

PIMCO Income Strategy Fund II  
Form N-Q  
December 21, 2018

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

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANY**

|   |  |
|---|--|
| <b>Investment Company Act File Number:</b>          | <b>811-21601</b>   |
| <b>Registrant Name:</b>                             | <b>PIMCO Income Strategy Fund II</b>                                   |
| Address of Principal Executive Offices:             | 1633 Broadway<br>New York, NY 10019                                    |
| Name and Address of Agent for Service:              | Trent W. Walker<br>650 Newport Center Drive<br>Newport Beach, CA 92660 |
| Registrant's telephone number, including area code: | (844) 337-4626   |
| Date of Fiscal Year End:                            | July 31  |
| Date of Reporting Period:                           | October 31, 2018   |

**Item 1. Schedule of Investments**

## Schedule of Investments

## PIMCO Income Strategy Fund II

October 31, 2018 (Unaudited)

(Amounts in thousands\*, except number of shares, contracts and units, if any)

|  | PRINCIPAL<br>AMOUNT<br>(000S) | MARKET<br>VALUE<br>(000S) |
|--|-------------------------------|---------------------------|
| <b>INVESTMENTS IN SECURITIES 124.3% ☒</b>            |                               |                           |
| <b>LOAN PARTICIPATIONS AND ASSIGNMENTS 4.2%</b>      |                               |                           |
| <b>Alphabet Holding Co., Inc.</b>                    |                               |                           |
| 5.802% (LIBOR03M + 3.500%) due 09/26/2024 ~          | \$ 99                         | \$ 95                     |
| <b>Altice France S.A.</b>                            |                               |                           |
| 6.280% (LIBOR03M + 4.000%) due 08/14/2026 ~          | 300                           | 296                       |
| <b>Avantor, Inc.</b>                                 |                               |                           |
| 6.302% (LIBOR03M + 4.000%) due 11/21/2024 ~          | 50                            | 50                        |
| <b>CenturyLink, Inc.</b>                             |                               |                           |
| 5.052% (LIBOR03M + 2.750%) due 01/31/2025 ~          | 349                           | 345                       |
| <b>Community Health Systems, Inc.</b>                |                               |                           |
| 5.563% (LIBOR03M + 3.250%) due 01/27/2021 ~          | 2,343                         | 2,300                     |
| <b>Concordia International Corp.</b>                 |                               |                           |
| 7.781% (LIBOR03M + 5.500%) due 09/06/2024 ~          | 1,500                         | 1,474                     |
| <b>Diamond Resorts International</b>                 |                               |                           |
| 6.052% due 09/02/2023                                | 10                            | 10                        |
| <b>Drillship Kithira Owners, Inc.</b>                |                               |                           |
| 8.000% due 09/20/2024 «                              | 103                           | 108                       |
| <b>Dubai World</b>                                   |                               |                           |
| 1.750% - 2.000% (LIBOR03M + 2.000%) due 09/30/2022 ~ | 496                           | 465                       |
| <b>Energizer Holdings, Inc.</b>                      |                               |                           |
| TBD% due 05/18/2019                                  | 100                           | 100                       |
| <b>Envision Healthcare Corp.</b>                     |                               |                           |
| 6.052% (LIBOR03M + 3.750%) due 10/10/2025 ~          | 500                           | 491                       |
| <b>Financial &amp; Risk U.S. Holdings, Inc.</b>      |                               |                           |
| 6.052% (LIBOR03M + 3.750%) due 10/01/2025 ~          | 600                           | 596                       |
| <b>Forbes Energy Services LLC</b>                    |                               |                           |
| 9.000% - 14.000% due 04/13/2021                      | 296                           | 299                       |
| <b>Forest City Enterprises LP</b>                    |                               |                           |
| TBD% due 10/24/2025                                  | 100                           | 101                       |
| <b>FrontDoor, Inc.</b>                               |                               |                           |
| 4.813% (LIBOR03M + 2.500%) due 08/14/2025 «~         | 20                            | 20                        |
| <b>Frontier Communications Corp.</b>                 |                               |                           |
| 6.060% (LIBOR03M + 3.750%) due 06/15/2024 ~          | 594                           | 576                       |
| <b>iHeartCommunications, Inc.</b>                    |                               |                           |
| TBD% due 01/30/2019 ^ (e)                            | 10,700                        | 7,782                     |

|  |     |       |       |
|--|-----|-------|-------|
| <b>IRB Holding Corp.</b>                             |     |       |       |
| TBD% due 02/05/2025                                  |     | 860   | 860   |
| TBD% (LIBOR03M + 3.250%) due 02/05/2025 ~            |     | 100   | 100   |
| <b>Lightstone Generation LLC</b>                     |     |       |       |
| 6.052% (LIBOR03M + 3.750%) due 01/30/2024 ~          |     | 1,440 | 1,422 |
| <b>McDermott Technology Americas, Inc.</b>           |     |       |       |
| 7.302% (LIBOR03M + 5.000%) due 05/10/2025 ~          |     | 1,053 | 1,046 |
| <b>Messer Industrie GmbH</b>                         |     |       |       |
| TBD% due 10/01/2025                                  |     | 110   | 110   |
| <b>MH Sub LLC</b>                                    |     |       |       |
| 6.030% (LIBOR03M + 3.750%) due 09/13/2024 ~          |     | 119   | 119   |
| <b>Ministry of Finance of Tanzania</b>               |     |       |       |
| 7.825% (LIBOR03M + 5.500%) due 12/10/2019 «~         |     | 200   | 196   |
| <b>Multi Color Corp.</b>                             |     |       |       |
| 4.302% (LIBOR03M + 2.000%) due 10/31/2024 ~          |     | 17    | 17    |
| <b>Neiman Marcus Group Ltd.</b>                      |     |       |       |
| 5.531% (LIBOR03M + 3.250%) due 10/25/2020 ~          |     | 2,618 | 2,388 |
| <b>Parexel International Corp.</b>                   |     |       |       |
| 5.052% (LIBOR03M + 2.750%) due 09/27/2024 ~          |     | 99    | 98    |
| <b>PetSmart, Inc.</b>                                |     |       |       |
| 5.280% (LIBOR03M + 3.000%) due 03/11/2022 ~          |     | 179   | 152   |
| <b>Ply Gem Industries, Inc.</b>                      |     |       |       |
| 6.175% due 04/12/2025                                |     | 40    | 40    |
| <b>Sequa Mezzanine Holdings LLC</b>                  |     |       |       |
| 7.389% - 7.408% (LIBOR03M + 5.000%) due 11/28/2021   |     |       |       |
| «~   |     | 227   | 224   |
| 11.520% (LIBOR03M + 9.000%) due 04/28/2022 «~        |     | 90    | 89    |
| <b>Starfruit Finco BV</b>                            |     |       |       |
| 3.750% due 10/01/2025                                | EUR | 200   | 229   |
| 5.770% (LIBOR03M + 3.250%) due 10/01/2025 ~          | \$  | 200   | 200   |
| <b>Syniverse Holdings, Inc.</b>                      |     |       |       |
| 7.280% (LIBOR03M + 5.000%) due 03/09/2023 ~          |     | 119   | 120   |
| <b>Traverse Midstream Partners LLC</b>               |     |       |       |
| 6.600% (LIBOR03M + 4.000%) due 09/27/2024 ~          |     | 91    | 92    |
| <b>Verifone Systems, Inc.</b>                        |     |       |       |
| 6.322% (LIBOR03M + 4.000%) due 08/20/2025 ~          |     | 100   | 100   |
| <b>Verscend Holding Corp.</b>                        |     |       |       |
| 6.802% (LIBOR03M + 4.500%) due 08/27/2025 ~          |     | 150   | 151   |
| <b>West Corp.</b>                                    |     |       |       |
| 6.302% - 6.527% (LIBOR03M + 4.000%) due 10/10/2024 ~ |     | 41    | 41    |

|   |     |       |        |
|---|-----|-------|--------|
| <b>Westmoreland Coal Co.</b>                          |     |       |        |
| TBD% due 12/16/2020 ^«(e)                             |     | 955   | 382    |
| 4.076% - 10.562% (LIBOR03M + 8.250%) due 05/21/2019 ~ |     | 1,580 | 1,612  |
| Total Loan Participations and Assignments             |     |       | 24,896 |
| (Cost \$27,709)                                       |     |       |        |
| <b>CORPORATE BONDS &amp; NOTES 56.4%</b>              |     |       |        |
| <b>BANKING &amp; FINANCE 29.0%</b>                    |     |       |        |
| <b>AGFC Capital Trust</b>                             |     |       |        |
| 4.186% (US0003M + 1.750%) due 01/15/2067 ~            |     | 1,800 | 945    |
| <b>Ally Financial, Inc.</b>                           |     |       |        |
| 8.000% due 11/01/2031                                 |     | 4,447 | 5,364  |
| <b>Ambac LSNI LLC</b>                                 |     |       |        |
| 7.396% due 02/12/2023                                 |     | 483   | 491    |
| <b>Ardonagh Midco PLC</b>                             |     |       |        |
| 8.375% due 07/15/2023                                 | GBP | 9,248 | 11,105 |
| <b>Athene Holding Ltd.</b>                            |     |       |        |
| 4.125% due 01/12/2028                                 | \$  | 54    | 50     |
| <b>Avolon Holdings Funding Ltd.</b>                   |     |       |        |
| 5.500% due 01/15/2023                                 |     | 176   | 176    |
| <b>AXA Equitable Holdings, Inc.</b>                   |     |       |        |
| 4.350% due 04/20/2028                                 |     | 126   | 121    |
| 5.000% due 04/20/2048                                 |     | 74    | 66     |
| <b>Banco Bilbao Vizcaya Argentaria S.A.</b>           |     |       |        |
| 6.750% due 02/18/2020 (j)(k)                          | EUR | 1,600 | 1,862  |
| <b>Banco Espirito Santo S.A.</b>                      |     |       |        |
| 4.000% due 01/21/2019 ^(e)                            |     | 8,100 | 2,798  |
| <b>Banco Santander S.A.</b>                           |     |       |        |
| 6.250% due 09/11/2021 (j)(k)                          |     | 500   | 582    |
| <b>Barclays Bank PLC</b>                              |     |       |        |
| 7.625% due 11/21/2022 (k)                             | \$  | 4,400 | 4,705  |
| <b>Barclays PLC</b>                                   |     |       |        |
| 3.250% due 01/17/2033                                 | GBP | 200   | 230    |
| 6.500% due 09/15/2019 (j)(k)                          | EUR | 3,200 | 3,737  |
| 7.750% due 09/15/2023 (j)(k)                          | \$  | 1,000 | 1,000  |
| 7.875% due 09/15/2022 (j)(k)                          | GBP | 415   | 555    |
| 8.000% due 12/15/2020 (j)(k)                          | EUR | 4,100 | 5,090  |
| <b>Blackstone CQP Holdco LP</b>                       |     |       |        |
| 6.000% due 08/18/2021                                 | \$  | 900   | 903    |
| 6.500% due 03/20/2021                                 |     | 5,000 | 5,037  |
| <b>Brighthouse Holdings LLC</b>                       |     |       |        |
| 6.500% due 07/27/2037 Ø(j)                            |     | 70    | 67     |
| <b>Brookfield Finance, Inc.</b>                       |     |       |        |
| 3.900% due 01/25/2028                                 |     | 90    | 84     |
| 4.700% due 09/20/2047                                 |     | 200   | 184    |
| <b>Cantor Fitzgerald LP</b>                           |     |       |        |
| 6.500% due 06/17/2022 (n)                             |     | 8,500 | 8,944  |
| <b>CBL &amp; Associates LP</b>                        |     |       |        |

Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|   |     |       |       |
|---|-----|-------|-------|
| 5.950% due 12/15/2026 (n)   |     | 2,308 | 1,928 |
| <b>Co-operative Group Holdings Ltd.</b>                           |     |       |       |
| 7.500% due 07/08/2026 Ø   | GBP | 4,800 | 7,162 |
| <b>Cooperatieve Rabobank UA</b>                                   |     |       |       |
| 6.625% due 06/29/2021 (j)(k)                                      | EUR | 1,200 | 1,496 |
| <b>Credit Agricole S.A.</b>                                       |     |       |       |
| 7.875% due 01/23/2024 (j)(k)                                      | \$  | 500   | 518   |
| <b>Credit Suisse Group AG</b>                                     |     |       |       |
| 7.500% due 07/17/2023 (j)(k)                                      |     | 200   | 204   |
| 7.500% due 12/11/2023 (j)(k)                                      |     | 7,243 | 7,561 |
| <b>Emerald Bay S.A.</b>   |     |       |       |
| 0.000% due 10/08/2020 (h)   | EUR | 1,873 | 2,013 |
| <b>Equinix, Inc.</b>  |     |       |       |
| 2.875% due 03/15/2024   |     | 100   | 115   |
| 2.875% due 02/01/2026   |     | 100   | 111   |
| <b>Flagstar Bancorp, Inc.</b>                                     |     |       |       |
| 6.125% due 07/15/2021   | \$  | 3,500 | 3,642 |
| <b>Fortress Transportation &amp; Infrastructure Investors LLC</b> |     |       |       |
| 6.500% due 10/01/2025   |     | 270   | 266   |
| 6.750% due 03/15/2022   |     | 334   | 343   |
| <b>Freedom Mortgage Corp.</b>                                     |     |       |       |
| 8.250% due 04/15/2025   |     | 63    | 59    |
| <b>GLP Capital LP</b>   |     |       |       |
| 5.250% due 06/01/2025   |     | 20    | 20    |
| <b>GSPA Monetization Trust</b>                                    |     |       |       |
| 6.422% due 10/09/2029   |     | 3,533 | 3,977 |
| <b>HSBC Bank PLC</b>  |     |       |       |
| 6.330% due 05/18/2023 (c)   |     | 5,900 | 5,904 |
| <b>HSBC Holdings PLC</b>  |     |       |       |
| 5.875% due 09/28/2026 (j)(k)                                      | GBP | 200   | 254   |
| 6.000% due 09/29/2023 (j)(k)                                      | EUR | 3,530 | 4,373 |
| 6.500% due 03/23/2028 (j)(k)                                      | \$  | 500   | 470   |
| <b>Hunt Cos., Inc.</b>  |     |       |       |
| 6.250% due 02/15/2026   |     | 26    | 24    |
| <b>Intrepid Aviation Group Holdings LLC</b>                       |     |       |       |
| 8.500% due 08/15/2021   |     | 7,450 | 7,506 |

|   |     |       |       |
|---|-----|-------|-------|
| <b>iStar, Inc.</b>                      |     |       |       |
| 4.625% due 09/15/2020                   |     | 14    | 14    |
| 5.250% due 09/15/2022                   |     | 49    | 48    |
| <b>Jefferies Finance LLC</b>            |     |       |       |
| 6.875% due 04/15/2022 (n)               |     | 6,850 | 6,901 |
| 7.375% due 04/01/2020                   |     | 2,890 | 2,933 |
| 7.500% due 04/15/2021                   |     | 347   | 350   |
| <b>Kennedy-Wilson, Inc.</b>             |     |       |       |
| 5.875% due 04/01/2024                   |     | 68    | 66    |
| <b>Lloyds Banking Group PLC</b>         |     |       |       |
| 7.500% due 09/27/2025 (j)(k)            |     | 300   | 302   |
| 7.625% due 06/27/2023 (j)(k)            | GBP | 2,300 | 3,127 |
| 7.875% due 06/27/2029 (j)(k)            |     | 250   | 357   |
| <b>LoanCore Capital Markets LLC</b>     |     |       |       |
| 6.875% due 06/01/2020                   | \$  | 200   | 202   |
| <b>Meiji Yasuda Life Insurance Co.</b>  |     |       |       |
| 5.100% due 04/26/2048                   |     | 200   | 199   |
| <b>MetLife, Inc.</b>                    |     |       |       |
| 5.875% due 03/15/2028 (j)               |     | 8     | 8     |
| <b>Nationstar Mortgage LLC</b>          |     |       |       |
| 6.500% due 07/01/2021                   |     | 730   | 731   |
| <b>Nationwide Building Society</b>      |     |       |       |
| 10.250% ~ (j)                           | GBP | 35    | 6,646 |
| <b>Navient Corp.</b>                    |     |       |       |
| 4.875% due 06/17/2019                   | \$  | 500   | 503   |
| 5.625% due 08/01/2033                   |     | 48    | 39    |
| 6.500% due 06/15/2022                   |     | 80    | 82    |
| <b>Oppenheimer Holdings, Inc.</b>       |     |       |       |
| 6.750% due 07/01/2022                   |     | 1,616 | 1,636 |
| <b>Provident Funding Associates LP</b>  |     |       |       |
| 6.375% due 06/15/2025                   |     | 26    | 26    |
| <b>Royal Bank of Scotland Group PLC</b> |     |       |       |
| 7.500% due 08/10/2020 (j)(k)(n)         |     | 3,080 | 3,139 |
| 8.000% due 08/10/2025 (j)(k)(n)         |     | 5,190 | 5,368 |
| 8.625% due 08/15/2021 (j)(k)            |     | 2,700 | 2,845 |
| <b>Santander UK Group Holdings PLC</b>  |     |       |       |
| 6.750% due 06/24/2024 (j)(k)            | GBP | 2,025 | 2,649 |
| 7.375% due 06/24/2022 (j)(k)            |     | 4,100 | 5,458 |
| <b>Societe Generale S.A.</b>            |     |       |       |
| 6.750% due 04/06/2028 (j)(k)            | \$  | 200   | 177   |
| 7.375% due 10/04/2023 (j)(k)            |     | 600   | 584   |
| <b>Spirit Realty LP</b>                 |     |       |       |
| 4.450% due 09/15/2026 (n)               |     | 1,500 | 1,425 |
| <b>Springleaf Finance Corp.</b>         |     |       |       |
| 5.625% due 03/15/2023                   |     | 1,200 | 1,170 |
| 6.125% due 05/15/2022                   |     | 674   | 681   |
| 6.875% due 03/15/2025                   |     | 104   | 100   |
| 8.250% due 10/01/2023                   |     | 180   | 194   |
| <b>Tesco Property Finance PLC</b>       |     |       |       |

## Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|                                   |     |       |         |
|-----------------------------------|-----|-------|---------|
| 5.411% due 07/13/2044             | GBP | 4,347 | 6,355   |
| 6.052% due 10/13/2039             |     | 2,522 | 3,879   |
| <b>TP ICAP PLC</b>                |     |       |         |
| 5.250% due 01/26/2024             |     | 2,980 | 3,656   |
| <b>Unigel Luxembourg S.A.</b>     |     |       |         |
| 10.500% due 01/22/2024            | \$  | 570   | 587     |
| <b>Unique Pub Finance Co. PLC</b> |     |       |         |
| 5.659% due 06/30/2027             | GBP | 3,539 | 4,999   |
| 6.542% due 03/30/2021             |     | 814   | 1,092   |
| <b>WeWork Cos., Inc.</b>          |     |       |         |
| 7.875% due 05/01/2025             | \$  | 74    | 68      |
|                                   |     |       | 170,638 |

**INDUSTRIALS 21.0%**

|   |     |       |       |
|---|-----|-------|-------|
| <b>Air Canada Pass-Through Trust</b>                  |     |       |       |
| 3.700% due 07/15/2027                                 |     | 24    | 23    |
| <b>Altice Financing S.A.</b>                          |     |       |       |
| 6.625% due 02/15/2023                                 |     | 700   | 695   |
| 7.500% due 05/15/2026 (n)                             |     | 3,200 | 3,016 |
| <b>Altice France S.A.</b>                             |     |       |       |
| 7.375% due 05/01/2026 (n)                             |     | 5,564 | 5,362 |
| <b>Altice Luxembourg S.A.</b>                         |     |       |       |
| 7.250% due 05/15/2022                                 | EUR | 300   | 333   |
| <b>Associated Materials LLC</b>                       |     |       |       |
| 9.000% due 01/01/2024                                 | \$  | 788   | 797   |
| <b>Baffinland Iron Mines Corp.</b>                    |     |       |       |
| 8.750% due 07/15/2026                                 |     | 1,300 | 1,313 |
| <b>Caesars Resort Collection LLC</b>                  |     |       |       |
| 5.250% due 10/15/2025                                 |     | 8     | 7     |
| <b>Charles River Laboratories International, Inc.</b> |     |       |       |
| 5.500% due 04/01/2026                                 |     | 20    | 20    |
| <b>Charter Communications Operating LLC</b>           |     |       |       |
| 4.200% due 03/15/2028                                 |     | 137   | 129   |
| <b>Chesapeake Energy Corp.</b>                        |     |       |       |
| 5.686% (US0003M + 3.250%) due 04/15/2019 ~            |     | 134   | 135   |



|   |           |        |
|---|-----------|--------|
| <b>Clear Channel Worldwide Holdings, Inc.</b> |           |        |
| 6.500% due 11/15/2022                         | 650       | 663    |
| 7.625% due 03/15/2020                         | 3,550     | 3,559  |
| <b>Cleveland-Cliffs, Inc.</b>                 |           |        |
| 4.875% due 01/15/2024                         | 34        | 33     |
| <b>Community Health Systems, Inc.</b>         |           |        |
| 5.125% due 08/01/2021 (n)                     | 3,556     | 3,387  |
| 6.250% due 03/31/2023 (n)                     | 7,679     | 7,091  |
| 8.625% due 01/15/2024                         | 427       | 433    |
| <b>CSN Islands Corp.</b>                      |           |        |
| 6.875% due 09/21/2019 (n)                     | 200       | 200    |
| <b>CSN Resources S.A.</b>                     |           |        |
| 6.500% due 07/21/2020                         | 1,364     | 1,333  |
| <b>Diamond Resorts International, Inc.</b>    |           |        |
| 7.750% due 09/01/2023                         | 40        | 41     |
| 10.750% due 09/01/2024                        | 2,500     | 2,456  |
| <b>DriveTime Automotive Group, Inc.</b>       |           |        |
| 8.000% due 06/01/2021                         | 800       | 824    |
| <b>Envision Healthcare Corp.</b>              |           |        |
| 8.750% due 10/15/2026                         | 4,900     | 4,765  |
| <b>Exela Intermediate LLC</b>                 |           |        |
| 10.000% due 07/15/2023                        | 120       | 125    |
| <b>Ferroglobe PLC</b>                         |           |        |
| 9.375% due 03/01/2022                         | 1,500     | 1,573  |
| <b>First Quantum Minerals Ltd.</b>            |           |        |
| 6.500% due 03/01/2024                         | 1,452     | 1,272  |
| 6.875% due 03/01/2026                         | 1,600     | 1,388  |
| 7.000% due 02/15/2021                         | 598       | 586    |
| <b>Ford Motor Co.</b>                         |           |        |
| 7.700% due 05/15/2097 (n)                     | 9,770     | 10,380 |
| <b>Fresh Market, Inc.</b>                     |           |        |
| 9.750% due 05/01/2023                         | 7,590     | 5,579  |
| <b>Frontdoor, Inc.</b>                        |           |        |
| 6.750% due 08/15/2026                         | 70        | 72     |
| <b>Frontier Finance PLC</b>                   |           |        |
| 8.000% due 03/23/2022                         | GBP 4,600 | 5,911  |
| <b>Full House Resorts, Inc.</b>               |           |        |
| 8.575% due 01/31/2024 «                       | \$ 297    | 281    |
| <b>General Electric Co.</b>                   |           |        |
| 5.000% due 01/21/2021 (j)                     | 281       | 260    |
| <b>HCA, Inc.</b>                              |           |        |
| 4.500% due 02/15/2027                         | 940       | 917    |
| 7.500% due 11/15/2095                         | 1,200     | 1,197  |
| <b>Hilton Domestic Operating Co., Inc.</b>    |           |        |
| 5.125% due 05/01/2026                         | 135       | 132    |
| <b>iHeartCommunications, Inc.</b>             |           |        |
| 9.000% due 12/15/2019 ^(e)                    | 1,243     | 901    |
| 9.000% due 03/01/2021 ^(e)                    | 3,144     | 2,287  |
| 9.000% due 09/15/2022 ^(e)                    | 3,450     | 2,501  |

