

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II  
Form N-CSR  
May 06, 2009

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

Nicholas-Applegate Convertible & Income Fund II  
(Exact name of registrant as specified in charter)

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

New York 10105  
(Zip code)

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

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

Date of fiscal year end: February 28, 2009

Date of reporting period: February 28, 2009

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.

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# Nicholas-Applegate Convertible & Income Fund Nicholas-Applegate Convertible & Income Fund II

Annual Report  
February 28, 2009

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**Nicholas-Applegate Convertible & Income Funds Letter to Shareholders**

April 15, 2009

Dear Shareholder:

Please find enclosed the annual reports for the Nicholas-Applegate Convertible & Income Fund and Nicholas-Applegate Convertible & Income Fund II (collectively, the Funds) for the fiscal year ended February 28, 2009.

Corporate securities, including convertible bonds and U.S. stocks, fell sharply during the period as tight credit conditions and global economic slowing prompted investors to favor the relative safety of government bonds. In this environment, the Merrill Lynch All-Convertible Index declined 35.69% and the S&P 500 Index dropped 43.32%. The Barclays Global U.S. Treasury Bond Index rose 5.91% for the 12-month period.

Please refer to the following pages for more 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. You will also find a wide range of information and resources on our Web site, [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

Together with Allianz Global Investors Fund Management LLC, the Funds investment manager, and Nicholas-Applegate Capital Management LLC, the Funds sub-adviser, we thank you for investing with us.

We remain dedicated to serving your financial needs.

Sincerely,

Hans W. Kertess  
*Chairman*

Brian S. Shlissel  
*President & Chief Executive Officer*  
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**Nicholas-Applegate Convertible & Income Fund**  
**Nicholas-Applegate Convertible & Income Fund II**  
**Fund Insights**

February 28, 2009 (unaudited)

For the fiscal 12-month period ended February 28, 2009, Nicholas-Applegate Convertible & Income Fund decreased 55.03% on net asset value and 61.55% on market price.

For the fiscal 12-month period ended February 28, 2009, Nicholas-Applegate Convertible & Income II Fund decreased 58.55% on net asset value and 63.34% on market price.

History books will be written to describe the past year. The simple conclusion was the equity, convertible and debt markets experienced one of the most rapid sell-offs of all time. Investors began 2008 with many questions about different economic scenarios and how the operating performance of issuers would fare. Those generic concerns paled in comparison to the shocking events of 2008.

Most will trace the beginning of the decline to mortgage delinquencies and falling housing prices. The housing downturn led to rapid quality and price declines in collateralized mortgage obligations ( CMOs ). Price declines in the CMO market led to price declines in all collateralized debt and loan obligations (CDOs, CLOs) which, in turn, cut off demand for loans.

Historically, convertibles have offered downside protection versus equities. During the fiscal year, however, the convertible universe performed roughly in line with the S&P 500 and NASDAQ. While the larger financial sector weighted in the Merrill Lynch All Convertible Index partially explained the convertible performance, rapidly widening corporate bond spreads explained the balance.

All industries posted negative returns during the fiscal year for both equities and convertibles. Consumer discretionary underperformance was the most severe of any industry in the market for the fiscal period. Materials, industrials and energy industries also underperformed as the economic data worsened. The best-performing industries were consumer staples and healthcare. These industries performed well because of favorable operating performance as well as an expected flight to quality.

The high-yield market ended 2008 on a positive note, with a record monthly gain in December. However, the final weeks' positive price move did not make up for the sharp price declines experienced during the fiscal period. For 2008, the high-yield market was down 26.4%, according to the Merrill Lynch High Yield Master II Index, a greater decline than any year in history.

Remarkably, with all of the financial chaos and headlines, the fundamentals of the majority of issuers in the high-yield market did not decline as rapidly as in previous cycles. The default rate ended 2008 at 2.25% according to JPMorgan. The average spread in the Merrill Lynch High Yield Master II Index ended the year at more than 1,800 basis points over comparable duration Treasuries. Spreads did eclipse 2,300 basis points in mid-December. In the last cycle (1990-1991), when spreads peaked near 1,200 basis points, the default rate was in excess of 10%. Defaults, or the expectation of imminent default, are the primary driver of spreads. Therefore, technical pressure and fear had a far greater impact on spreads than the relative credit deterioration.

What seemed like an endless sell-off through mid-December sharply reversed during the last weeks of 2008 and was stable for the first couple of months in 2009. The Funds outperformed in both of the record-setting down months of October and November. The Funds' high quality high yield holdings and avoidance of distressed issues helped during the tumultuous markets. As important to outperforming in poor market conditions, the Funds performed equally well in the record-setting rally in late December.

There were many negative high yield contributors during the fiscal period. Retail, Auto Supply and Chemical issuers all underperformed. Operational performance was lower than expectations and the outlook was tempered for these issuers. All of the issues were considered to be oversold and will continue to be monitored.

Concurrent with the collapsing markets, the VIX (ticker symbol for the Chicago Board Options Volatility Index) first peaked in October and then re-peaked in November at an incredulous level of 80.8. These never-before-seen volatility levels were double previous historic highs. In fact, the average volatility during the past three months was 35.7, outpacing historic averages since initial recordings.

The rapid equity market correction and record spreads and yields experienced will be discussed for a long time. We have reviewed the catalysts for this downfall. But, ultimately, investors lost confidence in the equity and debt markets, and those sellers brought more sellers through forced liquidations (from leverage triggers or withdrawals) or through sheer panic.

**Nicholas-Applegate Convertible & Income Fund**

**Nicholas-Applegate Convertible & Income Fund II**

**Fund Insights**

February 28, 2009 (unaudited)

Have the lows been reached? The answer is more difficult when looking at equities, but relatively easy when looking at corporate defaults. The high-yield market reached nearly double prior-cycle trough spreads without a significant increase in defaults. In this case, we believe the credit markets are oversold. Should there be a credit rally we expect convertibles and high yield issues to participate.

