to each Fund as its sub-adviser and also assumed responsibility for providing the supervisory and administrative services previously provided by AGIFM to each Fund as its investment manager. PIMCO personnel have replaced AGIFM personnel as Fund officers and in other roles to provide and oversee the administrative, accounting/financial reporting, compliance, legal, marketing, transfer agency, shareholder servicing and other services required for the daily operations of each Fund. Please see Fees and Expenses below for additional information.

Each Fund has authorized an unlimited number of Common Shares at a par value of $0.00001 per share.

The Boards of Trustees (collectively, the Board) of the Funds approved a change of the fiscal year end of the PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund and PIMCO High Income Fund on December 16, 2014 as set forth in the table below:

Fund Name	Prior Fiscal Year End	Current Fiscal Year End	Effective Date
PIMCO Corporate & Income Opportunity Fund	November 30	July 31	December 16, 2014
PIMCO Corporate & Income Strategy Fund	October 31	July 31	December 16, 2014
PIMCO High Income Fund	March 31	July 31	April 1, 2015

PIMCO Income Strategy Fund	July 31	July 31	No change
PIMCO Income Strategy Fund II	July 31	July 31	No change

The preparation of each Fund s financial statements reflects the change in the fiscal year end.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Each Fund is treated as an investment company under the reporting requirements of U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Realized gains and losses from securities sold are recorded

on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as a Fund is informed of the ex-dividend date. Interest income, adjusted

for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation/depreciation on investments on the Statements of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain/loss on investments on the Statements of Operations. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statements of Operations. Income or short-term capital gain distributions received from underlying funds are recorded as

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Notes to Financial Statements (Cont.)

dividend income. Long-term capital gain distributions received from underlying funds are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Cash and Foreign Currency The functional and reporting currency for the Funds is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Funds do not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and net changes in unrealized gain or loss from investments on the Statements of Operations. The Funds may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract (see Financial Derivative Instruments). Realized foreign exchange gains or losses arising from sales of spot foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid are included in net realized gain or loss on foreign currency transactions on the Statements of Operations. Net unrealized foreign exchange gains and losses arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period are included in net change in unrealized appreciation or depreciation on foreign currency assets and liabilities on the Statements of Operations.

(c) Distributions Common Shares The Funds intend to declare distributions from net investment income and gains from the sale of portfolio securities and other sources to common shareholders monthly. Net realized capital gains earned by each Fund, if any, will be distributed no less frequently than once each year. A Fund may engage in investment strategies, including the use of derivatives, to, among other things, generate current, distributable income without regard to possible declines in the Fund s net asset value. A Fund s income and gain-generating strategies, including certain derivatives strategies, may generate current income and gains for monthly distributions even in

situations when the Fund has experienced a decline in net assets, including losses due to adverse changes in securities markets or the Fund s portfolio of investments, including derivatives. Consequently, common shareholders may receive distributions and owe tax at a time when their investment in a Fund has declined in value, which tax may be at ordinary income rates. Also, the tax treatment of certain derivatives may be open to different interpretations. Any recharacterization of payments made or received by a Fund pursuant to derivatives potentially could affect the amount, timing or character of Fund distributions. In addition, the tax treatment of such investment strategies may be changed by regulation or otherwise.

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. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. 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.

Distributions classified as a tax basis return of capital, if any, are reflected on the accompanying Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income, accumulated undistributed (overdistributed) net realized gains (losses) and/or paid in capital to more appropriately conform financial accounting to tax characterizations of distributions.

(d) New Accounting Pronouncements In June 2013, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), ASU 2013-08, providing updated guidance for assessing whether an entity is an investment company and for the measurement of noncontrolling ownership interests in other investment companies. This update became effective for interim or annual periods beginning on or after December 15, 2013. The Funds have adopted the ASU as they follow the investment company reporting requirements under U.S. GAAP. The implementation of the ASU did not have an impact on the Funds financial statements.

In June 2014, the FASB issued ASU 2014-11 that expanded secured borrowing accounting for certain repurchase agreements. The ASU also

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sets forth additional disclosure requirements for certain transactions accounted for as sales in order to provide financial statement users with information to compare to similar transactions accounted for as secured borrowings. The ASU became effective prospectively for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. PIMCO High Income Fund has adopted the ASU. All the Funds except for PIMCO High Income Fund have not yet adopted the ASU. The financial statements have been modified to provide enhanced disclosures surrounding secured borrowing transactions. See the Notes to Schedule of Investments for additional details. At this time, management is evaluating the implications of these changes on the financial statements of all Funds except PIMCO High Income Fund.

In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. At this time, management is evaluating the implications of these changes on the financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The NAV of a Fund s shares is determined by dividing the total value of a Fund s portfolio investments and other assets, less any liabilities, by the total number of shares outstanding. Fund shares are ordinarily valued as of the NYSE Close on each day that the NYSE is open. Information that becomes known to the Funds or their agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. Each Fund reserves the right to change the time its respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Funds approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services). The Funds will normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign

(non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the manager to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of a Fund s assets that are invested in one or more open-end management investment companies, a Fund s NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security s value has materially changed after the close of the security s primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees. Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, a Fund may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, a Fund may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. A Fund may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when a Fund is not open for business, which may result in a Fund s portfolio investments being affected when you are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a

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Notes to Financial Statements (Cont.)

Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the NAV of a Fund s shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that a Fund is not open for business. As a result, to the extent that a Fund holds foreign (non-U.S.) securities, the NAV of a Fund s shares may change at times when you cannot buy or sell shares. Investments for which market quotes or market-based valuations are not readily available are valued at fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board of Trustees, generally based on recommendations provided by PIMCO. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, broker quotes, Pricing Services prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of a Fund s securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to PIMCO the responsibility for monitoring significant events that may materially affect the values of a Fund s securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Fund uses fair valuation to determine its NAV, securities will not be priced on the basis of quotes from the primary market in which

they are traded, but rather may be priced by another method that the Board of Trustees or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Funds policy is intended to result in a calculation of a Fund s NAV that fairly reflects security values as of the time of pricing, the Funds cannot ensure that fair values determined by the Board of Trustees or persons acting at their direction would accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Fund may differ from the value that would be realized if the securities were sold.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that a Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets or liabilities.

- Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

- Level 3 Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

Assets or liabilities categorized as Level 2 or 3 as of period end have been transferred between Levels 2 and 3 since the prior period due to changes in the valuation method utilized in valuing the investments. Transfers from Level 3 to Level 2 are a result of the availability of current and reliable market-based data provided by third-party pricing services or other valuation techniques which utilize significant

observable inputs. In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and

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out of Level 3, if material, are disclosed in the Notes to Schedule of Investments of each respective Fund.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of a Fund s assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for each respective Fund.

(c) Valuation Techniques and the Fair Value Hierarchy

Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or techniques) and significant inputs used in determining the fair values of portfolio securities or other assets categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The service providers internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage- related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, exchange-traded funds, exchange-traded notes and financial derivative instruments, such as futures contracts or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Investments valued (denominated) in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates (currency spot and forward rates) obtained from pricing service providers. As a result, the NAV of a Fund s shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that a Fund is not open for business. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. These investments are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. Other than swap agreements, which are valued using a broker-dealer bid quotation or on market-based prices provided by pricing services or other pricing sources, these contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined at the close of the New York market). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by a pricing service provider using a series of techniques, including

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Notes to Financial Statements (Cont.)

simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange (if available). For centrally cleared credit default swaps the clearing facility requires its members to provide actionable price levels across complete term structures. These levels, along with external third-party prices, are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate (LIBOR) forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, securities will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy. The valuation techniques and significant inputs used in determining the fair values of portfolio assets and liabilities categorized as Level 3 of the fair value hierarchy are as follows:

Proxy pricing procedures set the base price of a fixed income security and subsequently adjust the price proportionally to market value changes of a pre-determined security deemed to be 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 Oversight Committee. Significant changes in the unobservable inputs of the proxy pricing process (the base price) would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy.

If third-party evaluated vendor pricing is not available or not deemed to be indicative of fair value, the Manager may elect to obtain indicative market quotations (broker quotes) directly from the broker-dealer or passed through from a third-party vendor. In the event that fair value is based upon a single sourced broker quote, these securities are categorized as Level 3 of the fair value hierarchy. Broker quotes are typically received from established market participants. Although

independently received, the Manager does not have the transparency to view the underlying inputs which support the market quotation. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

The validity of the fair value is reviewed by PIMCO on a periodic basis and may be amended as the availability of market data indicates a material change.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Securities

Loan Participations, Assignments and Originations Certain Funds may invest in direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. A Fund s investments in loans may be in the form of direct investments, participations in loans or assignments of all or a portion of loans from third parties, or originations of loans by a Fund or Funds. A loan is often administered by a bank or other financial institution (the lender) that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. A Fund may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. A Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, a Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement.

In the event of the insolvency of the lender selling a participation, a Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. When a Fund purchases assignments from lenders it acquires direct rights against the borrower of the loan. These loans may include participations in bridge loans, which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions.

Investments in loans are generally subject to risks similar to those of investments in other types of debt obligations, including, among others, credit risk, interest rate risk, variable and floating rate securities risk, and risks associated with mortgage-related securities. In addition, in many cases loans are subject to the risks associated with below- investment grade securities. The Funds may be subject to heightened or additional risks and potential liabilities and costs by investing in mezzanine and other subordinated loans or acting as an originator of loans, including those arising under bankruptcy, fraudulent conveyance, equitable subordination, lender liability, environmental and other laws and regulations, and risks and costs associated with

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debt servicing and taking foreclosure actions associated with the loans. To the extent that a Fund originates a loan, it may be responsible for all or a substantial portion of the expenses associated with initiating the loan. This may include significant legal and due diligence expenses, which will be indirectly borne by the Fund and its shareholders. A Fund may pay fees and expenses associated with originating a loan, including significant legal and due diligence expenses, irrespective of whether the loan transaction is ultimately consummated or closed.

The types of loans and related investments in which the Funds may invest include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Funds may originate loans or acquire direct interests in loans through primary loan distributions and/or in private transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower s obligation to the holder of such a loan, including in the event of the borrower s insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage.

Investments in loans may include unfunded loan commitments, which are contractual obligations for future funding. Unfunded loan commitments may include revolving credit facilities, which may obligate a Fund to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the committed amount may not be utilized by the borrower. When investing in a loan participation, a Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan agreement and only upon receipt of payments by the lender from the borrower. A Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan. In certain circumstances, a Fund may receive a penalty fee upon the prepayment of a loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statements of Operations. As of July 31, 2015, the Funds had no unfunded loan commitments outstanding.

Mortgage-Related and Other Asset-Backed Securities Certain Funds may invest in mortgage-related and other asset-backed securities that directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The

rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

Collateralized Mortgage Obligations (CMOs) are debt obligations of a legal entity that are collateralized by whole mortgage loans or

private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as tranches, with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

As CMOs have evolved, some classes of CMO bonds have become more common. For example, the Funds may invest in parallel-pay and planned amortization class (PAC) CMOs and multi-class pass-through certificates. Parallel-pay CMOs and multi-class pass-through certificates are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO and multi- class pass-through structures, must be retired by its stated maturity date or final distribution date but may be retired earlier. PACs generally require payments of a specified amount of principal on each payment date. PACs are parallel-pay CMOs with the required principal amount on such securities having the highest priority after interest has been paid to all classes. Any CMO or multi-class pass through structure that includes PAC securities must also have support tranches known as support bonds, companion bonds or non-PAC bonds which lend or absorb principal cash flows to allow the PAC securities to maintain their stated maturities and final distribution dates within a range of actual prepayment experience. These support tranches are subject to a

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higher level of maturity risk compared to other mortgage-related securities, and usually provide a higher yield to compensate investors. If principal cash flows are received in amounts outside a pre-determined range such that the support bonds cannot lend or absorb sufficient cash flows to the PAC securities as intended, the PAC securities are subject to heightened maturity risk. The Funds may invest in various tranches of CMO bonds, including support bonds.

Collateralized Debt Obligations (CDOs) include Collateralized Bond Obligations (CBOs), Collateralized Loan Obligations (CLOs) and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is typically backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. For both CBOs and CLOs, the cash flows from the trust are split into two or more portions, called tranches, varying in risk and yield. The riskiest portion is the equity tranche which bears the bulk of defaults from the bonds or loans in the trust and serves to protect the other, more senior tranches from default in all but the most severe circumstances. Since it is partially protected from defaults, a senior tranche from a CBO trust or CLO trust typically has higher ratings and lower yields than the underlying securities, and can be rated investment grade. Despite the protection from the equity tranche, CBO or CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults and aversion to CBO or CLO securities as a class. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which a Fund invests. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the collateral may decline in value or default, (iii) a Fund may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Stripped Mortgage-Backed Securities (SMBS) are derivative multi- class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. An SMBS will have one class that will receive all of the interest (the interest-only or IO class), while the other class will receive the entire principal (the principal-only or PO class). IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs

tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on a Fund s yield to maturity from these securities. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Funds may fail to recoup some or all of its initial investment in these securities even if the security is in one of the highest rating categories. Payments received for IOs are included in interest income on the Statements of Operations. Because no principal will be received at the maturity of an IO, adjustments are made to the cost of the security on a monthly basis until maturity. These adjustments are included in interest income on the Statements of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

Payment In-Kind Securities Certain Funds may invest in payment in- kind securities (PIKs). PIKs may give the issuer the option at each interest payment date of making interest payments in either cash or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a dirty price) and require a pro rata adjustment from the unrealized appreciation or depreciation on investments to interest receivable on the Statements of Assets and Liabilities.

Restricted Securities Certain Funds may invest in securities that are subject to legal or contractual restrictions on resale. These securities may be sold privately, but are required to be registered or exempted from such registration before being sold to the public. Private placement securities are generally considered to be restricted except for those securities traded between qualified institutional investors under the provisions of Rule 144A of the Securities Act of 1933. Disposal of restricted securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult to achieve. Restricted securities outstanding at July 31, 2015 are disclosed in the Notes to Schedules of Investments.

