

PCM FUND, INC.
Form N-Q
November 25, 2015

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

| | |
|---|--|
| Investment Company Act File Number: | 811-07816 |
| Registrant Name: | PCM Fund Inc. |
| Address of Principal Executive Offices: | 1633 Broadway New York, NY 10019 |
| Name and Address of Agent for Service: | William G. Galipeau 650 Newport Center Drive Newport Beach, CA 92660 |
| Registrant's telephone number, including area code: | (844) 337-4626 |
| Date of Fiscal Year End: | June 30 |
| Date of Reporting Period: | September 30, 2015 |

Item 1. Schedule of Investments

Schedule of Investments**PIMCO PCM Fund, Inc.**

September 30, 2015 (Unaudited)

| | PRINCIPAL AMOUNT (000s) | MARKET VALUE (000s) |
|---|-------------------------------|---------------------------|
| INVESTMENTS IN SECURITIES 174.0% | | |
| BANK LOAN OBLIGATIONS 5.2% | | |
| Cactus Wellhead LLC | \$ 495 | \$ 393 |
| 7.000% due 07/31/2020 | | |
| Energy Future Intermediate Holding Co. LLC | | |
| 4.250% due 06/19/2016 | | |
| Getty Images, Inc. | 2,274 | 2,271 |
| 4.750% due 10/18/2019 | | |
| iHeartCommunications, Inc. | 381 | 250 |
| 6.944% due 01/30/2019 | | |
| Sequa Corp. | 3,000 | 2,497 |
| 5.250% due 06/19/2017 | | |
| Total Bank Loan Obligations | | 6,119 |
| (Cost \$6,849) | | |
| CORPORATE BONDS & NOTES 30.1% | | |
| BANKING & FINANCE 12.5% | | |
| American International Group, Inc. | | |
| 8.175% due 05/15/2068 (f) | | |
| Blackstone CQP Holdco LP | 600 | 795 |
| 9.296% due 03/19/2019 | | |
| Cantor Fitzgerald LP | 3,750 | 3,428 |
| 7.875% due 10/15/2019 (f) | | |
| Communications Sales & Leasing, Inc. | 1,000 | 1,101 |
| 8.250% due 10/15/2023 (f) | | |
| Exeter Finance Corp. | 600 | 516 |
| 9.750% due 05/20/2019 | | |
| Ford Motor Credit Co. LLC | 800 | 802 |
| 8.000% due 12/15/2016 (f) | | |
| Jefferies Finance LLC | 500 | 538 |
| 7.500% due 04/15/2021 (f) | | |
| Jefferies LoanCore LLC | 687 | 645 |
| 6.875% due 06/01/2020 (f) | | |
| KGH Intermediate Holdco LLC | 800 | 768 |
| 8.500% due 08/08/2019 (d) | | |
| Navient Corp. | 1,463 | 1,322 |
| 5.500% due 01/15/2019 (f) | | |
| | 1,000 | 932 |

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| | | |
|---|-------|--------|
| 8.450% due 06/15/2018 (f) | 850 | 876 |
| OneMain Financial Holdings, Inc. | | |
| 7.250% due 12/15/2021 (f) | 687 | 699 |
| Springleaf Finance Corp. | | |
| 6.500% due 09/15/2017 (f) | 455 | 473 |
| 6.900% due 12/15/2017 (f) | 1,200 | 1,257 |
| Toll Road Investors Partnership LP | | |
| 0.000% due 02/15/2045 (c) | 3,515 | 729 |
| | | 14,881 |

INDUSTRIALS 14.6%

| | | |
|---|-------|-------|
| Ancestry.com Holdings LLC (9.625% Cash or 10.375% PIK) | | |
| 9.625% due 10/15/2018 (b) | 155 | 154 |
| Boxer Parent Co., Inc. (9.000% Cash or 9.750% PIK) | | |
| 9.000% due 10/15/2019 (b)(f) | 1,089 | 777 |
| Caesars Entertainment Operating Co., Inc. | | |
| 8.500% due 02/15/2020 ^(f) | 3,143 | 2,593 |
| 9.000% due 02/15/2020 ^ | 182 | 151 |
| California Resources Corp. | | |
| 6.000% due 11/15/2024 (f) | 748 | 452 |
| Chesapeake Energy Corp. | | |
| 3.539% due 04/15/2019 | 20 | 14 |
| CVS Pass-Through Trust | | |
| 5.880% due 01/10/2028 (f) | 1,422 | 1,639 |
| 7.507% due 01/10/2032 (f) | 873 | 1,082 |
| Forbes Energy Services Ltd. | | |
| 9.000% due 06/15/2019 (f) | 1,900 | 1,230 |
| Global Geophysical Services, Inc. | | |
| 10.500% due 05/01/2017 ^ | 285 | 20 |
| Intrepid Aviation Group Holdings LLC | | |
| 6.875% due 02/15/2019 | 1,700 | 1,538 |
| Rockies Express Pipeline LLC | | |
| 6.875% due 04/15/2040 | 252 | 234 |
| Scientific Games International, Inc. | | |
| 10.000% due 12/01/2022 (f) | 650 | 569 |
| Sequa Corp. | | |
| 7.000% due 12/15/2017 (f) | 1,140 | 593 |

| | | |
|--|-------|--------|
| Spanish Broadcasting System, Inc. | | |
| 12.500% due 04/15/2017 (f) | 2,290 | 2,344 |
| UAL Pass-Through Trust | | |
| 6.636% due 01/02/2024 (f) | 618 | 659 |
| 9.750% due 07/15/2018 | 394 | 429 |
| 10.400% due 05/01/2018 | 251 | 269 |
| UCP, Inc. | | |
| 8.500% due 10/21/2017 | 1,300 | 1,307 |
| Warren Resources, Inc. | | |
| 9.000% due 08/01/2022 (f) | 1,000 | 225 |
| Westmoreland Coal Co. | | |
| 8.750% due 01/01/2022 (f) | 1,264 | 1,040 |
| | | 17,319 |

