

PIMCO INCOME STRATEGY FUND
Form N-Q
December 17, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL
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FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21374

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

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

10105
(Zip code)

Lawrence G. Altadonna

1345 Avenue of the Americas,

New York, NY 10105
(Name and address of agent for service)

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

Date of fiscal year end: July 31, 2011

Date of reporting period: October 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

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

Item 1. Schedule of Investments

PIMCO Income Strategy Fund Schedule of Investments

October 31, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
CORPORATE BONDS & NOTES 72.2%			
Airlines 6.6%			
\$900	American Airlines, Inc., 10.50%, 10/15/12	B2/B	\$983,250
4,066	American Airlines Pass Through Trust, 9.73%, 9/29/14	Caa2/CCC+	3,771,087
3,948	10.18%, 1/2/13	Caa1/CCC+	3,987,827
15,690	United Air Lines Pass Through Trust, 10.40%, 5/1/18	Baa2/BBB+	17,729,513
			26,471,677
Banking 9.4%			
2,600	AgFirst Farm Credit Bank, 7.30%, 11/29/10 (a)(b)(d)(g)(j) (acquisition cost-\$2,225,000; purchased 2/26/10-4/15/10)	NR/A	2,204,777
300	Allied Irish Banks PLC, 10.75%, 3/29/17	Ba3/BB	249,000
2,000	10.75%, 3/29/17	Ba3/BB	2,301,675
\$1,200	Barclays Bank PLC (g), 7.375%, 12/15/11 (a)(d)	Baa2/A-	1,230,000
1,885	7.434%, 12/15/17 (a)(d)(i)	Baa2/A-	1,932,125
£7,800	14.00%, 6/15/19	Baa2/A-	16,087,128
\$1,000	Den Norske Bank ASA, 7.729%, 6/29/11 (a)(d)(g)(i)	Baa3/BBB+	1,013,888
600	HBOS PLC, 6.75%, 5/21/18 (a)(d)	Baa3/BBB-	616,107
3,000	Rabobank Nederland NV, 6.875%, 3/19/20	NR/NR	4,182,823
\$4,400	11.00%, 6/30/19 (a)(d)(g)(i)	A2/AA-	5,891,855
800	Regions Financial Corp., 7.375%, 12/10/37	Ba1/BB+	723,958
1,500	7.75%, 9/15/24	Ba1/BB+	1,510,305
			37,943,641
Energy 0.3%			
1,100	Dynegy Roseton/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B	Caa2/B-	1,023,000
Financial Services 33.4%			
304	Ally Financial, Inc., 5.90%, 1/15/19	B3/B	263,324
156	5.90%, 10/15/19	B3/B	135,409
500	6.00%, 12/15/11	B3/B	510,252
55	6.00%, 2/15/19	B3/B	47,906
40	6.00%, 3/15/19	B3/B	34,901
8	6.00%, 4/15/19	B3/B	6,977
325	6.00%, 9/15/19	B3/B	284,252
95	6.05%, 8/15/19	B3/B	83,231
413	6.05%, 10/15/19	B3/B	362,666

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1,208	6.15%, 8/15/19	B3/B	1,067,319
1,371	6.25%, 2/15/16	B3/B	1,285,266
25	6.25%, 1/15/19	B3/B	22,154
120	6.30%, 8/15/19	B3/B	107,143
1,168	6.35%, 2/15/16	B3/B	1,099,948
285	6.35%, 4/15/16	B3/B	269,476
216	6.40%, 3/15/16	B3/B	205,196
360	6.40%, 11/15/19	B3/B	323,547
1,357	6.50%, 2/15/16	B3/B	1,286,627

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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
Financial Services (continued)			
\$20	6.50%, 9/15/16	B3/B	\$18,928
442	6.50%, 10/15/16	B3/B	418,658
150	6.50%, 12/15/18	B3/B	135,162
358	6.55%, 12/15/19	B3/B	323,135
14	6.60%, 5/15/18	B3/B	12,967
51	6.65%, 6/15/18	B3/B	47,277
60	6.70%, 6/15/18	B3/B	55,498
329	6.75%, 4/15/13	B3/B	328,053
3	6.75%, 8/15/16	B3/B	2,880
13	6.75%, 6/15/17	B3/B	12,549
89	6.75%, 5/15/19	B3/B	81,751
10	6.75%, 6/15/19	B3/B	9,194
205	6.80%, 9/15/16	B3/B	196,871
3	6.80%, 10/15/18	B3/B	2,758
938	6.85%, 4/15/16	B3/B	909,554
30	6.85%, 5/15/18	B3/B	28,219
336	6.875%, 8/15/16	B3/B	323,777
5	6.875%, 7/15/18	B3/B	4,676
140	6.90%, 6/15/17	B3/B	136,262
32	6.90%, 8/15/18	B3/B	29,863
151	6.95%, 6/15/17	B3/B	147,357
25	7.00%, 12/15/16	B3/B	24,280
27	7.00%, 6/15/17	B3/B	26,418
130	7.00%, 7/15/17	B3/B	127,139
367	7.00%, 2/15/18	B3/B	352,283
12	7.00%, 3/15/18	B3/B	11,477
155	7.00%, 8/15/18	B3/B	145,532
5	7.00%, 9/15/18	B3/B	4,672
42	7.05%, 3/15/18	B3/B	40,287
39	7.05%, 4/15/18	B3/B	37,259
3,812	7.10%, 9/15/12	B3/B	3,812,301
100	7.125%, 8/15/12	B3/B	99,708
160	7.125%, 10/15/17	B3/B	156,577
40	7.15%, 3/15/25	B3/B	35,871
75	7.20%, 10/15/17	B3/B	73,563
288	7.25%, 6/15/16	B3/B	284,471
293	7.25%, 9/15/17	B3/B	287,247
10	7.25%, 4/15/18	B3/B	9,663
10	7.25%, 8/15/18	B3/B	9,528
141	7.25%, 9/15/18	B3/B	133,841
25	7.30%, 1/15/18	B3/B	24,497
396	7.35%, 4/15/18	B3/B	384,914
57	7.50%, 6/15/16	B3/B	56,698
45	7.55%, 5/15/16	B3/B	44,834
47	7.75%, 10/15/17	B3/B	47,062
110	8.125%, 11/15/17	B3/B	110,257
110	9.00%, 7/15/20	B3/B	110,601
	American General Finance Corp.,		
3,900	0.542%, 12/15/11, FRN	B3/B	3,617,176
5,000	5.375%, 10/1/12	B3/B	4,775,000
£1,700	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/BB	2,020,342

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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
Financial Services (continued)			
\$4,900	Bank of America Corp., 8.125%, 5/15/18 (g)	Ba3/BB	\$4,951,058
1,400	Capital One Capital VI, 8.875%, 5/15/40	Baa3/BB	1,487,500
3,032	CIT Group, Inc., 7.00%, 5/1/13	B3/B+	3,084,602
947	7.00%, 5/1/14	B3/B+	956,798
1,157	7.00%, 5/1/15	B3/B+	1,160,937
1,579	7.00%, 5/1/16	B3/B+	1,580,851
2,210	7.00%, 5/1/17	B3/B+	2,210,426
100	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Ba1/BB-	105,125
2,500	Credit Agricole S.A., 6.637%, 5/31/17 (a)(d)(g)(i)	A3/A-	2,396,875
800	Ford Motor Credit Co. LLC, 5.625%, 9/15/15	Ba2/B+	849,579
12,600	8.125%, 1/15/20	Ba2/B+	15,434,194
4,000	12.00%, 5/15/15	Ba2/B+	