

PIMCO NEW YORK MUNICIPAL INCOME FUND II

Form N-CSR

August 03, 2012

[Table of Contents](#)

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 **811-21078**

PIMCO New York Municipal Income Fund II
(Exact name of registrant as specified in charter)

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

New York 10019
(Zip code)

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

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

Date of fiscal year end: May 31, 2012

Date of reporting period: May 31, 2012

Table of Contents

Item 1. REPORT TO SHAREHOLDERS

Annual Report

May 31, 2012

PIMCO Municipal Income Fund II
PIMCO California Municipal Income Fund II
PIMCO New York Municipal Income Fund II

Table of Contents

Contents

<u>Letter to Shareholders</u>	2-3
<u>Fund Insights/Performance & Statistics</u>	4-6
<u>Schedules of Investments</u>	7-24
<u>Statements of Assets and Liabilities</u>	26
<u>Statements of Operations</u>	27
<u>Statements of Changes in Net Assets</u>	28-29
<u>Notes to Financial Statements</u>	30-42
<u>Financial Highlights</u>	43-45
<u>Report of Independent Registered Public Accounting Firm</u>	46
<u>Tax Information/Annual Shareholder Meeting</u>	
<u>Results/Changes to Board of Trustees</u>	47
<u>Privacy Policy/Proxy Voting Policies & Procedures</u>	48
<u>Dividend Reinvestment Plan</u>	49-50
<u>Board of Trustees</u>	51-52
<u>Fund Officers</u>	53

Table of Contents

Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder:

Municipal bonds recorded solid gains during the fiscal twelve-month reporting period ended May 31, 2012. These gains occurred despite significant market volatility, political uncertainty, and an increased supply of municipal securities brought to market. During the reporting period, the strengthening U.S. economy encouraged investors to shift out of cash and move into municipal bonds.

For the fiscal twelve-month period ended May 31, 2012:

PIMCO Municipal Income Fund II rose 26.37% on net asset value (NAV) and 28.70% on market price.

PIMCO California Municipal Income Fund II rose 28.85% on NAV and 19.59% on market price.

PIMCO New York Municipal Income Fund II rose 21.30% on NAV and 20.97% on market price.

The Fiscal Twelve-Month Period in Review

The fiscal twelve-month reporting period began with gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanding at an annual rate of 1.3%. GDP growth accelerated to an annual rate of 1.8% between July and September 2011, and to a 3.0% rate between October and December 2011. This momentum reversed during the first quarter of 2012, as GDP growth declined to a 1.9% annual rate.

Throughout the twelve-month fiscal reporting period, the Federal Reserve (the Fed) kept its closely watched Fed Funds rate in the 0.0% to 0.25% range, where it has remained since December 2008. This held short-term U.S. Treasury yields and municipal bond yields (which tend to track Treasuries) quite low. Fed Chairman Ben Bernanke revealed that the Fed would maintain short-term interest rates in this range through late 2014. He also indicated that the Fed has not ruled out further attempts to stimulate the economy.

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After bouncing up and down for much of the fiscal twelve-month reporting period, Treasury yields moved dramatically lower as the reporting period drew to a close. The benchmark 10-year U.S. Treasury bond, which began the fiscal period yielding 2.96%, fell to a record low 1.59% on the last day of the twelve-month period. The drop was likely a reflection of considerable market uncertainty and the extraordinary volatility that characterized much of the twelve-month period. This volatility was present both overseas, where Europe's sovereign debt crisis seemed to wax and wane repeatedly, and in Washington, where a hyperpartisan political standoff over taxes and spending led to a downgrade of the U.S. government's long-term credit rating by Standard & Poor's.

Table of Contents

Levels of new municipal issuance were low as the twelve-month fiscal reporting period began; however, as interest rates declined, new issuance accelerated as suppliers moved to lock in low interest rates. At the end of May 2012, new issuance reached \$33.38 billion, a 56% increase from May 2011, according to *The Bond Buyer*. Issuance was particularly strong in the education, utilities, and transportation sectors.

Outlook

As the fiscal twelve-month period ended, Europe's sovereign debt crisis took a turn for the worse as austerity measures appeared to waver in several countries. The President of France, an austerity advocate, was voted out of office.

In the U.S., future levels of federal taxes and spending remain unclear. A series of tax cuts are scheduled to

expire on December 31, 2012, and major spending reductions are planned to begin in January 2013. The prospect of higher taxes, reduced spending, or both, could have a negative impact on the economy during 2013. Consequently, there are many reasons for caution going forward.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Receive this report electronically and eliminate paper mailings. To enroll, go to www.allianzinvestors.com/edelivery.

Table of Contents

PIMCO Municipal Income Funds II Fund Insights

May 31, 2012 (unaudited)

For the fiscal year ended May 31, 2012, PIMCO Municipal Income Fund II returned 26.37% on NAV and 28.70% on market price.

For the fiscal year ended May 31, 2012, PIMCO California Municipal Income Fund II returned 28.85% on NAV and 19.59% on market price.

For the fiscal year ended May 31, 2012, PIMCO New York Municipal Income Fund II returned 21.30% on NAV and 20.97% on market price.

The municipal bond market generated solid results during the twelve-month reporting period. The overall municipal market (as measured by the Barclays Municipal Bond Index-the Index) posted positive returns during 10 of the 12 months of the period. Modestly improving fundamentals, including rising state tax revenues, as well as relatively modest new municipal issuance drove performance. In addition, investor demand was generally strong as investors looked to generate incremental yield in the low interest rate environment. While the municipal market declined in both October 2011 and March 2012, these setbacks proved to be only modest and temporary. The Index returned 10.40% during the twelve-month reporting period.

Each of the Funds benefited from having a preference for revenue bonds versus general obligation bonds. This contributed to results as revenue bonds outperformed general obligation bonds during the reporting period.

All three Funds had overweight positions to the tobacco and industrial development sectors, which positively impacted performance as both sectors outperformed the benchmark. Municipal Income II and New York Municipal Income II were also rewarded from their overweighting to the strong performing healthcare sector; California Municipal Income II s overweighting to the special tax sector enhanced results.

Lower duration relative to the benchmark detracted from all three Funds performance, as municipal yields declined during the twelve-month period. Municipal Income II and New York Municipal Income II were adversely impacted for having an overweight to the transportation sector, as the sector lagged the benchmark. Municipal Income II s overweighting to the weak performing education sector also detracted from results. New York Municipal Income II s overweight positioning to the electric utility sector was not rewarded as it underperformed the benchmark. California Municipal Income II s overweighting to the housing and water/sewer sectors detracted from results as both sectors lagged the broader market.

All three Funds utilized payer interest rate swaps to manage duration which detracted from performance during the period due to the falling interest rate environment. All swaps were unwound by the end of October 2011.

Table of Contents**PIMCO Municipal Income Funds II Performance & Statistics**

May 31, 2012 (unaudited)

Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	28.70%	26.37%
5 Year	3.12%	2.57%
Commencement of Operations (6/28/02) to 5/31/12	5.19%	5.14%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/12

Market Price/NAV:

Market Price	\$12.54
NAV	\$11.91
Premium to NAV	5.29%
Market Price Yield ⁽²⁾	6.22%
Leverage Ratio ⁽³⁾	36.57%

Moody's Ratings

(as a % of total investments)

California Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	19.59%	28.85%
5 Year	0.77%	1.84%
Commencement of Operations (6/28/02) to 5/31/12	3.42%	2.63%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/12

Market Price/NAV:

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Market Price	\$10.15
NAV	\$8.65
Premium to NAV	17.34%
Market Price Yield ⁽²⁾	6.91%
Leverage Ratio ⁽³⁾	42.85%

Moody's Ratings

(as a % of total investments)

Table of Contents**PIMCO Municipal Income Funds II Performance & Statistics**

May 31, 2012 (unaudited) (continued)

New York Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	20.97%	21.30%
5 Year	2.56%	2.05%
Commencement of Operations (6/28/02) to 5/31/12	4.79%	4.54%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/12

Market Price/NAV:

Market Price	\$12.29
NAV	\$11.37
Premium to NAV	8.09%
Market Price Yield ⁽²⁾	6.47%
Leverage Ratio ⁽³⁾	42.88%

Moody's Ratings

(as a % of total investments)

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

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

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

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(2) Market Price Yield is determined by dividing the annualized current monthly dividend per common share (comprised of net investment income) by the market price per common share at May 31, 2012.

