

COMPUTER TASK GROUP INC  
Form 10-Q  
May 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from                      to

Commission File No. 1-9410

COMPUTER TASK GROUP, INCORPORATED

(Exact name of registrant as specified in its charter)

New York	16-0912632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Delaware Avenue, Buffalo, New York	14209
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (716) 882-8000

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Title of each class	Shares outstanding at May 6, 2016
Common stock, par value \$.01 per share	19,068,642

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## COMPUTER TASK GROUP, INCORPORATED

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

(Unaudited)

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Revenue	\$85,850	\$97,477
Direct costs	71,305	80,172
Selling, general and administrative expenses	13,467	15,092
Goodwill impairment	21,544	—
Operating income (loss)	(20,466)	2,213
Interest and other income	18	41
Interest and other expense	80	51
Income (loss) before income taxes	(20,528)	2,203
Provision (benefit) for income taxes	329	936
Net income (loss)	\$(20,857)	\$1,267
Net income (loss) per share:		
Basic	\$(1.34 )	\$0.08
Diluted	\$(1.34 )	\$0.08
Weighted average shares outstanding:		
Basic	15,524	15,407
Diluted	15,524	15,928
Cash dividend per common share	\$0.06	\$0.06

The accompanying notes are an integral part of these condensed consolidated financial statements.

COMPUTER TASK GROUP, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(amounts in thousands)

(Unaudited)

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Net Income (loss)	\$ (20,857)	\$ 1,267
Foreign currency adjustment	681	(1,970)
Change in pension loss, net of taxes of \$15 and \$23 in 2016 and 2015, respectively	(195 )	915
Other comprehensive income (loss)	486	(1,055)
Comprehensive income (loss)	\$ (20,371)	\$ 212

The accompanying notes are an integral part of these condensed consolidated financial statements.

## COMPUTER TASK GROUP, INCORPORATED

## CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share balances)

(Unaudited)

	April 1, 2016	December 31, 2015
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$9,432	\$10,801
Accounts receivable, net of allowances of \$364 and \$377 in 2016 and 2015, respectively	75,324	71,403
Prepaid and other current assets	2,700	1,770
Deferred income taxes	819	804
<b>Total current assets</b>	<b>88,275</b>	<b>84,778</b>
Property, equipment and capitalized software, net	6,057	5,488
Goodwill	15,755	37,231
Deferred income taxes	5,585	5,573
Cash surrender value of life insurance	29,892	29,753
Investments	422	254
<b>Total assets</b>	<b>\$145,986</b>	<b>\$163,077</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$5,660	\$8,236
Accrued compensation	22,369	17,541
Advance billings on contracts	1,897	945
Dividend payable	958	925
Other current liabilities	4,124	4,122
Income taxes payable	396	35
<b>Total current liabilities</b>	<b>35,404</b>	<b>31,804</b>
Long-term debt	1,520	1,225
Deferred compensation benefits	11,966	11,904
Other long-term liabilities	481	427
<b>Total liabilities</b>	<b>49,371</b>	<b>45,360</b>
<b>Shareholders' Equity:</b>		
Common stock, par value \$0.01 per share, 150,000,000 shares authorized;		
27,017,824 shares issued in both periods	270	270
Capital in excess of par value	122,895	125,226
Retained earnings	99,967	121,798
Less: Treasury stock of 7,967,044 and 8,014,004 shares at cost, in 2016 and		
2015, respectively	(59,846 )	(60,275 )
Stock Trusts of 2,762,001 and 3,264,651 shares at cost, in 2016 and 2015, respectively	(52,517 )	(54,662 )

Accumulated other comprehensive loss	(14,154 )	(14,640 )
Total shareholders' equity	96,615	117,717
Total liabilities and shareholders' equity	\$145,986	\$163,077

The accompanying notes are an integral part of these condensed consolidated financial statements.

## COMPUTER TASK GROUP, INCORPORATED

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(Unaudited)

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Cash flow from operating activities:		
Net income (loss)	\$(20,857)	\$1,267
Adjustments:		
Depreciation and amortization expense	420	597
Equity-based compensation expense	377	365
Deferred income taxes	(224 )	150
Deferred compensation	45	(361 )
Goodwill impairment	21,544	—
Changes in assets and liabilities:		
Increase in accounts receivable	(3,232 )	(1,605 )
Increase in prepaid and other current assets	(917 )	(990 )
Increase (decrease) in cash surrender value of life insurance	(143 )	756
Decrease in accounts payable	(2,517 )	(2,787 )
Increase (decrease) in accrued compensation	4,524	(2,293 )
Increase in advance billings on contracts	923	135
Increase (decrease) in other current liabilities	(44 )	183
Increase in income taxes payable	346	174
Increase (decrease) in other long-term liabilities	54	(4 )
Net cash provided by (used in) operating activities	299	(4,413 )
Cash flow from investing activities:		
Additions to property and equipment	(816 )	(324 )
Additions to capitalized software	(147 )	(188 )
Deferred compensation plan investments, net	(166 )	374
Net cash used in investing activities	(1,129 )	(138 )
Cash flow from financing activities:		
Proceeds from long-term debt, net	295	—
Proceeds from stock option plan exercises	121	1,375
Excess tax benefits from equity-based compensation	14	247
Proceeds from Employee Stock Purchase Plan	52	76
Change in cash overdraft, net	(468 )	108
Dividends paid	(925 )	(1,814 )
Purchase of stock for treasury	—	(798 )
Net cash used in financing activities	(911 )	(806 )
Effect of exchange rates on cash and cash equivalents	372	(1,085 )
Net decrease in cash and cash equivalents	(1,369 )	(6,442 )



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Cash and cash equivalents at beginning of year	10,801	40,862
Cash and cash equivalents at end of quarter	\$9,432	\$34,420

The accompanying notes are an integral part of these condensed consolidated financial statements.

COMPUTER TASK GROUP, INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Financial Statements

The condensed consolidated financial statements included herein reflect, in the opinion of the management of Computer Task Group, Incorporated (“CTG” or “the Company”), all normal recurring adjustments necessary to present fairly the condensed consolidated financial position, results of operations and comprehensive income (loss), and cash flows for the periods presented.

The Company's fiscal year-end is December 31. During the year, the quarters generally consist of a 13-week fiscal quarter where the last day of each of the first three quarters is a Friday. The 2016 first quarter began on January 1, 2016 and ended on April 1, 2016. The 2015 first quarter began on January 1, 2015 and ended April 3, 2015. There were 65 and 66 billable days in the first quarters of 2016 and 2015, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

These condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the SEC rules and regulations. There are no unconsolidated entities, or off-balance sheet arrangements other than certain guarantees supporting office leases and the performance under government contracts in the Company's European operations. All inter-company accounts and transactions have been eliminated.

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires the Company's management to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates include, but are not limited to, the valuation of goodwill and other intangible assets, valuation allowances for deferred tax assets, actuarial assumptions including discount rates and expected rates of return on assets, as applicable, for the Company's defined benefit plans, the allowance for doubtful accounts receivable, assumptions underlying stock option valuation, investment valuation, legal matters, other contingencies, and progress toward completion and direct profit or loss on contracts. Management believes that the information and disclosures provided herein are adequate to present fairly the condensed consolidated financial position, results of operations and comprehensive income (loss), and cash flows of the Company. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest Annual Report on Form 10 K filed with the SEC.

The Company operates in one industry segment, providing IT services to its clients. At the highest level, CTG delivers services that are considered either IT solutions or IT and other staffing. CTG provides these primary services to all of the markets that it serves. The services provided typically encompass the IT business solution life cycle, including phases for planning, developing, implementing, managing, and ultimately maintaining the IT solution. A typical customer is an organization with large, complex information and data processing requirements.

IT solutions and IT and other staffing revenue as a percentage of total revenue for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
IT solutions	30.0 %	33.1 %
IT and other staffing	70.0 %	66.9 %
Total	100.0 %	100.0 %

The Company promotes a significant portion of its services through five vertical market focus areas: Technology Service Providers, Manufacturing, Healthcare (which includes services provided to healthcare providers, health insurers (payers), and life sciences companies), Financial Services, and Energy. The Company focuses on these five vertical areas as it believes that these areas are either higher growth markets than the general IT services market and the general economy, or are areas that provide greater potential for the Company's growth due to the size of the vertical market. The remainder of CTG's revenue is derived from general markets.

CTG's revenue by vertical market for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Technology service providers	34.9 %	28.1 %
Manufacturing	23.3 %	28.2 %
Healthcare	19.6 %	24.2 %
Financial services	7.5 %	7.0 %
Energy	6.0 %	5.6 %
General markets	8.7 %	6.9 %
Total	100.0%	100.0%

#### Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants. The Company utilizes a fair value hierarchy for its assets and liabilities, as applicable, based upon three levels of input, which are:

Level 1—quoted prices in active markets for identical assets or liabilities (observable)

Level 2—inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be supported by observable market data for essentially the full term of the asset or liability (observable)

Level 3—unobservable inputs that are supported by little or no market activity, but are significant to determining the fair value of the asset or liability (unobservable)

At April 1, 2016 and December 31, 2015, the carrying amounts of the Company's cash of \$9.4 million and \$10.8 million, respectively, approximated fair value.

The Company is also allowed to elect an irrevocable option to measure, on a contract by contract basis, specific financial instruments and certain other items that are currently not being measured at fair value. The Company did not elect to apply the fair value provisions of this accounting standard for any specific contracts during the quarters ended April 1, 2016 or April 3, 2015.

#### Life Insurance Policies

The Company has purchased life insurance on the lives of a number of former employees who are plan participants in the non-qualified defined benefit Executive Supplemental Benefit Plan. Those policies have generated cash surrender value. At April 1, 2016 and December 31, 2015, these insurance policies had gross cash surrender values of \$29.1 million and \$28.9 million, respectively, which are included on the consolidated balance sheet in "Cash surrender value of life insurance" under non-current assets. During 2015, the Company used approximately \$22.8 million in cash to pay

off all of the outstanding loans against these policies.

At both April 1, 2016 and December 31, 2015, the total death benefit for the remaining policies was approximately \$40.4 million. Currently, upon the death of all of the remaining plan participants, the Company would expect to receive approximately \$39.8 million after the payment of obligations, and, under current tax regulations, record a non-taxable gain of approximately \$10.7 million.

During the 2015 fourth quarter, one former employee covered by this life insurance passed away. The Company recorded a non-taxable gain totaling approximately \$0.2 million in that quarter, and received the proceeds from the policy totaling approximately \$0.4 million in the 2016 second quarter prior to the filing of this Form 10-Q with the Securities and Exchange Commission (SEC).

### Taxes Collected from Customers

In instances where the Company collects taxes from its customers for remittance to governmental authorities, primarily in its European operations, revenue and expenses are not presented on a gross basis in the consolidated financial statements as such taxes are recorded in the Company's accounts on a net basis.

### Cash and Cash Equivalents, and Cash Overdrafts

For purposes of the statement of cash flows, cash and cash equivalents are defined as cash on hand, demand deposits, and short-term, highly liquid investments with a maturity of three months or less. As the Company does not fund its bank accounts for the checks it has written until the checks are presented to the bank for payment, the "change in cash overdraft, net," line item as presented on the condensed consolidated statements of cash flows represents the increase or decrease in outstanding checks for a given period.

### Property, Equipment and Capitalized Software Costs

Property, equipment and capitalized software at April 1, 2016 and December 31, 2015 are summarized as follows:

(amounts in thousands)	April 1, 2016	December 31, 2015
Property, equipment and capitalized software	\$23,473	\$ 24,070
Accumulated depreciation and amortization	(17,416)	(18,582 )
Property, equipment and capitalized software, net	\$6,057	\$ 5,488

The Company recorded \$0.1 million and \$0.2 million of capitalized software costs during the quarters ended April 1, 2016 and April 3, 2015, respectively. As of those dates, the Company had capitalized a total of \$2.3 million and \$3.2 million, respectively, for software projects developed for internal use. Amortization periods range from two to five years, and are evaluated annually for propriety. Amortization expense totaled less than \$0.1 million and \$0.2 million in the quarters ended April 1, 2016 and April 3, 2015, respectively. Accumulated amortization for these projects totaled \$1.8 million and \$1.9 million as of April 1, 2016 and April 3, 2015, respectively.

During the second quarter of 2015, the Company recorded expense for the impairment of one of its capitalized software projects related to IT medical management, primarily for chronic kidney disease, after determining that it had no net realizable value. Although the Company experienced some sales success with research institutions, the Company has been unable to sell the product to payers, its intended market, and has discontinued the effort to sell the technology. The remaining net asset value of approximately \$1.1 million was written-off to direct costs in the 2015 second quarter operating results.

### Guarantees

The Company has several guarantees in place in its European operations which support office leases and performance under government contracts. These guarantees totaled approximately \$1.2 million at both April 1, 2016 and December 31, 2015, and generally have expiration dates ranging from April 2016 through April 2020.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is only permitted in years beginning after December 31, 2016. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

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In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classifications of Deferred Taxes,” which amended accounting guidance related to the presentation of deferred tax liabilities and assets. The amended guidance requires that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. This guidance can also be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Upon adoption of this guidance in 2017, the Company, given current financial results, would reclassify approximately \$0.8 million from current to non-current assets.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. Topic 842 supersedes the previous leases standard, ASC 840, Leases. This guidance is effective for reporting periods beginning after December 15, 2018; however, early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact that ASU 2016-02 will have on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which amended accounting guidance related to seven aspects of the accounting for share-based payments award transactions. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-09 will have on its condensed consolidated financial statements.

### 3. Goodwill Impairment

The goodwill recorded on the Company's condensed consolidated balance sheet relates to CTG's Healthcare Solutions (CTGHS) reporting unit. In accordance with current accounting guidance for “Intangibles - Goodwill and Other,” we perform goodwill impairment testing at least annually (in the Company's fourth quarter), unless indicators of impairment exist in interim periods. The Company uses the two-step approach to test goodwill for potential impairment. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess.

During the 2016 first quarter, the Company determined that a goodwill impairment indicator existed which required an interim impairment analysis. This impairment indicator was a significant and sustained decrease in the Company's overall market capitalization, as the Company's stock price during the 2016 first quarter fell by as much as 29% from its value at December 31, 2015. As a result of this indicator, the Company conducted an interim analysis of CTGHS to determine if an impairment existed. In performing the assessment, we estimated the fair value of CTGHS based on a



combination of the income and market approaches. The income approach uses a discounted cash flow (DCF) method which utilizes the present value of expected future cash flows to estimate fair value of the reporting unit. The future cash flows for CTGHS was projected based on our estimates of future revenue, operating income and other factors such as working capital and capital expenditures, and a discount rate used in the present value calculation. As part of our projections, we took into account expected industry and market conditions for the healthcare industry, as well as trends currently affecting CTGHS. The market approach utilizes multiples of revenue and earnings before interest expense, taxes, depreciation and amortization (EBITDA) to estimate the fair value of the reporting unit. The market multiples used for CTGHS were based on competitor industry data, along with the market multiples for the Company and other factors. We also completed a comparison of the Company's overall market capitalization to the market value of CTGHS and the Company's other non-reporting business units. Based upon the analysis performed, the Company determined that the fair value of CTGHS was less than its carrying value, which required the Company to perform a Step two goodwill impairment test.

As a result of the Step two analysis, the Company determined the implied fair value of its goodwill balance was below the carrying value. Accordingly, the Company recorded a non-tax deductible goodwill impairment charge of \$21.5 million to reduce the value of its goodwill balance to the implied fair value.

#### 4. Net Income (Loss) Per Share

Basic and diluted earnings (loss) per share (EPS) for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

(amounts in thousands, except per-share data)	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Weighted-average number of shares outstanding during period	15,524	15,407
Common stock equivalents - incremental shares primarily under equity-based compensation plans	—	521
Number of shares on which diluted earnings per share is based	15,524	15,928
Net income (loss)	\$(20,857)	\$1,267
Net income (loss) per share		
Basic	\$(1.34 )	\$0.08
Diluted	\$(1.34 )	\$0.08

Weighted-average shares represent the average number of issued shares less treasury shares and shares held in the Stock Trusts, and for the basic EPS calculations, unvested restricted stock.

Certain options representing 1.0 million and 0.6 million shares of common stock were outstanding at April 1, 2016 and April 3, 2015, respectively, but were not included in the computation of diluted earnings per share as their effect on the computation would have been anti-dilutive.

#### 5. Investments

The Company's investments consist of mutual funds which are part of the Computer Task Group, Incorporated Non-qualified Key Employee Deferred Compensation Plan. At April 1, 2016 and December 31, 2015, the Company's investment balances, which are classified as trading securities, totaled approximately \$0.4 million and \$0.3 million, respectively, and are measured at fair value. As there is an active trading market for these funds, fair value was determined using Level 1 inputs (see note 2 for "Fair Value"). Unrealized gains and losses on these securities are recorded in earnings and were nominal in both the 2016 and 2015 first quarters.

#### 6. Debt

In October 2015, the Company entered into a new unsecured revolving credit agreement which replaced a demand line of credit and allows the Company to borrow up to \$40.0 million. The agreement also allows under its provisions for

the Company to borrow up to \$17.5 million against the cash surrender value of the Company's life insurance policies. The new agreement expires in October 2018, and has interest rates ranging from 0 to 50 basis points over the prime rate, and 150 to 200 basis points over LIBOR. The Company can borrow under the agreement with either a prime rate or LIBOR rate borrowing at its discretion. At April 1, 2016 and December 31, 2015, there was \$1.5 million and \$1.2 million, respectively, outstanding under the revolving credit agreement.

The maximum amount outstanding under the credit agreement in the 2016 first quarter was \$2.8 million, while the average amount outstanding during the 2016 first quarter was \$1.5 million, and carried a weighted-average interest rate of 3.5%.

Under the new agreement, the Company is required to meet certain financial covenants in order to maintain borrowings under its revolving credit line, pay dividends, and make acquisitions. The covenants are measured quarterly, and at April 1, 2016, included a leverage ratio (total outstanding debt divided by earnings before interest, taxes, depreciation and amortization (EBITDA)) which must be no greater than 2.75 to 1, a calculation of minimum tangible net worth (total shareholders' equity less goodwill and intangible assets) which must be no less than \$53.7 million, and total annual expenditures for property, equipment and capitalized software must be no more than \$5.0 million. The Company was in compliance with these covenants at April 1, 2016 as the leverage ratio was 0.1, the minimum tangible net worth was \$80.3 million, and capital expenditures for property, equipment and capitalized software were \$1.0 million in the 2016 first quarter.

### 7. Accumulated Other Comprehensive Loss

The components that make up accumulated other comprehensive loss on the condensed consolidated balance sheets at April 1, 2016 and December 31, 2015 are as follows:

(amounts in thousands)	April 1, 2016	December 31, 2015
Foreign currency	\$(7,005 )	\$(7,686 )
Pension loss, net of tax of \$890 in 2016, and \$906 in 2015	(7,149 )	(6,954 )
Accumulated other comprehensive loss	\$(14,154)	\$(14,640 )

During the 2016 and 2015 first quarters, actuarial losses were amortized to expense as follows:

(amounts in thousands)	April 1, 2016	April 3, 2015
Amortization of actuarial losses	\$ 71	\$ 98
Income tax	(15 )	(23 )
Net of tax	\$ 56	\$ 75

The amortization of both prior service cost and actuarial losses are included in determining net periodic pension cost. See note 9, "Deferred Compensation and Other Benefits" for additional information.

### 8. Income Taxes

The Company's effective tax rate ("ETR") is calculated quarterly based upon current assumptions relating to the full year's estimated operating results and various tax-related items. The Company's normal annual ETR typically ranges from 38% to 40% of pre-tax income. The 2016 first quarter ETR was (1.6)% and the 2015 first quarter ETR was 42.5%.

The ETR was lower than the normal range in the 2016 first quarter primarily due to the non-deductible goodwill impairment charge totaling \$21.5 million taken in the 2016 first quarter, and due to the extension of the Work Opportunity Tax Credit (WOTC) and the Research and Development tax credit (R&D) which were renewed by the U.S. federal government in the 2015 fourth quarter and are effective for all of 2016.

The ETR was higher than the normal range in the 2015 first quarter primarily due to the expiration of certain federal income tax credits as of December 31, 2014. The WOTC and the R&D were not renewed by the U.S. federal

government as of April 3, 2015 and were therefore not included in the ETR for the 2015 first quarter.

At April 1, 2016, the undistributed earnings of foreign subsidiaries amounted to approximately \$21.5 million. A deferred tax liability for the taxes related to these unremitted accumulated foreign earnings has not been provided for as the determination of the estimated liability is not practicable and because undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries.

#### 9. Deferred Compensation and Other Benefits

The Company maintains a non-qualified defined benefit Executive Supplemental Benefit Plan (ESBP) that provides certain former key executives with deferred compensation benefits, based on years of service and base compensation, payable during retirement. The plan was amended as of November 30, 1994, to freeze benefits for the participants in the plan at that time.

Net periodic pension cost for the quarters ended April 1, 2016 and April 3, 2015 for the ESBP was as follows:

(amounts in thousands)	April 1, 2016	April 3, 2015
Interest cost	\$ 61	\$ 65
Amortization of actuarial loss	43	60
Net periodic pension cost	\$ 104	\$ 125

The ESBP is deemed to be unfunded as the Company has not specifically identified assets to be used to discharge the deferred compensation benefit liabilities. The Company has purchased insurance on the lives of certain plan participants in amounts deemed to be sufficient to reimburse the Company for the costs associated with the plan for those participants (see note 2 for “Life Insurance Policies”). The Company does not anticipate making contributions to the plan other than for benefit payments as required in 2016 and future years. In the first quarter of 2016, the Company has made benefit payments totaling approximately \$0.2 million, and expects to make payments in 2016 totaling approximately \$0.7 million.

The Company also retained a contributory defined benefit plan for its previous employees located in the Netherlands (NDBP) when the Company disposed of its subsidiary, CTG Nederland, B.V. Benefits paid are a function of a percentage of career average pay. This plan was curtailed for additional contributions in January 2003. Net periodic pension cost was approximately \$18,000 in both the quarters ended April 1, 2016 and April 3, 2015.

The Company does not anticipate making significant contributions to the NDBP in 2016. The assets for the NDBP are held by Aegon, a financial services firm located in the Netherlands. The assets for the plan are included in a general portfolio of government bonds, a portion of which is allocated to the NDBP based upon the estimated pension liability associated with the plan. The fair market value of the plan’s assets equals the contractual value of the NDBP at any point in time. The fair value of the assets is determined using a Level 3 methodology (see note 2 for “Fair Value”). In 2016 the plan investments have a targeted minimum return to the Company of 4.0%, which is consistent with historical returns and the 4.0% return guaranteed to the participants of the plan. The Company, in conjunction with Aegon, intends to maintain the current investment strategy of investing plan assets solely in government bonds throughout 2016.

The change in the fair value of plan assets for the NDBP for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

(amounts in thousands)	April 1, 2016	April 3, 2015
Fair value of plan assets at beginning of period	\$7,106	\$7,910
Return on plan assets	71	73
Contributions	—	—
Benefits paid	(37 )	(35 )
Effect of exchange rate changes	314	(870 )
Fair value of plan assets at end of quarter	\$7,454	\$7,078

The Company maintains the Key Employee Non-Qualified Deferred Compensation Plan for certain key executives. Company contributions to this plan, if any, are based on annually defined financial performance objectives. Cash contributions made to this plan in the 2016 first quarter for amounts earned in 2015 totaled \$0.2 million. The investments in the plan are included in the total assets of the Company, and are discussed in note 5, “Investments.” Participants in the plan have the ability to purchase stock units from the Company at current market prices using their available investment balances within the plan. In exchange for the cash received, the Company releases shares out of treasury stock equivalent to the number of share units purchased by the participants. These shares of common stock are not entitled to any voting rights, but will receive dividends in the event any are paid. The shares are being held by the Company, and will be released to the participants as prescribed by their payment elections under the plan. There were 5,000 stock units purchased in the 2016 first quarter.

The Company maintains the Non-Employee Director Deferred Compensation Plan for its non-employee directors. Cash contributions were made to the plan in the 2016 first quarter totaling \$0.1 million for the non-employee directors. At the time the contributions were made, the non-employee directors elected to purchase stock units from the Company at current market prices using their available investment balance within the plan. Consistent with the Key Employee Non-Qualified Deferred Compensation Plan, in return for funds received, the Company released shares out of treasury stock equivalent to the number of share units purchased by the participants. These shares of common stock are not entitled to any voting rights, but will receive dividends in the event any are paid. The shares are being held by the Company, and will be released to the participants as prescribed by their payment elections under the plan.

#### 10. Equity-based Compensation

During the 2016 first quarter, the Company issued restricted stock and stock units representing a total of 512,650 shares to certain of its employees on January 4, 2016 (10,000 shares) and February 29, 2016 (502,650 shares) with a value of \$6.62 and \$4.73 per share, respectively. No restricted stock was issued during the 2015 first quarter. Of the

512,650 shares granted, 10,000 were funded out of treasury stock and 502,650 were funded out of the Computer Task Group, Inc. Stock Compensation Employee Trust.

The stock vests over a period of four years, with 25% of the stock vesting one year from the date of grant, and another 25% vesting each year thereafter until the stock is fully vested to the employee. The Company recognizes compensation expense for these shares over the expected term of the restricted stock, or four years.

The restricted shares issued are considered outstanding, can be voted, and are eligible to receive dividends in the event any are paid. However, the restricted shares do not include a non-forfeitable right for the holder to receive dividends and none will be paid in the event the awards do not vest. Accordingly, only vested shares of outstanding restricted stock are included in the basic earnings per share calculation. The shares and the share units were granted from the 2010 Equity Award Plan.

#### 11. Treasury Stock

The Company did not purchase any shares for treasury during the 2016 first quarter. At April 1, 2016, approximately 0.5 million shares remained authorized for future purchases. The Company issued 148,000 shares out of treasury stock primarily to fulfill the share requirements from stock option exercises and restricted stock grants during the 2016 first quarter.

During the 2015 first quarter, the Company used approximately \$0.8 million to purchase 99,000 shares of its stock for treasury. At April 3, 2015, approximately 0.5 million shares remained authorized for future purchases. The Company issued 350,000 shares out of treasury stock primarily to fulfill the share requirements from stock option exercises and restricted stock grants during the 2015 first quarter.

#### 12. Significant Customers

In the 2016 first quarter, International Business Machines Corporation (IBM) was the Company's largest customer and accounted for \$25.9 million or 30.2% of consolidated revenue as compared with \$23.2 million or 23.8% of revenue in the comparable 2015 period. The National Technical Services Agreement with IBM expires on December 31, 2017. The Company's accounts receivable from IBM at April 1, 2016 and December 31, 2015 totaled \$29.9 million and \$26.4 million, respectively.

In the 2016 first quarter, SDI International (SDI) was the Company's second largest customer and accounted for \$8.3 million or 9.6% of consolidated revenue as compared with \$13.6 million or 13.9% of revenue in the comparable 2015 period. SDI acts as a vendor manager for Lenovo, and all of the Company's revenue generated through SDI are for employees working at Lenovo. The Company's accounts receivable from SDI at April 1, 2016 and December 31, 2015 totaled \$5.7 million and \$5.5 million, respectively.

No other customer accounted for 10% or more of the Company's revenue during the 2016 or 2015 first quarters.





Item Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarter Ended  
2. April 1, 2016  
Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements made by the management of Computer Task Group, Incorporated (CTG, the Company or the Registrant) that are subject to a number of risks and uncertainties. These forward-looking statements are based on information as of the date of this report. The Company assumes no obligation to update these statements based on information from and after the date of this report. Generally, forward-looking statements include words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "could," "may," "might," "should," "will" and words and phrases of similar impact. The forward-looking statements include, but are not limited to, statements regarding future operations, industry trends or conditions and the business environment, and statements regarding future levels of or trends in business strategy and expectations, new business opportunities, cost control initiatives, business wins, market demand, revenue, operating expenses, capital expenditures, and financing. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including the following: (i) the availability to CTG of qualified professional staff, (ii) domestic and foreign industry competition for customers and talent, (iii) increased bargaining power of large customers, (iv) the Company's ability to protect confidential client data, (v) the partial or complete loss of the revenue the Company generates from International Business Machines Corporation (IBM) and SDI International (SDI), (vi) the uncertainty of customers' implementations of cost reduction projects, (vii) the effect of healthcare reform and initiatives, (viii) the mix of work between staffing and solutions, (ix) currency exchange risks, (x) risks associated with operating in foreign jurisdictions, (xi) renegotiations, nullification, or breaches of contracts with customers, vendors, subcontractors or other parties, (xii) the change in valuation of recorded goodwill, (xiii) the impact of current and future laws and government regulation, as well as repeal or modification of such, affecting the information technology (IT) solutions and staffing industry, taxes and the Company's operations in particular, (xiv) industry and economic conditions, including fluctuations in demand for IT services, (xv) consolidation among the Company's competitors or customers, (xvi) the need to supplement or change our IT services in response to new offerings in the industry or changes in customer requirements for IT products and solutions, (xvii) the risks associated with acquisitions, and (xviii) the risks described in Item 1A of the Company's most recently filed annual report on Form 10-K, and from time to time in the Company's reports filed with the Securities and Exchange Commission (SEC).

#### Industry Trends

The Company operates in one industry segment, providing IT services to its clients. At the highest level, CTG delivers services that are considered either IT solutions or IT and other staffing. The market demand for the Company's services is heavily dependent on IT spending by major corporations, organizations and government entities in the markets and regions that it serves. The pace of technological change and changes in business requirements and practices of the Company's clients all have a significant impact on the demand for the services that CTG provides. Competition for new engagements and pricing pressure has been and, management believes, will continue to be strong.

IT solutions and IT and other staffing revenue as a percentage of total revenue for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

For the Quarter  
Ended

	April 1, 2016	April 3, 2015
IT solutions	30.0 %	33.1 %
IT and other staffing	70.0 %	66.9 %
Total	100.0%	100.0%

The Company promotes a significant portion of its services through five vertical market focus areas: Technology Service Providers, Manufacturing, Healthcare (which includes services provided to healthcare providers, health insurers (payers), and life sciences companies), Financial Services, and Energy. The Company focuses on these five vertical areas as it believes that these areas are either higher growth markets than the general IT services market and the general economy, or are areas that provide greater potential for the Company's growth due to the size of the vertical market. The remainder of CTG's revenue is derived from general markets.

The Company's revenue by vertical market as a percentage of total revenue for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

	For the Quarter Ended	
	April 1, 2016	April 3, 2015
Technology service providers	34.9 %	28.1 %
Manufacturing	23.3 %	28.2 %
Healthcare	19.6 %	24.2 %
Financial services	7.5 %	7.0 %
Energy	6.0 %	5.6 %
General markets	8.7 %	6.9 %
Total	100.0 %	100.0 %

The IT services industry is extremely competitive and characterized by continuous changes in customer requirements and improvements in technologies. The Company's competition varies significantly by geographic region, as well as by the type of service provided. Many of the Company's competitors are larger than CTG, and have greater financial, technical, sales and marketing resources. In addition, the Company frequently competes with a client's own internal IT staff. Our industry is being impacted by the growing use of lower-cost offshore delivery capabilities (primarily India and other parts of Asia). Regularly, new IT products and services are introduced which may render our existing IT solutions and IT staffing services obsolete. The economic conditions in the markets we serve are continuously changing and may negatively impact our business if we can't adapt to negative conditions as they occur. Furthermore, our healthcare clients have been significantly affected by the U.S. government sequestration cuts which began in 2013 and have lowered their Medicare reimbursements by 2%, and which led to declines in their spending for our IT services since that time. There can be no assurance that CTG will be able to continue to compete successfully with existing or future competitors or that future competition will not have a material adverse effect on our results of operations and financial condition.

#### Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, when the services have been rendered, when the price is determinable, and when collectability of the amount due is reasonably assured. For time-and-material contracts, revenue is recognized as hours are incurred and costs are expended. For contracts with periodic billing schedules, primarily monthly, revenue is recognized as services are rendered to the customer. Revenue for fixed-price contracts is recognized per the proportional method of accounting using an input-based approach. On a given project, actual salary and indirect labor costs incurred are measured and compared with the total estimate of costs of such items at the completion of the project. Revenue is recognized based upon the percentage-of-completion calculation of total incurred costs to total estimated costs. The Company infrequently works on fixed-price projects that include significant amounts of material or other non-labor related costs which could distort the percent complete within a percentage-of-completion calculation. The Company's estimate of the total labor costs it expects to incur over the term of the contract is based on the nature of the project and our past experience on similar projects, and includes management judgments and estimates which affect the amount of revenue recognized on fixed-price contracts in any accounting period. Losses on fixed-price projects are recorded when identified.

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The Company's revenue from contracts accounted for under time-and-material, progress billing and percentage-of-completion methods as a percentage of consolidated revenue for the quarters ended April 1, 2016 and April 3, 2015 was as follows:

	April 1, 2016		April 3, 2015	
Time-and-material	88.5	%	88.3	%
Progress billing	9.2	%	9.5	%
Percentage-of-completion	2.3	%	2.2	%
Total	100.0	%	100.0	%

## Results of Operations

On May 11, 2016, the Company filed this Form 10-Q with the SEC for the quarterly period ended April 1, 2016. Previously, the Company had reported its results of operations, comprehensive income (loss), financial position, and cash flows for the quarterly period ended April 1, 2016 with a financial press release dated April 26, 2016, filed with the SEC under Form 8-K. Upon filing this Form 10-Q, the Company recorded a diluted net loss per share of \$(1.34) on its statement of operations, or \$0.03 cents higher than the loss of \$(1.31) per diluted share previously provided in its financial press release. The additional \$0.03 loss relates to a revision of the income tax expense recorded in the 2016 first quarter ended April 1, 2016. There were no other significant changes to the Company's statement of operations or comprehensive income (loss), and there were no significant changes to the Company's balance sheet or statement of cash flows that had previously been included in the financial press release dated April 26, 2016.

