PCM FUND, INC.
Form N-CSR
March 06, 2009
Table of Contents

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 811-07816

PCM Fund, Inc.

(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: December 31, 2008

Date of reporting period: December 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.

Table of Contents

Item 1. Report to Shareholders

PCM Fund, Inc.

Annual Report

December 31, 2008

Contents

Letter to Shareholders	1
Fund Insights/Performance & Statistics	2-3
Schedule of Investments	4-8
Statement of Assets and Liabilities	9
Statement of Operations	10
Statement of Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-25
Financial Highlights	26
Report of Independent Registered Public Accounting Firm	27
Annual Shareholder Meeting Results	28
Privacy Policy/Proxy Voting Policies & Procedures	29
Dividend Reinvestment Plan	30
Board of Directors	31-32
Fund Officers	33-34

Table of Contents

PCM Fund, Inc. Letter to Shareholders

February 18, 2009

Dear Shareholder:

We are pleased to provide you with the annual report for the PCM Fund, Inc. (the Fund) for the fiscal year ended December 31, 2008.

Bond markets delivered mixed results for the reporting period. Investors waged a wholesale retreat from asset risk, which served to boost prices and returns for government bonds. Meanwhile, tight credit conditions, global economic slowing and slack demand caused corporate bond prices to fall. In this environment, the Barclays Capital Intermediate U.S. Credit Index, a measure of corporate bond performance, returned (2.76)% while the Barclays Capital U.S. Aggregate Bond Index, a broad credit market measure of government and corporate securities, posted a positive return of 5.24%. Stocks fared worse in the downturn. The Standard & Poor s 500 Index returned (37.00)% for the twelve months ended December 31, 2008, among the worst years on record for equities. The Federal Reserve (The Fed) sought to inject liquidity into the economy through multiple initiatives, including reducing the Federal Funds rate seven times during 2008. The series of cuts lowered the key benchmark rate on loans between member banks from 4.25% to a target range of between 0% to 0.25%. The Fed also announced plans to purchase approximately $500 billion in mortgage-backed securities by mid 2009.

For specific information on the Fund and its 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 adviser or call the Fund s shareholder servicing agent at (800) 331-1710. In addition, a wide range of information and resources can be accessed through our Web site, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Fund s investment manager, and Pacific Investment Management Company LLC (PIMCO), the Fund s sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Brian S. Shlissel

Chairman *President & Chief Executive Officer*

Table of Contents

PCM Fund, Inc. Fund Insights/Performance & Statistics

December 31, 2008 (unaudited)

For the fiscal year ended December 31, 2008, the Fund s net asset value (NAV) and market price returns were (40.94)% and (30.79)%, respectively.

During the fourth quarter of 2008, commercial mortgage-backed securities (CMBS) sold off across the capital structure to their all-time lows in November. Market participants rapidly reduced inventories of CMBS to clear up available balance sheet. The lack of policy support for CMBS from the Troubled Asset Relief Program (TARP), the Term Asset-Backed Securities Loan Facility, or some other policy vehicle had been a primary driver of declining prices in the fourth quarter.

As the crisis in the financial markets worsened, CMBS experienced delinquencies and tenant bankruptcies increase, causing property value to fall.

While performance in the first half of the year was relatively muted, CMBS were equally affected by the distress and disarray in financial markets during September and the fourth quarter, driving performance lower in line with the aggressive delevering of balance sheets.

Drivers of performance:

- Exposure to high quality CMBS detracted from performance on an absolute basis as CMBS across the capital structure underperformed Treasuries on concerns of deteriorating collateral performance amid an environment of delevering. CMBS, as measured by the Barclays Investment Grade CMBS Index, underperformed Treasuries by (4.82)%.
- An underweight to duration detracted from performance as rates rallied in response to a deteriorating economic outlook and increasing financial system distress
- Exposure to non-agency mortgage-backed security (MBS) detracted from performance as these securities sold off similarly to CMBS on a flight to quality in the face of financial system volatility
- A curve steepening bias added to performance as the financial crisis increased expectations of further rate cuts

Total Return[1]:	**Market Price**	**Net Asset Value (NAV)**
1 Year	(30.79)%	(40.94)%
5 Year	(7.67)%	(5.40)%
10 Year	1.29%	1.21%
Commencement of Operations (9/2/93) to 12/31/08	3.45%	3.72%

Common Share Market Price/NAV Performance:

Commencement of Operations (9/2/93) to 12/31/08

Market Price/NAV:

Market Price	$6.13
NAV	$5.77
Premium to NAV	6.42%
Market Price Yield[2]	18.76%

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

Table of Contents

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 onetime 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 of net investment income) to common shareholders by the market price per common share at December 31, 2008.

Table of Contents

PCM Fund, Inc. Schedule of Investments

December 31, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
MORTGAGE-BACKED SECURITIES 108.8%			
	Banc of America Commercial Mortgage, Inc., CMO,		
$2,000	5.334%, 3/11/41, VRN (a)(c)	NR/BBB+	$650,451
2,000	5.414%, 9/10/47 (g)	Aaa/AAA	1,587,009
700	6.29%, 6/11/35 (a)(c)	Ba1/BBB+	348,999
2,500	7.224%, 4/15/36, VRN (g)	A1/NR	1,856,448
2,800	7.748%, 11/15/31, VRN (g)	Aa1/AA+	2,613,749
	Bear Stearns Commercial Mortgage Securities, Inc., CMO,		
3	5.06%, 11/15/16	Aaa/AAA	2,752
1,000	5.560%, 2/11/41, VRN (a)(c)	NR/BBB-	240,740
1,000	5.812%, 5/11/39, VRN (a)(c)	NR/BBB+	363,912
2,000	5.991%, 9/11/42, VRN (a)(c)	NR/A	294,847
1,332	6.50%, 2/15/32	NR/BB	675,337
1,258	6.625%, 10/15/32 (a)(c)	NR/B	346,244
	Bear Stearns Commercial Mortgage Securities Trust, CMO, VRN (g),		
2,000	5.694%, 6/11/50	NR/AAA	1,495,346
2,000	5.712%, 6/11/40	Aaa/NR	1,563,453
1,272	Carey Commercial Mortgage Trust, 5.97%, 9/20/19, CMO (a)(c)	Aaa/NR	1,220,295
	Chase Commercial Mortgage Securities Corp., CMO (a)(c),		
1,000	6.275%, 2/12/16, VRN	Aaa/NR	975,451
1,600	6.65%, 7/15/32	Ba2/NR	755,846
1,500	6.887%, 10/15/32	NR/BB+	699,116
1,015	Citigroup/Deutsche Bank Commercial Mortgage Trust,		
	5.225%, 7/15/44, CMO, VRN (g)	Aa2/AA	315,963
3,000	Commercial Capital Access One, Inc., 7.699%, 11/15/28, CMO, VRN (a)(c)	NR/NR	903,423
2,500	Commercial Mortgage Asset Trust, 6.975%, 1/17/32, CMO, VRN (g)	Aaa/AAA	2,274,786
	Commercial Mortgage Pass Through Certificates, CMO (a)(c),		
1,500	6.586%, 7/16/34	Aaa/AAA	1,369,644
1,500	6.811%, 7/16/34, VRN (g)	Aa2/A+	656,899
2,893	6.83%, 2/14/34, VRN (g)	Aaa/NR	2,844,454
	Credit Suisse Mortgage Capital Certificates, CMO,		
5,000	5.467%, 9/15/39 (g)	Aaa/AAA	3,694,486
405	6.50%, 5/25/36	A1/B	198,503
	CS First Boston Mortgage Securities Corp., CMO, VRN,		
23,465	0.375%, 12/15/35, IO (a)(c)(g)	NR/AAA	596,165
2,000	5.322%, 8/15/36 (a)(c)	Ba1/BB+	433,413
2,600	5.745%, 12/15/36 (a)(c)(g)	NR/BBB+	887,515
2,000	7.46%, 1/17/35 (g)	NR/NR	1,868,712
1,860	CVS Lease Pass-Through, 5.88%, 1/10/28 (a)(c)(g)	Baa2/BBB+	1,695,388
13	DLJ Commercial Mortgage Corp., 7.017%, 11/12/31, CMO, VRN	Aaa/NR	13,461
74	Federal Housing Administration, 8.36%, 1/1/12	NR/NR	74,899
5,441	FFCA Secured Lending Corp., 1.314%, 9/18/27, CMO, IO, VRN (a)(c)	NR/NR	85,667
2,000	First Union-Lehman Brothers-Bank of America, 6.778%, 11/18/35, CMO	Aaa/AAA	1,932,428
1,000	First Union-National Bank-Bank of America Commercial Mortgage Trust, 6.00%, 1/15/11, CMO (a)(c)	Ba1/NR	625,527
	GE Capital Commercial Mortgage Corp., CMO, VRN,		
1,000	5.112%, 7/10/45 (a)(c)	NR/BBB+	211,084
1,000	5.119%, 5/10/43	NR/A	270,014

Table of Contents

PCM Fund, Inc. Schedule of Investments

December 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	GMAC Commercial Mortgage Securities, Inc., CMO,		
$1,367	6.50%, 5/15/35	Aaa/AAA	$1,362,339
2,000	6.50%, 5/15/35 (g)	NR/BBB	1,898,572
1,500	6.987%, 5/15/30, VRN (a)(c)	NR/NR	501,989
1,500	8.055%, 9/15/35, VRN (a)(c)(g)	NR/NR	1,194,018
	Greenwich Capital Commercial Funding Corp., CMO (g),		
1,500	5.419%, 1/5/36, VRN (a)(c)	A2/A+	593,290
2,000	5.444%, 3/10/39	Aaa/AAA	1,528,351
	GS Mortgage Securities Corp. II, CMO,		
2,000	2.926%, 3/6/20, FRN (a)(c)	NR/BBB	1,205,830
5,750	5.56%, 11/10/39 (g)	Aaa/NR	4,578,370
2,000	5.74%, 11/10/39, VRN (g)	A1/NR	366,987
3,480	7.397%, 8/5/18, VRN (a)(c)(g)	A2/NR	2,432,280
	JPMorgan Chase Commercial Mortgage Securities Corp., CMO,		
9,703	0.572%, 3/12/39, IO, VRN (a)(c)(g)	Aaa/NR	246,187
1,500	5.265%, 5/15/41, VRN (a)(c)	Baa1/NR	417,429
2,000	6.162%, 5/12/34	Aaa/NR	1,909,919
3,000	6.465%, 11/15/35 (g)	NR/AAA	2,907,401
	LB-UBS Commercial Mortgage Trust, CMO (a)(c),		
1,500	5.683%, 7/15/35	Ba1/BBB-	565,509
1,572	6.95%, 3/15/34, VRN (g)	A1/A	933,431
2,000	7.29%, 9/15/34 (g)	A2/NR	1,407,909
2,000	Merrill Lynch/Countrywide Commercial Mortgage Trust, 5.957%, 8/12/49, CMO, VRN	NR/A	296,355
1,500	Merrill Lynch Mortgage Investors, Inc., 6.805%, 12/15/30, CMO, VRN (g)	A3/AA	1,321,185
	Morgan Stanley Capital I, CMO, VRN,		
500	5.208%, 11/14/42 (g)	A1/A+	129,973
100	5.379%, 8/13/42 (a)(c)	NR/A-	25,829
2,000	5.447%, 2/12/44 (g)	Aaa/AAA	1,489,558
257	7.586%, 4/30/39 (a)(c)	NR/NR	236,621
517	Multi-Family Capital Access One, Inc., 8.82%, 1/15/24, CMO, VRN	NR/NR	492,321
2,243	Nationslink Funding Corp., 7.105%, 8/20/30, CMO, VRN (a)(c)(g)	NR/BBB	2,091,491
1,000	Office Portfolio Trust, 6.778%, 2/3/16, CMO (a)(c)	Baa2/NR	588,128
	RMF Commercial Mortgage Pass-Through Certificates, CMO (a)(c),		
299	7.471%, 1/15/19	NR/NR	174,715
266	9.15%, 1/15/19, VRN	NR/NR	23,017
3,000	TrizecHahn Office Properties, 7.604%, 5/15/16, CMO (a)(c)(g)	Baa1/A	1,838,689
	Wachovia Bank Commercial Mortgage Trust, CMO (a)(c),		
46,755	0.253%, 10/15/41, IO, VRN (g)	Aaa/AAA	546,421
1,020	4.982%, 2/15/35	NR/BBB	341,969
2,500	5.188%, 2/15/41, VRN	Baa2/BBB	658,720
1,500	5.338%, 1/15/41, VRN	Baa2/BBB	389,736
Total Commercial Mortgage-Backed Securities (cost-$114,995,744)			71,336,965
CORPORATE BONDS & NOTES 42.5%			
Financial Services 35.4%			
1,000	American Express Bank, 0.601%, 5/29/12, FRN (g)	A1/A+	825,147
2,000	American Express Credit Corp., 1.20%, 6/16/11, FRN (g)	A1/A	1,718,062

