

PIMCO CORPORATE & INCOME STRATEGY FUND
Form N-CSR
December 28, 2012

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, 2012

Date of reporting period: October 31, 2012

ITEM 1: REPORT TO SHAREHOLDERS

October 31, 2012

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Dear Shareholder,

The U.S. economy expanded during the twelve-month fiscal reporting period ended October 31, 2012, however growth slowed amid ongoing geopolitical and economic concerns in both the United States and abroad. After reaching multi-year highs, stock markets slipped as corporate profits leveled off.

Twelve Months in Review

For the twelve-month fiscal reporting period ended October 31, 2012:

Hans W. Kertess
Chairman

- PIMCO Corporate & Income Strategy Fund advanced 32.57% on net asset value (NAV) and 33.21% on market price.
- PIMCO Income Opportunity Fund rose 28.15% on NAV and 26.98% on market price.

As the fiscal reporting period began, U.S. 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, was expanding at a healthy annual rate of 4.1%. This growth rate, the strongest since 2009, eased to a 2.0% annual pace during the first quarter of 2012, and to a 1.3% rate during the second quarter of 2012, before rebounding to growth of 2.0% (preliminary estimate) during the third quarter.

Brian S. Shlissel
President & CEO

As the economy slowed, the Federal Reserve (the Fed) revealed that it would launch a third round of quantitative easing. The Fed agreed to purchase \$40 billion of mortgage securities each month for the foreseeable future, the objective of which is to lower already record low mortgage rates in an effort to boost the housing market. The Fed also announced that it expects to keep the Fed Funds rate in the 0.0% to 0.25% range well into 2015, longer than previously forecasted.

Despite the slowdown, the U.S. economy showed clear signs of improvement. The unemployment rate dropped from 8.9% to 7.9% during the reporting period. Consumer confidence reached its highest level since 2007 and the housing market showed signs of recovery.

Outlook

The U.S. election is over, however, the division of power that produced political gridlock in recent years remains. Republicans continue to have control in the House of Representatives, Democrats hold a majority in the Senate, and President Obama was re-elected. The government must act prior to the end of the year in order to help prevent the U.S. economy from falling off the fiscal cliff a series of tax cuts scheduled to expire on December 31, 2012 and major spending reductions planned to begin in January 2013. Higher taxes, reduced spending, or both, would likely have a negative impact on the economy in 2013. The resolution remains uncertain, consequently, there are many reasons for caution going forward.

This caution extends overseas, where the sovereign debt crisis in the European Union (E.U.) continues.

Economic growth in the E.U. has ground to a halt with unemployment reaching 11.6% as of

October 2012. Growth in China also slowed during the twelve-month fiscal period, however there are signs that a rebound may be underway.

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go to
www.allianzinvestors.com/edelivery.**

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, www.allianzinvestors.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund Fund Insights

October 31, 2012

For the 12-months ended October 31, 2012, PIMCO Corporate & Income Strategy Fund returned 32.57% on net asset value (NAV) and 33.21% on market price.

For the 12-months ended October 31, 2012, PIMCO Income Opportunity Fund returned 28.15% on NAV and 26.98% on market price.

While the U.S. fixed income market experienced periods of weakness during the reporting period, all told, solid results were achieved with investors who assumed greater risk generally rewarded. Market volatility was often triggered by macro issues impacting investor sentiment, such as the European sovereign debt crisis and moderating global growth. However, market setbacks were typically short-lived, as investor risk aversion was often quickly replaced with renewed risk appetite as incremental yield was sought in the low interest rate environment. Investor sentiment was also buoyed later in the reporting period due to signs of progress in Europe, coupled with additional quantitative easing by the Federal Reserve Board and the European Central Bank. During the 12-months ended October 31, 2012, short-term Treasury yields rose modestly, long-term Treasury yields declined and the yield curve flattened. Spread sectors (non-U.S. Treasuries) generally outperformed equal-duration Treasuries, with lower-rated, higher yielding securities generating the strongest returns.

