

PIMCO Income Strategy Fund II
Form N-CSR
October 02, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number: 811-21601

PIMCO Income Strategy Fund II

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY 10019

(Address of principal executive offices)

William G. Galipeau

Treasurer (Principal Financial & Accounting Officer)

650 Newport Center Drive

Newport Beach, CA 92660

(Name and address of agent for service)

Copies to:

David C. Sullivan

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

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

Date of fiscal year end: July 31

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Date of reporting period: July 31, 2017

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

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

Item 1. Reports to Shareholders.

The following is a copy of the report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30e-1).

PIMCO Closed-End Funds

Annual Report

July 31, 2017

PIMCO Corporate & Income Opportunity Fund

PIMCO Corporate & Income Strategy Fund

PIMCO High Income Fund

PIMCO Income Strategy Fund

PIMCO Income Strategy Fund II

Table of Contents

	Page
<u>Letter from the Chairman of the Board & President</u>	2
<u>Important Information About the Funds</u>	4
<u>Financial Highlights</u>	16
<u>Statements of Assets and Liabilities</u>	18
<u>Statements of Operations</u>	19
<u>Statements of Changes in Net Assets</u>	20
<u>Statements of Cash Flows</u>	22
<u>Notes to Financial Statements</u>	73
<u>Report of Independent Registered Public Accounting Firm</u>	95
<u>Glossary</u>	96
<u>Federal Income Tax Information</u>	97
<u>Shareholder Meeting Results</u>	98
<u>Changes to Boards of Trustees</u>	99
<u>Dividend Reinvestment Plan</u>	100
<u>Management of the Funds</u>	102
<u>Approval of Investment Management Agreement</u>	105
<u>Privacy Policy</u>	111

Fund	Fund Summary	Schedule of Investments
<u>PIMCO Corporate & Income Opportunity Fund</u>	10	23
<u>PIMCO Corporate & Income Strategy Fund</u>	11	35
<u>PIMCO High Income Fund</u>	12	45
<u>PIMCO Income Strategy Fund</u>	13	55
<u>PIMCO Income Strategy Fund II</u>	14	64

Letter from the Chairman of the Board & President

Dear Shareholder,

The global equity markets generated strong results during the reporting period against a backdrop of solid corporate profits and signs of improving global growth. Meanwhile, the global fixed income markets generated weak results, as U.S. monetary policy tightened, whereas many international central banks maintained accommodative monetary policies.

For the 12-month reporting period ended July 31, 2017

The U.S. economy continued to expand at a relatively modest pace during the reporting period. U.S. gross domestic product (GDP), which represents the value of goods and services produced in the country, and is the broadest measure of economic activity and the principal indicator of economic performance, expanded at a revised pace of 2.8% on an annual basis during the third quarter of 2016 – the strongest reading since the first quarter of 2015. GDP growth then moderated, growing at a revised annual pace of 1.8% during the fourth quarter of 2016, and 1.2% during the first quarter of 2017. Finally, the Commerce Department’s second reading – released after the reporting period had ended – showed that second quarter 2017 GDP grew at an annual pace of 3.0%.

The Federal Reserve (Fed) continued to normalize monetary policy, with three interest rate hikes during the reporting period. The first occurrence was in December 2016, followed by rate hikes at its meetings in March and June 2017. The second move put the federal funds rate between 1.00% and 1.25%. In its official statement following the Fed’s June meeting, the Fed said, “The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.” The Fed also indicated that it expects to begin reducing its balance sheet later this year.

Economic activity outside the U.S. generally improved during the reporting period. Nevertheless, a number of central banks, including the European Central Bank, Bank of England and Bank of Japan, maintained their highly accommodative monetary policies during the reporting period. However, toward the end of the reporting period, several central banks indicated that they may pare back their quantitative easing programs should growth improve and inflation increase.

Commodity prices fluctuated during the 12 months ended July 31, 2017. When the reporting period began, crude oil was approximately \$42 a barrel, and was roughly \$54 a barrel at the end of 2016. Prices then generally declined on elevated supplies and crude oil was roughly \$43 a barrel in mid-June 2017, before rising to nearly \$50 at the end of July 2017. Finally, there were gyrations in foreign exchange markets, possibly due, at least in part, to changing expectations for global growth, decoupling central bank policy, Brexit, the surprise outcome from the November U.S. elections, and a number of geopolitical events.

Outlook

PIMCO’s baseline secular outlook is that the U.S. economy is likely to grow at about 2% per year, with inflation running close to the Fed’s target of 2%. PIMCO’s forecast for the federal funds rate at the end of its secular horizon is anchored in a “New Neutral” range of 2% to 3%, but with the

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

risks skewed to the downside on rates. In PIMCO's view, of real concern for the U.S. outlook, as well as the global outlook, is the driving-without-a-spare-tire risk at this late stage of the business cycle. In the next recession, whenever it occurs, PIMCO believes the Fed and other central banks will have less room to cut rates than in past cycles. Some countries—for example, the U.S., China, Germany—will likely have some fiscal space to deploy in the next downturn, but with sovereign debt levels already elevated, fiscal policy is unlikely to fully offset the constraints on monetary policy in the next global downturn.

2 PIMCO CLOSED-END FUNDS

For the eurozone, under PIMCO's baseline secular scenario, there would be trend growth of 1.25% on average over the next five years, with inflation hovering between 1% and 2%. PIMCO sees risk to its outlook as roughly balanced for the eurozone in the near term, but with risk increasing and tilting to the downside toward the end of the eurozone's secular horizon. For Japan, PIMCO's baseline secular outlook is for 0% to 1% inflation, with the Bank of Japan only gradually being able to raise the 10-year yield target. Finally, for China, PIMCO's baseline secular outlook is that growth slows gradually to about 5.5%.

In the following pages of this PIMCO Closed-End Funds Annual Report, please find specific details regarding investment performance and a discussion of factors that most affected the Funds' performance over the 12 months ended July 31, 2017.

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

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Peter G. Strelow
President

ANNUAL REPORT JULY 31, 2017 3

Important Information About the Funds

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a Fund are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions). This risk may be particularly acute in the current market environment because market interest rates are currently near historically low levels. This, combined with recent economic recovery, the Federal Reserve Board's conclusion of its quantitative easing program, and increases in federal funds interest rates in 2015, 2016 and 2017, which had not occurred since 2006, could potentially increase the probability of an updated interest rate environment in the near future. To the extent the Federal Reserve Board continues to raise interest rates, there is a risk that rates across the financial system may rise. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to "make markets" in corporate bonds. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in increased losses to a Fund. Bond funds and individual bonds with a longer duration (a measure of the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. In addition, in the current low interest rate environment, the market price of the Funds' common shares may be particularly sensitive to changes in interest rates or the perception that there will be a change in interest rates.

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

instruments. If it does, a Fund's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not directly own. The regulation of the derivatives markets has increased over the past several years, and additional future regulation of the derivatives markets may make derivatives more costly, may limit the availability or reduce the liquidity of derivatives, or may otherwise adversely affect the value or performance of derivatives. Any such adverse future developments could impair the effectiveness of a Fund's derivatives transactions and cause a Fund to lose value. For instance, in December 2015, the SEC proposed new regulations applicable to a registered investment company's use of derivatives and related instruments. If adopted as proposed, these regulations could significantly limit or impact a Fund's ability to invest in derivatives and other instruments, limit a Fund's ability to employ certain strategies that use derivatives and/or adversely affect a Fund's performance, efficiency in implementing its strategy, liquidity and/or ability to pursue its investment objectives.

Certain Funds' monthly distributions may include, among other possible sources, interest income from its debt portfolio and payments and premiums (characterized as capital for financial accounting purposes and as ordinary income for tax purposes) generated by certain types of interest rate derivatives.

Strategies involving interest rate derivatives may attempt to capitalize on differences between short-term and long-term interest rates as part of a Fund's duration and yield curve active management strategies. For instance, in the event that long-term interest rates are higher than short-term interest rates, a Fund may elect to pay a floating short-term interest rate and to receive a long-term fixed interest rate for a stipulated period of time, thereby generating payments as a function of the difference between current short-term interest rates and long-term interest rates, so long as the floating short-term interest rate (which may rise) is lower than the fixed long-term interest rate.

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

A Fund may also enter into opposite sides of multiple interest rate swaps or other derivatives with respect to the same underlying reference instrument (e.g., a 10-year U.S. treasury) that have different effective dates with respect to interest accrual time periods for the principal purpose of generating distributable gains (characterized as ordinary income for tax purposes) and that are not part of the Fund's duration or yield curve management strategies (paired swap transactions). In a paired swap transaction, a Fund would generally enter into one or more interest rate swap agreements whereby the Fund agrees to make regular payments starting at the time the Fund enters into the agreements equal to a floating interest rate in return for payments equal to a fixed interest rate (the initial leg). The Fund would also enter into one or more interest rate swap agreements on

4 PIMCO CLOSED-END FUNDS

the same underlying instrument, but take the opposite position (i.e., in this example, the Fund would make regular payments equal to a fixed interest rate in return for receiving payments equal to a floating interest rate) with respect to a contract whereby the payment obligations do not commence until a date following the commencement of the initial leg (the forward leg).

A Fund's income- and gain-generating strategies may generate current income and gains taxable as ordinary income sufficient to support monthly distributions even in situations when the Fund has experienced a decline in net assets due to, for example, adverse changes in the broad U.S. or non-U.S. equity markets or the Fund's debt investments, or arising from its use of derivatives. For instance, a significant portion of a Fund's monthly distributions may be sourced from paired swap transactions utilized to produce current distributable ordinary income for tax purposes on the initial leg, with a substantial possibility that the Fund will later realize a corresponding capital loss and potential decline in its net asset value with respect to the forward leg (to the extent there are not corresponding offsetting capital gains being generated from other sources). Because some or all of these transactions may generate capital losses without corresponding offsetting capital gains, portions of a Fund's distributions recognized as ordinary income for tax purposes (such as from paired swap transactions) may be economically similar to a taxable return of capital when considered together with such capital losses.

The notional exposure of a Fund's interest rate derivatives may represent a multiple of the Fund's total net assets. There can be no assurance a Fund's strategies involving interest rate derivatives will work as intended and such strategies are subject to the risks related to the use of derivatives generally, as discussed above (see also Notes 6 and 7 in the Notes to Financial Statements for further discussion on the use of derivative instruments and certain of the risks associated therewith).

A Fund's use of leverage creates the opportunity for increased income for the Fund's common shareholders, but also creates special risks. Leverage is a speculative technique that may expose a Fund to greater risk and increased costs. If shorter-term interest rates rise relative to the rate of return on a Fund's portfolio, the interest and other costs of leverage to the Fund could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to the Fund's common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by its common shareholders (and not by preferred shareholders, if any) and will reduce the investment return of the Fund's common shares.

There can be no assurance that a Fund's use of leverage will result in a higher yield on its common shares, and it may result in losses. Leverage creates several major types of risks for a Fund's common shareholders, including: (1) the likelihood of greater volatility of net asset value and market price of the Fund's common shares, and of the investment return to the Fund's common shareholders, than a comparable portfolio without leverage; (2) the possibility either that the Fund's common share dividends will fall if the interest and other costs of leverage rise, or that dividends paid on the Fund's common shares will fluctuate because such costs vary over time; and (3) the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the Fund's common shares than if the Fund were not leveraged and may result in a greater decline in the market value of the Fund's common shares.

A Fund's investments in and exposure to foreign securities involve special risks. For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information or economic and financial instability. Foreign securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers. The securities markets of certain foreign countries are relatively small, with a limited number of companies representing a small number of industries. Issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting, auditing and custody standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or other confiscation, currency blockage, political changes or diplomatic developments could adversely affect a Fund's investments in foreign securities. In the event of nationalization, expropriation or other confiscation, a Fund could lose its entire investment in foreign securities. Risks associated with investing in foreign securities may be increased when a Fund invests in emerging markets. For example, if a Fund invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the emerging market.

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

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, as applicable, risks associated with mortgage-related securities. In addition, in many cases loans are subject to the risks associated with below-investment grade securities. In the case of a loan participation or assignment, 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 loan 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. A Fund may be

ANNUAL REPORT JULY 31, 2017 **5**

Important Information About the Funds (Cont.)

subject to heightened or additional risks and potential liabilities and costs by investing in mezzanine and other subordinated loans or, with respect to certain Funds, 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 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, irrespective of whether the loan transaction is ultimately consummated or closed. This may include significant legal and due diligence expenses, which will be indirectly borne by a Fund and its shareholders.

Mortgage-related and other asset-backed securities represent interests in pools of mortgages or other assets such as consumer loans or receivables held in trust and often involve risks that are different from or possibly more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if a Fund holds mortgage-related securities, it may exhibit additional volatility since individual mortgage holders are less likely to exercise prepayment options, thereby putting additional downward pressure on the value of these securities and potentially causing the Fund to lose money. This is known as extension risk. Mortgage-backed securities can be highly sensitive to rising interest rates, such that even small movements can cause an investing Fund to lose value. Mortgage-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of the Funds because the Funds may have to reinvest that money at the lower prevailing interest rates. The Funds' 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 the nature of the assets and the servicing of those assets. Payment of principal and interest on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets. Additionally, investments in subordinate mortgage-backed and other asset-backed securities will be subject to risks arising from delinquencies and foreclosures, thereby exposing a Fund's investment portfolio to potential losses. Subordinate securities of mortgage-backed and other asset-backed securities are also subject to greater credit risk than those mortgage-backed or other asset-backed securities that are more highly rated.

A Fund may also invest in the residual or equity tranches of mortgage-related and other asset-backed securities, which may be referred to as subordinate mortgage-backed or asset-backed securities and interest-only mortgage-backed or asset-backed securities. Subordinate mortgage-backed or asset-backed securities are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes a large percentage of delinquent loans, there is a risk that interest payment on subordinate mortgage-backed or asset-backed securities will not be fully paid. There are multiple tranches of mortgage-backed and asset backed-securities, offering investors various maturity and credit risk characteristics. Tranches are categorized as senior, mezzanine, and subordinated/equity or first loss, according to their degree of risk. The most senior tranche of a mortgage-backed or asset-backed security has the greatest collateralization and pays the lowest interest rate. If there are defaults or the collateral otherwise underperforms, scheduled payments to senior tranches take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. Lower tranches represent lower degrees of credit quality and pay higher interest rates intending to compensate for the attendant risks. The return on the lower tranches is especially sensitive to the rate of defaults in the collateral pool. The lowest tranche (i.e., the equity or residual tranche) specifically receives the residual interest payments (i.e., money that is left over after the higher tranches have been paid and expenses of the issuing entities have been paid) rather than a fixed interest rate. Each Fund expects that investments in subordinate mortgage-backed and other asset-backed securities will be subject to risks arising from delinquencies and foreclosures, thereby exposing its investment portfolio to potential losses. Subordinate securities of mortgage-backed and other asset-backed securities are also subject to greater credit risk than those mortgage-backed or other asset-backed securities that are more highly rated.

The risks of investing in collateralized loan obligations (CLOs) include prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk. CLOs may 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 quality of the collateral may decline in value or default; (iii) the possibility that the investments in CLOs are subordinate to other classes or tranches thereof; 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.

High-yield bonds (commonly referred to as junk bonds) typically have a lower credit rating than other bonds. Lower-rated bonds generally

6 PIMCO CLOSED-END FUNDS

involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high yield investments increase the chance that a Fund will lose money on its investment. The Funds may also invest in bonds and other instruments that are not rated, but which PIMCO considers to be equivalent to high-yield investments. The Funds may hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Funds' ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Defaulted securities are often illiquid and may not be actively traded. Sales of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material.

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

The global economic crisis brought several small countries in Europe to the brink of default and many other economies into recession and weakened the banking and financial sectors of many European countries. For example, the governments of Greece, Spain, Portugal, and the Republic of Ireland have all experienced large public budget deficits, the effects of which are still yet unknown and may slow the overall recovery of the European economies from the global economic crisis. In addition, due to large public deficits, some European countries may be dependent on assistance from other European governments and institutions or other central banks or supranational agencies such as the International Monetary Fund. Assistance may be dependent on a country's implementation of reforms or reaching a certain level of performance. Failure to reach those objectives or an insufficient level of assistance could result in a deep economic downturn which could significantly affect the value of a Fund's European investments. It is possible that one or more Economic and Monetary Union of the European Union member countries could abandon the euro and return to a national currency and/or that the euro will cease to exist as a

single currency in its current form. The exit of any country out of the euro may have an extremely destabilizing effect on other eurozone countries and their economies and a negative effect on the global economy as a whole. Such an exit by one country may also increase the possibility that additional countries may exit the euro should they face similar financial difficulties. In June 2016, the United Kingdom approved a referendum to leave the European Union. Significant uncertainty remains in the market regarding the ramifications of that development, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

As the use of technology has become more prevalent in the course of business, the Funds have become potentially more susceptible to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional cyber events that may, among other things, cause a Fund to lose proprietary information, suffer data corruption and/or destruction or lose operational capacity, result in the unauthorized release or other misuse of confidential information, or otherwise disrupt normal business operations. Cyber security breaches may involve unauthorized access to a Fund's digital information systems (e.g., through hacking or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches involving a Fund's third party service providers (including but not limited to advisers, sub-advisers, administrators, transfer agents, custodians, distributors and other third parties), trading counterparties or issuers in which a Fund invests can also subject a Fund to many of the same risks associated with direct cyber security breaches. Moreover, cyber security breaches involving trading counterparties or issuers in which a Fund invests could adversely impact such counterparties or issuers and cause the Fund's investment to lose value.

Cyber security failures or breaches may result in financial losses to a Fund and its shareholders. These failures or breaches may also result in disruptions to business operations, potentially resulting in financial losses; interference with a Fund's ability to calculate its net asset value, process shareholder transactions or otherwise transact business with shareholders; impediments to trading; violations of applicable privacy and other laws; regulatory fines; penalties; reputational damage; reimbursement or other compensation costs; additional compliance and cyber

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

security risk management costs and other adverse consequences. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

Like with operational risk in general, the Funds have established business continuity plans and risk management systems designed to

ANNUAL REPORT JULY 31, 2017 **7**

Important Information About the Funds (Cont.)

reduce the risks associated with cyber security. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because the Funds do not directly control the cyber security systems of issuers in which a Fund may invest, trading counterparties or third party service providers to the Funds. There is also a risk that cyber security breaches may not be detected. The Funds and their shareholders could be negatively impacted as a result.

The Funds may invest in securities and instruments that are economically tied to Russia. Investments in Russia are subject to various risks such as political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that economic sanctions may be imposed by the United States and/or other countries. Such sanctions which may impact companies in many sectors, including energy, financial services and defense, among others may negatively impact the Funds performance and/or ability to achieve their investment objectives. The Russian securities market is characterized by limited volume of trading, resulting in difficulty in obtaining accurate prices. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. There may be little publicly available information about issuers. Settlement, clearing and registration of securities transactions are subject to risks because of registration systems that may not be subject to effective government supervision. This may result in significant delays or problems in registering the transfer of securities. Russian securities laws may not recognize foreign nominee accounts held with a custodian bank, and therefore the custodian may be considered the ultimate owner of securities they hold for their clients. Ownership of securities issued by Russian companies is recorded by companies themselves and by registrars instead of through a central registration system. It is possible that the ownership rights of the Funds could be lost through fraud or negligence. While applicable Russian regulations impose liability on registrars for losses resulting from their errors, it may be difficult for the Funds to enforce any rights they may have against the registrar or issuer of the securities in the event of loss of share registration. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

The common shares of the Funds trade on the New York Stock Exchange. As with any stock, the price of a Fund's common shares will fluctuate with market conditions and other factors. If you sell your common shares of a Fund, the price received may be more or less than your original investment. Shares of closed-end management investment companies frequently trade at a discount from their net asset value.

The common shares of a Fund may trade at a price that is less than the initial offering price and/or the net asset value of such shares. Further, if a Fund's shares trade at a price that is more than the initial offering price and/or the net asset value of such shares, including at a substantial premium and/or for an extended period of time, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares will not trade at a discount to net asset value thereafter.

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

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

On each Fund Summary page in this Shareholder Report, the Average Annual Total Return table measures performance assuming that all dividend and capital gain distributions were reinvested. Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions. Total return for a period of more than one year represents the average annual total return. Performance at market price will differ from results at NAV. Although market price returns tend to reflect investment

8 PIMCO CLOSED-END FUNDS

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about a Fund, market conditions, supply and demand for the Fund's shares, or changes in the Fund's dividends. Performance shown is net of fees and expenses.

The following table discloses the commencement of operations and diversification status of each Fund:

Fund Name	Commencement of Operations	Diversification Status
PIMCO Corporate & Income Opportunity Fund	12/27/02	Diversified
PIMCO Corporate & Income Strategy Fund	12/21/01	Diversified
PIMCO High Income Fund	04/30/03	Diversified
PIMCO Income Strategy Fund	08/29/03	Diversified
PIMCO Income Strategy Fund II	10/29/04	Diversified

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

The Trustees are responsible generally for overseeing the management of the Funds. The Trustees authorize the Funds to enter into service agreements with the Investment Manager and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Funds. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither a Fund's original or any subsequent prospectus or Statement of Additional Information (SAI), any press release or shareholder report, any contracts filed as exhibits to a Fund's registration statement, nor any other communications, disclosure documents or regulatory filings from or on behalf of a Fund creates a contract between or among any shareholders of a Fund, on the one hand, and the Fund, a service provider to the Fund, and/or the Trustees or officers of the Fund, on the other hand.

The Trustees (or the Funds and their officers, service providers or other delegates acting under authority of the Trustees) may amend its most recent or use a new prospectus or SAI with respect to a Fund, adopt and disclose new or amended policies and other changes in press

releases and shareholder reports and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which a Fund is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to any Fund, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement was specifically disclosed in a Fund's prospectus, SAI or shareholder report and is otherwise still in effect.

PIMCO has adopted written proxy voting policies and procedures (Proxy Policy) as required by Rule 6(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Funds as the policies and procedures that PIMCO will use when voting proxies on behalf of the Funds. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of each Fund, and information about how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Funds at (844) 33-PIMCO (844-337-4626), on the Funds' website at www.pimco.com, and on the Securities and Exchange Commission's (SEC) website at <http://www.sec.gov>.

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

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

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

ANNUAL REPORT JULY 31, 2017 **9**

PIMCO Corporate & Income Opportunity Fund

Symbol on NYSE - **PTY**Allocation Breakdown as of 07/31/2017 [§]

Corporate Bonds & Notes	45.7%
Non-Agency Mortgage-Backed Securities	15.7%
Asset-Backed Securities	14.7%
Short-Term Instruments	6.2%
Loan Participations and Assignments	5.8%
Municipal Bonds & Notes	3.7%
U.S. Government Agencies	3.3%
Sovereign Issues	2.1%
Preferred Securities	2.0%
Other	0.8%

% of Investments, at value.

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.Fund Information (as of July 31, 2017)⁽¹⁾

Market Price	\$16.92
NAV	\$14.87
Premium/(Discount) to NAV	13.79%
Market Price Distribution Yield ⁽²⁾	9.22%
NAV Distribution Yield ⁽²⁾	10.49%
Total Effective Leverage ⁽³⁾	43%

Average Annual Total Return⁽¹⁾ for the period ended July 31, 2017

	1 Year	5 Year	10 Year	Commencement of Operations (12/27/02)
Market Price	29.18%	11.61%	15.70%	14.37%
NAV	26.91%	14.54%	16.07%	14.64%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO (844-337-4626).

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice,

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

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

Investment Objective and Strategy Overview

PIMCO Corporate & Income Opportunity Fund's investment objective is to seek maximum total return through a combination of current income and capital appreciation.

Fund Insights at NAV

The following affected performance during the reporting period:

- » Exposure to high yield corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to non-agency residential mortgage-backed securities (RMBS) contributed to performance, as the sector generated positive total returns.
- » Exposure to investment grade corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to Brazilian external debt contributed to performance, as the sector generated positive total returns.
- » Exposure to taxable municipal bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to structured products contributed to performance, as the sector generated positive total returns.
- » Exposure to U.S. interest rates detracted from performance, as U.S. interest rates rose.
- » Exposure to GBP interest rates detracted from performance, as GBP interest rates rose.

10 PIMCO CLOSED-END FUNDS

PIMCO Corporate & Income Strategy Fund

Symbol on NYSE - **PCN**Allocation Breakdown as of 07/31/2017 [§]

Corporate Bonds & Notes	43.0%
Non-Agency Mortgage-Backed Securities	20.7%
Asset-Backed Securities	16.3%
U.S. Government Agencies	4.7%
Loan Participations and Assignments	3.9%
Municipal Bonds & Notes	3.8%
Preferred Securities	3.0%
Sovereign Issues	2.1%
Short-Term Instruments	1.7%
Other	0.8%

% of Investments, at value.

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.Fund Information (as of July 31, 2017)⁽¹⁾

Market Price	\$17.92
NAV	\$15.32
Premium/(Discount) to NAV	16.97%
Market Price Distribution Yield ⁽²⁾	7.53%
NAV Distribution Yield ⁽²⁾	8.81%
Total Effective Leverage ⁽³⁾	20%

Average Annual Total Return⁽¹⁾ for the period ended July 31, 2017

	1 Year	5 Year	10 Year	Commencement of Operations (12/21/01)
Market Price	30.63%	12.22%	15.13%	12.76%
NAV	21.13%	12.80%	14.46%	12.47%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO (844-337-4626).

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice,

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

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

Investment Objective and Strategy Overview

PIMCO Corporate & Income Strategy Fund's primary investment objective is to seek high current income, with a secondary objective of capital preservation and appreciation.

Fund Insights at NAV

The following affected performance during the reporting period:

- » Exposure to non-agency residential mortgage-backed securities (RMBS) contributed to performance, as the sector generated positive total returns.
- » Exposure to high yield industrials contributed to performance, as the high yield industrials sector generated positive total returns.
- » Exposure to high yield financials contributed to performance, as the high yield financials sector generated positive total returns.
- » Exposure to emerging markets contributed to performance, as the sector generated positive total returns.
- » Exposure to investment grade financials contributed to performance, as the investment grade financials sector generated positive total returns.
- » Exposure to U.S. interest rates detracted from performance, as U.S. interest rates rose.

PIMCO High Income Fund

Symbol on NYSE - **PHK**Allocation Breakdown as of 07/31/2017 [§]

Corporate Bonds & Notes	49.6%
Non-Agency Mortgage-Backed Securities	14.8%
Asset-Backed Securities	12.7%
Short-Term Instruments	6.3%
Municipal Bonds & Notes	5.6%
Preferred Securities	3.1%
U.S. Government Agencies	2.6%
Loan Participations and Assignments	2.3%
Sovereign Issues	1.9%
Other	1.1%

% of Investments, at value.

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.Fund Information (as of July 31, 2017)⁽¹⁾

Market Price	\$8.71
NAV	\$6.90
Premium/(Discount) to NAV	26.23%
Market Price Distribution Yield ⁽²⁾	11.12%
NAV Distribution Yield ⁽²⁾	14.03%
Total Effective Leverage ⁽³⁾	24%

Average Annual Total Return⁽¹⁾ for the period ended July 31, 2017

	1 Year	5 Year	10 Year	Commencement of Operations (04/30/03)
Market Price	(1.45)%	3.99%	10.34%	10.09%
NAV	22.87%	16.03%	12.99%	12.12%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO (844-337-4626).

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice,

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

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

Investment Objective and Strategy Overview

PIMCO High Income Fund's primary investment objective is to seek high current income, with capital appreciation as a secondary objective.

Fund Insights at NAV

The following affected performance during the reporting period:

- » Exposure to high yield industrials contributed to performance, as the high yield industrials sector generated positive total returns.
- » Exposure to non-agency mortgage-backed securities (MBS) contributed to performance, as the sector generated positive total returns.
- » Exposure to high yield financials contributed to performance, as the high yield financials sector generated positive total returns.
- » Exposure to Brazilian external debt contributed to performance, as the sector generated positive total returns.
- » Exposure to structured products contributed to performance, as the sector generated positive total returns.
- » Exposure to taxable municipal bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to U.S. interest rates detracted from performance, as U.S. interest rates rose.

12 PIMCO CLOSED-END FUNDS

PIMCO Income Strategy Fund

Symbol on NYSE - **PFL**

Allocation Breakdown as of 07/31/2017 [§]

Corporate Bonds & Notes	45.9%
Asset-Backed Securities	19.6%
Non-Agency Mortgage-Backed Securities	11.9%
Short-Term Instruments	5.7%
Municipal Bonds & Notes	4.3%
Loan Participations and Assignments	4.1%
Sovereign Issues	2.7%
Preferred Securities	2.5%
U.S. Government Agencies	2.5%
Other	0.8%

% of Investments, at value.

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

Fund Information (as of July 31, 2017)⁽¹⁾

Market Price	\$12.17
NAV	\$11.60
Premium/(Discount) to NAV	4.91%
Market Price Distribution Yield ⁽²⁾	8.87%
NAV Distribution Yield ⁽²⁾	9.31%
Total Effective Leverage ⁽³⁾	27%

Average Annual Total Return⁽¹⁾ for the period ended July 31, 2017

	1 Year	5 Year	10 Year	Commencement of Operations (08/29/03)
Market Price	28.11%	10.24%	8.06%	7.15%
NAV	21.55%	11.28%	8.08%	7.20%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO (844-337-4626).

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, in accordance with its policies and good accounting practices the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice,

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

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

Investment Objective and Strategy Overview

PIMCO Income Strategy Fund's investment objective is to seek high current income, consistent with the preservation of capital.

