

PIMCO HIGH INCOME FUND  
Form N-CSRS  
December 05, 2008

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21311

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

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

10105  
(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, NY 10105  
(Name and address of agent for service)

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

Date of fiscal year March 31, 2009  
end:

Date of reporting period: September 30,  
2008

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

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



ITEM 1. REPORT TO SHAREHOLDERS

**Contents**

|   |       |
|---|-------|
| Letter to Shareholders  | 1     |
| Fund Insights/Performance & Statistics  | 2     |
| Schedule of Investments   | 3-13  |
| Statement of Assets and Liabilities   | 14    |
| Statement of Operations   | 15    |
| Statement of Changes in Net Assets  | 16    |
| Notes to Financial Statements   | 17-26 |
| Financial Highlights  | 27    |
| Matters Relating to the Trustees – Consideration of the<br>Investment Management & Portfolio Management<br>Agreements | 28-29 |
|   | 30    |

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Board of Trustees Information/Subsequent  
Events/Proxy Voting Policies & Procedures

**PIMCO High Income Fund Letter to Shareholders**

November 25, 2008

Dear Shareholder:

We are pleased to provide you with the semi-annual report of the PIMCO High Income Fund (the Fund) for the six-month period ended September 30, 2008.

The U.S. bond market weakened during the reporting period as sub-prime mortgage exposure led to instability among banking institutions and tight credit throughout the economy. In this environment, investors shunned all but the safest of U.S. government securities. Higher-income U.S. bonds underperformed the broad bond market. The Merrill Lynch U.S. High Yield Index returned (7.36)% during the period, compared with the Lehman Brothers Aggregate Bond Index return of (1.50)%.

On November 19, 2008 and November 25, 2008, the Fund's Board of Trustees approved the redemption at par of a portion of the Fund's Auction Rate Preferred Shares (ARPS) beginning December 8, 2008 and December 15, 2008, respectively. The decision to partially redeem the Fund's ARPS was made due in part to the current market environment of unparalleled liquidity constraints and resulting market imbalances. The press release that includes further information on the Fund's planned partial redemption is available at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

For performance and specific information on the Fund please refer to the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Fund's shareholder servicing agent at (800) 331-1710. In addition, a wide range of information and resources is available on our Web site, [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

Together with Allianz Global Investors Fund Management LLC, the Fund's investment manager, and Pacific Investment Management Company LLC, the Fund's sub-adviser, we thank you for investing with us.

We remain dedicated to serving your financial needs.

Sincerely,

Hans W. Kertess  
*Chairman*

Brian S. Shlissel  
*President & Chief Executive Officer*

9.30.08 | PIMCO High Income Fund Semi-Annual Report **1**

**PIMCO High Income Fund Fund Insights/Performance & Statistics**

September 30, 2008 (unaudited)

- For the six-month period ended September 30, 2008, the Fund had a net asset value ( NAV ) return of (19.78%) and a market price return of (22.13%).
- An emphasis on high-grade holdings within the finance sector was a significant detriment to relative performance, as the sector came under heavy pressure during the six-month period.
- Security selection in the energy sector weighed on performance relative to the index, as gas distribution companies underperformed the broader index.
- Minimal weighting to the building products sector hurt returns as the sector significantly outpaced the overall high-yield market.
- A relatively small weighting to the gaming sector was a strong positive contributor to relative performance, as the industry category underperformed significantly.
- A focus on the healthcare sector, which remained relatively resilient throughout the volatile period, was a noteworthy positive for Fund performance.
- Security selection within consumer cyclicals, where auto parts and equipment outperformed the broader sector, added to returns.
- An undersized weight to double B-rated bonds relative to single B-rated issues affected performance as higher quality significantly outperformed during the six-month period.

| <b>Total Return(1):</b>                         | <b>Market Price</b> | <b>Net Asset Value ( NAV )</b> |
|---|---------------------|--------------------------------|
| Six months                                      | (22.13)%            | (19.78)%                       |
| 1 year  | (27.43)%            | (27.00)%                       |
| 5 year  | 3.51%               | 2.00%                          |
| Commencement of Operations (4/30/03) to 9/30/08 | 2.54%               | 3.03%                          |

| <b>Market Price/NAV Performance:</b>            | <b>Market Price/NAV:</b>          |        |
|---|-----------------------------------|--------|
| Commencement of Operations (4/30/03) to 9/30/08 | Market Price                      | \$8.54 |
| NAV   | NAV                               | \$8.46 |
| Market Price                                    | Premium to NAV                    | 0.95%  |
|   | Market Price Yield <sup>(2)</sup> | 16.42% |

**Moody's Ratings**  
**(as a % of total investments)**

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

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The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Investment return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is equal to total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) to common shareholders by the market price per common share at September 30, 2008.

2 PIMCO High Income Fund Semi-Annual Report | 9.30.08



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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited)

| Principal Amount (000)                   |   | Credit Rating (Moody s/S&P) | Value       |
|--|---|-----------------------------|-------------|
| <b>CORPORATE BONDS &amp; NOTES 84.5%</b> |   |                             |             |
| <b>Airlines 1.1%</b>                     |   |                             |             |
| \$8,760                                  | American Airlines, Inc., 8.608%, 10/1/12              | Ba3/BB-                     | \$7,227,000 |
| 11,244                                   | Continental Airlines, Inc., 6.92%, 4/2/13 (a) (b) (g) | NR/NR                       | 10,245,361  |
| 3,732                                    | 7.373%, 6/15/17                                       | Ba1/BB                      | 2,798,880   |
| 80                                       | United Air Lines, Inc., 6.602%, 3/1/15                | Ba2/BBB                     | 77,565      |
|  |   |                             | 20,348,806  |
| <b>Automotive 3.9%</b>                   |   |                             |             |
| 14,500                                   | Allison Transmission (a) (d), 11.00%, 11/1/15         | Caa1/B-                     | 12,687,500  |
| 2,400                                    | 11.25%, 11/1/15, PIK                                  | Caa1/B-                     | 1,980,000   |
| 5,300                                    | ArvinMeritor, Inc., 8.125%, 9/15/15                   | B2/B                        | 4,107,500   |
| 18,700                                   | 8.75%, 3/1/12   | B2/B                        | 15,801,500  |
| 1,000                                    | Cooper-Standard Automotive, Inc., 8.375%, 12/15/14    | Caa1/CCC+                   | 635,000     |
| 5,000                                    | Ford Motor Co., 7.125%, 11/15/25                      | Caa1/CCC                    | 2,000,000   |
| 10,350                                   | 7.45%, 7/16/31  | Caa1/CCC                    | 4,502,250   |
| 5,900                                    | 7.50%, 8/1/26   | Caa1/CCC                    | 2,478,000   |
| 5,000                                    | 9.215%, 9/15/21                                       | Caa1/CCC                    | 2,400,000   |
| 4,000                                    | General Motors Corp., 8.10%, 6/15/24                  | Caa2/B-                     | 1,540,000   |
| 1,300                                    | 8.25%, 7/15/23  | Caa2/B-                     | 516,750     |
| 3,000                                    | 8.80%, 3/1/21   | Caa2/B-                     | 1,155,000   |
| 20,000                                   | 9.40%, 7/15/21  | Caa2/B-                     | 8,200,000   |
| 5,596                                    | Goodyear Tire & Rubber Co., 9.00%, 7/1/15             | Ba3/BB-                     | 5,568,020   |
| 2,000                                    | Tenneco Automotive, Inc., 8.125%, 11/15/15            | B2/BB-                      | 1,720,000   |
| 3,823                                    | 8.625%, 11/15/14                                      | B3/B                        | 3,058,400   |
| 4,284                                    | 10.25%, 7/15/13                                       | Ba3/BB                      | 4,423,230   |
|  |   |                             | 72,773,150  |
| <b>Building/Construction 0.4%</b>        |   |                             |             |
| 11,985                                   | Ahern Rentals, Inc., 9.25%, 8/15/13                   | B3/B+                       | 6,052,425   |
| 2,000                                    | Grohe Holding GmbH, 8.625%, 10/1/14                   | B3/CCC+                     | 2,071,859   |
|  |   |                             | 8,124,284   |
| <b>Chemicals 1.5%</b>                    |   |                             |             |
| \$3,808                                  | ARCO Chemical Co., 9.80%, 2/1/20                      | B3/B-                       | 2,303,840   |
| 20,925                                   | Ineos Group Holdings PLC, 8.50%, 2/15/16 (a) (d)      | B3/B-                       | 11,404,125  |
| 15,300                                   | Nalco Co., 8.875%, 11/15/13                           | B3/B                        | 15,338,250  |
|  |   |                             | 29,046,215  |
| <b>Commercial Products 1.3%</b>          |   |                             |             |
| 28,910                                   | Hertz Corp., 8.875%, 1/1/14                           | B1/BB-                      | 25,079,425  |
| <b>Computer Services 2.8%</b>            |   |                             |             |
| 27,370                                   | First Data Corp., 9.875%, 9/24/15 (a) (d)             | B3/B                        | 21,519,662  |
| 19,056                                   | SunGard Data Systems, Inc., 9.125%, 8/15/13           | Caa1/B                      | 17,245,680  |
| 17,000                                   | 10.25%, 8/15/15                                       | Caa1/B-                     | 14,832,500  |
|  |   |                             | 53,597,842  |

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|                          |             |  |           |            |
|--------------------------|-------------|--|-----------|------------|
| <b>Consumer Products</b> | <b>0.7%</b> |  |           |            |
|                          | 16,400      | NPC International, Inc., 9.50%, 5/1/14 | Caa1/CCC+ | 13,530,000 |

| 9.30.08 | PIMCO High Income Fund Semi-Annual Report 3

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount (000)                 |  | Credit Rating (Moody s/S&P) | Value      |
|--|--|-----------------------------|------------|
| <b>Containers &amp; Packaging 0.5%</b> |  |                             |            |
| \$1,000                                | Berry Plastics Holding Corp., 7.541%, 2/15/15, FRN                 | B1/B+                       | \$895,000  |
| 9,700                                  | 8.875%, 9/15/14  | Caa1/CCC+                   | 7,614,500  |
| 1,700                                  | 10.25%, 3/1/16   | Caa2/CCC                    | 1,130,500  |
|  |  |                             | 9,640,000  |
| <b>Electronics 1.3%</b>                |  |                             |            |
| 9,200                                  | Sanmina-SCI Corp., 8.125%, 3/1/16                                  | B3/B-                       | 7,866,000  |
| 20,375                                 | Sensata Technologies BV, 8.00%, 5/1/14                             | Caa1/B-                     | 17,318,750 |
|  |  |                             | 25,184,750 |
| <b>Energy 0.5%</b>                     |  |                             |            |
| 9,120                                  | Enterprise Products Operating L.P., 8.375%, 8/1/66, FRN            | Ba1/BB                      | 8,460,989  |
| <b>Financial Services 18.1%</b>        |  |                             |            |
| 28,750                                 | AES Ironwood LLC, 8.857%, 11/30/25                                 | B1/B+                       | 28,894,247 |
| 7,509                                  | AES Red Oak LLC, 8.54%, 11/30/19                                   | B1/BB-                      | 7,508,531  |
| 20,125                                 | American Express Co., 7.00%, 3/19/18                               | A1/A+                       | 17,791,245 |
|  | American International Group, Inc., 5.112%, 4/26/11                | NR/NR                       | 2,988,958  |
| 3,500                                  | 8.175%, 5/15/58, FRN (a) (d)                                       | Baa1/BBB                    | 1,089,516  |
| \$6,800                                | 8.25%, 8/15/18 (a) (d)   | A3/AA-                      | 20,172,701 |
| 34,675                                 | Bank of America Corp., FRN (i), 8.00%, 1/30/18                     | A1/A                        | 14,860,875 |
| 18,750                                 | 8.125%, 5/15/18  | A1/A                        | 8,443,898  |
| 10,435                                 | Barclays Bank PLC, 7.70%, 4/25/18, FRN (a) (d) (i)                 | Aa2/A+                      | 9,958,532  |
| 11,300                                 | Bear Stearns Cos., Inc., FRN, 2.927%, 5/18/10                      | Aa2/AA-                     | 490,038    |
| 500                                    | 3.029%, 1/31/11  | Aa2/NR                      | 1,026,377  |
| 1,050                                  | Buffalo Thunder Development Authority, 9.375%, 12/15/14 (a) (d)    | B2/B                        | 2,125,000  |
| 5,000                                  | Caelus Re Ltd., 9.061%, 6/7/11, FRN (a) (d)                        | NR/BB+                      | 1,267,485  |
| 1,300                                  | Chukchansi Economic Development Authority, 8.00%, 11/15/13 (a) (d) | B2/B+                       | 6,198,500  |
| 7,700                                  | Citigroup, Inc., 8.40%, 4/30/18, FRN (i)                           | A2/A                        | 25,350,004 |
| 37,175                                 | Ford Motor Credit Co. LLC, 8.00%, 12/15/16                         | B1/B-                       | 51,790,173 |
| 81,805                                 | 12.00%, 5/15/15  | B1/B                        | 4,584,504  |
| 6,000                                  | General Motors Acceptance Corp. LLC, 8.00%, 11/1/31                | B3/B-                       | 13,309,805 |
| 35,270                                 | Goldman Sachs Group, Inc., 6.15%, 4/1/18                           | Aa3/AA-                     | 4,164,630  |
| 5,000                                  | HBOS PLC, 6.75%, 5/21/18 (a) (d)                                   | Aa3/A                       | 4,196,600  |
|  | JET Equipment Trust (a) (d) (f) (g), 7.63%, 12/15/15               | NR/NR                       | 342        |
| 91                                     | 10.00%, 12/15/13   | NR/NR                       | 193,892    |
| 245                                    | JPMorgan Chase & Co., 7.90%, 4/30/18, FRN (i)                      | A1/A                        | 1,730,469  |
| 2,050                                  | KRATON Polymers LLC, 8.125%, 1/15/14                               | Caa1/CCC-                   | 10,790,325 |
| 18,445                                 | Lehman Brothers Holdings, Inc. (f), 2.778%, 5/25/10, FRN           | B3/NR                       | 1,352,000  |
| 10,400                                 | 6.625%, 1/18/12  | B3/NR                       | 65,000     |
| 500                                    | 7.50%, 5/11/38   | Caa2/NR                     | 22,500     |
| 4,500                                  |  |                             |            |