U.S. Government Agencies or Government-Sponsored Enterprises Certain Funds may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association (GNMA or Ginnie Mae), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the U.S. Treasury); and others, such as those of the Federal National Mortgage Association (FNMA or Fannie Mae), are supported by the discretionary authority of the U.S. Government to purchase the agency s obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates (PCs), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The following disclosures contain information on a Fund s ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by a Fund. The location and fair value amounts of these instruments are described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 7, Principal Risks.

(a) Repurchase Agreements Certain Funds may engage in repurchase agreements. Under the terms of a typical repurchase agreement, a Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and a Fund to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund s custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations,

including interest. Repurchase agreements, including accrued interest, are included on the Statements of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statements of Operations. In periods of increased demand for collateral, a Fund may pay a fee for receipt of collateral, which may result in interest expense to the Fund.

(b) Reverse Repurchase Agreements Certain Funds may enter into reverse repurchase agreements. In a reverse repurchase agreement, a Fund delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. A Fund is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by a Fund to counterparties are reflected as a liability on the Statements of Assets and Liabilities. Interest payments made by a Fund to counterparties are recorded as a component of interest expense on the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, a Fund s use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund s obligation to repurchase the securities. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities to be repurchased may decline below the repurchase price (see Note 7, Principal Risks).

(c) Sale-Buybacks Certain Funds may enter into financing transactions referred to as sale-buybacks . A sale-buyback transaction consists of a sale of a security by a Fund to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. A Fund is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by a Fund are reflected as a liability on the Statements of Assets and Liabilities. A Fund will recognize net income represented by the price differential between the price received for the transferred security and the agreed- upon repurchase price. This is commonly referred to as the price drop . A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, a Fund would have otherwise received had the security not been sold and (ii) the negotiated financing terms between a Fund and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statements of Operations. Interest payments based upon

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negotiated financing terms made by a Fund to counterparties are recorded as a component of interest expense on the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. Sale-buybacks involve leverage risk and also the risk that the market value of the securities to be repurchased may decline below the repurchase price (see Note 7, Principal Risks).

6. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Funds use financial derivative instruments, the credit-risk-related contingent features in certain financial derivative instruments, and how financial derivative instruments affect the Funds financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statements of Assets and Liabilities and the realized and changes in unrealized gains and losses on the Statements of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedules of Investments. The financial derivative instruments outstanding as of period end and the amounts of realized and changes in unrealized gains and losses on financial derivative instruments during the period, as disclosed in the Notes to Schedules of Investments, serve as indicators of the volume of financial derivative activity for the Funds.

(a) Forward Foreign Currency Contracts Certain Funds may enter into forward foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of a Fund s securities or as a part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by a Fund as an unrealized gain or loss. Realized gains or losses are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. The contractual obligations of a buyer or seller of a forward foreign currency contract may generally be satisfied by taking or making physical delivery of the underlying currency, establishing an opposite position in the contract and recognizing the profit or loss on both positions simultaneously on the delivery date or, in some instances, paying a cash settlement before the designated date of delivery. These contracts may involve market risk in excess of the unrealized gain or loss reflected on the Statements of Assets and Liabilities. Although forwards may be intended to minimize the risk of loss due to a decline

in the value of the hedged currencies, at the same time, they tend to limit any potential gain which might result should the value of such currencies increase. In addition, a Fund could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Swap Agreements Certain Funds may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between a Fund and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market (OTC swaps) or may be cleared through a third party, known as a central counterparty or derivatives clearing organization (centrally cleared swaps). A Fund may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation/(depreciation) on the Statements of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a variation margin on the Statements of Assets and Liabilities. OTC swap payments received or paid at the beginning of the measurement period are included on the Statements of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gains or losses on the Statements of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statements of Operations. Net periodic payments received or paid by a Fund are included as part of realized gains or losses on the Statements of Operations.

Entering into these agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the

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amounts recognized on the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

A Fund s maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract s remaining life, to the extent that amount is positive. The risk is mitigated by having a master netting arrangement between a Fund and the counterparty and by the posting of collateral to a Fund to cover a Fund s exposure to the counterparty.

Credit Default Swap Agreements Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, a Fund will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, a Fund would effectively add leverage to its portfolio because, in addition to its total net assets, a Fund would be subject to investment exposure on the notional amount of the swap.

If a Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, a Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If a Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, a Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a

minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on corporate or sovereign issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection s right to choose the deliverable obligation with the lowest value following a credit event). Credit default swaps on corporate or sovereign issues may be used to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Fund owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer s default.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name s weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. Credit default swaps on credit indices may be used to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect or to take an active long or short position with respect to the likelihood of a particular referenced obligation s default. Credit default swaps on indices are instruments often used to attempt to protect investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end are disclosed in the Notes to Schedules of Investments. They serve as an indicator of the

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current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/ performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that a Fund as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which a Fund is the seller of protection are disclosed in the Notes to Schedules of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by a Fund for the same referenced entity or entities.

Interest Rate Swap Agreements Certain Funds are subject to interest rate risk exposure in the normal course of pursuing their investment objectives. If a Fund holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, a Fund may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by a Fund with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap , (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor , (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date

and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

Asset Segregation Certain of the transactions described above can be viewed as constituting a form of borrowing or financing transaction by the Fund. In such event, the Fund may, but is not required to, elect to cover its commitment under such transactions by segregating or earmarking assets in accordance with procedures adopted by the Board of Trustees, in which case such transactions will not be considered senior securities by the Fund. With respect to forwards, futures contracts, options and swaps that are contractually permitted or required to cash settle (i.e., where physical delivery of the underlying reference asset is not required), the Fund is permitted to segregate or earmark liquid assets equal to the Fund s daily marked-to-market net obligation under the derivative instrument, if any, rather than the derivative s full notional value. By segregating or earmarking liquid assets equal to only its net marked-to-market obligation under derivatives that are required to cash settle, the Fund will have the ability to employ leverage to a greater extent than if the Fund were to segregate or earmark liquid assets equal to the full notional value of the derivative.

7. PRINCIPAL RISKS

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Funds may be subject to, please see the Important Information About the Funds.

Market Risks A Fund s investments in financial derivatives and other financial instruments expose the Fund to various risks such as, but not limited to, interest rate, foreign currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a Fund may lose money if these changes are not anticipated by Fund management. A Fund may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended. Fixed income securities with longer durations tend to be

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more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is useful primarily as a measure of the sensitivity of a fixed income security s market price to interest rate (i.e. yield) movements. At present, the U.S. is experiencing historically low interest rates. This, combined with recent economic recovery and the Federal Reserve Board s conclusion of its quantitative easing program, could potentially increase the probability of an upward interest rate environment in the near future. Further, while U.S. bond markets have steadily grown over the past three decades, dealer market making ability has remained relatively stagnant. Given the importance of intermediary market making in creating a robust and active market, fixed income securities may face increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause a Fund to lose value.

Foreign (non U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security s country of incorporation may be different from its country of economic exposure.

If a Fund invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in financial derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Fund, or, in the case of hedging positions, that the Fund s base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Fund s investments in foreign currency denominated securities may reduce the Fund s returns.

The market values of the Fund s investments may decline due to general market conditions which are not specifically related to a particular company or issuer, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities, although under certain market conditions fixed income securities may have comparable or greater price volatility. Credit ratings downgrades may also negatively affect securities held by a Fund. Even when markets perform well, there is no assurance that the investments held by a Fund will increase in value along with the broader market. In addition, market risk includes

the risk that geopolitical events will disrupt the economy on a national or global level.

Credit and Counterparty Risks A Fund will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. A Fund seeks to minimize concentrations of credit risk by undertaking transactions with a large number of counterparties on recognized and reputable exchanges, where applicable. A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Similar to credit risk, a Fund may be exposed to counterparty risk, or the risk that an institution or other entity with which a Fund has unsettled or open transactions will default. PIMCO, as Manager, seeks to minimize counterparty risks to a Fund in a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to a Fund exceed a predetermined threshold, such counterparty is required to advance collateral to a Fund in the form of cash or securities equal in value to the unpaid amount owed to a Fund. A Fund may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to a Fund subsequently decreases, a Fund would be required to return to the counterparty all or a portion of the collateral previously advanced to a Fund.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once a Fund has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

Master Netting Arrangements The Funds may be subject to various netting arrangements with select counterparties (Master Agreements). Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the

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Master Agreements are specific to unique operations of different asset types, they allow a Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statements of Assets and Liabilities generally show derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used. Securities and cash pledged as collateral are reflected as assets on the Statements of Assets and Liabilities as either a component of Investments at value (securities) or Deposits due from Counterparties (cash). Cash collateral received is typically not held in a segregated account and as such is reflected as a liability on the Statements of Assets and Liabilities as Deposits due to Counterparties. The market value of any securities received as collateral is not reflected as a component of net asset value. The Fund s overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively Master Repo Agreements) govern repurchase, reverse repurchase, and sale-buyback transactions between the Funds and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements (Master Forward Agreements) govern the considerations and factors surrounding the settlement of certain forward settling transactions, such as To-Be- Announced securities, delayed-delivery or sale-buyback transactions by and between the Funds and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addendums govern cleared derivatives transactions such as futures, options on futures, and cleared Over the Counter (OTC) derivatives. Cleared derivatives transactions require posting of initial margin as determined by each relevant clearing agency which is segregated at a broker account registered with the Commodity Futures Trading Commission (CFTC), or the applicable regulator. In the United States, counterparty risk is significantly reduced as creditors of a futures broker do not have a claim to Fund assets in the segregated account. Additionally, portability of exposure in the event of default further reduces risk to the Funds. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives. The market value or accumulated unrealized appreciation or depreciation, initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes (ISDA Master Agreements) govern OTC financial derivative transactions entered into by the Funds and select counterparties. ISDA Master

Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

8. FEES AND EXPENSES

Management Fee Effective at the close of business on September 5, 2014, each Fund entered into an Investment Management Agreement with PIMCO (the Agreement). Pursuant to the Agreement, subject to the supervision of the Board, PIMCO is responsible for providing to each Fund investment guidance and policy direction in connection with the management of the Fund, including oral and written research, analysis, advice, and statistical and economic data and information. In addition, pursuant to the Agreement and subject to the general supervision of the Board, PIMCO, at its expense, provides or causes to be furnished most other supervisory and administrative services the Funds require, including but not limited to, expenses of most third-party service providers (e.g., audit, custodial, legal, transfer agency, printing) and other expenses, such as those associated with insurance,

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proxy solicitations and mailings for shareholder meetings, New York Stock Exchange listing and related fees, tax services, valuation services and other services the Funds require for their daily operations.

Prior to the close of business on September 5, 2014, AGIFM served as the investment manager to each Fund and received annual fees, payable monthly, at the annual rates shown in the table below. Prior to the close of business on September 5, 2014, AGIFM retained PIMCO as sub-adviser to manage the Funds investments. AGIFM, and not the Funds, paid a portion of the fees it received as investment manager to PIMCO in return for its services. Management fees, as applicable, paid to AGIFM prior to the close of business on September 5, 2014, are disclosed on the Statements of Operations.

Pursuant to the Agreement, PIMCO receives an annual fee, payable monthly, at the annual rates shown in the table below:

Fund Name	Annual Rate	AGIFM Rate
PIMCO Corporate & Income Opportunity Fund	0.65%(1)	0.60%(1)
PIMCO Corporate & Income Strategy Fund	0.81%(1)	0.75%(1)
PIMCO High Income Fund	0.76%(1)	0.70%(1)
PIMCO Income Strategy Fund	0.86%(2)	0.75%(2)
PIMCO Income Strategy Fund II	0.83%(2)	0.75%(2)

(1) Management fees calculated based on the Fund s average daily net asset value (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

(2) Management fees calculated based on the Fund s average weekly total managed assets . Total managed assets includes total assets of each Fund (including any assets attributable to any preferred shares or other forms of leverage that may be outstanding) minus accrued liabilities (other than liabilities representing leverage).

Prior to the close of business on September 5, 2014, in addition to the management fee paid to AGIFM, as described above, each Fund directly had borne expenses for other administrative services and costs, including expenses associated with various third-party service providers, such as audit, custodial, legal, transfer agency, printing and other services the Funds require. Effective beginning at the close of business on September 5, 2014, PIMCO (and not the Funds) bears such expenses with respect to each Fund pursuant to its management fee arrangements under the Agreement described above.

Fund Expenses Each Fund bears other expenses which may vary and affect the total level of expenses paid by shareholders, such as (i) salaries and other compensation or expenses, including travel expenses of any of the Fund s executive officers and employees, if any, who are not officers, directors, shareholders, members, partners or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees, if any, levied against the Fund; (iii) brokerage fees and commissions and other portfolio transaction expenses incurred by or for the Fund (including, without limitation, fees and expenses of outside legal counsel or third-party consultants retained in connection

with reviewing, negotiating and structuring specialized loan and other investments made by the Fund, subject to specific or general authorization by the Fund s Board); (iv) expenses of the Fund s securities lending (if any), including any securities lending agent fees, as governed by a separate securities lending agreement; (v) costs, including interest expense, of borrowing money or engaging in other types of leverage financing, including, without limitation, through the use by the

Fund of reverse repurchase agreements, tender option bonds, bank borrowings and credit facilities; (vi) costs, including dividend and/or interest expenses and other costs (including, without limitation, offering and related legal costs, fees to brokers, fees to auction agents, fees to transfer agents, fees to ratings agencies and fees to auditors associated with satisfying ratings agency requirements for preferred shares or other securities issued by the Fund and other related requirements in the Fund s organizational documents) associated with the Fund s issuance, offering, redemption and maintenance of preferred shares, commercial paper or other senior securities for the purpose of incurring leverage; (vii) fees and expenses of any underlying funds or other pooled investment vehicles in which the Fund invests; (viii) dividend and interest expenses on short positions taken by the Fund; (ix) fees and expenses, including travel expenses, and fees and expenses of legal counsel retained for their benefit, of Trustees who are not officers, employees, partners, shareholders or members of PIMCO or its subsidiaries or affiliates; (x) extraordinary expenses, including extraordinary legal expenses, as may arise, including expenses incurred in connection with litigation, proceedings, other claims, and the legal obligations of the Fund to indemnify its Trustees, officers, employees, shareholders, distributors, and agents with respect thereto; (xi) organizational and offering expenses of the Fund, including with respect to share offerings, such as rights offerings and shelf offerings, following the Fund s initial offering, and expenses associated with tender offers and other share repurchases and redemptions; and (xii) expenses of the Fund which are capitalized in accordance with U.S. GAAP.