The duration of the economic downturn is still not clear. Corporate earnings have been poor and economic statistics are weak and are not likely to rebound in the short-term. Many eyes are watching the Obama administration. How many more TARP (Troubled Assets Relief Program) and other bailout programs will combine with economic stimulus plans to attempt to foster growth? From an investor's standpoint, it will be just as prudent to focus on credit metrics as well as on corporate profits.

Performance has been volatile as investors balance the uncertain outlook for the economy, corporate profits, and equity valuations versus prior cycles. The delevering of the market continued into early 2009, and it is unclear when the process will end. The tug of war between the deteriorating global economy and the massive and expanding global policy response package continued at the end of the fiscal period.

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**Nicholas-Applegate Convertible & Income Fund Performance & Statistics**

February 28, 2009 (unaudited)

<b>Total Return <sup>(1)</sup>:</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 year	(61.55)%	(55.03)%
5 year	(13.46)%	(10.95)%
Commencement of Operations (3/31/03) to 2/28/09	(8.87)%	(5.62)%

**Market Price/NAV Performance:**

Commencement of Operations (3/31/03) to 2/28/09

n Market Price

n NAV

**Market Price/NAV:**

Market Price	\$	4.05
NAV	\$	4.80
Discount to NAV		(15.63)%
Market Price Yield <sup>(2)</sup>		26.67%

**Moody's Ratings  
(as a % of total investments)**

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions 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, market price, market 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 a onetime 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 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 payable to common shareholders by the market price per common share at February 28, 2009.



**Nicholas-Applegate Convertible & Income Fund II Performance & Statistics**

February 28, 2009 (unaudited)

<b>Total Return <sup>(1)</sup>:</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
1 year	(63.34)%	(58.55)%
5 year	(14.74)%	(12.37)%
Commencement of Operations (7/31/03) to 2/28/09	(12.04)%	(8.98)%

**Market Price/NAV Performance:**

Commencement of Operations (7/31/03) to 2/28/09

n Market Price

n NAV

**Market Price/NAV:**

Market Price	\$	3.73
NAV	\$	4.39
Discount to NAV		(15.03%)
Market Price Yield <sup>(2)</sup>		27.35%

**Moody's Ratings  
(as a % of total investments)**

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions 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, market price, market 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 a onetime 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 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 payable to common shareholders by the market price per common share at February 28, 2009.





**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>CORPORATE BONDS &amp; NOTES 45.3%</b>			
<b>Advertising 1.0%</b>			
\$11,450	Affinion Group, Inc., 11.50%, 10/15/15	B3/B-	\$ 7,328,000
<b>Aerospace/Defense 0.2%</b>			
1,730	BE Aerospace, Inc., 8.50%, 7/1/18	Ba3/BB+	1,384,000
<b>Apparel 2.0%</b>			
12,295	Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	10,266,324
5,340	Oxford Industries, Inc., 8.875%, 6/1/11	B2/B+	3,978,300
			14,244,624
<b>Automotive 1.9%</b>			
8,545	Accuride Corp., 8.50%, 2/1/15	Caa2/CCC	2,606,225
14,195	Exide Technologies, 10.50%, 3/15/13, Ser. B	B3/B-	8,446,025
7,490	General Motors Corp., 8.375%, 7/15/33	C/C	1,029,875
9,818	Tenneco, Inc., 8.625%, 11/15/14	Caa2/CCC	1,423,610
			13,505,735
<b>Chemicals 0.3%</b>			
4,890	Momentive Performance Materials, Inc. 9.75%, 12/1/14	B3/B-	1,882,650
<b>Commercial Services 1.8%</b>			
13,665	Genveo Corp., 7.875%, 12/1/13	B3/B	7,857,375

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11,810	Hertz Corp., 10.50%, 1/1/16	B2/B	4,487,800
			12,345,175
<b>Computers 0.4%</b>			
10,325	Unisys Corp., 8.00%, 10/15/12	Caa1/B	2,529,625
<b>Electric 0.6%</b>			
7,475	Energy Future Holdings Corp., 10.875%, 11/1/17	B3/B-	4,298,125
<b>Electronics 1.3%</b>			
12,170	Stoneridge, Inc., 11.50%, 5/1/12	B2/B+	8,884,100
<b>Financial Services 4.4%</b>			
12,725	AMR Holdings Co., 10.00%, 2/15/15	B1/B	12,852,250
	Ford Motor Credit Co.,		
10,795	7.00%, 10/1/13	Caa1/CCC+	5,321,255
8,080	9.875%, 8/10/11	Caa1/CCC+	4,698,964
6,456	GMAC LLC, 6.75%, 12/1/14 (a) (b)	NR/CCC	3,138,003
10,090	KAR Holdings, Inc., 8.75%, 5/1/14	B3/CCC+	4,540,500
			30,550,972
<b>Hand/Machine Tools 0.4%</b>			
3,430	Baldor Electric Co., 8.625%, 2/15/17	B3/B	2,735,425
<b>Healthcare 3.8%</b>			
7,275	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B	6,838,500
8,515	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa1/CCC+	8,515,000
8,065	HCA, Inc., 9.25%, 11/15/16	B2/BB-	7,399,637
3,585	Health Net, Inc., 6.375%, 6/1/17	Ba3/BB	2,419,875
1,350	Psychiatric Solutions, Inc., 7.75%, 7/15/15	B3/B-	1,191,375