UTILITIES 3.0%

| | | |
|--------------------------------------|-------|-------|
| Frontier Communications Corp. | | |
| 8.875% due 09/15/2020 | 90 | 88 |
| 10.500% due 09/15/2022 | 150 | 146 |
| 11.000% due 09/15/2025 | 150 | 146 |
| Illinois Power Generating Co. | | |
| 6.300% due 04/01/2020 (f) | 1,515 | 1,280 |
| 7.950% due 06/01/2032 (f) | 1,024 | 886 |
| Sprint Corp. | | |
| 7.125% due 06/15/2024 (f) | 1,246 | 962 |
| | | 3,508 |

| | | |
|-------------------------------|--|--------|
| Total Corporate Bonds & Notes | | 35,708 |
| (Cost \$38,875) | | |

MUNICIPAL BONDS & NOTES 1.1%**ARKANSAS 0.5%**

**Little Rock Municipal Property Owners Multipurpose Improvement District No. 10,
Arkansas**

Special Tax Bonds, Series 2007

| | | |
|-----------------------|-----|-----|
| 7.200% due 03/01/2032 | 545 | 523 |
|-----------------------|-----|-----|

WEST VIRGINIA 0.6%

**Tobacco Settlement Finance Authority, West Virginia Revenue
Bonds, Series 2007**

| | | |
|-----------------------|-----|-----|
| 7.467% due 06/01/2047 | 860 | 752 |
|-----------------------|-----|-----|

| | | |
|-------------------------------|--|-------|
| Total Municipal Bonds & Notes | | 1,275 |
| (Cost \$1,350) | | |

U.S. GOVERNMENT AGENCIES 1.9%**Freddie Mac**

| | | |
|---------------------------|-------|----|
| 0.805% due 01/25/2021 (a) | 2,934 | 74 |
|---------------------------|-------|----|

| | | |
|---|--------|-------|
| 0.872% due 10/25/2020 (a)(f) | 8,947 | 281 |
| 3.615% due 06/25/2041 (a)(f) | 10,500 | 1,890 |
| Total U.S. Government Agencies (Cost \$1,992) | | 2,245 |

MORTGAGE-BACKED SECURITIES 78.0%**Adjustable Rate Mortgage Trust**

| | | |
|-------------------------|-----|-----|
| 2.785% due 01/25/2036 ^ | 308 | 266 |
|-------------------------|-----|-----|

Banc of America Alternative Loan Trust

| | | |
|----------------------------|-----|-----|
| 6.577% due 04/25/2037 ^(f) | 422 | 330 |
|----------------------------|-----|-----|

Banc of America Commercial Mortgage Trust

| | | |
|---------------------------|-------|-------|
| 5.414% due 09/10/2047 (f) | 1,978 | 2,018 |
|---------------------------|-------|-------|

Banc of America Funding Trust

| | | |
|-----------------------|-----|-----|
| 2.614% due 12/20/2034 | 631 | 569 |
|-----------------------|-----|-----|

| | | |
|-----------------------|-----|-----|
| 5.730% due 03/20/2036 | 192 | 173 |
|-----------------------|-----|-----|

| | | |
|-------------------------|-----|-----|
| 5.806% due 03/25/2037 ^ | 195 | 175 |
|-------------------------|-----|-----|

| | | |
|-------------------------|-----|-----|
| 7.000% due 10/25/2037 ^ | 866 | 548 |
|-------------------------|-----|-----|

Banc of America Mortgage Trust

| | | |
|-----------------------|-----|-----|
| 2.628% due 11/25/2034 | 416 | 417 |
|-----------------------|-----|-----|

| | | |
|-----------------------|-----|-----|
| 2.745% due 06/20/2031 | 530 | 546 |
|-----------------------|-----|-----|

| | | |
|-----------------------|-----|-----|
| 2.981% due 06/25/2035 | 301 | 292 |
|-----------------------|-----|-----|

BCAP LLC Trust

| | | |
|-----------------------|----|----|
| 0.403% due 07/26/2036 | 87 | 66 |
|-----------------------|----|----|

| | | |
|-----------------------|---|---|
| 3.459% due 03/26/2036 | 9 | 9 |
|-----------------------|---|---|

BCRR Trust

| | | |
|-----------------------|-------|-------|
| 5.858% due 07/17/2040 | 1,000 | 1,057 |
|-----------------------|-------|-------|

Bear Stearns Adjustable Rate Mortgage Trust

| | | |
|-----------------------|-----|-----|
| 2.534% due 05/25/2034 | 227 | 220 |
|-----------------------|-----|-----|

Bear Stearns ALT-A Trust

| | | |
|-----------------------|-------|-----|
| 0.364% due 04/25/2037 | 1,300 | 954 |
|-----------------------|-------|-----|

| | | |
|-------------------------|-------|-----|
| 2.494% due 08/25/2036 ^ | 1,038 | 881 |
|-------------------------|-------|-----|

| | | |
|-----------------------|----|----|
| 2.548% due 05/25/2036 | 62 | 45 |
|-----------------------|----|----|

| | | |
|-----------------------|-------|-----|
| 2.709% due 11/25/2036 | 1,119 | 814 |
|-----------------------|-------|-----|

| | | |
|-----------------------|----|----|
| 2.764% due 01/25/2047 | 80 | 60 |
|-----------------------|----|----|

| | | |
|-------------------------|-----|-----|
| 2.838% due 08/25/2036 ^ | 458 | 345 |
|-------------------------|-----|-----|

| | | |
|-------------------------|-----|-----|
| 3.431% due 05/25/2036 ^ | 432 | 329 |
|-------------------------|-----|-----|

| | | |
|-----------------------|-----|-----|
| 3.610% due 09/25/2034 | 246 | 244 |
|-----------------------|-----|-----|

| | | |
|-------------------------|-----|-----|
| 3.948% due 07/25/2035 ^ | 196 | 162 |
|-------------------------|-----|-----|

