

PIMCO Floating Rate Strategy Fund
Form N-CSR
October 06, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21601

PIMCO Floating Rate Strategy Fund
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, NY
(Address of principal executive offices)

10105
(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, NY 10105
(Name and address of agent for service)

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

Date of fiscal year July 31, 2008
end:

Date of reporting period: July 31, 2008

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1: Report to shareholders

Contents

Letter to Shareholders	1
Fund Insights/Performance & Statistics	2-3
Schedules of Investments	4-29
Statements of Assets and Liabilities	30
Statements of Operations	31
Statements of Changes in Net Assets	32-33
Statements of Cash Flows	34
Notes to Financial Statements	35-46
Financial Highlights	47-48
Report of Independent Registered Public Accounting Firm	49
Tax Information/Annual Shareholder Meeting Results/ Appointment of New Trustee	50
	51-53

Edgar Filing: PIMCO Floating Rate Strategy Fund - Form N-CSR

Matters Relating to the Trustees – Consideration of the
Investment Management & Portfolio Management
Agreements

Privacy Policy/Proxy Voting Policies & Procedures 54

Dividend Reinvestment Plan 55

Board of Trustees 56-57

Principal Officers 58

PIMCO Floating Rate Income/PIMCO Floating Rate Strategy Funds Letter to Shareholders

September 19, 2008

Dear Shareholder:

We are pleased to provide you with the annual report for the PIMCO Floating Rate Income Fund and PIMCO Floating Rate Strategy Fund (collectively the Funds) for the fiscal year ended July 31, 2008.

The Federal Reserve Board (the Fed) reduced short-term interest rates seven times during the twelve-month period, injecting liquidity into the financial system as structural weakness in housing, banks and financial services firms threatened to push a slowing economy into recession. The Fed's credit easing moves lowered the Federal Funds target rate from 5.25% at the beginning of the reporting period to 2.00% at its end. Bonds advanced during the period in most categories and stocks weakened. The Lehman Brothers U.S. Aggregate Bond Index advanced 6.15% while the Lehman Brothers High Yield Index declined 0.09% for the period.

Since February 2008, industry-wide developments in the auction-rate preferred markets have caused auctions for the Fund's auction-rate preferred shares (ARPS) to fail, as described in Note 5 in the accompanying notes to Financial Statements. At the time this report is being prepared, it is not possible to predict how and when full or partial liquidity will return, if at all, to the closed-end fund ARPS market. Additional information regarding ARPS, failed auctions and potential solutions to address the unprecedented lack of liquidity of the ARPS due to failed auctions can be accessed on our Web site, www.allianzinvestors.com/arps.

Please refer to the following pages for specific information on the Funds. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 331-1710. In addition, a wide range of information and resources are available on our Web site at www.allianzinvestors.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman

Brian S. Shlissel

President & Chief Executive Officer

7.31.08 | PIMCO Floating Rate Income/PIMCO Floating Rate Strategy Funds Annual Report **1**

PIMCO Floating Rate Income Fund Fund Insights/Performance & Statistics

July 31, 2008 (unaudited)

- For the fiscal year ended July 31, 2008, the PIMCO Floating Rate Income Fund returned (5.02)% on net asset value (NAV) and (12.26)% on market price.
- A strong emphasis on the healthcare sector, which outperformed the broader leveraged loan market by in excess of 330 basis points, was a significant contributor to performance during the period.
- A smaller-than-market weighting to the gaming sector, where revenues have declined, leverage has increased, and consumer travel has slowed considerably, was positive for performance.
- A prominent weighting to the telecom sector benefited performance, as positive merger and acquisition activity especially among wireless providers, boosted the overall sector higher.
- Security selection in the consumer cyclical sector, where automotive loans were under heightened pressure, detracted from performance.
- Within the media sector, a relatively significant weight to publishing and broadcasting companies hindered performance.
- Slightly larger-than-market exposure to technology was a detriment to performance as this sector underperformed the market by approximately 100 basis points.
- An emphasis on the upper and middle quality tiers of the market contributed positively to performance, as lower tiers significantly underperformed their higher quality counterparts.

