INTEGRYS ENERGY GROUP, INC.
Form 425
May 22, 2015

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Subject Company: Integrys Energy Group, Inc.

Commission File No.: 1-11337

Date: May 21, 2015

The below article was made available to employees of Wisconsin Energy Corporation on May 21, 2015.

Wisconsin Commission issues final order approving acquisition of Integrys

The Public Service Commission of Wisconsin (PSCW) today issued a final order approving Wisconsin Energy Corporation s proposed acquisition of Integrys Energy Group Inc. Today s approval represents another positive and important step in the process of finalizing the acquisition of Integrys.

The acquisition was previously approved by the Federal Energy Regulatory Commission (FERC) on April 7, and by the Michigan Public Service Commission (MPSC) on April 23.

The Administrative Law Judge s recent proposed order in Illinois recommends approval of the acquisition and appears to be on track for an Illinois Commerce Commission vote on or before the statutory deadline of July 6. A decision from the Minnesota Public Service Commission is also still pending.

If all regulatory approvals are received, close of the transaction is anticipated by the end of the summer.

Cautionary Statements Regarding Forward-Looking Information

This communication contains certain forward-looking statements with respect to the financial condition, results of operations and business of Wisconsin Energy and Integrys and the combined businesses of Integrys and Wisconsin Energy and certain plans and objectives of Wisconsin Energy and Integrys with respect thereto, including the expected benefits of the proposed merger. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate , target , expect , estimate , intend , plan , goal , believe , hope , aim , continue , will , may , would , could or should or c the negative thereof. There are several factors which could cause actual plans and results to differ materially from those expressed or implied in forward-looking statements. Such factors include, but are not limited to, the expected closing date of the proposed merger; the possibility that the expected synergies and value creation from the proposed merger will not be realized, or will not be realized within the expected time period; the risk that the businesses of Wisconsin Energy and Integrys will not be integrated successfully; disruption from the proposed merger making it more difficult to maintain business and operational relationships; the risk that unexpected costs will be incurred; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters; the possibility that the proposed merger does not close, including, but not limited to, due to the failure to satisfy the closing conditions; and the risk that financing for the proposed merger may not be available on favorable terms. These forward-looking statements are based on numerous assumptions and assessments made by Wisconsin Energy and/or Integrys in light of their experience and perception of historical trends, current conditions, business strategies, operating environment, future developments and other factors that each party believes appropriate. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this communication could cause actual results, performance or achievements, industry results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this communication are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this communication. Neither Wisconsin Energy nor Integrys assumes any obligation to update the information contained in this communication (whether as a result of new information, future events or otherwise), except as required by applicable law. A further list and description of risks and uncertainties at Wisconsin Energy can be found in Wisconsin Energy s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in its reports filed on Form 10-Q and Form 8-K. A further list and description of risks and uncertainties at Integrys can be found in Integrys s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in its reports filed on Form 10-Q and Form 8-K.

Additional Information and Where to Find It

In connection with the proposed merger, Wisconsin Energy filed with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that includes a joint proxy statement/prospectus for the shareholders of Wisconsin Energy and Integrys. The registration statement was declared effective by the SEC on October 6, 2014. Each of Wisconsin Energy and Integrys mailed the joint proxy statement/prospectus to their respective shareholders and will file other documents regarding the proposed merger with the SEC. Wisconsin Energy and Integrys urge investors and shareholders to read the joint proxy statement/prospectus, as well as other documents filed with the SEC when they become available, because they will contain important information. Investors and security holders will be able to receive the registration statement containing the joint proxy statement/prospectus and other documents free of charge at the SEC s web site, http://www.sec.gov, from Wisconsin Energy at Wisconsin Energy Corporation, Corporate Secretary, 231 W. Michigan St., P.O. Box 1331, Milwaukee, WI 53201, or from Integrys at Integrys Energy Group, Inc., Investor Relations, 200 East Randolph Street, 23rd Floor, Chicago, IL 60601.

Non-solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

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ent:-0.75em; font-size:8pt; font-family:Arial Narrow">California $0 $1,659 $0 $1,659

Illinois

0 3,112 0 3,112

New York

0 142,106 0 142,106

Ohio				
	0	2,875	0	2,875
Puerto Rico				
	0	844	0	844
U.S. Virgin Islands				
	0	405	0	405
Short-Term Instruments				
Repurchase Agreements				
	0	742	0	742
Total Investments				
	$ 0	$ 151,743	$ 0	$ 151,743

There were no significant transfers into or out of Level 3 during the period ended December 31, 2018.

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Schedule of Investments PIMCO New York Municipal Income Fund II

December 31, 2018

(Amounts in thousands*, except number of shares, contracts and units, if any)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 187.2%				
MUNICIPAL BONDS & NOTES 182.6%				
FLORIDA 0.9%				
Clearwater, Florida Water & Sewer Revenue Bonds, Series 2009				
5.250% due 12/01/2039	$	1,000	$	1,032
ILLINOIS 2.8%				
Chicago, Illinois General Obligation Bonds, Series 2017				
6.000% due 01/01/2038		2,000		2,229
Illinois State General Obligation Notes, Series 2017				
5.000% due 11/01/2026		1,000		1,074
				3,303
LOUISIANA 0.8%				
East Baton Rouge Sewerage Commission, Louisiana Revenue Bonds, Series 2009				
5.250% due 02/01/2039		1,000		1,003
NEW YORK 175.0%				
Build NYC Resource Corp., New York Revenue Bonds, Series 2017				
5.000% due 11/01/2047 (c)		2,000		2,500
Dutchess County, New York Local Development Corp. Revenue Bonds, Series 2015				
5.000% due 07/01/2045		3,000		3,340
Dutchess County, New York Local Development Corp. Revenue Bonds, Series 2016				
4.000% due 07/01/2041		3,200		3,235
Housing Development Corp., New York Revenue Bonds, Series 2017				
4.000% due 11/01/2047 (c)		1,000		960
Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011				
5.750% due 02/15/2047		9,000		9,709
Long Island Power Authority, New York Revenue Bonds, Series 2014				
5.000% due 09/01/2044		3,500		3,816

Metropolitan Transportation Authority, New York Revenue Bonds, Series 2009		
5.000% due 11/15/2034	2,000	2,057
Metropolitan Transportation Authority, New York Revenue Bonds, Series 2013		
5.000% due 11/15/2043	3,000	3,182
Metropolitan Transportation Authority, New York Revenue Bonds, Series 2016		
5.250% due 11/15/2056	1,200	1,329
Monroe County Industrial Development Corp., New York Revenue Bonds, (FHA Insured), Series 2010		
5.500% due 08/15/2040	3,500	3,745
Monroe County Industrial Development Corp., New York Revenue Bonds, Series 2013		
5.000% due 07/01/2043	1,750	1,987
Monroe County Industrial Development Corp., New York Revenue Bonds, Series 2017		
4.000% due 07/01/2036 (c)	1,000	1,050
4.000% due 12/01/2041	1,400	1,405
Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014		
2.000% due 01/01/2049 ^(a)	650	110
6.700% due 01/01/2049	1,800	1,865
Nassau County, New York Tobacco Settlement Corp. Revenue Bonds, Series 2006		
5.125% due 06/01/2046	4,000	3,832
New York City Industrial Development Agency, New York Revenue Bonds, (AGC Insured), Series 2009		
6.500% due 01/01/2046	1,500	1,505
7.000% due 03/01/2049	4,900	4,948
New York City Industrial Development Agency, New York Revenue Bonds, (FGIC Insured), Series 2006		
5.000% due 03/01/2031	750	755

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
New York City Industrial Development Agency, New York Revenue Bonds, (NPFGC Insured), Series 2006		
5.000% due 03/01/2036	$ 1,900	$ 1,904
New York City Transitional Finance Authority Future Tax Secured, New York Revenue Bonds, Series 2017		
4.000% due 08/01/2042 (c)	3,000	3,079
New York City Water & Sewer System, New York Revenue Bonds, Series 2009		
5.000% due 06/15/2039	500	506
5.250% due 06/15/2040	1,000	1,015
New York City Water & Sewer System, New York Revenue Bonds, Series 2018		
5.000% due 06/15/2040	2,300	2,626
New York City, New York General Obligation Bonds, Series 2013		
5.000% due 08/01/2031	2,000	2,220
New York City, New York General Obligation Bonds, Series 2018		
4.000% due 03/01/2042 (c)	5,000	5,155
New York City, New York Health & Hospital Corp. Revenue Bonds, Series 2010		
5.000% due 02/15/2030	1,500	1,544
New York City, New York Transitional Finance Authority Building Aid Revenue Bonds, Series 2009		
5.250% due 01/15/2039	5,000	5,006
New York City, New York Transitional Finance Authority Building Aid Revenue Bonds, Series 2016		
4.000% due 07/15/2040	1,000	1,020
New York City, New York Transitional Finance Authority Future Tax Secured Revenue Bonds, Series 2017		

