

PIMCO Dynamic Credit Income Fund  
Form N-CSR  
March 04, 2014

**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: 811-22758**

**PIMCO Dynamic Credit Income Fund**

**(Exact name of registrant as specified in charter)**

**1633 Broadway, New York, New York 10019**

**(Address of principal executive offices) (Zip code)**

**Lawrence G. Altadonna 1633 Broadway, New York, New York 10019**

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**(Name and address of agent for service)**

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

**Date of fiscal year end: December 31, 2013**

**Date of reporting period: December 31, 2013**

ITEM 1. REPORT TO SHAREHOLDERS

PCM Fund, Inc.

PIMCO Dynamic Credit Income Fund

**Annual Report**

**December 31, 2013**

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\* Consolidated For PIMCO Dynamic Credit Income Fund only

Letter from Chairman of the Board & President

Hans W. Kertess

*Chairman of the Board*

Brian S. Shlissel

*President & Chief Executive Officer*

Dear Stockholders/Shareholders:

The US economy expanded throughout the 12-month fiscal reporting period ended December 31, 2013. In contrast, growth in many other developed countries was generally less robust. Demand for equities and lower-rated/higher-yielding fixed income securities was solid as investors sought incremental returns in the relatively low interest rate environment.

For the annual reporting period ended December 31, 2013:

n PCM Fund, Inc. returned 8.31% on net asset value ( NAV ) and 6.49% on market price.

n PIMCO Dynamic Credit Income Fund returned 9.09% on NAV and -2.79% on market price since its inception on January 31, 2013.

For the 12-month reporting period ended December 31, 2013, the US Treasury market, as measured by the Barclays US Treasury Index, declined 1.34% and the Barclays Fixed Rate MBS Index, which measures the performance of investment grade fixed-rate mortgage backed securities, fell 1.45%. The Barclays US Aggregate Index, a broad measure of government and corporate bond performance, dropped 2.02% and the Barclays US Credit Index, a measure of corporate bond performance, declined 2.03%.

During the reporting period, economic growth in the US accelerated. Looking back, gross domestic product ( GDP ), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, grew at an annual pace of 0.1% during the fourth quarter 2012, as private inventory investment and federal government spending contracted. Annual GDP growth rose to 1.1% and 2.5% during the first and second quarters of 2013,

respectively. The US Commerce Department reported that GDP growth for the third quarter of 2013 registered 4.1%, the largest rate of growth since the fourth quarter of 2011. This improvement was partially due to an increase in private inventory investment and decelerating imports. Unemployment declined during the reporting period, although this was partially triggered by the reduction in the labor participation rate.

The Federal Reserve (the Fed ) maintained an accommodative monetary policy during the reporting period. However, at its meeting in December 2013, the Fed announced that it would begin tapering the monthly asset purchase program beginning in January 2014. The central bank expects to pare its monthly purchases from \$85 billion to \$75 billion. The Fed also reiterated that tapering does not signify that the Fed would raise interest rates anytime soon, indicating, it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6.5%. Regardless, US Treasury bond interest rates moved sharply higher during the 12-month fiscal period, with the yield on the benchmark 10-year Treasury bond rising from 1.78% to 3.04%, the highest level since July 2011.

## Outlook

Looking at the global economy, the US was highly resilient and appeared to overcome the headwinds associated with higher taxes, the sequestration, a partial federal government shutdown and rising interest rates. Significant monetary policy accommodation, along with a weakening yen, supported Japan's economy. While the euro zone finally emerged from its lengthy recession, growth was lackluster. Elsewhere, growth in many emerging market countries surpassed that of more developed

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countries. Still, the pace of growth for many emerging market countries moderated during the reporting period.

Despite the Fed's recent tapering, we expect the central bank will maintain an easy monetary stance for sometime. While Fed tapering could lead to periods of volatility, policymakers have made it clear they do not intend to raise short term rates for an extended period. That being said, concerns of higher mortgage rates impacting the housing market, ongoing geopolitical issues, and continued dysfunction in Washington DC will likely contribute to market volatility.

For specific information on the Funds and their performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources are available on our website, [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman of the Board*

Brian S. Shlissel  
*President & Chief Executive Officer*





## Fund Insights

PCM Fund, Inc.

December 31, 2013 (unaudited)

For the 12-month annual reporting period ended December 31, 2013, PCM returned 8.31% on net asset value and 6.49% on market price, outperforming the unmanaged Barclays Investment Grade CMBS Index<sup>1</sup> (the benchmark index), which returned 0.23% during the reporting period.

The US fixed income market experienced periods of elevated volatility during the reporting period. This was triggered by a number of factors, including the fiscal cliff and sequestration, the Fed's announcement of a shift in monetary policy, the European sovereign debt crisis, geopolitical issues and the 16 day partial federal government shutdown. All told, both short- and long-term Treasury yields rose and the yield curve steepened during the period.

