

PIMCO INCOME STRATEGY FUND
Form N-Q
December 17, 2010

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

OMB APPROVAL
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FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21374

PIMCO Income Strategy Fund
(Exact name of registrant as specified in charter)

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

10105
(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: July 31, 2011

Date of reporting period: October 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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. Schedule of Investments

PIMCO Income Strategy Fund Schedule of Investments

October 31, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
CORPORATE BONDS & NOTES 72.2%			
Airlines 6.6%			
\$900	American Airlines, Inc., 10.50%, 10/15/12	B2/B	\$983,250
4,066	American Airlines Pass Through Trust, 9.73%, 9/29/14	Caa2/CCC+	3,771,087
3,948	10.18%, 1/2/13	Caa1/CCC+	3,987,827
15,690	United Air Lines Pass Through Trust, 10.40%, 5/1/18	Baa2/BBB+	17,729,513
			26,471,677
Banking 9.4%			
2,600	AgFirst Farm Credit Bank, 7.30%, 11/29/10 (a)(b)(d)(g)(j) (acquisition cost-\$2,225,000; purchased 2/26/10-4/15/10)	NR/A	2,204,777
300	Allied Irish Banks PLC, 10.75%, 3/29/17	Ba3/BB	249,000
2,000	10.75%, 3/29/17	Ba3/BB	2,301,675
\$1,200	Barclays Bank PLC (g), 7.375%, 12/15/11 (a)(d)	Baa2/A-	1,230,000
1,885	7.434%, 12/15/17 (a)(d)(i)	Baa2/A-	1,932,125
£7,800	14.00%, 6/15/19	Baa2/A-	16,087,128
\$1,000	Den Norske Bank ASA, 7.729%, 6/29/11 (a)(d)(g)(i)	Baa3/BBB+	1,013,888
600	HBOS PLC, 6.75%, 5/21/18 (a)(d)	Baa3/BBB-	616,107
3,000	Rabobank Nederland NV, 6.875%, 3/19/20	NR/NR	4,182,823
\$4,400	11.00%, 6/30/19 (a)(d)(g)(i)	A2/AA-	5,891,855
800	Regions Financial Corp., 7.375%, 12/10/37	Ba1/BB+	723,958
1,500	7.75%, 9/15/24	Ba1/BB+	1,510,305
			37,943,641
Energy 0.3%			
1,100	Dynegy Roseton/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B	Caa2/B-	1,023,000
Financial Services 33.4%			
304	Ally Financial, Inc., 5.90%, 1/15/19	B3/B	263,324
156	5.90%, 10/15/19	B3/B	135,409
500	6.00%, 12/15/11	B3/B	510,252
55	6.00%, 2/15/19	B3/B	47,906
40	6.00%, 3/15/19	B3/B	34,901
8	6.00%, 4/15/19	B3/B	6,977
325	6.00%, 9/15/19	B3/B	284,252
95	6.05%, 8/15/19	B3/B	83,231
413	6.05%, 10/15/19	B3/B	362,666

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1,208	6.15%, 8/15/19	B3/B	1,067,319
1,371	6.25%, 2/15/16	B3/B	1,285,266
25	6.25%, 1/15/19	B3/B	22,154
120	6.30%, 8/15/19	B3/B	107,143
1,168	6.35%, 2/15/16	B3/B	1,099,948
285	6.35%, 4/15/16	B3/B	269,476
216	6.40%, 3/15/16	B3/B	205,196
360	6.40%, 11/15/19	B3/B	323,547
1,357	6.50%, 2/15/16	B3/B	1,286,627

