

NICHOLAS APPLGATE CONVERTIBLE & INCOME FUND II
Form N-CSRS
March 09, 2006

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 811-21238

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

1345 Avenue of the Americas, New York, New York 10105
(Address of principal executive offices) (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, 2006

Date of reporting period: December 31, 2005

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.

Nicholas-Applegate Convertible & Income Fund II

Semi-Annual Report
December 31, 2005

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Nicholas-Applegate Convertible & Income Fund II Letter to Shareholders

February 17, 2006

Dear Shareholder:

We are pleased to provide you with the semi-annual report for Nicholas-Applegate Convertible & Income Fund II (the "Fund") for the six-months ended December 31, 2005. Please note that on December 15, 2005, the Board of Trustees announced that the Fund will change its fiscal year-end from June 30th to February 28th.

The second half of 2005 witnessed the Federal Reserve raise short-term interest rates four times, an aggregate increase of 100 basis points (1.0%) . During this period, both the convertible market and broader U.S. equity market produced modest returns while facing surging oil prices, rising interest rates, and a moderating economy. Despite these headwinds, corporate profits exceeded expectations and companies continued to use their strengthened balance sheets to improve shareholder value.

In this environment, the Fund returned of 6.43% based upon net asset value and 1.99% based upon market price for the six months ended December 31, 2005. The Merrill Lynch Convertible Bond All Qualities Index gained 4.36% during the same period, while stocks, as measured by the Standard & Poor's 500 Index (S&P 500) rose 5.77% . Bonds did not fare as well in this rising rate environment, as the Lehman Brothers Aggregate Bond Index, a measure of the broader bond market, declined (0.80)% during the period.

Please refer to the following pages for Specific Fund information. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Fund's shareholder servicing agent at (800) 331-1710. Also, note that a wide range of information and resources can be accessed through Web site, www.allianzinvestors.com.

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

We remain dedicated to serving your investment needs.

Sincerely,

Robert E. Connor

Chairman

Brian S. Shlissel

President & Chief Executive Officer

Nicholas-Applegate Convertible & Income Fund II Performance & Statistics

December 31, 2005 (unaudited)

Symbol:

NCZ

Primary Investments:At least 50% of total assets
in convertible securities.**Inception Date:**

July 31, 2003

Objective:Seeks to provide total return
through a combination of
capital appreciation and high
current income.**Total Net Assets⁽¹⁾ :**

\$1,337.0 million

Portfolio Manager:

Douglas Forsyth

Total Return⁽²⁾ :

Market Price

Net Asset Value (NAV)

Six months

1.99%

6.43%

1 Year

(0.38)%

2.99%

Commencement of Operations (7/31/03) to 12/31/05

8.18%

11.77%

Common Share Market Price/NAV Performance:

Commencement of Operations (7/31/03) to 12/31/05

Market**Price/NAV:**

Market Price

\$13.97

NAV

\$14.46

Market Price

Yield⁽³⁾

9.93%

Discount to NAV

(3.39)%

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **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 each 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 of the Fund's income dividends and capital gain distributions have been reinvested at prices obtained under the dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual return.

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 total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(3) Market Price Yield is determined by dividing the annualized current per share dividend to common shareholders by the market price per common share at December 31, 2005.

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Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

