

PIMCO Income Strategy Fund II
Form N-Q
June 21, 2011

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

OMB APPROVAL
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FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21601

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

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

10105
(Zip code)

Lawrence G. Altadonna

1345 Avenue of the Americas,

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

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

Date of fiscal year end: July 31, 2011

Date of reporting period: April 30, 2011

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

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

Item 1. Schedule of Investments

PIMCO Income Strategy Fund II Schedule of Investments

April 30, 2011 (unaudited)

| Principal Amount (000s) | | Credit Rating (Moody's/S&P) | Value* |
|--|---|-----------------------------|-------------|
| CORPORATE BONDS & NOTES 62.3% | | | |
| Airlines 1.5% | | | |
| | American Airlines Pass Through Trust, | | |
| \$7,686 | 9.73%, 9/29/14 | Caa2/CCC+ | \$7,532,276 |
| 3,834 | 10.18%, 1/2/13 | Caa1/CCC+ | 3,757,313 |
| 924 | United Air Lines Pass Through Trust, 10.40%, 5/1/18 | Baa2/BBB+ | 1,057,750 |
| | | | 12,347,339 |
| Banking 10.2% | | | |
| 5,500 | AgFirst Farm Credit Bank, 7.30%, 5/31/11 (a)(b)(d)(g)(k) (acquisition cost-\$4,709,000; purchased 2/26/10-4/15/10) | NR/A | 4,925,442 |
| £13,600 | Barclays Bank PLC, 14.00%, 6/15/19 (g) | Baa2/A- | 29,815,744 |
| \$6,700 | BBVA Bancomer S.A., 7.25%, 4/22/20 (a)(d) | A3/NR | 6,926,420 |
| 20,000 | Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, 6.875%, 3/19/20 | NR/NR | 30,314,285 |
| \$2,000 | Den Norske Bank ASA, 7.729%, 6/29/11 (a)(d)(g) | Baa3/BBB+ | 2,016,128 |
| 1,400 | HBOS PLC, 6.75%, 5/21/18 (a)(d) | Baa3/BBB | 1,413,734 |
| 2,400 | Intesa Sanpaolo SpA, 8.375%, 10/14/19 (g) | Baa1/BBB+ | 3,652,516 |
| \$1,675 | Regions Financial Corp., 7.375%, 12/10/37 | B1/BB | 1,658,250 |
| £800 | Santander Finance Preferred S.A. Unipersonal, 11.30%, 7/27/14 (g) | Baa2/A- | 1,464,830 |
| | | | 82,187,349 |
| Chemicals 0.6% | | | |
| \$4,320 | Lyondell Chemical Co., 8.00%, 11/1/17 (a)(d) | Ba2/BB+ | 4,827,600 |
| Energy 1.6% | | | |
| 10,086 | AES Red Oak LLC, 8.54%, 11/30/19 | B2/BB- | 10,413,800 |
| 2,300 | Dynegy Roseton/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B | Caa3/CC | 2,139,000 |
| | | | 12,552,800 |
| Financial Services 25.8% | | | |
| 1,800 | AGFC Capital Trust I, 6.00%, 1/15/67, (converts to FRN on 1/15/17) (a)(d) | Caa2/CCC- | 1,197,000 |
| | Ally Financial, Inc., | | |
| 416 | 5.25%, 1/15/14 | B1/B | 404,734 |
| 315 | 5.35%, 1/15/14 | B1/B | 307,239 |
| 130 | 5.70%, 6/15/13 | B1/B | 128,600 |
| 561 | 5.75%, 1/15/14 | B1/B | 552,656 |
| 565 | 5.90%, 1/15/19 | B1/B | 515,109 |
| 3 | 5.90%, 2/15/19 | B1/B | 2,722 |
| 585 | 6.00%, 12/15/13 | B1/B | 580,570 |
| 1,437 | 6.00%, 2/15/19 | B1/B | 1,312,926 |
| 119 | 6.00%, 3/15/19 | B1/B | 108,877 |

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| | | | |
|-----|------------------|------|---------|
| 9 | 6.00%, 9/15/19 | B1/B | 8,213 |
| 486 | 6.10%, 9/15/19 | B1/B | 446,499 |
| 159 | 6.125%, 10/15/19 | B1/B | 145,398 |
| 394 | 6.15%, 8/15/19 | B1/B | 362,887 |
| 454 | 6.15%, 10/15/19 | B1/B | 418,769 |
| 675 | 6.20%, 4/15/19 | B1/B | 623,508 |
| 500 | 6.25%, 12/15/18 | B1/B | 465,872 |
| 47 | 6.25%, 7/15/19 | B1/B | 43,541 |
| 7 | 6.35%, 4/15/16 | B1/B | 6,705 |
| 792 | 6.35%, 10/15/16 | B1/B | 756,546 |