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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
Financial Services (continued)			
\$20	6.50%, 9/15/16	B3/B	\$18,928
442	6.50%, 10/15/16	B3/B	418,658
150	6.50%, 12/15/18	B3/B	135,162
358	6.55%, 12/15/19	B3/B	323,135
14	6.60%, 5/15/18	B3/B	12,967
51	6.65%, 6/15/18	B3/B	47,277
60	6.70%, 6/15/18	B3/B	55,498
329	6.75%, 4/15/13	B3/B	328,053
3	6.75%, 8/15/16	B3/B	2,880
13	6.75%, 6/15/17	B3/B	12,549
89	6.75%, 5/15/19	B3/B	81,751
10	6.75%, 6/15/19	B3/B	9,194
205	6.80%, 9/15/16	B3/B	196,871
3	6.80%, 10/15/18	B3/B	2,758
938	6.85%, 4/15/16	B3/B	909,554
30	6.85%, 5/15/18	B3/B	28,219
336	6.875%, 8/15/16	B3/B	323,777
5	6.875%, 7/15/18	B3/B	4,676
140	6.90%, 6/15/17	B3/B	136,262
32	6.90%, 8/15/18	B3/B	29,863
151	6.95%, 6/15/17	B3/B	147,357
25	7.00%, 12/15/16	B3/B	24,280
27	7.00%, 6/15/17	B3/B	26,418
130	7.00%, 7/15/17	B3/B	127,139
367	7.00%, 2/15/18	B3/B	352,283
12	7.00%, 3/15/18	B3/B	11,477
155	7.00%, 8/15/18	B3/B	145,532
5	7.00%, 9/15/18	B3/B	4,672
42	7.05%, 3/15/18	B3/B	40,287
39	7.05%, 4/15/18	B3/B	37,259
3,812	7.10%, 9/15/12	B3/B	3,812,301
100	7.125%, 8/15/12	B3/B	99,708
160	7.125%, 10/15/17	B3/B	156,577
40	7.15%, 3/15/25	B3/B	35,871
75	7.20%, 10/15/17	B3/B	73,563
288	7.25%, 6/15/16	B3/B	284,471
293	7.25%, 9/15/17	B3/B	287,247
10	7.25%, 4/15/18	B3/B	9,663
10	7.25%, 8/15/18	B3/B	9,528
141	7.25%, 9/15/18	B3/B	133,841
25	7.30%, 1/15/18	B3/B	24,497
396	7.35%, 4/15/18	B3/B	384,914
57	7.50%, 6/15/16	B3/B	56,698
45	7.55%, 5/15/16	B3/B	44,834
47	7.75%, 10/15/17	B3/B	47,062
110	8.125%, 11/15/17	B3/B	110,257
110	9.00%, 7/15/20	B3/B	110,601
	American General Finance Corp.,		
3,900	0.542%, 12/15/11, FRN	B3/B	3,617,176
5,000	5.375%, 10/1/12	B3/B	4,775,000
£1,700	BAC Capital Trust VII, 5.25%, 8/10/35	Baa3/BB	2,020,342