Fund Insights at NAV

The following affected performance during the reporting period:

- » Exposure to high yield corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to non-agency residential mortgage-backed securities (RMBS) contributed to performance, as the sector generated positive total returns.
- » Exposure to investment grade corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to Brazilian external debt contributed to performance, as the sector generated positive total returns.
- » Exposure to taxable municipal bonds contributed to performance, as the sector generated positive excess returns.
- » Exposure to U.S. interest rates detracted from performance, as U.S. interest rates rose.
- » Exposure to GBP interest rates detracted from performance, as GBP interest rates rose.

PIMCO Income Strategy Fund II

Symbol on NYSE - **PFN**Allocation Breakdown as of 07/31/2017 [§]

Corporate Bonds & Notes	43.8%
Non-Agency Mortgage-Backed Securities	18.7%
Asset-Backed Securities	17.1%
Municipal Bonds & Notes	6.0%
Preferred Securities	3.5%
Loan Participations and Assignments	3.3%
Short-Term Instruments	2.3%
Sovereign Issues	2.2%
U.S. Government Agencies	2.1%
Other	1.0%

% of Investments, at value.

[§] Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.Fund Information (as of July 31, 2017)⁽¹⁾

Market Price	\$10.76
NAV	\$10.33
Premium/(Discount) to NAV	4.16%
Market Price Distribution Yield ⁽²⁾	8.92%
NAV Distribution Yield ⁽²⁾	9.29%
Total Effective Leverage ⁽³⁾	25%

Average Annual Total Return⁽¹⁾ for the period ended July 31, 2017

	1 Year	5 Year	10 Year	Commencement of Operations (10/29/04)
Market Price	26.32%	11.13%	6.91%	6.15%
NAV	20.91%	11.64%	6.79%	6.18%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO (844-337-4626).

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or market price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice,

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.

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

Investment Objective and Strategy Overview

PIMCO Income Strategy Fund II's investment objective is to seek high current income, consistent with the preservation of capital.

Fund Insights at NAV

The following affected performance during the reporting period:

- » Exposure to high yield corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to non-agency residential mortgage-backed securities (RMBS) contributed to performance, as the sector generated positive total returns.
- » Exposure to investment grade corporate bonds contributed to performance, as the sector generated positive total returns.
- » Exposure to Brazilian external debt contributed to performance, as the sector generated positive total returns.
- » Exposure to taxable municipal bonds contributed to performance, as the sector generated positive excess returns.
- » Exposure to U.S. interest rates detracted from performance, as U.S. interest rates rose.
- » Exposure to GBP interest rates detracted from performance, as GBP interest rates rose.

14 PIMCO CLOSED-END FUNDS

(THIS PAGE INTENTIONALLY LEFT BLANK)

Financial Highlights

	Investment Operations			Less Distributions to Preferred Shareholders ^(b)		Less Distributions to Common Shareholders ^(b)					Total
	Net Asset Value Beginning of Year or Period	Net Investment Income ^(a)	Realized/Unrealized Gain (Loss)	From Net Investment Income	From Net Realized Capital Gains	Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations	From Net Investment Income	From Net Realized Capital Gains	Tax Basis Return of Capital		
PIMCO Corporate & Income Opportunity Fund											
07/31/2017	\$ 13.27	\$ 1.21	\$ 2.06	\$ (0.04)	\$ 0.00	\$ 3.23	\$ (1.59)	\$ 0.00	\$ (0.14)	\$ (1.73)	
07/31/2016	14.23	1.30	(0.65)	(0.02)	0.00	0.63	(1.59)	0.00	0.00	(1.59)	
12/01/2014 - 07/31/2015 ^(g)	15.41	0.68	(0.33)	(0.00) [^]	0.00	0.35	(1.69)	0.00	0.00	(1.69) ⁽ⁱ⁾	
11/30/2014	16.62	1.14	1.06	(0.00) [^]	(0.01)	2.19	(1.56)	(1.84)	0.00	(3.40)	
11/30/2013	17.58	1.43	0.19	(0.00) [^]	(0.00) [^]	1.62	(1.82)	(0.76)	0.00	(2.58)	
11/30/2012	14.22	1.68	3.87	(0.01)	0.00	5.54	(2.18)	0.00	0.00	(2.18)	
PIMCO Corporate & Income Strategy Fund											
07/31/2017	\$ 14.28	\$ 1.12	\$ 1.70	\$ (0.01)	\$ 0.00	\$ 2.81	\$ (1.75)	\$ 0.00	\$ (0.02)	\$ (1.77)	
07/31/2016	14.75	1.24	(0.84) ^(k)	(0.01)	0.00	0.39 ^(l)	(1.37)	0.00	0.00	(1.37)	
11/01/2014 - 07/31/2015 ^(b)	15.60	0.73	(0.21)	(0.00) [^]	0.00	0.52	(1.37)	0.00	0.00	(1.37) ⁽ⁱ⁾	
10/31/2014	16.04	0.99	0.87	(0.00) [^]	(0.00) [^]	1.86	(1.35)	(0.95)	0.00	(2.30)	
10/31/2013	15.90	1.28	0.44	(0.01)	0.00	1.71	(1.57)	0.00	0.00	(1.57)	
10/31/2012	13.67	1.57	2.47	(0.01)	0.00	4.03	(1.80)	0.00	0.00	(1.80)	
PIMCO High Income Fund											
07/31/2017	\$ 6.63	\$ 0.67	\$ 0.71	\$ (0.01)	\$ 0.00	\$ 1.37	\$ (0.91)	\$ 0.00	\$ (0.19)	\$ (1.10)	
07/31/2016	7.37	0.74	(0.48) ^(k)	(0.00) [^]	0.00	0.26 ^(l)	(1.18)	0.00	(0.08)	(1.26)	
04/01/2015 - 07/31/2015 ⁽ⁱ⁾	7.59	0.21	0.06	(0.00) [^]	0.00	0.27	(0.33)	0.00	(0.16)	(0.49) ⁽ⁱ⁾	
03/31/2015	8.23	0.94	(0.12)	(0.00) [^]	0.00	0.82	(1.46)	0.00	0.00	(1.46)	
03/31/2014	8.65	0.84	0.20	(0.00) [^]	0.00	1.04	(1.35)	0.00	(0.11)	(1.46)	
03/31/2013	7.87	0.81	1.43	(0.00) [^]	0.00	2.24	(1.42)	0.00	(0.04)	(1.46)	
PIMCO Income Strategy Fund											
07/31/2017	\$ 10.53	\$ 0.88	\$ 1.31	\$ (0.04)	\$ 0.00	\$ 2.15	\$ (1.08)	\$ 0.00	\$ 0.00	\$ (1.08)	
07/31/2016	11.46	0.88	(0.70)	(0.03)	0.00	0.15	(1.08)	0.00	0.00	(1.08)	
07/31/2015	12.15	0.79	(0.34)	(0.03)	0.00	0.42	(1.22)	0.00	0.00	(1.22)	
07/31/2014	11.70	0.79	0.78	(0.04)	0.00	1.53	(1.08)	0.00	0.00	(1.08)	
07/31/2013	11.35	0.92	0.87	(0.04)	0.00	1.75	(1.40)	0.00	0.00	(1.40)	
PIMCO Income Strategy Fund II											
07/31/2017	\$ 9.42	\$ 0.80	\$ 1.10	\$ (0.03)	\$ 0.00	\$ 1.87	\$ (0.96)	\$ 0.00	\$ 0.00	\$ (0.96)	
07/31/2016	10.27	0.87	(0.67)	(0.02)	0.00	0.18	(1.03)	0.00	0.00	(1.03)	
07/31/2015	10.88	0.70	(0.29)	(0.03)	0.00	0.38	(1.11)	0.00	0.00	(1.11)	
07/31/2014	10.29	0.72	0.87	(0.04)	0.00	1.55	(0.96)	0.00	0.00	(0.96)	
07/31/2013	10.23	0.88	0.68	(0.04)	0.00	1.52	(1.46)	0.00	0.00	(1.46)	

* Annualized

[^] Reflects an amount rounding to less than one cent.^(a) Per share amounts based on average number of common shares outstanding during the year or period.^(b) The tax characterization of distributions is determined in accordance with federal income tax regulations. See Note 2, Distributions – Common Shares, in the Notes to Financial Statements for more information.^(c) See Note 14, Auction-Rate Preferred Shares, in the Notes to Financial Statements.^(d) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year or period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Funds' dividend reinvestment plan. Total investment return does not reflect brokerage commissions in connection with the purchase or sale

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

of Fund shares.

- (e) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders. The expense ratio and net investment income do not reflect the effects of dividend payments to preferred shareholders.
- (f) Interest expense primarily relates to participation in borrowing and financing transactions. See Note 5, Borrowings and Other Financing Transactions, in the Notes to Financial Statements for more information.
- (g) Fiscal year end changed from November 30th to July 31st.
- (h) Fiscal year end changed from October 31st to July 31st.
- (i) Fiscal year end changed from March 31st to July 31st.
- (j) 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.
- (k) The amount previously reported in the Funds Annual Report has been revised due to a misstatement. The misstatement was not considered material to the prior period Annual Report. In the Funds 2016 Annual Report, PIMCO Corporate & Income Strategy Fund and PIMCO High Income Fund reported amounts of (0.33) and (0.22), respectively.
- (l) The amount previously reported in the Funds Annual Report has been revised due to a misstatement. The misstatement was not considered material to the prior period Annual Report. In the Funds 2016 Annual Report, PIMCO Corporate & Income Strategy Fund and PIMCO High Income Fund reported amounts of 0.90 and 0.52, respectively.

16 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Common Share							Ratios/Supplemental Data Ratios to Average Net Assets						
Increase Resulting from at-the-market offerings	Increase Resulting from Tender and Repurchase of Auction-Rate Preferred Shares ^(c)	Offering Cost Paid in Capital	Net Asset Value Year or Period	Market Price End of Year or Period	Total Investment Return ^(d)	Net Assets Applicable to Common Shareholders (000s)	Expenses Excluding Interest and Investment Income (Loss)		Expenses Excluding Interest and Investment Income (Loss)		Preferred Shares Asset Coverage Per Share	Portfolio Turnover Rate	
							Expenses Excluding Interest and Investment Income (Loss)	Expenses Excluding Interest and Investment Income (Loss)	Expenses Excluding Interest and Investment Income (Loss)	Expenses Excluding Interest and Investment Income (Loss)			
\$ 0.10	\$ 0.00 [^]	\$ 0.00	\$ 14.87	\$ 16.92	29.18%	\$ 1,140,768	1.08%	1.08%	0.83%	0.83%	8.68%	\$ 144,819	39%
N/A	N/A	0.00	13.27	14.75	16.09	946,843	0.89	0.89	0.85	0.85	9.93	124,468	45
N/A	N/A	0.16	14.23	14.31	(13.61)	1,006,484	0.91*	0.91*	0.90*	0.90*	7.01*	130,743	34
N/A	N/A	0.00	15.41	18.50	26.04	1,082,000	0.91	0.91	0.91	0.91	7.36	108,229	44
N/A	N/A	0.00	16.62	17.75	(0.15)	1,149,779	0.91	0.91	0.91	0.91	8.49	113,443	118
N/A	N/A	0.00	17.58	20.37	36.86	1,205,090	1.05	1.05	0.93	0.93	10.63	117,697	29
\$ N/A	\$ N/A	\$ 0.00	\$ 15.32	\$ 17.92	30.63%	\$ 599,266	1.17%	1.17%	0.93%	0.93%	7.65%	\$ 294,755	38%
N/A	N/A	0.51	14.28	15.43	24.21	553,569	1.10	1.10	1.02	1.02	8.91	274,223	43
N/A	N/A	0.00	14.75	13.71	(7.12)	570,122	1.07*	1.07*	1.07*	1.07*	6.51*	109,336	40
N/A	N/A	0.00	15.60	16.18	8.84	599,980	1.09	1.09	1.09	1.09	6.32	113,753	48
N/A	N/A	0.00	16.04	17.15	3.48	612,225	1.10	1.10	1.09	1.09	7.91	115,565	108
N/A	N/A	0.00	15.90	18.17	33.21	603,483	1.32	1.32	1.14	1.14	11.03	114,270	28
\$ N/A	\$ N/A	\$ 0.00	\$ 6.90	\$ 8.71	(1.45)%	\$ 884,912	1.25%	1.25%	0.90%	0.90%	10.08%	\$ 241,894	32%
N/A	N/A	0.26	6.63	10.03	19.92	841,102	1.08	1.08	0.95	0.95	11.20	231,185	42
N/A	N/A	0.00	7.37	9.71	(18.40)	925,598	1.05*	1.05*	1.03*	1.03*	8.14*	104,245	8
N/A	N/A	0.00	7.59	12.48	12.30	949,880	1.18	1.18	1.02	1.02	11.53	106,324	58
N/A	N/A	0.00	8.23	12.56	15.51	1,021,120	1.14	1.14	1.03	1.03	10.14	112,424	159
N/A	N/A	0.00	8.65	12.35	8.53	1,063,863	1.06	1.06	1.05	1.05	10.00	116,082	70
\$ N/A	\$ N/A	\$ 0.00	\$ 11.60	\$ 12.17	28.11%	\$ 294,525	1.35%	1.35%	1.17%	1.17%	8.01%	\$ 168,552	40%
N/A	N/A	0.00	10.53	10.48	12.41	266,347	1.17	1.17	1.13	1.13	8.49	154,837	38
N/A	N/A	0.11	11.46	10.39	(2.62)	289,909	1.30	1.30	1.25	1.25	6.67	166,328	67
N/A	N/A	0.00	12.15	11.87	9.95	306,475	1.19	1.19	1.18	1.18	6.71	122,004	113
N/A	N/A	0.00	11.70	11.83	5.69	294,017	1.24	1.24	1.21	1.21	7.59	118,058	63
\$ N/A	\$ N/A	\$ 0.00	\$ 10.33	\$ 10.76	26.32%	\$ 612,310	1.26%	1.26%	1.09%	1.09%	8.15%	\$ 190,527	26%
N/A	N/A	0.00	9.42	9.39	11.92	556,840	1.14	1.14	1.07	1.07	9.25	175,544	38
N/A	N/A	0.12	10.27	9.41	(0.12)	606,974	1.16	1.16	1.13	1.13	6.58	189,105	63
N/A	N/A	0.00	10.88	10.50	12.39	642,119	1.14	1.14	1.14	1.14	6.79	124,695	119
N/A	N/A	0.00	10.29	10.24	6.80	605,843	1.16	1.16	1.14	1.14	8.20	119,060	71

Statements of Assets and Liabilities

July 31, 2017

	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund	PIMCO Income Strategy Fund	PIMCO Income Strategy Fund II
(Amounts in thousands, except per share amounts)					
Assets:					
<i>Investments, at value</i>					
Investments in securities*	\$ 1,577,462	\$ 723,346	\$ 1,112,387	\$ 377,500	\$ 738,518
<i>Financial Derivative Instruments</i>					
Exchange-traded or centrally cleared	680	244	704	151	313
Over the counter	3,322	546	4,879	348	704
Cash	411	0	0	8	10
Deposits with counterparty	30,510	12,941	25,620	7,195	16,989
Foreign currency, at value	1,589	824	1,847	633	1,282
Receivable for investments sold	8,773	14,742	22,907	13,614	30,643
Receivable for Fund shares sold	3,871	0	0	0	0
Interest and/or dividends receivable	14,016	6,130	11,644	3,064	6,108
Other assets	184	2	7	1	3
Total Assets	1,640,818	758,775	1,179,995	402,514	794,570
Liabilities:					
<i>Borrowings & Other Financing Transactions</i>					
Payable for reverse repurchase agreements	\$ 177,915	\$ 75,578	\$ 149,703	\$ 39,285	\$ 69,662
<i>Financial Derivative Instruments</i>					
Exchange-traded or centrally cleared	359	237	912	137	328
Over the counter	34,474	3,290	7,047	2,369	4,813
Payable for investments purchased	36,554	19,780	18,485	12,299	9,569
Deposits from counterparty	1,802	210	5,855	0	108
Distributions payable to common shareholders	9,839	4,401	10,344	2,285	4,743
Distributions payable to preferred shareholders	69	13	23	17	29
Overdraft due to custodian	0	1	20	0	0
Accrued management fees	699	418	592	264	501
Other liabilities	389	56	127	58	57
Total Liabilities	262,100	103,984	193,108	56,714	89,810
Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share)	237,950	55,525	101,975	51,275	92,450
Net Assets Applicable to Common Shareholders	\$ 1,140,768	\$ 599,266	\$ 884,912	\$ 294,525	\$ 612,310
Net Assets Applicable to Common Shareholders Consist of:					
Common Shares:					
Par value (\$0.00001 per share)	\$ 1	\$ 0	\$ 1	\$ 0	\$ 1
Paid in capital in excess of par	1,108,962	575,465	993,095	398,544	885,057
Undistributed (overdistributed) net investment income	(11,726)	(5,855)	(13,517)	(1,141)	3,791
Accumulated undistributed net realized gain (loss)	(136,242)	(75,897)	(141,417)	(140,016)	(356,681)
Net unrealized appreciation (depreciation)	179,773	105,553	46,750	37,138	80,142
Net Assets Applicable to Common Shareholders	\$ 1,140,768	\$ 599,266	\$ 884,912	\$ 294,525	\$ 612,310
Net Asset Value Per Common Share:	\$ 14.87	\$ 15.32	\$ 6.90	\$ 11.60	\$ 10.33
Common Shares Outstanding	76,693	39,121	128,181	25,383	59,294
Preferred Shares Issued and Outstanding	10	2	4	2	4
Cost of investments in securities	\$ 1,485,868	\$ 684,686	\$ 1,065,802	\$ 359,202	\$ 705,518
Cost of foreign currency held	\$ 1,569	\$ 819	\$ 1,835	\$ 626	\$ 1,262
Cost or premiums of financial derivative instruments, net	\$ (50,743)	\$ (1,182)	\$ (1,252)	\$ (801)	\$ (1,679)

Statements of Operations

Year Ended July 31, 2017

(Amounts in thousands)	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund	PIMCO Income Strategy Fund	PIMCO Income Strategy Fund II
Investment Income:					
Interest, net of foreign taxes*	\$ 97,999	\$ 49,523	\$ 95,798	\$ 25,717	\$ 53,554
Dividends	1,004	924	464	348	1,256
Total Income	99,003	50,447	96,262	26,065	54,810
Expenses:					
Management fees	8,120	5,074	7,230	3,117	6,126
Trustee fees and related expenses	141	67	101	37	76
Interest expense	2,566	1,391	2,935	501	991
Auction agent fees and commissions	209	127	194	44	98
Auction rate preferred shares related expenses	48	83	64	52	55
Miscellaneous expense	15	15	73	0	3
Total Expenses	11,099	6,757	10,597	3,751	7,349
Net Investment Income (Loss)	87,904	43,690	85,665	22,314	47,461
Net Realized Gain (Loss):					
Investments in securities	(5,486)	1,100	15,945	1,066	(644)
Exchange-traded or centrally cleared financial derivative instruments	88,401	10,101	35,316	21,611	51,141
Over the counter financial derivative instruments	10,177	3,897	15,916	1,548	2,309
Foreign currency	(154)	(88)	(60)	(63)	68
Net Realized Gain (Loss)	92,938	15,010	67,117	24,162	52,874
Net Change in Unrealized Appreciation (Depreciation):					
Investments in securities	103,708	60,190	76,924	28,631	55,806
Exchange-traded or centrally cleared financial derivative instruments	(65,551)	(7,620)	(56,023)	(18,666)	(42,596)
Over the counter financial derivative instruments	18,521	(1,300)	206	(881)	(1,454)
Foreign currency assets and liabilities	(184)	82	128	59	79
Net Change in Unrealized Appreciation (Depreciation)	56,494	51,352	21,235	9,143	11,835
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 237,336	\$ 110,052	\$ 174,017	\$ 55,619	\$ 112,170
Distributions on Preferred Shares from Net Investment Income	\$ (3,233)	\$ (567)	\$ (1,109)	\$ (1,018)	\$ (1,835)
Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations	\$ 234,103	\$ 109,485	\$ 172,908	\$ 54,601	\$ 110,335
* Foreign tax withholdings	\$ 0	\$ 2	\$ 7	\$ 0	\$ 0

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

Statements of Changes in Net Assets

(Amounts in thousands)	PIMCO Corporate & Income Opportunity Fund		PIMCO Corporate & Income Strategy Fund	
	Year Ended July 31, 2017	Year Ended July 31, 2016	Year Ended July 31, 2017	Year Ended July 31, 2016
Increase (Decrease) in Net Assets from:				
Operations:				
Net investment income (loss)	\$ 87,904	\$ 92,254	\$ 43,690	\$ 47,966
Net realized gain (loss)	92,938	(89,368)	15,010	(44,520)
Net change in unrealized appreciation (depreciation)	56,494	43,914	51,352	11,894
Net increase in net assets resulting from operations	237,336	46,800	110,052	15,340
Distributions on preferred shares from net investment income ^(a)	(3,233)	(1,253)	(567)	(275)
Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations	234,103	45,547	109,485	15,065
Distributions to Common Shareholders:				
From net investment income	(114,836)	(112,955)	(68,101)	(53,009)
Tax basis return of capital	(10,356)	0	(834)	0
Total Distributions to Common Shareholders^(a)	(125,192)	(112,955)	(68,935)	(53,009)
Preferred Share Transactions:				
Net increase (decrease) resulting from tender and repurchase of Auction-Rate Preferred Shares***	0	0	0	19,858
Common Share Transactions**:				
Net proceeds from at-the-market offering	74,138	0	0	0
Net at-the-market offering costs	103	0	0	0
Issued as reinvestment of distributions	10,773	7,767	5,147	1,533
Total increase (decrease) in net assets applicable to common shareholders	85,014	7,767	5,147	1,533
Total Increase (Decrease) in Net Assets	193,925	(59,641)	45,697	(16,553)
Net Assets Applicable to Common Shareholders:				
Beginning of year	946,843	1,006,484	553,569	570,122
End of year*	\$ 1,140,768	\$ 946,843	\$ 599,266	\$ 553,569
* Including undistributed (overdistributed) net investment income of:	\$ (11,726)	\$ 11,608	\$ (5,855)	\$ 8,897
** Common Share Transactions:				
Shares sold	4,606	0	0	0
Shares issued as reinvestment of distributions	748	583	346	110

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

^(a) The tax characterization of distributions is determined in accordance with federal income tax regulations. See Note 2, Distributions - Common Shares, in the Notes to Financial Statements for more information.

*** See Note 14, Auction - Rate Preferred Shares, in the Notes to Financial Statements.

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

PIMCO High Income Fund		PIMCO Income Strategy Fund		PIMCO Income Strategy Fund II	
Year Ended July 31, 2017	Year Ended July 31, 2016	Year Ended July 31, 2017	Year Ended July 31, 2016	Year Ended July 31, 2017	Year Ended July 31, 2016
\$ 85,665	\$ 93,715	\$ 22,314	\$ 22,312	\$ 47,461	\$ 51,163
67,117	42,044	24,162	(27,474)	52,874	(66,963)
21,235	(103,962)	9,143	9,720	11,835	27,977
174,017	31,797	55,619	4,558	112,170	12,177
(1,109)	(528)	(1,018)	(797)	(1,835)	(1,437)
172,908	31,269	54,601	3,761	110,335	10,740
(116,768)	(149,487)	(27,356)	(27,324)	(56,792)	(60,876)
(24,148)	(9,562)	0	0	0	0
(140,916)	(159,049)	(27,356)	(27,324)	(56,792)	(60,876)
0	32,304	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
11,818	10,980	933	1	1,927	2
11,818	10,980	933	1	1,927	2
43,810	(84,496)	28,178	(23,562)	55,470	(50,134)
841,102	925,598	266,347	289,909	556,840	606,974
\$ 884,912	\$ 841,102	\$ 294,525	\$ 266,347	\$ 612,310	\$ 556,840
\$ (13,517)	\$ (16,843)	\$ (1,141)	\$ 1,149	\$ 3,791	\$ 6,597
0	0	0	0	0	0
1,346	1,307	83	0	191	0

Statements of Cash Flows

Year Ended July 31, 2017

	PIMCO Corporate & Income Opportunity Fund	PIMCO Corporate & Income Strategy Fund	PIMCO High Income Fund
(Amounts in thousands)			
Cash Flows Provided by (Used for) Operating Activities:			
Net Increase in Net Assets Resulting from Operations	\$ 237,336	\$ 110,052	\$ 174,017
Adjustments to Reconcile Net Increase in Net Assets from Operations to Net Cash Provided by (Used for) Operating Activities:			
Purchases of long-term securities	(831,282)	(304,687)	(345,395)
Proceeds from sales of long-term securities	602,943	329,531	462,455
(Purchases) Proceeds from sales of short-term portfolio investments, net	29,637	5,885	(44,516)
(Increase) Decrease in deposits with counterparty	(19,236)	(4,302)	(4,150)
(Increase) decrease in receivable for investments sold	(8,519)	3,374	(22,786)
(Increase) decrease in interest and/or dividends receivable	(2,381)	2	1,228
Proceeds from (Payments on) exchange-traded or centrally cleared financial derivative instruments	21,503	2,465	(21,774)
Proceeds from (Payments on) over the counter financial derivative instruments	5,343	3,913	14,148
(Increase) decrease in other assets	(178)	1	33
Increase (decrease) in payable for investments purchased	17,239	7,758	10,857
Increase (decrease) in deposits from counterparty	1,342	(1,610)	2,430
(Decrease) Increase in accrued management fees	52	5	(8)
Proceeds from (Payments on) foreign currency transactions	(144)	(6)	68
Increase (Decrease) in other liabilities	214	(114)	(76)
<i>Net Realized (Gain) Loss</i>			
Investments in securities	5,486	(1,100)	(15,945)
Exchange-traded or centrally cleared financial derivative instruments	(88,401)	(10,101)	(35,316)
Over the counter financial derivative instruments	(10,177)	(3,897)	(15,916)
Foreign currency	154	88	60
<i>Net Change in Unrealized (Appreciation) Depreciation</i>			
Investments in securities	(103,708)	(60,190)	(76,924)
Exchange-traded or centrally cleared financial derivative instruments	65,551	7,620	56,023
Over the counter financial derivative instruments	(18,521)	1,300	(206)
Foreign currency assets and liabilities	184	(82)	(128)
Net amortization (accretion) on investments	(9,291)	(5,019)	(7,437)
Net Cash Provided by (Used for) Operating Activities	(104,854)	80,886	130,742
Cash Flows Received from (Used for) Financing Activities:			
Net proceeds from at-the-market offering	70,267	0	0
Net at-the-market offering costs	103	0	0
Increase (Decrease) in overdraft due to custodian	0	1	(3)
Cash distributions paid to common shareholders*	(113,854)	(63,749)	(131,876)
Cash distributions paid to preferred shareholders	(3,190)	(559)	(1,095)
Proceeds from reverse repurchase agreements	1,057,727	544,738	1,089,855
Payments on reverse repurchase agreements	(904,812)	(560,561)	(1,086,032)
Net Cash Received from (Used for) Financing Activities	106,241	(80,130)	(129,151)
Net Increase (Decrease) in Cash and Foreign Currency	1,387	756	1,591
Cash and Foreign Currency:			
Beginning of year	613	68	256
End of year	\$ 2,000	\$ 824	\$ 1,847

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

* Reinvestment of distributions to common shareholders	\$	10,876	\$	5,147	\$	11,818
Supplemental Disclosure of Cash Flow Information:						
Interest expense paid during the year	\$	2,145	\$	1,280	\$	2,804

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

A Statement of Cash Flows is presented when a Fund had a significant amount of borrowing during the year, based on the average total borrowing outstanding in relation to total assets or when substantially all of a Fund's investments were not classified as Level 1 or 2 in the fair value hierarchy.