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
4.000% due 02/01/2044	2,000	2,047
New York City, New York Transitional Finance Authority Future Tax Secured Revenue Bonds, Series 2018		
4.000% due 08/01/2041	685	705
New York City, New York Water & Sewer System Revenue Bonds, Series 2017		
5.000% due 06/15/2048 (c)	5,000	5,638
New York Convention Center Development Corp. Revenue Bonds, Series 2015		
4.000% due 11/15/2045	230	236
5.000% due 11/15/2045	1,000	1,112
New York Counties Tobacco Trust IV Revenue Bonds, Series 2005		
0.000% due 06/01/2050 (b)	30,000	3,683
5.000% due 06/01/2045	5,000	4,700
New York Counties Tobacco Trust IV Revenue Bonds, Series 2016		
5.000% due 06/01/2036	1,000	1,060
5.000% due 06/01/2041	1,000	1,051
New York Counties Tobacco Trust V Revenue Bonds, Series 2005		
0.000% due 06/01/2055 (b)	4,000	248
New York Liberty Development Corp., Revenue Bonds, Series 2005		
5.250% due 10/01/2035 (c)	6,350	7,713
New York Liberty Development Corp., Revenue Bonds, Series 2010		
5.125% due 01/15/2044	1,500	1,542
5.625% due 07/15/2047	1,400	1,448
6.375% due 07/15/2049	1,300	1,348
New York Liberty Development Corp., Revenue Bonds, Series 2011		
5.000% due 12/15/2041	3,000	3,216
5.750% due 11/15/2051	5,000	5,480
New York Liberty Development Corp., Revenue Bonds, Series 2014		
5.000% due 11/15/2044	4,000	4,110
New York State Dormitory Authority Revenue Bonds, (AMBAC Insured), Series 2005		
5.500% due 05/15/2031	7,490	9,501
New York State Dormitory Authority Revenue Bonds, Series 2009		
5.000% due 03/15/2038	3,000	3,020
5.500% due 05/01/2037	600	608

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.500% due 03/01/2039	$ 3,000	$ 3,019
New York State Dormitory Authority Revenue Bonds, Series 2010		
5.500% due 07/01/2040	1,000	1,055
New York State Dormitory Authority Revenue Bonds, Series 2011		
5.000% due 07/01/2031	2,000	2,137
5.500% due 07/01/2036	1,500	1,638
New York State Dormitory Authority Revenue Bonds, Series 2017		
4.000% due 02/15/2047 (c)	1,500	1,538
5.000% due 12/01/2030	1,000	1,122
5.000% due 12/01/2033	800	884
New York State Dormitory Authority Revenue Bonds, Series 2018		
4.000% due 08/01/2037	2,750	2,759
4.000% due 03/15/2043	2,000	2,063

5.000% due 03/15/2044	2,625	2,997
New York State Environmental Facilities Corp., Revenue Bonds, Series 2009		
5.125% due 06/15/2038	5,000	5,070
New York State Thruway Authority Revenue Bonds, Series 2018		
4.000% due 01/01/2036	1,000	1,055
New York State Urban Development Corp. Revenue Bonds, Series 2009		
5.000% due 03/15/2036 (c)	6,000	6,041
Niagara Tobacco Asset Securitization Corp., New York Revenue Bonds, Series 2014		
5.250% due 05/15/2034	500	527
5.250% due 05/15/2040	500	523
Onondaga County, New York Revenue Bonds, Series 2011		
5.000% due 12/01/2036	1,000	1,076
Port Authority of New York & New Jersey Revenue Bonds, Series 2010		
6.000% due 12/01/2036	1,400	1,494
Port Authority of New York & New Jersey Revenue Bonds, Series 2016		
5.250% due 11/15/2056 (c)	6,000	6,805
Port Authority of New York & New Jersey Revenue Bonds, Series 2017		
5.250% due 11/15/2057	5,400	6,195
Tender Option Bond Trust Receipts/Certificates, New York Revenue Bonds, Series 2009		
6.420% due 07/01/2039 (d)	5,000	5,149
Triborough Bridge & Tunnel Authority, New York Revenue Bonds, Series 2018		
4.000% due 11/15/2048	1,600	1,635
Troy Capital Resource Corp., New York Revenue Bonds, Series 2010		
5.125% due 09/01/2040	3,435	3,577
TSASC, Inc., New York Revenue Bonds, Series 2016		
5.000% due 06/01/2048	2,750	2,651
TSASC, Inc., New York Revenue Bonds, Series 2017		
5.000% due 06/01/2035	3,000	3,268
5.000% due 06/01/2041	500	517
Ulster County, New York Capital Resource Corp. Revenue Bonds, Series 2017		
5.250% due 09/15/2047	1,000	945
Utility Debt Securitization Authority Revenue Bonds, Series 2015		
5.000% due 12/15/2037 (c)	4,000	4,533
Westchester County Healthcare Corp., New York Revenue Bonds, Series 2010		
6.125% due 11/01/2037	1,490	1,604
Westchester County, New York Local Development Corp. Revenue Bonds, Series 2014		
5.500% due 05/01/2042	1,000	1,079
Yonkers Economic Development Corp., New York Revenue Bonds, Series 2010		
6.000% due 10/15/2030	865	888
Yonkers Industrial Development Agency, New York Revenue Bonds, Series 2001		
6.000% due 06/01/2041	600	610
		208,325

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Schedule of Investments PIMCO New York Municipal Income Fund II (Cont.)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
OHIO 1.2%		
Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007		
6.500% due 06/01/2047	$ 1,435	$ 1,435
PUERTO RICO 0.9%		
Puerto Rico Highway & Transportation Authority Revenue Bonds, (AGC Insured), Series 2005		
5.250% due 07/01/2041	1,000	1,055
U.S. VIRGIN ISLANDS 1.0%		
Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2009		
6.000% due 10/01/2039	1,000	1,005
Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2010		
5.250% due 10/01/2029	200	202
		1,207
Total Municipal Bonds & Notes (Cost $208,745)		**217,360**

	MARKET VALUE (000S)
SHORT-TERM INSTRUMENTS 4.6%	
REPURCHASE AGREEMENTS (e) 4.6%	
	$ 5,433
Total Short-Term Instruments (Cost $5,433)	**5,433**
Total Investments in Securities (Cost $214,178)	**222,793**
Total Investments 187.2% (Cost $214,178)	$ **222,793**
Auction Rate Preferred Shares (48.7)%	**(58,000)**
Variable Rate MuniFund Term Preferred Shares, at liquidation value (17.5)%	**(20,840)**

Other Assets and Liabilities, net (21.0)%		**(24,939)**
Net Assets Applicable to Common Shareholders 100.0%	$	**119,014**

NOTES TO SCHEDULE OF INVESTMENTS:

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

^ **Security is in default.**

(a) **Security is not accruing income as of the date of this report.**

(b) **Zero coupon security.**

(c) **Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction. See Note 5, Tender Option Bond Transactions, in the Notes to Financial Statements for more information.**

(d) **Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2018.**

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(e) 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)
FICC	2.000%	12/31/2018	01/02/2019	$ 5,433	U.S. Treasury Notes 2.875% due 09/30/2023	$ (5,543)	$ 5,433	$ 5,433
Total Repurchase Agreements						**$ (5,543)**	**$ 5,433**	**$ 5,433**

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 December 31, 2018:

Counterparty	Repurchase Agreement Proceeds to be Received[1]	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral Pledged/ (Received)	Net Exposure[2]
Global/Master Repurchase Agreement						
FICC	$ 5,433	$ 0	$ 0	$ 5,433	$ (5,543)	$ (110)
Total Borrowings and Other Financing Transactions	**$ 5,433**	**$ 0**	**$ 0**			

[1] Includes accrued interest.

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

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December 31, 2018

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2018 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Investments in Securities, at Value				
Municipal Bonds & Notes				
Florida	$ 0	$ 1,032	$ 0	$ 1,032
Illinois	0	3,303	0	3,303
Louisiana	0	1,003	0	1,003
New York	0	208,325	0	208,325
Ohio	0	1,435	0	1,435
Puerto Rico	0	1,055	0	1,055
U.S. Virgin Islands	0	1,207	0	1,207
Short-Term Instruments				
Repurchase Agreements	0	5,433	0	5,433
Total Investments	$ 0	$ 222,793	$ 0	$ 222,793

There were no significant transfers into or out of Level 3 during the period ended December 31, 2018.