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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
Financial Services (continued)			
\$4,900	Bank of America Corp., 8.125%, 5/15/18 (g)	Ba3/BB	\$4,951,058
1,400	Capital One Capital VI, 8.875%, 5/15/40	Baa3/BB	1,487,500
3,032	CIT Group, Inc., 7.00%, 5/1/13	B3/B+	3,084,602
947	7.00%, 5/1/14	B3/B+	956,798
1,157	7.00%, 5/1/15	B3/B+	1,160,937
1,579	7.00%, 5/1/16	B3/B+	1,580,851
2,210	7.00%, 5/1/17	B3/B+	2,210,426
100	Citigroup Capital XXI, 8.30%, 12/21/77, (converts to FRN on 12/21/37)	Ba1/BB-	105,125
2,500	Credit Agricole S.A., 6.637%, 5/31/17 (a)(d)(g)(i)	A3/A-	2,396,875
800	Ford Motor Credit Co. LLC, 5.625%, 9/15/15	Ba2/B+	849,579
12,600	8.125%, 1/15/20	Ba2/B+	15,434,194
4,000	12.00%, 5/15/15	Ba2/B+	5,131,800
3,000	GMAC International Finance BV, 7.50%, 4/21/15	B3/B	4,284,368
\$1,400	International Lease Finance Corp., 5.00%, 9/15/12	B1/BB+	1,421,000
650	5.30%, 5/1/12	B1/BB+	663,000
2,111	5.625%, 9/20/13	B1/BB+	2,134,749
2,947	6.625%, 11/15/13	B1/BB+	3,050,145
500	LBG Capital No.1 PLC, 6.439%, 5/23/20	Ba3/BB-	621,980
200	7.375%, 3/12/20	Ba3/BB-	265,210
£300	7.588%, 5/12/20	Ba3/BB-	455,658
£4,800	7.867%, 12/17/19	Ba3/BB-	7,367,272
£700	7.869%, 8/25/20	Ba3/BB-	1,068,798
\$2,500	7.875%, 11/1/20	Ba3/BB-	2,487,500
1,400	8.00%, 6/15/20 (a)(d)(f)(g)	NR/B+	1,309,076
2,000	8.50%, 12/17/21 (a)(d)(f)(g)	NR/B+	1,869,268
£900	11.04%, 3/19/20	Ba3/BB-	1,597,201
£2,500	LBG Capital No.2 PLC, 11.25%, 9/14/23	Ba2/BB	4,456,656
\$1,500	Lehman Brothers Holdings, Inc., 7.50%, 5/11/38 (e)	WR/NR	2,025
2,300	Lyondell Chemical Co., 8.00%, 11/1/17 (a)(d)	Ba3/BB	2,524,250
1,100	MUFG Capital Finance 2 Ltd., 4.85%, 7/25/16 (g)	Ba1/BBB+	1,429,513
\$1,629	NB Capital Trust II, 7.83%, 12/15/26	Baa3/BB	1,639,181
3,700	Royal Bank of Scotland Group PLC, 7.648%, 9/30/31 (g)	Ba2/BB-	3,607,500
900	SLM Corp., 5.00%, 10/1/13	Ba1/BBB-	904,506
1,600	5.375%, 5/15/14	Ba1/BBB-	1,606,083
7,200	8.00%, 3/25/20	Ba1/BBB-	7,290,396
3,400	8.45%, 6/15/18	Ba1/BBB-	3,566,933
2,168	SMFG Preferred Capital USD 3 Ltd., 9.50%, 7/25/18 (a)(d)(g)	Ba1/BBB+	2,487,132
6,250	Wells Fargo & Co., 7.98%, 3/15/18 (g)	Ba1/A-	6,593,750
2,550	Wells Fargo Capital XIII, 7.70%, 3/26/13 (g)	Ba1/A-	2,658,375
			134,195,751
Healthcare & Hospitals 0.9%			
3,300	HCA, Inc., 9.625%, 11/15/16, PIK	B2/BB-	3,597,000
Insurance 11.3%			
10,000	American General Capital II, 8.50%, 7/1/30	Ba2/B	10,412,500

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Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value*
Insurance (continued)			
\$2,000	American General Institutional Capital B, 8.125%, 3/15/46 (a)(d)	Ba2/B	\$2,050,000
2,800	American International Group, Inc., 4.875%, 3/15/67, (converts to FRN on 3/15/17)	Ba2/BBB	3,142,565
\$6,400	5.45%, 5/18/17 (i)	A3/A-	6,680,000
1,300	8.175%, 5/15/68, (converts to FRN on 5/15/38)	Ba2/BBB	1,394,250
4,400	8.25%, 8/15/18 (i)	A3/A-	5,274,500
£1,300	8.625%, 5/22/68, (converts to FRN on 5/22/18)	Ba2/BBB	2,151,186
\$2,300	Hartford Financial Services Group, Inc., 8.125%, 6/15/68, (converts to FRN on 6/15/18)	Ba1/BB+	2,461,000
7,000	ILFC E-Capital Trust I, 5.90%, 12/21/65, (converts to FRN on 12/21/10) (a)(d)	B3/BB	5,285,000
3,300	MetLife Capital Trust X, 9.25%, 4/8/68, (converts to FRN on 4/8/38) (a)(d)	Baa2/BBB	3,993,000
2,440	Progressive Corp., 6.70%, 6/15/67, (converts to FRN on 6/15/17) (i)	A2/A-	2,498,211
			45,342,212
Oil & Gas 4.9%			
7,700	Atlantic Richfield Co., 8.375%, 2/21/12 (i)	A2/A	8,178,855
5,000	NGPL PipeCo LLC (a)(d), 7.119%, 12/15/17	Ba1/BBB-	5,645,490
5,000	7.768%, 12/15/37 (i)	Ba1/BBB-	5,365,705
600	SandRidge Energy, Inc., 8.00%, 6/1/18 (a)(d)	B3/B+	603,000
			19,793,050
Paper & Forest Products 2.5%			
10,000	Weyerhaeuser Co., 7.375%, 3/15/32	Ba1/BBB-	10,178,540
Telecommunications 2.7%			
11,000	CenturyLink, Inc., 7.60%, 9/15/39 (i)	Baa3/BBB-	11,039,545
Utilities 0.2%			
390	Dominion Resources, Inc., 6.30%, 9/30/66, (converts to FRN on 9/30/11)	Baa3/BBB	372,529
400	PPL Capital Funding, Inc., 6.70%, 3/30/67, (converts to FRN on 3/30/17)	Ba1/BBB-	384,490
			757,019
	Total Corporate Bonds & Notes (cost \$259,977,718)		290,341,435
MORTGAGE-BACKED SECURITIES 18.0%			
173	Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO	Caa2/NR	130,235
3,100	Banc of America Funding Corp., 6.00%, 3/25/37, CMO	Caa1/CCC	2,496,768
1,393	Bear Stearns Adjustable Rate Mortgage Trust, 2.56%, 10/25/35, CMO, FRN	Caa1/BBB	1,231,491
79	Chase Mortgage Finance Corp., CMO, 5.054%, 12/25/35, FRN	NR/CCC	75,623
1,847	5.409%, 3/25/37, FRN	Caa2/NR	1,541,228
1,600	6.00%, 2/25/37	Caa2/CCC	1,321,739
1,200	6.00%, 7/25/37	NR/CCC	1,047,251
2,500	6.25%, 10/25/36	Caa1/CCC	2,198,761