Most spread sectors (non-US Treasuries) posted negative returns, but generally outperformed equal-duration Treasuries during the 12 months ended December 31, 2013. One notable exception was high yield corporate bonds, as the Barclays High Yield Bond Index gained 7.44% during the reporting period. In contrast, the overall US fixed income market (as measured by the Barclays US Aggregate Index) declined 2.02%, while the commercial mortgage-backed securities (CMBS) market,

as measured by the benchmark index, rose 0.23%. The CMBS market's relative outperformance was due to generally solid investor demand and signs that the economy was building some momentum. Within the CMBS market, lower rated securities outperformed higher rated investments, as fixed-rate BBB CMBS returned 30.6%, compared to -0.47% for fixed-rate AAA CMBS.

### Spread sector exposures generally produced positive results

The Fund's exposure to the banking sector contributed to performance during the reporting period. Strong results were generated due to improving fundamentals and ongoing global central bank liquidity injections. An allocation to non-agency mortgage-backed securities also positively contributed to performance. This sector benefited from robust investor demand with investors looking to generate incremental yield in the relatively low interest rate environment. Also supporting non-agency mortgage-backed securities were continuing signs of a rebound in the housing market.

Detracting from performance was the Fund's allocation to super-senior CMBS as CMBS positioned high in the capital structure underperformed the lower rated (less senior) portion of the CMBS capital structure.

(1) The Barclays Investment Grade CMBS Index is an index designed to mirror commercial mortgage-backed securities (CMBS) of investment grade quality (Baa3/BBB-/BBB- or above) using Moody's, S&P, and Fitch respectively, with maturity of at least one year.

## Fund Insights

### PIMCO Dynamic Credit Income Fund

December 31, 2013 (unaudited)

For the period from inception on January 31, 2013 through December 31, 2013 (the reporting period), PIMCO Dynamic Credit Income Fund (the Fund) returned 9.09% on net asset value (NAV) and -2.79% on market price. In comparison, the Barclays Global Credit Index, the Barclays Global High Yield Index and the Credit Suisse Leveraged Loan Index returned 1.23%, 5.77% and 4.98%, respectively, during this period.

The US fixed income market experienced periods of elevated volatility during the reporting period. This was triggered by a number of factors, including the fiscal cliff and sequestration, the Fed's announcement of a shift in monetary policy, the European sovereign debt crisis, geopolitical issues and the 16 day partial federal government shutdown. All told, both short- and long-term Treasury yields rose and the yield curve steepened during the period. Most spread sectors (non-US Treasuries) posted negative returns, but generally outperformed equal-duration Treasuries during the reporting period ended December 31, 2013.

### Sector exposures largely contribute to performance

An allocation to non-agency residential mortgage-backed securities was one of the primary contributors to performance, as prices of non-agency residential mortgage-backed securities continued to appreciate on an improving US housing market. The Fund's emphasis on lower rated corporate bonds also

contributed significantly to performance, as high yield bonds outperformed the broad credit market on higher coupon income and lower rate sensitivity. Within the high yield space, the Fund's short-dated high yield exposure through high yield credit derivatives was positive, as high yield spreads tightened sharply during the period. An overweighting to banking and specialty financial companies, as well as an allocation to construction companies positively contributed to results, as these issues outperformed the broad credit market due to strengthening fundamentals and a close linkage to the improving US housing market. Security selection within telecommunication, media, and raw materials also enhanced Fund performance.

On the downside, tactical exposure to emerging markets (EM) detracted from performance, as EM bonds lagged the overall credit market during the reporting period; EM spreads widened on a weaker economic growth outlook and geopolitical risks. The Fund's long duration positioning hindered performance, as rates increased during the period.

PIMCO remains cautious on the credit sector as the continuation of global de-leveraging, regulatory uncertainty and unknown monetary policy action may lead to future bouts of volatility. We believe a focus on security selection should make the Fund less likely to be adversely impacted by the ongoing de-leveraging process.

**Performance & Statistics**

PCM Fund, Inc.

December 31, 2013 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	6.49%	8.31%
5 Year	27.70%	28.76%
10 Year	8.59%	10.37%
Commencement of Operations (9/2/93) to 12/31/13	8.95%	9.39%

**Market Price/NAV Performance:**

Commencement of Operations (9/2/93) to 12/31/13

**Market Price/NAV:**

Market Price	\$11.65
NAV	\$11.17
Premium to NAV	4.30%
Market Price Yield <sup>(2)</sup>	8.24%
Leverage Ratio <sup>(3)</sup>	30.35%

**Moody's Rating**

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends, capital gain and return of capital distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund stock. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from 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 stock, or changes in the Fund's dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is

not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and, once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income) by the market price per share at December 31, 2013.