|   |          |       |
|---|----------|-------|
| <b>Intelsat Connect Finance S.A.</b>                  |          |       |
| 9.500% due 02/15/2023                                 | 52       | 50    |
| <b>Intelsat Jackson Holdings S.A.</b>                 |          |       |
| 7.500% due 04/01/2021                                 | 175      | 177   |
| 8.000% due 02/15/2024                                 | 11       | 12    |
| 8.500% due 10/15/2024                                 | 217      | 213   |
| 9.750% due 07/15/2025                                 | 120      | 126   |
| <b>Intelsat Luxembourg S.A.</b>                       |          |       |
| 7.750% due 06/01/2021                                 | 6,892    | 6,547 |
| 8.125% due 06/01/2023                                 | 7,535    | 6,368 |
| <b>International Game Technology PLC</b>              |          |       |
| 6.250% due 01/15/2027                                 | 610      | 604   |
| <b>Kinder Morgan, Inc.</b>                            |          |       |
| 7.800% due 08/01/2031 (n)                             | 3,500    | 4,258 |
| <b>Mallinckrodt International Finance S.A.</b>        |          |       |
| 5.500% due 04/15/2025                                 | 50       | 41    |
| <b>Marriott Ownership Resorts, Inc.</b>               |          |       |
| 6.500% due 09/15/2026                                 | 98       | 99    |
| <b>Metinvest BV</b>                                   |          |       |
| 8.500% due 04/23/2026                                 | 1,000    | 955   |
| <b>Netflix, Inc.</b>                                  |          |       |
| 4.625% due 05/15/2029                                 | EUR 200  | 228   |
| <b>New Albertson's LP</b>                             |          |       |
| 6.570% due 02/23/2028                                 | \$ 6,800 | 4,794 |
| <b>Odebrecht Oil &amp; Gas Finance Ltd.</b>           |          |       |
| 0.000% due 11/30/2018 (h)(j)                          | 401      | 9     |
| 0.000% due 12/03/2018 (h)(j)                          | 700      | 15    |
| <b>Ortho-Clinical Diagnostics, Inc.</b>               |          |       |
| 6.625% due 05/15/2022                                 | 350      | 336   |
| <b>Pacific Drilling First Lien Escrow Issuer Ltd.</b> |          |       |
| 8.375% due 10/01/2023                                 | 280      | 285   |
| <b>Park Aerospace Holdings Ltd.</b>                   |          |       |
| 3.625% due 03/15/2021                                 | 82       | 79    |
| 4.500% due 03/15/2023                                 | 163      | 155   |
| 5.250% due 08/15/2022                                 | 13       | 13    |
| 5.500% due 02/15/2024                                 | 36       | 36    |

|   |     |       |       |
|---|-----|-------|-------|
| <b>Pelabuhan Indonesia Persero PT</b>             |     |       |       |
| 4.500% due 05/02/2023                             |     | 200   | 195   |
| <b>Petroleos Mexicanos</b>                        |     |       |       |
| 6.500% due 03/13/2027                             |     | 190   | 185   |
| 6.750% due 09/21/2047                             |     | 50    | 43    |
| <b>PetSmart, Inc.</b>                             |     |       |       |
| 5.875% due 06/01/2025                             |     | 112   | 88    |
| <b>Platin GmbH</b>                                |     |       |       |
| 6.875% due 06/15/2023                             | EUR | 400   | 452   |
| <b>Prime Security Services Borrower LLC</b>       |     |       |       |
| 9.250% due 05/15/2023                             | \$  | 1,310 | 1,388 |
| <b>QVC, Inc.</b>                                  |     |       |       |
| 5.950% due 03/15/2043                             |     | 4,515 | 4,041 |
| <b>Radiate Holdco LLC</b>                         |     |       |       |
| 6.875% due 02/15/2023                             |     | 70    | 68    |
| <b>Refinitiv U.S. Holdings, Inc.</b>              |     |       |       |
| 4.500% due 05/15/2026                             | EUR | 200   | 227   |
| 6.250% due 05/15/2026                             | \$  | 160   | 159   |
| <b>Rockpoint Gas Storage Canada Ltd.</b>          |     |       |       |
| 7.000% due 03/31/2023                             |     | 8     | 8     |
| <b>Russian Railways via RZD Capital PLC</b>       |     |       |       |
| 7.487% due 03/25/2031                             | GBP | 1,300 | 1,956 |
| <b>Sabine Pass Liquefaction LLC</b>               |     |       |       |
| 5.875% due 06/30/2026 (n)                         | \$  | 2,500 | 2,658 |
| <b>Safeway, Inc.</b>                              |     |       |       |
| 7.250% due 02/01/2031                             |     | 245   | 243   |
| <b>Sands China Ltd.</b>                           |     |       |       |
| 4.600% due 08/08/2023                             |     | 200   | 198   |
| 5.125% due 08/08/2025                             |     | 200   | 196   |
| 5.400% due 08/08/2028                             |     | 400   | 383   |
| <b>Shelf Drilling Holdings Ltd.</b>               |     |       |       |
| 8.250% due 02/15/2025                             |     | 37    | 37    |
| <b>SoftBank Group Corp.</b>                       |     |       |       |
| 4.000% due 04/20/2023                             | EUR | 4,800 | 5,655 |
| <b>Spirit Issuer PLC</b>                          |     |       |       |
| 3.500% (BP0003M + 2.700%) due 12/28/2031 ~        | GBP | 1,000 | 1,259 |
| 6.582% due 03/28/2025                             |     | 450   | 583   |
| <b>Sunoco LP</b>                                  |     |       |       |
| 4.875% due 01/15/2023                             | \$  | 66    | 64    |
| <b>T-Mobile USA, Inc.</b>                         |     |       |       |
| 4.750% due 02/01/2028                             |     | 20    | 19    |
| <b>Telenet Finance Luxembourg Notes SARL</b>      |     |       |       |
| 5.500% due 03/01/2028                             |     | 200   | 187   |
| <b>Teva Pharmaceutical Finance Netherlands BV</b> |     |       |       |
| 3.250% due 04/15/2022                             | EUR | 300   | 351   |
| <b>Transocean Pontus Ltd.</b>                     |     |       |       |
| 6.125% due 08/01/2025                             | \$  | 152   | 151   |
| <b>Triumph Group, Inc.</b>                        |     |       |       |
| 4.875% due 04/01/2021                             |     | 111   | 105   |

Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|                                       |     |       |         |
|---------------------------------------|-----|-------|---------|
| 5.250% due 06/01/2022                 |     | 25    | 23      |
| <b>United Group BV</b>                |     |       |         |
| 4.375% due 07/01/2022                 | EUR | 100   | 117     |
| 4.875% due 07/01/2024                 |     | 100   | 117     |
| <b>Univision Communications, Inc.</b> |     |       |         |
| 5.125% due 05/15/2023                 | \$  | 95    | 90      |
| 5.125% due 02/15/2025                 |     | 516   | 473     |
| <b>UPCB Finance Ltd.</b>              |     |       |         |
| 3.625% due 06/15/2029                 | EUR | 190   | 213     |
| <b>Verscend Escrow Corp.</b>          |     |       |         |
| 9.750% due 08/15/2026                 | \$  | 1,210 | 1,216   |
| <b>ViaSat, Inc.</b>                   |     |       |         |
| 5.625% due 09/15/2025                 |     | 94    | 88      |
| <b>VOC Escrow Ltd.</b>                |     |       |         |
| 5.000% due 02/15/2028                 |     | 55    | 52      |
| <b>WellCare Health Plans, Inc.</b>    |     |       |         |
| 5.375% due 08/15/2026                 |     | 82    | 82      |
| <b>Westmoreland Coal Co.</b>          |     |       |         |
| 8.750% due 01/01/2022 <sup>(e)</sup>  |     | 6,130 | 2,421   |
| <b>Wind Tre SpA</b>                   |     |       |         |
| 2.625% due 01/20/2023                 | EUR | 200   | 211     |
| 2.750% due 01/20/2024                 |     | 200   | 210     |
| 3.125% due 01/20/2025                 |     | 200   | 207     |
|                                       |     |       | 123,796 |

**UTILITIES 6.4%**

|   |    |        |        |
|---|----|--------|--------|
| <b>AT&amp;T, Inc.</b>                                 |    |        |        |
| 4.900% due 08/15/2037                                 | \$ | 366    | 337    |
| 5.450% due 03/01/2047                                 |    | 60     | 57     |
| <b>DTEK Finance PLC (10.750% Cash or 10.750% PIK)</b> |    |        |        |
| 10.750% due 12/31/2024 (d)                            |    | 2,841  | 2,915  |
| <b>Gazprom Neft OAO Via GPN Capital S.A.</b>          |    |        |        |
| 6.000% due 11/27/2023 (n)                             |    | 9,600  | 9,921  |
| <b>Northwestern Bell Telephone</b>                    |    |        |        |
| 7.750% due 05/01/2030                                 |    | 12,625 | 13,443 |

|   |     |             |
|---|-----|-------------|
| <b>Odebrecht Drilling Norbe Ltd.</b>  |     |             |
| 6.350% due 12/01/2021   |     | 113 111     |
| <b>Odebrecht Drilling Norbe Ltd. (6.350% Cash or 7.350% PIK)</b>  |     |             |
| 7.350% due 12/01/2026 (d)   |     | 216 134     |
| <b>Odebrecht Offshore Drilling Finance Ltd.</b>   |     |             |
| 6.720% due 12/01/2022   |     | 1,866 1,792 |
| <b>Odebrecht Offshore Drilling Finance Ltd. (6.720% Cash or 7.720% PIK)</b>                               |     |             |
| 7.720% due 12/01/2026 (d)   |     | 6,454 2,000 |
| <b>Petrobras Global Finance BV</b>  |     |             |
| 5.999% due 01/27/2028   |     | 2,312 2,199 |
| 6.125% due 01/17/2022   |     | 159 165     |
| 6.625% due 01/16/2034   | GBP | 100 129     |
| 7.375% due 01/17/2027   | \$  | 772 803     |
| <b>Rio Oil Finance Trust</b>  |     |             |
| 8.200% due 04/06/2028   |     | 250 261     |
| 9.250% due 07/06/2024   |     | 2,406 2,578 |
| 9.750% due 01/06/2027   |     | 568 617     |
|   |     | 37,462      |
| Total Corporate Bonds & Notes<br>(Cost \$341,097)   |     | 331,896     |
| <b>CONVERTIBLE BONDS &amp; NOTES 0.8%</b>   |     |             |
| <b>INDUSTRIALS 0.8%</b>   |     |             |
| <b>Caesars Entertainment Corp.</b>  |     |             |
| 5.000% due 10/01/2024   |     | 1,066 1,525 |
| <b>DISH Network Corp.</b>   |     |             |
| 3.375% due 08/15/2026   |     | 3,400 3,038 |
| Total Convertible Bonds & Notes<br>(Cost \$5,389)   |     | 4,563       |
| <b>MUNICIPAL BONDS &amp; NOTES 7.6%</b>   |     |             |
| <b>CALIFORNIA 1.2%</b>  |     |             |
| <b>Riverside County, California Redevelopment Successor Agency Tax Allocation Bonds, Series 2010</b>      |     |             |
| 7.500% due 10/01/2030   |     | 1,200 1,297 |
| <b>San Francisco, California City &amp; County Redevelopment Agency Tax Allocation Bonds, Series 2009</b> |     |             |
| 8.406% due 08/01/2039   |     | 1,650 2,362 |
| <b>Stockton Public Financing Authority, California Revenue Bonds, (BABs), Series 2009</b>                 |     |             |
| 7.942% due 10/01/2038   |     | 3,500 3,638 |
|   |     | 7,297       |

