

PIMCO CALIFORNIA MUNICIPAL INCOME FUND
Form N-CSRS
January 09, 2009

**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: 811-10379

PIMCO California Municipal Income Fund

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, NY 10105

(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna

1345 Avenue of the Americas, New York, NY 10105

(Name and address of agent for service)

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

Date of fiscal year end: April 30, 2009

Date of reporting period: October 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.

ITEM 1. REPORT TO SHAREHOLDERS

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PIMCO Municipal Income Funds Letter to Shareholders

December 15, 2008

Dear Shareholder:

We are pleased to provide you with the semi-annual report for PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund and PIMCO New York Municipal Income Fund (the Funds) for the six-month period ended October 31, 2008.

The U.S. bond market delivered negative returns during the period as economic growth moderated and investors backed away from investment and credit risk. In the rush to perceived safety, investors bid up the prices of U.S. Treasury securities, causing yields to fall. This added to the spreads in yields between Treasuries and other debt securities, pushing spreads to record-high levels for some bond classes. Total returns for broad municipal bond indexes declined during the period. The Federal Reserve (the Fed) reduced the Federal Funds rate twice during the reporting period in response to economic slowing and a destabilizing lack of liquidity caused by a general de-leveraging of the financial system. The moves lowered the key target rate on loans between member banks from 2% to 1%.

In the coming weeks or months, we would expect the de-leveraging of the private sector to meet its counterpart in the leveraging of the federal government as it seeks to inject more than a trillion dollars of liquidity into the nation's financial system. This initiative holds potential to restore stability and some relative safety to debt securities outside of the shortest-term government issues.

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 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

PIMCO Municipal Income Fund Insights

October 31, 2008 (unaudited)

For the six-month reporting period ended October 31, 2008, PIMCO Municipal Income Fund had a net asset value (NAV) return of (19.83)% and a market price return of (26.43)%, compared with (16.98)% and (22.52)%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

Municipal bond yields increased across the curve in all but the one-year portion of the curve during the six-month period ended October 31, 2008.

Duration hedging strategies affected performance negatively during the period. Thirty-year Treasury and London Interbank Offered Rate (LIBOR) swaps rallied while municipal rates increased.

Municipal to Treasury yield ratios moved higher during the period reaching all time high levels in September and continuing higher in October. The 10-year ratio increased to 108.67% and 30-year ratio increased to 123.76%.

Exposure to healthcare related munis was negative for performance as this sector underperformed during the six-month period.

Tobacco securitization sector holdings detracted from performance as muni investors focused on very high quality short-term munis and avoided lower rated sectors.

Exposure to zero coupon municipals was negative for performance as their longer durations caused underperformance as rates moved higher during the period. The Barclays Capital Zero Coupon Index returned (13.54)% for the six-month period.

Long Municipals underperformed Long Treasuries and the taxable debt sector during the six-month period as investors moved into Treasuries due to continued uncertainty in the markets. The Barclays Capital Long Municipal Bond Index returned (12.57)% while the Long Government/Credit and the Long Barclays Capital Treasury Indices returned (11.64)% and (0.85)%, respectively.

Municipal bond issuance remains at increased levels, although September and October saw a substantial decrease from the same months a year prior as issuers remained on hold due to market dislocation. Although issuance has been stalled somewhat, municipalities will need to access the debt markets to obtain funding for projects and various cash flow needs in the near term. During the six-month period, issuance totaled in excess of \$205 billion.

PIMCO Municipal Income was generally positioned with a significant portion of its exposure in longer dated maturities due to the attractiveness of that portion of the curve. This hindered performance as the muni curve steepened during this period with longer rates increasing. The 15-, 20-, and 30-year maturity AAA General Obligation yields increased 67, 62, and 75 basis points, respectively while the two-year yield increased by only 10 basis points.

PIMCO Municipal Income Fund Performance & Statistics

October 31, 2008 (unaudited)

| Total Return(1): | Market Price | Net Asset Value (NAV) |
|--|---------------------|--------------------------------|
| Six Months | (26.43)% | (19.83)% |
| 1 Year | (22.96)% | (23.32)% |
| 5 Year | 3.35% | 0.33% |
| Commencement of Operations (6/29/01) to 10/31/08 | 3.22% | 1.90% |

Common Share Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/08

Market Price/NAV:

| | |
|-----------------------|---------|
| Market Price | \$11.70 |
| NAV | \$9.99 |
| Premium to NAV | 17.12% |
| Market Price Yield(2) | 8.07% |

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

(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 less than one year is not annualized. 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 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 October 31, 2008.