(3) Represents Reverse Repurchase Agreements ( Leverage ) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

**Performance & Statistics**

## PIMCO Dynamic Credit Income Fund

December 31, 2013 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Commencement of Operations (1/31/13) to 12/31/13	-2.79%	9.09%

**Market Price/NAV Performance:**

Commencement of Operations (1/31/13) to 12/31/13

**Market Price/NAV:**

Market Price	\$22.48
NAV	\$24.04
Discount to NAV	-6.49%
Market Price Yield <sup>(2)</sup>	8.34%
Leverage Ratio <sup>(3)</sup>	28.41%

**Moody's Ratings**

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of less than one year is not annualized.

Performance at market price will differ from 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 the Fund's dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets less total liabilities divided by the number of shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per share (comprised of net investment income and short-term capital gains, if any) by the market price per share at December 31, 2013.

(3) Represents Reverse Repurchase Agreements ( Leverage ) outstanding, as a percentage of total managed assets. Total managed assets refer to the total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013

Principal Amount (000s)		Value
<b>Mortgage-Backed Securities 102.5%</b>		
\$442	Adjustable Rate Mortgage Trust, 2.711%, 1/25/36, CMO, IO (i)	\$361,462
603	Banc of America Alternative Loan Trust, 6.878%, 4/25/37, CMO (i)	492,355
	Banc of America Funding Corp., CMO,	
756	2.70%, 12/20/34 (i)	612,759
277	5.578%, 3/20/36 (i)	259,307
1,016	7.00%, 10/25/37	623,187
	Banc of America Merrill Lynch Commercial Mortgage, Inc., 5.414%, 9/10/47, CMO	
2,000	(g)	2,172,758
	Banc of America Mortgage Trust, CMO (i),	
613	2.495%, 11/25/34	607,788
673	2.73%, 6/20/31	689,210
394	2.807%, 6/25/35	379,820
	BCAP LLC Trust, CMO (a)(c)(i),	
87	0.365%, 7/26/36	51,916
150	4.996%, 3/26/36	144,842
1,000	BCRR Trust, 5.858%, 7/17/40, CMO (a)(c)(g)(i)	1,085,147
	Bear Stearns Adjustable Rate Mortgage Trust, CMO (i),	
1,805	2.66%, 10/25/35	1,814,000
301	2.701%, 5/25/34	287,677
	Bear Stearns ALT-A Trust, CMO (i),	
509	2.393%, 5/25/36	344,623
71	2.409%, 5/25/36	40,405
1,435	2.484%, 8/25/36	1,162,443
1,195	2.598%, 11/25/36	829,212
89	2.784%, 1/25/47	62,397
528	2.801%, 8/25/36	373,748
261	3.596%, 9/25/34	256,280
251	4.393%, 7/25/35	196,894
136	Bear Stearns Asset-Backed Securities Trust, 5.50%, 12/25/35, CMO	127,652
	Bear Stearns Commercial Mortgage Securities Trust, CMO (i),	
635	5.514%, 3/13/40 (a)(c)	635,637
3,000	5.694%, 6/11/50	3,363,714
2,000	5.706%, 6/11/40 (g)	2,245,743
1,000	6.54%, 5/11/39 (a)(c)	1,034,165
	CBA Commercial Small Balance Commercial Mortgage, 5.54%, 1/25/39, CMO	
1,097	(a)(b)(c)(h)	
	(acquisition cost-\$618,246; purchased 11/18/09)	636,494
523	Chase Mortgage Finance Trust, 6.00%, 3/25/37, CMO	464,318

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	Citigroup Commercial Mortgage Trust, CMO (i),	
85,868	0.481%, 5/15/43, IO (a)(c)	421,696
2,500	5.705%, 12/10/49	2,799,906
	Citigroup Mortgage Loan Trust, Inc., CMO (i),	
460	2.635%, 9/25/35	403,549
473	2.726%, 11/25/36	392,340
343	2.735%, 8/25/35	301,470
4,012	Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/49, CMO (g)	4,399,569
103	CitiMortgage Alternative Loan Trust, 5.50%, 4/25/22, CMO	105,447
1,925	COBALT CMBS Commercial Mortgage Trust, 5.223%, 8/15/48, CMO	2,080,024