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|        |   |         |           |
|--------|---|---------|-----------|
| 3,150  | MUFG Capital Finance I Ltd., 6.346%, 7/25/16, FRN (i)     | A2/BBB+ | 2,385,999 |
| 3,705  | NSG Holdings LLC, 7.75%, 12/15/25 (a) (d)                 | Ba2/BB  | 3,538,275 |
| 10,025 | Nuveen Investments, Inc., 10.50%, 11/15/15 (a) (d)        | B3/B-   | 7,769,375 |
| 2,000  | Residential Reinsurance Ltd., 9.561%, 6/6/11, FRN (a) (d) | NR/BB   | 2,024,412 |
| £2,347 | Royal Bank of Scotland PLC, 9.644%, 4/6/11, FRN (g)       | NR/NR   | 3,718,461 |

4PIMCO High Income Fund Semi-Annual Report | 9.30.08 |

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount (000)                 |  | Credit Rating (Moody s/S&P) | Value       |
|--|--|-----------------------------|-------------|
| <b>Financial Services (continued)</b>  |  |                             |             |
| \$2,500                                | SMFG Preferred Capital Ltd., 9.50%, 7/25/18, FRN (a) (d) (i) | A2/BBB+                     | \$2,387,082 |
| 21,203                                 | Universal City Development Partners Ltd., 11.75%, 4/1/10     | B1/B+                       | 20,540,406  |
| 8,030                                  | Universal City Florida Holding Co., 8.375%, 5/1/10           | B3/B-                       | 7,789,100   |
| 1,200                                  | UPC Holding BV, 7.75%, 1/15/14                               | B3/B-                       | 1,369,534   |
| 10,200                                 | 8.625%, 1/15/14  | B3/B-                       | 11,963,406  |
| \$36,100                               | Wachovia Corp., 7.98%, 3/15/18, FRN (i)                      | A3/A-                       | 15,107,489  |
| 3,825                                  | Wells Fargo Capital XIII, 7.70%, 3/26/13, FRN (i)            | Aa2/AA-                     | 3,338,077   |
| 19,450                                 | Wells Fargo Capital XV, 9.75%, 9/26/13, FRN (i)              | Aa2/AA-                     | 18,884,647  |
|  |  |                             | 341,182,410 |
| <b>Food 1.6%</b>                       |  |                             |             |
| 5,500                                  | American Stores Co., 8.00%, 6/1/26                           | B1/B+                       | 5,173,394   |
| 1                                      | Dole Foods Co., Inc., 8.875%, 3/15/11                        | Caa1/B-                     | 687         |
| 24,925                                 | Ingles Markets, Inc., 8.875%, 12/1/11                        | B2/B+                       | 25,111,937  |
|  |  |                             | 30,286,018  |
| <b>Food Services 0.8%</b>              |  |                             |             |
| 16,025                                 | ARAMARK Corp., 8.50%, 2/1/15                                 | B3/B                        | 15,143,625  |
| <b>Healthcare &amp; Hospitals 8.2%</b> |  |                             |             |
| 6,015                                  | Biomet, Inc., 10.375%, 10/15/17, PIK                         | B3/B-                       | 5,984,925   |
| 39,125                                 | 11.625%, 10/15/17  | Caa1/B-                     | 39,516,250  |
| 33,900                                 | Community Health Systems, Inc., 8.875%, 7/15/15              | B3/B                        | 32,374,500  |
| 12,631                                 | HCA, Inc., 7.19%, 11/15/15                                   | Caa1/B-                     | 10,146,887  |
| 6,200                                  | 7.50%, 12/15/23  | Caa1/B-                     | 4,565,308   |
| 355                                    | 7.58%, 9/15/25   | Caa1/B-                     | 262,863     |
| 2,900                                  | 8.36%, 4/15/24   | Caa1/B-                     | 2,258,636   |
| 3,994                                  | 8.75%, 9/1/10  | Caa1/B-                     | 3,954,060   |
| 21,302                                 | 9.00%, 12/15/14  | Caa1/B-                     | 19,441,036  |
| 15,350                                 | 9.25%, 11/15/16  | B2/BB-                      | 14,966,250  |
| 14,450                                 | 9.625%, 11/15/16, PIK  | B2/BB-                      | 13,763,625  |
| 8,425                                  | United Surgical Partners International, Inc., 8.875%, 5/1/17 | Caa1/CCC+                   | 7,119,125   |
|  |  |                             | 154,353,465 |
| <b>Hotels/Gaming 1.1%</b>              |  |                             |             |
| 16,179                                 | Harrah s Operating Co., Inc., 10.75%, 2/1/16 (a) (d)         | Caa1/B+                     | 8,332,185   |
| 8,779                                  | Mandalay Resort Group, 9.375%, 2/15/10                       | B1/B+                       | 8,120,575   |
| 1,500                                  | MGM Mirage, Inc., 6.00%, 10/1/09                             | Ba2/BB                      | 1,410,000   |
| 275                                    | 8.375%, 2/1/11   | B1/B+                       | 226,188     |
| 3,821                                  | Station Casinos, Inc., 7.75%, 8/15/16                        | B3/B-                       | 2,091,997   |
|  |  |                             | 20,180,945  |
| <b>Machinery 0.1%</b>                  |  |                             |             |
| 2,600                                  | Chart Industries, Inc., 9.125%, 10/15/15                     | B3/B+                       | 2,678,000   |
| <b>Manufacturing 0.3%</b>              |  |                             |             |
| 5,000                                  | Bombardier, Inc., 6.75%, 5/1/12 (a) (d)                      | Ba2/BB+                     | 4,825,000   |
| <b>Metals &amp; Mining 0.4%</b>        |  |                             |             |

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|                      |             |  |          |            |
|----------------------|-------------|--|----------|------------|
|                      | 8,305       | Freeport-McMoRan Copper & Gold, Inc., 8.375%,<br>4/1/17            | Ba2/BBB- | 8,192,642  |
| <b>Miscellaneous</b> | <b>2.0%</b> |  |          |            |
|                      | 39,726      | Dow Jones CDX U.S. High Yield, 8.375%, 12/29/11<br>(a) (d) (h) (j) | B3/NR    | 37,987,701 |

| 9.30.08 | PIMCO High Income Fund Semi-Annual Report 5

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount (000)           |   | Credit Rating (Moody s/S&P) | Value       |
|----------------------------------|---|-----------------------------|-------------|
| <b>Multi-Media 5.0%</b>          |   |                             |             |
| \$5,600                          | Cablevision Systems Corp., 8.00%, 4/15/12                     | B2/B+                       | \$5,292,000 |
| 40,500                           | CCO Holdings LLC, 8.75%, 11/15/13                             | Caa1/CCC                    | 35,437,500  |
| 10,000                           | Charter Communications Holdings I LLC, 11.00%, 10/1/15        | Caa3/CCC                    | 6,650,000   |
| 6,325                            | Charter Communications Operating LLC, 8.375%, 4/30/14 (a) (d) | B3/B-                       | 5,613,437   |
| 4,475                            | CSC Holdings, Inc., 7.625%, 7/15/18                           | B1/BB                       | 3,915,625   |
| 4,485                            | 7.875%, 2/15/18   | B1/BB                       | 3,969,225   |
| 4,975                            | 8.50%, 6/15/15 (a) (d)  | B1/BB                       | 4,645,406   |
| 6,045                            | Lighthouse International Co. S.A., 8.00%, 4/30/14 (a) (d)     | B2/BB-                      | 5,179,578   |
| \$7,000                          | Nielsen Finance LLC, 10.00%, 8/1/14                           | Caa1/B-                     | 6,685,000   |
| 7,895                            | Rogers Cable, Inc., 8.75%, 5/1/32                             | Baa3/BBB-                   | 8,898,139   |
| 4,750                            | Unity Media GmbH, 10.375%, 2/15/15 (a) (d)                    | Caa1/B-                     | 4,536,250   |
| 4,020                            | Videotron Ltee, 9.125%, 4/15/18 (a) (d)                       | Ba2/BB-                     | 4,080,300   |
|                                  |   |                             | 94,902,460  |
| <b>Oil &amp; Gas 6.1%</b>        |   |                             |             |
| 16,500                           | Dynergy Holdings, Inc., 8.375%, 5/1/16                        | B2/B                        | 14,437,500  |
| 10,325                           | Dynergy-Roseton Danskammer, Inc., 7.67%, 11/8/16              | Ba3/B                       | 9,369,938   |
|                                  | El Paso Corp., 7.80%, 8/1/31                                  | Ba3/BB-                     | 21,991,424  |
| 26,000                           | 8.05%, 10/15/30   | Ba3/BB-                     | 24,243,592  |
| 27,850                           | Enbridge Energy Partners L.P., 8.05%, 10/1/37, FRN            | Baa3/BB+                    | 2,546,400   |
| 3,000                            | Ferrellgas L.P., 8.75%, 6/15/12                               | B2/B-                       | 11,760,500  |
| 13,675                           | Kinder Morgan, Inc., 6.50%, 9/1/12                            | Ba1/BB                      | 4,737,500   |
| 5,000                            | OPTI Canada, Inc., 8.25%, 12/15/14                            | B1/BB+                      | 6,300,000   |
| 7,000                            | SandRidge Energy, Inc. (a) (d), 8.00%, 6/1/18                 | B3/B-                       | 6,487,500   |
| 7,500                            | 8.625%, 4/1/15, PIK   | B3/B-                       | 10,822,500  |
| 12,025                           | SemGroup L.P., 8.75%, 11/15/15 (a) (d) (f)                    | NR/NR                       | 1,623,300   |
| 15,460                           | Williams Cos., Inc., 7.875%, 9/1/21                           | Baa3/BB+                    | 1,100,201   |
| 1,099                            |   |                             | 115,420,355 |
| <b>Paper/Paper Products 3.0%</b> |   |                             |             |
| 8,750                            | Cascades, Inc., 7.25%, 2/15/13                                | Ba3/B+                      | 6,868,750   |
|                                  | Georgia-Pacific LLC, 7.125%, 1/15/17 (a) (d)                  | Ba3/BB-                     | 1,570,625   |
| 1,750                            | 8.00%, 1/15/24  | B2/B+                       | 24,580,875  |
| 27,775                           | 8.875%, 5/15/31   | B2/B+                       | 14,511,875  |
| 16,585                           | Verso Paper Holdings LLC, 9.125%, 8/1/14                      | B2/B+                       | 9,125,750   |
| 10,550                           |   |                             | 56,657,875  |
| <b>Printing/Publishing 1.3%</b>  |   |                             |             |
| 1,000                            | Dex Media, Inc., 8.00%, 11/15/13                              | B2/B-                       | 465,000     |
| 7,706                            | Dex Media West LLC, 9.875%, 8/15/13                           | B1/B+                       | 4,796,985   |
| 1,000                            | Hollinger, Inc., 11.875%, 3/1/11 (a) (b) (d) (f) (g)          | NR/NR                       | 200,369     |
| 42,900                           | RH Donnelley Corp., 8.875%, 1/15/16                           | B3/B-                       | 14,800,500  |
| 6,100                            | TL Acquisitions, Inc., 10.50%, 1/15/15 (a) (d)                | Caa1/CCC+                   | 4,849,500   |
|                                  |   |                             | 25,112,354  |
| <b>Retail 0.2%</b>               |   |                             |             |

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|                        |             |   |           |            |
|------------------------|-------------|---|-----------|------------|
| <b>Semi-conductors</b> | 12,950      | Bon-Ton Stores, Inc., 10.25%, 3/15/14           | Caa1/CCC+ | 3,949,750  |
|                        | <b>0.7%</b> |   |           |            |
|                        | 19,175      | Freescale Semiconductor, Inc., 8.875%, 12/15/14 | B2/B-     | 13,326,625 |

6 PIMCO High Income Fund Semi-Annual Report | 9.30.08 |



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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount (000)    |  | Credit Rating (Moody s/S&P) | Value        |
|---------------------------|--|-----------------------------|--------------|
| <b>Telecommunications</b> | <b>14.7%</b>   |                             |              |
| \$13,015                  | Centennial Communications Corp., 8.125%, 2/1/14  | B2/B                        | \$12,949,925 |
| 5,585                     | Cincinnati Bell, Inc., 8.375%, 1/15/14   | B2/B-                       | 4,886,875    |
| 24,425                    | Citizens Communications Co., 9.00%, 8/15/31  | Ba2/BB                      | 18,807,250   |
| 13,550                    | Cricket Communications, Inc., 9.375%, 11/1/14  | B3/B-                       | 12,669,250   |
| 900                       | Hawaiian Telcom Communications, Inc., 8.486%, 5/1/13, FRN  | Caa3/CCC-                   | 175,500      |
| 8,815                     | 9.75%, 5/1/13  | Caa3/CCC-                   | 1,807,075    |
| 25,500                    | MetroPCS Wireless, Inc., 9.25%, 11/1/14  | Caa1/B                      | 23,970,000   |
| 5,000                     | Nordic Telephone Co. Holdings ApS, 8.25%, 5/1/16   | B2/B+                       | 5,899,531    |
| 2,300                     | 8.25%, 5/1/16 (a) (d)  | B2/B+                       | 2,713,784    |
| \$8,675                   | 8.875%, 5/1/16 (a) (d)   | B2/B+                       | 7,937,625    |
| 1,375                     | Nortel Networks Ltd., 7.041%, 7/15/11, FRN   | B3/B-                       | 924,688      |
| 24,400                    | 10.125%, 7/15/13   | B3/B-                       | 15,677,000   |
| 14,075                    | 10.75%, 7/15/16  | B3/B-                       | 8,691,312    |
| 14,625                    | PanAmSat Corp., 6.875%, 1/15/28  | B1/BB-                      | 10,018,125   |
| 31,000                    | Qwest Capital Funding, Inc., 7.90%, 8/15/10  | B1/B+                       | 30,147,500   |
| 954                       | Qwest Communications International, Inc., 7.50%, 2/15/14   | Ba3/B+                      | 829,980      |
| 10,450                    | Qwest Corp., 8.875%, 3/15/12   | Ba1/BBB-                    | 10,293,250   |
| 9,000                     | Sprint Capital Corp., 6.90%, 5/1/19  | Baa3/BB                     | 6,986,988    |
| 33,940                    | 8.75%, 3/15/32   | Baa3/BB                     | 26,528,862   |
| 2,000                     | Sprint Nextel Corp, 6.00%, 12/1/16   | Baa3/BB                     | 1,560,000    |
| 4,000                     | TelCordia Technologies, Inc., 6.541%, 7/15/12, FRN (a) (d)   | B2/B                        | 3,380,000    |
| 7,295                     | Telesat Canada (a) (d), 11.00%, 11/1/15  | Caa1/B-                     | 5,872,475    |
| 4,200                     | 12.50%, 11/1/17  | Caa1/B-                     | 3,507,000    |
| 23,975                    | Time Warner Telecom Holdings, Inc., 9.25%, 2/15/14   | B3/CCC+                     | 22,296,750   |
| 8,780                     | West Corp., 9.50%, 10/15/14  | Caa1/B-                     | 6,760,600    |
| 6,500                     | 11.00%, 10/15/16   | Caa1/B-                     | 4,712,500    |
| 13,000                    | Wind Acquisition Finance S.A., 10.75%, 12/1/15 (a) (d)   | B2/B                        | 12,805,000   |
| 10,000                    | Windstream Corp., 8.125%, 8/1/13   | Ba3/BB                      | 9,550,000    |
| 3,050                     | 8.625%, 8/1/16   | Ba3/BB                      | 2,828,875    |
| 3,075                     | Windstream Regatta Holdings, Inc., 11.00%, 12/1/17 (a) (d)   | Caa1/B                      | 1,737,375    |
|                           |  |                             | 276,925,095  |
| <b>Transportation</b>     | <b>0.2%</b>  |                             |              |
| 2,835                     | Grupo Transportacion Ferroviaria Mexicana S.A. de C.V., 9.375%, 5/1/12                                   | B1/NR                       | 2,905,875    |
| <b>Utilities</b>          | <b>6.7%</b>  |                             |              |
| 4,850                     | AES Corp., 8.00%, 6/1/20 (a) (d)   | B1/BB-                      | 4,268,000    |
| 2,300                     | Edison Mission Energy, 7.00%, 5/15/17  | B1/BB-                      | 2,081,500    |
| 2,000                     | Empresa Energetica de Sergipe and Sociedade Anonima de Eletrificacao da Paraiba, 10.50%, 7/19/13 (a) (d) | Ba3/BB-                     | 2,182,370    |