(3) Represents Floating Rate Notes Issued in tender option bond transactions and Preferred Shares that are outstanding (collectively Leverage), as a percentage of total managed assets. Total managed assets refer to the total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

Table of Contents

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2012

Principal Amount (000s)		Value
MUNICIPAL BONDS & NOTES 97.9%		
Alabama 1.4%		
\$10,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	\$ 10,072,000
1,235	Montgomery BMC Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/29, Ser. B (NPFGC)	1,235,309
2,000	State Docks Department Rev., 6.00%, 10/1/40	2,271,560
2,650	Tuscaloosa Public Educational Building Auth. Rev., Stillman College Project, 5.00%, 6/1/26, Ser. A	2,179,969
		15,758,838
Arizona 7.1%		
3,500	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	3,701,845
2,860	5.50%, 1/1/38, Ser. D	3,118,487
29,700	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39	30,822,066
1,750	Pinal Cnty. Electric Dist. No. 3 Rev., 5.25%, 7/1/36	1,894,235
3,700	5.25%, 7/1/41	3,976,020
10,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (h)	11,027,900
22,400	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	22,855,392
1,500	Tucson Electric Power Co., 5.25%, 10/1/40, Ser. A	1,576,215
		78,972,160
California 13.9%		
6,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 10/1/29	6,736,740
1,430	5.00%, 4/1/34, Ser. F-1	1,578,463
1,565	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/26 (IBC-NPFGC)	1,597,615
8,750	Golden State Tobacco Securitization Corp. Rev., Ser. A-1, 5.00%, 6/1/33	6,721,050
7,000	5.75%, 6/1/47	5,605,320
2,000	Hayward Unified School Dist., GO, 5.00%, 8/1/33	2,060,320
1,500	Health Facs. Financing Auth. Rev., Scripps Health, 5.00%, 11/15/36, Ser. A	1,637,070
6,300	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	6,587,973
3,000	6.00%, 8/15/42, Ser. B	3,544,200
1,500	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project, 4.75%, 9/1/34, Ser. A (AMBAC)	1,430,535
2,000	Los Angeles Community College Dist., GO, 5.00%, 8/1/32, Ser. A (FGIC-NPFGC)	2,202,720
4,000	Los Angeles Department of Water & Power Rev., 5.00%, 7/1/39, Ser. A-1 (AMBAC)	4,270,800
5,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	5,379,650

Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
	California (continued)	
\$ 2,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	\$ 2,168,200
1,750	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,175,862
3,145	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	3,598,540
650	Murrieta Valley Unified School Dist. Public Financing Auth., Special Tax, 4.75%, 9/1/36, Ser. A (AGC)	662,448
3,000	Newport Beach Rev., Hoag Memorial Hospital Presbyterian, 5.875%, 12/1/30	3,605,970
500	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	524,790
2,000	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	2,147,700
3,300	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	3,616,998
2,000	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital, 5.75%, 2/1/41, Ser. A (AMBAC)	2,179,960
2,925	State, GO, 5.00%, 11/1/32	3,167,746
1,590	5.00%, 6/1/37	1,684,112
5,200	5.125%, 8/1/36	5,640,076
2,500	5.25%, 3/1/38	2,683,850
5,945	5.25%, 11/1/40	6,551,093
5,750	5.50%, 3/1/40	6,461,217
9,500	6.00%, 4/1/38	11,111,865
3,390	Statewide Communities Dev. Auth. Rev., California Baptist Univ., 5.75%, 11/1/17, Ser. B (a)(d)	3,864,600
850	6.50%, 11/1/21	1,018,130
1,000	Cottage Health, 5.00%, 11/1/40	1,057,580
5,500	Methodist Hospital Project (FHA), 6.625%, 8/1/29	6,920,320
19,500	6.75%, 2/1/38	23,922,795
5,690	Sutter Health, 6.00%, 8/15/42, Ser. A	6,713,233
4,725	Torrance Rev., Memorial Medical Center, 5.00%, 9/1/40, Ser. A	4,982,323
		155,811,864
	Colorado 1.8%	
5,800	Aurora Rev., Children's Hospital Assoc., 5.00%, 12/1/40	6,213,714
1,000	Denver Health & Hospital Auth. Rev., 5.625%, 12/1/40	1,088,950
1,000	Health Facs. Auth. Rev., Ser. A, American Baptist Homes, 5.90%, 8/1/37	929,560
2,500	Catholic Health Initiatives, 5.00%, 2/1/41	2,702,150
500	Evangelical Lutheran, 6.125%, 6/1/38, (Pre-refunded @ \$100, 6/1/14) (c)	556,755
6,045	Sisters of Charity of Leavenworth Health System, 5.00%, 1/1/40, Ser. A	6,489,489
1,430	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	1,807,091
		19,787,709

Table of Contents

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2012 (continued)

Principal Amount (000s)		Value
Connecticut 0.3%		
\$ 1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser. A	\$ 1,411,100
2,000	State Health & Educational Fac. Auth. Rev., Hartford Healthcare, 5.00%, 7/1/41, Ser. A	2,139,860
		3,550,960
Florida 3.7%		
1,000	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 7.00%, 4/1/39	1,225,680
600	Broward Cnty. Airport System Rev., 5.375%, 10/1/29, Ser. O	681,204
8,500	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (h)	9,703,940
1,000	Clearwater Water & Sewer Rev., 5.25%, 12/1/39, Ser. A	1,124,220
340	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	378,774
3,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.625%, 11/15/37, Ser. B	3,337,650
7,135	Jacksonville Health Facs. Auth. Rev., Ascension Health, 5.25%, 11/15/32, Ser. A	7,313,161
3,000	Leesburg Hospital Rev., Leesburg Regional Medical Center Project, 5.50%, 7/1/32	3,001,590
500	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/37	384,720
7,900	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (h)	8,707,459
5,000	Sumter Landing Community Dev. Dist. Rev., 4.75%, 10/1/35, Ser. A (NPFGC)	4,978,750
		40,837,148
Georgia 0.4%		
1,500	Atlanta Airport Rev., 5.00%, 1/1/40, Ser. A	1,626,690
2,775	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	2,571,038
		4,197,728
Illinois 7.6%		
10,000	Chicago, GO, 5.00%, 1/1/34, Ser. C (h)	10,776,200
2,849	Chicago, Special Assessment, Lake Shore East, 6.625%, 12/1/22	2,981,194
6,019	6.75%, 12/1/32	6,293,948
1,250	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/38, Ser. A (AGC)	1,311,212
5,000	Cicero, GO, 5.25%, 12/1/31 (NPFGC)	5,078,200
	Finance Auth. Rev.,	
2,500	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	2,578,950
250	Leafs Hockey Club Project, 6.00%, 3/1/37, Ser. A (b)(e)	83,090
700	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	840,875
2,000	Provena Health, 6.00%, 5/1/28, Ser. A	2,271,640
5,000	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (h)	5,751,950
37,000	Sports Facs. Auth. Rev., 5.50%, 6/15/30 (AMBAC)	40,389,940
4,240	Village of Hillside, Tax Allocation, Mannheim Redev. Project, 6.55%, 1/1/20	4,204,893
2,900	7.00%, 1/1/28	2,742,472
		85,304,564

Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
	Indiana 0.5%	
\$ 1,500	Finance Auth. Rev., Duke Energy Indiana, Inc., 6.00%, 8/1/39, Ser. B	\$ 1,696,950
	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc.,	
990	5.80%, 9/1/47 (a)(d)	999,227
1,900	7.50%, 9/1/22	2,443,267
		5,139,444
	Iowa 4.2%	
	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A,	
250	5.50%, 11/15/27	211,582
1,075	5.50%, 11/15/37	846,466
4,500	Edgewater LLC Project, 6.75%, 11/15/42	4,358,835
46,000	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	41,739,020
		47,155,903
	Kansas 0.1%	
500	Dev. Finance Auth. Rev., Adventist Health, 5.75%, 11/15/38	570,345
850	Manhattan Rev., Meadowlark Hills Retirement, 5.00%, 5/15/36, Ser. A	811,172
		1,381,517
	Kentucky 0.3%	
	Economic Dev. Finance Auth. Rev.,	
2,500	Catholic Healthcare Partners, 5.25%, 10/1/30	2,527,100
1,000	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	1,158,820
		3,685,920
	Louisiana 3.8%	
	Local Gov t Environmental Facs. & Community Dev. Auth. Rev.,	
450	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	509,360
	Woman s Hospital Foundation, Ser. A,	
750	5.875%, 10/1/40	834,630
1,000	6.00%, 10/1/44	1,117,810
	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project,	
3,300	5.50%, 5/15/47, Ser. B	3,415,170
2,000	6.50%, 5/15/37	2,288,640
33,395	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	34,202,157
		42,367,767
	Maryland 0.9%	
	Health & Higher Educational Facs. Auth. Rev.,	
1,000	Adventist Healthcare, 5.75%, 1/1/25, Ser. A	1,022,350
1,400	Charlestown Community, 6.25%, 1/1/41	1,573,670
1,010	King Farm Presbyterian Community, 5.30%, 1/1/37, Ser. A	866,610
2,380	Medstar Health, 5.00%, 8/15/41	2,574,779
4,050	Washington Cnty. Hospital, 6.00%, 1/1/43	4,319,609