Total Return⁽¹⁾:	Market Price	NAV
1 Year	(12.26)%	(5.02)%
3 Year	0.46%	0.79%
Commencement of Operations (8/29/03) to 7/31/08	1.15%	2.88%

Market Price/NAV Performance:	Market Price/NAV:	
Commencement of Operations (8/29/03) to 7/31/08	Market Price	\$13.98
NAV	NAV	\$14.73
Market Price	Discount to NAV	(5.09)%
	Market Price Yield ⁽²⁾	8.70%

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of the specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

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

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at July 31, 2008.

2 PIMCO Floating Rate Income/PIMCO Floating Rate Strategy Funds Annual Report | 7.31.08

PIMCO Floating Rate Strategy Fund Fund Insights/Performance & Statistics

July 31, 2008 (unaudited)

- For the fiscal year ended July 31, 2008, the PIMCO Floating Rate Strategy Fund returned (6.86)% on net asset value (NAV) and (18.08)% on market price.
- A strong emphasis on the telecom sector benefited performance, as positive merger and acquisition activity especially among wireless providers, boosted the overall sector higher.
- A prominent weighting to the healthcare sector, which outperformed the broader leveraged loan market by in excess of 330 basis points, was a significant contributor to performance during the period.
- A smaller-than-market weighting to the gaming sector, where revenues have declined, leverage has increased, and consumer travel has slowed considerably, was positive for performance.
- As pressure hovered over the financial sector during the majority of the 12-month period, a relatively significant weighting to high-grade banks adversely affected performance.
- Security selection in the consumer cyclical sector, where automotive loans were under heightened pressure, detracted from performance.
- Slightly larger-than-market exposure to technology was a detriment to performance as this sector underperformed the market by approximately 100 basis points.
- An emphasis on the upper and middle quality tiers of the market contributed positively to performance, as lower tiers significantly underperformed their higher quality counterparts.

Total Return⁽¹⁾:	Market Price	NAV
1 Year	(18.08)%	(6.86)%
3 Year	(1.28)%	(0.06)%
Commencement of Operations (10/29/04) to 7/31/08	(2.79)%	0.98%

Market Price/NAV Performance:		Market Price/NAV:	
Commencement of Operations (10/29/04) to 7/31/08	Market Price		\$12.80
NAV	NAV		\$14.16
Market Price	Discount to NAV		(9.60)%
	Market Price Yield ⁽²⁾		9.11%

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of the specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

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

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at July 31, 2008.

Edgar Filing: PIMCO Floating Rate Strategy Fund - Form N-CSR

PIMCO Floating Rate Income Fund Schedule of Investments

July 31, 2008

Principal
Amount
(000)

Value

SENIOR LOANS (a) (c) 72.2%

Advertising 1.3%

2,000	PagesJuanes Groupe S.A., 5.986%, 1/11/14, Term A	\$2,724,056
	West Corp.,	
\$921	4.838%, 10/23/13 (b)	829,973
827	4.838%, 10/23/13	744,954
201	5.021%, 10/23/13	180,955
1,171	5.171%, 10/24/13	1,055,572
837	5.259%, 10/23/13 (b)	753,980
		6,289,490

Aerospace 0.1%

750	TransDigm Group, Inc., 4.801%, 6/23/13, Term B	729,750
-----	--	---------

Airlines 0.5%

2,970	Northwest Airlines Corp., 4.46%, 8/21/13 (b)	2,357,438
-------	--	-----------

Apparel & Textiles 0.3%

	Simmons Co., Term C (b),	
410	4.813%, 12/19/11	385,094
478	4.875%, 12/19/11	448,704
160	4.938%, 12/19/11	149,568
366	6.375%, 12/19/11	343,834
106	6.50%, 12/19/11	99,712
37	6.938%, 12/19/11	34,383
73	7.125%, 12/19/11	68,767
73	7.25%, 12/19/11	68,767
		1,598,829

Automotive 1.3%

5,910	Ford Motor Corp., 5.46%, 12/16/13, Term B	4,668,900
2,479	General Motors Corp., 5.163%, 11/29/13	1,959,390