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|        |   |          |            |
|--------|---|----------|------------|
| 17,100 | Energy Future Holdings Corp. (a) (d),<br>10.875%, 11/1/17 | B3/B-    | 15,518,250 |
| 2,000  | 11.25%, 11/1/17, PIK                                      | B3/B-    | 1,700,000  |
| 19,450 | Legrand Holding S.A., 8.50%, 2/15/25                      | Baa3/BBB | 19,525,193 |
| 20,995 | Midwest Generation LLC, 8.56%, 1/2/16                     | Baa3/BB+ | 21,625,083 |
| 21,500 | PSE&G Energy Holdings LLC, 8.50%, 6/15/11                 | Ba3/BB-  | 21,870,531 |

| 9.30.08 | PIMCO High Income Fund Semi-Annual Report 7

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount (000)                               |   | Credit Rating (Moody s/S&P) | Value         |
|--|---|-----------------------------|---------------|
| <b>Utilities (continued)</b>                         |   |                             |               |
| \$36,450   | Texas Competitive Electric Holdings Co. LLC (a) (d),<br>10.25%, 11/1/15 | B3/CCC                      | \$33,078,375  |
| 5,090  | 10.50%, 11/1/16, PIK  | B3/CCC                      | 4,339,225     |
|  |   |                             | 126,188,527   |
| Total Corporate Bonds & Notes (cost-\$1,990,175,457) |   |                             | 1,596,004,183 |
| <b>SENIOR LOANS (a) (c) 4.3%</b>                     |   |                             |               |
| <b>Chemicals 0.1%</b>                                |   |                             |               |
| 206  | Ineos Group Ltd., Term A ,<br>5.727%, 10/7/12                           |                             | 171,914       |
| 1,148  | 5.952%, 10/7/12   |                             | 958,728       |
|  |   |                             | 1,130,642     |
| <b>Commercial Products 0.3%</b>                      |   |                             |               |
| 7,700  | Berry Plastics, 9.791%, 6/5/14 (b)                                      |                             | 6,262,082     |
| <b>Electronics 0.7%</b>                              |   |                             |               |
| 10,700   | Sensata Technologies, 11.25%, 1/15/14 (b) (d) (g)                       |                             | 12,837,748    |
| <b>Entertainment 0.3%</b>                            |   |                             |               |
| \$3,458  | Tribune Co., Term B,<br>5.786%, 5/30/14                                 |                             | 1,841,295     |
| 9,957  | 5.786%, 6/4/14 (b)  |                             | 4,455,638     |
|  |   |                             | 6,296,933     |
| <b>Financial Services 0.7%</b>                       |   |                             |               |
| 19,800   | Chrysler Financial Corp., 6.82%, 8/3/12                                 |                             | 13,449,150    |
| <b>Healthcare &amp; Hospitals 0.1%</b>               |   |                             |               |
| 1,577  | HealthSouth Corp.,<br>4.99%, 3/10/13                                    |                             | 1,427,918     |
| 29   | 5.19%, 3/10/13 (b)  |                             | 26,424        |
|  |   |                             | 1,454,342     |
| <b>Multi-Media 0.6%</b>                              |   |                             |               |
| 11,000   | CSC Holdings, Inc., 9.75%, 7/8/13 (b)                                   |                             | 10,560,000    |
| <b>Printing/Publishing 0.2%</b>                      |   |                             |               |
| 5,450  | RH Donnelley, Inc., 11.75%, 5/15/15, Term B (b) (d)                     |                             | 3,351,750     |
| <b>Recreation 0.4%</b>                               |   |                             |               |
| 1,210  | Amadeus Global Travel (b),<br>6.003%, 4/8/13, Term B                    |                             | 974,486       |
| 759  | 6.258%, 4/8/12, Term A  |                             | 883,018       |
| \$1,211  | 6.503%, 4/8/14, Term C  |                             | 969,298       |
| 6,912  | Travelport, 5.954%, 8/23/13, Term DD                                    |                             | 5,619,863     |
|  |   |                             | 8,446,665     |
| <b>Telecommunications 0.6%</b>                       |   |                             |               |
| 1,008  | Integra Telecom, Inc., Term T (b),<br>7.046%, 8/31/13                   |                             | 862,185       |
| 1,345  | 7.06%, 8/31/13  |                             | 1,149,580     |
| 1,607  | 8.012%, 8/31/13   |                             | 1,374,035     |
| 1,434  | Nordic Telephone Co. Holdings ApS,<br>6.925%, 11/30/13, Term B          |                             | 1,865,752     |

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|         |   |            |
|---------|---|------------|
| 1,485   | 7.131%, 11/30/14, Term C                | 1,944,584  |
| \$1,677 | NTL Investment, 4.799%, 1/6/13, Term B  | 1,532,895  |
| 2,992   | West Corp., 8.50%, 10/24/13, Term B (b) | 2,326,669  |
|         |   | 11,055,700 |

8 PIMCO High Income Fund Semi-Annual Report | 9.30.08 |

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal<br>Amount<br>(000)           |  | Credit Rating<br>(Moody s/S&P) | Value      |
|--|--|--------------------------------|------------|
| <b>Utilities 0.1%</b>                  |  |                                |            |
|  | Texas Competitive Electric Holdings Co., |                                |            |
| \$724                                  | 5.989%, 10/10/14                         |                                | \$613,301  |
| 2,246                                  | 6.303%, 10/10/14, Term B1                |                                | 1,903,028  |
| 23                                     | 7.262%, 10/10/14                         |                                | 19,160     |
|  |  |                                | 2,535,489  |
| <b>Wholesale 0.2%</b>                  |  |                                |            |
|  | Roundy s, Inc., Term B,                  |                                |            |
| 4,338                                  | 5.50%, 10/27/11                          |                                | 3,976,706  |
| 12                                     | 5.50%, 10/27/11 (b)                      |                                | 10,624     |
| 217                                    | 6.75%, 10/27/11 (b)                      |                                | 198,516    |
|  |  |                                | 4,185,846  |
| Total Senior Loans (cost-\$99,788,449) |  |                                | 81,566,347 |

**MORTGAGE-BACKED SECURITIES 3.4%**

|       |  |         |           |
|-------|--|---------|-----------|
|       | American Home Mortgage Assets, CMO,                  |         |           |
| 1,390 | 3.397%, 5/25/46, FRN                                 | Aaa/AAA | 897,090   |
| 564   | 3.397%, 9/25/46, FRN                                 | Aaa/AAA | 345,709   |
| 1,707 | 3.417%, 10/25/46, FRN                                | Aaa/AAA | 665,758   |
| 598   | 3.555%, 2/25/47, FRN                                 | Aaa/AAA | 300,815   |
| 6,360 | 3.775%, 11/25/46, FRN                                | Aaa/AAA | 3,201,853 |
| 3,365 | 6.25%, 6/25/37                                       | Aaa/AAA | 2,056,801 |
| 517   | American Home Mortgage Investment Trust,             |         |           |
|       | 5.66%, 9/25/45, CMO, FRN                             | Aaa/AAA | 352,029   |
| 136   | Banc of America Mortgage Securities Inc,             |         |           |
|       | 5.436%, 2/25/36, CMO, FRN                            | NR/AAA  | 117,990   |
|       | Bear Stearns Adjustable Rate Mortgage Trust, CMO,    |         |           |
| 118   | 5.010%, 1/25/35, VRN                                 | Aaa/AAA | 105,921   |
| 1,405 | 5.474%, 5/25/47, VRN                                 | NR/AAA  | 1,183,644 |
| 702   | 5.732%, 2/25/36, FRN                                 | Aaa/AAA | 535,830   |
| 611   | Chase Mortgage Finance Corp, 5.434%, 3/25/37,        | Aaa/NR  | 523,229   |
|       | CMO, FRN   |         |           |
|       | Citigroup Mortgage Loan Trust, Inc., CMO,            |         |           |
| 647   | 4.007%, 8/25/35, FRN (a) (d)                         | NR/AAA  | 578,157   |
| 157   | 4.663%, 3/25/34, VRN                                 | Aaa/AAA | 149,299   |
| 396   | 5.666%, 11/25/30, VRN                                | NR/AAA  | 307,508   |
| 2,711 | 5.947%, 3/25/37, VRN                                 | NR/BB   | 1,647,131 |
| 2,802 | 6.014%, 9/25/37, VRN (g)                             | NR/AAA  | 1,959,608 |
| 739   | Citimortgage Alternative Loan Trust, 6.00%, 6/25/37, | Aaa/NR  | 714,119   |
|       | CMO  |         |           |
|       | Countrywide Alternative Loan Trust, CMO,             |         |           |
| 3,177 | 3.383%, 12/20/46, FRN                                | Aaa/AAA | 1,937,402 |
| 1,087 | 3.397%, 9/25/46, FRN                                 | Aaa/AAA | 602,402   |
| 1,460 | 3.398%, 7/20/46, FRN                                 | Aaa/AAA | 901,593   |
| 246   | 3.417%, 7/25/46, FRN                                 | Aaa/AAA | 156,022   |
| 85    | 3.467%, 6/25/35, FRN                                 | Aaa/AAA | 54,157    |
| 609   | 3.537%, 11/20/35, FRN                                | Aaa/AAA | 389,977   |
| 782   | 3.855%, 12/25/35, FRN                                | Aaa/AAA | 478,037   |
| 1,172 | 5.898%, 2/25/37, VRN                                 | NR/AAA  | 817,851   |

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|     |   |        |         |
|-----|---|--------|---------|
| 862 | 6.00%, 11/25/36   | Aaa/NR | 615,033 |
| 469 | 6.50%, 6/25/36  | A1/NR  | 247,352 |
| 268 | Countrywide Home Loan Mortgage Pass Through Trust,<br>6.092%, 9/25/47, CMO, VRN | NR/AAA | 207,895 |
| 668 | GSR Mortgage Loan Trust, CMO, VRN,<br>5.178%, 1/25/36                           | NR/AAA | 587,063 |
| 648 | 5.346%, 11/25/35  | NR/AAA | 546,423 |

| 9.30.08 | PIMCO High Income Fund Semi-Annual Report 9

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal Amount<br>(000) |  | Credit Rating<br>(Moody s/S&P) | Value     |
|---------------------------|--|--------------------------------|-----------|
|                           | Harborview Mortgage Loan Trust, CMO,   |                                |           |
| \$1,148                   | 3.21%, 7/19/46, FRN  | Aaa/AAA                        | \$715,670 |
| 315                       | 3.23%, 9/19/46, FRN  | Aaa/AAA                        | 191,792   |
| 255                       | 3.378%, 8/21/36, FRN   | Aaa/AAA                        | 157,108   |
| 1,300                     | 3.705%, 12/19/36, FRN  | Aaa/AAA                        | 716,452   |
| 2,067                     | 5.75%, 8/19/36, VRN  | NR/AAA                         | 1,418,029 |
| 246                       | 5.903%, 8/19/36, VRN   | NR/AA-                         | 165,781   |
| 540                       | Indymac IMSC Mortgage Loan Trust,<br>3.387%, 7/25/47, CMO, FRN               | Aaa/AAA                        | 292,681   |
|                           | Indymac Index Mortgage Loan Trust, CMO,                                      |                                |           |
| 957                       | 3.397%, 9/25/46, FRN   | Aaa/AAA                        | 582,123   |
| 578                       | 5.099%, 9/25/35, VRN   | Aaa/AAA                        | 391,666   |
| 5,688                     | 5.647%, 11/25/35, FRN  | Aaa/AAA                        | 3,995,303 |
| 524                       | 3.407%, 6/25/47, FRN   | Aaa/AAA                        | 318,418   |
| 232                       | 3.417%, 5/25/46, FRN   | Aaa/AAA                        | 141,493   |
| 150                       | 3.447%, 7/25/35, FRN   | Aaa/AAA                        | 98,391    |
| 1,269                     | JPMorgan Alternative Loan Trust, 5.55%, 10/25/36, CMO, VRN                   | Aaa/AAA                        | 993,553   |
|                           | Luminent Mortgage Trust, CMO, FRN,   |                                |           |
| 658                       | 3.377%, 12/25/36   | Aaa/AAA                        | 401,664   |
| 354                       | 3.387%, 12/25/36   | NR/AAA                         | 223,368   |
| 246                       | 3.407%, 10/25/46   | Aaa/AAA                        | 152,913   |
|                           | MASTR Adjustable Rate Mortgages Trusts, CMO, FRN,                            |                                |           |
| 427                       | 3.417%, 4/25/46  | Aaa/AAA                        | 269,840   |
| 694                       | 3.447%, 5/25/37  | A2/BB                          | 404,410   |
|                           | Merrill Lynch Alternative Note Asset, CMO,                                   |                                |           |
| 900                       | 3.507%, 3/25/37, FRN   | B3/BBB                         | 317,014   |
| 795                       | 5.648%, 6/25/37, VRN   | A1/AAA                         | 507,197   |
| 536                       | Merrill Lynch Mortgage Backed Securities Trust,<br>5.849%, 4/25/37, CMO, VRN | NR/AA                          | 383,320   |
|                           | Morgan Stanley Mortgage Loan Trust, CMO, FRN,                                |                                |           |
| 35                        | 3.517%, 1/25/35  | Aaa/AAA                        | 25,154    |
| 161                       | 5.417%, 6/25/36  | Aaa/AAA                        | 137,765   |
|                           | Residential Accredit Loans, Inc., CMO,                                       |                                |           |
| 387                       | 3.457%, 8/25/37, FRN   | Aaa/AAA                        | 211,340   |
| 4,018                     | 3.537%, 3/25/37, FRN   | Aaa/AAA                        | 2,191,901 |
| 6,666                     | 6.50%, 7/25/37   | A1/AAA                         | 3,980,929 |
|                           | Residential Asset Securitization Trust, CMO,                                 |                                |           |
| 513                       | 3.657%, 12/25/36, FRN  | Baa3/AAA                       | 280,492   |
| 600                       | 6.25%, 10/25/36  | Ba3/AA                         | 333,897   |
| 800                       | 6.50%, 8/25/36   | Baa1/AAA                       | 441,308   |
| 252                       | Sequoia Mortgage Trust, 5.765%, 1/20/47, CMO, VRN                            | NR/AAA                         | 216,491   |
|                           | Structured Asset Mortgage Investments, Inc., CMO, FRN,                       |                                |           |
| 1,747                     | 3.387%, 9/25/47  | Aaa/AAA                        | 1,084,700 |
| 1,520                     | 3.397%, 7/25/46  | Aaa/AAA                        | 938,714   |
| 524                       | 3.427%, 5/25/46  | Aaa/AAA                        | 322,667   |
| 14,100                    | 3.427%, 9/25/47  | Aaa/AAA                        | 3,889,646 |
| 3,268                     | Suntrust Alternative Loan Trust, 3.557%, 4/25/36, CMO, FRN                   | B1/NR                          | 1,756,153 |
|                           | WaMu Mortgage Pass Through Certificates, CMO,                                |                                |           |
| 1,572                     | 3.555%, 2/25/47, FRN   | Aaa/AAA                        | 827,777   |

