

PIMCO HIGH INCOME FUND
Form N-CSR
June 03, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

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

Investment Company Act file number 811-21311

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

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

10019
(Zip code)

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

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

Date of fiscal year March 31, 2013
end:

Date of reporting period: March 31, 2013

ITEM 1. Report to Shareholders

March 31, 2013

PIMCO Dynamic Income Fund

PIMCO Global StocksPLUS® & Income Fund

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Dear Shareholder:

US stock markets surged to all-time highs during the fiscal twelve-month reporting period ended March 31, 2013, capping a dramatic comeback from the lows of March 2009. The market rally over the past four years has been, in both nominal and real terms, the fifth largest since 1940. It is notable that these gains have come despite the steady headwinds that continue to challenge the world's three largest economies, the US, the European Union (E.U.) and China.

For the reporting period ended March 31, 2013

- PIMCO Dynamic Income Fund returned 40.17% on net asset value (NAV) and 35.21% on market price since its inception, on May 30, 2012.

Hans W. Kertess

Chairman

- PIMCO Global StocksPLUS® & Income Fund returned 35.36% on NAV and 21.57% on market price.

- PIMCO High Income Fund returned 31.32% on NAV and 8.53% on market price.

Brian S. Shlissel

President & CEO

The Standard & Poor's 500 (S&P 500) Index, a proxy for the US stock market, advanced 13.96%, the MSCI Europe, Australasia and Far East Index (EAFE) returned 11.25% in US dollar terms, and the BofA Merrill Lynch US High Yield Master II Index increased 13.11% for the year ended March 31, 2013. The broad bond market, as measured by the Barclays US Aggregate Index, rose 3.77% while the Barclays US Treasury Bond Index returned 0.14% during the reporting period.

The US economy advanced during the reporting period, albeit modestly and erratically. As the year began, US gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, was growing at a 2.0% annual rate. Growth eased to a 1.3% pace during the second quarter of 2012, before accelerating to an annual rate of 3.1% during the third quarter of 2012. GDP growth slowed to a 0.4% pace during the fourth quarter of 2012, which the government indicated was due to a drop in defense spending.

During the same period, the E.U.'s recession deepened. GDP in the 17-nation euro zone contracted every quarter in 2012, with the fourth quarter's pace of -0.60% the steepest of all. The E.U.'s economy has contracted for five consecutive quarters. Unemployment in the E.U. reached 12% for the first time since the currency was launched in 1999.

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The European Central Bank (E.C.B.), under the leadership of President Mario Draghi, announced a massive bond-buying program. In unveiling the measure, Draghi indicated that the E.C.B. would do whatever it takes to preserve the euro. These comments helped to lower borrowing costs for nations struggling with sovereign debt woes, such as Greece, while easing concerns that a nation may exit the E.U.

In China, growth accelerated for the first time in two years, as GDP growth reached a 7.9% pace, an increase from 7.4% during the third quarter of 2012. However, GDP then eased to a 7.7% annual rate as the period drew to a close in the first quarter of 2013.

The Road Ahead

The International Monetary Fund (IMF) predicts that, as a result of the automatic budget reductions that the US government began making in March 2013 US GDP will expand at a 1.7% pace in 2013, down from a previous estimate of 2.0%. The IMF also predicts the E.U.'s downturn will continue, forecasting a -0.2% contraction in the euro-zone's GDP for 2013. Given the interconnection of the US, European and Chinese economies, economic issues experienced in one of these economies are likely to impact the other economies.

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

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Brian S. Shlissel
President & Chief Executive Officer

PIMCO Dynamic Income Fund

PIMCO Dynamic Income Fund Fund Insights

March 31, 2013 (unaudited)

For the period from its inception on May 30, 2012 through March 31, 2013 (the reporting period), PIMCO Dynamic Income Fund (the Fund) returned 40.17% on net asset value (NAV) and 35.21% on market price.

A number of macro issues caused the financial markets to experience periods of volatility during the reporting period. These included a continuation of the European sovereign debt crisis, slower global economic growth, the US fiscal cliff and sequestration. Against this backdrop, there were periods of heightened risk aversion. Despite these issues, investors who assumed greater risk were rewarded. The overall US fixed income market, as measured by the Barclays US Aggregate Bond Index, returned 3.77% during the reporting period. The yield curve steepened over the reporting period, as short-term yields declined slightly, whereas longer-term yields moved higher.