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Notes to Financial Statements

1. ORGANIZATION

PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund and PIMCO New York Municipal Income Fund II (each a Fund and collectively, the Funds) are organized as closed-end management investment companies registered under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the Act). Each Fund was organized as a Massachusetts business trust on the dates shown in the table below. Pacific Investment Management Company LLC (PIMCO or the Manager) serves as the Funds investment manager.

Fund Name	Formation Date
PIMCO Municipal Income Fund	May 9, 2001
PIMCO Municipal Income Fund II	March 29, 2002
PIMCO Municipal Income Fund III	August 20, 2002
PIMCO California Municipal Income Fund	May 10, 2001
PIMCO California Municipal Income Fund II	March 29, 2002
PIMCO California Municipal Income Fund III	August 20, 2002
PIMCO New York Municipal Income Fund	May 10, 2001
PIMCO New York Municipal Income Fund II	March 29, 2002

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Each Fund is treated as an investment company under the reporting requirements of U.S. GAAP. The functional and reporting currency for the Funds is the U.S. dollar. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Realized gains (losses) from securities sold are recorded on the identified cost basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled beyond a standard settlement period for the security after the trade date. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as a Fund is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and

amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Statements of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Statements of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities, if any, are recorded as components of interest income on the Statements of Operations. Income or short-term capital gain distributions received from registered investment companies, if any, are recorded as dividend income. Long-term capital gain distributions received from registered investment companies, if any, are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Distributions Common Shares The following table shows the anticipated frequency of distributions from net investment income and gains from the sale of portfolio securities and other sources to common shareholders.

	Distribution Frequency	
Fund Name	**Declared**	**Distributed**
PIMCO Municipal Income Fund	Monthly	Monthly
PIMCO Municipal Income Fund II	Monthly	Monthly
PIMCO Municipal Income Fund III	Monthly	Monthly
PIMCO California Municipal Income Fund	Monthly	Monthly
PIMCO California Municipal Income Fund II	Monthly	Monthly
PIMCO California Municipal Income Fund III	Monthly	Monthly
PIMCO New York Municipal Income Fund	Monthly	Monthly
PIMCO New York Municipal Income Fund II	Monthly	Monthly

Net realized capital gains earned by each Fund, if any, will be distributed no less frequently than once each year.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on each Fund s annual financial statements presented under U.S. GAAP.

If a 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. For these purposes, a Fund estimates the source or sources from which a distribution is paid, to the close of the period as of which it is paid, in reference to its internal accounting records and related accounting practices. If, based on such accounting records and practices, it is estimated that a particular distribution does not include capital gains or paid-in surplus or other capital sources, a Section 19 Notice generally would not be issued. It is important to note that differences exist between a Fund s daily internal accounting records and practices, a Fund s financial statements presented in accordance with U.S. GAAP, and recordkeeping practices under income tax regulations. For instance, a Fund s internal accounting records and practices may take into account, among other factors, tax-related characteristics of certain sources of distributions that differ from treatment under U.S. GAAP. Examples of such differences may include, among others, the treatment of paydowns on mortgage-backed securities purchased at a discount and periodic payments under interest rate swap contracts. Accordingly, among other consequences, it is possible that a Fund may not issue a Section 19 Notice in situations where the Fund s financial statements prepared later and in accordance with U.S. GAAP and/or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Please visit www.pimco.com for the most recent Section 19 Notice, if applicable, for additional information regarding the estimated composition of distributions. Final determination of a distribution s tax character will be reported on Form 1099 DIV sent to shareholders for the calendar year.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital on the Statements of Assets and Liabilities. In addition, other amounts have been reclassified between distributable earnings (accumulated loss) and paid in capital on the Statements of Assets and Liabilities to more appropriately conform U.S. GAAP to tax characterizations of distributions.

(c) New Accounting Pronouncements In August 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), ASU 2016-15, which amends Accounting Standards Codification (ASC) 230 to clarify guidance on the classification of certain cash receipts and cash payments in the Statements of Cash

Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Funds have adopted the ASU. The implementation of the ASU did not have an impact on the Funds financial statements.

In November 2016, the FASB issued ASU 2016-18 which amends ASC 230 to provide guidance on the classification and presentation of changes in restricted cash and restricted cash equivalents on the Statements of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Funds have adopted the ASU. The implementation of the ASU did not have an impact on the Funds financial statements.

In March 2017, the FASB issued ASU 2017-08 which provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Funds have adopted the ASU. The implementation of the ASU did not have an impact on the Funds financial statements.

In August 2018, the FASB issued ASU 2018-13 which modifies certain disclosure requirements for fair value measurements in ASC 820. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. At this time, management has elected to early adopt the amendments that allow for removal of certain disclosure requirements. Management plans to adopt the amendments that require additional fair value measurement disclosures for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Management is currently evaluating the impact of these changes on the financial statements.

In August 2018, the U.S. Securities and Exchange Commission (SEC) adopted amendments to certain rules and forms for the purpose of disclosure update and simplification. The compliance date for these amendments is 30 days after date of publication in the Federal Register, which was on October 4, 2018. Management has adopted these amendments and the changes are incorporated throughout all periods presented in the financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The net asset value (NAV) of a Fund s shares, is determined by dividing the total value of portfolio investments and other assets attributable to that Fund, less any liabilities, by the total number of shares outstanding of that Fund.

On each day that the New York Stock Exchange (NYSE) is open, Fund shares are ordinarily valued as of the close of regular trading (NYSE Close). Information that becomes known to the Funds or their

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agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. Each Fund reserves the right to change the time as of which its respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Funds approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services). The Funds will normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by PIMCO to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. A Fund s investments in open-end management investment companies, other than exchange-traded funds (ETFs), are valued at the NAVs of such investments.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations

are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Board. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations (Broker Quotes), Pricing Services prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of a Fund s securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated, to the Manager, the responsibility for monitoring significant events that may materially affect the values of a Fund s securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Fund uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Funds policy is intended to result in a calculation of a Fund s NAV that fairly reflects security values as of the time of pricing, a Fund cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Fund may differ from the value that would be realized if the securities were sold.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that a Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

Level 1 Quoted prices in active markets or exchanges for identical assets and liabilities.

Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in

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markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Level 3 Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for each respective Fund.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period value is used for the transfers between Levels of a Fund s assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for each respective Fund.

(c) Valuation Techniques and the Fair Value Hierarchy Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or techniques) and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

4. SECURITIES AND OTHER INVESTMENTS

Investments in Securities

The Funds may utilize the investments and strategies described below to the extent permitted by each Fund s respective investment policies.

Restricted Investments are subject to legal or contractual restrictions on resale and may generally be sold privately, but may be required to be registered or exempted from such registration before being sold to the public. Private placement securities are generally considered to be restricted except for those securities traded between qualified institutional investors under the provisions of Rule 144A of the Securities Act of 1933. Disposal of restricted investments may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult to achieve. Restricted investments held by the Funds at December 31, 2018 are disclosed in the Notes to Schedules of Investments.

Securities Issued by U.S. Government Agencies or Government-Sponsored Enterprises are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association (GNMA or Ginnie Mae), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the U.S. Treasury); and others, such as those of the Federal National Mortgage Association (FNMA or Fannie Mae), are supported by the discretionary authority of the U.S. Government to purchase the agency s obligations. U.S. Government securities may include zero coupon securities. Zero coupon

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securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates (PCs), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government. Instead, they are supported only by the discretionary authority of the U.S. Government to purchase the agency s obligations.

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The Funds may enter into the borrowings and other financing transactions described below to the extent permitted by each Fund s respective investment policies.

The following disclosures contain information on a Fund s ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by a Fund. The location of these instruments in each Fund s financial statements is described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions; please see Note 6, Principal Risks.

(a) Repurchase Agreements Under the terms of a typical repurchase agreement, a Fund purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and a Fund to resell, the obligation at an agreed-upon price and time. In an open maturity repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Fund or counterparty at any time. The underlying securities for all repurchase agreements are held by a Fund s custodian or designated subcustodians under tri-party repurchase agreements and in certain instances will remain in custody with the counterparty. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Statements of Assets and Liabilities. Interest earned is

recorded as a component of interest income on the Statements of Operations. In periods of increased demand for collateral, a Fund may pay a fee for the receipt of collateral, which may result in interest expense to the Fund.

