

PIMCO HIGH INCOME FUND
Form N-CSR
June 03, 2014

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)

1633 Broadway, New York, NY
(Address of principal executive offices)

10019
(Zip code)

Lawrence G. Altadonna 1633 Broadway, New York, NY 10019
(Name and address of agent for service)

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

Date of fiscal year March 31, 2014
end:

Date of reporting period: March 31, 2014

ITEM 1. Report to Shareholders

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Letter from Chairman of the Board & President

Dear Shareholder:

Despite a number of headwinds, the global economy expanded during the fiscal twelve-month reporting period ended March 31, 2014. Against this backdrop, US equities rallied sharply, while the US bond market was volatile and ultimately posted a modest decline.

For the 12-month reporting period ended March 31, 2014

n PIMCO Dynamic Income Fund returned 17.10% on net asset value (NAV) and 9.62% on market price.

Hans W. Kertess

Chairman

n PIMCO Global StocksPLUS® & Income Fund returned 19.71% on NAV and 19.44% on market price.

n PIMCO High Income Fund returned 13.80% on NAV and 15.51% on market price.

Julian Sluyters

President & CEO

The Standard & Poor's 500 (S&P 500) Index, a proxy for the US stock market, advanced 21.86%; the MSCI Europe, Australasia and Far East Index (EAFE) returned 17.56% in US dollar terms; and the BofA Merrill Lynch US High Yield Master II Index increased 7.53% for the 12-months ended March 31, 2014. The broad bond market, as measured by the Barclays US Aggregate Index, declined 0.10% while the Barclays US Treasury Bond Index returned 0.09% during the reporting period.

The US economy continued to grow during the reporting period, albeit at a choppy pace. Gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at an annual pace of 2.5% during the second quarter of 2013 and 4.1% during the third quarter, the latter being the best reading since the fourth quarter of 2011. According to the US Commerce Department, fourth quarter 2013 GDP growth expanded at a 2.6% annual pace. Moderating growth was attributed to a number of factors, including a deceleration in private inventory investment, declining federal government spending and less residential fixed investments.

Economic growth in non-US developed countries generally improved during the reporting period. After six consecutive quarters of negative growth, the euro zone emerged from its recession in the second quarter of 2013. However, the expansion was far from robust, prompting the European Central Bank (ECB) to take a number of actions to stimulate growth. In May 2013, the ECB cut interest rates from 0.75% to 0.50%. The ECB then lowered the rates to a new record low of 0.25% in November 2013. The Bank of Japan and the Japanese government also aggressively moved to support economic growth and end its lengthy deflationary cycle. These efforts appear to be taking

hold, as the country's economy expanded throughout the reporting period and inflation moved higher.

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The US economy has been resilient and we believe has overcome the headwinds associated with higher taxes, rising interest rates and severe winter weather. We continue to expect US economic growth will be above-trend in 2014 due, in part, to the fact that fiscal policy will be less of a drag than it was last year. While we are prepared for the Fed to start raising benchmark interest rates in 2015, we think policymakers will remain behind the curve on monetary normalization. Several factors support this view, including: the modest pace of the labor recovery, the lack of inflation pressure, the need to support the deleveraging process, the risk of a bond market crash if rates were to normalize too quickly, and constrained fiscal policy and political pressure.

In the euro zone, growth is expected to increase from -0.42% in 2013 to 1.30% in 2014, based on our forecasts. However, given low inflation and concerns of deflation, ECB President Draghi recently said, "We remain firmly determined to maintain the high degree of monetary accommodation and to take further decisive action if required." Elsewhere, we project growth in certain emerging market countries to decelerate in 2014. For example, growth in China is forecast to moderate from 7.70% in 2013 to 7.10% in 2014. India's GDP is projected to be 4.50% in 2014 versus 4.70% in 2013.

For specific information on the Funds and their performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, us.allianzgi.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Julian Sluyters
President & Chief Executive Officer

Fund Insights

PIMCO Dynamic Income Fund

March 31, 2014 (unaudited)

For the fiscal 12-month period ended March 31, 2014, PIMCO Dynamic Income Fund (the Fund) returned 17.10% on net asset value (NAV) and 9.62% on market price.

While the overall fixed income market generated weak results, there were pockets of opportunity for investors who assumed greater risk. Negatively impacting the fixed income market in general were rising interest rates and the Federal Reserve's tapering of its asset purchase program. All told, US Treasury yields moved higher during the twelve month period, with the yield on the benchmark 10-year Treasury bond rising from 1.87% to 2.73%. Against this backdrop, the overall taxable fixed income market, as measured by the Barclays US Aggregate Index, declined 0.10% during the twelve months ended March 31, 2014.