Table of Contents

PCM Fund, Inc. Schedule of Investments

December 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Financial Services (continued)			
	American International Group, Inc.,		
$2,000	4.25%, 5/15/13 (g)	A3/A-	$1,475,350
600	4.70%, 10/1/10	A3/A-	530,298
500	5.45%, 5/18/17	A3/A-	330,940
900	5.85%, 1/16/18	A3/A-	604,202
3,000	8.175%, 5/15/68, VRN (a)(c)(g)	Baa1/BBB	1,168,488
500	Bear Stearns Cos., Inc., 2.359%, 8/15/11, FRN	Aa2/A+	449,910
	CIT Group, Inc.,		
2,000	2.219%, 3/12/10, FRN (g)	Baa1/BBB+	1,855,190
500	5.80%, 7/28/11	Baa1/BBB+	419,215
	Citigroup, Inc. (g),		
1,000	2.046%, 3/16/12, FRN	A2/A	847,240
750	2.386%, 5/18/10, FRN	A2/A	693,010
2,000	5.00%, 9/15/14	A3/A-	1,761,272
500	Ford Motor Credit Co. LLC, 8.00%, 12/15/16 (g)	Caa1/CCC+	326,098
500	General Electric Capital Corp., 2.219%, 6/12/12, FRN	Aaa/AAA	486,959
1,000	Goldman Sachs Group, Inc., 5.319%, 1/12/15, FRN (g)	A1/A	742,828
	International Lease Finance Corp. (g),		
1,500	4.875%, 9/1/10	Baa1/A-	1,176,255
2,200	4.95%, 2/1/11	Baa1/A-	1,588,028
500	Merrill Lynch & Co., Inc., 3.393%, 11/1/11, FRN	A2/A	437,588
	Morgan Stanley, FRN (g),		
1,000	4.753%, 1/18/11	A2/A	851,890
2,000	4.953%, 10/18/16	A2/A	1,378,510
	SLM Corp. (g),		
1,000	3.765%, 10/25/11, FRN	Baa2/BBB-	766,877
1,000	8.45%, 6/15/18	Baa2/BBB-	791,797
750	Tenneco Automotive, Inc., 8.625%, 11/15/14 (g)	B3/B	288,750
1,000	Wachovia Bank, 3.573%, 11/3/14, FRN (g)	Aa3/A+	790,238
1,000	Wachovia Corp., 4.883%, 10/15/11, FRN (g)	A1/A+	896,297
			23,200,439
Industrial 5.2%			
1,000	Archer-Daniels-Midland Co., 6.45%, 1/15/38 (g)	A2/A	1,016,496
500	Bon-Ton Stores, Inc., 10.25%, 3/15/14	Caa1/CCC	62,500
500	CCO Holdings LLC, 8.75%, 11/15/13	Caa1/CCC	317,500
250	Dynegy Holdings, Inc., 7.125%, 5/15/18 (g)	B2/B	153,750
1,250	HCA, Inc., 6.75%, 7/15/13 (g)	Caa1/B-	793,750
950	RH Donnelley Corp., 8.875%, 1/15/16	Caa1/B-	147,250
500	SemGroup L.P., 8.75%, 11/15/15 (a)(c)(d)	NR/NR	20,000
951	United Air Lines, Inc., 6.636%, 1/2/24	Ba1/BBB-	563,145
800	Verso Paper Holdings LLC and Verso Paper, Inc., 9.125%, 8/1/14	B2/B+	320,000
			3,394,391
Utilities 1.9%			
1,000	NGPL Pipe Co. LLC, 7.768%, 12/15/37 (a)(c)(g)	Baa3/BBB-	816,654
	NRG Energy, Inc.,		
350	7.25%, 2/1/14	B1/B	328,125

150	7.375%, 2/1/16	B1/B	139,875
			1,284,654
Total Corporate Bonds & Notes (cost-$30,882,118)			27,879,484

Table of Contents

PCM Fund, Inc. Schedule of Investments

December 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
REAL ESTATE ASSET-BACKED SECURITIES 10.5%			
$389	Ameriquest Mortgage Securities, Inc., 6.096%, 2/25/33, FRN	Ca/D	$31,538
172	Asset-Backed Securities Corp. Home Equity, 3.221%, 6/21/29, FRN	Caa1/NR	22,036
468	Banc of America Alternative Loan Trust, 6.25%, 1/25/37, CMO (g)	Aa1/NR	225,297
	Bear Stearns Alt-A Trust, CMO (g),		
386	5.452%, 7/25/35, FRN	Aaa/AAA	211,287
443	6.041%, 5/25/36, VRN	A2/AAA	288,454
987	6.25%, 8/25/36, VRN	Aa1/BB	443,413
399	Bear Stearns Asset Backed Securities Trust, 5.50%, 12/25/35, CMO (g)	Aa1/AAA	291,838
321	Bear Stearns Second Lien Trust, 2.971%, 12/25/36, Ser. B2, FRN (a)(c)	C/D	8,697
140	CDC Mortgage Capital Trust, 5.571%, 3/25/33, FRN	C/D	1,934
434	Countrywide Alternative Loan Trust, 6.00%, 11/25/35, CMO (g)	Aaa/AAA	252,199
500	Credit Suisse Mortgage Capital Certificates, 5.896%, 4/25/36, CMO (g)	Aaa/AAA	395,376
288	CS First Boston Mortgage Securities Corp., 7.00%, 2/25/33, CMO	Aaa/AAA	270,483
473	First Horizon Alternative Mortgage Securities, 5.384%, 8/25/35, CMO, FRN (g)	Aaa/AAA	171,826
349	GSAA Trust, 0.741%, 6/25/35, FRN (g)	Aaa/AAA	150,998
100	Keystone Owner Trust, 9.00%, 1/25/29 (a)(c)	Baa3/NR	89,403
801	Morgan Stanley Mortgage Loan Trust, 5.457%, 1/25/35, CMO, VRN	NR/AA	197,061
1,000	Oakwood Mortgage Investors, Inc., 6.89%, 11/15/32, VRN	Ca/CCC-	540,118
	Ocwen Residential MBS Corp., CMO, VRN (a)(c),		
552	6.934%, 6/25/39	NR/NR	248,878
3,648	7.00%, 10/25/40	B3/NR	874,127
901	Residential Accredit Loans, Inc., 6.00%, 8/25/35, CMO (g)	NR/AAA	613,848
894	Residential Asset Securitization Trust, 6.00%, 3/25/37, CMO	NR/B	662,349
68	Structured Asset Investment Loan Trust, 4.971%, 10/25/33, FRN	B3/CCC	6,847
448	TBW Mortgage, 6.00%, 7/25/36, CMO	NR/B	229,198
1,000	UCFC Manufactured Housing Contract, 7.90%, 1/15/28, VRN	Ca/NR	673,268
Total Real Estate Asset-Backed Securities (cost-$9,138,239)			6,900,473
MUNICIPAL BONDS & NOTES 3.5%			
Arkansas 1.2%			
985	Little Rock Municipal Property Owners Multipurpose Improvement Dist., Special Tax, 7.20%, 3/1/32, Ser. B	NR/NR	805,927
Iowa 0.5%			
345	Dickinson Cnty. Rev., 7.75%, 12/1/12, Ser. B	NR/NR	357,348
Virginia 0.9%			
620	Lexington Industrial Dev. Auth. Rev., 8.00%, 1/1/15, Ser. C	NR/NR	592,863
West Virginia 0.9%			
985	Tobacco Settlement Finance Auth. Rev., 7.467%, 6/1/47, Ser. A	Baa3/BBB	564,513
Total Municipal Bonds & Notes (cost-$2,864,249)			2,320,651
OTHER BONDS & NOTES 2.5%			
1,425	Denver Arena Trust, 6.94%, 11/15/19 (a)(c)	NR/NR	1,449,629

1,856	First International Bank NA, 4.423%, 4/15/26, ABS, FRN	C/NR	94,420
138	PPM America High Yield CBO Ltd., 3.42%, 6/1/11 (b)	NR/NR	84,541
Total Other Bonds & Notes (cost-$3,305,242)			1,628,590

Table of Contents

PCM Fund, Inc. Schedule of Investments

December 31, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
SHORT-TERM INVESTMENTS 25.0%			
U.S. Treasury Bills (e) **19.5%**			
$12,850	0.01%-0.98%, 2/19/09-6/11/09 (cost-$12,845,442)		$12,791,899
Corporate Notes 1.5%			
Financial Services 1.5%			
1,000	Goldman Sachs Group, Inc., 2.229%, 11/16/09, FRN (g) (cost-$945,702)	A1/A	958,042
Repurchase Agreement 4.0%			
2,606	State Street Bank & Trust Co., dated 12/31/08, 0.01%, due 1/2/09, proceeds $2,606,001; collateralized by U.S. Treasury Bills, 0.094%, due 6/4/09, valued at $2,658,936 including accrued interest (cost-$2,606,000)		2,606,000
Total Short-Term Investments (cost-$16,397,144)			16,355,941
Notional Amount			
OPTIONS PURCHASED (f) **0.0%**			
Put Options 0.0%			
7,000,000	9-Year Interest Rate Swap (OTC), Pay 3-Month USD LIBOR Floating Rate Index, strike rate 5.80%, expires 2/23/09 (cost-$74,550)		28
Total Investments (cost-$177,657,286) 192.8%			126,422,132
Liabilities in excess of other assets (92.8)%			(60,850,494)
Net Assets 100.0%			**$65,571,638**

Notes to Schedule of Investments:

* Unaudited
(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of $37,294,164, representing 56.88% of net assets.
(b) Illiquid security.
(c) 144A Security Security exempt from registration, under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
(d) Security in default.
(e) All or partial amount segregated as collateral for swaps. (see Note 3)
(f) Non-income producing.
(g) All or partial amount segregated as collateral for reverse repurchase agreements. (see Note 3)

Glossary:

ABS	-	Asset-Backed Securities
CBO	-	Collateralized Bond Obligation
CMO	-	Collateralized Mortgage Obligation
FRN	-	Floating Rate Note. The interest rate disclosed reflects the rate in effect on December 31, 2008.
IO	-	Interest Only
LIBOR	-	London Inter-Bank Offered Rate
MBS	-	Mortgage-Backed Securities
NR	-	Not Rated
OTC	-	Over-the-Counter
VRN	-	Variable Rate Note. Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on December 31, 2008.