The table below sets forth data as contained in the condensed consolidated statements of operations with the percentage information calculated as a percentage of consolidated revenue.

For the Quarter Ended:	April 1, 2016		April 3, 2015	
	(amounts in thousands)			
Revenue	100.0%	\$85,850	100.0%	\$97,477
Direct costs	83.0 %	71,305	82.2 %	80,172
Selling, general and administrative expenses	15.7 %	13,467	15.5 %	15,092
Goodwill impairment	25.1 %	21,544	— %	—
Operating income (loss)	(23.8)%	(20,466)	2.3 %	2,213
Interest and other expense, net	(0.1)%	(62 )	— %	(10 )
Income (loss) before income taxes	(23.9)%	(20,528)	2.3 %	2,203
Provision for income taxes	0.4 %	329	1.0 %	936
Net income (loss)	(24.3)%	\$(20,857)	1.3 %	\$1,267

The Company recorded revenue in the 2016 and 2015 periods as follows:

For the Quarter Ended:	April 1, 2016		April 3, 2015		Year-over-Year	
	(amounts in thousands)				Change	
North America	79.3 %	\$68,065	81.8 %	\$79,694	(14.6	)%
Europe	20.7 %	17,785	18.2 %	17,783	0.0	%
Total	100.0%	\$85,850	100.0%	\$97,477	(11.9	)%

There were 65 billable days in the first quarter of 2016 and 66 billable days in the first quarter of 2015. Reimbursable expenses billed to customers and included in revenue totaled \$1.2 million and \$1.8 million in the 2016 and 2015 first quarters, respectively.

The revenue decrease in North America in the 2016 first quarter as compared with the corresponding 2015 period was primarily due to a significant decrease in demand for the Company's IT solutions business, primarily in the healthcare vertical market, and a decrease in demand for our IT and other staffing services business, primarily in the manufacturing vertical market.

On a consolidated basis, IT solutions revenue decreased \$6.4 million or 20.0% in the 2016 first quarter as compared with the corresponding 2015 period. On a per billable day basis, the IT solutions revenue decrease was 18.7%. The Company's IT solutions healthcare vertical market revenue began to decrease with the sequestration imposed by the U.S. government starting on April 1, 2013, which reduced Medicare reimbursements to hospitals and health systems by 2%. The sequestration reduced revenue for our healthcare customers, causing them to significantly reduce planned expenditures for IT services beginning in the latter half of 2013. Since late 2014, the Company also began to see significant reductions in billable resources at a number of its larger healthcare clients which further decreased IT solutions revenue in the Company's healthcare vertical market as existing projects came to an end. This decrease in spending on healthcare IT projects has continued in the 2016 first quarter for the customers that we serve.

On a consolidated basis, IT and other staffing revenue decreased \$5.2 million or 8.0% during 2016 as compared with 2015. On a per billable day basis, IT and other staffing revenue decreased 6.5%. The IT staffing decrease was primarily due to a decrease in demand from one of the Company's largest staffing customers. The Company's headcount was approximately 3,500 employees at April 1, 2016, which was a 10% decrease from approximately 3,900 employees at April 3, 2015, and a 3% decrease from approximately 3,600 employees at December 31, 2015.

Revenue in the Company's European operations in the 2016 first quarter as compared with the corresponding 2015 period was unchanged due to the weakness relative to the U.S. dollar of the currencies of Belgium, Luxembourg, and the United Kingdom, the countries in which the Company's European subsidiaries operate. In Belgium and Luxembourg, the functional currency is the Euro, while in the United Kingdom the functional currency is the British Pound. In the 2016 first quarter as compared with the 2015 first quarter, the average value of the Euro decreased 2.0% while the average value of the British Pound decreased 5.4%. A significant portion of the Company's revenue from its European operations is generated in Belgium and Luxembourg. If there had been no change in these exchange rates from the 2015 first quarter to the 2016 first quarter, total European revenue would have been approximately \$0.4 million higher, or \$18.2 million as compared with the \$17.8 million reported. Operating income in the 2016 first quarter was not significantly affected by the decrease in the exchange rates year-over-year.

In the 2016 first quarter, International Business Machines Corporation (IBM) was the Company's largest customer and accounted for \$25.9 million or 30.2% of consolidated revenue as compared with \$23.2 million or 23.8% of revenue in the comparable 2015 period. The National Technical Services Agreement with IBM expires on December 31, 2017. The Company's accounts receivable from IBM at April 1, 2016 and December 31, 2015 totaled \$29.9 million and \$26.4 million, respectively.

In the 2016 first quarter, SDI International (SDI) was the Company's second largest customer and accounted for \$8.3 million or 9.6% of consolidated revenue as compared with \$13.6 million or 13.9% of revenue in the comparable 2015 period. SDI acts as a vendor manager for Lenovo, and all of the Company's revenue generated through SDI are for employees working at Lenovo. The Company's accounts receivable from SDI at April 1, 2016 and December 31, 2015 totaled \$5.7 million and \$5.5 million, respectively.

No other customer accounted for 10% or more of the Company's revenue during the 2016 or 2015 first quarters.

Direct costs, defined as the costs for billable staff including billable out-of-pocket expenses, were 83.0% of revenue in the 2016 first quarter as compared with 82.2% of revenue in the 2015 first quarter. The Company's direct costs as a percentage of revenue increased in the 2016 first quarter as compared with the corresponding 2015 period due to a significant shift in the mix of the Company's business to a much higher level of IT staffing revenue, primarily provided to the Company's largest IT staffing clients which have much higher direct costs as a percentage of revenue as compared with the Company's IT solutions clients.

Selling, general and administrative ("SG&A") expenses were 15.7% of revenue in the 2016 first quarter and 15.5% in the corresponding 2015 period. The slight increase in SG&A expenses as a percentage of revenue in the 2016 first quarter as compared with the corresponding 2015 period is primarily due to SGA expenses associated with our operating units as the Company made investments in sales, recruiting and delivery resources in order to focus on the Company's long-term growth.

During the 2016 first quarter, the Company determined that a goodwill impairment indicator existed which required an interim impairment analysis. As a result of the analysis, the Company determined the implied fair value of its goodwill balance was below the carrying value. Accordingly, the Company recorded a non-tax deductible goodwill impairment of \$21.5 million to reduce the value of its goodwill balance to the implied fair value.



The operating loss was \$(20.5) million, or (23.8)% of revenue in the 2016 first quarter. Excluding the goodwill impairment charge, non-GAAP operating income was 1.3% of revenue in the 2016 first quarter as compared with 2.3% in the 2015 first quarter. Non-GAAP operating income from North American operations, excluding the goodwill impairment charge in 2016, was \$0.5 million and \$1.4 million in the first quarters of 2016 and 2015, respectively. Operating income from our European operations was \$0.6 million and \$0.8 million, respectively, in the corresponding 2016 and 2015 periods.

The Company's effective tax rate ("ETR") is calculated quarterly based upon current assumptions relating to the full year's estimated operating results and various tax-related items. The Company's normal annual ETR typically ranges from 38% to 40% of pre-tax income. The 2016 first quarter ETR was (1.6)% and the 2015 first quarter ETR was 42.5%.

The ETR was lower than the normal range in the 2016 first quarter primarily due to the Company recording a non-deductible goodwill impairment charge of \$21.5 million, and due to the extension of the Work Opportunity Tax Credit (WOTC) and the Research and Development tax credit (R&D) which were renewed by the U.S. federal government in the 2015 fourth quarter and are effective for all of 2016.

The ETR was higher than the normal range in the 2015 first quarter primarily due to the expiration of certain federal income tax credits as of December 31, 2014. The WOTC and the R&D were not renewed by the U.S. federal government as of April 3, 2015 and were therefore not included in the ETR for the 2015 first quarter.

The net loss was \$(20.9) million, or (24.3)% of revenue, or \$(1.34) per diluted share. Non-GAAP net income excluding the goodwill impairment charge in 2016 was 0.8% of revenue or \$0.04 per diluted share, compared with net income of 1.3% of revenue or \$0.08 per diluted share in the 2015 first quarter. Diluted earnings per share was calculated using 15.5 million and 15.9 million weighted-average equivalent shares outstanding for the quarters ended April 1, 2016 and April 3, 2015, respectively. The decrease in weighted-average outstanding shares year-over-year was primarily due to there being no dilutive effect of outstanding common stock equivalents in 2016 given the net loss in that period.

#### Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires the Company's management to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Company's significant accounting policies, along with the underlying assumptions and judgments made by the Company's management in their application, have a significant impact on the Company's condensed consolidated financial statements. The Company identifies its critical accounting policies as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. The Company's critical accounting policies are those related to goodwill valuation, and income taxes, specifically relating to the valuation allowance for deferred income taxes.

#### Goodwill Valuation

The goodwill recorded on the Company's condensed consolidated balance sheet relates to CTG's Healthcare Solutions (CTGHS) reporting unit. In accordance with current accounting guidance for "Intangibles - Goodwill and Other," we perform goodwill impairment testing at least annually (in the Company's fourth quarter), unless indicators of impairment exist in interim periods. The Company uses the two-step approach to test goodwill for potential impairment. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess.

During the 2016 first quarter, the Company determined that a goodwill impairment indicator existed which required an interim impairment analysis. This impairment indicator was a significant and sustained decrease in the Company's overall market capitalization, as the Company's stock price in the 2016 first quarter fell by as much as 29% from its value at December 31, 2015. As a result of this indicator, the Company conducted an interim analysis of CTGHS to determine if an impairment existed. In performing the assessment, we estimated the fair value of CTGHS based on a combination of the income and market approaches. The income approach uses a discounted cash flow (DCF) method

which utilizes the present value of expected future cash flows to estimate fair value of the reporting unit. The future cash flows for CTGHS was projected based on our estimates of future revenue, operating income and other factors such as working capital and capital expenditures and a discount rate used in the present value calculation. As part of our projections, we took into account expected industry and market conditions for the healthcare industry, as well as trends currently affecting CTGHS. The market approach utilizes multiples of revenue and earnings before interest expense, taxes, depreciation and amortization (EBITDA) to estimate the fair value of the reporting unit. The market multiples used for CTGHS were based on competitor industry data, along with the market multiples for the Company and other factors. We also completed a comparison of the Company's overall market capitalization to the market value of CTGHS and the Company's other non-reporting business units. Based

upon the analysis performed, the Company determined that the fair value of CTGHS was less than its carrying value, which required the Company to perform a Step two goodwill impairment test.

As a result of the Step two analysis, the Company determined the implied fair value of its goodwill balance was below the carrying value. Accordingly, the Company recorded a non-tax deductible goodwill impairment charge of \$21.5 million to reduce the value of its goodwill balance to the implied fair value. As of April 1, 2016, subsequent to the impairment charge, goodwill recorded on our condensed consolidated balance sheet totaled \$15.8 million.

#### Income Taxes—Valuation Allowances on Deferred Tax Assets

At April 1, 2016, the Company had a total of approximately \$6.4 million of current and non-current deferred tax assets, net of deferred tax liabilities, recorded on its consolidated balance sheet. The deferred tax assets, net, primarily consist of deferred compensation, loss carryforwards and state taxes. The changes in deferred tax assets and liabilities from period to period are determined based upon the changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for tax purposes, as measured by the expected tax rates when these differences are estimated to reverse. The Company has made certain assumptions regarding the timing of the reversal of these assets and liabilities, and whether taxable income in future periods will be sufficient to recognize all or a part of any gross deferred tax asset of the Company.

At April 1, 2016, the Company had deferred tax assets recorded resulting from net operating losses in previous years totaling approximately \$1.0 million. The Company has analyzed each jurisdiction's tax position, including forecasting potential taxable income in future periods and the expiration of the net operating loss carryforwards as applicable, and determined that it is unclear whether all of these deferred tax assets will be realized at any point in the future. Accordingly, at April 1, 2016, the Company had offset a portion of these assets with a valuation allowance totaling \$0.9 million, resulting in a net deferred tax asset from net operating loss carryforwards of less than \$0.1 million.

The Company's deferred tax assets and their potential realizability are evaluated each quarter to determine if any changes should be made to the valuation allowance. Any change in the valuation allowance in the future could result in a change in the Company's ETR. A 1% change in the ETR in the first quarter of 2016 would have increased or decreased net income by approximately \$205,000.

#### Other Estimates

The Company has also made a number of estimates and assumptions relating to the reporting of its assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements pursuant to the rules and regulations of the SEC, the FASB, and other regulatory authorities. Such estimates primarily relate to the valuation of stock options for recording equity-based compensation expense, allowances for doubtful accounts receivable, investment valuation, legal matters, and estimates of progress toward completion and direct profit or loss on contracts, as applicable. As future events and their effect on the Company's operating results cannot be determined with precision, actual results could differ from these estimates. Changes in the economic climates in which the Company operates may affect these estimates and will be reflected in the Company's financial statements in the event they occur.

#### Financial Condition and Liquidity

Cash provided by operating activities was \$0.3 million in the 2016 first quarter, while the Company used \$4.4 million in the 2015 first quarter. In the 2016 first quarter, the net loss was \$(20.9) million, while other non-cash adjustments, primarily consisting of depreciation expense, equity-based compensation, deferred income taxes, deferred compensation, and a goodwill impairment charge totaled \$22.2 million. In the 2015 first quarter, net income was \$1.3

million while the corresponding non-cash adjustments totaled \$0.8 million.

The accounts receivable balance increased \$3.2 million in the 2016 first quarter and increased \$1.6 million in the 2015 first quarter. The increase in the accounts receivable balance in the 2016 first quarter primarily resulted from an increase in days sales outstanding (DSO) of five days to 81 days from 76 days at December 31, 2015. The increase was due to the timing of payments received from our largest customer in relation to quarter-end. This increase in DSO was partially offset by a decrease in revenue in the 2016 first quarter as compared with prior periods. The increase in the accounts receivable balance in the 2015 period primarily resulted from four additional billing days in the quarter partially offset by days sales outstanding (DSO) falling one day to 65 days at April 3, 2015 from 66 days at December 31, 2014.

Prepaid and other current assets increased \$0.9 million and \$1.0 million in 2016 and 2015, respectively, due to payments made in the first quarter of the respective year which are then expensed throughout the year.

The accounts payable balance decreased \$2.5 million and \$2.8 million in the 2016 and 2015 first quarters, respectively, primarily due to the timing of certain payments near the end of the first fiscal quarter of each year as compared with the prior year-end. Accrued compensation increased \$4.5 million in the 2016 first quarter primarily due to the timing of the U.S. bi-weekly payroll. The 2016 first quarter ended between payroll dates, whereas a U.S. payroll payment was made on the last business day of the previous year-end. The decrease in accrued compensation in the 2015 first quarter of \$2.3 million was primarily due to fewer days accrued at April 3, 2015 as compared with December 31, 2014 due to the timing of the respective period ends, and the payout of the death benefit of approximately \$1.3 million to the estate of our previous chief executive officer under his employment agreement.

Investing activities used \$1.1 million and \$0.1 million of cash in the 2016 and 2015 first quarters, respectively. The Company used cash for additions to property and equipment and capitalized software of \$0.9 million in 2016 and \$0.5 million in 2015, and net payments to the Company's deferred compensation plans were \$0.2 million in the 2016 first quarter, while net withdrawals from the plan were \$0.4 million in the 2015 first quarter. The Company has no significant commitments for the purchase of property or equipment at April 1, 2016, and does not expect the amount to be spent in the remaining quarters of 2016 on additions to property, equipment and capitalized software to significantly vary from the amount spent in the first quarter.

During 2015, the Company listed its corporate headquarters for sale for approximately \$4.0 million. In the event the building is sold, the Company expects to record a gain on the sale as the book value of the building at April 1, 2016 was approximately \$1.3 million.

Financing activities used \$0.9 million of cash in the 2016 first quarter and \$0.8 million in the corresponding 2015 period. The Company recorded \$0.1 million and \$1.6 million in the 2016 and 2015 first quarters, respectively, from the proceeds from stock option exercises and excess tax benefits from equity-based compensation transactions. Cash borrowed under the Company's revolving line of credit to fund working capital obligations totaled \$0.3 million in the 2016 first quarter. Cash overdrafts netted to \$(0.5) million and \$0.1 million in the first quarters of 2016 and 2015, respectively. The change in cash overdrafts relates to the amount of outstanding checks at a point in time. The Company paid dividends totaling \$1.0 million and \$1.8 million in the first quarters of 2016 and 2015, respectively. The increase in the dividend paid in the 2015 quarter was due to the quarter-end date of April 3, 2015 which included the payment for both the fourth quarter of 2014 and the first quarter of 2015. The Company also used \$0.8 million to purchase 99,000 shares for treasury under its buyback program in the 2015 first quarter. No shares were purchased for treasury under the buyback program in the 2016 first quarter. As of April 1, 2016, 0.5 million shares are available under the Company's authorization to purchase shares in future periods.

In October 2015, the Company entered into a new unsecured revolving credit agreement which replaced a demand line of credit and allows the Company to borrow up to \$40.0 million. The agreement also allows under its provisions for the Company to borrow up to \$17.5 million against the cash surrender value of the Company's life insurance policies. The new agreement expires in October 2018, and has interest rates ranging from 0 to 50 basis points over the prime rate, and 150 to 200 basis points over LIBOR. The Company can borrow under the agreement with either a prime rate or LIBOR rate borrowing at its discretion. At April 1, 2016 and December 31, 2015, there was \$1.5 million and \$1.2 million, respectively, outstanding under the revolving credit agreement.

The maximum amount outstanding under the credit agreement in the 2016 first quarter was \$2.8 million, while the average amount outstanding during the 2016 first quarter was \$1.5 million, and carried a weighted-average interest rate of 3.5%.

Under the new agreement, the Company is required to meet certain financial covenants in order to maintain borrowings under its revolving credit line, pay dividends, and make acquisitions. The covenants are measured quarterly, and at April 1, 2016, included a leverage ratio (total outstanding debt divided by earnings before interest, taxes, depreciation and amortization (EBITDA)) which must be no greater than 2.75 to 1, a calculation of minimum tangible net worth (total shareholders' equity less goodwill and intangible assets) which must be no less than \$53.7 million, and total annual expenditures for property, equipment and capitalized software must be no more than \$5.0 million. The Company was in compliance with these covenants at April 1, 2016 as the leverage ratio was 0.1, the minimum tangible net worth was \$80.3 million, and capital expenditures for property, equipment and capitalized software were \$1.0 million in the 2016 first quarter.

Of the total cash and cash equivalents reported on the consolidated balance sheet at April 1, 2016 of \$9.4 million, approximately \$8.8 million was held by the Company's foreign operations and is considered to be indefinitely reinvested in

those operations. The Company has not repatriated any of its cash and cash equivalents from its foreign operations in the past five years, and has no intention of doing so in the foreseeable future as the funds are required to meet the working capital needs of its foreign operations.

The Company believes existing internally available funds, cash potentially generated from future operations, funds available under the Company's revolving line of credit totaling \$38.5 million, and funds available to be borrowed against the cash surrender value of our life insurance policies of \$17.5 million, will be sufficient to meet foreseeable working capital and capital expenditure needs, fund stock repurchases (if any are made), continue paying a dividend, fund acquisitions, and allow for future internal growth and expansion.

#### Off-Balance Sheet Arrangements

The Company did not have off-balance sheet arrangements or transactions in the 2016 or 2015 first quarters other than guarantees in our European operations that support office leases and the performance under government contracts. These guarantees totaled approximately \$1.2 million at April 1, 2016.

#### Contractual Obligations

The company did not enter into any significant contractual obligations during the quarter ended April 1, 2016.

#### Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is only permitted for years beginning after December 31, 2016. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classifications of Deferred Taxes," which amended accounting guidance related to the presentation of deferred tax liabilities and assets. The amended guidance requires that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. This guidance can also be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Upon adoption of this guidance in 2017, the Company, given current financial results, would reclassify approximately \$0.8 million from current to non-current assets.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or



less will be accounted for similar to existing guidance for operating leases today. Topic 842 supersedes the previous leases standard, ASC 840, Leases. This guidance is effective for reporting periods beginning after December 15, 2018; however, early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact that ASU 2016-02 will have on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which amended accounting guidance related to seven aspects of the accounting for share-based payments award transactions. This guidance is effective for reporting periods beginning after December 15, 2016; however, early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-09 will have on its condensed consolidated financial statements.

### Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company's primary market risk exposure consists of foreign currency exchange risk associated with the Company's European operations.

Revenue in the Company's European operations in the 2016 first quarter as compared with the corresponding 2015 period was affected by the weakness relative to the U.S. dollar of the currencies of Belgium, Luxembourg, and by the United Kingdom, the countries in which the Company's European subsidiaries operate. In Belgium and Luxembourg, the functional currency is the Euro, while in the United Kingdom the functional currency is the British Pound. In the 2016 first quarter as compared with the 2015 first quarter, the average value of the Euro decreased 2.0% while the average value of the British Pound decreased 5.4%. A significant portion of the Company's revenue from its European operations is generated in Belgium and Luxembourg. If there had been no change in these exchange rates from the 2015 first quarter to the 2016 first quarter, total European revenue would have been approximately \$0.4 million higher, or \$18.2 million as compared with the \$17.8 million reported. Operating income in the 2016 first quarter was not significantly affected due to the decrease in the exchange rates year-over-year.

The Company has historically not used any market risk sensitive instruments to hedge its foreign currency exchange risk. The Company believes the market risk related to intercompany balances in future periods will not have a material effect on its results of operations.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

The Company's management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act, as amended) as of the end of the period covered by this quarterly report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this periodic report.

#### Changes in Internal Control Over Financial Reporting

The Company reviews the effectiveness of its internal controls on a continuous basis, and makes changes as necessary. There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report, which ended on April 1, 2016, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

There were no material changes in the Company's risk factors from those previously disclosed in the Company's Form 10-K for the period ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no purchases by the Company of its common stock on the open market during the first quarter of 2016. As of that date, there were 454,744 shares that may yet be purchased under the approved share repurchase program.

Item 3. Default Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit	Description	Reference
31. (a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	#
31. (b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	#
32.	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	##
101.INS	XBRL Instance Document	#
101.SCH	XBRL Taxonomy Extension Schema Document	#
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	#
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	#
101.LAB	XBRL Taxonomy Extension Label Linkbase	#
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	#

#Filed herewith

##Furnished herewith

SIGNATURE

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

COMPUTER TASK GROUP,  
INCORPORATED

By /s/ Brendan M. Harrington  
Brendan M. Harrington  
Title: Chief Financial Officer

Date: May 11, 2016

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rial Narrow"

SIZE="1">) (6,445) 1.636% 06/17/2015 07/16/2015 (21,889) (21,903) 1.636% 06/17/2015 09/16/2015 (19,914) (19,927) 1.636% 06/18/2015

BPG

0.420% 05/08/2015 08/10/2015 (5,837) (5,841) 0.780% 04/24/2015 07/24/2015 (9,236) (9,250) 1.630% 02/17/2015 08/17/2015 (11,683) (11,75

BRC

0.500% 04/17/2015 07/17/2015 (4,095) (4,099) 0.550% 04/14/2015 07/14/2015 (3,244) (3,248) 0.700% 05/11/2015 08/11/2015 (7,840) (7,848)

CFR

0.450% 04/07/2015 07/01/2015 EUR (806) (899) 0.850% 04/07/2015 07/01/2015 (3,315) (3,703) 0.850% 07/01/2015 09/24/2015 (2,878) (3,20

DBL

0.450% 04/16/2015 07/16/2015 EUR (8,040) (8,972) 1.150% 04/27/2015 07/27/2015 GBP (6,925) (10,903) 1.768% 05/18/2015 08/18/2015 (

DEU

(0.500)% 04/30/2015 04/17/2017 \$ (9,397) (9,389) 0.850% 04/21/2015 07/21/2015 (9,706) (9,722) 0.850% 04/29/2015 07/29/2015 (7,685) (7,

JML

0.400% 05/04/2015 08/03/2015 EUR (3,564) (3,976) 0.619% 04/07/2015 07/07/2015 (2,731) (3,049) 0.650% 06/11/2015 07/14/2015 \$ (3,370)

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Credit Income Fund (Cont.)**

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed <sup>(2)</sup>	Payable for Reverse Repurchase Agreements
	0.850%	06/17/2015	07/07/2015	\$ (720)	\$ (720)
	0.850%	06/17/2015	07/14/2015	(739)	(739)
	0.850%	06/18/2015	07/14/2015	(557)	(557)
RBC	0.810%	01/14/2015	07/14/2015	(10,951)	(10,992)
	0.810%	02/04/2015	08/04/2015	(22,729)	(22,804)
	0.840%	02/20/2015	08/20/2015	(16,474)	(16,524)
	0.860%	05/20/2015	11/20/2015	(16,120)	(16,136)
	0.900%	06/22/2015	12/22/2015	(1,380)	(1,380)
RDR	0.420%	06/30/2015	07/01/2015	(2,370)	(2,370)
	0.500%	06/09/2015	09/09/2015	(13,439)	(13,443)
	0.500%	06/24/2015	09/15/2015	(11,468)	(11,469)
	0.760%	06/04/2015	12/04/2015	(2,863)	(2,865)
	0.770%	03/26/2015	09/28/2015	(1,394)	(1,394)
	0.810%	01/14/2015	07/14/2015	(3,838)	(3,853)
	0.810%	01/16/2015	07/16/2015	(5,215)	(5,235)
	0.860%	05/18/2015	07/07/2015	(4,658)	(4,663)
	1.270%	04/06/2015	07/08/2015	(5,913)	(5,931)
	1.280%	04/10/2015	07/09/2015	(6,349)	(6,368)
	1.360%	01/27/2015	07/27/2015	(11,645)	(11,713)
	1.360%	02/06/2015	08/06/2015	(7,290)	(7,330)
	1.360%	03/18/2015	07/20/2015	(2,823)	(2,834)
	1.390%	03/06/2015	09/08/2015	(9,045)	(9,086)
	1.400%	04/07/2015	10/07/2015	(12,024)	(12,064)
	1.416%	05/21/2015	11/23/2015	(20,461)	(20,494)
	1.420%	05/26/2015	11/30/2015	(11,447)	(11,463)
	1.698%	06/30/2015	04/11/2016	(33,689)	(33,691)
RTA	0.720%	04/02/2015	07/02/2015	(10,151)	(10,169)
	0.840%	03/23/2015	09/23/2015	(9,013)	(9,034)
	0.860%	05/06/2015	11/06/2015	(1,784)	(1,786)
	0.860%	05/19/2015	11/19/2015	(27,568)	(27,596)
	0.895%	07/02/2015	01/04/2016	(10,807)	(10,807)
	0.900%	06/30/2015	12/15/2015	(3,878)	(3,878)
	1.355%	04/21/2015	10/22/2015	(39,002)	(39,106)
	1.363%	05/18/2015	11/18/2015	(15,208)	(15,233)
	1.363%	05/19/2015	11/19/2015	(12,231)	(12,251)
	1.616%	03/24/2015	03/24/2016	(27,934)	(28,058)
	1.616%	03/25/2015	03/25/2016	(28,108)	(28,232)
	1.619%	04/13/2015	04/13/2016	(10,728)	(10,766)
	1.622%	03/23/2015	03/23/2016	(22,785)	(22,888)
	1.623%	04/02/2015	04/04/2016	(32,387)	(32,518)
	1.624%	04/01/2015	04/01/2016	(9,899)	(9,940)
	1.631%	05/26/2015	04/25/2016	(47,616)	(47,694)
	1.640%	03/20/2015	03/21/2016	(15,700)	(15,774)
	1.660%	05/14/2015	05/16/2016	(14,117)	(14,148)
	1.670%	06/05/2015	06/03/2016	(20,970)	(20,995)
	1.678%	06/01/2015	05/31/2016	(8,343)	(8,355)
	1.716%	06/16/2015	06/15/2016	(11,605)	(11,613)
	1.717%	06/17/2015	06/16/2016	(22,791)	(22,806)
	1.725%	06/17/2015	06/16/2016	(24,457)	(24,473)
RYL	0.400%	05/04/2015	08/04/2015	EUR (3,750)	(4,183)
	0.700%	04/16/2015	07/16/2015	(6,478)	(7,233)
	0.950%	05/12/2015	08/12/2015	GBP (8,005)	(12,594)
SOG	0.250%	04/16/2015	07/16/2015	EUR (11,065)	(12,342)
	0.350%	06/15/2015	07/15/2015	(15,595)	(17,389)
	0.550%	05/18/2015	08/18/2015	(1,117)	(1,246)
	0.640%	06/15/2015	08/17/2015	\$ (1,419)	(1,419)

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0.680%	05/18/2015	07/20/2015		(9,875)	(9,883)
0.680%	06/15/2015	08/17/2015		(2,629)	(2,630)
0.680%	06/18/2015	08/14/2015		(8,379)	(8,381)
0.700%	04/16/2015	07/16/2015	GBP	(13,730)	(21,604)
0.700%	04/23/2015	07/23/2015	\$	(20,315)	(20,342)
0.700%	06/26/2015	08/27/2015		(12,856)	(12,857)
0.730%	04/28/2015	07/28/2015		(6,350)	(6,358)
0.730%	05/05/2015	08/05/2015		(6,554)	(6,562)
0.730%	05/12/2015	07/13/2015		(30,565)	(30,596)
0.730%	05/12/2015	07/16/2015		(2,836)	(2,839)
0.730%	05/15/2015	07/17/2015		(8,651)	(8,659)
0.730%	05/19/2015	07/20/2015		(22,136)	(22,155)
0.730%	06/05/2015	07/20/2015		(4,384)	(4,386)
0.730%	06/10/2015	08/10/2015		(5,308)	(5,310)
0.730%	06/15/2015	08/17/2015		(4,364)	(4,365)

72 PIMCO CLOSED-END FUNDS

See Accompanying Notes



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June 30, 2015

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed <sup>(2)</sup>	Payable for Reverse Repurchase Agreements	
SOG	0.730%	06/23/2015	08/21/2015	\$ (1,572)	\$ (1,572)	
	0.750%	05/12/2015	08/12/2015	(5,860)	(5,866)	
	0.750%	05/22/2015	08/24/2015	(9,535)	(9,543)	
	0.750%	05/27/2015	08/27/2015	(9,610)	(9,617)	
	0.750%	06/26/2015	08/21/2015	(8,936)	(8,937)	
	0.750%	06/26/2015	09/10/2015	(8,068)	(8,069)	
	0.780%	05/22/2015	08/24/2015	(12,856)	(12,867)	
	0.780%	06/15/2015	07/15/2015	GBP (11,446)	(17,991)	
	1.529%	04/27/2015	07/28/2015	\$ (24,735)	(24,803)	
	1.724%	04/07/2015	10/07/2015	(9,437)	(9,475)	
	1.733%	06/17/2015	12/17/2015	(45,786)	(45,817)	
	1.736%	06/19/2015	12/17/2015	(6,329)	(6,333)	
	2.038%	06/12/2015	06/10/2016	(8,390)	(8,399)	
	UBS	0.650%	04/23/2015	07/23/2015	EUR (5,027)	(5,612)
		0.700%	01/20/2015	07/20/2015	\$ (4,050)	(4,063)
0.700%		05/04/2015	08/04/2015	(1,525)	(1,527)	
0.700%		05/11/2015	08/11/2015	(4,688)	(4,693)	
0.750%		01/14/2015	07/14/2015	(15,158)	(15,211)	
0.750%		01/15/2015	07/15/2015	(53,162)	(53,347)	
0.750%		02/06/2015	08/13/2015	(14,492)	(14,492)	
0.750%		02/13/2015	08/13/2015	(6,734)	(6,753)	
0.750%		05/06/2015	08/06/2015	(3,424)	(3,428)	
0.750%		05/07/2015	08/07/2015	(13,444)	(13,459)	
0.750%		05/11/2015	08/11/2015	(7,927)	(7,935)	
0.750%		05/15/2015	08/17/2015	(12,271)	(12,283)	
0.750%		05/18/2015	08/17/2015	(4,391)	(4,395)	
0.750%		05/21/2015	08/24/2015	(3,481)	(3,484)	
0.750%		06/25/2015	08/13/2015	(19,189)	(19,191)	
0.750%		06/29/2015	07/14/2015	(1,610)	(1,610)	
0.800%		01/23/2015	07/23/2015	(3,877)	(3,891)	
0.800%		03/19/2015	09/21/2015	(9,068)	(9,089)	
0.800%		03/26/2015	09/28/2015	(3,887)	(3,895)	
0.800%		04/27/2015	07/28/2015	(9,556)	(9,570)	
0.800%		05/04/2015	08/04/2015	(517)	(518)	
0.800%		05/07/2015	08/07/2015	(14,381)	(14,399)	
0.800%		05/08/2015	08/10/2015	(5,010)	(5,016)	
0.800%		05/13/2015	08/13/2015	(6,946)	(6,953)	
0.800%		05/28/2015	08/28/2015	(632)	(632)	
0.800%		06/22/2015	08/13/2015	(1,908)	(1,908)	
0.850%		01/28/2015	07/28/2015	(21,068)	(21,145)	
0.850%		05/12/2015	07/14/2015	(2,935)	(2,938)	
0.850%		05/12/2015	08/17/2015	(7,960)	(7,960)	
0.850%		05/15/2015	08/17/2015	(11,895)	(11,908)	
0.850%	05/21/2015	08/24/2015	(17,123)	(17,140)		
0.850%	05/26/2015	08/26/2015	(9,901)	(9,909)		
0.850%	05/28/2015	08/28/2015	(9,226)	(9,226)		
0.850%	06/23/2015	08/24/2015	EUR (4,849)	(5,407)		
0.900%	05/26/2015	08/26/2015	\$ (8,177)	(8,184)		
0.900%	06/10/2015	09/10/2015	(2,869)	(2,871)		
0.950%	04/16/2015	07/16/2015	GBP (3,427)	(5,395)		
0.950%	04/23/2015	07/23/2015	(1,674)	(2,635)		
1.000%	04/16/2015	10/16/2015	\$ (9,269)	(9,289)		
1.000%	06/22/2015	07/22/2015	GBP (11,847)	(18,620)		
1.050%	04/16/2015	07/16/2015	(3,801)	(5,984)		

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1.470%	04/23/2015	07/23/2015		(2,920)	(4,601)
1.534%	06/02/2015	09/02/2015	\$	(14,012)	(14,029)
1.690%	03/24/2015	01/04/2016		(21,572)	(21,672)

**Total Reverse Repurchase Agreements**

**\$ (2,257,227)**

<sup>(2)</sup> As of June 30, 2015, there were no open sale-buyback transactions. The average amount of borrowings outstanding during the period ended June 30, 2015 was \$2,089,034 at a weighted average interest rate of 0.964%.

