

PIMCO FLOATING RATE INCOME FUND
Form N-CSR
October 07, 2009

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

FORM N-CSR

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

Investment Company Act file number 811-21374

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

1345 Avenue of the Americas, New York, NY
(Address of principal executive offices)

10105
(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, NY 10105
(Name and address of agent for service)

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

Date of fiscal year July 31, 2009
end:

Date of reporting period: July 31, 2009

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1: REPORT TO SHAREHOLDERS

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PIMCO Floating Rate Income/PIMCO Floating Rate Strategy Funds Letter to Shareholders

September 15, 2009

Dear Shareholder:

Please find enclosed the annual reports for PIMCO Floating Rate Income Fund and PIMCO Floating Rate Strategy Fund (collectively, the Funds) for the fiscal year ended July 31, 2009.

Corporate credit securities provided modest returns during the 12-month fiscal period as investors showed renewed enthusiasm for risk assets during the second half of the fiscal year. Early signs of improving economic conditions contributed to shifting sentiments away from low yielding U.S. Treasury securities and in favor of corporate stocks and bonds. In this environment, the Barclays Capital U.S. Aggregate Index, a broad credit market measure of government and corporate securities, posted a 7.85% return. The Barclays Capital Investment Grade Credit Index, a measure of high quality corporate bond performance, returned 8.69%. Mortgage-backed securities, as represented by the Barclays Capital Mortgage Index, returned 3.47% and the Barclays Capital U.S. High Yield Bond Index returned 4.94%. Stocks fared worse as the Standard & Poor's 500 Index, an unmanaged index that is generally representative of the U.S. stock market, declined 19.96% despite having rallied 21.18% during the last six months of the fiscal year.

During the reporting period, the Federal Reserve (the Fed) reduced the Federal Funds Rate, the key target rate on loans between member banks, from 2.00% to the record-low target level of 0.00% to 0.25%. The Fed also engaged in quantitative easing, which included purchasing significant amounts of securities from banks in order to add to the supply of cash available for lending.

On April 6, 2009, the Funds issued a press release to make explicit that each Fund's investment policies allow it to hold common stock received from conversion of other portfolio securities, such that common stocks may represent up to 20% of each Fund's total assets. The Funds may invest in preferred stock and convertible securities, and these securities may allow for conversion into common stock.

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

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

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We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

7.31.09 | PIMCO Floating Rate Income/PIMCO Floating Rate Strategy Funds Annual Report 1

PIMCO Floating Rate Income Fund Fund Insights/Performance & Statistics

July 31, 2009 (unaudited)

- For the fiscal year ended July 31, 2009, PIMCO Floating Rate Income Fund (the Fund) declined 28.97% on net asset value (NAV) and 25.78% on market price.
- Exposure to the finance sector, with specific emphasis on banking and insurance where performance came under pressure, was among the most significant detractors from returns.
- Security selection in the telecommunication sector, where the Fund's focus has predominantly been on fixed-line companies relative to wireless providers, detracted from performance.
- Limited exposure to consumer non-cyclicals, such as food and tobacco, detracted from performance as the sector performed well during the fiscal 12-month reporting period.
- Minimal exposure to retailers, which outperformed during the reporting period despite difficult economic conditions, detracted from the Fund's return.
- An initial above-market weighting in media cable loans, which was one of the best performing sectors during the reporting period, contributed positively to performance.
- Despite heightened volatility during the reporting period, exposure to auto-related credits benefited performance.
- An emphasis on health care early in the reporting period and a paring back of exposure in early 2009 as valuations richened, benefited returns.

Total Return(1):	Market Price	NAV
1 Year	(25.78)%	(28.97)%
5 Year	(5.94)%	(4.76)%
Commencement of Operations (8/29/03) to 7/31/09	(4.01)%	(3.35)%

Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (8/29/03) to 7/31/09	Market Price	\$8.98
NAV	NAV	\$9.07
Market Price	Discount to NAV	(0.99)%
	Market Price Yield(2)	8.77%

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

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

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

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend payable to common shareholders by the market price per common share at July 31, 2009.