Each of the Trustees of the Funds who is not an interested person under Section 2(a)(19) of the Act, (the Independent Trustees) also serves as a trustee of a number of other closed-end funds for which PIMCO serves as investment manager (together with the Funds, the PIMCO Closed-End Funds), as well as PIMCO Managed Accounts Trust, an open-end investment company with multiple series for which PIMCO serves as investment manager (PMAT and, together with the PIMCO Closed-End Funds, the PIMCO-Managed Funds). In addition, each of the Independent Trustees also serves as a trustee of certain investment companies (together, the Allianz-Managed Funds), for which AGIFM, an affiliate of PIMCO that served as the investment manager of the PIMCO Managed Funds prior to the close of business on September 5, 2014, serves as investment adviser.

Notes to Financial Statements (Cont.)

Prior to the close of business on September 5, 2014, including during the period of this report for PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II, each of the PIMCO-Managed Funds and Allianz-Managed Funds held joint meetings of their Boards of Trustees whenever possible, and each Trustee, other than any Trustee who was a director, officer, partner or employee of PIMCO, AGIFM or any entity controlling, controlled by or under common control with PIMCO or AGIFM, received annual compensation of $250,000 for service on the Boards of all of the PIMCO-Managed Funds and Allianz-Managed Funds, payable quarterly. The Independent Chairman of the Boards received an additional $75,000 annually, payable quarterly. The Audit Oversight Committee Chairman received an additional $50,000 annually, payable quarterly. Trustees were also reimbursed for meeting-related expenses.

During periods prior to September 5, 2014, each Trustee s compensation and other costs in connection with joint meetings were allocated among the PIMCO-Managed Funds and Allianz-Managed Funds, as applicable, on the basis of fixed percentages as between such groups of Funds. Trustee compensation and other costs were then further allocated pro rata among the individual funds within each grouping based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund s relative net assets.

Subsequent to September 5, 2014, in connection with the new investment management agreement between the PIMCO-Managed Funds and PIMCO and the termination of the investment management agreement between the PIMCO-Managed Funds and AGIFM, each of the PIMCO-Managed Funds began holding, and are expected to continue to hold, joint meetings of their Boards of Trustees whenever possible, but will generally no longer hold joint meetings with the Allianz-Managed Funds. Under the new Board structure, each Independent Trustee currently receives annual compensation of $225,000 for his or her service on the Boards of the PIMCO-Managed Funds, payable quarterly. The Independent Chairman of the Boards receives an additional $75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional $50,000 annually, payable quarterly. Trustees are also reimbursed for meeting-related expenses.

Each Trustee s compensation for his or her service as a Trustee on the Boards of the PIMCO-Managed Funds and other costs in connection with joint meetings of such Funds are allocated among the PIMCO-Managed

Funds, as applicable, on the basis of fixed percentages as between PMAT and the PIMCO Closed-End Funds. Trustee compensation and other costs will then be further allocated pro rata among the individual Funds within each grouping based on each such Fund s relative net assets.

9. RELATED PARTY TRANSACTIONS

The Manager is a related party. Fees payable to this party are disclosed in Note 8 and the accrued related party fee amounts are disclosed on the Statements of Assets and Liabilities.

Certain Funds are permitted to purchase or sell securities from or to certain related affiliated funds under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Funds from or to another fund or portfolio that are, or could be, considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price.

During the periods ended July 31, 2015, as indicated below, the Funds below engaged in purchases and sales of securities pursuant to Rule 17a-7 of the Act (amounts in thousands):

Fund Name	Purchases	Sales
PIMCO Corporate & Income Opportunity Fund [(a)]	$ 43,426	$ 131,467
PIMCO Corporate & Income Strategy Fund [(b)]	43,634	49,821
PIMCO High Income Fund Fund [(c)]	6,094	17,221
PIMCO Income Strategy Fund [(d)]	54,705	40,825
PIMCO Income Strategy Fund II [(d)]	110,268	60,352

(a) Period from December 1, 2014 to July 31, 2015
(b) Period from November 1, 2014 to July 31, 2015
(c) Period from April 1, 2015 to July 31, 2015
(d) Period from August 1, 2014 to July 31, 2015

10. GUARANTEES AND INDEMNIFICATIONS

Under each Fund s organizational documents, each Trustee and officer is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of indemnification clauses. The Funds maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts.

11. PURCHASES AND SALES OF SECURITIES

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

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

Purchases and sales of securities (excluding short-term investments) for the periods ended July 30, 2015, as indicated below, were as follows (amounts in thousands):

	U.S. Government/Agency		All Other	
Fund Name	**Purchases**	**Sales**	**Purchases**	**Sales**
PIMCO Corporate & Income Opportunity Fund [(a)]	$ 0	$ 54,067	$ 419,630	$ 373,340
PIMCO Corporate & Income Strategy Fund [(b)]	0	49,390	264,605	240,982
PIMCO High Income Fund Fund [(c)]	0	17,967	221,346	75,268
PIMCO Income Strategy Fund [(d)]	20,173	113,420	218,781	140,151
PIMCO Income Strategy Fund II [(d)]	42,874	145,836	487,481	293,077

(a) Period from December 1, 2014 to July 31, 2015
(b) Period from November 1, 2014 to July 31, 2015
(c) Period from April 1, 2015 to July 31, 2015
(d) Period from August 1, 2014 to July 31, 2015
A zero balance may reflect actual amounts rounding to less than one thousand.

12. AUCTION-RATE PREFERRED SHARES

Each series of Auction-Rate Preferred Shares (ARPS) outstanding of each Fund has a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends. Dividends are accumulated daily at an annual rate that is typically re-set every seven days through auction procedures (or through default procedures in the event of failed auctions). Distributions of net realized capital gains, if any, are paid annually.

For the reporting periods ended July 31, 2015, the annualized dividend rates on the ARPS ranged from:

Fund Name	**Shares Issued and Outstanding**	**High**	**Low**	**As of July 31, 2015**
PIMCO Corporate & Income Opportunity Fund				
Series M	1,884	0.240%	0.140%	0.160%
Series T	1,770	0.260%	0.140%	0.200%
Series W	1,847	0.260%	0.100%	0.180%
Series TH	2,033	0.240%	0.140%	0.180%
Series F	1,984	0.240%	0.120%	0.160%

PIMCO Corporate & Income Strategy Fund				
Series M	1,352	0.180%	0.105%	0.120%
Series T	1,352	0.195%	0.105%	0.150%
Series W	1,352	0.195%	0.075%	0.135%
Series TH	1,352	0.180%	0.105%	0.135%
Series F	1,352	0.180%	0.090%	0.120%
PIMCO High Income Fund				
Series M	2,336	0.144%	0.112%	0.128%
Series T	2,336	0.208%	0.112%	0.160%
Series W	2,336	0.208%	0.080%	0.144%
Series TH	2,336	0.144%	0.112%	0.144%
Series F	2,336	0.160%	0.096%	0.128%
PIMCO Income Strategy Fund				
Series T	766	1.401%	1.369%	1.401%
Series W	699	1.401%	1.368%	1.401%
Series TH	586	1.400%	1.367%	1.397%

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Fund Name	Shares Issued and Outstanding	High	Low	As of July 31, 2015
PIMCO Income Strategy Fund II				
Series M	721	1.400%	1.368%	1.400%
Series T	881	1.401%	1.369%	1.401%
Series W	671	1.401%	1.368%	1.401%
Series TH	753	1.400%	1.367%	1.397%
Series F	672	1.400%	1.369%	1.399%

Each Fund is subject to certain limitations and restrictions while ARPS are outstanding. Failure to comply with these limitations and restrictions could preclude a Fund from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of ARPS at their liquidation preference plus any accumulated, unpaid dividends.

Preferred shareholders of each Fund, who are entitled to one vote per share, generally vote together with the common shareholders of the Fund but vote separately as a class to elect two Trustees of the Fund and on certain matters adversely affecting the rights of the ARPS.

Since mid-February 2008, holders of ARPS issued by the Funds have been directly impacted by a lack of liquidity, which has similarly affected ARPS holders in many of the nation s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined maximum rate, as defined in the table below:

Fund Name		Applicable % (1)		Reference Rate		Maximum Rate
PIMCO Corporate & Income Opportunity Fund		200%	x	7-day AA Financial Composite Commercial Paper Rates	=	Maximum Rate for PTY
PIMCO Corporate & Income Strategy Fund		150%	x	7-day AA Financial Composite Commercial Paper Rates	=	Maximum Rate for PCN
PIMCO High Income Fund		160%	x	7-day AA Financial Composite Commercial Paper Rates	=	Maximum Rate for PHK
PIMCO Income Strategy Fund (2)		150%	x	7-Day USD LIBOR	=	
	The higher of			OR		Maximum Rate for PFL
		1.25%	+	7-Day USD LIBOR	=	
PIMCO Income Strategy Fund II (2)		150%	x	7-Day USD LIBOR	=	
	The higher of			OR		Maximum Rate for PFN
		1.25%	+	7-Day USD LIBOR	=	

(1) Applicable % is dependent on credit rating of the ARPS.
(2) The Maximum Rate is the higher of a) the product of the Applicable % and Reference Rate or b) 1.25% plus the Reference Rate.

The maximum rate is a function of short-term interest rates and is typically higher than the rate that would have otherwise been set through a successful auction. If the Funds ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Fund s common shareholders could be adversely affected.

On January 16, 2015, PIMCO Corporate & Income Opportunity Fund, and on September 19, 2014, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II (for purposes of this discussion each a Fund and collectively the Funds) each commenced a voluntary tender offer for up to 100% of its outstanding ARPS at a price equal to a percentage of the ARPS per share liquidation preference and any unpaid dividends accrued through the expiration of the tender offers (each, a Tender Offer and, together, the Tender Offers). The price and per share liquidation preference for each Fund can be found in the table below. In addition, each tendering ARPS holder received one non-transferrable contingent payment right, less any applicable holding taxes and without interest. The contingent payment right represents a non-transferrable contractual right of any ARPS holder who participates in a Tender Offer to receive an additional payment from a Fund if such Fund completes an additional Tender

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Offer for its ARPS or a voluntary redemption of its ARPS during the three-hundred and sixty-five (365) calendar days following the expiration date of the Tender Offer, and such subsequent Tender Offer or voluntary redemption is for a price per ARPS that is greater than such Fund s tender offer price. The additional payment would be equal to the number of ARPS accepted for payment in such Fund s Tender Offer multiplied by the price differential per share between the price received in the Tender Offer and the price of such subsequent Tender Offer or voluntary redemption by such Fund.

Fund Name	Price Percentage	Liquidation Preference Per Share	Price Per Share
PIMCO Corporate & Income Opportunity Fund	87%	$ 25,000	$ 21,750
PIMCO Income Strategy Fund	90%	25,000	22,500
PIMCO Income Strategy Fund II	90%	25,000	22,500

On February 27, 2015, the PIMCO Corporate & Income Opportunity Fund, and on October 31, 2014, the PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II, announced the expiration and results of the Tender Offers. PIMCO Corporate & Income Opportunity Fund, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II accepted for payment 3,482, 1,108 and 2,742 ARPS, respectively, which represented approximately 27%, 35% and 43%, respectively, of their outstanding ARPS. The ARPS of the Funds that were not tendered remain outstanding.

Details of the ARPS tendered and not withdrawn per series for the reporting periods ended July 31, 2015 are provided in the table below:

Fund Name	ARPS Tendered	Cash Exchanged for ARPS Tendered	ARPS Outstanding After Tender Offer
PIMCO Corporate and Income Opportunity Fund			
Series M	716	$ 15,573,000	1,884
Series T	830	18,052,500	1,770
Series W	753	16,377,750	1,847
Series TH	567	12,332,250	2,033
Series F	616	13,398,000	1,984
PIMCO Income Strategy Fund			
Series T	287	$ 6,457,500	766
Series W	354	7,965,000	699
Series TH	467	10,507,500	586
PIMCO Income Strategy Fund II			
Series M	567	$ 12,757,500	721
Series T	407	9,157,500	881
Series W	617	13,882,500	671
Series TH	535	12,037,500	753
Series F	616	13,860,000	672

13. REGULATORY AND LITIGATION MATTERS

The Funds are not named as defendants in any material litigation or arbitration proceedings and are not aware of any material litigation or claim pending or threatened by or against them.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission (SEC) that relates to the PIMCO Total Return Active Exchange-Traded Fund (BOND), a series of PIMCO ETF Trust. The notice indicates the staff s preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a nonpublic investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by

BOND between its inception on February 29, 2012 and June 30, 2012, BOND s performance disclosures for that period, and PIMCO s compliance policies and procedures related to these matters.

The Wells process provides PIMCO with its opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Fund or on PIMCO s ability to provide investment management services to any Fund.

The foregoing speaks only as of the date of this report.

14. FEDERAL INCOME TAX MATTERS

Each Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the Code) and distribute all

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of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for federal income taxes has been made.

The Funds may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Manager has reviewed the Funds tax positions for all open tax years. As of July 31, 2015, the Funds have

recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future tax returns.

Each Fund files U.S. tax returns. While the statute of limitations remains open to examine the Funds U.S. tax returns filed for the fiscal years from 2012-2014, no examinations are in progress or anticipated at this time. No Fund is aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of July 31, 2015, the components of distributable taxable earnings are as follows (amounts in thousands):

	Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation) [1]	Other Book-to-Tax Accounting Differences [2]	Accumulated Capital Losses [3]	Qualified Post-October Loss Deferral Capital [4]	Qualified Late-Year Loss Deferral Ordinary [5]
PIMCO Corporate & Income Opportunity Fund	$ 8,463	$	$ 71,158	$ (9,204)	$ (90,028)	$	$
PIMCO Corporate & Income Strategy Fund	3,005		39,363	(4,371)	(17,636)		
PIMCO High Income Fund			104,695	(15,304)	(819,542)		
PIMCO Income Strategy Fund	1,827		16,795	(2,285)	(135,858)	(10,047)	
PIMCO Income Strategy Fund II	6,730		35,831	(4,746)	(354,183)	(27,330)	

(1) Adjusted for open wash sale loss deferrals and accelerated recognition of unrealized gain or loss on certain forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain/loss on swap contracts, market discount and premium amortization, defaulted securities, paydown adjustments and Lehman securities.

