

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II
Form N-CSRS
February 01, 2011

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

FORM N-CSR

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

PIMCO California Municipal Income Fund II

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York

10105

(Address of principal executive offices)

(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, 2011

Date of reporting period: November 30, 2010

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

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

ITEM 1. REPORT TO SHAREHOLDERS

Semi-Annual Report

November 30, 2010

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

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| 11.30.10 | PIMCO Municipal Income Funds II Semi-Annual Report 1

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Dear Shareholder:

After rising for most of the six-month fiscal period ended November 30, 2010, municipal bonds fell sharply in the final weeks of the period, erasing prior gains. Fueling this sudden reversal were continued concerns about the strength of the U.S. economic recovery, ongoing fiscal problems in many cities and states as well as both the apparent end of federal subsidies for many municipal securities and renewed buying of Treasury bonds by the Federal Reserve (the Fed).

Six Months in Review

For the six-month fiscal period ended November 30, 2010:

PIMCO Municipal Income Fund II rose 0.84% on NAV but declined 1.34% on market price.

PIMCO California Municipal Income Fund II rose 0.02% on NAV but declined 1.56% on market price.

PIMCO New York Municipal Income Fund II declined 0.04% on NAV but rose 3.21% on market price.

The slowing economy was reflected in gross domestic product (GDP) figures during the reporting period. After expanding at a 5.0% annual rate in the fourth quarter of 2009, GDP fell to 3.7% during the first quarter of 2010 and to 1.7% during the second quarter of 2010. However, it rebounded in the third quarter of 2010 to 2.5%.

Hans W. Kertess
Chairman

Brian S. Shlissel
President & CEO

The slowing economy prompted the Fed to resume purchasing U.S. Treasury bonds. The goal of this quantitative easing was to lower interest rates and boost economic activity. But at the time of the Fed's announcement, interest rates were already at or near record-low levels: just 2.41% as recently as early October 2010. As Treasury yields fell, yields on many municipal bonds also dropped, pushing prices which move in the opposite direction higher.

However these gains quickly evaporated. The quantitative easing program generally excluded Treasury bonds with longer maturities. Their prices dropped, and since municipal bond prices move in tandem with Treasuries, prices of long-term municipals also fell.

There has been a second catalyst for the decline of municipal bond prices. As the recession neared bottom in early 2009, the Obama administration unveiled its Build America Bonds (BAB) program. Part of the administration's stimulus package, BABs were designed to subsidize borrowing costs for state and local governments. However, it became clear after the November election

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that the new Congress would not extend the BAB program. As a result, a year-end rush to sell BABs flooded the market. Oversupply exceeded demand causing municipal bond prices to fall.

The end of the BAB program is likely to result in higher borrowing costs for state and city governments, many of which are already in dire fiscal straights. The non-partisan Center on Budget and Policy Priorities projects that 46 states face budget shortfalls in 2011. In 18 of these states, the red ink is more than 20% of planned expenditures.

The Road Ahead

The Bush tax cuts have been extended for two years. While federal tax brackets will remain stable in 2011 and 2012, taxes at the state and local level are likely to rise, given the previously mentioned fiscal concerns. Therefore, despite current headwinds, we continue to believe that the tax advantages inherent in investing in municipal bonds should continue to make them compelling investments in the years ahead.

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 are 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.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

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www.allianzinvestors.com/edelivery.

PIMCO Municipal Income Funds II Fund Insights

November 30, 2010 (unaudited)

For the fiscal six-month period ended November 30, 2010 PIMCO Municipal Income Fund II returned 0.84% on NAV and -1.34% on market price. PIMCO California Municipal Fund II returned 0.02% on NAV and -1.56% on market price and PIMCO New York Municipal Income Fund II returned -0.04% on NAV and 3.21% on market price.

Amid generally declining yields, the municipal yield curve steepened slightly during the reporting period, following the lead of the Treasury market. The two-30 year spread increased by 34 basis points as long yields increased the most. AAA rated municipal yields increased by two, one, and 36 basis points in two-, 10-, and 30- year maturities, respectively. In longer maturities, municipal bonds significantly underperformed the stronger taxable bond market, with the Barclays Capital Long Municipal Bond Index returning 0.06% while the Barclays Capital Long Government/Credit index returned 6.16%, and the Barclays Capital Long U.S. Treasury index returned 5.02%. Municipal to Treasury yield ratios (a measure of the relative attractiveness of municipal and Treasury bonds) ended higher as Treasuries outperformed municipals. The 10-year ratio increased to 100.47% and the 30-year ratio decreased to 106.07%.

Holdings in the health care sector, which outperformed the general municipal market during the period, benefitted all three Funds' returns. The Funds' interest rate positioning was negative for performance. Exposure to the tobacco sector, which underperformed the general municipal market during the period, detracted from performance. The Funds' positions in corporate-backed municipals, which significantly underperformed the general municipal market during the period, also hindered performance.