December 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
CORPORATE BONDS & NOTES 40.7%			
Apparel 1.2%			
	Levi Strauss & Co.		
\$ 2,000	9.75%, 1/15/15	Caa2/B-	\$ 2,090,000
5,945	12.25%, 12/15/12	Caa2/B-	6,628,675
2,610	Oxford Industries, Inc., 8.875%, 6/1/11	B2/B	2,658,938
2,840	Phillips-Van Heusen Corp., 8.125%, 5/1/13	B1/BB	2,996,200
1,570	Warnaco, Inc., 8.875%, 6/15/13	B1/B+	1,691,675
			<u>16,065,488</u>
Automotive 0.8%			
2,815	Goodyear Tire & Rubber Co., 11.25%, 3/1/11	B3/NR	3,171,632
10,030	HLI Operating Co., Inc., 10.50%, 6/15/10	Caa3/B-	8,199,525
			<u>11,371,157</u>
Chemicals 4.1%			
4,988	Huntsman LLC, 11.625%, 10/15/10	Ba3/BB-	5,680,085
11,410	IMC Global, Inc., 11.25%, 6/1/11	Ba3/BB	12,265,750
	Lyondell Chemical Co.,		
4,435	9.625%, 5/1/07, Ser. A	B1/BB-	4,629,031
4,315	10.875%, 5/1/09	B3/B	4,482,206
4,565	11.125%, 7/15/12	B1/BB-	5,107,094
4,765	PolyOne Corp., 10.625%, 5/15/10	B3/B+	5,110,463
10,950	Resolution Performance Products LLC, 13.50%, 11/15/10	Caa2/B-	11,579,625
5,560	Rhodia S.A., 10.25%, 6/1/10	B3/CCC+	6,116,000
			<u>54,970,254</u>
Commercial Services 0.8%			
2,300	Hertz Corp., 10.50%, 1/1/16 (a)	B3/B	2,369,000
8,595	Vertrue, Inc., 9.25%, 4/1/14	B2/B	8,788,387
			<u>11,157,387</u>
Diversified Financial Services 2.0%			
9,400	Alamosa Delaware, Inc., 11.00%, 7/31/10	Caa1/CCC+	10,598,500
5,065	AMR Holdings Co., 10.00%, 2/15/15 (a)	Caa1/B-	5,406,887
	Ford Motor Credit Co.,		
2,500	6.875%, 2/1/06	Ba2/BB-	2,494,625

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9,205	7.00%, 10/1/13	Ba2/BB-	7,865,277
1,000	MedCath Holdings Corp., 9.875%, 7/15/12	Caa1/B-	1,055,000
			<hr/>
			27,420,289
			<hr/>
Electric 2.9%			
12,000	AES Corp., 9.50%, 6/1/09	B1/B-	12,960,000
10,250	Mission Energy Holdings Co., 13.50%, 7/15/08	B2/CCC+	11,890,000
9,820	PSEG Energy Holdings LLC, 10.00%, 10/1/09	Ba3/BB-	10,802,000
3,050	Reliant Resources, Inc., 9.50%, 7/15/13	B1/B+	3,057,625
			<hr/>
			38,709,625
			<hr/>
Electronics 2.2%			
9,510	Imax Corp., 9.625, 12/1/10	B3/B-	9,842,850
8,710	Sanmina-SCI Corp., 10.375%, 1/15/10	Ba2/BB-	9,624,550
10,335	Stoneridge, Inc., 11.50%, 5/1/12	B1/B+	10,515,862
			<hr/>
			29,983,262
			<hr/>
Environmental Control 0.7%			
9,060	Imco Recycling, Inc., 10.375%, 10/15/10	B2/B+	9,898,050
			<hr/>
Food Products 0.8%			
9,815	Pilgrim's Pride Corp., 9.625%, 9/15/11	Ba2/BB-	10,452,975
			<hr/>
Healthcare 0.5%			
4,020	Alliance Imaging, Inc., 7.25%, 12/15/12	B3/B-	3,346,650
3,550	Hanger Orthopedic Group, Inc., 11.25%, 6/15/09	NR/CCC+	3,536,687
			<hr/>
			6,883,337
			<hr/>