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|       |                       |         |         |
|-------|-----------------------|---------|---------|
| 1,270 | 3.555%, 3/25/47, FRN  | Aaa/AAA | 669,372 |
| 747   | 3.595%, 1/25/47, FRN  | Aaa/AAA | 406,631 |
| 961   | 3.615%, 4/25/47, FRN  | Aaa/AAA | 556,195 |
| 569   | 3.675%, 12/25/46, FRN | Aaa/AAA | 301,729 |
| 403   | 3.948%, 1/25/47, FRN  | Aaa/AAA | 271,240 |
| 441   | 5.342%, 1/25/37, FRN  | NR/AAA  | 350,663 |

10 PIMCO High Income Fund Semi-Annual Report | 9.30.08 |



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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal<br>Amount<br>(000)                         |   | Credit Rating<br>(Moody s/S&P) | Value       |
|--|---|--------------------------------|-------------|
| \$1,691  | 5.468%, 2/25/37, VRN  | NR/AAA                         | \$1,422,139 |
| 401  | 5.542%, 4/25/37, FRN  | NR/AAA                         | 298,909     |
| 282  | 5.609%, 12/25/36, FRN   | NR/AAA                         | 202,199     |
| 999  | 5.613%, 12/25/36, VRN   | NR/AAA                         | 784,363     |
| 681  | 5.668%, 5/25/37, FRN  | NR/AAA                         | 616,138     |
| 882  | 5.711%, 2/25/37, VRN  | NR/AA                          | 650,897     |
| 943  | 5.868%, 2/25/37, FRN  | NR/BB                          | 795,960     |
| 530  | 5.931%, 9/25/36, VRN  | NR/AAA                         | 412,641     |
| 331  | Washington Mutual Alternative Mortgage<br>Pass-Through<br>Certificates, 3.825%, 5/25/46, CMO, FRN | Aaa/AAA                        | 192,844     |
| 886  | Washington Mutual, Inc., CMO, FRN,<br>3.625%, 4/25/47   | Aaa/AAA                        | 377,707     |
| 876  | 3.695%, 5/25/47   | Aaa/AAA                        | 417,275     |
| 1,376  | Wells Fargo Mortgage Backed Securities Trust, CMO,<br>FRN,<br>3.707%, 7/25/37                     | Aaa/NR                         | 1,200,356   |
| 621  | 5.594%, 7/25/36   | NR/AAA                         | 501,869     |
| 487  | 6.030%, 9/25/36   | Aaa/NR                         | 399,370     |
| Total Mortgage-Backed Securities (cost-\$63,931,722) |   |                                | 63,489,315  |
| <b>MUNICIPAL BONDS &amp; NOTES 1.1%</b>              |   |                                |             |
| <b>California 0.8%</b>                               |   |                                |             |
| 605  | Los Angeles Community Redev. Agcy. Rev., Ser. H,<br>9.00%, 9/1/12                                 | NR/NR                          | 634,373     |
| 1,160  | 9.75%, 9/1/17   | NR/NR                          | 1,220,332   |
| 1,375  | 9.75%, 9/1/22   | NR/NR                          | 1,444,644   |
| 2,170  | 9.75%, 9/1/27   | NR/NR                          | 2,275,505   |
| 3,480  | 9.75%, 9/1/32   | NR/NR                          | 3,644,465   |
| 1,785  | San Diego Redev. Agcy., Tax Allocation,<br>6.59%, 11/1/13   | Baa3/NR                        | 1,839,050   |
| 1,435  | 7.49%, 11/1/18  | Baa3/NR                        | 1,496,131   |
| 1,885  | 7.74%, 11/1/21  | Baa3/NR                        | 1,967,242   |
|  |   |                                | 14,521,742  |
| <b>Pennsylvania 0.3%</b>                             |   |                                |             |
| 5,300  | Economic Dev. Financing Auth. Rev., VRN (m),<br>6.75%, 12/1/36, Ser. A                            | Ba3/NR                         | 4,695,747   |
| 1,000  | 6.75%, 12/1/36  | Ba3/NR                         | 885,990     |
|  |   |                                | 5,581,737   |
| Total Municipal Bonds & Notes (cost-\$20,460,288)    |   |                                | 20,103,479  |
| <b>ASSET-BACKED SECURITIES 0.8%</b>                  |   |                                |             |
| 900  | GSAA Trust, 3.507%, 3/25/37, FRN  | Aaa/AAA                        | 362,786     |
| 235  | GSAMP Trust, 3.277%, 12/25/36, FRN  | Aaa/AAA                        | 216,596     |
| 140  | Lehman XS Trust, 3.427%, 4/25/46, FRN   | Aaa/AAA                        | 77,862      |
| 1,200  | Master Asset Backed Securities Trust, 3.417%,<br>11/25/36, FRN                                    | A1/B                           | 483,435     |
| 6,500  | Merrill Lynch First Franklin Mortgage Loan Trust,   |                                |             |

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|   |  |         |            |
|---|--|---------|------------|
|   | 3.327%, 7/25/37, FRN   | Aaa/AA  | 4,103,552  |
| 900   | Morgan Stanley Mortgage Loan Trust, 3.567%,<br>4/25/37, FRN            | Ba3/AAA | 454,622    |
| 637   | Reliant Energy Mid-Atlantic Power Holdings LLC,<br>9.237%, 7/2/17      | Ba1/BB  | 659,675    |
| 4,216   | Structured Asset Securities Corp., FRN,<br>3.357%, 5/25/37 (a) (b) (d) | Aaa/AAA | 3,808,672  |
| 8,593   | 3.507%, 6/25/35  | Aaa/AAA | 5,770,864  |
| Total Asset-Backed Securities (cost-\$15,618,698) |  |         | 15,938,064 |

| 9.30.08 | PIMCO High Income Fund Semi-Annual Report 11

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**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Principal<br>Amount<br>(000)                          |   | Credit Rating<br>(Moody s/S&P) | Value       |
|---|---|--------------------------------|-------------|
| <b>CONVERTIBLE BONDS 0.5%</b>                         |   |                                |             |
| <b>Financial Services 0.5%</b>                        |   |                                |             |
| \$10,000  | Countrywide Financial Corp., 1.253%, 4/15/37, Ser. A, FRN (I)<br>(cost-\$9,713,958) | Aa2/AA                         | \$9,850,000 |
| <b>CONVERTIBLE PREFERRED STOCK 0.4%</b>               |   |                                |             |
| Shares  |   |                                |             |
| <b>Banking 0.1%</b>                                   |   |                                |             |
| 4,900   | Wachovia Corp., 7.50%, 12/31/49   | A3/A-                          | 1,923,250   |
| <b>Financial Services 0.3%</b>                        |   |                                |             |
| 5,895   | Bank of America Corp., 7.25%, 12/31/49  | A1/A                           | 4,923,799   |
| 5,000   | Citigroup, Inc., 6.50%, 2/15/15   | A2/A                           | 206,250     |
|   |   |                                | 5,130,049   |
| <b>Insurance 0.0%</b>                                 |   |                                |             |
| 32,900  | American International Group, Inc., 8.50%, 8/1/11                                   | Baa1/NR                        | 282,611     |
| Total Convertible Preferred Stock (cost-\$11,664,750) |   |                                | 7,335,910   |
| <b>U.S. GOVERNMENT AGENCY SECURITIES 0.1%</b>         |   |                                |             |
| Principal<br>Amount<br>(000)                          |   |                                |             |
| \$2,000   | Ginnie Mae, 6.00%, TBA, MBS (e) (cost-\$2,053,750)                                  | Aaa/AAA                        | 2,027,188   |
| <b>SHORT-TERM INVESTMENTS 4.9%</b>                    |   |                                |             |
| <b>U.S. Treasury Bills (j) 3.3%</b>                   |   |                                |             |
| 62,350  | 0.10%-1.705%, 10/16/08-12/26/08 (cost-\$62,244,017)                                 |                                | 61,960,462  |
| <b>Corporate Notes 1.6%</b>                           |   |                                |             |
| <b>Chemicals 0.3%</b>                                 |   |                                |             |
| 5,500   | Great Lakes Chemical Corp., 7.00%, 7/15/09  | Ba2/BB                         | 5,445,000   |
| <b>Multi-Media 0.1%</b>                               |   |                                |             |
| 2,000   | CSC Holdings, Inc., 8.125%, 7/15/09   | B1/BB                          | 1,985,000   |
| <b>Oil &amp; Gas 1.2%</b>                             |   |                                |             |
| 24,000  | Ferrellgas L.P., 8.87%, 8/1/09 (a) (b) (g)  | NR/NR                          | 23,945,030  |
| Total Corporate Notes (cost-\$31,838,577)             |   |                                | 31,375,030  |
| Total Short-Term Investments (cost-\$94,082,594)      |   |                                | 93,335,492  |
| <b>OPTIONS PURCHASED (k) 0.0%</b>                     |   |                                |             |
| Contracts   |   |                                |             |
| <b>Put Options 0.0%</b>                               |   |                                |             |
| 470   |   |                                | 49,767      |

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Financial Future Euro-90 day (CME),  
strike price \$94.38, expires 12/15/08 (cost-\$4,112)

**Total Investments before options written (cost-\$2,307,493,779) 100.0%**

**1,889,699,745**

12 PIMCO High Income Fund Semi-Annual Report | 9.30.08 |

**PIMCO High Income Fund Schedule of Investments**

September 30, 2008 (unaudited) (continued)

| Contracts   | Value  |
|---|--|
| <b>OPTIONS WRITTEN (k) (0.0)%</b>   |  |
| <b>Call Options (0.0)%</b>  |  |
| 211   | U.S. Treasury Notes 10 yr. Futures (CBOT),<br>strike price \$119, expires 11/21/08 |
|   | \$(127,794)  |
| <b>Put Options (0.0)%</b>   |  |
| 211   | U.S. Treasury Notes 10 yr. Futures (CBOT),<br>strike price \$113, expires 11/21/08 |
|   | (271,426)  |
| Total Options Written (premiums received-\$253,698)                           | (399,220)  |
| <b>Total Investments net of options written (cost-\$2,307,240,081) 100.0%</b> | <b>\$1,889,300,525</b>   |

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$428,449,696 representing 22.68% of total investments.
- (b) Illiquid security.
- (c) These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the LIBOR or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted as the Fund is ordinarily contractually obligated to receive approval from the Agent bank and/or borrower prior to disposition. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on September 30, 2008.
- (d) 144A Security Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) Delayed-delivery security. To be delivered after September 30, 2008.
- (f) Security in default.
- (g) Fair-valued-securities with an aggregate value of \$53,100,811, representing 2.81% of total investments. See Note 1(a) in the Notes to Financial Statements.
- (h) Credit-linked trust certificate.
- (i) Perpetual maturity security. Maturity date shown is the first call date. Interest rate is fixed until the first call date and variable thereafter.

- (j) All or partial amount segregated as collateral for swaps.
- (k) Non-income producing.
- (l) All or partial amount segregated as collateral for reverse repurchase agreements.
- (m) Subject to Alternative Minimum Tax.