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## Schedule of Investments

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
	<b>Commercial Mortgage Trust, CMO (a)(c),</b>	
\$690	5.908%, 7/10/46 (i)	\$724,033
759	6.586%, 7/16/34	856,038
1,500	6.922%, 7/16/34 (i)	1,729,513
	<b>Countrywide Alternative Loan Trust, CMO,</b>	
1,431	0.345%, 6/25/47 (g)(i)	1,095,238
2,622	0.377%, 7/20/46 (i)	1,580,910
453	0.445%, 2/25/37 (i)	344,073
1,631	0.455%, 2/25/36 (i)	1,072,177
3,558	1.071%, 12/25/35 (g)(i)	2,709,015
288	6.00%, 11/25/35	159,516
1,099	6.00%, 5/25/37	854,754
	<b>Countrywide Home Loan Mortgage Pass-Through Trust, CMO,</b>	
360	0.485%, 3/25/35 (i)	268,616
32	2.417%, 2/20/36 (i)	28,116
261	2.604%, 9/20/36 (i)	186,232
1,070	2.726%, 9/25/47 (i)	892,006
721	6.00%, 5/25/37	603,530
	<b>Credit Suisse First Boston Mortgage Securities Corp., CMO,</b>	
2,282	0.826%, 12/15/35, IO (a)(c)(i)	6,231
122	7.00%, 2/25/33	129,169
192	7.46%, 1/17/35 (i)	192,964
	<b>Credit Suisse Mortgage Capital Certificates, CMO,</b>	
4,683	5.467%, 9/15/39 (g)	5,099,888
1,000	5.467%, 9/16/39 (a)(c)(i)	1,088,216
	<b>Credit Suisse Mortgage Capital Certificates Mortgage-Backed Trust, CMO,</b>	
374	5.896%, 4/25/36	327,879
279	6.50%, 5/25/36	192,693
2,641	FFCA Secured Lending Corp., 1.032%, 9/18/27, CMO, IO (a)(b)(c)(h)(i) (acquisition cost-\$610,967; purchased 11/17/00)	96,033
258	First Horizon Alternative Mortgage Securities Trust, 2.238%, 8/25/35, CMO (i)	56,519
225	First Horizon Mortgage Pass-Through Trust, 2.654%, 4/25/35, CMO (i)	225,837
6,423	FREMF Mortgage Trust, 0.10%, 5/25/20, CMO, IO (e)	29,436
	<b>GMAC Commercial Mortgage Securities, Inc., CMO (a)(c)(i),</b>	
1,500	6.744%, 5/15/30 (d)	250,335
1,500	8.316%, 9/15/35	1,502,784
2,000	Greenwich Capital Commercial Funding Corp., 5.444%, 3/10/39, CMO (g)	2,199,872
	<b>GS Mortgage Securities Trust, CMO,</b>	
17,441	1.519%, 8/10/43, IO (a)(c)(i)	1,212,019

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6,365	2.596%, 5/10/45, IO (b)(i)	822,855
5,750	5.56%, 11/10/39 (g)	6,310,973
1,670	5.979%, 8/10/43 (a)(c)(i)	1,793,769
	Harborview Mortgage Loan Trust, CMO (i),	
87	0.356%, 1/19/38	71,299
1,204	0.416%, 1/19/36	805,547
598	5.329%, 6/19/36	439,748
806	IndyMac INDA Mortgage Loan Trust, 2.963%, 6/25/37, CMO (i)	742,917

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
	IndyMac Index Mortgage Loan Trust, CMO (i),	
\$206	0.965%, 11/25/34	\$184,163
314	2.941%, 5/25/36	209,442
	JPMorgan Chase Commercial Mortgage Securities Corp., CMO (i),	
61,000	0.455%, 2/15/46, IO (a)(c)	1,954,958
1,012	1.115%, 3/12/39, IO (a)(c)	16,630
4,100	5.645%, 3/18/51 (a)(c)(g)	4,445,076
1,400	5.706%, 2/12/49 (g)	1,556,920
1,195	5.794%, 2/12/51 (g)	1,341,527
1,147	5.927%, 2/15/51 (g)	1,157,808
5,143	6.45%, 5/12/34	5,377,904
270	JPMorgan Mortgage Trust, 2.737%, 7/25/35, CMO (i)	269,125
	LB Commercial Mortgage Trust, CMO,	
520	5.60%, 10/15/35 (a)(c)	549,819
950	5.884%, 7/15/44 (i)	1,065,611
1,278	LB-UBS Commercial Mortgage Trust, 5.347%, 11/15/38, CMO	1,404,758
	Lehman Mortgage Trust, CMO,	
890	6.00%, 5/25/37	860,235
422	6.261%, 4/25/36 (i)	403,616
1,309	Luminent Mortgage Trust, 0.335%, 12/25/36, CMO (i)	977,085
1,173	MASTR Asset Securitization Trust, 6.00%, 6/25/36, CMO (i)	1,091,212
	Merrill Lynch/Countrywide Commercial Mortgage Trust, CMO,	
1,500	5.485%, 3/12/51 (g)(i)	1,652,447
2,300	5.70%, 9/12/49	2,559,410
	MLCC Mortgage Investors, Inc., CMO (i),	
498	0.585%, 7/25/30	470,288
376	0.825%, 11/25/29	366,213
118	2.135%, 11/25/35	115,294
427	2.681%, 11/25/35	417,231
	Morgan Stanley Capital I Trust, CMO,	
63,963	0.236%, 11/12/49, IO (a)(c)(i)	538,120
2,000	5.447%, 2/12/44 (g)(i)	2,189,306
315	5.692%, 4/15/49 (i)	349,387
558	5.809%, 12/12/49	624,227
3,436	6.01%, 11/15/30 (a)(c)	3,620,800
583	Morgan Stanley Dean Witter Capital I, Inc., 6.50%, 11/15/36, CMO (a)(c)	584,876
	Morgan Stanley Mortgage Loan Trust, CMO,	
465	3.00%, 1/25/35 (i)	24,757
620	6.00%, 8/25/37	561,158