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Credit Income Fund (Cont.)****BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY**

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of June 30, 2015:

(i) Securities with an aggregate market value of \$2,724,657 and cash of \$5,147 have been pledged as collateral under the terms of the following master agreements as of June 30, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure <sup>(3)</sup>
Global/Master Repurchase Agreement							
BCY	\$ 0	\$ (387,602)	\$ 0	\$ 0	\$ (387,602)	\$ 520,879	\$ 133,277
BPG	0	(99,164)	0	0	(99,164)	126,788	27,624
BRC	0	(87,682)	0	0	(87,682)	104,264	16,582
CFR	0	(31,726)	0	0	(31,726)	32,266	540
DBL	0	(89,849)	0	0	(89,849)	109,918	20,069
DEU	0	(50,889)	0	0	(50,889)	56,790	5,901
JML	0	(49,204)	0	0	(49,204)	59,293	10,089
NOM	116,100	0	0	0	116,100	(118,337)	(2,237)
RBC	0	(67,836)	0	0	(67,836)	79,051	11,215
RDR	18,200	(166,266)	0	0	(148,066)	190,080	42,014
RTA	0	(428,120)	0	0	(428,120)	536,285	108,165
RYL	0	(24,010)	0	0	(24,010)	25,708	1,698
SOG	38,613	(368,612)	0	0	(329,999)	396,059	66,060
UBS	0	(406,267)	0	0	(406,267)	434,054	27,787
<b>Total Borrowings and Other Financing Transactions</b>	<b>\$ 172,913</b>	<b>\$ (2,257,227)</b>	<b>\$ 0</b>	<b>\$ 0</b>			

<sup>(3)</sup> Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. The Fund and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

**CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS****Remaining Contractual Maturity of the Agreements**

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	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
<b>Reverse Repurchase Agreements</b>					
Asset-Backed Securities	\$ 0	\$ (68,376)	\$ (108,810)	\$ (508,509)	\$ 685,695
Corporate Bonds & Notes	(2,370)	(510,911)	(469,565)	(122,806)	(1,105,652)
Mortgage-Backed Securities	0	(67,545)	(111,462)	(214,433)	(393,440)
Sovereign Issues	0	(2,612)	(2,733)	0	(5,345)
U.S. Government Agencies	0	(9,088)	(1,394)	(7,319)	(17,801)
<b>Total Borrowings</b>	<b>\$ (2,370)</b>	<b>\$ (658,532)</b>	<b>\$ (693,964)</b>	<b>\$ (853,067)</b>	<b>\$ (2,207,933)</b>

**Gross amount of recognized liabilities for reverse repurchase agreements** <sup>(4)</sup> **\$ (2,207,933)**

<sup>(4)</sup> Unsettled reverse repurchase agreements liability of \$(49,294) is outstanding at period end.

**(j) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED**

**SWAP AGREEMENTS:**

**CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION** <sup>(1)</sup>

Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount <sup>(2)</sup>	Market Value <sup>(3)</sup>	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-24 5-Year Index	5.000%	06/20/2020	\$ 182,457	\$ 11,621	\$ (1,872)	\$ 923	\$ 0

<sup>(1)</sup> 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.

<sup>(2)</sup> The maximum potential amount the Fund could be required to pay 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.

<sup>(3)</sup> The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status 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 be 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 indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

**74 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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June 30, 2015

**INTEREST RATE SWAPS**

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin		
							Asset	Liability	
Pay	3-Month CAD-Bank Bill	3.300%	06/19/2024	CAD	102,200	\$ 8,862	\$ 4,115	\$ 1,386	\$ 0
Receive	3-Month CAD-Bank Bill	3.500%	06/20/2044		46,900	(6,196)	(4,525)	0	(1,339)
Pay	3-Month USD-LIBOR	2.250%	06/17/2020	\$	271,600	6,533	(876)	0	(70)
Pay	3-Month USD-LIBOR	2.000%	03/20/2023		171,000	(1,982)	(1,313)	0	(59)
Receive	3-Month USD-LIBOR	2.750%	12/16/2045		367,400	18,793	(1,193)	850	0
Pay	6-Month AUD-BBR-BBSW	3.631%	03/06/2019	AUD	150,000	4,931	4,931	159	0
Pay	6-Month AUD-BBR-BBSW	3.635%	03/06/2019		175,000	5,773	5,773	186	0
Pay	6-Month AUD-BBR-BBSW	3.500%	06/17/2025		41,800	450	(585)	144	0
						\$ 37,164	\$ 6,327	\$ 2,725	\$ (1,468)
<b>Total Swap Agreements</b>						<b>\$ 48,785</b>	<b>\$ 4,455</b>	<b>\$ 3,648</b>	<b>\$ (1,468)</b>

**FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY**

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of June 30, 2015:

(k) Securities with an aggregate market value of \$46,306 and cash of \$14,669 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of June 30, 2015.

	Financial Derivative Assets Variation Margin				Financial Derivative Liabilities Variation Margin			
	Market Value		Asset		Market Value		Liability	
	Purchased	Futures	Swap	Agreements	Written	Futures	Swap	Agreements
	Options				Options			
<b>Total Exchange-Traded or Centrally Cleared</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,648</b>	<b>\$ 3,648</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (1,468)</b>	<b>\$ (1,468)</b>

**(l) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER**

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FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation)	
				Asset	Liability
BOA	08/2015	\$ 21,543	BRL 67,741	\$ 0	\$ (6)
BPS	07/2015	JPY 658,822	\$ 5,332	0	(51)
	07/2015	MXN 6,918	446	6	0
	07/2015	\$ 1,716	AUD 2,247	18	0
CBK	07/2015	EUR 4,967	\$ 5,407	0	(130)
	07/2015	\$ 1,352	AUD 1,745	0	(6)
	07/2015	14,743	EUR 13,085	0	(155)
	08/2015	1,862	GBP 1,182	0	(5)
DUB	07/2015	BRL 156,834	\$ 50,750	306	0
	07/2015	GBP 48,303	74,018	0	(1,878)
	07/2015	\$ 50,549	BRL 156,834	0	(106)
FBF	07/2015	BRL 565,469	\$ 182,257	381	0
	07/2015	\$ 182,793	BRL 565,469	0	(917)
	08/2015	BRL 565,469	\$ 180,753	972	0
GLM	07/2015	AUD 12,357	9,528	15	(21)
	07/2015	BRL 400,864	146,167	17,235	0
	07/2015	GBP 391	620	6	0
	07/2015	\$ 129,202	BRL 400,864	0	(270)
	07/2015	2,083	GBP 1,344	29	0
JPM	07/2015	EUR 20,440	\$ 23,224	458	(22)
	07/2015	GBP 5,486	8,642	22	0
	07/2015	\$ 1,979	EUR 1,817	47	0
MSB	07/2015	BRL 7,771	\$ 2,829	329	0
	07/2015	\$ 2,505	BRL 7,771	0	(5)
	07/2015	11,905	EUR 10,638	0	(45)
	07/2015	83,039	GBP 52,836	0	(20)
	07/2015	5,340	JPY 658,822	43	0
	08/2015	EUR 88,617	\$ 99,565	717	0
	08/2015	GBP 52,836	83,021	21	0
	08/2015	JPY 658,822	5,343	0	(43)
	08/2015	\$ 24,616	BRL 78,158	233	0

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Credit Income Fund (Cont.)**

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation)		
				Asset	Liability	
UAG	07/2015	EUR	133	\$ 150	\$ 2	\$ 0
	07/2015	\$	6,445	AUD 8,365	9	0
	08/2015	AUD	8,365	\$ 6,434	0	(8)
	08/2015	EUR	650	729	4	0
	08/2015	GBP	1,299	2,042	1	0
<b>Total Forward Foreign Currency Contracts</b>					<b>\$ 20,854</b>	<b>\$ (3,688)</b>

**SWAP AGREEMENTS:****CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION <sup>(1)</sup>**

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2015 <sup>(2)</sup>	Notional Amount <sup>(3)</sup>	Premiums (Received)	Unrealized Swap Agreements, at Value		
							Appreciation/ (Depreciation)	Asset	Liability
BOA	Gazprom OAO Via Gaz Capital S.A.	1.000%	03/20/2019	4.276%	\$ 10,000	\$ (876)	\$ (218)	\$ 0	\$ (1,094)
	Gazprom OAO Via Gaz Capital S.A.	1.000%	06/20/2020	4.467%	500	(75)	1	0	(74)
	Russia Government International Bond	1.000%	06/20/2024	3.530%	2,300	(223)	(179)	0	(402)
	Russia Government International Bond	1.000%	09/20/2024	3.534%	1,000	(102)	(76)	0	(178)
	Petrobras International Finance Co.	1.000%	03/20/2019	3.907%	20,000	(1,735)	(237)	0	(1,972)
BRC	Abengoa S.A.	5.000%	12/20/2019	10.649%	EUR 2,700	(131)	(399)	0	(530)
	Russia Government International Bond	1.000%	06/20/2019	3.207%	\$ 1,700	(105)	(31)	0	(136)
	Russia Government International Bond	1.000%	06/20/2024	3.530%	4,900	(574)	(282)	0	(856)
	Russia Government International Bond	1.000%	09/20/2024	3.534%	1,000	(83)	(95)	0	(178)
CBK	Gazprom OAO Via Gaz Capital S.A.	1.000%	03/20/2019	4.276%	15,000	(1,276)	(365)	0	(1,641)
	Russia Government International Bond	1.000%	06/20/2019	3.207%	7,900	(489)	(143)	0	(632)
	Russia Government International Bond	1.000%	06/20/2024	3.530%	3,900	(434)	(247)	0	(681)
	Russia Government International Bond	1.000%	09/20/2024	3.534%	2,600	(226)	(238)	0	(464)
GST	Gazprom OAO Via Gaz Capital S.A.	1.000%	06/20/2020	4.467%	2,100	(318)	9	0	(309)
	Petrobras International Finance Co.	1.000%	03/20/2019	3.907%	15,000	(1,295)	(184)	0	(1,479)

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	Russia Government International Bond	1.000%	06/20/2019	3.207%	3,300	(204)	(60)	0	(264)
	Russia Government International Bond	1.000%	03/20/2020	3.327%	300	(56)	27	0	(29)
	Russia Government International Bond	1.000%	06/20/2020	3.365%	200	(27)	6	0	(21)
	Russia Government International Bond	1.000%	06/20/2024	3.530%	400	(45)	(25)	0	(70)
HUS	Russia Government International Bond	1.000%	09/20/2024	3.534%	593	(81)	(25)	0	(106)
JPM	Gazprom OAO Via Gaz Capital S.A.	1.000%	03/20/2019	4.276%	15,000	(1,295)	(346)	0	(1,641)
	Russia Government International Bond	1.000%	06/20/2024	3.530%	700	(64)	(58)	0	(122)
MYC	Gazprom OAO Via Gaz Capital S.A.	1.000%	03/20/2019	4.276%	10,000	(876)	(218)	0	(1,094)
						\$ (10,590)	\$ (3,383)	\$ 0	\$ (13,973)

**CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION <sup>(1)</sup>**

Counterparty	Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount <sup>(3)</sup>	Premiums (Received)	Unrealized Swap Agreements, at Value <sup>(4)</sup>		
						Appreciation	Asset	Liability
BRC	ABX.HE.AAA.6-2 Index	0.110%	05/25/2046	\$ 12,186	\$ (2,630)	\$ 354	\$ 0	\$ (2,276)

- (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 on corporate or sovereign issues as of period 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 pay 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 prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status 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 be 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 indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.



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June 30, 2015

**INTEREST RATE SWAPS**

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Swap Agreements, at Value			
							Appreciation/ Depreciation	Asset	Liability	
FBF	Pay	1-Year BRL-CDI	12.230%	01/04/2021	BRL 550,000	\$ (277)	\$ 8	\$ 0	\$ (269)	
GLM	Pay	1-Year BRL-CDI	12.230%	01/04/2021	250,000	(156)	0	0	(156)	
	Pay	3-Month USD-LIBOR	2.150%	08/24/2020	\$ 366,200	314	2,788	3,102	0	
MYC	Pay	1-Year BRL-CDI	11.680%	01/04/2021	BRL 218,000	129	(1,602)	0	(1,473)	
						\$ 10	\$ 1,194	\$ 3,102	\$ (1,898)	
<b>Total Swap Agreements</b>						<b>\$ (13,210)</b>	<b>\$ (1,835)</b>	<b>\$ 3,102</b>	<b>\$ (18,147)</b>	

**FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY**

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of June 30, 2015:

(m) Securities with an aggregate market value of \$19,144 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of June 30, 2015.

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities				Net Market Value of OTC Derivatives (Received)	Collateral (Pledged)	Net Exposure (5)
	Forward Foreign Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Contracts	Written Options	Swap Agreements	Total Over the Counter			
BOA	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6)	\$ 0	\$ (1,748)	\$ (1,754)	\$ (1,754)	\$ 1,782	\$ 28
BPS	24	0	0	24	(51)	0	(1,972)	(2,023)	(1,999)	2,017	18
BRC	0	0	0	0	0	0	(3,976)	(3,976)	(3,976)	3,866	(110)
CBK	0	0	0	0	(296)	0	(3,418)	(3,714)	(3,714)	3,697	(17)
DUB	306	0	0	306	(1,984)	0	0	(1,984)	(1,678)	(1,138)	(2,816)
FBF	1,353	0	0	1,353	(917)	0	(269)	(1,186)	167	0	167
GLM	17,285	0	3,102	20,387	(291)	0	(156)	(447)	19,940	(20,790)	(850)
GST	0	0	0	0	0	0	(2,172)	(2,172)	(2,172)	2,144	(28)
HUS	0	0	0	0	0	0	(106)	(106)	(106)	192	86
JPM	527	0	0	527	(22)	0	(1,763)	(1,785)	(1,258)	1,339	81
MSB	1,343	0	0	1,343	(113)	0	0	(113)	1,230	(905)	325
MYC	0	0	0	0	0	0	(2,567)	(2,567)	(2,567)	2,675	108
UAG	16	0	0	16	(8)	0	0	(8)	8	0	8

**Total Over the Counter** \$ 20,854 \$ 0 \$ 3,102 \$ 23,956 \$ (3,688) \$ 0 \$ (18,147) \$ (21,835)

(5) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC derivatives can only be netted across transactions governed under the same master agreement with the same legal entity. The Fund and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting agreements.

**FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS**

The following is a summary of the fair valuation of the Fund's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

**Fair Values of Financial Derivative Instruments on the Consolidated Statements of Assets and Liabilities as of June 30, 2015:**

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Financial Derivative Instruments - Assets</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 923	\$ 0	\$ 0	\$ 2,725	\$ 3,648
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 20,854	\$ 0	\$ 20,854
Swap Agreements	0	0	0	0	3,102	3,102
	\$ 0	\$ 0	\$ 0	\$ 20,854	\$ 3,102	\$ 23,956
	\$ 0	\$ 923	\$ 0	\$ 20,854	\$ 5,827	\$ 27,604

See Accompanying Notes

**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Credit Income Fund (Cont.)**

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Financial Derivative Instruments - Liabilities</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,468	\$ 1,468
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 3,688	\$ 0	\$ 3,688
Swap Agreements	0	16,249	0	0	1,898	18,147
	\$ 0	\$ 16,249	\$ 0	\$ 3,688	\$ 1,898	\$ 21,835
	\$ 0	\$ 16,249	\$ 0	\$ 3,688	\$ 3,366	\$ 23,303

**The Effect of Financial Derivative Instruments on the Consolidated Statements of Operations for the period ended June 30, 2015 <sup>(1)</sup>:**

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Net Realized Gain (Loss) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 4,937	\$ 0	\$ 0	\$ 3,707	\$ 8,644
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 23,463	\$ 0	\$ 23,463
Swap Agreements	0	(1,659)	0	0	(1,998)	(3,657)
	\$ 0	\$ (1,659)	\$ 0	\$ 23,463	\$ (1,998)	\$ 19,806
	\$ 0	\$ 3,278	\$ 0	\$ 23,463	\$ 1,709	\$ 28,450
<b>Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ (3,122)	\$ 0	\$ 0	\$ 2,828	\$ (294)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (1,934)	\$ 0	\$ (1,934)
Swap Agreements	0	9,744	(2,073)	0	2,019	9,690
	\$ 0	\$ 9,744	\$ (2,073)	\$ (1,934)	\$ 2,019	\$ 7,756
	\$ 0	\$ 6,622	\$ (2,073)	\$ (1,934)	\$ 4,847	\$ 7,462

<sup>(1)</sup> Fiscal year end changed from December 31<sup>st</sup> to June 30<sup>th</sup>.

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The Effect of Financial Derivative Instruments on the Consolidated Statements of Operations for the year ended December 31, 2014:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Net Realized Gain (Loss) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Futures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,491	\$ 3,491
Swap Agreements	0	20,945	0	0	(86,367)	(65,422)
	\$ 0	\$ 20,945	\$ 0	\$ 0	\$ (82,876)	\$ (61,931)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (1,651)	\$ 0	\$ (1,651)
Swap Agreements	0	1,850	0	0	0	1,850
	\$ 0	\$ 1,850	\$ 0	\$ (1,651)	\$ 0	\$ 199
	\$ 0	\$ 22,795	\$ 0	\$ (1,651)	\$ (82,876)	\$ (61,732)
<b>Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Futures	\$ 0	\$ 0	\$ 0	\$ 0	\$ (3,494)	\$ (3,494)
Swap Agreements	0	(14,969)	0	0	43,993	29,024
	\$ 0	\$ (14,969)	\$ 0	\$ 0	\$ 40,499	\$ 25,530
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 24,865	\$ 0	\$ 24,865
Swap Agreements	0	(13,362)	2,073	0	(823)	(12,112)
	\$ 0	\$ (13,362)	\$ 2,073	\$ 24,865	\$ (823)	\$ 12,753
	\$ 0	\$ (28,331)	\$ 2,073	\$ 24,865	\$ 39,676	\$ 38,283

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See Accompanying Notes

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June 30, 2015

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of June 30, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2015
<b>Investments in Securities, at Value</b>				
Bank Loan Obligations	\$ 0	\$ 204,153	\$ 12,437	\$ 216,590
<b>Corporate Bonds &amp; Notes</b>				
Banking & Finance	0	428,557	211,030	639,587
Industrials	0	581,756	23,392	605,148
Utilities	0	304,551	4,636	309,187
<b>Municipal Bonds &amp; Notes</b>				
Iowa	0	1,580	0	1,580
New Jersey	0	0	6,972	6,972
West Virginia	0	12,301	0	12,301
U.S. Government Agencies	0	29,385	0	29,385
Mortgage-Backed Securities	0	1,242,230	33,505	1,275,735
Asset-Backed Securities	0	1,791,942	2,855	1,794,797
Sovereign Issues	0	142,260	0	142,260
<b>Common Stocks</b>				
Financials	0	0	2,666	2,666
<b>Preferred Securities</b>				
Banking & Finance	0	3,091	0	3,091
<b>Short-Term Instruments</b>				
Repurchase Agreements	\$ 0	\$ 172,912	\$ 0	\$ 172,912
Short-Term Notes	0	21,697	0	21,697
U.S. Treasury Bills	0	68,111	0	68,111
<b>Total Investments</b>	<b>\$ 0</b>	<b>\$ 5,004,526</b>	<b>\$ 297,493</b>	<b>\$ 5,302,019</b>
<b>Financial Derivative Instruments - Assets</b>				
Exchange-traded or centrally cleared	0	3,648	0	3,648
Over the counter	0	23,956	0	23,956
	\$ 0	\$ 27,604	\$ 0	\$ 27,604
<b>Financial Derivative Instruments - Liabilities</b>				
Exchange-traded or centrally cleared	0	(1,468)	0	(1,468)
Over the counter	0	(21,835)	0	(21,835)
	\$ 0	\$ (23,303)	\$ 0	\$ (23,303)
<b>Totals</b>	<b>\$ 0</b>	<b>\$ 5,008,827</b>	<b>\$ 297,493</b>	<b>\$ 5,306,320</b>

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There were no significant transfers between Levels 1 and 2 during the period ended June 30, 2015.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended June 30, 2015:

Category and Subcategory	Beginning Balance at 12/31/2014	Net Purchases (1)	Net Sales (1)	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) (2)	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 06/30/2015	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 06/30/2015 (2)
<b>Investments in Securities, at Value</b>										
<b>Bank Loan Obligations</b>										
Obligations	\$ 33,325	\$ 70	\$ (32,430)	\$ (226)	\$ (765)	\$ 2,388	\$ 10,075	\$ 0	\$ 12,437	\$ 956
<b>Corporate Bonds &amp; Notes</b>										
Banking & Finance	87,749	22,061	(512)	102	9	(3,194)	105,280	(465)	211,030	(3,125)
Industrials	86,156	1,025	0	99	0	4,163	0	(68,051)	23,392	115
Utilities	4,333	0	(79)	0	0	382	0	0	4,636	377
<b>Municipal Bonds &amp; Notes</b>										
New Jersey	7,049	0	(70)	(1)	0	(6)	0	0	6,972	(5)
Mortgage-Backed Securities	6,685	58,557	(24,870)	15	9	289	0	(7,180)	33,505	(47)
Asset-Backed Securities	3,302	0	(476)	(1)	(4)	34	0	0	2,855	54
<b>Common Stocks</b>										
Financials	0	3,931	0	0	0	(1,265)	0	0	2,666	(1,265)
	\$ 228,599	\$ 85,644	\$ (58,437)	\$ (12)	\$ (751)	\$ 2,791	\$ 115,355	\$ (75,696)	\$ 297,493	\$ (2,940)
<b>Financial Derivative Instruments - Assets</b>										
Over the counter	8,238	3,302	(4,565)	0	(1,600)	(5,375)	0	0	0	0
Totals	\$ 236,837	\$ 88,946	\$ (63,002)	\$ (12)	\$ (2,351)	\$ (2,584)	\$ 115,355	\$ (75,696)	\$ 297,493	\$ (2,940)

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Credit Income Fund (Cont.)**

June 30, 2015

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 06/30/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
<b>Investments in Securities, at Value</b>				
Bank Loan Obligations	\$ 2,362	Other Valuation Techniques <sup>(3)</sup>		
	10,075	Third Party Vendor	Broker Quote	100.75
Corporate Bonds & Notes				
Banking & Finance	211,030	Proxy Pricing	Base Price	100.00-107.95
Industrials	23,392	Proxy Pricing	Base Price	100.00
Utilities	4,636	Proxy Pricing	Base Price	101.88
Municipal Bonds & Notes				
New Jersey	6,972	Proxy Pricing	Base Price	101.15
Mortgage-Backed Securities	33,505	Proxy Pricing	Base Price	29.68-97.88
Asset-Backed Securities	2,855	Proxy Pricing	Base Price	106.50
Common Stocks				
Financials	2,666	Other Valuation Techniques <sup>(3)</sup>		
Total	\$ 297,493			

(1) Net Purchases and Sales for Financial Derivative Instruments may include payments made or received upon entering into swap agreements to compensate for differences between the stated terms of the swap agreement and prevailing market conditions.

(2) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at June 30, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(3) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques that are not considered significant to the Fund.

**80 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Income Fund**

June 30, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 163.8%</b>		
<b>BANK LOAN OBLIGATIONS 1.0%</b>		
<b>Energy Future Intermediate Holding Co. LLC</b>		
4.250% due 06/19/2016	\$ 14,214	\$ 14,249
<b>OGX</b>		
TBD% - 13.000% due 04/10/2049	646	725
<b>Total Bank Loan Obligations (Cost \$14,729)</b>		<b>14,974</b>
<b>CORPORATE BONDS &amp; NOTES 23.7%</b>		
<b>BANKING &amp; FINANCE 11.3%</b>		
<b>AGFC Capital Trust</b>		
6.000% due 01/15/2067 (h)	12,900	9,675
<b>Banco Continental SAECA</b>		
8.875% due 10/15/2017 (h)	9,100	9,607
<b>Banco do Brasil S.A.</b>		
3.875% due 10/10/2022 (h)	10,600	9,646
<b>Cantor Fitzgerald LP</b>		
7.875% due 10/15/2019 (h)	9,600	10,573
<b>Credit Suisse AG</b>		
6.500% due 08/08/2023 (h)	800	877
<b>Ekspartfinans ASA</b>		
2.000% due 09/15/2015 (h)	700	701
5.500% due 05/25/2016 (h)	1,700	1,751
5.500% due 06/26/2017 (h)	1,900	2,018
<b>Exeter Finance Corp.</b>		
9.750% due 05/20/2019	9,700	9,703
<b>Jefferies LoanCore LLC</b>		
6.875% due 06/01/2020 (h)	4,181	4,076
<b>KGH Intermediate Holdco LLC</b>		
8.500% due 08/08/2019 (f)	17,760	16,755
<b>Pinnacol Assurance</b>		
8.625% due 06/25/2034 (f)	10,200	10,444
<b>Programa Cedulas TDA Fondo de Titulizacion de Activos</b>		
0.078% due 04/08/2016 (h)	EUR 900	1,001
<b>Rabobank Group</b>		
6.875% due 03/19/2020 (h)	7,900	10,393
<b>Royal Bank of Scotland PLC</b>		
6.934% due 04/09/2018 (h)	7,900	9,883
<b>Sberbank of Russia Via SB Capital S.A.</b>		
3.352% due 11/15/2019	10,000	10,145
6.125% due 02/07/2022 (h)	\$ 7,800	7,547
<b>Springleaf Finance Corp.</b>		
6.500% due 09/15/2017 (h)	2,300	2,418
<b>TIG FinCO PLC</b>		
8.500% due 03/02/2020	GBP 997	1,650
<b>TIG FinCo PLC</b>		
8.750% due 04/02/2020	5,647	8,806
<b>Toll Road Investors Partnership LP</b>		
0.000% due 02/15/2045 (d)	\$ 35,561	7,379
<b>Vnesheconombank Via VEB Finance PLC</b>		



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5.375% due 02/13/2017 (h)		3,000	3,048
6.902% due 07/09/2020 (h)		13,700	13,426
			161,522
<b>INDUSTRIALS 7.1%</b>			
<b>Alliance Oil Co. Ltd.</b>			
10.000% due 03/11/2019		4,000	2,880
<b>Buffalo Thunder Development Authority</b>			
0.000% due 11/15/2029 (f)		2,488	50
11.000% due 12/09/2022		5,598	4,423
<b>Caesars Entertainment Operating Co., Inc.</b>			
9.000% due 02/15/2020 ^		18,800	15,322
		<b>PRINCIPAL</b>	<b>MARKET</b>
		<b>AMOUNT</b>	<b>VALUE</b>
		<b>(000S)</b>	<b>(000S)</b>
<b>Desarrolladora Homex S.A.B. de C.V.</b>			
9.750% due 03/25/2020 ^(h)	\$	5,000	\$ 380
<b>Energizer SpinCo, Inc.</b>			
5.500% due 06/15/2025		185	183
<b>Enterprise Inns PLC</b>			
6.500% due 12/06/2018	GBP	1,100	1,841
<b>First Data Corp.</b>			
7.375% due 06/15/2019 (h)	\$	5,000	5,210
<b>GCI, Inc.</b>			
6.750% due 06/01/2021		947	964
<b>Intrepid Aviation Group Holdings LLC</b>			
6.875% due 02/15/2019		8,490	7,938
<b>Millar Western Forest Products Ltd.</b>			
8.500% due 04/01/2021 (h)		5,214	5,044
<b>Numericable SFR S.A.S.</b>			
6.000% due 05/15/2022 (h)		1,700	1,680
<b>OGX Austria GmbH</b>			
8.500% due 06/01/2018 ^		16,700	84
<b>Petroleos de Venezuela S.A.</b>			
5.500% due 04/12/2037		7,000	2,436
<b>Reynolds Group Issuer, Inc.</b>			
7.875% due 08/15/2019 (h)		9,000	9,394
<b>Rockies Express Pipeline LLC</b>			
6.875% due 04/15/2040 (h)		1,744	1,840
<b>Spirit Issuer PLC</b>			
5.472% due 12/28/2034 (h)	GBP	12,120	20,567
<b>UCP, Inc.</b>			
8.500% due 10/21/2017	\$	10,600	10,642
<b>Unique Pub Finance Co. PLC</b>			
6.542% due 03/30/2021	GBP	5,492	9,064
<b>Urbi Desarrollos Urbanos S.A.B. de C.V.</b>			
9.750% due 02/03/2022 ^	\$	5,000	550
			100,492
<b>UTILITIES 5.3%</b>			
<b>Gazprom Neft OAO Via GPN Capital S.A.</b>			
4.375% due 09/19/2022 (h)		13,700	11,713
6.000% due 11/27/2023 (h)		40,000	36,900
<b>Gazprom OAO Via Gaz Capital S.A.</b>			
7.288% due 08/16/2037 (h)		3,000	2,970
<b>Petrobras Global Finance BV</b>			
4.875% due 03/17/2020		3,100	2,955
5.375% due 01/27/2021 (h)		15,800	15,244
6.250% due 12/14/2026	GBP	1,500	2,099
6.625% due 01/16/2034		700	937
7.875% due 03/15/2019 (h)	\$	2,900	3,087
			75,905
			337,919

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**Total Corporate Bonds & Notes**  
(Cost \$349,384)

**U.S. GOVERNMENT AGENCIES 2.2%**

**Fannie Mae**

5.733% due 07/25/2041 (a)(h)	10,481	1,593
5.883% due 10/25/2040 (a)(h)	16,704	2,224
6.163% due 12/25/2037 (a)	526	79
6.253% due 03/25/2037 - 04/25/2037 (a)(h)	35,655	6,153
6.313% due 02/25/2037 (a)	383	62
6.333% due 09/25/2037 (a)(h)	1,302	285
6.463% due 11/25/2036 (a)	304	42
6.533% due 06/25/2037 (a)(h)	1,167	149
6.563% due 10/25/2035 (a)(h)	3,745	768
6.793% due 03/25/2038 (a)(h)	3,600	742
6.813% due 02/25/2038 (a)(h)	2,347	391
6.913% due 06/25/2023 (a)(h)	3,135	510
11.954% due 01/25/2041 (h)	5,985	7,541
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>

**Freddie Mac**

0.875% due 10/25/2020 (a)	\$ 95,607	\$ 3,165
6.225% due 05/15/2037 (a)	418	58
6.285% due 07/15/2036 (a)(h)	4,502	861
6.395% due 09/15/2036 (a)(h)	1,676	324
6.515% due 04/15/2036 (a)(h)	3,509	515
7.595% due 09/15/2036 (a)(h)	2,885	598
10.937% due 03/25/2025	3,300	3,903
13.998% due 09/15/2041	602	870
16.411% due 09/15/2034	348	436

**Total U.S. Government Agencies**  
(Cost \$32,914)

**31,269**

**MORTGAGE-BACKED SECURITIES 95.8%**

**Alba PLC**

0.831% due 12/15/2038	GBP	11,427	15,897
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**American Home Mortgage Assets Trust**

0.477% due 08/25/2037 ^	\$	11,633	5,613
0.727% due 11/25/2035 (h)		3,524	3,100
6.250% due 06/25/2037 (h)		10,999	7,599

**American Home Mortgage Investment Trust**

0.487% due 09/25/2045 (h)		8,543	7,189
1.087% due 02/25/2044		9,739	6,131

**BAMLL Re-REMIC Trust**

5.383% due 12/15/2016		13,000	13,455
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**Banc of America Alternative Loan Trust**

0.587% due 05/25/2035 ^(h)		1,420	1,090
6.000% due 06/25/2037		617	495
6.000% due 06/25/2046		237	204

**Banc of America Funding Trust**

0.000% due 06/26/2035		10,469	8,671
0.000% due 07/26/2036		15,300	8,967
0.397% due 04/20/2047 ^(h)		27,515	21,629
0.397% due 08/25/2047 ^		10,255	7,742
0.637% due 02/20/2035		4,612	3,365
2.607% due 03/20/2036 ^(h)		3,363	2,917
2.801% due 01/25/2035		633	308
2.813% due 01/20/2047 ^		393	325

**Banc of America Mortgage Trust**

2.497% due 10/20/2046 ^		422	254
2.701% due 01/25/2036		1,562	1,405

**Banc of America Re-REMIC Trust**

5.675% due 02/17/2051 (h)		38,264	40,097
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**Bancaja Fondo de Titulizacion de Activos**