10	PIMCO Municipal Income Funds II Annual Report	5.31.12
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Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
	Massachusetts 0.9%	
	Dev. Finance Agcy. Rev., Adventcare Project, \$ 4,610 6.75%, 10/15/37, Ser. A	\$ 4,721,562
580	7.625%, 10/15/37	632,838
1,000	Foxborough Regional Charter School, 7.00%, 7/1/42, Ser. A	1,097,350
2,900	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	3,287,179
		9,738,929
	Michigan 2.2%	
1,000	Detroit, GO, 5.25%, 11/1/35	1,068,560
5,000	Detroit Water Supply System Rev., 5.25%, 7/1/41, Ser. A	5,212,300
800	Public Educational Facs. Auth. Rev., Bradford Academy, 6.50%, 9/1/37 (a)(d)	519,576
3,000	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39 State Hospital Finance Auth. Rev., Oakwood Group, Ser. A (Pre-refunded @ \$100, 9/1/39) (c),	3,862,230
3,000	5.75%, 4/1/32	3,136,200
1,925	6.00%, 4/1/22	2,016,341
11,510	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	9,067,923
		24,883,130
	Minnesota 0.6%	
150	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	150,829
1,500	Minneapolis Rev., Providence Project, 5.75%, 10/1/37, Ser. A North Oaks Rev., Presbyterian Homes North Oaks, 2,640 6.00%, 10/1/33	1,499,865
1,530	6.125%, 10/1/39	2,773,135
500	Oronoco Rev., Wedum Shorewood Campus Project, 5.40%, 6/1/41	1,611,626
400	St. Louis Park Rev., Nicollett Health Services, 5.75%, 7/1/39	480,895
		444,036
		6,960,386
	Mississippi 0.0%	
270	Dev. Bank Special Obligation Rev., Capital Projects and Equipment Acquisition, 5.00%, 7/1/24, Ser. A-2 (AMBAC)	270,232
	Missouri 0.1%	
715	Lee s Summit, Tax Allocation, Summit Fair Project, 5.625%, 10/1/23	751,465
	Nevada 0.9%	
10,000	Clark Cnty., GO, 4.75%, 11/1/35 (FGIC-NPFGC) (h)	10,433,700
	New Hampshire 0.2%	
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	2,154,160
360	Health & Education Facs. Auth. Rev., Catholic Medical Center, 6.125%, 7/1/32, Ser. A	363,989
		2,518,149
	New Jersey 5.6%	

Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
	New Jersey (continued)	
	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project,	
\$ 4,000	5.75%, 10/1/21	\$ 4,304,400
11,405	5.75%, 4/1/31	12,323,103
	Economic Dev. Auth. Rev.,	
525	Arbor Glen, 6.00%, 5/15/28, Ser. A	503,170
2,000	MSU Student Housing Project, 5.875%, 6/1/42	2,209,640
	Health Care Facs. Financing Auth. Rev.,	
1,500	AHS Hospital Corp., 6.00%, 7/1/37	1,779,030
1,500	St. Peters Univ. Hospital, 5.75%, 7/1/37	1,594,515
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	2,255,120
	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,	
3,300	4.75%, 6/1/34	2,549,316
22,805	5.00%, 6/1/41	17,755,289
15,000	Transportation Trust Fund Auth. Rev., 5.00%, 6/15/42, Ser. B	16,569,750
		62,807,564
	New Mexico 0.2%	
2,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	2,179,140
	New York 12.6%	
1,200	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	1,200,408
29,500	Hudson Yards Infrastructure Corp. Rev., 5.25%, 2/15/47, Ser. A	32,342,620
	Liberty Dev. Corp. Rev.,	
1,000	5.125%, 1/15/44	1,095,120
2,500	5.625%, 7/15/47	2,762,475
1,250	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,409,862
	Goldman Sachs Headquarters,	
1,505	5.25%, 10/1/35	1,678,526
10,000	5.25%, 10/1/35 (h)	11,153,000
3,880	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/36, Ser. D	4,291,940
1,100	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	776,259
2,830	New York City Municipal Water Finance Auth. Water & Sewer Rev.,	
	5.00%, 6/15/37, Ser. D (h)	3,110,623
	Second Generation Resolutions,	
4,000	4.75%, 6/15/35, Ser. DD (h)	4,314,720
2,000	5.00%, 6/15/39, Ser. GG-1	2,191,980
	New York Liberty Dev. Corp. Rev.,	
10,000	1 World Trade Center Project, 5.00%, 12/15/41	11,103,600
54,000	4 World Trade Center Project, 5.75%, 11/15/51	61,827,840
1,750	State Dormitory Auth. Rev., The New School, 5.50%, 7/1/40	1,940,978
		141,199,951

Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
North Carolina 0.1%		
	Medical Care Commission Rev.,	
\$ 550	Salemtowne, 5.10%, 10/1/30	\$ 555,907
1,000	Village at Brookwood, 5.25%, 1/1/32	963,260
		1,519,167
North Dakota 0.4%		
3,710	Stark Cnty. Healthcare Rev., Benedictine Living Communities, 6.75%, 1/1/33	4,013,033
Ohio 2.0%		
	Buckeye Tobacco Settlement Financing Auth. Rev., Ser. A-2,	
1,865	5.75%, 6/1/34	1,426,072
3,570	5.875%, 6/1/30	2,832,902
500	5.875%, 6/1/47	380,350
3,900	Hamilton Cnty. Sales Tax Rev., 5.00%, 12/1/30, Ser. A	4,189,458
1,000	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A	1,094,780
7,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30 (Pre-refunded @ \$100, 10/1/12) (c)	7,625,700
1,000	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	1,074,560
3,000	State Rev., Cleveland Clinic Health System, 5.50%, 1/1/39, Ser. B	3,355,080
		21,978,902
Oregon 0.2%		
1,000	Clackamas Cnty. Hospital Fac. Auth. Rev., Legacy Health System, 5.50%, 7/15/35, Ser. A	1,108,310
1,155	State Department of Administrative Services, CP, 5.25%, 5/1/39, Ser. A	1,274,277
		2,382,587
Pennsylvania 4.6%		
	Cumberland Cnty. Municipal Auth. Rev., Messiah Village Project, Ser. A,	
750	5.625%, 7/1/28	781,027
670	6.00%, 7/1/35	701,832
3,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B	2,674,457
	Higher Educational Facs. Auth. Rev.,	
850	Edinboro Univ. Foundation, 6.00%, 7/1/43	939,709
400	Thomas Jefferson Univ., 5.00%, 3/1/40	432,176
500	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co., 5.50%, 12/1/39	552,205
3,750	Montgomery Cnty. Higher Education & Health Auth. Rev., Abington Memorial Hospital, 5.125%, 6/1/32, Ser. A	3,793,875
8,500	Montgomery Cnty. Industrial Dev. Auth. Rev., New Regional Medical Center, 5.375%, 8/1/38 (FHA)	9,544,905
17,000	Philadelphia, GO, 5.25%, 12/15/32, Ser. A (AGM)	18,743,350
11,015	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A	11,036,149
500	Philadelphia Water & Sewer Rev., 5.25%, 1/1/36, Ser. A	542,105
1,000	Westmoreland Cnty. Industrial Dev. Auth. Rev., Excelsa Health Project, 5.125%, 7/1/30	1,059,230
		50,801,020

Table of Contents

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2012 (continued)

Principal Amount (000s)		Value
	Puerto Rico 0.5%	
\$ 5,000	Sales Tax Financing Corp. Rev., 5.25%, 8/1/41, Ser. C	\$ 5,337,750
	Rhode Island 5.1%	
56,200	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. A	57,446,516
	South Carolina 1.4%	
1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	1,080,540
13,850	Jobs-Economic Dev. Auth. Rev., Bon Secours Health System, 5.625%, 11/15/30, Ser. B	14,098,884
		15,179,424
	Tennessee 1.2%	
1,750	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project, 6.625%, 10/1/39	1,950,778
1,000	Johnson City Health & Educational Facs. Board Rev., Mountain States Health Alliance, 6.00%, 7/1/38, Ser. A	1,130,890
500	Sullivan Cnty. Health Educational & Housing Facs. Board Rev., Wellmont Health Systems Project, 5.25%, 9/1/36, Ser. C	518,390
	Tennessee Energy Acquisition Corp. Rev., Ser. C,	
3,000	5.00%, 2/1/23	3,239,130
6,000	5.00%, 2/1/27	6,325,620
		13,164,808
	Texas 11.0%	
130	Aubrey Independent School Dist., GO, 5.50%, 2/15/33 (PSF-GTD)	137,929
6,500	Brazos Cnty. Health Facs. Dev. Corp. Rev., 5.375%, 1/1/32	6,605,235
2,500	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	2,749,300
	Harris Cnty. Cultural Education Facs. Finance Corp. Rev., Texas Children's Hospital Project,	
3,750	5.25%, 10/1/29	4,292,850
12,700	5.50%, 10/1/39	14,371,320
700	HFDC of Central Texas, Inc. Rev., Village at Gleannloch Farms, 5.50%, 2/15/37, Ser. A	572,432
	North Harris Cnty. Regional Water Auth. Rev.,	
10,300	5.25%, 12/15/33	11,343,699
10,300	5.50%, 12/15/38	11,391,491
	North Texas Tollway Auth. Rev.,	
5,750	5.00%, 1/1/38	6,211,322
1,300	5.50%, 9/1/41, Ser. A	1,521,572
5,000	5.625%, 1/1/33, Ser. B	5,496,350
1,200	5.75%, 1/1/33, Ser. F	1,313,952
2,000	Sabine River Auth. Pollution Control Rev., TXU Energy, 5.20%, 5/1/28, Ser. C (b)	202,700
250	San Juan Higher Education Finance Auth. Rev., 6.70%, 8/15/40, Ser. A	289,180
	State, Mobility Fund, GO, (h),	
10,025	4.75%, 4/1/35, Ser. A	10,766,148
17,500	4.75%, 4/1/36 (b)	18,946,200
1,000	State Public Finance Auth. Rev., Charter School Finance Corp., 5.875%, 12/1/36, Ser. A	1,071,230