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833	Morgan Stanley Re-Remic Trust, zero coupon, 7/17/56, CMO, PO (a)(b)(c)(h) (acquisition cost-\$800,399; purchased 4/6/11)	819,323
363	Ocwen Residential MBS Corp., 7.00%, 10/25/40, CMO (a)(b)(c)(e)(h)(i) (acquisition cost-\$25,851; purchased 6/25/08)	724
	RBSCF Trust, CMO (a)(c)(i),	
1,000	5.223%, 8/16/48 (g)	1,071,203
1,000	5.331%, 2/16/44	1,073,906
1,000	5.336%, 5/16/47 (g)	1,085,948
2,744	6.068%, 2/17/51	2,756,360

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
\$451	Regal Trust IV, 2.457%, 9/29/31, CMO (a)(c)(i)	\$418,008
	Residential Accredit Loans, Inc., CMO,	
220	0.345%, 6/25/46 (i)	103,170
673	3.777%, 1/25/36 (i)	503,057
531	6.00%, 8/25/35	464,542
525	6.50%, 9/25/37	393,463
385	Residential Asset Securitization Trust, 6.00%, 3/25/37, CMO	291,738
663	Residential Funding Mortgage Securities I, 6.00%, 6/25/36, CMO	611,262
	Structured Adjustable Rate Mortgage Loan Trust, CMO (i),	
597	4.892%, 11/25/36	552,136
620	5.089%, 1/25/36	485,550
487	5.245%, 9/25/36	411,397
856	5.96%, 4/25/36	699,378
1,357	Structured Asset Mortgage Investments II Trust, 0.375%, 8/25/36, CMO (i)	1,000,595
173	Structured Asset Securities Corp., 5.00%, 5/25/35, CMO	177,814
261	TBW Mortgage-Backed Trust, 6.00%, 7/25/36, CMO	167,084
1,500	TIAA Retail Commercial Trust, 5.77%, 6/19/33, CMO (a)(c)	1,578,507
	Wachovia Bank Commercial Mortgage Trust, CMO,	
29,698	0.881%, 10/15/41, IO (a)(c)(i)	138,335
2,500	5.188%, 2/15/41 (a)(c)(i)	2,501,457
1,000	5.509%, 4/15/47	1,093,333
1,825	5.924%, 2/15/51 (g)(i)	2,053,970
1,000	WaMu Commercial Mortgage Securities Trust, 6.111%, 3/23/45, CMO (a)(c)(i)	1,028,953
779	WaMu Mortgage Pass-Through Certificates, 2.374%, 12/25/36, CMO (g)(i)	686,119
2,753	Washington Mutual Mortgage Pass-Through Certificates, 6.50%, 8/25/36, CMO	1,781,130
92	Wells Fargo Alternative Loan Trust, 5.50%, 7/25/22, CMO	92,844
694	Wells Fargo Mortgage-Backed Securities Trust, 5.584%, 10/25/36, CMO (i)	665,798
	WF-RBS Commercial Mortgage Trust, CMO, IO (a)(c)(i),	
2,211	0.795%, 6/15/44	66,662
30,805	1.12%, 2/15/44 (g)	1,205,964
	<b>Total Mortgage-Backed Securities (cost-\$112,055,935)</b>	<b>131,879,837</b>
	<b>Corporate Bonds &amp; Notes 24.4%</b>	
	<b>Airlines 1.6%</b>	
	United Air Lines Pass-Through Trust,	
716	6.636%, 1/2/24 (g)	759,178
659	9.75%, 7/15/18	757,706
463	10.40%, 5/1/18 (g)	524,987
		2,041,871
	<b>Banking 4.6%</b>	

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2,200	Discover Bank, 7.00%, 4/15/20 (g)	2,559,166
1,200	Morgan Stanley, 0.724%, 10/15/15 (g)(i)	1,197,997
2,000	Regions Financial Corp., 7.75%, 11/10/14 (g)	2,110,546
		5,867,709
	<b>Diversified Financial Services 8.2%</b>	
1,000	Cantor Fitzgerald L.P., 7.875%, 10/15/19 (a)(c)(g) Ford Motor Credit Co. LLC (g),	1,055,000
1,000	6.625%, 8/15/17	1,158,943
500	8.00%, 12/15/16	592,187