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0.108% due 10/25/2037 (h)	EUR	3,123	3,336
<b>BCAP LLC Trust</b>			
2.178% due 07/26/2045	\$	7,018	6,142
2.355% due 11/26/2035		9,500	8,121
2.501% due 02/26/2036		8,163	5,695
2.607% due 03/26/2035		8,051	7,596
2.719% due 05/26/2036		14,000	10,812
3.513% due 07/26/2035		4,770	3,917
4.552% due 04/26/2037		25,279	17,355
5.236% due 10/26/2035		6,052	5,146
5.500% due 12/26/2035		11,339	9,020
5.582% due 06/26/2036		6,392	5,331
6.000% due 08/26/2037		7,469	6,367
<b>Bear Stearns Adjustable Rate Mortgage Trust</b>			
4.827% due 06/25/2047 ^		6,944	6,255
<b>Bear Stearns ALT-A Trust</b>			
0.387% due 02/25/2034 (h)		10,116	8,528
4.492% due 09/25/2035 ^(h)		14,197	10,936
<b>BRAD Resecuritization Trust</b>			
2.774% due 03/12/2021		29,508	2,186
6.550% due 03/12/2021		5,515	5,386
<b>Celtic Residential Irish Mortgage Securitisation PLC</b>			
0.178% due 11/13/2047 (h)	EUR	26,089	27,417

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Income Fund (Cont.)**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
0.186% due 03/18/2049	EUR	5,147	\$ 5,257
0.246% due 12/14/2048		7,229	7,516
0.254% due 04/10/2048		9,848	10,174
<b>Chase Mortgage Finance Trust</b>			
2.600% due 03/25/2037 ^(h)	\$	5,490	4,624
<b>Citigroup Mortgage Loan Trust, Inc.</b>			
2.510% due 03/25/2036 ^		1,276	1,216
2.695% due 10/25/2035 ^(h)		10,246	9,140
2.757% due 09/25/2037 ^(h)		9,462	8,552
<b>Countrywide Alternative Loan Trust</b>			
0.377% due 09/25/2046 ^(h)		20,929	17,369
0.774% due 12/25/2035 (a)		14,615	325
0.917% due 11/25/2035 (h)		28,141	24,504
1.619% due 12/25/2035 (a)		16,345	1,326
2.931% due 06/25/2047		355	299
5.500% due 02/25/2020		400	396
5.500% due 07/25/2035 ^(h)		3,533	3,284
5.500% due 11/25/2035 ^		1,232	1,153
5.500% due 12/25/2035 ^(h)		13,733	12,466
5.500% due 01/25/2036 ^		258	246
5.500% due 04/25/2037 (h)		4,333	3,575
5.750% due 01/25/2036		403	341
5.750% due 01/25/2037 ^(h)		13,188	11,457
5.750% due 04/25/2037 ^(h)		4,399	4,004
6.000% due 06/25/2036 ^(h)		661	608
6.000% due 11/25/2036 ^		714	654
6.000% due 12/25/2036		314	247
6.000% due 01/25/2037 ^(h)		3,304	2,999
6.000% due 02/25/2037 ^		1,184	944
6.000% due 04/25/2037 ^(h)		9,471	7,039
6.000% due 05/25/2037 ^(h)		9,185	7,595
6.000% due 07/25/2037 ^(h)		3,439	3,529
6.963% due 07/25/2036 (a)		17,080	5,579
37.878% due 05/25/2037 ^		1,842	3,997
<b>Countrywide Home Loan Mortgage Pass-Through Trust</b>			
0.527% due 03/25/2036		3,592	1,872
0.787% due 03/25/2035		306	277
5.000% due 11/25/2035 ^		98	91
5.060% due 06/25/2047 ^(h)		12,554	11,792
5.500% due 12/25/2034		234	221
5.500% due 11/25/2035 ^		118	115
6.000% due 07/25/2037 ^		472	444
6.000% due 08/25/2037 (h)		10,943	9,613
6.000% due 08/25/2037 ^		6	5
6.000% due 01/25/2038 ^		368	333
<b>Credit Suisse Commercial Mortgage Trust</b>			
5.639% due 02/15/2039 (h)		12,950	13,151
6.500% due 07/26/2036 ^(h)		15,352	9,291
<b>Credit Suisse Mortgage Capital Certificates</b>			
2.285% due 07/26/2049		10,755	7,504
2.864% due 04/26/2035		27,326	22,487
4.525% due 07/26/2037 (h)		13,663	10,577
4.634% due 02/27/2047 (h)		72,364	48,243
5.692% due 04/16/2049 (h)		10,000	10,522
7.000% due 08/26/2036		19,785	9,623
7.000% due 08/27/2036		5,030	3,309
<b>Credit Suisse Mortgage Capital Mortgage-Backed Trust</b>			

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5.896% due 04/25/2036 (h)		11,612	8,930
<b>Debussy PLC</b>			
5.930% due 07/12/2025	GBP	18,250	28,747
8.250% due 07/12/2025		5,000	6,324
<b>Deutsche ALT-A Securities, Inc.</b>			
6.000% due 10/25/2021 ^	\$	1,478	1,303
<b>Diversity Funding Ltd.</b>			
1.458% due 02/10/2046	GBP	4,331	6,652
1.808% due 02/10/2046		1,310	1,661
2.308% due 02/10/2046		1,193	989
2.808% due 02/10/2046		1,170	315
		<b>PRINCIPAL</b>	<b>MARKET</b>
		<b>AMOUNT</b>	<b>VALUE</b>
		<b>(000S)</b>	<b>(000S)</b>
4.058% due 02/10/2046	GBP	702	\$ 85
4.558% due 02/10/2046 ^		234	0
4.658% due 02/10/2046 ^		247	0
<b>Emerald Mortgages PLC</b>			
0.178% due 07/15/2048	EUR	28,055	29,494
<b>First Horizon Alternative Mortgage Securities Trust</b>			
2.260% due 08/25/2035 ^	\$	8,696	2,482
6.913% due 11/25/2036 (a)		2,247	557
<b>First Horizon Mortgage Pass-Through Trust</b>			
5.500% due 08/25/2037 ^		914	783
<b>GreenPoint Mortgage Funding Trust</b>			
0.387% due 12/25/2046 ^		4,924	2,968
<b>GSR Mortgage Loan Trust</b>			
2.751% due 11/25/2035		372	340
6.500% due 08/25/2036 ^		1,366	1,115
<b>HarborView Mortgage Loan Trust</b>			
0.428% due 03/19/2036 (h)		24,980	18,143
0.438% due 01/19/2036 (h)		12,477	8,638
0.837% due 06/20/2035 (h)		15,209	13,537
1.087% due 06/20/2035 (h)		3,461	2,922
<b>Impac CMB Trust</b>			
0.907% due 10/25/2034		437	373
<b>Impac Secured Assets Trust</b>			
0.297% due 05/25/2037		24	17
<b>IndyMac Mortgage Loan Trust</b>			
0.387% due 11/25/2046 (h)		8,809	6,242
0.437% due 02/25/2037		4,700	2,970
0.487% due 07/25/2036		895	707
2.815% due 06/25/2037 ^ (h)		7,665	5,727
2.910% due 02/25/2035		639	561
4.745% due 03/25/2037		91	80
<b>JPMorgan Alternative Loan Trust</b>			
0.387% due 06/25/2037 (h)		47,035	28,352
3.002% due 11/25/2036 ^ (h)		8,478	8,219
5.960% due 12/25/2036 (h)		9,944	8,394
6.310% due 08/25/2036 ^ (h)		4,891	4,022
<b>JPMorgan Chase Commercial Mortgage Securities Trust</b>			
1.926% due 06/15/2045 (a)(h)		60,952	4,373
<b>JPMorgan Mortgage Trust</b>			
2.542% due 06/25/2037 ^ (h)		8,381	7,643
4.925% due 04/25/2037 ^ (h)		7,245	6,615
5.534% due 10/25/2036		2,076	1,840
<b>KGS Alpha SBA Trust</b>			
1.034% due 04/25/2038		5,671	245
<b>Lavender Trust</b>			
5.500% due 09/26/2035		7,050	5,898
5.999% due 11/26/2036		16,315	11,777
<b>LB Commercial Mortgage Trust</b>			
6.101% due 07/15/2044 (h)		10,913	11,790
<b>LB-UBS Commercial Mortgage Trust</b>			
0.739% due 02/15/2040 (a)(h)		209,930	1,953
5.452% due 09/15/2039 (h)		7,751	8,058
<b>Lehman Mortgage Trust</b>			
5.500% due 11/25/2035 ^		138	131
6.000% due 08/25/2036 ^ (h)		1,676	1,433
6.000% due 09/25/2036 ^ (h)		1,183	984

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6.500% due 09/25/2037 ^ <sup>(h)</sup>		7,439	6,310
7.250% due 09/25/2037 ^ <sup>(h)</sup>		39,687	21,211
<b>Lehman XS Trust</b>			
0.465% due 07/25/2037		28,431	9,289
0.685% due 07/25/2047		4,299	1,407
<b>MASTR Adjustable Rate Mortgages Trust</b>			
0.387% due 05/25/2047 (h)		28,867	24,051
0.527% due 05/25/2047 ^		5,487	2,545
<b>MASTR Alternative Loan Trust</b>			
0.537% due 03/25/2036 (h)		25,254	6,122
0.587% due 03/25/2036		33,380	8,203
		<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>Morgan Stanley Re-REMIC Trust</b>			
2.550% due 07/26/2035	\$	26,634	\$ 20,667
2.617% due 01/26/2035		11,082	9,648
2.617% due 02/26/2037		6,285	5,299
5.201% due 09/26/2035		4,998	4,372
6.000% due 04/26/2036		7,969	7,048
<b>Newgate Funding PLC</b>			
0.771% due 12/15/2050	GBP	2,200	2,859
1.236% due 12/15/2050	EUR	2,541	2,624
1.486% due 12/15/2050		4,852	4,851
1.821% due 12/15/2050	GBP	3,835	5,664
<b>NovaStar Mortgage Funding Trust</b>			
0.377% due 09/25/2046	\$	902	775
<b>RBSSP Resecuritization Trust</b>			
2.248% due 07/26/2045		20,150	17,091
2.714% due 05/26/2037		13,141	10,140
2.733% due 02/26/2036 (h)		9,505	6,433
4.738% due 11/21/2035 ^ <sup>(h)</sup>		16,498	13,661
5.295% due 11/26/2035 ^ <sup>(h)</sup>		29,290	19,484
6.000% due 03/26/2036 ^		8,873	7,394
<b>Residential Accredited Loans, Inc. Trust</b>			
0.367% due 07/25/2036 (h)		12,774	8,559
0.377% due 05/25/2037 (h)		26,433	22,205
1.158% due 01/25/2046 (h)		10,568	7,438
4.317% due 01/25/2036		1,388	1,086
6.000% due 08/25/2035 ^		1,334	1,243
6.000% due 06/25/2036 ^ <sup>(h)</sup>		2,464	2,072
6.000% due 06/25/2036		656	552
6.000% due 08/25/2036 (h)		9,491	7,836
7.000% due 10/25/2037 (h)		17,649	14,793
<b>Residential Asset Securitization Trust</b>			
5.500% due 07/25/2035		1,524	1,389
6.250% due 08/25/2037 ^		4,940	2,896
<b>Residential Funding Mortgage Securities, Inc. Trust</b>			
5.813% due 08/25/2036 ^ <sup>(h)</sup>		4,231	3,794
5.850% due 11/25/2035 ^		359	341
6.000% due 04/25/2037 ^		3,008	2,727
<b>Rite Aid Pass-Through Certificates</b>			
6.790% due 01/02/2021		11,000	11,401
<b>Sequoia Mortgage Trust</b>			
0.557% due 07/20/2036		1,850	1,363
1.387% due 10/20/2027		1,290	1,079
<b>Southern Pacific Securities PLC</b>			
4.069% due 12/10/2042	GBP	2,722	4,320
<b>Structured Adjustable Rate Mortgage Loan Trust</b>			
2.733% due 04/25/2047 (h)	\$	4,495	3,573
4.380% due 02/25/2037 ^ <sup>(h)</sup>		14,607	10,720
4.398% due 08/25/2036 (h)		5,180	2,965
<b>Structured Asset Mortgage Investments Trust</b>			
0.357% due 03/25/2037 ^		3,140	869
0.377% due 07/25/2046 (h)		27,856	22,219
<b>SunTrust Alternative Loan Trust</b>			
6.963% due 04/25/2036 ^ <sup>(a)</sup>		6,507	2,200
<b>TBW Mortgage-Backed Trust</b>			
6.500% due 07/25/2036 (h)		26,015	15,489
<b>WaMu Mortgage Pass-Through Certificates Trust</b>			

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0.607% due 06/25/2044 (h)	390	364
0.908% due 06/25/2047 ^	13,548	5,394
0.968% due 07/25/2047 (h)	31,744	27,266
1.038% due 10/25/2046	747	611
1.158% due 02/25/2046	94	87
1.937% due 07/25/2047 ^	1,228	913
4.214% due 03/25/2037 ^(h)	7,023	6,454
4.362% due 02/25/2037 ^	511	478
<b>Washington Mutual Mortgage Pass-Through Certificates Trust</b>		
0.427% due 01/25/2047 ^(h)	17,276	12,964
0.787% due 07/25/2036 ^(h)	11,612	7,170
6.000% due 04/25/2037 ^(h)	6,704	5,762

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See Accompanying Notes

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Wells Fargo Alternative Loan Trust</b>		
2.707% due 07/25/2037 ^(h)	\$ 8,298	\$ 7,059
5.750% due 07/25/2037 ^	968	885
<b>Wells Fargo Mortgage Loan Trust</b>		
5.676% due 04/27/2036	28,600	26,156
<b>Wells Fargo Mortgage-Backed Securities Trust</b>		
2.686% due 10/25/2035 (h)	754	756
6.000% due 07/25/2036 ^	482	487
6.000% due 09/25/2036 ^	978	939
6.000% due 04/25/2037 ^	310	305
6.000% due 06/25/2037 ^	722	725
6.000% due 08/25/2037 ^	1,745	1,726
<b>Total Mortgage-Backed Securities (Cost \$1,146,449)</b>		<b>1,367,051</b>
<b>ASSET-BACKED SECURITIES 25.3%</b>		
<b>Asset-Backed Funding Certificates Trust</b>		
1.237% due 03/25/2034	1,933	1,548
<b>Bear Stearns Asset-Backed Securities Trust</b>		
0.737% due 06/25/2036 (h)	8,846	7,681
2.547% due 10/25/2036	2,032	1,528
<b>Bombardier Capital Mortgage Securitization Corp.</b>		
7.440% due 12/15/2029 (h)	2,719	1,543
<b>Citigroup Mortgage Loan Trust, Inc.</b>		
5.387% due 03/25/2036 ^(h)	3,196	2,350
5.597% due 05/25/2036 ^(h)	698	479
<b>Conseco Finance Securitizations Corp.</b>		
7.960% due 05/01/2031 (h)	9,502	7,363
7.970% due 05/01/2032 (h)	16,663	10,769
8.200% due 05/01/2031 (h)	28,165	22,348
9.163% due 03/01/2033 (h)	9,740	8,760
<b>Conseco Financial Corp.</b>		
7.060% due 02/01/2031 (h)	6,666	6,940
<b>Countrywide Asset-Backed Certificates</b>		
0.357% due 06/25/2047 (h)	13,006	12,322
0.387% due 04/25/2036 (h)	4,864	4,656
0.447% due 01/25/2046 ^	8,561	7,841
0.607% due 06/25/2036 ^	2,130	547
0.987% due 03/25/2033	27	25
1.567% due 12/25/2032	1,513	1,400
4.758% due 02/25/2036 (h)	684	703
5.034% due 07/25/2036	2,183	2,163
5.505% due 04/25/2036	1,705	1,691
5.588% due 08/25/2036 (h)	1,764	1,733
<b>Countrywide Asset-Backed Certificates Trust</b>		
0.427% due 03/25/2047	8,000	5,200
5.033% due 10/25/2046 ^(h)	3,765	3,466
<b>Countrywide Home Equity Loan Trust</b>		
5.657% due 03/25/2034	1,996	3,450
<b>Credit-Based Asset Servicing and Securitization LLC</b>		
5.328% due 10/25/2036 (h)	10,800	10,551
<b>CSAB Mortgage-Backed Trust</b>		
5.500% due 05/25/2037 ^(h)	8,563	7,521
<b>EMC Mortgage Loan Trust</b>		
0.635% due 12/25/2042	181	173



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		9,602	8,824
0.655% due 04/25/2042 (h)		2,813	2,067
2.437% due 04/25/2042			
		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>GMAC Mortgage Corp. Home Equity Loan Trust</b>			
6.249% due 12/25/2037 (h)	\$	7,647	\$ 7,692
<b>GSAMP Trust</b>			
2.062% due 06/25/2034		2,719	2,297
<b>IndyMac Home Equity Mortgage Loan Asset-Backed Trust</b>			
7.420% due 12/25/2031 ^		1,383	473
<b>Lehman XS Trust</b>			
5.343% due 06/24/2046 (h)		7,934	7,166
<b>Long Beach Mortgage Loan Trust</b>			
1.237% due 02/25/2034		226	218
<b>MASTR Asset-Backed Securities Trust</b>			
0.337% due 03/25/2036 (h)		10,001	6,711
0.567% due 01/25/2036		400	309
<b>Mid-State Capital Corp. Trust</b>			
6.742% due 10/15/2040		7,569	8,105
<b>Morgan Stanley Home Equity Loan Trust</b>			
0.417% due 04/25/2037 (h)		37,934	23,096
<b>Oakwood Mortgage Investors, Inc.</b>			
5.920% due 06/15/2031		9,114	4,302
6.610% due 06/15/2031		5,562	2,915
7.400% due 07/15/2030		23,821	15,428
7.405% due 06/15/2031		7,226	4,217
7.840% due 11/15/2029 (h)		4,987	5,157
8.490% due 10/15/2030 ^		1,755	450
<b>Popular ABS Mortgage Pass-Through Trust</b>			
1.437% due 08/25/2035		3,663	3,219
<b>Residential Asset Mortgage Products Trust</b>			
1.160% due 04/25/2034 (h)		11,800	10,215
<b>Residential Asset Securities Corp. Trust</b>			
0.347% due 06/25/2036 (h)		5,681	5,473
0.427% due 08/25/2036 (h)		11,000	7,517
<b>Sorin Real Estate CDO Ltd.</b>			
0.809% due 10/28/2046		7,400	6,031
<b>Soundview Home Loan Trust</b>			
0.467% due 06/25/2037 (h)		11,180	6,978
0.687% due 03/25/2036		16,905	12,314
<b>South Coast Funding Ltd.</b>			
0.531% due 01/06/2041		5,308	1,606
0.531% due 01/06/2041 (h)		175,348	53,043
<b>Structured Asset Securities Corp.</b>			
6.185% due 05/25/2032 ^		7,438	5,951
<b>Tropic CDO Ltd.</b>			
1.155% due 07/15/2034		22,500	13,950
<b>Vanderbilt Acquisition Loan Trust</b>			
7.330% due 05/07/2032 (h)		1,280	1,387
<b>Total Asset-Backed Securities (Cost \$314,510)</b>			<b>361,862</b>
<b>SOVEREIGN ISSUES 6.2%</b>			
<b>Brazil Notas do Tesouro Nacional</b>			
6.000% due 05/15/2045	BRL	8,443	2,683
6.000% due 08/15/2050		234,678	75,152
10.000% due 01/01/2021		13,618	3,951
10.000% due 01/01/2025		23,699	6,598
<b>Total Sovereign Issues (Cost \$106,222)</b>			<b>88,384</b>
		SHARES	MARKET VALUE (000S)
<b>COMMON STOCKS 0.6%</b>			
<b>FINANCIALS 0.1%</b>			
EME Reorganization Trust		5,207,199	\$ 65

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TIG TopCo Ltd. (f)	662,196	666
		731
<b>UTILITIES 0.5%</b>		
<b>PPL Corp.</b>	245,814	7,244
<b>Talen Energy Corp. (b)</b>	30,703	527
		7,771
<b>Total Common Stocks (Cost \$9,782)</b>		<b>8,502</b>
<b>PREFERRED SECURITIES 0.3%</b>		
<b>BANKING &amp; FINANCE 0.3%</b>		
<b>AgriBank FCB</b>		
6.875% due 01/01/2024 (e)	36,000	3,791
<b>Total Preferred Securities (Cost \$3,600)</b>		<b>3,791</b>
	<b>PRINCIPAL AMOUNT (000S)</b>	
<b>SHORT-TERM INSTRUMENTS 8.7%</b>		
<b>REPURCHASE AGREEMENTS (g) 4.0%</b>		
		56,487
<b>SHORT-TERM NOTES 3.4%</b>		
<b>Federal Home Loan Bank</b>		
0.040% due 07/08/2015 - 07/15/2015	\$ 11,300	11,300
0.070% due 08/14/2015	1,500	1,500
0.075% due 08/12/2015	4,100	4,100
0.090% due 09/08/2015 - 09/16/2015	23,500	23,497
0.091% due 09/08/2015	5,300	5,299
0.154% due 11/18/2015	2,300	2,299
		47,995
<b>U.S. TREASURY BILLS 1.3%</b>		
0.036% due 08/06/2015 - 11/05/2015 (c)(j)(l)	19,121	19,121
<b>Total Short-Term Instruments (Cost \$123,600)</b>		<b>123,603</b>
<b>Total Investments in Securities (Cost \$2,101,190)</b>		<b>2,337,355</b>
<b>Total Investments 163.8% (Cost \$2,101,190)</b>	\$	<b>2,337,355</b>
<b>Financial Derivative Instruments (i)(k) (0.3%)</b>		
(Cost or Premiums, net \$(27,278))		(4,449)
<b>Other Assets and Liabilities, net (63.5%)</b>		<b>(906,015)</b>
<b>Net Assets 100.0%</b>	\$	<b>1,426,891</b>

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS\*):

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- ^ Security is in default.
- (a) Interest only security.
- (b) Security did not produce income within the last twelve months.
- (c) Coupon represents a weighted average yield to maturity.
- (d) Zero coupon bond.

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**Consolidated Schedule of Investments PIMCO Dynamic Income Fund (Cont.)**

(e) Perpetual maturity; date shown, if applicable, represents next contractual call date.

**(f) RESTRICTED SECURITIES:**

Issuer Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Buffalo Thunder Development Authority 0.000% due 11/15/2029	12/08/2014	\$ 0	\$ 50	0.00%
KGH Intermediate Holdco LLC 8.500% due 08/08/2019	08/07/2014	17,458	16,755	1.17%
Pinnacol Assurance 8.625% due 06/25/2034	06/23/2014	10,200	10,444	0.73%
TIG TopCo Ltd.	04/02/2015	982	666	0.05%
		\$ 28,640	\$ 27,915	1.95%

**BORROWINGS AND OTHER FINANCING TRANSACTIONS**

**(g) REPURCHASE AGREEMENTS:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral Received, at Value	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received <sup>(1)</sup>
SCX	0.250%	06/30/2015	07/01/2015	\$ 53,300	U.S. Treasury Notes 1.250% - 2.500% due 01/31/2020 - 05/15/2024	\$ (54,383)	\$ 53,300	\$ 53,300
SSB	0.000%	06/30/2015	07/01/2015	3,187	Fannie Mae 2.260% due 10/22/2022	(3,253)	3,187	3,187
<b>Total Repurchase Agreements</b>						<b>\$ (57,636)</b>	<b>\$ 56,487</b>	<b>\$ 56,487</b>

<sup>(1)</sup> Includes accrued interest.

**REVERSE REPURCHASE AGREEMENTS:**

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed <sup>(2)</sup>	Payable for Reverse Repurchase Agreements
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BCY	0.550%	05/20/2015	04/14/2016	\$	(5,041)	\$	(5,044)
	0.700%	05/07/2015	08/07/2015		(7,741)		(7,749)
	0.800%	03/19/2015	07/01/2015		(1,666)		(1,666)
	0.900%	06/11/2015	09/11/2015		(8,199)		(8,203)
	1.013%	05/18/2015	11/18/2015		(1,581)		(1,583)
	1.400%	06/16/2015	09/16/2015		(6,324)		(6,328)
	1.400%	06/18/2015	09/18/2015		(2,261)		(2,262)
	1.626%	04/22/2015	07/22/2015		(26,025)		(26,107)
	1.626%	05/07/2015	08/07/2015		(6,943)		(6,960)
	1.627%	04/23/2015	07/23/2015		(17,872)		(17,928)
	1.631%	06/08/2015	09/08/2015		(9,154)		(9,164)
	1.631%	06/22/2015	09/22/2015		(1,903)		(1,904)
	1.631%	06/25/2015	09/25/2015		(11,553)		(11,556)
	1.633%	06/02/2015	09/02/2015		(8,489)		(8,500)
	1.635%	05/27/2015	08/27/2015		(5,448)		(5,457)
	1.900%	06/30/2015	04/04/2016		(4,356)		(4,356)
	1.943%	06/22/2015	12/22/2015		(12,656)		(12,662)
	2.117%	03/24/2015	09/26/2016		(1,387)		(1,395)
	2.117%	03/25/2015	09/26/2016		(19,192)		(19,303)
	2.126%	05/20/2015	11/21/2016		(24,313)		(24,373)
	2.158%	04/30/2015	10/30/2015		(1,889)		(1,896)
BOS	1.539%	06/12/2015	07/15/2015		(14,241)		(14,253)
	1.585%	05/27/2015	08/27/2015		(5,811)		(5,820)
	1.776%	05/20/2015	11/20/2015		(23,549)		(23,598)
BPG	1.781%	03/23/2015	03/22/2016		(29,414)		(29,426)
	1.792%	06/12/2015	12/11/2015		(8,836)		(8,844)
BRC	0.600%	04/14/2015	07/14/2015		(518)		(519)
	0.750%	04/14/2015	07/14/2015		(11,015)		(11,033)
	0.750%	06/19/2015	07/14/2015		(5,453)		(5,454)
	0.850%	04/08/2015	07/07/2015		(6,299)		(6,312)
DBL	2.431%	06/09/2015	09/12/2016		(26,951)		(26,991)
FOB	1.732%	05/05/2015	07/06/2015		(1,368)		(1,372)
	1.732%	05/22/2015	07/22/2015		(56,079)		(56,187)
	1.735%	06/10/2015	08/10/2015		(7,716)		(7,724)
	1.737%	06/02/2015	08/03/2015		(1,146)		(1,148)

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June 30, 2015

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed <sup>(2)</sup>	Payable for Reverse Repurchase Agreements
JML	0.800%	05/28/2015	07/08/2015	\$ (6,984)	\$ (6,989)
	0.800%	05/29/2015	07/06/2015	(1,661)	(1,662)
	0.800%	06/01/2015	07/08/2015	(9,691)	(9,697)
	0.850%	06/17/2015	07/14/2015	(1,830)	(1,831)
	0.850%	06/18/2015	07/14/2015	(143)	(143)
	0.850%	06/19/2015	07/14/2015	(1,035)	(1,035)
	0.850%	06/24/2015	07/07/2015	(1,327)	(1,327)
	0.850%	06/24/2015	07/14/2015	(147)	(147)
	0.850%	06/25/2015	07/07/2015	(335)	(335)
	0.850%	06/26/2015	07/07/2015	(1,647)	(1,647)
JPS	1.536%	06/19/2015	09/11/2015	(7,029)	(7,033)
MSC	1.100%	04/15/2015	07/16/2015	(11,420)	(11,447)
	1.150%	04/15/2015	07/16/2015	(6,926)	(6,943)
RDR	0.500%	06/15/2015	09/15/2015	(10,043)	(10,045)
	0.730%	04/28/2015	07/28/2015	(6,655)	(6,664)
	0.730%	05/12/2015	08/10/2015	(6,618)	(6,625)
	0.800%	05/06/2015	11/06/2015	(4,141)	(4,146)
	1.160%	01/15/2015	07/15/2015	(35,861)	(36,054)
	1.350%	01/22/2015	07/22/2015	(6,007)	(6,043)
	1.350%	01/28/2015	07/28/2015	(12,065)	(12,135)
	1.390%	02/25/2015	08/25/2015	(3,063)	(3,078)
	1.410%	04/22/2015	10/22/2015	(1,804)	(1,809)
	1.410%	05/06/2015	11/06/2015	(14,954)	(14,987)
	1.416%	05/21/2015	11/23/2015	(18,863)	(18,893)
	1.420%	05/28/2015	11/30/2015	(1,037)	(1,038)
RTA	0.840%	03/23/2015	09/23/2015	(3,956)	(3,965)
	0.860%	05/12/2015	11/12/2015	(1,572)	(1,574)
	1.345%	03/24/2015	09/24/2015	(10,609)	(10,648)
	1.611%	04/07/2015	04/07/2016	(32,567)	(32,691)
	1.619%	04/13/2015	04/13/2016	(8,672)	(8,703)
	1.660%	05/14/2015	05/16/2016	(44,710)	(44,809)
	1.661%	05/12/2015	05/12/2016	(42,099)	(42,196)
	1.678%	06/01/2015	05/31/2016	(8,496)	(8,508)
	1.697%	06/11/2015	06/10/2016	(11,247)	(11,258)
SBI	1.153%	04/22/2015	10/22/2015	(14,003)	(14,034)
	1.172%	06/04/2015	12/04/2015	(8,943)	(8,951)
SOG	0.680%	05/15/2015	07/17/2015	(4,821)	(4,825)
	0.700%	04/23/2015	07/23/2015	(1,624)	(1,626)
	0.700%	05/29/2015	08/27/2015	(14,327)	(14,336)
	1.729%	04/27/2015	10/27/2015	(16,681)	(16,733)
	1.729%	05/08/2015	11/09/2015	(5,201)	(5,215)
	1.729%	06/08/2015	12/08/2015	(16,438)	(16,456)
	1.732%	05/27/2015	11/27/2015	(25,928)	(25,972)
	2.036%	06/15/2015	06/15/2016	(22,164)	(22,184)
	2.236%	06/15/2015	06/15/2016	(4,308)	(4,312)
UBS	0.500%	04/23/2015	07/23/2015	EUR (826)	(921)
	0.550%	04/23/2015	07/23/2015	(8,696)	(9,704)
	0.600%	04/23/2015	07/23/2015	(7,996)	(8,925)
	0.700%	05/27/2015	08/03/2015	\$ (868)	(869)
	0.750%	02/02/2015	08/03/2015	(1,154)	(1,158)
	0.750%	04/15/2015	07/15/2015	(1,894)	(1,897)
	0.800%	03/23/2015	09/23/2015	(8,606)	(8,625)
	0.800%	06/30/2015	09/23/2015	(3,038)	(3,038)
	0.850%	03/18/2015	09/18/2015	(3,594)	(3,603)

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0.900%	04/30/2015	07/23/2015	EUR	(2,424)	(2,706)
0.900%	05/04/2015	07/06/2015		(19,002)	(21,216)
1.150%	04/16/2015	07/16/2015	GBP	(10,315)	(16,246)
1.556%	01/23/2015	07/23/2015	\$	(1,728)	(1,740)
1.606%	01/23/2015	07/23/2015		(2,676)	(2,695)
1.790%	03/24/2015	01/04/2016		(2,974)	(2,989)
<b>Total Reverse Repurchase Agreements</b>				<b>\$ (940,158)</b>	

(2) As of June 30, 2015, there were no open sale-buyback transactions. The average amount of borrowings outstanding during the period ended June 30, 2015 was \$1,007,662 at a weighted average interest rate of 1.351%.

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Income Fund (Cont.)****BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY**

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of June 30, 2015:

(h) Securities with an aggregate market value of \$1,231,239 and cash of \$784 have been pledged as collateral under the terms of the following master agreements as of June 30, 2015.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure <sup>(3)</sup>
Global/Master Repurchase Agreement							
BCY	\$ 0	\$ (184,396)	\$ 0	\$ 0	\$ (184,396)	\$ 235,624	\$ 51,228
BOS	0	(43,671)	0	0	(43,671)	62,670	18,999
BPG	0	(38,270)	0	0	(38,270)	51,220	12,950
BRC	0	(23,318)	0	0	(23,318)	27,988	4,670
DBL	0	(26,991)	0	0	(26,991)	53,043	26,052
FOB	0	(66,431)	0	0	(66,431)	91,474	25,043
JML	0	(24,813)	0	0	(24,813)	30,217	5,404
JPS	0	(7,033)	0	0	(7,033)	9,235	2,202
MSC	0	(18,390)	0	0	(18,390)	21,596	3,206
RDR	0	(121,517)	0	0	(121,517)	148,016	26,499
RTA	0	(164,352)	0	0	(164,352)	223,803	59,451
SBI	0	(22,985)	0	0	(22,985)	26,961	3,976
SCX	53,300	0	0	0	53,300	(54,383)	(1,083)
SOG	0	(111,659)	0	0	(111,659)	144,390	32,731
SSB	3,187	0	0	0	3,187	(3,253)	(66)
UBS	0	(86,332)	0	0	(86,332)	102,142	15,810
<b>Total Borrowings and Other Financing Transactions</b>	<b>\$ 56,487</b>	<b>\$ (940,158)</b>	<b>\$ 0</b>	<b>\$ 0</b>			

<sup>(3)</sup> Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. The Fund and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

**CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS****Remaining Contractual Maturity of the Agreements**



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	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
<b>Reverse Repurchase Agreements</b>					
Asset-Backed Securities	\$ 0	\$ (25,986)	\$ (19,657)	\$ (115,622)	\$ (161,265)
Corporate Bonds & Notes	0	(92,277)	(70,181)	(6,618)	(169,076)
Mortgage-Backed Securities	0	(190,838)	(59,335)	(338,960)	(589,133)
U.S. Government Agencies	0	(6,664)	(6,625)	(5,729)	(19,018)
<b>Total Borrowings</b>	<b>\$ 0</b>	<b>\$ (315,765)</b>	<b>\$ (155,798)</b>	<b>\$ (466,929)</b>	<b>\$ (938,492)</b>
<b>Gross amount of recognized liabilities for reverse repurchase agreements <sup>(4)</sup></b>					<b>\$ (938,492)</b>

(4) Unsettled reverse repurchase agreements liability of \$(1,666) is outstanding at period end.