PIMCO California Municipal Income Fund Insights

October 31, 2008 (unaudited)

For the six-month reporting period ended October 31, 2008, PIMCO California Municipal Income Fund had a net asset value (NAV) return of (16.79)% and a market price return of (26.78)%, compared with (15.39)% and (20.05)%, respectively, for the Lipper Analytical California Municipal Debt Funds average.

Municipal bond yields increased across the curve in all but the one-year portion of the curve during the six-month period ended October 31, 2008.

Duration hedging strategies affected performance negatively during the period. Thirty-year Treasury and London Interbank Offered Rate (LIBOR) swaps rallied while municipal rates increased.

Municipal to Treasury yield ratios moved higher during the period reaching all time high levels in September and continuing higher in October. The 10-year ratio increased to 108.67% and 30-year ratio increased to 123.76%.

Exposure to healthcare related munis was negative for performance as this sector underperformed during the six-month period.

Tobacco securitization sector holdings detracted from performance as muni investors focused on very high quality short-term munis and avoided lower rated sectors.

Exposure to zero coupon municipals was negative for performance as their longer durations caused underperformance as rates moved higher during the period. The Barclays Capital Zero Coupon Index returned (13.54)% for the six-month period.

Municipal bonds within California underperformed the Barclays Capital Municipal Bond Index (national index) returning (5.34)% versus (4.70)% for the national index during the period. Year-to-date, California continues to lead all other states in new issue volume. The state's issuance decreased 17.8% from the same period last year to \$50 billion.

PIMCO California Municipal Income was generally positioned with a significant portion of its exposure in longer dated maturities due to the attractiveness of that portion of the curve. This hindered performance as long muni rates increased during this period. The shape of the California State AAA insured municipal yield curve steepened during the reporting period. Five-year maturity yields increased 54 basis points, 10-year yields increased 76 basis points, and 30-year yields increased 98 basis points.

Long municipals underperformed long Treasuries and the taxable debt sector during the six-month period as investors moved into Treasuries due to continued uncertainty in the markets. The Barclays Capital Long Municipal Bond Index returned (12.57)% while the Long Government/Credit and the Long Barclays Capital Treasury Indices returned (11.64)% and (0.85)%, respectively.

Municipal bond issuance remains at increased levels, although September and October saw a substantial decrease from the same months a year prior as issuers remained on hold due to market dislocation. Although issuance has been stalled somewhat, municipalities will need to access the debt markets to obtain funding for projects and various cash flow needs in the near term. During the six-month period, issuance totaled in excess of \$205 billion.

PIMCO California Municipal Income Fund Performance & Statistics

October 31, 2008 (unaudited)

| Total Return(1): | Market Price | Net Asset Value (NAV) |
|--|---------------------|--------------------------------|
| Six Months | (26.78)% | (16.79)% |
| 1 Year | (26.18)% | (18.54)% |
| 5 Year | 2.82% | 2.04% |
| Commencement of Operations (6/29/01) to 10/31/08 | 2.34% | 2.75% |

Common Share Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/08

Market Price/NAV:

| | |
|-----------------------|---------|
| Market Price | \$11.21 |
| NAV | \$10.94 |
| Premium to NAV | 2.47% |
| Market Price Yield(2) | 7.93% |

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

(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 less than one year is not annualized. 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 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 October 31, 2008.

PIMCO New York Municipal Income Fund Insights

October 31, 2008 (unaudited)

For the six-month reporting period ended October 31, 2008, PIMCO New York Municipal Income Fund had a net asset value return (NAV) of (20.13)% and a market price return of (19.88)%, compared with (14.95)% and (18.34)%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

Municipal bond yields increased across the curve in all but the one-year portion of the curve during the six-month period ended October 31, 2008.