Table of Contents**PIMCO Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
	Texas (continued)	
\$ 3,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	\$ 3,618,150
15,300	Texas Municipal Gas Acquisition & Supply Corp. I Rev., 6.25%, 12/15/26, Ser. D	18,666,153
1,920	Texas Private Activity Bond Surface Transportation Corp. Rev., 7.00%, 6/30/40	2,287,546
1,000	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	1,134,330
		122,989,089
	Virginia 0.3%	
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	1,134,860
2,050	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	1,656,051
		2,790,911
	Washington 1.5%	
	Health Care Facs. Auth. Rev.,	
1,300	Multicare Health Systems, 6.00%, 8/15/39, Ser. B (AGC)	1,454,180
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	1,231,430
13,000	Virginia Mason Medical Center, 6.125%, 8/15/37, Ser. A	13,893,360
		16,578,970
	West Virginia 0.2%	
2,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	2,372,120
	Wisconsin 0.1%	
	Health & Educational Facs. Auth. Rev.,	
90	Froedert & Community Health, 5.375%, 10/1/30	90,820
1,000	Prohealth Care, Inc., 6.625%, 2/15/39	1,179,770
		1,270,590
	Total Municipal Bonds & Notes (cost-\$1,003,224,941)	1,093,876,073
	VARIABLE RATE NOTES (g) 2.1%	
	California 0.5%	
5,000	Health Facs. Financing Auth. Rev., 9.40%, 11/15/36, Ser. 3193 (a)(d)(f)	6,103,500
	Florida 0.2%	
1,830	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.00%, 11/15/31, Ser. C	1,923,165
	Illinois 0.6%	
6,000	Chicago, GO, 11.56%, 1/1/34, Ser. 3190 (a)(d)(f)	7,148,700
	Texas 0.6%	
5,365	State, GO, 8.88%, 4/1/37, Ser. 3197 (a)(d)(f)	6,394,544

Table of Contents

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2012 (continued)

Principal Amount (000s)		Value
	West Virginia 0.2%	
\$2,000	Economic Dev. Auth. Rev., Appalachian Power, 5.375%, 12/1/38, Ser. A	\$ 2,175,280
	Total Variable Rate Notes (cost-\$20,296,307)	23,745,189
	Total Investments (cost-\$1,023,521,248) 100.0%	\$ 1,117,621,262

16 PIMCO Municipal Income Funds II Annual Report 5.31.12

Table of Contents

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2012

Principal Amount (000s)		Value
CALIFORNIA MUNICIPAL BONDS & NOTES 86.8%		
\$ 2,000	Alhambra Rev., Atherton Baptist Homes, 7.625%, 1/1/40, Ser. A	\$ 2,210,700
20,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/39, Ser. F-1 (h)	21,808,800
	Chabot-Las Positas Community College Dist., GO, Ser. C (AMBAC),	
17,305	zero coupon, 8/1/36	4,710,421
5,000	zero coupon, 8/1/37	1,267,700
15,000	zero coupon, 8/1/43	2,667,750
1,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	1,169,740
300	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	331,794
1,410	Community College Financing Auth. Rev., 5.00%, 8/1/27, Ser. A (AMBAC)	1,426,243
9,360	Coronado Community Dev. Agcy., Tax Allocation, 4.875%, 9/1/35 (AMBAC)	9,466,891
	Corona-Norco Unified School Dist. Public Financing Auth., Special Tax, Ser. A,	
1,000	6.00%, 9/1/25	1,003,550
4,150	6.10%, 9/1/32	4,158,798
25,000	Desert Community College Dist., GO, zero coupon, 8/1/46, Ser. C (AGM)	3,582,250
3,000	Dinuba Financing Auth. Rev., Public Works Projects, 5.10%, 8/1/32 (NPFGC)	3,068,760
8,300	El Dorado Irrigation Dist. & El Dorado Cnty. Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	9,002,761
1,500	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/27 (IBC-NPFGC)	1,531,260
1,440	Fremont Community Facs. Dist. No. 1, Special Tax, Pacific Commons, 5.30%, 9/1/30	1,445,400
	Golden State Tobacco Securitization Corp. Rev.,	
13,885	5.00%, 6/1/45 (AMBAC-TCRS)	14,084,805
1,500	5.00%, 6/1/45, Ser. A	1,521,585
6,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	6,086,340
8,500	5.125%, 6/1/47, Ser. A-1	6,148,900
29,415	5.75%, 6/1/47, Ser. A-1	23,554,355
	Health Facs. Financing Auth. Rev.,	
	Adventist Health System, Ser. A,	
500	5.00%, 3/1/33	504,665
250	5.75%, 9/1/39	278,408
3,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	3,488,640
1,200	Children s Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	1,252,884
500	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	598,170
3,700	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	4,181,888
	Sutter Health,	
1,000	5.00%, 8/15/35, Ser. D	1,096,400
4,220	5.00%, 11/15/42, Ser. A (IBC-NPFGC)	4,412,896
12,195	5.25%, 11/15/46, Ser. A (h)	12,840,237
4,500	Imperial Irrigation Dist. Rev., 5.00%, 11/1/41, Ser. B	4,858,380
175	Infrastructure & Economic Dev. Bank Rev., 5.25%, 2/1/38	184,606
515	Irvine Unified School Dist., Special Tax, 6.70%, 9/1/35	573,113
500	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	504,310

Table of Contents**PIMCO California Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
\$ 1,000	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	\$ 1,114,720
7,500	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/37, Ser. A	8,372,925
10,000	Long Beach Unified School Dist., GO, 5.25%, 8/1/33, Ser. A (h)	11,267,300
4,895	Los Angeles, Equipment & Real Property Project, CP, 5.00%, 2/1/27, Ser. T (NPFGC)	4,898,916
15,000	Los Angeles Department of Water & Power Rev., 4.75%, 7/1/30, Ser. A-2 (AGM) (h)	15,932,400
11,000	Los Angeles Unified School Dist., GO, 5.00%, 1/1/34, Ser. I	12,214,620
10,000	Manteca Redev. Agcy., Tax Allocation, 5.00%, 10/1/36 (AMBAC)	9,435,400
5,330	Manteca Unified School Dist. No. 89-2, Special Tax, 5.00%, 9/1/29, Ser. C (NPFGC)	5,345,297
4,000	Merced Cnty., Juvenile Justice Correctional Fac., CP, 5.00%, 6/1/32 (AMBAC)	4,005,120
5,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (h)	5,459,800
3,200	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	3,978,720
1,240	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,418,820
5,000	Oakland Unified School Dist., Alameda Cnty., GO, 6.125%, 8/1/29, Ser. A	5,618,800
4,750	Palomar Pomerado Health, CP, 6.75%, 11/1/39	5,243,478
10,000	Placentia-Yorba Linda Unified School Dist., CP, 5.00%, 10/1/32 (FGIC-NPFGC)	10,307,700
1,500	Pollution Control Financing Auth. Rev., American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(d)	1,532,520
	Poway Unified School Dist., GO,	
27,000	zero coupon, 8/1/40	6,293,160
16,000	zero coupon, 8/1/46	2,698,080
3,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	3,010,500
2,000	Roseville Redev. Agcy., Tax Allocation, 5.00%, 9/1/32, Ser. B (NPFGC)	2,012,120
	San Diego Public Facs. Financing Auth. Rev.,	
11,000	5.00%, 8/1/32 (Pre-refunded @ \$100, 8/1/12) (NPFGC) (c)	11,082,610
4,000	5.25%, 8/1/38, Ser. A	4,454,680
1,000	5.25%, 5/15/39, Ser. A	1,124,740
1,500	Fire & Life Safety Facs. Project, 5.00%, 4/1/32, Ser. B (NPFGC)	1,500,735
2,800	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	3,117,968
2,800	San Diego Unified School Dist., GO, 4.75%, 7/1/27, Ser. D-2 (AGM)	2,999,024
1,000	San Jose Hotel Tax Rev., Convention Center Expansion, 6.50%, 5/1/36	1,167,750
1,300	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,424,878
1,260	Santa Cruz Cnty., CP, 5.25%, 8/1/32	1,289,169
1,500	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	1,785,060
	State, GO,	
2,500	5.00%, 9/1/31	2,699,600
10,000	6.00%, 4/1/38	11,696,700
	State Public Works Board Rev.,	
3,000	5.75%, 10/1/30, Ser. G-1	3,409,680
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	2,260,940