(2) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, namely for straddle deferrals and distributions payable at fiscal year-end.

(3) Capital losses available to offset future net capital gains expire in varying amounts in the years shown below.
(4) Capital losses realized during the period November 1, 2014 through July 31, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.
(5) Specified losses realized during the period November 1, 2014 through July 31, 2015 and ordinary losses realized during the period January 1, 2015 through July 31, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

As of July 31, 2015, the Funds had accumulated capital losses expiring in the following years (amounts in thousands). The Funds will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

	Expiration of Accumulated Capital Losses			
	07/31/2016	07/31/2017	07/31/2018	07/31/2019
PIMCO Corporate & Income Opportunity Fund	$	$	$	$
PIMCO Corporate & Income Strategy Fund				
PIMCO High Income Fund	195,114	488,807		
PIMCO Income Strategy Fund		21,867	106,315	
PIMCO Income Strategy Fund II		67,542	277,492	

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of July 31, 2015, the Funds had the following post-effective capital losses with no expiration:

	Short-Term	Long-Term
PIMCO Corporate & Income Opportunity Fund	$ 90,028	$
PIMCO Corporate & Income Strategy Fund	17,636	
PIMCO High Income Fund	135,621	
PIMCO Income Strategy Fund	7,676	
PIMCO Income Strategy Fund II	9,149	

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As of July 31, 2015, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation) [6]
PIMCO Corporate & Income Opportunity Fund	$ 1,262,741	$ 60,951	$ (18,513)	$ 42,438
PIMCO Corporate & Income Strategy Fund	720,344	30,222	(9,331)	20,891
PIMCO High Income Fund	1,211,261	74,688	(36,570)	38,118
PIMCO Income Strategy Fund	337,884	13,962	(5,974)	7,988
PIMCO Income Strategy Fund II	690,262	28,214	(14,056)	14,158

(6) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to wash sale loss deferrals, market discount and premium amortization, defaulted securities, paydown adjustments and Lehman securities for federal income tax purposes.

For the fiscal year ended July 31, 2015 and each Fund s respective previous fiscal year ends, the Funds made the following tax basis distributions (amounts in thousands):

	Period from December 1, 2014 to July 31, 2015			Year Ended November 30, 2014			Year Ended November 30, 2013		
	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]
PIMCO Corporate & Income Opportunity Fund	$ 119,345	$	$	$ 109,212	$ 127,651	$	$ 125,268	$ 52,667	$

	Period from November 1, 2014 to July 31, 2015			Year Ended October 31, 2014			Year Ended October 31, 2013		
	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]	Ordinary Income Distributions [7]	Long-Term Capital Gain Distributions	Return of Capital [8]

PIMCO Corporate & Income Strategy Fund	$ 52,804	$	$	$ 51,814	$ 36,417	$	$ 59,775	$	$

	Period from April 1, 2015 to July 31, 2015			Year Ended March 31, 2015			Year Ended March 31, 2014		
	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)
PIMCO High Income Fund	$ 41,802	$	$ 19,452	$ 182,636	$	$	$ 167,299	$	$ 13,720

	Year Ended July 31, 2015			Year Ended July 31, 2014		
	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)
PIMCO Income Strategy Fund	$ 31,650	$	$	$ 28,293	$	$
PIMCO Income Strategy Fund II	67,376			58,815		

(7) Includes short-term capital gains distributed, if any.

(8) A portion of the distributions made represents a tax return of of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Funds management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On August 3, 2015, the following distributions were declared to common shareholders payable September 1, 2015 to shareholders of record on August 13, 2015:

PIMCO Corporate & Income Opportunity Fund	$	0.130000 per common share
PIMCO Corporate & Income Strategy Fund	$	0.112500 per common share
PIMCO High Income Fund	$	0.121875 per common share
PIMCO Income Strategy Fund	$	0.090000 per common share
PIMCO Income Strategy Fund II	$	0.080000 per common share

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Notes to Financial Statements (Cont.)

July 31, 2015

On September 1, 2015, the following distributions were declared to common shareholders payable October 1, 2015 to shareholders of record on September 11, 2015:

PIMCO Corporate & Income Opportunity Fund	$	0.130000 per common share
PIMCO Corporate & Income Strategy Fund	$	0.112500 per common share
PIMCO High Income Fund	$	0.103460 per common share
PIMCO Income Strategy Fund	$	0.090000 per common share
PIMCO Income Strategy Fund II	$	0.080000 per common share

There were no other subsequent events identified that require recognition or disclosure.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO High Income Fund, PIMCO Income Strategy Fund, and PIMCO Income Strategy Fund II

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO High Income Fund, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II (the Funds) at July 31, 2015, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Funds management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at July 31, 2015 by correspondence with the custodian, agent banks and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Kansas City, Missouri

September 23, 2015

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Glossary: (abbreviations that may be used in the preceding statements)

(Unaudited)

Counterparty Abbreviations:

BCY	Barclays Capital, Inc.	**GST**	Goldman Sachs International	**MYC**	Morgan Stanley Capital Services, Inc.
BOA	Bank of America N.A.	**HUS**	HSBC Bank USA N.A.	**NAB**	National Australia Bank Ltd.
BPS	BNP Paribas S.A.	**IND**	Crédit Agricole Corporate and Investment Bank S.A.	**RDR**	RBC Dain Rausher, Inc.
BRC	Barclays Bank PLC	**JPM**	JPMorgan Chase Bank N.A.	**SAL**	Citigroup Global Markets, Inc.
CBK	Citibank N.A.	**MBC**	HSBC Bank Plc	**SCX**	Standard Chartered Bank
DUB	Deutsche Bank AG	**MEI**	Merrill Lynch International	**SSB**	State Street Bank and Trust Co.
FOB	Credit Suisse Securities (USA) LLC	**MSB**	Morgan Stanley Bank, N.A	**UAG**	UBS AG Stamford
GLM	Goldman Sachs Bank USA	**MSC**	Morgan Stanley & Co., Inc.		

Currency Abbreviations:

AUD	Australian Dollar	**GBP**	British Pound	**MXN**	Mexican Peso
BRL	Brazilian Real	**JPY**	Japanese Yen	**USD (or $)**	United States Dollar
EUR	Euro				

Index/Spread Abbreviations:

ABX.HE	Asset-Backed Securities Index - Home Equity	**CDX.HY**	Credit Derivatives Index - High Yield	**CDX.IG**	Credit Derivatives Index - Investment Grade

Municipal Bond or Agency Abbreviations:

AGM	Assured Guaranty Municipal	**NPFGC**	National Public Finance Guarantee Corp.

Other Abbreviations:

ABS	Asset-Backed Security	**BBSW**	Bank Bill Swap Reference Rate	**LIBOR**	London Interbank Offered Rate
ALT	Alternate Loan Trust	**CDI**	Brazil Interbank Deposit Rate	**PIK**	Payment-in-Kind
BABs	Build America Bonds	**CDO**	Collateralized Debt Obligation	**TIIE**	Tasa de Interés Interbancaria de Equilibrio
BBR	Bank Bill Rate	**CLO**	Collateralized Loan Obligation		

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Federal Income Tax Information

(Unaudited)

As required by the Internal Revenue Code (the Code) and Treasury Regulations, if applicable, shareholders must be notified within 60 days of the Fund's fiscal year end regarding the status of qualified dividend income, the dividend received deduction, foreign source income earned by the fund, and any foreign tax credits being passed through to shareholders.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the Act), the following percentages of ordinary dividends paid during the fiscal year ended July 31, 2015 are designated as qualified dividend income , as defined in the Act, subject to reduced tax rates.

PIMCO Corporate & Income Opportunity Fund	3.36%
PIMCO Corporate & Income Strategy Fund	5.21%
PIMCO High Income Fund	1.94%
PIMCO Income Strategy Fund	3.93%
PIMCO Income Strategy Fund II	4.89%

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund s dividend distribution that qualifies under tax law. The percentage of each Fund's fiscal 2015 ordinary income dividends that qualifies for the corporate dividend received deduction is set forth below.

PIMCO Corporate & Income Opportunity Fund	3.36%
PIMCO Corporate & Income Strategy Fund	5.21%
PIMCO High Income Fund	1.94%
PIMCO Income Strategy Fund	3.93%
PIMCO Income Strategy Fund II	4.89%

Qualified Interest Income and Qualified Short-Term Capital Gain (for non-U.S. resident shareholders only). Under the American Jobs Creation Act of 2004, the following amounts of ordinary dividends paid during the fiscal year ended July 31, 2015 are considered to be derived from qualified interest income, as defined in Section 871(k)(1)(E) of the Code, and therefore are designated as interest-related dividends, as defined in Section 871(k)(1)(C) of the Code. Further, the following amounts of ordinary dividends paid during the fiscal year ended July 31, 2015 are considered to be derived from qualified short-term capital gain, as defined in Section 871(k)(2)(D) of the Code, and therefore are designated as qualified short-term gain dividends, as defined by Section 871(k)(2)(C) of the Code.

	Qualified Interest Income (000s)	Qualified Short Term Capital Gain

		(000s)
PIMCO Corporate & Income Opportunity Fund	$	$
PIMCO Corporate & Income Strategy Fund		
PIMCO High Income Fund		
PIMCO Income Strategy Fund	19,647	
PIMCO Income Strategy Fund II	33,815	

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Funds. In January 2016, you will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received by you in calendar year 2015.

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Shareholder Meeting Results

(Unaudited)

Annual Shareholder Meeting Results

PIMCO Corporate & Income Strategy Fund and PIMCO Corporate & Income Opportunity Fund held their annual meetings of shareholders on April 30, 2015. Shareholders voted as indicated below:

PIMCO Corporate & Income Opportunity Fund		Affirmative	Withheld Authority
Election of Craig Dawson	Class III to serve until the annual meeting for the 2017-2018 fiscal year	60,437,951	2,004,532
Re-election of Deborah A. DeCotis	Class III to serve until the annual Meeting for the 2017-2018 fiscal year	60,610,055	1,832,428
Re-election of John C. Maney	Class III to serve until the annual Meeting for the 2017-2018 fiscal year	60,575,701	1,866,782

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, James A. Jacobson, William B. Ogden, IV, and Alan Rappaport continued to serve as Trustees of the Fund.

Interested Trustee

PIMCO Corporate & Income Strategy Fund		Affirmative	Withheld Authority
Election of Craig Dawson	Class III to serve until the annual meeting for the 2016-2017 fiscal year	33,662,224	763,084
Re-election of William B. Ogden, IV	Class I to serve until the annual Meeting for the 2017-2018 fiscal year	33,535,288	890,019
Re-election of Alan Rappaport	Class I to serve until the annual Meeting for the 2017-2018 fiscal year	33,630,276	795,032
Re-election of Hans W. Kertess*	Class I to serve until the annual Meeting for the 2017-2018 fiscal year	5,147	221

The other members of the Board of Trustees at the time of the meeting, namely, Ms. Deborah A. DeCotis and Messrs. Bradford K. Gallagher, James A. Jacobson and John C. Maney continued to serve as Trustees of the Fund.

* Preferred Shares Trustee
Interested Trustee

PIMCO Income Strategy Fund, PIMCO Income Strategy Fund II and PIMCO High Income Fund held their annual meetings of shareholders on June 30, 2015. Shareholders voted as indicated below.

PIMCO Income Strategy Fund		Affirmative	Withheld Authority
Election of Craig A. Dawson	Class III to serve until the annual Meeting for the 2015-2016 fiscal year	21,857,091	558,862

Election of Deborah A. DeCotis*	Class II to serve until the annual Meeting for the 2017-2018 fiscal year	1,255	2
Re-election of James A. Jacobson	Class II to serve until the annual Meeting for the 2017-2018 fiscal year	21,814,778	601,175
Election of Hans W. Kertess*	Class I to serve until the annual Meeting for the 2016-2017 fiscal year	1,255	2
Election of Alan Rappaport	Class II to serve until the annual Meeting for the 2017-2018 fiscal year	21,828,051	587,902

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Bradford K. Gallagher, William B. Ogden, IV and John C. Maney continued to serve as Trustees of the Fund.

Interested Trustee
* Preferred Shares Trustee

PIMCO High Income Fund		Affirmative	Withheld Authority
Re-election of Deborah A. DeCotis	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	102,604,495	3,864,747
Re-election of John C. Maney	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	102,856,946	3,611,197

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, William B. Ogden, IV, James A. Jacobson, Alan Rappaport and Craig A. Dawson continued to serve as Trustees of the Fund.

Interested Trustee

PIMCO Income Strategy Fund II		Affirmative	Withheld Authority
Election of Craig A. Dawson	Class I to serve until the annual meeting for the 2017-2018 fiscal year	50,900,494	1,222,687
Re-election of William B. Ogden, IV*	Class I to service until the annual meeting for the 2017-2018 fiscal year	2,081	38
Re-election of Alan Rappaport	Class I to serve until the annual Meeting for the 2017-2018 fiscal year	50,815,518	1,307,663
Re-election of Bradford K. Gallagher*	Class II to serve until the annual Meeting for the 2015-2016 fiscal year	2,081	38

The other members of the Board of Trustees at the time of the meeting, namely, Ms. DeCotis and Messrs. Hans W. Kertess, James A. Jacobson and John C. Maney continued to serve as Trustees of the Fund.

Interested Trustee
* Preferred Shares Trustee

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Changes to Boards of Trustees/Changes to Portfolio Managers

(Unaudited)

Changes to Boards of Trustees

Effective at the close of business on September 5, 2014, Craig A. Dawson became a Class II Trustee of PIMCO High Income Fund, a Class III Trustee of PIMCO Income Strategy Fund, PIMCO Corporate & Income Strategy Fund and PIMCO Corporate & Income Opportunity Fund and a Class I Trustee of PIMCO Income Strategy Fund II.

Effective September 17, 2014, Alan Rappaport was appointed as a Class II Trustee of PIMCO Income Strategy Fund.

Effective November 6, 2014, Marti P. Murray and Alan B. Miller resigned as Trustees of PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II.

Effective December 16, 2014, Hans. W. Kertess and Deborah A. DeCotis, currently a Class I and Class II Trustee of PIMCO Income Strategy Fund, respectively, were appointed as Trustees to be elected by preferred shareholders of the Fund voting as a separate class (Preferred Share Trustees) to fill the vacancies on the Board of Trustees of the Fund created by the respective resignations of Alan B. Miller and Marti P. Murray.