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|---------------------------------------|-----------------|--------------------------------|-----------|
| Financial Services (continued) | | | |
| \$303 | 6.35%, 4/15/19 | B1/B | \$282,554 |
| 1,142 | 6.35%, 7/15/19 | B1/B | 1,064,818 |
| 463 | 6.375%, 1/15/14 | B1/B | 462,899 |
| 256 | 6.50%, 7/15/12 | B1/B | 254,330 |
| 249 | 6.50%, 9/15/16 | B1/B | 239,439 |
| 608 | 6.50%, 10/15/16 | B1/B | 584,726 |
| 5 | 6.50%, 6/15/18 | B1/B | 4,767 |
| 449 | 6.50%, 11/15/18 | B1/B | 426,075 |
| 190 | 6.50%, 12/15/18 | B1/B | 179,689 |
| 15 | 6.50%, 5/15/19 | B1/B | 14,101 |
| 45 | 6.60%, 6/15/12 | B1/B | 44,754 |
| 208 | 6.60%, 8/15/16 | B1/B | 201,169 |
| 864 | 6.60%, 5/15/18 | B1/B | 831,353 |
| 100 | 6.60%, 6/15/19 | B1/B | 94,665 |
| 132 | 6.65%, 10/15/18 | B1/B | 126,881 |
| 190 | 6.70%, 5/15/14 | B1/B | 190,703 |
| 256 | 6.70%, 6/15/18 | B1/B | 246,888 |
| 335 | 6.70%, 12/15/19 | B1/B | 318,627 |
| 160 | 6.75%, 9/15/12 | B1/B | 159,223 |
| 844 | 6.75%, 10/15/12 | B1/B | 844,224 |
| 555 | 6.75%, 6/15/14 | B1/B | 555,672 |
| 215 | 6.75%, 8/15/16 | B1/B | 208,996 |
| 1,136 | 6.75%, 11/15/16 | B1/B | 1,105,062 |
| 210 | 6.75%, 6/15/17 | B1/B | 204,650 |
| 831 | 6.75%, 7/15/18 | B1/B | 800,883 |
| 3 | 6.75%, 9/15/18 | B1/B | 2,871 |
| 612 | 6.75%, 10/15/18 | B1/B | 591,313 |
| 107 | 6.75%, 11/15/18 | B1/B | 103,044 |
| 92 | 6.80%, 9/15/16 | B1/B | 89,643 |
| 12 | 6.80%, 9/15/18 | B1/B | 11,518 |
| 207 | 6.85%, 4/15/16 | B1/B | 202,231 |
| 7 | 6.875%, 7/15/18 | B1/B | 6,791 |
| 319 | 6.90%, 7/15/18 | B1/B | 309,956 |
| 326 | 6.90%, 8/15/18 | B1/B | 315,723 |
| 135 | 6.95%, 6/15/17 | B1/B | 132,829 |
| 201 | 7.00%, 8/15/16 | B1/B | 197,583 |
| 1,729 | 7.00%, 11/15/16 | B1/B | 1,700,496 |
| 580 | 7.00%, 12/15/16 | B1/B | 570,559 |
| 1,729 | 7.00%, 1/15/17 | B1/B | 1,701,186 |
| 601 | 7.00%, 2/15/17 | B1/B | 591,566 |
| 1,087 | 7.00%, 6/15/17 | B1/B | 1,071,973 |
| 1,073 | 7.00%, 7/15/17 | B1/B | 1,057,779 |
| 43 | 7.00%, 2/15/18 | B1/B | 42,322 |
| 506 | 7.00%, 3/15/18 | B1/B | 497,875 |
| 15 | 7.00%, 5/15/18 | B1/B | 14,746 |
| 400 | 7.00%, 9/15/18 | B1/B | 388,084 |
| 134 | 7.00%, 6/15/22 | B1/B | 127,903 |
| 2,035 | 7.00%, 11/15/24 | B1/B | 1,926,451 |
| 325 | 7.05%, 3/15/18 | B1/B | 320,577 |
| 4 | 7.05%, 4/15/18 | B1/B | 3,945 |
| 837 | 7.10%, 9/15/12 | B1/B | 836,244 |

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|---------------------------------------|--|-----------------------------|------------|
| Financial Services (continued) | | | |
| \$28 | 7.15%, 11/15/12 | B1/B | \$28,104 |
| 6 | 7.15%, 9/15/18 | B1/B | 5,870 |
| 477 | 7.20%, 10/15/17 | B1/B | 474,345 |
| 339 | 7.25%, 8/15/12 | B1/B | 339,588 |
| 1,998 | 7.25%, 12/15/12 | B1/B | 2,000,228 |
| 55 | 7.25%, 6/15/16 | B1/B | 54,538 |
| 653 | 7.25%, 9/15/17 | B1/B | 650,987 |
| 329 | 7.25%, 1/15/18 | B1/B | 327,810 |
| 255 | 7.25%, 4/15/18 | B1/B | 253,946 |
| 39 | 7.30%, 12/15/17 | B1/B | 38,956 |
| 503 | 7.30%, 1/15/18 | B1/B | 502,370 |
| 165 | 7.35%, 1/15/17 | B1/B | 164,729 |
| 58 | 7.35%, 4/15/18 | B1/B | 57,998 |
| 25 | 7.375%, 11/15/16 | B1/B | 24,928 |
| 55 | 7.375%, 4/15/18 | B1/B | 55,060 |
| 166 | 7.40%, 12/15/17 | B1/B | 166,392 |
| 1,828 | 7.50%, 11/15/16 | B1/B | 1,829,009 |
| 15 | 7.50%, 8/15/17 | B1/B | 15,080 |
| 559 | 7.50%, 11/15/17 | B1/B | 560,434 |
| 290 | 7.50%, 12/15/17 | B1/B | 290,757 |
| 40 | 8.00%, 3/15/17 | B1/B | 40,317 |
| 3 | 8.125%, 11/15/17 | B1/B | 3,010 |
| 25 | 8.20%, 3/15/17 | B1/B | 25,218 |
| 24 | 8.40%, 8/15/15 | B1/B | 24,186 |
| 224 | 9.00%, 7/15/20 | B1/B | 225,717 |
| £2,100 | BAC Capital Trust VII, 5.25%, 8/10/35 | Baa3/BB+ | 2,753,537 |
| \$10,100 | Bank of America Corp., 8.125%, 5/15/18 (g)(j) | Ba3/BB+ | 10,938,098 |
| 2,900 | Capital One Capital VI, 8.875%, 5/15/40 | Baa3/BB | 3,084,875 |
| | CIT Group, Inc., | | |
| 1,528 | 7.00%, 5/1/13 | B3/B+ | 1,558,482 |
| 1,068 | 7.00%, 5/1/14 | B3/B+ | 1,090,549 |
| 1,068 | 7.00%, 5/1/15 | B3/B+ | 1,085,209 |
| 2,128 | 7.00%, 5/1/16 | B3/B+ | 2,149,841 |
| 2,492 | 7.00%, 5/1/17 | B3/B+ | 2,518,145 |
| 3,200 | Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37) | Ba1/BB+ | 3,340,800 |
| £2,000 | Credit Agricole S.A., 8.125%, 10/26/19 (g) | A3/A- | 3,440,921 |
| \$11,000 | ILFC E-Capital Trust II, 6.25%, 12/21/65, (converts to FRN on 12/21/15) (a)(d) | B3/BB | 9,515,000 |
| 2,000 | International Lease Finance Corp., 8.625%, 9/15/15 (a)(d) | B1/BB+ | 2,205,000 |
| | LBG Capital No.1 PLC, | | |
| 500 | 6.439%, 5/23/20 | Ba3/BB | 666,518 |
| 500 | 7.375%, 3/12/20 | Ba3/BB | 696,141 |
| £300 | 7.588%, 5/12/20 | Ba3/BB | 481,061 |
| £10,200 | 7.867%, 12/17/19 | Ba3/BB | 16,291,322 |
| £1,000 | 7.869%, 8/25/20 | Ba3/BB | 1,628,574 |
| \$4,500 | 7.875%, 11/1/20 (a)(b)(d)(k) | | |
| | (acquisition cost-\$3,985,000; purchased 3/17/10-3/23/10) | Ba3/BB | 4,504,500 |
| £4,700 | 11.04%, 3/19/20 | Ba3/BB | 8,694,588 |
| | LBG Capital No.2 PLC, | | |
| 8,900 | 8.875%, 2/7/20 | Ba2/BB+ | 13,709,526 |
| £300 | 12.75%, 8/10/20 | Ba2/BB+ | 571,260 |
| 1,100 | 15.00%, 12/21/19 | Ba2/BB+ | 2,256,532 |

