

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II
Form N-CSR
August 06, 2007

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 811-21077

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

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

New York 10105
(Zip code)

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

Registrant's telephone number, including area code: 212-739-3371
Date of fiscal year end: May 31, 2007
Date of reporting period: May 31, 2007

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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

Annual Report
May 31, 2007

Contents

Letter to Shareholders	1
Performance & Statistics	2-4
Schedules of Investments	5-26
Statements of Assets and Liabilities	28
Statements of Operations	29
Statements of Changes in Net Assets	30-31
Statements of Cash Flows	32-33
Notes to Financial Statements	34-41
Financial Highlights	42-45
Report of Independent Registered Public Accounting Firm	46
Tax Information/Corporate Changes	47
Privacy Policy/Proxy Voting Policies & Procedures	48
Dividend Reinvestment Plan	49

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Board of Trustees 50-51

Principal Officers 52

PIMCO Municipal Income Funds II Letter to Shareholders

July 10, 2007

Dear Shareholder:

We are pleased to provide you with the annual report for PIMCO Municipal Income Fund II, PIMCO California Municipal Income Fund II and PIMCO New York Municipal Income Fund II (collectively, the "Funds") for the fiscal year ended May 31, 2007.

The U.S. bond market delivered stable, positive returns during the period as economic growth moderated, although a correction in the US housing market caused some weakness for bonds. The Federal Reserve (the "Fed") raised the Federal Funds rate to 5.25% at the beginning of the period and has held the key rate at that level for nearly one year. Inflation continued to track somewhat higher than the central bank's stated comfort level.

For specific information on the Funds and their performance during the reporting period, 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) 331-1710. In addition, a wide range of information and resources is available on our Web site, 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.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

PIMCO Municipal Income Fund II Performance & Statistics

May 31, 2007 (unaudited)

- ¢ For the fiscal year ended May 31, 2007, PIMCO Municipal Income Fund II returned 8.02% on net asset value (NAV) and 12.64% on market price, compared to 5.92% and 10.37%, respectively for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.
- ¢ Municipal bond yields decreased for the twelve month period (except for the short end of the municipal yield curve) as the appetite for tax free municipals remained strong
- ¢ Interest rates for Treasuries and LIBOR Swaps also moved lower for the twelve month period
- ¢ Municipal bond issuance increased
- ¢ significantly over the period, supply levels were at \$436 billion, with the largest increase coming from year-to-date 2007 as supply increased 35% versus the same five-month period in 2006.
- ¢ The municipal yield curve flattened over the period: 10-year, 20-year and 30-year maturity AAA General Obligation yields decreased by 11, 19, and 28 basis points, respectively
- ¢ Municipal to Treasury yield ratios ended the twelve month period with 10-year ratios at 79.9% and 30-year ratios at 84.8%
- ¢ Long municipals underperformed long Treasuries and the taxable debt sector; the Lehman Long
- Municipal Bond Index returned 6.28%, while the Long Government/Credit and the Lehman Long Treasury Indices returned 8.80% and 7.70%, respectively
- ¢ Tobacco securitization sector holdings performed well due to favorable news related to underlying tobacco companies and the advance refunding of older higher cost debt.
- ¢ Exposure to zero coupon municipals was positive for performance. The Lehman Zero Coupon Municipal Bond Index returned 8.14% for the period versus 6.28% for the Lehman Long Municipal Bond Index.

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	12.64%	8.02%
3 Year	11.84%	9.09%
Commencement of Operations (6/28/02) to 5/31/07	7.34%	7.81%

Common Share Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (6/28/02) to 5/31/07	Market Price	\$15.42
	NAV	\$15.05
	Premium to NAV	2.46%
	Market Price Yield(2)	5.06%

**Moody's Ratings
(as a % of total investments)**

(1) **Past performance is no guarantee of future results.** Total return is determined by subtracting the initial investment from the value at the end of the period and dividing the remainder by the initial investment and expressing the result as a percentage. The calculation assumes that all income dividends and capital gain distributions have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public

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offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend payable to common shareholders by the market price per common share at May 31, 2007.

2 PIMCO Municipal Income Funds II Annual Report | 5.31.07

PIMCO California Municipal Income Fund II Performance & Statistics

May 31, 2007 (unaudited)