Effective December 16, 2014, Bradford K. Gallagher and William B. Ogden IV, currently a Class II and Class I Trustee of PIMCO Income Strategy Fund II, respectively, were appointed as Preferred Share Trustees of the Fund to fill the vacancies on the Board of Trustees of the Fund created by the respective resignations of Alan B. Miller and Marti P. Murray.

Changes to Portfolio Managers

Effective as of September 26, 2014, Alfred Murata and Mohit Mittal replaced William Gross as portfolio managers for PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II.

Mr. Murata is a managing director and portfolio manager in PIMCO s Newport Beach office on the mortgage credit team. Morningstar named him Fixed-Income Fund Manager of the Year (U.S.) for 2013. Prior to joining PIMCO in 2001, he researched and implemented exotic equity and interest rate derivatives at Nikko Financial Technologies. He has 14 years of investment experience and holds a Ph.D. in engineering-economic systems and operations research from Stanford University. He also earned a J.D. from Stanford Law School and is a member of the State Bar of California.

Mr. Mittal is a managing director and portfolio manager in PIMCO s Newport Beach office. He manages investment grade credit and unconstrained bond portfolios and is the current chair for the Americas Portfolio Committee. Previously, he was a specialist on PIMCO s interest rates and derivatives desk. Mr. Mittal joined PIMCO in 2007. He has 7 years of investment experience and holds an MBA in finance from the Wharton School of the University of Pennsylvania and an undergraduate degree in computer science from Indian Institute of Technology (IIT) in Delhi, India.

The Morningstar Fixed-Income Fund Manager of the Year award is based on the strength of the manager, performance, strategy, and firm stewardship.

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Investment Strategy Updates

Effective January 16, 2015, PIMCO Corporate & Income Strategy Fund and PIMCO Corporate & Income Opportunity Fund amended an existing non-fundamental investment policy, such that each Fund (i) will not normally invest more than 20% of its total assets in debt instruments, other than mortgage-related and other asset-backed securities, that are, at the time of purchase, rated CCC or lower by Standard & Poor s Financial Services, LLC (S&P) and Fitch, Inc. and Caa1 or lower by Moody s Investors Services Inc. (Moody s), or that are unrated but determined by PIMCO to be of comparable quality, and (ii) may invest without limitation in mortgage-related and other asset-backed securities regardless of rating. Prior to the amendment, each Fund (i) would usually attempt to maintain a portfolio with an average credit quality that is investment grade, rated at least Baa3 by Moody s or BBB- by S&P or based, with respect to unrated securities, on comparable credit quality determinations made by PIMCO; (ii) within the investment grade spectrum, would tend to focus on corporate debt obligations rated in the lowest investment grade category (Baa by Moody s or BBB by S&P); (iii) had the flexibility to invest up to 50% of its total assets in debt securities that are below investment grade quality, including unrated securities, with no exception for mortgage-related or other asset-backed securities; and (iv) would normally focus such investments in the highest non-investment grade category (rated Ba by Moody s or BB by S&P).

Effective January 16, 2015, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II amended an existing non-fundamental investment policy, such that each Fund (i) will not normally invest more than 20% of its total assets in debt instruments, other than mortgage-related and other asset-backed securities, that are, at the time of purchase, rated CCC or lower by S&P and Fitch, Inc. and Caa1 or lower by Moody s, or that are unrated but determined by PIMCO to be of comparable quality, and (ii) may invest without limitation in mortgage-related and other asset-backed securities regardless of rating. Prior to the amendment, each Fund could not invest more than 20% of its total assets in securities that, at the time of purchase, were rated CCC/Caa or lower by each agency rating the security, or were unrated but were judged by PIMCO to be of comparable quality, with no exception for mortgage-related and other asset-backed securities.

Effective December 22, 2014, each Fund amended an existing non-fundamental investment policy, such that each Fund may now invest up to 40% of its total assets in securities and instruments that are economically tied to emerging market countries (this limitation does not apply to investment grade sovereign debt denominated in the relevant country s local currency with less than 1 year remaining to maturity). Prior to the amendment, PIMCO Corporate & Income Strategy Fund and PIMCO Corporate & Income Opportunity Fund could invest up to 10% of their total assets in securities of issuers located in

emerging market countries, PIMCO High Income Fund could invest up to 10% of its total assets in securities that are economically tied to emerging market countries and PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II could each invest up to 25% of their total assets in securities and instruments economically tied to emerging market countries, and these limitations did not include an exception for investment grade sovereign debt denominated in the relevant country s local currency with less than 1 year remaining to maturity.

In addition, effective December 22, 2014, each Fund adopted a non-fundamental investment policy permitting each Fund to invest without limitation in investment grade sovereign debt denominated in the relevant country s local currency with less than 1 year remaining to maturity, subject to applicable law and any other restrictions described in each Fund s prospectus, Statement of Information or shareholder reports in effect from time to time.

In addition, each Fund has adopted the following investment policy: The Fund may invest up to 20% of its total assets in common stocks and other equity securities from time to time, including those it has received through the conversion of a convertible security held by the Fund or in connection with the restructuring of a debt security.

The following risks are associated with the policies described above:

In general, lower rated debt securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative effect on the net asset value of a Fund s common shares or common share dividends. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as high yield securities or junk bonds. High yield securities involve a greater risk of default and their prices are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer s revenues or revenues of underlying borrowers or a general economic downturn, than are the prices of higher grade securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. An economic downturn could severely affect the ability of issuers (particularly those that are highly leveraged) to service their debt obligations or to repay their obligations upon maturity. Lower-rated securities are generally less liquid than higher-rated securities, which may have an adverse effect on a Fund s ability to dispose of a particular security. As a result, a Fund could find it more difficult to sell these securities or may be able to sell these securities only at prices lower than if such securities were widely traded. To the extent a Fund focuses on below investment grade debt obligations, PIMCO s capabilities in analyzing credit quality and associated risks will be particularly

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(Unaudited)

important, and there can be no assurance that PIMCO will be successful in this regard.

A Fund s credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security in the event that a rating agency or PIMCO downgrades its assessment of the credit characteristics of a particular issue. Analysis of creditworthiness may be more complex for issuers of high yield securities than for issuers of higher quality debt securities.

Under the policies, a Fund may invest in securities rated in the lower rating categories (Caa1 or lower by Moody s or CCC or lower by either S&P or Fitch) or that are unrated but determined by PIMCO to be of comparable quality to securities so rated. For these securities, the risks associated with below investment grade instruments are more pronounced. A Fund may also purchase defaulted or stressed securities, which involve heightened risks.

Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, these securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. This is known as extension risk. In addition, mortgage-related securities are subject to prepayment risk the risk that borrowers may pay off their mortgages sooner than expected, particularly when interest rates decline. This can reduce a Fund s returns because the Fund may have to reinvest that money at lower prevailing interest rates. A Fund s investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Due to their often complicated structures, various mortgage-related and asset-backed securities may be difficult to value and may constitute illiquid investments. The values of mortgage-related and other asset-backed securities may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their servicers. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to these securities, which may give the debtor the right to avoid or reduce payment.

Investments in below investment grade and mortgage-related and other asset-backed securities may involve particularly high levels of risk.

Investments in emerging market countries pose a greater degree of risk (i.e., the risk of a cascading collapse of multiple institutions within a

country, and even multiple national economies). Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. There is also a greater risk that an emerging market government may take action that impedes or prevents the Fund from taking income and/or capital gains earned in the local currency and converting into U.S. dollars (i.e., repatriating local currency investments or profits). Other heightened risks associated with emerging market investments include without limitation: (i) risks due to less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the Fund s investment opportunities; (iv) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in the United States; (v) less publicly available financial and other information regarding issuers; (vi) potential difficulties in enforcing contractual obligations; and (vii) higher rates of inflation, higher interest rates and other economic concerns.

Investments in debt obligations of foreign (non-U.S.) governments or their sub-divisions, agencies and government sponsored enterprises (together Foreign Government Securities) can involve risk. The foreign governmental entity that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. In the event of a default by a governmental entity, there may be few or no effective legal remedies for collecting on such debt. These risks are heightened with respect to the Fund s investments in Foreign Government Securities of emerging market countries.

The market price of common stocks and other equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets, or the issuer itself. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than bonds and other debt securities.

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Dividend Reinvestment Plan

Each Fund has adopted a Dividend Reinvestment Plan (the Plan) which allows common shareholders to reinvest Fund distributions in additional common shares of the Fund. American Stock Transfer & Trust Company, LLC (the Plan Agent) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

Automatic enrollment/voluntary participation Under the Plan, common shareholders whose shares are registered with the Plan Agent (registered shareholders) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, distributions) reinvested by the Plan Agent in additional common shares of a Fund, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent. Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at www.amstock.com, by calling (844) 33PIMCO (844-337-4626), by writing to the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to each Fund s next distribution if received by the Plan Agent at least three (3) days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Fund s next distribution and will apply to the Fund s next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

How shares are purchased under the Plan For each Fund distribution, the Plan Agent will acquire common shares for participants either (i) through receipt of newly issued common shares from each Fund (newly issued shares) or (ii) by purchasing common shares of the Fund on the open market (open market purchases). If, on a distribution payment date, the net asset value per common shares of each Fund (NAV) is equal to or less than the market price per common shares plus estimated brokerage commissions (often referred to as a market premium), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the

market price per common shares plus estimated brokerage commissions (often referred to as a market discount) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per common shares on the distribution payment date). No interest will be paid on distributions awaiting reinvestment. Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date.

The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the New York Stock Exchange) in accordance with each Fund s then current policies.

Fees and expenses No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although each Fund reserves the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.

Shares held through nominees In the case of a registered shareholder such as a broker, bank or other nominee (together, a nominee) that holds common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified by the nominee/record shareholder as representing the total amount registered in such shareholder s name and held for the account of beneficial owners who are to participate in the Plan. If your common shares are held through a nominee and are not registered with the Plan Agent, neither you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your

(Unaudited)

name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

Tax consequences Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions i.e., automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions. The Funds and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560; telephone number: (844) 33-PIMCO (844-337-4626); website: www.amstock.com.

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Management of the Funds

The chart below identifies Trustees and Officers of the Funds. Unless otherwise indicated, the address of all persons below is c/o Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

Trustees

Name And Year of Birth	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee/Director During the Past 5 Years
Independent Trustees					
Hans W. Kertess 1939	Chairman of the Board, Trustee	Trustee of PHK, PTY and PFL since 2003, Trustee of PCN since 2002 and Trustee of PFN since 2004, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PTY, for the 2016-2017 fiscal year for PFL, PFN and PHK and for the 2017-2018 fiscal year for PCN.	President, H. Kertess & Co., a financial advisory company. Senior Adviser (formerly Managing Director), Royal Bank of Canada Capital Markets (since 2004).	93	None
Deborah A. DeCotis 1952	Trustee	Trustee of each Fund since 2011, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PCN and PFN, for the 2017-2018 fiscal year for PTY and PFL and the 2018-2019 fiscal year for PHK.	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Member, Circle Financial Group (since 2009); Trustee, Stanford University (since 2010); and Member, Council on Foreign Relations (since 2013). Formerly, Director, Helena Rubenstein Foundation (1997-2010); Principal, LaLoop LLC, a retail accessories company (1999-2014); and Director, Armor Holdings (2002-2010).	93	None
Bradford K. Gallagher 1944	Trustee	Trustee of each Fund since 2010, expected to stand for re-election at the annual meeting of shareholders for the	Retired. Founder, Spyglass Investments LLC, a private investment vehicle (since 2001). Formerly, Partner,	93	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of

		2015-2016 fiscal year for PFL and PFN, the 2016-2017 fiscal year for PTY and PCN and the 2017-2018 fiscal year for PHK.	New Technology Ventures Capital Management LLC, a venture capital fund (2011-2013); Chairman and Trustee, Atlantic Maritime Heritage Foundation (2007-2012) and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (1995-2001); and Chairman and Trustee, The Common Fund (2005-2014).		Nicholas-Applegate Institutional Funds (2007-2010).
James A. Jacobson 1945	Trustee	Trustee of PCN, PTY and PHK since 2009, Trustee of PFL since 2012 and Trustee of PFN since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PCN, the 2016-2017 fiscal year for PTY and PFN and the 2017-2018 fiscal year for PFL and PHK.	Retired. Trustee since 2002 and Chairman of Investment Committee (since 2007), Ronald McDonald House of New York. Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange. (2003-2008).	93	Trustee, Alpine Mutual Funds Complex consisting of 18 funds.
William B. Ogden, IV 1945	Trustee	Trustee of each Fund since 2006, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PTY, the 2016-2017 fiscal year for PFL and PHK, the 2017-2018 fiscal year for PCN and PFN.	Retired. Formerly, Asset Management Industry Consultant; and Managing Director, Investment Banking Division of Citigroup Global Markets Inc.	93	None
Alan Rappaport 1953	Trustee	Trustee of each Fund (except PFL and PFN) since 2010 of PFN since 2012 and of PFL since 2014, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PTY, the 2016-2017 fiscal year for PHK, and the 2017-2018 fiscal year for PCN, PFL and PFN.	Advisory Director (formerly Vice Chairman) Roundtable Investment Partners (since 2009); Adjunct Professor, New York University Stern School of Business (since 2011); Lecturer, Stanford University School of Business (since 2013) Trustee, American Museum of Natural History (since 2005); Trustee, NYU Langone Medical Center (since 2007), and Director, Victory Capital Holdings, Inc., an asset management firm (since 2013). Formerly, Vice Chairman, US Trust (formerly Chairman and President of Private Bank of Bank of America, the predecessor entity of US	93	None

Trust) (2001-2008).