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
	<b>Diversified Financial Services (continued)</b>	
\$1,600	International Lease Finance Corp., 7.125%, 9/1/18 (a)(c)	\$1,860,000
800	Jefferies LoanCore LLC, 6.875%, 6/1/20 (a)(b)(c)(h) (acquisition cost-\$809,250; purchased 5/16/13-5/17/13)	796,000
1,000	SLM Corp. (g), 8.00%, 3/25/20	1,136,250
1,100	8.45%, 6/15/18	1,285,625
	<b>Springleaf Finance Corp.,</b>	
455	6.50%, 9/15/17 (g)	489,125
1,200	6.90%, 12/15/17	1,317,600
5,391	Toll Road Investors Partnership II L.P., zero coupon, 2/15/45 (MBIA) (a)(b)(c)(h) (acquisition cost-\$954,576; purchased 11/20/12-7/26/13)	935,101
		10,625,831
	<b>Electric Utilities 0.4%</b>	
500	Energy Future Intermediate Holding Co. LLC, 10.00%, 12/1/20 (a)(c)(g)	532,500
250	Escrow Dynege Holdings, Inc., 7.125%, 5/15/18 (d)(e)	1,390
		533,890
	<b>Engineering &amp; Construction 1.0%</b>	
1,247	Alion Science and Technology Corp., 12.00%, 11/1/14, PIK (g)	1,274,724
	<b>Household Products/Wares 0.1%</b>	
100	Armored Autogroup, Inc., 9.25%, 11/1/18	96,750
	<b>Insurance 3.0%</b>	
	American International Group, Inc. (g),	
500	5.45%, 5/18/17	559,094
2,700	8.175%, 5/15/68 (converts to FRN on 5/15/38)	3,280,500
		3,839,594
	<b>Media 0.7%</b>	
900	Radio One, Inc., 12.50%, 5/24/16 (g)	904,500
	<b>Metal Fabricate/Hardware 0.3%</b>	
400	Wise Metals Group LLC, 8.75%, 12/15/18 (a)(b)(c)(h) (acquisition cost-\$400,000; purchased 11/26/13)	423,000
	<b>Oil &amp; Gas 0.2%</b>	
285	Global Geophysical Services, Inc., 10.50%, 5/1/17	218,025
	<b>Pipelines 0.3%</b>	
100	NGPL PipeCo LLC, 7.768%, 12/15/37 (a)(c)	86,000
400	Rockies Express Pipeline LLC, 6.875%, 4/15/40 (a)(c)	333,000
		419,000
	<b>Real Estate Investment Trust 1.8%</b>	
2,000	SL Green Realty Corp., 7.75%, 3/15/20 (g)	2,350,284

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<b>Retail 2.2%</b>		
	CVS Pass-Through Trust (g),	
1,553	5.88%, 1/10/28	1,684,949
918	7.507%, 1/10/32 (a)(c)	1,095,277
		2,780,226
<b>Transportation 0.0%</b>		
40	Western Express, Inc., 12.50%, 4/15/15 (a)(c)	25,600
Total Corporate Bonds & Notes (cost-\$28,632,608)		31,401,004

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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Asset-Backed Securities 11.8%</b>		
\$34	Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates, 5.79%, 2/25/33 (i)	\$1,337
156	Asset Backed Securities Corp Home Equity Loan Trust, 3.415%, 6/21/29 (i)	122,865
437	Associates Manufactured Housing Pass-Through Certificates, 7.15%, 3/15/28 (i)	524,068
366	Bayview Financial Acquisition Trust, 0.447%, 12/28/36 (i)	347,049
60	Bear Stearns Asset-Backed Securities Trust (i), 0.545%, 6/25/36	59,390
663	2.93%, 7/25/36	636,010
1,243	Bombardier Capital Mortgage Securitization Corp. Trust, 7.83%, 6/15/30 (i)	769,232
444	Conseco Finance Securitizations Corp., 7.96%, 5/1/31	363,581
970	9.163%, 3/1/33 (i)	899,563
212	Denver Arena Trust, 6.94%, 11/15/19 (a)(b)(c)(h) (acquisition cost-\$215,715; purchased 1/4/05-7/21/11)	220,200
650	EMC Mortgage Loan Trust, 0.815%, 2/25/41 (a)(c)(i)	594,816
232	GE Capital Mortgage Services, Inc. Trust, 6.705%, 4/25/29 (i)	228,206
162	GSAA Trust, 0.435%, 6/25/35 (i)	149,581
6,250	IndyMac Residential Asset-Backed Trust, 0.405%, 4/25/47 (i)	3,632,613
56	Keystone Owner Trust, 9.00%, 1/25/29 (a)(b)(c)(e)(h) (acquisition cost-\$49,551; purchased 2/25/00)	53,099
2,358	Legg Mason MTG Capital Corp., 7.11%, 3/10/21 (a)(b)(e)(h) (acquisition cost-\$2,257,338; purchased 1/29/13)	2,328,410
472	Legg Mason PT, 6.55%, 3/10/20 (a)(c)(e)	466,589
538	Lehman XS Trust, 5.42%, 11/25/35	530,082
2,286	Merrill Lynch First Franklin Mortgage Loan Trust, 0.405%, 5/25/37 (i)	1,427,175
630	Merrill Lynch Mortgage Investors Trust, 0.665%, 6/25/36 (i)	573,834
693	Oakwood Mortgage Investors, Inc., 6.89%, 11/15/32 (i)	245,481
69	Residential Asset Mortgage Products, Inc., 0.535%, 9/25/32 (i)	62,533
51	Southern Pacific Secured Asset Corp., 0.505%, 7/25/29 (i)	45,592
68	Structured Asset Investment Loan Trust, 4.665%, 10/25/33 (i)	6,403
891	UCFC Manufactured Housing Contract, 7.90%, 1/15/28 (i)	885,905
1,856	UPS Capital Business Credit, 3.456%, 4/15/26 (b)(e)(i)	60,211
Total Asset-Backed Securities (cost-\$14,258,082)		15,233,825
<b>U.S. Government Agency Securities (i) 1.8%</b>		
3,086	Freddie Mac, CMO, IO, 0.665%, 1/25/21	103,856
10,500	3.615%, 6/25/41	2,175,747
Total U.S. Government Agency Securities (cost-\$2,094,557)		2,279,603