PIMCO Municipal Income Fund II

The national municipal bond market benefited from widespread anticipation, confirmed with a September announcement, of a second round of asset purchases by the Fed in support of credit markets. The improved investor sentiment was mitigated by rising concerns about the fiscal health of state governments given the persistence of low tax revenues.

PIMCO California Municipal Income Fund II

California municipal bonds underperformed the national index, with the Barclays Capital California Municipal Bond Index returning 0.95% versus 1.12% for the Barclays Capital Municipal Bond index over the period. Long California municipal bonds slightly underperformed their peers in the national index, returning 0.04% versus the Barclays Capital Long Municipal Bond Index gain of 0.06% cited above. Continued volatility is expected as the state continues to struggle through their budget process, even with the budget balance agreement.

In addition to the factors noted above, exposure to the leasing sector, which outperformed the general municipal market during the period, benefitted performance.

PIMCO New York Municipal Income Fund II

New York municipals, as measured by the Barclays Capital New York Municipal Bond Index, returned 1.00% for the period, slightly trailing the national market's 1.12% gain, as measured by the Barclays Capital Municipal Bond Index. The long-maturity segment of the New York market also underperformed the long segment of the national municipal bond market, returning -0.06% versus the Barclays Capital Long Municipal Bond Index gain of 0.06% cited above.

In addition to the factors noted above, exposure to the transportation sector, which underperformed the general municipal market during the period, detracted from performance.

PIMCO Municipal Income Funds II Performance & Statistics

November 30, 2010 (unaudited)

<u>Municipal Fund II:</u> Total Return⁽¹⁾:	Market Price	NAV
Six Month	(1.34)%	0.84%
1 Year	8.80%	11.61%
5 Year	(0.61)%	0.25%
Commencement of Operations (6/28/02) to 11/30/10	2.69%	3.11%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/10

Market Price
NAV

Market Price/NAV:

Market Price	\$10.59
NAV	\$10.48
Premium to NAV	1.05%
Market Price Yield ⁽²⁾	7.37%

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

California Municipal Fund II:

Total Return⁽¹⁾:	Market Price	NAV
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Six Month	(1.56)%	0.02%
1 Year	10.47%	10.79%
5 Year	(3.74)%	(4.48)%
Commencement of Operations (6/28/02) to 11/30/10	0.80%	0.00%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/10

Market Price
NAV

Market Price/NAV:

Market Price	\$8.81
NAV	\$7.75
Premium to NAV	13.68%
Market Price Yield ⁽²⁾	8.22%

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

PIMCO Municipal Funds II Performance & Statistics

November 30, 2010 (unaudited) (continued)

New York Municipal Income Fund II:

Total Return ⁽¹⁾:	Market Price	NAV
Six Month	3.21%	(0.04)%
1 Year	12.79%	9.50%
5 Year	0.46%	0.39%
Commencement of Operations (6/28/02) to 11/30/10	3.34%	2.97%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/10

Market Price
NAV

Market Price/NAV:

Market Price	\$11.38
NAV	\$10.51
Premium to NAV	8.28%
Market Price Yield ⁽²⁾	6.99%

**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 net asset value (NAV) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions if any, have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

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

An investment in each Fund involves risk, including the loss of principal. Total return, market price, market 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 onetime public offering and once issued, shares of closed-end funds are sold 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.

- (2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at November 30, 2010.

PIMCO Municipal Income Fund II Schedule of Investments

November 30, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
MUNICIPAL BONDS & NOTES 97.2%			
Alabama 1.2%			
\$ 10,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa2/NR	\$ 8,698,600
1,235	Montgomery BMC Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/29, Ser. B (NPFGC)	A3/A	1,114,378
2,650	Tuscaloosa Public Educational Building Auth. Rev., Stillman College Project, 5.00%, 6/1/26, Ser. A	NR/BBB	2,476,292
			12,289,270
Alaska 0.7%			
3,550	Housing Finance Corp. Rev., 5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA	3,565,975
5,900	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	3,707,560
			7,273,535
Arizona 9.6%			
3,500	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/A+	3,335,115
2,860	5.50%, 1/1/38, Ser. D	NR/A+	2,896,637
5,000	Maricopa Cnty. Pollution Control Corp. Rev., 5.00%, 6/1/35, Ser. A	A1/A	4,855,600
29,700	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39	Aa2/AA	28,559,520
1,500	Tuscon Electric Power Co., 5.25%, 10/1/40, Ser. A	Baa3/BBB	1,357,965
	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (h), 5.00%, 1/1/37	Aa1/AA	41,760,888
41,100	5.00%, 1/1/39	Aa1/AA	10,226,300
10,000		A3/A	9,239,895
10,500	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37		
			102,231,920
Arkansas 0.2%			
13,000	Dev. Finance Auth. Rev., Arkansas Cancer Research Center Project, zero coupon, 7/1/46 (AMBAC)	Aa2/NR	1,691,430
California 5.3%			
6,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	Baa3/BB+	4,407,540
2,500	Los Angeles Department of Water & Power Rev.,		