| | | |
|---|-------|-------|
| Bear Stearns Commercial Mortgage Securities Trust | | |
| 5.895% due 06/11/2040 (f) | 2,000 | 2,114 |
| 6.931% due 05/11/2039 (f) | 679 | 695 |
| BRAD Resecuritization Trust | | |
| 2.178% due 03/12/2021 | 2,569 | 193 |
| 6.550% due 03/12/2021 | 480 | 478 |
| CBA Commercial Small Balance Commercial Mortgage | | |
| 5.540% due 01/25/2039 ^ | 744 | 646 |
| Chase Mortgage Finance Trust | | |
| 6.000% due 03/25/2037 ^ | 370 | 332 |
| Citigroup Commercial Mortgage Trust | | |
| 0.686% due 05/15/2043 (a) | 3,531 | 0 |
| 5.899% due 12/10/2049 (f) | 2,500 | 2,642 |
| Citigroup Mortgage Loan Trust, Inc. | | |
| 2.547% due 10/25/2035 | 240 | 194 |
| 2.678% due 11/25/2036 ^ | 270 | 241 |
| 2.755% due 08/25/2035 ^ | 213 | 198 |
| Citigroup Mortgage Loan Trust, Inc. Mortgage Pass-Through Certificates | | |
| 2.690% due 09/25/2035 ^ | 352 | 307 |
| CitiMortgage Alternative Loan Trust | | |
| 5.500% due 04/25/2022 ^ | 77 | 79 |
| COBALT Commercial Mortgage Trust | | |
| 5.223% due 08/15/2048 (f) | 1,562 | 1,607 |
| Commercial Mortgage Trust | | |
| 6.188% due 07/10/2046 (f) | 690 | 759 |
| 6.586% due 07/16/2034 | 637 | 660 |
| 7.160% due 07/16/2034 (f) | 1,500 | 1,563 |
| Countrywide Alternative Loan Trust | | |
| 0.474% due 02/25/2037 (f) | 437 | 351 |
| 0.484% due 02/25/2036 ^ | 1,271 | 1,168 |
| 1.199% due 12/25/2035 (f) | 2,923 | 2,434 |
| 6.000% due 11/25/2035 ^ | 229 | 118 |
| 6.000% due 04/25/2036 ^(f) | 5,095 | 4,325 |
| 6.000% due 05/25/2037 ^ | 863 | 706 |
| Countrywide Home Loan Mortgage Pass-Through Trust | | |
| 0.514% due 03/25/2035 | 304 | 240 |
| 2.557% due 09/20/2036 ^ | 215 | 193 |
| 2.593% due 02/20/2036 ^ | 23 | 22 |
| 2.674% due 09/25/2047 ^ | 872 | 785 |
| 6.000% due 05/25/2037 ^ | 519 | 476 |
| Credit Suisse First Boston Mortgage Securities Corp. | | |
| 7.000% due 02/25/2033 | 101 | 107 |
| Credit Suisse Mortgage Capital Mortgage-Backed Trust | | |
| 5.896% due 04/25/2036 | 362 | 272 |
| 6.500% due 05/25/2036 ^ | 240 | 157 |
| FFCA Secured Franchise Loan Trust | | |
| 0.966% due 09/18/2027 (a) | 2,310 | 65 |
| First Horizon Alternative Mortgage Securities Trust | | |

| | | |
|---|--------|-------|
| 2.260% due 08/25/2035 ^ | 160 | 43 |
| First Horizon Mortgage Pass-Through Trust | | |
| 2.615% due 04/25/2035 | 168 | 168 |
| FREMF Mortgage Trust | | |
| 0.100% due 05/25/2020 (a) | 14,399 | 49 |
| GS Mortgage Securities Trust | | |
| 1.613% due 08/10/2043 (a) | 14,821 | 852 |
| 2.714% due 05/10/2045 (a) | 6,159 | 589 |
| 6.224% due 08/10/2043 (f) | 1,670 | 1,811 |
| GSR Mortgage Loan Trust | | |
| 2.607% due 03/25/2047 (f) | 1,975 | 1,716 |
| HarborView Mortgage Loan Trust | | |
| 0.466% due 01/19/2036 | 1,078 | 737 |
| 4.358% due 06/19/2036 ^ | 464 | 322 |
| IndyMac Mortgage Loan Trust | | |
| 0.994% due 11/25/2034 | 178 | 162 |
| 2.795% due 05/25/2036 | 266 | 193 |
| 2.930% due 06/25/2037 | 699 | 663 |
| JPMorgan Alternative Loan Trust | | |
| 6.500% due 03/25/2036 | 1,861 | 1,636 |
| JPMorgan Chase Commercial Mortgage Securities Corp. | | |
| 1.591% due 03/12/2039 (a) | 692 | 9 |
| JPMorgan Chase Commercial Mortgage Securities Trust | | |
| 0.583% due 02/15/2046 (a) | 61,000 | 1,644 |
| 5.794% due 02/12/2051 (f) | 1,072 | 1,136 |
| 5.883% due 02/12/2049 (f) | 1,392 | 1,461 |
| 6.136% due 02/15/2051 | 60 | 60 |
| 6.450% due 05/12/2034 (f) | 3,044 | 3,135 |
| JPMorgan Commercial Mortgage-Backed Securities Trust | | |
| 5.703% due 03/18/2051 (f) | 4,100 | 4,344 |
| JPMorgan Mortgage Trust | | |
| 2.727% due 07/25/2035 | 173 | 174 |
| LB Commercial Mortgage Trust | | |
| 5.600% due 10/15/2035 | 341 | 351 |
| 6.096% due 07/15/2044 (f) | 933 | 988 |
| LB-UBS Commercial Mortgage Trust | | |
| 5.347% due 11/15/2038 (f) | 1,278 | 1,318 |