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

December 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
Home Builders 1.6%			
\$ 11,500	Ryland Group, Inc., 9.125%, 6/15/11	Ba2/BB+	\$ 12,164,436
9,800	William Lyon Homes, Inc., 10.75%, 4/1/13	B2/B	10,118,500
			<u>22,282,936</u>
Household Products 1.6%			
8,750	Central Garden & Pet Co., 9.125%, 2/1/13	B1/B+	9,231,250
11,740	Jarden Corp., 9.75%, 5/1/12	B3/B-	12,092,200
			<u>21,323,450</u>
Iron/Steel 1.9%			
6,490	AK Steel Corp., 7.875%, 2/15/09	B1/B+	6,165,500
5,710	Oregon Steel Mills, Inc., 10.00%, 7/15/09	Ba3/B+	6,109,700
11,450	United States Steel LLC, 10.75%, 8/1/08	Ba2/BB	12,652,250
			<u>24,927,450</u>
Leisure 0.5%			
6,020	Equinox Holdings, Inc., 9.00%, 12/15/09	B3/B-	6,433,875
Lodging 0.9%			
11,080	Mandalay Resort Group, Inc., 10.25%, 8/1/07, Ser. B	Ba3/B+	11,814,050
Machinery-Diversified 0.9%			
11,730	Case New Holland, Inc., 9.25%, 8/1/11	Ba3/BB-	12,551,100
Metals & Mining 0.8%			
9,835	Freeport-McMoRan Copper & Gold, Inc., 10.125%, 2/1/10	B1/B+	10,806,206
Miscellaneous 2.0%			
27,830	Dow Jones CDX High Yield, 10.50%, 12/29/09 (a) (b)	NR/NR	27,273,400
Miscellaneous Manufacturing 0.4%			
5,045	Clarke American Corp., 11.75%, 12/15/13 (a)	B2/B-	5,070,225
Multi-Media 3.6%			
12,291	CCH I LLC, 11.00%, 10/1/15 Ser. AI (a)	Caa3/CCC-	10,324,440
2,285	CSC Holdings Inc., 10.50%, 5/15/16	B3/B	2,433,525
2,700	Lodgenet Entertainment Corp., 9.50%, 6/15/13	B3/B-	2,936,250
7,860	Mediacom Broadband LLC, 11.00%, 7/15/13	B2/B	8,449,500

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5,735	Salem Communications Holding Corp., 9.00%, 7/1/11, Ser. B	B2/B-	6,043,256
6,860	Sirius Satellite Radio, Inc., 9.625%, 8/1/13 (a)	Caa1/CCC	6,757,100
10,055	XM Satellite Radio, Inc., 12.00%, 6/15/10	Caa1/CCC+	11,286,738
			<hr/>
			48,230,809
			<hr/>
Office/Business Equipment 0.5%			
5,935	Xerox Corp., 9.75%, 1/15/09	Ba2/BB-	6,565,594
			<hr/>
Office Furnishings 1.1%			
Interface, Inc.,			
4,625	9.50%, 2/1/14	Caa1/CCC	4,625,000
5,625	10.375%, 2/1/10	B2/B-	6,089,063
3,199	Tempur-Pedic, Inc., 10.25%, 8/15/10	B2/B	3,458,919
			<hr/>
			14,172,982
			<hr/>
Oil & Gas 0.4%			
5,000	Seitel, Inc., 11.75%, 7/15/11	B3/NR	5,562,500
			<hr/>
Paper Products 0.3%			
4,013	Buckeye Technologies, Inc., 9.25%, 9/15/08	Caa1/B	4,013,000
			<hr/>
Pharmaceuticals 0.7%			
9,310	Leiner Health Products, Inc., 11.00%, 6/1/12	Caa1/CCC+	8,751,400
			<hr/>
Pipelines 1.3%			
4,025	Dynegy Holdings, Inc., 10.125%, 7/15/13 (a)	B1/B-	4,548,250
12,240	Sonat, Inc., 7.625%, 7/15/11	Caa1/B-	12,454,200
			<hr/>
			17,002,450
			<hr/>