(b) Tender Option Bond Transactions In a tender option bond transaction (TOB), a tender option bond trust (TOB Trust) issues floating rate certificates (TOB Floater) and residual interest certificates (TOB Residual) and utilizes the proceeds of such issuances to purchase a fixed rate municipal bond (Fixed Rate Bond) that is either owned or identified by the Fund. The TOB Floater is generally issued to third party investors (typically a money market fund) and the TOB Residual is generally issued to the Fund that sold or identified the Fixed Rate Bond. The TOB Trust divides the income stream provided by the Fixed Rate Bond to create two securities, the TOB Floater, which is a short-term security, and the TOB Residual, which is a longer-term security. The interest rates payable on the TOB Residual issued to the Fund bear an inverse relationship to the interest rate on the TOB Floater. The interest rate on the TOB Floater is reset by a remarketing process typically every 7 to 35 days. After income is paid on the TOB Floater at current rates, the residual income from the Fixed Rate Bond goes to the TOB Residual. Therefore, rising short-term rates result in lower income for the TOB Residual, and vice versa. In the case of a TOB Trust that utilizes the cash received (less transaction expenses) from the issuance of the TOB Floater and TOB Residual to purchase the Fixed Rate Bond from a Fund, the Fund may then invest the cash received in additional securities, generating leverage for the Fund. Other PIMCO managed accounts may also contribute municipal bonds to a TOB Trust into which a Fund has contributed Fixed Rate Bonds. If multiple PIMCO managed accounts participate in the same TOB Trust, the economic rights and obligations under the TOB Residual will be shared among the funds ratably in proportion to their participation in the TOB Trust.

The TOB Residual may be more volatile and less liquid than other municipal bonds of comparable maturity. In most circumstances the TOB Residual holder bears substantially all of the underlying Fixed Rate Bond s downside investment risk and also benefits from any appreciation in the value of the underlying Fixed Rate Bond. Investments in a TOB Residual typically will involve greater risk than investments in Fixed Rate Bonds.

A TOB Residual held by a Fund provides the Fund with the right to: (1) cause the holders of the TOB Floater to tender their notes at par, and (2) cause the sale of the Fixed Rate Bond held by the TOB Trust, thereby collapsing the TOB Trust. TOB Trusts are generally supported by a liquidity facility provided by a third party bank or other financial institution (the Liquidity Provider) that provides for the purchase of TOB Floaters that cannot be remarketed. The holders of the TOB

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Floaters have the right to tender their certificates in exchange for payment of par plus accrued interest on a periodic basis (typically weekly) or on the occurrence of certain mandatory tender events. The tendered TOB Floaters are remarketed by a remarketing agent, which is typically an affiliated entity of the Liquidity Provider. If the TOB Floaters cannot be remarketed, the TOB Floaters are purchased by the TOB Trust either from the proceeds of a loan from the Liquidity Provider or from a liquidation of the Fixed Rate Bond.

The TOB Trust may also be collapsed without the consent of a Fund, as the TOB Residual holder, upon the occurrence of certain tender option termination events (or TOTEs) as defined in the TOB Trust agreements. Such termination events typically include the bankruptcy or default of the Fixed Rate Bond, a substantial downgrade in credit quality of the Fixed Rate Bond, or a judgment or ruling that interest on the Fixed Rate Bond is subject to Federal income taxation. Upon the occurrence of a termination event, the TOB Trust would generally be liquidated in full with the proceeds typically applied first to any accrued fees owed to the trustee, remarketing agent and liquidity provider, and then to the holders of the TOB Floater up to par plus accrued interest owed on the TOB Floater and a portion of gain share, if any, with the balance paid out to the TOB Residual holder. In the case of a mandatory termination event (MTE), after the payment of fees, the TOB Floater holders would be paid before the TOB Residual holders (i.e., the Funds). In contrast, in the case of a TOTE, after payment of fees, the TOB Floater holders and the TOB Residual holders would be paid pro rata in proportion to the respective face values of their certificates.

Each Fund s transfer of Fixed Rate Bonds to a TOB Trust is considered a secured borrowing for financial reporting purposes. The cash received by the TOB Trust from the sale of the TOB Floaters, less certain transaction expenses, is paid to a Fund. A Fund typically invests the cash received in additional municipal bonds. The Funds account for the transactions described above as secured borrowings by including the Fixed Rate Bonds in their Schedules of Investments, and account for the TOB Floater as a liability under the caption Payable for tender option bond floating rate certificates in the Funds Statements of Assets and Liabilities. Interest income, including amortization and accretion of premiums and discounts, from the underlying municipal bonds is recorded by each Fund on an accrual basis and is shown as interest on the Statements of Operations. Interest expense incurred on the secured borrowing is shown as interest expense on the Statements of Operations.

The Funds may also purchase TOB Residuals in a secondary market transaction without transferring a fixed rate municipal bond into a TOB Trust. Such transactions are not accounted for as secured borrowings

but rather as a security purchase with the TOB Residual being included in the Schedule of Investments.

In December 2013, regulators finalized rules implementing Section 619 (the Volcker Rule) and Section 941 (the Risk Retention Rules) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Both the Volcker Rule and the Risk Retention Rules apply to tender option bond programs. The Volcker Rule precludes banking entities from (i) sponsoring or acquiring interests in the trusts used to hold a municipal bond in the creation of TOB Trusts; and (ii) continuing to service or maintain relationships with existing programs involving TOB Trusts to the same extent and in the same capacity as existing programs. The Risk Retention Rules require the sponsor to a TOB Trust (e.g, a Fund) to retain at least five percent of the credit risk of the underlying assets supporting to the TOB Trust s municipal bonds. The Risk Retention Rules may adversely affect a Fund s ability to engage in tender option bond trust transactions or increase the costs of such transactions in certain circumstances.

In response to these rules, industry participants explored various structuring alternatives for TOB Trusts established after December 31, 2013 and TOB Trusts established prior to December 31, 2013 (Legacy TOB Trusts) and agreed on a new tender option bond structure in which the Funds hire service providers to assist with establishing, structuring and sponsoring a TOB Trust. Service providers to a TOB Trust, such as administrators, liquidity providers, trustees and remarketing agents act at the direction of, and as agent of, the Funds as the TOB residual holders.

The Funds have restructured their Legacy TOB Trusts in conformity with regulatory guidelines. Under the new TOB Trust structure, the Liquidity Provider or remarketing agent will no longer purchase the tendered TOB Floaters, even in the event of failed remarketing. This may increase the likelihood that a TOB Trust will need to be collapsed and liquidated in order to purchase the tendered TOB Floaters. The TOB Trust may draw upon a loan from the Liquidity Provider to purchase the tendered TOB Floaters. Any loans made by the Liquidity Provider will be secured by the purchased TOB Floaters held by the TOB Trust and will be subject to an interest rate agreed upon with the liquidity provider.

For the period ended December 31, 2018, the Funds average leverage outstanding from the use of TOB transactions and the daily weighted average interest rate, including fees, were as follows:

Fund Name	**Average Leverage Outstanding (000s)**	**Weighted Average Interest Rate**
PIMCO Municipal Income Fund	$ 74,784	2.08%
PIMCO Municipal Income Fund II	248,593	2.12%
PIMCO Municipal Income Fund III	101,033	2.17%
PIMCO California Municipal Income Fund	97,076	2.04%

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Fund Name	Average Leverage Outstanding (000s)	Weighted Average Interest Rate
PIMCO California Municipal Income Fund II	$ 61,606	2.09%
PIMCO California Municipal Income Fund III	80,014	2.08%
PIMCO New York Municipal Income Fund	25,720	1.88%
PIMCO New York Municipal Income Fund II	32,606	2.21%

6. PRINCIPAL RISKS

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Funds may be subject to, please see the Important Information About the Funds.

Market Risks A Fund s investments in financial derivative instruments and other financial instruments expose the Fund to various risks such as, but not limited to, interest rate, foreign (non-U.S.) currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities and other instruments held by a Fund will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a Fund may lose money if these changes are not anticipated by the Fund s management. Variable rate securities may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. A Fund may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended.

Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is a measure used to determine the sensitivity of a security s price to changes in interest rates that incorporates a security s yield, coupon, final maturity and call features, among other characteristics. Duration is useful primarily as a measure of the sensitivity of a fixed income security s market price to interest rate (i.e. yield) movements. All other things remaining equal, for each one percentage point increase in interest rates, the value of a portfolio of fixed income investments would generally be expected to decline by one percent for every year of the portfolio s average duration above zero. For example, the value of a portfolio of fixed income securities with an average duration of three years would generally be expected to decline by approximately 3% if interest rates rose by one

percentage point. Convexity is an additional measure used to understand a security s interest rate sensitivity. Convexity measures the rate of change of duration in response to changes in interest rates and may be positive or negative. Securities with negative convexity may experience greater losses during periods of rising interest rates, and accordingly Funds holding such securities may be subject to a greater risk of losses in periods of rising interest rates.