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Name And Year of Birth	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee/ Director During the Past 5 Years
Interested Trustees					
Craig A. Dawson* 1968	Trustee	Trustee of each Fund since 2014, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PFL, for the 2016-2017 fiscal year for PCN and the 2017-2018 fiscal year for PTY, PFN and PHK.	Managing Director and Head of Strategic Business Management, PIMCO (since 2014). Director of a number of PIMCO s European investment vehicles and affiliates (since 2008). Formerly, head of PIMCO s Munich office and head of European product management for PIMCO.	25	None
John C. Maney** 1959	Trustee	Trustee of each Fund since 2006, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PFL, the 2016-2017 fiscal year for PCN and PFN, for the 2017-2018 fiscal year for PTY and for the 2018-2019 fiscal year for PHK.	Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Formerly, Member of the Management Board of Allianz Global Investors Fund Management LLC (2007-2014) and Managing Director of Allianz Global Investors Fund Management LLC (2011-2014).	25	None

* Mr. Dawson is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with PIMCO and its affiliates. Mr. Dawson s address is 650 Newport Center Drive, Newport Beach, CA 92660.

** Mr. Maney is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates. Mr. Maney s address is 680 Newport Center Drive, Suite 250, Newport Beach, CA 92660.

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Management of the Funds (Cont.)

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Officers

Name And Year of Birth	Position(s) Held with Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years
Peter G. Strelow[1] 1970	President	Since 2014	Managing Director, PIMCO. President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Youse Guia[1] 1972	Chief Compliance Officer	Since 2014	Senior Vice President and Deputy Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO-Managed Funds. Formerly, Head of Compliance, Allianz Global Investors U.S. Holdings LLC and Chief Compliance Officer of the Allianz Funds, Allianz Multi-Strategy Trust, Allianz Global Investors Sponsored Closed-End Funds, Premier Multi-Series VIT and The Korea Fund, Inc.
Joshua D. Ratner 1976	Vice President, Secretary and Chief Legal Officer	Since 2014	Executive Vice President and Senior Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Vice President, Secretary and Chief Legal Officer, PIMCO-Managed Funds. Vice President Senior Counsel, Secretary, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Stacie D. Anctil[1] 1969	Vice President	Since 2015	Senior Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Eric D. Johnson 1970	Vice President	Since 2014	Executive Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
William G. Galipeau[1] 1974	Treasurer	Since 2014	Executive Vice President, PIMCO. Treasurer, PIMCO-Managed Funds. Vice President, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Vice President, Fidelity Investments.
Erik C. Brown[1] 1967	Assistant Treasurer	Since 2015	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Jason J. Nagler 1982	Assistant Treasurer	Since 2015	Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Head of Mutual Fund Reporting, GMO, and Assistant Treasurer, GMO Trust and GMO Series Trust Funds.
Trent W. Walker[1] 1974	Assistant Treasurer	Since 2014	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds. Treasurer, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Vadim Avdeychik	Assistant Secretary	Since 2015	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds. Formerly, Associate, Willkie Farr and Gallagher LLP and ERISA Enforcement Advisor, Employee Benefits Security Administration.

1979			
Ryan G. Leshaw[1] 1980	Assistant Secretary	Since 2014	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Associate, Willkie Farr & Gallagher LLP.

[1] The address of these officers is Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, California 92660.

AGIFM personnel served as Fund officers through the close of business on September 5, 2014, but were replaced with the PIMCO personnel listed above effective as of the close of business on September 5, 2014, in connection with the transition to PIMCO as the Funds investment manager.

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Matters Relating to the Trustees Consideration of the Annual Renewal of the Investment Management Agreement

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At an in-person meeting held on June 2, 2015 (the Approval Meeting), the Board of Trustees or Directors (for purposes of this disclosure, all Board members are hereinafter referred to as Trustees) of the Funds (the Board), including the Trustees who are not interested persons (as that term is defined in the Act) of the Funds or PIMCO (the Independent Trustees), formally considered and unanimously approved the continuation of the Investment Management Agreement between each Fund and PIMCO (the Agreement) for an additional one-year period commencing on September 5, 2015. For purposes of the annual contract review process, the Independent Trustees designated one Independent Trustee to lead the process on their behalf (the Lead Independent Trustee). Prior to the Approval Meeting, the Independent Trustees or the Lead Independent Trustee, on April 3, April 8, April 16 and April 30, 2015, participated in conference calls and in-person meetings with members of management and PIMCO personnel. In addition, in each case, on April 3, April 8, April 16 and April 30, 2015, counsel to the Independent Trustees (Independent Counsel) also participated to discuss the process for the Board s review of the Agreement and to consider certain information relating to the Funds, including, among other information, information relating to PIMCO s profitability with respect to the Agreement, comparative fees and expenses and Fund performance. On May 8, 2015, PIMCO provided materials to the Independent Trustees for their consideration of the Agreement in response to a request from Independent Counsel (the Manager Request Letter), as well as other materials and information PIMCO believed was useful in evaluating the continuation of the Agreement. On May 19, 2015, the Lead Independent Trustee met with PIMCO to discuss certain aspects of those materials.

On May 22, 2015, the Independent Trustees held a meeting *via* conference call (collectively with the April 3, April 8, April 16, April 30 and May 19, 2015 meetings and the Approval Meeting, the Contract Renewal Meetings), at which they gave preliminary consideration to the materials and information provided by PIMCO bearing on the continuation of the Agreement. The Independent Trustees also received and reviewed a memorandum from counsel to the Funds regarding the Trustees responsibilities in evaluating the Agreement, which they discussed with Independent Counsel. Following the May 22 meeting, the Independent Trustees requested certain follow-up information from PIMCO, which PIMCO provided in connection with the Approval Meeting.

At the Approval Meeting, PIMCO presented certain additional supplemental information to the Independent Trustees regarding the Funds and responded either orally or in writing to various follow-up questions and requests from the Independent Trustees. Following the presentation, the Independent Trustees met separately in executive session with Independent Counsel to review and discuss all relevant information, including information provided in response to the Manager Request Letter and information presented and discussed at the prior Contract Renewal Meetings.

In connection with their deliberations regarding the proposed continuation of the Agreement, the Trustees, including the Independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The Trustees also considered the nature, quality and extent of the various investment management, administrative and other services performed by PIMCO under the Agreement.

It was noted that, in connection with their Contract Renewal Meetings, the Trustees relied upon materials provided by PIMCO which included, among other items: (i) information provided by Lipper Inc. (Lipper), an independent third party, on the total return investment performance (based on net asset value and common share market price) of the Funds for various time periods, the investment performance of a group of funds with investment classifications/objectives comparable to those of the Funds identified by Lipper (the Lipper performance universe) and, with respect to each Fund, the performance of an applicable benchmark index, if any, (ii) information provided by Lipper on each Fund s management fees and other expenses under the Agreement and the management fees and other expenses of a smaller sample of comparable funds identified by Lipper (the Lipper expense group) as well as of a larger sample of comparable funds identified by Lipper (the Lipper expense universe), (iii) information regarding the market value performance of each Fund s common shares and related share price premium and/or discount information, (iv) information regarding the investment performance and fees for other funds and accounts managed by PIMCO with similar investment strategies to those of the Funds, (v) the estimated profitability to PIMCO with respect to the Funds for the one-year period ended December 31, 2014, based on its role as sub-adviser to the Funds prior to September 5, 2014 and as investment manager to the Funds from September 5, 2014 through December 31, 2014, (vi) descriptions of various functions performed by PIMCO for the Funds, such as portfolio management, compliance monitoring and portfolio trading practices, (vii) information regarding PIMCO s compliance policies applicable to the Funds, (viii) information regarding the Funds use of leverage, (ix) a comparison of each Fund s annualized total expense ratio as a percentage of average net assets (excluding interest and borrowing expenses) under the unified fee arrangements (the Unified Fee Arrangements) for the period from September 6, 2014 to December 31, 2014 with each Fund s annualized total expense ratio as a percentage of average net assets (excluding interest and borrowing expenses) under its prior investment

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Matters Relating to the Trustees Consideration of the Annual Renewal of the Investment Management Agreement (Cont.)

management agreement with Allianz Global Investors Fund Management LLC (AGIFM) for the period from January 1, 2014 to September 5, 2014, (x) a summary composite of each Fund s management fees, total expense ratio as a percentage of average net assets attributable to common shares and performance information presented relative to the median performance and expense ratio of the Fund s Lipper performance universe and Lipper expense universe, respectively (the Fund Scoring Summary), (xi) fact cards for each Fund that included comparisons of each Fund s total expense ratio based on average net assets and average managed assets (excluding interest and borrowing expenses) relative to its Lipper expense group median, and (xii) information regarding the overall organization of PIMCO, including information regarding senior management, portfolio managers and other personnel providing investment management, administrative, compliance and other services to the Funds.

The Trustees conclusions as to the continuation of the Agreement were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, attributing different weights to various factors. The Trustees also took into account that the Funds current fee and expense arrangements were closely reviewed in 2014 in connection with the proposed transition from AGIFM to PIMCO as the Funds investment manager, and that the Agreement had been approved by the shareholders of each Fund at special shareholder meetings in 2014.

As part of their review, the Trustees examined PIMCO s abilities to provide high-quality investment management and other services to the Funds. Among other information, the Trustees considered the investment philosophy and research and decision-making processes of PIMCO; the experience of key advisory personnel of PIMCO responsible for portfolio management of the Funds; the ability of PIMCO to attract and retain capable personnel; and the capabilities of the senior management and staff of PIMCO. In addition, the Trustees reviewed the quality of PIMCO s services with respect to regulatory compliance and compliance with the investment policies of the Funds; the nature and quality of the supervisory and administrative services PIMCO is responsible for providing to the Funds; and conditions that might affect PIMCO s ability to provide high-quality services to the Funds in the future under the Agreement, including PIMCO s financial condition and operational stability. Based on the foregoing, the Trustees concluded that PIMCO s investment process, research capabilities and philosophy were well suited to the Funds given their investment objectives and policies, and that PIMCO would be able to continue to meet any reasonably foreseeable obligations under the Agreement.

In assessing the reasonableness of each Fund s fees under the Agreement, the Trustees considered, among other information, the Fund s management fee and its total expense ratio as a percentage of average net assets attributable to common shares and as a percentage of total managed assets (including assets attributable to common shares and leverage outstanding combined), and the management fee and total expense ratios of the Lipper expense group and Lipper expense universe for each Fund. Fund-specific comparative fees/expenses reviewed by the Trustees are discussed below. The Fund-specific fee and expense results discussed below were prepared and provided by Lipper and were not independently verified by the Trustees.

The Trustees specifically took note of how each Fund compared to its Lipper peers as to performance, management fee expense and total net expenses. The Trustees noted that, while the Funds are not currently charged a separate administration fee (recognizing that their management fees include a component for administrative services under the Unified Fee Arrangements), it was not clear in all cases whether the peer funds in the Lipper categories were separately charged such a fee by their investment managers, so that the total expense ratio, as opposed to any individual expense component, represented the most relevant comparison. The Trustees also considered that the total expense ratio seems to provide a more apt comparison than management fee expense because the Funds Unified Fee Arrangements cover Operating Expenses (defined below) that are typically paid for or incurred by peer funds directly in addition to their management fees as discussed below. It was noted that the total expense ratio comparisons reflect the effect of expense waivers/reimbursements, if any. The Trustees considered total expense ratio comparisons both including and excluding interest and borrowing expenses. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the Lipper expense groups and Lipper expense universes presented for comparison with the Funds.

The Trustees noted that, for each Fund, the contractual management fee rate for the Fund under its Unified Fee Arrangement was above the median contractual management fee of the other funds in its Lipper expense group, calculated both on average net assets and on average total managed assets (except PTY, the management fee of which was below its Lipper expense group median calculated both on average net assets and on average total managed assets). However, in this regard, the Trustees took into account that each Fund s Unified Fee Arrangement covers substantially all of the Fund s other supervisory and administrative services required by the Fund that are typically paid for or incurred by closed-end funds directly in addition to a fund s management fee (such fees and expenses, Operating Expenses) and therefore would tend to be higher than the contractual management fee rates of other funds in the Lipper expense groups, which generally

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do not have a unified fee structure and bear Operating Expenses directly and in addition to the management fee. The Trustees determined that a review of each Fund s total expense ratio with the total expense ratios of peer funds would generally provide more meaningful comparisons than considering contractual management fee rates in isolation.

In this regard, the Trustees noted PIMCO s view that the Unified Fee Arrangements have benefited and will continue to benefit common shareholders because they provide a management fee expense structure (including Operating Expenses) that is essentially fixed as a percentage of managed assets, making it more predictable under ordinary circumstances in comparison to fee and expense structures, such as the structure in place for the Funds prior to September 6, 2014, under which the Funds Operating Expenses (including certain third-party fees and expenses) can vary significantly over time. The Trustees also considered that the Unified Fee Arrangements generally insulate the Funds and common shareholders from increases in applicable third-party and certain other expenses because PIMCO, rather than the Funds, would bear the risk of such increases (though the Trustees also noted that PIMCO would benefit from any reductions in such expenses). In this regard, the Trustees noted that PIMCO has already borne significant costs that would have otherwise been borne directly by the Funds, such as the costs associated with aligning certain Funds fiscal year ends.

The Trustees noted that each Fund s total expense ratio as a percentage of average net assets (excluding interest and borrowing expenses) under the investment management agreement with AGIFM from January 1, 2014 to September 5, 2014 (presented on a pro forma, annualized basis) was generally similar to the total expense ratio (excluding interest and borrowing expenses) under the Unified Fee Arrangements with PIMCO from September 6, 2014 to December 31, 2014 (presented on a pro forma, annualized basis). The Trustees noted that the total expense ratio (excluding interest and borrowing expenses) as a percentage of average net assets attributable to common shareholders for PHK was higher under the Unified Fee Arrangements than it was under the investment management agreement with AGIFM (the pre-transition period), the total expense ratios (excluding interest and borrowing expenses) as a percentage of average net assets attributable to common shareholders for PCN and PFN under the Unified Fee Arrangements were slightly lower than they were during the pre-transition period and the total expense ratios (excluding interest and borrowing expenses) as a percentage of average net assets attributable to common shareholders for PFL and PTY under the Unified Fee Arrangements was the same as the pre-transition period. It was noted that, with respect to PHK, the increase was largely due to decreased average net assets attributable to common shares.