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|--|--|-----------------------------|-------------|
| Financial Services (continued) | | | |
| \$2,500 | Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (e) | WR/NR | \$2,000 |
| 1,600 | MUFG Capital Finance 2 Ltd., 4.85%, 7/25/16 (g) | Ba1/BBB+ | 2,156,555 |
| \$22,600 | National City Preferred Capital Trust I, 12.00%, 12/10/12 (g)(j) | Baa3/BBB | 25,390,987 |
| 3,500 | NB Capital Trust II, 7.83%, 12/15/26 | Baa3/BB+ | 3,602,375 |
| 5,965 | NSG Holdings LLC, 7.75%, 12/15/25 (a)(d) | Ba2/BB | 5,994,825 |
| | SLM Corp., | | |
| 100 | 0.574%, 1/27/14, FRN | Ba1/BBB- | 97,502 |
| 650 | 1.503%, 6/17/13, FRN | Ba1/BBB- | 894,244 |
| \$10,000 | 3.782%, 9/15/15, FRN | Ba1/BBB- | 9,572,900 |
| 3,400 | 5.375%, 5/15/14 | Ba1/BBB- | 3,552,082 |
| 5,000 | 5.625%, 8/1/33 | Ba1/BBB- | 4,392,350 |
| 10,700 | 8.00%, 3/25/20 | Ba1/BBB- | 11,874,453 |
| 1,700 | 8.45%, 6/15/18 | Ba1/BBB- | 1,932,126 |
| 6,750 | Wells Fargo & Co., 7.98%, 3/15/18 (g) | Baa3/A- | 7,458,750 |
| | | | 208,911,932 |
| Healthcare & Hospitals 0.9% | | | |
| 6,700 | HCA, Inc., 9.625%, 11/15/16, PIK | B2/BB- | 7,210,875 |
| Insurance 20.1% | | | |
| 3,000 | American General Institutional Capital A, 7.57%, 12/1/45 (a)(d) | Baa2/BBB- | 3,180,000 |
| 10,000 | American General Institutional Capital B, 8.125%, 3/15/46 (a)(d) | Baa2/BBB- | 11,050,000 |
| | American International Group, Inc., | | |
| 17,600 | 4.875%, 3/15/67, (converts to FRN on 3/15/17) | Baa2/BBB | 21,766,982 |
| \$13,600 | 5.45%, 5/18/17 (j) | Baa1/A- | 14,313,007 |
| £5,000 | 5.75%, 3/15/67, (converts to FRN on 3/15/17) | Baa2/BBB | 7,266,022 |
| \$1,900 | 6.25%, 3/15/87, (converts to FRN on 3/15/37) | Baa2/BBB | 1,809,750 |
| MXN 16,000 | 7.98%, 6/15/17 | Baa1/A- | 1,226,679 |
| 11,800 | 8.00%, 5/22/68, (converts to FRN on 5/22/18) (a)(d) | Baa2/BBB | 17,739,735 |
| \$24,550 | 8.175%, 5/15/68, (converts to FRN on 5/15/38) | Baa2/BBB | 27,680,125 |
| 1,300 | 8.25%, 8/15/18 | Baa1/A- | 1,548,214 |
| £14,100 | 8.625%, 5/22/68, (converts to FRN on 5/22/18) | Baa2/BBB | 24,729,529 |
| \$1,700 | AXA S.A., 6.463%, 12/14/18 (a)(d)(g) | Baa1/BBB | 1,566,125 |
| 6,500 | Dai-ichi Life Insurance Co., Ltd., 7.25%, 7/25/21 (a)(b)(d)(g)(k) | | |
| | (acquisition cost-\$6,318,500; purchased 3/8/11-3/15/11) | A3/BBB+ | 6,544,551 |
| 4,700 | Hartford Financial Services Group, Inc., 8.125%, 6/15/68, (converts to FRN on 6/15/18) | Ba1/BB+ | 5,305,125 |
| 15,000 | Metlife Capital Trust IV, 7.875%, 12/15/67, (converts to FRN on 12/15/37) (a)(d)(j) | Baa2/BBB | 16,931,970 |
| | | | 162,657,814 |
| Oil & Gas 1.1% | | | |
| 8,300 | El Paso Corp., 7.42%, 2/15/37 | Ba3/BB- | 8,798,872 |
| Telecommunications 0.0% | | | |
| 200 | Sprint Capital Corp., 8.75%, 3/15/32 | B1/BB- | 220,000 |
| Utilities 0.5% | | | |
| 3,900 | AES Andres Dominicana, 9.50%, 11/12/20 (a)(d) | NR/B- | 4,173,000 |
| | Total Corporate Bonds & Notes (cost \$418,319,425) | | 503,887,581 |

