

PIMCO MUNICIPAL INCOME FUND II
Form N-Q
October 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

| | |
|---|--|
| Investment Company Act File Number: | 811-21076 |
| Registrant Name: | PIMCO Municipal Income Fund II |
| Address of Principal Executive Offices: | 1633 Broadway New York, NY 10019 |
| Name and Address of Agent for Service: | William G. Galipeau 1633 Broadway New York, NY 10019 |
| Registrant's telephone number, including area code: | 844-337-4626 |
| Date of Fiscal Year End: | May 31, 2014 |
| Date of Reporting Period: | August 31, 2014 |

Item 1. Schedule of Investments**PIMCO Municipal Income Fund II**

August 31, 2014 (Unaudited)

| | PRINCIPAL AMOUNT (000s) | MARKET VALUE (000s) |
|---|-------------------------------|---------------------------|
| INVESTMENTS IN SECURITIES 154.1% | | |
| CORPORATE BONDS & NOTES 0.1% | | |
| INDUSTRIALS 0.1% | | |
| ADT Corp. | \$ 900 | \$ 839 |
| 4.125% due 06/15/2023 | | |
| Total Corporate Bonds & Notes | | 839 |
| (Cost \$807) | | |
| MUNICIPAL BONDS & NOTES 148.8% | | |
| ALABAMA 4.6% | | |
| Alabama Docks Department State Revenue Bonds, Series 2010 | 2,000 | 2,287 |
| 6.000% due 10/01/2040 | | |
| Birmingham-Baptist Medical Centers Special Care Facilities Financing Authority, Alabama Revenue Bonds, Series 2005 | | |
| 5.000% due 11/15/2030 | 1,000 | 1,012 |
| Jefferson County, Alabama Sewer Revenue Bonds, Series 2013 | | |
| 0.000% due 10/01/2050 (a) | 21,000 | 12,759 |
| 6.500% due 10/01/2053 | 16,000 | 18,359 |
| | | 34,417 |
| ARIZONA 12.4% | | |
| Arizona Health Facilities Authority Revenue Bonds, Series 2008 | | |
| 5.000% due 01/01/2035 | 3,500 | 3,676 |
| 5.500% due 01/01/2038 | 2,860 | 3,091 |
| Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2008 | | |
| 5.000% due 09/01/2039 | 29,700 | 30,796 |
| Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010 | | |
| 5.250% due 10/01/2040 | 1,500 | 1,616 |
| Pinal County, Arizona Electric District No. 3 Revenue Bonds, Series 2011 | | |

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| | | |
|---|--------|--------|
| 5.250% due 07/01/2036 | 1,750 | 1,947 |
| 5.250% due 07/01/2041 | 3,700 | 4,087 |
| Salt River Project Agricultural Improvement & Power District, Arizona Revenue Bonds, Series 2009 | | |
| 5.000% due 01/01/2039 | 10,000 | 11,079 |
| Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007 | | |
| 5.000% due 12/01/2032 | 9,000 | 10,309 |
| 5.000% due 12/01/2037 | 22,400 | 25,547 |
| | | 92,148 |

CALIFORNIA 20.2%

| | | |
|---|--------|--------|
| Bay Area Toll Authority, California Revenue Bonds, Series 2008 | | |
| 5.000% due 04/01/2034 | 1,430 | 1,652 |
| Bay Area Toll Authority, California Revenue Bonds, Series 2010 | | |
| 5.000% due 10/01/2029 | 6,000 | 6,772 |
| Bay Area Toll Authority, California Revenue Bonds, Series 2013 | | |
| 5.250% due 04/01/2048 | 5,000 | 5,651 |
| California Health Facilities Financing Authority Revenue Bonds, (NPFGC/IBC Insured), Series 2007 | | |
| 5.000% due 11/15/2042 | 6,300 | 6,778 |
| California Health Facilities Financing Authority Revenue Bonds, Series 2010 | | |
| 5.000% due 11/15/2036 | 1,500 | 1,636 |
| 8.080% due 11/15/2036 | 5,000 | 6,002 |
| California Health Facilities Financing Authority Revenue Bonds, Series 2011 | | |
| 6.000% due 08/15/2042 | 3,000 | 3,604 |
| California Municipal Finance Authority Revenue Bonds, Series 2011 | | |
| 7.750% due 04/01/2031 | 2,875 | 3,380 |
| California State General Obligation Bonds, Series 2007 | | |
| 5.000% due 11/01/2032 | 2,925 | 3,225 |
| 5.000% due 06/01/2037 | 1,590 | 1,723 |
| California State General Obligation Bonds, Series 2008 | | |
| 5.125% due 08/01/2036 | 5,200 | 5,758 |
| 5.250% due 03/01/2038 | 2,500 | 2,743 |
| California State General Obligation Bonds, Series 2009 | | |
| 6.000% due 04/01/2038 | 9,500 | 11,328 |
| California State General Obligation Bonds, Series 2010 | | |
| 5.250% due 11/01/2040 | 5,945 | 6,821 |
| 5.500% due 03/01/2040 | 5,750 | 6,592 |
| California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009 | | |
| 6.625% due 08/01/2029 | 4,890 | 5,819 |
| 6.750% due 02/01/2038 | 17,415 | 20,716 |

California Statewide Communities Development Authority

Revenue Bonds, Series 2007

| | | |
|-----------------------|-------|-------|
| 5.750% due 11/01/2017 | 2,510 | 2,765 |
|-----------------------|-------|-------|

California Statewide Communities Development Authority

Revenue Bonds, Series 2010

| | | |
|-----------------------|-------|-------|
| 5.000% due 11/01/2040 | 1,000 | 1,091 |
|-----------------------|-------|-------|