| | | |
|--|--------|-------|
| Lehman Mortgage Trust | | |
| 5.000% due 08/25/2021 ^ | 613 | 597 |
| 6.000% due 05/25/2037 ^ | 665 | 650 |
| 6.013% due 04/25/2036 | 305 | 275 |
| Luminent Mortgage Trust | | |
| 0.364% due 12/25/2036 | 1,080 | 873 |
| MASTR Adjustable Rate Mortgages Trust | | |
| 2.611% due 11/25/2035 ^ | 802 | 624 |
| MASTR Asset Securitization Trust | | |
| 6.000% due 06/25/2036 ^ | 836 | 812 |
| Merrill Lynch Mortgage Investors Trust | | |
| 0.614% due 07/25/2030 | 366 | 337 |
| 0.854% due 11/25/2029 | 188 | 182 |
| 2.714% due 11/25/2035 | 326 | 326 |
| Merrill Lynch/Countrywide Commercial Mortgage Trust | | |
| 5.485% due 03/12/2051 (f) | 1,500 | 1,567 |
| 5.700% due 09/12/2049 (f) | 2,300 | 2,435 |
| Morgan Stanley Capital Trust | | |
| 0.422% due 11/12/2049 (a) | 60,267 | 219 |
| 5.447% due 02/12/2044 (f) | 2,000 | 2,079 |
| 5.692% due 04/15/2049 | 315 | 329 |
| 5.809% due 12/12/2049 (f) | 521 | 554 |
| Morgan Stanley Capital, Inc. | | |
| 6.010% due 11/15/2030 (f) | 1,993 | 2,056 |
| Morgan Stanley Mortgage Loan Trust | | |
| 2.619% due 01/25/2035 ^ | 376 | 178 |
| 6.000% due 08/25/2037 ^ | 417 | 389 |
| Morgan Stanley Resecuritization Trust | | |
| 5.377% due 03/26/2037 | 5,815 | 4,523 |
| Regal Trust | | |
| 2.180% due 09/29/2031 | 266 | 247 |
| Residential Accredit Loans, Inc. Trust | | |
| 3.767% due 01/25/2036 ^ | 594 | 484 |
| 6.000% due 08/25/2035 ^ | 392 | 363 |
| 6.500% due 09/25/2037 ^ | 413 | 320 |
| Residential Asset Securitization Trust | | |
| 6.000% due 03/25/2037 ^ | 316 | 229 |
| Residential Funding Mortgage Securities, Inc. Trust | | |
| 6.000% due 06/25/2036 ^ | 461 | 424 |
| Royal Bank of Scotland Capital Funding Trust | | |
| 5.223% due 08/16/2048 (f) | 1,000 | 1,027 |
| 5.336% due 05/16/2047 (f) | 1,000 | 1,033 |
| 6.068% due 02/17/2051 | 2,744 | 2,777 |
| Structured Adjustable Rate Mortgage Loan Trust | | |
| 4.416% due 11/25/2036 ^ | 288 | 266 |
| 4.541% due 04/25/2036 ^ | 615 | 463 |
| 4.872% due 01/25/2036 ^(f) | 507 | 394 |
| 5.070% due 09/25/2036 ^ | 411 | 371 |
| Structured Asset Mortgage Investments Trust | | |

| | | |
|---|--------|--------|
| 0.404% due 08/25/2036 | 1,258 | 989 |
| Structured Asset Securities Corp. Trust | | |
| 5.000% due 05/25/2035 | 89 | 91 |
| TBW Mortgage-Backed Trust | | |
| 6.000% due 07/25/2036 ^ | 217 | 164 |
| TIAA CMBS Trust | | |
| 5.770% due 06/19/2033 (f) | 31 | 31 |
| Wachovia Bank Commercial Mortgage Trust | | |
| 1.124% due 10/15/2041 (a) | 4,879 | 5 |
| 5.509% due 04/15/2047 (f) | 1,000 | 1,022 |
| WaMu Commercial Mortgage Securities Trust | | |
| 5.882% due 03/23/2045 (f) | 1,000 | 1,016 |
| WaMu Mortgage Pass-Through Certificates Trust | | |
| 0.684% due 06/25/2044 | 747 | 650 |
| 2.290% due 12/25/2036 ^(f) | 624 | 566 |
| Washington Mutual Mortgage Pass-Through Certificates Trust | | |
| 6.500% due 08/25/2036 ^(f) | 2,162 | 1,615 |
| Wells Fargo Alternative Loan Trust | | |
| 5.500% due 07/25/2022 | 58 | 59 |
| Wells Fargo-RBS Commercial Mortgage Trust | | |
| 1.217% due 02/15/2044 (a)(f) | 27,786 | 686 |
| Total Mortgage-Backed Securities | | 92,505 |
| (Cost \$79,903) | | |

ASSET-BACKED SECURITIES 49.5%

| | | |
|--|-------|-------|
| Asset-Backed Securities Corp. Home Equity Loan Trust | | |
| 1.289% due 02/25/2035 | 56 | 46 |
| 1.919% due 12/25/2034 | 2,688 | 2,402 |
| 3.466% due 06/21/2029 | 156 | 146 |
| Associates Manufactured Housing Pass-Through Certificates | | |
| 7.150% due 03/15/2028 | 430 | 516 |
| Bayview Financial Acquisition Trust | | |
| 0.474% due 12/28/2036 | 253 | 245 |
| Bear Stearns Asset-Backed Securities Trust | | |
| 0.574% due 06/25/2036 | 34 | 34 |
| 2.927% due 07/25/2036 | 443 | 421 |
| 5.500% due 12/25/2035 | 99 | 85 |

| | | |
|---|-------|-------|
| Bombardier Capital Mortgage Securitization Corp. | | |
| 7.830% due 06/15/2030 | 1,201 | 666 |
| Centex Home Equity Loan Trust | | |
| 0.694% due 01/25/2035 | 1,679 | 1,391 |
| Citigroup Mortgage Loan Trust, Inc. | | |
| 0.354% due 12/25/2036 (f) | 1,993 | 1,318 |
| 0.454% due 03/25/2037 (f) | 5,855 | 4,555 |
| 0.649% due 11/25/2045 (f) | 5,300 | 4,812 |
| Conseco Finance Securitizations Corp. | | |
| 7.960% due 05/01/2031 | 404 | 308 |
| 9.163% due 03/01/2033 | 970 | 870 |
| Countrywide Asset-Backed Certificates | | |
| 0.324% due 12/25/2036 ^(f) | 1,782 | 1,582 |
| 0.334% due 05/25/2047 (f) | 3,947 | 3,095 |
| 0.334% due 06/25/2047 ^(f) | 4,373 | 3,428 |
| 0.434% due 05/25/2036 | 7,868 | 4,215 |
| 1.844% due 06/25/2035 | 4,000 | 3,066 |
| EMC Mortgage Loan Trust | | |
| 1.494% due 02/25/2041 | 407 | 398 |
| Fremont Home Loan Trust | | |
| 0.374% due 04/25/2036 (f) | 1,878 | 1,648 |
| GE Capital Mortgage Services, Inc. Trust | | |
| 6.705% due 04/25/2029 | 169 | 157 |
| GSAMP Trust | | |
| 1.994% due 06/25/2035 | 2,200 | 1,814 |
| HSI Asset Securitization Corp. Trust | | |
| 0.304% due 04/25/2037 | 2,487 | 1,454 |
| IndyMac Home Equity Mortgage Loan Asset-Backed Trust | | |
| 0.434% due 04/25/2037 (f) | 6,168 | 3,857 |
| Keystone Owner Trust | | |
| 9.000% due 01/25/2029 | 56 | 30 |
| Lehman XS Trust | | |
| 5.420% due 11/25/2035 ^(f) | 388 | 393 |
| Morgan Stanley ABS Capital, Inc. Trust | | |
| 0.974% due 12/25/2034 | 266 | 224 |
| Renaissance Home Equity Loan Trust | | |
| 7.238% due 09/25/2037 ^ | 4,440 | 2,891 |
| Residential Asset Mortgage Products Trust | | |
| 0.934% due 09/25/2032 | 55 | 50 |
| 1.289% due 12/25/2033 | 873 | 809 |
| Residential Asset Securities Corp. Trust | | |
| 0.654% due 06/25/2031 | 1,985 | 1,855 |
| 0.884% due 08/25/2035 (f) | 4,350 | 3,257 |
| Securitized Asset-Backed Receivables LLC Trust | | |
| 0.644% due 10/25/2035 (f) | 5,500 | 4,233 |
| Southern Pacific Secured Asset Corp. | | |
| 0.534% due 07/25/2029 | 35 | 32 |
| Structured Asset Investment Loan Trust | | |
| 1.919% due 10/25/2034 | 1,986 | 1,671 |