- ¢ For the fiscal year ended May 31, 2007, PIMCO California Municipal Income Fund II returned 8.06% on net asset value (NAV) and 15.35% on market price, compared to 5.88% and 10.15%, respectively for the Lipper California Municipal Debt Funds (Leveraged) average.
- ¢ The municipal yield curve flattened over the period: 10-year, 20-year and 30-year maturity AAA General Obligation yields decreased by 11, 19, and 28 basis points, respectively
- ¢ Exposure to zero coupon municipals was positive for performance. The Lehman Zero Coupon Municipal Bond Index returned 8.14% for the period versus 6.28% for the Lehman Long Municipal Bond Index.
- ¢ Municipal bond yields decreased for the twelve month period (except for the short end of the municipal yield curve) as the appetite for tax free municipals remained strong
- ¢ Municipal to Treasury yield ratios ended the twelve month period with 10-year ratios at 79.9% and 30-year ratios at 84.8%
- ¢ Municipal bonds within California outperformed the national index for the period. The Long California Index returned 6.64% versus the Long National Index return of 6.28%. California was the largest issuer of tax-exempt debt during the 12 months.
- ¢ Interest rates for Treasuries and LIBOR Swaps also moved lower for the twelve month period
- ¢ Long municipals underperformed long Treasuries and the taxable debt sector; the Lehman Long Municipal Bond Index returned 6.28%, while the Long Government/Credit and the Lehman Long Treasury Indices returned 8.80% and 7.70%, respectively
- ¢ The shape of the California State AAA insured municipal yield curve flattened over the 12 months: 5-year maturity credits increased by 12 basis points, 10-year maturities decreased by 5 basis points, and 30-year maturities decreased by 20 basis points.
- ¢ Municipal bond issuance increased significantly over the period, supply levels were at \$436 billion, with the largest increase coming from year-to-date 2007 as supply increased 35% versus the same five-month period in 2006.
- ¢ Tobacco securitization sector holdings performed well due to favorable news related to underlying tobacco companies and the advance refunding of older higher cost debt.

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	15.35%	8.06%
3 Year	13.18%	9.96%
Commencement of Operations (6/28/02) to 5/31/07	7.87%	7.39%
Common Share Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (6/28/02) to 5/31/07	Market Price	\$15.96
	NAV	\$14.89
	Premium to NAV	7.19%
	Market Price Yield(2)	5.26%

Moody's Ratings
(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is determined by subtracting the initial investment from the value at the end of the period and dividing the the remainder by the initial investment value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year

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represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. 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 sold in the open market through a stock exchange. Net asset value is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend payable to common shareholders by the market price per common share at May 31, 2007.

5.31.07 | PIMCO Municipal Income Funds II Annual Report **3**

PIMCO New York Municipal Income Fund II Performance & Statistics

May 31, 2007 (unaudited)

- ¢ For the fiscal year ended May 31, 2007, PIMCO New York Municipal Income Fund II returned 6.41% on net asset value (NAV) and 15.51% on market price, compared to 5.51% and 10.41%, respectively for the Lipper New York Municipal Debt Funds (Leveraged) average.
- ¢ The municipal yield curve flattened over the period: 10-year, 20-year and 30-year maturity AAA General Obligation yields decreased by 11, 19, and 28 basis points, respectively
- ¢ Exposure to zero coupon municipals was positive for performance. The Lehman Zero Coupon Municipal Bond Index returned 8.14% for the period versus 6.28% for the Lehman Long Municipal Bond Index.
- ¢ Municipal bond yields decreased for the twelve month period (except for the short end of the municipal yield curve) as the appetite for tax free municipals remained strong
- ¢ Municipal to Treasury yield ratios ended the twelve month period with 10-year ratios at 79.9% and 30-year ratios at 84.8%
- ¢ Municipal bonds within New York underperformed the national index for the period. The Long New York Index returned 6.13% versus the Long National Index return of 6.28%. New York was the second largest issuer of tax-exempt debt during the 12 months.
- ¢ Interest rates for Treasuries and LIBOR Swaps also moved lower for the twelve month period
- ¢ Long municipals underperformed long Treasuries and the taxable debt sector; the Lehman Long Municipal Bond Index returned 6.28%, while the Long Government/Credit and the Lehman Long Treasury Indices returned 8.80% and 7.70%, respectively
- ¢ The shape of the New York Insured AAA municipal yield curve flattened over the quarter: 5-year maturity AAA credits increased by 9 basis points, 10-year maturities decreased by 13 basis points, and 30-year maturities decreased by 25 basis points.
- ¢ Municipal bond issuance increased significantly over the 12 month period, supply levels were at \$436 billion, with the largest increase coming from year-to-date 2007 as supply increased 35% versus the same five-month period in 2006.
- ¢ Tobacco securitization sector holdings performed well due to favorable news related to underlying tobacco companies and the advance refunding of older higher cost debt.

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	15.51%	6.41%
3 Year	12.56%	9.54%
Commencement of Operations (6/28/02) to 5/31/07	7.13%	7.14%

Common Share Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/07

Market Price/NAV:

Market Price	\$15.49
NAV	\$14.79
Premium to NAV	4.73%
Market Price Yield(2)	5.13%

Moody's Ratings
(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is determined by subtracting the initial investment from the value at the end of the period and dividing the remainder by the initial investment value of the investment at the beginning of the period and expressing the result as