California Statewide Communities Development Authority

Revenue Bonds, Series 2011

| | | |
|-----------------------|-------|-------|
| 5.000% due 12/01/2041 | 1,000 | 1,104 |
|-----------------------|-------|-------|

| | | |
|-----------------------|-------|-------|
| 6.000% due 08/15/2042 | 5,690 | 6,836 |
|-----------------------|-------|-------|

| | | |
|-----------------------|-----|-----|
| 6.500% due 11/01/2021 | 710 | 839 |
|-----------------------|-----|-----|

| | | |
|---|-------|---------|
| Hayward Unified School District, California General Obligation Bonds, Series 2008 | 2,000 | 2,142 |
| 5.000% due 08/01/2033 | | |
| Indian Wells Redevelopment Agency, California Tax Allocation Bonds, (AMBAC Insured), Series 2006 | 1,500 | 1,501 |
| 4.750% due 09/01/2034 | | |
| Los Angeles Community College District, California General Obligation Bonds, (FGIC Insured), Series 2007 | 2,000 | 2,200 |
| 5.000% due 08/01/2032 | | |
| Los Angeles Department of Water & Power, California Revenue Bonds, (AMBAC Insured), Series 2007 | 4,000 | 4,277 |
| 5.000% due 07/01/2039 | | |
| Los Angeles Unified School District, California General Obligation Bonds, (AMBAC Insured), Series 2005 | 5,000 | 5,201 |
| 5.000% due 07/01/2030 | | |
| M-S-R Energy Authority, California Revenue Bonds, Series 2009 | 1,750 | 2,361 |
| 6.500% due 11/01/2039 | | |
| Montebello Unified School District, California General Obligation Bonds, (AGM Insured), Series 2008 | 2,000 | 2,196 |
| 5.000% due 08/01/2033 | | |
| Newport Beach, California Revenue Bonds, Series 2011 | 3,000 | 3,866 |
| 5.875% due 12/01/2030 | | |
| Peralta Community College District, California General Obligation Bonds, Series 2009 | 500 | 548 |
| 5.000% due 08/01/2039 | | |
| San Diego County, California Water Authority Certificates of Participation Bonds, (AGM Insured), Series 2008 | 2,000 | 2,197 |
| 5.000% due 05/01/2038 | | |
| San Marcos Unified School District, California General Obligation Bonds, Series 2011 | 3,300 | 3,640 |
| 5.000% due 08/01/2038 | | |
| Santa Clara County, California Financing Authority Revenue Bonds, (AMBAC Insured), Series 2007 | 2,000 | 2,156 |
| 5.750% due 02/01/2041 | | |
| Torrance, California Revenue Bonds, Series 2010 | 4,725 | 5,037 |
| 5.000% due 09/01/2040 | | |
| | | 150,157 |
| COLORADO 2.3% | | |
| Aurora, Colorado Revenue Bonds, Series 2010 | 5,800 | 6,189 |
| 5.000% due 12/01/2040 | | |
| Colorado Health Facilities Authority Revenue Bonds, Series 2007 | 1,000 | 1,005 |
| 5.900% due 08/01/2037 | | |
| Colorado Health Facilities Authority Revenue Bonds, Series 2010 | 6,045 | 6,586 |

5.000% due 01/01/2040

| | | |
|--|-------|-------|
| Denver Health & Hospital Authority, Colorado Revenue Bonds, Series 2010 | 1,000 | 1,097 |
|--|-------|-------|

5.625% due 12/01/2040

| | | |
|--|-------|-------|
| Public Authority for Colorado Energy Revenue Bonds, Series 2008 | 1,430 | 1,956 |
|--|-------|-------|

6.500% due 11/15/2038

16,833

CONNECTICUT 0.4%

| | | |
|---|-------|-------|
| Connecticut State Health & Educational Facility Authority Revenue Bonds, Series 2011 | 1,000 | 1,082 |
|---|-------|-------|

5.000% due 07/01/2041

| | | |
|--|-------|-------|
| Harbor Point Infrastructure Improvement District, Connecticut Tax Allocation Bonds, Series 2010 | 1,250 | 1,485 |
|--|-------|-------|

7.875% due 04/01/2039

2,567

FLORIDA 8.0%

| | | |
|---|-------|-------|
| Brevard County, Florida Health Facilities Authority Revenue Bonds, Series 2009 | 1,000 | 1,149 |
|---|-------|-------|

7.000% due 04/01/2039

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|--|-----|-----|
| Broward County, Florida Airport System Revenue Bonds, Series 2009 | 600 | 691 |
|--|-----|-----|

5.375% due 10/01/2029

| | | |
|--|--------|--------|
| Broward County, Florida Airport System Revenue Bonds, Series 2012 | 12,100 | 13,278 |
|--|--------|--------|

5.000% due 10/01/2042

| | | |
|---|-------|-------|
| Broward County, Florida Water & Sewer Utility Revenue Bonds, Series 2009 | 8,500 | 9,516 |
|---|-------|-------|

5.250% due 10/01/2034

| | | |
|---|-------|-------|
| Clearwater, Florida Water & Sewer Revenue Bonds, Series 2009 | 1,000 | 1,075 |
|---|-------|-------|

5.250% due 12/01/2039

| | | |
|---|-----|-----|
| Florida Development Finance Corp. Revenue Notes, Series 2011 | 340 | 364 |
|---|-----|-----|

6.500% due 06/15/2021

| | | |
|--|-------|-------|
| Florida State General Obligation Bonds, Series 2009 | 7,900 | 8,757 |
|--|-------|-------|

5.000% due 06/01/2038

| | | |
|---|-------|-------|
| Highlands County, Florida Health Facilities Authority Revenue Bonds, Series 2005 | 1,830 | 1,883 |
|---|-------|-------|

5.000% due 11/15/2031

| | | |
|---|-------|-------|
| Highlands County, Florida Health Facilities Authority Revenue Bonds, Series 2008 | 3,000 | 3,382 |
|---|-------|-------|