Spread sectors (non-Treasuries) generally outperformed equal-duration Treasuries as investors looked for yield in the low interest rate environment. For instance, emerging market debt advanced 10.44% during the reporting period, as measured by the JPMorgan EMBI Global Index. The global high yield corporate bond market, as measured by the Barclays Global High Yield Index, returned 12.98%, compared to the global credit market advance of 6.69%, as measured by the Barclays Global Credit Index.

Sector positioning produces positive results

The Fund posted strong absolute and relative returns during the reporting period. An allocation to non-agency mortgage-backed securities helped results, as these bonds outperformed the broader market, supported by positive supply/demand technicals. The Fund's exposure to high yield corporate bonds was beneficial, as their spreads tightened during the reporting period. An emphasis on banking enhanced results as these issues outperformed the broader market. A short duration aided the Fund's performance as intermediate- and longer-term rates moved higher during the reporting period.

There were no significant detractors from performance during the reporting period.

PIMCO Global StocksPLUS® & Income Fund Fund Insights

March 31, 2013 (unaudited)

For the 12-month period ended March 31, 2013, PIMCO Global StocksPLUS® & Income Fund (the Fund) returned 35.36% on net asset value (NAV) and 21.57% on market price.

A number of macro issues caused the global financial markets to experience periods of volatility during the reporting period. These included a continuation of the European sovereign debt crisis, slower global economic growth, the US fiscal cliff and sequestration. Despite these issues, investors who assumed greater risk were rewarded during the reporting period.

The global developed equity markets produced strong results during the 12 months ended March 31, 2013. Over this period, the US stock market returned 13.96%, as measured by the S&P 500 Index (the S&P 500). The S&P 500 fell sharply during the first two months of the period, as investor risk aversion heightened due to fears of contagion from the European sovereign debt crisis and weaker than expected economic data in the US. The S&P 500 then moved higher during nine of the next ten months and, on the last trading day of March 2013, reached an all-time high. Supporting the market over that period were generally robust investor demand, corporate profits that often exceeded expectations and ongoing policy accommodation by the Federal Reserve. International developed equities, as measured by the MSCI EAFE Index, also posted a double-digit return, although they lagged the S&P 500. All told, international developed equities returned 11.25% (as measured by the MSCI EAFE Index) for the 12 months ended March 31, 2013.

US Treasury yields fluctuated during the reporting period, but moved lower during the 12 months ended March 31, 2013. Yields generally moved lower over the first five months of the period given mixed economic data and periods of risk aversion. In late July 2012, the yield on the 10-year Treasury reached an all-time low. Subsequently, yields typically moved higher as the US economy continued to expand and ongoing policy accommodation triggered expectations for future inflation. The yield curve flattened during the 12 months ended March 31, 2013, as longer-term yields fell more than their short-term counterparts. The spread sectors (non-Treasuries) generally

PIMCO Global StocksPLUS® & Income Fund Fund Insights

March 31, 2013 (unaudited) (continued)

outperformed equal-duration Treasuries during the period as investors looked for yield in the low interest rate environment.

Equity exposure produces generally positive results

Performance benefited from an average 52% exposure to US equities during the reporting period through S&P 500 futures contracts along with a defensive option strategy that sought to generate income and limit losses. The Fund utilized total return swaps to gain access to the MSCI EAFE Index. The Fund's average exposure to foreign stocks was 48% during the reporting period. This was beneficial to performance given the strong results from international developed equities.

The Fund's defensive option strategy detracted from performance due to the exercise of written call options during the equity market rally that took place from late 2012 through the end of the period.

Allocations to spread sectors produced positive results

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

The Fund's fixed income securities contributed to performance during the reporting period. Holdings of residential non-agency mortgage-backed securities and commercial mortgage-backed securities added significant value, as strong demand for high quality income and a strengthening US housing market drove prices higher. Allocations to high yield and investment grade corporate bonds, with the latter emphasizing the Financial sector, positively impacted returns due to narrowing credit spreads during the 12-month period. The Fund's US interest rate strategy had a beneficial impact on performance, as US Treasury yields were broadly lower during the 12 months ended March 31, 2013. The Fund also benefited from earning a yield in excess of the money market interest rate cost associated with equity index futures and swaps ownership.