PIMCO Floating Rate Strategy Fund Fund Insights/Performance & Statistics

July 31, 2009 (unaudited)

- For the fiscal year ended July 31, 2009, PIMCO Floating Rate Strategy Fund (the Fund) declined 35.35% on net asset value (NAV) and 29.85% on market price.
- Exposure to the finance sector, with specific emphasis on banking and insurance where performance came under pressure, was among the most significant detractors from returns.
- Exposure to the non-cable media sector, which underperformed significantly amid a weakening advertising market, detracted from performance.
- Security selection in the telecommunication sector, where the Fund s focus has predominantly been on fixed-line companies relative to wireless providers, detracted from performance.
- Adding exposure midway through the period to high-quality securitized holdings, such as residential mortgage-backed securities, detracted from the Fund s return.
- An initial above-market weighting in media cable loans, one of the best performing sectors during the reporting period, contributed positively to performance.
- Despite heightened volatility during the fiscal 12-month reporting period, exposure to auto-related credits benefited performance.
- Limited exposure to the gaming sector, which experienced significant pressure during the reporting period, benefited returns.

Total Return(1):	Market Price	NAV
1 Year	(29.85)%	(35.35)%
3 Year	(16.11)%	(15.49)%
Commencement of Operations (10/29/04) to 7/31/09	(9.24)%	(8.07)%

Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (10/29/04) to 7/31/09	Market Price	\$7.78
NAV	NAV	\$7.98
Market Price	Discount to NAV	(2.51)%
	Market Price Yield(2)	9.48%

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

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

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

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend payable to common shareholders by the market price per common share at July 31, 2009.

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PIMCO Floating Rate Income Fund Schedule of Investments

July 31, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
CORPORATE BONDS & NOTES 66.0%			
Apparel & Textiles 0.3%			
\$900	Hanesbrands, Inc., 4.593%, 12/15/14, FRN	B2/B	\$765,000
Banking 26.1%			
1,600	American Express Bank FSB, 0.418%, 5/29/12, FRN (j)	A2/A+	1,457,365
2,100	American Express Centurion Bank, 0.446%, 6/12/12, FRN	A2/A+	1,913,279
£1,700	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/B	1,676,943
\$1,200	Barclays Bank PLC (g), 7.375%, 12/15/11 (a) (d)	Baa2/BBB+	877,356
1,485	7.434%, 12/15/17 (a) (d)	Baa2/BBB+	1,130,208
£4,300	14.00%, 6/15/19	Baa2/BBB+	8,910,942
\$10,000	Comerica Bank, 0.861%, 5/22/12, FRN	A1/A+	9,113,650
1,000	Den Norske Bank, 7.729%, 6/29/11 (a) (d) (g)	Aa3/BBB+	806,583
600	HBOS PLC, 6.75%, 5/21/18 (a) (d)	Baa2/A-	462,245
3,000	JPMorgan Chase Bank N.A., 0.959%, 6/13/16, FRN	Aa2/A+	2,454,075
	M&I Marshall & Ilsley Bank, FRN,		
1,600	0.778%, 6/1/11	A2/BBB	1,392,723
3,300	0.916%, 12/4/12	A3/BBB-	2,234,348
1,629	NB Capital Trust II, 7.83%, 12/15/26	Baa3/B	1,392,795
3,000	Northern Rock PLC, 1.377%, 3/13/12, FRN	A2/A	3,363,742
\$10,000	Rabobank Nederland NV, 11.00%, 6/30/19 (a) (d) (g)	Aa2/AA-	11,680,930
7,200	Regions Financial Corp., 0.774%, 6/26/12, FRN	Baa3/BBB+	5,988,377
£1,955	Royal Bank of Scotland PLC, 6.334%, 4/6/11, FRN	NR/NR	1,799,194
\$6,000	Wachovia Bank N.A., 0.959%, 3/15/16, FRN (j)	Aa3/AA-	4,992,984
4,250	Wells Fargo & Co., 7.98%, 3/15/18 (g)	Ba3/A-	3,681,677
2,550	Wells Fargo Capital XIII, 7.70%, 3/26/13 (g)	Ba3/A-	2,220,180
			67,549,596
Financial Services 28.5%			
1,200	American Express Credit Corp., 0.405%, 2/24/12, FRN (j)	A2/BBB+	1,088,287
	American General Finance Corp., FRN,		
3,900	0.879%, 12/15/11	Baa2/BB+	2,579,300
775	1.134%, 8/17/11	Baa2/BB+	483,039
2,500	Chukchansi Economic Dev. Auth., 4.913%, 11/15/12, FRN (a) (b) (d)	B3/B+	1,718,750
	CIT Group, Inc.,		
6,200	0.734%, 4/27/11, FRN	Ca/CC	3,713,323
1,600	5.40%, 2/13/12	Ca/CC	878,259
100	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Baa3/B+	84,250
5,000	Citigroup, Inc., 0.903%, 6/9/16, FRN	Baa1/A-	3,628,850
	Ford Motor Credit Co. LLC,		
10,250	3.26%, 1/13/12, FRN	Caa1/CCC+	8,725,312
2,200	7.25%, 10/25/11	Caa1/CCC+	2,066,962
	GMAC, Inc.,		
500	6.00%, 12/15/11	Ca/CCC	443,752
1,425	6.875%, 9/15/11	Ca/CCC	1,298,184
1,625	6.875%, 8/28/12	Ca/CCC	1,451,050
2,600	7.25%, 3/2/11	Ca/CCC	2,420,382
2,702	7.50%, 12/31/13 (a) (d)	Ca/CCC	2,323,720