5.625% due 11/15/2037

| | | |
|---|-------|-------|
| Leesburg, Florida Revenue Bonds, Series 2002 | 3,000 | 3,002 |
|---|-------|-------|

5.500% due 07/01/2032

| | | |
|---|--------|--------|
| Orlando-Orange County, Florida Expressway Authority Revenue Bonds, Series 2010 | 10,000 | 10,784 |
|---|--------|--------|

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5.000% due 07/01/2040

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| Sarasota County, Florida Health Facilities Authority Revenue Bonds, Series 2007 | 500 | 491 |
|--|-----|-----|

5.750% due 07/01/2037

| | | |
|---|-------|-------|
| Sumter Landing Community Development District, Florida Revenue Bonds, (NPFGC Insured), Series 2005 | 5,000 | 5,003 |
|---|-------|-------|

4.750% due 10/01/2035

| | | |
|--|--|--------|
| | | 59,375 |
|--|--|--------|

GEORGIA 0.6%

| | | |
|---|-------|-------|
| Atlanta Department of Aviation, Georgia Revenue Bonds, Series 2010 | 1,500 | 1,618 |
|---|-------|-------|

5.000% due 01/01/2040

| | | |
|---|--------|--------|
| Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007 | 2,775 | 2,794 |
| 5.250% due 07/01/2037 | | 4,412 |
| ILLINOIS 8.9% | | |
| Chicago, Illinois Motor Fuel Tax Revenue Bonds, (AGC Insured), Series 2008 | 1,250 | 1,300 |
| 5.000% due 01/01/2038 | | |
| Chicago, Illinois Special Assessment Bonds, Series 2003 | | |
| 6.625% due 12/01/2022 | 2,444 | 2,459 |
| 6.750% due 12/01/2032 | 5,438 | 5,468 |
| Hillside Village, Illinois Tax Allocation Bonds, Series 2008 | | |
| 6.550% due 01/01/2020 | 3,495 | 3,731 |
| 7.000% due 01/01/2028 | 2,900 | 2,995 |
| Illinois Finance Authority Revenue Bonds, Series 2007 | | |
| 5.750% due 05/15/2031 | 2,500 | 2,577 |
| 6.000% due 03/01/2037 ^ | 250 | 50 |
| Illinois Finance Authority Revenue Bonds, Series 2009 | | |
| 5.500% due 07/01/2037 | 5,000 | 5,890 |
| 7.125% due 11/15/2037 | 700 | 835 |
| Illinois Finance Authority Revenue Bonds, Series 2010 | | |
| 6.000% due 05/01/2028 | 2,000 | 2,196 |
| Illinois Sports Facilities Authority Revenue Bonds, (AMBAC Insured), Series 2001 | | |
| 5.500% due 06/15/2030 | 37,000 | 38,726 |
| | | 66,227 |
| INDIANA 0.7% | | |
| Indiana Finance Authority Revenue Bonds, Series 2009 | | |
| 6.000% due 08/01/2039 | 1,500 | 1,679 |
| Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2007 | | |
| 5.800% due 09/01/2047 | 990 | 998 |
| Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011 | | |
| 7.500% due 09/01/2022 | 1,900 | 2,320 |
| | | 4,997 |
| IOWA 3.5% | | |
| Iowa Finance Authority Revenue Bonds, Series 2007 | | |
| 6.750% due 11/15/2042 | 4,500 | 4,720 |
| Iowa Finance Authority Revenue Bonds, Series 2013 | | |
| 5.250% due 12/01/2025 | 6,000 | 6,416 |
| Iowa Finance Authority Revenue Bonds, Series 2014 | | |
| 2.000% due 05/15/2056 | 144 | 2 |

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| | | |
|---|--------|--------|
| 2.700% due 11/15/2046 | 769 | 462 |
| Iowa Finance Authority Revenue Notes, Series 2013 | | |
| 5.500% due 12/01/2022 | 5,000 | 5,274 |
| Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005 | | |
| 5.600% due 06/01/2034 | 10,350 | 9,153 |
| | | 26,027 |
| KANSAS 0.2% | | |
| Kansas Development Finance Authority Revenue Bonds, Series 2009 | | |
| 5.750% due 11/15/2038 | 500 | 560 |
| Manhattan, Kansas Revenue Bonds, Series 2007 | | |
| 5.000% due 05/15/2036 | 850 | 834 |
| | | 1,394 |
| KENTUCKY 0.2% | | |
| Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010 | | |
| 6.375% due 06/01/2040 | 1,000 | 1,136 |
| LOUISIANA 1.1% | | |
| Louisiana Local Government Environmental Facilities & Community Development Authority Revenue Bonds, Series 2010 | | |
| 5.875% due 10/01/2040 | 750 | 861 |
| 6.000% due 10/01/2044 | 1,000 | 1,155 |
| 6.500% due 11/01/2035 | 450 | 520 |
| Louisiana Public Facilities Authority Revenue Bonds, Series 2007 | | |
| 5.500% due 05/15/2047 | 3,300 | 3,471 |
| Louisiana Public Facilities Authority Revenue Bonds, Series 2011 | | |
| 6.500% due 05/15/2037 | 2,000 | 2,343 |
| | | 8,350 |
| MARYLAND 1.1% | | |
| Maryland Health & Higher Educational Facilities Authority Revenue Bonds, Series 2008 | | |
| 6.000% due 01/01/2043 | 4,050 | 4,177 |
| Maryland Health & Higher Educational Facilities Authority Revenue Bonds, Series 2010 | | |
| 6.250% due 01/01/2041 | 1,400 | 1,539 |