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|---|-------|--------|
| 4.694% due 10/25/2033 | 68 | 29 |
| UCFC Manufactured Housing Contract | | |
| 7.900% due 01/15/2028 | 636 | 657 |
| UPS Capital Business Credit | | |
| 5.957% due 04/15/2026 | 1,856 | 44 |
| Total Asset-Backed Securities (Cost \$58,625) | | 58,704 |

SHARES

| | | |
|--|-------|-----|
| COMMON STOCKS 0.1% | | |
| ENERGY 0.1% | | |
| SemGroup Corp. A | 2,654 | 115 |
| Total Common Stocks (Cost \$74) | | 115 |
| WARRANTS 0.0% | | |
| INDUSTRIALS 0.0% | | |
| Global Geophysical Services, Inc. - Exp. 05/01/2049 | 1,239 | 0 |
| Total Warrants (Cost \$12) | | 0 |

| | | |
|--|-------------------------------|-----------------|
| SHORT-TERM INSTRUMENTS 8.1% | | |
| REPURCHASE AGREEMENTS (e) 0.1% | | 100 |
| | PRINCIPAL AMOUNT (000s) | |
| SHORT-TERM NOTES 6.6% | | |
| Fannie Mae | | |
| 0.228% due 01/14/2016 | \$ 900 | 900 |
| 0.264% due 02/10/2016 | 1,200 | 1,199 |
| Federal Home Loan Bank | | |
| 0.081% due 11/13/2015 | 200 | 200 |
| 0.122% due 10/07/2015 | 100 | 100 |
| 0.137% due 01/19/2016 | 1,000 | 1,000 |
| 0.193% due 02/08/2016 | 100 | 100 |
| 0.213% due 11/20/2015 - 01/27/2016 | 1,600 | 1,600 |
| 0.244% due 01/25/2016 - 01/26/2016 | 2,600 | 2,598 |
| 0.294% due 02/19/2016 | 100 | 100 |
| | | 7,797 |
| U.S. TREASURY BILLS 1.4% | | |
| 0.129% due 01/21/2016 (i) | 1,703 | 1,703 |
| Total Short-Term Instruments (Cost \$9,597) | | 9,600 |
| Total Investments in Securities (Cost \$197,277) | | 206,271 |
| Total Investments 174.0% (Cost \$197,277) | \$ | 206,271 |
| Financial Derivative Instruments (g)(h) (1.4%) (Cost or Premiums, net \$(1,695)) | | (1,642) |
| Other Assets and Liabilities, net (72.6%) | | (86,111) |
| Net Assets 100.0% | \$ | 118,518 |

Notes to Schedule of Investments (amounts in thousands*):

* A zero balance may reflect actual amounts rounding to less than one thousand.

^ Security is in default.

(a) Interest only security.

(b) Payment in-kind bond security.

(c) Zero coupon bond.

(d) Restricted Securities:

| Issuer Description | Coupon | Maturity Date | Acquisition Date | Cost | Market Value | Market Value as Percentage of Net Assets |
|-----------------------------|--------|---------------|------------------|----------|--------------|--|
| KGH Intermediate Holdco LLC | 8.500% | 08/08/2019 | 08/07/2014 | \$ 1,439 | \$ 1,322 | 1.12% |

Borrowings and Other Financing Transactions

(e) Repurchase Agreements:

| Counterparty | Lending Rate | Settlement Date | Maturity Date | Principal Amount | Collateralized By | Collateral Received at Value | Repurchase Agreements at Value | Repurchase Agreement Proceeds to be Received ⁽¹⁾ |
|------------------------------------|--------------|-----------------|---------------|------------------|---|------------------------------|--------------------------------|---|
| SAL | 0.280% | 09/30/2015 | 10/01/2015 | \$ 100 | U.S. Treasury Notes 2.125% due 12/31/2021 | \$ (102) | \$ 100 | \$ 100 |
| Total Repurchase Agreements | | | | | | \$ (102) | \$ 100 | \$ 100 |

⁽¹⁾ Includes accrued interest.