26,364,387

**Holding Company-Diversified 0.3%**

2,000	Kansas City Southern Railway, 13.00%, 12/15/13	B2/BB-	2,115,000
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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Home Furnishings 1.1%</b>			
\$ 10,090	Jarden Corp., 7.50%, 5/1/17	B3/B	\$ 7,920,650
<b>Hotels/Gaming 0.4%</b>			
2,385	Mandalay Resort Group, Inc., 2.275%, 3/21/33, FRN (e) (g)	Caa2/CCC	2,575,929
<b>Manufacturing 2.0%</b>			
13,610	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	6,192,550
2,155	Park-Ohio Industries, Inc., 8.375%, 11/15/14	B3/B-	894,325
9,710	Polypore, Inc., 8.75%, 5/15/12	B3/B-	7,233,950
			14,320,825
<b>Metals &amp; Mining 0.4%</b>			
12,735	RathGibson, Inc., 11.25%, 2/15/14	Caa2/B	2,865,375
<b>Multi-Media 1.0%</b>			
8,330	Mediacom LLC, 9.50%, 1/15/13	B3/B-	7,288,750
<b>Office Furnishings 0.5%</b>			
4,835	Interface Inc., 9.50%, 2/1/14	B3/B-	3,505,375
<b>Oil &amp; Gas 0.8%</b>			
6,510	Chesapeake Energy Corp., 6.875%, 1/15/16	Ba3/BB	5,387,025
1,145	OPTI Canada Inc., 8.25%, 12/15/14	B3/BB	395,025
			5,782,050

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**Paper Products 1.1%**

11,705	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	6,115,863
12,945	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	1,877,025
			7,992,888

**Pipelines 0.8%**

9,100	Dynegy Holdings, Inc., 7.75%, 6/1/19	B2/B	5,551,000
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**Retail 4.3%**

7,550	Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/14	Caa1/CCC	2,000,750
8,405	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa2/CCC-	6,513,875
1,000	Inergy L.P., 8.25%, 3/1/16	B1/B+	965,000
12,825	Michaels Stores, Inc., 10.00%, 11/1/14	Caa1/CCC	4,440,656
13,355	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B-	5,625,794
3,309	R.H. Donnelley, Inc., 11.75%, 5/15/15 (a) (b)	B3/CCC-	479,805
11,060	Rite Aid Corp., 8.625%, 3/1/15	Caa3/CCC	2,654,400
9,115	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/B-	7,952,838
			30,633,118

**Semi-Conductors 1.1%**

13,565	Amkor Technology, Inc., 9.25%, 6/1/16	B2/B+	7,732,050
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**Software 1.0%**

12,395	First Data Corp., 9.875%, 9/24/15	B3/B	6,879,225
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**Telecommunications 10.0%**

7,680	Centennial Cellular Operating Co., 10.125%, 6/15/13	B2/B	7,977,600
9,150	Cincinnati Bell, Inc., 8.375%, 1/15/14	B2/B-	8,418,000
5,750	Crown Castle International Corp., 9.00%, 1/15/15	B1/B	5,635,000
13,540	Hawaiian Telcom Communications, Inc.,		

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	12.50%, 5/1/15, Ser. B (f)	WR/NR	203,100
5,895	Intelsat Jackson Holdings Ltd. 9.50%, 6/15/16 (a) (b)	B3/BB-	5,482,350
13,555	Level 3 Financing, Inc., 12.25%, 3/15/13	Caa1/CCC+	9,420,725

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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Telecommunications 10.0% (continued)</b>			
\$ 11,735	MasTec, Inc., 7.625%, 2/1/17	B1/B+	\$ 9,505,350
14,200	Millicom International Cellular S.A., 10.00%, 12/1/13	B1/NR	13,827,250
1,300	Nextel Communications, Inc., 7.375%, 8/1/15	Ba2/BB	598,263
5,385	Sprint Capital Corp., 8.75%, 3/15/32	Ba2/BB	3,250,025
9,750	West Corp., 11.00%, 10/15/16	Caa1/B-	6,288,750
			70,606,413
<b>Theaters 1.7%</b>			
12,940	AMC Entertainment, Inc., 11.00%, 2/1/16	B2/CCC+	11,710,700
<b>Travel Services 0.7%</b>			
14,560	Travelport LLC, 11.875%, 9/1/16	Caa1/CCC+	4,877,600
	Total Corporate Bonds & Notes (cost-\$522,907,301)		318,409,766

**CONVERTIBLE BONDS & NOTES 28.0%**

<b>Advertising 0.7%</b>			
6,920	Interpublic Group Cos., 4.25%, 3/15/23	Ba3/B+	4,766,150
<b>Aerospace/Defense 0.3%</b>			
2,100	Orbital Sciences Corp., 2.438%, 1/15/27	NR/BB-	1,729,875
<b>Automotive 0.5%</b>			



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15,930	Ford Motor Co., 4.25%, 12/15/36	Ca/CCC-	3,643,988
<b>Biotechnology 0.9%</b>			
6,900	Life Technologies Corp., 3.25%, 6/15/25	NR/BB+	6,468,750
<b>Coal 0.7%</b>			
7,600	Peabody Energy Corp., 4.75%, 12/15/41	Ba3/B+	5,187,000
<b>Commercial Services 0.1%</b>			
510	Bowne & Co., Inc., 5.00%, 10/1/33	B3/CCC+	480,675
<b>Computers 1.1%</b>			
8,055	Maxtor Corp., 6.80%, 4/30/10	Ba2/NR	7,561,632
<b>Electrical Components &amp; Equipment 2.6%</b>			
7,740	EnerSys, 3.375%, 6/1/38 (c)	B2/BB	4,653,674
7,730	General Cable Corp., 0.875%, 11/15/13	B1/B+	5,082,475
21,200	JA Solar Holdings Co. Ltd., 4.50%, 5/15/13	NR/NR	8,798,000
			18,534,149
<b>Energy-Alternate Sources 0.8%</b>			
6,680	Covanta Holding Corp., 1.00%, 2/1/27	B1/B	5,469,250
<b>Entertainment 1.3%</b>			
9,970	Regal Entertainment Group, 6.25%, 3/15/11 (a) (b)	NR/NR	9,097,625
<b>Financial Services 1.5%</b>			
10,950	Prudential Financial, Inc. 0.366%, 12/15/37, FRN	A3/A	10,594,125
<b>Internet 0.7%</b>			
6,570	Equinix, Inc., 2.50%, 04/15/12	NR/B-	5,165,663
<b>Machinery-Diversified 0.5%</b>			