**Glossary:**

|       |   |  |
|-------|---|--|
| £     | - | British Pound  |
|       | - | Euro   |
| CBOT  | - | Chicago Board of Trade   |
| CMO   | - | Collateralized Mortgage Obligation   |
| CME   | - | Chicago Mercantile Exchange  |
| FRN   | - | Floating Rate Note. The interest rate disclosed reflects the rate in effect on September 30, 2008.   |
| LIBOR | - | London Inter-Bank Offered Rate   |
| MBS   | - | Mortgage-Backed Securities   |
| NR    | - | Not Rated  |
| PIK   | - | Payment-in-Kind  |
| TBA   | - | To Be Announced  |
| VRN   | - | Variable Rate Note. Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on September 30, 2008. |

See accompanying Notes to Financial Statements. | 9.30.08 | PIMCO High Income Fund Semi-Annual Report 13

**PIMCO High Income Fund Statement of Assets and Liabilities**

September 30, 2008 (unaudited)

**Assets:**

|   |                      |
|---|----------------------|
| Investments, at value (cost-\$2,307,493,779)                                | \$1,889,699,745      |
| Cash (including foreign currency of \$5,378,342 with a cost of \$5,592,909) | 10,463,751           |
| Receivable for investments sold   | 398,199,045          |
| Interest and dividends receivable   | 51,827,452           |
| Premium for swaps purchased   | 22,651,546           |
| Unrealized appreciation on swaps  | 10,343,699           |
| Receivable for terminated swaps   | 2,355,672            |
| Deposits with brokers for future contracts collateral                       | 2,250,200            |
| Unrealized appreciation on forward foreign currency contracts               | 2,854,260            |
| Prepaid expenses  | 64,803               |
| <b>Total Assets</b>   | <b>2,390,710,173</b> |

**Liabilities:**

|   |                    |
|---|--------------------|
| Payable for investments purchased                             | 388,130,389        |
| Unrealized depreciation on swaps                              | 59,920,395         |
| Dividends payable to common and preferred shareholders        | 14,749,385         |
| Premium for swaps sold  | 12,962,296         |
| Payable for reverse repurchase agreements                     | 9,387,000          |
| Payable for terminated swaps                                  | 2,810,065          |
| Payable for variation margin on futures contracts             | 2,592,563          |
| Unrealized depreciation of forward foreign currency contracts | 2,471,876          |
| Investment management fees payable                            | 1,181,001          |
| Contingent loss on contractual counterparty agreements        | 677,266            |
| Options written, at value (premiums received-\$253,698)       | 399,220            |
| Interest payable for reverse repurchase agreements            | 15,606             |
| Accrued expenses  | 352,141            |
| <b>Total Liabilities</b>                                      | <b>495,649,203</b> |

**Preferred shares (\$25,000 net asset and liquidation value per share applicable to an aggregate of 36,000 shares issued and outstanding)**

900,000,000

**Net Assets Applicable to Common Shareholders**

\$995,060,970

**Composition of Net Assets Applicable to Common Shareholders:**

|   |                      |
|---|----------------------|
| Common Stock:   |                      |
| Par value (\$0.00001 per share, applicable to 117,580,758 shares issued and outstanding)  | \$1,176              |
| Paid-in-capital in excess of par  | 1,670,399,043        |
| Dividends in excess of net investment income  | (16,918,860)         |
| Accumulated net realized loss   | (192,612,731)        |
| Net unrealized depreciation of investments, futures contracts, options written, swaps, foreign currency transactions and contingent loss on contractual counterparty agreements | (465,807,658)        |
| <b>Net Assets Applicable to Common Shareholders</b>   | <b>\$995,060,970</b> |
| <b>Net Asset Value Per Common Share</b>   | <b>\$8.46</b>        |

14 PIMCO High Income Fund Semi-Annual Report | 9.30.08 | See accompanying Notes to Financial Statements.

**PIMCO High Income Fund Statement of Operations**

Six Months ended September 30, 2008 (unaudited)

**Investment Income:**

|                               |               |
|-------------------------------|---------------|
| Interest                      | \$100,149,136 |
| Facility and other fee income | 293,419       |
| Dividends                     | 284,848       |
| Total Investment Income       | 100,727,403   |

**Expenses:**

|   |           |
|---|-----------|
| Investment management fees                    | 7,665,062 |
| Auction agent fees and commissions            | 1,130,352 |
| Custodian and accounting agent fees           | 217,885   |
| Shareholder communications                    | 138,517   |
| Trustees' fees and expenses                   | 87,409    |
| New York Stock Exchange listing fees          | 57,217    |
| Audit and tax services                        | 54,930    |
| Legal fees                                    | 39,015    |
| Interest expense                              | 38,733    |
| Transfer agent fees                           | 19,865    |
| Insurance expense                             | 13,585    |
| Miscellaneous                                 | 13,740    |
| Total expenses                                | 9,476,310 |
| Less: custody credits earned on cash balances | (9,376)   |
| Net expenses                                  | 9,466,934 |

**Net Investment Income** 91,260,469

**Realized and Change in Unrealized Gain (Loss):**

|  |                      |
|--|----------------------|
| Net realized gain (loss) on:   |                      |
| Investments  | (43,589,877)         |
| Futures contracts  | 3,593,331            |
| Options written  | 1,243,456            |
| Swaps  | (26,939,275)         |
| Foreign currency transactions  | 5,776,088            |
| Net change in unrealized appreciation/depreciation of:   |                      |
| Investments  | (266,636,505)        |
| Futures contracts  | (9,710,456)          |
| Options written  | (167,027)            |
| Swaps  | 14,825,329           |
| Foreign currency transactions  | (53,540)             |
| Contingent loss on contractual counterparty agreements   | (677,266)            |
| Net realized and change in unrealized loss on investments, futures contracts, options written, swaps, foreign currency transactions and contingent loss on contractual counterparty agreements | (322,335,742)        |
| <b>Net Decrease in Net Assets Resulting from Investment Operations</b>   | <b>(231,075,273)</b> |

**Dividends on Preferred Shares from Net Investment Income** (14,440,484)

**Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Investment Operations** \$(245,515,757)

See accompanying Notes to Financial Statements. | 9.30.08 | PIMCO High Income Fund Semi-Annual Report 15



**PIMCO High Income Fund Statement of Changes in Net Assets****Applicable to Common Shareholders**

|  | Six Months<br>ended<br>September 30, 2008<br>(unaudited) | Year ended<br>March 31, 2008 |
|--|--|------------------------------|
| <b>Investment Operations:</b>  |  |                              |
| Net investment income  | \$91,260,469   | \$198,212,253                |
| Net realized gain (loss) on investments, futures contracts, options written, swaps and foreign currency transactions   | (59,916,277)   | 21,521,783                   |
| Net change in unrealized appreciation/depreciation of investments, futures contracts, options written, swaps, foreign currency transactions and contingent loss on contractual counterparty agreements | (262,419,465)  | (328,722,236)                |
| Net decrease in net assets resulting from investment operations  | (231,075,273)  | (108,988,200)                |
| <b>Dividends and Distributions on Preferred Shares from:</b>   |  |                              |
| Net investment income  | (14,440,484)   | (41,838,277)                 |
| Net realized gains   | (4,379,378)  | (4,379,378)                  |
| Total dividends and distributions to preferred shareholders  | (14,440,484)   | (46,217,655)                 |
| Net decrease in net assets applicable to common shareholders resulting from investment operations  | (245,515,757)  | (155,205,855)                |
| <b>Dividends and Distributions to Common Shareholders from:</b>  |  |                              |
| Net investment income  | (85,798,178)   | (169,914,803)                |
| Net realized gains   | (85,798,178)   | (129,803,096)                |
| Total dividends and distributions to common shareholders   | (85,798,178)   | (299,717,899)                |
| <b>Capital Share Transactions:</b>   |  |                              |
| Reinvestment of dividends and distributions  | 6,649,177  | 18,376,680                   |
| Total decrease in net assets applicable to common shareholders   | (324,664,758)  | (436,547,074)                |
| <b>Net Assets Applicable to Common Shareholders:</b>   |  |                              |
| Beginning of period  | 1,319,725,728  | 1,756,272,802                |
| End of period (including dividends in excess of net investment income of \$(16,918,860) and \$(7,940,667), respectively)   | \$995,060,970  | \$1,319,725,728              |
| <b>Common Shares Issued in Reinvestment of Dividends and Distributions</b>   | 573,450  | 1,417,741                    |

16 PIMCO High Income Fund Semi-Annual Report | 9.30.08 | See accompanying Notes to Financial Statements.

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**1. Organization and Significant Accounting Policies**

PIMCO High Income Fund (the Fund), was organized as a Massachusetts business trust on February 18, 2003. Prior to commencing operations on April 30, 2003, the Fund had no operations other than matters relating to its organization and registration as a diversified, closed-end management investment company registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Fund's Investment Manager and is an indirect, wholly-owned subsidiary of Allianz Global Investors of America L.P. (Allianz Global). Allianz Global is an indirect, majority-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. The Fund has an unlimited amount of \$0.00001 par value common stock authorized.

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund attempts to achieve these objectives by investing in a diversified portfolio of U.S. dollar denominated debt obligations and other income-producing securities that are primarily rated below investment grade.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

In the normal course of business the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not been asserted. However, the Fund expects the risk of any loss to be remote.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (an Interpretation of FASB Statement No. 109) (the Interpretation). The Interpretation establishes for all entities, including pass-through entities such as the Fund, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. Fund management has determined that its evaluation of the Interpretation has resulted in no material impact to the Fund's financial statements at September 30, 2008. The Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about a fund's derivative and hedging activities. Fund management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund's financial statement disclosures.

In September 2008 FASB issued a FASB Staff Position No. 133-1 and FIN 45-4 Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP). FSP requires enhanced transparency of the effect of credit derivatives and guarantees on an issuer's financial position, financial performance and cash flows. FSP is effective for fiscal years ending after November 15, 2008. FSP applies to certain credit derivatives, hybrid

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instruments that have embedded credit derivatives (for example, credit-linked notes), and certain guarantees, and it requires additional disclosures regarding credit derivatives with sold protection. Fund management is currently evaluating the impact of this new requirement.

The following is a summary of significant accounting policies consistently followed by the Fund:

### **(a) Valuation of Investments**

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

Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees, including certain fixed income securities which may be valued with reference to securities whose prices are more readily available. The Fund's investments, including over-the-counter options, are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information

9.30.08 | PIMCO High Income Fund Semi-Annual Report **17**

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**1. Organization and Significant Accounting Policies** (continued)

provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange traded options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the net asset value ( NAV ) of the Fund 's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange ( NYSE ) is closed and the NAV may change on days when an investor is not able to purchase or sell shares.

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

**(b) Fair Value Measurement**

Effective April 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund 's own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the six months ended September 30, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized the following fair value techniques: multi-dimensional relational pricing models and option adjusted spread pricing.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of September 30, 2008 in valuing the Fund 's investments carried at value:

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| Valuation Inputs                            | Investments in Securities | Other Financial Instruments |
|---|---------------------------|-----------------------------|
| Level 1 Quoted Prices                       | \$282,611                 | \$2,322,212                 |
| Level 2 Other Significant Observable Inputs | 1,835,917,103             | (35,737,416)                |
| Level 3 Significant Unobservable Inputs     | 53,100,811                | (14,134,163)                |
| Total                                       | \$1,889,300,525           | \$(47,549,367)              |

A roll forward of fair value measurements using significant unobservable inputs (Level 3) as of September 30, 2008, were as follows:

|   | Investments in Securities | Other Financial Instruments |
|---|---------------------------|-----------------------------|
| Beginning balance, 3/31/08                | \$38,894,015              | \$(28,624,821)              |
| Net purchases (sales) and settlements     | 19,437,914                |                             |
| Accrued discounts (premiums)              | (68,004)                  |                             |
| Total realized and unrealized gain (loss) | (4,280,096)               | (10,569,438)                |
| Transfers in and/or out of Level 3        | (883,018)                 | 25,060,096                  |
| Ending balance, 9/30/08                   | \$53,100,811              | \$(14,134,163)              |

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**1. Organization and Significant Accounting Policies (continued)**

**(c) Investment Transactions and Investment Income**

Investment transactions are accounted for on the trade date. Securities purchased and sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses on investments are determined on the identified cost basis. Interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date. Facility fees and other fees (such as origination fees) received by the Fund are amortized as income over the expected term of the senior loan. Commitment fees received by the Fund relating to unfunded purchase commitments are deferred and amortized to facility fee income over the period of the commitment.

**(d) Federal Income Taxes**

The Fund intends to distribute all of its taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

**(e) Dividends and Distributions – Common Stock**

The Fund declares dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes; they are reported as dividends and/or distributions of paid-in capital in excess of par.

**(f) Foreign Currency Translation**

The Fund's accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market value of investments and other assets and liabilities denominated in foreign currency are translated at the prevailing exchange rate at the end of the period; and (2) purchases and sales, income and expenses are translated at the prevailing exchange rate on the respective dates of such transactions. The resulting net foreign currency gain or loss is included in the Statement of Operations.

The Fund does not generally isolate that portion of the results of operations arising as a result of changes in the foreign currency exchange rates from the fluctuations arising from changes in the market prices of securities. Accordingly, such foreign currency gain (loss) is included in net realized and unrealized gain (loss) on investments. However, the Fund does isolate the effect of fluctuations in foreign currency exchange rates when determining the gain or loss upon the sale or maturity of foreign currency denominated debt obligations pursuant to U.S. federal income

tax regulations; such amount is categorized as foreign currency gain or loss for both financial reporting and income tax reporting purposes.

**(g) Forward Foreign Currency Contracts**

A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. The Fund may enter into forward foreign currency contracts for the purpose of hedging against foreign currency risk arising from the investment or anticipated investment in securities denominated in foreign currencies. The Fund may also enter these contracts for purposes of increasing exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another. The market value of a forward foreign currency contract fluctuates with changes in forward currency exchange rates. All commitments are marked to market daily at the applicable exchange rates and any resulting unrealized appreciation or depreciation is recorded. Realized gains or losses are recorded at the time the forward contract matures or by delivery of the currency. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

**(h) Futures Contracts**

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Fund is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the relevant exchange. Pursuant to the contracts, the Fund agrees to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**1. Organization and Significant Accounting Policies (continued)**

of the contracts. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized appreciation or depreciation. When the contracts are closed, the Fund records a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and the underlying hedged assets, and the possible inability of counterparties to meet the terms of their contracts.

**(i) Option Transactions**

The Fund may purchase and write (sell) put and call options on securities for hedging purposes, risk management purposes or as part of its investment strategies. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premiums paid. The proceeds from securities sold through the exercise of put options is decreased by the premiums paid.

When an option is written, the premium received is recorded as an asset with an equal liability which is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statement of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchased transactions, as a realized loss. If a call option written by the Fund is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a put option written is exercised, the premium reduces the cost basis of the security. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security underlying the written option. Exercise of a written option could result in the Fund purchasing a security at a price different from the current market value.

**(j) Interest Rate/Credit Default Swaps**

The Fund enters into interest rate and credit default swap contracts ( swaps ) for investment purposes, to manage its interest rate and credit risk or to add leverage. As a seller in the credit default swap contract, the Fund would be required to pay the notional amount or other agreed-upon value of a referenced debt obligation to the counterparty in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the referenced debt obligation. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. Such periodic payments are accrued daily and recorded as realized gain (loss).



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The Fund may also purchase credit default swap contracts in order to hedge against the risk of default of debt securities held, in which case the Fund would function as the counterparty referenced in the preceding paragraph. As a purchaser of a credit default swap contract, the Fund would receive the notional amount or other agreed upon value of a referenced debt obligation from the counterparty in the event of default by a third party, such as a U.S. or foreign corporate issuer on the referenced debt obligation. In return, the Fund would make periodic payments to the counterparty over the term of the contract provided no event of default has occurred. Such periodic payments are accrued daily and recorded as realized gain (loss).

Interest rate swap agreements involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. Net periodic payments received (paid) by the Fund are included as part of realized gain (loss) and net periodic payments accrued, but not yet received (paid) are included in change in the unrealized appreciation/depreciation on the Statement of Operations.

Swaps are marked to market daily based upon quotations from brokers or market makers and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Fund's Statement of Operations. For a credit default swap sold by the Fund, payment of the agreed upon amount made by the Fund in the event of default of the referenced debt obligation is recorded as the cost of the referenced debt obligation purchased/received. For a credit default swap purchased by the Fund, the agreed upon amount received by the Fund in the event of default of the referenced debt obligation is recorded as proceeds from sale/delivery of the referenced debt obligation and the resulting gain or loss realized on the referenced debt obligation is recorded as such by the Fund.