A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). This risk may be particularly acute in the current market environment because market interest rates are currently near historically low levels. Thus, the Funds currently face a heightened level of interest rate risk, especially since the Federal Reserve Board has ended its quantitative easing program and has begun, and may continue, to raise interest rates. To the extent the Federal Reserve Board continues to raise interest rates, there is a risk that rates across the financial system may rise. During periods of very low or negative interest rates, a Fund may be unable to maintain positive returns. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, may result in heightened market volatility and may detract from Fund performance to the extent a Fund is exposed to such interest rates. Rising interest rates may result in a decline in value of a Fund s fixed-income investments and in periods of volatility. Further, while U.S. bond markets have steadily grown over the past three decades, dealer market making ability has remained relatively stagnant. As a result, dealer inventories of certain types of bonds and similar instruments, which provide a core indication of the ability of financial intermediaries to make markets, are at or near historic lows in relation to market size. Because market makers provide stability to a market through their intermediary services, the significant reduction in dealer inventories could potentially lead to decreased liquidity and increased volatility in the fixed income markets. Such issues may be exacerbated during periods of economic uncertainty. All of these factors, collectively and/or individually, could cause a Fund to lose value.

The market values of a Fund s investments may decline due to general market conditions which are not specifically related to a particular company or issuer, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities, although under certain market conditions fixed income securities may have comparable or greater price volatility.

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Credit ratings downgrades may also negatively affect securities held by a Fund. Even when markets perform well, there is no assurance that the investments held by a Fund will increase in value along with the broader market. In addition, market risk includes the risk that geopolitical events will disrupt the economy on a national or global level.

Credit and Counterparty Risks A Fund will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. A Fund seeks to minimize concentrations of credit risk by undertaking transactions with a large number of counterparties on recognized and reputable exchanges, where applicable. OTC derivative transactions are subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally cleared derivative transactions might not be available for OTC derivative transactions. For derivatives traded on an exchange or through a central counterparty, credit risk resides with a Fund s clearing broker, or the clearinghouse itself, rather than with a counterparty in an OTC derivative transaction. A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Similar to credit risk, a Fund may be exposed to counterparty risk, or the risk that an institution or other entity with which the Fund has unsettled or open transactions will default. PIMCO, as the Manager, seeks to minimize counterparty risks to the Funds through a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to a Fund exceed a predetermined threshold, such counterparty is required to advance collateral to the Fund in the form of cash or securities equal in value to the unpaid amount owed to the Fund. A Fund may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to a Fund subsequently decreases, the Fund would be required to return to the counterparty all or a portion of the collateral previously advanced. PIMCO s attempts to minimize counterparty risk may, however, be unsuccessful.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once a Fund has received payment. Payment is made on a purchase once the securities

have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

To the extent a Fund has a policy to limit the net amount owed to or to be received from a single counterparty under existing swap agreements, such limitation only applies to counterparties to OTC swaps and does not apply to centrally cleared swaps where the counterparty is a central counterparty or derivatives clearing organization.

7. MASTER NETTING ARRANGEMENTS

A Fund may be subject to various netting arrangements (Master Agreements) with select counterparties. Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow a Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statements of Assets and Liabilities generally present derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Statements of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Statements of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. A Fund s overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

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Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively Master Repo Agreements) govern repurchase, reverse repurchase, and certain sale-buyback transactions between a Fund and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedules of Investments.

8. FEES AND EXPENSES

(a) Management Fee Pursuant to the Investment Management Agreement with PIMCO (the Agreement), and subject to the supervision of the Board, PIMCO is responsible for providing to each Fund investment guidance and policy direction in connection with the management of the Fund, including oral and written research, analysis, advice, and statistical and economic data and information. In addition, pursuant to the Agreement and subject to the general supervision of the Board, PIMCO, at its expense, provides or causes to be furnished most other supervisory and administrative services the Funds require, including but not limited to, expenses of most third-party service providers (e.g., audit, custodial, legal, transfer agency, printing) and other expenses, such as those associated with insurance, proxy solicitations and mailings for shareholder meetings, NYSE listing and related fees, tax services, valuation services and other services the Funds require for their daily operations.

Pursuant to the Agreement, PIMCO receives an annual fee, payable monthly, at the annual rates shown in the table below:

Fund Name	**Annual Rate[1]**
PIMCO Municipal Income Fund	0.705%
PIMCO Municipal Income Fund II	0.685%
PIMCO Municipal Income Fund III	0.705%
PIMCO California Municipal Income Fund	0.705%
PIMCO California Municipal Income Fund II	0.705%
PIMCO California Municipal Income Fund III	0.715%
PIMCO New York Municipal Income Fund	0.770%
PIMCO New York Municipal Income Fund II	0.735%

[1] Management fees calculated based on the Fund s average daily NAV (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

(b) Fund Expenses Each Fund bears other expenses, which may vary and affect the total level of expenses paid by shareholders, such as (i) salaries and other compensation or expenses, including travel expenses of any of the Fund s executive officers and employees, if any, who are not officers, directors, shareholders, members, partners or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees, if any, levied against the Fund; (iii) brokerage fees and commissions and other portfolio transaction expenses incurred by or for the Fund (including, without limitation, fees and expenses of outside legal counsel or third-party consultants retained in connection with reviewing, negotiating and structuring specialized loan and other investments made by the Fund, subject to specific or general authorization by the Fund s Board (for example, so-called broken-deal costs (e.g., fees, costs, expenses and liabilities, including, for example, due diligence-related fees, costs, expenses and liabilities, with respect to unconsummated investments))); (iv) expenses of the Fund s securities lending (if any), including any securities lending agent fees, as governed by a separate securities lending agreement; (v) costs, including interest expense, of borrowing money or engaging in other types of leverage financing, including, without limitation, through the use by the Fund of reverse repurchase agreements, tender option bonds, bank borrowings and credit facilities; (vi) costs, including dividend and/or interest expenses and other costs (including, without limitation, offering and related legal costs, fees to brokers, fees to auction agents, fees to transfer agents, fees to ratings agencies and fees to auditors associated with satisfying ratings agency requirements for preferred shares or other securities issued by the Fund and other related requirements in the Fund s organizational documents) associated with the Fund s issuance, offering, redemption and maintenance of preferred shares, commercial paper or other senior securities for the purpose of incurring leverage; (vii) fees and expenses of any underlying funds or other pooled investment vehicles in which the Fund invests; (viii) dividend and interest expenses on short positions taken by the Fund; (ix) fees and expenses, including travel expenses, and fees and expenses of legal counsel retained for their benefit, of Trustees who are not officers, employees, partners, shareholders or members of PIMCO or its subsidiaries or affiliates; (x) extraordinary expenses, including extraordinary legal expenses, that may arise, including expenses incurred in connection with litigation, proceedings, other claims, and the legal obligations of the Fund to indemnify its Trustees, officers, employees, shareholders, distributors, and agents with respect thereto; (xi) organizational and offering expenses of the Fund, including with respect to share offerings, such as rights offerings and shelf offerings, following the Fund s initial offering, and expenses associated with tender offers and other share repurchases and redemptions; and (xii) expenses of the Fund which are capitalized in accordance with U.S. GAAP.

Each of the Trustees of the Funds who is not an interested person under Section 2(a)(19) of the Act, (the Independent Trustees), with the exception of Mr. Buffington, also serves as a trustee of a number of other closed-end funds for which PIMCO serves as investment manager (together with the Funds, the PIMCO Closed-End Funds), as well as PIMCO Flexible Credit Income Fund and PIMCO Flexible Municipal Income Fund, each a closed end management investment company managed by PIMCO that is operated as an interval fund (the PIMCO

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Interval Funds), and PIMCO Managed Accounts Trust, an open-end management investment company with multiple series for which PIMCO serves as investment adviser and administrator (PMAT and, together with the PIMCO Closed-End Funds and the PIMCO Interval Funds, the PIMCO Managed Funds). In addition, each of the Independent Trustees, with the exception of Mr. Buffington, also serves as a trustee of certain investment companies (together, the Allianz-Managed Funds), for which Allianz Global Investors U.S. LLC (AllianzGI U.S.), an affiliate of PIMCO, serves as investment manager. Prior to the close of business on September 5, 2014, a predecessor entity of AllianzGI U.S. served as investment manager of PMAT and the PIMCO Closed-End Funds other than PIMCO Energy and Tactical Credit Opportunities Fund. Mr. Buffington does not serve on the Board of any PIMCO Managed or Allianz-Managed Funds other than the Funds.