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4,625	AGCO Corp., 1.25%, 12/15/36	NR/BB	3,358,906
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**Media 0.8%**

8,080	Liberty Media LLC, 3.125%, 3/30/23	Ba2/BB+	5,746,900
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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Oil &amp; Gas 2.9%</b>			
\$10,155	Nabors Industries, Inc., 0.94%, 5/15/11	NR/BBB+	\$ 8,796,769
13,000	Transocean, Inc., 1.625%, 12/15/37	Baa2/BBB+	11,651,250
			20,448,019
<b>Pharmaceuticals 3.3%</b>			
6,920	Mylan Inc., 1.25%, 3/15/12	NR/B+	5,856,050
7,900	Omnicare, Inc., 3.25%, 12/15/35	B3/B+	5,352,250
12,700	Watson Pharmaceuticals, Inc., 1.75%, 3/15/23	Ba2/BB+	12,255,500
			23,463,800
<b>Real Estate (REIT) 4.4%</b>			
7,035	Boston Properties, 3.75%, 5/15/36	NR/A-	5,258,663
15,790	Developers Diversified Realty Corp., 3.00%, 3/15/12	NR/BBB-	6,947,600
6,105	Health Care REIT, Inc., 4.75%, 12/1/26	Baa2/BBB-	5,395,294
16,115	Vorando Realty Trust, 3.625, 11/15/26	Baa2/BBB	12,912,143
			30,513,700
<b>Retail 2.2%</b>			
21,008	Sonic Automotive, Inc., 5.25%, 5/7/09 (e)	Caa3/CCC-	15,230,800
<b>Semiconductors 0.8%</b>			
6,010	ON Semiconductor Corp., zero coupon, 4/15/24	NR/B+	5,461,588

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### Software 0.2%

2,255	Nuance Communications, Inc., 2.75%, 8/15/27	NR/B-	1,702,525
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### Telecommunications 1.7%

1,900	Anixter International Inc., 1.00%, 02/15/13	NR/BB-	1,420,250
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5,595	Nextel Communications, Inc., 5.25%, 1/15/10	Ba2/BB	5,287,275
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5,855	Qwest Communications International, 3.50%, 11/15/25	B1/B+	5,262,181
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11,969,706

Total Convertible Bonds & Notes (cost-\$231,135,214)			196,594,826
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## CONVERTIBLE PREFERRED STOCK 19.3%

Shares  
(000)

### Agriculture 1.2%

126	Bunge Ltd., 4.875%, 12/31/49	Ba1/BB	8,283,000
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### Banks 1.9%

Wachovia Corp., (d)

546	13.15%, 3/30/09, Ser. GE (General Electric Co.)	Aa3/AA-	4,356,743
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390	14.10%, 4/1/09, Ser. JPM (JP Morgan Chase & Co.)	Aa3/AA-	8,303,133
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2	Wells Fargo & Co., 7.50%, 12/31/49	A2/A	805,000
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13,464,876

### Commercial Services 0.5%

280	United Rentals, Inc., 6.50%, 8/1/28	Caa1/B-	3,690,021
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**Nicholas-Applegate Convertible & Income Fund Schedule of Investments**

February 28, 2009

Shares (000)		Credit Rating (Moody s/S&P)*	Value
<b>Diversified Financial Services 9.8%</b>			
	Bank of America Corp.,		
13	7.25%, 12/31/49, Ser. L	Baa1/BBB	\$ 4,807,800
229	10.00%, 5/11/09, Ser. JNJ (Johnson & Johnson) (d)	A1/AA	11,101,166
113	Citigroup Inc., 6.50%, 12/31/49, Ser. T	Ca/C	1,777,388
	Credit Suisse Group (d),		
531	11.00%, 3/16/09, Ser. MSFT (Microsoft Corp.)	Aa1/AA-	10,372,969
201	11.00%, 4/25/09, Ser. KO (Coca-Cola Corp.)	Aa1/AA-	8,989,388
	Eksportfinans A/S (d),		
419	10.00%, 3/12/09, Ser. HPQ (Hewlett Packard Co.)	Aaa/AA+	14,334,758
93	10.00%, 6/13/09, Ser. AAPL (Apple, Inc.)	Aa1/AA+	12,643,909
	Lehman Brothers Holdings, Inc. (d) (e) (f),		
892	6.00%, 10/12/10, Ser. GIS (General Mills, Inc.)	NR/D	2,869,882
139	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.)	NR/D	1,889,980
2	Preferred Blocker, Inc., 7.00%, 12/31/49 (a) (b)	NR/C	275,691
			69,062,931
<b>Electric 2.2%</b>			
264	AES Trust III, 6.75%, 10/15/29	B3/B-	8,436,000
37	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	7,211,973
			15,647,973
<b>Hand/Machine Tools 1.2%</b>			