**Municipal Bonds 1.2%****Arkansas 0.5%**

705	Little Rock Municipal Property Owners Multipurpose Improvement Dist. No 10, Special Tax, Capital Improvement Projects, 7.20%, 3/1/32, Ser. B	654,804
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**Virginia 0.2%**

245	Lexington Industrial Dev. Auth. Rev., Kendall at Lexington, 8.00%, 1/1/15, Ser. C	244,819
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**West Virginia 0.5%**

880	Tobacco Settlement Finance Auth. Rev., 7.467%, 6/1/47, Ser. A	684,473
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Total Municipal Bonds (cost-\$1,771,094)		1,584,096
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**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Principal Amount (000s)		Value
<b>U.S. Treasury Obligations 0.1%</b>		
\$100	U.S. Treasury Notes, 0.25%, 1/31/15 (cost-\$100,080)	\$100,088
Shares		
<b>Common Stock 0.1%</b>		
<b>Oil, Gas &amp; Consumable Fuels 0.1%</b>		
1,294	SemGroup Corp., Class A (cost-\$33,637)	84,391
<b>Equity-Linked Security 0.0%</b>		
<b>Oil, Gas &amp; Consumable Fuels 0.0%</b>		
1,362	SemGroup Corp. (k) (cost-\$6,128)	58,055
Units		
<b>Warrants 0.0%</b>		
<b>Engineering &amp; Construction 0.0%</b>		
1,100	Alion Science and Technology Corp. (a)(c)(k) (cost-\$11)	11
Principal Amount (000s)		
<b>Short-Term Investments 4.4%</b>		
<b>U.S. Treasury Obligations 2.8%</b>		
\$2,733	U.S. Treasury Bills, 0.099%-0.137%, 5/29/14-9/18/14 (f)(j)	2,731,684
200	U.S. Treasury Notes, 0.25%, 11/30/14	200,191
600	0.375%, 11/15/14	601,184
Total U.S. Treasury Obligations (cost-\$3,532,431)		3,533,059
<b>U.S. Government Agency Securities (j) 1.2%</b>		
100	Freddie Mac Discount Notes, 0.117%, 6/5/14	99,970
1,400	Freddie Mac Discount Notes, 0.122%, 7/11/14	1,399,409
Total U.S. Government Agency Securities (cost-\$1,499,059)		1,499,379
<b>Repurchase Agreements 0.4%</b>		
574	State Street Bank and Trust Co., dated 12/31/13, 0.00%, due 1/2/14, proceeds \$574,000; collateralized by Freddie Mac, 2.00%, due 1/30/23, valued at \$586,646 including accrued interest (cost-\$574,000)	574,000
Total Short-Term Investments (cost-\$5,605,490)		5,606,438
<b>Total Investments (cost-\$164,557,622) 146.3%</b>		188,227,348
Liabilities in excess of other assets (46.3)%		(59,555,543)

<b>Net Assets</b>	<b>100.0%</b>	<b>\$128,671,805</b>
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**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$49,529,100, representing 38.5% of net assets.
  
- (b) Illiquid.
  
- (c) 144A 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) In default.