Table of Contents

PCM Fund, Inc. Statement of Assets and Liabilities

December 31, 2008

Assets:	
Investments, at value (cost-$177,657,286)	$126,422,132
Cash	2,863,753
Interest receivable	1,581,718
Unrealized appreciation of swaps	1,495,474
Receivable for investments sold	244,691
Receivable for paydown principal	7,142
Premium for swaps purchased	225
Prepaid expenses and other receivables	2,071
Total Assets	132,617,206
Liabilities:	
Payable for reverse repurchase agreements	46,242,500
Premium for swaps sold	7,105,511
Payable to broker for collateral	5,460,000
Dividends payable to shareholders	3,524,933
Unrealized depreciation of swaps	2,613,764
Payable for investments purchased	1,623,050
Payable to broker	162,863
Interest payable for reverse repurchase agreements	81,321
Investment management fees payable	73,992
Accrued expenses	157,634
Total Liabilities	67,045,568
Net Assets	$65,571,638
Composition of Net Assets :	
Common Stock:	
Par value ($0.001 per share, applicable to 11,373,952 shares issued and outstanding)	$11,374
Paid-in-capital in excess of par	153,494,884
Dividends in excess of net investment income	(1,453,475)
Accumulated net realized loss	(34,127,796)
Net unrealized depreciation of investments and swaps	(52,353,349)
Net Assets	$65,571,638
Net Asset Value Per Share	$5.77

See Accompanying Notes to Financial Statements 12.31.08 PCM Fund, Inc. Annual Report **9**

Table of Contents

PCM Fund, Inc. Statement of Operations

For the year ended December 31, 2008

Investment Income:	
Interest	$9,938,806
Expenses:	
Interest expense	2,682,573
Investment management fees	1,200,624
Custodian and accounting agent fees	127,350
Legal fees	121,000
Shareholder communications	86,650
Audit and tax services	86,250
Administration fees	36,585
Transfer agent fees	33,100
Directors fees and expenses	28,270
Miscellaneous	31,213
Net expenses	4,433,615
Net Investment Income	5,505,191
Realized and Change in Unrealized Gain (Loss):	
Net realized gain on:	
Investments	623,981
Swaps	4,846,297
Net change in unrealized appreciation/depreciation of:	
Investments	(47,499,103)
Swaps	(13,078,831)
Net realized and change in unrealized loss on investments and swaps	(55,107,656)
Net Decrease in Net Assets Resulting from Investment Operations	$(49,602,465)

Table of Contents

PCM Fund, Inc. Statement of Changes in Net Assets

	Year ended December 31, 2008	2007
Investment Operations:		
Net investment income	$5,505,191	$9,075,077
Net realized gain (loss) on investments and swaps	5,470,278	(20,211,107)
Net change in unrealized appreciation/depreciation of investments and swaps	(60,577,934)	14,778,761
Net increase (decrease) in net assets resulting from investment operations	(49,602,465)	3,642,731
Dividends to Shareholders from Net Investment Income	(13,069,472)	(10,074,228)
Capital Share Transactions:		
Reinvestment of dividends	151,216	265,320
Total decrease in net assets	(62,520,721)	(6,166,177)
Net Assets:		
Beginning of year	128,092,359	134,258,536
End of year (including dividends in excess of net investment income of $(1,453,475) and $(360,661), respectively)	$65,571,638	$128,092,359
Shares Issued in Reinvestment of Dividends	18,269	21,409

Table of Contents

PCM Fund, Inc. Statement of Cash Flows

Increase in Cash from:	
Cash flows used for operating activities:	
Net decrease in net assets resulting from operations	$(49,602,465)
Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:	
Purchases of long-term investments	(40,824,731)
Proceeds from sales of long-term investments	89,937,433
Sale of short-term portfolio investments, net	(13,729,283)
Increase in receivable for investments sold	(244,691)
Decrease in interest receivable	100,685
Increase in deposits with brokers for open swaps contracts	35,000
Increase in payable to broker for collateral	5,460,000
Increase in payable to broker	162,863
Decrease in prepaid expense	6,283
Increase in payable for investments purchased	1,623,050
Decrease in interest payable for reverse repurchase agreements	(261,818)
Decrease in premium for swaps purchased	729,068
Decrease in premium for swaps sold	(1,810,369)
Decrease in investment manager fees payable	(163,120)
Unrealized depreciation on investments and swaps	60,577,934
Net realized gain on investments and swaps	(5,470,278)
Net amortization on long-term investments	(311,000)
Increase in accrued expenses	80,488
Increase in receivable for paydown principal	(7,142)
Net cash provided by operating activities	46,287,907
Cash flows used for Financing Activities*:	
Increase in reverse repurchase agreements	(33,463,907)
Cash dividends paid	(10,188,221)
Net cash used for financing activities	(43,652,128)
Net increase in cash	2,635,779
Cash at beginning of year	227,974
Cash at end of year	$2,863,753

* Includes reinvestment of dividends of $151,216

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies

PCM Fund, Inc. (the Fund) commenced operations on September 2, 1993. The Fund is registered under the Investment Company Act of 1940 (the Act), as amended, as a closed-end, non-diversified, management investment company organized as a Maryland corporation. Allianz Global Investors Fund Management LLC (the Investment Manager) serves as the Fund s Investment Manager and is an indirect wholly-owned subsidiary of Allianz Global Investors of America LP (Allianz Global) Allianz Global is an indirect, majority-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. The Fund has an unlimited amount of $0.001 par value common stock authorized.

The Fund s primary investment objective is to achieve high current income by investing in a portfolio comprised primarily of commercial mortgage-backed securities. These securities are fixed income instruments representing an interest in mortgage loans on commercial real estate properties such as office buildings, shopping malls, hotels, apartment buildings, nursing homes and industrial properties. Capital gains from the disposition of investments is a secondary objective of the Fund.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet been asserted. However, the Fund expects the risk of any loss to be remote.

The Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (the Interpretation). The Interpretation establishes for all entities, including pass-through entities such as the Fund, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. Fund management has determined that its evaluation of the Interpretation has resulted in no material impact to the Fund s financial statements at December 31, 2008. The Fund s federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

The following is a summary of significant accounting policies followed by the Fund:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Directors, or persons acting at their discretion pursuant to procedures established by the Board of Directors, including certain fixed income securities which may be valued with reference to securities whose prices are more readily available. The Fund s investments, including over-the-counter options, are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange traded options, and options on futures are valued at the settlement price determined by the relevant exchange. Securities purchased on a when-issued or delayed-delivery basis are marked

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

to market daily until settlement at the forward settlement value. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material to the financial statements of the Fund. The Fund s NAV is normally determined daily as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

The Fund is party to International Swaps and Derivatives Association, Inc. Master Agreements (ISDA Master Agreements) with select counterparties that govern transactions, over-the-counter derivative and foreign exchange contracts, entered into by the Fund and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to early terminate could be material to the Fund s financial statements.

(b) Fair Value Measurement

Effective January 1, 2008 the Fund adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. Under this standard, fair value is defined as the price that would be received to sell an asset or pay to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 Valuation based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges

Level 3 Valuation based on significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)

The valuation techniques used by the Fund to measure fair value during the year ended December 31, 2008 maximized the use of observable inputs and minimized the use of unobservable inputs. The Fund utilized the following fair value techniques on Level 3 investments: multi-dimensional relational pricing models and option adjusted spread pricing.

The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund s investments carried at value:

Valuation Inputs		Investments in Securities	Other Financial Instruments
Level 1	Quoted Prices	$	$
Level 2	Other Significant Observable Inputs	126,262,692	(2,142,989)
Level 3	Significant Unobservable Inputs	159,440	1,024,699
Total		$ 126,422,132	$ (1,118,290)

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

A roll forward of fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2008, were as follows:

	Investments in Securities	Other Financial Instruments
Beginning balance, 12/31/07	$ 3,984,768	$
Net purchases (sales) and settlements	(3,137,083)	1,024,699
Accrued discounts (premiums)	6,442	
Total realized gain (loss)	163	
Total change in unrealized gain (loss)	(351,552)	
Transfers in and/or out of Level 3	(343,298)	
Ending balance, 12/31/08	$ 159,440	$ 1,024,699

(c) Disclosures about Credit Derivatives

The Fund has adopted FASB Staff Position No. 133-1 and FIN 45-4 Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP), effective for years after November 30, 2008. The amendments to FASB 133 include required disclosure for (i) the nature and terms of the credit derivative, reasons for entering into the credit derivative, the events or circumstances that would require the seller to perform under the credit derivative, and the current status of the payment/performance risk of the credit derivative, (ii) the maximum potential amount of future payments (undiscounted) the seller could be required to make under the credit derivative, (iii) the fair value of the credit derivative, and (iv) the nature of any recourse provisions and assets held either as collateral or by third parties. The amendment to FIN 45 requires additional disclosures about the current status of the payment/performance risk of a guarantee. All changes to accounting policies have been made in accordance with FSP and incorporated for the current period as part of the disclosures within Footnote 3(a) and 3(b) in the Notes to the Financial Statements.

See also Swaps Agreements - Note 1(h) for description of the nature of each credit derivative, the maximum potential amount of future payments under (undiscounted) the Fund could be required to make under the credit derivatives with sold protection and fair value of each credit derivative at December 31, 2008. Potential losses related to hybrid instruments that have embedded credit derivatives are limited to the initial cost of investments.

(d) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Securities purchased and sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as interest income on the Statement of Operations.

(e) Federal Income Taxes

The Fund intends to distribute all of its taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

(f) Dividends and Distributions

The Fund declares dividends from net investment income monthly to shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

accounting principles. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment. Temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions of paid-in-capital in excess of par.

(g) Option Transactions

The Fund may purchase and write (sell) put and call options on securities for hedging purposes, risk management purposes or as part of its investment strategies. The risk associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premiums paid. The proceeds from securities sold through the exercise of put options is decreased by the premiums paid.

When an option is written, the premium received is recorded as an asset with an equal liability which is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statement of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchased transactions, as a realized loss. If a call option written by the Fund is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a put option written by the Fund is exercised, the premium reduces the cost basis of the security. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security underlying the written option. Exercise of a written option could result in the Fund purchasing a security at a price different from its current market value.

(h) Swap Agreements

The Fund may invest in swap agreements. Swap agreements are privately negotiated agreements between the Fund and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. The Fund may enter into credit default, cross- currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency and interest rate risk. In connection with these agreements, securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Fund are included as part of realized gains or losses on the Statement of Operations.

Entering into these agreements involves, to varying degrees, elements of credit-legals, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

Credit Default Swap Agreements Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index. As a seller of protection on credit default swap agreements, the Fund will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap.

If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are assumed by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on corporate issues or sovereign issues of an emerging country involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection s right to choose the deliverable obligation with the lowest value following a credit event). The Fund may use credit default swaps on corporate issues or sovereign issues of an emerging country to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Fund owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer s default.

Credit default swap agreements on asset-backed securities involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. Unlike credit default swaps on corporate issues or sovereign issues of an emerging country, deliverable obligations in most instances would be limited to the specific referenced obligation as performance for asset-backed securities can vary across deals. Prepayments, principal paydowns, and other writedown or loss events on the underlying mortgage loans will reduce the outstanding principal balance of the referenced obligation. These reductions may be temporary or permanent as defined under the terms of the swap agreement and the notional amount for the swap agreement will be adjusted by corresponding amounts. The Fund may use credit default swaps on asset-backed securities to provide a measure of protection against defaults of the referenced obligation or to take an active long or short position with respect to the likelihood of a particular referenced obligation s default.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a list of a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

limited to, investment grade securities, high yield securities, asset backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name s weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Fund may use credit default swaps on credit indicies to hedge a portfolio of credit default swaps or bonds with a credit default swap on indices which is less expensive than it would be to buy many credit default swap to achieve a similar effect. Credit-default swap on indices are benchmarks for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end are disclosed later in the Notes (see 3(a)) and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Wider credit spreads and increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Fund as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. Notional amounts of all credit default swap agreements outstanding as of December 31, 2008 for which the Fund is the seller of protection are disclosed later in the Notes (see 3(a)). These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Fund for the same referenced entity or entities.

Interest Rate Swap Agreements Interest rate swap agreements involve the exchange by the Fund with another party of their respective commitments to pay or receive interest with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap , (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor , (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swap, under which two parties can exchange variable interest rates based on different money markets.

(i) Repurchase Agreements

The Fund enters into transactions with its custodian bank or securities brokerage firms whereby it purchases securities under agreements to resell at an agreed upon price and date (repurchase agreements). Such agreements are carried at the contract amount in the financial statements. Collateral pledged (the securities received), which consists primarily of U.S. government obligations and asset-backed securities, are held by the custodian bank until maturity of the repurchase agreement. Provisions of the repurchase agreements and the procedures adopted by the Fund require that the market value of the collateral, including accrued interest thereon, is sufficient in the event of default by the counterparty. If the counterparty defaults and the value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by

the Fund may be delayed or limited.

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

1. Organization and Significant Accounting Policies (continued)

(j) Reverse Repurchase Agreements

In a reverse repurchase agreement, the Fund sells securities to a bank or broker-dealer and agrees to repurchase the securities at a mutually agreed date and price. Generally, the effect of such a transaction is that the Fund can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to the Fund of the reverse repurchase transaction is less than the returns it obtains on investments purchased with the cash. Unless the Fund covers its positions in reverse repurchase agreements (by segregating liquid assets at least equal in amount to the forward purchase commitment), its obligations under the agreements will be subject to the Fund s limitations on borrowings. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Fund is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund s use of the proceeds of the agreement may be restricted pending determination by the other party, or its trustee or receiver, whether to enforce the Fund s obligation to repurchase the securities.