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17	Stanley Works, 5.125%, 5/17/12, FRN	A2/A	8,180,525
<b>Metals &amp; Mining 0.4%</b>			
56	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/BB	3,007,620
<b>Oil &amp; Gas 0.9%</b>			
119	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	6,141,375
<b>Pharmaceuticals 0.8%</b>			
31	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	5,329,500
<b>Real Estate (REIT) 0.4%</b>			
649	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B3/CCC	2,739,835
Total Convertible Preferred Stock (cost-\$283,465,374)			135,547,656

### U.S. GOVERNMENT SECURITIES 3.9%

Principal  
Amount  
(000)

\$ 25,715	United States Treasury Notes, 12.50%, 8/15/14 (cost-\$28,248,108)		27,081,135
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### SHORT-TERM INVESTMENTS 3.5%

#### Corporate Bonds & Notes 0.9%

6,600	Interface Inc., 10.375%, 2/1/10 (cost-\$6,667,361)	B1/BB-	6,171,000
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#### Time Deposit 2.6%

18,428	Citibank London, 0.08%, 3/2/09 (cost-\$18,428,633)		18,428,633
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Total Short-Term Investments (cost-\$25,095,994)			24,599,633
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**Total Investments** (cost-\$1,090,851,991) **100.0%**

**\$ 702,233,016**

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**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>CORPORATE BONDS &amp; NOTES 43.2%</b>			
<b>Advertising 1.2%</b>			
\$ 9,900	Affinion Group, Inc., 11.50%, 10/15/15	B3/B-	\$ 6,336,000
<b>Aerospace/Defense 0.2%</b>			
1,270	BE Aerospace, Inc., 8.50%, 7/1/18	Ba3/BB+	1,016,000
<b>Apparel 1.6%</b>			
8,265	Levi Strauss & Co., 9.75%, 1/15/15	B2/B+	6,901,275
2,160	Oxford Industries, Inc., 8.875%, 6/1/11	B2/B+	1,609,200
			8,510,475
<b>Automotive 2.2%</b>			
7,205	Accuride Corp., 8.50%, 2/1/15	Caa2/CCC	2,197,525
12,120	Exide Technologies, 10.50%, 3/15/13, Ser. B	B3/B-	7,211,400
6,425	General Motors Corp., 8.375%, 7/15/33	C/C	883,438
8,775	Tenneco Inc., 8.625%, 11/15/14	Caa2/CCC	1,272,375
			11,564,738
<b>Chemicals 0.2%</b>			
3,110	Momentive Performance Materials, Inc. 9.75%, 12/1/14	B3/B-	1,197,350
<b>Commercial Services 2.0%</b>			
11,730	Cenveo Corp., 7.875%, 12/1/13	B3/B	6,744,750
10,040	Hertz Corp., 10.50%, 1/1/16	B2/B	3,815,200



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			10,559,950
	<b>Computers 0.4%</b>		
8,925	Unisys Corp., 8.00%, 10/15/12	Caa1/B	2,186,625
	<b>Electric 0.7%</b>		
6,385	Energy Future Holdings Corp., 10.875%, 11/1/17	B3/B-	3,671,375
	<b>Electronics 1.4%</b>		
10,335	Stoneridge, Inc., 11.50%, 5/1/12	B2/B+	7,544,550
	<b>Financial Services 4.9%</b>		
10,755	AMR Holdings Co., 10.00%, 2/15/15	B1/B	10,862,550
	Ford Motor Credit Co.,		
9,205	7.00%, 10/1/13	Caa1/CCC+	4,537,485
6,920	9.875%, 8/10/11	Caa1/CCC+	4,024,361
5,544	GMAC LLC, 6.75%, 12/1/14 (a) (b)	NR/CCC	2,694,717
8,710	KAR Holdings, Inc., 8.75%, 5/1/14	B3/CCC+	3,919,500
			26,038,613
	<b>Hand/Machine Tools 0.4%</b>		
2,570	Baldor Electric Co., 8.625%, 2/15/17	B3/B	2,049,575
	<b>Healthcare 3.8%</b>		
6,325	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B	5,945,500
6,985	Hanger Orthopedic Group, Inc., 10.25%, 6/1/14	Caa1/CCC+	6,985,000
5,935	HCA, Inc., 9.25%, 11/15/16	B2/BB-	5,445,363
3,075	Health Net, Inc., 6.375%, 6/1/17	Ba3/BB	2,075,625
			20,451,488

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**Home Furnishings 0.6%**

4,200	Jarden Corp., 7.50%, 5/1/17	B3/B	3,297,000
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**Hotels/Gaming 0.4%**

2,143	Mandalay Resort Group, Inc., 2.275%, 3/21/33, FRN (e) (g)	Caa2/CCC	2,314,523
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**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Manufacturing 2.3%</b>			
\$ 11,965	Harland Clarke Holdings Corp., 9.50%, 5/15/15	Caa1/B-	\$ 5,444,075
1,845	Park-Ohio Industries, Inc., 8.375%, 11/15/14	B3/B-	765,675
8,290	Polypore, Inc., 8.75%, 5/15/12	B3/B-	6,176,050
			12,385,800
<b>Metals &amp; Mining 0.4%</b>			
10,875	RathGibson, Inc., 11.25%, 2/15/14	Caa2/B	2,446,875
<b>Multi-Media 0.8%</b>			
1,000	Echostar DBS Corp., 7.125%, 2/1/16	Ba3/BB-	907,500
4,225	Mediacom LLC, 9.50%, 1/15/13	B3/B-	3,696,875
			4,604,375
<b>Office Furnishings 0.6%</b>			
4,165	Interface Inc., 9.50%, 2/1/14	B3/B-	3,019,625
<b>Oil &amp; Gas 0.8%</b>			
4,740	Chesapeake Energy Corp., 6.875%, 1/15/16	Ba3/BB	3,922,350
855	OPTI Canada, Inc., 8.25%, 12/15/14	B3/BB	294,975
			4,217,325
<b>Paper Products 1.3%</b>			
10,030	Neenah Paper, Inc., 7.375%, 11/15/14	B2/B+	5,240,675