20 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**1. Organization and Significant Accounting Policies (continued)**

Entering into swaps involves, to varying degrees, elements of credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in net interest rates.

**(k) Senior Loans**

The Fund purchases assignments of Senior Loans originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (the Lender). When purchasing an assignment, the Fund succeeds all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

**(l) Reverse Repurchase Agreements**

In a reverse repurchase agreement, the Fund sells securities to a bank or broker-dealer and agrees to repurchase the securities at a mutually agreed date and price. Generally, the effect of such a transaction is that the Fund can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to the Fund of the reverse repurchase transaction is less than the returns it obtains on investments purchased with the cash. Unless the Fund covers its positions in reverse repurchase agreements (by segregating liquid assets at least equal in amount to the forward purchase commitment), its obligations under the agreements will be subject to the Fund's limitations on borrowings. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Fund is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities.

**(m) When-Issued/Delayed-Delivery Transactions**

The Fund may purchase or sell securities on a when-issued or delayed-delivery basis. The transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Fund will set aside and maintain until the settlement date in a designated account, liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations; consequently, such fluctuations are taken into account when determining the net asset value. The Fund may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell when-issued securities before they are delivered, which may result in a realized gain or loss. When a security on a delayed-delivery basis is sold, the Fund does not participate in future gains and losses with respect to the security.

**(n) Credit-Linked Trust Certificates**

Credit-linked trust certificates are investments in a limited purpose trust or other vehicle formed under state law which, in turn, invests in a basket of derivative instruments, such as credit default swaps, interest rate swaps and other securities, in order to provide exposure to the high yield or another fixed income market.

Similar to an investment in a bond, investments in credit-linked trust certificates represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the certificate. However, these payments are conditioned on the trust's receipt of payments from, and the trust's potential obligations to, the counterparties to the derivative instruments and other securities in which the trust invests.

**(o) Custody Credits Earned on Cash Balances**

The Fund benefits from an expense offset arrangement with its custodian bank whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income producing securities, they would have generated income for the Fund.

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**2. Investment Manager and Sub-Adviser**

The Fund has entered into an Investment Management Agreement (the "Agreement") with the Investment Manager. Subject to the supervision of the Fund's Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund's investment activities, business affairs and administrative matters. Pursuant to the Agreement, the Investment Manager receives an annual fee, payable on a monthly basis at the annual rate of 0.70% of the Fund's average daily net assets, inclusive of net assets attributable to any preferred shares that may be outstanding.

The Investment Manager has retained its affiliate, Pacific Investment Management Company LLC, (the "Sub-Adviser") to manage the Fund's investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Fund's investment decisions. The Investment Manager, not the Fund, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

**3. Investments in Securities**

For the six months ended September 30, 2008, purchases and sales of investments, other than short-term securities and U.S. Government obligations, were \$3,437,468,691 and \$3,535,465,047, respectively.

(a) Futures contracts outstanding at September 30, 2008:

| Type  |                              | Contracts | Market Value (000) | Expiration Date | Unrealized Appreciation (Depreciation) |
|-------|------------------------------|-----------|--------------------|-----------------|--|
| Long: | Financial Future Euro 90 day | 763       | \$185,094          | 3/16/09         | \$2,850,693                            |
|       | Financial Future Euro 90 day | 859       | 208,222            | 6/15/09         | 161,973                                |
|       | Financial Future Euro 90 day | 95        | 22,933             | 12/14/09        | 319,834                                |
|       | U.S. Treasury Bond Futures   | 2,640     | 302,610            | 12/19/08        | (1,010,288)                            |
|       |                              |           |                    |                 | \$2,322,212                            |

The Fund pledged \$2,250,200 in cash as collateral for futures contracts.

(b) Transactions in options written for the six months ended September 30, 2008:

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|   | Notional/Contracts | Premiums    |
|---|--------------------|-------------|
| Options outstanding, March 31, 2008                 | 12,800,000         | \$242,140   |
| Options written                                     | 96,501,186         | 1,347,514   |
| Options terminated in closing purchase transactions | (109,300,764)      | (1,335,956) |
| Options outstanding, September 30, 2008             | 422                | \$253,698   |

(c) Credit default swap contracts outstanding at September 30, 2008:

| Swap Counterparty/<br>Referenced Debt Issuer | Notional<br>Amount<br>Payable on<br>Default<br>(000) | Termination<br>Date | Payments<br>Received<br>(Paid)<br>By Fund | Unrealized<br>Appreciation<br>(Depreciation) |
|--|--|---------------------|---|--|
| Bank of America:                             |  |                     |   |  |
| AES  | \$5,000  | 6/20/10             | (2.60)%                                   | \$37,726                                     |
| Georgia-Pacific                              | 9,500  | 6/20/13             | 6.00%                                     | 375,243                                      |
| GMAC   | 600  | 9/20/10             | 5.00%                                     | (160,188)                                    |
| HCA  | 8,000  | 9/1/10              | (3.73)%                                   | (42,590)                                     |
| HCA  | 2,000  | 9/20/13             | 4.65%                                     | (88,015)                                     |
| Windstream                                   | 5,000  | 9/20/13             | (3.08)%                                   | 4,342  |
| Windstream                                   | 5,000  | 9/20/13             | (2.78)%                                   | 71,130                                       |
| Barclays Bank:                               |  |                     |   |  |
| Dow Jones CDX                                | 3,960  | 12/20/12            | (3.75)%                                   | 96,565                                       |
| Dow Jones CDX                                | 10,000   | 12/20/12            | 0.758%                                    | 135,452                                      |

22 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**3. Investments in Securities (continued)**

| Swap Counterparty/<br>Referenced Debt Issuer | Notional<br>Amount<br>Payable on<br>Default<br>(000) | Termination<br>Date | Payments<br>Received<br>(Paid)<br>By Fund | Unrealized<br>Appreciation<br>(Depreciation) |
|--|--|---------------------|---|--|
| Citigroup:                                   |  |                     |   |  |
| Celestica                                    | \$5,500  | 9/20/13             | 4.35%                                     | \$(24,407)                                   |
| Countrywide Financial                        | 10,000   | 11/20/08            | (3.00)%                                   | 7,118  |
| Dynegy                                       | 1,950  | 9/20/13             | 4.40%                                     | (160,788)                                    |
| El Paso                                      | 2,550  | 9/20/13             | 2.55%                                     | (64,452)                                     |
| Freescale Semiconductor                      | 8,800  | 9/20/13             | 5.00%                                     | (680,441)                                    |
| LCDX   | 15,000   | 12/20/12            | 2.25%                                     | (836,248)                                    |
| Nalco  | 1,000  | 9/20/13             | 4.05%                                     | (10,607)                                     |
| Williams Co.                                 | 4,000  | 10/1/10             | (0.77)%                                   | 541  |
| Credit Suisse First Boston:                  |  |                     |   |  |
| Masco  | 10,000   | 9/20/09             | 2.20%                                     | (5,882)                                      |
| RadioShack                                   | 8,000  | 9/20/13             | (2.05)%                                   | (101,237)                                    |
| CS First Boston:                             |  |                     |   |  |
| Forest Oil                                   | 5,000  | 9/20/12             | 3.06%                                     | (14,477)                                     |
| Sanmina                                      | 2,800  | 9/20/12             | 4.22%                                     | (162,102)                                    |
| Deutsche Bank:                               |  |                     |   |  |
| Dow Jones CDX                                | 2,400  | 6/20/13             | (1.55)%                                   | (19,849)                                     |
| Dow Jones CDX                                | 42,900   | 6/20/13             | 1.55%                                     | 537,152                                      |
| Dow Jones CDX                                | 5,000  | 12/20/17            | (7.90)%                                   | 776,172                                      |
| Dow Jones CDX                                | 2,000  | 12/20/12            | 0.76%                                     | 27,289                                       |
| Masco  | 10,000   | 9/20/13             | (2.41)%                                   | 130,750                                      |
| SunGard Data Systems                         | 1,950  | 9/20/13             | 4.50%                                     | (158,449)                                    |
| Goldman Sachs:                               |  |                     |   |  |
| ARAMARK                                      | 2,700  | 9/20/13             | 4.50%                                     | (49,112)                                     |
| Autozone                                     | 8,000  | 9/20/13             | (0.775)%                                  | 59,483                                       |
| Community Health Systems                     | 5,000  | 6/20/13             | 5.20%                                     | 19,178                                       |
| Gap  | 10,000   | 9/20/13             | (1.02)%                                   | (42,417)                                     |
| GMAC   | 15,000   | 3/20/12             | 6.45%                                     | (7,385,752)                                  |
| NRG Energy                                   | 5,000  | 9/20/13             | 4.20%                                     | (167,518)                                    |
| Reliant Energy                               | 3,640  | 9/20/13             | 3.85%                                     | (538,468)                                    |
| Station Casinos                              | 300  | 6/20/13             | 5.00%                                     | (96,744)                                     |
| Waste Management                             | 10,000   | 6/20/13             | (1.13)%                                   | (47,083)                                     |
| JPMorgan Chase:                              |  |                     |   |  |
| Eastman Kodak                                | 2,000  | 6/20/13             | (4.61)%                                   | (78,167)                                     |
| Eastman Kodak                                | 7,000  | 6/20/13             | (4.50)%                                   | (243,157)                                    |
| GMAC   | 3,000  | 3/20/12             | 2.11%                                     | (1,623,024)                                  |
| Hertz  | 5,000  | 6/20/10             | (4.95)%                                   | 13,705                                       |
| Smurfit-Stone Container                      | 4,700  | 12/20/09            | 2.30%                                     | (148,083)                                    |
| Merrill Lynch & Co.:                         |  |                     |   |  |
| Dow Jones CDX                                | 56,000   | 12/20/11            | 3.55%                                     | (627,367)                                    |
| Dow Jones CDX                                | 25,200   | 12/20/10            | 4.53%                                     | 770,546                                      |
| Dow Jones CDX                                | 19,300   | 12/20/12            | 3.23%                                     | (2,020,957)                                  |

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|                     |        |          |       |             |
|---------------------|--------|----------|-------|-------------|
| Dow Jones CDX       | 10,000 | 12/20/12 | 3.51% | (944,419)   |
| Dow Jones CDX       | 4,968  | 12/20/10 | 1.55% | 43,231      |
| GMAC                | 23,000 | 9/20/13  | 5.00% | (5,737,658) |
| Hertz               | 5,000  | 9/20/15  | 6.85% | (66,029)    |
| Residential Capital | 8,300  | 12/20/08 | 5.00% | (158,071)   |

9.30.08 | PIMCO High Income Fund Semi-Annual Report **23**

## PIMCO High Income Fund Notes to Financial Statements

September 30, 2008 (unaudited)

## 3. Investments in Securities (continued)

| Swap Counterparty/<br>Referenced Debt Issuer | Notional<br>Amount<br>Payable on<br>Default<br>(000) | Termination<br>Date | Payments<br>Received<br>(Paid)<br>By Fund | Unrealized<br>Appreciation<br>(Depreciation) |
|--|--|---------------------|---|--|
| Morgan Stanley:                              |  |                     |   |  |
| Albertsons                                   | \$3,600  | 8/1/09              | (0.85)%                                   | \$(6,435)                                    |
| Great Lakes Chemical                         | 5,500  | 7/15/09             | (0.37)%                                   | (15,050)                                     |
| Nucor  | 10,000   | 3/20/13             | (0.80)%                                   | 57,551                                       |
| Royal Bank of Scotland:                      |  |                     |   |  |
| Bombardier                                   | 7,000  | 6/20/12             | (1.95)%                                   | (32,791)                                     |
| Kinder Morgan                                | 5,000  | 9/20/12             | (1.47)%                                   | 17,441                                       |
| UBS:   |  |                     |   |  |
| V.F. BP                                      | 10,000   | 3/20/13             | (0.73)%                                   | 17,153                                       |
|  |  |                     |   | \$(19,360,266)                               |

(d) Interest rate swap agreements outstanding at September 30, 2008:

| Swap Counterparty | Notional<br>Amount<br>(000) | Termination<br>Date | Rate Type                   |                                 | Unrealized<br>Appreciation<br>(Depreciation) |
|-------------------|-----------------------------|---------------------|-----------------------------|---------------------------------|--|
|                   |                             |                     | Payments<br>Made by<br>Fund | Payments<br>Received by<br>Fund |  |
| Bank of America   | \$ 483,300                  | 12/17/10            | 3-Month USD-LIBOR           | 4.00%                           | \$1,846,322                                  |
| Bank of America   | 17,800                      | 12/17/28            | 5.00%                       | 3-Month<br>USD-LIBOR            | (563,013)                                    |
| Bank of America   | 42,500                      | 12/17/38            | 5.00%                       | 3-Month<br>USD-LIBOR            | (3,508,817)                                  |
| Barclays Bank     | 22,200                      | 12/17/10            | 3-Month USD-LIBOR           | 4.00%                           | (256,762)                                    |
| Barclays Bank     | BRL 110,200                 | 1/2/12              | BRL-CDI-Compounded          | 10.68%                          | (4,370,261)                                  |
| Citigroup         | MXN 133,000                 | 5/14/09             | 28-Day Mexico               |                                 |  |
|                   |                             |                     | Interbank TIIE<br>Banxico   | 7.91%                           | (38,164)                                     |
| Citigroup         | \$ 36,900                   | 12/17/15            | 3-Month USD-LIBOR           | 5.00%                           | 369,800                                      |
| Citigroup         | 26,400                      | 12/17/28            | 5.00%                       | 3-Month<br>USD-LIBOR            | (1,242,382)                                  |
| Citigroup         | 7,800                       | 12/17/38            | 5.00%                       | 3-Month<br>USD-LIBOR            | (467,108)                                    |
| Deutsche Bank     | 99,800                      | 6/17/10             | 3-Month USD-LIBOR           | 4.00%                           | 223,337                                      |
| Deutsche Bank     | £ 400                       | 9/15/10             | 6-Month GBP-LIBOR           | 5.00%                           | 1,125  |
| Deutsche Bank     | \$ 304,600                  | 12/17/10            | 3-Month USD-LIBOR           | 4.00%                           | (9,213)                                      |
| Goldman Sachs     | BRL 18,000                  | 1/2/12              | BRL-CDI-Compounded          | 10.15%                          | (769,216)                                    |