One of the strongest performing portions of the fixed income market was high yield bonds. The global high yield corporate bond market, as measured by the Barclays Global High Yield Index, returned 9.01%, compared to the global credit market advance of 4.59%, as measured by the Barclays Global Credit Index. In contrast, emerging market debt declined 1.05% during the reporting period, as measured by the JPMorgan EMBI Global Index.

Sector and duration positioning impact the Fund's results

The Fund posted a strong absolute return during the reporting period. The Fund's allocation to non-agency mortgage-backed securities was a significant contributor to results, as these bonds outperformed the broader market, supported by overall solid demand. The Fund's allocation to high yield corporate bonds was beneficial as their spreads tightened. An emphasis on select lower rated banking securities was additive for results, as these holdings outperformed the broad market, supported by continued US economic growth. Security selection within the consumer products and entertainment sectors also aided the Fund's performance. Finally, the Fund's short duration contributed to performance as interest rates in the US rose during the 12-month period.

Tactical exposure to the emerging market local bonds detracted from results, as they underperformed the broad credit market during the reporting period.

Fund Insights

PIMCO Global StocksPLUS® & Income Fund

March 31, 2014 (unaudited)

For the fiscal 12-month period ended March 31, 2014, PIMCO Global StocksPLUS® & Income Fund (the Fund) returned 19.71% on net asset value (NAV) and 19.44% on market price.

Despite several flights to quality, the global developed equity markets produced strong results during the twelve months ended March 31, 2014. Over this period, the US stock market returned 21.86%, as measured by the S&P 500 Index (the S&P 500). Supporting US equities were overall strong demand, corporate profits that often exceeded expectations and continued monetary policy accommodations. International developed equities, as measured by the MSCI EAFE Index, also generated a strong return, but lagged the S&P 500. All told, international developed equities returned 17.56% (as measured by the MSCI EAFE Index) for the twelve-months ended March 31, 2014.

While the overall fixed income market generated weak results, there were pockets of opportunity for investors who assumed greater risk. Rising interest rates and the Federal Reserve's tapering of its asset purchase program negatively impacted the fixed income market. All told, US Treasury yields moved higher during the twelve-month period, with the yield on the benchmark 10-year Treasury bond rising from 1.87% to 2.73%. Against this backdrop, the overall taxable fixed income market, as measured by the Barclays US Aggregate Index, declined 0.10% during the twelve-months ended March 31, 2014. One of the strongest performers in the US bond market was high yield securities, as they returned 7.53% during the twelve month period, as measured by the BofA Merrill Lynch High Yield Master II Index.

Equity exposure was generally positive for performance

Performance benefited from an average 49.2% exposure to US equities during the reporting period through S&P 500 futures contracts along with a defensive option strategy that sought to generate income and limit losses. While exposure to US equities through futures contracts helped performance, the defensive option strategy detracted from performance due to the exercise of written call options during the equity market rally that took place during the reporting period. The Fund utilized total return swaps to gain access to the MSCI EAFE Index. The Fund's average exposure to foreign stocks was 49.8% during the reporting period. This was beneficial to performance given the strong results from international developed equities.

Allocations to spread sectors produced mixed results

A minor portion of the Fund's assets were invested in futures contracts and total return swaps. These instruments permit participation in the returns of the S&P 500 and MSCI EAFE indexes without having to hold the individual stocks which comprise these indexes. The Fund's assets are primarily actively managed in a portfolio of fixed income securities with the objective of adding incremental return.

The Fund's fixed income securities generated mixed results during the reporting period. Holdings of residential non-agency mortgage-backed securities and commercial mortgage-backed securities added significant value, as

strong demand for high quality income and continued improvements in the US housing market drove prices higher. An exposure to investment grade and high yield corporate bonds was beneficial, as they outperformed equal-duration Treasuries. The Fund also benefited from earning a yield in excess of the money market interest rate cost associated with equity index futures and swaps ownership.

Duration positioning detracted from performance as US Treasury yields moved higher over the reporting period. An exposure to municipal bonds was a negative for returns as they underperformed US Treasuries. Elsewhere, an allocation to US dollar-denominated emerging market bonds detracted from performance as they produced a negative return over the 12-months ended March 31, 2014.

Fund Insights

PIMCO High Income Fund

March 31, 2014 (unaudited)

For the fiscal 12-month period ended March 31, 2014, PIMCO High Income Fund (the Fund) returned 13.80% on net asset value (NAV) and 15.51% on market price.

While the overall fixed income market generated weak results, there were pockets of opportunity for investors who assumed greater risk. Negatively impacting the fixed income market in general were rising interest rates and the Federal Reserve's tapering of its asset purchase program. All told, US Treasury yields moved higher during the twelve-month period, with the yield on the benchmark 10-year Treasury bond rising from 1.87% to 2.73%. Against this backdrop, the overall taxable fixed income market, as measured by the Barclays US Aggregate Index, declined 0.10% during the twelve-months ended March 31, 2014.

One of the strongest performers in the US bond market was high yield securities, as they returned 7.53% during the twelve-month period, as measured by the BofA Merrill Lynch High Yield Master II Index (the Index). The high yield market benefited from overall solid investor demand and low defaults. In aggregate, during the twelve-month period, lower quality securities generally outperformed their higher quality counterparts.

Sector and duration positioning impact the Fund's results

The Fund posted a strong absolute return during the reporting period. An overweight to total spread duration was positive, as credit spreads tightened during the reporting period.

The Fund's allocation to non-agency mortgage-backed securities helped results, as these bonds outperformed the broader market, supported by overall solid demand. An emphasis on select lower rated banking securities was additive for results, as these holdings outperformed the broad market, supported by continued US economic growth. Security selection within the consumer products and entertainment sectors also aided the Fund's performance.

The Fund's long duration detracted from performance as interest rates in the US rose during the 12-month period. Tactical exposure to emerging market local bonds during the second and third quarters of 2013 detracted from performance, as rates rose sharply during those periods.

Performance & Statistics

PIMCO Dynamic Income Fund

March 31, 2014 (unaudited)

Total Return⁽¹⁾	Market Price	NAV
1 Year	9.62%	17.10%
Commencement of Operations (5/30/12) to 3/31/14	23.91%	30.99%

Market Price/NAV Performance

Commencement of Operations (5/30/12) to 3/31/14

Market Price/NAV

	Market Price	\$30.32
	NAV	\$32.11
NAV	Discount to NAV	-5.57%
Market Price	Market Price Yield ⁽²⁾	7.56%
	Leverage Ratio ⁽³⁾	47.20%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns 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 the Fund's dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes 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 traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares

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outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income and short-term capital gains, if any) by the market price per share at March 31, 2014.

(3) Represents Reverse Repurchase Agreements (Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

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Performance & Statistics

PIMCO Global StocksPLUS® & Income Fund

March 31, 2014 (unaudited)

Total Return⁽¹⁾	Market Price	NAV
1 Year	19.44%	19.71%
5 Year	37.44%	40.47%
Commencement of Operations (5/31/05) to 3/31/14)	15.23%	13.74%

Market Price/NAV Performance

Commencement of Operations (5/31/05) to 3/31/14)

NAV
Market Price

Market Price/NAV

Market Price	\$23.67
NAV	\$14.72
Premium to NAV	60.80%
Market Price Yield ⁽²⁾	9.30%
Leverage Ratio ⁽³⁾	35.26%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns 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 the Fund's dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes 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 traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares

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outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income) by the market price per share at March 31, 2014.

(3) Represents Reverse Repurchase Agreements (Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

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Performance & Statistics

PIMCO High Income Fund

March 31, 2014 (unaudited)

Total Return⁽¹⁾	Market Price	NAV
1 Year	15.51%	13.80%
5 Year	33.74%	43.05%
10 Year	13.00%	11.09%
Commencement of Operations (4/30/03) to 3/31/14	12.54%	11.70%

Market Price/NAV Performance

Commencement of Operations (4/30/03) to 3/31/14

NAV
Market Price

Market Price/NAV

Market Price	\$12.56
NAV	\$8.23
Premium to NAV	52.61%
Market Price Yield ⁽²⁾	10.76%
Leverage Ratio ⁽³⁾	41.70%

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns 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 the Fund's dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes 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

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traded in the open market through a stock exchange. NAV is equal to total assets attributable 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 dividend per common share (comprised of net investment income) by the market price per common share at March 31, 2014.

(3) Represents Preferred Shares and Reverse Repurchase Agreements (collectively Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

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Consolidated Schedule of Investments

PIMCO Dynamic Income Fund

March 31, 2014

Principal Amount (000s)			Value
MORTGAGE-BACKED SECURITIES 107.3%			
£12,583		Alba PLC, 0.781%, 12/15/38, CMO (m)	\$17,811,628