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11,055	NewPage Corp., 12.00%, 5/1/13	B3/CCC+	1,602,975
			6,843,650
<b>Pipelines 1.0%</b>			
8,900	Dynegy Holdings, Inc., 7.75%, 6/1/19	B2/B	5,429,000
<b>Retail 2.5%</b>			
6,450	Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/14	Caa1/CCC	1,709,250
2,125	El Pollo Loco Finance Corp., 11.75%, 11/15/13	Caa2/CCC-	1,646,875
4,975	Michaels Stores, Inc., 10.00%, 11/1/14	Caa1/CCC	1,722,594
11,420	Neiman-Marcus Group, Inc., 10.375%, 10/15/15	B3/B-	4,810,675
2,850	R.H. Donnelley, Inc., 11.75%, 5/15/15 (a) (b)	B3/CCC-	413,250
9,685	Rite Aid Corp., 8.625%, 3/1/15	Caa3/CCC	2,324,400
885	Sally Holdings LLC, 10.50%, 11/15/16	Caa1/B-	772,162
			13,399,206
<b>Semi-Conductors 0.7%</b>			
6,570	Amkor Technology, Inc., 9.25%, 6/1/16	B2/B+	3,744,900
<b>Software 1.1%</b>			
10,605	First Data Corp., 9.875%, 9/24/15	B3/B	5,885,775
<b>Telecommunications 9.0%</b>			
3,150	Centennial Cellular Operating Co., 10.125%, 6/15/13	B2/B	3,272,063
7,850	Cincinnati Bell, Inc., 8.375%, 1/15/14	B2/B-	7,222,000
4,250	Crown Castel International Corp., 9.00%, 1/15/15	B1/B	4,165,000
11,640	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15, Ser. B (f)	WR/NR	174,600
4,455	Intesat Jackson Holdings Ltd., 9.50%, 6/15/16 (a) (b)	B3/BB-	4,143,150
4,698	Level 3 Financing, Inc., 12.25%, 3/15/13	Caa1/CCC+	3,265,110
10,240	MasTec, Inc., 7.625%, 2/1/17	B1/B+	8,294,400

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10,010	Millicom International Cellular S.A., 10.00%, 12/1/13	B1/NR	9,747,237
1,050	Nextel Communications, Inc., 7.375%, 8/1/15	Ba2/BB	483,212

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**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Telecommunications 9.0% (continued)</b>			
\$ 4,615	Sprint Capital Corp., 8.75%, 3/15/32	Ba2/BB	\$ 2,785,305
7,000	West Corp., 11.00%, 10/15/16	Caa1/B-	4,515,000
			48,067,077
<b>Theaters 1.9%</b>			
11,060	AMC Entertainment, Inc., 11.00%, 2/1/16	B2/CCC+	10,009,300
<b>Travel Services 0.8%</b>			
12,440	Travelport LLC, 11.875%, 9/1/16	Caa1/CCC+	4,167,400
	Total Corporate Bonds & Notes (cost-\$393,039,169)		230,958,570
<b>CONVERTIBLE BONDS &amp; NOTES 28.8%</b>			
<b>Advertising 0.7%</b>			
5,480	Interpublic Group Cos., 4.25%, 3/15/23	Ba3/B+	3,774,350
<b>Aerospace/Defense 0.3%</b>			
1,660	Orbital Sciences Corp., 2.438%, 1/15/27	NR/BB-	1,367,425
<b>Automotive 0.6%</b>			
14,260	Ford Motor Co., 4.25%, 12/15/36	Ca/CCC-	3,261,975
<b>Biotechnology 0.9%</b>			

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5,100	Life Technologies Corp., 3.25%, 6/15/25	NR/BB+	4,781,250
<b>Coal 0.8%</b>			
6,325	Peabody Energy Corp., 4.75%, 12/15/41	Ba3/B+	4,316,813
<b>Commercial Services 0.3%</b>			
1,715	Bowne & Co., Inc., 5.00%, 10/1/33	B3/CCC+	1,616,388
<b>Computers 1.1%</b>			
6,060	Maxtor Corp., 6.80%, 4/30/10	Ba2/NR	5,688,825
<b>Electrical Components &amp; Equipment 2.9%</b>			
6,200	EnerSys, 3.375%, 6/10/38 (c)	B2/BB	3,727,750
6,310	General Cable Corp., 0.875%, 11/15/13	B1/B+	4,148,825
18,350	JA Solar Holdings Co. Ltd., 4.50%, 5/15/13	NR/NR	7,615,250
			15,491,825
<b>Energy-Alternate Sources 0.8%</b>			
5,280	Covanta Holding Corp., 1.00%, 2/1/27	B1/B	4,323,000
<b>Entertainment 1.3%</b>			
7,670	Regal Entertainment Group, 6.25%, 3/15/11 (a) (b)	NR/NR	6,998,875
<b>Financial Services 1.7%</b>			
9,300	Prudential Financial, Inc. 0.366%, 12/15/37, FRN	A3/A	8,997,750
<b>Internet 0.8%</b>			
5,230	Equinix, Inc., 2.50%, 4/15/12	NR/B-	4,112,088
<b>Machinery-Diversified 0.5%</b>			
3,820	AGCO Corp., 1.25%, 12/15/36	NR/BB	2,774,275
<b>Media 0.9%</b>			

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6,420	Liberty Media LLC, 3.125%, 3/30/23	Ba2/BB+	4,566,225
<b>Oil &amp; Gas 2.7%</b>			
6,900	Nabors Industries, Inc., 0.94%, 5/15/11	NR/BBB+	5,977,125
9,500	Transocean, Inc., 1.625%, 12/15/37	Baa2/BBB+	8,514,375
			14,491,500