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|---|---|-----------------------------|------------|
| MORTGAGE-BACKED SECURITIES 13.7% | | | |
| \$387 | Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO | Caa2/NR | \$295,316 |
| 123 | Banc of America Funding Corp., CMO, 5.801%, 1/20/47, VRN | NR/CCC | 86,352 |
| 14,600 | 6.00%, 3/25/37 | Caa2/CCC | 10,314,250 |
| 668 | Bear Stearns Alt-A Trust, 5.068%, 11/25/36, CMO, VRN | Caa3/CCC | 410,667 |
| 112 | Chase Mortgage Finance Corp., CMO, 2.944%, 12/25/35, FRN | NR/CCC | 108,876 |
| 3,429 | 3.157%, 3/25/37, FRN | Caa2/NR | 2,802,201 |
| 2,663 | 5.50%, 5/25/36 | B3/NR | 2,531,214 |
| 975 | Citicorp Mortgage Securities, Inc., CMO, 5.50%, 4/25/37 | Caa1/NR | 879,465 |
| 7,595 | 6.00%, 9/25/37 | B3/NR | 7,564,359 |
| 2,509 | Countrywide Alternative Loan Trust, CMO, 5.50%, 1/25/36 | Caa3/CCC | 1,886,558 |
| 350 | 5.50%, 3/25/36 | Caa3/NR | 253,669 |
| 2,213 | 5.75%, 12/25/36 | NR/CC | 1,460,173 |
| 8,472 | 6.00%, 5/25/36 | Caa3/NR | 5,322,390 |
| 1,608 | 6.00%, 4/25/37 | NR/CC | 1,019,428 |
| 6,496 | 6.009%, 4/25/36, VRN | Ca/CCC | 4,422,699 |
| 2,673 | 6.25%, 11/25/36 | Caa3/NR | 2,151,090 |
| 1,357 | 6.50%, 8/25/36 | Ca/CC | 848,168 |
| 3,020 | Countrywide Home Loan Mortgage Pass Through Trust, CMO, 5.75%, 3/25/37 | NR/CCC | 2,667,839 |
| 2,146 | 6.00%, 5/25/36 | NR/CCC | 1,904,247 |
| 1,800 | 6.00%, 2/25/37 | NR/CCC | 1,552,856 |
| 7,700 | 6.00%, 3/25/37 | NR/CCC | 6,763,595 |
| 3,228 | 6.25%, 9/25/36 | B3/NR | 2,680,476 |
| 3,746 | First Horizon Asset Securities, Inc., 2.796%, 11/25/35, CMO, FRN | NR/B | 3,099,591 |
| 4,949 | JPMorgan Alternative Loan Trust, 3.369%, 5/25/36, CMO, VRN | NR/CCC | 3,316,440 |
| 1,748 | JPMorgan Mortgage Trust, CMO, 5.345%, 10/25/35, VRN | B2/NR | 1,729,133 |
| 871 | 6.00%, 8/25/37 | NR/CCC | 791,746 |
| 335 | 6.50%, 9/25/35 | NR/B+ | 342,221 |
| 2,056 | MASTR Asset Securitization Trust, 6.50%, 11/25/37, CMO | NR/CCC | 1,908,513 |
| 84 | Nomura Asset Acceptance Corp., 4.976%, 5/25/35, CMO | Caa2/CCC | 78,108 |
| 2,978 | Residential Asset Securitization Trust, CMO, 5.75%, 2/25/36 | Caa3/D | 2,265,671 |
| 1,166 | 6.00%, 9/25/36 | Ca/D | 697,223 |
| 3,209 | 6.00%, 7/25/37 | NR/CCC | 2,453,721 |
| 6,406 | Residential Funding Mortgage Securities I, CMO, 5.405%, 9/25/35, VRN | Caa2/CCC | 5,529,480 |
| 13,348 | 6.00%, 6/25/37 | NR/D | 10,955,566 |
| 3,178 | 6.25%, 8/25/36 | Caa1/CCC | 2,869,747 |
| 1,372 | Sequoia Mortgage Trust, 0.96%, 5/20/34, CMO, FRN | Ba1/Aaa | 1,239,946 |
| 1,156 | Suntrust Adjustable Rate Mortgage Loan Trust, 5.825%, 2/25/37, CMO, FRN | NR/CCC | 872,227 |
| 2,000 | WaMu Mortgage Pass Through Certificates, CMO, 5.707%, 2/25/37, FRN | NR/CCC | 1,741,440 |
| 689 | 5.848%, 9/25/36, VRN | NR/CCC | 541,304 |
| | Wells Fargo Mortgage-Backed Securities Trust, CMO, | | |