Each Independent Trustee, with the exception of Mr. Buffington, currently receives annual compensation of $225,000 for his or her service on the Boards of the PIMCO Managed Funds, payable quarterly. The Independent Chair of the Boards receives an additional $75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional $50,000 annually, payable quarterly. Trustees are also reimbursed for meeting-related expenses. Mr. Buffington, who does not serve on the Board of any PIMCO Managed Funds other than the Funds, will receive a portion of the $225,000 annual compensation paid to the Independent Trustees based on a fixed percentage allocated to the PIMCO Closed-End Funds for other Trustees, which will then be further allocated pro rata among the Funds based on the relative net assets of each Fund as described below.

Each Trustee s compensation for his or her service as a Trustee on the Boards of the PIMCO Managed Funds and other costs in connection with joint meetings of such Funds are allocated among the PIMCO Managed Funds, as applicable, on the basis of fixed percentages among PMAT, the PIMCO Interval Funds and the PIMCO Closed-End Funds. Trustee compensation and other costs will then be further allocated pro rata among the individual PIMCO Managed Funds within each grouping based on each such PIMCO Managed Fund s relative net assets. Mr. Buffington s compensation will be determined and allocated among the Funds only in accordance with this methodology as noted above.

9. RELATED PARTY TRANSACTIONS

The Manager is a related party. Fees payable to this party are disclosed in Note 8, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Statements of Assets and Liabilities.

Certain Funds are permitted to purchase or sell securities from or to certain related affiliated funds under specified conditions outlined in

procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Funds from or to another fund or portfolio that are, or could be, considered an affiliate, or an affiliate of an affiliate, by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 under the Act. Further, as defined under the procedures, each transaction is effected at the current market price. Purchases and sales of securities pursuant to Rule 17a-7 under the Act for the period ended December 31, 2018, were as follows (amounts in thousands):

Fund Name	Purchases	Sales
PIMCO Municipal Income Fund	$ 2,222	$ 3,177
PIMCO Municipal Income Fund II	15,491	6,355
PIMCO Municipal Income Fund III	2,500	10,214
PIMCO California Municipal Income Fund	1,477	2,630
PIMCO California Municipal Income Fund II	2,095	1,956
PIMCO California Municipal Income Fund III	1,325	0
PIMCO New York Municipal Income Fund	0	2,286
PIMCO New York Municipal Income Fund II	1,600	1,773

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

10. GUARANTEES AND INDEMNIFICATIONS

Under each Fund s organizational documents, each Trustee and officer is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of indemnification clauses. The Funds maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts.

11. PURCHASES AND SALES OF SECURITIES

The length of time a Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by a Fund is known as portfolio turnover. Each Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect a shareholder s performance. The portfolio turnover rates are reported in the Financial Highlights.

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Notes to Financial Statements (Cont.)

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2018, were as follows (amounts in thousands):

Fund Name	U.S. Government/Agency Purchases	U.S. Government/Agency Sales	All Other Purchases	All Other Sales
PIMCO Municipal Income Fund	$ 0	$ 0	$ 193,261	$ 136,863
PIMCO Municipal Income Fund II	0	0	472,633	298,851
PIMCO Municipal Income Fund III	0	0	248,023	157,060
PIMCO California Municipal Income Fund	0	0	175,011	145,546
PIMCO California Municipal Income Fund II	0	0	217,445	179,068
PIMCO California Municipal Income Fund III	0	0	114,334	87,871
PIMCO New York Municipal Income Fund	0	0	41,742	33,890
PIMCO New York Municipal Income Fund II	0	0	63,750	53,655

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

12. PREFERRED SHARES

(a) Auction Rate Preferred Shares Each series of Auction Rate Preferred Shares (ARPS) outstanding of each Fund has a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends. Dividends are accumulated daily at an annual rate that is typically reset every seven days through auction procedures (or through default procedures in the event of failed auctions). Distributions of net realized capital gains, if any, are paid at least annually.

For the period ended December 31, 2018, the annualized dividend rates on the ARPS ranged from:

Fund Name	Shares Issued and Outstanding	High	Low	As of December 31, 2018
PIMCO Municipal Income Fund				
Series A	1,310	3.579%	1.641%	2.718%
Series B	1,367	3.579%	1.630%	2.718%
Series C	1,294	3.579%	1.663%	2.672%
Series D	1,388	3.579%	1.586%	2.672%
Series E	1,309	3.686%	1.641%	2.703%
PIMCO Municipal Income Fund II				
Series A	2,279	3.579%	1.641%	2.718%
Series B	2,577	3.579%	1.630%	2.718%
Series C	2,422	3.579%	1.663%	2.672%

Series D	2,300	3.579%	1.586%	2.672%
Series E	2,353	3.686%	1.641%	2.703%
PIMCO Municipal Income Fund III				
Series A	1,018	3.579%	1.641%	2.718%
Series B	1,190	3.579%	1.630%	2.718%
Series C	1,350	3.579%	1.663%	2.672%
Series D	1,334	3.579%	1.586%	2.672%
Series E	1,296	3.686%	1.641%	2.703%
PIMCO California Municipal Income Fund				
Series A	1,575	3.579%	1.641%	2.718%
Series B	1,547	3.579%	1.663%	2.672%
Series C	1,703	3.686%	1.641%	2.703%
PIMCO California Municipal Income Fund II				
Series A	1,154	3.579%	1.641%	2.718%
Series B	879	3.579%	1.630%	2.718%
Series C	1,235	3.579%	1.663%	2.672%
Series D	926	3.579%	1.586%	2.672%
Series E	953	3.686%	1.641%	2.703%

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December 31, 2018

Fund Name	Shares Issued and Outstanding	High	Low	As of December 31, 2018
PIMCO California Municipal Income Fund III				
Series A	1,920	3.579%	1.630%	2.718%
Series B	1,995	3.579%	1.586%	2.672%
PIMCO New York Municipal Income Fund				
Series A	1,641	3.579%	1.630%	2.718%
PIMCO New York Municipal Income Fund II				
Series A	1,178	3.579%	1.663%	2.672%
Series B	1,142	3.686%	1.641%	2.703%

Each Fund is subject to certain limitations and restrictions while ARPS are outstanding. Failure to comply with these limitations and restrictions could preclude a Fund from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of ARPS at their liquidation preference plus any accumulated, unpaid dividends.

Auction Rate Preferred shareholders of each Fund, who are entitled to one vote per share, generally vote together with the common shareholders of the Fund but vote separately as a class to elect two Trustees of the Fund and on certain matters adversely affecting the rights of the ARPS.

Since mid-February 2008, holders of ARPS issued by the Funds have been directly impacted by a lack of liquidity, which has similarly affected ARPS holders in many of the nation s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined maximum rate, as defined for the Funds in the table below.

Applicable %		Reference Rate		Maximum Rate
		The higher of 30-day AA Composite Commercial Paper Rates		
110%[1]	x	OR	=	Maximum Rate for the Funds
		The Taxable Equivalent of		

the Short-Term Municipal

Obligation Rate[2]

[1] 150% if all or part of the dividend consists of taxable income or capital gain.

[2] Taxable Equivalent of the Short-Term Municipal Obligations Rate means 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the S&P Municipal Bond 7-day High Grade Rate Index divided by (B) 1.00 minus the Marginal Tax Rate (defined as the maximum marginal regular Federal individual income tax rate applicable to an individual s or a corporation s ordinary income, whichever is greater).

The maximum rate is a function of short-term interest rates and is typically higher than the rate that would have otherwise been set through a successful auction. If the Funds ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for each Fund s common shareholders could be adversely affected.

On July 20, 2018, each Fund commenced a voluntary tender offer for up to 100% of its outstanding ARPS at a price equal to 85% of the ARPS per share liquidation preference of $25,000 (or $21,250 per share) and any unpaid dividends accrued through the expiration of the tender offers (each, a Tender Offer).

On September 12, 2018, each Fund announced the expiration and results of its Tender Offer.

Details of the ARPS tendered and not withdrawn for each Fund for the reporting period ended December 31, 2018 are provided in the table below:

Fund Name	**Liquidation Preference Per Share**	**Tender Offer Price Per Share**	**Price Percentage**	**Cash Exchanged for ARPS Tendered**	**ARPS Outstanding as of 06/30/2018**	**ARPS Tendered**	**ARPS Outstanding After Tender Offer as of 12/31/2018**
PIMCO Municipal Income Fund	$ 25,000	$ 21,250	85%	$ 19,805,000	7,600	932	6,668
PIMCO Municipal Income Fund II	25,000	21,250	85	58,416,250	14,680	2,749	11,931
PIMCO Municipal Income Fund III	25,000	21,250	85	29,155,000	7,560	1,372	6,188
PIMCO California Municipal Income Fund	25,000	21,250	85	24,968,750	6,000	1,175	4,825
PIMCO California Municipal Income Fund II	25,000	21,250	85	29,176,250	6,520	1,373	5,147
PIMCO California Municipal Income Fund III	25,000	21,250	85	23,056,250	5,000	1,085	3,915
	25,000	21,250	85	5,078,750	1,880	239	1,641

PIMCO New York Municipal Income Fund							
PIMCO New York Municipal Income Fund II	25,000	21,250	85	17,850,000	3,160	840	2,320

Notes to Financial Statements (Cont.)