**ILLINOIS 0.1%****Chicago, Illinois General Obligation Bonds, Series 2015**

|                       |     |     |
|-----------------------|-----|-----|
| 7.375% due 01/01/2033 | 180 | 195 |
| 7.750% due 01/01/2042 | 330 | 350 |

**Illinois State General Obligation Bonds, (BABs), Series 2010**

|                       |    |    |
|-----------------------|----|----|
| 6.725% due 04/01/2035 | 35 | 37 |
| 7.350% due 07/01/2035 | 20 | 22 |

**Illinois State General Obligation Bonds, Series 2003**

|                       |     |     |
|-----------------------|-----|-----|
| 5.100% due 06/01/2033 | 280 | 264 |
|-----------------------|-----|-----|

868

**OHIO 3.7%****Ohio State University Revenue Bonds, Series 2011**

|                       |        |        |
|-----------------------|--------|--------|
| 4.800% due 06/01/2111 | 21,000 | 21,483 |
|-----------------------|--------|--------|

**VIRGINIA 0.1%****Tobacco Settlement Financing Corp., Virginia Revenue Bonds, Series 2007**

|                       |     |     |
|-----------------------|-----|-----|
| 6.706% due 06/01/2046 | 820 | 802 |
|-----------------------|-----|-----|

**WEST VIRGINIA 2.5%****Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007**

|                           |        |        |
|---------------------------|--------|--------|
| 0.000% due 06/01/2047 (h) | 45,700 | 2,627  |
| 7.467% due 06/01/2047     | 12,070 | 11,859 |

14,486

Total Municipal Bonds & Notes  
(Cost \$39,027)

44,936

**U.S. GOVERNMENT AGENCIES 3.0%****Fannie Mae**

|                           |       |     |
|---------------------------|-------|-----|
| 3.500% due 02/25/2042 (a) | 892   | 111 |
| 3.969% due 01/25/2040 (a) | 325   | 41  |
| 4.500% due 11/25/2042 (a) | 2,348 | 374 |

**Freddie Mac**

|                              |        |       |
|------------------------------|--------|-------|
| 0.000% due 02/25/2046 (b)(h) | 6,583  | 5,596 |
| 0.100% due 02/25/2046 (a)    | 82,150 | 136   |
| 3.000% due 02/15/2033 (a)    | 1,956  | 209   |
| 3.500% due 12/15/2032 (a)    | 3,264  | 483   |
| 5.984% due 09/15/2035        | 776    | 750   |

|   |       |        |
|---|-------|--------|
| 6.139% due 11/25/2055 <<~                         | 8,629 | 5,183  |
| 9.831% due 12/25/2027                             | 2,888 | 3,571  |
| 13.037% due 03/25/2025                            | 728   | 1,005  |
| <b>Ginnie Mae</b>                                 |       |        |
| 3.500% due 06/20/2042 - 10/20/2042 (a)            | 699   | 104    |
| 4.000% due 10/16/2042 - 10/20/2042 (a)            | 429   | 61     |
| Total U.S. Government Agencies<br>(Cost \$16,733) |       | 17,624 |

**NON-AGENCY MORTGAGE-BACKED SECURITIES****20.0%**

|  |        |        |
|--|--------|--------|
| <b>Banc of America Alternative Loan Trust</b>              |        |        |
| 6.000% due 01/25/2036 ^                                    | 100    | 97     |
| <b>Banc of America Funding Corp.</b>                       |        |        |
| 6.000% due 01/25/2037                                      | 6,086  | 5,761  |
| <b>Banc of America Funding Trust</b>                       |        |        |
| 4.028% due 01/20/2047 ^~                                   | 1,131  | 1,086  |
| <b>BCAP LLC Trust</b>                                      |        |        |
| 3.786% due 05/26/2036 ~                                    | 16     | 0      |
| 3.791% due 08/26/2037 ~                                    | 13,783 | 10,366 |
| 3.825% due 07/26/2037 ~                                    | 9,180  | 8,277  |
| 3.847% due 08/28/2037 ~                                    | 7,216  | 7,032  |
| 4.926% due 09/26/2036 ~                                    | 5,154  | 5,036  |
| 4.926% due 03/26/2037 Ø                                    | 839    | 873    |
| 5.750% due 12/26/2035 ~                                    | 4,005  | 3,739  |
| 6.250% due 11/26/2036                                      | 4,373  | 3,757  |
| 8.315% due 05/26/2037 ~                                    | 1,713  | 750    |
| 19.912% due 06/26/2036 ~                                   | 392    | 205    |
| <b>Bear Stearns ALT-A Trust</b>                            |        |        |
| 2.781% due 01/25/2036 ^                                    | 1,320  | 1,344  |
| 3.921% due 11/25/2036 ^~                                   | 426    | 359    |
| 3.954% due 09/25/2047 ^~                                   | 6,244  | 5,131  |
| 4.232% due 11/25/2035 ~                                    | 6,471  | 5,699  |
| 4.259% due 09/25/2035 ^~                                   | 579    | 443    |
| <b>CD Mortgage Trust</b>                                   |        |        |
| 5.688% due 10/15/2048                                      | 2,147  | 1,105  |
| <b>Chase Mortgage Finance Trust</b>                        |        |        |
| 3.635% due 12/25/2035 ^~                                   | 9      | 8      |
| 5.500% due 05/25/2036 ^                                    | 21     | 18     |
| <b>Citicorp Mortgage Securities Trust</b>                  |        |        |
| 5.500% due 04/25/2037                                      | 115    | 115    |
| 6.000% due 09/25/2037                                      | 1,112  | 1,141  |
| <b>Commercial Mortgage Loan Trust</b>                      |        |        |
| 6.051% due 12/10/2049 ~                                    | 2,127  | 1,308  |
| <b>Countrywide Alternative Loan Resecuritization Trust</b> |        |        |
| 6.000% due 05/25/2036 ^                                    | 2,524  | 2,080  |
| 6.000% due 08/25/2037 ^~                                   | 1,137  | 876    |
| <b>Countrywide Alternative Loan Trust</b>                  |        |        |

Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|   |     |       |       |
|---|-----|-------|-------|
| 3.807% due 04/25/2036 ^~  |     | 1,218 | 1,116 |
| 5.500% due 03/25/2035   |     | 300   | 224   |
| 5.500% due 01/25/2036   |     | 637   | 561   |
| 5.750% due 01/25/2035   |     | 341   | 340   |
| 5.750% due 02/25/2035   |     | 382   | 368   |
| 5.750% due 12/25/2036 ^   |     | 818   | 579   |
| 6.000% due 02/25/2035   |     | 412   | 399   |
| 6.000% due 04/25/2036   |     | 568   | 431   |
| 6.000% due 04/25/2037 ^   |     | 1,861 | 1,340 |
| 6.250% due 11/25/2036 ^   |     | 809   | 706   |
| 6.250% due 12/25/2036 ^   |     | 595   | 446   |
| 6.500% due 08/25/2036 ^   |     | 503   | 324   |
| <b>Countrywide Home Loan Mortgage Pass-Through Trust</b>                    |     |       |       |
| 2.861% due 03/25/2035 ^   |     | 4,876 | 4,438 |
| 6.000% due 07/25/2037   |     | 1,692 | 1,338 |
| 6.250% due 09/25/2036 ^   |     | 579   | 449   |
| <b>Credit Suisse First Boston Mortgage-Backed Pass-through Certificates</b> |     |       |       |
| 6.000% due 11/25/2035 ^   |     | 448   | 377   |
| <b>Credit Suisse Mortgage Capital Certificates</b>                          |     |       |       |
| 4.261% due 10/26/2036 ~   |     | 7,462 | 5,066 |
| <b>Credit Suisse Mortgage Capital Mortgage-Backed Trust</b>                 |     |       |       |
| 5.750% due 04/25/2036 ^   |     | 167   | 129   |
| <b>Epic Drummond Ltd.</b>   |     |       |       |
| 0.000% due 01/25/2022   | EUR | 137   | 154   |
| <b>First Horizon Mortgage Pass-Through Trust</b>                            |     |       |       |
| 4.024% due 05/25/2037 ^~  | \$  | 334   | 277   |
| 4.875% due 11/25/2035 ^~  |     | 197   | 175   |
| <b>GS Mortgage Securities Trust</b>   |     |       |       |
| 5.622% due 11/10/2039   |     | 972   | 839   |
| <b>IndyMac Mortgage Loan Trust</b>  |     |       |       |
| 6.500% due 07/25/2037 ^   |     | 3,508 | 2,234 |
| <b>JPMorgan Alternative Loan Trust</b>                                      |     |       |       |
| 3.537% due 03/25/2037 ^~  |     | 1,062 | 1,014 |
| 3.725% due 03/25/2036 ^~  |     | 2,020 | 1,897 |
| 3.870% due 05/25/2036 ^~  |     | 1,791 | 1,451 |
| <b>JPMorgan Chase Commercial Mortgage Securities Trust</b>                  |     |       |       |
| 5.623% due 05/12/2045   |     | 1,127 | 913   |
| <b>JPMorgan Mortgage Trust</b>  |     |       |       |
| 3.725% due 02/25/2036 ^~  |     | 357   | 302   |



|   |       |         |       |
|---|-------|---------|-------|
| 4.316% due 10/25/2035 ~                                     | 276   | 269     |       |
| 6.500% due 09/25/2035                                       | 108   | 104     |       |
| <b>LB-UBS Commercial Mortgage Trust</b>                     |       |         |       |
| 5.407% due 11/15/2038                                       | 856   | 661     |       |
| 5.562% due 02/15/2040 ~                                     | 629   | 408     |       |
| <b>Lehman Mortgage Trust</b>                                |       |         |       |
| 6.000% due 07/25/2037 ^                                     | 902   | 853     |       |
| 6.500% due 09/25/2037 ^                                     | 2,346 | 1,506   |       |
| <b>Lehman XS Trust</b>                                      |       |         |       |
| 2.501% due 06/25/2047                                       | 2,038 | 1,853   |       |
| <b>MASTR Asset Securitization Trust</b>                     |       |         |       |
| 6.500% due 11/25/2037 ^                                     | 496   | 314     |       |
| <b>Merrill Lynch Mortgage Investors Trust</b>               |       |         |       |
| 3.554% due 03/25/2036 ^~                                    | 1,876 | 1,429   |       |
| <b>Morgan Stanley Capital Trust</b>                         |       |         |       |
| 6.123% due 06/11/2049 ~                                     | 460   | 463     |       |
| <b>Nomura Asset Acceptance Corp. Alternative Loan Trust</b> |       |         |       |
| 4.976% due 05/25/2035 ^Ø                                    | 12    | 9       |       |
| <b>Residential Accredited Loans, Inc. Trust</b>             |       |         |       |
| 4.807% due 12/26/2034 ^~                                    | 1,067 | 836     |       |
| 6.000% due 08/25/2036 ^                                     | 348   | 315     |       |
| <b>Residential Asset Securitization Trust</b>               |       |         |       |
| 5.750% due 02/25/2036 ^                                     | 1,111 | 813     |       |
| 6.000% due 07/25/2037 ^                                     | 1,499 | 1,002   |       |
| 6.250% due 09/25/2037 ^                                     | 2,756 | 1,869   |       |
| <b>Residential Funding Mortgage Securities, Inc. Trust</b>  |       |         |       |
| 4.686% due 09/25/2035 ~                                     | 632   | 504     |       |
| 4.967% due 08/25/2036 ^~                                    | 1,077 | 1,016   |       |
| <b>Structured Adjustable Rate Mortgage Loan Trust</b>       |       |         |       |
| 3.752% due 11/25/2036 ^~                                    | 2,498 | 2,381   |       |
| 3.896% due 01/25/2036 ^~                                    | 2,304 | 1,758   |       |
| 4.239% due 07/25/2036 ^~                                    | 481   | 387     |       |
| <b>Suntrust Adjustable Rate Mortgage Loan Trust</b>         |       |         |       |
| 3.753% due 02/25/2037 ^~                                    | 280   | 253     |       |
| <b>WaMu Mortgage Pass-Through Certificates Trust</b>        |       |         |       |
| 3.473% due 02/25/2037 ^~                                    | 582   | 566     |       |
| 3.642% due 05/25/2037 ^~                                    | 1,394 | 1,332   |       |
| 3.803% due 10/25/2036 ^~                                    | 857   | 787     |       |
| 3.888% due 07/25/2037 ^~                                    | 953   | 887     |       |
| <b>Wells Fargo Mortgage-Backed Securities Trust</b>         |       |         |       |
| 3.920% due 07/25/2036 ^~                                    | 266   | 270     |       |
| 5.750% due 03/25/2037 ^                                     | 229   | 225     |       |
| <b>Total Non-Agency Mortgage-Backed Securities</b>          |       | 117,563 |       |
| (Cost \$106,843)  |       |         |       |
| <b>ASSET-BACKED SECURITIES 20.3%</b>                        |       |         |       |
| <b>Adagio CLO DAC</b>                                       |       |         |       |
| 0.000% due 04/30/2031 ~                                     | EUR   | 1,800   | 1,677 |