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

December 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
Real Estate 0.2%			
\$ 2,285	Host Marriot L.P., 9.50%, 1/15/07, Ser. I, REIT	Ba2/BB-	\$ 2,364,975
Retail 3.6%			
4,580	EPL Finance Corp., 11.75%, 11/15/13 (a)	Caa1/CCC+	4,562,825
5,130	GSC Holdings Corp., 8.00%, 10/1/12 (a)	Ba3/B+	4,822,200
3,345	Mothers Work, Inc., 11.25%, 8/1/10	Caa1/B-	3,161,025
7,325	Neiman-Marcus Group, Inc., 10.375%, 10/15/15 (a)	B3/B-	7,444,031
10,000	R.H. Donnelley Financial Corp., 10.875%, 12/15/12	B2/B+	11,275,000
11,460	Rite Aid Corp., 12.50%, 9/15/06	NR/B+	11,990,025
4,315	United Auto Group, Inc., 9.625%, 3/15/12	B3/B	4,541,538
			47,796,644
Semi-Conductors 0.7%			
6,340	Amkor Technology, Inc., 10.50%, 5/1/09	Caa3/CCC	5,832,800
3,205	Avago Technologies Finance, 10.125%, 12/1/13 (a)	B3/B	3,293,137
			9,125,937
Telecommunications 1.7%			
3,700	Hawaiian Telcom Communications, Inc., 12.50%, 5/1/15 (a)	Caa1/CCC+	3,459,500
11,760	Millicom International Cellular S.A., 10.00%, 12/1/13	B3/B-	12,142,200
7,510	Time Warner Telecom, Inc., 10.125%, 2/1/11	Caa1/CCC+	7,866,725
			23,468,425
	Total Corporate Bonds & Notes (cost-\$550,797,538)		546,449,232
CONVERTIBLE BONDS & NOTES 30.9%			
Aerospace 0.1%			
1,000	GenCorp, Inc., 4.00%, 1/16/24	Caa2/B	1,236,250
Airlines 1.1%			
16,300	Continental Airlines, Inc., 4.50%, 2/1/07	Caa2/CCC+	15,281,250
Auto Parts & Equipment 1.4%			
11,700	Goodyear Tire & Rubber Co., 4.00%, 6/15/34 (a)	B3/B-	18,310,500
Chemicals 0.8%			

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5,950	Millennium Chemicals, Inc., 4.00%, 11/15/23	B1/BB-	11,178,562
	Commercial Services 3.0%		
10,125	Bowne & Co., Inc., 5.00%, 10/1/33	B2/B-	10,970,437
17,985	Quebecor World USA, Inc., 6.00%, 10/1/07	B2/B+	17,625,300
11,000	Vertrue, Inc., 5.50%, 10/1/10	NR/B-	11,632,500
			40,228,237
	Computers 1.2%		
15,400	Maxtor Corp., 6.80%, 4/30/10	B2/NR	16,035,250
	Diversified Financial Services 0.7%		
8,758	E*Trade Financial Corp., 6.00%, 2/1/07	NR/B-	8,889,370
	Electric 1.1%		
5,425	PG&E Corp., 9.50%, 6/30/10	NR/NR	15,135,750
	Electrical Components & Equipment 0.9%		
8,150	Artesyn Technologies, Inc., 5.50%, 8/15/10	NR/NR	11,471,125
	Household Products 0.8%		
7,050	American Greetings Corp., 7.00%, 7/15/06	Ba2/BB+	11,315,250
	Metals & Mining 1.5%		
11,200	Freeport-McMoRan Copper & Gold, Inc., 7.00%, 2/11/11	NR/B+	20,244,000
	Multi-Media 1.4%		
18,500	EchoStar Communications Corp., 5.75%, 5/15/08	B2/B	18,130,000
	Oil & Gas 1.1%		
12,500	Devon Energy Corp., 4.95%, 8/15/08	Baa2/BBB	14,453,125