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594	Citicorp Mortgage Securities, Inc., 5.50%, 4/25/37, CMO	Caa1/NR	540,000
4,364	Countrywide Alternative Loan Trust, CMO, 6.00%, 5/25/36	Caa3/NR	3,098,789

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Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value*
\$3,472	6.089%, 4/25/36, VRN	Ca/CCC	\$2,447,400
1,397	6.25%, 11/25/36	Caa3/NR	1,084,086
695	6.50%, 8/25/36	Ca/CC	500,664
	Countrywide Home Loan Mortgage Pass Through Trust, CMO,		
129	3.157%, 2/20/35, VRN	A3/AA-	113,902
1,889	5.50%, 10/25/35	Caa1/NR	1,710,869
1,679	5.75%, 3/25/37	NR/CCC	1,462,336
1,306	6.00%, 5/25/36	NR/CCC	1,162,597
900	6.00%, 2/25/37	NR/CCC	722,314
406	6.00%, 4/25/37	NR/CCC	344,252
1,757	6.25%, 9/25/36	B3/NR	1,495,717
798	Credit Suisse Mortgage Capital Certificates, 6.00%, 2/25/37, CMO	NR/CCC	722,178
	GSR Mortgage Loan Trust, CMO,		
416	5.50%, 5/25/36	NR/CCC	376,316
8,304	6.00%, 2/25/36	NR/CCC	7,607,345
82	Harborview Mortgage Loan Trust, 2.956%, 7/19/35, CMO, VRN	Caa3/B	67,614
3,500	JPMorgan Chase Commercial Mortgage Securities Corp., 5.653%, 3/18/51, CMO, VRN (a)(d)	A1/NR	3,325,301
	JPMorgan Mortgage Trust, CMO,		
2,253	5.00%, 3/25/37	NR/CCC	1,965,661
1,000	5.675%, 1/25/37, VRN	Caa2/NR	834,613
556	6.00%, 8/25/37	NR/CCC	496,345
1,000	Morgan Stanley Reremic Trust, 5.808%, 8/12/45, CMO, VRN (a)(d)	A3/NR	981,211
7,361	RBSCF Trust, 5.223%, 8/16/48, CMO, VRN (a)(d)	NR/NR	7,308,038
	Residential Asset Securitization Trust, CMO,		
1,500	5.75%, 2/25/36	Caa3/CC	1,111,838
617	6.00%, 9/25/36	Caa3/D	368,913
1,589	6.00%, 7/25/37	NR/CCC	1,325,284
	Residential Funding Mortgage Securities I, CMO,		
730	6.00%, 9/25/36	Caa1/CCC	648,907
1,200	6.00%, 1/25/37	Caa2/NR	996,893
7,153	6.00%, 6/25/37	NR/CC	6,254,197
	Suntrust Adjustable Rate Mortgage Loan Trust, CMO, FRN,		
4,453	5.627%, 4/25/37	NR/CCC	3,846,686
626	5.830%, 2/25/37	NR/CCC	497,055
	WaMu Mortgage Pass Through Certificates, CMO,		
1,000	5.768%, 2/25/37, FRN	NR/CCC	822,017
350	5.868%, 9/25/36, VRN	NR/CCC	286,994
	Wells Fargo Mortgage-Backed Securities Trust, CMO,		
361	5.220%, 4/25/36, VRN	NR/BB+	325,613
618	5.404%, 7/25/36, FRN	NR/CCC	495,164
5,907	5.428%, 7/25/36, FRN	NR/CCC	4,805,135
1,000	5.75%, 3/25/37	Caa2/NR	864,622
636	6.00%, 6/25/37	Caa1/NR	600,383
700	6.00%, 7/25/37	B3/BB	669,710
	Total Mortgage-Backed Securities (cost \$65,754,292)		72,330,055