Compared to the 5.25% return for the overall U.S. fixed income market (as measured by the Barclays U.S. Aggregate Index), high yield and investment grade bonds returned 13.61% and 9.71%, respectively (as measured by the Barclays U.S. High Yield and Barclays U.S. Credit Indices) for the 12-month reporting period. On a total return basis, lower rated, higher yielding investment grade corporate bonds generally outperformed higher quality fixed income instruments. AAA-, AA-, A and BBB-rated issues, as measured by the Barclays U.S. Credit Index, returned 3.40%, 7.19%, 10.10%, and 11.73%, respectively. Within the high yield market, BB-rated issues returned 13.60%,

PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund Fund Insights

October 31, 2012 (continued)

versus 13.25% for B-rated names as measured by the Barclays U.S. High Yield Index.

PIMCO Corporate & Income Strategy

Sector positioning and duration drive results

The Fund generated strong absolute and relative returns during the reporting period. An overweighting to banks contributed to performance, as the banking sector outperformed the 80% Barclays Credit/20% B of A Merrill Lynch BB/B Constrained Index (the Index).¹ Furthermore, an overweighting to life insurance was rewarded as this sector outperformed the Index during the fiscal period. An underweighting to electric utilities was positive for results as these issues underperformed the Index. The Fund's duration positioning was also beneficial to returns as a longer duration than that of the Index was positive during the reporting period as interest rates declined during the 12-months ended October 31, 2012.

On the downside, the Fund's underweight positioning in telecommunications hindered performance as this sector outperformed the Index during the reporting period. The Fund's overweighting in energy hindered returns as this sector underperformed the Index.

PIMCO Income Opportunity

Sector positioning largely drives results

The Fund produced strong absolute returns during the 12-month reporting period. Allocations to non-agency mortgage-backed securities were a significant contributor to results, as these securities outperformed the broader market. Driving these strong returns were generally robust investor demand for higher yielding assets, improving collateral performance, signs of a bottom in the housing market and continuing positive supply technicals. An emphasis on select, high quality, financial issues was also beneficial to performance, as these securities generally outperformed the broad market during the reporting period. Positions in select insurance

PIMCO Corporate & Income Strategy Fund/PIMCO Income Opportunity Fund Fund Insights

October 31, 2012 (continued)

issues enhanced performance as these companies outperformed the broader credit market during the 12-months ended October 31, 2012. The Fund's overweighting to credit spread duration was helpful, as credit spreads tightened during the reporting period.

On the downside, the Fund's underweighting to the high yield corporate sector detracted from results as this was one of best performing credit sectors, supported by low default rates and generally strong demand from investors looking for incremental yield during the reporting period.

¹ The Barclays Credit Index consists of publicly issued U.S. 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 U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. The B of A Merrill Lynch BB/B Constrained Index tracks the performance of BB-B Rated U.S. dollar-denominated corporate bonds publicly issued in the U.S. 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.

PIMCO Corporate & Income Strategy Fund

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PIMCO Corporate & Income Strategy Fund Performance & Statistics

October 31, 2012 (unaudited)

Total Return(1):	Market Price	NAV
1 Year	33.21%	32.57%
5 Year	17.92%	16.69%
10 Year	15.06%	15.00%
Commencement of Operations (12/21/01) to 10/31/12	13.21%	12.85%

Market Price/NAV Performance:

Commencement of Operations (12/21/01) to 10/31/12

Market Price/NAV:

Market Price	\$18.17
NAV	\$15.90
Premium to NAV	14.28%
Market Price Yield(2)	7.43%
Leverage Ratio(3)	30.08%

NAV
Market Price

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 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 shares. Total return for a period of more than one year represents the average annual total return.

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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 Fund 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 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 October 31, 2012.

(3) Represents Preferred Shares and Reverse Repurchase Agreements (collectively 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).