22 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Schedule of Investments PIMCO Corporate & Income Opportunity Fund

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 138.3%		
LOAN PARTICIPATIONS AND ASSIGNMENTS 8.0%		
Almonde, Inc.		
8.459% due 06/13/2025	\$ 2,300	\$ 2,363
Altice Financing S.A.		
4.054% due 07/15/2025	658	659
Avolon Holdings Ltd.		
3.478% due 09/20/2020	180	181
3.978% due 03/20/2022	610	613
BMC Software Finance, Inc.		
5.234% due 09/10/2022	12,985	13,082
Burger King Worldwide, Inc.		
3.484% - 3.546% due 02/16/2024	1,045	1,045
BWAY Holding Co.		
4.474% due 04/03/2024	1,070	1,075
CCC Information Services, Inc.		
4.240% due 04/27/2024	100	100
CD&R Plumb Buyer LLC		
TBD% due 06/25/2018	300	299
CenturyLink, Inc.		
2.750% due 01/31/2025	1,000	988
CH Hold Corp.		
3.000% - 4.233% due 02/01/2024	27	27
4.234% due 02/01/2024	272	274
Charter Communications Operating LLC		
3.240% due 01/03/2021	368	371
CityCenter Holdings LLC		
3.732% due 04/18/2024	100	101
Diamond BV		
TBD% due 07/12/2024	100	100
TBD% due 07/25/2024	EUR 100	119
Diamond Resorts Corp.		
7.234% due 08/11/2023	\$ 5,186	5,235
Drillships Ocean Ventures, Inc.		
7.750% due 07/25/2021	8,551	7,573
Endo Luxembourg Finance Co. SARL		
5.500% due 04/29/2024	6,040	6,140
Forbes Energy Services LLC		
5.000% - 7.000% due 04/13/2021	798	822
Fortress Investment Group LLC		
1.375% due 06/14/2022	2,820	2,858
Gartner, Inc.		
3.234% due 04/05/2024	31	31
HD Supply Waterworks Ltd.		
TBD% due 08/01/2024	70	71
iHeartCommunications, Inc.		
7.984% due 01/30/2019	19,645	16,036
Ineos Finance PLC		
3.250% due 04/01/2024	EUR 2,388	2,847
Klockner-Pentaplast of America, Inc.		
4.750% due 06/30/2022	100	118
Lightstone Generation LLC		
5.734% due 01/30/2024	\$ 2,866	2,842

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Parexel International Corp.			
TBD% due 07/18/2018		300	298
Petroleo Global Trading BV			
TBD% due 02/19/2020		400	392
Post Holdings, Inc.			
3.490% due 05/24/2024		990	995
Prestige Brands, Inc.			
3.984% due 01/26/2024		184	185
Sequa Mezzanine Holdings LLC			
6.758% - 6.814% due 11/28/2021		870	879
10.314% due 04/28/2022		160	163
Solvay Acetow GmbH			
5.750% due 05/31/2023	EUR	1,000	1,204
Sprint Communications, Inc.			
3.750% due 02/02/2024	\$	2,793	2,805
Staples, Inc.			
TBD% due 08/02/2018		1,110	1,102
		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Team Health Holdings, Inc.			
3.984% due 02/06/2024	\$	399	\$ 399
Univision Communications, Inc.			
3.984% due 03/15/2024		1,751	1,745
UPC Financing Partnership			
3.976% due 04/15/2025		300	302
Valeant Pharmaceuticals International, Inc.			
5.980% due 04/01/2022		569	580
Vistra Operations Co. LLC			
4.476% - 4.488% due 12/14/2023		1,095	1,104
Westmoreland Coal Co.			
7.796% due 12/16/2020		12,831	11,403
Xella International GmbH			
TBD% due 02/02/2024	EUR	1,600	1,909
Ziggo Secured Finance BV			
3.000% due 04/15/2025		150	179
Total Loan Participations and Assignments (Cost \$91,862)			91,614
CORPORATE BONDS & NOTES 63.2%			
BANKING & FINANCE 30.3%			
AGFC Capital Trust			
3.054% due 01/15/2067	\$	1,800	1,071
Ally Financial, Inc.			
8.000% due 11/01/2031 (l)		18,825	23,460
Ardonagh Midco PLC			
8.375% due 07/15/2023	GBP	2,300	3,061
AssuredPartners, Inc.			
7.000% due 08/15/2025 (c)	\$	35	35
Banco Bilbao Vizcaya Argentaria S.A.			
6.750% due 02/18/2020 (h)	EUR	14,000	17,753
8.875% due 04/14/2021 (h)		400	559
Banco do Brasil S.A.			
6.250% due 04/15/2024 (h)(l)	\$	3,420	2,963
9.000% due 06/18/2024 (h)		7,698	8,004
Banco Espirito Santo S.A.			
4.000% due 01/21/2019 ^	EUR	5,000	1,835
4.750% due 01/15/2018 ^		1,000	367
Banco Santander S.A.			
6.250% due 09/11/2021 (h)		9,900	12,647
Bank of Ireland			
7.375% due 06/18/2020 (h)		1,200	1,586
Barclays PLC			
3.250% due 02/12/2027	GBP	200	276
6.500% due 09/15/2019 (h)	EUR	1,600	2,002
7.000% due 09/15/2019 (h)	GBP	630	871
7.250% due 03/15/2023 (h)		10,405	14,885
7.875% due 09/15/2022 (h)		3,565	5,213

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

8.000% due 12/15/2020 (h)	EUR	200	266
8.250% due 12/15/2018 (h)	\$	430	458
Blackstone CQP Holdco LP			
6.500% due 03/20/2021		8,700	9,040
BNP Paribas S.A.			
7.375% due 08/19/2025 (h)		5,650	6,441
Brighthouse Financial, Inc.			
4.700% due 06/22/2047		184	183
Brighthouse Holdings LLC			
6.500% due 07/27/2037 (h)		300	305
Cantor Fitzgerald LP			
6.500% due 06/17/2022 (l)		10,000	11,207
CBL & Associates LP			
5.950% due 12/15/2026 (l)		3,960	3,977
Co-operative Group Holdings Ltd.			
7.500% due 07/08/2026	GBP	630	1,016
Cooperatieve Rabobank UA			
6.625% due 06/29/2021 (h)	EUR	1,800	2,410
Credit Agricole S.A.			
7.500% due 06/23/2026 (h)	GBP	4,733	7,214
7.875% due 01/23/2024 (h)	\$	11,400	12,889
Credit Suisse AG			
6.500% due 08/08/2023		200	227
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Credit Suisse Group AG			
7.500% due 12/11/2023 (h)	\$	2,336	\$ 2,662
Deutsche Bank AG			
4.250% due 10/14/2021 (l)		3,600	3,795
EPR Properties			
4.750% due 12/15/2026 (l)		5,400	5,597
Flagstar Bancorp, Inc.			
6.125% due 07/15/2021		6,000	6,419
GSPA Monetization Trust			
6.422% due 10/09/2029		6,912	7,904
Howard Hughes Corp.			
5.375% due 03/15/2025		134	139
HSBC Holdings PLC			
6.000% due 09/29/2023 (h)	EUR	4,977	6,742
6.000% due 05/22/2027 (h)	\$	207	218
Intesa Sanpaolo SpA			
7.750% due 01/11/2027 (h)	EUR	220	298
Intrum Justitia AB			
2.750% due 07/15/2022		100	120
3.125% due 07/15/2024		100	120
Jefferies Finance LLC			
6.875% due 04/15/2022	\$	1,900	1,919
7.250% due 08/15/2024 (c)		200	201
7.375% due 04/01/2020 (l)		5,625	5,808
7.500% due 04/15/2021		2,391	2,499
Jefferies LoanCore LLC			
6.875% due 06/01/2020		11,610	11,973
Lloyds Bank PLC			
12.000% due 12/16/2024 (h)		3,500	4,761
Lloyds Banking Group PLC			
7.000% due 06/27/2019 (h)	GBP	2,080	2,918
7.625% due 06/27/2023 (h)		2,610	3,885
7.875% due 06/27/2029 (h)		5,815	9,197
MPT Operating Partnership LP			
5.250% due 08/01/2026	\$	2,203	2,313
Nationwide Building Society			
10.250% due 06/29/2049 (h)	GBP	21	4,440
Navient Corp.			
4.875% due 06/17/2019	\$	395	409
5.500% due 01/15/2019 (l)		4,950	5,154
5.625% due 08/01/2033		222	190
5.875% due 03/25/2021		710	752
6.500% due 06/15/2022		400	427
6.625% due 07/26/2021 (l)		4,170	4,483

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

7.250% due 01/25/2022		80	88
8.000% due 03/25/2020		230	255
Neuberger Berman Group LLC			
4.875% due 04/15/2045 (l)		3,400	3,283
Novo Banco S.A.			
5.000% due 04/04/2019	EUR	371	354
5.000% due 04/23/2019		152	145
5.000% due 05/14/2019		315	300
5.000% due 05/21/2019		73	70
5.000% due 05/23/2019		213	203
OneMain Financial Holdings LLC			
6.750% due 12/15/2019 (l)	\$	3,796	3,989
7.250% due 12/15/2021		192	203
Oppenheimer Holdings, Inc.			
6.750% due 07/01/2022		2,844	2,878
Provident Funding Associates LP			
6.375% due 06/15/2025		57	59
Rio Oil Finance Trust			
9.250% due 07/06/2024		10,232	10,520
9.750% due 01/06/2027		637	659
Royal Bank of Scotland Group PLC			
7.500% due 08/10/2020 (h)(l)		6,840	7,242
8.000% due 08/10/2025 (h)(l)		13,625	14,945
8.625% due 08/15/2021 (h)		5,130	5,678
Santander Holdings USA, Inc.			
3.700% due 03/28/2022		750	762
4.400% due 07/13/2027		580	593
Santander UK Group Holdings PLC			
6.750% due 06/24/2024 (h)	GBP	5,505	7,793
7.375% due 06/24/2022 (h)		1,440	2,052

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 23

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

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Sberbank of Russia Via SB Capital S.A.		
6.125% due 02/07/2022	\$ 500	\$ 546
Spirit Realty LP		
4.450% due 09/15/2026 (l)	2,600	2,512
Springleaf Finance Corp.		
5.250% due 12/15/2019 (l)	3,271	3,414
6.000% due 06/01/2020	641	679
6.125% due 05/15/2022	1,204	1,267
7.750% due 10/01/2021	90	101
8.250% due 12/15/2020	9,210	10,361
Stearns Holdings LLC		
9.375% due 08/15/2020	600	621
Stichting AK Rabobank Certificaten		
6.500% due 12/29/2049 (h)	EUR 4,673	6,584
Tesco Property Finance PLC		
5.411% due 07/13/2044	GBP 646	922
5.661% due 10/13/2041	513	744
5.744% due 04/13/2040	195	287
5.801% due 10/13/2040	835	1,229
6.052% due 10/13/2039	1,328	1,998
WP Carey, Inc.		
4.250% due 10/01/2026 (l)	\$ 5,000	5,099
		345,999
INDUSTRIALS 27.6%		
Altice Financing S.A.		
7.500% due 05/15/2026	6,100	6,779
AMC Networks, Inc.		
4.750% due 08/01/2025	170	172
American Airlines Pass-Through Trust		
4.950% due 08/15/2026 (l)	3,400	3,553
Belden, Inc.		
3.375% due 07/15/2027	EUR 100	120
BMC Software Finance, Inc.		
8.125% due 07/15/2021	\$ 1,031	1,070
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)		
9.000% due 10/15/2019 (d)(l)	8,226	8,257
Burger King Worldwide, Inc.		
4.250% due 05/15/2024	364	367
Caesars Entertainment Operating Co., Inc.		
9.000% due 02/15/2020 ^ (i)	26,699	34,775
10.000% due 12/15/2018 ^	6,095	5,813
Charter Communications Operating LLC		
5.375% due 05/01/2047	113	118
Cheniere Corpus Christi Holdings LLC		
5.875% due 03/31/2025	400	435
Chesapeake Energy Corp.		
4.554% due 04/15/2019	157	156
ClubCorp Club Operations, Inc.		
8.250% due 12/15/2023	6,500	7,280
CMA CGM S.A.		
6.500% due 07/15/2022	EUR 100	122
CommScope Technologies LLC		
5.000% due 03/15/2027	\$ 4	4
Community Health Systems, Inc.		
6.250% due 03/31/2023	279	287

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

CSN Islands Corp.			
6.875% due 09/21/2019 (l)		240	195
CSN Resources S.A.			
6.500% due 07/21/2020		2,300	1,754
DAE Funding LLC			
4.000% due 08/01/2020 (c)		120	122
4.500% due 08/01/2022 (c)		120	122
5.000% due 08/01/2024 (c)		290	297
Diamond Resorts International, Inc.			
7.750% due 09/01/2023		278	299
10.750% due 09/01/2024 (l)		4,300	4,676
DriveTime Automotive Group, Inc.			
8.000% due 06/01/2021 (l)		9,300	9,370
Dynegy, Inc.			
8.034% due 02/02/2024 (l)		2,970	2,880
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Ecopetrol S.A.			
5.875% due 05/28/2045	\$	200	\$ 188
EI Group PLC			
6.375% due 09/26/2031	GBP	1,000	1,458
Endo Finance LLC			
5.375% due 01/15/2023	\$	600	516
Exela Intermediate LLC			
10.000% due 07/15/2023		217	212
Ferroglobe PLC			
9.375% due 03/01/2022 (l)		3,400	3,664
Ford Motor Co.			
7.700% due 05/15/2097 (l)		31,901	39,757
Fresh Market, Inc.			
9.750% due 05/01/2023 (l)		12,200	10,034
Frontier Finance PLC			
8.000% due 03/23/2022	GBP	8,200	11,305
Greene King Finance PLC			
5.702% due 12/15/2034		350	438
Hampton Roads PPV LLC			
6.171% due 06/15/2053	\$	1,800	1,890
HCA, Inc.			
4.500% due 02/15/2027		1,550	1,590
5.500% due 06/15/2047		182	190
7.500% due 11/15/2095 (l)		4,800	4,962
iHeartCommunications, Inc.			
9.000% due 09/15/2022		5,810	4,299
10.625% due 03/15/2023		5,600	4,200
11.250% due 03/01/2021		2,920	2,241
Intelsat Jackson Holdings S.A.			
7.250% due 10/15/2020		9,970	9,621
9.750% due 07/15/2025		361	374
Intelsat Luxembourg S.A.			
7.750% due 06/01/2021		18,643	12,025
8.125% due 06/01/2023		1,939	1,210
Intrepid Aviation Group Holdings LLC			
6.875% due 02/15/2019		15,631	15,514
Kinder Morgan Energy Partners LP			
6.375% due 03/01/2041		800	917
Kinder Morgan, Inc.			
7.750% due 01/15/2032 (l)		3,100	3,978
7.800% due 08/01/2031 (l)		6,000	7,681
Kleopatra Holdings S.C.A. (8.500% PIK)			
8.500% due 06/30/2023 (d)	EUR	100	117
Mallinckrodt International Finance S.A.			
4.750% due 04/15/2023 (l)	\$	6,000	5,340
5.500% due 04/15/2025		1,560	1,451
Park Aerospace Holdings Ltd.			
5.250% due 08/15/2022		24	25
5.500% due 02/15/2024		66	67
Petroleos Mexicanos			
6.500% due 03/13/2027		936	1,032
6.750% due 09/21/2047		500	528

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

PetSmart, Inc.			
5.875% due 06/01/2025		199	192
Prime Security Services Borrower LLC			
9.250% due 05/15/2023		1,065	1,191
QVC, Inc.			
4.375% due 03/15/2023		768	790
5.450% due 08/15/2034		1,650	1,615
5.950% due 03/15/2043		6,770	6,633
Russian Railways via RZD Capital PLC			
7.487% due 03/25/2031	GBP	1,500	2,459
Sabine Pass Liquefaction LLC			
5.875% due 06/30/2026 (1)	\$	4,300	4,849
Safeway, Inc.			
7.250% due 02/01/2031		9,392	8,688
Scientific Games International, Inc.			
10.000% due 12/01/2022 (1)		1,364	1,526
SFR Group S.A.			
6.250% due 05/15/2024 (1)		12,500	13,250
7.375% due 05/01/2026 (1)		3,600	3,910
Sirius XM Radio, Inc.			
3.875% due 08/01/2022		105	108
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Spirit Issuer PLC			
0.850% due 12/28/2028	GBP	748	\$ 804
3.000% due 12/28/2031		1,855	2,388
6.582% due 12/28/2027		2,500	3,560
Symantec Corp.			
5.000% due 04/15/2025	\$	75	79
Time Warner Cable LLC			
8.250% due 04/01/2019		140	154
UAL Pass-Through Trust			
7.336% due 01/02/2021		1,699	1,827
UCP, Inc.			
8.500% due 10/21/2017		10,900	11,009
Unique Pub Finance Co. PLC			
5.659% due 06/30/2027	GBP	6,776	10,092
United Group BV			
4.375% due 07/01/2022	EUR	200	238
4.875% due 07/01/2024		200	236
UPCB Finance Ltd.			
3.625% due 06/15/2029		350	413
Valeant Pharmaceuticals International, Inc.			
6.500% due 03/15/2022	\$	153	162
7.000% due 03/15/2024		293	313
Virgin Media Secured Finance PLC			
5.000% due 04/15/2027	GBP	1,780	2,459
Wynn Las Vegas LLC			
5.250% due 05/15/2027	\$	111	114
			314,906
UTILITIES 5.3%			
AT&T, Inc.			
2.215% due 02/14/2023 (c)		180	181
2.850% due 02/14/2023 (c)		370	371
3.400% due 08/14/2024 (c)		740	742
3.900% due 08/14/2027 (c)		670	671
4.900% due 08/14/2037 (c)		678	677
5.150% due 02/14/2050 (c)		1,018	1,018
5.300% due 08/14/2058 (c)		304	304
Frontier Communications Corp.			
8.500% due 04/15/2020		788	804
Gazprom OAO Via Gaz Capital S.A.			
9.250% due 04/23/2019		11,200	12,373
Mountain States Telephone & Telegraph Co.			
7.375% due 05/01/2030		15,730	16,615
Odebrecht Drilling Norbe Ltd.			

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

6.350% due 06/30/2022 ^		501	312
Odebrecht Offshore Drilling Finance Ltd.			
6.625% due 10/01/2023 ^(j)		4,696	1,679
6.750% due 10/01/2023 ^(j)		4,465	1,598
Petrobras Global Finance BV			
6.125% due 01/17/2022		704	742
6.250% due 12/14/2026	GBP	6,100	8,327
6.625% due 01/16/2034		800	1,064
6.750% due 01/27/2041 (l)	\$	4,100	3,951
7.250% due 03/17/2044		447	451
7.375% due 01/17/2027 (l)		1,224	1,329
Sprint Capital Corp.			
6.900% due 05/01/2019		2,000	2,132
TerraForm Power Operating LLC			
6.375% due 02/01/2023		1,075	1,123
Transocean Phoenix Ltd.			
7.750% due 10/15/2024		2,765	3,013
Transocean Proteus Ltd.			
6.250% due 12/01/2024		380	400
			59,877
Total Corporate Bonds & Notes			
(Cost \$661,010)			720,782

24 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
CONVERTIBLE BONDS & NOTES 0.6%		
INDUSTRIALS 0.6%		
DISH Network Corp.		
3.375% due 08/15/2026	\$ 5,900	\$ 7,360
Total Convertible Bonds & Notes (Cost \$5,900)		7,360
MUNICIPAL BONDS & NOTES 5.1%		
CALIFORNIA 1.2%		
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010		
7.500% due 10/01/2030	3,425	3,679
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009		
7.942% due 10/01/2038	8,500	9,380
		13,059
ILLINOIS 2.4%		
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010		
7.517% due 01/01/2040	23,700	25,308
Chicago, Illinois General Obligation Bonds, Series 2014		
6.314% due 01/01/2044	120	120
Chicago, Illinois General Obligation Bonds, Series 2015		
7.375% due 01/01/2033	100	108
7.750% due 01/01/2042	300	314
Chicago, Illinois General Obligation Bonds, Series 2017		
7.045% due 01/01/2029	200	217
Illinois State General Obligation Bonds, (BABs), Series 2010		
6.725% due 04/01/2035	60	67
7.350% due 07/01/2035	40	46
Illinois State General Obligation Bonds, Series 2003		
5.100% due 06/01/2033	1,035	1,039
		27,219
IOWA 0.0%		
Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005		
6.500% due 06/01/2023	480	480
TEXAS 0.2%		
Texas Public Finance Authority Revenue Notes, Series 2014		
8.250% due 07/01/2024	2,300	2,433
VIRGINIA 0.1%		
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007		
6.706% due 06/01/2046	1,400	1,203
WEST VIRGINIA 1.2%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
0.000% due 06/01/2047 (g)	78,700	4,094
7.467% due 06/01/2047	10,510	9,978
		14,072
Total Municipal Bonds & Notes (Cost \$54,624)		58,466

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

U.S. GOVERNMENT AGENCIES 4.6%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Fannie Mae		
3.000% due 01/25/2042 (a)	1,290	106
3.500% due 02/25/2033 (a)	3,133	403
4.232% due 10/25/2029	950	996
4.782% due 07/25/2029	1,490	1,604
4.868% due 07/25/2040 (a)	1,466	177
5.482% due 01/25/2029	800	898
6.082% due 10/25/2029	590	648
	\$ 2,010	\$ 2,353
Freddie Mac		
0.000% due 04/25/2045 - 08/25/2046 (b)(g)	19,541	15,178
0.100% due 04/25/2046 - 08/25/2046 (a)	91,606	357
0.200% due 04/25/2045 (a)	10,054	27
5.874% due 02/15/2034 (a)	2,566	480
6.174% due 11/25/2055	14,634	8,360
6.470% due 07/15/2039 (I)	2,407	2,620
7.557% due 03/15/2044 (I)	1,485	1,734
8.727% due 02/15/2036 (I)	5,228	6,994
8.732% due 04/15/2044	49	55
8.782% due 12/25/2027	4,443	5,222
11.982% due 03/25/2025	2,356	3,191
Ginnie Mae		
3.000% due 12/20/2042 (a)	74	10
3.500% due 09/16/2041 - 06/20/2042 (a)	1,849	261
5.522% due 01/20/2042 (a)	2,813	347
Total U.S. Government Agencies (Cost \$48,714)		52,021

NON-AGENCY MORTGAGE-BACKED SECURITIES 21.7%

Adjustable Rate Mortgage Trust		
1.572% due 05/25/2036	2,148	1,265
Banc of America Alternative Loan Trust		
6.000% due 01/25/2036 ^	235	221
6.000% due 04/25/2036 ^	4,231	4,295
Banc of America Funding Trust		
5.500% due 01/25/2036	234	240
6.000% due 07/25/2037 ^	665	515
BCAP LLC Trust		
3.278% due 07/26/2037	484	14
3.285% due 03/27/2036	3,825	2,195
5.045% due 03/26/2037	1,992	1,202
7.000% due 12/26/2036	5,417	4,839
Bear Stearns ALT-A Trust		
3.268% due 11/25/2036 ^	927	764
3.312% due 08/25/2046	5,924	5,363
3.525% due 08/25/2036 ^	3,978	2,972
3.587% due 11/25/2034	405	389
3.625% due 09/25/2035 ^	1,383	1,132
Bear Stearns Commercial Mortgage Securities Trust		
5.713% due 04/12/2038	370	292
Bear Stearns Mortgage Funding Trust		
7.500% due 08/25/2036	2,450	2,405
Chase Mortgage Finance Trust		
3.224% due 12/25/2035 ^	26	25
6.000% due 02/25/2037 ^	2,203	1,812
6.000% due 03/25/2037 ^	505	437
6.000% due 07/25/2037 ^	1,889	1,736
Citigroup Commercial Mortgage Trust		
5.691% due 12/10/2049	1,787	1,633
Citigroup Mortgage Loan Trust, Inc.		

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

3.203% due 04/25/2037 ^		4,303	3,520
3.308% due 03/25/2037 ^		1,162	1,013
3.922% due 11/25/2035		18,103	10,298
6.000% due 11/25/2036		14,984	11,300
Citigroup/Deutsche Bank Commercial Mortgage Trust			
5.398% due 12/11/2049		108	62
5.688% due 10/15/2048		14,858	7,972
CitiMortgage Alternative Loan Trust			
5.750% due 04/25/2037 ^		3,353	2,946
Commercial Mortgage Loan Trust			
6.155% due 12/10/2049		3,476	2,194
Countrywide Alternative Loan Resecuritization Trust			
6.000% due 08/25/2037 ^		2,587	2,053
Countrywide Alternative Loan Trust			
1.438% due 03/20/2046		6,133	5,262
1.502% due 08/25/2035		376	255
3.451% due 06/25/2047		4,092	3,891
4.018% due 04/25/2037 ^(a)		27,483	5,375
5.250% due 05/25/2021 ^		19	19
5.500% due 03/25/2035		649	509
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
5.500% due 09/25/2035 ^	\$	6,065	\$ 5,537
5.500% due 03/25/2036 ^		230	185
5.750% due 01/25/2035		848	855
5.750% due 02/25/2035		898	860
6.000% due 02/25/2035		848	863
6.000% due 04/25/2036		2,318	1,804
6.000% due 05/25/2036 ^		2,506	1,998
6.000% due 02/25/2037 ^		821	579
6.000% due 02/25/2037		3,103	2,425
6.000% due 04/25/2037 ^		8,262	6,426
6.000% due 08/25/2037 ^		11,381	9,534
6.250% due 10/25/2036 ^		3,256	2,595
6.250% due 12/25/2036 ^		3,894	2,886
6.500% due 08/25/2036 ^		1,065	726
6.500% due 09/25/2036 ^		541	459
17.115% due 02/25/2036		2,354	2,979
Countrywide Home Loan Mortgage Pass-Through Trust			
5.500% due 07/25/2037 ^		838	696
6.000% due 04/25/2036 ^		658	622
Credit Suisse Commercial Mortgage Trust			
5.870% due 09/15/2040		1,320	1,320
Credit Suisse Mortgage Capital Mortgage-Backed Trust			
5.750% due 04/25/2036 ^		1,855	1,469
Epic Drummond Ltd.			
0.000% due 01/25/2022	EUR	231	273
First Horizon Alternative Mortgage Securities Trust			
6.000% due 08/25/2036 ^	\$	2,636	2,219
GS Mortgage Securities Trust			
5.622% due 11/10/2039		1,689	1,554
GSR Mortgage Loan Trust			
3.234% due 11/25/2035 ^		2,221	2,054
3.450% due 03/25/2037 ^		3,990	3,654
5.500% due 05/25/2036 ^		310	296
IndyMac Mortgage Loan Trust			
6.500% due 07/25/2037 ^		6,865	4,580
JPMorgan Alternative Loan Trust			
3.046% due 03/25/2037		12,278	10,275
JPMorgan Chase Commercial Mortgage Securities Trust			
5.411% due 05/15/2047		3,600	2,567
5.623% due 05/12/2045		2,686	2,313
JPMorgan Mortgage Trust			
3.244% due 10/25/2035		69	66
3.304% due 01/25/2037 ^		1,616	1,592
3.378% due 02/25/2036 ^		2,630	2,360
3.493% due 06/25/2036 ^		1,254	1,119
Lehman Mortgage Trust			
6.000% due 07/25/2037 ^		314	297

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

22.648% due 11/25/2035 ^		292	420
Lehman XS Trust			
1.452% due 06/25/2047		4,649	4,060
MASTR Alternative Loan Trust			
6.750% due 07/25/2036		4,018	2,847
Merrill Lynch Mortgage Investors Trust			
3.214% due 03/25/2036 ^		4,094	2,999
Mesdag Delta BV			
0.000% due 01/25/2020	EUR	2,043	2,366
Morgan Stanley Capital Trust			
5.991% due 06/11/2049	\$	3,047	3,057
RBSSP Resecuritization Trust			
1.436% due 10/27/2036		3,609	904
1.456% due 08/27/2037		8,000	2,371
Residential Accredited Loans, Inc. Trust			
1.422% due 08/25/2036		1,312	1,220
1.462% due 05/25/2037 ^		463	352
6.000% due 08/25/2036 ^		902	780
6.000% due 05/25/2037 ^		2,796	2,520
Residential Asset Securitization Trust			
5.750% due 02/25/2036 ^		482	378
6.000% due 02/25/2037 ^		2,295	1,783
6.250% due 09/25/2037 ^		5,479	4,013
Residential Funding Mortgage Securities, Inc. Trust			
4.030% due 02/25/2037		3,829	3,080
Structured Adjustable Rate Mortgage Loan Trust			
3.243% due 11/25/2036 ^		5,836	5,295
3.291% due 07/25/2036 ^		1,403	1,116

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 25

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

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
3.342% due 03/25/2037 ^	\$ 1,176	\$ 951
3.391% due 01/25/2036 ^	8,639	6,613
3.559% due 07/25/2035 ^	2,842	2,476
Structured Asset Mortgage Investments Trust		
1.352% due 08/25/2036	237	210
Suntrust Adjustable Rate Mortgage Loan Trust		
3.482% due 02/25/2037 ^	9,529	8,175
3.531% due 02/25/2037 ^	859	771
3.604% due 04/25/2037 ^	953	814
WaMu Mortgage Pass-Through Certificates Trust		
2.999% due 07/25/2037 ^	1,045	869
3.030% due 10/25/2036 ^	2,023	1,798
3.160% due 02/25/2037 ^	1,437	1,367
3.326% due 07/25/2037 ^	2,377	2,216
Washington Mutual Mortgage Pass-Through Certificates Trust		
1.616% due 05/25/2047 ^	446	93
6.000% due 10/25/2035 ^	2,011	1,583
6.000% due 03/25/2036 ^	2,894	2,939
6.000% due 02/25/2037	7,203	6,416
Total Non-Agency Mortgage-Backed Securities (Cost \$231,674)		247,304
ASSET-BACKED SECURITIES 20.3%		
Airspeed Ltd.		
1.496% due 06/15/2032	5,473	4,582
Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates		
2.582% due 03/25/2033	89	88
Bear Stearns Asset-Backed Securities Trust		
1.632% due 04/25/2037	19,909	15,608
Belle Haven ABS CDO Ltd.		
1.551% due 07/05/2046	324,260	5,610
BlueMountain CLO Ltd.		
6.754% due 04/13/2027	1,000	994
CIFC Funding Ltd.		
0.000% due 05/24/2026 (g)	4,100	2,742
0.000% due 07/22/2026 (g)	3,000	1,966
Citigroup Mortgage Loan Trust, Inc.		
1.392% due 12/25/2036	7,303	4,894
1.632% due 11/25/2046	8,292	8,019
Cork Street CLO Designated Activity Co.		
0.000% due 11/27/2028	EUR 2,667	2,779
3.600% due 11/27/2028	1,197	1,419
4.500% due 11/27/2028	1,047	1,243
6.200% due 11/27/2028	1,296	1,543
Countrywide Asset-Backed Certificates		
1.402% due 03/25/2037	\$ 4,309	4,101
1.432% due 06/25/2047	18,750	16,282
1.542% due 09/25/2037 ^	19,068	9,735
3.707% due 08/25/2033	307	258
Credit-Based Asset Servicing and Securitization LLC		
3.882% due 12/25/2035 ^	85	85
Emerald Aviation Finance Ltd.		
6.350% due 10/15/2038	826	851
First Franklin Mortgage Loan Trust		
1.392% due 10/25/2036	5,499	4,097
Fremont Home Loan Trust		
1.382% due 01/25/2037	7,335	4,259

