

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II  
Form N-CSR  
August 07, 2008

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, 2008

Date of reporting period: May 31, 2008

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.

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ITEM 1. REPORT TO SHAREHOLDERS

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

Annual Report  
May 31, 2008

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## PIMCO Municipal Income Funds II Letter to Shareholders

July 15, 2008

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 (the Funds) for the fiscal year ended May 31, 2008.

As economic growth slowed and credit conditions tightened during the period, the U.S. bond market delivered positive returns for all but U.S. high yield bonds. The Lehman Municipal Bond Index posted a 3.87% tax-advantaged return. The Federal Reserve (the Fed) reduced the Federal Funds rate seven times during the reporting period, reducing the benchmark rate on loans between member banks from 5.25% to 2.0%. The Fed also sought other methods to inject liquidity into the economy.

Since February 2008, industry-wide developments in the auction-rate preferred markets have caused auctions for the Funds' auction-rate preferred shares (ARPS) to fail, as described in Note 5 in the accompanying Notes to Financial Statements. At the time this report is being prepared, it is not possible to predict how and when full or partial liquidity will return, if at all, to the closed-end fund ARPS market. Additional information regarding ARPS, failed auctions and potential solutions to address the unprecedented lack of liquidity of the ARPS due to recent failed auctions can be accessed on our Web site, [www.allianzinvestors.com/arps](http://www.allianzinvestors.com/arps).

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. You will also find a wide range of information and resources is available on our Web site, [www.allianzinvestors.com/closedendfunds](http://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*



**PIMCO Municipal Income Fund II Fund Insights/Performance & Statistics**

May 31, 2008 (unaudited)

For the fiscal year ended May 31, 2008, PIMCO Municipal Income Fund II returned (2.75)% on net asset value and (3.09)% on market price, compared to (1.78)% and (3.56)%, respectively for the Lipper Analytical General Municipal Debt Funds Leveraged (the Benchmark ) average. The Fund's average credit quality was AA- at fiscal year-end compared to the Benchmark's average of AA1/AA2.

Municipal Securities underperformed Treasuries and the taxable debt sector during the reporting period as the Lehman Brothers Municipal Bond Index

returned 3.87%, while the Lehman Brothers Aggregate and the Lehman Brothers Treasury Indices returned 6.89% and 9.81%, respectively.

For the 12-month period ended May 31, 2008, 10-year AAA muni yields decreased 27 basis points, while 20-and 30-year AAA muni yields increased 14 and 26 basis points, respectively.

The Fund's effective duration was managed below that of its Benchmark throughout the period, which was positive for performance, as municipal yields decreased in the short maturities, and increased in the longer

maturities during the reporting period.

Exposure to the prerefunded and special tax sectors were positive for performance as these sectors outperformed during the reporting period.

Exposure to the hospital sector detracted from performance as this sector underperformed during the fiscal year.

The Fund's Hedging strategies detracted from performance as municipals underperformed Treasuries during the twelve-month reporting period.

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 Year	(3.09)%	(2.75)%
3 Year	3.86%	3.65%
5 Year	5.48%	5.24%
Commencement of Operations (6/28/02) to 5/31/08	5.50%	5.95%

**Common Share Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/08

Market Price

NAV

\$16.00

15.50

15.00

14.50

14.00

13.50

13.00

12.50

6/28/02

5/31/08

**Market Price/NAV:**

Market Price	\$14.14
NAV	\$13.86
Premium to NAV	2.02%
Market Price Yield <sup>(2)</sup>	5.52%

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

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

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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. 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 (comprised from net investment income) payable to common shareholders by the market price per common share at May 31, 2008.



**PIMCO California Municipal Income Fund II Fund Insights/Performance & Statistics**

May 31, 2008 (unaudited)

For the fiscal year ended May 31, 2008, PIMCO California Municipal Income Fund II returned (4.83)% on net asset value and (5.17)% on market price, compared to (0.40)% and (4.24)%, respectively for the Lipper California Municipal Debt Funds Leveraged (the Benchmark ) average.

The Fund's average credit quality was AA- at fiscal year-end compared to the Benchmark's average of AA1/AA2.

Municipals underperformed Treasuries and the taxable debt sector during the reporting period as Lehman Brothers

California Municipal Index returned 3.04%, while the Lehman Brothers Aggregate and the Lehman Brothers Treasury Indices returned 6.89% and 9.81%, respectively.

