

AllianzGI Convertible & Income Fund II  
Form N-CSRS  
October 30, 2015  
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**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: 811-21338**

**AllianzGI Convertible & Income Fund II**  
**(Exact name of registrant as specified in charter)**

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

**10019**  
**(Zip code)**

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

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

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

**Date of fiscal year end: February 29, 2016**

**Date of reporting period: August 31, 2015**

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Item 1. Report to Shareholders

AllianzGI Convertible & Income Fund

AllianzGI Convertible & Income Fund II

**Semi-Annual Report**

**August 31, 2015**

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Letter from the President

Julian Sluyters

*President & CEO*

Dear Shareholder:

The US economy expanded at an uneven pace during the six-month reporting period ended August 31, 2015, during which both stocks and bonds posted negative returns.

### **Six Months in Review through August 31, 2015**

n AllianzGI Convertible & Income Fund returned -7.76% on net asset value ( NAV ) and -15.38% on market price.

n AllianzGI Convertible & Income Fund II returned -7.98% on NAV and -17.65% on market price.

In comparison, the Standard & Poor's ( S&P ) 500 Index, an unmanaged index generally representative of the US stock market, declined 5.32% and the BofA Merrill Lynch High Yield Master II Index, an unmanaged index generally representative of the high yield bond market, fell 2.93% during the six-month reporting period. Convertible securities, which share characteristics of both stocks and bonds, also generated negative results. The BofA Merrill Lynch All Convertibles All Qualities Index, an unmanaged index generally representative of the convertible securities market, returned -3.72% for the period.

Turning to the US economy, gross domestic product ( GDP ), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at a revised annual pace of 2.1% during the fourth quarter of 2014. The US economy moderated during the first quarter of 2015, as the US Commerce Department reported that GDP grew at an annual pace of 0.6%. US economic activity improved in the second quarter of 2015, as the Commerce Department's final estimate (released after the reporting period had ended) showed that GDP grew at an annual pace of 3.9%.

The Federal Reserve (the Fed ) maintained an accommodative monetary policy during the six month reporting period. At its June 2015 meeting, the Fed said that it currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run. At its meeting in July 2015, the Fed provided some clues that it remains on target to institute its first rate hike by the end of 2015. In particular, the central bank cited solid job gains and noted that underutilization of labor resources has diminished since early this year. However, on September 17, 2015, after the reporting period ended, the Fed kept rates on hold between 0% and 0.25%.

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**Outlook**

We believe macroeconomic data remain consistent with a moderate pace of growth in the second half of 2015. From an inflation standpoint, if the current trend holds, we think that easier year-over-year comparables may cause a marked uptick in inflation in the industrialized world by early 2016, a development that may be under-appreciated by some investors.

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[us.allianzgi.com/edelivery](http://us.allianzgi.com/edelivery).

Despite the changing economic environment, we believe bond markets still do not appear to be priced for the start of Fed tightening. This, combined with poor bond-market liquidity, could result in more volatility as we get closer to interest rate lift-off. While this may also affect equities, compared to bonds, we believe that stocks should see support from improving economic growth.

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

On behalf of Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Allianz Global Investors U.S. LLC, the Funds' sub-adviser, thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Julian Sluyters  
*President & Chief Executive Officer*

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### **Fund Insights**

#### AllianzGI Convertible & Income Funds

August 31, 2015 (unaudited)

For the period of March 1, 2015, through August 31, 2015, as provided by Doug Forsyth, Portfolio Manager.

For the fiscal six-month period ended August 31, 2015, AllianzGI Convertible & Income Fund and AllianzGI Convertible & Income Fund II (the Funds) returned -7.76% and -7.98% on net asset value (NAV) and -15.38% and -17.65% on market price, respectively.

### **Market Environment**

Several factors influenced the convertible and high-yield markets during the period most notably August's global equity selloff, commodity price volatility, global economic data, corporate earnings, the movement in the US Treasury market and the Fed's outlook.

Volatility surged and risk assets fell sharply in August. Investors pointed to a number of macro-related catalysts for the selloff including the Chinese stock market rout, the Chinese currency devaluation and the potential for weakening global economic growth.

Another influential factor was the sharp decline in crude oil and metal prices in the latter half of the reporting period as angst around slowing economic activity in China increased. Steep price declines weighed on producers, pressuring commodity-linked sectors.

On the economic front, improving indicators signaled continued US expansion and relative strength. The positive trends in data supported the favorable backdrop for convertible and high-yield securities.

Another factor that influenced the markets was corporate earnings. As anticipated, adverse weather conditions, a West Coast port shutdown and a strong dollar dampened profits. However, earnings growth was impressive during the period.

Despite declines in July and August, the 10-year Treasury rate closed the reporting period higher than it started. Treasury-rate volatility had a negative impact on bond-like or busted convertible securities, and it negatively affected sentiment on yield-producing investments such as utilities and REITS. The impact on the high-yield market was mixed.

Global central banks have continued to be accommodative. Although there has been investor uncertainty around the timing of the first rate hike and the path of US monetary policy thereafter, the Fed's message has remained consistent: Changes in policy will be data-dependent and international developments will be assessed.