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

1.552% due 02/25/2036		15,173	6,436
Glacier Funding CDO Ltd.			
1.442% due 08/04/2035		8,642	2,327
Grosvenor Place CLO BV			
0.000% due 04/30/2029	EUR	750	701
IndyMac Home Equity Mortgage Loan Asset-Backed Trust			
1.392% due 07/25/2037	\$	3,600	2,273
JPMorgan Mortgage Acquisition Trust			
5.830% due 07/25/2036 ^		145	83
Lehman XS Trust			
6.290% due 06/24/2046		3,946	3,673
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Long Beach Mortgage Loan Trust			
1.532% due 01/25/2036	\$	8,000	\$ 5,890
Merrill Lynch Mortgage Investors Trust			
5.895% due 03/25/2037		7,624	2,483
Morgan Stanley ABS Capital, Inc. Trust			
1.382% due 10/25/2036		8,201	5,429
Morgan Stanley Mortgage Loan Trust			
6.250% due 07/25/2047 ^		1,459	1,045
Park Place Securities, Inc. Asset-Backed Pass-Through Certificates			
1.882% due 07/25/2035		6,000	4,484
Renaissance Home Equity Loan Trust			
5.612% due 04/25/2037		11,685	6,318
7.238% due 09/25/2037 ^		9,691	5,681
Residential Asset Securities Corp. Trust			
1.812% due 08/25/2034		10,491	8,640
Securitized Asset-Backed Receivables LLC Trust			
1.512% due 03/25/2036		11,668	6,300
SLM Student Loan Trust			
0.000% due 10/28/2029 (g)		8	8,317
0.000% due 01/25/2042 (g)		7	6,132
SoFi Professional Loan Program LLC			
0.000% due 05/25/2040 (g)		7,500	3,913
0.000% due 07/25/2040 (g)		38	2,158
0.000% due 09/25/2040 (g)		3,226	1,826
Sound Point CLO Ltd.			
6.163% due 01/23/2027		1,000	972
South Coast Funding Ltd.			
1.785% due 08/10/2038		20,485	4,015
Symphony CLO Ltd.			
5.904% due 07/14/2026		3,600	3,465
6.204% due 10/15/2025		1,400	1,404
Taberna Preferred Funding Ltd.			
1.531% due 12/05/2036		12,029	9,262
1.551% due 08/05/2036		762	575
1.551% due 08/05/2036 ^		14,754	11,139
1.571% due 02/05/2036		8,785	6,720
Thunderbolt Aircraft Lease Ltd.			
4.212% due 05/17/2032		385	397
Tropic CDO Ltd.			
2.058% due 04/15/2034		25,000	17,750
Total Asset-Backed Securities			
(Cost \$224,190)			230,963
SOVEREIGN ISSUES 2.9%			
Argentine Government International Bond			
2.260% due 12/31/2038	EUR	1,300	952
3.875% due 01/15/2022		300	354
5.000% due 01/15/2027		400	442
7.820% due 12/31/2033		14,043	17,478
Autonomous Community of Catalonia			
4.900% due 09/15/2021		2,650	3,339
Ghana Government International Bond			
10.750% due 10/14/2030	\$	600	749
Republic of Greece Government International Bond			

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

3.800% due 08/08/2017	JPY	695,000	6,316
4.750% due 04/17/2019	EUR	600	727
Saudi Government International Bond			
3.250% due 10/26/2026	\$	400	396
4.500% due 10/26/2046		2,600	2,655
Sri Lanka Government International Bond			
6.200% due 05/11/2027		200	207

Total Sovereign Issues (Cost \$31,210) 33,615

SHARES

COMMON STOCKS 0.4%

ENERGY 0.1%

Forbes Energy Services Ltd. (e)(j) 64,837 694

**MARKET
VALUE
(000S)**

FINANCIALS 0.3%

TIG FinCo PLC (j) 3,315,033 \$ 4,374

Total Common Stocks (Cost \$6,913) 5,068

WARRANTS 0.1%

INDUSTRIALS 0.1%

Sequa Corp. - Exp. 04/28/2024 1,355,000 635

UTILITIES 0.0%

Dynegy, Inc. - Exp. 02/02/2024 99,521 19

Total Warrants (Cost \$262) 654

PREFERRED SECURITIES 2.8%

BANKING & FINANCE 0.6%

Farm Credit Bank of Texas

10.000% due 12/15/2020 (h) 5,745 7,063

INDUSTRIALS 2.2%

Sequa Corp. 9.000% 25,121 24,504

Total Preferred Securities (Cost \$31,460) 31,567

SHORT-TERM INSTRUMENTS 8.6%

REPURCHASE AGREEMENTS (k) 5.7% 65,010

**PRINCIPAL
AMOUNT
(000S)**

U.S. TREASURY BILLS 2.9%

0.926% due 08/31/2017 - 01/04/2018 (f)(g)(n)(p) 33,068 33,038

Total Short-Term Instruments (Cost \$98,049) 98,048

Total Investments in Securities (Cost \$1,485,868) 1,577,462

Total Investments 138.3% (Cost \$1,485,868) \$ 1,577,462
Financial Derivative Instruments (m)(o) (2.7)% (30,831)

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

(Cost or Premiums, net \$(50,743))		
Preferred Shares (20.9)%		(237,950)
Other Assets and Liabilities, net (14.7)%		(167,913)

Net Assets Applicable to Common Shareholders 100.0%	\$	1,140,768
---	----	-----------

26 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

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) Principal only security.
 (c) When-issued security.
 (d) Payment in-kind security.
 (e) Security did not produce income within the last twelve months.
 (f) Coupon represents a weighted average yield to maturity.
 (g) Zero coupon security.
 (h) Perpetual maturity; date shown, if applicable, represents next contractual call date.
 (i) Security is subject to a forbearance agreement entered into by the Fund which forbears the Fund from taking action to, among other things, accelerate and collect payments on the subject note with respect to specified events of default.

(j) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Forbes Energy Services Ltd.	10/09/2014 - 11/18/2016	\$ 2,472	\$ 694	0.06%
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023	04/09/2015 - 07/30/2015	3,726	1,679	0.15
Odebrecht Offshore Drilling Finance Ltd.				
6.750% due 10/01/2023	04/09/2015 - 07/30/2015	3,317	1,598	0.14
TIG FinCo PLC	04/02/2015 - 07/20/2017	4,441	4,374	0.38
		\$ 13,956	\$ 8,345	0.73%

BORROWINGS AND OTHER FINANCING TRANSACTIONS**(k) REPURCHASE AGREEMENTS:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received ⁽¹⁾
BPG	1.160%	07/31/2017	08/01/2017	\$ 31,500	U.S. Treasury Bonds 3.000% due 11/15/2045	\$ (32,256)	\$ 31,500	\$ 31,501
RDR	1.160	07/31/2017	08/01/2017	26,800	U.S. Treasury Notes 2.750% due 02/15/2024	(27,352)	26,800	26,801

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

SSB	0.200	07/31/2017	08/01/2017	6,710	U.S. Treasury Notes 3.500% due 05/15/2020 ⁽²⁾	(6,849)	6,710	6,710
-----	-------	------------	------------	-------	---	---------	-------	-------

Total Repurchase Agreements **\$ (66,457) \$ 65,010 \$ 65,012**

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate ⁽³⁾	Settlement Date	Maturity Date	Amount Borrowed ⁽³⁾	Payable for Reverse Repurchase Agreements
BCY	(0.750)%	06/22/2017	TBD ⁽⁴⁾	\$ (231)	\$ (231)
BPS	1.610	06/02/2017	08/31/2017	(9,256)	(9,281)
	1.810	07/13/2017	10/13/2017	(4,596)	(4,600)
	1.890	06/02/2017	08/31/2017	(2,151)	(2,158)
NOM	(0.750)	06/16/2017	TBD ⁽⁴⁾	(176)	(176)
RBC	2.150	07/05/2017	01/05/2018	(18,281)	(18,310)
RDR	1.590	05/17/2017	08/17/2017	(5,356)	(5,374)
	1.590	05/23/2017	08/23/2017	(3,557)	(3,568)
	1.620	07/13/2017	08/15/2017	(10,070)	(10,079)
	1.710	07/07/2017	10/10/2017	(4,881)	(4,887)
	1.900	05/17/2017	08/17/2017	(9,589)	(9,627)
SOG	1.800	08/11/2017	09/14/2017	(2,504)	(2,504)
	1.750	05/23/2017	08/23/2017	(15,845)	(15,899)
	1.750	06/06/2017	08/23/2017	(1,398)	(1,402)
	1.750	06/07/2017	08/16/2017	(1,227)	(1,230)
	1.750	06/08/2017	08/23/2017	(2,647)	(2,654)
	1.780	06/08/2017	09/07/2017	(4,739)	(4,752)
	1.800	06/14/2017	09/14/2017	(26,356)	(29,051)
	1.850	07/11/2017	10/11/2017	(3,870)	(3,874)
	1.850	07/18/2017	10/18/2017	(7,273)	(7,278)

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 27

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

Counterparty	Borrowing Rate ⁽³⁾	Settlement Date	Maturity Date	Amount Borrowed ⁽³⁾	Payable for Reverse Repurchase Agreements
UBS	1.590%	05/23/2017	08/23/2017	\$ (12,485)	\$ (12,524)
	1.590	06/02/2017	08/23/2017	(2,379)	(2,385)
	1.700	07/07/2017	10/10/2017	(4,198)	(4,203)
	1.840	05/30/2017	08/23/2017	(2,654)	(2,663)
	1.940	05/30/2017	08/23/2017	(4,510)	(4,525)
	1.990	05/26/2017	08/28/2017	(5,684)	(5,705)
	2.140	06/14/2017	09/14/2017	(8,949)	(8,975)
Total Reverse Repurchase Agreements					\$ (177,915)

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 pledged/(received) as of July 31, 2017:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure ⁽⁵⁾
Global/Master Repurchase Agreement						
BCY	\$ 0	\$ (231)	\$ 0	\$ (231)	\$ 261	\$ 30
BPG	31,501	0	0	31,501	(32,256)	(755)
BPS	0	(16,039)	0	(16,039)	17,125	1,086
NOM	0	(176)	0	(176)	195	19
RBC	0	(18,310)	0	(18,310)	20,025	1,715
RDR	26,801	(33,535)	0	(6,734)	8,782	2,048
SOG	0	(68,644)	0	(68,644)	71,966	3,322
SSB	6,710	0	0	6,710	(6,849)	(139)
UBS	0	(40,980)	0	(40,980)	46,960	5,980
Total Borrowings and Other Financing Transactions	\$ 65,012	\$ (177,915)	\$ 0			

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS**Remaining Contractual Maturity of the Agreements**

Up to 30 days	31-90 days	Greater Than 90 days	Total
---------------	------------	----------------------	-------

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

	Overnight and Continuous									
Reverse Repurchase Agreements										
Corporate Bonds & Notes	\$	0	\$	(68,007)	\$	(81,563)	\$	(18,717)	\$	(168,287)
U.S. Government Agencies		0		(9,628)		0		0		(9,628)
Total Borrowings	\$	0	\$	(77,635)	\$	(81,563)	\$	(18,717)	\$	(177,915)
Gross amount of recognized liabilities for reverse repurchase agreements									\$	(177,915)

(1) Securities with an aggregate market value of \$194,306 have been pledged as collateral under the terms of the above master agreements as of July 31, 2017.

(1) Includes accrued interest.

(2) Collateral is held in custody by the counterparty.

(3) The average amount of borrowings outstanding during the period ended July 31, 2017 was \$(160,595) at a weighted average interest rate of 1.580%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(4) Open maturity reverse repurchase agreement.

(5) 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 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

28 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

(m) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED**SWAP AGREEMENTS:****CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION⁽¹⁾**

Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2017 ⁽²⁾	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized		Variation Margin	
						Appreciation/Depreciation	Market Value ⁽⁴⁾	Asset	Liability
Ally Financial, Inc.	5.000%	06/20/2022	1.823%	\$ 4,040	\$ 523	\$ 81	\$ 604	\$ 3	\$ 0
Banco Espirito Santo S.A.	5.000	09/20/2020	17.441	EUR 8,000	(2,531)	393	(2,138)	124	0
Frontier Communications Corp.	5.000	06/20/2020	6.967	\$ 10,200	(330)	(124)	(454)	14	0
Frontier Communications Corp.	5.000	06/20/2022	9.668	1,000	(135)	(26)	(161)	1	0
Navient Corp.	5.000	12/20/2021	2.538	15,900	(30)	1,706	1,676	0	(6)
					\$ (2,503)	\$ 2,030	\$ (473)	\$ 142	\$ (6)

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

Index/Tranches	Fixed Receive Rate	Maturity Date	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized		Variation Margin	
					Appreciation/Depreciation	Market Value ⁽⁴⁾	Asset	Liability
CDX.HY-26 5-Year Index	5.000%	06/20/2021	\$ 2,772	\$ 126	\$ 122	\$ 248	\$ 1	\$ 0
CDX.HY-28 5-Year Index	5.000	06/20/2022	25,600	1,801	301	2,102	15	0
CDX.IG-27 5-Year Index	1.000	12/20/2021	7,500	93	77	170	1	0
CDX.IG-28 5-Year Index	1.000	06/20/2022	16,800	291	61	352	4	0
				\$ 2,311	\$ 561	\$ 2,872	\$ 21	\$ 0

INTEREST RATE SWAPS

Pay/Receive	Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized		Variation Margin	
							Appreciation/Depreciation	Market Value	Asset	Liability

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Pay	1-Year BRL-CDI	11.250%	01/04/2021	BRL	210,000	\$ (1,280)	\$ 1,777	\$ 497	\$ 25	\$ 0
Pay	1-Year BRL-CDI	11.500	01/04/2021		22,400	(223)	410	187	5	0
Pay ⁽⁵⁾	3-Month USD-LIBOR	2.250	12/20/2022		\$ 12,500	(120)	(31)	(151)	1	0
Pay	3-Month USD-LIBOR	2.750	06/17/2025		145,380	9,193	(2,423)	6,770	18	0
Pay	3-Month USD-LIBOR	2.250	06/15/2026		44,400	2,099	(1,866)	233	12	0
Pay ⁽⁵⁾	3-Month USD-LIBOR	2.500	12/20/2027		71,200	482	662	1,144	33	0
Pay	3-Month USD-LIBOR	3.500	06/19/2044		305,100	(9,953)	68,433	58,480	203	0
Receive ⁽⁵⁾	3-Month USD-LIBOR	2.750	12/20/2047		470,000	(14,597)	(674)	(15,271)	0	(353)
Pay	6-Month AUD-BBR-BBSW	3.500	06/17/2025	AUD	13,400	332	301	633	10	0
Receive ⁽⁵⁾	6-Month EUR-EURIBOR	1.000	09/20/2027	EUR	35,900	44	(134)	(90)	79	0
Receive ⁽⁵⁾	6-Month GBP-LIBOR	1.500	09/20/2027	GBP	46,600	(753)	(371)	(1,124)	131	0
						\$ (14,776)	\$ 66,084	\$ 51,308	\$ 517	\$ (353)
Total Swap Agreements						\$ (14,968)	\$ 68,675	\$ 53,707	\$ 680	\$ (359)

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, 2017:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Variation Margin				Variation Margin			
	Market Value		Asset		Market Value		Liability	
	Purchased	Options	Futures	Swap	Written	Options	Futures	Swap
	Options	Futures	Agreements	Total	Options	Futures	Agreements	Total
Total Exchange-Traded or Centrally Cleared	\$ 0	\$ 0	\$ 680	\$ 680	\$ 0	\$ 0	\$ (359)	\$ (359)

(n) Securities with an aggregate market value of \$2,030 and cash of \$29,508 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2017. See Note 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(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, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 29

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

- (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 indicators 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 indicators 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.
- (5) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(o) 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	08/2017	EUR	2,008	\$ 2,321	\$ 0	\$ (56)	
	08/2017	GBP	2,719	3,523	0	(65)	
BPS	08/2017	EUR	74,446	84,471	0	(3,658)	
	08/2017	JPY	704,349	6,299	0	(90)	
GLM	08/2017	AUD	134	103	0	(4)	
	08/2017	GBP	588	760	0	(16)	
	08/2017	\$	116,455	GBP	88,626	479	0
	09/2017	GBP	88,626	\$	116,584	0	(480)
HUS	08/2017	AUD	466	357	0	(16)	
JPM	08/2017	GBP	1,097	1,431	0	(16)	
MSB	08/2017	BRL	1,737	555	0	(2)	
	08/2017	\$	552	BRL	1,737	5	0
	08/2017		92,541	EUR	78,939	908	0
	09/2017	BRL	1,737	\$	548	0	(5)
	09/2017	EUR	78,939		92,704	0	(909)
NGF	08/2017	BRL	1,737		516	0	(41)
	08/2017	\$	555	BRL	1,737	2	0
RBC	08/2017	GBP	84,222	\$	109,459	0	(1,663)
TOR	08/2017	\$	6,334	JPY	704,349	55	0
	09/2017	JPY	704,349	\$	6,344	0	(55)
UAG	08/2017	EUR	2,485		2,840	0	(102)
Total Forward Foreign Currency Contracts					\$ 1,449	\$ (7,178)	

SWAP AGREEMENTS:**CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION⁽¹⁾**

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Counterparty	Reference Entity	Fixed Receive Rate	Maturity Date	Implied	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/Depreciation	Swap Agreements, at Value	
				Credit Spread at July 31, 2017 ⁽²⁾				Asset	Liability
BPS	Petrobras Global Finance BV	1.000%	12/20/2024	3.536%	\$ 1,800	\$ (352)	\$ 73	\$ 0	\$ (279)
BRC	Springleaf Finance Corp.	5.000	12/20/2021	2.573	2,700	(40)	319	279	0
DUB	Petroleos Mexicanos	1.000	12/20/2021	1.804	100	(9)	6	0	(3)
GST	Petrobras Global Finance BV	1.000	09/20/2020	1.821	20	(3)	2	0	(1)
	Petrobras Global Finance BV	1.000	12/20/2024	3.536	2,400	(476)	104	0	(372)
	Springleaf Finance Corp.	5.000	06/20/2022	2.843	1,550	138	17	155	0
HUS	Petrobras Global Finance BV	1.000	12/20/2019	1.407	500	(41)	37	0	(4)
	Petrobras Global Finance BV	1.000	09/20/2020	1.821	60	(9)	8	0	(1)
	Petrobras Global Finance BV	1.000	12/20/2024	3.536	3,000	(623)	158	0	(465)
JPM	Russia Government International Bond	1.000	06/20/2019	0.619	28,600	(1,957)	2,194	237	0
	Russia Government International Bond	1.000	12/20/2020	1.126	1,300	(149)	145	0	(4)
	Springleaf Finance Corp.	5.000	06/20/2022	2.843	6,570	620	38	658	0
MYC	Banco Espirito Santo S.A.	5.000	09/20/2020	17.441	EUR 3,000	(28)	(774)	0	(802)
	Petrobras Global Finance BV	1.000	12/20/2019	1.407	\$ 14,500	(1,342)	1,221	0	(121)
						\$ (4,271)	\$ 3,548	\$ 1,329	\$ (2,052)

30 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

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

Counterparty	Index/Tranches	Fixed Receive Rate	Maturity Date	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value ⁽⁴⁾		
							Asset	Liability	
BRC	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	\$ 74,796	\$ (15,300)	\$ 8,951	\$ 0	\$ (6,349)	
DUB	CMBX.NA.BBB-.6 Index	3.000	05/11/2063	3,200	(195)	(166)	0	(361)	
	CMBX.NA.BBB-.8 Index	3.000	10/17/2057	4,400	(507)	(141)	0	(648)	
	CMBX.NA.BBB-.9 Index	3.000	09/17/2058	2,800	(351)	33	0	(318)	
FBF	CMBX.NA.BBB-.10 Index	3.000	11/17/2059	100	(11)	1	0	(10)	
	CMBX.NA.BBB-.6 Index	3.000	05/11/2063	300	(36)	2	0	(34)	
	CMBX.NA.BBB-.7 Index	3.000	01/17/2047	400	(36)	1	0	(35)	
	CMBX.NA.BBB-.8 Index	3.000	10/17/2057	1,300	(203)	12	0	(191)	
GST	ABX.HE.AAA.6-2 Index	0.110	05/25/2046	5,254	(1,113)	667	0	(445)	
	CMBX.NA.A.6 Index	2.000	05/11/2063	4,300	(219)	99	0	(120)	
	CMBX.NA.BB.6 Index	5.000	05/11/2063	2,900	(392)	(155)	0	(547)	
	CMBX.NA.BBB-.6 Index	3.000	05/11/2063	6,500	(358)	(376)	0	(734)	
	CMBX.NA.BBB-.7 Index	3.000	01/17/2047	1,100	(56)	(41)	0	(97)	
	CMBX.NA.BBB-.9 Index	3.000	09/17/2058	6,400	(797)	70	0	(727)	
MEI	ABX.HE.AAA.6-2 Index	0.110	05/25/2046	72,394	(14,429)	8,283	0	(6,146)	
	CMBX.NA.BBB-.10 Index	3.000	11/17/2059	100	(10)	0	0	(10)	
MYC	ABX.HE.AAA.6-2 Index	0.110	05/25/2046	78,811	(10,968)	4,278	0	(6,691)	
	CMBX.NA.BBB-.10 Index	3.000	11/17/2059	6,850	(731)	25	0	(706)	
	CMBX.NA.BBB-.6 Index	3.000	05/11/2063	3,250	(176)	(191)	0	(367)	
	CMBX.NA.BBB-.7 Index	3.000	01/17/2047	2,200	(97)	(97)	0	(194)	
	CMBX.NA.BBB-.8 Index	3.000	10/17/2057	1,100	(127)	(35)	0	(162)	
	CMBX.NA.BBB-.9 Index	3.000	09/17/2058	3,100	(381)	29	0	(352)	
						\$ (46,493)	\$ 21,249	\$ 0	\$ (25,244)

INTEREST RATE SWAPS

Counterparty	Pay/Receive		Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value	
	Floating Rate	Floating Rate Index						Asset	Liability
MYC	Pay	3-Month USD-LIBOR	2.200%	10/12/2022	\$ 500,000	\$ 21	\$ 523	\$ 544	\$ 0
Total Swap Agreements						\$ (50,743)	\$ 25,320	\$ 1,873	\$ (27,296)

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 pledged/(received) as of July 31, 2017:

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities				Net Market Value of OTC Derivatives	Collateral Pledged/ (Received)	Net Exposure ⁽⁵⁾
	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter			
BOA	\$ 0	\$ 0	\$ 0	\$ 0	\$ (121)	\$ 0	\$ 0	\$ (121)	\$ (121)	\$ 0	\$ (121)
BPS	0	0	0	0	(3,748)	0	(279)	(4,027)	(4,027)	3,337	(690)
BRC	0	0	279	279	0	0	(6,349)	(6,349)	(6,070)	6,317	247
DUB	0	0	0	0	0	0	(1,330)	(1,330)	(1,330)	1,393	63
FBF	0	0	0	0	0	0	(270)	(270)	(270)	272	2
GLM	479	0	0	479	(500)	0	0	(500)	(21)	0	(21)
GST	0	0	155	155	0	0	(3,044)	(3,044)	(2,889)	2,763	(126)
HUS	0	0	0	0	(16)	0	(470)	(486)	(486)	456	(30)
JPM	0	0	895	895	(16)	0	(4)	(20)	875	(900)	(25)
MEI	0	0	0	0	0	0	(6,156)	(6,156)	(6,156)	6,199	43
MSB	913	0	0	913	(916)	0	0	(916)	(3)	0	(3)
MYC	0	0	544	544	0	0	(9,394)	(9,394)	(8,850)	8,070	(780)
NGF	2	0	0	2	(41)	0	0	(41)	(39)	0	(39)
RBC	0	0	0	0	(1,663)	0	0	(1,663)	(1,663)	1,301	(362)
TOR	55	0	0	55	(55)	0	0	(55)	0	0	0
UAG	0	0	0	0	(102)	0	0	(102)	(102)	0	(102)
Total Over the Counter	\$ 1,449	\$ 0	\$ 1,873	\$ 3,322	\$ (7,178)	\$ 0	\$ (27,296)	\$ (34,474)			

(p) Securities with an aggregate market value of \$31,007 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2017.

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 31

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

- (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, securities or other deliverable obligations 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 indicators 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 indicators 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.
- (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 8, Master Arrangements, 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, 2017:

	Derivatives not accounted for as hedging instruments						Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts		
Financial Derivative Instruments - Assets							
Exchange-traded or centrally cleared							
Swap Agreements	\$ 0	\$ 163	\$ 0	\$ 0	\$ 517	\$ 680	
Over the counter							
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 1,449	\$ 0	\$ 1,449	
Swap Agreements	0	1,329	0	0	544	1,873	
	\$ 0	\$ 1,329	\$ 0	\$ 1,449	\$ 544	\$ 3,322	
	\$ 0	\$ 1,492	\$ 0	\$ 1,449	\$ 1,061	\$ 4,002	
Financial Derivative Instruments - Liabilities							
Exchange-traded or centrally cleared							
Swap Agreements	\$ 0	\$ 6	\$ 0	\$ 0	\$ 353	\$ 359	

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Over the counter

Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 7,178	\$ 0	\$ 7,178
Swap Agreements	0	27,296	0	0	0	27,296
	\$ 0	\$ 27,296	\$ 0	\$ 7,178	\$ 0	\$ 34,474
	\$ 0	\$ 27,302	\$ 0	\$ 7,178	\$ 353	\$ 34,833

The effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2017:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 3,572	\$ 0	\$ 0	\$ 84,829	\$ 88,401
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 3,544	\$ 0	\$ 3,544
Swap Agreements	0	9,090	0	0	(2,457)	6,633
	\$ 0	\$ 9,090	\$ 0	\$ 3,544	\$ (2,457)	\$ 10,177
	\$ 0	\$ 12,662	\$ 0	\$ 3,544	\$ 82,372	\$ 98,578

32 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 1,714	\$ 0	\$ 0	\$ (67,265)	\$ (65,551)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (5,841)	\$ 0	\$ (5,841)
Swap Agreements	0	21,529	0	0	2,833	24,362
	\$ 0	\$ 21,529	\$ 0	\$ (5,841)	\$ 2,833	\$ 18,521
	\$ 0	\$ 23,243	\$ 0	\$ (5,841)	\$ (64,432)	\$ (47,030)

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2017 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2017
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 0	\$ 89,772	\$ 1,842	\$ 91,614
Corporate Bonds & Notes				
Banking & Finance	0	337,790	8,209	345,999
Industrials	0	303,897	11,009	314,906
Utilities	0	59,877	0	59,877
Convertible Bonds & Notes				
Industrials	0	7,360	0	7,360
Municipal Bonds & Notes				
California	0	13,059	0	13,059
Illinois	0	27,219	0	27,219
Iowa	0	480	0	480
Texas	0	2,433	0	2,433
Virginia	0	1,203	0	1,203
West Virginia	0	14,072	0	14,072
U.S. Government Agencies	0	43,661	8,360	52,021
Non-Agency Mortgage-Backed Securities	0	247,304	0	247,304
Asset-Backed Securities	0	208,617	22,346	230,963
Sovereign Issues	0	33,615	0	33,615
Common Stocks				
Energy	694	0	0	694
Financials	0	0	4,374	4,374
Warrants				
Industrials	0	0	635	635
Utilities	19	0	0	19
				Fair Value at 07/31/2017
Category and Subcategory	Level 1	Level 2	Level 3	

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Preferred Securities								
Banking & Finance	\$	0	\$	7,063	\$	0	\$	7,063
Industrials		0		0		24,504		24,504
Short-Term Instruments								
Repurchase Agreements		0		65,010		0		65,010
U.S. Treasury Bills		0		33,038		0		33,038
Total Investments	\$	713	\$	1,495,470	\$	81,279	\$	1,577,462

Financial Derivative Instruments - Assets								
Exchange-traded or centrally cleared		0		680		0		680
Over the counter		0		3,322		0		3,322
	\$	0	\$	4,002	\$	0	\$	4,002

Financial Derivative Instruments - Liabilities								
Exchange-traded or centrally cleared		0		(359)		0		(359)
Over the counter		0		(34,474)		0		(34,474)
	\$	0	\$	(34,833)	\$	0	\$	(34,833)

Total Financial Derivative Instruments	\$	0	\$	(30,831)	\$	0	\$	(30,831)
Totals	\$	713	\$	1,464,639	\$	81,279	\$	1,546,631

There were no significant transfers among Levels 1 and 2 during the period ended July 31, 2017.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2017:

Category and Subcategory	Beginning Balance at 07/31/2016	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized			Ending Balance at 07/31/2017	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2017 ⁽¹⁾
						Transfers in Level 3	Transfers out of Level 3	Depreciation ⁽¹⁾		
Investments in Securities, at Value										
Loan Participations and Assignments	\$ 5,670	\$ 6,180	\$ (117)	\$ 324	\$ 7	\$ 1,181	\$ 0	\$ (11,403)	\$ 1,842	\$ 109
Corporate Bonds & Notes										
Banking & Finance	10,421	300	(2,481)	4	307	(342)	0	0	8,209	(3)
Industrials	10,850	0	0	15	0	144	0	0	11,009	144
U.S. Government										
Agencies	7,929	0	(146)	146	59	372	0	0	8,360	363
Asset-Backed Securities	17,050	7,897	0	40	0	(2,641)	0	0	22,346	(2,641)
Common Stocks										
Financials	505	3,263	0	0	0	606	0	0	4,374	606
Warrants										
Industrials	0	0	0	0	0	635	0	0	635	635

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 33

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

July 31, 2017

Category and Subcategory	Beginning Balance at 07/31/2016	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 07/31/2017	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2017 ⁽¹⁾
Preferred Securities										
Industrials	\$ 0	\$ 25,121	\$ 0	\$ 0	\$ 0	\$ (617)	\$ 0	\$ 0	\$ 24,504	\$ (617)
Totals	\$ 52,425	\$ 42,761	\$ (2,744)	\$ 529	\$ 373	\$ (662)	\$ 0	\$ (11,403)	\$ 81,279	\$ (1,404)

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 07/31/2017	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 822	Other Valuation Techniques ⁽²⁾		
	597	Proxy Pricing	Base Price	99.500
	423	Third Party Vendor	Broker Quote	98.000-100.563
Corporate Bonds & Notes				
Banking & Finance	8,209	Proxy Pricing	Base Price	101.000-114.491
Industrials	11,009	Proxy Pricing	Base Price	101.000
U.S. Government Agencies	8,360	Proxy Pricing	Base Price	57.000
Asset-Backed Securities	22,346	Proxy Pricing	Base Price	52.170-100.000.000
Common Stocks				
Financials	4,374	Other Valuation Techniques ⁽²⁾		
Warrants				
Industrials	635	Other Valuation Techniques ⁽²⁾		
Preferred Securities				
Industrials	24,504	Fundamental Valuation	Company Assets	\$ 551,000.000
Total	\$ 81,279			

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2017 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.