(k) Mortgage-Related and Other Asset-Backed Securities

The Fund may invest in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations (CMOs), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities (SMBSs) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The value of some mortgage-related and asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose the Fund to a lower rate of return upon reinvestment of principal. The value of these securities may fluctuate in response to the market s perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

One type of SMBSs has one class receiving all or a portion of the interest from the mortgage assets (the interest-only, or IO Class and/or the high coupon rate with relatively low principal amount, or IOette class), while the other class will receive all of the principal (the principal-only, or PO class). Payments received for IOs and IOettes are included in interest income on the Statement of Operations. Because little to no principal will be received at the maturity of an IO or IOettes, adjustments are made to the book value of the security on a daily basis until maturity. These adjustments are included in interest income on the Statement of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

(l) U.S. Government Agencies or Government-Sponsored Enterprises

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association (GNMA or Ginnie Mae), a wholly owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association (FNMA or Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

(m) Custody Credits on Cash Balances

The Fund benefits from an expense offset arrangement with its custodian bank, whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Fund.

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

2. Investment Manager/Sub-Adviser

The Fund has recently entered into a new Investment Management Agreement (the Agreement) with the Investment Manager. Subject to the supervision of the Fund s Board of Directors, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund s investment activities, business affairs and administrative matters. Pursuant to the Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.80% of the Fund s average daily total managed assets. Total managed assets refers to the total assets of the Fund (including assets attributable to any reverse repurchase agreements and borrowings), minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings).

The Investment Manager has retained its affiliate, Pacific Investment Management Company LLC (the Sub-Adviser), to manage the Fund s investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Fund s investment decisions. The Investment Manager and not the Fund, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

Prior to April 24, 2008, the Sub-Adviser served as investment manager and administrator to the Fund and received annual fees, payable quarterly of 0.725% and 0.10% of the Fund s average weekly net assets for investment management and administrative services, respectively.

3. Investment in Securities

For the year ended December 31, 2008, purchases and sales of investments, other than short-term securities and U.S. government obligations, were $39,181,085 and $33,088,720, respectively and purchases and sales of U.S. government obligations, were $1,450,000 and 44,124,439, respectively.

(a) Credit default swap agreements:

Sell Protection swap agreements outstanding at December 31, 2008[1]:

Swap Counterparty/ Referenced Debt Issuer	Notional Amount Payable on Default (000)[3]	Credit Spread[2]*	Termination Date	Payments Received by Fund	Market Value[4]	Upfront Premiums Paid	Unrealized Appreciation (Depreciation)
Bank of America:							
ABS Home Equity Index	$ 2,000	30.48%	8/25/37	0.15%	$ (1,890,000)	$ (1,775,000)	$ (114,692)
Bear Stearns:							
Home Equity Index	1,000	30.48%	8/25/37	0.15%	(945,000)	(610,000)	(334,846)
Home Equity Index	1,000	38.73%	1/25/38	1.92%	(945,000)	(620,000)	(323,133)

Home Equity Index	1,000	16.92%	5/25/46	0.17%	(876,250)	(420,000)	(456,071)
BNP Paribas:							
General Electric	1,000	3.71%	12/20/13	4.70%	40,681		45,642
Citigroup:							
American Express	1,700	2.85%	12/20/13	4.25%	101,263		108,890
Home Equity Index	1,000	9.73%	8/25/37	0.09%	(605,000)	(477,500)	(127,407)
SLM	1,000	8.26%	12/20/13	5.00%	(109,781)	(157,500)	53,413
Credit Suisse:							
ABS Home Equity Index	3,500	30.48%	8/25/37	0.15%	(3,307,500)	(2,495,000)	(811,946)
Home Equity Index	1,440	7.04%	7/25/45	0.18%	(287,937)	(64,786)	(222,903)
Deutsche Bank:							
American International Group	2,000	5.26%	3/20/13	2.10%	(224,049)		(222,766)
Citigroup	1,000	7.25%	12/20/13	5.00%	(81,179)	(265,000)	189,516
General Electric	700	3.71%	12/20/13	4.70%	28,476		31,858
SLM	1,000	8.26%	12/20/13	5.00%	(109,781)	(122,500)	16,608

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

3. Investment in Securities (continued)

Swap Counterparty/ Referenced Debt Issuer	Notional Amount Payable on Default (000)[3]	Credit Spread[2]*	Termination Date	Payments Received by Fund	Market Value[4]	Upfront Premiums Paid	Unrealized Appreciation (Depreciation)
Merrill Lynch:							
SLM	$ 700	8.26%	12/20/13	5.00%	$ (76,847)	$ (98,000)	$ 24,848
					$ (9,287,904)	$ (7,105,286)	$ (2,142,989)

* Unaudited

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements as of year-end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to make as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(4) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at December 31, 2008 of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement been closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity s credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(b) Interest rate swap agreements outstanding at December 31, 2008:

			Rate Type				
Swap Counterparty	Notional Amount (000)	Termination Date	Payments Made by Fund	Payments Received by Fund	Market Value	Upfront Premiums Paid	Unrealized Appreciation
Royal Bank of Scotland	$ 62,900	2/25/18	3-Month USD-LIBOR	5.80%	$ 332,735	$	$ 1,024,699

LIBOR London Inter-bank Offered Rate

The Fund received $1,020,000 principal value in U.S. Treasury Bills and $5,460,000 in cash as collateral for derivatives contracts. Cash collateral received may be invested in accordance with the Fund s investment strategy. Collateral received as securities can not be repledged.

(c) The weighted average daily balance of reverse repurchase agreements outstanding during the year ended December 31, 2008 was $73,527,779 at a weighted average interest rate of 3.58%. Open reverse repurchase agreements at December 31, 2008 were:

Counter Party	Rate	Trade Date	Maturity Date	Principal & Interest	Par
Barclays Bank:	1.40%	12/31/08	1/9/09	$ 7,446,289	$ 7,446,000
	2.40%	12/16/08	1/14/09	5,009,338	5,004,000

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

3. Investment in Securities (continued)

Counter Party	Rate	Trade Date	Maturity Date	Principal & Interest	Par
Credit Suisse:	2.25%	12/22/08	1/21/09	$ 13,313,316	$ 13,305,000
	3.38%	12/4/08	1/22/09	3,631,508	3,622,000
	4.00%	12/10/08	1/9/09	9,917,183	9,893,000
	5.50%	10/21/08	10/21/10	2,330,922	2,306,000
Deutsche Bank:	3.00%	12/11/08	1/13/09	158,777	158,500
	3.25%	10/31/08	10/21/10	964,364	960,000
Merrill Lynch:	2.79%	12/17/08	1/16/09	3,552,124	3,548,000
					$ 46,242,500

Details of underlying collateral for open reverse repurchase agreements at December 31, 2008, as reflected in the Schedule of Investments:

Counterparty	Description	Rate	Maturity Date	Par	Market Value
Barclays Bank:	American Express Bank	0.601%	5/29/12	$ 1,000,000	$ 825,147
	American Express Credit Corp.	1.20%	6/16/11	2,000,000	1,718,062
	American International Group, Inc.	8.175%	5/15/68	3,000,000	1,168,488
	Citigroup, Inc.	2.046%	3/16/12	1,000,000	847,240
	Citigroup, Inc.	2.386%	5/18/10	750,000	693,010
	Goldman Sachs Group, Inc.	2.229%	11/16/09	1,000,000	958,042
	Goldman Sachs Group, Inc.	5.319%	1/12/15	1,000,000	742,828
	International Lease Finance Corp.	4.875%	9/1/10	1,500,000	1,176,255
	International Lease Finance Corp.	4.95%	2/1/11	2,200,000	1,588,028
	Morgan Stanley	4.753%	1/18/11	1,000,000	851,890
	Morgan Stanley	4.953%	10/18/16	2,000,000	1,378,510
	SLM Corp.	3.765%	10/25/11	1,000,000	766,877
	SLM Corp.	8.45%	6/15/18	1,000,000	791,797
	Wachovia Bank	3.573%	11/3/14	1,000,000	790,238
	Wachovia Corp.	4.883%	10/15/11	1,000,000	896,297
Credit Suisse:	American International Group, Inc.	4.25%	5/15/13	2,000,000	1,475,350
	Archer-Daniels-Midland Co.	6.45%	1/15/38	1,000,000	1,016,496
	Banc of America Alternative Loan Trust	6.25%	1/25/37	468,443	225,297
	Banc of America Commercial Mortgage, Inc.	5.414%	9/10/47	2,000,000	1,587,009
	Banc of America Commercial Mortgage, Inc.	7.224%	4/15/36	2,500,000	1,856,448
	Banc of America Commercial Mortgage, Inc.	7.748%	11/15/31	2,800,000	2,613,749
	Bear Stearns Alt-A Trust	5.452%	7/25/35	386,269	211,287
	Bear Stearns Alt-A Trust	6.041%	5/25/36	442,547	288,454
	Bear Stearns Alt-A Trust	6.25%	8/25/36	986,510	443,413
	Bear Stearns Asset Backed Securities Trust	5.50%	12/25/35	398,921	291,838
	Bear Stearns Commercial Mortgage Securities Trust	5.694%	6/11/50	2,000,000	1,495,346
	Bear Stearns Commercial Mortgage Securities Trust	5.712%	6/11/40	2,000,000	1,563,453
	CIT Group, Inc.	2.219%	3/12/10	2,000,000	1,855,190
	Citigroup, Inc.	5.00%	9/15/14	2,000,000	1,761,272
	Citigroup/Deutsche Bank Commercial Mortgage Trust	5.225%	7/15/44	1,015,000	315,963
	Commercial Mortgage Asset Trust	6.975%	1/17/32	2,500,000	2,274,786

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

3. Investment in Securities (continued)

Counterparty	Description	Rate	Maturity Date	Par	Market Value
	Commercial Mortgage Pass Through Certificates	6.811%	7/16/34	$ 1,500,000	$ 656,899
	Commercial Mortgage Pass Through Certificates	6.83%	2/14/34	2,893,000	2,844,454
	Countrywide Alternative Loan Trust	6.00%	11/25/35	433,643	252,199
	Credit Suisse Mortgage Capital Certificates	5.467%	9/15/39	2,500,000	1,847,243
	Credit Suisse Mortgage Capital Certificates	5.896%	4/25/36	500,000	395,376
	CS First Boston Mortgage Securities Corp.	0.375%	12/15/35	23,465,155	596,165
	CS First Boston Mortgage Securities Corp.	5.745%	12/15/36	2,600,000	887,516
	CS First Boston Mortgage Securities Corp.	7.46%	1/17/35	2,000,000	1,868,712
	CVS Lease Pass Through	5.88%	1/10/28	1,860,379	1,695,389
	First Horizon Alternative Mortgage Securities	5.384%	8/25/35	473,010	171,826
	GMAC Commercial Mortgage Securities, Inc.	6.50%	5/15/35	2,000,000	1,898,572
	GMAC Commercial Mortgage Securities, Inc.	8.055%	9/15/35	1,500,000	1,194,018
	Greenwich Capital Commercial Funding Corp.	5.419%	1/5/36	1,500,000	593,290
	Greenwich Capital Commercial Funding Corp.	5.444%	3/10/39	2,000,000	1,528,351
	GS Mortgage Securities Corp. II	5.56%	11/10/39	5,750,000	4,578,370
	GS Mortgage Securities Corp. II	5.74%	11/10/39	2,000,000	366,987
	GS Mortgage Securities Corp. II	7.397%	8/5/18	3,480,000	2,432,280
	GSAA Trust	0.741%	6/25/35	348,746	150,998
	JPMorgan Chase Commercial Mortgage Securities Corp.	0.572%	3/12/39	9,703,232	246,187
	LB-UBS Commercial Mortgage Trust	6.95%	3/15/34	1,571,500	933,431
	LB-UBS Commercial Mortgage Trust	7.29%	9/15/34	2,000,000	1,407,909
	Morgan Stanley Capital I	5.208%	11/14/42	500,000	129,973
	Morgan Stanley Capital I	5.447%	2/12/44	2,000,000	1,489,558
	Nationslink Funding Corp.	7.105%	8/20/30	2,242,970	2,091,491
	NGPL PipeCo LLC	7.768%	12/15/37	1,000,000	816,654
	Residential Accredit Loans, Inc.	6.00%	8/25/35	901,018	613,848
	Wachovia Bank Commercial Mortgage Trust	0.253%	10/15/41	46,755,394	546,421
Deutsche Bank:	Dynegy Holdings, Inc.	7.125%	5/15/18	250,000	153,750
	Ford Motor Credit Co. LLC	8.00%	12/15/16	500,000	326,098
	HCA, Inc.	6.75%	7/15/13	1,250,000	793,750
	Tenneco Automotive, Inc.	8.625%	11/15/14	750,000	288,750
Merrill Lynch:	JPMorgan Chase Commercial Mortgage Securities Corp.	6.465%	11/15/35	3,000,000	2,907,401
	Merrill Lynch Mortgage Investors, Inc.	6.805%	12/15/30	1,500,000	1,321,185
	TrizecHahn Office Properties	7.604%	5/15/16	3,000,000	1,838,689
					$ 74,331,800

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

4. Income Tax Information

For the years ended December 31, 2008 and December 31, 2007, the tax character of dividends paid of $13,069,472 and $10,074,228 were comprised entirely from ordinary income.