Reverse Repurchase Agreements:

| Counterparty | Borrowing Rate | Borrowing Date | Maturity Date | Amount Borrowed ⁽²⁾ | Payable for Reverse Repurchase Agreements |
|---------------------|-----------------------|-----------------------|----------------------|---------------------------------------|--|
| BCY | 0.250% | 05/06/2015 | 05/05/2017 | \$ (2,176) | \$ (2,178) |
| | 1.147 | 07/30/2015 | 10/30/2015 | (201) | (201) |
| | 1.297 | 07/30/2015 | 10/30/2015 | (1,418) | (1,421) |
| | 1.384 | 07/07/2015 | 10/07/2015 | (582) | (584) |
| | 1.631 | 06/26/2015 | 10/01/2015 | (4,310) | (4,329) |
| | 1.634 | 07/02/2015 | 10/02/2015 | (2,364) | (2,374) |
| | 1.682 | 09/11/2015 | 12/11/2015 | (1,427) | (1,428) |
| | 2.134 | 10/01/2015 | 04/01/2016 | (2,022) | (2,022) |
| | 2.176 | 10/01/2015 | 10/03/2016 | (2,258) | (2,258) |
| BOS | 2.198 | 07/06/2015 | 01/06/2016 | (1,845) | (1,855) |
| BRC | (0.375) | 07/13/2015 | 07/10/2017 | (589) | (590) |
| DEU | 0.950 | 07/02/2015 | 10/02/2015 | (2,053) | (2,058) |
| | 0.950 | 07/08/2015 | 10/08/2015 | (2,144) | (2,149) |
| | 0.950 | 07/28/2015 | 10/28/2015 | (1,386) | (1,388) |
| | 0.950 | 08/04/2015 | 11/04/2015 | (1,622) | (1,625) |
| | 0.950 | 08/11/2015 | 11/12/2015 | (445) | (446) |
| | 0.950 | 08/28/2015 | 11/30/2015 | (2,471) | (2,473) |
| | 1.000 | 10/02/2015 | 01/04/2016 | (2,019) | (2,019) |
| JPS | 1.083 | 09/11/2015 | 12/11/2015 | (1,902) | (1,903) |
| | 1.163 | 07/14/2015 | 01/14/2016 | (1,470) | (1,474) |
| | 1.254 | 08/07/2015 | 02/08/2016 | (1,904) | (1,908) |
| | 1.833 | 09/11/2015 | 12/11/2015 | (2,193) | (2,195) |
| MSC | 1.150 | 07/16/2015 | 10/16/2015 | (3,716) | (3,725) |
| RBC | 0.860 | 05/13/2015 | 11/13/2015 | (260) | (261) |
| | 0.870 | 06/01/2015 | 12/01/2015 | (628) | (630) |
| RDR | 0.450 | 09/08/2015 | 10/08/2015 | (771) | (771) |
| | 0.500 | 08/03/2015 | 11/03/2015 | (521) | (521) |
| | 0.650 | 08/28/2015 | 11/30/2015 | (1,095) | (1,096) |
| | 1.110 | 05/06/2015 | 11/06/2015 | (2,260) | (2,270) |
| | 1.116 | 05/21/2015 | 11/23/2015 | (1,234) | (1,239) |
| | 1.170 | 08/03/2015 | 02/03/2016 | (921) | (923) |
| | 1.310 | 08/10/2015 | 11/10/2015 | (876) | (878) |
| | 1.410 | 04/14/2015 | 10/14/2015 | (810) | (815) |
| | 1.470 | 08/03/2015 | 02/03/2016 | (877) | (879) |
| RTA | 1.364 | 05/11/2015 | 11/12/2015 | (6,175) | (6,208) |
| | 1.616 | 03/24/2015 | 03/24/2016 | (1,104) | (1,113) |
| | 1.628 | 04/14/2015 | 04/15/2016 | (2,709) | (2,730) |
| | 1.732 | 07/27/2015 | 07/26/2016 | (3,254) | (3,264) |
| SAL | 1.070 | 08/19/2015 | 11/19/2015 | (1,828) | (1,830) |
| | 1.156 | 05/01/2015 | 11/02/2015 | (2,310) | (2,321) |
| | 1.163 | 05/13/2015 | 11/13/2015 | (2,459) | (2,470) |
| | 1.195 | 07/07/2015 | 01/07/2016 | (4,554) | (4,567) |

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| | | | | | |
|--|-------|------------|------------|--------------------|---------|
| | 1.254 | 07/14/2015 | 01/14/2016 | (1,414) | (1,418) |
| SOG | 0.750 | 07/29/2015 | 10/29/2015 | (1,100) | (1,102) |
| | 0.750 | 09/03/2015 | 10/14/2015 | (361) | (361) |
| | 0.780 | 07/14/2015 | 10/14/2015 | (1,173) | (1,175) |
| | 0.780 | 07/17/2015 | 10/19/2015 | (894) | (896) |
| | 0.790 | 08/27/2015 | 11/30/2015 | (888) | (889) |
| | 0.820 | 08/24/2015 | 11/24/2015 | (836) | (837) |
| UBS | 0.900 | 07/20/2015 | 10/20/2015 | (1,022) | (1,024) |
| | 0.950 | 08/03/2015 | 11/03/2015 | (384) | (385) |
| | 1.601 | 08/05/2015 | 11/05/2015 | (2,274) | (2,280) |
| | 1.683 | 08/20/2015 | 11/20/2015 | (2,449) | (2,454) |
| | 1.733 | 08/20/2015 | 11/20/2015 | (3,597) | (3,604) |
| Total Reverse Repurchase Agreements | | | | \$ (93,814) | |

⁽²⁾ As of September 30, 2015, there were no open sale-buyback transactions. The average amount of borrowings outstanding during the period ended September 30, 2015 was \$87,269 at a weighted average interest rate of 1.215%.

(f) Securities with an aggregate market value of \$114,311 and cash of \$100 have been pledged as collateral under the terms of master agreements as of September 30, 2015.

(g) Financial Derivative Instruments: Exchange-Traded or Centrally Cleared Swap Agreements:

Interest Rate Swaps

| Pay/Receive | Floating Rate Index | Fixed Rate | Maturity Date | Notional Amount | Unrealized | | Variation Margin | |
|------------------------------|---------------------|------------|---------------|-----------------|---------------|---------------------------|------------------|---------------|
| | | | | | Market Value | Appreciation/Depreciation | Asset | Liability |
| Pay | 3-Month USD-LIBOR | 2.250% | 06/17/2020 | \$ 3,500 | \$ 167 | \$ 72 | \$ 0 | \$ (2) |
| Receive | 3-Month USD-LIBOR | 2.750 | 12/16/2045 | 4,200 | (168) | (386) | 13 | 0 |
| | | | | | \$ (1) | \$ (314) | \$ 13 | \$ (2) |
| Total Swap Agreements | | | | | \$ (1) | \$ (314) | \$ 13 | \$ (2) |

Cash of \$436 has been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of September 30, 2015.