PIMCO Dynamic Income Fund

PIMCO Global StocksPLUS® & Income Fund

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PIMCO High Income Fund Fund Insights

March 31, 2013 (unaudited)

For the fiscal 12-month period ended March 31, 2013, PIMCO High Income Fund (the Fund) returned 31.32% on net asset value (NAV) and 8.53% on market price.

A number of macro issues caused the financial markets to experience periods of volatility during the reporting period. These included a continuation of the European sovereign debt crisis, slower global economic growth, the US fiscal cliff and sequestration. Despite these issues, investors who assumed great risk were rewarded during the reporting period.

The overall US fixed income market, as measured by the Barclays US Aggregate Index, returned 3.77% during the 12 months ended March 31, 2013. US Treasury yields fluctuated during the reporting period, but moved lower over the 12 months ended March 31, 2013. Yields generally moved lower during the first five months of the period given mixed economic data and periods of risk aversion. In late July 2012, the yield on the 10-year Treasury reached an all-time low. Subsequently, yields typically moved higher as the US economy continued to expand and ongoing policy accommodation triggered expectations for future inflation. The yield curve flattened during the 12 months ended March 31, 2013, as longer-term yields fell more than short-term yields. The spread sectors (non-Treasuries) generally outperformed equal-duration Treasuries during the period as investors looked for yield in the low interest rate environment.

The US high yield market advanced 13.11% during the 12 months ended March 31, 2013, as measured by the BofA Merrill Lynch High Yield Master II Index (the Index). Supporting the high yield market were corporate profits that often exceeded expectations, cash-rich corporate balance sheets, low defaults and overall solid demand. In aggregate, during the 12-month period, lower quality securities generally outperformed their higher quality counterparts, with CCC and lower-rated bonds returning 16.12% and BB/B-rated securities in the Index returning 12.48%.

PIMCO High Income Fund Fund Insights

March 31, 2013 (unaudited) (continued)

Sector positioning produces largely positive results

The Fund posted strong absolute and relative returns on a NAV basis during the reporting period. An allocation to non-agency mortgage-backed securities helped results, as these bond issues outperformed the broader market, supported by positive supply/demand technicals. An emphasis on select high quality Banking issues enhanced performance, as did an overweighting to the Insurance sector, as they outperformed the broader market. The Fund's long duration added to performance as interest rates in the US declined during the 12-month period.

Detracting from these positive results was the Fund's underweighting to high yield corporate bonds, as the spreads on these securities tightened during the reporting period. A tactical allocation to emerging markets in the first quarter of 2013 was negative, as this asset class underperformed the broader credit market during that time.

PIMCO Dynamic Income Fund

PIMCO Global StocksPLUS® & Income Fund

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PIMCO Dynamic Income Fund
Performance & Statistics

March 31, 2013 (unaudited)

Total Return(1):		Market Price	NAV
Commencement of Operations (5/30/12) to 3/31/13		35.21%	40.17%

Market Price/NAV Performance:

Commencement of Operations (5/30/12) to 3/31/13

Market Price/NAV:

Market Price	\$31.10
NAV	\$30.69
Premium to NAV	1.34%
Market Price Yield(2)	6.83%
Leverage Ratio(3)	47.39%

Moody's Ratings

(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.

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

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

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income and short-term capital gains, if any) by the market price per share at March 31, 2013.

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

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PIMCO Global StocksPLUS® & Income Fund
Performance & Statistics

March 31, 2013 (unaudited)

Total Return(1):		Market Price	NAV
1 Year		21.57%	35.36%
5 Year		19.47%	15.22%
Commencement of Operations (5/31/05) to 3/31/13		14.70%	12.99%

Market Price/NAV Performance:

Commencement of Operations (5/31/05) to 3/31/13

Market Price/NAV:

Market Price	\$21.95
NAV	\$14.32
Premium to NAV	53.28%
Market Price Yield(2)	10.02%
Leverage Ratio(3)	37.99%

Moody's Ratings

(as a % of total investments, before
options written and securities sold short)

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

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

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and, once issued, shares of closed-end funds are

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traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income) by the market price per share at March 31, 2013.

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

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PIMCO High Income Fund
Performance & Statistics

March 31, 2013 (unaudited)

Total Return(1):		Market Price	NAV
1 Year		8.53%	31.32%
5 Year		16.42%	