|  |     |         |        |
|--|-----|---------|--------|
| <b>Airspeed Ltd.</b>                               |     |         |        |
| 2.550% due 06/15/2032                              | \$  | 2,866   | 2,757  |
| <b>Apidos CLO</b>                                  |     |         |        |
| 0.000% due 07/22/2026 ~                            |     | 1,500   | 0      |
| 0.000% due 01/20/2031 ~                            |     | 4,500   | 4,088  |
| <b>Argent Securities Trust</b>                     |     |         |        |
| 2.471% due 03/25/2036                              |     | 3,844   | 2,362  |
| <b>Bear Stearns Asset-Backed Securities Trust</b>  |     |         |        |
| 2.421% due 10/25/2036 ^                            |     | 4,805   | 5,101  |
| 6.500% due 10/25/2036 ^                            |     | 346     | 266    |
| <b>Belle Haven ABS CDO Ltd.</b>                    |     |         |        |
| 2.658% due 07/05/2046                              |     | 180,259 | 685    |
| <b>Chrysler Capital Auto Receivables Trust</b>     |     |         |        |
| 0.000% due 01/16/2023 <<(h)                        |     | 7       | 3,494  |
| <b>CIFC Funding Ltd.</b>                           |     |         |        |
| 0.000% due 05/24/2026 ~                            |     | 2,400   | 1,548  |
| 0.000% due 07/22/2026 ~                            |     | 1,500   | 823    |
| <b>Citigroup Mortgage Loan Trust</b>               |     |         |        |
| 2.437% due 12/25/2036                              |     | 15,490  | 8,096  |
| 2.447% due 12/25/2036                              |     | 3,986   | 2,641  |
| <b>Cork Street CLO Designated Activity Co.</b>     |     |         |        |
| 0.000% due 11/27/2028 ~                            | EUR | 2,366   | 2,805  |
| 3.600% due 11/27/2028                              |     | 1,062   | 1,206  |
| 4.500% due 11/27/2028                              |     | 929     | 1,056  |
| 6.200% due 11/27/2028                              |     | 1,150   | 1,307  |
| <b>Countrywide Asset-Backed Certificates</b>       |     |         |        |
| 2.421% due 12/25/2046                              | \$  | 13,762  | 12,428 |
| 2.421% due 06/25/2047 ^                            |     | 1,604   | 1,479  |
| 2.451% due 03/25/2037                              |     | 1,754   | 1,697  |
| 2.481% due 06/25/2047                              |     | 10,131  | 8,992  |
| <b>Countrywide Asset-Backed Certificates Trust</b> |     |         |        |
| 3.031% due 11/25/2035                              |     | 4,008   | 4,143  |
| <b>Flagship Credit Auto Trust</b>                  |     |         |        |
| 0.000% due 05/15/2025 <<(h)                        |     | 8       | 1,776  |
| <b>Fremont Home Loan Trust</b>                     |     |         |        |
| 2.431% due 01/25/2037                              |     | 14,470  | 8,470  |
| <b>Grosvenor Place CLO BV</b>                      |     |         |        |
| 0.000% due 04/30/2029 ~                            | EUR | 500     | 424    |

|   |    |        |         |
|---|----|--------|---------|
| <b>Home Equity Mortgage Loan Asset-Backed Trust</b> |    |        |         |
| 2.441% due 07/25/2037                               | \$ | 3,145  | 2,069   |
| <b>HSI Asset Securitization Corp. Trust</b>         |    |        |         |
| 0.000% due 10/25/2036 (h)                           |    | 3,196  | 1,280   |
| <b>Lehman XS Trust</b>                              |    |        |         |
| 6.290% due 06/24/2046 Ø                             |    | 2,918  | 2,901   |
| <b>Long Beach Mortgage Loan Trust</b>               |    |        |         |
| 2.581% due 01/25/2036                               |    | 4,572  | 4,123   |
| <b>Merrill Lynch Mortgage Investors Trust</b>       |    |        |         |
| 2.441% due 04/25/2037                               |    | 542    | 345     |
| <b>Morgan Stanley Mortgage Loan Trust</b>           |    |        |         |
| 6.250% due 07/25/2047 ^~                            |    | 680    | 474     |
| <b>SLM Student Loan EDC Repackaging Trust</b>       |    |        |         |
| 0.000% due 10/28/2029 «(h)                          |    | 1      | 1,300   |
| <b>SLM Student Loan Trust</b>                       |    |        |         |
| 0.000% due 01/25/2042 «(h)                          |    | 4      | 2,533   |
| <b>SMB Private Education Loan Trust</b>             |    |        |         |
| 0.000% due 09/18/2046 «(h)                          |    | 1      | 1,707   |
| <b>SoFi Professional Loan Program LLC</b>           |    |        |         |
| 0.000% due 05/25/2040 (h)                           |    | 4,400  | 2,376   |
| 0.000% due 07/25/2040 «(h)                          |    | 21     | 1,268   |
| 0.000% due 09/25/2040 (h)                           |    | 1,758  | 1,131   |
| <b>South Coast Funding Ltd.</b>                     |    |        |         |
| 2.941% due 08/10/2038                               |    | 12,251 | 2,451   |
| <b>Taberna Preferred Funding Ltd.</b>               |    |        |         |
| 2.701% due 12/05/2036                               |    | 5,113  | 4,602   |
| 2.721% due 08/05/2036 ^                             |    | 8,177  | 7,421   |
| 2.721% due 08/05/2036                               |    | 414    | 376     |
| 2.878% due 07/05/2035                               |    | 3,794  | 3,604   |
| Total Asset-Backed Securities                       |    |        | 119,282 |
| (Cost \$116,753)                                    |    |        |         |

**SOVEREIGN ISSUES 3.7%**

|   |     |         |        |
|---|-----|---------|--------|
| <b>Argentina Government International Bond</b>  |     |         |        |
| 2.260% due 12/31/2038 Ø                         | EUR | 3,270   | 2,084  |
| 3.375% due 01/15/2023                           |     | 200     | 190    |
| 5.250% due 01/15/2028                           |     | 200     | 175    |
| 6.250% due 11/09/2047                           |     | 100     | 84     |
| 7.820% due 12/31/2033                           |     | 9,789   | 10,050 |
| 41.328% (BADLARPP) due 10/04/2022 ~             | ARS | 58      | 3      |
| 49.933% (BADLARPP + 3.250%) due 03/01/2020 ~    |     | 1,200   | 36     |
| 50.575% (BADLARPP + 2.500%) due 03/11/2019 ~(a) |     | 3,394   | 102    |
| 52.756% (BADLARPP + 2.000%) due 04/03/2022 ~(a) |     | 63,442  | 1,826  |
| 67.491% (ARLLMONP) due 06/21/2020 ~(a)          |     | 113,628 | 3,835  |
| <b>Autonomous Community of Catalonia</b>        |     |         |        |
| 4.900% due 09/15/2021                           | EUR | 1,500   | 1,829  |
| <b>Peru Government International Bond</b>       |     |         |        |
| 6.350% due 08/12/2028                           | PEN | 2,800   | 861    |

|   |     |     |        |
|---|-----|-----|--------|
| <b>Republic of Greece Government International Bond</b> |     |     |        |
| 4.750% due 04/17/2019                                   | EUR | 300 | 346    |
| <b>Venezuela Government International Bond</b>          |     |     |        |
| 6.000% due 12/09/2020 <sup>^(e)</sup>                   | \$  | 248 | 62     |
| 8.250% due 10/13/2024 <sup>^(e)</sup>                   |     | 28  | 7      |
| 9.250% due 09/15/2027 <sup>^(e)</sup>                   |     | 315 | 81     |
| Total Sovereign Issues                                  |     |     | 21,571 |
| (Cost \$28,638)   |     |     |        |

## SHARES

|                                    |  |           |       |
|------------------------------------|--|-----------|-------|
| <b>COMMON STOCKS 1.3%</b>          |  |           |       |
| <b>CONSUMER DISCRETIONARY 0.7%</b> |  |           |       |
| Caesars Entertainment Corp. (f)    |  | 486,164   | 4,176 |
| <b>ENERGY 0.0%</b>                 |  |           |       |
| Forbes Energy Services Ltd. (f)(l) |  | 21,825    | 110   |
| <b>FINANCIALS 0.6%</b>             |  |           |       |
| Ardonagh Group Ltd. «(l)           |  | 2,072,442 | 3,338 |
| Total Common Stocks                |  |           | 7,624 |
| (Cost \$9,214)                     |  |           |       |
| <b>WARRANTS 0.0%</b>               |  |           |       |
| <b>INDUSTRIALS 0.0%</b>            |  |           |       |
| Sequa Corp. - Exp. 04/28/2024 «    |  | 819,000   | 69    |
| Total Warrants                     |  |           | 69    |
| (Cost \$0)                         |  |           |       |

|   |     |                               |                 |
|---|-----|-------------------------------|-----------------|
| <b>PREFERRED SECURITIES 2.2%</b>  |     |                               |                 |
| <b>INDUSTRIALS 2.2%</b>   |     |                               |                 |
| <b>Sequa Corp.</b>  |     |                               |                 |
| 9.000% «  |     | 17,243                        | 12,718          |
| Total Preferred Securities<br>(Cost \$17,038)   |     |                               | 12,718          |
| <b>REAL ESTATE INVESTMENT TRUSTS 1.6%</b>   |     |                               |                 |
| <b>REAL ESTATE 1.6%</b>   |     |                               |                 |
| <b>VICI Properties, Inc.</b>  |     |                               |                 |
|   |     | 423,584                       | 9,145           |
| Total Real Estate Investment Trusts<br>(Cost \$5,525)                                   |     |                               | 9,145           |
| <b>SHORT-TERM INSTRUMENTS 3.2%</b>  |     |                               |                 |
| <b>REPURCHASE AGREEMENTS (m) 1.9%</b>   |     |                               | 11,389          |
|   |     | PRINCIPAL<br>AMOUNT<br>(000S) |                 |
| <b>SHORT-TERM NOTES 0.9%</b>  |     |                               |                 |
| <b>Letras del Banco Central de la Republica Argentina</b>                               |     |                               |                 |
| 45.000% due 11/21/2018 (i)  | ARS | 1,557                         | 42              |
| <b>Ukraine Government International Bond</b>  |     |                               |                 |
| 9.236% due 02/28/2019 (h)(i)  | \$  | 5,400                         | 5,322           |
|   |     |                               | 5,364           |
| <b>ARGENTINA TREASURY BILLS 0.2%</b>  |     |                               |                 |
| 0.071% due 12/28/2018 - 04/30/2019 (g)(h)   | ARS | 34,897                        | 1,024           |
| <b>U.S. TREASURY BILLS 0.2%</b>   |     |                               |                 |
| 2.287% due 01/03/2019 - 01/31/2019 (g)(h)(q)  | \$  | 1,248                         | 1,242           |
| Total Short-Term Instruments<br>(Cost \$18,867)   |     |                               | 19,019          |
| Total Investments in Securities<br>(Cost \$732,833)                                     |     |                               | 730,906         |
| <b>Total Investments 124.3%</b><br>(Cost \$732,833)                                     |     | \$                            | <b>730,906</b>  |
| <b>Financial Derivative Instruments (o)(p) 0.6%</b><br>(Cost or Premiums, net \$15,256) |     |                               | <b>3,956</b>    |
| <b>Preferred Shares (15.7)%</b>   |     |                               | <b>(92,450)</b> |
| <b>Other Assets and Liabilities, net (9.2)%</b>   |     |                               | <b>(54,192)</b> |

|  |           |                |
|--|-----------|----------------|
| <b>Net Assets Applicable to Common Shareholders 100.0%</b> | <b>\$</b> | <b>588,220</b> |
|--|-----------|----------------|

**Notes to Schedule of Investments:**

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- ✕ The geographical classification of foreign (non-U.S.) securities in this report, if any, are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.
- ^ Security is in default.
- « Security valued using significant unobservable inputs (Level 3).