At December 31, 2008, the Fund had distributable earnings from ordinary income of $29,494.

For the year ended December 31, 2008, permanent book-tax differences were primarily attributable to the differing treatment of swap payments, paydowns and expiration of capital loss carryforwards. These adjustments were to decrease paid-in-capital in excess of par by $1,855,921, decrease dividends in excess of net investment income by $6,471,467 and increase accumulated net realized losses by $4,615,546.

Net investment income and net realized gains differ for financial statement and federal income tax purposes primarily due to the treatment of amounts received under swap agreements. For year ended December 31, 2008, the Fund received $1,428,565 from swap agreements, which are treated as net realized gain for financial statement purposes and as net income for federal income tax purposes.

At December 31, 2008, the Fund had a capital loss carryforward of $34,053,139, which will expire as follows and are available as a reduction, to the extent provided in the regulations, of any future net realized gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be disbursed.

Amount	Will Expire In
950,027	2009
1,497,826	2010
5,072,807	2011
3,915,495	2012
21,701,310	2015
915,674	2016

During the fiscal year ended December 31, 2008, $1,855,921 of capital losses expired.

The cost basis of portfolio securities for federal income tax purposes is 178,408,661. Aggregated gross unrealized appreciation for securities in which there is an excess value over tax cost is $1,523,913, aggregate gross unrealized depreciation for securities in which there is an excess of tax cost over value is $53,510,442, net unrealized depreciation for federal income tax purposes is $51,986,529.

5. Subsequent Dividend Declarations

On January 2, 2009, a dividend of $0.07 per share was declared to shareholders payable February 2, 2009 to shareholders of record on January 12, 2009.

On February 2, 2009, a dividend of $0.07 per share was declared to shareholders payable March 2, 2009 to shareholders of record on February 12, 2009.

6. Market and Credit Risk

On September 15, 2008, Lehman Brothers Holdings Inc. filed for protection under Chapter 11 of the United States Bankruptcy Code. On September 19, 2008, a proceeding under the Securities Investor Protection Act (SIPA) was commenced with respect to Lehman Brothers Inc., a broker-dealer. A trustee appointed under SIPA is administering the bankruptcy estate of Lehman Brothers Inc. Lehman Brothers International (Europe) was placed in administration under the UK Insolvency Act on September 15, 2008. Lehman Brothers Special Financing Inc. filed for protection under Chapter 11 of the United States Bankruptcy Code on October 3, 2008. In connection with these filings, the Lehman Brothers group of companies (collectively Lehman Brothers) will be reorganized and/or liquidated in an orderly fashion, subject to court approval. Each Lehman Brothers entity is a separate legal entity that is subject to its own bankruptcy proceeding.

Table of Contents

PCM Fund, Inc. Notes to Financial Statements

December 31, 2008

6. Market and Credit Risk (continued)

The Fund had select derivatives transactions and collateral outstanding with Lehman Brothers entities as issuer, referenced entity, counterparty or guarantor at the time the relevant Lehman Brothers entity filed for protection or was placed in administration. Anticipated losses for securities and derivatives transactions associated with Lehman Brothers have been incorporated as components of other liabilities on the Statement of Assets and Liabilities and net change in unrealized appreciation (depreciation) on the Statement of Operations. A facilitated auction occurred on October 10, 2008 comprising multiple pre-approved brokerage agencies to determine the estimated recovery rate for holdings and credit default swap agreements with Lehman Brothers Holdings Inc. as the referenced entity. These recovery rates have been utilized in determining estimated recovery values for certain holding. Financial assets and liabilities may be offset and the net amount may be reported in the Statement of Assets and Liabilities where there is a legally enforceable right to set off the recognized amounts and the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts (FIN 39) have been met. As of December 31, 2008, the line item titled Payable to Broker on the Statement of Assets and Liabilities represents the net amount payable to Lehman Brothers for early terminated swap contracts offset by cash collateral of $750,000 as a result of the application of FIN 39. As a result of the early terminated swap contracts, the Fund realized losses which decreased NAV by $0.01 per share.

The Sub-Adviser has delivered notices of default to the relevant Lehman Brothers entities in accordance with the terms of the applicable agreements. For transactions with Lehman Brothers counterparties, the Sub-Adviser has terminated the trades and, has obtained quotations from brokers for replacement trades.

7. Legal Proceedings

In June and September 2004, the Investment Manager and certain of its affiliates (including PEA Capital LLC (PEA), Allianz Global Investors Distributors LLC and Allianz Global Investors of America L.P.), agreed to settle, without admitting or denying the allegations, claims brought by the Securities and Exchange Commission and the New Jersey Attorney General alleging violations of federal and state securities laws with respect to certain open-end funds for which the Investment Manager serves as investment adviser. The settlements related to an alleged market timing arrangement in certain open-end funds formerly sub-advised by PEA. The Investment Manager and its affiliates agreed to pay a total of $68 million to settle the claims. In addition to monetary payments, the settling parties agreed to undertake certain corporate governance, compliance and disclosure reforms related to market timing and consented to cease and desist orders and censures. Subsequent to these events, PEA deregistered as an investment adviser and dissolved. None of the settlements alleged that any inappropriate activity took place with respect to the Fund.

Since February 2004, the Investment Manager and certain of its affiliates and their employees have been named as defendants in a number of pending lawsuits concerning market timing which allege the same or similar conduct underlying the regulatory settlements discussed above. The market timing lawsuits have been consolidated in a multi-district litigation proceeding in the U.S. District Court of Maryland. Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against the Investment Manager or its affiliates or related injunctions.

The Investment Manager and the Sub-Adviser believe that these matters are not likely to have a material adverse effect on the Fund or on their ability to perform their respective investment advisory activities relating to the Fund.

The foregoing speaks only as of the date hereof

Table of Contents

PCM Fund, Inc. Financial Highlights

For a share of common stock outstanding throughout each year:

	Year ended December 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	$11.28	$11.85	$11.94	$12.49	$12.53
Investment Operations:					
Net investment income (1)	0.48	0.80	0.90	0.98	1.01
Net realized and change in unrealized gain (loss) on investments, futures contracts and swaps	(4.84)	(0.48)	0.14	(0.40)	0.08
Total from investment operations	(4.36)	0.32	1.04	0.58	1.09
Dividends to Shareholders from Net investment income	(1.15)	(0.89)	(1.13)	(1.13)	(1.13)
Net asset value, end of year	$5.77	$11.28	$11.85	$11.94	$12.49
Market price, end of year	$6.13	$10.25	$14.40	$14.03	$13.17
Total Investment Return (2)	(30.79)%	(23.17)%	11.17%	15.40%	(1.62)%
RATIOS/SUPPLEMENTAL DATA:					
Net assets end of year (000)	$65,572	$128,092	$134,259	$134,792	$140,267
Ratio of expenses to average net assets, including interest expense (3)	4.22%	4.03%	3.69%	2.77%	1.75%
Ratio of expenses to average net assets, excluding interest expense	1.67%	1.08%	1.03%	1.07%	1.00%
Ratio of net investment income to average net assets	5.24%	6.94%	7.64%	8.00%	8.09%
Portfolio turnover	23%	17%	21%	8%	24%

(1) Calculated on average of shares outstanding.
(2) Total investment return is calculated assuming a purchase of a share of common stock at the current market price on the first day and a sale of a share of common stock at the current market price on the last day of each year reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges.
(3) Interest expense relates to investments in reverse repurchase agreement transactions.

Table of Contents

PCM Fund, Inc. Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of the PCM Fund Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedules of investments, and the related statements of operations, and of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of the PCM Fund, Inc. (the Fund) at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Fund s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Kansas City, MO

February 24, 2009

Table of Contents

PCM Fund, Inc. Annual Shareholder Meeting Results (unaudited)

The Fund held its annual meeting of shareholders on April 23, 2008. Shareholders voted to elect as new Directors of the Fund, Hans W. Kertess, Chairman of the Board of Directors, Paul Belica, Robert E. Connor, John J. Dalessandro II, John C. Maney, William B. Ogden, IV and R. Peter Sullivan III as Directors as indicated below:

		Affirmative	Withheld Authority	Against
Class I Directors:	elect John J. Dalessandro II to serve until 2010	10,377,762	289,099	
	elect William B. Ogden, IV to serve until 2010	10,383,838	283,023	
Class II Directors:	elect Hans W. Kertess to serve until 2011	10,382,756	284,105	
	elect John C. Maney to serve until 2011	10,384,154	282,707	
	elect R. Peter Sullivan III to serve until 2011	10,382,838	284,023	
Class III Directors:	elect Paul Belica to serve until 2009	10,376,844	290,017	
	elect Robert E. Connor to serve until 2009	10,378,762	288,099	

In May 2008, the Fund s Board of Directors appointed Diana L. Taylor as a Class I Director.

Mr. John J. Dalessandro II served as a Class I Director until his death on September 14, 2008.

In addition, at the Annual Meeting, the Shareholders voted to approve the following other proposals:

		Affirmative	Withheld Authority	Against
Proposal 1:	To approve an Investment Management Agreement between the Fund and Allianz Global Investors Fund Management LLC (AGIFM).	6,045,935	163,666	157,187
Proposal 2:	Contingent on the approval of Proposal I above, to approve a Portfolio Management Agreement between AGIFM and Pacific Investment Management Company LLC (PIMCO)	6,045,102	160,586	161,101

Table of Contents

PCM Fund, Inc. Privacy Policy/Proxy Voting Policies & Procedures (unaudited)

Privacy Policy:

Our Commitment to You

We consider customer privacy to be a fundamental aspect of our relationship with clients. We are committed to maintaining the confidentiality, integrity and security of our current, prospective and former clients personal information. We have developed policies designed to protect this confidentiality, while allowing client needs to be served.

Obtaining Personal Information

In the course of providing you with products and services, we and certain service providers to the Fund, such as the Fund s investment adviser, may obtain non-public personal information about you. This information may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from your transactions, from your brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on our internet web sites.

Respecting Your Privacy

As a matter of policy, we do not disclose any personal or account information provided by you or gathered by us to non-affiliated third parties, except as required or permitted by law or as necessary for third parties to perform their agreements with respect to the Fund. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on client satisfaction, and gathering shareholder proxies. We may also retain non-affiliated companies to market our products and enter in joint marketing agreements with other companies. These companies may have access to your personal and account information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. In most cases you will be clients of the third party, but we may also provide your personal and account information to your brokerage or financial advisory firm and/or to your financial adviser or consultant.

Sharing Information with Third Parties

We do reserve the right to disclose or report personal information to non-affiliated third parties in limited circumstances where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any mutual fund in which you have chosen to invest. In addition, the Fund may disclose information about your accounts to a non-affiliated third party with the consent or upon your request.

Sharing Information with Affiliates

We may share client information with our affiliates in connection with servicing your account or to provide you with information about products and services that we believe may be of interest to you. The information we share may include, for example, your participation in our mutual funds or other investment programs sponsored by us or our affiliates, your ownership of certain types of accounts (such as IRAs), or other data about your accounts. Our affiliates, in turn, are not permitted to share your information with non-affiliated entities, except as required or permitted by law.

Procedures to Safeguard Private Information

The Fund takes seriously the obligation to safeguard your shareholder non-public personal information. In addition to this policy, the Fund has also implemented procedures that are designed to restrict access to a shareholder s non-public personal information only to internal personnel who need to know that information in order to provide products or services to such shareholders. In order to guard a shareholder s non-public personal information, physical, electronic and procedural safeguards are in place.

Proxy Voting Policies & Procedures:

A description of the policies and procedures that the Fund has adopted to determine how to vote proxies relating to portfolio securities and information about how the Fund voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Fund s shareholder servicing agent at (800) 331-1710; (ii) on the Fund s website at www.allianzinvestors.com/closedendfunds; and (iii) on the Securities and Exchange Commission s website at www.sec.gov.