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1,230

2.739%, 7/25/36, FRN

NR/CCC

1,010,439

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|--|--|-----------------------------|-------------|
| \$634 | 2.772%, 4/25/36, VRN | NR/BB+ | \$542,796 |
| 11,126 | 4.776%, 7/25/36, FRN | NR/CCC | 9,266,337 |
| 1,946 | 5.75%, 3/25/37 | Caa2/NR | 1,812,996 |
| | Total Mortgage-Backed Securities (cost \$104,833,246) | | 110,990,533 |
| MUNICIPAL BONDS 8.8% | | | |
| California 4.0% | | | |
| 13,100 | Alameda Cnty. JT Powers Auth. Rev., 7.046%, 12/1/44 | A1/AA | 13,473,874 |
| 10,800 | Los Angeles Cnty. Public Works Financing Auth. Rev., 7.618%, 8/1/40 | A1/A+ | 11,680,200 |
| 7,500 | Stockton Public Financing Auth. Rev., 7.942%, 10/1/38, Ser. B | NR/A | 7,731,450 |
| | | | 32,885,524 |
| Colorado 0.7% | | | |
| 5,000 | Public Schools, CP, 7.017%, 12/15/37, Ser. B | Aa3/A+ | 5,346,200 |
| Illinois 0.7% | | | |
| 5,500 | State, GO, 6.63%, 2/1/35 | A1/A+ | 5,499,285 |
| Ohio 1.9% | | | |
| 13,000 | American Municipal Power-Ohio, Inc. Rev., 8.084%, 2/15/50, Ser. B | A3/A | 15,226,120 |
| Texas 1.5% | | | |
| 11,500 | North Texas Tollway Auth. Rev., 8.91%, 2/1/30 | Baa3/NR | 12,021,755 |
| | Total Municipal Bonds (cost \$66,246,658) | | 70,978,884 |
| Shares | | | |
| PREFERRED STOCK 4.7% | | | |
| Automotive Products 0.0% | | | |
| 20,275 | Dura Automotive Systems, Inc., 20.00%, (b)(f)(i) | NR/NR | 10,137 |
| Banking 2.6% | | | |
| 397,300 | CoBank Acb, 11.00%, 7/1/13, Ser. C (a)(b)(d)(g)(k)(l) (acquisition cost-\$21,899,400; purchased 2/26/10-3/23/11) | NR/A | 20,920,960 |
| Financial Services 1.7% | | | |
| 240,000 | Citigroup Capital XIII, 7.875%, 10/30/15 (l) | NR/BB+ | 6,662,400 |
| 5,000 | Farm Credit Bank, 10.00%, 12/15/20, Ser. 1 (g) | A3/NR | 5,585,938 |
| 40,000 | GMAC Capital Trust I, 8.125%, 2/15/16 (l) | B3/CC | 1,045,000 |
| | | | 13,293,338 |
| Real Estate Investment Trust 0.4% | | | |
| 3,000 | Sovereign Real Estate Investment Trust, 12.00%, 5/16/20 (a)(d)(g) | Baa2/BBB+ | 3,457,500 |
| | Total Preferred Stock (cost \$39,584,400) | | 37,681,935 |
| CONVERTIBLE PREFERRED STOCK 3.7% | | | |
| Financial Services 0.4% | | | |
| 3,000 | Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (g) | Baa3/A- | 3,238,440 |
| Utilities 3.3% | | | |
| 104,000 | PPL Corp., 8.75%, 5/1/14 | NR/NR | 5,584,800 |
| 374,000 | PPL Corp., 9.50%, 7/1/13 | NR/NR | 21,198,320 |

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| | |
|---|------------|
| | 26,783,120 |
| Total Convertible Preferred Stock (cost \$27,405,180) | 30,021,560 |

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| Principal Amount (000s) | | Credit Rating (Moody's/S&P) | Value* |
|--|--|-----------------------------|-------------|
| SENIOR LOANS (a)(c) 2.3% | | | |
| Financial Services 0.8% | | | |
| \$3,000 | American General Finance Corp., 7.25%, 4/21/15 | | \$3,009,792 |
| 1,409 | CIT Group, Inc., 6.25%, 8/11/15, Term 3 | | 1,432,391 |
| 2,115 | International Lease Finance Corp., 7.00%, 3/17/16, Term B2 | | 2,131,250 |
| | | | 6,573,433 |
| Multi-Media 1.0% | | | |
| | Seven Media Group, Term T1, | | |
| AUD5,807 | 6.855%, 2/7/13 | | 6,245,379 |
| AUD1,678 | 7.105%, 2/7/13 | | 1,804,590 |
| | | | 8,049,969 |
| Utilities 0.5% | | | |
| \$4,759 | Texas Competitive Electric Holdings Co. LLC, 5.00%, 10/10/17 | | 3,821,480 |
| | Total Senior Loans (cost \$16,609,005) | | 18,444,882 |
| ASSET-BACKED SECURITIES 1.4% | | | |
| 2,947 | Asset-Backed Funding Certificates, 0.433%, 5/25/37, FRN (a)(d) | B3/B- | 2,539,551 |
| 2,382 | GSAA Trust, 6.295%, 6/25/36 | Caa3/CCC | 1,453,024 |
| 7,023 | Indymac Residential Asset Backed Trust, 0.373%, 7/25/37, FRN | Caa3/CCC | 4,393,142 |
| 1,985 | MASTR Asset-Backed Securities Trust, 5.233%, 11/25/35 | A1/BBB | 1,760,016 |
| 1,580 | Morgan Stanley Mortgage Loan Trust, 6.25%, 7/25/47, VRN | Caa2/CCC | 1,111,435 |
| | Total Asset-Backed Securities (cost \$10,938,939) | | 11,257,168 |
| Shares | | | |
| COMMON STOCK 0.0% | | | |
| Automotive Products 0.0% | | | |
| 81,383 | Dura Automotive Systems, Inc. (b)(f)(i) (cost \$1,317,433) | | 813 |
| Principal Amount (000s) | | | |
| SHORT-TERM INVESTMENTS 3.1% | | | |
| U.S. Treasury Obligations (h)(m) 1.3% | | | |
| \$10,597 | U.S. Treasury Bills, 0.013%-0.03%, 5/5/11-6/2/11 (cost \$10,596,843) | | 10,596,843 |
| Commercial Paper 0.7% | | | |
| | Kells Funding LLC, (a)(d) | | |
| 800 | 0.25%, 8/16/11 | P-1/A-1+ | 799,407 |
| 4,500 | 0.28%, 6/10/11 | P-1/A-1+ | 4,498,635 |
| | Total Commercial Paper (cost \$5,298,046) | | 5,298,042 |
| Corporate Notes 0.2% | | | |
| Financial Services 0.2% | | | |
| | Ally Financial, Inc., | | |
| 40 | 1.782%, 5/15/11, FRN | B1/B | 40,100 |
| 438 | 1.901%, 7/15/11, FRN | B1/B | 438,591 |
| 55 | 1.951%, 7/15/11, FRN | B1/B | 55,072 |
| 30 | 1.951%, 10/17/11, FRN | B1/B | 29,877 |