Schedule of Investments PIMCO Corporate & Income Strategy Fund

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 120.7%		
LOAN PARTICIPATIONS AND ASSIGNMENTS 4.7%		
Avolon Holdings Ltd.		
3.478% due 09/20/2020	\$ 50	\$ 50
3.978% due 03/20/2022	350	352
BMC Software Finance, Inc.		
5.234% due 09/10/2022	7,956	8,015
CD&R Plumb Buyer LLC		
TBD% due 06/25/2018	200	199
CenturyLink, Inc.		
2.750% due 01/31/2025	1,000	988
Diamond BV		
TBD% due 07/25/2024	EUR 100	119
Drillships Ocean Ventures, Inc.		
7.750% due 07/25/2021	\$ 1,500	1,329
Forbes Energy Services LLC		
5.000% - 7.000% due 04/13/2021	140	145
HD Supply Waterworks Ltd.		
TBD% due 08/01/2024	40	40
iHeartCommunications, Inc.		
7.984% due 01/30/2019	14,300	11,672
Parexel International Corp.		
TBD% due 07/18/2018	200	199
Petroleo Global Trading BV		
TBD% due 02/19/2020	200	196
Sequa Mezzanine Holdings LLC		
6.758% - 6.814% due 11/28/2021	220	222
10.314% due 04/28/2022	90	92
Sprint Communications, Inc.		
3.750% due 02/02/2024	1,596	1,603
Staples, Inc.		
TBD% due 08/02/2018	590	586
Team Health Holdings, Inc.		
3.984% due 02/06/2024	200	199
UPC Financing Partnership		
3.976% due 04/15/2025	200	201
Westmoreland Coal Co.		
7.796% due 12/16/2020	2,084	1,852
Total Loan Participations and Assignments (Cost \$28,689)		28,059
CORPORATE BONDS & NOTES 51.9%		
BANKING & FINANCE 26.1%		
AGFC Capital Trust		
3.054% due 01/15/2067	2,300	1,369
Ally Financial, Inc.		
8.000% due 11/01/2031 (l)	6,486	8,083
Ardonagh Midco PLC		
8.375% due 07/15/2023	GBP 700	932
AssuredPartners, Inc.		
7.000% due 08/15/2025 (c)	\$ 18	18
Banco Bilbao Vizcaya Argentaria S.A.		
6.750% due 02/18/2020 (h)	EUR 600	761
Banco do Brasil S.A.		

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

6.250% due 04/15/2024 (h)		\$	3,630	3,145
9.000% due 06/18/2024 (h)			3,127	3,251
Banco Espirito Santo S.A.				
4.000% due 01/21/2019 ^		EUR	4,300	1,578
4.750% due 01/15/2018 ^			5,100	1,872
Banco Santander S.A.				
6.250% due 09/11/2021 (h)			1,300	1,661
Barclays PLC				
6.500% due 09/15/2019 (h)			900	1,126
7.250% due 03/15/2023 (h)		GBP	4,700	6,723
8.000% due 12/15/2020 (h)		EUR	2,100	2,794
Blackstone CQP Holdco LP				
6.500% due 03/20/2021		\$	4,900	5,092
BNP Paribas S.A.				
7.375% due 08/19/2025 (h)			3,220	3,671
			PRINCIPAL	MARKET
			AMOUNT	VALUE
			(000S)	(000S)
Brighthouse Financial, Inc.				
4.700% due 06/22/2047		\$	98	\$ 97
Brighthouse Holdings LLC				
6.500% due 07/27/2037 (h)			200	203
Cantor Fitzgerald LP				
6.500% due 06/17/2022 (l)			8,000	8,965
Credit Agricole S.A.				
7.875% due 01/23/2024 (h)(l)			7,530	8,514
Credit Suisse Group AG				
7.500% due 12/11/2023 (h)(l)			7,105	8,097
Deutsche Bank AG				
4.250% due 10/14/2021 (l)			2,000	2,109
EPR Properties				
4.750% due 12/15/2026 (l)			3,100	3,213
Flagstar Bancorp, Inc.				
6.125% due 07/15/2021 (l)			3,500	3,745
GSPA Monetization Trust				
6.422% due 10/09/2029			3,715	4,248
Howard Hughes Corp.				
5.375% due 03/15/2025			72	75
HSBC Holdings PLC				
6.000% due 09/29/2023 (h)		EUR	3,193	4,325
6.000% due 05/22/2027 (h)		\$	200	210
Intrum Justitia AB				
2.750% due 07/15/2022		EUR	100	120
Jefferies Finance LLC				
6.875% due 04/15/2022		\$	1,000	1,010
7.375% due 04/01/2020			2,100	2,168
7.500% due 04/15/2021			1,444	1,509
Jefferies LoanCore LLC				
6.875% due 06/01/2020			6,100	6,291
Lloyds Banking Group PLC				
7.625% due 06/27/2023 (h)		GBP	2,166	3,224
7.875% due 06/27/2029 (h)			1,500	2,372
MPT Operating Partnership LP				
5.250% due 08/01/2026		\$	1,283	1,347
Nationwide Building Society				
10.250% due 06/29/2049 (h)		GBP	12	2,568
Navient Corp.				
5.500% due 01/15/2019 (l)		\$	7,425	7,731
5.625% due 08/01/2033			2,290	1,958
Novo Banco S.A.				
5.000% due 04/04/2019		EUR	298	284
5.000% due 04/23/2019			508	484
5.000% due 05/14/2019			402	383
5.000% due 05/21/2019			225	214
5.000% due 05/23/2019			224	214
OneMain Financial Holdings LLC				
6.750% due 12/15/2019		\$	1,349	1,417
Oppenheimer Holdings, Inc.				
6.750% due 07/01/2022			1,496	1,514
Provident Funding Associates LP				

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

6.375% due 06/15/2025		31		32
Rio Oil Finance Trust				
9.250% due 07/06/2024		3,620		3,722
9.750% due 01/06/2027		467		484
Royal Bank of Scotland Group PLC				
7.500% due 08/10/2020 (h)		4,070		4,309
8.000% due 08/10/2025 (h)		6,390		7,009
8.625% due 08/15/2021 (h)		1,700		1,882
Santander UK Group Holdings PLC				
6.750% due 06/24/2024 (h)	GBP	3,795		5,372
7.375% due 06/24/2022 (h)		3,520		5,015
Sberbank of Russia Via SB Capital S.A.				
5.717% due 06/16/2021	\$	1,900		2,048
6.125% due 02/07/2022		1,300		1,420
Spirit Realty LP				
4.450% due 09/15/2026 (l)		1,600		1,546
Springleaf Finance Corp.				
6.125% due 05/15/2022		656		690
8.250% due 10/01/2023		1,200		1,356
		PRINCIPAL		MARKET
		AMOUNT		VALUE
		(000S)		(000S)
Tesco Property Finance PLC				
7.623% due 07/13/2039	GBP	419	\$	718
				156,288
INDUSTRIALS 20.8%				
Altice Financing S.A.				
7.500% due 05/15/2026	\$	1,600		1,778
AMC Networks, Inc.				
4.750% due 08/01/2025		90		91
BMC Software Finance, Inc.				
8.125% due 07/15/2021		1,688		1,751
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)				
9.000% due 10/15/2019 (d)		4,342		4,358
Burger King Worldwide, Inc.				
4.250% due 05/15/2024		199		201
Caesars Entertainment Operating Co., Inc.				
8.500% due 02/15/2020 ^ (i)		3,246		4,220
9.000% due 02/15/2020 ^ (i)		1,854		2,415
10.000% due 12/15/2018 ^		5,770		5,503
Charter Communications Operating LLC				
5.375% due 05/01/2047		64		67
Chesapeake Energy Corp.				
4.554% due 04/15/2019		115		114
CommScope Technologies LLC				
5.000% due 03/15/2027		2		2
Community Health Systems, Inc.				
6.250% due 03/31/2023		158		162
Continental Airlines Pass-Through Trust				
9.798% due 10/01/2022		831		914
CSN Resources S.A.				
6.500% due 07/21/2020		519		396
DAE Funding LLC				
4.000% due 08/01/2020 (c)		60		61
4.500% due 08/01/2022 (c)		60		61
5.000% due 08/01/2024 (c)		150		154
DriveTime Automotive Group, Inc.				
8.000% due 06/01/2021 (l)		4,100		4,131
Dynegy, Inc.				
8.034% due 02/02/2024		1,832		1,777
Exela Intermediate LLC				
10.000% due 07/15/2023		117		114
Ferroglobe PLC				
9.375% due 03/01/2022		2,000		2,155
Ford Motor Co.				
7.700% due 05/15/2097 (l)		7,830		9,758
Fresh Market, Inc.				

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

9.750% due 05/01/2023 (1)		5,650	4,647
Frontier Finance PLC			
8.000% due 03/23/2022	GBP	4,600	6,342
HCA, Inc.			
5.500% due 06/15/2047	\$	98	102
7.500% due 11/15/2095		1,200	1,241
iHeartCommunications, Inc.			
9.000% due 09/15/2022		3,440	2,546
Intelsat Jackson Holdings S.A.			
7.250% due 10/15/2020		3,720	3,590
9.750% due 07/15/2025		195	202
Intelsat Luxembourg S.A.			
7.750% due 06/01/2021		10,492	6,767
8.125% due 06/01/2023		1,121	700
Intrepid Aviation Group Holdings LLC			
6.875% due 02/15/2019		7,070	7,017
Kinder Morgan Energy Partners LP			
6.375% due 03/01/2041 (1)		400	458
Kinder Morgan, Inc.			
7.800% due 08/01/2031 (1)		3,580	4,583
Mallinckrodt International Finance S.A.			
4.750% due 04/15/2023		960	854
5.500% due 04/15/2025		770	716
New Albertson s, Inc.			
6.570% due 02/23/2028 (1)		5,600	4,298

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 35

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

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Park Aerospace Holdings Ltd.		
5.250% due 08/15/2022	\$ 13	\$ 13
5.500% due 02/15/2024	36	37
Petroleos Mexicanos		
6.500% due 03/13/2027	260	287
6.750% due 09/21/2047	270	285
PetSmart, Inc.		
5.875% due 06/01/2025	108	104
Prime Security Services Borrower LLC		
9.250% due 05/15/2023	627	702
QVC, Inc.		
4.375% due 03/15/2023	410	422
5.450% due 08/15/2034	900	881
5.950% due 03/15/2043	3,682	3,608
Russian Railways via RZD Capital PLC		
7.487% due 03/25/2031	GBP 1,000	1,639
Safeway, Inc.		
7.250% due 02/01/2031 (l)	\$ 1,345	1,244
SFR Group S.A.		
7.375% due 05/01/2026 (l)	5,340	5,801
Sirius XM Radio, Inc.		
3.875% due 08/01/2022	57	58
Spirit Issuer PLC		
3.000% due 12/28/2031	GBP 1,000	1,288
6.582% due 12/28/2027	1,400	1,993
Symantec Corp.		
5.000% due 04/15/2025	\$ 44	46
Times Square Hotel Trust		
8.528% due 08/01/2026	1,678	2,013
UCP, Inc.		
8.500% due 10/21/2017	6,000	6,060
Unique Pub Finance Co. PLC		
5.659% due 06/30/2027	GBP 3,630	5,407
6.542% due 03/30/2021	1,511	2,182
United Group BV		
4.375% due 07/01/2022	EUR 100	119
4.875% due 07/01/2024	100	118
UPCB Finance Ltd.		
3.625% due 06/15/2029	190	224
Valeant Pharmaceuticals International, Inc.		
6.500% due 03/15/2022	\$ 86	91
7.000% due 03/15/2024	165	176
Virgin Media Secured Finance PLC		
5.000% due 04/15/2027	GBP 300	414
Westmoreland Coal Co.		
8.750% due 01/01/2022	\$ 5,955	5,203
Wynn Las Vegas LLC		
5.250% due 05/15/2027	60	62
		124,723
UTILITIES 5.0%		
AT&T, Inc.		
2.215% due 02/14/2023 (c)	90	90
2.850% due 02/14/2023 (c)	200	201
3.400% due 08/14/2024 (c)	390	391
3.900% due 08/14/2027 (c)	350	350
4.900% due 08/14/2037 (c)	358	358
5.150% due 02/14/2050 (c)	538	538

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

5.300% due 08/14/2058 (c)		160	160
Frontier Communications Corp.			
8.500% due 04/15/2020		985	1,005
Gazprom Neft OAO Via GPN Capital S.A.			
4.375% due 09/19/2022 (l)		5,700	5,775
6.000% due 11/27/2023 (l)		700	764
Mountain States Telephone & Telegraph Co.			
7.375% due 05/01/2030		8,200	8,661
Odebrecht Drilling Norbe Ltd.			
6.350% due 06/30/2022 ^		286	178
Odebrecht Offshore Drilling Finance Ltd.			
6.625% due 10/01/2023 ^(j)		2,600	930
6.750% due 10/01/2023 ^(j)		2,811	1,006
Petrobras Global Finance BV			
6.250% due 12/14/2026	GBP	4,800	6,552
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
6.625% due 01/16/2034	GBP	100	\$ 133
6.750% due 01/27/2041	\$	2,300	2,217
7.250% due 03/17/2044		244	246
TerraForm Power Operating LLC			
6.375% due 02/01/2023		625	653
			30,208
Total Corporate Bonds & Notes (Cost \$294,035)			311,219
CONVERTIBLE BONDS & NOTES 0.7%			
INDUSTRIALS 0.7%			
DISH Network Corp.			
3.375% due 08/15/2026		3,400	4,241
Total Convertible Bonds & Notes (Cost \$3,400)			4,241
MUNICIPAL BONDS & NOTES 4.6%			
CALIFORNIA 0.9%			
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010			
7.750% due 10/01/2037		1,220	1,349
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009			
7.942% due 10/01/2038		3,400	3,752
			5,101
ILLINOIS 2.3%			
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010			
7.517% due 01/01/2040		12,700	13,562
Chicago, Illinois General Obligation Bonds, Series 2014			
6.314% due 01/01/2044		60	60
Chicago, Illinois General Obligation Bonds, Series 2017			
7.045% due 01/01/2029		110	119
Illinois State General Obligation Bonds, (BABs), Series 2010			
6.725% due 04/01/2035		35	39
7.350% due 07/01/2035		20	23
Illinois State General Obligation Bonds, Series 2003			
5.100% due 06/01/2033		270	271
			14,074
VIRGINIA 0.1%			
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007			
6.706% due 06/01/2046		785	674
WEST VIRGINIA 1.3%			
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007			
0.000% due 06/01/2047 (g)		44,400	2,310

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

7.467% due 06/01/2047	5,885	5,587
		7,897
Total Municipal Bonds & Notes (Cost \$25,728)		27,746
U.S. GOVERNMENT AGENCIES 5.7%		
Fannie Mae		
3.000% due 02/25/2043 (a)	58,999	12,149
4.232% due 10/25/2029	520	545
4.782% due 07/25/2029	850	915
5.482% due 01/25/2029	400	449
6.082% due 10/25/2029	330	362
6.982% due 07/25/2029	1,150	1,346
Freddie Mac		
0.000% due 04/25/2045 - 08/25/2046 (b)(g)	10,900	8,475
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
0.100% due 04/25/2046 - 08/25/2046 (a)	\$ 50,710	\$ 198
0.200% due 04/25/2045 (a)	5,683	15
6.174% due 11/25/2055	8,250	4,713
8.782% due 12/25/2027	3,295	3,872
11.982% due 03/25/2025	736	997
Total U.S. Government Agencies (Cost \$31,462)		34,036
NON-AGENCY MORTGAGE-BACKED SECURITIES 25.0%		
Banc of America Alternative Loan Trust		
5.500% due 10/25/2035 ^	4,839	4,290
6.000% due 01/25/2036 ^	127	119
Banc of America Funding Trust		
6.000% due 07/25/2037 ^	344	266
Banc of America Mortgage Trust		
3.622% due 03/25/2035	107	105
6.000% due 03/25/2037 ^	424	408
BCAP LLC Trust		
3.285% due 03/27/2036	2,211	1,269
3.517% due 08/28/2037	6,772	6,343
5.045% due 03/26/2037	1,042	629
7.711% due 07/26/2036	1,661	1,636
Bear Stearns ALT-A Trust		
1.732% due 01/25/2036 ^	1,574	1,583
3.226% due 09/25/2047 ^	7,169	5,652
3.268% due 11/25/2036 ^	4,735	3,903
3.322% due 11/25/2035 ^	6,816	6,204
3.525% due 08/25/2036 ^	1,109	828
3.625% due 09/25/2035 ^	715	586
Bear Stearns Commercial Mortgage Securities Trust		
5.713% due 04/12/2038	210	166
Bear Stearns Mortgage Funding Trust		
7.500% due 08/25/2036	1,319	1,295
Chase Mortgage Finance Trust		
3.224% due 12/25/2035 ^	13	13
6.000% due 07/25/2037 ^	972	893
Citigroup Mortgage Loan Trust, Inc.		
3.203% due 04/25/2037 ^	317	259
3.661% due 09/25/2037 ^	2,359	1,964
Citigroup/Deutsche Bank Commercial Mortgage Trust		
5.398% due 12/11/2049	62	35
5.688% due 10/15/2048	8,290	4,448
Commercial Mortgage Loan Trust		
6.155% due 12/10/2049	1,973	1,245
Countrywide Alternative Loan Resecuritization Trust		
6.000% due 08/25/2037 ^	1,313	1,042

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Countrywide Alternative Loan Trust

5.500% due 03/25/2035	334	262
5.500% due 03/25/2036 ^	184	148
5.750% due 01/25/2035	462	465
5.750% due 02/25/2035	487	466
5.750% due 03/25/2037 ^	872	742
6.000% due 02/25/2035	1,190	1,212
6.000% due 04/25/2036	1,318	1,026
6.000% due 02/25/2037 ^	6,521	4,602
6.000% due 04/25/2037 ^	1,439	1,119
6.000% due 07/25/2037 ^	331	322
6.250% due 12/25/2036 ^	1,678	1,244
6.500% due 08/25/2036 ^	596	406

Countrywide Home Loan Mortgage Pass-Through Trust

3.331% due 09/20/2036 ^	344	287
6.000% due 07/25/2037	2,074	1,685

Credit Suisse Commercial Mortgage Trust

5.870% due 09/15/2040	768	768
-----------------------	-----	-----

Credit Suisse Mortgage Capital Certificates

1.440% due 10/26/2036	6,989	4,654
-----------------------	-------	-------

Epic Drummond Ltd.

0.000% due 01/25/2022	EUR	135	159
-----------------------	-----	-----	-----

First Horizon Alternative Mortgage Securities Trust

6.000% due 08/25/2036 ^	\$	5,207	4,384
-------------------------	----	-------	-------

GS Mortgage Securities Trust

5.622% due 11/10/2039	939	863
-----------------------	-----	-----

GSR Mortgage Loan Trust

3.716% due 08/25/2034	496	482
-----------------------	-----	-----

36 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.500% due 05/25/2036 ^	\$ 465	\$ 444
6.000% due 02/25/2036 ^	3,326	2,690
HarborView Mortgage Loan Trust		
1.468% due 01/19/2036 ^	4,452	3,083
3.472% due 06/19/2036 ^	8,413	6,157
IndyMac Mortgage Loan Trust		
6.500% due 07/25/2037 ^	3,530	2,355
Jefferies Resecuritization Trust		
6.000% due 05/26/2036	15,481	11,311
JPMorgan Alternative Loan Trust		
3.079% due 03/25/2037 ^	2,052	1,834
6.000% due 12/25/2035 ^	2,069	2,013
JPMorgan Chase Commercial Mortgage Securities Trust		
5.623% due 05/12/2045	1,547	1,331
JPMorgan Mortgage Trust		
3.304% due 01/25/2037 ^	840	828
3.378% due 02/25/2036 ^	3,174	2,849
3.463% due 04/25/2037	11	10
LB-UBS Commercial Mortgage Trust		
5.407% due 11/15/2038	913	700
5.562% due 02/15/2040	1,319	950
Lehman Mortgage Trust		
6.000% due 07/25/2037 ^	216	204
Lehman XS Trust		
1.452% due 06/25/2047	2,737	2,390
MASTR Alternative Loan Trust		
6.750% due 07/25/2036	2,065	1,464
Merrill Lynch Mortgage Investors Trust		
3.214% due 03/25/2036 ^	845	619
Mesdag Delta BV		
0.000% due 01/25/2020	EUR 1,244	1,440
Morgan Stanley Capital Trust		
5.991% due 06/11/2049	\$ 1,741	1,747
Residential Accredit Loans, Inc. Trust		
1.462% due 05/25/2037 ^	229	174
4.284% due 12/26/2034 ^	2,290	1,814
6.000% due 08/25/2036 ^	433	375
Residential Asset Mortgage Products Trust		
6.500% due 12/25/2031	640	646
Residential Asset Securitization Trust		
6.000% due 11/25/2036 ^	3,038	2,075
6.250% due 09/25/2037 ^	2,834	2,076
6.250% due 06/25/2046	1,447	1,224
Residential Funding Mortgage Securities, Inc. Trust		
4.030% due 02/25/2037	2,028	1,631
6.500% due 03/25/2032	198	204
Sequoia Mortgage Trust		
3.228% due 02/20/2047	459	414
4.707% due 07/20/2037 ^	915	803
Structured Adjustable Rate Mortgage Loan Trust		
3.243% due 11/25/2036 ^	3,051	2,768
3.291% due 07/25/2036 ^	740	589
3.337% due 07/25/2036 ^	8,280	6,294
3.342% due 03/25/2037 ^	3,487	2,818
3.391% due 01/25/2036 ^	2,719	2,081
3.559% due 07/25/2035 ^	981	855
Suntrust Adjustable Rate Mortgage Loan Trust		
3.531% due 02/25/2037 ^	448	402

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

3.604% due 04/25/2037 ^	726	620
WaMu Mortgage Pass-Through Certificates Trust		
2.999% due 07/25/2037 ^	547	455
3.030% due 10/25/2036 ^	2,696	2,396
3.160% due 02/25/2037 ^	719	684
3.326% due 07/25/2037 ^	1,261	1,176
Washington Mutual Mortgage Pass-Through Certificates Trust		
1.616% due 05/25/2047 ^	220	46
6.000% due 10/25/2035 ^	2,117	1,667
Wells Fargo Mortgage-Backed Securities Trust		
3.166% due 07/25/2036 ^	458	461
3.329% due 05/25/2036 ^	84	80
Total Non-Agency Mortgage-Backed Securities (Cost \$141,927)		149,724

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
ASSET-BACKED SECURITIES 19.7%		
ACE Securities Corp. Home Equity Loan Trust		
1.622% due 02/25/2036	\$ 28,019	\$ 14,216
Airspeed Ltd.		
1.496% due 06/15/2032	3,155	2,642
Argent Securities Trust		
1.422% due 03/25/2036	4,033	2,162
Bear Stearns Asset-Backed Securities Trust		
1.372% due 10/25/2036 ^	5,597	5,538
6.500% due 10/25/2036 ^	374	286
Belle Haven ABS CDO Ltd.		
1.551% due 07/05/2046	175,347	3,034
BlueMountain CLO Ltd.		
6.754% due 04/13/2027	1,000	994
CIFC Funding Ltd.		
0.000% due 05/24/2026 (g)	2,300	1,538
0.000% due 07/22/2026 (g)	1,500	983
Citigroup Mortgage Loan Trust, Inc.		
1.392% due 12/25/2036	4,292	2,876
Countrywide Asset-Backed Certificates		
1.372% due 06/25/2047 ^	1,801	1,404
1.402% due 03/25/2037	2,545	2,422
1.952% due 01/25/2036	4,000	3,898
First Franklin Mortgage Loan Trust		
1.862% due 09/25/2035	3,835	2,142
2.207% due 05/25/2036	7,682	3,791
Fremont Home Loan Trust		
2.162% due 06/25/2035 ^	6,000	4,964
Grosvenor Place CLO BV		
0.000% due 04/30/2029	EUR 500	467
Highbridge Loan Management Ltd.		
6.621% due 05/05/2027	\$ 500	490
HSI Asset Securitization Corp. Trust		
0.000% due 10/25/2036 (g)	3,404	1,426
IndyMac Home Equity Mortgage Loan Asset-Backed Trust		
1.392% due 07/25/2037	11,099	7,007
JPMorgan Mortgage Acquisition Corp.		
1.522% due 01/25/2036	747	723
JPMorgan Mortgage Acquisition Trust		
1.392% due 11/25/2036	5,133	4,633
4.852% due 10/25/2030 ^	6,831	5,062
Lehman XS Trust		
5.170% due 08/25/2035 ^	260	246
Long Beach Mortgage Loan Trust		
1.532% due 01/25/2036	5,000	3,785
Magnetite Ltd.		
6.454% due 04/15/2027	1,000	969
Merrill Lynch Mortgage Investors Trust		
1.392% due 04/25/2037	589	333
Morgan Stanley ABS Capital, Inc. Trust		
1.382% due 06/25/2036	1,412	1,353

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Morgan Stanley Mortgage Loan Trust		
6.250% due 07/25/2047 ^	778	557
Park Place Securities, Inc. Asset-Backed Pass-Through Certificates		
1.752% due 08/25/2035	5,000	4,056
3.002% due 10/25/2034	573	532
Residential Asset Mortgage Products Trust		
2.327% due 12/25/2033	199	192
2.432% due 01/25/2035 ^	2,856	2,113
SLM Student Loan Trust		
0.000% due 10/28/2029 (g)	3	3,386
0.000% due 01/25/2042 (g)	4	3,504
SoFi Professional Loan Program LLC		
0.000% due 05/25/2040 (g)	4,300	2,243
0.000% due 07/25/2040 (g)	21	1,175
0.000% due 09/25/2040 (g)	1,718	973
Soundview Home Loan Trust		
1.482% due 08/25/2037	2,000	1,665
South Coast Funding Ltd.		
1.785% due 08/10/2038	10,414	2,042
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Symphony CLO Ltd.		
5.904% due 07/14/2026	\$ 2,000	\$ 1,925
Taberna Preferred Funding Ltd.		
1.551% due 08/05/2036	451	341
1.551% due 08/05/2036 ^	8,350	6,304
1.771% due 07/05/2035	8,849	7,478
Total Asset-Backed Securities (Cost \$110,384)		117,870
SOVEREIGN ISSUES 2.5%		
Argentine Government International Bond		
2.260% due 12/31/2038	EUR	476
3.875% due 01/15/2022		236
5.000% due 01/15/2027		331
7.820% due 12/31/2033		8,395
Autonomous Community of Catalonia		
4.900% due 09/15/2021		1,890
Republic of Greece Government International Bond		
3.000% due 02/24/2023		158
3.000% due 02/24/2024		155
3.000% due 02/24/2025		153
3.000% due 02/24/2026		151
3.000% due 02/24/2027		149
3.000% due 02/24/2028		142
3.000% due 02/24/2029		137
3.000% due 02/24/2030		135
3.000% due 02/24/2031		132
3.000% due 02/24/2032		130
3.000% due 02/24/2033		128
3.000% due 02/24/2034		127
3.000% due 02/24/2035		124
3.000% due 02/24/2036		122
3.000% due 02/24/2037		121
3.000% due 02/24/2038		120
3.000% due 02/24/2039		120
3.000% due 02/24/2040		120
3.000% due 02/24/2041		120
3.000% due 02/24/2042		120
3.800% due 08/08/2017	JPY	427
4.750% due 04/17/2019	EUR	484
Sri Lanka Government International Bond		
6.200% due 05/11/2027	\$	206
Total Sovereign Issues (Cost \$13,313)		15,109

SHARES

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

COMMON STOCKS 0.2%

ENERGY 0.0%

Forbes Energy Services Ltd. (e)(j)	11,400	122
------------------------------------	--------	-----

FINANCIALS 0.2%

TIG FinCo PLC (j)	761,602	1,005
-------------------	---------	-------

Total Common Stocks (Cost \$1,390) 1,127

WARRANTS 0.1%

INDUSTRIALS 0.1%

Sequa Corp. - Exp. 04/28/2024	775,000	363
-------------------------------	---------	-----

UTILITIES 0.0%

Dynegy, Inc. - Exp. 02/02/2024	61,388	12
--------------------------------	--------	----

Total Warrants (Cost \$161) 375

PREFERRED SECURITIES 3.6%

BANKING & FINANCE 1.3%

Farm Credit Bank of Texas		
10.000% due 12/15/2020 (h)	6,250	7,683

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 37

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

	SHARES	MARKET VALUE (000S)
INDUSTRIALS 2.3%		
Sequa Corp. 9.000%	14,354	\$ 14,002
Total Preferred Securities (Cost \$22,042)		21,685
SHORT-TERM INSTRUMENTS 2.0%		
REPURCHASE AGREEMENTS (k) 1.6%		9,443
	PRINCIPAL AMOUNT (000S)	
U.S. TREASURY BILLS 0.4%		
0.966% due 08/31/2017 - 01/04/2018 (f)(g)(n)(p)	\$ 2,716	2,712
Total Short-Term Instruments (Cost \$12,155)		\$ 12,155
		MARKET VALUE (000S)
Total Investments in Securities (Cost \$684,686)		723,346
Total Investments 120.7% (Cost \$684,686)		\$ 723,346
Financial Derivative Instruments (m)(o) (0.5)%		
(Cost or Premiums, net \$(1,182))		(2,737)
Preferred Shares (9.3)%		(55,525)
Other Assets and Liabilities, net (10.9)%		(65,818)
Net Assets Applicable to Common Shareholders 100.0%		\$ 599,266

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) Principal only security.