| | | |
|---|-------|-------|
| Maryland Health & Higher Educational Facilities Authority Revenue Bonds, Series 2011 | | |
| 5.000% due 08/15/2041 | 2,380 | 2,550 |
| | | 8,266 |
| MASSACHUSETTS 1.3% | | |
| Massachusetts Development Finance Agency Revenue Bonds, Series 2007 | | |
| 6.750% due 10/15/2037 | 4,610 | 4,806 |
| Massachusetts Development Finance Agency Revenue Bonds, Series 2010 | | |
| 7.000% due 07/01/2042 | 1,000 | 1,126 |
| 7.625% due 10/15/2037 | 570 | 632 |
| Massachusetts State College Building Authority Revenue Bonds, Series 2009 | | |
| 5.500% due 05/01/2039 | 2,900 | 3,286 |
| | | 9,850 |
| MICHIGAN 0.7% | | |
| Detroit, Michigan General Obligation Bonds, Series 2010 | | |
| 5.250% due 11/01/2035 | 1,000 | 1,080 |
| Michigan Public Educational Facilities Authority Revenue Bonds, Series 2007 | | |
| 6.500% due 09/01/2037 | 800 | 456 |
| Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009 | | |
| 8.250% due 09/01/2039 | 3,000 | 3,880 |
| | | 5,416 |
| MINNESOTA 0.4% | | |
| North Oaks, Minnesota Revenue Bonds, Series 2007 | | |
| 6.000% due 10/01/2033 | 2,640 | 2,838 |
| St Louis Park, Minnesota Revenue Bonds, Series 2009 | | |
| 5.750% due 07/01/2039 | 400 | 444 |
| | | 3,282 |
| MISSISSIPPI 0.0% | | |
| Mississippi Development Bank Revenue Bonds, (AMBAC Insured), Series 1999 | | |
| 5.000% due 07/01/2024 | 40 | 41 |
| MISSOURI 1.6% | | |
| Lee s Summit, Missouri Tax Allocation Bonds, Series 2011 | | |
| 5.625% due 10/01/2023 | 550 | 578 |

| | | |
|---|--------|--------|
| Missouri State Health & Educational Facilities Authority | | |
| Revenue Bonds, Series 2013 | | |
| 5.000% due 11/15/2044 | 10,000 | 10,923 |
| | | 11,501 |
| NEVADA 1.4% | | |
| Clark County, Nevada General Obligation Bonds, Series 2006 | | |
| 4.750% due 11/01/2035 | 10,000 | 10,425 |
| NEW HAMPSHIRE 0.3% | | |
| New Hampshire Business Finance Authority Revenue Bonds, Series 2009 | | |
| 6.125% due 10/01/2039 | 2,000 | 2,142 |
| NEW JERSEY 5.1% | | |
| Burlington County, New Jersey Bridge Commission Revenue Bonds, Series 2007 | | |
| 5.625% due 01/01/2038 | 950 | 961 |
| New Jersey Economic Development Authority Revenue Bonds, Series 1998 | | |
| 6.000% due 05/15/2028 | 525 | 307 |
| New Jersey Economic Development Authority Revenue Bonds, Series 2010 | | |
| 5.875% due 06/01/2042 | 2,000 | 2,192 |
| New Jersey Economic Development Authority Special Assessment Bonds, Series 2002 | | |
| 5.750% due 10/01/2021 | 4,000 | 4,440 |
| New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2007 | | |
| 5.750% due 07/01/2037 | 1,500 | 1,529 |
| New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2011 | | |
| 6.000% due 07/01/2037 | 1,500 | 1,756 |
| New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013 | | |
| 5.500% due 07/01/2043 | 4,000 | 4,632 |
| New Jersey State Turnpike Authority Revenue Bonds, Series 2009 | | |
| 5.250% due 01/01/2040 | 2,000 | 2,234 |
| Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007 | | |
| 4.750% due 06/01/2034 | 3,300 | 2,469 |
| 5.000% due 06/01/2041 | 23,105 | 17,550 |
| | | 38,070 |
| NEW MEXICO 0.3% | | |
| Farmington, New Mexico Revenue Bonds, Series 2010 | | |
| 5.900% due 06/01/2040 | 2,000 | 2,215 |

| | | |
|---|--------|---------|
| NEW YORK 19.7% | | |
| Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011 | | |
| 5.250% due 02/15/2047 | 33,500 | 37,020 |
| Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011 | | |
| 5.000% due 11/15/2036 | 3,880 | 4,302 |
| Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2007 | | |
| 6.700% due 01/01/2043 | 1,100 | 748 |
| New York City, New York Water & Sewer System Revenue Bonds, Series 2005 | | |
| 5.000% due 06/15/2037 | 2,830 | 2,918 |
| New York City, New York Water & Sewer System Revenue Bonds, Series 2007 | | |
| 4.750% due 06/15/2035 | 4,000 | 4,305 |
| New York City, New York Water & Sewer System Revenue Bonds, Series 2009 | | |
| 5.000% due 06/15/2039 | 2,000 | 2,226 |
| New York Liberty Development Corp. Revenue Bonds, Series 2005 | | |
| 5.250% due 10/01/2035 | 11,505 | 13,778 |
| New York Liberty Development Corp. Revenue Bonds, Series 2010 | | |
| 5.125% due 01/15/2044 | 1,000 | 1,106 |
| 5.625% due 07/15/2047 | 2,500 | 2,821 |
| 6.375% due 07/15/2049 | 1,250 | 1,413 |
| New York Liberty Development Corp. Revenue Bonds, Series 2011 | | |
| 5.000% due 12/15/2041 | 10,000 | 11,037 |
| 5.750% due 11/15/2051 | 54,000 | 62,598 |
| New York State Dormitory Authority Revenue Bonds, Series 2010 | | |
| 5.500% due 07/01/2040 | 1,750 | 1,957 |
| | | 146,229 |
| NORTH CAROLINA 0.1% | | |
| North Carolina Medical Care Commission Revenue Bonds, Series 2006 | | |
| 5.100% due 10/01/2030 | 550 | 553 |
| NORTH DAKOTA 0.5% | | |
| Stark County, North Dakota Revenue Bonds, Series 2007 | | |
| 6.750% due 01/01/2033 | 3,710 | 3,925 |
| OHIO 7.8% | | |