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| Principal Amount (000s) | | Credit Rating (Moody s/S&P) | Value* |
|---------------------------------------|---|--------------------------------|----------------------|
| Financial Services (continued) | | | |
| \$35 | 1.992%, 6/15/11, FRN | B1/B | \$35,045 |
| 25 | 1.992%, 9/15/11, FRN | B1/B | 24,935 |
| 108 | 2.051%, 7/15/11, FRN | B1/B | 108,162 |
| 81 | 2.082%, 8/15/11, FRN | B1/B | 81,120 |
| 360 | 2.132%, 8/15/11, FRN | B1/B | 360,450 |
| 250 | 2.132%, 11/15/11, FRN | B1/B | 249,710 |
| 33 | 2.182%, 11/15/11, FRN | B1/B | 32,816 |
| 38 | 2.232%, 11/15/11, FRN | B1/B | 37,797 |
| 100 | 2.282%, 11/15/11, FRN | B1/B | 99,494 |
| 155 | 2.292%, 12/15/11, FRN | B1/B | 154,107 |
| 30 | 2.842%, 3/15/12, FRN | B1/B | 29,882 |
| 76 | 6.625%, 10/15/11 | B1/B | 76,381 |
| | Total Corporate Notes (cost \$1,819,139) | | 1,853,539 |
| Repurchase Agreements 0.9% | | | |
| 6,800 | Barclays Capital, Inc., dated 4/29/11, 0.05%, due 5/2/11, proceeds \$6,800,028; collateralized by Ginnie Mae, 4.5%, due 9/20/40, valued at \$6,977,771 including accrued interest | | 6,800,000 |
| 814 | State Street Bank & Trust Co., dated 4/29/11, 0.01%, due 5/2/11, proceeds \$814,000; collateralized by U.S.Treasury Bills, 0.015%, due 5/12/11, valued at \$834,995 | | 814,000 |
| | Total Repurchase Agreements (cost \$7,614,000) | | 7,614,000 |
| | Total Short-Term Investments (cost \$25,328,028) | | 25,362,424 |
| | Total Investments (cost \$710,582,314) (n) 100.0% | | \$808,625,780 |

Notes to Schedule of Investments:

* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available, or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange-traded futures are valued at the settlement price determined by the relevant exchange. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. Investments initially valued in currencies other than U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the net asset value (NAV) of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange (NYSE) is closed.

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

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$155,371,965 representing 19.2% of total investments.
- (b) Illiquid.
- (c) These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the LIBOR or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted as the Fund is ordinarily contractually obligated to receive approval from the Agent bank and/or borrower prior to disposition. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on April 30, 2011.
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) In default.
- (f) Fair-Valued Securities with an aggregate value of \$10,950, representing less than 0.05% of total investments.
- (g) Perpetual maturity. Maturity date shown is the first call date. On Corporate Bonds & Notes, the interest rate is fixed until the first call date and variable thereafter.
- (h) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (i) Non-income producing.
- (j) All or partial amount segregated for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (k) Restricted. The aggregate acquisition cost of such securities is \$36,911,900 and the aggregate market value is \$36,895,453 representing 4.6% of total investments.
- (l) Dividend rate is fixed until the first call date and variable thereafter.

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- (m) Rates reflect the effective yields at purchase date.
- (n) At April 30, 2011, the cost basis of portfolio securities of \$710,582,314 was substantially the same for both for federal income tax and book purposes. Gross unrealized appreciation was \$106,310,800, gross unrealized depreciation was \$8,267,334, and net unrealized appreciation was \$98,043,466.

Glossary:

| | |
|-------|--|
| AUD | Australian Dollar |
| £ | British Pound |
| CMO | Collateralized Mortgage Obligation |
| CP | Certificates of Participation |
| | Euro |
| FRN | Floating Rate Note. The interest rate disclosed reflects the rate in effect on April 30, 2011. |
| GO | General Obligation Bond |
| LIBOR | London Inter-Bank Offered Rate |
| MXN | Mexican Peso |
| NR | Not Rated |
| PIK | Payment-in-Kind |
| VRN | Variable Rate Note. Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on April 30, 2011. |
| WR | Withdrawn Rating |

Other Investments:

(A) Futures contracts outstanding at April 30, 2011:

| Type | | Contracts | Market Value (000s) | Expiration Date | Unrealized Appreciation |
|-------|-------------------------------|-----------|---------------------|-----------------|-------------------------|
| Long: | Financial Futures Euro 90 day | 376 | \$93,422 | 3/19/2012 | \$197,400 |

At April 30, 2011, the Fund pledged cash collateral of \$265,000 for futures contracts.

(B) Credit default swap agreements:

Sell protection swap agreements outstanding at April 30, 2011 (1):

| Swap Counterparty/ Referenced Debt Issuer | Notional Amount (000s) (3) | Credit Spread (2) | Termination Date | Payments Received | Market Value (4) | Upfront Premiums Received | Unrealized Appreciation |
|---|----------------------------|-------------------|------------------|-------------------|------------------|---------------------------|-------------------------|
| Citigroup: | | | | | | | |
| SLM | \$6,550 | 1.38% | 12/20/2013 | 5.00% | \$653,797 | \$(807,000) | \$1,460,797 |
| Deutsche Bank: | | | | | | | |
| SLM | 5,400 | 1.38% | 12/20/2013 | 5.00% | 539,009 | (756,000) | 1,295,009 |
| Merrill Lynch: | | | | | | | |
| SLM | 550 | 1.38% | 12/20/2013 | 5.00% | 54,899 | (77,000) | 131,899 |
| | | | | | \$1,247,705 | \$(1,640,000) | \$2,887,705 |

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

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

(3) This represents the maximum potential amount the Fund could be required to make available 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.

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(4) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at April 30, 2011 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 been 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 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.