PIMCO Income Opportunity Fund Performance & Statistics

October 31, 2012 (unaudited)

Total Return(1):	Market Price	NAV
1 Year	26.98%	28.15%
3 Year	25.54%	22.44%
Commencement of Operations (11/30/07) to 10/31/12	15.60%	15.26%

Market Price/NAV Performance:

Commencement of Operations (11/30/07) to 10/31/12

Market Price/NAV:

Market Price	\$29.85
NAV	\$27.86
Premium to NAV	7.14%
Market Price Yield(2)	7.64%
Leverage Ratio(3)	38.44%

NAV
Market Price

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 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 shares. 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 each Fund's shares, or changes in Fund dividends.

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An investment in the Funds 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 October 31, 2012.

(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).

PIMCO Corporate & Income Strategy Fund

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PIMCO Corporate & Income Strategy Fund Schedule of Investments

October 31, 2012

Principal Amount (000s)		Value
CORPORATE BONDS & NOTES 58.4%		
Airlines 0.9%		
\$1,716	American Airlines Pass Through Trust, 10.375%, 1/2/21	\$1,818,615
1,733	Continental Airlines Pass Through Trust, 9.798%, 10/1/22	1,889,389
1,305	United Air Lines Pass Through Trust, 7.336%, 1/2/21 (a) (b) (d) (m) (acquisition cost-\$1,305,258; purchased 6/19/07)	1,285,679
2,184	10.40%, 5/1/18 (l)	2,509,128
		7,502,811
Automotive 1.8%		
12,000	Ford Motor Co., 7.70%, 5/15/97	13,305,000
1,500	9.98%, 2/15/47	2,090,625
		15,395,625
Banking 8.3%		
4,000	ABN Amro North American Holding Preferred Capital Repackage Trust I, 6.523%, 11/30/12 (a) (b) (d) (g) (m) (acquisition cost-\$2,410,000; purchased 7/15/09)	4,040,000
2,400	AgFirst Farm Credit Bank, 7.30%, 11/30/12 (a) (b) (d) (g) (m) (acquisition cost-\$1,904,000; purchased 2/26/10-3/2/10)	2,399,762
7,760	Barclays Bank PLC, 10.179%, 6/12/21 (a) (b) (d) (m) (acquisition cost-\$7,779,400; purchased 6/10/09)	10,334,496
£200	14.00%, 6/15/19 (g)	417,600
\$5,000	BPCE S.A., 12.50%, 9/30/19 (a) (d) (g)	5,729,010
27,790	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, 11.00%, 6/30/19 (a) (b) (d) (g) (l) (m) (acquisition cost-\$29,359,603; purchased 5/29/09-1/30/12)	37,388,083
4,000	HBOS PLC, 1.112%, 9/6/17 (h)	3,366,000
2,000	6.75%, 5/21/18 (a) (b) (d) (m) (acquisition cost-\$1,991,680; purchased 5/15/08)	2,130,000
1,000	HSBC Capital Funding L.P., 10.176%, 6/30/30 (g)	1,380,000
1,900	Regions Financial Corp., 7.375%, 12/10/37	2,049,625
£1,200	Santander Finance Preferred S.A. Unipersonal, 11.30%, 7/27/14 (g)	1,975,616
		71,210,192
Building & Construction 0.3%		
\$1,000	Desarrolladora Homex S.A.B. De C.V., 9.50%, 12/11/19 (a) (d)	1,008,800
1,700	Macmillan Bloedel Pembroke L.P., 7.70%, 2/15/26	1,957,827
		2,966,627
Energy 0.0%		
4,300	Dynegy Roseton LLC/Danskammer Pass Through Trust, 7.67%, 11/8/16, Ser. B (b) (e)	215,000
Financial Services 24.8%		
2,300	AGFC Capital Trust I, 6.00%, 1/15/67, (converts to FRN on 1/15/17) (a) (d)	1,357,000

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240	Ally Financial, Inc., 5.35%, 1/15/14	239,307
70	5.75%, 1/15/14	69,629
372	5.85%, 6/15/13	370,911

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PIMCO Corporate & Income Strategy Fund Schedule of Investments

October 31, 2012 (continued)