Against this backdrop, investment-grade convertible issuers outperformed non-investment-grade convertible issuers, and total-return convertibles outperformed yield or busted categories. Thus far, 2015 new issuance has been robust and on pace to exceed 2014's elevated levels.

## Portfolio Specifics

The Funds each provided monthly income over the trailing six-month period.

In the convertibles sleeve, sectors that helped the Funds' relative performance in the period included consumer staples, consumer discretionary and utilities. An overweight in both

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the consumer discretionary and consumer staples sectors was beneficial. Issue selection was positive in utilities. In contrast, sectors that hurt the Funds' relative performance in the period included healthcare, industrials and technology. An underweight in the healthcare sector detracted and the latter two sectors were negatively impacted by issue selection.

In the high-yield sleeve, industries that helped relative Fund performance in the period included gaming, super retail and technology. All three of these exhibited positive issue selection. Conversely, industries that hurt relative performance in the period included energy, diversified financial services and theater & entertainment. Issue selection was the primary detractor in these industries.

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**Performance & Statistics**

AllianzGI Convertible & Income Fund

August 31, 2015 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	-15.38%	-7.76%
1 Year	-18.52%	-10.77%
5 Year	7.70%	9.79%
10 Year	5.11%	5.80%
Commencement of Operations (3/31/03) to 8/31/15	7.03%	7.72%

**Market Price/NAV Performance:**

Commencement of Operations (3/31/03) to 8/31/15

**Market Price/NAV:**

Market Price	\$7.22
NAV	\$7.28
Discount to NAV	-0.82%
Market Price Yield <sup>(2)</sup>	10.80%
Leverage <sup>(3)</sup>	35.80%

**Moody's Ratings\***

(as a % of total investments)

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**Performance & Statistics**

AllianzGI Convertible & Income Fund II

August 31, 2015 (unaudited)

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
Six Month	-17.65%	-7.98%
1 Year	-21.64%	-11.00%
5 Year	7.32%	9.73%
10 Year	4.72%	5.07%
Commencement of Operations (7/31/03) to 8/31/15	5.90%	6.45%

**Market Price/NAV Performance:**

Commencement of Operations (7/31/03) to 8/31/15

**Market Price/NAV:**

Market Price	\$6.59
NAV	\$6.48
Premium to NAV	1.70%
Market Price Yield <sup>(2)</sup>	7.87%
Leverage <sup>(3)</sup>	36.26%

**Moody's Ratings\***

(as a % of total investments)

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**Performance & Statistics**

AllianzGI Convertible & Income Funds

August 31, 2015 (unaudited)

\* Bond ratings apply to the underlying holdings of the Funds and not the Funds themselves and are divided into categories ranging from highest to lowest credit quality, determined for purposes of presentations in this report by using ratings provided by Moody's Investors Service, Inc. (Moody's). Presentation of credit ratings information in this report use ratings provided by Moody's for this purpose, among other reasons, because of the access to background information and other materials provided by Moody's, as well as the Funds' consideration of industry practice. Bonds not rated by Moody's or bonds that do not have a rating available from Moody's are designated as NR and NA, respectively. Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change periodically, even as frequently as daily. Ratings assigned by Moody's or another rating agency are not absolute standards of credit quality and do not evaluate market risk. Rating agencies may fail to make timely changes in credit ratings, and an issuer's current financial condition may be better or worse than a rating indicates. In formulating investment decisions for the Funds, Allianz Global Investors U.S. LLC, the sub-adviser to the Funds, develops its own analysis of the credit quality and risks associated with individual debt instruments, rather than relying exclusively on rating agencies or third-party research.

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

Performance at market price will differ from results at NAV. Although market price returns tend to reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Funds, market conditions, supply and demand for each Fund's shares, or changes in each Fund's dividends.

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

(2) Market Price Yield is determined by dividing the annualized current (declared September 1, 2015) monthly dividend per common share (comprised of net investment income) by the market price per common share at August 31, 2015.

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

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AllianzGI Convertible &amp; Income Fund

August 31, 2015 (unaudited)