(c) When-issued security.

(d) Payment in-kind security.

(e) Security did not produce income within the last twelve months.

(f) Coupon represents a weighted average yield to maturity.

(g) Zero coupon security.

(h) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(i) Security is subject to a forbearance agreement entered into by the Fund which forbears the Fund from taking action to, among other things, accelerate and collect payments on the subject note with respect to specified events of default.

(j) RESTRICTED SECURITIES:

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Forbes Energy Services Ltd. Odebrecht Offshore Drilling Finance Ltd.	10/09/2014 - 11/18/2016	\$ 370	\$ 122	0.02%
6.625% due 10/01/2023 Odebrecht Offshore Drilling Finance Ltd.	04/09/2015 - 07/30/2015	2,058	930	0.16
6.750% due 10/01/2023 TIG FinCo PLC	04/09/2015 - 07/30/2015 04/02/2015 - 07/20/2017	2,077 1,020	1,006 1,005	0.17 0.16
		\$ 5,525	\$ 3,063	0.51%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(k) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received ⁽¹⁾
SAL	1.160%	07/31/2017	08/01/2017	\$ 8,400	U.S. Treasury Notes 1.125% due 02/28/2021	\$ (8,568)	\$ 8,400	\$ 8,400
SSB	0.200	07/31/2017	08/01/2017	1,043	U.S. Treasury Notes 3.500% due 05/15/2020 ⁽²⁾	(1,068)	1,043	1,043
Total Repurchase Agreements						\$ (9,636)	\$ 9,443	\$ 9,443

38 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate ⁽³⁾	Settlement Date	Maturity Date	Amount Borrowed ⁽³⁾	Payable for Reverse Repurchase Agreements
FOB	1.600%	07/21/2017	08/04/2017	\$ (2,931)	\$ (2,932)
JML	1.950	07/18/2017	08/18/2017	(614)	(615)
	1.950	07/31/2017	08/18/2017	(4,687)	(4,687)
MSC	1.770	05/02/2017	08/02/2017	(8,554)	(8,592)
RBC	2.060	02/27/2017	08/28/2017	(6,785)	(6,845)
RDR	1.590	05/17/2017	08/17/2017	(4,366)	(4,381)
	1.590	05/18/2017	08/17/2017	(1,969)	(1,976)
	1.640	06/14/2017	09/14/2017	(8,797)	(8,816)
RTA	2.064	06/08/2017	12/08/2017	(3,384)	(3,395)
	2.072	06/14/2017	12/14/2017	(8,202)	(8,225)
SOG	1.780	06/07/2017	09/07/2017	(6,422)	(6,439)
UBS	1.590	05/23/2017	08/23/2017	(424)	(425)
	1.590	06/02/2017	08/23/2017	(1,464)	(1,468)
	1.840	05/30/2017	08/23/2017	(2,126)	(2,133)
	1.990	05/22/2017	08/22/2017	(4,482)	(4,500)
	2.010	06/02/2017	09/05/2017	(5,487)	(5,505)
	2.030	05/15/2017	08/15/2017	(4,624)	(4,644)
Total Reverse Repurchase Agreements					\$ (75,578)

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 pledged/(received) as of July 31, 2017:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure ⁽⁴⁾
Global/Master Repurchase Agreement						
FOB	\$ 0	\$ (2,932)	\$ 0	\$ (2,932)	\$ 3,140	\$ 208
JML	0	(5,302)	0	(5,302)	6,539	1,237
MSC	0	(8,592)	0	(8,592)	9,548	956
RBC	0	(6,845)	0	(6,845)	7,710	865
RDR	0	(15,173)	0	(15,173)	15,657	484
RTA	0	(11,620)	0	(11,620)	12,337	717
SAL	8,400	0	0	8,400	(8,568)	(168)
SOG	0	(6,439)	0	(6,439)	7,046	607
SSB	1,043	0	0	1,043	(1,068)	(25)
UBS	0	(18,675)	0	(18,675)	22,007	3,332

Total Borrowings and Other Financing Transactions	\$ 9,443	\$ (75,578)	\$ 0
--	----------	-------------	------

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	\$ (43,198)	\$ (20,761)	\$ (11,619)	\$ (75,578)
Total Borrowings	\$ 0	\$ (43,198)	\$ (20,761)	\$ (11,619)	\$ (75,578)

Gross amount of recognized liabilities for reverse repurchase agreements \$ (75,578)

(1) Securities with an aggregate market value of \$84,831 have been pledged as collateral under the terms of the above master agreements as of July 31, 2017.

(1) Includes accrued interest.

(2) Collateral is held in custody by the counterparty.

(3) The average amount of borrowings outstanding during the period ended July 31, 2017 was \$(84,961) at a weighted average interest rate of 1.617%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(4) 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 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 39

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

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

SWAP AGREEMENTS:

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

Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2017 ⁽²⁾	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/Depreciation	Market Value ⁽⁴⁾	Variation Margin	
								Asset	Liability
Banco Espirito Santo S.A.	5.000%	12/20/2021	14.980%	EUR 100	\$ (23)	\$ (5)	\$ (28)	\$ 1	\$ 0
Frontier Communications Corp.	5.000	06/20/2020	6.967	\$ 5,500	(177)	(68)	(245)	8	0
Navient Corp.	5.000	12/20/2021	2.538	600	21	43	64	0	0
					\$ (179)	\$ (30)	\$ (209)	\$ 9	\$ 0

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

Index/Tranches	Fixed Receive Rate	Maturity Date	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/Depreciation	Market Value ⁽⁴⁾	Variation Margin	
							Asset	Liability
CDX.HY-26 5-Year Index	5.000%	06/20/2021	\$ 1,386	\$ 63	\$ 61	\$ 124	\$ 1	\$ 0
CDX.HY-28 5-Year Index	5.000	06/20/2022	1,000	71	11	82	0	0
				\$ 134	\$ 72	\$ 206	\$ 1	\$ 0

INTEREST RATE SWAPS

Pay/Receive	Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/Depreciation	Market Value ⁽⁴⁾	Variation Margin	
									Asset	Liability
Pay	3-Month USD-LIBOR	2.000%	2.000	12/16/2020	\$ 59,300	\$ 1,546	\$ (1,011)	\$ 535	\$ 0	\$ (13)
Pay	3-Month USD-LIBOR	2.000	2.000	06/15/2021	36,800	1,248	(943)	305	0	(8)
Pay ⁽⁵⁾	3-Month USD-LIBOR	2.250	2.250	12/20/2022	62,000	747	2	749	0	(7)
Pay	3-Month USD-LIBOR	2.750	2.750	06/17/2025	75,590	4,663	(1,143)	3,520	10	0
Pay ⁽⁵⁾	3-Month USD-LIBOR	2.500	2.500	12/20/2027	43,400	299	398	697	20	0
Pay	3-Month USD-LIBOR	3.500	3.500	06/19/2044	169,400	(5,526)	37,996	32,470	113	0
Receive	3-Month USD-LIBOR	2.250	2.250	12/21/2046	234,240	(16,773)	33,055	16,282	0	(199)
Receive ⁽⁵⁾	3-Month USD-LIBOR	2.750	2.750	12/20/2047	13,300	(490)	58	(432)	0	(10)

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Pay	6-Month AUD-BBR-BBSW	3,500	06/17/2025	AUD	7,600	188	171	359	6	0
Receive ⁽⁵⁾	6-Month EUR-EURIBOR	1,000	09/20/2027	EUR	11,800	14	(44)	(30)	26	0
Receive ⁽⁵⁾	6-Month GBP-LIBOR	1,500	09/20/2027	GBP	21,100	(341)	(168)	(509)	59	0
						\$ (14,425)	\$ 68,371	\$ 53,946	\$ 234	\$ (237)
Total Swap Agreements						\$ (14,470)	\$ 68,413	\$ 53,943	\$ 244	\$ (237)

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, 2017:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value		Variation Margin		Market Value		Variation Margin	
	Purchased		Asset		Written		Liability	
	Options	Futures	Agreements	Swap	Options	Futures	Agreements	Swap
				Total				Total
Total Exchange-Traded or Centrally Cleared	\$ 0	\$ 0	\$ 244	\$ 244	\$ 0	\$ 0	\$ (237)	\$ (237)

(n) Securities with an aggregate market value of \$636 and cash of \$12,478 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2017. See Note 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

- (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, securities or other deliverable obligations 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 indicators 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.

July 31, 2017

- (4) The prices and resulting values for credit default swap agreements on credit indices serve as indicators 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.
- (5) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(o) 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	08/2017	EUR 2,186	\$ 2,511	\$ 0	\$ (76)
	08/2017	GBP 742	961	0	(18)
BPS	08/2017	EUR 23,791	27,101	0	(1,062)
	08/2017	JPY 44,300	396	0	(6)
CBK	08/2017	EUR 776	886	0	(33)
GLM	08/2017	GBP 363	469	0	(10)
	08/2017	\$ 53,816	GBP 40,956	221	0
	09/2017	GBP 40,956	\$ 53,876	0	(222)
HUS	08/2017	AUD 196	150	0	(7)
JPM	08/2017	EUR 364	422	0	(9)
MSB	08/2017	\$ 32,742	EUR 27,930	321	0
	09/2017	EUR 27,930	\$ 32,800	0	(321)
RBC	08/2017	GBP 4,759	6,185	0	(94)
TOR	08/2017	\$ 398	JPY 44,300	4	0
	09/2017	JPY 44,300	\$ 399	0	(3)
UAG	08/2017	EUR 1,033	1,181	0	(42)
	08/2017	GBP 35,092	45,014	0	(1,286)
Total Forward Foreign Currency Contracts				\$ 546	\$ (3,189)

SWAP AGREEMENTS:**CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION⁽¹⁾**

Counterparty	Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2017 ⁽²⁾	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value	
								Asset	Liability
BPS	Petrobras Global Finance BV	1.000%	12/20/2019	1.407%	\$ 2,400	\$ (247)	\$ 227	\$ 0	\$ (20)
GST	Petrobras Global Finance BV	1.000	12/20/2019	1.407	8,900	(912)	838	0	(74)
	Petrobras Global Finance BV	1.000	09/20/2020	1.821	10	(1)	1	0	0

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

	Petrobras Global Finance BV	1.000	12/20/2021	2.538	100	(16)	10	0	(6)
HUS	Petrobras Global Finance BV	1.000	09/20/2020	1.821	40	(6)	5	0	(1)
						\$ (1,182)	\$ 1,081	\$ 0	\$ (101)
Total Swap Agreements						\$ (1,182)	\$ 1,081	\$ 0	\$ (101)

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 pledged/(received) as of July 31, 2017:

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities				Net Market Value of OTC Derivatives	Collateral Pledged/ (Received)	Net Exposure ⁽⁴⁾
	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter			
BOA	\$ 0	\$ 0	\$ 0	\$ 0	\$ (94)	\$ 0	\$ 0	\$ (94)	\$ (94)	\$ 0	\$ (94)
BPS	0	0	0	0	(1,068)	0	(20)	(1,088)	(1,088)	883	(205)
CBK	0	0	0	0	(33)	0	0	(33)	(33)	0	(33)
GLM	221	0	0	221	(232)	0	0	(232)	(11)	0	(11)
GST	0	0	0	0	0	0	(80)	(80)	(80)	163	83
HUS	0	0	0	0	(7)	0	(1)	(8)	(8)	0	(8)
JPM	0	0	0	0	(9)	0	0	(9)	(9)	0	(9)
MSB	321	0	0	321	(321)	0	0	(321)	0	0	0
RBC	0	0	0	0	(94)	0	0	(94)	(94)	0	(94)
TOR	4	0	0	4	(3)	0	0	(3)	1	0	1
UAG	0	0	0	0	(1,328)	0	0	(1,328)	(1,328)	1,030	(298)
Total Over the Counter	\$ 546	\$ 0	\$ 0	\$ 546	\$ (3,189)	\$ 0	\$ (101)	\$ (3,290)			

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 41

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

(p) Securities with an aggregate market value of \$2,076 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2017.

- (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, securities or other deliverable obligations 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 indicators 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) 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 8, Master Arrangements, 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, 2017:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 10	\$ 0	\$ 0	\$ 234	\$ 244
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 546	\$ 0	\$ 546
	\$ 0	\$ 10	\$ 0	\$ 546	\$ 234	\$ 790
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 237	\$ 237
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 3,189	\$ 0	\$ 3,189
Swap Agreements	0	101	0	0	0	101
	\$ 0	\$ 101	\$ 0	\$ 3,189	\$ 0	\$ 3,290

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

\$ 0 \$ 101 \$ 0 \$ 3,189 \$ 237 \$ 3,527

The effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2017:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Net Realized Gain on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 1,288	\$ 0	\$ 0	\$ 8,813	\$ 10,101
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 3,693	\$ 0	\$ 3,693
Swap Agreements	0	204	0	0	0	204
	\$ 0	\$ 204	\$ 0	\$ 3,693	\$ 0	\$ 3,897
	\$ 0	\$ 1,492	\$ 0	\$ 3,693	\$ 8,813	\$ 13,998
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ (537)	\$ 0	\$ 0	\$ (7,083)	\$ (7,620)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (2,588)	\$ 0	\$ (2,588)
Swap Agreements	0	1,288	0	0	0	1,288
	\$ 0	\$ 1,288	\$ 0	\$ (2,588)	\$ 0	\$ (1,300)
	\$ 0	\$ 751	\$ 0	\$ (2,588)	\$ (7,083)	\$ (8,920)

42 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2017 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2017
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 0	\$ 27,320	\$ 739	\$ 28,059
Corporate Bonds & Notes				
Banking & Finance	0	151,837	4,451	156,288
Industrials	0	118,663	6,060	124,723
Utilities	0	30,208	0	30,208
Convertible Bonds & Notes				
Industrials	0	4,241	0	4,241
Municipal Bonds & Notes				
California	0	5,101	0	5,101
Illinois	0	14,074	0	14,074
Virginia	0	674	0	674
West Virginia	0	7,897	0	7,897
U.S. Government Agencies	0	29,323	4,713	34,036
Non-Agency Mortgage-Backed Securities	0	149,724	0	149,724
Asset-Backed Securities	0	106,589	11,281	117,870
Sovereign Issues	0	15,109	0	15,109
Common Stocks				
Energy	122	0	0	122
Financials	0	0	1,005	1,005
Warrants				
Industrials	0	0	363	363
Utilities	12	0	0	12
Preferred Securities				
Banking & Finance	0	7,683	0	7,683
Industrials	0	0	14,002	14,002
Short-Term Instruments				
Repurchase Agreements	\$ 0	\$ 9,443	\$ 0	\$ 9,443
U.S. Treasury Bills	0	2,712	0	2,712
Total Investments	\$ 134	\$ 680,598	\$ 42,614	\$ 723,346
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	0	244	0	244
Over the counter	0	546	0	546
	\$ 0	\$ 790	\$ 0	\$ 790

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Financial Derivative Instruments - Liabilities

Exchange-traded or centrally cleared	0	(237)	0	(237)
Over the counter	0	(3,290)	0	(3,290)
	\$ 0	\$ (3,527)	\$ 0	\$ (3,527)

Total Financial Derivative Instruments \$ 0 \$ (2,737) \$ 0 \$ (2,737)

Totals \$ 134 \$ 677,861 \$ 42,614 \$ 720,609

There were no significant transfers among Levels 1 and 2 during the period ended July 31, 2017.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2017:

Category and Subcategory	Beginning Balance at 07/31/2016	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 07/31/2017	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2017 ⁽¹⁾
Investments in Securities, at Value										
Loan Participations and Assignments	\$ 0	\$ 717	\$ 0	\$ 1	\$ 0	\$ 21	\$ 0	\$ 0	\$ 739	\$ 21
Corporate Bonds & Notes										
Banking & Finance	5,517	200	(1,249)	2	154	(173)	0	0	4,451	(1)
Industrials	5,973	0	0	8	0	79	0	0	6,060	79
U.S. Government Agencies	4,470	0	(82)	81	33	211	0	0	4,713	207
Asset-Backed Securities	8,165	4,391	0	23	0	(1,298)	0	0	11,281	(1,298)
Common Stocks										
Financials	116	750	0	0	0	139	0	0	1,005	139
Warrants										
Industrials	0	0	0	0	0	363	0	0	363	363
Preferred Securities										
Industrials	0	14,354	0	0	0	(352)	0	0	14,002	(352)
Totals	\$ 24,241	\$ 20,412	\$ (1,331)	\$ 115	\$ 187	\$ (1,010)	\$ 0	\$ 0	\$ 42,614	\$ (842)

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 **43**

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

July 31, 2017

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 07/31/2017	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 145	Other Valuation Techniques ⁽²⁾		
	398	Proxy Pricing	Base Price	99.500
	196	Third Party Vendor	Broker Quote	98.000
Corporate Bonds & Notes				
Banking & Finance	4,451	Proxy Pricing	Base Price	101.000-114.491
Industrials	6,060	Proxy Pricing	Base Price	101.000
U.S. Government Agencies	4,713	Proxy Pricing	Base Price	57.000
Asset-Backed Securities	11,281	Proxy Pricing	Base Price	52.170-100,000.000
Common Stocks				
Financials	1,005	Other Valuation Techniques ⁽²⁾		
Warrants				
Industrials	363	Other Valuation Techniques ⁽²⁾		
Preferred Securities				
Industrials	14,002	Fundamental Valuation	Company Assets	\$ 551,000.000
Total	\$ 42,614			

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2017 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.

44 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Schedule of Investments PIMCO High Income Fund

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 125.7%		
LOAN PARTICIPATIONS AND ASSIGNMENTS 2.9%		
Almonde, Inc.		
8.459% due 06/13/2025	\$ 100	\$ 103
CD&R Plumb Buyer LLC		
TBD% due 06/25/2018	250	249
Diamond BV		
TBD% due 07/12/2024	100	100
TBD% due 07/25/2024	EUR 100	119
Drillships Ocean Ventures, Inc.		
7.750% due 07/25/2021	\$ 5,000	4,428
Forbes Energy Services LLC		
5.000% - 7.000% due 04/13/2021	813	839
Gartner, Inc.		
3.234% due 04/05/2024	26	26
HD Supply Waterworks Ltd.		
TBD% due 08/01/2024	60	61
iHeartCommunications, Inc.		
7.984% due 01/30/2019	17,200	14,040
Klockner-Pentaplast of America, Inc.		
4.750% due 06/30/2022	EUR 100	118
Parexel International Corp.		
TBD% due 07/18/2018	\$ 200	199
Petroleo Global Trading BV		
TBD% due 02/19/2020	300	294
Sequa Mezzanine Holdings LLC		
6.758% - 6.814% due 11/28/2021	330	333
10.314% due 04/28/2022	140	143
Staples, Inc.		
TBD% due 08/02/2018	870	863
Vistra Operations Co. LLC		
4.476% - 4.488% due 12/14/2023	896	903
Westmoreland Coal Co.		
7.796% due 12/16/2020	3,176	2,822
Total Loan Participations and Assignments (Cost \$26,961)		25,640
CORPORATE BONDS & NOTES 62.4%		
BANKING & FINANCE 31.7%		
AGFC Capital Trust		
3.054% due 01/15/2067	27,410	16,309
Ally Financial, Inc.		
8.000% due 11/01/2031	2,670	3,327
8.000% due 11/01/2031 (l)	2,762	3,442
Ardonagh Midco PLC		
8.375% due 07/15/2023	GBP 2,700	3,593
AssuredPartners, Inc.		
7.000% due 08/15/2025 (c)	\$ 27	27
Atlantic Marine Corps Communities LLC		
5.383% due 02/15/2048	4,579	4,440
Banco Bilbao Vizcaya Argentaria S.A.		
6.750% due 02/18/2020 (h)	EUR 3,000	3,804
Banco do Brasil S.A.		
6.250% due 04/15/2024 (h)	\$ 5,950	5,154

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

9.000% due 06/18/2024 (h)		7,739	8,046
Banco Espirito Santo S.A.			
4.000% due 01/21/2019 ^	EUR	5,800	2,128
4.750% due 01/15/2018 ^		6,400	2,349
Banco Santander S.A.			
6.250% due 09/11/2021 (h)		2,300	2,938
Barclays PLC			
6.500% due 09/15/2019 (h)		600	751
7.875% due 09/15/2022 (h)	GBP	7,210	10,543
8.000% due 12/15/2020 (h)	EUR	7,340	9,764
BNP Paribas S.A.			
7.375% due 08/19/2025 (h)	\$	3,200	3,648
Brighthouse Financial, Inc.			
4.700% due 06/22/2047		146	145
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Brighthouse Holdings LLC			
6.500% due 07/27/2037 (h)	\$	200	\$ 203
Cantor Fitzgerald LP			
6.500% due 06/17/2022 (l)		13,100	14,681
CBL & Associates LP			
5.950% due 12/15/2026 (l)		3,200	3,214
Co-operative Group Holdings Ltd.			
7.500% due 07/08/2026	GBP	3,000	4,838
Cooperatieve Rabobank UA			
6.625% due 06/29/2021 (h)	EUR	1,600	2,142
Credit Agricole S.A.			
7.500% due 06/23/2026 (h)	GBP	400	610
7.875% due 01/23/2024 (h)(l)	\$	2,750	3,109
7.875% due 01/23/2024 (h)		1,700	1,922
Doctors Co.			
6.500% due 10/15/2023 (l)		10,000	11,275
Flagstar Bancorp, Inc.			
6.125% due 07/15/2021 (l)		3,000	3,210
GSPA Monetization Trust			
6.422% due 10/09/2029		6,134	7,015
HSBC Holdings PLC			
6.000% due 09/29/2023 (h)	EUR	2,600	3,522
6.000% due 05/22/2027 (h)	\$	200	210
International Lease Finance Corp.			
6.980% due 10/15/2018		18,000	18,414
Intrum Justitia AB			
2.750% due 07/15/2022	EUR	100	120
3.125% due 07/15/2024		100	120
Jefferies Finance LLC			
7.250% due 08/15/2024 (c)	\$	200	201
7.375% due 04/01/2020		1,200	1,239
Jefferies LoanCore LLC			
6.875% due 06/01/2020 (l)		17,000	17,531
Lloyds Bank PLC			
12.000% due 12/16/2024 (h)(l)		12,450	16,935
Lloyds Banking Group PLC			
7.875% due 06/27/2029 (h)	GBP	200	316
Midwest Family Housing LLC			
6.631% due 01/01/2051 (l)	\$	4,891	4,253
Nationwide Building Society			
10.250% due 06/29/2049 (h)	GBP	19	3,983
Navient Corp.			
5.625% due 08/01/2033 (l)	\$	25,371	21,692
Novo Banco S.A.			
5.000% due 04/04/2019	EUR	439	418
5.000% due 04/23/2019		745	710
5.000% due 05/14/2019		792	755
5.000% due 05/21/2019		387	369
5.000% due 05/23/2019		384	366
Oppenheimer Holdings, Inc.			
6.750% due 07/01/2022	\$	68	69
Provident Funding Associates LP			
6.375% due 06/15/2025		45	47

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Rio Oil Finance Trust			
9.250% due 07/06/2024		22,518	23,151
Royal Bank of Scotland Group PLC			
7.500% due 08/10/2020 (h)(l)		7,040	7,454
8.000% due 08/10/2025 (h)(l)		7,660	8,402
8.625% due 08/15/2021 (h)		2,500	2,767
Santander UK Group Holdings PLC			
6.750% due 06/24/2024 (h)	GBP	1,895	2,683
7.375% due 06/24/2022 (h)		6,363	9,066
Spirit Realty LP			
4.450% due 09/15/2026 (l)	\$	2,300	2,223
Springleaf Finance Corp.			
6.125% due 05/15/2022		975	1,026
			280,669

INDUSTRIALS 25.6%

		130 PRINCIPAL AMOUNT (000S)	131 MARKET VALUE (000S)
AMC Networks, Inc.			
4.750% due 08/01/2025			
Belden, Inc.			
3.375% due 07/15/2027	EUR	100	\$ 120
BMC Software Finance, Inc.			
8.125% due 07/15/2021 (l)	\$	2,827	2,933
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)			
9.000% due 10/15/2019 (d)(l)		4,932	4,950
Caesars Entertainment Operating Co., Inc. (i)			
9.000% due 02/15/2020 ^		18,786	24,469
Charter Communications Operating LLC			
5.375% due 05/01/2047		95	99
Chesapeake Energy Corp.			
4.554% due 04/15/2019		120	119
CMA CGM S.A.			
6.500% due 07/15/2022	EUR	100	122
CommScope Technologies LLC			
5.000% due 03/15/2027	\$	4	4
Community Health Systems, Inc.			
6.250% due 03/31/2023		233	239
CSN Resources S.A.			
6.500% due 07/21/2020		770	587
DAE Funding LLC			
4.000% due 08/01/2020 (c)		90	92
4.500% due 08/01/2022 (c)		90	92
5.000% due 08/01/2024 (c)		220	225
Diamond Resorts International, Inc.			
10.750% due 09/01/2024 (l)		3,800	4,133
DriveTime Automotive Group, Inc.			
8.000% due 06/01/2021 (l)		11,130	11,213
Dynegy, Inc.			
8.034% due 02/02/2024		3,605	3,497
EI Group PLC			
6.000% due 10/06/2023	GBP	500	720
6.875% due 05/09/2025		6,600	9,661
Endo Finance LLC			
5.375% due 01/15/2023	\$	1,300	1,118
Exela Intermediate LLC			
10.000% due 07/15/2023		172	168
Ferroglobe PLC			
9.375% due 03/01/2022 (l)		3,000	3,233
Ford Motor Co.			
7.700% due 05/15/2097 (l)		16,610	20,701
Fresh Market, Inc.			
9.750% due 05/01/2023 (l)		9,300	7,649
General Shopping Finance Ltd.			
10.000% due 08/31/2017 (h)(l)		5,300	4,479
General Shopping Investments Ltd.			
12.000% due 03/20/2022 ^ (h)		2,500	1,088

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Hampton Roads PPV LLC		
6.621% due 06/15/2053	20,264	18,598
HCA, Inc.		
5.500% due 06/15/2047	146	153
7.500% due 11/15/2095	3,462	3,579
iHeartCommunications, Inc.		
9.000% due 09/15/2022	6,800	5,032
Intelsat Jackson Holdings S.A.		
7.250% due 10/15/2020	4,385	4,232
9.750% due 07/15/2025	288	298
Intelsat Luxembourg S.A.		
7.750% due 06/01/2021	5,615	3,622
8.125% due 06/01/2023	15,504	9,675
Intrepid Aviation Group Holdings LLC		
6.875% due 02/15/2019	11,750	11,662
Kinder Morgan Energy Partners LP		
6.950% due 01/15/2038 (l)	1,000	1,213
Kleopatra Holdings S.C.A. (8.500% PIK)		
8.500% due 06/30/2023 (d)	EUR 100	117
Mallinckrodt International Finance S.A.		
4.750% due 04/15/2023	\$ 400	356
New Albertson s, Inc.		
6.570% due 02/23/2028	4,021	3,086
Park Aerospace Holdings Ltd.		
5.250% due 08/15/2022	19	19
5.500% due 02/15/2024	54	55