All or a portion of this amount represent unfunded loan commitments. The interest rate for the unfunded portion will be determined at the time of funding.

- ~ Variable or Floating rate security. Rate shown is the rate in effect as of period end. Certain variable rate securities are not based on a published reference rate and spread, rather are determined by the issuer or agent and are based on current market conditions. Reference rate is as of reset date, which may vary by security. These securities may not indicate a reference rate and/or spread in their description.

Rate shown is the rate in effect as of period end. The rate may be based on a fixed rate, a capped rate or a floor rate and may convert to a variable or floating rate in the future. These securities do not indicate a reference rate and spread in their description.

- Ø Coupon represents a rate which changes periodically based on a predetermined schedule or event. Rate shown is the rate in effect as of period end.

(a) Interest only security.

(b) Principal only security.

(c) When-issued security.

(d) Payment in-kind security.

(e) Security is not accruing income as of the date of this report.

(f) Security did not produce income within the last twelve months.

(g) Coupon represents a weighted average yield to maturity.

(h) Zero coupon security.

(i) Coupon represents a yield to maturity.

(j) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(k) Contingent convertible security.

(l) Restricted Securities:

| Issuer Description          | Acquisition Date        | Cost     | Market Value | Market Value as Percentage of Net Assets Applicable to Common Shareholders |
|-----------------------------|-------------------------|----------|--------------|--|
| Ardonagh Group Ltd.         | 04/02/2015 - 07/20/2017 | \$ 2,776 | \$ 3,338     | 0.57%  |
| Forbes Energy Services Ltd. | 10/09/2014 - 12/03/2014 | 944      | 110          | 0.02   |
|                             |                         | \$ 3,720 | \$ 3,448     | 0.59%  |

#### Borrowings and Other Financing Transactions

(m) Repurchase Agreements:

| Counterparty                       | Lending Rate | Settlement Date | Maturity Date | Principal Amount | Collateralized By                         | Collateral Agreements, (Received) | Repurchase Agreements, at Value | Repurchase Proceeds, to be Received |
|------------------------------------|--------------|-----------------|---------------|------------------|---|-----------------------------------|---------------------------------|-------------------------------------|
| C                                  | 1.750%       | 10/31/2018      | 11/01/2018    | \$ 2,589         | U.S. Treasury Notes 2.375% due 04/15/2021 | \$ (2,641)                        | \$ 2,589                        | \$ 2,589                            |
| C                                  | 2.290        | 10/31/2018      | 11/01/2018    | 8,800            | U.S. Treasury Notes 1.875% due 10/31/2022 | (9,090)                           | 8,800                           | 8,800                               |
| <b>Total Repurchase Agreements</b> |              |                 |               |                  |   | <b>\$ (11,731)</b>                | <b>\$ 11,389</b>                | <b>\$ 11,389</b>                    |



**Reverse Repurchase Agreements:**

| <b>Counterparty</b>                        | <b>Borrowing Rate <sup>(2)</sup></b> | <b>Settlement Date</b> | <b>Maturity Date</b> | <b>Amount Borrowed <sup>(2)</sup></b> | <b>Payable for Reverse Repurchase Agreements</b> |
|--|--------------------------------------|------------------------|----------------------|---------------------------------------|--|
| BCY  | 0.000%                               | 10/04/2018             | TBD <sup>(3)</sup>   | \$ (747)                              | \$ (747)   |
|  | 1.200                                | 09/27/2018             | TBD <sup>(3)</sup>   | (1,241)                               | (1,242)  |
| BPS  | 2.550                                | 09/04/2018             | 12/04/2018           | (5,033)                               | (5,054)  |
| BRC  | 0.250                                | 07/26/2018             | TBD <sup>(3)</sup>   | (203)                                 | (203)  |
| CIW  | 2.610                                | 11/02/2018             | 11/30/2018           | (3,521)                               | (3,521)  |
|  | 2.650                                | 10/05/2018             | 11/02/2018           | (3,636)                               | (3,643)  |
| JML  | 2.800                                | 10/01/2018             | TBD <sup>(3)</sup>   | (8,074)                               | (8,094)  |
| NOM  | 2.950                                | 10/18/2018             | 11/19/2018           | (4,199)                               | (4,204)  |
|  | 2.950                                | 10/25/2018             | 11/19/2018           | (2,161)                               | (2,162)  |
| RBC  | 2.920                                | 08/07/2018             | 02/07/2019           | (2,389)                               | (2,406)  |
|  | 2.970                                | 08/07/2018             | 02/07/2019           | (6,064)                               | (6,107)  |
| RDR  | 2.530                                | 09/12/2018             | 12/12/2018           | (3,694)                               | (3,707)  |
| SOG  | 2.960                                | 10/10/2018             | 01/10/2019           | (5,158)                               | (5,167)  |
| UBS  | 2.610                                | 10/09/2018             | 01/09/2019           | (5,574)                               | (5,583)  |
|  | 2.740                                | 09/10/2018             | 03/11/2019           | (6,931)                               | (6,958)  |
|  | 2.760                                | 08/31/2018             | 12/03/2018           | (2,719)                               | (2,732)  |
|  | 2.780                                | 08/14/2018             | 11/14/2018           | (4,748)                               | (4,777)  |
| <b>Total Reverse Repurchase Agreements</b> |                                      |                        |                      |                                       | <b>\$ (66,307)</b>                               |

(n) Securities with an aggregate market value of \$68,437 have been pledged as collateral under the terms of master agreements as of October 31, 2018.

(1) Includes accrued interest.

(2) The average amount of borrowings outstanding during the period ended October 31, 2018 was \$(57,340) at a weighted average interest rate of 2.616%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(3) Open maturity reverse repurchase agreement.

**(o) Financial Derivative Instruments: Exchange-Traded or Centrally Cleared Swap Agreements:****Credit Default Swaps on Corporate Issues - Sell Protection <sup>(1)</sup>**

| Reference Entity              | Fixed Receive Rate | Payment Frequency | Maturity Date | Implied Credit Spread at October 31, 2018 | Notional Amount | Premiums      |                           | Unrealized Market Value <sup>(4)</sup> |           | Variation Margin |  |
|-------------------------------|--------------------|-------------------|---------------|---|-----------------|---------------|---------------------------|--|-----------|------------------|--|
|                               |                    |                   |               |   |                 | Paid/Received | Appreciation/Depreciation | Asset                                  | Liability |                  |  |
| Frontier Communications Corp. | 5.000%             | Quarterly         | 06/20/2020    | 10.700%                                   | \$ 6,500        | \$ (214)      | \$ (277)                  | \$ (491)                               | \$ 0      | \$ (9)           |  |

**Credit Default Swaps on Credit Indices - Sell Protection <sup>(1)</sup>**

| Index/Tranches         | Fixed Receive Rate | Payment Frequency | Maturity Date | Notional Amount | Premiums      |                           | Unrealized Market Value <sup>(4)</sup> |           | Variation Margin <sup>(5)</sup> |  |
|------------------------|--------------------|-------------------|---------------|-----------------|---------------|---------------------------|--|-----------|---------------------------------|--|
|                        |                    |                   |               |                 | Paid/Received | Appreciation/Depreciation | Asset                                  | Liability |                                 |  |
| CDX.HY-30 5-Year Index | 5.000%             | Quarterly         | 06/20/2023    | \$ 2,900        | \$ 170        | \$ 23                     | \$ 193                                 | \$ 8      | \$ 0                            |  |
| CDX.HY-31 5-Year Index | 5.000              | Quarterly         | 12/20/2023    | 2,200           | 109           | 21                        | 130                                    | 4         | 0                               |  |
|                        |                    |                   |               |                 | \$ 279        | \$ 44                     | \$ 323                                 | \$ 12     | \$ 0                            |  |

**Interest Rate Swaps**

| Floating Rate Index  | Fixed Rate | Payment Frequency | Maturity Date | Notional Amount | Premiums      |                           | Unrealized Market Value |           | Asset | Variation Margin |
|----------------------|------------|-------------------|---------------|-----------------|---------------|---------------------------|-------------------------|-----------|-------|------------------|
|                      |            |                   |               |                 | Paid/Received | Appreciation/Depreciation | Asset                   | Liability |       |                  |
| 3-Month USD-LIBOR    | 2.750%     | Semi-Annual       | 12/19/2023    | \$ 154,800      | \$ (1,337)    | \$ (1,620)                | \$ (2,957)              | \$ 0      |       |                  |
| 3-Month USD-LIBOR    | 2.750      | Semi-Annual       | 06/17/2025    | 149,020         | 9,092         | (11,752)                  | (2,660)                 | 0         |       |                  |
| 3-Month USD-LIBOR    | 2.250      | Semi-Annual       | 06/15/2026    | 26,800          | 1,267         | (2,831)                   | (1,564)                 | 0         |       |                  |
| 3-Month USD-LIBOR    | 2.500      | Semi-Annual       | 12/20/2027    | 49,000          | 343           | (2,864)                   | (2,521)                 | 0         |       |                  |
| 3-Month USD-LIBOR    | 3.500      | Semi-Annual       | 06/19/2044    | 201,500         | (6,573)       | 14,900                    | 8,327                   | 0         |       |                  |
| 3-Month USD-LIBOR    | 2.500      | Semi-Annual       | 06/20/2048    | 311,400         | 13,270        | 34,778                    | 48,048                  | 2,175     |       |                  |
| 3-Month USD-LIBOR    | 3.000      | Semi-Annual       | 12/19/2048    | 17,000          | 0             | 1,082                     | 1,082                   | 131       |       |                  |
| 6-Month AUD-BBR-BBSW | 3.000      | Semi-Annual       | 12/17/2019    | AUD 12,900      | 185           | (66)                      | 119                     | 0         |       |                  |
| 6-Month AUD-BBR-BBSW | 3.500      | Semi-Annual       | 06/17/2025    | 8,100           | 201           | 154                       | 355                     | 0         |       |                  |
| 6-Month EUR-EURIBOR  | 1.250      | Annual            | 12/19/2028    | EUR 2,100       | (36)          | (25)                      | (61)                    | 1         |       |                  |
| 6-Month EUR-EURIBOR  | 1.000      | Annual            | 03/20/2029    | 13,100          | 54            | 6                         | 60                      | 10        |       |                  |
| 6-Month GBP-LIBOR    | 1.500      | Semi-Annual       | 03/20/2029    | GBP 24,000      | 413           | (10)                      | 403                     | 174       |       |                  |

|                   |       |             |            |     |                  |                  |                  |                 |
|-------------------|-------|-------------|------------|-----|------------------|------------------|------------------|-----------------|
| 6-Month GBP-LIBOR | 1.750 | Semi-Annual | 03/20/2049 | 900 | (6)              | (1)              | (7)              | 12              |
|                   |       |             |            |     | \$ 16,873        | \$ 31,751        | \$ 48,624        | \$ 2,503        |
| <b>Agreements</b> |       |             |            |     | <b>\$ 16,938</b> | <b>\$ 31,518</b> | <b>\$ 48,456</b> | <b>\$ 2,515</b> |