Principal Amount (000s)		Value
Financial Services (continued)		
\$225	6.00%, 7/15/13	\$223,971
34	6.00%, 3/15/19	33,133
494	6.00%, 9/15/19	486,676
492	6.05%, 8/15/19	481,744
659	6.125%, 10/15/19	643,141
343	6.15%, 9/15/19	338,181
5	6.15%, 10/15/19	4,877
10	6.20%, 4/15/19	9,858
517	6.25%, 12/15/18	509,446
10	6.25%, 4/15/19	9,786
182	6.25%, 5/15/19	178,643
10	6.25%, 7/15/19	9,869
620	6.30%, 8/15/19	609,176
210	6.35%, 5/15/13	210,649
5	6.35%, 7/15/19	4,936
158	6.40%, 12/15/18	153,728
133	6.50%, 2/15/16	132,509
771	6.50%, 6/15/18	762,072
666	6.50%, 11/15/18	656,477
879	6.50%, 12/15/18	866,714
11	6.50%, 5/15/19	10,736
55	6.50%, 1/15/20	54,369
78	6.60%, 5/15/18	76,821
476	6.65%, 6/15/18	468,403
770	6.65%, 10/15/18	761,950
682	6.70%, 6/15/18	669,931
250	6.70%, 11/15/18	247,524
499	6.70%, 12/15/19	493,431
195	6.75%, 8/15/16	192,369
10	6.75%, 6/15/17	9,875
26	6.75%, 3/15/18	25,655
554	6.75%, 7/15/18	548,663
113	6.75%, 9/15/18	109,471
432	6.75%, 10/15/18	428,523
125	6.75%, 11/15/18	122,691
293	6.75%, 5/15/19	290,284
209	6.75%, 6/15/19	207,668
682	6.80%, 9/15/18	676,933
135	6.80%, 10/15/18	133,904
30	6.85%, 5/15/18	29,543
80	6.875%, 7/15/18	78,139
133	6.90%, 6/15/17	132,011
535	6.90%, 7/15/18	531,583
320	6.90%, 8/15/18	317,239
10	7.00%, 8/15/16	10,001
133	7.00%, 2/15/18	131,802
2,262	7.00%, 5/15/18	2,218,708
60	7.00%, 8/15/18	58,861
975	7.00%, 9/15/18	960,092

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560	7.00%, 11/15/23	554,544
107	7.05%, 3/15/18	105,100
1,771	7.05%, 4/15/18	1,756,921
105	7.125%, 10/15/17	103,765

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PIMCO Corporate & Income Strategy Fund Schedule of Investments

October 31, 2012 (continued)

Principal Amount (000s)		Value
Financial Services (continued)		
\$148	7.15%, 6/15/16	\$146,209
143	7.15%, 9/15/18	141,034
210	7.15%, 1/15/25	205,994
270	7.25%, 9/15/17	267,995
214	7.25%, 4/15/18	212,297
1,515	7.25%, 8/15/18	1,491,483
385	7.25%, 9/15/18	379,933
50	7.25%, 3/15/25	49,639
227	7.30%, 12/15/17	225,323
61	7.30%, 1/15/18	60,425
12,781	7.375%, 11/15/16	12,699,956
80	7.375%, 4/15/18	78,476
20	7.40%, 12/15/17	19,746
16	7.50%, 11/15/16	15,812
45	7.50%, 11/15/17	44,573
23	7.50%, 12/15/17	22,864
27	7.625%, 11/15/12	27,008
266	9.00%, 7/15/20	265,430
2,000	American Express Co., 6.80%, 9/1/66, (converts to FRN on 9/1/16)	2,180,000
	BNP Paribas S.A. (g),	
7,800	7.195%, 6/25/37 (a) (d) (l)	7,722,000
350	7.781%, 7/2/18	461,591
\$1,790	Capital One Bank USA N.A., 8.80%, 7/15/19	2,384,121
1,500	Capital One Capital V, 10.25%, 8/15/39	1,552,500
3,300	Capital One Capital VI, 8.875%, 5/15/40	3,395,406
509	Cedar Brakes II LLC, 9.875%, 9/1/13 (a) (b) (d) (m) (acquisition cost-\$508,256; purchased 9/12/02)	525,386
	Citigroup, Inc.,	
CAD1,300	5.365%, 3/6/36 (a) (b) (m) (acquisition cost-\$1,126,438; purchased 5/19/11)	1,215,191
\$300	6.125%, 8/25/36	332,489
	Credit Agricole S.A. (g),	
2,000	7.875%, 10/26/19	2,515,826
\$21,400	8.375%, 10/13/19 (a) (d) (l)	21,881,500
£500	General Electric Capital Corp., 6.50%, 9/15/67, (converts to FRN on 9/15/17) (a) (d)	822,810
	Goldman Sachs Group, Inc.,	
\$4,000	6.45%, 5/1/36 (l)	4,273,980
7,000	6.75%, 10/1/37	7,715,330
	International Lease Finance Corp.,	
2,900	6.75%, 9/1/16 (a) (d)	3,291,500
1,000	8.625%, 9/15/15	1,129,750
7,300	JPMorgan Chase & Co., 7.90%, 4/30/18 (g)	8,438,267
	LBG Capital No.1 PLC,	
300	7.375%, 3/12/20	372,241
£100	7.588%, 5/12/20	161,004
£200	7.867%, 12/17/19	321,943
£400	7.869%, 8/25/20	647,759
\$12,700		13,176,250

