

PIMCO CORPORATE & INCOME STRATEGY FUND
Form N-CSRS
June 30, 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 811-10555

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

1633 Broadway, New York, New York
(Address of principal executive offices)

10019
(Zip code)

Lawrence G. Altadonna - 1633 Broadway, New York, New York 10019
(Name and address of agent for service)

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

Date of fiscal year end: October 31, 2014

Date of reporting period: April 30, 2014

Item 1. Report to Shareholders

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Letter from Chairman of the Board & President

Dear Shareholder:

After three years of generally moderate growth, the US economy contracted toward the end of the six-month fiscal reporting period ended April 30, 2014. Despite this, US equities rallied sharply, while the US bond market was volatile and ultimately posted a modest gain.

For the six-month reporting period ended April 30, 2014:

n PIMCO Corporate & Income Strategy Fund advanced 7.34% on net asset value (NAV) and 7.42% on market price.

Hans W. Kertess

Chairman

n PIMCO Income Opportunity Fund rose 5.32% on NAV and 6.52% on market price.

The economic expansion in the US economy continued, although severe winter weather in parts of the country appeared to have been a headwind as the reporting period progressed. 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, expanded at a 2.6% annual pace during the fourth quarter of 2013. According to the US Commerce Department's second estimate, GDP contracted at an annual pace of 1.0% during the first quarter of 2014.

Julian Sluyters

The Federal Reserve (the Fed) maintained an accommodative monetary policy during the reporting period. However, at its meeting in December 2013, the central bank announced that it would begin tapering its monthly asset purchase program beginning in January 2014. At its meetings in January, March and April 2014, the Fed announced that it would further taper its asset purchases. However, the Fed repeated that it would not raise interest rates in the near future, saying in April that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.

President & CEO

Outlook

The US economy has been resilient and, based on recent data, appears to have overcome the headwinds associated with higher taxes, rising interest rates and severe winter weather. We continue to expect US economic growth will be above-trend in 2014 due, in part, to the fact that

fiscal policy will be less of a drag than it was last year. While we are prepared for the Fed to start raising benchmark interest rates in 2015, we think policymakers will remain behind the curve on monetary normalization. Several factors support this view, including: the modest pace of the labor recovery, the lack of inflation pressure, the need to support the deleveraging process, the risk of a bond market crash if rates were to normalize too quickly, and constrained fiscal policy and political pressure.

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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 is available on our website, 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 of Trustees

Julian Sluyters
President & Chief Executive Officer

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Fund Insights

PIMCO Corporate & Income Strategy Fund

PIMCO Income Opportunity Fund

April 30, 2014 (unaudited)

For the six-months ended April 30, 2014, PIMCO Corporate & Income Strategy Fund returned 7.34% on net asset value (NAV) and 7.42% on market price.

For the six-months ended April 30, 2014, PIMCO Income Opportunity Fund returned 5.32% on NAV and 6.52% on market price.

The US fixed income market experienced periods of volatility during the six-month reporting period ended April 30, 2014. This was triggered by a number of factors, including mixed economic data, Fed asset purchase tapering and numerous geopolitical issues. All told, both short- and long-term Treasury yields rose during the reporting period. That being said, Treasury yields fell from their peak as the reporting period progressed. This occurred as investor risk aversion increased due to concerns about moderating global growth and uncertainties regarding the situation in Ukraine. The benchmark 10-year Treasury bond began the fiscal period yielding 2.57% and ended the period at 2.67%.

Compared to the 1.74% return for the overall US fixed income market (as measured by the Barclays US Aggregate Index), high yield and investment grade bonds returned 4.72% and

3.60%, respectively (as measured by the Barclays US High Yield and Barclays US Credit Indices) for the six-month fiscal period.

Lower rated, higher yielding investment grade corporate bonds generally outperformed higher quality corporate bonds. For instance, AAA-, AA-, A and BBB-rated issues, as measured by the Barclays US Credit Index, returned 0.97%, 2.75%, 3.31%, and 4.73%, respectively, during the six-months ended April 30, 2014. Within the high yield market, BB-rated issues returned 4.50%, versus 4.36% for B-rated securities, as measured by the Barclays US High Yield Index.

PIMCO Corporate & Income Strategy

Sector and duration positioning drive results

Overweighting the airline and wirelines sectors contributed to results, as these issues outperformed the credit market as measured by the Fund's benchmark, the 80% Barclays Credit/20% BofA Merrill Lynch BB/B Constrained Index (the Index),¹ during the reporting period. An underweighting to the banking sector was positive for performance as it lagged the Index during the fiscal six-month reporting period.