Fund-specific comparative performance results for the Funds reviewed by the Trustees are discussed below. The comparative performance

information was prepared and provided by Lipper and was not independently verified by the Trustees. Due to the passage of time, these performance results may differ from the performance results for more recent periods. With respect to all Funds, the Trustees reviewed, among other information, comparative information showing performance of the Funds against the Lipper performance universes for the one-year, three-year, five-year and ten-year periods (to the extent each such Fund had been in existence) ended December 31, 2014. The Trustees also reviewed the Fund Scoring Summaries prepared by PIMCO at the Independent Trustees request comparing each Fund s fees/expenses and performance against those of its Lipper performance universe and Lipper expense universe by identifying a Fund s ranking among its Lipper performance universe and Lipper expense universe as above-median or below median with respect to various fee/expense categories (management fees and total expenses) and performance periods (one-year, three-year and five-year), as well as averages of such rankings for each Fund. In addition, the Trustees also reviewed fact cards for each Fund that included comparisons of each Fund s total expense ratio based on average net assets (excluding interest and borrowing expenses) and average managed assets (excluding interest and borrowing expenses) relative to its Lipper expense group median.

In addition, it was noted that the Trustees considered matters bearing on the Funds and their advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting.

Among other information, the Trustees took into account the following regarding particular Funds.

PTY

With respect to the Fund s common share total return performance (based on net asset value) relative to its respective Lipper performance universe, the Trustees noted that the Fund had first quintile performance for the one-year, three-year, five-year and ten-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of six funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from $342.4 million to $1.945 billion, and that one of the funds in the group was larger in asset size than the Fund. With respect to the Fund s total expense ratio (excluding interest and borrowing expenses) calculated on both average net assets and average managed assets the Trustees noted that the Fund s total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses)

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Matters Relating to the Trustees Consideration of the Annual Renewal of the Investment Management Agreement (Cont.)

calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense universe, which consisted of twenty-seven funds.

PCN

With respect to the Fund s common share total return performance (based on net asset value) relative to its respective Lipper performance universe, the Trustees noted that the Fund had second quintile performance for the one-year period and first quintile performance for the three-year, five-year and ten-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from $342.4 million to $689.3 million, and that one of the funds in the group was larger in asset size than the Fund. With respect to the Fund s total expense ratio (excluding interest and borrowing expenses) calculated on both average net assets and average managed assets the Trustees noted that the Fund s total expense ratio (excluding interest and borrowing expenses) was at the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense universe, which consisted of twenty-seven funds.

PHK

With respect to the Fund s common share total return performance (based on net asset value) relative to its respective Lipper performance universe, the Trustees noted that the Fund had first quintile performance for the one-year, three-year and five-year periods and

second quintile performance for the ten-year period ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of six funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from $342.4 million to $1.945 billion, and that one of the funds in the group was larger in asset size than the Fund. With respect to the Fund s total expense ratio (excluding interest and borrowing expenses) calculated both on average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense universe, which consisted of twenty-seven funds.

PFL

With respect to the Fund s common share total return performance (based on net asset value) relative to its respective Lipper performance universe, the Trustees noted that the Fund had second quintile performance for the one-year, three-year period, and five-year period, and fourth quintile performance for the ten-year period ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of eight funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from $174.6 million to $689.3 million, and that four of the funds in the group were larger in asset size than the Fund. With respect to the Fund s total expense ratio (excluding interest and borrowing expenses) calculated on both average net assets and average managed assets the Trustees noted that the Fund s total expense ratio (excluding interest and borrowing expenses) was above the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund s

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total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense universe, which consisted of twenty-seven funds.

PFN

With respect to the Fund s common share total return performance (based on net asset value) relative to its respective Lipper performance universe, the Trustees noted that the Fund had second quintile performance for the one-year period, first quintile performance for the three-year and five-year periods and fifth quintile performance for the ten-year period ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from $342.4 million to $689.3 million, and that one of the funds in the group was larger in asset size than the Fund. With respect to the Fund s total expense ratio (excluding interest and borrowing expenses) calculated on both average net assets and average managed assets the Trustees noted that the Fund s total expense ratio (excluding interest and borrowing expenses) was above the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was at the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund s total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund s total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund s total

expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense universe, which consisted of twenty-seven funds.

In addition to their review of Fund performance based on net asset value, the Trustees also considered the market value performance of each Fund s common shares and related share price premium and/or discount information based on the materials provided by Lipper and PIMCO.

The Trustees also considered the management fees charged by PIMCO to other funds and accounts with similar strategies to those of the Funds, including any similar open-end funds. The Trustees noted that the management fees paid by the Funds are generally higher than the fees paid by any open-end funds offered for comparison, but were advised by PIMCO that there are additional portfolio management challenges in managing closed-end funds such as the Funds, such as those associated with less liquid holdings, the use of leverage, issues relating to trading on a national exchange and attempting to meet a regular dividend.

The Trustees also took into account that the Funds have Preferred Shares outstanding and use leverage, such as by the use of reverse repurchase agreements, which increases the amount of management fees payable by the Funds under the Agreement (because each Fund s fees are calculated either based on net assets including assets attributable to preferred shares outstanding or based on total managed assets, including assets attributable to preferred shares and certain other forms of leverage outstanding). In this regard, the Trustees took into account that PIMCO has a financial incentive for the Funds to continue to use leverage, which may create a conflict of interest between PIMCO, on one hand, and the Funds common shareholders, on the other. The Trustees further noted that this incentive may be greater under the Unified Fee Arrangements because the contractual management fee rates under the Unified Fee Agreements are higher for each Fund than the Fund s management fee would otherwise be if it did not cover the Fund s Operating Expenses i.e., in comparison to their non-unified management fee rates in place prior to September 6, 2014. Therefore, the total fees paid by each Fund to PIMCO under the Unified Fee Arrangements will vary more with increases and decreases in applicable leverage incurred by a Fund than under its prior non-unified fee arrangement, all things being equal. The Trustees considered information provided by PIMCO and related presentations as to why each Fund s use of leverage continues to be appropriate and in the best interests of the respective Fund under current market conditions. The Trustees also considered PIMCO s representation that it will use leverage for the Funds solely as it determines to be in the best interests of the Funds from an investment perspective and without regard to the level of compensation PIMCO receives.

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Matters Relating to the Trustees Consideration of the Annual Renewal of the Investment Management Agreement (Cont.)

(Unaudited)

The Trustees also considered estimated profitability analyses provided by PIMCO, which included, among other information, (i) information regarding the estimated profitability to PIMCO with respect to the Funds for the one-year period ended December 31, 2014 for serving as the Funds sub-adviser from January 1, 2014 through the close of business on September 5, 2014, and for serving as the Funds investment manager from September 6, 2014 through December 31, 2014; and (ii) a comparison of the estimated pro forma profitability for the one-year period ended December 31, 2014 previously provided to the Board in connection with the initial approval of the Agreement, which assumed that PIMCO served as the Funds investment manager for the entire one-year period, against the estimated profitability to PIMCO during calendar year 2014. The Trustees also took into account explanations from PIMCO regarding how certain corporate and shared expenses were allocated among the Funds and other funds and accounts managed by PIMCO for purposes of developing profitability estimates. Based on the profitability analyses provided by PIMCO, the Trustees determined, taking into account the various assumptions made, that such profitability did not appear to be excessive.

The Trustees also took into account that the Funds do not currently have any breakpoints in their management fees and, as closed-end investment companies, the Funds did not at the time of the review intend to raise additional assets, so the assets of the Funds were expected to grow (if at all) principally through the investment performance of each Fund and/or the increased use of leverage. The Trustees also considered that the Unified Fee Arrangements provide inherent economies of scale because a Fund maintains competitive fixed unified fees even if the particular Fund s assets decline and/or operating costs rise. The Trustees further considered that, in contrast, breakpoints are a proxy for charging higher fees on lower asset levels and that when a fund s assets decline, breakpoints may reverse, which causes expense ratios to increase. The Trustees also considered that, unlike the Funds Unified Fee Arrangements, funds with pass through administrative fee structures may experience increased expense ratios when fixed dollar fees are charged against declining fund assets. The Trustees also considered that the Unified Fee Arrangements protect shareholders from a rise in operating costs that may result from, including, among other things, PIMCO s investments in various business enhancements and infrastructure. The Trustees noted that PIMCO has made extensive investments in these areas.

Additionally, the Trustees considered so-called fall-out benefits to PIMCO, such as reputational value derived from serving as investment manager to the Funds and research, statistical and quotation services PIMCO may receive from broker-dealers executing the Funds portfolio transactions on an agency basis.

After reviewing these and other factors described herein, the Trustees concluded, with respect to each Fund, within the context of their overall conclusions regarding the Agreement and based on the information provided and related representations made by management, that they were satisfied with PIMCO s responses and efforts relating to the investment performance of the Funds. The Trustees also concluded that the fees payable under the Agreement represent reasonable compensation in light of the nature, extent and quality of services provided by PIMCO. Based on their evaluation of factors that they deemed to be material, including those factors described above, the Trustees, including the Independent Trustees, unanimously concluded that the continuation of the Agreement was in the interests of each Fund and its shareholders, and should be approved.

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Privacy Policy[1]

(Unaudited)

The Funds[2] consider customer privacy to be a fundamental aspect of their relationships with shareholders and are committed to maintaining the confidentiality, integrity and security of their current, prospective and former shareholders non-public personal information. The Funds have developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

Obtaining Personal Information

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

Respecting Your Privacy

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

Sharing Information with Third Parties

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

Sharing Information with Affiliates

The Funds may share shareholder information with their affiliates in connection with servicing shareholders accounts, and subject to applicable law may provide shareholders with information about products and services that the Funds or their Adviser or its affiliates (Service Affiliates) believe may be of interest to such shareholders. The information that the Funds may share may include, for example, a shareholder s participation in the Funds or in other investment programs sponsored by a Service Affiliate, a shareholder s ownership of certain types of accounts (such as IRAs), information about the Funds experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder s accounts, subject to applicable law. The Funds Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

Procedures to Safeguard Private Information

The Funds take seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Funds have implemented procedures that are designed to restrict access to a shareholder s non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder s non-public personal information.

Information Collected from Websites

Websites maintained by the Funds or their service providers may use a variety of technologies to collect information that help the Funds and their service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as cookies) allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Funds or their Service Affiliates may use third parties to place advertisements for the Funds on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address.

You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly.

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Privacy Policy[1] (Cont.)

(Unaudited)

Changes to the Privacy Policy

From time to time, the Funds may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

1 Effective as of September 5, 2014.

2 When distributing this Policy, a Fund may combine the distribution with any similar distribution of its investment adviser s privacy policy. The distributed, combined policy may be written in the first person (i.e., by using we instead of the Funds).

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General Information

Investment Manager

Pacific Investment Management Company LLC

1633 Broadway

New York, NY 10019

Custodian

State Street Bank and Trust Company

801 Pennsylvania Avenue

Kansas City, MO 64105

Transfer Agent, Dividend Paying Agent and Registrar

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

Legal Counsel

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

1100 Walnut Street, Suite 1300

Kansas City, MO 64106

This report is submitted for the general information of the shareholders of PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO High Income Fund, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II.

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Item 2. Code of Ethics.

As of the end of the period covered by this report, the Registrant has adopted a code of ethics (the Code) that applies to the Registrant s principal executive officer and principal financial & accounting officer. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code to the principal executive officer or principal financial & accounting officer during the period covered by this report.

A copy of the Code is included as an exhibit to this report.

Item 3. Audit Committee Financial Expert.

(a) The Board of Trustees has determined that James A. Jacobson, who serves on the Board s Audit Oversight Committee, qualifies as an audit committee financial expert as such term is defined in the instructions to this Item 3. The Board has also determined that Mr. Jacobson is independent as such term is interpreted under this Item 3.

Item 4. Principal Accountant Fees and Services.

(a)	Fiscal Year Ended	Audit Fees	
	July 31, 2015	$	31,031
	July 31, 2014	$	85,050

(b)	Fiscal Year Ended	Audit-Related Fees	
	July 31, 2015	$	16,480
	July 31, 2014	$	16,000

(c)	Fiscal Year Ended	Tax Fees	
	July 31, 2015	$	16,470
	July 31, 2014	$	16,480

(d)	Fiscal Year Ended	All Other Fees(1)	
	July 31, 2015	$	
	July 31, 2014	$	

Audit Fees represents fees billed for each of the last two fiscal years for professional services rendered for the audit and review of the Registrant s annual financial statements for those fiscal years or services that are normally provided by the accountant in connection with statutory or regulatory filings or engagements for those fiscal years.

Audit-Related Fees represents fees billed for each of the last two fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of the Registrant s financial statements, but not reported under Audit Fees above, and that include accounting consultations, agreed-upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports and comfort letters for those fiscal years.

Tax Fees represents fees billed for each of the last two fiscal years for professional services related to tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews, and tax distribution and analysis reviews.

All Other Fees represents fees, if any, billed for other products and services rendered by the principal accountant to the Registrant other than those reported above under Audit Fees, Audit-Related Fees and Tax Fees for the last two fiscal years.

(1)There were no All Other Fees for the last two fiscal years.

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(e) Pre-approval policies and procedures

(1) The Registrant s Audit Oversight Committee has adopted pre-approval policies and procedures (the Procedures) to govern the Audit Oversight Committee s pre-approval of (i) all audit services and permissible non-audit services to be provided to the Registrant by its independent accountant, and (ii) all permissible non-audit services to be provided by such independent accountant to the Registrant s investment adviser and to any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant (collectively, the Service Affiliates) if the services provided directly relate to the Registrant s operations and financial reporting. In accordance with the Procedures, the Audit Oversight Committee is responsible for the engagement of the independent accountant to certify the Registrant s financial statements for each fiscal year. With respect to the pre-approval of non-audit services provided to the Registrant and its Service Affiliates, the Procedures provide that the Audit Oversight Committee may annually pre-approve a list of types or categories of non-audit services that may be provided to the Registrant or its Service Affiliates, or the Audit Oversight Committee may pre-approve such services on a project-by-project basis as they arise. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Oversight Committee if it is to be provided by the independent accountant. The Procedures also permit the Audit Oversight Committee to delegate authority to one or more of its members to pre-approve any proposed non-audit services that have not been previously pre-approved by the Audit Oversight Committee, subject to the ratification by the full Audit Oversight Committee no later than its next scheduled meeting.