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

December 31, 2005 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
Pharmaceuticals 2.5%			
\$ 8,490	Ligand Pharmaceuticals, Inc., 6.00%, 11/16/07	NR/NR	\$ 15,377,513
18,550	Sepracor, Inc., 5.00%, 2/15/07	NR/CCC+	18,526,812
			<u>33,904,325</u>
Retail 1.9%			
5,200	Guitar Center, Inc., 4.00%, 7/15/13	B1/BB-	7,741,500
18,535	Sonic Automotive, Inc., 5.25%, 5/7/09	B3/B	18,256,975
			<u>25,998,475</u>
Semi-conductors 2.6%			
14,100	Advanced Micro Devices, Inc., 4.75%, 2/1/22 (c)	B3/B-	18,629,625
	Amkor Technology, Inc.		
14,300	5.00%, 3/15/07	Caa3/CCC	13,567,125
3,000	5.75%, 6/1/06	Caa3/CCC	2,981,250
			<u>35,178,000</u>
Telecommunications 6.5%			
16,250	American Tower Corp., 5.00%, 2/15/10	B1/BB-	16,189,063
13,600	CenturyTel, Inc., 4.75%, 8/1/32	Baa2/BBB+	13,889,000
2,650	Crown Castle International, Inc., 4.00%, 7/15/10	NR/NR	6,694,563
17,500	Lucent Technologies, Inc., 8.00%, 8/1/31	B3/CCC+	17,850,000
18,500	Nextel Communications, Inc., 5.25%, 1/15/10	Baa2/A-	18,569,375
1,396	NII Holdings, Inc., 3.50%, 9/15/33	NR/NR	4,681,835
9,940	Nortel Networks Corp., 4.25%, 9/1/08	B3/B-	9,368,450
			<u>87,242,286</u>
Transportation 0.9%			
8,100	Yellow Roadway Corp., 5.00%, 8/8/23	Ba1/BBB-	11,947,500
Trucking/Leasing 1.4%			
15,900	GATX Corp., 7.50%, 2/1/07	Baa3/BBB-	18,662,625
	Total Convertible Bonds & Notes (cost-\$406,818,835)		<u>414,841,880</u>
CONVERTIBLE PREFERRED STOCK 22.7%			

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Shares			
	Automotive 0.4%		
209,200	Ford Motor Co., Capital Trust II, 6.50%, 1/15/32	Ba2/B-	5,773,920
	Banking 1.1%		
275,000	Washington Mutual Capital Trust, 5.375%, 5/3/41	Baa1/BBB	15,010,050
	Commercial Services 1.5%		
468,500	United Rentals, Inc., 6.50%, 8/1/28	Caa2/B	20,028,375
	Diversified Financial Services 3.9%		
100,000	Citigroup Funding, Inc., 4.583%, 9/27/08, Ser. GNW (c)	Aa1/AA-	3,285,000
250,000	E Trade Group, Inc., 6.125%, 11/18/08	B3/NA	7,120,000
500,000	Lehman Brothers Holdings, Inc., 6.25%, 10/15/07	A1/A+	13,145,000
	Morgan Stanley		
190,000	20.00%, 12/14/06	Aa3/A+	14,636,650
250,400	20.00%, 12/22/06	Aa3/A+	14,473,120
			52,659,770
	Electric 2.5%		
344,400	AES Trust III, 6.75%, 10/15/29	B3/CCC+	15,291,360
296,050	FPL Group, Inc., 8.00%, 2/16/06	NR/A-	18,346,219
			33,637,579
	Environmental Control 0.5%		
137,500	Allied Waste Industries, Inc., 6.25%, 4/1/06	Caa3/B	6,649,500
	Food 0.6%		
370,600	Albertson's, Inc., 7.25%, 5/16/07	Baa3/BBB-	8,357,030

Nicholas-Applegate Convertible & Income Fund II Schedule of Investments

December 31, 2005 (unaudited)

Shares		Credit Rating (Moody's/S&P)	Value
<hr/>			
	Gas 0.9%		
357,500	ONEOK, Inc., 8.50%, 2/16/06	Baa2/BBB	\$ 11,611,600
			<hr/>
	Holding Companies 0.7%		
87,500	Williams Holdings of Delaware, Inc., 5.50%, 6/1/33		