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	International Lease Finance Corp.,		
600	4.15%, 1/20/15	Baa2/BBB+	551,700
650	4.75%, 1/13/12	Baa2/BBB+	464,129
1,350	4.875%, 9/1/10	Baa2/BBB+	1,155,492
650	5.125%, 11/1/10	Baa2/BBB+	543,263

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PIMCO Floating Rate Income Fund Schedule of Investments

July 31, 2009 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Financial Services (continued)			
\$650	5.30%, 5/1/12	Baa2/BBB+	\$475,615
650	5.35%, 3/1/12	Baa2/BBB+	477,846
650	5.45%, 3/24/11	Baa2/BBB+	511,338
7,150	5.625%, 9/15/10 (j)	Baa3/AA	6,097,105
2,111	5.625%, 9/20/13	Baa2/BBB+	1,475,441
4,100	5.75%, 6/15/11	Baa2/BBB+	3,241,698
2,947	6.625%, 11/15/13	Baa2/BBB+	2,043,258
9,100	JPMorgan Chase & Co., 7.90%, 4/30/18 (g)	A2/BBB+	8,675,740
1,500	Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (e)	NR/NR	150
4,200	MBNA Capital, 1.828%, 2/1/27, FRN Morgan Stanley, FRN,	Baa3/B	2,248,491
2,600	0.96%, 10/18/16	A2/A	2,253,454
3,500	0.989%, 10/15/15	A2/A	3,108,161
9,650	SLM Corp., 0.734%, 10/25/11, FRN	Ba1/BBB-	7,370,072
			73,596,373
Insurance 10.1%			
5,900	American International Group, Inc., 0.62%, 10/18/11, FRN	A3/A-	4,078,074
10,000	0.671%, 9/27/10, FRN (f)	A3/A-	6,810,437
1,600	0.709%, 3/20/12, FRN	A3/NR	956,990
1,500	4.70%, 10/1/10	A3/A-	1,283,354
5,000	4.95%, 3/20/12	A3/A-	3,445,225
6,400	5.45%, 5/18/17	A3/A-	3,338,976
700	8.175%, 5/15/68, (converts to FRN on 5/15/38)	Ba2/BBB	183,750
2,200	8.25%, 8/15/18	A3/A-	1,303,373
£1,300	8.625%, 5/22/68, (converts to FRN on 5/22/18) (b)	Baa1/BBB	538,801
\$4,600	Pricoa Global Funding I, 0.734%, 6/26/12, FRN (a) (d)	A2/AA-	4,285,139
			26,224,119
Oil & Gas 0.2%			