For the 12-month period ended May 31, 2008, 10-year California muni yields increased 2 basis points, while 20- and 30-year yields increased 39 and 48 basis points, respectively.

The Fund's effective duration was managed below that of its Benchmark throughout the period, which performance, as municipal yields

increased in the longer maturities while decreasing in the shorter maturities.

Exposure to tobacco-securitized municipals detracted from performance as the over-all index returned (4.45)% during the reporting period.

California Municipals slightly underperformed the broader national market for the 12-month period.

The Fund's Hedging strategy detracted from performance as municipals underperformed Treasuries during the reporting period.

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 Year	(5.17)%	(4.83)%
3 Year	4.89%	3.03%
5 Year	5.73%	4.55%
Commencement of Operations (6/28/02) to 5/31/08	5.55%	5.22%

**Common Share Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/08

Market Price

NAV

\$17.00

16.00

15.00

14.00

13.00

12.00

11.00

6/28/02

5/31/08

**Market Price/NAV:**

Market Price	\$ 14.25
NAV	\$ 13.34
Premium to NAV	6.82%
Market Price Yield <sup>(2)</sup>	5.89%

(1) **Past performance is no guarantee of future result.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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. 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 (comprised from net investment income) payable to common shareholders by the market price per common

share at May 31, 2008.

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**PIMCO New York Municipal Income Fund II Fund Insights/Performance & Statistics**

May 31, 2008 (unaudited)

For the fiscal year ended May 31, 2008, PIMCO New York Municipal Income Fund II returned (2.19)% on net asset value and (1.46)% on market price, compared to 0.13% and (3.01)%, respectively for the Lipper New York Municipal Debt Funds Leveraged (the Benchmark ) average.

The Fund's average credit quality was AA at fiscal year-end compared to the Benchmark's average of AA1/AA2.

Municipals underperformed Treasuries and the taxable debt sector during the reporting period the Lehman Brothers

New York Muni Index returned 4.44%, while the Lehman Brothers Aggregate and the Lehman Brothers Treasury Indices returned 6.89% and 9.81%, respectively.

For the 12-month period, 10-year New York yields decreased 28 basis points, while 20- and 30-year New York yields increased 12 and 24 basis points, respectively.

The Fund's effective duration was managed below that of its Benchmark throughout the period, which was positive for performance, as municipal

yields decreased in the short-end and increased in the longer maturities.

Exposure to hospital bonds detracted from performance as this sector underperformed for the fiscal year.

Municipal bonds within New York outperformed the broader national market during the reporting period.

The Fund's Hedging strategies detracted from performance as municipals underperformed Treasuries during the twelve-month reporting period.

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 Year	(1.46)%	(2.19)%
3 Year	4.98%	3.58%
5 Year	5.91%	5.19%
Commencement of Operations (6/28/02) to 5/31/08	5.62%	5.50%

**Common Share Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/08

Market Price

NAV

\$16.50

16.00  
 15.50  
 15.00  
 14.50  
 14.00  
 13.50  
 13.00  
 6/28/02  
 5/31/08  
 12.50  
 12.00

**Market Price/NAV:**

Market Price	\$ 14.42
NAV	\$ 13.67
Premium to NAV	5.49%
Market Price Yield <sup>(2)</sup>	5.51%

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

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

the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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. 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 (comprised from net investment income) payable to common shareholders by the market price per common share at May 31, 2008.

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

May 31, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*
<b>MUNICIPAL BONDS &amp; NOTES 96.0%</b>		
<b>Alabama 3.5%</b>		
\$10,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev, 5.00%, 11/15/30, Ser. A	Baa1/NR
18,000	Birmingham Waterworks & Sewer Board Rev., 5.25%, 1/1/33, Ser. B, (Pre-refunded @ \$100, 1/1/13) (MBIA)(b)(h)	Aaa/AAA
1,750	Huntsville Health Care Auth. Rev., 5.75%, 6/1/32, Ser. B, (Pre-refunded @\$101, 6/1/12) (b)	A2/NR
16,580	Jefferson Cnty. Sewer Rev., 4.75%, 2/1/38, Ser. B, (Pre-refunded @ \$100, 8/1/12) (FGIC)(b)	Aaa/AAA
2,650	Tuscaloosa Educational Building Auth. Rev., Stillman College, 5.00%, 6/1/26	NR/BBB-
<b>Alaska 0.6%</b>		
5,900	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR
3,550	State Housing Finance Corp. Rev., 5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA
<b>Arizona 5.7%</b>		