Table of Contents**PIMCO California Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
\$ 2,000	Judicial Council Projects, 5.00%, 12/1/29, Ser. D	\$ 2,143,560
7,915	Regents Univ., 5.00%, 3/1/33, Ser. A	8,518,519
	Statewide Communities Dev. Auth. Rev., Bentley School,	
10,620	zero coupon, 7/1/50 (b)	464,731
3,760	7.00%, 7/1/40, Ser. A	4,063,470
	Catholic Healthcare West,	
1,520	5.50%, 7/1/31, Ser. D	1,674,219
1,520	5.50%, 7/1/31, Ser. E	1,674,219
	Huntington Park Charter School Project, Ser. A,	
250	5.15%, 7/1/30	222,440
1,250	5.25%, 7/1/42	1,063,500
500	International School of the Peninsula Project, 5.00%, 11/1/29	429,010
2,770	Kaiser Permanente, 5.50%, 11/1/32, Ser. A	2,792,853
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	1,110,470
9,700	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA Mtg. Ins.)	9,865,191
	Methodist Hospital Project (FHA),	
2,400	6.625%, 8/1/29	3,019,776
8,800	6.75%, 2/1/38	10,795,928
3,700	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC)	4,081,507
5,600	Sutter Health, 6.00%, 8/15/42, Ser. A	6,607,048
4,500	Univ. of California Irvine E. Campus, 5.375%, 5/15/38	4,804,245
1,365	Windrush School, 5.50%, 7/1/37 (b)(e)	941,850
1,800	Tobacco Securitization Agcy. Rev., Stanislaus Cnty., 5.875%, 6/1/43, Ser. A	1,715,112
3,100	Torrance Rev., Memorial Medical Center, 5.00%, 9/1/40, Ser. A	3,268,826
1,000	Tustin Unified School Dist., Special Tax, 6.00%, 9/1/40, Ser. 2006-1	1,042,080
	Univ. of California Rev.,	
5,000	4.75%, 5/15/35, Ser. G (FGIC-NPFGC) (h)	5,190,000
5,650	4.75%, 5/15/38, Ser. B	5,735,767
	Total California Municipal Bonds & Notes (cost-\$361,369,438)	406,421,651
CALIFORNIA VARIABLE RATE NOTES (a)(d)(g) 6.7%		
6,035	Desert Community College Dist., GO, 9.40%, 8/1/32, Ser. 3016-1 (AGC) (f)	6,805,488
3,000	JP Morgan Chase Putters/Drivers Trust Rev. (f),	
	11.657%, 11/15/19, Ser. 4039 (b)(i)	
	(acquisition cost-\$3,572,400; purchased 1/19/12)	3,799,890
7,500	7.997%, 5/15/40, Ser. 3838	8,995,425
4,000	Los Angeles Community College Dist., GO, 13.72%, 8/1/33, Ser. 3096 (f)	5,344,240
5,000	San Diego Community College Dist., GO, 8.40%, 2/1/17 (f)	6,615,250
	Total California Variable Rate Notes (cost-\$25,877,548)	31,560,293

Table of Contents**PIMCO California Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
OTHER MUNICIPAL BONDS & NOTES 6.5%		
Arizona 1.8%		
\$ 8,000	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	\$ 8,162,640
New Jersey 0.7%		
	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,	
1,300	4.75%, 6/1/34	1,004,276
3,000	5.00%, 6/1/41	2,335,710
		3,339,986
New York 0.3%		
1,250	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	1,394,125
Ohio 0.4%		
2,250	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	1,711,575
Puerto Rico 0.9%		
	Sales Tax Financing Corp. Rev.,	
1,600	5.00%, 8/1/40, Ser. A (AGM) (h)	1,687,264
2,500	5.25%, 8/1/43, Ser. A-1	2,662,450
		4,349,714
Rhode Island 2.4%		
11,000	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. A	11,243,980
	Total Other Municipal Bonds & Notes (cost-\$26,687,691)	30,202,020
	Total Investments (cost-\$413,934,677) 100.0%	\$ 468,183,964

Table of Contents**PIMCO New York Municipal Income Fund II Schedule of Investments**

May 31, 2012

Principal Amount (000s)		Value
NEW YORK MUNICIPAL BONDS & NOTES 90.7%		
\$1,000	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42	\$ 1,101,750
2,400	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	2,400,816
9,000	Hudson Yards Infrastructure Corp. Rev., 5.75%, 2/15/47, Ser. A	10,411,200
	Liberty Dev. Corp. Rev.,	
1,400	5.625%, 7/15/47	1,546,986
1,300	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,466,257
	Goldman Sachs Headquarters,	
4,120	5.25%, 10/1/35 (h)	4,595,036
3,000	5.25%, 10/1/35	3,345,900
3,500	5.50%, 10/1/37	4,101,930
500	Long Island Power Auth. Rev., 5.00%, 9/1/34, Ser. A (AMBAC)	520,480
	Metropolitan Transportation Auth. Rev.,	
2,000	5.00%, 11/15/34, Ser. B	2,224,160
7,300	5.25%, 11/15/31, Ser. E	7,438,846
7,000	5.35%, 7/1/31, Ser. B	7,022,610
5,000	5.50%, 11/15/39, Ser. A	5,541,950
	Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project,	
7,000	5.50%, 8/15/40 (FHA) (h)	8,046,920
2,870	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	2,932,681
2,400	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	1,693,656
	New York City, GO, Ser. I,	
375	5.00%, 3/1/33	384,938
3,625	5.00%, 3/1/33 (Pre-refunded @ \$100, 3/1/13) (c)	3,751,476
1,500	New York City Health & Hospital Corp. Rev., 5.00%, 2/15/30, Ser. A	1,671,960
	New York City Industrial Dev. Agcy. Rev.,	
975	Eger Harbor Project, 4.95%, 11/20/32, Ser. A (GNMA)	998,975
1,415	Liberty Interactive Corp., 5.00%, 9/1/35	1,456,205
1,500	Pilot Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	1,643,100
1,135	Staten Island Univ. Hospital Project, 6.45%, 7/1/32, Ser. C	
	(Pre-refunded @ \$101, 7/1/12) (c)	1,151,412
1,500	United Jewish Appeal Federation Project, 5.00%, 7/1/27, Ser. A	1,581,780
	Yankee Stadium,	
750	5.00%, 3/1/31 (FGIC)	779,527
1,900	5.00%, 3/1/36 (NPFGC)	1,955,366
4,900	7.00%, 3/1/49 (AGC)	5,773,082
	New York City Municipal Water Finance Auth. Water & Sewer Rev.,	
1,000	5.25%, 6/15/40, Ser. EE	1,127,430
500	Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	547,995
	New York City Transitional Finance Auth. Rev.,	
3,745	5.00%, 11/1/27, Ser. B	3,807,429
2,255	5.00%, 11/1/27, Ser. B (Pre-refunded @ \$100, 11/1/12) (c)	2,298,657

Table of Contents**PIMCO New York Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
\$5,000	5.25%, 1/15/39, Ser. S-3 New York Liberty Dev. Corp. Rev.,	\$ 5,496,750
3,000	1 World Trade Center Project, 5.00%, 12/15/41	3,331,080
6,000	4 World Trade Center Project, 5.75%, 11/15/51	6,869,760
1,000	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	1,131,440
3,600	Port Auth. of New York & New Jersey Rev., 5.00%, 4/15/32, Ser. 125 (AGM)	3,646,188
1,400	JFK International Air Terminal, 6.00%, 12/1/36	1,593,382
3,000	State Dormitory Auth. Rev., 5.00%, 3/15/38, Ser. A	3,338,130
7,490	5.50%, 5/15/31, Ser. A (AMBAC)	9,432,007
2,600	Catholic Health of Long Island, 5.10%, 7/1/34	2,695,056
1,500	Fordham Univ., 5.50%, 7/1/36, Ser. A	1,700,250
1,320	Long Island Univ., 5.25%, 9/1/28 (Radian)	1,321,505
2,750	Memorial Sloan-Kettering Cancer Center, 5.00%, 7/1/35, Ser. 1	2,948,385
2,000	5.00%, 7/1/36, Ser. A-1	2,177,620
2,000	Mount Sinai Hospital, 5.00%, 7/1/31, Ser. A	2,160,340
2,100	New York Univ., 5.00%, 7/1/38, Ser. A	2,288,916
1,000	New York Univ. Hospital Center, 5.625%, 7/1/37, Ser. B	1,086,810
600	North Shore-Long Island Jewish Health System, 5.50%, 5/1/37, Ser. A	678,132
5,000	Rochester General Hospital, 5.00%, 12/1/35 (Radian)	5,076,650
4,270	Teachers College, 5.00%, 7/1/32 (NPFGC)	4,285,457
3,000	5.50%, 3/1/39	3,291,180
1,000	The New School, 5.50%, 7/1/40	1,109,130
3,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	3,121,560
5,000	State Environmental Facs. Corp. Rev., 5.125%, 6/15/38, Ser. A	5,621,500
1,000	State Thruway Auth. Rev., 4.75%, 1/1/29, Ser. G (AGM)	1,075,030
6,000	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (h)	6,726,840
5,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (h)	5,720,800
3,435	Troy Rev., Rensselaer Polytechnic Institute, 5.125%, 9/1/40, Ser. A	3,726,357
1,815	Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A (b)	1,284,621
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM)	2,020,840
1,490	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	1,720,980
1,000	Yonkers Economic Dev. Corp. Rev., Charter School of Educational Excellence Project, 6.00%, 10/15/30, Ser. A	1,024,320
600	Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence College Project, 6.00%, 6/1/41, Ser. A	673,308
	Total New York Municipal Bonds & Notes (cost-\$175,800,814)	191,694,834

Table of Contents**PIMCO New York Municipal Income Fund II Schedule of Investments**

May 31, 2012 (continued)

Principal Amount (000s)		Value
OTHER MUNICIPAL BONDS & NOTES 6.4%		
Florida 0.5%		
\$1,000	Clearwater Rev., 5.25%, 12/1/39, Ser. A	\$ 1,124,220
Louisiana 0.5%		
1,000	East Baton Rouge Sewerage Commission Rev., 5.25%, 2/1/39, Ser. A	1,111,200
Ohio 0.5%		
1,435	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	1,091,605
Puerto Rico 4.4%		
5,675	Children's Trust Fund Rev., 5.625%, 5/15/43	5,675,170
2,000	Sales Tax Financing Corp. Rev., 5.00%, 8/1/40, Ser. A (AGM) (h)	2,109,080
1,300	5.25%, 8/1/43, Ser. A-1	1,384,474
		9,168,724
U. S. Virgin Islands 0.5%		
1,000	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	1,109,720
	Total Other Municipal Bonds & Notes (cost-\$12,786,255)	13,605,469
NEW YORK VARIABLE RATE NOTES (a)(d)(f)(g) 2.9%		
5,000	JPMorgan Chase Putters/Drivers Trust Rev., 7.944%, 7/1/33, Ser. 3382 (cost-\$4,881,420)	6,148,500
	Total Investments (cost-\$193,468,489) 100.0%	\$ 211,448,803

Table of Contents

PIMCO Municipal Income Funds II Notes to Schedule of Investments

May 31, 2012 (continued)

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$25,030,147, \$33,092,813 and \$6,148,500, representing 2.2%, 7.1% and 2.9% of total investments in Municipal II, California Municipal II and New York Municipal II, respectively.
- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) In default.
- (f) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on May 31, 2012.
- (g) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on May 31, 2012.
- (h) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which each Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (i) Restricted security in California Municipal II. The aggregate acquisition cost of such security is \$3,572,400; the aggregate market value is \$3,799,890, representing 0.8% of total investments.