| | | |
|---|--------|--------|
| Buckeye Tobacco Settlement Financing Authority, Ohio | | |
| Revenue Bonds, Series 2007 | | |
| 5.875% due 06/01/2047 | 10,000 | 7,976 |
| 6.500% due 06/01/2047 | 33,740 | 28,955 |
| Hamilton County, Ohio Sales Tax Revenue Bonds, Series 2011 | | |
| 5.000% due 12/01/2030 | 3,900 | 4,388 |
| Montgomery County, Ohio Revenue Bonds, Series 2009 | | |
| 6.250% due 11/15/2039 | 1,000 | 1,012 |
| Ohio Higher Educational Facility Commission Revenue Bonds, Series 2009 | | |
| 6.750% due 01/15/2039 | 1,000 | 1,024 |
| Ohio State Revenue Bonds, Series 2009 | | |
| 5.500% due 01/01/2039 | 3,000 | 3,360 |
| Ohio State Turnpike Commission Revenue Bonds, Series 2013 | | |
| 5.000% due 02/15/2048 | 10,000 | 10,981 |
| | | 57,696 |
| OREGON 0.3% | | |
| Clackamas County, Oregon Hospital Facility Authority | | |
| Revenue Bonds, Series 2009 | | |
| 5.500% due 07/15/2035 | 1,000 | 1,090 |
| Oregon Department of Administrative Services State | | |
| Certificates of Participation Bonds, Series 2009 | | |
| 5.250% due 05/01/2039 | 1,155 | 1,241 |
| | | 2,331 |
| PENNSYLVANIA 8.5% | | |
| Berks County, Pennsylvania Municipal Authority Revenue | | |
| Bonds, Series 2012 | | |
| 5.000% due 11/01/2044 | 7,500 | 8,134 |
| Cumberland County, Pennsylvania Municipal Authority | | |
| Revenue Bonds, Series 2008 | | |
| 5.625% due 07/01/2028 | 1,000 | 1,041 |
| 6.000% due 07/01/2035 | 670 | 700 |
| Harrisburg Authority, Pennsylvania Revenue Bonds, Series | | |
| 2007 | | |
| 6.000% due 09/01/2036 ^ | 3,250 | 1,515 |
| Luzerne County, Pennsylvania Industrial Development | | |
| Authority Revenue Bonds, Series 2009 | | |
| 5.500% due 12/01/2039 | 500 | 557 |
| Montgomery County Industrial Development Authority, | | |
| Pennsylvania Revenue Bonds, (FHA Insured), Series 2010 | | |
| 5.375% due 08/01/2038 | 8,465 | 9,512 |
| Pennsylvania Higher Educational Facilities Authority Revenue | | |
| Bonds, Series 2010 | | |
| 5.000% due 03/01/2040 | 400 | 427 |
| 6.000% due 07/01/2043 | 850 | 897 |

Pennsylvania Turnpike Commission Revenue Bonds, Series 2013

| | | |
|-----------------------|--------|--------|
| 5.000% due 12/01/2043 | 10,000 | 11,117 |
|-----------------------|--------|--------|

Philadelphia Hospitals & Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012

| | | |
|-----------------------|-------|-------|
| 5.625% due 07/01/2036 | 1,000 | 1,052 |
|-----------------------|-------|-------|

| | | |
|-----------------------|-------|-------|
| 5.625% due 07/01/2042 | 7,000 | 7,317 |
|-----------------------|-------|-------|

Philadelphia, Pennsylvania General Obligation Bonds, (AGM Insured), Series 2008

| | | |
|-----------------------|--------|--------|
| 5.250% due 12/15/2032 | 17,000 | 19,055 |
|-----------------------|--------|--------|

| | | |
|--|--------|--------|
| Philadelphia, Pennsylvania Water & Wastewater Revenue Bonds, Series 2009 | | |
| 5.250% due 01/01/2036 | 500 | 541 |
| Westmoreland County Industrial Development Authority, Pennsylvania Revenue Bonds, Series 2010 | | |
| 5.125% due 07/01/2030 | 1,000 | 1,066 |
| | | 62,931 |
| RHODE ISLAND 7.6% | | |
| Tobacco Settlement Financing Corp., Rhode Island Revenue Bonds, Series 2002 | | |
| 6.250% due 06/01/2042 | 56,200 | 56,209 |
| SOUTH CAROLINA 3.2% | | |
| Greenwood County, South Carolina Revenue Bonds, Series 2009 | | |
| 5.375% due 10/01/2039 | 1,000 | 1,092 |
| South Carolina State Public Service Authority Revenue Bonds, Series 2013 | | |
| 5.500% due 12/01/2053 | 10,000 | 11,247 |
| South Carolina State Public Service Authority Revenue Bonds, Series 2014 | | |
| 5.500% due 12/01/2054 | 10,000 | 11,295 |
| | | 23,634 |
| TENNESSEE 1.9% | | |
| Claiborne County, Tennessee Industrial Development Board Revenue Bonds, Series 2009 | | |
| 6.625% due 10/01/2039 | 1,750 | 1,934 |
| Johnson City Health & Educational Facilities Board, Tennessee Revenue Bonds, Series 2010 | | |
| 6.000% due 07/01/2038 | 1,000 | 1,129 |
| Sullivan County, Tennessee Health Educational & Housing Facilities Board Revenue Bonds, Series 2006 | | |
| 5.250% due 09/01/2036 | 500 | 522 |
| Tennessee Energy Acquisition Corp. Revenue Bonds, Series 2006 | | |
| 5.000% due 02/01/2023 | 3,000 | 3,412 |
| 5.000% due 02/01/2027 | 6,000 | 6,867 |
| | | 13,864 |
| TEXAS 20.6% | | |