(b) Variable Rate MuniFund Term Preferred Shares PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund II (each, a VMTP Fund and together, the VMTP Funds) each has a single series of Variable Rate MuniFund Term Preferred Shares (the VMTP Shares), Series 2022, issued on September 18, 2018. In the VMTP Funds Statements of Assets and Liabilities, the VMTP Shares aggregate liquidation preference is shown as a liability since they are considered debt of the issuer. Costs directly related to the issuance of the VMTP Shares are considered debt issuance costs and are being amortized into interest expense over the life of the VMTP Shares. The liquidation value of the VMTP Shares in each VMTP Fund s Statement of Assets and Liabilities is shown as a liability and represents its liquidation preference, which approximates fair value of the shares and is considered level 2 under the fair value hierarchy, less any unamortized debt issuance costs. The VMTP Shares can be redeemed in whole or in part, at their liquidation preference of $100,000 per share plus any accumulated, unpaid dividends, plus an optional redemption premium for certain optional redemptions that occur within one year of the issuance date of the VMTP Shares. The VMTP Shares are subject to a mandatory term redemption date of March 18, 2022, subject to each VMTP Fund s right to extend the term with the consent of the holders of the VMTP Shares. There is no assurance that the term of the VMTP Shares will be extended.

Dividends paid with respect to the VMTP Shares, which are payable monthly, are treated as interest expense, are accrued daily and are reflected as a component of interest expense in the Statement of Operations. For the period ended December 31, 2018, the average amount of the VMTP Shares outstanding, interest expense related to the dividends paid to VMTP Shares and the daily weighted average interest rate (calculated from issuance date), including issuance costs, can be found in the table below.

Fund Name	Average VMTP Shares Outstanding	Interest Expense	Weighted Average Interest Rate*
PIMCO Municipal Income Fund	233	$ 175	2.84%
PIMCO Municipal Income Fund II	687	515	2.77
PIMCO Municipal Income Fund III	343	257	2.80
PIMCO California Municipal Income Fund	293	220	2.81
PIMCO California Municipal Income Fund II	343	257	2.80
PIMCO California Municipal Income Fund III	271	203	2.82
PIMCO New York Municipal Income Fund II	210	157	2.85

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

* The rate presented is inclusive of the amortized debt issuance cost. As a result, the rate shown may not fall into the range presented in the table below.

Each VMTP Fund is subject to certain limitations and restrictions while the VMTP Shares are outstanding. Failure to comply with these limitations and restrictions could preclude a VMTP Fund from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of the VMTP Shares at their liquidation preference plus any accumulated, unpaid dividends and other distributions. Any resulting suspension of payment of common share dividends may result in a tax penalty for the applicable VMTP Fund and, in certain circumstances, the loss of treatment as a regulated investment company. Any such mandatory redemption will be conducted on a pro rata basis among each series of the VMTP Shares and the ARPS based upon the proportion that the aggregate liquidation preference of any series bears to the aggregate liquidation preference of all outstanding series of such Fund s preferred shares. Under the terms of a purchase agreement between each VMTP Fund and the investor in the VMTP Shares, each VMTP Fund is subject to various investment requirements while the VMTP shares are outstanding. These requirements may be more restrictive than those to which the VMTP Fund is otherwise

subject in accordance with its investment objectives and policies. In addition, each VMTP Fund is subject to certain restrictions on its investments imposed by guidelines of the rating agencies that rate the VMTP Shares, which guidelines may be changed by the applicable rating agency, in its sole discretion, from time to time. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the VMTP Fund by the Act.

Each VMTP Fund is required to maintain certain asset coverage with respect to all outstanding senior securities of the VMTP Fund which are stocks for purposes of the Act, including the VMTP Shares and ARPS, as set forth in such VMTP Fund s governing documents and the Act. One such requirement under the Act is that a VMTP Fund is not permitted to declare or pay common share dividends unless immediately thereafter the VMTP Fund has a minimum asset coverage ratio of 200% with respect to all outstanding senior securities of the Fund which are stocks for purposes of the Act after deducting the amount of such common share dividends. The asset coverage per share for each VMTP Fund is reported in the Financial Highlights and is

December 31, 2018

disclosed as the product of the asset coverage ratio as of period end and the current liquidation preference.

With respect to the payment of dividends and as to the distribution of assets of each VMTP Fund, ARPS and the VMTP Shares rank on parity with each other, and are both senior in priority to the VMTP Fund s outstanding common shares. Holders of preferred shares of each VMTP Fund, who are entitled to one vote per share, including holders of VMTP Shares and ARPS, generally vote together as one class with the

common shareholders of each VMTP Fund, but Preferred shareholders (VMTP Shares and ARPS together) vote separately as a class to elect two Trustees of each VMTP Fund, as required by the Act, and on certain matters adversely affecting the rights of preferred shareholders. Under the 1940 Act, preferred shareholders, including holders of the VMTP Shares and ARPS, are also entitled to elect a majority of the trustees at any time when dividends on the preferred shares are unpaid for two full years.

The VMTP Shares Dividend Rate is determined over the course of a seven-day period, which generally commences each Thursday and ends the following Wednesday (the Rate Period). The dividends per share for VMTP Shares for a given Rate Period are dependent on the Dividend Rate for that Rate Period. The Dividend Rate is equal to the greater of (i) the sum of the Index Rate[1] plus the Applicable Spread[2] for the Rate Period, and (ii) the sum of the product of the Index Rate multiplied by the Applicable Multiplier[3] for such Rate Period plus 0.97%. The dividend per VMTP Share for the Rate Period is then determined as described in the table below.[4]

Dividend Rate		Rate Period Fraction		VMTP Shares Liquidation Preference		Dividend
		Number of days in the Rate Period (or a part thereof)				
Dividend Rate	x	Divided by	x	100,000	=	Dividends per VMTP Share
		Total number of days in the year				

1 The Index Rate is determined by reference to a weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes, generally the Securities Industry and Financial Markets Association Municipal Swap Index.
2 The Applicable Spread for a Rate Period is a percentage per year that is based on the long term rating most recently assigned by the applicable ratings agency to the VMTP Shares.
3 The Applicable Multiplier for a Rate Period is a percentage that is based on the long term rating most recently assigned by the applicable ratings agency to the VMTP Shares.
4 The Dividend Rate will in no event exceed 15% per year.

For the period ended December 31, 2018, the annualized dividend rate on the VMTP Shares ranged from:

Fund Name	Shares Issued and Outstanding	High	Low	As of December 31, 2018
PIMCO Municipal Income Fund				
Series 2022	233	2.680%	2.450%	2.680%
PIMCO Municipal Income Fund II				
Series 2022	687	2.680%	2.450%	2.680%
PIMCO Municipal Income Fund III				
Series 2022	343	2.680%	2.450%	2.680%
PIMCO California Municipal Income Fund				
Series 2022	293	2.680%	2.450%	2.680%
PIMCO California Municipal Income Fund II				
Series 2022	343	2.680%	2.450%	2.680%
PIMCO California Municipal Income Fund III				
Series 2022	271	2.680%	2.450%	2.680%
PIMCO New York Municipal Income Fund II				
Series 2022	210	2.680%	2.450%	2.680%

13. REGULATORY AND LITIGATION MATTERS

The Funds are not named as defendants in any material litigation or arbitration proceedings and are not aware of any material litigation or claim pending or threatened against them.

The foregoing speaks only as of the date of this report.

14. FEDERAL INCOME TAX MATTERS

Each Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the Code) and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

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Notes to Financial Statements (Cont.)

A Fund may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Manager has reviewed the Funds tax positions for all open tax years. As of December 31, 2018, the Funds have recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future tax returns.