(h) Financial Derivative Instruments: Over the Counter Swap Agreements:

Credit Default Swaps on Credit Indices - Sell Protection ⁽¹⁾

| Counterparty | Index/Tranches | Fixed Deal Receive Rate | Maturity Date | Notional Amount ⁽²⁾ | Premium (Received) | Swap Agreements, at Value ⁽³⁾ | | |
|------------------------------|-------------------------|-------------------------|---------------|--------------------------------|--------------------|--|-------------|-------------------|
| | | | | | | Unrealized Appreciation | Asset | Liability |
| GST | ABX.HE.AA.6-1 Index | 0.320% | 07/25/2045 | \$ 6,585 | \$ (1,310) | \$ 28 | \$ 0 | \$ (1,282) |
| | ABX.HE.PENAAA.7-1 Index | 0.090 | 08/25/2037 | 1,986 | (385) | 14 | 0 | (371) |
| | | | | | \$ (1,695) | \$ 42 | \$ 0 | \$ (1,653) |
| Total Swap Agreements | | | | | \$ (1,695) | \$ 42 | \$ 0 | \$ (1,653) |

- (1) *If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.*
 - (2) *The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.*
 - (3) *The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.*
- (i) Securities with an aggregate market value of \$1,703 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of September 30, 2015.**

Fair Value Measurements

The following is a summary of the fair valuations according to the inputs used as of September 30, 2015 in valuing the Fund's assets and liabilities:

| Category and Subcategory | Level 1 | Level 2 | Level 3 | Fair Value at 09/30/2015 |
|---|---------------|-------------------|-----------------|--------------------------|
| Investments in Securities, at Value | | | | |
| Bank Loan Obligations | \$ 0 | \$ 5,726 | \$ 393 | \$ 6,119 |
| Corporate Bonds & Notes | | | | |
| Banking & Finance | 0 | 9,329 | 5,552 | 14,881 |
| Industrials | 0 | 15,563 | 1,756 | 17,319 |
| Utilities | 0 | 3,508 | 0 | 3,508 |
| Municipal Bonds & Notes | | | | |
| Arkansas | 0 | 523 | 0 | 523 |
| West Virginia | 0 | 752 | 0 | 752 |
| U.S. Government Agencies | 0 | 2,245 | 0 | 2,245 |
| Mortgage-Backed Securities | 0 | 91,769 | 736 | 92,505 |
| Asset-Backed Securities | 0 | 58,630 | 74 | 58,704 |
| Common Stocks | | | | |
| Energy | 115 | 0 | 0 | 115 |
| Short-Term Instruments | | | | |
| Repurchase Agreements | 0 | 100 | 0 | 100 |
| Short-Term Notes | 0 | 7,797 | 0 | 7,797 |
| U.S. Treasury Bills | 0 | 1,703 | 0 | 1,703 |
| Total Investments | \$ 115 | \$ 197,645 | \$ 8,511 | \$ 206,271 |
| Financial Derivative Instruments - Assets | | | | |
| Exchange-traded or centrally cleared | \$ 0 | \$ 13 | \$ 0 | \$ 13 |
| Financial Derivative Instruments - Liabilities | | | | |
| Exchange-traded or centrally cleared | 0 | (2) | 0 | (2) |
| Over the counter | 0 | (1,653) | 0 | (1,653) |
| | \$ 0 | \$ (1,655) | \$ 0 | \$ (1,655) |
| Totals | \$ 115 | \$ 196,003 | \$ 8,511 | \$ 204,629 |

There were no significant transfers between Levels 1 and 2 during the period ended September 30, 2015.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended September 30, 2015:

| Category and Subcategory | Beginning Balance at 06/30/2015 | Net Purchases | Net Sales | Net Accrued Discounts | Realized Gain/Loss | Net Change in Unrealized Appreciation/ | Transfers into Level 3 | Transfers out of Level 3 | Ending Balance | Net Change in Unrealized |
|--------------------------|---------------------------------|---------------|-----------|-----------------------|--------------------|--|------------------------|--------------------------|----------------|--------------------------|
| | | | | | | | | | | |

(Premiums) (Depreciation) Level
3at 09/30/2015
(Depreciation)

on Investments

Held at
09/30/2015 ⁽¹⁾**Investments in Securities, at Value**

| | | | | | | | | | | |
|------------------------------------|----------|------|----------|------|------|----------|-------|------|----------|----------|
| Bank Loan Obligations | \$ 424 | \$ 0 | \$ (2) | \$ 1 | \$ 0 | \$ (30) | \$ 0 | \$ 0 | \$ 393 | \$ (30) |
| Corporate Bonds & Notes | | | | | | | | | | |
| Banking & Finance | 6,039 | 0 | (10) | 0 | 0 | (477) | 0 | 0 | 5,552 | (478) |
| Industrials | 1,825 | 0 | (80) | 0 | 0 | 11 | 0 | 0 | 1,756 | 18 |
| Mortgage-Backed Securities | 672 | 0 | (9) | 0 | 1 | 7 | 65 | 0 | 736 | 8 |
| Asset-Backed Securities | 75 | 0 | 0 | 1 | 0 | (2) | 0 | 0 | 74 | (27) |
| Warrants | | | | | | | | | | |
| Industrials | 12 | 0 | 0 | 0 | 0 | (12) | 0 | 0 | 0 | (12) |
| Totals | \$ 9,047 | \$ 0 | \$ (101) | \$ 2 | \$ 1 | \$ (503) | \$ 65 | \$ 0 | \$ 8,511 | \$ (521) |

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

| Category and Subcategory | Ending Balance at 09/30/2015 | Valuation Technique | Input Value(s) Unobservable Inputs(% Unless Noted Otherwise) |
|--|------------------------------|---|--|
| Investments in Securities, at Value | | | |
| Bank Loan Obligations | \$ 393 | Third Party Vendor | Broker Quote 79.50 |
| Corporate Bonds & Notes | | | |
| Banking & Finance | 5,552 | Proxy Pricing | Base Price 100.00 - 103.38 |
| Industrials | 1,327 | Proxy Pricing | Base Price 7.00 - 100.00 |
| | 429 | Third Party Vendor | Broker Quote 108.88 |
| Mortgage-Backed Securities | | | |
| | 65 | Other Valuation Techniques ⁽²⁾ | |
| | 671 | Proxy Pricing | Base Price 7.50 - 99.25 |
| Asset-Backed Securities | | | |
| | 74 | Proxy Pricing | Base Price 2.39 - 54.97 |
| Total | \$ 8,511 | | |

(1) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at September 30, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(2) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques are not considered significant to the Fund.