| | | |
|---|--------|---------|
| Aubrey Independent School District, Texas General Obligation Bonds, (PSF/GTD Insured), Series 2002 | | |
| 5.500% due 02/15/2033 | 130 | 130 |
| Austin Trust, Texas General Obligation Bonds, Series 2007 | | |
| 4.750% due 04/01/2036 | 17,500 | 18,475 |
| Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009 | | |
| 5.250% due 08/15/2038 | 2,500 | 2,711 |
| Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013 | | |
| 5.000% due 04/01/2053 | 21,000 | 22,851 |
| Harris County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009 | | |
| 5.250% due 10/01/2029 | 3,750 | 4,339 |
| 5.500% due 10/01/2039 | 12,700 | 14,241 |
| HFDC of Central Texas, Inc. Revenue Bonds, Series 2006 | | |
| 5.500% due 02/15/2037 | 700 | 702 |
| North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008 | | |
| 5.250% due 12/15/2033 | 10,300 | 11,280 |
| 5.500% due 12/15/2038 | 10,300 | 11,538 |
| North Texas Tollway Authority Revenue Bonds, Series 2008 | | |
| 5.625% due 01/01/2033 | 5,000 | 5,566 |
| 5.750% due 01/01/2033 | 1,200 | 1,335 |
| North Texas Tollway Authority Revenue Bonds, Series 2011 | | |
| 5.000% due 01/01/2038 | 5,750 | 6,215 |
| 5.500% due 09/01/2041 | 1,300 | 1,496 |
| San Juan Higher Education Finance Authority, Texas Revenue Bonds, Series 2010 | | |
| 6.700% due 08/15/2040 | 250 | 300 |
| Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009 | | |
| 6.250% due 11/15/2029 | 3,000 | 3,482 |
| Texas Municipal Gas Acquisition & Supply Corp. Revenue Bonds, Series 2008 | | |
| 6.250% due 12/15/2026 | 19,380 | 24,090 |
| Texas Municipal Gas Acquisition & Supply Corp. Revenue Bonds, Series 2012 | | |
| 5.000% due 12/15/2026 | 5,000 | 5,539 |
| Texas State General Obligation Bonds, Series 2005 | | |
| 4.750% due 04/01/2035 | 10,025 | 10,302 |
| Texas State General Obligation Bonds, Series 2010 | | |
| 7.653% due 04/01/2037 | 5,365 | 6,178 |
| Texas State Public Finance Authority Charter School Finance Corp. Revenue Bonds, Series 2007 | | |
| 5.875% due 12/01/2036 | 1,000 | 1,088 |
| Wise County, Texas Revenue Bonds, Series 2011 | | |
| 8.000% due 08/15/2034 | 1,000 | 1,181 |
| | | 153,039 |

VIRGINIA 0.3%

**Fairfax County, Virginia Industrial Development Authority
Revenue Bonds, Series 2009**

| | | |
|-----------------------|-------|-------|
| 5.500% due 05/15/2035 | 1,000 | 1,142 |
|-----------------------|-------|-------|

**James City County, Virginia Economic Development
Authority Revenue Bonds,
Series 2013**

| | | |
|-------------------------|-----|----|
| 2.000% due 10/01/2048 ^ | 412 | 11 |
|-------------------------|-----|----|

| | | |
|-----------------------|-------|-------|
| 6.000% due 06/01/2043 | 1,273 | 1,168 |
|-----------------------|-------|-------|

2,321

| | | |
|--|--------|-----------|
| WASHINGTON 2.2% | | |
| Washington Health Care Facilities Authority Revenue Bonds, (AGC Insured), Series 2008 | | |
| 6.000% due 08/15/2039 | 1,300 | 1,531 |
| Washington Health Care Facilities Authority Revenue Bonds, Series 2007 | | |
| 6.125% due 08/15/2037 | 13,000 | 13,827 |
| Washington Health Care Facilities Authority Revenue Bonds, Series 2009 | | |
| 7.375% due 03/01/2038 | 1,000 | 1,208 |
| | | 16,566 |
| WEST VIRGINIA 0.6% | | |
| West Virginia Economic Development Authority Revenue Bonds, Series 2010 | | |
| 5.375% due 12/01/2038 | 2,000 | 2,186 |
| West Virginia Hospital Finance Authority Revenue Bonds, Series 2011 | | |
| 9.125% due 10/01/2041 | 2,000 | 2,122 |
| | | 4,308 |
| WISCONSIN 0.2% | | |
| Wisconsin Health & Educational Facilities Authority Revenue Bonds, Series 2009 | | |
| 6.625% due 02/15/2039 | 1,000 | 1,175 |
| Total Municipal Bonds & Notes (Cost \$1,000,525) | | 1,104,029 |
| U.S. TREASURY OBLIGATIONS 0.1% | | |
| U.S. Treasury Notes | | |
| 0.250% due 01/31/2015 | 800 | 801 |
| Total U.S. Treasury Obligations (Cost \$801) | | 801 |
| SHORT-TERM INSTRUMENTS 5.1% | | |
| REPURCHASE AGREEMENTS (b) 3.9% | | 28,600 |
| SHORT-TERM NOTES 1.2% | | |
| Federal Home Loan Bank | | |
| 0.076% due 11/19/2014 | 8,900 | 8,898 |
| U.S. TREASURY BILLS 0.0% | | |
| 0.046% due 10/30/2014 | 200 | 200 |

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| | |
|--|---------------------|
| Total Short-Term Instruments (Cost \$37,698) | 37,698 |
| Total Investments in Securities (Cost \$1,039,831) | 1,143,367 |
| Total Investments 154.1% (Cost \$1,039,831) | \$ 1,143,367 |
| Preferred Shares (49.5%) | (367,000) |
| Other Assets and Liabilities, net (4.6%) | (34,180) |
| Net Assets Applicable to Common Shareholders 100.0% | \$ 742,187 |

Notes to Schedule of Investments (amounts in thousands):

[^] Security is in default.