**Cash of \$13,406 has been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of October 31, 2018.**

- (1) *If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.*
- (2) *Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.*
- (3) *The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.*
- (4) *The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.*
- (5) *Unsettled variation margin asset of \$1 for closed swap agreements is outstanding at period end.*
- (6) *This instrument has a forward starting effective date.*

**(p) Financial Derivative Instruments: Over the Counter**  
**Forward Foreign Currency Contracts:**

| Counterparty                                    | Settlement Month | Currency to be Delivered | Unrealized Appreciation/(Depreciation) |             |                 |                   |
|---|------------------|--------------------------|--|-------------|-----------------|-------------------|
|   |                  |                          | Currency to be Received                | Asset       | Liability       |                   |
| BOA   | 11/2018          | ARS                      | 8,475                                  | \$ 230      | \$ 0            | \$ (6)            |
|   | 11/2018          | GBP                      | 2,447                                  | 3,182       | 54              | 0                 |
|   | 11/2018          | \$                       | 230                                    | ARS 8,475   | 6               | 0                 |
| BPS   | 01/2019          | ARS                      | 8,475                                  | \$ 208      | 0               | (7)               |
|   | 11/2018          |                          | 3,707                                  | 101         | 0               | (3)               |
|   | 11/2018          | EUR                      | 50,918                                 | 60,112      | 2,440           | 0                 |
|   | 11/2018          | \$                       | 176                                    | ARS 7,191   | 22              | 0                 |
| BRC   | 11/2018          |                          | 5,856                                  | MXN 113,206 | 0               | (291)             |
|   | 12/2018          | PEN                      | 3,236                                  | \$ 972      | 14              | 0                 |
|   | 11/2018          | \$                       | 368                                    | ARS 14,495  | 30              | 0                 |
|   | 11/2018          | ARS                      | 22,248                                 | \$ 536      | 0               | (72)              |
| CBK   | 11/2018          | GBP                      | 2,356                                  | 3,038       | 26              | 0                 |
|   | 11/2018          | \$                       | 215                                    | ARS 8,480   | 21              | 0                 |
|   | 11/2018          |                          | 589                                    | GBP 462     | 1               | 0                 |
|   | 01/2019          |                          | 293                                    | ARS 11,963  | 11              | 0                 |
| DUB   | 12/2018          |                          | 68                                     | 2,884       | 8               | 0                 |
| FBF   | 01/2019          |                          | 845                                    | RUB 57,213  | 15              | 0                 |
| GLM   | 11/2018          |                          | 1,318                                  | EUR 1,159   | 0               | (5)               |
| HUS   | 12/2018          |                          | 17                                     | ARS 726     | 2               | 0                 |
| JPM   | 11/2018          | GBP                      | 52,145                                 | \$ 68,789   | 2,137           | 0                 |
|   | 01/2019          | \$                       | 52                                     | ARS 1,973   | 0               | (2)               |
| MSB   | 11/2018          | ARS                      | 8,517                                  | \$ 200      | 0               | (38)              |
|   | 11/2018          | \$                       | 231                                    | ARS 8,517   | 6               | 0                 |
| NGF   | 11/2018          |                          | 28                                     | 1,088       | 2               | 0                 |
|   | 12/2018          |                          | 243                                    | 9,885       | 18              | (1)               |
| SCX   | 11/2018          | AUD                      | 583                                    | \$ 421      | 8               | 0                 |
|   | 11/2018          | \$                       | 57,959                                 | EUR 50,918  | 0               | (287)             |
|   | 12/2018          | EUR                      | 50,918                                 | \$ 58,105   | 289             | 0                 |
| SOG   | 11/2018          | \$                       | 73,129                                 | GBP 56,948  | 0               | (338)             |
|   | 12/2018          | GBP                      | 56,948                                 | \$ 73,231   | 338             | 0                 |
| TOR   | 12/2018          | \$                       | 1,317                                  | EUR 1,159   | 0               | (1)               |
| UAG   | 11/2018          |                          | 5,422                                  | RUB 347,928 | 0               | (148)             |
| <b>Total Forward Foreign Currency Contracts</b> |                  |                          |  |             | <b>\$ 5,448</b> | <b>\$ (1,199)</b> |

**Swap Agreements:**

**Credit Default Swaps on Corporate Issues - Sell Protection <sup>(1)</sup>**

Swap Agreements, at Va  
(4)

| Counterparty | Reference Entity               | Fixed<br>Receive Rate | Payment<br>Frequency | Maturity<br>Date | Implied Credit<br>Spread<br>at<br>October 31, 2018 <sup>(2)</sup> | Notional<br>Amount <sup>(3)</sup> | Premiums Unrealized |                                 |       |           |
|--------------|--------------------------------|-----------------------|----------------------|------------------|---|-----------------------------------|---------------------|---------------------------------|-------|-----------|
|              |                                |                       |                      |                  |   |                                   | Paid/<br>(Received) | Appreciation/<br>(Depreciation) | Asset | Liability |
| BPS          | Petrobras Global<br>Finance BV | 1.000%                | Quarterly            | 12/20/2024       | 3.037%  | \$ 1,000                          | \$ (195)            | \$ 91                           | \$ 0  | \$(104)   |
| GST          | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 09/20/2020       | 1.366   | 10                                | (1)                 | 1                               | 0     | 0         |
|              | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 12/20/2021       | 1.861   | 100                               | (16)                | 14                              | 0     | (2)       |
| HUS          | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 12/20/2024       | 3.037   | 1,400                             | (278)               | 132                             | 0     | (146)     |
|              | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 12/20/2019       | 1.025   | 300                               | (25)                | 25                              | 0     | 0         |
|              | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 09/20/2020       | 1.366   | 40                                | (6)                 | 6                               | 0     | 0         |
| MYC          | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 12/20/2024       | 3.037   | 1,700                             | (353)               | 176                             | 0     | (177)     |
|              | Petrobras Global<br>Finance BV | 1.000                 | Quarterly            | 12/20/2019       | 1.025   | 8,700                             | (805)               | 813                             | 8     | 0         |
|              |                                |                       |                      |                  |   |                                   | \$ (1,679)          | \$ 1,258                        | \$ 8  | \$(429)   |

**Total Return Swaps on Interest Rate Indices**

| Party                  | Pay/Receive <sup>(5)</sup>        | Underlying Reference                      | # of Units | Financing Rate | Payment Frequency | Maturity Date | Notional Amount   | Swap Agreement         |                         |                    |
|------------------------|-----------------------------------|---|------------|----------------|-------------------|---------------|-------------------|------------------------|-------------------------|--------------------|
|                        |                                   |   |            |                |                   |               |                   | Premiums Paid/Received | Unrealized Depreciation | Appreciation/Asset |
| Receive                | iBoxx USD Liquid High Yield Index | 3-Month USD-LIBOR plus a specified spread | N/A        | Maturity       | 06/20/2019        | \$ 300        | \$ (1)            | \$ (2)                 | \$ 0                    |                    |
| Receive                | iBoxx USD Liquid High Yield Index | 3-Month USD-LIBOR plus a specified spread | N/A        | Maturity       | 12/20/2018        | 300           | (2)               | (3)                    | 0                       |                    |
|                        |                                   |   |            |                |                   |               | \$ (3)            | \$ (5)                 | \$ 0                    |                    |
| <b>Swap Agreements</b> |                                   |   |            |                |                   |               | <b>\$ (1,682)</b> | <b>\$ 1,253</b>        | <b>\$ 8</b>             |                    |

**(q) Securities with an aggregate market value of \$901 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of October 31, 2018.**

- (1) *If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.*
- (2) *Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.*
- (3) *The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.*
- (4) *The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.*
- (5) *Receive represents that the Fund receives payments for any positive net return on the underlying reference. The Fund makes payments for any negative net return on such underlying reference. Pay represents that the Fund receives payments for any negative net return on the underlying reference. The Fund makes payments for any positive net return on such underlying reference.*

**Fair Value Measurements**

The following is a summary of the fair valuations according to the inputs used as of October 31, 2018 in valuing the Fund's assets and liabilities:

| Category and Subcategory                              | Level 1   | Level 2    | Level 3   | Fair Value at 10/31/2018 |
|---|-----------|------------|-----------|--------------------------|
| <b>Investments in Securities, at Value</b>            |           |            |           |                          |
| Loan Participations and Assignments                   | \$ 0      | \$ 23,877  | \$ 1,019  | \$ 24,896                |
| <b>Corporate Bonds &amp; Notes</b>                    |           |            |           |                          |
| Banking & Finance                                     | 0         | 170,638    | 0         | 170,638                  |
| Industrials   | 0         | 123,515    | 281       | 123,796                  |
| Utilities   | 0         | 37,462     | 0         | 37,462                   |
| <b>Convertible Bonds &amp; Notes</b>                  |           |            |           |                          |
| Industrials   | 0         | 4,563      | 0         | 4,563                    |
| <b>Municipal Bonds &amp; Notes</b>                    |           |            |           |                          |
| California  | 0         | 7,297      | 0         | 7,297                    |
| Illinois  | 0         | 868        | 0         | 868                      |
| Ohio  | 0         | 21,483     | 0         | 21,483                   |
| Virginia  | 0         | 802        | 0         | 802                      |
| West Virginia   | 0         | 14,486     | 0         | 14,486                   |
| U.S. Government Agencies                              | 0         | 12,441     | 5,183     | 17,624                   |
| Non-Agency Mortgage-Backed Securities                 | 0         | 117,563    | 0         | 117,563                  |
| Asset-Backed Securities                               | 0         | 107,204    | 12,078    | 119,282                  |
| Sovereign Issues                                      | 0         | 21,571     | 0         | 21,571                   |
| <b>Common Stocks</b>                                  |           |            |           |                          |
| Consumer Discretionary                                | 4,176     | 0          | 0         | 4,176                    |
| Energy  | 110       | 0          | 0         | 110                      |
| Financials  | 0         | 0          | 3,338     | 3,338                    |
| <b>Warrants</b>                                       |           |            |           |                          |
| Industrials   | 0         | 0          | 69        | 69                       |
| <b>Preferred Securities</b>                           |           |            |           |                          |
| Industrials   | 0         | 0          | 12,718    | 12,718                   |
| <b>Real Estate Investment Trusts</b>                  |           |            |           |                          |
| Real Estate   | 9,145     | 0          | 0         | 9,145                    |
| <b>Short-Term Instruments</b>                         |           |            |           |                          |
| Repurchase Agreements                                 | 0         | 11,389     | 0         | 11,389                   |
| Short-Term Notes                                      | 0         | 5,364      | 0         | 5,364                    |
| Argentina Treasury Bills                              | 0         | 1,024      | 0         | 1,024                    |
| U.S. Treasury Bills                                   | 0         | 1,242      | 0         | 1,242                    |
| Total Investments                                     | \$ 13,431 | \$ 682,789 | \$ 34,686 | \$ 730,906               |
| <b>Financial Derivative Instruments - Assets</b>      |           |            |           |                          |
| Exchange-traded or centrally cleared                  | 0         | 2,515      | 0         | 2,515                    |
| Over the counter                                      | 0         | 5,456      | 0         | 5,456                    |
|   | \$ 0      | \$ 7,971   | \$ 0      | \$ 7,971                 |
| <b>Financial Derivative Instruments - Liabilities</b> |           |            |           |                          |
| Exchange-traded or centrally cleared                  | 0         | (2,380)    | 0         | (2,380)                  |
| Over the counter                                      | 0         | (1,636)    | 0         | (1,636)                  |

Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|  |           |            |           |            |
|--|-----------|------------|-----------|------------|
|  | \$ 0      | \$ (4,016) | \$ 0      | \$ (4,016) |
| Total Financial Derivative Instruments | \$ 0      | \$ 3,955   | \$ 0      | \$ 3,955   |
| Totals                                 | \$ 13,431 | \$ 686,744 | \$ 34,686 | \$ 734,861 |