The Funds file U.S. federal, state, and local tax returns as required. The Funds tax returns are subject to examination by relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

As of December 31, 2018, the components of distributable taxable earnings are as follows (amounts in thousands):

	Undistributed Tax Exempt Income	Undistributed Ordinary Income[1]	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation)[2]	Other Book-to-Tax Accounting Differences[3]	Accumulated Capital Losses[4]	Qualified Late-Year Loss Deferral - Capital[5]	Qualified Late-Year Loss Deferral - Ordinary[6]
PIMCO Municipal Income Fund	$ 1,234	$ 0	$ 382	$ 30,274	$ 0	$ 0	$ 0	$ 0
PIMCO Municipal Income Fund II	15,069	0	0	60,396	0	(3,744)	0	0
PIMCO Municipal Income Fund III	0	0	0	33,475	(1,006)	0	(577)	0
PIMCO California Municipal Income Fund	7,719	0	0	16,895	0	(888)	0	0
PIMCO California Municipal Income Fund II	0	0	5,010	25,641	(1,173)	0	0	0
PIMCO California Municipal Income Fund III	781	0	0	14,834	0	(777)	0	0
PIMCO New York Municipal Income Fund	668	0	0	5,244	0	(602)	0	0
PIMCO New York Municipal Income	0	0	0	8,701	(583)	(2,752)	0	0

Fund II

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

(1) Includes undistributed short-term capital gains, if any.

(2) Adjusted for open wash sale loss deferrals. Also adjusted for differences between book and tax defaulted bond interest accrual and inverse floater transactions.

(3) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America.

(4) Capital losses available to offset future net capital gains expire in varying amounts as shown below.

(5) Capital losses realized during the period November 1, 2018 through December 31, 2018 which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

(6) Specified losses realized during the period November 1, 2018 through December 31, 2018 which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2018, the Funds had the following post-effective capital losses with no expiration (amounts in thousands):

	Short-Term	Long-Term
PIMCO Municipal Income Fund	$ 0	$ 0
PIMCO Municipal Income Fund II	3,744	0
PIMCO Municipal Income Fund III	0	0
PIMCO California Municipal Income Fund	888	0
PIMCO California Municipal Income Fund II	0	0
PIMCO California Municipal Income Fund III	777	0
PIMCO New York Municipal Income Fund	600	2
PIMCO New York Municipal Income Fund II	2,752	0

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

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As of December 31, 2018, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)[(7)]
PIMCO Municipal Income Fund	$ 559,342	$ 34,699	$ (4,583)	$ 30,116
PIMCO Municipal Income Fund II	1,320,416	65,839	(5,900)	59,939
PIMCO Municipal Income Fund III	608,134	36,871	(3,472)	33,399
PIMCO California Municipal Income Fund	468,993	20,091	(2,147)	17,944
PIMCO California Municipal Income Fund II	469,687	28,121	(1,715)	26,406
PIMCO California Municipal Income Fund III	390,185	16,626	(1,675)	14,951
PIMCO New York Municipal Income Fund	147,227	5,523	(1,007)	4,516
PIMCO New York Municipal Income Fund II	213,958	9,983	(1,149)	8,834

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

(7) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals inverse floater transactions, and tax defaulted bond interest accrual for federal income tax purposes.

For the fiscal years ended December 31, 2018 and December 31, 2017, respectively, the Funds made the following tax basis distributions (amounts in thousands):

	December 31, 2018				December 31, 2017			
	Tax-Exempt Income Distributions	Ordinary Income Distributions[(8)]	Long-Term Capital Gain Distributions	Return of Capital[(9)]	Tax-Exempt Income Distributions	Ordinary Income Distributions[(8)]	Long-Term Capital Gain Distributions	Return of Capital[(9)]
PIMCO Municipal Income Fund	$ 22,054	$ 600	$ 0	$ 0	$ 20,948	$ 590	$ 0	$ 0
PIMCO Municipal Income Fund II	55,729	732	0	0	52,427	834	0	0

PIMCO Municipal Income Fund III	25,943	308	3,499	0	24,479	286	0	0
PIMCO California Municipal Income Fund	20,412	190	0	0	19,070	287	0	0
PIMCO California Municipal Income Fund II	16,504	258	198	0	18,108	1,842	0	434
PIMCO California Municipal Income Fund III	14,620	97	0	0	15,554	170	0	0
PIMCO New York Municipal Income Fund	6,315	48	0	0	5,896	53	0	0
PIMCO New York Municipal Income Fund II	7,845	118	0	495	7,639	111	0	271

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

(8) Includes short-term capital gains distributed, if any.

(9) A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Funds management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On January 2, 2019, the following distributions were declared to common shareholders payable February 1, 2019 to shareholders of record on January 14, 2019:

PIMCO Municipal Income Fund	$	0.05967 per common share
PIMCO Municipal Income Fund II	$	0.06500 per common share
PIMCO Municipal Income Fund III	$	0.05575 per common share
PIMCO California Municipal Income Fund	$	0.07700 per common share
PIMCO California Municipal Income Fund II	$	0.03500 per common share
PIMCO California Municipal Income Fund III	$	0.04500 per common share
PIMCO New York Municipal Income Fund	$	0.05700 per common share
PIMCO New York Municipal Income Fund II	$	0.05069 per common share

On February 1, 2019, the following distributions were declared to common shareholders payable March 1, 2019 to shareholders of record on February 11, 2019:

PIMCO Municipal Income Fund	$	0.05967 per common share
PIMCO Municipal Income Fund II	$	0.06500 per common share
PIMCO Municipal Income Fund III	$	0.05575 per common share
PIMCO California Municipal Income Fund	$	0.07700 per common share
PIMCO California Municipal Income Fund II	$	0.03500 per common share
PIMCO California Municipal Income Fund III	$	0.04500 per common share
PIMCO New York Municipal Income Fund	$	0.05700 per common share
PIMCO New York Municipal Income Fund II	$	0.05069 per common share

There were no other subsequent events identified that require recognition or disclosure.

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Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Closed-End Funds and Shareholders of PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund and PIMCO New York Municipal Income Fund II

Opinions on the Financial Statements

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund and PIMCO New York Municipal Income Fund II (hereafter collectively referred to as the Funds) as of December 31, 2018, the related statements of operations and cash flows for the year ended December 31, 2018, the statements of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the periods indicated therein (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of December 31, 2018, the results of each of their operations and each of their cash flows for the year then ended, the changes in each of their net assets for each of the two years in the period ended December 31, 2018 and each of the financial highlights for each of the periods indicated therein in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

These financial statements are the responsibility of the Funds management. Our responsibility is to express an opinion on the Funds financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian and broker. We believe that our audits provide a reasonable basis for our opinions.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri

February 27, 2019

We have served as the auditor of one or more investment companies in PIMCO Non-Taxable Closed-End Funds since 2002.

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Glossary: (abbreviations that may be used in the preceding statements)

(Unaudited)

Counterparty Abbreviations:					
FICC	Fixed Income Clearing Corporation				
Currency Abbreviations:					
USD (or $)	United States Dollar				
Municipal Bond or Agency Abbreviations:					
AGC	Assured Guaranty Corp.	**CM**	California Mortgage Insurance	**FHA**	Federal Housing Administration
AGM	Assured Guaranty Municipal	**FGIC**	Financial Guaranty Insurance Co.	**NPFGC**	National Public Finance Guarantee Corp.
AMBAC	American Municipal Bond Assurance Corp.				
Other Abbreviations:					
TBA	To-Be-Announced				

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Annual Shareholder Meeting Results

PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund and PIMCO New York Municipal Income Fund II held their annual meetings of shareholders on December 19, 2018. Shareholders voted as indicated below:

PIMCO Municipal Income Fund	Affirmative	Withheld Authority
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2021 fiscal year	24,145,032	531,197
Re-election of John C. Maney Class I to serve until the annual meeting held during the 2021 fiscal year	24,150,599	525,630
Re-election of Hans W. Kertess*,** Class I to serve until the annual meeting held during the 2021 fiscal year	101	4,396
Election of T. Matthew Buffington* Class I to serve until the annual meeting held during the 2021 fiscal year	744	0

The other members of the Board of Trustees at the time of the meeting, namely, Ms. Deborah A. DeCotis and Messrs. Craig Dawson, Bradford Gallagher, James A. Jacobson and William B. Ogden, IV continued to serve as Trustees of the Fund.

Interested Trustee
* Preferred Share Trustee
**Trustee was not elected by shareholders at the annual meeting.

PIMCO Municipal Income Fund II	Affirmative	Withheld Authority
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2021 fiscal year	57,745,922	1,322,278
Re-election of John C. Maney Class I to serve until the annual meeting held during the 2021 fiscal year	57,637,150	1,431,050
Re-election of Hans W. Kertess*,** Class I to serve until the annual meeting held during the 2021 fiscal year	22	9,452
Election of T. Matthew Buffington* Class I to serve until the annual meeting held during the 2021 fiscal year	1,276	15

The other members of the Board of Trustees at the time of the meeting, namely, Ms. Deborah A. DeCotis and Messrs. Craig Dawson, Bradford Gallagher, James A. Jacobson and William B. Ogden, IV continued to serve as Trustees of the Fund.

Interested Trustee
* Preferred Share Trustee
** Trustee was not elected by shareholders at the annual meeting.

PIMCO Municipal Income Fund III