Glossary:

AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins.	-	insured by California Mortgage Insurance
CP	-	Certificates of Participation
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
GNMA	-	insured by Government National Mortgage Association
GO	-	General Obligation Bond
GTD	-	Guaranteed
IBC	-	Insurance Bond Certificate
NPFGC	-	insured by National Public Finance Guarantee Corp.
PSF	-	Public School Fund
Radian	-	insured by Radian Guaranty, Inc.
TCRS	-	Temporary Custodian Receipts

Table of Contents

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5.31.12 PIMCO Municipal Income Funds II Annual Report

25

Table of Contents**PIMCO Municipal Income Funds II Statements of Assets and Liabilities**

May 31, 2012

	Municipal II	California Municipal II	New York Municipal II
Assets:			
Investments, at value (cost-\$1,023,521,248, \$413,934,677 and \$193,468,489, respectively)	\$1,117,621,262	\$468,183,964	\$211,448,803
Cash	7,186,443	4,143,905	3,392,262
Interest receivable	18,397,942	7,086,749	2,811,581
Deposits with brokers for futures contracts collateral	296,000		56,000
Prepaid expenses and other assets	50,990	46,004	22,458
Total Assets	1,143,552,637	479,460,622	217,731,104
Liabilities:			
Payable for Floating Rate Notes issued	49,317,277	41,398,801	13,851,894
Dividends payable to common and preferred shareholders	3,951,630	1,973,038	722,124
Investment management fees payable	551,683	221,123	102,698
Interest payable	96,095	74,064	19,328
Payable for variation margin on futures contracts	62,500		12,500
Accrued expenses and other liabilities	412,714	223,959	355,267
Total Liabilities	54,391,899	43,890,985	15,063,811
Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 14,680, 6,520 and 3,160 shares issued and outstanding, respectively)	367,000,000	163,000,000	79,000,000
Net Assets Applicable to Common Shareholders	\$722,160,738	\$272,569,637	\$123,667,293
Composition of Net Assets Applicable to Common Shareholders:			
Common Shares:			
Par value (\$0.00001 per share)	\$606	\$315	\$109
Paid-in-capital in excess of par	856,375,736	429,075,240	153,029,967
Undistributed (dividends in excess of) net investment income	20,835,879	(1,973,038)	2,232,908
Accumulated net realized loss	(248,942,869)	(208,784,598)	(49,534,140)
Net unrealized appreciation of investments and futures contracts	93,891,386	54,251,718	17,938,449
Net Assets Applicable to Common Shareholders	\$722,160,738	\$272,569,637	\$123,667,293
Common Shares Issued and Outstanding	60,638,843	31,496,802	10,879,509
Net Asset Value Per Common Share	\$11.91	\$8.65	\$11.37

Table of Contents**PIMCO Municipal Income Funds II Statements of Operations**

Year ended May 31, 2012

	Municipal II	California Municipal II	New York Municipal II
Investment Income:			
Interest	\$61,342,394	\$26,029,180	\$10,777,008
Expenses:			
Investment management fees	6,705,489	2,682,060	1,265,620
Auction agent fees and commissions	583,338	276,151	131,949
Interest expense	537,671	507,554	112,159
Custodian and accounting agent fees	156,851	112,661	70,800
Trustees' fees and expenses	108,733	41,114	22,091
Shareholder communications	89,706	39,316	37,561
Legal fees	57,392	5,728	7,892
New York Stock Exchange listing fees	47,492	24,662	20,825
Transfer agent fees	40,647	37,057	36,508
Audit and tax services	33,446	40,741	50,452
Insurance expense	23,457	9,368	4,767
Miscellaneous	14,159	11,372	11,765
Total Expenses	8,398,381	3,787,784	1,772,389
Less: investment management fees waived	(475,390)	(190,052)	(89,611)
custody credits earned on cash balances	(2,844)	(675)	(1,085)
Net Expenses	7,920,147	3,597,057	1,681,693
Net Investment Income	53,422,247	22,432,123	9,095,315
Realized and Change In Unrealized Gain (Loss):			
Net realized gain (loss) on:			
Investments	4,711,143	5,244,410	166,834
Futures contracts	(682,246)	224,084	(139,728)
Swaps	(18,499,216)	(11,575,152)	(3,804,214)
Net change in unrealized appreciation/depreciation of:			
Investments	110,588,532	43,257,024	16,155,681
Futures contracts	(203,238)		(40,648)
Swaps	6,850,035	4,176,010	1,153,882
Net realized and change in unrealized gain on investments, futures contracts and swaps	102,765,010	41,326,376	13,491,807
Net Increase in Net Assets Resulting from Investment Operations	156,187,257	63,758,499	22,587,122
Dividends on Preferred Shares from Net Investment Income	(844,983)	(383,285)	(181,888)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$155,342,274	\$63,375,214	\$22,405,234

See accompanying Notes to Financial Statements 5.31.12 PIMCO Municipal Income Funds II Annual Report

27

Table of Contents**PIMCO Municipal Income Funds II Statements of Changes in Net Assets****Applicable to Common Shareholders**

	Municipal II	
	Year ended May 31, 2012	Year ended May 31, 2011
Investment Operations:		
Net investment income	\$53,422,247	\$54,597,730
Net realized gain (loss) on investments, futures contracts and swaps	(14,470,319)	7,846,166
Net change in unrealized appreciation/depreciation of investments, futures contracts and swaps	117,235,329	(52,677,814)
Net increase in net assets resulting from investment operations	156,187,257	9,766,082
Dividends on Preferred Shares from Net Investment Income	(844,983)	(1,520,460)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	155,342,274	8,245,622
Dividends to Common Shareholders from:		
Net investment income	(47,201,725)	(46,931,445)
Return of capital		
Common Share Transactions:		
Reinvestment of dividends	3,220,671	3,896,483
Total increase (decrease) in net assets applicable to common shareholders	111,361,220	(34,789,340)
Net Assets Applicable to Common Shareholders:		
Beginning of year	610,799,518	645,588,858
End of year (including undistributed (dividends in excess of) net investment income of \$20,835,879 and \$15,462,847; \$(1,973,038) and \$(1,965,053); \$2,232,908 and \$1,959,285; respectively)	\$722,160,738	\$610,799,518
Common Shares Issued in Reinvestment of Dividends	295,661	373,938

28 PIMCO Municipal Income Funds II Annual Report

5.31.12 See accompanying Notes to Financial Statements

Table of Contents

PIMCO Municipal Income Funds II Statements of Changes in Net Assets

Applicable to Common Shareholders (continued)

California Municipal II		New York Municipal II	
Year ended May 31, 2012	Year ended May 31, 2011	Year ended May 31, 2012	Year ended May 31, 2011
\$22,432,123	\$23,136,186	\$9,095,315	\$9,489,719
(6,106,658)	62,159	(3,777,108)	(1,115,356)
47,433,034	(21,991,348)	17,268,915	(8,091,130)
63,758,499	1,206,997	22,587,122	283,233
(383,285)	(689,435)	(181,888)	(329,688)
63,375,214	517,562	22,405,234	(46,455)
(22,056,823)	(23,452,319)	(8,629,270)	(8,576,979)
(1,522,981)			
1,288,406	1,604,973	635,052	718,710
41,083,816	(21,329,784)	14,411,016	(7,904,724)
231,485,821	252,815,605	109,256,277	117,161,001
\$272,569,637	\$231,485,821	\$123,667,293	\$109,256,277
142,977	183,513	58,575	67,458

See accompanying Notes to Financial Statements 5.31.12 PIMCO Municipal Income Funds II Annual Report

29

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

1. Organization and Significant Accounting Policies

PIMCO Municipal Income Fund II (Municipal II), PIMCO California Municipal Income Fund II (California Municipal II) and PIMCO New York Municipal Income Fund II (New York Municipal II), each a Fund and collectively referred to as the Funds or PIMCO Municipal Income Funds II, were organized as Massachusetts business trusts on March 29, 2002. Prior to commencing operations on June 28, 2002, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Funds' investment manager and is an indirect, wholly-owned subsidiary of Allianz Asset Management of America L.P. (AAM), formerly Allianz Global Investors of America L.P. prior to December 31, 2011. AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has authorized an unlimited amount of common shares with \$0.00001 par value.

Under normal market conditions, Municipal II invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from federal income taxes. Under normal market conditions, California Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. There can be no assurance that the Funds will meet their stated objectives. The Funds will generally seek to avoid investing in bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers' abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

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

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

In May 2011, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRSs). FASB concluded that the amendments in this ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs. The ASU is effective prospectively for interim or annual periods beginning on or after December 15, 2011. The Funds' management is evaluating the implications of this change.