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**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
<b>Pharmaceuticals 3.1%</b>			
5,595	Mylan Inc., 1.25%, 3/15/12	NR/B+	\$ 4,734,769
6,260	Omnicare, Inc., 3.25%, 12/15/35	B3/B+	4,241,150
8,005	Watson Pharmaceuticals, Inc., 1.75%, 3/15/23	Ba2/BB+	7,724,825
			16,700,744
<b>Real Estate (REIT) 4.2%</b>			
3,665	Boston Properties, 3.75%, 5/15/36	NR/A-	2,739,587
11,975	Developers Diversified Realty Corp., 3.00%, 3/15/12	NR/BBB-	5,269,000
4,855	Health Care REIT, Inc., 4.75%, 12/1/26	Baa2/BBB-	4,290,606
12,750	Vorando Realty Trust, 3.625%, 11/15/26	Baa2/BBB	10,215,937
			22,515,130
<b>Retail 2.4%</b>			
17,785	Sonic Automotive, Inc., 5.25%, 5/7/09 (e)	Caa3/CCC-	12,894,124
<b>Semiconductors 0.8%</b>			
4,790	ON Semiconductor Corp., zero coupon, 4/15/24	NR/B+	4,352,913
<b>Software 0.2%</b>			
1,745	Nuance Communications, Inc., 2.75%, 8/15/27	NR/B-	1,317,475
<b>Telecommunications 1.8%</b>			
1,725	Anixter International Inc., 1.00%, 02/15/13	NR/BB-	1,289,437

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4,430	Nextel Communications, Inc., 5.25%, 1/15/10	Ba2/BB	4,186,350
4,640	Qwest Communications International, 3.50%, 11/15/25	B1/B+	4,170,200
			9,645,987
	Total Convertible Bonds & Notes (cost-\$185,457,766)		153,988,937

### CONVERTIBLE PREFERRED STOCK 20.5%

Shares  
(000)

<b>Agriculture 1.3%</b>			
108	Bunge Ltd., 4.875%, 12/31/49	Ba1/BB	7,114,800
<b>Banks 2.1%</b>			
Wachovia Corp. (d),			
483	13.15%, 3/30/09, Ser. GE (General Electric Co.)	Aa3/AA-	3,854,676
347	14.10%, 4/1/09, Ser. JPM (JP Morgan Chase & Co.)	Aa3/AA-	7,397,883
			11,252,559
<b>Commercial Services 0.4%</b>			
162	United Rentals, Inc., 6.50%, 8/1/28	Caa1/B-	2,134,041
<b>Diversified Financial Services 10.6%</b>			
Bank of America Corp.,			
10	7.25%, 12/31/49, Ser. L	Baa1/BBB	3,490,200
202	10.00%, 5/11/09, Ser. JNJ (Johnson & Johnson) (d)	A1/AA	9,797,727
57	Citigroup, Inc., 6.50%, 12/31/49, Ser. T	Ca/C	892,238
Credit Suisse Group (d),			
415	11.00%, 3/16/09, Ser. MSFT (Microsoft Corp.)	Aa1/AA-	8,111,102

158 11.00%, 4/25/09, Ser. KO (Coca-Cola Corp.)

Aa1/AA-

7,058,841

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**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

Shares (000)		Credit Rating (Moody s/S&P)*	Value
<b>Diversified Financial Services 10.6% (continued)</b>			
	Eksportfinans A/S (d),		
371	10.00%, 3/12/09, Ser. HPQ (Hewlett Packard Co.)	Aaa/AA+	\$ 12,695,382
75	10.00%, 6/13/09, Ser. AAPL (Apple, Inc.)	Aa1/AA+	10,199,081
	Lehman Brothers Holdings, Inc. (d) (e) (f),		
802	6.00%, 10/12/10, Ser. GIS (General Mills, Inc.)	NR/D	2,580,029
123	28.00%, 3/6/09, Ser. RIG (Transocean, Inc.)	NR/D	1,672,561
1	Preferred Blocker, Inc., 7.00%, 12/31/49 (a) (b)	NR/C	236,746
			56,733,907
<b>Electric 2.4%</b>			
215	AES Trust III, 6.75%, 10/15/29	B3/B-	6,867,200
30	NRG Energy, Inc., 5.75%, 3/16/09	B2/CCC+	5,721,176
			12,588,376
<b>Hand/Machine Tools 1.1%</b>			
12	Stanley Works, 5.125%, 5/17/12, FRN	A2/A	5,846,600
<b>Metals &amp; Mining 0.4%</b>			
44	Freeport-McMoRan Copper & Gold, Inc., 6.75%, 5/1/10	NR/BB	2,382,380
<b>Oil &amp; Gas 1.0%</b>			
105	Chesapeake Energy Corp., 5.00%, 12/31/49	NR/B	5,425,525
<b>Pharmaceuticals 0.8%</b>			

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25	Schering-Plough Corp., 6.00%, 8/13/10	Baa3/BBB	4,241,500
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**Real Estate (REIT) 0.4%**

501	FelCor Lodging Trust, Inc., 1.95%, 12/31/49, Ser. A	B3/CCC	2,114,853
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Total Convertible Preferred Stock (cost-\$229,918,156)	109,834,541
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**U.S. GOVERNMENT SECURITIES 4.3%**

Principal  
Amount  
(000)

\$	22,035	United States Treasury Notes, 12.50%, 8/15/14 (cost-\$24,205,603)	23,205,630
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**SHORT-TERM INVESTMENTS 3.2%**

**Corporate Bonds & Notes 0.2%**

	1,415	Interface Inc., 10.375%, 2/1/10 (cost-\$1,405,773)	B1/BB-		1,323,025
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**Time Deposit 3.0%**