Principal

Amount

(000s)		Value
<b>Corporate Bonds &amp; Notes 40.1%</b>		
<b>Advertising 0.4%</b>		
\$5,650	Affinion Group, Inc., 7.875%, 12/15/18	\$3,930,281
<b>Aerospace &amp; Defense 1.7%</b>		
7,135	Erickson, Inc., 8.25%, 5/1/20	5,114,903
7,185	Kratos Defense & Security Solutions, Inc., 7.00%, 5/15/19	6,520,387
5,395	TransDigm, Inc., 6.50%, 5/15/25 (a)(b)	5,327,563
		16,962,853
<b>Air Freight &amp; Logistics 1.0%</b>		
XPO Logistics, Inc., (a)(b)		
2,830	6.50%, 6/15/22	2,794,625
6,820	7.875%, 9/1/19	7,254,775
		10,049,400
<b>Auto Components 0.6%</b>		
5,280	Goodyear Tire & Rubber Co., 8.25%, 8/15/20	5,524,200
<b>Auto Manufacturers 0.8%</b>		
7,410	Chrysler Group LLC, 8.25%, 6/15/21	7,967,232
<b>Chemicals 0.7%</b>		
7,500	Chemours Co., 6.625%, 5/15/23 (a)(b)	6,543,750
<b>Commercial Services 2.2%</b>		
11,500	Cenveo Corp., 11.50%, 5/15/17	10,853,125
5,705	DynCorp International, Inc., 10.375%, 7/1/17	4,193,175
7,375	Monitronics International, Inc., 9.125%, 4/1/20	6,932,500
		21,978,800
<b>Construction Materials 0.8%</b>		
7,310	US Concrete, Inc., 8.50%, 12/1/18	7,675,500
<b>Consumer Finance 0.9%</b>		
3,210	Navient Corp., 8.45%, 6/15/18	3,426,675
4,935	Springleaf Finance Corp., 8.25%, 10/1/23	5,551,875
		8,978,550
<b>Distribution/Wholesale 0.9%</b>		
8,170	HD Supply, Inc., 11.00%, 4/15/20	9,129,975
<b>Diversified Consumer Services 0.7%</b>		
6,815	Cambium Learning Group, Inc., 9.75%, 2/15/17	6,883,150
<b>Diversified Financial Services 1.4%</b>		

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	Community Choice Financial, Inc.,	
10,085	10.75%, 5/1/19	3,731,450
7,130	12.75%, 5/1/20 (a)(b)	2,459,850
	Nationstar Mortgage LLC / Nationstar Capital Corp.,	
2,500	7.875%, 10/1/20	2,371,875
5,300	9.625%, 5/1/19	5,545,125
		14,108,300
	<b>Electrical Components &amp; Equipment 1.2%</b>	
13,585	WireCo WorldGroup, Inc., 9.50%, 5/15/17	11,615,175
	<b>Electronic Equipment, Instruments &amp; Components 0.7%</b>	
7,725	Kemet Corp., 10.50%, 5/1/18	7,338,750

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AllianzGI Convertible &amp; Income Fund

August 31, 2015 (unaudited) (continued)

Principal

Amount

(000s)

Value

		Value
	<b>Food &amp; Staples Retailing 0.5%</b>	
		\$
\$ 5,000	US Foods, Inc., 8.50%, 6/30/19	5,225,000
	<b>Health Care Providers &amp; Services 1.8%</b>	
7,955	Kindred Healthcare, Inc., 8.75%, 1/15/23 (a)(b)	8,939,431
	Tenet Healthcare Corp.,	
3,500	5.00%, 3/1/19	3,506,965
4,530	8.125%, 4/1/22	5,028,300
		17,474,696
	<b>Healthcare-Products 0.9%</b>	
8,885	Kinetic Concepts, Inc./KCI USA, Inc., 10.50%, 11/1/18	9,395,888
	<b>Hotels, Restaurants &amp; Leisure 1.0%</b>	
8,405	MGM Resorts International, 11.375%, 3/1/18	9,896,888
	<b>Household Durables 1.2%</b>	
	Beazer Homes USA, Inc.,	
2,945	7.25%, 2/1/23	2,834,562
5,045	9.125%, 5/15/19	5,171,125
3,950	Jarden Corp., 7.50%, 5/1/17	4,266,000
		12,271,687
	<b>Household Products/Wares 0.8%</b>	
7,610	Reynolds Group Issuer, Inc., 9.875%, 8/15/19	8,009,525
	<b>Independent Power &amp; Renewable Electricity Producers 0.3%</b>	
3,055	TerraForm Power Operating LLC, 5.875%, 2/1/23 (a)(b)	2,917,525
	<b>Internet 0.4%</b>	
8,395	Affinion Investments LLC, 13.50%, 8/15/18	3,861,516
	<b>Internet Software &amp; Services 1.1%</b>	
	EarthLink, Inc.,	
2,800	7.375%, 6/1/20	2,940,000
7,488	8.875%, 5/15/19	7,806,240
		10,746,240
	<b>Iron/Steel 0.5%</b>	
7,305	AK Steel Corp., 8.375%, 4/1/22	4,638,675
	<b>Lodging 0.4%</b>	
12,385	Caesars Entertainment Operating Co., Inc., 12.75%, 4/15/18 (c)	3,901,275
	<b>Machinery 1.1%</b>	



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5,250	BlueLine Rental Finance Corp., 7.00%, 2/1/19 (a)(b)	4,987,500
6,755	Navistar International Corp., 8.25%, 11/1/21	5,927,513
		10,915,013
	<b>Media 2.8%</b>	
5,000	CCO Holdings LLC / CCO Holdings Capital Corp., 7.00%, 1/15/19	5,168,750
8,355	McClatchy Co., 9.00%, 12/15/22	7,592,606
	McGraw-Hill Global Education Holdings LLC / McGraw-Hill Global Education	
8,220	Finance, 9.75%, 4/1/21	9,083,100
3,745	Mood Media Corp., 9.25%, 10/15/20 (a)(b)	2,864,925
4,671	SFX Entertainment, Inc., 9.625%, 2/1/19 (a)(b)	2,896,020