In December 2011, the FASB issued ASU No. 2011-11, Disclosures About Offsetting Assets and Liabilities, which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The amendments are effective for fiscal years beginning on or after January 1, 2013. The Funds are currently evaluating the effect that the guidance may have on their financial statements.

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

(a) Valuation of Investments

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Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available, or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

1. Organization and Significant Accounting Policies (continued)

by the Board of Trustees. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange-traded futures are valued at the price determined by the relevant exchange. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

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

(b) Fair Value Measurements

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

- Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
- Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges
- Level 3 valuations based on significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used.

The valuation techniques used by the Funds to measure fair value during the year ended May 31, 2012 maximized the use of observable inputs and minimized the use of unobservable inputs.

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

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

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values of municipal bonds & notes and variable rate notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The Funds policy is to recognize transfers between levels at the end of the reporting period.

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

1. Organization and Significant Accounting Policies (continued)

A summary of the inputs used at May 31, 2012 in valuing each Fund's assets and liabilities is listed below (refer to the Schedules of Investments and Note 5(a) for more detailed information on Investments in Securities and Other Financial Instruments):

Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/12
Investments in Securities Assets				
Municipal Bonds & Notes		\$ 1,093,876,073		\$ 1,093,876,073
Variable Rate Notes		23,745,189		23,745,189
Total Investments in Securities Assets		\$ 1,117,621,262		\$ 1,117,621,262
Other Financial Instruments* Liabilities				
Interest Rate Contracts	\$(203,238)			\$ (203,238)
Total Investments	\$(203,238)	\$ 1,117,621,262		\$ 1,117,418,024

California Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/12
Investments in Securities Assets				
California Municipal Bonds & Notes		\$405,479,801	\$ 941,850	\$406,421,651
California Variable Rate Notes		31,560,293		31,560,293
Other Municipal Bonds & Notes		30,202,020		30,202,020
Total Investments		\$467,242,114	\$ 941,850	\$468,183,964

New York Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/12
Investments in Securities Assets				
New York Municipal Bonds & Notes		\$191,694,834		\$191,694,834
Other Municipal Bonds & Notes		13,605,469		13,605,469
New York Variable Rate Notes		6,148,500		6,148,500
Total Investments in Securities Assets		\$211,448,803		\$211,448,803
Other Financial Instruments* Liabilities				

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Interest Rate Contracts	\$(40,648)		\$ (40,648)
Total Investments	\$(40,648)	\$211,448,803	\$211,408,155

There were no significant transfers between Levels 1 and 2 during the year ended May 31, 2012.

* Other financial instruments are futures contracts not reflected in the Schedules of Investments which are valued at the unrealized appreciation (depreciation) of the instrument.

32 PIMCO Municipal Income Funds II Annual Report 5.31.12

Table of Contents**PIMCO Municipal Income Funds II Notes to Financial Statements**

May 31, 2012

1. Organization and Significant Accounting Policies (continued)

A rollforward of fair value measurements using significant unobservable inputs (Level 3) for the year ended May 31, 2012, was as follows:

California Municipal II:

	Beginning Balance 5/31/11	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3**	Transfers out of Level 3	Ending Balance 5/31/12
Investments in Securities									
Assets									
California Municipal Bonds & Notes							\$ 941,850		\$ 941,850
Total Investments							\$ 941,850		\$ 941,850

** Transferred out of Level 2 into Level 3 because sufficient observable inputs were not available.

The net change in unrealized appreciation/depreciation of Level 3 investments which California Municipal II held at May 31, 2012, was \$(41,291). Net change in unrealized appreciation/depreciation is reflected on the Statements of Operations.

(c) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income adjusted for the accretion of discount and amortization of premium is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income over the lives of the respective securities.

(d) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Funds' management has determined that its evaluation has resulted in no material impact to the Funds' financial statements at

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May 31, 2012. The Funds' federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

(e) Dividends and Distributions – Common Shares

The Funds declare dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions to their respective shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment. Temporary differences do not require reclassification. To the extent distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as taxable overdistributions and/or return of capital.

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

The Funds invest in RIBs and RITEs (Inverse Floaters), whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. In inverse floating rate transactions, the Funds sell a fixed rate

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

1. Organization and Significant Accounting Policies (continued)

municipal bond (Fixed Rate Bond) to a broker who places the Fixed Rate Bond in a special purpose trust (Trust) from which floating rate bonds (Floating Rate Notes) and Inverse Floaters are issued. The Funds simultaneously or within a short period of time, purchase the Inverse Floaters from the broker. The Inverse Floaters held by the Funds provide the Funds with the right to: (1) cause the holders of the Floating Rate Notes to tender their notes at par, and (2) cause the broker to transfer the Fixed-Rate Bond held by the Trust to the Funds, thereby collapsing the Trust. The Funds account for the transaction described above as a secured borrowing by including the Fixed Rate Bond in their Schedules of Investments, and account for the Floating Rate Notes as a liability under the caption Payable for Floating Rate Notes issued in the Funds Statements of Assets and Liabilities. The Floating Rate Notes have interest rates that generally reset weekly and their holders have the option to tender their notes to the broker for redemption at par at each reset date.

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

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

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

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

(g) Restricted Securities

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

(h) Custody Credits on Cash Balances

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

(i) Interest Expense

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

34 PIMCO Municipal Income Funds II Annual Report 5.31.12

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

2. Principal Risks

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

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

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

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

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

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds' financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Funds' sub-adviser, Pacific Investment Management Company LLC (the Sub-Adviser), an affiliate of the Investment Manager, seeks to minimize the Funds' counterparty risk by performing reviews of each counterparty and by minimizing concentration of counterparty risk by undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

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

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The Funds are party to International Swaps and Derivatives Association, Inc. Master Agreements (ISDA Master Agreements) with select counterparties that govern transactions and over-the-counter derivatives entered into by the Funds and those counterparties. The ISDA Master Agreements contain provisions for general obligations, representations,

5.31.12 PIMCO Municipal Income Funds II Annual Report

35

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

2. Principal Risks (continued)

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

3. Financial Derivative Instruments

Disclosure about derivatives and hedging activities requires qualitative disclosure regarding objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivatives, and disclosure about credit-risk-related contingent features in derivative agreements. The disclosure requirements distinguish between derivatives, which are accounted for as hedges, and those that do not qualify for such accounting. Although the Funds sometimes use derivatives for hedging purposes, the Funds reflect derivatives at fair value and recognize changes in fair value through the Funds' Statements of Operations, and such derivatives do not qualify for hedge accounting treatment.

(a) Futures Contracts

The Funds use futures contracts to manage their exposure to movements in interest rates. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange. Pursuant to the contracts, the Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as variation margin and are recorded by the Funds as unrealized appreciation or depreciation. When the contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves various risks, including the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates, and possibly inability or unwillingness of counterparties to meet the terms of their contracts.

(b) Swap Agreements

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

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

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Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognized on the Funds' Statements of Assets and Liabilities. Such risks include the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their

36 PIMCO Municipal Income Funds II Annual Report 5.31.12

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

3. Financial Derivative Instruments (continued)

obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

Interest Rate Swap Agreements Interest rate swap agreements involve the exchange by the Funds with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap, (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor, (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different money markets.

At May 31, 2012 there were no open interest rate swap agreements held by the Funds.

The following is a summary of the fair valuation of the Funds' derivatives categorized by risk exposure.

The effect of derivatives on the Funds' Statements of Assets and Liabilities at May 31, 2012:

<u>Municipal II:</u>	
Location	Interest Rate Contracts
Liability derivatives:	
Payable for variation margin on futures contracts*	\$ (62,500)

<u>New York Municipal II:</u>	
Location	Interest Rate Contracts
Liability derivatives:	
Payable for variation margin on futures contracts*	\$ (12,500)

* Included in the net unrealized depreciation of \$203,238 and \$40,648 on futures contracts, for Municipal II and New York Municipal II, respectively, as reported in section 5(a) of the Notes to Financial Statements.

The effect of derivatives on the Statements of Operations for the year ended May 31, 2012:

Municipal II:	
Location	Interest Rate Contracts
Net realized loss on:	
Futures contracts	\$ (682,246)
Swaps	(18,499,216)
Total net realized loss	\$ (19,181,462)
Net change in unrealized appreciation/depreciation of:	
Futures contracts	\$ (203,238)
Swaps	6,850,035
Total net change in unrealized appreciation/depreciation	\$ 6,646,797

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

3. Financial Derivative Instruments (continued)

California Municipal II:

Location	Interest Rate Contracts
Net realized gain (loss) on:	
Futures contracts	\$ 224,084
Swaps	(11,575,152)
Total net realized gain (loss)	\$ (11,351,068)
Net change in unrealized appreciation/depreciation of:	
Swaps	\$ 4,176,010

New York Municipal II:

Location	Interest Rate Contracts
Net realized loss on:	
Futures contracts	\$ (139,728)
Swaps	(3,804,214)
Total net realized loss	\$ (3,943,942)
Net change in unrealized appreciation/depreciation of:	
Futures contracts	\$ (40,648)
Swaps	1,153,882
Total net change in unrealized appreciation/depreciation	\$ 1,113,234

The average volume of derivative activity (measured at each fiscal quarter-end) during the year ended May 31, 2012:

	Futures Contracts Short ⁽¹⁾	Interest Rate Swap Agreements ⁽²⁾
Municipal II	(20)	\$ 23,640
California Municipal II		15,980
New York Municipal II	(4)	4,860

(1) Number of contracts

(2) Notional amount (in thousands)

4. Investment Manager/Sub-Adviser

Each Fund has an Investment Management Agreement (each an Agreement) with the Investment Manager. Subject to the supervision of the Funds' Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds' investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.65% of each Fund's average daily net assets inclusive of net assets attributable to any Preferred Shares that were outstanding. The Investment Manager has voluntarily agreed to waive a portion of its fee for each Fund at the annual rate of 0.05% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding, for the period from July 1, 2011 through June 30, 2012. For the year ended May 31, 2012, each Fund paid investment management fees at an annualized effective rate of 0.60% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding.