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|                     |     |        |          |                    |                      |           |
|---------------------|-----|--------|----------|--------------------|----------------------|-----------|
| Goldman Sachs       | \$  | 20,570 | 12/17/15 | 3-Month USD-LIBOR  | 5.00%                | 138,574   |
| Goldman Sachs       | £   | 300    | 9/17/18  | 5.25%              | 6-Month<br>GBP-LIBOR | (15,896)  |
| Goldman Sachs       | \$  | 6,600  | 12/17/28 | 5.00%              | 3-Month<br>USD-LIBOR | (256,649) |
| Goldman Sachs       | £   | 200    | 3/18/39  | 5.00%              | 6-Month<br>GBP-LIBOR | (14,545)  |
| HSBC Bank           | BRL | 9,800  | 1/2/12   | BRL-CDI-Compounded | 14.765%              | (13,160)  |
| JPMorgan Chase      | \$  | 25,100 | 12/17/09 | 3-Month USD-LIBOR  | 4.00%                | (30,591)  |
| JPMorgan Chase      | BRL | 11,600 | 1/2/12   | BRL-CDI-Compounded | 14.765%              | 20,580    |
| JPMorgan Chase      |     | 19,000 | 9/17/13  | 4.75%              | 6-Month<br>EUR-LIBOR | 87,374    |
| JPMorgan Chase      |     | 10,500 | 9/17/18  | 5.00%              | 6-Month<br>EUR-LIBOR | (193,434) |
| Merrill Lynch & Co. | \$  | 34,000 | 6/17/10  | 3-Month USD-LIBOR  | 4.00%                | 367,020   |
| Merrill Lynch & Co. |     | 22,200 | 12/17/10 | 3-Month USD-LIBOR  | 4.00%                | (258,316) |
| Merrill Lynch & Co. | BRL | 9,500  | 1/2/12   | BRL-CDI-Compounded | 14.765%              | (17,328)  |
| Merrill Lynch & Co. | \$  | 1,700  | 12/17/23 | 5.00%              | 3-Month<br>USD-LIBOR | (29,761)  |

## PIMCO High Income Fund Notes to Financial Statements

September 30, 2008 (unaudited)

## 3. Investments in Securities (continued)

| Swap Counterparty      | Notional Amount (000) |         | Termination Date | Rate Type                           |                           | Unrealized Appreciation (Depreciation) |
|------------------------|-----------------------|---------|------------------|-------------------------------------|---------------------------|--|
|                        |                       |         |                  | Payments made by Fund               | Payments received by Fund |  |
| Morgan Stanley         | MXN                   | 162,000 | 5/14/09          | 28-Day Mexico Interbank TIE Banxico | 7.91%                     | \$(46,751)                             |
| Morgan Stanley         | \$                    | 323,900 | 12/17/10         | 3-Month USD-LIBOR                   | 4.00%                     | 650,453                                |
| Morgan Stanley         | BRL                   | 174,100 | 1/2/12           | BRL-CDI-Compounded                  | 10.115%                   | (8,385,338)                            |
| Morgan Stanley         | \$                    | 4,000   | 12/17/15         | 3-Month USD-LIBOR                   | 5.00%                     | 64,547                                 |
| Morgan Stanley         |                       | 222,900 | 12/17/18         | 5.00%                               | 3-Month USD-LIBOR         | (6,408,065)                            |
| Morgan Stanley         |                       | 156,500 | 12/17/38         | 5.00%                               | 3-Month USD-LIBOR         | (10,451,961)                           |
| Royal Bank of Scotland |                       | 96,400  | 6/17/10          | 3-Month USD-LIBOR                   | 4.00%                     | 1,057,722                              |
| Royal Bank of Scotland |                       | 157,700 | 12/17/10         | 3-Month USD-LIBOR                   | 4.00%                     | 747,756                                |
| Royal Bank of Scotland |                       | 97,800  | 12/17/15         | 3-Month USD-LIBOR                   | 5.00%                     | 1,571,321                              |
| Royal Bank of Scotland |                       | 100     | 12/17/23         | 5.00%                               | 3-Month USD-LIBOR         | (2,365)                                |
| Royal Bank of Scotland |                       | 200     | 12/17/38         | 5.00%                               | 3-Month USD-LIBOR         | (13,265)                               |
|                        |                       |         |                  |                                     |                           | \$(30,216,430)                         |

The Fund received \$18,750,000 par value in U.S. Treasury Bills as collateral for swap contracts.

BRL Brazilian Real

CDI Inter-bank Deposit Certificate

EUR/ Euro

GBP/£ British Pound

LIBOR London Inter-Bank Offered Rate

MXN Mexican Peso

TIE Inter-bank Equilibrium Interest Rate

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(e) Forward foreign currency contracts outstanding at September 30, 2008:

|  | U.S. \$ Value on<br>Origination Date | U.S. \$ Value<br>September 30, 2008 | Unrealized<br>Appreciation<br>(Depreciation) |
|--|--------------------------------------|-------------------------------------|--|
| <u>Purchased:</u>                          |                                      |                                     |  |
| 34,557,900 Brazilian Real settling 12/2/08 | \$20,168,018                         | \$17,704,749                        | \$(2,463,269)                                |
| 42,356,000 Euro settling 10/3/08           | 59,467,824                           | 59,501,566                          | 33,742                                       |
| <u>Sold:</u>                               |                                      |                                     |  |
| 2,245,498 Brazilian Real settling 12/2/08  | 1,379,702                            | 1,150,417                           | 229,285                                      |
| 42,356,000 Euro settling 10/3/08           | 61,996,477                           | 59,501,566                          | 2,494,911                                    |
| 42,356,000 Euro settling 10/16/08          | 59,573,714                           | 59,582,321                          | (8,607)                                      |
| 3,265,000 British Pound settling 11/3/08   | 5,931,525                            | 5,835,203                           | 96,322                                       |
|  |                                      |                                     | \$382,384                                    |

(f) Open reverse repurchase agreements at September 30, 2008:

| Counterparty        | Rate  | Trade Date | Maturity Date | Principal & Interest | Par         |
|---------------------|-------|------------|---------------|----------------------|-------------|
| Merrill Lynch & Co. | 2.85% | 9/10/08    | 10/14/08      | \$9,402,606          | \$9,387,000 |

The weighted average daily balance of reverse repurchase agreements outstanding during the six months ended September 30, 2008 was \$9,387,000 at a weighted average interest rate of 2.85%.

**PIMCO High Income Fund Notes to Financial Statements**

September 30, 2008 (unaudited)

**3. Investments in Securities (continued)**

Details of underlying collateral for open reverse repurchase agreements at September 30, 2008, as reflected in the Schedule of Investments:

| Counterparty        | Description                 | Rate   | Maturity Date | Par          | Market Value |
|---------------------|-----------------------------|--------|---------------|--------------|--------------|
| Merrill Lynch & Co. | Countrywide Financial Corp. | 1.253% | 4/15/37       | \$10,000,000 | \$9,850,000  |

**4. Income Tax Information**

The cost basis of portfolio securities of \$2,307,493,779 is substantially the same for both federal income tax and financial reporting purposes. Aggregate gross unrealized appreciation for securities in which there is an excess value over tax cost is \$5,974,431; aggregate gross unrealized depreciation for securities in which there is an excess of tax cost over value is \$423,768,465; net unrealized depreciation for federal income tax purposes is \$417,794,034.

**5. Auction-Rate Preferred Shares**

The Fund has issued 7,200 shares of Preferred Shares Series M, 7,200 shares of Preferred Shares Series T, 7,200 shares of Preferred Shares Series W, 7,200 shares of Preferred Shares Series TH and 7,200 shares of Preferred Shares Series F, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

Dividends and distributions of net realized long-term capital gains, if any, are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures.

For the six months ended September 30, 2008, the annualized dividend rates ranged from:

|           | High   | Low    | At September 30, 2008 |
|-----------|--------|--------|-----------------------|
| Series M  | 4.413% | 2.912% | 3.287%                |
| Series T  | 4.023% | 2.927% | 4.023%                |
| Series W  | 3.933% | 2.927% | 3.573%                |
| Series TH | 4.713% | 2.957% | 4.713%                |
| Series F  | 4.473% | 2.927% | 4.278%                |

**6. Subsequent Common Dividend Declaration**

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On October 1, 2008, a dividend of \$0.121875 per share was declared to common shareholders payable November 3, 2008 to shareholders of record on October 11, 2008.

See Subsequent Event Postponement of Payment and Declaration of Common Share Dividend

### 7. Legal Proceedings

In June and September 2004, the Investment Manager and certain of its affiliates (including PEA Capital LLC ( PEA ), Allianz Global Investors Distributors LLC and Allianz Global Investors of America L.P.), agreed to settle, without admitting or denying the allegations, claims brought by the Securities and Exchange Commission and the New Jersey Attorney General alleging violations of federal and state securities laws with respect to certain open-end funds for which the Investment Manager serves as investment adviser. The settlements related to an alleged market timing arrangement in certain open-end funds formerly sub-advised by PEA. The Investment Manager and its affiliates agreed to pay a total of \$68 million to settle the claims. In addition to monetary payments, the settling parties agreed to undertake certain corporate governance, compliance and disclosure reforms related to market timing, and consented to cease and desist orders and censures. Subsequent to these events, PEA deregistered and dissolved. None of the settlements alleged that any inappropriate activity took place with respect to the Fund.

Since February 2004, the Investment Manager and certain of its affiliates and their employees have been named as defendants in a number of pending lawsuits concerning market timing which allege the same or similar conduct underlying the regulatory settlements discussed above. The market timing lawsuits have been consolidated in a multi-district litigation proceeding in the U. S. District Court of Maryland. Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against the Investment Manager or its affiliates or related injunctions.

The Investment Manager and the Sub-Adviser believe that these matters are not likely to have a material adverse effect on the Fund or on their ability to perform their respective investment advisory activities relating to the Fund.

The foregoing speaks only as of the date hereof.

26 PIMCO High Income Fund Semi-Annual Report | 9.30.08

**PIMCO High Income Fund Financial Highlights**

For a share of common stock outstanding throughout each period:

|  | Six Months<br>ended<br>September 30, 2008<br>(unaudited) | 2008        | Year ended March 31,<br>2007 |             | 2006        | 2005        | For the period<br>April 30, 2003*<br>through<br>March 31, 2004 |
|--|--|-------------|------------------------------|-------------|-------------|-------------|--|
| Net asset value, beginning of period   | \$11.28  | \$15.19     | \$15.02                      | \$15.02     | \$15.02     | \$15.45     | \$14.33**  |
| <b>Investment Operations:</b>  |  |             |                              |             |             |             |  |
| Net investment income  | 0.77   | 1.71        | 1.68                         | 1.66        | 1.65        | 1.65        | 1.28   |
| Net realized and change in unrealized gain (loss) on investments, futures contracts, options written, swaps, unfunded loan commitments, foreign currency transactions and contingent loss on contractual counterparty agreements | (2.74)   | (2.64)      | 0.67                         | 0.13        | 0.03        | 0.03        | 1.23   |
| Total from investment operations   | (1.97)   | (0.93)      | 2.35                         | 1.79        | 1.68        | 1.68        | 2.51   |
| <b>Dividends and Distributions on Preferred Shares from:</b>   |  |             |                              |             |             |             |  |
| Net investment income  | (0.12)   | (0.36)      | (0.36)                       | (0.29)      | (0.14)      | (0.14)      | (0.07)   |
| Net realized gains   |  | (0.04)      | (0.03)                       | (0.00)(a)   | (0.01)      | (0.01)      |  |
| Total dividends and distributions on preferred shares  | (0.12)   | (0.40)      | (0.39)                       | (0.29)      | (0.15)      | (0.15)      | (0.07)   |
| Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations   | (2.09)   | (1.33)      | 1.96                         | 1.50        | 1.53        | 1.53        | 2.44   |
| <b>Dividends and Distributions to Common Shareholders from:</b>  |  |             |                              |             |             |             |  |
| Net investment income  | (0.73)   | (1.46)      | (1.46)                       | (1.46)      | (1.51)      | (1.51)      | (1.22)   |
| Net realized gains   |  | (1.12)      | (0.33)                       | (0.04)      | (0.45)      | (0.45)      |  |
| Total dividends and distributions to common shareholders   | (0.73)   | (2.58)      | (1.79)                       | (1.50)      | (1.96)      | (1.96)      | (1.22)   |
| <b>Capital Share Transactions:</b>   |  |             |                              |             |             |             |  |
| Common stock offering costs charged to paid in capital in excess of par  |  |             |                              |             |             |             | (0.01)   |
| Preferred shares offering costs/ underwriting discounts charged to paid-in capital in excess of par  |  |             |                              |             |             |             | (0.09)   |
| Total capital share transactions   |  |             |                              |             |             |             | (0.10)   |
| Net asset value, end of period   | \$8.46   | \$11.28     | \$15.19                      | \$15.02     | \$15.02     | \$15.02     | \$15.45  |
| Market price, end of period  | \$8.54   | \$11.72     | \$15.96                      | \$15.07     | \$14.08     | \$14.08     | \$14.78  |
| <b>Total Investment Return (1)</b>   | (22.13)%   | (10.55)%    | 19.29%                       | 18.35%      | 8.81%       | 8.81%       | 7.08%  |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>   |  |             |                              |             |             |             |  |
| Net assets applicable to common shareholders, end of period (000)  | \$995,061  | \$1,319,726 | \$1,756,273                  | \$1,720,103 | \$1,716,259 | \$1,716,259 | \$1,765,102  |
| Ratio of expenses to average net assets including interest expense (2)(3)  | 1.47%(4)   | 1.53%       | 1.55%                        | 1.28%       | 1.26%       | 1.26%       | 1.18%(4)   |
|  | 1.47%(4)   | 1.32%       | 1.28%                        | 1.27%       | 1.26%       | 1.26%       | 1.18%(4)   |

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|   |           |          |          |          |          |          |
|---|-----------|----------|----------|----------|----------|----------|
| Ratio of expenses to average net assets excluding interest expense (2)(3) |           |          |          |          |          |          |
| Ratio of net investment income to average net assets (2)                  | 14.18%(4) | 12.49%   | 11.29%   | 11.02%   | 10.68%   | 9.34%(4) |
| Preferred shares asset coverage per share                                 | \$27,639  | \$61,644 | \$73,758 | \$72,762 | \$72,662 | \$74,024 |
| Portfolio turnover  | 147%      | 99%      | 53%      | 65%      | 40%      | 73%      |

\* Commencement of operations.

\*\* Initial public offering price of \$15.00 per share less underwriting discount of \$0.675 per share.

(a) Less than \$0.005 per common share.

(1) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day of each period and a sale at the current market price on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges. Total investment return for a period of less than one year is not annualized.

(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See note 1(o) in Notes to Financial Statements).

(4) Annualized.