(i) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

SWAP AGREEMENTS:

INTEREST RATE SWAPS

Pay/Receive	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month USD-LIBOR	2.000%	12/16/2019	\$ 240,100	\$ 1,831	\$ 651	\$ 0	\$ (61)
Pay	3-Month USD-LIBOR	2.000%	12/16/2020	114,400	(95)	361	0	(32)
Receive	3-Month USD-LIBOR	4.000%	06/20/2022	134,000	(16,700)	9,517	47	0
Pay	3-Month USD-LIBOR	2.500%	12/16/2025	127,400	(1,160)	533	0	(69)
Receive	3-Month USD-LIBOR	2.750%	03/20/2043	102,200	2,861	813	203	0
Receive	3-Month USD-LIBOR	3.750%	06/18/2044	12,200	(2,051)	(2,024)	28	0
Receive	3-Month USD-LIBOR	3.500%	12/17/2044	44,200	(5,201)	(2,594)	102	0
Receive	3-Month USD-LIBOR	3.250%	06/17/2045	40,700	(2,690)	2,044	95	0
Receive	3-Month USD-LIBOR	2.750%	12/16/2045	3,800	183	23	10	0
					\$ (23,022)	\$ 9,324	\$ 485	\$ (162)
<b>Total Swap Agreements</b>					<b>\$ (23,022)</b>	<b>\$ 9,324</b>	<b>\$ 485</b>	<b>\$ (162)</b>

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June 30, 2015

**FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY**

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of June 30, 2015:

(j) Securities with an aggregate market value of \$2,206 and cash of \$24,903 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of June 30, 2015.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value		Variation Margin		Market Value		Variation Margin	
	Purchased	Asset	Swap	Total	Written	Liability	Swap	Total
Total Exchange-Traded or Centrally Cleared	Options	Futures	Agreements	Total	Options	Futures	Agreements	Total
	\$ 0	\$ 0	\$ 485	\$ 485	\$ 0	\$ 0	\$ (162)	\$ (162)

**(k) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER****FORWARD FOREIGN CURRENCY CONTRACTS:**

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation)		
				Asset	Liability	
BOA	07/2015	BRL	4,323	\$ 1,563	\$ 173	\$ 0
	07/2015	GBP	66,723	102,530	0	(2,309)
	07/2015	\$	1,393	BRL 4,323	0	(3)
BPS	07/2015	BRL	59,919	\$ 21,840	2,568	0
	07/2015	\$	19,313	BRL 59,919	0	(40)
CBK	07/2015	EUR	9,465	\$ 10,304	0	(248)
DUB	07/2015	BRL	20,664	6,687	40	0
	07/2015	\$	6,660	BRL 20,664	0	(14)
FBF	07/2015	BRL	281,632	\$ 90,773	190	0
	07/2015	\$	91,040	BRL 281,632	0	(457)
	08/2015	BRL	281,632	\$ 90,024	484	0
GLM	07/2015		117,652	42,900	5,058	0
	07/2015	\$	37,920	BRL 117,652	0	(79)

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JPM	07/2015	BRL	79,074	\$	29,093	3,660	0
	07/2015	EUR	4,902		5,452	0	(13)
	07/2015	GBP	980		1,542	3	0
	07/2015	\$	25,486	BRL	79,073	0	(53)
	07/2015		1,024	GBP	661	15	0
SCX	07/2015		81,629	EUR	72,847	0	(415)
	08/2015	EUR	72,847	\$	81,664	416	0
UAG	07/2015		64,564		70,423	0	(1,557)
	07/2015	\$	6,849	EUR	6,084	0	(66)
	07/2015		105,259	GBP	67,042	80	0
	08/2015	GBP	67,042	\$	105,237	0	(79)
<b>Total Forward Foreign Currency Contracts</b>						<b>\$ 12,687</b>	<b>\$ (5,333)</b>

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION <sup>(1)</sup>

Counterparty	Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount <sup>(2)</sup>	Premiums (Received)	Unrealized Swap Agreements, at Value <sup>(3)</sup>		
						Appreciation	Asset	Liability
FBF	ABX.HE.AA.6-2 Index	0.170%	05/25/2046	\$ 30,678	\$ (27,265)	\$ 15,206	\$ 0	\$ (12,059)

<sup>(1)</sup> 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.

<sup>(2)</sup> The maximum potential amount the Fund could be required to pay 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.

<sup>(3)</sup> The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status 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 be 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 indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Income Fund (Cont.)****INTEREST RATE SWAPS**

Counterparty	Pay/Receive			Maturity Date	Notional Amount	Premiums (Received)	Unrealized Swap Agreements, at Value				
	Floating Rate	Floating Rate Index	Fixed Rate				(Depreciation)	Asset	Liability		
GLM	Pay	1-Year BRL-CDI	11.680%	01/04/2021	BRL 9,900	\$ (13)	\$ (54)	\$ 0	\$ (67)		
<b>Total Swap Agreements</b>						<b>\$ (27,278)</b>	<b>\$ 15,152</b>	<b>\$ 0</b>	<b>\$ (12,126)</b>		

**FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY**

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of June 30, 2015:

(1) Securities with an aggregate market value of \$16,685 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of June 30, 2015.

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities							
	Forward Foreign Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure <sup>(4)</sup>	
BOA	\$ 173	\$ 0	\$ 0	\$ 173	\$ (2,312)	\$ 0	\$ 0	\$ (2,312)	\$ (2,139)	\$ 2,233	\$ 94	
BPS	2,568	0	0	2,568	(40)	0	0	(40)	2,528	(2,650)	(122)	
CBK	0	0	0	0	(248)	0	0	(248)	(248)	371	123	
DUB	40	0	0	40	(14)	0	0	(14)	26	(410)	(384)	
FBF	674	0	0	674	(457)	0	(12,059)	(12,516)	(11,842)	12,240	398	
GLM	5,058	0	0	5,058	(79)	0	(67)	(146)	4,912	(5,140)	(228)	
JPM	3,678	0	0	3,678	(66)	0	0	(66)	3,612	(3,800)	(188)	
SCX	416	0	0	416	(415)	0	0	(415)	1	0	1	
UAG	80	0	0	80	(1,702)	0	0	(1,702)	(1,622)	1,841	219	
<b>Total Over the Counter</b>	<b>\$ 12,687</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,687</b>	<b>\$ (5,333)</b>	<b>\$ 0</b>	<b>\$ (12,126)</b>	<b>\$ (17,459)</b>				

(4) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC derivatives can only be netted across transactions governed under the same master agreement with the same legal entity. The Fund and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting agreements.

**FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS**

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The following is a summary of the fair valuation of the Fund's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Fund.

Fair Values of Financial Derivative Instruments on the Consolidated Statements of Assets and Liabilities as of June 30, 2015:

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Financial Derivative Instruments - Assets</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 485	\$ 485
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 12,687	\$ 0	\$ 12,687
	\$ 0	\$ 0	\$ 0	\$ 12,687	\$ 485	\$ 13,172
<b>Financial Derivative Instruments - Liabilities</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162	\$ 162
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 5,333	\$ 0	\$ 5,333
Swap Agreements	0	12,059	0	0	67	12,126
	\$ 0	\$ 12,059	\$ 0	\$ 5,333	\$ 67	\$ 17,459
	\$ 0	\$ 12,059	\$ 0	\$ 5,333	\$ 229	\$ 17,621

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June 30, 2015

**The Effect of Financial Derivative Instruments on the Consolidated Statements of Operations for the period ended June 30, 2015 <sup>(1)</sup>:**

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Net Realized Gain (Loss) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,423)	\$ (5,423)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 255	\$ 0	\$ 255
Swap Agreements	0	(410)	0	0	0	(410)
	\$ 0	\$ (410)	\$ 0	\$ 255	\$ 0	\$ (155)
	\$ 0	\$ (410)	\$ 0	\$ 255	\$ (5,423)	\$ (5,578)
<b>Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						
Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,234	\$ 22,234
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ (15,936)	\$ 0	\$ (15,936)
Swap Agreements	0	(364)	0	0	21	(343)
	\$ 0	\$ (364)	\$ 0	\$ (15,936)	\$ 21	\$ (16,279)
	\$ 0	\$ (364)	\$ 0	\$ (15,936)	\$ 22,255	\$ 5,955

<sup>(1)</sup> Fiscal year end changed from March 31<sup>st</sup> to June 30<sup>th</sup>.**The Effect of Financial Derivative Instruments on the Consolidated Statements of Operations for the year ended March 31, 2015:**

	Derivatives not accounted for as hedging instruments					Total
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	
<b>Net Realized Gain (Loss) on Financial Derivative Instruments</b>						
Exchange-traded or centrally cleared						

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Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,188)	\$ (9,188)
Over the counter						
Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 37,630	\$ 0	\$ 37,630
Swap Agreements	0	5,589	0	0	0	5,589
	\$ 0	\$ 5,589	\$ 0	\$ 37,630	\$ 0	\$ 43,219
	\$ 0	\$ 5,589	\$ 0	\$ 37,630	\$ (9,188)	\$ 34,031

**Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments**

Exchange-traded or centrally cleared

Swap Agreements	\$ 0	\$ 0	\$ 0	\$ 0	\$ (39,067)	\$ (39,067)
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Over the counter

Forward Foreign Currency Contracts	\$ 0	\$ 0	\$ 0	\$ 27,596	\$ 0	\$ 27,596
Swap Agreements	0	887	(20)	0	(74)	793
	\$ 0	\$ 887	\$ (20)	\$ 27,596	\$ (74)	\$ 28,389
	\$ 0	\$ 887	\$ (20)	\$ 27,596	\$ (39,141)	\$ (10,678)

See Accompanying Notes

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**Table of Contents****Consolidated Schedule of Investments PIMCO Dynamic Income Fund (Cont.)****FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of June 30, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2015
<b>Investments in Securities, at Value</b>				
Bank Loan Obligations	\$ 0	\$ 14,249	\$ 725	\$ 14,974
Corporate Bonds & Notes				
Banking & Finance	0	124,620	36,902	161,522
Industrials	0	89,850	10,642	100,492
Utilities	0	75,905	0	75,905
U.S. Government Agencies	0	31,269	0	31,269
Mortgage-Backed Securities	0	1,347,833	19,218	1,367,051
Asset-Backed Securities	0	361,862	0	361,862
Sovereign Issues	0	88,384	0	88,384
Common Stocks				
Financials	65	0	666	731
Utilities	7,771	0	0	7,771
Preferred Securities				
Banking & Finance	0	3,791	0	3,791
Short-Term Instruments				
Repurchase Agreements	0	56,487	0	56,487
				Fair Value at 06/30/2015
<b>Category and Subcategory</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value at 06/30/2015</b>
Short-Term Notes	\$ 0	\$ 47,995	\$ 0	\$ 47,995
U.S. Treasury Bills	0	19,121	0	19,121
<b>Total Investments</b>	<b>\$ 7,836</b>	<b>\$ 2,261,366</b>	<b>\$ 68,153</b>	<b>\$ 2,337,355</b>
<b>Financial Derivative Instruments - Assets</b>				
Exchange-traded or centrally cleared	0	485	0	485
Over the counter	0	12,687	0	12,687
	\$ 0	\$ 13,172	\$ 0	\$ 13,172
<b>Financial Derivative Instruments - Liabilities</b>				
Exchange-traded or centrally cleared	0	(162)	0	(162)
Over the counter	0	(17,459)	0	(17,459)
	\$ 0	\$ (17,621)	\$ 0	\$ (17,621)
<b>Totals</b>	<b>\$ 7,836</b>	<b>\$ 2,256,917</b>	<b>\$ 68,153</b>	<b>\$ 2,332,906</b>

There were no significant transfers between Levels 1 and 2 during the period ended June 30, 2015.



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The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the period ended June 30, 2015:

Category and Subcategory	Beginning Balance at 03/31/2015	Net Purchases (1)	Net Sales (1)	Accrued Discounts/ Premiums (1)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/Depreciation (1)	Transfers in Level 3	Transfers out of Level 3	Ending Balance at 06/30/2015	Net Change in Unrealized Appreciation/Depreciation on Investments Held at 06/30/2015 (2)
<b>Investments in Securities, at Value</b>										
Bank Loan Obligations	\$ 20,759	\$ 0	\$ (21,879)	\$ (98)	\$ 265	\$ 1,678	\$ 0	\$ 0	\$ 725	\$ 325
<b>Corporate Bonds &amp; Notes</b>										
Banking & Finance	37,680	0	(226)	23	4	(579)	0	0	36,902	(588)
Industrials	13,664	0	0	5	0	(97)	0	(2,930)	10,642	(6)
Mortgage-Backed Securities	49,069	11,359	(97)	5	5	(1,026)	0	(40,097)	19,218	(347)
<b>Common Stocks</b>										
Financials	0	982	0	0	0	(316)	0	0	666	(316)
	\$ 121,172	\$ 12,341	\$ (22,202)	\$ (65)	\$ 274	\$ (340)	\$ 0	\$ (43,027)	\$ 68,153	\$ (932)
<b>Financial Derivative Instruments - Assets</b>										
Over the counter	2,065	696	(1,169)	0	(405)	(1,187)	0	0	0	0
Totals	\$ 123,237	\$ 13,037	\$ (23,371)	\$ (65)	\$ (131)	\$ (1,527)	\$ 0	\$ (43,027)	\$ 68,153	\$ (932)

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See Accompanying Notes

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The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 06/30/2015	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
<b>Investments in Securities, at Value</b>				
Bank Loan Obligations	\$ 725	Other Valuation Techniques <sup>(3)</sup>		
<b>Corporate Bonds &amp; Notes</b>				
Banking & Finance	36,902	Proxy Pricing	Base Price	100.00-102.67
Industrials	10,642	Proxy Pricing	Base Price	100.00
Mortgage-Backed Securities	2,431	Other Valuation Techniques <sup>(3)</sup>		
	16,787	Proxy Pricing	Base Price	97.50-103.26
<b>Common Stocks</b>				
Financials	666	Other Valuation Techniques <sup>(3)</sup>		
Total	\$ 68,153			

(1) Net Purchases and Sales for Financial Derivative Instruments may include payments made or received upon entering into swap agreements to compensate for differences between the stated terms of the swap agreement and prevailing market conditions.

(2) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at June 30, 2015 may be due to an investment no longer held or categorized as Level 3 at period end.

(3) Includes valuation techniques not defined in the Notes to Financial Statements as securities valued using such techniques that are not considered significant to the Fund.

See Accompanying Notes

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**Table of Contents****Notes to Financial Statements****1. ORGANIZATION**

PCM Fund, Inc., PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc., PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund (each a Fund and collectively the Funds) are organized as closed-end management investment companies registered under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the Act). PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund (each a Fund and collectively the Funds) were organized as Massachusetts business trusts on the dates shown in the table below. PCM Fund, Inc. and PIMCO Strategic Income Fund, Inc. were organized as Maryland corporations on the dates shown in the table below. PCM Fund, Inc., PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc. and PIMCO Dynamic Income Fund are classified as diversified funds and PIMCO Dynamic Credit Income Fund is classified as a non-diversified fund. Pacific Investment Management Company LLC (PIMCO or the Manager) serves as the Funds investment manager.

<b>Fund Name</b>	<b>Formation Date</b>
PCM Fund, Inc.	June 23, 1993
PIMCO Global StocksPLUS® & Income Fund	February 16, 2005
PIMCO Income Opportunity Fund	September 12, 2007
PIMCO Strategic Income Fund, Inc.	December 9, 1993
PIMCO Dynamic Credit Income Fund	September 27, 2012
PIMCO Dynamic Income Fund	January 19, 2011

Prior to the close of business on September 5, 2014, Allianz Global Investors Fund Management LLC (AGIFM) and PIMCO served as the

Funds investment manager and sub-adviser, respectively. Effective at the close of business on September 5, 2014, each Fund entered into a new investment management agreement (the Agreement) with PIMCO, pursuant to which PIMCO replaced AGIFM as the investment manager to the Funds. Under the Agreement, PIMCO continues to provide the day-to-day portfolio management services it provided to each Fund as its sub-adviser and also assumed responsibility for providing the supervisory and administrative services previously provided by AGIFM to each Fund as its investment manager. PIMCO personnel have replaced AGIFM personnel as Fund officers and in other roles to provide and oversee the administrative, accounting/financial reporting, compliance, legal, marketing, transfer agency, shareholder servicing and other services required for the daily operations of each Fund. Please see Fees and Expenses below for additional information.

PCM Fund, Inc. has the authority to issue 300 million shares of \$0.001 par value common stock. PIMCO Strategic Income Fund, Inc. has the authority to issue 500 million shares of \$0.00001 par value common stock. PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund have authorized an unlimited number of Common Shares at a par value of \$0.00001 per share. PIMCO Dynamic Credit Income Fund issued 121,000,000 shares in its initial public offering. An additional 16,204,500 shares were issued in connection with the underwriter's over-allotment option. These shares were all issued at \$25.00 per share before an underwriting discount of \$1.125 per share. Offering costs of \$1,895,440 (representing approximately \$0.01 per share) were offset against the proceeds of the offering and over-allotment option and have been charged to paid-in capital in excess of par.

The Boards of Trustees/Directors (collectively, the Board) of the Funds approved a change of the fiscal year end of each Fund on December 16, 2014 as set forth in the table below:

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Fund Name	Prior Fiscal Year End	Current Fiscal Year End	Effective Date
PCM Fund, Inc.	December 31	June 30	Immediately following December 31, 2014
PIMCO Global StocksPLUS® & Income Fund	March 31	June 30	Immediately following March 31, 2015
PIMCO Income Opportunity Fund	October 31	June 30	Immediately following December 16, 2014
PIMCO Strategic Income Fund, Inc.	January 31	June 30	Immediately following January 31, 2015
PIMCO Dynamic Credit Income Fund	December 31	June 30	Immediately following December 31, 2014
PIMCO Dynamic Income Fund	March 31	June 30	Immediately following March 31, 2015

Hereinafter, the terms "Trustee" or "Trustees" shall refer to a Director or Directors of applicable Funds.

The preparation of each Fund's financial statements reflects the change in the fiscal year end.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ( "U.S. GAAP" ). Each fund is treated as

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an investment company under the reporting requirements of U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**(a) Securities Transactions and Investment Income** Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled 15 days or more after the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as a Fund is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation/depreciation on investments on the Statements of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain/loss on investments on the Statements of Operations. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statements of Operations. Income or short-term capital gain distributions received from underlying funds are recorded as dividend income. Long-term capital gain distributions received from underlying funds are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

**(b) Cash and Foreign Currency** The functional and reporting currency for the Funds is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Funds do not separately report the effects of changes in foreign

exchange rates from changes in market prices on securities held. Such changes are included in net realized and net changes in unrealized gain or loss from investments on the Statements of Operations. The Funds may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract (see Financial Derivative Instruments). Realized foreign exchange gains or losses arising from sales of spot foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid are included in net realized gain or loss on foreign currency transactions on the Statements of Operations. Net unrealized foreign exchange gains and losses arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period are included in net change in unrealized appreciation or depreciation on foreign currency assets and liabilities on the Statements of Operations.

**(c) Distributions** **Common Shares** The Funds intend to declare distributions from net investment income and gains from the sale of portfolio securities and other sources to common shareholders monthly. Net realized capital gains earned by each Fund, if any, will be distributed no less frequently than once each year. A Fund may engage in investment strategies, including the use of derivatives, to, among other things, generate current, distributable income without regard to possible declines in the Fund's net asset value. A Fund's income and gain-generating strategies, including certain derivatives strategies, may generate current income and gains for monthly distributions even in situations when the Fund has

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experienced a decline in net assets, including losses due to adverse changes in securities markets or the Fund's portfolio of investments, including derivatives. Consequently, common shareholders may receive distributions and owe tax at a time when their investment in a Fund has declined in value, which tax may be at ordinary income rates. Also, the tax treatment of certain derivatives may be open to different interpretations. Any recharacterization of payments made or received by a Fund pursuant to derivatives potentially could affect the amount, timing or character of Fund distributions. In addition, the tax treatment of such investment strategies may be changed by regulation or otherwise.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of

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**Notes to Financial Statements (Cont.)**

investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on each Fund's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the accompanying Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income, accumulated undistributed/(overdistributed) net realized gains or losses and/or paid in capital to more appropriately conform financial accounting to tax characterizations of distributions.

(d) **Statements of Cash Flows** U.S. GAAP requires entities providing financial statements that report both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided, but exempts investment companies meeting certain conditions. One of the conditions is that substantially all of the enterprise's investments were carried at fair value during the period and classified as Level 1 or Level 2 in the fair value hierarchy in accordance with the requirements of U.S. GAAP. Another condition is that the enterprise had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. Funds with certain degrees of borrowing activity, typically through the use of reverse repurchase agreements, or sale-buyback transactions, have been determined to be at a level requiring a Statement of Cash Flows. Statements of Cash Flows, as applicable, have been prepared using the indirect method which requires net change in net assets resulting from operations to be adjusted to reconcile to net cash flows from operating activities.

(e) **New Accounting Pronouncements** In June 2013, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ), ASU 2013-08, providing updated guidance for assessing whether an entity is an investment company and for the measurement of noncontrolling ownership interests in other investment companies. This update became effective for interim or annual periods beginning on or after December 15, 2013. The Funds have adopted the ASU as they follow the investment company reporting requirements under U.S. GAAP. The implementation of the ASU did not have an impact on the Funds' financial statements.

In June 2014, the FASB issued ASU 2014-11 that expanded secured borrowing accounting for certain repurchase agreements. The ASU also sets forth additional disclosure requirements for certain transactions accounted for as sales in order to provide financial statement users with information to compare to similar transactions accounted for as secured borrowings. The ASU became effective prospectively for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. All the Funds except for PIMCO Income Opportunity Fund have adopted the ASU. The financial statements have been modified to provide enhanced disclosures surrounding secured borrowing transactions. See the Notes to Schedule of Investments for additional details. At this time, management is evaluating the implications of these changes on the financial statements of PIMCO Income Opportunity Fund.

In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. At this time, management is evaluating the implications of these changes on the financial statements.

### 3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) **Investment Valuation Policies** The NAV of a Fund's shares is determined by dividing the total value of a Fund's portfolio investments and other assets, less any liabilities, by the total number of shares outstanding. Fund shares are ordinarily valued as of the NYSE Close on each day that the NYSE is open. Information that becomes known to the Funds or their agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. Each Fund reserves the right to change the time its respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Funds' approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Funds will normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one

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exchange is typically valued using pricing information from the exchange considered by the manager to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of a Fund's assets that are invested in one or more open-end management investment companies, a Fund's NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees. Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, a Fund may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, a Fund may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. A Fund may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when a Fund is not open for business, which may result in a Fund's portfolio investments being affected when you are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active

secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the NAV of a Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that a Fund is not open for business. As a result, to the extent that a Fund holds foreign (non-U.S.) securities, the NAV of a Fund's shares may change at times when you cannot buy or sell shares. Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board of Trustees, generally based on recommendations provided by PIMCO. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, broker quotes, Pricing Services prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of a Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading

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for the entire day and no other market prices are available. The Board has delegated to PIMCO the responsibility for monitoring significant events that may materially affect the values of a Fund's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Fund uses fair valuation to determine its NAV, securities will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board of Trustees or persons acting at their direction believe reflects

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fair value. Fair valuation may require subjective determinations about the value of a security. While the Funds' policy is intended to result in a calculation of a Fund's NAV that fairly reflects security values as of the time of pricing, the Funds cannot ensure that fair values determined by the Board of Trustees or persons acting at their direction would accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Fund may differ from the value that would be realized if the securities were sold.

(b) **Fair Value Hierarchy** U.S. GAAP describes fair value as the price that a Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- <sup>n</sup> Level 1 Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets or liabilities.
- <sup>n</sup> Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- <sup>n</sup> Level 3 Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

Assets or liabilities categorized as Level 2 or 3 as of period end have been transferred between Levels 2 and 3 since the prior period due to changes in the valuation method utilized in valuing the investments. Transfers from Level 2 to Level 3 are a result of a change, in the normal course of business, from the use of valuation methods used by third-party pricing services (Level 2) to the use of a broker quote or valuation technique which utilizes significant unobservable inputs due to an absence of current or reliable market-based data (Level 3). Transfers from Level 3 to Level 2 are a result of the availability of current and reliable market-based data provided by third-party pricing services or other valuation techniques which utilize significant observable inputs. In accordance with the requirements of U.S. GAAP, the amounts of

transfers between Levels 1 and 2 and transfers in and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments of each respective Fund.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of a Fund's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for each respective Fund.

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(c) Valuation Techniques and the Fair Value Hierarchy Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or techniques ) and significant inputs used in determining the fair values of portfolio securities or other assets categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The service providers' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

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Common stocks, exchange-traded funds, exchange-traded notes and financial derivative instruments, such as futures contracts or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Investments valued (denominated) in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates (currency spot and forward rates) obtained from pricing service providers. As a result, the NAV of a Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that a Fund is not open for business. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as

Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. These investments are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. Other than swap agreements, which are valued using a broker-dealer bid quotation or on market-based prices provided by pricing services or other pricing sources, these contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined at the close of the New York market). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by a pricing service provider using a series of

techniques, including simulation pricing models. The pricing models use

inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange (if available). For centrally cleared credit default swaps the clearing facility requires its members to provide actionable price levels across complete term structures. These levels, along with external third-party prices, are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate

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( LIBOR ) forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

**Level 3 trading assets and trading liabilities, at fair value** When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, securities will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy. The valuation techniques and significant inputs used in determining the fair values of portfolio assets and liabilities categorized as Level 3 of the fair value hierarchy are as follows:

Proxy pricing procedures set the base price of a fixed income security and subsequently adjust the price proportionally to market value changes of a pre-determined security deemed to be comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Oversight Committee. Significant changes in the unobservable inputs of the proxy pricing process (the base price) would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy.

If third-party evaluated vendor pricing is not available or not deemed to be indicative of fair value, the Manager may elect to obtain indicative market quotations ( broker quotes ) directly from the broker-dealer or passed through from a third-party vendor. In the event that fair value is based upon a single sourced broker quote, these securities are categorized as Level 3 of the fair value hierarchy. Broker quotes are typically received from established market participants. Although independently received, the Manager does not have the transparency to view the underlying inputs which support the market quotation.

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Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

The validity of the fair value is reviewed by PIMCO on a periodic basis and may be amended as the availability of market data indicates a material change.

## **4. SECURITIES AND OTHER INVESTMENTS**

### **(a) Investments in Securities**

**Loan Participations, Assignments and Originations** Certain Funds may invest in direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. A Fund's investments in loans may be in the form of direct investments, participations in loans or assignments of all or a portion of loans from third parties, or originations of loans by a Fund or Funds. A loan is often administered by a bank or other financial institution (the lender) that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. A Fund may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. A Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, a Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement.

In the event of the insolvency of the lender selling a participation, a Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. When a Fund purchases assignments from lenders it acquires direct rights against the borrower of the loan. These loans may include participations in bridge loans, which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions.

Investments in loans are generally subject to risks similar to those of investments in other types of debt obligations, including, among others, credit risk, interest rate risk, variable and floating rate securities risk, and risks associated with mortgage-related securities. In addition, in many cases loans are subject to the risks associated with below-investment grade securities. The Funds may be subject to heightened or additional risks and potential liabilities and costs by investing in mezzanine and other subordinated loans or acting as an originator of loans, including those arising under bankruptcy, fraudulent conveyance, equitable subordination, lender liability, environmental and other laws and regulations, and risks and costs associated with debt servicing and taking foreclosure actions associated with the loans. To the extent that a Fund originates a loan, it may be responsible for all or a substantial portion of the expenses associated with initiating the loan. This may include significant legal and due diligence expenses,

which will be indirectly borne by the Fund and its shareholders. A Fund may pay fees and expenses associated with originating a loan, including significant legal and due diligence expenses, irrespective of whether the loan transaction is ultimately consummated or closed.

The types of loans and related investments in which the Funds may invest include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Funds may originate loans or acquire direct interests in loans through primary loan distributions and/or in private transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower's obligation to the holder of such a loan, including in the

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event of the borrower's insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage.

Investments in loans may include unfunded loan commitments, which are contractual obligations for future funding. Unfunded loan commitments may include revolving credit facilities, which may obligate a Fund to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the committed amount may not be utilized by the borrower. When investing in a loan participation, a Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan agreement and only upon receipt of payments by the lender from the borrower. A Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan. In certain circumstances, a Fund may receive a penalty fee upon the prepayment of a loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statements of Operations. As of June 30, 2015, the Funds had no unfunded loan commitments outstanding.

**Mortgage-Related and Other Asset-Backed Securities** Certain Funds may invest in mortgage-related and other asset-backed securities that directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is



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guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

**Collateralized Mortgage Obligations ( CMOs )** are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as tranches, with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

As CMOs have evolved, some classes of CMO bonds have become more common. For example, the Funds may invest in parallel-pay and planned amortization class ( PAC ) CMOs and multi-class pass-through certificates. Parallel-pay CMOs and multi-class pass-through certificates are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO and multi-class pass-through structures, must be retired by its stated maturity date or final distribution date but may be retired earlier. PACs generally require payments of a specified amount of principal on each payment date. PACs are parallel-pay CMOs with the required principal amount on such securities having the highest priority after interest has been paid to all classes. Any CMO or multi-class pass through structure that includes PAC securities must also have support tranches known as support bonds, companion bonds or non-PAC bonds which lend or absorb principal cash flows to allow the PAC securities to maintain their stated maturities and final distribution dates within a range of actual prepayment experience. These support tranches are subject to a higher level of maturity risk compared to other mortgage-related securities, and usually provide a higher yield to compensate investors. If principal cash flows are received in amounts outside a pre-determined range such that the support bonds cannot lend or absorb sufficient cash flows to the PAC securities as intended, the PAC securities are

subject to heightened maturity risk. The Funds may invest in various tranches of CMO bonds, including support bonds.

**Collateralized Debt Obligations ( CDOs )** include Collateralized Bond Obligations ( CBOs ), Collateralized Loan Obligations ( CLOs ) and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is typically backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. For both CBOs and CLOs, the cash flows from the trust are split into two or more portions, called tranches, varying in risk and yield. The riskiest portion is the equity tranche which bears the bulk of defaults from the bonds or loans in the trust and serves to protect the other, more senior tranches from default in all but the most severe circumstances. Since it is partially protected from defaults, a senior tranche from a CBO trust or CLO trust typically has higher ratings and lower yields than the underlying securities, and can be rated investment grade. Despite the protection from the equity tranche, CBO or CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults and aversion to CBO or CLO securities as a class. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which a Fund invests. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the collateral may decline in value or default, (iii) a Fund may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

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**Stripped Mortgage-Backed Securities ( SMBS )** are derivative multi-class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. An SMBS will have one class that will receive all of the interest (the interest-only or IO class), while the other class will receive the entire principal (the principal-only or PO class). IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. The yield to maturity on an IO class is extremely

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sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on a Fund's yield to maturity from these securities. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Funds may fail to recoup some or all of its initial investment in these securities even if the security is in one of the highest rating categories. Payments received for IOs are included in interest income on the Statements of Operations. Because no principal will be received at the maturity of an IO, adjustments are made to the cost of the security on a monthly basis until maturity. These adjustments are included in interest income on the Statements of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

**Payment In-Kind Securities** Certain Funds may invest in payment in-kind securities (PIKs). PIKs may give the issuer the option at each interest payment date of making interest payments in either cash or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a dirty price) and require a pro rata adjustment from the unrealized appreciation or depreciation on investments to interest receivable on the Statements of Assets and Liabilities.

**Restricted Securities** Certain Funds may invest in securities that are subject to legal or contractual restrictions on resale. These securities may be sold privately, but are required to be registered or exempted from such registration before being sold to the public. Private placement securities are generally considered to be restricted except for those securities traded between qualified institutional investors under the provisions of Rule 144A of the Securities Act of 1933. Disposal of restricted securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult to achieve. Restricted securities outstanding at June 30, 2015 are disclosed in the Notes to Schedules of Investments.

**U.S. Government Agencies or Government-Sponsored Enterprises** Certain Funds may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association (GNMA or Ginnie Mae), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the U.S. Treasury); and others, such as those of the Federal National Mortgage Association (FNMA or Fannie Mae), are supported by the discretionary

authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. 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 issues Participation Certificates (PCs), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

**5. BORROWINGS AND OTHER FINANCING TRANSACTIONS**

The following disclosures contain information on a Fund's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by a Fund. The location and fair value amounts of these instruments are described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 7, Principal Risks.

(a) **Repurchase Agreements** Certain Funds may engage in repurchase agreements. Under the terms of a typical repurchase agreement, a Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and a Fund to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, including accrued interest, are included on the Statements of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statements of Operations. In periods of increased demand for collateral, a Fund may pay a fee for receipt of collateral, which may result in interest expense to the Fund.

(b) **Reverse Repurchase Agreements** Certain Funds may enter into reverse repurchase agreements. In a reverse repurchase agreement, a Fund delivers a security in exchange for cash to a financial institution,

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the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. A Fund is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by a Fund to counterparties are reflected as a liability on the Statements of Assets and Liabilities. Interest payments made by a Fund to counterparties are recorded as a component of interest expense on the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, a Fund's use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities to be repurchased may decline below the repurchase price (see Note 7, Principal Risks).