(C) Interest rate swap agreements outstanding at April 30, 2011:

| Swap Counterparty | Notional Amount (000s) | Termination Date | Payments Made | Rate Type | Payments Received | Market Value | Upfront Premiums Paid | Unrealized Depreciation |
|-------------------------------|---------------------------|---------------------|------------------|----------------------|----------------------|-----------------|-----------------------------|----------------------------|
| Bank of America | \$47,700 | 6/15/2041 | 4.25% | 3-Month USD-LIBOR | | \$(546,629) | \$1,535,940 | \$(2,082,569) |
| Credit Suisse First Boston | 47,700 | 6/15/2041 | 4.25% | 3-Month USD-LIBOR | | (546,630) | 1,502,550 | (2,049,180) |
| Goldman Sachs | 31,700 | 6/15/2041 | 4.25% | 3-Month USD-LIBOR | | (363,274) | 1,037,382 | (1,400,656) |
| Royal Bank of Scotland | 31,800 | 6/15/2041 | 4.25% | 3-Month USD-LIBOR | | (364,420) | 1,097,100 | (1,461,520) |
| | | | | | | \$(1,820,953) | \$5,172,972 | \$(6,993,925) |

LIBOR - London Inter-Bank Offered Rate

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(D) Forward foreign currency contracts outstanding at April 30, 2011:

| | Counterparty | U.S.\$ Value on Origination Date | U.S.\$ Value April 30, 2011 | Unrealized Appreciation (Depreciation) |
|---|------------------------|----------------------------------|-----------------------------|--|
| Purchased: | | | | |
| 372,200 Brazilian Real settling 9/2/11 | Bank of America | \$200,000 | \$232,767 | \$32,767 |
| 185,950 Brazilian Real settling 9/2/11 | Morgan Stanley | 100,000 | 116,290 | 16,290 |
| 408,946 Brazilian Real settling 6/2/11 | UBS | 256,231 | 259,546 | 3,315 |
| 14,519,138 Chinese Yuan Renminbi settling 2/13/12 | Deutsche Bank | 2,241,318 | 2,283,314 | 41,996 |
| 805,000 Euro settling 6/23/11 | Barclays Bank | 1,162,001 | 1,190,667 | 28,666 |
| 804,000 Euro settling 6/23/11 | Royal Bank of Canada | 1,160,377 | 1,189,188 | 28,811 |
| 4,058,000 Indian Rupee settling 8/12/11 | Barclays Bank | 86,488 | 89,932 | 3,444 |
| 600,000 Indian Rupee settling 8/12/11 | Deutsche Bank | 12,834 | 13,297 | 463 |
| 130,000 Mexican Peso settling 7/7/11 | HSBC Bank | 10,471 | 11,226 | 755 |
| 1,520,300 South African Rand settling 9/13/11 | Barclays Bank | 200,000 | 227,195 | 27,195 |
| 759,900 South African Rand settling 9/13/11 | Morgan Stanley | 100,000 | 113,560 | 13,560 |
| Sold: | | | | |
| 6,713,000 Australian Dollar settling 5/31/11 | Royal Bank of Scotland | 7,234,211 | 7,332,215 | (98,004) |
| 408,946 Brazilian Real settling 6/2/11 | Citigroup | 241,408 | 259,546 | (18,138) |
| 408,946 Brazilian Real settling 8/2/11 | UBS | 252,966 | 257,204 | (4,238) |
| 14,273,000 Chinese Yuan Renminbi settling 9/14/11 | JPMorgan Chase | 2,200,925 | 2,222,268 | (21,343) |
| 2,574,000 Euro settling 6/23/11 | Barclays Bank | 3,744,056 | 3,807,177 | (63,121) |
| 1,980,000 Euro settling 5/26/11 | BNP Paribas | 2,813,778 | 2,930,826 | (117,048) |
| 59,997,000 Euro settling 5/26/11 | Royal Bank of Scotland | 82,548,852 | 88,808,465 | (6,259,613) |
| 58,300,000 British Pound settling 5/25/11 | JPMorgan Chase | 95,997,888 | 97,355,790 | (1,357,902) |
| 2,054,362 South African Rand settling 7/28/11 | JPMorgan Chase | 300,301 | 309,170 | (8,869) |
| | | | | \$(7,751,014) |

At April 30, 2011, the Fund held \$600,000 in cash as collateral for derivatives. Cash collateral held may be invested in accordance with the Fund's investment strategy.

(E) Open reverse repurchase agreements at April 30, 2011:

| Counterparty | Rate | Trade Date | Maturity Date | Principal & Interest | Principal |
|---------------------------|---------|------------|---------------|----------------------|--------------|
| Barclays Bank | (1.00)% | 3/3/2011 | 3/3/2013 | \$1,420,853 | \$1,423,225 |
| | (1.00)% | 4/13/2011 | 3/3/2013 | 99,947 | 100,000 |
| Deutsche Bank | 0.38% | 4/15/2011 | 5/17/2011 | 19,398,480 | 19,395,000 |
| | 0.38% | 4/21/2011 | 5/20/2011 | 14,011,627 | 14,010,000 |
| Greenwich Capital Markets | 0.50% | 4/15/2011 | 5/17/2011 | 16,177,819 | 16,174,000 |
| | | | | | \$51,102,225 |

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The weighted average daily balance of reverse repurchase agreements outstanding during the nine months ended April 30, 2011 was \$32,185,116 at a weighted average interest rate of 0.35%. The total market value of underlying collateral (refer to the Schedule of Investments for positions segregated for the benefit of the counterparty as collateral for reverse repurchase agreement) for open reverse repurchase agreements at April 30, 2011 was \$52,660,287.

At April 30, 2011, the Fund held \$591,193 in principal value of U.S. Government Agency securities as collateral for reverse repurchase agreements. Securities held as collateral will not be pledged and are not reflected in the Fund's Schedule of Investments.

(F) At April 30, 2011, the Fund had the following unfunded loan commitment which could be extended at the option of the borrower:

| Borrower | Principal Amount |
|-----------------|-----------------------------|
| Eastman Kodak | \$1,025,000 |

Fair Value Measurements

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

- Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access
- Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges
- Level 3 valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Fund to measure fair value during the nine months ended April 30, 2011 maximized the use of observable inputs and minimized the use of unobservable inputs. When fair-valuing securities, the Fund utilized multi-dimensional relational pricing models techniques.