See accompanying Notes to Financial Statements. | 9.30.08 | PIMCO High Income Fund Semi-Annual Report 27

**PIMCO High Income Fund Matters Relating to the Trustees Consideration of the Investment Management and Portfolio Management Agreements (unaudited)**

The Investment Company Act of 1940 requires that both the full Board of Trustees (the Trustees ) and a majority of the non-interested ( Independent ) Trustees, voting separately, approve the Fund's Management Agreements (the Advisory Agreements ) with the Investment Manager and Portfolio Management Agreement (the Sub-Advisory Agreement , and together with the Advisory Agreement, the Agreements ) between the Investment Manager and the Sub-Adviser. The Trustees met on June 10-11, 2008 (the contract review meeting ) for the specific purpose of considering whether to approve the Advisory Agreement and the Sub-Advisory Agreement. The Independent Trustees were assisted in their evaluation of the Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately from Fund management during the contract review meeting.

Based on their evaluation of factors that they deemed to be material, including those factors described below, the Board of Trustees, including a majority of the Independent Trustees, concluded that the continuation of the Fund's Advisory Agreements and the Sub-Advisory Agreements should be approved for a one-year period commencing July 1, 2008.

In connection with their deliberations regarding the continuation of the Agreements, the Trustees, including the Independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. As described below, the Trustees considered the nature, quality, and extent of the various investment management, administrative and other services performed by the Investment Manager or the Sub-Adviser under the applicable Agreements.

In connection with their contract review meeting, the Trustees received and relied upon materials provided by the Investment Manager which included, among other items: (i) information provided by Lipper Inc. ( Lipper ) on the total return investment performance (based on net assets) of the Fund for various time periods and the investment performance of a group of funds with substantially similar investment classifications/objectives as the Fund identified by Lipper and the performance of applicable benchmark indices, (ii) information provided by Lipper on the Fund's management fees and other expenses and the management fees and other expenses of comparable funds identified by Lipper, (iii) information regarding the investment performance and management fees of comparable portfolios of other clients of the Sub-Adviser, including institutional separate accounts and other clients, (iv) the profitability to the Investment Manager and the Sub-Adviser from their relationship with the Fund for the twelve months ended March 31, 2008, (v) descriptions of various functions performed by the Investment Manager and the Sub-Adviser for the Fund, such as portfolio management, compliance monitoring and portfolio trading practices, and (vi) information regarding the overall organization of the Investment Manager and the Sub-Adviser, including information regarding senior management, portfolio managers and other personnel providing investment management, administrative and other services to the Fund.

The Trustees' conclusions as to the continuation of the Agreement were based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors.

As part of their review, the Trustees examined the Investment Manager's and the Sub-Adviser's ability to provide high quality investment management and other services to the Fund. The Trustees considered the investment philosophy and research and decision-making processes of the Sub-Adviser; the experience of key advisory personnel of the Sub-Adviser responsible for portfolio management of the Fund; the ability of the Investment Manager and the Sub-Adviser to attract and retain capable personnel; the capability and integrity of the senior management and staff of the Investment Manager and the Sub-Adviser; and the level of skill required to manage the Fund. In addition, the Trustees reviewed the quality of the Investment Manager's and the Sub-Adviser's services with respect to regulatory compliance and compliance with the investment policies of the Fund; the nature and quality of certain administrative services the Investment Manager is responsible for providing to the Fund;



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and conditions that might affect the Investment Manager's or the Sub-Adviser's ability to provide high quality services to the Fund in the future under the Agreements, including each organization's respective business reputation, financial condition and operational stability. Based on the foregoing, the Trustees concluded that the Sub-Adviser's investment process, research capabilities and philosophy were well suited to the Fund given their investment objectives and policies, and that the Investment Manager and the Sub-Adviser would be able to continue to meet any reasonably foreseeable obligations under the Agreements.

Based on information provided by Lipper, the Trustees also reviewed the Fund's total return investment performance as well as the performance of comparable funds identified by Lipper. In the course of their deliberations, the Trustees took into account information provided by the Investment Manager in connection with the contract review meeting,

28 PIMCO High Income Fund Semi-Annual Report I  
9.30.08

**PIMCO High Income Fund Matters Relating to the Trustees' Consideration of the Investment Management and Portfolio Management Agreements (unaudited) (continued)**

as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance.

In assessing the reasonableness of the Fund's fees under the Agreements, the Trustees considered, among other information, each Fund's management fee and the total expense ratio as a percentage of average net assets attributable to common shares and the management fee and total expense ratios of comparable funds identified by Lipper.

For the Fund, the Trustees specifically took note of how the Fund compared to its Lipper peers as to performance, management fee expenses and total expenses. The Trustees noted that the Investment Manager had provided a memorandum containing comparative information on the performance and expenses information of the Fund compared to the their Lipper peer categories. The Trustees noted that while the Fund is not charged a separate administration fee, it was not clear whether the peer funds in the Lipper categories were charged such a fee by their investment managers.

The Trustees noted that the Fund outperformed its peer group's median and low returns but had underperformed its peer group's high returns for the one-year and three-year periods ended March 31, 2008. The Trustees also noted that the Fund's expense ratio was below the high for its peer group but was above the median and the low for its peer group.

After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the Agreement, that they were satisfied with the Investment Manager's and the Sub-Adviser's responses and efforts relating to investment performance and the comparative positioning of the Fund with respect to the management fee paid to the Investment Manager.

The Trustees also considered the management fees charged by the Sub-Advisers to other clients, including institutional separate accounts with investment strategies similar to those of the Fund. Regarding the institutional separate accounts, they noted that the management fees paid by the Fund are generally higher than the fees paid by these clients of the Sub-Adviser, but were advised that the administrative burden for the Investment Manager and the Sub-Advisers with respect to the Fund are also relatively higher, due in part to the more extensive regulatory regime to which the Fund are subject in comparison to institutional separate accounts. The Trustees noted that the management fees paid by the Fund were generally higher than the fees paid by the open-end funds offered for comparison but were advised that there are additional portfolio management challenges in managing the Fund, such as the use of leverage and meeting a regular dividend.

The Trustees also took into account that the Fund has preferred shares outstanding, which increases the amount of fees received by the Investment Manager and the Sub-Adviser under the Agreements (because the fees are calculated based on either the Fund's net assets or total managed assets, including assets attributable to preferred shares and other forms of leverage outstanding but not deducting any liabilities connected to the leverage). In this regard, the Trustees took into account that the Investment Manager and the Sub-Adviser have a financial incentive for the Fund to continue to have preferred shares outstanding, which may create a conflict of interest between the Investment Manager and the Sub-Adviser, on one hand, and the Fund's common shareholders, on the other. In this regard, the Trustees considered information provided by the Investment Manager and the Sub-Adviser indicating that the Fund's use of leverage through preferred shares continues to be appropriate and in the interests of the respective Fund's common shareholders.

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Based on a profitability analysis provided by the Investment Manager, the Trustees also considered the profitability of the Investment Manager and the Sub-Adviser from their relationship with the Fund and determined that such profitability was not excessive.

The Trustees also took into account that, as a closed-end investment company, the Fund does not currently intend to raise additional assets, so the assets of the Fund will grow (if at all) only through the investment performance of the Fund. Therefore, the Trustees did not consider potential economies of scale as a principal factor in assessing the fee rates payable under the Agreements.

Additionally, the Trustees considered so-called "fall-out benefits" to the Investment Manager and the Sub-Adviser, such as reputational value derived from serving as Investment Manager and Sub-Adviser to the Fund.

After reviewing these and other factors described herein, the Trustees concluded with respect to the Fund, within the context of their overall conclusions regarding the Agreements, that the fees payable under the Agreements represent reasonable compensation in light of the nature and quality of the services being provided by the Investment Manager and Sub-Adviser to the Fund.

**PIMCO High Income Fund**

September 30, 2008 (unaudited)

**Board of Trustees Information**

In May 2008, the Fund's Board of Trustees appointed Diana L. Taylor as a Trustee.

Mr. John J. Dalessandro served as a trustee of the Fund until his death on September 14, 2008.

**Subsequent Event Postponement of Payment and Declaration of Common Share Dividend**

On November 3, 2008, the Fund announced that due to recent market conditions and requirements under the Fund's By-laws and the Investment Company Act of 1940, as amended (the "1940 Act") it has postponed the payment of the previously declared (October 1, 2008) dividend on the Fund's common shares scheduled for payment on November 3, 2008 and the declaration of the next dividend on the Fund's common shares, which would have been paid in December 2008.

The declared dividend (\$0.121875 per common share) payable on November 3, 2008 to shareholders of record on October 11, 2008, with an ex-dividend date of October 8, 2008, was not paid on November 3, 2008.

In accordance with the 1940 Act and the Fund's By-laws, the Fund is not permitted to pay or declare common share dividends unless the Fund's auction rate preferred shares ("ARPS") have a minimum asset coverage of 200% ("200% Level") after payment of the common share dividend or declaration of the common share dividend. Due to current market conditions, the value of the Fund's portfolio securities has declined, which has caused the Fund's asset coverage ratio to fall below the 200% Level.

As the Fund announced in a press release dated October 24, 2008, the Fund's ability to earn sufficient income to pay the previously declared dividend or declare the December dividend was not impacted by this decline in the asset coverage ratio or market conditions. Therefore, if market conditions improve and the value of the Fund's assets increases to a point where the Fund has adequate asset coverage, the Fund intends to pay the common share dividend previously declared and declare the dividend scheduled to be declared today. The Fund will make a subsequent public announcement as to the payment of the November common share dividend and the declaration of future dividends. In the event that the Fund's asset coverage does not increase to at least the 200% Level on or before a cure date as specified in the By-laws, the Fund will redeem, within 35 days after such cure date, an amount of ARPS sufficient to bring the asset coverage back up to the 200% Level.

**Subsequent Event Partial Redemption of Auction Rate Preferred Shares ("ARPS")**

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On November 19, 2008, the Fund announced that it will redeem, at par, a portion of its ARPS, beginning December 8, 2008 and concluding on December 12, 2008. In addition, on November 25, 2008 the Fund announced it will redeem at PAR, an additional portion of its ARPS beginning December 15, 2008 and concluding December 19, 2008.

The decision to redeem a portion of the Fund's ARPS was made by the Fund's Board of Trustees at the recommendation of the Fund's Investment Manager and Sub-Adviser and is intended to increase asset coverage of the Fund's ARPS above the 200% Level (subject to future market conditions), permitting the Fund to pay the previously declared common share dividend originally scheduled to be paid in November 2008 and to declare common share dividends for November and December 2008. An announcement regarding actual dividend payment and declarations dates will be made at a future date.

The Fund will redeem, in total, \$438,000,000 of its outstanding ARPS (\$87,600,000 for each of the five series of ARPS outstanding) at the full liquidation preference of \$25,000 per share plus accumulated but unpaid dividends, up to each series respective dates of redemption.

### **Subsequent Event    Market Conditions**

Recent events in the financial sector have resulted in an unusually high degree of volatility in the financial markets and the net asset value of many investment companies, including the Fund. The Fund's exposure to the financial sector in general, as reflected in the Fund's Schedule of Investments, subject investors to the potential for an unusually high degree of volatility in the Fund's performance resulting from these and other events.

### **Proxy Voting Policies & Procedures:**

A description of the policies and procedures that the Fund has adopted to determine how to vote proxies relating to portfolio securities and information about how the Fund voted proxies relating to portfolio securities held during the twelve month period ended June 30 is available (i) without charge, upon request, by calling the Fund's shareholder servicing agent at (800) 331-1710; (ii) on the Fund's website at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds); and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

30 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

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32 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

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34 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

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36 PIMCO High Income Fund Semi-Annual Report |  
9.30.08

**Trustees and Principal Officers**

Hans W. Kertess  
Trustee, Chairman of the Board of Trustees  
Paul Belica  
Trustee  
Robert E. Connor  
Trustee  
John C. Maney  
Trustee  
William B. Ogden, IV  
Trustee  
R. Peter Sullivan III  
Trustee  
Diana L. Taylor  
Trustee

Brian S. Shlissel  
President & Chief Executive Officer  
Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer  
Thomas J. Fuccillo  
Vice President, Secretary & Chief Legal Officer  
Scott Whisten  
Assistant Treasurer  
Richard J. Cochran  
Assistant Treasurer  
Youse E. Guia  
Chief Compliance Officer  
William V. Healey  
Assistant Secretary  
Richard H. Kirk  
Assistant Secretary  
Kathleen A. Chapman  
Assistant Secretary  
Lagan Srivastava  
Assistant Secretary

**Investment Manager**

Allianz Global Investors Fund Management LLC  
  
1345 Avenue of the Americas  
  
New York, NY 10105

**Sub-Adviser**

Pacific Investment Management Company LLC  
  
840 Newport Center Drive  
  
Newport Beach, CA 92660

**Custodian & Accounting Agent**

State Street Bank & Trust Co.  
  
801 Pennsylvania  
  
Kansas City, MO 64105-1307

**Transfer Agent, Dividend Paying Agent and Registrar**

## Edgar Filing: PIMCO HIGH INCOME FUND - Form N-CSRS

PNC Global Investment Servicing

P.O. Box 43027

Providence, RI 02940-3027

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

### **Legal Counsel**

Ropes & Gray LLP

One International Place

Boston, MA 02110-2624

*This report, including the financial information herein, is transmitted to the shareholders of PIMCO High Income Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.*

*The financial information included herein is taken from the records of the Fund without examination by an independent registered accounting firm, who did not express an opinion thereon.*

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.*

*The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ( SEC ) for the first and third quarters of its fiscal year on Form N-Q. The Fund 's Form N-Q is available on the SEC 's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC 's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Fund 's website at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).*

*On December 26, 2007, the Fund submitted a CEO annual certification to the New York Stock Exchange ( NYSE ) on which the Fund 's principal executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE 's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund 's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Fund 's disclosure controls and procedures and internal control over financial reporting, as applicable.*

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*Information on the Fund is available at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds) or by calling the Fund's shareholder servicing agent at (800) 331-1710.*



ITEM 2. CODE OF ETHICS

Not required in this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

Not required in this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not required in this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANT

Not required in this filing.

ITEM 6. SCHEDULE OF INVESTMENTS Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED END MANAGEMENT INVESTMENT COMPANIES.

Not required in this filing.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED END MANAGEMENT INVESTMENT COMPANIES

Not required in this filing.



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### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED COMPANIES

None

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Trustees since the Fund last provided disclosure in response to this item.

### ITEM 11. CONTROLS AND PROCEDURES

(a) The registrant's President and Chief Executive Officer and Treasurer, Principal Financial and Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Act (17 CFR 270.3a-3(c))), as amended are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.3a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's control over financial reporting.

### ITEM 12. EXHIBITS

(a) (1) Exhibit 99 Cert. - Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(b) Exhibit 99.906 Cert. - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Signature

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

(Registrant ) PIMCO High Income Fund

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

Date December 5, 2008

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

Date December 5, 2008

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

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

Date December 5, 2008

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

Date December 5, 2008

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