Duration hedging strategies affected performance negatively during the period. Thirty-year Treasury and London Interbank Offered Rate (LIBOR) swaps rallied while municipal rates increased.

Municipal to Treasury yield ratios moved higher during the six-month period reaching all time high levels in September and continuing higher in October. The 10-year ratio increased to 108.67% and 30-year ratio increased to 123.76%.

Exposure to healthcare related munis was negative for performance as this sector underperformed during the period.

Tobacco securitization sector holdings detracted from performance as muni investors focused on very high quality short-term munis and avoided lower rated sectors.

Exposure to zero coupon municipals was negative for performance as their longer durations caused underperformance as rates moved higher during the period. The Barclays Capital Zero Coupon Index returned (13.54)% for the six-month period.

Municipal bonds within New York outperformed the Barclays Capital Municipal Bond Index (national index) returning (4.08)% versus (4.70)% for the national index during the period. Year-to-date, New York State issuance aggregated \$35.4 billion in bonds, 39.6% higher than the same period last year. New York ranks third among all states in terms of issuance.

PIMCO New York Municipal Income was generally positioned with a significant portion of its exposure in longer dated maturities due to the attractiveness of that portion of the curve. This hindered performance as long muni rates increased during this period. The shape of the New York Insured AAA municipal yield curve steepened during the reporting period. Five-year maturity AAA credits increased 45 basis points, 10-year maturities increased 65 basis points, and 30-year maturities increased by 81 basis points.

Long municipals underperformed long Treasuries and the taxable debt sector during the period as investors moved into Treasuries due to continued uncertainty in the markets. The Barclays Capital Long Municipal Bond Index returned (12.57)% while the Long Government/Credit and the Long Barclays Capital Treasury Indices returned (11.64)% and (0.85)%, respectively.

Municipal bond issuance remains at increased levels, although September and October saw a substantial decrease from the same months a year prior as issuers remained on hold due to market dislocation. Although issuance has been stalled somewhat, municipalities will need to access the debt markets to obtain funding for projects and various cash flow needs in the near term. During the six-month period, issuance totaled in excess of \$205 billion.

PIMCO New York Municipal Income Fund Performance & Statistics

October 31, 2008 (unaudited)

| Total Return(1): | Market Price | Net Asset Value (NAV) |
|--|---------------------|--------------------------------|
| Six Months | (19.88)% | (20.13)% |
| 1 Year | (16.84)% | (21.21)% |
| 5 Year | 0.29% | (0.18)% |
| Commencement of Operations (6/29/01) to 10/31/08 | 0.81% | 1.06% |

Common Share Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/08

Market Price/NAV:

| | |
|-----------------------|---------|
| Market Price | \$10.16 |
| NAV | \$9.86 |
| Premium to NAV | 3.04% |
| Market Price Yield(2) | 6.60% |

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

(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 less than one year is not annualized. 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 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 October 31, 2008.

PIMCO Municipal Income Fund Schedule of Investments

October 31, 2008 (unaudited)