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1. The Barclays US Credit Index consists of publicly issued US corporate and specified foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. It includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. The BofA Merrill Lynch BB/B Constrained Index tracks the performance of BB-B Rated US dollar-denominated corporate bonds publicly issued in the US domestic market. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. It is not possible to invest directly in an unmanaged index.

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On the downside, the Fund's duration positioning detracted from results, as the Fund was targeted to have a longer duration than that of the Index and rates moved higher during the fiscal reporting period. From a sector perspective, an underweighting to independent exploration and production energy companies was negative for performance as they outperformed the Index. An overweighting to the automotive sector was also not rewarded, as the sector underperformed the Index.

PIMCO Income Opportunity

Sector positioning and duration positioning drive results

The Fund's allocation to the financial sector was beneficial for results during the reporting period, as it outperformed the broad credit market. Within the sector, the Fund's exposure

to bank capital was additive for its results. Within the consumer products and pipelines sectors, the Fund's security selection was rewarded, as these securities generally outperformed the broad credit market during the reporting period. An allocation to non-agency mortgage-backed securities was additive for results, as this asset class generally outperformed the broader market. Elsewhere, the Fund's allocation to US dollar-denominated emerging market debt contributed to performance, as the asset class outperformed the broad credit market during the reporting period.

On the downside, duration positioning detracted from results, as the Fund had a focus on the intermediate part of the yield curve. This was a negative for performance as yields in that portion of the curve moved higher during the fiscal reporting period.

Performance & Statistics

PIMCO Corporate & Income Strategy Fund

April 30, 2014 (unaudited)

Total Return(1):	Market Price	NAV
Six Month	7.42%	7.34%
1 Year	4.00%	9.79%
5 Year	27.03%	30.68%
10 Year	13.77%	12.77%
Commencement of Operations (12/21/01) to 4/30/14	12.48%	12.81%

Market Price/NAV Performance:

Commencement of Operations (12/21/01) to 4/30/14

NAV
Market Price

Market Price/NAV

Market Price	\$16.66
NAV	\$15.50
Premium to NAV	7.48%
Market Price Yield(2)	8.10%
Leverage Ratio(3)	22.13%

(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. 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 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

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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 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 dividend per common share (comprised of net investment income) by the market price per common share at April 30, 2014.

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

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Performance & Statistics

PIMCO Income Opportunity Fund

April 30, 2014 (unaudited)

Total Return(1):	Market Price	NAV
Six Month	6.52%	5.32%
1 Year	-1.29%	6.07%
5 Year	25.22%	25.37%
Commencement of Operations (11/30/07) to 4/30/14	14.04%	14.68%

Market Price/NAV Performance:

Commencement of Operations (11/30/07) to 4/30/14

NAV
Market Price

Market Price/NAV:

Market Price \$28.95
 NAV \$28.40
 Premium to NAV 1.94%
 Market Price Yield(2) 7.10%
 Leverage Ratio(3) 37.85%

(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. 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 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

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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 common 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 April 30, 2014.

(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 liabilities (other than liabilities representing Leverage).

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Schedule of Investments

PIMCO Corporate & Income Strategy Fund

April 30, 2014 (unaudited)

Principal Amount (000s)			Value
Mortgage-Backed Securities	36.7%		
\$249		American Home Mortgage Assets Trust, 0.384%, 9/25/46, CMO (h)	\$16,081
		Banc of America Alternative Loan Trust, CMO,	
8,995		5.50%, 10/25/35	8,219,023
246		6.00%, 1/25/36	198,613
		Banc of America Funding Trust, CMO,	
4,871		6.00%, 3/25/37	4,141,849
638		6.00%, 7/25/37	491,792
		Banc of America Mortgage Trust, CMO,	
4,700		5.50%, 11/25/35	4,576,623
1,065		6.00%, 3/25/37	1,009,645
388		6.50%, 9/25/33	401,878
		BCAP LLC Trust, CMO (a)(c),	
2,500		5.19%, 3/26/37 (h)	880,305
1,904		17.00%, 7/26/36	1,967,140
		Bear Stearns Adjustable Rate Mortgage Trust, 2.732%, 8/25/35, CMO (h)	
10,752			9,357,322
		Bear Stearns ALT-A Trust, CMO (h),	
2,420		2.601%, 11/25/36	1,702,821
1,502		2.71%, 8/25/36	1,132,124
1,516		2.748%, 9/25/35	1,242,591
2,675		Bear Stearns Mortgage Funding Trust, 7.00%, 8/25/36, CMO	2,204,838
		Chase Mortgage Finance Trust, CMO,	
21		2.527%, 12/25/35 (h)	19,739
1,743		6.00%, 7/25/37	