**There were no significant transfers among Levels 1 and 2 during the period ended October 31, 2018.**



The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended October 31, 2018:

| Category and Subcategory                   | Beginning Balance at 07/31/2018 | Net Purchases   | Net Sales      | Accrued Discounts (Premiums) | Realized Gain (Loss) | Unrealized Appreciation/Depreciation | Transfers into Level 3 | Transfers out of Level 3 | Ending Balance at 10/31/2018 | Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 10/31/2018 (1) |
|--|---------------------------------|-----------------|----------------|------------------------------|----------------------|--------------------------------------|------------------------|--------------------------|------------------------------|---|
| <b>Investments in Securities, at Value</b> |                                 |                 |                |                              |                      |                                      |                        |                          |                              |   |
| Loan Participations and Assignments        | \$ 569                          | \$ 131          | \$ (55)        | \$ 0                         | \$ 2                 | \$ (10)                              | \$ 382                 | \$ 0                     | \$ 1,019                     | \$ (8)  |
| <b>Corporate Bonds &amp; Notes</b>         |                                 |                 |                |                              |                      |                                      |                        |                          |                              |   |
| Industrials                                | 745                             | 0               | (1)            | 1                            | 0                    | (12)                                 | 0                      | (452)                    | 281                          | (10)  |
| U.S. Government Agencies                   | 5,201                           | 0               | (20)           | 28                           | 7                    | (33)                                 | 0                      | 0                        | 5,183                        | (34)  |
| Asset-Backed Securities                    | 9,324                           | 7,033           | 0              | 23                           | 0                    | (794)                                | 0                      | (3,508)                  | 12,078                       | (677)   |
| <b>Common Stocks</b>                       |                                 |                 |                |                              |                      |                                      |                        |                          |                              |   |
| Financials                                 | 3,264                           | 0               | 0              | 0                            | 0                    | 74                                   | 0                      | 0                        | 3,338                        | 74  |
| <b>Warrants</b>                            |                                 |                 |                |                              |                      |                                      |                        |                          |                              |   |
| Industrials                                | 205                             | 0               | 0              | 0                            | 0                    | (136)                                | 0                      | 0                        | 69                           | (136)   |
| <b>Preferred Securities</b>                |                                 |                 |                |                              |                      |                                      |                        |                          |                              |   |
| Industrials                                | 15,300                          | 218             | 0              | 0                            | 0                    | (2,800)                              | 0                      | 0                        | 12,718                       | (2,800)   |
| <b>Totals</b>                              | <b>\$ 34,608</b>                | <b>\$ 7,382</b> | <b>\$ (76)</b> | <b>\$ 52</b>                 | <b>\$ 9</b>          | <b>\$ (3,711)</b>                    | <b>\$ 382</b>          | <b>\$ (3,960)</b>        | <b>\$ 34,686</b>             | <b>\$ (3,591)</b>   |

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

| Category and Subcategory                   | Ending Balance at 10/31/2018 | Valuation Technique  | Unobservable Inputs | Input Value(s) (% Unless Noted Otherwise) |
|--|------------------------------|----------------------|---------------------|---|
| <b>Investments in Securities, at Value</b> |                              |                      |                     |   |
| Loan Participations and Assignments        |                              |                      |                     |   |
| Assignments                                | \$ 196                       | Proxy Pricing        | Base Price          | 98.129                                    |
|  | 823                          | Third Party Vendor   | Broker Quote        | 40.000 - 105.250                          |
| <b>Corporate Bonds &amp; Notes</b>         |                              |                      |                     |   |
| Industrials                                | 281                          | Reference Instrument | Yield               | 10.890                                    |
|  | 5,183                        | Proxy Pricing        | Base Price          | 60.160                                    |

Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

|                                |           |   |                |    |                         |
|--------------------------------|-----------|---|----------------|----|-------------------------|
| U.S.<br>Government<br>Agencies |           |   |                |    |                         |
| Asset-Backed<br>Securities     | 12,078    | Proxy Pricing                             | Base Price     |    | 5,920.591 - 129,100.000 |
| Common<br>Stocks               |           |   |                |    |                         |
| Financials                     | 3,338     | Other Valuation Techniques <sup>(2)</sup> |                |    |                         |
| Warrants                       |           |   |                |    |                         |
| Industrials                    | 69        | Other Valuation Techniques <sup>(2)</sup> |                |    |                         |
| Preferred<br>Securities        |           |   |                |    |                         |
| Industrials                    | 12,718    | Fundamental valuation                     | Company Assets | \$ | 438,000,000.000         |
| Total                          | \$ 34,686 |   |                |    |                         |

<sup>(1)</sup> Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at October 31, 2018 may be due to an investment no longer held or categorized as Level 3 at period end.

<sup>(2)</sup> Includes valuation techniques not defined in the Notes to Schedule of Investments as securities valued using such techniques are not considered significant to the Fund.

**See Accompanying Notes**

---

## Notes to Financial Statements

### 1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

**(a) Investment Valuation Policies** The net asset value ( NAV ) of the Fund 's shares is determined by dividing the total value of portfolio investments and other assets attributable to the Fund less any liabilities by the total number of shares outstanding of the Fund.

On each day that the New York Stock Exchange ( NYSE ) is open, Fund shares are ordinarily valued as of the close of regular trading ( NYSE Close ). Information that becomes known to the Fund or its agents after the time as of which 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. The Fund reserves the right to change the time as of which its NAV is calculated if the Fund closes earlier, or as permitted by the U.S. Securities and Exchange Commission (the SEC ).

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. 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 established market makers or prices (including evaluated prices) supplied by the Fund 's approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services ). The Fund will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by Pacific Investment Management Company LLC ( PIMCO or the Manager ) to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Fund 's investments in open-end management investment companies, other than exchange-traded funds ( ETFs ), are valued at the NAVs of such investments.

If a foreign (non-U.S.) equity security 's value has materially changed after the close of the security 's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees (the Board ). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Fund may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Fund may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Fund may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. For these purposes, any movement in the applicable reference index or instrument ( zero trigger ) relating to the non-U.S. security being fair valued between the earlier close of the applicable foreign market and the NYSE Close may be deemed to be a significant event, prompting the application of the pricing model (effectively resulting in daily fair valuations). Foreign exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for

business, which may result in the Fund's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments 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 Fund is not open for business. As a result, to the extent that the Fund holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Fund's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ( Valuation Oversight Committee ), generally based on recommendations provided by the Manager. 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, indicative market quotations ( Broker Quotes ), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the 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 the Fund's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When the Fund uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Fund's policy is intended to result in a calculation of the Fund's NAV that fairly reflects security values as of the time of pricing, the Fund cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that the 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 the Fund may differ from the value that would be realized if the securities were sold.

**(b) Fair Value Hierarchy** U.S. GAAP describes fair value as the price that the 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, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

Level 1 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.

Assets or liabilities categorized as Level 2 or 3 as of period end have been transferred between Levels 2 and 3 since the prior period due to changes in the method utilized in valuing the investments. Transfers from Level 2 to Level 3 are a result of a change, in the normal course of business, from the use of methods used by Pricing Services (Level 2) to the use of a Broker Quote or valuation technique which utilizes significant unobservable inputs due to an absence of current or reliable market-based data (Level 3). Transfers from Level 3 to Level 2 are a result of the availability of current and reliable market-based data provided by Pricing Services or other valuation techniques which utilize significant observable inputs. In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the 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 realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period value 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, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Fund.

### **(c) Valuation Techniques and the Fair Value Hierarchy**

**Level 1 and Level 2 trading assets and trading liabilities, at fair value** The valuation methods (or techniques) and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities 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 on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' 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 Services that use broker-dealer quotations, reported trades 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, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, 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.

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 Services 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 exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts and options contracts derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services 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 and over the counter swaps derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. They are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services (normally determined as of the NYSE close). Centrally cleared swaps and over the counter swaps can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models may use inputs that are observed from actively quoted markets such as the overnight index swap rate ( OIS ), London Interbank Offered Rate ( LIBOR ) forward rate, interest rates, yield curves and credit spreads. 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, investments 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:

Proxy 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 Oversight Committee. Significant changes in the unobservable inputs of the proxy 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.

If third-party evaluated vendor pricing is not available or not deemed to be indicative of fair value, the Manager may elect to obtain 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.

Reference instrument valuation estimates fair value by utilizing the correlation of the security to one or more broad-based securities, market indices, and/or other financial instruments, whose pricing information is readily available. Unobservable inputs may include those used in algorithm formulas based on percentage change in the reference instruments and/or weights of each reference instrument. Significant changes in the unobservable inputs 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.

Fundamental analysis valuation estimates fair value by using an internal model that utilizes financial statements of the non-public underlying company. Significant changes in the unobservable inputs 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.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

## **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.

The Fund may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

## Edgar Filing: PIMCO Income Strategy Fund II - Form N-Q

In accordance with U.S. GAAP, the Manager has reviewed the Fund's tax positions for all open tax years. As of October 31, 2018, 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. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.



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

(Unaudited)

## Counterparty Abbreviations:

|      |                                   |     |  |     |                                      |
|------|-----------------------------------|-----|--|-----|--------------------------------------|
| BCY  | Barclays Capital, Inc.            | GLM | Goldman Sachs Bank USA                 | NOM | Nomura Securities International Inc. |
| BOA  | Bank of America N.A.              | GST | Goldman Sachs International            | RBC | Royal Bank of Canada                 |
| BPS  | BNP Paribas S.A.                  | HUS | HSBC Bank USA N.A.                     | RDR | RBC Capital Markets LLC              |
| BRC  | Barclays Bank PLC                 | JML | JP Morgan Securities Plc               | SCX | Standard Chartered Bank              |
| CBK  | Citibank N.A.                     | JPM | JP Morgan Chase Bank N.A.              | SOG | Societe Generale                     |
| CIW  | CIBC World Markets Corp.          | MBC | HSBC Bank Plc                          | TOR | Toronto Dominion Bank                |
| DUB  | Deutsche Bank AG                  | MSB | Morgan Stanley Bank, N.A.              | UAG | UBS AG Stamford                      |
| FBF  | Credit Suisse International       | MYC | Morgan Stanley Capital Services, Inc.  | UBS | UBS Securities LLC                   |
| FICC | Fixed Income Clearing Corporation | NGF | Nomura Global Financial Products, Inc. |     |                                      |

## Currency Abbreviations:

|     |                   |     |                  |             |                      |
|-----|-------------------|-----|------------------|-------------|----------------------|
| ARS | Argentine Peso    | GBP | British Pound    | RUB         | Russian Ruble        |
| AUD | Australian Dollar | MXN | Mexican Peso     | USD (or \$) | United States Dollar |
| EUR | Euro              | PEN | Peruvian New Sol |             |                      |

## Index/Spread Abbreviations:

|          |                                      |         |                                       |          |                       |
|----------|--------------------------------------|---------|---------------------------------------|----------|-----------------------|
| ARLLMONP | Argentina Blended Policy Rate        | BP0003M | 3 Month GBP-LIBOR                     | LIBOR03M | 3 Month USD-LIBOR     |
| BADLARPP | Argentina Badlar Floating Rate Notes | CDX.HY  | Credit Derivatives Index - High Yield | US0003M  | 3 Month USD Swap Rate |

## Other Abbreviations:

|      |                               |         |                                |      |  |
|------|-------------------------------|---------|--------------------------------|------|--|
| ABS  | Asset-Backed Security         | CDO     | Collateralized Debt Obligation | PIK  | Payment-in-Kind                                  |
| ALT  | Alternate Loan Trust          | CLO     | Collateralized Loan Obligation | TBA  | To-Be-Announced                                  |
| BABs | Build America Bonds           | DAC     | Designated Activity Company    | TBD  | To-Be-Determined                                 |
| BBR  | Bank Bill Rate                | EURIBOR | Euro Interbank Offered Rate    | TBD% | Interest rate to be determined when loan settles |
| BBSW | Bank Bill Swap Reference Rate | LIBOR   | London Interbank Offered Rate  |      |  |

**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") (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 report.
  
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are 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 financial & accounting 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 Income Strategy Fund II

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President (Principal Executive Officer)

Date: December 21, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting  
Officer)

Date: December 21, 2018

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: December 21, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting  
Officer)

Date: December 21, 2018