(c) **Sale-Buybacks** Certain Funds may enter into financing transactions referred to as sale-buybacks. A sale-buyback transaction consists of a sale of a security by a Fund to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. A Fund is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by a Fund are reflected as a liability on the Statements of Assets and Liabilities. A Fund will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the price drop. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, a Fund would have otherwise received had the security not been sold and (ii) the negotiated financing terms between a Fund and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statements of Operations. Interest payments based upon negotiated financing terms made by a Fund to counterparties are recorded as a component of interest expense on the Statements of Operations. In periods of increased demand for the security, a Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. A Fund will segregate assets determined to be liquid by PIMCO or will otherwise cover its obligations under sale-buyback transactions. Sale-buybacks involve leverage risk and also the risk that the market value of the securities to be repurchased may decline below the repurchase price (see Note 7, Principal Risks).

(d) **Short Sales** Certain Funds may enter into short sales transactions. A short sale is a transaction in which a Fund sells a security or other instrument it does not own. When a Fund engages in a short sale of a security, it must borrow the security sold short and deliver it to the counterparty. Short sales expose a Fund to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Fund. A Fund's loss on a short sale could theoretically be unlimited in a case in which the Fund is unable, for whatever reason, to close out its short position. Securities sold in short sale transactions and the interest payable on such securities, if any, are reflected as a liability on the Statements of Assets and Liabilities.

(e) **Mortgage Dollar Rolls** Certain Funds may enter into mortgage dollar roll transactions. Mortgage dollar rolls involve a Fund selling securities for delivery in the current month and simultaneously contracting to repurchase substantially similar (same type, same or similar interest and maturity) securities on a specified future date. The difference between the selling price and future purchase price is an adjustment to interest income on the Statement of Operations. During the roll period, a Fund forgoes principal and interest paid on the securities. A Fund accounts for rolls as financing transactions. A Fund's dollar roll transactions are intended to enhance the Fund's yield by earning a spread between the yield on the underlying mortgage securities and short-term interest rates. Dollar rolls involve leverage risk and also the risk that the market value of the securities to be repurchased may decline below the repurchase price (see Note 7, Principal Risks).

**6. FINANCIAL DERIVATIVE INSTRUMENTS**

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The following disclosures contain information on how and why the Funds use financial derivative instruments, the credit-risk-related contingent features in certain financial derivative instruments, and how financial derivative instruments affect the Funds' financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statements of Assets and Liabilities and the realized and changes in unrealized gains and losses on the Statements of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedules of Investments. The financial derivative instruments outstanding as of period end and the amounts of realized and changes in unrealized gains and losses on financial derivative instruments during the period, as disclosed in the Notes to Schedules of Investments, serve as indicators of the volume of financial derivative activity for the Funds.

PIMCO Global StocksPLUS® & Income Fund is subject to regulation as a commodity pool under the Commodity Exchange Act pursuant to

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recent rule changes by the Commodity Futures Trading Commission (the CFTC). The Manager has registered with the CFTC as a Commodity Pool Operator and a Commodity Trading Adviser with respect to the Fund, and is a member of the National Futures Association. As a result, additional CFTC-mandated disclosure, reporting and recordkeeping obligations apply to PIMCO Global StocksPLUS® & Income Fund. Compliance with the CFTC's regulatory requirements could increase PIMCO Global StocksPLUS® & Income Fund's expenses, adversely affecting its total return.

(a) **Forward Foreign Currency Contracts** Certain Funds may enter into forward foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of a Fund's securities or as a part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by a Fund as an unrealized gain or loss. Realized gains or losses are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. The contractual obligations of a buyer or seller of a forward foreign currency contract may generally be satisfied by taking or making physical delivery of the underlying currency, establishing an opposite position in the contract and recognizing the profit or loss on both positions simultaneously on the delivery date or, in some instances, paying a cash settlement before the designated date of delivery. These contracts may involve market risk in excess of the unrealized gain or loss reflected on the Statements of Assets and Liabilities. Although forwards may be intended to minimize the risk of loss due to a decline in the value of the hedged currencies, at the same time, they tend to limit any potential gain which might result should the value of such currencies increase. In addition, a Fund could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) **Futures Contracts** Certain Funds may enter into futures contracts. A Fund may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. Generally, a futures contract provides for the future sale by one party and purchase by another party of a specified quantity of the security or other financial instrument at a specified price and time. The primary risks associated with the use of futures contracts involve the imperfect correlation between the change in market value of the securities held by a Fund and the prices of futures contracts and the

possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, a Fund is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Fund (variation margin). Gains or losses are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of variation margin disclosed within exchange traded or centrally cleared financial derivative instruments on the Statements of Assets and Liabilities.

(c) **Options Contracts** Certain Funds may write call and put options on securities and financial derivative instruments they own or in which they may invest. An option on an instrument (or an index) is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the instrument underlying the option (or the cash value of the index) at a specified exercise price at any time during the term of the option. Writing put options tends to increase a Fund's exposure to the underlying instrument. Writing call options tends to decrease a Fund's exposure to the underlying instrument. When a Fund writes a call or put, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are included on the Statements of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain or loss. Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. A Fund as a writer of an option has no control over whether the underlying instrument may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk a Fund

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may not be able to enter into a closing transaction because of an illiquid market.

Certain Funds may also purchase put and call options. Purchasing call options tends to increase a Fund's exposure to the underlying instrument. Purchasing put options tends to decrease a Fund's exposure to the underlying instrument. A Fund pays a premium which is included as an asset on the Statements of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated

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as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain or loss when the underlying transaction is executed.

**Options on Exchange-Traded Futures Contracts** Certain Funds may write or purchase options on exchange-traded futures contracts ( Futures Option ) to hedge an existing position or future investment, for speculative purposes or to manage exposure to market movements. A Futures Option is an option contract in which the underlying instrument is a single futures contract.

**Options on Securities** Certain Funds may write or purchase options on securities. An option uses a specified security as the underlying instrument for the option contract. A Fund may write or purchase options to enhance returns or to hedge an existing position or future investment.

**(d) Swap Agreements** Certain Funds may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between a Fund and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ( OTC swaps ) or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ( centrally cleared swaps ). A Fund may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin 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.

Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation/(depreciation) on the Statements of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a variation margin on the Statements of Assets and Liabilities. OTC swap payments received or paid at the beginning of the measurement period are included on the Statements of Assets and Liabilities and represent premiums paid 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). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gains or losses on the Statements 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 Statements of Operations. Net periodic payments received or paid by a Fund are included as part of realized gains or losses on the Statements of Operations.

Entering into these agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its 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.

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A Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk is mitigated by having a master netting arrangement between a Fund and the counterparty and by the posting of collateral to a Fund to cover a Fund's exposure to the counterparty.

**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 that the referenced entity, obligation or index, as specified in the agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, a 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, a Fund would effectively add leverage to its portfolio because, in addition to its total net assets, a Fund would be subject to investment exposure on the notional amount of the swap.

If a Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, a 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 a Fund is a buyer of protection and a credit

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event occurs, as defined under the terms of that particular swap agreement, a 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 estimated 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 or sovereign issues 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). Credit default swaps on corporate or sovereign issues may be used to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a 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 or sovereign issues, 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. Credit default swaps on asset-backed securities may be used 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 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 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. Credit default swaps on credit indices may be used to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect or to take an active long or short position with respect to the likelihood of a particular referenced obligation's default. Credit default swaps on indices are instruments often used to attempt to protect 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 or sovereign issues as of period end are disclosed in the Notes to Schedules of Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. 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

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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. 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. 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 a Fund as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap

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agreement outstanding as of period end for which a Fund is the seller of protection are disclosed in the Notes to Schedules of Investments. 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 a Fund for the same referenced entity or entities.

**Interest Rate Swap Agreements** Certain Funds are subject to interest rate risk exposure in the normal course of pursuing their investment objectives. If a Fund holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, a Fund may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by a Fund with another party for their respective commitment to pay or receive interest on 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 buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at 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 swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

**Total Return Swap Agreements** Certain Funds may enter into total return swap agreements to gain or mitigate exposure to the underlying reference. Total return swap agreements involve commitments where single or multiple cash flows are exchanged based on the price of an underlying reference and on a fixed or variable interest rate. Total return swap agreements may involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may include an underlying equity, index, or bond, and in return receives a fixed or variable rate. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference less a financing rate, if any. As a receiver, a Fund would receive payments based on any positive total return and would owe payments in the event of a negative total return. As the payer, a Fund would owe payments on any net positive total

return, and would receive payments in the event of a negative total return. A Fund's use of a total return swap exposes the Fund to credit loss in the event of nonperformance by the swap counterparty. Risk may also arise from the unanticipated movements in value of exchange rates, interest rates, securities, or the index.

**Asset Segregation** Certain of the transactions described above can be viewed as constituting a form of borrowing or financing transaction by the Fund. In such event, the Fund may, but is not required to, elect to cover its commitment under such transactions by segregating or earmarking assets in accordance with procedures adopted by the Board of Trustees, in which case such transactions will not be considered senior securities by the Fund. With respect to forwards, futures contracts, options and swaps that are contractually permitted or required to cash settle (i.e., where physical delivery of the underlying reference asset is not required), the Fund is permitted to segregate or earmark liquid assets equal to the Fund's daily marked-to-market net obligation under the derivative instrument, if any, rather than the derivative's full notional value. By segregating or earmarking liquid assets equal to only its net marked-to-market obligation under derivatives that are required to cash settle, the Fund will have the ability to employ leverage to a greater extent than if the Fund were to segregate or earmark liquid assets equal to the full notional value of the derivative.

## 7. PRINCIPAL RISKS

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Funds may be subject to, please see the Important Information About the Funds.

**Market Risks** A Fund's investments in financial derivatives and other financial instruments expose the Fund to various risks such as, but not limited to, interest rate, foreign currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a Fund may lose money if these changes are not anticipated by Fund management. A Fund may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more

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volatile than securities with shorter durations. Duration is useful primarily as a measure of the sensitivity of a security's market price to interest rate (i.e. yield) movements. At present, the U.S. is experiencing historically low interest rates. This, combined with recent economic recovery and the Federal Reserve Board's conclusion of its quantitative easing program, could potentially increase the probability of an upward interest rate environment in the near future. Further, while U.S. bond markets have steadily grown over the past three decades, dealer market making ability has remained relatively stagnant. Given the importance of intermediary market making in creating a robust and active market, fixed income securities may face increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause a Fund to lose value.

Foreign (non U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

If a Fund invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in financial derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Fund, or, in the case of hedging positions, that the Fund's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Fund's investments in foreign currency denominated securities may reduce the Fund's returns.

The market values of the Fund's investments may decline due to general market conditions which are not specifically related to a particular company or issuer, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities, although under certain market conditions fixed income securities may have comparable or greater price volatility. Credit ratings downgrades may also negatively affect securities held by a Fund. Even when markets perform well, there is no assurance that the investments held by a Fund will increase in value along with the broader market. In addition, market risk includes the risk that geopolitical events will disrupt the economy on a national or global level.

**Credit and Counterparty Risks** A Fund will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. A Fund seeks to minimize concentrations of credit risk by undertaking transactions with a large number of counterparties on recognized and reputable exchanges, where applicable. A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Similar to credit risk, a Fund may be exposed to counterparty risk, or the risk that an institution or other entity with which a Fund has unsettled or open transactions will default. PIMCO, as Manager, seeks to minimize counterparty risks to a Fund in a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to a Fund exceed a predetermined threshold, such counterparty is required to advance collateral to a Fund in the form of cash or securities equal in value to the unpaid amount owed to a Fund. A Fund may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to a Fund subsequently decreases, a Fund would be required to return to the counterparty all or a portion of the collateral previously advanced to a Fund.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once a Fund has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

**Master Netting Arrangements** The Funds may be subject to various netting arrangements with select counterparties ( Master Agreements ). Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow a Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the

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transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statements of Assets and Liabilities generally show derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to \$250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used. Securities and cash pledged as collateral are reflected as assets in the Statements of Assets and Liabilities as either a component of Investments at value (securities) or Deposits due from Counterparties (cash). Cash collateral received is typically not held in a segregated account and as such is reflected as a liability in the Statements of Assets and Liabilities as Deposits due to Counterparties. The market value of any securities received as collateral is not reflected as a component of net asset value. The Fund's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively Master Repo Agreements) govern repurchase, reverse repurchase, and sale-buyback transactions between the Funds and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements (Master Forward Agreements) govern the considerations and factors surrounding the settlement of certain forward settling transactions, such as To-Be-Announced securities, delayed-delivery or sale-buyback transactions by and between the Funds and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addendums govern cleared derivatives transactions such as futures, options on futures, and cleared

OTC derivatives. Cleared derivatives transactions require posting of initial margin as determined by each relevant clearing agency which is segregated at a broker account registered with the Commodity Futures Trading Commission (CFTC), or the applicable regulator. In the United States, counterparty risk is significantly reduced as creditors of a futures broker do not have a claim to Fund assets in the segregated account. Additionally, portability of exposure in the event of default further reduces risk to the Funds. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives. The market value or accumulated unrealized appreciation or depreciation, initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes (ISDA Master Agreements) govern OTC financial derivative transactions entered into by the Funds and select counterparties. 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 terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

## 8. BASIS FOR CONSOLIDATION

PDILS I LLC and PCILS I LLC (each a Subsidiary and, collectively, the Subsidiaries ), both Delaware LLC exempted companies, were formed as wholly owned subsidiaries acting as investment vehicles for PIMCO Dynamic Income Fund and PIMCO Dynamic Credit Income Fund (for purposes of this section, each a Fund and, collectively, the Funds ), respectively, in order to effect certain investments consistent with each Fund's objectives and policies in effect from time to time. PIMCO Dynamic Income Fund's and PIMCO Dynamic Credit Income Fund's investment portfolios have been consolidated and include the portfolio holdings of each Fund's respective Subsidiary. Accordingly, the consolidated financial statements for each Fund include the accounts of each Fund's respective subsidiary. All inter-company transactions and balances have been eliminated. This structure was established so that certain loans could be held by a separate legal entity from the Funds. As of the date of this report, the only assets held in the Subsidiaries

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were cash. See the table below for details regarding the structure, incorporation and relationship as of period end of the Subsidiaries (amounts in thousands).

	<b>PIMCO Dynamic Credit Income Fund PCILS LLC</b>	<b>PIMCO Dynamic Income Fund PDILS I LLC</b>
<b>Date of Formation</b>	03/07/2013	03/12/2013
<b>Consolidated Fund Net Assets</b>	\$ 3,155,689	\$ 1,426,891
<b>Subsidiary % of Consolidated Fund Net Assets</b>	0.7%	0.7%
<b>Subsidiary Financial Statement Information</b>		
<b>Total assets</b>	\$ 22,809	\$ 9,775
<b>Total liabilities</b>	0	0
<b>Net assets</b>	22,809	9,775
<b>Total income</b>	806	140
<b>Net investment income (loss)</b>	806	140
<b>Net realized gain (loss)</b>	743	318
<b>Net change in unrealized appreciation (depreciation)</b>	0	0
<b>Increase (decrease) in net assets resulting from operations</b>	\$ 1,549	\$ 458

A zero balance may reflect actual amounts rounding to less than one thousand.

**9. FEES AND EXPENSES**

**Management Fee** Effective at the close of business on September 5, 2014, each Fund entered into an Investment Management Agreement with PIMCO (the Agreement). Pursuant to the Agreement, subject to the supervision of the Board, PIMCO is responsible for providing to each Fund investment guidance and policy direction in connection with the management of the Fund, including oral and written research, analysis, advice, and statistical and economic data and information. In addition, pursuant to the Agreement and subject to the general supervision of the Board, PIMCO, at its expense, provides or causes to be furnished most other supervisory and administrative services the Funds require, including but not limited to, expenses of most third-party service providers (e.g., audit, custodial, legal, transfer agency, printing) and other expenses, such as those associated with insurance, proxy solicitations and mailings for shareholder meetings, New York Stock Exchange listing and related fees, tax services, valuation services and other services the Funds require for their daily operations.

Prior to the close of business on September 5, 2014, AGIFM served as the investment manager to each Fund and received annual fees, payable monthly, at the annual rates below. Prior to the close of business on September 5, 2014, AGIFM retained PIMCO as sub-adviser to manage the Funds' investments. AGIFM, and not the Funds, paid a portion of the fees it received as investment manager to PIMCO in return for its services. Management fees, as applicable, paid to AGIFM prior to the close of business on September 5, 2014, are disclosed in the Statements of Operations.

Pursuant to the Agreement, PIMCO receives an annual fee, payable monthly, at the annual rates below:

<b>Fund Name</b>	<b>Annual Rate</b>	<b>AGIFM Annual Rate</b>
PCM Fund, Inc.	0.900% <sup>(1)</sup>	0.800% <sup>(1)</sup>
PIMCO Global StocksPLUS® & Income Fund	1.105% <sup>(2)</sup>	1.000% <sup>(2)</sup>

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PIMCO Income Opportunity Fund	1.055% <sup>(1)</sup>	1.000% <sup>(1)</sup>
PIMCO Strategic Income Fund, Inc.	0.955% <sup>(3)</sup>	0.850% <sup>(3)</sup>
PIMCO Dynamic Credit Income Fund	1.150% <sup>(4)</sup>	1.150% <sup>(4)</sup>
PIMCO Dynamic Income Fund	1.150% <sup>(4)</sup>	1.150% <sup>(4)</sup>

- (1) Management fees calculated based on the Fund's total managed assets. Total managed assets includes the total assets of each Fund (including assets attributable to any reverse repurchase agreements, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements and borrowings).
- (2) Management fees calculated based on the Fund's total managed assets. Total managed assets includes the total assets of each Fund (including assets attributable to any preferred shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings).
- (3) Management fees calculated based on the Fund's average daily net asset value (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).
- (4) Management fees calculated based on the Fund's total managed assets. Total managed assets includes total assets of each Fund (including assets attributable to any reverse repurchase agreements, dollar rolls, borrowings and preferred shares that may be outstanding) minus accrued liabilities (other than liabilities representing reverse repurchase agreements, dollar rolls and borrowings).

Prior to the close of business on September 5, 2014, in addition to the management fee paid to AGIFM, as described above, each Fund directly had borne expenses for other administrative services and costs, including expenses associated with various third-party service providers, such as audit, custodial, legal, transfer agency, printing and other services the Funds require. Effective beginning at the close of business on September 5, 2014, PIMCO (and not the Funds) bears such expenses with respect to each Fund pursuant to its management fee arrangements under the Agreement described above under Management Fee.

**Fund Expenses** Each Fund bears other expenses, which may vary and affect the total level of expenses paid by shareholders, such as (i) salaries and other compensation or expenses, including travel expenses of any of the Fund's executive officers and employees, if any, who are not officers, directors, shareholders, members, partners or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees, if any, levied against the Fund; (iii) brokerage fees and commissions and other portfolio transaction expenses incurred by or for the Fund (including, without limitation, fees and expenses of outside legal counsel or third-party consultants retained in connection with reviewing, negotiating and structuring specialized loan and other investments made by the Fund, subject to specific or general authorization by the Fund's Board); (iv) expenses of the Fund's securities lending (if any), including any securities lending agent fees, as governed by a separate securities lending agreement; (v) costs,

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including interest expense, of borrowing money or engaging in other types of leverage financing, including, without limitation, through the use by the Fund of reverse repurchase agreements, tender option bonds, bank borrowings and credit facilities; (vi) costs, including dividend and/or interest expenses and other costs (including, without limitation, offering and related legal costs, fees to brokers, fees to auction agents, fees to transfer agents, fees to ratings agencies and fees to auditors associated with satisfying ratings agency requirements for preferred shares or other securities issued by the Fund and other related requirements in the Fund's organizational documents) associated with the Fund's issuance, offering, redemption and maintenance of preferred shares, commercial paper or other senior securities for the purpose of incurring leverage; (vii) fees and expenses of any underlying funds or other pooled investment vehicles in which the Fund invests; (viii) dividend and interest expenses on short positions taken by the Fund; (ix) fees and expenses, including travel expenses, and fees and expenses of legal counsel retained for their benefit, of Trustees who are not officers, employees, partners, shareholders or members of PIMCO or its subsidiaries or affiliates; (x) extraordinary expenses, including extraordinary legal expenses, as may arise, including expenses incurred in connection with litigation, proceedings, other claims, and the legal obligations of the Fund to indemnify its Trustees, officers, employees, shareholders, distributors, and agents with respect thereto; (xi) organizational and offering expenses of the Fund, including with respect to share offerings, such as rights offerings and shelf offerings, following the Fund's initial offering, and expenses associated with tender offers and other share repurchases and redemptions; and (xii) expenses of the Fund which are capitalized in accordance with generally accepted accounting principles.

Each of the Trustees of the Funds who is not an interested person under Section 2(a)(19) of the Act, (the Independent Trustees) also serves as a trustee of a number of other closed-end funds for which PIMCO serves as investment manager (together with the Funds, the PIMCO Closed-End Funds), as well as PIMCO Managed Accounts Trust, an open-end investment company with multiple series for which PIMCO serves as investment manager (PMAT and, together with the PIMCO Closed-End Funds, the PIMCO-Managed Funds). In addition, each of the Independent Trustees also serves as a trustee of certain investment companies (together, the Allianz-Managed Funds), for which AGIFM, an affiliate of PIMCO that served as the investment manager of the PIMCO Managed Funds prior to the close of business on September 5, 2014, serves as investment adviser.

Prior to the close of business on September 5, 2014, including during the period of this report, each of the PIMCO-Managed Funds and Allianz-Managed Funds held joint meetings of their Boards of Trustees whenever possible, and each Trustee, other than any Trustee who was a director, officer, partner or employee of PIMCO, AGIFM or any entity

controlling, controlled by or under common control with PIMCO or AGIFM, received annual compensation of \$250,000 for service on the Boards of all of the PIMCO-Managed Funds and Allianz-Managed Funds, payable quarterly. The Independent Chairman of the Boards received an additional \$75,000 per year, payable quarterly. The Audit Oversight Committee Chairman received an additional \$50,000 annually, payable quarterly. Trustees were also reimbursed for meeting-related expenses.

During periods prior to September 5, 2014, each Trustee's compensation and other costs in connection with joint meetings were allocated among the PIMCO-Managed Funds and Allianz-Managed Funds, as applicable, on the basis of fixed percentages as between such groups of Funds. Trustee compensation and other costs were then further allocated pro rata among the individual funds within each grouping based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund's relative net assets.

Subsequent to September 5, 2014, in connection with the new investment management agreement between the PIMCO-Managed Funds and PIMCO and the termination of the investment management agreement between the PIMCO-Managed Funds and AGIFM, each of the PIMCO-Managed Funds began holding, and are expected to continue to hold, joint meetings of their Boards of Trustees whenever possible, but will generally no longer hold joint meetings with the Allianz-Managed Funds. Under the new Board structure, each Independent Trustee currently receives annual compensation of \$225,000 for his or her service on the Boards of the PIMCO-Managed Funds, payable quarterly. The

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Independent Chairman of the Boards receives an additional \$75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional \$50,000 annually, payable quarterly. Trustees are also reimbursed for meeting-related expenses.

Each Trustee's compensation for his or her service as a Trustee on the Boards of the PIMCO-Managed Funds and other costs in connection with joint meetings of such Funds are allocated among the PIMCO-Managed Funds, as applicable, on the basis of fixed percentages as between PMAT and the PIMCO Closed-End Funds. Trustee compensation and other costs will then be further allocated pro rata among the individual Funds within each grouping based on each such Fund's relative net assets.

### 10. RELATED PARTY TRANSACTIONS

The Manager is a related party. Fees payable to this party are disclosed in Note 9 and the accrued related party fee amounts are disclosed on the Statements of Assets and Liabilities.

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Certain Funds are permitted to purchase or sell securities from or to certain related affiliated funds under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Funds from or to another fund or portfolio that are, or could be, considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the periods ended June 30, 2015, as indicated below, the Funds below engaged in purchases and sales of securities pursuant to Rule 17a-7 of the Act (amounts in thousands):

<b>Fund Name</b>	<b>Purchases</b>	<b>Sales</b>
PCM Fund, Inc. <sup>(1)</sup>	\$ 1,656	\$ 5,164
PIMCO Global StocksPLUS® & Income Fund <sup>(2)</sup>	218	120
PIMCO Income Opportunity Fund <sup>(3)</sup>	7,756	49,459
PIMCO Strategic Income Fund, Inc. <sup>(4)</sup>	2,609	1,386
PIMCO Dynamic Credit Income Fund <sup>(1)</sup>	169,420	267,669
PIMCO Dynamic Income Fund <sup>(2)</sup>	1,148	8,627

(1) Period from January 1, 2015 to June 30, 2015

(2) Period from April 1, 2015 to June 30, 2015

(3) Period from November 1, 2014 to June 30, 2015

(4) Period from February 1, 2015 to June 30, 2015

**11. GUARANTEES AND INDEMNIFICATIONS**

Under the organizational documents of PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Dynamic Income Fund and PIMCO Dynamic Credit Income Fund each Trustee and officer is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Funds. Under the organizational documents of PCM Fund, Inc., and PIMCO Strategic Income Fund, Inc., each Director and officer is indemnified to the fullest extent permitted, and in accordance with the procedures required, by Maryland law. For PCM Fund, Inc., Directors, officers, employees and agents are indemnified to the maximum extent permitted by Maryland Law and the Act. For PIMCO Strategic Income Fund, Inc., employees and agents may be indemnified to the extent determined by the Board and subject to the limitations of the Act. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of indemnification clauses. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts.

**12. PURCHASES AND SALES OF SECURITIES**

The length of time a Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by a Fund is known as portfolio turnover. Each Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover involves correspondingly greater expenses to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at

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ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect a Fund's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the periods ended June 30, 2015, as indicated below, were as follows (amounts in thousands):

Fund Name	U.S. Government/Agency		All Other	
	Purchases	Sales	Purchases	Sales
PCM Fund, Inc. <sup>(1)</sup>	\$ 0	\$ 0	\$ 41,167	\$ 43,140
PIMCO Global StocksPLUS® & Income Fund <sup>(2)</sup>	0	0	4,399	8,388
PIMCO Income Opportunity Fund <sup>(3)</sup>	0	0	98,339	161,118
PIMCO Strategic Income Fund, Inc. <sup>(4)</sup>	248,284	98,452	70,628	43,618
PIMCO Dynamic Credit Income Fund <sup>(1)</sup>	0	29,406	1,700,774	1,547,661
PIMCO Dynamic Income Fund <sup>(2)</sup>	0	7,251	109,176	234,896

<sup>(1)</sup> Period from January 1, 2015 to June 30, 2015

<sup>(2)</sup> Period from April 1, 2015 to June 30, 2015

<sup>(3)</sup> Period from November 1, 2014 to June 30, 2015

<sup>(4)</sup> Period from February 1, 2015 to June 30, 2015

A zero balance may reflect actual amounts rounding to less than one thousand.

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June 30, 2015

### 13. REGULATORY AND LITIGATION MATTERS

The Funds are not named as defendants in any material litigation or arbitration proceedings and are not aware of any material litigation or claim pending or threatened by or against them.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission ( SEC ) that relates to the PIMCO Total Return Active Exchange-Traded Fund ( BOND ), a series of PIMCO ETF Trust. The notice indicates the staff's preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a nonpublic investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by BOND between its inception on February 29, 2012 and June 30, 2012, BOND's performance disclosures for that period, and PIMCO's compliance policies and procedures related to these matters.

The Wells process provides PIMCO with its opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Fund or on PIMCO's ability to provide investment management services to any Fund.

The foregoing speaks only as of the date of this report.

### 14. FEDERAL INCOME TAX MATTERS

Each Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the Code ) and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Funds may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Manager has reviewed the Funds' tax positions for all open tax years. As of June 30, 2015, the Funds have recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future tax returns.

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Each Fund files U.S. tax returns. While the statute of limitations remains open to examine the Funds' U.S. tax returns filed for the fiscal years from 2012-2014, no examinations are in progress or anticipated at this time. No Fund is aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of June 30, 2015, the components of distributable taxable earnings are as follows (amounts in thousands):

	Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation) <sup>(1)</sup>	Other Book-to-Tax Accounting Differences <sup>(2)</sup>	Accumulated Capital Losses <sup>(3)</sup>	Qualified Post-October Loss Deferral Capital <sup>(4)</sup>	Qualified Late-Year Loss Deferral Ordinary <sup>(5)</sup>
PCM Fund, Inc.	\$ 1,114	\$	\$ 15,993	\$ (923)	\$ (18,502)	\$	\$
PIMCO Global StocksPLUS® & Income Fund	795		28,208	(1,929)	(123,795)		
PIMCO Income Opportunity Fund			52,888	(2,844)	(4,299)		(495)
PIMCO Strategic Income Fund, Inc.	6,667		22,604	(3,336)	(94,107)		
PIMCO Dynamic Credit Income Fund	35,949		(58,466)	(21,441)	(74,579)		
PIMCO Dynamic Income Fund	57,996	38,491	253,318	(9,551)			

<sup>(1)</sup> Adjusted for open wash sale loss deferrals and accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain/loss on swap contracts, market discount and premium amortization, sale of corporate actions, interest-only basis adjustments, and Lehman securities.

<sup>(2)</sup> Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, namely for distributions payable at fiscal year-end.

<sup>(3)</sup> Capital losses available to offset future net capital gains expire in varying amounts in the years shown below.

<sup>(4)</sup> Capital losses realized during the period November 1, 2014 through June 30, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

<sup>(5)</sup> Specified losses realized during the period November 1, 2014 through June 30, 2015 and Ordinary losses realized during the period January 1, 2015 through June 30, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

**Table of Contents****Notes to Financial Statements (Cont.)**

As of June 30, 2015, the Funds had accumulated capital losses expiring in the following years (amounts in thousands). The Funds will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

	Expiration of Accumulated Capital Losses			
	06/30/2016	06/30/2017	06/30/2018	06/30/2019
PCM Fund, Inc.	\$ 916	\$ 16,168	\$ 1,418	\$
PIMCO Global StocksPLUS® & Income Fund		89,083	5,575	
PIMCO Income Opportunity Fund				
PIMCO Strategic Income Fund, Inc.	61,816	13,338		
PIMCO Dynamic Credit Income Fund				
PIMCO Dynamic Income Fund				

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

	Short-Term	Long-Term
	\$	\$
PCM Fund, Inc.		
PIMCO Global StocksPLUS® & Income Fund	29,137	
PIMCO Income Opportunity Fund	2,825	1,474
PIMCO Strategic Income Fund, Inc.	18,953	
PIMCO Dynamic Credit Income Fund	74,579	
PIMCO Dynamic Income Fund		

As of June 30, 2015, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/(Depreciation) <sup>(6)</sup>
PCM Fund, Inc.	\$ 196,427	\$ 19,020	\$ (5,881)	\$ 13,139
PIMCO Global StocksPLUS® & Income Fund	171,039	24,893	(6,225)	18,668
PIMCO Income Opportunity Fund	601,831	68,253	(21,664)	46,589
PIMCO Strategic Income Fund, Inc.	888,352	34,996	(11,605)	23,391
PIMCO Dynamic Credit Income Fund	5,352,587	138,500	(189,068)	(50,568)
PIMCO Dynamic Income Fund	2,100,662	304,936	(68,243)	236,693

<sup>(6)</sup> Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to wash sale loss deferrals, interest-only basis adjustments, market discount and premium amortization, sale of corporate actions, and Lehman securities for federal income tax purposes.

For the fiscal year ended June 30, 2015 and each Fund's respective previous fiscal year ends, the Funds made the following tax basis distributions (amounts in thousands):

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	Period from January 1, 2015 to June 30,			Year Ended December 31, 2014			Year Ended December 31, 2013		
	2015		Return of	2014		Return of	2013		Return of
	Ordinary	Long-Term		Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Capital	Income	Capital Gain	Capital	Income	Capital Gain	Capital
	Distributions	Distributions	(8)	Distributions	Distributions	(8)	Distributions	Distributions	(8)
PCM Fund, Inc.	\$ 5,537	\$	\$	\$ 12,094	\$	\$	\$ 12,602	\$	\$

	Period from April 1, 2015 to June 30,			Year Ended March 31, 2015			Year Ended March 31, 2014		
	2015		Return of	2015		Return of	2014		Return of
	Ordinary	Long-Term		Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Capital	Income	Capital Gain	Capital	Income	Capital Gain	Capital
	Distributions	Distributions	(8)	Distributions	Distributions	(8)	Distributions	Distributions	(8)
PIMCO Global StocksPLUS® & Income Fund	\$ 5,782	\$	\$	\$ 23,021	\$	\$	\$ 22,853	\$	\$

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June 30, 2015

	Period from November 1, 2014 to June 30, 2015			Year Ended October 31, 2014			Year Ended October 31, 2013		
	Long-Term								
	Ordinary			Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital
	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>
PIMCO Income Opportunity Fund	\$ 34,865	\$ 11,498	\$ 224	\$ 42,972	\$	\$	\$ 42,006	\$	\$
	Period from February 1, 2015 to June 30, 2015			Year Ended January 31, 2015			Year Ended January 31, 2014		
	Long-Term								
	Ordinary			Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital
	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>
PIMCO Strategic Income Fund, Inc.	\$ 16,651	\$	\$	\$ 42,226	\$	\$	\$ 45,351	\$	\$
	Period from January 1, 2015 to June 30, 2015			Year Ended December 31, 2014			Year Ended December 31, 2013		
	Long-Term								
	Ordinary			Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital
	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>
PIMCO Dynamic Credit Income Fund	\$ 128,645	\$	\$	\$ 336,546	\$ 2,940	\$	\$ 264,432	\$	\$
	Period from April 1, 2015 to June 30, 2015			Year Ended March 31, 2015			Year Ended March 31, 2014		
	Long-Term								
	Ordinary			Ordinary	Long-Term		Ordinary	Long-Term	
	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital	Income	Capital Gain	Return of Capital
	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>	Distributions <sup>(7)</sup>	Distributions	Distributions <sup>(8)</sup>
PIMCO Dynamic Income Fund	\$ 28,651	\$	\$	\$ 187,696	\$	\$	\$ 157,539	\$ 2,203	\$

<sup>(7)</sup> Includes short-term capital gains distributed, if any.