(a) Security becomes interest bearing at a future date.

Borrowings and other Financing Transactions**(b) Repurchase Agreements:**

| Counterparty | Lending Rate | Settlement Date | Maturity Date | Principal Amount | Collateralized By | Interest | Collateral Received, at Value | Repurchase Agreements, at Value | Proceeds Received |
|------------------------------|--------------|-----------------|---------------|------------------|---------------------|-----------------------|-------------------------------|---------------------------------|-------------------|
| | 0.060% | 08/29/2014 | 09/02/2014 | \$ 28,600 | U.S. Treasury Notes | 2.625% due 11/15/2020 | \$ (29,189) | \$ 28,600 | \$ 28,600 |
| Repurchase Agreements | | | | | | | \$ (29,189) | \$ 28,600 | \$ 28,600 |

⁽¹⁾ Includes accrued interest.

Fair Value Measurements

The following is a summary of the fair valuations according to the inputs used as of August 31, 2014 in valuing the Fund's assets and liabilities:

| Category and Subcategory | Level 1 | Level 2 | Level 3 | Fair Value at 08/31/2014 |
|--|---------|---------|---------|--------------------------|
| Investments in Securities, at Value | | | | |
| Corporate Bonds & Notes | | | | |
| Industrials | \$ 0 | \$ 839 | \$ 0 | \$ 839 |
| Municipal Bonds & Notes | | | | |
| Alabama | 0 | 34,417 | 0 | 34,417 |
| Arizona | 0 | 92,148 | 0 | 92,148 |
| California | 0 | 150,157 | 0 | 150,157 |
| Colorado | 0 | 16,833 | 0 | 16,833 |
| Connecticut | 0 | 2,567 | 0 | 2,567 |
| Florida | 0 | 59,375 | 0 | 59,375 |
| Georgia | 0 | 4,412 | 0 | 4,412 |
| Illinois | 0 | 66,227 | 0 | 66,227 |
| Indiana | 0 | 4,997 | 0 | 4,997 |
| Iowa | 0 | 26,027 | 0 | 26,027 |

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| | | | | |
|-------------------------------|-------------|---------------------|-------------|---------------------|
| Kansas | 0 | 1,394 | 0 | 1,394 |
| Kentucky | 0 | 1,136 | 0 | 1,136 |
| Louisiana | 0 | 8,350 | 0 | 8,350 |
| Maryland | 0 | 8,266 | 0 | 8,266 |
| Massachusetts | 0 | 9,850 | 0 | 9,850 |
| Michigan | 0 | 5,416 | 0 | 5,416 |
| Minnesota | 0 | 3,282 | 0 | 3,282 |
| Mississippi | 0 | 41 | 0 | 41 |
| Missouri | 0 | 11,501 | 0 | 11,501 |
| Nevada | 0 | 10,425 | 0 | 10,425 |
| New Hampshire | 0 | 2,142 | 0 | 2,142 |
| New Jersey | 0 | 38,070 | 0 | 38,070 |
| New Mexico | 0 | 2,215 | 0 | 2,215 |
| New York | 0 | 146,229 | 0 | 146,229 |
| North Carolina | 0 | 553 | 0 | 553 |
| North Dakota | 0 | 3,925 | 0 | 3,925 |
| Ohio | 0 | 57,696 | 0 | 57,696 |
| Oregon | 0 | 2,331 | 0 | 2,331 |
| Pennsylvania | 0 | 62,931 | 0 | 62,931 |
| Rhode Island | 0 | 56,209 | 0 | 56,209 |
| South Carolina | 0 | 23,634 | 0 | 23,634 |
| Tennessee | 0 | 13,864 | 0 | 13,864 |
| Texas | 0 | 153,039 | 0 | 153,039 |
| Virginia | 0 | 2,321 | 0 | 2,321 |
| Washington | 0 | 16,566 | 0 | 16,566 |
| West Virginia | 0 | 4,308 | 0 | 4,308 |
| Wisconsin | 0 | 1,175 | 0 | 1,175 |
| U.S. Treasury Obligations | 0 | 801 | 0 | 801 |
| Short-Term Instruments | | | | |
| Repurchase Agreements | 0 | 28,600 | 0 | 28,600 |
| Short-Term Notes | 0 | 8,898 | 0 | 8,898 |
| U.S. Treasury Bills | 0 | 200 | 0 | 200 |
| Total Investments | \$ 0 | \$ 1,143,367 | \$ 0 | \$ 1,143,367 |

There were no significant transfers between Level 1, 2, and 3 during the period ended August 31, 2014.

See Accompanying Notes

Notes to Financial Statements

1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The Net Asset Value (NAV) of a Fund 's shares is valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the NYSE Close) on each day that the New York Stock Exchange (NYSE) is open (each a Business Day). Information that becomes known to a Fund or its agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

For purposes of calculating the NAV, portfolio securities and other financial derivative instruments are valued on each Business Day using valuation methods as adopted by the Board of Directors (the Board) of each Fund. The Board has formed a Valuation Committee, whose function is to monitor the valuation of portfolio securities and other financial derivative instruments and, as required by the Funds ' valuation policies, determine in good faith the fair value of the Funds ' portfolio holdings after consideration of all relevant factors, including recommendations provided by the Manager. The Board has delegated responsibility for applying the valuation methods to the Manager. The Manager monitors the continual appropriateness of methods applied and determines if adjustments should be made in light of market factor changes and events affecting issuers.

Where market quotes are readily available, fair market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Where market quotes are not readily available, portfolio securities and other financial derivative instruments are valued at fair value, as determined in good faith by the Board, its Valuation Committee, or the Manager pursuant to instructions from the Board or its Valuation Committee. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, or broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of a Fund 's securities or financial derivative instruments. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of a Fund 's securities or financial derivative instruments and for determining whether the value of the applicable securities or financial derivative instruments should be re-evaluated in light of such significant events.