Table of Contents

PCM Fund, Inc. Dividend Reinvestment Plan (unaudited)

Pursuant to the Fund s Dividend Reinvestment Plan (the Plan), all Common Shareholders whose shares are registered in their own names will have all dividends, including any capital gain dividends, reinvested automatically in additional Common Shares by PNC Global Investment Servicing, as agent for the Common Shareholders (the Plan Agent), unless the shareholder elects to receive cash. An election to receive cash may be revoked or reinstated at the option of the shareholder. In the case of record shareholders such as banks, brokers or other nominees that hold Common Shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder as representing the total amount registered in such shareholder s name and held for the account of beneficial owners who are to participate in the Plan. Shareholders whose shares are held in the name of a bank, broker or nominee should contact the bank, broker or nominee for details. All distributions to investors who elect not to participate in the Plan (or whose broker or nominee elects not to participate on the investor s behalf), will be paid cash by check mailed, in the case of direct shareholder, to the record holder by PNC Global Investment Servicing, as the Fund s dividend disbursement agent.

Unless you (or your broker or nominee) elect not to participate in the Plan, the number of Common Shares you will receive will be determined as follows:

(1) If on the payment date the net asset value of the Common Shares is equal to or less than the market price per Common Share plus estimated brokerage commissions that would be incurred upon the purchase of Common Shares on the open market, the Fund will issue new shares at the greater of (i) the net asset value per Common Share on the payment date or (ii) 95% of the market price per Common Share on the payment date; or

(2) If on the payment date the net asset value of the Common Shares is greater than the market price per Common Share plus estimated brokerage commissions that would be incurred upon the purchase of Common Shares on the open market, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the NYSE or elsewhere, for the participants accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price on the payment date, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market on or shortly after the payment date, but in no event later than the ex-dividend date for the next distribution. Interest will not be paid on any uninvested cash payments.

You may withdraw from the Plan at any time by giving notice to the Plan Agent. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Agent maintains all shareholders accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. The Plan Agent will also furnish each person who buys Common Shares with written instructions detailing the procedures for electing not to participate in the Plan and to instead receive distributions in cash. Common Shares in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions.

The Fund and the Plan Agent reserve the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from the Fund s shareholder servicing agent, PNC Global Investment Servicing., P.O. Box 43027, Providence, RI 02940-3027, telephone number (800) 331-1710.

Table of Contents

PCM Fund, Inc. Board of Directors (unaudited)

Name, Date of Birth, Position(s) Held with Fund, Length of Service, Other Trusteeships/Directorships Held by Director; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Director	Principal Occupation(s) During Past 5 Years:
The address of each trustee is 1345 Avenue of the Americas, New York, NY 10105.	
Hans W. Kertess *Date of Birth: 7/12/39* *Chairman of the Board of Directors since: 2008* *Director since: 2008* *Term of office: Expected to stand for re-election at 2011 annual meeting of shareholders.* *Trustee/Director of 47 Funds in Fund Complex;* *Trustee/Director of no funds outside of Fund Complex*	President, H. Kertess & Co., a financial advisory company; Formerly, Managing Director, Royal Bank of Canada Capital Markets.
Paul Belica *Date of Birth: 9/27/21* *Director since: 2008* *Term of office: Expected to stand for re-election at 2009 annual meeting of shareholders.* *Trustee/Director of 47 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex*	Retired. Formerly Director, Student Loan Finance Corp., Education Loans, Inc., Goal Funding, Inc., Goal Funding II, Inc. and Surety Loan Fund, Inc.; formerly, Manager of Stratigos Fund LLC, Whistler Fund LLC, Xanthus Fund LLC & Wynstone Fund LLC.
Robert E. Connor *Date of Birth: 9/17/34* *Director since: 2008* *Term of office: Expected to stand for re-election at 2009 annual meeting of shareholders.* *Trustee/Director of 47 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex*	Corporate Affairs Consultant. Formerly, Senior Vice President, Corporate Office, Smith Barney Inc.
William B. Ogden, IV *Date of Birth: 1/11/45*	Asset Management Industry Consultant; Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc.

Director since: 2008 *Term of office: Expected to stand for election at 2010 annual meeting of shareholders.* *Trustee/Director of 47 Funds in Fund Complex;* *Trustee/Director of no funds outside of Fund Complex*	
R. Peter Sullivan III *Date of Birth*: 9/4/41 *Director since: 2008* *Term of office: Expected to stand for re-election at 2011 annual meeting of shareholders.* *Trustee/Director of 47 funds in Fund Complex* *Trustee/Director of no funds outside of Fund Complex*	Retired. Formerly, Managing Partner, Bear Wagner Specialists LLC, specialist firm on the New York Stock Exchange.

Table of Contents

PCM Fund, Inc. Board of Directors (unaudited)

Name, Date of Birth, Position(s) Held with Fund, Length of Service, Other Trusteeships/Directorships Held by Trustee; Number of Portfolios in Fund Complex/Outside Fund Complexes Currently Overseen by Trustee	Principal Occupation(s) During Past 5 Years:
Diana L. Taylor *Date of Birth: 2/16/55* *Director since 2008* *Term of office: Expected to stand for election at 2010 annual meeting of shareholders.* *Trustee/Director of 43 Funds in Fund Complex* *Trustee/Director of Brookfield Properties Corporation of Sotheby s*	Managing Director, Wolfensohn & Co., 2007-present; Formerly, Superintendent of Banks, State of New York, 2003-2007.
John C. Maney *Date of Birth: 8/3/59* *Director since 2008* *Term of office: Expected to stand for re-election at 2011 annual meeting of shareholders.* *Trustee/Director of 81 Funds in Fund Complex* *Trustee/Director of No Funds outside the Fund Complex*	Management Board of Allianz Global Investors Fund Management LLC; Managing Board and Managing Director of Allianz Global Investors of America L.P. since January 2005 and also Chief Operating Officer of Allianz Global Investors of America since November 2006, Formerly, Executive Vice President and Chief Financial Officer of Apria Healthcare Group, Inc. (1998-2001)

Mr. Maney is an interested person of the Fund due to his affiliation with Allianz Global Investors of America L.P. In addition to Mr. Maney s positions set forth in the table above, he holds the following positions with affiliated persons: Managing Director and Chief Operating Office of Allianz Global Investors of America L.P., Allianz Global Investors of America LLC and Allianz-Pac Life Partners LLC; Member Board of Directors and Chief Operating Officer of Allianz Global Investors of America Holdings Inc. and Oppenheimer Group, Inc.; Managing Director and Chief Operating Officer of Allianz Global Investors NY Holdings LLC and Allianz Global Investors U.S. Equities LLC; Management Board and Managing Director of Allianz Global Investors U.S. Holding LLC; Managing Director and Chief Financial Officer of Allianz Hedge Fund Partners Holding L.P; Managing Director of Allianz Global Investors U.S. Retail LLC; Member Board of Directors and Managing Director of Allianz Investors Advertising Agency Inc.; Compensation Committee of NFJ Investment Group L.P.; Management Board of Allianz Global Investors Fund Management LLC, Nicholas-Applegate Securities LLC and OpCap Advisors LLC; Member Board of Directors of NFJ Management Inc. and PIMCO Global Advisers (Resources) Limited; and Executive Vice President of PIMCO Japan Ltd.

Further information about certain of the Fund s Directors is available in the Fund s Statement of Additional Information, dated February 17, 1994, which can be obtained upon request, without charge, by calling the Fund s shareholder servicing agent at (800) 331-1710.

Table of Contents

PCM Fund, Inc. Fund Officers (unaudited)

Name, Date of Birth, Position(s) Held with Fund	Principal Occupation(s) During Past 5 Years:
Brian S. Shlissel *Date of Birth: 11/14/64* *President & Chief Executive Officer since: 2002*	Executive Vice President, Director of Fund Administration, Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 35 funds in the Fund Complex; Treasurer; Principal Financial and Accounting Officer of 46 funds in the Fund Complex and The Korea Fund, Inc.
Lawrence G. Altadonna *Date of Birth: 3/10/66* *Treasurer, Principal Financial and Accounting Officer since: 2002*	Senior Vice President, Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting officer of 35 funds in the Fund Complex; Assistant Treasurer of 46 funds in the Fund Complex and The Korea Fund, Inc.
Thomas J. Fuccillo *Date of Birth: 3/22/68* *Vice President, Secretary & Chief Legal Officer since: 2004*	Senior Vice President, Senior Counsel, Allianz Global Investors of America L.P., Secretary of 81 funds in the Fund Complex. Secretary & Chief Legal Officer of The Korea Fund, Inc. Formerly, Vice President and Associate General Counsel, Neuberger Berman LLC.
Scott Whisten *Date of Birth: 3/13/71* *Assistant Treasurer since: 2007*	Vice President, Allianz Global Investors Fund Management LLC; Assistant Treasurer of 81 funds in the Fund Complex. Formerly, Accounting Manager, Prudential Investments (2002-2005).
Richard J. Cochran *Date of Birth: 1/23/61* *Assistant Treasurer since: 2008*	Vice President, Allianz Global Investors Fund Management LLC, Assistant Treasurer of 81 Funds in the Funds Complex. Formerly, Tax Manager, Teacher Insurance Annuity Association/College Retirement Equity Fund (2002-2008).
Youse E. Guia *Date of Birth: 9/3/72* *Chief Compliance Officer since: 2004*	Senior Vice President, Group Compliance Manager, Allianz Global Investors of America L.P., Chief Compliance Officer of 81 funds in the Fund Complex and The Korea Fund, Inc. Formerly, Vice President, Group Compliance Manager, Allianz Global Investors of America L.P. (2002-2004), Audit Manager, Pricewaterhouse Coopers LLP (1996-2002).

Table of Contents

PCM Fund, Inc. Fund Officers (unaudited) (continued)

Name, Date of Birth, Position(s) Held with Fund	Principal Occupation(s) During Past 5 Years:
William V. Healey *Date of Birth: 7/28/53* *Assistant Secretary since: 2006*	Executive Vice President, Chief Legal Officer- U.S. Retail, Allianz Global Investors of America L.P., Executive Vice President, Chief Legal Officer and Secretary, Allianz Global Investors Fund Management LLC, Allianz Global Investors Distributors LLC, Allianz Global Investors Advertising Agency Inc., and Allianz Global Investors Managed Accounts LLC. Assistant Secretary of 81 funds in the Fund Complex. Formerly, Vice President and Associate General Counsel The Prudential Insurance Company of America; Executive Vice President and Chief Legal Officer, The Prudential Investments (1998-2005).
Richard H. Kirk *Date of Birth: 4/6/61* *Assistant Secretary since: 2006*	Senior Vice President, Allianz Global Investors of America L.P. (since 2004). Senior Vice President, Associate General Counsel, Allianz Global Investors Distributors LLC. Assistant Secretary of 81 funds in the Fund Complex; formerly, Vice President, Counsel, The Prudential Insurance Company of America/American Skandia (2002-2004).
Kathleen A. Chapman *Date of Birth: 11/11/54* *Assistant Secretary since: 2006*	Assistant Secretary of 81 funds in the Fund Complex; Manager IIG Advisory Law, Morgan Stanley (2004-2005); The Prudential Insurance Company of America and Assistant Corporate Secretary of affiliated American Skandia companies (1996-2004).
Lagan Srivastava *Date of Birth: 9/20/77* *Assistant Secretary since: 2006*	Assistant Secretary of 81 funds in the Fund Complex and The Korea Fund, Inc. Formerly Research Assistant, Dechert LLP (2004-2005); Research Assistant, Swidler Berlin Shereff Friedman LLP (2002-2004).

Officers hold office at the pleasure of the Board and until their successors are appointed and qualified or until their earlier resignation or removal.

Table of Contents

Directors and Fund Officers

Hans W. Kertess
Director, Chairman of the Board of Directors
Paul Belica
Director
Robert E. Connor
Director
John C. Maney
Director
William B. Ogden, IV
Director
R. Peter Sullivan III
Director
Diana L. Taylor
Director

Brian S. Shlissel
President & Chief Executive Officer
Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer
Thomas J. Fuccillo
Vice President, Secretary & Chief Legal Officer
Scott Whisten
Assistant Treasurer
Richard J. Cochran
Assistant Treasurer
Youse E. Guia
Chief Compliance Officer
William V. Healey
Assistant Secretary
Richard H. Kirk
Assistant Secretary
Kathleen A. Chapman
Assistant Secretary
Lagan Srivastava
Assistant Secretary

Investment Manager

Allianz Global Investors Fund Management LLC

1345 Avenue of the Americas

New York, NY 10105

Sub-Adviser

Pacific Investment Management Company LLC

840 Newport Center Drive

Newport Beach, CA 92660

Custodian & Accounting Agent

State Street Bank & Trust Co.