| Principal Amount (000) | | Credit Rating (Moody s/S&P) | Value |
|--|--|--------------------------------|--------------|
| MUNICIPAL BONDS & NOTES 95.3% | | | |
| Alabama 2.9% | | | |
| \$ 2,500 | Birmingham Baptist Medical Centers Special Care Facs. Financing | | |
| | Auth. Rev., 5.875%, 11/15/24, Ser. A | Baa1/NR | \$ 2,100,100 |
| 8,000 | Huntsville Health Care Auth. Rev., 5.75%, 6/1/31, Ser. A, (Pre-refunded @ \$101, 6/1/11) (c) | A2/NR | 8,594,000 |
| | Huntsville-Redstone Village Special Care Facs. Financing Auth. Rev., | | |
| 250 | 5.50%, 1/1/28 | NR/NR | 175,650 |
| 885 | 5.50%, 1/1/43 | NR/NR | 564,072 |
| 1,350 | Montgomery Medical Clinic Board, Jackson Hospital & Clinic Rev., | | |
| | 5.25%, 3/1/31 | Baa2/BBB- | 973,998 |
| 1,400 | Tuscaloosa Educational Building Auth. Rev., Stillman College, 5.00%, 6/1/26 | NR/BBB- | 1,014,538 |
| | | | 13,422,358 |
| Alaska 1.8% | | | |
| 900 | Industrial Dev. & Export Auth. Boys & Girls Home Rev., 6.00%, 12/1/36 | NR/NR | 645,480 |
| | Northern Tobacco Securitization Corp. Rev., | | |
| 2,400 | 5.00%, 6/1/46, Ser. A | Baa3/NR | 1,334,256 |
| 6,000 | 5.50%, 6/1/29, (Pre-refunded @ \$100, 6/1/11) (c) | Aaa/AAA | 6,368,520 |
| | | | 8,348,256 |
| Arizona 2.6% | | | |
| 5,000 | Apache Cnty. Industrial Dev. Auth. Pollution Control Rev., Tucson Electric Power Co., 5.875%, 3/1/33 | Baa3/BB+ | 3,584,200 |
| 2,750 | Health Facs. Auth. Rev., Beatitudes Project, 5.20%, 10/1/37 | NR/NR | 1,739,815 |
| 4,150 | Pima Cnty. Industrial Dev. Auth. Rev., Tucson Electric Power, 6.375%, 9/1/29, Ser. A | Baa3/BB+ | 3,251,691 |
| 1,260 | Tuscon Day School, 5.00%, 6/1/37 | NR/BBB- | 832,595 |
| 4,200 | Salt Verde Financial Corp. Rev., 5.00%, 12/1/37 | Aa3/AA- | 2,575,566 |
| | | | 11,983,867 |

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| | | | |
|------------------------|--|----------|------------|
| Arkansas 0.4% | | | |
| 8,500 | Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/36 (AMBAC) | Aa3/NR | 1,588,735 |
| 500 | Little Rock Municipal Property Owners Multipurpose Improvement Dist., Special Tax, 5.25%, 3/1/23, Ser. A | NR/NR | 403,330 |
| | | | 1,992,065 |
| California 5.7% | | | |
| 6,000 | Golden State Tobacco Securitization Corp. Rev., Ser. A-1 5.00%, 6/1/33 | Baa3/BBB | 3,805,680 |
| 10,000 | 6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c) State, GO, | NR/AAA | 11,218,200 |
| 300 | 5.00%, 6/1/37 | A1/A+ | 261,453 |
| 11,500 | 5.00%, 11/1/37 (j) | A1/A+ | 10,211,770 |

PIMCO Municipal Income Fund Schedule of Investments

October 31, 2008 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody s/S&P) | Value |
|---------------------------|---|--------------------------------|------------|
| | California (continued) | | |
| \$ 1,000 | Statewide Community Dev. Auth. Rev., Catholic Healthcare West, 5.50%, 7/1/31, Ser. E | A2/A | \$ 889,050 |
| | | | 26,386,153 |
| | Colorado 2.6% | | |
| 500 | Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34 | NR/NR | 353,320 |
| 1,000 | Denver Health & Hospital Auth. Healthcare Rev., 6.00%, 12/1/23, Ser. A, (Pre-refunded @ \$100, 12/1/11) (c) | NR/NR | 1,088,930 |
| 12,400 | Health Facs. Auth. Rev., Liberty Heights, zero coupon, 7/15/24 | Aaa/AAA | 5,283,764 |
| 4,940 | Northwest Parkway Public Highway Auth. Rev., 7.125%, 6/15/41, Ser. D, (Pre-refunded @ \$102, 6/15/11) (c) | NR/NR | 5,163,782 |
| | | | 11,889,796 |
| | Connecticut 0.2% | | |
| 1,000 | State Dev. Auth. Pollution Control Rev., 5.85%, 9/1/28 | Baa1/BBB- | 841,200 |
| | District of Columbia 0.9% | | |
| 4,600 | Tobacco Settlement Financing Corp. Rev., 6.25%, 5/15/24 | Baa3/BBB | 4,053,106 |
| | Florida 0.8% | | |
| 905 | Beacon Lakes Community Dev. Dist., Special Assessment, 6.00%, 5/1/38, Ser. A | NR/NR | 643,319 |
| 940 | Dev. Finance Corp. Rev., Learning Gate Community School, 6.00%, 2/15/37 | NR/BBB- | 712,830 |