<sup>(8)</sup> A portion of the distributions made represents a tax return of of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

**15. SUBSEQUENT EVENTS**

In preparing these financial statements, the Funds management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

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On July 1, 2015, the following distributions were declared to common shareholders payable August 3, 2015 to shareholders of record on July 13, 2015:

PCM Fund, Inc.	\$	0.08000 per common share
PIMCO Global StocksPLUS® & Income Fund	\$	0.18335 per common share
PIMCO Income Opportunity Fund	\$	0.19000 per common share
PIMCO Strategic Income Fund, Inc.	\$	0.08000 per common share
PIMCO Dynamic Credit Income Fund	\$	0.15625 per common share
PIMCO Dynamic Income Fund	\$	0.21000 per common share

On August 3, 2015, the following distributions were declared to common shareholders payable September 1, 2015 to shareholders of record on August 13, 2015:

PCM Fund, Inc.	\$	0.08000 per common share
PIMCO Global StocksPLUS & Income Fund	\$	0.18335 per common share
PIMCO Income Opportunity Fund	\$	0.19000 per common share
PIMCO Strategic Income Fund, Inc.	\$	0.08000 per common share
PIMCO Dynamic Credit Income Fund	\$	0.15625 per common share
PIMCO Dynamic Income Fund	\$	0.21000 per common share

There were no other subsequent events identified that require recognition or disclosure.

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**Report of Independent Registered Public Accounting Firm**

**To the Shareholders and Board of Directors/Trustees of PCM Fund, Inc., PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc., PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund**

In our opinion, the accompanying statements of assets and liabilities (consolidated statements of assets and liabilities for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund), including the schedules of investments (consolidated schedules of investments for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund), and the related statements of operations (consolidated statements of operations for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund), of changes in net assets (consolidated statements of changes in net assets for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund), and of cash flows (consolidated statements of cash flows for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund) and the financial highlights (consolidated financial highlights for PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund), present fairly, in all material respects, the financial position of PCM Fund, Inc., PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc., PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund (the Funds ) at June 30, 2015, the results of each of their operations, the changes in each of their net assets, the cash flows and the financial highlights for each of the periods presented, 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 Funds 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 June 30, 2015 by correspondence with the custodian, agent banks and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Kansas City, Missouri

August 20, 2015

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**Table of Contents****Glossary:** (abbreviations that may be used in the preceding statements)

(Unaudited)

**Counterparty Abbreviations:**

<b>BCY</b>	Barclays Capital, Inc.	<b>FOB</b>	Credit Suisse Securities (USA) LLC	<b>RDR</b>	RBC Dain Rausher, Inc.
<b>BOA</b>	Bank of America N.A.	<b>GLM</b>	Goldman Sachs Bank USA	<b>RTA</b>	Bank of New York Mellon Corp.
<b>BOS</b>	Bank of America Securities LLC	<b>GST</b>	Goldman Sachs International	<b>RYL</b>	Royal Bank of Scotland Group PLC
<b>BPG</b>	BNP Paribas Securities Corp.	<b>HUS</b>	HSBC Bank USA N.A.	<b>SAL</b>	Citigroup Global Markets, Inc.
<b>BPS</b>	BNP Paribas S.A.	<b>JML</b>	JP Morgan Securities Plc	<b>SBI</b>	Citigroup Global Markets Ltd.
<b>BRC</b>	Barclays Bank PLC	<b>JPM</b>	JPMorgan Chase Bank N.A.	<b>SCX</b>	Standard Chartered Bank
<b>CBK</b>	Citibank N.A.	<b>JPS</b>	JPMorgan Securities, Inc.	<b>SOG</b>	Societe Generale
<b>CFR</b>	Credit Suisse Securities (Europe) Ltd.	<b>MSB</b>	Morgan Stanley Bank, N.A	<b>SSB</b>	State Street Bank and Trust Co.
<b>DBL</b>	Deutsche Bank AG London	<b>MSC</b>	Morgan Stanley & Co., Inc.	<b>TDM</b>	TD Securities (USA) LLC
<b>DEU</b>	Deutsche Bank Securities, Inc.	<b>MYC</b>	Morgan Stanley Capital Services, Inc.	<b>UAG</b>	UBS AG Stamford
<b>DUB</b>	Deutsche Bank AG	<b>RBC</b>	Royal Bank of Canada	<b>UBS</b>	UBS Securities LLC
<b>FBF</b>	Credit Suisse International				

**Currency Abbreviations:**

<b>AUD</b>	Australian Dollar	<b>EUR</b>	Euro	<b>NOK</b>	Norwegian Krone
<b>BRL</b>	Brazilian Real	<b>GBP</b>	British Pound	<b>SEK</b>	Swedish Krona
<b>CAD</b>	Canadian Dollar	<b>HKD</b>	Hong Kong Dollar	<b>SGD</b>	Singapore Dollar
<b>CHF</b>	Swiss Franc	<b>JPY</b>	Japanese Yen	<b>USD (or \$)</b>	United States Dollar
<b>DKK</b>	Danish Krone	<b>MXN</b>	Mexican Peso		

**Exchange Abbreviations:****OTC** Over the Counter**Index/Spread Abbreviations:**

<b>ABX.HE</b>	Asset-Backed Securities Index - Home Equity	<b>EAFE</b>	Europe, Australasia, and Far East Stock Index
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**Other Abbreviations:**

<b>ABS</b>	Asset-Backed Security	<b>CDI</b>	Brazil Interbank Deposit Rate	<b>MSCI</b>	Morgan Stanley Capital International
<b>ALT</b>	Alternate Loan Trust	<b>CLO</b>	Collateralized Loan Obligation	<b>PIK</b>	Payment-in-Kind
<b>BBR</b>	Bank Bill Rate	<b>JSC</b>	Joint Stock Company	<b>REMIC</b>	Real Estate Mortgage Investment Conduit
<b>BBSW</b>	Bank Bill Swap Reference Rate	<b>LIBOR</b>	London Interbank Offered Rate	<b>TBD%</b>	Interest rate to be determined when loan settles



**Table of Contents****Federal Income Tax Information**

(Unaudited)

As required by the Internal Revenue Code ( Code ) and Treasury Regulations, if applicable, shareholders must be notified within 60 days of the Fund's fiscal year end regarding the status of qualified dividend income, the dividend received deduction, foreign source income earned by the Fund, and any foreign tax credits being passed through to shareholders.

**Qualified Dividend Income.** Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the Act ), the following percentages of ordinary dividends paid during the fiscal year ended June 30, 2015 are designated as qualified dividend income , as defined in the Act, subject to reduced tax rates.

PCM Fund, Inc.	0.04%
PIMCO Global StocksPLUS® & Income Fund	0.12%
PIMCO Income Opportunity Fund	4.14%
PIMCO Strategic Income Fund, Inc.	0.04%
PIMCO Dynamic Credit Income Fund	1.33%
PIMCO Dynamic Income Fund	0.58%

**Dividend Received Deduction.** Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund's dividend distribution that qualifies under tax law. The percentage of each Fund's fiscal 2015 ordinary income dividends that qualifies for the corporate dividend received deduction is set forth below.

PCM Fund, Inc.	0.04%
PIMCO Global StocksPLUS® & Income Fund	0.12%
PIMCO Income Opportunity Fund	4.14%
PIMCO Strategic Income Fund, Inc.	0.04%
PIMCO Dynamic Credit Income Fund	1.01%
PIMCO Dynamic Income Fund	0.58%

**Qualified Interest Income and Qualified Short-Term Capital Gain (for non-U.S. resident shareholders only).** Under the American Jobs Creation Act of 2004, the following amounts of ordinary dividends paid during the fiscal year ended June 30, 2015 are considered to be derived from qualified interest income, as defined in Section 871(k)(1)(E) of the Code, and therefore are designated as interest-related dividends, as defined in Section 871(k)(1)(C) of the Code. Further, the following amounts of ordinary dividends paid during the fiscal year ended June 30, 2015 are considered to be derived from qualified short-term capital gain, as defined in Section 871(k)(2)(D) of the Code, and therefore are designated as qualified short-term gain dividends, as defined by Section 871(k)(2)(C) of the code.

	Qualified Interest Income (000s)	Qualified Short Term Capital Gain (000s)
PCM Fund, Inc.	\$ 5,323	\$
PIMCO Global StocksPLUS® & Income Fund	2,315	
PIMCO Income Opportunity Fund	12,212	

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PIMCO Strategic Income Fund, Inc.	8,053
PIMCO Dynamic Credit Income Fund	61,658
PIMCO Dynamic Income Fund	20,485

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. In January 2016, you will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received by you in calendar year 2015.

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**Table of Contents****Shareholder Meeting Results**

(Unaudited)

**Annual Shareholder Meeting Results**

PCM Fund, Inc., PIMCO Income Opportunity Fund and PIMCO Dynamic Credit Income Fund held their annual meetings of shareholders on April 30, 2015. Shareholders voted as indicated below:

	Affirmative	Withheld Authority
<b>PIMCO Income Opportunity Fund</b>		
Election of Craig Dawson Class III to serve until the annual meeting for the 2016-2017 fiscal year	12,865,579	335,855
Re-election of Hans W. Kertess Class I to serve until the annual Meeting for the 2017-2018 fiscal year	12,829,785	371,649
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2017-2018 fiscal year	12,833,222	368,212
Re-election of Deborah A. DeCotis Class I to serve until the annual Meeting for the 2017-2018 fiscal year	12,891,211	310,223

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Bradford K. Gallagher, James A. Jacobson, Alan Rappaport and John C. Maney continued to serve as Trustees of the Fund.

Interested Trustee

	Affirmative	Withheld Authority
<b>PCM Fund, Inc.</b>		
Election of Craig Dawson Class III to serve until the annual meeting for the 2017-2018 fiscal year	9,850,645	119,336
Re-election of Alan Rappaport Class III to serve until the annual Meeting for the 2017-2018 fiscal year	9,826,450	143,531
Re-election of Deborah A. DeCotis Class III to serve until the annual Meeting for the 2017-2018 fiscal year	9,818,906	151,075

The other members of the Board of Directors at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, William B. Ogden, IV, James A. Jacobson, and John C. Maney continued to serve as Directors of the Fund.

Interested Director

	Affirmative	Withheld Authority
<b>PIMCO Dynamic Credit Income Fund</b>		
Election of Craig Dawson Class II to serve until the annual meeting for the 2017-2018 fiscal year	49,163,825	2,003,392
Re-election of Bradford K. Gallagher Class II to serve until the annual Meeting for the 2017-2018 fiscal year	49,153,845	2,013,372
Re-election of James A. Jacobson Class II to serve until the annual Meeting for the 2017-2018 fiscal year	49,152,523	2,014,695
Election of Richard W. Cohen Class II to serve until the annual Meeting for the 2017-2018 fiscal year	7,584,384	252,135
Election of Robert C. Knapp Class II to serve until the annual Meeting for the 2017-2018 fiscal year	7,583,062	253,457

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The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Hans W. Kertess, William B. Ogden, IV, Alan Rappaport and John C. Maney and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

Interested Trustee

### Annual Shareholder Meeting Results

PIMCO Strategic Income Fund, Inc., PIMCO Global StocksPLUS® & Income Fund and PIMCO Dynamic Income Fund held their annual meetings of shareholders on June 30, 2015. Shareholders voted as indicated below.

<b>PIMCO Global StocksPLUS® &amp; Income Fund</b>		<b>Affirmative</b>	<b>Withheld Authority</b>
Election of Craig A. Dawson	Class I to serve until the annual meeting for the 2018-2019 fiscal year	8,939,058	365,237
Re-election of Hans W. Kertess	Class I to serve until the annual meeting for the 2018-2019 fiscal year	8,935,370	368,925
Re-election of William B. Ogden, IV	Class I to serve until the annual Meeting for the 2018-2019 fiscal year	8,927,833	376,462

The other members of the Board of Trustees at the time of the meeting, namely, Ms. Deborah A. DeCotis and Messrs. Bradford K. Gallagher, James A. Jacobson, Alan Rappaport and John C. Maney continued to serve as Trustees of the Fund.

Interested Trustee

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**Table of Contents****Shareholder Meeting Results (Cont.)**

(Unaudited)

<b>PIMCO Dynamic Income Fund</b>		<b>Affirmative</b>	<b>Withheld Authority</b>
Re-election of Deborah A. DeCotis	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	37,557,762	903,213
Re-election of John C. Maney	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	37,848,808	612,167

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, William B. Ogden, IV, James A. Jacobson, Alan Rappaport and Craig A. Dawson continued to serve as Trustees of the Fund.

Interested Trustee

<b>PIMCO Strategic Income Fund, Inc.</b>		<b>Affirmative</b>	<b>Withheld Authority</b>
Election of Craig A. Dawson	Class III to serve until the annual meeting for the 2018-2019 fiscal year	34,479,915	1,589,182
Re-election of Deborah A. DeCotis	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	34,532,595	1,536,503
Re-election of Alan Rappaport	Class III to serve until the annual Meeting for the 2018-2019 fiscal year	34,441,637	1,627,460

The other members of the Board of Directors at the time of the meeting, namely, Messrs. Hans W. Kertess, Bradford K. Gallagher, William B. Ogden, IV, James A. Jacobson and John C. Maney continued to serve as Directors of the Fund.

Interested Director

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**Investment Strategy Updates**

(Unaudited)

Effective December 22, 2014, each Fund (except PCM Fund, Inc.) amended an existing non-fundamental investment policy, such that each Fund may now invest up to 40% of its total assets in securities and instruments that are economically tied to emerging market countries (this limitation does not apply to investment grade sovereign debt denominated in the relevant country's local currency with less than 1 year remaining to maturity). Prior to the amendment, PIMCO Income Opportunity Fund, PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund could invest up to 40% of their total assets in securities of issuers economically tied to emerging market countries, PIMCO Global StocksPLUS® & Income Fund could invest up to 30% of its total assets in debt securities of issuers economically tied to emerging market countries, PIMCO Strategic Income Fund, Inc. could invest up to 20% of its total assets in emerging market debt instruments, and these limitations did not include an exception for investment grade sovereign debt denominated in the relevant country's local currency with less than 1 year remaining to maturity.

In addition, effective December 22, 2014, each Fund (except PCM Fund, Inc.) adopted a non-fundamental investment policy permitting each Fund to invest without limitation in investment grade sovereign debt denominated in the relevant country's local currency with less than 1 year remaining to maturity, subject to applicable law and any other restrictions described in each Fund's prospectus, Statement of Information or shareholder reports in effect from time to time.

Effective December 22, 2014, PIMCO Strategic Income Fund, Inc. also rescinded its non-fundamental policy to invest not more than 10% of its total assets in Brady Bonds and its non-fundamental policy to invest not more than 3% of its total assets in securities of issuers and instruments that are economically tied to South Africa.

The following risks are associated with the policies described above:

Investments in emerging market countries pose a greater degree of risk (i.e., the risk of a cascading collapse of multiple institutions within a country, and even multiple national economies). Governments of

emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. There is also a greater risk that an emerging market government may take action that impedes or prevents the Fund from taking income and/or capital gains earned in the local currency and converting into U.S. dollars (i.e., repatriating local currency investments or profits). Other heightened risks associated with emerging market investments include without limitation: (i) risks due to less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the Fund's investment opportunities; (iv) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in the United States; (v) less publicly available financial and other information regarding issuers; (vi) potential difficulties in enforcing contractual obligations; and (vii) higher rates of inflation, higher interest rates and other economic concerns.

Investments in debt obligations of foreign (non-U.S.) governments or their sub-divisions, agencies and government sponsored enterprises (together Foreign Government Securities) can involve risk. The foreign governmental entity that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. In the event of a default by a governmental entity, there may be few or no effective legal remedies for collecting on such debt. These risks are heightened with respect to the Fund's

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investments in Foreign Government Securities of emerging market countries.

Brady Bonds involve various risk factors including residual risk and the history of defaults with respect to commercial bank loans by public and private entities of countries issuing Brady Bonds. There can be no assurance that Brady Bonds in which a Fund may invest will not be subject to restructuring arrangements or to requests for new credit, which may cause the Fund to suffer a loss of interest or principal on any of its holdings.

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**Dividend Reinvestment Plan**

Each Fund has adopted a Dividend Reinvestment Plan (the Plan) which allows common shareholders to reinvest Fund distributions in additional common shares of the Fund. American Stock Transfer & Trust Company, LLC (the Plan Agent) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

**Automatic enrollment/voluntary participation** Under the Plan, common shareholders whose shares are registered with the Plan Agent (registered shareholders) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, distributions) reinvested by the Plan Agent in additional common shares of a Fund, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent. Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at [www.amstock.com](http://www.amstock.com), by calling (844) 33PIMCO (844-337-4626), by writing to the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to each Fund's next distribution if received by the Plan Agent at least three (3) days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Fund's next distribution and will apply to the Fund's next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

**How shares are purchased under the Plan** For each Fund distribution, the Plan Agent will acquire common shares for participants either (i) through receipt of newly issued common shares from each Fund (newly issued shares) or (ii) by purchasing common shares of the Fund on the open market (open market purchases). If, on a distribution payment date, the net asset value per common shares of each Fund (NAV) is equal to or less than the market price per common shares plus estimated brokerage commissions (often referred to as a market premium), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the

market price per common shares plus estimated brokerage commissions (often referred to as a market discount) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per common shares on the distribution payment date). No interest will be paid on distributions awaiting reinvestment. Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date.

The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the New York Stock Exchange) in accordance with each Fund's then current policies.

**Fees and expenses** No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although each Fund reserves the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.



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**Shares held through nominees** In the case of a registered shareholder such as a broker, bank or other nominee (together, a nominee ) that holds 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 by the nominee/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. If your common shares are held through a nominee and are not registered with the Plan Agent, neither you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your

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name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

**Tax consequences** Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions i.e., automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions. The Funds and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560; telephone number: (844) 33-PIMCO (844-337-4626); website: [www.amstock.com](http://www.amstock.com).

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**Table of Contents****Management of the Funds**

The chart below identifies Trustees/Directors and Officers of the Funds. Unless otherwise indicated, the address of all persons below is c/o Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

**Trustees/Directors**

<b>Name And Year of Birth</b>	<b>Position(s) Held with the Funds</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Trustee/Director</b>	<b>Other Directorships Held by Trustee/Director During the Past 5 Years</b>
<b>Independent Trustees/Directors</b>					
<b>Hans W. Kertess</b> 1939	Chairman of the Board, Trustee/Director	Director of PCM and RCS since 2008 and Trustee of PCI since 2013, Trustee of PGP since 2005, Trustee of PKO since 2007 and Trustee of PDI since 2012, expected to stand for re-election at the annual meeting of shareholders for the 2016-2017 fiscal year for PDI, PCI and PCM, the 2017-2018 fiscal year for RCS and PKO and 2018-2019 fiscal year for PGP.	President, H. Kertess & Co., a financial advisory company. Senior Adviser, Royal Bank of Canada Capital Markets. Formerly, Managing Director and Consultant, Royal Bank of Canada Capital Markets.	93	None
<b>Deborah A. DeCotis</b> 1952	Trustee/Director	Trustee/Director of RCS, PGP, PCM and PKO since 2011, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PCI, the 2016-2017 fiscal year for PGP for the 2017-2018 fiscal year for PCM and PKO and the 2018-2019 fiscal year for RCS and PDI.	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Member, Circle Financial Group (since 2011); Trustee, Stanford University (since 2010); and Member, Council on Foreign Relations (since 2013). Formerly, Principal, LaLoop LLC, a retail accessories company (1999-2014) and Director, Helena Rubenstein Foundation (1997-2010).	93	None
<b>Bradford K. Gallagher</b> 1944	Trustee/Director	Trustee/Director of RCS, PCM, PGP and PKO since 2010, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2016-2017 fiscal year for PGP, PKO and PCM and the 2017-2018 fiscal year for RCS, PCI and PDI.	Retired. Founder, Spyglass Investments LLC, a private investment vehicle (since 2001). Formerly, Chairman and Trustee, Commonfund (2005-2014); Partner, New Technology Ventures Capital Management LLC, a venture capital fund (2011-2013); Chairman and Trustee, Atlantic Maritime Heritage Foundation (2007-2012)	93	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010).

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and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (1995-2001).

<b>James A. Jacobson</b> 1945	Trustee/Director	Trustee/Director of RCS, PCM, PGP and PKO since 2009, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PCM and PKO, the 2016-2017 fiscal year for RCS and PGP and the 2017-2018 fiscal year for PDI and PCI.	Retired. Trustee and Chairman of Investment Committee, Ronald McDonald House of New York (since 2002); Trustee, Taft School, Watertown, CT (since 2007); Trustee, New Jersey City University, Jersey City, NJ (since 2014). Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange. (2003-2008).	93	Trustee, Alpine Mutual Funds Complex consisting of 18 funds.
<b>William B. Ogden, IV</b> 1945	Trustee/Director	Trustee/Director of PCM, RCS and PKO since 2008, Trustee of PGP since 2006, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PCM, the 2016-2017 fiscal year for RCS, PCI and PDI, the 2017-2018 fiscal year for PKO, and the 2018-2019 fiscal year for PGP.	Retired. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc.	93	None

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(Unaudited)

Name And Year of Birth	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/Director	Other Directorships Held by Trustee/Director During the Past 5 Years
Alan Rappaport 1953	Trustee/Director	Trustee/Director of RCS, PCM, PGP and PKO since 2010, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2016-2017 fiscal year for PDI, PCI and PKO, the 2017-2018 fiscal year for PGP and PCM and the 2018-2019 fiscal year for RCS.	Advisory Director (formerly Vice Chairman) (since 2009), Roundtable Investment Partners; Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Adjunct Professor, New York University Stern School of Business (since 2011); Lecturer, Stanford University Graduate School of Business (2013-2014); Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007), Director, Victory Capital Holdings, Inc., an asset management firm.	93	None

**Interested Trustees/Directors**

Craig A. Dawson* 1968	Trustee/Director	Trustee/Director of the Funds since 2014, expected to stand for re-election at the annual meeting of shareholders for the 2016-2017 fiscal year for PKO, the 2017-2018 fiscal year for PDI, PCI and PCM and the 2018-2019 fiscal year for RCS and PGP.	Managing Director and Head of Strategic Business Management, PIMCO (since 2014). Director of a number of PIMCO's European investment vehicles and affiliates (since 2008). Formerly, head of PIMCO's Munich office and head of European product management for PIMCO.	25	None
John C. Maney** 1959	Trustee/Director	Director of RCS and PCM since 2008, Trustee of PGP since 2006, Trustee of PKO since 2007, Trustee of PDI since 2012 and Trustee of PCI since 2013, expected to stand for re-election at the annual meeting of shareholders for the 2015-2016 fiscal year for PKO and PCI, the 2016-2017 fiscal year for PCM, the 2017-2018 fiscal year for PGP and RCS and the 2018-2019 fiscal year for PDI.	Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Formerly, Member of the Management Board of Allianz Global Investors Fund Management LLC (2007-2014) and Managing Director of Allianz Global Investors Fund Management LLC (2011-2014).	25	None

\* Mr. Dawson is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with PIMCO and its affiliates. Mr. Dawson's address is 650 Newport Center Drive, Newport Beach, CA 92660.

\*\* Mr. Maney is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates. Mr. Maney's address is 680 Newport Center Drive, Suite 250, Newport Beach, CA 92660.

**Table of Contents****Management of the Funds (Cont.)**

(Unaudited)

**Officers**

<b>Name And Year of Birth</b>	<b>Position(s) Held with Funds</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>
<b>Peter G. Strelow</b> <sup>1</sup> 1970	President	Since 2014	Managing Director, PIMCO. President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Youse Guia</b> <sup>1</sup> 1972	Chief Compliance Officer	Since 2014	Senior Vice President and Deputy Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO-Managed Funds. Formerly, Head of Compliance, Allianz Global Investors U.S. Holdings LLC and Chief Compliance Officer of the Allianz Funds, Allianz Multi-Strategy Trust, Allianz Global Investors Sponsored Closed-End Funds, Premier Multi-Series VIT and The Korea Fund, Inc.
<b>Joshua D. Ratner</b> 1976	Vice President, Secretary and Chief Legal Officer	Since 2014	Executive Vice President and Senior Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Vice President, Secretary and Chief Legal Officer, PIMCO-Managed Funds. Vice President Senior Counsel, Secretary, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Stacie D. Ancill</b> <sup>1</sup> 1969	Vice President	Since 2015	Senior Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Eric D. Johnson</b> 1970	Vice President	Since 2014	Executive Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>William G. Galipeau</b> <sup>1</sup> 1974	Treasurer	Since 2014	Executive Vice President, PIMCO. Treasurer, PIMCO-Managed Funds. Vice President, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Vice President, Fidelity Investments.
<b>Erik C. Brown</b> <sup>1</sup> 1967	Assistant Treasurer	Since 2015	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Jason J. Nagler</b> 1982	Assistant Treasurer	Since 2015	Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Head of Mutual Fund Reporting, GMO, and Assistant Treasurer, GMO Trust and GMO Series Trust Funds.
<b>Trent W. Walker</b> <sup>1</sup> 1974	Assistant Treasurer	Since 2014	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds. Treasurer, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Vadim Avdeychik</b> 1979	Assistant Secretary	Since 2015	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds. Formerly, Associate, Willkie Farr and Gallagher LLP and ERISA Enforcement Advisor, Employee Benefits Security Administration.
<b>Ryan G. Leshaw</b> <sup>1</sup>	Assistant Secretary	Since 2014	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity

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Series VIT. Formerly, Associate, Willkie Farr & Gallagher LLP.

<sup>1</sup> The address of these officers is Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, California 92660.

AGIFM personnel served as Fund officers through the close of business on September 5, 2014, but were replaced with the PIMCO personnel listed above effective as of the close of business on September 5, 2014, in connection with the transition to PIMCO as the Funds' investment manager.

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**Matters Relating to the Trustees /Directors Consideration of the Annual Renewal of the Investment Management Agreement**

(Unaudited)

At an in-person meeting held on June 2, 2015 (the Approval Meeting), the Board of Trustees or Directors (for purposes of this disclosure, all Board members are hereinafter referred to as Trustees) of the Funds (the Board), including the Trustees who are not interested persons (as that term is defined in the Act) of the Funds or PIMCO (the Independent Trustees), formally considered and unanimously approved the continuation of the Investment Management Agreement between each Fund and PIMCO (the Agreement) for an additional one-year period commencing on September 5, 2015. For purposes of the annual contract review process, the Independent Trustees designated one Independent Trustee to lead the process on their behalf (the Lead Independent Trustee). Prior to the Approval Meeting, the Independent Trustees or the Lead Independent Trustee, on April 3, April 8, April 16 and April 30, 2015, participated in conference calls and in-person meetings with members of management and PIMCO personnel. In addition, in each case, on April 3, April 8, April 16 and April 30, 2015, counsel to the Independent Trustees (Independent Counsel) also participated to discuss the process for the Board's review of the Agreement and to consider certain information relating to the Funds, including, among other information, information relating to PIMCO's profitability with respect to the Agreement, comparative fees and expenses and Fund performance. On May 8, 2015, PIMCO provided materials to the Independent Trustees for their consideration of the Agreement in response to a request from Independent Counsel (the Manager Request Letter), as well as other materials and information PIMCO believed was useful in evaluating the continuation of the Agreement. On May 19, 2015, the Lead Independent Trustee met with PIMCO to discuss certain aspects of those materials.

On May 22, 2015, the Independent Trustees held a meeting *via* conference call (collectively with the April 3, April 8, April 16, April 30 and May 19, 2015 meetings and the Approval Meeting, the Contract Renewal Meetings), at which they gave preliminary consideration to the materials and information provided by PIMCO bearing on the continuation of the Agreement. The Independent Trustees also received and reviewed a memorandum from counsel to the Funds regarding the Trustees' responsibilities in evaluating the Agreement, which they discussed with Independent Counsel. Following the May 22 meeting, the Independent Trustees requested certain follow-up information from PIMCO, which PIMCO provided in connection with the Approval Meeting.

At the Approval Meeting, PIMCO presented certain additional supplemental information to the Independent Trustees regarding the Funds and responded either orally or in writing to various follow-up questions and requests from the Independent Trustees. Following the presentation, the Independent Trustees met separately in executive

session with Independent Counsel to review and discuss all relevant information, including information provided in response to the Manager Request Letter and information presented and discussed at the prior Contract Renewal Meetings.

In connection with their deliberations regarding the proposed continuation of the Agreement, the Trustees, including the Independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The Trustees also considered the nature, quality and extent of the various investment management, administrative and other services performed by PIMCO under the Agreement.

It was noted that, in connection with their Contract Renewal Meetings, the Trustees relied upon materials provided by PIMCO which included, among other items: (i) information provided by Lipper Inc. (Lipper), an independent third party, on the total return investment performance (based on net asset value and common share market price) of the Funds for various time periods, the investment performance of a group of funds with investment classifications/objectives comparable to those of the Funds identified by Lipper (the Lipper performance universe) and, with respect to each Fund, the performance of an applicable benchmark index, if any, (ii) information provided by Lipper on each Fund's management



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fees and other expenses under the Agreement and the management fees and other expenses of a smaller sample of comparable funds identified by Lipper (the Lipper expense group ) as well as of a larger sample of comparable funds identified by Lipper (the Lipper expense universe ), (iii) information regarding the market value performance of each Fund s common shares and related share price premium and/or discount information, (iv) information regarding the investment performance and fees for other funds and accounts managed by PIMCO, if any, with similar investment strategies to those of the Funds, or information regarding the investment performance and fees for other funds and accounts managed by PIMCO, if any, with strategies that have similarities (but are not substantially similar) to those of the Funds, (v) the estimated profitability to PIMCO with respect to the Funds for the one-year period ended December 31, 2014, based on its role as sub-adviser to the Funds prior to September 5, 2014 and as investment manager to the Funds from September 5, 2014 through December 31, 2014, (vi) descriptions of various functions performed by PIMCO for the Funds, such as portfolio management, compliance monitoring and portfolio trading practices, (vii) information regarding PIMCO s compliance policies applicable to the Funds, (viii) information regarding the Funds use of leverage, (ix) a comparison of each Fund s annualized total expense ratio as a percentage of average net assets (excluding interest and borrowing

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**Matters Relating to the Trustees /Directors Consideration of the Annual Renewal of the Investment Management Agreement (Cont.)**

expenses) under the unified fee arrangements (the Unified Fee Arrangements ) for the period from September 6, 2014 to December 31, 2014 with each Fund s annualized total expense ratio as a percentage of average net assets (excluding interest and borrowing expenses) under its prior investment management agreement with Allianz Global Investors Fund Management LLC ( AGIFM ) for the period from January 1, 2014 to September 5, 2014, (x) a summary composite of each Fund s management fees, total expense ratio as a percentage of average net assets attributable to common shares and performance information presented relative to the median performance and expense ratio of the Fund s Lipper performance universe and Lipper expense universe, respectively (the Fund Scoring Summary ), (xi) fact cards for each Fund that included comparisons of each Fund s total expense ratio based on average net assets and average managed assets (excluding interest and borrowing expenses) relative to its Lipper expense group, and (xii) information regarding the overall organization of PIMCO, including information regarding senior management, portfolio managers and other personnel providing investment management, administrative, compliance and other services to the Funds.

The Trustees conclusions as to the continuation of the Agreement were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, attributing different weights to various factors. The Trustees also took into account that the Funds current fee and expense arrangements were closely reviewed in 2014 in connection with the proposed transition from AGIFM to PIMCO as the Funds investment manager, and that the Agreement had been approved by the shareholders of each Fund at special shareholder meetings in 2014.

As part of their review, the Trustees examined PIMCO s abilities to provide high-quality investment management and other services to the Funds. Among other information, the Trustees considered the investment philosophy and research and decision-making processes of PIMCO; the experience of key advisory personnel of PIMCO responsible for portfolio management of the Funds; the ability of PIMCO to attract and retain capable personnel; and the capabilities of the senior management and staff of PIMCO. In addition, the Trustees reviewed the quality of PIMCO s services with respect to regulatory compliance and compliance with the investment policies of the Funds; the nature and quality of the supervisory and administrative services PIMCO is responsible for providing to the Funds; and conditions that might affect PIMCO s ability to provide high-quality services to the Funds in the future under the Agreement, including PIMCO s financial

condition and operational stability. Based on the foregoing, the Trustees concluded that PIMCO s investment process, research capabilities and philosophy were well suited to the Funds given their investment objectives and policies, and that PIMCO would be able to continue to meet any reasonably foreseeable obligations under the Agreement.

In assessing the reasonableness of each Fund s fees under the Agreement, the Trustees considered, among other information, the Fund s management fee and its total expense ratio as a percentage of average net assets attributable to common shares and as a percentage of total managed assets (including assets attributable to common shares and leverage outstanding combined), and the management fee and total expense ratios of the Lipper expense group and Lipper expense universe for each Fund. Fund-specific comparative fees/expenses reviewed by the Trustees are discussed below. The Fund-specific fee and expense results discussed below were prepared and provided by Lipper and were not independently verified by the Trustees.