801 Pennsylvania

Kansas City, MO 64105-1307

Transfer Agent, Dividend Paying Agent and Registrar

PNC Global Investment Servicing

P.O. Box 43027

Providence, RI 02940-3027

Independent Registered Public Accounting Firm

1100 Walnut Street,

Suite 1300

Kansas City, MO 64106-2797

Legal Counsel

Ropes & Gray LLP

One International Place

Boston, MA 02210-2624

This report, including the financial information herein, is transmitted to the shareholders of The PCM Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of its fiscal year on Form N-Q. The Fund s Form N-Q is available on the SEC s website at www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Fund s website at www.allianzinvestors.com/closedendfunds.

On May 30, 2008, the Fund submitted a CEO annual certification to the New York Stock Exchange (NYSE) on which the Fund s principal executive officer certified that he was not aware, as of the date, of any violation by the Fund of the NYSE s Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund s principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Fund s disclosure controls and procedures and internal control over financial reporting, as applicable.

Information on the Fund is available at www.allianzinvestors.com/closedendfunds or by calling the Fund s shareholder servicing agent at (800) 331-1710.

Table of Contents

Table of Contents

ITEM 2. CODE OF ETHICS

(a) As of the end of the period covered by this report, the registrant has adopted a code of ethics (the Section 406 Standards for Investment Companies Ethical Standards for Principal Executive and Financial Officers) that applies to the registrant s Principal Executive Officer and Principal Financial Officer; the registrant s Principal Financial Officer also serves as the Principal Accounting Officer. The registrant undertakes to provide a copy of such code of ethics to any person upon request, without charge, by calling 1-800-331-1710. The code of ethics are included as an Exhibit 99.CODE ETH hereto.

(b) During the period covered by this report, there were not any amendments to a provision of the code of ethics adopted in 2(a) above.

(c) During the period covered by this report, there were not any waivers or implicit waivers to a provision of the code of ethics adopted in 2(a) above.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The registrant s Board has determined that Mr. Paul Belica, a member of the Board s Audit Oversight Committee is an audit committee financial expert, and that he is independent, for purposes of this Item.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

a) Audit fees. The aggregate fees billed for each of the last two fiscal years (the Reporting Periods) for professional services rendered by the Registrant s principal accountant (the Auditor) for the audit of the Registrant s annual financial statements, or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were $20,212 in 2007 and $50,000 in 2008.

b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the principal accountant that are reasonably related to the performance of the audit registrant s financial statements and are not reported under paragraph (e) of this Item were $1,000 in 2007 and $0 in 2008. These services consist of accounting consultations, agreed upon procedure reports, attestation reports and comfort letters.

c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax service and tax planning (Tax Services) were $0 in 2007 and $4,935 in 2008. These services consisted of review or preparation of U.S. federal, state, local and excise tax returns and calculation of excise tax distributions.

d) All Other Fees. There were no other fees billed in the Reporting Periods for products and services provided by the Auditor to the Registrant.

e) 1. Audit Committee Pre-Approval Policies and Procedures. The Registrant s Audit Committee has established policies and procedures for pre-approval of all audit and permissible non-audit services by the Auditor for the Registrant, as well as the Auditor s engagements related directly to the operations and financial reporting of the Registrant. The Registrant s policy is stated below.

Table of Contents

PCM Fund, Inc. (the Fund)

AUDIT OVERSIGHT COMMITTEE POLICY FOR PRE-APPROVAL OF SERVICES PROVIDED BY THE INDEPENDENT ACCOUNTANTS

The Fund s Audit Oversight Committee (Committee) is charged with the oversight of the Fund s financial reporting policies and practices and their internal controls. As part of this responsibility, the Committee must pre-approve any independent accounting firm s engagement to render audit and/or permissible non-audit services, as required by law. In evaluating a proposed engagement by the independent accountants, the Committee will assess the effect that the engagement might reasonably be expected to have on the accountant s independence. The Committee s evaluation will be based on:

a review of the nature of the professional services expected to provided,

the fees to be charged in connection with the services expected to be provided,

a review of the safeguards put into place by the accounting firm to safeguard independence, and

periodic meetings with the accounting firm.

POLICY FOR AUDIT AND NON-AUDIT SERVICES TO BE PROVIDED TO THE FUND

On an annual basis, the Fund s Committee will review and pre-approve the scope of the audit of the Fund and proposed audit fees and permitted non-audit (including audit-related) services that may be performed by the Fund s independent accountants. At least annually, the Committee will receive a report of all audit and non-audit services that were rendered in the previous calendar year pursuant to this Policy. In addition to the Committee s pre-approval of services pursuant to this Policy, the engagement of the independent accounting firm for any permitted non-audit service provided to the Fund will also require the separate written pre-approval of the President of the Fund, who will confirm, independently, that the accounting firm s engagement will not adversely affect the firm s independence. All non-audit services performed by the independent accounting firm will be disclosed, as required, in filings with the Securities and Exchange Commission.

AUDIT SERVICES

The categories of audit services and related fees to be reviewed and pre-approved annually by the Committee are:

Annual Fund financial statement audits

Seed audits (related to new product filings, as required)

SEC and regulatory filings and consents

Semiannual financial statement reviews

AUDIT-RELATED SERVICES

The following categories of audit-related services are considered to be consistent with the role of the Fund s independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm s independence:

Table of Contents

Accounting consultations

Fund merger support services

Agreed upon procedure reports (inclusive of quarterly review of Basic Maintenance testing associated with issuance of Preferred Shares and semiannual report review)

Other attestation reports

Comfort letters

Other internal control reports

Individual audit-related services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chair (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

TAX SERVICES

The following categories of tax services are considered to be consistent with the role of the Fund s independent accountants and services falling under one of these categories will be pre-approved by the Committee on an annual basis if the Committee deems those services to be consistent with the accounting firm s independence:

Tax compliance services related to the filing or amendment of the following:

Federal, state and local income tax compliance; and, sales and use tax compliance

Timely RIC qualification reviews

Tax distribution analysis and planning

Tax authority examination services

Tax appeals support services

Accounting methods studies

Fund merger support service

Other tax consulting services and related projects

Individual tax services that fall within one of these categories and are not presented to the Committee as part of the annual pre-approval process described above, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

PROSCRIBED SERVICES

The Fund s independent accountants will not render services in the following categories of non-audit services:

Bookkeeping or other services related to the accounting records or financial statements of the Fund

Financial information systems design and implementation

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports

Actuarial services

Internal audit outsourcing services

Management functions or human resources

Broker or dealer, investment adviser or investment banking services

Legal services and expert services unrelated to the audit

Table of Contents

Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible

PRE-APPROVAL OF NON-AUDIT SERVICES PROVIDED TO OTHER ENTITIES WITHIN THE FUND COMPLEX

The Committee will pre-approve annually any permitted non-audit services to be provided to Allianz Global Investors Fund Management LLC (Formerly, PA Fund Management LLC) or any other investment manager to the Funds (but not including any sub-adviser whose role is primarily portfolio management and is sub-contracted by the investment manager) (the Investment Manager) and any entity controlling, controlled by, or under common control with the Investment Manager that provides ongoing services to the Fund (including affiliated sub-advisers to the Fund), provided, in each case, that the engagement relates directly to the operations and financial reporting of the Fund (such entities, including the Investment Manager, shall be referred to herein as the Accounting Affiliates). Individual projects that are not presented to the Committee as part of the annual pre-approval process, may be pre-approved, if deemed consistent with the accounting firm s independence, by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $250,000. Any such pre-approval shall be reported to the full Committee at its next regularly scheduled meeting.

Although the Committee will not pre-approve all services provided to the Investment Manager and its affiliates, the Committee will receive an annual report from the Fund s independent accounting firm showing the aggregate fees for all services provided to the Investment Manager and its affiliates.

DE MINIMUS EXCEPTION TO REQUIREMENT OF PRE-APPROVAL OF NON-AUDIT SERVICES

With respect to the provision of permitted non-audit services to a Fund or Accounting Affiliates, the pre-approval requirement is waived if:

(1) The aggregate amount of all such permitted non-audit services provided constitutes no more than (i) with respect to such services provided to the Fund, five percent (5%) of the total amount of revenues paid by the Fund to its independent accountant during the fiscal year in which the services are provided, and (ii) with respect to such services provided to Accounting Affiliates, five percent (5%) of the total amount of revenues paid to the Fund s independent accountant by the Fund and the Accounting Affiliates during the fiscal year in which the services are provided;

(2) Such services were not recognized by the Fund at the time of the engagement for such services to be non-audit services; and

(3) Such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by the Committee Chairman (or any other Committee member who is a disinterested trustee under the Investment Company Act to whom this Committee Chairman or other delegate shall be reported to the full Committee at its next regularly scheduled meeting.

e) 2. No services were approved pursuant to the procedures contained in paragraph (C) (7) (i) (C) of Rule 2-01 of Registration S-X.

f) Not applicable

g) Non-audit fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to the Adviser, for the 2007 Reporting Period was $1,024,390 and the 2008 Reporting Period was $1,065,434.

h) Auditor Independence. The Registrant s Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Adviser which were not pre- approved is compatible with maintaining the Auditor s

independence.

Table of Contents

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANT

The Fund has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee of the Fund is comprised of Robert E. Connor, Paul Belica, Hans W. Kertess, R. Peter Sullivan III, William B. Ogden, IV and Diana L. Taylor.

ITEM 6. SCHEDULE OF INVESTMENTS

Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

PCM FUND, INC.

(the Fund)

PROXY VOTING POLICY

1. It is the policy of the Fund that proxies should be voted in the interest of its shareholders, as determined by those who are in the best position to make this determination. The Fund believes that the firms and/or persons purchasing and selling securities for the Fund and analyzing the performance of the Fund s securities are in the best position and have the information necessary to vote proxies in the best interests of the Fund and its shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the Fund, on the other. Accordingly, the Fund s policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the Fund.

2. The Fund delegates the responsibility for voting proxies to Allianz Global Investors Fund Management LLC (AGIFM), which will in turn delegate such responsibility to the sub-adviser of the Fund. AGIFM s Proxy Voting Policy Summary is attached as Appendix A hereto. A summary of the detailed proxy voting policy of PIMCO, the Fund s current sub-adviser, is set forth in Appendix B attached hereto. Such summary may be revised from time to time to reflect changes to the sub-adviser s detailed proxy voting policy.

3. The party voting the proxies (i.e., the sub-adviser) shall vote such proxies in accordance with such party s proxy voting policies and, to the extent consistent with such policies, may rely on information and/or recommendations supplied by others.

Table of Contents

4. AGIFM and the sub-adviser of the Fund with proxy voting authority shall deliver a copy of its respective proxy voting policies and any material amendments thereto to the applicable Board of the Fund promptly after the adoption or amendment of any such policies.

5. The party voting the proxy shall: (i) maintain such records and provide such voting information as is required for the Fund s regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) shall provide such additional information as may be requested, from time to time, by the Board or the Fund s Chief Compliance Officer.

6. This Proxy Voting Policy Statement (including Appendix B), the Proxy Voting Policy Summary of AGIFM and summary of the detailed proxy voting policy of PIMCO, the sub-adviser of the Fund with proxy voting authority, shall be made available (i) without charge, upon request, by calling 1-800-426-0107 and (ii) on the Fund s website at www.allianzinvestors.com. In addition, to the extent required by applicable law or determined by the Funds Chief Compliance Officer or Board of Trustees, the Proxy Voting Policy Summary of AGIFM and summary of the detailed proxy voting policy of PIMCO, the Fund s sub-adviser with proxy voting authority shall also be included in the Fund s Registration Statements or Form N-CSR filings.

Table of Contents

Appendix A

ALLIANZ GLOBAL INVESTORS FUND MANAGEMENT LLC (AGIFM)

1. It is the policy of AGIFM that proxies should be voted in the interest of the shareholders of the applicable fund, as determined by those who are in the best position to make this determination. AGIFM believes that the firms and/or persons purchasing and selling securities for the funds and analyzing the performance of the funds securities are in the best position and have the information necessary to vote proxies in the best interests of the funds and their shareholders, including in situations where conflicts of interest may arise between the interests of shareholders, on one hand, and the interests of the investment adviser, a sub-adviser and/or any other affiliated person of the fund, on the other. Accordingly, AGIFM s policy shall be to delegate proxy voting responsibility to those entities with portfolio management responsibility for the funds.