	15,916	Citibank London, 0.08%, 3/2/09 (cost-\$15,915,755)		15,915,755
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Total Short-Term Investments (cost-\$17,321,528)	17,238,780
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<b>Total Investments (cost-\$849,942,222) 100.0%</b>	<b>535,226,458</b>
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**Nicholas-Applegate Convertible & Income Fund**

**Nicholas-Applegate Convertible & Income Fund II Schedule of Investments**

February 28, 2009

**Notes to Schedules of Investments:**

- \* Unaudited.
- (a) 144A Security-Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (b) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate market value of \$18,473,474 and \$14,486,738, representing 2.6% and 2.7% of total investments in Convertible & Income and Convertible & Income II, respectively.
- (c) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (d) Securities exchangeable or convertible into securities of an entity different than the issuer or structured by the issuer to provide exposure to securities of an entity different than the issuer. Such entity is identified in the parenthetical.
- (e) Fair-Valued Securities with an aggregate value of \$22,566,591 and \$19,461,237, representing 3.2% and 3.6%, of total investments in Convertible & Income and Convertible & Income II, respectively. See Note 1 (a) in the Notes to Financial statements.
- (f) Issuer or security in default.
- (g) Non-income producing.

**Glossary:**

FRN Floating Rate Note. The interest rate disclosed reflects the rate in effect on February 28, 2009.

NR Not Rated

REIT Real Estate Investment Trust

WR Withdrawn Rating

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**Nicholas-Applegate Convertible & Income Funds Statements of Assets and Liabilities**

February 28, 2009

	<b>Convertible &amp; Income</b>	<b>Convertible &amp; Income II</b>
<b>Assets:</b>		
Investments, at value (cost-\$1,090,851,991 and \$849,942,222, respectively)	\$702,233,016	\$535,226,458
Cash		6,748
Interest and dividends receivable	17,934,210	13,479,560
Receivable for investments sold	3,400,230	2,998,894
Prepaid expenses	13,385	69,728
Total Assets	723,580,841	551,781,388
<b>Liabilities:</b>		
Payable for investments purchased	10,666,346	8,562,828
Dividends payable to common and preferred shareholders	6,551,400	5,114,631
Investment management fees payable	396,794	305,018
Excise tax payable	243,363	422,505
Payable to custodian for cash overdraft	11,379	
Accrued expenses	168,044	156,844
Total Liabilities	18,037,326	14,561,826
<b>Preferred Shares (\$0.00001 par value; \$25,000 net asset and liquidation value per share applicable to 14,280 and 10,960 shares issued and outstanding, respectively)</b>	<b>357,000,000</b>	<b>274,000,000</b>

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<b>Net Assets Applicable to Common Shareholders</b>	\$348,543,515	\$263,219,562
<b>Composition of Net Assets Applicable to Common Shareholders:</b>		
Common Stock:		
Par value (\$0.00001 per share)	\$726	\$600
Paid-in-capital in excess of par	1,031,337,413	848,539,941
Undistributed (dividends in excess of) net investment income	(3,835,587)	5,821,704
Accumulated net realized loss	(290,340,062)	(276,426,919)
Net unrealized depreciation of investments	(388,618,975)	(314,715,764)
<b>Net Assets Applicable to Common Shareholders</b>	\$348,543,515	\$263,219,562
Common Shares Issued and Outstanding	72,559,997	59,994,092
<b>Net Asset Value Per Common Share</b>	\$4.80	\$4.39

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**Nicholas-Applegate Convertible & Income Funds Statements of Operations**

Year ended February 28, 2009

	Convertible & Income	Convertible & Income II
<b>Investment Income:</b>		
Interest	\$73,771,986	\$60,787,319
Dividends	48,208,162	40,452,846
Consent fee and other income	512,846	463,002
Total Investment Income	122,492,994	101,703,167
<b>Expenses:</b>		
Investment management fees	8,062,358	6,856,181
Auction agent fees and commissions	1,215,895	1,097,757
Excise tax	243,363	422,505
Shareholder communications	207,630	172,714
Custodian and accounting agent fees	150,421	145,891
Legal fees	149,414	121,039
Trustees fees and expenses	138,064	112,913
Audit and tax services	101,005	136,300
New York Stock Exchange listing fees	59,340	48,681
Transfer agent fees	36,900	36,208
Insurance expense	20,211	17,037

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Miscellaneous	8,529	5,560
Total expenses	10,393,130	9,172,786
<b>Net Investment Income</b>	112,099,864	92,530,381
<b>Realized and Change in Unrealized Loss:</b>		
Net realized loss on investments	(245,263,472)	(235,709,086)
Net change in unrealized appreciation/depreciation of investments	(312,501,685)	(244,500,463)
Net realized and change in unrealized loss on investments	(557,765,157)	(480,209,549)
<b>Net Decrease in Net Assets Resulting from Investment Operations</b>	(445,665,293)	(387,679,168)
<b>Dividends on Preferred Shares from Net Investment Income</b>	(12,382,916)	(11,737,360)
<b>Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Investment Operations</b>	\$(458,048,209)	\$(399,416,528)

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**Nicholas-Applegate Convertible & Income Funds**

**Statements of Changes  
in Net Assets Applicable  
to Common Shareholders**

	<b>Convertible &amp; Income</b>		<b>Convertible &amp; Income II</b>	
	Years ended		Years ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
<b>Investment Operations:</b>				
Net investment income	\$112,099,864	\$115,099,932	\$92,530,381	\$100,319,284
Net realized loss on investments	(245,263,472)	(13,662,703)	(235,709,086)	(12,465,904)
Net change in unrealized appreciation/ depreciation of investments	(312,501,685)	(133,242,027)		