MUNICIPAL BONDS 2.6%

California 0.3%

1,100	Oakland Unified School Dist., Alameda Cnty., GO, 9.50%, 8/1/34	A1/BBB+	1,233,012
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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
Texas 2.3%			
\$9,000	North Texas Tollway Auth. Rev., 8.91%, 2/1/30	Baa3/NR	\$9,116,280
	Total Municipal Bonds (cost \$10,146,148)		10,349,292
Shares			
CONVERTIBLE PREFERRED STOCK 2.0%			
Financial Services 0.6%			
2,700	Wells Fargo & Co., 7.50%, 3/15/13, Ser. L (g)	Ba1/A-	2,700,000
Utilities 1.4%			
98,000	PPL Corp., 9.50%, 7/1/13	NR/NR	5,530,140
	Total Convertible Preferred Stock (cost \$7,163,145)		8,230,140
PREFERRED STOCK 2.0%			
Banking 1.1%			
78,000	CoBank Acb, 11.00%, 7/1/13, Ser. C (a)(b)(d)(g)(j)(k) (acquisition cost-\$4,290,000; purchased 8/31/10)	NR/A	4,285,125
Diversified Financial Services 0.4%			
60,000	Citigroup Capital XIII, 7.875%, 10/30/15 (k)	Ba1/BB-	1,590,000
Real Estate Investment Trust 0.5%			
1,800	Sovereign Real Estate Investment Trust, 12.00%, 5/16/20 (a)(d)(g)	Baa3/BBB+	2,097,000
	Total Preferred Stock (cost \$7,738,500)		7,972,125
Principal Amount (000s)			
SENIOR LOANS (a)(c) 1.4%			
Consumer Products 0.2%			
\$1,000	National Mentor, Inc., 2.54%, 6/29/12 (b)(j) (acquisition cost-\$998,250; purchased 9/26/06)		850,000
Financial Services 0.4%			
1,492	CIT Group, Inc., 6.25%, 8/11/15		1,519,875
Multi-Media 0.8%			
AUD2,766	Seven Media Group, Term T1, 7.00%, 2/7/13		2,571,461
AUD660	7.432%, 12/28/12		613,609
			3,185,070
Printing/Publishing 0.0%			
\$44	American Media, Inc., 10.00%, 1/30/13 (b)(j) (acquisition cost-\$43,519; purchased 4/30/10-10/27/10)		43,029
	Total Senior Loans (cost \$5,335,656)		5,597,974
ASSET-BACKED SECURITIES 0.9%			
1,525	Asset-Backed Funding Certificates, 0.476%, 5/25/37, FRN (a)(d)	B3/B-	1,371,003
1,181	GSAA Trust, 6.295%, 6/25/36	Caa1/CCC	801,939
1,108	MASTR Asset-Backed Securities Trust, 5.233%, 11/25/35	A1/BBB	1,028,087

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Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value*
\$800	Morgan Stanley Mortgage Loan Trust, 6.25%, 7/25/47, VRN	Caa2/CCC	\$574,851
	Total Asset-Backed Securities (cost \$3,353,030)		3,775,880
SHORT-TERM INVESTMENTS 0.9%			
Corporate Notes 0.6%			
Financial Services 0.6%			
1,425	Ally Financial, Inc., 6.875%, 9/15/11	B3/B	1,465,873