2. AGIFM, for each fund which it acts as an investment adviser, delegates the responsibility for voting proxies to the sub-adviser for the respective fund, subject to the terms hereof.

3. The party voting the proxies (e.g., the sub-adviser) shall vote such proxies in accordance with such party s proxy voting policies and, to the extent consistent with such policies, may rely on information and/or recommendations supplied by others.

4. AGIFM and each sub-adviser of a fund shall deliver a copy of its respective proxy voting policies and any material amendments thereto to the board of the relevant fund promptly after the adoption or amendment of any such policies.

5. The party voting the proxy shall: (i) maintain such records and provide such voting information as is required for such funds regulatory filings including, without limitation, Form N-PX and the required disclosure of policy called for by Item 18 of Form N-2 and Item 7 of Form N-CSR; and (ii) shall provide such additional information as may be requested, from time to time, by such funds respective boards or chief compliance officers.

6. This Proxy Voting Policy Summary and summaries of the proxy voting policies for each sub-adviser of a fund advised by AGIFM shall be available (i) without charge, upon request, by calling 1-800-426-0107 and (ii) at www.allianzinvestors.com. In addition, to the extent required by applicable law or determined by the relevant fund s board of directors/trustees or chief compliance officer, this Proxy Voting Policy Summary and summaries of the detailed proxy voting policies of each sub-adviser and each other entity with proxy voting authority for a fund advised by AGIFM shall also be included in the Registration Statement or Form N-CSR filings for the relevant fund.

Table of Contents

Appendix B

PACIFIC INVESTMENT MANAGEMENT COMPANY LLC

Pacific Investment Management Company LLC (PIMCO) has adopted written proxy voting policies and procedures (Proxy Policy) as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. PIMCO has implemented the Proxy Policy for each of its clients as required under applicable law, unless expressly directed by a client in writing to refrain from voting that client s proxies. Recognizing that proxy voting is a rare event in the realm of fixed income investing and is typically limited to solicitation of consent to changes in features of debt securities, the Proxy Policy also applies to any voting rights and/or consent rights of PIMCO, on behalf of its clients, with respect to debt securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures.

The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights are exercised in the best interests of PIMCO s clients. Each proxy is voted on a case-bycase basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. In general, PIMCO reviews and considers corporate governance issues related to proxy matters and generally supports proposals that foster good corporate governance practices. PIMCO may vote proxies as recommended by management on routine matters related to the operation of the issuer and on matters not expected to have a significant economic impact on the issuer and/or its shareholders.

PIMCO will supervise and periodically review its proxy voting activities and implementation of the Proxy Policy. PIMCO will review each proxy to determine whether there may be a material conflict between PIMCO and its client. If no conflict exists, the proxy will be forwarded to the appropriate portfolio manager for consideration. If a conflict does exist, PIMCO will seek to resolve any such conflict in accordance with the Proxy Policy. PIMCO seeks to resolve any material conflicts of interest by voting in good faith in the best interest of its clients. If a material conflict of interest should arise, PIMCO will seek to resolve such conflict in the client s best interest by pursuing any one of the following courses of action: (i) convening a committee to assess and resolve the conflict; (ii) voting in accordance with the instructions of the client; (iii) voting in accordance with the recommendation of an independent third-party service provider; (iv) suggesting that the client engage another party to determine how the proxy should be voted; (v) delegating the vote to a third-party service provider; or (vi) voting in accordance with the factors discussed in the Proxy Policy.

Clients may obtain a copy of PIMCO s written Proxy Policy and the factors that PIMCO may consider in determining how to vote a client s proxy. Except as required by law, PIMCO will not disclose to third parties how it voted on behalf of a client. However, upon request from an appropriately authorized individual, PIMCO will disclose to its clients or the entity delegating the voting authority to PIMCO for such clients, how PIMCO voted such client s proxy. In addition, a client may obtain copies of PIMCO s Proxy Policy and information as to how its proxies have been voted by contacting PIMCO.

Table of Contents

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

(a)(1)

As of March 6, 2009 the following individual has primary responsibility for the day-to-day implementation of the PCM Fund, Inc. (PCM), (the Fund):

Dan Ivascyn

Mr. Ivascyn has been the portfolio manager since October 2002. Mr. Ivascyn is a managing director and portfolio manager of PIMCO in the Newport Beach office on the mortgage- and asset-backed securities team. Prior to joining PIMCO in 1998, he was in the asset-backed securities group at Bear Stearns. He has 17 years of investment experience and holds an MBA in analytic finance from the University of Chicago Graduate School of Business. He received his undergraduate degree from Occidental College.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund as of December 31, 2008, including accounts managed by a team, committee, or other group that includes the Portfolio Manager. Unless mentioned otherwise, the advisory fee charged for managing each of the accounts listed below is not based on performance.

		Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
Portfolio Manager	**Fund**	**#**	**AUM($million)**	**#**	**AUM($million)**	**#**	**AUM($million)**
Dan Ivascyn	PCM	6	3,342.85	8	2,352.03	12	26,447.92

From time to time, potential conflicts of interest may arise between a portfolio manager s management of the investments of a fund, on the one hand, and the management of other accounts, on the other. The other accounts might have similar investment objectives or strategies as the funds, track the same index a fund tracks or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the funds. The other accounts might also have different investment objectives or strategies than the funds.

Knowledge and Timing of Fund Trades. A potential conflict of interest may arise as a result of the portfolio manager s day-to-day management of a fund. Because of their positions with the funds, the portfolio managers know the size, timing and possible market impact of a fund s trades. It is theoretically possible that the portfolio managers could use this information to the advantage of other accounts they manage and to the possible detriment of a fund.

Investment Opportunities. A potential conflict of interest may arise as a result of the portfolio manager s management of a number of accounts with varying investment guidelines. Often, an investment opportunity may be suitable for both a fund and other accounts managed by the portfolio manager, but may not be available in sufficient quantities for both the fund and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by a fund and another account. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

Table of Contents

Under PIMCO s allocation procedures, investment opportunities are allocated among various investment strategies based on individual account investment guidelines and PIMCO s investment outlook. PIMCO has also adopted additional procedures to complement the general trade allocation policy that are designed to address potential conflicts of interest due to the side-by-side management of the funds and certain pooled investment vehicles, including investment opportunity allocation issues.

Performance Fees. A portfolio manager may advise certain accounts with respect to which the advisory fee is based entirely or partially on performance. Performance fee arrangements may create a conflict of interest for the portfolio manager in that the portfolio manager may have an incentive to allocate the investment opportunities that he or she believes might be the most profitable to such other accounts instead of allocating them to a fund. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities between the funds and such other accounts on a fair and equitable basis over time.

(a) (3)

As of December 31, 2008, the following explains the compensation structure of the individual that shares primary responsibility for day-to-day portfolio management of the Fund:

PIMCO has adopted a Total Compensation Plan for its professional level employees, including its portfolio managers, that is designed to pay competitive compensation and reward performance, integrity and teamwork consistent with the firm s mission statement. The Total Compensation Plan includes a significant incentive component that rewards high performance standards, work ethic and consistent individual and team contributions to the firm. The compensation of portfolio managers consists of a base salary, a bonus, and may include a retention bonus. Portfolio managers who are Managing Directors of PIMCO also receive compensation from PIMCO s profits. Certain employees of PIMCO, including portfolio managers, may elect to defer compensation through PIMCO s deferred compensation plan. PIMCO also offers its employees a non-contributory defined contribution plan through which PIMCO makes a contribution based on the employee s compensation. PIMCO s contribution rate increases at a specified compensation level, which is a level that would include portfolio managers.

Salary and Bonus. Base salaries are determined by considering an individual portfolio manager s experience and expertise and may be reviewed for adjustment annually. Portfolio managers are entitled to receive bonuses, which may be significantly more than their base salary, upon attaining certain performance objectives based on predetermined measures of group or department success. These goals are specific to individual portfolio managers and are mutually agreed upon annually by each portfolio manager and his or her manager. Achievement of these goals is an important, but not exclusive, element of the bonus decision process.

In addition, the following non-exclusive list of qualitative criteria (collectively, the Bonus Factors) may be considered when determining the bonus for portfolio managers:

3-year, 2-year and 1-year dollar-weighted and account-weighted, pre-tax investment performance as judged against the applicable benchmarks for each account managed by a portfolio manager (including the funds) and relative to applicable industry peer groups;

Appropriate risk positioning that is consistent with PIMCO s investment philosophy and the Investment Committee/CIO approach to the generation of alpha;

Amount and nature of assets managed by the portfolio manager;

Consistency of investment performance across portfolios of similar mandate and guidelines (reward low dispersion);

Table of Contents

Generation and contribution of investment ideas in the context of PIMCO s secular and cyclical forums, portfolio strategy meetings, Investment Committee meetings, and on a day-to-day basis;

Absence of defaults and price defaults for issues in the portfolios managed by the portfolio manager;

Contributions to asset retention, gathering and client satisfaction;

Table of Contents

Contributions to mentoring, coaching and/or supervising; and

Personal growth and skills added.

A portfolio manager s compensation is not based directly on the performance of any fund or any other account managed by that portfolio manager. Final bonus award amounts are determined by the PIMCO Compensation Committee.

Investment professionals, including portfolio managers, are eligible to participate in a Long Term Cash Bonus Plan (Cash Bonus Plan), which provides cash awards that appreciate or depreciate based upon the performance of PIMCO s parent company, Allianz Global Investors, and PIMCO over a three-year period. The aggregate amount available for distribution to participants is based upon Allianz Global Investors profit growth and PIMCO s profit growth. Participation in the Cash Bonus Plan is based upon the Bonus Factors, and the payment of benefits from the Cash Bonus Plan, is contingent upon continued employment at PIMCO.

Key employees of PIMCO, including certain Managing Directors, Executive Vice Presidents, and Senior Vice Presidents, are eligible to participate in the PIMCO Class M Unit Equity Participation Plan, a long-term equity plan. The Class M Unit Equity Participation Plan grants options on PIMCO equity that vest in years three, four and five. Upon vesting, the options will convert into PIMCO M Units, which are non-voting common equity of PIMCO. M Units pay out quarterly distributions equal to a pro-rata share of PIMCO s net profits. There is no assured liquidity and they may remain outstanding perpetually.

Profit Sharing Plan. Instead of a bonus, portfolio managers who are Managing Directors of PIMCO receive compensation from a non-qualified profit sharing plan consisting of a portion of PIMCO s net profits. Portfolio managers who are Managing Directors receive an amount determined by the Partner Compensation Committee, based upon an individual s overall contribution to the firm and the Bonus Factors. Under his employment agreement, William Gross receives a fixed percentage of the profit sharing plan.

Allianz Transaction Related Compensation. In May 2000, a majority interest in the predecessor holding company of PIMCO was acquired by a subsidiary of Allianz AG (currently known as Allianz SE) (Allianz). In connection with the transaction, Mr. Gross received a grant of restricted stock of Allianz, the last of which vested on May 5, 2005.

Portfolio managers who are Managing Directors also have long-term employment contracts, which guarantee severance payments in the event of involuntary termination of a Managing Director s employment with PIMCO.

(a)(4)

The following summarizes the dollar range of securities the portfolio manager for the Fund beneficially owned of the Fund that he managed as of 12/31/08.

	PCM Fund, Inc.
Portfolio Manager	**Dollar Range of Equity Securities in the Fund**
Dan Ivascyn	$100,000 $500,000

Table of Contents

ITEM 9.
Purchase of Equity Securities by Closed-End Management Investment Company and Affiliated Companies None

Table of Contents

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund s Board of Trustees since the Fund last provided disclosure in response to this item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The registrant s President and Chief Executive Officer and Treasurer, Principal Financial Accounting Officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-2(c) under the Act (17 CFR 270.30a-3(c))), as amended are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrants control over financial reporting.

ITEM 12. EXHIBITS

(a) (1) Exhibit 99.CODE ETH Code of Ethics

(a) (2) Exhibit 99 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(b) Exhibit 99.906 Cert. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) PCM Fund, Inc.

By: /s/ Brian S. Shlissel
Brian S. Shlissel

President and Chief Executive Officer
Date: March 6, 2009

By: /s/ Lawrence G. Altadonna
Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer
Date: March 6, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Brian S. Shlissel
Brian S. Shlissel

President and Chief Executive Officer
Date: March 6, 2009

By: /s/ Lawrence G. Altadonna
Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer
Date: March 6, 2009