(2) With respect to the services described in paragraphs (b) through (d) of this Item 4, no amount was approved by the Audit Oversight Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

f) Not applicable.

g)

Entity	Aggregate Non-Audit Fees Billed to Entity July 31, 2015
PIMCO Income Strategy Fund	$ 32,950
Pacific Investment Management Company LLC (PIMCO)	9,815,893
Total	$ 9,848,843

The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to the Adviser (which may include fees billed for services rendered to PIMCO and/or Allianz Global Investors Fund Management LLC), for the fiscal period ended July 31, 2014 was $7,454,533.

h) The Registrant s Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Registrant s investment adviser, and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant which were not pre-approved (not requiring pre-approval) is compatible with maintaining the principal accountant s independence.

Item 5. Audit Committee of Listed Registrants.

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The audit committee is comprised of:

Deborah A. DeCotis;

Bradford K. Gallagher;

James A. Jacobson;

Hans W. Kertess;

William B. Ogden, IV; and

Alan Rappaport.

Item 6. Schedule of Investments.

The Schedule of Investments is included as part of the reports to shareholders under Item 1.

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Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

PIMCO has adopted written proxy voting policies and procedures (Proxy Policy) as required by Rule 206(4)-6 under the Advisers Act. In addition to covering the voting of equity securities, the Proxy Policy also applies generally to voting and/or consent rights of fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions. The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights (collectively, proxies) are exercised in the best interests of accounts.

With respect to the voting of proxies relating to equity securities, PIMCO has selected an unaffiliated third party proxy research and voting service (Proxy Voting Service), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications of the proposals and provides a recommendation to PIMCO as to how to vote on each proposal based on the Proxy Voting Service s research of the individual facts and circumstances and the Proxy Voting Service s application of its research findings to a set of guidelines that have been approved by PIMCO. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does not provide a recommendation with respect to a proposal, PIMCO may determine to vote on the proposals directly.

With respect to the voting of proxies relating to fixed income securities, PIMCO s fixed income credit research group (the Credit Research Group) is responsible for researching and issuing recommendations for voting proxies. With respect to each proxy received, the Credit Research Group researches the financial implications of the proxy proposal and makes voting recommendations specific for each account that holds the related fixed income security. PIMCO considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Credit Research Group. In the event that the Credit Research Group does not provide a recommendation with respect to a proposal, PIMCO may determine to vote the proposal directly.

PIMCO may determine not to vote a proxy for an equity or fixed income security if: (1) the effect on the applicable account s economic interests or the value of the portfolio holding is insignificant in relation to the account s portfolio; (2) the cost of voting the proxy outweighs the possible benefit to the applicable account, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the portfolio managers to effect trades in the related security; or (3) PIMCO otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy.

In the event that the Proxy Voting Service or the Credit Research Group, as applicable, does not provide a recommendation or the portfolio managers of a client account propose to override a recommendation by the Proxy Voting Service, or the Credit Research Group, as applicable, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable account or among PIMCO-advised accounts. If no material conflict exists, the proxy will be voted according to the portfolio managers recommendation. If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable client account, as provided by the Proxy Policy. The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and a client account, the Proxy Policy permits PIMCO to either: (i) convene a committee to assess and resolve the conflict (the Proxy Conflicts Committee); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Committee and/or other relevant procedures approved by PIMCO s Legal and Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between one or more PIMCO-advised accounts, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each client account s best interests if the conflict exists between client accounts managed by different portfolio managers.

PIMCO will supervise and periodically review its proxy voting activities and the implementation of the Proxy Policy. PIMCO s Proxy Policy, and information about how PIMCO voted a client s proxies, is available upon request.

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Item 8. Portfolio Managers of Closed-End Management Investment Companies.
(a)(1)

As of September 25, 2015, the following individuals have primary responsibility for the day-to-day implementation of the PIMCO Income Strategy Fund (the Fund):

Alfred T. Murata

Mr. Murata has been a portfolio manager of the Fund since September 2014. Mr. Murata is a managing director in the Newport Beach office and a portfolio manager on the mortgage credit team. Prior to joining PIMCO in 2001, he researched and implemented exotic equity and interest rate derivatives at Nikko Financial Technologies.

Mohit Mittal

Mr. Mittal has been a portfolio manager of the Fund since September 2014. Mr. Mittal is a managing director and portfolio manager in the Newport Beach office. He manages investment grade credit, total return and unconstrained bond portfolios and is a member of the Americas Portfolio Committee. Previously, he was a specialist on PIMCO s interest rates and derivatives desk.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund, managed by the Portfolio Managers as of July 31, 2015, including accounts managed by a team, committee, or other group that includes a Portfolio Manager. Unless mentioned otherwise, the advisory fee charged for managing each of the accounts listed below is not based on performance.

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
PM	#	AUM($million)	#	AUM($million)	#	AUM($million)
Alfred T. Murata	9	58,324.42	3	7,863.67	5	593.87
Mohit Mittal	4	3,107.64	8	4,699.97	80	32,211.91*

*Of these Other Accounts, 4 account(s) totaling 634.50 million in assets pay(s) an advisory fee that is based in part on the performance of the accounts.

From time to time, potential and actual conflicts of interest may arise between a portfolio manager s management of the investments of the Fund, on the one hand, and the management of other accounts, on the other. Potential and actual conflicts of interest may also arise as a result of PIMCO s other business activities and PIMCO s possession of material non-public information about an issuer. Other accounts managed by a portfolio manager might have similar investment objectives or strategies as the Fund, track the same index as the Fund or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the Fund. The other accounts might also have different investment objectives or strategies than the Fund. Potential and actual conflicts of interest may also arise as a result of PIMCO serving as investment adviser to accounts that invest in the Fund. In this case, such conflicts of interest could in theory give rise to incentives for PIMCO to, among other things, vote proxies of the Fund in a manner beneficial to the investing account but detrimental to the Fund. Conversely, PIMCO s duties to the Fund, as well as regulatory or other limitations applicable to the Fund, may affect the courses of action available to PIMCO-advised accounts (including certain funds) that invest in the Fund in a manner that is detrimental to such investing accounts.

Because PIMCO is affiliated with Allianz, a large multi-national financial institution, conflicts similar to those described below may occur between the Fund and other accounts managed by PIMCO and PIMCO s affiliates or accounts managed by those affiliates. Those affiliates (or their clients), which generally operate autonomously from PIMCO, may take actions that are adverse to the Fund or other accounts managed by PIMCO. In many cases, PIMCO will not be in a position to mitigate those actions or address those conflicts, which could adversely affect the performance of the Fund or other accounts managed by PIMCO.

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Knowledge and Timing of Fund Trades. A potential conflict of interest may arise as a result of the portfolio manager s day-to-day management of the Fund. Because of their positions with the Fund, the portfolio managers know the size, timing and possible market impact of the Fund s trades. It is theoretically possible that the portfolio managers could use this information to the advantage of other accounts they manage and to the possible detriment of the Fund.

Investment Opportunities. A potential conflict of interest may arise as a result of the portfolio manager s management of a number of accounts with varying investment guidelines. Often, an investment opportunity may be suitable for both the Fund and other accounts managed by the portfolio manager, but may not be available in sufficient quantities for both the Fund and the other accounts to participate fully. In addition, regulatory issues applicable to PIMCO or the Fund or other accounts may result in the Fund not receiving securities that may otherwise be appropriate for it. Similarly, there may be limited opportunity to sell an investment held by the Fund and another account. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

Under PIMCO s allocation procedures, investment opportunities are allocated among various investment strategies based on individual account investment guidelines and PIMCO s investment outlook. PIMCO has also adopted additional procedures to complement the general trade allocation policy that are designed to address potential conflicts of interest due to the side-by-side management of the Fund and certain pooled investment vehicles, including investment opportunity allocation issues.

Conflicts potentially limiting the Fund s investment opportunities may also arise when the Fund and other PIMCO clients invest in different parts of an issuer s capital structure, such as when the Fund owns senior debt obligations of an issuer and other clients own junior tranches of the same issuer. In such circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment may result in conflicts of interest. In order to minimize such conflicts, a portfolio manager may avoid certain investment opportunities that would potentially give rise to conflicts with other PIMCO clients or PIMCO may enact internal procedures designed to minimize such conflicts, which could have the effect of limiting the Fund s investment opportunities. Additionally, if PIMCO acquires material non-public confidential information in connection with its business activities for other clients, a portfolio manager may be restricted from purchasing securities or selling securities for the Fund. Moreover, the Fund or other accounts managed by PIMCO may invest in a transaction in which one or more other funds or accounts managed by PIMCO are expected to participate, or already have made or will seek to make, an investment. Such funds or accounts may have conflicting interests and objectives in connection with such investments, including, for example and without limitation, with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment, and the timeframe for, and method of, exiting the investment. When making investment decisions where a conflict of interest may arise, PIMCO will endeavor to act in a fair and equitable manner as between the Fund and other clients; however, in certain instances the resolution of the conflict may result in PIMCO acting on behalf of another client in a manner that may not be in the best interest, or may be opposed to the best interest, of the Fund.

Performance Fees. A portfolio manager may advise certain accounts with respect to which the advisory fee is based entirely or partially on performance. Performance fee arrangements may create a conflict of interest for the portfolio manager in that the portfolio manager may have an incentive to allocate the investment opportunities that he or she believes might be the most profitable to such other accounts instead of allocating them to the Fund. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities between the Fund and certain pooled investment vehicles on a fair and equitable basis over time.

(a)(3)

As of July 31, 2015 the following explains the compensation structure of the individuals who have primary responsibility for day-to-day portfolio management of the Fund:

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Portfolio Manager Compensation

PIMCO has adopted a Total Compensation Plan for its professional level employees, including its portfolio managers, that is designed to pay competitive compensation and reward performance, integrity and teamwork consistent with the firm s mission statement. The Total Compensation Plan includes an incentive component that rewards high performance standards, work ethic and consistent individual and team contributions to the firm. The compensation of portfolio managers consists of a base salary and discretionary performance bonuses, and may include an equity or long term incentive component.

Certain employees of PIMCO, including portfolio managers, may elect to defer compensation through PIMCO s deferred compensation plan. PIMCO also offers its employees a non-contributory defined contribution plan through which PIMCO makes a contribution based on the employee s compensation. PIMCO s contribution rate increases at a specified compensation level, which is a level that would include portfolio managers.

Key Principles on Compensation Philosophy include:

PIMCO s pay practices are designed to attract and retain high performers.

PIMCO s pay philosophy embraces a corporate culture of rewarding strong performance, a strong work ethic and meritocracy.

PIMCO s goal is to ensure key professionals are aligned to PIMCO s long-term success through equity participation.

PIMCO s Discern and Differentiate discipline is exercised where individual performance ranking is used for guidance as it relates to total compensation levels.

The Total Compensation Plan consists of three components:

Base Salary Base salary is determined based on core job responsibilities, positions/levels and market factors. Base salary levels are reviewed annually, when there is a significant change in job responsibilities or position, or a significant change in market levels. Base salary is paid in regular installments throughout the year and payment dates are in line with local practice.

Performance Bonus Performance bonuses are designed to reward individual performance. Each professional and his or her supervisor will agree upon performance objectives to serve as a basis for performance evaluation during the year. The objectives will outline individual goals according to pre-established measures of the group or department success. Achievement against these goals as measured by the employee and supervisor will be an important, but not exclusive, element of the bonus decision process. Award amounts are determined at the discretion of the Compensation Committee (and/or certain senior portfolio managers, as appropriate) and will also consider firm performance.

Long-term Incentive Compensation - Long-Term Incentive Plan (LTIP) is awarded to key professionals. Employees who reach a total compensation threshold are delivered their annual compensation in a mix of cash and long-term incentive awards. PIMCO incorporates a progressive allocation of long-term incentive awards as a percentage of total compensation, which is in line with market practices. The LTIP provides participants with cash awards that appreciate or depreciate based on PIMCO s operating earnings over a rolling three-year period. The plan provides a link between longer term company performance and participant pay, further motivating participants to make a long-term commitment to PIMCO s success. Participation in LTIP is contingent upon continued employment at PIMCO.

In addition, the following non-exclusive list of qualitative criteria may be considered when specifically determining the total compensation for portfolio managers:

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3-year, 2-year and 1-year dollar-weighted and account-weighted, pre-tax investment performance as judged against the applicable benchmarks for each account managed by a portfolio manager (including the Funds) and relative to applicable industry peer groups;

Appropriate risk positioning that is consistent with PIMCO s investment philosophy and the Investment Committee/CIO approach to the generation of alpha;

Amount and nature of assets managed by the portfolio manager;

Consistency of investment performance across portfolios of similar mandate and guidelines (reward low dispersion);

Generation and contribution of investment ideas in the context of PIMCO s secular and cyclical forums, portfolio strategy meetings, Investment Committee meetings, and on a day-to-day basis;

Absence of defaults and price defaults for issues in the portfolios managed by the portfolio manager;

Contributions to asset retention, gathering and client satisfaction;

Contributions to mentoring, coaching and/or supervising; and

Personal growth and skills added.

A portfolio manager s compensation is not based directly on the performance of any Fund or any other account managed by that portfolio manager.

Profit Sharing Plan. Portfolio managers who are Managing Directors of PIMCO receive compensation from a non-qualified profit sharing plan consisting of a portion of PIMCO s net profits. Portfolio managers who are Managing Directors receive an amount determined by the Compensation Committee, based upon an individual s overall contribution to the firm.

(a)(4)

The following summarizes the dollar range of securities of the Fund the Portfolio Managers beneficially owned as of July 31, 2015:

Portfolio Manager	Dollar Range of Equity Securities of the Fund Owned as of July 31, 2015
Alfred T. Murata	None
Mohit Mittal	None

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

None.

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund s Board of Trustees since the Fund last provided disclosure in response to this item.

Item 11. Controls and Procedures.

(a) The principal executive officer and principal financial & accounting officer have concluded that the Registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that material information relating to the Registrant is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

(b) There were no changes in the Registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant s internal control over financial reporting.

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Item 12. Exhibits.

(a)(1) Exhibit 99.CODE Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002.

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

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

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Signatures

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

PIMCO Income Strategy Fund

By: /s/ PETER G. STRELOW
Peter G. Strelow

President (Principal Executive Officer)

Date: September 25, 2015

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

By: /s/ PETER G. STRELOW
Peter G. Strelow

President (Principal Executive Officer)

Date: September 25, 2015

By: /s/ WILLIAM G. GALIPEAU
William G. Galipeau

Treasurer (Principal Financial & Accounting Officer)

Date: September 25, 2015