The Board has adopted methods for valuing securities and other financial derivative instruments that may require fair valuation under particular circumstances. The Manager monitors the continual appropriateness of fair valuation methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Manager determines that a fair valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee may take any appropriate action in accordance with procedures set forth by the Board. The Board reviews the appropriateness of the valuation methods from time to time, and these methods may be amended or supplemented from time to time by the Valuation Committee.

In circumstances in which daily market quotes are not readily available, investments may be valued pursuant to guidelines established by the Board. In the event that the security or asset cannot be valued pursuant to the established guidelines, the value of the security or other financial derivative instrument will be determined in good faith by the Valuation Committee of the Board, generally based upon recommendations provided by PIMCO. These methods may require subjective determinations about the value of a security. While each Fund 's policy is intended to result in a calculation of a Fund 's NAV that fairly reflects security values as of the time of pricing, the Funds cannot guarantee that values determined by the Board or persons acting at their direction would accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or

distressed sale). The prices used by a Fund may differ from the value that would be realized if the securities were sold.

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

Level 1 Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.

Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

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

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and out of Level 3, if any, are disclosed in the Notes to Schedule of Investments for each respective Fund.

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

(c) Valuation Techniques and the Fair Value Hierarchy

Level 1 and Level 2 trading assets and trading liabilities, at fair market value The valuation methods (or techniques) and significant inputs used in determining the fair market values of portfolio securities or financial derivative instruments categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

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

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

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker-dealer quotations or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, exchange-traded funds, exchange-traded notes and financial derivative instruments, such as futures contracts or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing service providers. As a result, the NAV of a Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the NYSE is closed. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Equity-linked securities are valued by referencing the last reported sale or settlement price of the linked referenced equity on the day of valuation. Foreign exchange adjustments are applied to the last reported price to convert the linked equity's trading currency to the contract's settling currency. These investments are categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted. Investments in

privately held investment funds with significant restrictions on redemption where the inputs to the NAVs are observable will be valued based upon the NAVs of such investments and are categorized as Level 2 of the fair value hierarchy.

Short-term investments having a maturity of 60 days or less and repurchase agreements are generally valued at amortized cost which approximates fair market value. These investments are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued by independent pricing service providers. Depending on the product and the terms of the transaction, financial derivative instruments can be valued by a pricing service provider using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange. For centrally cleared credit default swaps the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third-party prices are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate (LIBOR) forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, securities will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy. The valuation techniques and significant inputs used in determining the fair values of portfolio assets and liabilities categorized as Level 3 of the fair value hierarchy are as follows:

Benchmark pricing procedures set the base price of a fixed income security and subsequently adjust the price proportionally to market value changes of a pre-determined security deemed to be comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Committee. Significant changes in the unobservable inputs of the benchmark pricing process (the base price) would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy. The validity of the fair value is reviewed by PIMCO on a periodic basis and may be amended as the availability of market data indicates a material change.

If third-party evaluated vendor pricing is not available or not deemed to be indicative of fair value, the Manager may elect to obtain indicative market quotations (broker quotes) directly from the broker-dealer or passed through from a third-party vendor. In the event that fair value is based upon a single sourced broker quote, these securities are categorized as Level 3 of the fair value hierarchy. Broker quotes are typically received from established market participants. Although independently received, the Manager does not have the transparency to view the underlying inputs which support the market quotation. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

2. FEDERAL INCOME TAX MATTERS

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

In accordance with U.S. GAAP, the Adviser has reviewed the Fund's tax positions for all open tax years. As of December 31, 2013, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Fund files U.S. tax returns. While the statute of limitations remains open to examine the Fund's U.S. tax returns filed for the fiscal years ending in 2010-2012, no examinations are in progress or anticipated at this time. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of August 31, 2014, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

| | Federal Tax Cost | Aggregate Gross Unrealized Appreciation | Aggregate Gross Unrealized (Depreciation) | Net Unrealized Appreciation/ (Depreciation) |
|-----------------------------------|-----------------------------|--|--|--|
| PIMCO Municipal Income Fund II | \$ 1,039,831 | \$ 112,051 | \$ (8,515) | \$ 103,536 |

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

(Unaudited)

Counterparty Abbreviations:

BPG BNP Paribas Securities Corp.

Currency Abbreviations:

USD (or \$) United States Dollar

Municipal Bond or Agency Abbreviations:

| | | | | | |
|-------|---|------|----------------------------------|-------|---|
| AGC | Assured Guaranty Corp. | FGIC | Financial Guaranty Insurance Co. | IBC | Insured Bond Certificate |
| AGM | Assured Guaranty Municipal | FHA | Federal Housing Administration | NPFGC | National Public Finance Guarantee Corp. |
| AMBAC | American Municipal Bond Assurance Corp. | GTD | Guaranteed | PSF | Public School Fund |

Other Abbreviations:

M-S-R Mechanical Systems Review

Item 2. Controls and Procedures.

(a) The principal executive officer and principal financial & accounting officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) provide reasonable assurances that material information relating to the registrant is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

(b) There has been no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

A separate certification for each principal executive officer and principal & accounting financial officer of the registrant as required by Rule 30a-2 under the 1940 Act is attached as Exhibit 99.CERT.

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.

PIMCO Municipal Income Fund II

By: /s/ Peter G. Strelow

Peter G. Strelow

President, Principal Executive Officer

Date: October 28, 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/ Peter G. Strelow

Peter G. Strelow

President, Principal Executive Officer

Date: October 28, 2014

By: /s/ William G. Galipeau

William G. Galipeau

Treasurer, Principal Financial & Accounting Officer

Date: October 28, 2014