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 45

Schedule of Investments PIMCO High Income Fund (Cont.)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Petroleos Mexicanos		
6.500% due 03/13/2027	\$ 390	\$ 430
6.750% due 09/21/2047	400	422
PetSmart, Inc.		
5.875% due 06/01/2025	161	155
Prime Security Services Borrower LLC		
9.250% due 05/15/2023	912	1,020
QVC, Inc.		
5.950% due 03/15/2043	5,000	4,899
Russian Railways via RZD Capital PLC		
7.487% due 03/25/2031	GBP 18,100	29,672
Safeway, Inc.		
7.250% due 02/01/2031 (l)	\$ 5,348	4,947
Sirius XM Radio, Inc.		
3.875% due 08/01/2022	83	85
Symantec Corp.		
5.000% due 04/15/2025	65	68
UCP, Inc.		
8.500% due 10/21/2017	10,300	10,403
Unique Pub Finance Co. PLC		
5.659% due 06/30/2027	GBP 289	431
United Group BV		
4.375% due 07/01/2022	EUR 100	119
4.875% due 07/01/2024	100	118
Valeant Pharmaceuticals International, Inc.		
6.500% due 03/15/2022	\$ 127	134
7.000% due 03/15/2024	246	263
Westmoreland Coal Co.		
8.750% due 01/01/2022	10,638	9,295
Wynn Las Vegas LLC		
5.250% due 05/15/2027	89	91
		226,091
UTILITIES 5.1%		
AT&T, Inc.		
2.215% due 02/14/2023 (c)	140	141
2.850% due 02/14/2023 (c)	290	291
3.400% due 08/14/2024 (c)	580	581
3.900% due 08/14/2027 (c)	520	521
4.900% due 08/14/2037 (c)	528	527
5.150% due 02/14/2050 (c)	792	792
5.300% due 08/14/2058 (c)	238	238
CenturyLink, Inc.		
7.200% due 12/01/2025	1,122	1,144
Mountain States Telephone & Telegraph Co.		
7.375% due 05/01/2030	15,200	16,055
Odebrecht Drilling Norbe Ltd.		
6.350% due 06/30/2022 ^	4,576	2,849
Odebrecht Offshore Drilling Finance Ltd.		
6.625% due 10/01/2023 ^(j)	4,907	1,754
6.750% due 10/01/2023 ^(j)	10,650	3,813
Petrobras Global Finance BV		
6.125% due 01/17/2022	322	339
6.250% due 12/14/2026	GBP 8,600	11,739
6.625% due 01/16/2034	200	266
6.750% due 01/27/2041	\$ 800	771
6.850% due 06/05/2115	300	276
7.250% due 03/17/2044	363	366

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

7.375% due 01/17/2027 (l)	2,407	2,613
8.750% due 05/23/2026	173	204
		45,280
Total Corporate Bonds & Notes (Cost \$514,417)		552,040
CONVERTIBLE BONDS & NOTES 0.7%		
INDUSTRIALS 0.7%		
DISH Network Corp.		
3.375% due 08/15/2026	5,100	6,362
Total Convertible Bonds & Notes (Cost \$5,100)		6,362
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
MUNICIPAL BONDS & NOTES 7.0%		
CALIFORNIA 0.5%		
Anaheim Redevelopment Agency, California Tax Allocation Bonds, (AGM Insured), Series 2007		
6.506% due 02/01/2031	\$ 2,000	\$ 2,300
Sacramento County, California Revenue Bonds, Series 2013		
7.250% due 08/01/2025	1,500	1,755
San Diego Tobacco Settlement Funding Corp., California Revenue Bonds, Series 2006		
7.125% due 06/01/2032	255	287
		4,342
DISTRICT OF COLUMBIA 1.2%		
District of Columbia Revenue Bonds, Series 2011		
7.625% due 10/01/2035	9,740	10,473
ILLINOIS 2.4%		
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010		
6.257% due 01/01/2040	11,000	10,486
7.517% due 01/01/2040	9,805	10,470
Illinois State General Obligation Bonds, (BABs), Series 2010		
6.725% due 04/01/2035	45	50
7.350% due 07/01/2035	30	35
Illinois State General Obligation Bonds, Series 2003		
5.100% due 06/01/2033	365	366
		21,407
NEW YORK 0.2%		
Erie Tobacco Asset Securitization Corp., New York Revenue Bonds, Series 2005		
6.000% due 06/01/2028	1,800	1,801
TEXAS 1.1%		
El Paso Downtown Development Corp., Texas Revenue Bonds, Series 2013		
7.250% due 08/15/2043	7,535	9,620
VIRGINIA 0.1%		
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007		
6.706% due 06/01/2046	1,375	1,181
WEST VIRGINIA 1.5%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
0.000% due 06/01/2047 (g)	66,200	3,444
7.467% due 06/01/2047	9,895	9,394
		12,838
Total Municipal Bonds & Notes (Cost \$57,120)		61,662

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

U.S. GOVERNMENT AGENCIES 3.2%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Fannie Mae		
3.500% due 09/25/2027 (a)	521	59
4.232% due 10/25/2029	780	817
5.438% due 10/25/2017 (a)	4,424	10
6.082% due 10/25/2029	490	538
7.536% due 10/25/2041	500	591
10.000% due 01/25/2034	219	253
11.071% due 05/25/2043	669	677
Freddie Mac		
0.000% due 04/25/2046 - 08/25/2046 (b)(g)	12,305	9,153
0.100% due 04/25/2046 - 08/25/2046 (a)	74,060	287
4.000% due 08/15/2020 (a)	370	16
	\$	\$
4.500% due 10/15/2037 (a)	962	92
4.874% due 07/15/2035 (a)	1,363	152
4.974% due 02/15/2042 (a)	2,391	312
5.000% due 06/15/2033 (a)	1,788	255
5.914% due 08/15/2036 (a)	804	175
6.174% due 11/25/2055	14,241	8,136
8.727% due 12/15/2043	71	75
10.432% due 10/25/2027	4,339	5,680
10.549% due 05/15/2033	63	76
Ginnie Mae		
3.500% due 06/20/2042 - 03/20/2043 (a)	3,490	473
4.500% due 07/20/2042 (a)	285	47
5.000% due 09/20/2042 (a)	498	95
5.022% due 02/20/2042 (a)	10,487	870
Total U.S. Government Agencies (Cost \$33,933)		28,839

NON-AGENCY MORTGAGE-BACKED SECURITIES 18.5%

Adjustable Rate Mortgage Trust		
1.572% due 05/25/2036	4,568	2,691
Banc of America Alternative Loan Trust		
4.368% due 06/25/2046 ^(a)	7,659	1,016
Banc of America Funding Trust		
6.000% due 07/25/2037 ^	596	462
6.250% due 10/26/2036	10,656	8,909
Banc of America Mortgage Trust		
3.434% due 02/25/2036 ^	23	21
BCAP LLC Trust		
5.045% due 03/26/2037	1,958	1,182
6.000% due 05/26/2037	6,982	4,685
6.903% due 10/26/2036	7,306	6,618
7.336% due 09/26/2036	6,938	6,624
12.536% due 06/26/2036	2,696	1,259
Bear Stearns Adjustable Rate Mortgage Trust		
3.313% due 11/25/2034	71	66
Bellemeade Re Ltd.		
7.532% due 07/25/2025	1,250	1,312
Chase Mortgage Finance Trust		
3.224% due 12/25/2035 ^	27	26
3.406% due 09/25/2036 ^	140	126
5.500% due 05/25/2036 ^	6	5
Citigroup Commercial Mortgage Trust		
5.691% due 12/10/2049	1,411	1,289
Citigroup Mortgage Loan Trust, Inc.		
1.566% due 07/25/2036	1	1
3.571% due 07/25/2037 ^	168	155
3.589% due 08/25/2037 ^	854	725
3.922% due 11/25/2035	16,565	9,423
6.500% due 09/25/2036	4,835	4,083
Citigroup/Deutsche Bank Commercial Mortgage Trust		
5.398% due 12/11/2049	4,140	2,352

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

5.688% due 10/15/2048	3,400	1,824
Commercial Mortgage Loan Trust		
6.155% due 12/10/2049	2,051	1,294
Commercial Mortgage Trust		
5.656% due 06/10/2046	1,922	1,307
Countrywide Alternative Loan Trust		
1.482% due 12/25/2046	3,172	2,159
2.913% due 07/25/2046 ^	98	96
3.533% due 02/25/2037 ^	336	307
3.768% due 04/25/2035 (a)	5,012	547
4.716% due 07/25/2021 ^	294	285
5.500% due 03/25/2036 ^	333	268
6.000% due 02/25/2037 ^	6,781	4,788
6.250% due 12/25/2036 ^	3,521	2,610
6.500% due 06/25/2036 ^	1,041	849
Countrywide Home Loan Mortgage Pass-Through Trust		
3.184% due 09/25/2047 ^	66	62
3.331% due 09/20/2036 ^	607	507
4.118% due 12/25/2036 (a)	3,785	667
Credit Suisse Commercial Mortgage Trust		
5.676% due 02/15/2039	1,000	1,007
5.869% due 09/15/2040	8,008	7,928
5.870% due 09/15/2040	1,152	1,152

46 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Credit Suisse First Boston Mortgage Securities Corp.		
6.000% due 01/25/2036	\$ 2,178	\$ 1,953
Epic Drummond Ltd.		
0.000% due 01/25/2022	EUR 215	254
Grifonas Finance PLC		
0.042% due 08/28/2039	5,422	5,561
HarborView Mortgage Loan Trust		
3.353% due 08/19/2036 ^	\$ 460	340
3.732% due 08/19/2036 ^	33	31
IM Pastor Fondo de Titulacion Hipotecaria		
0.000% due 03/22/2043	EUR 7,164	7,048
JPMorgan Alternative Loan Trust		
3.079% due 03/25/2037 ^	\$ 8,059	7,202
JPMorgan Chase Commercial Mortgage Securities Trust		
5.411% due 05/15/2047	5,100	3,637
5.623% due 05/12/2045	2,279	1,962
JPMorgan Mortgage Trust		
3.020% due 07/27/2037	5,793	1,497
5.388% due 01/25/2037 ^(a)	21,850	5,697
LB-UBS Commercial Mortgage Trust		
5.407% due 11/15/2038	1,404	1,077
5.562% due 02/15/2040	2,044	1,472
Lehman XS Trust		
1.452% due 06/25/2047	4,227	3,691
Morgan Stanley Capital Trust		
5.991% due 06/11/2049	2,539	2,548
Nomura Asset Acceptance Corp. Alternative Loan Trust		
3.634% due 04/25/2036 ^	6,827	5,031
Nomura Resecuritization Trust		
3.491% due 07/26/2035	4,471	2,823
RBSSP Resecuritization Trust		
8.426% due 06/26/2037	4,721	3,651
Residential Asset Securitization Trust		
6.250% due 10/25/2036 ^	656	596
6.250% due 09/25/2037 ^	5,347	3,916
6.500% due 08/25/2036 ^	901	561
Structured Adjustable Rate Mortgage Loan Trust		
3.391% due 01/25/2036 ^	217	166
3.518% due 04/25/2047	791	621
Structured Asset Mortgage Investments Trust		
1.422% due 07/25/2046 ^	13,943	11,437
WaMu Mortgage Pass-Through Certificates Trust		
2.845% due 05/25/2037 ^	179	147
Washington Mutual Mortgage Pass-Through Certificates Trust		
5.448% due 04/25/2037 (a)	13,773	3,804
6.500% due 03/25/2036 ^	8,319	6,781
Total Non-Agency Mortgage-Backed Securities (Cost \$151,294)		164,191
ASSET-BACKED SECURITIES 16.0%		
ACE Securities Corp. Home Equity Loan Trust		
1.372% due 07/25/2036	4,710	3,657
Airspeed Ltd.		
1.496% due 06/15/2032	4,635	3,880
Apidos CLO		
0.000% due 07/22/2026	3,000	1,839
Argent Securities Trust		

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

1.422% due 03/25/2036		6,223	3,336
Belle Haven ABS CDO Ltd.			
1.551% due 07/05/2046		185,947	3,217
CIFC Funding Ltd.			
0.000% due 05/24/2026 (g)		4,000	2,675
0.000% due 07/22/2026 (g)		3,000	1,966
Citigroup Mortgage Loan Trust, Inc.			
1.332% due 12/25/2036		11,140	7,257
1.392% due 12/25/2036		6,535	4,379
Cork Street CLO Designated Activity Co.			
0.000% due 11/27/2028	EUR	2,667	2,779
3.600% due 11/27/2028		1,197	1,419
4.500% due 11/27/2028		1,047	1,243
6.200% due 11/27/2028		1,296	1,543
		PRINCIPAL	MARKET
		AMOUNT	VALUE
		(000S)	(000S)
Countrywide Asset-Backed Certificates Trust			
1.502% due 09/25/2046	\$	15,000	\$ 7,823
Duke Funding Ltd.			
1.819% due 08/07/2033		18,783	7,474
Glacier Funding CDO Ltd.			
1.442% due 08/04/2035		7,612	2,050
GLG Euro CLO DAC			
0.000% due 04/15/2028	EUR	4,150	4,306
Grosvenor Place CLO BV			
0.000% due 04/30/2029		1,000	934
Halcyon Loan Advisors European Funding BV			
0.000% due 01/15/2027		1,100	1,164
Long Beach Mortgage Loan Trust			
1.422% due 02/25/2036	\$	1,646	1,128
Merrill Lynch Mortgage Investors Trust			
1.392% due 04/25/2037		982	555
5.953% due 03/25/2037		4,046	1,318
Morgan Stanley Mortgage Loan Trust			
2.698% due 11/25/2036 ^		896	442
5.965% due 09/25/2046 ^		8,174	4,626
NovaStar Mortgage Funding Trust			
1.392% due 10/25/2036		35,741	21,272
People s Financial Realty Mortgage Securities Trust			
1.392% due 09/25/2036		22,599	6,978
Putnam Structured Product CDO Ltd.			
9.092% due 02/25/2037		121	122
Renaissance Home Equity Loan Trust			
5.812% due 11/25/2036		9,497	5,694
6.998% due 09/25/2037 ^		8,126	4,765
7.238% due 09/25/2037 ^		6,852	4,017
Sherwood Funding CDO Ltd.			
1.583% due 11/06/2039		36,337	11,788
South Coast Funding Ltd.			
1.785% due 08/10/2038		27,090	5,310
Taberna Preferred Funding Ltd.			
1.551% due 08/05/2036		677	511
1.551% due 08/05/2036 ^		13,259	10,010
Washington Mutual Asset-Backed Certificates Trust			
1.382% due 05/25/2036		274	205
Total Asset-Backed Securities (Cost \$144,274)			141,682
SOVEREIGN ISSUES 2.4%			
Argentine Government International Bond			
7.820% due 12/31/2033	EUR	10,957	13,637
Autonomous Community of Catalonia			
4.900% due 09/15/2021		2,350	2,961
Republic of Greece Government International Bond			
3.000% due 02/24/2023		25	28
3.000% due 02/24/2024		25	27
3.000% due 02/24/2025		25	27
3.000% due 02/24/2026		25	27

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

3.000% due 02/24/2027		25	26
3.000% due 02/24/2028		25	25
3.000% due 02/24/2029		25	24
3.000% due 02/24/2030		25	24
3.000% due 02/24/2031		25	23
3.000% due 02/24/2032		25	23
3.000% due 02/24/2033		25	23
3.000% due 02/24/2034		25	22
3.000% due 02/24/2035		25	22
3.000% due 02/24/2036		25	22
3.000% due 02/24/2037		25	21
3.000% due 02/24/2038		25	21
3.000% due 02/24/2039		25	21
3.000% due 02/24/2040		25	21
3.000% due 02/24/2041		25	21
3.000% due 02/24/2042		25	21
3.800% due 08/08/2017	JPY	4,000	36
4.750% due 04/17/2019	EUR	3,000	3,634
Sri Lanka Government International Bond			
6.200% due 05/11/2027	\$	200	207

Total Sovereign Issues (Cost \$18,531) 20,944

	SHARES		MARKET VALUE (000S)
COMMON STOCKS 0.6%			
ENERGY 0.1%			
Forbes Energy Services Ltd. (e)(j)	66,131	\$	708
Warren Resources, Inc.	23,043		31
			739

FINANCIALS 0.5%			
TIG FinCo PLC (j)	3,457,270		4,561
Total Common Stocks (Cost \$8,270) 5,300			

WARRANTS 0.1%			
INDUSTRIALS 0.1%			
Sequa Corp. - Exp. 04/28/2024	1,795,000		842

UTILITIES 0.0%			
Dynegy, Inc. - Exp. 02/02/2024	120,830		23

Total Warrants (Cost \$318) 865

PREFERRED SECURITIES 3.9%			
BANKING & FINANCE 0.2%			
Farm Credit Bank of Texas			
10.000% due 12/15/2020 (h)	1,840		2,262

INDUSTRIALS 3.7%			
Sequa Corp.			
9.000%	33,284		32,467

Total Preferred Securities (Cost \$35,451) 34,729

SHORT-TERM INSTRUMENTS 8.0%			
REPURCHASE AGREEMENTS (k) 7.2%			
			63,379

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

	PRINCIPAL AMOUNT (000S)	
U.S. TREASURY BILLS 0.8%		
0.969% due 08/31/2017 - 01/04/2018 (f)(g)(n)(p)	\$ 6,766	6,754
Total Short-Term Instruments (Cost \$70,133)		70,133
Total Investments in Securities (Cost \$1,065,802)		1,112,387
Total Investments 125.7% (Cost \$1,065,802)	\$	1,112,387
Financial Derivative Instruments (m)(o) (0.3)%		
(Cost or Premiums, net \$(1,252))		(2,376)
Preferred Shares (11.5)%		(101,975)
Other Assets and Liabilities, net (13.9)%		(123,124)
Net Assets Applicable to Common Shareholders 100.0%	\$	884,912

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 47

Schedule of Investments PIMCO High Income 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) Principal only security.
 (c) When-issued security.
 (d) Payment in-kind security.
 (e) Security did not produce income within the last twelve months.
 (f) Coupon represents a weighted average yield to maturity.
 (g) Zero coupon security.
 (h) Perpetual maturity; date shown, if applicable, represents next contractual call date.
 (i) Security is subject to a forbearance agreement entered into by the Fund which forbears the Fund from taking action to, among other things, accelerate and collect payments on the subject note with respect to specified events of default.

(j) RESTRICTED SECURITIES:

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Forbes Energy Services Ltd.	10/09/2014 - 10/17/2016	\$ 2,028	\$ 708	0.08%
Odebrecht Offshore Drilling Finance Ltd.				
6.625% due 10/01/2023	02/24/2015 - 06/25/2015	3,909	1,754	0.20
Odebrecht Offshore Drilling Finance Ltd.				
6.750% due 10/01/2023	02/23/2015 - 06/25/2015	8,705	3,813	0.43
TIG FinCo PLC	04/02/2015 - 07/20/2017	4,631	4,561	0.51
		\$ 19,273	\$ 10,836	1.22%

BORROWINGS AND OTHER FINANCING TRANSACTIONS**(k) REPURCHASE AGREEMENTS:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received ⁽¹⁾
DEU	1.160%	07/31/2017	08/01/2017	\$ 7,200	U.S. Treasury Bonds 3.750% due 11/15/2043	\$ (7,380)	\$ 7,200	\$ 7,200
FOB	1.160	07/31/2017	08/01/2017	50,600	U.S. Treasury Notes 0.750% due 02/28/2018	(51,701)	50,600	50,602
SSB	0.200	07/31/2017	08/01/2017	5,579	U.S. Treasury Notes 3.500% due 05/15/2020 ⁽²⁾	(5,691)	5,579	5,579

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Total Repurchase Agreements

\$ (64,772) \$ 63,379 \$ 63,381

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate ⁽³⁾	Settlement Date	Maturity Date	Amount Borrowed ⁽³⁾	Payable for Reverse Repurchase Agreements
BCY	0.500%	06/16/2017	TBD ⁽⁴⁾	\$ (1,486)	\$ (1,487)
BPS	1.890	06/02/2017	08/31/2017	(231)	(232)
	1.970	05/25/2017	08/25/2017	(11,227)	(11,269)
DEU	2.210	06/16/2017	09/15/2017	(3,419)	(3,429)
MSC	1.880	05/18/2017	08/18/2017	(11,003)	(11,046)
RBC	2.050	02/06/2017	08/07/2017	(12,699)	(12,826)
	2.120	06/07/2017	12/07/2017	(4,513)	(4,528)
	2.120	06/12/2017	12/12/2017	(2,513)	(2,520)
	2.170	06/12/2017	12/12/2017	(3,525)	(3,536)
	2.170	07/10/2017	01/10/2018	(4,567)	(4,573)
RDR	1.590	05/17/2017	08/17/2017	(3,032)	(3,042)
	1.640	06/14/2017	09/14/2017	(14,405)	(14,436)
RTA	2.044	04/21/2017	10/23/2017	(3,887)	(3,910)
	2.044	07/19/2017	10/23/2017	(2,731)	(2,733)
	2.044	07/24/2017	10/23/2017	(2,884)	(2,885)
SOG	1.750	06/07/2017	08/16/2017	(13,429)	(13,465)
	1.780	06/07/2017	09/07/2017	(4,851)	(4,864)
	2.154	07/12/2017	07/12/2018	(9,789)	(9,789)
UBS	1.580	05/15/2017	08/15/2017	(1,114)	(1,118)
	1.610	06/02/2017	09/05/2017	(7,607)	(7,627)

48 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

Counterparty	Borrowing Rate ⁽³⁾	Settlement Date	Maturity Date	Amount Borrowed ⁽³⁾	Payable for Reverse Repurchase Agreements
	1.640%	06/02/2017	08/23/2017	\$ (2,115)	\$ (2,121)
	1.660	06/02/2017	09/05/2017	(10,136)	(10,164)
	1.840	05/30/2017	08/23/2017	(2,908)	(2,917)
	1.990	05/26/2017	08/28/2017	(5,850)	(5,872)
	2.010	06/02/2017	09/05/2017	(4,111)	(4,125)
	2.140	06/14/2017	09/14/2017	(5,174)	(5,189)
Total Reverse Repurchase Agreements					\$ (149,703)

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 pledged/(received) as of July 31, 2017:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure ⁽⁵⁾
Global/Master Repurchase Agreement						
BCY	\$ 0	\$ (1,487)	\$ 0	\$ (1,487)	\$ 1,733	\$ 246
BPS	0	(11,501)	0	(11,501)	12,807	1,306
DEU	7,200	(3,429)	0	3,771	(3,192)	579
FOB	50,602	0	0	50,602	(51,701)	(1,099)
MSC	0	(11,046)	0	(11,046)	12,103	1,057
RBC	0	(27,983)	0	(27,983)	31,742	3,759
RDR	0	(17,478)	0	(17,478)	17,895	417
RTA	0	(9,528)	0	(9,528)	10,800	1,272
SOG	0	(28,118)	0	(28,118)	31,554	3,436
SSB	5,579	0	0	5,579	(5,691)	(112)
UBS	0	(39,133)	0	(39,133)	44,926	5,793
Total Borrowings and Other Financing Transactions	\$ 63,381	\$ (149,703)	\$ 0			

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS**Remaining Contractual Maturity of the Agreements**

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Reverse Repurchase Agreements					
Corporate Bonds & Notes	\$ 0	\$ (63,676)	\$ (59,594)	\$ (26,433)	\$ (149,703)
Total Borrowings	\$ 0	\$ (63,676)	\$ (59,594)	\$ (26,433)	\$ (149,703)
Gross amount of recognized liabilities for reverse repurchase agreements					\$ (149,703)

(l) Securities with an aggregate market value of \$174,586 and cash of \$374 have been pledged as collateral under the terms of the above master agreements as of July 31, 2017.

(1) Includes accrued interest.

(2) Collateral is held in custody by the counterparty.

(3) The average amount of borrowings outstanding during the period ended July 31, 2017 was \$(177,999) at a weighted average interest rate of 1.623%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(4) Open maturity reverse repurchase agreement.

(5) 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 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

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

SWAP AGREEMENTS:

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

Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2017 ⁽²⁾	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin	
								Asset	Liability
Banco Espirito Santo S.A.	5.000%	09/20/2020	17.441%	EUR 5,000	\$ (977)	\$ (359)	\$ (1,336)	\$ 77	\$ 0
Banco Espirito Santo S.A.	5.000	12/20/2021	14.980	300	(71)	(12)	(83)	5	0
Frontier Communications Corp.	5.000	06/20/2020	6.967	\$ 9,600	(318)	(110)	(428)	13	0
					\$ (1,366)	\$ (481)	\$ (1,847)	\$ 95	\$ 0

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 49

Schedule of Investments PIMCO High Income Fund (Cont.)

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ Depreciation	Market Value	Variation Margin	
								Asset	Liability
Pay	3-Month USD-LIBOR	1.550%	01/20/2022	\$ 360,000	\$ (6,488)	\$ 1,604	\$ (4,884)	\$ 0	\$ (86)
Receive	3-Month USD-LIBOR	1.500	06/21/2027	37,400	2,804	(332)	2,472	0	(18)
Pay	3-Month USD-LIBOR	3.500	06/19/2044	617,800	110,476	7,943	118,419	411	0
Receive	3-Month USD-LIBOR	2.250	12/21/2046	26,500	1,966	(285)	1,681	0	(32)
Receive	3-Month USD-LIBOR	1.750	06/21/2047	840,100	159,154	(6,830)	152,324	0	(776)
Receive ⁽⁴⁾	6-Month EUR-EURIBOR	1.000	09/20/2027	EUR 18,900	20	(68)	(48)	42	0
Receive ⁽⁴⁾	6-Month GBP-LIBOR	1.500	09/20/2027	GBP 55,200	(828)	(503)	(1,331)	156	0
					\$ 267,104	\$ 1,529	\$ 268,633	\$ 609	\$ (912)
Total Swap Agreements					\$ 265,738	\$ 1,048	\$ 266,786	\$ 704	\$ (912)

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, 2017:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value		Variation Margin		Market Value		Variation Margin	
	Purchased	Futures	Asset	Swap	Written	Futures	Liability	Swap
	Options	Agreements	Agreements	Total	Options	Agreements	Agreements	Total
Total Exchange-Traded or Centrally Cleared	\$ 0	\$ 0	\$ 704	\$ 704	\$ 0	\$ 0	\$ (912)	\$ (912)

(n) Securities with an aggregate market value of \$1,808 and cash of \$24,199 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of July 31, 2017. See Note 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(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, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2)

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

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 indicators 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) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(o) 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	08/2017	EUR 1,524	\$ 1,762	\$ 0	\$ (42)
	08/2017	GBP 2,639	3,419	0	(63)
BPS	08/2017	EUR 63,464	72,011	0	(3,118)
GLM	08/2017	GBP 718	928	0	(19)
	08/2017	\$ 94,691	GBP 72,063	389	0
JPM	09/2017	GBP 72,064	\$ 94,796	0	(390)
	08/2017	1,270	1,656	0	(20)
MSB	08/2017	\$ 12,257	GBP 9,396	140	0
	08/2017	78,179	EUR 66,688	767	0
RBC	09/2017	EUR 66,688	\$ 78,317	0	(768)
	08/2017	GBP 76,833	99,855	0	(1,518)
UAG	08/2017	EUR 1,700	1,943	0	(70)
Total Forward Foreign Currency Contracts				\$ 1,296	\$ (6,008)

50 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

SWAP AGREEMENTS:

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

Counterparty	Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at July 31, 2017 ⁽²⁾	Notional Amount ⁽³⁾	Premiums Paid/(Received)	Unrealized Appreciation/Depreciation	Swap Agreements, at Value	
								Asset	Liability
BPS	Petrobras Global Finance BV	1.000%	12/20/2024	3.536%	\$ 1,700	\$ (332)	\$ 68	\$ 0	\$ (264)
GST	Petrobras Global Finance BV	1.000	12/20/2024	3.536	2,200	(437)	96	0	(341)
HUS	Petrobras Global Finance BV	1.000	12/20/2024	3.536	2,800	(581)	147	0	(434)
						\$ (1,350)	\$ 311	\$ 0	\$ (1,039)

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	Liability
GLM	Pay	3-Month USD-LIBOR	2.270%	10/12/2022	\$ 1,000,000	\$ 173	\$ 1,508	\$ 1,681	\$ 0
MYC	Pay	3-Month USD-LIBOR	2.130	09/01/2022	1,000,000	(75)	1,977	1,902	0
						\$ 98	\$ 3,485	\$ 3,583	\$ 0
Total Swap Agreements						\$ (1,252)	\$ 3,796	\$ 3,583	\$ (1,039)

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 pledged/(received) as of July 31, 2017:

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities						
	Forward Foreign Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral Pledged/(Received)	Net Exposure ⁽⁴⁾
BOA	\$ 0	\$ 0	\$ 0	\$ 0	\$ (105)	\$ 0	\$ 0	\$ (105)	\$ (105)	\$ 0	\$ (105)
BPS	0	0	0	0	(3,118)	0	(264)	(3,382)	(3,382)	2,832	(550)
GLM	389	0	1,681	2,070	(409)	0	0	(409)	1,661	(1,540)	121

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

GST	0	0	0	0	0	0	(341)	(341)	(341)	470	129
HUS	0	0	0	0	0	0	(434)	(434)	(434)	458	24
JPM	140	0	0	140	(20)	0	0	(20)	120	0	120
MSB	767	0	0	767	(768)	0	0	(768)	(1)	0	(1)
MYC	0	0	1,902	1,902	0	0	0	0	1,902	(3,700)	(1,798)
RBC	0	0	0	0	(1,518)	0	0	(1,518)	(1,518)	1,188	(330)
UAG	0	0	0	0	(70)	0	0	(70)	(70)	0	(70)
Total Over the Counter	\$ 1,296	\$ 0	\$ 3,583	\$ 4,879	\$ (6,008)	\$ 0	\$ (1,039)	\$ (7,047)			

(p) Securities with an aggregate market value of \$4,946 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of July 31, 2017.