The Trustees specifically took note of how each Fund compared to its Lipper peers as to performance, management fee expense and total net expenses. The Trustees noted that, while the Funds are not currently charged a separate administration fee (recognizing that their management fees include a component for administrative services under the Unified Fee Arrangements), it was not clear in all cases whether the peer funds in the Lipper categories were separately charged such a fee by their investment managers, so that the total expense ratio, as opposed to any individual expense component, represented the most relevant comparison. The Trustees also considered that the total expense ratio seems to provide a more apt comparison than management fee expense because the Funds Unified Fee Arrangements cover Operating Expenses (defined

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below) that are typically paid for or incurred by peer funds directly in addition to their management fees as discussed below. It was noted that the total expense ratio comparisons reflect the effect of expense waivers/reimbursements, if any. The Trustees considered total expense ratio comparisons both including and excluding interest and borrowing expenses. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the Lipper expense groups and Lipper expense universes presented for comparison with the Funds.

The Trustees noted that, for each Fund, the contractual management fee rate for the Fund under its Unified Fee Arrangement was above the median contractual management fee of the other funds in its Lipper expense group, calculated both on average net assets and on average total managed assets (except PCM, the management fee of which was at its Lipper expense group median calculated both on average net

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assets and on average total managed assets). However, in this regard, the Trustees took into account that each Fund's Unified Fee Arrangement covers substantially all of the Fund's other supervisory and administrative services required by the Fund that are typically paid for or incurred by closed-end funds directly in addition to a fund's management fee (such fees and expenses, "Operating Expenses") and therefore would tend to be higher than the contractual management fee rates of other funds in the Lipper expense groups, which generally do not have a unified fee structure and bear Operating Expenses directly and in addition to the management fee. The Trustees determined that a review of each Fund's total expense ratio with the total expense ratios of peer funds would generally provide more meaningful comparisons than considering contractual management fee rates in isolation.

In this regard, the Trustees noted PIMCO's view that the Unified Fee Arrangements have benefited and will continue to benefit common shareholders because they provide a management fee expense structure (including Operating Expenses) that is essentially fixed as a percentage of managed assets, making it more predictable under ordinary circumstances in comparison to fee and expense structures, such as the structure in place for the Funds prior to September 6, 2014, under which the Funds' Operating Expenses (including certain third-party fees and expenses) can vary significantly over time. The Trustees also considered that the Unified Fee Arrangements generally insulate the Funds and common shareholders from increases in applicable third-party and certain other expenses because PIMCO, rather than the Funds, would bear the risk of such increases (though the Trustees also noted that PIMCO would benefit from any reductions in such expenses). In this regard, the Trustees noted that PIMCO has already borne significant costs that would have otherwise been borne directly by the Funds, such as the costs associated with a contested Trustee election and related proxy solicitation efforts with respect to PCI and costs associated with aligning the Funds' fiscal year ends.

The Trustees noted that each Fund's total expense ratio as a percentage of average net assets (excluding interest and borrowing expenses) under the investment management agreement with AGIFM from January 1, 2014 to September 5, 2014 (presented on a pro forma, annualized basis) was generally similar to the total expense ratio (excluding interest and borrowing expenses) under the Unified Fee Arrangements with PIMCO from September 6, 2014 to December 31, 2014 (presented on a pro forma, annualized basis). The Trustees noted that the total expense ratios (excluding interest and borrowing expenses) as a percentage of average net assets attributable to common shareholders for PGP, PCI, PCM and PKO were higher under the Unified Fee Arrangements than they were under the investment management agreement with AGIFM (the

pre-transition period), while the total expense ratios (excluding interest and borrowing expenses) as a percentage of average net assets attributable to common shareholders for RCS and PDI under the Unified Fee Arrangements were slightly lower than they were during the pre-transition period. It was noted that, with respect to PCI, PCM and PKO, the increase was largely due to increases in managed assets from increased leverage and, for PCI, PCM, PKO and PGP, decreased average net assets attributable to common shares. The Trustees noted that the total expense ratio as a percentage of average managed assets for PCI was lower under the Unified Fee Arrangement because PCI's unified management fee rate is the same as its non-unified management fee rate during the pre-transition period.

Fund-specific comparative performance results for the Funds reviewed by the Trustees are discussed below. The comparative performance information was prepared and provided by Lipper and was not independently verified by the Trustees. Due to the passage of time, these performance results may differ from the performance results for more recent periods. With respect to all Funds, the Trustees reviewed, among other information, comparative information showing performance of the Funds against the Lipper performance universes for the one-year, three-year, five-year and ten-year periods (to the extent each such Fund had been in existence) ended December 31, 2014. The Trustees also reviewed the Fund Scoring Summaries prepared by PIMCO at the Independent Trustees' request comparing each Fund's fees/expenses and performance against those of its Lipper performance universe and Lipper expense universe by identifying a Fund's ranking among its Lipper performance universe and Lipper expense universe as above-median or below median with respect to various fee/expense categories (management fees and total expenses) and performance periods (one-year, three-year and five-year), as well as averages of such rankings for each Fund. In addition, the Trustees also reviewed fact cards for each Fund that included comparisons of each Fund's total expense ratio based on average net assets (excluding interest and borrowing expenses) and average managed assets (excluding interest and borrowing expenses) relative to its Lipper expense group.

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In addition, it was noted that the Trustees considered matters bearing on the Funds and their advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting.

Among other information, the Trustees took into account the following regarding particular Funds.

### **PGP**

With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance

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universe, consisting of two funds, the Trustees noted that the Fund ranked second out of two funds for the one-year period and first out of two funds for the three-year and five-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of seven funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from \$123.1 million to \$287.1 million, and that three of the funds in the group were larger in asset size than the Fund. With respect to the Fund's total expense ratio calculated on average net assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was above the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of 14 funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) when calculated on average net assets and was below the median total expense ratio (including interest and borrowing expenses) when calculated on total managed assets.

**PKO**

With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance universe, consisting of 12 funds for one-year performance and eight funds for three- and five-year performance, the Trustees noted that the Fund had first quintile performance for the one-year, three-year and five-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from \$220.3 million to \$428.7 million, and that no funds in the group were larger in asset size than the Fund. With respect to the Fund's total expense ratio calculated on average net assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was at the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was at the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of 12 funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) when calculated on average net assets and was below the median total expense ratio (including interest and borrowing expenses) when calculated on total managed assets.

**PCM**

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With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance universe, consisting of nine funds for one-year performance, eight funds for three-year performance, six funds for five-year performance and four funds for ten-year performance, the Trustees noted that the Fund had fourth quintile performance for the one-year period, third quintile performance for the three-year period, and first quintile performance for the five-year and ten-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds

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in the group ranged from \$67.1 million to \$309.9 million, and that two of the funds in the group were larger in asset size than the Fund. With respect to the Fund's total expense ratio calculated on both average net assets and average managed assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was at the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of eight funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) when calculated on average net assets and was below the median total expense ratio (including interest and borrowing expenses) when calculated on total managed assets.

**RCS**

With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance universe, consisting of 12 funds for one-year performance, eight funds for three- and five-year performance and five funds for ten-year performance, the Trustees noted that the Fund had second quintile performance for the one-year period and first quintile performance for the three-year, five-year and ten-year periods ended December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the expense group ranged from \$220.3 million to \$420.1 million, and that one of the funds in the group was larger in asset size than the Fund. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated both on average net assets and average managed assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund's total

expense ratio (including interest and borrowing expenses) was below the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of 12 funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets was below the median total expense ratio (including interest and borrowing expenses). It was noted that RCS's management fees are based on daily net assets, including net assets attributable to any preferred shares that may be outstanding, but that RCS does not have any preferred shares outstanding.

**PCI**

With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance universe, consisting of 12 funds, the Trustees noted that the Fund had second quintile performance for the one-year period ended December 31, 2014 and first quintile performance for the period from the Fund's inception on January 31, 2013 until December 31, 2014.



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The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from \$220.3 million to \$3.373 billion, and that none of the funds in the group were larger in asset size than the Fund. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was above the median total expense ratio of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio was at the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on average managed assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was at the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of 12 funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses)

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calculated on both average net assets and average managed assets was above the median total expense ratio (including interest and borrowing expenses).

**PDI**

With respect to the Fund's common share total return performance (based on net asset value) relative to its respective Lipper performance universe, consisting of 12 funds, the Trustees noted that the Fund had first quintile performance for the one-year period ended December 31, 2014 and for the period from the Fund's inception on May 30, 2012 until December 31, 2014.

The Trustees noted that the Lipper expense group for the Fund consisted of a total of five funds, including the Fund. The Trustees also noted that the average net assets of the common shares of the funds in the group ranged from \$220.3 million to \$1.409 billion, and that none of the funds in the group were larger in asset size than the Fund. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) calculated on average net assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was above the median total expense ratio (excluding interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (excluding interest and borrowing expenses) on average managed assets, the Trustees noted that the Fund's total expense ratio (excluding interest and borrowing expenses) was below the median total expense ratio of the funds in its Lipper expense group. With respect to the Fund's total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) was above the median total expense ratio (including interest and borrowing expenses) of the funds in its Lipper expense group. With respect to the Fund's Lipper expense universe, consisting of 12 funds, the Trustees noted that the Fund's total expense ratio (including interest and borrowing expenses) calculated on both average net assets and average managed assets was above the median total expense ratio (including interest and borrowing expenses).

In addition to their review of Fund performance based on net asset value, the Trustees also considered the market value performance of each Fund's common shares and related share price premium and/or discount information based on the materials provided by Lipper and PIMCO.

The Trustees also considered the management fees charged by PIMCO to other funds and accounts with similar strategies to those of the Funds, if any, including any similar open-end funds. With respect to

PKO, PCM and RCS, the Trustees were advised that PIMCO does not manage any funds or separate accounts with investment strategies or return profiles bearing a substantial similarity to those of the Funds. However, the Trustees considered the management fees charged by PIMCO to other funds with strategies that have similarities (but are not substantially similar) to those of PKO, PCM and RCS. The Trustees noted that the management fees paid by the Funds are generally higher than the fees paid by any open-end funds offered for comparison, but were advised by PIMCO that there are additional portfolio management challenges in managing closed-end funds such as the Funds, such as those associated with less liquid holdings, the use of leverage, issues relating to trading on a national exchange and attempting to meet a regular dividend. With respect to PGP and PCI, the Trustees were advised that PIMCO does not manage any funds or accounts which have an investment strategy or return profile bearing any reasonable similarity to those Funds.

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The Trustees also took into account that all Funds, with the exception of RCS, pay management fees on assets attributable to types of leverage that they use (such as reverse repurchase agreements) under the Agreement (because each Fund's fees, except those of RCS, are calculated based on total managed assets, including assets attributable to reverse repurchase agreements and/or certain other forms of leverage outstanding). They noted that RCS's management fees are based on daily net assets, including net assets attributable to any preferred shares that may be outstanding, but that RCS does not have any preferred shares outstanding. In this regard, the Trustees took into account that PIMCO has a financial incentive for the Funds to continue to use leverage, which may create a conflict of interest between PIMCO, on one hand, and the Funds' common shareholders, on the other. The Trustees further noted that this incentive may be greater under the Unified Fee Arrangements because the contractual management fee rates under the Unified Fee Agreements are higher for each Fund than the Fund's management fee would otherwise be if it did not cover the Fund's Operating Expenses—i.e., in comparison to their non-unified management fee rates in place prior to September 6, 2014—with the exception of PCI and PDI, which have the same management fee rates as they did prior to September 6, 2014. Therefore, with the exception of PCI and PDI, the total fees paid by each Fund to PIMCO under the Unified Fee Arrangements will therefore vary more with increases and decreases in applicable leverage incurred by a Fund than under its prior non-unified fee arrangement, all things being equal. The Trustees considered information provided by PIMCO and related presentations as to why each Fund's use of leverage continues to be appropriate and in the best interests of the respective Fund under current market conditions. The Trustees also considered PIMCO's representation that it will use

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leverage for the Funds solely as it determines to be in the best interests of the Funds from an investment perspective and without regard to the level of compensation PIMCO receives. The Trustees noted that RCS does not pay fees on assets attributable to the types of leverage that the Fund currently employs.

The Trustees also considered estimated profitability analyses provided by PIMCO, which included, among other information, (i) information regarding the estimated profitability to PIMCO with respect to the Funds for the one-year period ended December 31, 2014 for serving as the Funds' sub-adviser from January 1, 2014 through the close of business on September 5, 2014, and for serving as the Funds' investment manager from September 6, 2014 through December 31, 2014; and (ii) a comparison of the estimated pro forma profitability for the one-year period ended December 31, 2014 previously provided to the Board in connection with the initial approval of the Agreement, which assumed that PIMCO served as the Funds' investment manager for the entire one-year period, against the estimated profitability to PIMCO during calendar year 2014. The Trustees also took into account explanations from PIMCO regarding how certain corporate and shared expenses were allocated among the Funds and other funds and accounts managed by PIMCO for purposes of developing profitability estimates. Based on the profitability analyses provided by PIMCO, the Trustees determined, taking into account the various assumptions made, that such profitability did not appear to be excessive.

The Trustees also took into account that the Funds do not currently have any breakpoints in their management fees and, as closed-end investment companies, the Funds did not at the time of the review intend to raise additional assets, so the assets of the Funds were expected to grow (if at all) principally through the investment performance of each Fund and/or the increased use of leverage. The Trustees also considered that the Unified Fee Arrangements provide inherent economies of scale because a Fund maintains competitive fixed unified fees even if the particular Fund's assets decline and/or operating costs rise. The Trustees further considered that, in contrast, breakpoints are a proxy for charging higher fees on lower asset levels and that when a fund's assets decline, breakpoints may reverse, which causes expense ratios to increase. The Trustees also considered that, unlike the Funds' Unified Fee Arrangements, funds with pass through administrative fee structures may experience increased expense ratios when fixed dollar fees are charged against declining fund assets. The Trustees also considered that the Unified Fee Arrangements protect shareholders from a rise in operating costs that may result from, including, among other things, PIMCO's investments in various business enhancements and infrastructure. The Trustees noted that PIMCO has made extensive investments in these areas.

Additionally, the Trustees considered so-called "fall-out benefits" to PIMCO, such as reputational value derived from serving as investment manager to the Funds and research, statistical and quotation services PIMCO may receive from broker-dealers executing the Funds' portfolio transactions on an agency basis.

After reviewing these and other factors described herein, the Trustees concluded, with respect to each Fund, within the context of their overall conclusions regarding the Agreement and based on the information provided and related representations made by management, that they were satisfied with PIMCO's responses and efforts relating to the investment performance of the Funds. The Trustees also concluded that the fees payable under the Agreement represent reasonable compensation in light of the nature, extent and quality of services provided by PIMCO. Based on their evaluation of factors that they deemed to be material, including those factors described above, the Trustees, including the Independent Trustees, unanimously concluded that the continuation of the Agreement was in the interests of each Fund and its shareholders, and should be approved.

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### **Privacy Policy<sup>1</sup>**

The Funds<sup>2</sup> consider customer privacy to be a fundamental aspect of their relationships with shareholders and are committed to maintaining the confidentiality, integrity and security of their current, prospective and former shareholders' non-public personal information. The Funds have developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

### **Obtaining Personal Information**

In the course of providing shareholders with products and services, the Funds and certain service providers to the Funds, such as the Funds investment adviser or sub-adviser ( "Adviser" ), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on applicable websites.

### **Respecting Your Privacy**

As a matter of policy, the Funds do not disclose any non-public personal information provided by shareholders or gathered by the Funds to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Funds. 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 shareholder satisfaction and gathering shareholder proxies. The Funds or their affiliates may also retain non-affiliated companies to market Fund shares or products which use Fund shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Funds may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

### **Sharing Information with Third Parties**

The Funds reserve the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where the Funds believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect their rights or property, or upon reasonable request by any fund advised by PIMCO in which a shareholder has invested. In addition, the Funds may disclose information about a shareholder or a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

### **Sharing Information with Affiliates**

The Funds may share shareholder information with their affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Funds or their Adviser or its affiliates ( "Service Affiliates" ) believe may be of interest to such shareholders. The information that the Funds may share may include, for example, a shareholder's participation in the Funds or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as

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IRAs), information about the Funds' experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder's accounts, subject to applicable law. The Funds' Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

### **Procedures to Safeguard Private Information**

The Funds take seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Funds have implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

### **Information Collected from Websites**

Websites maintained by the Funds or their service providers may use a variety of technologies to collect information that help the Funds and their service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as cookies) allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Funds or their Service Affiliates may use third parties to place advertisements for the Funds on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address.

You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly.

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**Changes to the Privacy Policy**

From time to time, the Funds may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

<sup>1</sup> Effective as of September 5, 2014.

<sup>2</sup> When distributing this Policy, a Fund may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined policy may be written in the first person (i.e., by using "we" instead of "the Funds").

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**General Information**

**Investment Manager**

Pacific Investment Management Company LLC

1633 Broadway

New York, NY 10019

**Custodian**

State Street Bank and Trust Company

801 Pennsylvania Avenue

Kansas City, MO 64105

**Transfer Agent, Dividend Paying Agent and Registrar**

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

**Legal Counsel**

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

1100 Walnut Street, Suite 1300

Kansas City, MO 64106



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This report is submitted for the general information of the shareholders of PCM Fund, Inc., PIMCO Global StocksPLUS® & Income Fund, PIMCO Income Opportunity Fund, PIMCO Strategic Income Fund, Inc., PIMCO Dynamic Credit Income Fund and PIMCO Dynamic Income Fund.

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**Table of Contents****Item 2. Code of Ethics.**

As of the end of the period covered by this report, the Registrant has adopted a code of ethics (the Code) that applies to the Registrant's principal executive officer and principal financial & accounting officer. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code to the principal executive officer or principal financial & accounting officer during the period covered by this report.

A copy of the Code is included as an exhibit to this report.

**Item 3. Audit Committee Financial Expert.**

(a) The Board of Trustees has determined that James A. Jacobson, who serves on the Board's Audit Oversight Committee, qualifies as an audit committee financial expert as such term is defined in the instructions to this Item 3. The Board has also determined that Mr. Jacobson is independent as such term is interpreted under this Item 3.

**Item 4. Principal Accountant Fees and Services.**

(a)	<u>Fiscal Year Ended</u>	<u>Audit Fees</u>
	June 30, 2015	\$ 66,781
	March 31, 2015	\$ 67,978
(b)	<u>Fiscal Year Ended</u>	<u>Audit-Related Fees<sup>(1)</sup></u>
	June 30, 2015	\$
	March 31, 2015	\$
(c)	<u>Fiscal Year Ended</u>	<u>Tax Fees</u>
	June 30, 2015	\$ 16,490
	March 31, 2015	\$ 16,490
(d)	<u>Fiscal Year Ended</u>	<u>All Other Fees<sup>(1)</sup></u>
	June 30, 2015	\$
	March 31, 2015	\$

Audit Fees represents fees billed for each of the last two fiscal years for professional services rendered for the audit and review of the Registrant's annual financial statements for those fiscal years or services that are normally provided by the accountant in connection with statutory or regulatory filings or engagements for those fiscal years.

Audit-Related Fees represents fees billed for each of the last two fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of the Registrant's financial statements, but not reported under Audit Fees above, and that include accounting consultations, attestation reports and comfort letters for those fiscal years.

Tax Fees represents fees billed for each of the last two fiscal years for professional services related to tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews, and tax distribution and analysis reviews.

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All Other Fees represents fees, if any, billed for other products and services rendered by the principal accountant to the Registrant other than those reported above under Audit Fees, Audit-Related Fees and Tax Fees for the last two fiscal years.

(1) There were no Audit-Related Fees and All Other Fees for the last two fiscal years.

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## (e) Pre-approval policies and procedures

(1) The Registrant's Audit Oversight Committee has adopted pre-approval policies and procedures (the Procedures) to govern the Audit Oversight Committee's pre-approval of (i) all audit services and permissible non-audit services to be provided to the Registrant by its independent accountant, and (ii) all permissible non-audit services to be provided by such independent accountant to the Registrant's investment adviser and to any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant (collectively, the Service Affiliates) if the services provided directly relate to the Registrant's operations and financial reporting. In accordance with the Procedures, the Audit Oversight Committee is responsible for the engagement of the independent accountant to certify the Registrant's financial statements for each fiscal year. With respect to the pre-approval of non-audit services provided to the Registrant and its Service Affiliates, the Procedures provide that the Audit Oversight Committee may annually pre-approve a list of types or categories of non-audit services that may be provided to the Registrant or its Service Affiliates, or the Audit Oversight Committee may pre-approve such services on a project-by-project basis as they arise. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Oversight Committee if it is to be provided by the independent accountant. The Procedures also permit the Audit Oversight Committee to delegate authority to one or more of its members to pre-approve any proposed non-audit services that have not been previously pre-approved by the Audit Oversight Committee, subject to the ratification by the full Audit Oversight Committee no later than its next scheduled meeting.

(2) With respect to the services described in paragraphs (b) through (d) of this Item 4, no amount was approved by the Audit Oversight Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

f) Not applicable.

g)

Entity	Aggregate Non-Audit Fees Billed to Entity	
	June 30, 2015	March 31, 2015
PIMCO Dynamic Income Fund	\$ 16,490	\$ 16,490
Pacific Investment Management Company LLC ( PIMCO )	9,815,893	9,316,931
<b>Total</b>	<b>\$ 9,832,383</b>	<b>\$ 9,333,421</b>

h) The Registrant's Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser, and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant which were not pre-approved (not requiring pre-approval) is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The audit committee is comprised of:

Deborah A. DeCotis;

Bradford K. Gallagher;

James A. Jacobson;

Hans W. Kertess;

William B. Ogden, IV; and

Alan Rappaport.

**Item 6. Schedule of Investments.**

The Schedule of Investments is included as part of the reports to shareholders under Item 1.

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**Table of Contents****Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

PIMCO has adopted written proxy voting policies and procedures ( Proxy Policy ) as required by Rule 206(4)-6 under the Advisers Act. In addition to covering the voting of equity securities, the Proxy Policy also applies generally to voting and/or consent rights of fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions. The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights (collectively, proxies ) are exercised in the best interests of accounts.

With respect to the voting of proxies relating to equity securities, PIMCO has selected an unaffiliated third party proxy research and voting service ( Proxy Voting Service ), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications of the proposals and provides a recommendation to PIMCO as to how to vote on each proposal based on the Proxy Voting Service s research of the individual facts and circumstances and the Proxy Voting Service s application of its research findings to a set of guidelines that have been approved by PIMCO. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does not provide a recommendation with respect to a proposal, PIMCO may determine to vote on the proposals directly.

With respect to the voting of proxies relating to fixed income securities, PIMCO s fixed income credit research group (the Credit Research Group ) is responsible for researching and issuing recommendations for voting proxies. With respect to each proxy received, the Credit Research Group researches the financial implications of the proxy proposal and makes voting recommendations specific for each account that holds the related fixed income security. PIMCO considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Credit Research Group. In the event that the Credit Research Group does not provide a recommendation with respect to a proposal, PIMCO may determine to vote the proposal directly.

PIMCO may determine not to vote a proxy for an equity or fixed income security if: (1) the effect on the applicable account s economic interests or the value of the portfolio holding is insignificant in relation to the account s portfolio; (2) the cost of voting the proxy outweighs the possible benefit to the applicable account, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the portfolio managers to effect trades in the related security; or (3) PIMCO otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy.

In the event that the Proxy Voting Service or the Credit Research Group, as applicable, does not provide a recommendation or the portfolio managers of a client account propose to override a recommendation by the Proxy Voting Service, or the Credit Research Group, as applicable, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable account or among PIMCO-advised accounts. If no material conflict exists, the proxy will be voted according to the portfolio managers recommendation. If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable client account, as provided by the Proxy Policy. The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and a client account, the Proxy Policy permits PIMCO to either: (i) convene a committee to assess and resolve the conflict (the Proxy Conflicts Committee ); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Committee and/or other relevant procedures approved by PIMCO s Legal and

Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between one or more PIMCO-advised accounts, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each client account's best interests if the conflict exists between client accounts managed by different portfolio managers.

PIMCO will supervise and periodically review its proxy voting activities and the implementation of the Proxy Policy. PIMCO's Proxy Policy, and information about how PIMCO voted a client's proxies, is available upon request.



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(a)(1)

As of August 27, 2015, the following individuals have primary responsibility for the day-to-day implementation of the PIMCO Dynamic Income Fund (the Fund):

**Daniel J. Ivascyn**

Mr. Ivascyn has been the lead portfolio manager of the Fund since its inception in May 2012. Mr. Ivascyn is Group Chief Investment Officer and a managing director in the Newport Beach office. Prior to joining PIMCO in 1998, he worked at Bear Stearns in the asset-backed securities group, as well as T. Rowe Price and Fidelity Investments.

**Alfred T. Murata**

Mr. Murata has been a portfolio manager of the Fund since its inception in May 2012. Mr. Murata is a managing director in the Newport Beach office and a portfolio manager on the mortgage credit team. Prior to joining PIMCO in 2001, he researched and implemented exotic equity and interest rate derivatives at Nikko Financial Technologies.

**Joshua Anderson**

Mr. Anderson has been a portfolio manager of the Fund since its inception in May 2012. Mr. Anderson is a managing director and portfolio manager in the London office, where he leads the European structured product group. He also oversees global structured credit investments. Previously, he was a structured product portfolio manager in the Newport Beach office. Prior to joining PIMCO in 2003, he was an analyst at Merrill Lynch covering both the residential ABS and collateralized debt obligation sectors and was ranked as one of the top analysts by Institutional Investor magazine. He was previously a portfolio manager at Merrill Lynch Investment Managers.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund, managed by the Portfolio Managers as of June 30, 2015, including accounts managed by a team, committee, or other group that includes a Portfolio Manager. Unless mentioned otherwise, the advisory fee charged for managing each of the accounts listed below is not based on performance.

	Registered Investment		Other Pooled Investment		Other Accounts	
	Companies	Vehicles				
PM	#	AUM(\$million)	#	AUM(\$million)	#	AUM(\$million)
<b>Daniel J. Ivascyn</b>	13	63,415.34	13	14,697.38*	108	9,625.43**

<b>Alfred T. Murata</b>	9	55,577.61	3	7,889.61	4	585.90
<b>Joshua Anderson</b>	1	395.18	0	0.00	13	4,779.54***

\*Of these Other Pooled Investment Vehicles, 1 account totaling 0.01 million in assets pay(s) an advisory fee that is based in part on the performance of the accounts.

\*\*Of these Other Accounts, 2 accounts totaling 2,691.98 million in assets pay(s) an advisory fee that is based in part on the performance of the accounts.

\*\*\*Of these Other Accounts, 1 account totaling 1,968.99 million in assets pay(s) an advisory fee that is based in part on the performance of the accounts.

From time to time, potential and actual conflicts of interest may arise between a portfolio manager's management of the investments of the Fund, on the one hand, and the management of other accounts, on the other. Potential and actual

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conflicts of interest may also arise as a result of PIMCO's other business activities and PIMCO's possession of material non-public information about an issuer. Other accounts managed by a portfolio manager might have similar investment objectives or strategies as the Fund, track the same index as the Fund or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the Fund. The other accounts might also have different investment objectives or strategies than the Fund. Potential and actual conflicts of interest may also arise as a result of PIMCO serving as investment adviser to accounts that invest in the Fund. In this case, such conflicts of interest could in theory give rise to incentives for PIMCO to, among other things, vote proxies of the Fund in a manner beneficial to the investing account but detrimental to the Fund. Conversely, PIMCO's duties to the Fund, as well as regulatory or other limitations applicable to the Fund, may affect the courses of action available to PIMCO-advised accounts (including certain funds) that invest in the Fund in a manner that is detrimental to such investing accounts.

Because PIMCO is affiliated with Allianz, a large multi-national financial institution, conflicts similar to those described below may occur between the Fund and other accounts managed by PIMCO and PIMCO's affiliates or accounts managed by those affiliates. Those affiliates (or their clients), which generally operate autonomously from PIMCO, may take actions that are adverse to the Fund or other accounts managed by PIMCO. In many cases, PIMCO will not be in a position to mitigate those actions or address those conflicts, which could adversely affect the performance of the Fund or other accounts managed by PIMCO.

**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 the Fund. Because of their positions with the Fund, the portfolio managers know the size, timing and possible market impact of the 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 the 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 the 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. In addition, regulatory issues applicable to PIMCO or the Fund or other accounts may result in the Fund not receiving securities that may otherwise be appropriate for it. Similarly, there may be limited opportunity to sell an investment held by the Fund and another account. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

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 Fund and certain pooled investment vehicles, including investment opportunity allocation issues.

Conflicts potentially limiting the Fund's investment opportunities may also arise when the Fund and other PIMCO clients invest in different parts of an issuer's capital structure, such as when the Fund owns senior debt obligations of an issuer and other clients own junior tranches of the same issuer. In such circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment may result in conflicts of interest. In order to minimize such conflicts, a portfolio manager may avoid certain investment opportunities that would potentially give rise to conflicts with other PIMCO clients or PIMCO may enact internal procedures designed to minimize such conflicts, which could have the effect of limiting the Fund's investment opportunities. Additionally, if PIMCO acquires material non-public confidential information in connection with its business activities for other clients, a portfolio manager may be restricted from purchasing securities or selling securities for the Fund. Moreover, the Fund or other accounts managed by PIMCO may invest in a transaction in which one or more other funds or

accounts managed by PIMCO are expected to participate, or already have made or will seek to make, an investment. Such funds or accounts may have conflicting interests and objectives in connection with such investments, including, for example and without limitation, with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment, and the timeframe for, and method of, exiting the investment. When making investment decisions where a conflict of interest may arise, PIMCO will endeavor to act in a fair and equitable manner as between the Fund and other clients; however, in certain instances the resolution of the conflict may result in PIMCO acting on behalf of another client in a manner that may not be in the best interest, or may be opposed to the best interest, of the Fund.

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

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might be the most profitable to such other accounts instead of allocating them to the Fund. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities between the Fund and certain pooled investment vehicles on a fair and equitable basis over time.

(a)(3)

As of June 30, 2015, the following explains the compensation structure of the individuals who have primary responsibility for day-to-day portfolio management of the Fund:

**Portfolio Manager Compensation**

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 an 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 and discretionary performance bonuses, and may include an equity or long term incentive component.

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.

**Key Principles on Compensation Philosophy include:**

PIMCO's pay practices are designed to attract and retain high performers.

PIMCO's pay philosophy embraces a corporate culture of rewarding strong performance, a strong work ethic and meritocracy.

PIMCO's goal is to ensure key professionals are aligned to PIMCO's long-term success through equity participation.

PIMCO's Discern and Differentiate discipline is exercised where individual performance ranking is used for guidance as it relates to total compensation levels.

**The Total Compensation Plan consists of three components:**

**Base Salary** Base salary is determined based on core job responsibilities, positions/levels and market factors. Base salary levels are reviewed annually, when there is a significant change in job responsibilities or position, or a significant change in market levels. Base salary is paid in regular installments throughout the year and payment dates are in line with local practice.

**Performance Bonus** Performance bonuses are designed to reward individual performance. Each professional and his or her supervisor will agree upon performance objectives to serve as a basis for performance evaluation during the year. The objectives will outline individual goals according to pre-established measures of the group or department success. Achievement against these goals as measured by the employee and supervisor will be an important, but not exclusive, element of the bonus decision process. Award amounts are determined at the discretion of the Compensation Committee (and/or certain senior portfolio managers, as appropriate) and will also consider firm performance.

Long-term Incentive Compensation - Long-Term Incentive Plan (LTIP) is awarded to key professionals. Employees who reach a total compensation threshold are delivered their annual compensation in a mix of cash and long-term incentive awards. PIMCO incorporates a progressive allocation of long-term incentive awards as a percentage of total compensation, which is in line with market practices. The LTIP provides participants with cash awards that appreciate or depreciate based on PIMCO's operating earnings over a rolling three-year period. The plan provides a link between longer term company performance and participant pay, further motivating participants to make a long-term commitment to PIMCO's success. Participation in LTIP is contingent upon continued employment at PIMCO.

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In addition, the following non-exclusive list of qualitative criteria may be considered when specifically determining the total compensation 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);
- 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;
- 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.

***Profit Sharing Plan.*** 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 Compensation Committee, based upon an individual's overall contribution to the firm.

(a)(4)

The following summarizes the dollar range of securities of the Fund the Portfolio Managers beneficially owned as of June 30, 2015:

<b>Portfolio Manager</b>	<b>Dollar Range of Equity Securities of the Fund Owned as of June 30, 2015</b>
<b>Daniel J. Ivascyn</b>	over \$1,000,000
<b>Alfred T. Murata</b>	\$100,001-\$500,000
<b>Joshua Anderson</b>	\$100,001-\$500,000

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

None.

**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 principal executive officer and principal financial & accounting officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that material information relating to the Registrant is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.
  
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.



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**Item 12. Exhibits.**

- (a)(1) Exhibit 99.CODE Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002.
- (a)(2) Exhibit 99.CERT Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (b) Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**Signatures**

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.

PIMCO Dynamic Income Fund

By: /s/ PETER G. STRELOW

Peter G. Strelow  
President (Principal Executive Officer)

Date: August 27, 2015

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/ PETER G. STRELOW

Peter G. Strelow  
President (Principal Executive Officer)

Date: August 27, 2015

By: /s/ WILLIAM G. GALIPEAU

William G. Galipeau  
Treasurer (Principal Financial & Accounting  
Officer)

Date: August 27, 2015