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

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

U.S. Treasury Obligations U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Government Sponsored Enterprise and Mortgage-Backed Securities Government sponsored enterprise and mortgage-backed securities are valued by independent pricing services using pricing models based on inputs that include issuer type, coupon, cash flows, mortgage prepayment

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projection tables and Adjustable Rate Mortgage evaluations that incorporate index data, periodic and life caps, the next coupon reset date, and the convertibility of the bond. To the extent that these inputs are observable, the values of Government sponsored enterprise and mortgage-backed securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Municipal Bonds Municipal bonds are valued by independent pricing services based on pricing models that account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond or note, state of issuance, benchmark yield curves, and bond or note insurance. To the extent that these inputs are observable, the values of municipal bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes Corporate bonds and notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Asset-Backed Securities and Collateralized Mortgage Obligations Asset-backed securities and collateralized mortgage obligations are valued by independent pricing services using pricing models based on a security's average life volatility. The models also take into account tranche characteristics such as coupon average life, collateral types, ratings, the issuer and tranche type, underlying collateral and performance of the collateral, and discount margin for certain floating rate issues. To the extent that these inputs are observable, the values of asset-backed securities and collateralized mortgage obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Forward Foreign Currency Contracts Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Interest Rate Swaps Interest rate swaps are valued by independent pricing services using pricing models that are based on real-time intraday snapshots of relevant interest rate curves that are built using the most actively traded securities for a given maturity. The pricing models also incorporate cash and money market rates. In addition, market data pertaining to interest rate swaps is monitored regularly to ensure that interest rates are properly depicting the current market rate. To the extent that these inputs are observable, the values of interest rate swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

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Credit Default Swaps Credit default swaps are valued by independent pricing services using pricing models that take into account, among other factors, information received from market makers and broker-dealers, default probabilities from index specific credit spread curves, recovery rates, and cash flows. To the extent that these inputs are observable, the values of credit default swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Senior Loans Senior loans are valued by independent pricing services based on the average of quoted prices received from multiple dealers or valued relative to other benchmark securities when broker-dealer quotes are unavailable. To the extent that these inputs are observable, the values of senior loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The Fund's policy is to recognize transfers between levels at the end of the reporting period.

A summary of the inputs used at April 30, 2011 in valuing the Fund's assets and liabilities is listed below:

| | Level 1 - Quoted Prices | Level 2 - Other Significant Observable Inputs | Level 3 - Significant Unobservable Inputs | Value at 4/30/11 |
|---|----------------------------|--|--|-----------------------|
| Investments in Securities - Assets | | | | |
| Corporate Bonds & Notes: | | | | |
| Airlines | | | \$12,347,339 | \$12,347,339 |
| Energy | | \$10,413,800 | 2,139,000 | 12,552,800 |
| All Other | | 478,987,442 | | 478,987,442 |
| Mortgage-Backed Securities | | 110,990,533 | | 110,990,533 |
| Municipal Bonds | | 70,978,884 | | 70,978,884 |
| Preferred Stock: | | | | |
| Automotive Products | | | 10,137 | 10,137 |
| Financial Services | \$6,662,400 | 6,630,938 | | 13,293,338 |
| All Other | | 24,378,460 | | 24,378,460 |
| Convertible Preferred Stock | 30,021,560 | | | 30,021,560 |
| Senior Loans | | 18,444,882 | | 18,444,882 |
| Asset-Backed Securities | | 11,257,168 | | 11,257,168 |
| Common Stock | | | 813 | 813 |
| Short-Term Investments | | 25,362,424 | | 25,362,424 |
| Total Investments in Securities - Assets | \$36,683,960 | \$757,444,531 | \$14,497,289 | \$808,625,780 |
| Other Financial Instruments* - Assets | | | | |
| Credit Contracts | | \$2,887,705 | | \$2,887,705 |
| Foreign Exchange Contracts | | 197,262 | | 197,262 |
| Interest Rate Contracts | \$197,400 | | | 197,400 |
| Total Other Financial Instruments* - Assets | | \$3,084,967 | | \$3,282,367 |
| Other Financial Instruments* - Liabilities | | | | |
| Foreign Exchange Contracts | | \$(7,948,276) | | \$(7,948,276) |
| Interest Rate Contracts | | (6,993,925) | | (6,993,925) |
| Total Other Financial Instruments* - Liabilities | | \$(14,942,201) | | \$(14,942,201) |
| Total Investments | \$36,881,360 | \$745,587,297 | \$14,497,289 | \$796,965,946 |

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*Other financial instruments are derivatives not reflected in the Schedule of Investments, such as futures contracts, swap agreements and forward foreign currency contracts, which are valued at the unrealized appreciation (depreciation) of the instrument.

There were no significant transfers between Levels 1 and 2 during the nine months ended April 30, 2011.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the nine months ended April 30, 2011, was as follows:

| | Beginning Balance 7/31/10 | Net Purchases (Sales) and Settlements | Accrued Discounts (Premiums) | Net Realized Gain (Loss) | Net Change in Unrealized Appreciation/ Depreciation | Transfers into Level 3** | Transfers out of Level 3 | Ending Balance 4/30/11 |
|------------------------------------|---------------------------------|--|------------------------------------|--------------------------------|--|--------------------------------|--------------------------------|------------------------------|
| Investments in Securities - | | | | | | | | |
| Assets | | | | | | | | |
| Corporate Bonds & Notes: | | | | | | | | |
| Airlines | \$1,039,163 | \$(29,561) | \$(6,114) | \$(2,669) | \$56,931 | \$11,289,589 | | \$12,347,339 |
| Energy | | | | | | 2,139,000 | | 2,139,000 |
| Preferred Stock: | | | | | | | | |
| Automotive Products | 10,137 | | | | | | | 10,137 |
| Common Stock | 813 | | | | | | | 813 |
| Total Investments | \$1,050,113 | \$(29,561) | \$(6,114) | \$(2,669) | \$56,931 | \$13,428,589 | | \$14,497,289 |

**Transferred out of Level 2 into Level 3 because sufficient observable inputs were not available.

The net change in unrealized appreciation/depreciation of Level 3 investments which the Fund held at April 30, 2011 was \$654,638.

Item 2. Controls and Procedures

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: PIMCO Income Strategy Fund II

By /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: June 21, 2011

By /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: June 21, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: June 21, 2011

By /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: June 21, 2011