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	7.875%, 11/1/20 (a) (b) (d) (m) (acquisition cost-\$10,447,750; purchased 12/7/09-4/16/10)	
17,500	8.00%, 6/15/20 (a) (b) (d) (g) (m) (acquisition cost-\$14,068,875; purchased 2/2/10-2/11/10)	16,878,155

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PIMCO Corporate & Income Strategy Fund Schedule of Investments

October 31, 2012 (continued)

Principal Amount (000s)		Value
Financial Services (continued)		
\$8,500	8.50%, 12/17/21 (a) (b) (d) (g) (m) (acquisition cost-\$3,882,703; purchased 11/14/08-11/18/08)	\$7,905,000
£300	11.04%, 3/19/20 LBG Capital No.2 PLC,	537,984
400	8.875%, 2/7/20	531,214
£3,100	9.125%, 7/15/20	5,152,701
£500	9.334%, 2/7/20	840,763
\$3,500	National City Preferred Capital Trust I, 12.00%, 12/10/12 (g)	3,547,628
5,200	PNC Financial Services Group, Inc., 6.75%, 8/1/21 (g)	6,022,073
1,000	Royal Bank of Scotland Group PLC (g), 6.99%, 10/5/17 (a) (b) (d) (m) (acquisition cost-\$770,000; purchased 1/30/12)	917,500
1,500	7.64%, 9/29/17	1,271,250
4,100	7.648%, 9/30/31 SLM Corp.,	4,079,500
5,900	8.00%, 3/25/20	6,862,408
12,500	8.45%, 6/15/18 Springleaf Finance Corp.,	14,917,875
1,500	4.125%, 11/29/13	1,924,782
\$2,200	5.40%, 12/1/15	2,068,000
500	6.50%, 9/15/17	445,310
3,000	6.90%, 12/15/17	2,655,000
6,700	UBS AG, 7.625%, 8/17/22	7,231,866
5,900	Wells Fargo & Co., 7.98%, 3/15/18 (g)	6,998,875
		212,538,868
Healthcare & Hospitals 1.8%		
10,000	HCA, Inc., 7.875%, 2/15/20	11,225,000
3,600	8.50%, 4/15/19	4,063,500
		15,288,500
Hotels/Gaming 0.5%		
700	MGM Resorts International, 10.375%, 5/15/14	790,125
1,050	11.125%, 11/15/17	1,162,875
2,157	Times Square Hotel Trust, 8.528%, 8/1/26 (a) (b) (d) (m) (acquisition cost-\$2,565,255; purchased 11/22/04)	2,304,852
		4,257,852
Household Products 0.2%		