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

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

5. Investments in Securities

For the year ended May 31, 2012, purchases and sales of investments, other than short-term securities and U.S. government obligations, were as follows:

	Purchases	Sales
Municipal II	\$ 277,223,281	\$ 335,035,595
California Municipal II	114,295,595	136,932,913
New York Municipal II	35,900,722	41,602,114

(a) Futures contracts outstanding at May 31, 2012:

Municipal II:

Type	Contracts	Market Value (000s)	Expiration Date	Unrealized Depreciation
Short: 30-Year U.S. Treasury Bond Futures	(100)	\$ (14,972)	9/19/12	\$ (203,238)

New York Municipal II:

Type	Contracts	Market Value (000s)	Expiration Date	Unrealized Depreciation
Short: 30-Year U.S. Treasury Bond Futures	(20)	\$ (2,994)	9/19/12	\$ (40,648)

At May 31, 2012 Municipal II and New York Municipal II pledged \$296,000 and \$56,000, respectively, in cash as collateral for futures contracts.

(b) Floating Rate Notes:

The weighted average daily balance of Floating Rate Notes outstanding during the year ended May 31, 2012 for Municipal II, California Municipal II and New York Municipal II was \$67,992,836, \$44,418,877 and \$13,851,894 at a weighted average interest rate, including fees, of 0.79%, 1.13% and 0.81%, respectively.

6. Income Tax Information

For the year ended May 31, 2012, the tax character of dividends paid by the Funds was:

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	Ordinary Income Distributions	Tax Exempt Income	Return of Capital
Municipal II	\$ 465,597	\$ 47,581,111	
California Municipal II	705,738	21,734,370	\$ 1,522,981
New York Municipal II	51,714	8,759,444	

For the year ended May 31, 2011, the tax character of dividends paid by the Funds was:

	Ordinary Income	Tax Exempt Income
Municipal II	\$ 429,923	\$ 48,021,982
California Municipal II	2,182,891	21,958,863
New York Municipal II	623,161	8,283,506

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

6. Income Tax Information (continued)

At May 31, 2012, the components of distributable earnings was:

	Tax		Post-October Capital Loss ⁽²⁾	
	Exempt		Short-Term	Long-Term
	Income	Capital Loss Carryforwards ⁽¹⁾		
Municipal II	\$ 20,835,879	\$ 250,645,615		
California Municipal II		208,408,327		
New York Municipal II	2,232,908	49,401,699	\$ 115,788	

(1) Capital loss carryforwards available as a reduction, to the extent provided in the regulations, of any future net realized gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be disbursed.

(2) Capital losses realized during the period November 1, 2011 through May 31, 2012 which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

Under the Regulated Investment Company Modernization Act of 2010 (the Act), the Funds will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010, for an unlimited period. However, any losses incurred in those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term capital losses.

At May 31, 2012, the Funds had capital loss carryforward amounts as follows:

	2013	2014	2015	2016	2017	2018	No Expiration ⁽³⁾	
							Short-Term	Long-Term
Municipal II	\$ 49,108,685	\$ 4,473,237	\$ 7,912,932		\$ 7,955,461	\$ 164,801,603	\$ 16,393,697	
California Municipal II	16,328,922		5,531,398	\$ 4,849,597	18,401,113	157,995,404	5,301,893	
New York Municipal II	5,755,677		51,848	1,171,157	2,961,908	34,379,048	4,277,271	\$ 804,790

(3) Carryforward amounts are subject to the provisions of the Act.

For the year ended May 31, 2012, the Funds had capital loss carryforwards which were utilized and/or expired as follows:

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	Expired
Municipal II	
California Municipal II	\$ 2,776,153
New York Municipal II	172,581

For the year ended May 31, 2012, permanent book-tax adjustments were as follows:

	Undistributed		Paid-In
	(Distributions in	Accumulated	Capital In
	Excess of) Net	Net Realized Gain	Excess
	Investments	(Loss)	of Par
	Income	(Loss)	of Par
Municipal II (a)	\$ (2,507)	\$ 2,507	
California Municipal II (b)		2,776,153	\$ (2,776,153)
New York Municipal II (a)(b)	(10,534)	183,115	(172,581)

These permanent book-tax differences were primarily attributable to:

- (a) Differing treatment of Inverse Floaters
- (b) Expiring Capital Loss Carryforwards

Net investment income, net realized gains or losses and net assets were not affected by these adjustments.

Table of Contents**PIMCO Municipal Income Funds II Notes to Financial Statements**

May 31, 2012

6. Income Tax Information (continued)

The cost basis of investments for federal income tax purposes and gross unrealized appreciation and gross unrealized depreciation of investments at May 31, 2012 were:

	Cost of Investments	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Municipal II	\$ 972,449,002	\$ 106,278,678	\$ 10,684,546	\$ 95,594,132
California Municipal II	372,797,023	54,571,513	696,067	53,875,446
New York Municipal II	179,401,438	19,195,032	1,273,235	17,921,797

Differences between book and tax cost basis were primarily attributable to Inverse Floater transactions.

7. Auction-Rate Preferred Shares

Municipal II has 2,936 shares of Preferred Shares Series A, 2,936 shares of Preferred Shares Series B, 2,936 shares of Preferred Shares Series C, 2,936 shares of Preferred Shares Series D and 2,936 shares of Preferred Shares Series E outstanding, each with a liquidation preference value of \$25,000 per share plus any accumulated, unpaid dividends.

California Municipal II has 1,304 shares of Preferred Shares Series A, 1,304 shares of Preferred Shares Series B, 1,304 shares of Preferred Shares Series C, 1,304 shares of Preferred Shares Series D and 1,304 shares of Preferred Shares Series E outstanding, each with a liquidation preference value of \$25,000 per share plus any accumulated, unpaid dividends.

New York Municipal II has 1,580 shares of Preferred Shares Series A and 1,580 shares of Preferred Shares Series B outstanding, each with a liquidation preference value of \$25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures (or through default procedures in the event of auction failure). Distributions of net realized capital gains, if any, are paid annually.

For the year ended May 31, 2012, the annualized dividend rates for each Fund ranged from:

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	High	Low	At May 31, 2012
<u>Municipal II:</u>			
Series A	0.381%	0.107%	0.320%
Series B	0.381%	0.107%	0.289%
Series C	0.396%	0.107%	0.289%
Series D	0.396%	0.107%	0.320%
Series E	0.396%	0.107%	0.320%
<u>California Municipal II:</u>			
Series A	0.381%	0.107%	0.320%
Series B	0.381%	0.107%	0.289%
Series C	0.396%	0.110%	0.289%
Series D	0.396%	0.107%	0.320%
Series E	0.396%	0.107%	0.320%
<u>New York Municipal II:</u>			
Series A	0.396%	0.107%	0.289%
Series B	0.396%	0.107%	0.320%

Table of Contents

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2012

7. Auction-Rate Preferred Shares (continued)

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

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

Since mid-February 2008, holders of auction-rate preferred shares (ARPS) issued by the Funds have been directly impacted by an unprecedented lack of liquidity, which has similarly affected ARPS holders in many of the nation's closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and the ARPS holders have continued to receive dividends at the defined maximum rate equal to the higher of the 30-day AA Composite Commercial Paper Rate multiplied by 110% or the Taxable Equivalent of the Short-Term Municipal Obligations Rate-defined as 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the Kenny S&P 30-day High Grade Index divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal) multiplied by 110% (which is a function of short-term interest rates and typically higher than the rate that would have otherwise been set through a successful auction). If the Funds' ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds' common shareholders could be adversely affected.

8. Subsequent Events

On June 1, 2012, the following dividends were declared to common shareholders payable July 2, 2012 to shareholders of record on June 11, 2012:

Municipal II	\$0.065 per common share
California Municipal II	\$0.0625 per common share
New York Municipal II	\$0.06625 per common share

On July 2, 2012, the following dividends were declared to common shareholders payable August 1, 2012 to shareholders of record on July 12, 2012:

Municipal II	\$0.065 per common share
California Municipal II	\$0.0625 per common share
New York Municipal II	\$0.06625 per common share

On July 12, 2012, Moody's Investors Service downgraded its rating of each series of each of the Funds' Preferred Shares from Aaa to Aa2.

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There were no other events that require recognition or disclosure. In preparing these financial statements the Funds management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

42 PIMCO Municipal Income Funds II Annual Report 5.31.12

Table of Contents

PIMCO Municipal Income Fund II Financial Highlights

For a common share outstanding throughout each year: