

PIMCO MUNICIPAL INCOME FUND  
Form N-CSRS  
January 07, 2014  
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**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 811-10377**  
**PIMCO Municipal Income Fund**  
**(Exact name of registrant as specified in charter)**

**1633 Broadway, New York, New York 10019**  
**(Address of principal executive offices) (Zip code)**

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

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

**Date of fiscal year end: April 30, 2014**

**Date of reporting period: October 31, 2013**

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**Item 1. REPORT TO SHAREHOLDERS**

PIMCO Municipal Income Fund

PIMCO California Municipal Income Fund

PIMCO New York Municipal Income Fund

**Semi-Annual Report**

**October 31, 2013**

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Letter from Chairman of the Board and President

Hans W. Kertess

*Chairman of the Board of Trustees*

Brain S. Shlissel

*President & Chief Executive Officer*

Dear Shareholder:

Municipal bonds generated weak results during the fiscal six-month reporting period ended October 31, 2013. Yields moved higher as the US economy continued to expand and the Federal Reserve (the Fed) indicated that it may begin tapering its asset purchase program. Investor demand for municipal securities also weakened as the reporting period progressed due to concerns regarding the fallout from Detroit's bankruptcy filing.

For the fiscal six-month period ended October 31, 2013:

n PIMCO Municipal Income Fund returned -10.38% on net asset value (NAV) and -14.81% on market price.

n PIMCO California Municipal Income Fund returned -8.97% on NAV and -9.38% on market price.

n PIMCO New York Municipal Income Fund returned -9.46% on NAV and -13.19% on market price.

**Six Months in Review**

US gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of US economic activity and the principal indicator of economic performance, grew at a 1.1% annualized rate during the first quarter and 2.5% during the second quarter of 2013.

The US Commerce Department's estimate for third quarter 2013 GDP growth is 3.6%. Supporting the economy were signs of the long-awaited recovery in the housing market. In addition, while unemployment remained high, the unemployment rate declined during the reporting period.

The Fed maintained an accommodative monetary policy throughout the reporting period. However, with unemployment falling and signs of improving economic activity, in June 2013 the Fed announced its intention to

begin tapering its monthly \$85 billion asset purchase program. This triggered sharply rising yields and declining bond prices. However, the Fed surprised many investors by choosing not to begin tapering its asset purchase program at its meeting in September 2013. This caused yields to decline somewhat from their reporting period peak that occurred in early September. All told, US Treasury bond interest rates moved sharply higher during the six-month fiscal period, with the yield on the benchmark 10-year Treasury bond rising from 1.70% to 2.57%. Since municipal bonds tend to track comparable US Treasury bonds, municipal yields increased accordingly.

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**Outlook**

Market volatility was elevated at times during the reporting period. This was partially triggered by concerns regarding the Fed's plans to taper its asset purchase program, mixed global growth and the 16 day partial US government shutdown that began on October 1, 2013.

We expect the Fed's policy stance to remain accommodative for longer than some investors currently expect. The Fed's tapering of its asset purchase program is likely to create greater volatility,

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however we believe the Fed will only raise short-term interest rates if it is confident the economic recovery is on solid footing. Concerns of higher mortgage rates impacting the housing market, geopolitical issues, and continued dysfunction in Washington DC may also contribute to market volatility.

With respect to the US economy, in the wake of the Fed's decision in September and October not to taper its bond buying program, some investors may be concerned that the economy is deteriorating. However, recent data indicates continuing improvement in economic conditions, particularly in manufacturing. It appears the Fed's decision was more preventative in nature, intended to avoid derailing the housing recovery and to offset a drag on the economy created by the government shutdown and concerns related to the raising of the debt ceiling.

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](http://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*

Brian S. Shlissel  
*President & Chief Executive Officer*

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### Fund Insights

#### PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

For the six-months ended October 31, 2013, PIMCO Municipal Income Fund ( Municipal ) returned -10.38% on net asset value ( NAV ) and -14.81% on market price.

For the six-months ended October 31, 2013, PIMCO California Municipal Income Fund ( California Municipal ) returned -8.97% on NAV and -9.38% on market price.

For the six-months ended October 31, 2013, PIMCO New York Municipal Income Fund ( New York Municipal ) returned -9.46% on NAV and -13.19% on market price.

The overall municipal bond market, as measured by the Barclays Municipal Bond Index (the Index ) experienced periods of heightened volatility during the six-month reporting period ended October 31, 2013. The Index produced negative returns during each of the first four months of the period. This was triggered by sharply rising yields given the Federal Reserve's (the Fed ) announcement of a possible shift in monetary policy. Investor demand for municipal bonds also weakened due to several high profile credit events, including Detroit's filing for bankruptcy in July 2013. The Index then rallied sharply over the last two months of the period as the Fed surprised the market and chose not to begin tapering its asset purchase program during its meeting on September 18. All told, the Index fell 3.44% during the six-month reporting

period. In comparison, the overall taxable fixed income market, as measured by the Barclays US Aggregate Bond Index, declined 1.97%.

Longer duration than the Index detracted from performance, as municipal yields moved higher during the six-month reporting period. Municipal's overweighting to Revenue-Backed securities negatively impacted its results as the sector underperformed the Index. California Municipal's and New York Municipal's preference for Revenue municipal bonds over General Obligation municipal bonds was detrimental as the former underperformed the latter during the reporting period. California Municipal's and New York Municipal's overweighting to Tobacco bonds detracted from results as this sector underperformed the Index.

Each of the Funds benefited from an underweighting to the Special Tax sector, as it underperformed the Index. Municipal's overweighting in Electrical Utilities was beneficial due to the sector's outperformance versus the Index. Municipal's and New York Municipal's underweighting to Transportation was additive as this sector underperformed the Index. California Municipal's underweightings to the Health Care and Lease-Backed sectors were positive for results as they both underperformed the Index. New York Municipal's underweight to the Water and Sewer Utility sector was beneficial as it underperformed the Index.



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PIMCO Municipal Income Fund

October 31, 2013 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	-14.81%	-10.38%
1 Year	-14.20%	-6.96%
5 Year	10.48%	12.65%
10 Year	6.86%	6.31%
Commencement of Operations (6/29/01) to 10/31/13	6.10%	6.13%

**Market Price/NAV Performance:**

Commencement of Operations (6/29/01) to 10/31/13

**Market Price/NAV:**

Market Price	\$13.14
NAV	\$11.84
Premium to NAV	10.98%
Market Price Yield <sup>(2)</sup>	7.42%
Leverage Ratio <sup>(3)</sup>	40.35%

**Moody's Rating**

(as a % of total investments)

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**Table of Contents****Performance & Statistics**

PIMCO California Municipal Income Fund

October 31, 2013 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	-9.38%	-8.97%
1 Year	-8.09%	-3.96%
5 Year	11.51%	11.41%
10 Year	7.08%	6.62%
Commencement of Operations (6/29/01) to 10/31/13	5.96%	6.17%

**Market Price/NAV Performance:**

Commencement of Operations (6/29/01) to 10/31/13

**Market Price/NAV:**

Market Price	\$13.41
NAV	\$12.93
Premium to NAV	3.71%
Market Price Yield <sup>(2)</sup>	6.89%
Leverage Ratio <sup>(3)</sup>	43.12%

**Moody's Rating**

(as a % of total investments)

**Table of Contents****Performance & Statistics**

PIMCO New York Municipal Income Fund

October 31, 2013 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	-13.19%	-9.46%
1 Year	-10.99%	-6.63%
5 Year	7.45%	8.20%
10 Year	3.81%	3.93%
Commencement of Operations (6/29/01) to 10/31/13	3.45%	3.90%

**Market Price/NAV Performance:**

Commencement of Operations (6/29/01) to 10/31/13

**Market Price/NAV:**

Market Price	\$10.52
NAV	\$10.56
Discount to NAV	-0.38%
Market Price Yield <sup>(2)</sup>	6.50%
Leverage Ratio <sup>(3)</sup>	41.45%

**Moody's Rating**

(as a % of total investments)

(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 less than one year is not annualized. 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 Funds, market conditions, supply and demand for each Fund's shares, or changes in each Fund's dividends.

An investment in the Funds 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 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 October 31, 2013.

(3) Represents Floating Rate Notes issued in tender option bond transactions and Preferred Shares outstanding (collectively Leverage) 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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PIMCO Municipal Income Fund

October 31, 2013 (unaudited)

Principal Amount (000s)		Value
<b>Municipal Bonds &amp; Notes 97.2%</b>		
<b>Alabama 0.2%</b>		
	Huntsville-Redstone Village Special Care Facs. Financing Auth. Rev., Redstone Village Project,	
\$250	5.50%, 1/1/28	\$229,668
885	5.50%, 1/1/43	728,293
		957,961
<b>Alaska 0.8%</b>		
3,280	Borough of Matanuska-Susitna Rev., Goose Creek Correctional Center, 6.00%, 9/1/32 (AGC)	3,626,466
900	Industrial Dev. & Export Auth. Rev., Boys & Girls Home, 6.00%, 12/1/36 (b)(e)	451,800
		4,078,266
<b>Arizona 3.9%</b>		
	Health Facs. Auth. Rev.,	
2,050	Banner Health, 5.50%, 1/1/38, Ser. D	2,150,532
2,750	Beatitudes Campus Project, 5.20%, 10/1/37	2,197,992
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Southern California Edison Co., 5.00%, 6/1/35, Ser. A	1,543,935
750	Pima Cnty. Industrial Dev. Auth. Rev., Tucson Electric Power Co., 5.25%, 10/1/40, Ser. A	750,390
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (j)	5,223,500
7,700	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	7,635,782
		19,502,131
<b>Arkansas 0.3%</b>		
5,500	Dev. Finance Auth. Rev., Arkansas Cancer Research Center Project, zero coupon, 7/1/36 (AMBAC)	1,592,195
<b>California 15.9%</b>		
	Bay Area Toll Auth. Rev., San Francisco Bay Area,	
2,875	5.00%, 10/1/34	2,987,067
3,255	5.00%, 10/1/42	3,292,725
10,000	5.25%, 4/1/53, Ser. S-4	10,140,300
3,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	3,255,000
7,500	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	5,786,550
	Health Facs. Financing Auth. Rev.,	
2,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	2,170,000
1,500	Sutter Health, 6.00%, 8/15/42, Ser. B	1,653,990

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5,300	Los Angeles Community College Dist., GO, 5.00%, 8/1/32, Ser. A	5,553,340
2,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	2,082,520
2,000	M-S-R Energy Auth. Rev., 6.125%, 11/1/29, Ser. C	2,281,400
4,175	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	4,373,563
1,445	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,583,460
5,000	Orange Cnty. Airport Rev., 5.25%, 7/1/39, Ser. A	5,157,400
1,600	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,643,264
	State, GO,	
700	5.00%, 11/1/32	735,315
1,200	5.00%, 6/1/37	1,234,704
2,300	5.125%, 8/1/36	2,389,401
1,250	5.25%, 3/1/38	1,302,313
1,900	5.25%, 11/1/40	1,989,262
500	5.50%, 3/1/40	542,955

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October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	<b>California (continued)</b>	
\$3,200	6.00%, 4/1/38	\$3,649,952
	Statewide Communities Dev. Auth. Rev.,	
625	California Baptist Univ., 6.50%, 11/1/21	682,250
845	Catholic Healthcare West, 5.50%, 7/1/31, Ser. E	901,277
2,310	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	2,687,431
8,485	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	9,623,772
2,000	Whittier Union High School Dist., GO, zero coupon, 8/1/25	1,145,960
		78,845,171
	<b>Colorado 1.1%</b>	
450	Denver Health & Hospital Auth. Rev., 5.625%, 12/1/40	451,409
2,500	Health Facs. Auth. Rev., Catholic Health Initiatives, 5.00%, 2/1/41, Ser. A	2,434,500
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	598,325
400	Regional Transportation Dist., CP, 5.375%, 6/1/31, Ser. A	424,144
1,500	Univ. of Colorado Rev., 5.375%, 6/1/38, Ser. A	1,621,500
		5,529,878
	<b>Connecticut 1.5%</b>	
	State Health & Educational Fac. Auth. Rev.,	
5,000	Hartford Healthcare, 5.00%, 7/1/41, Ser. A	4,940,600
2,500	Stamford Hospital, 5.00%, 7/1/42, Ser. J	2,517,300
		7,457,900
	<b>District of Columbia 1.0%</b>	
2,500	Dist. of Columbia Rev., Brookings Institution, 5.75%, 10/1/39	2,644,675
2,070	Tobacco Settlement Financing Corp. Rev., 6.25%, 5/15/24	2,081,157
		4,725,832
	<b>Florida 2.1%</b>	
4,000	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (j)	4,312,880
300	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	306,282
500	Lee Cnty. Industrial Dev. Auth. Rev., Lee Community Charter Foundation, 5.375%, 6/15/37, Ser. A	452,610
	Miami-Dade Cnty. School Board Foundation, Inc., CP, 5.375%, 2/1/34, Ser. A (AGC)	1,320,750
1,250		1,320,750
3,900	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (j)	4,073,160
		10,465,682
	<b>Georgia 0.4%</b>	
	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	2,064,618
2,300		2,064,618

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<b>Illinois 1.8%</b>		
1,250	Chicago, GO, 5.00%, 1/1/34, Ser. C	1,165,688
	Finance Auth. Rev.,	
400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	455,908
5,000	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (j)	5,261,200
1,900	Springfield Electric Rev., 5.00%, 3/1/36	1,825,767
		8,708,563
<b>Indiana 1.6%</b>		
	Finance Auth. Rev.,	
1,500	Duke Energy Indiana, Inc., 6.00%, 8/1/39, Ser. B	1,609,425
3,000	Ohio Valley Electric Corp., 5.00%, 6/1/32, Ser. A	2,833,380
1,000	Municipal Power Agcy. Rev., 6.00%, 1/1/39, Ser. B	1,119,440
1,900	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 7.50%, 9/1/22	2,294,478
		7,856,723

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October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	<b>Iowa 1.6%</b>	
	Finance Auth. Rev.,	
\$4,890	Deerfield Retirement Community, Inc., 5.50%, 11/15/37, Ser. A (e)	\$2,864,807
3,500	Edgewater LLC Project, 6.75%, 11/15/37	3,572,590
1,500	Edgewater LLC Project, 6.75%, 11/15/42	1,526,835
		7,964,232
	<b>Kansas 0.4%</b>	
1,000	Dev. Finance Auth. Rev., Adventist Health, 5.75%, 11/15/38	1,080,120
896	Lenexa City, Tax Allocation, Center East Project, 6.00%, 4/1/27 (e)	447,867
650	Manhattan Rev., Meadowlark Hills Retirement, 5.125%, 5/15/42, Ser. B	558,571
		2,086,558
	<b>Kentucky 0.2%</b>	
1,000	Economic Dev. Finance Auth. Rev., Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	1,056,690
	<b>Louisiana 1.0%</b>	
	Local Gov t Environmental Facs. & Community Dev. Auth Rev.,	
1,680	Capital Projects & Equipment Acquisition, 6.55%, 9/1/25 (ACA) (b)	1,754,508
400	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	428,212
750	Woman s Hospital Foundation, 5.875%, 10/1/40, Ser. A	783,435
2,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 6.50%, 5/15/37	2,139,680
		5,105,835
	<b>Maryland 0.5%</b>	
1,500	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	1,517,160
650	Health & Higher Educational Facs. Auth. Rev., Charlestown Community, 6.25%, 1/1/41	697,112
		2,214,272
	<b>Massachusetts 0.6%</b>	
	Dev. Finance Agcy. Rev.,	
750	Foxborough Regional Charter School, 7.00%, 7/1/42, Ser. A	815,010
103	Linden Ponds, Inc. Fac., zero coupon, 11/15/56, Ser. B (b)	587
388	Linden Ponds, Inc. Fac., 6.25%, 11/15/39, Ser. A-1	326,911
1,500	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	1,639,230
		2,781,738
	<b>Michigan 0.6%</b>	
	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	1,803,180
1,500	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	1,134,615

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		2,937,795
<b>Minnesota 0.4%</b>		
95	Agricultural & Economic Dev. Board Rev., Health Care Systems, 6.375%, 11/15/29, Ser. A	95,322
1,500	St. Louis Park Rev., Nicollett Health Services, 5.75%, 7/1/39	1,583,415
500	Washington Cnty. Housing & Redev. Auth. Rev., Birchwood & Woodbury Projects, 5.625%, 6/1/37, Ser. A	471,080
		2,149,817
<b>Missouri 0.3%</b>		
1,000	Joplin Industrial Dev. Auth. Rev., Christian Homes, Inc., 5.75%, 5/15/26, Ser. F	1,035,070
430	Lee s Summit, Tax Allocation, Summit Fair Project, 5.625%, 10/1/23	440,118
		1,475,188

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## PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	<b>Nevada 4.1%</b>	
	Clark Cnty., GO,	
\$5,000	4.75%, 6/1/30 (AGM)	\$5,181,000
5,230	4.75%, 11/1/35 (j)	5,305,940
9,755	Washoe Cnty., Water & Sewer, GO, 5.00%, 1/1/35 (NPFGC)	10,049,698
		20,536,638
	<b>New Jersey 8.9%</b>	
16,550	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 5.75%, 4/1/31	16,767,467
2,000	Economic Dev. Auth. Rev., School Facs. Construction, 5.50%, 12/15/34, Ser. Z (AGC)	2,161,340
500	Health Care Facs. Financing Auth. Rev., AHS Hospital Corp., 6.00%, 7/1/37	558,715
2,000	Robert Wood Johnson Univ. Hospital, 5.50%, 7/1/43	2,096,000
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	2,102,000
6,600	Tobacco Settlement Financing Corp. Rev., Ser. 1-A, 4.75%, 6/1/34	4,777,212
12,000	5.00%, 6/1/41	8,697,960
7,000	Transportation Trust Fund Auth. Rev., 5.00%, 6/15/42, Ser. B	7,168,700
		44,329,394
	<b>New Mexico 1.5%</b>	
1,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	1,052,130
6,400	Hospital Equipment Loan Council Rev., Presbyterian Healthcare, 5.00%, 8/1/39	6,475,904
		7,528,034
	<b>New York 12.1%</b>	
15,500	Hudson Yards Infrastructure Corp. Rev., 5.25%, 2/15/47, Ser. A	15,932,605
7,500	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	8,060,100
3,000	5.50%, 10/1/37	3,287,550
3,000	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/36, Ser. D	3,073,680
4,200	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	2,287,446
3,000	New York City Water & Sewer System Rev., Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	3,106,590
10,000	New York Liberty Dev. Corp. Rev., 1 World Trade Center Project, 5.00%, 12/15/41	10,322,400
10,000	4 World Trade Center Project, 5.00%, 11/15/44	10,105,200

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3,500	State Dormitory Auth. Rev., The New School, 5.50%, 7/1/40	3,668,385
		59,843,956
	<b>North Carolina 0.3%</b>	
1,500	Medical Care Commission Rev., Village at Brookwood, 5.25%, 1/1/32	1,443,840
	<b>Ohio 3.9%</b>	
2,000	American Municipal Power, Inc. Rev., Fremont Energy Center Project, 5.00%, 2/15/42, Ser. B	2,009,280
10,000	Buckeye Tobacco Settlement Financing Auth. Rev., 6.50%, 6/1/47, Ser. A-2	8,439,800
3,000	Hamilton Cnty. Healthcare Rev., Christ Hospital Project, 5.00%, 6/1/42	2,847,030
500	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A (Pre-refunded @ \$100, 1/15/15) (c)	538,670
500	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A (Pre-refunded @ \$100, 11/15/14) (c)	530,990
5,000	State Turnpike Commission Rev., 5.00%, 2/15/48, Ser. A-1	5,021,750
		19,387,520

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## PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
<b>Oregon 0.6%</b>		
\$2,000	Oregon Health & Science Univ. Rev., 5.75%, 7/1/39, Ser. A	\$2,152,400
600	State Department of Administrative Services, CP, 5.25%, 5/1/39, Ser. A	626,706
		2,779,106
<b>Pennsylvania 5.1%</b>		
2,500	Berks Cnty. Municipal Auth. Rev., Reading Hospital Medical Center, 5.00%, 11/1/40, Ser. A	2,470,775
5,000	Geisinger Auth. Rev., 5.25%, 6/1/39, Ser. A	5,148,050
2,000	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B (e)	1,001,320
	Higher Educational Facs. Auth. Rev.,	
500	Edinboro Univ. Foundation, 6.00%, 7/1/43	489,115
350	Thomas Jefferson Univ., 5.00%, 3/1/40	354,707
	Lancaster Cnty. Hospital Auth. Rev., Brethren Village Project, Ser. A,	
750	6.25%, 7/1/26	757,470
85	6.375%, 7/1/30	85,224
	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co.,	
1,100	5.50%, 12/1/39	1,159,037
7,000	Philadelphia, GO, 5.25%, 12/15/32, Ser. A (AGM)	7,207,970
5,000	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Health System, 5.625%, 7/1/36, Ser. A	4,351,350
500	Philadelphia Water & Wastewater Rev., 5.25%, 1/1/36, Ser. A	521,020
2,000	Turnpike Commission Rev., 5.125%, 12/1/40, Ser. D	2,012,880
		25,558,918
<b>Rhode Island 4.7%</b>		
23,800	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. 2002-A	23,150,736
<b>South Carolina 2.6%</b>		
450	Jobs-Economic Dev. Auth. Rev., Lutheran Homes, 5.50%, 5/1/28	444,690
2,200	State Ports Auth. Rev., 5.25%, 7/1/40	2,274,668
	State Public Service Auth. Rev.,	
5,000	5.50%, 12/1/53, Ser. E	5,159,800
5,000	Sanatee Cooper, 5.125%, 12/1/43, Ser. B	5,088,400
		12,967,558
<b>Tennessee 2.2%</b>		
940	Memphis Health Educational & Housing Fac. Board Rev., Wesley Housing Corp. Project, 6.95%, 1/1/20 (a)(b)(d)(e)(f)(k) (acquisition cost-\$932,489; purchased 6/29/01)	467,792
	Tennessee Energy Acquisition Corp. Rev.,	

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5,000	5.00%, 2/1/27, Ser. C	5,057,650
5,000	5.25%, 9/1/24, Ser. A	5,331,400
		10,856,842
	<b>Texas 9.9%</b>	
1,200	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	1,253,328
5,500	Grand Parkway Transportation Corp. Rev., 5.00%, 4/1/53, Ser. B	5,443,625
	North Harris Cnty. Regional Water Auth. Rev.,	
4,200	5.25%, 12/15/33	4,440,324
4,200	5.50%, 12/15/38	4,458,510
	North Texas Tollway Auth. Rev.,	
2,750	5.00%, 1/1/38	2,791,112
3,000	5.25%, 1/1/44, Ser. C	3,058,080
600	5.50%, 9/1/41, Ser. A	650,676

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PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	<b>Texas (continued)</b>	
\$6,050	5.625%, 1/1/33, Ser. A	\$6,377,607
600	5.75%, 1/1/33, Ser. F	632,982
250	San Juan Higher Education Finance Auth. Rev., 6.70%, 8/15/40, Ser. A	272,058
	State Public Finance Auth. Charter School Finance Corp. Rev., Ser. A,	
400	5.875%, 12/1/36	406,116
2,000	Cosmos Foundation, 5.375%, 2/15/37	1,987,740
4,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	4,491,280
	Texas Municipal Gas Acquisition & Supply Corp. I Rev.,	
3,500	5.25%, 12/15/23, Ser. A	3,830,260
6,500	6.25%, 12/15/26, Ser. D	7,652,385
	Uptown Dev. Auth., Tax Allocation, Infrastructure Improvement Facs., 5.50%, 9/1/29	1,068,060
500	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	555,130
		49,369,273
	<b>Utah 1.5%</b>	
7,000	Salt Lake Cnty. Rev., IHC Health Services, 5.125%, 2/15/33 (AMBAC)	7,663,110
	<b>Virginia 2.0%</b>	
	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems,	
6,490	5.00%, 5/15/40	6,652,899
1,000	5.50%, 5/15/35, Ser. A	1,086,630
1,985	Peninsula Town Center Community Dev. Auth. Rev., 6.45%, 9/1/37	2,084,548
		9,824,077
	<b>Washington 1.3%</b>	
	Health Care Facs. Auth. Rev.,	
700	Multicare Health Systems, 6.00%, 8/15/39, Ser. B (AGC)	748,076
250	Seattle Cancer Care Alliance, 7.375%, 3/1/38	297,188
2,000	Virginia Mason Medical Center, 6.125%, 8/15/37, Ser. A	2,044,640
	State Housing Finance Commission Rev., Skyline at First Hill Project, Ser. A,	
230	5.25%, 1/1/17	226,382
3,600	5.625%, 1/1/38	3,139,596
		6,455,882
	<b>West Virginia 0.2%</b>	
1,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	1,194,850
	<b>Wisconsin 0.1%</b>	
500	Health & Educational Facs. Auth. Rev., Prohealth Care, Inc., 6.625%, 2/15/39	549,130

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Total Municipal bonds & notes (cost-\$462,571,166)		482,995,909
<b>Variable Rate Notes (a)(b)(d)(g)(h)(k) 2.0%</b>		
<b>Texas 0.4%</b>		
1,000	JPMorgan Chase Putters/Drivers Trust, GO, 8.011%, 2/1/17, Ser. 3480 (acquisition cost-\$995,050; purchased 6/15/09)	1,153,930
600	JPMorgan Chase Putters/Drivers Trust Rev., 8.531%, 10/1/31, Ser. 3227 (acquisition cost-\$683,724; purchased 5/1/09)	710,820
		1,864,750
<b>Washington 1.6%</b>		
6,670	JPMorgan Chase Putters/Drivers Trust, GO, 11.694%, 8/1/28, Ser. 3388 (acquisition cost-\$6,499,982; purchased 4/8/09)	8,184,757
Total Variable Rate Notes (cost-\$8,160,606)		10,049,507

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PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
<b>Short-Term Investments 0.8%</b>		
<b>U.S. Treasury Obligations 0.3%</b>		
\$100	U.S. Treasury Bills, 0.071%, 8/21/14 (1)	\$99,943
1,200	U.S. Treasury Notes, 0.25%, 5/31/14	1,201,008
Total U.S. Treasury Obligations (cost-\$1,301,001)		1,300,951
<b>Variable Rate Demand Note 0.3%</b>		
<b>South Carolina 0.3%</b>		
1,290	Educational Facs. Auth. Rev., Furman Univ., 0.07%, 11/1/13 (final maturity 10/1/39), Ser. B (h)(i) (cost-\$1,290,000)	1,290,000
<b>Repurchase Agreements 0.2%</b>		
1,100	Citigroup Global Markets, Inc., dated 10/31/13, 0.13%, due 11/1/13, proceeds \$1,100,004; collateralized by U.S. Treasury Notes, 1.00%, due 8/31/16, valued at \$1,125,992 including accrued interest (cost-\$1,100,000)	1,100,000
Total Short-Term Investments (cost-\$3,691,001)		3,690,951
<b>Total Investments (cost-\$474,422,773) 100.0%</b>		<b>\$496,736,367</b>

Industry classification of portfolio holdings as a percentage of total investments was as follows:

<b>Revenue Bonds:</b>	
Health, Hospital & Nursing Home Revenue	23.2%
Miscellaneous Revenue	14.0
Highway Revenue Tolls	7.2
Natural Gas Revenue	7.2
Tobacco Settlement Funded	6.5
College & University Revenue	4.1
Port, Airport & Marina Revenue	3.9
Water Revenue	3.8
Electric Power & Light Revenue	3.3
Miscellaneous Taxes	3.2
Industrial Revenue	3.1
Lease (Appropriation)	0.7
Transit Revenue	0.6
Ad Valorem Property Tax	0.4
Local or Guaranteed Housing	0.1

Total Revenue Bonds	81.3%
General Obligation	13.9
Special Assessment	3.4
Certificates of Participation	0.5
Tax Allocation	0.4
U.S. Treasury Obligations	0.3
Repurchase Agreements	0.2
Total Investments	100.0%

**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 \$10,517,299, representing 2.1% of total investments.

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**Schedule of Investments**

PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) In default.
- (f) Fair-Valued Security with a value of \$467,792, representing 0.1% of total investments. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (g) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on October 31, 2013.
- (h) Variable Rate Notes 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 October 31, 2013.
- (i) Date shown is date of next put.
- (j) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (k) Restricted. The aggregate acquisition cost of such securities is \$9,111,245. The aggregate value is \$10,517,299, representing 2.1% of total investments.

(l) Rates reflect the effective yields at purchase date.

(m) Floating Rate Notes The weighted average daily balance of Floating Rate Notes outstanding during the six months ended October 31, 2013 was \$13,552,407 at a weighted average interest rate, including fees, of 0.65%.

(n) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/13
<b>Investments in Securities Assets</b>				
Municipal Bonds & Notes:				
Alaska	\$	\$3,626,466	\$451,800	\$4,078,266
Kansas		1,638,691	447,867	2,086,558
Tennessee		10,389,050	467,792	10,856,842
All Other		465,974,243		465,974,243
Variable Rate Notes		10,049,507		10,049,507
Short-Term Investments		3,690,951		3,690,951
<b>Totals</b>	<b>\$</b>	<b>\$ 495,368,908</b>	<b>\$ 1,367,459</b>	<b>\$ 496,736,367</b>

At October 31, 2013, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the six months ended October 31, 2013, was as follows:

	Beginning Balance 4/30/13	Purchases	Sales	Accrued Discount (Premiums)	Realized Gain (Loss)	Net Change Unrealized Appreciation/ Depreciation	Transfers into Level 3*	Transfers out of Level 3	Ending Balance 10/31/13
<b>Investments in Securities Assets</b>									
Municipal Bonds & Notes:									
Alaska	\$	\$	\$	\$	\$	\$	\$451,800	\$	\$451,800
Kansas							447,867		447,867
Tennessee	472,350					(4,558)			467,792
<b>Totals</b>	<b>\$472,350</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$(4,558)</b>	<b>\$899,667</b>	<b>\$</b>	<b>\$1,367,459</b>

**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund

October 31, 2013 (unaudited) (continued)

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 at October 31, 2013.

	Ending Balance at 10/31/13	Valuation Technique Used	Unobservable Inputs	Input Values
<b>Investments in Securities</b>	<b>Assets</b>			
Municipal Bonds & Notes	\$899,667	Third-Party Pricing Vendor	Projected Revenue Stream	\$50.00 \$50.20
	467,792	Benchmark Pricing	Security Price Reset	49.77

\* Transferred out of Level 2 into Level 3 because evaluated prices by third-party pricing vendors was not available. The net change in unrealized appreciation/depreciation of Level 3 investments held at October 31, 2013, was \$(49,345). Net change in unrealized appreciation/depreciation is reflected on the Statement of Operations.

(o) The following is a summary of the derivative instruments categorized by risk exposure:  
The effect of derivatives on the Statement of Operations for the six months ended October 31, 2013:

Location	Interest Rate Contracts
<b>Net realized gain on:</b>	
Swaps	\$56,416

**Glossary:**

ACA	- insured by American Capital Access Holding Ltd.
AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.
CP	- Certificates of Participation
FHA	- insured by Federal Housing Administration
GO	- General Obligation Bond
NPFGC	- insured by National Public Finance Guarantee Corp.

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## PIMCO California Municipal Income Fund

October 31, 2013 (unaudited)

Principal Amount (000s)		Value
<b>California Municipal Bonds &amp; Notes 90.5%</b>		
\$10,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/34, Ser. F-1	\$10,449,200
5,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	5,425,000
650	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	692,699
350	Contra Costa Cnty. Public Financing Auth., Tax Allocation, 5.85%, 8/1/33, Ser. A	345,930
5,000	Desert Community College Dist., GO, 5.00%, 8/1/37, Ser. C (AGM)	5,173,500
6,300	Eastern Municipal Water Dist., CP, 5.00%, 7/1/35, Ser. H	6,478,542
10,200	Educational Facs. Auth. Rev. (h), Claremont McKenna College, 5.00%, 1/1/39	10,564,650
10,000	Univ. of Southern California, 5.00%, 10/1/39, Ser. A	10,459,200
2,975	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	3,046,757
14,425	El Monte, Department of Public Social Services Fac., Phase II, CP, 5.25%, 1/1/34 (AMBAC) (a)(b)(i) (acquisition cost-\$14,425,000; purchased 8/2/01)	14,458,322
1,000	Folsom Redev. Agcy., Tax Allocation, 5.50%, 8/1/36	1,004,300
165	Fremont Community Facs. Dist. No. 1, Special Tax, 6.00%, 9/1/18	166,076
505	6.00%, 9/1/19	508,096
3,500	6.30%, 9/1/31	3,509,205
3,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/35, Ser. A (FGIC)	2,945,520
6,000	5.00%, 6/1/38, Ser. A (FGIC)	5,875,080
1,600	5.00%, 6/1/45 (AMBAC-TCRS)	1,533,824
8,300	5.125%, 6/1/47, Ser. A-1	5,802,530
30,675	5.75%, 6/1/47, Ser. A-1	23,666,989
2,000	Health Facs. Financing Auth. Rev., Adventist Health System, 5.75%, 9/1/39, Ser. A	2,154,240
2,000	Catholic Healthcare West, 6.00%, 7/1/34, Ser. A	2,041,200
4,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	4,340,000
1,000	Children's Hospital, 5.00%, 8/15/51	1,007,700
1,000	Children's Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	1,120,670
1,450	Scripps Health, 5.00%, 11/15/36, Ser. A	1,477,912
3,400	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	3,551,538
10,000	Stanford Hospital Clinics, 5.00%, 8/15/51, Ser. A	10,077,000
1,000	Sutter Health, 5.00%, 8/15/35, Ser. D	1,025,840

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1,600	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	1,601,312
9,500	Sutter Health, 5.00%, 8/15/52, Ser. A	9,214,525
2,800	Sutter Health, 6.00%, 8/15/42, Ser. B	3,087,448
1,000	Imperial Irrigation Dist. Rev., 5.00%, 11/1/41, Ser. C	1,008,210
10,000	Infrastructure & Economic Dev. Bank Rev., Independent System Operator Corp., 5.00%, 2/1/39 (e)	10,252,200
10,590	Kern Cnty., Capital Improvements Projects, CP, 5.75%, 8/1/35, Ser. A (AGC)	11,251,663
7,000	La Quinta Redev. Agcy., Tax Allocation, 5.10%, 9/1/31 (AMBAC)	6,823,530
500	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	541,045
5,000	Long Beach Airport Rev., 5.00%, 6/1/40, Ser. A	4,992,500
1,000	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/27, Ser. A	1,085,780

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## PIMCO California Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	Los Angeles Department of Water & Power Rev.,	
\$5,000	4.75%, 7/1/30, Ser. A-2 (AGM) (h)	\$5,149,950
4,100	5.00%, 7/1/37, Ser. B	4,344,893
2,000	5.00%, 7/1/41, Ser. A	2,082,840
5,000	5.00%, 7/1/43, Ser. B	5,224,700
3,000	5.375%, 7/1/34, Ser. A (h)	3,258,660
7,000	5.375%, 7/1/38, Ser. A (h)	7,555,590
	Los Angeles Unified School Dist., GO,	
10,000	5.00%, 7/1/29, Ser. I (h)	10,741,900
3,500	5.00%, 1/1/34, Ser. I	3,652,005
5,000	5.00%, 1/1/34, Ser. I (h)	5,217,150
250	5.30%, 1/1/34, Ser. D	264,605
1,900	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,299,418
700	Malibu, City Hall Project, CP, 5.00%, 7/1/39, Ser. A	705,439
	Municipal Finance Auth. Rev.,	
1,085	Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,188,965
2,900	Biola Univ., 5.875%, 10/1/34	3,001,384
1,250	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	1,259,825
	Pollution Control Financing Auth. Rev.,	
1,250	American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(b)(d)(i) (acquisition cost-\$1,250,000; purchased 8/11/10)	1,235,725
2,000	San Jose Water Co. Projects, 5.10%, 6/1/40	2,039,040
5,000	Sacramento Cnty. Sanitation Dists. Financing Auth. Rev., 5.00%, 8/1/30 (NPFGC)	5,174,850
6,250	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	6,556,812
3,285	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	3,536,565
	San Joaquin Hills Transportation Corridor Agcy. Rev., Ser. A,	
5,000	5.50%, 1/15/28	4,781,300
5,000	5.70%, 1/15/19	5,113,250
230	San Jose, Special Assessment, 5.60%, 9/2/17, Ser. 24-Q	237,841
1,500	San Jose Hotel Tax Rev., Convention Center Expansion, 6.50%, 5/1/36	1,681,845
1,200	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,232,448
3,500	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital, 5.75%, 2/1/41, Ser. A (AMBAC)	3,698,065
1,300	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	1,476,839
	State, GO,	

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5,885	5.00%, 9/1/35	6,067,200
100	5.00%, 6/1/37	102,892
3,000	5.00%, 12/1/37	3,097,950
7,000	5.00%, 11/1/43 (e)	7,188,300
2,400	5.25%, 11/1/40	2,512,752
1,500	5.50%, 3/1/40	1,628,865
2,000	6.00%, 4/1/38	2,281,220
2,000	6.00%, 11/1/39	2,303,000
	State Public Works Board Rev.,	
2,000	5.75%, 10/1/30, Ser. G-1	2,225,740
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	2,248,500

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## PIMCO California Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
\$1,500	Judicial Council Projects, 5.00%, 12/1/29, Ser. D	\$1,591,935
2,000	Regents Univ., 5.00%, 4/1/34, Ser. E (Pre-refunded @ \$100, 4/1/19) (c)	2,394,300
	Statewide Communities Dev. Auth. Rev.,	
1,000	American Baptist Homes West, 6.25%, 10/1/39	1,024,670
900	California Baptist Univ., 5.50%, 11/1/38, Ser. A	832,275
845	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	901,277
10,000	Cottage Health, 5.00%, 11/1/40	9,926,700
13,050	Henry Mayo Newhall Memorial Hospital, 5.125%, 10/1/30, Ser. A (CA Mtg. Ins.)	13,074,273
6,500	Kaiser Permanente, 5.00%, 4/1/42, Ser. A	6,557,395
1,000	Kaiser Permanente, 5.25%, 3/1/45, Ser. B	1,008,180
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	1,070,100
3,000	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA Mtg. Ins.)	3,005,580
1,870	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	2,175,539
6,875	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	7,797,694
100	St. Joseph Health System, 5.125%, 7/1/24 (NPFGC)	110,539
3,200	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC)	3,404,800
2,000	Sutter Health, 6.00%, 8/15/42, Ser. A	2,205,320
3,915	The Internext Group, CP, 5.375%, 4/1/30	3,922,634
4,000	Univ. of California Irvine E. Campus, 5.125%, 5/15/31	4,040,960
4,500	Univ. of California Irvine E. Campus, 5.375%, 5/15/38	4,509,585
6,300	Torrance Rev., Torrance Memorial Medical Center, 5.00%, 9/1/40, Ser. A	6,368,481
2,000	Turlock, Emanuel Medical Center, CP, 5.50%, 10/15/37, Ser. B	2,130,200
2,000	Univ. of California Rev., 5.00%, 5/15/43, Ser. J	2,028,740
1,000	Westlake Village, CP, 5.00%, 6/1/39	1,009,320
	<b>Total California Municipal Bonds &amp; Notes (cost-\$372,353,130)</b>	<b>392,218,553</b>
	<b>Other Municipal Bonds &amp; Notes 3.8%</b>	
	<b>Iowa 1.7%</b>	
8,600	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	7,231,396
	<b>Ohio 0.9%</b>	
4,000	American Municipal Power, Inc. Rev., Fremont Energy Center Project, 5.00%, 2/15/42, Ser. B	4,018,560
	<b>Texas 1.2%</b>	
5,000	Wood Cnty. Central Hospital Dist. Rev., East Texas Medical Center Quitman Project, 6.00%, 11/1/41	5,153,300
	<b>Total Other Municipal Bonds &amp; Notes (cost-\$18,149,935)</b>	<b>16,403,256</b>
	<b>California Variable Rate Notes (a)(b)(d)(f)(g)(i) 1.6%</b>	
	Health Facs. Financing Auth. Rev.,	

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1,000	8.05%, 11/15/36, Ser. 3193 (acquisition cost-\$972,060; purchased 6/7/10)	1,038,300
6,000	9.953%, 11/15/42, Ser. 3255 (acquisition cost-\$3,698,520; purchased 3/25/11)	5,825,940
Total California Variable Rate Notes (cost-\$4,676,293)		6,864,240
<b>Short-Term Investments 4.1%</b>		
<b>U.S. Treasury Obligations 2.3%</b>		
300	U.S. Treasury Bills, 0.035%, 1/2/14 (j)	299,982
4,200	U.S. Treasury Notes, 0.25%, 5/31/14	4,203,528
5,100	2.25%, 5/31/14	5,163,250
Total U.S. Treasury Obligations (cost-\$9,665,511)		9,666,760

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**Table of Contents****Schedule of Investments**

PIMCO California Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	<b>U.S. Government Agency Securities 1.5%</b>	
\$6,600	Federal Home Loan Bank Discount Notes, 0.137%, 1/8/14 (j) (cost-\$6,598,317)	\$6,598,317
	<b>Repurchase Agreements 0.3%</b>	
1,500	Citigroup Global Markets, Inc., dated 10/31/13, 0.13%, due 11/1/13, proceeds \$1,500,005; collateralized by U.S. Treasury Notes, 1.00%, due 8/31/16, valued at \$1,531,755 including accrued interest (cost-\$1,500,000)	1,500,000
	<b>Total Short-Term Investments (cost-\$17,763,828)</b>	<b>17,765,077</b>
	<b>Total Investments (cost-\$412,943,186) 100.0%</b>	<b>\$433,251,126</b>

Industry classification of portfolio holdings as a percentage of total investments was as follows:

<b>Revenue Bonds:</b>		
Health, Hospital & Nursing Home Revenue		26.5%
Tobacco Settlement Funded		10.9
College & University Revenue		6.3
Electric Power & Light Revenue		5.9
Water Revenue		4.7
Highway Revenue Tolls		4.7
Lease (Abatement)		2.8
Local or Guaranteed Housing		2.2
Natural Gas Revenue		2.0
Sewer Revenue		1.2
Port, Airport & Marina Revenue		1.1
Hotel Occupancy Tax		0.4
<b>Total Revenue Bonds</b>		<b>68.7%</b>
General Obligation		12.1
Certificates of Participation		11.6
Tax Allocation		2.4
U.S. Treasury Obligations		2.3
U.S. Government Agency Securities		1.5
Special Tax		1.0
Repurchase Agreements		0.3

Special Assessment 0.1

Total Investments 100.0%

**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 \$22,558,287, representing 5.2% of total investments.
- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) When-issued or delayed-delivery. To be settled/delivered after October 31, 2013.

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**Schedule of Investments**

PIMCO California Municipal Income Fund

October 31, 2013 (unaudited) (continued)

- (f) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on October 31, 2013.
- (g) Variable Rate Notes 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 October 31, 2013.
- (h) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (i) Restricted. The aggregate acquisition cost of such securities is \$20,345,580. The aggregate value is \$22,558,287, representing 5.2% of total investments.
- (j) Rates reflect the effective yields at purchase date.
- (k) Floating Rate Notes The weighted average daily balance of Floating Rate Notes outstanding during the six months ended October 31, 2013 was \$31,765,500 at a weighted average interest rate, including fees, of 0.63%.
- (l) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/13
<b>Investments in Securities Assets</b>				
California Municipal Bonds & Notes	\$	\$ 392,218,553	\$	\$ 392,218,553
Other Municipal Bonds & Notes		16,403,256		16,403,256
California Variable Rate Notes		6,864,240		6,864,240
Short-Term Investments		17,765,077		17,765,077
<b>Totals</b>	<b>\$</b>	<b>\$ 433,251,126</b>	<b>\$</b>	<b>\$ 433,251,126</b>

At October 31, 2013, there were no transfers between Levels 1 and 2.

(m) The following is a summary of the derivative instruments categorized by risk exposure:

The effect of derivatives on the Statement of Operations for the six months ended October 31, 2013:

Location	Interest Rate Contracts
<b>Net realized gain on:</b>	
Swaps	\$110,024

**Glossary:**

AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins	- insured by California Mortgage Insurance
CP	- Certificates of Participation
FGIC	- insured by Financial Guaranty Insurance Co.
FHA	- insured by Federal Housing Administration
GO	- General Obligation Bond
IBC	- Insurance Bond Certificate
NPFGC	- insured by National Public Finance Guarantee Corp.
TCSR	- Temporary Custodian Receipts

See accompanying Notes to Financial Statements | October 31, 2013 | Semi-Annual Report **21**



**Table of Contents****Schedule of Investments**

PIMCO New York Municipal Income Fund

October 31, 2013 (unaudited)

Principal Amount (000s)		Value
<b>New York Municipal Bonds &amp; Notes 92.4%</b>		
	Hudson Yards Infrastructure Corp. Rev., Ser. A,	
\$3,000	5.25%, 2/15/47	\$3,083,730
4,000	5.75%, 2/15/47	4,233,280
	Liberty Dev. Corp. Rev.,	
1,500	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,617,675
120	Goldman Sachs Headquarters, 5.25%, 10/1/35	128,962
11,290	Goldman Sachs Headquarters, 5.25%, 10/1/35 (a)	12,133,137
1,925	Goldman Sachs Headquarters, 5.50%, 10/1/37	2,109,511
	Long Island Power Auth. Rev., Ser. A,	
750	5.00%, 9/1/34 (AMBAC)	752,228
4,500	5.75%, 4/1/39	4,816,035
	Metropolitan Transportation Auth. Rev.,	
2,000	5.00%, 11/15/42, Ser. H	2,031,920
1,000	5.00%, 11/15/43, Ser. B	1,015,900
	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43,	
1,600	Ser. A	871,408
3,500	New York City Health & Hospital Corp. Rev., 5.00%, 2/15/30, Ser. A	3,658,795
	New York City Industrial Dev. Agcy. Rev.,	
1,000	Liberty Interactive Corp., 5.00%, 9/1/35	998,610
900	Pilot Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	976,770
3,200	Yankee Stadium, 7.00%, 3/1/49 (AGC)	3,682,336
5,000	New York City Transitional Finance Auth. Rev., 5.25%, 1/15/39, Ser. S-3	5,343,400
	New York City Water & Sewer System Rev.,	
2,500	5.00%, 6/15/40, Ser. FF-2	2,586,325
5,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD (a)	5,077,650
	New York Liberty Dev. Corp. Rev.,	
2,000	1 World Trade Center Project, 5.00%, 12/15/41	2,064,480
6,000	4 World Trade Center Project, 5.75%, 11/15/51	6,408,900
600	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	625,044
	Port Auth. of New York & New Jersey Rev.,	
4,300	5.00%, 9/1/38, Ser. 132	4,352,116
1,000	JFK International Air Terminal, 6.00%, 12/1/36	1,084,290
	State Dormitory Auth. Rev.,	
1,000	5.00%, 2/15/29, Ser. A	1,105,390
500	5.00%, 7/1/35, Ser. A	522,105
1,000	5.00%, 3/15/38, Ser. A	1,072,700

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1,110	5.00%, 3/15/42, Ser. B	1,157,686
2,850	5.00%, 7/1/42, Ser. A	2,955,193
1,000	Fordham Univ., 5.50%, 7/1/36, Ser. A	1,065,430
2,000	Mount Sinai Hospital, 5.00%, 7/1/31, Ser. A	2,078,480
1,300	Mount Sinai School of Medicine, 5.125%, 7/1/39	1,325,142
4,500	New York Univ., 5.00%, 7/1/38, Ser. C	4,698,900
1,225	NYU Hospitals Center, 6.00%, 7/1/40, Ser. A	1,333,988
1,000	Pratt Institute, 5.125%, 7/1/39, Ser. C (AGC)	1,016,860
2,500	Sloan-Kettering Center Memorial, 4.50%, 7/1/35, Ser. A-1	2,462,450
1,800	Teachers College, 5.50%, 3/1/39	1,857,582
1,250	The New School, 5.50%, 7/1/40	1,310,138

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**Table of Contents****Schedule of Investments**

## PIMCO New York Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	State Thruway Auth. Rev., Ser. I,	
\$2,000	5.00%, 1/1/37	\$2,064,760
3,645	5.00%, 1/1/42	3,723,112
1,800	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (a)	1,923,606
3,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (a)	3,166,440
3,000	Troy Capital Res. Corp. Rev., Rensselaer Polytechnic Institute Project, 5.125%, 9/1/40, Ser. A	3,064,710
5,860	Troy Industrial Dev. Auth. Rev., Rensselaer Polytechnic Institute Project, 4.625%, 9/1/26	6,216,815
	TSASC, Inc. Rev., Ser. 1,	
3,000	5.00%, 6/1/26	2,657,460
3,000	5.00%, 6/1/34	2,337,240
2,205	5.125%, 6/1/42	1,640,961
2,945	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/27, Ser. C (AGM)	2,947,886
910	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	995,549
200	Yonkers Economic Dev. Corp. Rev., Charter School of Educational Excellence Project, 6.00%, 10/15/30, Ser. A	200,892
400	Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence College Project, 6.00%, 6/1/41, Ser. A	426,024
	Total New York Municipal Bonds & Notes (cost-\$122,807,775)	124,980,001
	<b>Other Municipal Bonds &amp; Notes 1.8%</b>	
	<b>Ohio 1.8%</b>	
2,875	Buckeye Tobacco Settlement Financing Auth. Rev., 6.50%, 6/1/47, Ser. A-2 (cost-\$2,408,210)	2,426,443
	<b>Short-Term Investments 5.8%</b>	
	<b>U.S. Treasury Obligations 5.1%</b>	
1,900	U.S. Treasury Bills, 0.068%-0.097%, 1/9/14-10/16/14 (b)	1,899,632
	U.S. Treasury Notes,	
1,600	0.25%, 4/30/14	1,601,157
300	0.25%, 6/30/14	300,281
200	1.00%, 5/15/14	200,965
2,900	2.25%, 5/31/14	2,935,966
	Total U.S. Treasury Obligations (cost-\$6,936,809)	6,938,001
	<b>U.S. Government Agency Securities (b) 0.7%</b>	
100	Federal Home Loan Bank Discount Notes, 0.049%, 12/4/13	99,996
500	Federal Home Loan Bank Discount Notes, 0.142%, 1/8/14	499,868

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300	Freddie Mac Discount Notes, 0.101%, 7/1/14	299,798
	Total U.S. Government Agency Securities (cost-\$899,662)	899,662
	Total Short-Term Investments (cost-\$7,836,471)	7,837,663
	<b>Total Investments</b> (cost-\$133,052,456) <b>100.0%</b>	<b>\$135,244,107</b>

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**Table of Contents****Schedule of Investments**

PIMCO New York Municipal Income Fund

October 31, 2013 (unaudited) (continued)

Industry classification of portfolio holdings as a percentage of total investments was as follows:

Revenue Bonds:	
College & University Revenue	18.6%
Miscellaneous Revenue	13.9
Industrial Revenue	9.7
Health, Hospital & Nursing Home Revenue	8.4
Tobacco Settlement Funded	6.7
Highway Revenue Tolls	6.6
Water Revenue	5.7
Port, Airport & Marina Revenue	5.5
Miscellaneous Taxes	5.4
Electric Power & Light Revenue	4.1
Income Tax Revenue	3.9
Recreational Revenue	2.7
Transit Revenue	2.3
Economic Development Revenue	0.7
Total Revenue Bonds	94.2%
U.S. Treasury Obligations	5.1
U.S. Government Agency Securities	0.7
Total Investments	100.0%

**Notes to Schedule of Investments:**

- (a) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (b) Rates reflect the effective yields at purchase date.
- (c) Floating Rate Notes The weighted average daily balance of Floating Rate Notes outstanding during the six months ended October 31, 2013 was \$10,476,876 at a weighted average interest rate, including fees, of 0.47%.

(d) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/13
<b>Investments in Securities Assets</b>				
New York Municipal Bonds & Notes	\$	\$ 124,980,001	\$	\$ 124,980,001
Other Municipal Bonds & Notes		2,426,443		2,426,443
Short-Term Investments		7,837,663		7,837,663
<b>Totals</b>	<b>\$</b>	<b>\$ 135,244,107</b>	<b>\$</b>	<b>\$ 135,244,107</b>

At October 31, 2013, there were no transfers between Levels 1 and 2.

(e) The following is a summary of the derivative instruments categorized by risk exposure:  
The effect of derivatives on the Statement of Operations for the six months ended October 31, 2013:

Location	Interest Rate Contracts
<b>Net realized gain on:</b>	
Swaps	\$6,806

**Glossary:**

AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.

**Table of Contents****Statements of Assets and Liabilities**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

	Municipal	California Municipal	New York Municipal
<b>Assets:</b>			
Investments, at value (cost-\$474,422,773, \$412,943,186 and \$133,052,456, respectively)	\$496,736,367	\$433,251,126	\$135,244,107
Cash	517,593	520,321	503,593
Interest receivable	8,236,500	6,716,209	1,872,416
Receivable for investments sold	65,000		
Prepaid expenses and other assets	109,980	42,129	1,618,353
<b>Total Assets</b>	<b>505,665,440</b>	<b>440,529,785</b>	<b>139,238,469</b>
<b>Liabilities:</b>			
Payable for floating rate notes issued	13,063,277	31,765,500	10,476,876
Payable for investments purchased		17,132,800	
Dividends payable to common and preferred shareholders	2,062,974	1,429,659	438,704
Investment management fees payable	268,260	213,440	70,257
Interest payable	26,089	43,859	20,184
Accrued expenses and other liabilities	100,468	169,934	49,748
<b>Total Liabilities</b>	<b>15,521,068</b>	<b>50,755,192</b>	<b>11,055,769</b>
<b>Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 7,600, 6,000 and 1,880 shares issued and outstanding, respectively)</b>	<b>190,000,000</b>	<b>150,000,000</b>	<b>47,000,000</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$300,144,372</b>	<b>\$239,774,593</b>	<b>\$81,182,700</b>
<b>Composition of Net Assets Applicable to Common Shareholders:</b>			
Common Shares (no par value):			
Paid-in-capital	\$333,034,424	\$244,707,371	\$97,526,173
Undistributed net investment income	3,557,614	12,050,045	2,004,951
Accumulated net realized loss	(58,769,369)	(37,290,010)	(20,480,227)
Net unrealized appreciation	22,321,703	20,307,187	2,131,803
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$300,144,372</b>	<b>\$239,774,593</b>	<b>\$81,182,700</b>
Common Shares Issued and Outstanding	25,357,867	18,548,542	7,689,133
<b>Net Asset Value Per Common Share</b>	<b>\$11.84</b>	<b>\$12.93</b>	<b>\$10.56</b>

See accompanying Notes to Financial Statements | October 31, 2013 | Semi-Annual Report 25

**Table of Contents****Statements of Operations**

PIMCO Municipal Income Funds

Six Months ended October 31, 2013 (unaudited)

	Municipal	California Municipal	New York Municipal
<b>Investment Income:</b>			
Interest	\$13,523,177	\$10,910,922	\$3,170,748
<b>Expenses:</b>			
Investment management	1,634,511	1,293,305	424,521
Auction agent and commissions	158,775	122,748	39,028
Custodian and accounting agent	60,267	47,376	29,343
Interest	45,039	101,746	25,238
Audit and tax services	35,422	32,193	24,768
Shareholder communications	27,110	10,450	11,674
New York Stock Exchange listing	24,128	24,067	12,998
Transfer agent	15,498	13,563	13,659
Trustees	13,989	10,815	3,602
Legal	4,600	4,739	3,780
Insurance	4,046	3,424	1,968
Miscellaneous	5,057	6,856	6,618
Total Expenses	2,028,442	1,671,282	597,197
<b>Net Investment Income</b>	<b>11,494,735</b>	<b>9,239,640</b>	<b>2,573,551</b>
<b>Realized and Change in Unrealized Gain (Loss):</b>			
Net realized gain (loss) on:			
Investments	(1,674,344)	2,840,995	90,317
Swaps	56,416	110,024	6,806
Net change in unrealized appreciation/depreciation of investments	(45,819,686)	(36,546,771)	(11,383,448)
Net realized and change in unrealized loss	(47,437,614)	(33,595,752)	(11,286,325)
<b>Net Decrease in Net Assets Resulting from Investment Operations</b>	<b>(35,942,879)</b>	<b>(24,356,112)</b>	<b>(8,712,774)</b>
<b>Dividends on Preferred Shares from Net Investment Income</b>	<b>(146,821)</b>	<b>(117,180)</b>	<b>(35,486)</b>
<b>Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Investment Operations</b>	<b>\$(36,089,700)</b>	<b>\$(24,473,292)</b>	<b>\$(8,748,260)</b>

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**Table of Contents****Statements of Changes in Net Assets****Applicable to Common Shareholders**

## PIMCO Municipal Income Funds

	Municipal Six Months ended October 31, 2013 (unaudited)	Year ended April 30, 2013
<b>Investment Operations:</b>		
Net investment income	\$11,494,735	\$24,006,518
Net realized gain (loss)	(1,617,928)	1,171,051
Net change in unrealized appreciation/depreciation	(45,819,686)	20,496,813
Net increase (decrease) in net assets resulting from investment operations	(35,942,879)	45,674,382
<b>Dividends on Preferred Shares from Net Investment Income</b>	(146,821)	(471,161)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(36,089,700)	45,203,221
<b>Dividends to Common Shareholders from Net Investment Income</b>	(12,354,723)	(24,664,665)
<b>Common Share Transactions:</b>		
Reinvestment of dividends	426,693	882,792
Total increase (decrease) in net assets applicable to common shareholders	(48,017,730)	21,421,348
<b>Net Assets Applicable to Common Shareholders:</b>		
Beginning of period	348,162,102	326,740,754
End of period*	\$300,144,372	\$348,162,102
*Including undistributed net investment income of:	\$3,557,614	\$4,564,423
<b>Common Shares Issued in Reinvestment of Dividends</b>	33,852	58,080

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California Municipal		New York Municipal	
Six Months ended October 31, 2013 (unaudited)	Year ended April 30, 2013	Six Months ended October 31, 2013 (unaudited)	Year ended April 30, 2013
\$9,239,640	\$18,985,141	\$2,573,551	\$5,371,779
2,951,019	768,479	97,123	809,587
(36,546,771)	15,469,190	(11,383,448)	4,255,627
(24,356,112)	35,222,810	(8,712,774)	10,436,993
(117,180)	(372,583)	(35,486)	(116,375)
(24,473,292)	34,850,227	(8,748,260)	10,320,618
(8,563,231)	(17,087,147)	(2,629,418)	(5,248,148)
413,388	764,404	51,694	310,460
(32,623,135)	18,527,484	(11,325,984)	5,382,930
272,397,728	253,870,244	92,508,684	87,125,754
\$239,774,593	\$272,397,728	\$81,182,700	\$92,508,684
\$12,050,045	\$11,490,816	\$2,004,951	\$2,096,304
31,011	51,253	4,527	25,935

See accompanying Notes to Financial Statements | October 31, 2013 | Semi-Annual Report **29**

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**1. Organization and Significant Accounting Policies**

PIMCO Municipal Income Fund ( Municipal ), PIMCO California Municipal Income Fund ( California Municipal ) and PIMCO New York Municipal Income Fund ( New York Municipal ), (each a Fund and collectively the Funds or PIMCO Municipal Income Funds ) were organized as Massachusetts business trusts on May 10, 2001. Prior to commencing operations on June 29, 2001, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies 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 ) and Pacific Investment Management Company LLC ( PIMCO or the Sub-Adviser ) serve as the Funds investment manager and sub-adviser, respectively, and are both indirect, wholly-owned subsidiaries of Allianz Asset Management of America L.P. ( AAM ). AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has an unlimited amount of no par value per share of common shares authorized.

Under normal market conditions, Municipal invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from U.S. federal income taxes. Under normal market conditions, California Municipal invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. There can be no assurance that the Funds will meet their stated objectives. The

Funds will generally seek to avoid investing in bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

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

In the normal course of business, the Funds enter into contracts that contain a variety of representations that provide general indemnifications. The Funds maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

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

**(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, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price.

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

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

Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement date.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Sub-Adviser. The Funds Valuation Committee was established by the Board to oversee the implementation of the Funds valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

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 61<sup>st</sup> day prior to maturity, if the original term to maturity exceeded 60 days.

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

**(b) Fair Value Measurements**

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

- n Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
- n Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

n Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committee's own assumptions and securities whose price was determined by using a single broker's quote)  
The valuation techniques used by the Funds to measure fair value during the six months ended October 31, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Funds' policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in

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PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

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

aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

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

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

**Government Sponsored Enterprise and Mortgage-Backed Securities** Government sponsored enterprise and mortgage-backed securities are valued by independent pricing services using pricing models based on inputs

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

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

**(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 an identified cost basis. Interest income adjusted for the accretion of discount and amortization of premiums is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income.

**(d) Federal Income Taxes**

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S.

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

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

Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, 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. In accordance with provisions set forth under U.S. GAAP, the Investment Manager has reviewed the Funds' tax positions for all open tax years. As of October 31, 2013, the Funds have recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken. The Funds' federal income tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

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

The Funds declare dividends from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from GAAP. 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 to shareholders from return of capital.

**(f) Inverse Floating Rate Transactions – Residual Interest Municipal Bonds ( RIBs )/Residual Interest Tax Exempt Bonds ( RITEs )**

The Funds invest in RIBs and RITEs ( Inverse Floaters ), whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. In inverse floating rate transactions, the Funds sell a fixed rate municipal bond ( Fixed Rate Bond ) to a broker who places the Fixed Rate Bond in a special purpose trust ( Trust ) from which floating rate bonds ( Floating Rate Notes ) and Inverse Floaters are issued. The Funds simultaneously or within a short period of time, purchase the Inverse Floaters from the broker. The Inverse Floaters held by the Funds provide the Funds with the right to: (1) cause the holders of the Floating Rate Notes to tender their notes at par, and (2) cause the broker to transfer the Fixed-Rate Bond held by the Trust to the Funds, thereby collapsing the Trust. The Funds account for the transaction described above as a secured borrowing by including the Fixed Rate Bond in their Schedules of Investments, and account for the Floating Rate Notes as a liability under the caption Payable for Floating

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Rate Notes issued in the Funds Statements of Assets and Liabilities. The Floating Rate Notes have interest rates that generally reset weekly and their holders have the option to tender their notes to the broker for redemption at par at each reset date.

The Funds may also invest in Inverse Floaters without transferring a fixed rate municipal bond into a Trust, which are not accounted for as secured borrowings. The Funds may also invest in Inverse Floaters for the purpose of increasing leverage.

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

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

The Inverse Floaters are created by dividing the income stream provided by the underlying bonds to create two securities, one short-term and one long-term. The interest rate on the short-term component is reset by an index or auction process typically every 7 to 35 days. After income is paid on the short-term securities at current rates, the residual income from the underlying bond(s) goes to the long-term securities. Therefore, rising short-term rates result in lower income for the long-term component and vice versa. The longer-term bonds may be more volatile and less liquid than other municipal bonds of comparable maturity. Investments in Inverse Floaters typically will involve greater risk than in an investment in Fixed Rate Bonds.

The Funds' restrictions on borrowings do not apply to the secured borrowings deemed to have occurred for accounting purposes. Inverse Floaters held by the Funds are exempt from registration under Rule 144A of the Securities Act of 1933.

In addition to general market risks, the Funds' investments in Inverse Floaters may involve greater risk and volatility than an investment in a fixed rate bond, and the value of Inverse Floaters may decrease significantly when market interest rates increase. Inverse Floaters have varying degrees of liquidity, and the market for these securities may be volatile. These securities tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, Inverse Floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Trusts in which Inverse Floaters may

be held could be terminated due to market, credit or other events beyond the Funds' control, which could require the Funds to reduce leverage and dispose of portfolio investments at inopportune times and prices.

**(g) Repurchase Agreements**

The Funds are parties to Master Repurchase Agreements ( Master Repo Agreements ) with select counterparties. The Master Repo Agreements maintain provisions for initiation, income payments, events of default, and maintenance of collateral.

The Funds enter into transactions, under the Master Repo Agreements, with their custodian bank or securities brokerage firms whereby they purchase securities under agreements to resell such securities at an agreed upon price and date ( repurchase agreements ). The Funds, through their custodian, take possession of securities collateralizing the repurchase agreement. Such agreements are carried at the contract amount in the financial statements, which is considered to represent fair value. Collateral pledged (the securities received), which consists primarily of U.S. government obligations and asset-backed securities, is held by the custodian bank for the benefit of the Funds until maturity of the repurchase agreement. Provisions of the repurchase agreements and the procedures adopted by the

Funds require that the market value of the collateral, including accrued interest thereon, be sufficient in the event of default by the counterparty. If the counterparty defaults under the Master Repo Agreements and the value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by the Funds may be delayed or limited. At October 31, 2013, Municipal Income and California Municipal Income had investments in repurchase agreements with a gross value of \$1,100,000 and \$1,500,000, respectively, on the Statements of Assets and

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

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

Liabilities. The value of the related collateral exceeded the value of the repurchase agreements at October 31, 2013.

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

When-issued or delayed-delivery 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 Funds 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 Funds assume 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 NAV. The Funds 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 is sold on a delayed-delivery basis, the Funds do not participate in future gains and losses with respect to the security.

**(i) U.S. Government Agencies or Government-Sponsored Enterprises**

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ( GNMA or Ginnie Mae ), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the

Department of Veterans Affairs. Government-related guarantors not backed by the full faith and credit of the U.S. Government include the Federal National Mortgage Association ( FNMA or Fannie Mae ) and the Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac ). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

**(j) Restricted Securities**

The Funds are permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

**(k) Interest Expense**

Interest expense primarily relates to the Funds' participation in Floating Rate Notes held by third parties in conjunction with Inverse Floater transactions.

**(l) Custody Credits on Cash Balances**

The Funds may benefit from an expense offset arrangement with their custodian bank, whereby uninvested cash balances may earn credits that reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Funds. Cash overdraft charges, if any, are included in custodian and accounting agent fees.

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**2. Principal Risks**

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds are also exposed to other risks such as, but not limited to, interest rate, credit and leverage risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the values of certain fixed income securities held by the Funds are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security's market price to interest rate (*i.e.* yield) movements.

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

The Funds are exposed to credit risk, which is the risk of losing money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

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

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds' financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Sub-Adviser seeks to minimize the



Funds counterparty risk by performing reviews of each counterparty and by minimizing concentration of counterparty risk by undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been delivered by the

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**Notes to Financial Statements**

PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**2. Principal Risks (continued)**

counterparty. The trade will fail if either party fails to meet its obligation.

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds' shares to be more volatile than if the Funds did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Funds' portfolio securities. The Funds may engage in transactions or purchase instruments that give rise to forms of leverage. In addition, to the extent the Funds employ leverage, dividend and interest costs may not be recovered by any appreciation of the securities purchased with the leverage proceeds and could exceed the Funds' investment returns, resulting in greater losses.

The Funds hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Funds' ability to trade, and the availability of prices from independent pricing services or dealer quotations. Some of these securities are illiquid and not actively traded. Sale of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material. A Fund may incur additional expenses to the extent it is required to seek recovery upon a portfolio security's default in the payment of principal or interest. In any bankruptcy proceeding relating to a defaulted investment, a Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment.

The Funds are party to International Swaps and Derivatives Association, Inc. Master Agreements ( ISDA Master Agreements ) with select counterparties that govern transactions, over-the-counter derivatives and foreign exchange contracts entered into by the Funds and those

counterparties. The ISDA Master Agreements contain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements of the Funds.

The considerations and factors surrounding the settlement of certain purchases and sales made on a delayed-delivery basis are governed by Master Securities Forward Transaction Agreements ( Master Forward Agreements ) between the Funds and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral.

**3. Financial Derivative Instruments**

Disclosure about derivatives and hedging activities requires qualitative disclosure regarding objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivatives, and

disclosure about credit-risk-related contingent features in derivative agreements. The disclosure requirements distinguish between derivatives, which are accounted for as hedges, and those that do not qualify for such accounting. Although the Funds at times use derivatives for hedging purposes, the Funds reflect derivatives at fair value and recognize changes in fair value through the Funds' Statements of Operations, and such derivatives do not qualify for hedge accounting treatment.

**(a) Swap Agreements**

Swap agreements are bilaterally negotiated agreements between the Funds and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market

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PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**3. Financial Derivative Instruments (continued)**

or event-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over-the-counter market ( OTC swaps ) or may be executed in a multilateral or other trade facility platform, such as a registered commodities exchange ( centrally cleared swaps ). The Funds may enter into credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements in order, among other things, manage their exposure to credit, currency and interest rate risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

OTC swap payments received or made at the beginning of the measurement period, if any, are reflected as such on the Funds' Statements of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Funds' Statements of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Funds' Statements of Operations. Net periodic payments received or paid by the Funds are included as part of realized gains or losses on the Funds' Statements of Operations. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation on the Funds' Statements of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a

receivable or payable, as applicable, for variation margin on centrally cleared swaps on the Funds' Statements of Assets and Liabilities.

Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognized on the Funds' Statements of Assets and Liabilities. Such risks include the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

**Interest Rate Swap Agreements** Interest rate swap agreements involve the exchange by the Funds 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 the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap , (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor , (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate

swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different money markets.

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PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**4. Investment Manager/Sub-Adviser**

Each Fund has an Investment Management Agreement (each an "Agreement") with the Investment Manager. Subject to the supervision of each Fund's Board, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds' investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.65% of each Fund's average daily net

assets, inclusive of net assets attributable to any Preferred Shares that were outstanding.

The Investment Manager has retained the Sub-Adviser to manage the Funds' investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Funds' investment decisions. The Investment Manager, not the Funds, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

**5. Investments in Securities**

For the six months ended October 31, 2013, purchases and sales of investments, other than short-term securities were:

		California	New York
	Municipal	Municipal	Municipal
Purchases	\$ 60,108,732	\$ 78,085,381	\$ 5,315,924
Sales	73,989,964	73,790,570	10,639,870

**6. Income Tax Information**

At October 31, 2013, the aggregate cost basis and the net unrealized appreciation (depreciation) of investments for federal income tax purposes were:

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	Federal Tax Cost Basis	Unrealized Appreciation	Unrealized Depreciation	Unrealized Appreciation
Municipal	\$ 460,904,539	\$ 33,836,640	\$ 11,030,608	\$ 22,806,032
California Municipal	382,081,103	26,262,913	6,962,997	19,299,916
New York Municipal	124,251,956	4,650,376	2,562,398	2,087,978

Differences between book and tax cost basis were attributable to Inverse Floaters transactions and/or wash sale loss deferrals.

## 7. Auction-Rate Preferred Shares

Municipal has 1,520 shares of Preferred Shares Series A, 1,520 shares of Preferred Shares Series B, 1,520 shares of Preferred Shares Series C, 1,520 shares of Preferred Shares Series D and 1,520 shares of Preferred Shares Series E outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

California Municipal has 2,000 shares of Preferred Shares Series A, 2,000 shares of

Preferred Shares Series B and 2,000 shares of Preferred Shares Series C outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

New York Municipal has 1,880 shares of Preferred Shares Series A outstanding, with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate that is typically re-set every seven days.

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PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**7. Auction-Rate Preferred Shares (continued)**

Distributions of net realized capital gains, if any, are paid annually.

For the six months ended October 31, 2013, the annualized dividend rates ranged from:

	High	Low	At October 31, 2013
<b><u>Municipal:</u></b>			
Series A	0.361%	0.083%	0.164%
Series B	0.361%	0.083%	0.164%
Series C	0.377%	0.083%	0.164%
Series D	0.377%	0.083%	0.147%
Series E	0.361%	0.083%	0.164%
<b><u>California Municipal:</u></b>			
Series A	0.361%	0.083%	0.164%
Series B	0.377%	0.083%	0.164%
Series C	0.361%	0.083%	0.164%
<b><u>New York Municipal:</u></b>			
Series A	0.361%	0.083%	0.164%

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

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



Since mid-February 2008, holders of auction-rate preferred shares ( ARPS ) issued by the Funds have been directly impacted by lack of liquidity, which has similarly affected ARPS holders in many of the nation's closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently

failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and the ARPS holders have continued to receive dividends at the defined maximum rate equal to the higher of the 30-day AA Composite Commercial Paper Rate multiplied by 110% or the Taxable Equivalent of the Short-Term Municipal Obligations Rate-defined as 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the S&P Municipal Bond 7-day High Grade Rate Index divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal) multiplied by 110% (which is a function of short-term interest rates). As of October 31, 2013 the current multiplier for calculating the maximum rate of 110%. If the Funds ARPS auctions continue to fail and the

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PIMCO Municipal Income Funds

October 31, 2013 (unaudited)

**7. Auction-Rate Preferred Shares (continued)**

maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds' common shareholders could be adversely affected.

**8. Subsequent Events**

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

On November 1, 2013, the following dividends were declared to common shareholders payable December 2, 2013 to shareholders of record on November 12, 2013.

Municipal	\$0.08125 per common share
California Municipal	\$0.077 per common share
New York Municipal	\$0.057 per common share

On December 2, 2013, the following dividends were declared to common shareholders payable January 2, 2014 to shareholders of record on December 12, 2013.

Municipal	\$0.08125 per common share
California Municipal	\$0.077 per common share
New York Municipal	\$0.057 per common share

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

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## PIMCO Municipal Income Fund

For a common share outstanding throughout each period:

	Six Months ended October 31,  2013  (unaudited)	2013	2012	2011	2010	
Net asset value, beginning of period	\$13.75	\$12.93	\$10.72	\$11.76	\$9.38	
<b>Investment Operations:</b>						
Net investment income	0.46	0.95	1.01	1.07	1.18	
Net realized and change in unrealized gain (loss)	(1.87)	0.87	2.20	(1.10)	2.22	
Total from investment operations	(1.41)	1.82	3.21	(0.03)	3.40	
<b>Dividends on Preferred Shares from Net Investment Income</b>	(0.01)	(0.02)	(0.02)	(0.03)	(0.04)	
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(1.42)	1.80	3.19	(0.06)	3.36	
<b>Dividends to Common Shareholders from Net Investment Income</b>	(0.49)	(0.98)	(0.98)	(0.98)	(0.98)	
Net asset value, end of period	\$11.84	\$13.75	\$12.93	\$10.72	\$11.76	
Market price, end of period	\$13.14	\$16.05	\$15.28	\$12.92	\$13.72	
<b>Total Investment Return</b> <sup>(1)</sup>	(14.81)%	11.96%	27.20%	1.54%	30.34%	
<b>RATIOS/SUPPLEMENTAL DATA:</b>						
Net assets, applicable to common shareholders, end of period (000s)	\$300,144	\$348,162	\$326,741	\$269,916	\$294,457	\$2
Ratio of expenses to average net assets, including interest expense <sup>(2)(3)(4)</sup>	1.30% <sup>(6)</sup>	1.22% <sup>(5)</sup>	1.28% <sup>(5)</sup>	1.44%	1.46% <sup>(5)</sup>	
Ratio of expenses to average net assets, excluding interest expense <sup>(2)(3)</sup>	1.27% <sup>(6)</sup>	1.19% <sup>(5)</sup>	1.22% <sup>(5)</sup>	1.34%	1.34% <sup>(5)</sup>	

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Ratio of net investment income to average net assets					
(2)	7.38% <sup>(6)</sup>	6.99% <sup>(5)</sup>	8.42% <sup>(5)</sup>	9.43%	10.77% <sup>(5)</sup>
Preferred shares asset coverage per share	\$64,492	\$70,809	\$67,990	\$60,514	\$63,743
Portfolio turnover rate	12%	9%	18%	15%	11%

- (1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, 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 in connection with the purchase or sale of Fund shares. 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(l) in Notes to Financial Statements).
- (4) Interest expense relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
- (5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. The effect of such waiver relative to the average net assets of common shareholders was 0.01%, 0.07%, 0.01% and 0.10% for the years ended April 30, 2013, April 30, 2012, April 30, 2010 and April 30, 2009, respectively.
- (6) Annualized.

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**Table of Contents****Financial Highlights**

## PIMCO California Municipal Income Fund

For a common share outstanding throughout each period:

	Six Months ended October 31, 2013 (unaudited)	Year ended April 30,			
		2013	2012	2011	2010
Net asset value, beginning of period	\$14.71	\$13.75	\$11.32	\$12.84	\$10.61
<b>Investment Operations:</b>					
Net investment income	0.50	1.02	1.08	1.12	1.21
Net realized and change in unrealized gain (loss)	(1.81)	0.88	2.29	(1.69)	1.98
Total from investment operations	(1.31)	1.90	3.37	(0.57)	3.19
<b>Dividends on Preferred Shares from Net Investment Income</b>					
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(1.32)	1.88	3.35	(0.60)	3.15
<b>Dividends to Common Shareholders from Net Investment Income</b>					
Net asset value, end of period	\$12.93	\$14.71	\$13.75	\$11.32	\$12.84
Market price, end of period	\$13.41	\$15.33	\$14.83	\$11.99	\$13.29
<b>Total Investment Return</b> <sup>(1)</sup>	(9.38)%	9.96%	32.94%	(2.79)%	17.72%
<b>RATIOS/SUPPLEMENTAL DATA:</b>					
Net assets, applicable to common shareholders, end of period (000s)	\$239,775	\$272,398	\$253,870	\$208,147	\$234,792
Ratio of expenses to average net assets, including interest expense <sup>(2)(3)(4)</sup>	1.35% <sup>(6)</sup>	1.30% <sup>(5)</sup>	1.36% <sup>(5)</sup>	1.48%	1.49% <sup>(5)</sup>
Ratio of expenses to average net assets, excluding interest expense <sup>(2)(3)</sup>	1.27% <sup>(6)</sup>	1.21% <sup>(5)</sup>	1.25% <sup>(5)</sup>	1.34%	1.34% <sup>(5)</sup>
Ratio of net investment income to average net assets <sup>(2)</sup>	7.49% <sup>(6)</sup>	7.17% <sup>(5)</sup>	8.63% <sup>(5)</sup>	9.21%	10.15% <sup>(5)</sup>

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Preferred shares asset coverage per share	\$64,962	\$70,398	\$67,310	\$59,689	\$64,130
Portfolio turnover rate	18%	12%	9%	19%	8%

- (1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, 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 in connection with the purchase or sale of Fund shares. 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(l) in Notes to Financial Statements).
- (4) Interest expense relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
- (5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. The effect of such waiver relative to the average net assets of common shareholders was 0.01%, 0.07%, 0.01% and 0.10% for the years ended April 30, 2013, April 30, 2012, April 30, 2010 and April 30, 2009, respectively.
- (6) Annualized.

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**Table of Contents****Financial Highlights**

## PIMCO New York Municipal Income Fund

For a common share outstanding throughout each period:

	Six Months ended October 31,  2013  (unaudited)	2013	2012	2011	2010	2009
Net asset value, beginning of period	\$12.04	\$11.38	\$9.92	\$10.67	\$9.19	\$12.70
<b>Investment Operations:</b>						
Net investment income	0.33	0.70	0.74	0.80	0.88	0.87
Net realized and change in unrealized gain (loss)	(1.47)	0.66	1.41	(0.84)	1.31	(3.50)
Total from investment operations	(1.14)	1.36	2.15	(0.04)	2.19	(2.63)
<b>Dividends on Preferred Shares from Net Investment Income</b>		(0.02)	(0.01)	(0.03)	(0.03)	(0.20)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(1.14)	1.34	2.14	(0.07)	2.16	(2.83)
<b>Dividends to Common Shareholders from Net Investment Income</b>	(0.34)	(0.68)	(0.68)	(0.68)	(0.68)	(0.68)
Net asset value, end of period	\$10.56	\$12.04	\$11.38	\$9.92	\$10.67	\$9.19
Market price, end of period	\$10.52	\$12.52	\$11.73	\$9.89	\$11.18	\$9.90
<b>Total Investment Return</b> <sup>(1)</sup>	(13.19)%	12.96%	26.36%	(5.57)%	20.76%	(18.80)
<b>RATIOS/SUPPLEMENTAL DATA:</b>						
Net assets, applicable to common shareholders, end of period (000s)	\$81,183	\$92,509	\$87,126	\$75,728	\$81,074	\$69,482
Ratio of expenses to average net assets, including interest expense <sup>(2)(3)(4)</sup>	1.43% <sup>(6)</sup>	1.36% <sup>(5)</sup>	1.37% <sup>(5)</sup>	1.51%	1.52% <sup>(5)</sup>	1.86%
Ratio of expenses to average net assets, excluding interest expense <sup>(2)(3)</sup>	1.37% <sup>(6)</sup>	1.30% <sup>(5)</sup>	1.31% <sup>(5)</sup>	1.42%	1.41% <sup>(5)</sup>	1.62%

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Ratio of net investment income to average net assets						
(2)	6.18% <sup>(6)</sup>	5.89% <sup>(5)</sup>	7.00% <sup>(5)</sup>	7.70%	8.71% <sup>(5)</sup>	8.49%
Preferred shares asset coverage per share	\$68,182	\$74,203	\$71,341	\$65,279	\$68,123	\$61,957
Portfolio turnover rate	4%	16%	21%	29%	11%	37%

Less than \$(0.005) per common share.

- (1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, 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 in connection with the purchase or sale of Fund shares. 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(l) in Notes to Financial Statements).
- (4) Interest expense relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
- (5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. The effect of such waiver relative to the average net assets of common shareholders was 0.01%, 0.07%, 0.01% and 0.10% for the years ended April 30, 2013, April 30, 2012, April 30, 2010 and April 30, 2009, respectively.
- (6) Annualized.

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**Proxy Voting Policies & Procedures (unaudited)**

PIMCO Municipal Income Funds

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Funds shareholder servicing agent at (800) 254-5197; (ii) on the Funds website at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds); and (iii) on the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov).

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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited)**

PIMCO Municipal Income Funds

The Investment Company Act of 1940, as amended, requires that both the full Board of Trustees (the Trustees ) and a majority of the non-interested Trustees (the Independent Trustees ), voting separately, approve each Fund s Management Agreement with the Investment Manager (the Advisory Agreements ) and Portfolio Management Agreement between the Investment Manager and the Sub-Adviser (the Sub-Advisory Agreements, and, together with the Advisory Agreements, the Agreements ). The Trustees met telephonically on June 10, 2013 and in person on June 25, 2013 (the contract review meetings ) for the specific purpose of considering whether to approve the continuation of the Advisory Agreements and the Sub-Advisory Agreements. 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 meetings.

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 Agreement.

In connection with their contract review meetings, the Trustees received and relied upon materials provided by the Investment Manager which included, among other items: (i) information provided by Lipper Inc. ( Lipper ), an independent third party, on the total return investment performance (based on net assets) of the Funds for various time

periods, the investment performance of a group of funds with investment classifications/objectives comparable to those of the Funds identified by Lipper (the Lipper performance universe ) and the performance of an applicable benchmark index, (ii) information provided by Lipper on the Funds 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 fees for open-end funds managed by the Sub-Adviser with similar investment objectives and policies to those of the Funds, (iv) the estimated profitability to the Investment Manager from its relationship with the Funds for the one year period ended December 31, 2012, (v) descriptions of various functions performed by the Investment Manager and the Sub-Adviser for the Funds, 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 Funds.

The Trustees conclusions as to the continuation of the Agreements were based on a comprehensive consideration of all information provided to the Trustees and were 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, attributing different weights to various factors. The Trustees recognized that the fee arrangements for the Funds are the result of review and discussion in prior years between the Independent Trustees and the Investment Manager, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the

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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited) (continued)**

PIMCO Municipal Income Funds

Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Fund-specific performance results reviewed by the Trustees are discussed below. The comparative performance information was prepared and provided by Lipper and was not independently verified by the Trustees. Due to the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report. The Trustees reviewed, among other information, comparative information showing performance of each Fund against its Lipper performance universe for the one-year, three-year, five-year and ten-year periods ended March 31, 2013.

In addition, it was noted that the Trustees considered matters bearing on the Funds and their advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting.

As part of their review, the Trustees examined the Investment Manager's and the Sub-Adviser's abilities to provide high quality investment management and other services to the Funds. Among other information, 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 Funds; the ability of the Investment Manager and the Sub-Adviser to attract and retain capable personnel; and the capability of the senior management and staff of the Investment Manager and the Sub-Adviser. 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 Funds; the nature and quality of certain administrative services

the Investment Manager is responsible for providing to the Funds; and conditions that might affect the Investment Manager's or the Sub-Adviser's ability to provide high quality services to the Funds in the future under the Agreements, including each organization's respective 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 each Fund given its investment objective 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.

In assessing the reasonableness of each Fund's fees under the Agreements, the Trustees considered, among other information, each Fund's management fee and its total expense ratio as a percentage of average net assets attributable to common shares and as a percentage of total managed assets (including assets attributable to common shares and preferred shares outstanding combined), and the management fee and total expense ratios of a peer expense group of funds based on information provided by Lipper. The Fund-specific fee and expense results discussed below were prepared and provided by Lipper and were not independently verified by the Trustees.

The Trustees specifically took note of how each Fund compared to its Lipper peers as to performance, management fee expense and total net expenses. The Trustees noted that while the Funds are not charged separate administration fees (recognizing that their management fees include a component for administrative services), it was not clear in all cases whether the peer funds in the Lipper category were separately charged such a fee by their investment managers, so that the total expense ratio (rather than any individual



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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited) (continued)**

PIMCO Municipal Income Funds

expense component) represented the most relevant comparison. It was noted that the total expense ratio comparisons reflect the effect of expense waivers/reimbursements.

**Municipal**

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of eleven closed-end funds, including the Fund and two other funds in the Allianz fund complex. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the eleven funds in the expense group ranged from \$277.2 million to \$664.6 million, and that nine of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked eighth out of eleven funds in the expense group for total expense ratio based on common share assets, fourth out of eleven funds in the expense group for total expense ratio based on common share and leveraged assets combined, tenth out of eleven funds in actual management fees based on common share assets and sixth out of eleven funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked eleventh having the highest fees/expenses in the expense group).

With respect to Fund total return performance relative to its Lipper performance universe (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year, three-year, five-year and ten-year periods ended March 31, 2013.

**California Municipal**

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of nine closed-end funds, including the Fund and two other funds in the Allianz fund complex. The Trustees noted that only

leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the nine funds in the expense group ranged from \$33.1 million to \$335.7 million, and that three of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked third out of nine funds in the expense group for total expense ratio based on common share assets, second out of nine funds in the expense group for total expense ratio based on common share and leveraged assets combined, seventh out of nine funds in actual management fees based on common share assets and fifth out of nine funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked ninth having the highest fees/expenses in the expense group).

With respect to Fund total return performance relative to its Lipper performance universe (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year, three-year, five-year and ten-year periods ended March 31, 2013.

**New York Municipal**

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of eight closed-end funds, including the Fund and two other funds in the Allianz fund complex. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the eight funds in the expense group ranged from \$51.7 million to \$219 million, and that four of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked second out of eight funds in the expense group for total expense ratio based on common share assets, third out of eight funds in the expense group for total expense

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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited) (continued)**

PIMCO Municipal Income Funds

ratio based on common share and leveraged assets combined, third out of eight funds in actual management fees based on common share assets and fourth out of eight funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked eighth having the highest fees/expenses in the expense group).

With respect to Fund total return performance relative to its Lipper performance universe (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year and three-year periods and fifth quintile performance for the five-year and ten-year periods ended March 31, 2013.

In addition to their review of Fund performance based on net asset value, the Trustees also considered the market value performance of each Fund's common shares and related share price premium and/or discount information based on the materials provided by Lipper and management.

The Trustees also considered the management fees charged by the Sub-Adviser to open-end funds with similar investment objectives and strategies to those of the Funds. The Trustees noted that the management fees paid by the Funds are higher than the fees paid by the open-end funds offered for comparison, but were advised by the Sub-Adviser that there are additional portfolio management challenges in managing the Funds, such as those associated with the use of leverage and attempting to meet a regular dividend. The Trustees were advised that the Sub-Adviser does not manage any institutional or separate accounts with investment strategies and return profiles similar to those of the Funds.

The Trustees also took into account that the Funds have 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 the Fund's average daily net assets, inclusive of any assets attributable to preferred shares). In this regard, the Trustees took into account that the Investment Manager and the Sub-Adviser have a financial incentive for the Funds to continue to have preferred shares outstanding, which may create a conflict of interest between the Investment Manager and the Sub-Adviser, on the one hand, and the Funds' common shareholders, on the other. In this regard, the Trustees considered information provided by the Investment Manager and the Sub-Adviser and related presentations as to why each Fund's use of preferred shares continues to be appropriate and in the best interests of the respective Fund's common shareholders under current market conditions.

Based on a profitability analysis provided by the Investment Manager, the Trustees also considered the estimated profitability to the Investment Manager from its relationship with each Fund and determined that such profitability did not appear to be excessive.

The Trustees also took into account that, as closed-end investment companies, the Funds do not currently intend to raise additional assets, so the assets of the Funds will grow (if at all) only through the investment performance of each 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 Funds.

After reviewing these and other factors described herein, the Trustees concluded, with

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**Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited)**

PIMCO Municipal Income Funds

respect to each Fund, within the context of their overall conclusions regarding the Agreements and based on the information provided and related representations made by management, that they were satisfied with the Investment Manager's and the Sub-Adviser's responses and efforts relating to the investment performance of the Fund. The Trustees also concluded that the fees payable under each Agreement represent reasonable compensation in light of

the nature, extent and quality of services provided by the Investment Manager or Sub-Adviser, as the case may be. Based on their evaluation of factors that they deemed to be material, including those factors described above, the Trustees, including the Independent Trustees, unanimously concluded that the continuation of the Agreements was in the interests of each Fund and its shareholders, and should be approved.

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**Trustees**

Hans W. Kertess

*Chairman of the Board of Trustees*

Deborah A. DeCotis

Bradford K. Gallagher

James A. Jacobson

John C. Maney

William B. Ogden, IV

Alan Rappaport

**Fund Officers**

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*

Orhan Dzemaili

*Assistant Treasurer*

Thomas L. Harter

*Chief Compliance Officer*

Lagan Srivastava

*Assistant Secretary*

**Investment Manager**

Allianz Global Investors Fund Management LLC

1633 Broadway

New York, NY 10019

**Sub-Adviser**

Pacific Investment Management Company LLC

840 Newport Center Drive

Newport Beach, CA 92660

**Custodian & Accounting Agent**

State Street Bank & Trust Co.

225 Franklin Street

Boston, MA 02110

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

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

**Legal Counsel**

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

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Boston, MA 02199

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

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

*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 Funds may purchase their common shares in the open market.*

*The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission ( SEC ) for the first and third quarters of their fiscal year on Form N-Q. Each 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, D.C. 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 Funds' website at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).*

*Information on the Funds is available at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds) or by calling the Funds' shareholder servicing agent at (800) 254-5197.*

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**[us.allianzgi.com](http://us.allianzgi.com)**

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**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**

- (a) The registrant's Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.
- (b) Not applicable.

**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

**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 Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.
  
- (b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-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 internal control over financial reporting.

#### **ITEM 12. EXHIBITS**

- (a) (1) Not required in this filing.
  
- (a) (2) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  
- (a) (3) Not applicable
  
- (b) Exhibit 99.906 Cert. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



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**Signatures**

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

(Registrant) PIMCO Municipal Income Fund

By /s/ Brian S. Shlissel  
Brian S. Shlissel

President & Chief Executive Officer  
Date: January 7, 2014

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna

Treasurer, Principal Financial &  
Accounting Officer  
Date: January 7, 2014

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  
Brian S. Shlissel

President and Chief Executive Officer  
Date: January 7, 2014

By /s/ Lawrence G. Altadonna  
Lawrence G. Altadonna

Treasurer, Principal Financial &  
Accounting Officer  
Date: January 7, 2014