- (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, securities or other deliverable obligations 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 indicators 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) 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 8, Master Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 51

Schedule of Investments PIMCO High Income Fund (Cont.)**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, 2017:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 95	\$ 0	\$ 0	\$ 609	\$ 704
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 1,296	\$ 0	\$ 1,296
Swap Agreements	0	0	0	0	3,583	3,583
	\$ 0	\$ 0	\$ 0	\$ 1,296	\$ 3,583	\$ 4,879
	\$ 0	\$ 95	\$ 0	\$ 1,296	\$ 4,192	\$ 5,583
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 912	\$ 912
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 6,008	\$ 0	\$ 6,008
Swap Agreements	0	1,039	0	0	0	1,039
	\$ 0	\$ 1,039	\$ 0	\$ 6,008	\$ 0	\$ 7,047
	\$ 0	\$ 1,039	\$ 0	\$ 6,008	\$ 912	\$ 7,959

The effect of Financial Derivative Instruments on the Statements of Operations for the period ended July 31, 2017:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
Net Realized Gain on Financial Derivative Instruments						
Exchange-traded or centrally cleared						

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Swap Agreements	\$ 0	\$ 2,446	\$ 0	\$ 0	\$ 32,870	\$ 35,316
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 1,683	\$ 0	\$ 1,683
Swap Agreements	0	559	0	0	13,674	14,233
	\$ 0	\$ 559	\$ 0	\$ 1,683	\$ 13,674	\$ 15,916
	\$ 0	\$ 3,005	\$ 0	\$ 1,683	\$ 46,544	\$ 51,232

Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments

Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ (2,051)	\$ 0	\$ 0	\$ (53,972)	\$ (56,023)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (4,504)	\$ 0	\$ (4,504)
Swap Agreements	0	2,700	0	0	2,010	4,710
	\$ 0	\$ 2,700	\$ 0	\$ (4,504)	\$ 2,010	\$ 206
	\$ 0	\$ 649	\$ 0	\$ (4,504)	\$ (51,962)	\$ (55,817)

52 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of July 31, 2017 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 07/31/2017
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 0	\$ 24,033	\$ 1,607	\$ 25,640
Corporate Bonds & Notes				
Banking & Finance	0	273,451	7,218	280,669
Industrials	0	215,688	10,403	226,091
Utilities	0	45,280	0	45,280
Convertible Bonds & Notes				
Industrials	0	6,362	0	6,362
Municipal Bonds & Notes				
California	0	4,342	0	4,342
District of Columbia	0	10,473	0	10,473
Illinois	0	21,407	0	21,407
New York	0	1,801	0	1,801
Texas	0	9,620	0	9,620
Virginia	0	1,181	0	1,181
West Virginia	0	12,838	0	12,838
U.S. Government Agencies	0	20,703	8,136	28,839
Non-Agency Mortgage-Backed Securities	0	164,191	0	164,191
Asset-Backed Securities	0	141,682	0	141,682
Sovereign Issues	0	20,944	0	20,944
Common Stocks				
Energy	708	0	31	739
Financials	0	0	4,561	4,561
Warrants				
Industrials	0	0	842	842
Utilities	23	0	0	23
Preferred Securities				
Banking & Finance				
Banking & Finance	\$ 0	\$ 2,262	\$ 0	\$ 2,262
Industrials	0	0	32,467	32,467
Short-Term Instruments				
Repurchase Agreements	0	63,379	0	63,379
U.S. Treasury Bills	0	6,754	0	6,754
Total Investments	\$ 731	\$ 1,046,391	\$ 65,265	\$ 1,112,387
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared				
Exchange-traded or centrally cleared	0	704	0	704
Over the counter				
Over the counter	0	4,879	0	4,879
	\$ 0	\$ 5,583	\$ 0	\$ 5,583

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Financial Derivative Instruments - Liabilities

Exchange-traded or centrally cleared	0	(912)	0	(912)
Over the counter	0	(7,047)	0	(7,047)
	\$ 0	\$ (7,959)	\$ 0	\$ (7,959)
Total Financial Derivative Instruments	\$ 0	\$ (2,376)	\$ 0	\$ (2,376)
Totals	\$ 731	\$ 1,044,015	\$ 65,265	\$ 1,110,011

There were no significant transfers among Levels 1 and 2 during the period ended July 31, 2017.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended July 31, 2017:

Category and Subcategory	Beginning Balance at 07/31/2016	Net Purchases	Net Sales	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) ⁽¹⁾	Transfers in Level 3	Transfers out of Level 3	Ending Balance at 07/31/2017	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 07/31/2017 ⁽¹⁾
Investments in Securities, at Value										
Loan Participations and Assignments	\$ 0	\$ 1,491	\$ 0	\$ 7	\$ 0	\$ 109	\$ 0	\$ 0	\$ 1,607	\$ 109
Corporate Bonds & Notes										
Banking & Finance	9,195	200	(2,148)	4	265	(298)	0	0	7,218	(4)
Industrials	10,253	0	0	14	0	136	0	0	10,403	136
U.S. Government Agencies	7,716	0	(142)	136	57	369	0	0	8,136	359
Non-Agency Mortgage-Backed Securities										
Common Stocks	1,235	0	0	0	0	77	0	(1,312)	0	0
Energy	0	1,610	0	0	0	(1,579)	0	0	31	(1,579)
Financials	527	3,402	0	0	0	632	0	0	4,561	632
Warrants										
Industrials	0	0	0	0	0	842	0	0	842	842
Preferred Securities										
Industrials	0	33,284	0	0	0	(817)	0	0	32,467	(817)
Totals	\$ 28,926	\$ 39,987	\$ (2,290)	\$ 161	\$ 322	\$ (529)	\$ 0	\$ (1,312)	\$ 65,265	\$ (322)

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 53

Schedule of Investments PIMCO High Income Fund (Cont.)

July 31, 2017

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 07/31/2017	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Loan Participations and Assignments	\$ 838	Other Valuation Techniques ⁽²⁾		
	448	Proxy Pricing	Base Price	99.500
	320	Third Party Vendor	Broker Quote	98.000-100.563
Corporate Bonds & Notes				
Banking & Finance	7,218	Proxy Pricing	Base Price	101.000-114.491
Industrials	10,403	Proxy Pricing	Base Price	101.000
U.S. Government Agencies	8,136	Proxy Pricing	Base Price	57.000
Common Stocks				
Energy	31	Other Valuation Techniques ⁽²⁾		
Financials	4,562	Other Valuation Techniques ⁽²⁾		
Warrants				
Industrials	842	Other Valuation Techniques ⁽²⁾		
Preferred Securities				
Industrials	32,467	Fundamental Valuation	Company Assets	\$ 551,000.000
Total	\$ 65,265			

⁽¹⁾ Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at July 31, 2017 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.

54 PIMCO CLOSED-END FUNDS

See Accompanying Notes

Schedule of Investments PIMCO Income Strategy Fund

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 128.2%		
LOAN PARTICIPATIONS AND ASSIGNMENTS 5.2%		
Avolon Holdings Ltd.		
3.478% due 09/20/2020	\$ 20	\$ 20
3.978% due 03/20/2022	170	171
BMC Software Finance, Inc.		
5.234% due 09/10/2022	3,559	3,586
Drillships Ocean Ventures, Inc.		
7.750% due 07/25/2021	700	620
Forbes Energy Services LLC		
5.000% - 7.000% due 04/13/2021	164	169
HD Supply Waterworks Ltd.		
TBD% due 08/01/2024	20	20
iHeartCommunications, Inc.		
7.984% due 01/30/2019	8,800	7,183
Moran Foods LLC		
7.234% due 12/05/2023	1,095	1,073
Parexel International Corp.		
TBD% due 07/18/2018	100	99
Petroleo Global Trading BV		
TBD% due 02/19/2020	100	98
Sequa Mezzanine Holdings LLC		
6.758% - 6.814% due 11/28/2021	110	111
10.314% due 04/28/2022	40	41
Sprint Communications, Inc.		
3.750% due 02/02/2024	798	801
Staples, Inc.		
TBD% due 08/02/2018	290	288
Team Health Holdings, Inc.		
3.984% due 02/06/2024	100	100
UPC Financing Partnership		
3.976% due 04/15/2025	100	101
Westmoreland Coal Co.		
7.796% due 12/16/2020	992	882
Total Loan Participations and Assignments (Cost \$15,682)		15,363
CORPORATE BONDS & NOTES 58.9%		
BANKING & FINANCE 29.2%		
Ally Financial, Inc.		
8.000% due 11/01/2031	2,427	3,024
Ardonagh Midco PLC		
8.375% due 07/15/2023	GBP 300	399
AssuredPartners, Inc.		
7.000% due 08/15/2025 (c)	\$ 9	9
Banco Bilbao Vizcaya Argentaria S.A.		
6.750% due 02/18/2020 (h)	EUR 1,000	1,268
Banco do Brasil S.A.		
6.250% due 04/15/2024 (h)	\$ 1,390	1,204
9.000% due 06/18/2024 (h)	2,019	2,099
Banco Espirito Santo S.A.		
4.000% due 01/21/2019 ^	EUR 3,800	1,394
4.750% due 01/15/2018 ^	1,200	440

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Banco Santander S.A.			
6.250% due 09/11/2021 (h)		500	639
Barclays Bank PLC			
14.000% due 06/15/2019 (h)	GBP	3,700	5,945
Barclays PLC			
6.500% due 09/15/2019 (h)	EUR	200	250
Blackstone CQP Holdco LP			
6.500% due 03/20/2021	\$	2,400	2,494
BNP Paribas S.A.			
7.375% due 08/19/2025 (h)(l)		1,700	1,938
Brighthouse Financial, Inc.			
4.700% due 06/22/2047		48	48
Brighthouse Holdings LLC			
6.500% due 07/27/2037 (h)		100	102
Cantor Fitzgerald LP			
6.500% due 06/17/2022 (l)		3,000	3,362
CBL & Associates LP			
5.950% due 12/15/2026 (l)	\$	1,000	\$ 1,004
Co-operative Group Holdings Ltd.			
7.500% due 07/08/2026	GBP	3,050	4,918
Cooperatieve Rabobank UA			
6.625% due 06/29/2021 (h)	EUR	400	536
Credit Agricole S.A.			
7.875% due 01/23/2024 (h)	\$	1,600	1,809
Credit Suisse Group AG			
7.500% due 12/11/2023 (h)		3,540	4,034
EPR Properties			
4.750% due 12/15/2026 (l)		1,500	1,555
Flagstar Bancorp, Inc.			
6.125% due 07/15/2021		1,700	1,819
GSPA Monetization Trust			
6.422% due 10/09/2029		1,728	1,976
Howard Hughes Corp.			
5.375% due 03/15/2025		36	37
HSBC Holdings PLC			
6.000% due 09/29/2023 (h)	EUR	1,800	2,438
Jefferies Finance LLC			
6.875% due 04/15/2022	\$	3,800	3,838
7.375% due 04/01/2020		915	945
7.500% due 04/15/2021		200	209
Lloyds Bank PLC			
12.000% due 12/16/2024 (h)		300	408
Lloyds Banking Group PLC			
7.875% due 06/27/2029 (h)	GBP	2,200	3,480
MPT Operating Partnership LP			
5.250% due 08/01/2026	\$	618	649
Nationwide Building Society			
10.250% due 06/29/2049 (h)	GBP	6	1,165
Navient Corp.			
4.875% due 06/17/2019	\$	200	207
5.500% due 01/15/2019 (l)		4,030	4,196
5.625% due 08/01/2033		98	84
Novo Banco S.A.			
5.000% due 04/04/2019	EUR	101	96
5.000% due 04/23/2019		311	296
5.000% due 05/14/2019		206	196
5.000% due 05/21/2019		115	110
5.000% due 05/23/2019		115	110
OneMain Financial Holdings LLC			
6.750% due 12/15/2019	\$	544	572
7.250% due 12/15/2021		16	17
Oppenheimer Holdings, Inc.			
6.750% due 07/01/2022		792	801
Provident Funding Associates LP			
6.375% due 06/15/2025		15	16
Rio Oil Finance Trust			
9.250% due 07/06/2024		3,660	3,763

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Royal Bank of Scotland Group PLC			
7.500% due 08/10/2020 (h)(l)		1,600	1,694
8.000% due 08/10/2025 (h)(l)		3,000	3,291
8.625% due 08/15/2021 (h)		800	885
Santander UK Group Holdings PLC			
6.750% due 06/24/2024 (h)	GBP	1,950	2,760
7.375% due 06/24/2022 (h)		1,800	2,565
Spirit Realty LP			
4.450% due 09/15/2026	\$	700	676
Springleaf Finance Corp.			
6.125% due 05/15/2022		323	340
8.250% due 10/01/2023		1,300	1,469
Tesco Property Finance PLC			
5.411% due 07/13/2044	GBP	2,133	3,044
6.052% due 10/13/2039		1,240	1,865
WP Carey, Inc.			
4.250% due 10/01/2026 (l)	\$	1,400	1,428
			85,916

INDUSTRIALS 22.9%

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Altice Financing S.A.			
7.500% due 05/15/2026		1,500	1,667
AMC Networks, Inc.			
4.750% due 08/01/2025	\$	40	\$ 40
Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK)			
9.000% due 10/15/2019 (d)		2,204	2,212
Burger King Worldwide, Inc.			
4.250% due 05/15/2024		98	99
Caesars Entertainment Operating Co., Inc.			
8.500% due 02/15/2020 ^(i)		590	767
9.000% due 02/15/2020 ^(i)		3,792	4,938
10.000% due 12/15/2018 ^(i)		2,820	2,690
Charter Communications Operating LLC			
5.375% due 05/01/2047		31	32
Cheniere Corpus Christi Holdings LLC			
5.875% due 03/31/2025		100	109
Chesapeake Energy Corp.			
4.554% due 04/15/2019		62	62
CommScope Technologies LLC			
5.000% due 03/15/2027		2	2
Community Health Systems, Inc.			
6.250% due 03/31/2023		77	79
Continental Airlines Pass-Through Trust			
9.798% due 10/01/2022		665	731
CSN Resources S.A.			
6.500% due 07/21/2020		256	195
DAE Funding LLC			
4.000% due 08/01/2020 (c)		30	31
4.500% due 08/01/2022 (c)		30	31
5.000% due 08/01/2024 (c)		70	72
Diamond Resorts International, Inc.			
10.750% due 09/01/2024		1,200	1,305
Dynegy, Inc.			
8.034% due 02/02/2024		879	853
EI Group PLC			
6.875% due 02/15/2021	GBP	2,360	3,478
Exela Intermediate LLC			
10.000% due 07/15/2023	\$	57	56
Ferroglobe PLC			
9.375% due 03/01/2022		1,000	1,078
Ford Motor Co.			
7.700% due 05/15/2097 (l)		9,030	11,254
Fresh Market, Inc.			
9.750% due 05/01/2023 (l)		3,313	2,725
HCA, Inc.			

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

4.500% due 02/15/2027	400	410
5.500% due 06/15/2047	48	50
7.500% due 11/15/2095	1,050	1,085
iHeartCommunications, Inc.		
9.000% due 09/15/2022	1,000	740
Intelsat Jackson Holdings S.A.		
7.250% due 10/15/2020	2,285	2,205
9.750% due 07/15/2025	96	100
Intelsat Luxembourg S.A.		
7.750% due 06/01/2021	5,279	3,405
8.125% due 06/01/2023	524	327
Intrepid Aviation Group Holdings LLC		
6.875% due 02/15/2019	3,430	3,404
Kinder Morgan Energy Partners LP		
6.375% due 03/01/2041 (1)	200	229
Kinder Morgan, Inc.		
7.750% due 01/15/2032 (1)	800	1,027
7.800% due 08/01/2031 (1)	1,600	2,048
Mallinckrodt International Finance S.A.		
4.750% due 04/15/2023	480	427
5.500% due 04/15/2025	380	353
New Albertson's, Inc.		
6.570% due 02/23/2028	2,800	2,149
Park Aerospace Holdings Ltd.		
5.250% due 08/15/2022	6	6
5.500% due 02/15/2024	18	18
Petroleos Mexicanos		
6.500% due 03/13/2027	254	280
6.750% due 09/21/2047	130	137
PetSmart, Inc.		
5.875% due 06/01/2025	53	51

See Accompanying Notes

ANNUAL REPORT JULY 31, 2017 55

Schedule of Investments PIMCO Income Strategy Fund (Cont.)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Prime Security Services Borrower LLC		
9.250% due 05/15/2023	\$ 314	\$ 351
QVC, Inc.		
4.375% due 03/15/2023	202	208
5.950% due 03/15/2043	2,305	2,258
Russian Railways via RZD Capital PLC		
7.487% due 03/25/2031	GBP 700	1,148
Sabine Pass Liquefaction LLC		
5.875% due 06/30/2026 (l)	\$ 1,200	1,353
Safeway, Inc.		
7.250% due 02/01/2031	470	435
Scientific Games International, Inc.		
10.000% due 12/01/2022	373	417
Sirius XM Radio, Inc.		
3.875% due 08/01/2022	26	27
Spirit Issuer PLC		
3.000% due 12/28/2031	GBP 500	644
6.582% due 12/28/2027	700	997
Symantec Corp.		
5.000% due 04/15/2025	\$ 22	23
Unique Pub Finance Co. PLC		
5.659% due 06/30/2027	GBP 1,862	2,774
6.542% due 03/30/2021	504	727
UPCB Finance Ltd.		
3.625% due 06/15/2029	EUR 100	118
Valeant Pharmaceuticals International, Inc.		
6.500% due 03/15/2022	\$ 42	44
7.000% due 03/15/2024	81	87
Virgin Media Secured Finance PLC		
5.000% due 04/15/2027	GBP 200	276
Westmoreland Coal Co.		
8.750% due 01/01/2022	\$ 3,026	2,644
Wynn Las Vegas LLC		
5.250% due 05/15/2027	29	30
		67,518
UTILITIES 6.8%		
AT&T, Inc.		
2.215% due 02/14/2023 (c)	50	50
2.850% due 02/14/2023 (c)	100	100
3.400% due 08/14/2024 (c)	190	190
3.900% due 08/14/2027 (c)	170	170
4.900% due 08/14/2037 (c)	176	176
5.150% due 02/14/2050 (c)	264	264
5.300% due 08/14/2058 (c)	80	80
Frontier Communications Corp.		
8.500% due 04/15/2020	197	201
Gazprom Neft OAO Via GPN Capital S.A.		
6.000% due 11/27/2023 (l)	4,600	5,019
Northwestern Bell Telephone		
7.750% due 05/01/2030	7,000	8,082
Odebrecht Drilling Norbe Ltd.		
6.350% due 06/30/2022 ^	215	134
Odebrecht Offshore Drilling Finance Ltd.		
6.625% due 10/01/2023 ^(j)	1,258	450
6.750% due 10/01/2023 ^(j)	1,861	666
Petrobras Global Finance BV		
5.375% due 01/27/2021	1,400	1,442

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

6.125% due 01/17/2022		193	203
6.625% due 01/16/2034	GBP	100	133
6.750% due 01/27/2041	\$	1,200	1,157
7.250% due 03/17/2044		120	121
7.375% due 01/17/2027		327	355
Sprint Capital Corp.			
6.900% due 05/01/2019		600	640
TerraForm Power Operating LLC			
6.375% due 02/01/2023		300	314
			19,947
Total Corporate Bonds & Notes (Cost \$165,619)			173,381
		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
CONVERTIBLE BONDS & NOTES 0.7%			
INDUSTRIALS 0.7%			
DISH Network Corp.			
3.375% due 08/15/2026	\$	1,600	\$ 1,996
Total Convertible Bonds & Notes (Cost \$1,600)			1,996
MUNICIPAL BONDS & NOTES 5.5%			
CALIFORNIA 0.8%			
Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010			
7.500% due 10/01/2030		600	644
Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009			
7.942% due 10/01/2038		1,600	1,766
			2,410
ILLINOIS 2.3%			
Chicago, Illinois General Obligation Bonds, (BABs), Series 2010			
7.517% due 01/01/2040		6,000	6,407
Chicago, Illinois General Obligation Bonds, Series 2014			
6.314% due 01/01/2044		30	30
Chicago, Illinois General Obligation Bonds, Series 2017			
7.045% due 01/01/2029		60	65
Illinois State General Obligation Bonds, (BABs), Series 2010			
6.725% due 04/01/2035		10	11
7.350% due 07/01/2035		10	12
Illinois State General Obligation Bonds, Series 2003			
5.100% due 06/01/2033		120	121
			6,646
VIRGINIA 0.1%			
Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007			
6.706% due 06/01/2046		395	339
WEST VIRGINIA 2.3%			
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007			
0.000% due 06/01/2047 (g)		21,900	1,139
7.467% due 06/01/2047		5,915	5,616
			6,755
Total Municipal Bonds & Notes (Cost \$14,978)			16,150
U.S. GOVERNMENT AGENCIES 3.2%			
Fannie Mae			
3.500% due 12/25/2032 (a)		714	100
4.000% due 11/25/2042 (a)		2,576	426

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

4.232% due 10/25/2029	250	262
4.782% due 07/25/2029	420	452
5.482% due 01/25/2029	200	224
6.082% due 10/25/2029	160	176
6.982% due 07/25/2029	570	667
11.318% due 12/25/2040	132	186
Freddie Mac		
0.000% due 04/25/2045 - 08/25/2046 (b)(g)	2,799	2,069
0.100% due 08/25/2046 (a)	19,649	86
0.200% due 04/25/2045 (a)	2,802	7
6.174% due 11/25/2055	4,125	2,357
7.546% due 11/15/2040	229	227
8.782% due 12/25/2027	1,498	1,760
11.982% due 03/25/2025	294	399

Total U.S. Government Agencies (Cost \$8,884) **9,398**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
NON-AGENCY MORTGAGE-BACKED SECURITIES 15.2%		
Banc of America Alternative Loan Trust		
6.000% due 01/25/2036 ^	\$ 54	\$ 51
Banc of America Funding Trust		
6.000% due 08/25/2036 ^	1,617	1,590
BCAP LLC Trust		
3.285% due 03/27/2036	1,036	595
5.045% due 03/26/2037	500	302
12.536% due 06/26/2036	237	111
Bear Stearns ALT-A Trust		
1.552% due 06/25/2046 ^	2,419	2,156
3.226% due 09/25/2047 ^	3,426	2,700
3.268% due 11/25/2036 ^	265	218
3.625% due 09/25/2035 ^	350	286
Bear Stearns Commercial Mortgage Securities Trust		
5.713% due 04/12/2038	100	79
Bear Stearns Mortgage Funding Trust		
7.500% due 08/25/2036	633	621
Chase Mortgage Finance Trust		
3.224% due 12/25/2035 ^	6	6
6.000% due 02/25/2037 ^	551	453
6.000% due 07/25/2037 ^	378	347
6.250% due 10/25/2036 ^	1,092	925
Citicorp Mortgage Securities Trust		
5.500% due 04/25/2037	60	60
Citigroup/Deutsche Bank Commercial Mortgage Trust		
5.398% due 12/11/2049	30	17
5.688% due 10/15/2048	4,035	2,165
Commercial Mortgage Loan Trust		
6.155% due 12/10/2049	940	593
Countrywide Alternative Loan Resecuritization Trust		
6.000% due 05/25/2036 ^	1,527	1,288
6.000% due 08/25/2037 ^	656	521
Countrywide Alternative Loan Trust		
1.582% due 05/25/2037 ^	231	127
3.404% due 04/25/2036 ^	693	614
5.500% due 03/25/2035	167	131
5.500% due 12/25/2035 ^	1,956	1,720
5.500% due 03/25/2036 ^	92	74
5.750% due 01/25/2035	222	224
6.000% due 02/25/2035	215	219
6.000% due 08/25/2036 ^	278	246
6.000% due 04/25/2037 ^	720	560
6.250% due 11/25/2036 ^	464	414
6.250% due 12/25/2036 ^	1,020	756
6.500% due 08/25/2036 ^	298	203
Countrywide Home Loan Mortgage Pass-Through Trust		
3.355% due 02/20/2035	27	28
5.500% due 10/25/2035 ^	421	379

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

6.250% due 09/25/2036 ^		356	300
Credit Suisse Commercial Mortgage Trust			
5.870% due 09/15/2040		360	360
Deutsche Mortgage Securities, Inc. Mortgage Loan Trust			
3.166% due 06/25/2034		2,030	1,760
Epic Drummond Ltd.			
0.000% due 01/25/2022	EUR	66	78
GS Mortgage Securities Trust			
5.622% due 11/10/2039	\$	438	403
GSR Mortgage Loan Trust			
5.500% due 05/25/2036 ^		65	62
6.000% due 02/25/2036 ^		2,653	2,145
HarborView Mortgage Loan Trust			
1.948% due 01/19/2035		165	156
3.569% due 07/19/2035		35	31
IndyMac Mortgage Loan Trust			
6.500% due 07/25/2037 ^		1,726	1,151
JPMorgan Alternative Loan Trust			
3.079% due 03/25/2037 ^		1,026	917
3.351% due 03/25/2036 ^		1,163	936
JPMorgan Chase Commercial Mortgage Securities Trust			
5.623% due 05/12/2045		733	631
JPMorgan Mortgage Trust			
3.304% due 01/25/2037 ^		323	318
3.378% due 02/25/2036 ^		282	253

56 PIMCO CLOSED-END FUNDS

See Accompanying Notes

July 31, 2017

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
LB-UBS Commercial Mortgage Trust		
5.407% due 11/15/2038	\$ 437	\$ 335
5.562% due 02/15/2040	594	427
Lehman XS Trust		
1.452% due 06/25/2047	1,309	1,143
Merrill Lynch Mortgage Investors Trust		
3.214% due 03/25/2036 ^	1,108	812
Morgan Stanley Capital Trust		
5.991% due 06/11/2049	870	873
Morgan Stanley Mortgage Loan Trust		
5.962% due 06/25/2036	2,795	1,419
Residential Asset Securitization Trust		
5.750% due 02/25/2036 ^	612	479
6.000% due 07/25/2037 ^	792	601
6.250% due 09/25/2037 ^	1,371	1,004
Residential Funding Mortgage Securities, Inc. Trust		
4.599% due 08/25/2036 ^	945	840
6.000% due 09/25/2036 ^	141	133
6.000% due 06/25/2037 ^	1,731	1,583
Structured Adjustable Rate Mortgage Loan Trust		
3.243% due 11/25/2036 ^	1,039	943
3.291% due 07/25/2036 ^	364	289
3.342% due 03/25/2037 ^	349	282
3.391% due 01/25/2036 ^	931	713
Suntrust Adjustable Rate Mortgage Loan Trust		
3.531% due 02/25/2037 ^	187	168
3.604% due 04/25/2037 ^	1,028	879
WaMu Mortgage Pass-Through Certificates Trust		
2.145% due 12/25/2046	333	327
3.030% due 10/25/2036 ^	515	458
3.160% due 02/25/2037 ^	359	342
Wells Fargo Mortgage-Backed Securities Trust		
3.166% due 07/25/2036 ^	180	181
5.750% due 03/25/2037 ^	169	166
6.000% due 06/25/2037 ^	91	91
Total Non-Agency Mortgage-Backed Securities (Cost \$40,955)		44,768

ASSET-BACKED SECURITIES 25.2%

Airspeed Ltd.		
1.496% due 06/15/2032	1,528	1,280
Argent Securities Trust		
1.422% due 03/25/2036	7,894	4,231
Asset-Backed Funding Certificates Trust		
1.382% due 10/25/2036	6,656	5,849
Bear Stearns Asset-Backed Securities Trust		
6.500% due 10/25/2036 ^	233	179
Belle Haven ABS CDO Ltd.		
1.551% due 07/05/2046	85,896	1,486
BlueMountain CLO Ltd.		
6.754% due 04/13/2027	1,000	994
CIFC Funding Ltd.		
0.000% due 05/24/2026 (g)	1,200	803
0.000% due 07/22/2026 (g)	1,000	655
Citigroup Mortgage Loan Trust, Inc.		
1.382% due 12/25/2036	3,867	2,041
1.392% due 12/25/2036	2,050	1,374

Edgar Filing: PIMCO Income Strategy Fund II - Form N-CSR

Countrywide Asset-Backed Certificates			
1.372% due 06/25/2047 ^		844	658
1.432% due 06/25/2047		5,394	4,684
1.492% due 09/25/2046 ^		3,189	2,718
		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Grosvenor Place CLO BV			
0.000% due 04/30/2029	EUR	250	\$ 234
GSAMP Trust			
1.492% due 02/25/2046	\$	4,304	3,644
2.207% due 03/25/2035 ^		7,100	5,842
Highbridge Loan Management Ltd.			
6.621% due 05/05/2027		1,000	979
JPMorgan Mortgage Acquisition Corp.			
1.522% due 01/25/2036		373	362
JPMorgan Mortgage Acquisition Trust			
1.552% due 04/25/2036		6,000	5,343
Lehman XS Trust			
6.290% due 06/24/2046		2,210	2,057
Merrill Lynch Mortgage Investors Trust			
1.392% due 04/25/2037		295	166
Morgan Stanley Mortgage Loan Trust			
1.352% due 04/25/2037		3,783	1,837
6.250% due 07/25/2047 ^		389	279
Residential Asset Mortgage Products Trust			
1.512% due 09/25/2036		341	300
Residential Asset Securities Corp. Trust			
1.702% due 09/25/2035		13,627	12,596
Securitized Asset-Backed Receivables LLC Trust			
1.372% due 05/25/2036		5,765	3,395
SLM Student Loan Trust			
0.000% due 10/28/2029 (g)		1	1,355
0.000% due 01/25/2042 (g)		2	1,752
SoFi Professional Loan Program LLC			
0.000% due 05/25/2040 (g)		2,100	1,096
0.000% due 09/25/2040 (g)		846	479
South Coast Funding Ltd.			
1.785% due 08/10/2038		5,915	