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

- (e) Fair-Valued Securities with an aggregate value of \$2,939,859, representing 2.3% of net assets. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (f) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (g) All or partial amount transferred for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (h) Restricted. The aggregate acquisition cost of such securities is \$6,741,893. The aggregate value is \$6,308,384, representing 4.9% of net assets.
- (i) Variable or Floating Rate Security Securities with an interest rate that changes periodically. The interest rate disclosed reflects the rate in effect on December 31, 2013.
- (j) Rates reflect the effective yields at purchase date.
- (k) Non-income producing.

(l) Credit default swap agreements outstanding at December 31, 2013:

**OTC sell protection swap agreements:**

Swap Counterparty/ Referenced Debt Issuer	Notional Amount (000s)(1)	Credit Spread	Termination Date	Payments Received	Value(2)	Upfront Premiums Received	Unrealized Appreciation
<b>Deutsche Bank:</b>							
SLM Corp.	\$3,000	2.55%	3/20/19	5.35%	\$404,346	\$	\$404,346
<b>Royal Bank of Scotland:</b>							
Markit ABX.HE AA 06-1	6,772		7/25/45	0.32%	(1,758,415)	(3,978,865)	2,220,450
Markit ABX.HE AAA 07-1	2,490		8/25/37	0.09%	(774,841)	(1,232,655)	457,814

\$(2,128,910) \$(5,211,520) \$3,082,610

Credit Spread not quoted for asset-backed securities.

- (1) This represents the maximum potential amount the Fund could be required to make available 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.
- (2) The quoted market prices and resulting values for credit default swap agreements serve as an indicator of the status at December 31, 2013 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 have 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.
- (m) At December 31, 2013, the Fund held \$260,000 in cash as collateral for derivative contracts. Cash collateral held may be invested in accordance with the Fund's investment strategy.
- (n) Open reverse repurchase agreements at December 31, 2013:

Counterparty	Rate	Trade Date	Due Date	Principal & Interest	Principal
Barclays Bank	0.60%	8/27/13	2/26/14	\$1,014,142	\$1,012,000
	0.625	8/26/13	2/26/14	1,666,696	1,663,000
	0.65	10/22/13	1/21/14	1,292,655	1,291,000
	0.65	12/18/13	3/14/14	482,122	482,000
	0.65	12/20/13	3/19/14	2,165,469	2,165,000
	0.71	8/26/13	2/26/14	4,852,218	4,840,000
	0.991	12/2/13	3/3/14	1,066,880	1,066,000
	1.017	11/6/13	2/7/14	2,032,210	2,029,000
	1.04	10/31/13	1/30/14	1,501,685	1,499,000
	1.046	10/3/13	1/6/14	1,983,172	1,978,000
Citigroup	0.92	12/6/13	1/8/14	2,511,668	2,510,000
	0.924	12/11/13	1/8/14	2,535,366	2,534,000
Deutsche Bank	0.59	11/7/13	2/5/14	1,035,933	1,035,000
	0.59	11/21/13	2/14/14	2,283,533	2,282,000
Morgan Stanley	1.10	10/15/13	1/15/14	2,000,757	1,996,000
	1.15	10/15/13	1/15/14	5,670,093	5,656,000

**Schedule of Investments**

PCM Fund, Inc.

December 31, 2013 (continued)

Counterparty	Rate	Trade Date	Due Date	Principal & Interest	Principal
Royal Bank of Canada	0.45%	10/3/13	1/6/14	\$ 574,645	\$ 574,000
	0.45	11/29/13	3/3/14	1,011,417	1,011,000
	0.45	12/17/13	3/14/14	1,457,273	1,457,000
	0.45	12/31/13	4/4/14	561,000	561,000
	0.46	12/4/13	1/29/14	666,238	666,000
	0.48	11/15/13	2/13/14	550,345	550,000
	0.48	11/22/13	2/13/14	3,010,739	3,009,000
	1.24	12/24/13	3/24/14	2,079,573	2,079,000
Royal Bank of Scotland	0.96	11/15/13	1/13/14	5,652,075	5,645,000
	0.99	11/7/13	2/7/14	1,482,239	1,480,000
	1.14	10/17/13	1/17/14	1,995,792	1,991,000
	1.14	11/20/13	2/20/14	1,999,656	1,997,000
	1.14	11/20/13	2/20/14	1,010,342	1,009,000
					\$56,067,000

(o) The weighted average daily balance of reverse repurchase agreements during the year ended December 31, 2013 was \$77,782,441, at a weighted average interest rate of 0.89%. Total value of underlying collateral (refer to the Schedule of Investments for positions transferred for the benefit of the counterparty as collateral) for open reverse repurchase agreements at December 31, 2013 was \$61,301,311.

(p) Fair Value Measurements-See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 12/31/13
<b>Investments in Securities Assets</b>				
Mortgage-Backed Securities	\$	\$131,030,354	\$849,483	\$131,879,837
Corporate Bonds & Notes:				
Airlines			2,041,871	2,041,871
Electric Utilities		532,500	1,390	533,890
All Other		28,825,243		