See Accompanying Notes

Notes to Financial Statements

1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The Net Asset Value (NAV) of the Fund is determined by dividing the total value of portfolio investments and other assets attributable to that Fund, less any liabilities, by the total number of shares outstanding of that Fund.

On each day that the New York Stock Exchange (NYSE) is open, Fund shares are ordinarily valued as of the close of regular trading (NYSE Close). Information that becomes known to the Fund or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Fund reserves the right to change the time its respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services). The Fund will normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the manager to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures (which are discussed below), are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of the Fund's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds (ETFs)), the Fund's NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the Board). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Fund may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Fund may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Fund may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Fund's portfolio investments being affected when shareholders are unable to buy or sell shares.

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

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Fund holds foreign (non-U.S.) investments, the value of those investments may change at times when you cannot purchase, redeem or exchange shares and the value of such investments will be reflected in the Fund's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board (Valuation Oversight Committee), generally based on recommendations provided by the Manager. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations (Broker Quotes), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of the Fund's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

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

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

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

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

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

Any assets or liabilities categorized as Level 1 or 2 as of period end that have been transferred between Levels 1 and 2 since the prior period are due to changes in the valuation method utilized in valuing the investments. Transfers from Level 1 to Level 2 are a result of a change, in the normal course of business, from the use of an exchange traded price or a trade price on the initial purchase date (Level 1) to valuation methods used by third-party pricing services including valuation adjustments applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the close of the NYSE (Level 2). Transfers from Level 2 to Level 1 are a result of exchange traded products for which quoted prices from an active market were not available (Level 2) and have become available (Level 1). Transfers from Level 1 to Level 3 are a result of a change from the use of an exchange traded price or a trade price on the initial purchase date (Level 1) to the use of a valuation technique which utilizes significant unobservable inputs due to an absence of current or reliable market based data (Level 3). Assets or liabilities categorized as Level 2 or 3 as of period end have been transferred between Levels 2 and 3 since the prior period due to changes in the valuation method utilized in valuing the investments. Transfers from Level 2 to Level 3 are a result of a change, in the normal course of business, from the use of valuation methods used by third-party pricing services (Level 2) to the use of a broker quote or valuation technique which utilizes significant unobservable inputs due to an absence of current or reliable market-based data (Level 3). Transfers from Level 3 to Level 2 are a result of the availability of current and reliable market-based data provided by third-party pricing services or other valuation techniques which utilize significant observable inputs. In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the Fund.

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

(c) Valuation Techniques and the Fair Value Hierarchy

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

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal

models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

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

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

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

Investments valued (denominated) in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates (currency spot and forward rates) obtained from Pricing Services. As a result, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. Short-term debt instruments having a remaining maturity of 60 days or less are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. Other than swap agreements, which are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services or other pricing sources, these contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by a Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

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

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

Investments in privately held investment funds with significant restrictions on redemption where the inputs to the NAVs are unobservable will be calculated based upon the NAVs of such investments and are categorized as Level 3 of the fair value hierarchy.

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

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

Discounted cash flow valuation uses an internal analysis based on the Manager's expectation of future income and expenses, capital structure, exit multiples of a security, and other unobservable inputs which may include contractual and factual loan factors, estimated future payments and credit rating. Significant changes in the unobservable inputs of the models would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy.

Market comparable valuation estimates fair value by applying a valuation multiple to a key performance metric of the company, which may include unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA), the Manager's assumptions regarding comparable companies and non-public statements from the underlying company. Significant changes in the unobservable inputs would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy.

The validity of the fair value is reviewed by the Manager on a periodic basis and may be amended in accordance with the Trust's valuation procedures.

2. FEDERAL INCOME TAX MATTERS

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

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

In accordance with U.S. GAAP, the Manager has reviewed the Fund's tax positions for all open tax years. As of September 30, 2015, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future tax returns.

The Fund files U.S. tax returns. While the statute of limitations remains open to examine the Fund's U.S. tax returns filed for the fiscal years ending in 2012-2014, no examinations are in progress or anticipated at this time. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of September 30, 2015, the aggregate cost and the net unrealized appreciation (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

| Federal Tax Cost | Aggregate Gross Unrealized Appreciation | Aggregate Gross Unrealized (Depreciation) | Net Unrealized Appreciation (Depreciation) (1) |
|-----------------------------|--|--|---|
| \$ 197,277 | \$ 17,345 | \$ (8,351) | \$ 8,994 |

(1) Primary differences, if any, between book and tax net unrealized appreciation (depreciation) are attributable to wash sale loss deferrals for federal income tax purposes.

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

(Unaudited)

Counterparty Abbreviations:

| | | | | | |
|-----|--------------------------------|-----|----------------------------|-----|--------------------------------|
| BCY | Barclays Capital, Inc. | JPS | JPMorgan Securities, Inc. | RTA | Bank of New York Mellon Corp. |
| BOS | Banc of America Securities LLC | MSC | Morgan Stanley & Co., Inc. | SAL | Citigroup Global Markets, Inc. |
| BRC | Barclays Bank PLC | RBC | Royal Bank of Canada | SOG | Societe Generale |
| DEU | Deutsche Bank Securities, Inc. | RDR | RBC Capital Markets | UBS | UBS Securities LLC |
| GST | Goldman Sachs International | | | | |

Currency Abbreviations:

USD (or \$) United States Dollar

Index/Spread Abbreviations:

ABX.HE Asset-Backed Securities Index - Home Equity

Other Abbreviations:

| | | | | | |
|-----|-----------------------|-------|---|-----|-----------------|
| ABS | Asset-Backed Security | CMBS | Collateralized Mortgage-Backed Security | PIK | Payment-in-Kind |
| ALT | Alternate Loan Trust | LIBOR | London Interbank Offered Rate | | |

Item 2. Controls and Procedures

(a) The principal executive officer and principal financial & accounting officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

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

